

1Q 2023

Results Presentation

Riyadh, 16 May 2023

Agenda

-
- 1 Key Messages
 - 2 M&A Strategy and Update
 - 3 Financial Performance
 - 4 Appendix
-

1 Key Messages



Key Messages

Robust financial performance continued in 1Q 2023 on the back of benign macroeconomic backdrop, favourable industry dynamics, solid market position and M&A activity



Macro Tailwinds

Higher oil prices, Vision 2030,
+3.1% real GDP growth forecast in 2023



Favourable Industry Dynamics

KSA-wide digital transformation, KSA IT Spending % of GDP
at 0.9%, KSA ICT growth +13.0% in 2022



Solid Market Position

Market share 19.8% in 2022



Strong M&A activity

The Giza transaction successfully completed on 3 October 2022.
The ccc transaction successfully completed on 3 April 2023.



Strong Revenue Growth

Diversified business portfolio generated
+19% YoY revenue growth to SAR 2.68 bn in 1Q 2023
Core ICT Services growth +18% YoY to SAR 1.56 bn



Improving profitability

EBITDA of SAR 419 mn in 1Q 2023, +14% YoY
Net Profit of SAR 304 mn, +7% YoY
ROAE of 41.3%, -6pps YoY



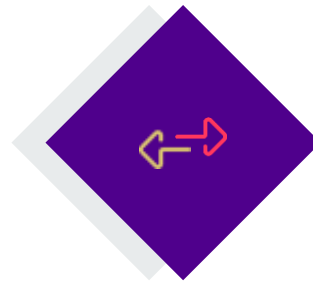
Strong Cash Flow & Balance Sheet

Free cash flow of SAR 319 mn in 1Q 2023
Net cash position of SAR 2.85 bn as of end March 2023



Attractive Dividend

DPS of SAR 5.0 in 2022, implying a 57% payout
ratio and a dividend yield of 1.7%



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, on the left, has dark hair and is wearing a dark top. They appear to be in a dimly lit room, possibly a control room or a meeting room, with a large screen in front of them. The background is dark blue. A large, stylized number '2' is overlaid on the left side of the image, partially overlapping the woman's face. The number '2' is red and white. The text 'M&A Strategy and Update' is overlaid on the right side of the image, in white. The overall mood is professional and focused.

2 M&A Strategy and 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 mid-market ICT M&A activity globally



solutions' M&A strategy is built on three pillars with the aim to scale, widen the offering, and remain the industry leader:

01

Strengthening existing portfolio and sectors of activity



Vertical integration to improve depth of offering

02


Expanding into new segments and new geographies



Horizontal expansion to widen offering and geographic footprint

03

Entering disruptive technologies




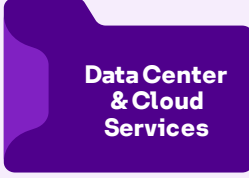


Capturing opportunities in growing industries


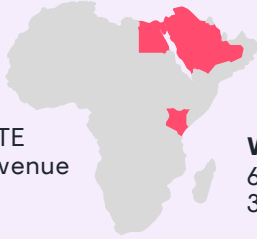
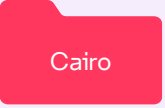
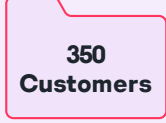
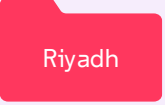
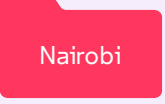
Giza Transaction Update

Giza transaction will further enhance solutions' one stop shop offering and enable access to new markets

Portfolio

 System & Application Integration	System, application & infra integration and advisory services	 Digital solutions	Industrial and physical security bespoke digital solutions
 Application Development & Management	Custom application development, app mgmt. & SW deploy and support	 Data Center & Cloud Services	Infrastructure/DC services, cloud advisory, migration & deployment

Geographical Presence

 Total: 1,517 FTEs		KSA 308 FTE 33% revenue	 Cairo
 350 Customers	Egypt 1,146 FTE 63% revenue	WECA & Others 63 FTE 3% revenue	 Riyadh
			 Nairobi

- Giza's market share in Egypt is estimated at ~7% in 2021
- STC and SEC are Giza's two largest customers in KSA

Highlights

- The transaction **completed** on the 3rd of October 2022
- The **purchase consideration** was SAR466 mn of which SAR160 mn were identified as **intangible assets** and SAR193 mn was recognized as **goodwill**

Verticals, Sectors and Partners

 Core	 Telecom & ICT	 Energy & Utilities	 Government	 Manufacturing
				 Oil & Gas
				 Real Estate



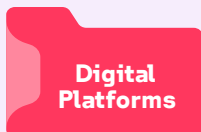
ccc Transaction Update

ccc acquisition completed on the 3rd of April 2023

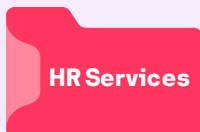
Services Portfolio



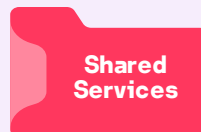
- Customer care
- Telesales
- Social media management
- Retention & loyalty management



- Business intelligence
- Speech analytics
- Big data
- Cyber security
- Work from home
- Omni channel



- Staff augmentation
- Recruitment
- Training
- On-boarding
- Payroll processing



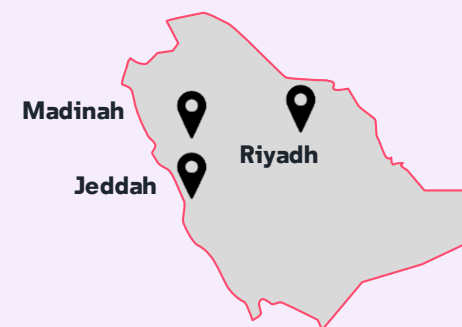
- Finance
- Accounting
- Business process engineering

