NASDAQ:PPIH Q2 2026 Earnings Call Transcript

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Operator | Conference Operator:

Good day and welcome to Permapipe International Holdings second quarter fiscal 2026 earnings conference call. All participants are in a listen-only mode. A question and answer session will follow the prepared remarks. Please note this call is being recorded. If you require operator assistance, please press star then zero. I will now turn the call over to Chuck Heaton, Chief Compliance Officer and Vice President at Permapipe.

Chuck Heaton | Chief Compliance Officer and Vice President:

Thank you, Operator. Good morning, everyone, and thank you for joining Permapipe International Holdings' second quarter fiscal 2026 earnings conference call. With me on the call today are Saleh Sagr, President and Chief Executive Officer, and Matt Lewicki, Chief Financial Officer. Our second quarter results were issued this morning before market open. If you have not yet seen the release, it is available in the investor section of our website at investors.permapipe.com, where an archive of today's call will also be posted. Our form 10-Q for the second quarter was filed this morning and is available on our IR site or at sec.gov. Before we begin, A reminder that our remarks today will include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. These include, without limitation, statements regarding the expected future performance and operations of the company. These statements should be considered subject to the many risks and uncertainties that exist in the company's operation and business environment, and our actual results could differ materially from what we describe today. Those risks and uncertainties are described in today's earnings release and in our filings with the Securities and Exchange Commission which are available at sec.gov and in the Investors section of our website. Those include, among others, movement in input prices and our ability to pass through input costs, the timing of order receipt, execution, delivery, and acceptance, and possible reductions or cancellations of backlog. The risks of our international operations Thank you for joining us. including but not limited to those under the heading risk factors in the company's latest annual report on Form 10-K. We caution you not to place undue reliance on any forward-looking statement. These statements are made only as of today's date, and we undertake no obligation to update them publicly, whether as a result of new information, future events, or otherwise. In addition, on today's call, management will refer to certain non-GAAP financial measures that management considers to be useful and differ from GAAP. These non-GAAP measures should be considered supplemental to corresponding GAAP figures. Before turning the call over to our first speaker, In keeping with Permapipe's plans to elevate our visibility and engagement with the investment community on a more proactive basis, we recently engaged Alliance Advisors as our investor relations agency of record. To follow up with IR, please contact the 847 area code number listed in our press release or via investor at permapipe.com. With that, I will now turn the call over to Saleh Sagr, President and Chief Executive Officer. Please go ahead, Saleh.

Saleh Sagr | President and Chief Executive Officer:

Thank you, Chuck. Good day and welcome to our shareholders, our board members, and our employees. It is a privilege to address you today on PERMA 5 Second Quarter Earnings Conference Call. Today marks an important milestone in how we engage with you. Beginning with this call, We are introducing regular quarterly calls to raise Permapipe's profile with the investment community. Our goal is straightforward, to provide analysts and investors with a consistent forum in which to hear directly from us about our results, our

