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PRIME

Egypt VALUATION Repertoire

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__2021, a year of divergence:__ Last year, 2021, will go down in history as yet another extraordinary one for the Egyptian Exchange (EGX). Not only has it seen the market's two indices diverge in terms of performance, but it also saw a total change of direction at the same time. First, EGX 30 had been hitting a negative note from the beginning of the year until Q4 2021, while EGX 70 EWI delivered a high-flying performance through 8M 2021. Then, EGX 30 pared all its losses since the start of the year to close the year up 10.18% at 11,949.18, while EGX 70 EWI almost wiped out all its gains for the year to close up only 2.64% at 2,201.79. EGX 30 reached its 52-week high of 11,950.34 on 29 December 2021, 0.4% shy of hitting the 12,000 psychological mark—a level we haven't seen since early March 2020. On the other hand, EGX 70 EWI has witnessed the rise and demise of many of its components, mainly driven by speculative trading behavior that was further fueled by margin trading. This lent itself to a heightened level of volatility that pushed stock prices to unprecedented levels before succumbing to the pressure of forced sales instigated by margin calls.

__2022, a year of convergence?__ But now that this is all behind us, the question is: How can we bring the lessons we learned from 2021 into 2022? We think 2022 will be a year of convergence between market prices and intrinsic values. What happened in 2021 – in our opinion – will not be repeated in 2022 because we will have a new game in town that will lead to the said convergence in certain stocks.

In this note, we look back at the year that has been and look ahead to the year to be, guided by our macro and stock views and ending up with what we call Egypt Valuation Repertoire, where certain Egypt stocks present deep valuation levels and in some cases absurdly so.

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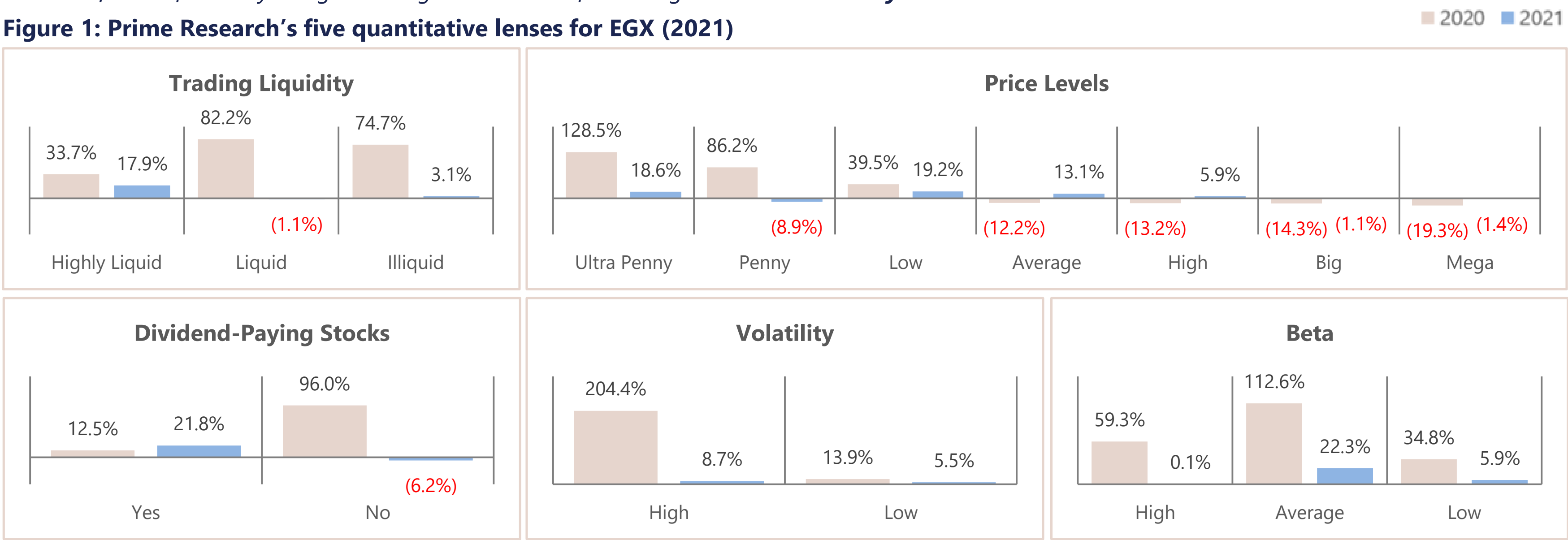
Figure 1: Prime Research's five quantitative lenses for EGX (2021)



Source: Bloomberg, Prime Research.

Figure 2: Prime Research's EGX style performance matrix (2020-2021)

2021	Value	Core	Growth
Large	22.1%	19.4%	9.8%
Mid	11.3%	17.0%	15.9%
Small	1.3%	(2.0%)	13.8%

2020	Value	Core	Growth
Large	(15.5%)	(14.7%)	(18.8%)
Mid	(0.7%)	(11.6%)	50.5%
Small	116.1%	125.3%	123.7%

Source: Bloomberg, Prime Research.

FOREWORD

FOREWORD

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Over the following five transits, we take you on a tour of inspection of how the divergence theme has cropped up in the first place, how the winds of that dynamic will veer back upward in 2022, and how you as an investor could take full advantage of your fresh insight this year.

(1) **Speculation, not investing:** The first characteristic we note from 2021 is that the Egyptian stock market has been home to speculators rather than investors. After all, speculators care less about a company's fundamentals, let alone future operational or financial performance. By definition, a speculator is someone who would buy just about anything—literally anything—that is expected to go higher. Regardless of its underlying business, speculators bid a stock higher for the mere hope of its rise, only to sell it at a higher price. On the other hand, last year's investors, who by nature care about strong fundamentals and high growth potential in the different stocks, seem to have been left out on the sidelines for most of 2021. After all, in a small cap world where risk is high and fundamentals are weak, investors would have to be lagging the market had they invested in otherwise large caps with low risk and strong fundamentals, which brings us to the second characteristic.

(2) **Short-termism, not long-termism:** Another characteristic we note from 2021 is the investment time horizon has been prevailing in the Egyptian stock market. It has been a market of short-termism as opposed to long-termism. This is synonymous with a market full of speculators who usually leverage up their trades, translating into very short holding periods to unwind their otherwise costly leveraged positions. While it is understandable how short-termism is prevalent in a market mostly driven by speculators, the twist is that even investors (with supposedly long-term horizons) favored short-termism over long-termism. This characteristic further exacerbated the level of volatility in the market.

(3) **Reflexivity, not market efficiency:** As debatable as it is, the theory of "reflexivity", hailed by George Soros, seems to have manifested itself in the Egyptian stock market in 2021. The theory, which is based on a positive feedback loop that is self-reinforcing, explains how markets tend towards economic disequilibrium until they reach an inflection point after which they remain self-reinforcing but in the opposite direction. Reflexivity is usually fueled by high leverage, which is exactly what we experienced in the Egyptian stock market in 2021 in general and in EGX 70 EWI constituents in particular. Indeed, the stock price boom took long to develop (around 18 months), but once EGX 70 EWI reached a peak by end of August 2021, the bust was short term (three months) and steep (-30%) due to the unwinding of leveraged positions. This makes the market a candidate for the weak form of market efficiency as new information coming into the market had little to no bearing on stock prices.

(4) **2D catalysts, not 1D catalyst:** When assessing the value of a particular business, we need to be cognizant of the catalysts that will help unlock intrinsic value. This will lead to the convergence we mentioned before, which will eventually close or narrow the positive valuation gap (where fair value is above market price). We could have a one-dimension (1D) catalyst, such as event-driven stories. However, we prefer to have 2-dimension (2D) catalysts, event-driven *and* growth-driven stories. This increases the probability of convergence. Furthermore, we prefer – whenever possible – to tag along with a company's investors/founders who are the ultimately business owners and even managers to ensure alignment of interests with shareholders. This, we understand, counters the agency theory which calls for the separation between ownership and management, but we tend to argue otherwise.

(5) **Generating cash, not making money:** Continuing with our business valuation narrative, we pay close attention to two main line items in the financials: **operating earnings** and **operating cash flow**. We believe that any company will only sustain its intrinsic value if its business operations are sound, even if it infrequently lands a windfall from non-core operations and/or investments, which is unsustainable. Thus, an excellent profile to look for would be that of a company wielding strong pricing power and can control its cost with sustainable operating earnings and healthy operating cash flows. We stress on the latter (i.e. operating cash flows) because we think any company can make money or purportedly show so (i.e. an accounting profit), but not every company can generate cash (i.e. an economic profit).

In an attempt to answer the question posed on Page 2 (How can we bring the lessons we learned from 2021 into 2022?), we first introduce a simple, yet in our opinion important, matrix to examine where companies fit in terms of having the pricing power and the cost control to be economically profitable. Then, we scrutinize their intrinsic value before concluding with "buy" or "sell" decisions. By all means, we note that we are just scratching the surface, and more research will be required to further recalibrate our matrix.

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Introducing our "P^2C^2" matrix

What is "P^2C^2"? When valuing a business, we face many nuances that may cloud the overall picture, which makes it imperative to look beyond obvious indicators to gain a deeper perspective. Thus, we prefer to assess a business's **pricing power** (i.e. its ability to dictate the prices of its products or services in the market) and its **cost control** (i.e. its ability to put a lid on its cost as it grows). We call this the **Pricing Power x Cost Control Matrix**, or **"P^2C^2 Matrix"** for short. We basically identify companies within this 2x2 matrix as shown in Figure 3.

Why is it important? The most widely-used valuation method is perhaps the discounted cash flow model, where **free cash flow to the firm (FCFF)** is equal to **net operating profit after tax (NOPAT)** less **net investments (gross investments in working capital and fixed assets net of depreciation)**. Thus, NOPAT is the starting point of any DCF valuation because it is the first line item from which investments are deducted. Dissecting NOPAT further, we see two overall levers that can be used by any company's management to improve its NOPAT: **(1) operating revenues** and **(2) operating expenses**. The former is driven by the company's pricing power, while the latter is driven by its cost control. The importance of the P^2C^2 Matrix lies in its segmentation of companies in terms of their profitability.

Pricing power is defined as the impact on the quantity demanded of a product or service as a result of a change in the price of that product or service. A **strong pricing power** can for a typical example be associated with:

(a) **Inelasticity of demand**, where customers do not tend to reduce their demand in response to a higher price;

(b) **Scarcity of resources** used in producing a product or offering a service;

Figure 3: Prime Research's P^2C^2 Matrix

Our P^2C^2 Matrix		Pricing Power (P^2)	
		Strong	Weak
Cost Control (C^2)	Strong	*Type I* The Best (Strong P^2 + Strong C^2)	*Type III* The Second Worst (Weak P^2 + Strong C^2)
	Weak	*Type II* The Second Best (Strong P^2 + Weak C^2)	*Type IV* The Worst (Weak P^2 + Weak C^2)

Source: Prime Research.

(c) **Lack of competition** in the market under study.

Cost control, on the other hand, is defined as the ability to reduce operating expenses, be it variable or fixed, to increase profits. A **strong cost control** can for a typical example be associated with:

(a) **Bargaining power that a company has over its vendors** given its large market size/share and the competitive landscape;

(b) **Optionality to quickly outsource vendors** at a lower cost;

(c) **Implementation of cost efficiency measures**, e.g. using an alternative source of energy.

How does our "P^2C^2" matrix work? Having illustrated above the mechanics of pricing power and cost control, we now identify four quadrants or types where companies should fit:

- **Type I – The Best (Strong P^2, Strong C^2):** A company that has both a strong pricing power and a strong cost control can manage its profitability in line with its strategy. This is the best of all four types.
- **Type II – The Second Best (Strong P^2, Weak C^2):** A company that has a strong pricing power and a low cost control is likely to pass on higher cost to its customers. This helps reduce the negative impact of higher costs on its profitability. This is the second best of all four types because pricing power, theoretically unlimited, is all more important than cost control.
- **Type III – The Second Worst (Weak P^2, Strong C^2):** A company that has a weak pricing power and a strong cost control is partially vulnerable to fluctuation in prices. This makes its profitability somewhat volatile yet controllable to the point that it can undertake the execution of a lean cost structure. This is the second worst of all four types because a weak pricing power can be mitigated by a strong cost control which is limited (i.e. a company cannot cut its costs to zero).
- **Type IV – The Worst (Weak P^2, Weak C^2):** A company that has both a weak pricing power and a weak cost control is very vulnerable to fluctuation in prices and costs. This makes its profitability more volatile and uncontrollable. This is the worst of all four types.

We applied our P^2C^2 matrix on our top stock picks based on our view of each company's business model, identifying each as one of the abovementioned four types. Ideally, investors should give priority to Type I companies, followed by Type II companies then Type III companies. Meanwhile, investors should totally avoid Type IV companies.

