

FY 2023

Results Presentation

Riyadh, 21 February 2023

Agenda






- 1 2023 Milestones
- 2 Investment Thesis
- 3 Strategy Update
- 4 M&A Strategy Update
- 5 Financial Performance
- 6 Appendix

1 2023 Milestones



2023 Milestones

A number of important developments will expand solutions' portfolio and capabilities and expose to emerging tech

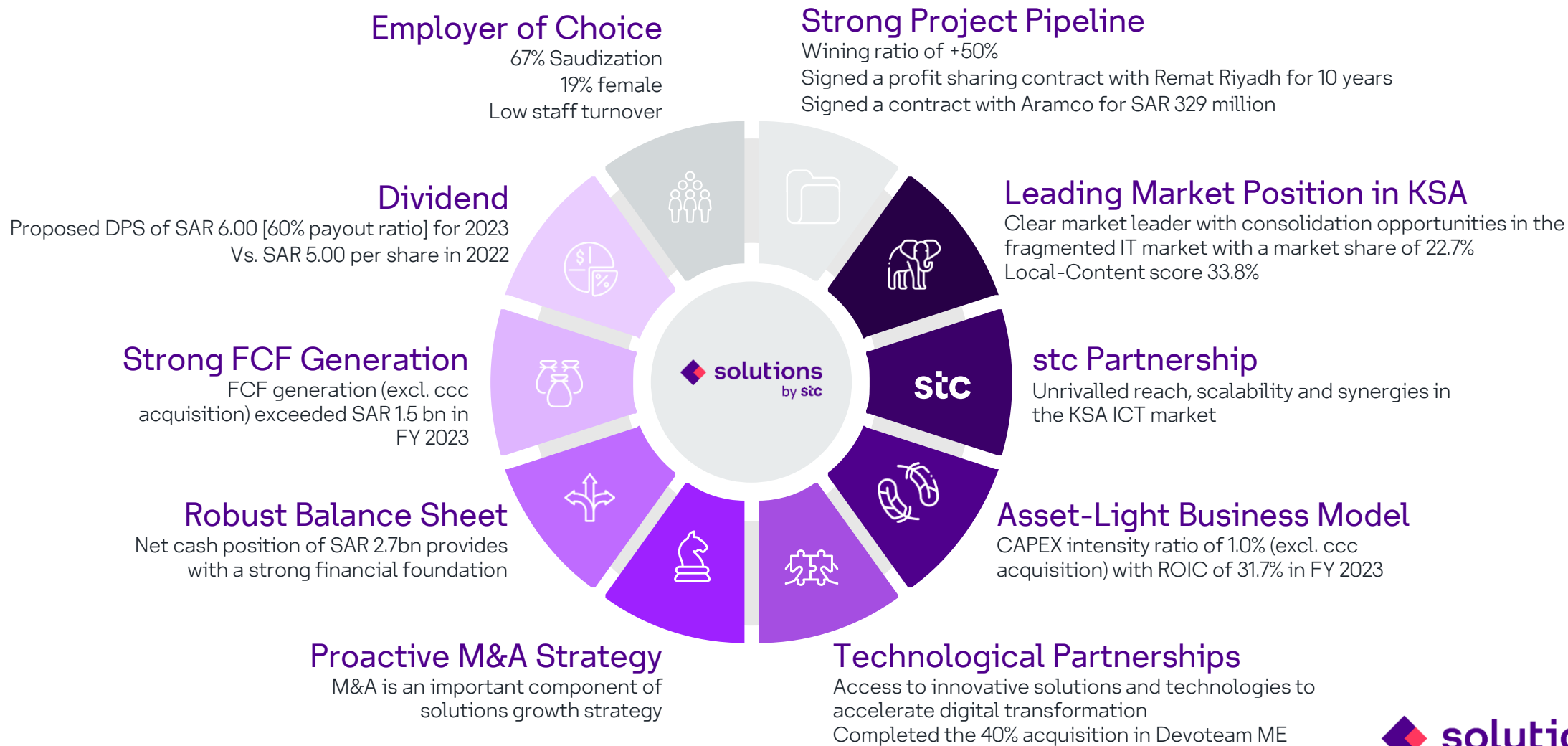
Strategic area	Initiative	Comment	Rationale
Value-accretive M&As		SAR 450mn EV valuation	Expansion of solutions' BPO portfolio and enhancing coverage of ICT customer journey
		SAR 741.7mn EV valuation	Synergies with core business; complementing solutions' offering with new capabilities
Strategic partnerships		A part of a global funding round	Exposure to next generation access service for enterprise networks
		solutions' first PPP project	Expansion into new businesses and getting exposure to the Saudi public sector
Strategy update		2024-2026 timeframe	Augmenting the core business by emerging tech, innovation and efficiency gains

2 Investment Thesis



Investment Thesis Update

solutions is the **right stock** in the **right market** at the **right time**



3 Strategy Update







A significant progress in LEAP strategy execution in 2021-2023...

solutions embarked on 5-year LEAP strategy in 2021 with the focus on stable growth and strong profitability



<h2>L</h2> <p>Lead in managed & professional services through continuous capabilities enhancements across:</p> <ul style="list-style-type: none">• IT Professional services• Multi-Cloud Services• IT Managed Services• Business Process Outsourcing	<h2>E</h2> <p>Expand Offerings Portfolio and Market Reach through:</p> <ul style="list-style-type: none">• Expanding offering into digital consulting and emerging tech• Enhancing our market reach by focusing on new sectors and segments• Protecting the core business by enhancing the offering through specific use cases	<h2>A</h2> <p>Achieve Excellence in Total Experience by:</p> <ul style="list-style-type: none">• Continuously improving our 360 CX framework• Expanding our partners ecosystem across technologies and ICT value chain• Exploring innovative ideas and business models	<h2>P</h2> <p>Promote Internal Efficiencies & Collaboration by:</p> <ul style="list-style-type: none">• Digitization & automation of processes• Optimizing resources management and creating synergies• Adopting best sustainability practices
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Achievements

-  **Leader in managed & professional services**
-  **One stop shop full stack ICT services provider**
-  **Best CEX supporting clients to succeed**
-  **Best workplace for the best people in business**

...is followed by a LEAP strategy update for 2024-2026

Updated LEAP 2.0 strategy considers external and internal dynamics to ensure business relevance, resilience and agility

LEAP 1.0 2021-2023

L **Lead** in managed & professional services

E **Expand** Offerings Portfolio and Market Reach

A **Achieve** Excellence in Total Experience

P **Promote** Internal Efficiencies & Collaboration

Rationale

Evolving market dynamics:

With the changing and progressing economic and sectoral dynamics solutions should update and align the directions to ensure relevance of the business

Company dynamics:

With the progress in corporate venturing and organic efforts solutions should explore new avenues of growth and work towards making the business more resilient

Technological evolution:

With the fast pace of innovation in tech industry corporate strategy should be revisited and adjusted with the tech advancements to avoid risk of disruption

