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SISCO
الشركة السعودية للخدمات الصناعية
Saudi Industrial Services Company

SISCO Q 2020 EARNINGS PRESENTATION

Your Partner in

Ports & Logistics | Water Solutions | Industrial Services

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Content

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- **Consolidated Financial Statements**
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Content

Q2 2020 - Financial Review

Revenue

SAR 382.9 m  **10.3%**

YTD19: SAR 347.2 m

Gross Profit

SAR 169.0 m  **12.5%**

YTD19: SAR 150.2 m

EBITDA

SAR 278.9 m  **67.4%**


YTD19: SAR 166.6 m

Parent Company Net Income

SAR 83.1 m  **117.4%**

YTD19: SAR 38.2 m

Net Debt

SAR 477.9 m  **20.5%**

YTD19: SAR 601.1 m

Revenue

- Reported revenue of SAR 382.9 million, an increase of 10.3% vs H1 2019 mainly due to an increase in port and water segment revenue by SAR 35.2 million and SAR 1.4 million respectively.

Gross Profit

- Gross profit and gross margins increased by SAR 18.8 million and 0.9% respectively vs H1 2019 mainly due to the increase in port sector operations.

EBITDA

- Reported EBITDA and EBITDA margin increased by SAR 112.3 million (24.9%) during H1 2020 vs H1 2019.
- Adjusted EBITDA is SAR 5.2 million (3.1%) ahead of H1 2019.

Net Income

- Reported net income increased by SAR 44.9 million (117.4%) during H1 2020 due to a one-off IFRS 9 gain of SAR 31.9 million relating to the extension of the Ijara facility and reversal of provision for asset replacement cost of SAR 75.1 million.

COVID-19 Update

- Ports segment showed a decline in the gateway volume due to the economic slowdown and the increase in VAT and customs duty.
- Despite the decline in gateway, transshipment has shown a gradual improvement during Q2.
- Logistics land revenue declined due to non renewal of open yard long term agreements due to the impact of COVID-19.

KEY CHANGES IMPACTING Q2 2020 FINANCIAL STATEMENTS

- Q2 2020 reflects the impact of the new concession signed by RSGT which includes a new royalty structure compared to the previous concession that was reflected in Q1 2020.
- Key changes impacting Q2 2020 as a result of the new concession are shown below

Capitalisation of fixed and variable fee

- Under the new concession, RSGT is expected to pay a fixed fee and variable fee with a minimum guaranteed traffic expected by the Saudi Port Authority. The external auditors concluded that under the requirements of IFRS, the fixed fee and variable fee payable on minimum guaranteed traffic should be capitalised. Accordingly, an intangible asset of **SAR 1.5 billion** and a corresponding liability of **SAR 1.5 billion** has been recognised on the balance sheet.
- The impact of the above changes on the income statement is as follows:
 - No fixed and variable fee recorded in direct costs
 - Amortisation of intangible asset of c.7 million to be reflected every quarter in direct costs
 - Financial charges of SAR 42 million in respect of the fixed and variable fee liability to be reflected in the income statement every quarter.

KEY CHANGES IMPACTING Q2 2020 FINANCIAL STATEMENTS

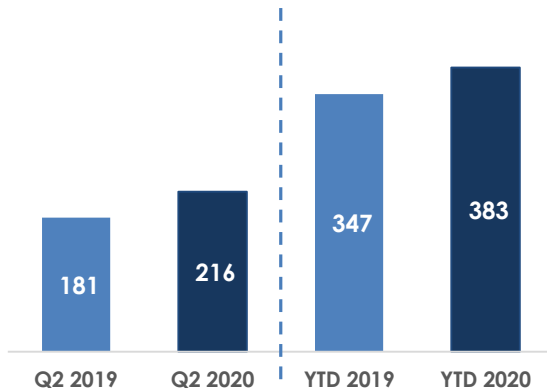
Asset Replacement Provision

- There is no obligation under the new concession agreement to undertake an asset replacement program at the end of the agreement. Therefore, the total provision of SAR 75.1 million that was recorded under the previous BOT agreement in respect of an asset replacement program has now been reversed in full.

