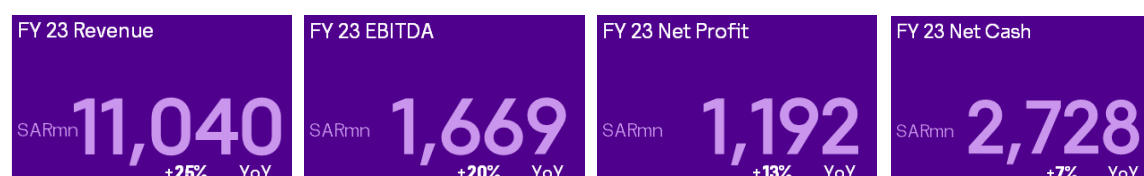


Earnings Release

solutions by stc reports 25% revenue growth to SAR 11,040 million in FY 2023



FY 2023 Highlights:

- +25% YoY revenue growth to SAR 11.04 billion
- +69bps YoY increase in gross profit margin to 23.5%
- EBITDA margin remains healthy above 15%
- +13% YoY net profit to shareholders reaching SAR 1.19 billion
- Strong net cash position of SAR 2.73 billion

Riyadh, 15th February 2024 – solutions announces solid financial performance in FY 2023 that showed accelerated revenue growth compared with FY 2022 while sustaining profitability and returns. This proves the viability of the company's strategy focused on profitable business expansion and value-accretive acquisitions. As a result, solutions' revenue grew 25% year-on-year to SAR 11.04 billion in FY 2023. Gross margin gains alleviated increased opex pressures, leading to a 20% year-on-year EBITDA growth to SAR 1.67 billion with a 15.1% EBITDA margin. Net profit attributable to shareholders grew 13% year-on-year to SAR 1.19 billion in FY 2023.

Omer Abdullah Alnomany, CEO of solutions, commented: "We are pleased to deliver strong FY 2023 financial results as we continue to create value for our shareholders. We have refreshed our LEAP strategy that remains focused on profitable growth, which we plan to maintain through bolstering our core business with growth in emerging technologies, innovation, strategic partnerships and operating excellence. Coupled with our strong leadership in ICT services market, efficient business model and selective value-accretive acquisitions, we are confident in our ability to embrace growth opportunities that arise from Saudi Arabia's strategic transformation and create value for our shareholders".

In FY 2023, solutions' top-line growth was driven by IT Managed and Operational Services that saw a 40% year-on-year increase in revenue and accounted for 30% of the total revenue. Core ICT Services grew by 26% year-on-year, contributing 54% to the FY 2023 total revenue, while Digital Services revenue climbed 5% year-on-year, making up 16% of total revenue.

solutions' revenue generation in 2023 was supported by consolidation of Giza in October 2022 and ccc in April 2023. Core solutions business generated 81% of the total FY 2023 revenue, with Giza and others contributing 14% and 6%, respectively.

The company continued to diversify its customer base last year with revenue from the private sector surging 48% year-on-year to SAR 2.35 billion. This accounted for 21% of total revenue in FY 2023 vs. 18% a year ago. Government remained the largest contributor accounting for a 44% share in FY 2023, although revenue grew 9% year-on-year; given that the government is the largest

spender in the ICT market. Contributions from the parent company, stc, increased to 35% of total revenue in FY 2023 from 31% a year ago.

Gross margin increased by 69 bps year-on-year to 23.5% in FY 2023. Profitability growth showcases our market positioning, synergies unlocked by our M&A's and efficient project delivery.. Furthermore, favorable product mix changes and cost optimization initiatives resulted in material gross margin improvements in 2Q 2023 and 3Q 2023. At the same time, a drop in gross margin in 4Q 2023 reflected the changed business seasonality, as a significant number of government-related projects had expedited delivery in 3Q 2023, causing accelerated revenue growth and stronger margins in 3Q 2023 partially at the expense of 4Q 2023 performance.

Increased operating expenses were mitigated by gross margin gains in 2023, resulting in EBITDA growth of 20% year-on-year and an EBITDA margin of 15.1% in FY 2023. Net profit grew 13% year-on-year. The net profit margin declined to 10.8%, due to a rise in Zakat expense prompted by the consolidation of Giza and ccc.

solutions' operating cash flow decreased 19% year-on-year to SAR 1.72 billion in FY 2023, which reflected investments in working capital mostly related to overall business growth. Investments in property, equipment and intangible assets amounted to SAR 112 million in FY 2023, whereas SAR 415 million spent on acquisitions mostly comprised the payment made for ccc in April 2023. This enabled the company to generate strong free cash flow, which saw the net cash position increasing to SAR 2.73 billion as of the end of December 2023.

Following the announcement of a binding offer to acquire 40% of Devoteam Middle East, solutions informed about the completion of the deal on the 4th of February 2024. The total enterprise value (EV) of Devoteam Middle East SAR amounted to 741.7 million. The announcement followed all the necessary regulatory approvals issued by the relevant authorities in Saudi Arabia. The deal will help solutions diversify its business portfolio, extract synergies with its core business, expand into new markets and strengthen its one-stop-shop value proposition for clients in the KSA and the broader MENA region.

