

# EGYPT'S IPO PROGRAM

A CATALYST FOR THE OIL & GAS SECTOR



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In 2023, the Egyptian government resumed the initial public offerings (IPO) program following the State Ownership Policy Document which builds a roadmap to determine the state's presence in economic activities. The main objective is to enhance and promote the participation of the private sector in public investments to increase from 30% to 65% of the total implemented investments over the coming three years, explained by Prime Minister Mostafa Madbouly at a press conference in May 2023.

The energy companies, in any listing, come at the forefront of being listed on the EGX, as stated in a permit of the Minister of Petroleum and Mineral Resources to Media in February 2023. Within the 2023 IPO program, one-fifth of the total companies set to be listed on the EGX or sold for strategic investors belong to the energy sector.

This report sheds light on the performance of energy companies listed in the EGX as well as the status of the energy sector's companies within the IPO program.

### THE IPO PROGRAM HIGHLIGHTS

The Egyptian Cabinet announced, on February 8, 2023, the offering of 32 state-owned companies and banks either for sale to strategic investors, or offerings on the EGX or a mix of both. This program was set to be implemented starting from the first quarter (Q1) 2023 to the end of the first half (H1) 2024, and was divided into three main phases.

In August 2023, the government announced three new companies to be included in the government offering program, bringing the number to 35 companies. These 35 companies were attributed to 19 economic sectors and activities. In the meantime, the government also announced the completion of the first and the second phases of the program.

### Flashbacks

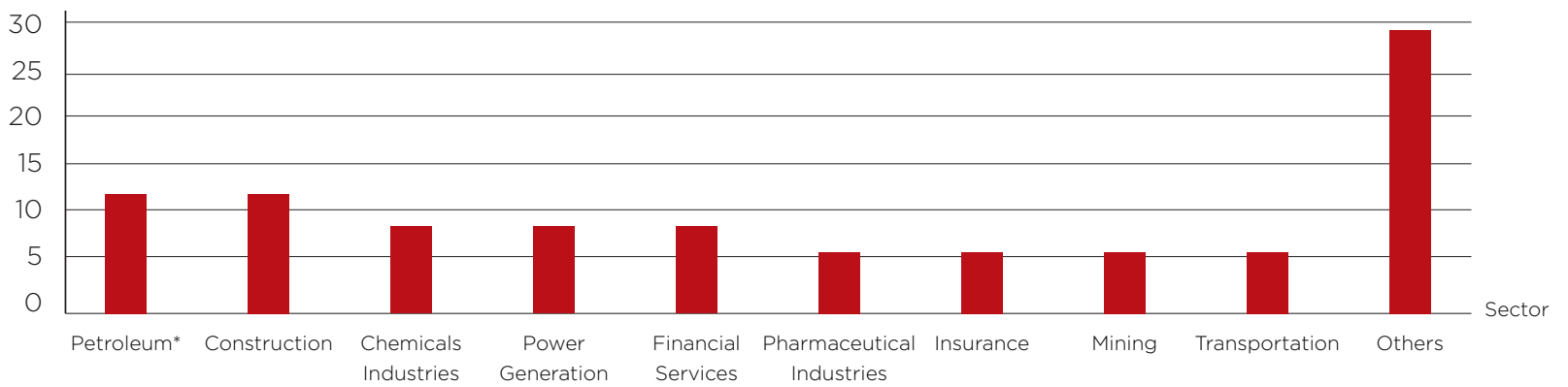
**Egypt's IPO program has been a cornerstone of the economic reform programs over different periods. For instance, in 1991 Egypt launched the Economic Reform and Structural Transformation Program (ERSAP) to address dire economic conditions. Privatization was one of the main pillars of the ERSAP and as a result of this program, 382 State Owned Enterprises (SOEs) were fully or partially-privatized, according to World Bank Blogs.**

**The roots of the 2023 IPO program go back to 2016 when the government officially announced its plan to sell state-owned assets and companies as a part of the economic reform program under the \$12 billion International Monetary fund (IMF) loan, according to IMF country report No. 17/17. The government, in 2018, announced its plan to offer 23 public companies on the EGX to raise around EGP 80 billion for the state coffers. However, this step was postponed several times with the unfavorable global economic conditions.**

Through the program, the Egyptian government defined three main paths, including the government's withdrawal from activities, maintaining or decreasing its presence, and maintaining or increasing its presence, according to the State Ownership Policy Document Implementation Follow-up Report by the Egyptian Cabinet's Information and Decision Support Center (IDSC).



**TOP 10 SECTORS WITHIN THE PROGRAM (%)**



\*Including oil refinery and oil extraction activities

**The Energy Sector within the Program's Phases**

The energy sector companies constitute a sizable share of the program's second and third phases; in which, the government's role revolves around maintaining or decreasing its presence in power generation companies. This also includes maintaining

or increasing its presence in oil refining and oil extraction companies by offering investment opportunities for the private sector, according to the State Ownership Policy Document Implementation Follow-up Report by the IDSC.

