

# SAUDI INDUSTRIAL SERVICES COMPANY

Earnings Presentation | Q2 & H1 2022



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# Highlights Q2 & H1 2022

## Financial highlights

Revenues for Q2 22\*, reached SAR 213.2 million compared to SAR 196.2 million in Q1 22, increasing by 8.7% due to improved performance of the Ports and water segment.

Q2 22 gross profit increased by 10.5% versus Q1 22 to reach SAR 99.7 million driven by top line growth. H1 22 gross profit declined by 26.5% versus H1 21 reflecting the decline in revenue during the period.

Net income for Q1 22 recorded SAR 3.1 million compared to SAR 0.8 million for Q1 21 due to improved revenues and stronger gross profit.

Adjusted net income for H1 22 stood at SAR 3.9 million, compared to SAR 50.1 million for H1 21.

## Operating highlights



Ports and Terminals segment volumes show recovery, signals further improvement in H2 22



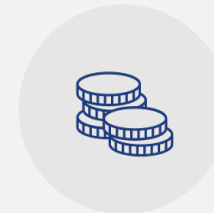
Strong Water segment recovery. Volumes back to 4+m m<sup>3</sup>, revenue up 50.3% QoQ



Logistics Parks and Services revenue broadly unchanged QoQ, at SAR 22.0 million



Strong pipeline of further acquisition opportunities ahead



Interim dividend of SAR 0.4 per share in line with approved policy for 2022



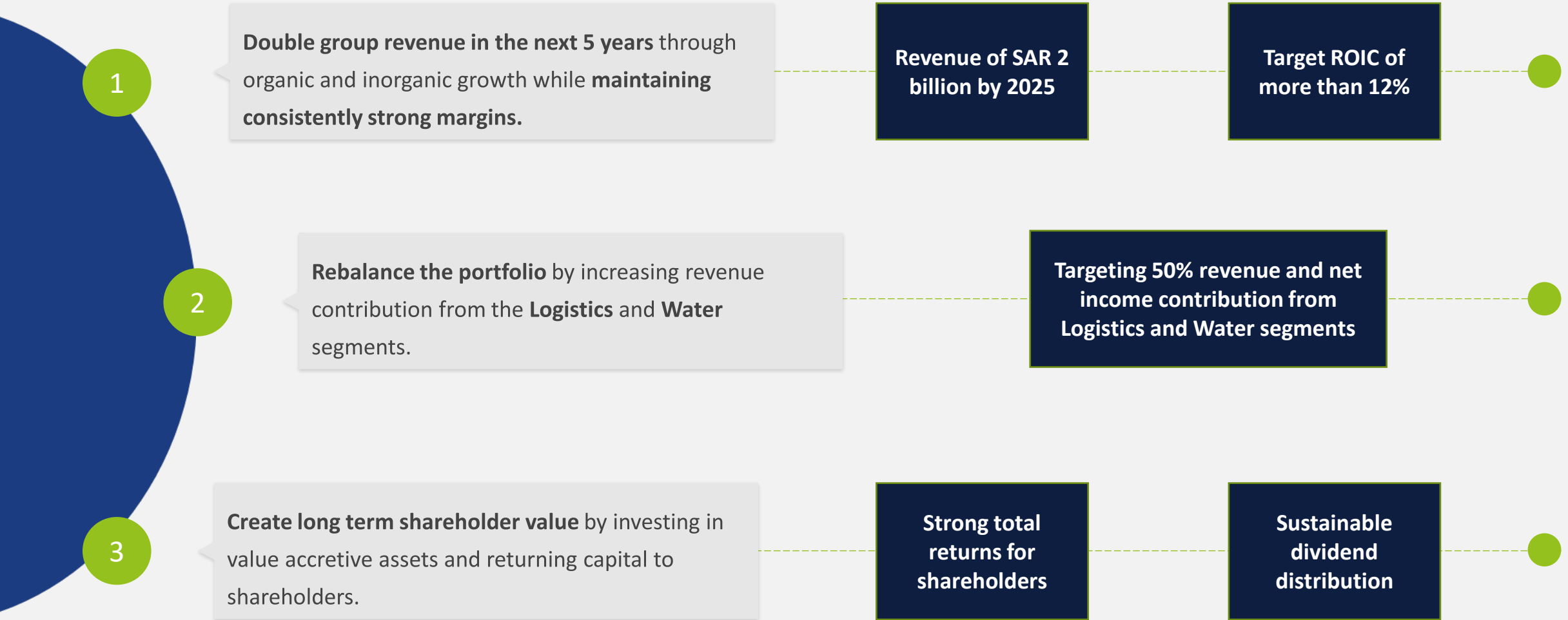
Anticipated strong local consumption in H2 22, on increased religious tourism

\*Excluding accounting construction revenue

# 1. Strategic Updates



# Strategic objectives



# Update on strategic initiatives

## BUSINESS UNITS



### PORTS

- **International expansion:** RSGT in favourable position to be preferred operator for Bangladesh project
- **Local expansion:** consolidation of RSGT and North Terminal ongoing.



### LOGISTICS

- **25,000 sqm** bonded warehousing expected to complete by December 2022
- **Further warehouse capacity** of 20,000 sqm expected to complete in 1H 2023.



### WATER

- **Signed new 5-year concession** contract with Mawani.
- **Signed agreement with local** partners to supply water until 2026.

## GROUP

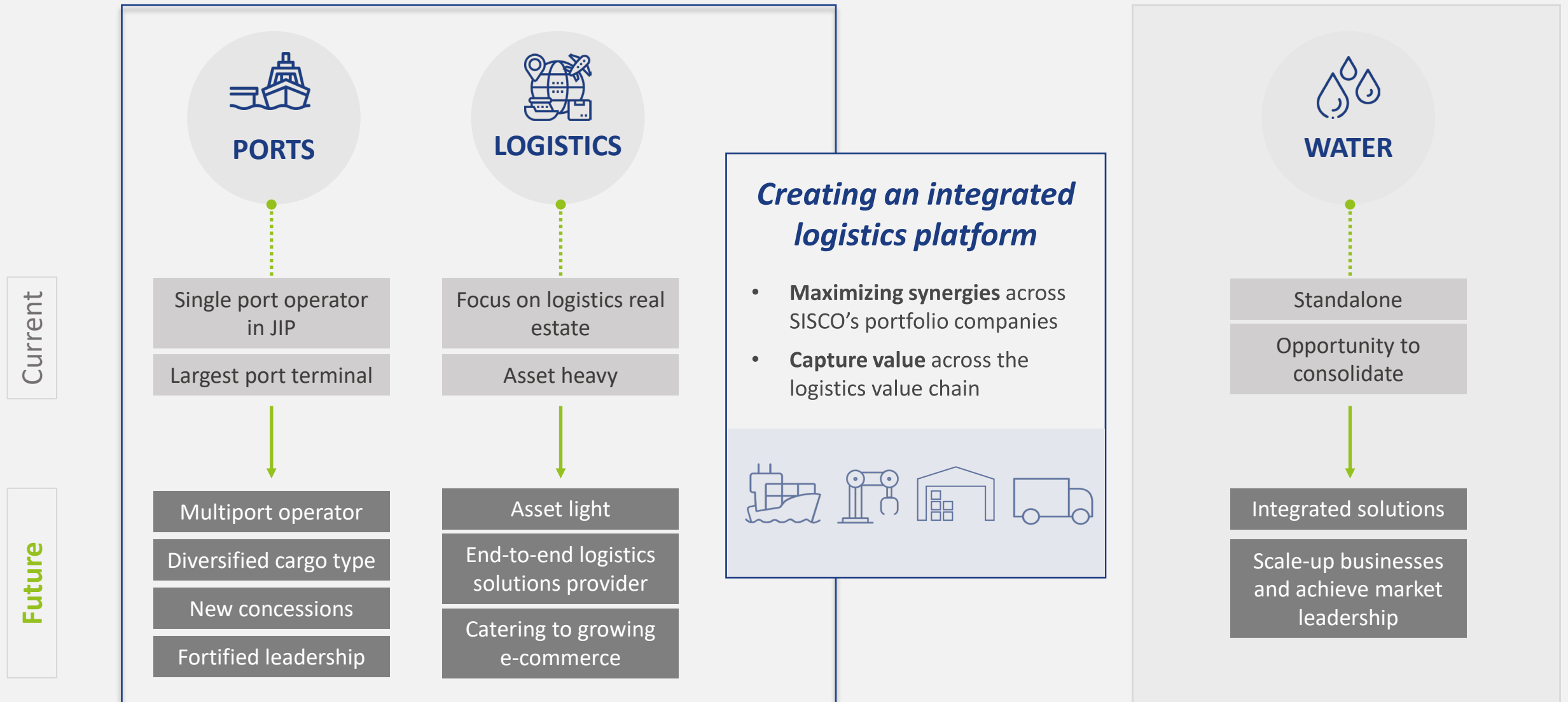


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- **Transfer of shares in Green Dome** to SISCO under process
- **Ongoing progress on M&A opportunities** in Logistics Services



# Segmental transformation



2.

