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Decoupling stc's Valuation:
A Sum-of-the-Parts Analysis

A STUDY BY ARGAAM INTELLIGENCE







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Executive Summary

stc Group (Saudi Telecom Company) is the largest telecommunications and digital services operator in Saudi Arabia. While its core business remains domestic fixed and mobile telecommunications, the group has pursued a sustained diversification strategy over the past decade, building out a broad portfolio of adjacent digital businesses and strategic minority stakes. Most broker coverage of stc values the group on a consolidated basis, typically a blended DCF cross-checked against a peer EV/EBITDA or dividend-yield multiple, treating the diversification strategy as a qualitative overlay on a single group-level valuation rather than valuing each business on its own terms.

This report instead builds a bottom-up sum-of-the-parts (SOTP) valuation: each operating segment, listed subsidiary, and non-operating stake is valued separately, using the method most appropriate to that business. The output is an independent read on whether stc's current share price is fairly valued under SOTP analysis and where the biggest swing factors sit. This report updates our Q2 2026 analysis for stc's Q3 2026 results and market data as at 5 November 2026. Our methodology is unchanged, and we highlight changes since our Q2 report throughout.

> This report reflects an independent, bottom-up approach to valuing stc's constituent parts, presented for analytical and discussion purposes only. It relies on several subjective methodological choices, as set out below, and reasonable alternative assumptions could produce a different result. Nothing in this report constitutes investment advice, a recommendation to buy, sell, or hold any security, or a solicitation of any kind. Readers should conduct their own independent analysis and consult a qualified advisor before making any investment decision.



Business Segments & Investment Portfolio

The following section provides a comprehensive overview of stc Group's operating divisions and business segments, alongside its listed subsidiaries and non-operating minority investments, forming the basis for the entity-by-entity valuation that follows. Unless otherwise stated, shareholding percentages cited throughout this section are as disclosed in stc's FY2025 Annual Report.

01. Core Domestic Operations

stc Core is the group's domestic Saudi telecom business, fixed and mobile network operations, and the largest single contributor to group revenue and gross profit. Channels is stc's telecommunications sales and distribution arm, operating across the Middle East as a primary distribution partner for major telecom manufacturers and operators.

Because Channels' economics are distribution/retail-style rather than network-operator-style, we value it on its own peer set rather than folding it into the core telecom multiple (see below).

02. Listed Subsidiaries

Solutions, 79.6% owned by stc, is listed on Tadawul and is an ICT systems-integration and enterprise-solutions provider, part-floated via a 20% IPO in September 2021. stc Kuwait, 51.8% owned, is stc's Kuwaiti telecom subsidiary, listed on Boursa Kuwait since December 2014.

03. Other Consolidated Segments

Table 01

Segment	Overview	Ownership	Peer category
stc Bahrain	Bahrain telecom subsidiary	100%	GCC telecom
Center3	Digital infrastructure and connectivity services	100%	Data centres / digital infrastructure
stc Bank	Licensed digital bank (formerly stc pay)	92.3%	Digital-banking
Sirar	Enterprise cybersecurity / managed security services	100%	Cybersecurity services / managed services
Specialized	Mission-critical/PMR communications	100%	PMR/critical-comms
iot²	IoT solutions and advanced analytics	50% (stc–PIF JV)	IoT systems integration
SCCC	Localised public cloud (Alibaba Cloud JV)	55% owned cloud computing JV with Alibaba Cloud	Cloud-infrastructure



04. Residual subsidiaries & associates

› These include a diversified bucket of smaller entities and minority associates/JVs (real estate, telecom services, an innovation-fund vehicle, regional holding companies, and several not-individually-material equity-accounted stakes), none large enough to warrant separate disclosure.

05. Non-Operating Investments

stc holds a range of strategic stakes and minority investments in entities across the region and globally, including:

› Tawal/DIIC: stc's tower portfolio (TAWAL) was merged into a combined entity after a 51% sale to PIF-affiliated investors; stc retains a ~43.06% equity-accounted stake in the merged entity, valued on a transaction-anchored basis and cross-checked against its carrying value.

› Arabsat: a 36.66% stake in the regional satellite operator, carried on stc parent's own books rather than through an operating subsidiary.

› Telefónica stake: a ~9.97% position in the Spanish telecom group, acquired in 2023–2024 for approximately €2.1bn (Argaam) and held directly by stc parent as a strategic, non-operating investment.

Valuation Methodology

Given the heterogeneity of stc's underlying businesses, our SOTP analysis applies a different valuation methodology to each category, as set out below:

Table 02

1. Core Domestic Operations	Multiple based (EV/Revenue multiple)
2. Listed Subsidiaries	Market cap (100% basis), adjusted for net debt/cash
3. Other Consolidated Segments	Multiple based (EV/Revenue multiple)
↑ Categories 1–3 are summed to Group Operating EV ↑	
4. Residual Subsidiaries & associates	Net assets / carrying value (book value)
5. Non-Operating Investments	Transaction-anchored / market value / carrying value

Given that stc's segment disclosure is limited to Gross Revenue and Gross Profit, with no per-segment EBITDA reported, we apply EV/Revenue multiples to derive the Enterprise Value of each operating segment (Core Domestic Operations and Other Consolidated Segments, excluding Residual Subsidiaries, which we value at book value). For Listed Subsidiaries, we start from each entity's full market capitalisation, adjusted for its own standalone net debt/cash to arrive at Enterprise Value on a 100% basis; stc's ownership stake is applied later, via the centralised NCI deduction in the bridge below.

