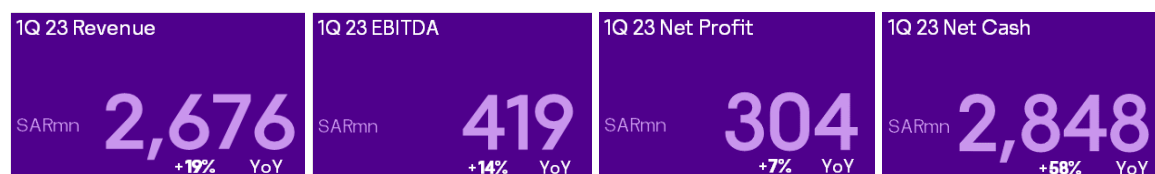


Earnings Release

solutions by stc reports 14% EBITDA growth to SAR 419 million in 1Q 2023



1Q 2023 Highlights:

- +19% YoY revenue growth to SAR 2.68 billion
- +65bps YoY increase in gross profit margin to 22.7%
- Healthy EBITDA margin above 15%
- +7% YoY net profit growth to SAR 304 million
- Solid free cash flow generation of SAR 319 million
- Strong net cash position of SAR 2.85 billion as of 31 March 2023

Riyadh, 7 May 2023 – solutions started 2023 on a strong footing as it continues to execute its LEAP strategy focused on growth and efficiency. As a result, solutions' revenues expanded 19% year-on-year to SAR 2.68 billion in 1Q 2023. Coupled with gross margin expansion, this generated a 14% year-on-year EBITDA increase to SAR 419 million, while the EBITDA margin remained healthy at 15.6%. Net profit attributable to shareholders grew 7% year-on-year to SAR 304 million in 1Q 2023.

Omer Abdullah Alnomany, CEO of solutions, commented: "We are pleased to report that our efficient business model and strategy execution continue to yield strong results, bolstered by favorable macroeconomic conditions and a thriving ICT sector in Saudi Arabia. Thanks to the trust our clients place in our services, solutions generated double-digit revenue growth in the first quarter while maintaining high profitability, robust cash flow generation, and healthy investment returns. As the market leader in ICT services, we remain confident in our ability to capitalize on Saudi Arabia's long-term digitalization efforts and generate value for our shareholders".

Core ICT Services grew 18% year-on-year and contributed 58% of first quarter 2023 total revenue. Top-line growth was also driven by IT Managed and Operational Services (+27% revenue growth) and Digital Services (+14% revenue growth).

The ongoing diversification of solutions' customer base resulted in more than doubled revenues year-on-year from the private sector that made up a 23% share of total revenue in 1Q 2023. At the same time, solutions continued to generate the biggest share of revenue (45% in 1Q 2023) from the Saudi Government amid continued implementation of digitization initiatives. The contribution from stc (32%) decreased year-on-year, which is mostly associated with a high comparison baseline in 1Q 2022.

Gross margin increased by 65 bps year-on-year to 22.7% in 1Q 2023 led by stronger profitability of Managed Services and System Integration projects. However, gross margin improvements did not entirely translate into operating margins due to a notable increase in selling and distribution expenses, which contained EBITDA growth at 14% year-on-year and resulted in a modest decline

of the EBITDA margin to 15.6% in 1Q 2023. Net profit grew 7% year-on-year. The net profit margin declined to 11.4%, mainly due to increased other losses and Zakat payments.

solutions' operating cash flow grew 63% year-on-year to SAR 351 million in 1Q 2023 driven by working capital gains. Capital expenditures grew 43% year-on-year to SAR 26 million but remained below 1% of revenue. Free cash flow grew 63% year-on-year to SAR 319 million in 1Q 2023. The capex-light model and strong cash generation helped solutions further strengthen its net cash position to SAR 2.85 billion as of end of March 2023.

Overall, 1Q 2023 financial performance shows that solutions is well on track to deliver on its 2023 guidance that assumes revenue growth of 11%-14%, EBITDA margin of 13%-15% and capital expenditures of 1.5%-2.0% of revenues.

