

سيسكو  
SISCO

# SAUDI INDUSTRIAL SERVICES COMPANY

## Q2FY23 EARNING PRESENTATION

August 2023

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# Table of Content



STRATEGY IMPLEMENTATION PROGRESS 04

---

HIGHLIGHTS Q2FY2023 09

---

FINANCIAL PERFORMANCE 11

---

PORTFOLIO PERFORMANCE 16

A. PORTFOLIO –CONSOLIDATED ASSETS 17

B. PORTFOLIO –OTHER ASSETS 21

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SUMMARY 24

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APPENDIX 26

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# Strategy Implementation Progress

# 6X26 Strategy Key Transformation Initiatives Update

## 3PL



- In discussions over several acquisitions
- Reviewing strong pipeline of deals

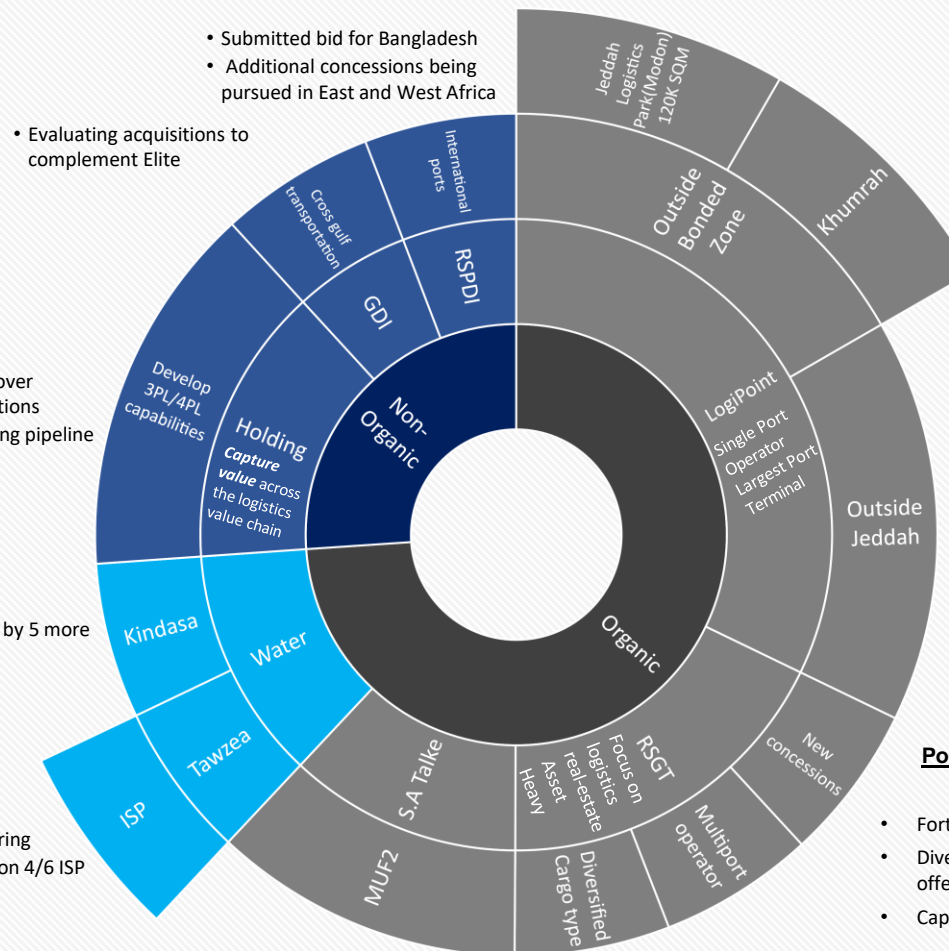
## Water



- Extended concession by 5 more years in May 23.

- Integrated Service Offering
- Scale up businesses. Won 4/6 ISP projects already (Taif)

- Commenced development of new facilities



- Submitted bid for Bangladesh
- Additional concessions being pursued in East and West Africa

- Evaluating acquisitions to complement Elite

## Logistics



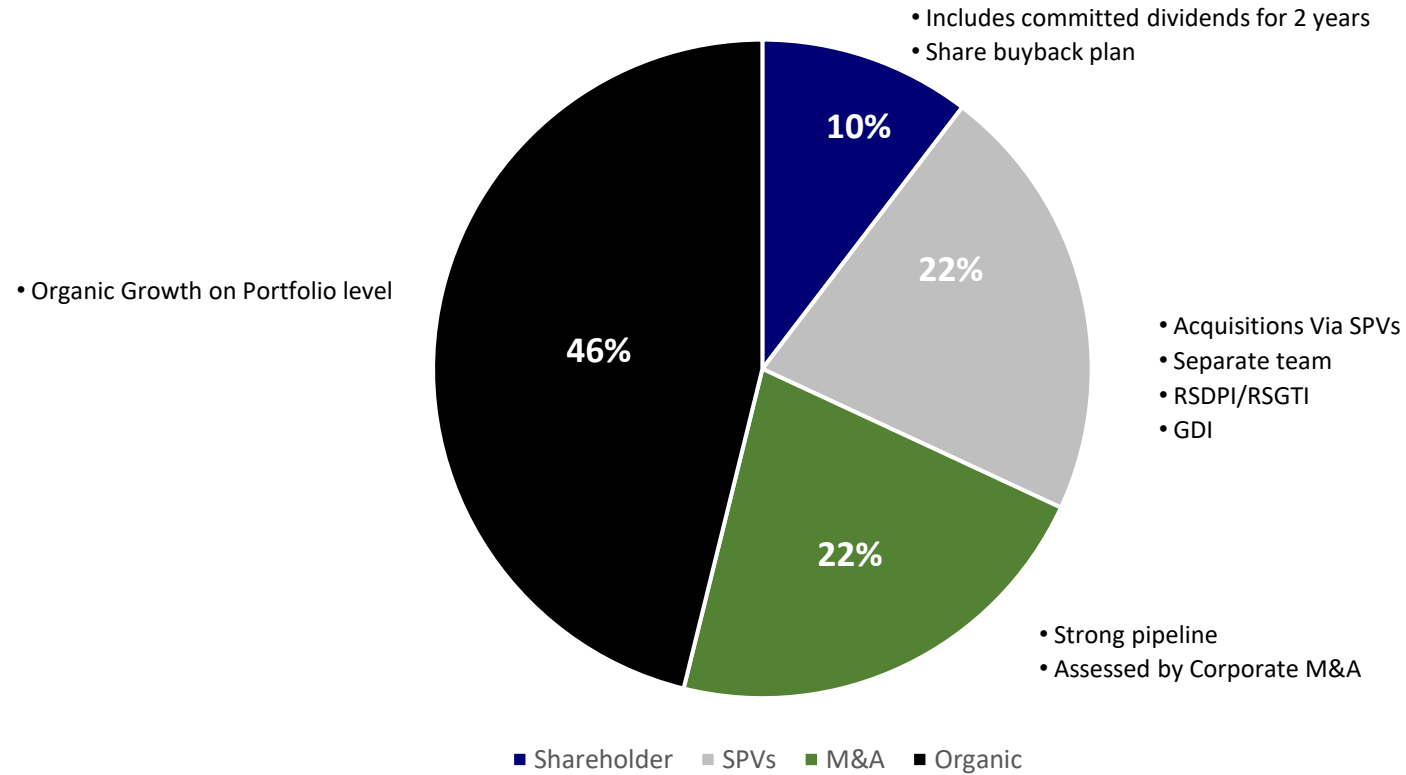
- Increased bonded zone warehouse capacity to 100k m2
- Work has commenced on Khumra Logistics Park and MODON Logistics Hub
- 25k sqm launched in April 2023 for Aramex
- 25k extra sqm will be completed in 2H 2023

## Ports



- Fortify national championship
- Diversify into supporting activities/integrated offerings
- Capacity increased to 6.2 million TEU

# Capital Allocation Structure\*



\*Percentages are indicative only and may change from time to time at the SISCOs discursion and as business needs progress.

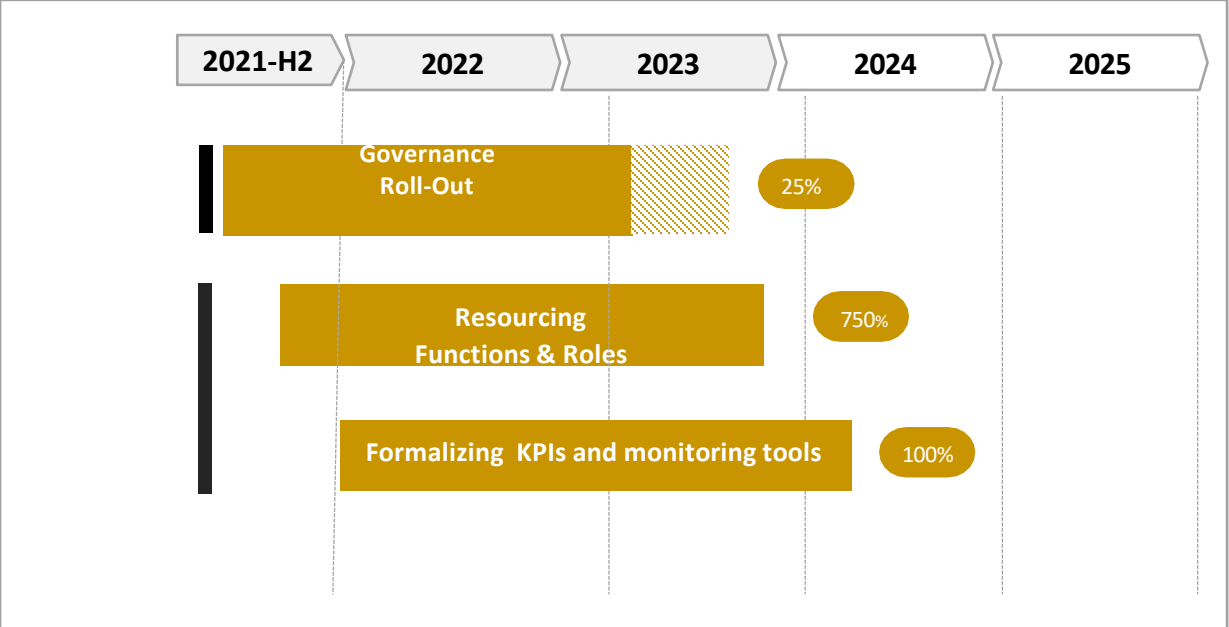
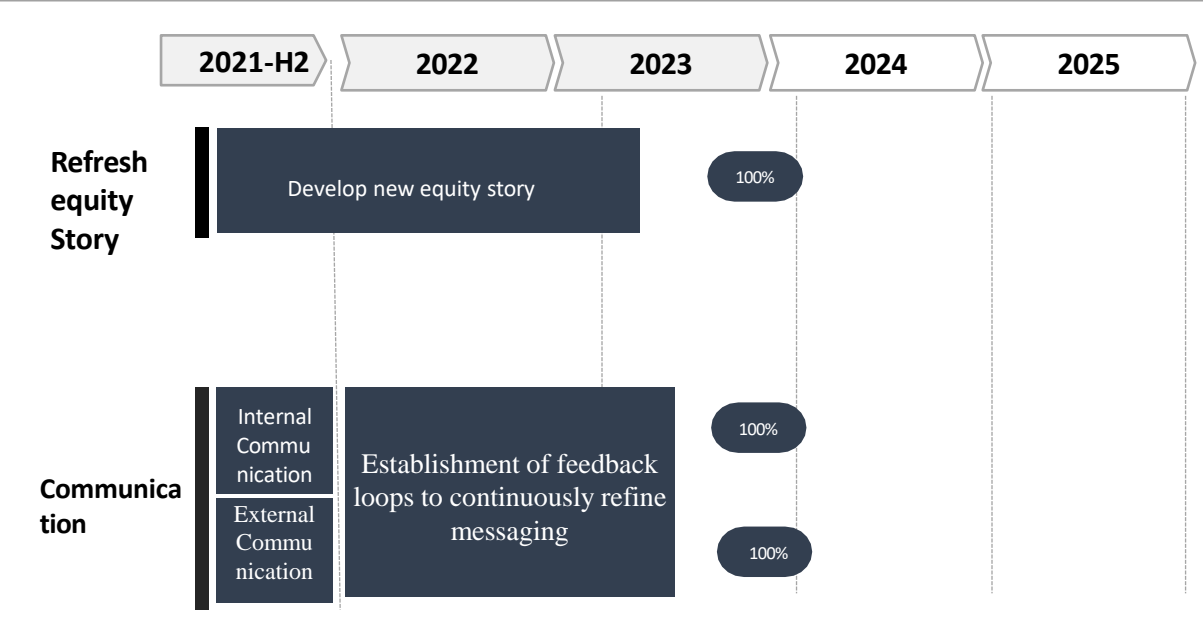
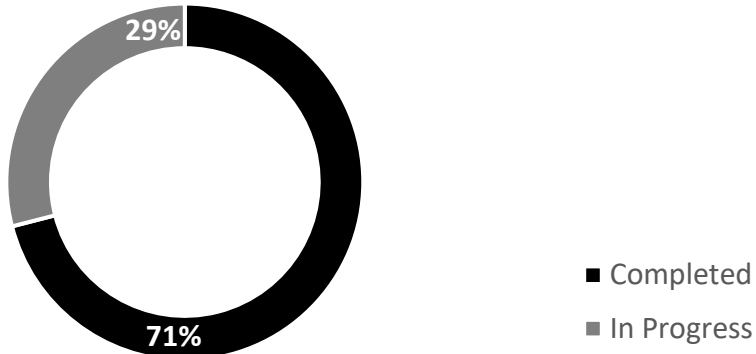
# Strategy Implementation



