

Fair Value

EGP10.7

as of 28 December 2020

12M PT

EGP12.7 (+55%)

as of 28 December 2020

Investment Rating

Overweight



Risk Rating

Medium



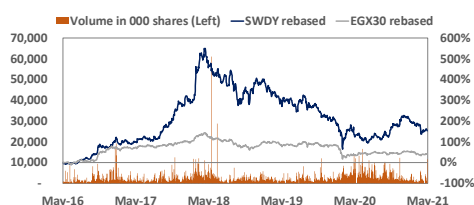
Financials promise a buoyant year ahead

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Strong recovery: Elsewedy Electric's [SWDY] Q1 2021 consolidated net income after minorities jumped to EGP700mn (+75% y/y) on higher revenues of EGP12.3bn (+14% y/y). All revenue segments strengthened in Q1 2021 on a yearly basis, except for turnkey. Revenues from turnkey declined to EGP4.5bn (-7.9% y/y). SWDY managed to increase its backlog slightly to EGP49.8bn in Q1 2021 from EGP49bn in 2020. Meanwhile, its gross profit surged to EGP1.87bn in Q1 2021 (+56% y/y). Thus, gross profit margin improved to 15.2% from 11.1%, thanks to higher volumes and prices in the wire & cable segment and higher prices of meters and transformers.

Wires & cables restore the lead: Wires & cables contributed 51% to revenues in Q1 2021 (EGP6.3bn, +33.4% y/y), up from 44% in Q1 2020, while turnkey stepped back with a revenue contribution of 37% (EGP4.5bn, -7.9% y/y) from 46%.

Dawning acquisitions and reassuring stock cancellation: The acquisition roadmap is finally clear. SWDY recently announced it will acquire two companies in Indonesia and Pakistan for USD60mn. These takeovers will see SWDY extending its reach to new markets in Southeast Asia and Australia and more than doubling its annual production capacity to 30,000 MVA. SWDY decided to cancel 13.4mn treasury shares which will spare its stock unneeded pressure. We note that SWDY approved a cash dividend of EGP0.40/share that will be distributed this month.

Valuation update: SWDY is currently trading at a TTM P/E of 5.3x and at 2021 P/E and EV/EBITDA of 6.7x and 4.5x, respectively. In view of Q1 2021 results, we are positive on the stock and we maintain our 12M PT and our Overweight rating until we update our value to reflect the recent acquisition deals and the strong performance expected in the near future.

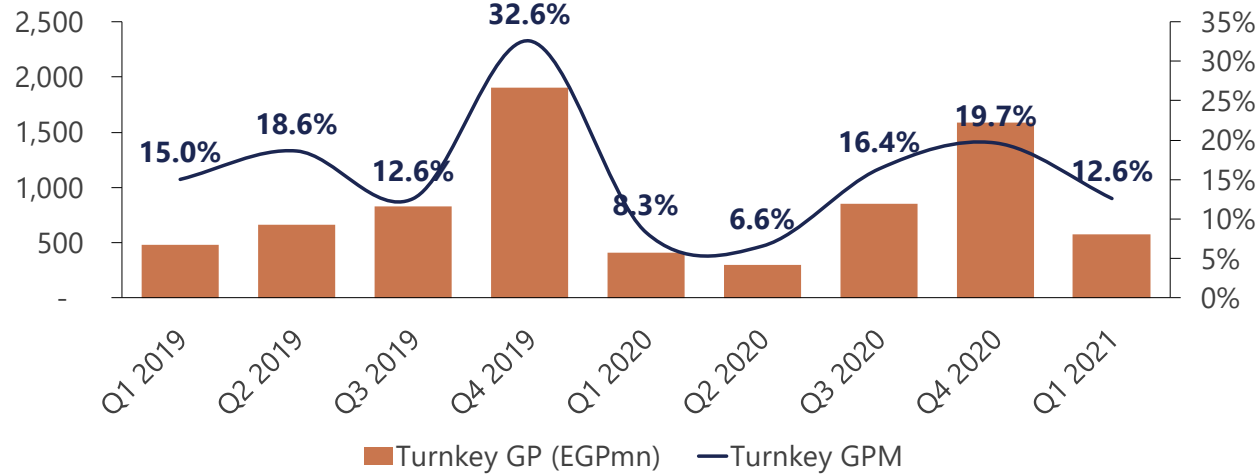
KEY STOCK STATISTICS

Shares outstanding (mn)	2,184
Free float	31.6%
Market Cap (EGPmn)	17,867
Market Cap (USDmn)	1,138
52w range	10.65-6.20
EGP100 invested 5y ago	254
TTM EPS	1.53
TTM P/E	5.33x
2021 EPS	1.23
2021 P/E	6.7x
2021e EV/EBITDA	4.5x
Last fiscal year's DPS	EGP0.40
Dividend yield	5%
5Y beta	0.73
4Y Proj. EPS CAGR	7%

