

Fair Value
EGP11.9
as of 25 Nov 2020

12M PT
EGP13.9 (+21%)
as of 25 Nov 2020

Investment Rating

Overweight

★

★

★

Risk Rating

High

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Another Chapter of Strong Annual Growth

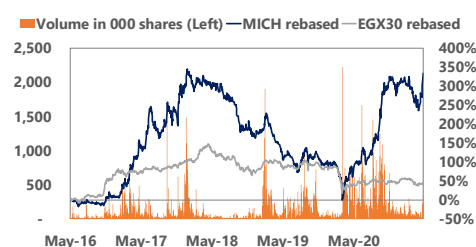
Overweight and 12M PT maintained

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Factory maintenance weighs on performance q/q: Misr Chemical Industries' [MICH] earnings performance continued to impress with 9M 2020/21 registering a bottom line of EGP108mn vs. only EGP28mn a year earlier. Sound earnings performance is the product of substantial margin improvement; GPM came in at 46.9% vs. 30.9% a year earlier. Q3 2020/21 results alone, while still impressive from a y/y perspective, point to a sequential weakening. MICH achieved a top line of EGP107mn in Q3 2020/21 (+17% y/y, -12% q/q), whereas its bottom line came in at EGP25mn (+79% y/y, -37% q/q). Such a q/q decline in performance indicators is attributed to weaker sales volumes during the quarter on the back of some factory maintenance, resulting in softening top line. Also, a higher effective tax rate in Q3 2020/21 further contributed to the sequential decline.

Still boasting a solid balance sheet: MICH's balance sheet remains in a good shape, flush with cash (i.e. 32% of total market cap). MICH still has light working capital needs. During Q3 2020/21, working capital as a percentage of annualized revenues came in at 10% vs. a median of 9% since Q1 2018/19.

Short- and long-term catalysts linger: Earlier in 2021, the argument for water desalination and water treatment projects got stronger, driven by Ethiopia's GERD potential effect on water availability. The more achieved on the water desalination file over the next ten years, the higher expected demand for MICH's chlorine over the long term. Over the short term, still renewed COVID-19 waves in different areas around the globe promises favorable prices to MICH's caustic soda as well as sodium hypochlorite.

Overweight and 12M PT maintained: MICH is currently traded at 2020/21 P/E of 5.9x and EV/EBITDA of 3.1x. In view of Q3 2020/21 results, we are maintaining our 12-month price target (12M PT) at EGP13.9/share, implying an upside potential of +21%.

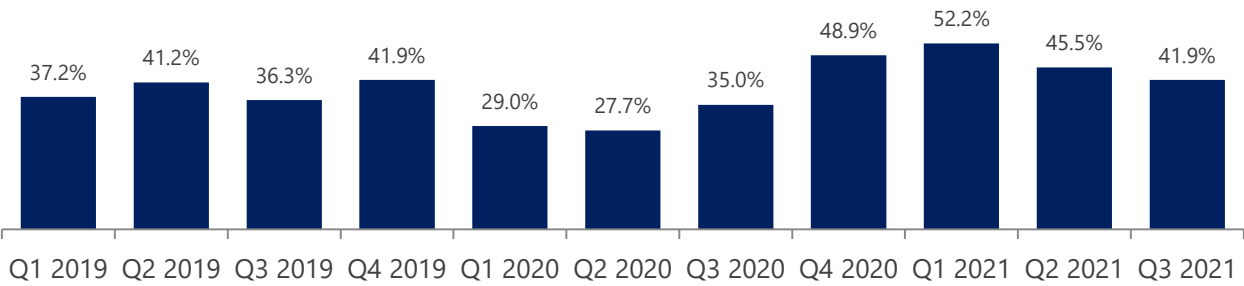
KEY STOCK STATISTICS

Shares outstanding (mn)	73
Free float	23%
Market Cap (EGPmn)	840
Market Cap (USDmn)	54
52w range	EGP12.40-4.98
EGP100 invested 5y ago	EGP434
TTM EPS	EGP1.95
TTM P/E	5.9x
2021 EPS	EGP1.93
2021 P/E	5.9x
2021e EV/EBITDA	3.1x
Last fiscal year's DPS	EGP1.00
Dividend yield	9%
5Y beta	0.9
5Y Proj. EPS CAGR	10%

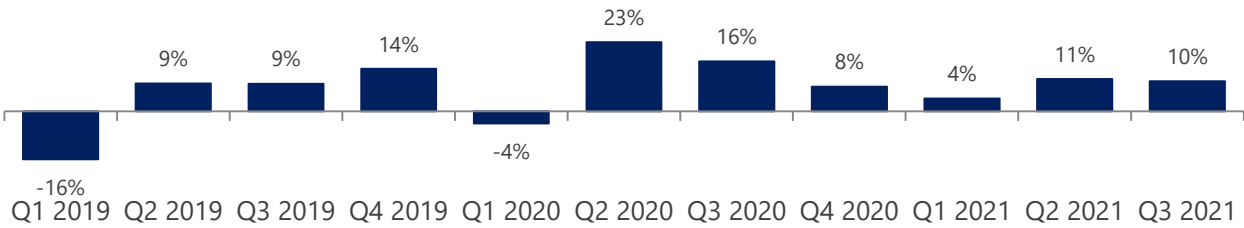


Results in charts

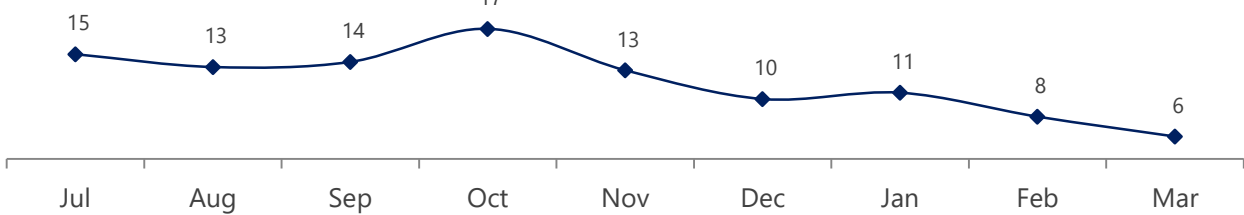
GPM



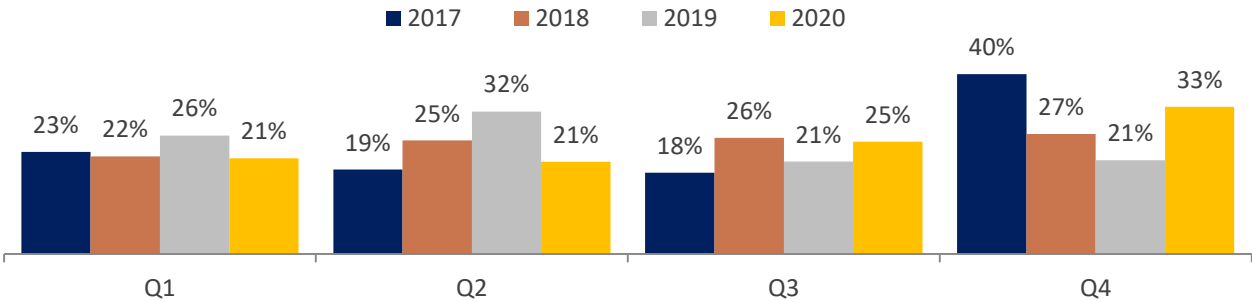
Working Capital as % of Annualized Revenues



Monthly Net Income (EGPmn)



Revenue Seasonality



Source: Bank reports, Prime Research.

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