# Financial Performance



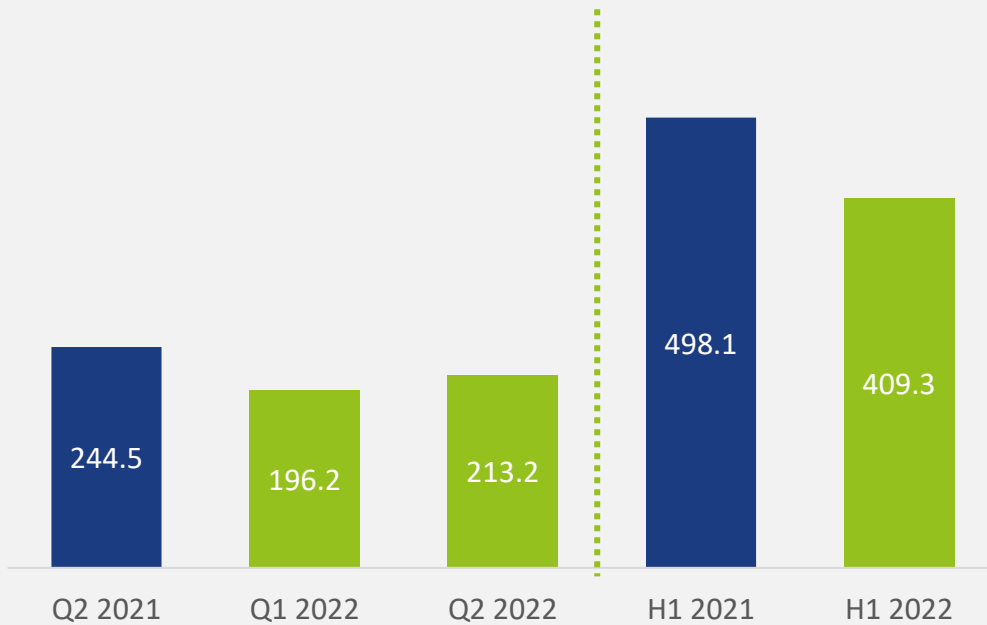
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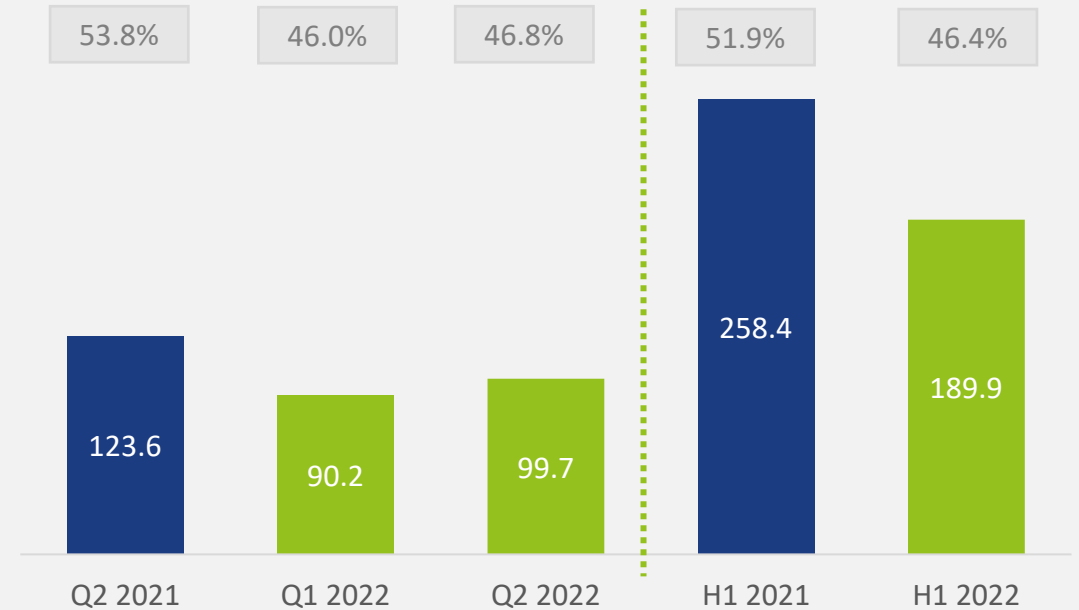
# Income statement highlights

SAR millions (adjusted: excludes accounting construction revenue)

## Revenue



## Gross profit

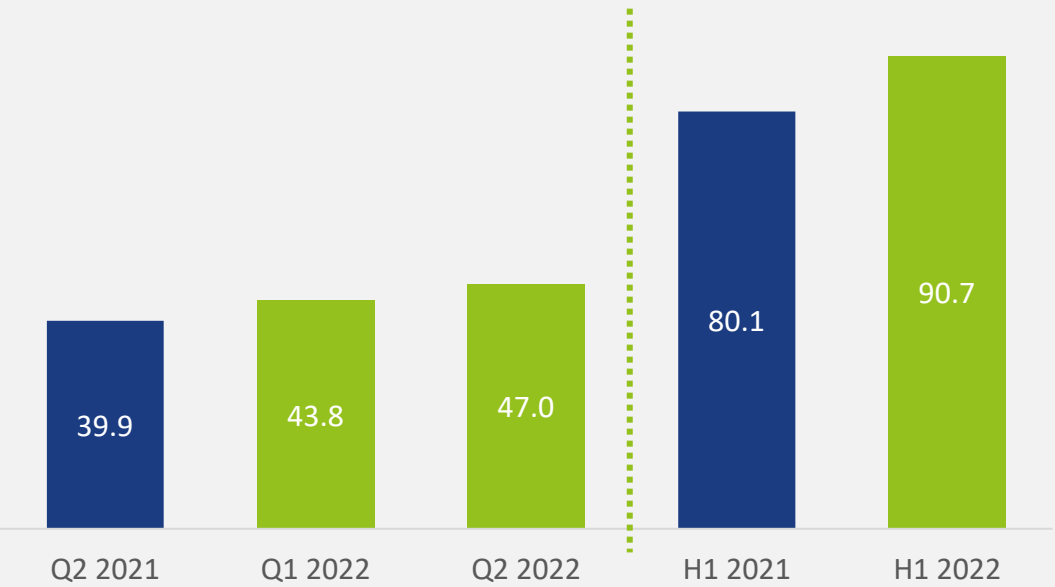


- **Revenue** improved QoQ as production and volumes recovered in the Water segment and the Ports segment began to stabilize following supply chain disruptions
- **Gross profit** increased 10.5% QoQ in Q2 22. Half year performance impacted by one-off disruptions in the Water segment during Q1 22
- Healthy **gross profit margin** maintained at 46.8% in Q2 22

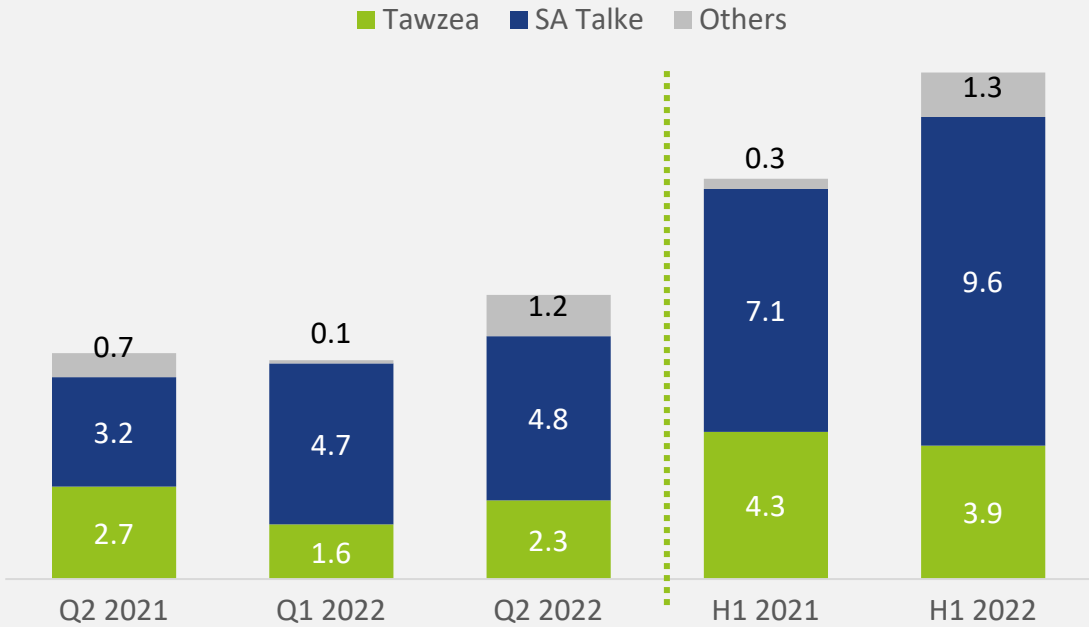
# OPEX and investment income

SAR millions

## Operating Expenses



## Investment Income



- **Opex costs increased** mainly due to employee and business development costs
- **Stable and growing investment income;** updated five-year strategy for growth aims to invest in assets with a significant opportunity to be scaled-up and accelerate the returns timeline