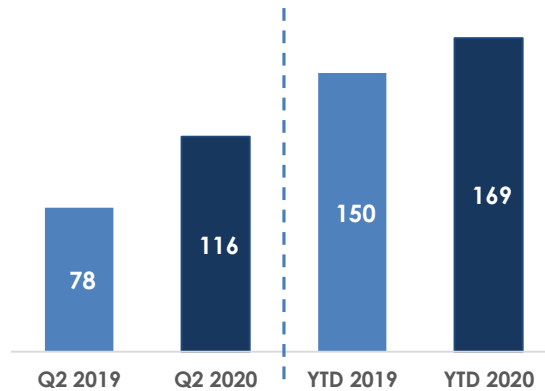
FINANCIAL HIGHLIGHTS

All amounts are in SAR millions

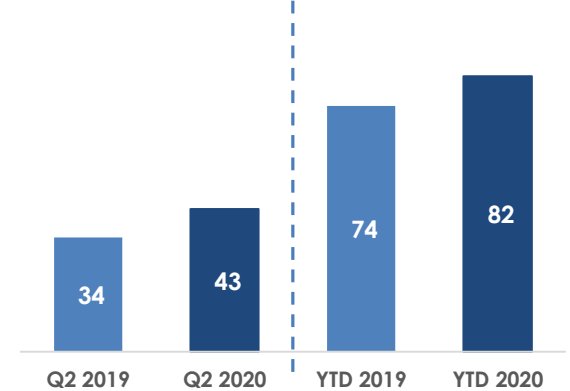
Revenue



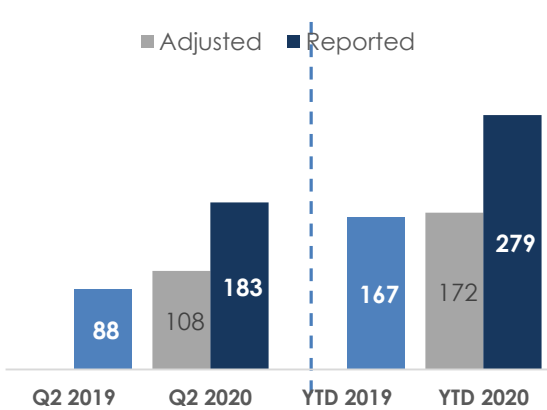
Gross Profit



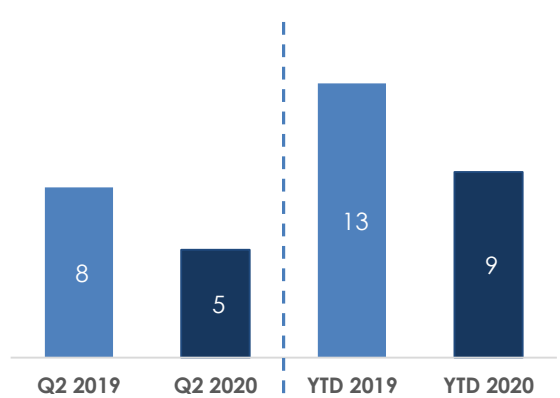
OPEX



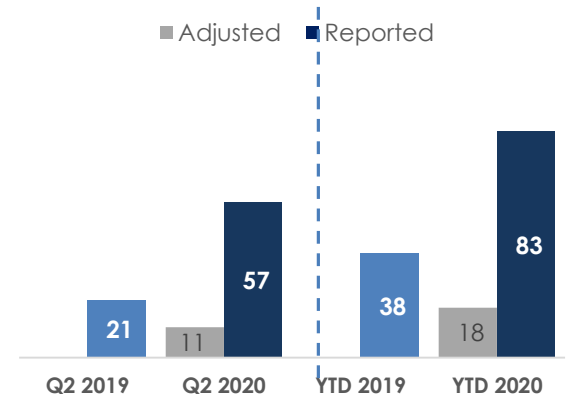
EBITDA



Investment Income



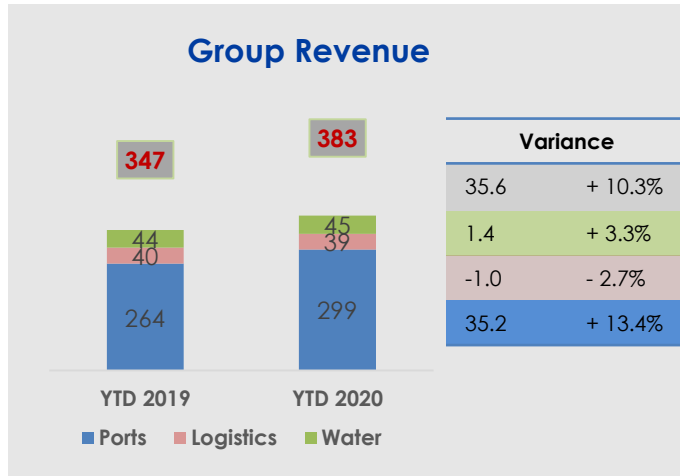
Net Income



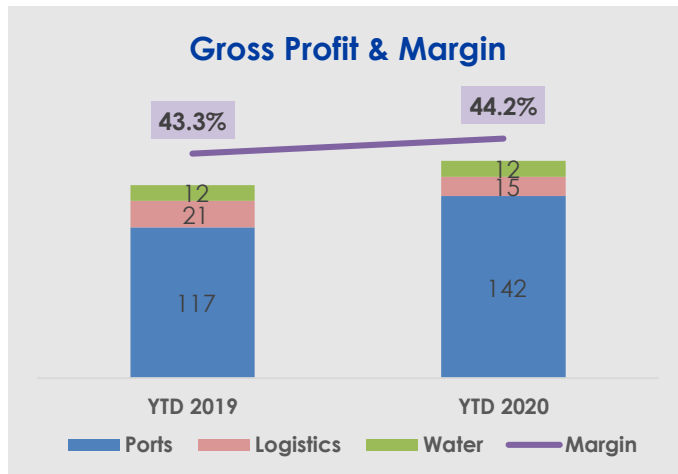
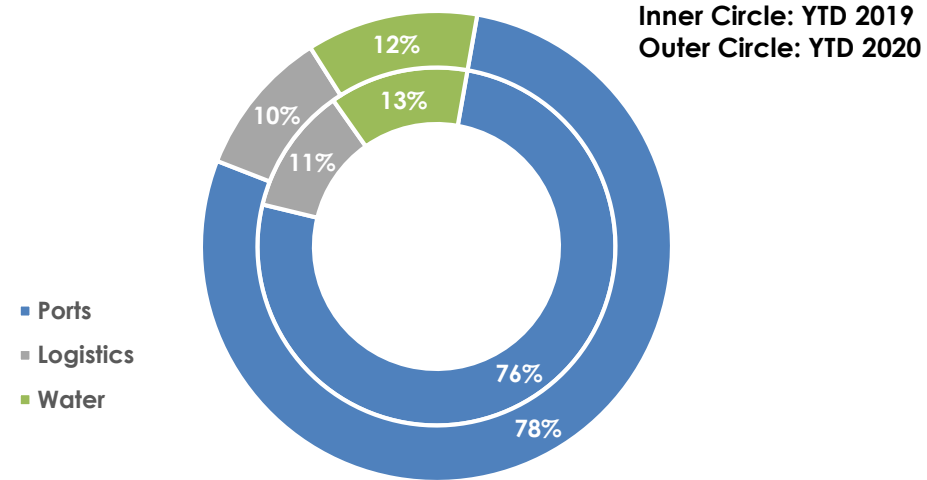
