

# stc`s Earnings Call Transcript

FY 2025

FY 2025

<b>Call Date</b>	19 <sup>th</sup> of February, 2025
<b>Hosts</b>	Mr. Ameen AlShiddi – stc GCFO Mr. Turki Alashaikh – Investor Relations, VP Mrs. Hend AlBassam – Investor Relations, GM

**(Mrs. Hend AlBassam – Investor Relations GM)**

Welcome everyone, and thank you for joining stc's FY 2025 Earnings Call. My name is Hend Albassam, Financial Markets Communication GM and I will be your host today. Joining us on this call are the group CFO, Mr. Ameen Alshiddi, along with our Investor Relations VP, Mr. Turki Alashaikh. We will start this call with an overview of stc's financial performance and key highlights followed by a Q&A session.

Now, I will turn the call over to our GCFO Mr. Ameen AlShiddi.

**(Mr. Ameen AlShiddi – stc GCFO)**

Thank you. Good afternoon and Ramadan Kareem to everyone and welcome to stc's FY 2025 Earnings Call.

**Introductory Message:**

In 2025, stc delivered a solid performance. The business and strategy directions during the year and the balance between growth, efficiency and the long-term value creation that we are targeting, are reflected in the performance that has been achieved by the group in 2025. We will go as usual and take 10 to 15 minutes to go through the slides, highlight as much as we can, and then open it for Q&A session

From a revenue point view, the company's full year performance increased by 2.5% YoY, and will see the details and where this is coming from in the following slides. But as we have highlighted before, we have been focusing on the profitability and margins improvement, and any revenues that do not generate the minimum EBITDA margins, we opt to eliminate it, and we're focusing more on ensuring we're getting the right profitability and the right margins.

As for the bottom line, a lot has happened in 2024. If you recall, we had the capital gain from the TAWAL transaction, withholding tax reversal, and also in 2025, there was a reversal related to Zakat. So, there are a lot of normalizations that need to be clearly communicated, as mentioned in the announcement. If we normalize the financial results and exclude the non-recurring items, then the bottom line would be grown by 12.5% YoY.

Regarding financial strength: the cash is very healthy at 15.1 Bn, which includes the cash related to banking operations amounting to SAR 6.2 billion. stc's cash and cash equivalent as stated in the financial statement is around ~~₹~~ 8.9 Bn; this is the cash that is available to the group; that the remaining cash will be used by STC Bank for its operations and lending pipeline.

The Capex intensity ratio is 15.2%, as expected, and we have previously highlighted several signed agreements related to the data centers and the mission-critical project. As a result, this might slightly increase over the next 2 years, but we will maintain Capex intensity within the 15% to 17.5% range.

## Highlights:

Moving on to key highlights for 2025, I'd like to briefly mention some agreements and strategic partnerships signed during the year.

- The group signed a contract with the government for a value of ~~₹~~ 32.64 Bn related to mission-critical and infrastructure development.
- A ~~₹~~ 2 Bn collaboration with Oracle to accelerate digital transformation infrastructure across the country.
- Also, we have signed a strategic partnership with Red Sea Global, with an investment exceeding ~~₹~~ 1.2 Bn related to digital infrastructure, as part of the mega projects we are partnering with them on.
- On center3 and data centers, we are accelerating the expansion of our infrastructure through the year up to 2030–2031, with investment potentially reaching up to USD 10 Bn over the next five to six years.
- Additionally, our 100% owned subsidiary center3, signed an agreement with HUMAIN which will allow HUMAIN to tap into center3's infrastructure and secure vital connectivity to national and international destinations.

Also, looking into early 2026, I'd like to highlight a few key developments:

- The Sukuk issuance: We successfully issued USD 2 Bn in the international market across 5-year and 10-year tranches, under the USD 5 Bn program that we have announced to the market. It attracted over USD 8 Bn from more than 300 global investors, supporting capital flexibility. This, again, reinforces and highlights the credit profile of the company, as it was priced at very competitive rate compared to other peers.
- Also, we have announced the signing of an agreement to implement the Silklink project in Syria, valued at ~~₹~~ 3 Bn, in a partnership with the Syrian Sovereign Fund, where we are going to have a 75% controlling stake in the JV. This will expand stc's cross-border digital infrastructure, connecting the Middle East, Asia, and European markets, and strengthen our role as a leading regional digital enabler, supporting sustainable growth in the telecom and digital services sectors.

## Operational Highlights:

For stc KSA subscribers, we continue to capture market growth, with 5.9% YoY growth in mobile subscribers and 5.0% growth in fixed subscribers. This is mainly driven by population increase and our go-to-market strategy, which helped the group capture additional market share in the consumer business.