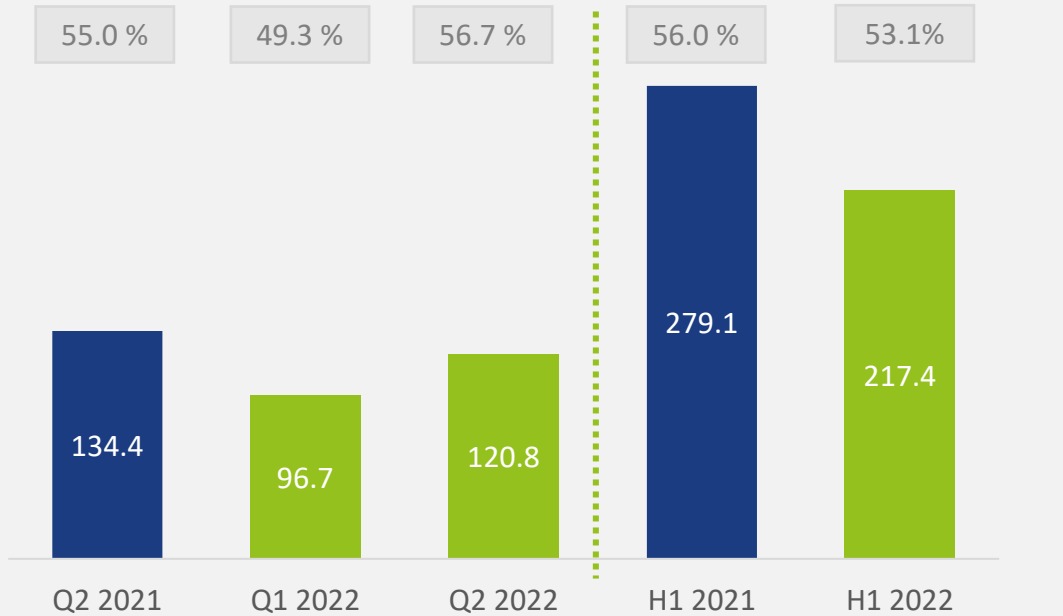


# EBITDA and net income

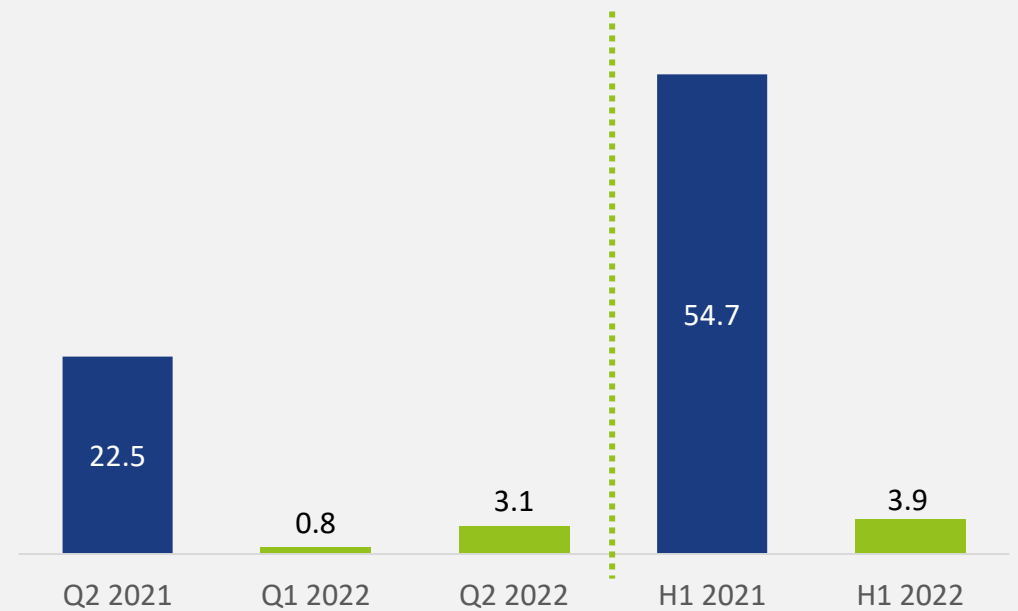
SAR millions

EBITDA margin

## EBITDA and Margin



## Net income



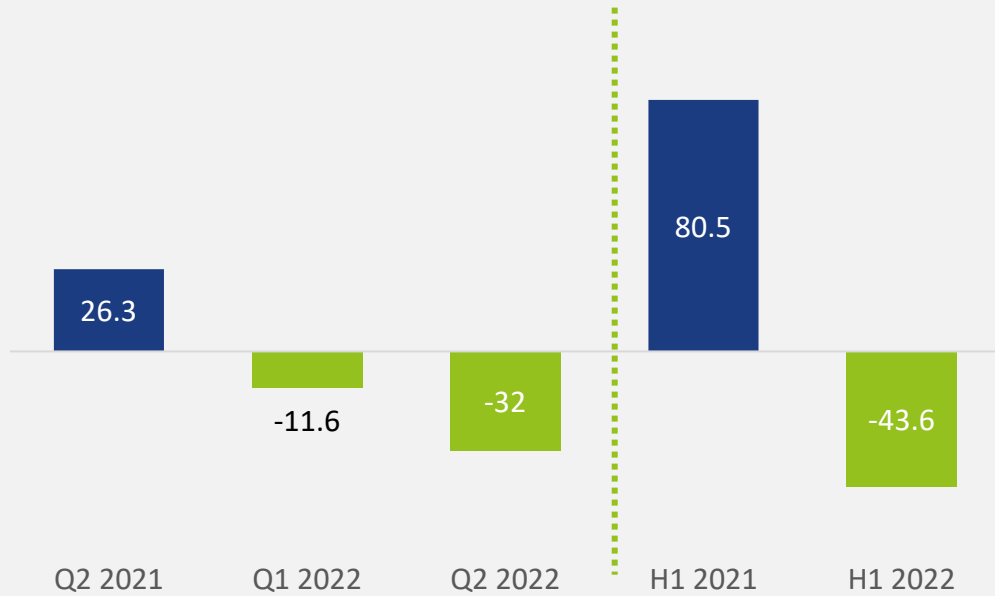
- **EBITDA** increased QoQ to SAR 120.8 million in Q2 22 due to increase in revenues from Kindasa and higher gross profit
- **Net income** increased QoQ due to higher EBITDA. Half year net income declined YoY due to global supply chain disruptions and the temporary drop in production at the Kindasa water facility in Q1 22



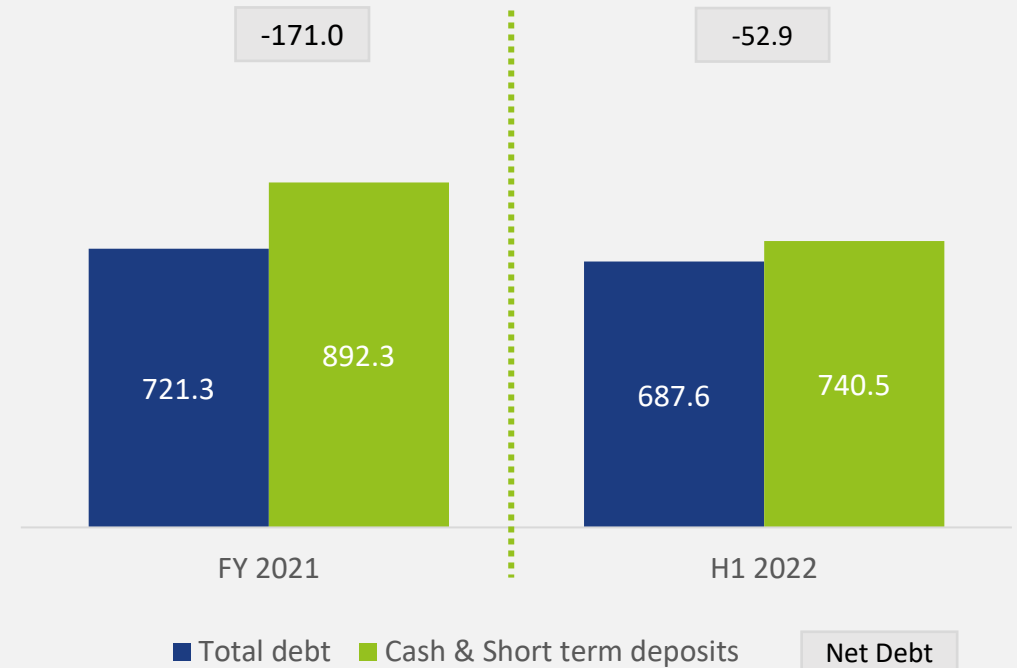
# Free cash flow and net debt

SAR millions

## Free cash flow



## Debt



- Negative **free cash flow in Q2 22 and H1 22**, mainly due to the decline in cash flow from operating activities and capex during the quarter
- **Healthy cash position**, with ample capital to drive updated five-year growth strategy

3.

