

Earnings Release

solutions by stc reports 38% net profit growth to SAR 283 million in 1Q 2022



1Q 2022 Highlights:

- +30% YoY revenue growth to SAR 2.42 billion
- +7bps YoY increase in net profit margin to 11.7%
- +150bps YoY improvement in EBITDA margin to 15.2%
- +38% YoY jump in net profit to SAR 283 million
- Solid free cash flow generation of SAR 197 million for the quarter
- Strong net cash position of SAR 1.80 billion as of 31 March 2022; no debt

Riyadh, XX April 2022 - In line with its LEAP strategy, which focuses on growth and efficiency, solutions delivered a strong set of results in 1Q 2022. Double-digit revenue growth to SAR 2.42 billion combined with a stronger operating performance, resulted in 38% year-on-year net profit growth to SAR 283 million. solutions' Core ICT Services was the primary growth driver in 1Q 2022, with revenue growth of 45% for the segment. In addition, solutions managed to effectively control costs in a difficult environment with mounting inflationary pressure.

Omer Abdullah Alnomany, CEO of solutions, commented on the results: "Thanks to increased customer activity in Saudi Arabia's vibrant ICT industry, solutions closed the first quarter in 2022 on a strong note. We continue to meet and exceed our objectives across the board; revenue growth, profitability, cash generation, and return metrics were all in line or above market guidance and expectations." 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. solutions, as the market leader in ICT services, stands to benefit from these favorable macroeconomic and industry conditions."

solutions has also started executing on its inorganic growth strategy with the announcement on 4th 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 is expected to close in 3Q 2022, is the first of an M&A strategy that is set to be an important growth driver for solutions going forward. The acquisition of Giza Systems Company will allow solutions to diversify both geographically by entering the large and promising Egyptian IT market and service-wise by expanding its portfolio notably with application integration, development, and management services.

Post-pandemic growth and the stronger-than-anticipated growth in the non-oil economy, as well as continued increase in oil prices, have also contributed to an improving macro-economic environment in Saudi Arabia. With GDP growth now seen expanding at 7.6% in 2022, according to the IMF's latest forecast dated 19 April 2022 (accelerating further from the 6.8% growth recorded in 4Q 2021 and the 3.2% growth for 2021 as a whole). As a result, it is expected that government entities and private sector companies will further increase IT expenditures. These market dynamics are evident in various recent announcements made across the kingdom's IT industry, particularly in the area of data centers. Each of these initiatives is in alignment with Saudi Vision 2030, which calls for the transition of the kingdom from a resource-based economy to an innovation-driven economy anchored in digital technology.

Financial Review

1Q 2022 Financial Performance Highlights

SAR (million)	1Q 2022	1Q 2021	Δ%	4Q 2021	Δ%
Revenue	2,418	1,867	+29.6%	2,060	+17.4%
Gross profit	494	389	+26.7%	424	+16.5%
Gross Profit Margin (%)	20.4%	20.9%	-0.45%	20.6%	-0.16%
EBITDA	368	256	+44.0%	184	+99.9%
EBITDA Margin (%)	15.2%	13.7%	+1.50%	8.9%	+6.32%
Net Profit	283	205	+37.9%	114	+147.2%
Net Profit Margin (%)	11.7%	11.0%	+0.71%	5.6%	+6.14%
Capex	19	41	-55.1%	40	-53.3%
Free Cash Flow	197	305	-35.9%	698	+72.0%
Net Debt (Cash)	(1,803)	(898)	+100.7%	(1,608)	+12.2%

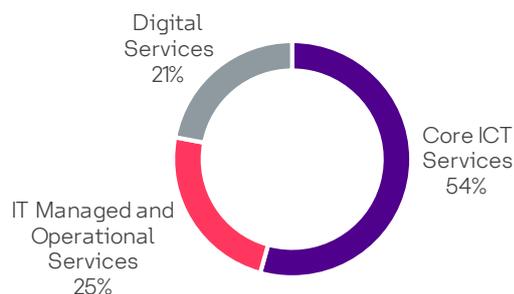
As shown in the table above, revenue increased by 29.6% to SAR 2.42 billion in 1Q 2022, leading to a 150ps improvement in EBITDA margin to 15.2%. As a result of this revenue growth and profitability improvement, net profit grew 37.9% to SAR 283 million in 1Q 2022. On the balance sheet, solutions was still debt free as at 31 March 2022 and managed to increase its net cash position to SAR 1.80 billion given the free cash flow generation of SAR 197 million during the quarter. Although working capital requirements increased, free cash flow generation was supported by a drop in capital expenditures to a mere SAR 19 million.