Additionally, we continue to be #1 in ICT segment, consumer segment, and enterprise segment, as stc group continues to invest to strength and maintain its leadership in the digital space. In terms of network expansion, the number of 5G sites has increased to 10.8k, while fiber optic connection reached 3.75 Mn. Other operational metrics also improved as the group continues to execute its strategy to capture the market and strengthen and reinforce its leadership in connectivity and the Telco-related market, as part of the three themes of the strategy that stc has announced.

## Financial Performance:

Moving on to the 2025 financial performance:

- On the revenue side, it increased by 2.5% compared to 2024, supported by 3.0% increase in stc KSA and 1.7% increase subsidiaries revenues.
- Excluding non-recurring items, the gross profit increased by 5.2% compared to 2024, and the gross profit margin as result of the cost efficiency program also improved to reach 48.4% versus 47.2% in 2024.
- The operating profit reached  $\$$  14.4 Bn, representing an increase of 6.6% YoY, when excluding non-recurring items. Again, the strategic cost efficiency program helped us improve our margin by 3.9%, reaching to 18.6% vs. 17.9% in 2024.
- EBITDA increased by 6.1% compared to 2024 when excluding non-recurring items, and the EBITDA margin has improved by 3.4% to reach 31.4% as compared to 30.4% in 2024. Without normalization, the increase in EBITDA would be 2.2% compared to 2024.
- The bottom line also improved in 2025 when excluding non-recurring items by 12.5% compared to 2024.

Also, the subsidiaries continue to execute their growth strategies, driving growth in both revenue and gross profit, and are strategically positioned to capture more market opportunities. There has been a lot of improvement in their margins and EBITDA, and we believe that in 2026 some of them will improve their EBITDA further and contribute positively to the group's EBITDA. We expect two or three subsidiaries will hopefully make very positive contributions to the group's performance in 2026, supporting continued improvement on both the top line and profitability.

With that, I'll conclude my remarks. Thank you for your attention. We will now open the line for questions, and we look forward to the discussion. Thank you.

**(Mrs. Hend AlBassam – Investor Relations GM)**

Thank you, Abu Fahad. We will now open the call for your questions.

**Q&A Session: (Mr. Ameen AlShiddi and Mr. Turki Alashaikh)**

	Question	Answer
<b>A</b>	<p><b>Q1)</b> Can you provide more granularity on your investments in data centers, as we've heard the "up to USD 10 Bn" investment? I would like to understand over what timeframe this investment will take place and whether it will be made by stc or funded by HUMAIN.</p> <p><b>Q2)</b> Are special dividends still on the table, or will you be focusing on investments in the next couple of years and most likely sticking with the current policy?</p>	<p><b>A1)</b> What we have announced is an investment of up to USD 10 Bn over the next five years. This is an investment by our subsidiary center3, and it is separate from the JV with HUMAIN. What is related to HUMAIN will be through a different JV, where HUMAIN will own 51% and center3 will own 49%. Also, we do not expect the full USD 10Bn to be utilized. In addition to the partnership with HUMAIN, we expect ongoing optimization as we expand our data centers, including cost efficiencies and reductions in cost per MW. So, even as we reach the capacity we are targeting, the total capital required may be lower than expected.</p> <p><b>A2)</b> Special dividends are always on the table for discussion, and it's up to the board, as there is always an assessment on quarterly bases. We have not announced anything by the year-end but if there are any updates it will be announced to the market in due course.</p>
<b>B</b>	<p><b>Q1)</b> Can you give a bit of color around the consumer competitive environment in the Saudi market, particularly on the mobile side given that the growth has declined a bit this year?</p> <p><b>Q2)</b> In the fourth quarter, we saw a bit of a decline in enterprise, and there has been news around the government cutting back and rationalizing budgets. Could you provide some color on what you're seeing now? Are you still seeing increased competition in the enterprise segment?</p> <p><b>Q3)</b> How do you see the capex intensity for the medium term? Will it remain around 15%, or will it increase from here, given you have a number of projects that you're doing in Syria and the specialized project in Saudi?</p>	<p><b>A1)</b> The mobile sector is growing nicely, given how big stc is when it comes to the mobile segment itself. Even if you look at it from a prepaid perspective, we are talking about around a 5.2% increase and a 4.9% increase in the postpaid segment. Additionally, if you look at it from fixed telephone, there is a 5.1% increase. Fiber optic is showing high single-digit growth; the reason it only shows around 3% is due to the fact that we are dismantling the copper network, which is impacting the subscriber population at our end. Also, from the fixed wireless access side, we are talking about 9.8% growth. Overall revenue has improved from both the operational side and the financial side. Hopefully, the Commercial Business Unit will be able to continue the good momentum in 2026, supported by around 2% growth in the Saudi population and around 4% growth in the non-Saudi population based on market research.</p> <p><b>A2)</b> We think that Enterprise will be able to maintain its revenue in 2026. Yes, there is pressure on the government side. Yet what we are trying to do is to compensate that through the private sector, which has grown more than 6%. Further, if we start to see an acceleration in the government's mega projects, this would have a positive impact on the Enterprise business. On an overall basis, excluding mega projects, you are talking about flat revenue to some extent. Additionally, some of the revenues lost from the government side has already been captured by the Carrier &amp; Wholesale Business</p>

