Target Price: SAR167/share
Current Price: SAR139/share
Upside: +19.9% (+Div. Yield: ~1.5%)
Rating: Overweight

Saudi Tadawul Group (STG)

Structural growth remains intact despite near-term headwinds

Stock data	
Ticker	1111
Mcap (SARmn)	16,680
Avg. Trd. Val (3m) SARmn	44.6
Free float	40.0%
QFI holding	9.9%
TASI FF weight	0.29%

Source: Bloomberg

Prices indexed to 100

Source: Bloomberg

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- ADTV remains muted amid volatility and geopolitical uncertainty, with YTD down 8% y/y despite broader non-resident foreign investors' access.
- Profitability to stay constrained in 2026e, as high G&A expenses tied to staffing, maintenance, and technology weigh on margins, alongside high finance costs.
- We revise our 1Y Fwd valuation, applying a 40x P/E on avg 2026-27e EPS, resulting in a TP of SAR167/sh., while maintaining our Overweight rating.

Near-term softness persists as trading activity remains subdued… STG continues to grapple with pressure on both revenue and profitability, as trading activity remains softer than anticipated. Market volatility and ongoing geopolitical uncertainty have kept trade values subdued despite CMA's decision to open TASI to all non-resident foreign investors from February 26. In 1Q26, ADTV reached SAR5.0bn, down 15.9% y/y, with YTD at ~SAR5.3bn, an 8% y/y decrease. We expect ADTV to remain muted in the near term before beginning to improve by 2H26, supported by easing geopolitical tension and improved market sentiment. Nevertheless, we have lowered our 2026e ADTV forecast accordingly to ~SAR6.0bn (-15.1% vs SAR7.0bn earlier) on weaker-than-expected market activity. Moreover, profitability is likely to stay constrained in 2026e, with high G&A costs from staffing, maintenance, and depreciation tied to ongoing tech and data investments, alongside high finance costs pressuring net profit.

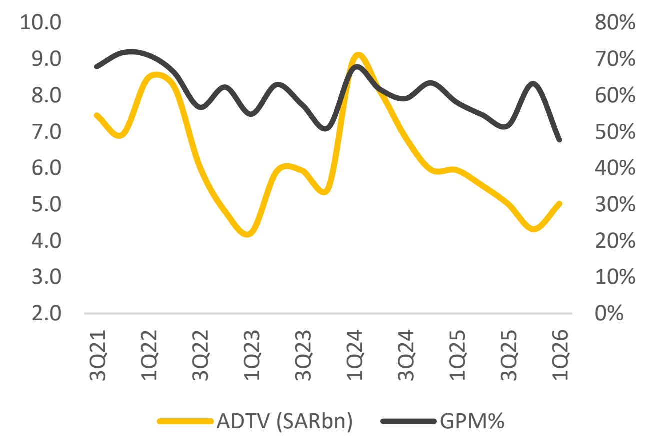
…while long-term structural catalysts strengthen the growth trajectory: Looking beyond near-term headwinds, STG is positioned for solid expansion, with revenue diversification toward non-ADTV streams, strengthens overall mix by expanding recurring, scalable revenue that is higher quality and less sensitive to market turnover (61.5% in 1Q26 vs 55.2% in 1Q25). Consequently, STG is projected to deliver a 10.1% topline CAGR over 2025–28e, with long-term momentum reinforced by expanded listings, stronger infrastructure, a broader product suite, and the Data Monetization Program. At the same time, STG aims to align cost growth more tightly with revenue to enhance operating leverage. As a result, NPM is expected to rebound gradually with earnings set to deliver a healthy 16.4% CAGR over 2025–28e.

Figure 1: Key financial metrics

SARmn	2024a	2025a	2026e	2027e
Revenue	**1,447**	**1,261**	**1,359**	**1,526**
Revenue growth	*35%*	*-13%*	*8%*	*12%*
Gross Profit	**912**	**716**	**742**	**891**
Gross Profit Margin	*63%*	*57%*	*55%*	*58%*
EBITDA	647	439	456	586
Op. income	566	323	300	423
Net profit	**621**	**395**	**385**	**520**
Net profit margin	*43%*	*31%*	*28%*	*34%*
Net profit growth	*63%*	*-36%*	*-2%*	*35%*
EPS (SAR)	5.2	3.3	3.2	4.3
DPS (SAR)	3.4	2.3	2.1	2.8
P/E	26.8x	42.2x	43.3x	32.1x
EV/EBITDA	21.3x	31.4x	30.2x	23.5x

