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Financial Review

Chief Financial Officer's Review

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Chief Financial Officer's Review



The solid financial results for 2024 underscore improving operating margins and cash flow generation, with an overall performance reflecting the Group's successful strategy of profitable growth, augmented by value-added acquisitions and partnerships.

Abdulrahman Hamad Alrubaia
Chief Financial Officer

Revenue

₹ 12,064

million

+9.3% YoY ▲

Net profit margin (%)

13.2%

+244bps YoY ▲

Gross profit

₹ 2,783

million

+71% YoY ▲

Capex

₹ 255

million

+128.0% YoY ▲

Gross profit margin (%)

23.1%

-46bps YoY ▼

Free cash flow

₹ 1,187

million

+3.2% YoY ▲

EBITDA

₹ 1,948

million

+16.7% YoY ▲

Net debt (cash)

₹ (2,967)

million

+8.8% YoY ▲

EBITDA margin (%)

16.1%

+103bps YoY ▲

ROIC

34.3%

+263bps YoY ▲

Net profit

₹ 1,597

million

+33.9% YoY ▲

ROAE

43.4%

+482bps YoY ▲

As the Kingdom of Saudi Arabia and its organizations continue to digitally transform and invest in technology and innovation, the Group achieved exceptional financial results in 2024, expanding both its range of clients and depth of services, while drastically optimizing the operating cost. During the year in which the implementation of artificial intelligence, machine learning, and digital communications became a reality rather than an aspiration, the Group proved itself to be the perfect supplier to ever-increasing market demands.

The Group's revenue grew to ₹ 12.06 billion, an increase of 9.3% compared to 2023, with a rise in net profits of 33.9%, climbing from ₹ 1.19 billion to ₹ 1.60 billion. Significant OpEX improvements resulted in an increase in EBITDA which stood at ₹ 1.95 billion by year end, and an improved margin to 16.1%. The Group generated ₹ 1.51 billion in operating cash flow, reflecting a 12.0% decline, driven by an increase in Return on Invested Capital (ROIC), which saw a rise of 8.3%.

In a dynamic, diverse, and rapidly evolving industry, it is imperative that products and services are not only superior and competitive, but also that operations are cost-effective and time-efficient. In optimizing operating expenses, solutions by stc created significant additional value to both its customers and shareholders.

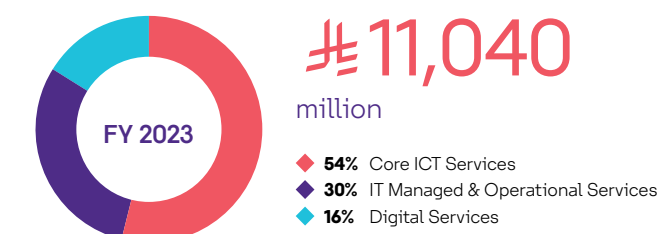
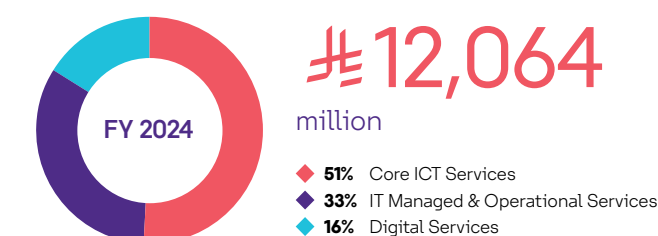
Operating expenses decreased by 7.3% compared to the previous year, reflecting improved cost efficiency. This was primarily driven by a 18.9% reduction in selling and distribution expenses. Meanwhile, general and administrative expenses rose by 0.7% year-on-year.

Revenue was largely driven by IT Managed and Operational Services, which saw a 21.0% increase, reaching ₹ 3,948 million and accounting for 32.7% of total revenue. This reinforced solutions by stc's strategic success of acquiring ccc, the market-leading business process outsourcing subsidiary, which contributed ₹ 1,943 million, making up 16.1% of total revenue. Core ICT Services added ₹ 6,188 million, contributing to 51.3% of total revenue, while Digital Services revenue grew by 8.1%, reaching ₹ 1,929 million and representing 16.0% of total revenue.

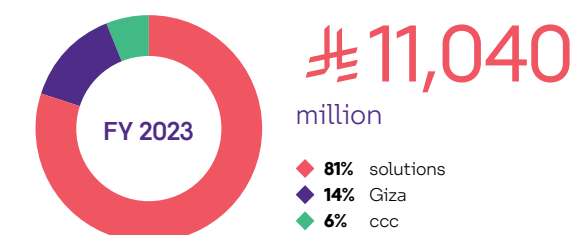
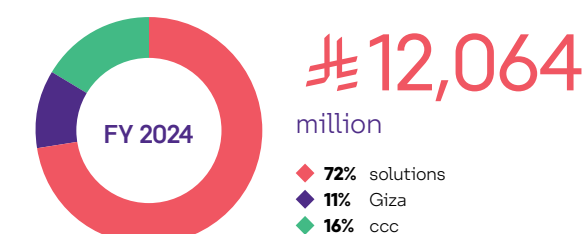
The Group's parent entity, stc, which is the leading digital enabler across innovative telecommunication and emerging technology, remained the strongest growth driver, whereby its revenue increased by 11.6% over 2023, which accounted for 35.6% of total revenue.

