

2Q 2022

Results Presentation

Riyadh, 10 August 2022

Agenda

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- 1 Key Messages
 - 2 M&A Strategy
 - 3 Financial Performance
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1 Key Messages



Key Messages

solutions is the undisputed IT leader in a high growth market



IPO Completed in September 2021

solutions' IPO was over 130x oversubscribed, attracting SAR 471 bn in orders



Macro Tailwinds

Higher oil prices, post-Covid recovery, Vision 2030, KSA-wide digital transformation



Dividend

DPS of SAR 4.00 in 2021, implying a 57% payout ratio and a dividend yield of 1.8%



Solid Revenue Base

Diversified business portfolio generated +23% YoY revenue growth to SAR 4.7 bn in 1H 2022



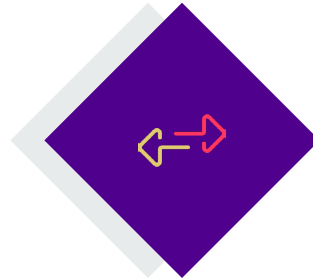
Improving profitability

EBITDA of SAR 718 mn in 1H 2022, +26% YoY
Net Profit of SAR 556 mn in 1H 2022, +21% YoY



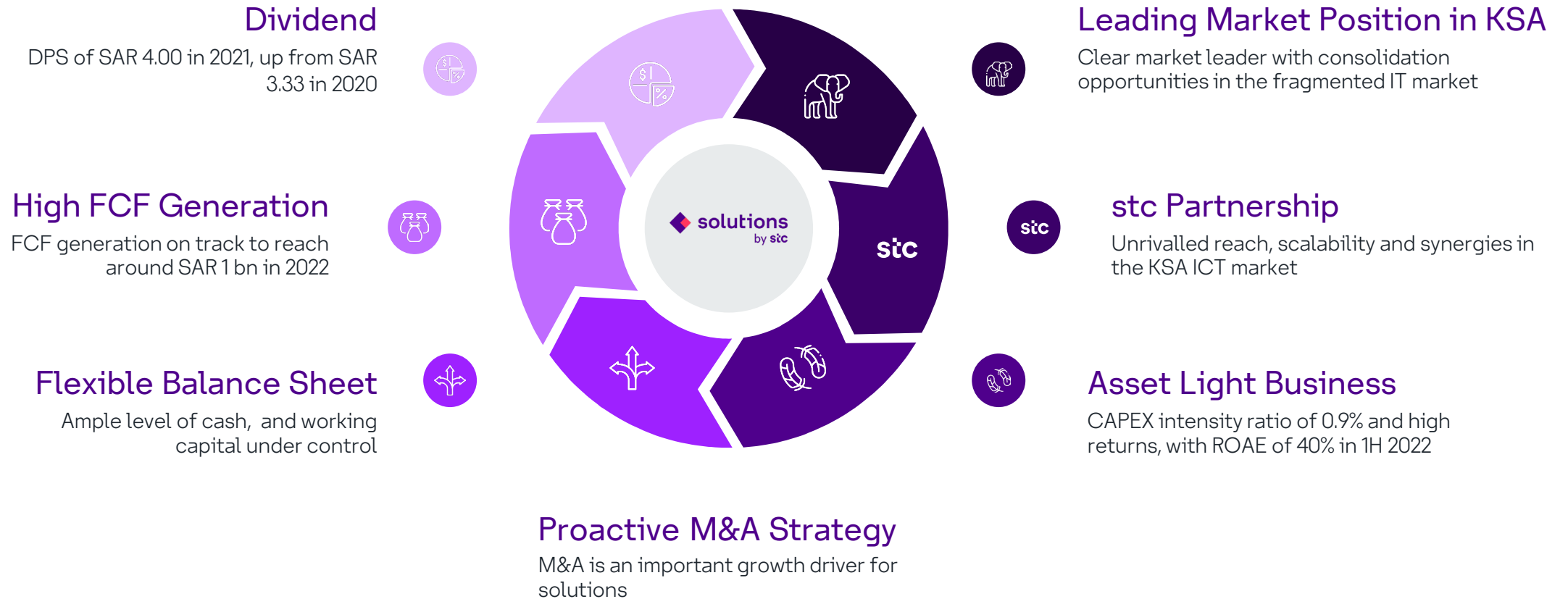
Strong Balance Sheet

Net cash position of SAR 1.72 bn



Investment Thesis

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



2 M&A Strategy



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 overview - transaction rationale

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

Egypt
1,146 FTE
63% revenue

WECA & Others
63 FTE
3% revenue

Cairo

Riyadh

Nairobi

60+ partners - technology and industry solutions

IBM ORACLE sandvine UiPath™ Schneider Electric Red Hat DELL EMC software AG vmware® teradata. VEEAM

