

# 1Q 2024

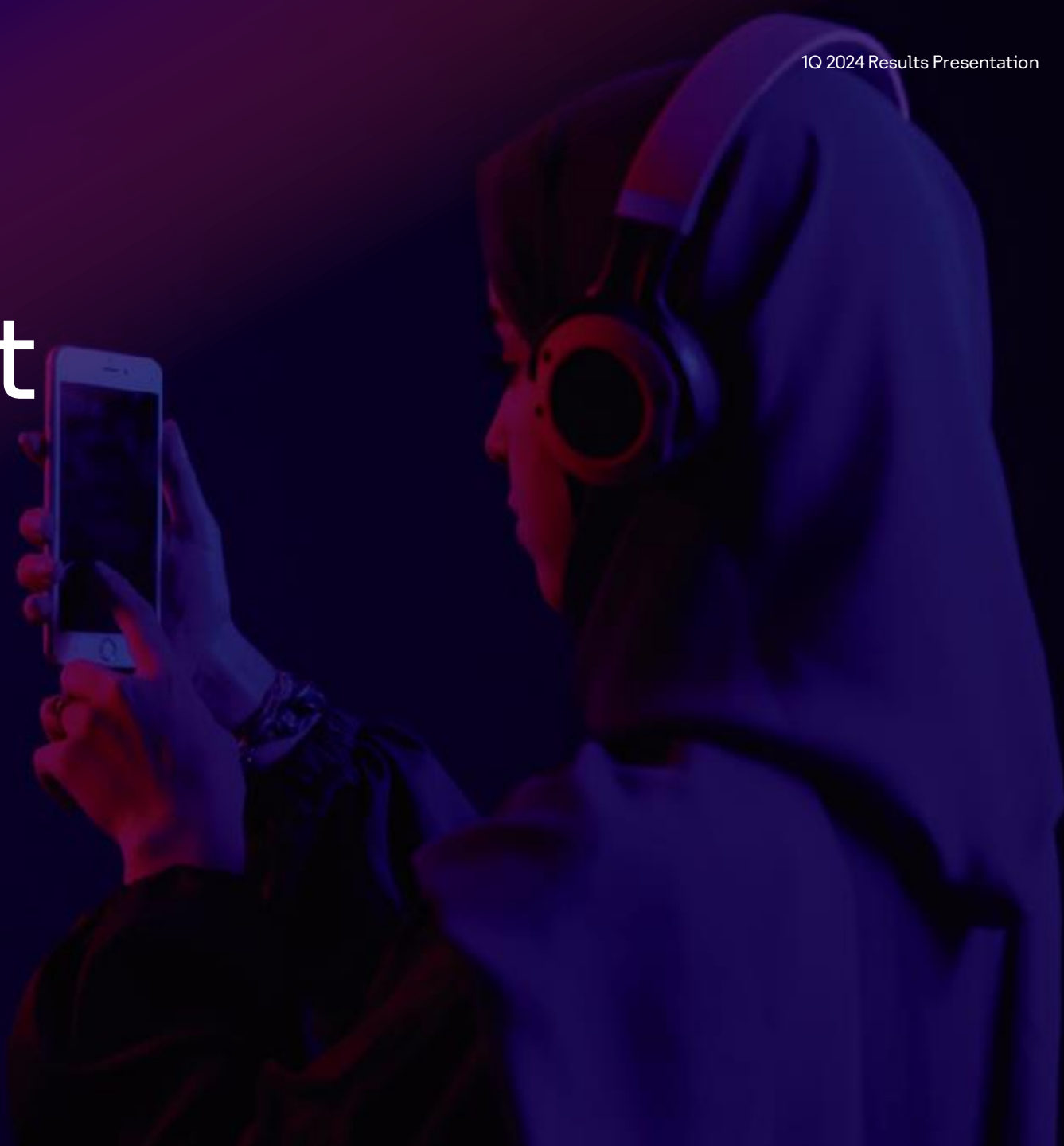
## Results Presentation

Riyadh, 9 May 2024

# Agenda

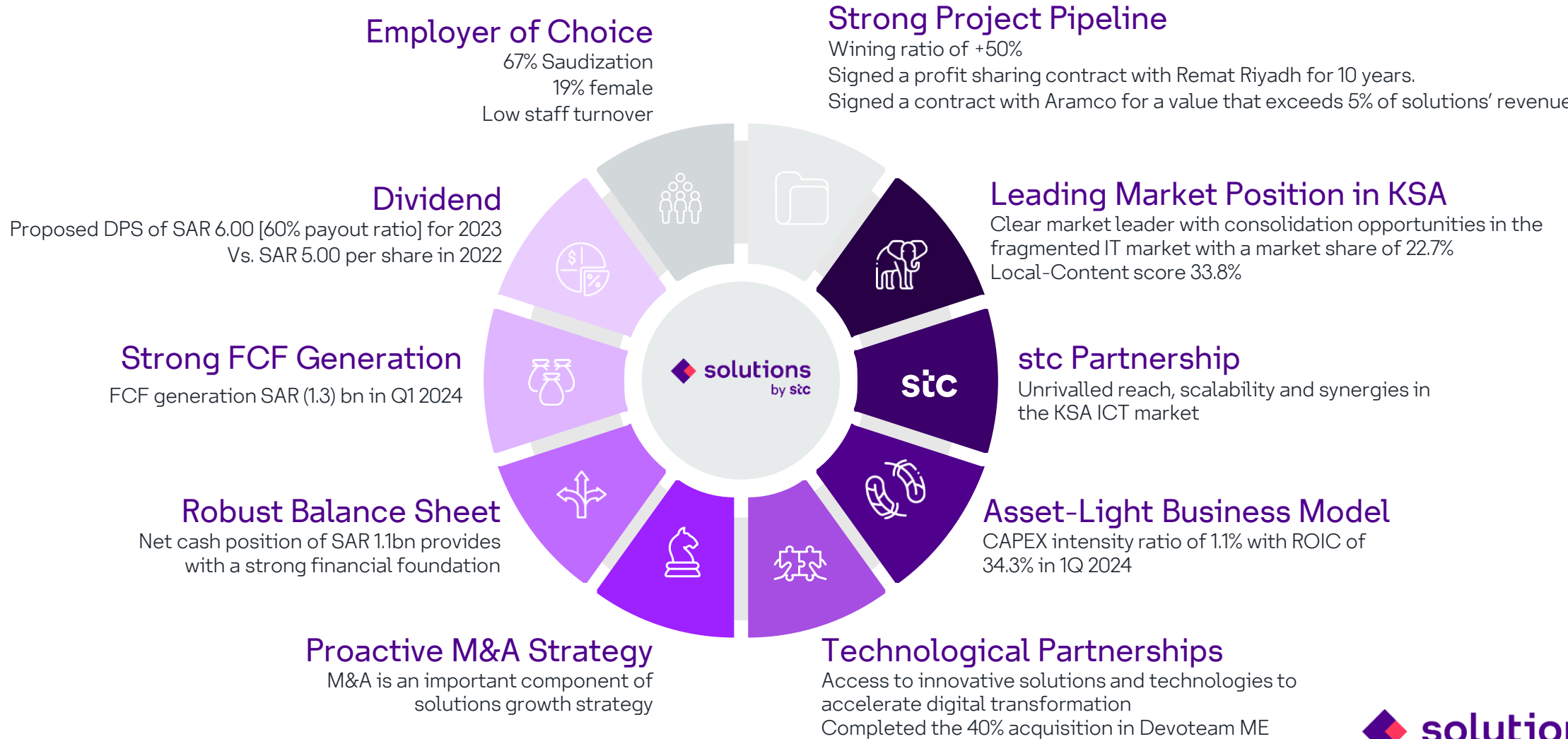
- 1 Investment Thesis
- 2 Strategy Update
- 3 Financial Performance
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# 1 Investment Thesis



