

Market Data	
52-week high/low	SAR 106.60/72.30
Market Cap	SAR 212,000 mln
Shares Outstanding	2,000 mln
Free-float	30%
12-month ADTV	1,016,175
Bloomberg Code	STC AB



Better Gross Margin on Lower MTR

October 25, 2020

Upside to Target Price	(0.9%)	Rating	Neutral
Expected Dividend Yield	3.8%	Last Price	SAR 106.00
Expected Total Return	2.8%	12-mth target	SAR 105.00

STC	3Q2020	3Q2019	Y/Y	2Q2020	Q/Q	RC Estimate
Sales	14,881	14,114	5%	14,920	(0%)	14,622
Gross Profit	8,971	7,921	13%	8,341	8%	8,188
Gross Margins	60%	56%		56%		56%
Operating Profit	3,460	3,328	4%	3,062	13%	3,008
Net Profit	2,766	2,746	1%	2,724	2%	2,706

(All figures are in SAR mln)

- STC achieved a topline of SAR 14.9 bln, up +5% Y/Y and flat Q/Q supported by increased fiber subscribers and higher data income from consumer business unit. Enterprise unit and wholesale revenues also improved, supported by higher demand for the company's products.
- Gross profit reached SAR 9 bln this quarter while gross margins expanded by +400 bps Y/Y to reach 60%, due to decline in COGS, mainly because of the reduction in MTR.
- EBIT increased by +4% Y/Y and +13% Q/Q on back of higher topline, despite the increase in operating expenses by SAR 919 mln, due to rise in doubtful debt provision and higher S&M expenses as well as higher depreciation and amortization expenses.
- STC reported a net income of SAR 2.77 bln (+1% Y/Y, +2%Q/Q) inline with our SAR 2.71 bln forecast and market expectations of SAR 2.67 bln. The stock is trading close to our target price of SAR 105.00, we maintain our 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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