

Price
EGP88.72
as of 11 April 2021

Fair Value
EGP126
as of 12 April 2021

12M PT
EGP146 (+65%)
as of 12 April 2021

Investment Rating **Overweight** ★ ★ ★
Risk Rating **Medium** ! ! !

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Rich in Value

The Story of a Local Turned Global Contractor

KEY INSIGHTS

Diversification is key: Orascom Construction [ORAS] has a diversified construction portfolio in terms of geographical distribution and product mix. It draws on a strong brand in the MENA region, topped by Egypt which made up 76% of ORAS's total backlog vs. the U.S.'s 16%, in 2020. Through its 50%-owned joint venture BESIX, ORAS also maintains presence in Europe in the fields of construction, real estate, and concessions.

Favorable demographics: ORAS's 2020 performance is weakened by COVID-19, but the brunt is felt more by margins while revenues increased. Egypt has the lion's share when it comes to the backlog of ORAS. We think that the ongoing infrastructure spending in Egypt will last for a couple of years to come, be it in water desalination, transportation, or new cities. ORAS tries to expand more in Iraq, while being selective in Africa, added to ORAS's current presence in the U.S. and Europe. Q4 2020 results were promising, thanks to higher revenues and BESIX turning to profitability, providing a sign of recovery.

BESIX performance seen to recover in the medium term: BESIX is a leading contractor operating in Europe, the Middle East and also Australia, where it recently acquired Watpac Limited, a construction and mining services provider. BESIX's standalone backlog stood at EUR4.2bn in 2020.

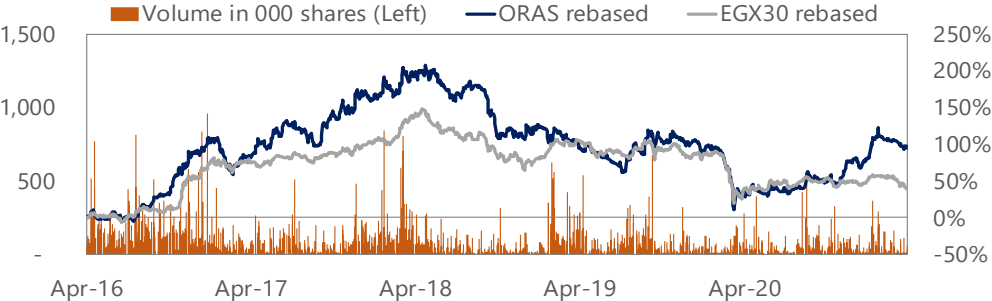
VALUATION, INVESTMENT THESIS, & RISKS

Overweight / Medium Risk, 12M PT EGP146/share (+65%): We valued ORAS using a five-year two-stage discounted cash flow (DCF) model, with growth settling at 3% by terminal year. Using a weighted total equity risk premium of 8.3% for Egypt, the United States, and Saudi Arabia, we reached a WACC of 15.6%, moving to 13.0% by terminal year. We reached a fair value of EGP126/share, and we set our 12-month price target at EGP146/share, hence an Overweight.

Investment thesis: We are positive on ORAS, in view of the company's (1) strong brand not only in Egypt but also globally, a reassuring signal for its diversification as it grasps opportunities in different countries, led by Egypt where we see high growth; (2) experienced BoD comprised of Egyptians and non-Egyptians; (3) client base that is more tilted towards the public sector, which accounts for 83% of its revenues. ORAS targets projects where the fund is guaranteed. This secures workflows despite the possibility of limiting its bargaining power.

Risks: A later-than-expected recovery in global market demand, persistent cheap oil prices, worse-than-expected economic fallout from COVID-19, and FX fluctuations with 54% of backlog paid in foreign currency. Legal-wise, a penalty related to Sidra Medical & Research Center's project in Doha might squeeze USD602mn out of ORAS's pocket.

STOCK RELATIVE PERFORMANCE CHART (5 YEARS)



KEY STOCK STATISTICS

Shares outstanding (mn)	116.8
Free float	23.7%
Market cap (EGPmn)	10,356
Market cap (USDmn)	660
52w range	EGP102.8 – 62.02
EGP100 invested 5y ago	EGP184
TTM EPS	USD0.78
TTM P/E	7.3x
2021e EPS	USD0.97
2021e P/E	5.8x
2021e P/B	0.9x
Last fiscal year's DPS	USD.42
Dividend yield	4%
5Y beta	1.11
5Y Proj. EPS CAGR	11%

REVENUES / EARNINGS DATA

	Q1	Q2	Q3	Q4	Year
Total Revenues (USDmn)					
2021	e830	e826	e792	e874	e3,321
2020	828	791	825	927	3,371
2019	706	790	790	899	3,184
2018	757	750	729	778	3,014
2017	1,066	947	805	860	3,679
2016	973	1,024	962	1,074	4,033
Net Profit After Minorities (USDmn)					
2021	e31	e29	e30	e23	e113
2020	25	10	30	26	91
2019	30	31	32	28	121
2018	32	51	29	33	145
2017	28	24	22	5	79
2016	23	26	26	-27	49



BUSINESS SUMMARY

ORAS operates in three sectors: infrastructure, commercial, and industrial. Backlog has been mostly in infrastructure, while focus has shifted from industrial to commercial.

Infrastructure Sector

Infrastructure, the largest sector, made up 58.6% of ORAS's backlog in 2020. Egypt's expansion in water projects, energy generation, roads, and the Metro is very much accessible for ORAS. Going forward, ORAS's strategy will be to generate recurring income from renewables and concessions, hence reducing earnings volatility when construction activities slow down.

Water desalination, an expected demand driver: Water is a scarce resource, not only physically but also as a household resource. When found, water itself does not write a happy ending, as quality comes into play equally as important, making water treatment stations no longer a luxury. On this account, the diplomatic crisis between Egypt and Ethiopia best describes how valuable water is to Egypt which secures most of its water needs from the Nile. This conflict keeps on ratcheting up tensions, with Ethiopia pulling no punches on filling its Grand Ethiopian Renaissance Dam, storing up disappointment. So, even if Egypt swayed Ethiopia to delay filling its mega-dam, the need for water treatment stations will increase to secure any sudden action taken by Ethiopia, or for the expansion all over Egypt.

