

FY 2022

Results Presentation

Riyadh, 27 February 2023

Agenda

-
- 1 Key Messages
 - 2 M&A Strategy and Update
 - 3 Financial Performance
 - 4 Appendix
-

1 Key Messages



Key Messages

Strong financial performance in 2022, driven by supportive macro-economic backdrop, favourable industry dynamics, solid market position and M&A activity



Macro Tailwinds

Higher oil prices, Vision 2030,
+8.7% real GDP growth in 2022



Favourable Industry Dynamics

KSA-wide digital transformation, KSA IT Spending % of GDP
at 0.9%, KSA ICT growth +13.0% in 2022



Solid Market Position

Market share 19.8%, MSCI Inclusion,
91% in CSAT (customer satisfaction)
Saudization of 66%, female participation 18%



Strong M&A activity

The Giza transaction successfully completed on 3 October
2022 as the first acquisition by solutions since the IPO,
the ccc transaction was subsequently announced on 10
November 2022



Strong Revenue Growth

Diversified business portfolio generated
+22% YoY revenue growth to SAR 8.81 bn in FY 2022
Core ICT Services growth +30% YoY to SAR 4.77 bn



Improving profitability

EBITDA of SAR 1.39 bn in FY 2022, +26% YoY
Net Profit of SAR 1.05 bn, +27% YoY
ROAE of 41.4%, +166bps YoY



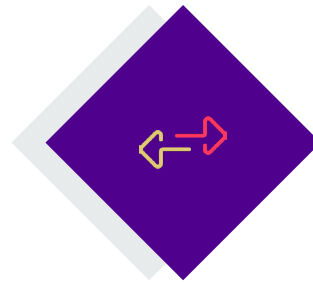
Strong Cash Flow & Balance Sheet

Free cash flow of SAR 1.58 bn
Net cash position of SAR 2.55 bn



Attractive Dividend

DPS of SAR 5.0 in 2022, implying a 57% payout
ratio and a dividend yield of 2.6%



A man and a woman are shown from the chest up, looking towards the right side of the frame. The man, in the center, has a beard and is wearing a white shirt. He is pointing his right index finger towards the right. The woman is on the left, looking towards the camera. The background is dark with blue and red lighting. A large, stylized red number '2' is positioned to the left of the text.

2 M&A Strategy and Update

In the MENA region, the market for IT services is ripe for consolidation

MENA's IT market is dynamic and fragmented - perfect ingredients for strong M&A activity going forward

MENA is following in the footsteps of mid-market ICT M&A activity globally



solutions' M&A strategy is built on three pillars with the aim to scale, widen the offering, and remain the industry leader:

01

Strengthening existing portfolio and sectors of activity



Vertical integration to improve depth of offering

02


Expanding into new segments and new geographies



Horizontal expansion to widen offering and geographic footprint

03

Entering disruptive technologies



Capturing opportunities in growing industries

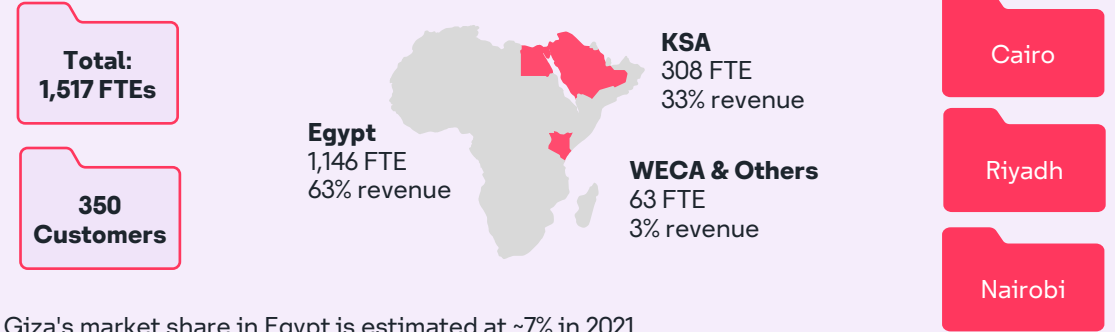
Giza Transaction Update

Giza transaction will further enhance solutions' one stop shop offering and enable access to new markets

Portfolio

<p>System & Application Integration</p>	<p>System, application & infra integration and advisory services</p>	<p>Digital solutions</p>	<p>Industrial and physical security bespoke digital solutions</p>
<p>Application Development & Management</p>	<p>Custom application development, app mgmt. & SW deploy and support</p>	<p>Data Center & Cloud Services</p>	<p>Infrastructure/DC services, cloud advisory, migration & deployment</p>

Geographical Presence



- Giza's market share in Egypt is estimated at ~7% in 2021
- STC and SEC are Giza's two largest customers in KSA

Highlights

- The transaction **completed** on the 3rd of October 2022
- The **purchase consideration** was SAR 466 mn of which SAR 160 mn were identified as **intangible assets** and SAR 193 mn was recognized as **goodwill**

Verticals, Sectors and Partners

Core	Telecom & ICT	Energy & Utilities	Government	<ul style="list-style-type: none"> Manufacturing Oil & Gas Real Estate
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ccc Transaction Overview

ccc was established as a captive call center company for stc but has grown to acquire significant B2B business

Background



Founded in 2011 as a JV between stc Group and the US-based global company STARTEK, a conglomerate CX mgmt. company



Biggest customer experience management provider in KSA handling over 35 mn annual interactions



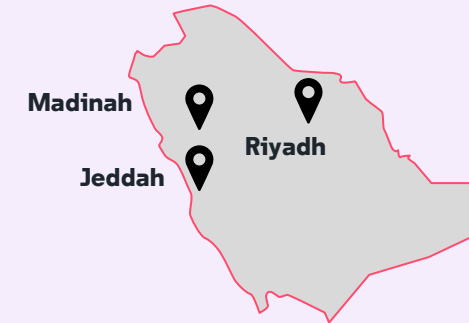
Offerings mainly Customer Care BPO, staffing (MPO) for mostly large clients in KSA; nascent shared services, consulting, other specialized services