## Communication Progress Update



## Governance Progress Update



# FINANCIAL HIGHLIGHTS



# Highlights Q2FY2023

## Financial highlights

### Revenue\*

SAR 261.4m ↑ 22.6 %

Q2 - 2022: SAR 213.2 m

### Gross Profit

SAR 135.8m ↑ 36.3%

Q2 - 2022: SAR 99.7 m

### Net Income - Adjusted

SAR 22.4 m ↑ 616.4%

Q2 - 2022: SAR 3.1 m

\*Excluding accounting construction revenue

## Operating highlights



**Ports and Terminals** segment performed well with improved gateway volumes and GP margin



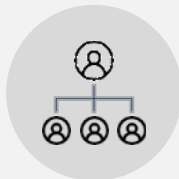
**Logistics Parks and Services** Q2'23 revenues improved with strong GP margin of 52.7% in Q2'23, One of our state-of-the-art warehouse facilities became full operational on 1<sup>st</sup> April 2023.



Revenues of the **Water segment** decreased marginally compared to Q2 of last year due to decline in volumes.



We are making positive progress towards securing the **concession** to operate the container terminal in Bangladesh.

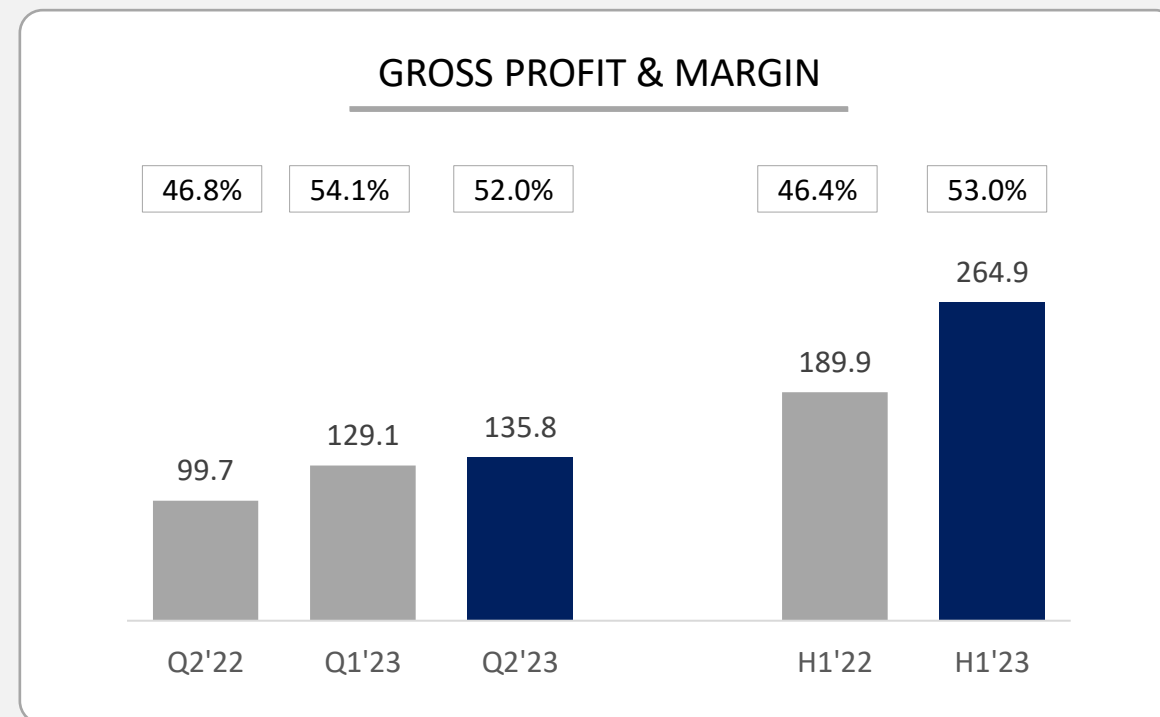
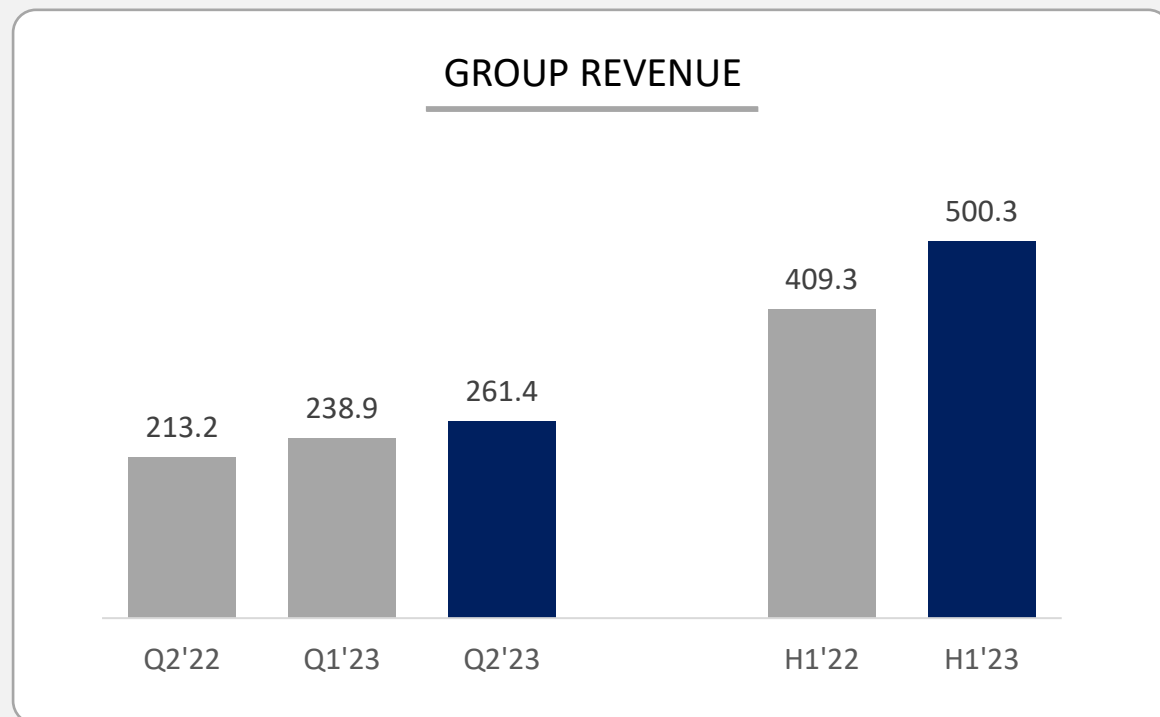


Strengthening the **SISCO Centre of Excellence (COE)** to offer a broader set of strategic advisory services to support the growth of our portfolio companies

