

1Q 2022

Results Presentation

Riyadh, 11 May 2022

Agenda

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



Key Messages

solutions is the undisputed IT leader in a high growth market



IPO Completed in September 2021

solutions' IPO was over 130x oversubscribed, attracting SAR 471 bn in orders



Macro Tailwinds

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



Dividend

DPS of SAR 4.00 in 2021, implying a 57% payout ratio and a dividend yield of 1.8%



Solid Revenue Base

Diversified business portfolio generated +30% YoY revenue growth to SAR 2.4 bn in 1Q 2022



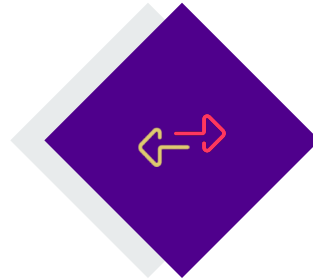
Improving profitability

EBITDA of SAR 368 mn in 1Q 2022, +44% YoY, with EBITDA margin rising from 13.7% in 1Q 2021 to 15.2% in 1Q 2022



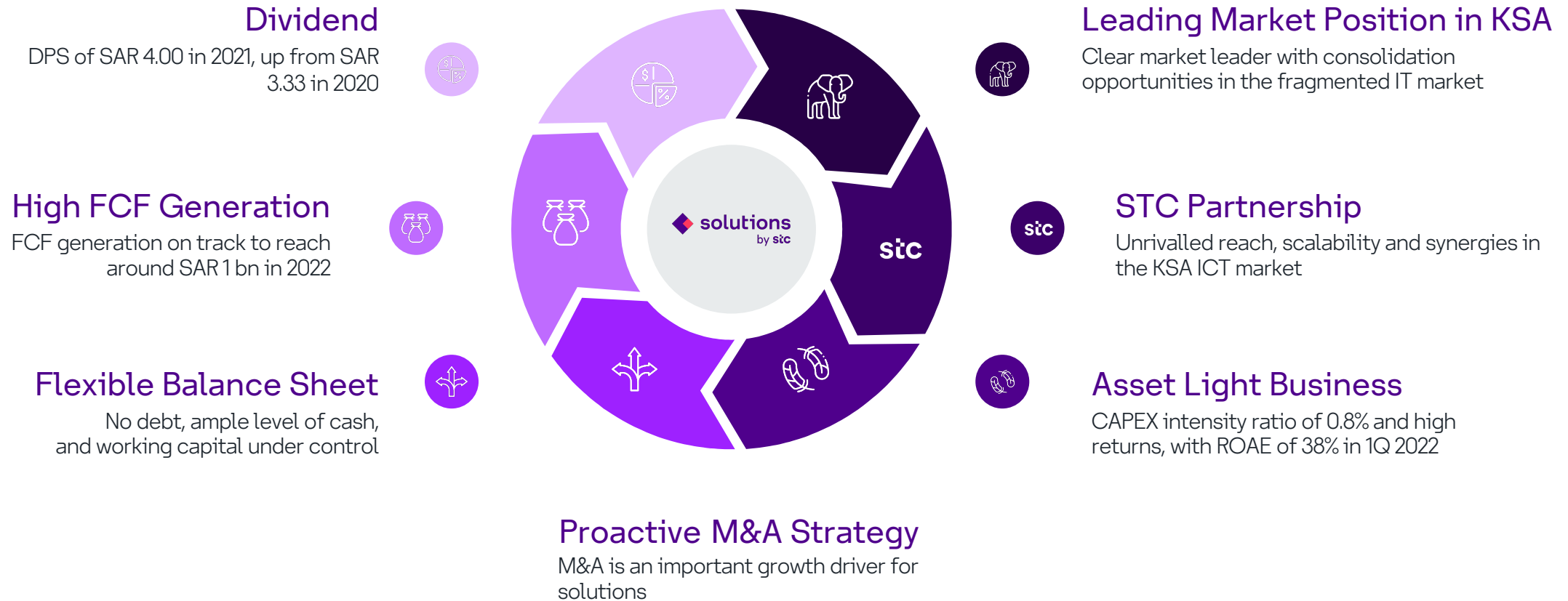
Strong Balance Sheet

Net cash position of SAR 1.80 bn



Investment Thesis

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



2 M&A Strategy



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 overview - transaction rationale

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

Portfolio

System & Application Integration

System, application & infra integration and advisory services

Digital solutions

Industrial and physical security bespoke digital solutions

Application Development & Management

Custom application development, app mgmt. & SW deploy and support

Data Center & Cloud Services

Infrastructure/DC services, cloud advisory, migration & deployment

Geographical Presence

Total: 1,517 FTEs

Egypt
1,146 FTE
63% revenue

KSA
308 FTE
33% revenue

WECA & Others
63 FTE
3% revenue

Cairo

Riyadh

Nairobi

60+ partners - technology and industry solutions

IBM

ORACLE

sandvine

UiPath™

Schneider Electric

Red Hat

DELL EMC

software AG

vmware®

teradata.

