Zeina Fares: Good afternoon, ladies and gentlemen, this is Zeina Fares from EFG Hermes Research speaking, and I'd like to welcome you all to Valmore Holding's Q1 2026 results conference call. With us on the line today we have Mr. Jon Rokk, the CEO, and Mr. Omar Nashaat, Investor Relations Director.

Zeina Fares: Without further delay, I'd like to hand over the call to Omar. Omar please, the floor is yours.

Omar Nashaat: Thank you, Zeina. Good afternoon, everyone, and welcome to Valmore Holding's Q1 2026 earnings call. Thank you for being here. Thank you Zeina and the EFG Hermes team for hosting this call. I know this has been an exceptionally demanding period across the region. We appreciate your continued engagement with our story and we're glad to have the opportunity to speak with you directly today. I'm Omar, Investor Relations Director at Valmore Holding and joining me today is our Group CEO, Jon Rokk. And in a minute Jon will walk you through the first quarter, share his perspective on how the portfolio performed against the backdrop that none of us could have anticipated when we last spoke last quarter and give you his views on where things stand and where things are heading for the remainder of the year. Once Jon is done with his remarks, then I will then open the floor to your questions. As a reminder, our Q1'26 earnings release and investor presentation and financial statements are all available on our IR website, ir.valmore.com, and we encourage you to refer to those materials for the full set of financial tables and entity level details that Jon will be discussing today.

Omar Nashaat: And with that, I'll happily turn over the call to Jon.

Jon Rokk: Thank you Omar, and good afternoon, everyone. I'm delighted to be here to talk to you about how the first quarter of the year has performed for us here at Valmore Holding. Before we discuss the quarter, I just want to briefly address the environment in which these results were delivered.

Jon Rokk: The final weeks of the quarter unfolded against an exceptionally difficult regional background. The Gulf conflict that began in late February and the effective closure of the Strait of Hormuz and the economic disruption that followed created a level of volatility that none of us would have anticipated when we last spoke.

Jon Rokk: The scale of the disruption to people, the businesses and economics across the region has been profound, and we're very conscious of that as we speak to you today. What I want to do in my remarks today is give you a detailed view of what that environment meant for each of our businesses because its impact across our portfolio was far from uniform.

Jon Rokk: What I will show you, though, is that we have a very resilient and agile portfolio that can adapt to even the most difficult situations. In some businesses, the disruption created an extraordinary and genuinely unexpected pricing environment, in others it created considerable challenges that compressed revenues and volumes in the quarter.

Jon Rokk: My key objective of today's call is to help you understand how different parts of the portfolio are affected and I will be direct and specific about each one of those. At a Group level, Valmore delivered net profit from continued operations of 41.6 million US dollars, which was up 15% year-on-year when we account for the 3.3 million US dollar gain from the now divested Delta Insurance from our Q1'25 base. Attributable net profit for the quarter amounted to 34.3 million US dollars.

Jon Rokk: Our core hard-currency generating platforms performed exceptionally well. Our domestic utility businesses continue to scale with NatEnergy adding its highest quarterly connections total across the last ten quarters. And Sprea, our petrochemicals business, navigated a genuinely challenging quarter with the commercial discipline which defines that business, delivering sequential margin expansion despite the volume challenges.

Jon Rokk: So now let's move on to our businesses and we'll start with AlexFert. The company delivered an exceptionally strong first quarter, with revenues growing 16% year-on-year to just over 77 million US dollars. The primary driver was the global year pricing environment. The Strait of Hormuz closure effectively removed a substantial portion of urea production from global markets, which resulted in a supply side shock unlike anything we've seen in recent years, driving the average export urea prices to around 470 US dollars per ton in quarter one, which is a strong 15% year-on-year improvement relative to the comparable quarter average. For AlexFert this translated into 18% year-on-year EBITDA growth to just under 40 million US dollars with EBITDA margin holding at 51% and attributable net profit growing 13% to 21 million US dollars.