operational progress, where we are taking the business, and to ask questions of us. I will begin today with an overview of the second quarter performance, with focus on our strategy, and Operational Accomplishments. I will then turn the call over to Matt to review our financial results in detail. Following Matt's remarks, I will return to discuss our outlook for the second half of the year, after which we will open the call to your questions. First, I would like to take a step back and give everyone a brief overview of PERMA-Pipe. PERMA-Pipe is a global leader in pre-insulated piping, anti-corrosion coatings and leak detection systems. We deliver mission-critical infrastructure that moves, monitors, and protects energy, water, and thermal systems in demanding environments around the world. Because our work centers on discrete, custom-engineered developments rather than commodity supply, we compete on engineering capability, technology, quality, and execution while manufacturing close to the markets we serve. Since I became CEO over one year ago, ThermaPipe has pursued a clear set of priorities. Sustainable growth, customer-centric innovation, investment in our people and culture, disciplined execution, and consistent communication with our shareholders. We have expanded our manufacturing footprint where demand has grown, extended our reach across MENA through our joint venture in the Kingdom of Saudi Arabia, and continued to develop and commercialize technologies that address increasingly important infrastructure needs. Governments and corporations worldwide are investing heavily in infrastructure to support energy security, water security, urban development, and their digital ecosystems. Our products and solutions are increasingly aligned with these global priorities. The long-term structure of demand trends across the markets we serve, district heating and cooling, oil and gas, Water Security, Energy, Industrial, Digital Infrastructure are creating durable winds for our business. We entered the year following a record fiscal 2025, which was defined by our strong financial performance, disciplined execution, and continued progress in our long-term expansion strategy. We delivered net sales of $210.9 million, up 33% year-over-year, Net income attributable to common stock was $17 million, up 89%, and we ended the year with a backlog of $121.6 million. Building on that strong foundation, we delivered a second quarter that demonstrated continued momentum across our business. Starting with slide two, we delivered net sales of $59.6 million, up 24% year-over-year. We grew net income attributable to common stock to $2.5 million, or approximately 31 cents per diluted share, from $0.9 million, or 10 cents per diluted share, in the year-ago period. After absorbing a $3.9 million charge related to an uncollectible accounts receivable balance, partially upset by a related $1.6 million tax benefit. And we ended the quarter with a backlog of $142.3 million. Importantly, our second quarter was not only about financial performance, but also about operational execution. We continue to execute against strategic initiatives that we believe will drive ThermaPipe's growth over the long term. First, our Ohio facility. which serves as an important growth engine for our North American business. Wind operational and is ramped in production. The facility extends our reach, expands our ability to serve customers, supports our North American growth strategy, and provides additional capacity as demand continues to develop. Second, we ramp production at our Qatar facility, which is strategically positioned to serve the world's largest LNG exporter, Qatar Energy, as well as regional and international markets. The ramp underscores the growing importance of MENA to Permapipe and our strategy of establishing manufacturing capacity across our customers and the markets we serve. Third, we continue to see strong demand across our core markets. During the quarter, we secured $67.8 million of new orders. including significant awards from the oil and gas and infrastructure markets, as well as new mission-critical application for our leak detection solutions. Our quarter-end backlog provides us with a strong foundation for the second half of the year. I want to highlight the performance of our leak detection technology. Leak detection is an increasingly important component of our overall strategy. Customers and infrastructure owners are placing greater emphasis on pipeline integrity Asset protection, early detection, operational reliability, and minimizing the potential environmental and financial consequences of leaks. We are seeing tangible evidence of this market opportunity in our results. Our leak detection business has already secured approximately 80% of its full-year bookings target. This is significant achievement and provides us with a strong visibility into the remainder of the year. More importantly, we believe this is indicative of a broader opportunity. Leak detection allows us to move beyond simply supplying pipes and into providing technology-enabled solutions that monitor and protect critical infrastructure through its operating life. We see meaningful opportunities to further expand thermal earth and our distributed fiber optic sensing capabilities across water, energy, oil and gas, district heating and cooling, and other critical infrastructure framework applications. This is an area where we believe Permapipe has a differentiated

position, and we intend to continue investing in the technology, market development, and commercial capabilities necessary to capture this market potential. In June, reflecting the growth in our market capitalization, Permapipe joined the Russell 2000 and Russell 3000 indexes, broadening our visibility within the investment community. We view this as another positive step in increasing awareness of Permapipe among among institutional investors and the broader capital markets. Overall, we are pleased with the progress we are making. We are expanding our capacity, strengthening our geographic footprint, growing our technology-enabled offerings, and capitalizing on favorable secular trends across the markets we serve. With that overview, I will now turn the call over to Matt to take you through our financial results in detail. Matt?

Matt Lewicki | Chief Financial Officer:

Thank you, Saleh, and good morning, everyone. Before I turn to the numbers, I have two brief notes on how we manage the business and report our financial results. First, Permapipe operates as a single reporting segment, and we manage performance on a full-year basis. As our work is project-based, the timing of individual awards, production, and deliveries can move results meaningfully between periods. Second, unless otherwise noted, My analysis of our second quarter results will be in comparison to the second quarter last year. Starting on slide three, net sales for the second quarter were $59.6 million compared with $47.9 million last year, an increase of approximately 24%. For the first six months, net sales were $109.8 million compared with $94.6 million, an increase of approximately 16%. Growth in both periods reflects higher volumes in both the MENA and North America regions. Gross profit for the quarter was 17.4 million, or approximately 29% of net sales, compared with 14.4 million, or approximately 30% last year. Gross profit dollars increased approximately 21% on higher volume, while gross margins were consistent with the prior year. For the first six months, gross profit was 32 million, or approximately 29% of net sales, compared with $31.1 million or approximately 33% in the same period last year. The year-to-date margin comparison reflects product mix across various jurisdictions in the first quarter, particularly in Canada due to seasonal factors, startup and ramp-up costs associated with our new Ohio manufacturing facility. Total operating expenses for the quarter were $13.2 million compared with $11.2 million last year. General Administrative Expenses were $11.9 million compared with $10 million. General Administrative Expenses for the quarter included a $3.9 million charge related to an uncollectible accounts receivable balance for the specific customer and approximately $0.5 million in startup costs at our Ohio facility. Last year's second quarter included a $2 million non-recurring charge related to our CEO transition. were $1.3 million compared with $1.2 million last year. For the first six months, total operating expenses were $23.2 million compared with $20.1 million, resulting in an increase of approximately 15%. The increase was driven principally by the $3.9 million charge previously mentioned, partially offset by the non-recurrence of a prior year charge related to an executive departure. Income from operations was $4.3 million for the quarter, compared with $3.2 million last year. For the first six months, income from operations was $8.9 million, compared with $11.1 million. The second quarter increase reflects higher gross profit partially offset by higher operating expenses. Decline over the first six months reflects lower gross profit and higher operating expenses. Net interest expense was $0.5 million for the quarter compared with $0.4 million and $1.1 million for the first six months compared with $0.8 million in the same period last year. Income before income taxes were $3.9 million for the quarter compared with $2.8 million last year and $7.8 million for the first six months compared with $10.2 million in the prior year. On a non-GAAP basis, Income before income tax was $8.3 million compared with $4.9 million last year. For the six-month period on a non-GAAP basis, income before income tax was $12.5 million compared with $12.3 million in the same period last year. Income tax expense was $0.6 million for the quarter compared with $1.5 million last year. Our effective tax rate was approximately 16% compared with 54% in the same quarter last year. The lower rate in the current quarter primarily reflects a tax benefit of approximately $1.6 million related to the uncollectible accounts receivable recognized during the quarter. The prior year rate reflected changes in the mix of income and loss across the jurisdiction in which the company operates, which can cause the effective rate to vary meaningfully from period to period. Our effective tax rate for the six months was approximately 25% compared to approximately 30% in the prior year period. Net income attributable to common stock for the quarter was $2.5 million, or $0.31 per diluted share, compared with $0.9 million, or $0.10 per diluted

share last year. For the first six months, net income attributable to common stock was $4.3 million, or $0.53 per diluted share, compared with $5.8 million, or $0.72 per diluted share. Turning to the balance sheet on slide 4, cash and cash equivalents were $31.8 million at July 31, 2026, Thank you for joining us. brought net debt to approximately $4.3 million at quarter end and approximately $13.8 million at the end of the previous fiscal year. Subsequent to quarter end, we closed on a new global credit facility with JPMorgan Chase that replaces our prior revolving credit agreement we entered into with JPMorgan in April this year. The new facility consists of a $75 million revolving credit facility and a $14 million term loan representing approximately $90 million of commitments in place at closing. It also gives us access to up to an extra feature for an additional $50 million of incremental capacity in the form of increased revolving capacity or incremental term loans. At closing, we drew down the $14 million term loan and, together with available cash, repaid the outstanding balance under the prior JPMorgan credit agreement, and subsequently we repaid in full the mortgage note of our Alberta Canada plant. This new facility materially increases our revolving credit capacity and includes availability for letters of credit of up to $30 million. giving us greater flexibility to support working capital requirements, letters of credit, and general corporate purposes, including permitted acquisitions as we continue to expand in key markets. Net cash provided by operating activities was $13.3 million for the first six months, compared with a use of cash of $1.3 million in the prior year period. Capital expenditures were $3.2 million. Backlog at July 31, 2026 was $142.3 million, compared with $121.6 million at January 31, 2026. Backlog represents awards we hold under contract, and substantially all of it is expected to be completed within the next 12 months. We expect approximately 40% to 50% of backlog to convert to revenue in the third quarter. Stepping back, at the first half mark, Permapipe has a stronger balance sheet, a materially lower net debt position, and a backlog that has grown since year end. As I noted at the start of my remarks, we manage this business on a full year basis and our first half performance positions us well for a strong 2026. With that, I will turn it back to Saleh for additional remarks.