Verticals

Core

Telecom & ICT

Energy & Utilities

Government

Manufacturing

Oil & Gas

Real Estate

Giza's acquisition will help solutions achieve key strategic objectives



3 Financial Performance



solutions 1H 2022 Financial Dashboard

solutions delivered a good performance in 1H 2022

1H 22 Revenue

SARmn **4,673** ▲
+23% YoY

1H 22 Capex

SARmn **43** ▼
-45% YoY

1H 22 Capex / Revenue

0.92% ▼
-112bps YoY

1H 22 EBITDA

SARmn **718** ▲
+26% YoY

1H 22 Net Cash From Operating Activities

SARmn **644** ▼
+62% YoY

1H 22 ROCE

32.2% ▼
-3.43ppts YoY

1H 22 Net Profit

SARmn **556** ▲
+21% YoY

1H 22 Net Cash

SARmn **1,721** ▲
+94% YoY

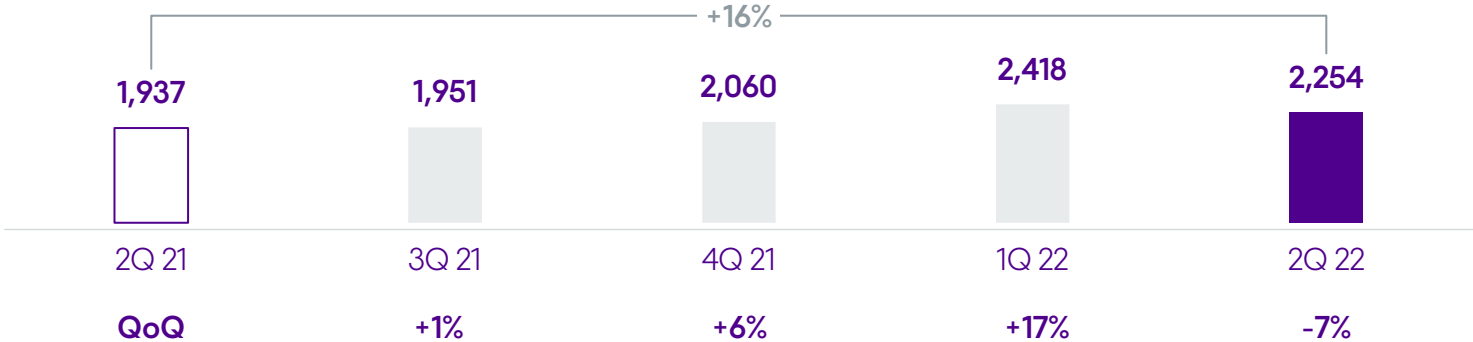
1H 22 ROAE

40.0% ▲
+1.14ppts YoY

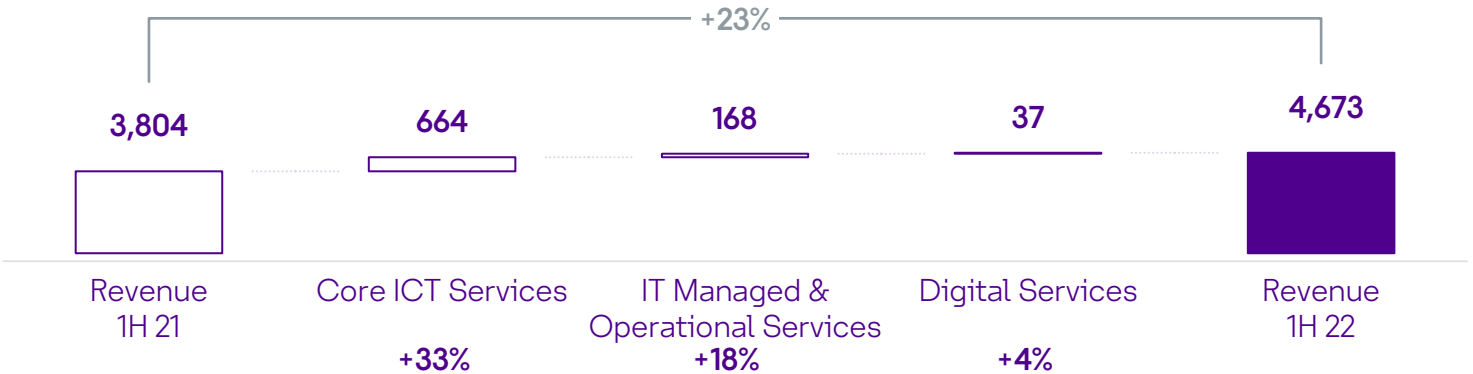
Revenue Trend and Growth Drivers

Group revenue growth of +23% YoY in 1H 2022, driven by Core ICT services

Revenue Trend (SARmn)



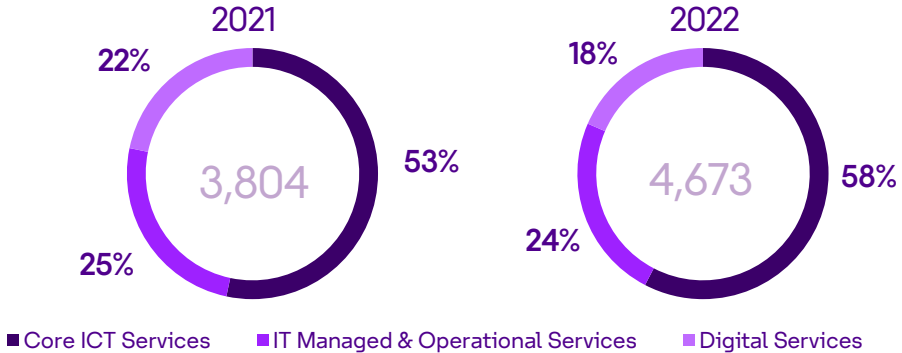
Revenue Movement YoY (SARmn)



Management Commentary

- Strong 2Q 2022 performance in Core ICT Services (+20.8% YoY) and IT Managed Services (+21.8% YoY), where Digital Services remained almost flat YoY

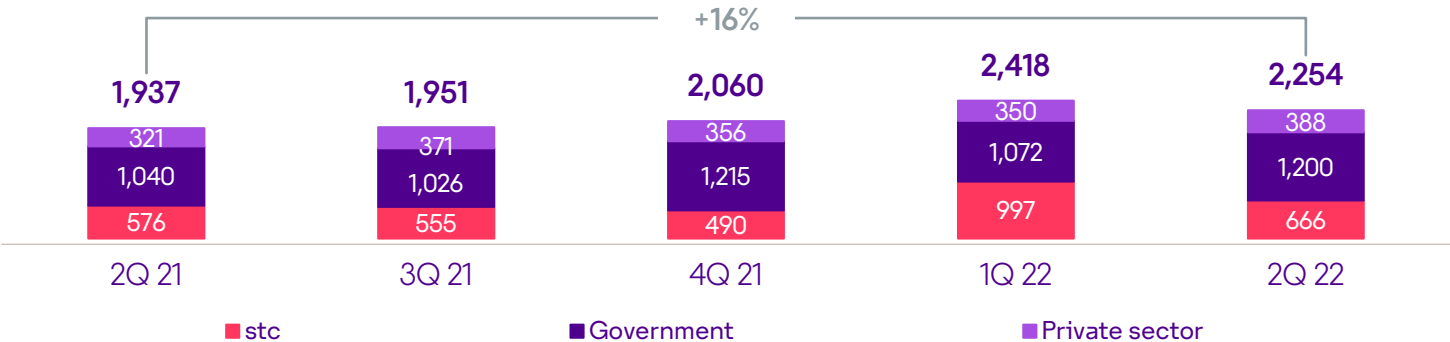
1H Revenue Composition (by Business Segment)



