

3Q 2022

Results Presentation

Riyadh, 2 November 2022

Agenda

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- 1 Key Messages
 - 2 M&A Strategy and Update
 - 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



Strong M&A activity

The Giza transaction was successfully completed on the 3rd of October 2022 as the first M&A activity by solutions since the IPO



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 1.7%



Solid Revenue Base

Diversified business portfolio generated +20% YoY revenue growth to SAR 6.9 bn in 9M 2022



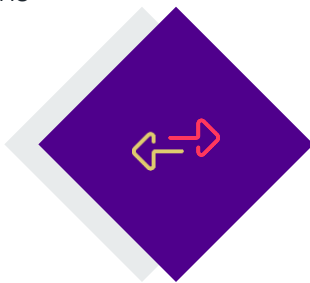
Improving profitability

EBITDA of SAR 1.1 bn in 9M 2022, +18% YoY
Net Profit of SAR 856 mn in 9M 2022, +19% YoY



Strong Balance Sheet

Net cash position of SAR 1.02 bn



Investment Thesis

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



A man and a young boy are looking at a screen. The man is pointing at the screen with his right hand. The boy is looking at the screen with a slight smile. The screen displays a large red number 2. The background is dark blue.

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 overview

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

350 Customers

Egypt
1,146 FTE
63% revenue

KSA
308 FTE
33% revenue

WECA & Others
63 FTE
3% revenue

Cairo

Riyadh

Nairobi

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

Financials Highlights

	FY 2021
Revenue	SAR 1,093mn
Net Income	SAR 53mn
EBITDA Margin	7.4%
Toral Assets	SAR 903mn
Total Debt	SAR 129mn

Verticals, Sectors and Partners

Core

Telecom & ICT

Energy & Utilities

Government

Manufacturing

Oil & Gas

Real Estate

IBM

ORACLE

sandvine

UiPath

Schneider Electric

Red Hat

teradata.

VEEAM

DELL EMC

software

vmware

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Giza acquisition fits well with solutions’ M&A strategy

The transaction was completed on the 3rd of October 2022

Transaction details

- **Acquisition of 88.19% in Giza Systems and 34% in its Saudi subsidiary (Giza Arabia - the remaining 66% share capital in Giza Arabia are already owned by Giza Systems)**
- **Balance of 11.81% in Giza** owned by the retained Giza management team
- **The purchase price was based on an Enterprise Value of USD 158mn**
- **Critical personnel will be locked in**

Strategic Rationale

- **Good strategic fit - Giza ticks two boxes for solutions:**
 1. Strong presence in new geography: Egypt
 2. It brings strong expertise in application integration, development and management, allowing solutions to widen its offering and strengthen its one-stop-shop proposition
- **Giza will continue to be run separately in the short term**
- Giza will remain a separate legal and operational entity with a distinct market positioning in Egypt

Transaction timeline

- **4th April 2022**
Tadawul announcement about the signing of a binding offer for acquiring 89.49% of Giza Systems and 34% of its subsidiary Giza Arabia
- **4th October 2022**
Tadawul announcement about the completion of Giza Systems and Giza Arabia acquisition on the 3rd of October 2022

Financial Rationale

- Giza was acquired at an attractive EBITDA multiple of 6.6x compared to 28.11x for solutions.
- solutions expects to realize revenue synergies through project cross-selling and up-selling and from new client targeting and acquisition on the back of a stronger portfolio.

3 Financial Performance



solutions 9M 2022 Financial Dashboard

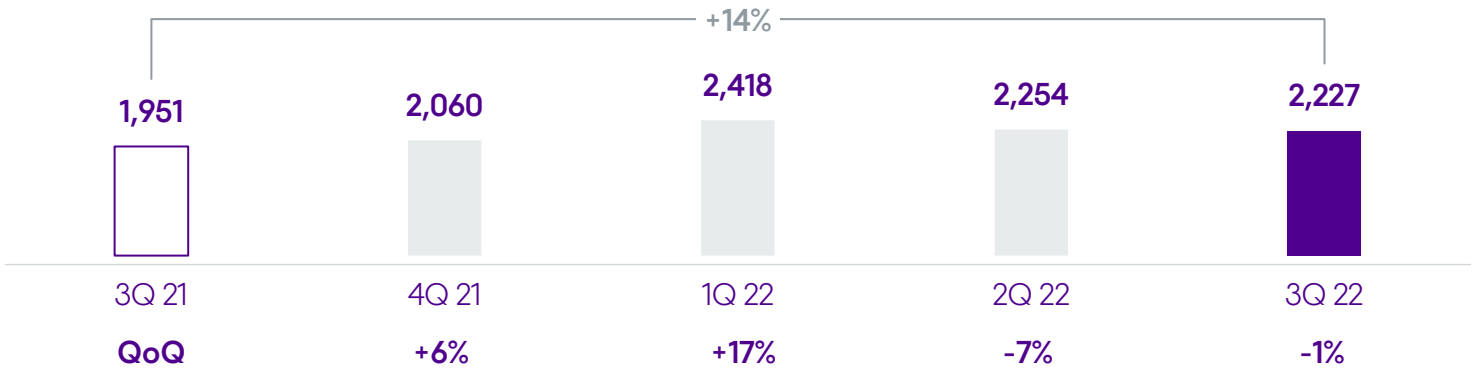
solutions delivered a good performance in 9M 2022



