



## EZZ STEEL REPORTS CONSOLIDATED 9M 2023 RESULTS

**Cairo, 11 December 2023** – Ezz Steel (EGX: ESRS; London Stock Exchange: AEZD), the largest independent producer of steel in the MENA region and market leader in Egypt, today announced its consolidated results for the period ending 30 September 2023. The audited results have been prepared in accordance with Egyptian Accounting Standards.

### Key Highlights

EGP Mn

	<u>9M23</u>	<u>9M22</u>
Net sales	103,241	60,644
Gross profit	27,998	14,388
Net profit before EBITDA*	25,435	12,658
Net profit before tax**	(2,236)	7,843
Net profit	(1,928)	5,708
Earnings per share (EPS)***	(2.16)	6.91

\* EBITDA = sales-cost of goods sold-selling & marketing expense – G&A expense + depreciation and amortization

\*\* After allowing for an FX loss of EGP 23.9bn.

\*\*\* EPS = Net profit after tax & Minority Interest / No. of shares at the end of the period, for the three months period ending 30 September 2023.



**For further information:**

**Ezz Steel**

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**Comment**

Commenting on the results, the board highlighted the following to the shareholders:

- Sales amounted to EGP 103,241 million in 9M23 compared to EGP 60,644 million in 9M22 (up 70%). Reinforcing steel bars and wire rod coils (rebars) sales accounted for 60% of total sales, and hot rolled coils (HRC) flat steel sales accounted for 39%.
- Export sales amounted to \$1,214 million in 9M23 (up 85% on 9M22 exports), of which HRC amounted to \$771 million, and rebars amounted to \$443 million. Exports in 9M22 amounted to \$656 million, divided into HRC (\$539 million) and rebars (\$117 million).
- In 9M23, 1,049 thousand tonnes of HRC were exported, representing 64% of total HRC sales. This is compared to 42% only in 9M22. As for rebars, exports in 9M23 reached 723 thousand tonnes representing 29% of rebar sales, compared to only 5% in 9M22. The Company continues to give upmost priority to exports as the export proceeds secures productions needs of imported raw materials and consumables.
- Forex losses amounted to EGP 23,898 million in 9M23 as the Egyptian Pound continues to decrease against major currencies. This resulted in a net loss before taxes amounting to EGP 2,236 million in 9M23, compared to a net profit of EGP 7,843 million in 9M22. Income tax amounted to EGP 4,170 million, and deferred tax (asset) EGP 4,478 million. Net loss after tax accordingly reached EGP 1,928 million in 9M23, compared to a net profit of EGP 5,708 million in 9M22.
- The US Federal Reserve has been raising the interest rate aggressively to contain inflation for almost 2 years; the most recent was in July 2023 to 5.5% (the highest in 22 years). Worldwide central banks followed suit. In Egypt, CBE also has been increasing the lending rate, most recently by 1% in August 2023 to 20.25%. The upward interest rates trend led to higher interest and financing expenses of EGP 4,232 million in 9M23, an increase of 69% compared to 9M22 (EGP 2,497 million). There are signs that international interest rates have reached a plateau, and might even start coming down before long. However, in Egypt, the high interest rates are expected to be maintained. The financial statements of the Company will continue to be impacted therefore by higher interest costs in the upcoming periods.





