FY 2021

Results Presentation

Riyadh, 10 March 2022

solutions by stc

Agenda

1 Key Messages

Key Messages

solutions is the undisputed IT leader in a high growth market

IPO Completed

solutions' IPO was over 130x oversubscribed, attracting SAR471 bn in orders

Macro Tailwinds

Higher oil prices, post-Covid recovery, Vision 2030, KSA-wide digital transformation

Dividend

DPS of SAR 4.0 in FY 2021, implying a 57% payout ratio and a dividend yield of 2.0%

Solid Revenue Base

Diversified business portfolio generated +13% YoY revenue growth to SAR7.82 bn

Improving profitability

EBITDA of SAR1.11 bn, +28% YoY, with EBITDA margin rising from 12.5% to 14.2%

Strong Balance Sheet

Net cash position of SAR1.61 bn

Investment Thesis

solutions is the **right stock** in the **right market** at the **right time**

Dividend

DPS of SAR 4.0 in FY 2021, up from SAR 3.33 in FY 2020

High FCF Generation

FCF generation almost doubled to over SAR1 bn in 2021

Flexible Balance Sheet

No debt, ample level of cash, and comfortable working capital position

Leading Market Position in KSA

Clear market leader with consolidation opportunities in the fragmented IT market

STC Partnership

Unrivalled reach, scalability and synergies in the KSA ICT market

Asset Light Business

CAPEX intensity ratio of 2.0% and high returns, with ROAE at 40% in 2021

2 Financial Performance

solutions FY 2021 Financial

solutions delivered strong performance in 2021

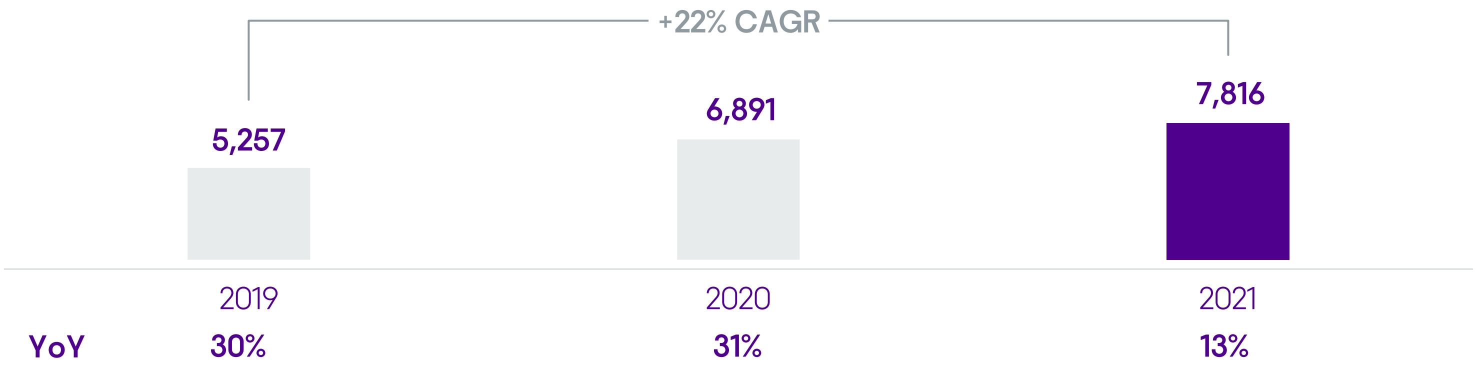
FY 21 Revenue	SARmn 7,816 ▲	+13% YoY
FY 21 GP Margin	21.9% ▲	+122bps YoY
FY 21 Capex	SARmn 155 ▼	-71% YoY
FY 21 Capex / Revenue	2.0% ▼	-580bps YoY
FY 21 EBITDA	SARmn 1,107 ▲	+28% YoY
FY 21 EBITDA Margin	14.2% ▲	+165bps YoY
FY 21 Net Cash From Operating Activities	SARmn 1,379 ▲	+23% YoY
FY 21 ROCE	35.4% ▲	+2.02ppts YoY
FY 21 Net Profit	SARmn 833 ▲	+19% YoY
FY 21 NP Margin	10.7% ▲	+47bps YoY
FY 21 Net Cash	SARmn 1,608 ▲	+62% YoY
FY 21 ROAE	39.7% ▼	-4.41ppts YoY

solutions
by stc

Revenue Trend and Growth Drivers

Group revenue growth of +13% YoY in 2021, driven by Core ICT and IT Managed & Operational Services

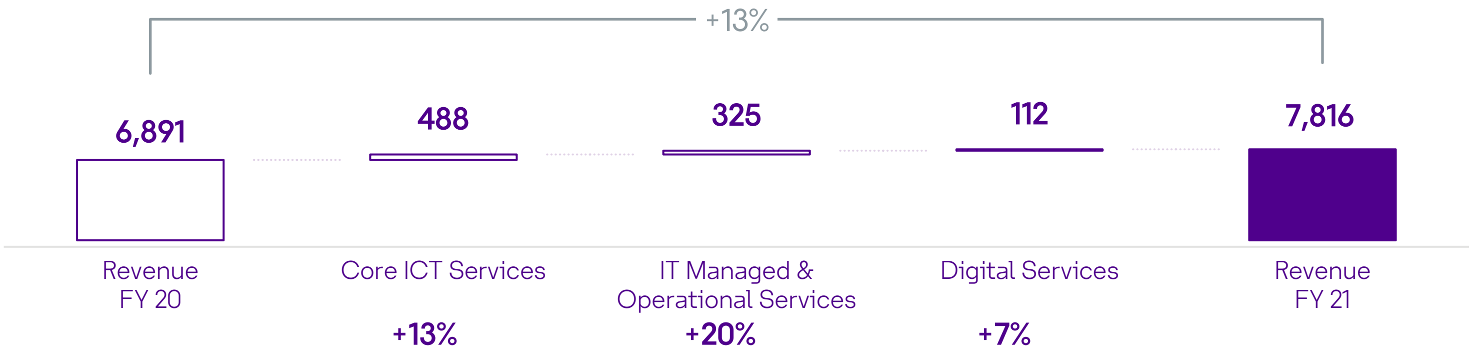
Revenue Trend (SARmn)