Presence & reach

5,823 FTEs

84% Saudization
35% female

25+ Clients



30mn+ calls answered

320k+ customers retained

8+ languages

Transaction Details and Rationale

Transaction details:

- The transaction to acquire of 100% in Contact Center Company (ccc) was initially announced on the 10th of November 2022 and is expected to complete in 2Q 2023.
- The acquisition will be based on 100% Enterprise Value amounting to SAR 450 million
- solutions intends to fund the acquisition from its own resources

Good strategic fit - ccc ticks three boxes for solutions:

- ccc Serves solutions' Business Process Outsourcing (BPO) aspirations by expanding its portfolio in scope - beyond MPO and HR - and scale
- It completes solutions' coverage of ICT customer journey by enabling end-to-end offerings from design to operations
- It delivers accelerated revenue growth and fulfils the inorganic growth agenda

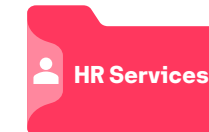
Services Portfolio



- Customer care
- Telesales
- Social media management
- Retention & loyalty management



- Business intelligence
- Speech analytics
- Big data
- Cyber security
- Work from home
- Omni channel



- Staff augmentation
- Recruitment
- Training
- On-boarding
- Payroll processing



- Finance
- Accounting
- Business process engineering

3 Financial Performance



solutions FY 2022 Financial Dashboard

solutions delivered a good performance in FY 2022

FY 22 Revenue



FY 22 GP Margin



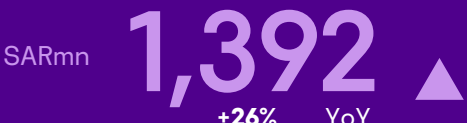
FY 22 Capex



FY 22 Capex / Revenue



FY 22 EBITDA



FY 22 EBITDA Margin



FY 22 Net Cash From Operating Activities



FY 22 ROCE



FY 22 Net Profit



FY 22 NP Margin



FY 22 Net Cash



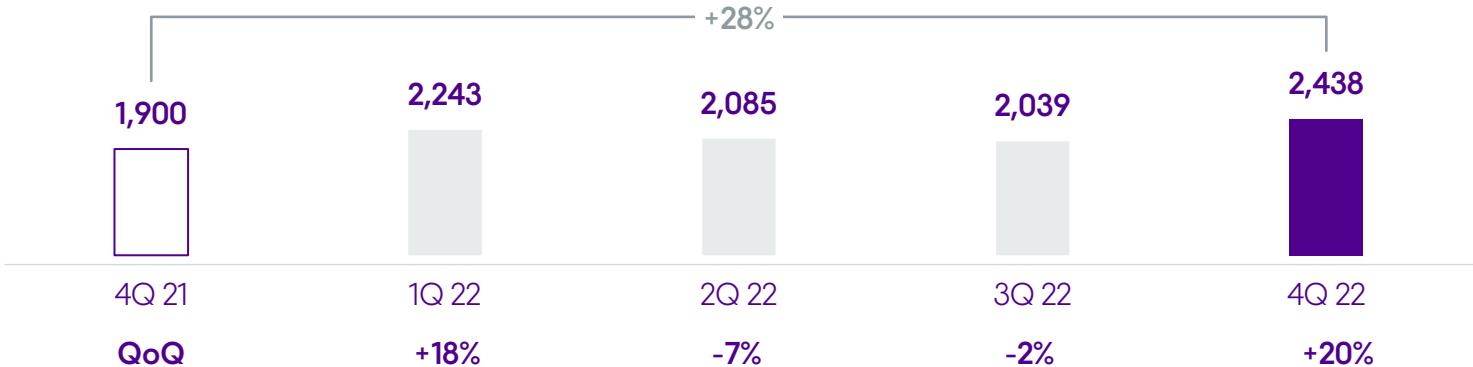
FY 22 ROAE



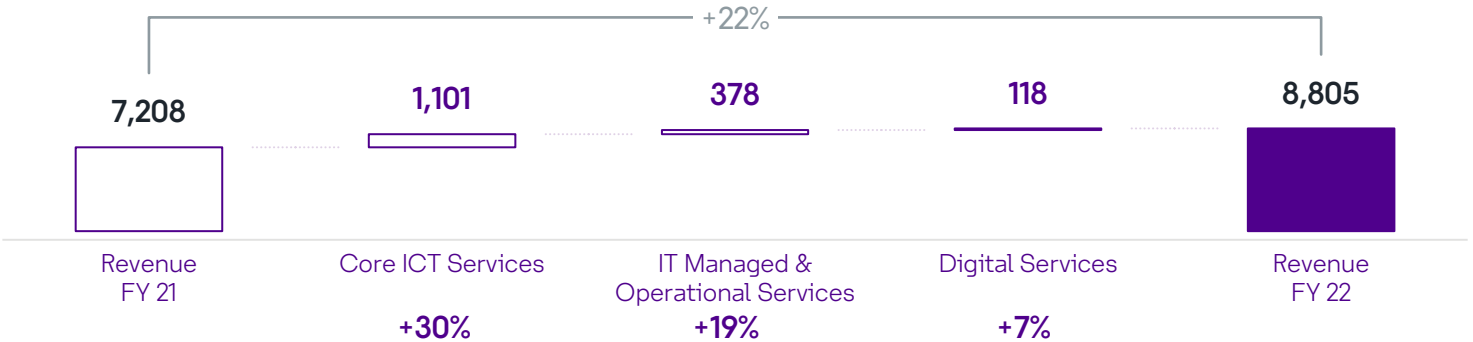
Revenue Trend and Growth Drivers

Group revenue growth of +22% YoY in FY 2022, driven by Core ICT services

Revenue Trend (SARmn)



