EK Holding Q1 2025 Results Call

Monday, 19 May 2025

Mark: Good morning. Good afternoon. Good evening, everyone, and welcome to EK Holding's first quarter 2025 Results Conference call hosted by CI Capital.

Mark: My name is Mark Adeeb, and today I have the distinct pleasure of introducing Mr. Jon Rokk, Group CEO and Mr. Omar Nashaat, Investor Relations Director.

Mark: Following a presentation of EK Holding's quarterly performance, the floor will then be open to a Q&A session. Please use the built-in Q&A box to type in any questions you may have throughout the duration of the call. During the Q&A Session as well, participants will also have an opportunity to have their microphones enabled to speak directly with company management. Without further delay I will hand over to Mr. Jon. Please go ahead.

Jon: Okay, thanks Mark and welcome everyone. I'm delighted to be with you today, guiding you through our first quarter results for 2025.

Jon: We've started the year with a clear, ambitious, and comprehensive strategy. As previously outlined, our approach is centered around maximising the value of our investment portfolio by pursuing opportunities in markets with strong growth potential and in sectors poised to benefit from sustained positive trends, with the goal of delivering sustainable returns.

Jon: We've adopted a mixed and balanced strategy to boost our foreign currency revenue and secure long-term growth.

Jon: This includes growing export capabilities across our Egypt-based operations, expanding regionally, and most recently stepping confidently onto the global stage.

Jon: So I'll now start by walking you through the progress we've made on our investment pipeline, which will help underpin our growth levers in the future.

Jon: Starting with our project in Saudi Arabia. Happy to say that all the planned CAPEX for the construction, about 16 million dollars, has now been deployed, and we have successfully completed all technical preparations and commissioning required to begin operations by the end of the second quarter. All that has been done on time and to budget.

Jon: We are operating a pipeline network extending over 22 kilometres. We will distribute natural gas to the quickly growing industrial area in the Dammam Industrial City 3, which spans a developed area currently of 10 million square metres. But it has a total planned area of 49 million square meters.

Jon: This project marks our first entry into the Kingdom, and it also comes in line with national strategic targets in Saudi Arabia to replace liquid hydrocarbon fuel as an energy source, effectively supporting the Kingdom's plans to grow total industrial capacity.

Jon: We definitely view Saudi as a long-term growth engine, and we're already evaluating additional opportunities for capital deployment in the Kingdom where we'll be able to leverage scale and optimise costs. We'll share more of these details and other plans as they begin to take shape in the future.

Jon: We're very excited about this Dammam 3 development project. We're very proud that we managed to secure it and deliver it on time onto budget, and we expect it to provide the blueprint for further sustainable growth within this sector in the Kingdom.

Jon: As for our expansions outside the MENA region. We're making great progress on our first strategic investment outside the MENA region. This will be a greenfield project which will be based in the United Kingdom. It is still on course to close by the end of the second quarter. This is a pivotal step in our international expansion agenda, allowing us to enhance foreign currency revenues while offering early exposure to a scalable, clean energy opportunity with long-term upside potential.

Jon: It reaffirms our commitment to tapping into new markets and emerging industries where we can create long-term value by leveraging our technical expertise, our know-how, track record and operational efficiency.

Jon: More details will be shared once we have completed the deal and made the announcement.

Jon: So, moving on to our domestic investments here in Egypt.

Jon: We've made some good progress with Nilewood. Our medium density fiber board plant, which is now, in its final commissioning phase and on track to commence commercial operations. In the third quarter of this year this landmark project marks a strategic move to localize a product that's been largely imported into Egypt, whilst also offering exciting export opportunities to lucrative, regional and international markets.

Jon: The plant will stand as the largest MDF production facility in the region, and will serve as a strategic export hub, strengthening our position as a regional exporter, while again enhancing foreign currency inflows

Jon: Our power business Kahraba continues to enhance its strategic role as it grows its own portfolio, particularly as energy infrastructure becomes increasingly critical to Egypt's industrial and residential expansion.

Jon: As such we are continuing to scale up operations to meet growing demand. One of the key developments this year for Kahraba is our investment in a second substation within the 10th of Ramadan concession area that Kahraba owns. The new substation will expand capacity and allow Kahraba to meet rapidly growing demand as industrial activity within the concession zone continues to ramp up.