Having derived an Enterprise Value for each operating segment and each Listed Subsidiary, we sum these to a single Group Operating EV. We then bridge from Enterprise Value to Equity Value by deducting consolidated net debt and non-controlling interests (both taken centrally at the group level, as segment-level figures are not disclosed). Finally, we add back the equity value of stc's Residual Subsidiaries & Associates and Non-Operating Investments, both of which sit outside Group Operating EV, to arrive at total Group Equity Value, which we divide by shares outstanding to derive an implied share price. Valuation basis varies by item within these two categories: most are held at book/carrying value, Tawal/DIIC is transaction-anchored, and Telefónica is at live market value.

SOTP Analysis

Operating segments valuation (core domestic + other consolidated segments)

stc Group discloses segmental information on a gross basis, which requires adjustment for intercompany transactions to arrive at a net revenue figure. The intercompany elimination is disclosed as a single line, but the accounts note it mainly relates to stc Core, Channels, and Solutions. Solutions separately discloses its own intercompany revenue. In the absence of further disclosures, we have allocated the remaining balance between stc Core and Channels in proportion to their respective gross revenues.

Table 03

Solutions — sales to stc Group	SAR mn
FY2025	7,096.6
Less: 9M 2025	(5,069.4)
Add: 9M 2026	5,157.1
TTM (Sept 2026)	**7,184.3**

Table 04

Split of Group Elimination	SAR mn	%
Total group elimination (TTM)	(11,976.4)	100.0%
Solutions' share (TTM)	(7,184.3)	60.0%
Remainder — stc Core + Channels	**(4,792.1)**	**40.0%**

Sources: stc Group and Solutions financial reports

The table below shows the derived net revenue figures for the operating segments which will form the basis of our valuation:

Table 05

Segment	FY2025	9M 2025	9M 2026	TTM Gross	Adjustment	Revenue (TTM)
stc Core	51,119.0	38,363.6	38,766.4	51,521.8	(3,807.1)	47,714.7
Channels	14,085.2	11,180.5	10,425.5	13,330.2	(985.0)	12,345.2
Solutions	12,730.2	8,823.0	9,636.7	13,543.9	(7,184.3)	6,359.6
stc Kuwait	4,179.8	3,137.0	3,104.9	4,147.7	—	4,147.7
stc Bahrain	1,967.8	1,503.1	1,511.4	1,976.1	—	1,976.1
Center3	1,961.7	1,447.6	1,784.8	2,298.8	—	2,298.8
stc Bank	1,401.0	1,032.7	1,309.6	1,677.9	—	1,677.9
Sirar	826.5	527.6	755.6	1,054.5	—	1,054.5
Specialized	355.3	242.1	1,401.9	1,515.0	—	1,515.0
iot²	321.7	183.3	314.6	453.0	—	453.0
SCCC	304.0	162.2	237.8	379.6	—	379.6
Other operating segments	65.1	51.3	54.0	67.7	—	67.7
Eliminations / adjustments	(11,498.6)	(8,729.8)	(9,207.6)	(11,976.4)	11,976.4	0.0
Total (consolidated)	**77,818.7**	**57,924.2**	**60,095.6**	**79,990.1**	**0.0**	**79,990.1**

Solutions / stc Kuwait — publicly listed, valued separately via market cap, shown here for reconciliation only to stc Group accounts

Residual subsidiaries (not part of Group Operating EV), valued at net assets and added back separately. Shown here for reconciliation only to stc Group accounts

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For the group operating segments (excluding Solutions, stc Kuwait and residual subsidiaries), each is valued on an EV/Revenue basis, with multiples derived from similarly listed peers. These are presented as ranges — Low, Base, and High — with the Base case representing our central view. Given the limited segment-level disclosure available, the multiples applied throughout should be read as directional rather than a precise, standalone valuation of each business:

Positioning and indicative multiples

Our multiple ranges are unchanged from our Q2 report. The most notable development in Q3 is a slowdown at stc Core, where revenue fell 3.3% year-on-year (H1 2026: +3.3%). While this warrants monitoring, we do not view a single quarter of weaker growth as sufficient to justify a lower multiple (see below). Elsewhere, nothing in the Q3 results points to a change in any division's business model or peer positioning: growth accelerated at Center3 (Q3: +35.3% year-on-year vs. H1: +17.5%) and stc Bank (+53.8% vs. +13.8%), while Specialized's step-up reflects the start of revenue recognition on its government contract, all of which flows through the valuation via higher TTM revenue rather than higher multiples. While some peer trading multiples have moved lower since our Q2 report, largely reflecting higher regional risk premia amid elevated geopolitical tensions, we view this as transitory rather than structural and have not adjusted our ranges downwards.

- stc Core — Zain KSA and Mobily (Saudi-listed, domestic-only telecom operators), the closest peers, trading in a range of 1.7x–2.7x EV/Revenue at the time of our Q2 report (see latest Argaam Telecom sector report). We apply 1.5–3.0x, Base 2.5x — now broadly in line with Mobily's current multiple, having been set at a modest discount in our Q2 report. stc Core's weaker Q3 growth, and the fact that stc Core is a narrower pure-play telecom slice than Mobily's traded multiple, which reflects its full consolidated business, argue against going any higher.

