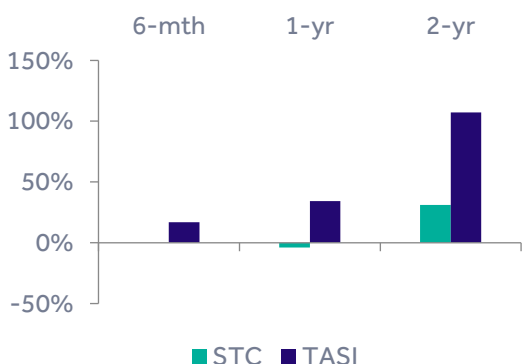


Market Data	
52-week high/low	SAR 139.8/103.2
Market Cap	SAR 232,000 mln
Shares Outstanding	2,000 mln
Free-float	36.00%
12-month ADTV	1,855,273
Bloomberg Code	STC AB



■ Top-line Rises +8% Y/Y

May 08, 2022

Upside to Target Price	7.8%	Rating	Neutral
Expected Dividend Yield	3.4%	Last Price	SAR 116.00
Expected Total Return	11.2%	12-mth target	SAR 125.00

STC	1Q2022	1Q2021	Y/Y	4Q2021	Q/Q	RC Estimate
Sales	16,991	15,695	8%	16,087	6%	16,304
Gross Profit	9,150	8,557	7%	8,516	7%	8,775
Gross Margins	54%	55%		53%		54%
Operating Profit	3,824	3,482	10%	3,204	19%	3,415
Net Profit	3,035	2,952	3%	2,614	16%	2,857

(All figures are in SAR mln)

- Since 4Q2018, STC has continued to grow its revenues on a yearly basis. Topline increased by +8% Y/Y to SAR 17.0 bln this quarter driven by +16% Y/Y growth in Enterprise business unit due to the strong demand from the public and private sectors for innovative products and services. STC also recorded +6% Y/Y growth in its consumer business unit on the back of growth in FTTH subscribers by +4% Y/Y. The wholesale business unit contributed favorably to the top-line with +8% Y/Y growth, aided by +21% Y/Y increase in its international revenues.
- Gross margin has shown some improvement on a quarterly basis, expanding by +91 bps, but contracted by -67 bps Y/Y. We assume that the improvement on a quarterly basis was on the back of improved margins for subsidiaries. Gross profit came in at SAR 9.2 bln (up +7% Y/Y and Q/Q), driven by growth in the top-line as well as the expansion in the gross margins on a quarterly basis.
- EBIT came in at SAR 3.8 bln (up +10% Y/Y, +19% Q/Q), which resulted from the increase in top-line, despite the increase in Opex by SAR 251 mln compared to the same period last year.
- STC reported a bottom-line of SAR 3.0 bln (up +3% Y/Y, +16% Q/Q) beating our SAR 2.9 bln forecast due to greater than expected revenue growth. We maintain our target price at SAR 125.00 and Neutral recommendation.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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