

SAUDI INDUSTRIAL SERVICES COMPANY

Earnings Presentation | Q3 & 9M 2022



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Highlights Q3 & 9M 2022

Financial highlights

Q3'22 revenues recovered on gradual improvement of Ports and Logistics segments, while 9M'22 shows weaker performance YoY due to Ports segment's comparatively very strong 9M'21

Strong improvement in gross profit margins on optimized revenue mix and effective cost controls, especially for the Logistics and Water segments, reaching 48.6% and 47.6% for Q3'22, respectively

Adjusted net income improved to reach SAR 14 million for Q3'22, up 56.6% YoY. 9M'22 adjusted net income fell 69.2% YoY due to weaker 1H'22 performance compared to 1H'21

Operating highlights



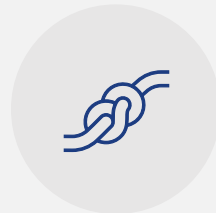
Ports and Terminals segment performance showed recovery with improved volumes and GP margin



Logistics Parks and Services Q3'22 revenues improved with strong GP margin of 48.6% on better sales mix and cost optimization



Water Solutions Q3'22 GP margin improved significantly to reach 47.6% on lower depreciation and improved sales mix



Acquisition opportunities materialize for execution in Q4'22 and Q1'23



High Logistics and Water segments profitability expected to continue in Q4'22



New CEO effective 1 November 2022. Orderly succession process with focus on growth.

**Excluding accounting construction revenue*

2.

Financial Performance

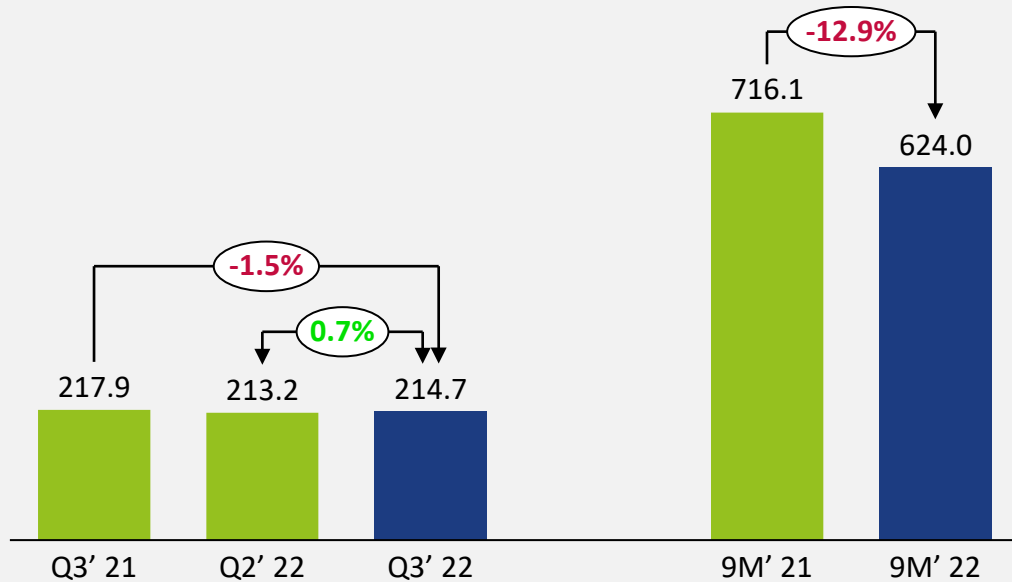


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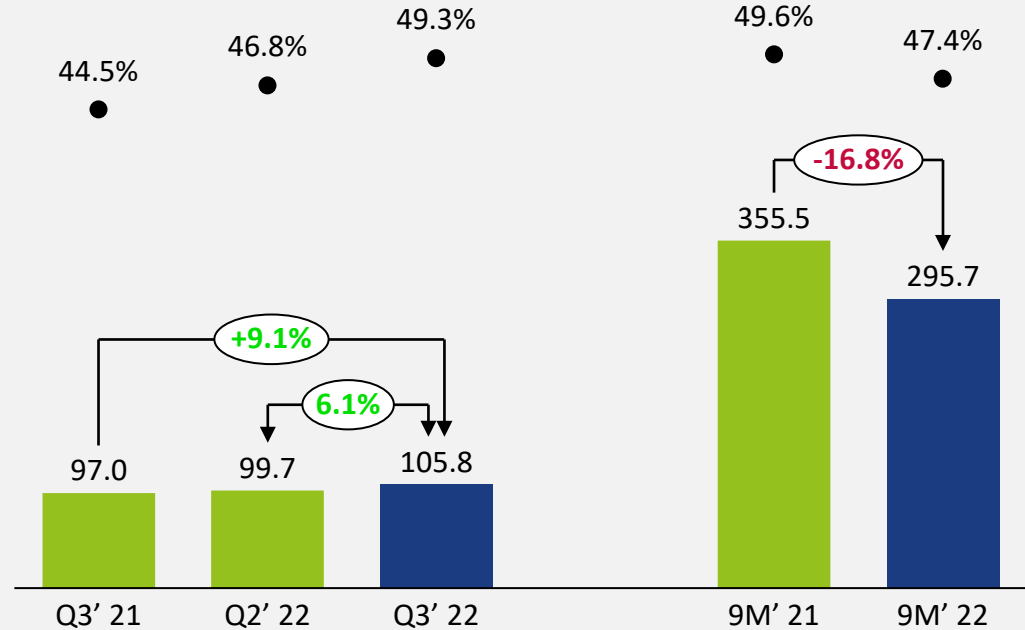
Income statement highlights

SAR millions (adjusted: excludes accounting construction revenue)

GROUP REVENUE



GROSS PROFIT & MARGIN



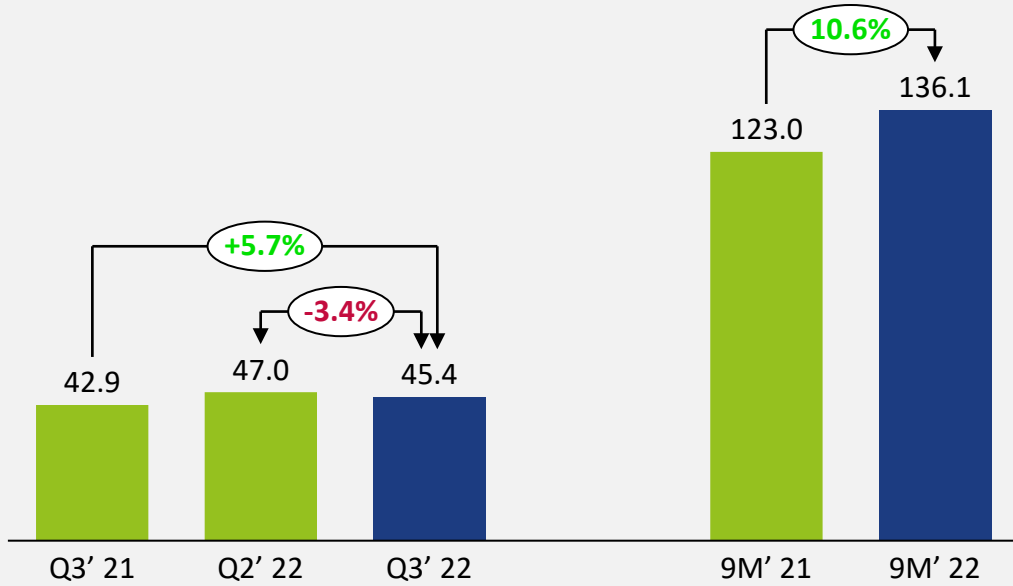
- **Q3'22 Group revenue** almost matched last year's level (-1.5% YoY) driven by steady improvements of the Ports and Logistics segments' performance.
- **9M'22 Group revenues declined** 12.9% YoY due to 1H'22 recording relatively subdued performance (-18% YoY) compared to exceptionally strong 1H'21 (+30% YoY).
- **Q3'22 gross profit improved** 9.1% YoY, mainly due to enhanced margins of Logistics and Water segment attributed to optimized sales mix and lower depreciation.



