

Financial Results Presentation FY 2023

Key Messages



Performance

Revenue

72.34 bn

> Strong **top-line** performance resulting in achieving the highest yearly revenue in the Group's history with a growth of **7.3%**.

Net Profit

*13.30 bn

> Robust **bottom-line** performance increasing by **9.2%**, which underscores stc's financial health and sustainable earnings growth.

Financial Strength

FCF

12.63 bn

> Positive **free cashflow** demonstrating flexibility to invest in growth opportunities.

Cash & Equivalents

28.18 bn

> **Robust cash position** indicating strong liquidity and financial stability.

Capex

9.79 bn

> **Steady Capex** trajectory with disciplined approach to investment planning and execution. Expected to maintain around **15% Capex intensity** during the coming year.

Net Debt

6.22 bn

> Healthy balance sheet, supported by **low leverage level**, serves as evidence of financial strength.

Receivables Collection

15.20 bn

> **Proactive collection practices** resulted into **receivables reduction**, improving the liquidity position and supporting the working capital. Overall receivables were reduced by **7.8%** (11.4% reduction for public sector).

Shareholder Returns

Dividend

2.6 p/s

> **Fixed payout of SAR 0.4** per quarter, with a **special dividend** for the year amounting to **SAR 1** making 2023 total dividend of **SAR 2.6**.

Dividend Yield

**6.4%

> **High payout ratio** of **98%** with a **competitive dividend yield**.

Strategy Overview

stc DARE Strategy

d

digitize stc

- Instill digital mindset and unlock the potential of digital and analytics capabilities.
- Transform into an agile technology company and embrace new ways of working.

a

accelerate
performance

- Maximize shareholder returns by transforming costs and monetizing assets.
- Connect our market through leading next-gen technology and digital offerings.
- Be a role model for sustainability and corporate governance.
- Lead company-wide culture change and be the employer of choice for top digital talent.

r

reinvent
experience

- Excite customers with a seamless, personalized and secure experience.
- Be the trusted partner-of-choice for business in the region.

e

expand scale
and scope

- Grow by expanding into selected growth pillars within digital services and core.

"DARE" Strategy Achievements

d digitize stc

- Accelerated digital capabilities with development of **120+** advanced analytics use cases.
- Enabled new ways of working and agility across the Group with further digitized business and organizational journeys.

a accelerate performance

- **47.5%** 5G coverage of KSA population and **massive expansion** of 5G network across the Kingdom.
- Connected **3.2 million+** households with fiber (represents an additional **200k+** new connection) and **4 Gbps** FTTH traffic increase.
- Increase of TAWAL's towers portfolio to **21,000+** towers across five countries.
- A leading digital services provider with stc tv having **3.6 million** (authorized subscribers). In addition, stc play reached **3 million** registered users.
- Enabling Saudi startups with InspireU (**+110** startups incubated since launch) with a total valuation of **+12** billion SAR and launch of Corporate Investment Fund to invest in early-stage startups.
- Land portfolio monetization, which resulted in utilizing one of the prime land with **SAR 1.296 bn**

r reinvent experience

- Modernized infrastructure, to enable further innovation and create a better customer experience by migrating **~300k** copper lines.
- Continued **strategic partnerships** to enable advanced connectivity services and drive the digital success of major projects in the Kingdom, including Red Sea Global, NEOM, Diriyah Gate and the Royal Commission of Al Ula.
- Qitaf loyalty program reached **15.7 million** users (fixed and mobile lines).
- Won multiple awards showcasing the Group's commitment to offering the best customer experience, including winning **"Best 5G Experience"**.

e expand scale and scope

- stc Bank continues to grow with a **23.2%** growth in active users (180 days) in 2023.
- Expanding stc bank services with the launch of beta version and launching the operations of stc pay in Bahrain successfully.
- Reinforcing Saudi Arabia as a digital hub, through investing in a new EMC cable that will connect KSA to Europe (reaching a total of **16** subsea cables by center3).
- center3 reached a total of **25** data centers (operational and under construction).
- Enhancing the ICT bundle through solutions **acquisition** of Devoteam.
- iot squared's **acquisition** of Machinestalk, and **strategic partnerships** with Huawei to progress in 5G and IoT innovations and with Hitachi to enrich the smart city landscape.
- Telco expansion through minority stake **acquisition** of Telefonica.

Company Overview

stc's Brand Value

stc was ranked the most valuable brand in the Middle East in the telecommunication sector, according to Brand Finance.

center3 & Alcatel Submarine Networks

Agreement with Alcatel Submarine Networks to connect Saudi Arabia with Europe by building the EMC West subsea and terrestrial data cables.

Al-Khobar Land

Completion of the sale procedures of Al-Khobar land for SAR 1,378 million.

stc & Telefónica

stc acquired an interest of 9.9% in Telefónica S.A. "Telefónica".

stc & Red Sea Global

A strategic partnership with Red Sea Global to drive the digital success of RSG destinations

January	February	March	April	May	June	July	August	September	October	November	December
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stc Venture Capital Fund

Launch of Corporate Investment Fund (CIF) to invest in early stages startups.

solutions & CCC

Completion of the sale transaction procedures of "CCC" to solutions.