# Segment Analysis

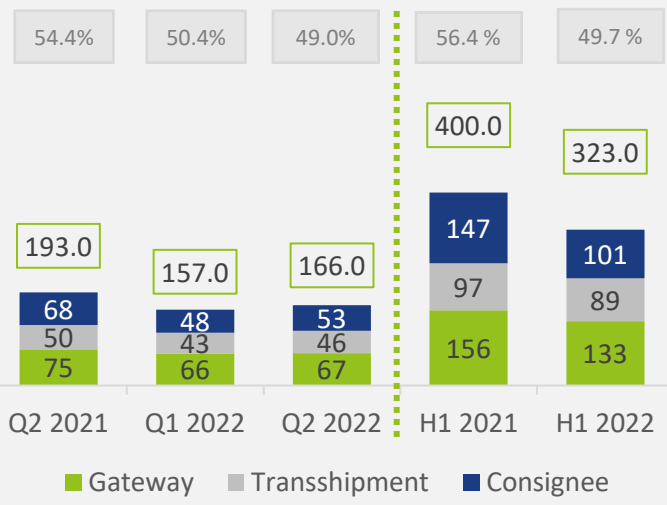


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# PORTS & TERMINALS SNAPSHOT | Q2 & H1 2022

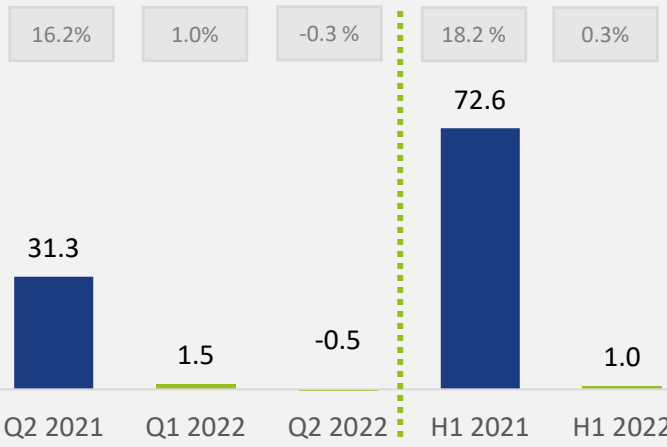
Gross profit margin

## Revenue (SAR million) and GP margin



Net income margin

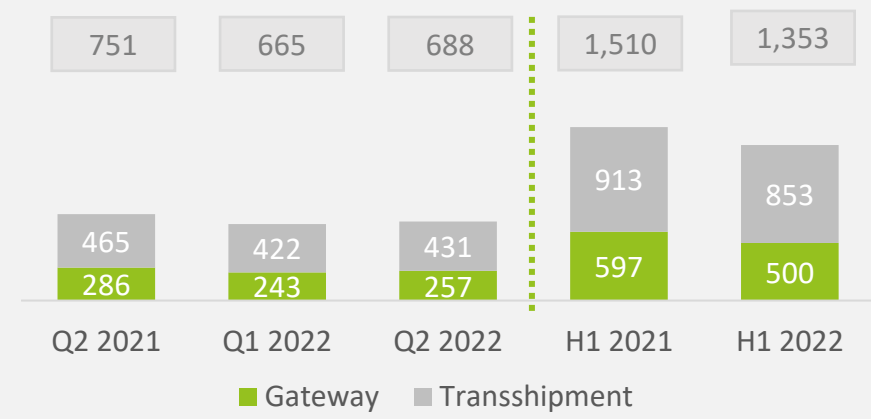
## Net income and margin



## Q2 22

<b>257,000 TEUs</b> Gateway volume	5.8% vs Q1' 22 -10.0% vs Q2' 21
<b>431,000 TEUs</b> Transshipment volume	2.1% vs Q1' 22 -7.3% vs Q2' 21
<b>688,000 TEUs</b> Total volume	3.5% vs Q1' 22 -8.3% vs Q2' 21

## Volume (TEUs '000)



- **Quarterly gateway and transshipment volumes recovered** QoQ as global supply chain disruptions eased and the impact of pandemic restrictions in China began to dissipate
- Uptick in volumes signals the **possibility for further improvement throughout H2 22**



# Impact of RSGT divestment

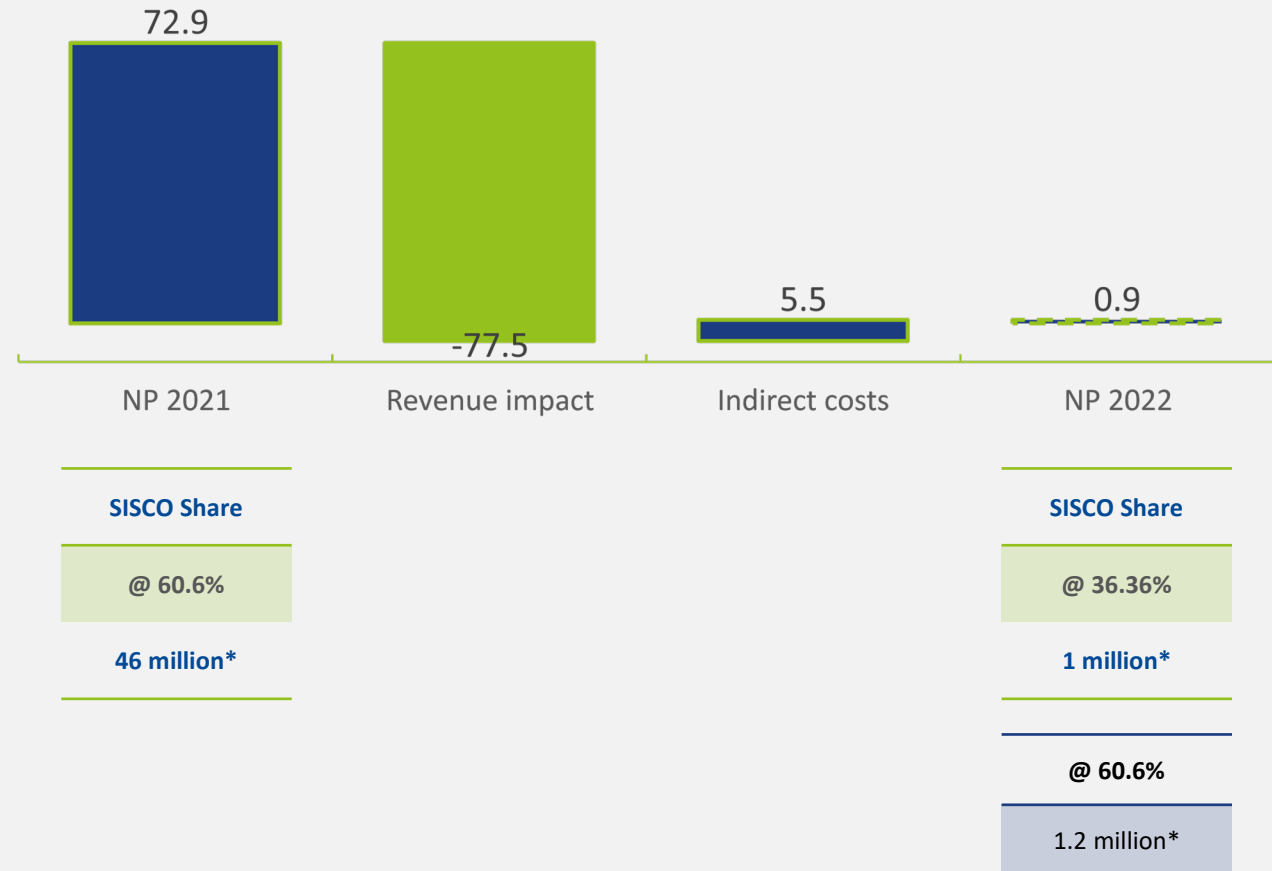
## Deal overview

- PIF and COSCO acquire 21.2% of SISCO's direct equity stake in RSGT
- Total gross proceeds of **SAR 556.5m**
- Implied enterprise value: **SAR 3.3bn**
- **Effective shareholding** reduced from **60.6% to 36.36%**