FOREWORD (cont.'d)

The Buy, Hold, and Sell decision

To reach a conclusion on any given company's stock, we need to differentiate first between a good business and a good investment, which is not necessarily the same thing. A good business could be a bad investment if it has a negative valuation gap. Alternatively, a mediocre business could be a good investment if it has a positive valuation gap. At the end of the day, we run a valuation exercise of every company we study and compare its valuation gap (also known as the expected total return "ETR") to the required rate of return (RRR) that an equity investor would demand from that investment. For the lack of a better (or a simpler for this matter) model, we apply the Capital Asset Pricing Model (CAPM) to calculate each stock's RRR (otherwise known as the cost of equity "COE"). Then we compare the valuation gap to RRR. We note that the valuation gap is based on our 12-month price target (12MPT), thus capturing investors' 1-year holding period to which they can compare other risky assets' expected rates of return.

- **Investment Rating**

  We use a three-tiered investment rating system: Overweight (OW), Neutral (N), or Underweight (UW). This investment rating system depends on a stock's ETR (i.e. price return + dividend yield) versus RRR, which we further adjust for the below detailed Risk Rating assigned to the stock.

- **Risk Rating**

  We also use a three-tiered risk rating system: High (H), Moderate (M), or Low (L). We review the overall risk profile of each stock as a function of a weighted assessment of the company's (1) sector, (2) corporate profile, (3) P^2C^2 Matrix, and (4) stock volatility.

Below are the three general decision rules we apply:

- **Rule #1:** For a stock to be **Overweight**, ETR must be higher than COE, regardless of its risk rating.
- **Rule #2:** For a stock to be **Neutral**, ETR must be equal to/below RRR but higher than/equal to:
  - 20% of RRR in the case of a Low risk rating.
  - 40% of RRR in the case of a Moderate risk rating.
  - 60% of RRR in the case of a High risk rating.
- **Rule #3:** For a stock to be **Underweight**, ETR must be lower than:
  - 20% of RRR in the case of a Low risk rating.
  - 40% of RRR in the case of a Moderate risk rating.
  - 60% of RRR in the case of a High risk rating.

Figure 4 illustrates our investment/risk ratings matrix, while Figure 7 lists our 2022 top stock picks with their respective investment/risk ratings and 12-month price target (12MPT).

Figure 4: Prime Research's Investment / Risk Rating Matrix

Risk Rating	Investment Rating: Overweight	Neutral	Underweight
Low	ETR > RRR	RRR ≥ ETR ≥ 20% of RRR	ETR < 20% of RRR
Medium	ETR > RRR	RRR ≥ ETR ≥ 40% of RRR	ETR < 40% of RRR
High	ETR > RRR	RRR ≥ ETR ≥ 60% of RRR	ETR < 60% of RRR

Source: Prime Research.

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Our Track Record in 2021

An important phase in the investment process is the feedback loop or so-called "performance evaluation". In our **STAND**Point annual strategy note published on 1 February 2021, we had picked two lists of investment ideas, one long (i.e. those expected to outperform) and the other short (i.e. those expected to underperform). So, before we delve into our themes for 2022 and our new top stock picks, we would like to take a moment to reflect on the performance of our 2021 long and short ideas.

Overall Performance

All in all, we had 20 long and 8 short ideas or a total of 28 investment ideas. Our overall success rate was 64.3% with an average return of 17.9% per investment idea, with …

- 18 generating an average gain of 33.5%.
- 10 generating an average loss of -10.2%.

Long Ideas

Our long ideas success rate was 60.0% with an average return of 12.4% per long investment idea, with …

- 12 generating an average gain of 28.0%.
- 8 generating an average loss of -11.0%.

Short Ideas

Our short ideas success rate was 75.0% with an average return of 31.8% per short investment idea, with …

- 6 generating an average gain of 44.7%.
- 2 generating an average loss of -6.8%.

Figure 5: Prime Research's 2021 long & short ideas performance*

Long Ideas	Max. Gain	Max. Loss	Gain / (Loss)
EKHO	49.9%	(1.6%)	35.4%
EMFD	13.2%	(19.2%)	12.0%
ISPH	7.7%	(41.7%)	(21.7%)
ORAS	2.7%	(26.8%)	(19.0%)
CICH	35.4%	(26.0%)	4.4%
ELSH	269.0%	(28.4%)	50.7%
CIRA	4.9%	(20.8%)	(0.7%)
COMI	15.0%	(21.7%)	12.9%
ETEL	53.5%	(12.5%)	52.6%
BINV	34.7%	(14.9%)	(14.9%)
MICH	26.3%	(18.8%)	(5.3%)
SWDY	1.7%	(25.2%)	0.8%
MFPC	48.8%	(8.8%)	39.5%
AUTO	52.9%	(2.9%)	52.9%
ORWE	51.1%	(3.8%)	41.5%
MTIE	33.4%	(23.4%)	(8.6%)
CIEB	21.6%	(21.7%)	20.9%
HRHO	13.6%	(18.6%)	12.0%
OLFI	8.7%	(26.7%)	(14.3%)
ABUK	(0.0%)	(23.1%)	(3.8%)
Long Ideas Average	**37.2%**	**(19.3%)**	**12.4%**

Short Ideas	Max. Gain	Max. Loss	Gain / (Loss)
UNIP	56.0%	(45.5%)	53.1%
FWRY	43.1%	(22.2%)	33.7%
AFDI	45.9%	(56.6%)	35.9%
RAYA	3.1%	(62.0%)	(8.0%)
KABO	41.6%	(5.6%)	40.4%
ACGC	55.4%	(0.3%)	49.9%
PRCL	57.2%	(7.1%)	55.2%
ALCN	24.3%	(36.7%)	(5.7%)
Short Ideas Average	**40.8%**	**(29.5%)**	**31.8%**

Source: Prime Research.

Figure 6: 2021 long & short ideas statistics*

Long & Short Ideas	Number	% mix	Avg. return
Number of ideas	**28**	**100.0%**	**17.9%**
Winning ideas	**18**	**64.3%**	**33.5%**
Losing ideas	10	35.7%	(10.2%)
Maximum gain per idea			**55.2%**
Maximum loss per idea			(21.7%)

Long Ideas	Number	% mix	Avg. return
Number of ideas	**20**	**100.0%**	**12.4%**
Winning ideas	**12**	**60.0%**	**28.0%**
Losing ideas	8	40.0%	(11.0%)
Maximum gain per idea			**52.9%**
Maximum loss per idea			(21.7%)

Short Ideas	Number	% mix	Avg. return
Number of ideas	**8**	**100.0%**	**31.8%**
Winning ideas	**6**	**75.0%**	**44.7%**
Losing ideas	2	25.0%	(6.8%)
Maximum gain per idea			**55.2%**
Maximum loss per idea			(8.0%)

* From 1 Feb through 30 Dec 2021.
Source: Prime Research.

FOREWORD (cont.'d)

Five Themes for 2022

In this issue of **STAND**Point, we present a 15-stock list that we include as part of ***Egypt Valuation Repertoire***. These handpicked stocks meet our return/risk profile mentioned above, meaning that we rate them all as Overweight. Furthermore, they fit at least one or more of the five themes that we envisage for 2022, which are:

- **Theme #1: Higher inflation**

  In view of the prevalent global inflationary environment, we see Egypt's inflation picking up speed in 2022. Please refer to our **MACRO**View for more details. Egypt's inflation will likely be driven by two of the three inflation types, namely cost-push inflation and built-in inflation, as opposed to demand-pull inflation. As stocks in general are considered an inflation hedge, we pick a few of them that we think will benefit from this theme, which are found in **banks**, **consumer**, **materials**, and **non-banking financials**.

- **Theme #2: Weaker EGP**

  Having been stable for the past two years or so, we believe Egypt's exchange rate will need to become more flexible to better absorb any external shocks that could result from global lockdowns negatively impacting tourism and trade, for instance. Please refer to our **MACRO**View for more details. Stocks that should benefit from this theme are mostly export-oriented companies with non-EGP net monetary assets, non-EGP cash flows, and low exposure to external debt, which we found in **banks**, **energy & utilities**, **industrials**, **real estate**, and **telecom services & IT**.

- **Theme #3: M&As**

  A recurring theme that we have been pointing out throughout 2021 is mergers and acquisitions (M&A) activity. We have detected it across multiple sectors, such as **banks**, **health care**, **non-banking financials**, **real estate**, and **telecom services & IT**. At current valuation levels, we see both financial buyers (e.g. private-equity "PE" firms) and strategic investors (e.g. large Egyptian and non-Egyptian corporates) considering EGX-listed stocks as a way to generate above-average rates of return in the case of the former and to grow inorganically at a reasonable price in the case of the latter. We think all sectors are poised to benefit from this theme, but we selected stocks from a few sectors.

- **Theme #4: IPOs**

  Usually, initial public offerings (IPO) activities flourish when valuation levels are high as founders and other shareholders of privately-held companies run to cash out or raise capital at above-average valuation levels. While this is counterintuitive to theme #3 above (i.e. M&As), we believe the Egyptian government is determined to go ahead with its IPO pipeline for three reasons: (1) to expand the investor base of state-owned entities, (2) monetize some of its investments, and (3) raise capital away from the government's coffers. Meanwhile, private-sector IPOs will likely be driven by founders and financial investors (i.e. PEs) to capitalize on the success stories achieved so far and for positioning for future growth to be captured by utilizing new growth capital. For this theme, we handpicked a few stocks that we think will be impacted either directly (unlocking the intrinsic value of their investments) or indirectly (being re-rated match those of peer companies going public).

- **Theme #5: High dividend yield**

  At a time of high volatility, we prefer stocks that generate a relatively high return to their investors in the form of dividends. Thus, a good number of the stocks we included in our top 15 stock picks are high dividend payers.

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Figure 7: Prime Research's 2022 top stock picks by P^2C^2 Matrix, theme, and catalyst

#	Ticker	Investment Rating	Risk Rating	Market Price	12MPT	Upside %	P^2C^2 Matrix	Theme(s)	Catalyst(s)
Banks									
1	COMI	Overweight	Medium	51.9	72.0	39%	Type III	Higher inflation, Weaker EGP	Growth-driven
2	FAIT	Overweight	Medium	12.7 / 0.978*	21.0 / 1.34*	66% / 37%	Type III	Higher inflation	Growth-driven
Consumer Discretionary									
3	ORWE	Overweight	Medium	8.4	16.5	97%	Type I	Higher inflation, Weaker EGP, High yield	Growth-driven
Consumer Staples									
4	OLFI	Overweight	Medium	6.2	8.6	40%	Type II	High yield	Growth-driven
5	WCDF	Overweight	Medium	90.3	156.6	73%	Type III	High yield	Event-driven
Health Care									
6	IDHC	Overweight	Medium	19.8	28.8	45%	Type I	Higher inflation, Weaker EGP, M&As	Event-driven, Growth-driven
7	PHAR	Overweight	Medium	40.8	70.0	72%	Type IV	Higher inflation, M&As, High yield	Event-driven, Growth-driven
Industrials									
8	ORAS	Overweight	Medium	73.0	146.0	100%	Type III	Weaker EGP, M&As	Event-driven, Growth-driven
9	SWDY	Overweight	Medium	9.0	14.3	58%	Type III	Weaker EGP, M&As	Event-driven, Growth-driven
Materials									
10	ABUK	Overweight	Medium	21.5	31.0	45%	Type IV	Weaker EGP, IPOs, High yield	Event-driven
11	MICH	Overweight	Medium	10.0	13.9	39%	Type IV	Weaker EGP, High yield	Event-driven
Non-Banking Financials									
12	BINV	Overweight	Medium	10.6	16.7	58%	Type I	M&As, IPOs, High yield	Event-driven, Growth-driven
13	CICH	Overweight	Medium	4.0	6.0	49%	Type III	Weaker EGP, M&As, IPOs	Event-driven, Growth-driven
Telecom Services & IT									
14	EGSA	Overweight	Medium	4.2*	6.6*	58%	Type III	Weaker EGP, M&As, High yield	Event-driven
15	ETEL	Overweight	Low	16.2	28.1	73%	Type I	Weaker EGP, M&As, IPOs	Event-driven, Growth-driven

Notes: Prices as of 26 January 2022. * Price is in USD.
Source: Prime Research.