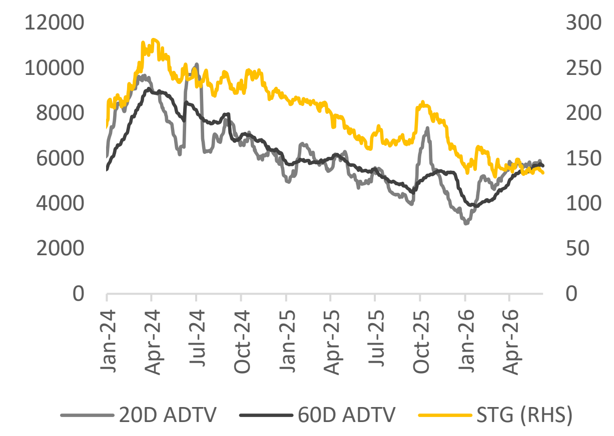
Source: Company data, GIB Capital

Figure 2: Quarterly ADTV vs. Gross profit margin



Source: Tadawul, GIB Capital

Figure 3: ADTV (SARmn) vs. stock price



Source: Bloomberg, GIB Capital

Recap of 1Q26 results: STG reported revenues of SAR295mn, down 10.2% y/y, in line with our SAR288mn estimate and SAR302mn consensus. The performance reflects a stable non-ADTV revenue stream contribution (61.5% of total), which helped partially offset a 23% y/y decline in ADTV-linked revenues (38.4% of total revenue). The latter was weighed down by softer trading and post-trade activity, following a 15.9% y/y drop in average daily trading values. Furthermore, gross profit declined 26.2% y/y to SAR141mn (largely in line), as weaker revenue combined with a 12% y/y increase in COGS. As a result, gross margin contracted to 47.8%, compared with 58.1% in 1Q25.

Moreover, operating profit fell sharply, down 63.7% y/y to SAR39mn, further pressured by a 22.3% y/y rise in operating expenses tied to the Group's strategic growth initiatives, which also drove higher depreciation and amortization. At the bottom line, net profit came in at SAR56mn, representing a 53.9% y/y decline and falling 34% below our estimate and 41% below consensus. The drop reflects both weaker revenues and elevated operating costs, leading to a net margin of 18.9%, down from 36.7% in 1Q25.

Figure 4: 1Q26 results summary

SARmn	1Q26	1Q25	y/y %	4Q25	q/q %	GIBC est.	Variance %
Revenues	**295**	**328**	**-10.2%**	**296**	**-0.6%**	**288**	**2.2%**
Cost of sales	154	138	11.9%	111	39.0%	140	9.9%
Gross profit	**141**	**191**	**-26.2%**	**186**	**-24.2%**	**148**	**-5.1%**
Opex	102	83	22.3%	112	-9.0%	86	17.9%
Operating profit	**39**	**108**	**-63.7%**	**74**	**-47.2%**	**62**	**-37.0%**
Net income	**56**	**121**	**-53.9%**	**96**	**-42.2%**	**85**	**-34.3%**
Margins							
Gross margin	47.8%	58.1%		62.6%		51.4%	
Operating margin	13.3%	32.8%		25.0%		21.5%	
Net margin	18.9%	36.7%		32.5%		29.4%	

Source: Company data, GIB Capital

Change in estimates: After revising our forecasts, we reduced our top-line estimates by roughly 11–12% for 2026–27e, driven primarily by softer-than-anticipated ADTV activity. We also cut our earnings estimates by approximately 26–36% over the same period, reflecting both the lower top-line outlook and higher COGS tied to maintenance, network, and access expenses, as well as increased Opex from depreciation and amortization.

Figure 5: Revision in estimates

SARmn	2026e			2027e		
	Current	Earlier	% change	Current	Earlier	% change
Revenues	**1,359**	**1,552**	**-12.4%**	**1,526**	**1,722**	**-11.4%**
Gross profit	742	935	-20.6%	891	1,074	-17.1%
GPM %	55%	60%		58%	62%	
Operating Profit	300	545	-44.9%	423	663	-36.2%
OPM %	22%	35%	-37.0%	28%	39%	-28.1%
Net profit	**385**	**605**	**-36.4%**	**520**	**700**	**-25.7%**
NPM %	28%	39%		34%	41%	