## Impact of RSGT transaction

- SISCO's share of RSGT net income reduces by 24.24%
- **Impact during H2 21 and H1 22 has been minimal**
- Most of the decline in Group net income is **due to the decline in gateway volumes** due to prevailing supply constraints

## RSGT Net Income Bridge

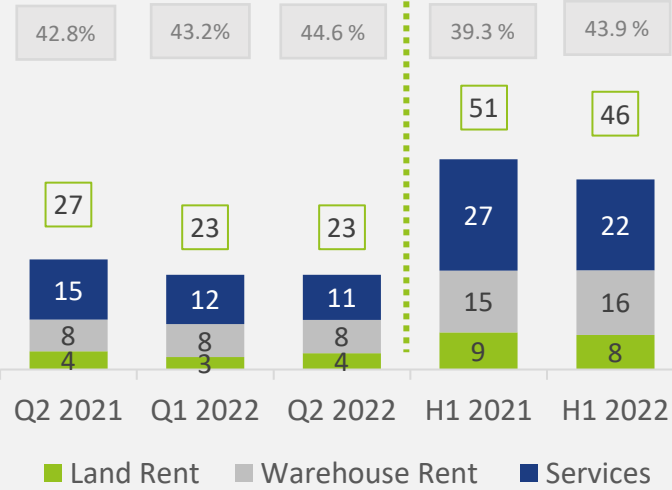


\* Adjusted with consolidation adjustments

# LOGISTICS, PARKS & SERVICES SNAPSHOT | Q2 & H1 2022

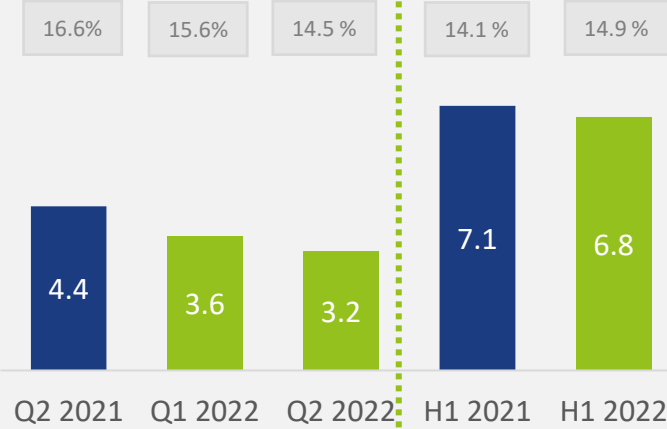
Gross profit margin

## Revenue (SAR million) and GP margin



Net income margin

## Net income (SAR million) and margin



Q2 22

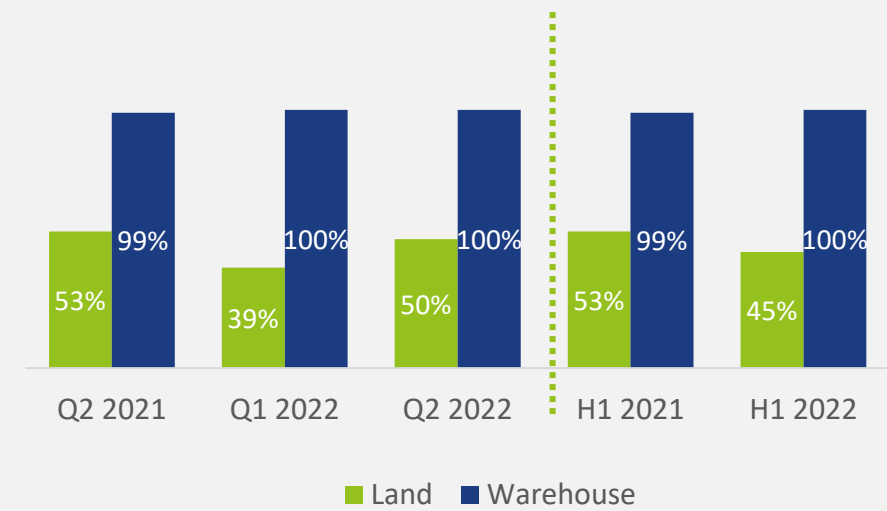
50% Open Yard  
occupancy

28.2% vs Q1' 22  
-5.7% vs Q2' 21

100% Warehousing  
occupancy

0.0% vs Q1' 22  
1.0% vs Q2' 21

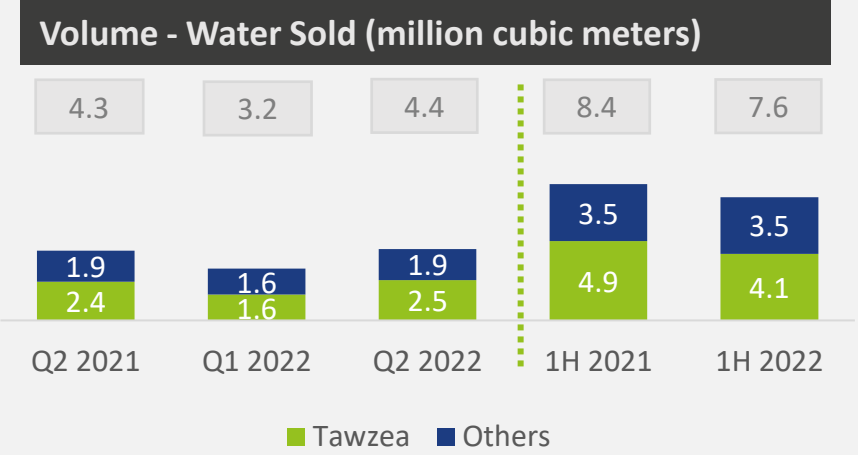
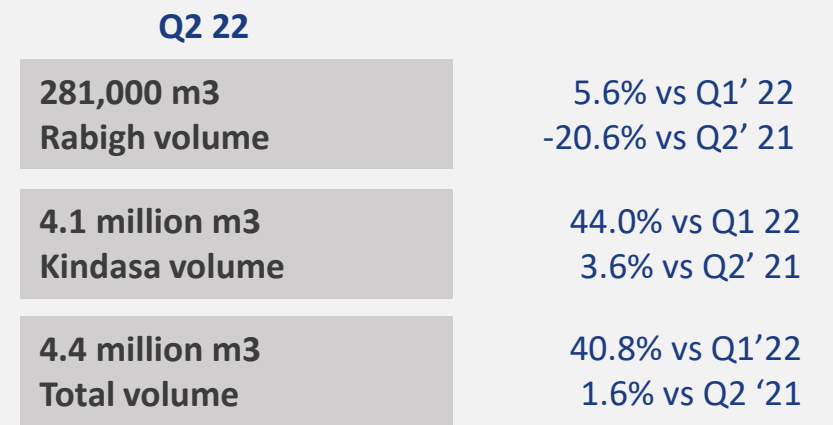
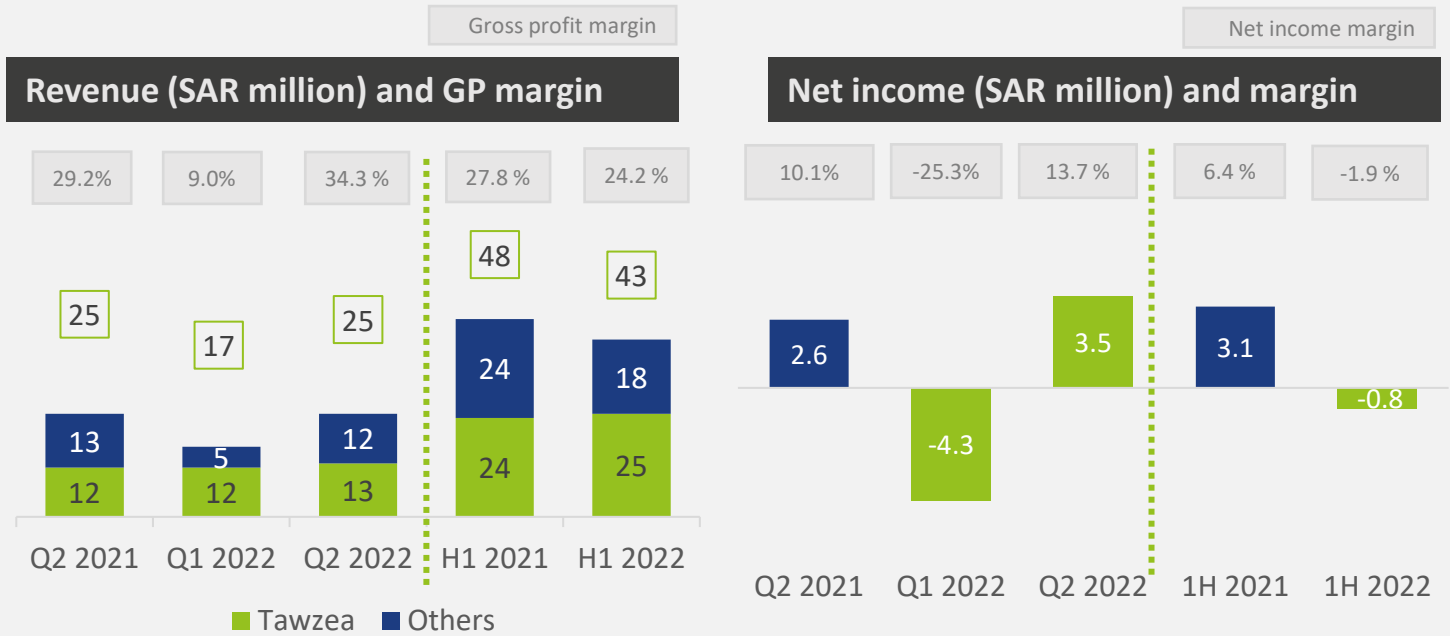
## Occupancy



