

Price
EGP8.77
at close of 16 Aug 2021

Fair Value
EGP10.7
set on 28 Dec 2020

12M PT
EGP12.7 (+45%)
set on 28 Dec 2020

Investment Rating

Overweight

★

★

★

Risk Rating

Medium

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Impressive Set of Results

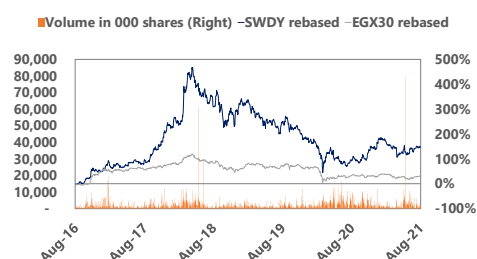
Overweight and 12M PT maintained

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Strong Q2 2021 results q/q and y/y: Elsewedy Electric's [SWDY] Q2 2021 consolidated net income after minorities jumped by 73% y/y to EGP890mn (+27% q/q). Meanwhile, revenues increased by 47% y/y to EGP13.7bn (+12% q/q), driven by an increase across all segments except for meters and renewables which represent collectively only 4% of revenues. Not only did SWDY manage to jump off a very low base in Q2 2020 dented by COVID-19, it also managed to outperform Q1 2021 which had already exhibited a strong recovery. As a result, net profit margin improved to 6.5% in Q2 2021 (vs. 5.7% in Q1 2021 and 5.5% in Q2 2020).

Improved performance nearly across the board:

- **Wires & Cables:** The largest revenue contributor (48% in Q2 2021), wires & cables revenues jumped by 84% y/y, driven by higher volume and prices. However, gross profit margin decreased y/y to 11.7% in Q2 2021 compared to 13.4% in Q1 2020.
- **Turnkey:** The second largest revenue contributor (44% in Q2 2021), turnkey revenues increased by 33% y/y to EGP6bn. Backlog stabilized at EGP49.7bn in Q2 2021 vs. EGP49.8bn in Q1 2021. Gross profit improved in absolute and relative terms (+EGP493mn y-y, +166% y/y). Hence, gross profit margin doubled to 13.2% in Q2 2021 compared to 6.6% a year before due a better project mix.
- **Transformers:** Despite its small contribution to revenues (3% in Q2 2021), transformers' revenues increased by 57% y/y to EGP437mn in Q2 2021. Gross profit improved by 72% y/y to EGP113mn in Q2 2021, while gross profit margin recorded 25.9% vs. 23.6% a year before. Meanwhile, backlog increased to USD88mn in Q2 2021 (up from USD70mn in Q1 2021).
- **Electric products:** Despite its small contribution to revenues (only 1% in Q2 2021), electric products' revenues jumped 83% y/y to EGP187mn. Boasting the highest margin across all segments, electric products recorded a gross profit margin of 43%, lower than the 47% in Q2 2020.
- **Meters:** With a poor performance, meters' revenues decreased by 36% y/y to EGP478mn in Q2 2021 on lower volume and prices. However, gross profit decreased only 10% y/y, hence a higher gross profit margin of 30.8% in Q2 2021 vs. 21.8% a year before. Meanwhile, backlog increased to EUR98mn in Q2 2021 vs. EUR79mn in Q1 2021.
- **Renewables:** The smallest segment (less than 1% of revenues in Q2 2021), renewables' revenues decreased by 50% y/y to EGP78mn in Q2 2021, while gross profit margin increased significantly to 42% vs. 32% a year before.