# FINANCIAL PERFORMANCE

# Income Statement Highlights

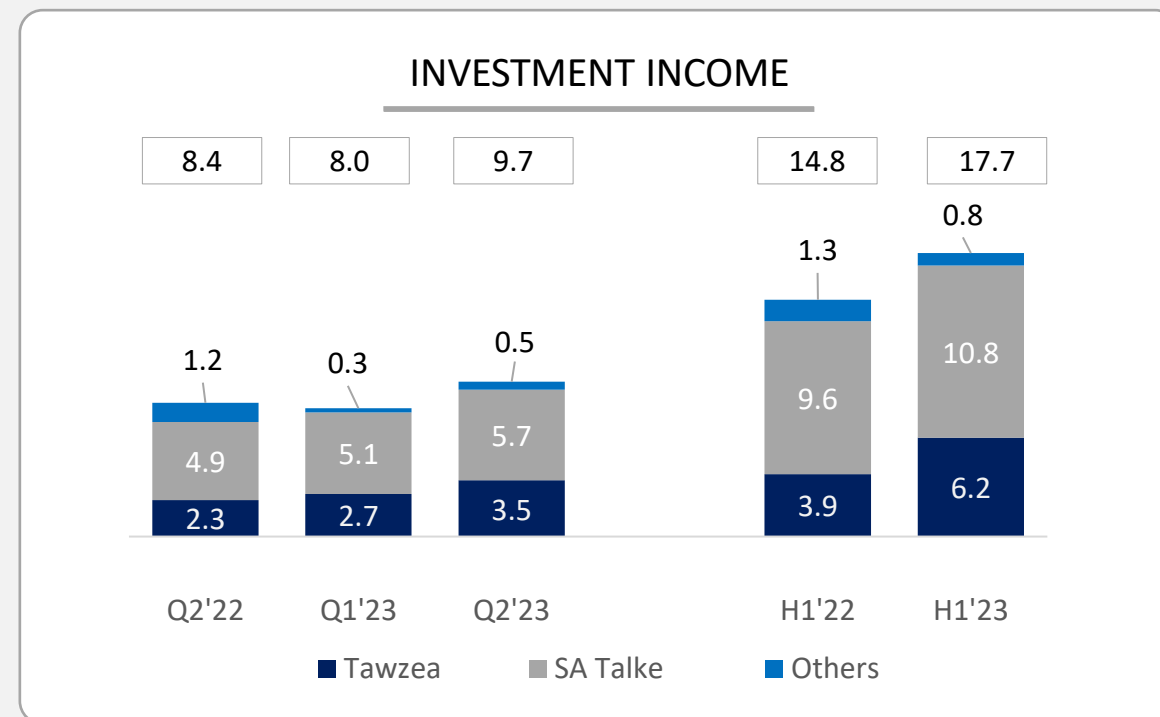
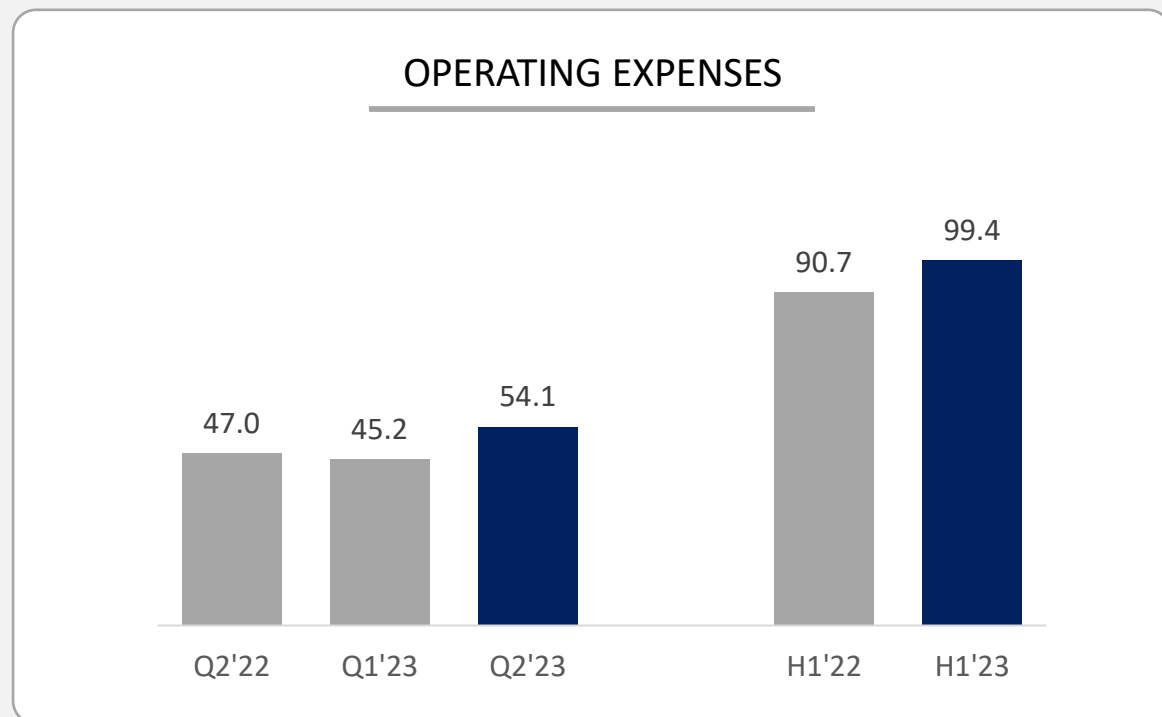
SAR millions (adjusted: excludes accounting construction revenue)



- **Q2'23 Group revenue** improved compared to last year (+22.6%) on the back of strong performance by the Ports & Logistics segment.
- **H1'23 Group revenue** improved by 22.2% from H1 2022 on the back of overall improvement across all segments.
- **Q2'23 gross profit improved** 36.3% as compared to same quarter previous year due to strong revenue growth. H1'23 gross profit grew by 39.5% from H1'22 due to more conducive market conditions and improved global supply chains as compared to H1 2022

# OPEX And Investment Income

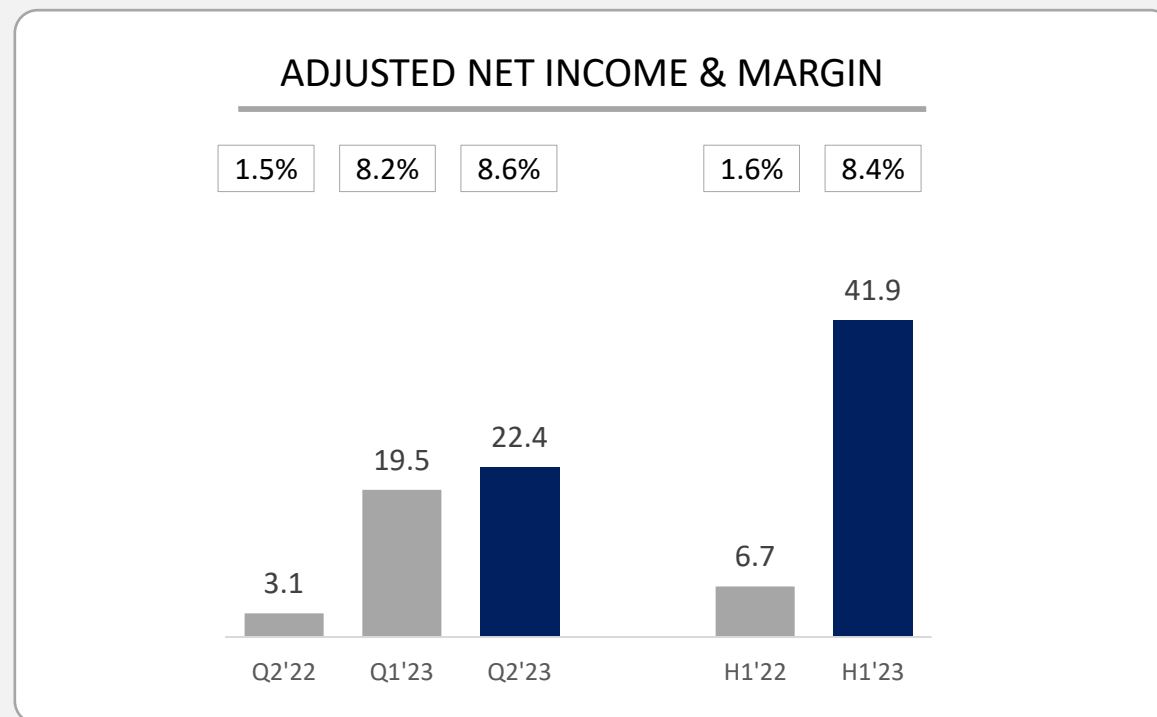
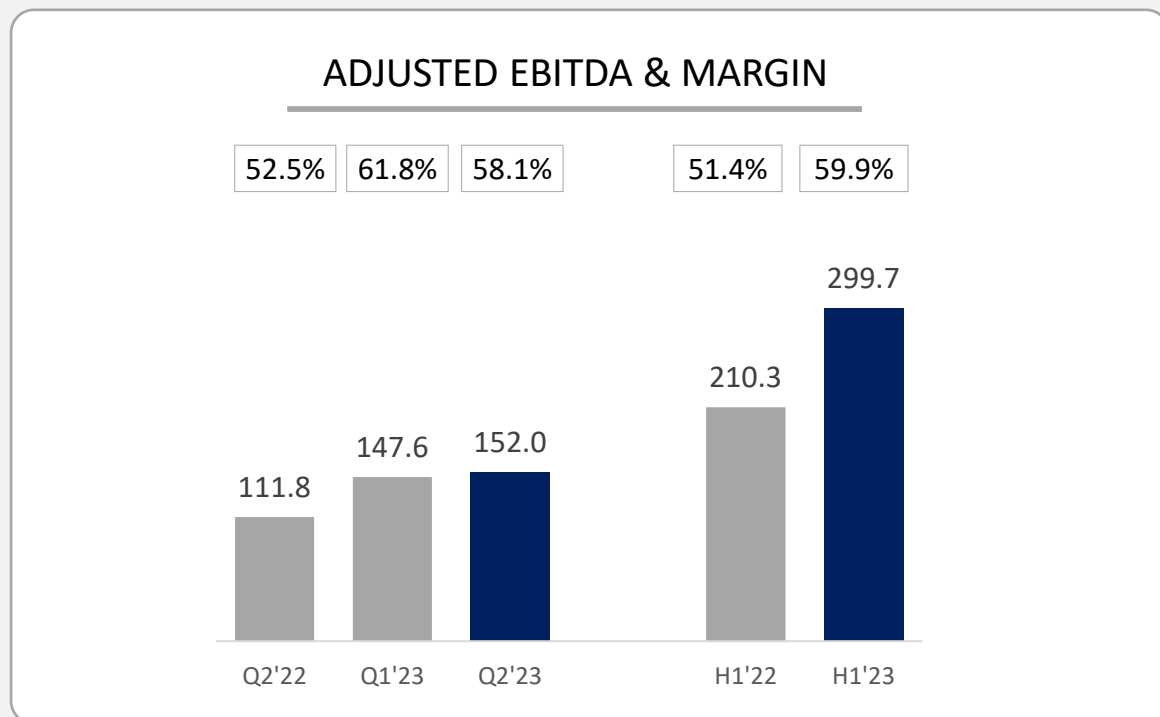
SAR millions



- **Q2'23 operating expenses increased** due to higher insurance and business development and employee costs. OPEX is expected to stabilize going forward.
- **Q2'23 investment income** rose 15.7% QoQ due to improved profitability of Tawzea and SA Talke. H1'23 investment income grew at 19.6%

