

Price
EGP74
at close of 26 Aug 2021

Fair Value
EGP126
set on 12 Apr 2021

12M PT
EGP146 (+97%)
set on 12 Apr 2021

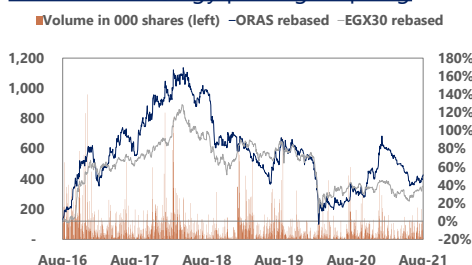
Investment Rating **Overweight** ★ ★ ★
Risk Rating **Medium** ! ! !

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Source: Bloomberg.

KEY STOCK STATISTICS

Shares outstanding (mn)	116.8
Free float	23.7%
Market Cap (EGPmn)	8,640
Market Cap (USDmn)	550
52w range	102.80-66
EGP100 invested 5y ago	151
TTM EPS	USD0.89
TTM P/E	5.3x
2021 EPS	USD0.97
2021 P/E	4.8x
2021e EV/EBITDA	2.2x
Last fiscal year's DPS	USD0.42
Dividend yield	9%
5Y beta	1.1
5Y Proj. EPS CAGR	11%

Recovery on Track Although Below Estimates Overweight and 12M PT Maintained

Recovery led by MENA: Orascom Construction's [ORAS] Q2 2021 net income after minorities jumped 143% y/y to USD23.8mn (vs. our estimates of USD29mn), driven by a strong performance across the MEA region, United States, and BESIX. Such performance was driven by an expansion in margins across all segments. MEA's net income jumped 33.5% y/y to USD22.3mn in Q2 2021, while the U.S. posted a net income of USD1.7mn compared to only USD0.2mn in Q2 2020. Meanwhile, total revenues increased by 9.7% y/y to USD868.3mn (vs. our estimates of USD826mn), driven by the strong performance of MENA which in Q2 2021 which more than offset the 18.5% y/y drop in U.S. revenues to USD259.7mn.

BESIX still incurring losses: BESIX continued to report a net loss in Q2 2021, albeit narrowing to USD0.2mn compared to a net loss of USD7.1mn in Q2 2020. BESIX managed to maintain a decent stand-alone backlog of EUR4.2bn. BESIX's management expects that the efforts invested in BESIX will pay off to record a profitable H2 2021 and achieve the turn around story they are looking for.

Strong backlog supported by healthy new awards: In H1 2021, ORAS's backlog (excluding 50% of BESIX) increased 8.5% y/y to USD5.9bn, with new awards jumping 36% y/y to USD1.8bn. New awards in Q2 2021 grew 57% y/y to USD1.1bn, contributing 63% of H1 2021. This was driven by the U.S. (mainly in data centers) which contributed 69% of Q2 2021 new awards.

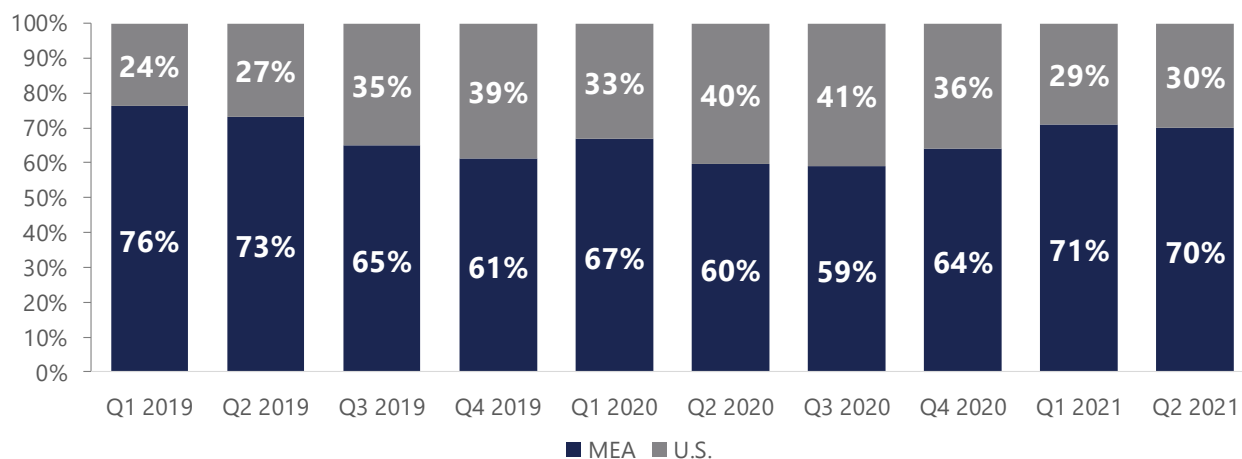
Improving margins y/y; maintaining a net cash position: EBITDA margin improved to 5.7% in Q2 2021 vs. 4.4% a year before, while net margin improved to 2.7% vs. 1.2% in Q1 2020. The margin improvement was supported by both the MEA region and the U.S. ORAS managed to have a net cash position of USD151mn at end of Q2 2021, 8% higher q/q—a healthy war chest against potential risk in view of any COVID-19-related disruptions.

