

Earnings Season Heating Up

TODAY'S TOP NEWS & ANALYSIS

Reduced licensing fees for the natural gas sector

Fuel subsidies in H1 FY23 reached EGP66bn

GASC launches Russian wheat tender

Egypt to issue Panda bonds soon

EKHO's 2022: Strong y/y growth despite a weak Q4; DPS approved; investments pledged

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Orascom Construction in negotiations to build renewable energy projects worth USD3bn

MACRO

Reduced licensing fees for the natural gas sector

The **Gas Regulatory Authority** announced new reduced licensing fees for the natural gas sector. The new fees will help encourage investors to continue and even expand their operations in the sector. The new fees are:

- 0.0367 cent/MMBTu (-37% y/y) for transmission.
- 0.0291 cent/MMBTu (-32% y/y) for shipping.
- 0.022 cent/MMBTu (-33% y/y) for distribution.
- 0.009 cent/MMBTu (-31% y/y) for supplying.
- 0.2259 cent/MMBTu (-10% y/y) for compression facility operation.
- 0.2082 cent/MMBTu (-17% y/y) for off-grid transmission system operation. ([Al-Mal](#), [GASREG](#))

Fuel subsidies in H1 FY23 reached EGP66bn

Egypt recorded EGP66bn (+288% y/y) in fuel subsidies in H1 FY23, driven by rising crude oil prices and the EGP devaluation. ([Asharq Business](#))

GASC launches Russian wheat tender

The **General Authority for Supply Commodities (GASC)** signed a contract to purchase 240,000 tons of Russian wheat for April delivery, financed by **The World Bank**. ([GASC](#))

Egypt to issue Panda bonds soon

The **Egyptian government** is aiming to issue USD500mn in Panda bonds by early fiscal year 2023/2024, according to governmental sources. (Economy Plus)

CORPORATE

EKHO's 2022: Strong y/y growth despite a weak Q4; DPS approved; investments pledged

Egypt Kuwait Holding Co. [EKHO] released its 2022 results, posting net income of USD241mn (+41% y/y) on higher revenues of USD1bn (+37% y/y) with a 45% GPM (+6pp y/y), driven by:

- (1) **Higher fertilizer gross profit** of USD279mn (+123% y/y) on higher revenues of USD486mn (+73% y/y), attributable to **Alexfert**:
 - **Greater exported urea sales** of USD350mn (+93% y/y), exported ammonium sulphate sales reaching USD58mn (+178 y/y), and exported ammonia sales of USD6mn (+20% y/y).
 - **Higher export selling prices** as a result of higher commodity prices: urea USD698/ton (+76% y/y), ammonia USD1,105/ton (+112% y/y), and ammonium sulphate USD490/ton (+104% y/y).
 - **Greater export volumes**: urea 500,629 tons (+10% y/y) and ammonium sulphate 117,915 tons (+37% y/y).
- (2) **Higher drilling and petroleum gross profit** of USD76mn (+41% y/y) on higher revenues of USD136mn (+45% y/y), attributable to **Off Shore Sinai (ONS)**:
 - **Lower costs** of USD1.9/MMSCFG (-15% y/y).
 - **Higher prices** of USD5.9/MMSCFG (+2% y/y) as a result of higher commodity prices.
 - **Greater natural gas extraction quantities** of 10.3mn MMSCFG (+2% y/y).
- (3) **Higher chemicals revenues** of USD207mn (+21% y/y), attributable to **Spreea Misr**:
 - **Higher blended selling prices** of USD64/ton (+17% y/y).
 - **Greater sales volume** of 3mn tons (+3% y/y).
- (4) **FX gains** of USD22mn vs. an FX loss of USD1mn a year before.
- (5) **Higher other income** of USD23mn (+266% y/y) and higher interest income of USD9mn (+99% y/y).

However, EKHO posted lackluster Q4 2022 results, posting net income USD34mn (-47% q/q) on lower revenues of USD243 (-7% q/q) and a 29% GPM (-20pp q/q), driven by:

- (1) **Lower fertilizer gross profit** of USD48mn (-33% q/q) on revenues of USD106mn (-14% q/q), attributable to Alexfert:
 - **Lower revenues** of USD106mn (-14% q/q) due to both lower local (-16% q/q) and export (-14% q/q) sales.

