

Saudi Arabia's SISCO reports tripling of Q3 net income on stable revenues and significantly improved margins

- Ports revenues in Q3'22 improved quarterly and year-on-year, as volumes recovered
- Significant expansion of gross profit margins in Logistics and Water segments, expected to be sustained into 2023
- Third quarter gross profit margin of 49.3% improved from 44.5% in Q3'21

Jeddah, Saudi Arabia, 3 November 2022: Saudi Industrial Services Company (“SISCO”, the “Company” or the “Group”), Saudi Arabia’s leading strategic investor in Ports & Terminals, Logistics Parks & Services, and Water Solutions, has announced its financial results for the three-month and nine-month periods ended 30 September 2022.

Revenues for the third quarter of 2022, excluding accounting construction revenue, were stable compared to the previous quarter at SAR 214.7 million, increasing by 0.7%. Q3'22 revenues were down by marginally by 1.5% year-on-year, with gradual improvement for the Ports segment, while Logistics revenues also improved from the previous quarter. Nine-month revenue of SAR 624.0 million declined 12.9% from 2021 due to the much stronger first-half performance of the Ports segment in the previous year.

Third quarter gross profit of SAR 105.8 million improved by 6.1% on the previous quarter and by 9.1% compared to Q3'21 on significantly improved margins achieved through optimized revenue mix and effective cost controls. The gross profit margin for Q3'22 stood at 49.3%, compared to 46.8% in Q2'22 and 44.5% in Q3'21. Gross profit for the nine-month period was SAR 295.7 million, declining by 16.8% from 2021 predominantly impacted by the decline in gateway revenue in the ports segment.

In light of significantly improved margins, adjusted net income for the third quarter improved by 364.5% from the previous quarter and by 56.6% year-on-year to reach SAR 14.4 million. For the nine-month period, adjusted net income was SAR 18.3 million, declining by 69.2% year-on-year, due to weaker first-half revenues as compared to the previous year.

Khalid Suleimani, Group CEO at SISCO, commented:

“We are pleased to report healthy performance for the third quarter. While our Ports segment has faced global macroeconomic headwinds, it has stabilized and is returning to growth. Our Logistics and Water businesses also did well, with strong service revenue for the former and higher quality sales mix for the

latter. Revenues for Q3 improved modestly from the previous quarter, but importantly margins improved, particularly for Logistics and Water, driven by revenue mix and cost controls.

“We expect to see improving Ports performance in the final quarter with gateway and transshipment volumes growing. The Logistics sector is showing strong signs of recovery, and we will be expanding our warehousing capacity to meet growing demand and capture greater market share.

For our Water portfolio, we expect to end the year 2022 at par with 2021. In addition, we believe the current strong margins will be sustained through year-end. The new contracts signed for the Water portfolio in the first half of the year are expected to have a positive impact on revenue and margins in Q4, with currently strong margins expected to be sustained into 2023.”

Appointment of new CEO

On 17 October 2022, a post-period event, SISCO announced the resignation of Eng. Mohammed Al Mudarres from his position as CEO, after 15 years of dedicated service to the business, during which he played a significant role in shaping and executing the Company’s strategy for growth. Eng. Al Mudarres is leaving SISCO to pursue his own business interests.

The Board of Directors has appointed and welcomes Eng. Khalid Suleimani as CEO of SISCO. Eng. Suleimani is a senior executive with more than 25 years of experience in fund management, investment, and digital transformation. A cultural transformation agent and venture capitalist, his previous affiliations include Moran Stahl & Boyer, Al Cantara - IFS Arabia, Alkhabeer Capital, Wadi Makkah Ventures, and Chrome Advisory, among other highly reputable organizations. The Board believes his depth of experience in investing across multiple sectors make him an ideal fit to spearhead SISCO’s ambitious strategy for growth and value creation.

Outlook and strategy

SISCO remains committed to the delivery of its five-year strategy to drive long-term value creation, aiming to double revenues to SAR 2 billion by 2026. SISCO’s investment approach focuses on value-accretive investments that are in line with its strategic focus areas of ports, logistics, and water. SISCO will announce updates to the market as other opportunities materialize.

