

Egypt Kuwait Holding Co. Releases 9M 2023 Earnings Results

EKH closed the first nine months of 2023 with revenues of USD 588.4 million, EBITDA of USD 264.0 million, and attributable net income of USD 136.6 million. Profitability levels remained strong with a gross profit margin of 45%, an EBITDA margin of 45%, and a net income margin of 29%. Sprea and ONS outperform expectations, while Alexfert continues its return to normalized levels of revenues and profitability as urea prices reverted to historical averages.

13 November 2023 | 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 nine-month period ended 30 September 2023.

EKH ended the first nine months of 2023 with revenues of USD 588.4 million, well above the pre-Ukraine war historical average. The nine-months revenues reflect a 31% drop compared to 9M22, which had benefitted immensely from the record high global urea prices, breaking the US\$ 1,000 per ton mark following the onset of the war in Ukraine. Similarly, while profitability margins were below the record setting performance seen in 9M22 – bolstered as a result of elevated urea prices – they recorded a level well-above historical averages for the period. Gross profit stood at USD 266.4 million in 9M23, with gross profit margin for the period recording 45%, a seven percentage point drop from same period last year, yet seven percentage points above the pre-war five-year (2017-2021) historical average of 38%. EKH's net profit margin for the period recorded 29%, also reverting to a level that is broadly in line with historical averages. EKH's net attributable income for the nine-month period recorded USD 136.6 million.

During 3Q23, EKH recorded revenues of USD 201.4 million, an increase of 24% versus 2Q23 driven by a significant 30% growth in NatEnergy's revenues – translated in USD – on account of higher natural gas installations and power distribution volumes. Additionally, EKH's quarter-on-quarter growth was supported by an improvement in urea export prices at AlexFert compared to the lows of 2Q23, as well as the significant increase in top line performance within the Insurance segment. EKH's 3Q23 gross profit margin was up three percentage points to 45% with gross profit reaching USD 90.5 million. Operating income margin was up a significant five percentage points versus 2Q23, recording 39% with operating income reaching USD 78.5 million. EBITDA for the quarter recorded USD 93.4 million reflecting a 46% EBITDA margin; four percentage points higher than 2Q23. EKH's net income recorded USD 47.7 million, with net a income margin of 24% as it was adversely impacted by higher local and international interest rate levels. EKH's attributable net income for 3Q23 recorded USD 36.1 million.

Commenting on the Group's performance, EKH Chairman Mr. Loay Jassim Al-Kharafi said: "EKH managed to achieve strong results amidst local and global challenges, recording revenues of USD 588.4 million for the first nine months of 2023 while maintaining strong profitability levels, with gross profit and EBITDA margins both at 45% and a net income margin at 29%. The third quarter results showed strong improvement versus 2Q23 with revenues for the quarter up 24% q-o-q to USD 201.4 million, and similarly gross profit up 33% to record USD 90.5 million, with EBITDA up 34% to record USD 93.4 million.

EKH continues to explore growth opportunities in Egypt and the region to support its strategy in growing its revenue and profitability streams, particularly those based in foreign currency, in its endeavor to increase shareholder returns in a sustainable manner. Since the beginning of 2023, EKH has deployed more than USD 200 million in CAPEX, compared to the planned USD 170 million announced at the beginning of the year, reaffirming our confidence in the growth potential of EKH's portfolio companies.

I would like to extend a sincere thank you to our c. 6,500 strong family of executives and employees for their unwavering dedication, without whom such solid performance and results would not have been possible," **Al-Kharafi said.**

EKH's Chief Executive Officer Mr. Sherif El-Zayat further added: "EKH has continued focusing on delivering solid results despite challenging market conditions, both locally and internationally. I am glad to announce that the Group's companies have succeeded in expanding their operations and winning lucrative bids for new businesses. On the power distribution front, our downstream power subsidiary 'Kahraba' won the tender issued by Centamin - the operator the Sukari Gold Mine, one of the world's largest producing gold mines – to build a 50MW onsite substation and high-voltage power distribution lines, as well as a long-term contract for the operation and maintenance of these power distribution facilities. This is a landmark deal that cements Kahraba's position as a key player in the power distribution sector in Egypt.

Additionally, our upstream oil and gas subsidiary, NOSPCO, succeeded in obtaining the initial approval to extend its Offshore North Sinai concession by 10 years. NOSPCO is currently finalizing the required regulatory approvals for the extension. Meanwhile, ONS is also evaluating regional expansion opportunities to leverage on the experience and knowhow gained over several decades of operational excellence.

On the fertilizer front, EKH has finalized the acquisition of a 9.45% additional stake in Bawabet Al Kuwait, resulting in an increase of our direct and indirect ownership stake in AlexFert to 75.13%. This deal contributes to enhancing EKH's USD-denominated revenues and cashflows. I also note that Alexfert benefited from the improved urea export prices, recovering from a recent low in 2Q23.

I am also particularly proud of our NatEnergy team for their stellar performance. The natural gas distribution subsidiaries have succeeded in increasing the number of household connections, while Kahraba has succeeded in increasing its distribution volumes, on the back of the 10th of Ramadan Industrial Area distribution concession that the company won last December.

Finally, the insurance sector grouping EKH's investments in both Delta Insurance Company and El Mohandes Insurance showed a strong increase in turnover during 3Q23.

Looking ahead, I am confident that EKH is well-positioned to navigate the macroeconomic landscape, and we are currently working on a number of regional expansion projects to drive future growth and leverage the expertise of the teams across our portfolio companies and create regional champions," **El-Zayat concluded.**

EKH's standalone and consolidated financial statements for the period ended 30 September 2023 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 the 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.