

H1 2024

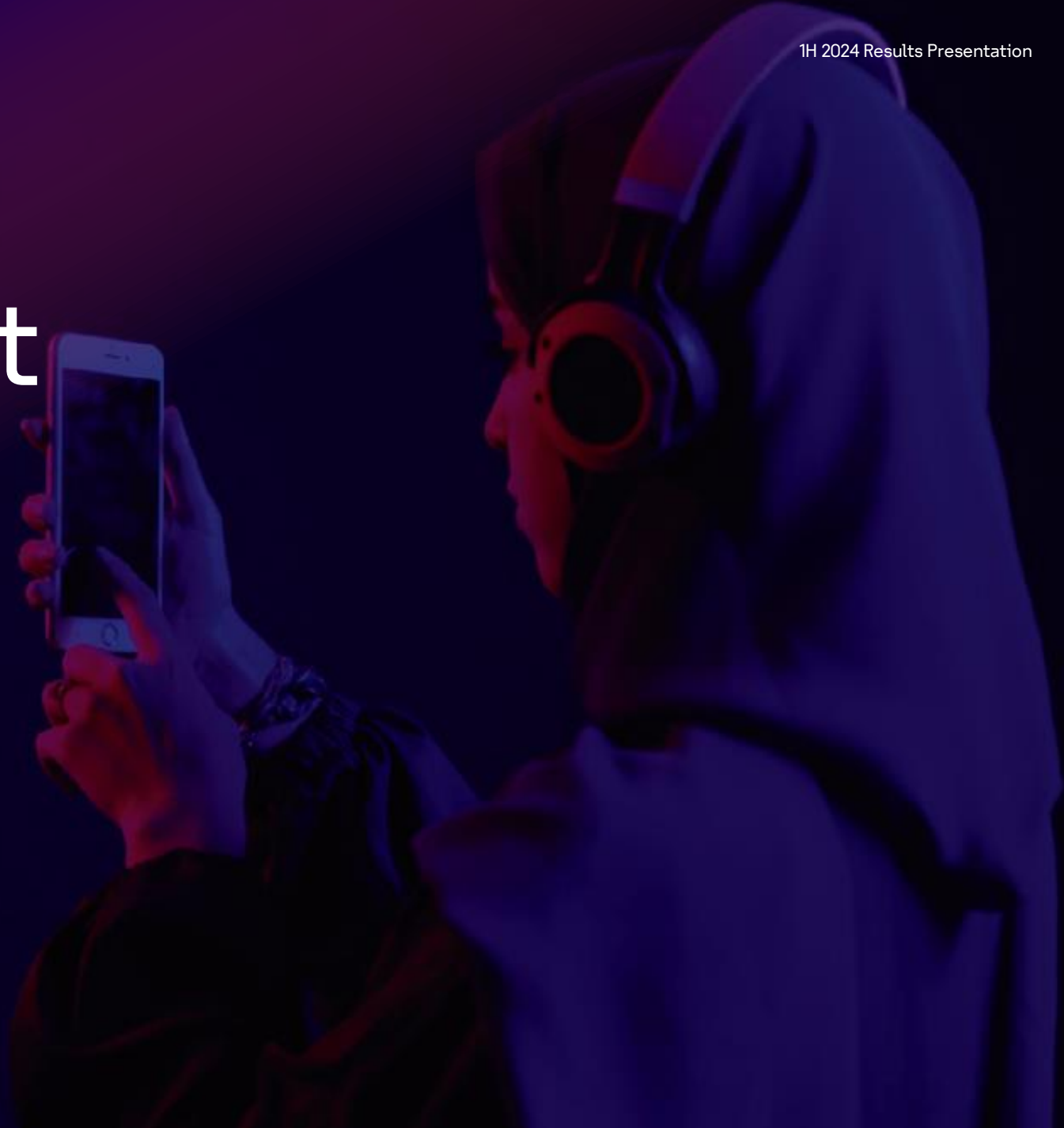
Results Presentation

Riyadh, 29 July 2024

Agenda

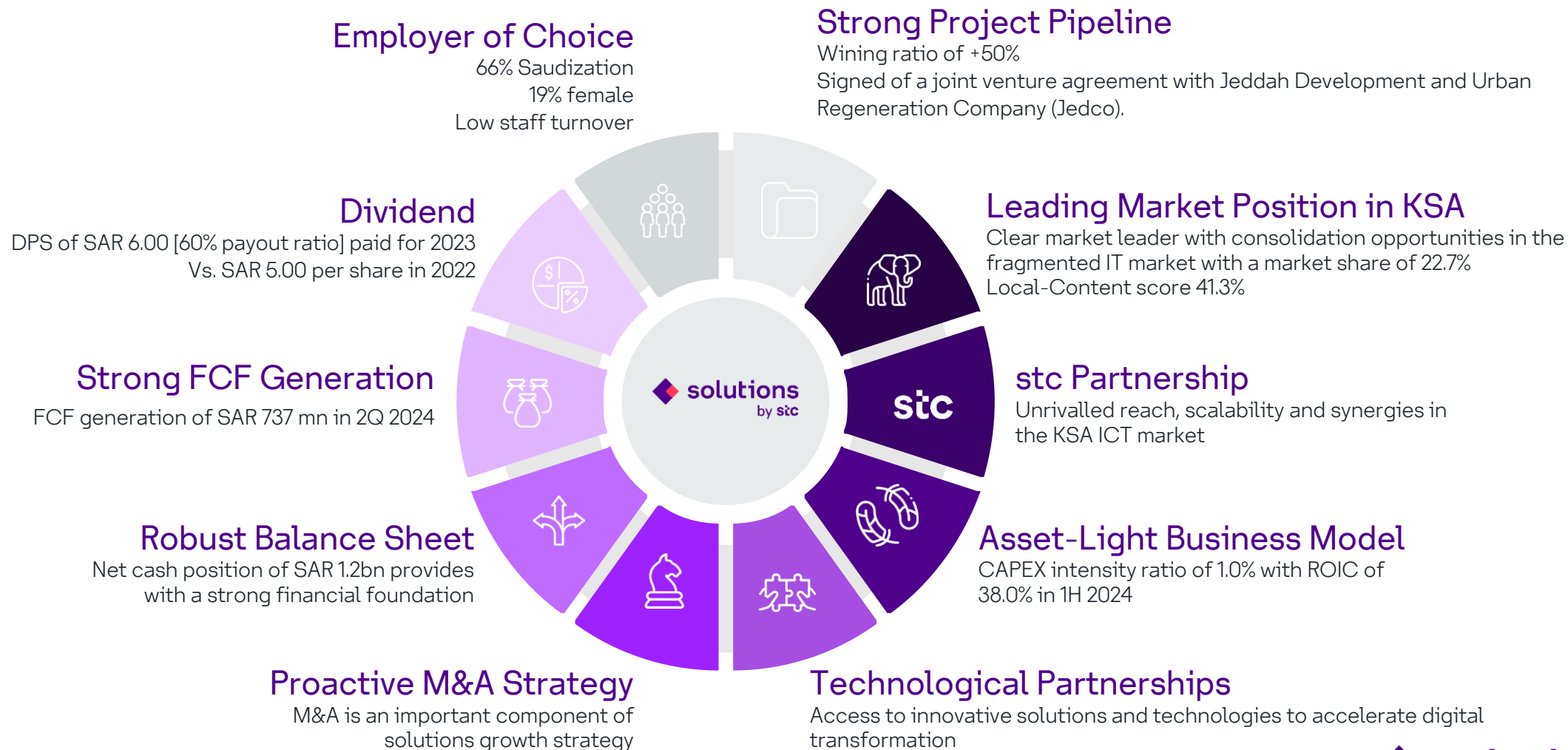
- 1 Investment Thesis
- 2 Strategy Update
- 3 Sustainability Journey
- 4 Financial Performance
- 5 Contact Details