Jon: Meanwhile the sale of Delta is progressing as planned with bidders now in the final due diligence phase, we'll continue to update the market with new developments as they materialize in due course.

Jon: So moving on to our corporate transformation. 2025 is shaping to be a turning point for EKH. We're not going to just be refreshing our brand as we previously communicated. We're going to be redefining who we are and where we're headed.

Jon: The rebrand will signal our evolution into a more modern, globally oriented investment group, one that's agile, ambitious, and ready to lead across new markets and sectors.

Jon: This exercise will definitely go beyond a new logo and name, and it's going to create a brand that carries depth across geographies, uniting our portfolio under one clear strategy and setting the tone for the next chapter in our growth.

Jon: Moving on to dividends. On the dividend distribution front. I'm pleased to announce that in April the board of directors approved the distribution of both cash and stock dividends. The cash portion has already been paid to shareholders with the stock dividend plan to follow in due course.

Jon: So in terms of consolidated performance, I will now focus on the financial performance for the first quarter of 2025.

Jon: I'm pleased to report a strong start to the year with revenues reaching 195 million dollars, which represents a 1% increase year-on-year compared to last year, but a strong 17% sequential growth from the previous quarter.

Jon: This revenue expansion was driven by significant momentum witnessed across our portfolio, particularly within two of our largest assets, AlexFert and Sprea, which benefited from improvements in both operational efficiency and sector dynamics.

Jon: While our Egypt pound denominated utility businesses, NatEnergy, and Kahraba, they delivered really strong double-digit growth in local currency terms, but the performance, when translated to US dollars, was impacted by the weaker Egyptian pound.

Jon: Nevertheless, the diversified nature of our revenue base, which includes both USD and USD linked income streams played a critical role in weathering the currency fluctuations and the broader market dynamics.

Jon: Despite these challenges, we maintained a really healthy profitability with our gross margin at 39% and EBITDA at 38% reflecting resilient performance.

Jon: These results were underpinned by disciplined cost management, operational optimization and the sustained strength of our core business segments. In summary, we delivered 39.5 million dollars in net profit during the quarter, which would imply a normalized year-on-year growth of 24% when we adjust for the impact of the 40.2 million dollars that we booked in FX gains during the first quarter of last year, due to the Egyptian pound devaluation.

Jon: For our equity holders adjusting for the one-offs booked in the first quarter of last year. This implies a 44% normalized year-on-year growth in our attributable net profit, which is really a testament to the resilience of our portfolio and the hard work that all our teams have been doing across all our investments.

Jon: So moving on to AlexFert. Enhanced feedstock availability during the quarter contributed some significant growth, which was 66.7 million dollars, which reflected a solid 10% year-on-year and 13% quarter-on-quarter increase.

Jon: Notably our export activity was the primary revenue driver, as we saw export revenues rise 14% year-on-year and 27% quarter-on-quarter. During this quarter, revenue growth was underpinned by higher total volumes alongside a continuing rally in urea export prices which advanced for the third conservative quarter by 13% both year-on-year and quarter-on-quarter in Q1 25 to an average now of 410 US dollars per ton.

Jon: Gross profit for Alex Fert was up 22% year-on-year with gross profit margin expanding 4 percentage points to 44%.

Jon: The margin expansion was mainly driven by the higher export prices as well as the favourable impact of the EGP devaluation on EGP denominated costs. As for bottom-line, it rose 21% year-on-year to 24.6 million dollars, again driven by enhanced operational efficiency, and our net profit margin expanded 3% year-on-year to land at a robust 37%.

Jon: So in terms of AlexFert, we are witnessing a promising outlook still on the pricing front. We've seen the ongoing recovery in urea prices in the past three quarters, and we can see those slightly strengthening with the remainder of the year. Prices average, as I said, 410 US dollars per ton following the 8% quarter-on-quarter increase in 4Q24, and another 11% from quarter 3Q24.

Jon: Historical trends show that prices have slightly softened during the second quarter, owing to seasonality. But overall, we are confident that we'll continue to observe positive price trends in the near to medium term supported by strong global demand and no major capacity additions expected in the near term.

Jon: On the domestic front, local fertilizer quotas which are currently priced in Egyptian pounds, remain unchanged, since the most recent currency devaluation. We expect the government to revise these prices upwards, which will provide additional upside to local quota pricing.

