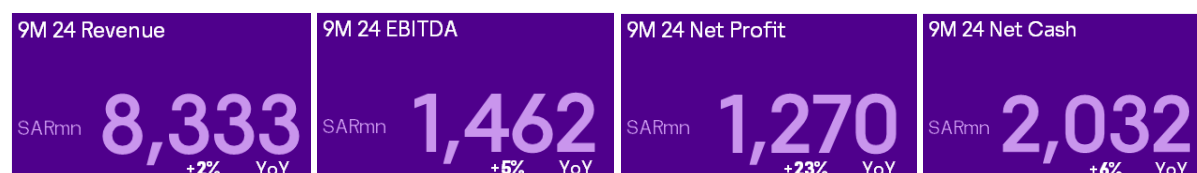


## Earnings Release

# solutions by stc reports 23% net profit growth to SAR 1.27 billion in 9M 2024



### 9M 2024 Highlights:

- +2% YoY revenue growth to SAR 8.33 billion
- Gross profit margin of 24.5% driven by continued quarterly margin improvement
- EBITDA margin of 17.5%, 52bps up YoY
- SAR 1.27 billion net profit to shareholders, up +23% YoY
- Strong net cash position of SAR 2.03 billion

**Riyadh, 27<sup>th</sup> October 2024** – solutions reports solid financial results for 9M 2024 that showed improving operating margins and cash flow generation amid temporary deceleration of revenue growth. Overall, the financial performance reflects a successful execution of the company's strategy focused on profitable growth augmented by value-accretive acquisitions and partnerships. solutions' revenue grew 2% year-on-year to SAR 8.33 billion in 9M 2024. Significant opex improvements fully offset a lower gross margin and resulted in a 52bps year-on-year increase in EBITDA margin to 17.5% in 9M 2024. Net profit attributable to shareholders grew 23% year-on-year to SAR 1.27 billion in 9M 2024.

**Omer Abdullah Alnomany, CEO of solutions**, commented: "We continue to witness business transformation of solutions into a more complex and diversified organization. While retaining strong leadership in our core ICT services market, we expand into other high-growth segments and embrace emerging technologies to reinforce our one-stop-shop value proposition for our customers across the entire digital value chain. At the same time, we remain committed to profitable growth and continue to improve margins and returns as shown by our 9M 2024 financial results. As the leading national provider of innovative IT solutions, we are well positioned to capture significant growth opportunities and contribute to the Kingdom's vision, while delivering consistent investment returns and creating value for our shareholders".

solutions's revenue grew 2% year-on-year to SAR 8.33 billion in 9M 2024. A slight drop in revenue year-on-year in 3Q 2024 was prompted by a mix of reasons related to the project nature of solutions' business, including market-dependent changes in project cycles, a growing share of projects at early stages of execution and various external factors under customers' control that delayed revenue recognition. These temporary factors are expected to reverse and contribute to improved revenue recognition in the coming quarters.

solutions' 9M 2024 revenue growth was steered by IT Managed and Operational Services that saw a 10% year-on-year revenue growth and accounted for 32% of the total revenue. Core ICT Services

declined by 3% year-on-year, contributing 51% to the 9M 2024 total revenue, while Digital Services revenue grew by 5% year-on-year, bringing 17% of total revenue.

Core solutions business continued to be the backbone of the company's operations, having generated 74% of the total revenue in 9M 2024. ccc contributed 16% to the total revenue over the same period, while the share of Giza amounted to 11%.

The company's 9M 2024 revenue remained well diversified across various customer types. Revenue from the parent company, stc, remained the strongest growth driver, having increased by 11% year-on-year and accounted for 36% of total revenue compared with 33% a year ago. This mitigated a slight decline in government revenue from a high base of last year, which resulted in a 43% share of the total revenue in 9M 2024 versus 45% a year ago. Revenue from the private sector decreased by 2% year-on-year, with a revenue share of 21% versus 22% a year ago.

Gross margin decreased by 157 bps year-on-year to 24.5% in 9M 2024. That said, the quarterly gross margin showed a consistent improvement year-to-date from 22.1% in 1Q 2024 to 25.1% 2Q 2024 to 26.5% in 3Q 2024.