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

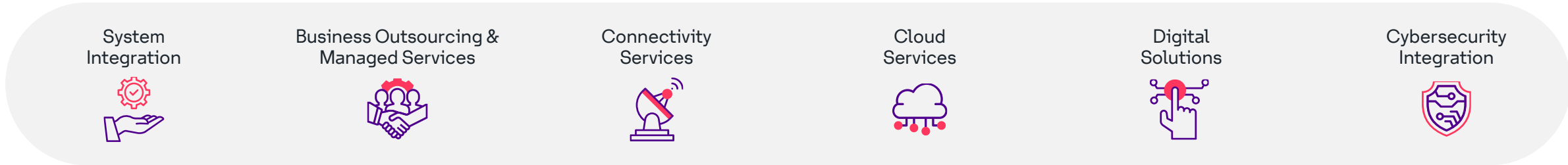
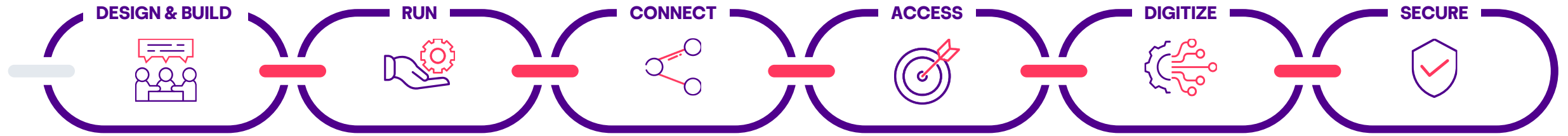
The new strategy aims at augmenting the core business by emerging tech, innovation and efficiency gains



<p>L</p> <p>Lead through service excellence:</p> <ul style="list-style-type: none">• 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	<p>E</p> <p>Empower business growth and diversification:</p> <ul style="list-style-type: none">• Emerging tech Venturing into the next-gen digital landscape• Innovation program Establish, institutionalize and scale• Partnerships & strategic alliances Expand ecosystem• Geographical expansion Capitalize on subsidiaries footprint• Business diversification through new business models	<p>A</p> <p>Achieve excellence in customer engagements</p> <ul style="list-style-type: none">• CEX – Customer Success Embrace customer success and revamp customer experience• New verticals Focus high potential verticals through industry specific offerings• Commercial excellence Achieve excellence in commercial capabilities	<p>P</p> <p>Promote efficiencies and sustainability</p> <ul style="list-style-type: none">• 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
--	---	---	--

solutions Portfolio

"solutions by stc" helps its clients in their IT and digital aspirations throughout the value chain



Offered by

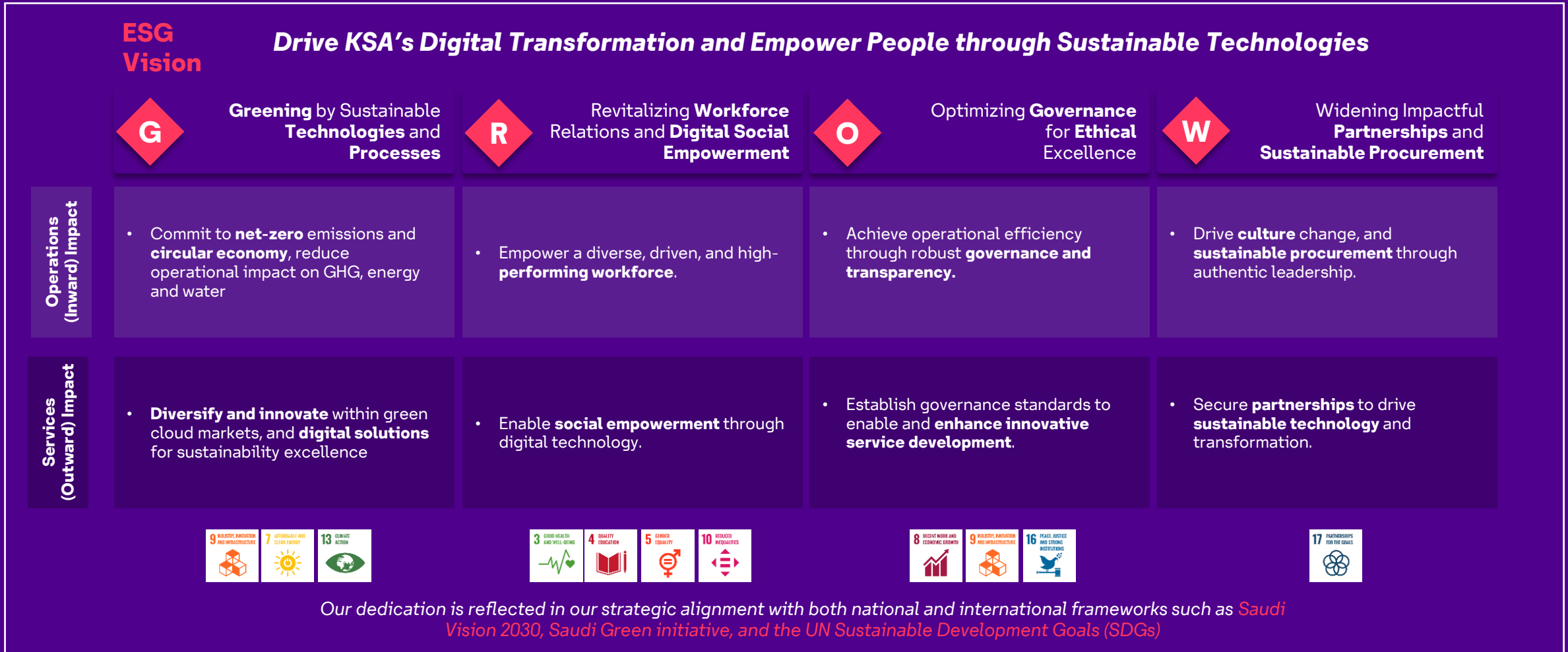


3 Sustainability Journey



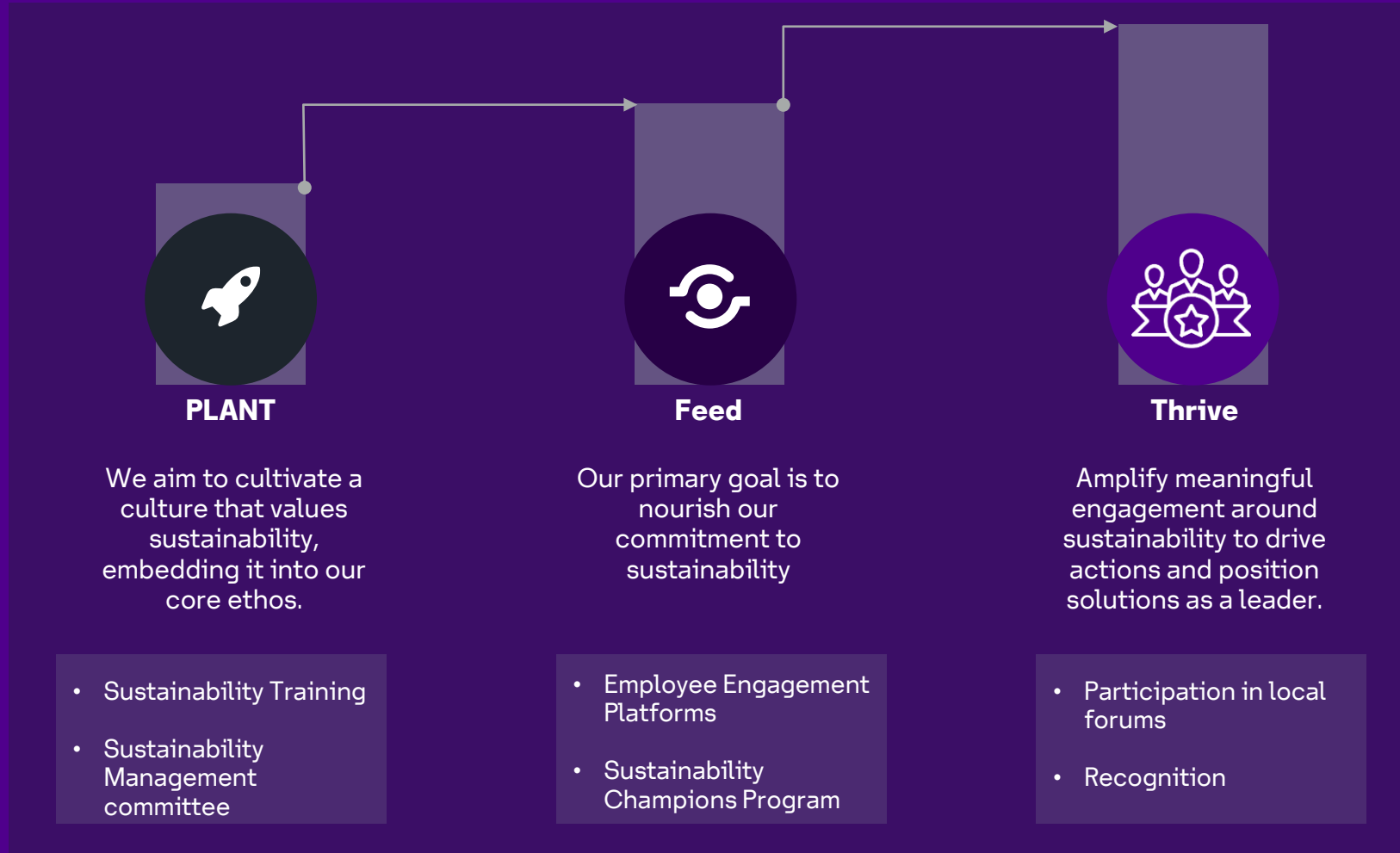
In 2023, solutions Embarked on its Sustainability Journey