A state mandate: The Egyptian Ministry of Housing has set an expansion five-year plan to construct seawater desalination plants, providing a substitute for drinking water. This plan will cost EGP45bn and will be executed in several governorates across Egypt.

Market leader in water re-use: ORAS has a solid history with full water spectrum projects, such as water treatment, desalination, infrastructure, and wastewater treatment in Egypt. For example, ORAS's track record includes East Port Said seawater desalination plant, Al-Alamein pumping station, Abu Rawash Wastewater Treatment Plant, and Bahr El-Baqr wastewater treatment plant. The latter, the largest in Egypt, is now operated and maintained by a 50/50 ORAS/Arab Contractors joint venture under a 5-year contract. Also, BESIX became a market leader in water re-use, which substitutes desalination and boreholes. Outside Egypt, the OC group plays a significant role in the UAE, and it has recently begun work on one of the largest water treatment plants in the Ivory Coast, West Africa.

Roads and transportation – story is not over yet: Lately, Egypt has seen great improvement in its road and transportation systems, but the two lines of Cairo Monorail, which are set to connect the New Administrative Capital and Sixth of October City to Greater Cairo, suggest that there are more to come. ORAS will participate in the monorail in Egypt, with a share of USD900mn out of a USD4.5bn

contract.

Recently, an ORAS-Mitsubishi consortium signed a contract for the fourth Metro line, with ORAS's share exceeding USD350mn in a USD800mn contract. As for the United States, The Weitz Company started constructing Kansas City International Airport in Kansas City, Missouri. It is the largest single infrastructure project in Kansas City's history, launched in 2019, and is expected to be completed in 2023. ORAS's track record is also full of big infrastructure projects, which includes Borg El-Arab Airport in Alexandria and the Suez Canal Submerged Tunnels in addition to the various internal roads and airports in Egypt.

ORAS recently signed a MOU with Arab Contractors, Siemens Mobility with National Authority for Tunnels (NAT) to install Egypt's first high-speed rail system. The project value is USD3bn for the first phase. We don't expect revenues from this project until 2022, the estimated stake for ORAS is 15-35%.

Infrastructure and Utilities: ORAS continues to work in the UAE in three mega projects: The Fujairah International Airport (to be completed in 2022) and EXPO 2020 (to be completed in 2021), and the Public Realm Enhancement (Seaside and Land Side Plaza) at Blue Waters Island in Dubai (to be completed in 2021).

Power generation – growing demand: The Egyptian New & Renewable Energy Authority plans to raise renewable energy in its mix to

42% by 2035, divided into concentrated solar power (CSP, 3%), photovoltaic (PV, 22%), wind (14%), and hydro (2%). This is consistent with the sustainable development strategy set by the Egyptian government for the economy, which implies that the demand for renewable power generation stations will continue to grow. We note that the consortium between ORAS and Toyota Tsusho (in which ORAS owns a 20% stake) delivered Ras Ghareb Wind Farm with a capacity of 262.5 MW, the first renewable energy project with such size. The consortium is responsible for operating and maintaining Ras Ghareb Wind Farm under a 20-year Power Purchase Agreement (PPA).

Same goes for Africa: Orascom started constructing Jiji and Muluembue Hydropower Plants in Burundi which is expected to be completed in 2023. The work scope includes construction, channels, tunnels, pipelines, turbines, generators, and transformers.

Recurring income ... New opportunities: ORAS targets to secure recurring income sources to maintain a sustainable level of revenues.



BUSINESS SUMMARY (CONT'D)

Commercial Sector

The commercial sector comes second with 33.2% of backlog in 2020, spearheaded by key projects in Egypt (e.g. the New Alamein City and New Administrative Capital).

Orascom Construction: ORAS has successfully managed to take part in key mega projects in Egypt, such as the Grand Egyptian Museum and many projects in the New Administrative Capital (e.g. Mansoura Compound Packages 6 and 7, R5 Project), the New Cultural Center and new ministries buildings. This is in addition to the new buildings in the New Administrative Capital (the new headquarters of the Central Bank of Egypt and Housing and development bank) and the New Alamein City (Al-Massah Hotel, the New Alamein High-Rise Towers, and construction of the New Alamein old city). Also, Phase 1A of ZED Towers in Sheikh Zayed City (to be completed in 2023).

Contrack Watts: In Hawaii, Contrack Watts works on the new Consolidated Rental Car Facility (CONRAC) at Daniel K. Inouye International Airport in Honolulu, which is expected to be completed in 2022.

The Weitz Company: Still working on the new single terminal at the Kansas City International Airport in Kansas City, Missouri which is expected to be completed in 2023.

Industrial Sector

The industrial sector contributed 8.2% of ORAS's backlog in 2020. We do not expect huge growth contribution from the industrial sector.

Small enough yet used to be bigger: ORAS now is working on several data center projects in Egypt namely, the Network Node 1 (NN1) Data Center Project (to be completed in 2021), the Ministry of Defense Data Center at New Administrative Capital (to be completed in 2021), the Shark El Owaynat Cold Storage facilities (to be completed in 2022).

The Weitz Company is working now on Data Centers in West Des Moines and Goodyear, Arizona. In addition to a beef distribution center cooler for Creekstone Farms Premium Beef, LLC in Kansas.

Legal Disputes

Lately, ORAS has been exposed to some legal disputes namely Lafarge taxes and Sidra Hospital dispute which await a court decision.

Sidra Hospital: Qatar Foundation for Education, Science & Community Development had awarded a contract worth USD2.4bn to a joint venture between Obrascón Huarte Lain (OHL 55% ownership) and Contrack (45%) for building Sidra Medical & Research Center in Doha. In 2014, Qatar Foundation terminated the project and claimed damages for substantial amounts, and later the case was referred to a British court.

Meanwhile in 2019, Qatar Foundation won the case. The claims are connected with a parent company guarantee (PCG) issued by OCI in 2018. According to the management, neither the final penalty nor its value is expected to be proclaimed until late 2021. We included this in our base case valuation, knowing that the potential claims amounted USD602mn in Sidra Hospital's case represent EGP80/share. Meanwhile the penalty could come in another value based on the court decision.