Presence & reach

5,823 FTEs

84% Saudization
35% female

25+ Clients



30mn+ calls answered

320k+ customers retained

8+ languages

Transaction Details and Rationale

Transaction details:

- The transaction to acquire of 100% in Contact Center Company (ccc) was initially announced on the 10th of November 2022 and closed on the 3rd of April 2023
- The acquisition was based on 100% Enterprise Value amounting to SAR 450 million
- solutions financed the acquisition from its own resources

Good strategic fit - ccc ticks three boxes for solutions:

1. ccc Serves solutions' Business Process Outsourcing (BPO) aspirations by expanding its portfolio in scope - beyond MPO and HR - and scale
2. It completes solutions' coverage of ICT customer journey by enabling end-to-end offerings from design to operations
3. ccc was acquired at an attractive 2022 EBITDA multiple of 4.4x

Financials Highlights

SAR mn

FY 2022

Revenue

915

Net Income

53

EBITDA Margin

11.2%

Total Assets

575

Total Debt

None

3 Financial Performance



solutions 1Q 2023 Financial Dashboard

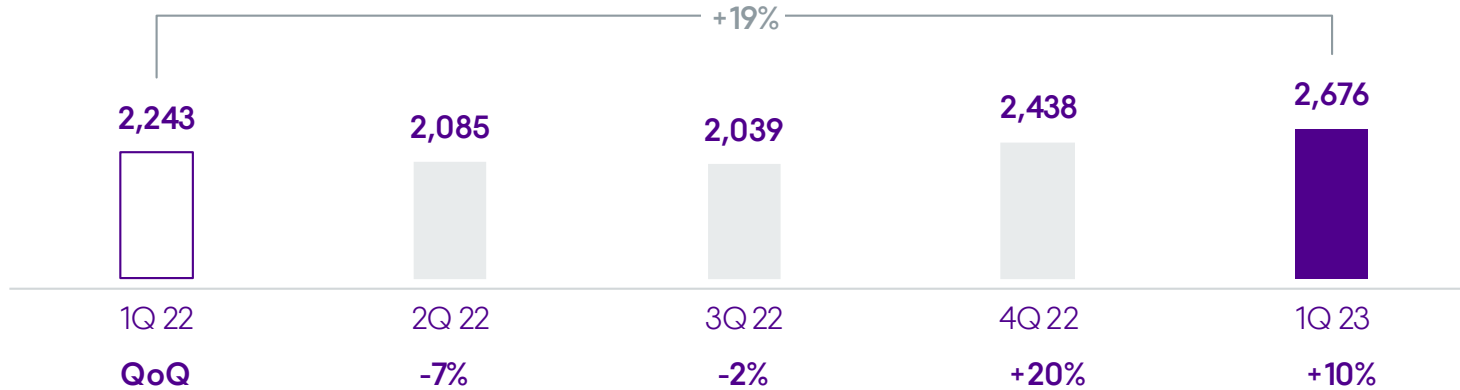
solutions delivered a good performance in 1Q 2023



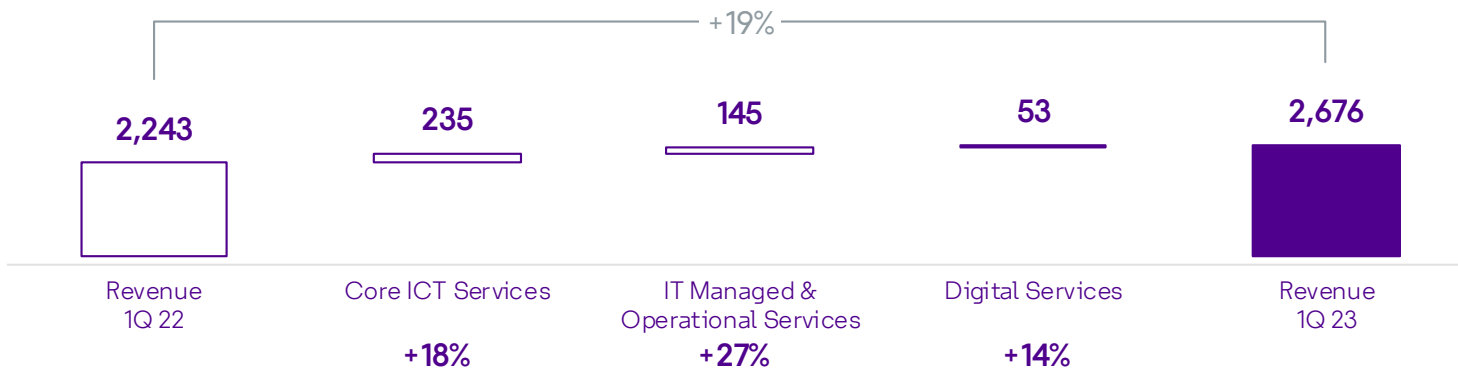
Revenue Trend and Growth Drivers

Group revenue growth of +19% YoY in 1Q 2023, driven by IT Managed and Operational Services

Revenue Trend (SARmn)



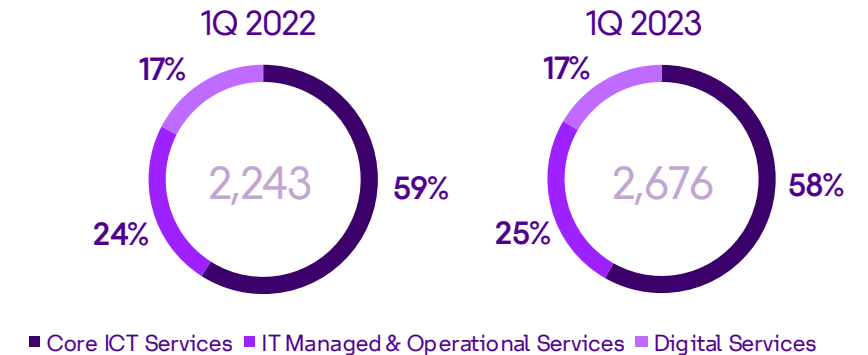
Revenue Movement YoY (SARmn)



Management Commentary

- Strong 1Q 2023 performance in Core ICT Services (+18% YoY) and IT Managed & Operational Services (+27% YoY).
- Revenue growth was supported by a contribution from Giza.