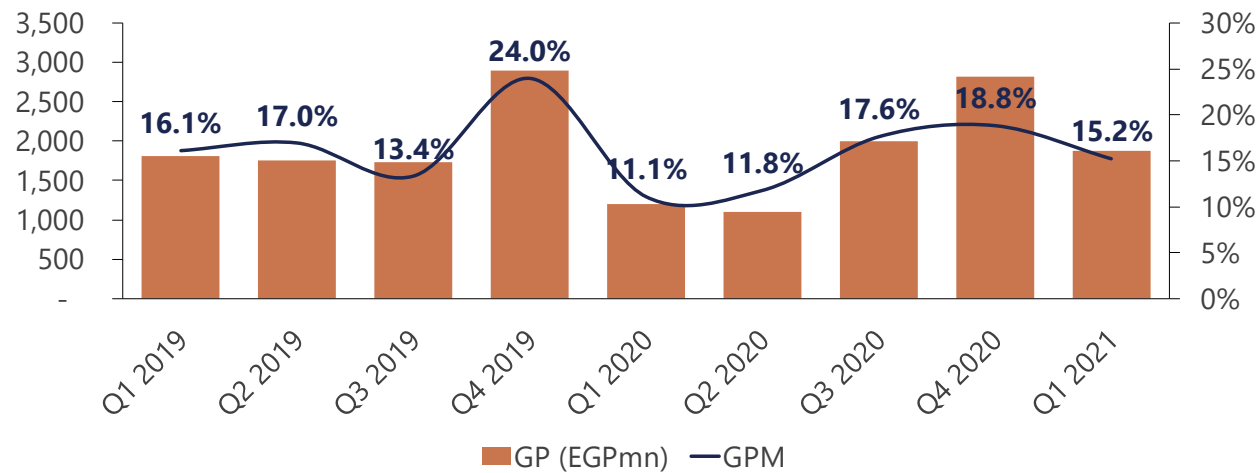


Results in charts

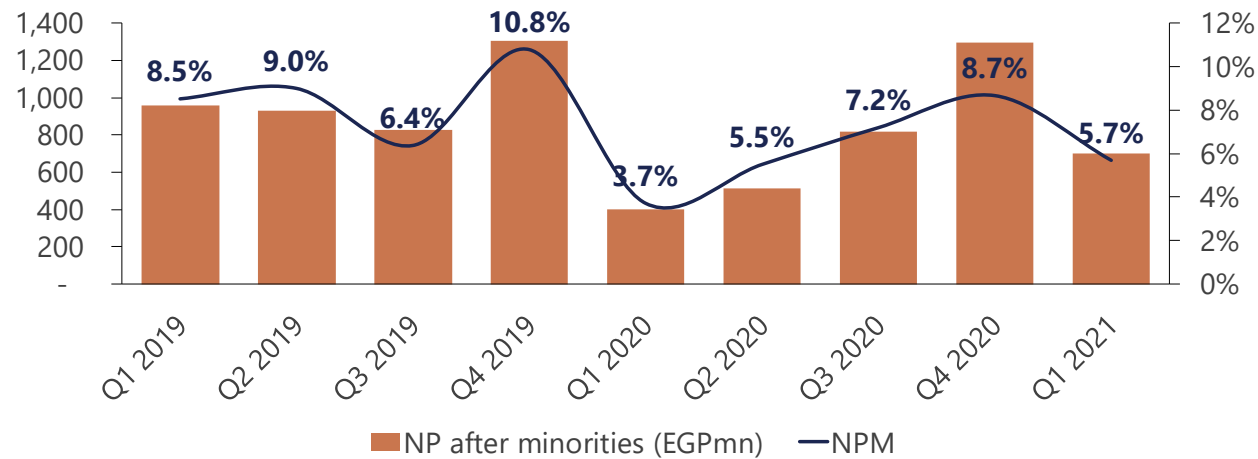
Turnkey's Quraterly Gross Profit



SWDY's Quraterly Gross Profit



SWDY's Quraterly Net Profit



Source: Company reports, Prime Research.

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