



SISCO Q1 2023 adjusted net income increases 444% to SAR 19.4 million

- Group revenue in Q1'23 improved driven by the strong volume growth in the ports segment
- Significant expansion of gross profit margins in Ports and Water segments as compared to Q1'22
- Q1'23 gross profit margin of 54.1%, up from 46.0% in Q1'22

Jeddah, Saudi Arabia, 16 May 2023: Saudi Industrial Services Company ("SISCO", "TADAWUL: 2190"), Saudi Arabia's leading strategic investor in Ports & Terminals, Logistics Parks & Services, and Water Solutions, has announced its financial results for the quarter ended 31 March 2023.

Revenues for the first quarter of 2023, excluding accounting construction revenue, grew by 21.8% compared to Q1'22 to reach SAR 238.9 million on the back of strong performance by the Ports and Water segments. On a quarter-on-quarter basis, Q1'23 revenues improved by 3.5% as compared to Q4'22, mainly driven by the Ports segment.

The first quarter gross profit of SAR 129.1 million grew by 7.2% from the last quarter and by 43.1% compared to Q1'22 due to strong revenue growth and improvement in margins. The gross profit margin for Q1'23 stood at 54.1%, up from 46.0% in Q1'22 driven by improvement in the ports and water segment. On a quarter-on-quarter basis, gross margins improved by 1.9pp from 52.2% in Q4'22 driven by an improvement in gateway volumes in the ports segment.

As a result of improved margins, adjusted net income for the first quarter improved significantly by 444% compared to the same quarter last year to SAR 19.4 million, driven by improved revenue mix and effective cost control.

Q1 2023 Quarterly Performance Highlights:


Revenues improved by 3.5% on quarterly basis and 21.8% as compared to Q1'22 due primarily to healthy growth in the ports segment's gateway volumes.

Gross profit increased by 43.1% as compared to Q1'22 mainly due to margin improvement in the ports and water segment.


Adjusted EBITDA improved to SAR 147.6m and a healthy margin of 61.8%

Adjusted Net income of SAR 19.4 m grew by 444% compared to same quarter last year due to performance improvements across ports and water segments as well as equity accounted associate companies.


Revenue *

SAR 238.9 m  **21.8%**
Q1-2022: SAR 196.1 m

Gross Profit

SAR 129.1 m  **43.1%**
Q1-2022: SAR 90.2 m

EBITDA-Adjusted

SAR 147.6 m  **49.9%**
Q1- 2022: SAR 98.5 m



Net Income – Adjusted

SAR 19.4 m **↑ 444%**
Q1- 2022: SAR 3.6 m

GP Margin

54.1% **↑ 810bps**
Q1-2022: 46.0%

NP Margin - Adjusted

8.2% **↑ 640bps**
Q1-2022: 1.8%

Commenting on the results, Eng. Khalid Suleimani, Group CEO, SISCO, said:

"I am pleased to report that SISCO has had a strong start to the year with our Q1FY23 results. We have delivered robust financial performance following last year’s challenging first half that reflects improved economic conditions and the strong operational performance of our portfolio companies.

For the first quarter, the biggest growth contribution has been from our Ports segment. The volumes during the first quarter improved compared to the same quarter last year, mainly driven by the growth in gateway volumes. As a result of improved revenue mix, we have seen significant growth in revenue in this segment, which also reflects the healthy growth in Gross Profit for the quarter and a sharp jump in the segment’s Net Profit. We expect the robust Ports performance to continue with volumes returning to pre-COVID levels now that international supply chain constraints and container shortages have abated.

The Logistics segment performed consistently compared to last year in both the top and bottom lines. New state-of-the-art warehouse facilities are going live over the next few quarters, and the newly available storage capacity will drive the segment’s growth later in the year.

The Water segment also posted strong results compared to the same period last year which was impacted by the temporary decrease in water production. As a result, we have seen a strong comeback in revenues, combined with effective cost controls to improve margins further.

Our other portfolio companies, including SA Talke and Tawzea, also had a typically strong quarter.

We will continue to execute our growth strategy, prioritize operational efficiency, and maintain our focus on scaling our current infrastructure and value-accretive investment opportunities within our segments of ports, logistics, and water solutions. SISCO remains dedicated to delivering on its five-year strategy to drive long-term value creation for its stakeholders, with a target to double revenue to SAR 2 billion and increase AUMs to SAR 6 billion by 2026.