* Adjusted EBITDA and adjusted net income exclude one off IFRS 9 gain (SAR 31.9 million) recognised in Q1 2020 and reversal of provision for asset replacement costs (SAR 75.1 million).

Consolidated Revenue

All amounts are in SAR millions



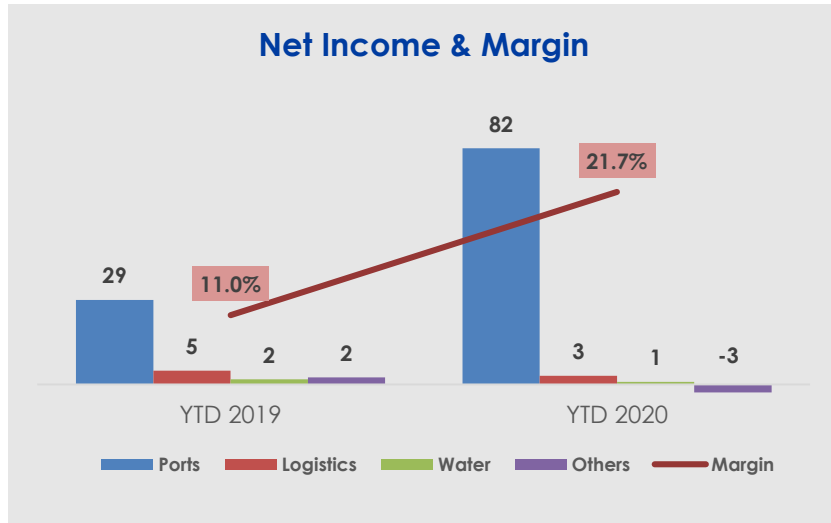
Composition



- Total Growth in Revenue SAR 35.6 million (i.e. 10.3%) during 2020 vs 2019 is due to Ports and Water Segments. This was offset by a nominal decline in logistics revenue.
- Adjusted gross profit margin improved by 0.9% during YTD 2020 mainly due to the improvement in Ports gross margin.