Saleh Sagr | President and Chief Executive Officer:

Thank you, Matt. At the midpoint of the year, let me share how we see the second half of the year unfolding. We enter the back half of fiscal 2026 with a healthy momentum. supported by our backlog, a growing pipeline of RFP and quotient opportunities, and business development initiatives across each of our regions. We are well positioned for a strong second half of the fiscal year, barring a material worsening of market and geopolitical conditions. That confidence reflects the resilience of the markets we serve and increasing alignment between our solutions and the infrastructure priorities of our customers. Let me take you through where we see momentum. Within digital infrastructure, we are building on our U.S. strength to extend into Canada and the Middle East. We recently secured an award for a project in the Middle East presenting a greenfield opportunity for us with commercial providers and as nations across the region invest in sovereign digital infrastructure. We view this as an important proof point for our leak detection technology beyond North America. It is also a reflection of the growing global demand for our solutions. We are also expanding our business development efforts to grow our leak detection market share. We are working to formalize relationships with select equipment manufacturers to embed our leak detection sensing technology into their product offerings. This approach allows us to leverage their established sales and marketing capabilities and extend our reach into attractive opportunities while creating a more scalable path for growth. and Districating and Cooling, we are developing multi-year service agreements that pair the systems we install with ongoing monitoring and support, turning a one-time product sale into a recurring service-based revenue stream over the life of the asset. We believe this can create a more durable and predictable revenue opportunity while deepening our relationships with our customers. In oil and gas, Saudi Aramco has qualified our new product line specifically designed to serve the kingdom's energy expansion program. This qualification gives us access to one of the world's largest markets for pipe coating solutions and provides an important competitive advantage in the region. Our local presence, established customer relationships, technical capabilities, and ability to provide specialized coating technologies and manufacturing support position us well to compete for opportunities as Saudi Arabia continues to invest in its energy infrastructure. In parallel, we saw a recovery in the Canadian market activity in Q2, and together these developments support our expectations for a stronger

second half. Water security has taken on greater importance across MENA. As governments in the region continue to make substantial investments in water infrastructure, our business development efforts are especially focused on capitalizing on this infrastructure spend. More broadly, evolving geopolitical dynamics across MENA are intensifying the focus on regional infrastructure resilience, localization, and supply chain security. Our established footprint, technical expertise, and customer relationships position us to benefit from that shift. Our recent Middle East Digital Infrastructure Award is a clear example. As nations across the region move to build sovereign assets closer to home, they are turned into partners that are already established locally and understand the requirements of these markets. We are also encouraged by the growing engagement and support we are receiving from the U.S. government in helping Permapipe pursue and convert infrastructure opportunities in the Middle East. For us, this is meaningful, and we believe it strengthens our ability to compete for and win larger cross-border infrastructure projects over time. Staying with MENA region, I want to spend a few minutes on our MOU in Jordan, because we believe this is much more significant than a single project award. The joint venture the MOU proposes is consistent with our broader strategy of moving Permapipe closer to our customers, expanding our addressable markets, increasing our participation in large infrastructure programs, and creating new avenues for long-term profitable growth. The MOU benefits us in several ways. First, it gives us an immediate project opportunity, and our core business of corrosion protection through Jordan's National Water Carrier Program, or NCP, The NCP is a major national infrastructure program addressing Jordan's long-term security requirements. Second, our partnership with Willspun brings us into pipe manufacturing, expanding our accessible market and complementing our existing coating and piping capabilities. Third, it establishes a manufacturing platform that can support a broader pipeline of water, energy, and infrastructure projects in Jordan and across the Levant region, as reconstruction and infrastructure investments accelerate. The NCP is the initial anchor opportunity, not our end game. Based on our market intelligence, a manufacturing presence in Jordan puts us at the start of a multi-year, multi-sector demand opportunity. The region's opportunities include additional water infrastructure projects, such as the Readiness Water Project and other related to water transmission and infrastructure programs driven by Jordan's need to strengthen and expand its water network. and Energy Opportunities associated with Arisha gas field and the planned connection to the Arab gas pipeline. The Jordanian government has identified this as an important strategic energy project with plans to significantly increase domestic gas production and develop the associated transportation infrastructure. The reconstruction of Syria, Gaza, Palestine, Lebanon and Iraq points to significant longer-term demand for water Energy, District Cooling, and Oil and Gas Infrastructure. The scale is meaningful. In Iraq and Syria, for example, there is a multi-year initiative to rebuild the 1,100-kilometer Kirkuk to Baniyas oil pipeline corridor that is expected to draw major international participants. A manufacturing platform based in Jordan would position Permapipe as an in-region source of pipe manufacturing and coating as regional projects of this scale advance. Supporting our growth aspirations is the new Global Credit Facility with JPMorgan Chase. Our new facility is a powerful, non-dilutive tool through which to deploy capital into operations and assets that drive growth and create value for our shareholders. In closing, the opportunities before us are broader and greater than ever before, as is our capacity to pursue and win them. We are confident in our ability to convert them into sustainable growth and long-term value for our shareholders. With that, operator, please open the call to questions.

