

IPO Price  
EGP13.98/shareImplied Market Cap  
EGP22.4bn (pre capital increase)  
EGP24.9bn (post capital increase)Investment Rating Not Rated ★ ★ ★  
Risk Rating Not Rated ! ! !

## An Eye-Opening IPO

Appreciate a newcomer to the EGX fintech space

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**The long-awaited IPO:** On 19 September 2021, e-finance [EFIH], the largest state-owned e-payment company, announced its intention to float on the Egyptian Exchange (EGX). The offering, which represents 23.5% of EFIH (post capital increase), is expected to consist of 177.8mn in primary shares and 240mn in secondary shares. Set yesterday, the initial public offering's (IPO) price of EGP13.98/share implies a market cap of EGP24.9bn post a capital increase of EGP2.5bn, which is 6% below that of Fawry [FWRY], its only EGX-listed peer. In assessing EFIH's share value, we cannot overlook FWRY which has been receiving increasing investor attention since the COVID-19 outbreak, pushing its share to surge 330% in 2020 and 334% since its debut in the market in August 2019.

**But first, what does e-finance do exactly?** EFIH was founded in 2005 for operating and digitalizing the Egyptian government's financial network. Today, EFIH is the sole entity authorized to process and settle government payment and collection transactions. EFIH, which processes c. EGP2.1tn of government transactions also invests in a diversified portfolio of digitalization companies. It owns five subsidiaries, namely: (1) **e-finance for Digital Operations**, a government digital payment provider; (2) **e-Cards**, an integrated smart solutions provider; (3) **Khales**, a retail digital payment platform (billing aggregator); (4) **e-aswaaq**, an e-commerce platform; and (5) **e-nable**, a contact center company.

**e-finance in numbers:** During the 2018-2020 period, EFIH's revenues grew from EGP733mn to EGP1,232mn, implying a 2-year CAGR of 30%. In 2020, EFIH hit a GPM of 47% and a gross profit of EGP582mn. Also, EBIT grew at a 2-year CAGR (2018-2020) of 36% to EGP414mn. Over the same period, the bottom line grew at a CAGR of 42% to EGP354mn, and NPM hit 29%. EFIH maintained a healthy balance sheet with a debt-free capital structure. At end of H1 2021, net cash balance reached EGP431mn. EFIH's ROAE hit 30% in 2019, 31% in 2020, and an annualized 44% in H1 2021. Operationally, EFIH showed a strong presence in the market during H1 2021 with the number of its POS machines reaching 326,000 (vs. FWRY's 232,600) and throughput of EGP1.05tn (vs. FWRY's EGP55bn).

**A planned capital increase:** On 15 September 2021, EFIH's extraordinary general assembly decided to increase the company's capital via a cash injection as part of the IPO process by issuing 177.8mn new shares and allocating these primary shares to the selling shareholders in the secondary offering pro rata. Following the IPO and the capital increase, the shareholder structure will be as depicted on [Page 6](#), ultimately offering 23.5% of the company's outstanding shares post capital increase.

### Figure 1: IPO details

<b>Shares o/s</b>	
Pre capital increase	1,600mn
Post capital increase	1,778mn
<b>Offered stake</b>	<b>23.5%</b>
<b>Offered shares</b>	<b>418mn shares</b>
Institutional offering	392.0mn shares (94%)
Retail offering	25.8mn shares (6%)
<b>IPO size</b>	<b>EGP5.8bn</b> <b>USD372mn</b>
<b>Stabilization Fund</b>	<b>6% of gross proceeds</b> <b>30 days after trading</b>
IFA Valuation	EGP13.98/share

Source: IPO Prospectus.

### Figure 2: IPO timeline

Event	Date
Retail subscription opens	Sun, 10-Oct-21
Allocation & price announcement	Tues, 12-Oct-21
<b>Retail subscription closes</b>	<b>Sun, 17-Oct-21</b>
Execution on EGX	Mon, 18-Oct-21
Settlement	Wed, 20-Oct-21
First day of trading	Wed, 20-Oct-21

Source: IPO Prospectus, company disclosures.



