



Earnings Release

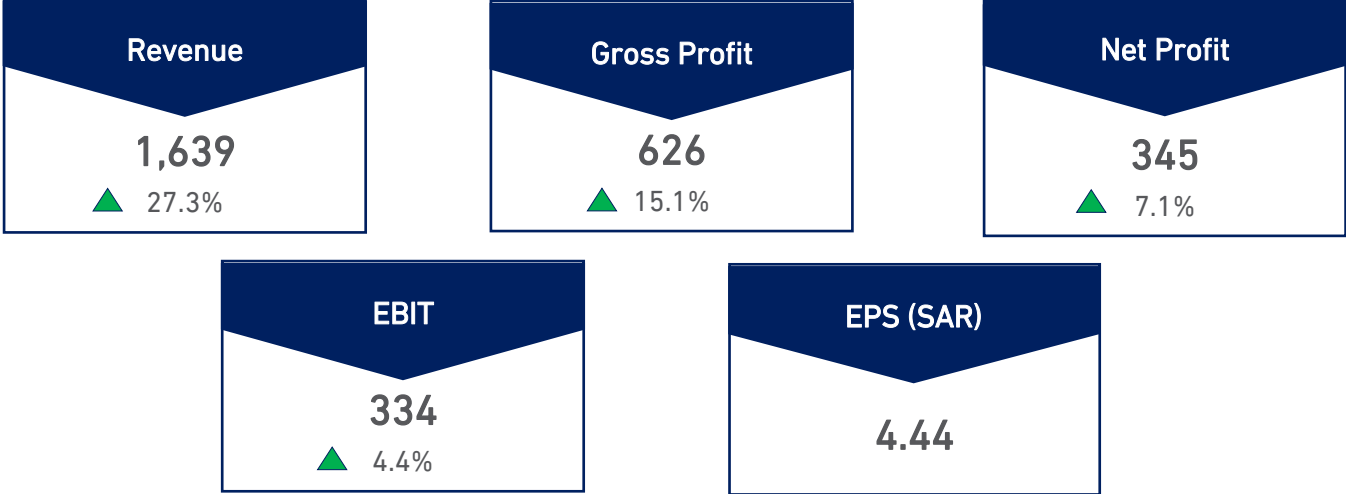
Period ended 31 March 2024

Riyadh, Saudi Arabia — May, 2024

Elm reported its interim consolidated financial results for period ended on 31 March 2024

Q1 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 has achieved outstanding financial performance and notable growth in the first quarter of 2024, maintaining its strong position in the information technology, telecommunications, and digital transformation markets. This performance reflects the continuous dedication and hard work of our team to make every effort to achieve the company’s strategic goals, which include developing services and providing solutions to simply make life easier and meet the needs of individuals, institutions, and society.

As Elm aims to be the digital enabler for government and business sectors in the Kingdom, the company’s new strategy seeks to continue innovating and enabling communities and making life easier through expanding in the government platforms while also exploring available opportunities in the private sector and business ventures. Elm aims to leverage strategic partnerships and acquisitions to move rapidly into new areas of growth, investing in research and development in advanced and modern technology products, so the company remains a leader in diversified technology for the current and future markets.”

Performance Highlights:

Financial Performance Highlights

SAR (million)	Q1-24	Q1-23	QoQ%
Revenue	1,639	1,288	27.3%
Cost of Revenue	(1,013)	(744)	36.2%
Gross Profit	626	544	15.1%
<i>Gross Margin</i>	38.2%	42.2%	(4.0) PP
Operating Expenses	(292)	(224)	30.4%
Operating Profit	334	320	4.4%
<i>Operating Margin</i>	20.4%	24.9%	(4.5) PP
Net profit	345	322	7.1%
<i>Net Margin</i>	21.0%	25.0%	(4.0) PP
Basic EPS (SAR)	4.44	4.15	

Revenue grew by 27.3% to SAR 1,639 million in Q1 2024, driven by the growth in Digital Business and Business Process Outsourcing Segments.

Gross Margin decreased by 4.0 percentage points to 38.2%, affected by the decline in the profitability of the business process outsourcing segment and a slight decline in the profitability of the digital business segment.

