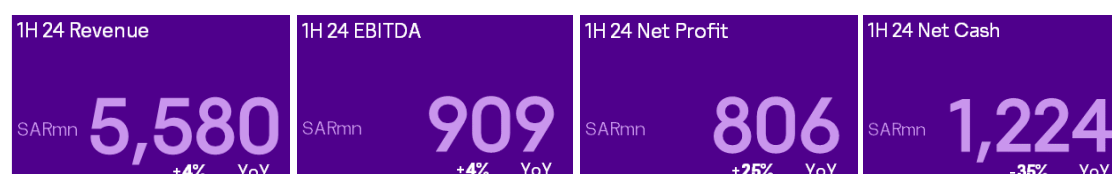


Earnings Release

solutions by stc reports 25% net profit growth to SAR 806 million in 1H 2024



1H 2024 Highlights:

- +4% YoY revenue growth to SAR 5.58 billion
- Gross profit margin of 23.6% driven by continued quarterly margin recovery
- EBITDA margin of 16.3%, flat YoY
- SAR 806 million net profit to shareholders, up +25% YoY
- Strong net cash position of SAR 1.22 billion

Riyadh, 22^d July 2024 – solutions announces solid financial results for 1H 2024 that showed stable operating profitability and revenue growth amid gradual maturation of the business and a fading effect from acquisitions made in 2022-2023. The results are in line with the company's strategy that targets profitable growth reinforced by value-added acquisitions and partnerships. solutions' revenue grew 4% year-on-year to SAR 5.58 billion in 1H 2024. A lower gross margin was fully offset by opex improvements, resulting in a stable EBITDA margin year-on-year at 16.3%. EBITDA grew 4% year-on-year to SAR 909 million in 1H 2024. Net profit attributable to shareholders grew 25% year-on-year to SAR 806 million in 1H 2024.

Omer Abdullah Alnomany, CEO of solutions, commented: "After significant organic growth of our business over the past couple of years strengthened by value-accretive acquisitions and partnerships, solutions transforms into a more complex and mature organization that continues to grow and cement its leadership in ICT services market, while diversifying into other segments and developing new competencies. At the same time, the company maintains strong margins and returns as shown by our 1H 2024 financial results. This reflects the efficient execution of our LEAP strategy that targets profitable growth driven by our core business augmented by emerging technologies, innovation, strategic partnerships, and operating excellence. As the market leader in ICT services, we will continue to capture lucrative opportunities arising from the digital transformation in Saudi Arabia, while generating sustainable investment returns and creating value for our shareholders".

solutions' 1H 2024 revenue generation was driven by IT Managed and Operational Services that showed a 17% year-on-year revenue growth and accounted for 32% of the total revenue. Core ICT Services declined by 2% year-on-year, bringing 52% to the 1H 2024 total revenue, while Digital Services revenue decreased by 1% year-on-year, contributing 17% of total revenue.

solutions' revenue performance was supported by consolidation of ccc in April 2023, which contributed 14% to consolidated revenue in 1H 2024. The core solutions business accounted for 75% of the total revenue, while the share of Giza amounted to 10%.

The company maintained a diversified customer mix in 1H 2024. Revenue from the parent company, stc, remained the biggest contributor to solutions' revenue and increased 20% year-on-year and accounted for 37% of total revenue in 1H 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 42% share of the total revenue in 1H 2024 versus 45% a year ago. Revenue from the private sector decreased by 5% year-on-year, with a revenue share of 21% versus 23% a year ago.

Gross margin decreased by 131 bps year-on-year to 23.6% in 1H 2024. At the same time, the quarterly gross margin continued to recover to 25.1% in 2Q 2024 versus 22.1% in 1Q 2024 and 16.2% in 4Q 2023 on the back of a more balanced mix of projects.

Operating expenses fell by 8% year-on-year and decreased by 126 bps as a percentage of revenue, which offset gross margin decline and ensured a year-on-year flat EBITDA margin of 16.3%. Absolute EBITDA grew 4% year-on-year to SAR 909 million in 1H 2024. Net profit attributable to shareholders grew 25% year-on-year to SAR 806 million in 1H 2024 with a net profit margin rising to 14.4%, supported by income from the disposal of a non-core product and lower Zakat expense.

solutions' operating cash flow remained negative at SAR 478 million in 1H 2024, as strong cash generation in 2Q 2024 did not fully offset cash outflow in 1Q 2024 amid a temporary increase in receivables and contract assets. Investments in property, equipment and intangible assets grew by 16% year-on-year to SAR 55 million in 1H 2024. solutions' net cash position amounted to SAR 1.22 billion as of the end of June 2024.