KEY STOCK STATISTICS

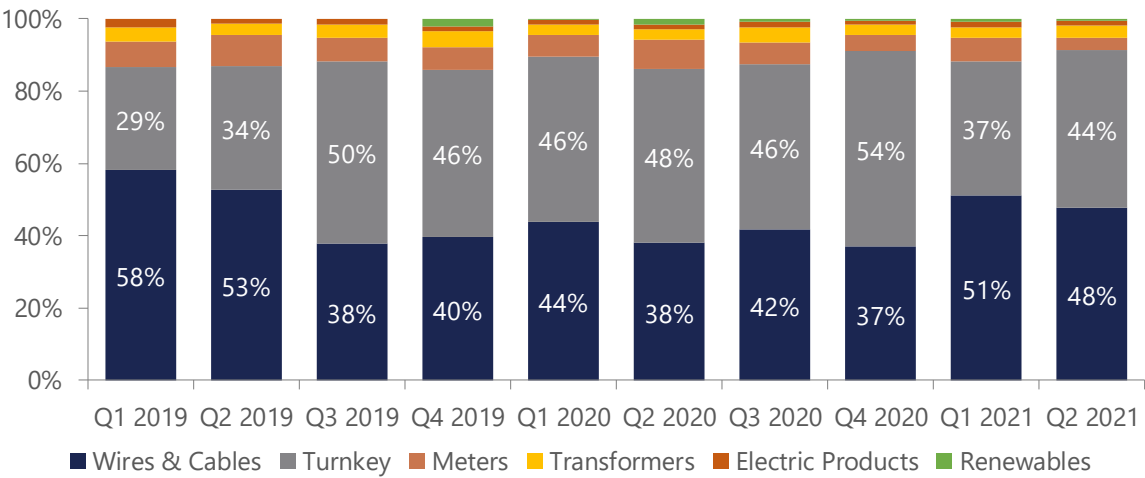
Shares outstanding (mn)	2,184
Free float	31.6%
Market Cap (EGPmn)	19,155
Market Cap (USDmn)	1,220
52w range	10.65-6.71
EGP100 invested 5y ago	249
TTM EPS	1.7
TTM P/E	5.2x
2021 EPS	1.23
2021 P/E	6.7x
2021e EV/EBITDA	5.5x
Last fiscal year's DPS	EGP0.40
Dividend yield	5%
5Y beta	0.73
4Y Proj. EPS CAGR	7%



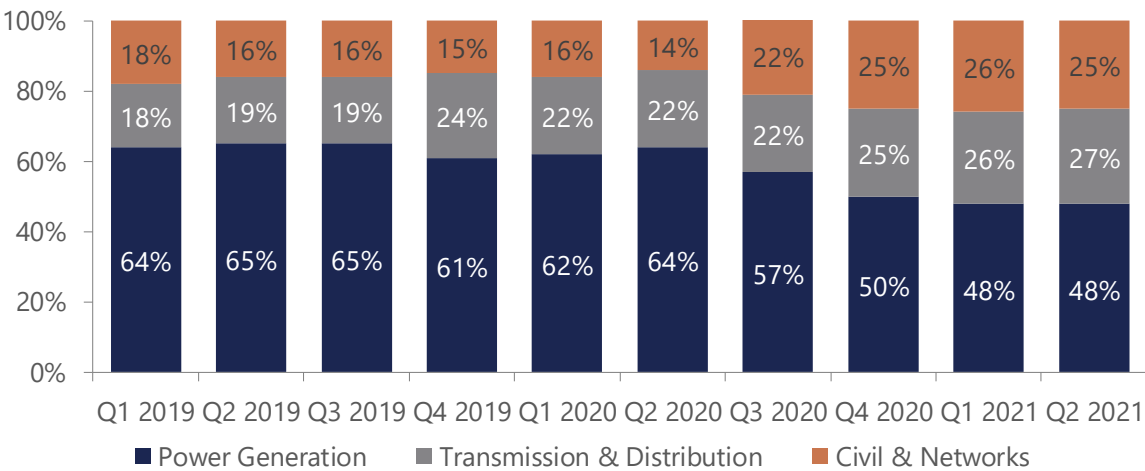
Overweight and 12M PT maintained: SWDY is now trading at a TTM P/E of 5.2x and EV/EBITDA of 3.7x. With a TTM ROE of 21%, we expect an even better second half with the consolidation of recent acquisitions. SWDY recently acquired two transformers companies in Indonesia and Pakistan in May 2021 (expected to be consolidated in Q3 2021) and 99.25% of International Cables Co. in July 2021 for EGP410mn, which is still subject to regulatory approval. We will update our financial model to reflect the better-than-expected results. For now, we maintain our rating as Overweight. Our latest 12-month price target is EGP12.7/share.