VEEAM

Verticals

Core

Telecom & ICT

Energy & Utilities

Government

Manufacturing

Oil & Gas

Real Estate

Giza’s acquisition will help solutions achieve key strategic objectives

Acquire capability in key strategic domains
(e.g. Application Integration)

Expand Addressable Market
(e.g. Egypt Presence)

Diversify Customer Base

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3 Financial Performance



solutions 1Q 2022 Financial Dashboard

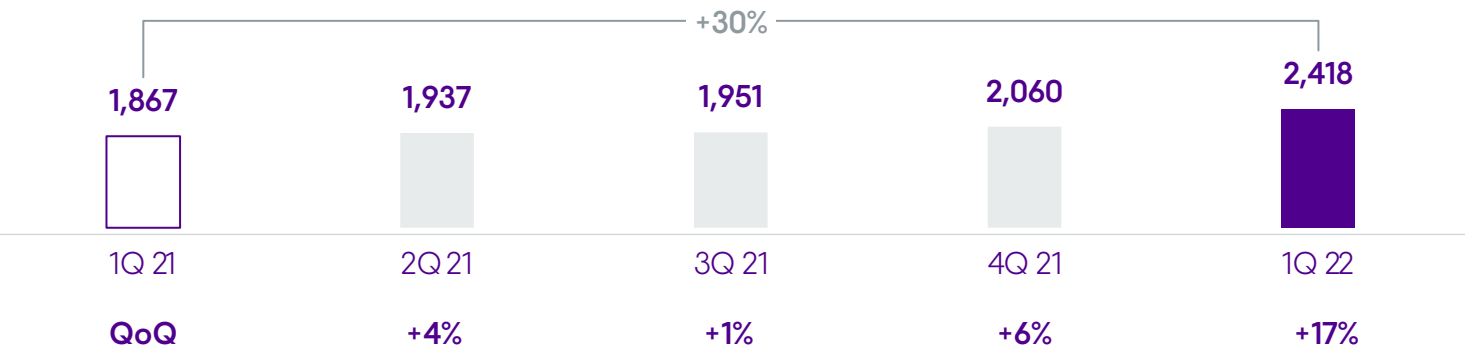
solutions delivered a strong performance in 1Q 2022



Revenue Trend and Growth Drivers

Group revenue growth of +30% YoY in 1Q 2022, driven by Core ICT services

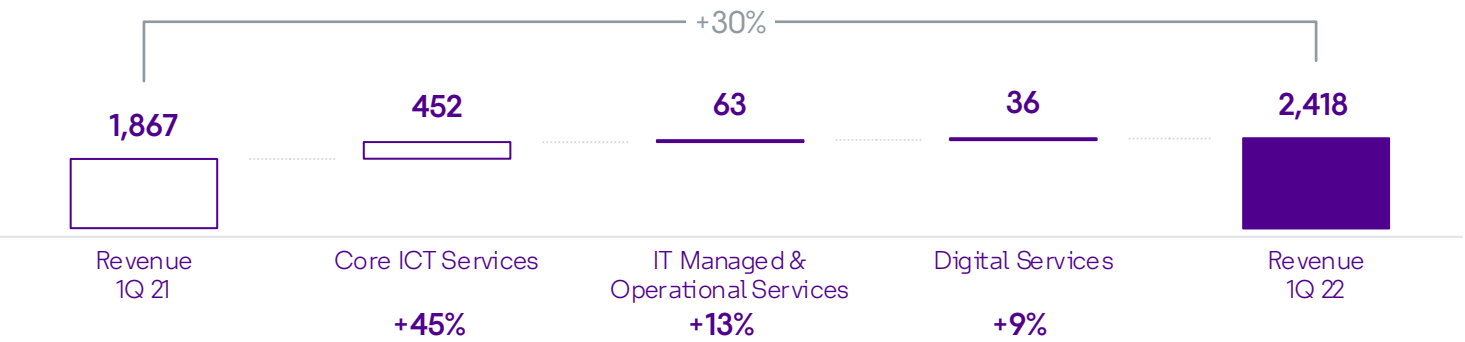
Revenue Trend (SARmn)



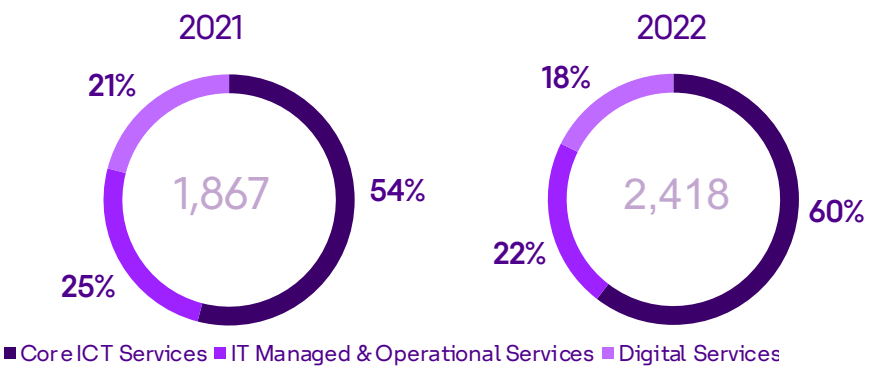
Management Commentary

- Overall revenue growth of 30% YoY in 1Q 2022
- Core ICT Services: +44.8% YoY
- IT Managed & Operational Services: +13.4% YoY
- Digital Services: +9.3% YoY

Revenue Movement YoY (SARmn)



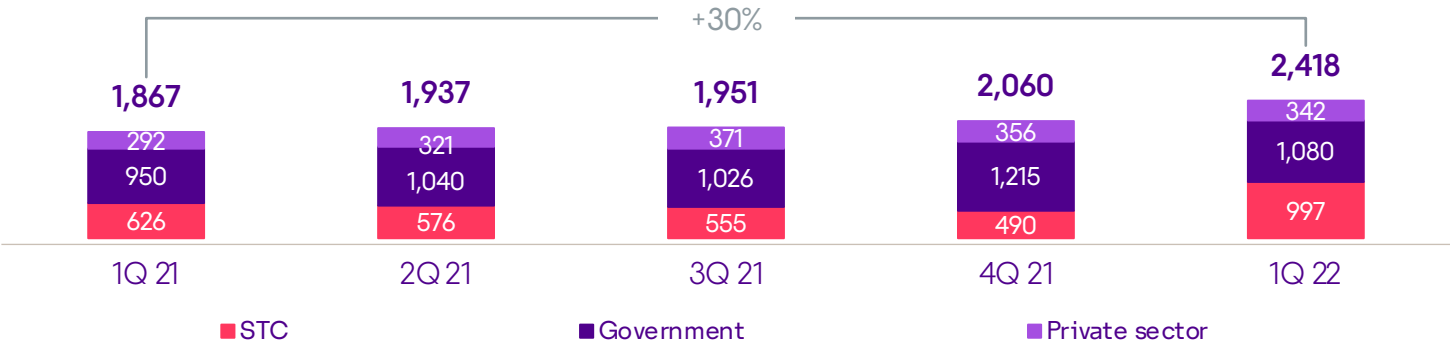
1Q Revenue Composition (by Business Segment)