Operating expenses increased by 30.4% to SAR 292 million in Q1 2024, as a result of growth across all cost elements. G&A increased by 24.8% due to increase in employee costs, S&M grew by 26.9% due to increase in events participations and sponsorships, in addition, there was growth in D&A by 50.0% due to increase in group leased offices, as well as increase in ECL by 47.1%.

Due to that, **Operating Margin** decreased by 4.5 percentage points to 20.4%.

Net margin decreased by 4.0 percentage points to 21.0% compared to comparative quarter from the prior year.

Basic EPS also increased to SAR 4.44 per share.

Segmental Performance Review

SAR (million)	Q1-24	Q1-23	QoQ%
Revenue			
Digital Business	1,170	970	20.6%
Business Process Outsourcing	438	280	56.4%
Professional Services	31	38	-18.4%
Total	1,639	1,288	27.3%
Gross Profit			
Digital Business	531	442	20.1%
Business Process Outsourcing	88	95	-7.4%
Professional Services	7	7	0.0%
Total	626	544	15.1%
Gross profit Margin			
Digital Business	45.4%	45.6%	(0.2) PP
Business Process Outsourcing	20.1%	33.9%	(13.8) PP
Professional Services	22.6%	18.4%	4.2 PP
Total	38.2%	42.2%	(4.0) PP

The **Digital Business** segment achieved revenue growth of 20.6% compared to the comparative period from previous year. The increase was a result of the growth across the products and projects during the period, which contributed to an increase in gross profit of 20.1% while the gross profit margin dipped slightly by 0.2 percentage points to 45.4%. This decrease is attributable to a decline in projects profitability due to the types of deliverables completed during the period.

Business Process Outsourcing segment witnessed a growth of 56.4% in revenue. However, the gross profit decreased by 7.4%, leading to a gross profit margin decrease of 13.8 percentage points to 20.1%, 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 profit margin dropped due to a decrease in the profitability of completed deliverable during the period.

Professional Services segment revenue decreased by 18.4%. However, the segment's gross profit was flat; and the gross profit margin increased by 4.2 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)	31 Mar 2024	31 Dec 2023	%
Total Assets	9,017	8,097	▲ 11.4%
Total Liabilities	4,971	4,103	▲ 21.2%
Total Equity	4,046	3,995	▲ 1.3%

By the end of the reported period, **Total Assets** increased by 11.4% to SAR 9,017 million in Q1 2024 compared to SAR 8,097 million in 2023, mainly driven by 7.9% increase in current assets as a result of the increase in cash, cash equivalent, and short-term investments by SAR 470.9 million, mainly due to the positive cash from operating activities. And growth in prepayment and other current assets by SAR 121.2 million, also non-current assets increased by 32.5%, mainly due to the additional leased buildings.

Total Liabilities increased by 21.2% to SAR 4,971 million in Q1 2024 compared to SAR 4,103 million in 2023, driven by 15.2% increase in current liabilities as a result of the increase in payables and other current liabilities balance of SAR 470 million, influenced by the growth in outstanding balances related to income sharing and partners share. Non-current liabilities increased by 58% due to additional leases.

Total Equity increased by 1.3% to SAR 4,046 million in Q1 2024 compared to SAR 3,995 million in 2023. Mainly due to an increase in total comprehensive income during the period of SAR 345 million and a decrease in dividends distributed of SAR 310.8 million.

Cash Flow Statement Highlights

SAR (million)	31 Mar 2024	31 Mar 2023	%
Net cash flow from operating activities	914	276	▲>100%
Net cash from in investing activities	721	347	▲>100%
Net cash used in financing activities	(368)	(5)	▲>100%

Cash flow from operating activities increased to SAR 914 million in Q1 2024 compared to SAR 276 million in Q1 2023. This increase was primarily driven by a positive net working capital movement of SAR 439 million in the current period, contrasting with a negative balance of SAR 139 million in the same period last year.

Net cash from investing activities increased to SAR 721 million in Q1 2024 compared to SAR 347 million in Q1 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 50 million.

Net cash used in financing activities was higher with a net cash outflow of SAR 368 million in Q1 2024 compared to a cash outflow of SAR 5 million in Q1 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 1,652 million.



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