# EBITDA and Net Income

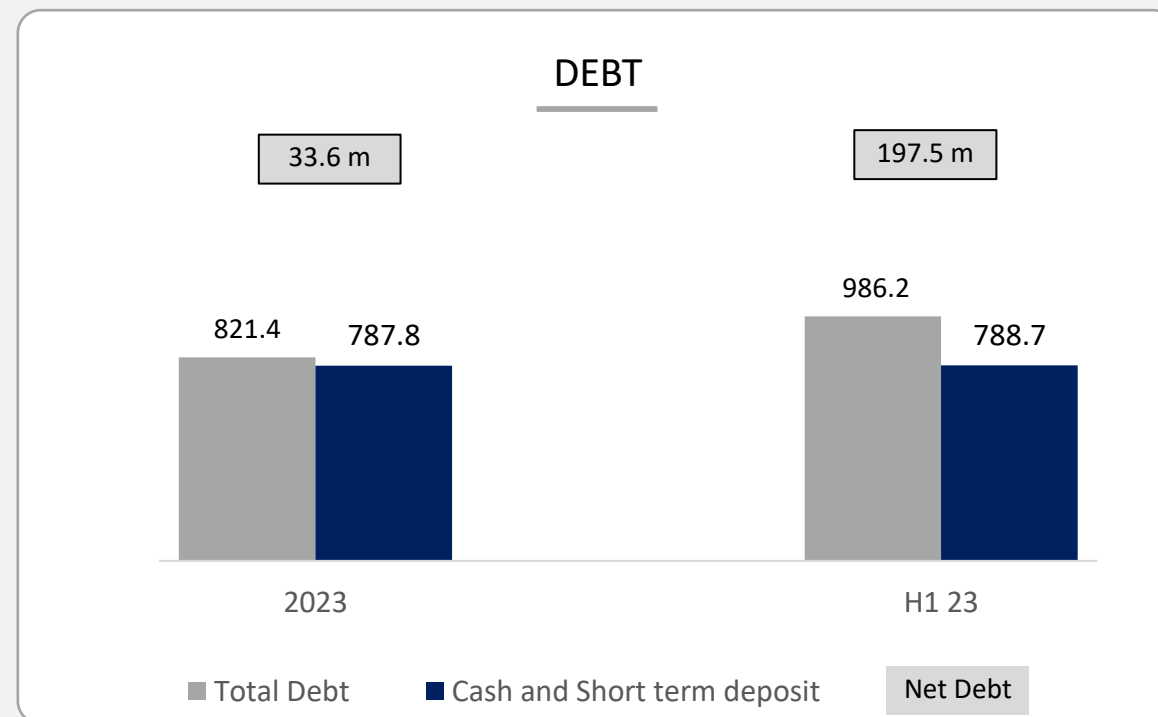
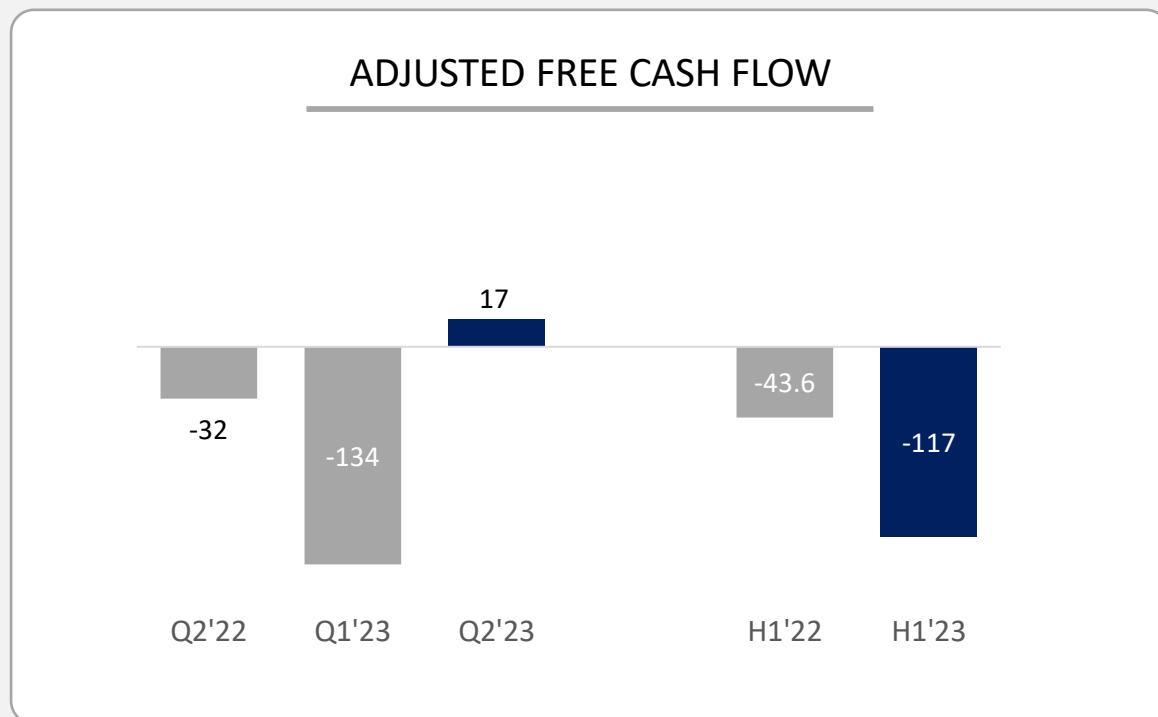
SAR millions



- Adjusted **Q2'23 Adjusted EBITDA** improved to SAR 152.0 m and a healthy margin of 58.2%.
- **Adjusted Net income** of SAR 22.4 million grew by 616.4% compared to the same quarter last year, due to performance improvements across all the segments as well as in equity accounted associate companies..
- H1 2023 period, **adjusted net income was SAR 41.9 million**, increased by 524.6%, due to a stronger first half as compared to previous year.

# Adjusted Free Cash Flow And Net Debt

SAR millions



- **Free cash flow** for Q2'23 is SAR 17 million (inflow) compared to Q2'22 cashflow of SAR 32 million (excluding one offs) due to improvement in results
- During **Q2'23 total debt** increase to 986.2 million and cash remain steady. As a result, net debt rose to SAR 197.5 million.



# PORTFOLIO PERFORMANCE

A grayscale photograph of a person's hands typing on a laptop keyboard. The image is overlaid with a semi-transparent candlestick chart, a common financial data visualization. The chart consists of vertical bars with horizontal lines extending from their tops and bottoms, representing price movements over time. The overall tone is professional and data-oriented.

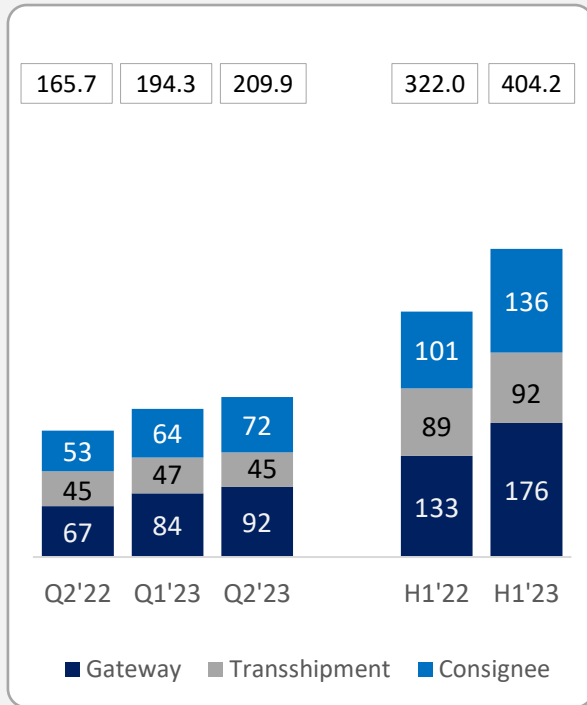
## A. Portfolio –Consolidated Assets



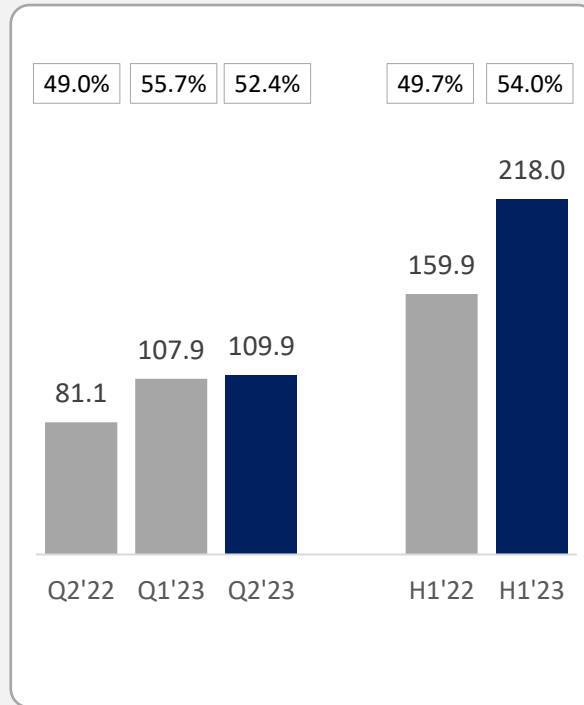
# Ports & Terminal Snapshot | Q2'FY23

SAR millions

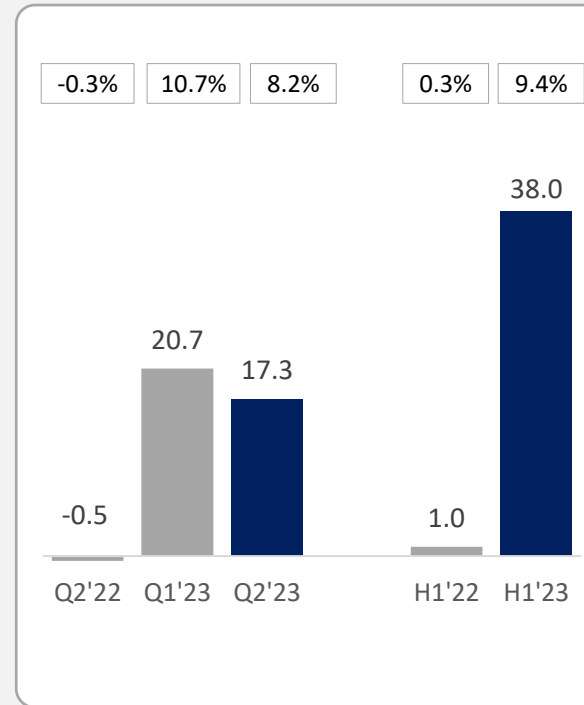
### REVENUE



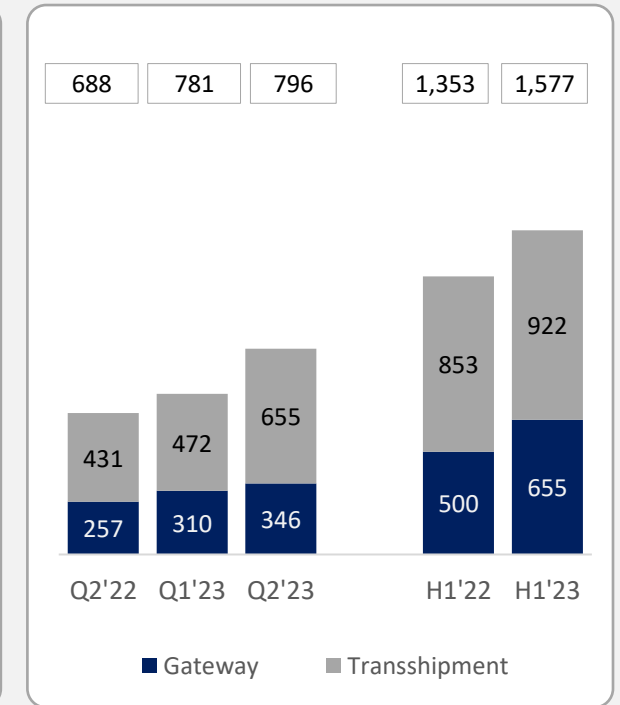
### GROSS PROFIT & MARGIN



### NET INCOME & MARGIN



### VOLUME (TEUS '000)

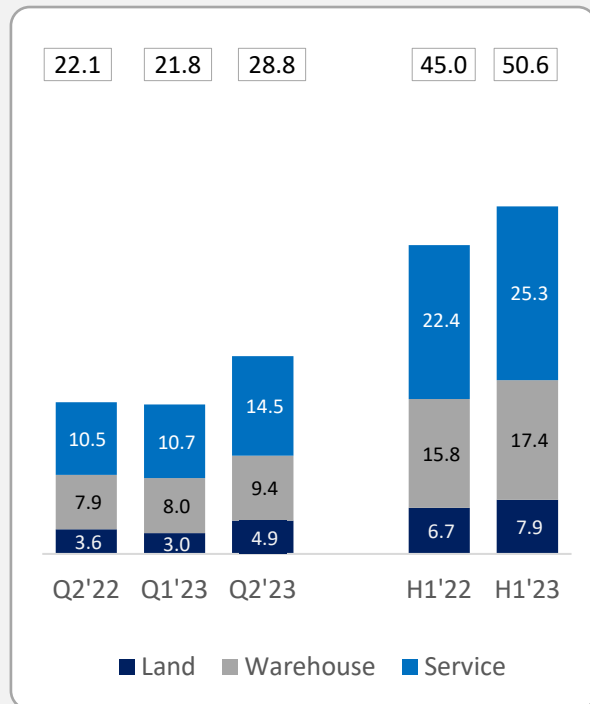


- **The revenues for Q2FY23 demonstrated a notable improvement**, reaching SAR 209.9 million compared to the same quarter of the previous year
- **Gateway volumes in Q2FY23** exhibited a remarkable increase of 34.6% when compared to Q2FY22, while trans-shipment volumes also experienced growth, improving by 4.4%.

