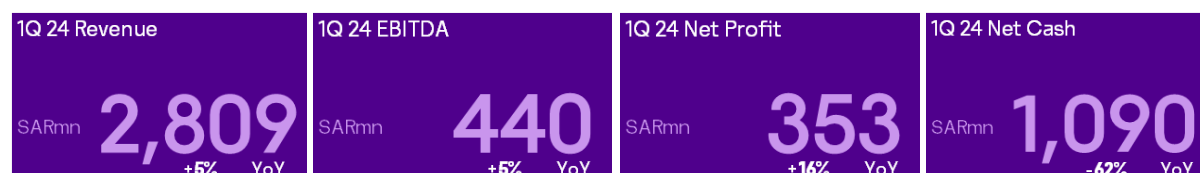


## Earnings Release

# solutions by stc reports 16% net profit growth to SAR 353 million in 1Q 2024



### 1Q 2024 Highlights:

- +5% YoY revenue growth to SAR 2.81 billion
- Healthy gross profit margin of 22.1%, 587 bps recovery QoQ
- Strong QoQ rebound in EBITDA margin to 15.7%, flat YoY
- +16% YoY growth in net profit to shareholders reaching SAR 353 million
- Solid net cash position of SAR 1.09 billion

**Riyadh, 5<sup>th</sup> May 2024** – solutions announces solid financial results for 1Q 2024 that showed sustainable profitability amid gradual maturation of the business and a strong comparison base of last year. This reflects the continued execution of the company's strategy that targets profitable business expansion augmented by value-accretive acquisitions and partnerships. solutions' revenue grew 5% year-on-year to SAR 2.81 billion in 1Q 2024. Insignificant gross margin decline was broadly offset by opex improvements, resulting in a stable EBITDA margin year-on-year at 15.7%. EBITDA grew 5% year-on-year to SAR 440 million in 1Q 2024. Net profit attributable to shareholders grew 16% year-on-year to **SAR 353 million** in 1Q 2024.

**Omer Abdullah Alnomany, CEO of solutions**, commented: "We are pleased to have a decent start to the year. As our company evolves into a more mature and diversified business, we expectedly observe normalization of growth rates after significant M&A activity and a high comparison base of last year. Importantly, solutions continues to strengthen its leadership positions in ICT services market, while sustaining strong margins. This confirms the viability of our refreshed LEAP strategy that targets profitable growth driven by our core business augmented by adoption of emerging technologies, innovation, strategic partnerships and operating excellence. As such, we remain confident in our ability to drive digital transformation in Saudi Arabia, while generating sustainable investment returns and creating value for our shareholders".

In 1Q 2024, solutions' revenue generation was driven by IT Managed and Operational Services that showed a 15% year-on-year revenue growth and accounted for 28% of the total revenue. Core ICT Services grew by 2% year-on-year, contributing 56% to the 1Q 2024 total revenue, while Digital Services revenue increased by 1% year-on-year, returning 16% of total revenue.

solutions' revenue performance was supported by consolidation of ccc in April 2023, which contributed 10% to consolidated revenue in 1Q 2024. Core solutions business accounted for 79% of the total revenue, while the share of Giza amounted to 11%.

The company continued to diversify its customer base in 1Q 2024. Revenue from the private sector increased by 2% year-on-year, with its revenue share remaining flat at 23%. Revenue from the

parent company, stc, which is the biggest contributor to ICT spending in the region, grew 24% year-on-year and accounted for 38% of total revenue in 1Q 2024 compared with 32% a year ago. This offset a slight decline in government revenue from a high base of last year, which resulted in a 40% share of the total revenue in 1Q 2024 versus 45% a year ago.

Gross margin decreased by 59 bps year-on-year to 22.1% in 1Q 2024. At the same time, 1Q 2024 gross margin marked a notable rebound quarter-on-quarter supported by a more balanced mix of projects.

Operating expenses remained unchanged year-on-year and decreased by 44 bps as a percentage of revenue, which ensured year-on-year stable EBITDA margin of 15.7% and EBITDA growth of 5% year-on-year in 1Q 2024. Net profit attributable to shareholders grew 16% year-on-year with a net profit margin rising to 12.6%, due to lower finance costs and Zakat expense.

Solutions had a negative operating cash flow of SAR 1.46 billion in 1Q 2024, which reflected increased investments in working capital. This was mostly related to increased receivables and contract assets due to continued growth of business as well as temporary cyclicality in billing process, which is expected to reverse in 2Q 2024. Investments in property, equipment and intangible assets grew by 18% year-on-year to SAR 31 million in 1Q 2024. All in all, significant working capital requirements were absorbed by solutions' net cash position that remained at a healthy level of SAR 1.09 billion as of the end of March 2024.

