



# Earnings Release

*Full Year 2023*

Riyadh, Saudi Arabia — March, 2024

# Elm reported its consolidated annual financial results for fiscal year ended on 31 December 2023

## FY 2023 Financial Performance Highlights

(Comparisons reflect year-on-year changes and all figures are in SAR million except for EPS and)



Commenting on the results, Dr. Abdulrahman Aljadhari, CEO of Elm, said: “Elm continues to record a healthy performance in 2023, this healthy performance reflects the continues dedication and focus of our team to make every effort to achieve Elm’s strategic objectives to simply making life easier through facilitating services that meet the needs of individuals, institutions and society.

Elm has been successful in maintaining its strong position in the fast-growing ICT and digital transformation market by leveraging its competitive advantages and flexible business model. Elm will continue to play a leading role in strengthening the Kingdom of Saudi Arabia’s digital transformation and achieving Vision 2030 initiatives.

As Elm aims to be the digital enabler for government and business sectors in the Kingdom, the company looks forward to the new strategy to further continue innovating, enabling communities, and making life easier.

The new strategy focuses on strengthening Elm’s current market presence with expanding in the government platforms while actively pursuing opportunities in new privet sectors and business that are adjacent to the government platforms and services.

Moreover, Elm will leverage strategic partnerships and acquisitions to move rapidly into new growth areas, investing in research and development in advanced and modern technology products to ensure flexibility in technology and operations so that the company remains a leader in diversified technology for the current and future markets.”

## Performance Highlights:

### Financial Performance Highlights

SAR (million)	FY-23	FY-22	YoY%
<b>Revenue</b>	<b>5,898</b>	<b>4,606</b>	<b>28.1%</b>
Cost of Revenue	(3,547)	(2,720)	30.4%
Gross Profit	2,351	1,886	24.7%
<i>Gross Margin</i>	39.9%	40.9%	(1.0) PP
Operating Expenses	(1,000)	(913)	9.5%
Operating Profit	1,351	973	38.8%
<i>Operating Margin</i>	22.9%	21.1%	1.8 PP
<b>Net profit</b>	<b>1,356</b>	<b>930</b>	<b>45.8%</b>
<i>Net Margin</i>	23.0%	20.2%	2.8 PP
<b>Basic EPS (SAR)</b>	<b>17.46</b>	<b>11.94</b>	

**Revenue** grew by 28.1% to SAR 5,898 million in 2023, driven by the growth across all Business Segments, and led by Digital Business which grew by 35.0%.

**Gross Margin** decreased by 1.0 Percentage Points to 39.9%, mainly due to decreased profitability of Business process Outsourcing.

**Operating expenses** increased by 9.5% to SAR 1,000 million in 2023 mainly driven by the increase in general and administrative expenses by SAR 103 million, and selling and marketing expenses by SAR 42 million. This was offset by the decrease in Non-Cash Expected credit loss expense which decreased by 57 million.

**Operating Margin** expanded by 1.8 Percentage Points to 22.9%, this improvement was driven by a slower rate of growth in operating expenses compared to revenue.

**Net margin** expanded by 2.8 Percentage Points to 23.0% compared to previous year, due to the increase in operating profit and income from murabha deposit, offset by loss resulted from Associates and investments fair value through profit or loss and increase in Zakah expense. **Basic EPS** also increased to SAR 17.46 per share.

## Segmental Performance Review

SAR (million)	FY-23	FY-22	YoY%
<b>Revenue</b>			
Digital Business	4,255	3,152	35.0%
Business Process Outsourcing	1,479	1,301	13.7%
Professional Services	164	153	7.2%
<b>Total</b>	<b>5,898</b>	<b>4,606</b>	<b>28.1%</b>
<b>Gross Profit</b>			
Digital Business	1,960	1,452	35.0%
Business Process Outsourcing	366	399	-8.3%
Professional Services	25	34	-26.5%
<b>Total</b>	<b>2,351</b>	<b>1,886</b>	<b>24.7%</b>
<b>Gross profit Margin</b>			
Digital Business	46.1%	46.1%	0.0 PP
Business Process Outsourcing	24.7%	30.7%	(6.0) PP
Professional Services	14.6%	22.2%	(7.6) PP
<b>Total</b>	<b>39.9%</b>	<b>40.9%</b>	<b>(1.0) PP</b>