Jon: We have to note that we anticipate continued issues with gas supply as local production and supply continue to recover. We feel that the experience that we gained from last year's supply problems will give us a stronger position to help mitigate these challenges. In the remaining part of this year, we also feel confident that the government will have learned a lot from last year, and we know that they have plans to support the industry and leverage different supply solutions for any potential gas shortages.

Jon: Moving to Sprea. Sprea delivered a strong performance this quarter, with revenues reaching 2.4 billion Egyptian pounds, marking a 42% year-on-year and a 58% quarter-on-quarter increase. This strong revenue growth was primarily driven by higher sales volumes as part of a new strategy to expand our market share both locally and internationally.

Jon: This strategy aims to capture underserved, untapped demand and strengthen Sprea's positioning in key segments through competitive pricing, enhanced distribution and a targeted product mix.

Jon: In US dollar terms when translated revenues reached 48 million dollars, reflecting a modest, 1% year-on-year growth due to the impact of the devaluation.

Jon: But revenues rose in dollars by a strong 55% quarter-on-quarter, pointing to clear signs of recovery in the markets that Sprea serves.

Jon: Gross profit for Sprea came in at 568 million Egyptian pounds in quarter one, which was down 24% year-on-year in local currency terms. When translated into US dollars, gross profit declined 46% to stand at 11.2 million dollars reflecting the EGP devaluation.

Jon: Gross profit margin compressed by 21 points year-on-year to reach 23%, normalizing after exceptionally high margins were recorded in quarter one which had been inflated by the foreign exchange rate discrepancies between the official and parallel markets at the time.

Jon: On a sequential basis, gross profit grew by 16% quarter-on-quarter in Egyptian pound terms and 14% quarter-on-quarter in US dollar terms, reflecting a recovery supported by higher sales volume on the back of management's market share growth strategy.

Jon: EBITDA also displayed notable improvements, sequentially rising 13% quarter-on-quarter in Egyptian pound terms, and 11% quarter-on-quarter in US dollar terms supported by the rebound in sales volumes, and improved profitability.

Jon: As for the bottom-line performance, net profit stood at 494 million Egyptian pounds in Q1 which reflected a 50% year-on-year decline, with similar trends posted in US dollar terms. But the decline is largely attributed to the foreign exchange gains that we made in 1Q24 of 392 million Egyptian pounds compared to FX losses of 16.1 million pounds that we recorded in this quarter.

Jon: In US dollar terms, net profit totalled 9.78 million dollars, yielding a net profit margin of 20%, which was down 38 percentage points per year-on-year from last year.

Jon: So in terms of outlook, we remain very positive for the near-term on Sprea. It remains on track to achieve its full year net profit guidance. We're observing a continued recovery in local pricing, which is gradually adjusting in response to the EGP devaluation as well as improved import substitution dynamics. This upward trend is expected to support sales momentum in the coming quarters.

Jon: We're also anticipating stronger demand for SNF, spurred by the pickup in construction activity across Egypt in parallel with the start of operations later this year at Nilewood, which is expected to support Sprea's top-line growth through increased sales of liquid glue, which further enhances our strategic approach of unlocking synergies across our subsidiaries and optimizing operations to ensure resilient performance.

Jon: In line with our broader strategic goals. Management remains focused on expanding into new export markets to enhance foreign currency inflows and diversify the revenue streams for Sprea.

Jon: So moving on to NatEnergy. Our gas distribution platform reported revenues of 882 million pounds in the first quarter, marking a strong 40% year-on-year increase, primarily driven by a higher number of connections to residential customers.

Jon: In US dollar terms, revenue stood at 17.5 million dollars, which was down 1% year-on-year, reflecting the impact of the devaluation.

Jon: Despite a 7 percentage point compression in both gross profit and EBITDA margins due to the impact of that devaluation on cost of goods, we saw a clear improvement on a sequential basis.

Jon: Gross profit margin rose 3 percentage points quarter-on-quarter to 26% and EBITDA margin improved by 2 percentage points quarter-on-quarter to 25%. The recovery in margins reflect improved profitability brought on by a more favorable revenue mix as management continues to prioritize margin-accretive residential and industrial customers.

Jon: Net profit for the quarter came in at 249 million Egyptian pounds, yielding a net profit margin of 28%. This compares to 583 million pounds during the comparable quarter of last year which, however, included significant foreign exchange gains.

Jon: Excluding the impact of foreign exchange gains booked in Q1 2024, our results this quarter represented an 18% year-on-year growth in the platform's bottom-line.