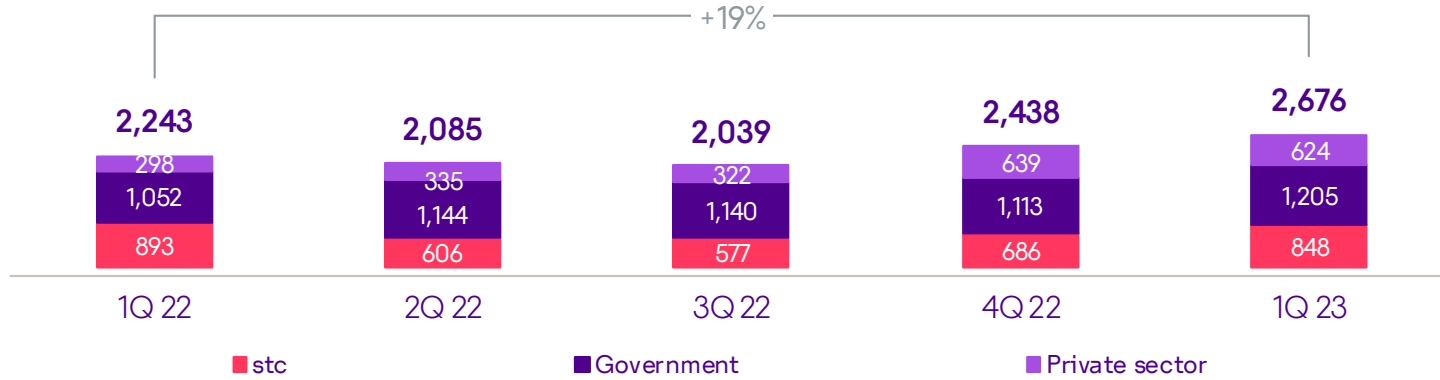
1Q 2023 Revenue Composition (by Business Segment)



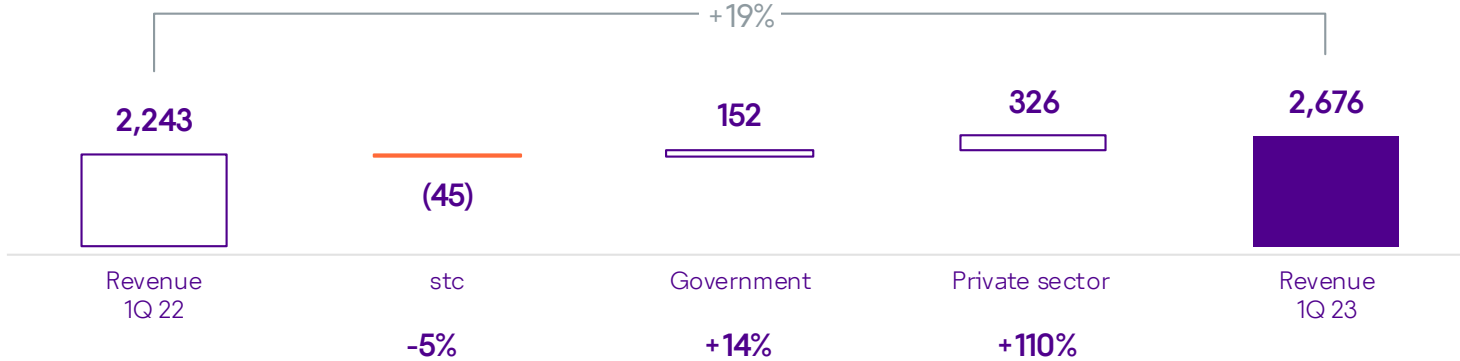
Revenue Analysis

stc together with Government accounted for 77% of revenue in 1Q 2023

Revenue Breakdown by Customer Type (SARmn)



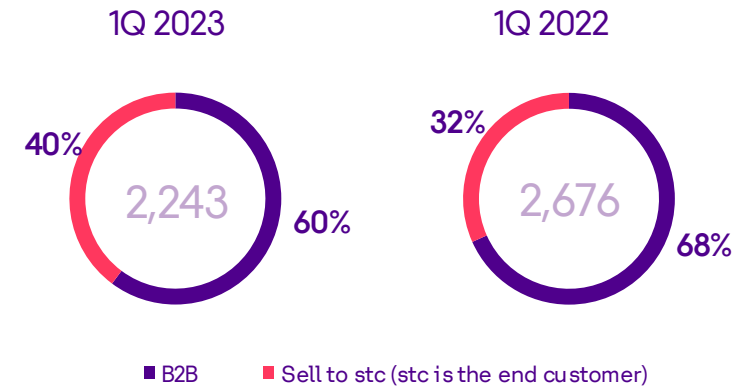
Revenue Movement YoY (SARmn)



Management Commentary

- Revenue growth was driven by +110% YoY growth in private sector revenues and +14% YoY increase in revenues from the Government in 1Q 2023, which offset -5% YoY decline in revenues from stc.