LEAP 2.0 2024-2026

L **Lead** through service excellence

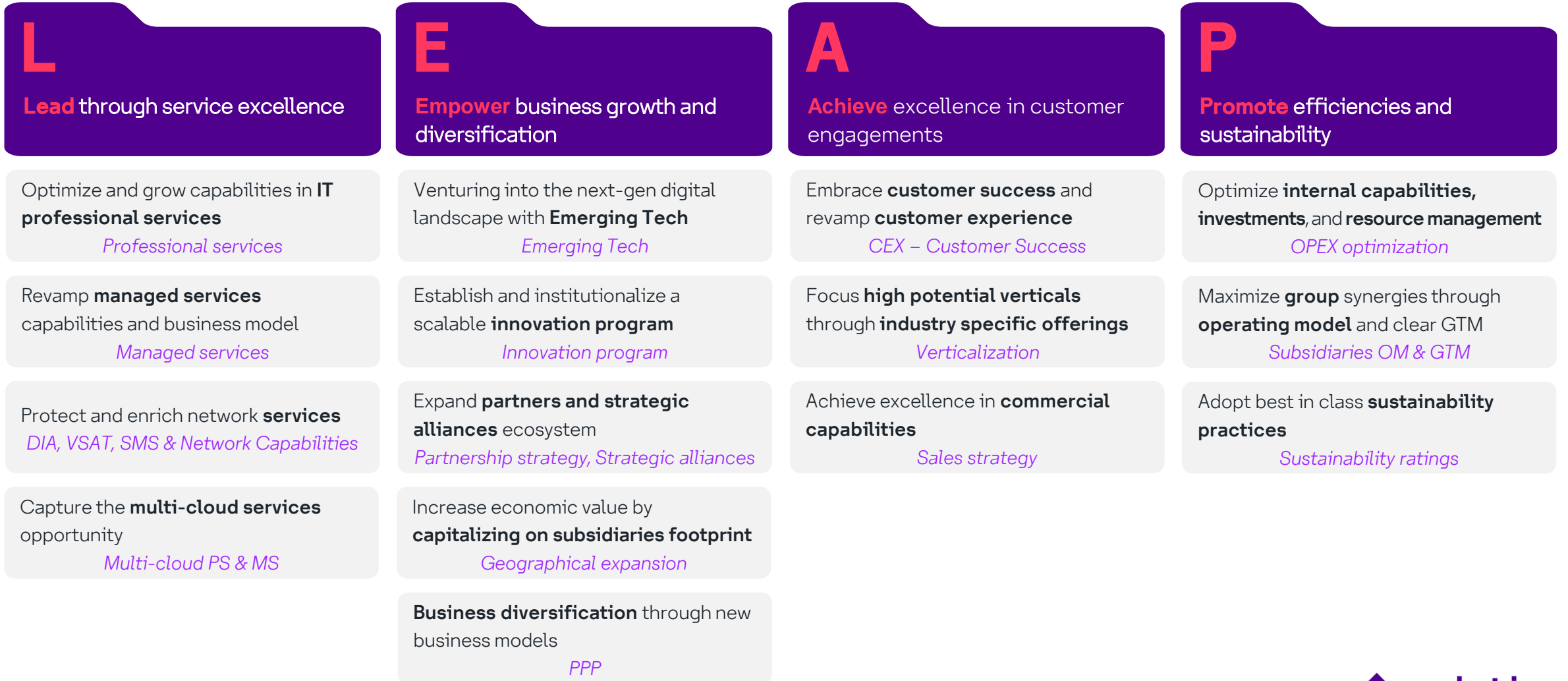
E **Empower** business growth & diversification

A **Achieve** excellence in customer engagements

P **Promoting** efficiencies & sustainability

LEAP 2.0 strategy targets significant economic value creation

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



A man and a woman are shown from the chest up, looking towards the right side of the frame. The man, in the center, has a beard and is wearing a white shirt. He is pointing his right index finger towards the right. The woman is on the left, looking slightly towards the camera. The background is dark with a strong red and blue light effect, suggesting a high-tech or futuristic environment. The text '4 M&A Strategy Update' is overlaid on the image.

4 M&A Strategy Update

In the MENA region, the market for IT services is ripe for consolidation

MENA's IT market is dynamic and fragmented - perfect ingredients for strong M&A activity going forward



MENA is following in the footsteps of the ICT M&A activities globally
solutions' M&A strategy is built on three pillars with the aim to scale, widen the offering, and remain the industry leader

Devoteam Transaction Overview

The deal was completed on the 4th of February 2024



Transaction Details and Strategic Rationale

Transaction details:

- The binding offer to acquire 40% in Devoteam Middle East was announced on 18 June 2023 and the deal was closed on 4 February 2024.
- The acquisition price was based on the Enterprise Value of SAR 741.7 million.
- The deal's closure followed all the regulatory approvals obtained from the relevant authorities in KSA.

Good strategic fit for solutions:

1. Devoteam will bring synergies with solutions' core business (systems integration) and strengthen its leadership in the ICT market.
2. ...while complementing solutions' offering with digital consulting and business transformation capabilities and reinforcing its one-stop-shop value proposition for clients in the IT services market.

Sectors and Partners

Key sectors



Key business partners



5 Financial Performance



solutions FY 2023 Financial Dashboard

solutions delivered a solid performance in FY 2023

FY 23 Revenue



FY 23 GP Margin



FY 23 Capex



FY 23 Capex / Revenue



FY 23 EBITDA



FY 23 EBITDA Margin



FY 23 Net Cash From Operating Activities



FY 23 ROIC *



FY 23 Net Profit



FY 23 NP Margin



FY 23 Net Cash



FY 23 ROAE

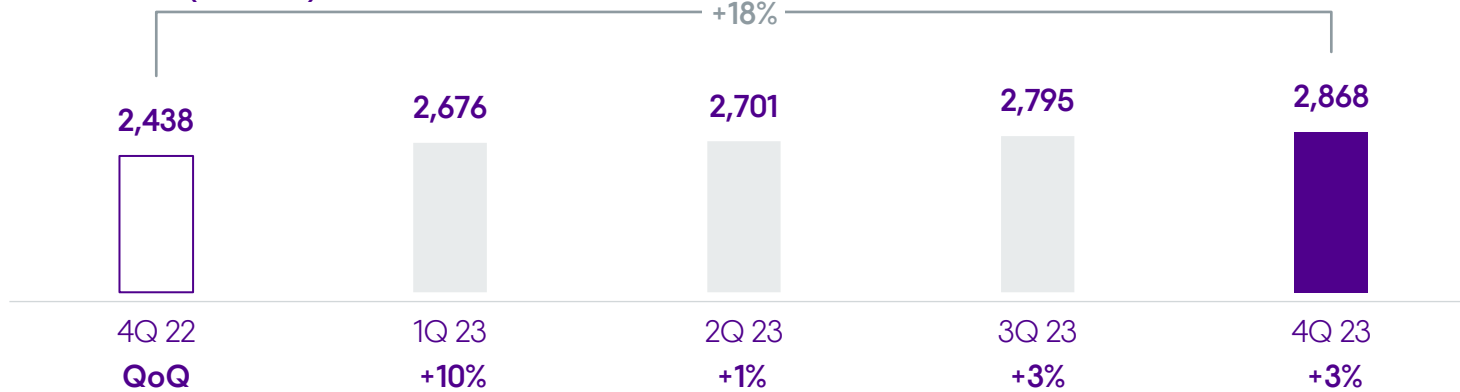


* ROIC calculation methodology was changed to account for changed capital structure