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Figure 8: Asset class USD-based performance in the last 21 years (2001-2021)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Asset Class
6.6%	44.0%	55.8%	34.1%	71.6%	93.9%	54.2%	6.0%	78.9%	29.6%	1316.7%	217.9%	5428.4%	12.8%	36.2%	120.3%	1403.2%	4.4%	94.8%	305.1%	59.8%	Bitcoin
4.0%	39.0%	55.2%	26.0%	45.8%	33.8%	50.4%	5.8%	72.5%	22.2%	13.3%	52.9%	27.4%	6.7%	9.3%	52.4%	49.7%	2.4%	30.3%	25.2%	50.2%	Oil
2.5%	24.8%	46.9%	20.9%	39.1%	32.5%	40.7%	4.8%	70.9%	21.6%	10.1%	22.7%	25.9%	5.6%	0.3%	27.8%	42.1%	(1.2%)	28.4%	25.1%	37.1%	Commodities
2.3%	16.5%	42.3%	20.7%	34.3%	23.2%	40.5%	3.0%	59.4%	20.4%	5.6%	19.6%	25.5%	5.0%	(0.3%)	14.3%	37.8%	(1.6%)	27.3%	19.4%	26.4%	S&P Global 100
1.6%	4.1%	34.7%	19.2%	23.2%	21.6%	39.7%	(22.6%)	57.8%	19.9%	3.1%	18.6%	23.5%	4.8%	(1.5%)	11.7%	31.8%	(3.4%)	23.9%	18.5%	22.4%	Developed Markets
(2.4%)	1.8%	33.8%	18.0%	23.2%	21.0%	38.6%	(26.9%)	50.3%	19.2%	2.1%	16.8%	7.3%	3.3%	(1.8%)	9.2%	24.7%	(4.1%)	22.7%	16.8%	19.9%	Frontier Markets
(3.1%)	(5.9%)	32.4%	15.8%	17.9%	20.7%	30.9%	(36.5%)	35.5%	14.8%	1.5%	16.6%	3.4%	2.6%	(2.3%)	8.5%	24.1%	(5.6%)	18.8%	16.5%	19.0%	MSCI All-Country World
(5.8%)	(8.0%)	28.0%	15.3%	12.8%	13.7%	12.3%	(40.3%)	30.9%	13.3%	1.5%	13.6%	0.3%	0.6%	(2.7%)	8.2%	23.1%	(8.2%)	18.5%	9.2%	6.4%	US Dollar Index
(15.2%)	(12.8%)	19.4%	13.2%	11.4%	6.6%	11.5%	(41.8%)	26.8%	12.4%	0.3%	8.5%	0.3%	0.2%	(3.2%)	8.1%	17.7%	(8.9%)	18.3%	7.0%	1.0%	Global High Yield
(15.8%)	(18.9%)	12.5%	9.3%	10.1%	5.4%	9.7%	(42.8%)	24.4%	5.9%	(3.1%)	7.1%	(0.3%)	0.0%	(6.8%)	5.9%	13.5%	(14.2%)	18.0%	4.3%	0.2%	USD Cash (3M)
(16.5%)	(19.5%)	10.8%	8.4%	5.1%	3.2%	9.5%	(51.4%)	22.5%	5.9%	(5.0%)	4.3%	(2.2%)	(1.4%)	(8.9%)	3.6%	11.1%	(14.3%)	16.5%	1.6%	(2.0%)	Sukuk
(16.6%)	(20.7%)	5.3%	5.5%	3.7%	0.4%	5.5%	(52.2%)	11.3%	5.5%	(6.8%)	3.7%	(2.3%)	(2.0%)	(10.4%)	2.8%	10.4%	(15.4%)	12.6%	0.7%	(2.5%)	Emerging Markets
(31.5%)	(24.9%)	1.2%	1.7%	3.6%	0.3%	3.2%	(53.2%)	6.9%	1.5%	(17.1%)	3.5%	(2.6%)	(3.4%)	(14.6%)	2.1%	7.4%	(16.4%)	6.9%	(6.1%)	(3.6%)	Gold
		(14.7%)	(7.0%)	(4.5%)	(8.2%)	(1.9%)	(55.2%)	0.7%	0.3%	(18.2%)	0.4%	(3.4%)	(33.9%)	(14.7%)	0.8%	1.3%	(17.1%)	6.8%	(6.7%)	(4.7%)	Global Bonds
					(10.8%)	(8.3%)	(66.6%)	(4.2%)	(1.7%)	(18.4%)	0.3%	(15.9%)	(48.3%)	(25.5%)	0.8%	0.9%	(19.5%)	2.4%	(16.9%)	(4.7%)	Asia (ex. Japan)
										(26.1%)	(0.5%)	(28.3%)	(57.5%)	(35.0%)	(3.1%)	(9.9%)	(74.3%)	0.2%	(21.5%)	(21.8%)	EM Real Estate

Note: The red solid line separates the positive from the negative performance each year.
Source: Bloomberg, Prime Research.

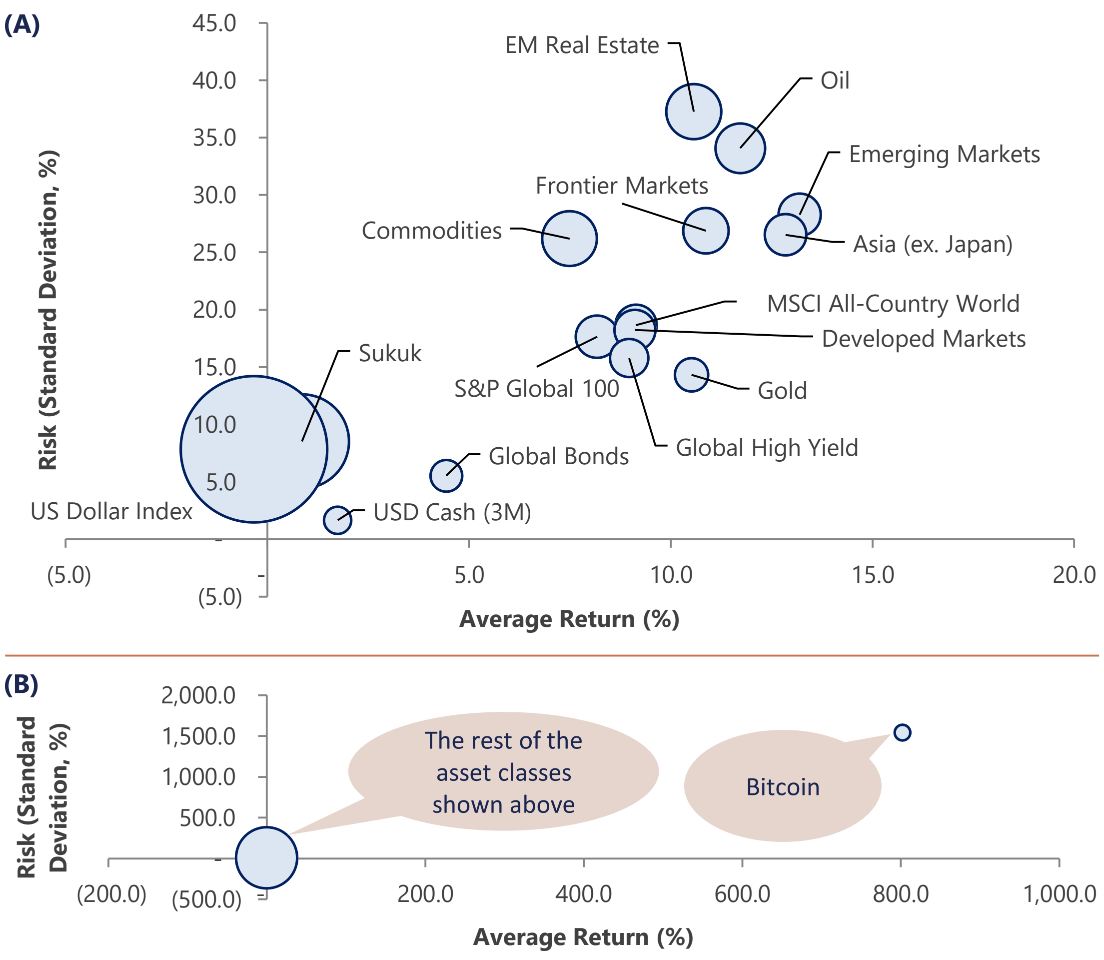
FOREWORD (cont.'d)

Figure 9: Asset class performance in the past 21 years (2001-2021)

21Y CAGR	Asset class	% +ve years	Asset class	RSD	Asset class
196.28%	Bitcoin	100%	USD Cash (3M)	0.95	USD Cash (3M)
9.50%	Gold	86%	Global High Yield	1.25	Global Bonds
9.33%	Asia (ex. Japan)	82%	Bitcoin	1.36	Gold
9.29%	Emerging Markets	76%	Global Bonds	1.76	Global High Yield
7.89%	Global High Yield	76%	Gold	1.92	Bitcoin
7.33%	Developed Markets	74%	Frontier Markets	2.00	Developed Markets
7.27%	MSCI All-Country World	71%	Developed Markets	2.04	MSCI All-Country World
7.09%	Frontier Markets	71%	MSCI All-Country World	2.07	Asia (ex. Japan)
6.53%	S&P Global 100	71%	S&P Global 100	2.14	Emerging Markets
5.79%	Oil	67%	Asia (ex. Japan)	2.16	S&P Global 100
4.29%	Global Bonds	67%	Commodities	2.47	Frontier Markets
3.99%	Commodities	67%	Oil	2.91	Oil
3.74%	EM Real Estate	63%	Sukuk	3.49	Commodities
1.73%	USD Cash (3M)	57%	Emerging Markets	3.52	EM Real Estate
0.48%	Sukuk	57%	US Dollar Index	9.95	Sukuk
(0.64%)	US Dollar Index	43%	EM Real Estate	23.60	US Dollar Index

Note: Bitcoin's return is a 11-year CAGR (2010-2021). RSD is the relative standard deviation (risk divided by absolute return), which is similar to the coefficient of variation but only fixes the issue when the return is negative as is the case with the U.S. dollar index above. Shaded rows in the above three tables indicate negative performance, 50% or less chances of a down year in the past 20 years, and a high RSD reading above 3.00, respectively.
Source: Bloomberg, Prime Research.

Figure 10: Asset class risk-return profiles in the past 21 years (2001-2021)



Note: Bubble size reflects the relative standard deviation (RSD).
Source: Bloomberg, Prime Research.

FOREWORD (cont.'d)

Figure 11: Global stock markets performance in 2021 (total return, percentage, and in USD terms)

Top 10 Global Markets	
Zimbabwe	553.67
Botswana	127.13
UAE - ADX	75.89
Sri Lanka	70.88
Lebanon	56.46
Bosnia & Herzegovina	53.93
Czech Republic	41.14
Kazakhstan	40.15
Vietnam	39.00
Iceland	38.19

Top 10 Developed Markets	
Israel	36.38
Austria	31.46
US	28.68
Canada	26.33
France	22.83
Netherlands	21.53
Norway	21.32
Sweden	20.12
Switzerland	19.48
Denmark	18.81

Top 10 Emerging Markets	
UAE - ADX	75.89
Czech Republic	41.14
Saudi Arabia	33.07
UAE - DFM	32.14
Kuwait	29.96
Taiwan	28.85
Russia	21.75
Mexico	20.94
India	20.84
South Africa	19.07

Top 10 Frontier Markets	
Sri Lanka	70.88
Kazakhstan	40.15
Vietnam	39.00
Iceland	38.19
Estonia	37.12
Slovenia	36.29
Jordan	33.10
Romania	26.77
Bahrain	23.83
Bangladesh	23.47

Top 5 Stand Alone Markets	
Zimbabwe	553.67
Botswana	127.13
Lebanon	56.46
Bosnia & Herzegovina	53.93
Argentina	33.51
Bottom 5 Stand Alone Markets	
Trinidad and Tobago	18.09
Ukraine	14.75
Panama	11.87
Jamaica	(8.23)
Malta	(10.82)

Currencies Performance	
Chinese Renminbi	2.7
Canadian Dollar	0.7
Kuwaiti Dinar	0.5
Egyptian Pound	**0.2**
UAE Dirham	0.0
Omani Rial	(0.1)
Saudi Arabian Riyal	(0.1)
Qatari Riyal	(0.1)
British Pound	(1.0)
Russian Ruble	(1.5)
Mexican Peso	(3.0)
Swiss Franc	(3.0)
Australian Dollar	(5.6)
Brazilian Real	(6.8)
Euro	(6.9)
South African Rand	(7.8)
Pakistani Rupee	(9.2)
Japanese Yen	(10.3)
Argentine Peso	(18.1)
Turkish Lira	(44.1)

Bottom 10 Global Markets	
New Zealand	(5.11)
Pakistan	(7.42)
Jamaica	(8.23)
Peru	(8.29)
Malta	(10.82)
Hong Kong	(12.33)
Chile	(13.96)
Colombia	(14.60)
Brazil	(18.10)
Turkey	(26.57)

Bottom 10 Developed Markets	
Finland	12.57
Australia	12.22
Singapore	11.34
Portugal	9.98
Ireland	7.72
Germany	6.61
Spain	2.29
Japan	(4.42)
New Zealand	(5.11)
Hong Kong	(12.33)

Bottom 10 Emerging Markets	
Thailand	5.81
Greece	4.73
Malaysia	(2.98)
Philippines	(4.47)
South Korea	(4.79)
Peru	(8.29)
Chile	(13.96)
Colombia	(14.60)
Brazil	(18.10)
Turkey	(26.57)

Bottom 10 Frontier Markets	
Mauritius	19.37
Oman	17.94
Morocco	17.13
Croatia	12.92
Lithuania	8.93
Kenya	7.06
Nigeria	5.45
Serbia	1.69
Tunisia	(1.98)
Pakistan	(7.42)

Commodities Performance	
Coal	110.7
Oil	50.2
Natural Gas	46.9
Cotton	44.1
Aluminum	41.8
Copper	25.2
Wheat	20.3
Gold	(3.6)
Silver	(11.7)
Iron Ore	(21.5)

Note: Markets in colored rows produced negative returns.
Source: Bloomberg, Prime Research.

