Equity Research report
TADAWULG AB Equity
29 October 2026

**Target Price: SAR149/share**
Current Price: SAR108.3/share
Upside: +37.6% (+Div. Yield: ~2.0%)
**Rating: Overweight**

# Saudi Tadawul Group (STG)

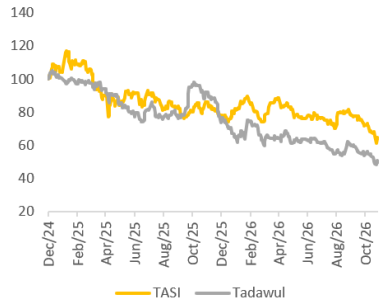
## *Weak trading weighs near term; long-term story intact*

- 3Q26 revenue fell 8% y/y (in line), while net profit dropped 42%, pressured by weaker trading activity, margin contraction, and higher finance costs.
- ADTV recovery from 1H27e and continued diversification to drive an 8.2% revenue CAGR over 2025–28e, supported by data technology services expansion.
- We value STG at 40x 2027e P/E, arriving at a 12-month TP of SAR149/sh (SAR167/sh previously) and maintain our Overweight rating.

| Stock data | |
|---|---|
| Ticker | 1111 |
| Mcap (SARmn) | 12,996 |
| Avg. Trd. Val (3m) SARmn | 49.0 |
| Free float | 40.0% |
| QFI holding | 8.1% |
| TASI FF weight | 0.25% |

*Source: Bloomberg*

Prices indexed to 100




*Source: Bloomberg*

**3Q26 results:** STG reported revenue of SAR292mn in 3Q26 (-8% y/y), in line with estimate, as weaker Trading-Linked revenue declined 14.6% (ADTV fell to SAR4.3bn from SAR5.0bn in 3Q25). Meanwhile, gross profit fell 19% y/y to SAR130mn, with GPM contracting to 44.5%, its lowest level since the IPO. Further, higher operating expenses drove a 53% decline in operating profit and narrowed OPM from 19.8% to 10.1%. Overall, net profit fell 42% y/y to SAR48mn, missing our estimate by 22%, as weaker operating performance and a 42% y/y increase in finance costs outweighed support from investment income and lower zakat expenses.

**Subdued ADTV pressures revenue, non-ADTV streams hold up:** Market volatility and geopolitical uncertainty continued to weigh on trading activity in 9M26. ADTV fell 11.1% y/y to SAR4.9bn, pulling ADTV-linked revenue down 13.9% and total revenue down 5.8%. Given STG's reliance on trading-related income, we expect activity to remain subdued in the near term before recovering gradually in 1H27e, aided by easing geopolitical tensions, improving sentiment, and broader product offerings. Accordingly, we expect ADTV to reach SAR6.2bn in 2027e. Meanwhile, revenue diversification provides a partial cushion; non-ADTV streams showed resilience on an annual basis, as Data & Technology Services grew 5.8% y/y, driven by 29% growth in co-location. The data center planned 2Q27 should more than double the co-location capacity, supporting further revenue growth over the next 24 months.

*Figure 1: Key financial metrics*

| SARmn | 2024a | 2025a | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| **Revenue** | **1,447** | **1,261** | **1,220** | **1,434** | **1,598** |
| *Revenue growth* | *35%* | *-13%* | *-3%* | *18%* | *11%* |
| **Gross Profit** | **912** | **716** | **591** | **772** | **905** |
| *Gross profit margin* | *63%* | *57%* | *48%* | *54%* | *57%* |
| **Operating profit** | **566** | **323** | **172** | **306** | **408** |
| *Operating margin* | *39%* | *26%* | *14%* | *21%* | *26%* |
| **Net profit** | **621** | **395** | **272** | **404** | **516** |
| *Net profit growth* | *63%* | *-36%* | *-31%* | *49%* | *28%* |
| *Net profit margin* | *43%* | *31%* | *22%* | *28%* | *32%* |
| EPS (SAR) | 5.2 | 3.3 | 2.3 | 3.4 | 4.3 |
| DPS (SAR) | 3.4 | 2.3 | 1.6 | 2.2 | 2.8 |
| P/E | 20.9x | 32.9x | 47.8x | 32.1x | 25.2x |
| EV/EBITDA | 16.5x | 24.4x | 31.0x | 21.9x | 17.6x |