- Channels — No genuine listed Middle East peer exists for stc's distribution business; we therefore look at global VAD/IT distributors (TD Synnex, Arrow, Avnet, Ingram Micro, Redington), trading in a narrow range of 0.2x–0.4x EV/Revenue; we apply 0.2–0.4x, Base 0.3x.

- stc Bahrain — Smaller in scale than stc Core, operating in Bahrain's domestic market; Zain KSA and Beyon are the closest comparators, with a discount applied for scale. We apply 1.6–2.0x, Base 1.8x — broadly in line with stc Kuwait's own trading multiple, which is little changed since our Q2 report.

- Center3 — Meeza (closest Gulf listed data-centre peer, setting a floor of ~5.0x EV/Revenue) and Equinix/Digital Realty as a ceiling reference (~12–13x EV/Revenue); cross-checked using an approximate $/MW valuation based on stc's disclosed 2027 capacity target (~300MW); we apply 5.0–13.0x, Base 8.0x.

- stc Bank — The closest regional reference point is D360 Bank, a Saudi digital bank whose SAR 6.0bn Series A valuation, measured against stc Bank's own revenue, provides a reasonable floor, since stc Bank's own customer base is larger than D360's. A better-anchored comp, on both business model and scale, is KakaoBank (Korea), a full deposit/lending digital bank trading at ~6.4x EV/Revenue and closer in size to stc Bank than the larger global names. Nubank and SoFi, the other mature licensed digital banks, converge in a similar 5–6x band. We apply a 4.0–7.0x range, with Base of 6.0x anchored to KakaoBank.

- Sirar — Largely cybersecurity/managed security services provider, which generally trade in a range of 2.0x (pure services, e.g. NCC Group) to 5.0x (managed services with proprietary technology); we apply 2.0–5.0x, Base 3.0x.

- Specialized — there is no direct GCC peer; the closest comparables are BK Technologies (pure-play public-safety radio equipment) and Frequentis (safety-critical communications, though air traffic management makes up the bulk of its revenue), trading at approximately 2.5x and 1.8x EV/Revenue respectively — the gap likely reflecting Frequentis's broader, less pure-play scope. Given Specialized's business is network-services-led, we apply a 2.0–3.0x range, Base 2.5x.

- iot² — Disclosures don't make clear the actual mix of hardware, software, and services within the business. However, its low gross margin (~18%, TTM) suggests a business weighted more toward hardware/services than a pure software platform would carry. IoT businesses with hardware-heavy economics trade closer to 2.0x EV/Revenue while more software/platform-led IoT names trade at 5.0x+. Given the margin evidence, we anchor closer to the hardware/services end, applying a 2.0–5.0x range with Base 2.5x — modestly above the hardware floor, reflecting the lack of a confident anchor and the possibility of a genuine, if currently thin, software layer.

- SCCC — SCCC's value proposition is localisation and data sovereignty, not owned infrastructure — the underlying

cloud technology belongs to its JV partner, Alibaba Cloud. That makes SCCC's business model closer to Rackspace's resell-and-manage approach than to an infrastructure owner-operator's. Cloud infrastructure services trade at a discount to software peers as a commoditising layer.

Rackspace (~1.7x EV/Revenue) anchors the floor, while SCCC's own growth is materially faster than Rackspace's and closer to Kingsoft Cloud's AI-driven profile (~3.0x). We apply 1.5–3.0x, Base 2.5x — a discount to Kingsoft given SCCC's smaller scale and shorter history.

Table 06

Segment	Multiple (L/B/H)	EV Low (SAR mn)	EV Base (SAR mn)	EV High (SAR mn)
stc Core	1.5 / 2.5 / 3.0x	71,572	119,287	143,144
Channels	0.2 / 0.3 / 0.4x	2,469	3,704	4,938
stc Bahrain	1.6 / 1.8 / 2.0x	3,162	3,557	3,952
Center3	5.0 / 8.0 / 13.0x	11,494	18,390	29,885
stc Bank	4.0 / 6.0 / 7.0x	6,712	10,068	11,746
Sirar	2.0 / 3.0 / 5.0x	2,109	3,164	5,273
Specialized	2.0 / 2.5 / 3.0x	3,030	3,788	4,545
iot²	2.0 / 2.5 / 5.0x	906	1,133	2,265
SCCC	1.5 / 2.5 / 3.0x	569	949	1,139
Sum — Operating Segments		**102,023**	**164,038**	**206,886**

Listed subsidiaries valuation

Solutions and stc Kuwait market caps are as at 5 November 2026, converted to Enterprise Value using each entity's own net debt/(cash) position as at 30 September 2026.

Table 07

Entity	Market Cap (SAR mn) (1)	Net Debt/ (Cash) (SAR mn)	EV, 100% basis (SAR mn)	EV / TTM Revenue (x)
Solutions	21,972	(263.3)(2)	21,709	1.6x / 3.4x (4)
stc Kuwait	7,111	(426.5)(3)	6,684	1.6x
Sum — Listed Subsidiaries			**28,393**	

(1) Market cap data as at 5 November 2026. stc Kuwait market cap converted to SAR using 12.068 SAR/KWD exchange rate

(2) Solutions: Net cash of SAR 263.3m as at 30 September 2026, comprising short-term borrowings (SAR 802.5m), long-term borrowings (SAR 283.6m), and lease and other non-current liabilities (SAR 165.6m), less cash and cash equivalents (SAR 1,515.1m) and short-term murabaha (nil); all figures per Solutions' own Q3 2026 interim financial statements

(3) stc Kuwait: Net cash of KD 35.3m (SAR 426.5m, converted at 12.068 SAR/KWD) as at 30 September 2026, comprising Islamic financing facilities (KD 7.2m, current and non-current) and lease liabilities (KD 26.6m, current and non-current), less cash, bank balances and deposits (KD 69.1m); all figures per stc Kuwait's own signed Q3 2026 interim financial statements

(4) EV / TTM Revenue: Solutions shown as gross / net (adjusted for intercompany revenue to stc, per the revenue reconciliation above) — 1.6x on gross TTM revenue (SAR 13,544m), 3.4x on net TTM revenue (SAR 6,360m). stc Kuwait shown on a single basis, as it has no equivalent intercompany adjustment.