Egypt's cement assets: Back in 2012, the Egyptian Tax Authority (ETA) claimed back taxes on ORAS's capital gains from the sale of its cement business to Lafarge in 2007. Later on, ORAS reached an EGP7bn settlement with ETA. Then in 2014, ORAS filed a request to reconsider the arbitration. Eventually, ORAS was exempted from paying any taxes on the sale, which was later appealed by ETA. According to its management, ORAS does not expect to bear any further costs. Hence, we conservatively deducted USD146mn from our valuation.

BESIX

An integrated group with experience: BESIX started back in 1909, capturing a significant position in global markets in construction, development, and concessions in 25 countries around the world. BESIX is a market leader in marine works all over the world, BESIX will construct a new 1,071-meter quay wall at

Belgium's Port of Zeebrugge, the largest automotive port in the world. This is in addition to its experience in water and waste management as well as energy projects.

New businesses: BESIX decided to diversify its business portfolio by acquiring stakes in:

- **A-Stay** which is a new concept of living in Belgium, by providing small apartments for short-stay periods combined with both high-tech software algorithms at reasonable prices.
- **Flamant** is interior decoration company which has stores in different locations in Europe.
- **LN24** is a news channel on both TV and the internet, a new different business in which BESIX invested.



KEY ASSUMPTIONS

USDmn	2015a	2016a	2017a	2018a	2019a	2020a	2021e	2022e	2023e	2024e	2025e
Calculated Consolidated Backlog											
Equity Consolidation											
Backlog	6,662	5,260	4,562	4,328	5,445	5,440	5,273	5,295	5,456	5,663	5,945
Growth		-21%	-13%	-5%	26%	0%	-3%	0%	3%	4%	5%
New Awards	4,846	3,752	2,180	2,349	3,550	3,069	3,155	3,345	3,603	3,807	3,972
Growth		-23%	-42%	8%	51%	-14%	3%	6%	8%	6%	4%
Pro forma including 50% BESIX											
Backlog	8,413	6,801	6,381	7,049	8,133	7,767	7,460	7,483	7,783	8,231	8,834
Growth		-21%	-13%	-5%	26%	-4%	-4%	0%	4%	6%	7%
New Awards	6,117	4,915	3,463	4,309	5,429	4,386	4,497	4,822	5,302	5,760	6,218
Growth		-20%	-30%	24%	26%	-19%	3%	7%	10%	9%	8%
USDmn	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e	2025e
Revenue	3,882	4,033	3,679	3,014	3,184	3,371	3,321	3,324	3,442	3,600	3,689
Gross Profit	(211)	192	325	340	364	323	323	337	359	384	399
Gross Profit Margin	-5.4%	4.8%	8.8%	11.3%	11.4%	9.6%	9.7%	10.1%	10.4%	10.7%	10.8%
SG&A	(198)	(164)	(154)	(181)	(162)	(186)	(183)	(183)	(189)	(198)	(203)
EBITDA	(302)	99	213	207	268	198	197	215	235	257	274
EBITDA Margin	-7.8%	2.5%	5.8%	6.9%	8.4%	5.9%	5.9%	6.5%	6.8%	7.1%	7.4%
Net finance cost	(21.3)	32.6	(23.8)	(5.1)	(73.3)	(9.8)	4.5	0.6	(0.4)	(0.9)	(1.5)
NP Before minority	(334)	53	85	155	131	97	121	133	145	158	167
NP After minority	(321)	49	78	145	121	91	113	125	136	148	157
Net margin (before minority)	-8.6%	1.3%	2.3%	5.1%	4.1%	2.9%	3.6%	4.0%	4.2%	4.4%	4.5%
Net margin (after minority)	-8.3%	1.2%	2.1%	4.8%	3.8%	2.7%	3.4%	3.8%	3.9%	4.1%	4.2%
USDmn	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e	2025e
Cash Conversion Cycle	2 days	-42 days	-40 days	-26 days	-63 days	-57 days	-56 days	-54 days	-52 days	-50 days	-49 days
Working Capital	(68)	(368)	(223)	11	(242)	(257)	(237)	(215)	(202)	(192)	(180)
Capex	90	92	42	50	63	46	60	67	74	82	91
Depreciation	(53)	(55)	(37)	(40)	(52)	(47)	(46)	(50)	(54)	(59)	(65)
DPS (USD) / share			0.26	0.30	0.42	0.23	0.36	0.43	0.52	0.63	0.67
Payout ratio			39%	24%	40%	30%	37%	40%	45%	50%	50%

Source: Company Reports, Prime Research.

Comment

Backlog: ORAS's backlog (excluding 50% of BESIX) grew by a 4-year CAGR (2016-2020) of 1%, and we expect it to grow by a 5-year CAGR of 2% to USD5.9bn by 2025 (based on the equity consolidation method). On a pro forma basis (i.e. including the 50% stake of BESIX), backlog grew by a 4-year CAGR (2016-2020) of 3% and is expected to grow by a 5-year CAGR of 3% over the same period. Projects usually take around 12 months to be executed in the United States and 18 months in the Middle East.

Revenues: Egypt, the United States, and Saudi Arabia account for 96% of ORAS's total revenues, hence chosen hereto as a revenue gauge. We see MENA revenues growing at a 5-year CAGR (2020-2025) of 6% to USD2.8bn, and U.S. revenues to decline at a 7% 5-year CAGR to USD892mn by 2025. Against the backdrop of COVID-19 spread globally, ORAS managed to sustain its business despite lower oil prices which affected the investment environment in the GCC. That said, we think demand will recover once oil prices bounce back up.

Dividends: Management proposed distributing a cash dividend of USD0.23/share for 2020, after distributing a cash dividend of USD0.42/share in 2020 on 2019 financials on two installments (40% payout ratio). ORAS intends to follow the same payout pattern.



KEY ASSUMPTIONS (CONT.'D)

BESIX 50% Stake Key Figures

USDmn	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e	2025e
Backlog	1,751	1,541	1,818	2,722	2,688	2,598	2,327	2,187	2,189	2,327	2,568
New Awards	1,271	1,163	1,282	1,960	1,878	1,316	1,343	1,477	1,699	1,953	2,246
Revenue	1,208	1,316	1,372	1,573	1,933	1,587	1,483	1,476	1,560	1,712	1,926
End backlog	1,813	1,388	1,729	3,108	2,633	2,327	2,187	2,189	2,327	2,568	2,889
Total cost	(1,209)	(1,252)	(1,317)	(1,518)	(1,910)	(1,593)	(1,475)	(1,461)	(1,545)	(1,695)	(1,907)
Net income	(0)	64	54	55	23	(6)	7	15	16	17	19
NPM	0.0%	4.9%	4.0%	3.5%	1.2%	-0.4%	0.5%	1.0%	1.0%	1.0%	1.0%

Comment

BESIX Valuation: Using a multiples valuation approach, we used the average of an expected P/E of 17x in 2021, expected P/B of 1x, expected EV/EBITDA of 6.8x and an expected P/S of 0.4x in the same year to get an equity value of USD294mn after taking a 20% liquidity discount.