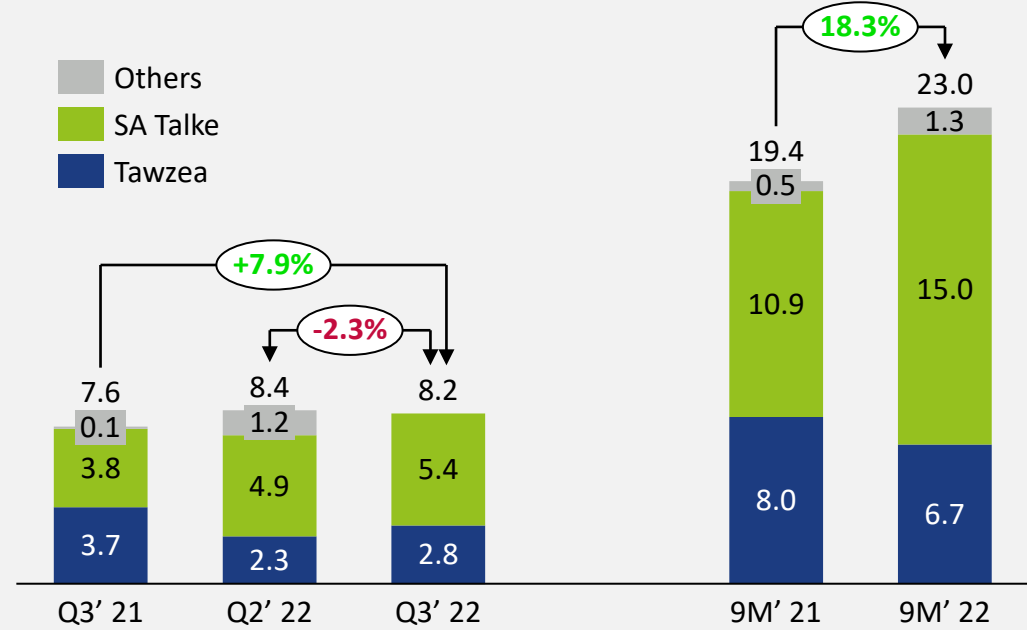
OPEX and investment income

SAR millions

OPERATING EXPENSES



INVESTMENT INCOME

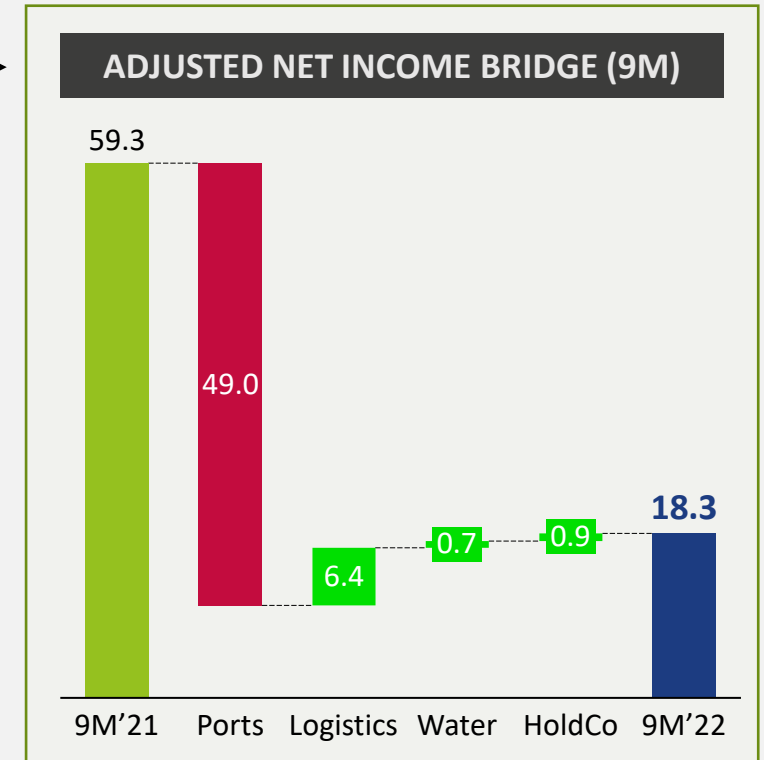
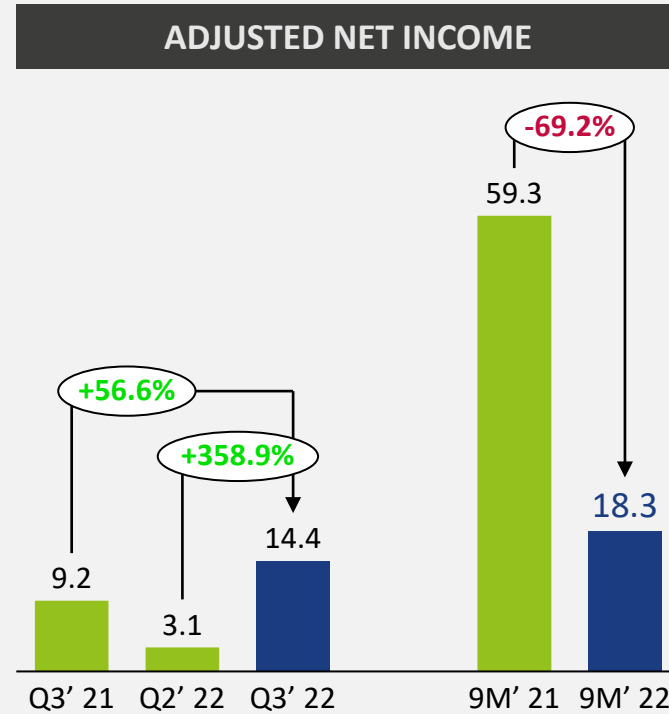
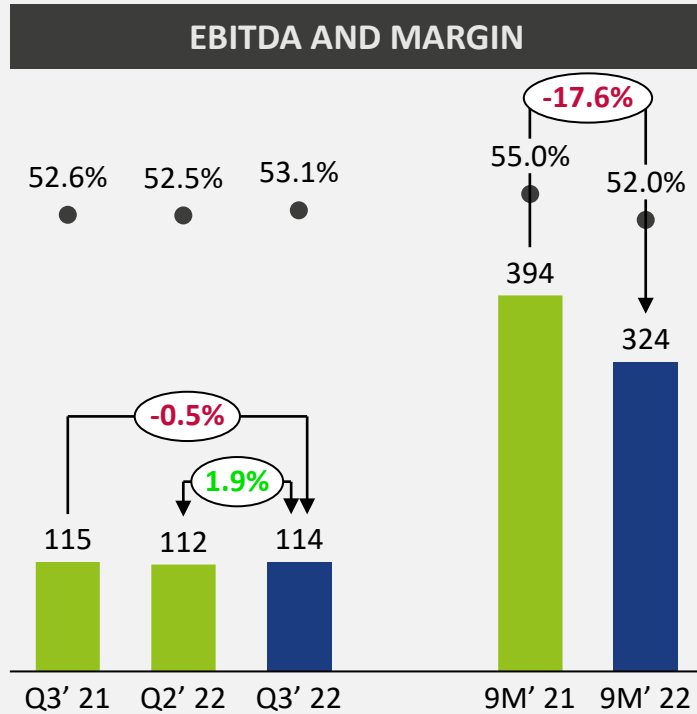


- **Q3'22 operating expenses rose 5.7% YoY but decreased 3.4% QoQ** as a result of cost rationalization. 9M'22 operating expenses increased 10.6% YoY **due to higher insurance and business development costs. OPEX is expected to stabilize** going forward.
- **Q3'22 investment income rose 7.9% YoY** due to improved profitability of SA Talke. 9M'22 investment income growth was even stronger at 18.3%.