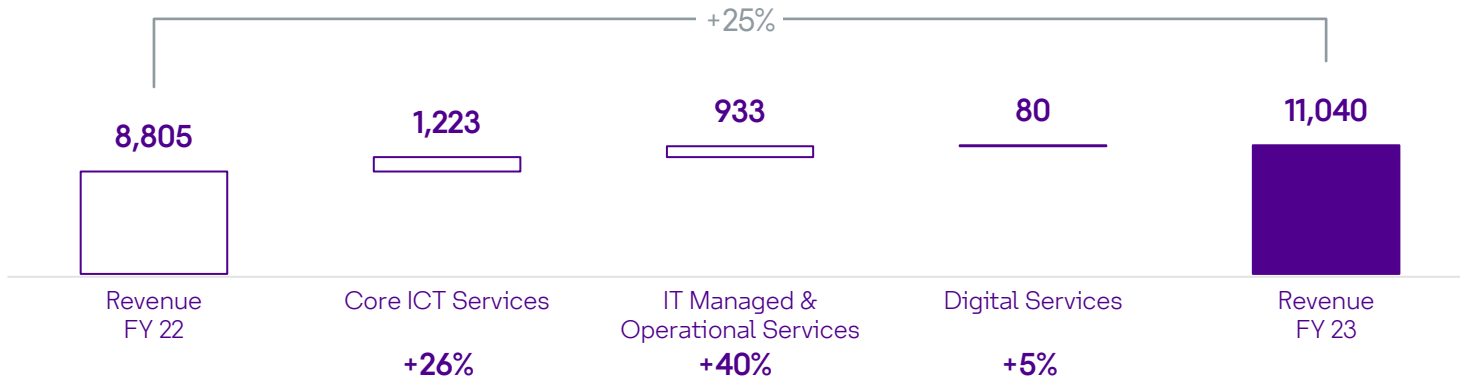
Revenue Trend and Breakdown by Business Segment

Group revenue growth of +25% YoY in FY 2023, driven by IT Managed and Operational and Core ICT Services

Revenue Trend (SARmn)



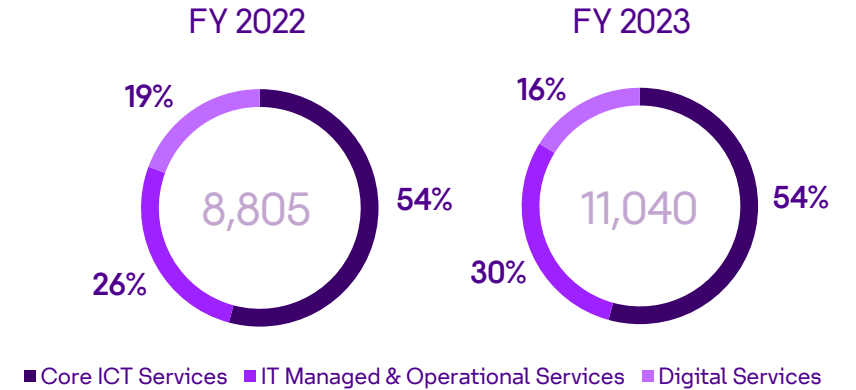
Revenue Movement YoY (SARmn)



Management Commentary

- Strong FY 2023 performance in IT Managed & Operational Services (+40% YoY) and Core ICT Services (+26% YoY).
- Digital Services revenue grew 5% YoY.
- Revenue growth was supported by a contribution from Giza and ccc.

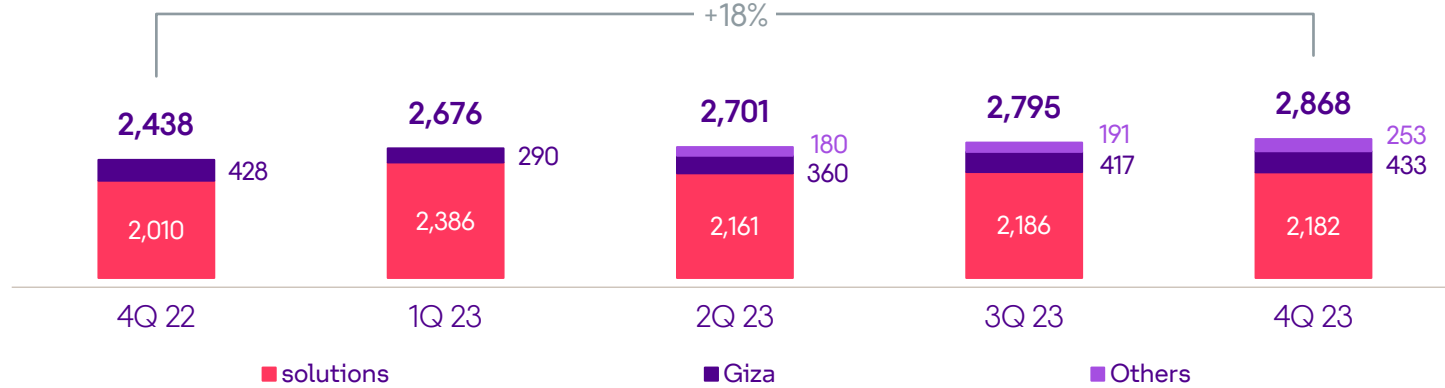
FY 2023 Revenue Composition (by Business Segment)



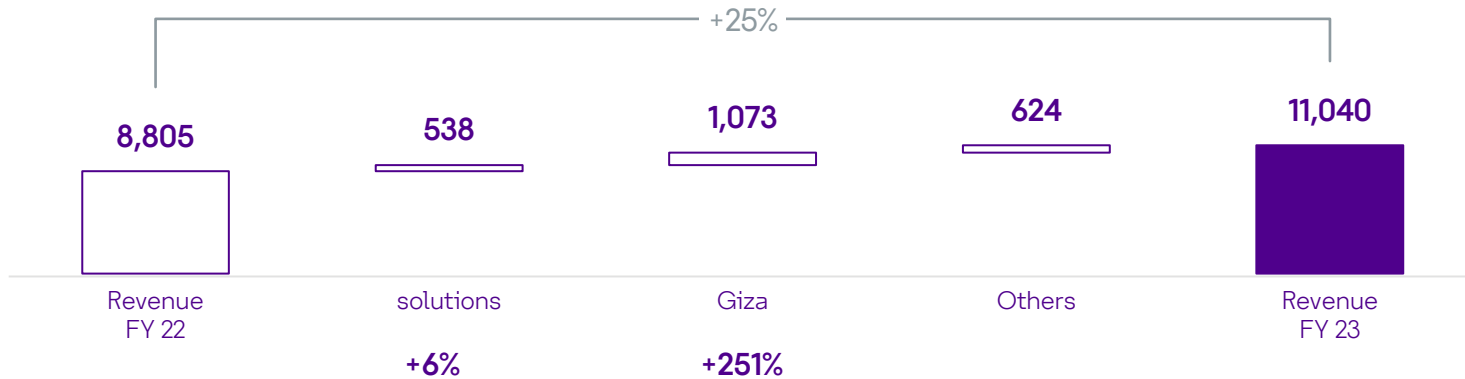
Revenue Breakdown by Entity

Giza, ccc and other subsidiaries accounted for 19% of FY 2023 revenue¹

Revenue Breakdown by Entity (SARmn)



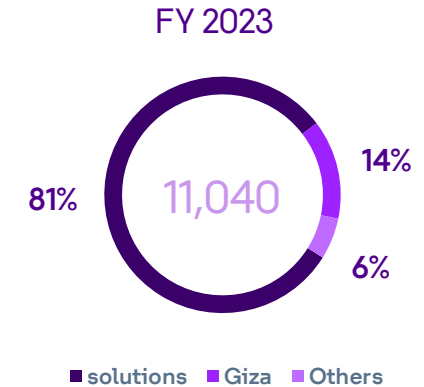
Revenue Movement YoY (SARmn)



Management Commentary

- Consolidation of Giza in October 2022 and ccc in April 2023 gave a significant boost to solutions top-line generation in 2023.
- Giza contributed c. 14% to consolidated FY 2023 revenue. ccc and other subsidiaries accounted for c. 6%.

