

Saudi Arabia's SISCO's Q4 adjusted net income rises 262% y-o-y on strong revenues and improved margins

- Ports revenues in Q4'22 improved quarterly and year-on-year as volumes recovered
- Significant expansion of gross profit margins in Logistics and Water segments, expected to sustain into 2023
- Fourth quarter gross profit margin of 52.2%, up from 49.3% in Q3'22

Jeddah, Saudi Arabia, 28 February 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 fourth quarter and the year ended 31 December 2022.

Revenues for the fourth quarter of 2022, excluding accounting construction revenue, grew significantly compared to the previous quarter at SAR 230.8 million, an increase of 7.5%. Q4'22 revenues improved by 12.6% year-on-year, led by growth in the Ports segment, while logistics and water segment revenues remained stable compared to the same quarter last year. SISCO's full Year revenues of SAR 854.8 million declined 7.2% from 2021 mainly due to decline in revenues in the Ports Segment. The fall in revenues for the ports segment could be attributed to lower gateway volumes in the first half of 2022, in particular.

The fourth quarter gross profit of SAR 120.4 million grew by 13.8 % quarter on quarter (q-o-q) and by 32.3% compared to Q4'21 on significantly improved margins achieved through optimized revenue mix and effective cost controls. The gross profit margin for Q4'22 stood at 52.2%, up from 49.3% in the previous quarter and 44.4% in Q4'21. The gross profit for the twelve-month period stood at SAR 416.2 million, declining by 6.8% from 2021, predominantly impacted by the decline in gateway revenues in the ports segment.

In light of significantly improved margins, adjusted net income for the fourth quarter grew by 42.2% from the previous quarter and by 262% year-on-year to SAR 20.4 million. For the twelve-month period, adjusted net income was SAR 41.5 million, declining by 36.1% year-on-year due to weaker first-half revenues as compared to the previous year.

Q4 2022 Quarterly Performance Highlights:


Revenues improved by 12.6% due to the higher volumes in the Ports segment.

Gross profit increased by 32.4% from 2021 mainly due to improvement across all business segments, especially, margins for the Ports and Water segments.

Adjusted EBITDA improved to SAR 133.8 m due to the same reasons.

Adjusted Net income of SAR 20.4 m grew by 262% compared to same quarter last year due to performance improvements across all segments as well as equity accounted associate companies.

Revenue *

SAR 230.9 m  **12.6%**
Q4-2021: SAR 205.1 m


Gross Profit

SAR 120.5 m  **32.4%**
Q4-2021: SAR 91.0m

EBITDA-Adjusted

SAR 133.8 m  **28.4%**
Q4- 2021: SAR 104.2 m

Net Income – Adjusted

SAR 20.4 m  **262%**
Q4- 2021: SAR 5.6 m

GP Margin

52.2%  **780bps**
Q4-2021: 44.4%

NP Margin Adjusted

8.9%  **610bps**
Q4-2021: 2.8%

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

"We are delighted that for SISCO, the improvement in the macro environment and impact of strategic decisions has started to positively reflect in our operating and financial performance. Despite the challenges in the initial quarters, we closed the year with a healthy performance in Q4, testifying to our positive recovery and a strong start to 2023. Our performance gives us the confidence that our shareholders can look forward to continued improvement in our business prospects.

For the fourth quarter and on a year-on-year basis, the biggest contribution has been from our Ports segment. The volumes during the fourth quarter improved in high single digits compared to the volumes in the same quarter last year, mainly driven by the growth in gateway volumes. As a result of improved pricing, we have seen significant growth in revenue in this segment which also reflects in healthy growth in Gross Profit for the quarter and a sharp jump of almost 300% growth in the segment's Net Profit. We expect the robust Ports performance to continue with volumes growing and a strong pricing environment.

Added Eng. Suleimani, "The logistics sector suffered a marginal decline in revenues primarily because of a dip in services revenue during the previous quarter. Thankfully, the profit margins improved considerably. As a business strategy, we will be expanding our warehousing capacity due to growing demand in this sector. The water solutions business has been largely stable in revenues during the quarter. However, the encouraging part is that, in line with healthy improvement in profitability in other segments, this segment has also seen a considerable increase in net profit on a year-on-year basis."