EBITDA and net income

SAR millions

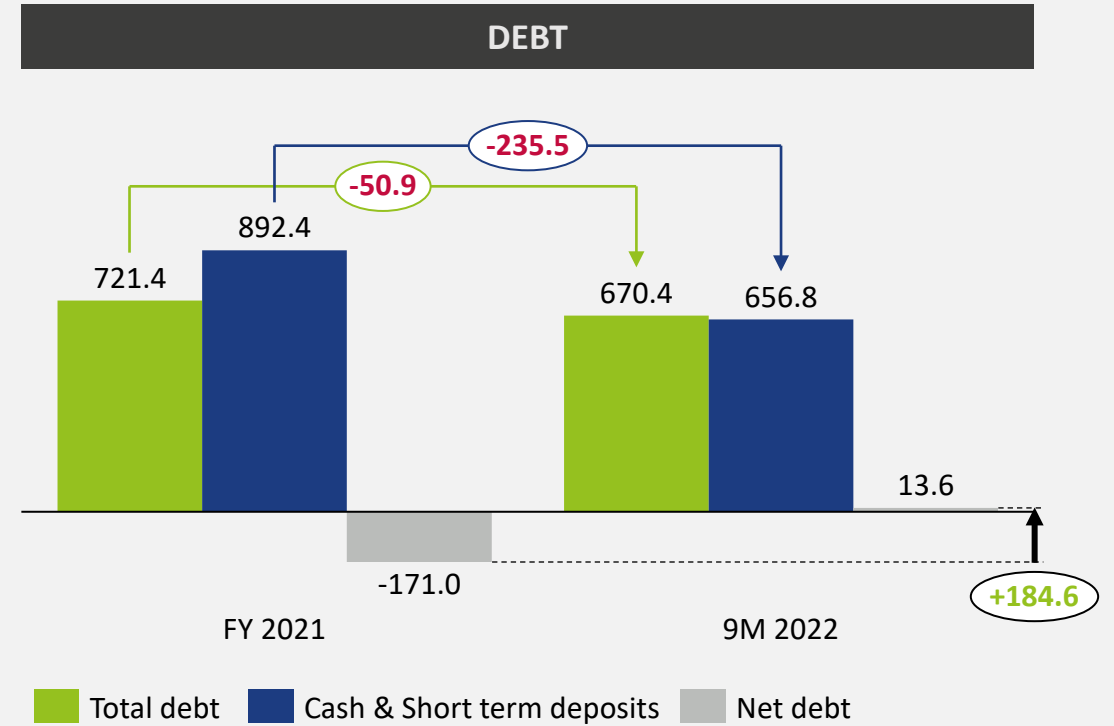
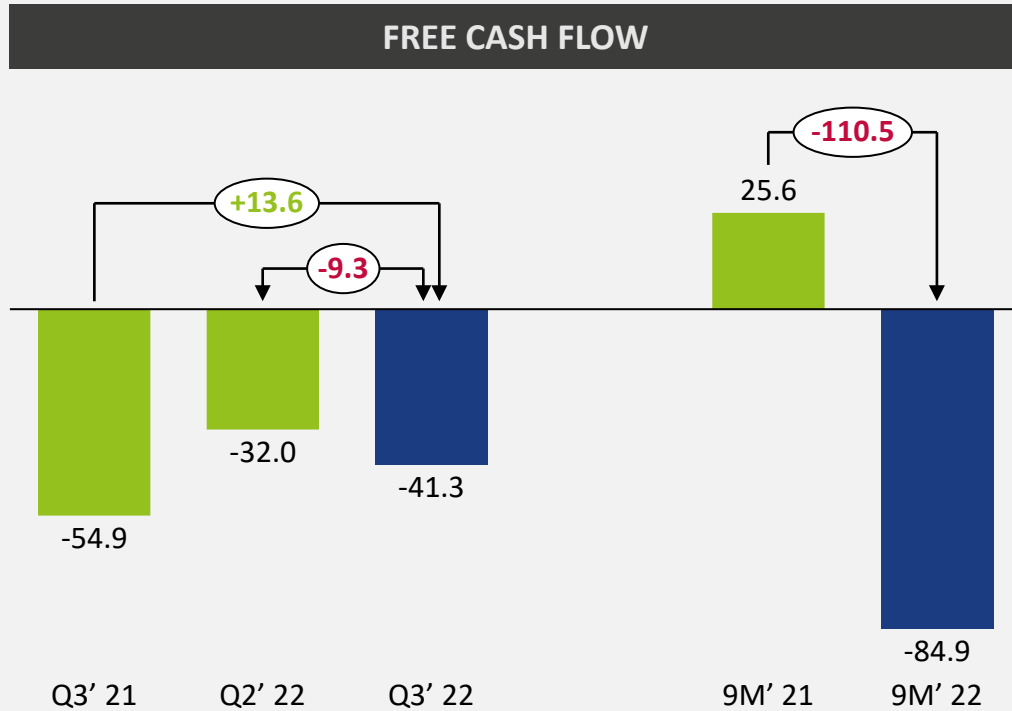


- In line with revenues, **Q3'22 EBITDA also** remained stable YoY (vs 25% YoY decline in 1H'22). This contained 9M'22 decline in EBITDA to 17.6% YoY.
- **Q3'22 adjusted net income rose** 56.6% YoY driven by improved performance of Logistics and Water segments, recovery in Port segment and higher investment income from associates.
- 9M'22 net income still recorded a 69.2% YoY decline, mainly due to the decline in the Ports segment during 1H'22. Port segment is the largest contributor to revenues and net income.



Adjusted free cash flow and net debt

SAR millions



- **Free cash flow** for 9M'22 is SAR -84.9 million (outflow) compared to 9M'21 cashflow of SAR +25.6 million due to the decline in net income by SAR 41 million and an increase in CAPEX of SAR 105 million.
- During 9M'22 **total debt** fell by SAR 50.9 million and cash fell by SAR 235.5 million. As a result, **9M'22 net debt rose** by SAR 184.6 million.



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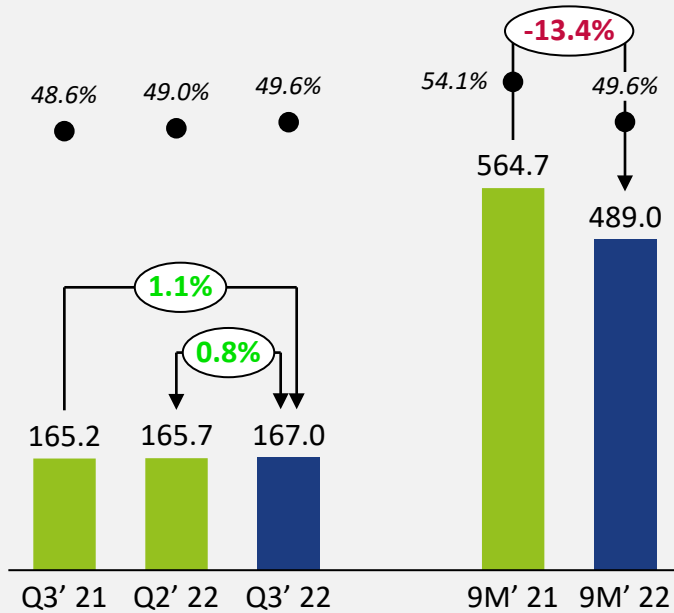
Segment Analysis