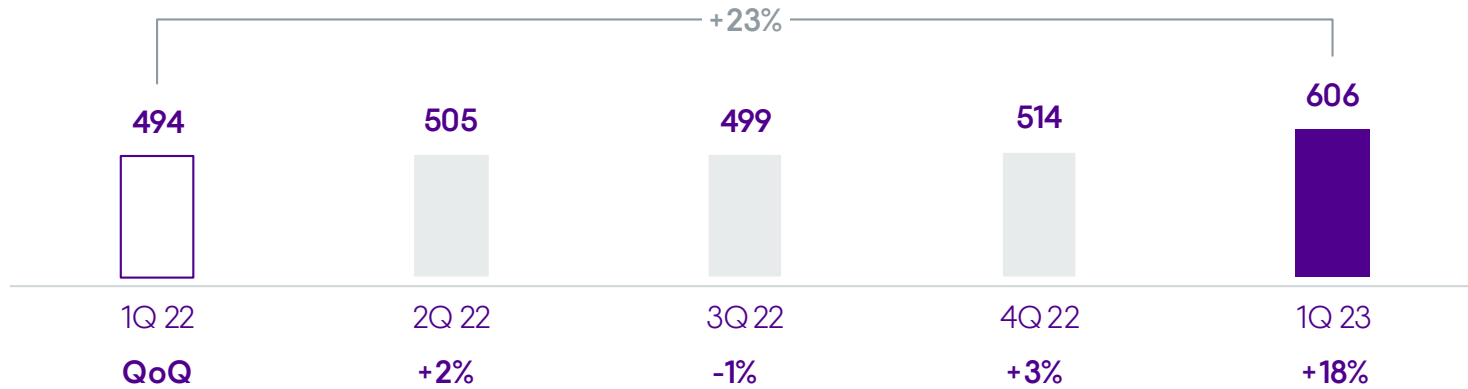
Revenue Composition (by Channel)



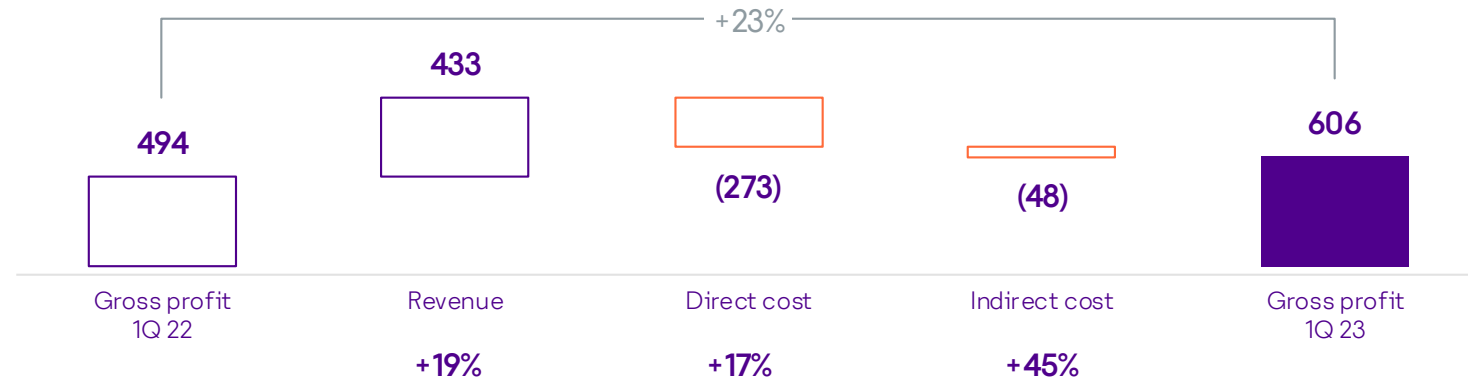
Profitability - Gross Profit Performance

Gross profit margin in 1Q 2023 increased by 65 bps YoY

Gross Profit Trend (SARmn)



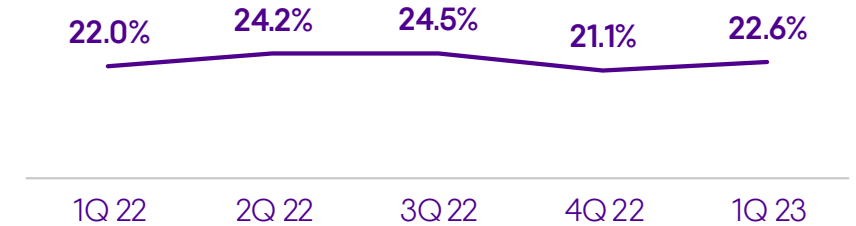
Gross Profit Movement (SARmn)



Management Commentary

- Cost of sales in 1Q 2023 increased by 18% YoY, lagging the overall revenue growth.
- Gross profit margin grew 65 bps YoY to 22.6% in 1Q 2023 due to improved profitability across all business lines.

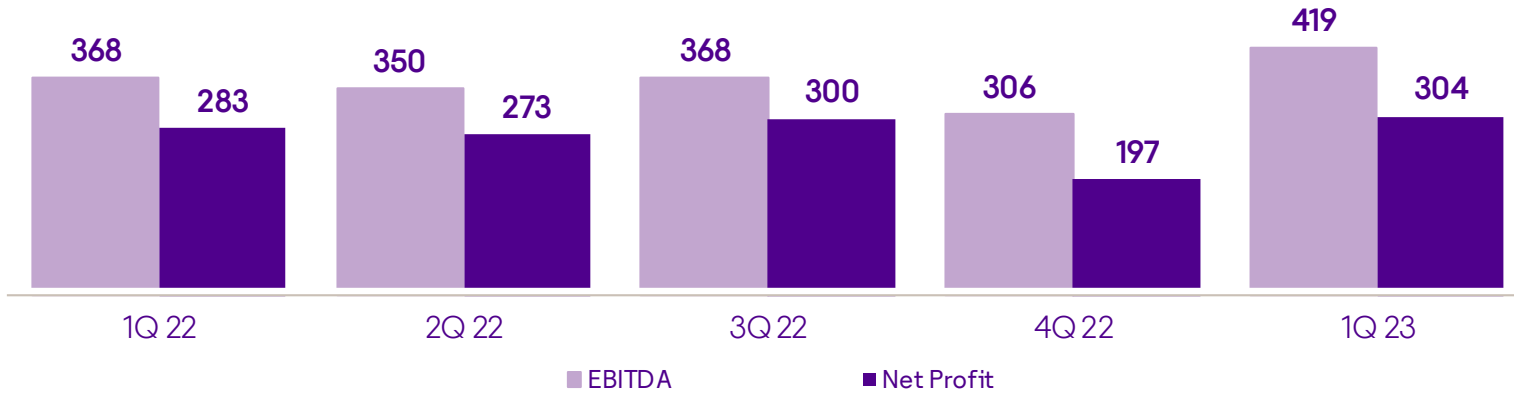
Gross Profit Margin (%)