BESIX	P/E 2021	EV/Sales 2021	P/BV	EV/EBITDA 2021	Average
Financial KPI * (USDmn)	7	1,483	383	44	
Multiple	16.6x	0.4x	1.0x	6.8x	
Equity value (USDmn)	123	612	398	335	367
Liquidity discount					20%
Adjusted Equity value (USDmn)					294

* KPI = earnings, sales, book value, and EBITDA.
Source: Company Reports, Prime Research.



Key Valuation Input

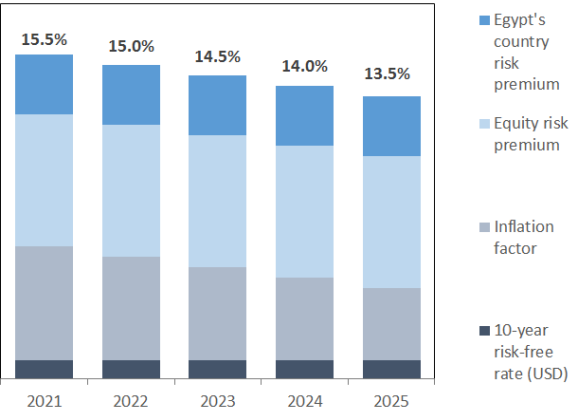
Terminal COE

13.5%

Terminal growth rate

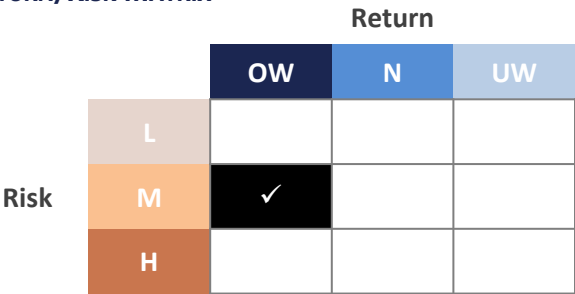
3.0%

Cost of equity structure (next 5 years)



Source: Prime Research.

Return/Risk Matrix



Source: Prime Research.

Valuation Model

USDmn	2021e	2022e	2023e	2024e	2025e	Terminal
EBIT (1 - t)	112	122	134	146	154	159
Non-Cash Items (D&A)	46	50	54	59	65	
Gross Cash Flow	158	172	188	205	219	
Change in Operating Working Capital	(20)	(23)	(12)	(10)	(12)	
Capital Expenditures	(60)	(67)	(74)	(82)	(91)	
Gross Investment	(80)	(89)	(86)	(92)	(103)	
Free Cash Flow to the Firm (FCFF)	78	82	102	113	116	1,345
Discount factor	0.90	0.79	0.70	0.61	0.54	
Present Value of FCFF	71	65	71	70	63	730
DCF Enterprise Value	1,069					
Net (Debt)/ Cash	334					
Other investments (ex. 50% of BESIX)	36.5					
Minority	(46)					
Provisions for lawsuits	(748)					
BESIX (50% stake)	294					
DCF Equity Value	939					
NOS	117					
FV (USD/share)	8.0					
Reinvestment rate					15.4%	
FV (EGP/share)	126					
ROIC					19.5%	
12M PT (EGP/share)	146					
TGR					3.0%	

Source: Prime Research.

Peer Group (as of 11 April 2021, Values in USDmn)

Ticker	Name	Market Cap	P/E	EV/EBITDA	EV/Sales	P/Sales
ORAS EY	Orascom Construction Plc	660	7.3x	1.8x	0.1x	0.2x
MT IM	Maire Tecnimont Spa	1,007	14.7x	5.6x	0.5x	0.3x
KLR LN	Keller Group Plc	822	14.0x	3.5x	0.4x	0.3x
RNWH LN	Renew Holdings Plc	622	16.9x	8.0x	0.8x	0.7x
IMPN SW	Implenla Ag-Reg	521	na	2.6x	0.1x	0.1x
BRKN SW	Burkhalter Holding Ag	482	29.4x	14.2x	0.9x	0.9x
EGL PL	Mota Engil Sgps Sa	413	na	7.1x	0.9x	0.1x
GSJ SM	Grupo Empresarial San Jose	491	25.3x	8.5x	0.2x	0.4x
PNHO SW	Poenina Holding Ag	335	25.9x	10.8x	1.0x	1.0x

Source: Bloomberg, Prime Research.

FV Sensitivity Analysis

Terminal growth rate vs. Terminal WACC

		Terminal WACC				
		11.0%	12.0%	13.0%	14.0%	15.0%
TGR	5.0%	191	173	159	148	139
	4.0%	179	164	152	142	134
	3.0%	170	157	146	137	129
	2.0%	162	150	141	133	125
	1.0%	156	145	136	129	122

Source: Prime Research.



FINANCIAL MODEL

Income Statement (USDmn)							
FY ends 31 December	2018a	2019a	2020a	2021e	2022e	2023e	2024e
Total Revenue (Net)	3,014	3,184	3,371	3,321	3,324	3,442	3,600
COGS	(2,673)	(2,821)	(3,048)	(2,998)	(2,987)	(3,083)	(3,216)
GP	340	364	323	323	337	359	384
Other operating (exp.)/ Inc.	(173)	(147)	(172)	(172)	(172)	(178)	(186)
EBITDA	207	268	198	197	215	235	257
EBIT	167	216	151	151	165	181	197
Interest expense	(28)	(99)	(31)	(18)	(20)	(22)	(23)
Investment income	23	25	21	23	21	21	22
NP Before Taxes	162	143	141	156	166	180	197
NP Before XO & MI	155	131	97	121	133	145	158
XO & Minority Interest	(10)	(10)	(6)	(8)	(9)	(9)	(10)
Net Income	145	121	91	113	125	136	148