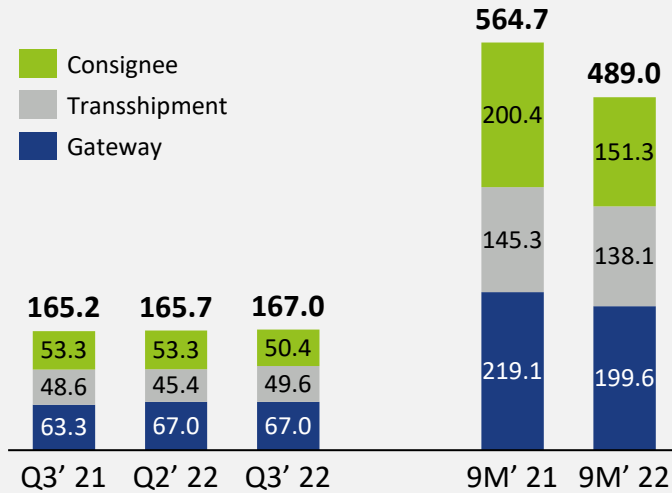
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PORTS & TERMINALS SNAPSHOT | Q3 & 9M 2022

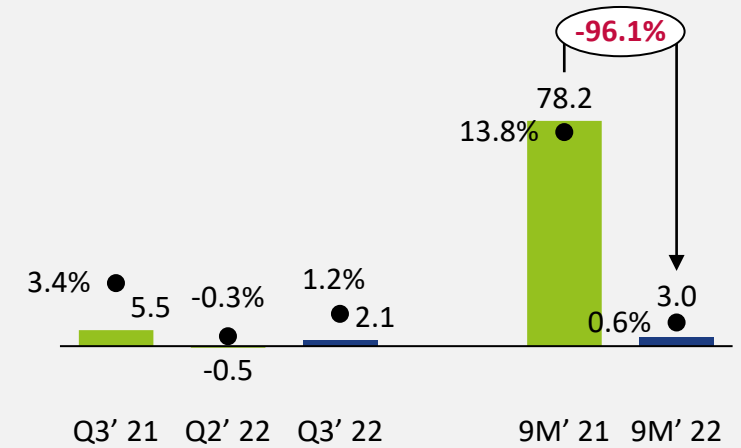
REVENUE (SAR MILLION) AND GP MARGIN



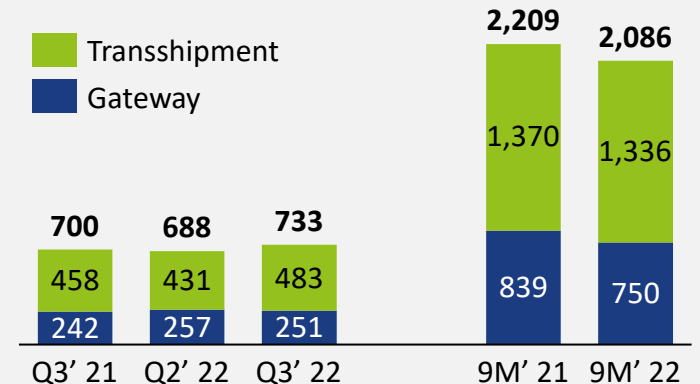
REVENUE BREAKDOWN (SAR MILLION)



NET INCOME (SAR MILLION) AND MARGIN



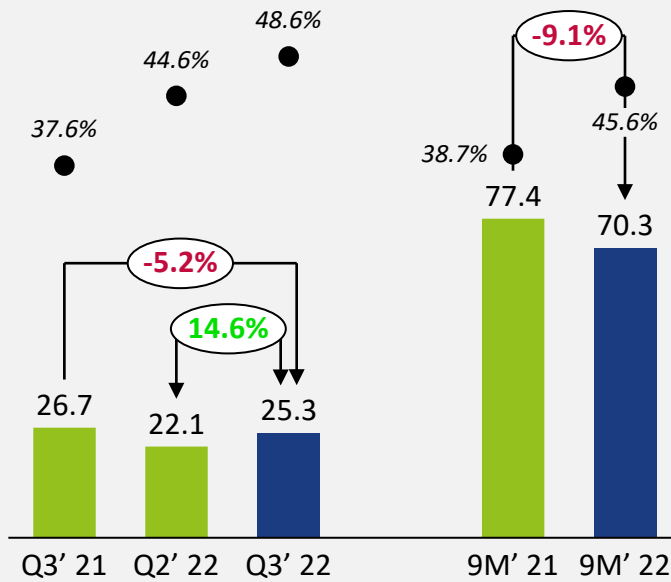
VOLUME (TEUS '000)



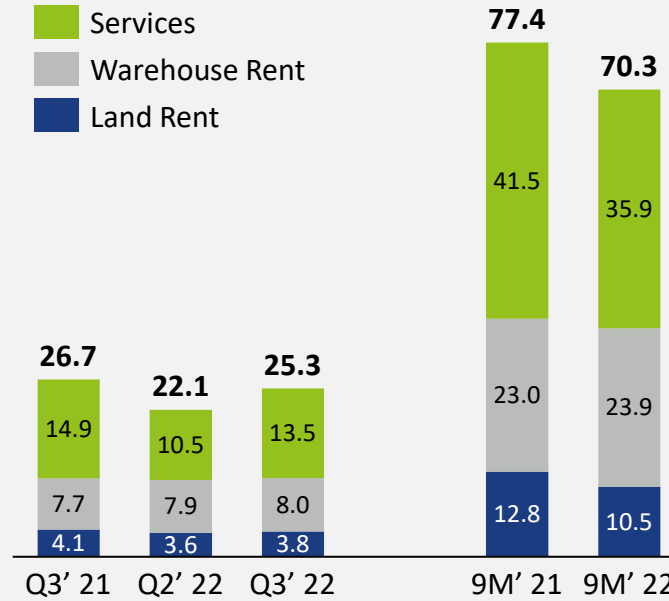
- **Q3'22 revenue rose 1.1% YoY** driven by improving gateway volumes.
- **9M'22 revenue fell 13.4% YoY** due to a decline in gateway volumes during 1H'22 compared to 1H'21.
- **Q3'22 gross profit margin remained higher** than Q2'22 and Q3'21 and reached 49.6%.
- **Q3'22 net income recovered** to SAR 2.1 million, only slightly lower than SAR 5.5 million in Q3'21, with forecasts of a stronger Q4'22.
- **9M'22 net income fell 96.1% YoY**, primarily due to weak performance in 1H'22.

LOGISTICS, PARKS & SERVICES SNAPSHOT | Q3 & 9M 2022

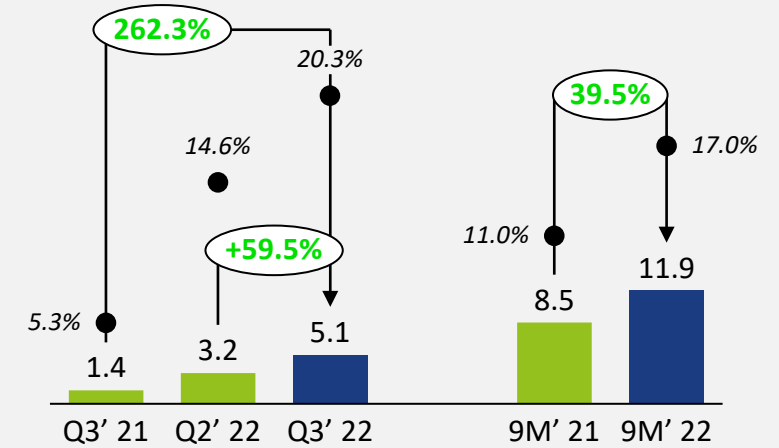
REVENUE (SAR MILLION) AND GP MARGIN



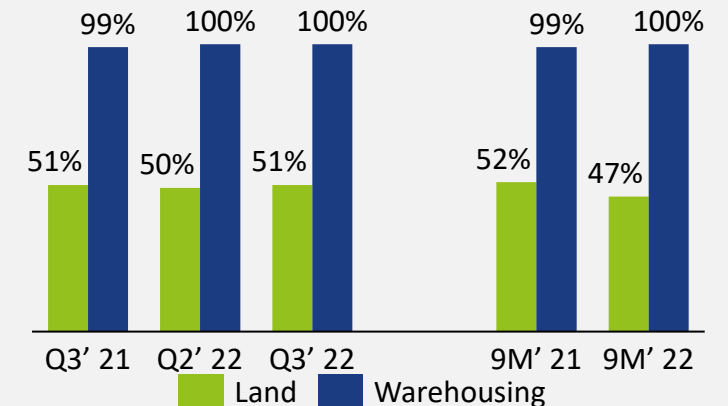
REVENUE BREAKDOWN (SAR MILLION)