*Source: Company data, GIB Capital*

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**Estimates trimmed; structural growth drivers intact:** STG's long-term growth outlook remains underpinned by infrastructure expansion and a broadening product suite, with non-ADTV streams offering more recurring and less market-sensitive income. Further growth is expected from derivatives, the Data Hub, expanded data center capacity, and continued listing activity. However, following our downward revision to ADTV assumptions amid the current market dynamics, we have lowered our 2025–28e revenue CAGR forecast to 8.2% from 10.1% previously. While higher D&A and infrastructure-related costs are likely to continue weighing on earnings in the medium term, cost discipline and improving operating leverage should support a gradual margin recovery, with NPM returning above 30% by 2028e (21.5% for 9M26). Accordingly, we now forecast earnings to grow at a 9.4% CAGR over 2025–28e, down from 16.4% previously, reflecting weaker trading activity, cost pressures, and a more gradual earnings contribution from strategic investments.

**Valuation:** STG, 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 we are confident in this long-term potential, the timing of these drivers is difficult to forecast, so we value STG on a P/E multiple of 40x 2027e EPS. Post-factoring weaker-than-expected ADTV and revising estimates, we lower our 1-year forward TP to SAR149/sh. (SAR167/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.

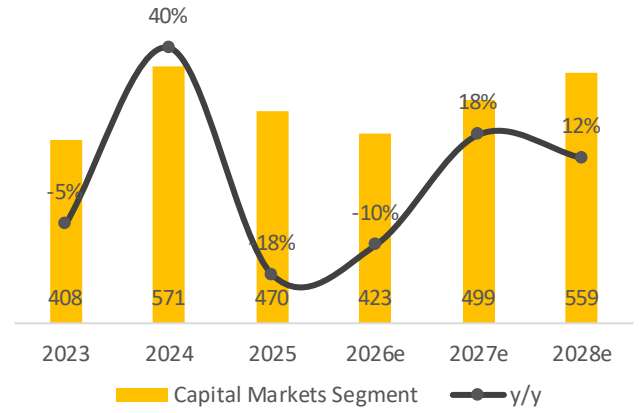
*Figure 2: 3Q26 results summary*

| SARmn | 3Q26 | 3Q25 | y/y % | 2Q26 | q/q % | GIBC est. | Variance % |
|---|---|---|---|---|---|---|---|
| **Revenues** | **292** | **318** | **-8.1%** | **323** | **-9.4%** | **296** | **-1.4%** |
| Cost of sales | 162 | 157 | 3.4% | 150 | 7.8% | 152 | 6.7% |
| **Gross profit** | **130** | **161** | **-19.2%** | **172** | **-24.4%** | **144** | **-9.9%** |
| Opex | 101 | 98 | 2.5% | 102 | -1.0% | 107 | -5.7% |
| **Operating profit** | **30** | **63** | **-53.2%** | **71** | **-58.2%** | **38** | **-21.8%** |
| **Net income** | **48** | **83** | **-41.8%** | **92** | **-47.8%** | **62** | **-22.2%** |
| | | | | | | | |
| **Margins** | | | | | | | |
| Gross margin | 44.5% | 50.7% | | 53.4% | | 48.7% | |
| Operating margin | 10.1% | 19.8% | | 21.9% | | 12.7% | |
| Net margin | 16.5% | 26.0% | | 28.5% | | 20.9% | |

