

# Daily Bulletin

September 29, 2025

## Solutions signs SAR 313.4 mn agreement with stc

Rating: **Overweight** | Target Price: **SAR 334.2**

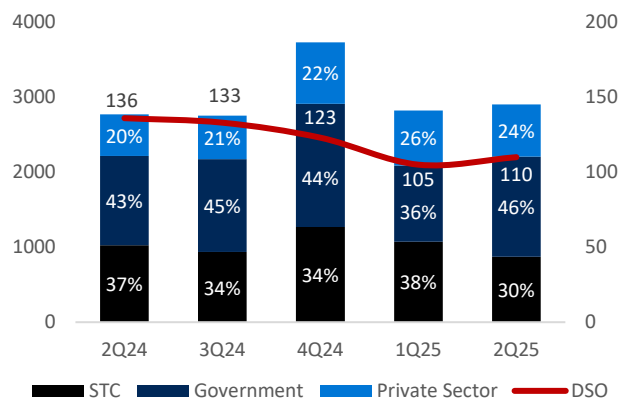
Arabian Internet and Communications Services Co. (Solutions) signed a SAR 313.4 mn contract with stc (which owns 79% of Solutions), to establish and develop internet and communications networks for the telecom company. The contract is valid for 36 months, with the financial impact expected to commence in 1Q26.

Under the agreement, solutions will establish and develop stc’s internal internet and communications networks, expand new and existing Network Elements (NEs), and strengthen services to support business units. The scope also includes installing data transfer devices, upgrading internal and international networks to meet rising 5G demand, and replacing unsupported legacy systems. In parallel, the company will expand capacity in virtual broadband infrastructure, build internet systems across new data centers in Khamis Mushait, Dammam, Qassim, and North Riyadh, and provide integration and testing of equipment and systems. Capex intensity was 1.5% in 1H25 compared to company guidance of 2-3% for 2025, suggesting sufficient headroom to fund these capacity expansion projects.

We highlight that stc contributed approximately 30% of Solutions’ revenue in 2Q25 (SAR 871 mn), down from 37% in 2Q24, due to a higher share from government contracts. Receivables stood at SAR 3.6 bn in 2Q25, with stc accounting for 30% versus 42% for government entities. While stc’s receivables are expected to remain relatively lower-risk given the majority ownership and predictable business relationship with stc, receivable days improved to 123 in 2024 from 144 in 2023 (-15% YoY), and further to 110 in 2Q25. In line with this, the cash conversion cycle shortened to -17 days in 2024 from 90 days in 2023, and further to -96 days in 2Q25, driven by stronger collections and faster capital turnover. With the new contract in place, we expect stc’s share to gradually recover from 2026 onwards, supporting further improvements in collections and cash conversion.

We reiterate our ‘Overweight’ rating on Solutions with a target price of SAR 334.2/sh, offering an upside of 29.6%. The stock has underperformed TASI over the past 12 months, declining 11.0% compared to TASI’s 9.3% decline. The stock is currently trading at a 2025e P/E of 18.1x and a dividend yield of 3.4%.

Revenue by segment (SAR mn) and DSO



Source: Company financials, anbc research

Price performance



Source: Bloomberg, anbc research

**Disclaimer:**

This report has been prepared on the basis of information believed to be reliable, but anb capital makes no guarantee, representation or warranty, express or implied, as to the accuracy, correctness or completeness of such information, nor do they accept any responsibility for loss or damage arising in any way (including by negligence) from errors in, or omissions from the information.

This report has been prepared by anb capital for information purposes only and is not and does not form part of nor should be considered advice, recommendation, offer for sale or solicitation of any offer to subscribe for, purchase or sell any securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever, and any views or opinions expressed herein are subject to change without notice.

This report and information contained herein, are provided for informational purpose only and does not take into consideration any investment objective, financial situation or particular needs of any recipient and are not designed with the objective of providing information to any particular recipient and only provides general information.