Revenue Analysis

stc together with Government accounted for 83% of revenue in 2Q 2022

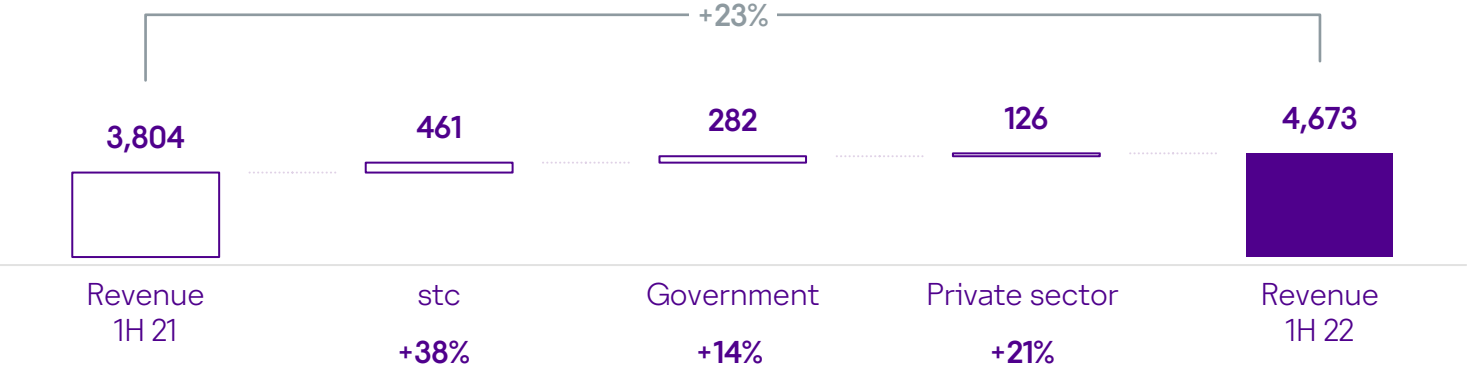
Revenue Breakdown by Customer Type (SARmn)



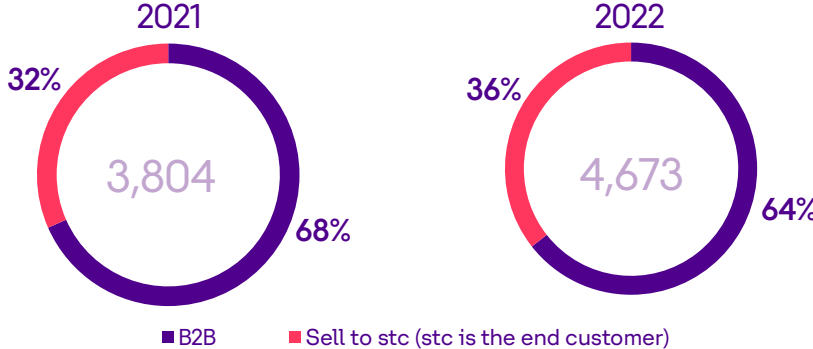
Management Commentary

- stc: +15.6% YoY, Private sector: +21.0% YoY and Government: +15.4% YoY in 2Q 2022, continue to deliver solid performance

Revenue Movement YoY (SARmn)



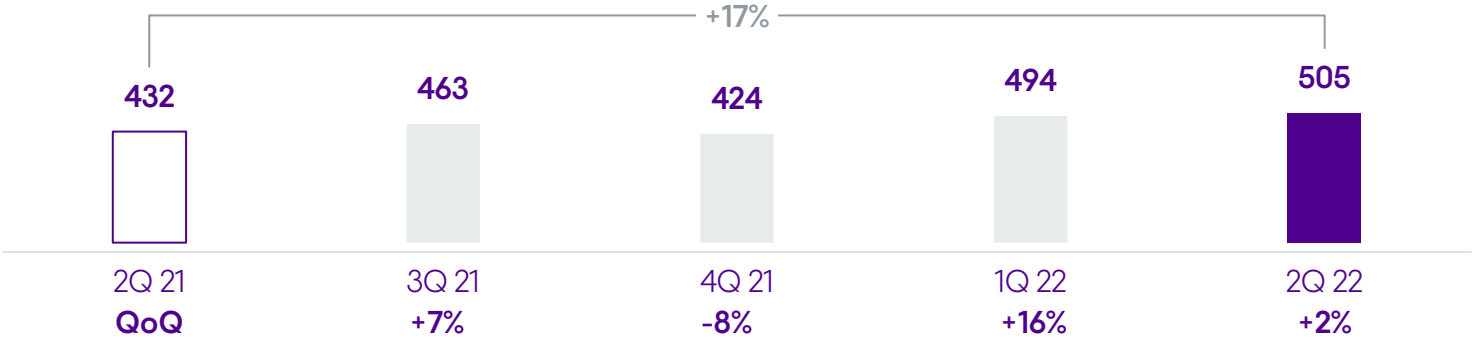
1H Revenue Composition (by Channel)



Profitability - Gross Profit

Gross profit margin in 2Q 2022 remained almost flat year on year

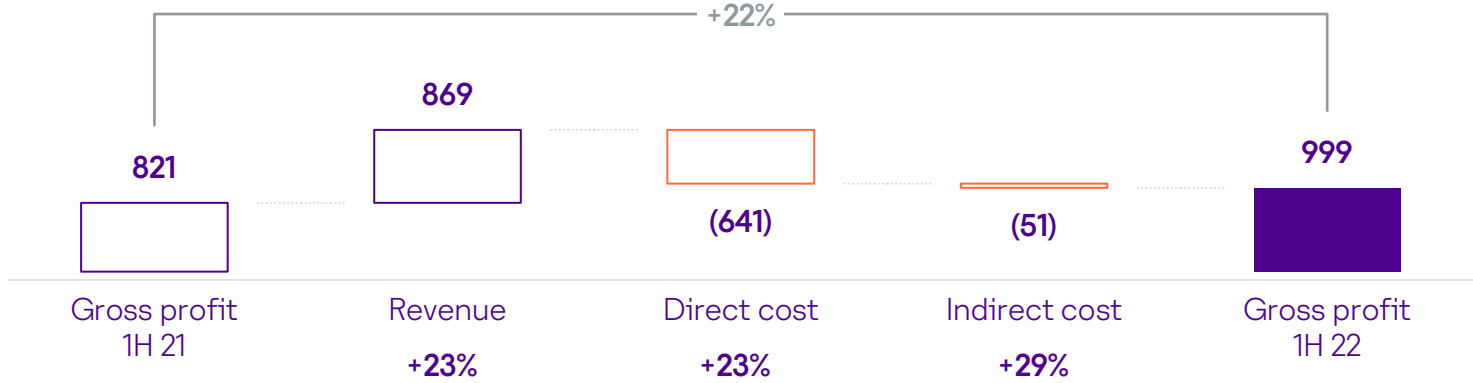
Gross Profit Trend (SARmn)



