

## East Pipes reports increasing profit in 2Q-FY23, driven by a solid topline performance on the back of improved sales activity

- *Sales volumes and average sales prices continue to rise, resulting in expansion of gross profit during the period*
- *Cost rationalization initiatives enable significant improvement in operating profit*
- *Capital optimization through bonus shares, aimed at returning value to shareholders*
- *Healthy project pipeline expected to provide solid base for sustained improvement in performance going forward*

**Dammam, Saudi Arabia, 27 October 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 second quarter and first half period ended 30 September 2022 (“2Q and 1H-FY23”), reporting growing profit, primarily driven by a robust topline performance as a result of an increase in sales volumes complemented with higher average sales prices.

### Financial highlights for 2Q and 1H-FY23

- **Revenues** of SAR 303 million increased 47% QoQ and 150% YoY (1Q-FY23: SAR 206 million; 2Q-FY22: SAR 121 million), as sales volumes significantly improved during the period, as well as average sales prices, supported by enhanced activity in the market, and with the completion of significant projects by the Company. For 1H-FY23, revenues amounted to SAR 509 million, increasing 88% YoY due to higher sales volumes.
- **Gross profit** of SAR 15 million increased 65% YoY (2Q-FY22: SAR 9 million) primarily due to a pickup in sales volumes and average realized sales prices compared to last year. East Pipes’ long-standing and strong relationships with key suppliers across the globe, have positioned the company to successfully execute its backlog. On a sequential basis, gross profit declined 21% (1Q-FY23: SAR 19 million), on the back of an increase in the cost of the Company’s raw materials in 2Q-FY23. For 1H-FY23, gross profit totalled SAR 34 million, representing a 66% YoY increase, positively impacted by both a volume and price effect.
- **EBITDA** increased 10% QoQ and 154% YoY to SAR 20 million (1Q-FY23: 18 million; 2Q-FY22: SAR 8 million), essentially attributed to the enhanced topline performance, and a decline in SG&A expenses. The 1H-FY23 period followed a similar trend, with EBITDA amounting to SAR 38 million, thus representing a 40% YoY increase.
- **EBITDA margin** was 6.5% in 2Q-FY23 (1Q-FY23: 8.7%; 2Q-FY22: 6.4%), and 7.4% for 1H-FY23, compared to 9.9% for 1H-FY22, driven by a stronger pipeline of projects and enhanced levels of activity.
- **Net profit after zakat and income tax** of SAR 9 million increased 48% QoQ (1Q-FY23: SAR 6 million; 2Q-FY22: net loss of SAR 0.9 million), driven by the return of activity in the market, which has resulted in a large pickup in sales volumes during the period. Furthermore, East Pipes’ early settlement of some of its outstanding facilities has enabled the Company to reduce finance charges by 25% YoY in 2Q, despite the

rising trend in SAIBOR. For 1H-FY23, net profit increased to SAR 15 million, from SAR 1.3 million.

- **Cash and cash equivalents** decreased 3% YTD to SAR 71 million (31 March 2022: SAR 74 million) due to the early settlement of a substantial portion of outstanding debt, in order to effectively manage the company's finance charges, given the current rising trend in SAIBOR.
- **Total borrowings** increased 20% YTD from SAR 274 million to SAR 328 million.
- **Capital increase through bonus shares** recently approved at the EGM, whereby shareholders received 1 share for every 2 shares held. As a result, the total number of shares of East Pipes has increased from 21 million shares to 31.5 million shares, with a corresponding increase in paid-in capital from SAR 210 million to SAR 315 million. The recommendation for the bonus share issuance is in line with the Company's focus on optimizing its capital structure whilst returning value to its shareholders.

### Operational highlights

- Continuing to pursue several high-profile projects from **key strategic business partners**.
- **Integrated and advanced manufacturing facilities, high quality product offerings**, as well as **large scale of operations** remain the key competitive advantages of the company.
- Sustained **quality execution** on key projects and **industry-leading yield on raw materials**.
- Increasing focus on **ESG**, with **a comprehensive review of the company's sustainability framework**.

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

*"It is with great pleasure that we announce an increase in profit in 2Q-FY23. This outcome was largely substantiated by the implementation of various optimization measures and reinforced by our solid positioning as a leading manufacturer in the domestic market.*

*We have continued to focus on providing distinctive product offerings to our customers, and through capitalizing on our relationships with key business partners, we have managed to weather the impact of global supply chain disruptions. Driven by our ability to execute effective pricing strategies, and increase sales volumes, we witnessed a remarkable improvement in gross profit during the period.*

*East Pipes will move forward through securing a greater share of the market, as our upcoming project pipeline will form a concrete basis for the enhancement of profitability in the future. This, in conjunction with our operational excellence and deep technical expertise, should support the future prospects of the company."*

**Mohamed Darweesh, Chief Financial Officer** at **East Pipes** said:

*"East Pipes reported a strong set of financial results in 2Q-FY23, with improving profit, which is testament to the Company's strong competitive positioning in the market.*

*This performance is predominantly the result of leveraging the key strengths of our organization, which have enabled us to deliver innovative products to our broad base of customers, whilst maintaining cost discipline, and advancing our manufacturing efficiencies.*

*Looking ahead, the foundations for sustainable value creation will be a priority for the Company, as we continue to build our backlog, with large-scale projects under Vision 2030 coming into fruition. We remain proactive in expanding our footprint, through the utilization of our integral partnerships with key stakeholders in the market, which will strategically position East Pipes for the upcoming phase of growth.”*

### 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 leveraging its pioneering position in the Saudi Arabian HSAW pipes market, East Pipes is targeting to maximize its sales outreach and increase market share, through diversifying its product offerings as well as enhancing marketing initiatives. The company is intending to increasingly pursue opportunities in the water and oil & gas sectors, where management foresees promising potential. East Pipes is committed to further advancing its R&D capabilities in order to enhance product innovation, in line with the changing demands of customers. Furthermore, the company is in the process of revamping its sustainability framework, to align with best practices in the industry.

Balance sheet optimization will continue to be at the forefront, with leverage, operational costs and working capital being closely monitored, to dilute the impact of the expected increase in finance charges, as a result of higher prevailing interest rates.

East Pipes is confident that it is strongly positioned to take full advantage of mega projects coming onstream to substantially expand its backlog, with the ultimate goal being to deliver sustainable long-term value to shareholders and stakeholders alike.

### Summary of Financial Statements

Balance sheet (SAR million)		
	As of 30 September 2022	As of 31 March 2022
<b>Total assets</b>	1,059	896
<b>Total equity</b>	531	515
<b>Total liabilities</b>	528	381

Income statement (SAR million)						
	2Q-FY23	2Q-FY22	% Change	1H-FY23	1H-FY22	% Change
Revenue	303	121	150%	509	270	88%
EBITDA	20	8	154%	38	27	40%
Net profit/(loss)	9	(0.9)	NM	15	1	1,113%

Cash flow statement (SAR million)			
	1H-FY23	1H-FY22	% Change
Net cash flow from operating activities	(53)	(15)	254%
Net cash flow from investing activities	(1)	(2)	(45%)
Net cash flow from financing activities	51	114	(55%)
Net change in cash and cash equivalents	(2)	97	NM

- 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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