NET INCOME (SAR MILLION) AND MARGIN



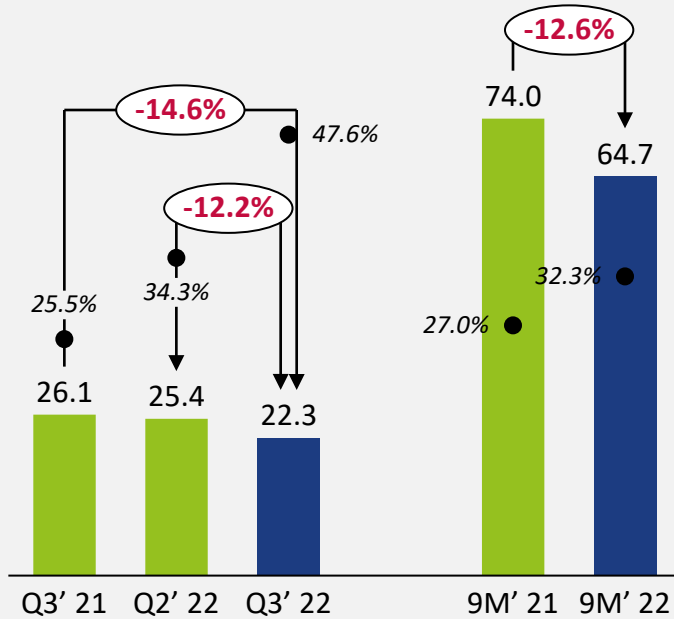
OCCUPANCY (%)



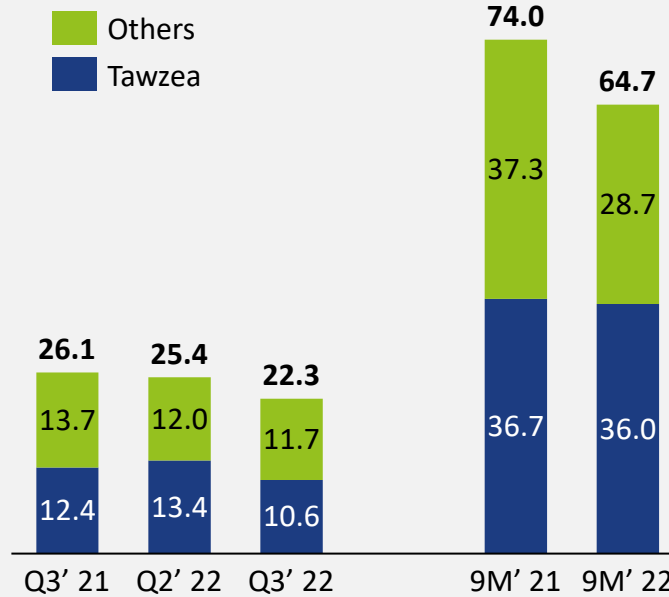
- **Q3'22 revenue fell 5.2% YoY** due to decline in land rent and service revenue. However, there has been a strong recovery on QoQ basis, especially in services revenue. **9M'22 revenue** fell 9.1% YoY due to weak 1H'22 performance.
- **3Q'22 gross margins improved** significantly to 48.6% due to better revenue mix and implementation of cost optimization plan. **9M'22 gross margins** were also higher YoY.
- **Q3'22 net income more than doubled on YoY basis** to SAR 5.1 million. 9M'22 earnings rose 39.5% YoY.

WATER SOLUTIONS SNAPSHOT | Q3 & 9M 2022

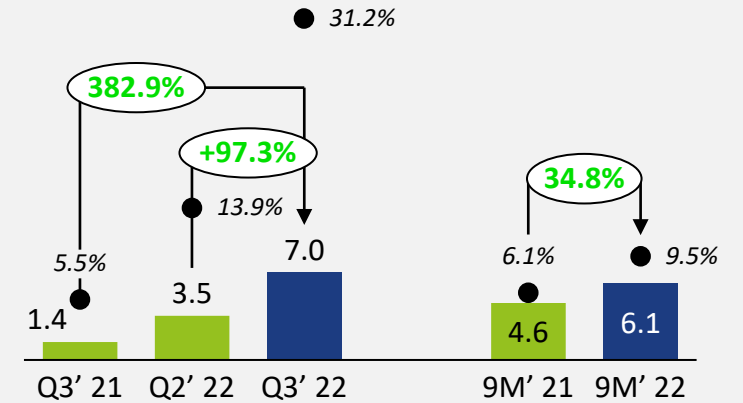
REVENUE (SAR MILLION) AND GP MARGIN



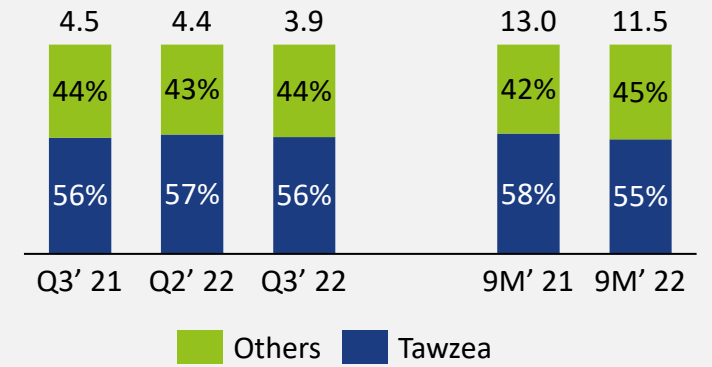
REVENUE BREAKDOWN (SAR MILLION)



NET INCOME (SAR MILLION) AND MARGIN



VOLUME, WATER SOLD (MILLION M³)

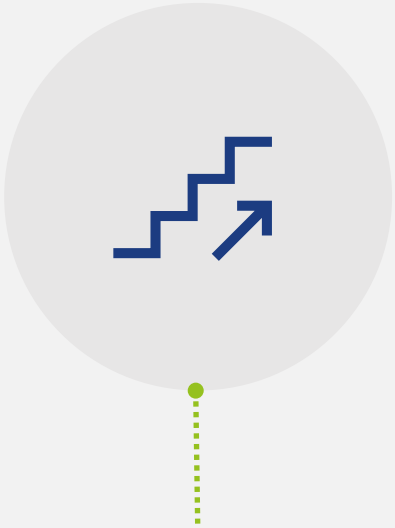


- **Q3'22 revenues fell** 14.6% YoY due to lower volumetric sales.
- **Gross profit margin** improved significantly to 47.6% during Q3'22 due to lower depreciation resulting from an increase in useful lives of key assets after an extension in lease at JIP. Improved profitability is expected to continue in Q4'22 and beyond.
- **Q3'22 Net margins** also followed suit and improved to 31.2% (5.5% during 3Q'21).

