

Egypt Kuwait Holding Co. Releases 1H 2024 Earnings Results

EKH concluded the first half of 2024 with a top-line of USD 321.5 million, demonstrating solid gross profit and EBITDA margins at 42% and 40%, respectively. Attributable Net Profit recorded USD 90.1 million, reflecting a net profit margin of 31%

15 August 2024 | Cairo | Egypt Kuwait Holding Company (EKHO.CA and EKHOA.CA on the Egyptian Exchange and EKHK.KW on Boursa Kuwait), one of the MENA region's leading investment companies, reported today its consolidated results for the quarter ended 30 June 2024.

EKH recorded revenues of USD 128.4 million for 2Q 2024, primarily impacted by weaker global urea prices and the devaluation of the Egyptian pound. The gross profit margin and EBITDA margin both stood at 39% for the recorded period, while net profit margin was 22%, with EKH's attributable net profit standing at USD 27.5 million in 2Q 2024.

In the first half of 2024, EKH booked revenues of USD 321.4 million. Despite the challenging macroeconomic conditions, EKH's profitability demonstrated resilience, with gross profit and EBITDA margins at 42% and 40% in the first half of 2024, respectively. Meanwhile, net profit closed at USD 100.4 million in 1H-2024, yielding a net profit margin of 31%, while EKH's attributable net income was USD 90.1 million.

Commenting on the Group's performance during the first half of 2024, EKH Chairman Loay Jassim Al-Kharafi: "EKH's results for the first half of the year demonstrate the company's resilience and ability to capitalize on opportunities, delivering remarkable profitability despite regional challenges."

"Our commitment to growth is clearly reflected in our recent agreement with the Egyptian Ministry of Petroleum and Mineral Resources. This agreement facilitates an expansion of concession areas granted to North Sinai Petroleum Company—a subsidiary holding the North Sinai offshore concession. This significant milestone is set to enhance exploration efforts and increase gas production in the coming period."

"The agreement builds on our recent work with the KSE-2 well, the first exploratory well from the expanded concession, which began production in June 2024. We expect the second well, Aton-1, to start production in September 2024, further enhancing both to our subsidiary's and EKH's overall performance. This achievement highlights our ability to capitalize on the strategic investments made in recent years, which have played a key role in the diversification and strengthening of our investment portfolio."

"In 2024, our focus has been on expanding into regional markets, exploring investments in new and diverse sectors to achieve sustainable growth and maximizing the company's foreign currency revenues. I commend the executive management and our employees across the company and its subsidiaries for their dedication in executing the board's growth strategy and maximizing returns for shareholders."

Commenting on the Group's performance, EKH CEO, Jon Rökk: "At the halfway point in 2024, I am pleased to report that EKH has delivered robust performance despite facing challenging conditions, starting with the impact of the devaluation of the Egyptian Pound and also the slow recovery of global urea prices."

"Our portfolio companies have reported strong performance in local currency terms, but the recent devaluation of the Egyptian pound has impacted our consolidated group financial results when translating the financials of our EGP-operating subsidiaries into USD. Nevertheless, our operational performance remains solid, underpinned by our commitment to operational excellence and our extensive track record and deep-rooted experience in the sectors we serve."

"Natural gas supply interruptions at our fertilizer-producing subsidiary temporarily affected operations, but management is confident that these issues were transitory and should now stabilize. We are also proactively implementing strategies to hedge against potential future currency fluctuations and mitigate the impact on our portfolio companies. To further strengthen our resilience, EKH is pushing forward with its geographic expansion and sector diversification strategy to increase USD-denominated revenues and reduce exposure to any specific market challenges."

"With the unwavering dedication of our management team and employees, we are well-positioned not only to weather the challenges but also to build on our achievements and write a new chapter in EKH's growth story. I am confident in EKH's ability to deliver long-term sustainable value for our shareholders and stakeholders as we pursue a pipeline of transformative, value-accretive opportunities."

Fertilizers & Petrochemicals

For 1H 2024, EKH's Fertilizers & Petrochemicals segment generated revenues of USD 181.2 million. The net profit margin remained stable year-on-year at 41%, with the segment's attributable net profit at USD 66.5 million in 1H 2024.