The GROW strategy framework focuses on operational excellence, market competitiveness, and innovation, ensuring that sustainability is at the core of our growth



Sustainability as a Part of Our Culture

We aim to ensure that every employee understands and contributes to our sustainability goals through the Plant, Feed, and Thrive framework



A Meaningful Positive Impact for All Stakeholders

solutions' GROW strategy framework and cultural and sustainability initiatives to benefit employees, community, customers, partners and the Kingdom

Greening by Sustainable Technologies and Processes

- ★ **18% Reduction in GHG Emission** vs. 2022
- ★ **4% Reduction in Electricity Consumption** vs. 2022
- ★ **100% Reduction in Paper-Based Documents**
- ★ **Air Quality Monitoring Project** for MEWA

Revitalizing Workforce Relations and Digital Social Empowerment

- ★ **12% Increase in Female Workforce Participation**
- ★ **100,312 Training Hours** to upskill our workforce
- ★ **260 Volunteer Hours** in community service projects
- ★ Engaged over **220 youth participants** in training programs.
- ★ Contributed and Participated in (ICSDI 2024) in partnership with PSU

Optimizing Governance for Ethical Excellence

- ★ Best **Corporate Governance Award** governance practices
- ★ **Zero Security Breaches** achieved
- ★ **100% of Cybersecurity frameworks, policies and standards** fully aligned
- ★ Published **9 positioning statements**

Widening Impactful Partnerships and Sustainable Procurement

- ★ **7% of suppliers evaluated for ESG criteria**
- ★ **70% of budget** spent on local suppliers
- ★ **UNGC** membership and commitment



2023
Sustainability
report

SUSTAINALYTICS

25.1
Medium Risk

MSCI

B

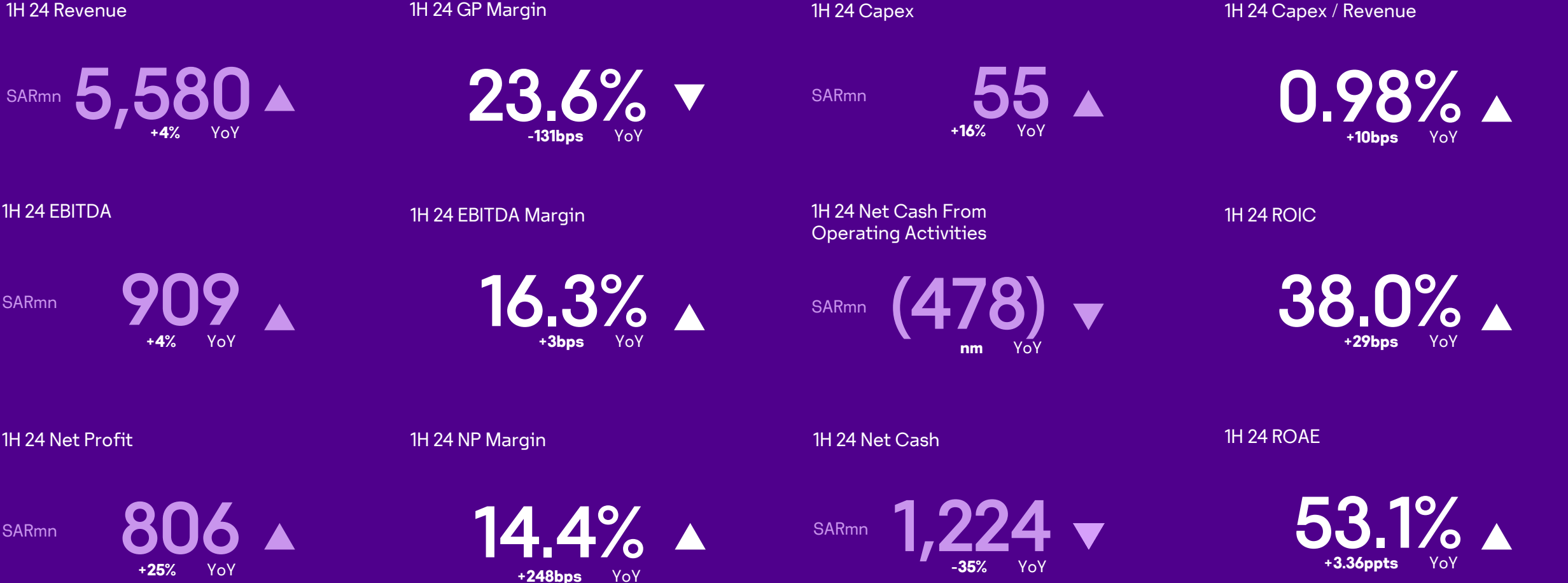
solutions
by stc

4 Financial Performance



solutions 1H 2024 Financial Dashboard

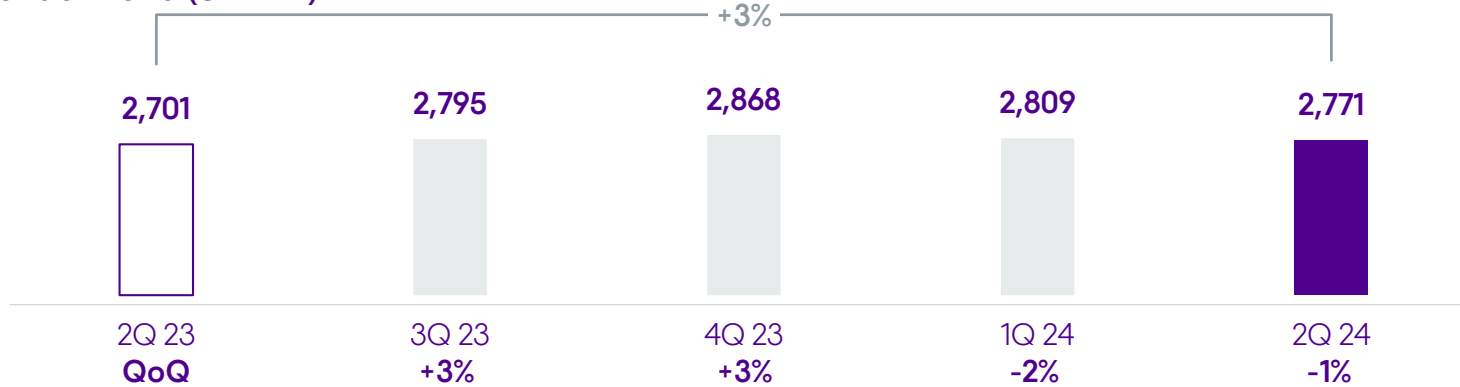
Growth rates matured, while strong margins and returns were sustained in H1 2024



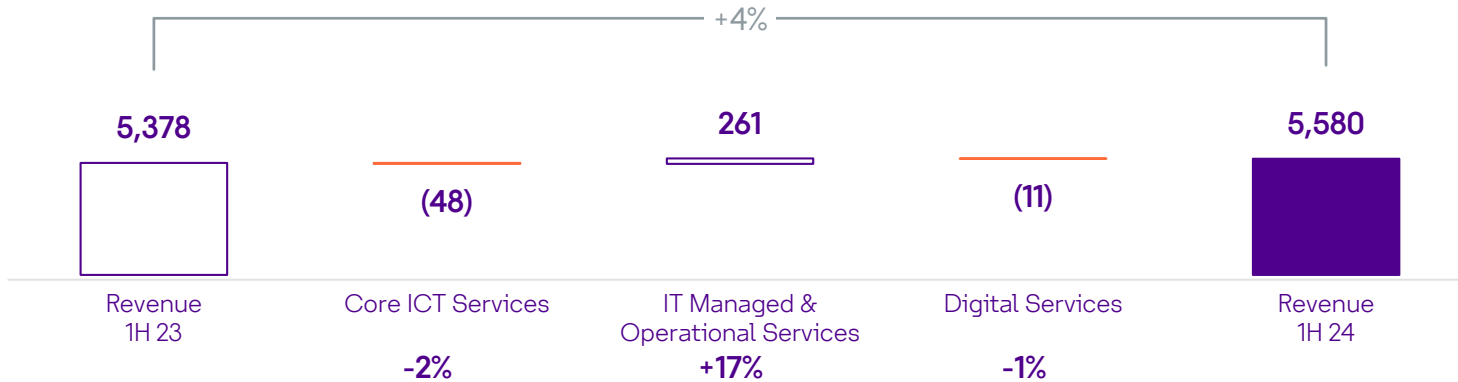
Revenue Trend and Breakdown by Business Segment