Jon: In US dollar terms, net profit stood at 4.94 million dollars compared to 16.3 million dollars in Q1 2024, the latter of which had included some 10.4 million dollars in foreign exchange gains.

Jon: So, looking ahead in terms of our outlook for that energy, we remain very optimistic, particularly in line with the anticipated upward adjustments in natural gas connection prices which will help ease current margin pressures.

Jon: At the same time, we are continuing to optimize our revenue mix by expanding our customer base in high potential residential areas which will further enhance our blended margins as well as the overall profitability of the business.

Jon: In terms of Kahraba, our electricity generation and distribution subsidiary. It's playing, as I said, an increasingly important part and strategic role within our portfolio, which is why we're now going to start reporting it as a standalone business, reflecting our confidence in its growth potential and its growing contribution to our energy platform.

Jon: In terms of results. Kahraba, which delivered strong top-line performance in the first quarter with revenues rising 37% to 679 million Egyptian pounds, driven by the continued growth of the electricity distribution business.

Jon: Our distribution volumes surged 43% year-on-year, underscoring the strong performance witnessed at Kahraba's 10th of Ramadan concession zone.

Jon: In US dollar terms, revenue saw a slight decline of 3% reflecting the impact of the devaluation.

Jon: Gross profit declined 9% year-on-year in Egyptian pound terms and 35% in dollar terms, with gross profit margin narrowing by 9 percentage points primarily due to the higher gas costs that Kahraba has had to absorb.

Jon: EBITDA followed a similar trend, decreasing 8% year-on-year in Egyptian pounds and 35% year-on-year in US dollar terms, with an EBITDA margin landing at 20% for the quarter.

Jon: Net profit came in 24% lower year-on-year in Egyptian pound terms and 46% lower year-on-year in US dollar terms, largely again due to the back of the higher input costs in gas as well as reflecting the impact of the one-off gains booked in Q1 2024.

Jon: In terms of outlook, Kahraba is actively expanding its footprint across Egypt's industrial and commercial energy spaces, supported by a growing client base and strategic infrastructure investments, most recently by investing in a second substation within its 10th of Ramadan concession area in order to meet increasing demand associated with growing activity in the industrial zone.

Jon: Improving market conditions, including rising national energy demand and recent government reforms, such as the unification of natural gas tariffs on all electricity generators together are enhancing the competitiveness of Kahraba's generation business and together with the electricity prices that we see going up, we're very optimistic about Kahraba’s future.

Jon: For our oil and gas business, ONS generated revenues of 14.4 million dollars in Q1 2025,reflecting a 4% year-on-year decline, which is impacted mainly by the temporary planned shutdown this quarter for pipeline repairs, preventative maintenance, as well as the turbine exchange that was finalised in February of this year.

Jon: Gross profit came in at 7.3 million dollars during the quarter, marking a 25% year-on-year decrease, weighed down by the weaker top-line performance and lower gross profitability.

Jon: As a result, gross profit margin contracted by 14 percentage points on a year-over-year basis and 2 percentage points quarter-on-quarter, settling at 51% largely again due to lower revenues on the back of the temporary shutdown in commercial production as previously mentioned.

Jon: Margin compression was less pronounced at the EBITDA level, with EBITDA reaching 11.3 million dollars in Q1 2025, and the corresponding margin standing at 78%, down 6 percentage points year-on-year and one percentage point quarter-on-quarter, supported by cost efficiencies achieved during the period.

Jon: Net profit amounted to 6.5 million dollars in Q1 2025, declining by 21% year-on-year, translating into a net profit margin of 45%, down 10 percentage points year-on-year and 2 percentage points quarter-on-quarter, which was in line with the broader trend observed across gross profitability and operating margins.

Jon: In terms of outlook, ONS is poised to deliver growth in 2025, supported by some key operational milestones, including the commercial production of two of its newly drilled wells, including the KSE 2 well in June 2024 and the ATON-1 well in the third quarter of last year. These developments are expected to sustain gas output at a steady rate of 55 million scuff through the end of 2026, translating into higher volume sales and revenue growth.

Jon: In parallel, the company will continue to benefit from its ten-year extension to its concession agreement approved by the Board of Directors of the Egyptian General Petroleum Corporation in the third quarter of 2024, reinforcing our operational continuity and long-term growth trajectory.