Jon Rokk: But what is more important than the headline results is what happened to prices after the quarter closed. Prices moved above 500 US dollars per term in March and continued to strengthen materially through April, averaging approximately 744 US dollars per ton. That pricing momentum will be the single most important driver for AlexFert when we report on its second quarter performance. Here I want to be transparent about a government policy development that partially limits the positive impact from that windfall. The Investment Ministry published a decree imposing a 90 US dollar per ton export fee on nitrogen fertilisers for a three-month period starting May to the end of July. This export fee coupled with the dynamic nature of the gas pricing formula together reduce the net benefit from the higher pricing environment. However, our unit economics remain materially stronger relative to the pre conflict environment. On feedstock, natural gas supply remained stable throughout the quarter and continues to be stable into the current quarter. The government's response has been decisive and multi layered from regassification vessels injecting additional supply into the grid and increased LNG procurement to a specific industrial allocation program that explicitly prioritises fertilisers, petrochemicals and steel industries. AlexFert operated at full production utilisation throughout the quarter and continues to do so.

Jon Rokk: In terms of guidance, I will address our approach to the 2026 guidance framework complete comprehensively later. But I will state that AlexFert’s Q1 run rate is materially above the guidance range we had set during our previous call. The environment has changed significantly since we set that guidance in both directions, and a comprehensive review is the appropriate response.

Jon Rokk: Okay, now moving on to Sprea, our petrochemicals business. Sprea navigated a challenging Q1 with revenues declining 35% year-on-year to 31 million US dollars and EBITDA declining 39% to 6.6 million US dollars. The driver was a temporary decline in sales volumes. The near-total suspension of shipping activity across several Gulf markets meant that demand from buyers who had historically absorbed a significant share of Sprea’s export volumes simply could not be addressed. Management's response to this externally-driven volume shock demonstrates the commercial agility and resilience that comes from operating across 50 plus export markets. This enables Sprea to capitalise on trade opportunities in alternative markets, including parts of Africa, where supply chain disruption created new sources of demand, partially offsetting the Gulf-related volume decline during the quarter. The other important operational takeaway, however, is the sequential margin expansion, which is the clearest evidence of the underlying quality of this business and part of the new strategy that was implemented two years ago. Gross profit margin expanded nine percentage points quarter-on-quarter to 23%. EBITDA margin expanded seven percentage points a quarter-on-quarter to 21% and net profit margin expanded eleven percentage points quarter-on-quarter to 26%.

Jon Rokk: The company maintains pricing discipline throughout a period of volume pressure and margins are now improving as conditions stabilise. Looking ahead, Gulf market recovery remains externally-determined and we're not in a position to put a timeline on something that depends on geopolitical developments outside of our control.

Jon Rokk: Sprea enters the recovery with its pricing discipline intact, its export footprint diversified and its domestic market presence growing. The business is well positioned to rebuild volumes as conditions normalise.

Sprea has operated through externally-driven disruptions before and management has consistently adapted very well.

Jon Rokk: So moving on to our utilities sector and starting with NatEnergy. The company's top line grew 20% year-on-year to 21 million US dollars driven by an expanding active connections base, having added approximately 37,000 new natural gas connections in Q1'26 alone.

Jon Rokk: EBITDA performance was broadly stable year-on-year, against elevated costs which demonstrates the underlying resilience of NatEnergy's business model. Net profit growth of 49% year-on-year to 7.4 million US dollars was largely supported by higher net interest income and foreign exchange gains booked during the quarter, in addition to the EBITDA contribution from the business.

Jon Rokk: So, looking ahead, NatEnergy's growth is underpinned by a clear and consistent strategy, expanding the residential connections base while prioritising the high-value household and industrial connections that drive the highest margin accretion as well as leveraging its customer base with new products and services. The compounding effect of that strategy is becoming increasingly evident in NatEnergy's results every quarter.