Acquisition of Devoteam by solutions

Binding offer with Devoteam SAS (France) and ORTILL Investment Limited to acquire 40% of Devoteam Middle East.

iot squared & Machinestalk

iot squared signed a binding agreement to acquire 100% of Machinestalk..

TAWAL Began Operations in Europe

TAWAL completed the acquisition of United Group's telecom tower assets in Bulgaria, Croatia and Slovenia.

stc and Diriyah Company

An agreement to elevate Diriyah's technological landscape.

center3 & CMC Networks

Definitive agreement to acquire CMC Networks, a global service provider offering market leading networking solutions across Africa and the Middle East.

Operational Highlights

Operational Highlights

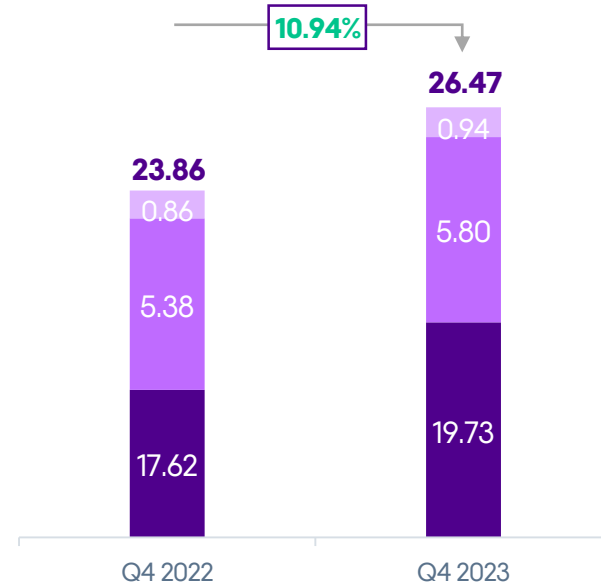
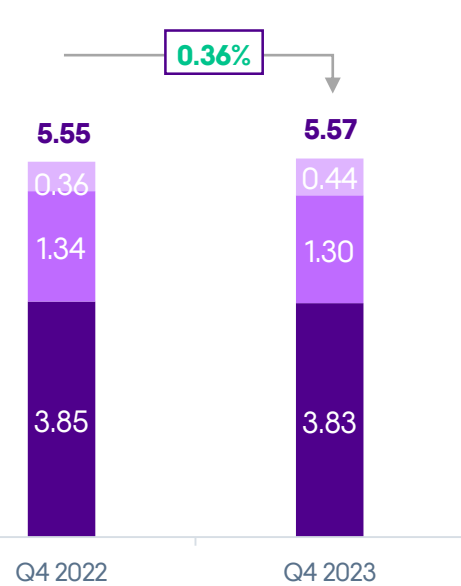


Growth across the board for stc subscribers base, indicating how stc is well positioned to capture the market opportunities



Fixed Subscribers (Millions)

Mobile Subscribers (Millions)

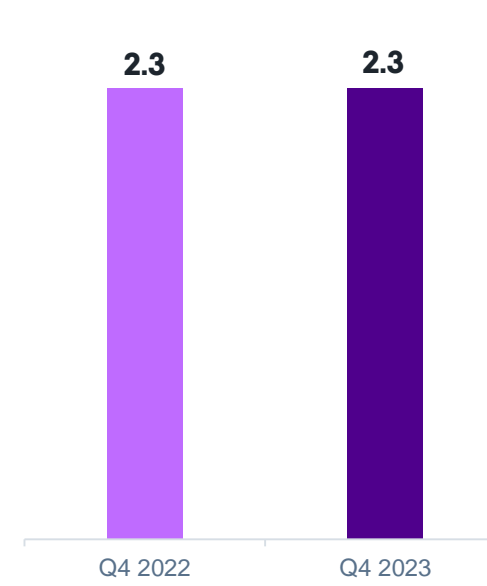


- Fixed-wireless broadband subscriptions
- Fixed-wired broadband subscriptions
- Fixed telephone lines in operation

- Prepaid
- Postpaid
- M2M



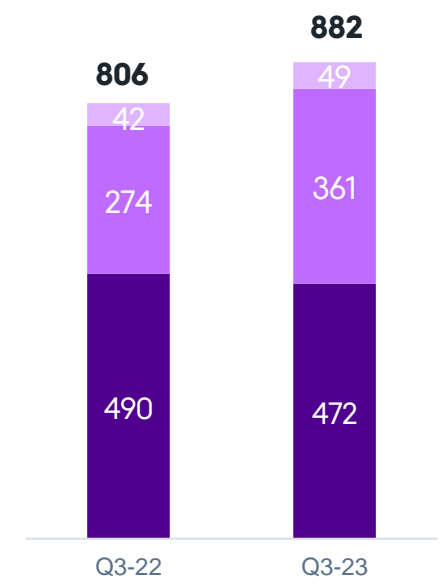
Mobile Subscribers (Millions)



- Q4 2022
- Q4 2023



Mobile Subscribers (Thousands)



- Prepaid
- Postpaid
- M2M

*Fixed-wireless broadband subscribers includes 4G and 5G subscribers.

