

Press release

SBO with high cash flow despite lower earnings, advancing strategic expansion into growth regions

- **H1 2024 sales of MEUR 288.1 remained close to the record level of 2023**
- **Group EBIT of MEUR 36.6 well below last year due to an earnings shortfall in the OE division; the AMS division continued to deliver excellent results**
- **Quarterly bookings up by 9.6% in Q2 after 1.7% growth in Q1**
- **Free cash flow improved to MEUR 27.7, and MEUR 31.5 returned to shareholders through the dividend payment**

Ternitz, 22 August 2024. Schoeller-Bleckmann Oilfield Equipment AG (SBO), listed in the leading index ATX of the Vienna Stock Exchange, successfully continued its expansion strategy in the first six months of 2024. The acquisition of Praxis Completion Technology, completed at the end of 2023, has created a strong basis for the expansion steps in the Middle East, which are now gaining further momentum through the enlargement of SBO's local presence and a targeted extension of the product portfolio for this market. In the Middle East as well as in Latin America, SBO was able to grow its customer base in the first half of 2024 and further increase its market reach.

Besides these successes in expansion, the SBO Group faced a mixed market environment in the first half of 2024, reflected in the varying performance of the two business divisions. Bookings of MEUR 248.7 stayed behind the exceptional H1 2023 (1-6/2023: MEUR 299.2). Nevertheless, on a quarter-over-quarter basis, the bookings development showed a positive trend in the first half of this year, increasing by 1.7% in Q1 and 9.6% in Q2. At MEUR 288.1, sales remained at a high level (1-6/2023: MEUR 294.7) despite a weaker and challenging US market, which was particularly evident in the OE division. The Group's order backlog amounted to MEUR 180.4 at the end of June (31 December 2023: MEUR 225.4).

Earnings before interest, taxes, depreciation, and amortization (EBITDA) for H1 2024 were MEUR 53.1 (1-6/2023: MEUR 69.0), the EBITDA margin stood at 18.4% (1-6/2023: 23.4%). The Group's profit from operations (EBIT) was MEUR 36.6 (1-6/2023: MEUR 55.4), with an EBIT margin of 12.7% (1-6/2023: 18.8%). The EBIT decline was entirely driven by the OE division, whereas the AMS division continued to perform at excellent levels. Profit before tax reached MEUR 33.8 compared to MEUR 56.0 last year, a result of the lower EBIT and higher net interest expenses. Profit after tax amounted to MEUR 25.0 (1-6/2023: MEUR 43.1), resulting in EUR 1.58 in earnings per share (1-6/2023: EUR 2.74).

Klaus Mader, CEO of SBO, said: *"In the first half of 2024, we achieved sales close to last year's record level, despite market headwinds. However, a continued challenging US market, especially for our rental business, put increased pressure on our earnings in the past two quarters. We have addressed these challenges head-on with clear and decisive actions. These measures led to additional expenses in the second quarter which will result in improved earnings in our OE division already in the third quarter and position us better for the long term. At the same time, it is encouraging to see our growth strategy with focus on emerging markets already paying off, with significant sales increases in the Middle East and Asia. With high cash flows, we are well positioned for the future."*

Segment results show varying trends across markets

The SBO Group's business is divided into two segments: Advanced Manufacturing & Services (AMS) and Oilfield Equipment (OE). The AMS segment continued to be the main value driver for SBO with high sales and excellent EBIT margins. Despite slightly lower sales of MEUR 156.5 (1-6/2023: MEUR 162.7), EBIT increased to MEUR 35.6 (1-6/2023: MEUR 35.0), resulting in an improved EBIT margin of 22.8% compared to 21.5% last year.

The OE segment faced significant challenges in the first half of the year. Sales of MEUR 131.6 were in line with the previous year (1-6/2023: MEUR 131.9), as lower sales in the US were compensated by higher sales in the international growth regions. The weaker US market combined with a less favorable product mix compared to a strong prior-year period were the main drivers for the division's EBIT decline to MEUR 2.2 in the first half of 2024 (1-6/2023: MEUR 24.0). Acquisition-related charges, additional repair and maintenance work on the rental fleet as well as organizational and operational changes led to additional expenses in the period which further affected the result.