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Applying the peer-derived multiple ranges above to each Group Operating segment, and valuing Solutions and stc Kuwait at market capitalisation, adjusted for their own net debt/cash position as at 30 September 2026, Group Operating EV (Base case) is therefore SAR 164,038m + SAR 28,393m = SAR 192,431m. This is broadly unchanged from our Q2 report: higher segment values, driven by growth at Center3, stc Bank and Specialized, have been largely offset by a lower market value for Solutions, partly reflecting the wider geopolitically driven market decline, despite its continued revenue growth.

Why strong growth has not lifted our valuation.

Center3, stc Bank and Specialized all grew strongly in Q3, yet our estimate of the group's value did not rise with them. Three factors explain this apparent contradiction. The first is scale. Together, these three businesses account for about a sixth of Group Operating EV in our Base case, while stc Core alone accounts for about three-fifths. At a 2.5x multiple, every 1% change in stc Core's revenue moves our valuation by about SAR 1.2bn, roughly what Center3 would add by growing its revenue by a further 6–7%.

The second is method. We value each business on trailing twelve-month revenue at unchanged multiples, so a strong quarter lifts the valuation only by that quarter's year-on-year increase, and Q3 was also the quarter in which stc Core's revenue fell.

The third is market prices. Solutions is valued at its share price, which fell with the wider market despite its continued revenue growth. In short, the growth businesses are adding value, but not yet enough to outweigh a softer quarter at stc Core and a lower market value for Solutions.

EV-to-Equity Bridge

Group Operating EV is bridged to Equity Value (and ultimately implied share price) as follows:

01. Net debt for stc Group (borrowings plus lease liabilities, less cash; SAR 9,017m as at 30 September 2026, excluding frequency spectrum license liabilities and the put option to non-controlling interest shareholders) is calculated on a consolidated basis, then adjusted to remove the net debt/cash of Solutions and stc Kuwait, already captured within their own valuations in Group Operating EV, to avoid double counting. Since both are in a net cash position, this adjustment increases the deduction taken in the bridge below to SAR 9,707m.
02. We then adjust for non-controlling interest (NCI) — the portion of each subsidiary's value attributable to minority shareholders, rather than stc. This applies to five subsidiaries where stc does not own 100%: Solutions (79.6% owned), stc Kuwait (51.8%), stc Bank (92.3%), iot² (50%), and SCCC (55%).

Rather than using the book-value NCI carried on stc's own balance sheet, which would understate the minority's true economic claim, we deduct NCI on a market-consistent basis. For Solutions and stc Kuwait, this is taken directly from their observed market capitalisation. For stc Bank, iot², and SCCC, where no standalone net debt/cash figure is available, we instead apply each entity's minority percentage to its peer-multiple-implied enterprise value from the segment valuation above. This is an approximation of the minority's equity claim rather than a precise figure, and will overstate NCI to the extent any of these entities carries material net debt at the subsidiary level (or understate it if net cash).

03. We then add back Non-operating stakes & residuals, after Group Operating EV, net debt, and NCI are calculated:

a. Tawal/DIIC — stc's ~43.06% equity-accounted stake in the merged tower/digital-infrastructure entity (following a 51% sale to PIF-affiliated investors); carrying value SAR 8,422m (31 Dec 2025, pre-dating merger completion), cross-checked against a transaction-implied value with no significant variance.

b. Arabsat — a 36.66% stake in the regional satellite operator, held directly on stc parent's own books rather than through a consolidated operating subsidiary; carrying value SAR 1,346m (31 Dec 2025).

c. Telefónica — a ~9.97% strategic minority stake in the Spanish telecom group, acquired in 2023–2024 for approximately €2.1bn and held directly by stc parent; valued at live market value, SAR 8,149m (as at 5 November 2026).