- **Logistics revenue was stable QoQ**, with gross margin improving from 43.2% in Q1 22 to 44.6% in Q2 22
- **Average rates for open yard improved**, offsetting a decline in occupancy
- Plans to increase warehouse capacity by the end of this year **will increase total segment contribution to Group revenues**



# WATER SOLUTIONS SNAPSHOT | Q2 & H1 2022



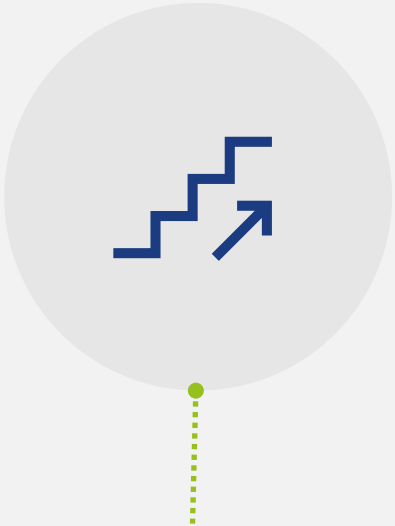
- **Strong recovery in Q2 22** following the impact of a temporary decrease in production at the Kindasa facility for two months in Q1 22



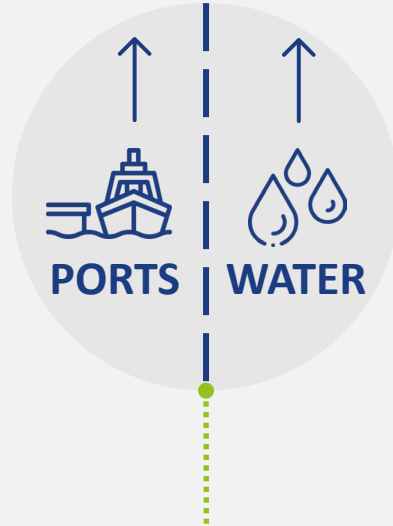
# 4. Summary



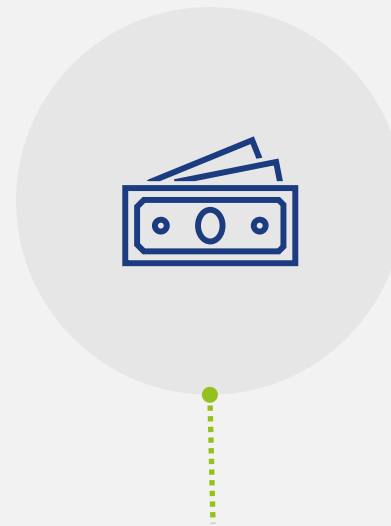
# H1 2022: improving momentum



Q2 2022 revenues showed signs of recovery, with further improvements expected in H2 22 supported by strong local consumption as religious tourism rebounds



Ports segment performance improved on higher gateway and transshipment volumes and Water segment returning to a normalized contribution with the Kindasa plant back to full operations



Healthy gross profit margin of 46.8% and 46.4% for Q2 22 and H1 22 respectively, as revenues recover



Progressing on implementation of strategy with particular emphasis on value accretive M&A and brownfield investments in Ports and Logistics

# H2 2022: management outlook



## PORTS

**Expect improvement in H2 22** as gateway and transshipment volumes show uptick from Q1 22, however we remain cautious due to ongoing economic instability.

**Expect positive progress** on local and international investments.



## LOGISTICS

**Sector shows signs of recovery** while supply chains slowly stabilize which should positively impact H2 22 results.

**Warehouse capacity expansion** to meet growing demand, which should cement existing market share.



## WATER

**Healthy recovery expected** in the 2H 22.

**New 5-year concession signed** with Mawani alongside signing an agreement with local partners to secure water supply until 2026.

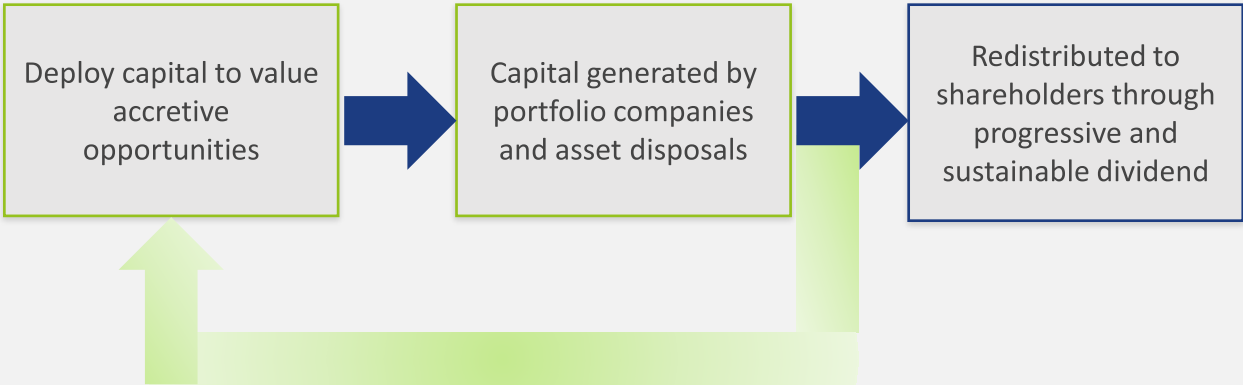


## M&A

**Material progress on acquisition pipeline** with specific opportunities identified for execution during 2022, in particular in the Logistics services space.

