

SAUDI INDUSTRIAL SERVICES COMPANY

Earnings Presentation | Q1 2022



سيسكو
SISCO

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Highlights Q1 2022

Financial highlights

Q1 2022 revenue* was SAR 196.2 million, due to a **decline in the ports and water segments.**

Gross profit declined to SAR 90.2 million due to the decline in revenue and margins in the ports and water segment during the quarter.

Gross profit margin declined to 46.0% compared to 53.2% in Q1 2021.

Adjusted net income for the first quarter was SAR 3.6 million compared to SAR 27.7 million for the same period last year, excluding the impact of a one-off extraordinary loss incurred by Kindasa due to temporary decrease in production.

*Excluding accounting construction revenue

Operating highlights



Strong pipeline of potential acquisition opportunities identified



Board approved acquisition of a 31.7% direct equity stake in Green Dome



LogiPoint increased warehouse capacity by 46,000sqm bolstering its leading position in the sector



Ports and Terminals impacted by ongoing global supply chain disruptions



Revenue decline due to temporary decrease in production at the Kindasa water facility for 2 months

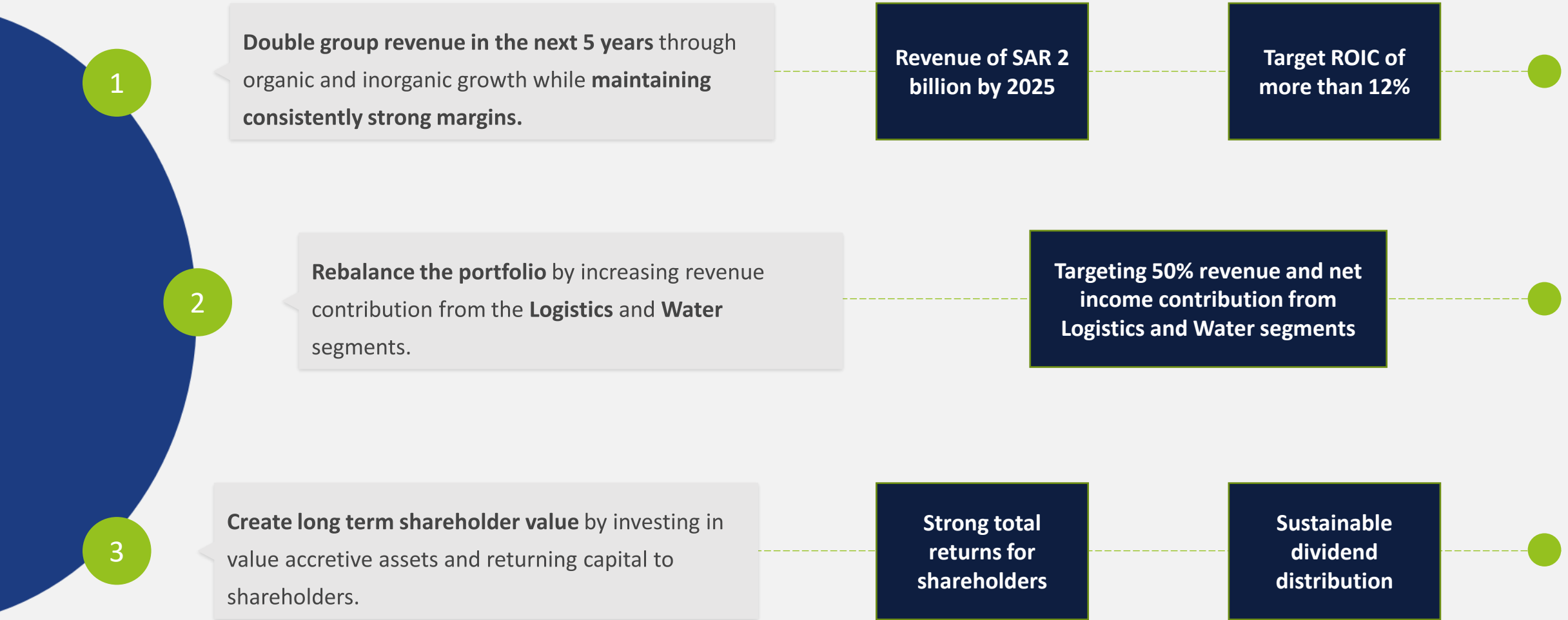


Logistics Parks and Services revenue was broadly flat YoY at SAR 22.9 million

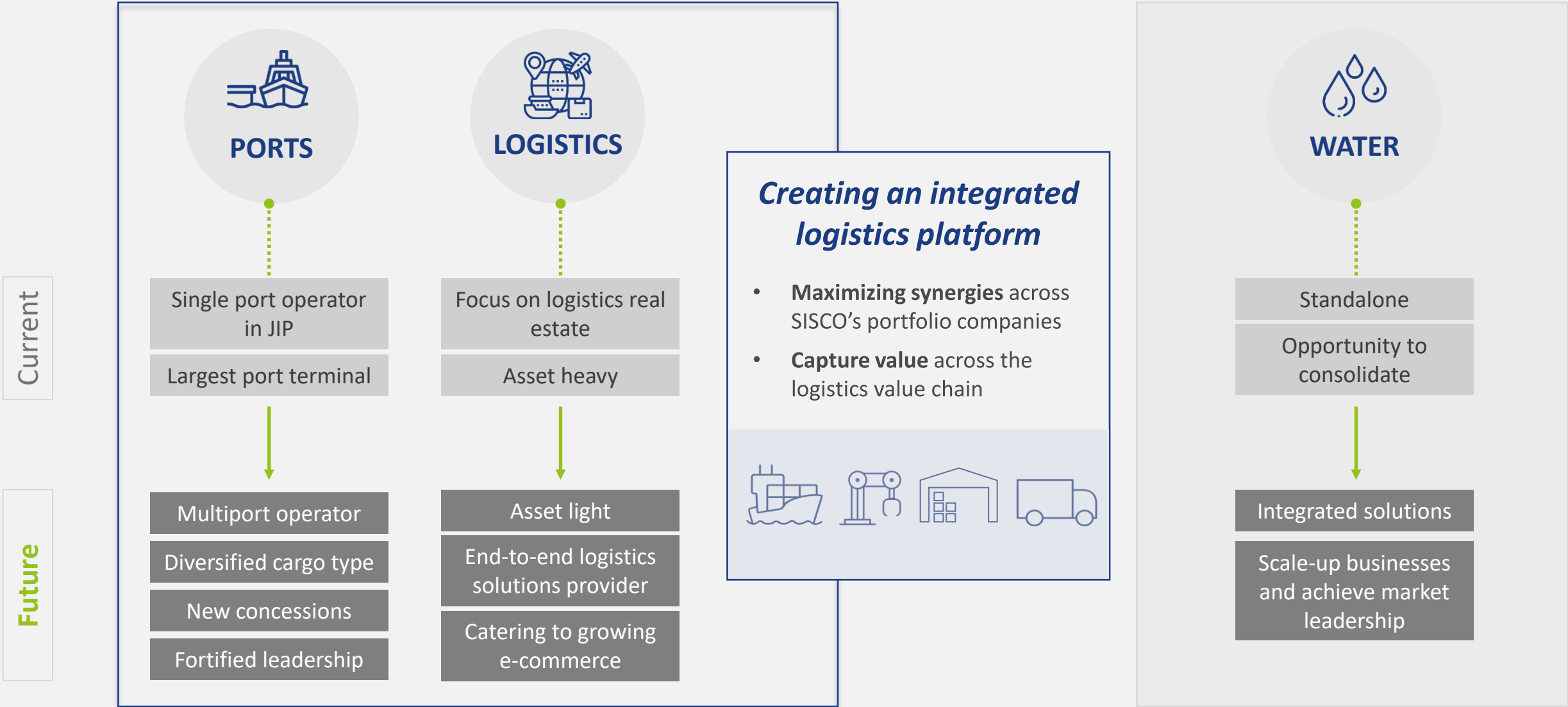
1. Strategic Updates



Strategic objectives



Segmental transformation

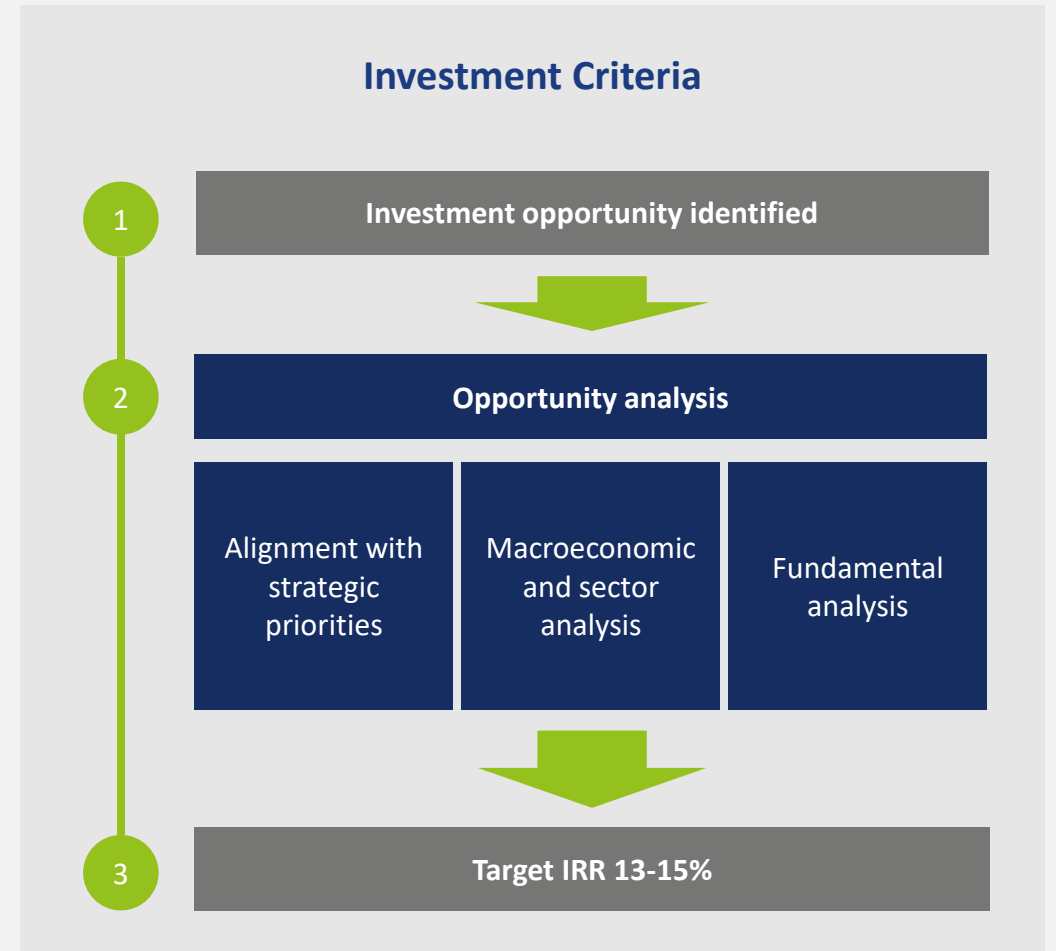


Capital allocation policy



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.



2.

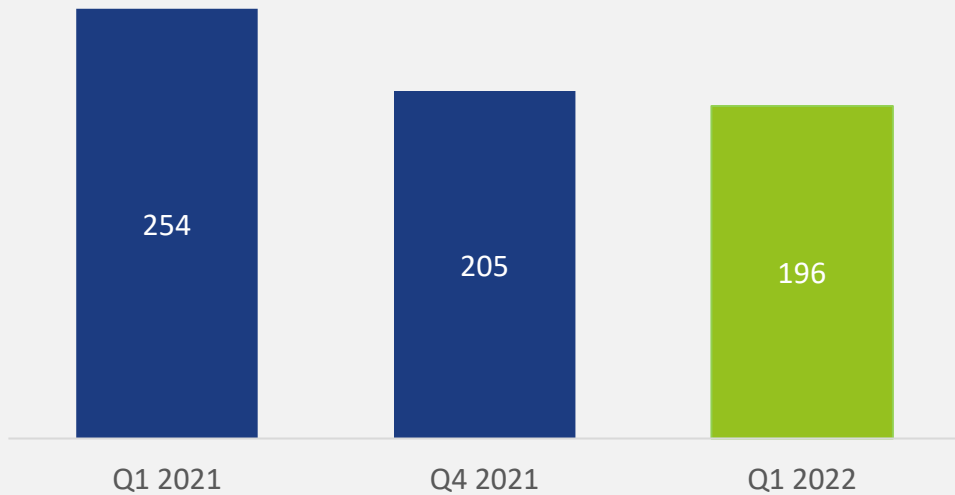
Financial Performance

Income statement highlights

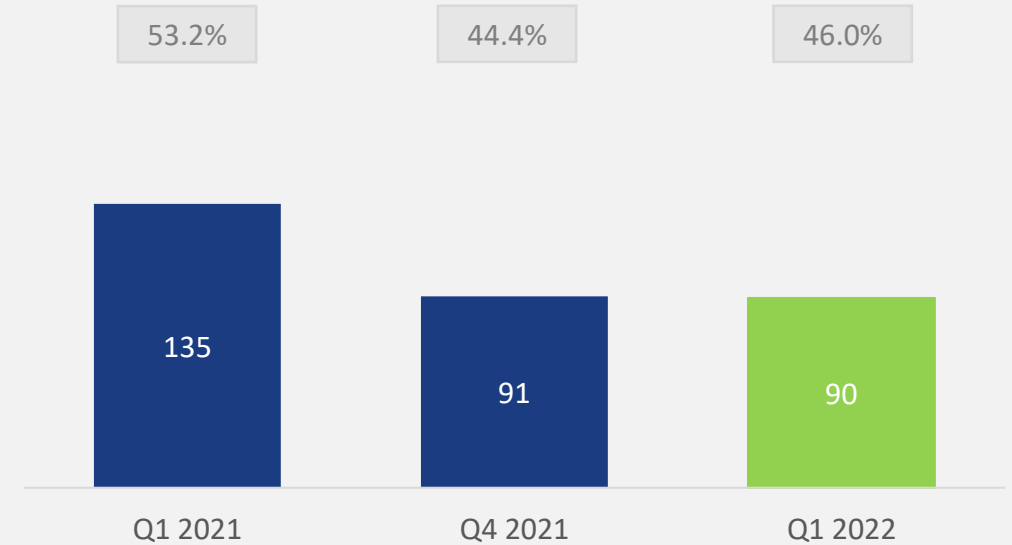
SAR millions (adjusted: excludes accounting construction revenue)