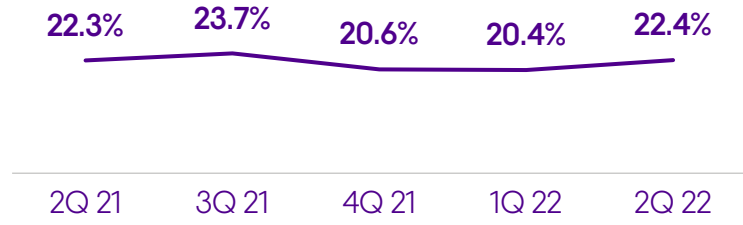
Management Commentary

- Gross profit margin in 2Q remained almost flat as cost of sales increased by 16.2% YoY to support revenue growth
- Cost of sales in 1H 2022 increased by 23.2% YoY driven by revenue growth

Gross Profit Movement (SARmn)



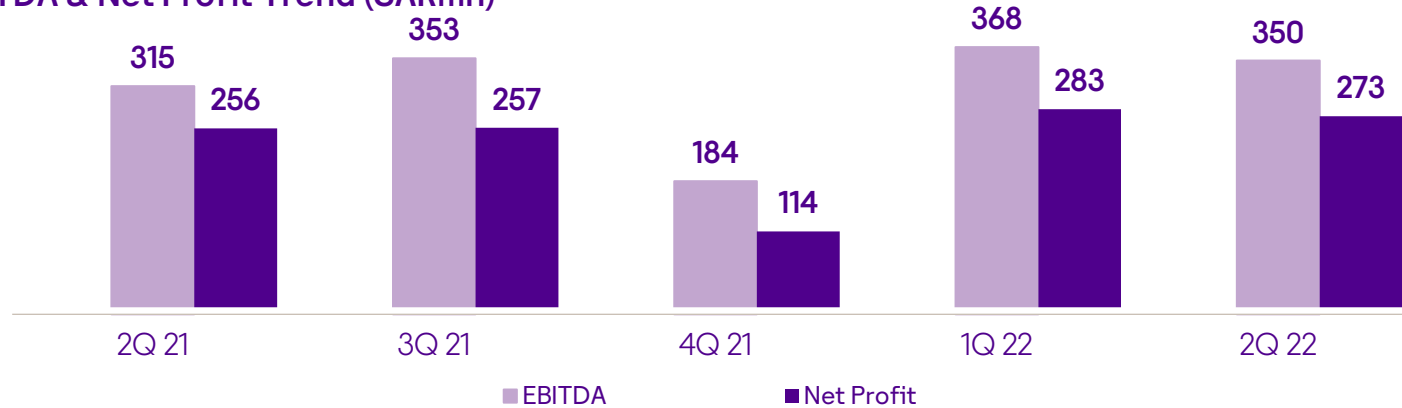
Gross Profit Margin (%)



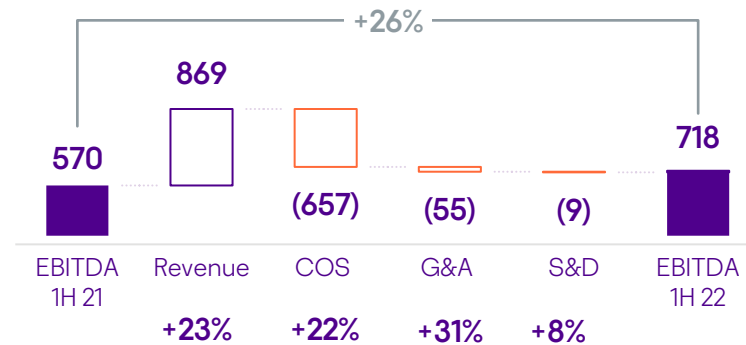
Profitability - EBITDA and Net Profit

Strong EBITDA and Net Profit performances driven by revenue growth

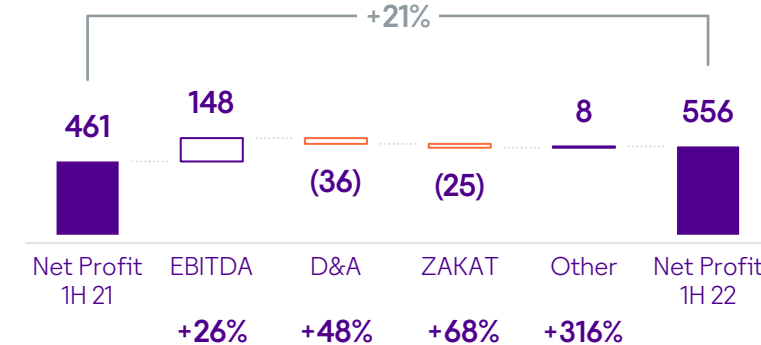
EBITDA & Net Profit Trend (SARmn)



EBITDA Movement YoY (SARmn)



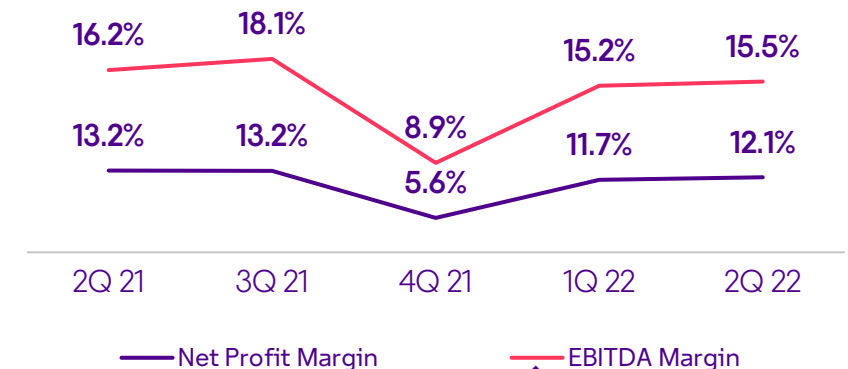
Net Profit Movement YoY (SARmn)



Management Commentary

- EBITDA and net profit in 2Q 2022 increased by 11.1% YoY and 6.6% YoY respectively, supported by strong revenue growth
- Overall OpEx (excluding D&A charges) were up by +21.8% YoY in 1H 2022 mainly due to the acquisition-related expenses & higher personnel expenses
- D&A charges increased by 47.7% YoY in 1H 2022 due to one-off spending related to a project conducted for Aramco at the end of 2020.

