

Samsung SDS 4Q 2022 Earnings Release

Jan 26, 2023



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 audit on our 4Q22 financial results are completed. The audit 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 Earnings Overview

Quarterly

Annual

(Billion KRW)

	4Q22	3Q22	QoQ	4Q21	YoY	2022	2021	YoY
Revenue	4,250	4,198	+1.2%	3,937	+8.0%	17,235	13,630	+26.4%
COGS	3,806	3,751	+1.5%	3,554	+7.1%	15,334	11,947	+28.4%
Gross Profit	444	447	-0.6%	382	+16.2%	1,901	1,683	+12.9%
Margin (%)	(10.5)	(10.7)	(-0.2p)	(9.7)	(+0.8p)	(11.0)	(12.3)	(-1.3p)
SG&A	257	262	-2.0%	238	+7.9%	984	875	+12.5%
Operating Profit	188	185	+1.4%	144	+30.0%	916	808	+13.4%
Margin (%)	(4.4)	(4.4)	(+0.01p)	(3.7)	(+0.7p)	(5.3)	(5.9)	(-0.6p)
Non-operating gain & loss	-0.4	153	-	10	-	216	49	+337%
Profit before income tax	187	338	-44.6%	155	+20.9%	1,132	858	+32.0%
Income tax expense	-65 ¹⁾	-63 ²⁾	-	44	-	2	224	-99.1%
Net Income	252	401	-37.0%	111	+128%	1,130	633	+78.4%
Margin (%)	(5.9)	(9.5)	(-3.6p)	(2.8)	(+3.1p)	(6.6)	(4.6)	(+2.0p)
Profit attributable to owners of the parent	244	391	-37.7%	103	+136%	1,100	611	+79.9%

¹⁾ Corporate tax expense deduction due to reduction of deferred tax liabilities appropriation related to subsidiaries

²⁾ Corporate tax expense deduction (KRW 164 Bn) due to the winning of the case with NTS

2 Earnings by Business Segment

Quarterly

Annual

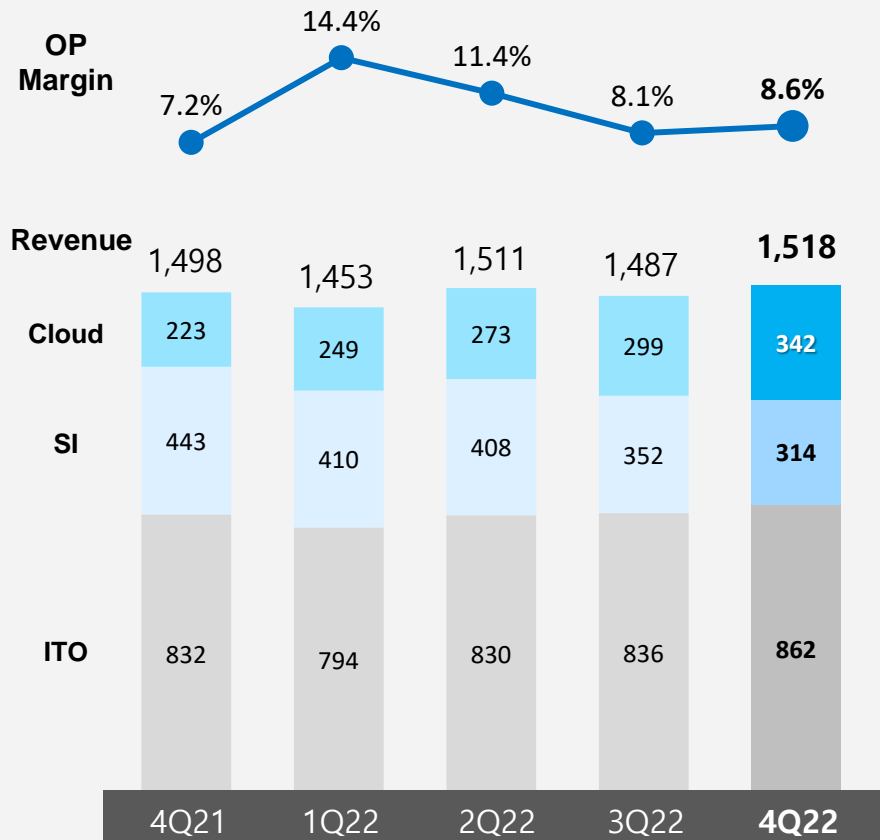
(Billion KRW)