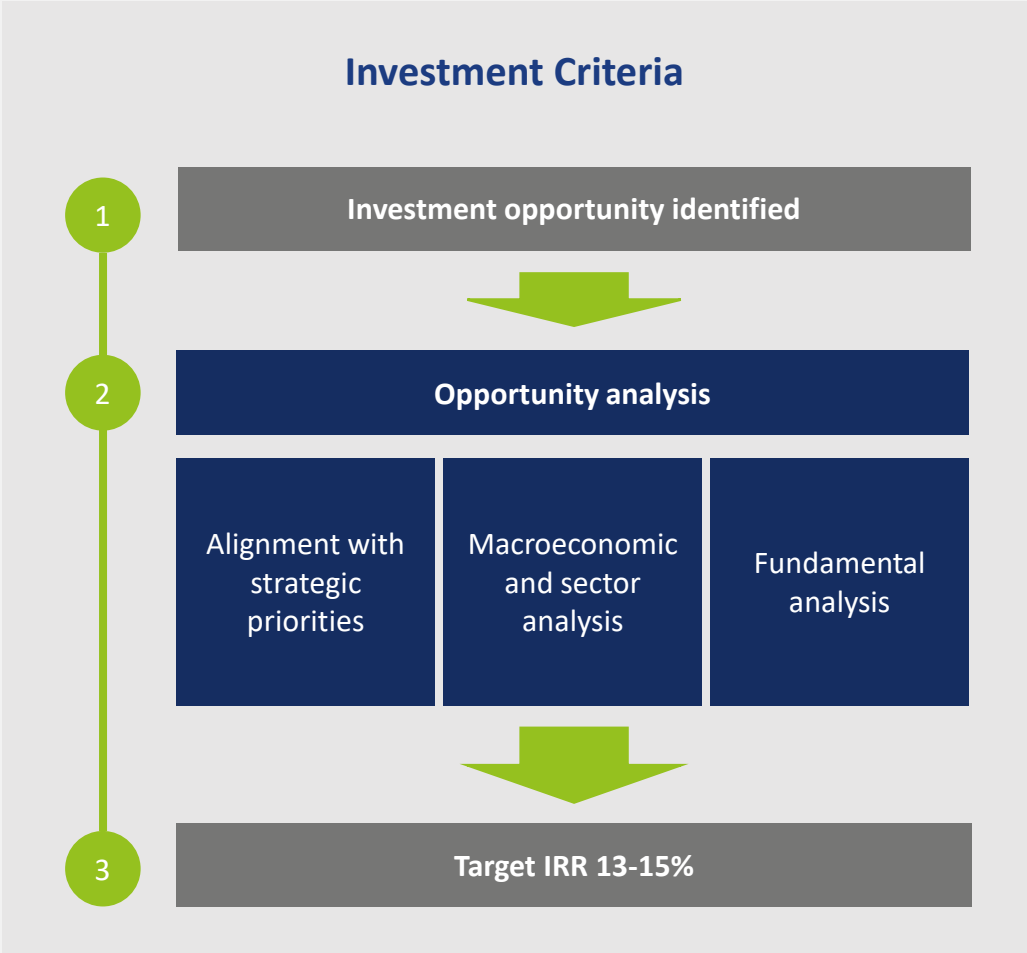
# 5. Appendix

# Capital allocation policy



**Updated Dividend Policy 2022-2023**

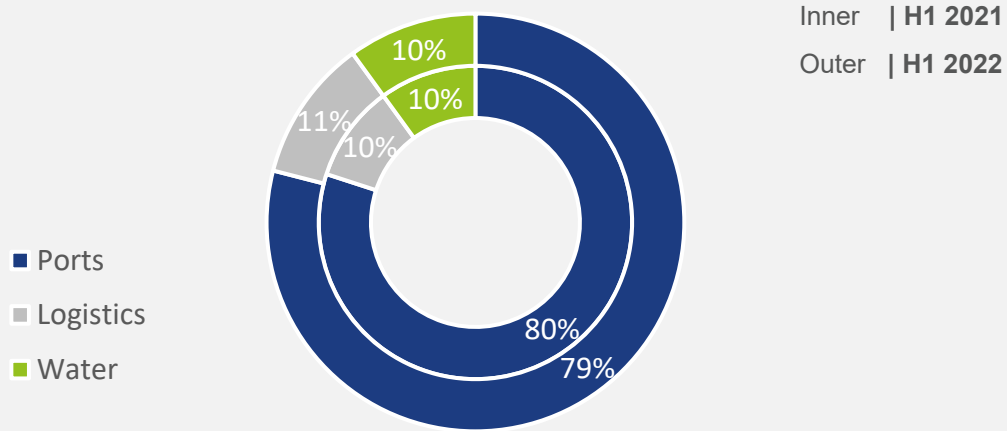
- The policy enables an appropriate balance between **reinvestment for growth and distributions to shareholders**.
- Provides flexibility to **implement five-year strategy to deliver long-term shareholder value**.
- Leverages the **significant opportunities** in SISCO’s core sectors of ports, logistics and water.
- Endeavour to pay a **total annual dividend of SAR 0.80 per share** for each of the financial **years 2022 and 2023**.
- **Semi-annual dividend payment** of SAR 0.40 per share for these years.



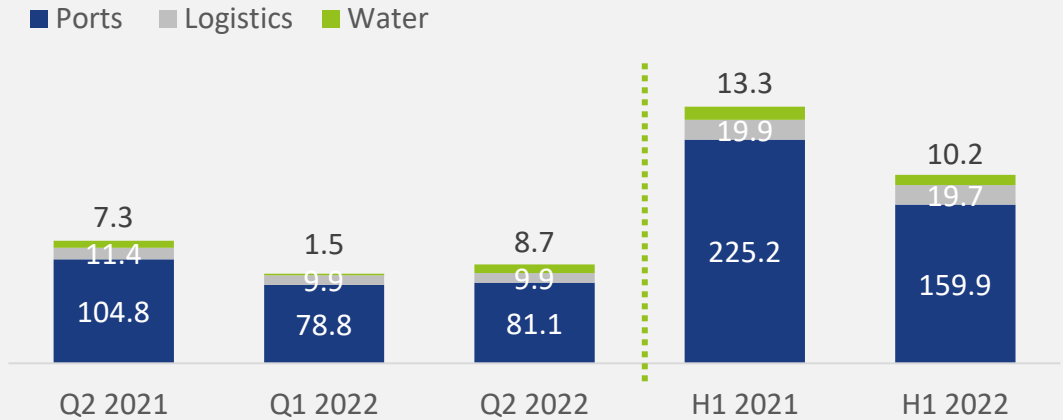
# Revenue and gross profit composition

SAR millions (adjusted: excludes accounting construction revenue)

