



# Earnings Release

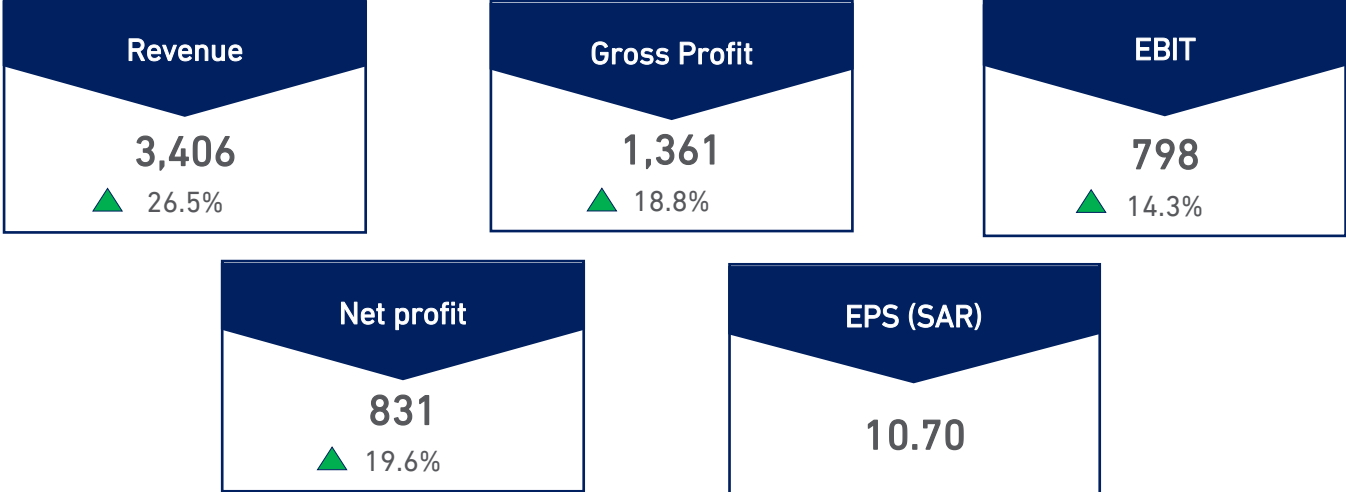
*Period ended 30 June 2024*

Riyadh, Saudi Arabia — August, 2024

# Elm reported its interim consolidated financial results for period ended on 30 June 2024

## H1 2024 Financial Performance Highlights

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



Commenting on the results, Dr. Abdulrahman Aljadhai, CEO of Elm, said “Elm continues its relentless pursuit of facilitating human life by committing to excellence and leadership in digital transformation and continuous development. During this period, we have witnessed robust financial performance, reflecting the accomplishments achieved by the company across all levels. We are also proud of the ongoing cooperation and contract renewals with our strategic partners, which will enhance Elm’s leading position in the market, its financial stability, and business sustainability. This success is driven by our continued efforts to develop existing services and platforms and to launch new ones that better meet our clients’ needs and keep pace with ongoing technological advancements.

After nearly twenty years at Elm, it is time for my colleague, Mr. Mohammad Alomair, to take over the leadership of the company and continue the journey of successes it has experienced. Mr. Mohammad has been with Elm since its inception and has 23 years of experience in the market, most of which he spent at Elm. He has held several leadership positions, most notably as CEO of the Government Products Group, and most recently, as CEO of the Business Products Group. His expertise includes product development, investment, building business models, and partnerships, and he has successfully led several digital transformation opportunities and digital product developments within the company.

In conclusion, I would like to thank all Elm employees, partners, and clients for their trust. The road ahead for Elm is full of opportunities, and I am confident that Elm will continue to grow and create a positive impact on society, making human life easier.”

## Performance Highlights:

### Financial Performance Highlights

SAR (million)	H1-24	H1-23	YoY%
<b>Revenue</b>	<b>3,406</b>	<b>2,692</b>	<b>26.5%</b>
Cost of Revenue	(2,045)	(1,546)	32.3%
Gross Profit	1,361	1,146	18.8%
<i>Gross Margin</i>	40.0%	42.6%	(2.6) PP
Operating Expenses	(563)	(448)	25.7%
Operating Profit	798	698	14.3%
<i>Operating Margin</i>	23.4%	25.9%	(2.5) PP
<b>Net profit</b>	<b>831</b>	<b>695</b>	<b>19.6%</b>
<i>Net Margin</i>	24.4%	25.8%	(1.4) PP
<b>Basic EPS (SAR)</b>	<b>10.70</b>	<b>8.95</b>	

**Revenue** surged by 26.5% to SAR 3,406 million in H1 2024, driven by the expansion in Digital Business and Business Process Outsourcing Segments.

**Gross Margin** compressed by 2.6 percentage points to 40.0%, affected by the decrease in profitability of the business process outsourcing segment.

**Operating expenses** escalated by 25.7% to SAR 563 million in H1 2024, as a result of growth in G&A by 26.6% due to increase in employee cost and Consulting activities, S&M grew by 23.6% due to increase in Employee cost and events participations and sponsorships, growth in D&A by 68.2% mainly due to increase in group leased offices. This was partially counterbalanced by the decrease in in ECL by 52.6%.

