

Samsung SDS 2Q 2020 Earnings Release

July 24, 2020



Disclaimer

The financial information in this document are consolidated earnings results based on K-IFRS.

This document is provided for the convenience of investors only, before the external review on our 2Q20 financial results are completed. The review outcomes may cause some parts of this document to change.

This document may contain “forward-looking statements” – that is, statements related to future, not past, events. In this context, “forward-looking statements” often address our expected future business and financial performance, and often contain words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks” or “will”.

“Forward-looking statements” by their nature address matters that are, to different degrees, uncertain.

For us, particular uncertainties which could adversely or positively affect our future results include:

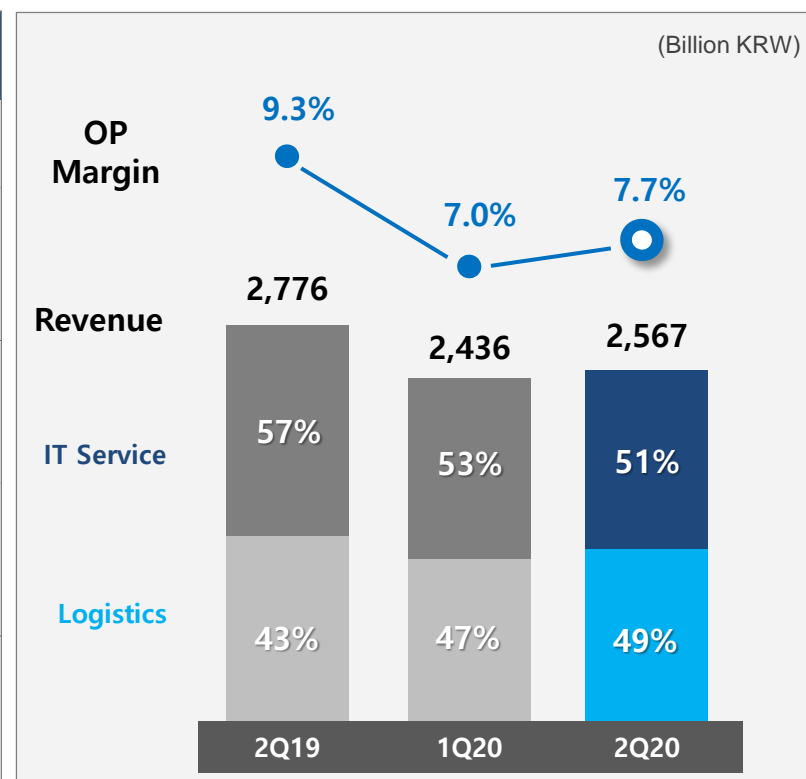
- The behavior of financial markets including fluctuations in exchange rates, interest rates
- Strategic actions including dispositions and acquisitions
- Unanticipated dramatic developments in our major businesses
- Numerous other matters at the national and international levels which could affect our future results

These uncertainties may cause our actual results to be materially different from those expressed in this document.

1 2Q20 Earnings Overview

- ▶ **Revenue of 2,567 billion KRW (QoQ +5.4%, YoY -7.5%)**
 - IT Service : 1,320 billion KRW (QoQ +2.7%, YoY -15.9%)
 - Logistics : 1,247 billion KRW (QoQ +8.4%, YoY +3.3%)
- ▶ **Operating profit of 197 billion KRW (QoQ +14.9%, YoY -24.0%)**
 - OPM : 7.7% (QoQ +0.7%p, YoY -1.6%p)
- ▶ **Net profit of 146 billion KRW (QoQ Turn Black, YoY -24.7%)**

(Billion KRW)	2Q20	1Q20	QoQ	2Q19	YoY
Revenue	2,567	2,436	+5.4%	2,776	-7.5%
IT Services	1,320	1,286	+2.7%	1,569	-15.9%
Logistics	1,247	1,150	+8.4%	1,207	+3.3%
Operating profit	197	171	+14.9%	259	-24.0%
(%)	7.7%	7.0%	+0.7%p	9.3%	-1.6%p
IT Services	184	156	+17.8%	246	-25.0%
Logistics	13	15	-15.8%	13	-4.8%
Net profit	146	-30*	TurnBlack	194	-24.7%
(%)	5.7%	-	-	7.0%	-1.3%p



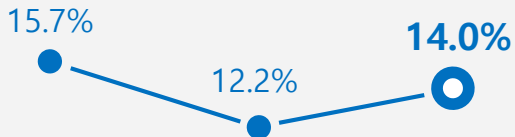
* 1Q20 Net loss was due to corporate tax for merger goodwill (164 billion KRW)

Revenue and OPM

(Billion KRW)

External Business

OP
Margin



Revenue



2Q19

1Q20

2Q20

▶ 2Q Results

- External business and IT strategic business drove IT service growth by 3% QoQ
 - External business revenue increased by 11% QoQ mainly in public/finance industries and oversea business
 - IT strategic business revenue increased by 6% QoQ, while AI/Analytics and solution business showed growth

