March 2026

Saudi Tadawul Group Holding Co.

Investment Update

Short-term pressure from global uncertainties and tighter margins, but long-term growth outlook intact; maintain "Neutral" with a lower TP.

Saudi Tadawul Group (STG) continues to navigate a demanding macroeconomic landscape defined by geopolitical headwinds and a liquidity crunch, which resulted in a 30.6% Y/Y decline in average daily traded value (ADTV) for FY25. While trading activity remains subdued in early 2026, we anticipate a recovery in H2-26, catalyzed by easing domestic liquidity and favorable regulatory shifts, such as potential increases in Foreign Ownership Limits (FOL). Consequently, we forecast a 10.1% rebound in ADTV for FY26E and continued growth later. Near-term profitability faces pressure from a partially fixed cost base, increased finance costs due to increased debt, and strategic investments in technology and infrastructure, with gross margins expected to moderate to 55.5% in FY26E. However, the long-term outlook remains robust. STG's strategic shift toward non-transaction-based income has proved resilient, with non-ADTV streams now contributing 59.0% of total operating revenue. Supported by Vision 2030-led reforms and a healthy IPO pipeline, we forecast a revenue CAGR of 9.3% and a net profit CAGR of 16.9% over FY25-30E. Furthermore, strong free cash flow generation of SAR 440mn in FY25 supports the current 70% dividend payout ratio, with expectations for this to exceed 75% by FY30E. Consequently, we revise our Target Price to SAR 155.4/share, while maintaining our "Neutral" rating.

Q4-25 earnings were dragged by lower trading value and drop in Data and Technology revenue, partly offset by one-off cost reversals: STG's net profit plunged 17.2% Y/Y in Q4-25 to SAR 96mn, beating our estimate of SAR 78mn. The deviation from our estimate was mainly attributed to the higher-than-expected gross margin, which benefited from one-off reversal of costs worth SAR 30-35mn. Revenue fell 14.4% Y/Y to SAR 296mn, broadly in line with our estimate of SAR 308mn. The decline was driven by ~28% Y/Y decline in ADTV (Main market). Capital market segment revenue decreased 20.4% Y/Y with trading services plunging by 30.5% Y/Y, while listing services fell 1.0% Y/Y. The post-trade services segment revenue (-12.8% Y/Y) was also affected by lower ADTV, while the data and technology segment revenue declined 9.1% Y/Y owing to decrease in Direct FN revenue. Gross profit declined 15.5% Y/Y to SAR 186mn (above AJBC's estimate of SAR 157mn). GP margin decreased ~80 bps to 62.6% but was significantly above our expectations of 50.9% as there was reversal of technology and network costs worth SAR 30-35mn related to a data center agreement. Excluding this one-off GP margin would have been in line with our estimate. Operating profit witnessed a drop of 29.2% Y/Y to SAR 74mn (AJBC estimate: SAR 52mn), as G&A expenses remained steady despite a plunge in revenue. Operating margin contracted to 25.0% vs. 30.2% in Q4-24 (AJBC estimate: 16.9%).

Near-term pressure from global headwinds, long-term growth story intact; potential FOL limit increase could be a key catalyst: STG faces near-term headwinds from global macroeconomic uncertainties, geopolitical headwinds, higher interest rates and local liquidity crunch, which have weighed on market liquidity and investor sentiment. This is reflected in a 30.6% Y/Y drop in average daily traded value (ADTV) during FY25. Although trading activity remains subdued in Q1-26 till now, we expect some recovery later this year, particularly in H2-26, potentially driven by i) favorable regulatory changes such as increase in foreign ownership limit (FOL), ii) easing domestic liquidity situation. These factors would boost ADTV and positive sentiment may translate into increased listing activity. Thus, we project 10.1% increase in ADTV to SAR 5.8bn in FY26E, supporting recovery in both Capital Markets and Post-trade Services segment. While we revise our near- to medium-term projections downward, our long-term outlook remains intact, underpinned by structural drivers such as Vision 2030-led reforms, deepening market participation, and revenue diversification. The regulatory reforms, particularly related to FOL, could significantly boost foreign investor participation could act as a catalyst for liquidity recovery and a normalization of trading value next year. Accordingly, we forecast of a 9.3% revenue CAGR over FY25-30E to reach SAR 2.0bn, backed by ADTV growth to SAR 8.6bn (10.1% CAGR) by FY30E.