*Source: Company data, GIB Capital*

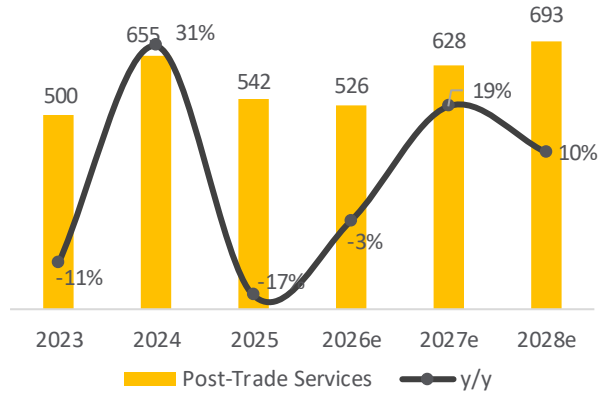
## Financial analysis in charts

*Figure 3: Capital market revenue (SARmn)*



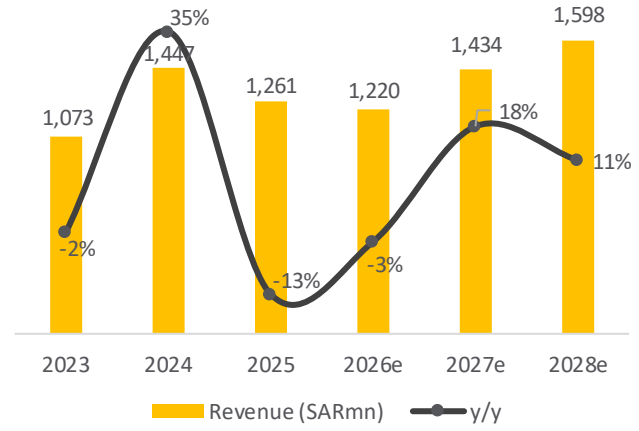

*Source: Company data, GIB Capital*

*Figure 4: Post-Trade services revenue (SARmn)*



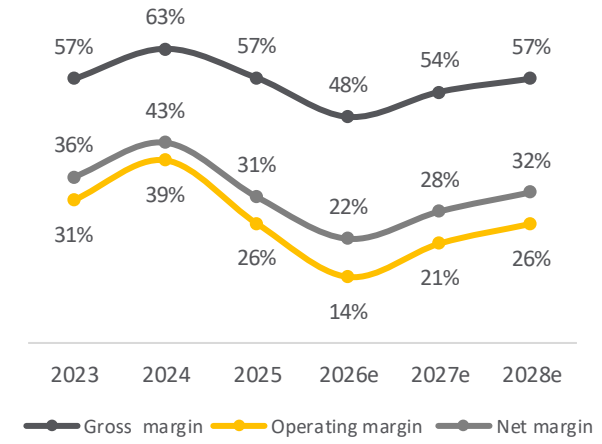

*Source: Company data, GIB Capital*

*Figure 5: Total Revenue trend (SARmn)*



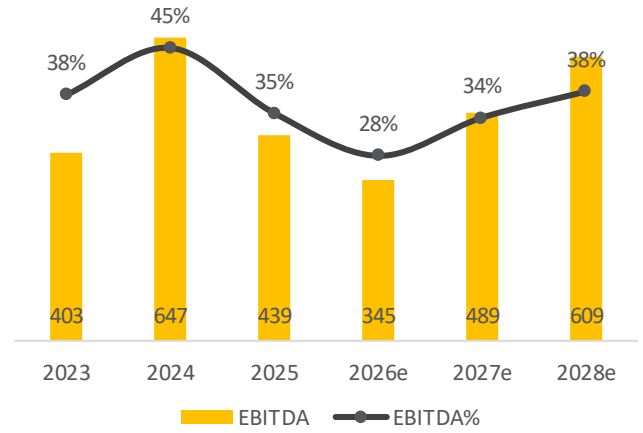

*Source: Company data, GIB Capital*

*Figure 6: Margins trend*



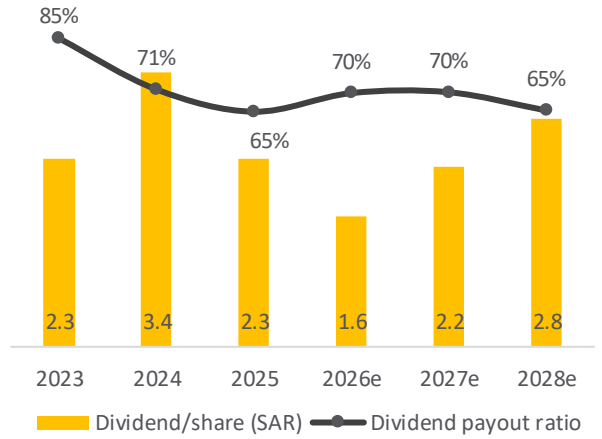

*Source: Company data, GIB Capital*

*Figure 7: EBITDA (SARmn) and EBITDA margin*




*Source: Company data, GIB Capital*

*Figure 8: Dividend and payout (%)*




*Source: Company data, GIB Capital*

## Financials

*Figure 9: Summarized basic financial statements (SARmn)*

| Income statement | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| **Revenue** | **1,447** | **1,261** | **1,220** | **1,434** | **1,598** |
| *revenue y/y* | *35%* | *-13%* | *-3%* | *18%* | *11%* |
| Operating Costs | 535 | 545 | 629 | 663 | 693 |
| **Gross Profit** | **912** | **716** | **591** | **772** | **905** |
| *Gross Profit margin* | *63%* | *57%* | *48%* | *54%* | *57%* |
| G&A | 342 | 391 | 418 | 465 | 496 |
| **Operating profit** | **566** | **323** | **172** | **306** | **408** |
| *Operating margin* | *39%* | *26%* | *14%* | *21%* | *26%* |
| Investment Income | 151 | 176 | 164 | 175 | 194 |
| Other income | 2 | 3 | (4) | 2 | 2 |
| **Net income** | **621** | **395** | **272** | **404** | **516** |
| *Net margin* | *43%* | *31%* | *22%* | *28%* | *32%* |
| *y/y* | *63%* | *-36%* | *-31%* | *49%* | *28%* |
| **EPS** | **5.2** | **3.3** | **2.3** | **3.4** | **4.3** |
| DPS | 3.4 | 2.3 | 1.6 | 2.2 | 2.8 |
| Payout | 65% | 70% | 70% | 65% | 65% |
| **EBITDA** | **647** | **439** | **345** | **489** | **609** |
| Net debt | | | | | |

| Balance Sheet | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| Investments | 1,202 | 388 | 450 | 450 | 450 |
| Accounts receivable | 99 | 92 | 104 | 122 | 136 |
| Prepaid expenses and other current assets | 162 | 76 | 103 | 127 | 133 |
| Clearing participant financial assets | 4,409 | 3,802 | 3,845 | 4,740 | 5,231 |
