

Price
EGP27.95
at close of 7 Nov 2021

Fair Value
EGP36.3
set on 13 Apr 2021

12M PT
EGP33 (+18%)
set on 13 Apr 2021

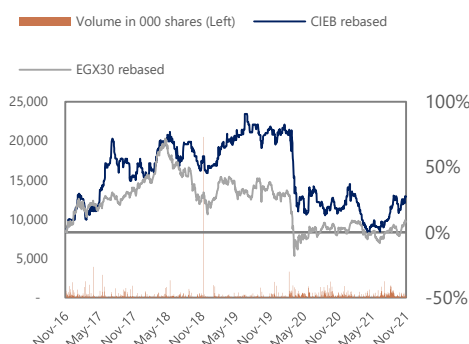
Investment Rating **Overweight** ★ ★ ★
Risk Rating **Medium** ! ! !

Shihab M. Helmy

Senior Equity Analyst

T +202 3300 5723

smohammed@egy.primegroup.org



Source: Bloomberg.

Key Stock Statistics

Shares outstanding (mn)	310.9
Free float	40%
Market cap (mn)	EGP8,690
Market cap (mn)	USD553
52w range (EGP/share)	30.45-21.05
EGP100 invested 5y ago	EGP127
TTM EPS	EGP4.8
TTM P/E	5.8x
P/BV	1.0x
2021e EPS	EGP5.20
2021e P/E	5.4x
2021e P/B	1.0x
Last fiscal year's DPS	EGP0.0
Dividend yield	0.0%
5Yr beta	0.95
5Y Proj. EPS CAGR	9.1%

Earnings Recover on Lower Provisions

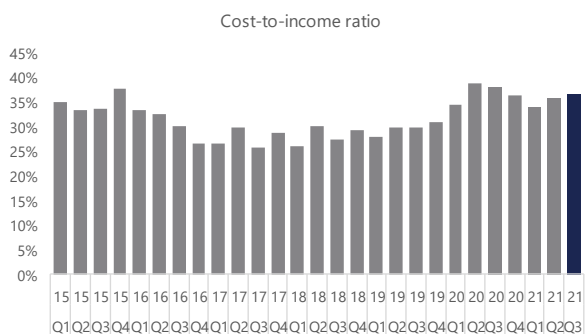
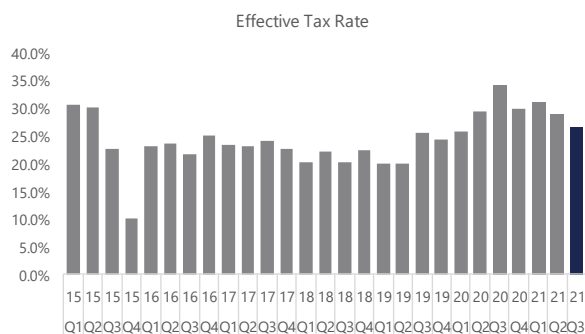
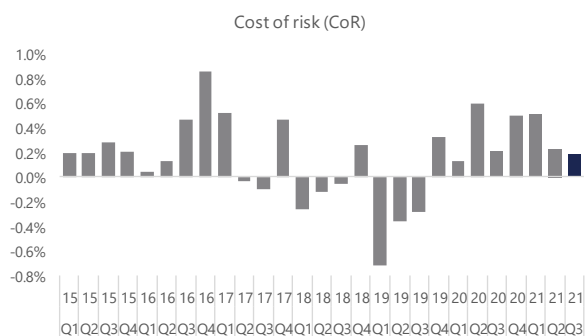
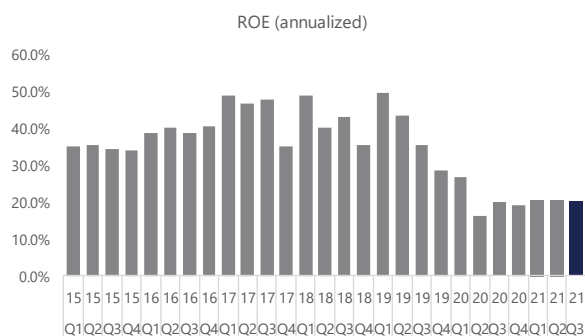
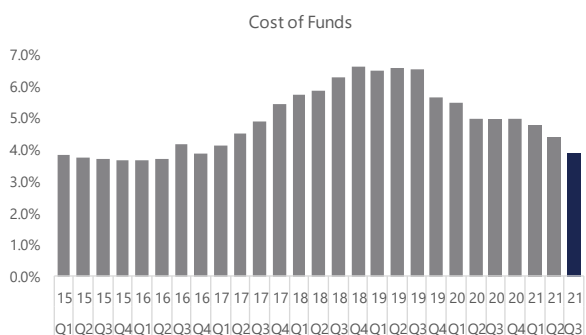
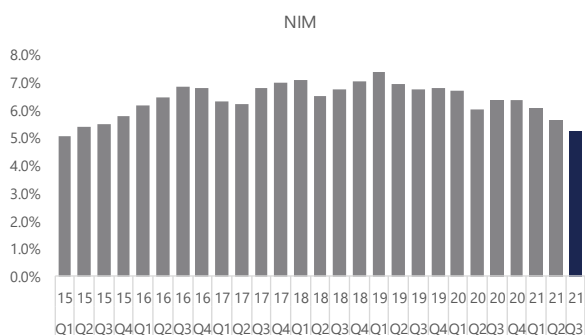
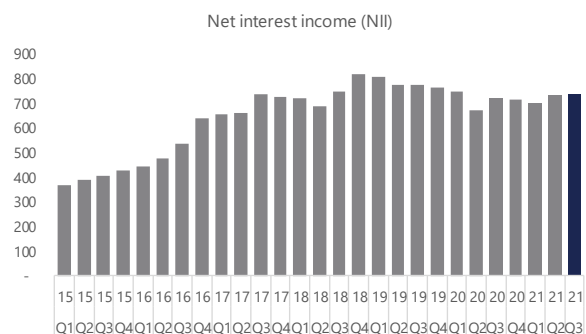
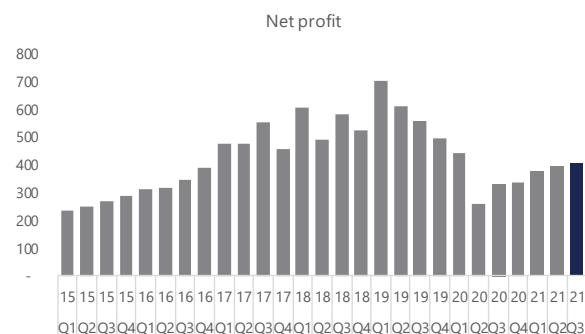
Overweight and 12M PT maintained

