

February 27, 2022

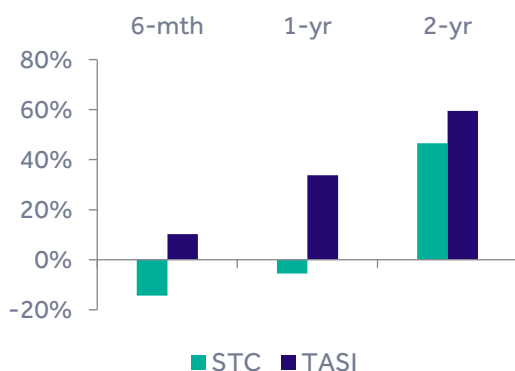
Continuous Growth in the Top-line

Upside to Target Price	10.2%	Rating	Neutral
Expected Dividend Yield	3.5%	Last Price	SAR 113.40
Expected Total Return	13.7%	12-mth target	SAR 125.00

Market Data	
52-week high/low	SAR 139.8/103.2
Market Cap	SAR 226,800 mln
Shares Outstanding	2,000 mln
Free-float	36.00%
12-month ADTV	1,480,635
Bloomberg Code	STC AB

STC	4Q2021	4Q2020	Y/Y	3Q2021	Q/Q	RC Estimate
Sales	16,087	15,213	6%	15,735	2%	15,958
Gross Profit	8,516	8,489	0%	8,369	2%	8,409
Gross Margins	53%	56%		53%		53%
Operating Profit	3,204	3,290	(3%)	3,192	0%	3,248
Net Profit	2,613	2,683	(3%)	2,924	(11%)	2,828

(All figures are in SAR mln)



- For FY 2021, STC reported revenues of SAR 63.4 bln, +8% higher compared with 2020. For 4Q, STC achieved revenues of SAR 16.1 bln, (+6% Y/Y and +2% Q/Q), slightly above our SAR 16.0 bln forecast. The growth was driven by the solid performance of all STC's segments in addition to the growth in STC's subsidiaries.
- Gross margin for 4Q maintained its level on a quarterly basis at 53%, but fell by -287 bps on a yearly basis. However, STC continued to report lower levels of quarterly gross margins during 2021 compared with previous years, as we assume it's due to the higher contribution of Enterprise unit in revenues.
- EBIT was almost flat on a quarterly basis but decreased by -3% on a yearly basis during 4Q. Operating margins contracted both yearly and quarterly by -171 bps Y/Y and -37 bps Q/Q, which resulted from the increase in D&A.
- STC reported a bottomline of SAR 11.3 bln in 2021, an increase by +3% compared with 2020. On a quarterly basis, net income was at SAR 2.6 bln (-3% Y/Y and -11% Q/Q). During 4Q, STC booked a net share in results and impairment of investments in associates and joint ventures of about SAR (860) mln, which partially offset booking net other gains of about SAR 626 mln and net other income of about SAR 170 mln, which resulted in a SAR (64) mln total impact in the net income. 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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