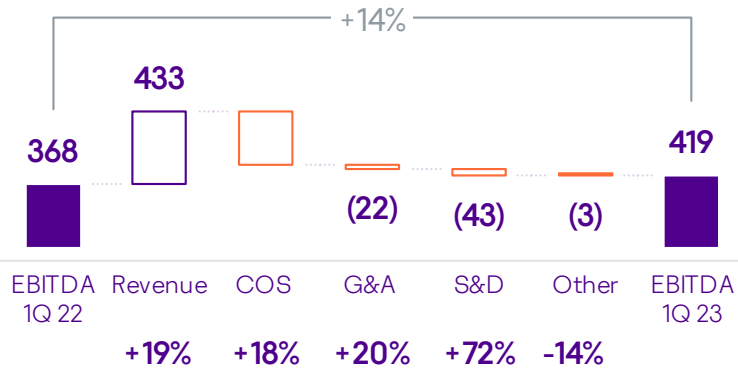
Profitability - EBITDA and Net Profit

Strong EBITDA growth driven by revenue growth and gross margin gains.

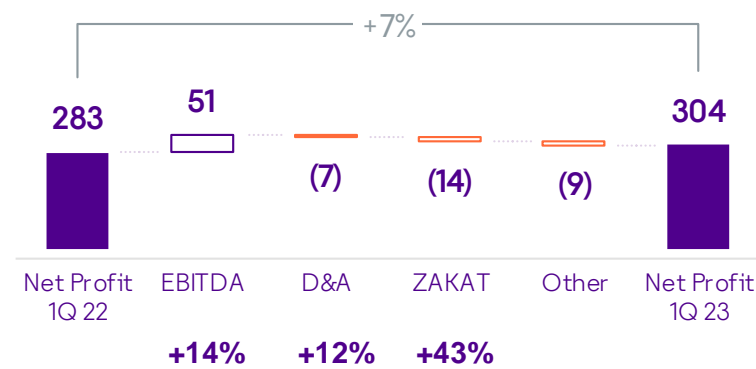
EBITDA & Net Profit Trend (SARmn)



EBITDA Movement YoY (SARmn)



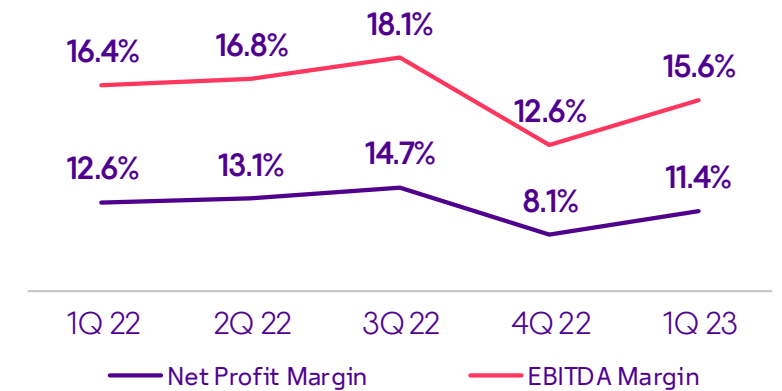
Net Profit Movement YoY (SARmn)



Management Commentary

- EBITDA grew 14% YoY in 1Q 2023 as revenue growth and gross margin gains offset +38% YoY growth in operating expenses.
- Net profit increased by 7% YoY in 1Q 2023 affected by lower operating margin, FX losses and higher Zakat related to Giza acquisition last year.

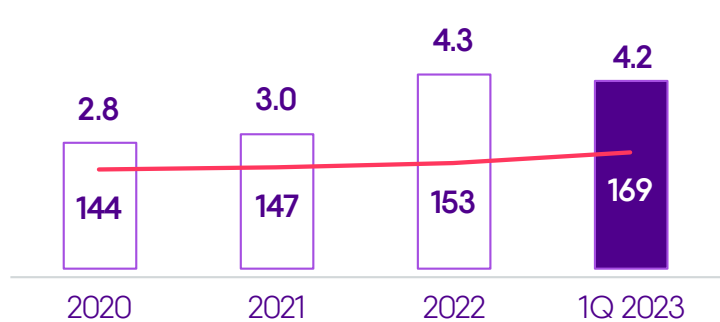
EBITDA & Net Profit Margins (%)



Balance Sheet - Working Capital

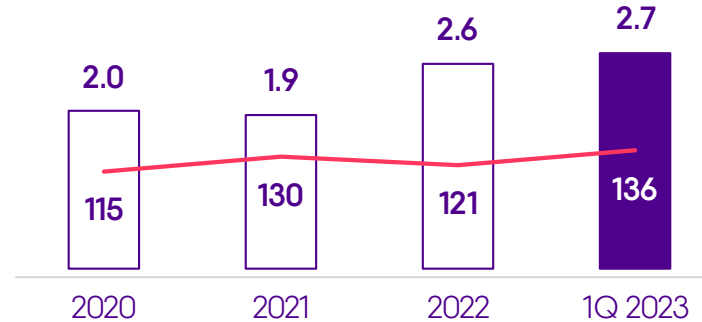
Working capital changes reflect the strong revenue growth