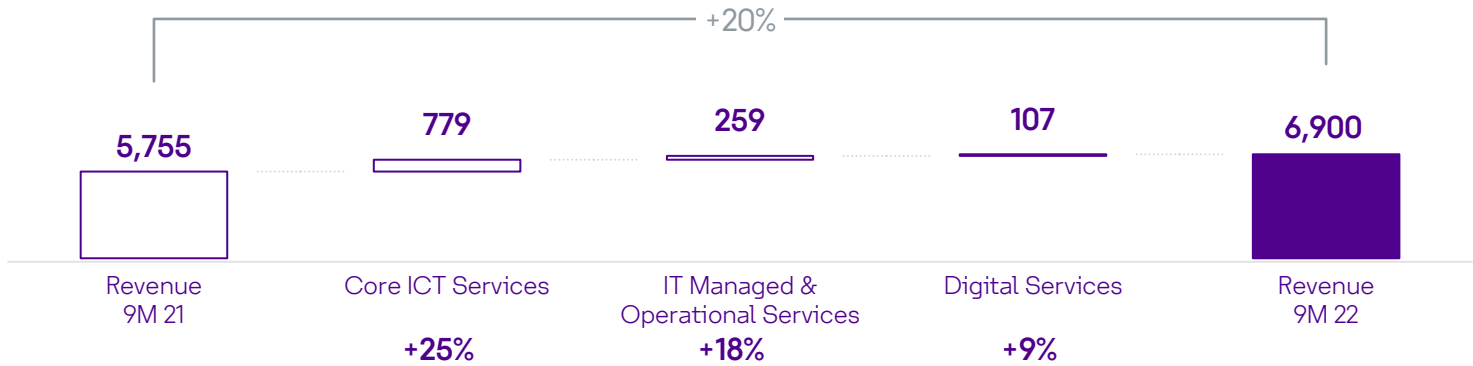
Revenue Trend and Growth Drivers

Group revenue growth of +20% YoY in 9M 2022, driven by Core ICT services

Revenue Trend (SARmn)



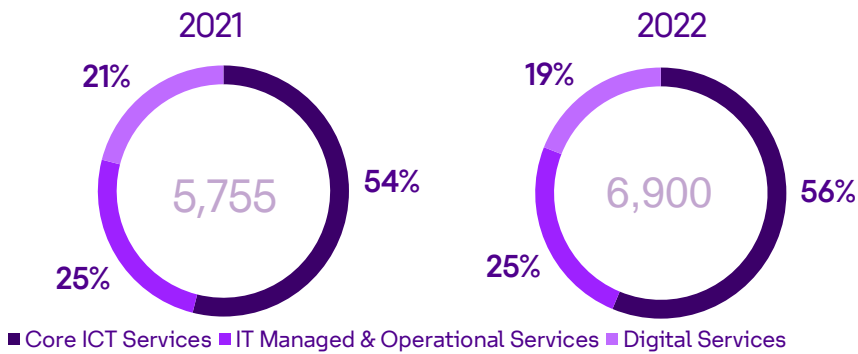
Revenue Movement YoY (SARmn)



Management Commentary

- Strong 3Q 2022 performance in Core ICT Services (+11% YoY), IT Managed Services (+18% YoY) and Digital Services (+18% YoY)

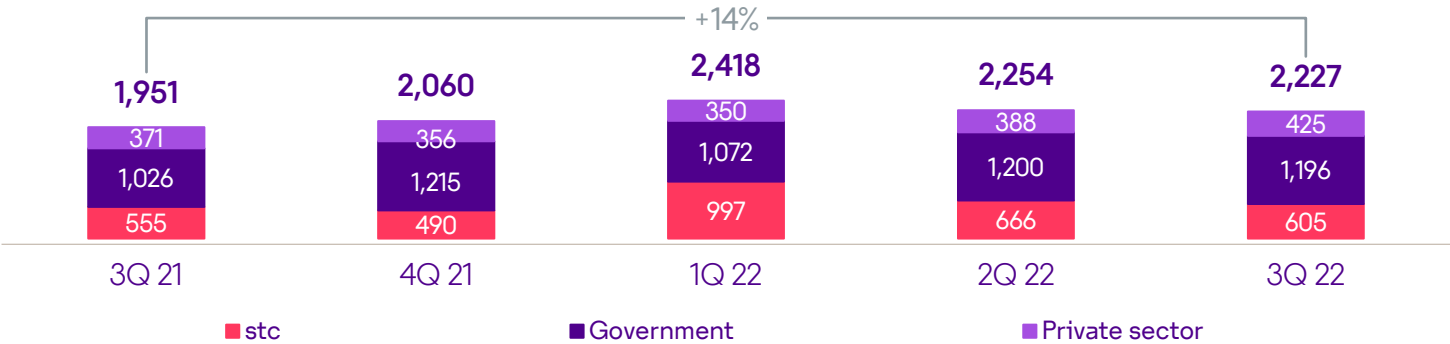
9M Revenue Composition (by Business Segment)



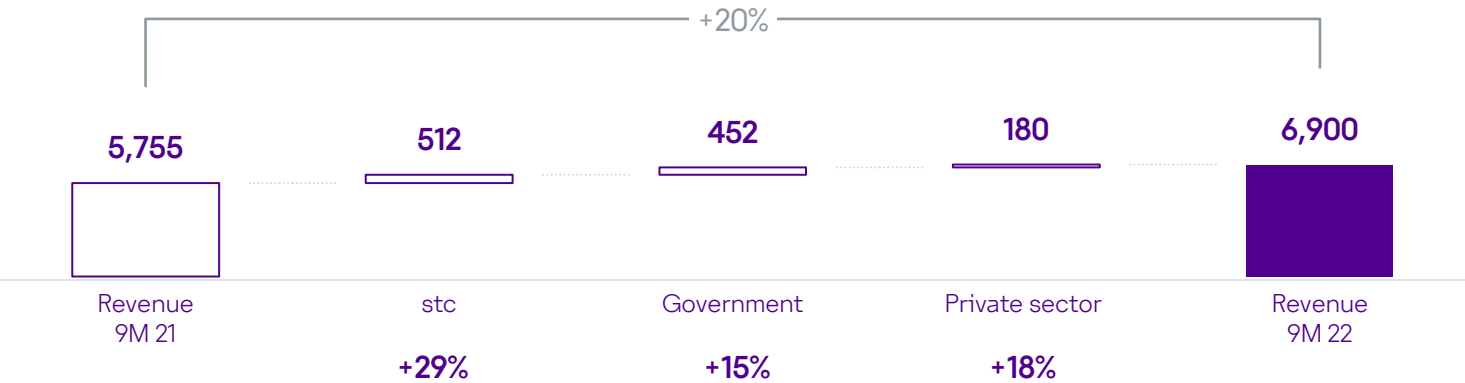
Revenue Analysis

stc together with Government accounted for 81% of revenue in 9M 2022

Revenue Breakdown by Customer Type (SARmn)