Revenue Composition (by Entity)

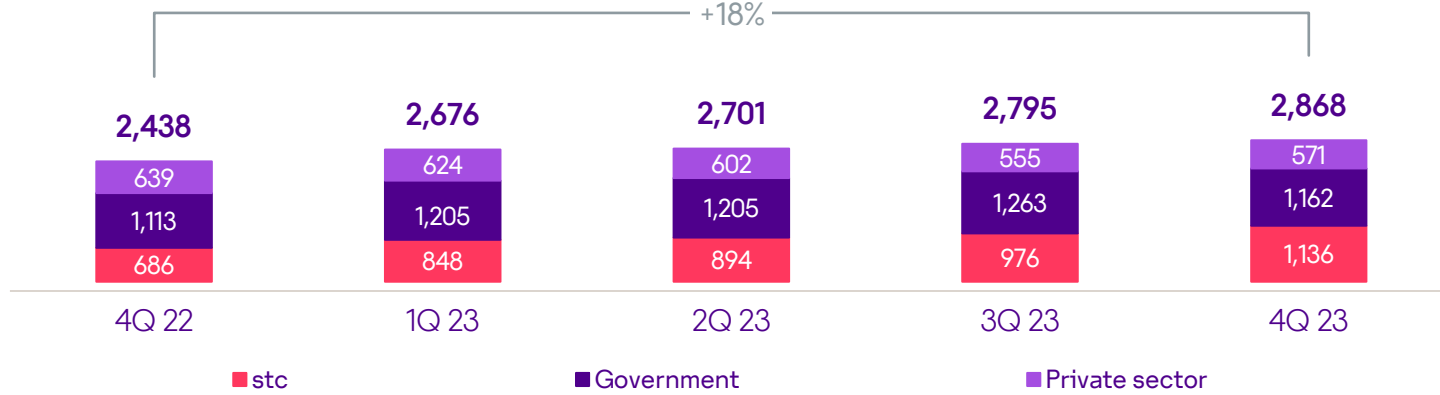


¹ - all numbers are presented after intercompany eliminations

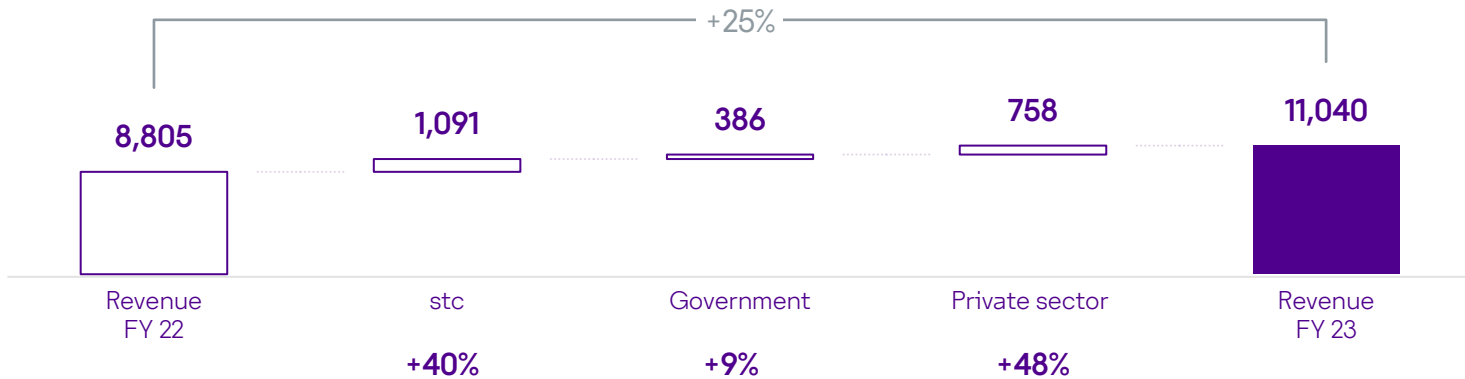
Revenue Breakdown by Customer Type

stc and Governments accounted for 79% of revenue in FY 2023

Revenue Breakdown by Customer Type (SARmn)



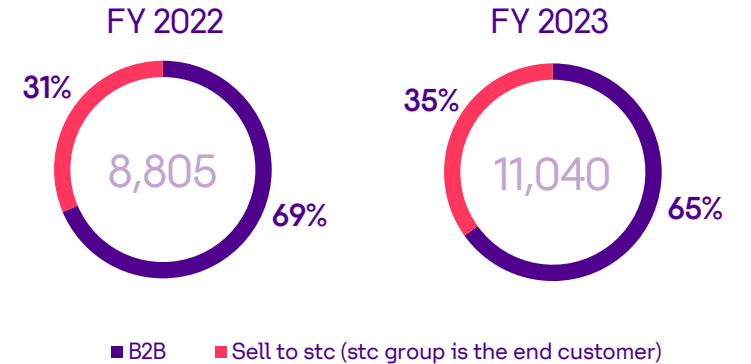
Revenue Movement YoY (SARmn)



Management Commentary

- Revenue growth was driven by +48% YoY increase in private sector revenues in FY 2023.
- Revenue from stc grew 40% YoY and revenue from the Government increased 9% YoY.

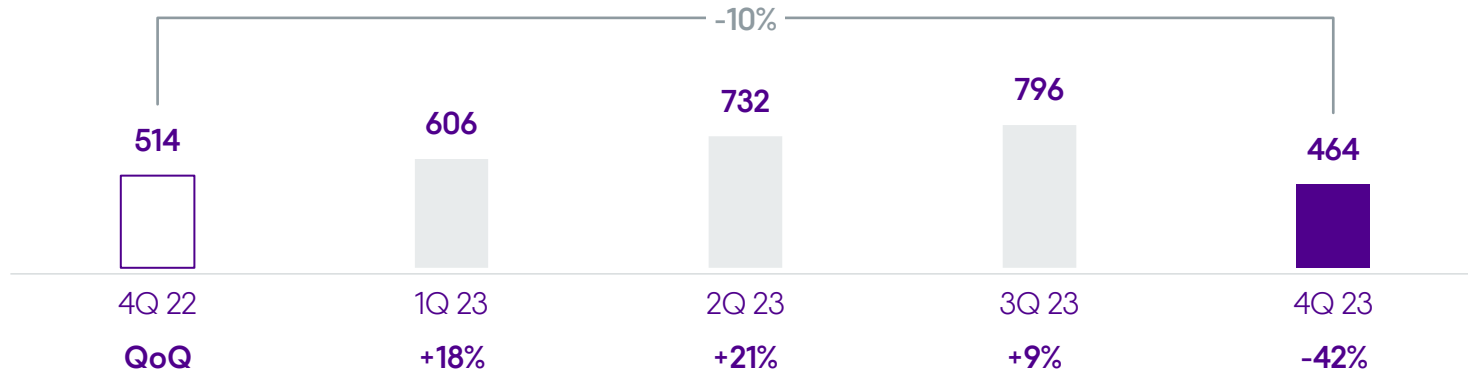
Revenue Composition (by Channel)