Non-ADTV streams to keep long-term momentum by harnessing data Infrastructure and service fees: STG has demonstrated significant resilience through its strategic shift toward non-transaction-based income, with non-ADTV revenue streams achieving a robust 21.9% CAGR from FY15-25. This diversification has fundamentally altered the company's profile, as non-ADTV contributions surged to 59.0% of total operating revenue in FY25, up from just 25.5% in FY15. While the Data and Technology Services segment was a primary engine of this growth in FY25, surging 13.3% Y/Y driven by a 46.9% increase in co-location and Liqaa services; expansion is expected to moderate in FY26E as existing data centers approach full capacity. However, this slowdown is viewed as temporary; the segment is poised to regain momentum as STG executes plans to expand data center infrastructure. Looking ahead, non-ADTV growth is expected to be anchored by 8.4% CAGR (FY25-30E) from Data and Technology, alongside a 7.8% CAGR in Listing services and a 16.8% CAGR in Membership fees.

Recommendation	**Neutral**
Target Price (SAR)	**155.4**
Upside / (Downside)*	**9.0%**

Source: Tadawul *prices as of 10th of March 2026

Key Financials

(in SAR mn, unless specified)	FY23	FY24	FY25	FY26E
Revenues	1,073	1,447	1,261	1,364
Growth %	-1.6%	34.8%	-12.8%	8.1%
Gross Profit	607	912	716	757
Operating profit	328	566	323	348
Net Income	390	622	396	431
Growth %	-8.1%	59.4%	-36.4%	9.0%
EPS	3.25	5.18	3.30	3.59
DPS	2.30	3.35	2.30	2.50

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25	FY26E
Gross Margin	56.6%	63.0%	56.8%	55.5%
Operating Margin	30.6%	39.1%	25.6%	25.5%
Net Margin	36.4%	43.0%	31.4%	31.6%
ROE	12.3%	18.7%	11.4%	12.3%
ROA	5.1%	7.4%	4.5%	4.9%
P/E (X)	57.5	41.8	42.6	39.7
P/B (X)	7.1	7.5	4.9	4.8
EV/EBITDA (x)	51.3	40.1	38.8	34.9
Dividend Yield	1.2%	1.5%	1.6%	1.8%

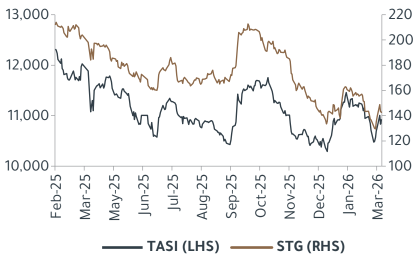
Source: Company reports, Aljazira Capital

Key Market Data

Market Cap(bn)	17.1
YTD%	1.6%
52 week (High)/(Low)	215.00/126.00
Share Outstanding (mn)	120.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Company reports, Aljazira Capital

Head of Sell-Side Research
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

Saudi Tadawul Group Holding Co.

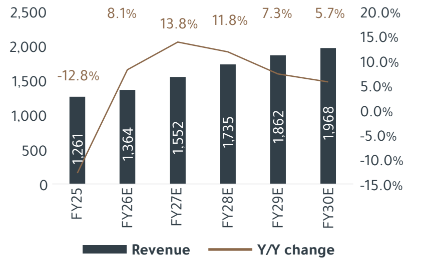
Investment Update

Profitability to bear pressure amid lower trading value and strategic investments: STG's profitability is likely to be impacted in the near term due to subdued trading activity, which weighs on operating leverage given the company's partially fixed cost base, including regulatory fees payable to the CMA. Additionally, operating expenses are set to rise further driven by ongoing strategic investments in technology infrastructure, platform enhancements, and continued talent acquisition. Moreover, full year impact of capitalization of new headquarters and post-trade technology platforms imply increase in operating cost in FY26E. Also, FY25 margins were helped by SAR 30-35mn reversals. Thus, we forecast a moderation in profitability this year, with the gross margin declining to 55.5% (FY25: 56.8%) and the operating margin easing slightly to 25.5% (FY25: 25.6%). However, as trading value recovers and investments start to yield efficiencies, margins are expected to gradually improve, with gross margin rising to 65.0% and operating margin to 41.5% by FY30E. Furthermore, net margin would remain steady with elevated finance costs in the near term due to increased debt, projected at 31.6% in FY26E (FY25: 31.4%) before recovering to 44.0% by FY30E. Overall, we project a robust net profit CAGR of 16.9% over FY25-30E to reach SAR 865mn by FY30E, underpinned by topline recovery followed by a growth and operating leverage.