GP margin

Revenue



Gross profit

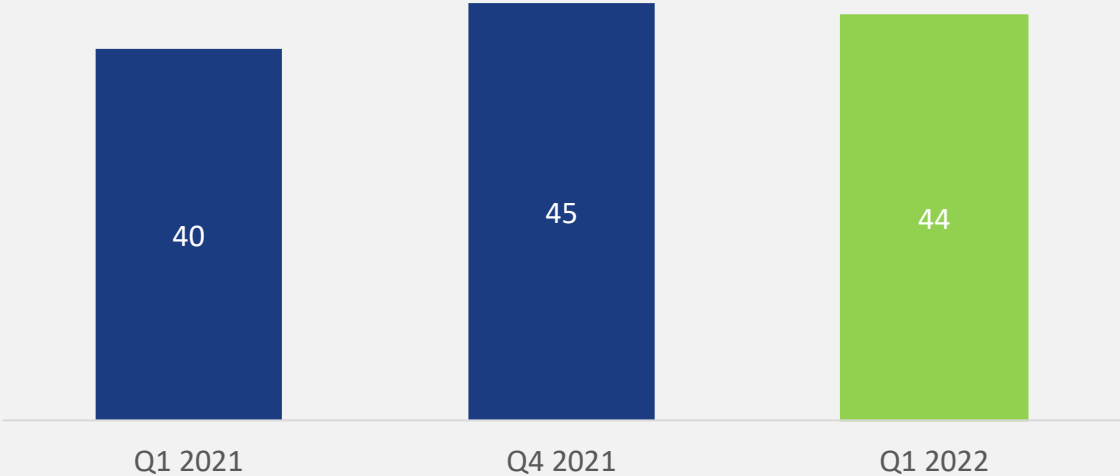


- **Revenue** impacted by ongoing global supply chain disruption and COVID restrictions in China as well as a temporary closure of the Kindasa water facility for 2 months.
- **Gross profit** for the period declined to SAR 90.2 million in Q1 2022, from SAR 134.9 million in the same period last year.
- **Gross profit margin** for the period was 46.0% compared to 53.2% in Q1 2021.

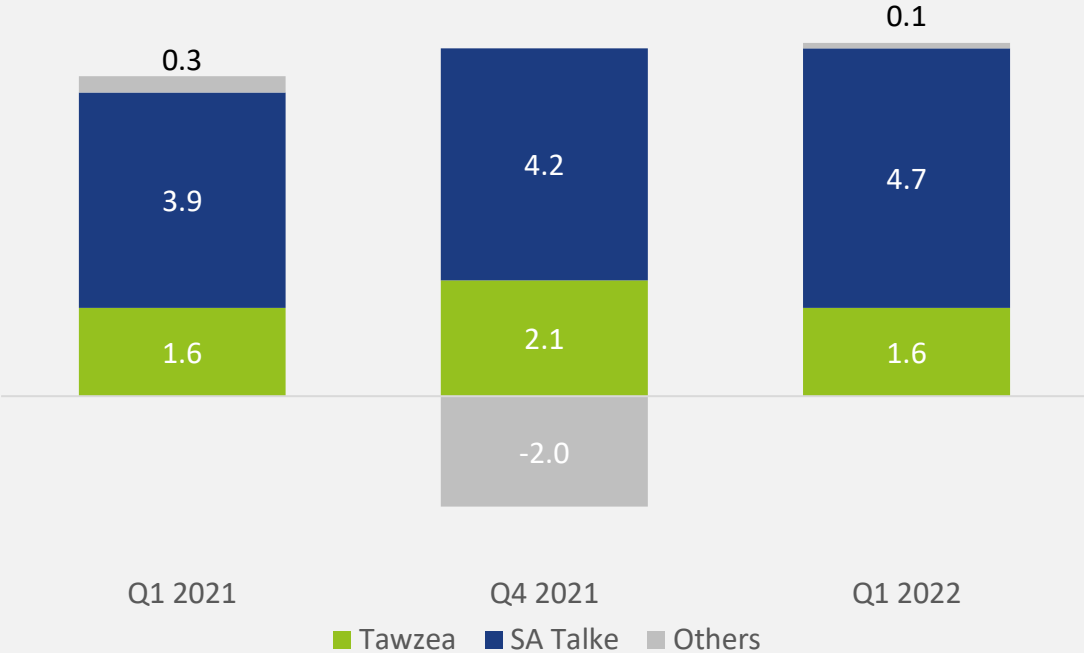
OPEX and investment income

SAR millions

Operating Expenses



Investment Income



- **Stable 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.

