

Result update

Saudi Telecom Co

Sector: Telecom

18 November 2025

HOLD

- **Topline performance comes marginally lower than expected on lower contribution from subsidiaries.**
- **Gross margins declined on account of higher base, though control over operating expenses and one-offs in the form of Zakat reversals and net other gains aids net income growth.**
- **We maintain our target price of SAR44 per share and do not see much upside to the stock from current levels, implying a HOLD rating.**

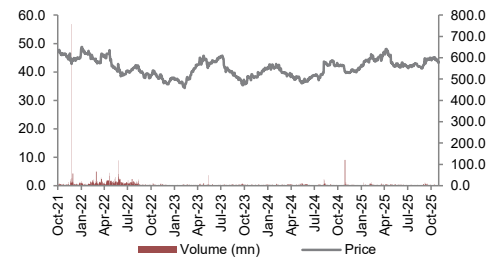
Target price (SAR) 44.00

Current price (SAR) 43.40

Return +1.4%

Saudi Telecom Co. (STC) reported 3Q25 revenue of SAR 19.3bn, marking a 3.6% YoY increase but falling marginally short of our SAR 19.4bn estimate by 0.8%. The shortfall was primarily due to weaker-than-expected subsidiary performance. Among key subsidiaries, Solutions reported a 12.5% YoY revenue increase, STC Bank grew 5.0% YoY, and STC Bahrain grew 3.6% YoY. Sirar (Advanced Technology and Cybersecurity Company) on the other hand grew 27.8% YoY. However, Channels recorded a 3.9% YoY decline. Centre3 (Digital Centers for Data and Telecommunications) posted a 4.9% YoY decline, and STC Kuwait saw revenue fall 2.4% YoY. STC's core telecom operations grew 4.8% YoY, driven by a 6.4% YoY increase in fixed subscribers and 5.9% YoY growth in mobile subscribers. Gross profit declined 11.1% YoY, with gross margins falling to 48.0% in 3Q25 from 55.9% in 3Q24. The prior-year margin benefited from a one-off tax reversal on interconnection charges of SAR1.5bn, which had caused core telecom margins to increase to 72.2% in 3Q24. The margins are back to normalized levels of 58.8% in 3Q25. Among key subsidiaries, Channels (27.9% in 3Q25 vs. 22.4% in 3Q24) and STC Bahrain (52.6% in 3Q25 vs. 50.6% in 3Q24) recorded margin improvements. Solutions, however, saw margins decline to 24.5% in 3Q25 from 28.2% in 3Q24. Operating expenses remained in control, declining 6.1% YoY to SAR 5.6bn, mainly due to lower SG&A. Finance costs fell 3.1% YoY, reflecting lower cost of funds. STC's net income came in at SAR 4.1bn, down 11.5% YoY but beating our forecast by 26.7%. The upside was driven by higher net other gains and Zakat reversals of SAR 157mn. Excluding these effects, operating performance was broadly in line with expectations.

Valuation: STC continues to benefit from its dominant position in the Saudi telecom market as the undisputed leader. However, the industry remains highly competitive and mature. As a result, topline growth from core telecom operations is likely to be limited, though it should remain steady in the low single digits over the medium term. We expect revenue growth to be driven primarily by the performance of its subsidiaries, although margins are likely to come under pressure as subsidiaries account for a larger share of additional revenue. STC's 9M25 financial performance has remained broadly in line with our expectations. While topline growth was marginally below forecast, effective control over operating expenses supported an EBIT beat of 3.7% for 3Q25. The company is currently trading at 16x its 2026e EPS and offers a c.5% dividend yield, which provides limited upside to the stock. We therefore maintain our target price of SAR 44 per share, implying a HOLD rating.



Exchange Index weight (%) Saudi Arabia 4%

(mn)	SAR	USD
Market Cap	217,000	57,862
Enterprise value	220,558	58,812

Major shareholders	
Public Investment Fu	62.0%
Vanguard Group Inc/T	1.7%
Blackrock Inc	1.2%
Others	35.1%

Valuation Summary (TTM)	
PER TTM (x)	18.3
P/Book (x)	2.6
EV/EBITDA (x)	9.2
Dividend Yield (%)	5.1
Free Float (%)	35%
Shares O/S (mn)	5,000
YTD Return (%)	13%
Beta	1.0