Operating expenses fell by 17% year-on-year and decreased by 216 bps as a percentage of revenue, which counterbalanced gross margin decline and resulted in EBITDA margin growth of 52 bps year-on-year to 17.5% in 9M 2024. Absolute EBITDA grew 5% year-on-year to SAR 1.46 billion in 9M 2024. Net profit attributable to shareholders grew 23% year-on-year to SAR 1.27 billion in 9M 2024 with a net profit margin rising to 15.2%, helped by a reversal of Zakat in 3Q 2024.

solutions' operating cash flow turned positive to SAR 554 million in 9M 2024, thanks to strong cash generation in 3Q 2024 and 2Q 2024, which offset cash outflow in 1Q 2024, resulting from a temporary increase in receivables and contract assets. Investments in property, equipment and intangible assets grew by 185% year-on-year to SAR 251 million in 9M 2024. solutions' net cash position increased to SAR 2.03 billion as of the end of September 2024.

## Financial Review

### Financial Performance Highlights

SAR (million)	3Q 2024	3Q 2023	YoY Δ%	9M 2024	9M 2023	YoY Δ%
<b>Revenue</b>	<b>2,753</b>	<b>2,795</b>	<b>-1%</b>	<b>8,333</b>	<b>8,172</b>	<b>+2%</b>
<b>Gross profit</b>	<b>729</b>	<b>796</b>	<b>-8%</b>	<b>2,045</b>	<b>2,134</b>	<b>-4%</b>
Gross Profit Margin (%)	26.5%	28.5%	-2%	24.5%	26.1%	-2%
<b>EBITDA</b>	<b>553</b>	<b>517</b>	<b>+7%</b>	<b>1,462</b>	<b>1,391</b>	<b>+5%</b>
EBITDA Margin (%)	20.1%	18.5%	+2%	17.5%	17.0%	+1%
<b>Net Profit</b>	<b>463</b>	<b>387</b>	<b>+20%</b>	<b>1,270</b>	<b>1,030</b>	<b>+23%</b>
Net Profit Margin (%)	16.8%	13.8%	+3%	15.2%	12.6%	+3%
<b>Capex</b>	<b>(200)</b>	<b>(41)</b>	<b>+393%</b>	<b>(255)</b>	<b>(88)</b>	<b>+190%</b>
<b>Free Cash Flow</b>	<b>814</b>	<b>189</b>	<b>+330%</b>	<b>245</b>	<b>153</b>	<b>+60%</b>
<b>Net Debt/(Cash)</b>	<b>(2,032)</b>	<b>(1,908)</b>	<b>+6%</b>	<b>(2,032)</b>	<b>(1,908)</b>	<b>+6%</b>

Revenue grew 2% year-on-year to SAR 8.33 billion in 9M 2024. Gross profit declined by 4% year-on-year to SAR 2.04 billion in 9M 2024. EBITDA increased by 5% year-on-year to SAR 1.46 billion, as opex efficiency improvements offset a decline in gross margin. Net profit attributable to shareholders grew by 23% year-on-year to SAR 1.27 billion in 9M 2024, while net profit margin increased by 263 bps year-on-year to 15.2%. solutions' gross debt portfolio (excluding lease liabilities) grew by 6% year-on-year to SAR 731 million as of the end of September 2024. The company's net cash position increased to SAR 2.03 billion.

### Revenue Breakdown by Business Segment

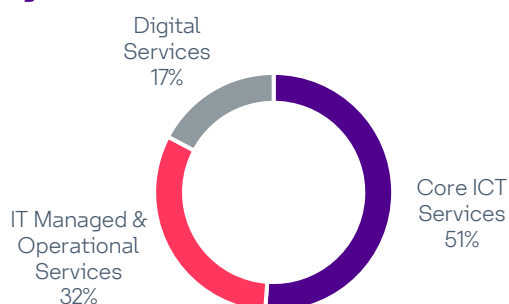
SAR (million)	3Q 2024	3Q 2023	YoY Δ%	9M 2024	9M 2023	YoY Δ%
Core ICT Services	1,373	1,474	-7%	4,262	4,411	-3%
IT Managed and Operational Services	871	897	-3%	2,632	2,396	+10%
Digital Services	509	424	+20%	1,440	1,365	+5%
<b>Total revenue</b>	<b>2,753</b>	<b>2,795</b>	<b>-1%</b>	<b>8,333</b>	<b>8,172</b>	<b>+2%</b>

Total revenue increased by 2% year-on-year to SAR 8.33 billion in 9M 2024, as higher revenues in IT Managed and Operational Services and Digital Services outweighed a revenue decline in Core ICT services.

