

Orascom Investment Holding [OIH]

Impact

POSITIVE

Degree

STRONG

Monetization at Play

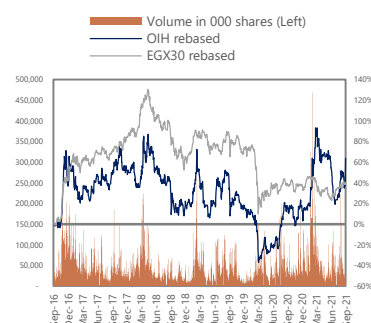
Unlocking hidden value by divesting two investments

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Source: Bloomberg, Prime Research.

KEY STOCK STATISTICS

Shares outstanding (mn)	5,246
Free float	45%
Market cap (EGPmn)	1,401
Market cap (USDmn)	89
52w range (EGP/share)	0.33-0.15
EGP100 invested 5y ago	164
TTM EPS (EGP)	(0.03)
TTM P/E	nm
2021e EPS (EGP)	na
2021e P/E	na
2021e P/B	na
Last fiscal year's DPS (EGP)	-
Dividend yield	0%
5Yr beta	1.2
3Y Proj. EPS CAGR	na

Source: Prime Research.

The Story: Yesterday, Orascom Investment Holding [OIH] released its H1 2021 that were not that positive; however, the company's [BoD resolutions released also yesterday](#) came with much more promising news that we thought would unlock some hidden value in the name. As it turns out, OIH's BoD discussed the divestment of two of their investments:

- (1) The sale of the seven floors owned by Victoire, OIH's fully-owned subsidiary in Brazil.
- (2) The sale and transfer of OIH's entire stake (51%) in Pakistan-based Trans World Associates (TWA) to Orastar Limited.

We see the two divestments unlocking hidden value in OIH's investment portfolio that can be worth as much as c.1.1x OIH's market cap at end of today.

Brazil for the win ...: As we mentioned in our [daily newsletter PRIMETIME](#) published early this morning before the trading session (9:38 AM CLT), we pointed to the intention of OIH's BoD to sell one of OIH's subsidiary's assets in Brazil for BRL426mn or the equivalent of EGP1.2bn (incidentally matching OIH's market cap at the close of yesterday)—**equivalent to EGP0.24/OIH share pretax and EGP0.21/OIH share post capital gains tax (CGT)**. This cash transaction, expected to close within 1-1.5 months, implies a 73% capital gain on the 7-floor investment, thanks in part for an FX gain since it was acquired pre-EGP flotation. Furthermore, there seems to be more to the deal than just the disclosed cash amount. We understand that OIH has a guaranteed yield on the initial cost of the 7-floor investment as part of a contract had OIH were not able to rent the seven floors. This could add further value to the windfall from the Brazil deal that we have not accounted for.

... and more cash coming from Pakistan: As for the second divestment, it was previously announced last April that OIH will sell and transfer its entire stake of 51% in Pakistan-based TWA without disclosing the amount. Yesterday, the BoD minutes revealed that TWA's enterprise value in the deal is USD96mn, implying an equity value of USD35mn for OIH's stake or some EGP550mn—**equivalent to EGP0.11/OIH share and EGP0.09/OIH share post CGT**.

Bottom line—further upside could be ahead: All in all, we see further upside to the stock price even post today's +15% price rally. This is based on our back-of-the-envelope adjusted book value on [Page 2](#). Our analysis incorporates an additional EGP993mn or EGP0.19/OIH share over and above the two investments' cost as per OIH's separate financials. **Added to OIH's separate book value of EGP0.14/share, we reach a value of EGP0.33/share (+23% upside).**



Our back-of-the-envelope valuation post the two deals

OIH

OIH's closing price (14 Sep 2021)	0.267
Number of outstanding shares	5,246
Market cap (EGPmn)	1,401

A. Victoire (Brazil)

Value of purchase (USDmn)	70
Date of purchase	Q4 2015
Investment cost (EGPmn) - a	526
Date of divestment	Q3 2021
Value of divestment (BRLmn)	426
USD/BRL exchange rate (BRL/USD)	5.25
Value of divestment (USDmn)	81
Value of divestment (EGPmn) - b	1,274
Capital gains on investment (EGPmn) (b - a)	748
Capital gains tax (EGPmn) - c	(168)
After tax proceeds (b - c)	1,106
Value per OIH/share	0.21

B. Trans World Associates (Pakistan)

Trans World Associates enterprise value (USDmn)	96
OIH's stake	51%
Investment cost (EGPmn) - d	61
TWA's debt (USDmn) (notwithstanding cash)	22
Equity value (USDmn)	74
OIH's attributable equity value (USDmn)	38
Value of divestment (EGPmn) - e	595
Capital gains on investment (EGPmn) (e - d)	534
Capital gains tax (EGPmn) - f	(120)
After tax proceeds (e - f)	475
Value per OIH/share	0.09

Total proceeds & impact on OIH (EGPmn)

OIH's book value of equity (at end of H1 2021) - g	726
Less: Book value of A and B above	(587)
Add: Deals value of A and B above, net of CGT	1,580
Additional value from the two deals - h	993
Adjusted book value (g + h)	1,720
Adjusted book value per share	0.328
OIH's closing price (14 Sep 2021)	0.267
Upside	23%

Source: Prime Research.

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