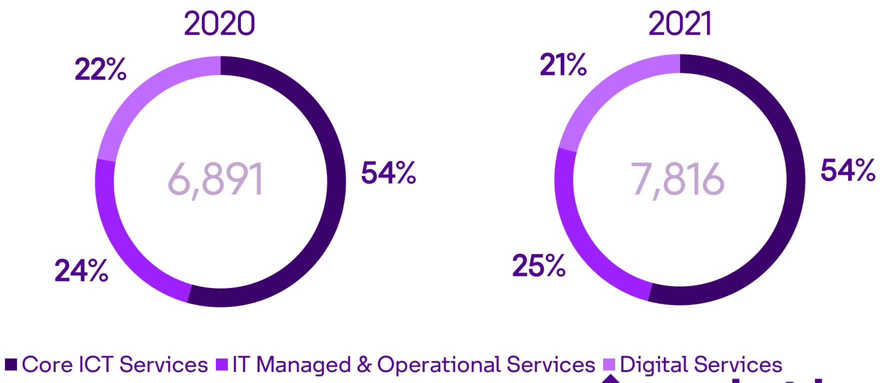
Management Commentary

- solutions reached the highest revenue base in 2021
- Core ICT Services: +13.0% YoY in 2021
- IT Managed & Operational Services: +19.9% YoY in 2021
- Digital Services: +7.4% YoY in 2021

Revenue Movement YoY (SARmn)



Revenue Composition (by Business Segment)

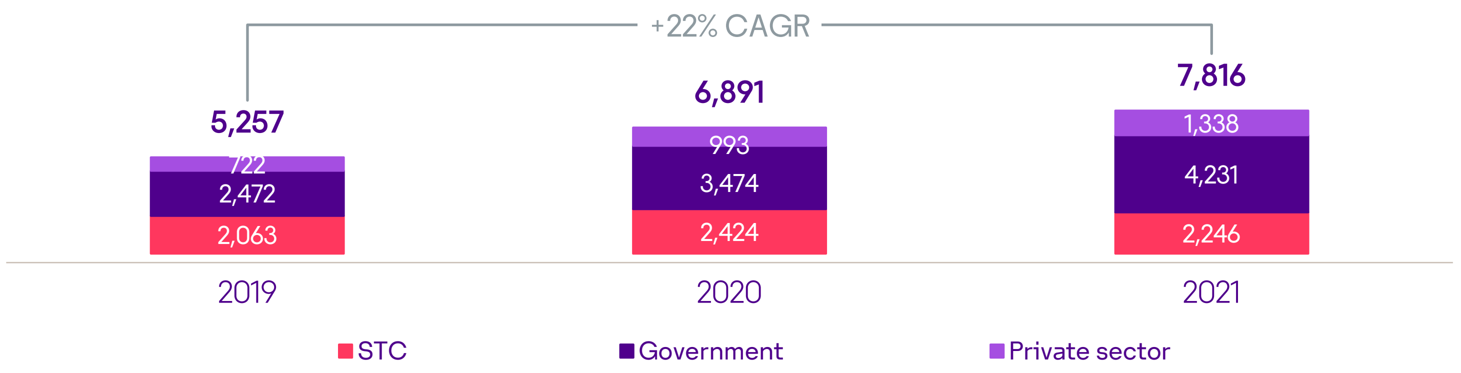


solutions by stc

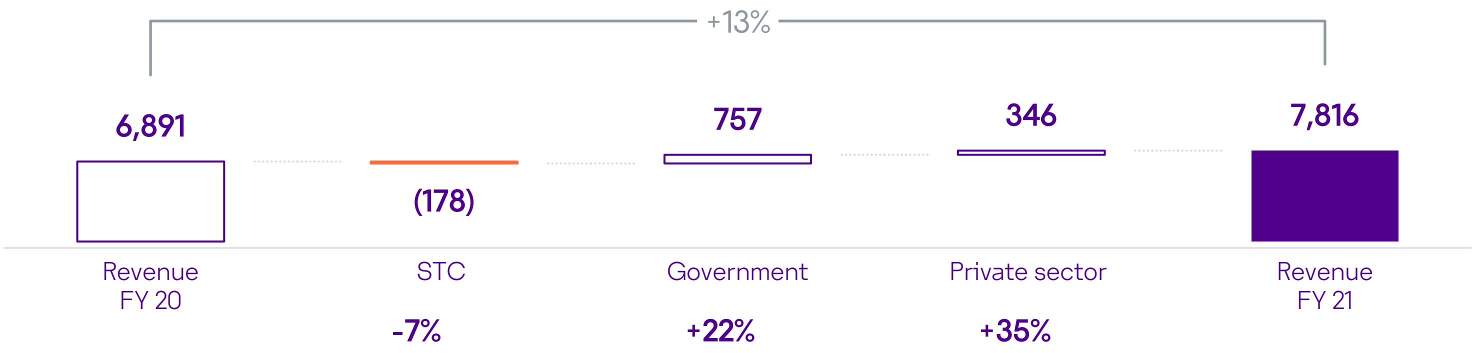
Revenue Analysis

STC together with Government accounted for 83% of top line in 2021

Revenue Breakdown by Customer Type (SARmn)



