

Chief Financial Officer's Review



solutions by stc delivered an excellent financial performance in 2023, primarily driven by its strategic growth and diversification agenda, as regional and international businesses continue to embrace and expand their investment in innovation.

As the Kingdom's leading end-to-end digital transformation and technological solutions provider, the Company is perfectly positioned to play a pivotal role in the growing demand for IT evolution.

investments in new capabilities and technologies positions Solutions for enhanced returns in the long run. Company profitability standards also were high with Return on Invested Capital (ROIC) and Return on Capital Employed (ROCE) registering good results.

Robust Growth in all Segments

Posting a revenue of SAR 11,040, an increase of 25.4% compared to 2022 and a net profit of SAR 1,192, up by 13.2%, solutions by stc's substantial double-digit growth trend continued with EBIDTA at 19.9% and assets at 11.5%. Combining acceleration of revenue growth with

Top line growth was driven by IT Managed and Operational Services, showing a 40.0% year-on-year increase, accounting for 29.5% of total revenue. Core ICT Services grew by 25.6% year-on-year, contributing 54.3% to total revenue, while Digital Services posted 4.7% growth, making up 16.2% of total revenue.

Revenue (SAR)

11,040

(25.4% YoY increase)

EBITDA margin (%)

15.1%

(-4.4% YoY decrease)

Free cash flow

1,150

(-27.9% YoY decrease)

Gross profit

2,598

(29.2% YoY increase)

Net profit

1,192

(13.2% YoY increase)

Net debt/(cash)

(2,728)

(7.0% YoY increase)

Gross profit margin (%)

23.5%

(3.0% YoY increase)

Net profit margin (%)

10.8%

(-9.5% YoY decrease)

ROIC

31.7%

(3.5% YoY increase)

EBITDA

1,669

(19.9% YoY increase)

Capex

112 Mn.

(-16% YoY decrease)

ROAE

38.6%

(-6.4% YoY decrease)

Added Value through a Diverse Portfolio

solutions by stc set new ownership and partnership milestones in 2023, with its steadfast mission of expansion. In April, the Company completed its acquisition of 100% of ccc, with an enterprise value of SAR 450 million, creating a market-leading business process outsourcing subsidiary with unrivalled experience in customer service.

Two months later, solutions by stc agreed to a 40% ownership stake in Devoteam Middle East, the leading IT consulting company and transformation provider in the region, based on an enterprise value of SAR 741.7 million.

In addition, the Company invested in a global funding round for Nile, the US-based next-generation enterprise networking provider, which raised USD 175 million. Nile is a recognized industry leader in driving secure connectivity solutions, delivered entirely as a service.

Following its seamless integration and transition, Core solutions' business generated SAR 8.92 billion revenue in FY 2023, which accounted for 81% of total revenue. A seemingly modest growth of 6% year-on-year reflects certain solutions by stc projects being transferred to its subsidiaries, which combined with solid organic growth by these subsidiaries to contribute to the strong performances of Giza and ccc. As a result, Giza showed FY 2023 revenue of SAR 1.50 billion, which amounted to 14% of total revenue. Other businesses (including ccc and Sanad) contributed SAR 624 million in revenue during the year, which made up 6% of total revenue in FY 2023.

Increasing a Private Sector Presence

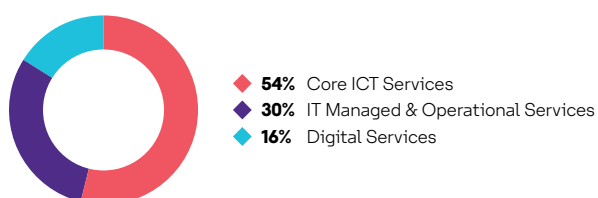
Having exceeded all of its financial KPIs, solutions by stc capitalized on its strong growth, efficient business model and LEAP strategy. The Company maintained a robust balance sheet, providing significant financial flexibility and generated substantial free cash flow of SAR 1,150, increasing its existing market share while adding a significant presence in others.

The trend towards diversification resulted in a surge in revenue from the private sector of 48% to SAR 2.4 billion, which accounted for 21% of total revenue in 2023. However, the Government continues to play a significant role, accounting for 44%, much of which comes from ongoing projects for Saudi Vision 2030.