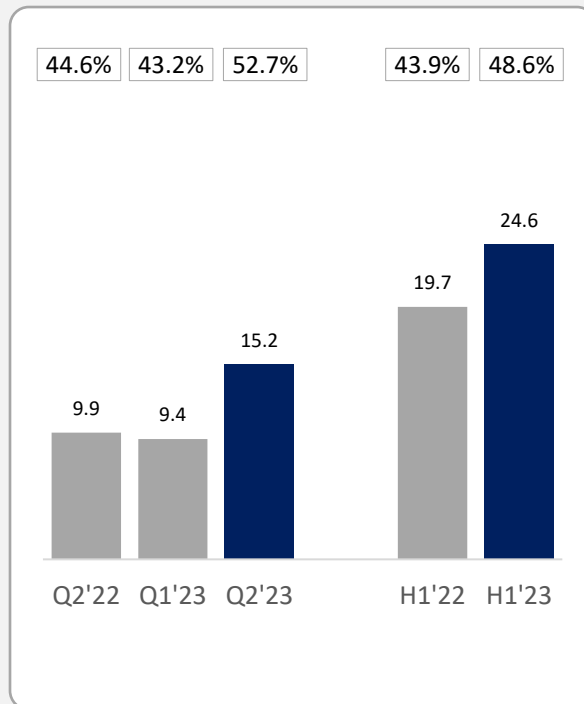
# Logistics, Parks & Services Snapshot | Q2'FY23

SAR millions

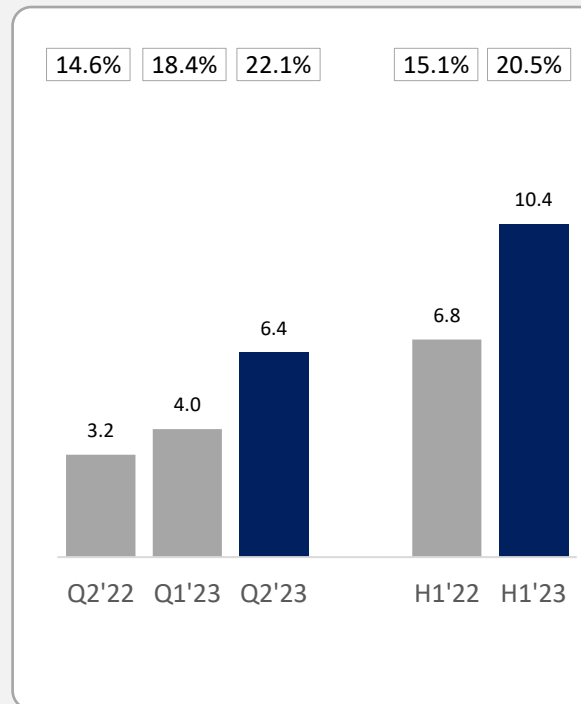
### REVENUE



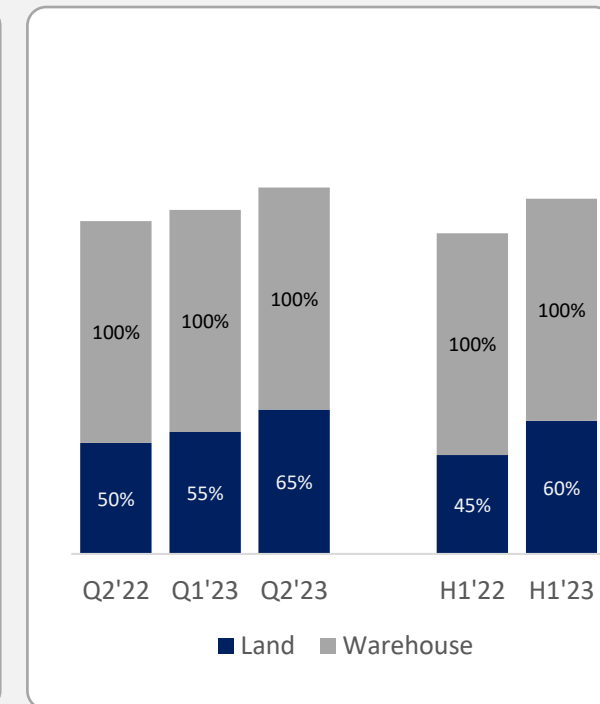
### GROSS PROFIT & MARGIN



### NET INCOME & MARGIN



### OCCUPANCY (%)

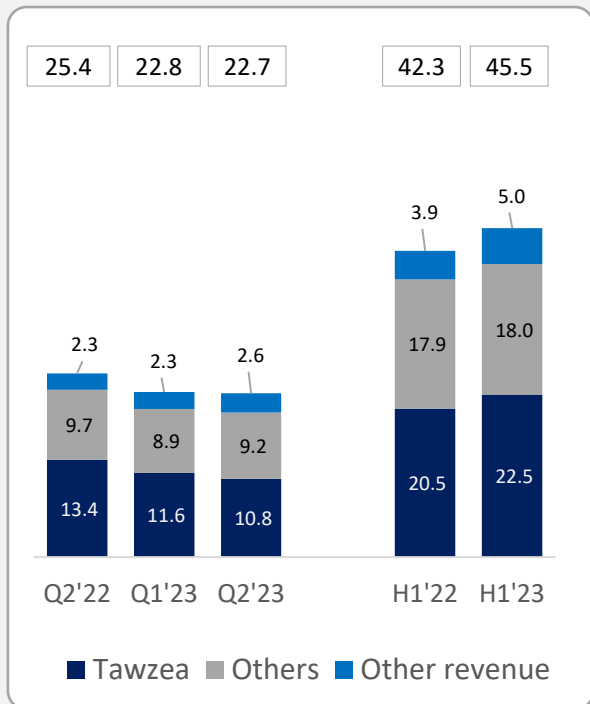


- **Q2'23 revenue rose 30.5%** from the same quarter last year. And **Net income improved** to SAR 6.4 million.
- **Q2'23 gross margins improved** significantly to 52.7% from 44.6% in Q2'22. This growth can be attributed, in part, to the successful operation of LogiPoint's new 21,000 sq m warehouse.

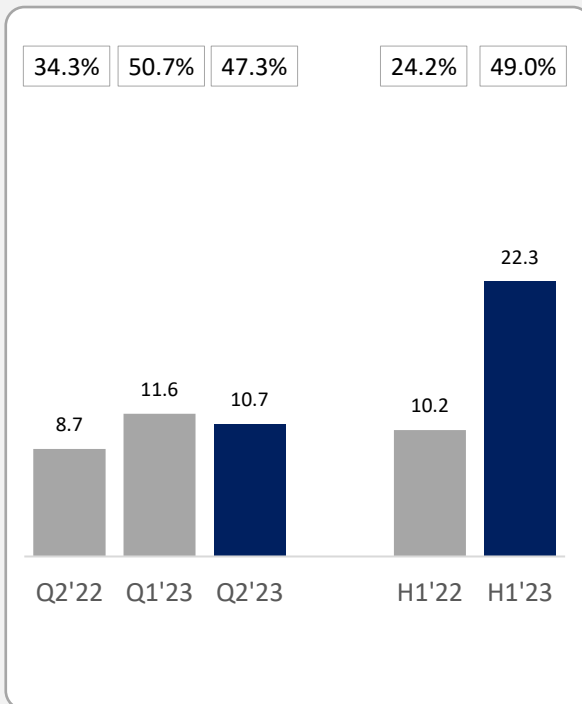
# Water Solution Snapshot | Q2'FY23

SAR millions

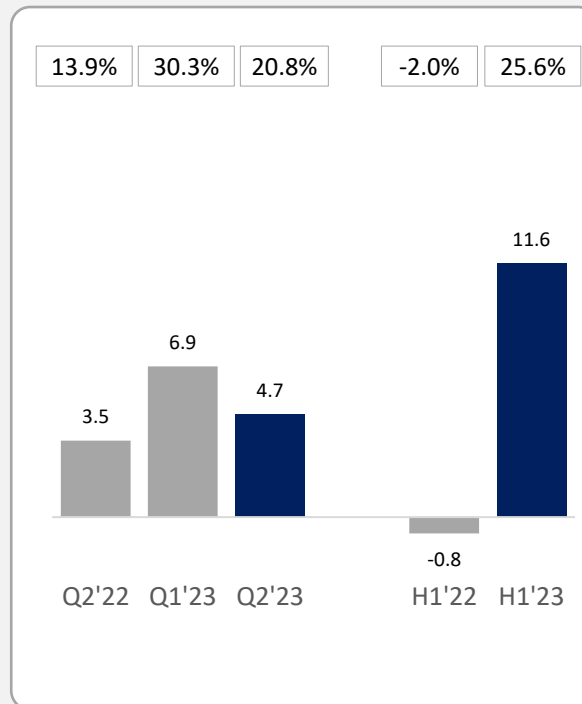
### REVENUE



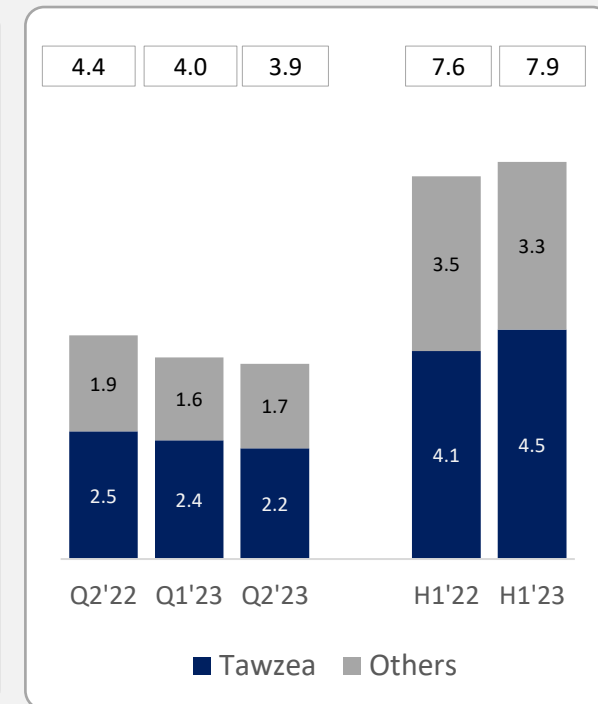
### GROSS PROFIT & MARGIN



### NET INCOME & MARGIN



### VOLUME, WATER SOLD (MILLION M3)



- **Revenues** of the Water segment decreased marginally compared to Q2 of last year due to decline in volumes
- **Gross profit** margins showed a strong improvement to reach 47.3% for Q2FY23 from 34.3% in Q2FY22. The margin expansion is attributed to a decrease in depreciation cost and improved sales mix and pricing.