MACROView

MACROView

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A Year of Normalization, Transition, and Latent Threats

In big picture terms, we expect the fast growth post-lockdown to later normalize toward steady, moderate levels closer to those pre-pandemic. The return of inflation expectations to normal will be constrained by the normalization pace of supply-demand imbalances and global central banks' policies to keep inflation expectations anchored around their targets. The current level of vaccination should limit the risk the Omicron variant poses to global recovery, yet central banks are still walking a tightrope trying to balance between growth and inflation, as pandemic variants still constitute some level of uncertainty.

Figure 12: Themes and hypotheses

Our 2022 outlook for the global economy …	… based on four key underlying assumptions
• **Normalization** We expect growth and supply-demand imbalances to normalize as the base effect of 2021 fades.	1. **Pandemic-related supply-side disruptions to be resolved gradually in 2022.**
• **Inflation noise** We expect inflation to normalize as well, but caution is highly warranted.	2. **Global inflation drivers to slow down** as the impact of the base effect, stimulus-fueled demand, and supply bottleneck – all ease.
• **Divergence in monetary policy** We expect a divergence in monetary policy around the world, but rate hikes will be the main theme.	3. **Hawkish Fed to trigger major tightening of global financial conditions,** which will result in EMs facing higher financing cost and a toxic environment for their assets.
• **Easy on easing and tight on tightening** We expect this to balance between restoring growth and inflation risks.	4. **Uncertainty persists** Pandemic scars and tail risks will remain headwinds.

Source: Prime Research.

Figure 13: Global headwinds facing the Egyptian economy and their degree of impact

Risks	Degree	Note
1. **Pandemic threats**	**Limited** for now	• A high level of vaccination will reduce the impact of new variants' risks on growth. • Recovery in the travel and tourism sector will be constrained by the global trajectory of the virus on the ground. • Overall, we see new variants' risks as unlikely to erode growth expectations as long as the current vaccines remain effective. • Growth should gain momentum from a rebound in private investment, stabilizing above its potential by end of 2022.
2. **Inflation**	**High** upward risks	• Pressures on domestic inflation should be alleviated with global inflation drivers slowing as we expect. • However, inflation would be pushed to a higher trajectory by (1) any further upward pressure on oil prices, (2) the lagged effect of surging global food prices, (3) the unfavorable base effect to be seen in H1 2022, and (4) the effect of the Fed rate hikes on the USD/EGP FX rate stability.
3. **Tightening monetary conditions**	**High**	• Like most EMs, Egypt will cast a wary eye on the Fed policy stance and its spillover effect on external financing costs. • To keep external debt on a sustainable path, we expect focus to shift to the domestic sources of financing where yields would remain high, adding pressure to the fiscal targets.
4. **FX rate and external vulnerability**	**High** but manageable in the short term	• We expect the value of the USD/EGP FX rate to reflect changes in global risk aversion with volatile appetite toward emerging market assets.

Source: Prime Research.

MACROView (cont.'d)

Beyond the Scars: Restarting Growth Engines

The path from pandemic to endemic has been winding, but Egypt's COVID-19 situation has stabilized significantly since mid-2021. The economy grew an impressive 9.8% y/y in Q1 FY22. Barring any significant slide in GDP growth for the rest of the year, particularly if caused by a pandemic variant, we expect the full-year GDP growth for FY22 to be around 5.1% y/y, up from 3.3% y/y recorded in FY21.

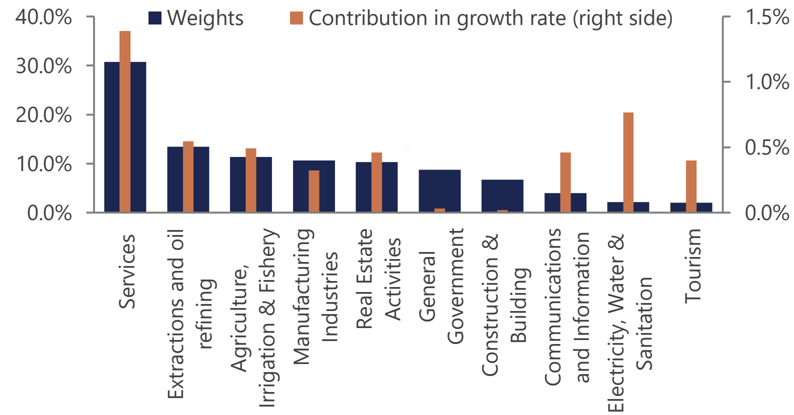
In 2022, we expect the recovery to be driven by a rebound in private-sector activities and broad-based growth to accelerate, led by:

1) **The services sector,** where the combination of a favorable base effect and a quick rebound in economic activity is likely to improve compared to 2021.
2) **Small but rapidly expanding sectors, primarily tourism, telecommunications, and electricity,** assuming the pandemic is gradually becoming less of an issue for travel activity. Thanks to the vaccination levels, we expect growth in tourism will gain more strength from pent-up demand for travel and a government promotional strategy that keeps ancient Egypt's archaeological sites under the spotlight. Telecommunication should maintain its resilience and fast growth, driven by the high speed of digital transformation, growing fintech and e-commerce activities.
3) **Active public-private partnership,** mainly through Egypt's sovereign fund, to create room for faster growth in sectors like education and health.
4) **The transition to a green economy** will incentivize renewable energy investment which has crumbled under COVID-19 stress in the last two years. We note that Egypt will host COP27 Summit in November 2022 in Sharm El-Sheikh to address global issues related to climate change.
5) **Structural reforms aiming to boost productivity and create a better environment for the private sector in general and manufacturing, agriculture, and telecommunication in particular.** Meanwhile, manufacturing should continue to benefit from the CBE's targeted lending initiatives. That said, global headwinds from supply chains and commodity prices will exert pressure on the pace of the manufacturing recovery. Yet, some sectors should maintain their resilience, including chemicals, fertilizers, cement, and steel.

Overall, we expect the non-oil sector's contribution to annual growth to surge from 2.1% in FY21 to 4.6% in FY22.

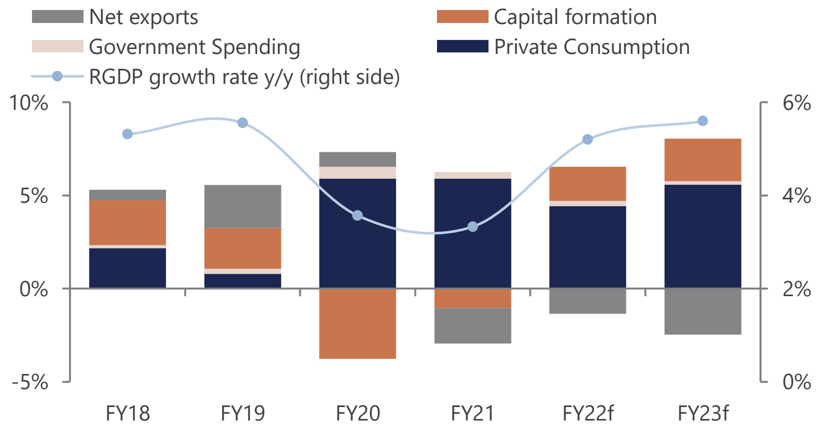
The oil and gas sector, in addition to the refining industry, should gain momentum as FDI recovers, global demand intensifies, and a government plan to achieve self-sufficiency of refined fuel products by 2023 comes to fruition. By end of 2021, the Egyptian government has successfully signed two important agreements with two key foreign players in the oil and gas sector: U.S.-based oil and gas giant APA and Italy's Eni. Under the new agreements, both companies will invest at least USD4.5bn in research, exploration, development, and production activities. This agreement, added to a global price recovery, should support the contribution of the extraction sector in 2022.

Figure 14: Broad-based recovery in FY22 to be driven by a private sector rebound



Source: Prime Research.

Figure 15: Private consumption remains crucial for growth



Source: Ministry of Planning, Prime Research.

MACROView (cont.'d)

Beyond the Scars: Restarting Growth Engines (cont.'d)

Strong prospects for private investment after two years of deterioration: After hitting a record low in FY21, it is time for private investment to pick up and catch up with the pace of growing potential across all sectors. The government is encouraging policies that expand the role of the private sector. Private investment as a percentage of GDP was hit hard by COVID-19 distortions, falling to 3% in FY21, declining y/y for the last two years by 31% and 34% in in FY20 and FY21, respectively.

We are betting on three main drivers for a private investment rebound in 2022:

(1) The government's plans to withdraw completely or partially from certain economic activities and its ongoing reforms in the public sector.

(2) Structural reform policies addressing long-term impediments to the private sector are in place.

(3) The need to relieve pressures on public investment expenditures, due to the high investment required to meet strategic development needs, such as addressing water scarcity, upgrading infrastructure, transitioning the economy to clean energy, and strengthening food security.

Personal consumption expenditures (PCE) is going to remain the main contributor to growth in FY22, despite inflationary pressures. We expect PCE growth to keep its momentum and grow by 5% y/y in FY22, thanks to the expected favorable labor market dynamics, the implementation of the minimum wage law, and breakthroughs in consumer finance and fintech alternatives. Assuming inflation remains within the CBE's target and private sector-driven growth is more focused on increasing productivity, we would expect the unemployment rate to fall to 7.7% in 2022, along with an improvement in both the employment-to-population ratio and labor participation rate.

Net exports will remain a drag on real growth, yet the rebound in export will continue to support CA: While the surge in global commodity prices drives the value of exports of goods and services higher, exports and imports should pick up as well in real terms, coping with the economic growth and the recovery in trade and global demand. The effect of the recovery in LNG exports should be more significant, especially in H1 FY22 (H2 2021), as Egypt's LNG exports are expected to have reached 7mn tons by end of 2021 (the highest since 2009). We also expect Egypt's exports of goods and services to gain a boost from the country's involvement in the reconstruction plans in Libya, a wider access to African markets, and a competitive edge in sectors, such as fertilizers and agricultural products (mainly fruits) and tourism. Real growth in imports should also accelerate as pent-up consumption and growing investments, especially in import-intensive sectors, will fuel import demand.

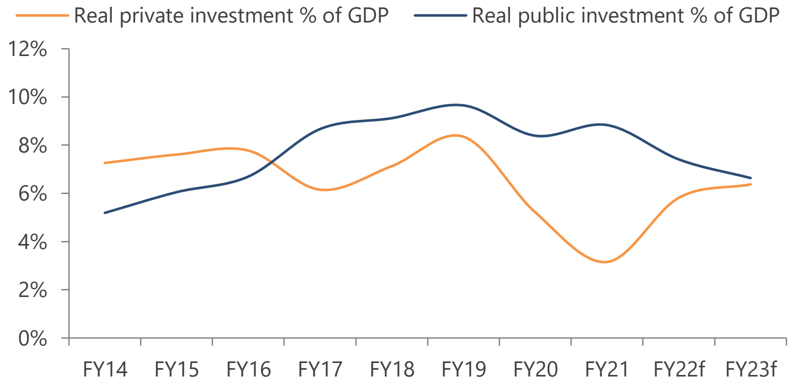
Our growth projections face three main downward risks:

(1) Faster inflation, which would weigh on household purchasing power and consumption sentiment.

(2) Slower normalization of global supply chains, which would dent recovery in the manufacturing sector.

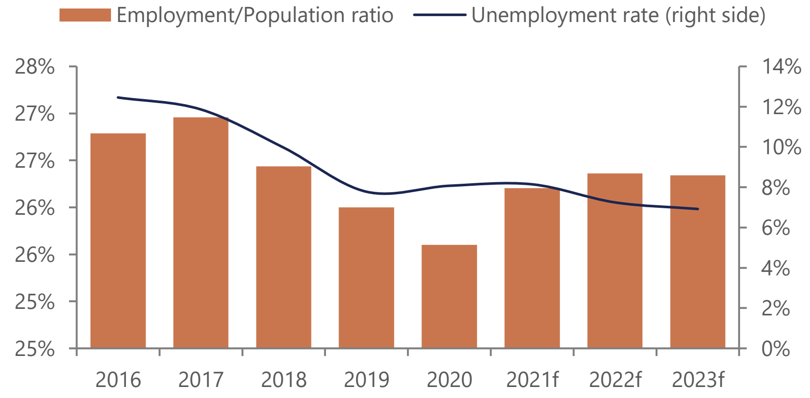
(3) The resurgence of epidemic risks, which would jeopardies the tourism industry's recovery.

Figure 16: Private investment to rebound but not to pre-pandemic levels



Source: Ministry of Planning, Prime Research.

Figure 17: Expected favorable labor market dynamics will drive employment ratio to pick up the pace of growing labor force



Source: CAPMAS, Prime Research.