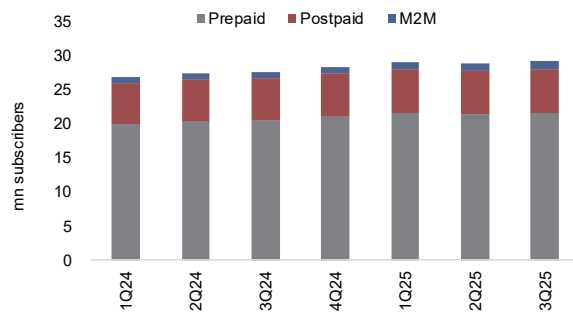
Key ratios	2022	2023	2024
EPS (SAR)	2.43	2.66	4.94
BVPS (SAR)	14.70	15.85	17.93
DPS (SAR)	1.60	2.60	3.75
Payout ratio (%)	66%	98%	76%

Price performance (%)	1M	3M	12M
Saudi Telecom Co	-3%	1%	13%
Tadawul All Share Index	-6%	1%	-6%

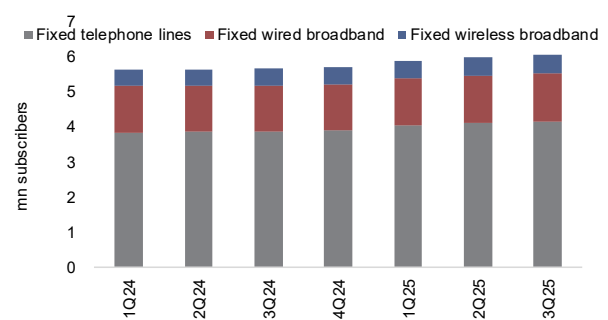
52 week	High	Low	CTL*
Price (SAR)	46.20	37.64	15.3

* CTL is % change in CMP to 52wk low

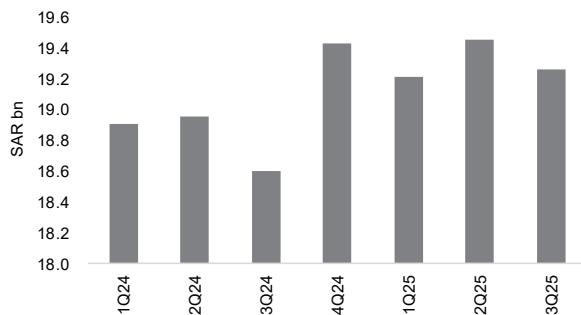
Mobile base improves on growth across segments



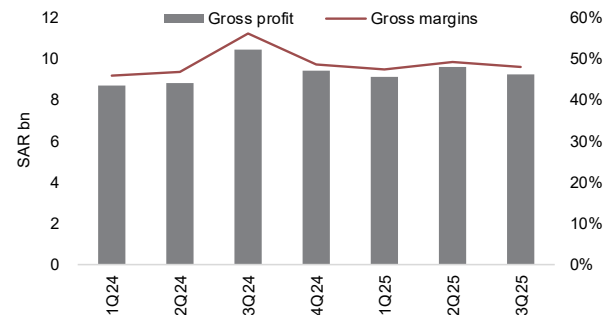
Wireless and fixed line drive subscribers movement



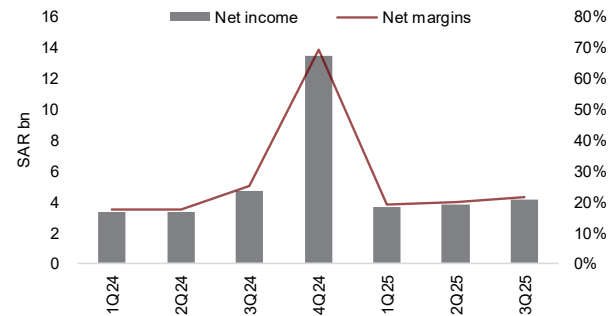
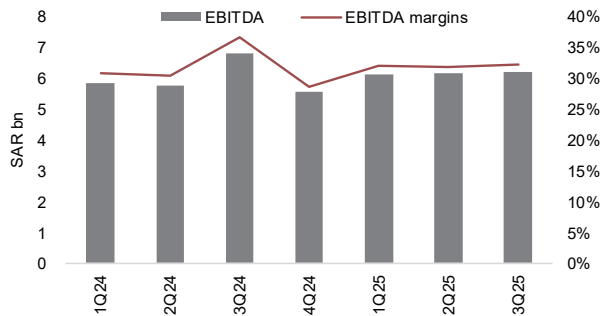
Telecom operation and certain subsidiaries drives topline