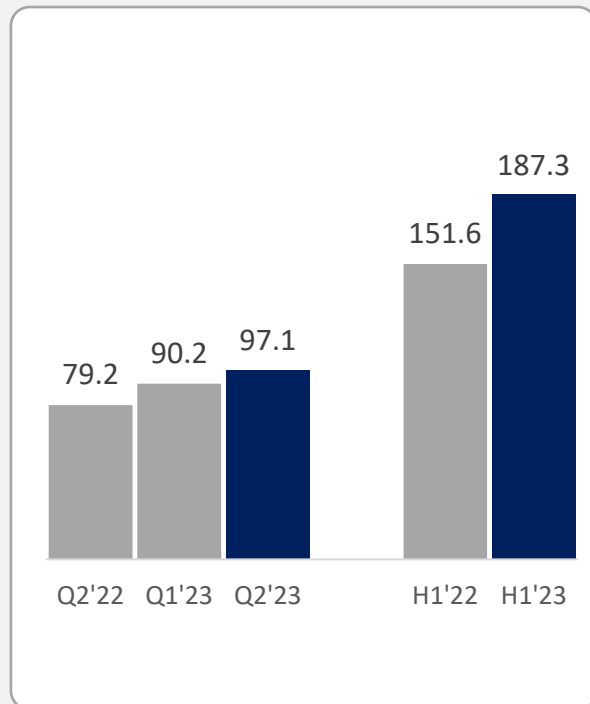


## **B. Portfolio –Other Assets**

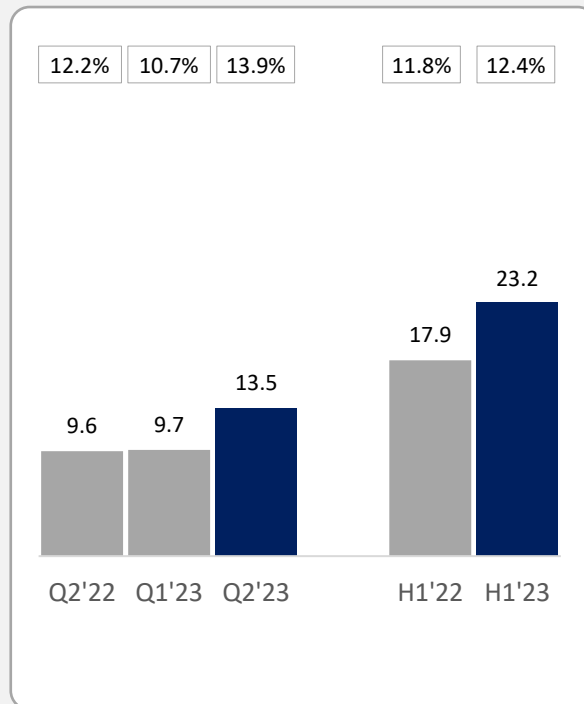
# TAWZEA Snapshot | Q2'FY23

SAR millions

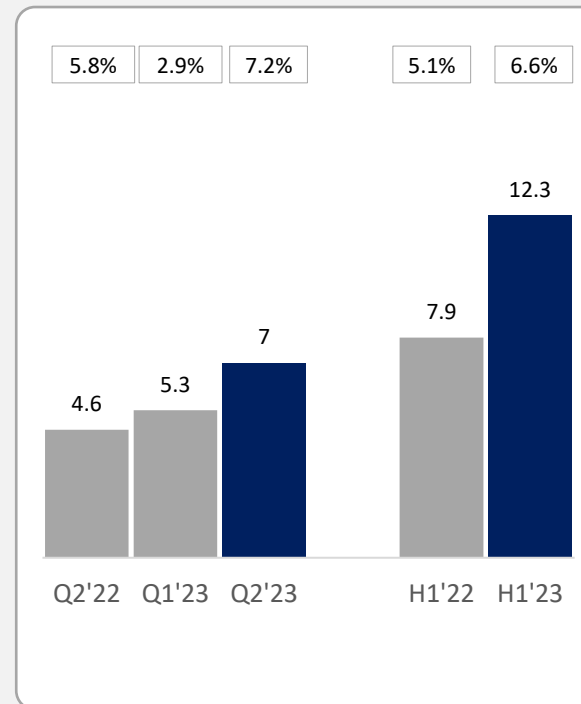
### REVENUE



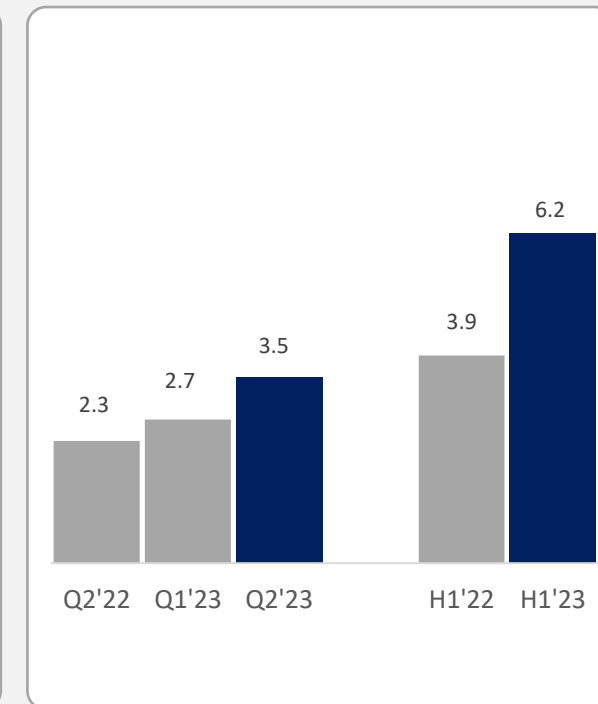
### GROSS PROFIT & MARGIN



### NET INCOME & MARGIN



### SISCO SHARE OF NET INCOME

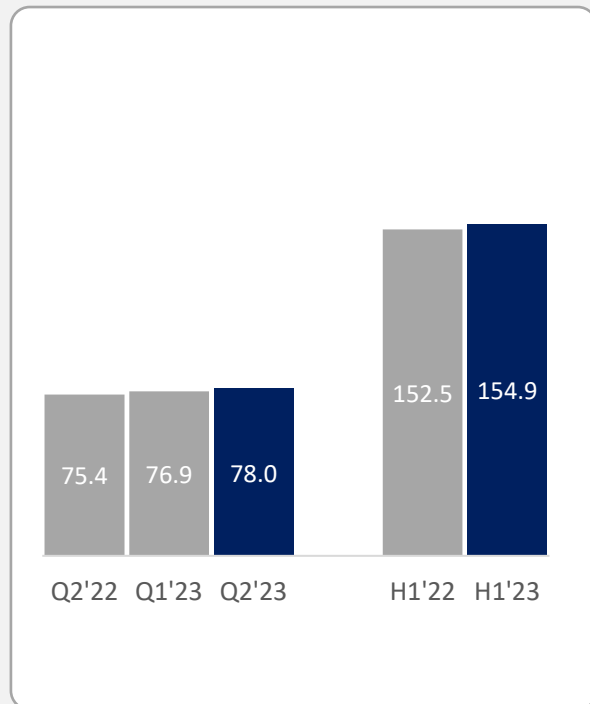


- Reported **adjusted revenue** (excluding construction revenues) to SAR 97.1 million during Q2FY2023.
- SISCO's share **in net income** was SAR 3.5 m for TAWZEA, 54% higher than same quarter last year.

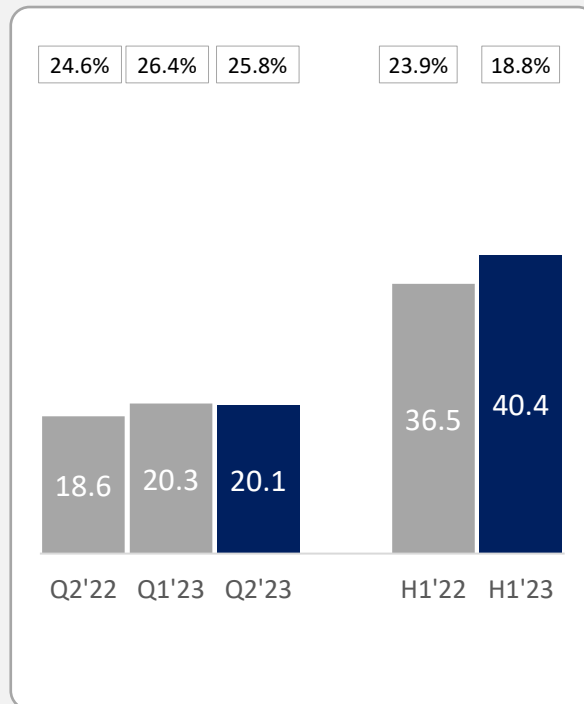
# SA TALKE Snapshot | Q2'FY23

SAR millions

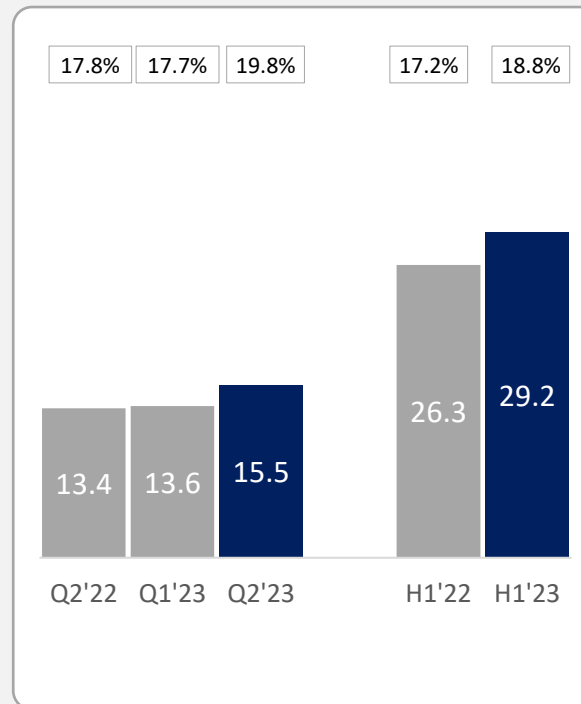
## REVENUE



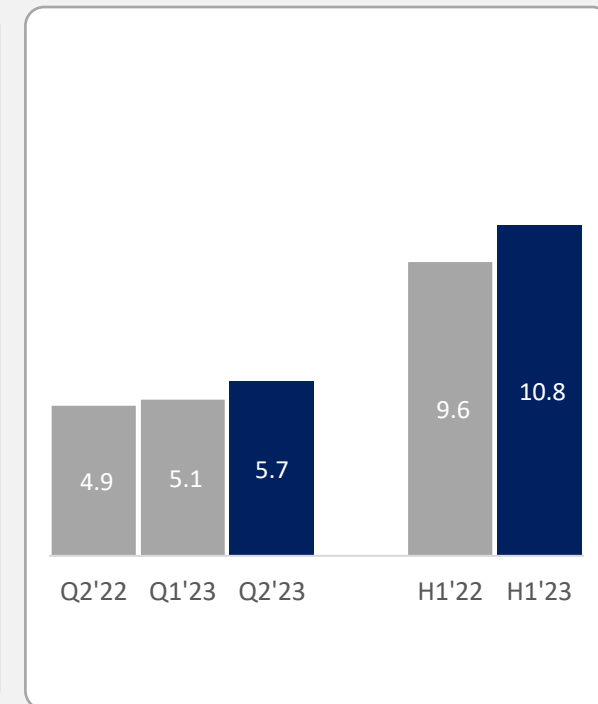
## GROSS PROFIT & MARGIN



## NET INCOME & MARGIN



## SISCO SHARE OF NET INCOME



- SA Talke **revenues** increased to SAR 78 million during Q2FY23.
- SISCO's share of SA Talke's **net income** was SAR 5.7 million, 16.3% higher than the same quarter last year.

