

# 1Q 2025

## Results Presentation

Riyadh, 30 April 2025

# Agenda

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1 Key Milestones in 2025 YtD

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2 Investment Thesis

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3 Strategy Update

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4 Financial Performance

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5 Contact Details

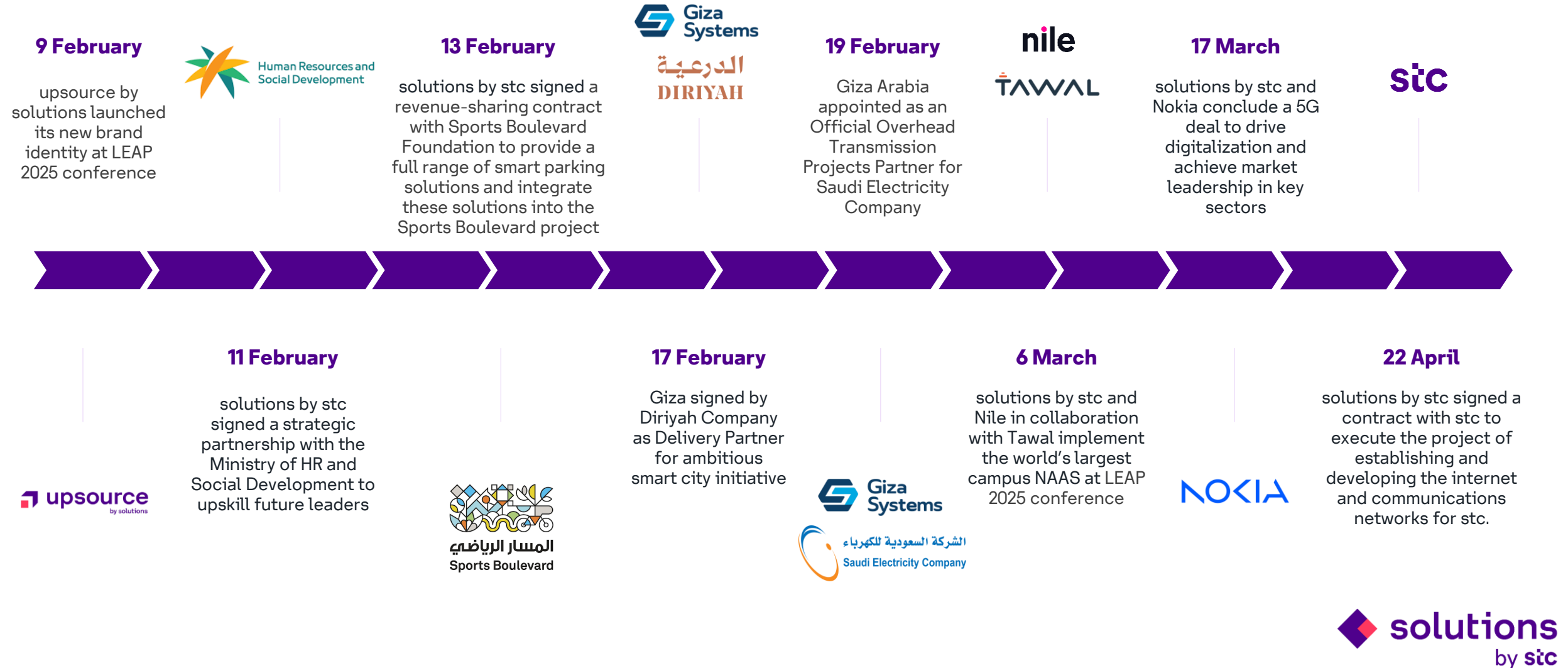
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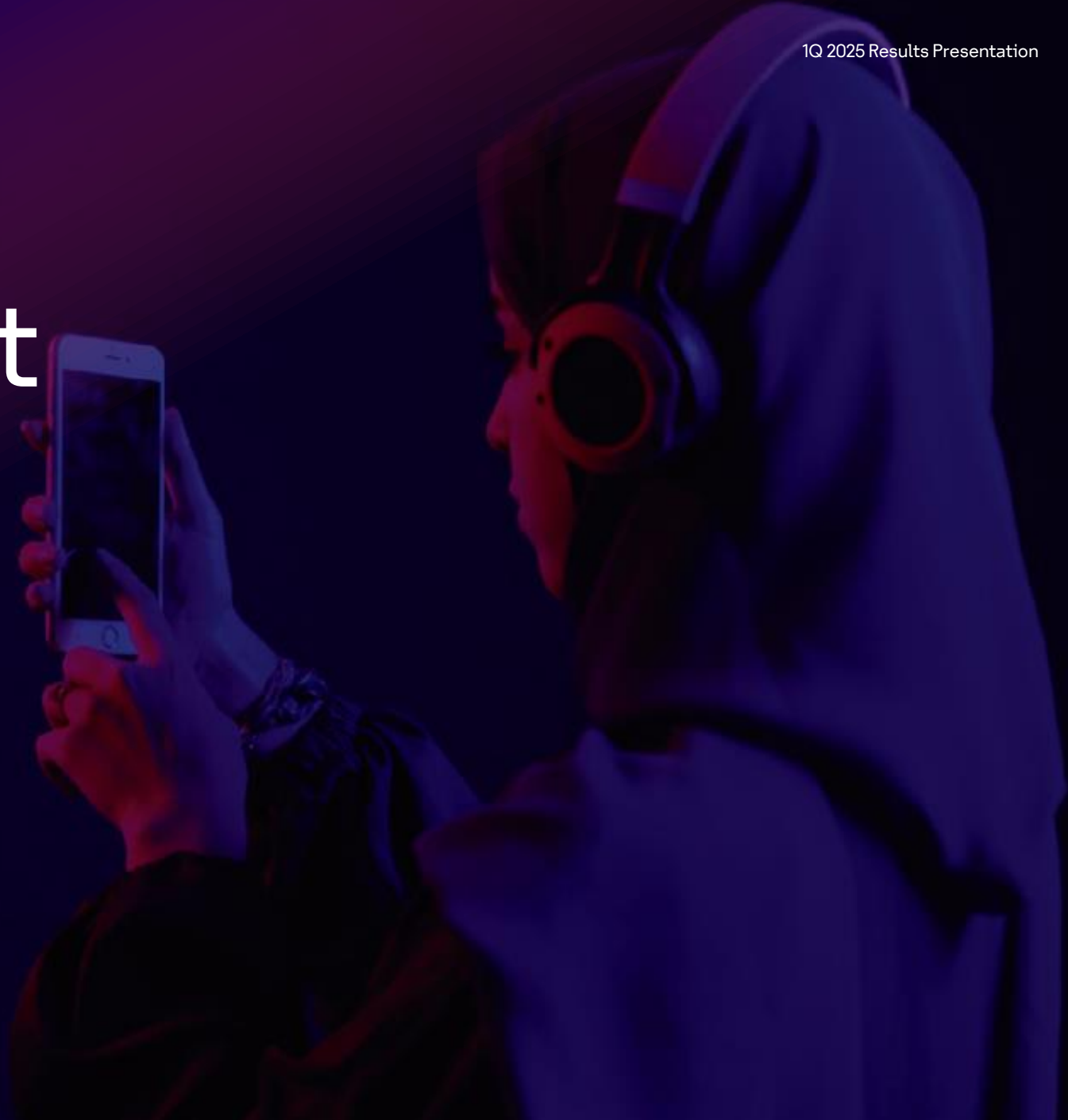
# 1 Key Milestones In 2025 YtD

# Key Milestones in 2025 YtD

solutions entered a number of high-potential partnerships and promising contracts, laying a solid foundation for growth