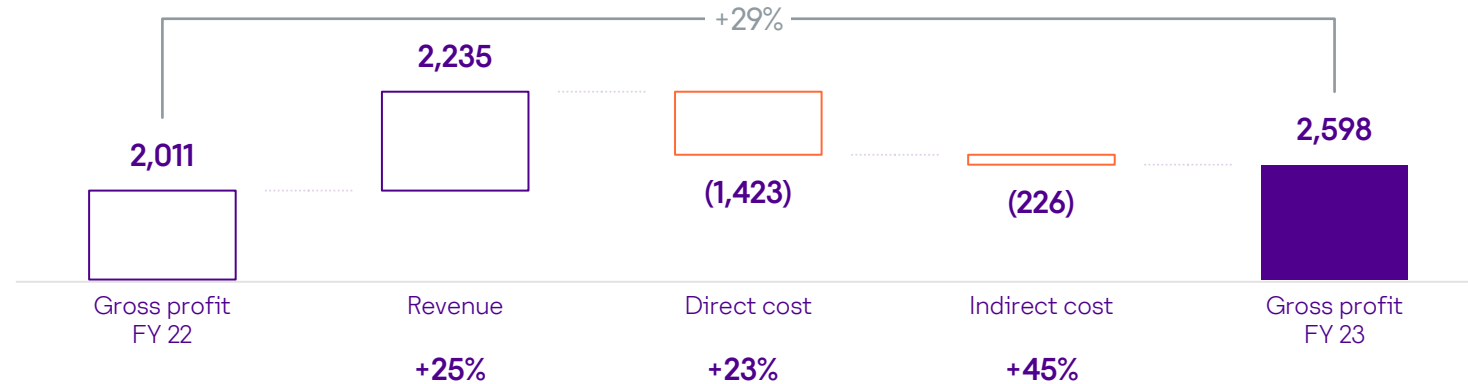
Profitability - Gross Profit Performance

Gross profit margin increased by 69 bps YoY to 23.5% in FY 2023

Gross Profit Trend (SARmn)



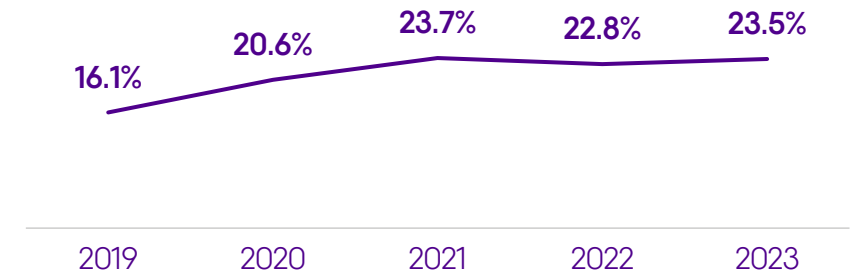
Gross Profit Movement (SARmn)



Management Commentary

- Gross margin increased by 69 bps year-on-year to 23.5% in FY 2023.
- Gross margin in 4Q 2023 declined to 16.2%.

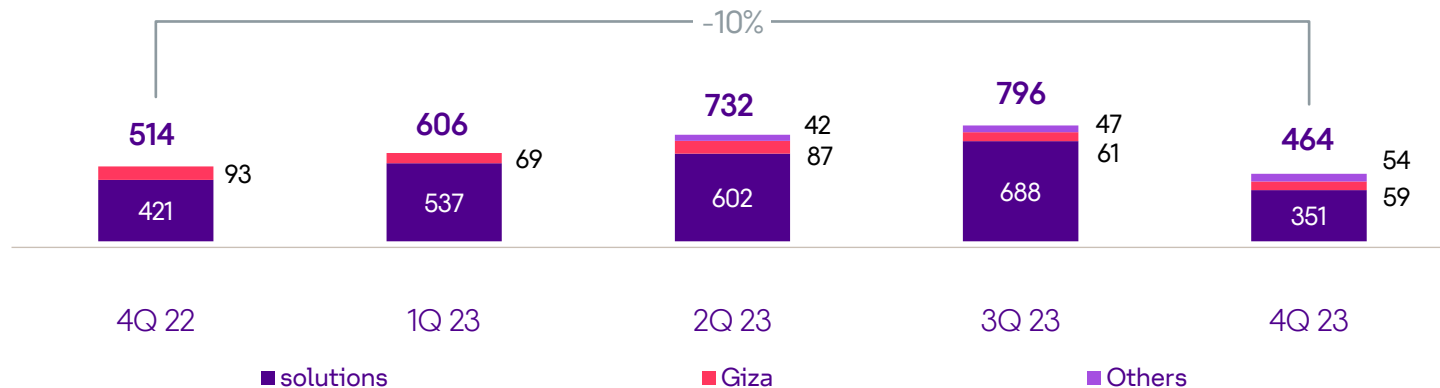
Gross Profit Margin (%)



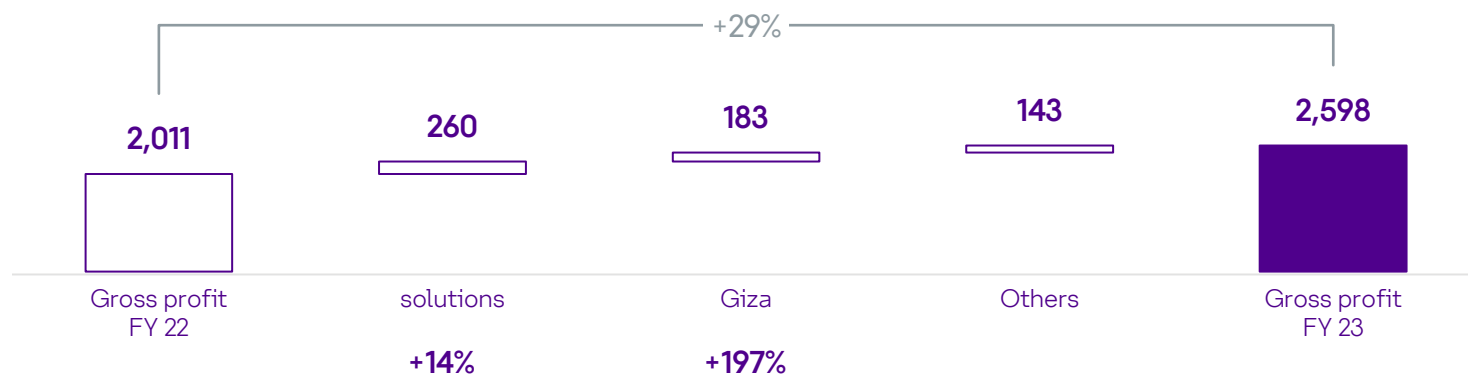
Profitability - Gross Profit Drivers

FY 2023 Gross Profit growth was accelerated through efficient working model with subsidiaries¹

Gross Profit Breakdown by Entity (SARmn)