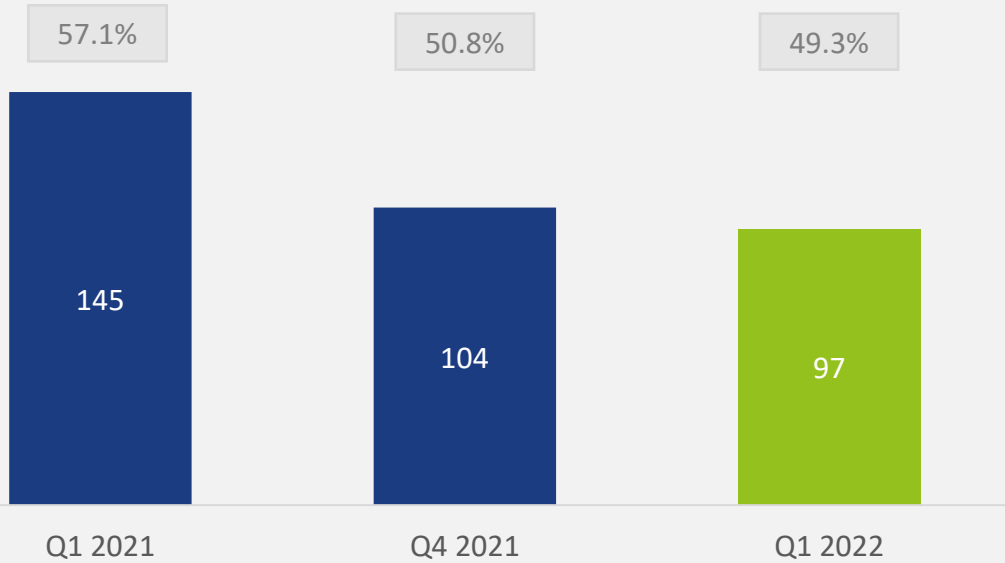


Income statement highlights

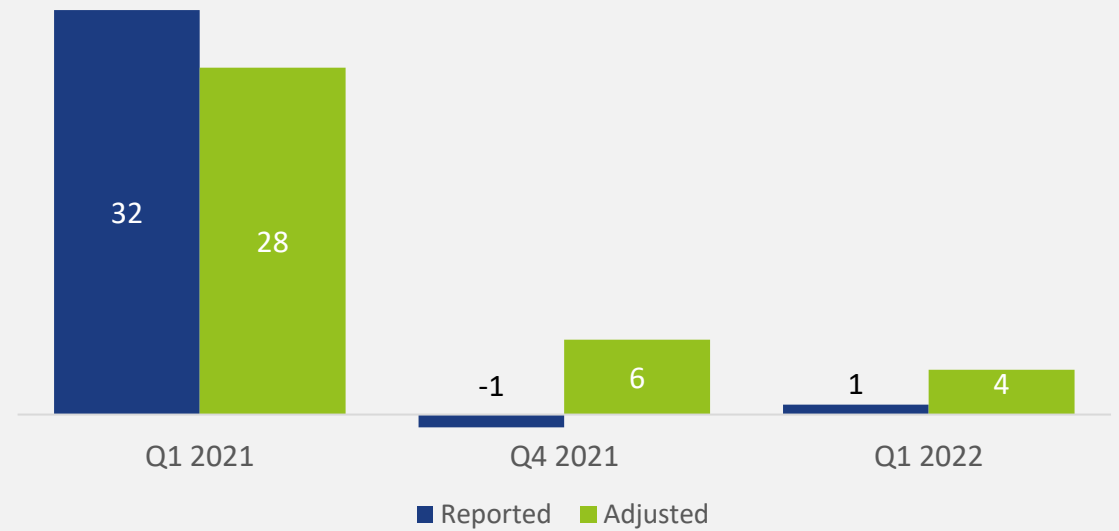
SAR millions

EBITDA margin

Adjusted EBITDA and Margin



Adjusted net income

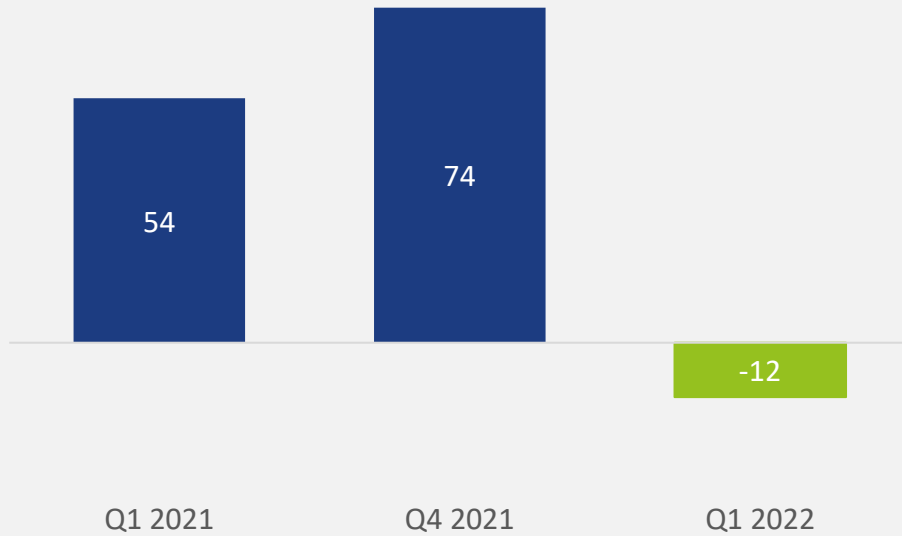


- **Net income** decreased to SAR 0.8 million in Q1 2022 following a decline in Group revenue and a net loss in the water segment.
- Excluding the impact of the one-off loss incurred by the water segment due to the temporary plant closure, **adjusted net income** for Q1 2022 is SAR 3.6 million compared to SAR 27.7 million for the same period last year.