Healthy free cash flow generation despite challenging operating conditions places STG comfortably for 70% dividend payout and higher payouts in future: STG generated free cash flow of SAR 440mn (SAR 3.67 per share) in FY25, despite operating performance being hit by current challenging conditions. This robust cash flow strength supports the continuation of the company's current policy of a 70% payout ratio and provides significant room for increased dividend distributions in the future. We forecast the payout to increase to above 75% by FY30E

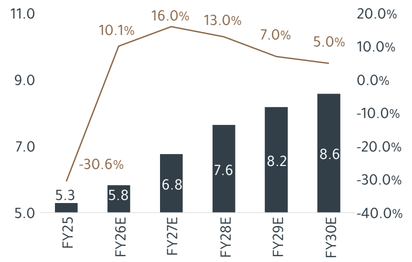
AJBC view and valuation: STG's near-term performance is expected to remain affected by subdued trading activity, rising costs, and higher finance expenses. However, the company's long-term fundamentals remain intact as Saudi capital markets are expected to witness significant expansion, supported by the Financial Sector Development Program (FSDP) and the Privatization Program. Moreover, diversification into resilient non-trading revenue streams, a strong IPO pipeline, and strategic investments in infrastructure and technology further support the long-term growth prospects. We forecast a 9.3% revenue CAGR over FY25-30E. Profitability would take a near-term hit but recover later. We expect gross and operating margins to recover from 56.8% and 25.6% in FY25E to 65.0% and 41.5% by FY30E, respectively, with the net margin improving from 31.4% to 44.0% over the same period. This underpins our projection of a 16.9% net profit CAGR over FY25-30E. We value STG with 100% weightage to P/E multiple (38.0x) applied to average FY26-27E EPS to arrive at a TP of **SAR 155.4/share**. Our P/E multiple of 38.0x is at premium to emerging market median of ~28.0x due to higher growth expectations backed by superior growth outlook and favorable regulatory tailwinds within the Saudi capital market. However, we assume lower premium compared to recent past (Average FY24-25: ~42x) as we expect premium to ease due to short term macro headwinds and margin pressure. The stock currently trades at 39.7x FY26E P/E. We maintain our "**Neutral**" recommendation. **The upside risks** to our valuation are: 1) quicker recovery in global macro conditions, 2) FOL increase driving stronger-than-expected market activity and foreign investor inflows, 3) accelerated IPO momentum, and 4) better monetization of data services; **the downside risks** are: 1) prolonged weakness in global liquidity, 2) slower-than-expected IPO execution, and 3) adverse regulatory changes affecting market participation or cost structure.

Revenue (SAR mn) and Y/Y growth (%)



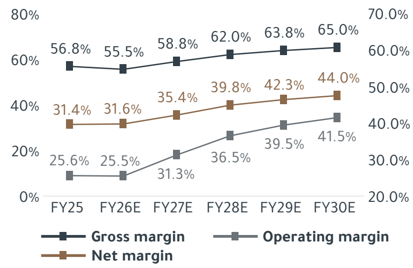
Source: Company reports, Aljazira Capital

ADTV* (SAR bn) and Y/Y change (%)



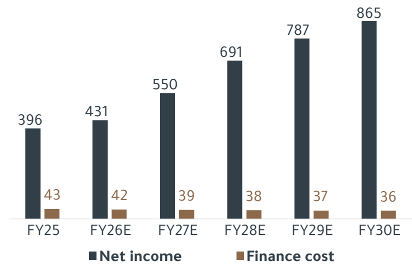
Source: Company reports, Aljazira Capital; * implied total ADTV based on reported Main and Nomu market ADTV

Margin profile (%)



Source: Company reports, Aljazira Capital

Net income and finance cost (SAR mn)



Source: Company reports, Aljazira Capital

Valuation summary

P/E Valuation

All figures in SAR mn, unless specified	
P/E multiple	**38.0**
Net income (avg. FY26-27E)	491
Implicit Market Cap	**18,643**
Shares (mn)	120
Relative value (SAR/share)	**155.4**
Upside/(downside)	**9.0%**

