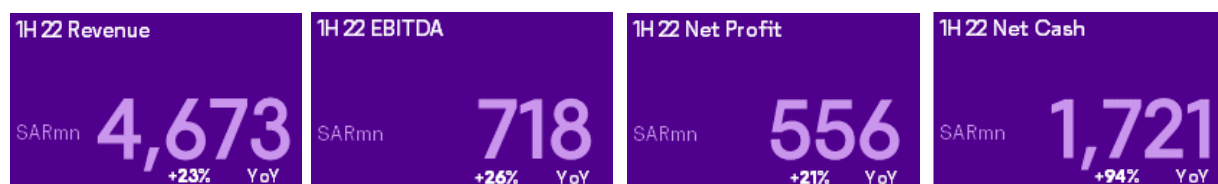


Earnings Release

solutions by stc reports 21% net profit growth to SAR 556 million in 1H 2022



1H 2022 Highlights:

- +23% YoY revenue growth to SAR 4.67 billion
- +37bps YoY improvement in EBITDA margin to 15.4%
- +21% YoY growth in net profit to SAR 556 million
- Solid free cash flow generation of SAR 588 million for the first half
- Strong net cash position of SAR 1.72 billion as of 30 June 2022

Riyadh, 3rd August 2022 - In line with its LEAP strategy, which focuses on growth and efficiency, solutions delivered a healthy performance in 1H 2022. Double-digit revenue growth to SAR 4.67 billion combined with stronger operating performance resulted in 21% year-on-year net profit growth to SAR 556 million. solutions' Core ICT Services was the primary growth driver in 1H 2022, with revenue growth of 33% for the segment.

Omer Abdullah Alnomany, CEO of solutions, commented on the 1H 2022 performance: "Our first half results reflect the growing ICT sector activity in Saudi Arabia, as we closed the first half of 2022 on a strong note. We continue to meet our objectives across the board; revenue growth, profitability, cash generation, and return metrics were all in line to better position us to achieve our long-term strategic objectives." He added: "As Saudi Arabia's economic growth accelerates throughout 2022, we anticipate that the country's digital aspirations as outlined by Vision 2030 will continue to materialize and that digital transformation efforts will intensify. As the market leader in ICT services, solutions stands to benefit from these favorable macroeconomic and industry conditions."

solutions has also started executing on its inorganic growth strategy with the announcement on 4 April of the signing of a binding offer to acquire 89.5% of Giza Systems Company in addition to the 34% of Giza Arabia not owned by Giza Systems for a total EV of USD 158 million. The transaction, which solutions expects to close in 3Q 2022, is the first deal of an M&A strategy that is set to be an important growth driver for the company going forward. The acquisition of Giza Systems Company will enable solutions to diversify geographically by entering the large and promising Egyptian IT market and service-wise by expanding its portfolio with application integration, development, and management services.

GDP growth is now seen expanding at 7.6% in 2022, according to the IMF's latest forecast in July 2022 (accelerating further from the 6.8% growth recorded in 4Q 2021 and the 3.2% growth for FY2021 as a whole). As a result, it is expected that government, semi-government entities, and private sector companies will further increase IT expenditures.

Financial Review

Financial Performance Highlights

SAR (million)	2Q 2022	2Q 2021	Δ%	1H 2022	1H 2021	Δ%
Revenue	2,254	1,937	+16.4%	4,673	3,804	+22.8%
Gross profit	505	432	+16.9%	999	821	+21.6%
Gross Profit Margin (%)	22.4%	22.3%	+0.10%	21.4%	21.6%	-0.23%
EBITDA	350	315	+11.1%	718	570	+25.9%
EBITDA Margin (%)	15.5%	16.2%	-0.73%	15.4%	15.0%	+0.37%
Net Profit	273	256	+6.6%	556	461	+20.5%
Net Profit Margin (%)	12.1%	13.2%	-1.11%	11.9%	12.1%	-0.23%
Capex	25	36	-32.6%	43	78	-44.6%
Free Cash Flow	392	(10)	-	588	296	+98.7%
Net Debt (Cash)	(1,720)	(887)	+93.8%	(1,721)	(888)	+93.7%

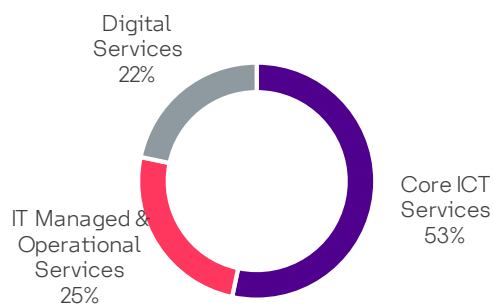
As the table above indicates, revenue increased by 22.8% to SAR 4.67 billion in 1H 2022, leading to a 37 bps improvement in EBITDA margin to 15.4%. As a result of this revenue growth and profitability improvement, net profit grew 20.5% to SAR 556 million in 1H 2022. On the balance sheet, solutions raised a debt of SAR 499 million in 2Q 2022 to support its growth ambitions and optimize its capital structure. Despite the newly introduced debt, solutions managed to increase its net cash position to SAR 1.72 billion, given the free cash flow generation of SAR 392 million during 2Q 2022. Although working capital requirements increased in 1H 2022, free cash flow generation was supported by a drop in capital expenditures by 44.6% to SAR 43 million.