Financial Review

Financial Performance Highlights

SAR (million)	4Q 2023	4Q 2022	YoY Δ%	FY 2023	FY 2022	YoY Δ%
Revenue	2,868	2,438	+18%	11,040	8,805	+25%
Gross profit	464	514	-10%	2,598	2,011	+29%
Gross Profit Margin (%)	16.2%	21.1%	-4.9%	23.5%	22.8%	+0.7%
EBITDA	278	306	-9%	1,669	1,392	+20%
EBITDA Margin (%)	9.7%	12.6%	-2.9%	15.1%	15.8%	-0.7%
Net Profit	162	197	-18%	1,192	1,053	+13%
Net Profit Margin (%)	5.6%	8.1%	-2.4%	10.8%	12.0%	-1.2%
Capex (organic)	(24)	(61)	-61%	(112)	(134)	-16%
Free Cash Flow	997	(83)	n/m	1,150	1,595	-28%
Net Debt/(Cash)	(2,728)	(2,548)	+7%	(2,728)	(2,548)	+7%

Revenue grew 25% year-on-year to SAR11.04 billion in FY 2023. Gross profit increased by 29% year-on-year to SAR 2.60 billion in FY 2023. EBITDA expanded by 20% year-on-year to SAR 1.67 billion, as gross margin gains outpaced growth of selling and distribution costs. Net profit attributable to shareholders grew 13% year-on-year to SAR1.19 billion in FY 2023. solutions' gross debt portfolio (excluding lease liabilities) saw a slight increase of 3% quarter-on-quarter to SAR 710 million as of the end of 2023. Despite increased working capital investments and acquisition of ccc, the company generated a positive free cash flow of SAR1.15 billion in FY 2023. As a result, solutions' net cash position notably increased quarter-on-quarter to SAR 2.73 billion.

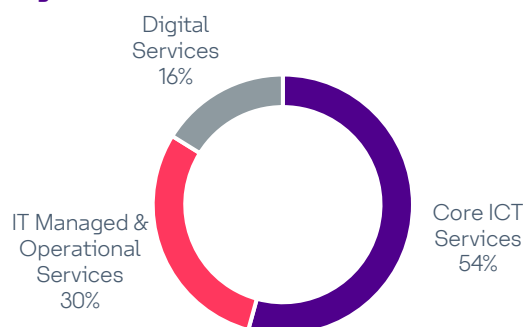
Revenue Breakdown by Business Segment

SAR (million)	4Q 2023	4Q 2022	YoY Δ%	FY 2023	FY 2022	YoY Δ%
Core ICT Services	1,583	1,365	+16%	5,994	4,772	+26%
IT Managed and Operational Services	866	628	+38%	3,262	2,330	+40%
Digital Services	419	444	-6%	1,784	1,704	+5%
Total revenue	2,868	2,438	+18%	11,040	8,805	+25%

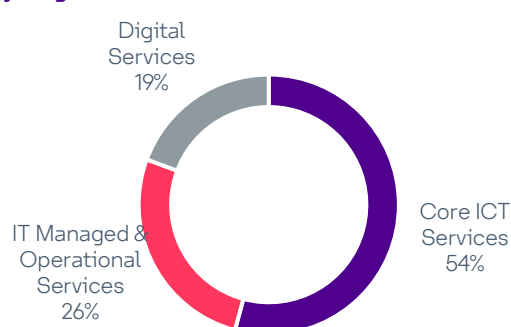
Total revenue increased by 25% year-on-year to SAR 11.04 billion in FY 2023, driven by 40% growth in IT Managed and Operational Services to SAR 3.26 billion and 26% growth in Core ICT Services to SAR 4.77 billion. Digital Services grew 5% to SAR 1.78 billion.

The revenue contribution from Core ICT Services remained flat year-on-year at 54% of total revenue in FY 2023, while the share of IT Managed and Operational Services increased to 30% in FY 2023 versus 26% last year. The share of Digital Services decreased year-on-year to 16% versus 19% a year ago.

FY 2023 Revenue Composition by Segment



FY 2022 Revenue Composition by Segment

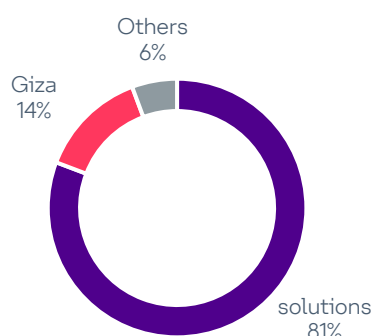


Revenue Breakdown by Entity¹

SAR (million)	4Q 2023	4Q 2022	YoY Δ%	FY 2023	FY 2022	YoY Δ%
solutions	2,182	2,010	+9%	8,916	8,377	+6%
Giza	433	428	+1%	1,501	428	+251%
Others	253	0	n/m	624	0	n/m
Total revenue	2,868	2,438	+18%	11,040	8,805	+25%

Core solutions business generated SAR 8.92 billion revenue in FY 2023, which accounted for 81% of total revenue. A seemingly modest growth of 6% year-on-year reflects certain projects of solutions being transferred to its subsidiaries, which contributed to the strong performance of Giza and ccc. As a result, Giza showed FY 2023 revenue of SAR 1.50 billion, which amounted to 14% of total revenue. Other businesses (including ccc and Sanad) contributed SAR 624 million in revenue during the year, which made up 6% of total revenue in FY 2023.