# Investment Thesis Update

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



# 2 Strategy Update



# LEAP 2.0 targets significant economic value creation in 2024-2026

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



**L**  
**Lead** through service excellence:

- **IT Professional services**  
Optimize and grow capabilities
- **IT Managed Services**  
Revamp capabilities and business model
- **Network capabilities**  
Protect and enrich network services
- **Multi-cloud services**  
Capture relevant opportunities

**E**  
**Empower** business growth and diversification:

- **Emerging tech**  
Venturing into the next-gen digital landscape
- **Innovation program**  
Establish, institutionalize and scale
- **Partnerships and strategic alliances**  
Expand ecosystem
- **Geographical expansion**  
Capitalize on subsidiaries footprint
- **Business diversification**  
through new business models

**A**  
**Achieve** excellence in customer engagements

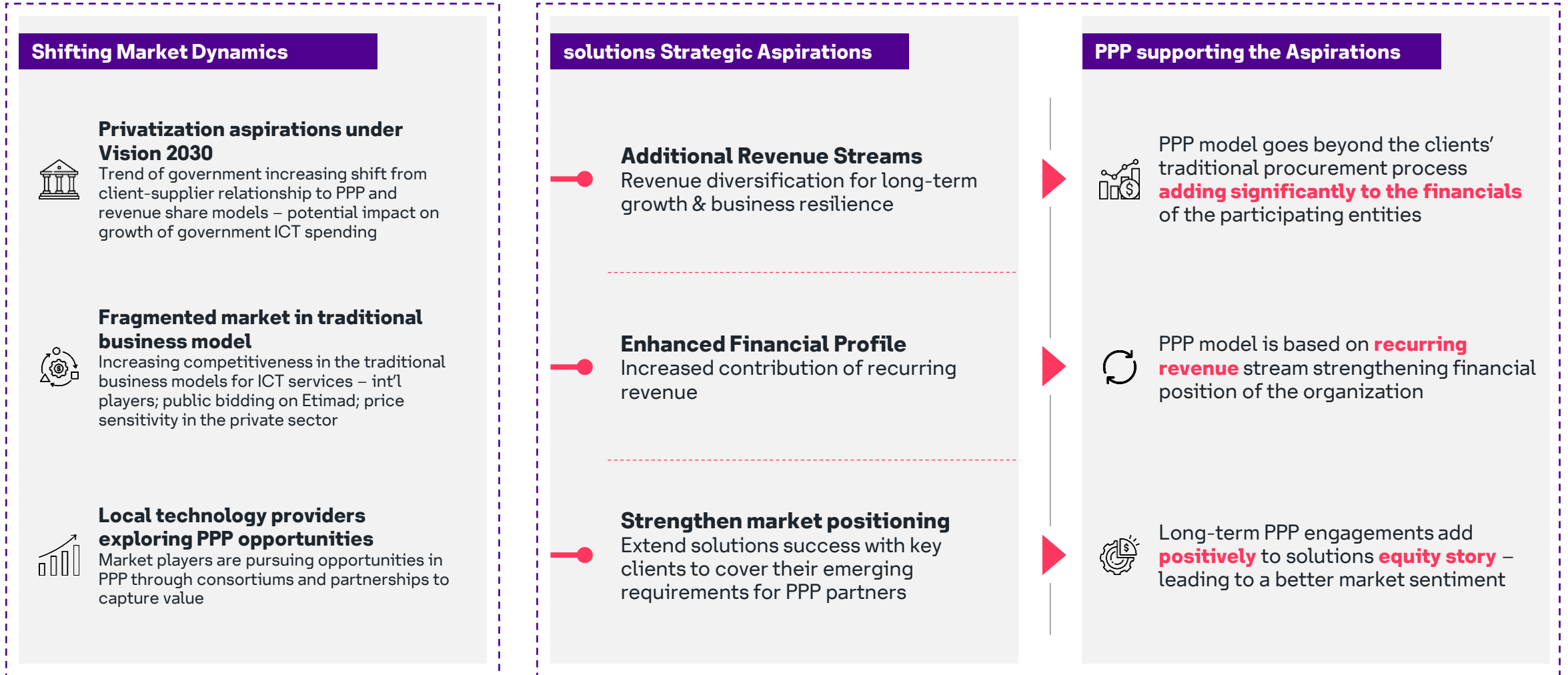
- **CEX – Customer Success**  
Embrace customer success and revamp customer experience
- **New verticals**  
Focus high potential verticals through industry specific offerings
- **Sales strategy**  
Achieve excellence in commercial capabilities

**P**  
**Promote** efficiencies and sustainability

- **OPEX optimization**  
Optimize internal capabilities, investments, and resource management
- **Subsidiaries OM & GTM**  
Maximize group synergies through operating model and clear GTM
- **Sustainability**  
Adopt best in class sustainability practices

# Positioned for success in the PPP market

Aligned with the shifting market dynamics solutions is positioned to capture opportunities



# 3 Financial Performance

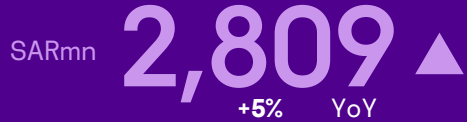




# solutions 1Q 2024 Financial Dashboard

Growth rates matured, while strong margins and returns were maintained in 1Q 2024