Revenue Breakdown by Business Segment

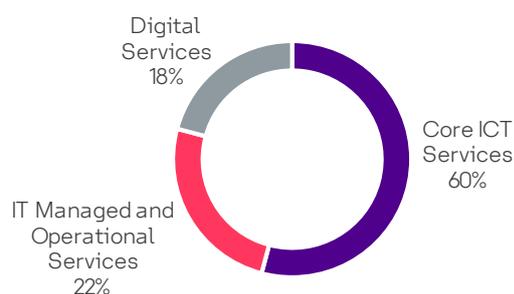
SAR (million)	1Q 2022	1Q 2021	Δ%	4Q 2021	Δ%
Core ICT Services	1,461	1,009	+44.8%	1,126	+29.7%
IT Managed and Operational Services	530	467	+13.4%	513	+3.3%
Digital Services	428	391	+9.3%	422	+1.4%
Total Revenue	2,418	1,867	+29.6%	2,060	+17.4%

Total revenue increased by 29.6% to SAR 2.42 billion on the back of strong 45% growth in Core ICT Services to SAR 1.46 billion and 13.4% growth in IT Managed and Operational Services to SAR 530 million. Digital Services grew by a more modest 9.3% to SAR 428 million.

1Q 2021 Revenue Composition by Segment



1Q 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 60% of revenue in 1Q 2022.

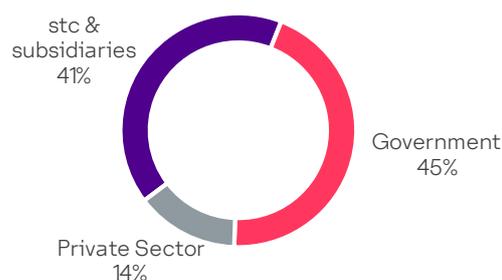
Leveraging solutions' privileged relationship with stc

stc has been a key strategic partner for solutions and more so in 1Q 2022. solutions signed several new contracts with stc in 4Q 2021 and since the beginning of the year in 2022, highlighting the strong business relationship between the two entities.

1Q 2021 Revenue Composition by Type of Customer



1Q 2022 Revenue Composition by Type of Customer



Moreover, stc has been a valuable partner to solutions in helping diversify its customer base by introducing Government customers, as well as Private Sector ones.

As part of Vision 2030, the Saudi government has implemented many digitization initiatives, which translated into opportunities for solutions. The government segment added close to SAR 130 million of revenue in 1Q 2022, or +13.7% YoY.

Revenue Breakdown by Type of Customer

SAR (million)	1Q 2022	1Q 2021	Δ%	4Q 2021	Δ%
stc & Subsidiaries	997	626	+59.3%	490	+103.4%
Government	1,080	950	+13.7%	1,215	-11.1%
Private Sector	342	292	+17.4%	356	-3.7%
Total Revenue	2,418	1,867	+29.6%	2,060	+17.4%

Private sector sales experienced the second strongest segmental growth in 1Q 2022, increasing 17.4% YoY to SAR 342 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.

In 1Q 2022, 41% of revenues were generated from sales to stc, up from 34% in 1Q 2021. solutions booked bulk of the revenues related to a major data center project with its parent company in 1Q 2022.

Improved operating profitability despite marginal decline in GPM

In 1Q 2022, solutions improved operating profitability - EBITDA margin and EBIT margin – despite a marginal decline in gross profit margin to 20.4%, from 20.9% in 1Q 2021, due to the inherent seasonality of its project-based business.

In contrast, overall Operating Expenses (excluding D&A charges) were well contained, +10% YoY, and particularly Selling and Distributions expenses which declined, allowing solutions to significantly improve operating profitability and net profit margin.

solutions' balance sheet offers flexibility

In 1Q 2022, solutions' balance sheet continued to strengthen. With low capital requirements due to an asset-light business model, zero debt, and a net cash position of SAR 1.80 billion. In the future, solutions' balance sheet provides the company with ample flexibility to increase shareholder value.

- ENDS -

Additional Information

The FY 2021 financial statements, earnings presentation, and financial data supplement are 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

Institutional investor contact

solutions Investor Relations

Abdullah Aldayel | Head of Investor Relations

aaldayel@solutions.com.sa