**IFA valuation assumptions:** The independent financial advisor (IFA) assigned EFIH a fair value of EGP13.98/share or an equity value of EGP22.4bn pre capital increase, based on a discounted cash flow (DCF) model (EGP20.7bn at a 70% weight) and price multiples (EGP26.3bn at a 30% weight). The IFA assumed that EBIT will grow at a 5-year CAGR (2020-2025) of 73% to EGP6.3bn by 2025, resulting in an enterprise value of EGP20.2bn before accounting for EGP2.1bn worth of investments in four companies, net cash of EGP633mn, and net other liabilities. The IFA applied a 10% minority discount to the resulting equity value of EGP23.0bn, down to EGP20.7bn.

**Head to head with FWRY:** In our [PRIMEtime report, "Priced to Succeed"](#) published on 3 October 2021, we saw EFIH having an edge over FWRY, drawing on its operational and financial KPIs as well as implied multiples (today and at time of IPO). Based on EFIH's IPO price of EGP13.98/share and a number of outstanding shares of 1,778mn post capital increase, we note the following:

- **EFIH's market cap of EGP24.9bn** is 444% higher than FWRY's EGP4.6bn at IPO debut and 6% below FWRY's current market cap of EGP26.3bn.
- **EFIH's implied TTM P/E of 51.8x** is at a 30% discount to FWRY's IPO TTM P/E of 73.7x and a 55% discount to FWRY's TTM P/E of 114.9x.
- **EFIH's implied forward P/E of 45x** is at a 4% premium to FWRY's IPO forward P/E of 43.1x and a 49% discount to FWRY's forward P/E of 88.9x.

These figures only reveal how investors may be mispricing the only e-payment company on the EGX. Now, with EFIH's IPO on the table, the exposure to the industry is a notch wider, which could prompt investors to reevaluate and open their eyes to more investment options.

**Figure 3: Comparison between e-finance [EFIH] & Fawry [FWRY]**

IPO KPIs	EFIH (@ IPO)	FWRY (@ IPO)	EFIH/FWRY (@ IPO)	FWRY	EFIH/FWRY
IPO price	13.98	6.46		15.41	
NOS (mn)	1,778	707		1,707	
<b>Market cap (EGPmn)</b>	<b>24,853</b>	<b>4,569</b>	<b>444%</b>	<b>26,310</b>	<b>-6%</b>
Offered stake	23.5%	36.0%			
IPO shares (mn)	418	255			
<b>IPO size (EGPmn)</b>	<b>5,841</b>	<b>1,645</b>	<b>255%</b>		
<b>IPO size (USDmn)</b>	<b>372</b>	<b>105</b>	<b>255%</b>		

1-year forward earnings	2021	2019	EFIH/FWRY (@ IPO)	2021*	EFIH/FWRY
EGPmn	552	106	421%	296	86%
EPS (EGP)	0.31	0.15	107%	0.17	79%
<b>Implied P/E</b>	<b>45.0x</b>	<b>43.1x</b>	<b>4%</b>	<b>88.9x</b>	<b>-49%</b>

TTM earnings	Q2 2021	Q1 2019	EFIH/FWRY (@ IPO)	Q2 2021	EFIH/FWRY
EGPmn	480	62	674%	229	110%
EPS (EGP)	0.27	0.09	208%	0.13	101%
<b>Implied P/E</b>	<b>51.8x</b>	<b>73.7x</b>	<b>-30%</b>	<b>114.9x</b>	<b>-55%</b>

\* Based on Bloomberg consensus estimates.  
Source: Companies reports, Prime Research.  
FWRY price as of 12 October 2021.



**Relative valuation:** We compared EFIH's multiples against those of FWRY and of peers in other developing markets. Also, we examined EFIH's peers in developed markets for more visibility on the industry multiples. At the IPO price, EFIH's TTM EV/EBITDA stands at 34.3x, implying a discount of 48% to FWRY and a 21% premium to peers in the developing countries. EFIH's TTM P/E of 51.8x represents a discount of 55% to FWRY and 17% to peers in other developing countries. In these terms, EFIH looks cheap at its IPO price relative to FWRY, the only e-payment company listed on the EGX today, as well as in comparison with cross-border peers in terms of TTM P/E.

**Conclusion:** If we look at EFIH's implied valuation from the eyes of developing markets peers with an average TTM P/E of 62.5x (please refer to Figure 4), EFIH share price could fetch EGP16.9/share. This suggests a 21% upside to EFIH's IPO price of EGP13.98/share.

