

Target Price: SAR210/share
Current Price: SAR183.2/share
Upside: +15% (+Div. Yield: ~1.6%)
Rating: Overweight

Saudi Tadawul Group (STG)

1Q25 results in-line; TP revise to SAR210/sh. on weak ADTV

Stock data

| | |
|--------------------------|--------|
| Ticker | 1111 |
| Mcap (SARmn) | 21,984 |
| Avg. Trd. Val (3m) SARmn | 26.9 |
| Free float | 40.0% |
| QFI holding | 10.4% |
| TASI FF weight | 0.40% |

Source: Bloomberg

Prices indexed to 100



Source: Bloomberg

- In-line 1Q25 earnings despite slightly lower-than-expected operating profit amid weak ADTV and rising operating costs.
- ADTV likely to remain weak in 2Q25 before start improving during 2H25 and further in 2026e (SAR7.9bn), driven by improved liquidity and healthy IPO pipeline.
- Post revision in our estimates, we revise our TP to SAR210/sh. (SAR259/sh. earlier) using 40x P/E on average of 2025-26e EPS with Overweight rating on STG.

1Q25 results: STG's revenue declined by 15.3% y/y, reaching SAR328mn (in line with our estimate of SAR330mn). The decrease is attributed to the decline in ADTV, which fell by 33.8% y/y, resulting in a decline in revenues from trading services and post-trade activities. This was partially offset by an increase in non-trading revenues. Further, the gross profit declined by 26.5% y/y, reaching SAR192mn, in line with our estimate. Lower revenue and increased system maintenance costs also impacted GP margins, which stood at 58.6% (vs. our estimate of 60.2%). Furthermore, operating profit dipped by 44.0% y/y to SAR108mn (slightly missing our estimate) due to increased headcount, higher consultancy fees and D&A expenses. Overall, net profit came in at SAR121mn, down by 40% y/y, largely in line with our estimate of SAR115mn, aided by higher-than-expected investment income.

Short-term challenges; long-term growth potential: Tadawul continues to face revenue and profitability pressures, primarily due to weak trading value amid slower-than-expected interest rate cuts and challenging market conditions. In 1Q25, traded value stood at SAR6.1bn, down 33.8% y/y, with the current QTD at SAR6.3bn -21% y/y and YTD at SAR6.0bn -31% y/y. We expect ADTV to remain weak on an annual basis, before improving during 2H25. Accordingly, we revise our ADTV estimate for 2025e to SAR6.6bn (-12.7% y/y) from our previous estimate of SAR8.7bn. At the same time, margins are expected to decline in 2025e on higher G&A expenses driven by increased headcount, maintenance costs, and depreciation tied to Tadawul's strategic expansion in data and technology. As the company invests in new talent and begins capitalizing on its latest technological acquisitions, financial strain persists. Additionally, net profit is expected to be further impacted by higher finance costs following increased borrowings for the completion of the DirectFN acquisition.

Figure 1: Key financial metrics

| SARmn | 2023a | 2024a | 2025e | 2026e |
|---------------------|-------|-------|-------|-------|
| Revenue | 1,073 | 1,447 | 1,419 | 1,657 |
| Revenue growth | -2% | 35% | -2% | 17% |
| Gross Profit | 607 | 912 | 866 | 1,075 |
| Gross Profit margin | 57% | 63% | 61% | 65% |
| EBITDA | 403 | 647 | 594 | 788 |
| Op. income | 328 | 566 | 493 | 681 |
| Net profit | 381 | 621 | 546 | 716 |
| Net profit margin | 36% | 43% | 38% | 43% |
| EPS (SAR) | 3.3 | 5.2 | 4.5 | 6.0 |
| DPS (SAR) | 2.3 | 3.4 | 3.0 | 3.9 |
| P/E | 56.4x | 35.4x | 40.3x | 30.7x |