1Q 24 Revenue



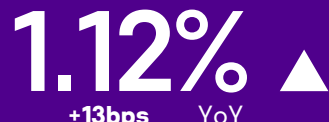
1Q 24 GP Margin



1Q 24 Capex



1Q 24 Capex / Revenue



1Q 24 EBITDA



1Q 24 EBITDA Margin



1Q 24 Net Cash From Operating Activities



1Q 24 ROIC



1Q 24 Net Profit



1Q 24 NP Margin



1Q 24 Net Cash



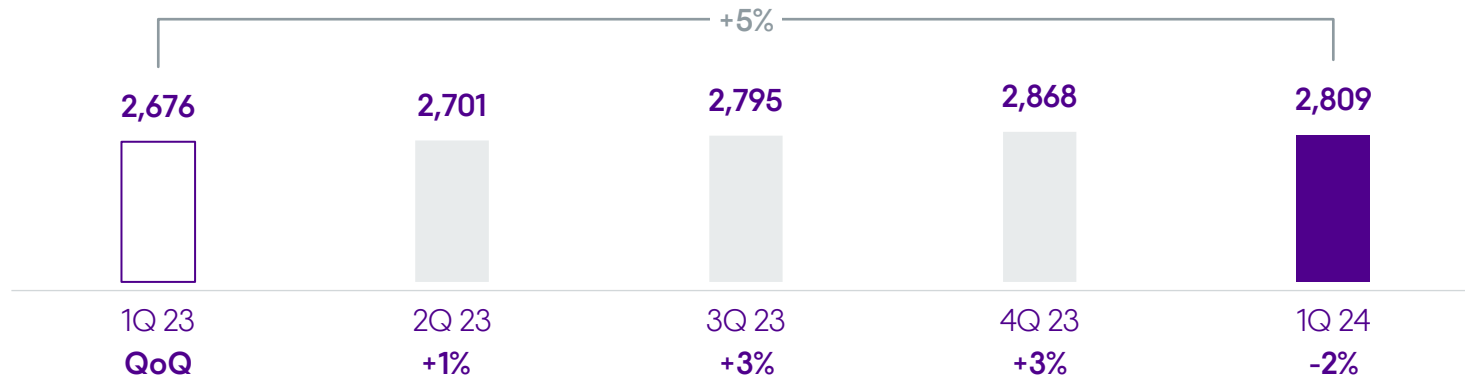
1Q 24 ROAE



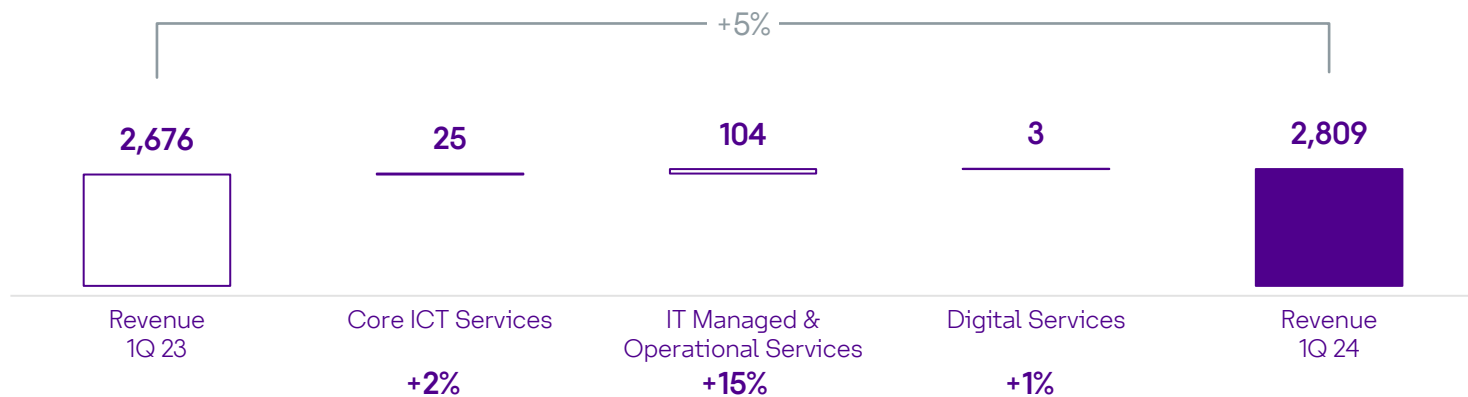
# Revenue Trend and Breakdown by Business Segment

Group revenue grew +5% YoY in 1Q 2024 driven by IT Managed and Operational Services

## Revenue Trend (SARmn)



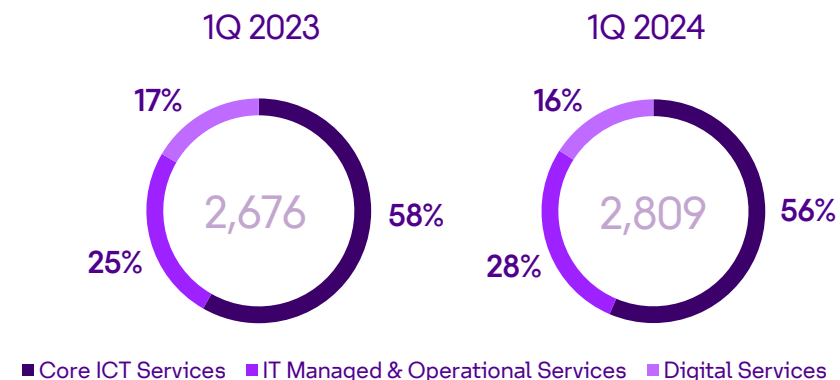
## Revenue Movement YoY (SARmn)



## Management Commentary

- 1Q 2024 performance was led by IT Managed & Operational Services +15% YoY.
- Core ICT Services revenue grew 2% YoY.
- Digital Services revenue grew 1% YoY.
- Consolidated revenue growth was supported by a contribution from Giza and ccc.

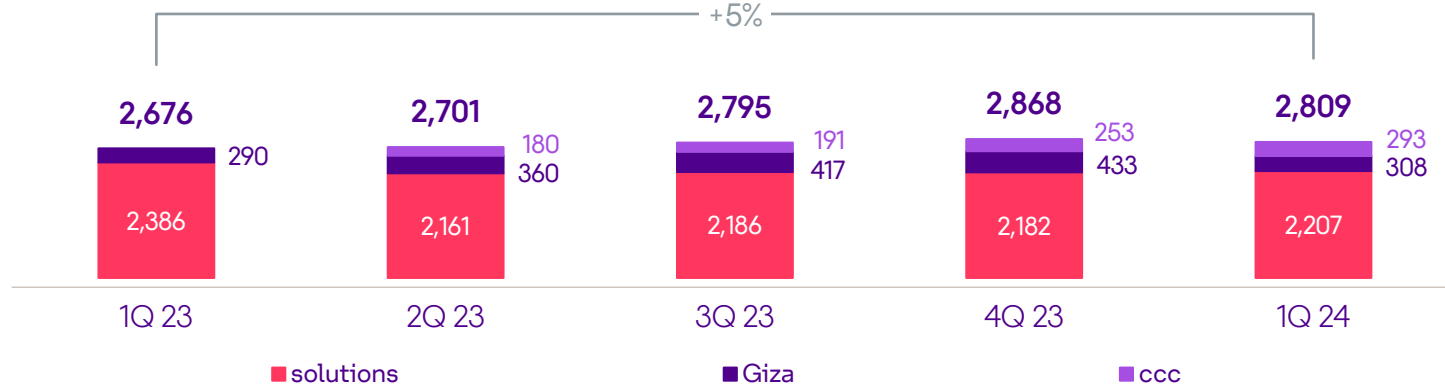
## 1Q 2024 Revenue Composition (by Business Segment)