**Figure 4: Relative multiples (DM, EM, & Egypt peers)**

Company	Country	Mkt Cap (USDmn)	TTM EV/EBITDA	TTM P/E	TTM P/B	TTM P/S
<b>Developed</b>						
Paypoint Plc	Britain	630	14.1x	30.5x	11.7x	3.6x
Visa	USA	491,167	26.7x	44.8x	12.5x	19.2x
Paypal Holdings	USA	299,087	56.3x	77.1x	14.3x	12.5x
Mastercard	USA	341,819	40.4x	50.0x	53.1x	20.7x
Adyen	Netherlands	85,036	137.2x	189.3x	51.2x	15.8x
Worldline	France	21,294	32.6x	74.5x	1.9x	4.2x
<b>Average Developed</b>		<b>206,506</b>	<b>51.2x</b>	<b>77.7x</b>	<b>24.1x</b>	<b>12.7x</b>
<b>Developing</b>						
Network International Holding	UAE	2,421	25.1x	110.5x	4.7x	7.7x
Hightech Payment Systems	Morocco	535	31.1x	67.7x	9.9x	6.7x
Pagseguro Digital	Brazil	11,322	42.2x	52.5x	6.3x	7.6x
Managepay Systems	Malaysia	47	na	na	2.8x	12.7x
Lakala Payment	China	3,114	15.3x	19.2x	4.6x	3.2x
<b>Average Developing</b>		<b>3,488</b>	<b>28.4x</b>	<b>62.5x</b>	<b>5.6x</b>	<b>7.6x</b>
<b>Egypt</b>						
Fawry	Egypt	1,676	66.0x	114.9x	21.0x	18.4x
<b>e-finance</b>	<b>Egypt</b>	<b>1,583</b>	<b>34.3x</b>	<b>51.8x</b>	<b>19.5x</b>	<b>15.2x</b>

**Figure 5: Relative multiples (EFIH vs. FWRY & EM peers)**

Valuation TTM	EFIH	FWRY	Premium/(Discount)	EM* Peers	Premium/(Discount)
EV/EBITDA	34.3x	66.0x	-48%	28.4x	21%
<b>P/E</b>	<b>51.8x</b>	<b>114.9x</b>	<b>-55%</b>	<b>62.5x</b>	<b>-17%</b>
P/B	19.5x	21.0x	-7%	5.6x	246%
P/S	15.2x	18.4x	-18%	7.6x	101%

\* Emerging Markets.

Source: Bloomberg, Prime Research.



Figure 6: Financials &amp; KPIs

Income Statement (EGPmn)	2018a	2019a	2020a	2-Year CAGR
<b>Operating revenues</b>	733	984	1,232	<b>30%</b>
Cost of sales	(422)	(544)	(650)	24%
<b>Gross Profit</b>	<b>311</b>	<b>440</b>	<b>582</b>	<b>37%</b>
GPM	42%	45%	47%	
<b>EBIT</b>	<b>222</b>	<b>309</b>	<b>414</b>	<b>36%</b>
EBIT margin	30%	31%	34%	
<b>Net profits before minorities</b>	<b>176</b>	<b>271</b>	<b>352</b>	<b>41%</b>
<b>Net profits net of minorities</b>	<b>176</b>	<b>271</b>	<b>354</b>	<b>42%</b>
NPM	24%	28%	29%	

Balance Sheet (EGPmn)	2018a	2019a	2020a
<b>Current Assets</b>			
Clients & other debit balances	577	665	780
Cash and cash equivalents	172	612	633
Other current assets	111	56	59
<b>Total Current Assets</b>	<b>859</b>	<b>1,333</b>	<b>1,472</b>
<b>Non-Current Assets</b>			
Fixed assets	164	169	199
Other non-current assets	63	161	287
<b>Total Non-Current Assets</b>	<b>227</b>	<b>329</b>	<b>486</b>
<b>Total Assets</b>	<b>1,086</b>	<b>1,662</b>	<b>1,958</b>
<b>Current Liabilities</b>			
Suppliers & other credit balances	255	334	355
Income tax payable	33	53	85
Other current liabilities	10	10	33
<b>Total Current Liabilities</b>	<b>299</b>	<b>397</b>	<b>473</b>
<b>Non-Current Liabilities</b>			
Employee benefits liabilities	98	127	148
Lease liabilities			73
<b>Total Non-Current Liabilities</b>	<b>98</b>	<b>127</b>	<b>221</b>
<b>Equity</b>			
Paid-in capital	500	800	800
Retained earnings	175	262	338
Legal reserve	14	47	65
Non-controlling interests	-	29	61
<b>Total Equity</b>	<b>689</b>	<b>1,139</b>	<b>1,264</b>