Source: Company data, GIB Capital

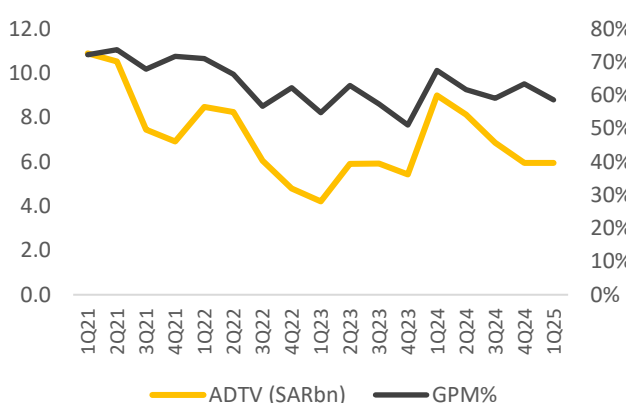
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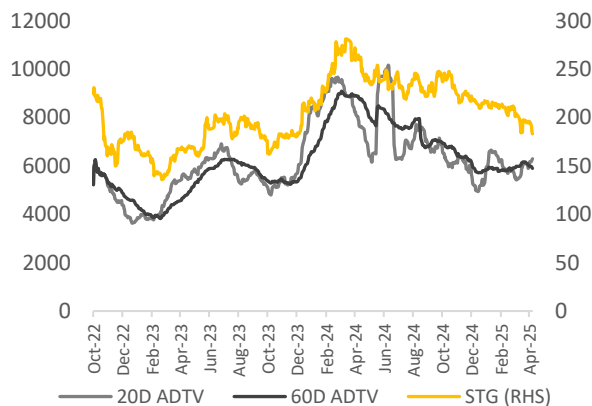
Despite these near-term challenges, we expect trading activities to gain momentum from 2026 onward, with ADTV rising to SAR7.9bn in 2026e, implying a growth in revenues from trading services and post-trade activities. Further, STG is also positioned for significant growth, particularly in the data and technology segment, which is expected to achieve 16% top-line CAGR over 2024-27e. Moreover, a broader range of listings, enhanced trading infrastructure, an expanded product portfolio, and the Data Monetization Program are set to drive long-term resilience and sustained market growth.

Figure 2: Quarterly ADTV vs. Gross profit margin



Source: Tadawul, GIB Capital

Figure 3: ADTV (SARmn) vs. stock price



Source: Bloomberg, GIB Capital

Change in estimates: Post revision in our ADTV forecast, we cut our top-line estimates by 12% for 2025e. Further, we also reduce our earnings by -23% for 2025e to factor in the increased headcount and OPEX.

Figure 4: Revision in estimates

| SARmn | 2025e | | | 2026e | | |
|------------------|---------|---------|----------|---------|---------|----------|
| | Current | Earlier | % change | Current | Earlier | % change |
| Revenues | 1,419 | 1,615 | -12% | 1,657 | 1,664 | 0% |
| Gross profit | 866 | 1,029 | -16% | 1,075 | 1,064 | 1% |
| GPM % | 61% | 64% | | 65% | 64% | |
| Operating Profit | 493 | 676 | -27% | 681 | 700 | -3% |
| OPM % | 35% | 42% | | 41% | 42% | |
| Net profit | 546 | 713 | -23% | 716 | 727 | -1% |
| NPM % | 38% | 44% | | 43% | 44% | |

Source: GIB Capital

Valuation: STG's, at the center of the economic transformation under the Financial Sector Development Program, is expected to benefit from multiple targets of the program, such as increasing listings, increasing foreign participation, Sukuk/debt issuances and others. Newer products such as ESG, F&O, and data/analytics segments would enhance non-trade revenues. In line with this, the company acquired DirectFN and a 32.6% stake in GME Holdings for SAR107mn. Moreover, STG has recently signed several MOUs with several financial markets (ASE, SSE, HKEX, SGX, etc.) to explore the possibility of dual listings, which may attract new foreign companies/investors, expand the traders base as well as boost liquidity in the market.

While realizing the targets/potential is certain, forecasting the timing of these drivers is hardly feasible, which is why we assign a premium valuation multiple (40x on average of 2025-26e EPS of SAR5.26) to account for the potential growth. Post downward revision in our estimates, we revise our TP to SAR210/sh. (SAR259/sh. earlier) with an Overweight rating on the stock.