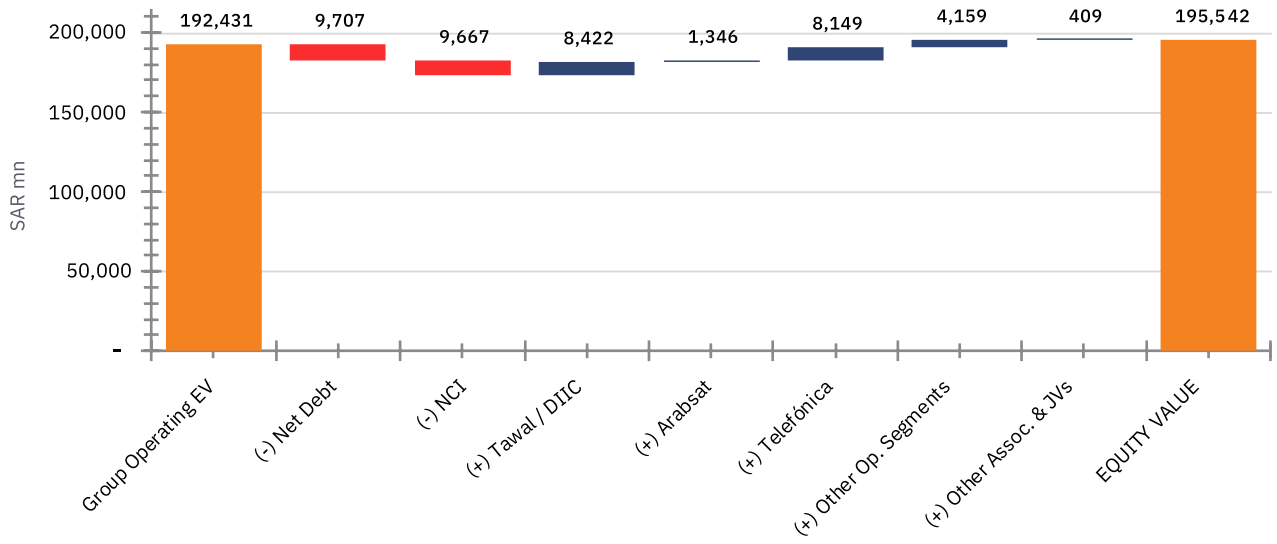
d. Other associates & joint ventures — not-individually-material equity-accounted stakes sitting outside the segment structure entirely (Beyond One Saudi, a 10% MVNO associate; Devoteam Middle East, a 40% IT consulting associate; Arab Submarine Cables Company, a 50% JV; Integrated Data Company, a 39% JV; and other immaterial holdings), valued in aggregate at carrying value; SAR 409m (31 Dec 2025).

04. We also add back other operating segments (residual) not individually disclosed (Intigral, Aqalat, Smart Zone Real Estate, stc Gulf Investment Holding, stc GCC Cable Systems, Tali, stc Asia Holding [including its equity-accounted interest in BGSM/Maxis], stc Turkey Holding, Green Bridge, TCIC), valued at net asset (book) value given the lack of individually disclosed operating metrics; SAR 4,159m (net asset value 31 Dec 2025).
05. We finally divide resultant equity value by the number of shares outstanding to arrive at an implied share price for stc Group. We use basic shares outstanding (4,984.5m, per Q3 2026) as stc's diluted share count is not separately disclosed in the Q3 2026 interim filing, but the FY2025 annual report's EPS note shows diluted EPS is calculated by grossing basic shares back up to the full 5,000m issued share count (i.e., treating treasury shares held for the employee LTI program as fully outstanding) so no major differences.

The chart below sets out the EV-to-Equity bridge under our Base case:

Figure 01

EV-to-Equity Bridge (Base case)



NCI reconciliation (SAR 9,667m, market-consistent basis): Solutions 4,474m (20.4% minority × market cap) + stc Kuwait 3,425m (48.2% minority × market cap) + stc Bank 775m (7.7% minority × peer-multiple-implied EV) + iot² 566m (50.0% minority × peer-multiple-implied EV) + SCCC 427m (45.0% minority × peer-multiple-implied EV) = SAR 9,667m.

Reference dates vary slightly across bridge inputs — most figures are as at 30 September 2026 (market data as at 5 November 2026), but Tawal/DIIC, Arabsat, and the residual subsidiaries and associates are carried at their most recently disclosed value (31 December 2025, given annual-only disclosure for these items). We don't believe this timing mismatch has any material implications for the conclusion, but it is worth noting.

Benchmarking versus traded price

Putting this result into perspective, we believe our analysis (Base case) still leans conservative overall, with most broker valuations based on group-level earnings or cash flow (EV/EBITDA or DCF), which cannot be replicated on a divisional basis given the absence of segment-level EBITDA and forecasts. The analysis is run on historical numbers rather than projections, and several simplifications made in the absence of full disclosure could further understate true economic value — notably, valuing some assets at book, which does not capture any growth or intangible value consistent with a market-based approach.

Furthermore, Tawal/DIIC's carrying value reflects the entity's structure prior to the completion of its merger and subsequent European expansion. These are partially offset by the use of enterprise value rather than equity value in the NCI calculation for stc Bank, iot[2], and SCCC, though the direction of this effect is genuinely ambiguous without visibility into each entity's standalone capital structure. That said, none of these simplifications, individually or in combination, appear significant enough to move the implied share price meaningfully, and none change the overall conclusion of our analysis.

stc's Base-case implied share price of SAR 39.23 (195,542m SAR / 4,984m shares outstanding) sits approximately 5.7% below its traded price of ~SAR 41.6 (dated 5 November 2026). The gap has narrowed since our Q2 report, driven predominantly by a decline in stc's share price amid heightened regional geopolitical tensions, rather than by any material change in fundamentals or in our approach to valuation. Running the valuation under all three scenarios (Low, Base, High) produces the following results:

Table 08

Case	Equity Value (SAR mn)	Implied Share Price (SAR)	vs. Traded Price
Low	134,070	26.90	-35.4%
Base	195,542	39.23	-5.7%
High	**237,609**	**47.67**	**+14.5%**