**ENERGY COMPANIES IN THE PROGRAM**

Gabal El Zeit Wind Farm
Zafarana Wind Farm
Siemens Beni Suef Power Plant
Watanya Petroleum Company
Egyptian Drilling Company (EDC)
The Egyptian Ethylene and Derivatives Company (ETHYDCO)
Egyptian Linear Alkyl Benzene (ELAB)

**ENERGY COMPANIES WITHIN THE 2<sup>ND</sup> PHASE**

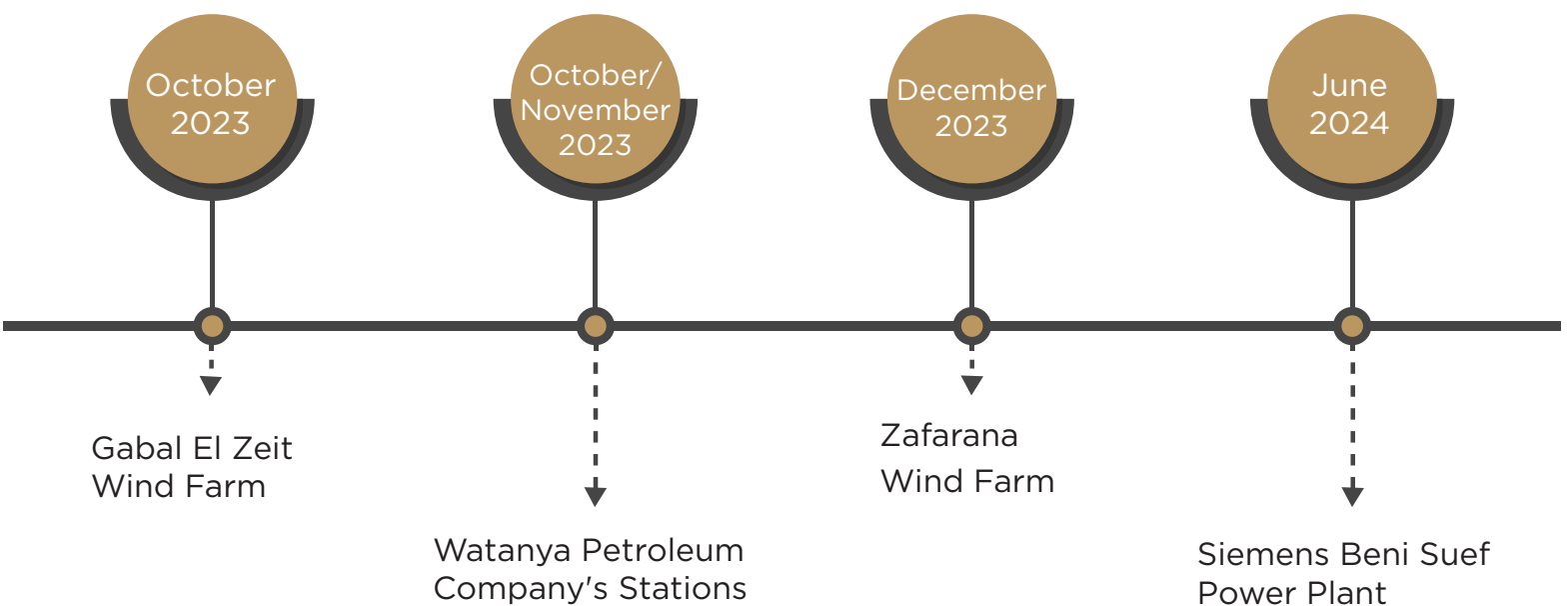
Phase Duration

August 2022-July 2023

Offering Shares in

EDC, ELAB, and ETHYDCO

**ENERGY COMPANIES PLANNED TO BE OFFERED DURING (OCTOBER 2023-JUNE 2024)**



## PETROLEUM SECTOR IN THE EGX

### Listed Companies Overview

The oil, gas, and petrochemicals companies are at the primacy of the companies that attract Arab and foreign investors. These companies enjoy strong performance indicators and high profitability and are the most traded Egyptian companies in the EGX.

There are five energy companies already listed in the EGX. National Drilling Co. (NDC) is a quality provider of oil and gas drilling services and has been the benchmark of drilling operations in the region since 1981. Sidi Kerir Petrochemicals Co. (SIDPEC) has taken the first step towards integration in the petrochemicals industry in Egypt. The company is capable of producing Polyethylene using Ethylene.

Furthermore, Alexandria Mineral Oils Co. (AMOC) specializes in the production of essential mineral oils, paraffin wax and its derivatives, naphtha, and butane, as well as distributes and markets them in Egypt and abroad. The Natural Gas & Mining Project (Egypt Gas) has been for years the major operating corporation in Natural Gas Distribution EPC-based Projects. However, TAQA Arabia, the fifth company, has been listed in the EGX in H2 2023.