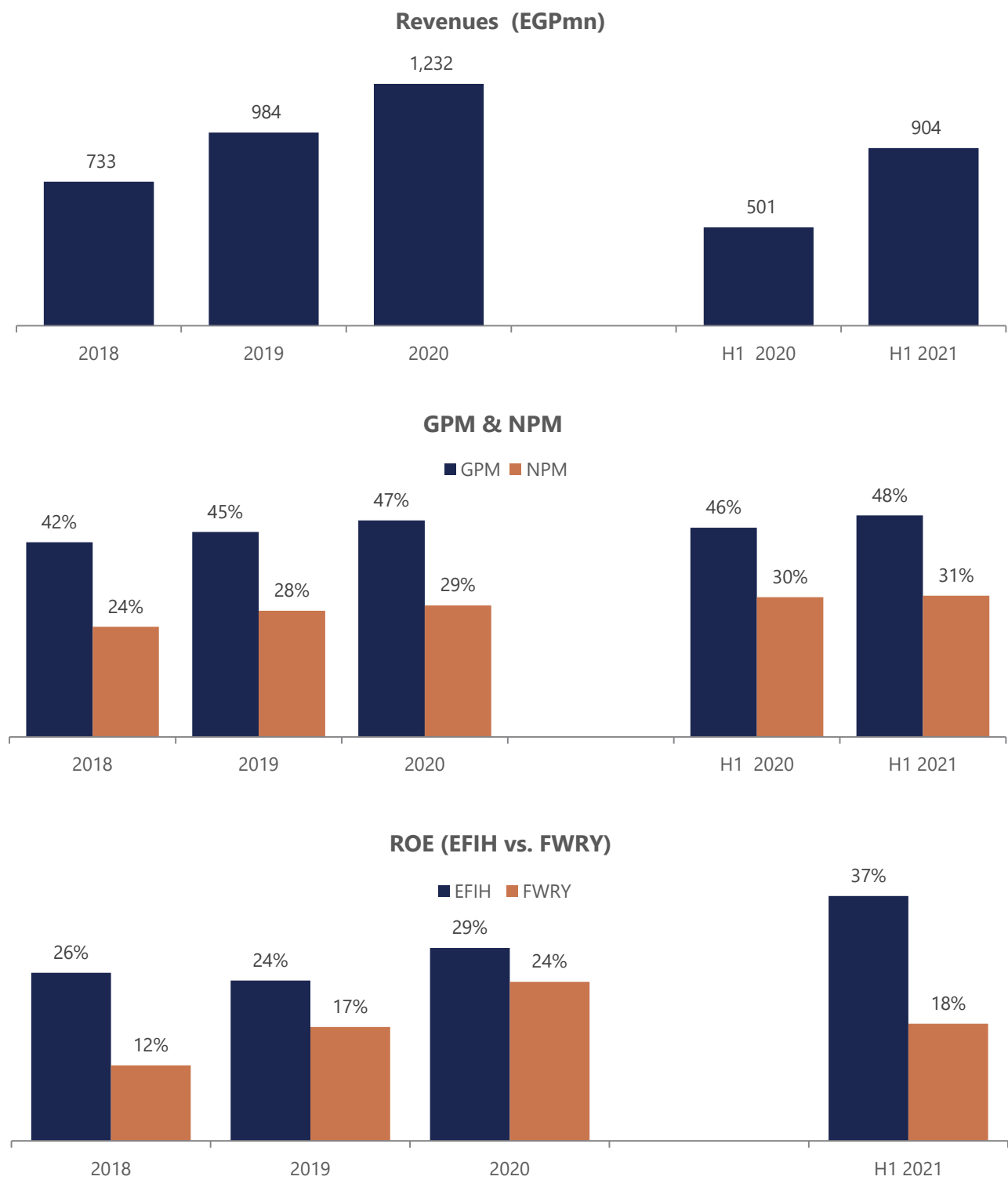
  

Key Performance Indicators (KPIs)	EFIH	FWRY
<b>Operational KPIs (based on H1 2021 figures)</b>		
Number of POS (000)	326	233
Throughput (EGPbn)	1,050	54.5
<b>Financial KPIs</b>		
2-year revenues CAGR (2018-2020)	30%	42%
2-year net profit CAGR (2018-2020)	42%	81%
GPM, average 3 years (2018-2020)	45%	51%
SG&A to sales ratio, average 3 years (2018-2020)	-13%	-36%
NPM, average 3 years (2018-2020)	27%	12%
ROE (TTM)	37%	18%