Figure 5: 1Q25 results summary

| SARmn | 1Q25 | 1Q24 | y/y % | 4Q24 | q/q % | GIBC est. | Variance % |
|-------------------------|--------------|------------|---------------|------------|---------------|------------|--------------|
| Revenues | 328 | 388 | -15.3% | 346 | -5.2% | 330 | -0.6% |
| Cost of sales | 136 | 126 | 7.9% | 127 | 7.3% | 131 | 3.4% |
| Gross profit | 192 | 262 | -26.5% | 220 | -12.5% | 199 | -3.3% |
| Opex | 85 | 69 | 22.0% | 115 | -26.4% | 85 | -0.6% |
| Operating profit | 108 | 192 | -44.0% | 105 | 2.9% | 114 | -5.3% |
| Net income | 120.5 | 202 | -40.2% | 116 | 3.8% | 115 | 5.0% |
| Margins | | | | | | | |
| Gross margin | 58.6% | 67.5% | | 63.4% | | 11.2% | |
| Operating margin | 32.8% | 49.6% | | 30.2% | | 8.8% | |
| Net margin | 36.7% | 52.0% | | 33.5% | | 8.1% | |

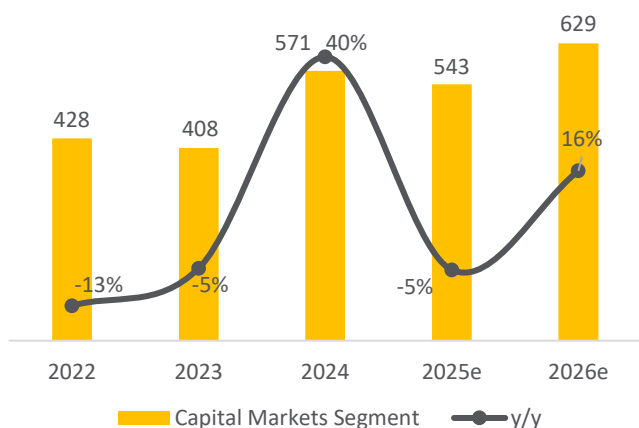
Source: Company data, GIB Capital

Key upside risks: i) Any further acquisitions to diversify the source of income may increase the recurring revenues and lead to a revision in our forecasts. ii) commission fees in Saudi Arabia are currently the lowest in the region, and the last revision was in 2016 from 0.12% to currently 0.155% (+30% increase). Any upward revision in the commission fees should drive our forecasts higher and thereby an upward revision in our TP.

Key downside risks: Key risks to our forecasts are mainly around further stake sale by PIF, delay of FSDP initiatives, non-adoption of derivatives/bond/Sukuk products, unfavorable regulations such as reduction in fees, volatility due to dependence on retail trading, global macro weakness and oil price fluctuations.

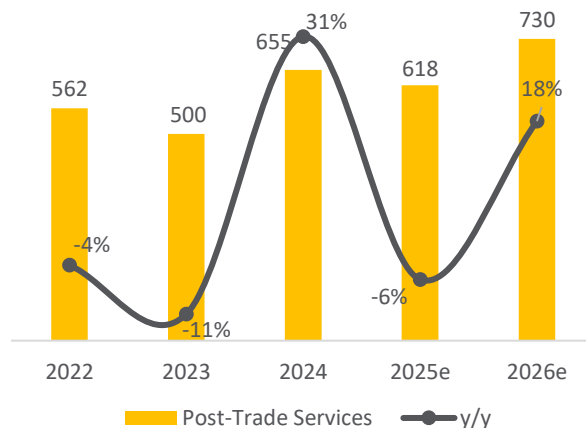
Financial analysis in charts

Figure 1: Capital market revenue (SARmn)