To this end, I am delighted to announce that we have improved our capabilities at the holding level through a number of key hires in M&A, investor relations and corporate communications and digital transformation. We continue to seek and hire Saudi talent in line with our objective of promoting young Saudi talent into front-line roles.

These hires are a key part of our five-year strategy and aim to enhance our talent pool as we navigate the current dynamic environment and execute on the initiatives to accelerate growth and create value for our shareholders."

Building our capabilities

We have strengthened our investment department with the appointment of Christophe Durand as the new Head of M&A. Christophe brings over 20 years of investment and M&A experience and will be responsible for overseeing our M&A strategy and driving SISCO’s growth through strategic acquisitions.

We also strengthened our investor relations and communications functions through the appointment of an Investor Relations Manager, Yaman Aljundi and a Corporate Communications Supervisor, Noura Rehbini. We are committed to creating stronger connections with the financial community and these key hires are invaluable to achieving this goal.



Finally, we appointed a new head of digital transformation, Ahmed Alireza, who comes with a rich experience from his years working in Silicon Valley, and he will be responsible for leading our digital transformation efforts and driving growth through technology and innovation. SISCO's digital transformation department will work closely with our executive team and our portfolio companies to identify areas where technology and digital innovation can create new opportunities.

Outlook and Strategy

As expected, we witnessed a strong rebound in the port sector in 2023 versus 2022. The global supply chain and container issues have receded, and we continue to recover lost ground this year. We hope to carry strong momentum in the next quarter as well, supported by a positive outlook on an improving local economy, significant planned government investment in our core sectors, and a strong rebound in local cargo. Our portfolio companies are demonstrating strong resilience and an ability to generate growth as demonstrated by their performance in the first quarter.

SISCO has achieved significant progress in the delivery of its five-year strategy announced late 2021, to drive long-term value creation for its shareholders, aiming to double revenues to SAR 2 billion by 2026G, while growing the size and number of its portfolio companies both locally and internationally.

SISCO's strategy to complete its presence across the logistics value chain was exemplified by our last investment in Elite, which provides last mile B2B services across 5 gulf states, with a fleet of 600 vehicles of different sizes.

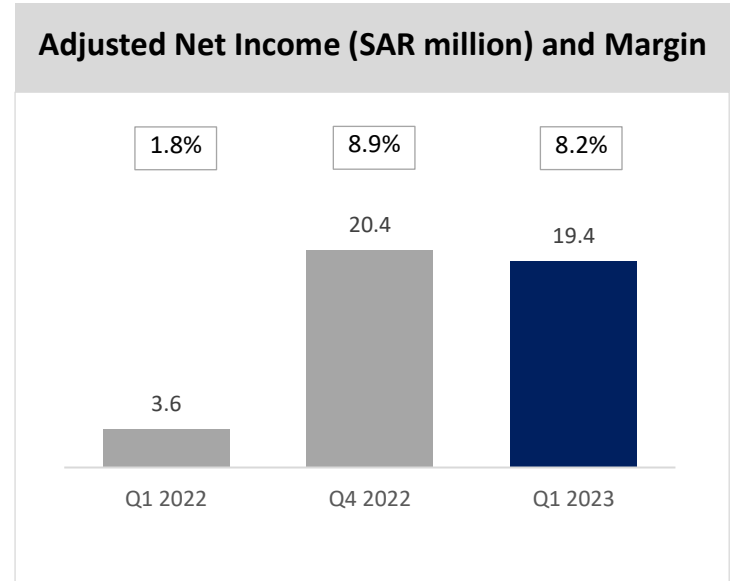
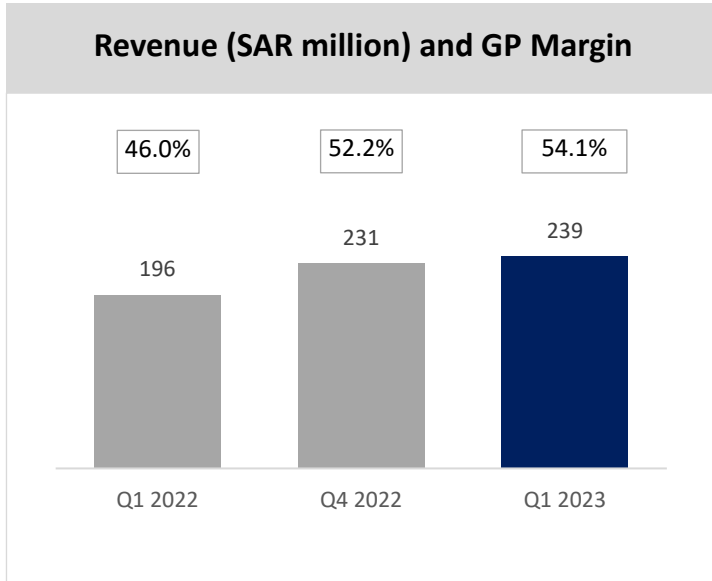
Carrying on with expansion and growth in our portfolio companies and as part of the strategy execution, LogiPoint completed the construction of the first 21,000 square meter warehouse which became operational on 1 April 2023, with an additional 25 thousand sq m warehouse expected to be operational in the second half of 2023. This expansion is part of LogiPoint's ongoing project to increase capacity to 130,000 square meters by Q1 2024. The strategy aims to establish LogiPoint as the leading logistics real estate developer and operator of state-of-the-art warehousing services offering premium logistics facilities to attract long-term customers across the Kingdom, thus serving the rapidly growing e-commerce sector.