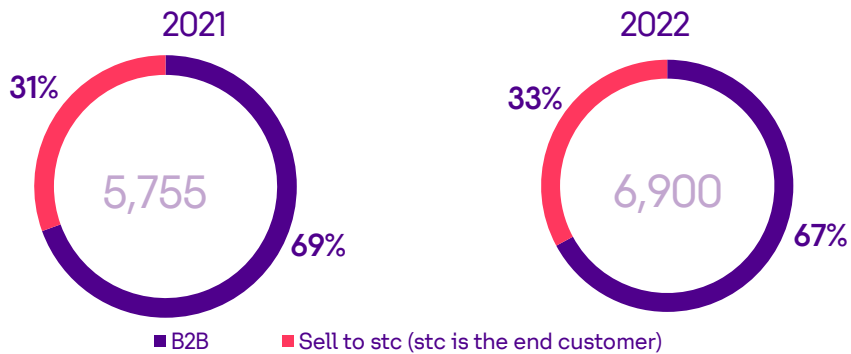
Revenue Movement YoY (SARmn)



Management Commentary

- stc: +9% YoY, Private sector: +15% YoY and Government: +17% YoY in 3Q 2022, continue to deliver solid performance

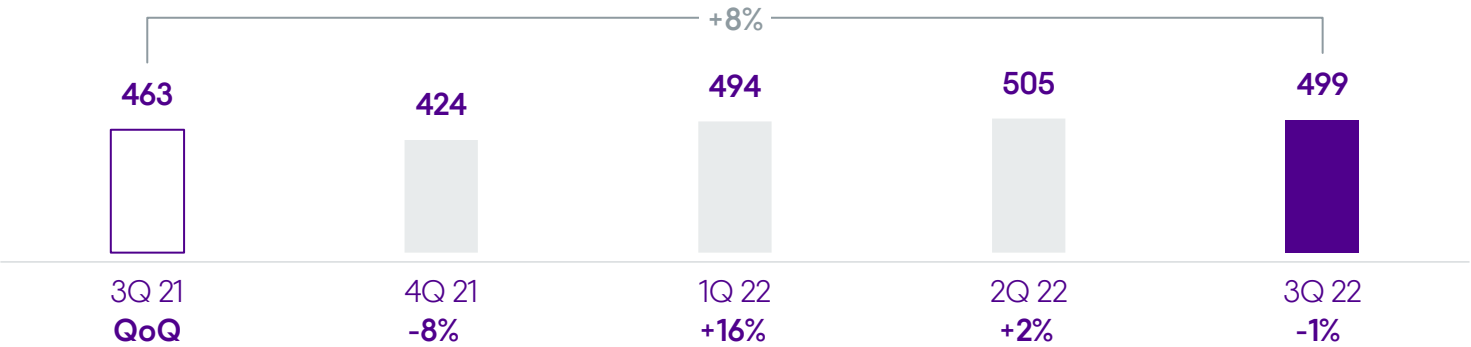
9M Revenue Composition (by Channel)



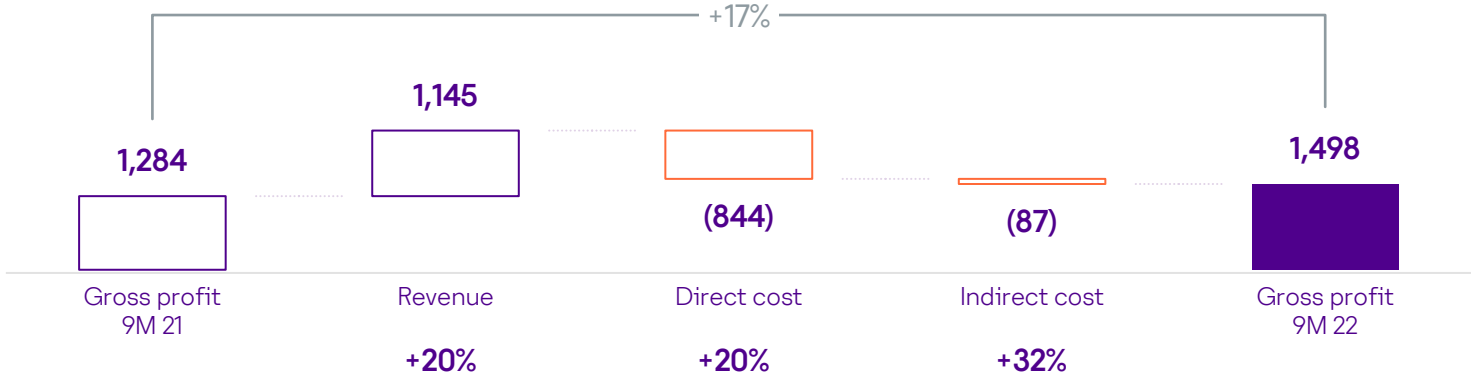
Profitability - Gross Profit

Gross profit margin in 3Q 2022 declined by 131 bps year on year

Gross Profit Trend (SARmn)



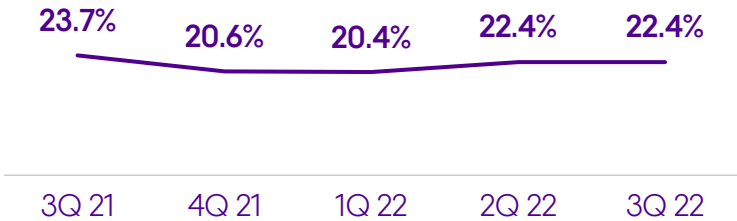
Gross Profit Movement (SARmn)



Management Commentary

- Gross profit margin in 3Q declined 131 bps YoY as cost of sales increased by 16% mainly as a result of higher direct cost
- Cost of sales in 9M 2022 increased by 21% YoY to support revenue growth