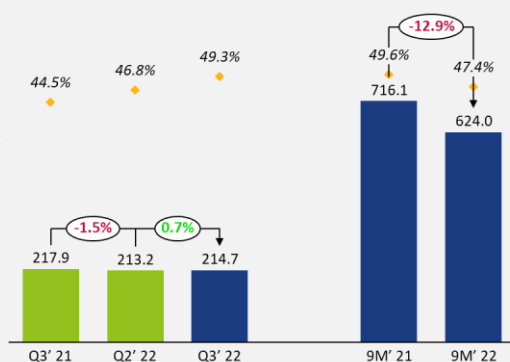
In the announcement dated 1 November 2022, SISCO’s subsidiary, LogiPoint announced acquiring a loan facility of SAR 290 million to finance the expansion of its warehousing capacity. The expansion, which doubles the existing 73,000 square meters capacity, is in line with the previously announced group’s 5-year strategy to establish LogiPoint as the leading logistics real estate developer and operator of state-of-the-art warehousing services and premium logistics facilities with long term customers across the Kingdom, serving the rapidly growing e-commerce sector.

Further potential growth areas are also expected to be developed including a state-of-the-art logistics park in Khumra which should boost logistics revenues and margins from 2023 and beyond.

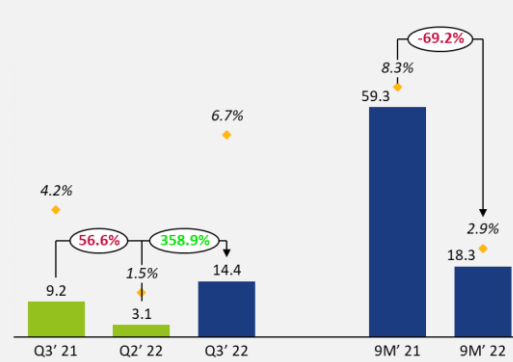
Income statement summary

SAR million

Revenue (SAR Million) and Gross Profit Margin



Adjusted Net Income (SAR Million) and Margin



Q3'22 Financials Summary

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

*Excludes construction revenue and cost

9M'22 Financials Summary

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

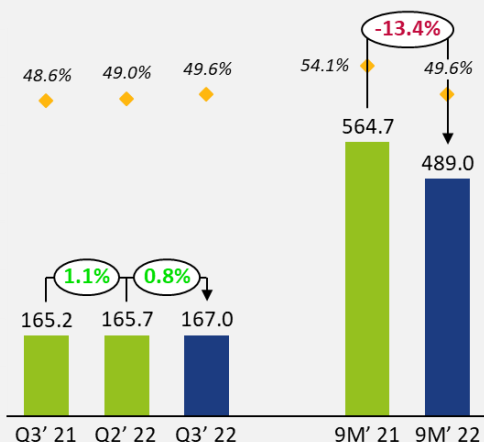
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Operational highlights

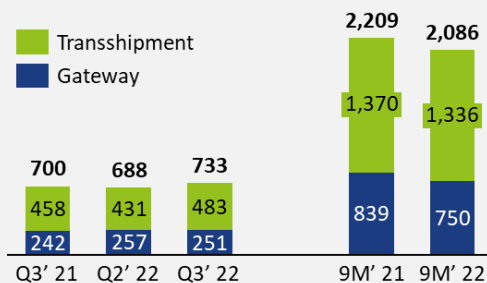
Ports & Terminals

Q3'22 revenues showed gradual improvement compared to the previous quarter and the comparative period in 2021, while 9M'22 revenues declined 13.4% compared to 2021. Q3'21 transshipment and gateway volumes improved by 6.5% on a quarterly basis but were weaker year-on-year volumes due to comparatively much stronger performance in 1H'21, which drove 9M'21 performance.

Revenue (SAR Million) and GP Margin



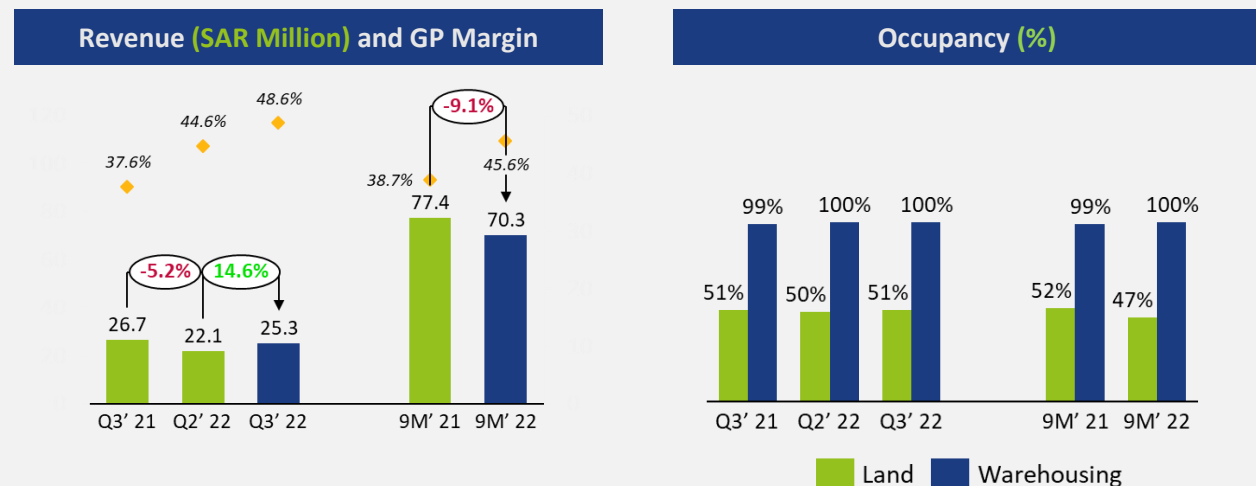
Volume (TEUS '000)