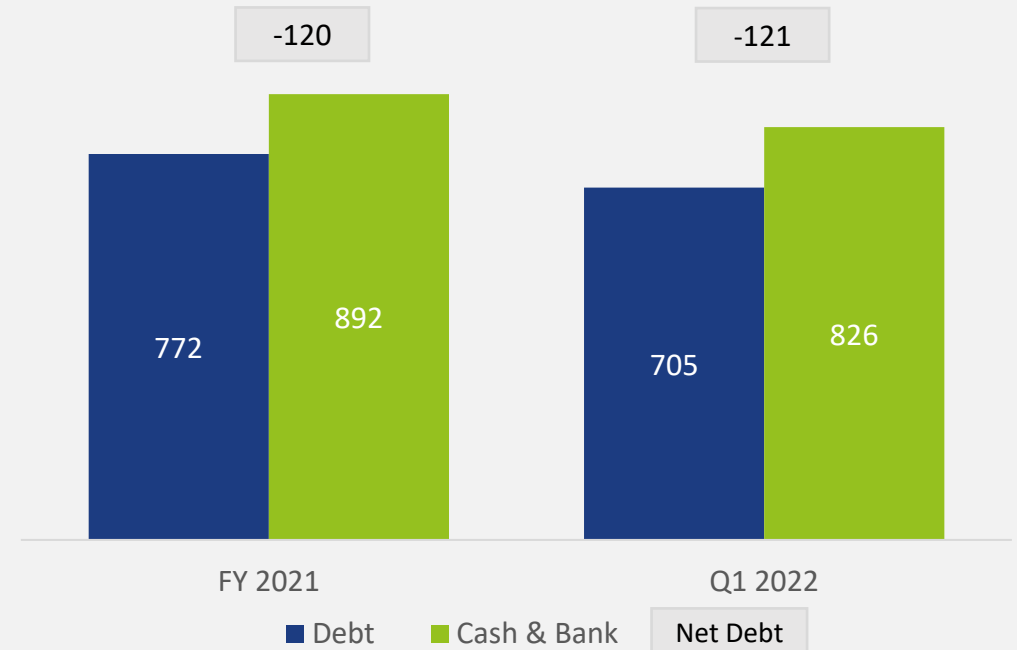
Free cash flow and net debt

SAR millions

Free cash flow



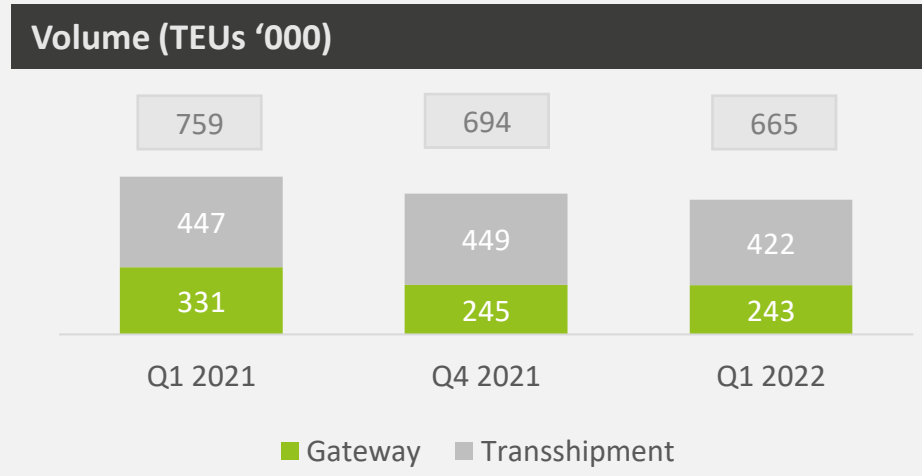
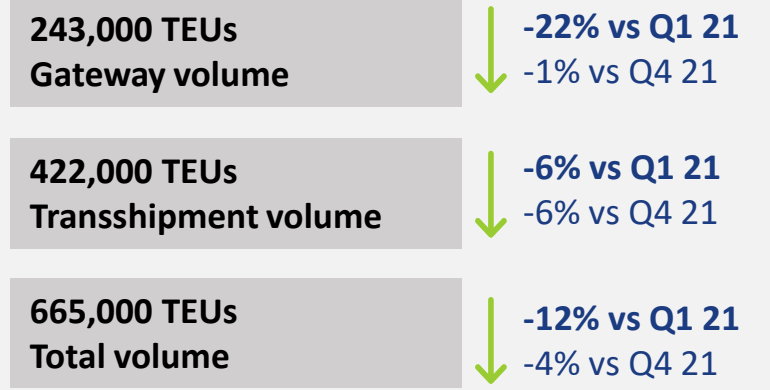
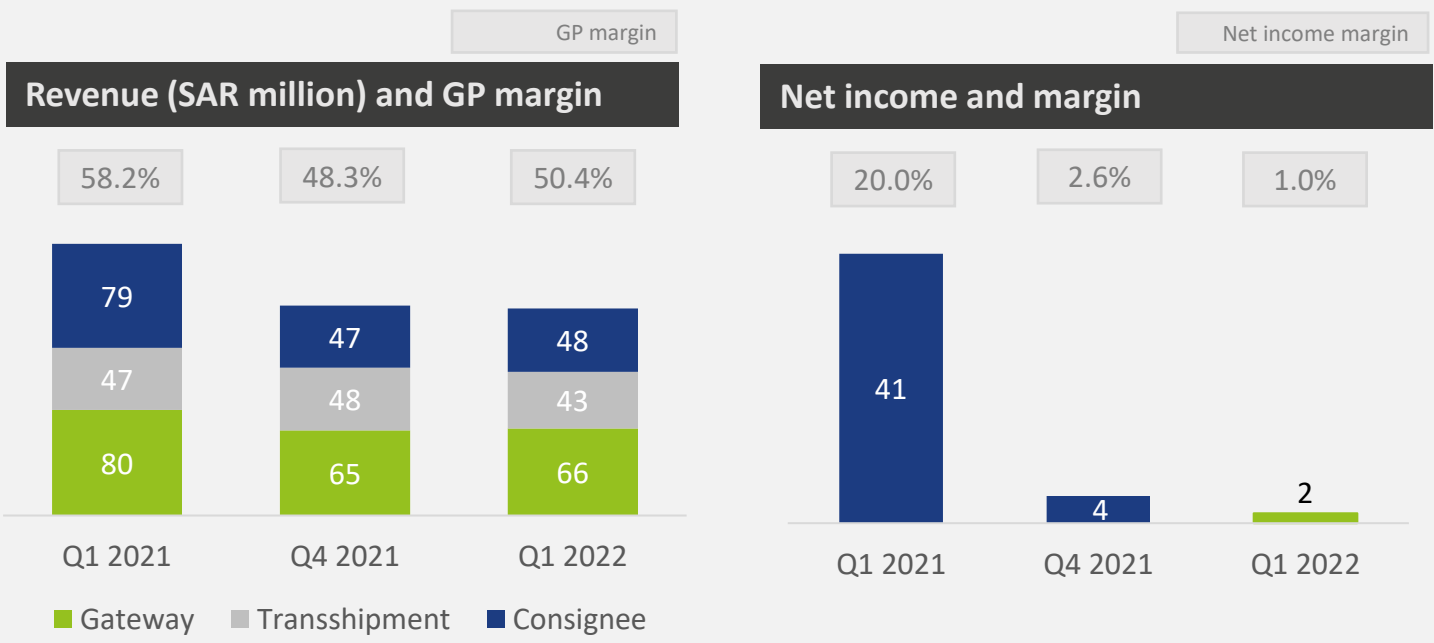
Net debt



- **Free cash flow** for the quarter was impacted by the reduction in net income.
- **Ample capital to drive updated five-year growth strategy**, through investing in assets with significant opportunity to be scaled-up.
- **Healthy cash position**, enabling attractive dividend, whilst delivering long-term shareholder value creation.

3. Segment Analysis

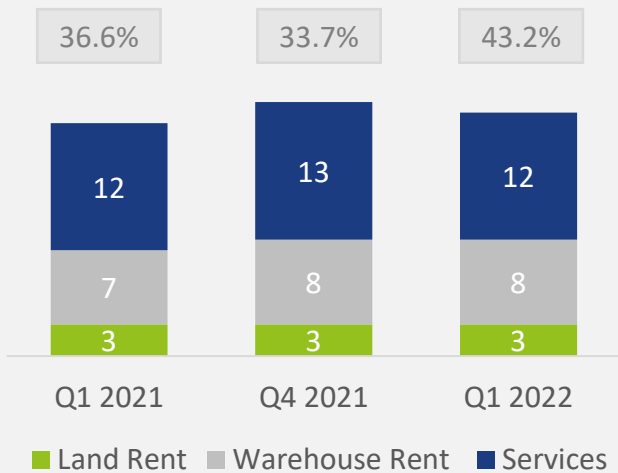
PORTS & TERMINALS SNAPSHOT | Q1 2022



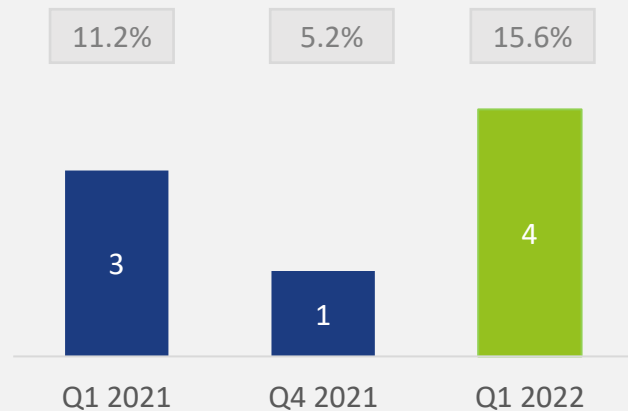
Impacted by ongoing global supply chain disruptions and the resumption of pandemic restrictions in China, which suppressed imports during the quarter, affecting gateway and transshipment volumes.