Consolidated Net Income

All amounts are in SAR millions



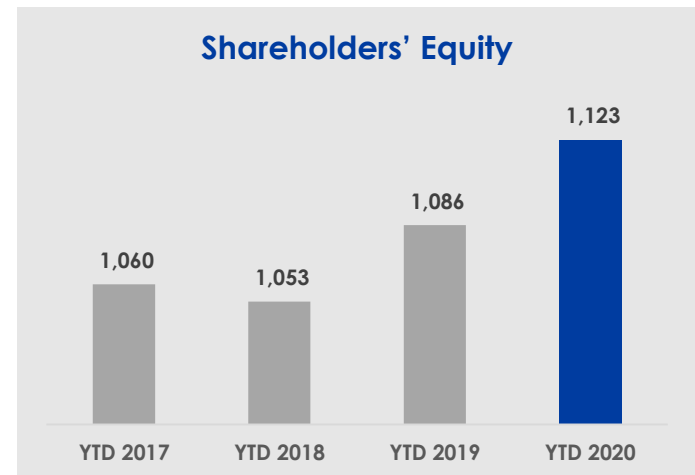
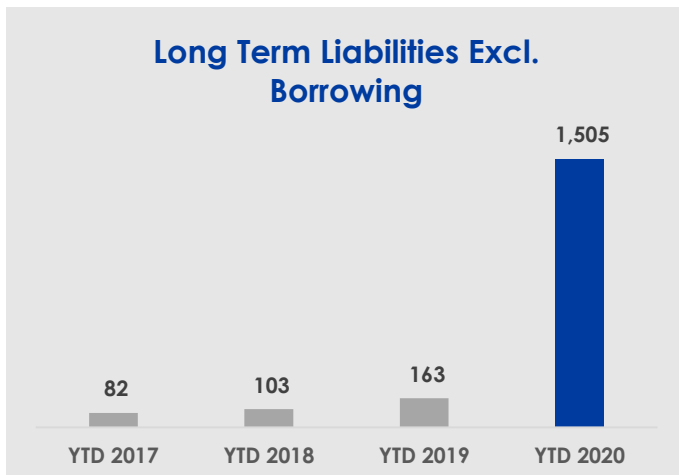
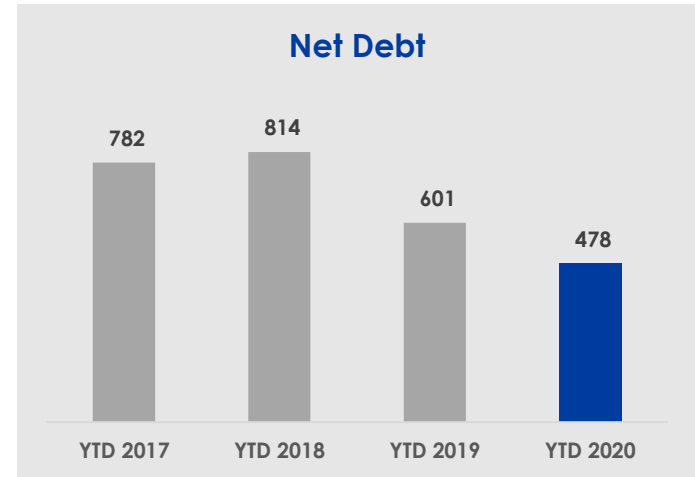
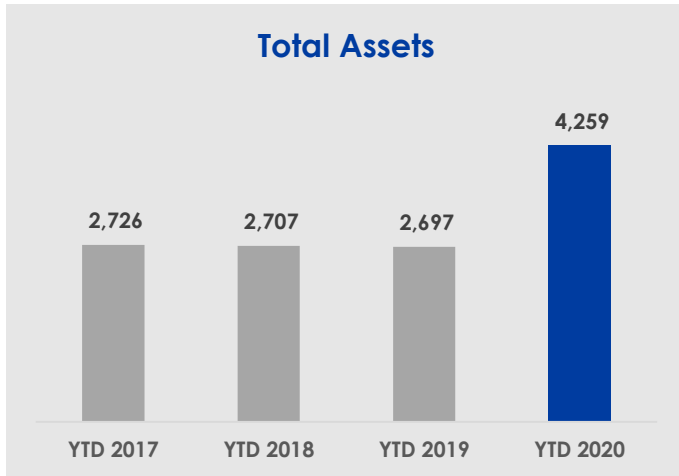
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Net Income Bridge



Net Income reconciliation	SAR Millions
Reported NI – YTD 2020	83.1
<i>SISCO Share of:</i>	
IFRS 9 gain on modification of loan	(19.3)
Reversal of provision for asset replacement cost	(45.5)
Proforma NI – YTD 2020	18.3

Consolidated Balance Sheet





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Appendices

Additional Information

CONSOLIDATED INCOME STATEMENT

All amounts are in SAR millions

SAR '000	Q2 '20	Q1 '20	Q2 '19
Revenue	215.6	167.3	180.7
Cost of Revenue	(99.7)	(114.2)	(103.1)
Gross Profit	115.9	53.1	77.6
Operating expenses	(42.8)	(39.7)	(34.2)
Operating Profit	73.1	13.4	43.3
Investment Income	5.2	3.7	8.2
<i>Finance Costs</i>	<i>(51.4)</i>	<i>(11.5)</i>	<i>(16.1)</i>
<i>Finance Income</i>	-		0.8
Net Finance Cost	(51.4)		(15.3)
Other Income	72.3	38.8	0.3
Zakat	(6.4)	(2.3)	(3.5)
Group Net Income	92.8	42.1	32.9
Minority Interest	(36.2)	(15.5)	(11.6)
Net Income	56.6	26.6	21.3

