

East Pipes reports revenues of SAR 597 million in FY22, with rapid market rebound during latter part of the year

- *Successful IPO on the Saudi Exchange in February 2022*
- *Revenues and profitability negatively impacted by temporary COVID-19 related delays in releasing and awarding key projects*
- *Sharp increases in global raw material prices and shipping costs, as well as supply chain disruptions partially offset by operational and financial efficiencies*
- *Strong rebound in activity during the latter part of the year set to continue into FY23, with strong pipeline of projects*

Dammam, Saudi Arabia, 26 May 2022: East Pipes Integrated Company for Industry (“East Pipes” or “the Company”, 1321 on the Saudi Exchange), Saudi Arabia’s leading manufacturer of Helical Submerged Arc Welded (HSAW) pipes, today announced its financial results for the year ended 31 March 2022 (“FY22”) reflecting the company’s ability to successfully withstand the pressures arising from COVID-19 related delays in key projects across Saudi Arabia, and cement its position to take full advantage of the strong rebound witnessed in the latter part of the year.

The strategic transformation of East Pipes into a publicly listed company in February 2022 is paving the way for a promising growth path, underpinned by a leading market position and the comprehensive economic development process in the Kingdom of Saudi Arabia in line with Vision 2030.

Financial highlights for FY22

- **Revenues** of SAR 597 million decreased by 36% (FY21: SAR 936 million), as key projects were postponed by major customers due to COVID-19 during 2020 and 2021. Given the long-lead time and lifecycle of these projects, the impact of the decline in volumes was reflected in the financial performance during FY22.
- **Gross profit** of SAR 35 million declined 85% (FY21: SAR 230 million) due to lower production volumes and the negative impact of the hike in raw material prices, supply chain disruptions and logistics costs. The prices of the Company’s main raw materials increased significantly, whilst shipping costs quadrupled during FY22. With prices now normalizing, the Company will continue to leverage its strong ability to take advantage of the improved market stability and resumption of project activity, to enhance margins and profitability.
- **EBITDA** decreased to SAR 39 million (FY21: SAR 246 million) due mainly to the lower revenues, higher costs, and rise in selling and marketing expenses primarily due to restructuring and other costs related to corporate governance. **EBITDA margin** of 7% (FY21: 26%) is expected to recover in line with improved volumes going forward.
- **Net loss** of SAR 3 million (FY21: net profit of SAR 148 million) despite returning to profitability in the latter part of the year. This is primarily due to the decline in revenues as a result of temporary project delays, coupled with the remarkable increase in various costs, including raw materials. This impact was partially offset by a 48% YoY drop in

net finance costs, and a decline in depreciation expenses by SAR 15.6 million, arising from a revision of the estimated useful life range of the company's plant and machinery.

- **Cash and cash equivalents** increased to SAR 74 million (FY21: SAR 42 million) and focus on working capital management resulted in receivables increasing to SAR 502 million (FY21: SAR 358 million).
- Further **reduced leverage** and successfully refinanced **banking facilities** on improved terms, resulting in lower net finance costs (-48% YoY), with over SAR 2 billion of available facilities.

Operational highlights

- Successful **IPO** on the Saudi Stock Exchange in February 2022 and rebranding.
- Continued **quality execution** on key projects supported by advanced facilities, efficiencies, and strong technical skills.
- Awarding and supplying several projects for both spiral and coating, including **contracts with Saline Water Conversion Corporation (SWCC) and other strategic partners**, with a backlog figure of more than SAR 648 million.
- Maintained status with major customers and strong relationships with EPC contractors as well as suppliers, including logistics partners.
- Strong focus on **corporate governance** and human capital development

Mohammed Al Shaheen, Chief Executive Officer at **East Pipes** said:

“The listing of East Pipes on Tadawul during the year was a key milestone for the Company and attracted significant interest from both retail and institutional investors, who are set to benefit from our exposure to the Kingdom’s water and energy sectors, which are critical elements of the Vision 2030 initiatives.

Following the headwinds dictated by the COVID-19 pandemic, economic activity is now returning to normal levels, and we are seeing a large number of mega projects coming back online. This positive momentum is set to continue and should enhance our performance going forward. Given our industry leading capabilities and focus on operational excellence, we are ready to further solidify our leadership position in the pipe manufacturing sector, targeting to increase our market share, grow our Pipe Coating business order book, and balance our sector exposure.

We are also building a robust sustainability framework to align our business with global best practice. This will be guided by sound governance principles encompassing environmental preservation through effective waste management, efficient energy utilization, community support and ensuring the highest standards of health and safety for the benefit of all our stakeholders.”

Mohamed Darweesh, Chief Financial Officer at East Pipes said:

“East Pipes has successfully managed to improve its financial performance by generating a net profit of SAR 16 million during the final quarter of FY22, with a strong pickup in volumes on the back of a general improvement in market conditions.

During the year, the leadership team continued to maintain strong relationships with key business partners, which enabled us to effectively mitigate the impact of supply chain disruptions and create new opportunities. Operational and financial efficiencies were at the forefront during the period, and the refinancing of our banking facilities on favourable terms has set us well, as we enter a higher interest rate cycle.

We anticipate the positive start to FY23 to continue, with further improvements in volumes, driven by the resurgence of activity in the sector. Our strong financial and operational position and the typically long-lead nature of our contracts, will ensure that we deliver higher value to shareholders over the medium term.”

Strategy and outlook

The demand for HSAW pipes is expected to continue rising over the next few years, supported by national initiatives including those under Vision 2030, which will see mega projects in both the water and oil & gas sectors coming to the market.

Through its strategy, East Pipes plans to maintain its leadership position in the Saudi Arabian HSAW pipes sector, by increasing market share and diversifying through new opportunities and markets. Investments in R&D will also be maintained, to enhance product innovation, in line with client demand, whilst expenses, working capital and cash flows will continue to be tightly managed, to balance the expected increase in finance costs, as a result of higher interest rates.

Against this backdrop, East Pipes is confident that it has the scale and technical ability to effectively execute the current backlog and take full advantage of mega projects coming onstream, and thereby improve its financial performance over the medium term, in line with the lifecycle of these projects.

Summary of Financial Statements

Balance sheet (SAR million)		
	As of 31 March 2022	As of 31 March 2021
Total assets	896	819
Total equity	515	518
Total liabilities	381	301

Income statement (SAR million)			
	FY22	FY21	% Δ y/y
Revenue	597	936	(36%)
EBITDA	39	246	(84%)
Net profit/(loss)	(3)	148	(102%)

Cash flow statement (SAR million)			
	FY22	FY21	% Δ y/y
Net cash flow from operating activities	(99)	357	(128%)
Net cash flow from investing activities	(3)	(1)	125%
Net cash flow from financing activities	134	(383)	(135%)
Net change in cash and cash equivalents	32	(27)	(219%)

- Ends -

About East Pipes:

Established in 2010, East Pipes Integrated Company for Industry (East Pipes) is one of the leading manufacturers of Helical Spiral Arc Welded (HSAW) pipes in Saudi Arabia, which are used in critical infrastructure sectors, predominantly water and oil & gas applications. Thanks to its state-of-the-art manufacturing capabilities and fully integrated business model, which includes a double joining plant and coating mill, the Company is capable of producing more than 500,000 metric tons of spiral pipes per annum, making it one of the largest integrated manufacturers of spiral pipes in the region.

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