- The World Steel Association reported a marginal 0.1% increase in global crude steel production in 9 months 2023 compared to the same period in 2022. This is driven by China's (1.7%) growth to 795m tons and India's (11.6%) to 104m tons, fueled by domestic construction and infrastructure spending. Nevertheless, regional economic challenges and the impact of the war in Ukraine negatively affected Turkey (-10%), EU (-9.1%), and South America (-6.2%). The future remains uncertain - necessitating a cautious approach to navigate these turbulent times.
- Egypt domestic long products market consumption in 9M34 market reached 4.6 million tonnes, 30% lower compared to the same period in 2022.
- The company's domestic sales of rebars went down from 2,316 thousand tonnes in 9M22 to 1,779 thousand tonnes in 9M23 (23%).
- HRC domestic market consumption in 9M23 is down 17% year-on-year (YoY).
- Ezz Steel's HRC exports in 9M23 surged by 92% YoY to 1,049 thousand tonnes. Ezz Steel local HRC sales decreased by 23% from 773 thousand tonnes in 9M22 to 593 thousand tonnes in 9M23. Worth noting that the sustained production of EFS's second meltshop, which started in May '23, helped increase production and sales in general and HRC in particular.
- On July 10<sup>th</sup>, 2023, the Board of Directors of Al-Ezz Dekheila Steel Company - Alexandria (EZDK), in which Ezz Steel was a 64.063% shareholder, approved a voluntary delisting from EGX, and EZDK's buying the shares of those objecting and not willing to continue with the company after delisting at a price of EGP 1,250/share, a 52.4% premium over the stock market closing price the day prior to the decision. The company obtained its extraordinary general assembly approval on August 5<sup>th</sup>, 2023. Sales orders amounted to 35.626%, thus, the minority stake decreased to 0.311%. EGX delisted the company's shares from trading in the Primary Market on October 2<sup>nd</sup>, 2023, and included it in the Orders Market as of October 9<sup>th</sup>, 2023.

### About Ezz Steel

Ezz Steel is the largest steel producer in the Arab World and North Africa according to the World Top Steel Makers for 2021 published by World Steel Association (WSA). The Company is the Egyptian market leader with a total capacity of 7 million tonnes of finished steel products per annum. Ezz Steel was established on 2/4/1994 as an Egyptian joint stock company in accordance with the provisions of Law No. 159 for the year 1981.

In 2022, the Company produced 3.27 million tonnes of long products (typically used in construction) and 1.79 million tonnes of flat products (typically used in engineering industries, automotive, steel pipes and consumer products). Ezz Steel deploys the latest in modern steel-making technology and is committed to further increasing vertical integration across its plants, boosting operational flexibility.



## Operational Review

All of the below financial breakdowns are based on Ezz Steel's consolidated financials.

### Sales

Consolidated net sales for 9M23 were EGP 103.24 billion compared to EGP 60.64 billion in 9M22, representing a 70% increase.

Long steel products accounted for EGP 61.75 billion, or 60% of sales in 9M23, while flat steel products represented 39% of sales at EGP 40.72 billion. Long steel product exports accounted for 22% of its sales, while flat product exports accounted for 58% of its sales.

Sales Value				
EGPMn	Domestic	%	Export	%
Long	48,095	78%	13,651	22%
Flat	16,952	42%	23,767	58%

Long sales volume increased 2% to reach 2.50 million tonnes during 9M23 compared to 2.45 million tonnes during 9M22. Flat sales volume increased 23% to reach 1.64 million tonnes compared to 1.33 million tonnes during 9M22.

Ezz Steel's consolidated sales volumes totalled 4.15 million tonnes in 9M23 compared to 3.77 million tonnes in 9M22, an increase of 10%.

### Production

Long steel production volumes totalled 2.50 million tonnes during 9M23 almost same volume compared to 9M22. Flat steel production volumes increased 32% to reach 1.73 million tonnes in 9M23 compared to 1.31 thousand tonnes in 9M22.

### Cost of Goods Sold

Consolidated Cost of Goods Sold in 9M23 represented 72.9% of sales compared to 76.3% in 9M22, to reflect an increase of realized gross profit margin from 23.7% in 9M22 to 27.1% in 9M23.



## **Gross profit**

Gross profit of EGP 28.0 billion was recorded in 9M23 for Ezz Steel consolidated, a 94% increase compared to the EGP 14.4 billion recorded in 9M22.

## **EBITDA**

Consolidated EBITDA for 9M23 amounted to EGP 25.4 billion, a 100% increase compared to the EGP 12.7 billion recorded in 9M22.

## **Foreign Exchange Loss**

Foreign exchange loss amounted to EGP 23.9 billion in 9M23.

## **Tax**

During 9M23, Ezz Steel incurred an income tax of EGP 4.2 billion and a deferred tax (asset) of EGP 4.5 billion.

## **Net profit/loss**

Net loss reached EGP 2.24 billion 9M23.

## **Net profit after minority interests**

Net result after tax and minority interests recorded a loss of EGP 1.15 billion for 9M23.