Government revenue increased by 7.7% compared to the previous year, resulting in 43.2% of total revenue in 2024. Revenue from the private sector increased by 8.6%, with a revenue share of 21.2%.

Revenue Composition (by Business Segment)



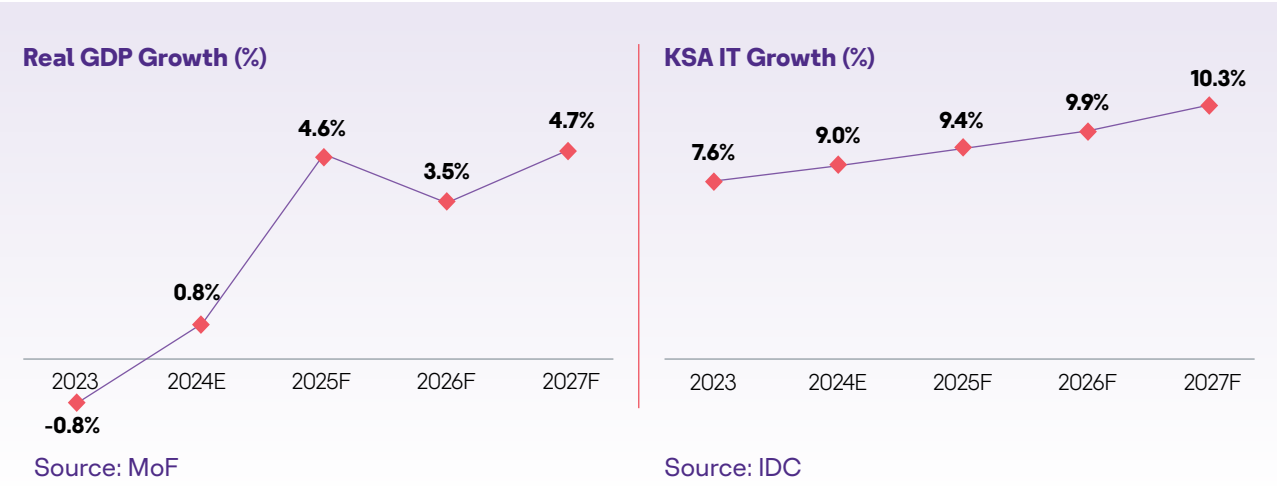
Revenue Composition (by Entity)



Chief Financial Officer’s Review continued

Financial Highlights

Net profit	Gross profit	EBITDA
₭1,597 million (2023: ₭ 1,192 million)	₭2,783 million (2023: ₭ 2,598 million)	₭1,948 million (2023: ₭ 1,669 million)
Total assets	Shareholders' equity	
₭12,040 million (2023: ₭ 11,516 million)	₭4,008 million (2023: ₭ 3,324 million)	



The Group's Income Statement (5-year summary)

	2024 (₭ 000)	2023 (₭ 000)	2022 (₭ 000)	2021 (₭ 000)	2020 (₭ 000)
Revenue	12,063,897	11,040,493	8,805,091	7,208,337	6,891,419
Cost of revenue	(9,280,923)	(8,442,875)	(6,793,845)	(5,500,370)	(5,469,447)
Gross profit	2,782,974	2,597,618	2,011,246	1,707,967	1,421,972
Total operating expenses	(1,122,419)	(1,210,729)	(851,015)	(808,863)	(664,965)
Operating profit	1,660,555	1,386,889	1,160,231	899,104	757,007
Other income and (expenses)	(18,781)	17,837	11,268	4,921	(3,234)
Zakat and income tax	(38,958)	(209,581)	(117,786)	(71,107)	(51,978)
Net profit	1,596,633	1,192,148	1,052,869	832,919	701,796
Gross profit margin	23.1%	23.5%	22.8%	23.7%	20.6%
Net profit margin	13.2%	10.8%	12%	11.6%	10.2%

The Group’s Revenue by Business Segment

	2024 (₭ 000)	2023 (₭ 000)	Growth YoY	Share of Total Revenue
Core ICT services	6,187,720	5,994,165	3.2%	51.3%
IT managed and operational services	3,947,622	3,262,351	21.0%	32.7%
Digital services	1,928,555	1,783,977	8.1%	16.0%

