



CORPORATE CREDIT RATING SUMMARY REPORT

Saudi Telecom Company

Saudi Joint Stock Company

October 2026



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Related Criteria and Methodology

The specific rating methodologies and criteria applied in this analysis are available on the Tassnief website. To view or download these documents, please visit www.tassnief.com.

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1. Tassnief's Rating Opinion

Tassnief has maintained a long-term entity rating of **"AAA" (Triple A)** and short-term entity rating of **"T-1"** to Saudi Telecom Company. The outlook on the rating is **"Stable"**.

About the Company:

Saudi Telecom Company ("stc" or the "Company"), referred to as 'stc' or 'The Company' is a public-listed Saudi Joint Stock Company, registered in the Kingdom of Saudi Arabia (KSA) under the Commercial Registration Number (CR No.) 1010150269. Saudi Telecom Company (stc) is the largest telecom operator in the Kingdom of Saudi Arabia and has an international footprint in Kuwait and Bahrain. stc's KSA subsidiaries offer a comprehensive ICT and financial services product portfolio.

Saudi Telecom Company – Entity Rating	
Domicile	Saudi Arabia
Long-Term Rating	AAA
Outlook	Stable
Short-Term Rating	T-1
Rating Watch	None
Rating Action	Maintained
Rating Type	Solicited
Date of Initial Rating	September, 2020
Date of Last Review	November 2025
Deviation from Methodologies	None

2. Rating Rationale

The assigned ratings to stc are underpinned by its leading market position, extensive network infrastructure, strong brand value and resultantly, sound financial profile. Business risk profile is characterized by a diversified revenue base with growing non-telecom revenues that complement the existing telecom revenue. Ratings additionally draw comfort from strong financial flexibility, demonstrated by strong cash flow generation, well-established access to domestic and international debt capital markets, and from a capital structure that remains conservatively leveraged despite the expected increase over the rating horizon. Capex intensity is expected to remain slightly higher than historical levels given the funding requirements associated with data center and infrastructure expansion programme. Nevertheless, overall financial metrics are expected to remain aligned with the assigned ratings over the rating horizon.

Sector retains low revenue cyclicity, with growth migrating toward digital infrastructure

The telecommunications sector's industry risk profile is characterized by low revenue cyclicity

(stable utility-like demand characteristics), favorable demographics (young population with high smartphone and social media penetration), and high competitive intensity given saturated mobile penetration. However, revenue of KSA telecom operators has grown higher than its regional peers over last 5 years. Early deployment of 5G infrastructure compared to most global peers, government backed digitization drive in public as well as private enterprises and increasing adoption advanced technologies are key factors that have supported growth of Saudi telecom industry.

In the last few years, the enterprise segment has registered strong growth for telecom operators as increasing need for digitization, higher internet usage and data intensive operations are key revenue drivers for the segment. However, some moderation of growth in the segment in recent quarters has been noted. Tassnief expects this to be offset by growth in the consumer segment due to growing subscriber base. The consumer segment has in recent years witnessed an uptick in growth relative to historical levels. The mobile subscriber base is likely to continue to grow at a healthy pace over the rating horizon, driven by population growth due to the development of new cities, shifting of regional headquarters to KSA, and targeted increase in the number of pilgrims by 2030. The regulator, the Communications, Space and Technology Commission, strongly emphasizes an enabling regulatory environment, as reflected in stability, predictability, and maturity in regulatory policies supporting sustained growth and investment in the telecom sector.

The Kingdom's communications and technology market reached SAR 199b at end-2025, having compounded at 8% over the preceding five years, and Saudi Arabia ranked first globally in the ITU's 2026 ICT Development Index. Telecommunications remains the single largest component of ICT spending, although its share is declining as IT services, cloud and AI infrastructure grow faster.

Leading market position sustained, underpinned by brand strength and scale of operations

The Company maintained its leading position with a 71.8% share of overall telecom sector revenues in 2025 (2024: 72.6%) and holds a 57.1% share of subscribers. It remains the Middle East's most valuable telecom brand and the third-strongest telecommunications brand globally, with brand value of USD 17.6b and SAR 66b. The international footprint has been consolidated around a 9.9% holding in Telefónica and an effective 43.1% interest in TAWAL, the region's largest tower company, following the December 2024 disposal of the majority stake to PIF. During 2025 the group extended its role in the Kingdom's digital transformation through the launch of stc Bank as a licensed digital bank, the award of a SAR 32.6b national telecom infrastructure contract, and the signing of an MoU to establish an AI data center joint venture with HUMAIN.

stc delivered growth across all key profitability metrics in 2025, with revenue of SAR 77.8b, operating profit of SAR 14.4b and net profit of SAR 15.2b. Reported earnings comparisons are distorted by non-recurring items in both years; on a normalized basis operating profit grew 6.6% and net profit 12.5%.