Source: Aljazira Capital research

Key Financial Data

Amount in SARmn, unless otherwise specified	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY29E	FY30E
Income statement										
Revenues	1,166	1,090	1,073	1,447	1,261	1,364	1,552	1,735	1,862	1,968
Y/Y	**8.0%**	**-6.5%**	**-1.6%**	**34.8%**	**-12.8%**	**8.1%**	**13.8%**	**11.8%**	**7.3%**	**5.7%**
Cost	(332)	(388)	(466)	(535)	(545)	(607)	(639)	(659)	(674)	(688)
Gross profit	**834**	**702**	**607**	**912**	**716**	**757**	**913**	**1,076**	**1,188**	**1,280**
Y/Y	**15.4%**	**-15.8%**	**-13.6%**	**50.3%**	**-21.4%**	**5.6%**	**20.6%**	**17.8%**	**10.4%**	**7.8%**
Gross margin	**71.5%**	**64.4%**	**56.6%**	**63.0%**	**56.8%**	**55.5%**	**58.8%**	**62.0%**	**63.8%**	**65.0%**
General and administrative expenses	(222)	(256)	(279)	(342)	(391)	(405)	(423)	(437)	(447)	(458)
EBITDA	**671**	**509**	**403**	**647**	**439**	**494**	**637**	**797**	**905**	**993**
Y/Y	**13.4%**	**-24.1%**	**-20.8%**	**60.5%**	**-32.2%**	**12.6%**	**29.1%**	**25.0%**	**13.6%**	**9.7%**
EBITDA margin	**57.5%**	**46.7%**	**37.6%**	**44.7%**	**34.8%**	**36.2%**	**41.1%**	**45.9%**	**48.6%**	**50.5%**
Operating profit	**614**	**446**	**328**	**566**	**323**	**348**	**485**	**634**	**735**	**816**
Y/Y	**13.0%**	**-27.3%**	**-26.4%**	**72.4%**	**-43.0%**	**7.7%**	**39.5%**	**30.6%**	**16.0%**	**11.0%**
Operating margin	**52.6%**	**40.9%**	**30.6%**	**39.1%**	**25.6%**	**25.5%**	**31.3%**	**36.5%**	**39.5%**	**41.5%**
Investment Income	41	56	127	151	176	180	174	182	188	194
Finance cost	(3)	(2)	(4)	(11)	(43)	(42)	(39)	(38)	(37)	(36)
Income before zakat	**654**	**492**	**437**	**681**	**454**	**485**	**619**	**778**	**886**	**974**
Zakat	(66)	(68)	(55)	(60)	(59)	(58)	(74)	(93)	(106)	(117)
Net income	**588**	**425**	**390**	**622**	**396**	**431**	**550**	**691**	**787**	**865**
Y/Y	**17.4%**	**-27.8%**	**-8.1%**	**59.4%**	**-36.4%**	**9.0%**	**27.6%**	**25.6%**	**14.0%**	**9.9%**
Net margin	**50.4%**	**38.9%**	**36.4%**	**43.0%**	**31.4%**	**31.6%**	**35.4%**	**39.8%**	**42.3%**	**44.0%**
EPS	**4.90**	**3.54**	**3.25**	**5.18**	**3.30**	**3.59**	**4.58**	**5.75**	**6.56**	**7.21**
DPS	**3.00**	**2.31**	**2.30**	**3.35**	**2.30**	**2.50**	**3.20**	**4.00**	**4.75**	**5.50**
Balance sheet										
Assets										
Cash & equivalent	86	2,119	2,051	352	102	197	511	607	742	895
Account receivables	61	64	95	99	92	100	107	112	114	120
Other current assets	2,758	4,795	3,933	7,008	6,513	6,765	6,921	7,299	7,484	7,584
Total current assets	**2,905**	**6,979**	**6,078**	**7,459**	**6,707**	**7,061**	**7,539**	**8,018**	**8,339**	**8,600**
Property plant & equipment	56	110	218	367	455	484	512	541	566	587
Other non-current assets	583	601	1,369	1,315	1,475	1,514	1,579	1,636	1,670	1,687
Total assets	**3,543**	**7,690**	**7,665**	**9,141**	**8,638**	**9,059**	**9,629**	**10,195**	**10,575**	**10,873**
Liabilities & owners' equity										
Current portion of long-term borrowings	-	-	10	42	118	115	111	108	105	102
Total current liabilities	**354**	**4,431**	**4,069**	**5,046**	**4,559**	**4,894**	**5,305**	**5,663**	**5,828**	**5,920**
Long-term borrowing	-	-	1	150	300	291	282	274	265	257
Total non-current liabilities	**97**	**80**	**439**	**604**	**636**	**590**	**585**	**581**	**579**	**579**