EBITDA & Net Profit Margins (%)



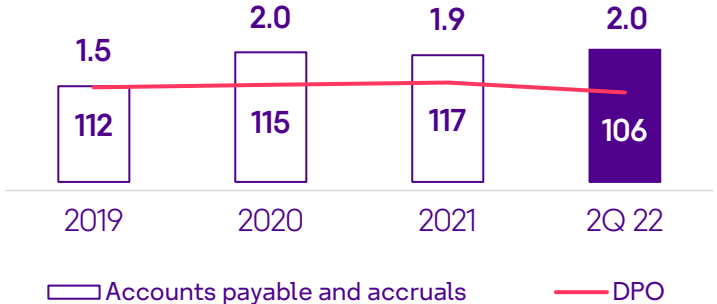
Balance Sheet - Working Capital

Working capital changes reflect the strong revenue growth

Accounts Receivable (SARbn)



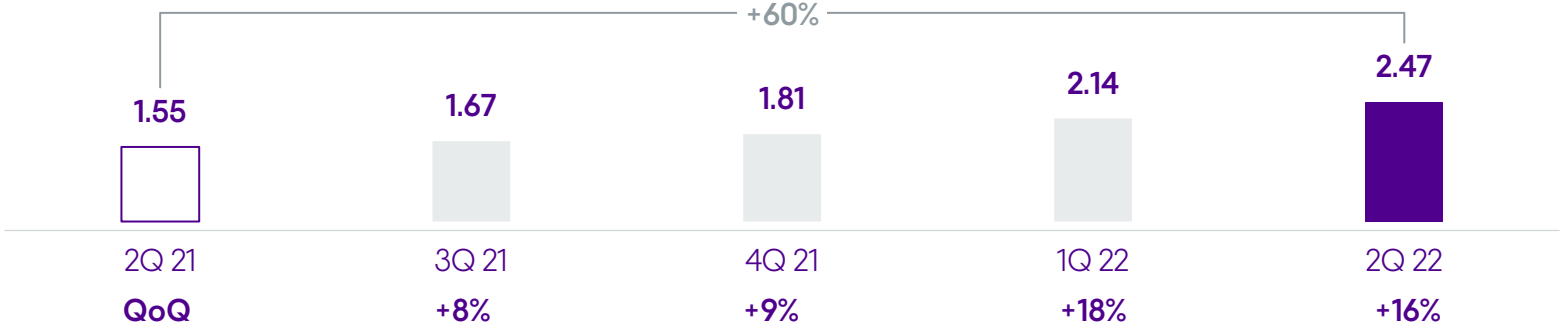
Accounts Payable (SARbn)



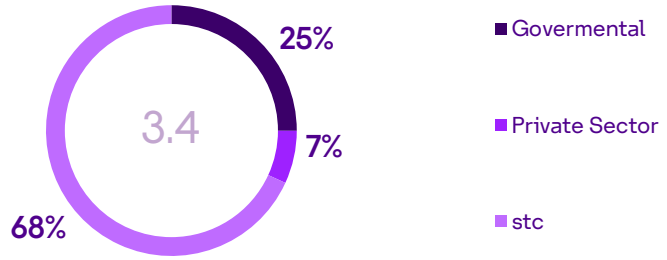
Management Commentary

- More than 90% of solutions' receivables are related to stc & Government

Working Capital Performance (SARbn)



Accounts Receivable Composition (%)