SAR '000	YTD '20	YTD '19
Revenue	382.9	347.2
Cost of Revenue	(213.8)	(196.7)
Gross Profit	169.1	150.2
Operating expenses	(82.5)	(73.6)
Operating Profit	86.5	76.6
Investment Income	8.9	13.1
<i>Finance Costs</i>	<i>(63.0)</i>	<i>(25.2)</i>
<i>Finance Income</i>	32.0	-
Net Finance Cost	(31.0)	(25.2)
Other Income	79.1	1.0
Zakat	(8.7)	(6.4)
Group Net Income	134.9	59.1
Minority Interest	(51.8)	(20.9)
Net Income	83.1	38.2

Consolidated Balance Sheet

	YTD 2020	FY 2019
Fixed Assets	3,698,057	2,320,411
Investments	160,637	156,737
Deferred Tax	1,502	4,408
Current Assets	398,898	424,546
Total Assets	4,259,094	2,906,102
Borrowings	722,644	781,101
Long Term Liabilities	1,504,638	344,197
Current Liabilities (excl. borrowings)	388,303	189,769
Total Liabilities	2,615,585	1,315,067
Equity	1,643,510	1,591,035
Total Equity & Liabilities	4,259,094	2,906,102

CASH FLOW STATEMENT

SAR '000	YTD 2020	YTD 2019
Operating cash flow after adjustments	137.0	138.0
Finance charges, net	30.9	26.3
Operating cash flow before working capital	167.9	164.3
Net working capital movement	(16.2)	(14.7)
Cash generated from operating activities	151.7	149.6
Zakat & income tax, EOSB	(3.1)	(7.0)
Finance charges paid	(16.7)	(23.7)
Net cash flow from operating activities	131.9	118.9
Net cash used in Investing activities	(75.3)	(12.7)
Net cash used in financing activities	(107.0)	(108.5)
Net decrease in cash and bank balances	(50.4)	(2.2)
Cash at the beginning of the period	295.1	180.6
Cash at the end of the period	244.6	178.4