LOGISTICS, PARKS & SERVICES SNAPSHOT | Q1 2022

GP margin
Revenue (SAR million) and GP margin



Net income margin
Net income (SAR million) and margin



Revenue was broadly flat year-on-year, however the segment's share of warehouse revenue increased during the quarter, supporting gross margin expansion from 36.6% in Q1 2021 to 43.2% in Q1 2022.

39% Open Yard occupancy



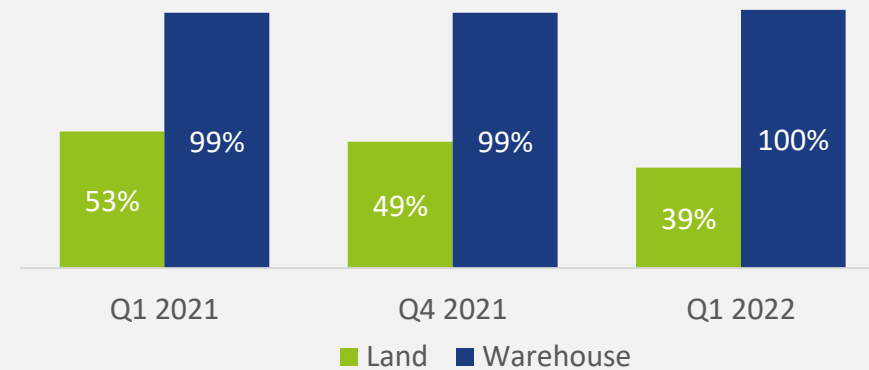
-26% vs Q1 21
-20% vs Q4 21

100% Warehousing occupancy



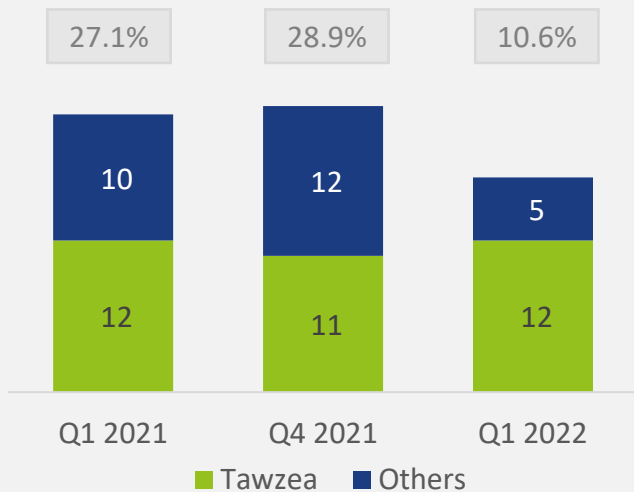
-1% vs Q1 21
+1% vs Q4 21

Occupancy

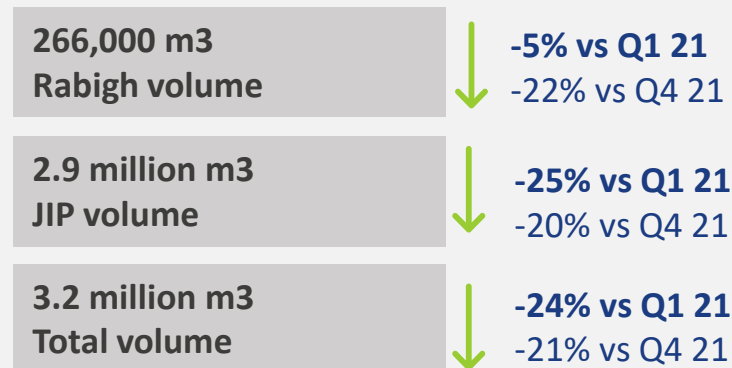
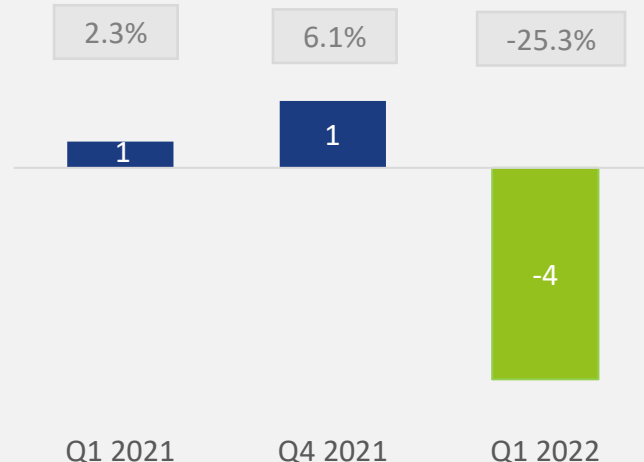


WATER SOLUTIONS SNAPSHOT | Q1 2022

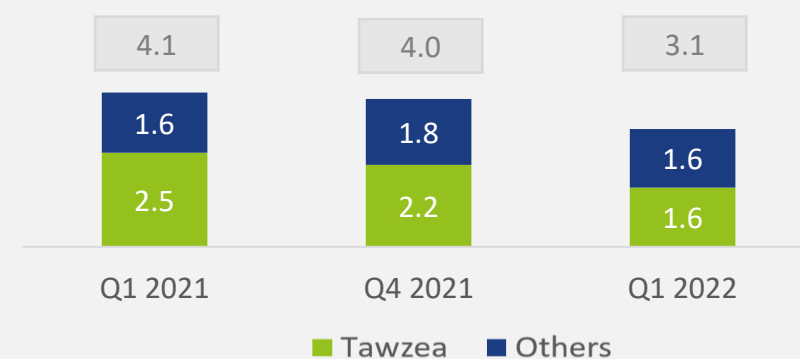
GP margin
Revenue (SAR million) and GP margin



Net income margin
Net income (SAR million) and margin



Volume - Water Sold (Cubic Meter)



A temporary decrease in production from the Kindasa facility for two months during the period impacted performance. All issues related to the decrease in production have now been resolved and revenues are expected to return to normal levels for the remainder of the year.