*Prepaid subscribers includes mobile voice, standard mobile broadband, and dedicated data mobile broadband subscriptions.

*Postpaid subscribers includes mobile voice, standard mobile broadband, and dedicated data mobile broadband subscriptions.

Operational Highlights

Maintaining the lead in every aspect of stc Business

#1 in ICT segment in Saudi Arabia	#1 in consumer segment in Saudi Arabia	#1 in enterprise segment in Saudi Arabia	1# rank as the most valuable telcom brand in the Middle East
5G Towers 8,470 towers deployed (adding 1,170 5G towers in 2023)	5G Coverage 47.5% coverage of residential and populated areas	Towers Under Management 21,000 towers across five countries	Data Centers 25 data center (operational & under construction)
Fiber Optic +3.2 million households Connected with fiber	Submarine Cables 16 Cables (operational & under construction)	Number of Employees 19,790 on group level (92% Saudization rate in KSA)	Credit Rating Fitch: A+ S&P: A Moody's: A1 Tasneef: AAA
Loyalty program (Qitaf) 15.7 million users	Digital Wallet +10 million Registered users	stc tv 3.6 million Authorized subscribers*	stc play 3 million Registered subscribers

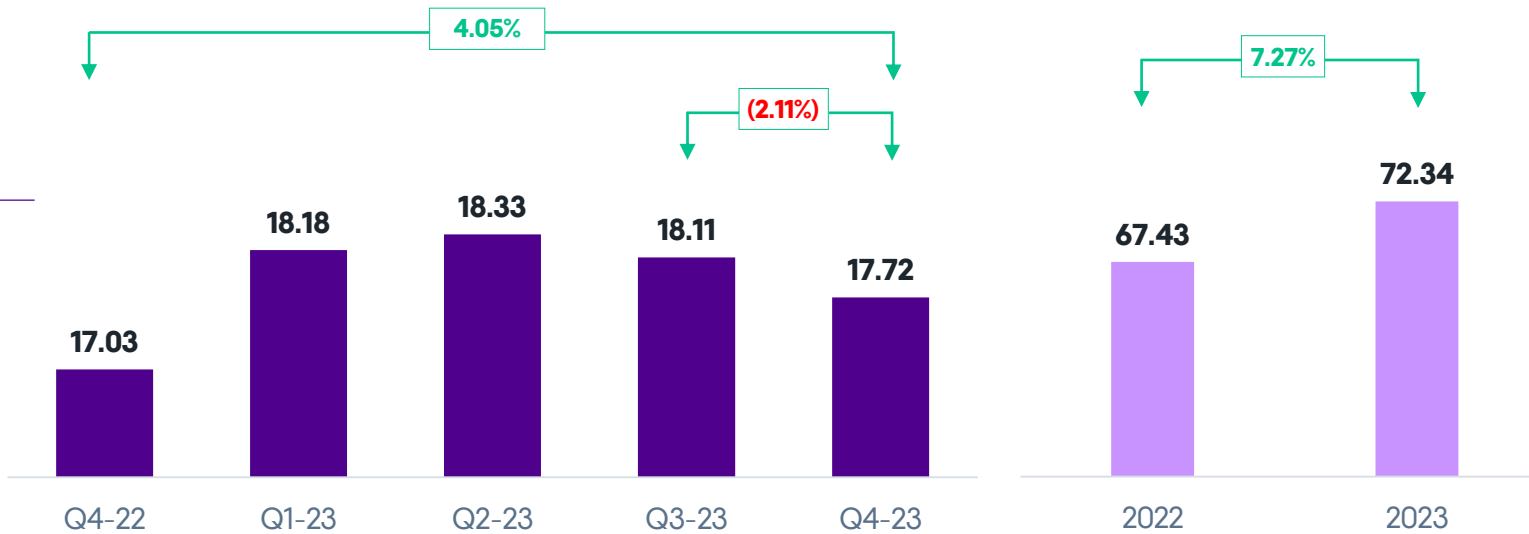
Financial Performance

FY 2023

stc Group – Revenue and Gross Profit

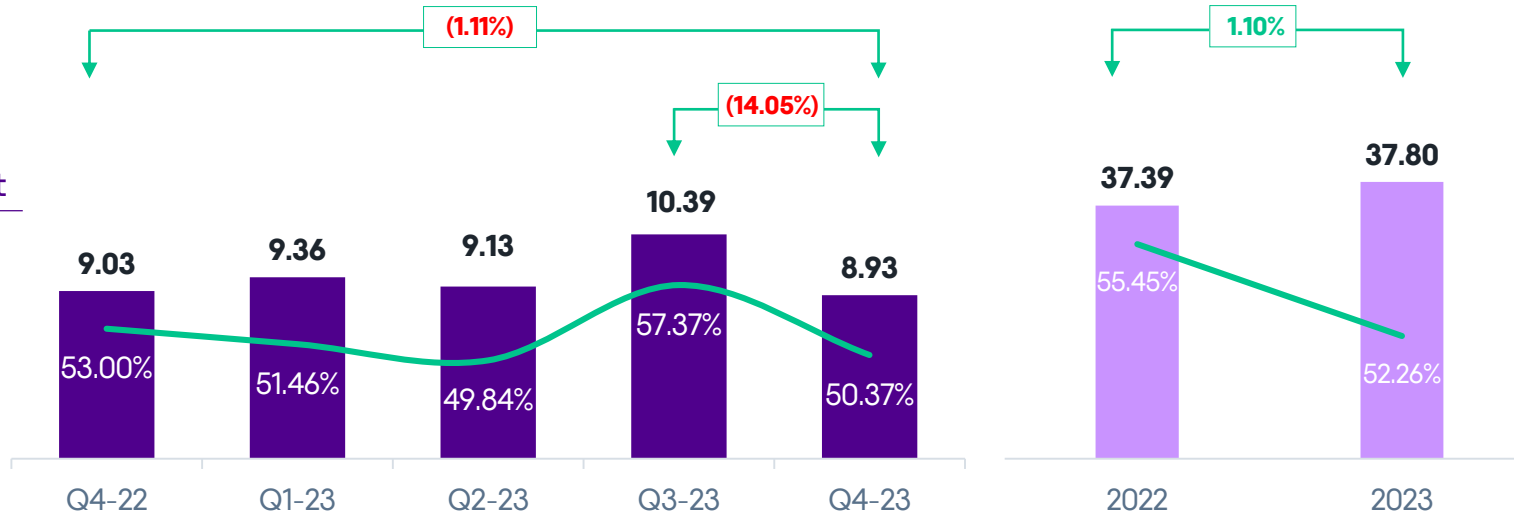


Revenue



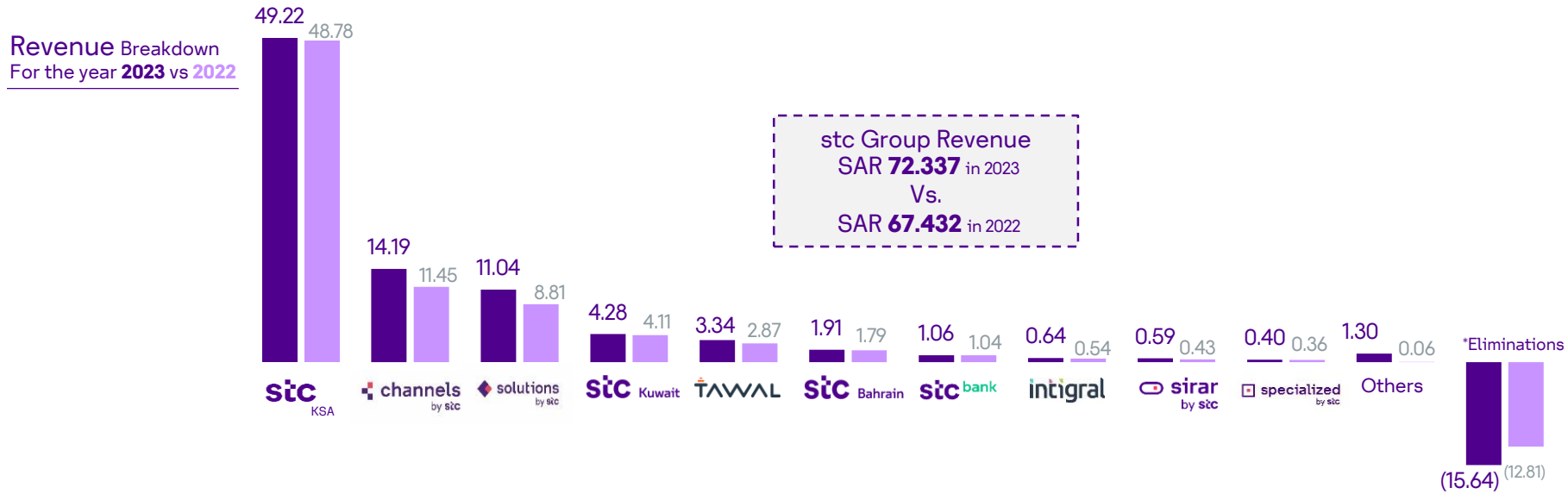
- Achieving the highest revenue in stc's history
- YoY witnessed a healthy growth of 7.27%, driven by an increase in commercial unit revenues by 5.1%, carriers and wholesale unit revenues by 1.4% in stc KSA
- All stc subsidiaries witnessed an increase in revenues resulted in a combined growth of 23.9%.