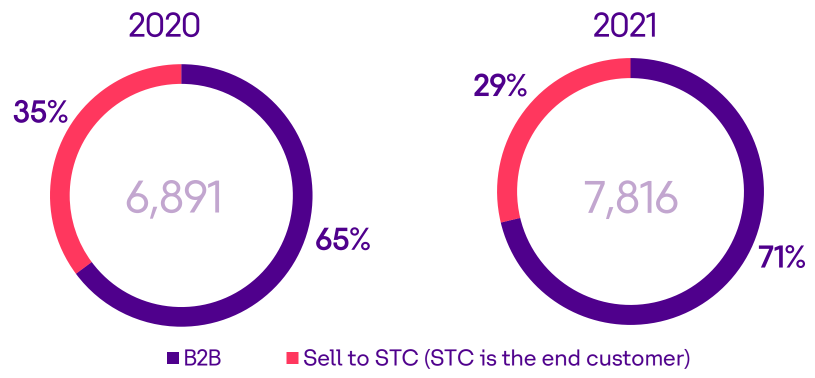
Revenue Movement YoY (SARmn)



Management Commentary

- In line with solutions strategy to increase market share and diversify its client base, B2B revenue increased to 71% in 2021, from 65% in 2020
- Private sector revenue contribution increased to 17% in 2021, from 14% in 2020, while government increased to 54%, from 50% in 2020
- Revenue generated by STC (as end customer) declined 7% YoY to account for 29% of total revenue

YTD Revenue Composition (by Channel)

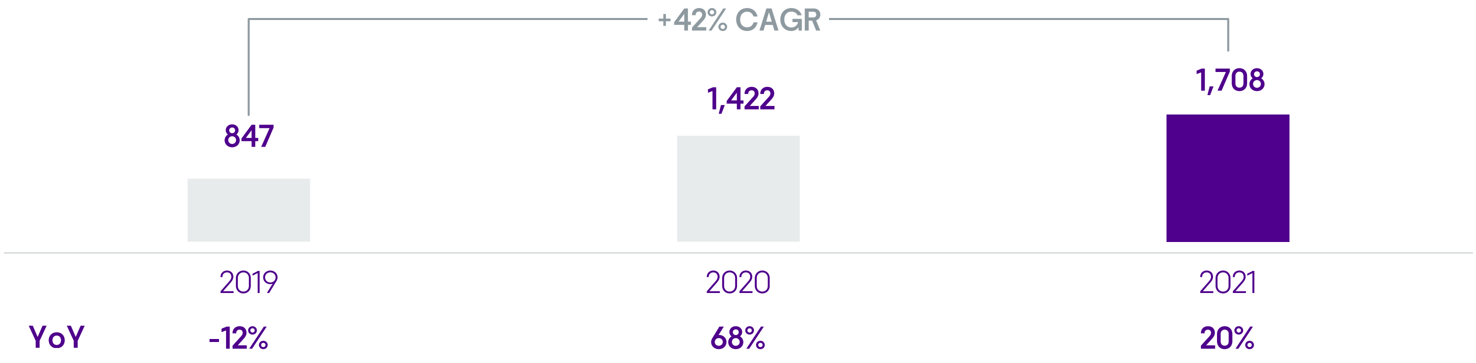


solutions by stc

Profitability - Gross Profit

Favourable revenue mix change and operating leverage supported gross profit margin in 2021

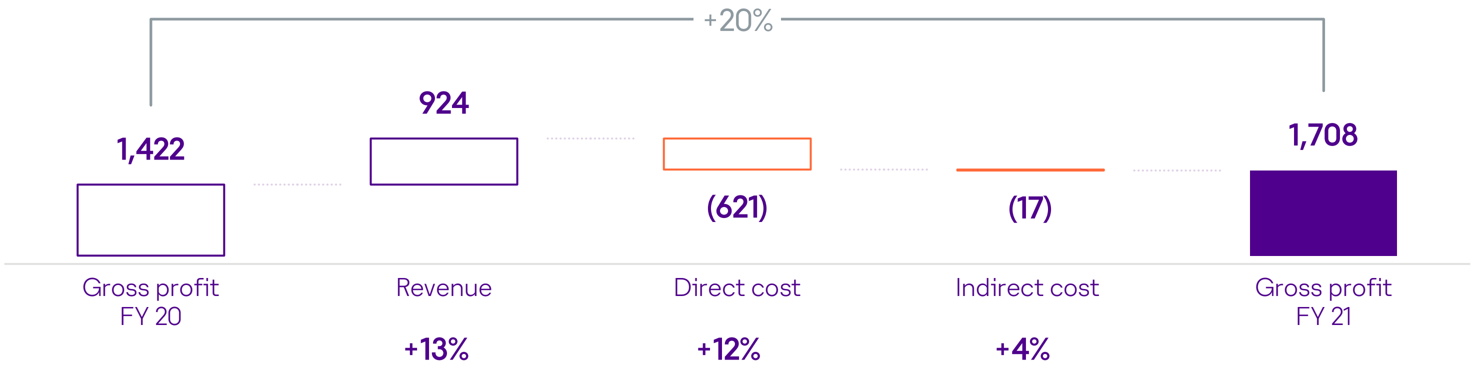
Gross Profit Trend (SARmn)