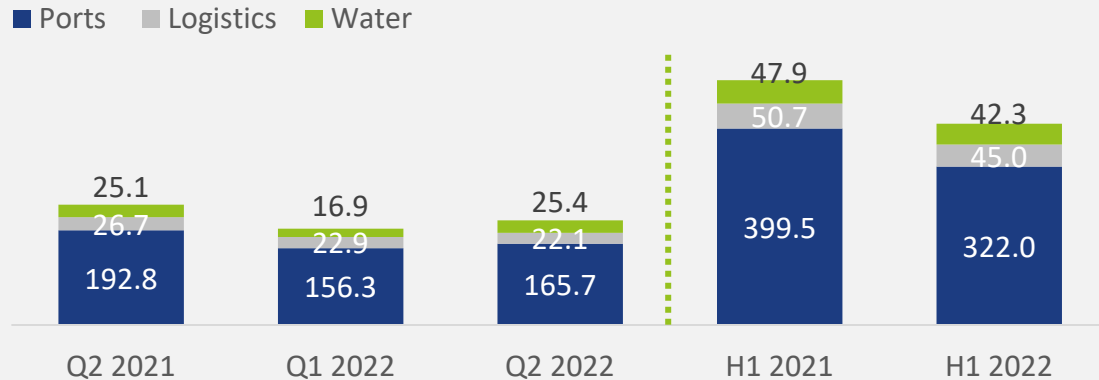
## Revenue composition



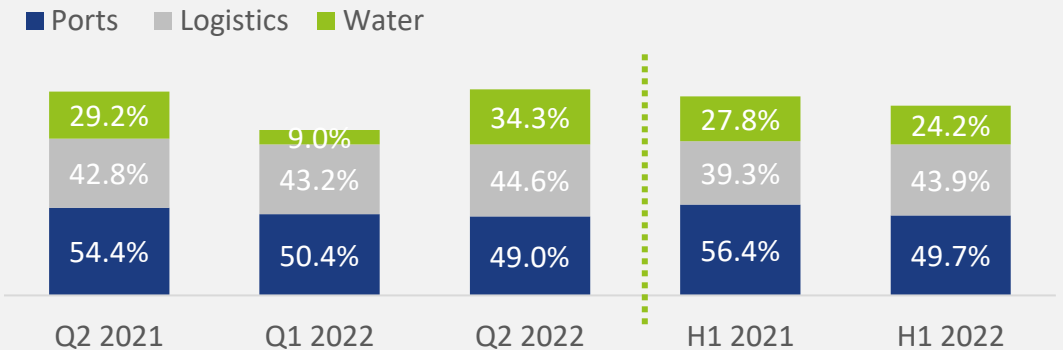
## Gross profit composition



## Group revenue composition



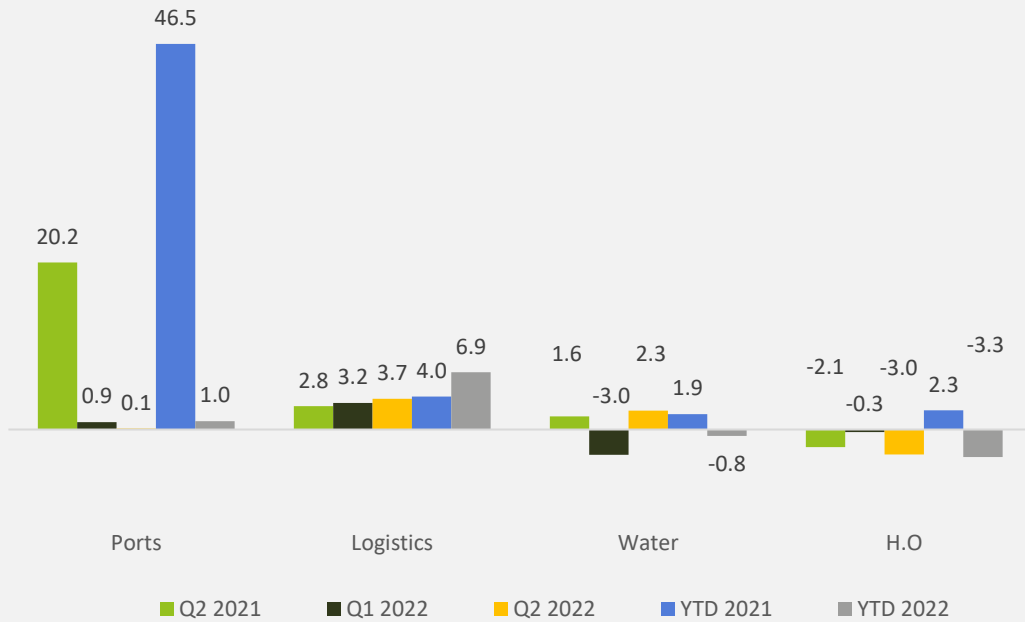
## Gross margin composition



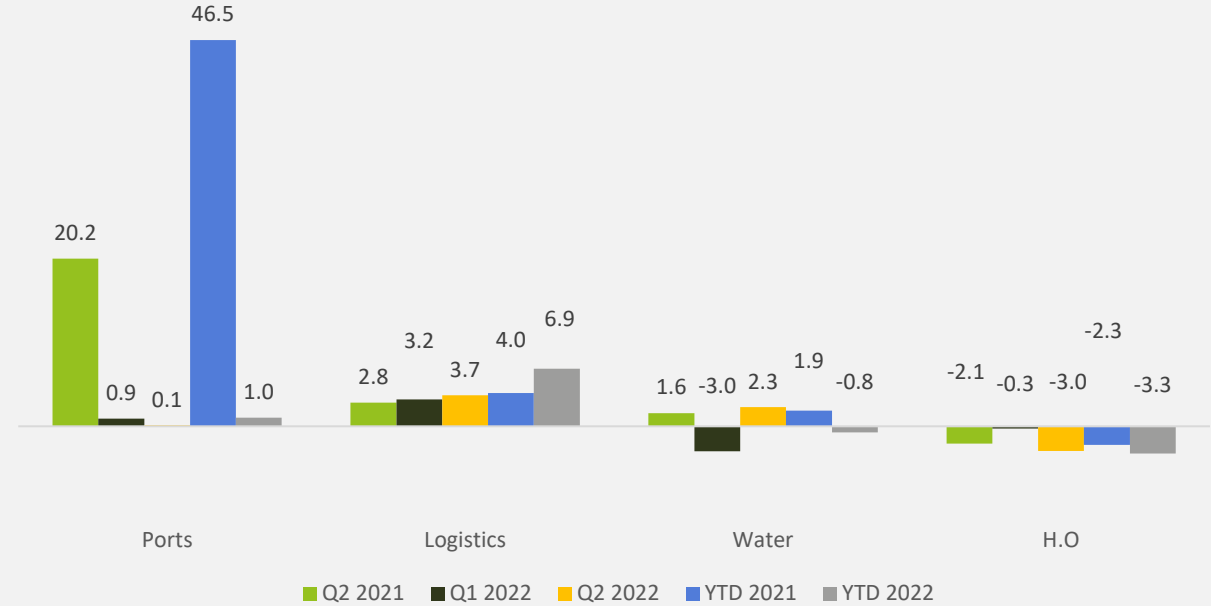
# Net income by segment

SAR millions

## Reported net income by segment



## Adjusted net income by segment





# Net income adjustments

SAR millions

	Q2 2021	Q2 2022	H1 2021	H1 2022
<b>Reported Net Income</b>	<b>22.5</b>	<b>3.1</b>	<b>54.8</b>	<b>3.9</b>
Reversal of provision for Zakat Contingencies (H.O)	-	-	(4.6)	-
Impact of the one-off loss incurred by the water segment	-	-	-	-
<b>Total adjustments</b>	<b>-</b>	<b>-</b>	<b>(4.6)</b>	<b>-</b>
<b>Impact on SISCO net income</b>	<b>-</b>	<b>-</b>	<b>(4.6)</b>	<b>-</b>
<b>Adjusted Net Income</b>	<b>22.4</b>	<b>3.1</b>	<b>50.2</b>	<b>3.9</b>

- Adjusted net income in the comparative period excluded the reversal of provision for Zakat Contingencies (H.O.) amounting to SAR 4.6 million

# Income statement – quarterly

SAR millions

	Q1 22	Q2 22	Var.	Var. %	Q2 21	Q2 22	Var.	Var. %
Revenue*	196.2	213.2	17.0	8.7%	244.5	213.2	-31.3	-12.8%
Direct costs*	-106	-113.5	-7.5	-7.1%	-121.0	-113.5	7.5	-6.2%
Gross profit	<b>90.2</b>	<b>99.7</b>	<b>9.5</b>	<b>10.5%</b>	<b>123.6</b>	<b>99.7</b>	<b>-23.9</b>	<b>-19.3%</b>
Operating expenses	-43.8	-47.0	-3.2	-7.3%	-40.0	-47.0	-7	17.5%
Operating profit	<b>46.4</b>	<b>52.7</b>	<b>6.3</b>	<b>13.6%</b>	<b>83.6</b>	<b>52.7</b>	<b>-30.9</b>	<b>-37.0%</b>
Investment income	6.4	8.4	2.0	31.3%	6.0	8.4	2.4	40.0%
Finance charges	-50.6	-53.4	-2.8	-5.5%	-50.9	-53.4	-2.5	4.9%
Other income / expenses & Zakat	-1	-3.1	-2.1	-210%	-1.7	-3.1	-1.4	82.4%
Group net income	1.2	4.7	3.5	291.7%	37.1	4.7	-32.4	-87.3%
Minority interest	-0.4	1.5	1.9	N/a	14.6	1.5	-13.1	-89.7%
Net income - reported	<b>0.8</b>	<b>3.1</b>	<b>2.3</b>	<b>287.5%</b>	<b>22.5</b>	<b>3.1</b>	<b>-19.4</b>	<b>-86.2%</b>

\*Excludes construction revenue and cost

# Income statement – interim

SAR millions

	H1 21	H1 22	Var.	Var. %
Revenue*	498.1	409.3	-88.8	-17.8%
Direct costs*	-240	-219.4	20.6	8.6%
Gross profit	<b>258.4</b>	<b>189.9</b>	<b>-68.5</b>	<b>-26.5%</b>
Operating expenses	-80.1	-90.7	-10.6	-13.2%
Operating profit	<b>178.3</b>	<b>99.2</b>	<b>-79.1</b>	<b>-44.4%</b>
Investment income	11.8	14.8	3.0	25.4%
Finance charges	-102.2	-104.0	-1.8	-1.8%
Other income / expenses & Zakat	-1.3	-4.1	-2.8	-215.4%
Group net income	86.7	5.9	-80.8	-93.2%
Minority interest	32.0	2.0	-30.0	-93.8%
Net income - reported	<b>54.7</b>	<b>3.9</b>	<b>-50.8</b>	<b>-92.9%</b>

\*Excludes construction revenue and cost

# Balance sheet

SAR millions

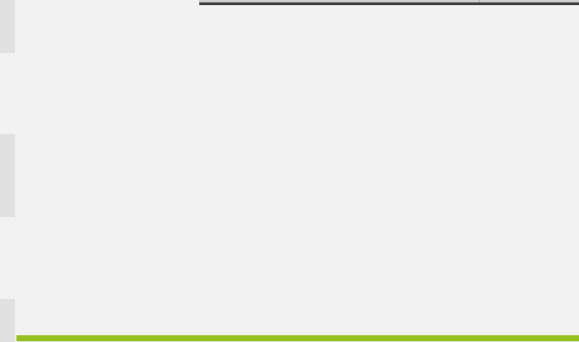
	30 June 2022	31 December 2021
Fixed Assets	3,698.3	3,688.1
Investments	222.7	211.7
Deferred Tax	4.5	4.5
Current Assets	960.3	1,090.7
<b>Total Assets</b>	<b>4,885.8</b>	<b>4,995.1</b>
Borrowings	687.6	721.3
Long Term Liabilities	1,521.8	1,518.5
Current Liabilities (excl. borrowings)	431.7	458.8
<b>Total Liabilities</b>	<b>2,641.1</b>	<b>2,698.7</b>
Equity	2,244.7	2,296.4
<b>Total Equity &amp; Liabilities</b>	<b>4,885.8</b>	<b>4,995.1</b>

# Cash flow statement

SAR millions

	H1 2022	H1 2021
Operating cash flow before working capital	<b>201.2</b>	<b>274.5</b>
Net working capital movement	-115.3	-138.9
Cash generated from operating activities	<b>85.9</b>	<b>135.6</b>
Finance charges, Zakat & income tax, EOSB	-37.1	-19.9
Net cash flow from operating activities	<b>48.8</b>	<b>115.7</b>
Net Proceeds from Sale of investments	1.1	0.1
Net cash used in Other Investing activities	-562.4	-35.2
Net cash used in financing activities	-111.7	-49.0
Net decrease in cash and bank balances	<b>-625.2</b>	<b>31.4</b>
Cash at the beginning of the period	892.4	336.5
Cash at the end of the period	<b>267.2</b>	<b>368.0</b>

SAR million	H1 2022	H1 2021
Cash At Center	47.9	37.8
Cash At Affiliates	219.3	330.1
	<b>267.2</b>	<b>367.9</b>



**Thank you**  
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