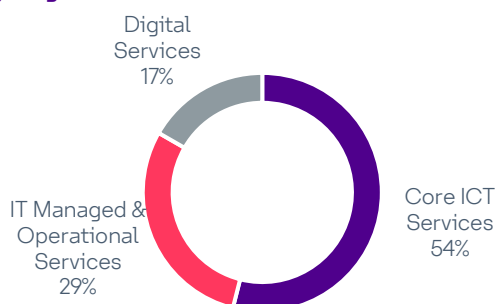
10% revenue growth in IT Managed and Operational Services to SAR 2.63 billion in 9M 2024 was supported by consolidation of ccc in April 2023 and new projects that started to contribute to the top line. Revenue from Core ICT Services fell by 3% to SAR 4.26 as Egyptian Pound depreciation continued to weigh on Giza revenue. Digital Services grew by 5% to SAR 1.44 billion in 9M 2024 driven by higher revenue from cloud services and cybersecurity projects in 3Q 2024.

The revenue share of Core ICT Services declined from 54% of total revenue in 9M 2023 to 51% in 9M 2024, while the contribution from IT Managed and Operational Services increased to 32% in 9M 2024 versus 29% last year. The share of Digital Services remained flat year-on-year at 17%.

**9M 2024 Revenue Composition by Segment\***



**9M 2023 Revenue Composition by Segment\***



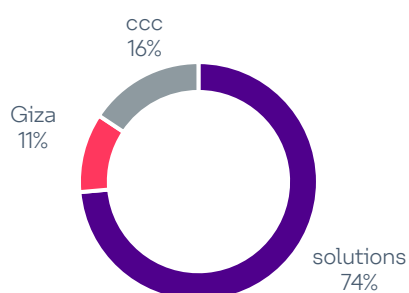
\* The totals may not be equal to 100% due to rounding

### Revenue Breakdown by Entity\*

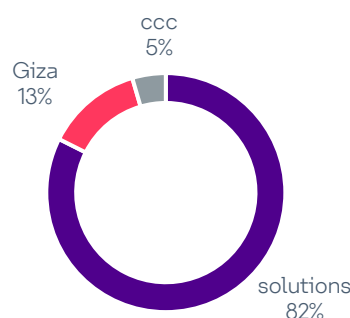
SAR (million)	3Q 2024	3Q 2023	YoY Δ%	9M 2024	9M 2023	YoY Δ%
solutions	1,924	2,186	-12%	6,133	6,734	-9%
Giza	326	417	-22%	894	1,068	-16%
Others	503	191	+164%	1,307	371	+253%
<b>Total revenue</b>	<b>2,753</b>	<b>2,795</b>	<b>-1%</b>	<b>8,333</b>	<b>8,172</b>	<b>+2%</b>

Core solutions business generated SAR 6.13 billion in revenue in 9M 2024, which accounted for 74% of total revenue. A continued optical decline in solutions' standalone revenue shows an evolving business model that aims at the efficient execution of projects by entities within the group that are best fit to accomplish them. As a result, ccc showed 253% year-on-year revenue growth to SAR 1.31 billion, which accounted for 16% of total revenue in 9M 2024 compared with 5% in 9M 2023. The growth was driven by new projects in ccc's portfolio, the rechanneling of some projects from solutions to ccc, as well as ccc consolidation in April 2023. Giza's revenue fell 16% year-on-year to SAR 894 million in 9M 2024 and accounted for 11% of total revenue in 9M 2024 versus 13% a year ago. The decline was mainly driven by the Egyptian Pound depreciation, which reduced Giza's revenue in SAR terms.

#### 9M 2024 Revenue Composition by Entity\*\*



#### 9M 2023 Revenue Composition by Entity\*\*



### Revenue Breakdown by Customer Type

SAR (million)	3Q 2024	3Q 2023	YoY Δ%	9M 2024	9M 2023	YoY Δ%
stc	934	976	-4%	3,018	2,718	+11%
Government	1,227	1,263	-3%	3,562	3,673	-3%
Private sector	592	555	+7%	1,753	1,782	-2%
<b>Total revenue</b>	<b>2,753</b>	<b>2,795</b>	<b>-1%</b>	<b>8,333</b>	<b>8,172</b>	<b>+2%</b>

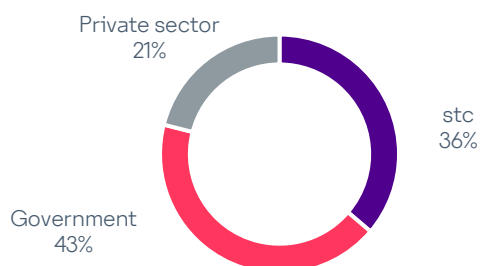
Revenue from the parent company, stc, grew 11% year-on-year to SAR 3.02 billion driven by a backlog of projects. Revenue from stc accounted for 36% of total revenue in 9M 2024 compared