# 2 Investment Thesis



# Investment Thesis Update

solutions offers an attractive mix of market leadership, growth potential and superb returns

## Market Leadership

- Undisputable market leader with a market share of 22.7%
- Lucrative consolidation opportunities in the fragmented IT market of KSA
- Local-Content score 41.3%

## Sizeable and Diversified Portfolio

- Strong pipeline of projects
- Partnership with stc
- 70%+ winning ratio in 1Q 2025
- 50+ contracts signed in 1Q 2025

## Superior Value Creation

- 28.5% ROIC in 1Q 2025 is well above the company's cost of capital

## Asset-Light Business Model

- 2.1% organic capex / revenue ratio in 2024

## Strong FCF

- SAR 1.2 bn FCF in 2024...
- ...with 61% FCF conversion

## Generous Dividends

- BoD recommended ordinary DPS of SAR 8 and special dividend of SAR 2 for FY 2024
- This implies total 75% payout and 67% growth YoY

## Efficient Capital Allocation

- High-return organic capex
- Value-accretive M&As
- High-potential partnerships and PPP projects
- Progressively rising dividends

## Robust Balance Sheet

- Net cash position of SAR 2.5 bn as of 1Q 2025...
- ...amounting to 1.3x LTM EBITDA

# 3 Strategy Update



# LEAP 2.0: a bold vision for a transformative era

The new strategy aims at augmenting the core business by emerging tech, innovation and efficiency gains



**L**

**Lead** through service excellence:

Strengthen leadership by setting new benchmark for quality and innovation. Enabled by client centricity rooted in the service offerings across:

- **IT Professional Services**
- **IT Managed Services**
- **Network Services**

**E**

**Empower** business growth and diversification:

- **Emerging tech**  
Shape up the next-gen digital solutions
- **Innovation program**  
Establish, institutionalize and scale
- **Partnerships & strategic alliances**  
Expand offering and tap into new markets
- **Business diversification**  
Throught new business models

**A**

**Achieve** excellence in customer engagements

- **CEX – Customer Success**  
Place client at the core of the group's operations
- **New verticals**  
Enter high-potential verticals through industry-specific offerings
- **Commercial excellence**  
Achieve excellence in commercial capabilities

**P**

**Promote** efficiencies and sustainability

- **E2E Value Chain Efficiency**  
Creating effectiveness and efficiency across the value chain
- **Sustainability**  
Minimize environmental impact, foster strong corporate culture, adhere to social responsibility, invest in people, contribute to community
- **Developing Talent**  
Develop skillset and talent for future needs of the Group



# Driving Forward: LEAP 2.0 Strategic Progress

## Strategy to Value Creation

Showcasing tangible progress in developing and launching core strategic offerings business resilience and strengthening market leadership.

Strategic advancements on a pivotal offering of solutions by stc:



### Digital Product Factory

Accelerating pace of innovation and market delivery for client's digitization and digital products

### Value Creation Levers



Higher value to customers



Enhancing competitive advantage



Strengthening market positioning



Maximizing shareholders value

# Digital Product Factory – Deliver Digital Products with Agility

The Digital Factory is a disciplined way to deliver software products, established on agility, and automated development & secure deployment processes (DevSecOps); a joint value proposition by the solutions group 



Define the strategy, policy / standards and governance model to steer the transformation



Ensure alignment between business objectives and technical solutions to maximize impact and feasibility

### Technology Selection

Evaluate and select tools, platforms, and vendors

### Agile Planning

Develop a backlog of features or use cases for implementation

### Solution Architecture

Design the technical and process architecture for digital initiatives

### Pilot Design

Plan proof-of-concept initiatives to validate solutions

Deliver the digital factory solutions, integrating them into the organization

- Agile Delivery
- Integration
- Testing and Validation
- Change Management
- Innovation Enablement



Ensure sustainable operations, monitor performance, and drive continuous improvement

- Performance Monitoring
- Operational Support
- Feedback Loops
- Optimization / Scalability
- Knowledge Transfer

KPIs	Department A	Department B
Number of applications	5	10
% using automated CI (e.g. within the last week/month)	60%	80%
% using automated CD (e.g. within the last week/month)	20%	80%
Number of incidents (per application)	0	0
Number of changes (per application)	5	8

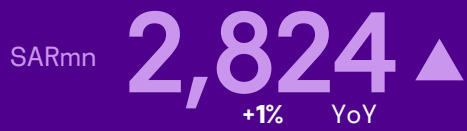
# 4 Financial Performance



# solutions 1Q 2025 Financial Dashboard

EBITDA and net margins improve, while slower growth reflects higher share of early-stage projects and seasonal trends

