



**East Pipes Integrated Company for Industry**  
**Earnings Release for The Year Ending**  
**31 March 2023**

## East Pipes achieves significant return to profitability in FY23, driven by accelerated revenue growth

- *Robust improvement in revenues due to rising demand and strong project activity across the Kingdom*
- *Substantial turnaround in profitability achieved in FY23, with solid recovery in margins*

**Dammam, Saudi Arabia, 25 May 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 fiscal year ended 31 March 2023 (“FY23”), recording a firm recovery in net profit, amounting to SAR 100 million, supported primarily by strong growth in revenues and maintenance of healthy margins.

### Financial overview for FY23

- **Revenues** of SAR 1,439 million increased 141% YoY (FY22: SAR 597 million) due to the dual impact of a rising trend in sales volumes and improved average sales prices, supported by a robust recovery in demand.
- **EBITDA** of SAR 161 million, increased 312% YoY from SAR 39 million in FY22, which is primarily driven by the solid top-line performance during the year.
- **EBITDA margin** of 11% in FY23 (FY22: 7%) largely benefitted from the general improvement in market conditions, which translated to a strong pipeline of key projects, as part of the government’s continued focus on infrastructure development across the Kingdom, under the Vision 2030 umbrella.
- **Net profit after zakat and income tax** amounted to SAR 100 million in FY23, compared to a net loss of SAR 3 million in FY22, which is attributed to a substantial improvement in project activity, with the outlook for both the water and oil and gas sectors in the Kingdom being quite promising.
- **Cash and cash equivalents** stood at SAR 53 million, compared to SAR 74 million as of 31 March 2022. Meanwhile, **total borrowings** decreased 11% from SAR 274 million to SAR 245 million, and net debt to equity decreased from 0.39x to 0.31x as of 31 March 2023.
- **Effective management of working capital** resulted in a remarkable improvement in cashflow from operations, which amounted to SAR 18 million (SAR -99 million as of 31 March 2022).

### Key highlights during the period

- **Capital increase through bonus shares**, whereby shareholders received 1 share for every 2 shares held. As a result, the total number of issued shares

by 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 bonus share issuance is in line with the Company's focus on optimizing its capital structure, whilst returning value to its shareholders.

- **Increasing focus on selling and marketing activities** to augment brand name in the market and allow for capturing a large share of project awards.
- **Operational excellence** remains a key priority for the Company, supported by integrated and advanced manufacturing facilities, and is resulting in **industry-leading yield** on raw materials. In recognition of this, East Pipes has obtained several quality certifications such as ISO 9001:2005, API Spec Q1, and ISO 17025.
- **Solid relationships strengthened, with SWCC and other key strategic partners.** During the year, East Pipes signed numerous important contracts, as follows:
  - Three contracts with Saline Water Conversion Corporation (SWCC) valued at nearly SAR 1.3 billion, for the manufacture and supply of steel pipes for water transmission;
  - Multiple contracts with NEOM Co., for a total value of SAR 385 million, for supplying steel pipes for water transmission lines;
  - A contract with PETROJET Co., valued at SAR 196 million, for the supply of steel pipes;
  - Several contracts with a number of strategic contractors, for the manufacturing of pipes and pipe coating works

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

*“As we conclude our fiscal year, we are proud of the accomplishments of East Pipes, during this transformational period that was challenging and completely new for us, as we transitioned from a private shareholding to a public shareholding company. We have clearly defined our goals at East Pipes, which are in line with our aspirations, as well as those of our valued shareholders. Our journey in the past year was quite exciting, starting with the financial results of the first quarter, which we expected, by virtue of the natural project cycle that could reach 12 months, followed by a quarter-on-quarter improvement, to witnessing a solid return to profitability.*

*Amongst our most prominent achievements during the year is the increase of our market share to more than 80%, through leveraging our strong positioning, as well as our core capabilities and extensive expertise, and our advanced manufacturing facilities, and key competitive advantages such as the diversity and quality of our product offerings. The Company has also secured several significant projects, with SWCC and a number of strategic business partners.*

*In light of our focus on creating a balance between investing for the purpose of growing our business, and providing significant value to our shareholders, the Board of Directors is recommending the distribution of SAR 1 per share in cash dividends for FY23.*

*Our growth and development would not have been possible without the support and trust that our stakeholders have continued to place in us, and the remarkable dedication and hard work of the entire East Pipes team. We look forward to reaching even greater horizons in the years to come, as market conditions continue to notably improve. We remain strongly placed to play a pioneering role in Saudi Arabia's large-scale development programs, particularly in the oil and gas and water sectors, which are crucial to the economy."*

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

*"We are marking the close of an exceptional financial year, during which we witnessed a substantial rebound in profitability, largely supported by the return in market activity and our focus on operational excellence in everything we do.*

*The strength of our financial position, as we continued to deleverage our balance sheet, supports our ability to drive considerable progress in terms of the effective execution of our backlog. With working capital management being a key area of focus for us at East Pipes, we generated solid cash flow from operations in FY23, which is an important highlight of our strong financial performance.*

*Rewarding our valued shareholders is a core pillar of our strategy, and through the issuance of bonus shares, we also effectively optimized our capital structure during the year. Looking ahead, we are targeting to deliver sustainable long-term returns to our shareholders, through capitalizing on the positive momentum in the domestic market."*

**Ali Al Makrami, Vice President – Commercial** at **East Pipes** commented:

*"East Pipes has successfully established a strong foundation, based on the key strengths of our business such as our advanced production capabilities, substantial manufacturing efficiencies, and the solid relationships that we have maintained with our valued business partners over time. These are just a few of the factors that are enabling us to continue to expand our customer base and grow our backlog at a steady rate, thus helping consolidate our leadership position in both the local and regional markets.*

*The domestic operating environment is showing signs of a strong recovery in activity, with mega projects in the oil and gas and water sectors, in addition to other major projects such as NEOM, expected to pave the way for further growth for East Pipes going forward.*

*We will continue to be an important contributor towards a key objective of the Kingdom's Vision 2030 of raising the level of local content, and with an increasing focus on privatization,*

*there are promising prospects for the water sector in particular, where we expect to unlock massive opportunities for our Company.”*

### Summary of Financial Statements

Balance sheet (SAR million)		
	As of 31 March 2023	As of 31 March 2022
Total assets	987	896
Total equity	615	515
Total liabilities	372	381

Income statement (SAR million)			
	FY23	FY22	% Change
Revenue	1,439	597	141%
EBITDA	161	39	312%
Net profit (loss)	100	-3	-3179%

Cash flow statement (SAR million)			
	FY23	FY22	% Change
Net cash flow from (used in) operating activities	18	-99	-118%
Net cash flow from (used in) investing activities	-4	-3	7%
Net cash flow from (used in) financing activities	-35	134	-126%
Net change in cash and cash equivalents	-20	32	-165%

- 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.

Contact: [IR@eastppipes.com](mailto:IR@eastppipes.com)

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