

Market Data	
52-week high/low	SAR 46.00/33.95
Market Cap	SAR 214,000 mln
Shares Outstanding	5,000 mln
Free-float	36.00%
12-month ADTV	3,694,281
Bloomberg Code	STC AB



## Record Revenues in 2023

Upside to Target Price	9.8%
Expected Dividend Yield	3.7%
Expected Total Return	13.5%

## February 21, 2024

Rating	Neutral
Last Price	SAR 42.80
12-mth target	SAR 47.00

STC	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	17,725	17,375	2%	18,106	(2%)	18,205
Gross Profit	8,929	9,028	(1%)	9,747	(8%)	9,667
Gross Margins	50%	52%		54%		53%
Operating Profit	2,851	2,968	(4%)	4,338	(34%)	3,623
Net Profit	2,274	2,758	(18%)	4,904	(54%)	3,043

(All figures are in SAR mln)

- For FY2023, STC reported SAR 72.3 bln in revenues, +7% higher compared with 2022, driven by growth in Subsidiaries revenues (+23.9% Y/Y) and the Commercial unit (+5.1% Y/Y). 4Q revenues stood at SAR 17.7 bln, up +2% Y/Y but down -2% Q/Q and -3% below our estimate. Fixed subscribers ended the year at 5.57 mln (0.36% Y/Y) while Mobile subscribers grew by +10.9% to 26.47 mln, led primarily by an increase in prepaid customers from 17.6 mln last year to 19.7 mln this year.
- FY2023 gross profit saw a marginal increase of +1% Y/Y to SAR 37.8 bln despite a decline in gross margins to 52.3% in 2023 from 55.5% in 2022. 4Q2023 gross profit dipped by -1% Y/Y and -8% Q/Q also due to a contraction in gross margins. 4Q gross margin of 50.4% is 158 bps lower Y/Y and 346 bps Q/Q.
- 4Q2023 bottomline declined by -18% Y/Y and -54% Q/Q to SAR 2.27 bln versus market consensus and our forecast of SAR 3.0 bln. Deviation versus our estimates is largely due to lower than expected gross margins. The -54% sequential decline is mainly attributed to the land sale and provision reversal totaling SAR 1.9 bln that occurred in 3Q23.
- Despite lackluster 4Q bottomline, investors would be pleased with a SAR 1.00/share special dividend in addition to its regular quarterly SAR 0.40/share dividend, taking the full year DPS to SAR 2.60. As the stock price is closer to our SAR 47.00 target now, we change our recommendation from Buy to Neutral.

**Abdulrahman M Barghouth**

[abdulrahman.barghouth@riyadcapital.com](mailto:abdulrahman.barghouth@riyadcapital.com)

+966-11-203-6815

## ■ 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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