1Q 25 Revenue



1Q 25 GP Margin



1Q 25 Capex



1Q 25 Capex / Revenue



1Q 25 EBITDA



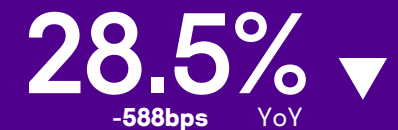
1Q 25 EBITDA Margin



1Q 25 Net Cash From Operating Activities



1Q 25 ROIC



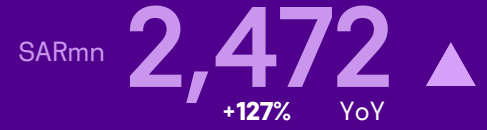
1Q 25 Net Profit



1Q 25 NP Margin



1Q 25 Net Cash



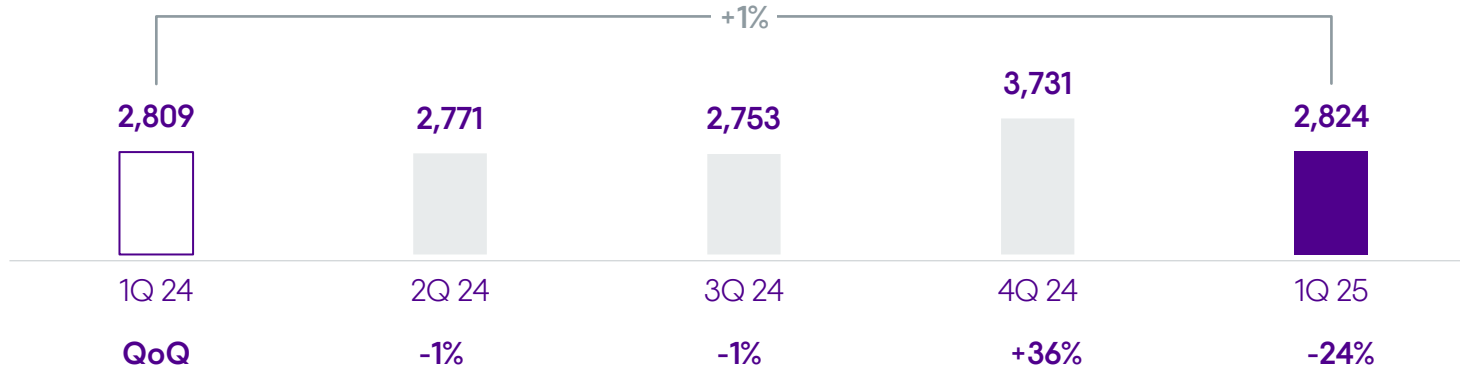
1Q 25 ROAE



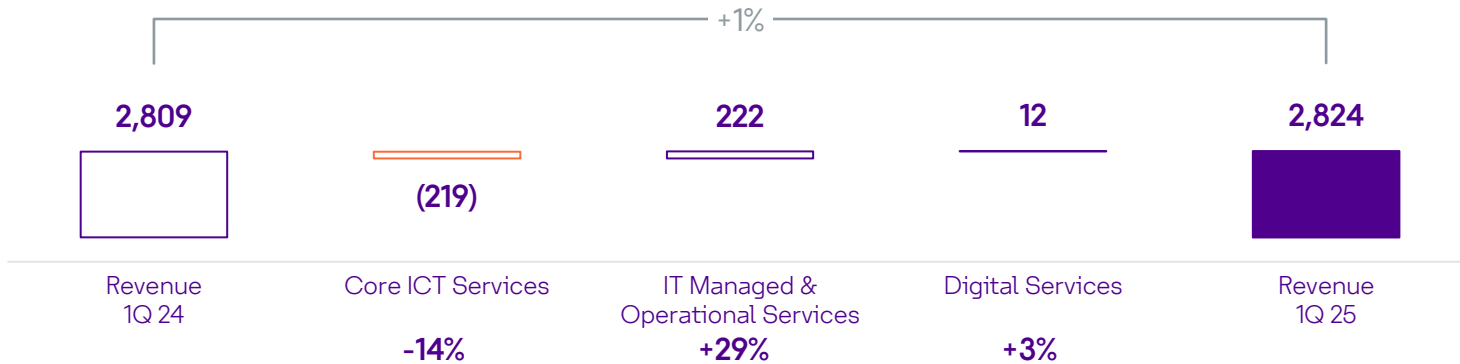
# Revenue Trend and Breakdown by Business Segment

Group revenue grew +1% YoY in 1Q 2025 driven by IT Managed and Operational Services

## Revenue Trend (SARmn)



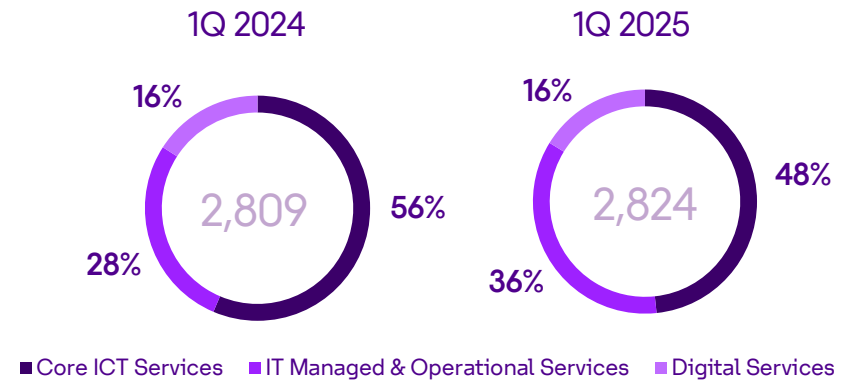
## Revenue Movement YoY (SARmn)



## Management Commentary

- Slower growth in 1Q 2025 was attributable to: (1) a high share of projects at early execution stages; (2) seasonal trends.
- Volatile QoQ dynamics reflected strong 4Q 2024 results as many projects reached their key milestones.
- ... Newly secured projects are expected to increase their revenue contribution in the coming quarters.

## Revenue Composition (by Business Segment)<sup>1</sup>

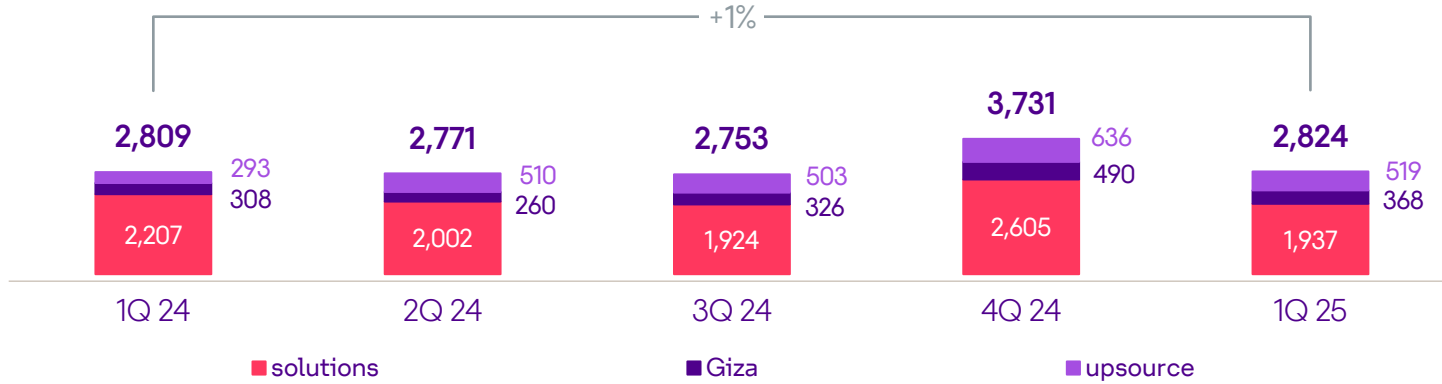


<sup>1</sup> – totals may not be equal to 100% due to rounding

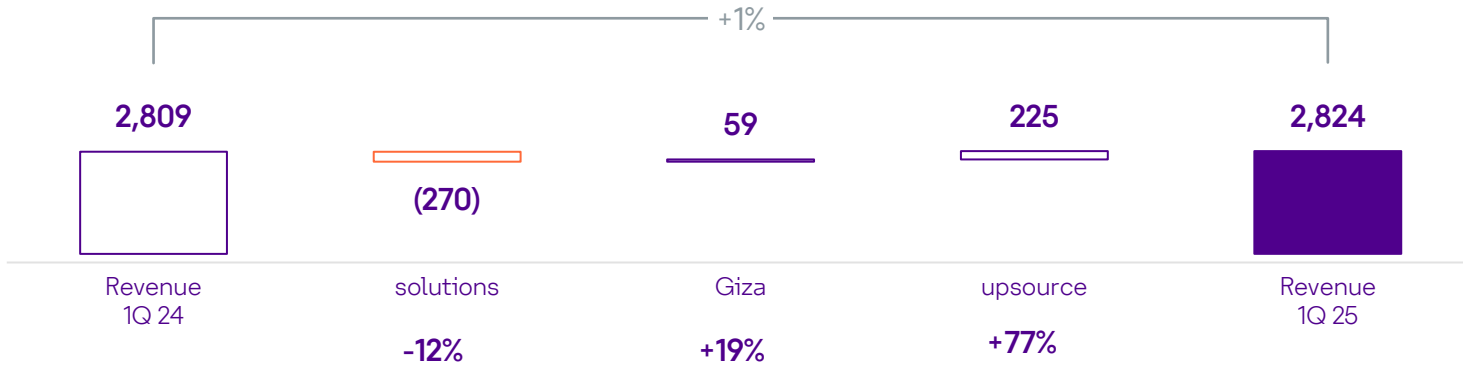
# Revenue Breakdown by Entity

Giza and upsource accounted for 31% of 1Q 2025 revenue<sup>1</sup>

## Revenue Breakdown by Entity (SARmn)



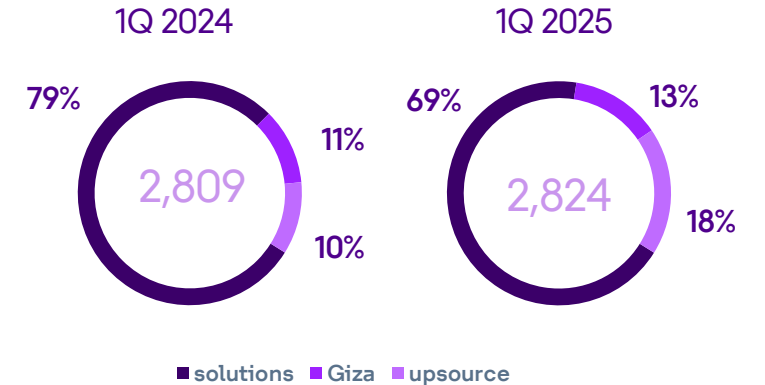
## Revenue Movement YoY (SARmn)



## Management Commentary

- upsource was the main revenue driver fueled by new project wins and transfer of projects from solutions.
- Continued reallocation of projects from solutions to other subsidiaries resulted in lower contribution from solutions standalone to the total revenue.
- Giza's revenue growth was driven by post-acquisition synergies, a renewed go-to-market strategy and new entities added within the Giza group.