MACROView (cont.'d)

Economic Policies at Crossroads: The Achilles Heel Tests the Guardrails

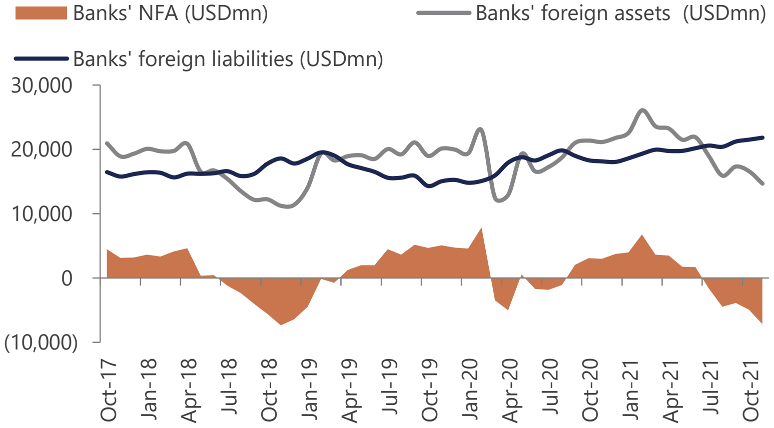
2022 – A year of multiple challenges: Egypt's current account deficit (CAD) as a percentage of GDP widened significantly in FY21 to 4.6%, or USD18.4bn (up from USD11.6bn in FY20), although remittances surprisingly rose by 14% y/y in FY21. This came as a high level of imports and relatively slower growth in exports drove the overall trade deficit up by 15% y/y. Meanwhile, pandemic travel restrictions weighed on the service surplus which fell 43% y/y. However, the expected recovery in tourism revenues, a price-driven increase in exports, as well as stably high remittances should provide CAD with some room to cool off. That said, we also expect inflated import bills to remain an upward risk, especially if high food prices show no sign of abating in 2022. Moreover, the effect of the rebound in LNG exports could be limited on the hydrocarbon trade balance due to higher oil prices. Overall, we expect the CAD to sit at USD14.5bn in FY22, which translates to 3.2% of GDP.

The external financing requirement is significant given the expected level of CAD and the projected debt service payments: During FY21, total external debt repayment reached USD16bn (4% of GDP). Egypt's financing requirements (including short-term external debt) are expected to hit USD40bn in FY22 (c.9% of GDP). Around 50% of the projected long-term debt service was already rescheduled as GCC countries agreed to renew their deposits at the CBE. However, the country's financing needs will remain significant. Moreover, we expect FDI to rise slowly, but it will take time to restore its pre-pandemic level. The support of international institutions (mainly the IMF and the World Bank) has peaked and seeking further support would require more structural reforms. Thus, capital inflows into the local debt market will remain crucial. Consequently, we expect the CBE to tighten its monetary stance in 2022 and loosen its grip on the Egyptian pound, allowing for a certain level of flexibility to reduce the risk of overshooting. We also believe the pace of tightening will be dependent on external sector conditions, mainly the size of potential capital outflows as driven by the pace of the Fed's rate hikes.

The CBE's external buffers remain adequate to absorb short-term risks, including those of capital outflows. By end of 2021, NIR at the CBE hit USD40.9bn, while total reserves (including non-official reserves kept to smooth the volatility of capital outflows) amounted to USD52.3bn. This covers more than seven months of imports and more than 3x short-term debt, which should help the country mitigate the effects of the anticipated volatile appetite for EM assets. Meanwhile, Egypt banks' NFAs have deteriorated significantly since the beginning of 2021, from a net asset position of USD6.8bn in February 2021 to a net liability position of USD7.1bn in November 2021. Yet, we expect this situation to improve gradually, thanks to an expected improvement in FX inflows from the tourism sector, external debt inflows (including USD3bn loan from GCC banks and USD2bn in sukuk issuance), and fresh expected capital inflows driven by Egypt's inclusion in the JP Morgan local bond index in January 2022. Also, Egypt might tap the international bond market again in 2022.

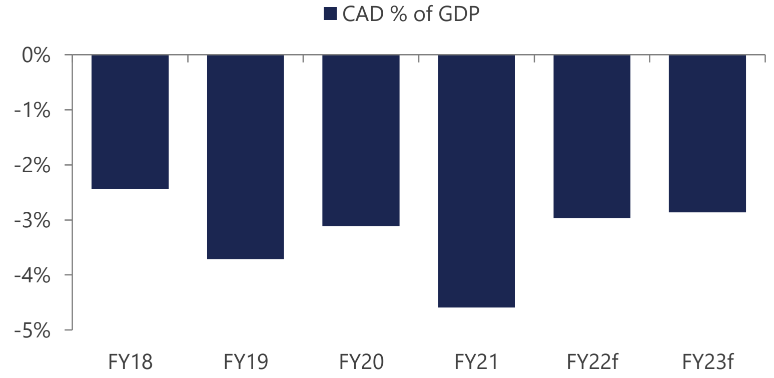
In a nutshell, we expect NIR to end 2022 slightly higher as CAD eases. We also expect the CBE will continue to rely on both banks' NFAs and non-official reserves to smooth the effect of global headwinds on external sector.

Figure 18: Banking sector FX liquidity has not recovered from COVID-19 crisis



Source: CBE, Prime Research.

Figure 19: CAD to fall, thanks to a recovery in services balance



Source: CBE, Prime Research.

MACROView (cont.'d)

Economic Policies at Crossroads: The Achilles Heel Tests the Guardrails (cont.'d)

The fiscal target of FY22 will be challenged by the pressures of global commodity prices and higher borrowing costs: The pandemic has had limited consequences on the country's fiscal targets, as FY21 figures for the fiscal deficit beat expectations. The overall deficit fell to 7.4% in FY21 vs. the MoF's initial target of 7.8%, and the primary surplus stood at 1.4% of GDP (EGP3.1bn). The FY22 budget aims to narrow the deficit further to 6.2% and provide a primary surplus of 1.5% of GDP. However, we believe these targets will be hard to meet because:

(1) **Debt servicing is highly sensitive to changes in interest rates.** Global tightening monetary conditions will raise the cost of external borrowing, while the probability that the CBE will increase rates is high.

(2) **Global headwinds already started to weigh on fiscal finance as deficit in H1 FY22 hit 3.9% of GDP, up from 3.6% a year before.** Moreover, the primary surplus, which is essential to keep debt on a downward trajectory, fell by 77% y/y to EGP3.2bn in H1 FY22.

(3) **Higher commodity prices will increase subsidy expenditure (mainly food),** while hedging against higher oil prices should alleviate pressures on energy subsidy.

The overall deficit will likely exceed the 6.2% targeted by the government for FY22. We expect the fiscal deficit to stabilize around 7% in FY22. Meanwhile, the government's efforts to counter global headwinds and the expected growth in tax revenues on higher growth should alleviate the strain of higher expenditure on the primary surplus. We still see room for the primary surplus to reach 1% of GDP by end of FY22.

Fiscal policy will remain tight in FY22 as the government's financing needs remain pressing. We expect public debt to increase to 92% of GDP by the end of FY22. The growth of external debt is seen to slow, given the fall of international institutions financial support (mainly IMF and World Bank). Yet, the average maturity of debt is anticipated to remain relatively stable at around the MoF's target of 4 years. The difficulty of accessing low-cost external borrowing will be offset by domestic resources, so the yield on Treasuries will remain high and the banking sector will be more exposed to public debt.

The monetary policy will be constrained by inflation expectations. Throughout the course of 2021, the CBE leaned more towards supporting economic growth and opted for targeting lending initiatives for the sectors hit the hardest by the pandemic. Our base-case scenario for 2022 is that the monetary policy will remain dovish as much as possible, particularly in Q1 of 2022, where we expect inflation to remain within the CBE target (7% ± 2%) and the CBE's policy rates to remain unchanged. **However, we believe that monetary policy tightening will be unavoidable as we expect:**

(1) Strong economic growth;

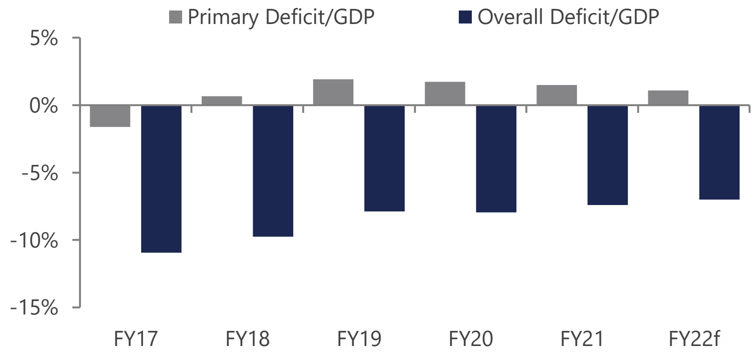
(2) Latent and lagged inflationary pressure;

(3) Fed rate hike decisions; and

(4) Changes in global risk aversion with erratic appetite toward EM assets and their impact on the USD/EGP FX rate.

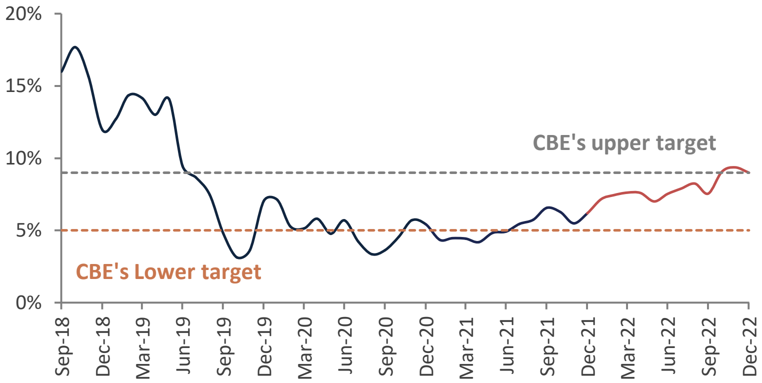
Consequently, we expect the CBE to hike its policy rates in 2022, possibly by 50-100bps. Nonetheless, we believe the pace of tightening will be dependent on external sector conditions.

Figure 20: There is still a room for running primary surplus



Source: Ministry of Finance, Prime Research.

Figure 21: Urban inflation to accelerate in FY22, especially in H2 2022

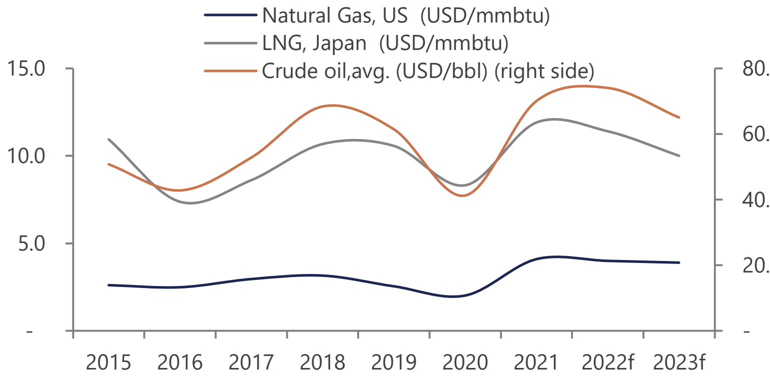


Source: CAPMAS, Prime Research.

MACROView (cont.'d)

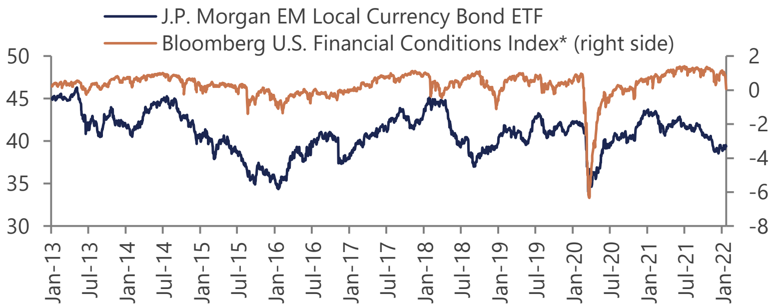
Economic Policies at Crossroads: The Achilles Heel Tests the Guardrails (cont.'d)

Figure 22: Global energy prices should fall, but LNG prices will likely remain high for long



Source: WB global commodity outlook.

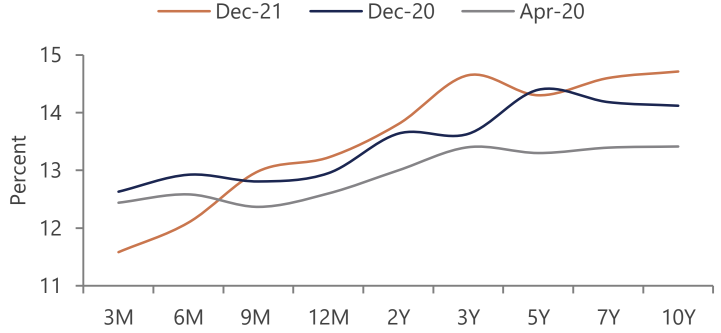
Figure 23: 2021 ended in tighter financial conditions and capital inflows to EM started to ease



* Bloomberg U.S. Financial Conditions Index is a Z-score tracking the overall level of financial stress in the US to help assess the availability and cost of credit. A positive value indicates accommodative conditions, while a negative value indicates tighter financial conditions.