Group revenue grew +4% YoY in H1 2024 driven by IT Managed and Operational Services

Revenue Trend (SARmn)



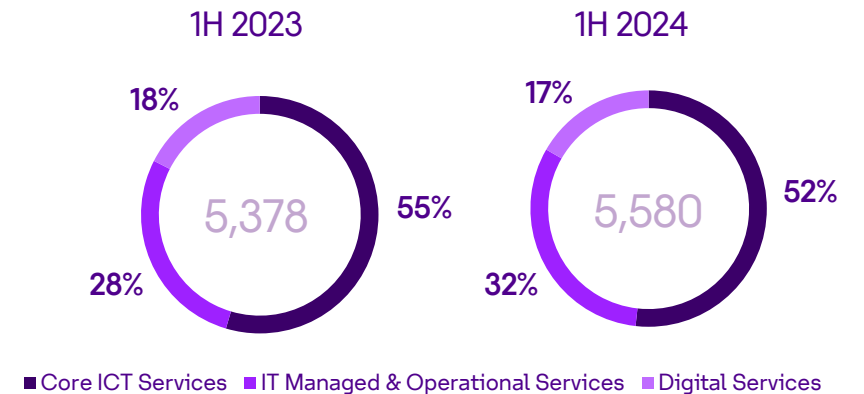
Revenue Movement YoY (SARmn)



Management Commentary

- Slower growth in H1 is driven by market seasonality and exposure to exchange rates
- solutions is maintaining its leadership position in KSA with highest market share
- solutions is still committed to its revenue guidance considering the healthy backlog and growing pipeline

1Q 2024 Revenue Composition (by Business Segment)¹

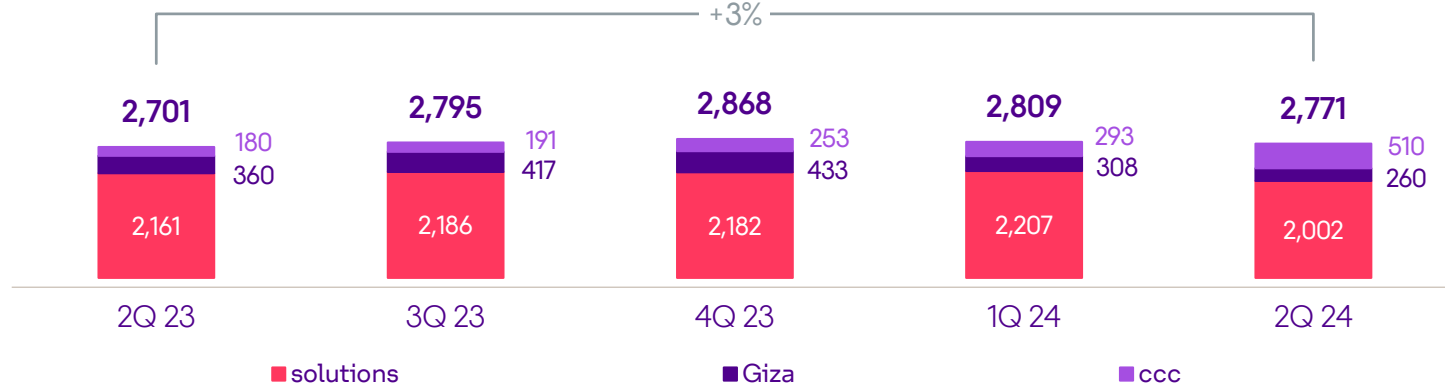


¹ – totals may not be equal to 100% due to rounding

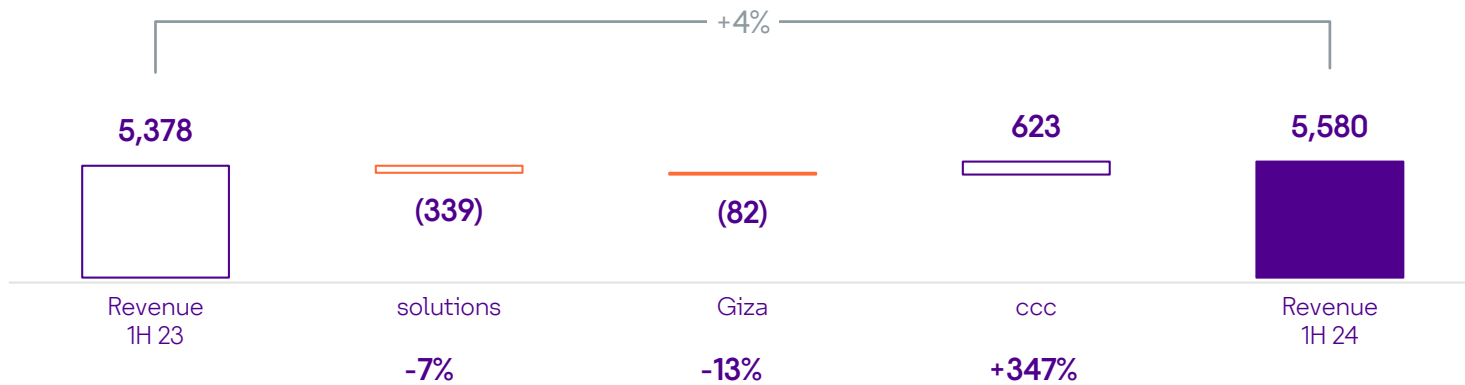
Revenue Breakdown by Entity

Giza and ccc accounted for 25% of H1 2024 revenue¹

Revenue Breakdown by Entity (SARmn)



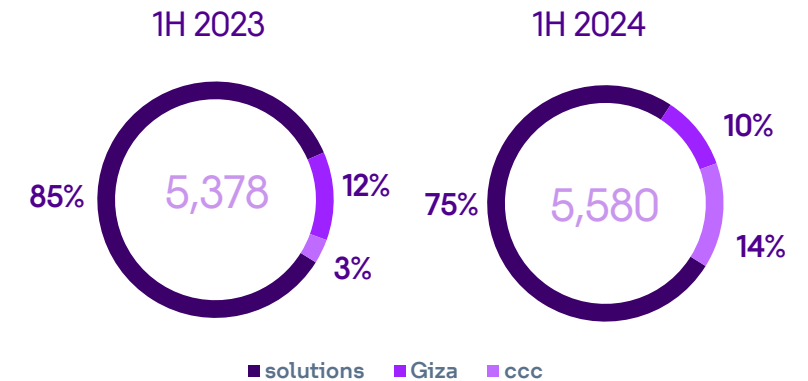
Revenue Movement YoY (SARmn)



Management Commentary

- Giza Arabia has shown significant growth in KSA whereas Giza's non-KSA business is affected by the devaluation of EGP against USD
- solutions efforts in maximizing synergy resulted in rechanneling of projects including the value shift from solutions to relevant entities
- ccc has shown positive revenue growth with the support of revenue/projects shift from solutions

Revenue Composition (by Entity)

