Saudi Telecom Co. (STC)

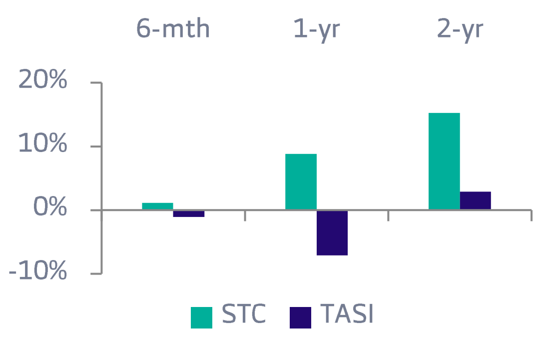
3Q2025 First Look

Normalized Profits Up +19% Y/Y

November 10, 2025

Upside to Target Price	13.6%	Rating	Buy
Expected Dividend Yield	5.0%	Last Price	SAR 44.02
Expected Total Return	18.6%	12-mth target	SAR 50.00

Market Data	
52-week high/low	SAR 48.30/39.35
Market Cap	SAR 220,100 mln
Shares Outstanding	5,000 mln
Free-float	37.98%
12-month ADTV	4,191,407
Bloomberg Code	STC AB



STC	3Q2025	3Q2024	Y/Y	2Q2025	Q/Q	RC Estimate
Sales	19,264	18,598	4%	19,451	(1%)	19,354
Gross Profit	9,251	10,402	(11%)	9,560	(3%)	9,522
Gross Margins	48%	56%		49%		49%
Operating Profit	3,627	4,410	(18%)	3,624	0%	3,814
Net Profit	4,107	4,643	(12%)	3,823	7%	3,437

(All figures are in SAR mln)

- STC group reported revenues of SAR 19.3 bln for 3Q2025 (+4% Y/Y, -1% Q/Q), in line with estimates. All business units contributed to Y/Y growth, led by the Commercial unit (+3.1%), followed by Business (+5.3%), and Carriers & Wholesale (+17.5%). Q/Q decline mainly reflected lower device sales due to seasonality, despite growth in the Commercial (+1.2%), Business (+6.9%), and Carriers & Wholesale (+4.2%) units. Entity wise, STC KSA led the growth by (+4.8% Y/Y, +3.0% Q/Q), while other subsidiaries posted (+0.7% Y/Y, -2.1% Q/Q). STC KSA mobile subscribers reached a new record of 29.2 mln (+1.1% Q/Q, +5.9% Y/Y), and fixed subscribers also hit a record 6.05 mln (+1.2% Q/Q, +6.5% Y/Y), according to our data. Total regional subscribers in Kuwait & Bahrain slightly declined to 3.2 mln from 3.3 mln last year (-2.3% Y/Y).
- Gross margin stood at 48.0%, marginally above the normalized 47.9% last year (excluding the SAR 1.5 bln withholding tax release last year), but down from 49.1% last quarter, and below our 49.2% estimate. This translated into gross profit of SAR 9.3 bln (+4% Y/Y normalized, -3% Q/Q), lower Q/Q on softer revenues and margin. OPEX decreased to SAR 5.6 bln (-6% Y/Y, -5% Q/Q), driven by lower sales & marketing expenses, in line with estimates. Consequently, operating margin came in at 18.8%, up from a normalized 15.6% last year and 18.6% last quarter.
- Net profit for the quarter reached SAR 4.12 bln (-12% Y/Y, +7% Q/Q), beating both market consensus of SAR 3.61 bln and our SAR 3.44 bln estimate. Reported earnings benefited from a Zakat reversal related to prior years, resulting in a positive Zakat and income tax of SAR 157 mln, coupled with revaluation gains on STV LP fund units of SAR 474 mln. This compares to last year's one-offs of SAR 1.5 bln (withholding tax release) and SAR 385 mln (profit from discontinued operations). Excluding all one-offs, normalized profit growth stood at (+19.2% Y/Y, +9.8% Q/Q), as per PR. STC announced a SAR 0.55 DPS for 3Q2025. We maintain our target price at SAR 50.00 and Buy recommendation.

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

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Riyad Capital

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

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