

## East Pipes reports robust improvement in profitability in 3Q-FY23, enabled by a strong pickup in revenues

- *Continued rising trend in both the top and bottom line supported by restoration of market activity and demand*
- *Significant and highly visible pipeline of projects, as part of the Kingdom's 2030 transformative plan, is conducive to sustainable growth*

**Dammam, Saudi Arabia, 29 January 2023:** East Pipes Integrated Company for Industry ("East Pipes" or "the Company", 1321 on the Saudi Exchange), the top manufacturer of Helical Submerged Arc Welded (HSAW) pipes in Saudi Arabia, today announced its financial results for the third quarter and nine-month period ended 31 December 2022 ("3Q and 9M-FY23"), reporting a remarkable improvement in profit, driven by a solid top-line performance, which has outweighed the impact of rising financial charges.

### Financial highlights for 3Q-FY23 and 9M-FY23

- **Revenues** of SAR 487 million increased 61% QoQ and 266% YoY (2Q-FY23: SAR 303 million; 3Q-FY22: SAR 133 million). This was due to a large pickup in both sales volumes and average sales prices, supported by a revival in demand, on the back of enhanced sentiment in the market. For 9M-FY23, revenues amounted to SAR 996 million, increasing 147% YoY.
- **EBITDA** amounted to SAR 67 million in 3Q-FY23 (2Q-FY23: 20 million; 3Q-FY22: EBITDA loss of SAR 8 million), which is essentially attributed to the improvement in the top-line performance. For 9M-FY23, EBITDA amounted to SAR 104 million, compared to SAR 18 million in 9M-FY22. This was despite the following: an increase in cost of sales due to the rise in the average cost of per ton of main raw materials and an increase in the level of production.
- **EBITDA margin** was 13.7% in 3Q-FY23 (2Q-FY23: 6.5%; 3Q-FY22: -6%), and 10.5% for 9M-FY23, compared to 4.7% for 9M-FY22, driven by a robust pipeline of projects, in line with the government's continued focus on infrastructure development across the Kingdom, as part of the Vision 2030 agenda.
- **Net profit after zakat and income tax** came in at SAR 47 million in 3Q-FY23, as opposed to a net loss of SAR 19 million in 3Q-FY22. This was due to sustained project activity, leading to an influx in sales volumes during the period, which resulted in a significant rise in revenues. For 9M-FY23, net profit increased to SAR 63 million, compared to a net loss of SAR 18 million for 9M-FY22.
- **Cash and cash equivalents** increased 4% YTD to SAR 77 million (31 March 2022: SAR 74 million), while **total borrowings** increased 61% YTD from SAR 274 million to SAR 442 million, as a result of the increase in working capital for the implementation of projects assigned by clients.

### Operational highlights

- Leveraging **strong positioning in the market** to allow for capturing a large share of project awards.
- Increasing focus on selling and marketing activities to **reinforce brand name** in the market.

- **Diversity and quality of product offerings** enable the Company to cater to consumer demands.
- **Integrated and advanced manufacturing facilities**, as well as **large-scale operations** remain the key competitive advantages of East Pipes.
- Continuing to maintain **industry-leading yield on raw materials**.
- **ESG remains at the forefront** and is considered a core pillar to attaining operational excellence.

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

*“I am pleased to announce a rising trend in profitability in the third quarter of this fiscal year, which is a powerful indicator of our position as a leading domestic player in this dynamic industry.*

*As a means of securing greater market share, we have enhanced our marketing initiatives, whilst continuing to focus on the innovation and quality of our products. The favorable prospects for the sector, as a result of significant project announcements under the Vision 2030 umbrella, bode well for our business, as we continue to capitalize on this momentum to reach greater heights.*

*The solid and strategic partnerships that we have maintained over the years are indeed integral to our growth and development, and are a key component enabling us to deliver a healthy operational and financial performance.”*

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

*“East Pipes delivered a solid set of financial results this quarter, driven by robust underlying demand and continued strength in our backlog.*

*This performance was also boosted by our strong customer base leading to a sustained increase in sales volumes, compared to previous periods.*

*The foundations for a successful financial year are indeed in place, and the priority is for the company to continue to achieve operational excellence and to pursue this path to growth, by taking advantage of the key competitive strengths that East Pipes is well-recognized for in the market.”*

## **Strategy and outlook**

The HSAW pipes industry in KSA, one of the largest in the MENA region, is expected to flourish at a steady rate over the next few years, supported by country-wide transformative programs such as Vision 2030, as several mega projects within both the water and oil & gas sectors continue to materialize over time.

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, by achieving operational efficiencies, diversifying its product offerings, and enhancing its marketing activities. 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 and manufacturing 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 increasing finance charges, as a result of higher prevailing interest rates.

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

### Summary of Financial Statements

Balance sheet (SAR million)		
	As of 31 December 2022	As of 31 March 2022
<b>Total assets</b>	1,246	896
<b>Total equity</b>	579	515
<b>Total liabilities</b>	668	381

Income statement (SAR million)						
	3Q-FY23	3Q-FY22	% Change	9M-FY23	9M-FY22	% Change
<b>Revenue</b>	487	133	266%	996	404	147%
<b>EBITDA</b>	67	-8	NM	104	18	454%
<b>Net profit/(loss)</b>	48	-19	NM	63	-18	NM

Cash flow statement (SAR million)			
	9M-FY23	9M-FY22	% Change
<b>Net cash flow from (used in) operating activities</b>	-155	-11	1250%
<b>Net cash flow from (used in) investing activities</b>	-3	-2	40%
<b>Net cash flow from (used in) financing activities</b>	161	89	81%
<b>Net change in cash and cash equivalents</b>	3	75	-96%

- 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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