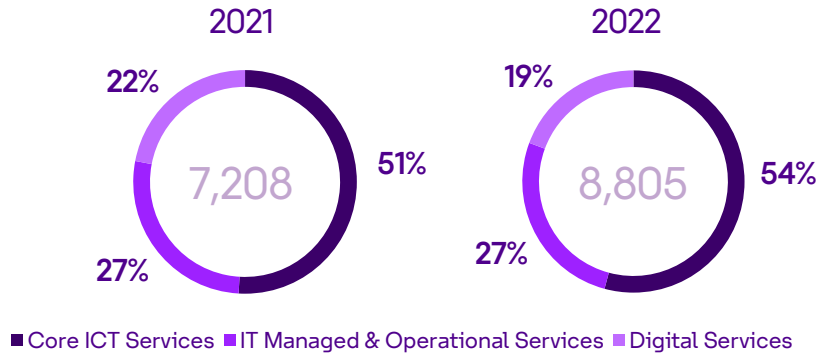
Revenue Movement YoY (SARmn)



Management Commentary

- Strong FY 2022 performance in Core ICT Services (+30% YoY), IT Managed Services (+19% YoY) and Digital Services (+7% YoY)
- Revenue growth was supported by a strong contribution from Giza

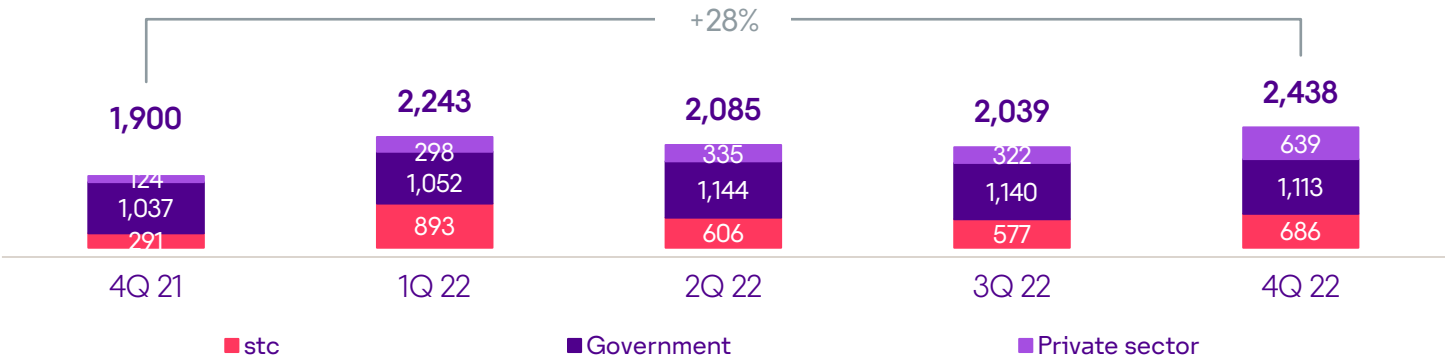
FY Revenue Composition (by Business Segment)



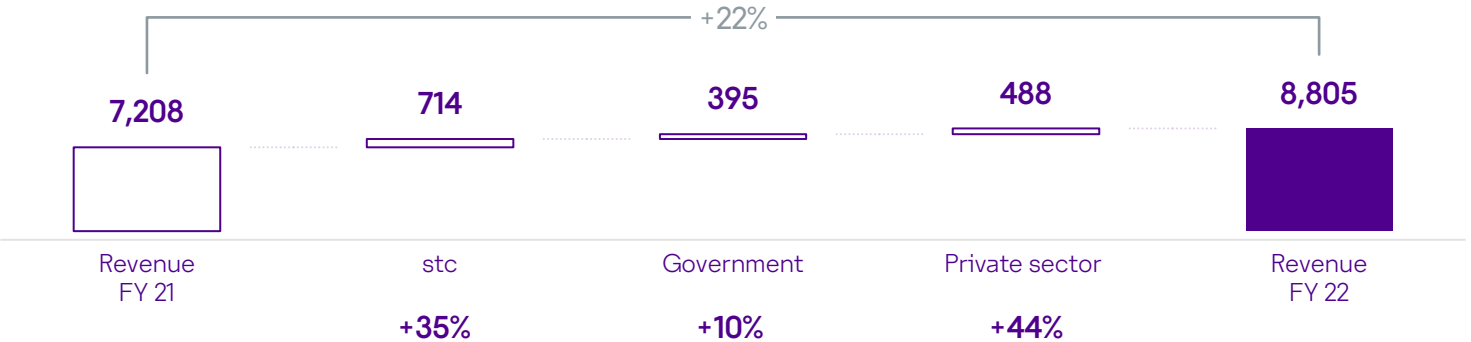
Revenue Analysis

stc together with Government accounted for 82% of revenue in FY 2022

Revenue Breakdown by Customer Type (SARmn)



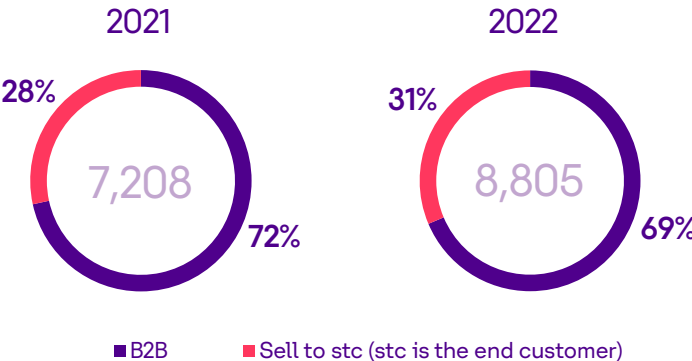
Revenue Movement YoY (SARmn)



