



US\$0.668bn Market cap
85% Free float
US\$10.73mn Avg. daily volume

Target price **37.00** 20.5% over current
Current price **30.70** as at 18/11/2021

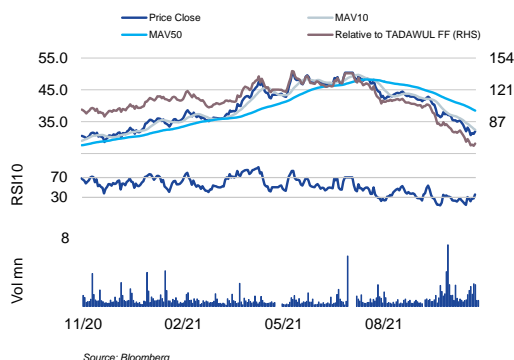
Existing rating

Underweight

Neutral

Overweight

Performance



Earnings

SAR(Mn)	2020A	2021E	2022E
Revenue	862	967	1,004
Revenue growth	27%	12%	4%
Gross Profit	424	478	505
Gross Margin	49%	49%	50%
Operating Income	256	309	335
Operating margin	30%	32%	33%
Net income	139	83	77
Net margins	16%	9%	8%
EPS	1.71	1.02	0.95
DPS	0.80	0.51	0.47
Payout	47%	50%	50%
P/E	18.0x	30.2x	32.4x
EV/EBITDA	8.4x	7.6x	7.2x

Source: Company data, Al Rajhi Capital

Sisco

Missed estimates; Remain optimistic on long term story

SISCO'S Q3 2021 earnings of SAR4mn missed our estimates of SAR10mn mainly due to decline in revenue of the port segment. The top-line grew 51% y-o-y to SAR259mn and after adjusting for notional revenue of SAR21mn, the revenue was in-line with our estimates of SAR238mn. Net profit came in at SAR4mn lower than our expectations of SAR10mn. The overall earnings got impacted due to drop in getaway volume, which also affected the consignment revenue and overall gross margins. SISCO completed its stake sale in RSGT to PIF-COSCO in Q3 2021 thereby further increasing the minority's share of net income from port segment. The overall gross margins after adjusting for notional revenue was 43.5% v/s 51% in Q3 2020. We expect the getaway-transshipment ratio to improve in 2022e driven by increasing religious and leisure tourism as well as moderate increase in overall economy. We revise our forecast downwards and reduce the tp to SAR37/Sh from SAR47/Sh but maintain "overweight" rating as company still have a strong cash balance post sales of stakes in RSGT, which could be used to reinvest in emerging opportunities in logistics and port segments.

Figure 1 Earnings Summary

SAR(mn)	Q3 2021	Q2 2021	Q3 2020	% chg y-o-y	% chg q-o-q	ARC est
Revenue	223	252	260	-14%	-11%	224
Gross Profit	97	124	132	-27%	-22%	102
Gross Margin	43%	49%	51%	NA	NA	46%
Operating Income	54	84	92	-41%	-35%	59
Net income	4	22	28	-86%	-82%	10
Net Margin	2%	9%	11%	NA	NA	4%

Source: Company data, Al Rajhi Capital

Segment analysis

Port segment: Revenue declined 9% y-o-y impacted by 17% drop in getaway revenue and 31% fall in consignment revenue. The reported GPM was 43.5% in Q3 2021 v/s 51% in Q3 2020. On the flipside, the transshipment revenue grew 71% y-o-y to SAR49mn.

Water segment: Revenue increased 12% y-o-y to SAR26mn mainly due to increase in Rabigh volume by 62.7% y-o-y, accordingly the overall volume increased 2.8% y-o-y in Q3 2021. The company secured new contracts during 9M2021 and Tawzea was awarded the ISTP contracts in Taif, Madinah, Buraydah and Tabuk which would support future revenue for water business.

Logistics segment: In the logistics segment, the revenue increased 23% y-o-y mainly due to 8.5% y-o-y growth in open yard occupancy (51%) and 4.2% y-o-y growth in warehousing occupancy (99%). To cater to the growing demand for warehouse the company is constructing additional warehouses which should be operational by mid next year.



Valuation: We value SISCO using equal weightage given to DCF and EV/EBITDA based relative valuation. Our DCF based target price based on 8.73% WACC and 2% terminal growth is SAR46/sh while relative valuation tp based on 9x FY2021E EBITDA is SAR28/sh thus equal weighted tp stands at SAR37/sh which indicates 20.5% upside from CMP of SAR30.7/sh. We remain “Overweight” on SISCO.

Risks: Key downside risk: Any significant delay in economic recovery, lower consumer spending and government spending will have a negative impact on the company’s revenue and our valuations.



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"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 12 month time horizon.

"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 12 month time horizon.

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