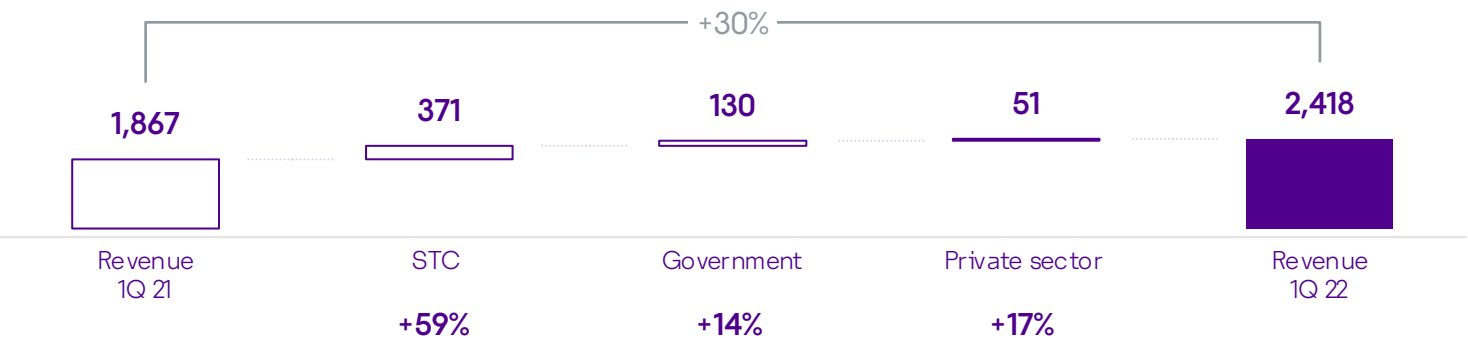
Revenue Analysis

STC together with Government accounted for 86% of revenue in 1Q 2022

Revenue Breakdown by Customer Type (SARmn)



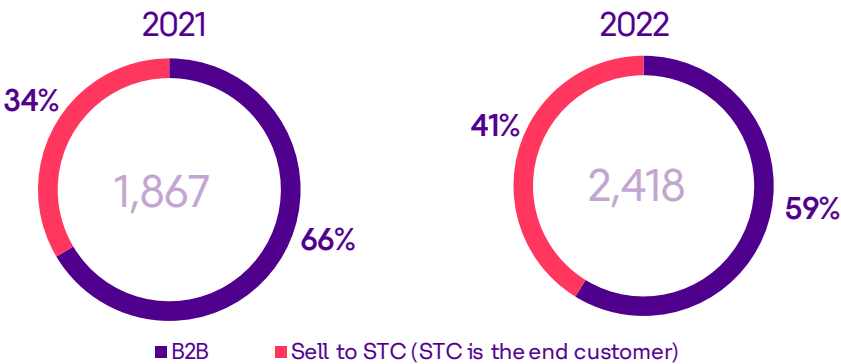
Revenue Movement YoY (SARmn)



Management Commentary

- STC: +59.3% YoY in 1Q 2022 driven by a major data center project that was largely booked during the quarter
- Government: +13.7% YoY and Private sector: +17.4% YoY continue to deliver solid performance

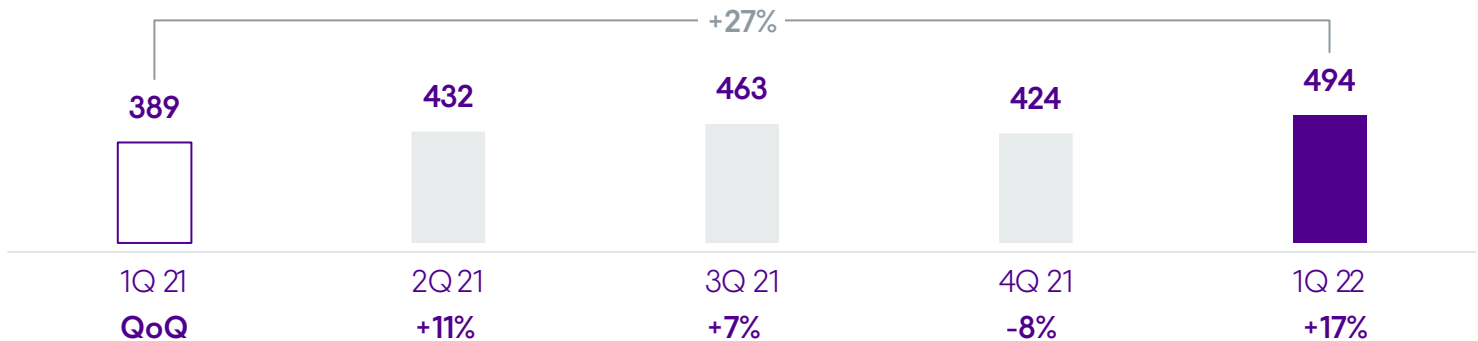
1Q Revenue Composition (by Channel)



Profitability - Gross Profit

The project-based nature of the business resulted in a marginal contraction of GPM in 1Q 2022