Revenue diversification across consumer, enterprise and wholesale

stc is characterized as a well-diversified ICT conglomerate with a robust market presence, which is evident from its multiple revenue streams and broader customer base. The company expanded its infrastructure achieving fiber connections for 3.75 million households and 63% 5G coverage of KSA's population. The Company's competitive advantage is derived from its growing mobile subscriber base and number of corporate clients, underpinned by a comprehensive product portfolio catering to diverse market demands. The Enterprise Business Unit (EBU) stabilized in 2025 following the contraction recorded in 2024. For EBU segment, revenues remained broadly flat with growth in private sector revenues offset by a decline in public sector revenues. Management expects the segment to broadly maintain revenue in 2026, with acceleration in government mega-project execution representing the principal upside. The Wholesale Business Unit rebounded strongly, with revenue growth driven by MVNO partners and infrastructure usage charges levied on the other domestic operators.

Adjacencies contribution stable in relation to revenue with EBITDA contribution improving

stc's business profile incorporates continued focus on non-telecom ventures and adjacent industries, aimed at enhancing business diversity and accelerating revenue growth. The contribution of adjacencies to the overall revenue mix was 26.0% in 2025 (2024: 26%; 2023: 23%) with satisfactory performance of existing digital products and the launch of new ventures. EBITDA from the segment increased in absolute and percentage terms.

Capturing the infrastructure opportunity underpins medium-term growth but raises capital intensity

The major projects and capital expenditure over the rating horizon pertain to the following projects/programs

- A SAR 32.6b contract awarded in 1Q25 by a government-related entity to build and operate national telecom infrastructure, which runs over a 15-year timeline and is expected to contribute approximately SAR 2b per annum, with execution having commenced in 2026.
- Through center3, the group has articulated a capital expenditure programme of up to SAR 37.5b through 2030 in pursuit of 1 GW of data center capacity. Moreover, the Company has

also signed an MoU to establish an AI data center joint venture with HUMAIN. Capex intensity is guided to remain within a range of 15% to 17.5% of revenue, edging up in 2026–2027 from 15% in 2025. Given a lead time of at least 24 months on data center construction, the revenue impact of the current cycle is expected to become visible from 2027 onwards, with an associated shift in business mix expected to lift center3's margin profile.

- In early 2026 stc announced the Silklink project in Syria, a SAR 3b cross-border digital infrastructure venture undertaken in partnership with the Syrian Sovereign Fund in which stc holds a 75% controlling stake.

Margin improved in 1H26 as the efficiency programme translates into reported results

Consolidated revenues increased 2.5% to SAR 77.8b in 2025, with momentum improving to annualized growth of 3.75% in 1H26. Reported EBITDA of SAR 24.5b translated into a margin of 31.4% (2024: 31.5%). The comparison is distorted by non-recurring items recognized in 2024; on a normalized basis EBITDA grew 6.1% with margin remaining largely stable. Efficiency initiatives translated into reported results in 1H26, with EBITDA of SAR 13b at a margin of 32.3%.

Low leveraged capital structure

The financial risk profile continues to be supported by a strong balance sheet, although equity funding of the asset base has moderated to 53% at end-1H26 (2025: 55%; 2024: 58%). Fixed assets and investments remain the major component of the asset base. Cash and bank balances stood at a sizeable SAR 18.9b at end-1H26, of which SAR 6b relates to banking operations, providing a satisfactory buffer against outstanding obligations. The increase in borrowings during 1H26 principally reflects a USD 2b Sukuk issued in the international market across five and ten-year tranches under the group's USD 5b programme and was priced at competitive levels relative to regional peers, with approximately USD 3b of headroom remaining. Going forward, Tassnief expects financial policy to remain conservative and that leverage indicators are expected to remain well within the levels required for the assigned rating.