\* The numbers for entities are provided after intercompany eliminations

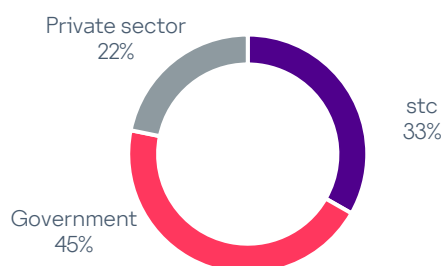
\*\* The totals may not be equal to 100% due to rounding

with 33% a year ago. This mitigated a 3% year-on-year decline in revenue from the government due to changes in project cycles defined by the market dynamics and various external conditions resulting in delayed revenue recognition. This led to a 43% share of revenue from the government versus 45% a year ago. Revenue from private customers fell by 2% year-on-year to SAR 1.75 billion, although in 3Q 2024 standalone the segment showed a 7% revenue growth year-on-year reflecting a healthy backlog of sizeable projects executed for private customers. The share of revenue from the private sector dipped to 21% 9M 2024 compared with 22% in 9M 2023.

**9M 2024 Revenue Composition by Customer Type\***



**9M 2023 Revenue Composition by Customer Type\***



### Operating cost efficiencies drive EBITDA growth

The gross margin decreased by 157 bps year-on-year to 24.5% in 9M 2024. This reflected several factors, including regulatory changes, market dynamics changes, a changing mix of projects with a growing share of lower-margin System Integration services and a high comparison base of last year. At the same time, the quarterly gross margin showed a consistent improvement over 9M 2024 from 22.1% in 1Q 2024 to 25.1% 2Q 2024 to 26.5% in 3Q 2024 driven by efficiency gains.

Operating expenses fell by 17% year-on-year and decreased by 216 bps as a percentage of revenue, which offset gross margin decline. Cost efficiency improvements were mainly driven by selling and distribution expenses that dropped 32% year-on-year in 9M 2024 driven by a significant reduction in provisions for bad accounts receivable and contract assets as a result of improved collection. General and administrative expenses decreased by 5% year-on-year due to the cost optimization program.

This ensured 5% year-on-year EBITDA growth to SAR 1.46 billion in 9M 2024, while EBITDA margin increased by 52 bps to 17.5% in the same period. Net profit attributable to shareholders grew 23% year-on-year to SAR 1.27 billion in 9M 2024 with a net profit margin rising to 15.2%, thanks to a partial reversal of FY 2023 Zakat payment in 3Q 2024 that added to operating income growth.

### Improved cash flow generation reinforced strong balance sheet

solutions generated SAR 1.04 billion operating cash flow in 3Q 2024, which marked 343% year-on-year growth on the back of efficient working capital management. The company's efforts to renegotiate payment terms with key suppliers and enhance partnerships resulted in increased accounts payable, while optimized collection facilitated reduced accounts receivable and contract assets. This helped the company to return to a positive operating cash flow in 9M 2024, which amounted to SAR 561 million.

Investments in property, equipment and intangible assets grew by 190% year-on-year to SAR 255 million in 9M 2024. This reflected a significant increase in investments in 3Q 2024 amid preparation for execution of a sizeable contract in 4Q 2024.

Strong free cash flow generation enabled solutions to increase its net cash position to SAR 2.03 billion as of the end of September 2024, providing the company with significant financial firepower to pursue its growth ambitions and share returns.

### Other significant events after the reporting period

- On 17 October 2024, solutions announced that in partnership with Jeddah Development and Urban Regeneration Company (Jedco) it completed the establishment of a subsidiary company Amanah Tech. It will execute and operate technical and digital solutions to the projects managed by Jedco and its subsidiaries. solutions will own 70% and Jedco will own 30% of the company, with a paid-up capital of SAR 3 million. The deal is in line with solutions' LEAP strategy to grow and expand into promising business lines to enable digital transformation for its customers and provide the best value to its shareholders.
- On 14-18 October 2024, solutions participated as a digital enabler at GITEX Global in Dubai. The company underscored its leading role in supporting digital transformation by presenting the latest technological solutions. They showcased a range of emerging technology solutions, such as artificial intelligence and smart city solutions that address the needs of various sectors.

Several global strategic agreements were signed to enhance the growth of the digital economy in the Kingdom and the region, reaffirming its pioneering role in providing technologies that contribute to building a sustainable digital future.

### Analyst Consensus

SAR (million)	3Q 2024 Consensus	3Q 2024 Actual	Δ%	# of Analysts
Revenue	3,035	2,753	-9%	13
Cost of Sales	2,278	2,024	-11%	8
Gross Profit	784	729	-7%	8
EBIT	445	485	9%	9
Net Profit (after Zakat)	400	463	16%	14

## Additional Information

The 9M 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 | Director of Investor Relations

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

Ghadah Salman Alsuheim | Manager of Investor Relations

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



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