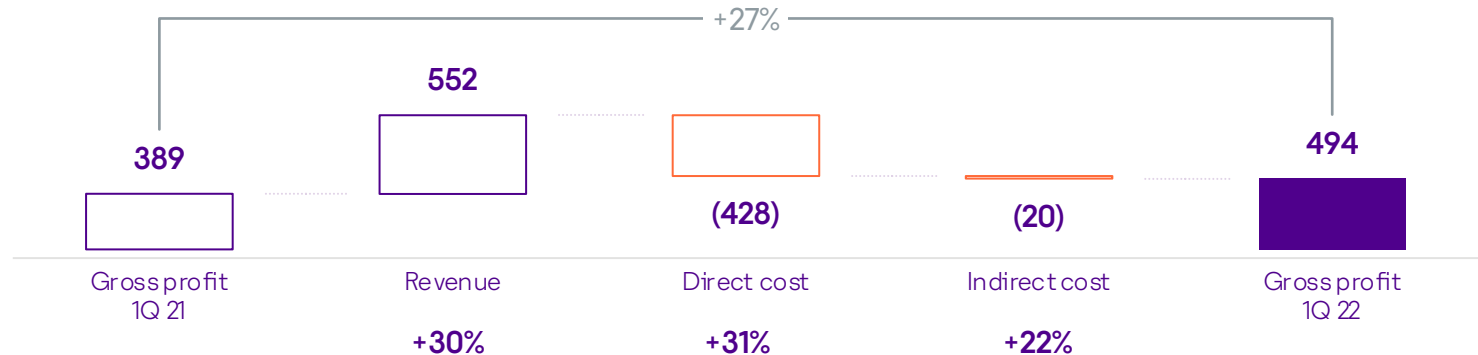
Gross Profit Trend (SARmn)



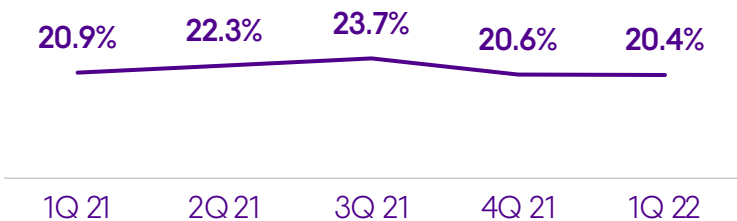
Management Commentary

- Gross profit margin marginally contracted from 20.9% in 1Q 2021 to 20.4% in 1Q 2022 due to inherent seasonality of solutions’ project-based business

Gross Profit Movement (SARmn)



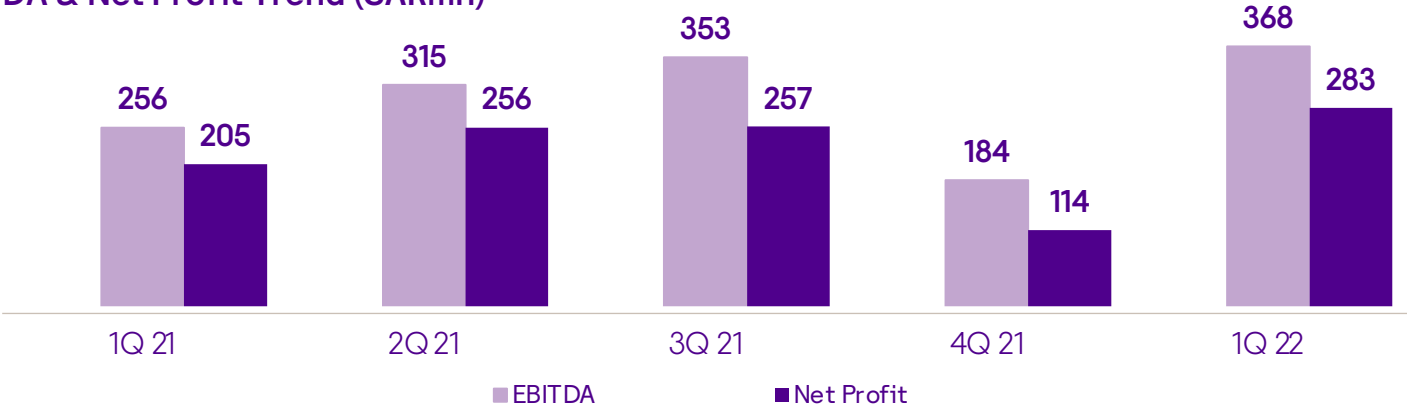
Gross Profit Margin (%)



Profitability - EBITDA and Net Profit

Good control over OpEx supported strong EBITDA and Net Profit performances

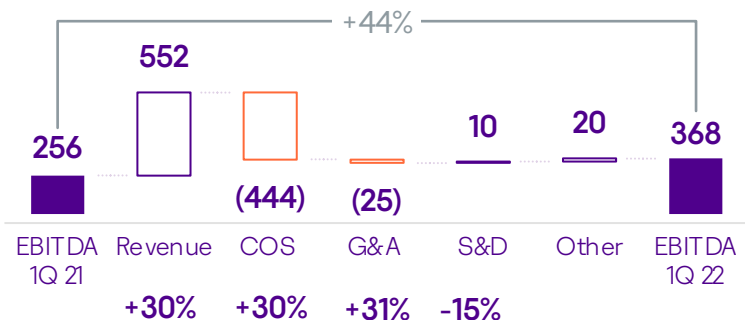
EBITDA & Net Profit Trend (SARmn)



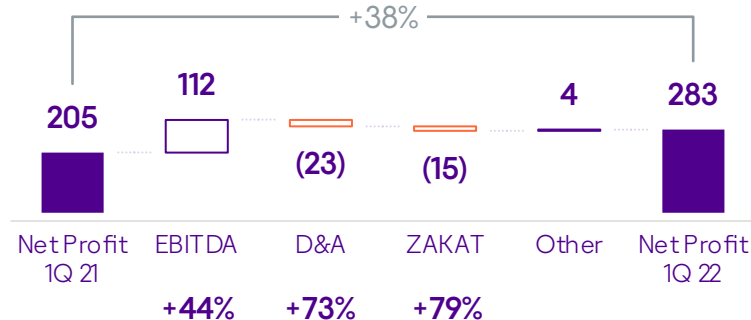
Management Commentary

- EBITDA increased 44% YoY in 1Q 2022, supported by strong revenue growth and a decline in S&D expenses
- Overall OpEx (excluding D&A charges) were well contained, +10% YoY: the acquisition-related expenses were partially offset by lower impairments of account receivables
- D&A charges increased by 73% YoY due to a one-off spending related to a project conducted for Aramco at the end of 2020.