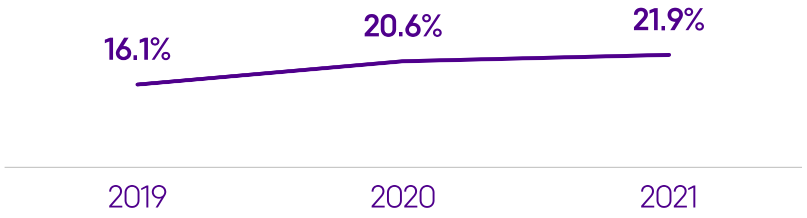
Management Commentary

- Gross profit margin improved to 21.9% in 2021, up from 20.6% in 2020, driven by favourable revenue mix change and operating leverage

Gross Profit Movement (SARmn)



Gross Profit Margin (%)

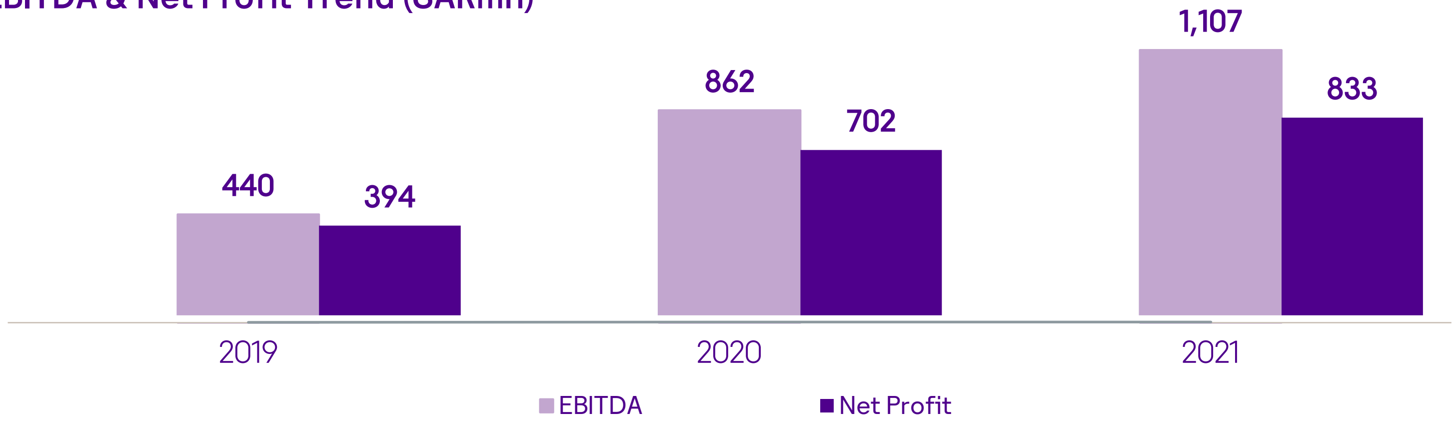


solutions by stc

Profitability - EBITDA and Net Profit

Higher gross profit margin and good control over OpEx resulted in strong EBITDA performance while depreciation & amortization weighed on bottom line

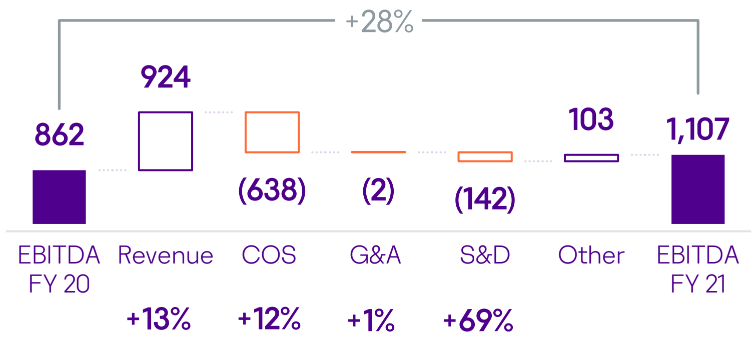
EBITDA & Net Profit Trend (SARmn)



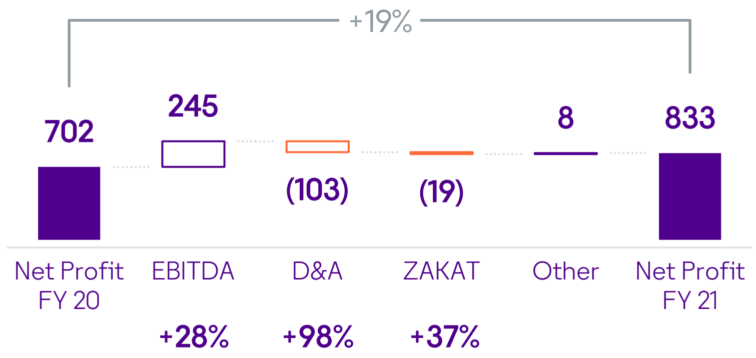
Management Commentary

- EBITDA jumped 28% YoY in 2021 despite the increase in impairment of accounts receivables
- OpEx were higher by 22% as a result of higher Impairment of accounts receivables
- Depreciation & Amortization almost doubled due to one-off CapEx related to a project incurred in 2020