Operator | Conference Operator:

Thank you. We will now begin the question and answer session. To ask a question, you may press star then 1 on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. Again, it is star then one to ask a question. At this time, we will pause momentarily to assemble our roster. The first question comes from Arujan Sifula with Freedom Broker. Please go ahead.

Arujan Sifula | Analyst at Freedom Broker:

Good morning. Good morning and congratulations on the strong quarter. Thanks for taking my question. Can you hear me? Can you hear me?

Operator | Conference Operator:

Yes, please go ahead with your question.

Arujan Sifula | Analyst at Freedom Broker:

My question is, do you expect the recent introduced U.S. and Canadian tariffs to have any meaningful impact on the business, particularly on input costs? If so, how significant could that impact be?

Saleh Sagr | President and Chief Executive Officer:

Well, thank you for this question. So tariffs globally are having impact on business operations everywhere. Now, we obviously try to mitigate some of these tariff issues by trying to outsource locally. However, it's not always possible to outsource everything that we need to continue our operations from the local markets. So while some of this impact that we expect and have experienced over the first couple of quarters, we expect this to subside and go back to normal in the future.

Arujan Sifula | Analyst at Freedom Broker:

Okay, thank you. And my second question is with like a higher facility now operating and production ramping up, how do you expect the utilization to develop over the few quarters and how much of the ramp is being driven by data centers?

Saleh Sagr | President and Chief Executive Officer:

Okay, so I didn't catch the first part of the question.

Arujan Sifula | Analyst at Freedom Broker:

Now, like, Ohio Facility is now a trading production RMPOM. How do you expect, like, utilization to develop over the next few quarters, like, when it comes to, like, full utilization?

Saleh Sagr | President and Chief Executive Officer:

Okay, so if I got your question right, so the question relates to utilization and our market, our participation in data centers market and market opportunities. She's also talking about the Ohio Facility. Ohio Facility as well. We've got two production facilities that are ramping up right now. So we have the Ohio facility, which is primarily geared towards to serve the data center's market, as well as other product offerings to support the district cooling and district heating market. Now, this facility is in the ramp-up phase, and it's a standard procedure within Permapipe that we take the ramp-up gradually based on actual plans. We have to take into consideration quality and safety matters. So before we go ahead and ramp it up into full production, we expect this facility to ramp up to full production by early 2027, while the same is also true for the Qatar facility. As far as the data center's market, we believe Permapipe has already captured significant market share. in

terms of supply of leak detection systems, especially in the North American market, and also other associated piping systems that we serve specifically to AI data centers. It's based on engineering capability, and we expect this market to be very active for the next few years. As per our market intelligence, this will last until about 2030 or 31. and we plan to further expand our capabilities across the United States.

Arujan Sifula | Analyst at Freedom Broker:

Okay. Thank you. This is all from me.

Operator | Conference Operator:

Thank you. Thank you. The next question comes from Tom Thiel with Thiel Partners. Please go ahead.

Tom Thiel | Analyst at Thiel Partners:

Hey, guys. Thanks for doing this call today. Can you talk a bit more about the Thank you, Tom.

Saleh Sagr | President and Chief Executive Officer:

Great question. So, in brief, the WellSpun partnership is intended to establish local manufacturing capability in Jordan and to position us for a significant pipeline of infrastructure opportunities. Now, the National Carrier Water Project, or NCP, is the immediate anchor opportunity, as we mentioned earlier. The MOU really represents an important step forward to establishing the local manufacturing platform and position Permapipe for this opportunity. Now, the project is not yet a definitive award and therefore has not been included in our backlog, just for info. However, once it is secured, we believe it will be a significant project for Permapipe and an important contributor to our growth in the region. Keep in mind that when we always talk about the Middle East, it's a broader Middle East region. But internally, we actually break this region into several sub-regions. So we have the GCC market, which includes the six Gulf countries, including Saudi Arabia, United Arab Emirates, Qatar, Bahrain, Kuwait, and Oman. While the Levant region includes Syria, Iraq, Palestine, Lebanon, and Jordan. Our investment in Jordan will enable us to serve all these countries in the Levant region. Most of these countries are under reconstruction. There are great opportunities in terms of infrastructure projects, including oil and gas, water projects, and the rebuild of major infrastructures such as airports, seaports, and so on. The entry to Jordan and the joint venture with Wellspun will enable Permapipe to enter the pipe manufacturing market for the first time ever and will allow us basically a great opportunity to compete for and win some of these major projects, if not most of them.