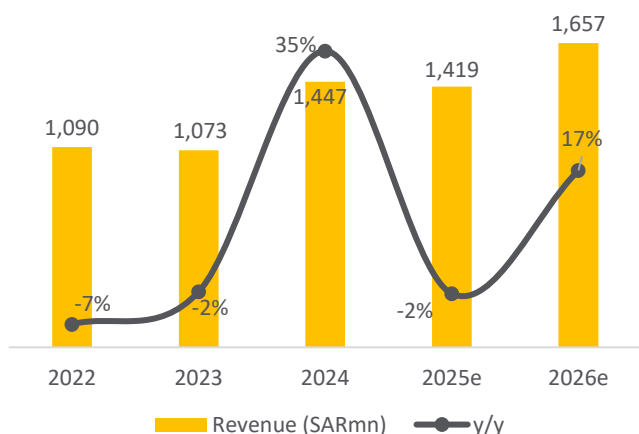
Source: Company data, GIB Capital

Figure 2: Post-Trade services revenue (SARmn)



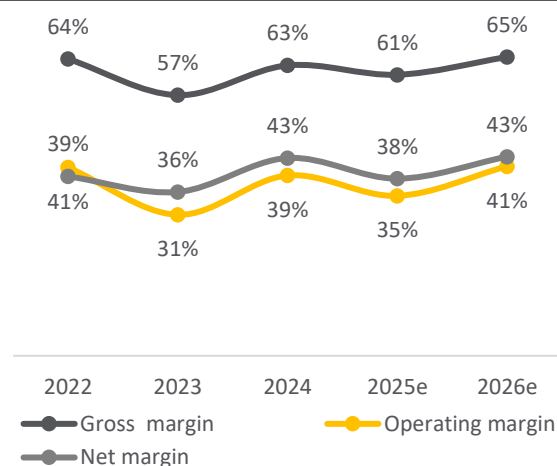
Source: Company data, GIB Capital

Figure 3: Total Revenue trend (SARmn)



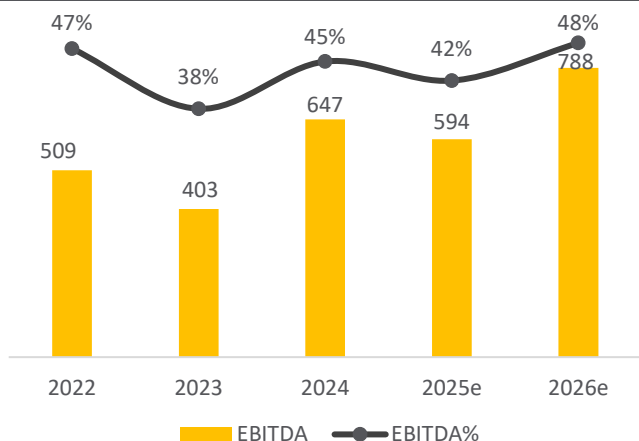
Source: Company data, GIB Capital

Figure 4: Margins trend



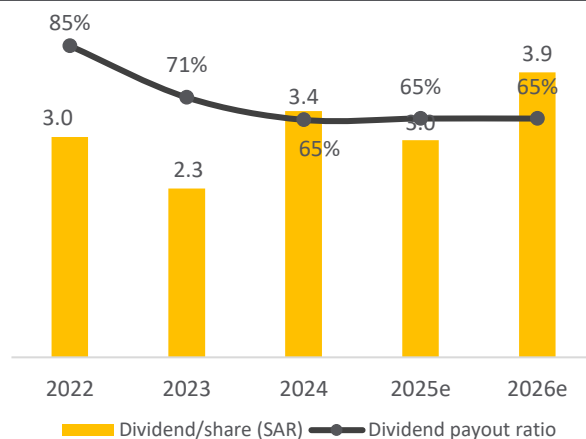
Source: Company data, GIB Capital

Figure 5: EBITDA (SARmn) and EBITDA margin



Source: Company data, GIB Capital

Figure 6: Dividend and payout (%)



