

Price
EGP52.88
at close of 11 Nov 2021

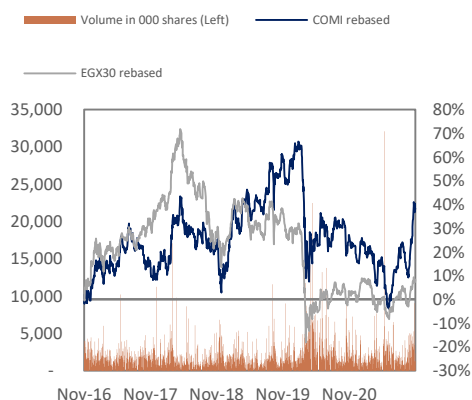
Fair Value
EGP70.5
set on 6 Oct 2020

12M PT
EGP62.0 (+17%)
set on 25 Oct 2020

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)	1,970
Free float	76%
Market cap (mn)	EGP104,18
Market cap (mn)	USD6,628
52w range (EGP/share)	54.15-36.53
EGP100 invested 5y ago	EGP109
TTM EPS	EGP6.50
TTM P/E	8.1x
P/BV	1.7x
2021e EPS	EGP7.05
2021e P/E	7.5x
2021e P/B	1.6x
Last fiscal year's DPS	EGP0.0
Dividend yield	0.0%
5Yr beta	1.0
3Y Proj. EPS CAGR	27%

Elegant Earnings Growth on All Fronts

Overweight and 12M PT maintained

Quarterly earnings at an all-time high, thanks to core-banking income and non-operating income: Q3 2021 separate net profits grew 19% q/q to EGP3.8bn—an all time-high (+34% y/y to EGP9.9bn in 9M 2021). This was a result of higher net interest income (NII) of EGP6.4bn (+7% q/q, -4% y/y to EGP18bn in 9M 2021), in addition to higher non-operating income of EGP33mn in Q3 2021 vs. non-operating losses of EGP277mn in Q2 2021. Furthermore, provisions build-up cooled down by 3% q/q to EGP307mn in Q3 2021 (-66% y/y to EGP1.3bn in 9M 2021). The bank's strong earnings growth was further complemented by higher net fees and commissions income of EGP654mn (+9% q/q, +32% y/y to EGP1.8bn in 9M 2021) as well as a lower effective tax rate of 28.5% (-1.8ppts q/q, -5.7ppts y/y to 29.4% in 9M 2021).

NIM slipped, but ROAE improved: Net interest margin (NIM) retreated 128bps y/y to 5.9% in 9M 2021. Meanwhile, from a quarterly perspective, NIM stabilized due to a stable cost of funds of 5.1%. Furthermore, ROAE widened to 21.8% in 9M 2021, thanks to a lower cost of risk (-272bps y/y) and a subdued effective tax rate. We note that ROAE improved despite a slightly lower equity multiplier of 7.5x in Q3 2021 vs. 7.7x in Q3 2020. In turn, a lower equity multiplier points to a robust Capital Adequacy Ratio (CAR) of 32%.

Balance sheet growth driven by high lending and T-bills growth with a slight recovery in asset quality:

Total assets grew 15.3% ytd (+5.1% q/q) to EGP491bn in Q3 2021. This was driven by a 17.0% ytd growth in net lending to EGP139.1bn (+6.6% q/q), while T-bills jumped 66% ytd to EGP65.7bn (+12% q/q). Moreover, Treasuries amounted to EGP232bn, representing 47% of total assets vs. 41% in 2020. Meanwhile, deposits grew 18.5% ytd to EGP403bn (+4.7% q/q). Hence, the gross loans-to-deposits ratio slipped from 39.7% in 2020 to 39.0% in Q3 2021. Asset quality improved slightly on a quarterly basis, as evidenced by a lower non-performing loans ratio (NPL) of 5.4% (-26bps q/q, +113bps ytd) but still leaning on a comfortable higher provision coverage ratio of 206%.

Overweight and 12M PT maintained: In our opinion, the bank should be able to meet our full-year 2021 earnings estimates of EGP14bn, including EGP1.8bn in provisions. Meanwhile, COMI is currently traded at a forward P/E of 7.5x and a forward P/BV of 1.6x. We maintain our 12-month price target (12M PT) for the name at EGP62/share (+17%).



FINANCIAL KPIs (figures in EGPmn, unless otherwise noted)



Source: Bank reports, Prime Research.



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

AAAlaa@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 8130

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

Disclaimer

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2021, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.