Gross Profit

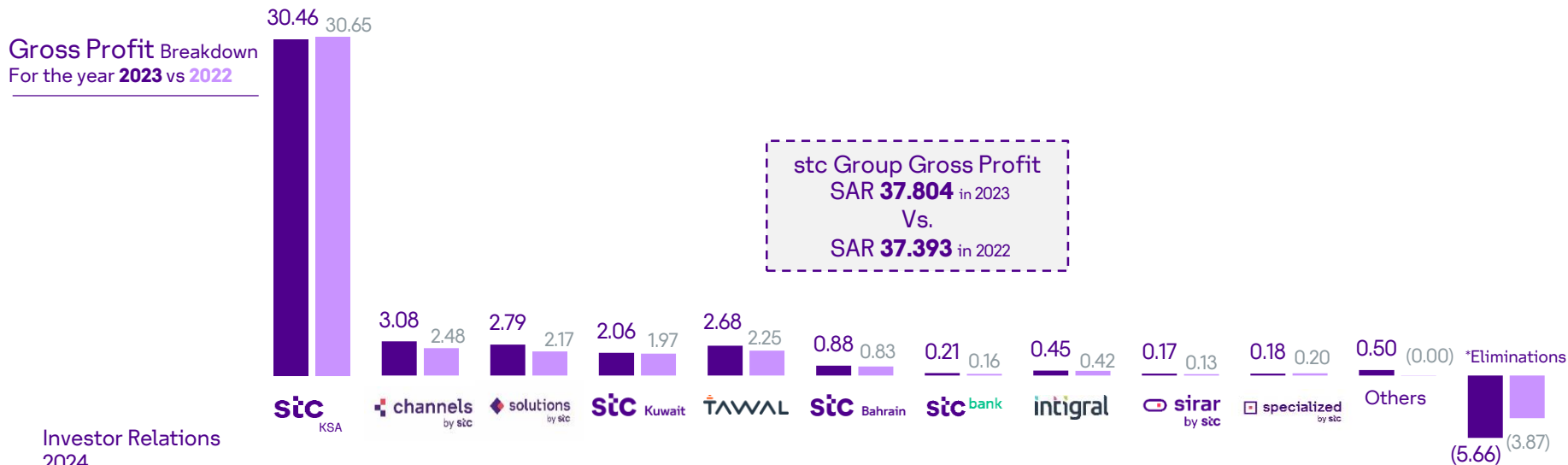


- Although the gross profit margin declined on YoY basis due to the new investments in start-up during the past years along with the increase in high cost products and services, yet, the group was able to grow gross profit in absolute terms by 1.1% (2.3% growth after excluding the provisions).
- Gross profit margin for the 4th quarter is slightly below the average of the past 4 quarters after excluding SAR 641m provision reversal that was booked in Q3 2023.