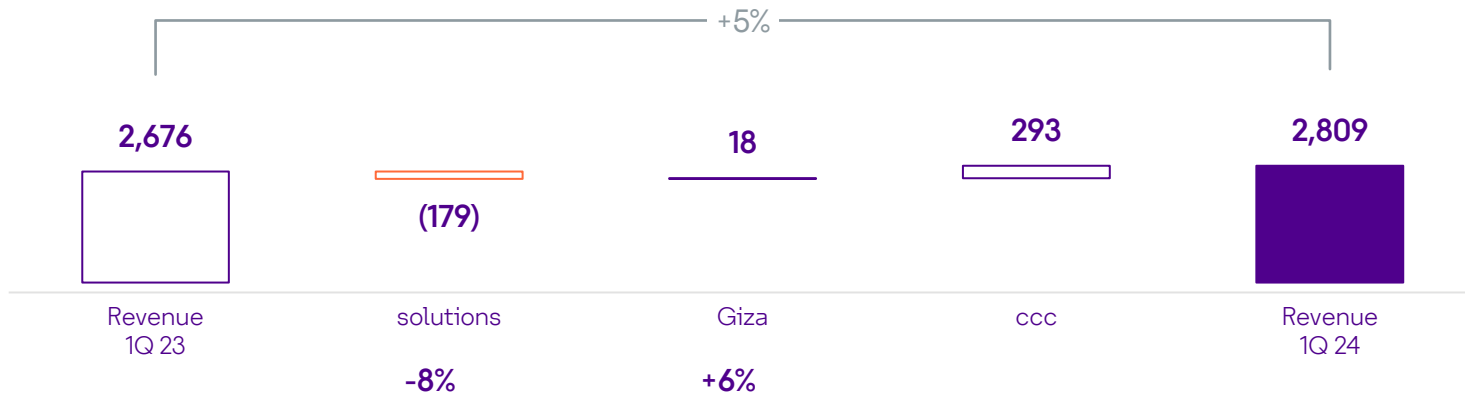
# Revenue Breakdown by Entity

Giza and ccc accounted for 21% of 1Q 2024 revenue<sup>1</sup>

## Revenue Breakdown by Entity (SARmn)



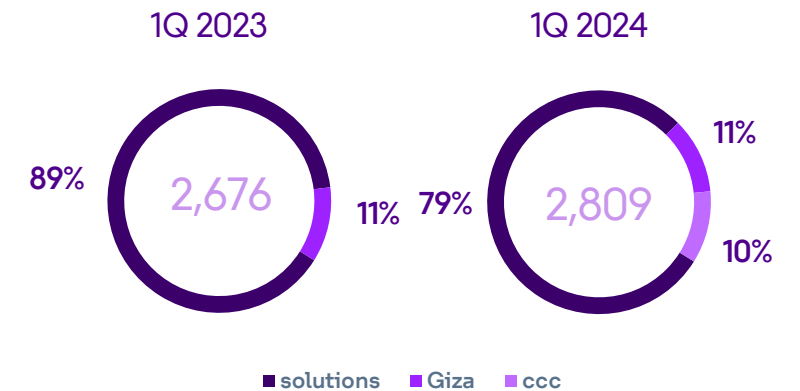
## Revenue Movement YoY (SARmn)



## Management Commentary

- Seemingly weak revenue dynamics of solutions standalone reflects re-channeling of some projects from solutions to subsidiaries on a 'best fit' principle.
- Giza contributed 11% to consolidated 1Q 2024 revenue. ccc accounted for 10%.
- ccc was the key drivers of consolidated revenue generation in 1Q 2024.

## Revenue Composition (by Entity)

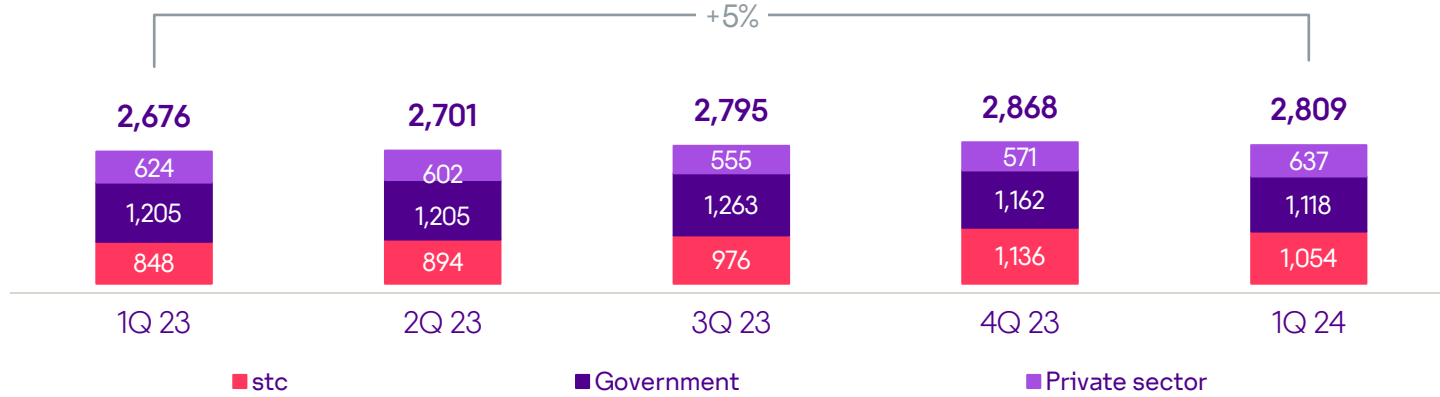


<sup>1</sup> - all numbers are presented after intercompany eliminations

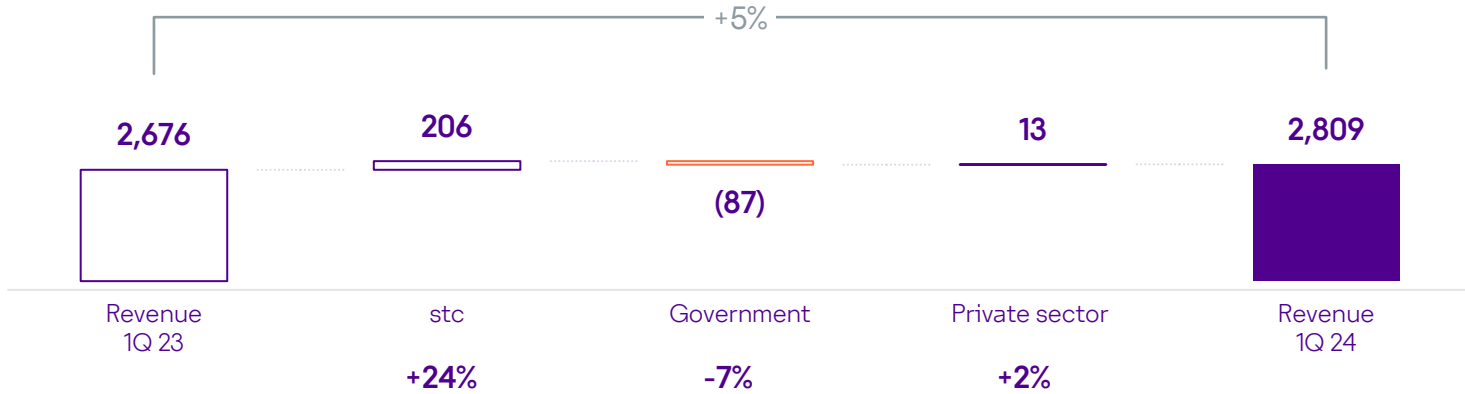
# Revenue Breakdown by Customer Type

The revenue share of stc and the Government remained flat YoY at 77% in 1Q 2024

Revenue Breakdown by Customer Type (SARmn)



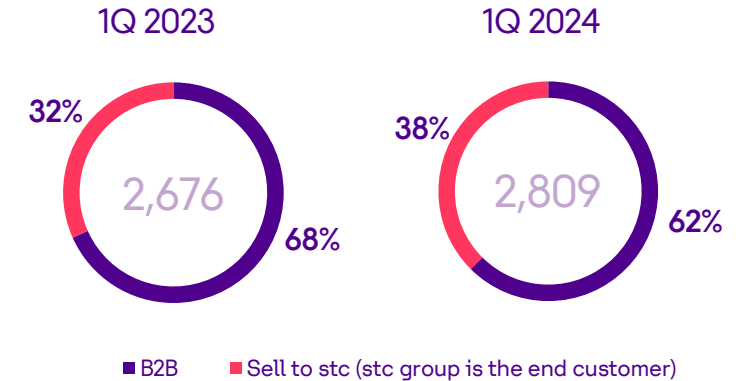
Revenue Movement YoY (SARmn)



## Management Commentary

- Revenue growth was driven by +24% YoY increase in revenues from stc in 1Q 2024 due to ccc consolidation.
- Revenue from the private sector grew 2% YoY...
- ...while revenue from the Government decreased 7% YoY from a high comparison base last year.