Financial Review

Financial Performance Highlights

SAR (million)	2Q 2024	2Q 2023	YoY Δ%	1H 2024	1H 2023	YoY Δ%
Revenue	2,771	2,701	+3%	5,580	5,378	+4%
Gross profit	696	732	-5%	1,315	1,338	-2%
Gross Profit Margin (%)	25.1%	27.1%	-2%	23.6%	24.9%	-1%
EBITDA	469	456	+3%	909	874	+4%
EBITDA Margin (%)	16.9%	16.9%	+0%	16.3%	16.3%	+0%
Net Profit	453	340	+33%	806	643	+25%
Net Profit Margin (%)	16.3%	12.6%	+4%	14.4%	12.0%	+2%
Capex	(24)	(21)	+13%	(55)	(47)	+16%
Free Cash Flow	735	(355)	Nm	(569)	(36)	+1481%
Net Debt/(Cash)	(1,224)	(1,898)	-35%	(1,224)	(1,898)	-35%

Revenue grew 4% year-on-year to SAR 5.58 billion in 1H 2024. Gross profit declined by 2% year-on-year to SAR 1.32 billion in 1H 2024. EBITDA increased by 4% year-on-year to SAR 909 million, as lower gross margin was counterbalanced by opex improvements in relative terms. Net profit attributable to shareholders grew 25% year-on-year to SAR 806 million in 1H 2024 with 248 bps higher net profit margin year-on-year. solutions' gross debt portfolio (excluding lease liabilities)

fell 6% year-on-year to SAR 691 million as of the end of June 2024. The company's net cash position amounted to SAR 1.22 billion.

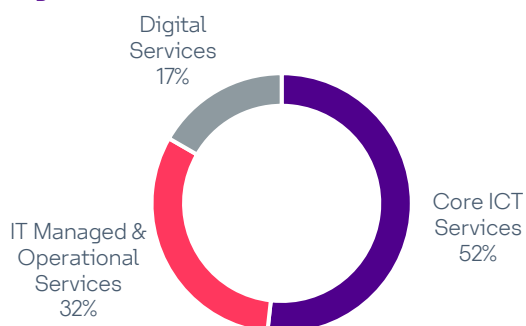
Revenue Breakdown by Business Segment

SAR (million)	2Q 2024	2Q 2023	YoY Δ%	1H 2024	1H 2023	YoY Δ%
Core ICT Services	1,304	1,377	-5%	2,889	2,936	-2%
IT Managed and Operational Services	983	825	+19%	1,761	1,500	+17%
Digital Services	484	499	-3%	931	942	-1%
Total revenue	2,771	2,701	+3%	5,580	5,378	+4%

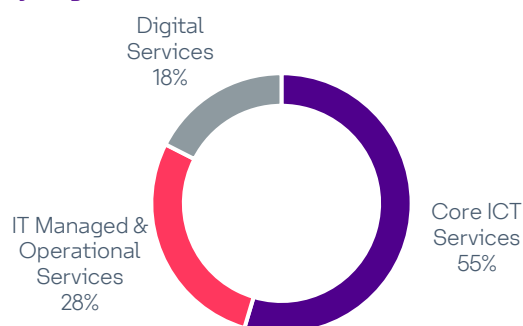
Total revenue increased by 4% year-on-year to SAR 5.58 billion in 1H 2024, driven by 17% growth in IT Managed and Operational Services to SAR 1.76 billion due to consolidation of ccc in April 2023 and new projects that started to contribute to the top line. Core ICT Services decreased by 2% to SAR 2.89 billion reflecting some business cyclicity and Egyptian Pound depreciation affecting Giza revenue. Digital Services declined by 1% to SAR 931 million yet showed 8% growth QoQ.

The revenue contribution from Core ICT Services declined from 55% of total revenue in 1H 2023 to 52% in 1H 2024, while the share of IT Managed and Operational Services increased to 32% in 1H 2024 versus 28% last year. The share of Digital Services decreased from 18% to 17% year-on-year.

1H 2024 Revenue Composition by Segment*



1H 2023 Revenue Composition by Segment*



Revenue Breakdown by Entity**

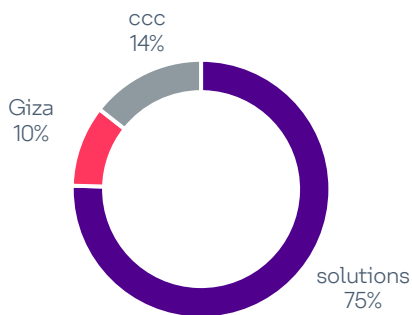
SAR (million)	2Q 2024	2Q 2023	YoY Δ%	1H 2024	1H 2023	YoY Δ%
solutions	2,002	2,161	-7%	4,209	4,548	-7%
Giza	260	360	-28%	568	650	-13%
ccc	510	180	+183%	803	180	+347%
Total revenue	2,771	2,701	+3%	5,580	5,378	+4%