## Revenue Composition (by Entity)

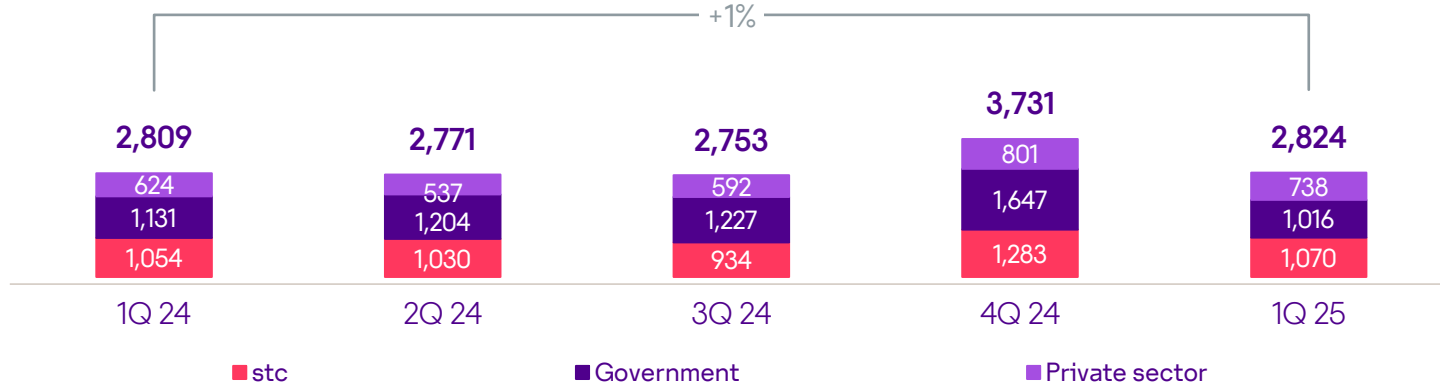


<sup>1</sup> - all numbers are presented after intercompany eliminations

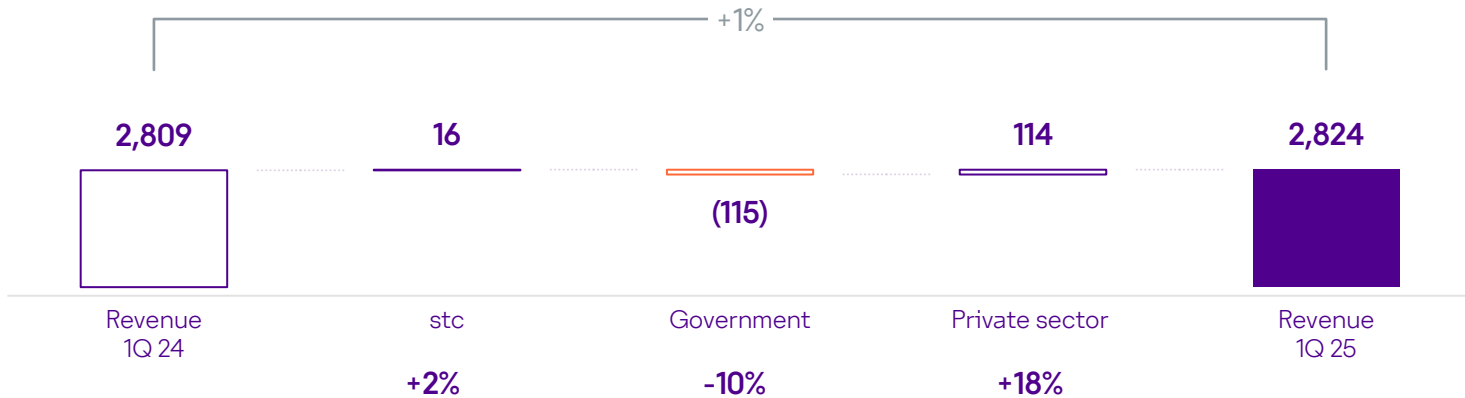
# Revenue Breakdown by Customer Type

The revenue share of the private sector increased YoY to 26% in 1Q 2025

Revenue Breakdown by Customer Type (SARmn)



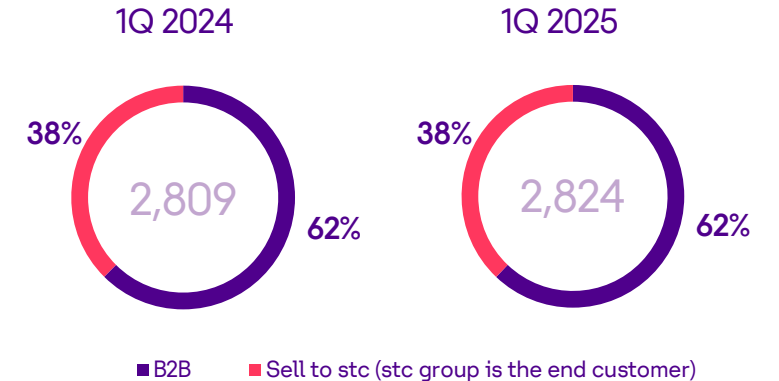
Revenue Movement YoY (SARmn)



## Management Commentary

- Revenue from stc grew 2% YoY in 1Q 2025, reflecting a higher share of projects at early execution stages.
- Revenue from the Government fell 10% YoY for the same reason...
- ...offset by 18% YoY growth in revenue from the private sector, which underscores the group's agile and diversified business model.

Revenue Composition (by Channel)