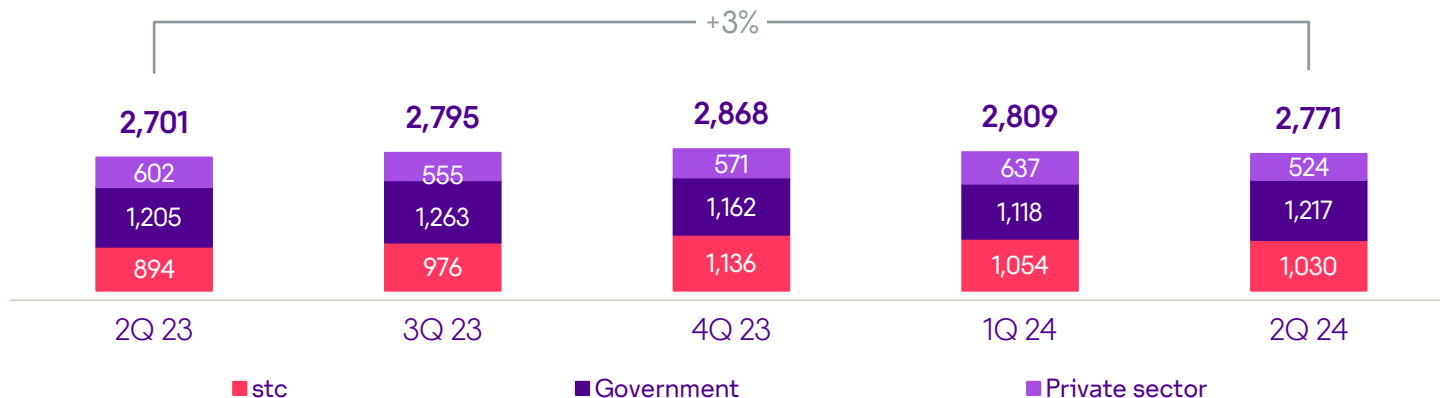


¹ - all numbers are presented after intercompany eliminations

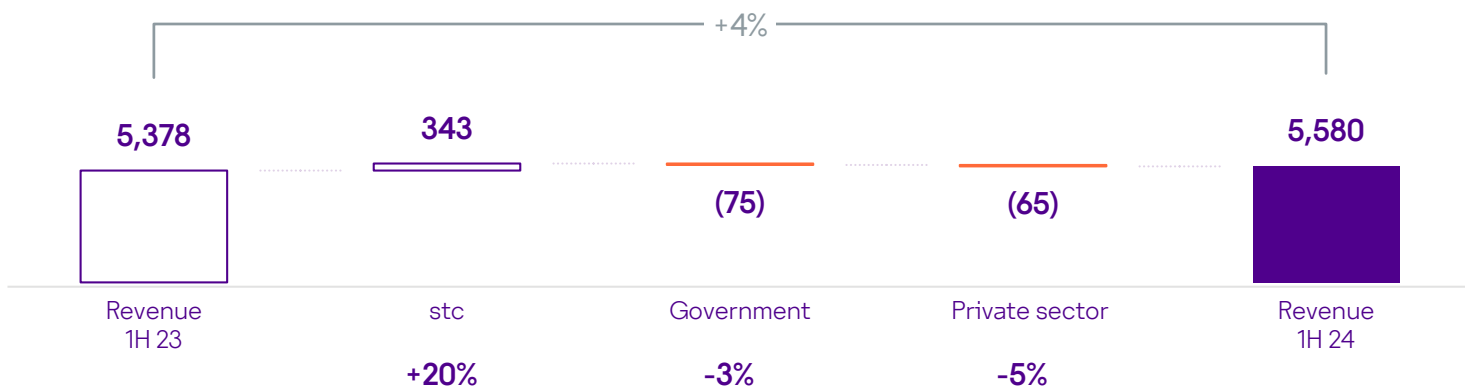
Revenue Breakdown by Customer Type

The revenue share of stc and the Government increased YoY to 79% in H1 2024

Revenue Breakdown by Customer Type (SARmn)



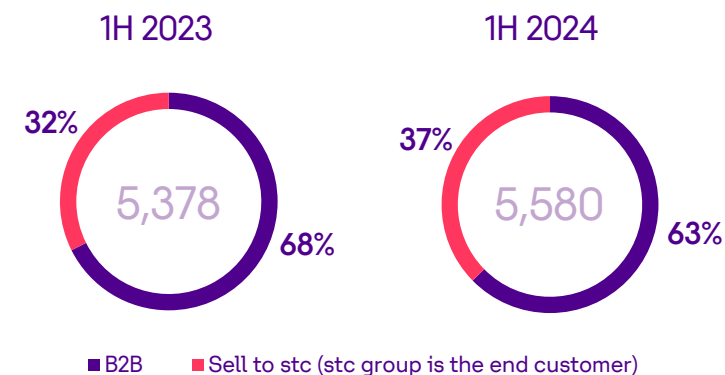
Revenue Movement YoY (SARmn)



Management Commentary

- Revenue growth was driven by 20% YoY increase in revenues from stc in H1 2024 driven by ccc consolidation and a backlog of projects
- Revenue from the private sector decreased 5% YoY due to the completion of several large projects last year
- Revenue from the Government decreased 3% YoY due to spending dynamics leading to delays in contracts

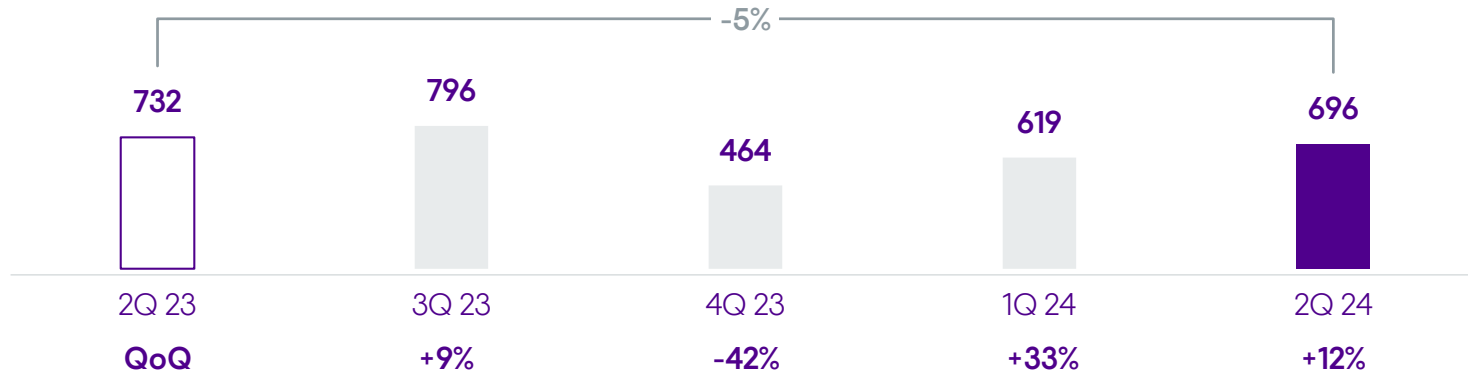
Revenue Composition (by Channel)



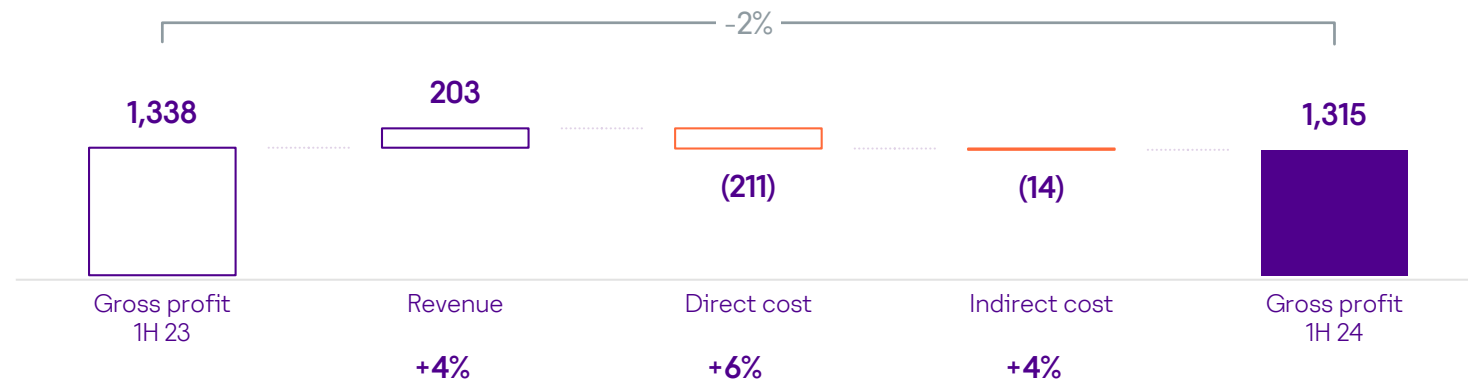
Profitability - Gross Profit Performance

Gross profit margin rebounded to 25.1% in Q2 2024 from 22.1% in Q1 2024

Gross Profit Trend (SARmn)



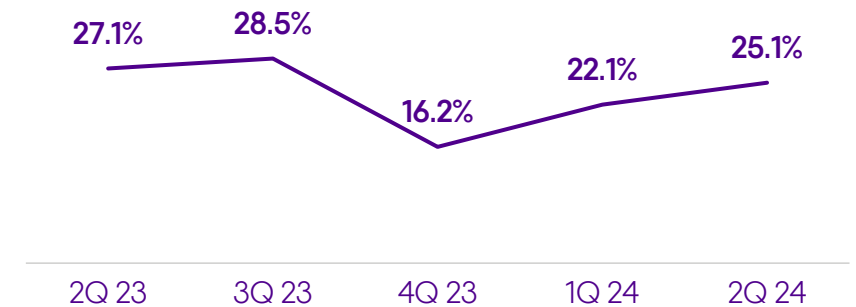
Gross Profit Movement (SARmn)