Solid balance sheet

By the end of June 2024, SBO's equity increased to MEUR 457.2 (31 December 2023: MEUR 448.0) and the equity ratio rose to 54.3% (31 December 2023: 53.6%). Despite the dividend payment of MEUR 31.5, net debt saw only a slight increase to MEUR 95.5 (31 December 2023: MEUR 92.3), with gearing at 20.9% at the end of June 2024 (31 December 2023: 20.6%). Cash and cash equivalents amounted to MEUR 154.3 (31 December 2023: MEUR 162.4).

The cash flow from operating activities at MEUR 42.2 in the first half of 2024 was broadly in line with last year (1-6/2023: MEUR 43.1), as the lower cash earnings this year were almost entirely offset by reduced working capital. Capital expenditure on property, plant and equipment and intangible assets (excluding right of use assets) of MEUR 16.7 slightly declined compared to last year (1-6/2023: MEUR 17.3), which led to a higher free cash flow of MEUR 27.7 (1-6/2023: MEUR 27.0). Cash flow from financing activities included the dividend payment of MEUR 31.5, exactly in line with the previous year. The further improved and solid balance sheet, combined with the continued generation of high cash flow, positions the company well for future strategic investments.

Outlook

The oilfield service industry is set to continue to grow in international markets, especially the Middle East, Latin America, Africa and Asia. The overall market fundamentals, especially in the international and offshore markets, remain positive, while the general growth pace has been moderating. In North America, the market developments observed over the past two quarters are not expected to change significantly in the near future. However, with the organizational and operational measures taken in the second quarter, SBO will be able to deliver improved, positive results in the OE division as early as Q3 and benefit from a US market rebound in the medium term. SBO remains positive about the oil and gas industry and continues to invest in its core business to capture growth opportunities in new markets, further supported by expanding capacities in the Middle East and Asia.

The strategy recalibration initiated in the first quarter this year has led to a deeper strategic analysis. SBO has the clear ambition to transform, building on its unique capabilities and strengths. Based on these capabilities, the company continues to advance into new business areas like the energy transition through organic and inorganic growth.

SBO's Key Performance Indicators at a glance

		1-6/2024	1-6/2023
Sales	MEUR	288.1	294.7
EBITDA (Earnings before interest, taxes, depreciation, and amortization)	MEUR	53.1	69.0
EBITDA margin	%	18.4	23.4
EBIT (Earnings before interest and taxes)	MEUR	36.6	55.4
EBIT margin	%	12.7	18.8
Profit before tax	MEUR	33.8	56.0
Profit after tax	MEUR	25.0	43.1
Cash flow from operating activities	MEUR	42.2	43.1
Free cash flow	MEUR	27.7	27.0
Liquid funds as of 30 June 2024 / 31 December 2023	MEUR	154.3	162.4
Net debt as of 30 June 2024 / 31 December 2023	MEUR	95.5	92.3
Equity ratio as of 30 June 2024 / 31 December 2023	%	54.3	53.6
Headcount as of 30 June 2024 / 31 December 2023		1,636	1,601

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft (SBO) is a globally operating group of companies and world market leader in the manufacture of high-alloy, non-magnetic steels. The SBO Group is engaged in high-precision production of special components for the oil, gas and other industries by applying innovative and additive manufacturing technologies. The SBO Group is equally recognized worldwide for its directional drilling tools and equipment for well completion in the oil, gas, and geothermal industry. With its subsidiaries and more than 1,600 employees worldwide, the Group is successfully positioned in technologically demanding, profitable niches. The Group is headquartered in Ternitz, Austria. Making an active contribution to energy transition is a key element of the Group's Strategy 2030. More detailed information on the Strategy 2030 and sustainable management (ESG) is available in the Annual Report 2023 at <https://www.sbo.at/publikationen>.

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