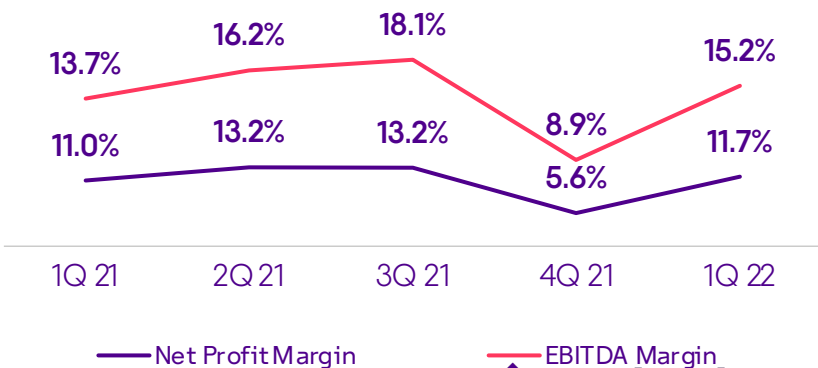
EBITDA Movement YoY (SARmn)



Net Profit Movement YoY (SARmn)



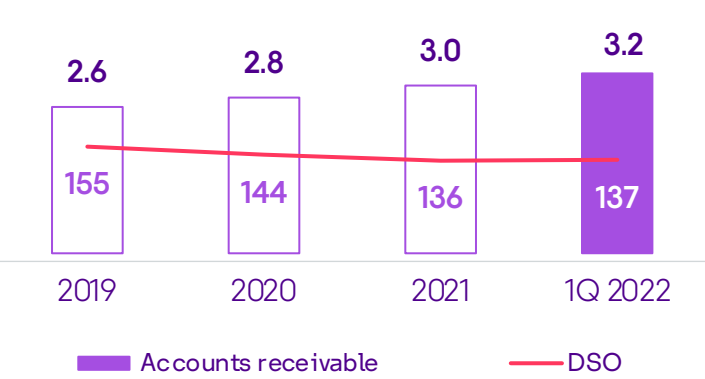
EBITDA & Net Profit Margins (%)



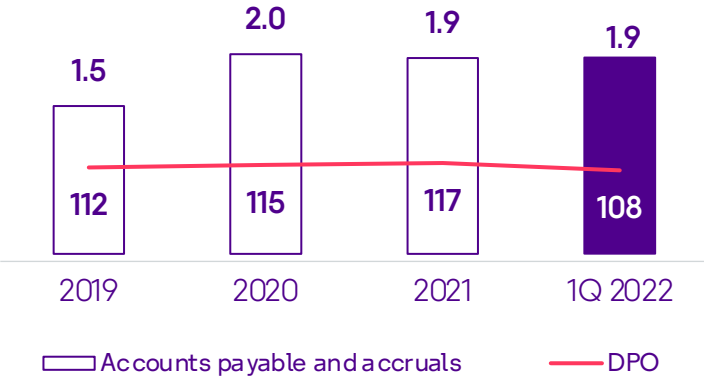
Balance Sheet - Working Capital

Working capital changes reflect the strong revenue growth

Accounts Receivable (SARbn)



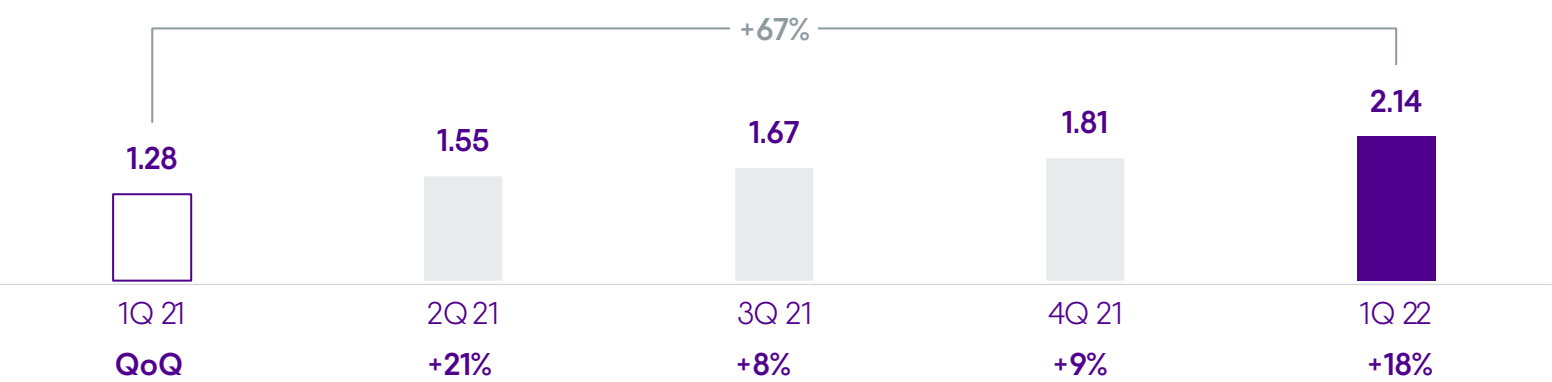
Accounts Payable (SARbn)