We also aim to expand our ports business in the international markets, following the completion of our expansion in Jeddah Islamic Port, which increased our capacity to more than 6.2 million TEUs annually. As part of that effort, the Red Sea Gateway Company (RSGT) was nominated as a preferred operator to build and operate a port terminal in Bangladesh and has now signed an MoU with the Bangladeshi authorities to negotiate the terms of the concession. This demonstrates the steady progress in our strategic intent to explore global expansion opportunities in suitable markets. To this end, we have set up an international structure for RSGT to help business growth globally.

SISCO will drive growth at the holding level through inorganic investments in logistics, primarily focusing on 3PL cold chain and adjacencies in the logistics value chain. SISCO has built strong investment capabilities at the corporate level to implement its strategy and has already built a healthy pipeline of deals has been developed within the 3PL cold chain and e-commerce segment. SISCO's acquisition strategy will be primarily KSA-focused although opportunities across the GCC will be considered if they fit our overall investment criteria.

Income statement summary

SAR million



Q1'23 Financials Summary

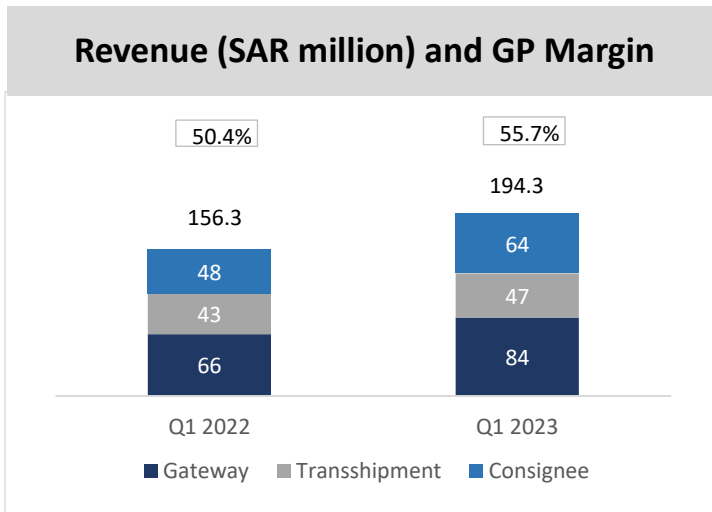
SAR million	Q4' 22	Q1' 23	Var. %	Q1' 22	Q1' 23	Var. %
Revenue*	230.9	238.9	3.5%	196.1	238.9	21.8%
Direct costs*	(110.4)	(109.7)	-0.6%	(106.0)	(109.7)	3.5%
Gross profit	120.5	129.1	7.2%	90.2	129.1	43.1%
Operating expenses	(50.0)	(45.2)	-9.6%	(43.8)	(45.2)	3.2%
Operating profit	70.5	83.9	19.0%	46.4	83.9	80.8%
Investment income	7.9	8.0	1.3%	6.4	8.0	25.0%
Finance charges	(56.1)	(58.1)	3.6%	(50.6)	(58.1)	14.8%
Other income / expenses & Zakat	9.3	3.0	-67.7%	(1.0)	3.0	-400%
Group net income	31.6	36.8	16.5%	1.2	36.8	2966.7%
Minority interest	(13.2)	(17.3)	31.1%	(0.4)	(17.3)	4225%
Net income – reported	18.4	19.4	5.6%	0.8	19.4	2402%
Net income - adjusted	20.4	19.4	-4.7%	3.6	19.4	444%