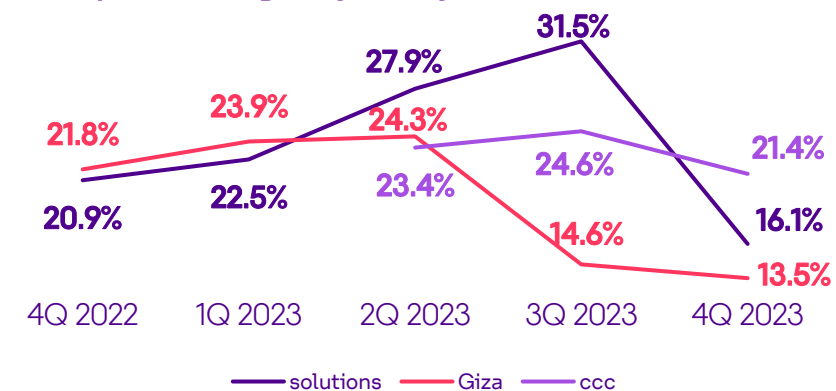
Gross Profit Movement YoY (SARmn)



Management Commentary

- Core solutions business earned SAR 2.18bn gross profit in FY 2023, 84% of the total gross profit.
- Giza, ccc and other subsidiaries added SAR 419mn gross profit, 16% of the total gross profit.

Gross profit margin by Entity

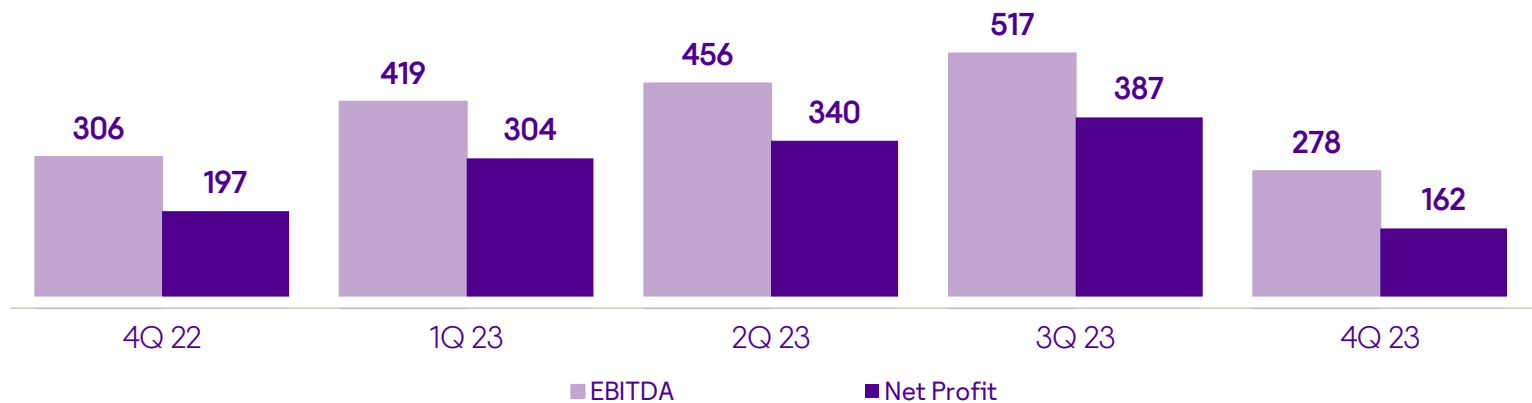


¹ - all numbers are presented after intercompany eliminations

Profitability - EBITDA and Net Profit

Lower 4Q 2023 margins reflect changed seasonality patterns

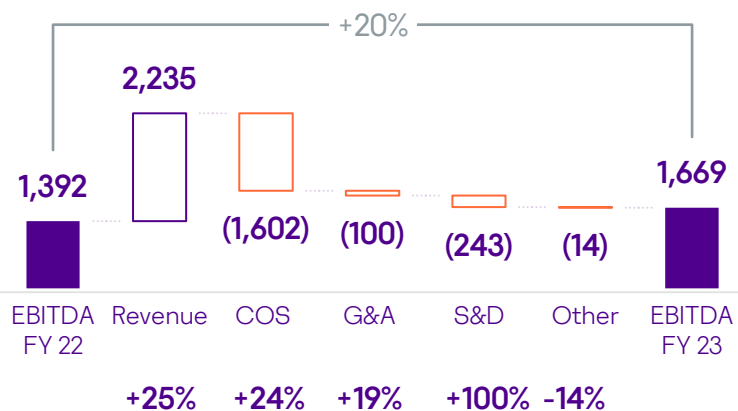
EBITDA & Net Profit Trend (SARmn)



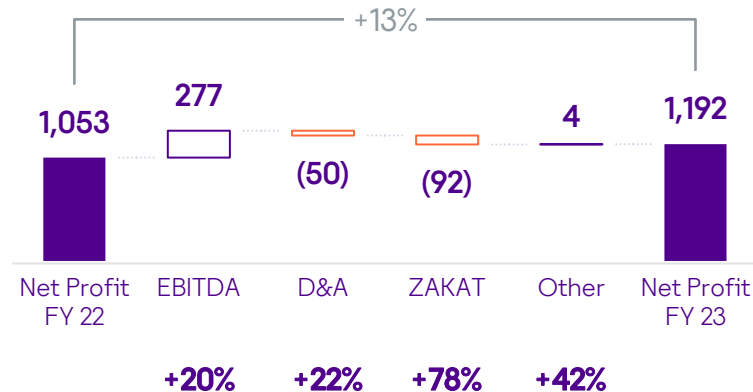
Management Commentary

- EBITDA grew 20% YoY in FY 2023 as gross margin gains did not fully offset a 42% growth in operating expenses.
- Net profit increased by 13% YoY in FY 2023 affected by increased Zakat related to Giza and ccc consolidation.

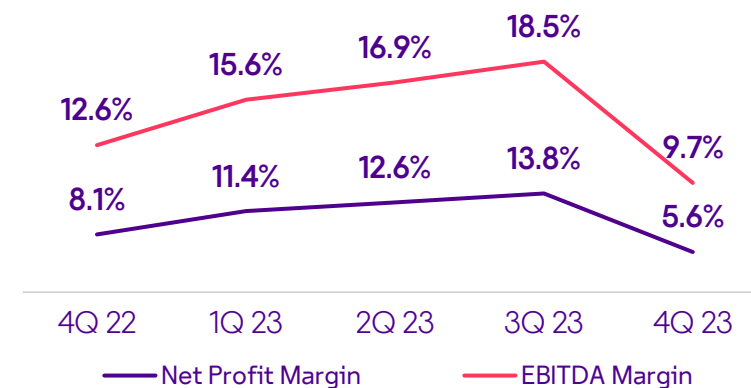
EBITDA Movement YoY (SARmn)



Net Profit Movement YoY (SARmn)



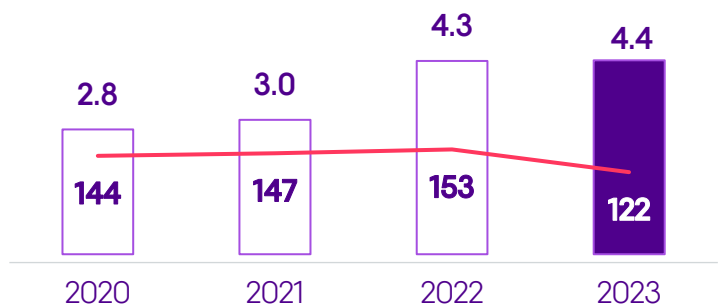
EBITDA & Net Profit Margins (%)