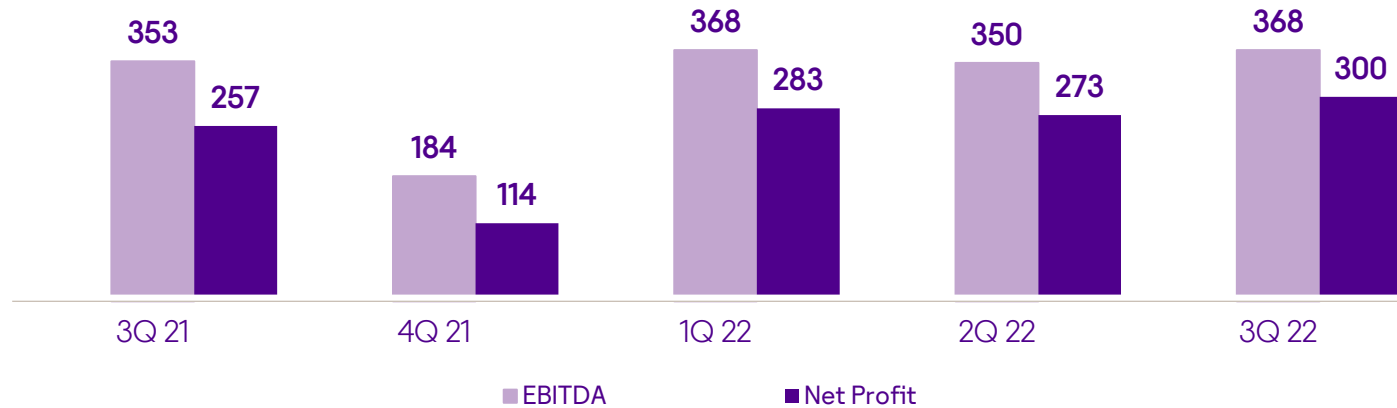
Gross Profit Margin (%)



Profitability - EBITDA and Net Profit

Strong EBITDA and Net Profit growth driven by revenue growth

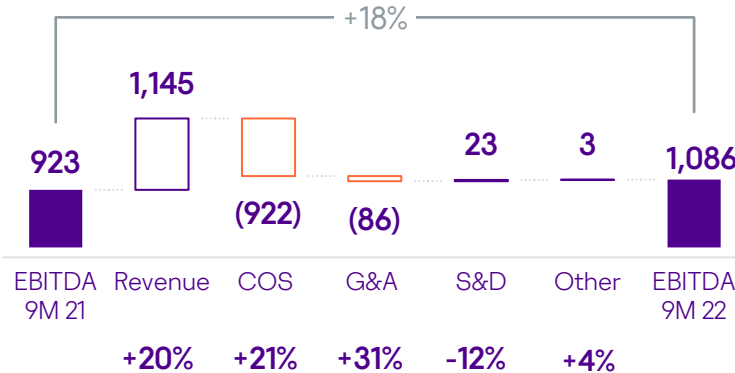
EBITDA & Net Profit Trend (SARmn)



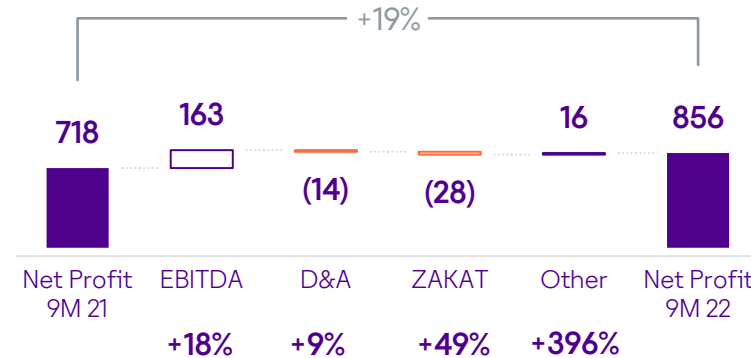
Management Commentary

- EBITDA and net profit in 3Q 2022 increased by 4% YoY and 17% YoY respectively, supported by strong revenue growth and lower S&D expenses
- Overall OpEx (excluding D&A charges) were up by +20% YoY in 9M 2022 mainly due to the acquisition-related expenses partially offset by lower S&D expenses
- D&A charges increased by 9% YoY in 9M 2022 due to capitalization of sustaining CAPEX

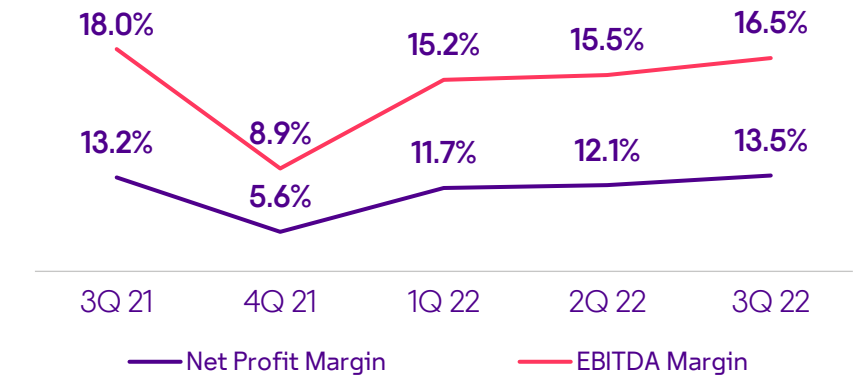
EBITDA Movement YoY (SARmn)



Net Profit Movement YoY (SARmn)



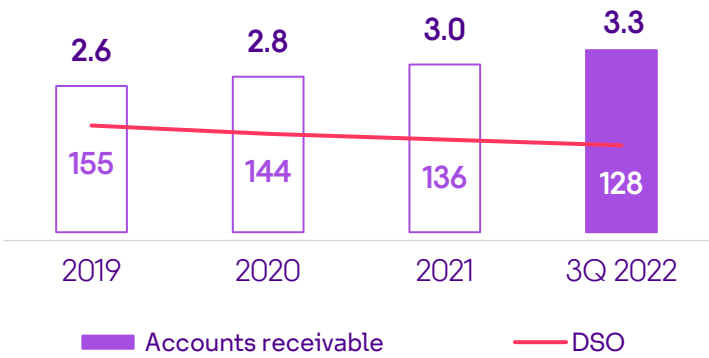
EBITDA & Net Profit Margins (%)