Balance Sheet (USDmn)							
FY ends 31 December	2018a	2019a	2020a	2021e	2022e	2023e	2024e
Current Assets							
Cash & Cash Equivalents & Mkt. Securities	403	375	474	526	557	583	609
Trade & other receivables	1,243	1,259	1,473	1,437	1,423	1,459	1,509
Inventory	283	293	288	288	291	304	322
Other Current Assets	527	870	857	831	819	834	858
Total Current Assets	2,456	2,796	3,092	3,081	3,089	3,180	3,299
Fixed Assets (net)	159	181	177	191	208	228	250
Other Non-Current Assets	484	528	519	516	523	538	554
Total Assets	3,099	3,505	3,789	3,788	3,821	3,946	4,103
Liabilities & Equity							
Short-Term Debt	54	28	44	56	63	65	68
Current Portion of LT Debt	319	62	52	54	57	61	67
Accounts Payable	1,026	1,192	1,403	1,357	1,329	1,349	1,382
Other Current Liabilities	1,181	1,572	1,568	1,532	1,514	1,547	1,595
Total Current Liabilities	2,579	2,854	3,066	2,999	2,962	3,021	3,113
Long-Term Debt	2	5	20	24	27	28	29
Other Non-Current Liabilities	46	60	60	60	60	60	60
Total Liabilities	2,628	2,920	3,147	3,083	3,049	3,109	3,202
Minority Interest	40	44	46	38	30	21	10
Total Equity	471	586	642	705	772	837	901
Total Liabilities & Equity	3,099	3,505	3,789	3,788	3,821	3,946	4,103

Cash Flow Statement (USDmn)							
FY ends 31 December	2018a	2019a	2020a	2021e	2022e	2023e	2024e
Cash from Operating	(54)	320	138	139	152	177	197
Cash from Investing	(43)	(48)	(36)	(57)	(74)	(89)	(98)
Cash from Financing	77	(320)	(9)	(23)	(38)	(53)	(63)
Net Change in Cash	(23)	(28)	99	60	40	35	37

Per-Share Data (USD, unless noted otherwise)							
	2018a	2019a	2020a	2021e	2022e	2023e	2024e
Share price (EGP)	105.73	94.69	80.81	88.72	88.72	88.72	88.72
# Shares (WA,in mn)	116.8	116.8	116.8	116.8	116.8	116.8	116.8
EPS	1.24	1.04	0.78	0.97	1.07	1.16	1.27
DPS	0.30	0.42	0.23	0.36	0.43	0.52	0.63
BVPS	4.04	5.01	5.50	6.04	6.61	7.17	7.71

Valuation Indicators							
	2018a	2019a	2020a	2021e	2022e	2023e	2024e
P/E (x), based on end of FY market price	4.8x	5.4x	6.6x	5.7x	5.0x	4.5x	4.0x
P/E (x), based on our 12M PT	6.6x	8.4x	11.9x	9.4x	8.2x	7.4x	6.6x
DY, actual based on BoP price, est. on current	4.4%	7.1%	4.1%	7.0%	7.7%	9.8%	12.1%
P/BV (x)	1.5x	1.1x	0.9x	0.8x	0.8x	0.7x	0.7x
EV/IC (x)	1.8x	2.1x	1.8x	0.9x	0.6x	0.4x	0.3x
EV/Sales (x)	0.2x	0.13x	0.08x	0.09x	0.07x	0.05x	0.04x
EV/EBIT (x)	4.3x	2.0x	1.9x	1.9x	1.5x	1.1x	0.8x
EV/EBITDA (x)	3.4x	1.6x	1.4x	1.5x	1.1x	0.9x	0.6x

Profitability & Growth Ratios							
	2018a	2019a	2020a	2021e	2022e	2023e	2024e
Revenue Growth	(18%)	6%	6%	(1%)	0%	4%	5%
EBIT Growth	(5%)	30%	(30%)	0%	9%	10%	9%
EPS Growth	84%	(16%)	(25%)	24%	11%	9%	9%
GPM	11%	11%	10%	10%	10%	10%	11%
EBIT Margin	6%	7%	4%	5%	5%	5%	5%
Net Margin	5%	4%	3%	3%	4%	4%	4%
ROIC	71%	42%	53%	70%	39%	35%	34%
ROE	33%	22%	15%	17%	17%	17%	18%
ROA	5%	4%	3%	3%	3%	4%	4%

Liquidity & Solvency Multiples							
	2018a	2019a	2020a	2021e	2022e	2023e	2024e
Net Debt (Cash)	(27)	(279)	(359)	(392)	(411)	(429)	(445)
Net Debt (Cash) /Equity	(6%)	(48%)	(56%)	(56%)	(53%)	(51%)	(49%)
Net debt (Cash) to EBIT	-0.2x	-1.3x	-2.4x	-2.6x	-2.5x	-2.4x	-2.3x
Debt to Assets	0.12x	0.03x	0.03x	0.04x	0.04x	0.04x	0.04x
Current ratio	1.0x	1.0x	1.0x	1.0x	1.0x	1.1x	1.1x

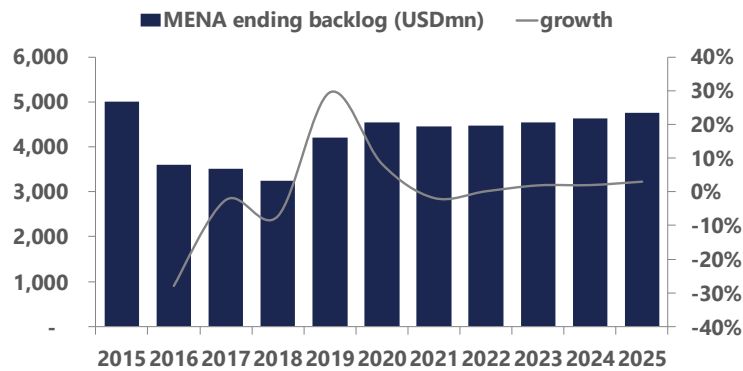
Consensus Estimates (USDmn)				
	2021e	2022e	2023e	2024e
Revenues	3,367	3,295	3,325	3,350
Prime Research vs. Consensus	-1%	1%	4%	7%
Net Income	125	128	132	174
Prime Research vs. Consensus	-9%	-3%	3%	-15%

Source: Company Reports, Prime Research.

