



Proposal to Acquire Orascom Trading, Orascom Free Zone and National Equipment Company

6 December 2021

Transaction Process

Corporate Governance

- This potential acquisition is classified as a related party transaction as the Target company is wholly owned by the Sawiris Family
- The Target company is comprised of three separate, yet complementary, legal entities operating as one business under a single management: Orascom Trading, Orascom Free Zone and National Equipment Company (collectively “the Target company”)
- The Sawiris Family and entities held for their benefit own 51.8% of Orascom Construction PLC
- Board members Jérôme Guiraud and Wiktor Sliwinski abstained from voting on Board resolutions related to this transaction, in-line with corporate governance best practice
- This transaction is subject to shareholder approval at an EGM during which the Sawiris Family will abstain from voting

Process

1	<ul style="list-style-type: none"> ▪ Management initiates process by proposing to the Board that Orascom Construction evaluates the potential acquisition of the Target company 	Complete
2	<ul style="list-style-type: none"> ▪ The Board appoints a third party Independent Financial Advisor (IFA) to evaluate the Target company 	Complete
3	<ul style="list-style-type: none"> ▪ After further evaluation and review of the IFA report, management recommends to the Board the acquisition of the Target company 	Complete
4	<ul style="list-style-type: none"> ▪ Following review of management’s recommendation and the IFA report, the Board approves the transaction and calls for an EGM for shareholder voting 	Complete
5	<ul style="list-style-type: none"> ▪ Shareholders will be asked to vote on the transaction at an EGM ▪ The EGM documents and IFA report are available at Orascom Construction’s website: www.orascom.com 	27 December 2021

Highlights

A leading equipment distribution and maintenance player in Egypt operating under three related entities: Orascom Trading, Orascom Free Zone and National Equipment Company

Wholly owned by the Sawiris Family and always operated independently from Orascom Construction

Demanded & Diverse Product Offering	<ul style="list-style-type: none"> ▪ Sole agent for a diverse portfolio of blue-chip equipment required in Egypt ▪ These include earthmoving equipment, gensets, pumps, irrigation, marine equipment, railway and security systems
Established Player with Blue-Chip Relationships	<ul style="list-style-type: none"> ▪ Founded by the late Onsi Sawiris over 30 years ago with distribution rights for over 45 blue-chip equipment manufacturers
Leadership in Multiple Sectors	<ul style="list-style-type: none"> ▪ Covers several industries such as construction, marine, railway and agriculture through highly-demanded brands such as Grove, Hitachi, John Deere and Volvo Penta
Asset Light	<ul style="list-style-type: none"> ▪ Operates a low-risk, asset-light importation, distribution and maintenance business model
Strong Recurring Client Relationships	<ul style="list-style-type: none"> ▪ Excellent business relationships with private companies and government organizations ▪ Third party repeat clients comprised 53% of total revenue in FY 2020
Steady Top Line & Accretive margins to EPC	<ul style="list-style-type: none"> ▪ Steady revenue CAGR of 8.8% in FY 2017-2020⁽¹⁾ ▪ 4-year average margins: gross profit margin of 19.6%, EBITDA margin of 16.2% and net income margin of 12.8%⁽¹⁾
Shared Benefits	<ul style="list-style-type: none"> ▪ OC to expand in the services sector and grow the Group's non-EPC business while expediting the Target's next phase of growth ▪ Improvements through collaboration in operations, asset/capital investment and financial optimization

Orascom Trading Represents Many Brands Across Different Sectors

Sector	Brand
Heavy Machinery	      
Genset	  
Pumps	 (Fire, HVAC, Booster, Submersible)
Irrigation	 (Commercial & Residential, Drip and Low Volume, Agricultural, Golf Course)
Marine Equipment	     AeronMollier  DREDGING TECHNOLOGY  Marine in EMEA 
Railway	        
Security Systems	 by Honeywell   Innovative Fire Solutions  Schneider Electric          Safety Products

Operating Model

Three complementary entities with sales, distribution and maintenance activities alongside ownership of multiple fixed assets

Orascom Trading

- **Sales and distribution:** imports, sells and distributes equipment (including spare parts) to public and private sector clients
- **Rentals:** also rents equipment on behalf of clients who elect not to purchase outright
- **Maintenance:** through 3 service centers and a warehouse (10% of FY 2020 revenue)
- **Wide portfolio:** the entity out of the 3 that holds agency rights for equipment and spare parts