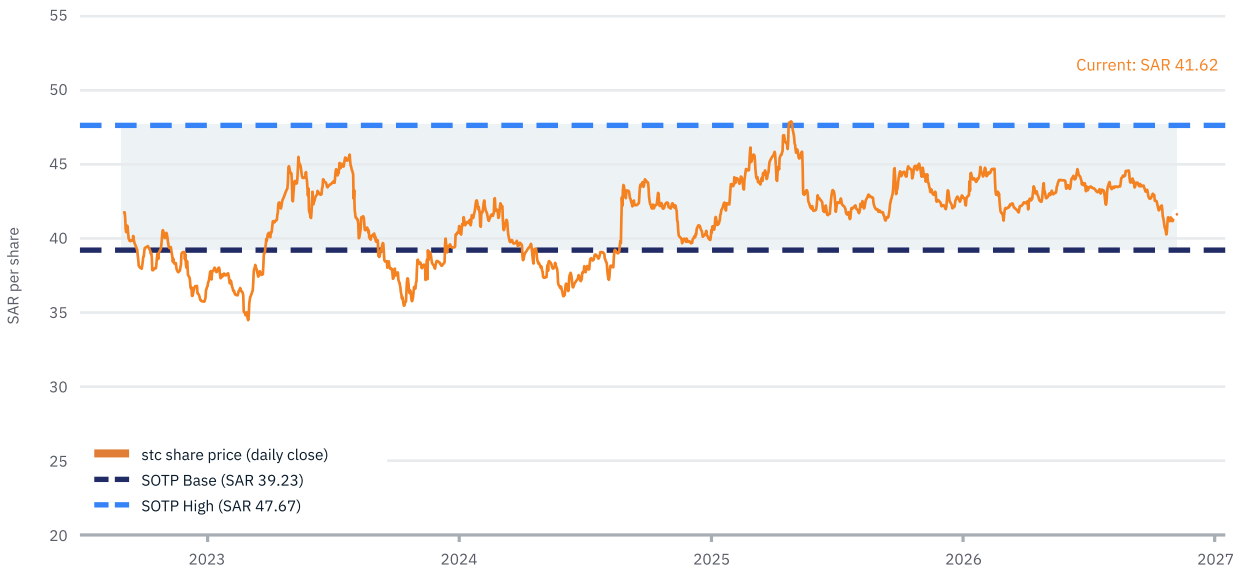
We consider the Low case unrealistic, as the low anchors were largely selected as floor references for the valuation range, often smaller-scale, lower-quality rather than genuinely reflective of stc's own segments.

The sum-of-the-parts valuation model, based on the data and assumptions employed, indicates an illustrative valuation range for the stock of approximately SAR 39 to SAR 48 per share, spanning the base-case and upside scenarios. This range reflects the output of the analytical model and should not be interpreted as a target price or an investment recommendation.

Looking at stc's actual daily share price (chart below), it has traded within that range on 99.3% of trading days since the start of 2025, following a more volatile 2023–2024 that plausibly reflects a group still earlier in scaling its diversification businesses (Center3, stc Bank, Solutions) into a more visible share of the whole.

Figure 02

stc Share Price, Aug 2022–Nov 2026 vs. SOTP Base/High



stc daily closing price, 30 August 2022 to 5 November 2026. SOTP Base/High reference lines are the scenario outputs from the EV-to-Equity bridge above. Low (SAR 26.90) is omitted as unrealistic, per the discussion above

Taken together, this suggests stc is broadly fairly priced, although the recent sell-off has moved the share price towards the lower end of our indicative range.

Some research houses arrive at higher values.

After the Q3 results, SNB Capital set a target price of SAR 52.3 per share, above the top of our SAR 39–48 range, while BSF Capital's SAR 46.7 sits within it (Argaam, 1 November 2026). The difference lies mainly in method rather than in the facts. Brokers typically value stc as a whole on forecast earnings and cash flows, cross-checked against peer multiples, so they can credit growth that has not yet reached the accounts. SNB Capital, for instance, cites data-centre expansion, rising contributions from Center3 and stc Bank, and major government contracts. Accordingly, growth in our model is reflected primarily through the revenues reported in the company's disclosed results, while the valuation multiples applied remain unchanged. By contrast, the forward-looking valuations published by some research firms incorporate assumptions regarding future growth, earnings, and cash flows over upcoming periods. As such, comparing these estimates with the outputs of our model does not constitute a like-for-like comparison of target prices, as the underlying methodologies and time horizons differ.

A further observation from our SOTP analysis is that Equity Value ends up close to Group Operating EV, as the net debt and NCI deductions are broadly offset by the non-operating add-backs. The biggest contributor to Enterprise Value by far remains the operating segment valuation, specifically stc Core, Solutions, and Center3. Together these three account for approximately 83% of Group Operating EV under the Base case (stc Core ~62%, Solutions ~11%, Center3 ~10%).

Output remains highly sensitive to stc Core's valuation specifically. At stc's current share price of ~SAR 41.6 (dated 5 November 2026) and holding every other segment's valuation constant, stc Core would need to be valued towards the upper end of our range — approximately 2.8x EV/Revenue.

The implied ~2.8x sits modestly above both our Base case and Mobily's current multiple (~2.5x), but is not an unreasonable multiple in isolation. Given how narrow the gap is, we do not read this as evidence of mispricing; rather, it suggests the market is attributing a small premium to stc Core, or crediting the group's diversification slightly more than a segment-by-segment build captures (i.e. modestly towards the High case).