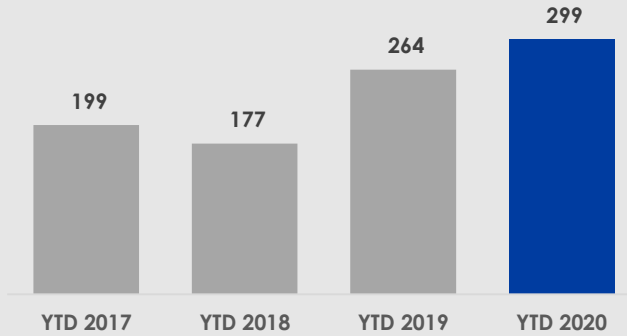
Segment Review

Port and Terminals

Port and Terminals

All amounts are in millions

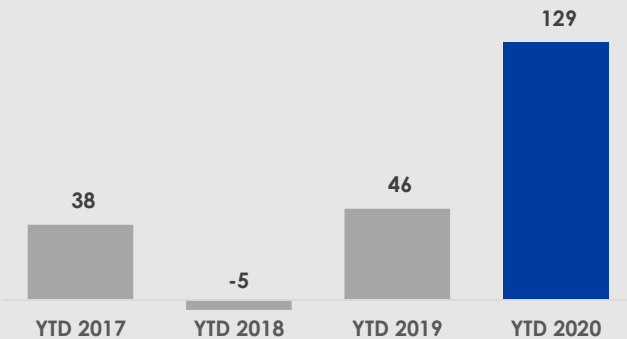
Revenue



EBITDA



Net Income

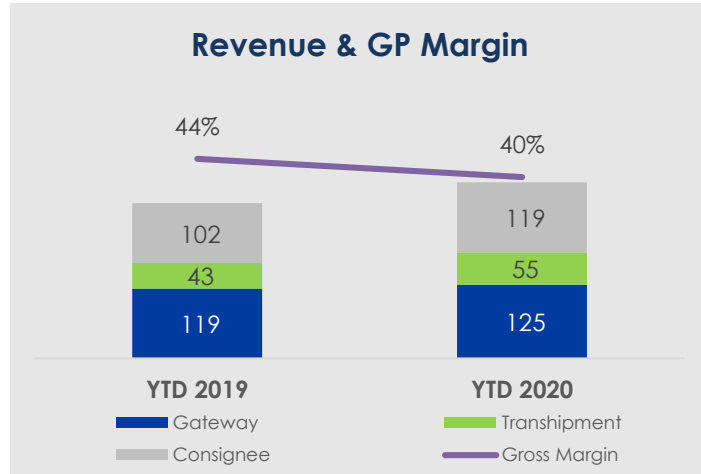


Volume TEUs



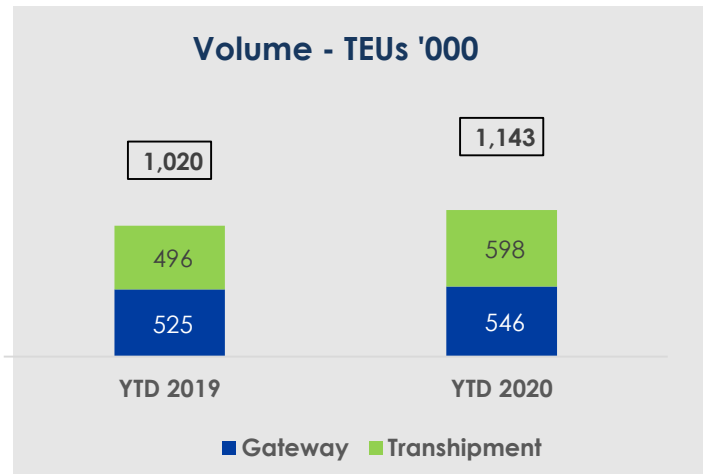
Port and Terminals

All amounts are in SAR millions

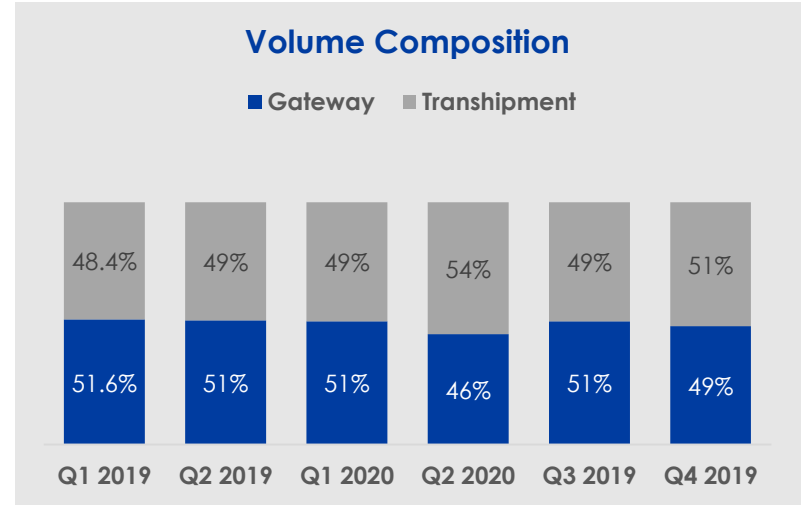
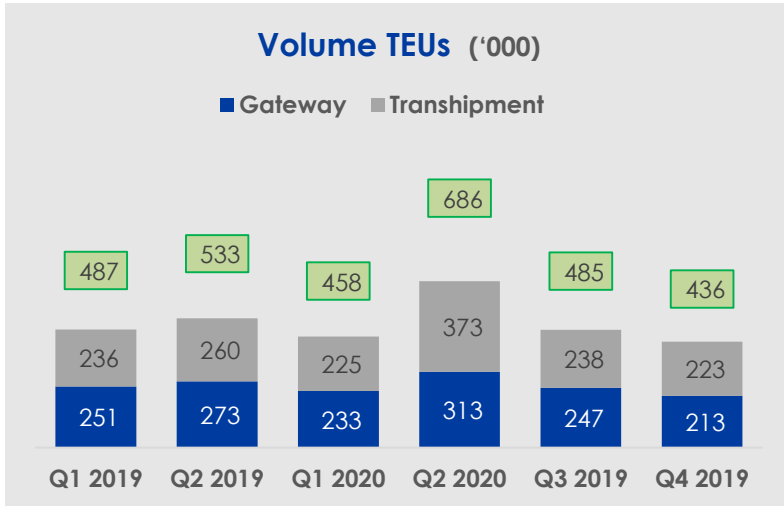


- Volumes during the quarter improved by 12.1% compared to same period last year, which is mainly due to increase in transhipment volumes.

- The volume mix between Gateway and Transhipment declined to (2020: 48:52 vs 2019: 51:49).