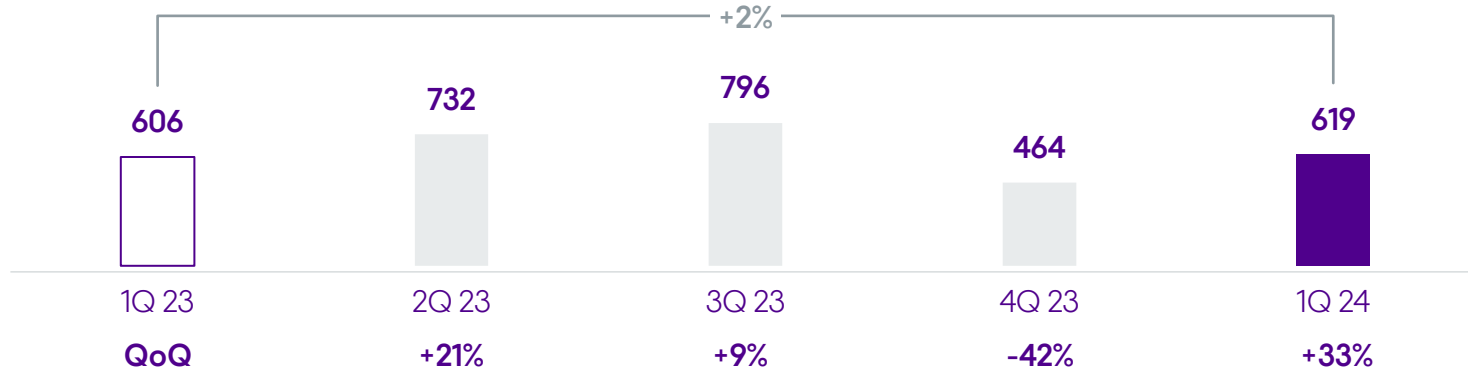
Revenue Composition (by Channel)



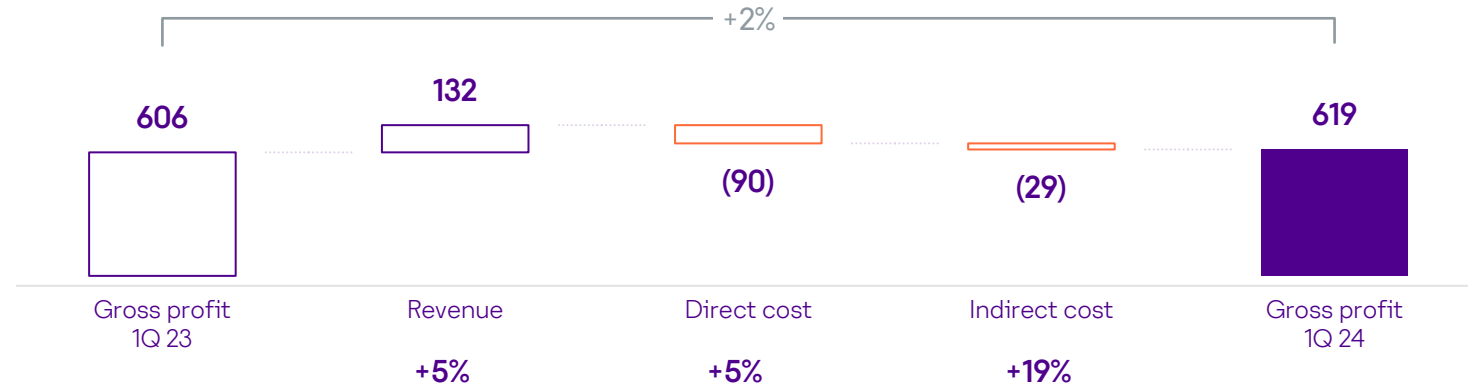
# Profitability - Gross Profit Performance

Gross profit margin rebounded QoQ to 22.1% in 1Q 2024

## Gross Profit Trend (SARmn)



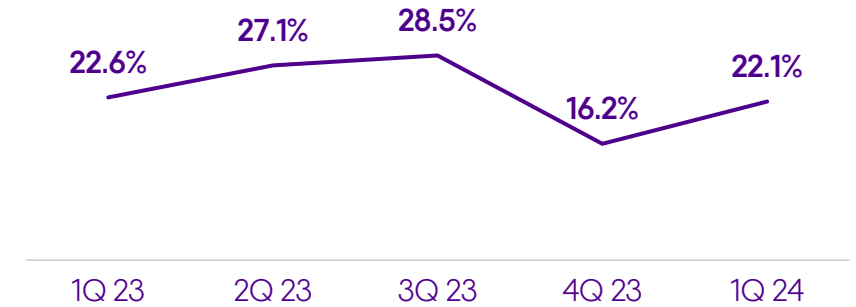
## Gross Profit Movement (SARmn)



## Management Commentary

- Gross margin decreased by 59 bps year-on-year to 22.1% in 1Q 2024 from a high comparison base of 1Q 2023...
- ...yet recovered strongly from 16.2% seen in 4Q 2023 supported by a more balanced mix of projects.

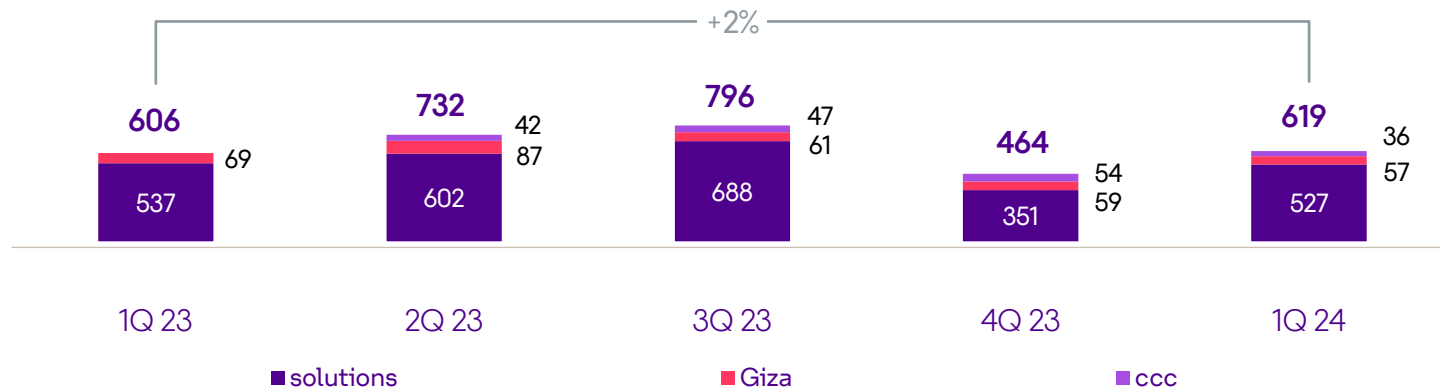
## Gross Profit Margin (%)