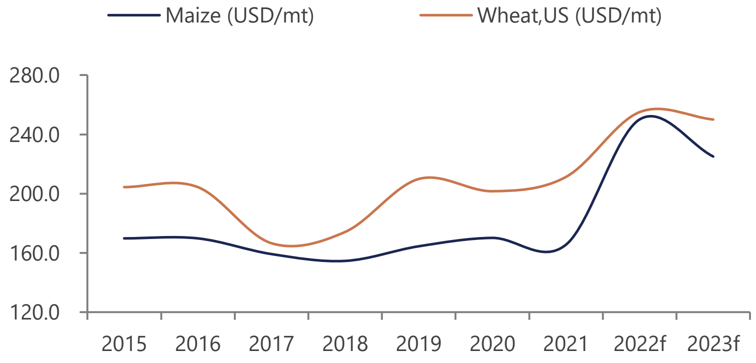
Source: Bloomberg.

Figure 24: Despite the CBE's accommodative monetary policy since mid-2020, yields increased (except at the short end of the yield curve)



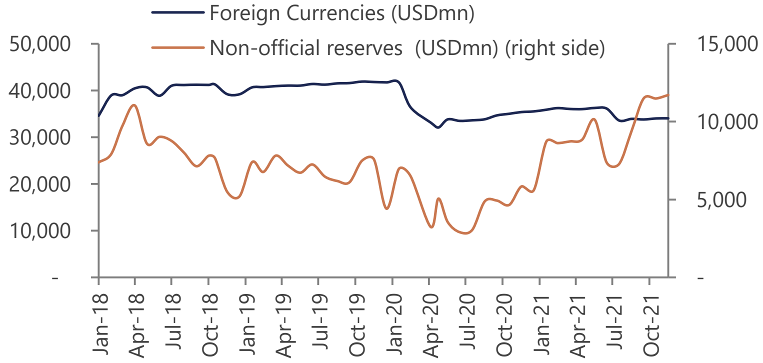
Source: CBE, Prime Research.

Figure 25: Global food prices to stay above COVID-19 level, for Egypt, offset by higher LNG exports



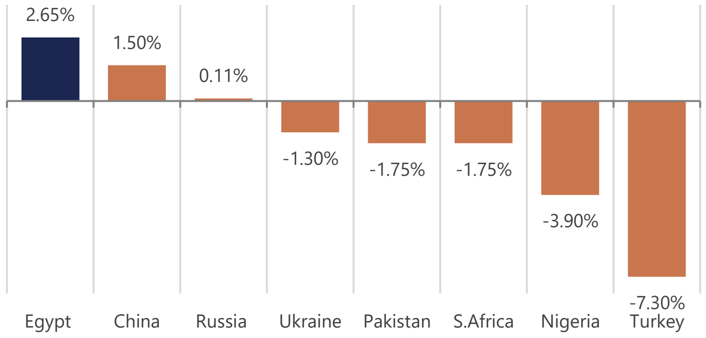
Source: WB global commodity outlook.

Figure 26: Egypt's stock of foreign currency is healthy enough to face short-term risks, and non-official is higher vs. pre-COVID-19 levels



Source: CBE

Figure 27: Real yield in Egypt was the highest among its peers, and we expect it to remain so



Source: Bloomberg.

MACROView (cont.'d)

Key Macro Data

Figure 28: Selected macro indicators

	FY18	FY19	FY20	FY21	FY22f	FY23f
Real Economy						
Nominal GDP (EGPbn)	4,437	5,322	5,855	6,341	7,387	8,961
Real GDP (EGPbn)	3,654	3,857	3,995	4,128	4,338	4,586
Growth rate (%)	5.3%	5.6%	3.6%	3.3%	5.1%	5.6%
Unemployment rate (%)	9.9%	7.5%	9.7%	8.0%	7.7%	7.1%
External Sector						
Trade Balance (% of GDP)	-14.9%	-12.6%	-10.2%	-10.6%	-9.1%	-9.2%
CAD (% of GDP)	2.4%	3.7%	3.1%	4.6%	3.2%	3.0%
FDI (% of GDP)	3.2%	2.8%	2.1%	1.3%	1.7%	1.6%
NIR (end of period USDbn)	44.3	44.4	38.2	40.5	42.0	43.0
External debt (% of GDP)	37%	34%	35%	34.4%	35.6%	35%
Monetary Sector*						
Inflation rate (average %)	14.4%	9.4%	5.1%	6.3%	8.3%	9.5%
CBE's lending rate (end of period)	17.8%	13.3%	9.3%	9.3%	10.3%	10.8%
USD/EGP	17.8	16.8	15.8	15.7	16.1	16.3
Fiscal Sector						
Overall budget deficit (% of GDP)	9.8%	7.9%	8.0%	7.7%	7.0%	6.4%
Primary Balance (% of GDP)	0.7%	1.9%	1.7%	1.4%	1.1%	1.5%

* Calendar year.
Source: Government reports, Prime Research.

Figure 29: Projected medium- and long-term external debt service (as of July 2021)

	Principal (USDbn)	Interest (USDbn)	Total
H2 2021	12.8	1.9	14.7
H1 2022	10.0	1.9	11.9
FY22	**22.8**	**3.8**	**26.6**
H2 2022	4.5	1.5	5.9
H1 2023	5.9	1.7	7.6
FY23	**10.4**	**3.2**	**13.6**
H2 2023	6.2	1.3	7.5
H1 2024	8.6	1.5	10.2
FY24	**14.8**	**2.9**	**17.7**

Source: CBE.

Figure 30: Egypt's credit rating (January 2022)

		Rating	Outlook
Fitch	**20-Oct-2021**	**B+**	**Stable**
	27-Jul-2020	B+	Stable
	25-Nov-2020	B+	Stable
Moody's	**1-Aug-2021**	**B2**	**Stable**
	2-Sep-2020	B2	Stable
	11-May-2020	B2	Stable
S&P	**8-May-2021**	**B**	**Stable**
	8-Nov-2020	B	Stable
	17-Apr-2020	B	Stable

Source: Credit rating agencies.

STOCKView

STOCKView

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Last year, we decided to divert from the traditional sectorial view when dissecting stocks' performance. We conducted our own "factor analysis", which we believe should give investors better insights as to how the market performs using different lenses.

We followed this pursuit as we find the idea of dissecting the market into regular indices or sectors becoming a bit dull and less insightful nowadays. On one hand, it does provide investors with a simplified view of market performance by grouping stocks within certain cohorts. But then again, the fact that two stocks share the same sector does not make them a matching pair for the sake of comparison. We believe that stocks possess other characteristics that would present us with different performance views.

Next, we explain the derivation of our main "factor analysis" study through two main lenses: style and quantitative.

I. Style

To set up our style (size vs. type) matrix, we first run the "size analysis" by sorting our EGX-listed pool of 131 stocks (coverage universe) in a descending order using each stock's EGP-denominated market cap as of 31 December 2020. We then calculate the cumulative market cap ratio when adding each next stock. The market cap ratio is the cumulative market caps of selected stocks as a percentage of total market cap of all stocks. We then label all stocks that get us a cumulative market cap ratio of 70% as "Large Cap". Next, we label the stocks that get us a cumulative market cap between 70% and 90% as "Mid Cap", and the remaining 10% (i.e. a cumulative market cap ratio between 90% and 100%) as "Small Cap".

As for the "type analysis", we classified stocks as either "Value", "Growth", or "Core". To do so, we opted to apply certain measures on our coverage universe; to wit: four growth measures and three value measures, as follows:

i. Growth Measures

(The higher the reading,
the higher the Growth score, except for G4.)

- **G1 (35% weight):** Average y/y growth of **Revenues** during the last ten years for each name vs. the sample's growth each year.
- **G2 (35% weight):** Average y/y growth of **Total Assets** during the last ten years for each name vs. the sample's growth each year.
- **G3 (10% weight):** Average **Asset Turnover (ATO)** ratio during the last 10 years vs. the sample's ATO each year.
- **G4 (20% weight):** Dividend yield.

ii. Value Measures

(The higher the reading,
the higher the Value score, except for V2.)

- **V1 (35% weight):** Each stock's **Justified-to-Market P/BV** multiple, which is justified P/BV divided by its market P/BV.
- **V2 (35% weight):** P/E.
- **V3 (10% weight):** Net cash to market cap.
- **V4 (20% weight):** Dividend yield.

We ranked the entire sample (i.e. 131 stocks) two times. The first is using the overall "Value Measures", then we identified the top 20% of the ranked sample as "Value" stocks. Later, we ranked the entire sample once more using the overall "Growth Measures" instead, then we identified the top 20% of the ranked sample as "Growth" stocks. All other stocks that were unlabeled as "Value" or "Growth" were labeled as "Core". We note that in the event that one stock appeared in both the top 20% ranked list in both value and growth measures, we use the average style score (i.e. the weighted average of the Value group of measures minus the average of the Growth group of measures) as a tiebreaker.

STOCKView (cont.'d)

II. Quantitative

i. Dividend-Paying Stocks

This factor is straightforward; it dissects the universe into dividend payers and non-dividend payers. This is based on each stock's payout consistency and relative dividend yields.

ii. Price Levels

While stock price levels should not have any direct fundamental effect on a company's performance or the fair value of its stock, they do bring about an obvious psychological effect. We classified the market based on their opening prices on 3 January 2021, the first trading day of the year. We classify all stocks into seven price groups (regardless of their trading currency), as follows: Ultra Penny, Penny, Low, Average, High, Big, Mega.

iii. Beta

Based on data sourced from Bloomberg, we gathered the 2-year weekly-adjusted beta for each stock within the EGX universe. The idea is to split stocks into three cohorts based on their beta, as follows:

- **Low Beta:** ≤ 0.9.
- **Average Beta:** > 0.9 and ≤ 1.1.
- **High Beta:** > 1.1.

iv. Trading Liquidity

Addressing trading liquidity is often very subjective. However, we think that the best way to gauge liquidity is to be consistent with how we account for size. Therefore, our method for liquidity-based grouping is similar to that of size-based grouping (see section I "Style"). We conducted our analysis by sorting stocks within the EGX universe in a descending order based on their EGP-denominated turnover during 2021. We then calculate the cumulative turnover ratio when adding each next stock. The turnover ratio is the cumulative annual turnover of selected stocks as a percentage of total annual turnover of all stocks. We then label all stocks that get us a cumulative annual turnover ratio of 70% as "Highly Liquid". Next, we label the stocks that get us a cumulative annual turnover between 70% and 90% as "Liquid", with the remaining 10% (i.e. a cumulative annual turnover ratio between 90% and 100%) as "Illiquid".

v. Volatility

For each stock within our sample, we calculate its weekly range (i.e. the range between each week's high and low) throughout the 52 weeks of 2021. We then average each constituent's weekly ranges during the year to arrive at an average weekly range for each stock. For the entire sample, we also calculate its weekly average range then take the average of all 52-week weekly ranges (i.e. average of the weekly averages) collectively and individually to reach what we call the "Average Weekly Range for the Year (AWRY)". On this account, we devised what we call the "V Score". In simple terms, the V Score of each stock is that stock's AWRY as a percentage of the total sample's AWRY divided by 100 to scale it to an absolute number.

STOCKView (cont.'d)

A necessary rewind: Egyptian equities went through a major turmoil, particularly in March 2020, within the fallout of COVID-19 pandemic. On the other hand, global commodities' prices nearly bottomed out during the summer of 2020, which coincided with Brent oil prices dropping to as low as USD16.0/bbl. Come H2 2020, the status of liquidity with regard to Egyptian equities passed through a critical transformation. Trading liquidity migrated considerably from blue chips/large caps towards small caps.

Liquidity has been reshaped: The reason for such transformation was mainly foreign investors violently exiting their positions in blue chips. Meanwhile, retail investors back seated local institutional investors in terms of shaping the overall market liquidity. For the reasons expressed above, the winning stocks during such period (Q2 2020 to Q3 2021) were one of two types: (1) Small caps, regardless of their sector or fundamentals, or (2) Large caps that happen to exist in sectors that managed to capitalize on the negative impact of COVID-19. The second type consists mainly of names that did benefit from the rebound in global commodity prices after the summer of 2020 on the back of global supply chain disruptions.

The plot twist: The aforementioned market setting maintained a dominant presence up until October 2021. What followed was the IPO of E-Finance [**EFIH**], which helped bring large caps back to the scene. Also, we note that during October 2021, the Egyptian government hiked natural gas prices for the industrial sector. As a result, the two types of winning stocks mentioned earlier faced notable downward pressures during October. At one hand, small caps (i.e. the first kind) lost much of their previous gains as liquidity tides were shifting, besides the occurrence of consequential margin calls. On the other hand, the recent hike of natural gas prices to the industrial sector dispensed much of the enthusiasm towards energy-intensive players, which are mostly commodity-linked stories (i.e. the second kind).