▶ 2H Outlook

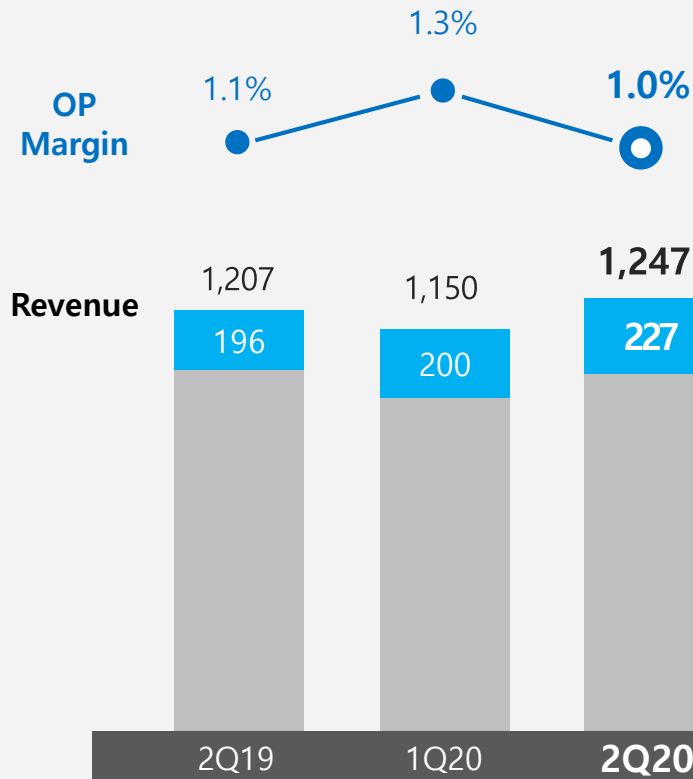
- In external business, system upgrades in public/finance are scheduled as new business opportunities
- In IT strategic business, intelligent factory, cloud migration are expected as customers increase IT spending

3 Logistics

Revenue and OPM

(Billion KRW)

External Business



▶ 2Q Results

- Logistics revenue increased by 8% QoQ mainly due to flight revenue increase and external business expansion
 - Samsung business revenue improved by 7% QoQ due to express air delivery services
 - External business revenue increased by 14% QoQ, extending service areas for major customers

▶ 2H Outlook

- Market Outlook : Trading volume will gradually recover as COVID-19 risk is relieved
- Strategy : Securing shipment and flight capacity in advance
 - Strengthening core industries (automobile/retail/hi-tech)
 - Expanding into new industries (battery/pharmaceutical)

[Appendix 1] Income Statement

(Billion KRW)	2019					2020	
	1Q	2Q	3Q	4Q		1Q	2Q
Revenue	2,502	2,776	2,658	2,783	10,720	2,436	2,567
COGS	2,101	2,307	2,234	2,284	8,926	2,053	2,159
Gross profit	401	469	424	499	1,794	383	407
Margin (%)	16.0%	16.9%	15.9%	17.9%	16.7%	15.7%	15.9%
SG&A	203	210	218	173	804	212	211
Operating profit	198	259	206	326	990	171	197
Margin (%)	7.9%	9.3%	7.8%	11.7%	9.2%	7.0%	7.7%
Non-operating gain & loss	17	25	13	- 8	46	32	14
Profit before income tax	215	284	219	318	1,036	203	211
Income tax expense	74	90	62	59	286	233	65
Net profit	141	194	157	259	750	-30	146
Margin (%)	5.6%	7.0%	5.9%	9.3%	7.0%	-	5.7%

[Appendix 2] Revenue & Operating Profit by Business Segment

(Billion KRW)	2019					2020	
	1Q	2Q	3Q	4Q		1Q	2Q
Revenue	2,502	2,776	2,658	2,783	10,720	2,436	2,567
IT Services	1,425	1,569	1,374	1,505	5,873	1,286	1,320
- Business Solution	343	411	345	420	1,519	320	340
- Cloud & ITO	1,082	1,158	1,029	1,085	4,354	966	980
Logistics	1,077	1,207	1,284	1,278	4,847	1,150	1,247
Operating profit	198	259	206	326	990	171	197
IT Services	194	246	180	298	918	156	184
Logistics	4	13	26	28	72	15	13
Operating profit margin	7.9%	9.3%	7.8%	11.7%	9.2%	7.0%	7.7%
IT Services	13.6%	15.7%	13.1%	19.8%	15.6%	12.2%	14.0%
Logistics	0.4%	1.1%	2.1%	2.2%	1.5%	1.3%	1.0%

[Appendix 3] Statement of Financial Position

(Billion KRW)	2016	2017	2018	2019	1Q20	2Q20
Asset	6,842	7,278	8,014	9,021	8,979	8,998
Current assets	4,548	5,118	5,882	6,384	6,364	6,375
Non-current assets	2,294	2,160	2,132	2,637	2,615	2,623
Liabilities	1,551	1,558	1,865	2,296	2,447	2,338
Current liabilities	1,347	1,325	1,575	1,698	1,834	1,755
Non-current liabilities	204	233	290	598	613	583
Equity	5,291	5,720	6,149	6,725	6,532	6,660
Common stock	39	39	39	39	39	39
Cash & cash equivalents	2,456	2,925	3,672	3,831	4,020	4,046
Debts & borrowings	7	1	1	1	1	1
CAPEX	224	186	276	372	53	76
Depreciation & amortization	365	333	308	441	114	115
DPS(KRW)	750	2,000	2,000	2,400	-	-
Payout ratio	12.5%	29.2%	24.6%	25.2%	-	-

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