Management Commentary

- stc: +35% YoY, Private sector: +44% YoY, and Government: +10% YoY continue to deliver solid performances in FY 2022

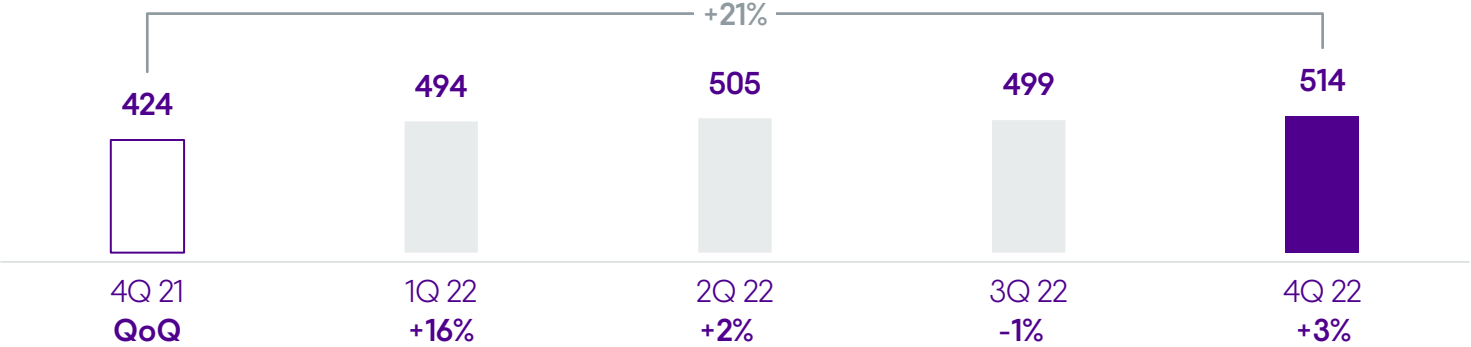
FY Revenue Composition (by Channel)



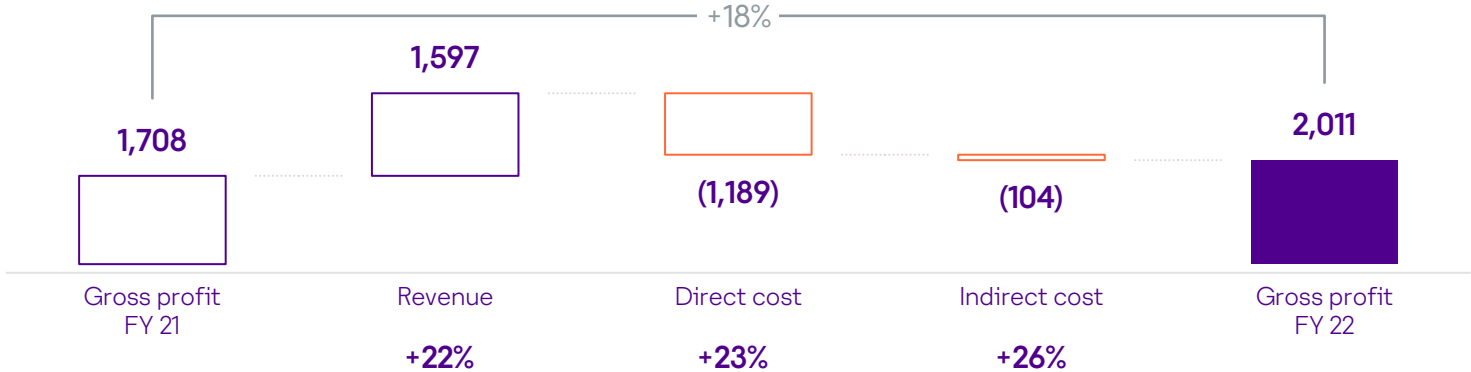
Profitability - Gross Profit

Gross profit margin in FY 2022 declined by 85 bps year on year

Gross Profit Trend (SARmn)



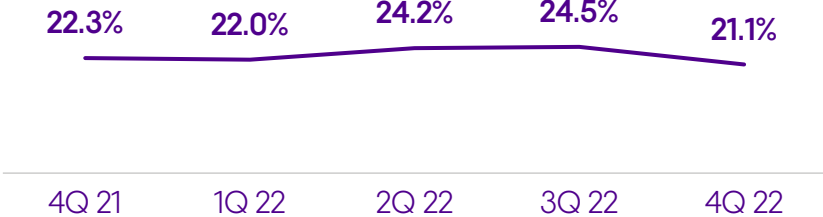
Gross Profit Movement (SARmn)



Management Commentary

- Gross profit margin in FY 2022 declined 85 bps YoY as cost of sales increased by 24% mainly as a result of increased direct cost
- Cost of sales in FY 2022 increased by 24% YoY to support revenue growth

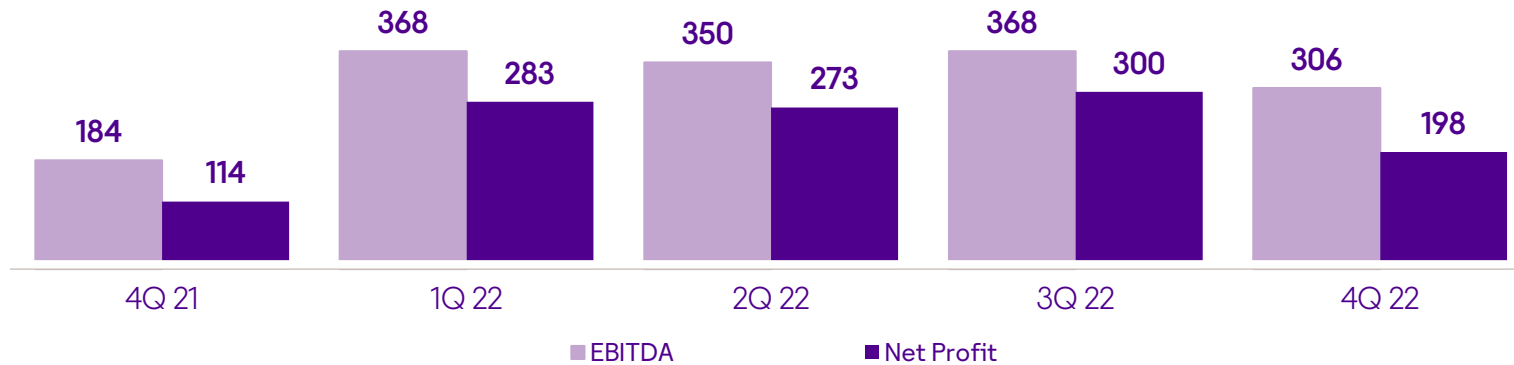
Gross Profit Margin (%)