Q3 earnings saved by lower provisions build-up: Crédit Agricole Egypt's (CAE) [CIEB] Q3 2021 stand-alone net profit inched up 2.9% q/q to EGP403mn (+13.2% y/y in 9M 2021) after booking less provisions of EGP51mn in Q3 2021 (-16.7% q/q, -1% y/y in 9M 2021). This came along with higher net interest income (NII) of EGP735mn in Q3 2021 (+0.4% q/q, +1.4% y/y in 9M 2021) despite a lower net fees and commissions income of EGP129mn (-9.6% q/q, Q3 2021: +15.8% y/y). Q3 2021 earnings came in 7% lower than our estimates of EGP432mn, despite higher NII (+4% variance vs. our estimate of EGP707mn) and lower provisions (-24% variance vs. our estimate of EGP67mn).

NIM narrows; ROAE normalizing: Net interest margin (NIM) fell to 5.6% in 9M 2021 (-68bps y/y) despite a 47bps lower cost of funds of 5.0%. ROAE slipped to 20.3% (-16bps y/y) on the back of lower financial leverage and despite a lower effective tax rate and a stable cost of risk.

Net loans recovered, but asset quality slipped slightly: Total assets grew 10.2% ytd to EGP57bn by end of Q3 2021 as net lending recovered by 10.1% ytd to EGP28bn. With deposits growing 9.7% ytd to EGP45.3bn, gross loans-to-deposits ratio stabilized at 65.4%. Asset quality, however, slipped slightly in view of a 30bps higher non-performing loans (NPL) ratio of 3.4%. However, the bank is leaning on a high provision coverage ratio of 148%.

Overweight and 12M PT maintained: CIEB is currently trading at a TTM P/E of 5.8x and P/BV of 1.06x. Against the backdrop of Q3 2021 results, which came slightly lower than our expectations, we are still counting on the bank to overcome the repercussions of COVID-19, particularly in terms of lending recovery and asset quality, to achieve our expected net profit of EGP1.6bn by end of 2021. Thus, we maintain our 12-month price target (12M PT) at EGP33/share, implying an upside potential of 18%. Hence, we maintain our Overweight rating.


FINANCIAL KPIs (figures in EGPmn, unless otherwise noted)




OPERATIONAL KPIs (figures in EGPmn, unless otherwise noted)



Source: Bank reports, Prime Research.

Prime Securities

Shawkat El Maraghy

Managing Director

T +202 3300 5622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

AAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

T +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 5110

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

 Regulated by FRA License No. 179.
 Member of the Egyptian Exchange.

 2 Wadi Elnil St, Liberty Tower, 7th Fl.
 Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

Branches

Heliopolis

7 Elhegaz Square

Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

Alexandria

7 Albert Al Awal St.

Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

Website

www.primeholdingco.com

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