#### COMPANIES PERFORMANCE IN THE EGX IN H1 2023\*

Company	Currency	Highest Price	Lowest Price	YTD Change (%)	P/E**
<b>NDC</b>	USD	<b>5.62</b>	<b>3.8</b>	<b>0</b>	<b>4.84</b>
<b>SIDPEC</b>	EGP	<b>24.17</b>	<b>12.75</b>	<b>▲ 68.98</b>	<b>31.32</b>
<b>AMOC</b>	EGP	<b>11.08</b>	<b>6.06</b>	<b>▲ 28.48</b>	<b>8.61</b>
<b>Egypt Gas</b>	EGP	<b>40.9</b>	<b>27</b>	<b>▼ 13.95</b>	<b>10.19</b>

\*Year Until June 26, 2023

\*\*P/E: Price-earnings ratio

### A New Listing in H2 2023

TAQA Arabia, a comprehensive energy and utility provider in Egypt, has announced that its shares will start trading in the EGX on July 9, 2023. The EGX listing committee approved TAQA Arabia's shares to be listed in the 'Utilities' sector, to be the first private company in the energy sector on the Egyptian Stock Exchange.

The listing of TAQA Arabia aims to advance its strategy of delivering optimal solutions to its customers and driving projects in the field of

clean and green energy across various governorates. The company aims to align its efforts with Egypt's sustainable development strategy, known as "Egypt Vision 2030."

Furthermore, on August 31, 2023, EGX announced the execution of a significant volume deal using the large-volume deal mechanism. The deal involved 154.84 million shares of TAQA Arabia, with a total value of EGP 1.2 billion, according to the TAQA Arabia website.

#### TRADING OF TAQA ARABIA SHARES IN THE EGX

Nominal value	<b>EGP 0.5 /share</b>
Issued capital	<b>EGP 676.18 million</b>
No. of shares	<b>1.352 billion</b>

#### TAQA ARABIA PERFORMANCE\*

Currency	Highest Price	Lowest Price	YTD Change	P/E
EGP	<b>500</b>	<b>8.11</b>	<b>▲ 2,172%</b>	<b>15.71</b>

\* Until August 31, 2023

## PROJECTED DEALS WITHIN THE PETROLEUM SECTOR

### - SIDPEC Approved the Acquisition of ETHYDCO

On July 16, 2023, the Board of Directors of SIDPEC approved the acquisition of ETHYDCO through a share exchange. As part of the deal, the capital of SIDPEC will be increased to a maximum of 876.9 million shares.

The ETHYDCO acquisition by SIDPEC brings cost savings, expanded market share, and improved competitiveness for both companies. ETHYDCO shareholders benefit from converting their shares to publicly traded stock in SIDPEC, providing increased flexibility and exit options. The deal enhances Sidi Kerir's market value through a capital increase tied to the acquisition's expected value, thereby boosting overall stock liquidity, according to SIDPEC's disclosure to EGX.

### - TAQA Arabia Submitted Non-Binding Offer for Watanya Petroleum Stations

Following the government's IPO listings, which involved the offering of Watanya Petroleum stations to investors, TAQA Arabia company has

submitted a non-binding offer to acquire a stake in the stations. The company has successfully advanced to the second stage in the list of applicant companies, which has granted them the opportunity to commence due diligence procedures. However, the specific financing methods for the acquisition have yet to be determined at this time, according to TAQA Arabiya's disclosure to EGX

### - The Sovereign Fund of Egypt (TSFE) Initiated Strategic Investor Offering for ETHYDCO, EDC, and ELAB

In July 2023, TSFE offered three companies (ETHYDCO, EDC, and ELAB) to a strategic investor for a total of EGP 800 million, benefiting the Abu Dhabi Holding Company. Subsequently, the government announced an agreement between the two parties to sell minority stakes ranging from 25% to 30% in these companies, according to the State Ownership Policy Document Implementation Follow-up Report by the Egyptian Cabinet's IDSC.

The Egyptian government successfully collected \$5 billion through the sale of offered stakes and companies during the two phases spanning from March 2022 to July 2023. This achievement aligns with the broader objective of the IPO program in Egypt, which aims to generate approximately \$70 billion in additional dollar revenues over the next three years. By doing so, the program is expected to significantly contribute to Egypt's economic growth, stability, and sustainable development goals. With the goal of reaching a total of \$191 billion in hard currency revenues by 2026, the IPO program attracts investment, increases market capitalization, and positions Egypt as an appealing investment destination for both domestic and international investors.

The energy sector has indeed played a crucial role in driving the growth and diversification of EGX. The petroleum sector, in particular, has made a significant contribution to the Egyptian economy through the IPO program. Not only does it attract investment and enhance market performance, but it also promotes sectoral diversification, increases liquidity, and strengthens the economy's growth prospects.

The incorporation of energy companies into the IPO program strengthens Egypt's ability to tap into the potential of its petroleum sector for sustainable economic progress. By offering shares of these companies, Egypt is moving towards an economy that is more receptive to Western investment.

The continued execution of the IPO program, along with the inclusion of energy companies, creates opportunities for private sector enterprises to achieve their growth objectives and expand their operations. The energy sector demonstrates its dynamism and potential for further expansion and consolidation through anticipated deals such as acquisitions and non-binding offers for petroleum-related assets. These developments highlight the overall growth prospects and investment potential within the sector.