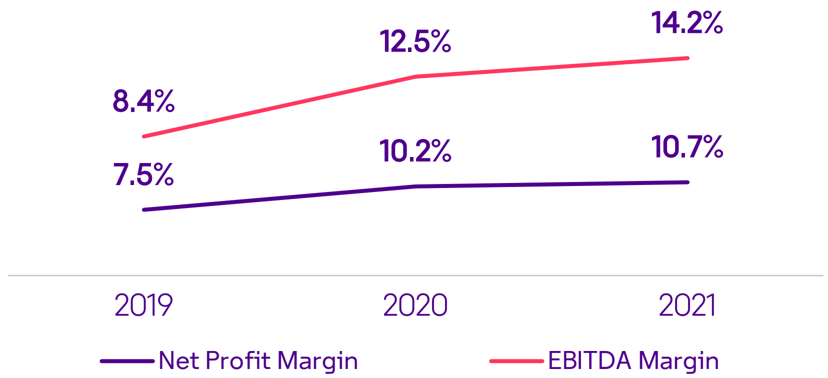
EBITDA Movement YoY (SARmn)



Net Profit Movement YoY (SARmn)



EBITDA & Net Profit Margins (%)

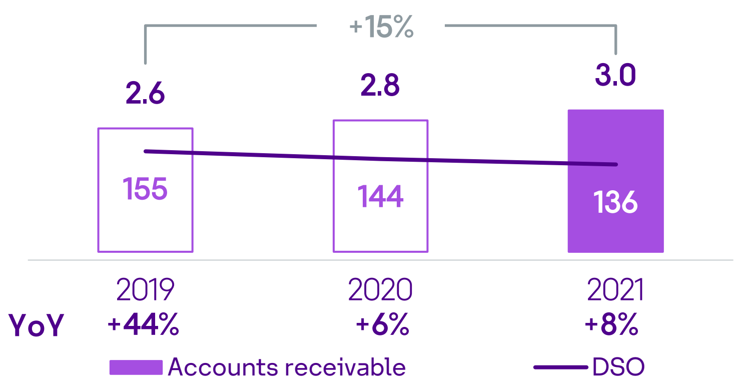


solutions by stc

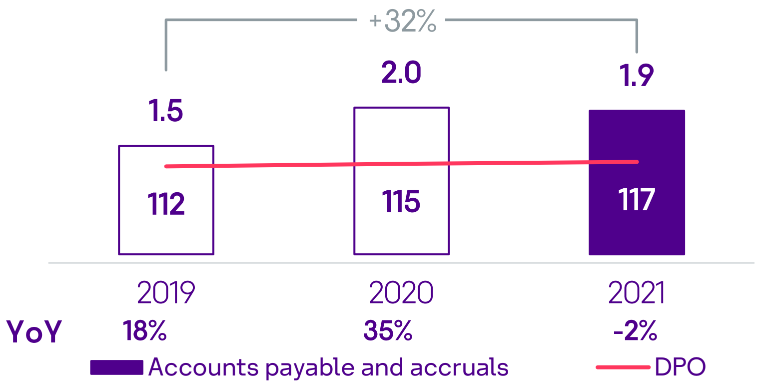
Balance Sheet - Working Capital

solutions is running a tight ship

Accounts Receivable (SARbn)



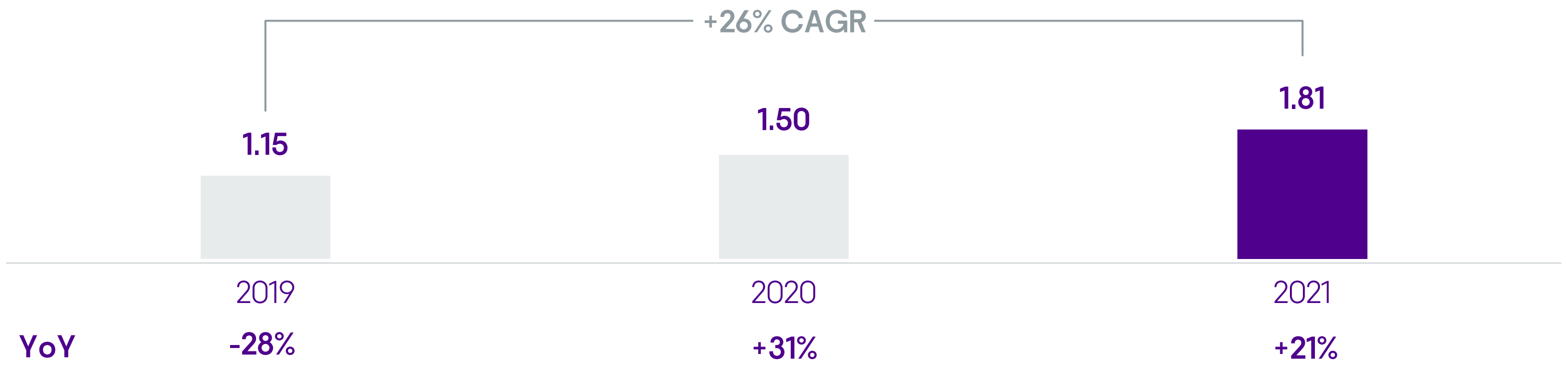
Accounts Payable (SARbn)



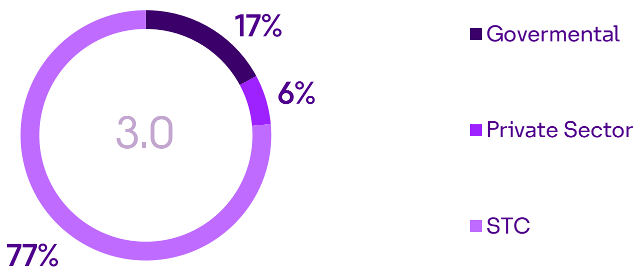
Management Commentary

- Working capital was managed effectively despite the double-digit revenue growth