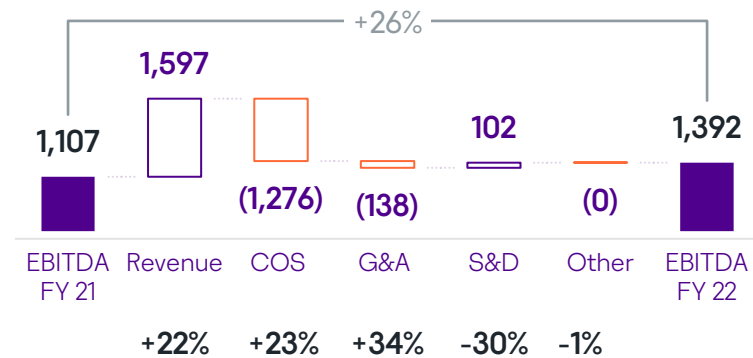
Profitability - EBITDA and Net Profit

Strong EBITDA and Net Profit growth driven by revenue growth

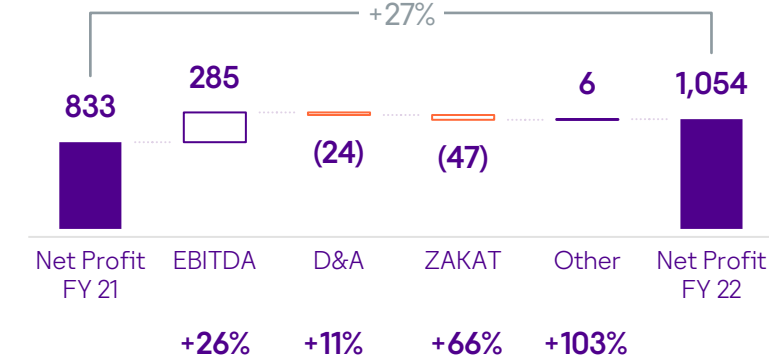
EBITDA & Net Profit Trend (SARmn)



EBITDA Movement YoY (SARmn)



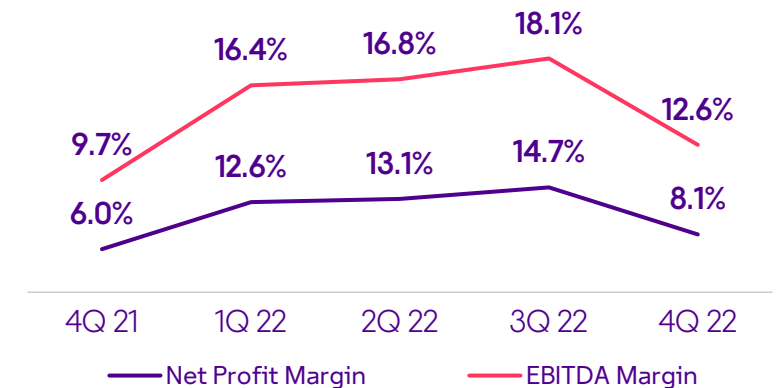
Net Profit Movement YoY (SARmn)



Management Commentary

- EBITDA and net profit in FY 2022 increased by 26% YoY and 27% YoY respectively
- Overall OpEx were up by +5% YoY in FY 2022

EBITDA & Net Profit Margins (%)



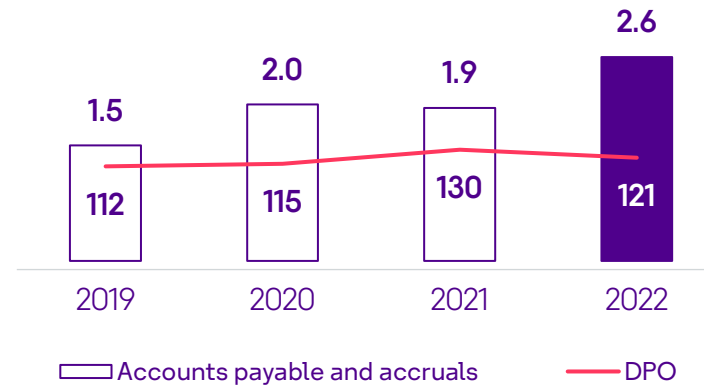
Balance Sheet - Working Capital

Working capital changes reflect the strong revenue growth

Accounts Receivable (SARbn)



