

**Price**  
**EGP69.74**  
at close of 16 Nov 2021

**Fair Value**  
**EGP126**  
set on 12 Apr 2021

**12M PT**  
**EGP146** (+109%)  
set on 12 Apr 2021

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

## BESIX – Back on Track Again

Overweight and 12M PT Maintained

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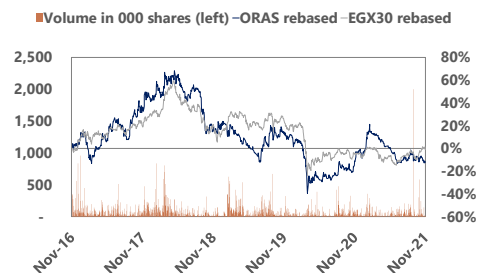
**Steady growth:** Orascom Construction's [ORAS] Q3 2021 net income after minorities decreased by 6% y/y to USD28.4mn but was still ahead of our estimates. While the picture may look weaker on a y/y basis, sequential growth was driven by the recovery in BESIX. Also, we note that Q3 2020 was a strong base, the highest profitable quarter in 2020. On an annual basis, however, net profit was negatively affected by a lower MEA net income of USD16.1mn (-15% y/y, 57% of total) in Q3 2021 and a lower BESIX attributable net income of USD6.5mn (-35% y/y, 23% of total). On the other hand, the U.S. posted a net income of USD5.8mn (+346% y/y, 20% of total) vs. only USD1.3mn in Q3 2020. Meanwhile, total revenues grew 4% y/y to USD858mn in Q3 2021 (+8% vs. PRe of USD792mn), driven by the strong performance of MEA (+20% y/y, which more than offset the 20% y/y drop in U.S. revenues to USD270.5mn.

**BESIX – finally profitable:** It seems like the turnaround story is finally here; BESIX is profitable for the first time this year in Q3 2021, recording an attributable net income of USD6.5mn (vs. an attributable net loss of USD0.2mn in Q2 2021), recording USD4.9mn in 9M 2021. Thus, BESIX will likely end 2021 profitable. BESIX managed to increase its stand-alone backlog to EUR4.9bn (+17% y/y) and triple its new awards y/y to EUR1.3bn in Q3 2021.

**Strong backlog supported by healthy new awards:** By end of September 2021, ORAS's backlog (excluding 50% of BESIX) increased 14% y/y to USD6bn, with new awards jumping 38% y/y to USD2.8bn. New awards in Q3 2021 alone grew 43% y/y to USD962mn. This was driven by MEA (mainly in the railways and roads sector), contributing 66% of the quarter's new awards.

**A changing trend?** Q3 2021 marks the MEA region's lowest contribution to net income since the start of 2019. It was also the lowest in absolute terms. On the other hand, the U.S. net income contribution to total net income increased, in line with ORAS's management target.

**Overweight and 12M PT maintained:** We appreciate the recovery seen in BESIX in Q3 2021 and the decent growth in U.S. net income. We also note that ORAS continues to boast a net cash position (USD145mn at end of Q3 2021). Meanwhile, ORAS is trading at a TTM P/E of 5.1x and an EV/EBITDA 2.2x. Thus, we maintain our 12M PT at EGP146/share (+109%) and hence our Overweight rating.



Source: Bloomberg.