Working Capital Performance (SARbn)



Accounts Receivable Composition (%)

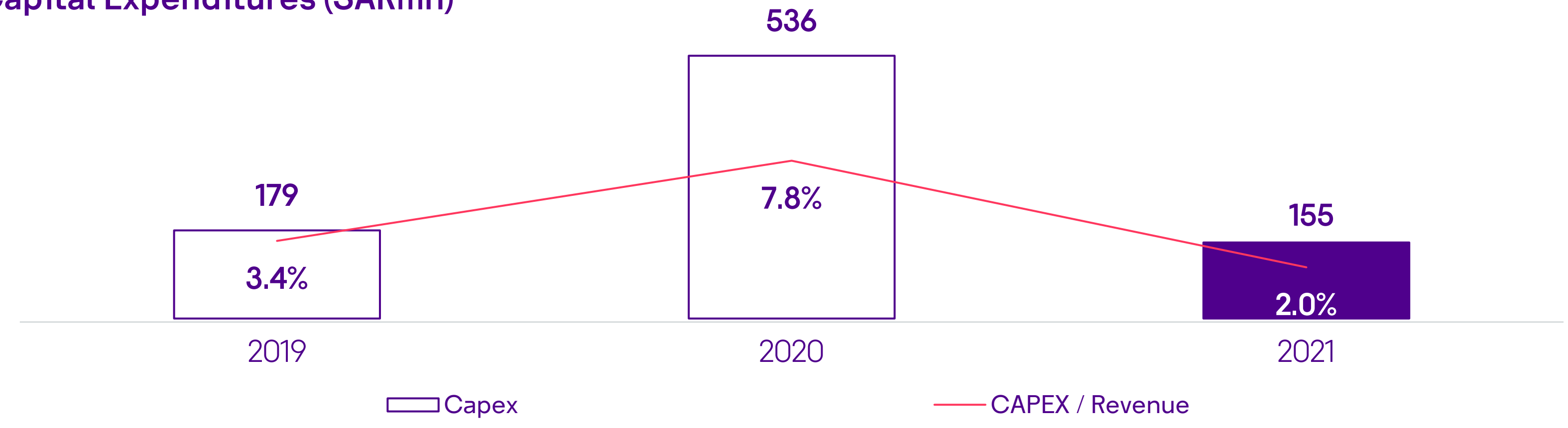


Working Capital = Current Assets - Current Liabilities

Cash Flow Generation

solutions has a strong cash position, no debt and generates strong FCF

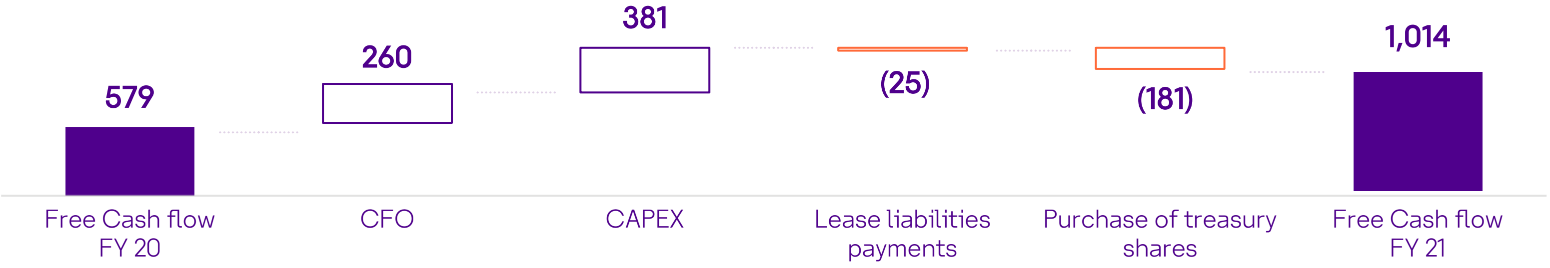
Capital Expenditures (SARmn)



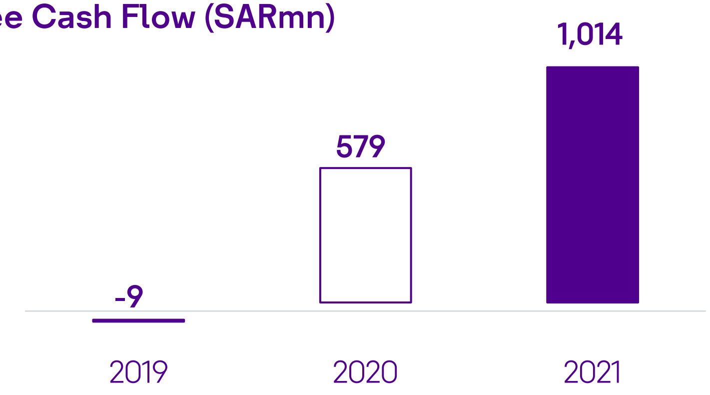
Management Commentary

- Net cash position of SAR1.61 bn as of 2021
- Capex investments normalized in 2021
- FCF more than doubled to over SAR1.0 bn

Free Cash Flow Movement (SARmn)



Free Cash Flow (SARmn)