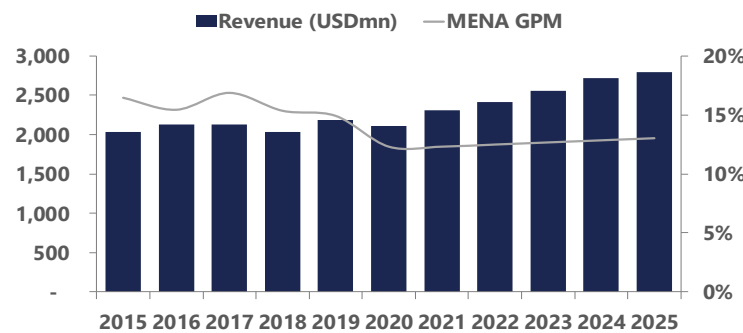


STORY IN CHARTS

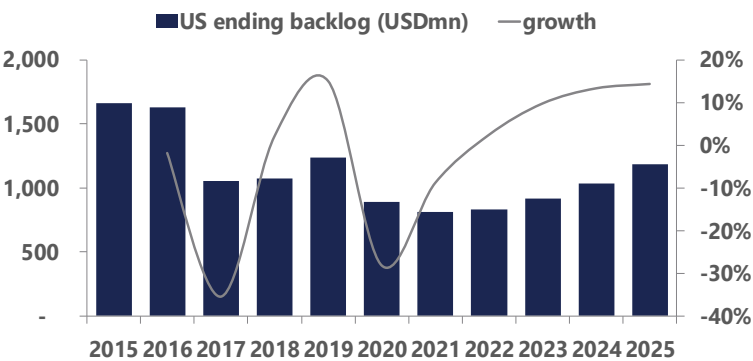
MENA Backlog: Expected to grow at a 5-year CAGR (2020-2025) of 1%.



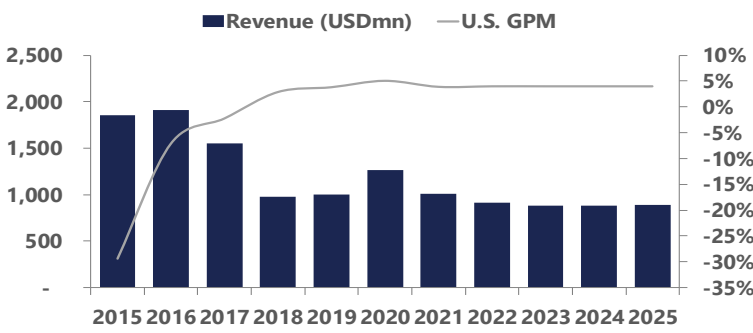
MENA Revenues: Revenues are expected to grow at a 5-year CAGR (2020-2025) of 6%, while GPM is expected to average 12.6%.



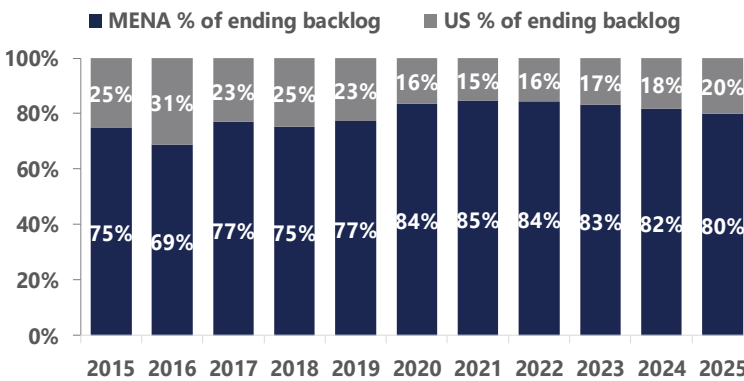
U.S. Backlog: Expected to increase by a 5-year CAGR (2020-2025) of 6%.



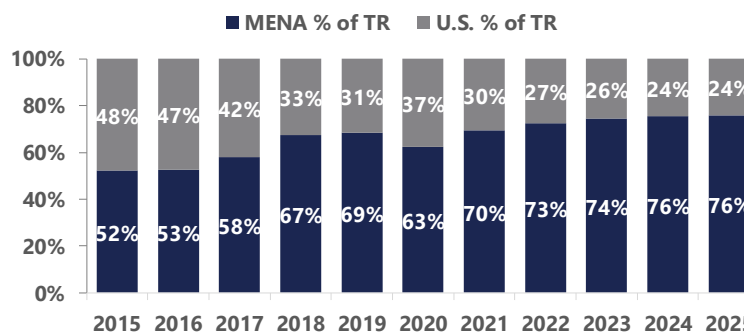
U.S. Revenues: Revenues are expected to grow at a 5-year CAGR (2020-2025) of -7%, while GPM is expected to average 4%.



Backlog breakdown: MENA has the biggest share of ORAS ending backlog.



Revenue breakdown: MENA has always been the biggest revenue contributor, and we expect it to remain.

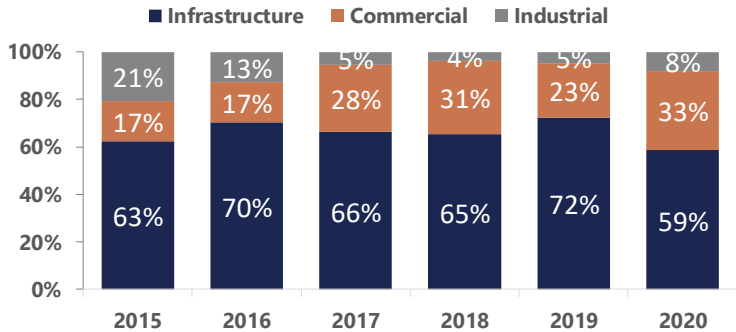


Source: Company reports, Prime Research.