Paid -up capital	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Retained earnings	1,532	1,620	2,090	2,437	2,243	2,375	2,541	2,751	2,968	3,174
Total owners' equity	**3,092**	**3,180**	**3,157**	**3,492**	**3,443**	**3,574**	**3,740**	**3,951**	**4,168**	**4,373**
Total equity & liabilities	**3,543**	**7,690**	**7,665**	**9,141**	**8,638**	**9,059**	**9,629**	**10,195**	**10,575**	**10,873**
Cashflow statement										
Operating activities	650	470	395	625	514	628	990	867	958	1,049
CAPEX	(43)	(99)	(141)	(214)	(193)	(91)	(94)	(102)	(100)	(99)
Financing activities	(374)	(372)	(355)	(160)	(273)	(410)	(487)	(576)	(660)	(744)
Change in cash	232	(1)	(102)	251	48	127	408	188	198	206
Ending cash balance	**847**	**2,119**	**2,051**	**352**	**102**	**197**	**511**	**607**	**742**	**895**
Key fundamental ratios										
Liquidity ratios										
Current ratio (x)	8.2	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.5
Quick ratio (x)	8.0	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.4
Profitability ratios										
Gross profit margin	71.5%	64.4%	56.6%	63.0%	56.8%	55.5%	58.8%	62.0%	63.8%	65.0%
Operating margin	52.6%	40.9%	30.6%	39.1%	25.6%	25.5%	31.3%	36.5%	39.5%	41.5%
EBITDA margin	57.5%	46.7%	37.6%	44.7%	34.8%	36.2%	41.1%	45.9%	48.6%	50.5%
Net profit margin	50.4%	38.9%	36.4%	43.0%	31.4%	31.6%	35.4%	39.8%	42.3%	44.0%
Return on assets	15.4%	7.6%	5.1%	7.4%	4.5%	4.9%	5.9%	7.0%	7.6%	8.1%
Return on equity	17.5%	13.5%	12.3%	18.7%	11.4%	12.3%	15.0%	18.0%	19.4%	20.3%
Leverage ratio										
Debt / equity (x)	0.0	-	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Market/valuation ratios										
EV/sales (x)	13.0	18.1	19.3	17.9	13.5	12.6	10.9	9.7	9.0	8.4
EV/EBITDA (x)	22.5	38.7	51.3	40.1	38.8	34.9	26.5	21.1	18.4	16.6
Dividend yield	2.4%	1.3%	1.2%	1.5%	1.6%	1.8%	2.2%	2.8%	3.3%	3.9%
EPS (SAR)	4.90	3.54	3.25	5.18	3.30	3.59	4.58	5.75	6.56	7.21
BVPS (SAR)	25.8	26.5	26.3	29.1	28.7	29.8	31.2	32.9	34.7	36.4
Market price (SAR)*	126	181	187	217	140	143	143	143	143	143
Market-Cap (SAR mn)	15,096	21,720	22,416	26,016	16,836	17,112	17,112	17,112	17,112	17,112
P/E ratio (x)	25.7	51.2	57.5	41.8	42.6	39.7	31.1	24.8	21.7	19.8
P/BV ratio (x)	4.9	6.8	7.1	7.5	4.9	4.8	4.6	4.3	4.1	3.9

Source: Company reports, Aljazira Capital Research; *prices as of 10th of March 2026

aljazira capital
الجزيرة كابيتال

RESEARCH DIVISION

Head of Sell-Side Research - Director
Jassim Al-Jubran
+966 11 2256248
j.aljabran@aljaziracapital.com.sa

RESEARCH DIVISION

AlJazira Capital, the investment arm of Bank AlJazira, is a Shariaa Compliant Saudi Closed Joint Stock company and operating under the regulatory supervision of the Capital Market Authority. AlJazira Capital is licensed to conduct securities business in all securities business as authorized by CMA, including dealing, managing, arranging, advisory, and custody. AlJazira Capital is the continuation of a long success story in the Saudi Tadawul market, having occupied the market leadership position for several years. With an objective to maintain its market leadership position, AlJazira Capital is expanding its brokerage capabilities to offer further value-added services, brokerage across MENA and International markets, as well as offering a full suite of securities business.

RATING TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

Disclaimer