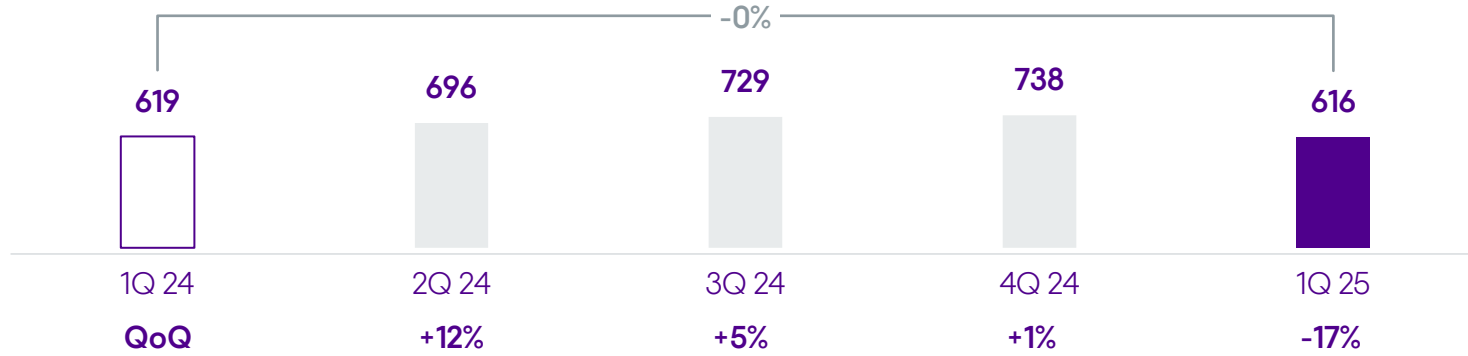




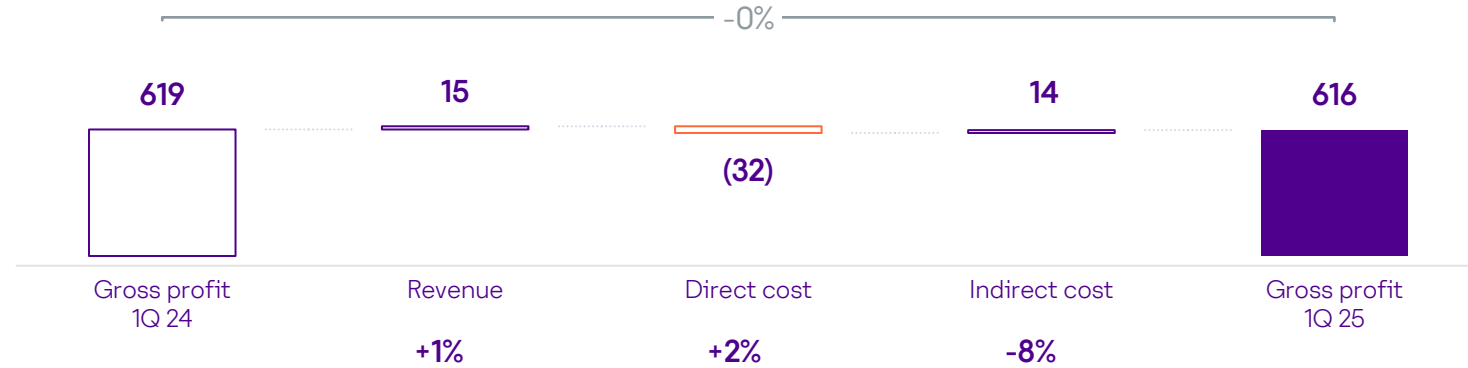
# Profitability - Gross Profit Performance

Gross profit margin recovered to 21.8% in 1Q 2025 from 19.8% in 4Q 2024

## Gross Profit Trend (SARmn)



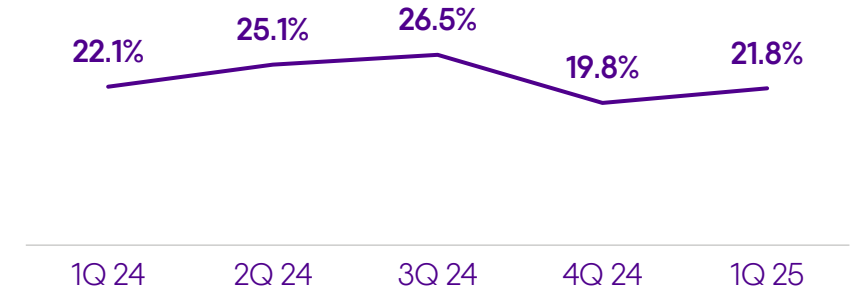
## Gross Profit Movement (SARmn)



## Management Commentary

- Gross margin decreased by 22 bps YoY to 21.8% in 1Q 2025 due to changes in the revenue mix.
- Gross margin recovered by 204 bps QoQ as it normalized after a temporary drop in 4Q 2024.

## Gross Profit Margin (%)

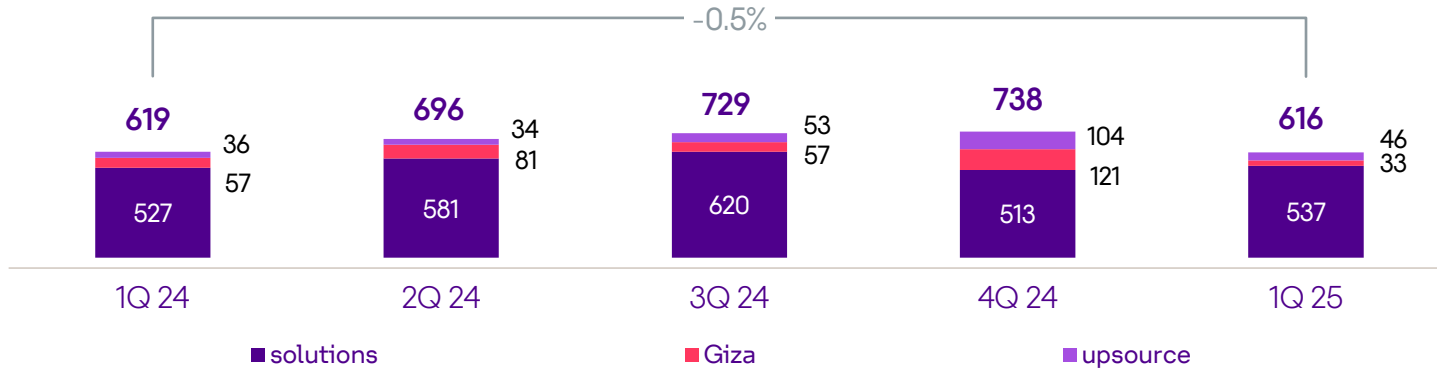




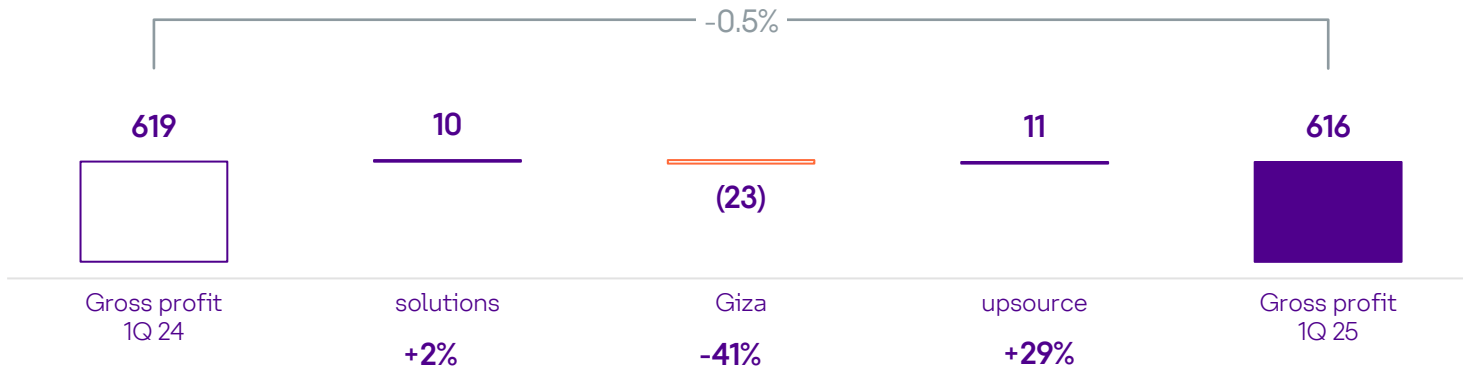
# Profitability - Gross Profit Drivers

1Q 2025 Gross Profit performance was mainly affected by changing projects mix<sup>1</sup>