	4Q22	3Q22	QoQ	4Q21	YoY	2022	2021	YoY
Revenue	4,250	4,198	+1.2%	3,937	+8.0%	17,235	13,630	+26.4%
IT Services	1,518	1,487	+2.1%	1,498	+1.3%	5,968	5,637	+5.9%
Cloud	342	299	+14.2%	223	+53.3%	1,163	871	+33.4%
SI	314	352	-10.7%	443	-29.1%	1,484	1,641	-9.6%
ITO	862	836	+3.1%	832	+3.6%	3,322	3,125	+6.3%
Logistics	2,732	2,711	+0.8%	2,439	+12.0%	11,267	7,993	+41.0%
Operating profit	188	185	+1.4%	144	+30.0%	916	808	+13.4%
(%)	(4.4)	(4.4)	(+0.01p)	(3.7)	(+0.7p)	(5.3)	(5.9)	(-0.6p)
IT Services	131	120	+9.0%	108	+21.2%	632	664	-4.9%
(%)	(8.6)	(8.1)	(+0.5p)	(7.2)	(+1.4p)	(10.6)	(11.8)	(-1.2p)
Logistics	57	65	-12.7%	37	+55.9%	284	144	+97.4%
(%)	(2.1)	(2.4)	(-0.3p)	(1.5)	(+0.6p)	(2.5)	(1.8)	(+0.7p)

3 IT Services

Revenue and OPM

(Billion KRW)



▶ Cloud

- 4Q22 revenue : 342 Bn KRW (YoY +53%, QoQ +14%)
- CSP : New contract of local government cloud transition
- MSP : Cloud migration in Mfg./Finance sectors
- Dongtan HPC data center opened (construction completed on Dec 30th, 2022)

▶ SI

- 4Q22 revenue : 314 Bn KRW (YoY -29%, QoQ -11%)
 - Revenue decreased due to customers' IT spending reduction
- ERP : Next generation ERP upgrade consulting
- MES : Overseas business expansion in Parts/Material industries

SI : System Integration, ITO : IT Outsourcing, CSP : Cloud Service Provider, MSP : Managed Service Provider, HPC : High Performance Computing, ERP : Enterprise Resource Planning, MES : Manufacturing Execution System

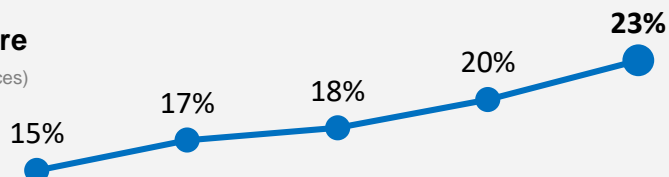
4 IT Services - Cloud

Revenue and Cloud share

(Billion KRW)

Cloud share

(Cloud / IT Services)

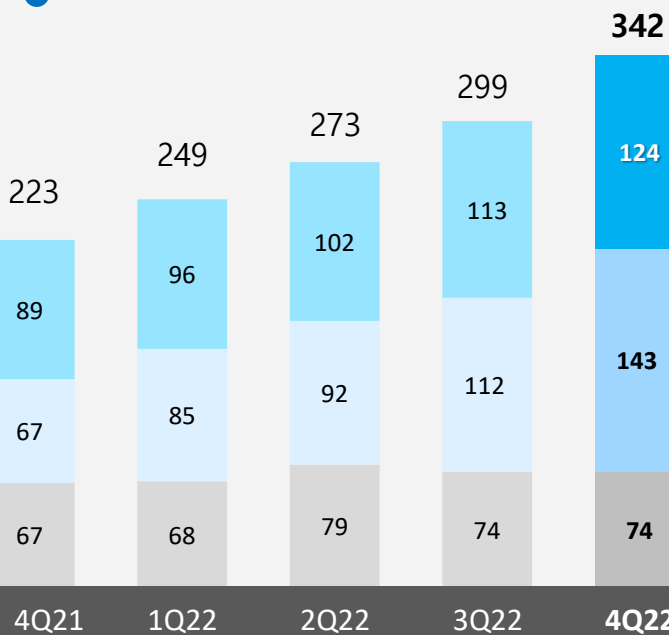


Revenue

CSP

MSP

SaaS



▶ CSP

- 4Q22 revenue : 124 Bn KRW (YoY +39%, QoQ +9%)
2022 revenue : 435 Bn KRW (YoY +28%)
- Enterprise services : HPC, Hybrid/Multi cloud
- Samsung Cloud Platform (SCP) : Public/Financial sectors

▶ MSP

- 4Q22 revenue : 143 Bn KRW (YoY +115%, QoQ +28%)
2022 revenue : 432 Bn KRW (YoY +59%)
- App Modernization : Cloud migration from Infrastructure rehosting to SW rebuilding
- Global SaaS solution revenue growth : SCM, CRM, HRM