- **Lower selling prices:** Local and export urea prices decreased 15% q/q and 9% q/q, and local and export ammonium sulphate prices decreased 16% q/q and 5% q/q, respectively.
- **Higher blended cost** of USD273/ton (+21% q/q).
- **Lower sales volume** of 210,576 tons (-6% q/q) as a result of selling only 22,360 tons of ammonium sulphate (-49% q/q) and not exporting any ammonia in Q4 vs. 3,500 tons sold in Q3 2022.

(2) **Recording a chemicals gross loss** of (USD7mn) (-146% q/q), attributable to **Spreea Misr**:

- **Lower blended selling prices** of USD50/ton (-25% q/q).
- **Higher COGS** of USD42mn (+29% q/q) as a result of higher raw material costs of USD43/ton (+2% q/q), due to the EGP devaluation.

(3) **Lower drilling and petroleum gross profit** of USD11mn (-46% q/q), attributable to **ONS**:

- **Lower prices** of USD5.7/MMSCFG (-2% q/q), as result of falling natural gas prices.
- **Higher COGS** of USD6mn (+70% q/q) due to higher costs of USD2.1/MMSCFG (+27% q/q) as a result of the EGP devaluation.

Our net income projections for EKHO were roughly in line with the actual results; we correctly predicted **Alexfert** and **ONS'** net income, but our projections for **Spreea Misr** and **NAT Energy** were off by 15% and 17%, respectively.

Furthermore, EKHO's BoD approved distributing a cash dividend of USD0.11/share, implying a 51% payout ratio and an 8.8% yield for EKHO and 9.9% for EKHOA. The decision is pending OGM approval.

Lastly, EKHO pledged to invest USD170mn during 2023, as follows:

- (1) USD50mn to drill two wells in North Sinai for **ONS**.
- (2) USD30mn to complete **Nilewood's** factory.
- (3) USD11mn to add 20MW to **Kahraba's** electricity generation capacity.
- (4) USD79mn to purchase minority interest in subsidiaries. (Company disclosures: [1](#), [2](#), [3](#))

EKHO — Rating: OW / M, 12MPT: EGP56.8/share – USD1.9/share (29-Jan-2023)

GEMMA's 2022: Higher margins pushed profits higher

Al-Ezz for Ceramics & Porcelain's (GEMMA) [ECAP] 2022 net income rose 60% y/y to EGP171mn compared to EGP107mn the year before as revenues grew by 35% y/y to EGP1.9bn compared to EGP1.4bn the year before. The growth is attributable to the following:

- **Local sales grew** by 40% y/y to EGP1.7bn, powered by:
 - a 29% y/y higher sales volume of 12.4mn sqm of tiles, and
 - a 9% higher average selling price of EGP137.6/sqm.

- **Export sales grew** by 2% y/y to EGP188mn, powered by:
 - a 24% higher average selling price of EGP92.8/sqm.
 - This was offset by an 18% y/y lower sales volume of 2mn sqm of tiles.

GPM came in at 26.4% (-3.5pp y/y) on a higher raw materials cost and energy costs linked to the USD. ([Company disclosure](#))

Arabian Cement's 2022: Higher selling prices strengthen bottom line profits

Arabian Cement's [**ARCC**] 2022 net profits grew almost tenfold to EGP359mn compared to EGP34.2mn the year before. Revenues grew 91% to EGP4.7bn, which can be broken into:

- **Local sales growing** by 86% to EGP3.8bn from selling 3.6mn tons of cement and clinker (+22.3% y/y) with an average blended selling price of EGP1,074/ton (+51% y/y).
- **Export sales growing** by 181% to EGP667.5mn from selling 1mn tons of cement and clinker (+102% y/y) with an average price of EGP666/ton (+39% y/y).

GPM came in at 18.9% (+12.1pp y/y) despite the 83% higher cost of raw materials and energy. The higher GPM is attributable to the great repricing of cement products during the year. The average price per ton of cement for retail customers hovered around USD83/ton in Q1 2022. Prices now average USD66/ton (-20% y/y), albeit increasing c.49% y/y in EGP terms.