*Excludes construction revenue and cost

Operational highlights

Ports & Terminals

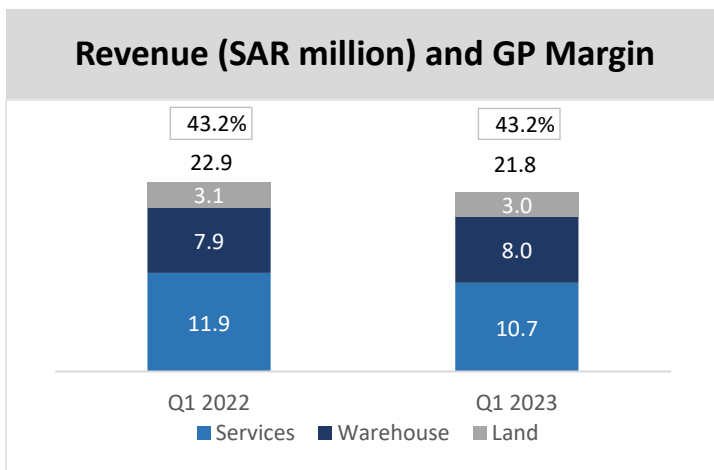
Q1'23 revenues showed significant improvement with SAR 194.3m compared to the same quarter last year. Q1'23 gateway volumes improved by 27.7% as compared to Q1'22 and transshipment volumes improved by 11.7%.



Logistics Parks & Services

The Logistics segment revenues for Q1'23 declined marginally by 4.9% from the same quarter last year, while gross profit margin remained stable at 43.2%. The first warehouse of LogiPoint's expansion project will become operational in the next quarter, which is expected to boost the Logistics segment revenues and margins.

SISCO associate SA Talke revenues increased marginally to SAR 76.9 million during Q1 2023 compared to same quarter last year. SISCO's share of SA Talke's net income was SAR 5 million, 6.4% higher than the same quarter last year.

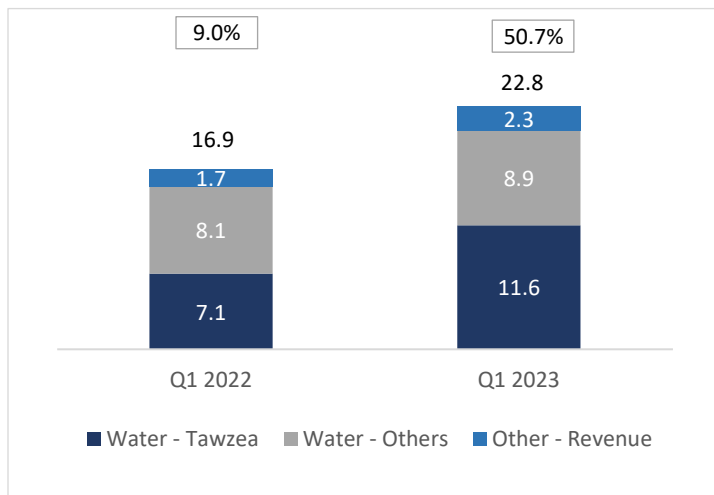


Water Solutions

Revenues of the water segment increased significantly compared to Q1 of last year. Gross profit margins showed a strong improvement to reach 50.7% for Q1'23 from 9.0% in Q1'22. The margin expansion is attributed to a decrease in depreciation cost and improved sales mix and pricing.

SISCO associate TAWEZA has reported more than 24.8% year on year growth in adjusted revenues to SAR 90.2 million. SISCO's share in net income was at SAR 2.7 million from TAWEZA, an increase of 68.8% year-on-year.

Revenue (SAR million) and GP Margin





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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 7 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 first quarter 2023 results.

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>