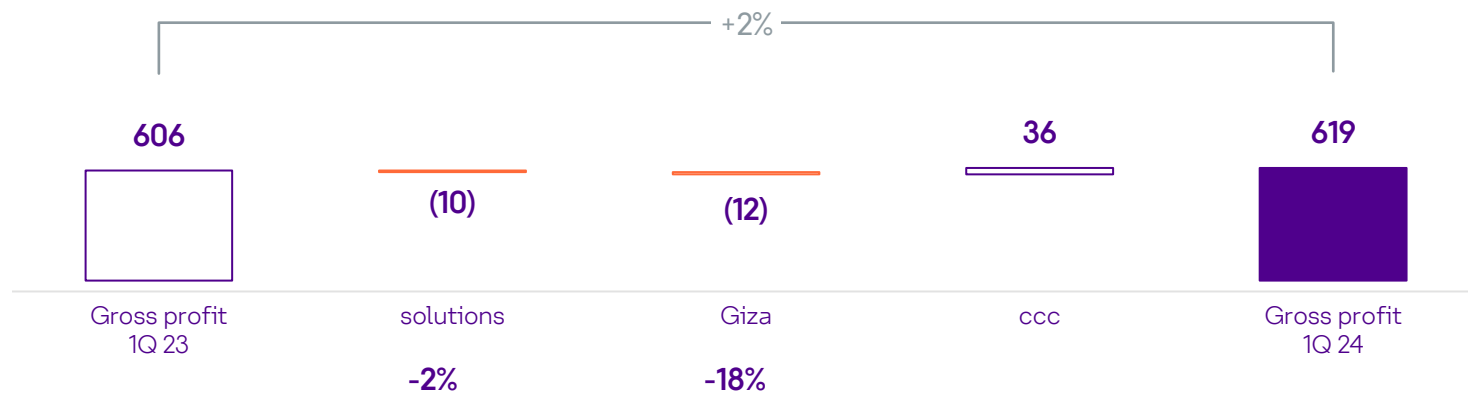
# Profitability - Gross Profit Drivers

1Q 2024 Gross Profit dynamics was defined by projects mix and reallocation of projects across subsidiaries<sup>1</sup>

## Gross Profit Breakdown by Entity (SARmn)



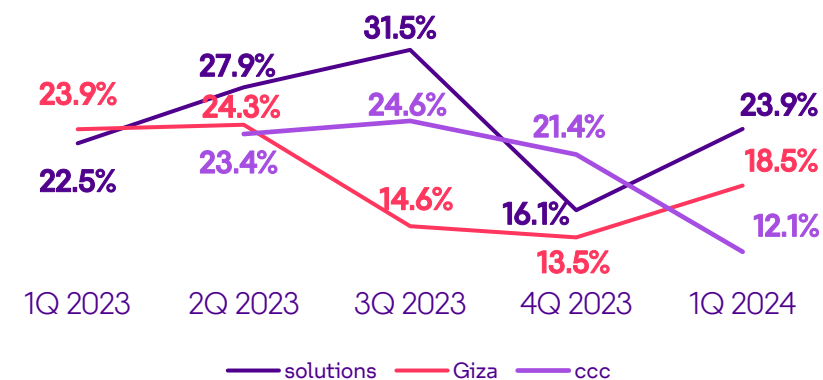
## Gross Profit Movement YoY (SARmn)



## Management Commentary

- Core solutions business earned SAR 527mn gross profit in 1Q 2024, 85% of the total gross profit.
- Giza and ccc contributed SAR 92mn, 15% of the total gross profit.
- Core solutions business showed 23.9% gross profit margin in 1Q 2024, up 1.4pp YoY.

## Gross profit margin by Entity

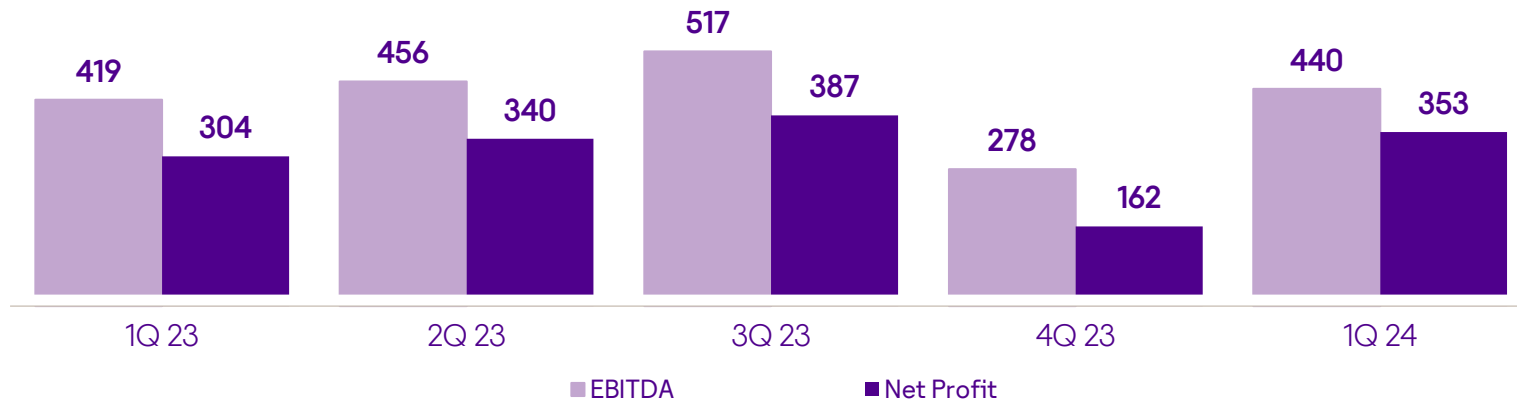


<sup>1</sup> - all numbers are presented after intercompany eliminations

# Profitability - EBITDA and Net Profit

1Q 2024 EBITDA and net profit margins increased both QoQ and YoY

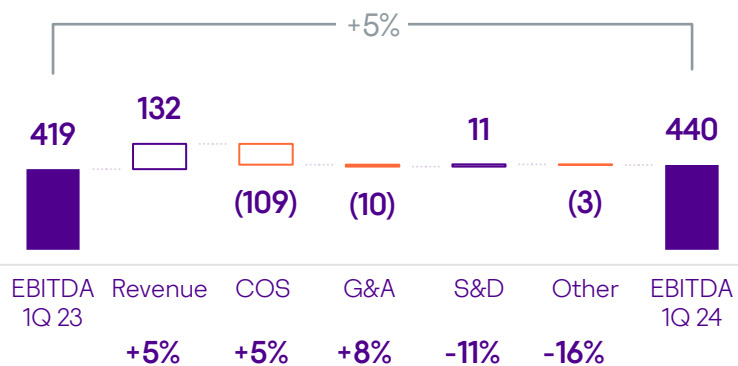
EBITDA & Net Profit Trend (SARmn)



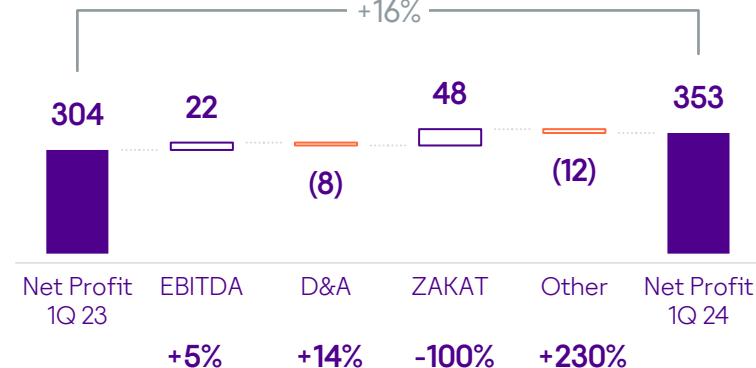
## Management Commentary

- EBITDA grew 5% YoY in 1Q 2024 as somewhat lower gross margin was offset by reduced operating expenses as a percentage of revenue.
- Net profit to shareholder increased by 16% YoY in 1Q 2024 due to lower Zakat expense.