Outlook and Strategy

SISCO is the first publicly listed infrastructure and logistics investment company, which capitalises on attractive opportunities in the core expertise areas of the Company. The core focus for Management in SISCO's investment approach remains on value-accretive investments with particular focus on ports and logistics. SISCO will announce updates to the market as other opportunities materialise.

The Company remains committed to the delivery of its five-year strategy announced late 2021, to drive long-term value creation, aiming to double revenues to SAR 2 billion by 2026, while maintaining a healthy growth in Portfolio companies both in size and number and increasing its overall AUMs.

As part of the strategy execution, LogiPoint announced on 1 November 2022, acquiring a loan facility of SAR 290 million to finance the expansion of its warehousing capacity. The expansion, which will double the existing capacity of 73,000 square meters. 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 with long-term customers across the Kingdom, serving the rapidly growing e-commerce sector. Other potential growth areas are also expected to be identified, including a state-of-the-art logistics park in Khumra which should boost logistics revenues and margins from 2023 and beyond.

We are also working on expanding our Ports business in the international markets, following the completion of our expansion in JIP. As part of that effort, RSGT was nominated as a preferred bidder for an opportunity to build a port terminal in Bangladesh, which demonstrates the steady progress on our strategic intent to explore global expansion opportunities in the suitable markets. To this end, we have set up an international structure for RSGT to help business growth globally.

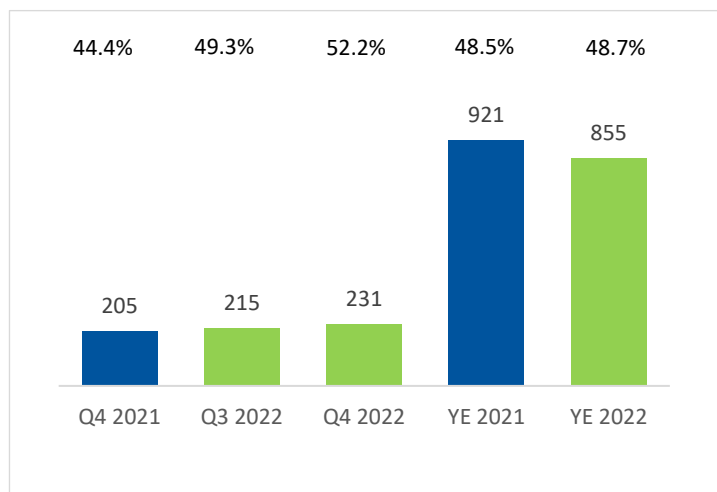
We also launched a number of expansion projects in other Portfolio companies such as Tawzee, the largest in water distribution and treamtemnt in industrial cities, and SA Talke, which specializes in petrochem logistics.

And as part of our strategy of completing our presence across the logistics value chain, we invested in Elite, which provides last mile B2B services accorss 5 gulf states, with a fleet 600 vechicle strong, through our investment in GreenDome Investments (GDI). We are also pleased to report that we are also seeing a healthy pipeline of growth opportunities, in particular, 3PL-related deals in logistics services

