Saudi Telecom Co. (STC)

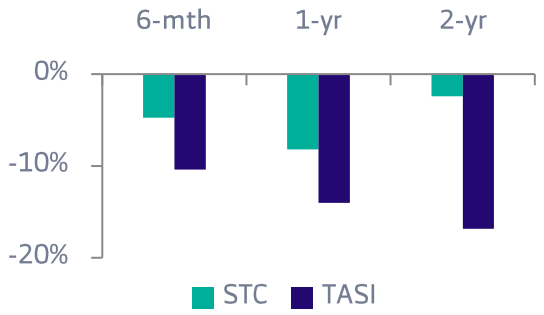
3Q2026 First Look

Other Gains Cushion Higher OPEX

November 1, 2026

Upside to Target Price	21.5%	Rating	Buy
Expected Dividend Yield	5.3%	Last Price	SAR 41.16
Expected Total Return	26.8%	12-mth target	SAR 47.00

Market Data	
52-week high/low	SAR 45.38/39.86
Market Cap	SAR 205,800 mln
Shares Outstanding	5,000 mln
Free-float	37.99%
12-month ADTV	2,555,639
Bloomberg Code	STC AB



STC	3Q2026	3Q2025	Y/Y	2Q2026	Q/Q	RC Estimate
Sales	19,985	19,264	4%	20,171	(1%)	19,970
Gross Profit	9,724	9,251	5%	9,865	(1%)	9,705
Gross Margins	49%	48%		49%		49%
Operating Profit	3,511	3,627	(3%)	3,793	(7%)	3,805
Net Profit	3,599	4,107	(12%)	3,623	(1%)	3,559

(All figures are in SAR mln)

- STC group's 3Q2026 topline grew to SAR 20.0 bln (+4% Y/Y, -1% Q/Q), in line with our SAR 20.0 bln estimate. Growth was driven entirely by subsidiaries, whose revenue jumped +18.5% Y/Y (SAR +1.15 bln). The main contributors were Specialized (up +586% Y/Y, or SAR +411 mln), Solutions (+10% Y/Y, or SAR +296 mln), STC Bank (+54% Y/Y, or SAR +182 mln) and center3 (+35% Y/Y, or SAR +167 mln). In contrast, STC KSA revenue declined -3.3% Y/Y (SAR -0.43 bln) and -4.1% Q/Q, which drove the group's sequential decline. STC KSA's mobile subscribers reached 30.6 mln (+4.8% Y/Y), led by prepaid additions of +1.0 mln to 22.6 mln (+4.8% Y/Y), while fixed subscribers rose to 6.2 mln (+4.0% Y/Y), with fiber-connected households up +7.0% Y/Y to 3.95 mln. Regional subscribers also grew +4.2% Y/Y to 3.32 mln. 9M2026 topline increased +3.7% Y/Y, driven by +1.0% growth at STC KSA and +9.0% growth across subsidiaries.
- Gross profit grew +5% Y/Y to SAR 9.72 bln (-1% Q/Q), in line with our estimate, as gross margin expanded to 48.7% from 48.0% last year. This was driven by subsidiaries' gross margin (net of eliminations), which rose sharply to 32.6% (from 25.5% in 3Q2025) on Specialized and STC Bank, more than offsetting a -71bps contraction in STC KSA's gross margin to 58.1%. However, OPEX came in well above our SAR 5.9 bln estimate at SAR 6.2 bln (+10.5% Y/Y, +2.3% Q/Q), leaving EBITDA broadly flat at SAR 6.18 bln (-0.4% Y/Y). Consequently, operating margin contracted to 17.6% from 18.8% last year and last quarter, below our 19.1% estimate, with operating profit declining to SAR 3.51 bln (-3.2% Y/Y, -7.4% Q/Q).
- Net profit reached SAR 3.60 bln (-12% Y/Y, -1% Q/Q), in line with market consensus of SAR 3.63 bln and our SAR 3.56 bln estimate. The Y/Y decline was mainly due to a SAR (156) mln zakat expense versus a positive SAR 157 mln contribution in 3Q2025, alongside higher net finance costs following increased borrowings. Sequentially, SAR 673 mln of net other gains from land sales and STV fund revaluation offset lower operating profit and higher zakat. Normalized earnings grew +3.6% Q/Q in 3Q2026 and +2.6% Y/Y in 9M2026, per the company. STC announced a SAR 0.55 DPS for the quarter. We trim our target price to SAR 47.00 per share, reflecting weaker operating profitability and rising net debt, and maintain a Buy rating.

Abdulrahman M Barghouth
abdulrahman.barghouth@riyadcapital.com
+966-11-203-6815

الرياض المالية
Riyad Capital

Disclaimer

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

Riyad Capital is a Saudi closed joint stock company with paid-up capital of SAR 500 million. Licensed by the Saudi Arabian Capital Market Authority (No. 07070-37). Commercial Registration No. 1010239234. Head Office: 3128 Financial Boulevard, 6671 Al Aqeeq Dist., Riyadh 13519, Kingdom of Saudi Arabia.
The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.

الرياض المالية
Riyad Capital