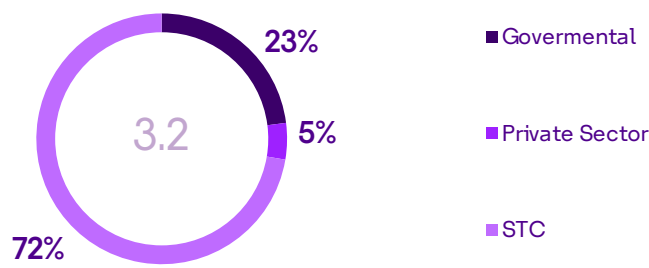
Management Commentary

- More than 95% of solutions' receivables are related to stc & governmental

Working Capital Performance (SARbn)



Accounts Receivable Composition (%)

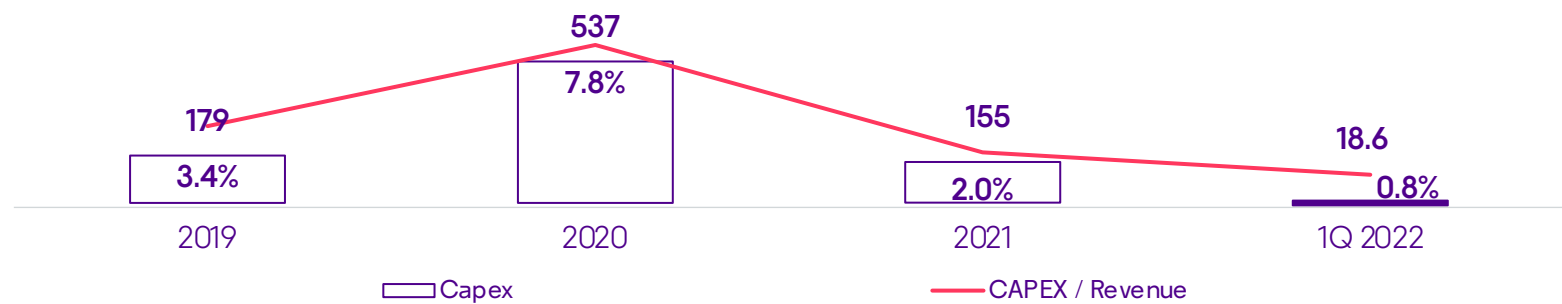


Working Capital = Current Assets - Current Liabilities

Cash Flow Generation

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

Capital Expenditures (SARmn)



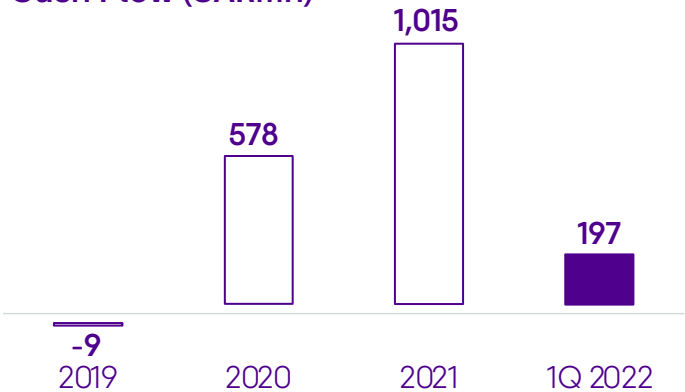
Management Commentary

- Net cash position of SAR 1.80 bn as of 1Q 2022
- FCF down to SAR 197 mn in 1Q 2022 from SAR 305 mn in 1Q 2021 as a result of lower cash flow from operations

Free Cash Flow Movement (SARmn)



Free Cash Flow (SARmn)