## Gross Profit Breakdown by Entity (SARmn)



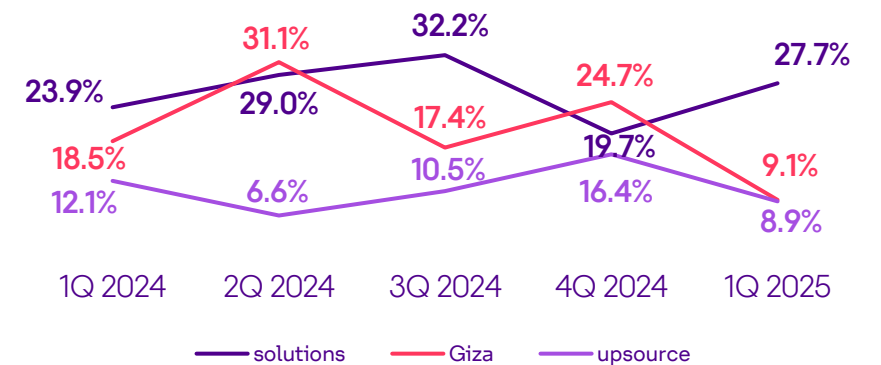
## Gross Profit Movement YoY (SARmn)



## Management Commentary

- solutions standalone gross margin dynamics QoQ reflected revenue mix changes and efficiency gains.
- upsourse 1Q 2025 QoQ gross margin decline results from a high comparison base of 4Q 2024 due to HR Development Fund rebates and project mix.
- Giza gross margin dynamics was driven by project mix changes and cyclical patterns.

## Gross profit margin by Entity

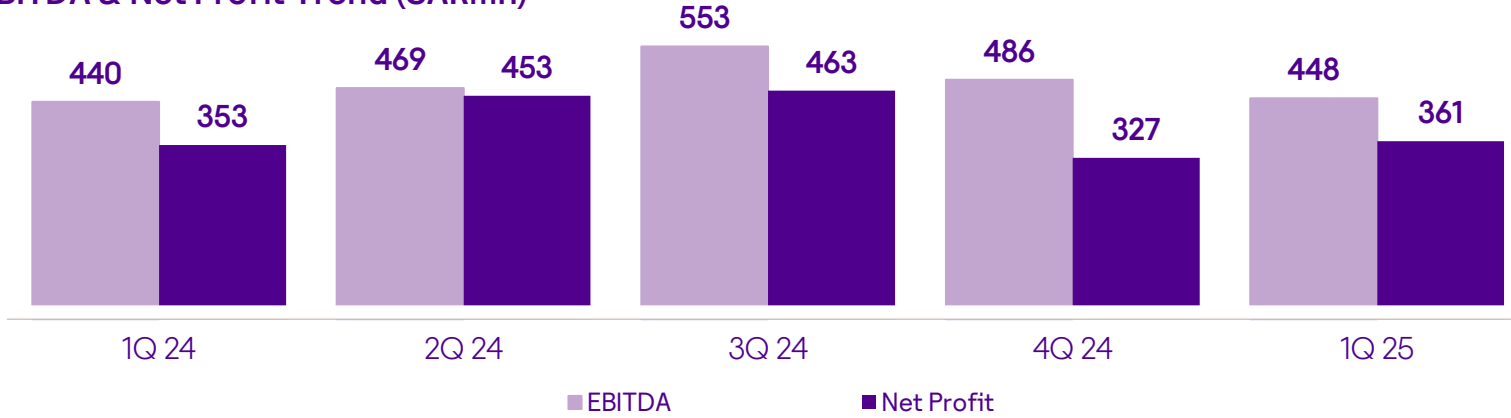


<sup>1</sup> - all numbers are presented after intercompany eliminations

# Profitability - EBITDA and Net Profit

Quarterly EBITDA and net profit margins continued to grow

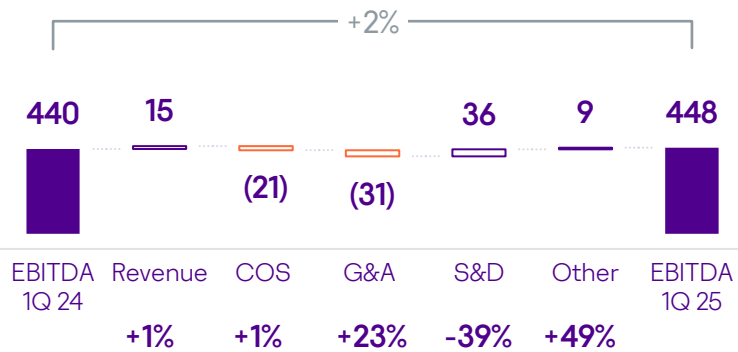
EBITDA & Net Profit Trend (SARmn)



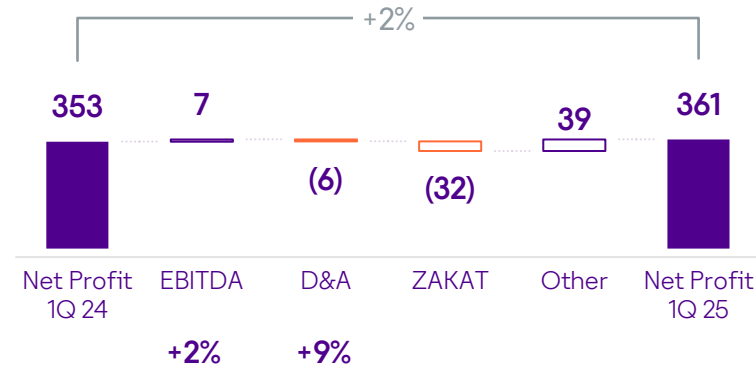
## Management Commentary

- EBITDA grew 2% YoY in 1Q 2025 as a dip in gross margin was offset by operating efficiency gains.
- Net profit to shareholders increased by 2% YoY in 1Q 2025, as higher Zakat expense was counterbalanced by reduced losses from other non-core operations.

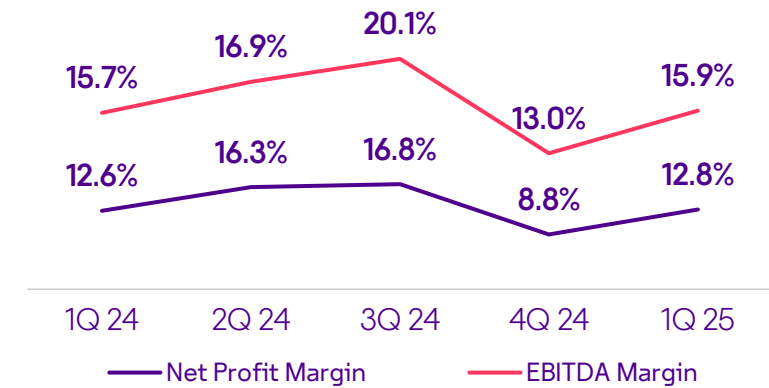
EBITDA Movement YoY (SARmn)



Net Profit Movement YoY (SARmn)



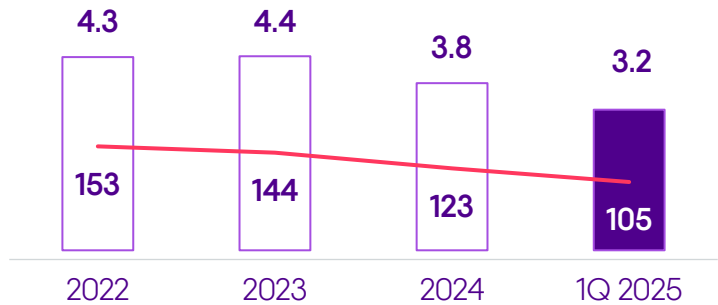
EBITDA & Net Profit Margins (%)