Logistics Parks & Services

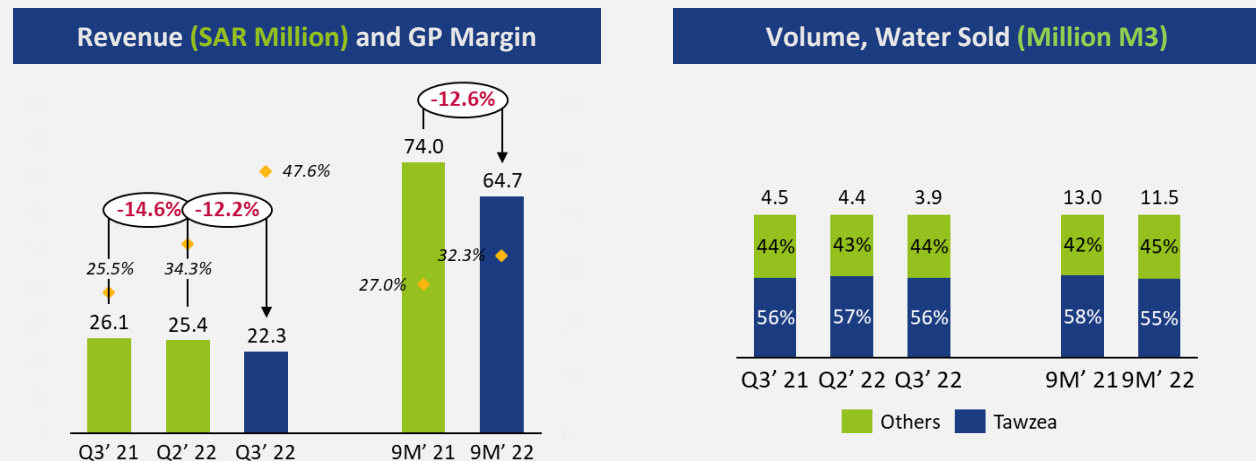
Logistics revenue for Q3'22 climbed 14.6% from the previous quarter to SAR 25.3 million. However, 9M'22 Logistics revenues fell 9.1% from 2021 to SAR 70.3 million due to a decline in Service and Open Yard revenues. The gross profit margin improved from 44.6% in Q2'22 to reach 48.6% in Q3'22 showing a significant boost to profitability due to better sales mix and effective cost optimization.

The doubling of the warehousing capacity is expected to come online over the course of the next 18 to 24 months on long term contracts, with the first 25,000 m² expected to be operational from 1 January 2023, should further boost logistics segment revenue and margins.



Water Solutions

Despite Water revenue decreasing on a quarterly and annual basis, gross profit margins showed strong improvement to reach 47.6% for Q3'22 and 32.3% for the nine-month period. Margin expansion is attributed to a decrease in depreciation cost and improved sales mix and pricing, which are driving profitability up.



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Contact

Investor relations

Email: ir@sisco.com.sa

Media

Rahul Ravisankar

Email: rahul.ravisankar@teneo.com

Telephone: +971 56 170 3833

About SISCO

Saudi Industrial Services Company (“SISCO”) is an investment holding company with a diversified portfolio of unique assets spanning ports, industrial parks and services, and water solutions. The Company was established in 1988 and is the first private sector developer of a bonded re-export zone in Saudi Arabia. SISCO’s portfolio includes 6 subsidiaries/ associates, supported by a team of more than 3,000 employees. SISCO provides strategic support to portfolio companies with a clear and long-term investment philosophy to unlock growth opportunities.

Analyst call and earnings presentation

SISCO will be hosting an analyst call on the Company’s Q2 2022 results on **9 November 2022 at 15:00** Saudi time. For conference call details, please email ir@sisco.com.sa. The earnings presentation will be hosted on the company website in due course: <http://www.sisco.com.sa/poverview.php>