

Earnings dragged by lower ADTV revenue and increased operating costs owing to strategic investments

Saudi Tadawul Group (STG) posted a 53.9% Y/Y decline in net profit to SAR 56mn in Q1-26, missing our estimate of SAR 77mn. The deviation from our estimate was attributable to lower gross margin, higher allowance for expected credit losses (ECL) and higher zakat expenses. Revenue fell 10.2% Y/Y to SAR 295mn, in line with our estimate of SAR 302mn. The decrease in the top line was led by a 15.9% drop in the average daily traded value (ADTV). The gross margin contracted ~1030 bps to 47.8% vs. 58.1% in Q1-25 and below our expectations of 50.2%. Operating profit plunged 63.7% Y/Y to SAR 39mn (AJBC estimate: SAR 54mn) with operating margin squeezing to 13.3% from 32.8% in Q1-25.

- **STG's net profit** plunged 53.9% Y/Y in Q1-26 to SAR 56mn, below our estimate of SAR 77mn. The variance from our projection was driven by a contraction in gross margin, alongside higher-than-expected zakat expenses and elevated allowances for ECL. Net income was primarily impacted by lower revenue mainly on account of lower ADTV (-15.9% Y/Y). Additionally, increased operating costs including the spike in depreciation and amortization (D&A) also weighed on the bottom line.
- **Revenue** fell 10.2% Y/Y to SAR 295mn, in line with our estimate of SAR 302mn, as a result of 15.9% Y/Y decline in ADTV. Capital market segment revenue decreased 20.9% Y/Y led by decline in trading services (-22.9% Y/Y) and listing services (-20.1% Y/Y). The post-trade services segment revenue (-10.8% Y/Y) was also affected by lower ADTV. Data and technology segments showed resilience with a growth of 9.8% Y/Y in revenue driven by Co-location and Liqaa services (+27.0%), whereas Market information (+7.8% Y/Y) and Direct FN (+4.2% Y/Y) also recorded revenue growth.
- **Gross profit** declined 26.2% Y/Y to SAR 141mn (AJBC estimate: SAR 152mn), as lower revenue and increased costs resulting from ongoing strategic investments dragged GP margin. The GP margin was down to 47.8% compared to 58.1% in Q1-25 and below our expectations of 50.2%.
- **Operating profit** dropped 63.7% Y/Y to SAR 39mn (AJBC estimate: SAR 54mn) due to a sharp jump in general and administrative expenses (mainly higher D&A) and higher allowance for ECL. Operating margin squeezed to 13.3% vs. 32.8% in Q1-25 (AJBC estimate: 17.8%).

AJBC view and valuation: STG's Q1-26 missed our expectations, as overall costs were on higher side. The muted market activity (ADTV and listing momentum) continues to weigh on the top line. Global macro headwinds and regional geopolitical risks continue to hamper capital market sentiments in Q2-26 as well. Under such conditions we expect STG's revenue and margins to remain under pressure. Nonetheless, we believe a gradual recovery will start in H2-26. The company's long-term fundamentals remain intact as Saudi capital markets are expected to witness significant expansion once the conditions are normalized. The stock currently trades at P/E of 38.5x and a dividend yield of 1.8% based on our FY26E estimates. We maintain our **"Neutral"** recommendation on the stock and the TP of **SAR 155.4/share**.

Results Summary

SAR mn	Q1-25	Q4-25	Q1-26	Change Y/Y	Change Q/Q	Deviation from AJBC Estimates
Revenue	328	296	295	-10.2%	-0.6%	-2.4%
Gross Profit	191	186	141	-26.2%	-24.2%	-7.2%
Gross Margin	58.1%	62.6%	47.8%	-	-	-
EBIT	108	74	39	-63.7%	-47.2%	-27.3%
Net Profit	121	96	56	-53.9%	-42.2%	-28.2%
EPS	1.00	0.80	0.46	-	-	-

Source: Company Reports, Aljazira Capital Research

Recommendation	Neutral
Target Price (SAR)	155.4
Upside / (Downside)*	10.1%

Source: Tadawul *prices as of 26th of April 2026

Key Financials

SARmn (unless specified)	FY23	FY24	FY25
Revenues	1,073	1,447	1,261
Growth %	-1.6%	34.8%	-12.8%
Gross Profit	607	912	716
Net Income	390	622	396
Growth %	-8.1%	59.4%	-36.4%
EPS	3.25	5.18	3.30
DPS	2.30	3.35	2.30

Source: Company reports, Aljazira Capital Research

Key Ratios

	FY23	FY24	FY25
Gross Margin	56.6%	63.0%	56.8%
Operating Margin	30.6%	39.1%	25.6%
Net Margin	36.4%	43.0%	31.4%
ROE	12.3%	18.7%	11.4%
ROA	5.1%	7.4%	4.5%
P/E (x)	57.5	41.8	42.6
P/B (x)	7.1	7.5	4.9
EV/EBITDA (x)	51.3	40.1	38.8
Dividend Yield	1.2%	1.5%	1.6%

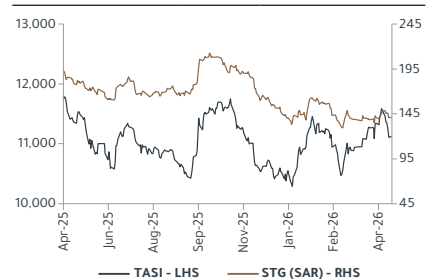
Source: Company reports, Aljazira Capital Research

Key Market Data

Market Cap(bn)	16.9
YTD%	0.6%
52 week (High)/(Low)	215.00/126.00
Share Outstanding (mn)	120.0

Source: Company reports, Aljazira Capital Research

Price Performance



Source: Tadawul, Aljazira Capital Research

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RESEARCH
DIVISION

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RATING
TERMINOLOGY

1. Overweight: This rating implies that the stock is currently trading at a discount to its 12 months price target. Stocks rated "Overweight" will typically provide an upside potential of over 10% from the current price levels over next twelve months.
2. Underweight: This rating implies that the stock is currently trading at a premium to its 12 months price target. Stocks rated "Underweight" would typically decline by over 10% from the current price levels over next twelve months.
3. Neutral: The rating implies that the stock is trading in the proximate range of its 12 months price target. Stocks rated "Neutral" is expected to stagnate within +/- 10% range from the current price levels over next twelve months.
4. Suspension of rating or rating on hold (SR/RH): This basically implies suspension of a rating pending further analysis of a material change in the fundamentals of the company.

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