Revenue Breakdown by Business Segment

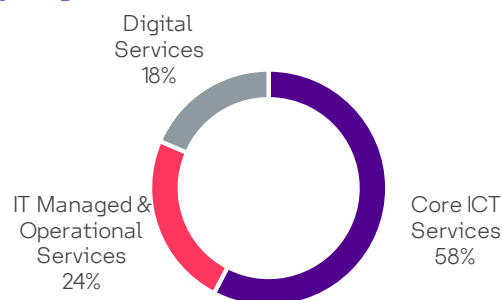
SAR (million)	2Q 2022	2Q 2021	Δ%	1H 2022	1H 2021	Δ%
Core ICT Services	1,232	1,020	+20.8%	2,693	2,029	+32.7%
IT Managed and Operational Services	586	481	+21.8%	1,116	948	+17.7%
Digital Services	437	436	+0.1%	864	827	+4.5%
Total Revenue	2,254	1,937	+16.4	4,673	3,804	+22.8%

Total revenue increased by 22.8% to SAR 4.67 billion on the back of strong 32.7% growth in Core ICT Services to SAR 2.69 billion and 17.7% growth in IT Managed and Operational Services to SAR 1.11 billion. Digital Services grew by a more modest 4.5% to SAR 864 million.

1H 2021 Revenue Composition by Segment



1H 2022 Revenue Composition by Segment

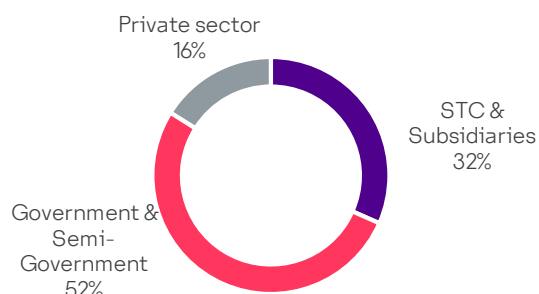


The faster growth in Core ICT Services resulted in a higher revenue contribution coming from this business segment, which accounted for 58% of revenue in 1H 2022.

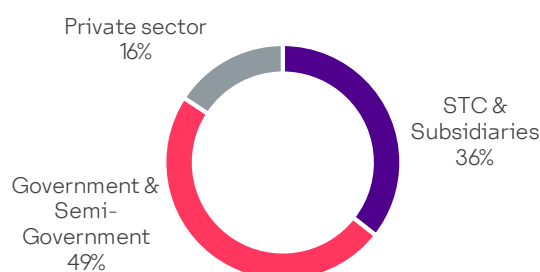
Leveraging solutions' privileged relationship with stc

Parent company stc has been an anchor customer for solutions; given stc's long-term strategic positioning in the ICT market. In 1H 2022, 36% of revenues were generated from sales to stc, up from 32% in 1H 2021. solutions booked the bulk of the revenues related to a major data center project with its parent company in 1Q 2022.

1H 2021 Revenue Composition By Customer Type



1H 2022 Revenue Composition By Customer Type



As part of Vision2030, the Saudi government has implemented many digitization initiatives, which translated into opportunities for solutions. The government and semi-government segment added close to SAR 282 million of revenue in 1H 2022, or +14.2% YoY.

Revenue Breakdown by Type of Customer

SAR (million)	2Q 2022	2Q 2021	Δ%	1H 2022	1H 2021	Δ%
stc & Subsidiaries	666	576	+15.6%	1,663	1,202	+38.4%
Government & Semi-Government	1,200	1,040	+15.4%	2,272	1,990	+14.2%
Private Sector	388	321	+21.0%	738	612	+20.5%
Total Revenue	2,254	1,937	+16.4%	4,673	3,804	+22.8%

Private sector sales experienced the second strongest segmental growth in 1H 2022, increasing 20.5% year-on-year to SAR 738 million, supported by solutions' increasing focus on this segment, particularly within the SME category. The private sector SME segment is not only underserved, but it also constitutes a significant portion of the economy, accounting for around 30% of the country's GDP. The government aims to raise this contribution further to 35% by 2030.

Improved operating profitability despite a marginal decline in GPM

In 1H 2022, solutions EBITDA margin improved despite a marginal decline in gross profit margin to 21.4%, from 21.6% in 1H 2021, due to the inherent seasonality of its project-based business. In contrast, overall Operating Expenses (excluding D&A charges) increased +22% YoY.

solutions' balance sheet offers flexibility

As of the end of June 2022, solutions' balance sheet continued to strengthen. With low capital requirements due to an asset-light business model and a net cash position of SAR 1.72 billion. In addition to newly raised debt to support its growth ambitions and optimize its capital structure in the future, solutions' balance sheet provides the company with ample flexibility to increase shareholder value.

- ENDS -

Additional Information

The 1H 2022 financial statements, earnings presentation, and financial data supplement are available at:

[Investor relations – solutions by stc](#)

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