Source: GIB Capital

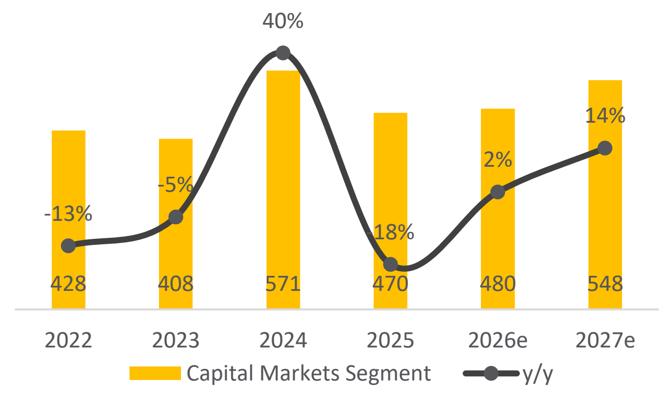
Valuation: STGs, at the center of the economic transformation under the Financial Sector Development Program, are expected to benefit from multiple targets of the program, such as increasing listings, increasing foreign participation, Sukuk/debt issuances, and others. Newer products such as ESG, F&O, and data/analytics segments would enhance non-trade revenues. *While realizing the targets/potential is certain, forecasting the timing of these drivers is hardly feasible, so we assign a valuation multiple (40x on our avg 2026-27e EPS).* Post-factoring weaker-than-expected ADTV and lower margin, we revised our 1-year forward TP to SAR167/sh. (SAR219/sh. earlier) but maintain an Overweight rating on the stock.

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 lead to 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.

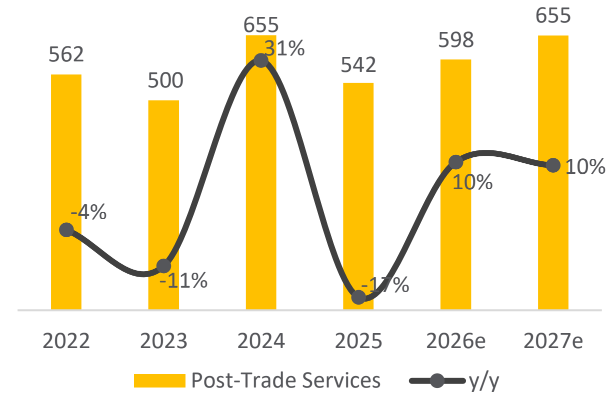
Financial analysis in charts

Figure 6: Capital market revenue (SARmn)



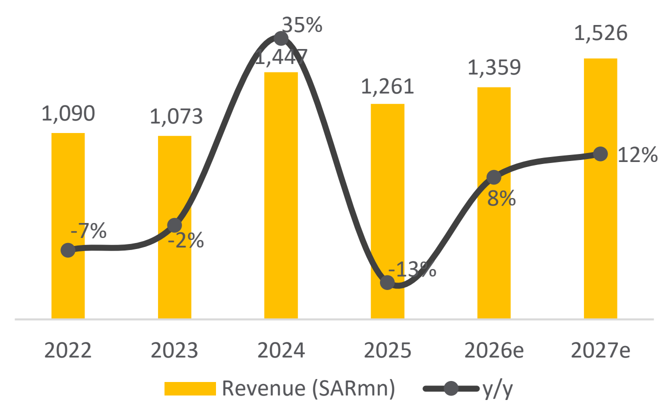
Source: Company data, GIB Capital

Figure 7: Post-Trade services revenue (SARmn)



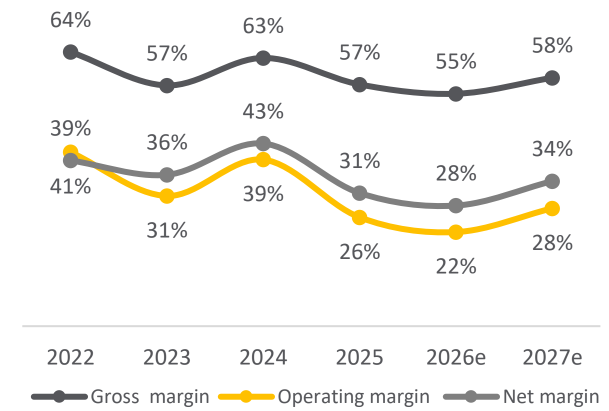
Source: Company data, GIB Capital

Figure 8: Total Revenue trend (SARmn)