# Balance Sheet - Working Capital

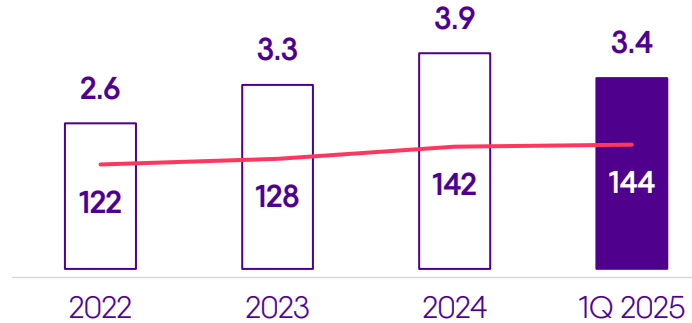
Working capital showed a temporary increase due to the invoicing and collection cycle seasonality in 1Q 2025

## Accounts Receivable (SARbn)



Accounts receivable Days Receivables Outstanding

## Accounts Payable (SARbn)

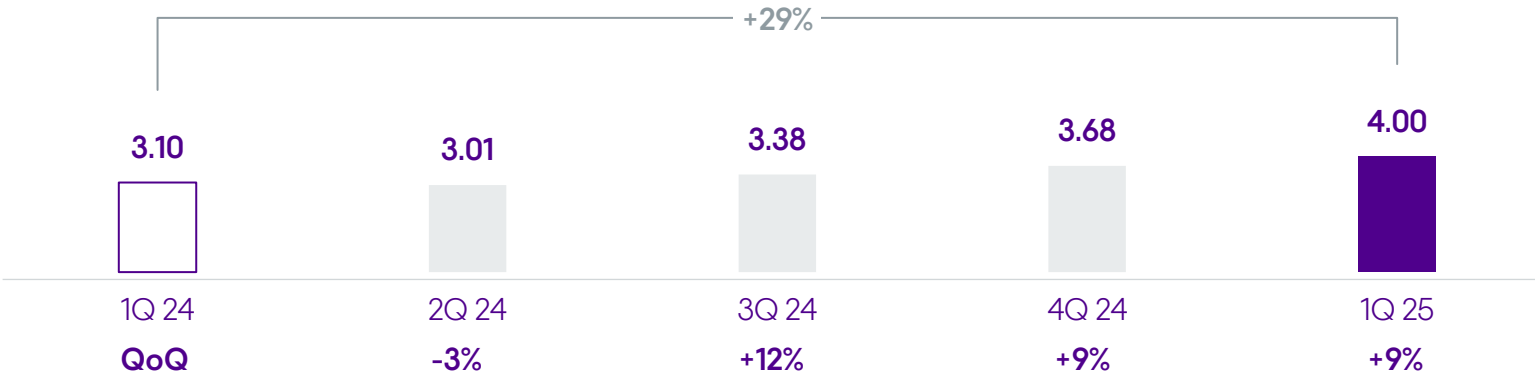


Accounts payable Days Payable Outstanding

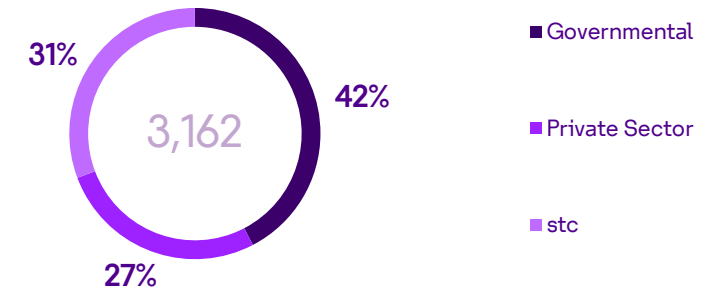
## Management Commentary

- Receivable days declined to 105 days in 1Q 2025 due to collection optimization.
- Payable days increased to 144 days supported by the company's efforts to improve payment terms with key suppliers and enhance partnerships.
- Working capital increased by 9% QoQ and 29% YoY.

## Working Capital Performance (SARbn)



## Accounts Receivable Composition (%)

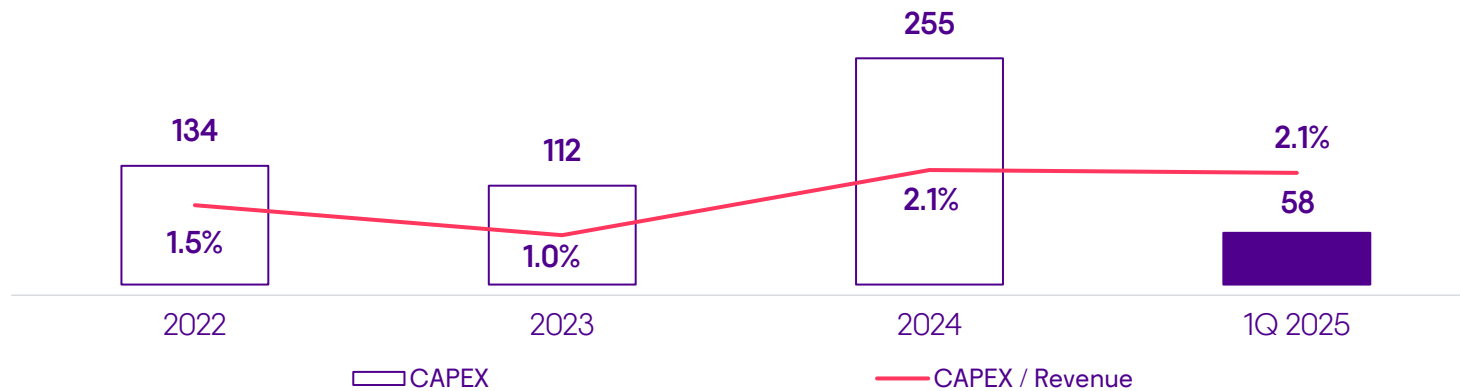


Working Capital = Current Assets - Current Liabilities

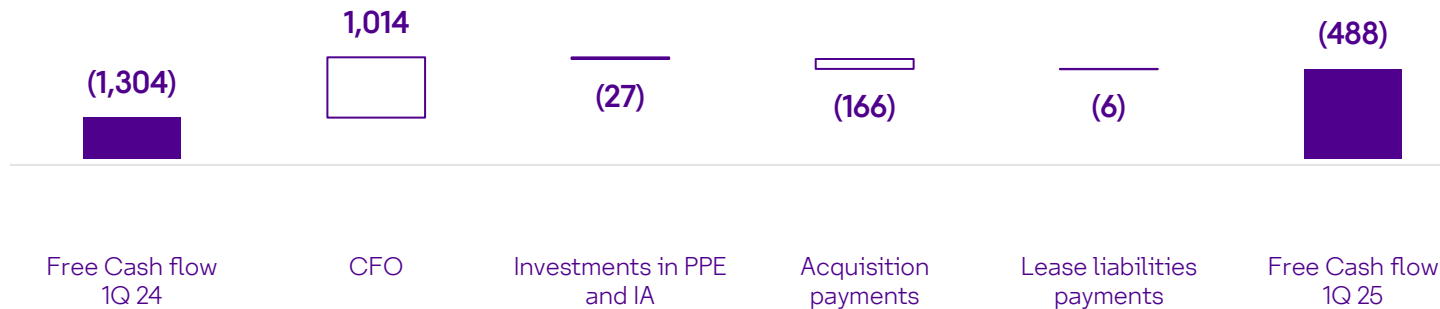
# Cash Flow Generation

Operating cash flow was less negative than a year ago and was absorbed by net cash position that remained very strong

## Capital Expenditures (SARmn)\*



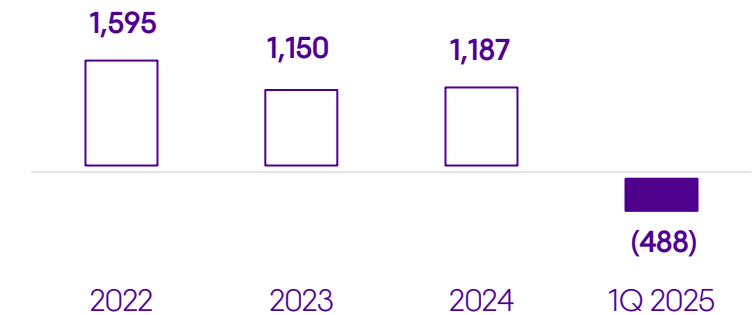
## Free Cash Flow Movement (SARmn)



## Management Commentary

- OCF was negative at SAR 417 million in 1Q 2025, reflecting a usual seasonality with more payments to suppliers, while invoicing and collections from new projects will accelerate in the coming quarters.
- Capex grew by 86% YoY to SAR 58 million in 1Q 2025, driven by new sizeable projects in the backlog.
- Net cash amounted to SAR 2.47 billion as of 1Q 2025.