		<p>Unit on the national side as the demand to use stc's infrastructure from other operators has increase.</p> <p><b>A3)</b> Capex intensity was 15.2% this year. Over the medium term, we expect it to edge up slightly in 2026–2027, mainly driven by deployment and investment in the mission-critical project and the data center expansion. On the other hand, 5G will require less investment going forward. Overall, we are monitoring Capex intensity closely, and our growing revenues and ongoing optimization, particularly on the data center side, will help us keep capex intensity within the announced range over time.</p>
<p><b>C</b></p>	<p><b>Q1)</b> Regarding channels, could you shed some light on why revenue in Q4 dropped 18% YoY and 16% sequentially, and gross profit margins also decreased by around 10 percentage points, from about 28% to 18%?</p> <p><b>Q2)</b> Is there any specific reason why you are doing less business with solutions, as we are seeing a decline in the revenues from stc?</p>	<p><b>A1)</b> channels' revenue is important, but it is not the primary focus. Our focus is to improve channels' margins, while maintaining a certain level of revenue that supports overall efficiency across the company. Going forward, the revenue decline could continue, but we expect margins to improve; in 2026, both EBITDA margin and EBITDA in absolute terms are expected to improve. channels has been undertaking a major efficiency exercise, and this will continue. The level you will see for channels in 2026 is expected to be the new baseline for the company going forward. We do not expect further significant cost cuts, but we expect revenue to return to growth in 2027, 2028, and beyond.</p> <p><b>A2)</b> The solutions related business depends on stc's projects, budgets, and the optimization initiatives underway. The level of work from stc to solutions can vary year over year depending on which technology and IT projects are assigned, what solutions can deliver competitively, and what may be sourced from the wider market. Importantly, this is not a target to shift work away from solutions; the group's focus is to ensure Capex and Opex are optimized efficiently where solutions is best placed to deliver, it will do so and we expect activity to pick up again as the project pipeline evolves.</p>
<p><b>D</b></p>	<p><b>Q1)</b> Are there any planned IPOs in 2026 for stc's subsidiaries?</p>	<p><b>A1)</b> There is a clear value-creation journey and roadmap for all subsidiaries, and an IPO remains a target for many of them. However, timing is critical, both from the stc group valuation perspective and our ability to further enhance each subsidiary's profitability and fundamentals to ensure we capture the right valuation. While several subsidiaries are progressing well and may be close to readiness, we still see room to further improve valuation levels. Work is ongoing, and while I cannot disclose details at this stage, our expectation is that if any IPOs proceed, they would be more likely in 2027 and beyond rather than in 2026.</p>