Overweight and 12M PT maintained: ORAS is trading at a TTM P/E and EV/EBITDA of 5.3x and 2.2x, respectively. We maintain our 12M PT at EGP146/share (+97%) and hence our Overweight rating. We see the significant recovery in H1 2021 driven in part by the low base effect. However, we expect a stronger recovery in H2 2021 with the completion of major projects in the water sector and a return to profitability at BESIX.

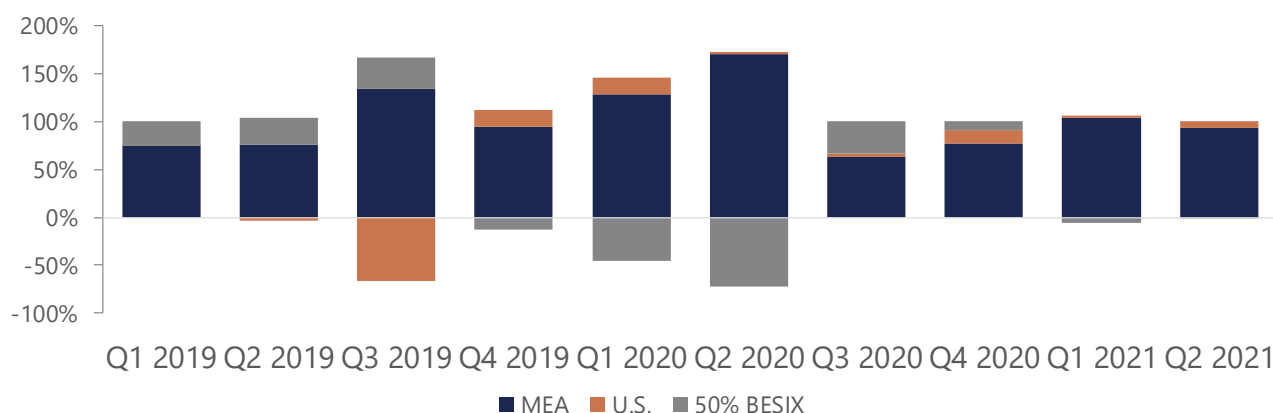


Results in charts

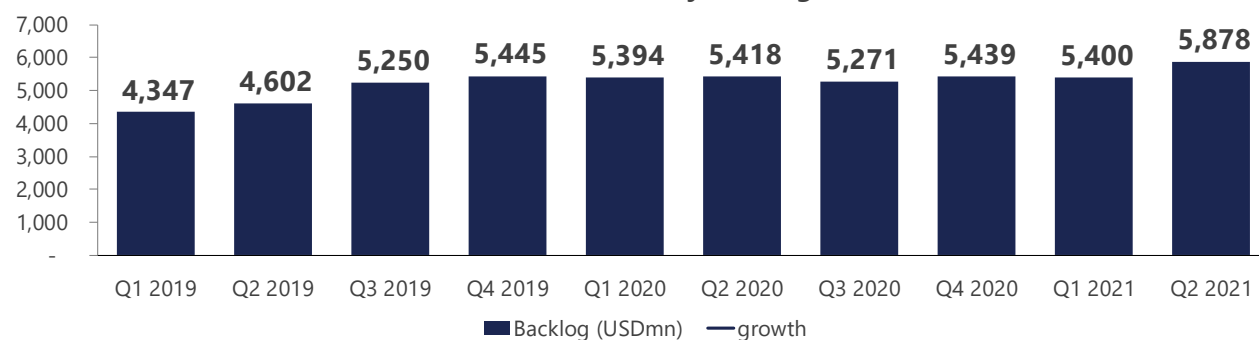
ORAS Revenue Breakdown



ORAS Net Profit Breakdown



ORAS's Quarterly Backlog



Financial Summary

USDmn	Q2 2021	Q2 2020	y/y	Q2 2021e	Variance	2021e	% achieved
Backlog (ex-50% of BESIX)	5,878	5,418	8%	na		5,273	111%
Revenues	868	791	10%	826	5%	3,321	51%
EBITDA	49	35	40%			197	51%
Net income	24	10	143%	29	-18%	113	42%

Source: Company reports, Prime Research.

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