Management Commentary

- Gross margin decreased by 131 bps year-on-year to 23.6% in H1 2024.
- Yet recovered strongly from 16.2% in Q4 2023 and 22.1% in Q1 2024 to 25.1% in Q2 2024 driven by revenue and sales mix
- Initiatives undertaken in LEAP 2.0 strategy for enhancement in cost of sales to improve gross margins

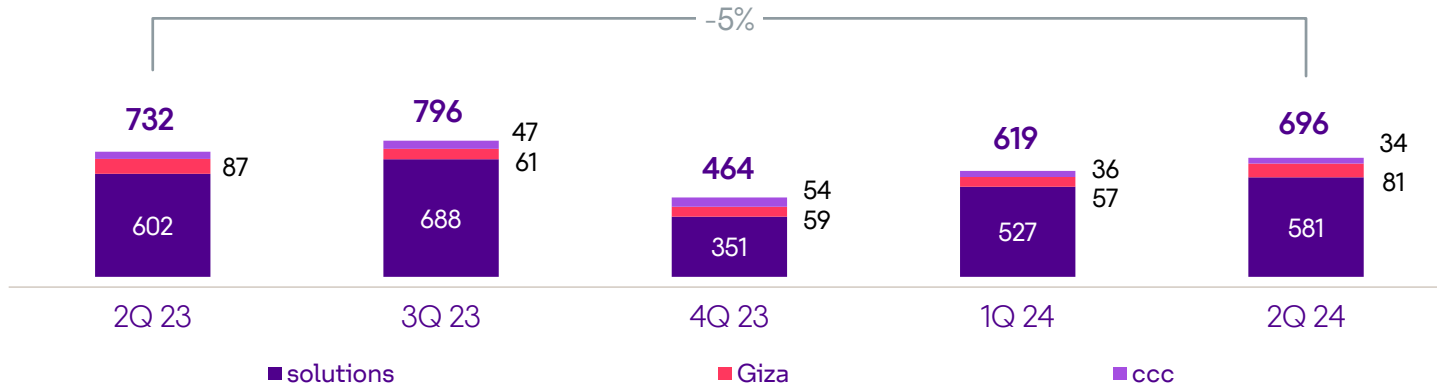
Gross Profit Margin (%)



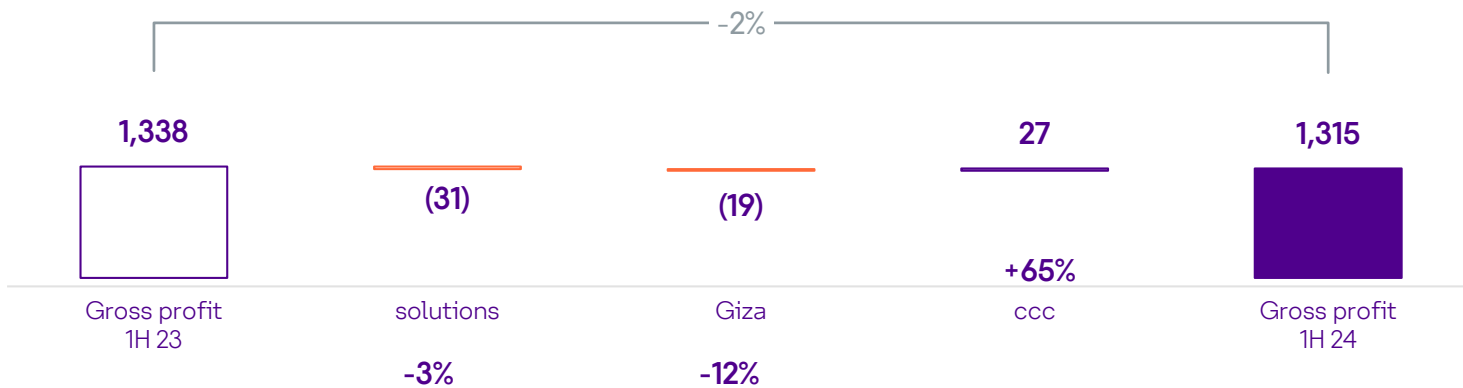
Profitability - Gross Profit Drivers

H1 2024 Gross Profit dynamics reflected projects mix and reallocation of projects across subsidiaries¹

Gross Profit Breakdown by Entity (SARmn)



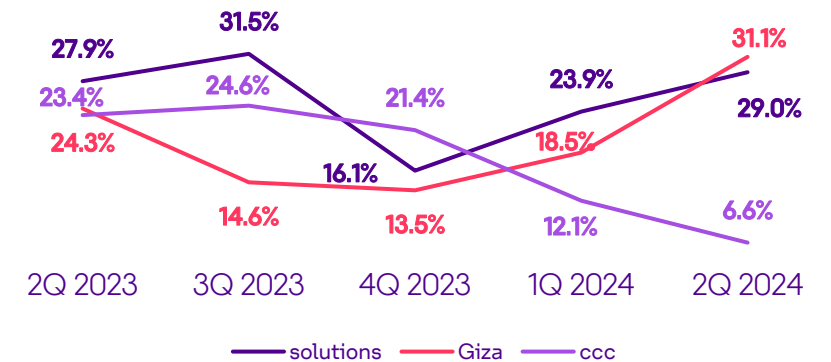
Gross Profit Movement YoY (SARmn)



Management Commentary

- solutions stable gross margins profile enabled by sales and revenue mix
- Gross profit margin of ccc impact due to consolidation of outsourcing business post acquisition
- Gross profit margin profile for Giza increased significantly due to optimization efforts

Gross profit margin by Entity

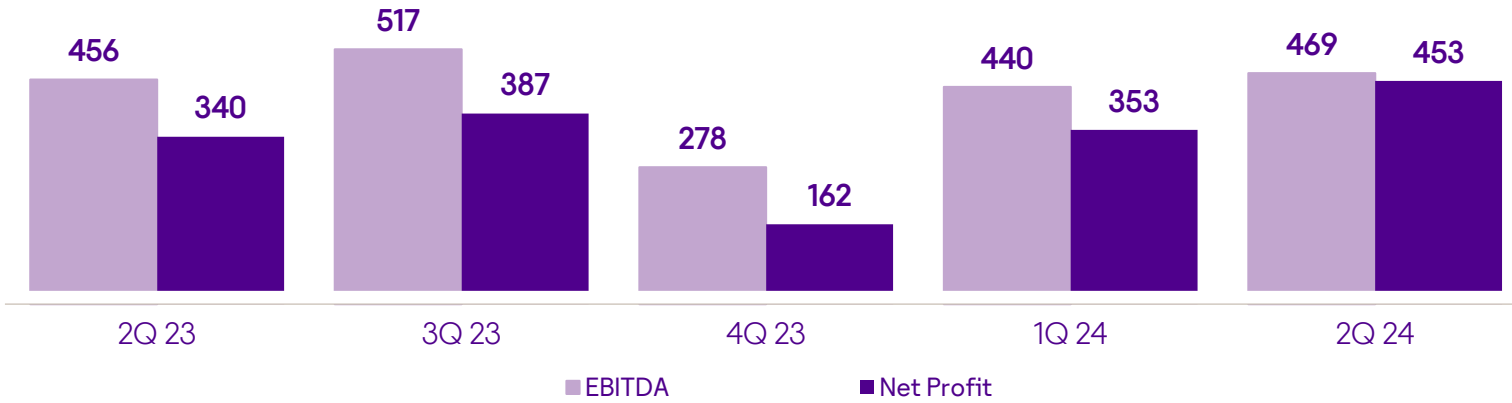


¹ - all numbers are presented after intercompany eliminations

Profitability - EBITDA and Net Profit

Quarterly EBITDA and net profit margins continued to recover YTD

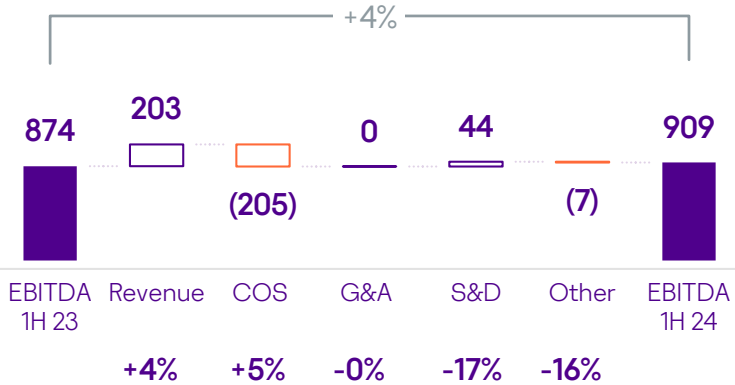
EBITDA & Net Profit Trend (SARmn)