Accounts Receivable (SARbn)



□ Accounts receivable — Days Receivables Outstanding

Accounts Payable (SARbn)

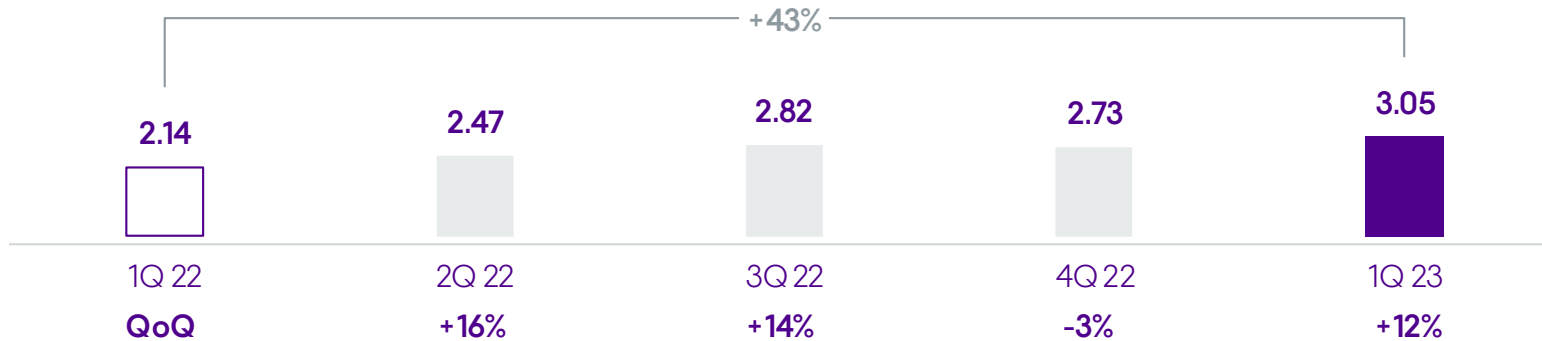


□ Accounts payable and accruals — DPO

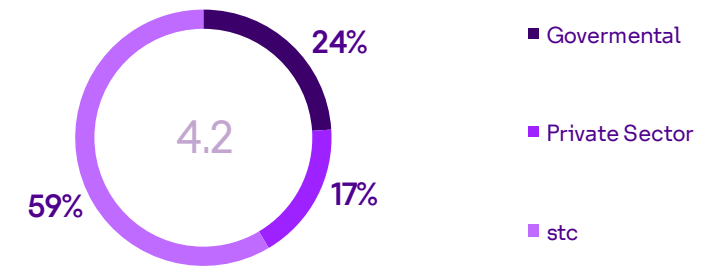
Management Commentary

- As of the end of 1Q 2023, stc and the Government accounted for 83% of solutions' receivables.

Working Capital Performance (SARbn)



Accounts Receivable Composition (%)

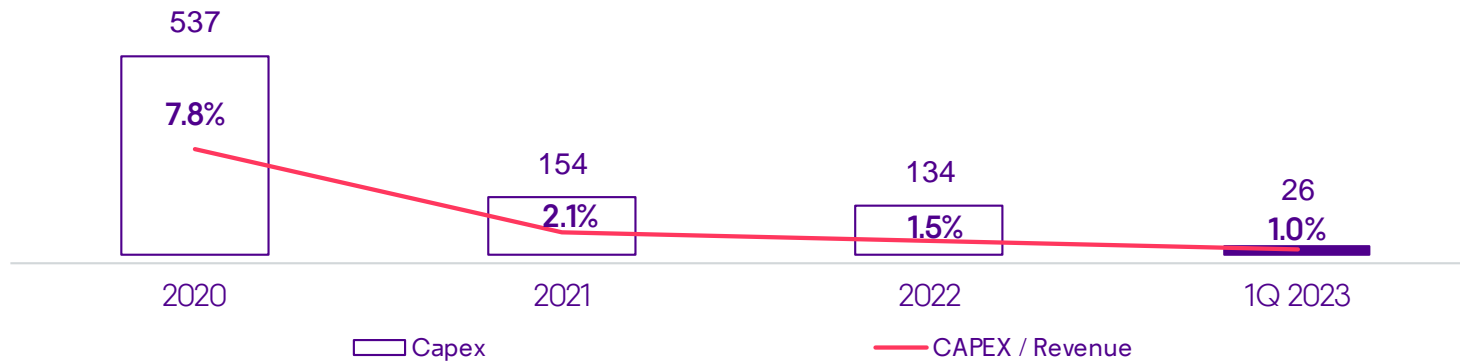


Working Capital = Current Assets - Current Liabilities

Cash Flow Generation

solutions maintains a strong cash position and generates solid FCF, which reached SAR 319 mn in 1Q 2023

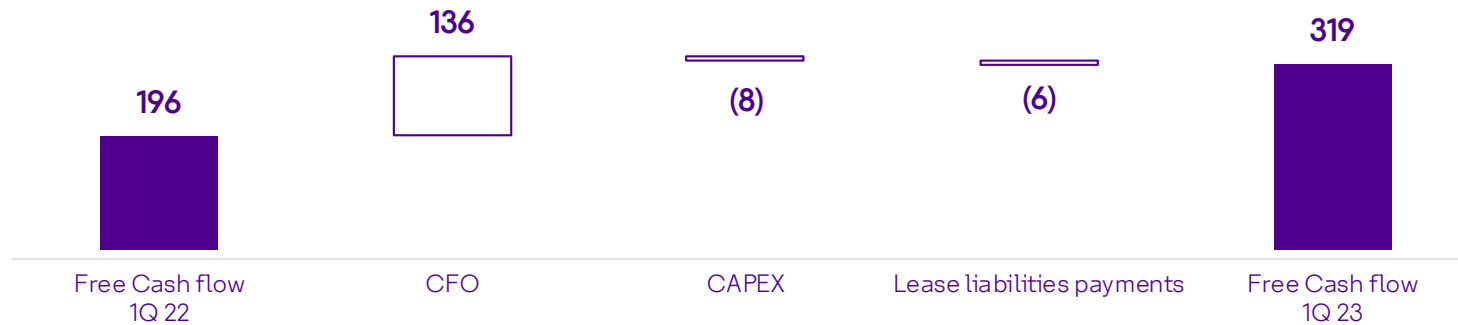
Capital Expenditures (SARmn)