Port and Terminals



Segment Review

Logistics, Parks and Services

All amounts are in millions

Revenue



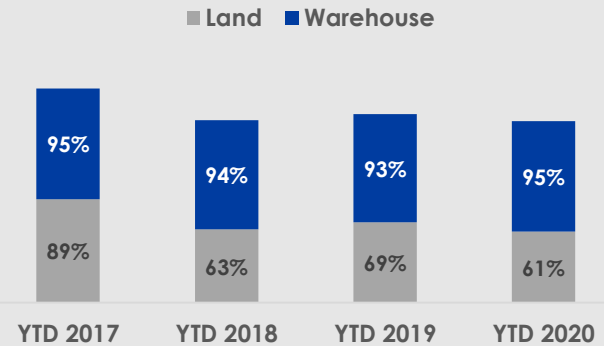
EBITDA



Net Income

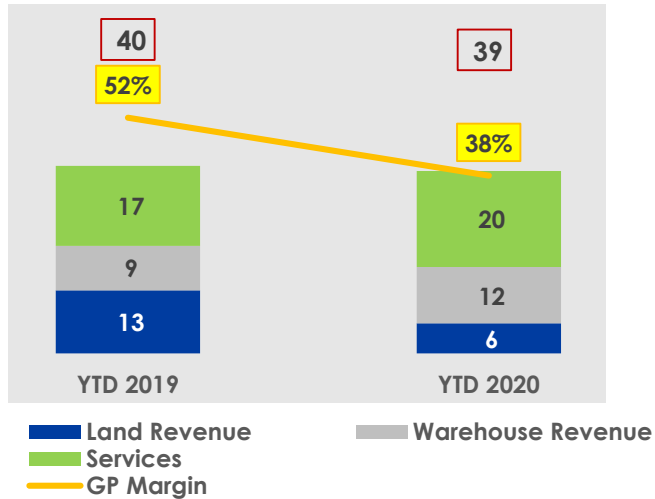


Occupancy



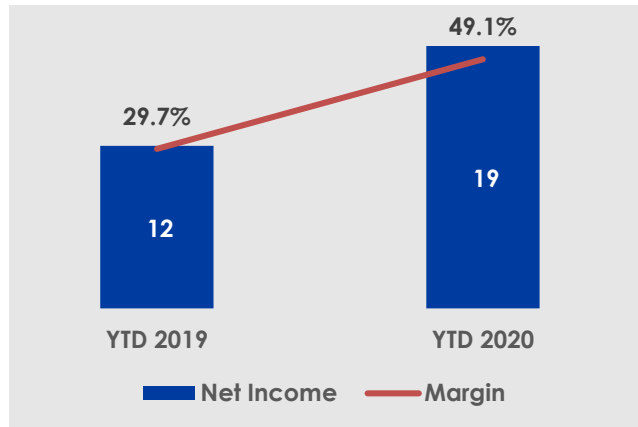
All amounts are in SAR millions

Revenue & GP Margin



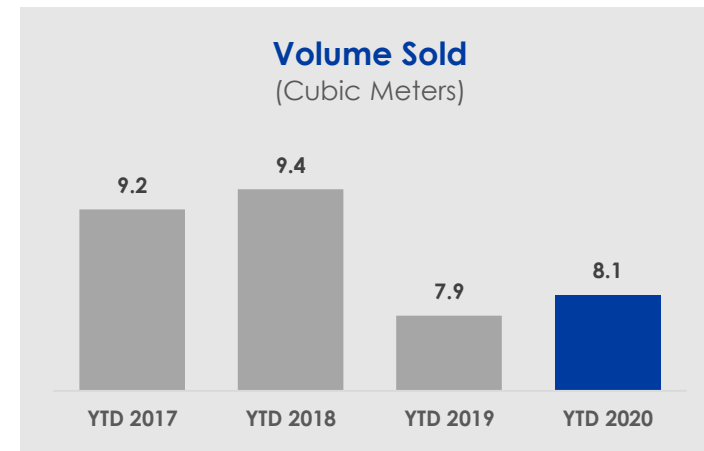
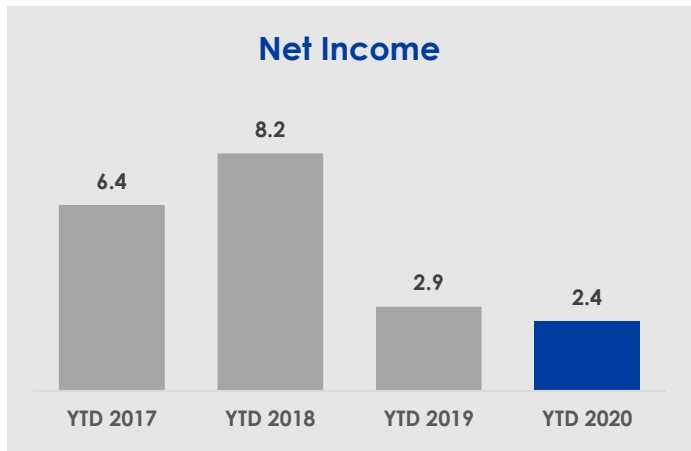
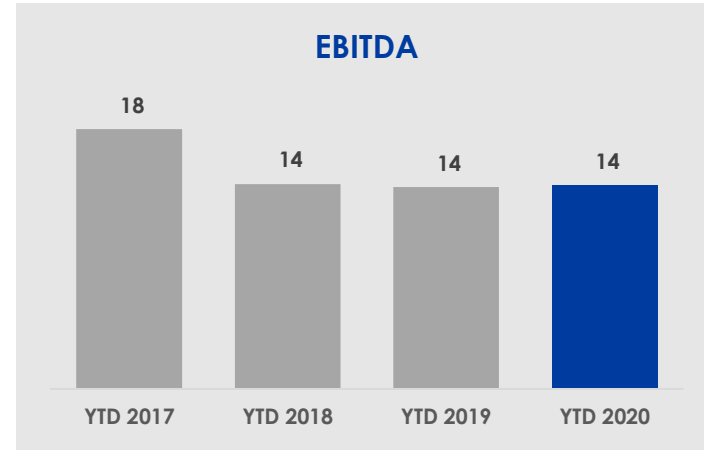
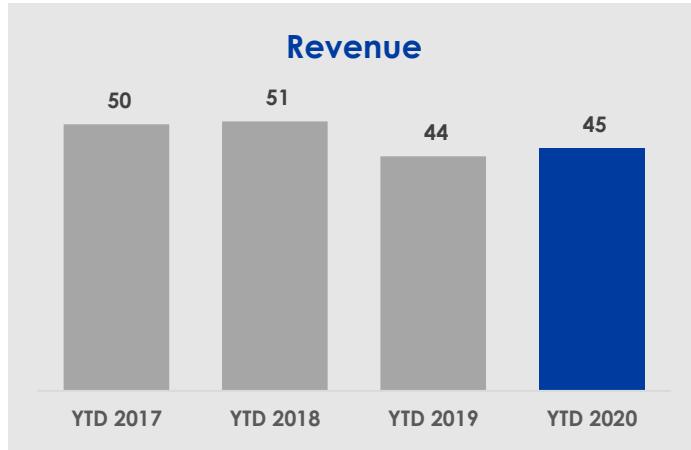
- Nominal decrease of SAR 1 million in revenue due to decrease in land revenue which is offset by an increase in warehouse and service revenues.
