

Q1 2022 Earnings Release

SASCO revenue grows 70 % YoY to SAR 1,272m in Q1 2022

Highlights:

- 1 Revenue increased 70%** YoY and 5% QoQ to SAR 1,272m, compared with SAR 751m in the same period last year and SAR 1,214m in the previous quarter.
- 2 Gross Profit amounted to SAR 35.65m**, a decrease of 5% Year-on-Year from SAR 37.65, and a decrease from SAR 43.10m in Q4 2021, amounting to 17%.
- 3 Operating Profit for Q1 2022 was SAR 20.42m**, down from SAR 23.53m in the same quarter of the previous year, equating to a decrease of 13%, and down 23% from SAR 26.39m in 4Q2021.
- 4 Net Profit after Zakat and Tax amounted to SAR 8.02m** for Q1 2022, a decrease of 33% YoY from SAR 12.01m and down 48% from SAR 15.35 with Q4 2021.
- 5 Total Comprehensive Income increased 0.5% to SAR 13.01m** from SAR 12.95m YoY, and 3% QoQ from SAR 12.63m.
- 6 EBITDA totaled SAR 39.10m** for Q1 2022, down 0.94% YoY from SAR 39.47m and down from SAR 47.32m in Q4 2021, equating to 17%.

Over the first quarter of 2022, SASCO generated strong performance to increase revenue by 70% year-on-year and 5% quarter-on-quarter. Total comprehensive income also rose, albeit, at a lower rate, 0.5% compared to the same period of 2021 and 3% compared with Q4 2021.

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Commenting on the performance of the first quarter, the SASCO Chairman of the Board, Mr. Ibrahim Alhudaithi, pointed out, "In line with our strategic goals, the Company has delivered significant top-line growth, whilst facing the ongoing macro-economic challenges, specifically in relation to changes in fuel prices and a squeeze in margin from diesel sales. On a more positive note, the impending acquisition of 80% of Naft will further strengthen our position by increasing our market share to 5%, and I have full faith in the ability of our senior management team to execute our strategy for 2022 and beyond."

SAR	1Q 22	1Q 21	YoY %	4Q 21	QoQ %
Revenues	1,272,474,217	750,541,115	69.5%	1,214,414,852	4.8%
Cost of Revenue	-1,236,819,531	- 712,887,872	73.55 %	- 1,171,313,240	5.6 %
Gross Profit	35,654,686	37,653,243	-5.3%	43,101,612	-17.3 %
G&A	-15,232,457	-14,126,675	7.8 %	-16,711,987	-8.9%
Total Operating Income	20,422,229	23,526,568	-13.2%	26,389,625	-22.6%
Net Income for the Period Before Zakat	8,904,735	12,883,518	-30.9%	16,259,417	-45.2%
Cost to income %	-97%	-95%	2.3%	-96%	0.8%
Cash Flow from Operating Activities Period not Quarter	68,502,226	67,567,525	1.4 %	375,093,034 *	-81.7% **
Capital Expenditure	39,524,017	52,641,869	-24.9%	73,146,750	-46.0%
Earnings per Share (SAR)	0.13	0.20	-33.3 %	0.26	-47.8 %
Return on Equity (%)	3.9 %	5.9 %	-40.8 %	6.1 %	-42.9 %
Return on Assets (%)	0.9%	1.6 %	0.6%	1.5%	0.5%
EBITDA	39,100,000	39,470,000	-0.9%	47,270,000	-17.3 %

* Figure indicated is Full Year Cash Flow

** Figure indicated is compared to Full Year Cash Flow

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- The strong revenue figures, showing significant increases compared to 2021, and higher than the previous quarter, were a result of strong sales over the first quarter of 2022, coming mainly from revenue in the Retail and Operation sector which accounted for 69.2% of the total revenue. The increase in revenue was complemented by the increase in comprehensive income, which rose to SAR 13.01m, an increase of 0.5% year-on-year and 3% quarter-on-quarter.
- Despite the large increases in revenue, Net Profit was lower at SAR 8.02m for the first quarter of 2022; a decrease of 33% year-on-year, and 48% lower from SAR 15.35m in 4Q 2022. When comparing to the same period of 2021, the reason for the decrease is due to the decrease in gross profit because of the inclusion of stock adjustments as a result of the changes in fuel prices in the same quarter of last year. Additionally, the Company has suspended some sites that were due to be developed, coupled with a decrease in income margin from diesel sales of 0.0022%, and an increase in operating costs, G&A expenses by 7.8% year-on-year. An increase in the IFRS 16 impact, along with a decrease in investment profits also negatively impacted the Company's net profit figures for the quarter compared with last year.
- When comparing the figures with the previous quarter, the negative impact can also be attributed to an increase in the cost of sales due to the ongoing suspension of some development sites, the continued decrease in income margin from diesel of 0.00022% along with an increase in operating costs of 5.6%.
- The increase in IFRS 16 impact continued to negatively affect figures. However, the company also included in the previous quarter its dividend income, despite the decrease in general and administrative costs, marketing expenses, and financing costs, coupled with the increase in sales volume and other revenue. An additional note to mention is that the realized profit from liquidating the Company's portfolio amounted to SAR 8m, which was included in comprehensive income, minus the valuation of the portfolio on December 31st, 2021.