## **Liquidity and capital resources**

At the end of the period, Ezz Steel had cash on hand of EGP 28.9 billion and net debt of EGP 38.2 billion.





## Outlook

- The global steel industry is expected to experience a modest rebound in 2023 of approximately 1.8% (according to World Steel Association) despite the ongoing challenges posed by high inflation, rising interest rates, and geopolitical tensions. The global steel demand forecast for 2024 is cautiously more optimistic, suggesting that the industry is poised for a moderate rebound of 2% despite the ongoing challenges.
- According to the International Monetary Fund the global economy has faced major challenges over the past years, including inflation, sluggish growth, and a decline in GDP growth from 3.5% in 2022 to 3% in 2023 and will decline to 2.9% in 2024. Contributing to this slowdown are tighter financial conditions, weak trade, and reduced business and demand. While hopes are pinned on the swift expansion of Asian economies, near-term risks persist, such as geopolitical tensions and potential adverse effects of monetary policy tightening.
- Egypt's steel industry has been experiencing a challenging period in 2023, with a projected 17% decline in local long and flat steel consumption compared to 2022. This downward trend is attributed to a combination of economic challenges, including high inflation and currency devaluation, which eroded consumer purchasing power and increased production costs for steel producers. These factors have contributed to a decrease in local demand for steel products. The industry is expected to gradually rebound once the current economic headwinds subside. The initial forecast for 2024 is a 5% growth in the consumption of both rebars and HRC.
- In the meantime, steel producers in many countries, including Egypt, are adapting to the changing market conditions by focusing on cost optimization, exploring new export markets, and investing in new environmentally friendly and high-quality production.



## Divisional Overview

Ezz Steel Standalone Sales (EGP):		9M 2023	9M 2022	3Q 2023	2Q 2023
Value:	Mn	19,339	11,787	8,533	6,232
Volume:	000 Tonnes	654	703	256	225
Exports as % of Sales:		11%	-	6%	22%
EBITDA:	Mn	3,019	964	1,383	912
<b>Production:</b>					
Long Products:	000 Tonnes	640	672	226	228
Billets:	000 Tonnes	617	625	210	221
Ezz Steel Consolidated Sales (EGP):		9M23	9M 2022	3Q23	2Q23
Value:	Mn	103,241	60,644	40,980	34,413
Volume:					
Long:	000 Tonnes	2,503	2,449	1,064	775
Flat:	000 Tonnes	1,642	1,325	549	557
Exports as % of Sales:					
Long:		22%	6%	18%	30%
Flat:		58%	43%	59%	67%
EBITDA:	Mn	25,435	12,658	10,219	7,726
EBT	Mn	(2,236)	7,843	(1,755)	2,154
Net Profit	Mn	(1,928)	5,708	(1,118)	1,680
<b>Production:</b>					
Long Products:	000 Tonnes	2,494	2,494	1,001	776
Flat Products:	000 Tonnes	1,727	1,310	589	572
Billets:	000 Tonnes	2,522	2,500	992	785



**Disclaimer:**

This press release is issued by Ezz Steel (formerly: Al Ezz Steel Rebars S.A.E.) the “Company”, in connection with the disclosure of the Company’s financial results for the quarter ending 31 March 2022. This press release includes forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company’s strategy, the expected strength of demand for long and flat products in Egypt and in regional and international markets, and other future events or prospects are forward looking statements. Recipients of this document should not place undue reliance on forward looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the control of the Company. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company’s actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those expressed in or implied by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. Various factors could cause actual results to differ materially from those expressed or implied by the forward-looking statements in this document including worldwide economic trends, global and regional trends in the steel industry, the economic and political climate of Egypt and the Middle East, changes in the business strategy of the Company, and various other factors. These forward-looking statements reflect the Company’s judgment at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. None of Ezz Steel, any of its directors, officers or employees or any other person can give any assurance regarding the future accuracy of the information set forth herein or as to the actual occurrence of any predicted developments. Furthermore, no such parties shall assume, and each of them expressly disclaims, any obligation (except as required by law or the rules of the ESE, the LSE or the FCA) to update any forward-looking statements or to conform these forward-looking statements to Ezz Steel’s actual results.