Balance Sheet - Working Capital

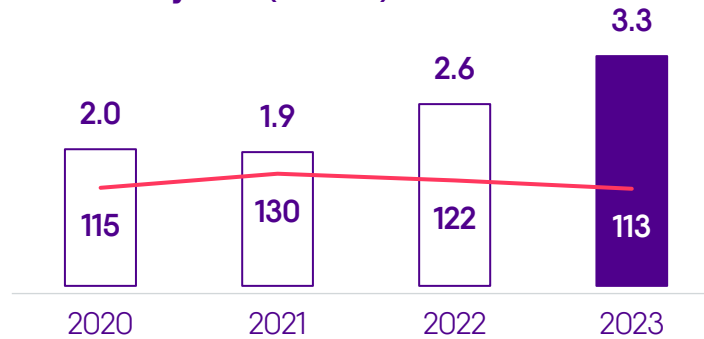
Working capital changes reflect efficient financial management amid rapid business expansion

Accounts Receivable (SARbn)



□ Accounts receivable — Days Receivables Outstanding

Accounts Payable (SARbn)

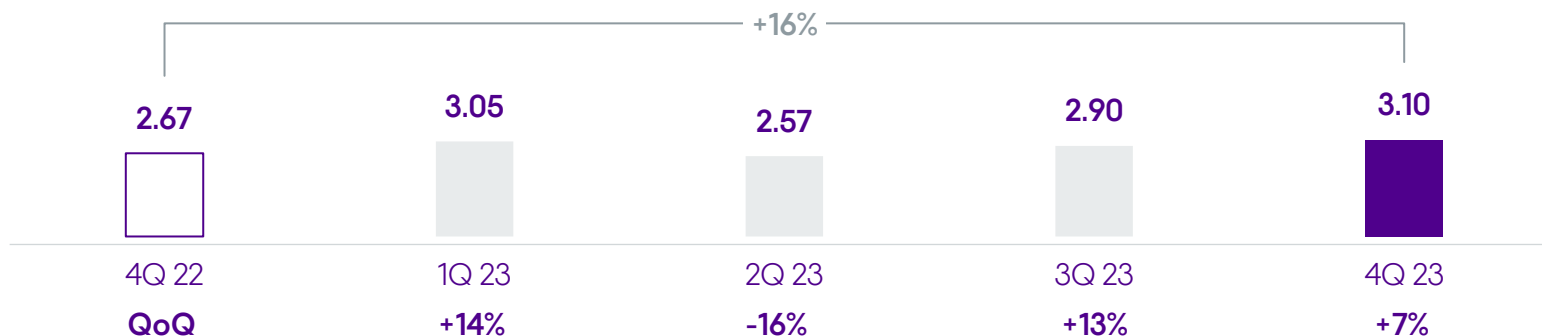


□ Accounts payable and accruals — DPO

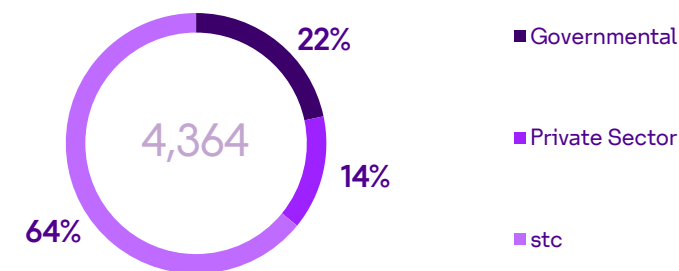
Management Commentary

- As of the end of 2023, solutions increased its working capital QoQ by 7% YoY to SAR 3.10bn.
- Receivable days improved to 122 days in 2023.
- Payable days shortened to 113 days.

Working Capital Performance (SARbn)



Accounts Receivable Composition (%)

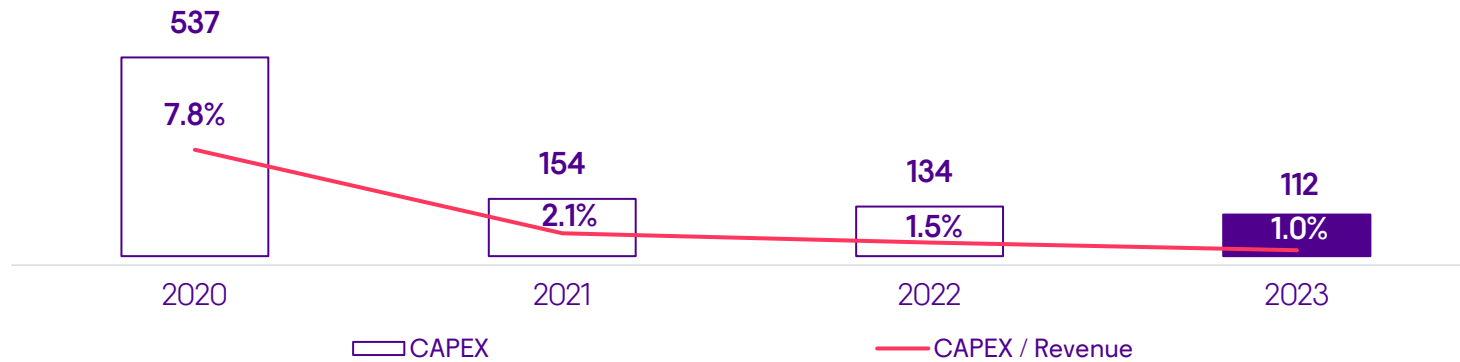


Working Capital = Current Assets - Current Liabilities

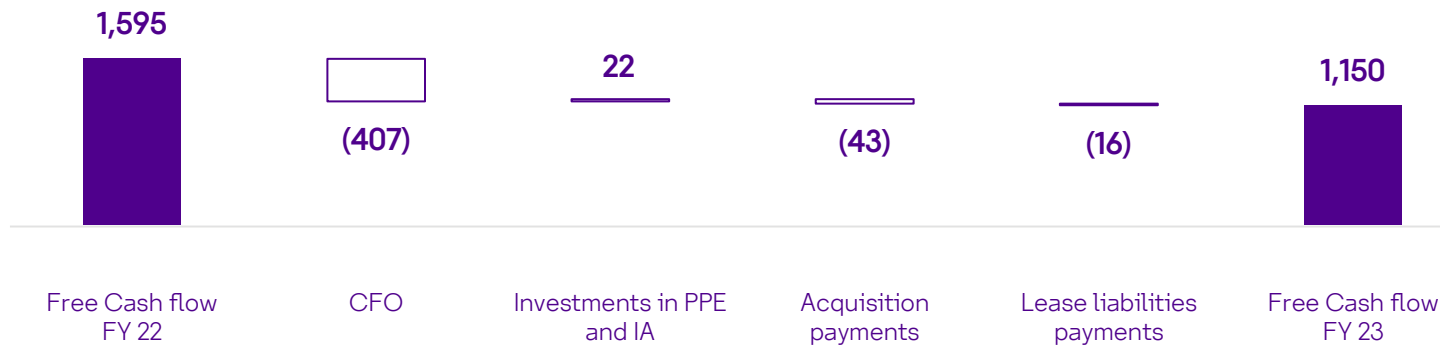
Cash Flow Generation

Strong OCF generation enabled solutions to finance capital investments, acquisitions and increase cash position