Jon: So moving on now to our non-banking financial services and diversified portfolios. In the first quarter this year, our non-banking financial services and diversified segment continues to demonstrate resilience amidst the challenges posed with the recent reduction of interest rates.

Jon: While revenues in Egyptian pound terms grew 30% year-on-year and 46% quarter-on-quarter, in the first quarter of this year, the diversified segment reported revenues of 35.4 million dollars for the quarter, reflecting an 8% year-on-year decline due to the impact of the Egyptian pound devaluation.

Jon: However, the segment posted significant improvements on a sequential basis, with revenues in US dollar terms rising 44% quarter-on-quarter compared to Q4 2024.

Jon: Our segment's profitability also improved with gross profit margins recording 57%, up 4 percentage points year-on-year. Higher profitability was driven by a reassessment of insured asset values and premiums, as well as stronger portfolio returns driven by the prevailing high interest environment.

Jon: In terms of the insurance segment, specifically, Delta Insurance's attributable net profit came in at 105 million Egyptian pounds in Q1 2025, compared to 121 million last year. Excluding the impact of 19.1 million Egyptian pounds booked in FX gains, earnings would have grown by a normalized 3% year-on-year.

Jon: Additionally, Mohandes Insurance reported a 71% year-on-year increase in attributable net profit during the quarter.

Jon: Our microfinance subsidiary Bedayti delivered strong bottom-line growth with attributable net profit in Egyptian pound terms rising 5% year-on-year, demonstrating resilience despite the prevailing high interest rates.

Jon: Despite the growth posted in local currency terms, the Egyptian pound devaluation resulted in that segment posting a net loss of 6.2 million dollars compared to a 4.2 million dollars loss in the comparable quarter of last year.

Jon: It's also worth noting that this quarter's diversified net income figure includes a one-off gain of 2.7 million dollars, representing the proceeds from the sale of our stake in shield gas, which had previously been fully impaired on the balance sheet. This divestment reflects our ongoing portfolio optimization efforts allowing us to reduce exposure to low performing assets and prioritise investments with greater long-term value.

Jon: We remain confident in the insurance sector’s strong momentum with our positive outlook supported by consistent premium growth recorded alongside ongoing increases in the valuation of insured.

Jon: In terms of guidance, we're feeling optimistic about how the rest of the year will perform. Quarter one was a strong start and we've already completed a number of housekeeping items with more still to follow that will add value. This year, based on our current trajectory, we're positioned to exceed both our initial targets and last year's bottom-line. As expected, we'll be in better position to offer more specific year-on-year guidance during the second quarter results, at the half year call once we've got firmer visibility of the full year performance.

Jon: There's a healthy pipeline of new investments under review, about 80 to 100 million dollars, though the timing will depend on when we get deals over the line and how quickly capital is needed. But, importantly, not all of this will be funded through equity.

Jon: Looking ahead, we remain confident in our ability to sustain strong operational performance and deliver sustainable value to our shareholders.

Jon: Our focus will continue to be directed towards disciplined capital allocation, proactive risk management and embedded sustainability across our operations with a clear strategy and a solid foundation in place. We're well-positioned to capture new opportunities and drive meaningful growth throughout the remainder of 2025 and beyond.

Jon: Lastly, I again would like to express my sincere thanks and appreciation to all our employees that have all contributed in their own way to our strong start this year. Their commitment and hard work continues to inspire me, and makes me proud to have them on our teams.

Jon: So that's it for now. I hope you found some of that information interesting with some useful insights and I'm now happy to pass the floor back to Mark for the Q&A session.

Mark: Thank you, Mr. Jon. As a reminder. If you have any questions you can type your questions in the dedicated Q&A box, or you can click the raise hand button to have your mic unmuted to speak directly with company management.

Mark: Well, we have our first questions from Omar Fahmy from Stravius.

Mark: So the first one is, what's the cash received of shield gas sold in the UAE. Do you want me to go through all the questions or like you would like to answer one by one?

Jon: You take the lead mark.

Mark: Sure. Okay, the second question is, can you quantify the potential impact of higher electricity prices expected this year?

Mark: Do you have any insight into the quantum of the increase?

Mark: The third question is, what's the latest on the new head office? What is the total spending expected, and how much of that has already been incurred, if any?

Mark: What's the IRR expected for the new projects in KSA and the United Kingdom?