## Free Cash Flow (SARmn)



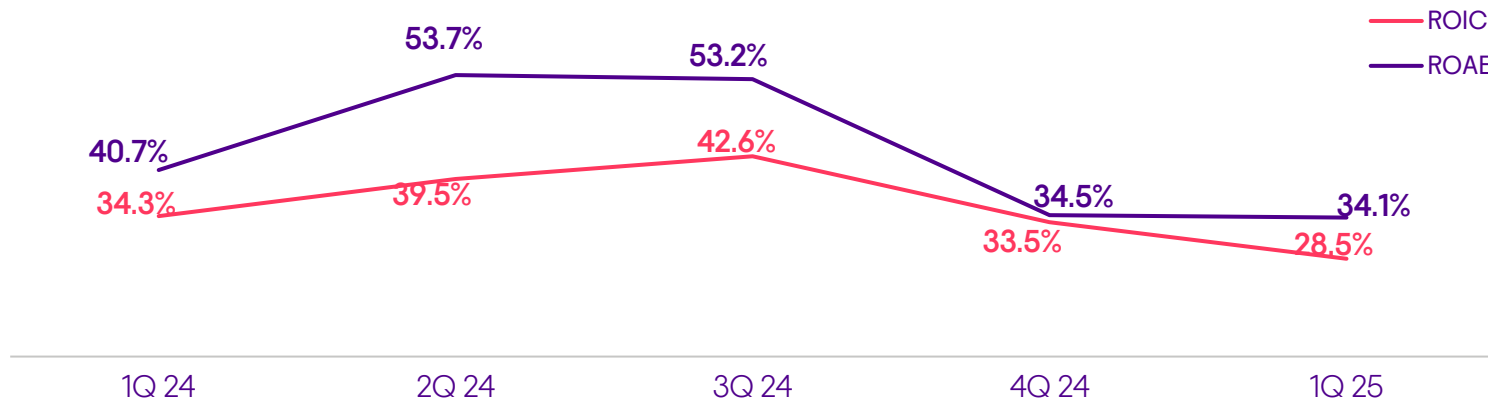
\* The chart is provided for organic CAPEX

Free Cash Flow = CFO - CAPEX - Lease liabilities payments - Purchase of treasury shares - Payment for acquisition of subsidiary

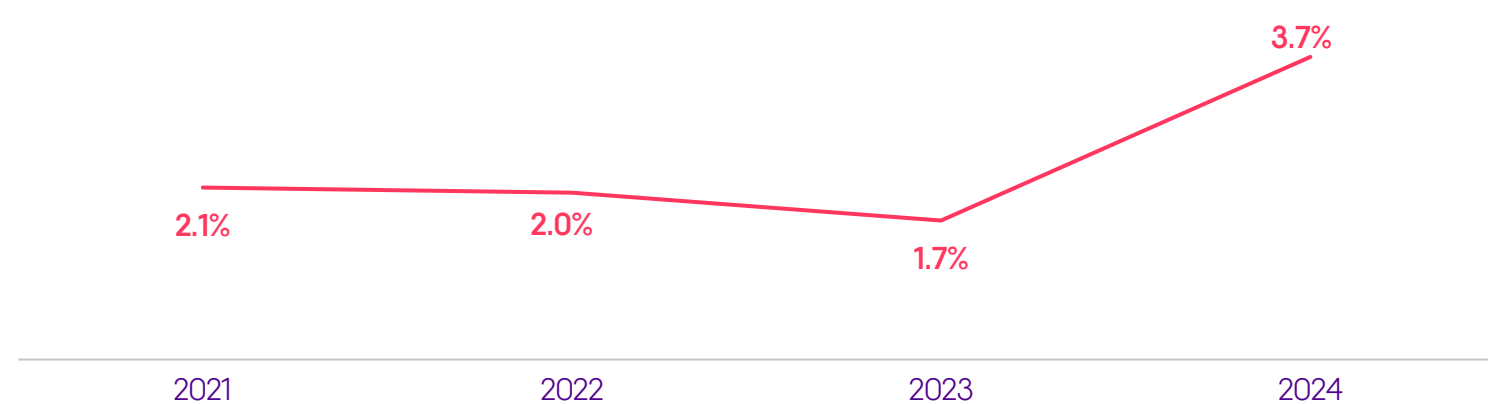
# Returns and Dividends

High returns and progressively growing dividends

Return Ratios\* (%)



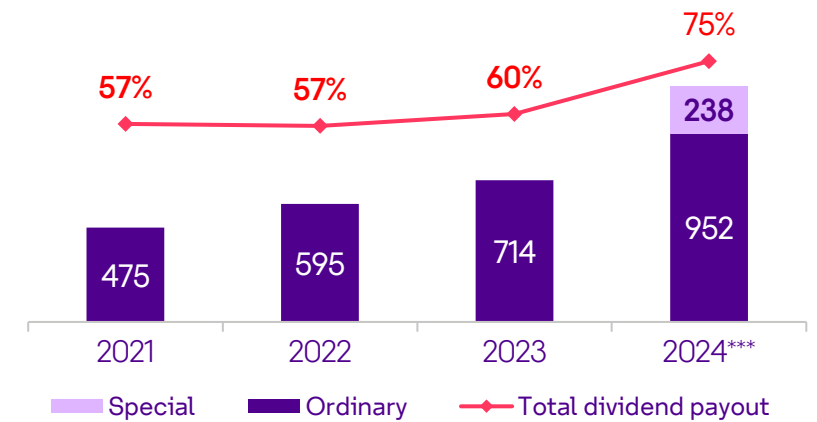
Dividend Yield\*\* (%)



## Management Commentary

- Capex-light business model generates high returns and allows for generous dividends.
- The company's BoD recommended SAR 8 ordinary DPS and SAR 2 special DPS for FY 2024.
- This implies an ordinary dividend payout of 60% and a special dividend payout of 15%. The total dividend amount is to grow 67% YoY.

Dividends (SARmn)



\* ROIC = EBIT / Invested Capital (Net Working Capital + PPE + Goodwill + Other Operating Assets); ROAE = Net income / Average Total Equity

\*\* Dividend yield is calculated based on the share price as of end of each year

\*\*\* Subject to the approval by the annual general meeting of shareholders (AGM)

# Guidance

solutions maintains its 2025 guidance

	1Q 2025 Results	FY 2025 Guidance
Revenue Growth	0.5%	8% - 10%
EBITDA Margin	15.9%	14% - 16%
Capex Intensity	2.1%	2% - 3%

# 4 Contact Details

# IR Contact Details

Contact solutions by stc investor relations team

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Shukran!

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