4. Summary



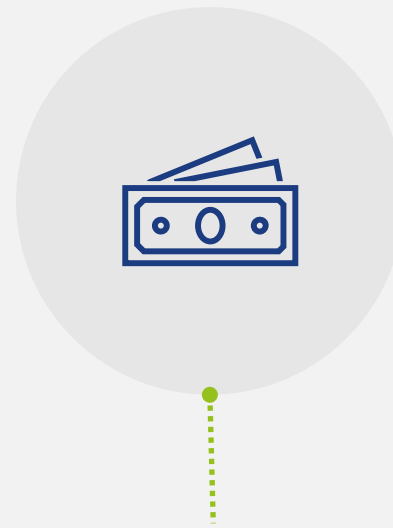
Q3 2022: improving momentum



Q3'22 **witnessed a strong recovery in business fundamentals** as revenues almost reached Q3'21 levels driven by improved performance of Ports and Logistics segment. This **strong momentum will likely continue** in the coming quarters.



Q3'22 **gross profit rose** 9.1% YoY, due to substantial improvement in margins, especially in Logistics and Water segment.



Q3'22 **net profit increased** 56.6% YoY driven by improved performance of Logistics and Water segments and despite a seasonally slow Q3 for Port segment.



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

Management outlook



PORTS

Expect improvement in Q4'22 as gateway and transshipment volumes stabilized during Q3.

Expect positive progress on local and international investments.



LOGISTICS

Sector shows signs of recovery while supply chains slowly stabilize which should result in continued improvement in revenue and margins in Q4'22.

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



WATER

Improvement in margins expected to continue in Q4'22.

New contracts signed in Q2'22 should have a positive impact on revenue and margins in Q4.

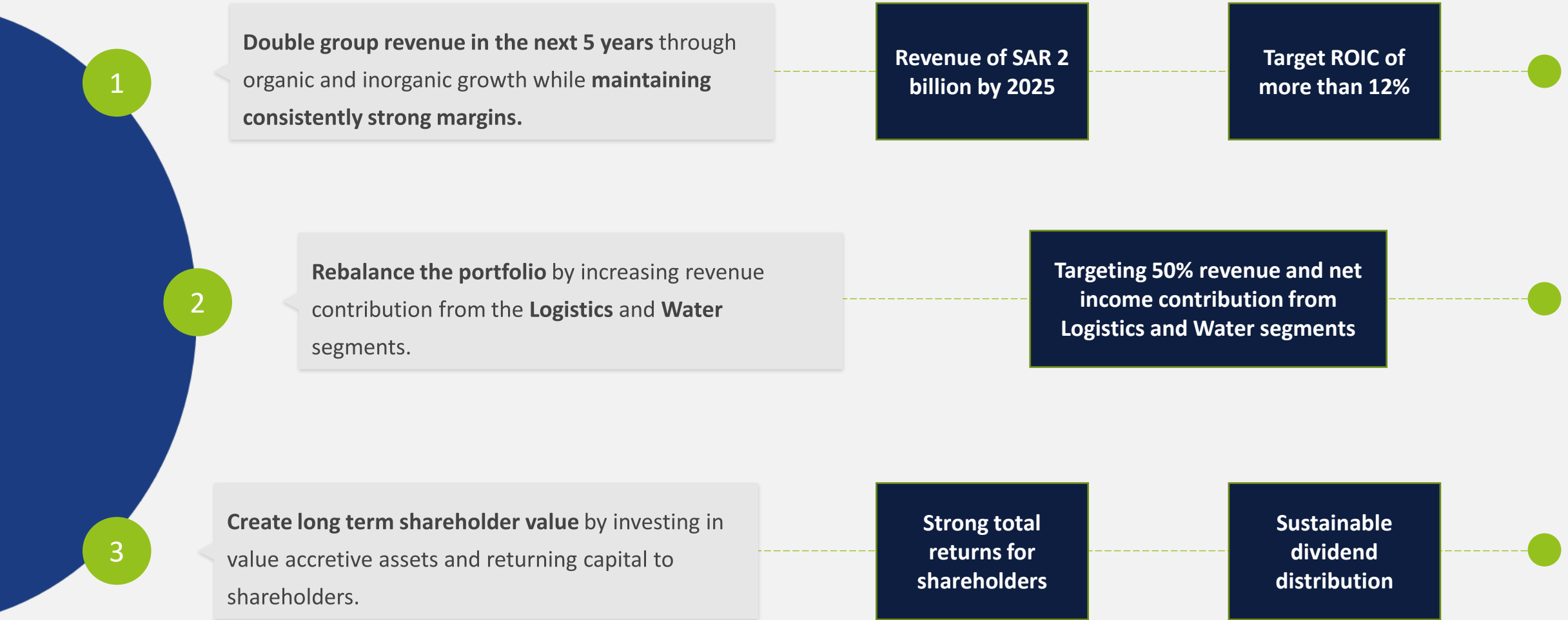


M&A

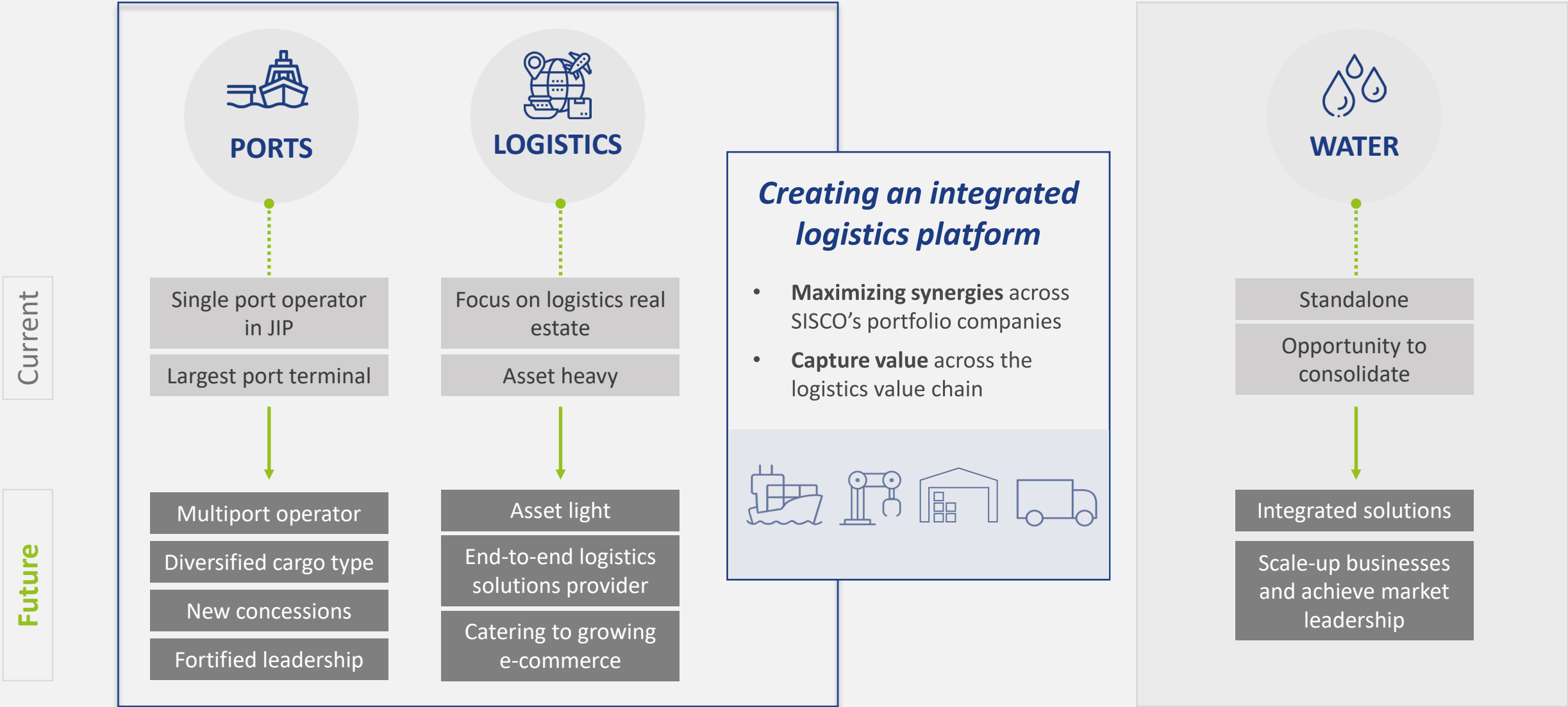
Material progress on acquisition pipeline with specific opportunities identified for execution during 2022, in particular for the Logistics services space.