Margins steady, though down YoY on higher base



Control over opex aids a marginal QoQ improvement in EBITDA margins; this along with tax writeback aids net income



Income Statement (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Revenue	63,008	67,432	71,777	75,893	78,152	80,510	82,908	85,148
Cost of sales	(29,214)	(30,038)	(37,037)	(38,593)	(40,571)	(41,915)	(43,322)	(44,627)
Gross profit	33,794	37,393	34,740	37,300	37,580	38,595	39,586	40,521
Operating expenses	(20,666)	(22,305)	(21,579)	(22,875)	(22,850)	(23,716)	(24,558)	(25,365)
Operating profit	13,128	15,088	13,161	14,426	14,730	14,880	15,027	15,156
Other income	(252)	(1,524)	412	(2,775)	(43)	(44)	(45)	(46)
Finance expenses - Net	(241)	(94)	414	484	318	395	389	402
Earnings before tax	12,635	13,470	13,987	12,134	15,005	15,230	15,371	15,513
Tax	(1,040)	(1,083)	(1,327)	(1,192)	683	(1,496)	(1,509)	(1,523)
Earnings before MI	11,595	12,387	12,660	10,943	15,688	13,735	13,862	13,989
Income from discontinued operations	0	0	759	13,973	0	0	0	0
Minority interest	(283)	(216)	(124)	(228)	(304)	(266)	(269)	(271)
Net income	11,311	12,171	13,295	24,689	15,383	13,468	13,593	13,718

Balance Sheet (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Property and equipment	47,205	46,645	48,701	41,514	43,163	44,812	46,465	48,108
Intangibles	10,735	11,775	17,001	14,954	15,844	16,690	17,502	18,278
Right to use assets	2,952	3,030	3,894	1,352	1,992	2,524	2,973	3,353
Other non-current assets	15,420	14,979	19,273	30,050	30,540	31,038	31,544	32,059
Total non-current assets	76,311	76,430	88,869	87,871	91,539	95,065	98,485	101,798
Contract assets	5,733	6,624	7,034	7,840	8,073	8,317	8,565	8,796
Receivables	24,857	23,179	21,401	22,223	22,884	23,575	24,277	24,933
Inventories	918	1,023	1,905	1,889	1,986	2,052	2,121	2,185
Cash & Cash Equivalents	8,281	17,794	13,371	15,543	16,716	16,454	16,719	17,302
Short term murabaha	7,944	7,989	14,767	15,212	15,212	15,212	15,212	15,212
Other current assets	3,735	4,181	12,297	10,059	10,159	10,260	10,362	10,466
Total current assets	51,468	60,790	70,776	72,767	75,031	75,871	77,256	78,894
Total assets	127,779	137,220	159,646	160,638	166,570	170,936	175,741	180,692
Share Capital	20,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total reserves	49,271	23,500	28,985	39,417	43,800	46,268	48,861	51,579
Minority interest	2,115	2,526	2,530	3,069	3,373	3,639	3,908	4,179
Total equity	71,386	76,026	81,515	92,485	97,173	99,907	102,769	105,758
Short term borrowings	1,457	277	8,316	392	0	0	0	109
Short term lease liabilities	870	913	948	593	275	182	157	153
Trade payables	17,114	20,708	21,823	22,627	23,787	24,575	25,400	26,165
Contract liabilities	3,592	4,671	4,134	4,067	4,276	4,417	4,565	4,703
Other current liabilities	10,528	9,831	12,403	11,277	11,427	11,564	11,703	11,840
Total current liabilities	33,561	36,400	47,623	38,956	39,765	40,738	41,826	42,970
Long term debt	7,847	10,214	13,642	14,740	15,132	15,132	15,132	15,023
Long term lease liabilities	2,354	2,383	3,328	1,571	728	482	416	404
Other non-current liabilities	12,633	12,197	13,538	12,886	13,773	14,677	15,598	16,537
Total non-current liabilities	22,833	24,794	30,508	29,197	29,633	30,291	31,146	31,963
Total Liabilities	56,393	61,194	78,131	68,153	69,398	71,029	72,972	74,934
Equity and liabilities	127,779	137,220	159,646	160,638	166,570	170,936	175,741	180,692

Cash Flows (SAR mn)	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Cash from operations	11,220	26,354	22,418	19,885	26,239	24,371	25,045	25,660
Cash from investments	(1,715)	(8,579)	(28,383)	(7,179)	(11,733)	(12,087)	(12,446)	(12,783)
Cash from financing	(10,235)	(8,256)	1,591	(10,495)	(13,334)	(12,546)	(12,335)	(12,294)
Net changes in cash	(730)	9,520	(4,375)	2,211	1,172	(261)	264	583
Closing balance (C/b)	8,281	17,794	13,371	15,543	16,716	16,454	16,719	17,302