AlexFert reported revenues of USD 107.0 million in the first half of 2024. Profitability remained strong, with the gross profit margin stable at 38% and the EBITDA margin increasing by two percentage points to 45% in 1H 2024, aided by a favorable base effect from the bi-annual overhaul. The net profit margin also remained steady at 33% for the recorded period. Attributable net income was USD 26.2 million. The outlook is positive, with expectations for improved urea prices and a stable gas supply.

In the first half of 2024, **Sprea Misr's** revenues amounted to USD 74.2 million, with attributable net profit recording USD 40.2 million. Revenues increased by 5% year-on-year in EGP terms on account of a gradual improvement in product pricing. Excluding the effect of FX gains and 1H 2023 one-off items, net profit comes in 15% higher in 1H 2024 compared to 1H 2023, reflecting the ongoing improvement in pricing dynamics despite a slight year-on-year decrease in sold volumes. Sprea Misr is positioned for future growth with capacity expansion and improved pricing dynamics. The company aims to enhance its domestic and international market presence.

Energy & Energy-Related

In the first half of 2024, EKH's Energy & Energy-Related recorded a top-line of USD 83.2 million. The segment's net profit margin increased by four percentage points year-on-year to 49% in 1H 2024. Net profit attributable to EKH amounted to USD 37.1 million in 1H 2024, up by 1% year-on-year.

In 1H 2024, **NatEnergy** reported revenues of USD 54.6 million. The net profit margin rose by six percentage points year-on-year to 44% in 1H 2024, driven by the FX gain in 1Q 2024 on the business's USD cash balance. Consequently, net profit attributable to EKH amounted to USD 21.2 million, marking a 3% year-on-year increase. NatEnergy will continue focusing on profitable, non-subsidized "infill" clients through its natural gas distribution subsidiaries, which should boost profitability. Additionally, the anticipated rise in electricity tariffs is set to ease margin pressure on Kahraba.

In the first half of 2024, **ONS** revenues totaled USD 28.5 million. The net profit margin also rose by two percentage points year-on-year, reaching 56% in 1H 2024. The company remains positive following the expansion of its concession area to 443 km², the drilling of two new wells, and the start of KSE2 production in June 2024, with ATON1 set to begin in September. ONS has also secured preliminary approval for a 10-year concession extension, pending final regulatory approval.

Insurance & Diversified

For the first half of 2024, the Diversified segment recorded revenues of USD 57.1 million, driven by the strong performance of Delta Insurance in the first half of 2024. The Insurance Sector have been posting strong results, benefitting from the higher interest rate environment and increased premiums on the back of upward revaluations of insured asset values. This trend is expected to continue boosting the segment's performance.

EKH's standalone and consolidated financial statements and full earnings release for the period ended 30 June 2024 are available for download at ir.ekholding.com

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About EK Holding

Egypt Kuwait Holding Company (EKHO.CA and EKHOA.CA on the Egyptian Exchange and EKHK.KW on the Boursa Kuwait) is one of the MENA region's leading investment companies, with a portfolio of investments that spans the region in five main sectors including fertilizers, petrochemicals, gas distribution and power generation and distribution, upstream gas production as well as insurance and non-banking financial services. Established in 1997, EKH strives to continue delivering superior returns to its shareholders on the back of a solid portfolio of integrated investments and the determination of its capable management team.

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STOCK SYMBOL

Reuters

EKHO.CA, EKHOA.CA, EKHK.KW

Bloomberg

EKHO.EY, EKHOA.EY,

EKHOLDIN.KK

CAPITAL

Issued and Paid-In Capital: USD 281.7mn

Number of Shares: 1,126 million shares

Par Value: USD 0.25 per share

Forward-Looking Statements

Statements contained in this document that are not historical facts are based on current expectations, estimates, projections, opinions and beliefs of Egypt Kuwait Holding Company (EKH). Such statements involve known and unknown risks, uncertainties and other factors; undue reliance should not be placed thereon. Certain information contained herein constitutes "targets" or "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "seek," "should," "expect," "anticipate," "project," "estimate," "intend," "continue" or "believe" or the negatives thereof or other variations thereon or comparable terminology. Actual events or results or the actual performance of EKH may differ materially from those reflected or contemplated in such targets or forward-looking statements. The performance of EKH is subject to risks and uncertainties.