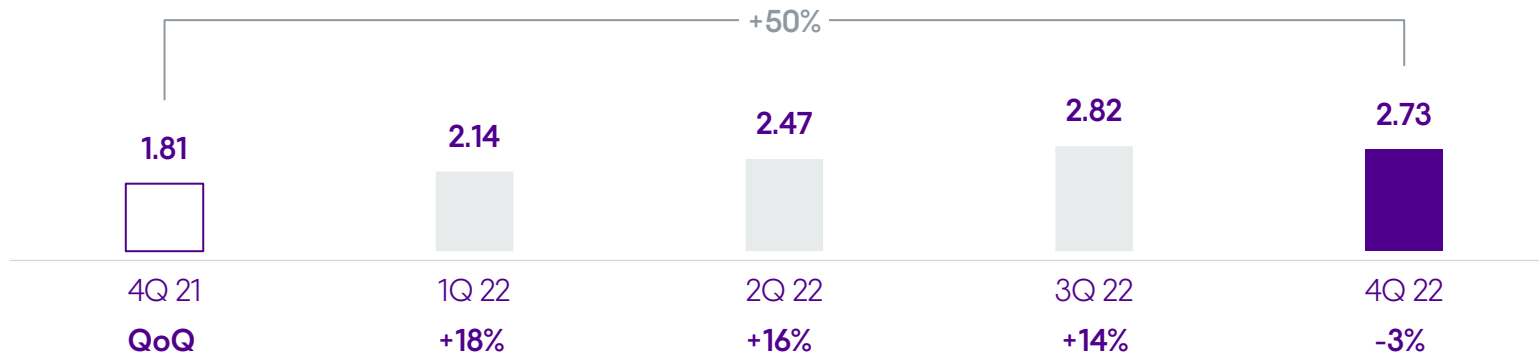
Accounts Payable (SARbn)



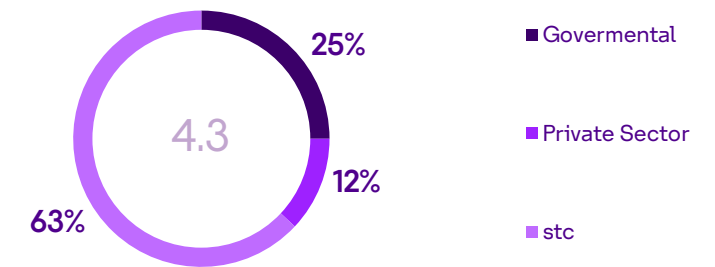
Management Commentary

- Almost 90% of solutions' receivables are related to stc & Government

Working Capital Performance (SARbn)



Accounts Receivable Composition (%)

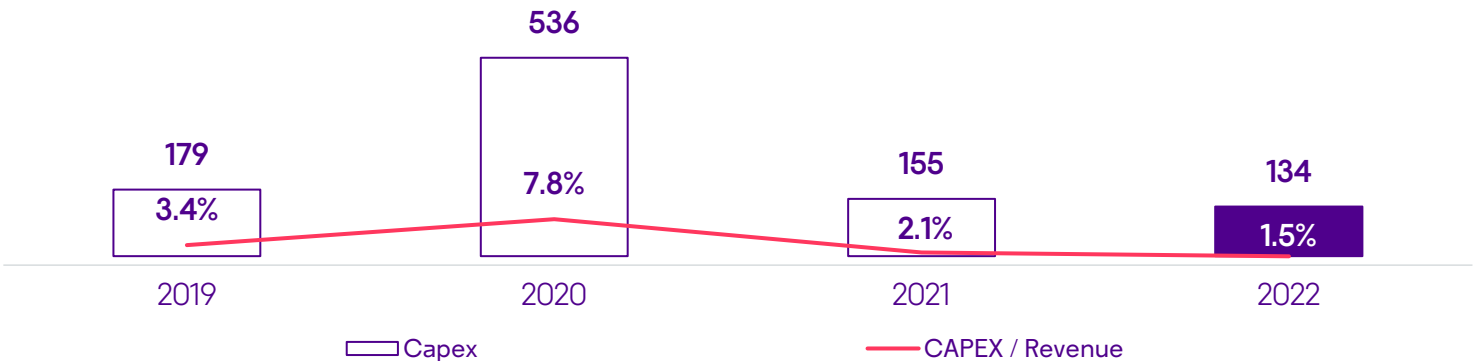


Working Capital = Current Assets - Current Liabilities

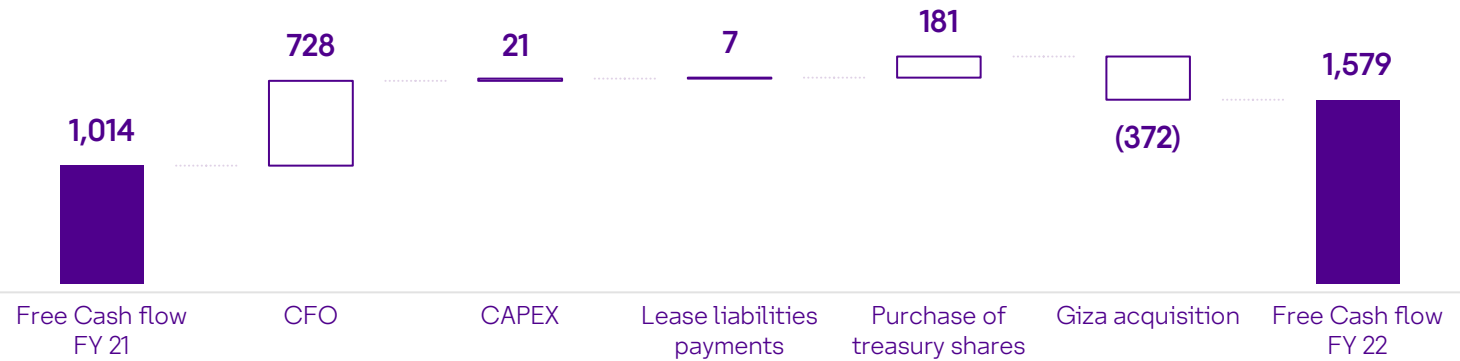
Cash Flow Generation

solutions have a strong cash position and solid FCF, which reached almost SAR 1.58 bn in FY 2022

Capital Expenditures (SARmn)



Free Cash Flow Movement (SARmn)