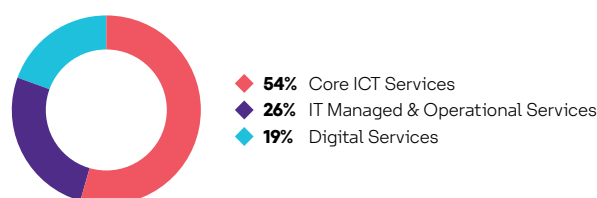
Business with the parent company, stc, remained stable, as sales consistently reached 35% in 2023. This reflected the standing of stc as one of the region's leading technology players, with large-scale investment in technology services, resulting in a strong, mutually beneficial business relationship with solutions.

The increasing revenue from the Business to Business (B2B) sector is a reflection of the broader spectrum of quality services solutions by stc continues to provide and emphasizes the Company's focus on small and medium enterprises, recognizing its growing significance and contribution to the national economy. With more cost-effective solutions, the Company is in a position to supply greater value products to small companies and start-ups which have traditionally been underserved.

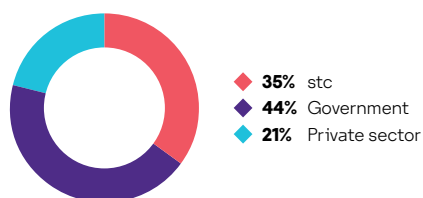
FY 2023 Revenue Composition by Segment



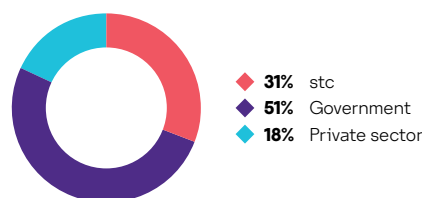
FY 2022 Revenue Composition by Segment



FY 2023 Revenue Composition by Type



FY 2022 Revenue Composition by Type



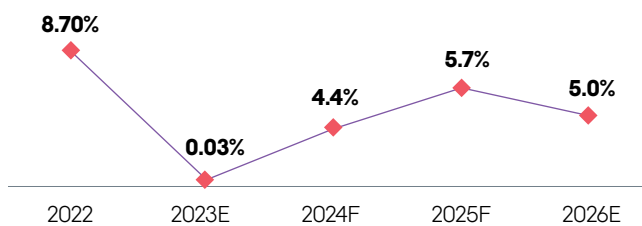
Chief Financial Officer's Review continued

Essential Services for Saudi Vision 2030

The rapidly-evolving pace of digital technology and its essential application in all aspects of business ensures that the ITC sector will continue to grow at a steady pace. solutions by stc's aggressive mergers and acquisitions strategy provides the opportunities and resources to grow with that demand, diversifying its products and services into new geographic and economic markets. With unrivalled reach, scalability, and synergies in the Saudi ICT market, solutions by stc has a strong project pipeline with more than 500 projects signed in 2023.

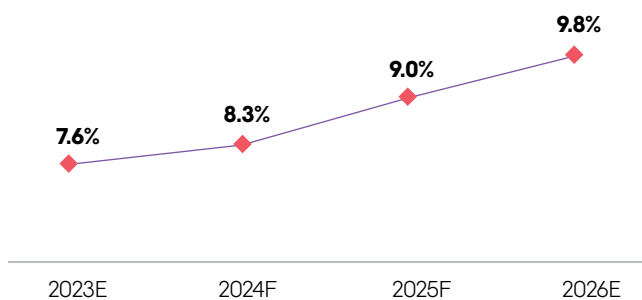
As the Kingdom of Saudi Arabia's leading digital transformation and technological solutions provider, the Company is in a prime position to contribute to Saudi Vision 2030 through its own actions while also enabling other local businesses to become more independent and profitable. Technical literacy has become the mainstay of all modern businesses and the Company's solutions will enable those enterprises to succeed, creating a more diverse, knowledge-driven economy.

Real GDP Growth (%)



Source: MoF | E - Estimated
F - Forecasted

KSA IT Growth (%)



Source: IDC | E - Estimated
F - Forecasted

Future Leadership and Progress

As solutions by stc continues on its trajectory of expansion and diversification, the focus for next year is to grow top and bottom lines by maintaining its strong position in the core business, while venturing into new operating models and technologies.

Furthermore, synergy through growth will play a leading role as the Company forms strategic alliances in the coming years, exploring new ventures and revenue avenues to add to its ever-expanding portfolio, providing even more valuable services to its clients and more value to its shareholders.