The **Digital Business** segment achieved a revenue growth of 35.0% compared to the previous year; the Segment gross profit increased by 35.0%, and its gross profit margin was flat at 46.1%. Both Products and Projects witnessed strong Revenue growth, Products increased by 36.5% and Projects 22.7%.

In addition, **Business Process Outsourcing** segment witnessed a growth of 13.7% in revenue. However, the gross profit decreased by 8.3%; leading to gross profit margin decrease by 6.0 percentage points to 24.7%, contributing to the overall decrease in Group profitability. The segment increase in revenue was primarily driven by the increase in number of won projects during the year, the deliverables during the year profitability was low impacting the segment profitability.

Finally, **Professional Services** segment revenue increased by 7.2%, mainly due to increase in number of projects. However, the segment gross profit decreased by 26.5%; and Gross profit margin decreased too by 7.4 Percentage points.

## Balance Sheet Highlights

SAR (million)	31 Dec 2023	31 Dec 2022	%
<b>Total Assets</b>	8,097	6,026	▲ 34.4%
<b>Total Liabilities</b>	4,103	2,979	▲ 37.7%
<b>Total Equity</b>	3,994	3,047	▲ 31.1%

By the End of the reported period, Total **assets** increased by 34.4% to SAR 8,097 million in 2023 compared to SAR 6,026 million in 2022, mainly driven by 35.2% increase in current assets as a result of growth in receivables and Contract assets impacted by the revenue growth. And the increase in Cash, Cash Equivalent and Short-term investments by 786 million. Non-Current assets Also increased by 29.7% as a result capital expenditure spending during the year and the additional leased buildings for the group companies.

Total **liabilities** increased by 37.7% to SAR 4,103 million in 2023 compared to SAR 2,979 million in 2022, driven by 37.1% increase in Current liabilities as a result of the increase in Payables and other current liabilities balance by 877 million, influenced by the growth in outstanding balances related to income sharing. Non-Current liabilities increased by 41.8% due to additional leases.

Total **equity** increased by 31.1% to SAR 3,994 million in 2023 compared to SAR 3,047 million in 2022. Mainly due to an increase resulted from total comprehensive income during the year of 1,374 million, and a decrease resulted from Dividends distributed of 466 million.

## Cash Flow Statement Highlights

SAR (million)	31 Dec 2023	31 Dec 2022	%
<b>Net cash flow from operating activities</b>	1,559	1,706	▼ 8.6%
<b>Net cash used in investing activities</b>	(1,231)	(1,731)	▼ 28.9%
<b>Net cash used in financing activities</b>	(532)	(748)	▼ 28.9%

**Cash flow from operating activities** was 8.6% lower to SAR 1,559 million in 2023 compared to SAR 1,706 million in 2022, mainly due to a negative working capital movement of 171 million in current year compared to positive 400 million in the previous year. Offset by the increase in net profit before zakat.

**Net cash used in investing activities** was 28.9% lower to SAR 1,231 million in 2023 compared to SAR 1,731 million in 2022, decrease is mainly due to changes in Murabha deposit balance.

**Net cash used in financing activities** was down by 28.9% to SAR 532 million in 2023 compared to SAR 748 million in 2022, decrease is mainly due to a purchase of treasury shares in the previous year by 307 million, compared to non this year.

This left Elm with an end of period **cash and cash equivalents** of SAR 384 million compared to SAR 589 million in 2022.

The company cash, cash equivalent and short term investment balance increased by 786 million compared to last year to 3,459 million.

## Conference Call

Elm will host a conference call on March 11<sup>th</sup>, 2024 to discuss details of the performance and certain forward-looking information.

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