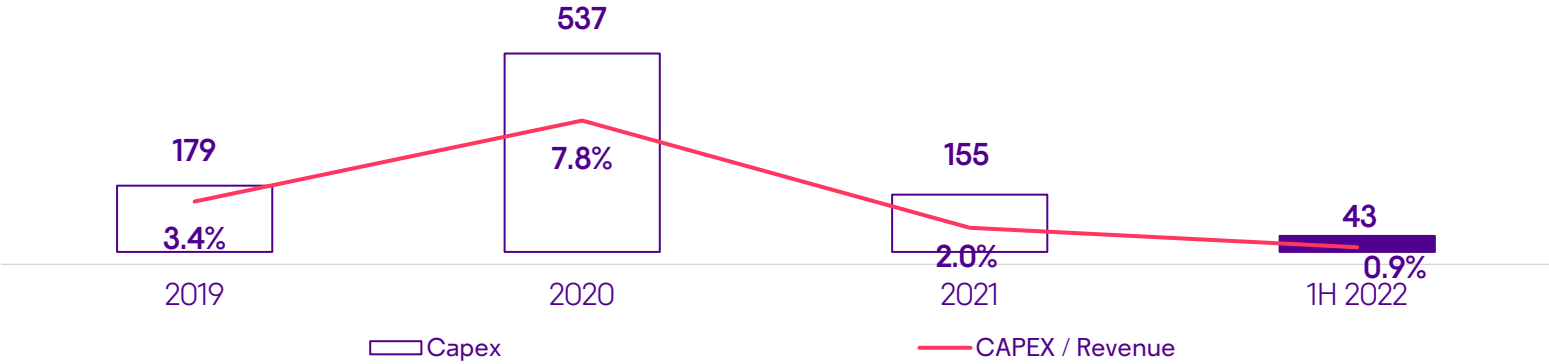


Working Capital = Current Assets - Current Liabilities

Cash Flow Generation

solutions has a strong cash position, and generates solid FCF

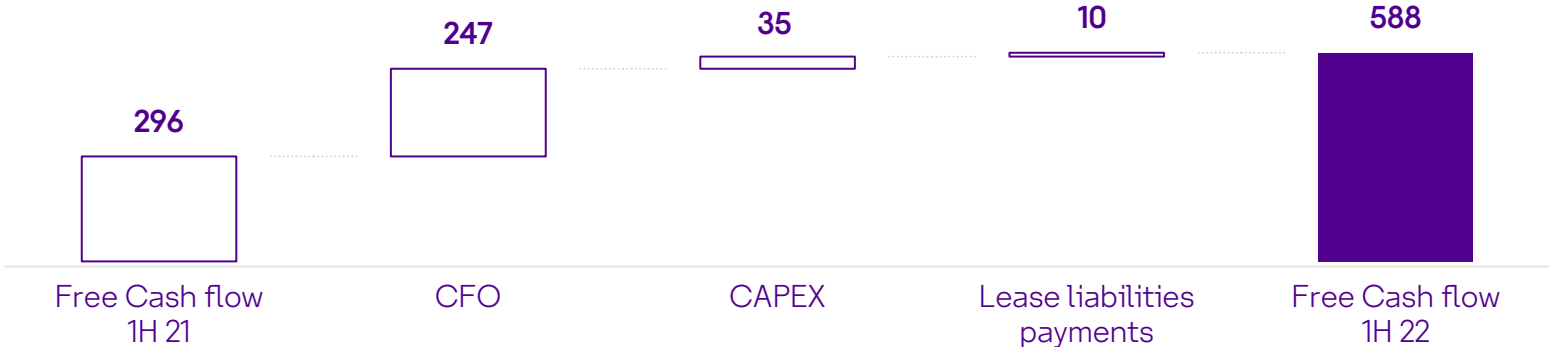
Capital Expenditures (SARmn)



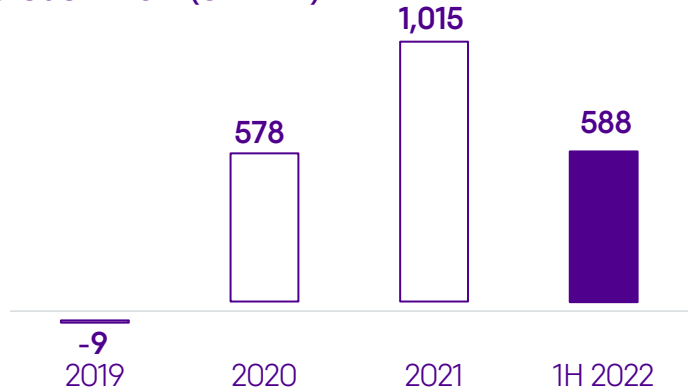
Management Commentary

- Net cash position of SAR 1.72 bn as of 2Q 2022
- FCF up to SAR 588 mn in 1H 2022 from SAR 296 mn in 1H 2021 mainly as a result of higher cash flow from operations

Free Cash Flow Movement (SARmn)



Free Cash Flow (SARmn)

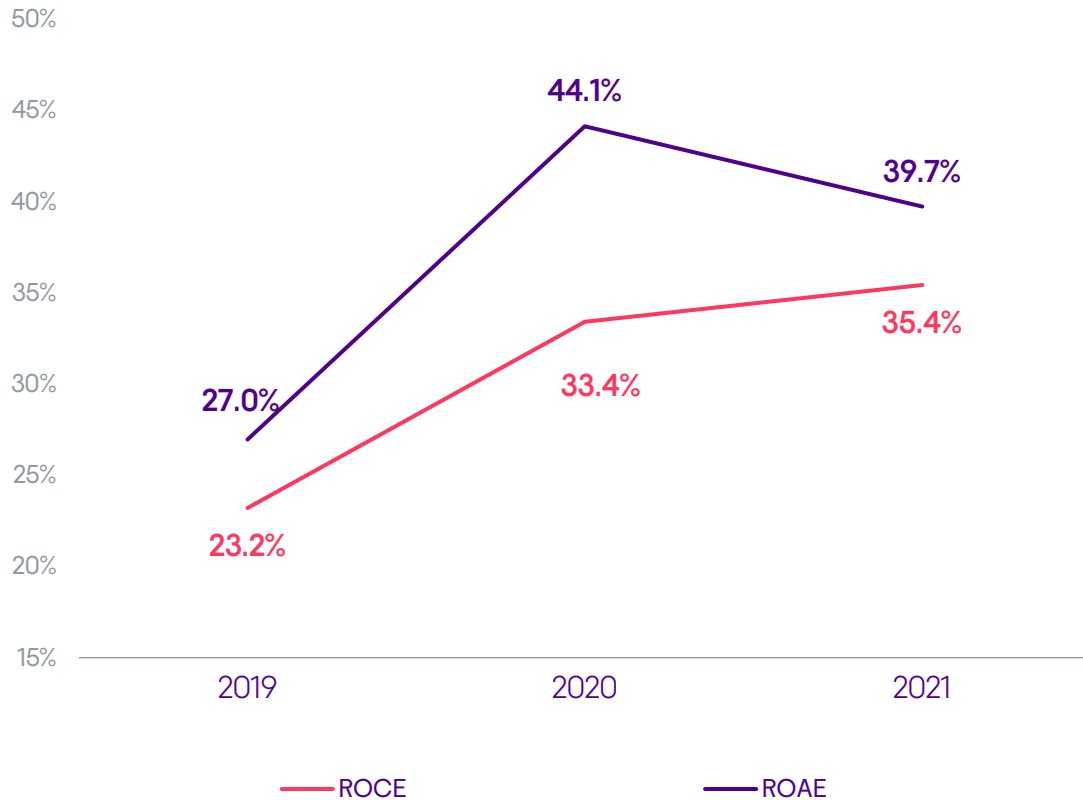


Free Cash Flow = CFO - CAPEX - Lease liabilities payments - Purchase of treasury shares

Returns and Dividends

High returns and a dividend per share of SAR 4.0 in 2021

Return Ratios (%)

