

Egypt Kuwait Holding Releases 9M 2024 Earnings

EKH reports total revenues of USD 475 million during the first nine months of 2024, delivering robust margins across gross profit, EBITDA and net profit at 40%, 37% and 29%, respectively, underscoring resilience and operational strength amidst dynamic market conditions.

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

EKH recorded revenues of USD 475 million for the first nine months of 2024, while profitability remained solid, with gross profit and EBITDA margins coming in at 40% and 37%, respectively. Net profit amounted to USD 139 million, translating into a stable net profit margin of 29%, while EKH's attributable net income totaled USD 124 million.

During 3Q 2024, EKH recorded revenues of USD 154 million, growing 20% sequentially, driven primarily by EKH's Energy and Energy-Related segment. The Group maintained strong margins amid ongoing headwinds, recording gross profit and EBITDA margins of 35% and 33%, respectively. 3Q 2024 net profit amounted to USD 38.7 million, translating into a net profit margin of 25%, while attributable net income came in at USD 34.1 million.

Commenting on the Group's performance during the first nine months of 2024, EKH Chairman Loay Jassim Al-Kharafi: "I am pleased to share the results for the first nine months of the year, which, in our belief, stand as testament to EKH's ability to maintain solid profitability amid various headwinds."

"Despite the challenges posed since the devaluation of the Egyptian pound, we continue to observe encouraging signs of top-line recovery in our sequential results. This favorable signal can be attributed to initial price recovery, effective cost management strategies, as well as the positive impact of recent investments. Throughout our diverse businesses, margins have remained strong, underscoring the stability and strength of EKH's portfolio."

"We are beginning to see the impact of our recent investments materialise. Within our upstream energy segment, Offshore North Sinai (ONS) has made significant progress, with the Aton-1 well—the second well of our Phase-3B project aimed at sustaining gas production rates of 55 million cubic feet per day through the end of 2026—commencing production in 3Q 2024 at a rate of 15 million cubic feet per day. To date, EKH has invested c. USD 247 million in exploration and development activities within the ONS Concession, adding an estimated 223 billion cubic feet to total gas reserves."

"In terms of our strategy, we are focused on creating shareholder value through the active recycling of capital. To that effect, we look not only to optimise our current portfolio by capitalising on competitive advantages and export potential, but also, maximise synergies across our portfolio companies."

Commenting on the Group's performance, EKH CEO, Jon Rokk: "I am pleased to report that EKH has concluded the first nine months of 2024 on a positive note, despite the impact of currency pressures on top-line performance."

“Our increased stake in AlexFert continued to yield benefits for the Group. Average urea export prices rose by 11% q-o-q to USD 335/ton, enabling the company to maintain stable revenues in spite of natural gas supply disruptions that took place over the period. Management outlook remains positive owing to expectations of stable gas supply following recent government intervention, coupled with the ongoing recovery in global urea prices.”

“The Energy and Energy-Related segment delivered robust results, particularly supported by NatEnergy, which saw 3Q 2024 revenues grow 15% y-o-y and surge 83% q-o-q. The stellar performance was bolstered by our power distribution and generation subsidiary, Kahraba, which registered a 140% y-o-y increase in distribution volumes over the quarter. Additionally, ONS achieved a 5% y-o-y growth in its 3Q 2024 top-line, further contributing to the segment’s favorable performance.”

“As we approach year-end, the outlook for EKH remains promising. We are well-positioned to capitalise on recent expansions, particularly as we anticipate local price recovery to further materialise and take hold. Our focus remains on maximizing bottom-line performance and enhancing operational efficiencies across our diversified portfolio. In parallel, we will continue to seek value-accretive opportunities to diversify our revenue streams and bolster foreign currency exposure. The future looks bright, and with the unwavering dedication of our team and strategic initiatives, I am confident in our ability to leverage our progress and seize future opportunities, ensuring continued success in an evolving landscape”

Fertilizers and Petrochemicals

For 3Q 2024, EKH’s Fertilizers and Petrochemicals segment posted revenues of USD 74.4 million. Net profit for the quarter reached USD 28.0 million, with a 4 pp y-o-y improvement in net profit margins to 38%.