Source: Company data, GIB Capital

Financials

Figure 7: Summarized basic financial statements (SARmn)

| Income statement | 2023a | 2024a | 2025e | 2026e |
|---|--------------|---------------|--------------|---------------|
| Revenue | 1,073 | 1,447 | 1,419 | 1,657 |
| revenue y/y | -2% | 35% | -2% | 17% |
| Operating Costs | 466 | 535 | 554 | 583 |
| Gross Profit | 607 | 912 | 866 | 1,075 |
| Gross Profit margin | 57% | 63% | 61% | 65% |
| G&A | 279 | 342 | 371 | 393 |
| Operating profit | 328 | 566 | 493 | 681 |
| Operating margin | 31% | 39% | 35% | 41% |
| Investment Income | 127 | 151 | 177 | 183 |
| Other income | 3 | 2 | 3 | 3 |
| Net income | 381 | 621 | 546 | 716 |
| Net margin | 36% | 43% | 38% | 43% |
| y/y | -10% | 63% | -12% | 31% |
| EPS | 3.3 | 5.2 | 4.5 | 6.0 |
| DPS | 2.3 | 3.4 | 3.0 | 3.9 |
| Payout | 71% | 65% | 65% | 65% |
| EBITDA | 403 | 647 | 594 | 788 |
| Net debt | (2,039) | (160) | 544 | 246 |
| Balance Sheet | 2023a | 2024a | 2025e | 2026e |
| Investments | 269 | 1,202 | 1,202 | 1,202 |
| Accounts receivable | 95 | 99 | 97 | 113 |
| Prepaid expenses and other current assets | 137 | 162 | 168 | 177 |
| Clearing participant financial assets | 3,527 | 4,409 | 3,839 | 4,579 |
| Cash and cash equivalents | 2,051 | 352 | -72 | 226 |
| Total Current Assets | 6,078 | 7,459 | 7,258 | 8,321 |
| Property and equipment | 218 | 367 | 452 | 455 |
| Intangible assets | 377 | 422 | 443 | 416 |
| Equity-accounted investee | 384 | 551 | 551 | 551 |
| Investments | 391 | 172 | 172 | 172 |
| Total Non-Current Assets | 1,587 | 1,682 | 1,787 | 1,764 |
| Total Assets | 7,665 | 9,141 | 9,046 | 10,085 |
| Current Liabilities | 4,069 | 5,046 | 4,557 | 5,329 |
| Non-current Liabilities | 439 | 604 | 806 | 823 |
| Equity | 3,157 | 3,492 | 3,683 | 3,933 |
| Total Equity and Liabilities | 7,665 | 9,141 | 9,046 | 10,085 |
| BVPS | 26.3 | 29.1 | 30.7 | 32.8 |
| Cashflow | 2023a | 2024a | 2025e | 2026e |
| Cashflow from Operations | 395 | 625 | 689 | 893 |
| Cashflow from Investing | -108 | -2,163 | -996 | -83 |
| Cashflow from Financing | -355 | -160 | -116 | -513 |
| Total Cashflows | -68 | -1,698 | -424 | 298 |

Source: Company data, GIB Capital

Figure 8: Key ratios

| Key ratios | 2023a | 2024a | 2025e | 2026e |
|-------------------------------------|-------|-------|-------|-------|
| Profitability ratios | | | | |
| RoA | 5% | 7% | 6% | 7% |
| RoE | 12% | 18% | 15% | 18% |
| Sales/Assets | 14% | 16% | 16% | 16% |
| Net margin | 35.6% | 42.9% | 38.5% | 43.2% |
| Liquidity ratios | | | | |
| Current Assets/ Current Liabilities | 1.5 | 1.5 | 1.6 | 1.6 |
| Receivable Days | 32 | 25 | 25 | 25 |
| Payable days | 39 | 36 | 36 | 36 |
| Cash conversion cycle | -7 | -11 | -11 | -11 |
| Debt ratios | | | | |
| Net Debt/EBITDA (w/o IFRS liab.) | -5.1 | -0.2 | 0.9 | 0.3 |
| Net Debt/Equity (w/o IFRS liab.) | -0.65 | -0.05 | 0.15 | 0.06 |
| Valuation ratios | | | | |
| P/E | 56.4 | 35.4 | 40.3 | 30.7 |
| P/B | 7.0 | 6.3 | 6.0 | 5.6 |
| EV/EBITDA | 46.9 | 29.2 | 31.8 | 24.0 |
| Dividend Yield | 1.3% | 1.8% | 1.6% | 2.1% |

Source: Company data, GIB Capital

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