Results in Charts

SWDY's Quarterly Revenue Breakdown



SWDY's Quarterly Turnkey Breakdown

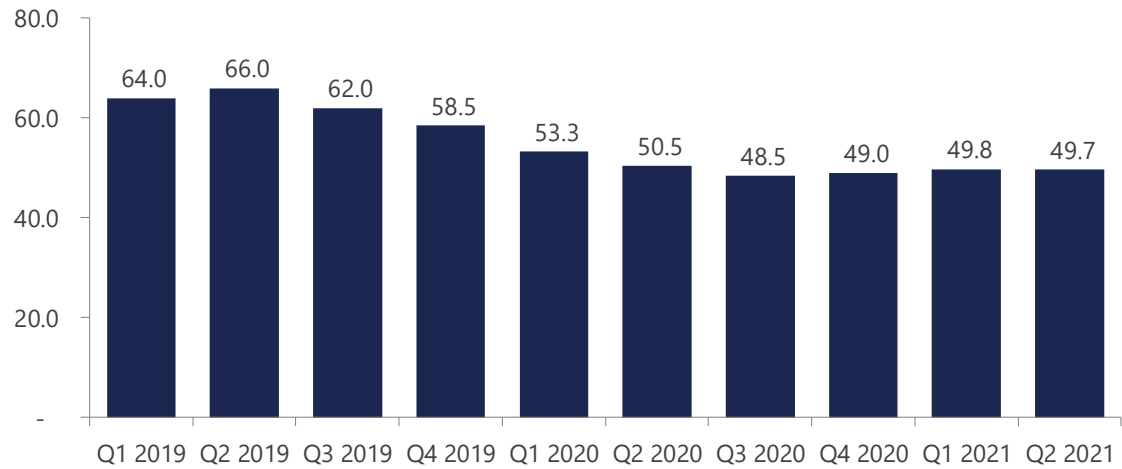


Source: Company reports, Prime Research.

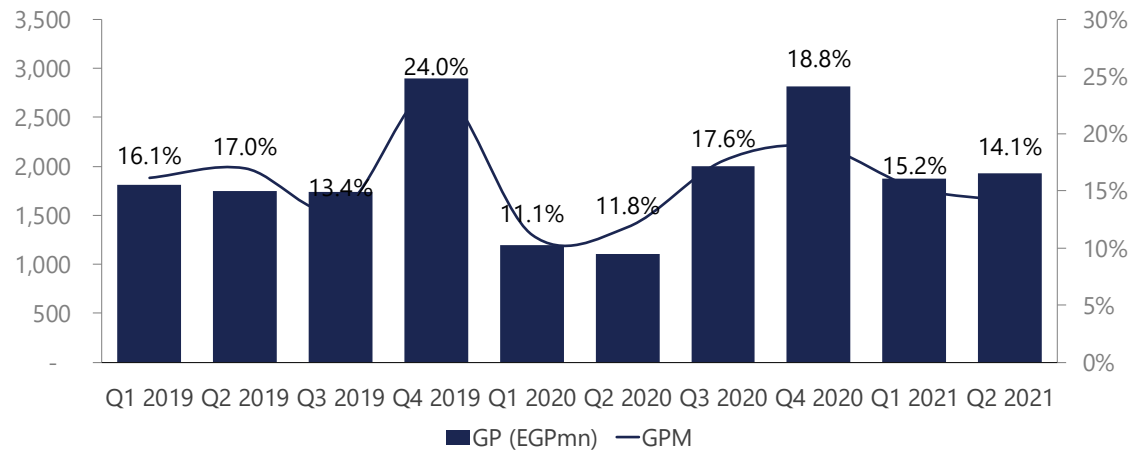


Results in Charts (cont.'d)

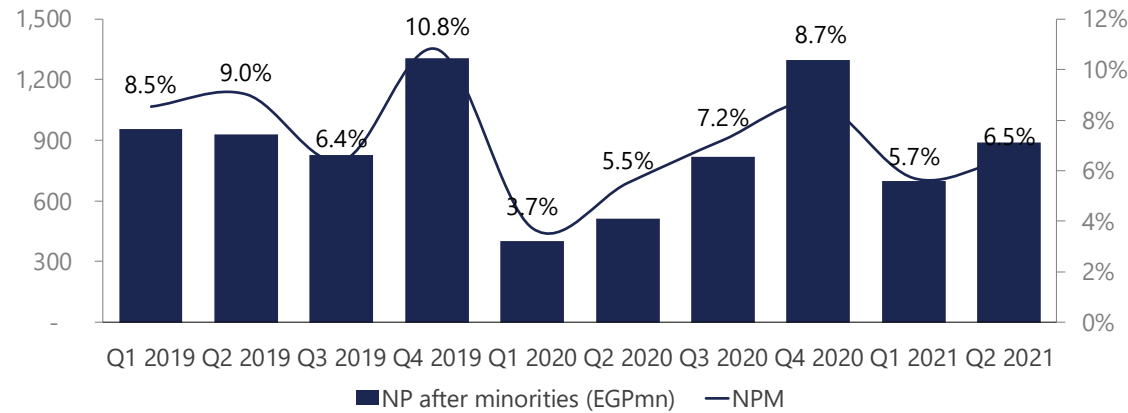
SWDY's Quarterly Turnkey Backlog (EGPbn)



SWDY's Quarterly Gross Profit



SWDY's Quarterly Net Profit



Source: Company reports, Prime Research.

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