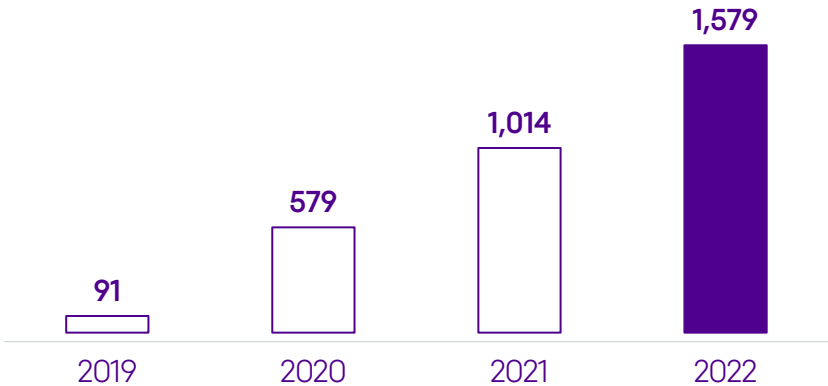


Free Cash Flow = CFO - CAPEX - Lease liabilities payments - Purchase of treasury shares - Payment for acquisition of subsidiary

Management Commentary

- Net cash position of SAR 2.55 bn at 4Q 2022
- FCF at SAR 1.58 bn during 2022, an increase of SAR 0.57 bn from 2021 mainly as a result of higher cash flow from operations, partly offset by the Giza acquisition

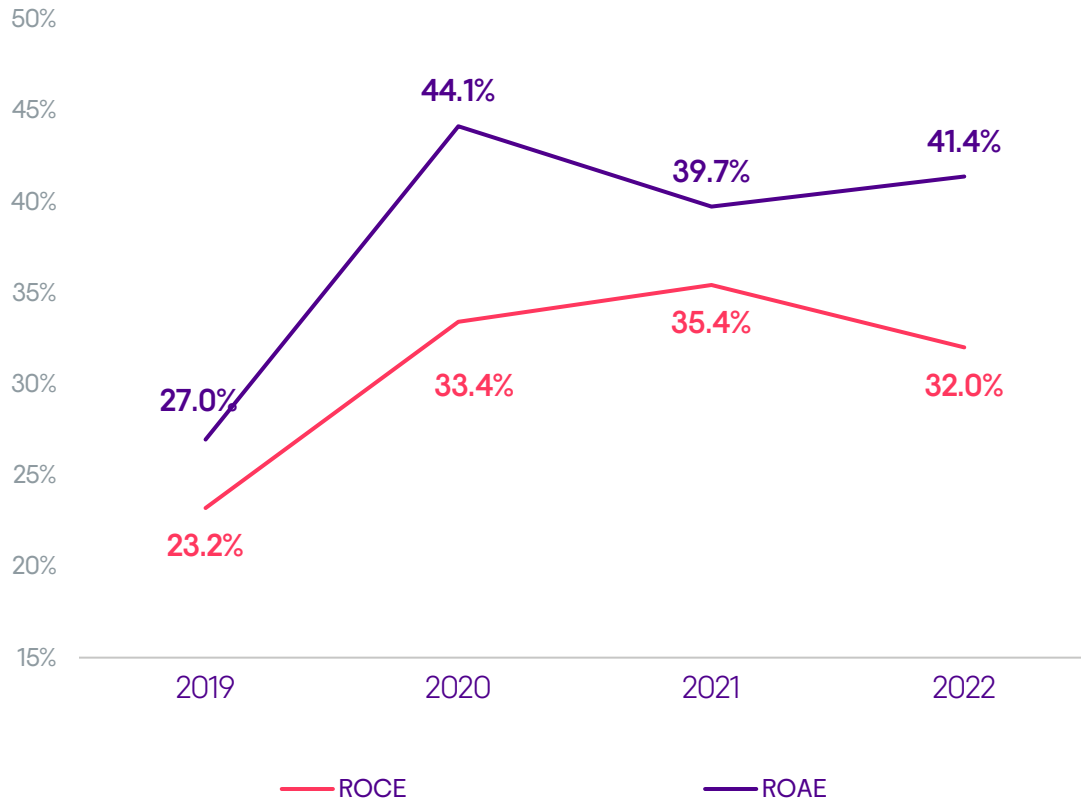
Free Cash Flow (SARmn)



Returns and Dividends

High returns and a dividend per share of SAR 5.0 in 2022

Return Ratios (%)

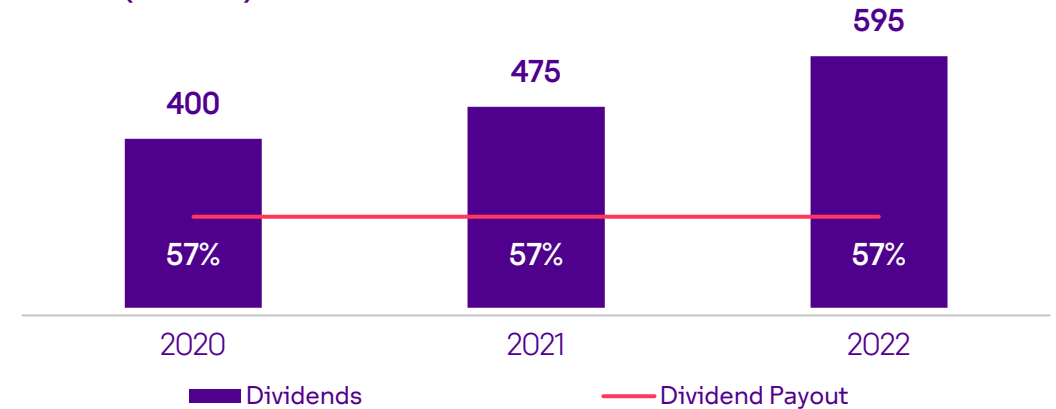


ROCE = EBIT / Capital employed (Total Assets - Current liabilities)
 ROAE = Net income / Average Total Equity

Management Commentary

- High returns given the capex-light business model
- DPS of SAR 5.0 in 2022 up from SAR 4.0 in 2021 implying a 57% payout ratio