Note: Financial year ends 31 Dec.  
Source: Company reports, Prime Research.



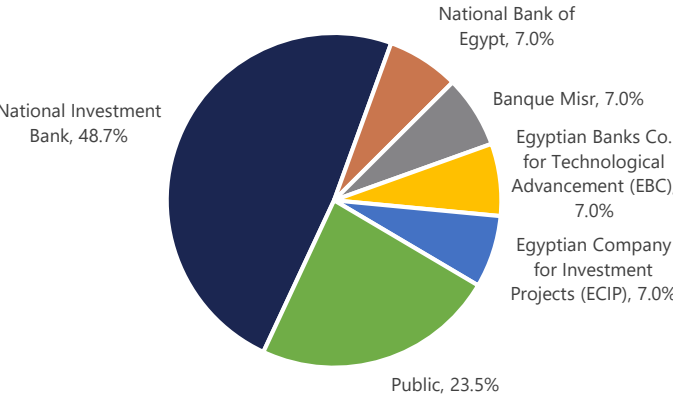
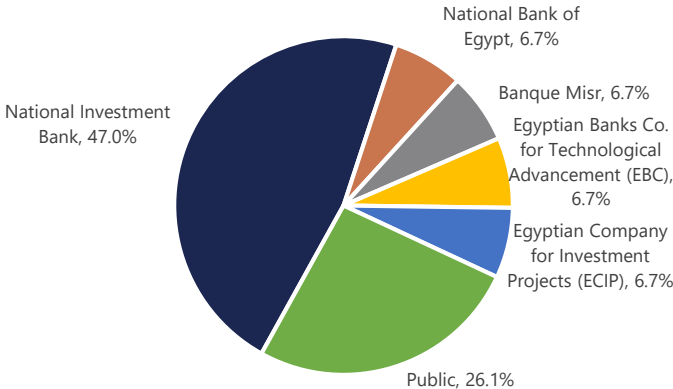
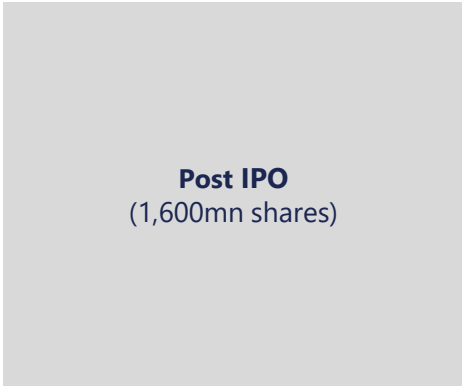
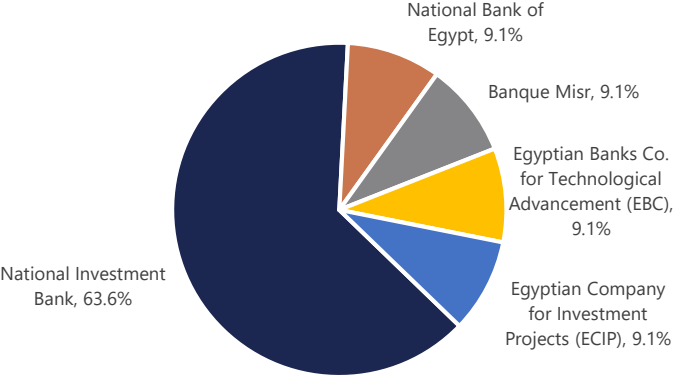
Figure 7: e-finance in charts



Source: Company reports, Prime Research.



Figure 8: Shareholder structure



Source: IPO Prospectus, company disclosures.

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