Ratios	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Per Share (SAR)								
EPS	2.3	2.4	2.7	4.9	3.1	2.7	2.7	2.7
BVPS	13.9	14.7	15.8	17.9	18.8	19.3	19.8	20.3
DPS	1.6	1.6	2.6	3.8	2.2	2.2	2.2	2.2
FCF/share	1.9	3.6	(1.2)	2.5	2.9	2.5	2.5	2.6
Valuations								
M.Cap (SAR mn)	243,400	208,350	199,150	203,875	217,000	217,000	217,000	217,000
EV (SAR mn)	241,816	198,879	199,774	193,483	204,579	204,768	204,682	204,353
EBITDA (SAR mn)	22,841	25,079	22,445	23,926	24,447	25,136	25,794	26,407
P/E	21.5	17.1	15.0	8.3	14.1	16.1	16.0	15.8
EV/EBITDA	10.6	7.9	8.9	8.1	8.4	8.1	7.9	7.7
EV/Sales	3.8	2.9	2.8	2.5	2.6	2.5	2.5	2.4
P/BV	3.5	2.8	2.5	2.3	2.3	2.3	2.2	2.1
P/S	3.9	3.1	2.8	2.7	2.8	2.7	2.6	2.5
Div. yield	3.3%	3.8%	6.5%	9.2%	5.1%	5.1%	5.1%	5.1%
Liquidity								
Cash Ratio	0.2	0.5	0.3	0.4	0.4	0.4	0.4	0.4
Current ratio	1.5	1.7	1.5	1.9	1.9	1.9	1.8	1.8
Quick ratio	1.5	1.6	1.4	1.8	1.8	1.8	1.8	1.8
Return ratio								
ROA	9.1%	9.0%	7.9%	6.8%	9.4%	8.0%	7.9%	7.7%
ROE	16.3%	16.6%	16.8%	27.6%	16.4%	14.0%	13.7%	13.5%
ROCE	15.6%	16.8%	12.2%	13.1%	13.0%	12.9%	12.7%	12.5%
Cash cycle								
Payables turnover	1.7	1.5	1.7	1.7	1.7	1.7	1.7	1.7
Receivables turnover	2.5	2.9	3.4	3.4	3.4	3.4	3.4	3.4
Inventory turnover	31.8	29.4	19.4	20.4	20.4	20.4	20.4	20.4
Payable days	214	252	215	214	214	214	214	214
Receivables days	144	125	109	107	107	107	107	107
Inventory days	11	12	19	18	18	18	18	18
Cash Cycle	(70)	(135)	(92)	(90)	(90)	(90)	(90)	(90)
Profitability ratio								
EBITDA margins	36.3%	37.2%	31.3%	31.5%	31.3%	31.2%	31.1%	31.0%
Operating margins	20.8%	22.4%	18.3%	19.0%	18.8%	18.5%	18.1%	17.8%
Net margins	18.0%	18.0%	18.5%	32.5%	19.7%	16.7%	16.4%	16.1%
Leverage								
Total debt (SAR mn)	12,526	13,787	26,233	17,296	16,134	15,796	15,705	15,688
Net debt (SAR mn)	4,245	(4,008)	12,861	1,752	(581)	(658)	(1,014)	(1,614)
Debt/Capital	14.9%	15.4%	24.3%	15.8%	14.2%	13.7%	13.3%	12.9%
Debt/Total assets	9.8%	10.0%	16.4%	10.8%	9.7%	9.2%	8.9%	8.7%
Debt/Equity	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.1

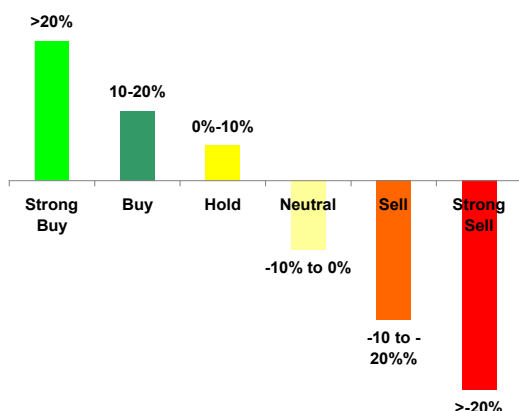
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Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

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