- Land rent revenue has decreased due to a decline in long term storage rentals.
- Service revenue increased due to new customers.
- Gross margin declined due to low margin service revenues and impact of additional IFRS 16 depreciation, employees costs and utilities & fuel costs.

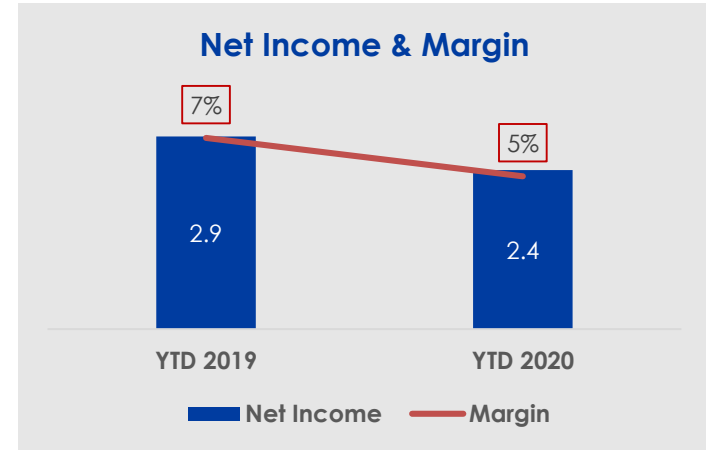
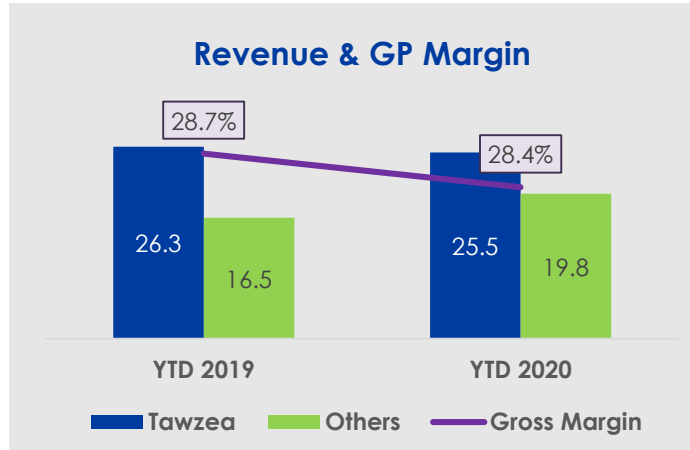
Net Income & Margin



Segment Review

Water Solutions





- Sales increased marginally during the period due to increase in demand from external customers.
- Volume sold per cubic meter is declined which is due to sales mix.



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