▶ SaaS

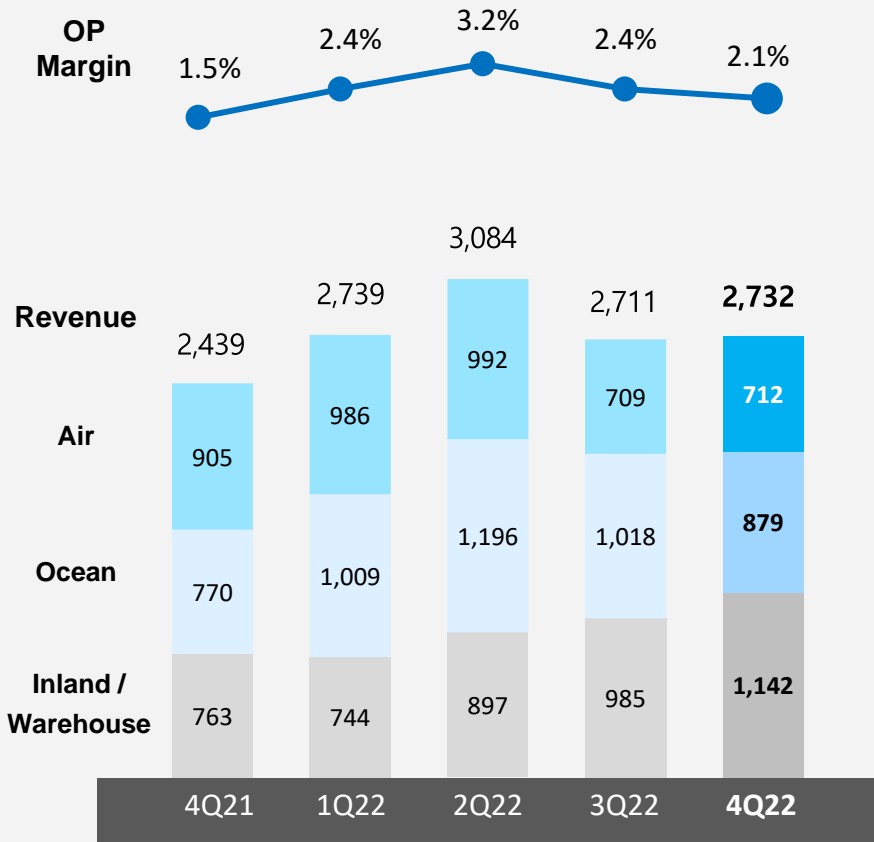
- 4Q22 revenue : 74 Bn KRW (YoY +11%, QoQ flat)
2022 revenue : 295 Bn KRW (YoY +14%)
- SDS SaaS solution : Increased usage of customers' intranet

CSP : Cloud Service Provider, MSP : Managed Service Provider, SaaS : Software as a Service
HPC : High Performance Computing, SCM : Supply Chain Management
CRM : Customer Relationship Management, HRM : Human Resource Management

5 Logistics

Revenue and OPM

(Billion KRW)



Logistics Revenue

- 4Q22 revenue : 2,732 Bn KRW (QoQ +1%)
- Air transport revenue : Flat (QoQ +1%)
 - Air freight rate decrease, freight volume increase
- Ocean transport revenue : Decrease (QoQ -14%)
 - Both ocean freight rate and volume decrease
- Inland/Warehouse revenue : Increase (QoQ +16%)
 - Expansion of inland transport and warehouse business in US/Europe

Cello Square

- Region : Expansion to Southeast Asian market
 - Vietnam(Oct.), Singapore(Nov.)
- Membership(company) : 3Q 2,500+ → 4Q 4,000+

[Appendix 1] Income Statement

SAMSUNG SDS

(Billion KRW)

	2021					2022				
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
Revenue	3,061	3,251	3,381	3,937	13,630	4,192	4,595	4,198	4,250	17,235
COGS	2,632	2,810	2,950	3,554	11,947	3,700	4,077	3,751	3,806	15,334
Gross Profit	429	441	431	382	1,683	491	518	447	444	1,901
Margin (%)	14.0%	13.6%	12.8%	9.7%	12.3%	11.7%	11.3%	10.7%	10.5%	11.0%
SG&A	212	216	209	238	875	217	248	262	257	984
Operating Profit	217	225	222	144	808	274	270	185	188	916
Margin (%)	7.1%	6.9%	6.6%	3.7%	5.9%	6.5%	5.9%	4.4%	4.4%	5.3%
Non-operating gain & loss	10	4	25	10	49	20	43	153	-0.4	216
Profit before income tax	227	229	247	155	858	294	313	338	187	1,132
Income tax expense	68	64	48	44	224	90	40	-63 ¹⁾	-65 ²⁾	2
Net Income	159	165	199	111	633	204	273	401	252	1,130
Margin (%)	5.2%	5.1%	5.9%	2.8%	4.6%	4.9%	5.9%	9.5%	5.9%	6.6%
Profit attributable to owners of the parent	156	159	193	103	611	198	267	391	244	1,100