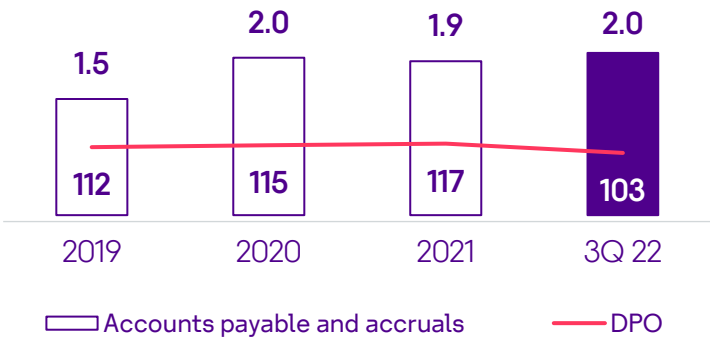
Balance Sheet - Working Capital

Working capital changes reflect the strong revenue growth

Accounts Receivable (SARbn)



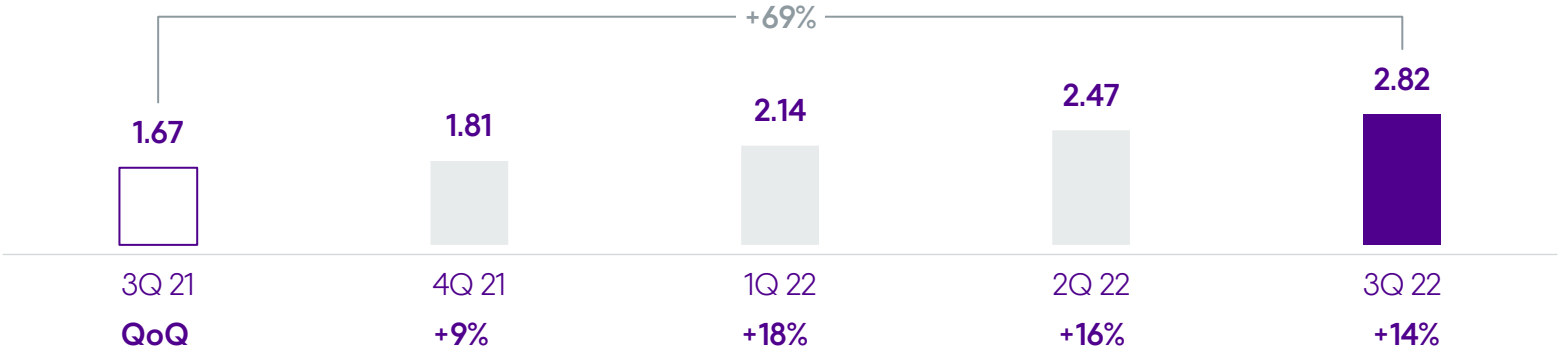
Accounts Payable (SARbn)



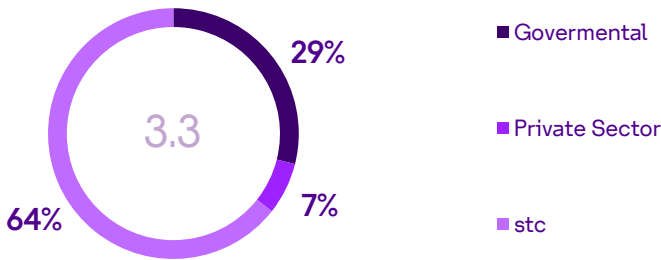
Management Commentary

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

Working Capital Performance (SARbn)



Accounts Receivable Composition (%)

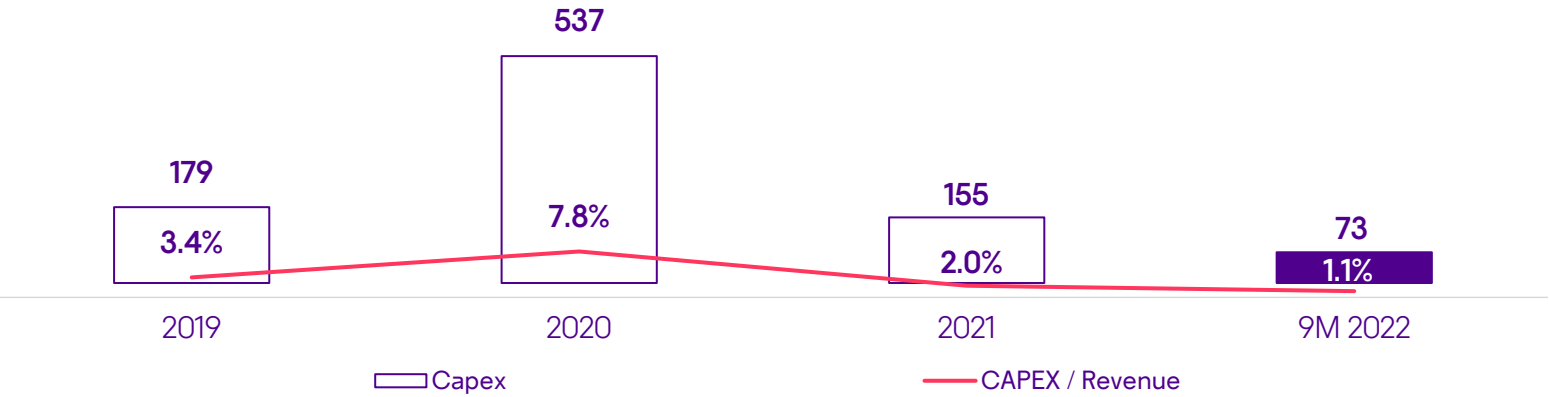


Working Capital = Current Assets - Current Liabilities

Cash Flow Generation

solutions have a strong cash position and solid FCF, which have exceeded one billion in 9M 2022

Capital Expenditures (SARmn)



