

## Results January - September 2018



# TUBACEX's sales rose 40.3% to reach €519.9 million Euro

- Sales in the third quarter 2018 amounted to €519.9 million, representing a 40.3% increase in relation to the same period in 2017; while EBITDA stood at €55.3 million, 128.5% higher.
- TUBACEX's strategy of betting on Premium high-tech products coupled with operational and commercial improvements has allowed it to obtain a pre-tax profit of 17 million Euro from January to September.
- The net financial debt ratio over EBITDA continues to be significantly reduced and amounts to 4.5x, compared to 9.8x registered at the close of 2017
- TUBACEX good positioning makes it possible to anticipate its active role as a first-class player in the most relevant projects to be developed worldwide in the upstream, conventional electric power and nuclear generation sectors within the forthcoming years.
- By the end of the financial year, TUBACEX expects a very significant improvement of results in relation to 2017 and maintain the EBITDA margin in double figures.

**Llodio, November 05, 2018.** TUBACEX continues to have improvements in profits, after the Oil&Gas sector has recovered from the worst crisis in its history. In the first nine months of the year, the Company's sales have increased by 40.3%, amounting to €519.9 million, and EBITDA has stood at €55.3 million, up 128.5% on the same period in 2017. These figures highlight the success of the Group's strategy of betting on Premium high-tech products coupled with operational and commercial improvements. The said strategy has

allowed it to obtain a pre-tax profit of 17 million Euro from January to September 2018.

According to Jesús Esmorís, TUBACEX CEO, “despite the macroeconomic uncertainty, there is a progressive revitalization of our activity. Therefore, short term prospects in the sector are very positive with a large number of projects in the award pipeline, which envisage a recovery for 2019 and project a strong expansion in the sector at least by 2020 and 2021”.

In the first nine months of the year, TUBACEX working capital amounted to €231 million, meaning an increase of €38 million with respect to the end of 2017. This working capital is directly related to multi-annual projects currently at manufacturing stage, mostly tubes for gas extraction and production (OCTG) and Umbilicals.

TUBACEX sales strategy focuses and translates into multi-annual large-scale projects involving local production and technological development in collaboration with first-class companies in destination countries. Esmorís confirms that “the proof of our success in this strategy is the recent Letter of Intent (LOI) signed with the Egyptian Government to develop nuclear power”.

The amount of debt has stayed at similar levels to the past year, despite the sharp rise in sales and working capital as a consequence of the increase in importance of high value-added products.

The net financial debt ratio over EBITDA continues to be significantly reduced and amounts to 4.5x, compared to 9.8x registered at the close of 2017. The Group expects to maintain this gradual improvement trend and reach a level close to 3x at the year’s end. It should also be stressed the Group's financial structure with a high cash flow in excess of €100 million which will enable them to face maturities in the next three years, even in the worst scenario.

“Our positioning makes it possible to anticipate TUBACEX active role as a first-class player in the most relevant projects to be developed worldwide in the upstream, conventional electric power and nuclear generation sectors within the forthcoming years”, Esmorís says.

## **TUBACEX by market**

The Oil and Gas extraction and production sector accounts for 52% of the Group sales through this channel, thanks mainly to the order backlog for OCTG and umbilicals. The macroeconomic uncertainty and rise in protectionist measures applied in some countries have slowed down final decision-making in the Upstream segment in recent months. Nevertheless, the current price of oil and gas added to a growth in worldwide consumption are leading to an outstandingly high project award pipeline for the forthcoming years.

Regarding OCTG, as the lift of sanctions on Iran was not ratified by the USA, a major order from the former has now been discontinued. TUBACEX has managed this process in an orderly way with a gradual reduction in production since September to prevent intermediate stocks from November 4th and, therefore, with no outstanding bills which may be derived from the supply cancellation. On the other hand, it is important to highlight the good prospects for this product in the Gas extraction segment. In this sense, TUBACEX has received different orders for new projects in Europe, India, Russia and Bahrain that strengthen its leading position in CRA (Corrosion Resistant Alloy) OCTG products. In addition, very relevant projects in size and technical complexity are currently under negotiation in the Middle East.

In the electric power generation industry, with China in leading position, the Group is finalizing the details of an agreement to be signed for two coal-fired power stations, and there are good prospects for the rest of the year. India is showing signs of progress regarding tendering of new projects as part of a strategy of intensive investment in nuclear and fossil fuel electric power plants to cover the domestic energy demand expected. TUBACEX is currently manufacturing a Premium grade pipe with Shot-Peening treatment for three state-of-the-art design units. Thanks to this process and to the new grades developed, the company is uniquely positioned to join in and promote the growing trend worldwide towards sustainability in the energy sector by reducing CO<sub>2</sub> emissions.

The Mid and Downstream sector is showing partial recovery in terms of new project awards. Energy transition largely promoted by the use of natural gas is generating new opportunities in the form of mega-projects, particularly in the US but also worldwide.

### 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 and 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.

#### Financial figures

EM	9M 2018	9M 2017	change %	Q3 2018	Q3 2017	change %
Sales	519.9	370.5	40.3%	159.3	129.1	23.4%
EBITDA	55.3	24.2	128.5%	19.7	6.6	197.8%
EBITDA margin	10.6%	6.5%		12.4%	5.1%	
EBIT	28.4	0.3	n.m.	12.1	(0.5)	n.m.
EBIT margin	5.5%	0.1%		7.6%	neg.	
Profit before taxes	17.0	(4.8)	n.m.	7.8	(2.8)	n.m.
Margin	3.3%	neg.		4.9%	neg.	
Net Profit	12.4	1.1	n.m.	5.7	(0.8)	n.m.
Net margin	2.4%	0.3%		3.6%	neg.	

n.m.: Not meaningful  
neg.: Negative

	2018.09.30	2017.12.31
Working Capital	231.0	193.0
Working Capital / Sales	36.1%	39.4%
Equity	293.7	281.8
Equity / Net Financial Debt	113.7%	111.2%
Net Financial Debt	258.3	253.5
NFD/ EBITDA	4.5x	9.8x