In related news, ARCC's BoD decided not to pay cash dividends for 2022. (Company disclosures: [1](#), [2](#))

SKPC's BoD approves EGP0.5 DPS

Sidi Kerir Petrochemicals Co.'s (Sidpec) [**SKPC**] BoD approved distributing a cash dividend of EGP0.5/share, implying a 30.5% payout ratio and a 2.9% yield. The decision is pending OGM approval on 21 March 2023. ([Company disclosure](#))

Orascom Construction in negotiations to build renewable energy projects worth USD3bn

Orascom Construction [**ORAS**] is currently in negotiations with the **Ministry of Electricity & Renewable Energy** to build multiple renewable energy projects worth USD3bn, which is to be operational by 2028. (Economy Plus)

MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
1,079.3					1,434.7 2,317.0				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	↗	EGX 30	17,003.90	1.35%	16.48%		↘	Gold	1,811.04 (0.62%) (0.71%)
	↗	EGX 30 TR	7,002.51	1.27%	16.62%		↘	Silver	20.76 (2.56%) (13.32%)
	↗	EGX 70 EWI	2,971.88	1.20%	6.07%		↗	Brent Oil	83.16 1.16% (2.91%)
	↗	EGX 100 EWI	4,436.86	1.13%	7.03%		↗	WTI	76.32 1.23% (5.23%)
	↗	DFMGI	3,419.00	0.21%	2.49%		↗	Natural Gas	2.45 5.92% (45.23%)
	↗	ADSMI	9,858.87	0.15%	(3.45%)	EGP	↗	USD/EGP	30.63 0.02% (19.21%)
	↘	TASI	10,153.30	(1.13%)	(3.10%)	€	↘	EUR/USD	1.05 (0.45%) (1.47%)
	↘	QE Index	10,471.97	(1.81%)	(1.96%)	£	↘	GBP/USD	1.19 (0.57%) (1.15%)
	↘	S&P 500	3,970.04	(1.05%)	3.40%	¥	↘	USD/JPY	136.48 (1.30%) (3.93%)
	↘	Dow 30	32,816.92	(1.02%)	(1.00%)		↗	6M TB yield	21.96 20 279
	↘	NASDAQ	11,394.94	(1.69%)	8.87%		↗	1Y TB yield	22.39 12 349
	↗	VIX	21.67	2.51%	0.00%		↔	10Y TB yield	14.68 0 0
	↘	STOXX 50	4,178.82	(1.86%)	10.15%		↗	2Y TB yield	4.81 12 39
EM	↘	MSCI Emerging	971.87	(1.61%)	1.62%		↗	10Y TB yield	3.94 2 7
FM	↘	MSCI Frontier	482.83	(0.40%)	2.23%		↗	30Y TB yield	3.93 2 (3)

* As of market close. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

KEY DATES

DATE	TICKER	TYPE	EVENT
26-Feb-23	CANA	Stock dividend	Last date for eligibility for a 0.24-for-1 stock dividend.
27-Feb-23	CANA	Stock dividend	Date for distributing a 0.24-for-1 stock dividend.
28-Feb-23	BTFH	EGM	Approving increasing the issued capital & amending Articles No. 6 & 7 of the company's bylaws.
28-Feb-23	ISPH	BoD meeting	Discussing financial results.
1-Mar-23	PHDC	EGM	Discussing decreasing paid in capital by EGP120mn.
1-Mar-23		MSCI	MSCI's February 2023 Quarterly Index Review Effective Date.
5-Mar-23	MOIN	Cash dividend	Payment date for a dividend of EGP0.096/share (2nd installment).
9-Mar-23	OCDI	OGM	Approving financial statements ending 31 Dec. 2022 and discussing netting contracts.
15-Mar-23		IMF Review	First IMF review with Egypt (end-December 2022 quantitative targets).
15-Mar-23	SMFR	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
15-Mar-23	SMFR	EGM	Amending articles No. 31 & 56 of the company's bylaws.
16-Mar-23	FAIT	OGM	Approving financial statements ending 31 Dec. 2022 & board election.
18-Mar-23	SNFC	OGM	Approving financial statements ending 31 Dec. 2022.
18-Mar-23	SAUD	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.