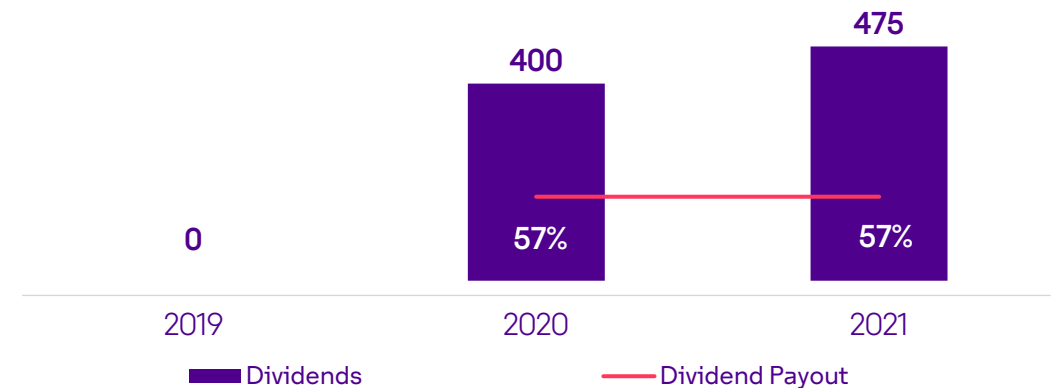


ROCE = EBIT / Capital employed (Total Assets - Current liabilities)
ROAE = Net income / Average Total Equity

Management Commentary

- High returns given the capex-light business model
- DPS of SAR 4.0 in 2021, up from SAR 3.33 in 2020, implying a stable 57% payout ratio

Dividends (SARmn)



2022 Outlook, Guidance and Targets

solutions 1H 2022 outcomes are either in line with or exceeding expectations

	2022 Outlook		FY 2022 Guidance	1H 2022 Outcome	FY 2022 Guidance Update
Brent Oil Price	\$107/bbl	Revenue Growth	Mid- to high-single Digit	+23%	9% - 11%
KSA GDP Growth	+7.6%	EBITDA Margin	13.0% to 15.0%	15.4%	Unchanged
KSA Fiscal Budget	First surplus in 8 years	Capex Intensity	2.0%- 2.5%	0.9%	1.5%- 2.0%
MENA IT Spending	+2.6%	Guidance Comment	The improving macro-economic environment in Saudi Arabia led solutions to revise its stand-alone guidance for FY2022 to better reflect the positive changes.		
KSA IT Growth	+5.3%				

4 Appendix



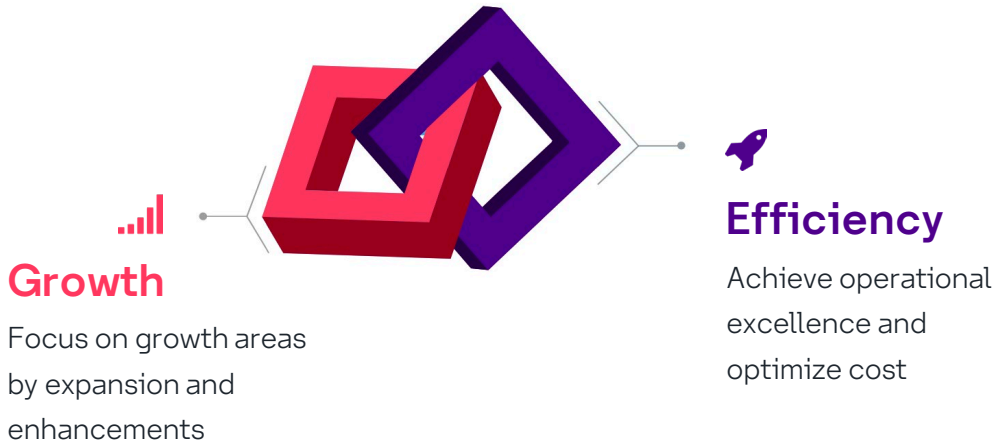


Strategy Highlights



Strategic Objectives

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



L
Lead in managed & professional services

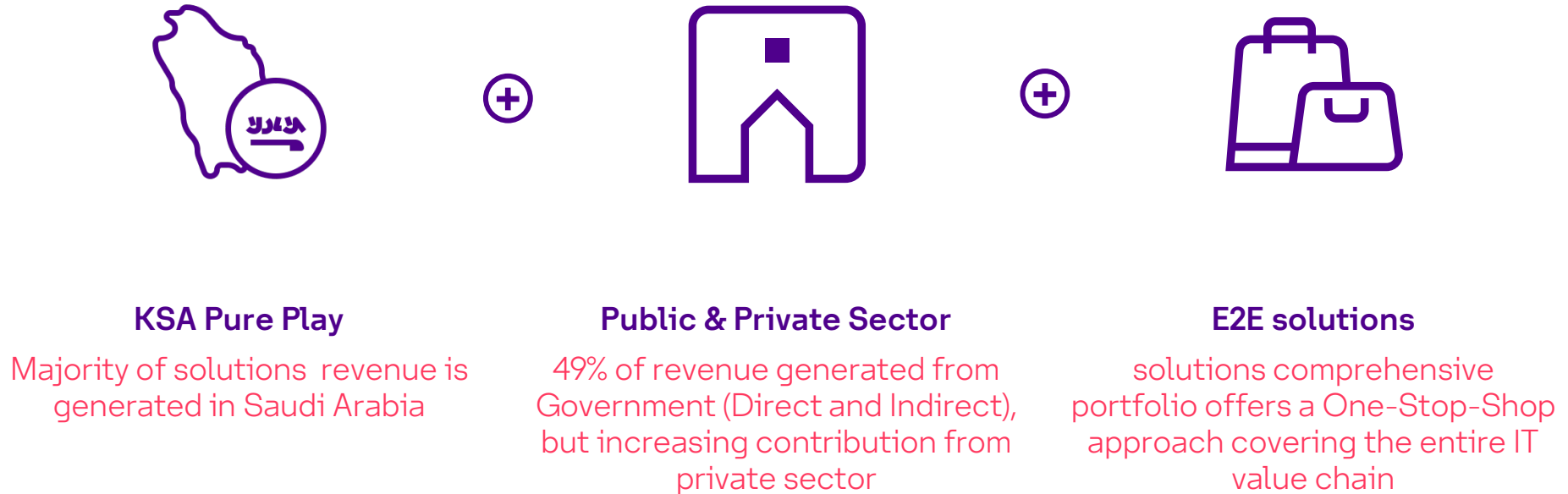
E
Expand product portfolio & market reach

A
Advance customer success & partner ecosystems

P
Promote internal efficiencies & collaboration

Market Positioning

solutions currently has ~19% 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 FY 2021 Delivery on IPO promises

FY 2021- Delivering on key IPO promises

solutions delivered against guidance provided during the IPO process

IPO Key Messages & FY21 Guidance

Revenue

Group revenue growth to be broadly in line with market growth of **mid-to-high single-digit** from 2021 onwards



