

Red Sea International delivers turnaround in profitability in FY2023, supported by strategic business model transformation

- **Acquisition of 51% stake in Fundamental Installation for Electric Work Company (First Fix) to further integrate operations and expand comprehensive suite of services**
- **Business model transformation and new leadership to drive growth**
- **Refreshed focus on high-quality project execution and delivery, supporting financial performance**

Riyadh, 27 March 2024 – Red Sea International (“Red Sea” or the “Company”, 4230 on the Saudi Exchange), a market-leading integrated building solutions provider in the Middle East and worldwide, today announced its financial results for the full year ending 31 December 2023 (“FY23”), reporting substantial growth for both the top and bottom-line.

Revenues increased 241% year-on-year (YoY) to SR 1,378 million, supported by several factors, including the strategic acquisition in October 2023 of a 51% stake in Fundamental Installation for Electric Work Company (First Fix), with the recognition in RSI’s consolidated financial statements starting in 4Q2023. Furthermore, RSI’s increasing focus on streamlining all stages of the supply chain, combined with competitive pricing strategies and advanced procurement techniques, have also resulted in the improvement in revenues.

First Fix is a leading contractor in the GCC, providing end-to-end infrastructure services that include MEP solutions across a wide range of customers. The acquisition has enabled RSI to gain a critical stream of electromechanical and civil construction capabilities that add to its position as an established brand in residential, industrial, and commercial modular construction.

During the year, the Board of Directors carried out a comprehensive assessment of the Company’s business model, resulting in key decisions to transform RSI’s operations and organizational structure, and the onboarding of a new leadership team. A focused 90-day action plan was put in place, to increase the Company’s focus on project execution, delivery, efficiency, integration, and overall performance.

Profit from continuing operations improved significantly to reach SR 16 million, compared to a loss of SR 190 million in the prior year, predominantly due to the impact of the First Fix acquisition. Net profit also turned positive at SR 2 million, compared to a net loss of SR 198 million in FY22, including the proposed sale of Premier Paints Company, which is classified as a discontinued operation.

Marwan Sayegh, Chief Executive Officer of Red Sea International, commented:

“2023 was a pivotal year for Red Sea International, during which we focused on a transformative repositioning exercise, that saw the initial phases of implementing our new business model, which included the strategic acquisition of a majority stake in ‘First Fix’ and the disposal of the ‘Premier Paints Company’.

These critical steps have consolidated our business and expanded our integrated suite of innovative solutions to our growing customer base. We are excited about the renewed foundation we are creating for

the Company, and look forward to unlock further growth avenues, through stronger market positioning and enhanced competencies.”

Ghassan Ashkar, Chief Financial Officer of Red Sea International, said:

“Red Sea International reported a positive set of financial results for 2023, as we witnessed a return to profitability, driven by decisive measures undertaken to charter the path ahead for a new phase in our strategic growth, leading us to regain market leadership.

From this base, we will continue to recalibrate our business priorities and strengthen our financial position, to generate sustainable long-term value for our shareholders.”

SR millions	FY2023	FY2022	% Change
Revenue	1,378	404	241%
Gross Profit	114	(57)	302%
EBITDA	99	(118)	184%
Profit from continuing operations	16	(190)	108%
Net Profit	2	(198)	101%

Income Statement Analysis

Revenues increased 241% year-on-year (YoY) to SR 1,378 million, supported by several factors, including the strategic acquisition of a 51% stake in First Fix. Additionally, in line with the guidance of the Board, RSI increased its focus on streamlining all stages of the supply chain, in addition to implementing competitive pricing strategies and improving procurement techniques, leading to a boost in revenues during the year.

Cost of Revenue increased 169% YoY to SR 1,241 million in FY23, from SR 461 million in FY22, as a result of the increasing momentum for project execution and delivery during the year. **Gross profit** amounted to SR 114 million, compared to a gross loss of SR 57 million in FY22.

EBITDA witnessed a marked improvement to SR 99 million in FY23, compared to an EBITDA loss of SR 118 million in FY22, supported by the robust top-line performance during the period.

Profit from continuing operations jumped to SR 16 million, compared to a loss of SR 190 million in FY22. Overall, **Net Profit** amounted to SR 2 million in FY23, improving sharply from a net loss of SR 198 million, as the positive impact of the First Fix acquisition flowed through.

Balance Sheet Analysis

Red Sea International concluded the year with SR 158 million in **cash and cash equivalents**, compared to SR 32 million as of 31 December 2022, due to an improvement in cash conversion cycle and an increase in proceeds from interest bearing loans and borrowings

Total loans increased to SR 327 million as of 31 December 2023, from SR 122 million at the end of 2022, which is primarily targeted towards the financing of RSI's expanding project pipeline.

Meanwhile, **net debt to equity** nearly halved from 0.96x in FY22 to 0.52x in FY23.

ESG

RSI's ESG principles are guided by the Omnipreneurship philosophy based on 3 principles of "Giving, Earning and Sustaining". The Company is aiming to contribute to a sustainable society by continuing to embed the principles of sustainability, ethics and innovation.

RSI is committed to 'Sustainability' and has already formulated its ESG framework and has set a baseline to measure annual progress against key ESG targets. The Company is looking to develop its sustainability roadmap for 2030, using a structured problem-solving approach, to ensure that the proposed solutions create tangible value and are truly impactful for all stakeholders.

--- ENDS ---

About Red Sea International

Red Sea International was founded in 1978 and is headquartered in Riyadh, Kingdom of Saudi Arabia. Today, RSI has become a global leader in designing, planning, producing, managing, and operating temporary or permanent modular buildings that can be used for worker accommodation, hotels, apartments, offices, schools, or medical centers. To complement our wide range of products, RSI offers an array of customizable turnkey hospitality services, including utilities, catering, entertainment, and many more. Through our key divisions - Red Sea Housing Services, Red Sea Facilities Management and MEP (through First Fix), RSI continues to collaborate with some of the world's leading organizations in a number of sectors such as oil and gas, infrastructure, government, building and construction, and mining, amongst others. Our innovative building techniques and business spread is reflected through the diversified product portfolio and successful imprint across industry sectors. Whilst establishing our footprint in over 65 countries worldwide, we have actively embedded our presence and reputation as the leader in off-site modular construction. For more information, visit <https://redseaintl.com/>

Forward-Looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words

and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would” or, in each case their negatives or other similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management’s (“Management”) current views of future events, are based on Management’s assumptions, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate or prediction to become inaccurate. These risks include fluctuations prices, costs, ability to retain the services of certain key employees, ability to compete successfully, changes in political, social, legal, or economic conditions in Saudi Arabia, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations and Management’s ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Investor Relations Enquiries

Tel: +966 11 827 4063

Email: IR@redseaintl.com

P.O. Box: 9371

Riyadh 11413, Kingdom of Saudi Arabia

<https://redseaintl.com/>