What the future may look like: Going into 2022, the main risk for global markets is the mounting inflationary pressures all over the world, even within advanced economies. Global inflation drivers are mainly: (1) the lingering energy crisis within Europe and Asia, (2) elevated key commodity prices, and (3) higher shipping costs. Here at home, inflationary pressures have started to materialize, albeit still contained within the CBE's target range. For the reason addressed above, and as we mentioned earlier in the **FOREWORD** section, we believe the top picks out of today's market should exist within the following themes: (1) Stocks that thrive at an inflationary environment, mostly belonging to the large cap universe, (2) Stocks that enjoy USD-based revenue stream, (3) Stocks that may be subject to M&A, (4) Stocks that should benefit from upcoming IPOs, and (5) Stocks that pay high dividend yields.

Large-cap lag still a thing: A look from the size dimension will tell us that large caps had a wonderful run in 2021, where they achieved an annual return of 19%, outperforming both mid-caps (+15%) and small caps (+0.6%). Despite such performance divergence, which tipped in favor of large caps, valuation levels remain attractive, signaling further room for re-rating. The median P/E ratio for large caps is 7.9x, a 44% discount to small caps. This is also evidenced by the median P/E for the EGX 30 standing at 7.2x, whereas the EGX 70 EWI median P/E is at 11.0x. This could be considered as some sort of an anomaly, given that large caps in essence are more stable and less risky, hence should generally be traded at a premium to small caps, not vice versa.

Value vs. growth: From a type perspective, value stocks had also a good 2021, achieving an annual return of 15%. Meanwhile, growth stocks did not diverge much from value stocks. Growth-related names achieved a reasonable 14% annual return in 2021. We note that core stocks generated only 2% in annual return to investors. Despite both value and growth stocks having had a good 2021, value-related names remain much cheaper. In terms of valuation, value stocks median P/E still stood at only 5.5x despite 2021's rally. Interestingly, the average EV/Assets for value stocks is ridiculously low, at only 0.6x. On the other hand, growth stocks had a median P/E of 21.5x.

Conventional vs. unconventional wisdom: In conclusion, while 2020 was undoubtedly the year of unconventional wisdom, we view 2021 as the year to even out the score between conventional and unconventional wisdom. When it comes to 2022, we think taking the conventional wisdom approach will be more rewarding for investors as the continuous reversion to normality will eventually close the valuation gap between the different aforementioned groups. Taking a conventional wisdom approach will inherently mean focusing more on large- and mid-caps in general and on value stocks in particular.

STOCKView (cont.'d)

Figure 31 (A): Top 20 leaders & laggards on EGX (2021)

EGX 20 leaders in 2021			EGX 20 laggards in 2021		
EEII	El Arabia Engineering Industries	266%	RMTV	Rowad Misr Tourism Investment	-79%
RAYA	Raya Holding for Financial Investments	230%	CCRS	Gulf Canadian RE Invest.	-77%
OBRI	El Obour Real Estate Investment	227%	AIFI	Atlas for Investment & Food Industries	-64%
NCCW	Nasr Co for Civil Works	216%	NEDA	Northern Upper Egypt Development	-63%
ZMID	Zahraa El Maadi Invest. & Dev.	190%	GOCO	Golden Coast Co	-62%
NBKE	National Bank of Kuwait - Egypt SAE	166%	ELWA	Elwadi International Invest. & Dev.	-60%
EASB	Egyptian Arabian Sec. Brokerage	143%	EHDR	Egyptians Housing Dev. & Recons.	-57%
WKOL	Wadi Kom Ombo Land Reclamation	136%	DSCW	Dice Sport & Casual Wear	-56%
MBSC	Misr Beni Suef Cement Co	118%	ACAMD	Arab Co for Asset Mgmt. & Dev.	-51%
ASPI	Aspire Capital Holding for Fin. Invest.	101%	ESGI	Egyptian Starch & Glucose	-50%
MHOT	Misr Hotels Co	95%	ACGC	Arab Cotton Ginning	-49%
ELKA	El Kahera Housing	92%	ODIN	ODIN Investments	-47%
EGAL	Egypt Aluminum	90%	ADPC	Arab Dairy Products Co/The	-46%
BIOC	GlaxoSmithKline SAE	85%	EMRI	Emerald for Real Estate Investment	-46%
DEIN	Delta Insurance Co SAE	82%	PRCL	Ceramic Porcelain	-43%
MPCO	Mansoura Poultry	81%	EDBM	Egyptian for Dev. Building Materials	-42%
ICID	International Co for Invest. & Dev.	78%	AIH	Arabia Investments Holding	-42%
ACRO	Acrow Misr	76%	BTFH	Beltone Financial Holding SAE	-39%
SUGR	Delta Sugar Co	76%	MEPA	Medical Packaging Co	-37%
MFPC	Misr Fertilizers Production Co SAE	74%	EBSC	Osool ESB Securities Brokerage	-36%

Figure 31 (B): Top 10 leaders & laggards on Nilex (2021)

Nilex 10 leaders in 2021			Nilex 10 laggards in 2021		
FIRE	First Investment Co and Real Estate	414%	BIGP	El-Barbary Investment Group	-22%
PSAD	Port Saied for Agricultural Dev. & Cons.	290%	GETO	Genial Tours	-9%
AMPI	Al Moasher for Prog. & Info Dissem.	263%	INEG	Integrated Engineering Group SAE	-9%
EBDP	Al Bader Plastic	208%	CTSB	City Trade Securities And Brokerage	0%
ARPI	Arabian Rocks Plastic Industries	188%	NCIS	New Castle for Investment Sports	0%
FNAR	Al Fanar Contracting	152%	MISR	Misr Intercont. for Granite & Marble	0%
MBEN	MB Engineering Co	143%	MAAL	Marseilia Egyptian Gulf RE Invest.	5%
VERT	Vertika	136%	ICMI	International Co for Medical Industries	12%
ADRI	Arab Dev. & RE Invest.	130%	PTCC	Pharaoh Tech for Ctrl. & Comm. Systems	14%
IBCT	International Business Corp.	100%	FERC	Ferchem Misr for Fertilizer & Chem.	19%

Note: Net debt / (cash) is in EGPmn.
Source: Bloomberg, Prime Research.

STOCKView (cont.'d)

Figure 32 (A): Prime Research categories (median fundamental multiples and ratios)

Category	Sub-Category	P/E	P/BV	Yield	EV/ Sales	EV/ Assets	Assets Turnover	ROE	ROA	FLM
Indices	EGX30	7.2x	1.4x	4.6%	1.6x	0.9x	0.4x	18.53%	6.44%	2.9x
	EGX70 EWI	11.0x	0.9x	4.1%	2.5x	0.7x	0.2x	6.09%	1.88%	3.2x

Category	Sub-Category	P/E	P/BV	Yield	EV/ Sales	EV/ Assets	Assets Turnover	ROE	ROA	FLM
Size	Large	7.9x	1.5x	4.4%	2.0x	1.2x	0.4x	19.0%	7.9%	2.4x
	Mid	7.5x	1.2x	5.2%	1.4x	1.0x	0.4x	14.4%	4.1%	3.5x
	Small	14.1x	1.0x	3.7%	3.4x	0.7x	0.2x	5.3%	2.1%	2.5x
Type	Value	5.5x	1.1x	5.0%	1.2x	0.6x	0.4x	18.7%	7.0%	2.7x
	Growth	21.5x	1.2x	3.8%	2.4x	1.0x	0.5x	14.8%	3.9%	3.8x
	Core	11.8x	1.1x	2.8%	3.3x	0.8x	0.2x	5.3%	2.1%	2.5x
Style	Large Value	5.5x	1.1x	5.0%	1.2x	0.5x	0.4x	20.1%	6.5%	3.1x
	Large Core	12.2x	1.9x	1.9%	2.2x	1.1x	0.2x	13.4%	3.3%	4.1x
	Large Growth	55.6x	9.8x	2.5%	5.7x	2.7x	0.6x	19.0%	12.9%	1.5x
	Mid Value	7.2x	0.9x	4.7%	1.3x	1.0x	0.2x	13.8%	8.6%	1.6x
	Mid Core	6.9x	1.2x	5.8%	1.3x	0.9x	0.4x	12.5%	3.4%	3.7x
	Mid Growth	11.8x	1.5x	7.5%	1.9x	1.0x	0.4x	15.6%	3.6%	4.3x
	Small Value	5.2x	1.1x	4.4%	1.0x	0.6x	0.6x	17.7%	6.9%	2.6x
	Small Core	13.3x	1.0x	2.3%	4.2x	0.8x	0.2x	2.2%	0.5%	4.7x
	Small Growth	21.5x	1.0x	3.8%	1.8x	0.7x	0.3x	7.1%	3.1%	2.3x

Note: Prices as of 26 January 2022.
Source: Bloomberg, Prime Research.

STOCKView (cont.'d)

Figure 32 (B): Prime Research categories (median fundamental multiples and ratios)

Category	Sub-Category	P/E	P/BV	Yield	EV/ Sales	EV/ Assets	Assets Turnover	ROE	ROA	FLM
Beta Type	High Beta	9.0x	1.1x	4.4%	2.2x	0.8x	0.4x	7.2%	3.1%	2.4x
	Average Beta	7.7x	1.1x	5.1%	2.7x	0.7x	0.2x	11.0%	3.0%	3.7x
	Low Beta	7.6x	1.5x	5.1%	2.2x	1.2x	0.4x	16.2%	7.5%	2.2x
Volatility Type	High Volatility	14.3x	1.1x	4.1%	3.5x	0.8x	0.2x	5.8%	2.2%	2.7x
	Low Volatility	8.0x	1.1x	4.4%	1.6x	0.8x	0.4x	15.1%	4.5%	3.4x
Liquidity	Highly Liquid	10.1x	1.3x	4.9%	2.2x	1.0x	0.4x	15.1%	3.9%	3.8x
	Liquid	10.6x	1.1x	3.9%	2.2x	0.8x	0.3x	10.6%	3.2%	3.3x
	Illiquid	7.7x	1.0x	3.8%	2.8x	0.8x	0.3x	7.1%	2.4%	3.0x
Dividend Payer?	Yes	8.2x	1.2x	4.3%	1.2x	0.8x	0.5x	15.9%	4.5%	3.5x
	No	16.2x	1.1x	5.8%	3.6x	0.9x	0.2x	4.4%	1.1%	4.0x
Price level	Ultra Penny	9.8x	1.1x	4.0%	2.9x	0.6x	0.4x	8.7%	2.7%	3.2x
	Penny	10.4x	1.0x	4.4%	2.7x	0.8x	0.2x	6.4%	2.0%	3.3x
	Low	9.0x	1.4x	4.5%	1.4x	0.8x	0.5x	12.7%	6.2%	2.0x
	Average	12.2x	1.5x	3.3%	1.7x	1.5x	0.2x	18.2%	6.2%	2.9x
	High	8.8x	1.5x	5.0%	23.8x	1.1x	0.1x	16.7%	2.6%	6.4x
	Big	6.8x	0.9x	3.9%	22.1x	0.7x	0.2x	16.3%	10.2%	1.6x
	Mega	5.4x	0.9x	5.0%	0.1x	0.0x	0.9x	16.6%	2.5%	6.5x

Note: Prices as of 26 January 2022.
Source: Bloomberg, Prime Research.