Core ICT Services revenue growth of **mid single-digit**



Mid-teens revenue growth in IT Managed and Operational Services



Digital Services revenue growth of **low single-digit**



Profitability

~75 bps improvement in EBITDA Margin over the Medium Term



Capex

Capex to normalise back to historical levels after a spike in 2020 (**2.5% of revenue from 2021 onwards**)



FY 2021 Delivery

Group revenue growth of **+13% YoY**

Core ICT Services revenue growth of **+13% YoY**

IT Managed and Operational Services revenue growth of **+20% YoY**

Digital Services revenue growth of **+7% YoY**

EBITDA margin improved from 12.5% in 2Q 2020 to **14.2%**, +165 bps YoY

Capex intensity ratio down to **2.0%**, from 7.8% in 2020

C Financial Summaries

Income Statement Summary

SAR (mn)	2Q 2022	1Q 2022	Δ%	2Q 2021	Δ%	1H 2022	1H 2021	Δ%
Revenue	2,254	2,418	-7%	1,937	+16%	4,673	3,804	+23%
Cost of Sales	1,749	1,925	-9%	1,505	+16%	3,674	2,983	+23%
Gross profit	505	494	+2%	432	+17%	999	821	+22%
General and Administration Expenses	142	120	+18%	112	+27%	262	207	+27%
Selling & Distribution Expense	69	60	+15%	50	+40%	130	120	+8%
Operating expenses	212	181	+17%	161	+31%	392	327	+20%
Operating Profit (EBIT)	294	313	-6%	271	+8%	606	495	+23%
EBITDA	350	368	-5%	315	+11%	718	570	+26%
Net profit before finance cost/income and zakat	293	312	-6%	273	+7%	606	497	+22%
Finance cost/income	7	4	+65%	0	+3039%	11	0	+3094%
Net profit before zakat	300	316	-5%	273	+10%	617	497	+24%
Zakat for the period	27	34	-19%	17	+57%	61	36	+68%
Net profit after zakat	273	283	-3%	256	+7%	556	461	+21%

Balance Sheet Summary

SAR (million)	2Q 2022	1Q 2022	Δ%	4Q 2021	Δ%	2Q 2021	Δ%
Cash and cash equivalents	2,219	1,803	+23%	1,608	+38%	888	+150%
Accounts receivable	3,441	3,240	+6%	3,021	+14%	2,849	+21%
Prepayments and other assets	159	151	+5%	288	-45%	101	+57%
Contract assets	1,554	1,584	-2%	1,256	+24%	1,415	+10%
Inventories	63	54	+15%	274	-77%	71	-12%
Total Current Assets	7,436	6,833	+9%	6,446	+15%	5,325	+40%
Total Non-Current Assets	661	691	-4%	726	-9%	782	-16%
Total Assets	8,097	7,524	+8%	7,173	+13%	6,107	+33%
Accounts payable and accruals	2,015	1,938	+4%	1,931	+4%	1,726	+17%
Deferred revenue	2,373	2,286	+4%	2,277	+4%	1,647	+44%
Contract liabilities	505	364	+39%	354	+43%	368	+37%
Zakat payable	69	106	-34%	72	-4%	37	+89%
Total Current Liabilities	4,963	4,695	+6%	4,634	+7%	3,778	+31%
End of service indemnities	244	266	-8%	237	+3%	225	+9%
Lease liabilities relating to right of use assets	24	29	-16%	31	-22%	40	-39%
Long term debt	499	0		0		0	
Total Non-Current Liabilities	767	295	+160%	268	+186%	264	+190%
Total Liabilities	5,730	4,990	+15%	4,902	+17%	4,042	+42%
Total Equity	2,367	2,535	-7%	2,271	+4%	2,065	+15%
Total Liabilities & Equity	8,097	7,524	+8%	7,173	+13%	6,107	+33%

Cash Flow Summary

SAR (mn)	2Q 2022	1Q 2022	Δ%	2Q 2021	Δ%	1H 2022	1H 2021	Δ%
Net Income before zakat	300	316	-5%	273	+10%	617	497	+24%
Adjustments for:								
Depreciation, impairment and amortization - property and equipment and intangibles	52	51	+1%	40	+30%	103	67	+53%
Depreciation - right of use assets	4	4	+5%	4	+1%	9	9	-1%
Impairment on accounts receivables and contract assets	12	2	+402%	6	+93%	14	34	-59%
End of service indemnities expense	17	14	+15%	3	+416%	31	19	+65%
Provision / (Reversal) against advances to suppliers	0	(0)	-100%	5	-100%	(0)	4	-104%
Net Income before zakat and after adjustments	376	419	-10%	345	+9%	795	662	+20%
Accounts receivable	(212)	(222)	-4%	(61)	+249%	(434)	(84)	+415%
Prepayments and other assets	(7)	137	-105%	21	-133%	130	43	+204%
Contract assets	30	(328)	-109%	95	-69%	(298)	94	-417%
Inventories	(7)	213	-103%	24	-128%	206	10	+2028%
Contract costs	(1)	0	-297%	(1)	+28%	(0)	(17)	-98%
Accounts payable and accruals	93	(16)	-663%	(333)	-128%	76	(225)	-134%
Deferred revenue	87	10	+786%	(6)	-1588%	97	(58)	-268%
Advances from customers	140	10	+1255%	(1)	-25452%	151	32	+376%
Cash flows generated from / (used in) operating activities	499	223	+123%	84	+493%	722	456	+58%
Net cash generated from / (used in) operating activities	429	215	+100%	35	+1122%	644	396	+63%
Purchase of property, equipment and intangible assets	(25)	(19)	+32%	(36)	-33%	(43)	(78)	-45%
Net cash used in investing activities	(25)	(19)	+32%	(36)	-33%	(43)	(78)	-45%
Net cash used in financing activities	11	(1)	-1934%	(9)	-230%	11	(423)	-103%
Net decrease in cash and cash equivalents	416	196	+113%	(10)	-4111%	612	(105)	-688%
Cash and cash equivalents at the beginning of the period	1,803	1,607	+12%	898	+101%	1,608	993	+62%
Cash and cash equivalents at the end of the period	2,219	1,803	+23%	887	+150%	2,219	888	+150%

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Shukran!

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