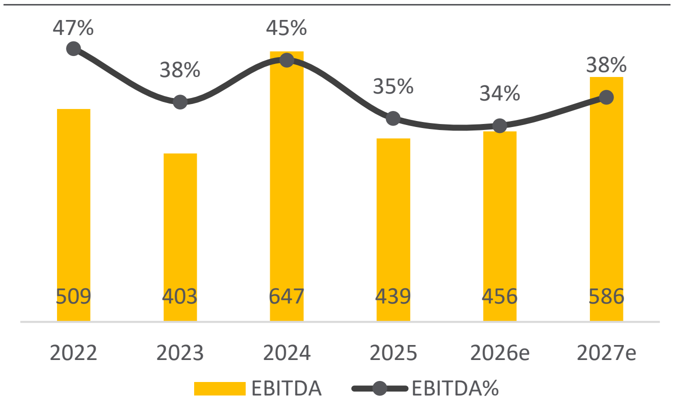
Source: Company data, GIB Capital

Figure 9: Margins trend



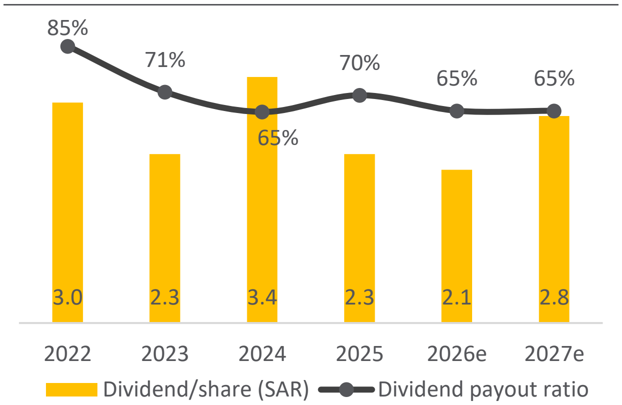
Source: Company data, GIB Capital

Figure 10: EBITDA (SARmn) and EBITDA margin



Source: Company data, GIB Capital

Figure 11: Dividend and payout (%)



Source: Company data, GIB Capital

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Financials

Figure 12: Summarized basic financial statements (SARmn)

Income statement	2024a	2025a	2026e	2027e
Revenue	**1,447**	**1,261**	**1,359**	**1,526**
revenue y/y	*35%*	*-13%*	*8%*	*12%*
Operating Costs	535	545	617	635
Gross Profit	**912**	**716**	**742**	**891**
Gross Profit margin	*63%*	*57%*	*55%*	*58%*
G&A	342	391	436	463
Operating profit	**566**	**323**	**300**	**423**
Operating margin	*39%*	*26%*	*22%*	*28%*
Investment Income	151	176	169	184
Other income	2	3	3	3
Net income	**621**	**395**	**385**	**520**
Net margin	*43%*	*31%*	*28%*	*34%*
y/y	*63%*	*-36%*	*-2%*	*35%*
EPS	**5.2**	**3.3**	**3.2**	**4.3**
DPS	3.4	2.3	2.1	2.8
Payout	65%	70%	65%	65%
EBITDA	**647**	**439**	**456**	**586**
Net debt	(160)	316	(57)	(276)

Balance Sheet	2024a	2025a	2026e	2027e
Investments	1,202	388	724	724
Accounts receivable	99	92	99	111
Prepaid expenses and other current assets	162	76	86	88
Clearing participant financial assets	4,409	3,802	3,860	4,419
Cash and cash equivalents	352	102	476	694
Total Current Assets	**7,459**	**6,707**	**6,949**	**7,742**
Property and equipment	367	455	441	428
Intangible assets	422	466	455	451
Equity-accounted investee	551	551	551	551
Investments	172	271	256	256
Total Non-Current Assets	**1,682**	**1,931**	**1,891**	**1,873**
Total Assets	**9,141**	**8,638**	**8,840**	**9,615**
Current Liabilities	5,046	4,559	4,616	5,192
Non-current Liabilities	604	636	646	663
Equity	3,492	3,443	3,578	3,760
Total Equity and Liabilities	**9,141**	**8,638**	**8,840**	**9,615**
BVPS	29.1	28.7	29.8	31.3

Cashflow	2024a	2025a	2026e	2027e
Cashflow from Operations	625	514	573	742
Cashflow from Investing	-2,163	-491	92	-146
Cashflow from Financing	-160	-273	-292	-378
Total Cashflows	**-1,698**	**-250**	**373**	**218**

Source: Company data, GIB Capital

Figure 13: Key ratios

Key ratios	2024a	2025a	2026e	2027e
Profitability ratios				
RoA	7%	5%	4%	5%
RoE	18%	11%	11%	14%
Sales/Assets	16%	15%	15%	16%
Net margin	42.9%	31.3%	28.3%	34.1%
Liquidity ratios				
Current Assets/ Current Liabilities	1.5	1.5	1.5	1.5
Receivable Days	25	27	27	27
Payable days	36	38	38	38
Cash conversion cycle	-11	-12	-12	-12
Debt ratios				
Net Debt/EBITDA (w/o IFRS liab.)	-0.2	0.7	-0.1	-0.5
Net Debt/Equity (w/o IFRS liab.)	-0.05	0.09	-0.02	-0.07
Valuation ratios				
P/E	26.8	42.2	43.3	32.1
P/B	4.8	4.8	4.7	4.4
EV/EBITDA	21.3	31.4	30.2	23.5
Dividend Yield	2.4%	1.7%	1.5%	2.0%

Source: Company data, GIB Capital

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