Dividends (SARmn)



Outlook, Guidance and Targets

solutions FY 2022 outcomes are either in line with or exceeding expectations and 2023 outlook is positive

	2023 Outlook	FY 2022 Guidance	FY 2022 Outcome	FY 2023 Guidance
Brent Oil Price	\$89 / bbl			
KSA GDP Growth	+2.6%			
KSA Fiscal Budget	SAR 145 bn surplus			
KSA IT Growth	2023: +12% 2022-2026 CAGR: 12.7%			
KSA IT Spending % of GDP	2022: 0.9%			
Revenue Growth		11% to 14%	+22%	11% to 13%
EBITDA Margin		13% to 15%	15.8%	13% to 15%
Capex Intensity		1.5% to 2%	1.5%	1.5% to 2%

4 Appendix



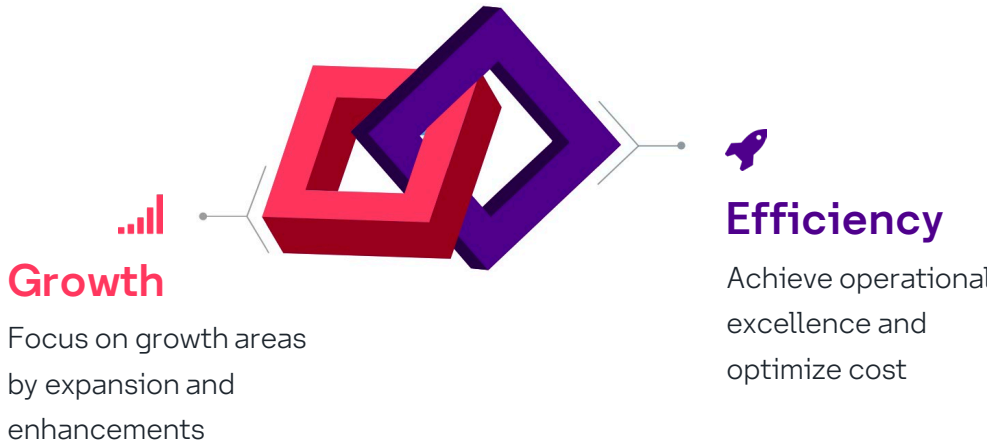


Strategy Highlights



Strategic Objectives

solutions provides innovative technology solutions that enable our customers to succeed in evolving market needs



L

Lead in managed & professional services

E

Expand product portfolio & market reach

A

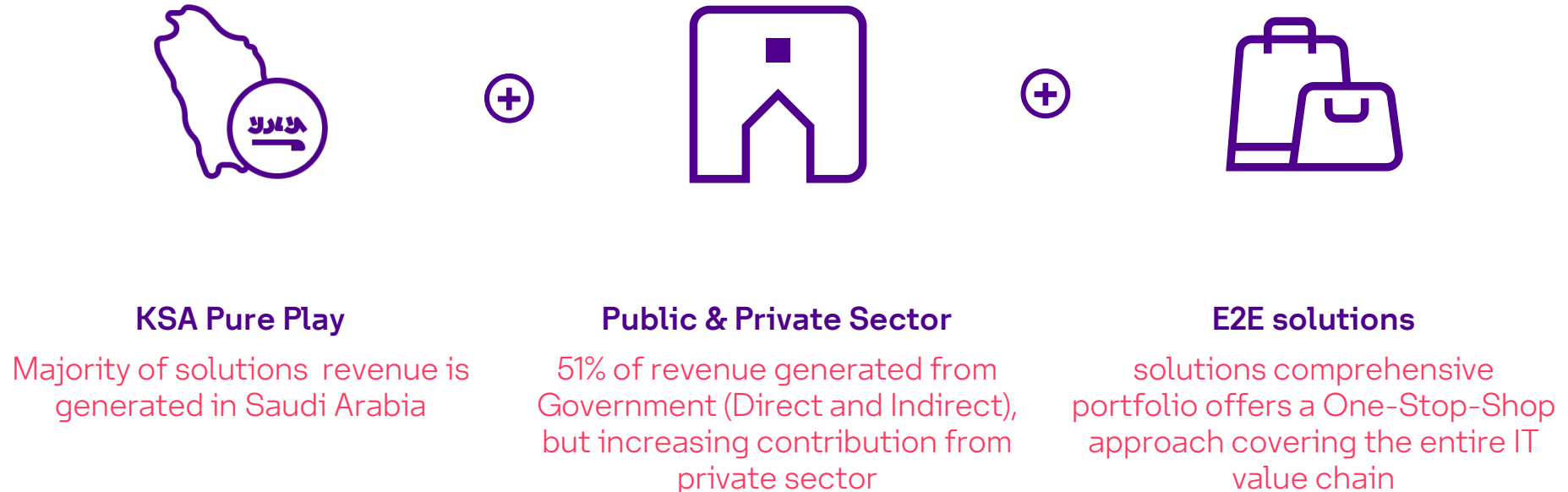
Advance customer success & partner ecosystems

P

Promote internal efficiencies & collaboration

Market Positioning

solutions currently has ~20% market share in the Saudi Arabian IT market



Competitive Landscape

solutions is in an unrivalled position to maintain its leadership position in Saudi Arabia



solutions competitive positioning



solutions' key strengths:

- Access to customers
- Cross-selling
- Sharing brand equity
- Sharing best practices
- Opportunities as customers



International Competition

- International players are stcs' partners rather than competitors



Local Competition

- Fragmented local industry primarily focused on reselling hardware and software with minimal professional services
- Other telco operators represent limited threat as they underinvested in their infrastructure for years



High barriers to entry



+20 years track record



Regulatory compliance



Customer relationships



Local experience



Delivery capability (large government projects)



Market reputation

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6-7 March 2023



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Shukran!

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