Jon Rokk: So, moving on to Kahraba, our electricity generation and distribution subsidiary, the company continued to scale its platform with consistency in Q1'26. Revenue grew 21% year-on-year to just over 16 million US dollars driven by electricity distribution volume growth of 35% to 196 million kWh in the quarter. Gross profit margin contracted three percentage points year-on-year to 16% reflecting the faster growth of our electricity distribution revenues relative to those of electricity generation, as the distribution business carries higher procurement costs given that the electricity purchase for resale is recognised directly in our cost of goods sold. EBITDA margin contraction of 2 percentage points year-on-year to 15% reflects the impact of provisions booked during the quarter. This translated into 20% year-on-year growth in net profit to just under 1.6 million US dollars in Q1.

Jon Rokk: Kahraba's concession-based distribution model provides a stable and predictable earnings platform with embedded volume growth as the industrial and commercial customer base continues to expand. With active connections for passing 1,300 as of last December and new concession areas continuing to come online, the volume growth trajectory is clear and the business continues to strengthen.

Jon Rokk: Turning our attention now to ONS, our upstream subsidiary, which delivered another strong quarter, reporting 4% year-on-year revenue growth to 15 million US dollars supported by stable production volumes from recently commissioned wells, with natural gas sold growing 11% year-on-year in the quarter. EBITDA grew 24% year-on-year to 13.9 million US dollars in Q1, with EBITDA margin widening 15 percentage points year-on-year to 93%, a level that reflects the inherently high-margin nature of ONS' production profile as well as the improved cost structure following the commissioning of recently active wells. Net profit grew 18% year-on-year to 7.7 million US dollars despite a net foreign exchange loss of 1.6 million US dollars booked during the quarter, compared with a positive foreign exchange position in Q1'25. Excluding that FX impact, the underlying net profit growth was materially stronger.

Jon Rokk: The primary production catalyst remains the Phase 4 field development, expected to commence production in early 2027. The ratified ten-year concession extension and the newly awarded onshore concession adjacent to our existing facilities in the Rummana area together provide long-term production visibility and a development pathway that underpins ONS' value within the portfolio.

Jon Rokk: We will now turn our attention to our diversified segment. The segment's net loss widened to 10.4 million US dollars in Q1'26 from 6.2 million US dollars in Q1'25, with this movement primarily reflecting the absence of contribution from the now divested Delta Insurance as well as the prior year impact of proceeds from the sale of the Group's stake in Shield Gas. Partially offsetting the segment loss was the reversal of previously recognised impairment charges relating to BMIC, amounting to approximately 9.5 million US dollars, a non-recurring accounting item disclosed at the segment level.

Jon Rokk: Bedayti's financial performance in Q1 reflects its ongoing efforts to simultaneously expand its branch network and grow its loan portfolio, having reported 13% year-on-year growth in topline against a 28% rise in operating costs. Across the diversified segment, the strategic direction is clear: active management of our legacy positions, disciplined capital deployment into growth platforms, and a progressive shift towards a more capital-efficient, hard-currency oriented portfolio.

Jon Rokk: With regards to our development stage platforms, Endolys, our UK waste plastic recycling pyrolysis investment, continued to advance through its development phase in Q1'26. Capital deployment is progressing in line with the Phase 1 plan and commissioning remains expected in the last quarter of this year, with initial revenue recognition anticipated early next year.

Jon Rokk: Our MDF facility, Nilewood, is progressing through its commercial ramp-up phase with a focus on two concurrent work streams, optimising the production process and refining the product quality to the specifications that our customers require.

Jon Rokk: This includes active work on the feedstock sourcing model. Optimising the wood composition mix across our plantation and agricultural waste streams is an iterative process and we're making real progress. Nilewood represents a long-duration industrial investment within a structurally supported market, and the operational development work currently underway will support its long-term commercial potential.

Jon Rokk: EKACOM, our natural gas distribution platform in Saudi Arabia, is in its early operational phase following our commercial launch in July last year, having begun contributing US dollar denominated revenue to the Group. While the conflict impacted operating conditions and industrial growth in the Saudi Arabia's Eastern Province during the quarter, and therefore slowed down new connections for EKACOM, we do remain firm believers in the long-term potential of the company and committed to our long-term position in Saudi Arabia's industrial infrastructure. Our long-term rationale for the business remains unchanged: a 35-year concession-backed presence within a key Vision 2030 industrial hub. The Kingdom of Saudi Arabia continues to be one of the region's fastest-growing economies, and we will continue to seize these opportunities to grow our presence in Saudi to capture this transformational growth.