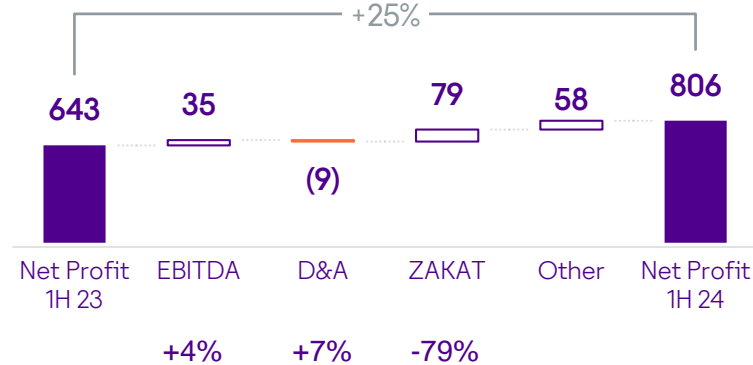
Management Commentary

- EBITDA grew 4% YoY in H1 2024 as a dip in gross margin was offset by cost optimization initiatives
- Net profit to shareholders increased by 25% YoY in H1 2024 due to income from the disposal of a non-core product and lower Zakat expense

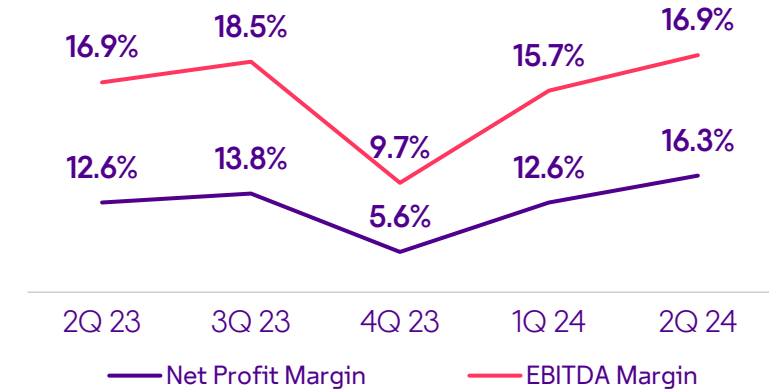
EBITDA Movement YoY (SARmn)



Net Profit Movement YoY (SARmn)



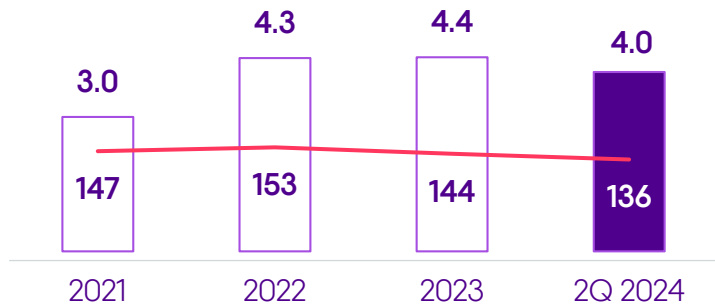
EBITDA & Net Profit Margins (%)



Balance Sheet - Working Capital

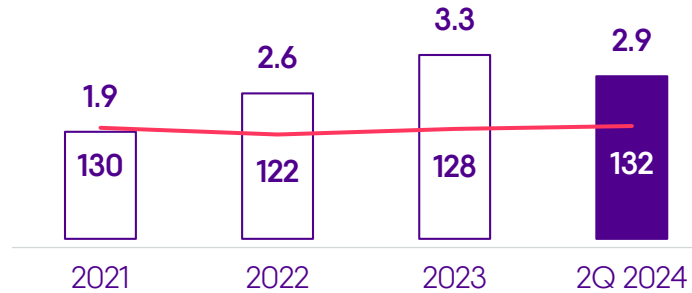
Working capital normalized in Q2 2024 after seasonality impact in Q1 2024

Accounts Receivable (SARbn)



Accounts receivable Days Receivables Outstanding

Accounts Payable (SARbn)

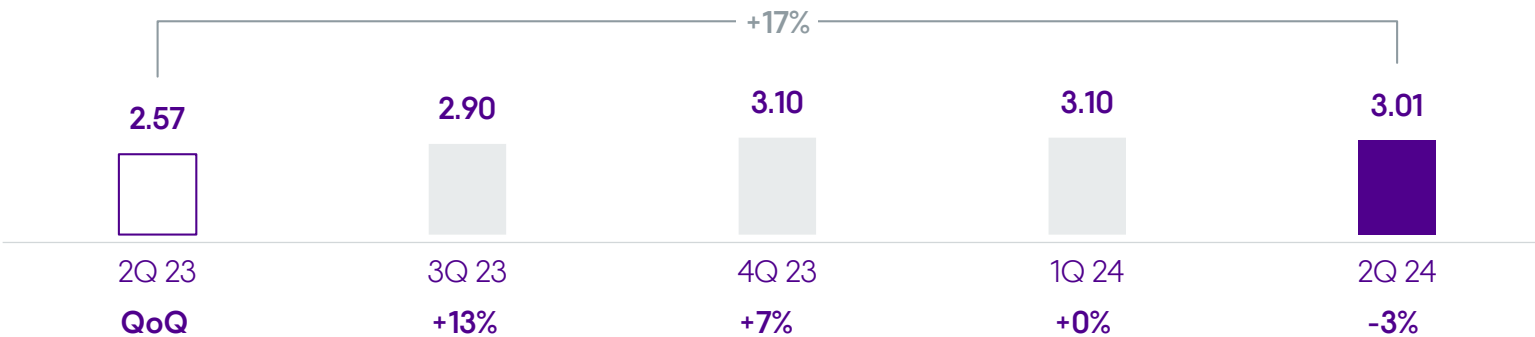


Accounts payable and accruals DPO

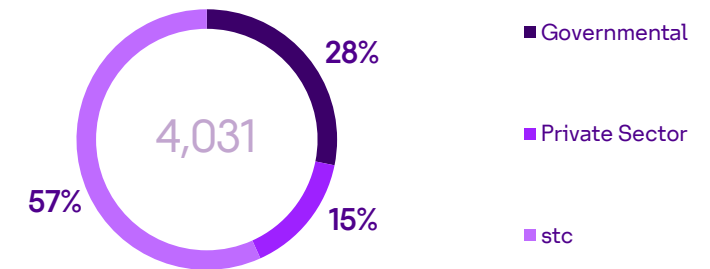
Management Commentary

- As of the end of June 2024, solutions' working capital decreased by 3% QoQ and grew 17% YoY.
- Receivable days retreated to 136 days in Q2 2024 as the collection optimization Q2 2024.
- Payable days extended to 132 days.

Working Capital Performance (SARbn)



Accounts Receivable Composition (%)

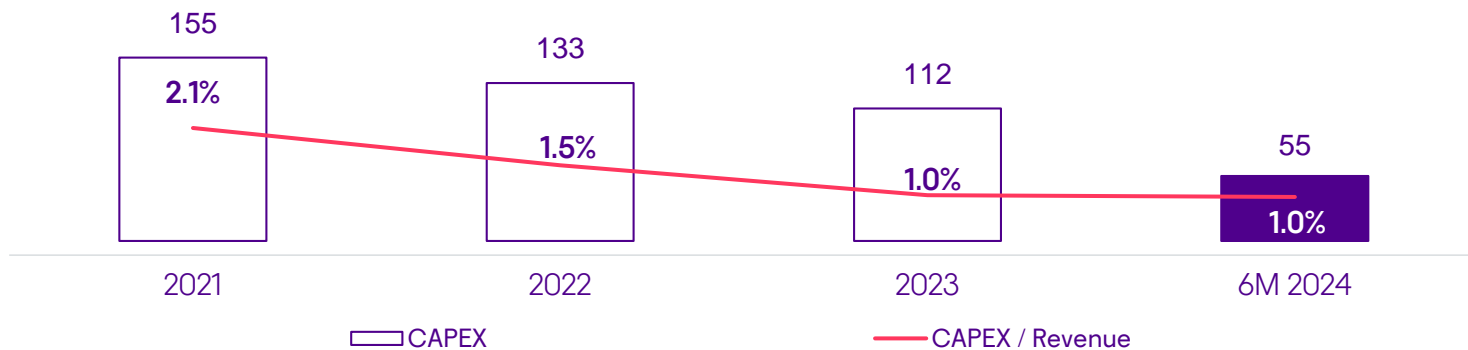


Working Capital = Current Assets - Current Liabilities

Cash Flow Generation

Cash flow generation improved in Q2 2024 but remained negative in H1 2024 due to working capital cycle impact in Q1 2024