Orascom Free Zone

- **Free zone** trading company status
- **Public sector:** imports heavy machinery on behalf of tax-exempt clients
- **Complements Orascom Trading** by serving tax-exempt clients through its free zone status that Orascom Trading cannot otherwise serve
- Owns 2 warehouses

National Equipment Company

- **An assembler** of generator components, specifically dynamos and radiators
- Smallest revenue generator out of the 3 entities but Orascom Trading uses NEC's large workshop to carry out maintenance
- Revenue mainly generated from Orascom Trading clients
- Owns a sizable land plot with a total area of 24k square meters in 6th of October City

Financial Highlights: Pro Forma Combining All Three Entities

USD Million	FY 2017	FY 2018	FY 2019	FY 2020
Revenue	32.1	44.1	43.4	45.0
Gross profit	5.9	8.7	9.0	8.8
EBITDA	5.2	7.6	6.9	7.0
Net Income	3.7	6.0	5.4	6.1
Gross profit margin	18.4%	19.8%	20.7%	19.6%
EBITDA margin	16.2%	17.2%	16.0%	15.6%
Net Income margin	11.7%	13.6%	12.4%	13.5%
Operating Cashflow	2.6	1.0	6.3	3.2
Capex	0.1	0.1	0.1	0.5
FCF	2.5	0.9	6.2	2.7
Total Cash	8.4	7.0	9.6	10.8
Total Debt	(0.0)	(0.3)	(0.0)	(0.3)
Net Debt (cash)	(8.4)	(6.7)	(9.6)	(10.5)
Net Debt / EBITDA	(1.6)	(0.9)	(1.4)	(1.5)
Equity	17.3	19.3	20.3	21.8
Net Debt / Equity	(0.5)	(0.3)	(0.5)	(0.5)
Return on Equity	21.7%	30.9%	26.5%	27.9%

- Overall performance driven by steady revenue and healthy operating margins that are accretive to Orascom Construction
- Proforma consolidated revenue increased at a CAGR of 8.8% from 2017 to 2020
- Consistent gross profit, EBITDA and net income margins. Average margins in FY 2017-2020:
 - Gross profit margin of 19.6%, EBITDA margin of 16.2% and net income margin of 12.8%
- Capex-light business with capex representing 0.5% of revenue on average in FY 2017-2020
- Average ROE of 26.8% in FY 2017-2020

Investment Rationale

The Target would serve as a strong platform to grow an asset-light, margin-accretive business for Orascom Construction in a field complementary to construction

Orascom Construction would serve as a launching pad for the Target to increase agency rights and product offering

Penetrating the Services Sector

- Acquisition allows Orascom Construction to enter the services sector and provides a platform to grow portfolio through the acquisition of new equipment agency rights
- New business development opportunities on the back of close cooperation with construction team
- Support Orascom Construction's efforts in growing the O&M business
- Vertical integration of Orascom Construction's business model and reducing reliance on third parties (operational and financial synergies)
- Leverage market intelligence and Orascom Construction's resources

Operations Productivity Improvement

- Operations and Supply Chain
 - Strengthen Orascom Trading's operation, best practice rules and processes
 - Warehousing and logistics management
 - Cross-staffing and support from Orascom Construction
- Procurement: purchase order consolidation, strategic sourcing, reduce Orascom Construction's reliance on third parties for equipment/spare parts, and leverage Orascom Construction's procurement capabilities
- SG&A: consolidation of office space, admin, HR, IT and finance

Asset & Capital Investment Rationalization

- Potential to generate additional income by renting out any idle Orascom Construction equipment
- Sale of excess/unutilized assets (e.g. warehouses and workshops)
- Capital investment rationalization

Financial Optimization

- Accretive margins to Orascom Construction
- Reduces third-party equipment, spare parts and maintenance costs for Orascom Construction
- Access to debt with competitive terms
- Reduce working capital through negotiating terms of receivables and payables

Valuation Summary

Valuation Summary

- The Board of Directors proposes to shareholders the acquisition of the Target company for a total cash consideration of USD 35.0 million
- The USD 35.0 million purchase price includes a deferred payment of USD 2.4 million contingent upon an ongoing tax settlement for NEC
- The IFA report generated a valuation of \$36.5 million as shown in the table below