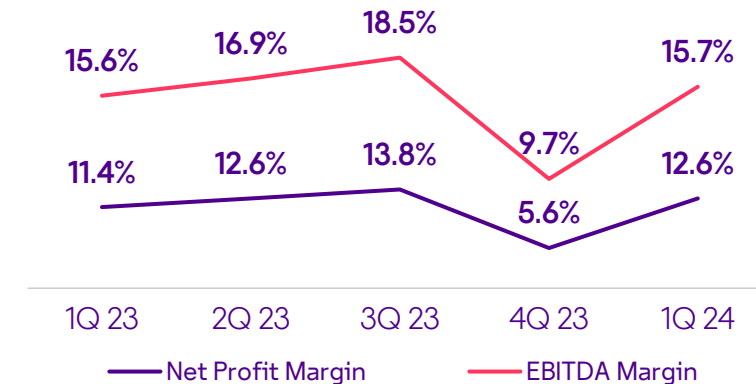
EBITDA Movement YoY (SARmn)



Net Profit Movement YoY (SARmn)



EBITDA & Net Profit Margins (%)



# Balance Sheet - Working Capital

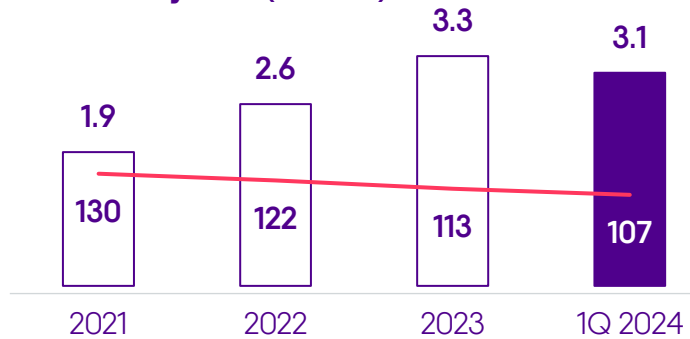
Working capital reflects a temporary volatility in the billing cycle in 1Q 2024, which should reverse in coming quarters

## Accounts Receivable (SARbn)



□ Accounts receivable — Days Receivables Outstanding

## Accounts Payable (SARbn)

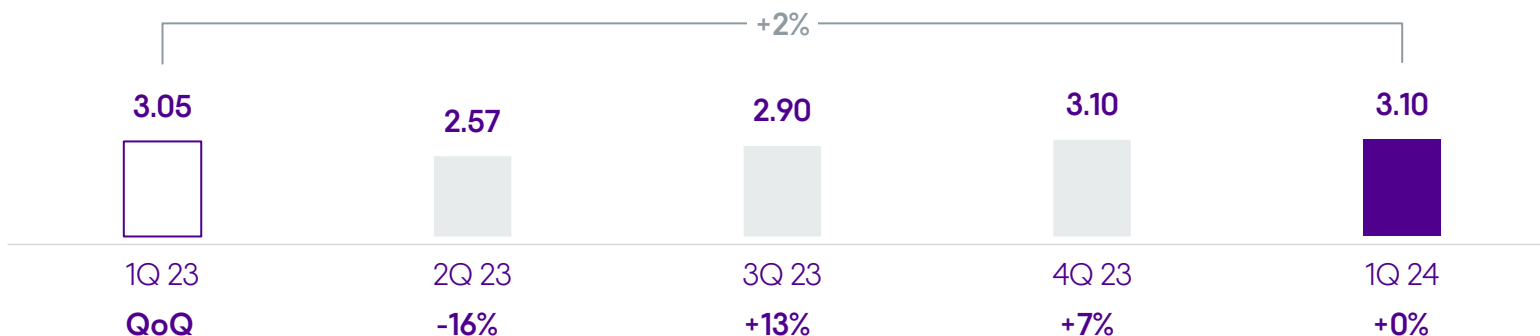


□ Accounts payable and accruals — DPO

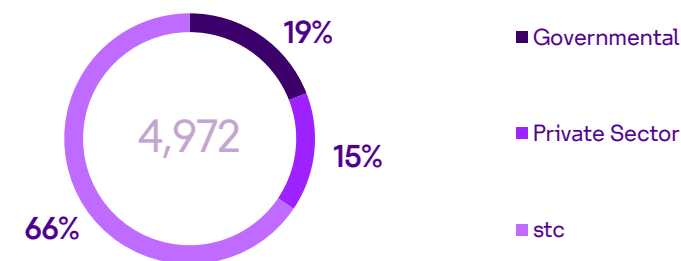
## Management Commentary

- As of the end of March 2024, solutions maintained its working capital QoQ and grew YoY by 2%.
- Receivable days extended to 152 days in 1Q 2024 due to a temporary volatility in the billing cycle for some projects.
- Payable days shortened to 107 days.

## Working Capital Performance (SARbn)



## Accounts Receivable Composition (%)



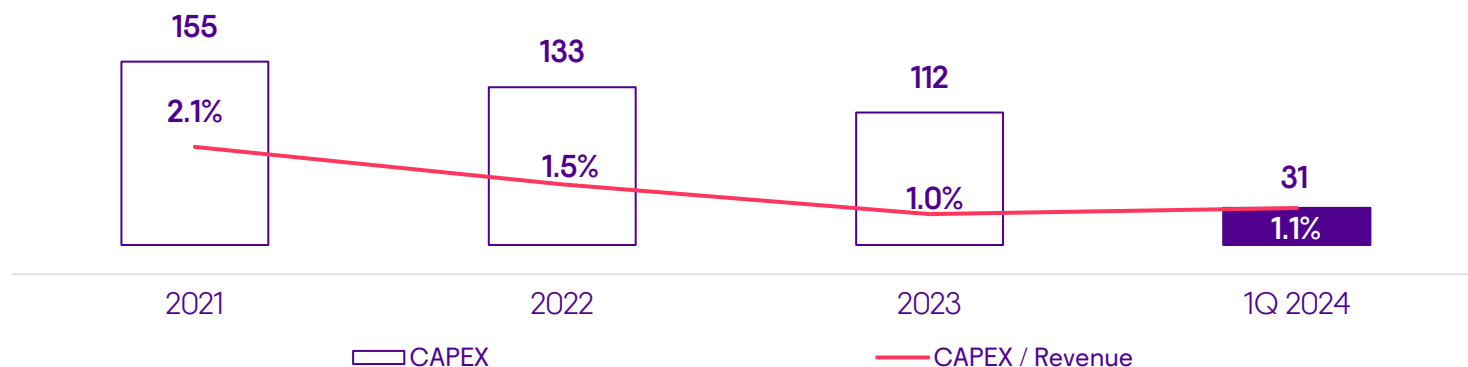
Working Capital = Current Assets - Current Liabilities