Figure 03

Saudi Telecom Co. — Revenue flow · 9M 2026

Source: Argaam · amounts in the company's reporting currency · change vs the same period a year earlier

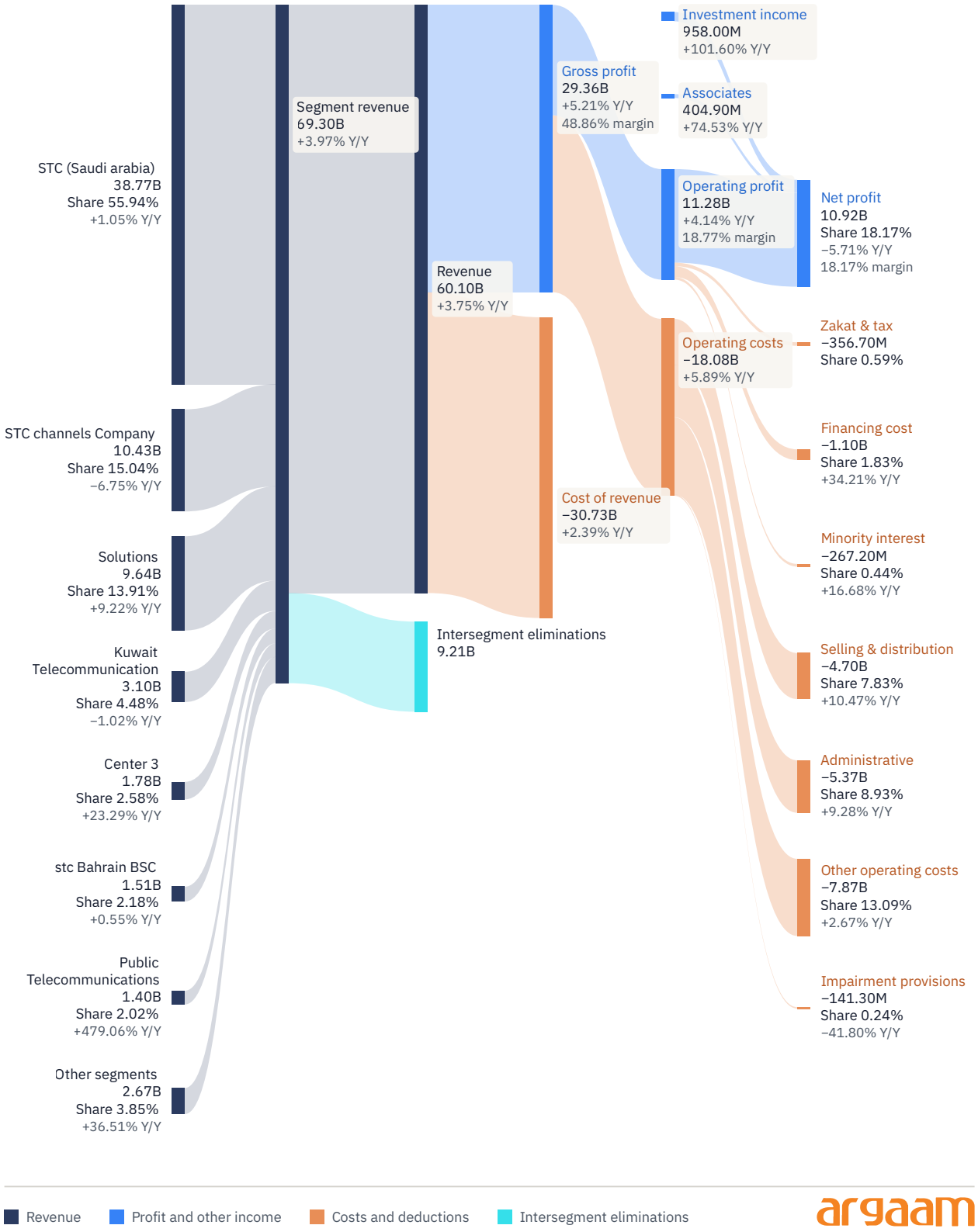
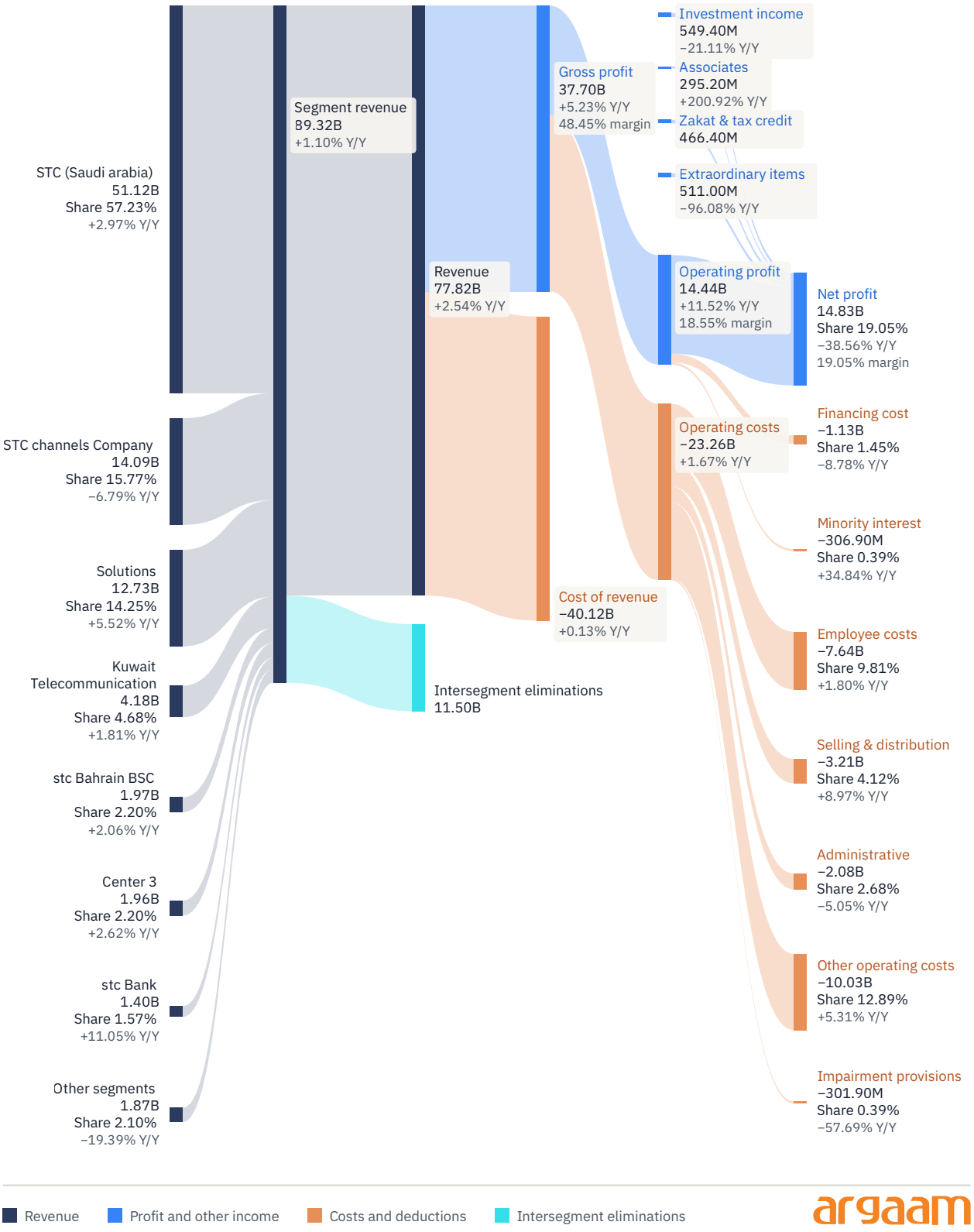