Jon: Okay, Mark, I think it's best to go through them one by one, because I certainly might not remember all of those questions.

Mark: Alright. What is the cash received of Shield Gas sold in the UAE?

Jon: Yeah, it's the consideration. As I said, 2.2 million dollars.

Mark: Alright. Second one is, can you quantify the potential impact of higher electricity prices expected this year? And do you have any insight into the quantum of the increase?

Jon: No, we don't have any insight. We know we will get an increase. We know that'll improve the gross margins in Kahraba, which is why we're optimistic about strong performance there. But we haven't got the exact details yet.

Mark: Alright. The third one is what's the latest on the new head office? And what was the total spending expected? How much of that has already been incurred? If any?

Jon: So we're on track to move to the head office. By the end of the year, the projects going to plan. It's going to budget in terms of right now off the top of my head how much cash we've incurred versus the budget, I don't have that information at hand. But we can get back to you on that.

Mark: The last question from Omar is, what's the IRR expected for the new projects in KSA and the United Kingdom?

Jon: Two difficult questions, but certainly in the UK we expect the IRR to be over 30%. Once the project is fully operational. One of the attractions of the UK is a very stable environment to be operating in, which is why we picked it for this particular investment opportunity. We're still optimising some of the commercial side of the KSA investments. So we can't give exact guidance on IRR. But it'll be in line with our gas distribution business margins that we have here in Egypt.

Mark: Hmm, perfect.

Mark: Okay, we have a question from Amr Elalfy, what's the status of what's the status update on the Delta insurance potential deal?

Jon: So we're working to a timeline that expects in this quarter the next stage of that process, which is when the due diligence is finished. Depending on what's the outcome of that will drive the timetable. We're still hopeful that it's going to be a 2025 deal. But ultimately, until we finish the due diligence, and we receive the next stage from the counterparties. We can't be sure exactly how long that process will take.

Mark: Noted

Mark: So we have a question from Mahitab that AlexFert received news about the gas supply cut till the end of month. Is it expected to be extended, and how will production be affected?

Jon: Yeah, we got that news along with everybody else. I think, as I said in the narrative earlier, when I talked about AlexFert. We expected gas to be challenging this summer again, following last year. But again, at the moment we feel that there's probably about a 2-week impact to the business. But from what we learned last year, to some of the resilience we've put in this year, and we trust the Government to solve some of these shortages, we expect to end the year as per our guidance.

Mark: All right. We have a question from Dareen El Arousy.

Mark: Are you still maintaining 2025 guidance, and can you shed more light on the remaining CAPEX for the new expansions in Saudi Arabia and the United Kingdom.

Mark: Their contribution to top-line and EBITDA margin, and operational details on the MDF project.

Jon: Sure. So for the UK. It's not closed yet. So, I'm going to refrain from giving any more details about that opportunity. But if we do deploy the CAPEX it'd be roughly about 60 to 80 million dollars. That will be deployed this year

Jon: In terms of our investment in Saudi. It's already been fully deployed. The bulk of the CAPEX was last year, and we expect some cash and revenues flowing from Saudi in the second half of the year.

Jon: Sorry, Mark. There was a question on MDF. There. I think.

Mark: Yes. So, the operational details on the MDF Project.

Jon: Yeah, so the MDF project as we've shared it's had its challenges. But we we're very clear that we'll start getting first board out the factory at the start of quarter 3, and we expect by the end of that quarter the production will start ramping up to continuous production by the end of the year.

Mark: Perfect. As a reminder. You can type your questions in the dedicated Q&A box, or you can click the raise hand button to have your microphone unmuted, to speak directly with management.

Mark: Well, I have a few questions, if I may, from my end given that first quarter performance was quite solid in terms of bottom-line. Are you still maintaining, like full year guidance of 125 million net income?

Jon: I think I touched on earlier that we expect year, the guidance for the end of the year to be better than that. But I'll be able to confidently give a much more accurate view at the half year point.

Mark: No. Okay. Also, can you give us like more updates on net energy and Kahraba performance. So in terms of power generation, for example, it was down sequentially. So, do you expect, like any changes to that? And like, what's your views over the remainder of the year on, like both companies.

Jon: Yeah on Kahraba. We're optimistic. So there was a major contract that was due to start in quarter one that's going to come in later than planned, so we still expect the business to end the year in a strong basis. Demand for its generation, as I said, is increasing, particularly in the 10th of Ramadan area. And we're looking at new areas to increase generation capacity.