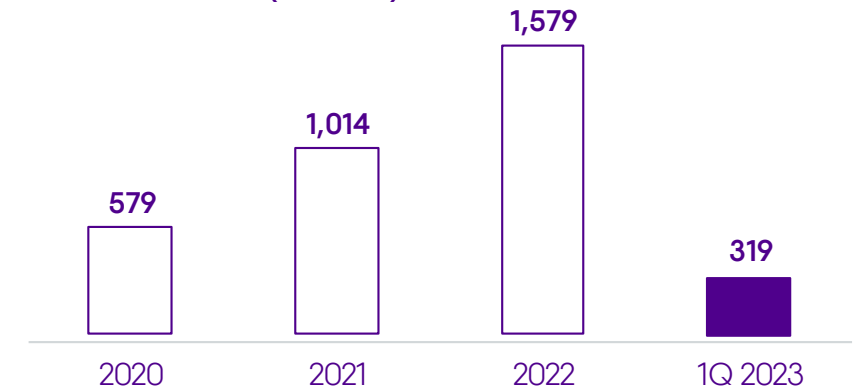
Management Commentary

- Net cash position of SAR 2.85 bn at 1Q 2023.
- FCF of SAR 319 mn during 1Q 2023, an increase of SAR 123 mn from 1Q 2022 as a result of higher cash flow from operations .

Free Cash Flow Movement (SARmn)



Free Cash Flow (SARmn)

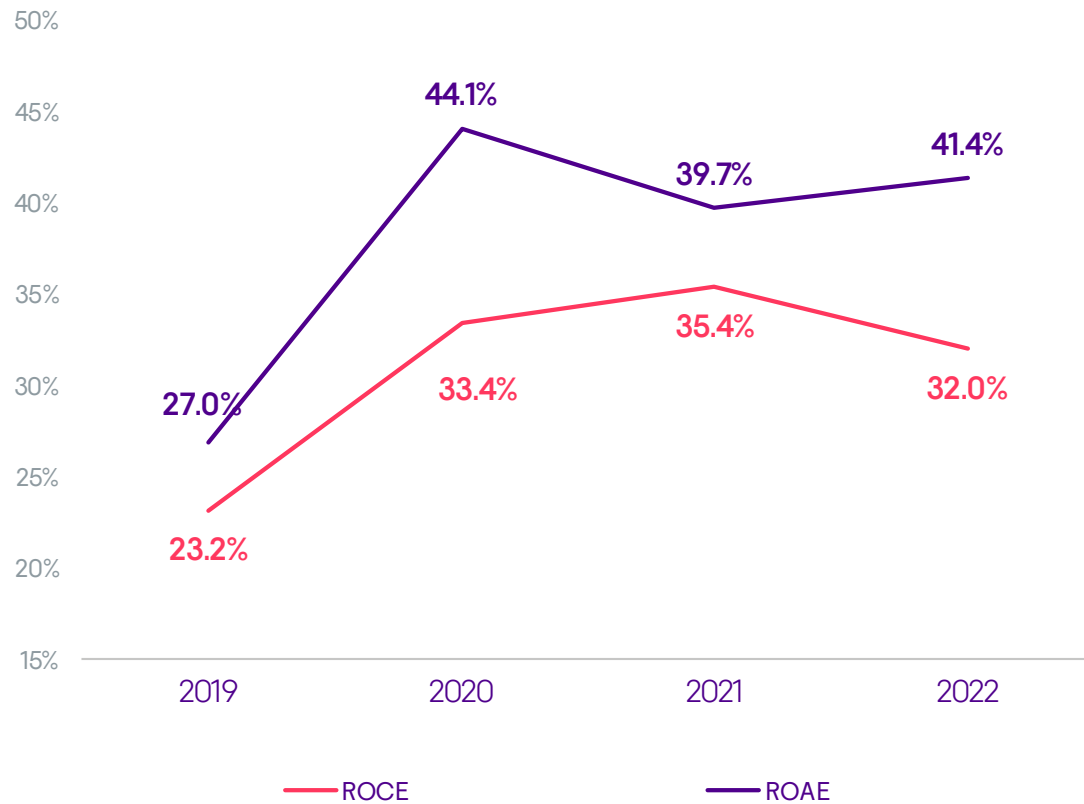


Free Cash Flow= CFO- CAPEX - Lease liabilities payments - Purchase of treasury shares – Payment for acquisition of subsidiary

Returns and Dividends

High returns and a dividend per share of SAR 5.0 in 2022

Return Ratios (%)