FY 2023 Revenue Composition by Entity



Revenue Breakdown by Customer Type

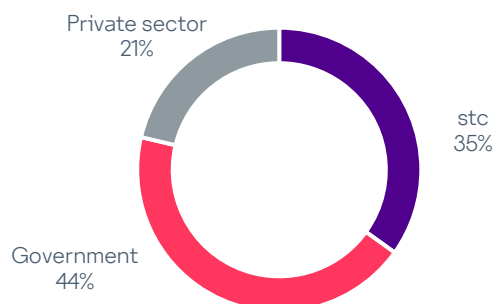
During 2023, solutions continued to diversify its customer portfolio. The government segment continued to be the major source of revenue, having brought SAR 4.83 billion in FY 2023, up 9% year-on-year. However, its share declined to 44% in FY 2023 versus 51% a year ago, which reflects a more rapid growth across other customer segments.

The share of stc in solutions' revenues grew to 35% in FY 2023 compared with 31% a year ago as revenue from the parent company increased by 40% year-on-year to SAR 3.85 billion.

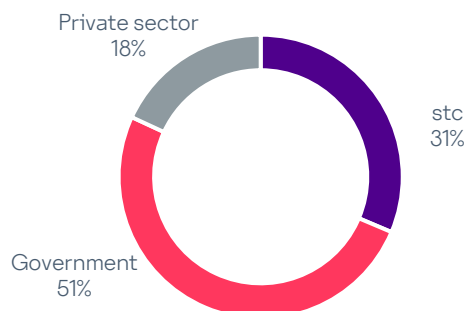
The private sector was the top performer with revenue growth of 48% year-on-year to SAR 2.35 billion. As a result, the share of private customers in solutions' total revenue increased from 18% in FY 2022 to 21% in FY 2023. This confirms the effectiveness of the company's efforts to expand into the high-potential small and medium enterprise (SME) segment amid its growing importance and contribution to the national economy.

¹ The numbers for entities are provided after intercompany eliminations

FY 23 Revenue Composition by Type



FY 22 Revenue Composition by Type



Revenue Breakdown by Type of Customer

SAR (million)	4Q 2023	4Q 2022	YoY Δ%	FY 2023	FY 2022	YoY Δ%
stc	1,136	686	+66%	3,854	2,762	+40%
Government	1,162	1,113	+4%	4,835	4,449	+9%
Private sector	571	639	-11%	2,352	1,594	+48%
Total revenue	2,868	2,438	+18%	11,040	8,805	+25%

Gross margin improvement offsets increased operating expenses

In FY 2023, the gross margin gained 69 bps year-on-year to 23.5%. The increase was prompted by significant gross margin gains in 2Q 2023 and 3Q 2023, reflecting the improvement in the sales mix, cost optimization initiatives and efficient execution of certain projects. This offset a lower gross margin in 4Q 2023 as a number of government-related projects had expedited delivery in 3Q 2023, causing accelerated revenue growth and stronger margins in 3Q 2023 at the expense of 4Q 2023 performance.

Stronger gross margin alleviated pressure from selling and distribution expenses that doubled year-on-year. The general and administrative expenses increased by 18% year-on-year, lagging behind the total revenue growth rate in FY 2023.

As a result, the EBITDA margin contracted by 69bps year-on-year to 15.1% in FY 2023. The net profit margin declined to 10.8% in FY 2023 from 12.0% a year ago. This was largely due to increased Zakat expense amid the consolidation of Giza & ccc.

The balance sheet remains robust

solutions' robust cash generation enabled it to finance working capital investments, organic capital spending and acquisitions, while still delivering strong free cash flow in FY 2023. As a result, the company's net cash position grew 43% quarter-on-quarter to SAR 2.73 billion as of end of December 2023. This provides solutions with a strong financial foundation to pursue its expansion plans and deliver value to its shareholders.

Analyst Consensus

SAR (million)	YE 2023 Consensus	YE 2023 Actual	Δ%	# of Analysts
Revenue	10,919	11,040	+1%	18
Cost of Sales	8,301	8,443	+2%	13
Gross Profit	2,593	2,598	+0.2%	16
EBITDA	1,652	1,669	+1%	13
Net Profit (after Zakat)	1,285	1,192	-7%	18

Additional Information

The FY 2023 financial statements, earnings presentation, investor presentation and financial data supplement will be available at:

[Investor relations – solutions by stc](#)

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