Jon: So we're very optimistic about the business going forward. Distribution – not generation, I meant to say.

Mark: All right. Thank you. We have a follow up question from Mahitab.

Mark: Is Sprea margin contraction expected to sustain this year, and how long will you pursue the market share gains?

Jon: Yeah, so whilst we've changed and pivoted the strategy to increase its market share. To achieve that, we see, and we are aware, and we've planned for margins to be to be contracted over the long-term. We think that the strategy will deliver sustainable growth, protect our market position, more importantly, increase our exports, which will then bring more US dollar revenues to the business.

Mark: Alright, thank you.

Mark: Well, I have another question related to the divestment of non-core assets, so we've already heard about the announcements related to the insurance company. But do you have, like more companies in the pipeline and like, do you have a proposed timeline? How much are you targeting to generate out of this program in general, and what segments are you going to deploy the capital like after these exits?

Jon: No sure look. I've been clear in the past that as we re-pivot the business to more investment-focused model, we will be looking to continue investment. But we'll also be continuing to do strategic and time divestments. The scale and timing of these will determine the value we can generate, and the capital that can be redeployed. At the moment we've been focusing on a bit of housekeeping. So, some of the divestments that we are looking at to remove what's clearly either non-core businesses or businesses that aren't performing as we want them to. So, if they're not performing, then we'll divest them, but in terms of a roadmap that's being developed along with our strategy, where you will see targeted divestments. But in return, targeted investments where we can redeploy that gained capital and create better value in the long-term.

Mark: Alright. Thank you so much.

Mark: As a reminder. If you have any questions, please type them in the dedicated Q&A box or tap the raise hand button to have your mic unmuted to speak directly with company management.

Mark: Okay, we have a follow up question from Dareen. How much of the current debt position is deployed in the new investments?

Jon: Negligible to be fair. We've been managing both Saudi and the proposed UK investment from existing.

Mark: I'm not sure if we heard the last part, but the line is breaking a bit, so could you?

Jon: What I was saying is our Saudi business was funded entirely from equity. We haven't started deploying any funds yet for the UK but the majority of that will be from equity as well.

Mark: Alright, great.

Mark: Well, if you have any questions again, please type them in the dedicated Q&A box or tap the raise hand button to have your mic unmuted to speak directly with management.

Mark: Well, I think at the moment we have no further questions.

Mark: So I will hand over back to you, Mr. Jon, if you like, if you'd like to have or if’d like to say something

Jon: Thanks, Mark, thanks everyone for listening in, thanks for your questions and your interest in the business. We'll continue to do our bit, and I look forward to hopefully speaking to you all at the next earnings call of the half-year point.

Mark: We have a follow-up question. Would you like to take it?

Jon: Sure. Of course, that's what we're here for.

Mark: We have a question from Amr El Sherif.

Mark: Please go ahead.

Amr El Sherif: Hi there! Sorry if I missed this earlier in the call. I could only join a little bit later. But I have a question on valuation. EKH is trading at significantly lower multiples than some of the competitors, especially if we look at competitors in the pure fertiliser businesses. Have you thought about ways of addressing this, and has it been considered at all to maybe spin off AlexFert, and allow shareholders to own that company as a separate entity, which would unleash a higher valuation for it if it were a standalone company? Or is this something that's not on your radar at the moment? Thanks.

Jon: No look, very much on the radar is the current market cap. We all know that it's not where it should be, so I've been exploring lots of different strategies and options going forward to definitely fix that problem. You start by performance though, so very much my focus has been to have a clear strategy going forward that will enhance performance because as we move and improve that bottom-line, that that's the simplest way to fix that issue. But in terms of situations like you just mentioned about AleFert, and lots of other good ideas. We are exploring them all. And when we're ready to deploy, we'll share it with the market, and we'll explain the rationale behind any any particular decision.

Amr El Sherif: Thank you.

Mark: Alright. Thank you to EK Holding management team, and thank you all for dialling in today to EK Holding first quarter 2025 Results Conference call hosted by CI Capital. A recording of this call will be made available shortly. Please get in touch with your contact person at either CI Capital, or EK Holding for access to the recording. Have a nice day. Everyone.

Jon: Yeah, thanks everyone. And again, feel free to reach out to us if you need any more detailed information.

Jon: Thank you.

Mark: Thank you. Goodbye.