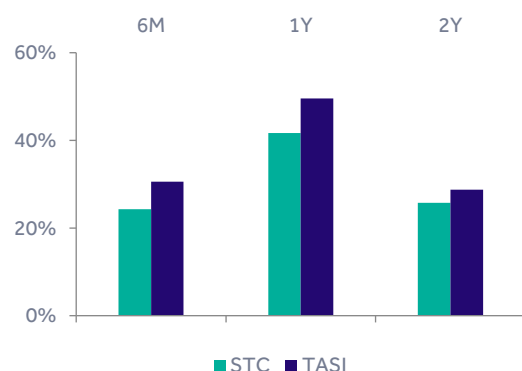


| Market Data | |
|--------------------|-----------------|
| 52-week high/low | SAR 139.8/95.4 |
| Market Cap | SAR 272,800 mln |
| Shares Outstanding | 2,000 mln |
| Free-float | 30% |
| 12-month ADTV | 691,136 |
| Bloomberg Code | STC AB |



Continued Improvement in all Business Units

August 04, 2021

Upside to Target Price (8.4%)
 Expected Dividend Yield 2.9%
 Expected Total Return (5.5%)

Rating Neutral
 Last Price SAR 136.40
 12-mth target SAR 125.00

| STC | 2Q2021 | 2Q2020 | Y/Y | 1Q2021 | Q/Q | RC Estimate |
|------------------|--------|--------|-----|--------|------|-------------|
| Sales | 15,899 | 14,920 | 7% | 15,695 | 1% | 15,852 |
| Gross Profit | 8,352 | 8,341 | 0% | 8,557 | (2%) | 8,877 |
| Gross Margins | 53% | 56% | | 55% | | 56% |
| Operating Profit | 3,250 | 3,062 | 6% | 3,482 | (7%) | 3,614 |
| Net Profit | 2,821 | 2,724 | 4% | 2,952 | (4%) | 3,046 |

(All figures are in SAR mln)

- STC achieved all time high quarterly revenues of SAR 15.9 bln, up +7% Y/Y and +1% Q/Q, in line with our SAR 15.9 bln forecast. Revenue growth was reinforced by the growth in Enterprise unit, Wholesale unit, and Consumer unit coupled with a better performance of STC's subsidiaries.
- Gross profit came in at SAR 8.4 bln for the quarter while gross margins shrank by -337 bps Y/Y and -199 bps Q/Q to reach 53%, due to an increase in costs.
- EBIT increased by +6% Y/Y due to a reduction in operating expenses by SAR 177 mln on account of a decrease in G&A expenses and S&M expenses. In contrast, EBIT declined by -7% Q/Q as a result of an increase in operating expenses by SAR 27 mln.
- STC reported a net income of SAR 2.8 bln, missed both our and market expectations at SAR 3.0 bln. Bottomline decreased by -4% Q/Q but increased by +4% Y/Y despite the increase in other expenses compared to the same period last year, as a result of booking gains from sale of shares in 2Q2020.
- We raise our target price to SAR 125.00 but maintain a Neutral recommendation.

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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
For any feedback on our reports, please contact research@riyadcapital.com

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