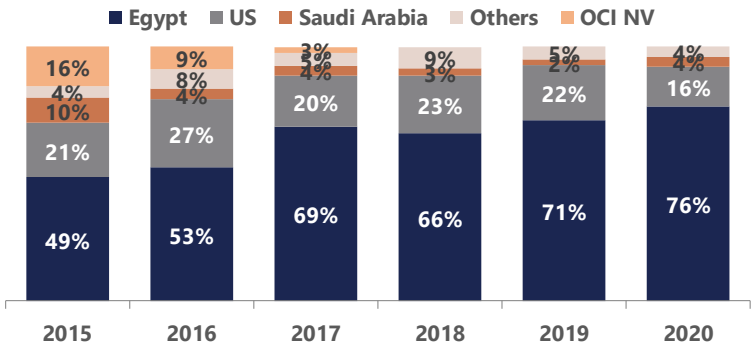


STORY IN CHARTS (CONT.'D)

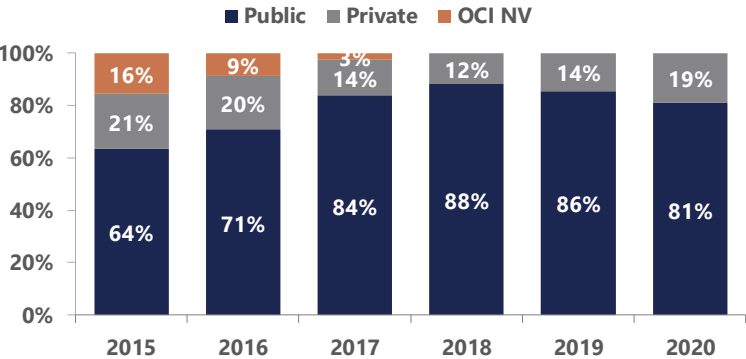
Backlog tilted towards infrastructure: Infrastructure has reserved the lion's share and we expect to keep the same pattern.



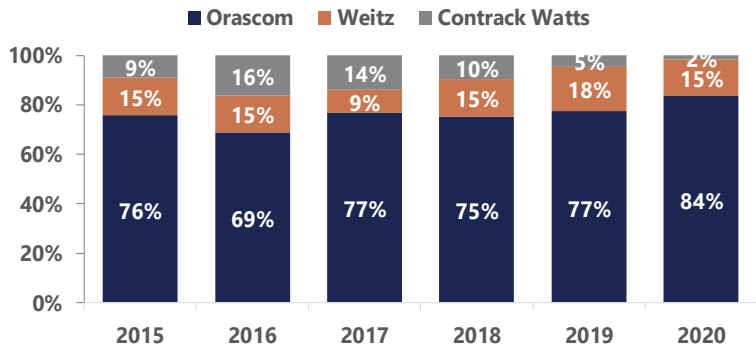
Backlog by Geography: Egypt has the biggest portion of ORAS backlog, recording 76% in 2020.



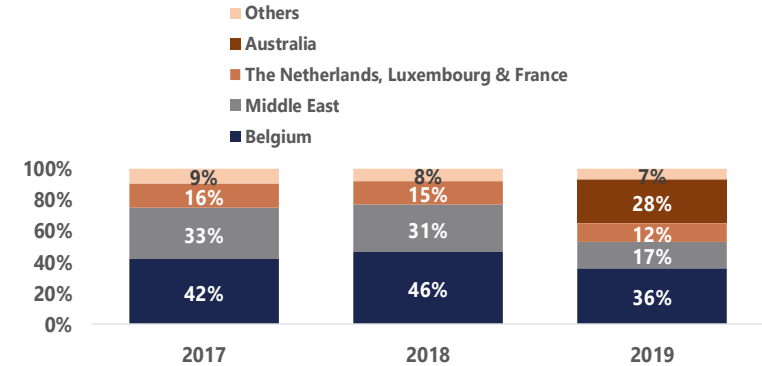
Backlog by client: Backlog is clearly more tilted towards the public sector.



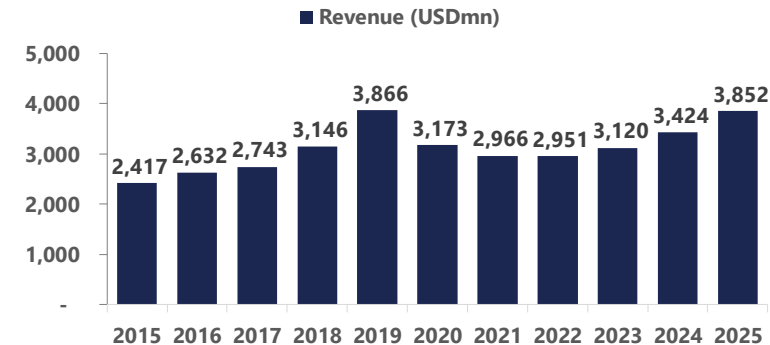
Backlog by brand: Orascom is the largest contributor to backlog (84%) in 2020, averaging 76% over the past six years.



BESIX consolidated revenues in 2019 is tilted more towards Belgium: Australia also booked a 28% stake for the first time.



BESIX consolidated revenues grew at 4-year CAGR (2015-2019) of 11%.

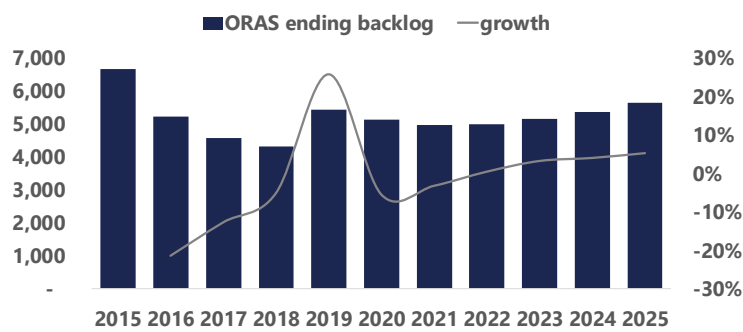


Source: Company Reports, Prime Research.