Jon Rokk: I'll now bring all this quarter together at the Group level before addressing guidance. Our broadly stable Group consolidated revenues of 166 million US dollars demonstrate the resilience of our diversified portfolio.

Jon Rokk: AlexFert's pricing-driven revenue growth and the continued expansion of our utility businesses offset Sprea's volume-related challenges, and the consolidated revenue line held. Group EBITDA grew 10% year-on-year to 80 million US dollars, with EBITDA margin expanding five percentage points to 48%. The margin expansion reflects the earnings mix shift toward AlexFert and ONS, both operating at structurally higher margins during the quarter.

Jon Rokk: The 15% year-on-year growth in Group net profit from continued operations to 41.6 million US dollars provides a cleaner view of the underlying earnings performance of the continuing portfolio, setting aside the gains from discontinued operations in the Q1'25 base.

Jon Rokk: USD-linked and export-oriented revenues reached 52% of the Group revenues in the quarter, anchored by AlexFert's dominant export position and further supported by ONS, Sprea's export business, and also EKACOM's growing contribution.

Jon Rokk: This all culminated in attributable net profit of 34.3 million US dollars, broadly stable year-on-year despite the non-recurring gain from discontinued operations in the last quarter in the Q1'25 base, with the underlying operational performance of our five core subsidiaries telling a considerably stronger story, as the 15% growth in net profit from continued operations demonstrates.

Jon Rokk: In terms of guidance, our previously committed guidance for each of our operating subsidiaries and our consolidated net profit was set against a macro environment that was stable but has now changed fundamentally.

Jon Rokk: The conflict in Iran, the Strait of Hormuz closure, and the broader economic disruption that followed have created both significant upside for certain segments in our portfolio and genuine challenges for others. Providing you with selective updates to individual guidance ranges in the absence of full half-year visibility would not serve you well as it would risk giving an incomplete picture of how the full year is developing. The correct approach is for us to have a comprehensive review. We will aim to provide updated guidance for each of our entities alongside our half year results in July. What I can directionally say today is that the macro environment has been materially positive for our hard-currency generating platforms but also challenging our Gulf exports or commodities cost exposed businesses.

Jon Rokk: We're actively managing both and we will give you the full updated picture in the next reporting cycle. I remain very confident in the fundamental quality and earnings generating capacity of this portfolio. The Q1 results delivered during an exceptionally volatile period for the region, are evidence of that quality and shows that the structural positioning that drove its performance in our businesses remains intact and continues to strengthen. And that is also down to all our people who have worked tirelessly across all our portfolio investments to help deliver these strong results. They have done an amazing job and should be congratulated. With that, I hand back to Zeina to open the floor for any questions.

Zeina Fares: Thank you Mr. Jon. So, thank you for the presentation. We're now opening up the floor for questions. As a reminder, to ask a question, you can do so by using the raise hand function or you can write your question through the Q and A box.

Zeina Fares: We're just going to give it a few seconds for questions to come in.

Zeina Fares: We have a question from our side from Ahmed Hazem. Hi Jon, hi Omar as well, and thank you for the presentation and everything. I mean, I have a few questions from my end, just so that we get the ball rolling before people start asking questions maybe.

Ahmed Hazem: Can I get an update on the status of how you are negotiating with the government right now in terms of price adjustments for some of your utility services like gas connections and power prices?

Ahmed Hazem: Also, another question is, what's the status looking like for the gas availability for AlexFert? I understand that obviously it's high priority for the government to export, so we just want to get an idea from you on that front as well.

Jon Rokk: Yeah, no, sure. Look, to answer your first question in terms of discussions with the government. We're always very proactive with the government, ongoing with all our businesses. We have good relationships and we feel that we can also help the government understand the challenges that we face.