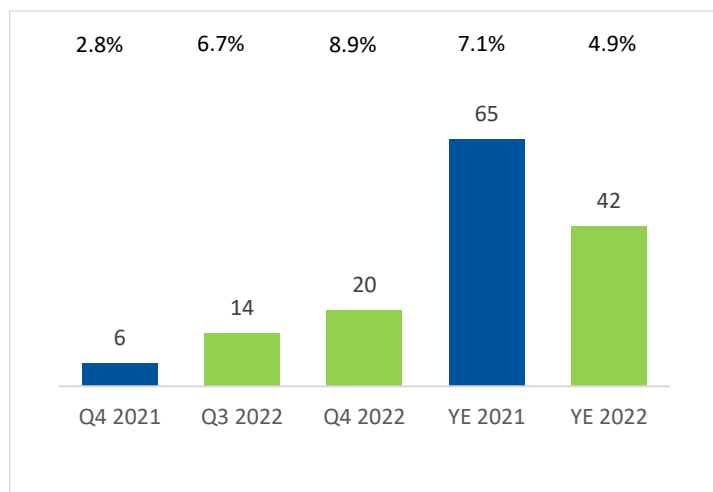
Income statement summary

SAR million

Revenue (SAR million) and Gross Profit



Adjusted Net Income (SAR million) and



Q4'22 Financials Summary

<i>SAR million</i>	Q3' 22	Q4' 22	Var. %	Q4' 21	Q4' 22	Var. %
Revenue*	214.7	230.9	7.5%	205.1	230.9	12.6%
Direct costs*	-108.9	-110.4	1.4%	(114.1)	(110.4)	-3.2%
Gross profit	105.8	120.5	13.9%	91.0	120.5	32.4%
Operating expenses	-45.4	-50	10.1%	(45.2)	(50.0)	10.6%
Operating profit	60.4	70.5	16.7%	45.8	70.5	53.9%
Investment income	8.2	7.9	-3.7%	4.3	7.9	83.7%
Finance charges	-53.4	-56.1	5.1%	(50.6)	(56.1)	10.9%
Other income / expenses & Zakat	2.8	9.3	232.1%	1.5	9.3	520.0%
Group net income	18	31.6	75.6%	1.0	31.6	3060.0%
Minority interest	-3.6	-13.2	266.7%	(1.9)	(13.2)	594.7%
Net income – reported	14.4	18.4	27.8%	(0.9)	18.4	-2144.4%

*Excludes construction revenue and cost

YE '22 Financials Summary

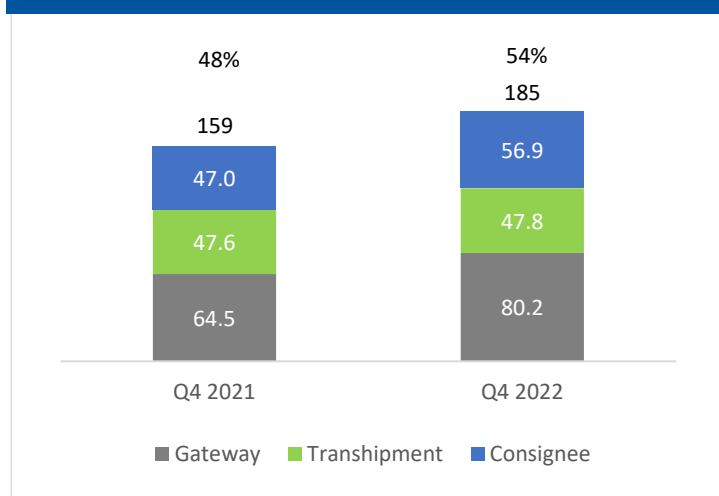
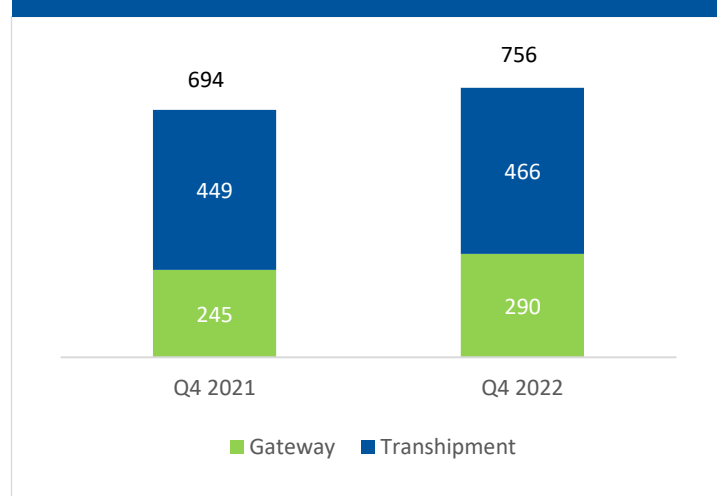
	YE 2021	YE 2022	Variance
Operational Revenue	921.2	854.8	-7.2%
Direct Costs	(474.7)	(438.6)	-7.6%
Gross Profit	446.5	416.2	-6.8%
Operating expenses	(168.1)	(186.2)	10.8%
Operating Profit	278.4	230.0	-17.4%
Investment Income	23.7	30.8	30.0%
Finance Charges	(203.5)	(213.6)	5.0%
Others & Zakat (Net)	(3.5)	8.4	-340.0%
Group Net Income	95.1	55.5	-41.6%
NCI	37.2	18.8	-49.5%
SISCO NP – Reported	57.9	36.7	-36.6%
SISCO NP – Adjusted	64.9	41.5	-36.1%