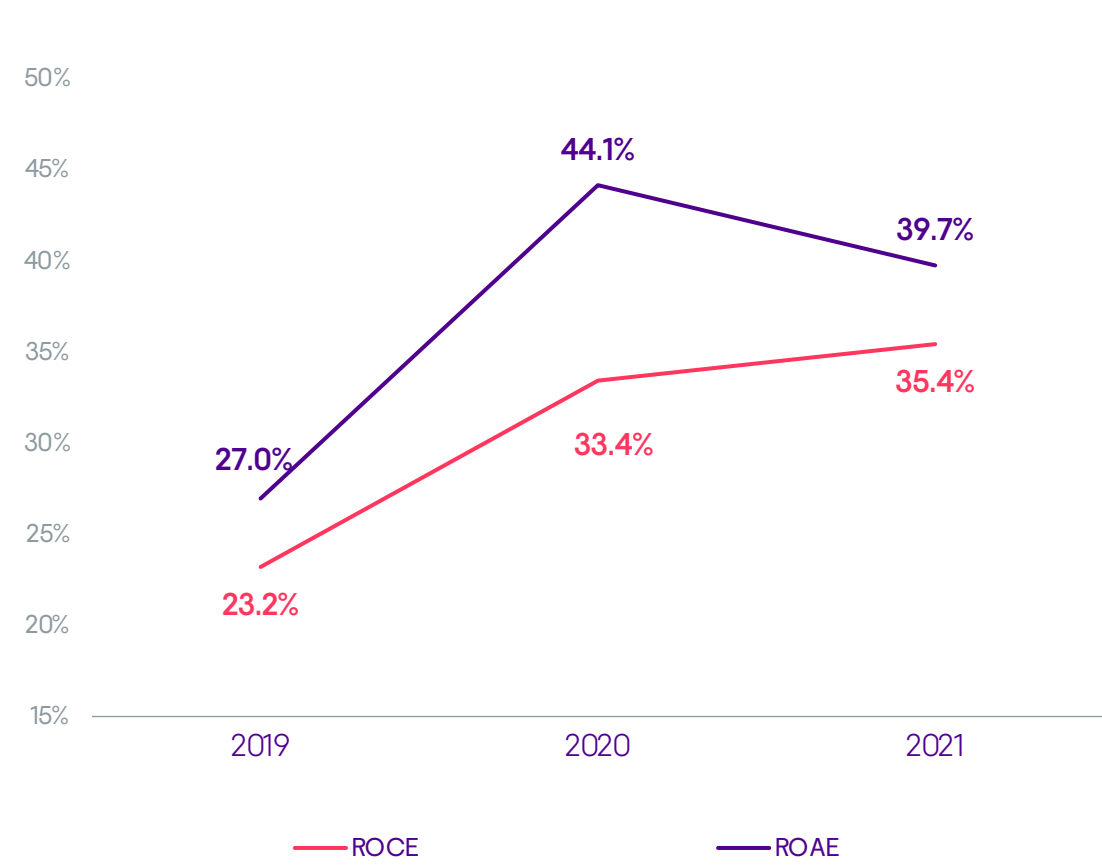


Free Cash Flow= CFO- CAPEX - Lease liabilities payments - Purchase of treasury shares

Returns and Dividends

High returns and a dividend per share of SAR 4.0 in 2021

Return Ratios (%)

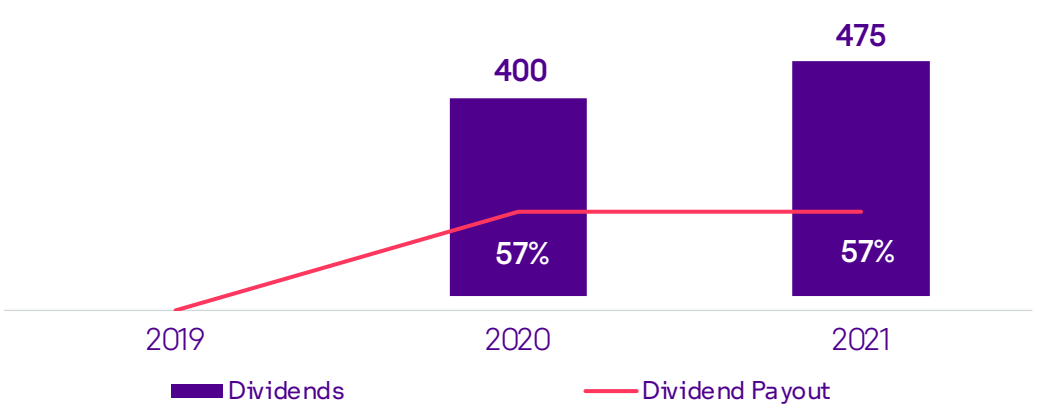


ROCE = EBIT / Capital employed (Total Assets - Current liabilities)
ROAE = Net income / Average Total Equity

Management Commentary

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

Dividends (SARmn)



2022 Outlook, Guidance and Targets

solutions 1Q 2022 outcomes are either in line with or exceeding expectations

	2022 Outlook		FY 2022 Guidance as at 4Q 2021	1Q 2022 Outcome	FY 2022 Guidance Update
Brent Oil Price	\$103/bbl*	Revenue Growth	Mid- to high- single Digit	+30%	Unchanged
KSA GDP Growth	+7.6%**	EBITDA Margin	13.0% to 15.0%	15.2%	Unchanged
KSA Fiscal Budget	First surplus in 8 years	Capex Intensity	2.0%- 2.5%	0.8%	Unchanged
MENA IT Spending	+2.6%***	Guidance Comment	FY 2022 guidance remains unchanged principally due to strong 1Q 2022 result seasonality of solutions' project-based business.		
KSA ICT Growth	+6.7%				

*Reuters survey of 43 economists and analysts conducted in Mar 22. (new forecast is up from \$79/bbl in Jan 22)

**IMF Forecast.

***Gartner

4 Appendix



Strategy Highlights



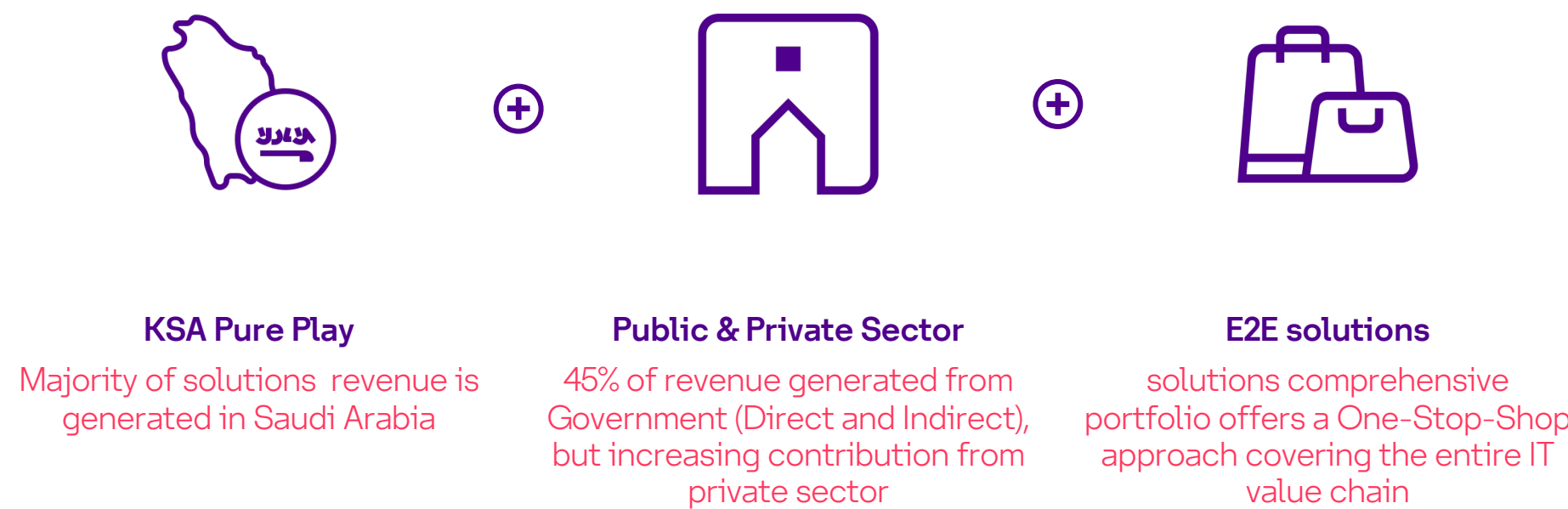
Strategic Objectives

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



Market Positioning

solutions currently has ~19% 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