5. Appendix

Strategic objectives



Segmental transformation

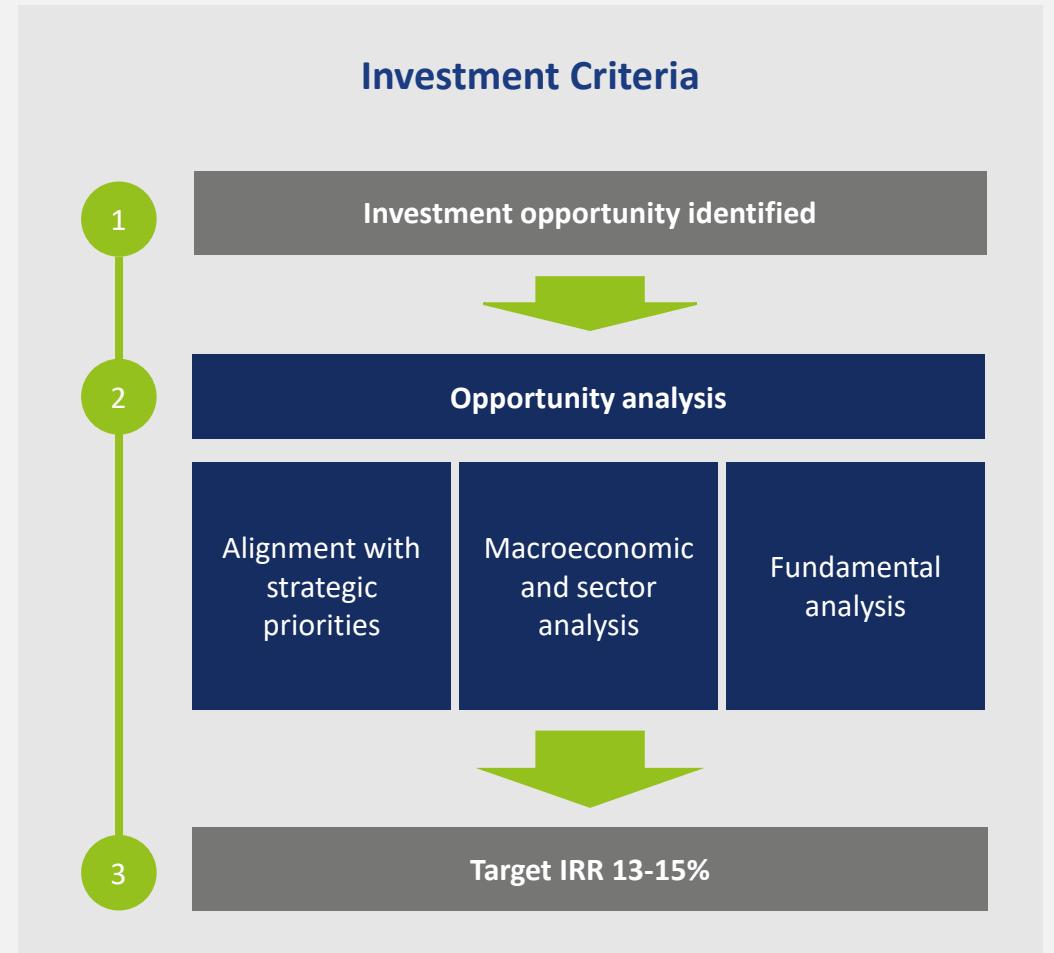


Capital allocation policy



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.

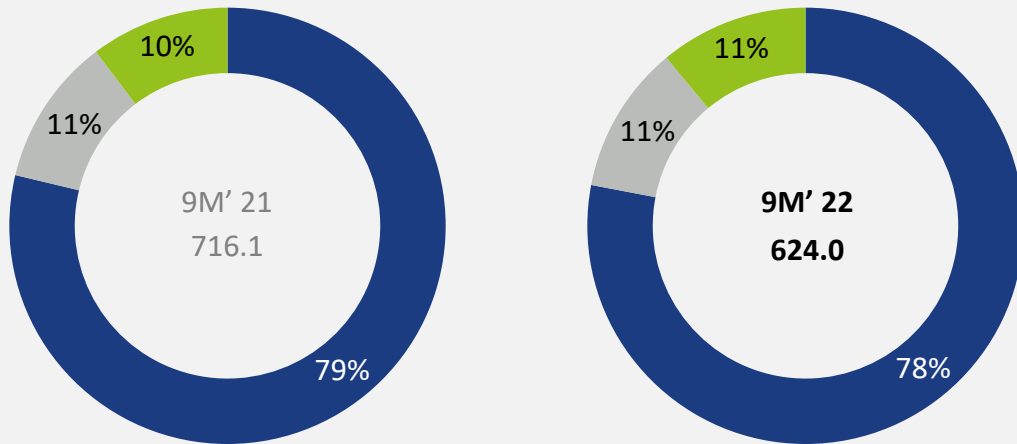


Revenue and gross profit composition

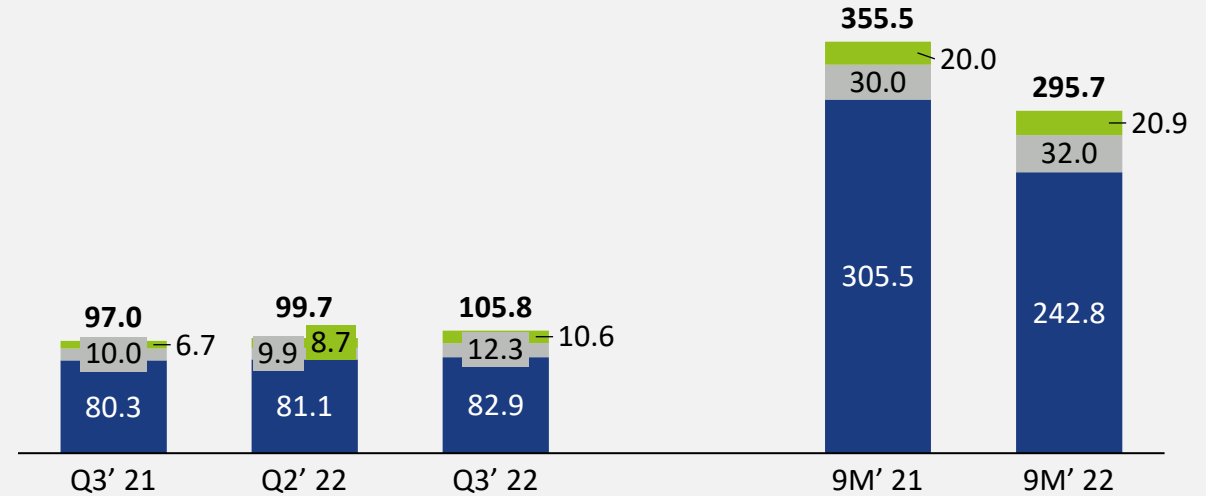
SAR millions (adjusted: excludes accounting construction revenue)