stc Group – Breakdown by subsidiaries

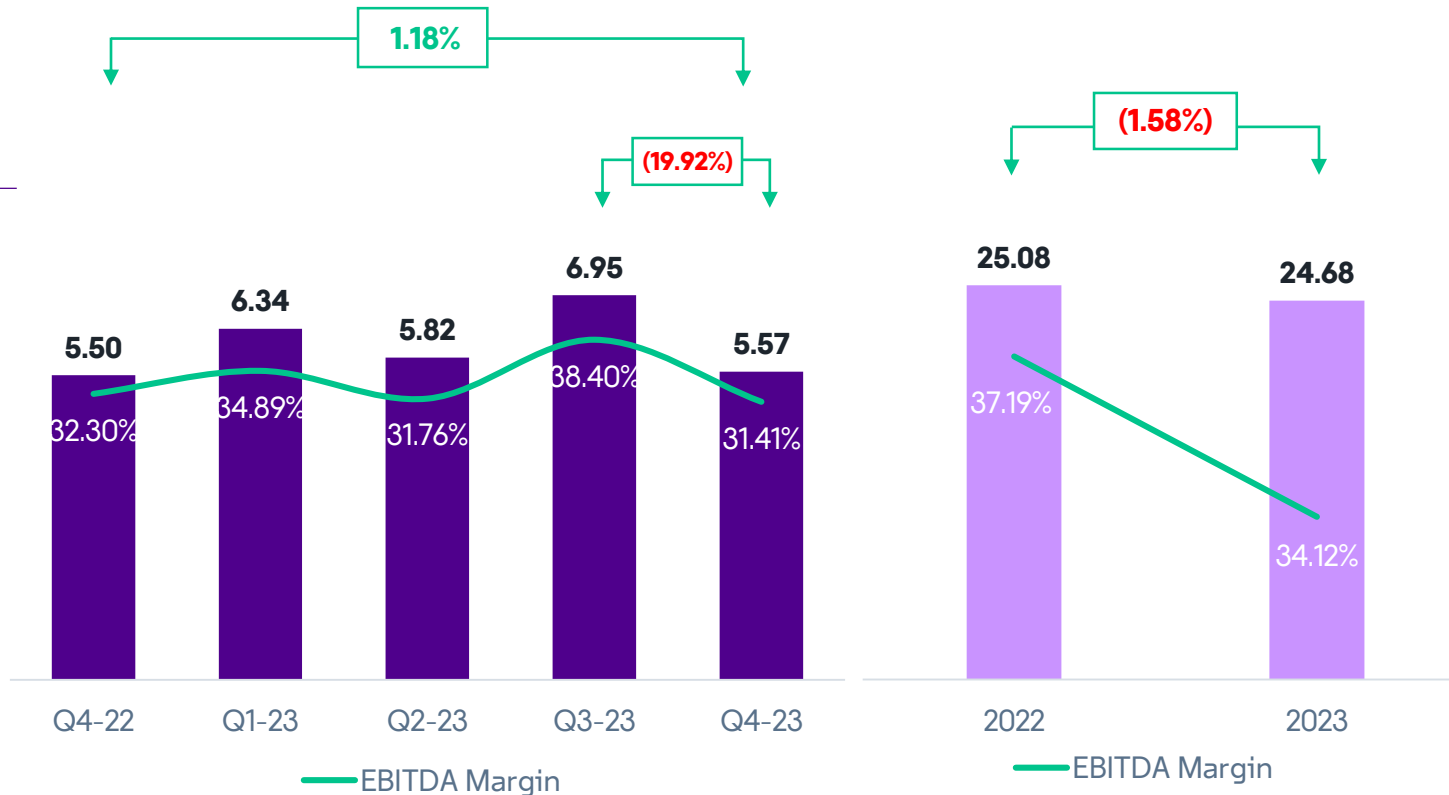


- stc Group's subsidiaries have experienced substantial growth in revenue, with a notable increase of 23.9% compared to 2022.
- After passing the start-up phase, other segment which includes mainly iot squired, SCCC, Center 3 start to positively contribute to the overall growth of revenues



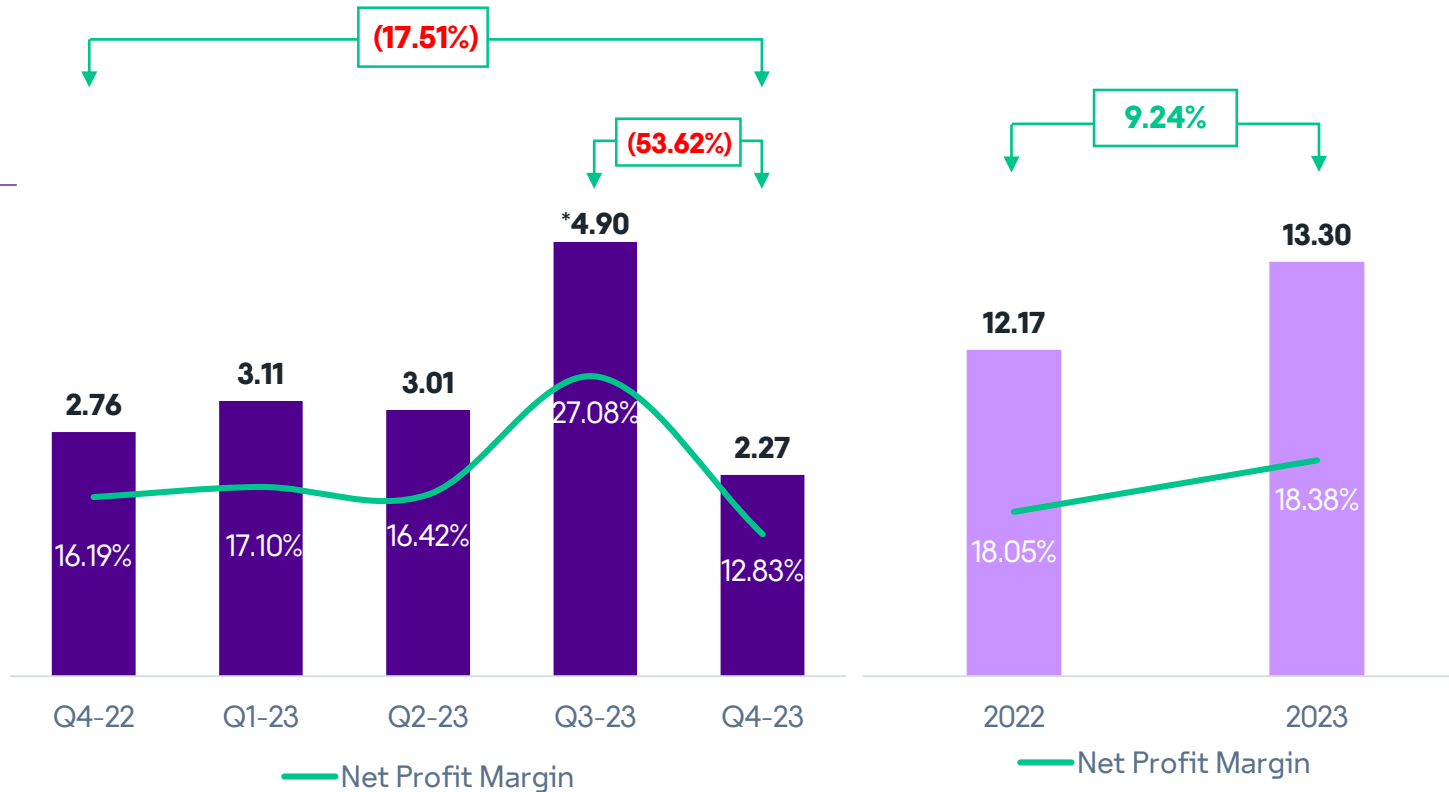
- stc KSA leading as the top contributor to the Group's gross profit, followed by channels, solutions, and TAWAL.
- Almost all subsidiaries were able to achieve a growth in their gross profit this year as compared to last year