<p><b>E</b></p>	<p><b>Q1)</b> What will the capital structure be over the next couple of years to fund the Capex, and should we expect to see more Sukuk offerings?</p>	<p><b>A1)</b> The group is actively reviewing its capital structure and targeting an appropriate leverage level. The recent Sukuk was timed to ensure capital flexibility while pressure on the cash position was low, given the multi-year nature of investments such as data centers and the mission-critical project. Any decision to return to the market will depend on the free cash flow progression, government collections, and how much we can optimize the planned capex profile. We have a Sukuk program and other funding options available if needed. At this stage, we do not expect additional issuance in the first half of the year.</p>
<p><b>F</b></p>	<p><b>Q1)</b> What was the reason for the Opex increase in Q4 2025?</p>	<p><b>A1)</b> I think you have to look at this on a full-year basis. Revenue grew by 2.5% and EBITDA grew by 6.1%, with margin improvement when excluding non-recurring items. We were able to grow revenue more than our costs, and that is what supported the margin improvement. Looking at stc's performance on full year basis is the right measure, because on a quarterly basis there can be seasonality that we need to keep in mind.</p>
<p><b>G</b></p>	<p><b>Q1)</b> On data center investments, what type of IRR are you targeting?</p> <p><b>Q2)</b> Do you see any scope in 2026 to raise prices in mobile and fixed, or is that unlikely?</p>	<p><b>A1)</b> We have a clear target for our data center expansion, but we are not disclosing a specific IRR. What matter the most now is execution, building capacity and then ramping up demand and utilization over time to reach the right margins and returns. Operationally, the capacity we have built so far is fully utilized and delivering very healthy margins, better than ICT margins and not far from telecom-related margins. Utilization and margin ramp-up typically takes a few years, but we see data centers as a strong, high-potential business line with significant market opportunity. We also have a disciplined expansion plan for data centers and we will scale it up carefully based on clear market demand and market position protection, while ensuring we achieve the right returns.</p> <p><b>A2)</b> What's happening in the market right now clearly shows growth in the consumer segment. This growth is beyond what we expected and is very healthy, not only for stc but for other operators as well. So going after pricing might not be the right approach. We are happy with the results, and we hope the growth will continue going into 2026.</p>

<p><b>H</b></p>	<p><b>Q1)</b> What are your thoughts on the enterprise segment and how you are seeing demand and competitive intensity across the group and subsidiaries?</p> <p><b>Q2)</b> Do you think, in the current market, you have to sacrifice margins to gain market share?</p>	<p><b>A1)</b> The B2B market is very healthy across government, corporate and SMEs. A lot can be done, not necessarily in connectivity, but across the whole ICT space, and this is where our subsidiaries play a key role, such as solutions, sccc, sirar, iot squared. We believe there is still significant room to grow in the market, and we have a clear strategy and go-to-market approach to address it across the group and subsidiaries. Our focus is on execution and delivery, and ensuring we bring the right end-to-end solutions to customers across different segments. Based on what we see in the pipeline and overall market growth, we expect some subsidiaries to deliver double-digit growth in 2026 and beyond.</p> <p><b>A2)</b> You can see clearly that our direction has been to improve margins. There are certain revenues we do not see value in capturing because they come with very low margins. With the consistency you are seeing in revenue and EBITDA, we can still capture meaningful growth opportunities without sacrificing profitability, as you can see with the mission-critical project, data center projects, and additional contributions from our subsidiaries. It is necessary to balance revenue growth in the market with margin improvement from our side, while continuing our optimization program, which has been very supportive. This is the third year of the efficiency program, and we are now launching another three-year efficiency program, which we feel will be a major contributor to our margins.</p>
<p><b>I</b></p>	<p><b>Q1)</b> Regarding M&amp;A, you've been looking for some time for an opportunity and haven't executed any notable deals. Is M&amp;A still expected to happen?</p>	<p><b>A1)</b> It's not easy to find the right opportunity and bring the right assets into our portfolio that meet our criteria and come at the right valuation. It has been very challenging find the right opportunity in the Middle East and Europe, and nothing has progressed so far. We are very selective and we want to make sure any opportunity enhances our revenue, EBITDA, and free cash flow, and ultimately delivers value and returns for our shareholders.</p>

**(Mr. Ameen Alsheddi – stc GCFO)**

Thank you for attending the call and hopefully will have a solid performance in 2026.

**(Mrs. Hend AlBassam – Investor Relations GM)**

Thank you, Abu Fahad, and Abu Salman, and thank you to everyone for joining us today. If you have any follow-up questions, or if you were unable to ask your questions during the call, please email our Investor Relations team. Thank you.

## ■ Disclaimer

Saudi Telecom Company (stc) has prepared this call transcript to the best of its abilities, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions, estimates, or other information contained in this presentation. This presentation has been prepared as an informative guide that might assist interested parties in gaining an insight into the history and background of telecommunications within Saudi Arabia, as they relate to stc. Furthermore, it does not constitute an invitation or inducement to purchase or dispose of any securities, either in stc, or any companies in which stc has a financial interest. The information contained in this presentation is subject to change and we disclaim any obligation to update you of any such changes, particularly those pertaining to the forward-looking statements. These forward-looking statements and other statements contains regarding matters that are not historical facts and involve predictions. The forward-looking statements in this call are based on numerous assumptions and no assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the group. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of the group to be materially different from those expressed or implied by such forward looking statements.

Moving the world



stc Investor Relations

 : [IRU@stc.com.sa](mailto:IRU@stc.com.sa)

 : <https://www.stc.com.sa/content/stcgroupwebsite/sa/en/investors.html>