Figure 04

Saudi Telecom Co. — Revenue flow · FY2025

Source: Argaam · amounts in the company's reporting currency · change vs the same period a year earlier



Concluding Thoughts

This paper presents a high-level sum-of-the-parts analysis of stc, built on a number of judgment calls and working within the limits of publicly available information. The sum-of-the-parts valuation continues to suggest that Saudi Telecom Company's (stc) current market price is broadly in line with the indicative valuation range derived from our model, consistent with the conclusions reached in our second-quarter analysis.

The analysis could be further refined with more detailed segmental disclosure and a cross-check against DCF outputs, but these sit outside the scope of this paper. In any case it isn't possible without segment-level financial detail (projections, capex, working capital, EBITDA) The peer-group valuation multiples used in our analysis suggest that assuming a further significant expansion in the valuation multiple of the core telecommunications business would require additional operational or market-based justification.

In this context, the base-case scenario presented in this analysis, which assumes an enterprise value-to-revenue multiple of 2.5x, is broadly aligned with Mobily's current multiple of around 2.5x, while the upside scenario assumes a higher multiple of 3.0x. Sector comparisons indicate that only a limited number of global telecommunications operators consistently trade at multiples above 3.0x, reflecting the valuation ceilings commonly observed across the industry. This is also consistent with the share price performance of Saudi Telecom Company (stc), which has traded within a relatively narrow range since the beginning of 2025, without any further expansion in its valuation multiples.

The more meaningful swing factor is Center3, given both its scale (contribution to EV) and where it sits in its own development cycle, transitioning from build-out toward contracted infrastructure as capacity converts toward its 1GW target — a transition the Q3 results suggest is gaining pace. This transition could have a meaningful impact on the multiple applied, which as presented above, already spans a fairly wide range reflecting the genuine uncertainty in how the market will value this shift as it plays out.

Other segments remain too subscale relative to stc Core to shift the share price on their own. Among them, stc Bank and Sirar already have High cases sitting near the top of what their peer sets support, leaving little further room. SCCC and iot², while each offering an interesting proposition, operate at a smaller scale still, regardless of where their multiple sits. Specialized has grown in scale following its government contract, but at a Base EV of under SAR 4bn remains too small to move the group valuation on its own.

Beyond continued scale, further upside could come from a turnaround at stc Core. **As highlighted in our Q2 report**, a partial sale or listing of one of the group's less-visible segments, as with Solutions' IPO, could also crystallise value not currently reflected in stc's consolidated multiple. The current market price is near the lower end of the indicative valuation range derived from the model. However, the valuation remains sensitive to changes in operating performance, the assumptions underpinning the analysis, and regional risk premiums, particularly if geopolitical tensions persist.

> This leaves an open question. At today's share price, the market already gives stc a small premium over our Base case, equivalent to valuing stc Core at about 2.8x revenue, or to crediting the group's diversification slightly more than our segment-by-segment build. The question for the coming quarters is whether Center3, stc Bank, Specialized and the group's other new businesses can generate value beyond what the market is already pricing in.