4. Summary

Q1 2022: Positive momentum on strategic initiatives



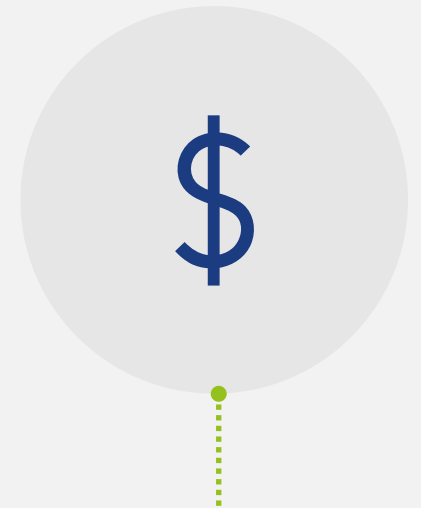
Transitory headwinds in the global ports and logistics sectors and a temporary plant shutdown in the water sector impacted performance during the quarter



Strong pipeline of potential acquisition targets within our strategic focus areas of Ports, Logistics and Water, matching criteria for long-term value creation



Delivered strategic progress with board approval for the acquisition of a 31.7% stake in Green Dome from subsidiary LogiPoint, marking a key milestone in building our highly-integrated logistics platform



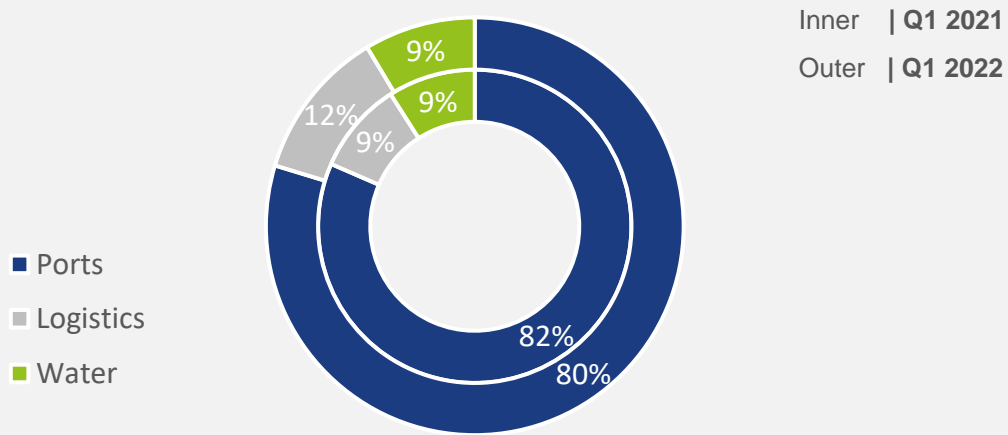
Attractive shareholder returns, with total annual dividend of SAR 0.80 per share for the financial years 2022 and 2023

5. Appendix

Revenue and gross profit composition

SAR millions (adjusted: excludes accounting construction revenue)