Jon Rokk: As a manufacturer, as a supplier, those negotiations are fluid and we always strive to make sure that we get the right balance for all our businesses and get the right results. So, they're always ongoing. They will be ongoing whether there are issues ongoing at the moment or not. That's part of our day-to-day job. To maintain good relationships with the government. So all that's ongoing is positive. When or if there's a material change, we'll obviously discuss that and share that with the market, as we always do. And in terms of gas availability, at the moment, we have no reason to believe that there's going to be an impact to the gas availability. We all know what happened in the last two summers, but I think that from what we've seen and heard, as I said in my briefing, the government's done some really good work. It shored up it's reserves and at the moment we have no reason to believe that there will be significant gas cuts this summer.

Ahmed Hazem: Thank you and if I can follow up with one thing on AlexFert. I mean, when we looked at the numbers, especially like the domestic sales on AlexFert, it seemed to imply that you're selling domestically urea at unregulated prices. On one side of things, more than the usual. And then, the other thing that we noticed is that it obviously also implies that the quota levels requested by the government have been reduced. So are you actually seeing the government asking for less volumes as per the quota?

Jon Rokk: Yeah, so sometimes, you know, our team commercially makes decisions to trade product at a different pricing level, and so you might have noticed some of those adjustments in the numbers.

Jon Rokk: And then in terms of our mix of local versus export, we work very close with the government, and we always adhere to their requirement to try and serve the local and international needs accordingly.

Ahmed Hazem: Perfect, and maybe one final one from my end and then I'll maybe let you go. Basically if we look at BMIC and the reversal of the impairment and the write offs, obviously that's because, you know, the market has turned more favorable on the cement side. Should we expect more from BMIC and more importantly, should we expect more reversals of impairments of other assets that were historically impaired? Because obviously I'm going back a few years, but we know that you had assets in Syria that were impaired, that were oil and gas linked. Obviously, oil prices are high and then the Syrian market is seeing significantly more investments these days. So, should we expect more to come from impairment reversals?

Jon Rokk: Yeah, I think, look, as I use the word over the last 18 months, housekeeping, what I've been making sure that we do is we do these housekeeping exercises, we simplify our portfolio and we've been very transparent in terms of what we've done and when we've done it. We had some of those that I've just mentioned during this call, for example when we divested from Shield Gas in the UAE. So will more of those come as we continue our housekeeping and efficiency drives, I'm sure there will be, but ultimately we'll deal with it in the way we have with all our others, which iss what will deliver best value for the business and the shareholders and then we'll execute and then we'll communicate to the market accordingly.

Zeina Fares: Okay, thank you. Maybe we'll give a chance for people in the queue to ask questions. I think everyone can use the raise hand function or send their questions in the Q and A box. We have two questions both asking about the same thing, guidance for revenues and earnings for 2026.

Jon Rokk: Yeah, sure. Fair question, but I'll just repeat what I said in my speech. To be fair, we've normally been very transparent in our guidance. We've given, I feel, very accurate guidance since we started these earnings calls at the start of last year.

Jon Rokk: But look, we're in a very different time at the moment. The geopolitical situation is putting a unique stress and strain across all our portfolio. I've talked about some clear positives out of that, but we do have some challenges and I think it would do a disservice to our businesses and our shareholders if we started focusing on short-term guidance whilst this political situation is still unfolding and is not complete. So, as I said, our aim is to at the half year point, when hopefully there's more visibility of both the political situation and how our business is performing, we'll come back to give our usual guidance hopefully.

Zeina Fares: Perfect, thank you. So for a final time, if anyone would like to ask a question, please use the raise hand function or type your question in the Q and A box.

Zeina Fares: Okay, it looks like we have no further questions, so back to management for any closing remarks.

Jon Rokk: No I'd just like to thank everyone for joining us and I look forward to the next call and hopefully we'll all be having some more positive news with regards to the current situation, but appreciate everyone's involvement and interest and enjoy the rest of the day.

Zeina Fares: Thank you so much. Thank you to management for your time. Thank you to all the participants who attended today's call. This concludes the call. You may now disconnect.