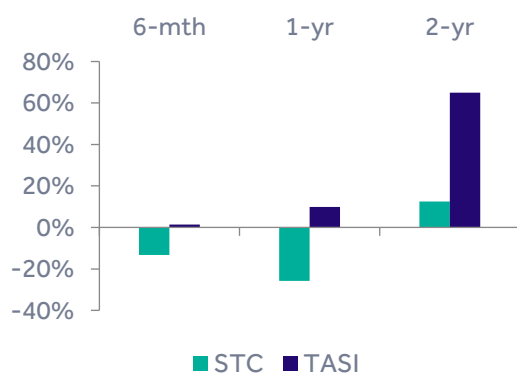


Market Data	
52-week high/low	SAR 138.6/95.2
Market Cap	SAR 203,200 mln
Shares Outstanding	2,000 mln
Free-float	36.00%
12-month ADTV	2,519,019
Bloomberg Code	STC AB



## ■ Bottomline Misses on Extraordinary Items

August 03, 2022

Upside to Target Price	23.0%	Rating	Buy
Expected Dividend Yield	3.9%	Last Price	SAR 101.60
Expected Total Return	26.9%	12-mth target	SAR 125.00

STC	2Q2022	2Q2021	Y/Y	1Q2022	Q/Q	RC Estimate
Sales	16,939	15,899	7%	16,991	(0%)	16,977
Gross Profit	9,174	8,352	10%	9,150	0%	9,167
Gross Margins	54%	53%		54%		54%
Operating Profit	3,720	3,250	14%	3,824	(3%)	3,745
Net Profit	2,837	2,821	1%	3,035	(7%)	3,030

(All figures are in SAR mln)

- For 2Q2022, STC reported revenues of SAR 16.9 bln (matching our estimates), an increase by +7% Y/Y but flat Q/Q. For the 6 months period, revenues increased by +7.4% compared with the same period last year. This growth in the revenues was led by the strong performance of the Enterprise business unit which delivered a growth of +15.9% for the period, supported by the strong growth witnessed in the digital economy.
- Gross profit was stable on a quarterly basis, while it's up by +10% Y/Y to SAR 9.2 bln, matching our estimates. The increase on a yearly basis was on the back of higher revenues and a +163 bps Y/Y increase in gross margin.
- Operating profit also matched our estimates at SAR 3.7 bln (+14% Y/Y, -3% Q/Q). The increase in EBIT on a yearly basis was driven by the growth in revenues as well as improvement in the gross margin.
- STC delivered a bottom-line of SAR 2.8 bln (+1% Y/Y, -7% Q/Q). Three above-mentioned items matched our estimates but net income deviated from our SAR 3.0 bln forecast (-6.4% from our projection). This emanates from an increase in total other expenses by SAR +365 mln Y/Y and SAR +119 mln Q/Q, mainly due to booking of net share in results & impairment of investments in associates and joint ventures of SAR (283) mln compared to SAR +39 mln last year and SAR (229) mln last quarter, as a result of recording an impairment provision related to BGSM investment for an amount of SAR (298) mln compared to nil last year and SAR (239) mln recorded in the previous quarter.

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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](mailto:research@riyadcapital.com)

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