| Cash and cash equivalents | 352 | 102 | 705 | 822 | 998 |
| **Total Current Assets** | **7,459** | **6,707** | **6,604** | **7,657** | **8,345** |
| Property and equipment | 367 | 455 | 473 | 445 | 403 |
| Intangible assets | 422 | 466 | 484 | 515 | 549 |
| Equity-accounted investee | 551 | 551 | 551 | 551 | 551 |
| Investments | 172 | 271 | 356 | 356 | 356 |
| **Total Non-Current Assets** | **1,682** | **1,931** | **2,051** | **2,054** | **2,045** |
| **Total Assets** | **9,141** | **8,638** | **8,654** | **9,711** | **10,390** |
| Current Liabilities | 5,046 | 4,559 | 4,649 | 5,543 | 6,025 |
| Non-current Liabilities | 604 | 636 | 632 | 653 | 670 |
| Equity | 3,492 | 3,443 | 3,373 | 3,515 | 3,695 |
| **Total Equity and Liabilities** | **9,141** | **8,638** | **8,654** | **9,711** | **10,390** |
| BVPS | 29.1 | 28.7 | 28.1 | 29.3 | 30.8 |

| Cashflow | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| Cashflow from Operations | 625 | 514 | 502 | 633 | 769 |
| Cashflow from Investing | -2,163 | -491 | 497 | -186 | -192 |
| Cashflow from Financing | -160 | -273 | -396 | -330 | -400 |
| **Total Cashflows** | **-1,698** | **-250** | **603** | **117** | **177** |

*Source: Company data, GIB Capital*

*Figure 20: Key ratios*

| Key ratios | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| **Profitability ratios** | | | | | |
| RoA | 7% | 5% | 3% | 4% | 5% |
| RoE | 18% | 11% | 8% | 12% | 14% |
| Sales/Assets | 16% | 15% | 14% | 15% | 15% |
| Net margin | 42.9% | 31.3% | 22.3% | 28.2% | 32.3% |
| **Liquidity ratios** | | | | | |
| Current Assets/ Current Liabilities | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 |
| Receivable Days | 25 | 27 | 31 | 31 | 31 |
| Payable days | 36 | 38 | 100 | 70 | 50 |
| Cash conversion cycle | -11 | -12 | -69 | -39 | -19 |
| **Debt ratios** | | | | | |
| Net Debt/EBITDA (w/o IFRS liab.) | -0.2 | 0.7 | -0.8 | -0.8 | -1.0 |
| Net Debt/Equity (w/o IFRS liab.) | -0.05 | 0.09 | -0.09 | -0.11 | -0.16 |
| **Valuation ratios** | | | | | |
| P/E | 20.9 | 32.9 | 47.8 | 32.1 | 25.2 |
| P/B | 3.7 | 3.8 | 3.9 | 3.7 | 3.5 |
| EV/EBITDA | 16.5 | 24.4 | 31.0 | 21.9 | 17.6 |
| Div. yield | 3.1% | 2.1% | 1.5% | 2.0% | 2.6% |

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