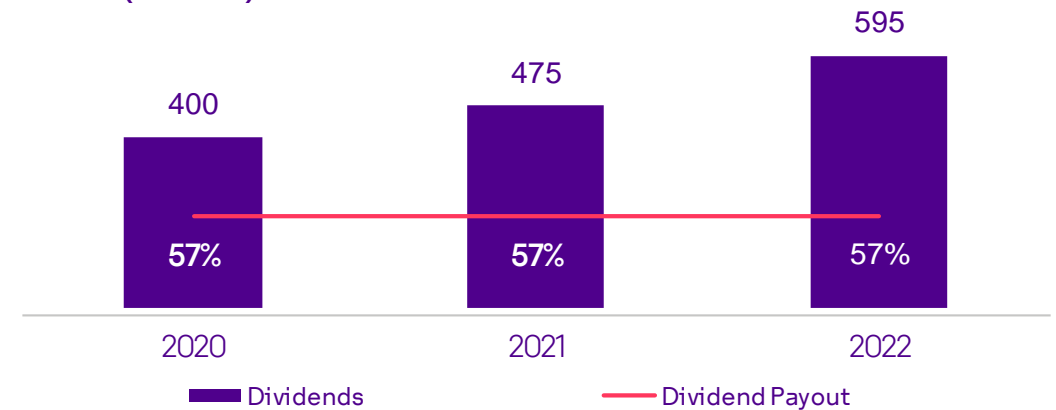


ROCE = EBIT / Capital employed (Total Assets - Current liabilities)
ROAE = Net income / Average Total Equity

Management Commentary

- Capex-light business model generates high returns.
- DPS of SAR 5.0 in 2022 up from SAR 4.0 in 2021 implying a 57% payout ratio.

Dividends (SARmn)



Outlook, Guidance and Targets

solutions upgrades 2023 revenue growth guidance to 16%-19% from 11%-13% previously

	2023 Outlook	1Q 2023 results	FY 2023 Guidance
Oil Price	\$85 / bbl		
KSA GDP Growth	3.1%		
KSA Fiscal Budget	SAR 16 bn surplus		
KSA IT Growth	2023: +12% 2022-2026 CAGR: 12.7%		
KSA IT Spending % of GDP	1.2%		
Revenue Growth		19%	16% to 19%
EBITDA Margin		15.6%	13% to 15%
Capex Intensity		1.0%	1.5% to 2%

4 Appendix





Strategy Highlights



Strategic Objectives

solutions provides innovative technology solutions that enable our customers to succeed in evolving market needs



L

Lead in managed & professional services

E

Expand product portfolio & market reach

A

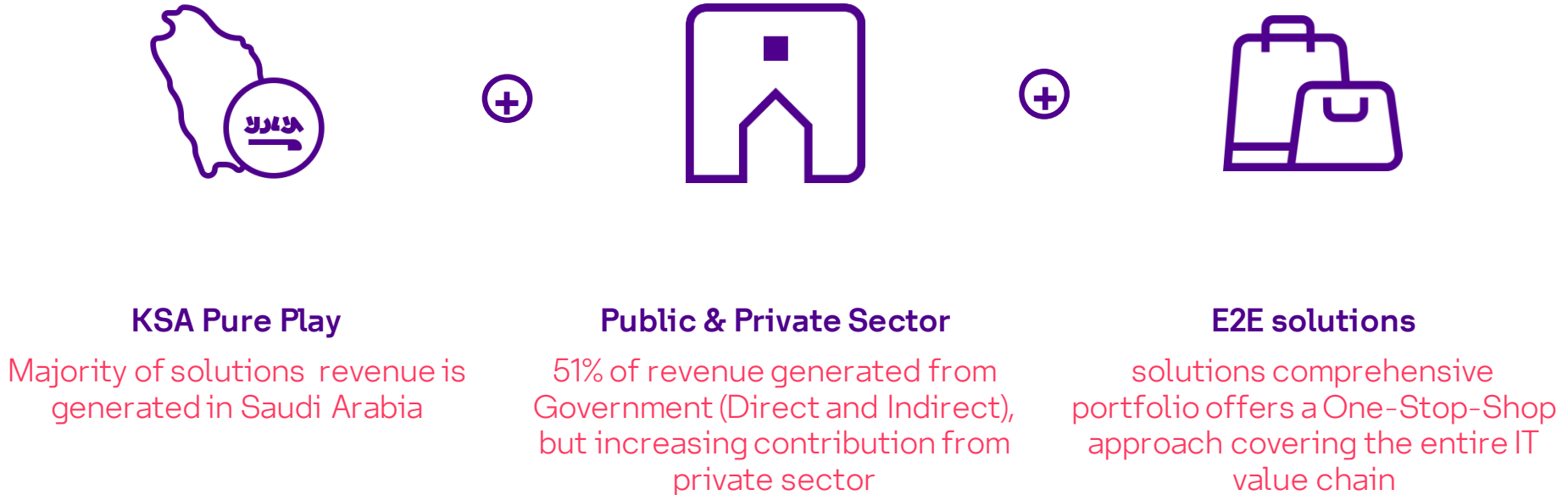
Advance customer success & partner ecosystems

P

Promote internal efficiencies & collaboration

Market Positioning

solutions currently has ~20% market share in the Saudi Arabian IT market



Competitive Landscape

solutions is in an unrivalled position to maintain its leadership position in Saudi Arabia



solutions competitive positioning



solutions' key strengths:

- Access to customers
- Cross-selling
- Sharing brand equity
- Sharing best practices
- Opportunities as customers



International Competition

- International players are stcs' partners rather than competitors



Local Competition

- Fragmented local industry primarily focused on reselling hardware and software with minimal professional services
- Other telco operators represent limited threat as they underinvested in their infrastructure for years



High barriers to entry



+20 years track record



Regulatory compliance



Customer relationships



Local experience



Delivery capability (large government projects)



Market reputation

b Contact Details

IR Contact Details

Contact solutions by stc investor relations team

Abdullah Al-Dayal

Investor Relations Director

+966 11 525 2985

aaldayel@solutions.com.sa

Faisal Altimyat

Investor Relations Manager

+966 11 525 2159

faltimyat@solutions.com.sa

[Investor relations – solutions by stc](#)



Download our IR App



Shukran!

شُكْرًا