*Excludes construction revenue and cost

Operational highlights

Ports & Terminals

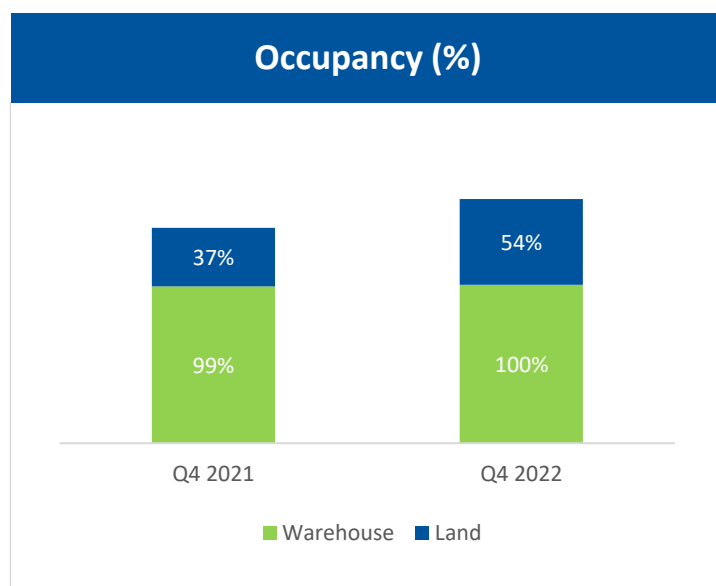
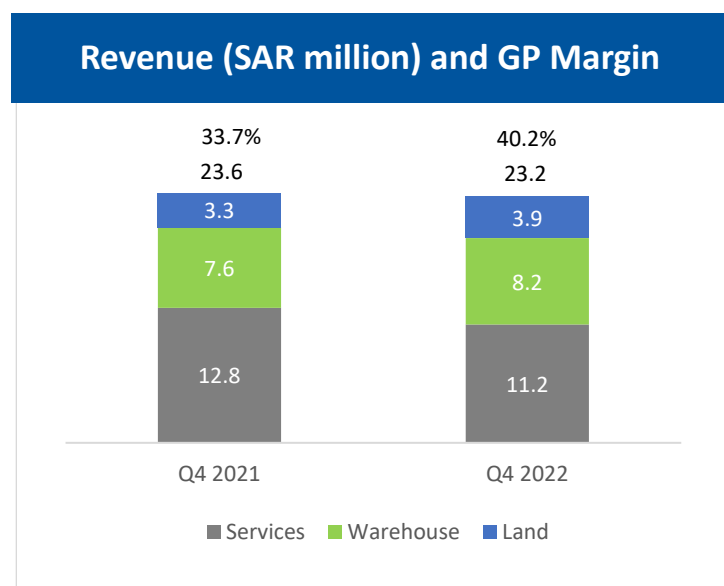
Q4'22 revenues showed significant improvement compared to the previous quarter and the comparative period in 2021, while FY22 revenues declined 6.9% compared to 2021. Q4'22 gateway volumes improved by 16% on a quarterly basis but transshipment volumes declined by 4% on a quarter-to-quarter basis. On a year-on-year basis, the volumes have seen a marginal decline in both segments, with a drop of around 4% in transshipment volumes and about 2% in gateway volumes.