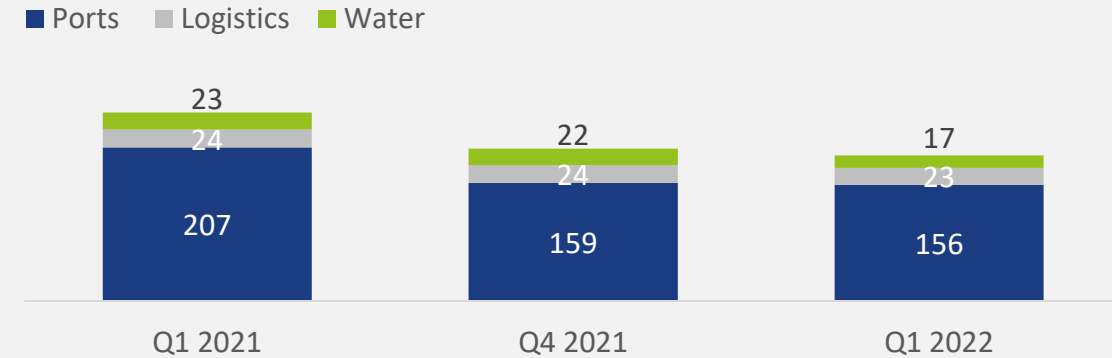
Revenue composition



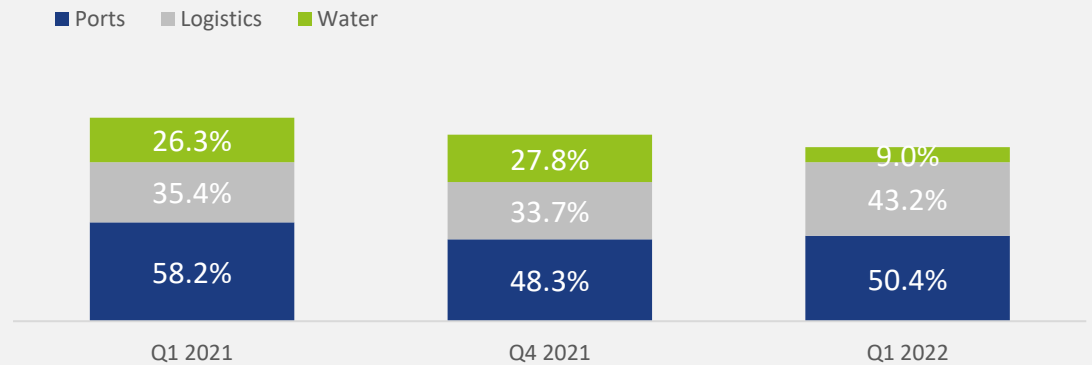
Gross profit composition



Group revenue composition



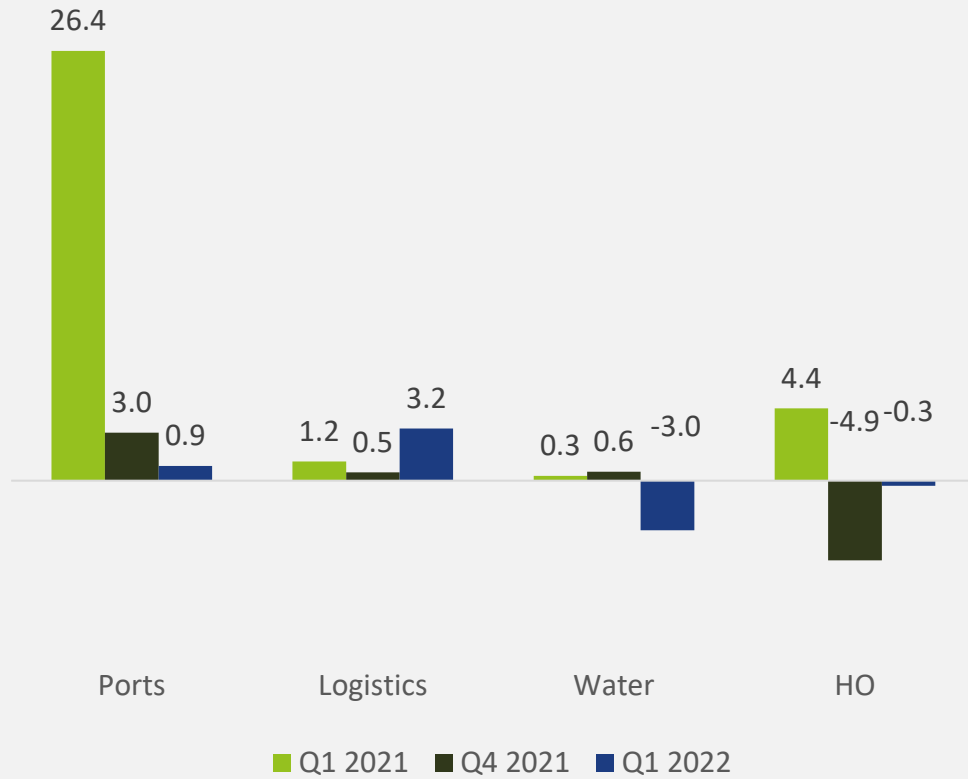
Gross margin composition



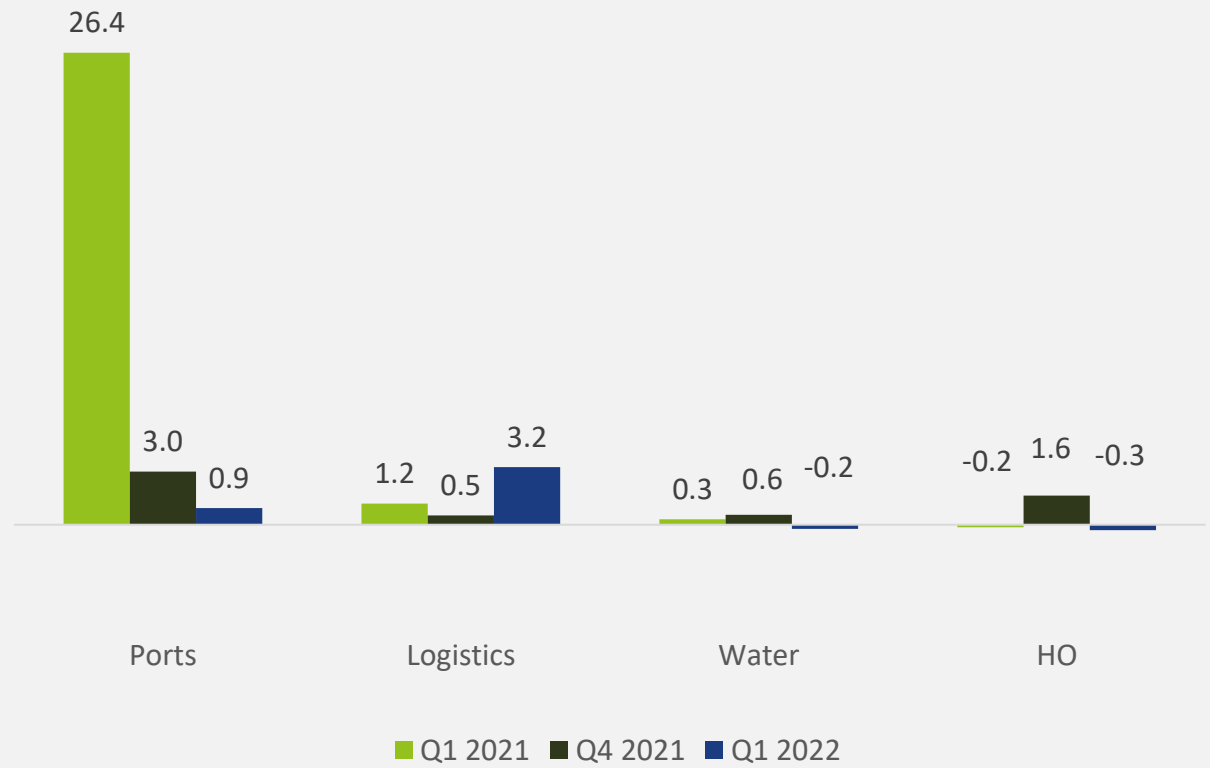
Net income by segment

SAR millions

Reported net income by segment



Adjusted net income by segment



Net income adjustments

SAR millions

	Q1 2021	Q1 2022
Reported Net Income	32.3	0.7
Reversal of provision for Zakat Contingencies (H.O)	(4.6)	-
Impact of the one-off loss incurred by the water segment	-	2.9
Total adjustments	(4.6)	2.9
Impact on SISCO net income	(4.6)	2.9
Adjusted Net Income	27.7	3.6

- Adjusted net income for Q1 2022 excludes the impact of the one-off loss incurred by the water segment amounting to SAR 2.9 million
- 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

SAR millions

	Q1 2021	Q1 2022	Variance
Revenue*	253.6	196.2	(57.4)
Direct costs*	(118.7)	(106.0)	12.7
Gross profit	134.9	90.2	(44.7)
Operating expenses	(40.1)	(43.8)	(3.7)
Operating profit	94.8	46.4	(48.4)
Investment income	5.8	6.4	0.6
Finance charges	(51.3)	(50.6)	0.7
Other income / expenses & Zakat	0.4	(1.0)	(1.4)
Group net income	49.6	1.2	(48.4)
Minority interest	(17.3)	(0.4)	16.9
Net income - reported	32.3	0.8	(31.5)
Net income - adjusted	27.7	3.6	(24.1)

*Excludes construction revenue and cost

Balance sheet

SAR thousands

	YE 2021	Q1 2022
Fixed Assets	3,688,092	3,695,536
Investments	211,707	218,132
Deferred Tax	4,527	4,527
Current Assets	1,090,725	1,031,143
Total Assets	4,995,051	4,949,339
Borrowings	721,358	704,598
Long Term Liabilities	1,518,547	1,521,252
Current Liabilities (excl. borrowings)	458,760	456,810
Total Liabilities	2,698,665	2,682,779
Equity	2,296,387	2,266,679
Total Equity & Liabilities	4,995,051	4,949,339

Cash flow statement

SAR millions

	Q1 2021	YE 2021	Q1 2022
Operating cash flow before working capital	145.2	480.9	96.1
Net working capital movement	(75.4)	(197.0)	(49.6)
Cash generated from operating activities	69.8	283.9	46.5
Finance charges, Zakat & income tax, EOSB	(5.5)	(47.6)	(7.2)
Net cash flow from operating activities	64.3	236.3	39.3
Net Proceeds from Sale of investments	-	648.4	-
Net cash used in Other Investing activities	(10.1)	(136.9)	(50.9)
Net cash used in financing activities	1.6	(194.0)	(55.0)
Net decrease in cash and bank balances	55.8	555.8	(66.7)
Cash at the beginning of the period	336.5	336.5	892.3
Cash at the end of the period	392.3	892.3	825.7

SAR million	Q1 2021	YE 2021	YE 2022
Cash At Center	37.8	547.8	502.7
Cash At Affiliates	354.5	344.5	32.3
	392.3	892.3	825.7

Thank you
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