- Water
- Logistics
- Ports

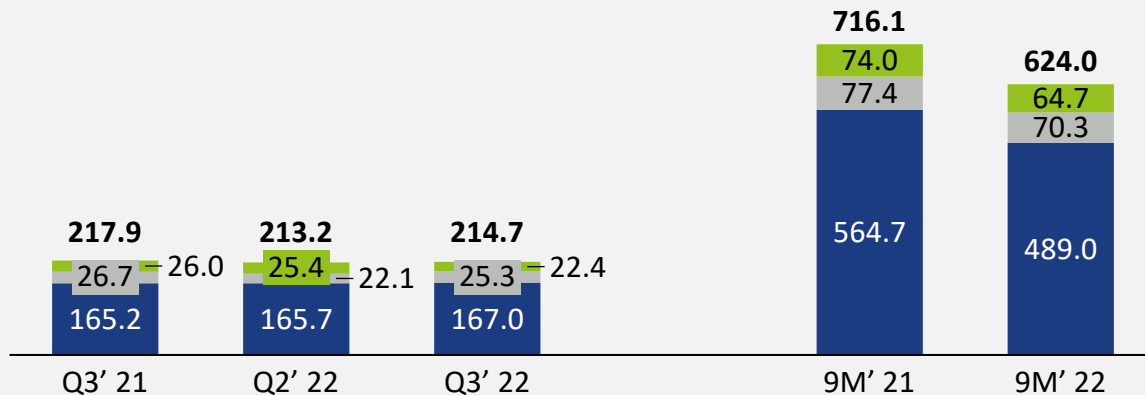
REVENUE COMPOSITION (SAR MILLION)



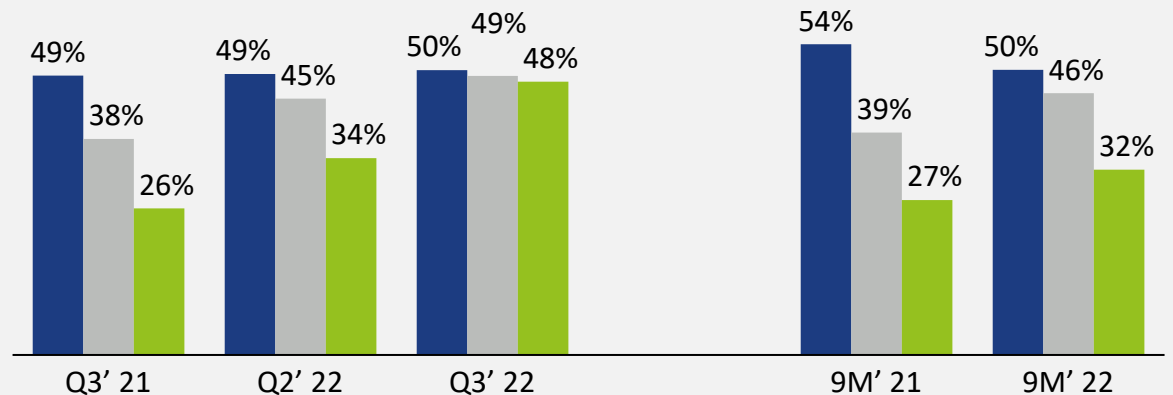
GROSS PROFIT COMPOSITION (SAR MILLION)



GROUP REVENUE COMPOSITION (SAR MILLION)



GROSS MARGIN BY SEGMENT



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 9M 21 and 9M 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 NP Bridge



* After consolidation adjustments

Net income adjustments

SAR millions

	Q3' 21	Q3' 22	9M' 21	9M' 22
Reported Net Income	4.0	14.4	58.7	18.3
Reversal of provision for Zakat Contingencies (H.O)	5.2	-0	0.6	-0
Impact of the one-off loss incurred by the water segment		-0	-0	-0
Total adjustments	5.2	-0	0.6	-0
Impact on SISCO net income	5.2	-0	0.6	-0
Adjusted Net Income	9.2	14.4	59.3	18.3

Income statement – quarterly

SAR millions

	Q2' 22	Q3' 22	Var.	Var. %	Q3' 21	Q3' 22	Var.	Var. %
Revenue*	213.2	214.7	1.5	0.7%	217.9	214.7	-3.3	-1.5%
Direct costs*	-113.5	-108.9	4.6	-4.1%	-120.9	-108.9	12.1	-10.0%
Gross profit	99.7	105.8	6.1	6.1%	97.0	105.8	8.8	9.1%
Operating expenses	-47.0	-45.4	1.6	-3.4%	-42.9	-45.4	-2.5	5.7%
Operating profit	52.7	60.4	7.7	14.7%	54.1	60.4	6.3	11.7%
Investment income	8.4	8.2	-0.2	-2.3%	7.6	8.2	0.6	7.9%
Finance charges	-53.4	-53.4	-0.1	0.2%	-50.7	-53.4	-2.7	5.3%
Other income / expenses & Zakat	-3.1	2.8	5.9	-190.4%	-3.6	2.8	6.4	-178.3%
Group net income	4.6	18.0	13.3	287.9%	7.4	18.0	10.6	143.9%
Minority interest	-1.5	-3.6	-2.1	134.6%	-3.4	-3.6	-0.2	6.4%
Net income - reported	3.1	14.4	11.3	363.9%	4.0	14.4	10.4	260.9%

*Excludes construction revenue and cost

Income statement – interim

SAR millions

	9M' 21	9M' 22	Var.	Var. %
Revenue*	716.1	624.0	-92.1	-12.9%
Direct costs*	-360.6	-328.3	32.3	-9.0%
Gross profit	355.5	295.7	-59.8	-16.8%
Operating expenses	-123.0	-136.1	-13.1	10.6%
Operating profit	232.4	159.6	-72.8	-31.3%
Investment income	19.4	23.0	3.6	18.3%
Finance charges	-152.9	-157.4	-4.5	2.9%
Other income / expenses & Zakat	-4.9	-1.3	3.6	-73.8%
Group net income	94.1	23.9	-70.2	-74.6%
Minority interest	-35.3	-5.6	29.8	-84.2%
Net income - reported	58.7	18.3	-40.4	-68.9%

*Excludes construction revenue and cost

Balance sheet

SAR millions

	Sep-22	Dec-21
Fixed Assets	3,745.6	3,688.1
Investments	230.2	211.7
Other Long Term Assets	5.0	4.5
Current Assets	884.7	1,090.7
Total Assets	4,865.5	4,995.1
Borrowings	670.4	721.4
Long Term Liabilities	1,536.3	1,518.5
Current Liabilities (excl. borrowings)	429.1	458.8
Total Liabilities	2,635.8	2,698.7
Equity	2,229.7	2,296.4
Total Equity & Liabilities	4,865.5	4,995.1

Cash flow statement

SAR millions

	Sep-22	Dec-21
Operating cash flow before working capital	306.9	484.1
Net working capital movement	-168.0	-200.2
Cash generated from operating activities	138.9	283.9
Finance charges, Zakat & income tax, EOSB	-56.7	-47.7
Net cash flow from operating activities	82.2	236.3
Investment in short term deposits	-470.0	-0
Net Proceeds from Sale of Investment	-0	648.4
Net cash used in Other Investing activities	-167.2	-136.9
Net cash used in financing activities	-158.4	-191.9
Net decrease in cash and bank balances	-713.3	555.8
Cash at the beginning of the period	892.4	336.5
Cash at the end of the period	179.0	892.4

SAR million	Sep-22	Dec-21
Cash At Center	12.8	547.8
Cash At Affiliates	166.2	344.6
Cash at the end of the period	179.0	892.4

Thank you
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