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Balance Sheet Summary:

SAR	1Q 22	1Q 21	YoY %	4Q 21	QoQ %
Non Current Assets	3,223,772,699	2,728,286,168	18.2%	2,816,813,901	14.4%
Current Assets	489,991,746	349,783,342	40.1 %	456,018,135	7.5 %
Non Current Liabilities	2,079,835,865	1,706,067,152	21.9%	1,732,397,363	20.1%
Current Liabilities	808,982,147	554,305,374	45.9%	728,498,123	11.0%
Shareholders Equity	824,946,433	817,696,984	0.9%	811,936,550	1.6%
Dividends Paid per Share		12,000,000		15,000,000.00	-
Retained Earnings	33,610,662	27,586,440	21.8 %	17,522,636	91.8 %

- Non-current assets increased year-on-year by 18.2%, mainly due to the advance payment for the Naft acquisition (concluded on 7th April 2022) of SAR 400m, coupled with an increase in property, plant, and equipment of approximately 7.8%. The main driver for the increase in current assets was due to a 43.9% increase in account receivables, prepaid expenses, and other assets, complemented by a 27.2% increase in net inventory and a 73.7% increase in cash and cash equivalents, mainly coming from an increase in cash generated from the company's operations in addition to borrowing.

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- Non-current liabilities increased 21.9% year-on-year, driven mainly by a 61.1% increase in Murabahat financing and long term loans mainly due to the Naft acquisition. The increase of 45.9% in current liabilities was mainly due to a 107.7% increase in the Current portion of Murabahat financing and long term loans, coupled with a 92.8% increase in accounts payables, accrued expenses, and other liabilities due to a 24.5% increase in lease liabilities and a Zakat provision increase of 24.8%.
- When comparing figures quarter-on-quarter, once again the advance payment for the Naft acquisition (concluded on 7th April 2022), along with an increase in intangible assets of 12.5% and a 14.4% increase in projects under process meant non-current assets increased 14.4% in total. When looking at current assets, a total increase of 7.5% was due to an increase in net inventory of 28.4% due to increasing the company's sites in addition to the increase in fuel prices, increase in accounts payables due to Fuel suppliers (Aramco) due to the increase in fuel prices, along with a 12.9% increase in account receivables, prepaid expenses and other assets, and a 0.3% increase in investments at fair value through profit or loss.
- Looking at non-current liabilities, which experienced a 20.1% increase quarter-on-quarter, this can be attributed to a 58.5% increase in Murabahat financing and long term loans to cover the acquisition of Naft, along with a 2.7% increase in lease liabilities -non-current portion and a 4.3% increase in employees' defined benefits obligations. Current liabilities increased by 11.0%, mainly driven by a 401.7% increase in Murabahat financing and short-term loans and a 30.5% increase in the current portion of Murabaha and long-term loans.

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Segment Revenue (SAR)

	1Q 22	1Q 21	YoY %	4Q 21	QoQ %
Retail and Operation Sector	1,273,920,224	753,136,274	69.1%	1,223,679,591	4.1%
Ostool	10,430,905	8,570,357	21.7%	10,192,351	2.3%
Sata	2,468,056	1,421,501	73.6%	1,757,998	40.4%
Elemenation	(14,344,968)	12,587,017	14.0%	(21,215,088)	-32.4%
TOTAL	1,272,474,217	750,541,115		1,214,414,852	

Segment Revenue (%)

	1Q 22	1Q 21	4Q 21
Retail and Operation Sector	100.1%	100.3%	100.8%
Ostool	0.8%	1.1%	0.8%
Sata	0.2%	0.2%	0.1%
Elemenation	-1.1%	-1.7%	-1.7%

Segment Cost (SAR)

	1Q 22	1Q 21	YoY %	4Q 21	QoQ %
Retail and Operation Sector	(1,255,704,897)	(731,438,327)	71.7%	(1,199,197,509)	4.7 %
Ostool	(8,370,802)	(6,587,868)	27.1%	(8,020,355)	4.4%
Sata	(2,121,257)	(1,575,369)	34.7%	(2,010,451)	5.5%
Elemenation	14,344,968	12,587,017	14.0%	21,203,088	-32.3%
	(1,251,851,988)	(727,014,547)	72.2%	(1,188,025,227)	5.4%

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Segment Net Income (SAR)

	1Q 22	1Q 21	YoY %	4Q 21	QoQ %
Retail and Operation Sector	5,676,815	10,293,150	-44.8%	8,913,344	-36.3%
Ostool	2,031,122	1,952,122	4.0%	1,825,598	11.3 %
Sata	309,299	(233,838)	-232.3%	(309,115)	-200.1 %
Investment	-	-		4,915,840	
TOTAL	8,017,235	12,011,435	-33.3%	15,345,667	-47.8%

Segment Net Income (%)

	1Q 22	1Q 21	4Q 21
Retail and Operation Sector	70.8%	85.7 %	58.1 %
Ostool	25.3%	16.3 %	11.9 %
Sata	3.9 %	-1.9%	-2.0%
Investment	0.0%	0.0%	32.0%

- Revenue increased significantly across all segments YoY, mainly driven by an increase in Retail and Operation Sector revenue of 69.1% due to increasing the company's sites in addition to the increase in fuel prices, and Sata by 73.6% due to an improvement in sales after the cancellation of the precautionary measures.
- QoQ revenue also increased, albeit at a lower rate, driven mainly by a 40.4% increase in revenue from Sata due to the reduction of travel and precautionary restrictions, whilst Retail and Operations, and Ostool also saw steady growth.
- The main drivers of the decrease in Net Profit were the increases in costs YoY and QoQ, specifically with the Retail and Operations sector, which experienced a 71.7% increase compared with 2021, and a 4.7% increase compared to the previous quarter, mainly driven by a decrease in diesel sales margins of 0.0022%, increases in operating costs and higher G&A expenses, which led to a decrease in total Net Profit of 33.3% YoY and 47.8% QoQ.

Contacts

→ **Additional Information**

SASCO's financial statement, earnings release, investor presentation, along with further relevant material are openly available on the IR website:

<https://www.sasco.com.sa/english/investors-relation>

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