EBITDA



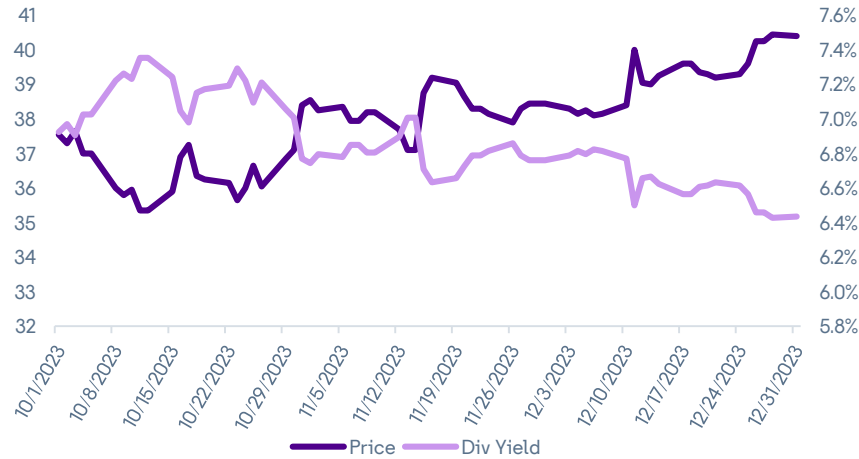
- EBITDA margin remains healthy at 34.1% for the year. Normalized EBITDA growth is flat after excluding the provisions
- EBITDA, in absolute terms, has shown an increase by 1.2% in Q4 2023 as compared to Q4 2022.
- There was a slight decline in EBITDA margin during Q4 2023 as compared to the comparable quarter last year which was mainly due to an increase G&A and D&A by around SAR 435m on the back of the cost associated with the newly established companies along with the transformation of stc pay to a bank.

Net Profit



- Net profit of the year is considered the highest in stc's history
- Net profit for the year was positively impacted by the sale of the land and the reversal of provision, totaling SAR 1.94 billion Vs. a reversal of SAR 1.08 billion that was booked last year.
- The decline in Net profit during Q4 2023 by SAR 483m as compared to Q4 2022 is mainly attributable to the following:
 - An increase in cost of revenue by SAR 100m
 - An increase in operating expenses by SAR 17m
 - An increase in both cost of early retirement program, the net impact of financing income and cost, and Zakat & TAX by SAR 301m