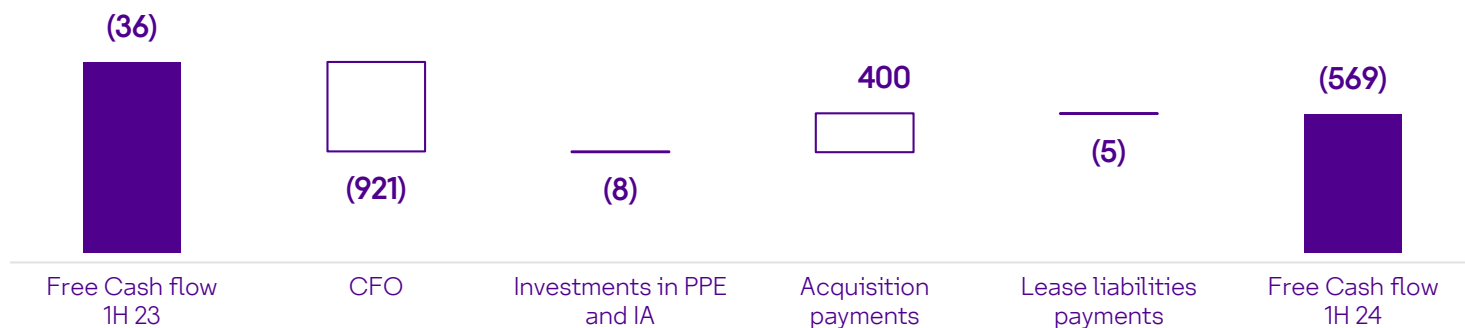
Capital Expenditures (SARmn)



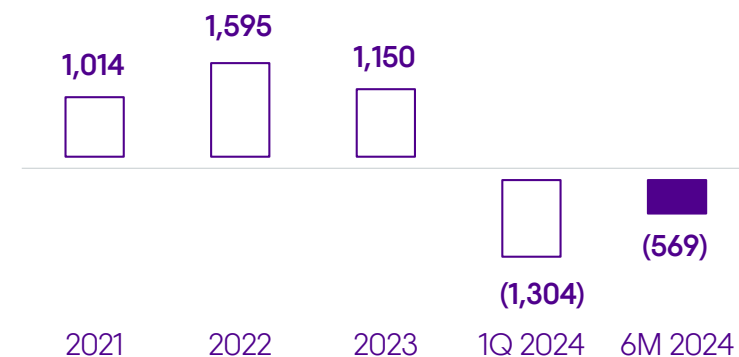
Management Commentary

- OCF surged 10x YoY to SAR 954mn in Q2 2024 due to optimization in collection in Q2 2024
- 1H 2024 FCF improved to SAR -569mn compared to SAR -1.3bn in Q1 2024.
- Net cash position amounted to SAR 1.22bn as of end of June 2024, after dividend distribution.

Free Cash Flow Movement (SARmn)



Free Cash Flow (SARmn)

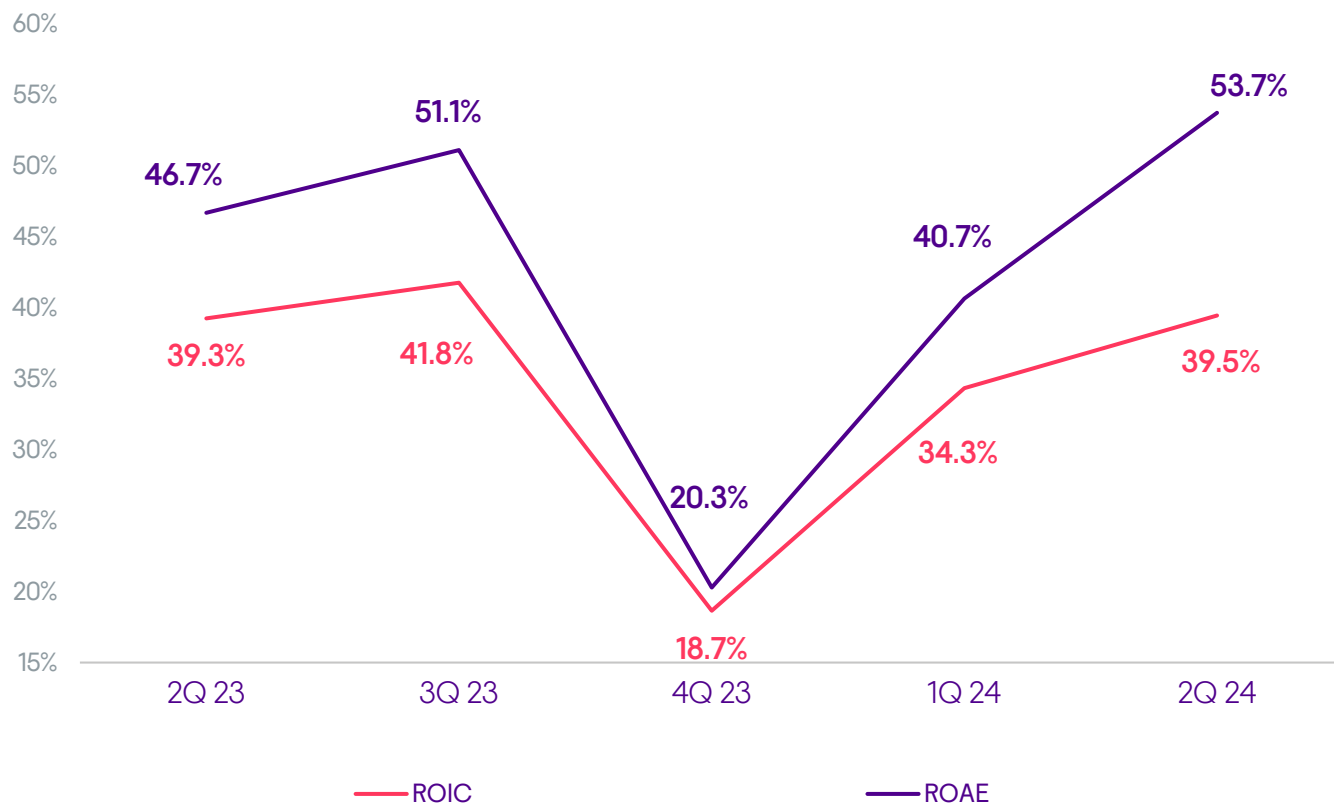


Free Cash Flow = CFO - CAPEX - Lease liabilities payments - Purchase of treasury shares - Payment for acquisition of subsidiary

Returns and Dividends

High returns and progressively growing dividends

Return Ratios (%)

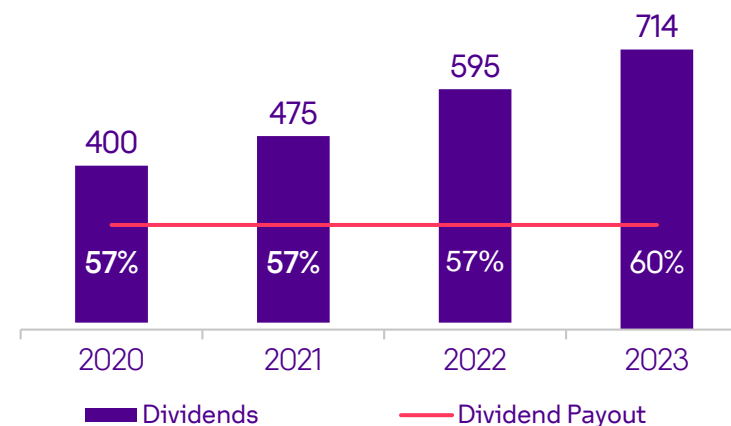


ROIC = EBIT / Invested Capital (Net Working Capital + PPE + Goodwill + Other Operating Assets)
ROAE = Net income / Average Total Equity

Management Commentary

- Capex-light business model generates high returns and allows for generous dividends.
- The company distributed dividends of SAR 6.0 per share in Q2 2024 for 2023. This marked 20% growth YoY, with a payout ratio of 60%.

Dividends (SARmn)



Outlook and Guidance

solutions maintains its 2024 guidance

	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%

	H1 2024 Results	FY 2024 Guidance
Revenue Growth	4%	8% - 11%
EBITDA Margin	16.3%	13% - 15%
Capex Intensity	1.0%	1.0% - 1.5%

5 Contact Details

IR Contact Details

Contact solutions by stc investor relations team

Abdullah Al-Dayel

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