

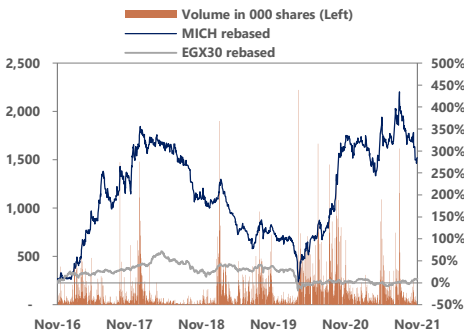
Market Price  
**EGP9.19**  
at close of 11 Nov 2021

Fair Value  
**EGP11.9**  
set on 14 Nov 2021

12M PT  
**EGP13.9** (+51%)  
set on 14 Nov 2021

Investment Rating **Overweight** ★ ★ ★  
Risk Rating **High** ! ! !

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Source: Bloomberg.

### Key Stock Statistics

Shares outstanding (mn)	73
Free float	23%
Market cap (mn)	EGP672
Enterprise value (mn)	EGP389
52w range (EGP/share)	EGP14.35-4.98
EGP100 invested 5y ago	EGP385
TTM EPS	EGP1.93
TTM P/E	4.8x
2021/22e EPS	EGP1.37
2021/22e P/E	6.7x
Last fiscal year's DPS	EGP1.00
Dividend yield	11%
5Yr beta	0.9
5Y Proj. EPS CAGR	-1.5%

## A Healthy Kick-off to a Promising Year

Upgrade to Overweight on recent price drop

**Astonishing sequential earnings recovery:** Misr Chemical Industries' [MICH] earnings performance in Q1 2021/22 was a remarkable job, as MICH achieved a bottom line of EGP50mn vs. EGP42mn a year earlier (+20% y/y, +96% q/q). The main drivers behind the strong earnings performance are a solid top line of EGP139mn (+9% y/y, +11% q/q), coupled with robust margins; GPM came in at 53% vs. 44% in Q4 2020/21. Revenues came broadly in line with our estimates of EGP140mn (-1.0% vs. PRe), while the bottom line came slightly ahead of our estimates of EGP47mn (+6% vs. PRe).

### Strong earnings boosting the balance sheet in Q1 2021/22:

MICH's balance sheet exhibited a strong accumulation of cash balance (adjusted for recent cash dividend) which corresponds to 42% of total current market cap, thanks to light working capital needs. During Q1 2021/22, working capital as a percentage of revenues stabilized at 8% vs. a median of 9% since 2018/19 on a quarterly basis.

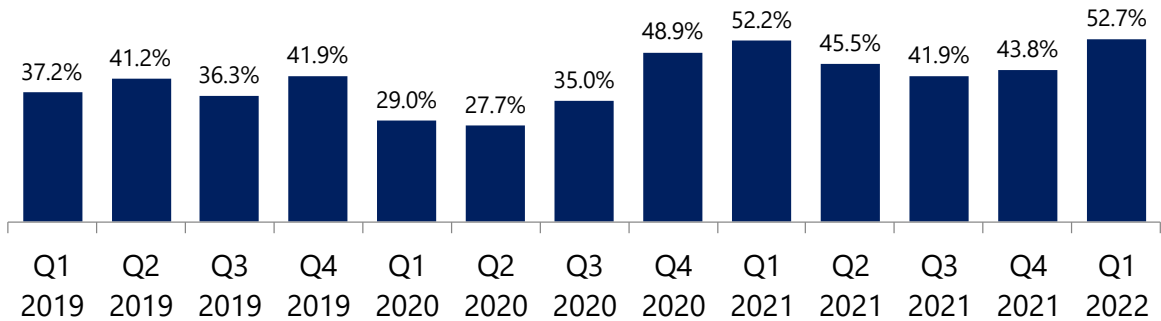
**Global factors gifted MICH a remarkable quarter:** Selling prices for MICH were in a good shape in Q1 2021/22 due to supply tightness of chlorine and caustic soda in the U.S. amid robust demand. The situation of disrupted supply got amplified by the fallout of hurricane Ida and the woes of this year's flooding in Germany, causing a number of capacity outages. Furthermore, the limit of industrial usage of electricity in China further kept the Asian output subdued. As a result, this led to notably higher prices of both of the Electrochemical Unit (ECU) components globally. The quarter also featured strong utilization rates for MICH, the highest since the factory revamp back in 2017, according to management. Over the long run, news about increasing Egypt's water desalination capacity, besides allowing the private sector to take part should serve as a main long-term catalyst for MICH.