Financial Highlights

Net profit (SAR)

1,192 Mn.

(2022: 1,053 Mn.)

Gross profit

2,598 Mn.

(2022: 2,011 Mn.)

EBITDA

1,669 Mn.

(2022: 1,392 Mn.)

Total assets

11,516 Mn.

(2022: 10,325 Mn.)

Shareholders' equity

3,324 Mn.

(2022: 2,810 Mn.)

Capital Markets & ESG Finance Saudi Arabia Award for M&A Deal of the Year

Income Statement (5-year summary)

	2023 (SAR 000)	2022 (SAR 000)	2021 (SAR 000)	2020 (SAR 000)	2019 (SAR 000)
Revenue (net)	11,040,493	8,805,091	7,208,337	6,891,419	5,257,296
Cost of revenue	(8,442,875)	(6,793,845)	(5,500,370)	(5,469,447)	(4,410,052)
Gross profit	2,597,618	2,011,246	1,707,967	1,421,972	847,245
Total operating expenses	(1,210,729)	(851,015)	(808,863)	(664,965)	(499,216)
Operating profit	1,386,889	1,160,231	899,104	757,007	348,028
Other income (and expenses)	17,837	11,268	4,921	(3,234)	86,730
Zakat	(209,581)	(117,786)	(71,107)	(51,978)	(40,933)
Net profit	1,192,148	1,052,869	832,919	701,796	393,825
Gross profit margin	23.5%	22.8%	23.7%	20.6%	16.1%
Net profit margin	10.8%	12%	12%	10%	7%

Revenue by Business Segment

	2023 (SAR Bn.)	2022 (SAR Bn.)	Growth YoY	Share of Total Revenue
Core ICT services	5.994	4.772	25.6%	54.3%
IT managed and operational services	3.262	2.330	40.0%	29.5%
Digital services	1.784	1.704	4.7%	16.2%

Revenue by Customer Segment

	2023 (SAR Bn.)	2022 (SAR Bn.)	Growth YoY	Share of Total Revenue
stc	3.854	2.762	39.5%	34.9%
B2B	7.187	6.043	18.9%	65.1%
Total revenue	11.040	8.805	25.4%	100%

Chief Financial Officer's Review continued

Geographic Analysis of Revenue

	2023 (SAR 000)	2022 (SAR 000)	Growth YoY	Share of Total Revenue
KSA	10,079,494	8,497,153	19%	91.3%
GCC	18,860	2,317	714%	0.2%
WECA	939,086	305,621	207%	8.5%
Europe	3,053	0	-	0.0%

*All figures are in thousands

Assets, Liabilities, and Equity

	2023 (SAR 000)	2022 (SAR 000)	2021 (SAR 000)	2020 (SAR 000)	2019 (SAR 000)
Total current assets	10,296,333	9,374,468	6,446,295	5,571,035	4,523,290
Total non-current assets	1,219,911	950,616	726,453	763,592	354,098
Total assets	11,516,244	10,325,084	7,172,748	6,334,628	4,877,388
Total current liabilities	7,195,438	6,706,846	4,634,258	4,068,116	3,377,268
Total non-current liabilities	968,252	778,682	267,922	342,948	243,296
Total liabilities	8,163,690	7,485,528	4,902,180	4,411,063	3,620,564
Total equity	3,323,963	2,809,880	2,270,568	1,923,564	1,256,824
Total liabilities and equity	11,516,244	10,325,084	7,172,748	6,334,628	4,877,388

Any material differences in the operational results compared to the previous year's results or any expectations announced by the Company.

Description	2023 (SAR 000)	2022 (SAR 000)	Changes (+) (-)	Change Rate
Sales/ revenues	11,040,493	8,805,091	2,235,402	25.4%
Sales/ revenues costs	(8,442,875)	(6,793,845)	1,649,030	24.3%
Total profit	2,597,618	2,011,246	586,372	29.2%
Other operational revenues	145,574	55,096	90,478	164%
Other operational expenses	(127,737)	(43,828)	83,909	191%
Operational profit (loss)	1,386,889	1,160,231	226,658	19.5%



As the Kingdom of Saudi Arabia's leading digital transformation and technological solutions provider, the Company is in a prime position to contribute to Saudi Vision 2030 through its own actions while also enabling other local businesses to become more independent and profitable.