Revenue (SAR million) and GP Margin

Volume – TUEs '000


Logistics Parks & Services

The logistics revenues for Q4'22 declined marginally by 8.4% from the previous quarter to SAR 23.2 million and by 2.0% from same quarter 2021. The full year 2022 revenues fell 7.3% from 2021 to SAR 93.5 million. The gross profit margin improved from 33.7% in Q4'21 to 40.2% in Q4'22, significantly boosting profitability due to a better sales mix and effective cost optimisation.

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 operational from 1 January 2023 and, which should boost the logistics segment revenues and margins.

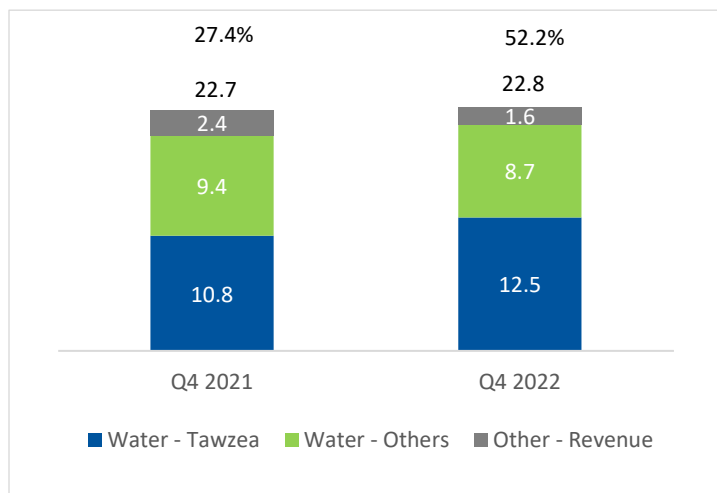
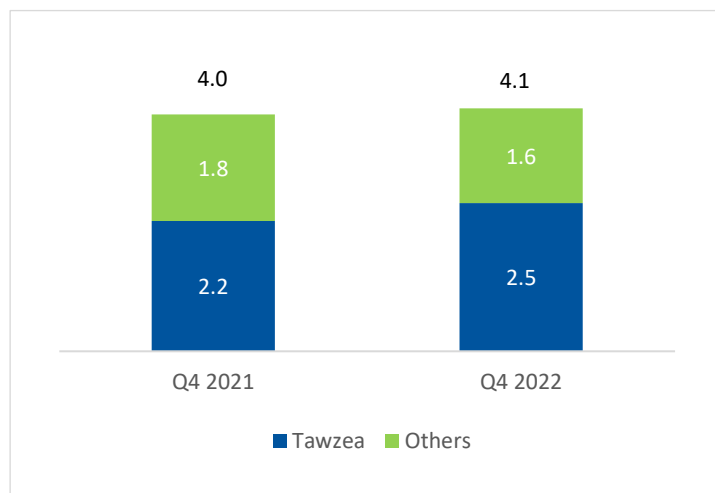


We are pleased to report an encouraging financial performance from our associate companies in FY'22, which also manifests significant improvement over FY'21. SISCO's associate in Logistics and Services, SA TALKE has reported 11% yoy growth in FY'22 revenues to SAR 307 mn. As a result of more than 300 bps improvement in gross margins to 25% for the full year, the net income growth was 34% yoy and SISCO's share in net income was SAR 20 mn.

Water Solutions

Revenues of the water segment remained flat on a quarter-on-quarter basis; however gross profit margins showed a strong improvement to reach 52.2% for Q4'22 from 27.8% in Q4'21. The margin expansion is attributed to a decrease in depreciation cost and improved sales mix and pricing, leading to higher, profitability.

The other associate of SISCO which operates in water solutions space, TAWEZA has reported more than 40% yoy growth in revenues to SAR 406 mn. SISCO's share in net income was more than SAR 11 mn for TAWEZA.

Revenue (SAR million) and GP Margin

Volume

Investor relations

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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 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 Full year 2022 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>