# SUMMARY

# Q2 2023: Improving Momentum



Q2'23 witnessed a strong recovery in business fundamentals as revenues were higher than Q2 2022 as well as Q1 2023 driven by improved performance of Ports and Logistics segment. This strong momentum will likely continue in the coming quarters.



Q2'23 gross profit rose 36.3% as compared to same quarter last year due to substantial improvement in margins in all business segments.



Q2'23 adjusted net profit increased 616% as compared to Q2, 22 driven by improved performance of Ports, Logistics and Water segments as well as associate companies



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



# APPENDIX

# Strategic Objectives

1

**Double group revenue in the next 5 years** through organic and inorganic growth while maintaining **consistently strong margins**.

Revenue of SAR 2 billion  
by 2025

Target ROIC of more  
than 12%

2

**Achieve a diversified portfolio** by investing in multiple logistics assets across the value chain.

Future revenue and net income growth to be driven from  
Logistics segments

3

**Create long term shareholder value** by investing in value accretive assets and returning capital to shareholders.

Strong total returns for  
shareholders

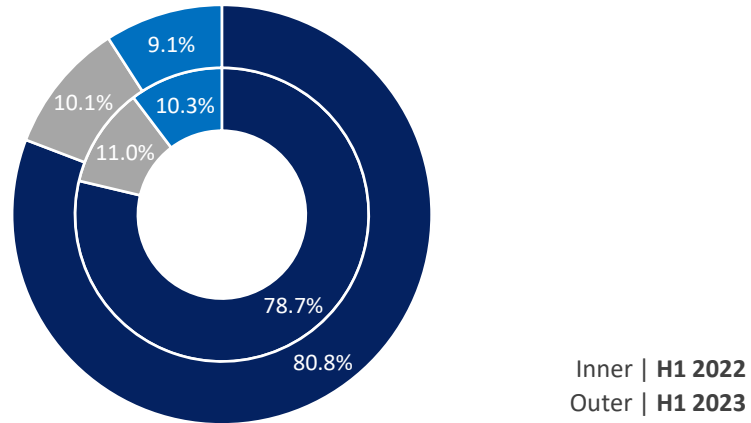
Consistent dividend  
distribution

# Revenue And Gross Profit Composition

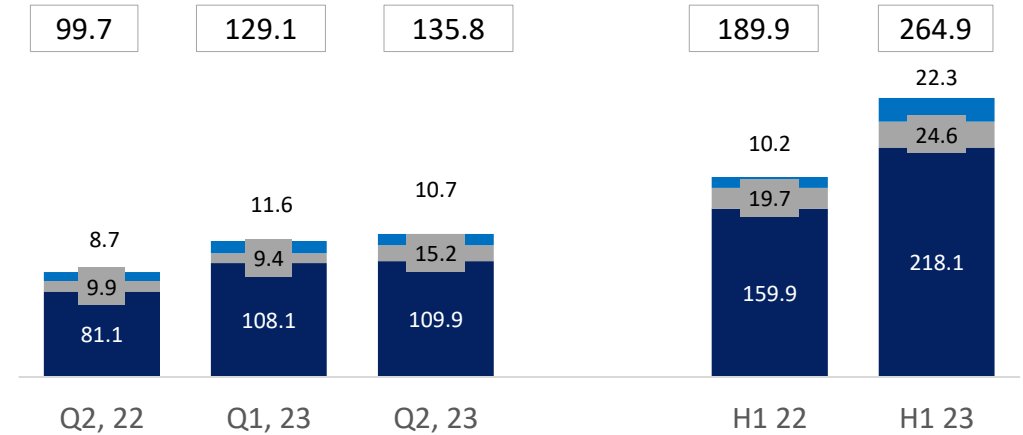
SAR millions

Ports Logistics Water

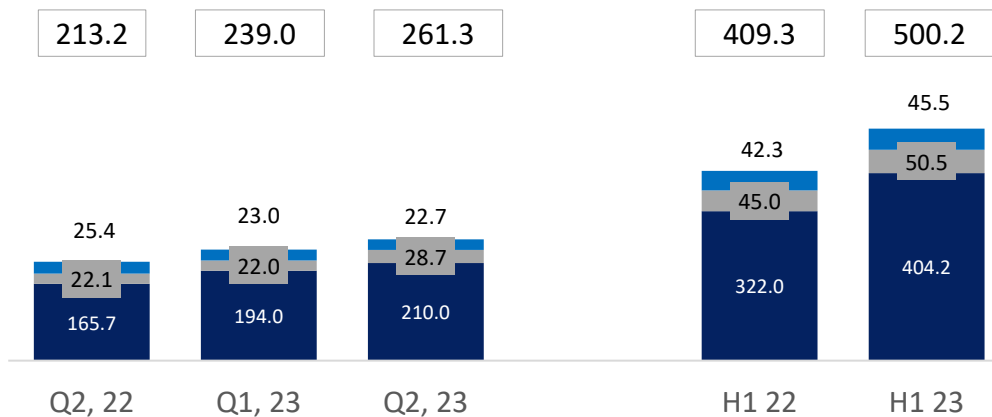
### Revenue Composition



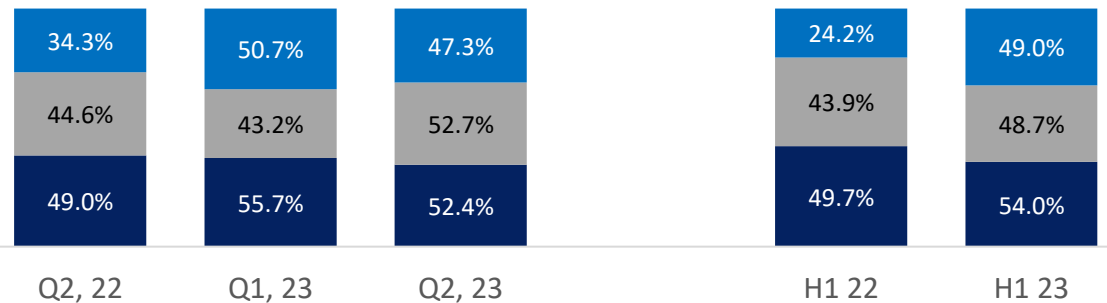
### Gross Profit Composition



### Group Revenue Composition



### Gross Margin By Segment



\* Revenue excludes accounting construction revenues

# Income Statement - Quarter

SAR millions

	Q1' 23	Q2' 23	Var.	Var. %	Q2' 22	Q2' 23	Var.	Var. %
Revenue*	238.9	261.3	22.4	9.4%	213.2	261.3	48.1	22.6%
Direct costs*	(109.7)	(125.6)	-15.9	-14.5%	(113.5)	(125.6)	-12.1	-10.7%
Gross profit	129.1	135.8	6.7	5.2%	99.7	135.8	36.1	36.2%
Operating expenses	(45.2)	(54.1)	-8.9	-19.7%	(47.0)	(54.1)	-7.1	-15.1%
Operating profit	83.9	81.7	-2.2	-2.6%	52.7	81.7	29.0	55.0%
Investment income	8.0	9.7	1.7	21.3%	8.4	9.7	1.3	15.5%
Finance charges	(58.1)	(60.8)	-2.7	-4.6%	(53.4)	(60.8)	-7.4	-13.9%
Other income / expenses & Zakat	3.0	4.6	1.6	53.3%	(3.1)	4.6	7.7	248.4%
Group net income	36.8	36.1	-0.7	-1.9%	4.7	36.1	31.4	668.1%
Minority interest	(17.3)	(14.9)	2.4	13.9%	(1.5)	(14.9)	-13.4	-893.3%
Net income - reported	19.4	21.2	1.8	9.3%	3.1	21.2	18.1	583.9%
Net income - adjusted	19.4	22.4	3.0	15.5%	3.1	22.4	19.3	622.6%

# Income Statement – 1H 2023

SAR millions

	H1'22	H1'23	Var	Var. %
Revenue*	409.3	500.2	90.9	22.2%
Direct costs*	(219.4)	(235.3)	(15.9)	-7.2%
Gross profit	189.9	264.9	75	39.5%
Operating expenses	(90.7)	(99.4)	(8.7)	-9.6%
Operating profit	99.2	165.6	66.4	66.9%
Investment income	14.8	17.7	2.9	19.6%
Finance charges	(104.0)	(118.9)	(14.9)	-14.3%
Other income / expenses & Zakat	(4.1)	4.6	8.7	212.2%
Group net income	5.9	72.9	67	1135.6%
Minority interest	(2.0)	(32.3)	(30.3)	1515.0%
Net income - reported	3.9	40.6	36.7	941.0%
Net income - adjusted	6.7	41.9	35.2	525.4%

# Balance Sheet

SAR millions

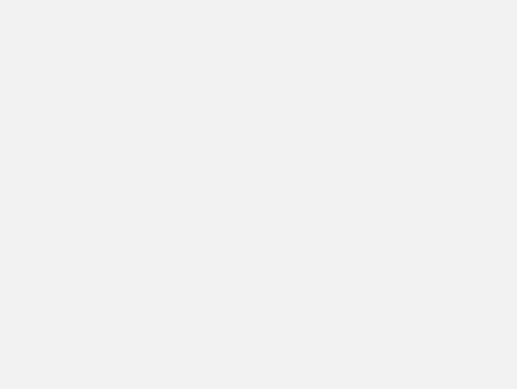
	H1' 22	H1'23
Fixed Assets	3,698.3	4,063.5
Investments	222.7	274.5
Deferred Tax	4.5	5.7
Current Assets	960.3	1,039.5
<b>Total Assets</b>	<b>4,885.8</b>	<b>5,383.2</b>
Borrowings	687.6	944.0
Long Term Liabilities	1,521.8	1,543.7
Current Liabilities (excl. borrowings)	431.7	537.2
<b>Total Liabilities</b>	<b>2,641.1</b>	<b>3,024.9</b>
Equity	2,244.7	2,358.3
<b>Total Equity &amp; Liabilities</b>	<b>4,885.8</b>	<b>5,383.2</b>

# Cash Flow Statement

SAR millions

	Q2 2022	Q2 2023
Operating cash flow before working capital	201.1	304.3
Net working capital movement	(115.3)	(41.8)
Cash generated from operating activities	85.8	262.5
Finance charges, Zakat & income tax, EOSB	(37.1)	(49.0)
Net cash flow from operating activities	48.7	213.5
Investment in short term deposits	(470)	270.0
Other Investing activities	(92.3)	(330.3)
Net cash used in financing activities	(111.6)	128.3
Net decrease in cash and bank balances	(685.2)	280.8
Cash at the beginning of the period	892.4	507.9
Cash at the end of the period	267.2	788.7

SAR million	Q2' 22	Q2' 23
Cash At Center	47.9	463.4
Cash At Affiliates	219.3	325.3
	267.2	788.7



# Management Outlook



## PORTS

Q2FY23 revenues showed significant improvement with SAR 209.9 million compared to the same quarter previous year.