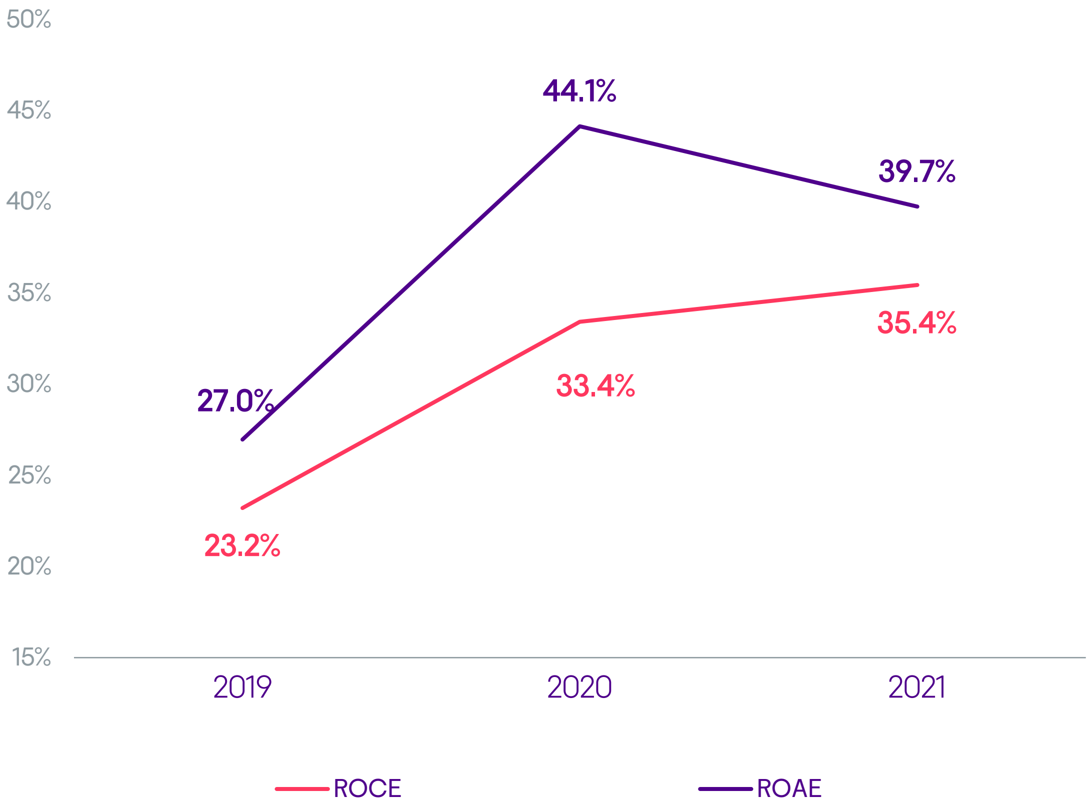
Free Cash Flow= CFO- CAPEX - Lease liabilities payments - Purchase of treasury shares

solutions by stc

Returns and Dividends

High returns and a dividends per share of SAR 4.0 in FY 2021 with 57% payout ratio

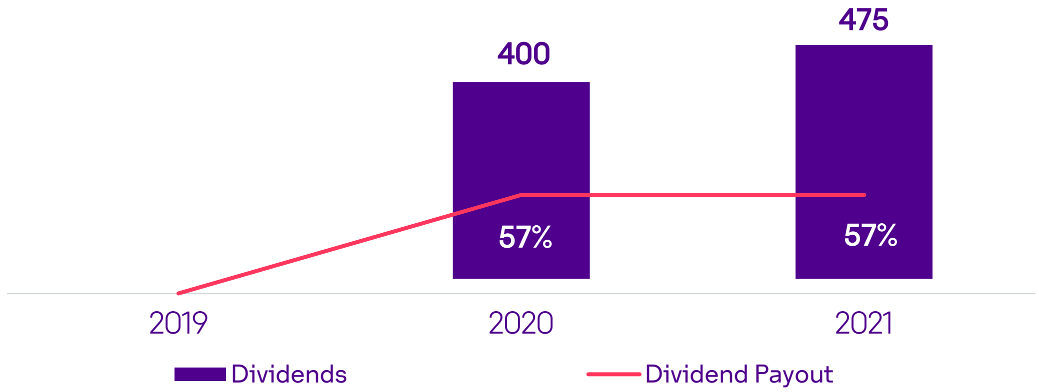
Return Ratios (%)



Management Commentary

- High returns given the capex-light business model
- DPS of SAR 4.0 in FY 2021, up from SAR 3.33 in FY 2020, implying a 57% payout ratio

Dividends (SARmn)



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

solutions by stc

FY 2021 - Delivering on key IPO promises

solutions delivered against guidance provided during the IPO process

	IPO Key Messages & FY21 Guidance		FY 2021 Delivery
Revenue	Group revenue growth to be broadly in line with market growth of **mid-to-high single-digit** from 2021 onwards	✓	Group revenue growth of **+13% YoY**
	Core ICT Services revenue growth of **mid single-digit**	✓	Core ICT Services revenue growth of **+13% YoY**
	Mid-teens revenue growth in IT Managed and Operational Services	✓	IT Managed and Operational Services revenue growth of **+20% YoY**
	Digital Services revenue growth of **low single-digit**	✓	Digital Services revenue growth of **+7% YoY**
Profitability	**~75 bps improvement** in EBITDA Margin over the Medium Term	✓	EBITDA margin improved from 12.5% in 2020 to **14.2%**, +165 bps YoY
Capex	Capex to normalise back to historical levels after a spike in 2020 **(2.5% of revenue from 2021 onwards)**	✓	Capex intensity ratio down to **2.0%**, from 7.8% in 2020

solutions by stc

2022 Outlook, Guidance and Targets

solutions

2022 Outlook	
Brent Oil Price	$79/bbl* (+12% from 2021)
KSA GDP Growth	+4.8%**
KSA Fiscal Budget	First surplus in 8 years
MENA IT Spending	+2.6%***
KSA ICT Growth	+6.7%