Tom Thiel | Analyst at Thiel Partners:

Great, thank you. And then can you guys talk a bit about the bad debt charge? Is there a decent likelihood of recovering any of that?

Matt Lewicki | Chief Financial Officer:

Thanks, Tom. Yeah, so the $3.9 million charge does relate to a specific receivable. There was an extensive review based on overall assessment and consideration of the customer's financial position, intent and ability to pay, and just overall the underlying collection process. Ultimately, we concluded that a full write-up was appropriate at this time. This was not just based on just a simple aging matter or aging issue. Just the overall assessment changed based on all of our different considerations during the quarter to which we felt that that

was the appropriate time. Now, to answer your question directly, at this time, we're not pursuing recovery of this amount. We're taking a relatively conservative position. However, you know, if at some point in the future that were to change and collection were to be realized, that would be a subsequent recovery and overall recovery to the income statement as well.

Tom Thiel | Analyst at Thiel Partners:

Okay. Thank you, guys.

Operator | Conference Operator:

Thank you. The next question comes from Marge Sweden with GEO Investing. Please go ahead.

Marge Sweden | Analyst at GEO Investing:

Hello, thanks for taking the call here. I have one question. I want to understand where you see margins going over time, gross margins, as you're kind of getting, broadening your business and getting some new areas, especially in the Middle East where some things are maybe going to happen faster now, for example, the bypassing of the Hormuz infrastructure and stuff like that, and also how you're Thank you for that. So let's begin basically with the

Saleh Sagr | President and Chief Executive Officer:

The two new facilities that we have ramping up, which have some impact in our margins so far. So Ohio and Qatar facilities are both progressing through their utilization ramps. The primary near-term impact is the absorption of the fixed costs before the facilities are fully utilized. Increased, of course, any increase in volumes, we expect operating leverage, improved product mix, and higher utilization to drive our margin expansions. Our objective remains to return consolidated gross margins to higher than 30s, but also keep in mind that some of the impact on our margins currently is due to the ongoing conflict in the Middle East. These awards are based on short-term execution, and our contracts do not allow us to basically return to our customers and ask for increased costs. Now, if we talk about the general fixed costs, or G&A in this case, we remain focused on disciplined G&A management. We have made investments in people, systems, and infrastructure to support our growth. for businesses globally, and particularly MENA because we see a huge potential for growth. While we continue to identify efficiencies and control discretionary spending, as the business scales, we expect revenue growth to outpace corporate overheads and to provide operating leverage.

Marge Sweden | Analyst at GEO Investing:

Excellent. Thanks. And how do you see your Your sales organization, you know, moving here and expanding, do you think you'll have to add, you know, staff for your marketing as you get into these other areas? Like, for example, I'm curious how you're penetrating the data center, you know, opportunity, just things like that.

Saleh Sagr | President and Chief Executive Officer:

Yeah, again, another good question, Marc. So, we've done and what we've been doing, working on in the past, you know, say half year together with the corporate HR, we've We are restructuring our sales network globally. We've basically added additional horsepower and resources, both in business unit level, regional

level, and also at corporate level. So we are adding additional resources to have an oversight of the entire group's business opportunities, both in terms of sales and business development. So we continue to Upgrade our talent in Permapipe and bring in the right resources to help us scale this business over the next few years.

Marge Sweden | Analyst at GEO Investing:

Thank you very much. Look forward to your future calls.

Operator | Conference Operator:

Thanks, Matt. Thank you. Again, if you have a question, please press star then 1. The next question comes from Tyler McCullough with Raymond James. Please go ahead.

Tyler McCullough | Analyst at Raymond James:

Hey, good morning. Congrats on a great quarter, and it really looks like we're entering an inflection point for Permapipe. It's exciting to see. I'm hoping that you can help us understand operationally what the new global credit facility changes. And without discussing any individual customer, can you give us a sense of how the practical size of projects you can pursue has changed under this facility? And specifically on the Jordan water carrier project, What portion of that opportunity will potentially fall within the Well-Spun Permapipe Joint Venture?