Q2FY23 gateway volumes improved by 34.6% as compared to Q2FY22 and trans-shipment volumes improved by 4.4%.



## LOGISTICS

LogiPoint's new 21,000 sq m warehouse became operational on 1 April 2023, providing a boost in the Logistics segment's revenue and margins.

An additional 25,000 sq m warehouse is scheduled to be completed during the second half of 2023.



## WATER

Significant expansion of gross profit margins in Water segment, expected to sustain in 2023.

Pursuing expansion opportunities in the Middle East and looking at growth through targeted acquisition of local desalinated water companies



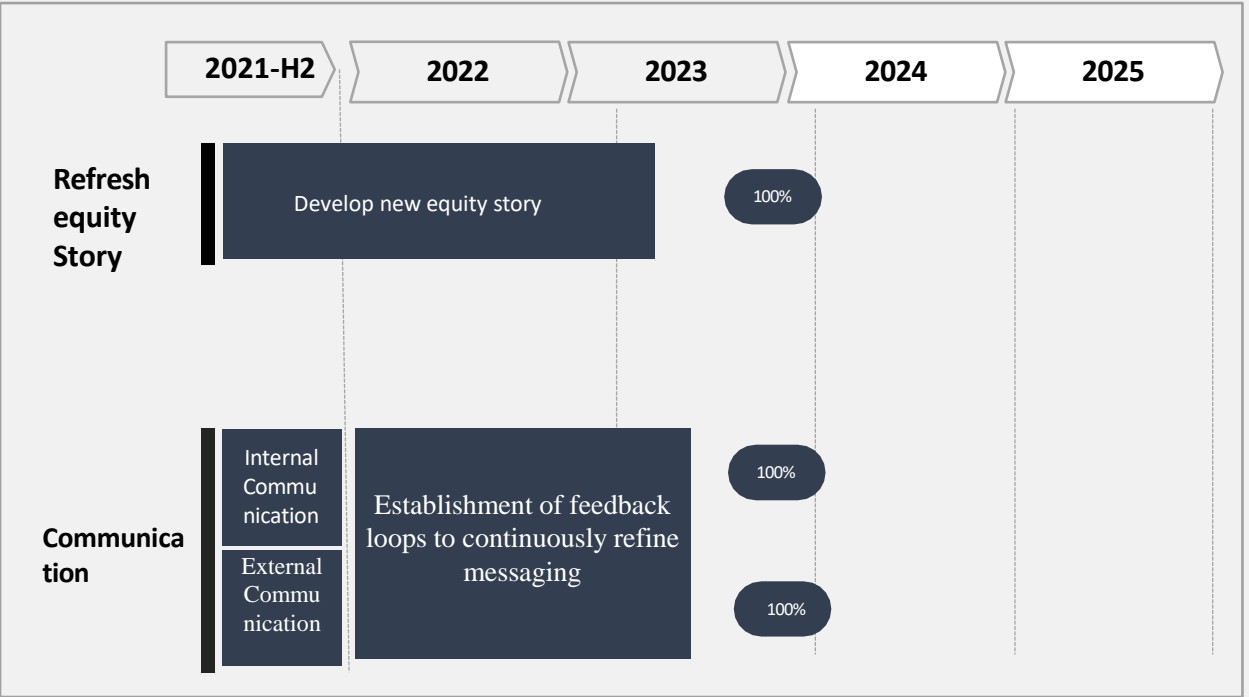
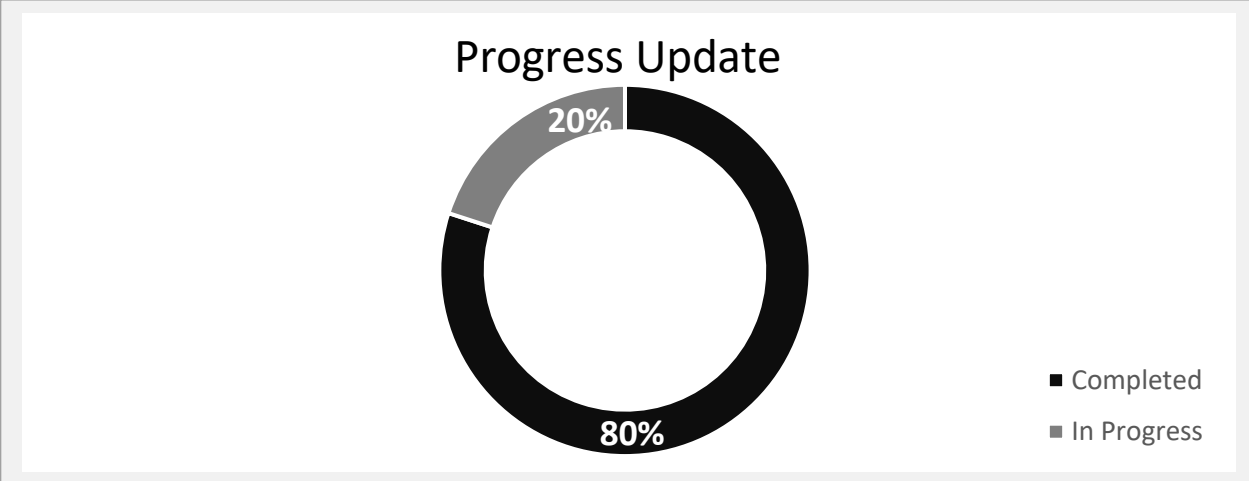
## M&A

Material progress on acquisition pipeline with specific opportunities identified for execution during 2023, in particular for the Logistics services space.



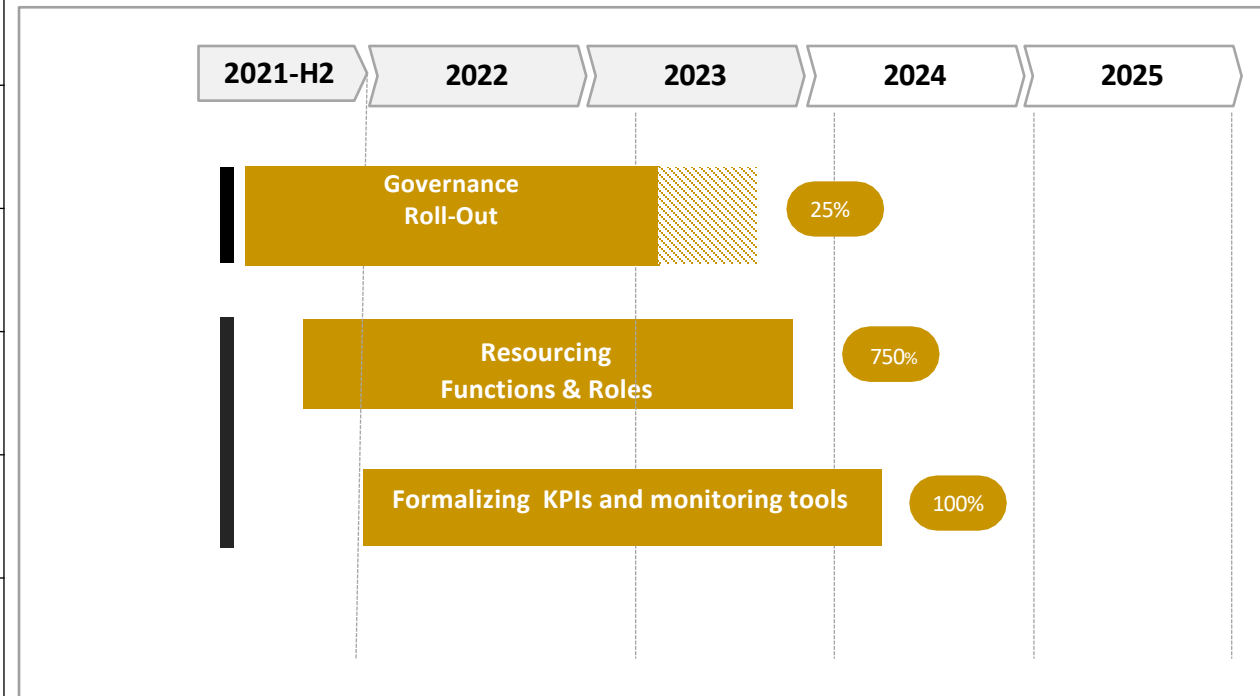
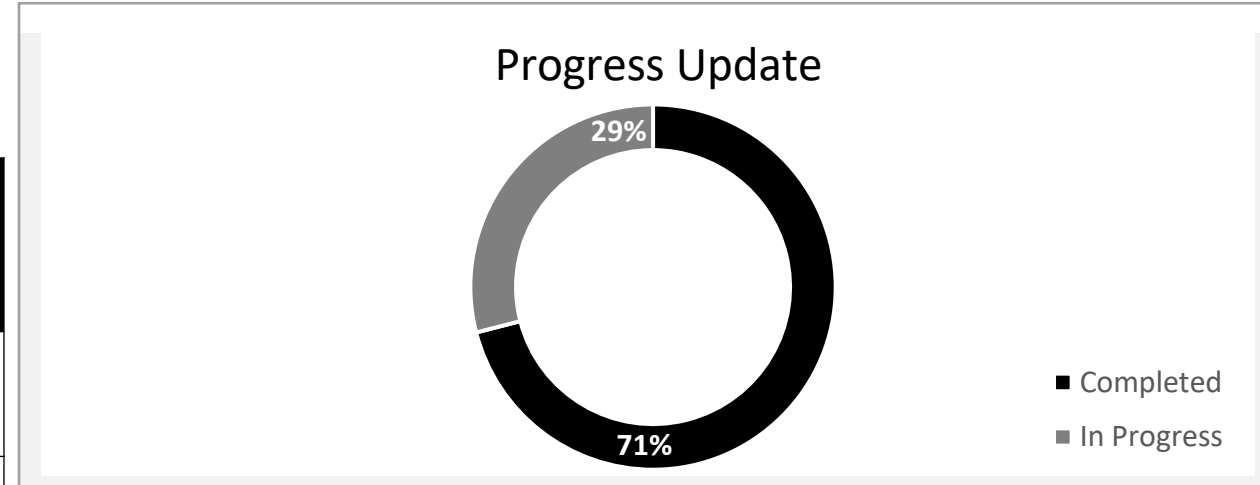
# Strategy Implementation - Communication - Dashboard

	Breakdown	Status	Completed
1	Create a feedback loop for portfolio companies	Completed	Q1
2	Create a feedback loops for stakeholders	Completed	Q1
3	Investor Roadshow	Completed	Q1
4	Enhance Company Equity Story	Completed	Q1
5	Corporate video	Completed	Q1
6	Restructure Annual Report	Completed	Q1
7	IR Website	Completed	Q2
8	Start populating company social media	Completed	Q2
9	Update Brand identity	In Progress	Q3
10	Corporate Website	In progress	Q3



# Strategy Implementation Governance - Dashboard

Breakdown	Status	Completed
1 Appoint Sector VP(s) for Logistics	Completed	Q1
2 Appoint Head of M&A	Completed	Q1
3 Implement revisions to structure, functions, decision roles etc.	Completed	Q1
4 Appoint Portfolio Manager	Completed	Q1
5 Define performance mechanism for new roles	Completed	Q2
6 Hire Investor Relations Officer	In Progress	Q3
7 Review Org Structure at Holding	In Progress	Q3





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