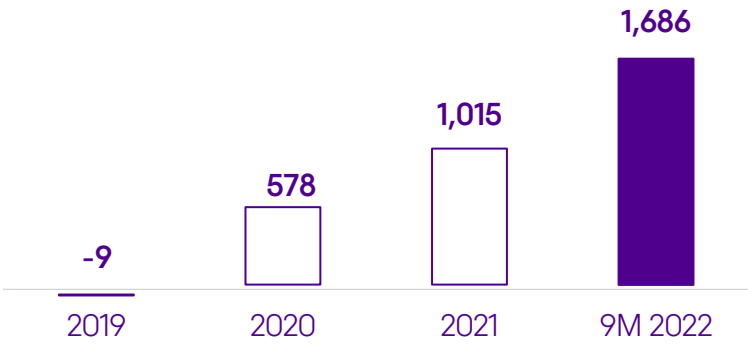
Management Commentary

- Net cash position of SAR 1.02 bn as of 3Q 2022
- FCF at SAR 1.69 bn exceeded one billion in 9M 2022 from SAR 317 mn in 9M 2021 mainly as a result of higher cash flow from operations

Free Cash Flow Movement (SARmn)



Free Cash Flow (SARmn)

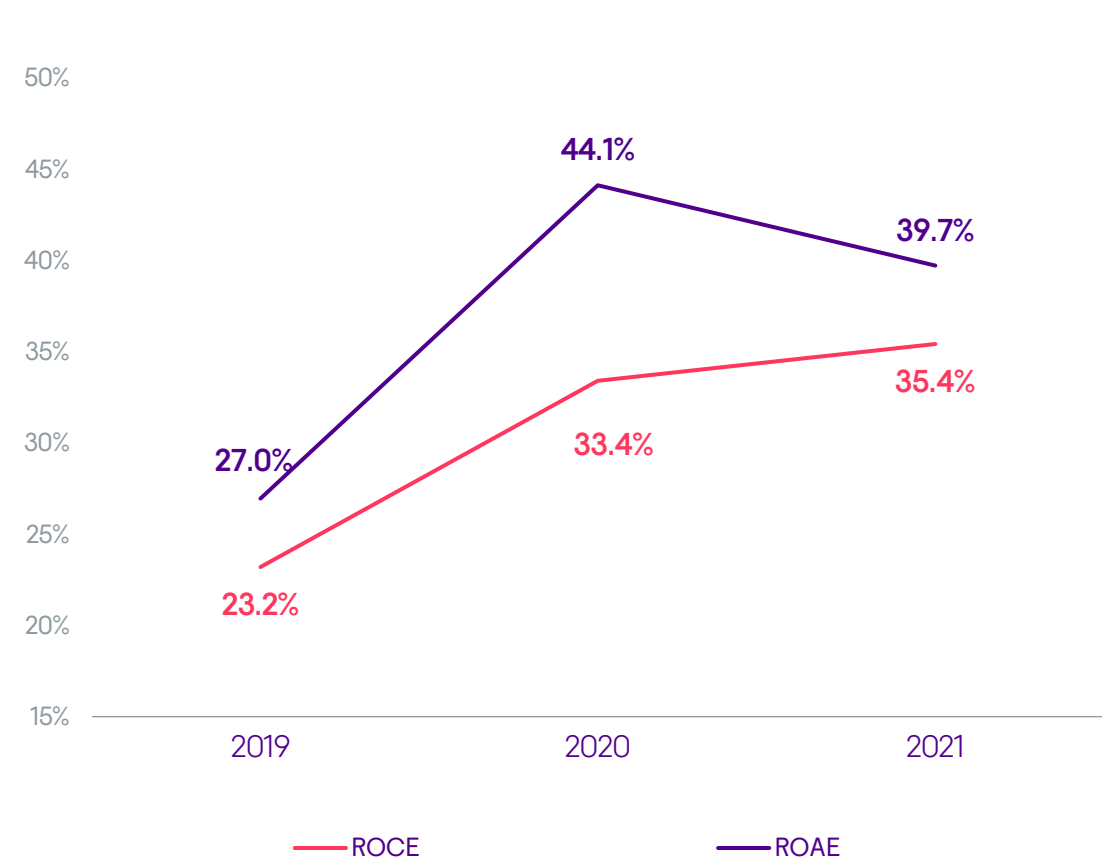


Free Cash Flow= CFO- CAPEX - Lease liabilities payments - Purchase of treasury shares

Returns and Dividends

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

Return Ratios (%)

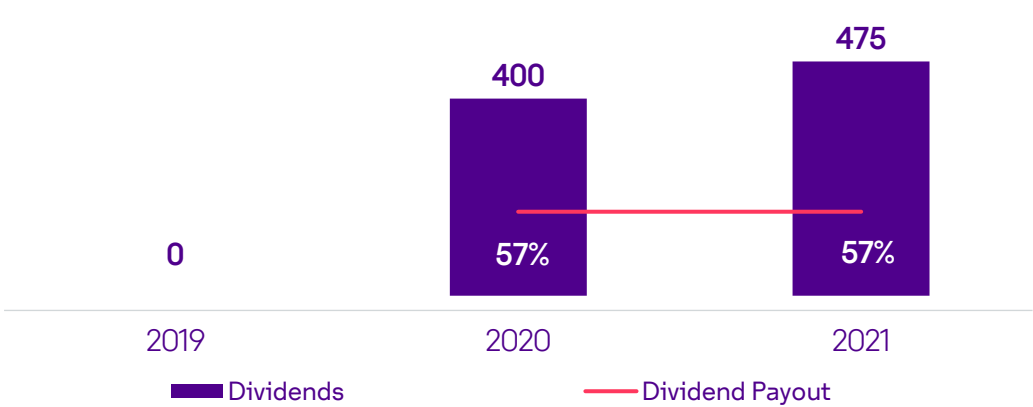


ROCE = EBIT / Capital employed (Total Assets - Current liabilities)
ROAE = Net income / Average Total Equity

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 9M 2022 outcomes are either in line with or exceeding expectations

	2022 Outlook		FY 2022 Guidance	9M 2022 Outcome	FY 2022 Guidance Update
Brent Oil Price	\$101/bbl	Revenue Growth	9 to 11%	+20%	11% to 14%
KSA GDP Growth	+7.6%	EBITDA Margin	13% to 15%	15.7%	Unchanged
KSA Fiscal Budget	First surplus in 8 years	Capex Intensity	1.5% to 2%	1.1%	unchanged
MENA IT Spending	+2.6%				
KSA IT Growth	+5.3%				