USD Million	Valuation Methodology	Enterprise Value	Net cash / (Debt) ⁽¹⁾	Equity Value
Orascom Trading	Discounted Cash Flow	23.3	(3.2)	20.1
Orascom Free Zone	Discounted Cash Flow	9.8	1.0	10.8
National Equipment Company	Net Assets Fair Value	5.6	-	5.6
Total		38.7	(2.2)	36.5

Implied Multiples

	USD Million
Enterprise value generated by the IFA	38.7
Less FV of National Equipment Company	5.6
Adjusted enterprise value (ex. NEC)	33.1
Less current net debt	2.2
Less purchase price adjustment ⁽²⁾	1.5
Purchase equity value ex. NEC	29.4
EBITDA 2021E	7.3
EBITDA 2022E	8.4
Net Income 2021E	5.4
Net Income 2022E	5.8
Implied EV/EBITDA 2021	4.5x
Implied EV/EBITDA 2022	3.9x
Implied P/E 2021	5.5x
Implied P/E 2022	5.0x

- Orascom Trading and Orascom Free Zone were valued on a DCF basis while National Equipment Company (NEC) was valued on a net asset fair value basis
- NEC enterprise/equity value is excluded from implied multiples calculation as NEC does not generate any material income and has no net debt
- Implied multiples reflect the IFA's EBITDA and net income estimates based on the Target company's management business plan
- OC believes that synergies and improved performance under OC will result in upside beyond the IFA estimates
- Such estimates will reduce implied multiples for the Target company in FY 2022E

(1) Net debt as of 8 November 2021; (2) Difference between equity value generated by the IFA and the transaction equity purchase price

Transaction Multiples Relative to Trading Comps

- Implied transaction multiples are lower than those of comparable publicly traded companies
- The Target company generates above-average EBITDA margin and return on equity compared to peer group

Company	Mkt Cap USD M	Ent. Value USD M	P/E 2021E	P/E 2022E	EV/EBITDA 2021E	EV/EBITDA 2022E	EBITDA % 2020A ⁽¹⁾	ROE 2020A ⁽¹⁾	Primary Listing	Primary Countries of Operation
North America										
Toromont Industries	7,110	7,045	27.9x	24.3x	14.3x	13.0x	15.5%	15.8%	Canada	Canada
Finning International	4,316	5,322	16.8x	14.8x	8.2x	7.5x	11.3%	10.7%	Canada	Canada, UK, Chile
Rush Enterprises	2,977	3,626	13.6x	12.8x	8.7x	8.1x	7.3%	9.5%	USA	USA
Titan Machinery ⁽²⁾	765	994	13.3x	12.0x	9.3x	8.7x	5.6%	5.4%	USA	USA
Wajax	409	672	9.2x	9.2x	5.5x	5.4x	8.2%	9.9%	Canada	Canada
Average			16.1x	14.6x	9.2x	8.5x	9.6%	10.2%		
Median			13.6x	12.8x	8.7x	8.1x	8.2%	9.9%		
Rest of World										
United Tractors	5,638	4,429	7.8x	7.3x	2.9x	2.8x	27.3%	10.1%	Indonesia	Indonesia
Ferronordic	512	501	12.9x	9.4x	6.6x	5.2x	10.9%	26.1%	Sweden	Russia, Kazakh., Ger.
Ferreycorp	439	928	6.6x	5.5x	4.5x	6.0x	12.0%	6.7%	Peru	Peru, Chile
Hudaco ⁽²⁾	272	351	12.9x	9.4x	12.8x	13.8x	11.1%	1.3%	South Africa	Sub-Saharan Africa
Invicta ⁽²⁾	199	276	17.4x	7.1x	5.6x	5.2x	10.2%	8.1%	South Africa	Sub-Saharan Africa
Average			11.5x	7.7x	6.5x	6.6x	14.3%	10.5%		
Median			12.9x	7.3x	5.6x	5.2x	11.1%	8.1%		
Target Company⁽³⁾	29.4	33.1	5.5x	5.0x	4.5x	3.9x	15.6%	27.9%	N/A	Egypt

Source: Bloomberg; closing prices as of 28 November 2021

(1) Latest published full financial year

(2) Titan Machinery financial ends January 31, Hudaco ends November 30 and Invicta ends March 31

(3) Enterprise and equity values exclude NEC; valuation details on page 7

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