Robust coverage metrics maintained although free cash flow coverages have moderated; overall financial flexibility remains strong

The liquidity profile remains underpinned by healthy operating cash flows and robust interest and debt service coverage metrics. Total debt/EBITDA rose to 0.99x at end-1H26 (2025: 0.71x; 2024: 0.70x), reflecting the higher debt quantum. Tassnief expects coverage metrics to remain comfortable over the rating horizon. Financial flexibility is expected to remain strong given the low leveraged capital structure and significant room to borrow even while maintaining a conservative coverage profile to maintain the assigned rating.

Sovereign ownership and systemic importance support rating stability

stc's standalone credit metrics, leading market position and franchise translate into a AAA credit profile on the national scale. The Company is 62% government owned and has been named among the core holdings of PIF's Strategic Portfolio under the fund's 2026-2030 strategy. In the local context, stc enjoys systemic importance given its leading market position, extensive network infrastructure, its role as a significant employer of Saudi nationals and its contribution to the government in the form of dividends and royalties.

Governance framework comprehensive and sound, further refined during 2025

During 2025 the governance framework was further refined, with an Extraordinary General Assembly approving eleven amendments to the Company's bylaws and the Board commissioning an independent external assessment of Board and committee effectiveness. Enterprise risk management is embedded within the strategic planning process and benefits from ISO 31000 attestation, with artificial intelligence now identified as a discrete risk sub-family alongside cybersecurity, data privacy and data integrity.

Summary of key rating driver for the Company include the following

- Leading market position with strong franchise in domestic market.
- Integrated ICT conglomerate with diversified customer base and operations as evident from presence across all facets of ICT industry; strong focus on adjacencies to drive diversification and revenue growth.
- Enabling regulatory and operating environment along with expected growth in customer base and favorable demographics to support growth momentum in revenues for telecom operators.
- Healthy liquidity profile and strong coverages.
- Low leveraged capital structure and conservative financial policy reflect sound capitalization profile.
- Sovereign ownership and systemic importance.
- Corporate governance framework supported by effective Board oversight, strong internal control framework, well-developed strategic planning process and disposition towards transparency and disclosures.

3. Rating Triggers

Ratings remain dependent on successful achievement of business strategy while maintaining a strong financial profile and a leading market position. In this regard, conservative financial policy maintenance remains important. Significant debt increase or decline in EBITDA translating to an increase in debt to EBITDA would be key rating sensitivities. Given the healthy liquidity profile and



financial projections, Tassnief does not anticipate any downward pressure on the ratings of stc over the rating horizon.

Tassnief's Long-Term and Short-Term Rating Scale

Classification	Risk Level	Long-Term Rating	Short-Term Mapping	
High Grade	Negligible Risk	AAA	T-1	
		AA+		T-2
		AA		
		AA-		
Investment Grade	Very Low Risk	A+		T-3
		A		
		A-		
Investment Grade	Low Risk	BBB+		T-4
		BBB		
		BBB-		
Near Prime	Low to Moderate Risk	BB+		T-5
		BB		
		BB-		
Sub Prime	High Risk	B+		T-6
		B		
		B-		
Credit Watch	Very High Risk	CCC+		
		CCC		
		CCC-		
Distressed	Extremely High Risk	CC		
		C		
	Default	D	T-7	

Tassnief's Long-Term Rating Definitions

Long-Term Rating Scale	Definitions
AAA	Extremely Robust ; Tassnief considers the rated issuer or issuance hold the highest creditworthiness , thus negligible credit risk
AA+ AA AA-	Very Robust ; Tassnief considers the rated issuer or issuance to hold very high creditworthiness , thus minimal credit risk . Risk profile may vary slightly with changes in economic / sector conditions
A+ A A-	Robust ; Tassnief considers the rated issuer or issuance to hold high creditworthiness , thus very low credit risk . Risk profile may vary with changes in economic / sector conditions
BBB+ BBB BBB-	Moderate ; Tassnief considers the rated issuer or issuance hold adequate creditworthiness , thus low credit risk . Risk profile may exhibit moderately high variation with changes in economic / sector conditions
BB+ BB BB-	Tassnief considers the rated issuer or issuance hold low to moderate credit risk . Risk profile may exhibit wide variation with changes in economic or sector conditions.
B+ B B-	Tassnief considers the rated issuer or issuance hold very low creditworthiness , thus high credit risk
CCC+ CCC CCC-	Tassnief considers the rated issuer or issuance hold extremely low creditworthiness , thus very high credit risk
CC C	Highly speculative credit profile , and the default is imminent
D	Tassnief considers the rated issuer or issuance have defaulted or may default soon .

--- End of Report ---