4 Appendix

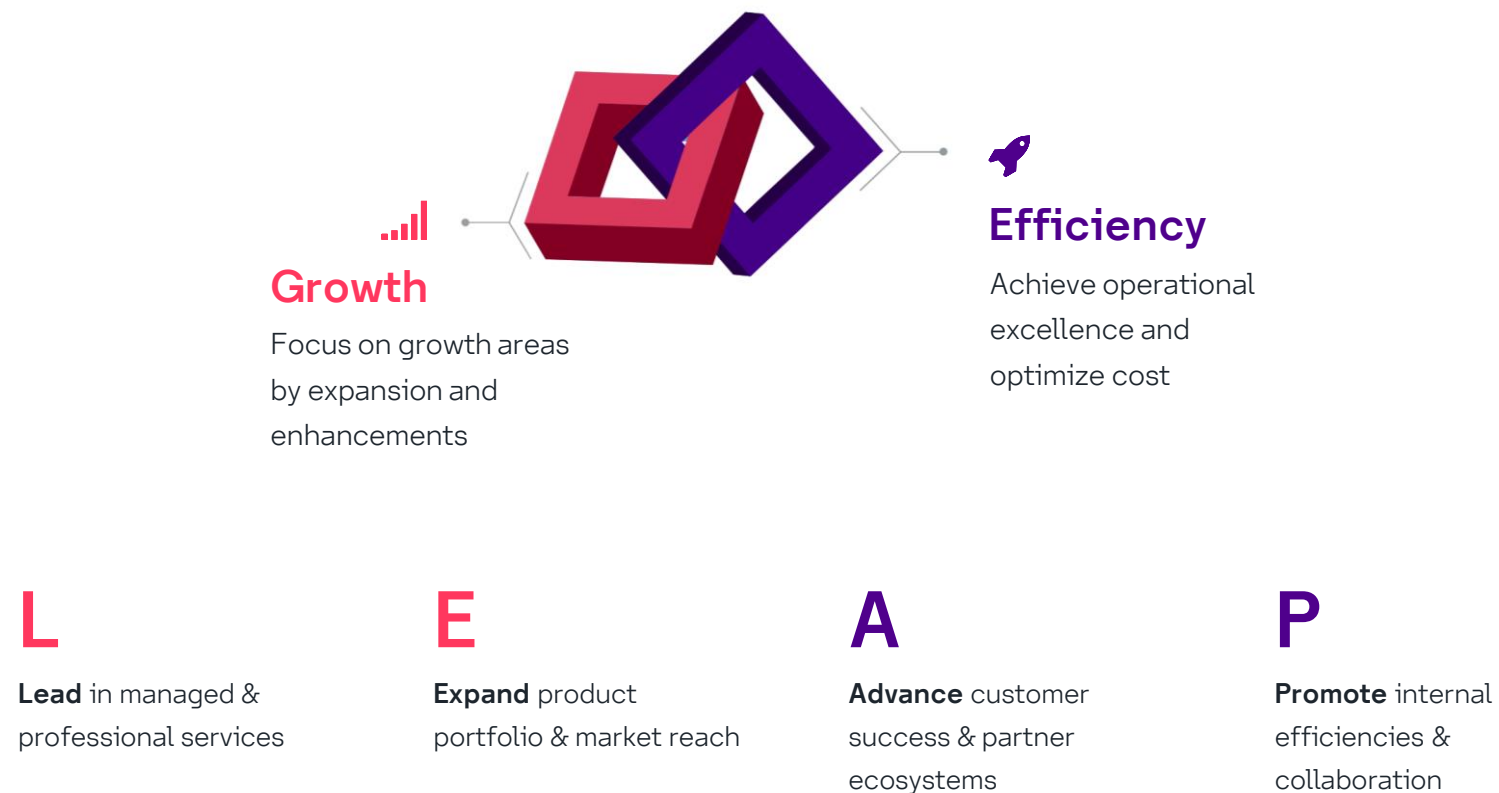


Strategy Highlights



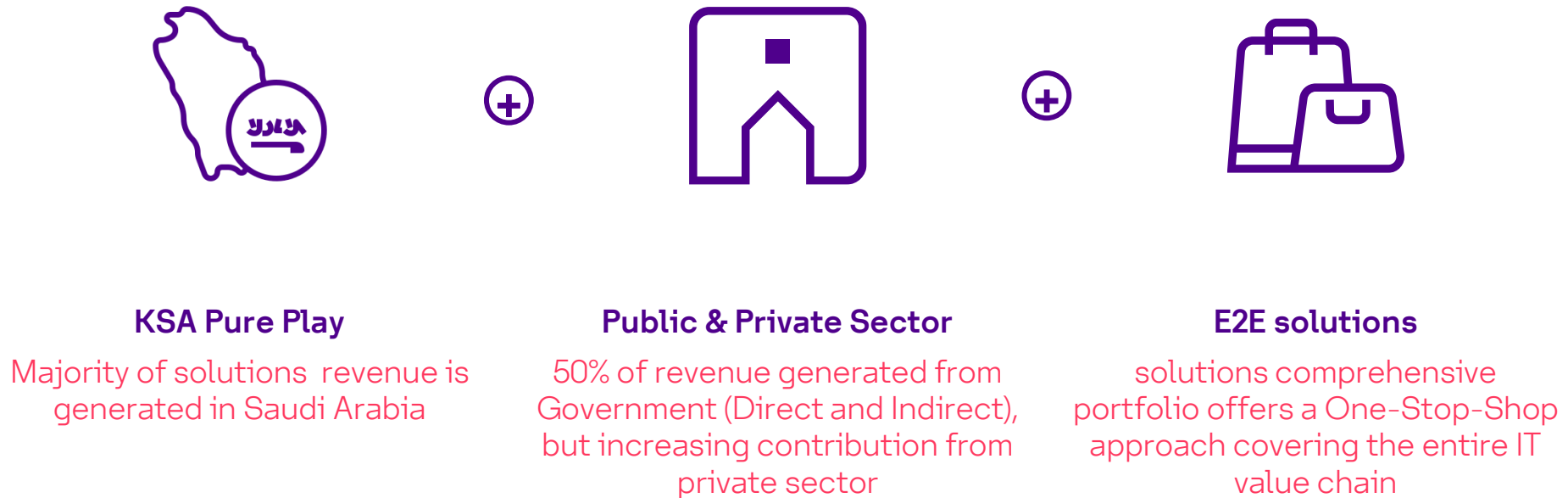
Strategic Objectives

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 on IPO promises

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 2Q 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