¹⁾ Corporate tax expense deduction (KRW 164 Bn) due to the winning of the case with NTS

²⁾ Corporate tax expense deduction due to reduction of deferred tax liabilities appropriation related to subsidiaries

[Appendix 2] Revenue & Operating Profit by Business Segment

SAMSUNG SDS

(Billion KRW)

	2021					2022				
	1Q	2Q	3Q	4Q		1Q	2Q	3Q	4Q	
Revenue	3,061	3,251	3,381	3,937	13,630	4,192	4,595	4,198	4,250	17,235
IT Services	1,368	1,392	1,379	1,498	5,637	1,453	1,511	1,487	1,518	5,968
Cloud	215	214	220	223	871	249	273	299	342	1,163
SI	415	402	382	443	1,641	410	408	352	314	1,484
ITO	739	776	777	832	3,125	794	830	836	862	3,322
Logistics	1,693	1,859	2,002	2,439	7,993	2,739	3,084	2,711	2,732	11,267
Operating Profit	217	225	222	144	808	274	270	185	188	916
IT Services	185	189	183	108	664	209	172	120	131	632
Logistics	32	36	39	37	144	65	98	65	57	284
OP Margin	7.1%	6.9%	6.6%	3.7%	5.9%	6.5%	5.9%	4.4%	4.4%	5.3%
IT Services	13.5%	13.6%	13.3%	7.2%	11.8%	14.4%	11.4%	8.1%	8.6%	10.6%
Logistics	1.9%	1.9%	1.9%	1.5%	1.8%	2.4%	3.2%	2.4%	2.1%	2.5%

[Appendix 3] Statement of Financial Position

SAMSUNG SDS

(Billion KRW)

	2019	2020	2021	2022			
				1Q	2Q	3Q	4Q
Asset	9,021	9,155	10,517	10,835	11,370	12,259	11,952
Current assets	6,383	6,581	7,576	7,922	8,118	8,709	8,006
Cash ¹⁾	3,831	4,194	4,591	4,855	5,004	5,289	5,030
A/R	1,440	1,510	1,919	1,818	1,783	1,758	1,652
Non-current assets	2,637	2,574	2,941	2,914	3,252	3,550	3,947
Tangible assets	1,108	1,116	1,179	1,193	1,289	1,415	1,520
Intangible assets	790	737	715	714	720	718	713
Liabilities	2,296	2,296	3,074	3,334	3,528	3,851	3,485
Current liabilities	1,698	1,721	2,370	2,633	2,649	2,776	2,493
A/P	545	574	822	759	798	728	676
Accrued expenses	572	541	815	906	1,038	1,119	1,029
Depts & Borrowings	1	1	1	1	-	-	-
Non-current liabilities	598	575	703	701	879	1,074	992
Equity	6,725	6,859	7,444	7,501	7,842	8,408	8,467
Capital stock	39	39	39	39	39	39	39

¹⁾ Cash and Cash equivalents, Short-term financial instruments, etc.

[Appendix 4] Investments & Dividends

SAMSUNG SDS

(Billion KRW)

	2019	2020	2021	2022				
				1Q	2Q	3Q	4Q	
Cash ¹⁾	3,831	4,194	4,591	4,855	5,004	5,289	5,030	5,030
CAPEX	378	275	324	86	169	208	207	671
D & A ²⁾	298	289	292	76	77	80	91	324
EBITDA	1,350	1,191	1,167	374	397	417	297	1,484
EBITDA Margin (%)	12.6%	10.8%	8.6%	8.9%	8.6%	9.9%	7.0%	8.6%
EPS(KRW)	9,521	5,733	7,901	2,554	3,455	5,056	3,153	14,218
Excl. one-off factors ³⁾	9,521	7,852	7,901	2,554	3,455	2,938	1,618	10,565
ROE (%)	11.7%	6.7%	8.9%	10.9%	14.2%	19.7%	12.0%	14.2%
DPS(KRW)	2,400	2,400	2,400	-	-	-	-	3,200
Payout ratio (%)	25.2%	41.9%	30.4%	-	-	-	-	22.5%
Excl. one-off factors ³⁾	25.2%	30.6%	30.4%	-	-	-	-	30.3%

¹⁾ Cash and Cash equivalents, Short-term financial instruments, etc.

²⁾ Depreciation expense of Lease assets is excluded.

³⁾ In 2020, Corporate tax expense increase (KRW 164 Bn) due to the loss of first trial with NTS,

In 2022, Corporate tax expense deduction (KRW 164 Bn) due to the winning of second trial with NTS,

Corporate tax expense deduction due to reduction of deferred tax liabilities appropriation related to subsidiaries

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