

## Results for the first half of 2019



# TUBACEX increases order intake by 40% in a recovering market

- After four years of crisis in the energy sector, market recovery is becoming consolidated, with sales amounting to €323.5 million and an EBITDA of €33.3 million with a margin of 10.3%, which is higher than the margin in the same period of the previous year.
- The Group's financial strategy, with a cash flow of around €200 million, will enable it to face long term debt maturities until 2025.
- The market recovery has enabled TUBACEX to increase its operating leverage ratios for all business units and, therefore, increase its consolidated margins.
- The company is immersed in the final phases of the award of unique projects, so it is foreseen that this will be a record year in order intake, the impact of which will be seen in 2020 and 2021.

**Llodio, July 25, 2019.** After more than four years of crisis in the energy sector, the overall and gradual market recovery is becoming more and more consolidated. Therefore, in the first half of 2019, the TUBACEX order intake has increased by 40%. Sales amounted to €323.5 million and the EBITDA stood at €33.3 million with a margin of 10.3%, which is higher than the margin in the same period of the previous year. Profit amounted to €5 million.

The market recovery has led to better operating leverage ratios for all business units and, therefore, increased consolidated margins.

The working capital has closed the half year at €236.8 million. It must be remembered that this figure includes extraordinary effects conditioned by three

essential reasons: nickel stocks purchased at a lower value than the current market value, which provides a significant competitive advantage as it is being assigned to current projects; the pre-manufacturing of mother tubes for the umbilical tube sector which has increased competitiveness and reduced delivery times and hence achieved record order figures for this product; and finally, the overall increase in activity in all units of the Group.

The net financial debt amounts to €268.5 million, which is €18.3 million less than in March, and the EBITDA stands at 4.0x. The debt figure is closely linked to the working capital which is mostly sold at a net positive realization value. The working capital represents 88.2% of the debt, so the company's structural financial debt without including the working capital stands at €31.7 million.

In this respect and as has become customary regarding the Group's financial strategy, the sound cash position close to €200 million should once again be emphasized, which will enable it to face long term debt maturities until 2025. TUBACEX expects the debt ratio to stand at between 3x and 4x by the end of the year, in order to reduce it to below 3x and hence fulfill the strategic objective in 2020.

TUBACEX is immersed in the final phases of the award of unique orders, so a second half in line with that of the first is foreseen which, along with the continued gradual market improvement, will lead to a year-end with record intakes. "We foresee that this will be a record year in order intake, the impact of which will be seen in 2020 and 2021, leading us to fulfill the objectives of our strategic plan", declared Jesús Esmorís, CEO of TUBACEX.

### **TUBACEX by market**

In the Oil&Gas E&P sector, important projects have been activated, mainly in the Middle East. The international environment and the objective of reducing CO<sub>2</sub> emissions has increased the tendering for large gas extraction projects, which will be resolved over the forthcoming months.

Within the SURF (Subsea, Umbilicals, Risers and Flowlines) segment, TUBACEX has a record order intake for Umbilical offshore tubes, with orders for

the production centers in Austria and Spain. More specifically, TUBACEX won its second largest contract in its history of umbilicals in May.

As for the power generation market, TUBACEX has positioned itself as the leading supplier of high value tubular solutions with the development of materials that address the need to increase the efficiency of these units and reduce CO<sub>2</sub> emissions.

The Mid and Downstream sector has also shown great dynamism during the first half of the year. In Downstream applications, performance has been extremely positive thanks to the final award phase of several strategic projects for the construction of new refineries and the supply of premium products for petrochemical plants. As for the Midstream market, demand has continued with its upward trend, with increased orders for offshore platforms and FPSOs and the award of significant contracts for Saudi Aramco and Petrobras. In the second half of the year, it is expected that this positive trend will continue, with good prospects particularly in Asia and the start of the construction works for various gas liquefaction plants in the USA and Russia.

From a geographic viewpoint, Asia is still the main market with 49% of sales due to its high exposure to the gas extraction and production segments as well as to power generation. As growth projections in this region remain high for the forthcoming years, TUBACEX continues to reinforce its industrial and commercial presence in this area.

### **About TUBACEX**

TUBACEX is a multinational group with its headquarters in Alava and a global leader in the manufacture of stainless steel and high-alloyed tubular products (tubes and accessories). It also offers a wide range of services from the design of tailored solutions to installation and maintenance operations.

It has production plants in Spain, Austria, Italy, the United States, India and Thailand, as well as Saudi Arabia, Dubai and Norway through the NTS Group, worldwide service centers and sales offices in 38 countries.

The main demand segments for the tubes manufactured by TUBACEX are the oil and gas, petrochemical, chemical and power generation industries.

TUBACEX has been listed on the Spanish Stock Market since 1970 and is part of the "IBEX SMALL CAPS" Index. [www.TUBACEX.com](http://www.TUBACEX.com)

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Financial figures

	<u>H1 2019</u>	<u>H1 2018</u>	<u>change %</u>	<u>Q2 2019</u>	<u>Q2 2018</u>	<u>change %</u>
Sales	323.5	360.6	-10.3%	180.0	192.1	-6.3%
EBITDA	33.3	35.6	-6.4%	19.0	19.8	-4.0%
EBITDA margin	10.3%	9.9%		10.6%	10.3%	
EBIT	13.3	16.3	-18.4%	8.8	9.8	-9.8%
EBIT margin	4.1%	4.5%		4.9%	5.1%	
Profit before taxes	8.2	9.2	-11.1%	6.5	6.3	3.0%
Margin	2.5%	2.5%		3.6%	3.3%	
Net Profit	5.0	6.7	-25.3%	3.3	4.3	-25.1%
Net margin	1.5%	1.9%		1.8%	2.3%	