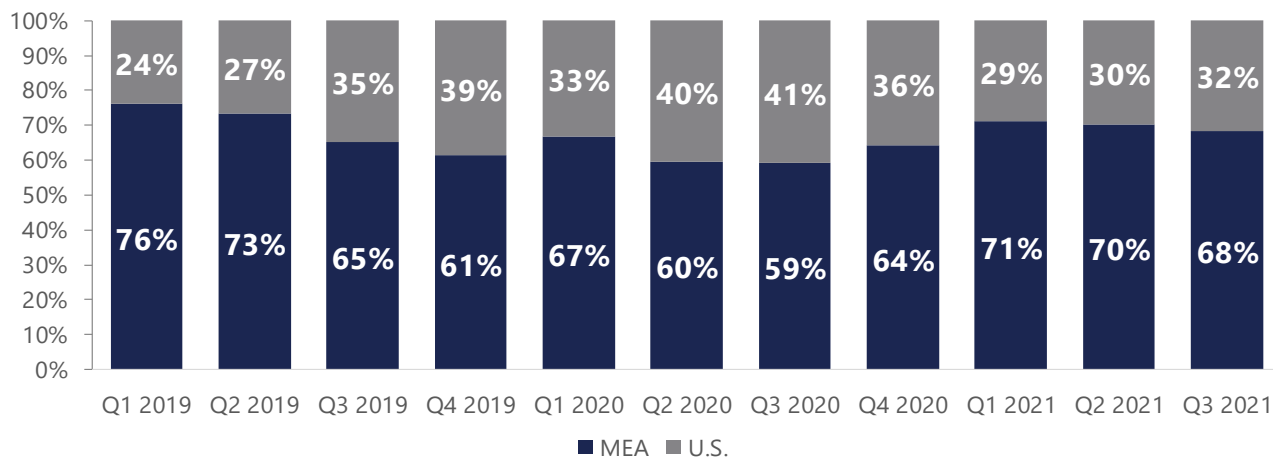
### KEY STOCK STATISTICS

Shares outstanding (mn)	116.8
Free float	23.7%
Market Cap (EGPmn)	8,143
Market Cap (USDmn)	519
52w range	102.80-68.19
EGP100 invested 5y ago	151
TTM EPS	USD0.87
TTM P/E	5.1x
2021 EPS	USD0.97
2021 P/E	4.6x
2021e EV/EBITDA	2.1x
Last fiscal year's DPS	USD0.42
Dividend yield	5%
5Y beta	1.1
5Y Proj. EPS CAGR	11%

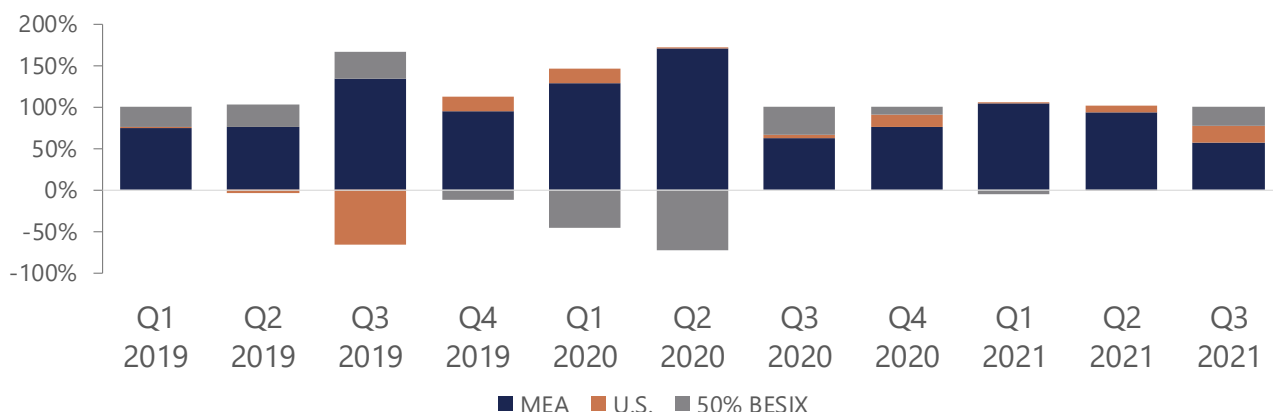


## Results in Charts

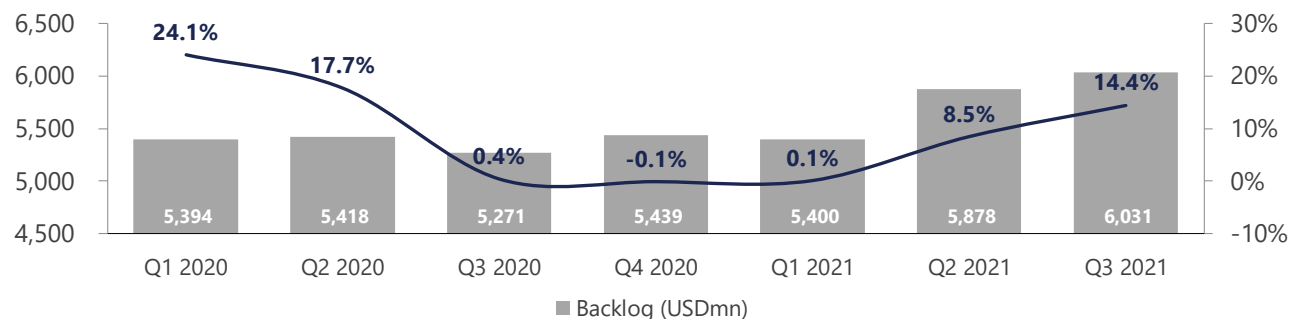
### ORAS Revenue Breakdown



### ORAS Net Profit Breakdown



### ORAS's Quarterly Backlog (ex-50% of BESIX)



## Financial Summary

USDmn	Q3 2021	Q3 2020	y/y	Q3 2021e	Variance	2021e	% achieved
Backlog (ex-50% of BESIX)	6,031	5,271	14%	na		5,273	114%
Revenues	858	825	5%	792	8%	3,321	77%
EBITDA	46	51	-10%			197	74%
Net income	28	30	-6%	26	8%	113	67%

Source: Company reports, Prime Research.

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