



East Pipes Integrated Company for Industry
Earnings Release for the 1st Quarter Ending
30 June 2023

Near-term outlook remains promising, supported by significant contract win from Aramco, despite decline in bottom line performance

Dammam, Saudi Arabia, 31 July 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 first quarter ending 30 June 2023 (“1Q-FY24”), reporting a net loss of SAR 19 million.

Financial overview for 1Q-FY24

- **Revenues** of SAR 39 million decreased 81% YoY (1Q-FY23: SAR 206 million) whereby production activities are progressing well, but, in line with the delivery schedules of some projects, the associated revenues fell short this quarter, and inventories increased from SAR 65 million as of 31 March 2023 to SAR 209 million as of 30 June 2023.
- **EBITDA** loss amounted to SAR -5 million, compared to an EBITDA of SAR 18 million in 1Q-FY23, primarily due to the decline in revenues due to a drop in sales volumes. As a result, **EBITDA margin** came in at -14% in 1Q-FY24, compared to 9% in 1Q-FY23.
- **Net loss** amounted to SAR 19 million in 1Q-FY24, compared to a net profit of SAR 6 million in 1Q-FY23 which is primarily attributed to the decline in revenues during the period.
- **Cash and cash equivalents** stood at SAR 147 million increasing significantly from SAR 53 million as of 31 March 2023. Meanwhile, **borrowings** increased 18% from SAR 245 million to SAR 288 million, but net debt to equity decreased from 0.31x to 0.24x as of 30 June 2023.
- **Effective management of working capital** resulted in a marked improvement in cashflow from operations, which amounted to SAR 54 million (SAR 38 million as of 30 June 2022).

Key highlights during the period

- **Significant contract award of over SAR 1.8 billion from Saudi Aramco** for the manufacture and supply of steel pipes. The financial impact of this contract will be reflected in 3Q and 4Q-FY24 and 1Q-FY25.
- **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.

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

“We started our new fiscal year with some pivotal achievements for East Pipes, including the successful procurement of a contract valued at over SAR 1.8 billion from Saudi Aramco.

Leveraging our core competencies, industry know-how, and distinguishing features, such as the wide range and high quality of our products, we anticipate achieving even more prominent milestones in the future. Moreover, we will continue to amplify our efforts in terms of sales and promotional strategies to enhance our market share and effectively execute an increasing number of high-profile projects in the Kingdom.

We are in a strong position to make an integral contribution to Saudi Arabia's expansive development initiatives, especially in the vital oil, gas, and water sectors. This plays an indispensable role in the national economy and reflects our unwavering support for the objectives of Vision 2030.”

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

“East Pipes witnessed a temporary decline in top line performance during the first quarter of FY24, although work on several projects is well underway, according to delivery schedules and, in line with international accounting principles. We are looking forward to realizing the positive impact of the projects that have been announced in the past two quarters on our financial results, during the latter part of this fiscal year.

We have established a robust foundation, to pave the way for the growth of our business in the future. This is particularly supported by our solid financial position, as we saw a remarkable 175% YTD improvement in our cash balances, whilst our working capital management strategies continued to produce fruitful results, with a 42% YoY rise in cash flow generated from operating activities.”

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

“East Pipes continued to consolidate its leading position in Saudi Arabia's rapidly growing HSAW pipes industry. The recent contract award by Aramco, is yet another testament to the trust that our valued strategic partners are placing in us. This remarkable project is considered vital to the Kingdom, as part of its drive to reduce the reliance on oil and is a natural progression towards its goals of utilizing cleaner sources of energy.

We will focus on further reinforcing such strategic partnerships and growing our backlog, as the market is indeed thriving, and mega projects, particularly under Vision 2030, continue to materialize. With the innovation and quality of our products being at the forefront of our competitive advantages, we remain proactive in expanding our operations, and tapping into substantial emerging opportunities in the market.”

Summary of Financial Statements

Balance sheet (SAR million)		
	As of 30 June 2023	As of 31 March 2023
Total assets	1,114	987
Total equity	597	615
Total liabilities	517	372

Income statement (SAR million)			
	1Q-FY24	1Q-FY23	% Change
Revenue	39	206	-81%
EBITDA	-5	18	-131%
Net profit (loss)	-19	6	-398%

Cash flow statement (SAR million)			
	1Q-FY24	1Q-FY23	% Change
Net cash flow from (used in) operating activities	54	38	42%
Net cash flow from (used in) investing activities	-1	-1	-16%
Net cash flow from (used in) financing activities	41	-93	-144%
Net change in cash and cash equivalents	94	-56	-268%

- 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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