On the 10th of November 2022, solutions announced its intention to acquire 100% in Contact Center Company (ccc) from stc Group (49% stake) and ESM Holdings LLC (51% stake). The transaction was successfully closed on the 3rd of April 2023. Its total valuation was based on 100% Enterprise Value of SAR 450 million. solutions Financed the acquisition from its own resources. ccc Will serve solutions' Business Process Outsourcing (BPO) aspirations by expanding its portfolio in scope and scale, while completing solutions' coverage of ICT customer journeys by enabling end-to-end offerings from design to operations.

Financial Review

Financial Performance Highlights

SAR (million)	1Q 2023	1Q 2022	YoY $\Delta\%$	4Q 2022	QoQ $\Delta\%$
Revenue	2,676	2,243	+19%	2,438	+10%
Gross profit	606	494	+23%	514	+18%
Gross Profit Margin (%)	22.6%	22.0%	+0.6%	21.1%	+1.6%
EBITDA	419	368	+14%	306	+37%
EBITDA Margin (%)	15.6%	16.4%	-0.8%	12.6%	+3.1%
Net Profit	304	283	+7%	197	+54%
Net Profit Margin (%)	11.4%	12.6%	-1.3%	8.1%	+3.3%
Capex	(26)	(19)	+43%	(61)	-57%
Free Cash Flow	319	196	+63%	(107)	-399%
Net Debt/(Cash)	(2,848)	(1,803)	+58%	(2,548)	+12%

Revenue increased by 19% year-on-year to SAR 2.68 billion in 1Q 2023. Gross profit grew 23% year-on-year to SAR 606 million in 1Q 2023. EBITDA expanded by 14% year-on-year to SAR 419 million as gross margin gains were offset by increased pressure from selling and distribution expenses. Net profit attributable to shareholders grew 7% year-on-year to SAR 304 million in 1Q 2023. solutions' gross debt portfolio (excluding lease liabilities) grew 3% quarter-on-quarter to SAR 717 million as of 1Q 2023. Working capital requirements decreased year-on-year, which underpinned free cash

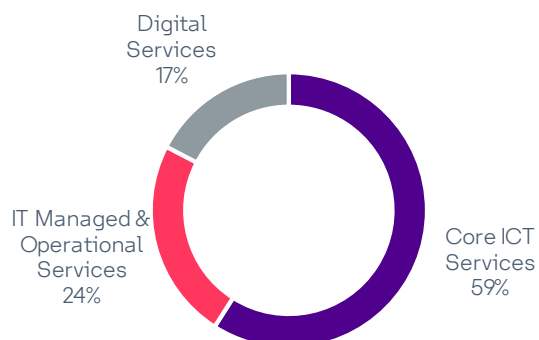
flow growth of 63% year-on-year to SAR319 million last quarter. This resulted in a strong net cash position of SAR 2.85 billion as of end 1Q 2023.

Revenue Breakdown by Business Segment

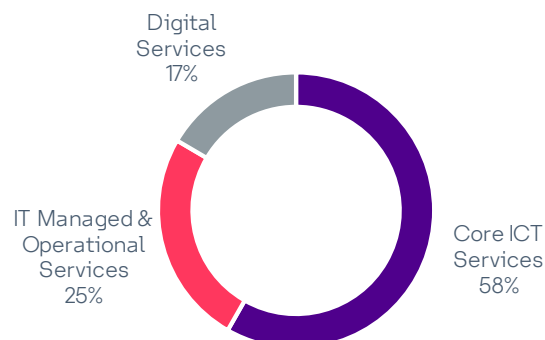
SAR (million)	1Q 2023	1Q 2022	Δ%
Core ICT Services	1,559	1,324	+18%
IT Managed and Operational Services	674	529	+27%
Digital Services	443	390	+14%
Total revenue	2,676	2,243	+19%

Total revenue increased by 19% to SAR 2.68 billion as a result of 18% growth in Core ICT Services to SAR 1.56 billion and 27% growth in IT Managed and Operational Services to SAR 674 million. Digital Services grew 14% to SAR 443 million. The revenue contribution from Core ICT Services marginally decreased and accounted for 58% of total revenue in 1Q 2023 compared with 59% in 1Q 2022. The share of IT Managed and Operational Services increased to 25% in 1Q 2023 versus 24% last year. The share of Digital Services remained flat year-on-year at 17%.