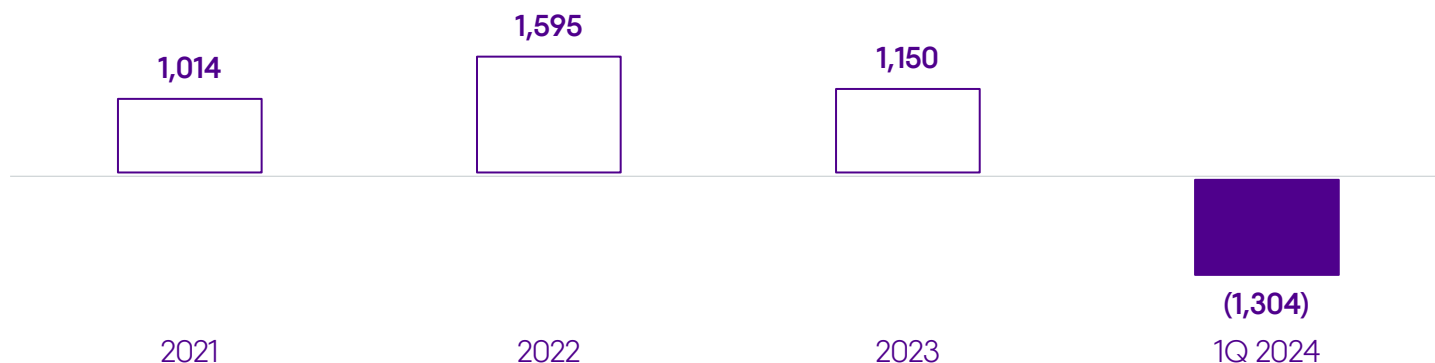
# Cash Flow Generation

Strong balance sheet helped to absorb one-off cash flow swings in 1Q 2024

## Capital Expenditures (SARmn)



## Free Cash Flow (SARmn)



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

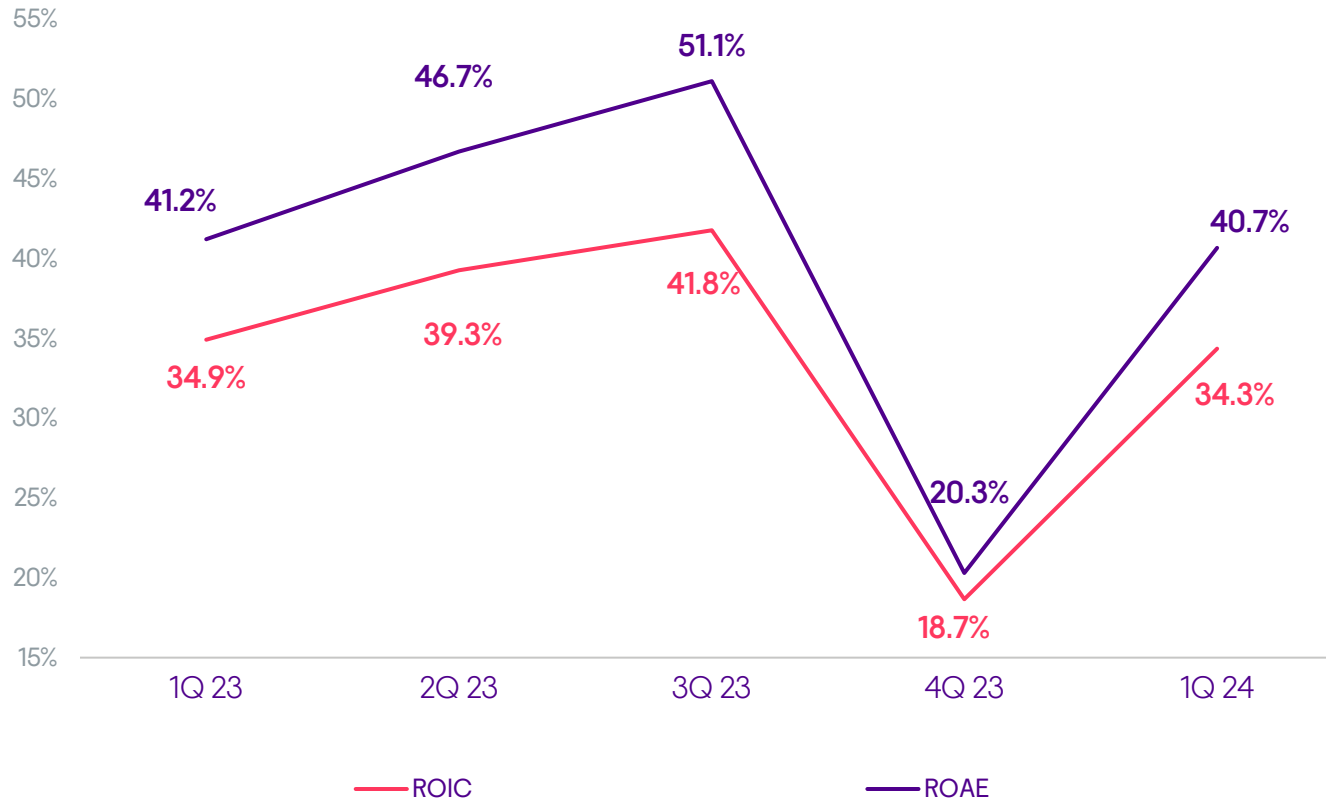
## Management Commentary

- Increased working capital investments in 1Q 2024 were caused by higher receivables and contract assets...
- ...which reflects a temporary volatility in the billing cycle for some projects and should reverse in coming quarters.
- As a result, net cash position decreased to SAR 1.09bn as of end of March 2024.

# Returns and Dividends

High returns and progressively growing dividends

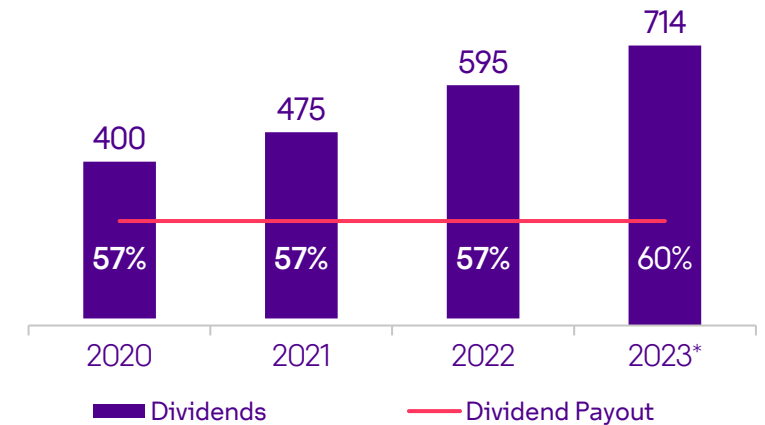
## Return Ratios (%)



## 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 maintains its 2024 guidance

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

	1Q 2024 results	FY 2024 Guidance
<b>Revenue Growth</b>	5%	8% - 11%
<b>EBITDA Margin</b>	15.7%	13% - 15%
<b>Capex Intensity</b>	1.1%	1.0% - 1.5%

# 4 Contact Details

# IR Contact Details

Contact solutions by stc investor relations team

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