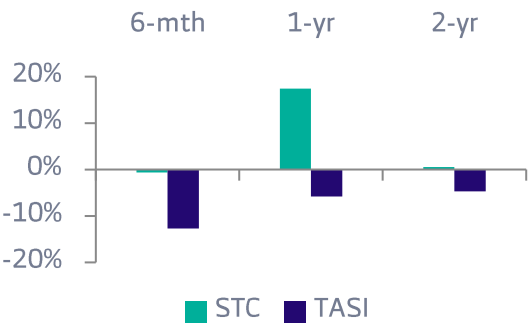


Market Data	
52-week high/low	SAR 48.30/36.40
Market Cap	SAR 208,600 mln
Shares Outstanding	5,000 mln
Free-float	37.98%
12-month ADTV	4,438,758
Bloomberg Code	STC AB



Margin Expansion & Zakat Reversal Boost Profits

August 05, 2025

Upside to Target Price	19.8%	Rating	Buy
Expected Dividend Yield	5.3%	Last Price	SAR 41.72
Expected Total Return	25.1%	12-mth target	SAR 50.00

STC	2Q2025	2Q2024	Y/Y	1Q2025	Q/Q	RC Estimate
Sales	19,451	18,959	3%	19,210	1%	19,248
Gross Profit	9,560	8,832	8%	9,098	5%	9,335
Gross Margins	49%	47%		47%		49%
Operating Profit	3,624	3,533	3%	3,584	1%	3,778
Net Profit	3,823	3,304	16%	3,649	5%	3,548

(All figures are in SAR mln)

- STC group reported SAR 19.5 bln in revenues for 2Q2025, up +3% Y/Y and +1% Q/Q, broadly in line with estimates. Y/Y growth was driven by a +1.7% rise in STC KSA revenues, while subsidiaries grew +4.4%, due to the Commercial and Carriers & Wholesale Units growth of +3.9% and +2.7%, respectively. Q/Q growth was mainly driven by a +4.3% increase in Consumer Unit and +3.4% rise in subsidiaries revenues, with flat STC KSA performance. Among subsidiaries, Solutions (+4.7% Y/Y, +2.7% Q/Q) and STC Bank (+24.1% Y/Y, +17.8% Q/Q) contributed the most to topline growth, while Channels saw a negative impact (-4.2% Y/Y, -9.0% Q/Q). STC KSA mobile subscribers stood at 28.9 mln (-0.1% Q/Q, +5.7% Y/Y), and fixed subscribers rose +1.5% Q/Q and +5.8% Y/Y to 5.98 mln. STC Kuwait subscribers increased +0.5% Q/Q but declined -3.5% Y/Y to 2.23 mln.
- Gross margin expanded to 49.1%, up from 46.6% last year and 47.4% last quarter, beating estimates. This led to gross profit growth of +8% Y/Y and +5% Q/Q, reaching SAR 9.6 bln, above estimates. While conversely, OPEX increased +12% Y/Y and +8% Q/Q to SAR 5.9 bln, driven by higher depreciation & amortization, due to the new spectrum license, and sales & marketing expenses. Consequently, operating profit growth slowed to +3% Y/Y and +1% Q/Q, with a flat operating margin of 18.6%, slightly below estimates.
- Net profit for the quarter reached SAR 3.82 bln (+16% Y/Y, +5% Q/Q), beating market consensus of SAR 3.44 bln and closer to our SAR 3.55 bln estimate. This was supported by a Zakat reversal related to prior years, resulting in a positive Zakat and income tax of SAR 216 mln, compared to last year's Zakat expense of SAR (278) mln, coupled with revaluation gains in venture capital funds' units. STC announced a SAR 0.55 DPS for the quarter. We upgrade our recommendation to Buy, maintaining the target price at SAR 50.00 per share.

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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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