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

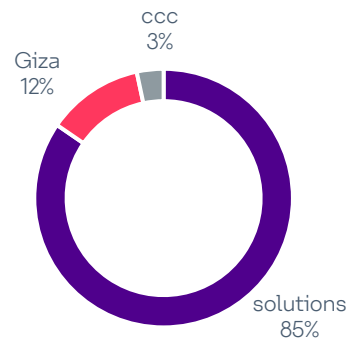
** The numbers for entities are provided after intercompany eliminations

Core solutions business generated SAR 4.21 billion in revenue in 1H 2024, which accounted for 75% of total revenue. A decline in solutions' revenue continues to reflect an evolving business model, which is focused on the efficient allocation of projects to entities within the group that are best fit to accomplish them. As a result, other businesses (including ccc and Sanad) showed 347% year-on-year revenue growth to SAR 803 million, which amounted to 14% of total revenue in 1H 2024. 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 13% year-on-year to SAR 568 million and accounted for 10% of total revenue in 1H 2024 versus 12% a year ago. The decline mainly reflected the Egyptian Pound depreciation, which reduced Giza's revenue in SAR terms.

1H 2024 Revenue Composition by Entity*



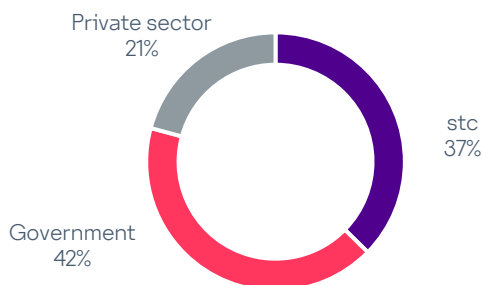
1H 2023 Revenue Composition by Entity*



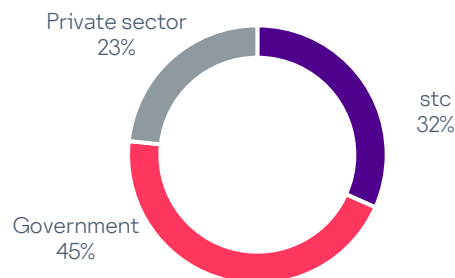
Revenue Breakdown by Customer Type

Revenue from the parent company, stc, grew 20% year-on-year to SAR 2.08 billion driven by a backlog of projects. Revenue from stc accounted for 37% of total revenue in 1H 2024 compared with 32% a year ago. This helped to offset a 3% year-on-year decline in revenue from the government due to a high comparison base of last year. Revenue from the private sector fell by 5% year-on-year to SAR 1.16 billion due to the completion of several large-scale projects last year. As a result, the share of revenue from the private sector declined to 21% compared with 23% in 1H 2023.

1H 2024 Revenue Composition by Customer Type*



1H 2023 Revenue Composition by Customer Type*



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

Revenue Breakdown by Type of Customer

SAR (million)	2Q 2024	2Q 2023	YoY Δ%	1H 2024	1H 2023	YoY Δ%
stc	1,030	894	+15%	2,084	1,742	+20%
Government	1,204	1,205	0%	2,335	2,410	-3%
Private sector	537	602	-11%	1,161	1,226	-5%
Total revenue	2,771	2,701	+3%	5,580	5,378	+4%

Gross margin decline offset by operating cost savings

The gross margin declined 133 bps year-on-year to 23.6% in 1H 2024 from a high comparison base of last year. At the same time, quarterly gross margin continued to recover to 25.1% in 2Q 2024 versus 22.1% in 1H 2024 and 16.2% in 4Q 2023 on the back of a more profitable mix of projects.

Operating expenses fell by 8% year-on-year and decreased by 126 bps as a percentage of revenue, which offset gross margin decline. Cost efficiency improvements were mainly driven by selling and distribution expenses that fell 15% year-on-year in 1H 2024.

This ensured a year-on-year flat EBITDA margin of 16.3%. Absolute EBITDA grew 4% year-on-year to SAR 909 million in 1H 2024. Net profit attributable to shareholders grew 25% year-on-year with a net profit margin rising to 14.4% in 1H 2024 driven by income from the disposal of non-core product in 2Q 2024 and lower Zakat expense.

Balance sheet remains strong supported by improved cash flow generation in 2Q 2024

solutions managed to partially reverse the negative effect from increased working capital investments in 1Q 2024 as receivables and contract assets normalized in 2Q 2024. As a result, the company's net cash position increased by 12% quarter-on-quarter to SAR 1.22 billion as of end of June 2024, which gives solutions a strong foundation to pursue growth and deliver returns.

Analyst Consensus

SAR (million)	2Q 2024 Consensus	2Q 2024 Actual	Δ%	# of Analysts
Revenue	2,935	2,771	-6%	13
Cost of Sales	2,206	2,076	-6%	9
Gross Profit	731	696	-5%	9
EBIT	423	400	-5%	12
Net Profit (after Zakat)	372	453	22%	15

Additional Information

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

[Investor relations – solutions by stc](#)

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