The Group’s Revenue by Customer Segment

	2024 (₭ 000)	2023 (₭ 000)	Growth YoY	Share of Total Revenue
stc	4,301,321	3,853,554	11.6%	35.7%
B2B	7,762,576	7,186,939	8.0%	64.3%

Geographic Analysis of the Group’s Revenue

	2024 (₭ 000)	2023 (₭ 000)	Growth YoY	Share of Total Revenue
KSA	11,384,330	10,079,494	13.0%	94.4%
GCC	13,709	18,860	(27.0)%	0.11%
WECA (West, East, and Central Africa)	659,894	939,086	(30.0)%	5.5%
Europe	5,964	3,053	95.0%	0.05%

The Group’s assets, liabilities, and equity (5-year summary)

	2024 (₭ 000)	2023 (₭ 000)	2022 (₭ 000)	2021 (₭ 000)	2020 (₭ 000)
Total current assets	10,358,690	10,296,333	9,374,468	6,446,295	5,571,035
Total non-current assets	1,681,408	1,219,911	950,616	726,453	763,592
Total assets	12,040,098	11,516,244	10,325,084	7,172,748	6,334,628
Total current liabilities	6,682,898	7,195,438	6,706,846	4,634,258	4,068,116
Total non-current liabilities	1,327,574	968,252	778,682	267,922	342,948
Total liabilities	8,010,472	8,163,690	7,485,528	4,902,180	4,411,063
*Total equity	4,007,592	3,323,963	2,809,880	2,270,568	1,923,564
Total liabilities and equity	12,040,098	11,516,244	10,325,084	7,172,748	6,334,628

*After Deducting the Minority Equity

Chief Financial Officer’s Review continued

Any material differences in the operational results compared to the previous year’s results or any expectations announced by the company

Description	2024 (ﷲ 000)	2023 (ﷲ 000)	Changes (+) (-)	Change Rate
Sales/ revenues	12,063,897	11,040,493	1,023,404	9.3%
Sales/ revenues costs	(9,280,923)	(8,442,875)	838,048	9.9%
Total profit	2,782,974	2,597,618	185,356	7.1%
Other operational revenues	120,214	145,574	-25,360	-17.4%
Other operational expenses	(138,995)	(127,737)	11,258	8.8%
Operational profit (loss)	1,660,555	1,386,889	273,666	19.7%

Partnerships and associates

The Company achieved 2 major public-private partnership milestones which are set to generate substantial long-term income for the Company.

In a 10-year agreement, solutions by stc partnered with Remat Al-Riyadh, Riyadh’s strategic enabler for private sector participation to create one of the largest and most advanced smart parking projects in the world, setting new benchmarks for innovation and efficiency in urban infrastructure. Additionally, in a 70% share joint venture with Jeddah Development and Urban Regeneration Company (JedCo), with a paid-up capital of ﷲ 3 million, solutions by stc will execute and operate all current and future technical and digital solutions.

Not only are these significant collaborations in their own right, but the public-private partnership model is based on a recurring revenue stream, providing solid long-term returns. Having already established itself as a proactive enabler of the digital transformation at the heart of Vision 2030 and a preferred government partner, there is substantial potential for additional projects.

Strengthening its strategic direction of expansion and diversification into new markets and emerging business sectors, the Company completed its 40% acquisition of Devoteam Middle East, based on the enterprise value of ﷲ 742 million. The partnership brings synergies with solutions by stc’s core business, with digital consulting and business transformation capabilities reinforcing its one-stop-shop value proposition. Underscoring the success of the alliance, Devoteam contributed ﷲ 18 million to the Group’s net profit.

A future of growth and ambition

As the Kingdom of Saudi Arabia’s leading digital transformation and technological solutions provider, the Company has a pivotal role to play in the Kingdom’s technology future, partnering with government bodies to achieve national goals and delivering essential ICT services to spur growth. Strategic expansion in terms of geography, synergy and diversity is supporting a new era of solutions.

Artificial intelligence and machine learning are not only the exclusive domain of multinationals and local corporations but also a tool for SMEs and family businesses to enhance efficiency, drive innovation, and achieve sustainable growth.

With Saudi Vision 2030 at the core of the Company’s mission to develop and deliver world-class technology, solutions by stc will continue to drive the Kingdom’s high levels of digital literacy and ambition.

solutions by stc will also continue on its course to expand its borders and extend its reach through new mergers, acquisitions and partnerships. The Company’s commitment to public-private partnerships, supported by a dedicated PPP Department, reflects its philosophy of collaboration and innovation, forging strategic relationships to drive sustainable growth and profitability.

Businesses across the Kingdom of Saudi Arabia are becoming increasingly sophisticated in their digital needs and the one-stop-shop proposition from solutions by stc will maintain its position as the preferred provider.

The world is experiencing a rapid, ongoing technology revolution which evolves at an unprecedented pace each day. For solutions by stc, it is an opportunity to fulfill its duty to its shareholders and its promises to its customers.