b FY 2021 Delivery

FY 2021- Delivering on key IPO promises

solutions delivered against guidance provided during the IPO process

IPO Key Messages & FY21 Guidance

Revenue

Group revenue growth to be broadly in line with market growth of **mid-to-high single-digit** from 2021 onwards

Core ICT Services revenue growth of **mid single-digit**

Mid-teens revenue growth in IT Managed and Operational Services

Digital Services revenue growth of **low single-digit**

Profitability

~75 bps improvement in EBITDA Margin over the Medium Term

Capex

Capex to normalise back to historical levels after a spike in 2020 (**2.5% of revenue from 2021 onwards**)

FY 2021 Delivery

Group revenue growth of **+13% YoY**

Core ICT Services revenue growth of **+13% YoY**

IT Managed and Operational Services revenue growth of **+20% YoY**

Digital Services revenue growth of **+7% YoY**

EBITDA margin improved from 12.5% in 1Q 2020 to **14.2%**, +165 bps YoY

Capex intensity ratio down to **2.0%**, from 7.8% in 2020

C Financial Summaries

Income Statement Summary

SAR (mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Revenue	2,418	2,060	+17%	1,867	+30%
Cost of Sales	1,925	1,637	+18%	1,477	+30%
Gross profit	494	424	+16%	389	+27%
General and Administration Expenses	120	142	-15%	95	+27%
Selling & Distribution Expense	60	154	-61%	70	-14%
Operating expenses	181	296	-39%	165	+9%
Operating Profit (EBIT)	313	128	+145%	224	+40%
EBITDA	368	184	+101%	256	+44%
Net profit before finance cost/income and zakat	312	128	+144%	224	+40%
Finance cost/income	4	2	+170%	0	+3187%
Net profit before zakat	316	129	+145%	224	+41%
Zakat for the period	34	15	+126%	19	+79%
Net profit after zakat	283	114	+147%	205	+38%

Balance Sheet Summary

SAR (million)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Cash and Balances with SAMA	1,803	1,608	+12%	899	+101%
Accounts receivable	3,240	3,021	+7%	2,797	+16%
Prepayments and other assets	151	288	-47%	135	+12%
Contract assets	1,584	1,256	+26%	1,508	+5%
Inventories	54	274	-80%	109	-50%
Total Current Assets	6,833	6,446	+6%	5,448	+25%
Total Non-Current Assets	691	726	-5%	789	-12%
Total Assets	7,524	7,173	+5%	6,237	+21%
Accounts payable and accruals	1,938	1,931	+0%	2,072	-6%
Deferred revenue	2,286	2,277	+0%	1,653	+38%
Contract liabilities	364	354	+3%	368	-1%
Zakat payable	106	72	+46%	72	+47%
Total Current Liabilities	4,695	4,634	+1%	4,166	+13%
End of service indemnities	266	237	+13%	219	+21%
Lease liabilities relating to right of use assets	29	31	-8%	44	-35%
Total Non-Current Liabilities	295	268	+10%	264	+12%
Total Liabilities	4,990	4,902	+2%	4,429	+13%
Total Equity	2,535	2,271	+12%	1,808	+40%
Total Liabilities & Equity	7,524	7,173	+5%	6,237	+21%

Cash Flow Summary

SAR (mn)	1Q 2022	4Q 2021	Δ%	1Q 2021	Δ%
Net Income before zakat	316	129	+145%	224	+41%
Adjustments for:					
Depreciation, impairment and amortization - property and equipment and intangibles	51	52	-2%	28	+85%
Depreciation - right of use assets	4	4	-2%	4	-4%
Impairment of accounts receivable and contract assets	2	89	-97%	28	-92%
End of service indemnities expense	14	36	-60%	16	-7%
Provision / (Reversal) against advances to suppliers	(0)	5	-103%	(1)	-74%
Net Income before zakat and after adjustments	420	301	+39%	317	+32%
Accounts receivable	(222)	(218)	+2%	(23)	+845%
Prepayments and other assets	137	(184)	-174%	22	+517%
Contract assets	(328)	154	-313%	(1)	+23203%
Inventories	213	(209)	-202%	(15)	-1540%
Contract costs	0	0	+67%	(16)	-102%
Accounts payable and accruals	(16)	339	-105%	108	-115%
Deferred revenue	10	573	-98%	(52)	-119%
Advances from customers	10	1	+597%	32	-68%
Cash flows generated from / (used in) operating activities	224	757	-70%	372	-40%
Net cash generated from / (used in) operating activities	216	732	-71%	361	-40%
Purchase of property, equipment and intangible assets	(19)	(40)	-54%	(41)	-55%
Net cash used in investing activities	(19)	(40)	-53%	(41)	-55%
Net cash used in financing activities	(1)	6	-111%	(414)	-100%
Net decrease in cash and cash equivalents	197	698	-72%	(95)	-308%
Cash and cash equivalents at the beginning of the period	1,607	908	+77%	992	+62%
Cash and cash equivalents at the end of the period	1,803	1,607	+12%	898	+101%

IR Contact Details

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Shukran!

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