Capital Expenditures (SARmn)



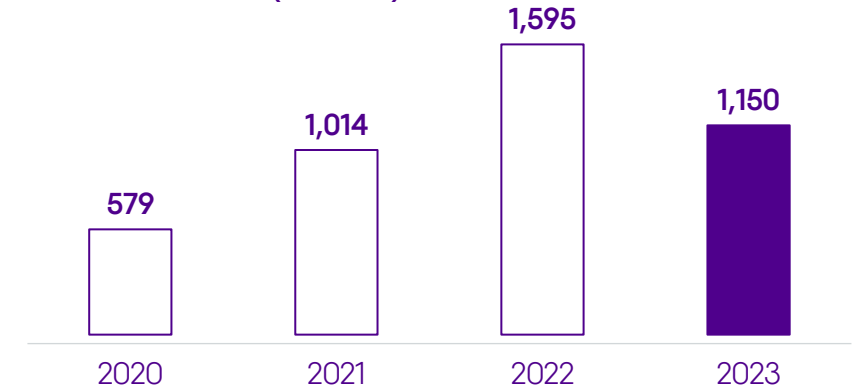
Free Cash Flow Movement (SARmn)



Management Commentary

- FCF amounted to SAR 1.15bn in FY 2023 despite ccc acquisition and working capital investments.
- Adjusted for the ccc deal in 2Q 2023, FCF would be over SAR 1.5bn in FY 2023.
- Net cash position increased to SAR 2.73bn as of end of 2023.

Free Cash Flow (SARmn)

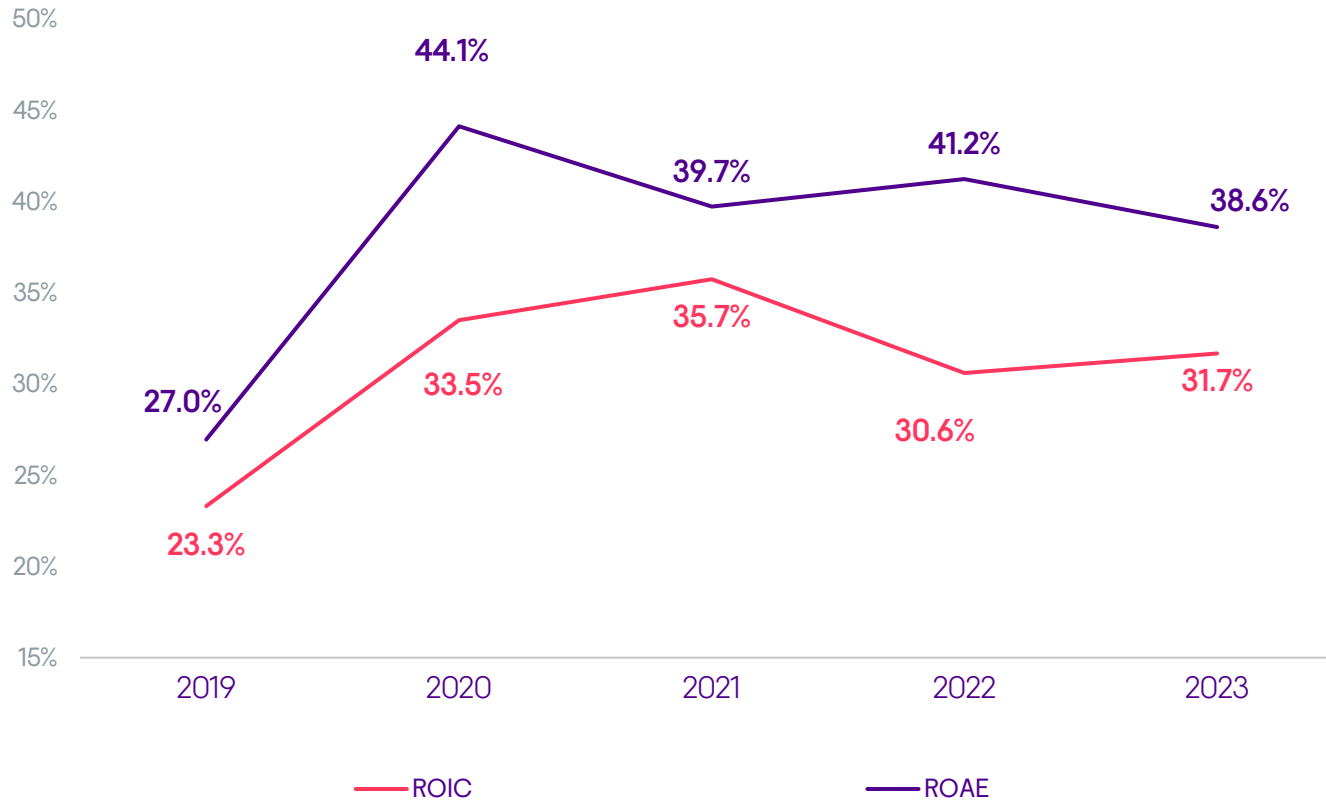


Free Cash Flow = CFO - CAPEX - Lease liabilities payments - Purchase of treasury shares - Payment for acquisition of subsidiary

Returns and Dividends

High returns and progressively growing dividends

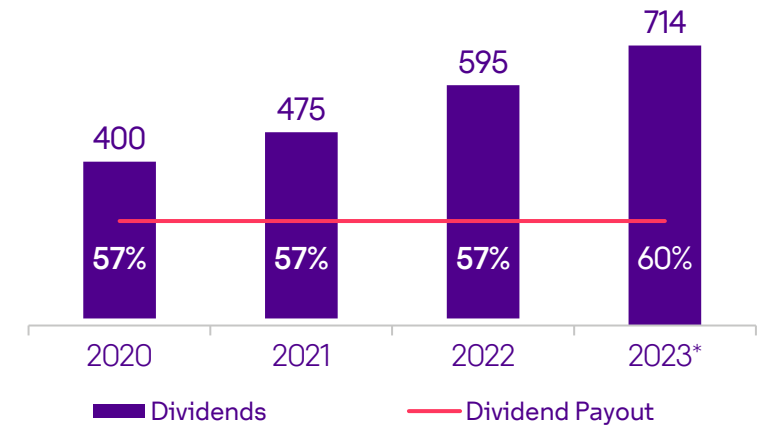
Return Ratios (%)



Management Commentary

- Capex-light business model generates high returns and allows for generous dividends.
- The Board of Directors recommended to pay DPS of SAR 6.0 for 2023, up 20% YoY, with a payout ratio of 60%.

Dividends (SARmn)



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

Outlook and Guidance

solutions exceeded its 2023 guidance and expects a strong year ahead

	2024 Outlook
Oil Price	\$80-\$90 / bbl
KSA GDP Growth	4.4%
KSA Fiscal Budget	SAR 79 bn deficit
KSA IT Growth	2024: 8% 2023-2027 CAGR: 9%
KSA IT Spending % of GDP	1.2%

	FY 2023 results	FY 2023 Guidance	FY 2024 Guidance
Revenue Growth	25%	19% to 22%	8% - 11%
EBITDA Margin	15.1%	13% to 15%	13% to 15%
Capex Intensity	1.0%	1.5% to 2%	1.0% to 1.5%

6 Contact Details

IR Contact Details

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Shukran!

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