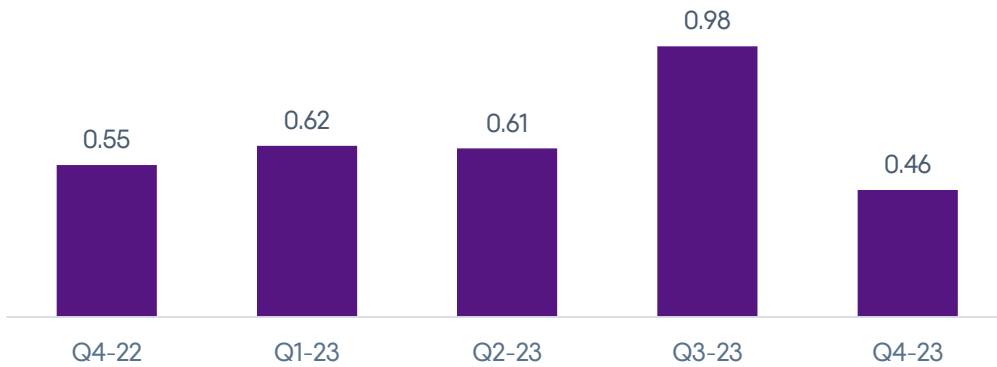
Price Vs. Yield Fluctuation



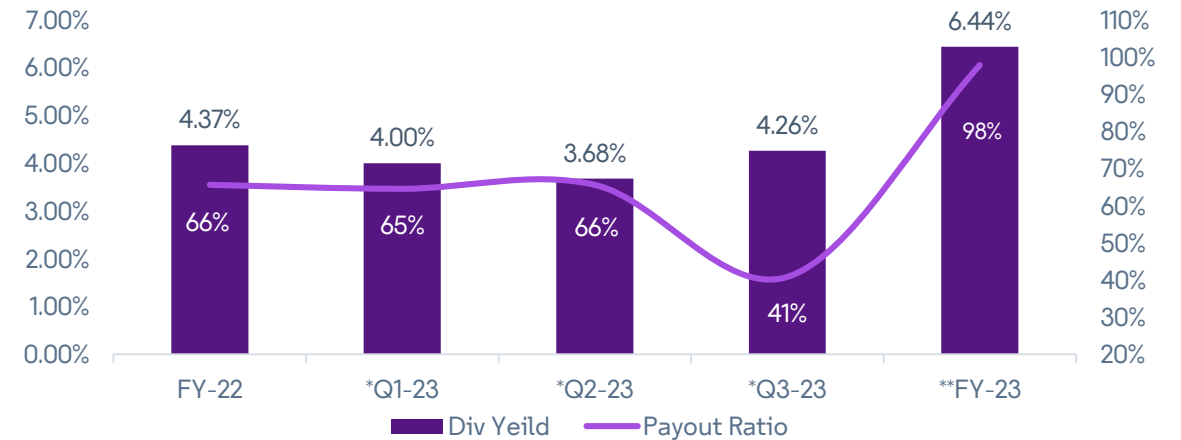
Dividends policy

- stc commits to pay a fixed minimum dividend of a SAR 0.4 per share per quarter effective from Q4 2021 for three years. Furthermore, the company will consider and pay additional dividend, subject to stc BoD's approval after assessment and determination of the Company's financial situation, future outlook and capital expenditure requirements. Additional dividends are likely to vary on quarterly basis depending on the company's performance
- The dividends policy will remain subject to:
 1. Any material changes in the strategy and business of the company (including the business environment it operates in);
 2. Laws and regulations that are applicable on the company;
 3. Any banking, other funding or credit rating covenants that the company may be bound to follow from time to time.

Earnings Per Share (EPS)



Payout Ratio/Dividend Yield



Appendix

Business Highlights

- ✓ stc has been acknowledged as the most valuable telecom brand in the Middle East for the fourth year in a row and in the top 10 strongest telecom brands in the Middle East, according to a landmark report from Brand Finance. The group is also the strongest brand in Saudi Arabia. stc has shown impressive growth with its brand value increasing by 12% to USD13.9 billion. Being recognized as the 149th most valuable brand, in the Global 500 ranking makes stc the first consumer brand in the Middle East to enter the 150 most valuable brands globally.
- ✓ stc has recently unveiled the Sustainability Innovation Hub in collaboration with GCC Telco Alliance members, including e&, Zain, Beyon, Omantel, du, Ooredoo and other key regional and international partners. The Sustainability Innovation Hub aims to bridge the gap between technology, telecom innovation, and climate action for a low-carbon economy. It will bring together cutting-edge technologies, visionary experts, and collaborative efforts to tackle one of the most critical challenges the telecom industry faces today. The core objective of the Sustainability Innovation Hub is to devise and execute cutting-edge, economically viable, dependable, and ecologically sound solutions for power generation by leveraging the potential of renewable energy sources, particularly solar and wind energy. The hub will enable telecom operators to reduce reliance on traditional fuel sources and move toward a greener future.
- ✓ stc has announced the largest expansion of the 5G network in history. Investments will be made to develop and expand the existing network to cover more than 75 cities and governorates in Saudi Arabia. This project builds on the group's success in delivering 5G network technologies to over 90% of its locations in major cities. The investments made by stc group will contribute to the development and expansion of the network, encouraging the digital economy, supporting local content, creating quality jobs, and enhancing people's lives digitally. This is all in line with the group's expansion and growth strategy. Currently, stc group is working towards achieving digital transformation at every level, being the most prominent leader of the ICT sector in the region.
- ✓ To advance the digital and technological scene in the historic Diriyah Project and to promote the Project's communications and information technology infrastructure, stc has announced a strategic partnership memorandum with "Diriyah Company". Under this Agreement, stc group will provide an integrated and modern package of innovative technological solutions to enable the transformation of "Diriyah Gate" Project into a smart heritage area empowered by integrated revolutionary technologies. This transformation will upgrade the living quality within this world heritage site, preserving its historical and cultural specificity. This partnership aims to give stc a prominent role in providing specialized services and developing wired, wireless, and Internet communication network services for the main and business headquarters, in addition to offering cloud, security, and managed services.
- ✓ stc has signed a strategic partnership with Red Sea Global, marking a significant milestone. This agreement aims to facilitate digital transformation and empower tourist destinations along the Red Sea coast by adopting state-of-the-art communication technologies and digital services, focusing on seamless and sustained connectivity services. stc group has entered this agreement to drive digital and technical development in mega projects within Saudi Arabia by priming the connectivity services to all existing and prospective sites in the Red Sea area to revolutionize the region's tourism experience. stc group will offer advanced connectivity services to The Red Sea and AMAALA destinations by delivering tailored solutions with potential expansion into newly developed areas.
- ✓ stc, in collaboration with the two Korean companies "KT" and "Hyundai E&C" , is poised to spearhead the establishment of a leading digital infrastructure in Saudi Arabia, a venture set to span for the next 50 years. This momentous MOU signifies a commitment to combining KT's digital transformation (DX) capabilities and expertise with Hyundai E&C's acumen in smart construction and construction capabilities, synergized with stc group's excellent network infrastructure. Together, they will undertake the ambitious endeavor of constructing internet data centers (IDC), smart cities, charting a comprehensive path towards augmenting Saudi Arabia's digital infrastructure.

Disclaimer

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Investor Relations E-mail:

IRU@stc.com.sa

Investors Website:

<https://www.stc.com.sa/content/stcgroupwebsite/sa/en/investors.html>

IR App QR Code:



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