Saleh Sagr | President and Chief Executive Officer:

You want to go ahead about the JP Morgan?

Matt Lewicki | Chief Financial Officer:

Yeah. Thanks, Tyler. Appreciate the kind words. and certainly to answer your question, the global facility is really about positioning the company for continued growth and strengthening our ability to just manage the liquidity across the and the global entity. So from a strategic standpoint, this is bringing our operations into a common lending relationship, providing more integrated and overall integrity and efficiency to the treasury function, treasury platform, while also improving visibility and flexibility in how we manage liquidity. So this will support the growth plans of the organization, as Sal has already kind of spoken to, and Jordan being definitely a significant component of that. So mainly it's about having that flexibility with the additional capacity. So I'll go ahead. Is there anything you'd like to add to that?

Saleh Sagr | President and Chief Executive Officer:

Yeah. So having this facility in place, Tyler, would really enable us to be able to compete for and win large projects. Now, as you probably know already, For the past several years, because of the value and the size of ThermaPipe, we were hugely disadvantaged in terms of trying to compete for large opportunities. I mean, by large opportunities, you know, anything in excess of $100 million. We didn't have the financial capability to try and support such projects. In this case, this opportunity or this new facility gives us a huge leverage to be able to fund such, compete for and win and execute such projects. The opportunities before us are huge in Jordan and globally, so we are not just focusing on the Middle East just for information. So we have also further opportunities and expansion plans in the North America region, specifically in the United States. Our

project's pipeline is huge. It's in excess of $900 million so far. I'm not saying we're going to win them all, but what we can say at this stage, we are far better positioned today to try and compete for these major opportunities than ever before. Now, of course, our priorities remain straightforward. So we want to fund our expansion plans. where we basically see organic growth, including Qatar and the broader Middle East or MENA region. We also want to focus on Jordan. This is an immediate opportunity. And in the back of this, we are confident we're going to win more and more products in the Levant region. And in the back of that as well, we are not dismissing any opportunities in terms of M&A. But it has to add technology or a new customer base for us, geographic outreach, and more important for us to enter markets where we see recurring revenue in the long term.

Tyler McCullough | Analyst at Raymond James:

That's great. You had mentioned the U.S., and as we've had this situation in the Middle East has made logistics a little bit more difficult. Can you speak a little bit to the product mix? I know that you're not breaking that out specifically, but has U.S. and Canada been picking up? We're building a new facility here, and it would seem to reason that other parts of the world are picking up to what they were previously.

Saleh Sagr | President and Chief Executive Officer:

Yes, great question, Tyler. Thank you. So, again, let me just take you back in time. So, Perma-Pipe was founded on district energy, heating in the U.S. or North America region and district cooling in the Middle East with some oil and gas activities in Canada. Now we have diversified our geographic spread, so we are in two different geographies within the Middle East and within the North America region. with that also we have diversified the markets that we target so we are no longer solely dependent on the DHT market. We serve the oil and gas market both in Canada while the US markets were mostly focused on data centers and district energy as well as some industrial projects, some of them related to defense, some of them related to the Thank you very much. Thank you. There are huge opportunities in the back of this conflict and the closure of the Strait of Hormuz. And these opportunities are not in the too far distant future. Some of them are immediate. Some of them we are already tending for right now. And what we also see, another new means of diversification for perma-pipe is the water market. Right now the demand, there's a huge demand for it in the Middle East because of water shortage. That's great.

Tyler McCullough | Analyst at Raymond James:

Well, congrats again on an inflection point for the company and creating something that is now scalable. We look forward to see what the future quarters have in store.

Operator | Conference Operator:

Thank you, sir. Thank you. This concludes the question and answer session. I will now turn the call over to Mr. Sagr for closing remarks.

Saleh Sagr | President and Chief Executive Officer:

Thank you. Before we close, I would like to thank our employees around the world for their hard work and dedication, our customers and partners for their trust, our shareholders for their continued confidence in Permapipe. Together, we are building a company that delivers results today while creating sustainable value for the future. We look forward to continuing this dialogue with you and to updating you on our progress next quarter.

Operator | Conference Operator:

Thank you. Thank you. The conference has now concluded. thank you for attending today's presentation you may now disconnect