2022 Guidance	
Revenue Growth	Mid- to high- single Digit
EBITDA Margin	13.0% to 15.0%
Capex Intensity	2.0%- 2.5%

*Reuters survey of 43 economists and analysts conducted on 31-Jan-22.
**IMF Forecast.
***Gartner

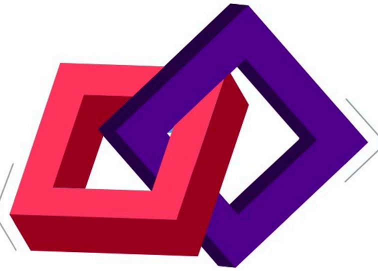
solutions by stc

3 Appendix

Strategy Highlights

Strategic Objectives

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



Growth

Focus on growth areas by expansion and enhancements

Efficiency

Achieve operational excellence and optimize cost

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 ~19% market share in the Saudi Arabian IT market

KSA Pure Play

Majority of solutions revenue is generated in Saudi Arabia

Public & Private Sector

54% of revenue generated from Government (Direct and Indirect), but increasing contribution from private sector

E2E solutions

solutions comprehensive portfolio offers a One-Stop-Shop approach covering the entire IT value chain

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

b Financial Summaries

Income Statement Summary

SAR (mn)	FY 2021	FY 2020	Δ%
Revenue	7,816	6,891	+13%
Cost of Sales	6,108	5,469	+12%
Gross profit	**1,708**	**1,422**	**+20%**
General and Administration Expenses	462	460	+1%
Selling & Distrbution Expense	347	205	+69%
Operating expenses	**809**	**665**	**+22%**
Operating Profit (EBIT)	**899**	**757**	**+19%**
EBITDA	**1,107**	**862**	**+28%**
Net profit before finance cost/income and zakat	**901**	**755**	**+19%**
Finance cost/income	3	(1)	-413%
Net profit before zakat	**904**	**754**	**+20%**
Zakat for the period	71	52	+37%
Net profit after zakat	**833**	**702**	**+19%**

solutions by stc

Balance Sheet Summary

SAR (mn)	FY 2021	FY 2020	Δ%
Cash and cash equivalents	1,608	993	+62%
Accounts receivable	3,021	2,804	+8%
Prepayments and other assets	288	157	+84%
Contract assets	1,256	1,505	-17%
Inventories	274	112	+144%
Total Current Assets	**6,446**	**5,571**	**+16%**
Total Non-Current Assets	**726**	**764**	**-5%**
Total Assets	**7,173**	**6,335**	**+13%**
Accounts payable and accruals	1,931	1,974	-2%
Deferred revenue	2,277	1,705	+34%
Contract Liabilities	354	336	+5%
Zakat payable	72	53	+36%
Total Current Liabilities	**4,634**	**4,068**	**+14%**
End of service indemnities	237	295	-20%
Lease liabilities relating to right of use assets	31	48	-35%
Total Non-Current Liabilities	**268**	**343**	**-22%**
Total Liabilities	**4,902**	**4,411**	**+11%**
Total Equity	**2,271**	**1,924**	**+18%**
Total Liabilities & Equity	**7,173**	**6,335**	**+13%**

solutions by stc

Cash Flow Summary

SAR (mn)	FY 2021	FY 2020	Δ%
Net Income before zakat	**904**	**754**	**+20%**
Adjustments for:			
Depreciation, impairment and amortization - property and equipment and intangibles	191	90	+113%
Depreciation - right of use assets	17	19	-7%
Impairment loss on accounts receivables and contract assets	151	46	+227%
End of service indemnities expense	60	90	-33%
Provision / (Reversal) against advances to suppliers	12	30	-60%
Net Income before zakat and after adjustments	**1,353**	**1,044**	**+30%**
Accounts receivable	(368)	(218)	+69%
Prepayments and other assets	(143)	1	-14659%
Contract assets	248	(336)	-174%
Inventories	(169)	30	-659%
Contract costs	(16)	(0)	+3782%
Accounts payable and accruals	(36)	492	-107%
Deferred revenue	572	278	+105%
Contract liabilities	18	(116)	-116%
Cash flows generated from / (used in) operating activities	**1,460**	**1,176**	**+24%**
Net cash generated from / (used in) operating activities	**1,379**	**1,119**	**+23%**
Purchase of property, equipment and intangible assets	(155)	(536)	-71%
Net cash used in investing activities	**(155)**	**(536)**	**-71%**
Net cash used in financing activities	**(610)**	**(4)**	**+15657%**
Net decrease in cash and cash equivalents	**614**	**579**	**+6%**
Cash and cash equivalents at the beginning of the period	**993**	**414**	**+140%**
Cash and cash equivalents at the end of the period	**1,608**	**993**	**+62%**

solutions by stc

IR Contact Details

Contact STC solutions investor relations team

Abdullah Al-Dayal

Investor Relations Director

+966 11 525 2985

aaldayel@solutions.com.sa

Faisal Altimyat

Investor Relations Manager

+966 11 525 2159

faltimyat@solutions.com.sa

Investor relations – solutions by stc

solutions by stc

Shukran!

شُكراً

solutions
by stc