## Financial Review

### Financial Performance Highlights

SAR (million)	1Q 2024	1Q 2023	YoY Δ%
<b>Revenue</b>	<b>2,809</b>	<b>2,676</b>	<b>+4.9%</b>
<b>Gross profit</b>	<b>619</b>	<b>606</b>	<b>+2.2%</b>
Gross Profit Margin (%)	22.1%	22.6%	-0.59%
<b>EBITDA</b>	<b>440</b>	<b>419</b>	<b>+5.2%</b>
EBITDA Margin (%)	15.7%	15.6%	+0.0%
<b>Net Profit</b>	<b>353</b>	<b>304</b>	<b>+16.3%</b>
Net Profit Margin (%)	12.6%	11.4%	+1.2%
<b>Capex (organic)</b>	<b>(31)</b>	<b>(26)</b>	<b>+18.4%</b>
<b>Free Cash Flow</b>	<b>(1,304)</b>	<b>319</b>	<b>n/m</b>
<b>Net Debt/(Cash)</b>	<b>(1,090)</b>	<b>(2,848)</b>	<b>-61.7%</b>

Revenue grew 5% year-on-year to SAR 2.81 billion in 1Q 2024. Gross profit increased by 2% year-on-year to SAR 619 million in 1Q 2024. EBITDA increased by 5% year-on-year to SAR 440 million, as lower gross margin was offset by opex improvements in relative terms. Net profit attributable to shareholders grew 16% year-on-year to SAR 353 million in 1Q 2024 with 123 bps higher net profit margin year-on-year. solutions' gross debt portfolio (excluding lease liabilities) fell 4% year-on-year to SAR 717 million as of the end of March 2024. Increased working capital investments resulted in the company's net cash position decreasing to SAR 1.09 billion.

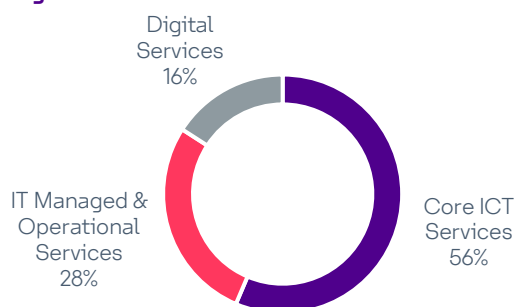
### Revenue Breakdown by Business Segment

SAR (million)	1Q 2024	1Q 2023	YoY Δ%
Core ICT Services	1,584	1,559	+2%
IT Managed and Operational Services	778	674	+15%
Digital Services	446	443	+1%
<b>Total revenue</b>	<b>2,809</b>	<b>2,676</b>	<b>+5%</b>

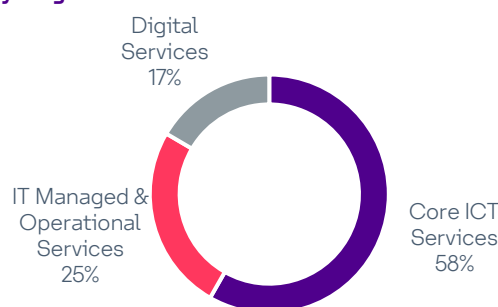
Total revenue increased by 5% year-on-year to **SAR 2.81 billion** in 1Q 2024, driven by 15% growth in IT Managed and Operational Services to SAR 778 million due to consolidation of ccc in April 2023. Core ICT Services grew 2% to SAR 1.58 billion. Digital Services grew 1% to SAR 446 million.

The revenue contribution from Core ICT Services declined from 58% of total revenue in 1Q 2023 to 56% in 1Q 2024, while the share of IT Managed and Operational Services increased to 28% in 1Q 2024 versus 25% last year. The share of Digital Services decreased year-on-year to 16% versus 17% a year ago.

#### 1Q 2024 Revenue Composition by Segment



#### 1Q 2023 Revenue Composition by Segment



### Revenue Breakdown by Entity<sup>1</sup>

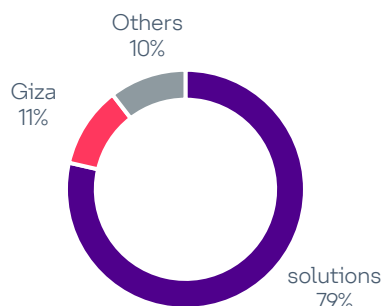
SAR (million)	1Q 2024	1Q 2023	YoY Δ%
solutions	2,207	2,386	-8%
Giza	308	290	+6%
Others	293	0	n/m
<b>Total revenue</b>	<b>2,809</b>	<b>2,676</b>	<b>+5%</b>

Core solutions business generated SAR 2.21 billion revenue in 1Q 2024, which accounted for 79% of total revenue. An optical decline in solutions' revenue reflects a modified business model, which aims at efficient utilization of a diverse set of capabilities of solutions and its subsidiaries. As such, projects are allocated to a certain entity on the 'best fit' principle as opposed to execution of all projects by solutions a year ago. As a result, Giza delivered 1Q 2024 revenue

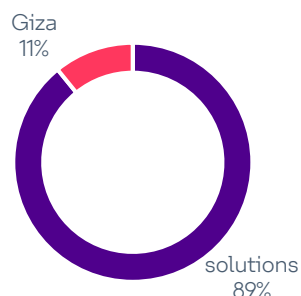
<sup>1</sup> The numbers for entities are provided after intercompany eliminations

growth of 6% year-on-year to SAR 308 million, which accounted for 11% of total revenue. Other businesses (including ccc and Sanad) contributed SAR 293 million in 1Q 2024, which amounted to 10% of total revenue last quarter.