Due to that, **Operating Margin** decreased by 2.5 percentage points to 23.4%.

**Net margin** decreased by 1.4 percentage points to 24.4% compared to comparative period from the prior year.

**Basic EPS** also increased to SAR 10.70 per share.

## Segmental Performance Review

SAR (million)	H1-24	H1-23	YoY%
<b>Revenue</b>			
Digital Business	2,424	1,983	22.2%
Business Process Outsourcing	917	636	44.2%
Professional Services	65	73	-11.0%
<b>Total</b>	<b>3,406</b>	<b>2,692</b>	<b>26.5%</b>
<b>Gross Profit</b>			
Digital Business	1,132	932	21.5%
Business Process Outsourcing	217	204	6.4%
Professional Services	12	10	20.0%
<b>Total</b>	<b>1,361</b>	<b>1,146</b>	<b>18.8%</b>
<b>Gross profit Margin</b>			
Digital Business	46.7%	47.0%	(0.3) PP
Business Process Outsourcing	23.7%	32.1%	(8.4) PP
Professional Services	18.5%	13.7%	4.8 PP
<b>Total</b>	<b>40.0%</b>	<b>42.6%</b>	<b>(2.6) PP</b>

The **Digital Business** segment achieved revenue growth of 22.2% compared to the comparative period from prior year. The increase was a result of the growth in Products business, which resulted in an increase in gross profit of 21.5% while the gross profit margin dipped slightly by 0.3 percentage points to 46.7%. This decrease is attributable to the compression resulted from increase in revenue composition for services and products that has a lower profitability.

**Business Process Outsourcing** segment witnessed a growth of 44.2% in revenue. However, the gross profit decreased by 6.4%, leading to a gross profit margin decrease of 8.4 percentage points to 23.7%, contributing to the overall decrease in Group profitability. The segment increase in revenue was primarily driven by the increase in the number of projects; on the other hand, the segment gross profit margin dropped due to a normalization of profitability within segments projects, following a period of exceptionally high-margin projects.

**Professional Services** segment revenue decreased by 11.0%. However, the segment's gross profit was higher; and the gross profit margin increased by 4.8 percentage points. The increase was due to the new projects during the period that have a higher gross profit margin.

## Balance Sheet Highlights

SAR (million)	30 Jun 2024	31 Dec 2023	%
<b>Total Assets</b>	<b>9,271</b>	<b>8,097</b>	<b>▲ 14.5%</b>
<b>Total Liabilities</b>	<b>4,725</b>	<b>4,103</b>	<b>▲ 15.2%</b>
<b>Total Equity</b>	<b>4,546</b>	<b>3,995</b>	<b>▲ 13.8%</b>

By the end of the reported period, **Total Assets** increased by 14.5% to SAR 9,271 million in June-2024 compared to SAR 8,097 million in December-2023, mainly driven by 11.1% increase in current assets as a result of the increase in cash, cash equivalent, and short-term investments by SAR 501.5 million, mainly due to the positive cash from operating activities, increase in contract assets by SAR 178 million, and accounts receivables by SAR 133 million. In addition, non-current assets increased by 35.8%, mainly due to the additional leased buildings.

**Total Liabilities** increased by 15.2% to SAR 4,725 million in June-2024 compared to SAR 4,103 million in December-2023, driven by 8.5% increase in current liabilities as a result of the increase in payables and other current liabilities balance of SAR 236 million, influenced by the increase in income sharing and partners share. Non-current liabilities increased by 56% due to additional leases.

**Total Equity** increased by 13.8% to SAR 4,546 million in June-2024 compared to SAR 3,995 million in December-2023. Mainly due to the Net profit during the period of SAR 831 million and a decrease in dividends distributed of SAR 311 million.

## Cash Flow Statement Highlights

SAR (million)	H1 - 2024	H1 - 2023	%
Net cash flow from operating activities	992	210	▲ >100%
Net cash from investing activities	1,328	526	▲ >100%
Net cash used in financing activities	(375)	(263)	▲ 42.6%

**Cash flow from operating activities** increased to SAR 992 million in H1 2024 compared to SAR 210 million in H1 2023. This increase was primarily driven by the net profit before zakat which was at SAR 903 million and a positive adjustment for no-cash items by SAR 121 million, and a positive net working capital movement of SAR 33 million in the current period.

**Net cash from investing activities** increased to SAR 1,328 million in H1 2024 compared to SAR 526 million in H1 2023, this was due to a change in Murabha deposit balance due to the reallocation of group short-term investments, in addition to a CAPEX investment of SAR 104 million.

**Net cash used in financing activities** was higher with a net cash outflow of SAR 375 million in H1 2024 compared to a cash outflow of SAR 263 million in H1 2023, which was a result of the dividends paid amounting to SAR 310.4 million and the repayment of capital leases.

This left Elm with end-of-period **cash and cash equivalents** of SAR 2,392 million.



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