1Q 2022 Revenue Composition by Segment



1Q 2023 Revenue Composition by Segment



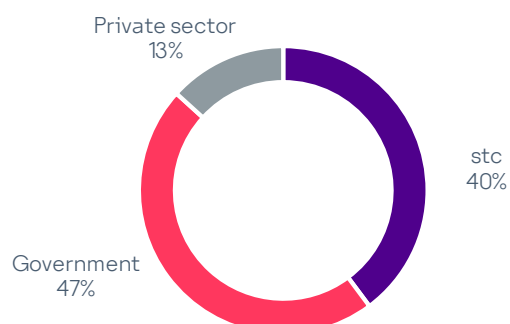
Continued diversification of solutions’ customer base

solutions continued to diversify its customer base in 1Q 2023. While parent company stcremaind an anchor customer for solutions in 1Q 2023, its share in revenues declined to 32% compared to 40% in 1Q 2022. This mainly reflects a high comparison base in 1Q 2022 due to significant data center project.

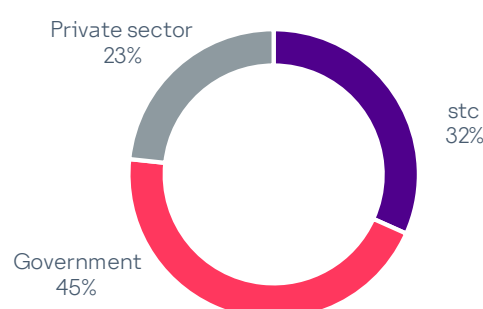
The Saudi government continues to execute its Vision 2030, which includes implementation of several digitization initiatives. This helps solutions maintain strong revenue stream from the government and semi-government segment that generated SAR1.20 billion revenue in 1Q 2023, up 14% year-on-year. The segment continues to be the major revenue source with a 45% c in 1Q 2023.

Revenues from the private sector soared 110% year-on-year to SAR 624 million and its share of solutions' total revenue grew to 23% in 1Q 2023. The company will retain its focus on the private sector amid a growing contribution of the small and medium enterprise (SME) segment to the country's economy, which offers excellent growth opportunities for solutions going forward.

1Q 22 Revenue Composition by Type



1Q 23 Revenue Composition by Type



Revenue Breakdown by Type of Customer

SAR (million)	1Q 2023	1Q 2022	Δ%
stc	848	893	-5%
Government	1,205	1,052	+14%
Private sector	624	298	+110%
Total revenue	2,676	2,243	+19%

Temporary factors result in a moderate decline in operating profitability

Gross margin expanded by 65bps year-on-year to 22.7% in 1Q 2023 driven by improved profitability of projects in Managed Services and System Integration and low comparison base of 1Q 2022 affected by a sizeable yet lower-margin project. However, gross margin gains were partially offset by increased pressure from selling and distribution expenses due to increased provision for bad debt, which the company does not expect to have a long-lasting effect. General and administrative expenses increased by 21% year-on-year, mostly in line with the overall business growth in 1Q 2023.

As a result, the EBITDA margin declined to 15.6% in 1Q 2023 compared with 16.4% last year. The net profit margin amounted to 11.4% in 1Q 2023, down from 12.6% a year ago, mainly due to lower operating margin, FX translation losses due to Egyptian Pound depreciation and higher Zakat related to the Giza acquisition last year.

Robust balance sheet offers flexibility

The asset-light business model and robust cash generation enabled solutions to end 1Q 2023 with a strong net cash position of SAR 2.85 billion. This gives the company ample flexibility to finance its growth ambitions and increase shareholder value.

Analyst Consensus

SAR (million)	1Q 2023 Consensus	1Q 2023 Actual	Δ%	# of Analysts
Revenue	2,536	2,676	6%	8
Cost of Sales	1,971	2,070	5%	5
Gross Profit	547	606	11%	3
EBITDA	373	419	12%	3
Net Profit (after Zakat)	295	304	3%	8

Additional Information

The financial statements, earnings presentation, and financial data supplement are available at:

[Investor relations – solutions by stc](#)

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