### 1Q 2024 Revenue Composition by Entity



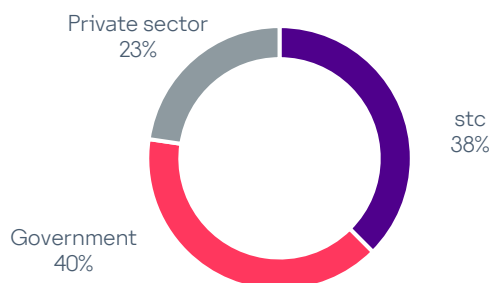
### 1Q 2023 Revenue Composition by Entity



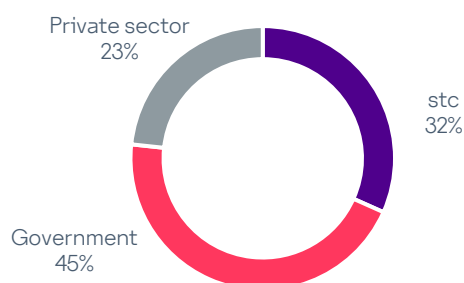
### Revenue Breakdown by Customer Type

Revenue from the parent company, stc, grew 24% year-on-year to SAR 1.05 billion and accounted for 38% of total revenue in 1Q 2024 compared with 32% a year ago. This helped to offset a 7% year-on-year decline in revenue from the government due to a high comparison base of last year. Revenue from the private sector increased by 2% year-on-year to SAR 637 million from a high comparison base, with its revenue share remaining flat at 23%.

### 1Q 24 Revenue Composition by Type



### 1Q 23 Revenue Composition by Type



### Revenue Breakdown by Type of Customer

SAR (million)	1Q 2024	1Q 2023	YoY Δ%
stc	1,054	848	+24%
Government	1,118	1,205	-7%
Private sector	637	624	+2%
<b>Total revenue</b>	<b>2,809</b>	<b>2,676</b>	<b>+5%</b>

### **Lower gross margin offset by operating cost efficiency gains**

The gross margin declined 59 bps year-on-year to 22.1% in 1Q 2024 from a high comparison base of last year. At the same time, gross profitability showed a significant quarter-on-quarter recovery supported by a more balanced mix of projects.

Operating expenses remained broadly flat year-on-year as a 6% growth in general and administrative costs was offset by a 9% decline in selling and distribution expenses. As a result, operating expenses decreased by 44 bps as a percentage of revenue, which preserved EBITDA margin of 15.7% and ensured EBITDA growth of 5% year-on-year in 1Q 2024.

Net profit attributable to shareholders grew 16% year-on-year with a net profit margin rising to 12.6%, due to lower finance costs and Zakat expense.

### **Strong balance sheet helped to absorb temporary cash flow swings**

solutions experienced increased working capital requirements in 1Q 2024 amid higher receivables and contract assets. This was mostly related to a temporary volatility in the billing cycle for some projects, which is expected to reverse in coming quarters. The company's robust balance sheet helped to absorb these cash flow swings in 1Q 2024. As a result, the company's net cash position decreased to SAR 1.09 billion as of end of March 2024, which still provides solutions with substantial financial flexibility to pursue growth and deliver returns.

### Analyst Consensus

SAR (million)	1Q 2024 Consensus	1Q 2024 Actual	Δ%	# of Analysts
Revenue	3,041	2,809	-8%	11
Cost of Sales	2,339	2,189	-6%	2
Gross Profit	690	619	-10%	2
EBITDA	454	440	-3%	2
Net Profit (after Zakat)	347	353	2%	12

### Additional Information

The 1Q 2024 financial statements, earnings presentation, investor presentation and financial data supplement will be available at:

[Investor relations – solutions by stc](#)

For more information, please contact solutions:

solutions by stc  
Post Code 11372, PO BOX 50  
Riyadh, Kingdom of Saudi Arabia

#### Investor contact

solutions Investor Relations

Abdullah Aldayel | Head of Investor Relations

[aaldayel@solutions.com.sa](mailto:aaldayel@solutions.com.sa)

Faisal Altimyat | Manager of Investor Relations

[faltimyat@solutions.com.sa](mailto:faltimyat@solutions.com.sa)



# Download our IR App