**Upgrade to Overweight; 12M PT maintained post recent balance sheet data:** MICH is currently traded at 2021/22e P/E of 6.7x and EV/EBITDA of 2.9x. In view of Q1 2021/22 results, we upgrade our rating from Neutral to Overweight or the recent stock price drop. We update our 12M PT to reflect the recent dividend payout, as well as the most recent net cash position recorded on Q1 2021/22 balance sheet. Incidentally, our 12M PT remains the same at EGP13.9/share, offering a 51% upside to Thursday's closing price.

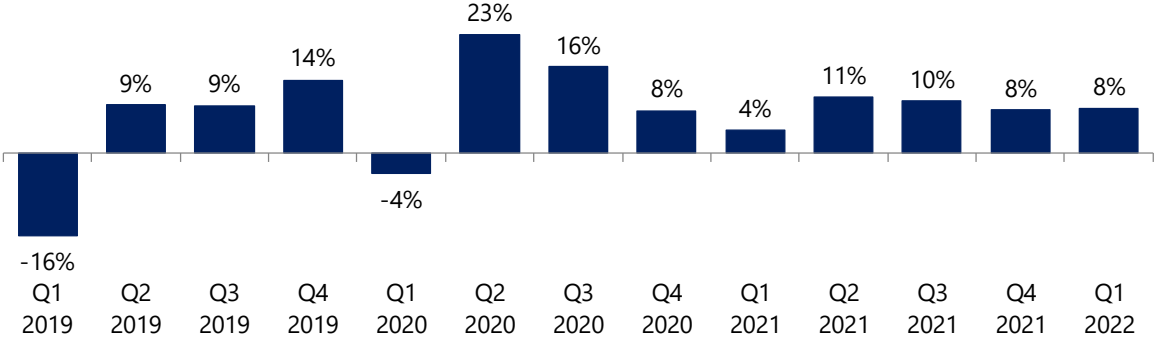


FINANCIAL KPIs (figures in EGPmn, unless otherwise noted)

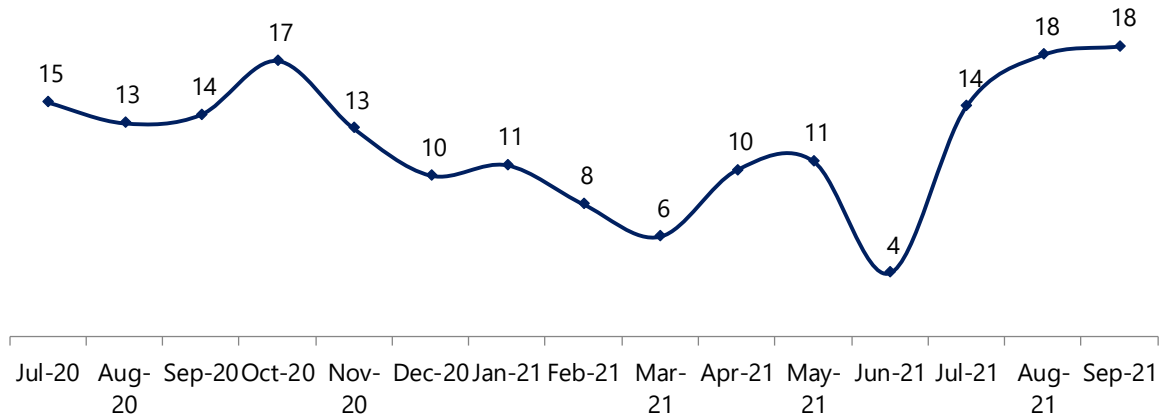
GPM



Working Capital as % of Annualized Revenues



Monthly Net Income (EGPmn)



Source: Company financials, Prime Research.

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