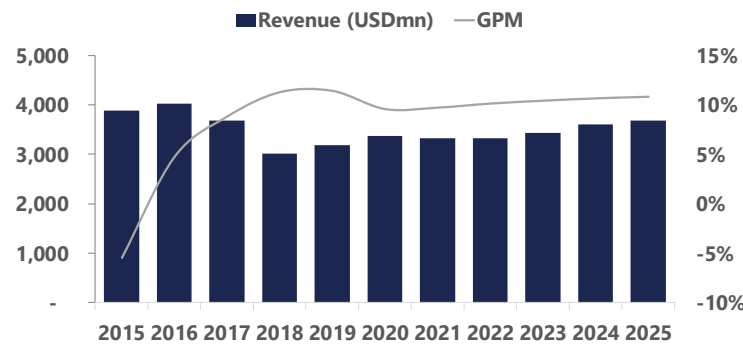


STORY IN CHARTS (CONT.'D)

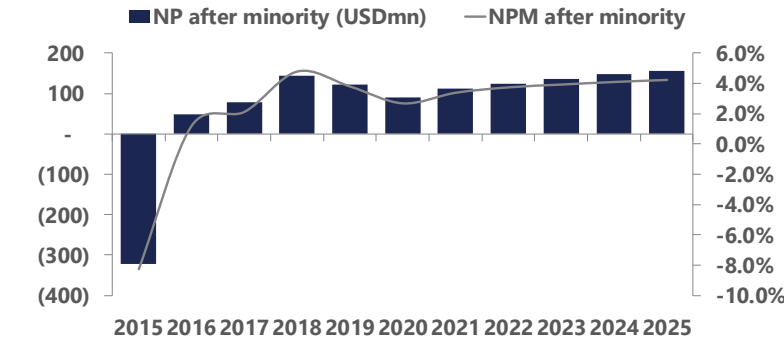
Total backlog: We expect ORAS total backlog to grow by a 5-year CAGR of 2% (2020-2025).



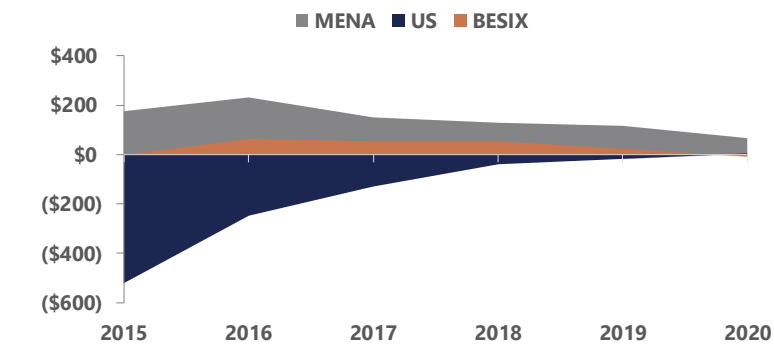
Total revenue: Total revenues grew by a 4-year CAGR (2016-2020) of 5%, and we expect it to grow by a 5-year CAGR (2020-2025) of 2%.



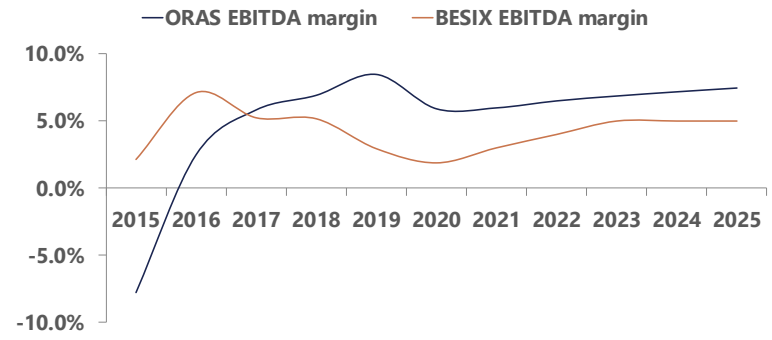
Bottom line: Net profit after minorities is expected to grow at a 5-year CAGR (2020-2025) of 11%, while net margin will improve on better gross margins and BESIX turning to profitability.



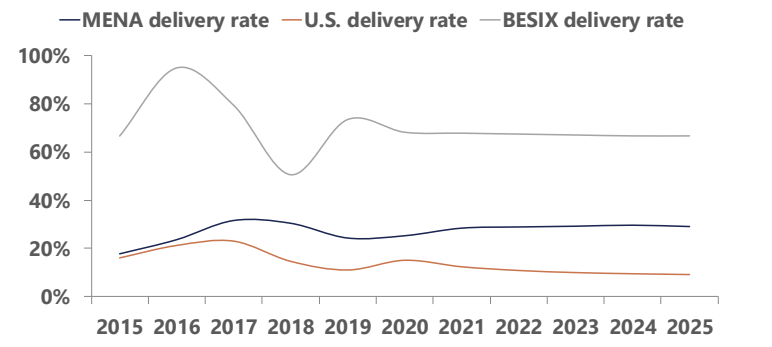
Net income breakdown: The MENA region is the largest contributor to net income, while the U.S. performance is improving.



EBITDA margins: ORAS EBITDA margin is higher than BESIX. Meanwhile, we expect an improvement in BESIX EBITDA margin.



Delivery rate: Higher for the U.S. compared to the MENA region, affected by the projects nature. Meanwhile BESIX delivery rate is much higher.



Source: Company reports, Prime Research.



CORPORATE PROFILE

Orascom Construction [ORAS] is a global contractor that works in infrastructure, commercial, and industrial projects in the MENA region and the United States. It also owns a 50% stake in BESIX which is a Belgian contractor based in Brussels with access to Europe, the Middle East, and Australia. ORAS operates through three brand names, namely Orascom Construction, Contrack, and The Weitz Company. ORAS is listed on both the Egyptian Exchange (EGX) and NASDAQ Dubai.

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CEO

Mr. Osama Bishai.

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1. Mr. Jérôme Guiraud , Chairperson, Non-Executive Director.
2. Mr. Osama Bishai, CEO, Executive Director.
3. Mr. Sami Haddad, Non-Executive Director.
4. Ms. Nada Shousha, Non-Executive Director.
5. Mr. Johan Beerlandt , Non-Executive Director.
6. Mr. Wiktor Sliwinski, Non-Executive Director.

Auditor

KPMG.

Domicile

Dubai, United Arab Emirates.

Founded

1950.

Number of Employees

64,000.

Number of Stockholders

1,038.

Listings

EGX: ORAS (32% of shares).
NASDAQ Dubai: OC DU (68% of shares).

SHAREHOLDER STRUCTURE

Shareholder	Stake
Sawiris Family	51.8%
Sustainable Capital Africa Alpha Fund	10.5%
Bill Gates	5.8%
Others	8.2%
Free float	23.7%

PRIME RESEARCH'S COVERAGE HISTORY

Date	Rating	12M PT
12 April 2021	Overweight Medium Risk	EGP146

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