C Financial Summaries

Income Statement Summary

SAR (mn)	3Q 2022	2Q 2022	Δ%	3Q 2021	Δ%	9M 2022	9M 2021	Δ%
Revenue	2,227	2,254	-1%	1,951	+14%	6,900	5,755	+20%
Cost of Sales	1,728	1,749	-1%	1,489	+16%	5,403	4,471	+21%
Gross profit	499	505	-1%	463	+8%	1,498	1,284	+17%
General and Administration Expenses	144	142	+2%	113	+28%	407	320	+27%
Selling & Distribution Expense	41	69	-41%	73	-44%	171	193	-12%
Operating expenses	186	212	-12%	186	-0%	578	513	+13%
Operating Profit (EBIT)	313	294	+7%	276	+13%	920	771	+19%
EBITDA	368	350	+5%	352	+4%	1,086	923	+18%
Net profit before finance cost/income and zakat	311	293	+6%	276	+13%	917	773	+19%
Finance cost/income	12	7	+75%	1	+1186%	23	1	+1701%
Net profit before zakat	323	300	+8%	277	+17%	940	775	+21%
Zakat for the period	23	27	-13%	20	+16%	84	56	+49%
Net profit after zakat	300	273	+10%	257	+17%	856	718	+19.1%

Balance Sheet Summary

SAR (million)	3Q 2022	2Q 2022	Δ%	4Q 2021	Δ%	3Q 2021	Δ%
Cash and cash equivalents	1,517	2,219	-32%	1,608	-6%	909	+67%
Murabaha time deposits	1,800	0		0		0	
Accounts receivable	3,278	3,441	-5%	3,021	+9%	2,892	+13%
Prepayments and other assets	172	159	+8%	288	-40%	108	+59%
Contract assets	1,199	1,554	-23%	1,256	-5%	1,410	-15%
Inventories	49	63	-21%	274	-82%	38	+30%
Total Current Assets	8,014	7,436	+8%	6,446	+24%	5,356	+50%
Total Non-Current Assets	616	661	-7%	726	-15%	743	-17%
Total Assets	8,631	8,097	+7%	7,173	+20%	6,099	+42%
Accounts payable and accruals	2,035	2,015	+1%	1,931	+5%	1,577	+29%
Deferred revenue	2,695	2,373	+14%	2,277	+18%	1,703	+58%
Contract liabilities	376	505	-26%	354	+6%	353	+7%
Zakat payable	93	69	+34%	72	+28%	57	+63%
Total Current Liabilities	5,198	4,963	+5%	4,634	+12%	3,689	+41%
End of service indemnities	235	244	-4%	237	-1%	233	+1%
Lease liabilities relating to right of use assets	21	24	-15%	31	-34%	36	-43%
Long term debt	499	499	+0%	0		0	
Total Non-Current Liabilities	755	767	-2%	268	+182%	269	+180%
Total Liabilities	5,953	5,730	+4%	4,902	+21%	3,958	+50%
Total Equity	2,678	2,367	+13%	2,271	+18%	2,141	+25%
Total Liabilities & Equity	8,631	8,097	+7%	7,173	+20%	6,099	+42%

Cash Flow Summary

SAR (mn)	3Q 2022	2Q 2022	Δ%	3Q 2021	Δ%	9M 2022	9M 2021	Δ%
Net Income before zakat	323	300	+8%	277	+17%	940	775	+21%
Adjustments for:								
Depreciation, impairment and amortization - property and equipment and intangibles	50	52	-2%	72	-30%	153	139	+10%
Depreciation - right of use assets	5	4	+3%	4	+7%	13	13	+1%
Impairment on accounts receivables and contract assets	(13)	12	-215%	27	-149%	1	62	-99%
End of service indemnities expense	16	17	-3%	5	+197%	47	45	+5%
Provision / (Reversal) against advances to suppliers	(0)	0		3	-110%	(0)	7	-106%
Net Income before zakat and after adjustments	354	376	-6%	390	-12%	1,149	1,073	+7%
Accounts receivable	176	(212)	-183%	(65)	-370%	(258)	(149)	+73%
Prepayments and other assets	(7)	(7)	+7%	(1)	+629%	123	42	+194%
Contract assets	356	30	+1089%	1	+47793%	58	95	-39%
Inventories	19	(7)	-265%	31	-38%	225	41	+455%
Contract costs	19	(1)	-2498%	0	+11704%	19	(17)	-212%
Accounts payable and accruals	35	93	-69%	(150)	-123%	111	(375)	-130%
Deferred revenue	322	87	+270%	56	+478%	418	(2)	-22953%
Advances from customers	(129)	140	-192%	(15)	+757%	22	17	+31%
Cash flows generated from / (used in) operating activities	1,145	499	+126%	247	+360%	1,867	724	+158%
Net cash generated from / (used in) operating activities	1,134	429	+161%	251	+348%	1,778	647	+175%
Purchase of property, equipment and intangible assets	(30)	(25)	+21%	(37)	-20%	(73)	(115)	-36.7%
Net cash used in investing activities	(1,830)	(25)	+7345%	(37)	+4837%	(1,873)	(115)	+1529%
Net cash used in financing activities	(7)	11	-99%	(193)	-97%	4	(616)	-101%
Net decrease in cash and cash equivalents	(702)	416	-271%	21	-3522%	(91)	(84)	+8%
Cash and cash equivalents at the beginning of the period	2,219	1,803	+23%	887	+150%	1,608	993	+62%
Cash and cash equivalents at the end of the period	1,517	2,219	-32%	908	+66%	1,517	909	+67%

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Shukran!

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