AlexFert booked USD 47.0 million in revenues during 3Q 2024, accompanied by solid gross profit and EBITDA margins of 26% and 36%, respectively. Net profit came in at USD 17.6 million, reflecting a 3 pp y-o-y expansion in the net profit margin to 38% in 3Q 2024. The company’s outlook remains optimistic, supported by steady natural gas supply that is expected to remain consistent following recent government interventions and sustained recovery in global urea prices, complemented by the anticipated recovery in local fertilizer prices.

Sprea Misr reported revenues of USD 27.4 million in 3Q 2024, a 3% increase q-o-q, as local selling prices continue to adjust following the recent devaluation. In EGP terms, Sprea’ revenues rose by 25% y-o-y to EGP 1.30 billion in 3Q 2024, driven by higher volumes, coupled with average pricing growth across a number of key products. Gross profit and EBITDA margins improved by 3 pp and 5 pp y-o-y, respectively, both standing at 35% in 3Q 2024. Net profit for the period came in at USD 10.3 million, with an expanded net profit margin of 6 pp y-o-y to 38%. Sprea is ideally positioned to capitalise on improving macroeconomic and manufacturing sector conditions, as local prices are expected to continue adjusting to new import substitution levels. Additionally, the company is poised to benefit from its recent capacity expansions, paving the way for a strong growth trajectory.

Energy and Energy-Related

EKH's Energy and Energy-Related segment reported revenues of USD 57.4 million in 3Q 2024, marking an increase of 12% y-o-y and 57% q-o-q, driven by strong performance from key subsidiaries, NatEnergy and ONS. Net profit for the segment came in at USD 16.5 million during 3Q 2024, reflecting a net profit margin of 29%.

NatEnergy reported revenues of USD 42.4 million in 3Q 2024, marking a 15% increase y-o-y, with top-line expansion driven by Kahraba's growing electricity distribution businesses, in addition to progress made on the high-pressure steel pipeline project executed by Fayum Gas. With activities largely denominated in EGP, the platform's margins have been temporarily weighed down as they adjust to the currency's reduced value, with net profit for 3Q 2024 recording USD 10.0 million. Looking ahead, NatEnergy's outlook remains positive, with the expected increases in both natural gas connection prices and electricity tariffs anticipated to alleviate the temporary pressure on margins, and with management continuing to focus on more profitable "infill" clients to further enhance its profitability.

ONS reported revenues of USD 15.0 million in 3Q 2024, increasing 5% y-o-y and 11% q-o-q, driven by the commissioning of new wells and increasing production volumes. Net profit for the quarter stood at USD 6.5 million, translating into a net profit margin of 43%. ONS is poised for growth, fueled by its recent expansions. Aton-1, the second of the two newly drilled wells within ONS' expanded concession area, commenced production in 3Q 2024, with the two new wells supporting sustaining gas production rates at 55 MMSCFD.

Insurance and Diversified

The Diversified segment reported revenues of USD 21.8 million in 3Q 2024, largely in line with 2Q 2024 performance.

Delta Insurance, the segment's largest component, contributed USD 18.0 million to revenues during the quarter, reflecting a 20% y-o-y growth, driven by the reassessment of insured asset values and premiums, as well as improved portfolio returns supported by the prevailing high-interest rate environment. Net profit attributable to EKH from Delta Insurance grew 28% y-o-y to USD 4.3 million in 3Q 2024, translating into a growth of over 97% in EGP terms, underscoring the sector's strong fundamentals and growth potential in spite of the impact of a weaker EGP.

Looking ahead, management is optimistic regarding the insurance sector's ability to sustain its positive trajectory, driven by continued upward revaluation of insured asset values and stable premium growth. Furthermore, Nilewood has completed a major milestone by successfully producing its first fiber and is progressing towards the production of its first MDF board ahead of starting commercial operations in 1H 2025.

EKH's standalone and consolidated financial statements and full earnings release for the period ended 30 September 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 across five main sectors including fertilizers, petrochemicals, gas distribution, 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.