19-Mar-23	ATLC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
19-Mar-23	EGBE	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
20-Mar-23	AMIA	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
20-Mar-23	AMIA	EGM	Approving increasing the issued capital & amending Articles No. 6 & 7 of the company's bylaws.
20-Mar-23	COMI	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
20-Mar-23	COMI	EGM	Amending some articles of the bank's bylaws.
20-Mar-23	DEIN	OGM	Board election.
20-Mar-23	ANFI	OGM	Approving financial statements ending 31 Dec. 2022.
20-Mar-23	ANFI	EGM	Discussing the continuation of the company.
20-Mar-23	EHDR	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	EFIH	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	EFIC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	SKPC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	ADIB	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	ADIB	EGM	Amending articles No. 39 & 40 of the bank's bylaws.
21-Mar-23	CNFN	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	KZPC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
27-Mar-23	ECAP	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
27-Mar-23	SAIB	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.

LATEST RESEARCH

DATE	PUBLISHED REPORT
8-Feb-23	<u>Alexandria Containers Handling [ALCN] – Breaking Higher Waves</u>
29-Jan-23	<u>STANDPoint – The Year of Adjustment; Our fundamental outlook for 2023</u>
18-Dec-22	<u>Elsewedy Electric [SWDY] – Turning Copper Into Gold</u>
5-Dec-22	<u>Commercial International Bank [COMI] – Still Spearheading</u>
28-Nov-22	<u>Abu Dhabi Islamic Bank - Egypt [ADIB] – Unmitigated Temerity</u>
20-Nov-22	<u>Alexandria Containers & Cargo Handling Co. [ALCN] – Gateway of the North</u>
14-Nov-22	<u>Obour Land for Food Industries [OLFI] – Wise and Clever</u>
13-Nov-22	<u>STANDPoint – Time to Catch Up; Updating our fundamental outlook</u>
3-Nov-22	<u>TAKEStock – Telecom Egypt [ETEL] – Life Above 40</u>
19-Oct-22	<u>Lecico Egypt [LCSW] – A Fragile Tile?</u>
27-Sep-22	<u>Commercial International Bank [COMI]: Commander-in-Chief</u>
24-Sep-22	<u>TAKEStock: The Egyptian Banking Industry - The RRR Effect</u>
21-Sep-22	<u>EGYPTBanks – The Causal Sequence</u>
24-Aug-22	<u>Arabian Food Industries (Domty) – Core Coverage Report</u>
22-Aug-22	<u>Credit Agricole Egypt [CIEB] – Core Coverage Update</u>
31-Jul-22	<u>Ghazl El-Mahalla Football Co. [GMFC] - IPO Update</u>
14-Jun-22	<u>Ghazl El-Mahalla Football Co. [GMFC] - In a League of Its Own</u>
8-Jun-22	<u>TAKEStock – Delta Sugar [SUGR] - Sweet and Sour</u>
7-Jun-22	<u>TAKEStock – Orascom Financial Holding [OFH] - Triple-Digit Upside</u>
25-May-22	<u>TAKEStock – The Egyptian Cement Industry - Gauging the Impact</u>
23-May-22	<u>Cairo for Investment & Real Estate Development [CIRA] – Head of the Class</u>
19-May-22	<u>MACROView – A New Game Plan</u>
17-May-22	<u>MACROView – All Uphill from Here</u>
15-May-22	<u>EGYPTBanks – Harness the Hike</u>
15-May-22	<u>TAKEStock – Hidden “valu”</u>
28-Apr-22	<u>MACROView – Din of Battle Getting Louder</u>
17-Apr-22	<u>MACROView – Before the Grand Storm</u>
14-Apr-22	<u>EFG Hermes Holding [HRHO] – Rating Cut on Withdrawal of FAB’s Bid</u>
12-Apr-22	<u>MACROView – Mounting External Vulnerabilities</u>
10-Apr-22	<u>MACROView – Much Higher Inflation ... and Longer</u>
24-Mar-22	<u>EFG Hermes Holding [HRHO] – The Best Is Yet to Come</u>
23-Mar-22	<u>CI Capital Holding [CICH] – A Year to Remember</u>
22-Mar-22	<u>Orascom Construction [ORAS] – A Clear Devaluation Winner</u>
10-Mar-22	<u>MACROView – The Dizzying Speed</u>
6-Mar-22	<u>MACROView – On the Back Foot</u>
2-Mar-22	<u>MACROView – Calculating the Ferocity</u>
1-Mar-22	<u>Housing & Development Bank [HDBK] – Credit Provisions Flattened Earnings Growth</u>

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