STOCKView (cont.'d)

Figure 33 (A): Prime Research Core and Basic Coverage Universe and 2022 top stock picks

Stock data									Trading data			Price Performance		Valuation							Fundamentals		
	Ticker			Name	Sector	TC	NOS (mn)	Mkt cap (EGPmn)	ADTV 6M (EGP000)	Free float	Index	Last	ytd	FY ends	Cons. PT	Up/ (dn)	Prime Res. PT	Up/ (dn)	Method	P/E	P/BV	ROE
1	ADIB		c	Abu Dhabi Islamic Bank Egypt	Banks	EGP	200	2,942	11,996	27%	EGX70 EWI	14.71	-6.7%	Dec	19.9	35%	21.7	48%	Risdual Income	2.0x	0.5x	24.3%
2	CANA		b	Suez Canal Bank	Banks	EGP	220	2,523	452	8%	na	11.47	4.4%	Dec	9.9	-14%	10.6	-8%	SOTP	4.5x	0.6x	14.7x
3	CIEB		c	Credit Agricole Egypt	Banks	EGP	1,250	9,988	8,256	39%	EGX30	7.99	-5.1%	Dec	9.5	19%	8.2	3%	Multiples	6.6x	1.2x	20.1%
4	COMI	a	c	Commercial International Bank (CIB)	Banks	EGP	1,970	102,157	107,135	76%	EGX30	51.85	-2.2%	Dec	66.6	28%	72.0	39%	Multiples	9.0x	1.5x	19.0%
5	EXPA		c	Export Development Bank of Egypt	Banks	EGP	327	3,028	3,119	25%	EGX70 EWI	9.25	1.8%	Jun	11.4	24%	11.1	20%	Risdual Income	4.9x	0.5x	10.4%
6	FAIT	a	b	Faisal Islamic Bank of Egypt (EGP)	Banks	EGP	215	8,763	1,382	39%	na	12.66	3.3%	Dec	15.8	25%	21.0	66%	Risdual Income	3.3x	0.6x	15.9%
7	HDBK		c	Housing & Development Bank	Banks	EGP	152	6,826	4,451	53%	na	44.97	2.1%	Dec	50.9	13%	49.0	9%	Risdual Income	3.7x	0.6x	20.0%
8	QNBA		c	Qatar National Bank Alahly	Banks	EGP	2,155	40,187	606	5%	na	18.65	5.3%	Dec	24.0	29%	19.5	5%	Risdual Income	6.0x	0.9x	17.7%
9	SAUD		c	Al-Baraka Bank Egypt	Banks	EGP	221	3,292	655	22%	na	14.90	5.7%	Dec	22.4	51%	25.6	72%	Risdual Income	3.4x	0.6x	18.1%
10	CIRA		b	Cairo Invest. & Real Estate Dev.	Consumer Discretionary	EGP	583	7,862	5,881	49%	EGX30	13.49	-0.9%	Aug	20.3	51%	17.0	26%	DCF	56.3x	6.5x	11.5%
11	DSCW		b	Dice Sport & Casual Wear	Consumer Discretionary	EGP	530	413	13,744	62%	EGX70 EWI	0.78	4.7%	Dec	na	na	1.9	144%	DCF	21.5x	1.1x	5.3%
12	MTIE		b	MM Group for Industry & Int.'l Trade	Consumer Discretionary	EGP	967	6,700	14,496	22%	EGX30	6.93	0.7%	Dec	8.6	24%	8.1	17%	DCF	21.6x	3.4x	17.9%
13	ORWE	a	b	Oriental Weavers Carpet	Consumer Discretionary	EGP	665	5,567	6,092	35%	EGX30	8.37	-3.7%	Dec	11.5	37%	16.5	97%	DCF	4.4x	0.8x	18.5%
14	SCTS		b	Suez Canal for Technology Settlement	Consumer Discretionary	EGP	91	3,729	13	25%	na	41.02	0.0%	Aug	na	na	63.0	54%	Multiples	8.7x	1.4x	28.9%
15	OLFI	a	c	Obour Land Food Industries	Consumer Staples	EGP	400	2,460	2,266	40%	EGX70 EWI	6.15	4.9%	Dec	8.7	41%	8.6	40%	DCF	8.7x	2.7x	32.4%
16	POUL		b	Cairo Poultry	Consumer Staples	EGP	479	1,303	8,647	48%	EGX70 EWI	2.72	-3.2%	Dec	na	na	5.6	104%	DCF	11.4x	1.0x	8.9%
17	SUGR		b	Delta Sugar	Consumer Staples	EGP	142	2,090	10,980	20%	EGX70 EWI	14.70	2.2%	Dec	na	na	21.0	43%	Multiples	14.5x	1.7x	12.9%
18	WCDF	a	b	Middle & West Delta Flour Mills	Consumer Staples	EGP	8	677	146	31%	na	90.29	0.0%	Jun	141.4	57%	156.6	73%	Gordon Growth	3.5x	1.1x	31.2%
19	IDHC	a	b	Integrated Diagnostics Holding	Health Care	EGP	600	11,886	2,057	7%	na	19.81	-2.1%	Dec	24.0	21%	28.8	45%	DCF	8.9x	na	26.5%
20	PHAR	a	b	EIPICO	Health Care	EGP	99	4,041	2,241	50%	EGX70 EWI	40.75	-2.7%	Dec	71.7	76%	70.0	72%	DCF	8.6x	1.4x	16.7%
21	ALCN		b	Alexandria Containers Handling	Industrials	EGP	1,490	11,248	5,838	5%	na	7.55	-10.1%	Jun	9.1	21%	8.8	17%	DCF	7.7x	2.3x	30.6%
22	CERA		c	Arab Ceramics	Industrials	EGP	719	481	9,158	33%	EGX70 EWI	0.67	-3.2%	Dec	0.88	32%	0.88	32%	DCF	7.3x	1.5x	22.4%
23	ECAP		c	Al-Ezz Ceramics & Porcelain	Industrials	EGP	53	526	1,948	33%	na	9.86	-2.4%	Dec	16.5	67%	14.8	50%	DCF	5.3x	1.0x	19.9%
24	GSSC		b	General Silos & Storage	Industrials	EGP	10	801	182	17%	na	80.06	6.7%	Jun	56.5	-29%	59.0	-26%	DCF	14.7x	4.3x	21.0%
25	KZPC		b	Kafr El-Zayat Pesticides & Chemicals	Industrials	EGP	12	362	828	22%	na	30.15	7.7%	Dec	na	na	37.1	23%	DCF	5.5x	1.1x	20.0%
26	LCSW		c	Lecico Egypt	Industrials	EGP	80	260	3,996	36%	EGX70 EWI	3.25	-6.1%	Dec	3.8	17%	3.8	17%	DCF	na	na	-3.9%
27	ORAS	a	c	Orascom Construction	Industrials	EGP	117	8,519	5,895	23%	EGX70 EWI	72.96	-3.9%	Dec	156.7	115%	146.0	100%	DCF	5.4x	0.9x	16.6%
28	PRCL		c	Sheeni	Industrials	EGP	50	158	3,924	42%	EGX70 EWI	3.13	18.1%	Jun	2.7	-14%	2.7	-14%	DCF	na	2.3x	-67.0%
29	SWDY	a	c	Elsewedy Electric	Industrials	EGP	2,184	19,723	28,101	32%	EGX30	9.03	-8.1%	Dec	13.3	47%	14.3	58%	DCF	5.5x	1.1x	21.3%

* Prices as of 26 January 2022.
Source: EGX, Prime Research.

STOCKView (cont.'d)

Figure 33 (B): Prime Research Core and Basic Coverage Universe and 2022 top stock picks

Stock data										Trading data			Price Performance		Valuation						Fundamentals		
	Ticker				Name	Sector	TC	NOS (mn)	Mkt cap (EGPmn)	ADTV 6M (EGP000)	Free float	Index	Last	ytd	FY ends	Cons. PT	Up/ (dn)	Prime Res. PT	Up/ (dn)	Method	P/E	P/BV	ROE
30	ABUK	a		c	Abu Kir Fertilizers & Chemicals	Materials	EGP	1,262	27,067	13,695	37%	EGX30	21.45	-0.2%	Jun	29.5	37%	31.0	45%	DCF	7.9x	3.1x	48.6%
31	EFIC		b		Egyptian Financial & Industrials	Materials	EGP	73	943	3,954	60%	EGX70 EWI	12.96	-1.0%	Dec	11.7	-10%	15.2	17%	DCF	4.4x	0.7x	15.6%
32	EGAL		b		Egypt Aluminum	Materials	EGP	413	9,500	4,644	8%	EGX70 EWI	23.03	7.2%	Jun	16.6	-28%	24.0	4%	DCF	21.1x	1.7x	8.5%
33	ESRS		b		Ezz Steel	Materials	EGP	543	7,247	23,053	33%	EGX30	13.34	-11.0%	Dec	13.1	-2%	15.6	17%	DCF	3.3x	na	na
34	MFPC		b		MOPCO	Materials	EGP	229	20,533	5,982	22%	EGX30	89.62	-8.1%	Dec	118.7	32%	84.0	-6%	DCF	4.7x	1.1x	25.6%
35	MICH	a		c	Misr Chemical Industries	Materials	EGP	73	732	1,520	30%	na	10.01	4.2%	Jun	13.0	30%	13.9	39%	DCF	5.2x	1.2x	23.9%
36	SKPC		b		Sidi Kerir Petrochemicals	Materials	EGP	630	4,542	13,084	49%	EGX30	7.21	-7.6%	Dec	8.9	23%	7.9	10%	DCF	10.9x	1.3x	13.4%
37	AFDI		b		Al-Ahly for Development & Investment	Non-Banking Financials	EGP	18	220	6,201	62%	EGX70 EWI	12.21	-9.1%	Dec	na	na	11.6	-5%	SOTP	15.3x	0.9x	5.7%
38	BINV	a		c	B Investments Holding	Non-Banking Financials	EGP	160	1,696	4,119	54%	EGX70 EWI	10.60	6.0%	Dec	16.7	57%	16.7	58%	SOTP	8.3x	0.8x	10.6%
39	CICH	a		c	CI Capital Holding	Non-Banking Financials	EGP	1,000	4,020	5,999	13%	EGX70 EWI	4.02	-5.2%	Dec	5.4	34%	6.0	49%	SOTP	8.5x	1.3x	16.1%
40	FWRY		b		Fawry	Non-Banking Financials	EGP	1,707	17,534	43,900	74%	EGX30	10.27	-19.8%	Dec	16.3	59%	10.2	-1%	Multiples	73.7x	13.1x	19.0%
41	HRHO			c	EFG Hermes Holding	Non-Banking Financials	EGP	922	13,466	16,578	62%	EGX30	14.60	-1.4%	Dec	17.6	21%	14.8	1%	SOTP	8.5x	0.8x	11.0%
42	MOIN		b		Mohandes Insurance	Non-Banking Financials	EGP	94	1,269	97	19%	na	13.50	0.0%	Jun	14.0	4%	19.0	41%	Risdual Income	11.7x	1.5x	20.9%
43	OIH		b		Orascom Investment Holding	Non-Banking Financials	EGP	5,246	1,207	8,763	45%	EGX70 EWI	0.23	-1.7%	Dec	0.32	39%	0.33	43%	NAV	na	1.1x	-6.0%
44	ACAMD		b		Arab Co. for Asset Management & Dev.	Real Estate	EGP	1,324	613	7,461	66%	EGX70 EWI	0.46	-11.0%	Dec	na	na	2.1	358%	SOTP	na	4.3x	7.8%
45	ELSH			c	El-Shams Housing & Development	Real Estate	EGP	182	1,427	20,516	23%	na	7.86	-1.4%	Dec	na	na	7.4	-6%	DCF	12.2x	2.2x	18.7%
46	EGSA	a	b		Egyptian Satellite Co. (NileSat)	Telecom Services & IT	USD	37	2,456	19	49%	na	4.18	0.7%	Dec	na	na	6.6	58%	Multiples	5.7x	0.3x	5.0%
47	ETEL	a	b		Telecom Egypt	Telecom Services & IT	EGP	1,707	27,706	14,095	20%	EGX30	16.23	-3.2%	Dec	19.1	18%	28.1	73%	Multiples	4.2x	0.7x	16.5%

a: Our 2022 top stock picks: a total of 15 stocks. b: Our Basic Coverage: a total of 51 stocks. c: Our Core Coverage: a total of 20 stocks.

* Prices as of 26 January 2022.
Source: EGX, Prime Research.

VALUATIONRepertoire

Our Top Picks for 2022

1. Abu Qir Fertilizers [**ABUK**]
   The Stars Are Aligned
2. B Investments Holding [**BINV**]
   More Than One Way to Skin a Cat
3. CI Capital Holding [**CICH**]
   Growth to Pick Up on NBFS Expansion
4. Commercial International Bank – Egypt [**COMI**]
   Size Does Matter
5. EIPICO [**PHAR**]
   Post-COVID-19 Recovery
6. Elsewedy Electric **[SWDY]**
   Inorganic Growth to Complement Traditional Business
7. Faisal Islamic Bank of Egypt [**FAIT / FAITA**]
   Market-Implied Discount Unjustified
8. Integrated Diagnostics Holding [**IDHC**]
   Geographic Expansion to Drive Growth
9. Middle & West Delta Flour Mills [**WCDF**]
   Maintaining Composure With a High Yield
10. Misr Chemicals [**MICH**]
    Still Pandemic Proof
11. NileSat **[EGSA]**
    Flying-High Dividend Yield
12. Obour Land Food Industries [**OLFI**]
    Diversification Is Key for This High Yield Stock
13. Orascom Construction [**ORAS**]
    The "Glocal" Contractor of Choice
14. Oriental Weavers Carpet [**ORWE**]
    Sustainable Growth With Potentially Higher Yield
15. Telecom Egypt [**ETEL**]
    Calling Up the Entire Squad

Looking for the valuation model? Please contact your relationship manager or email Prime Research (research@egy.primegroup.org).

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The Stars Are Aligned

Market Price	12MPT	Investment Rating	Overweight ★ ★ ★
EGP21.45	EGP31.0 (+44%)	Risk Rating	Medium ! ! !
as of 26 Jan 2022	as of 26 Jan 2022		

Business Model: Established in 1976, Abu Qir Fertilizers [**ABUK**] was listed on the Egyptian Exchange (EGX) in 1994. ABUK operates in the agricultural chemicals sector through seven segments, namely Abu Qir I, II, III, Mixture Fertilizers Plant, Liquid Fertilizers, Ammonia, and Nitric Acid. It produces prilled urea, granular ammonium nitrate, granular urea, nitrogen, phosphorous, and potassium (NPK) products, and liquid ammonia, and other related products.

Key Insights

Egypt's most diversified fertilizer producer: ABUK is one of the most diversified fertilizer producers in Egypt with a sellable capacity of 2.3mtpa. ABUK has overcome many of its operational challenges, including natural gas (NG) price hikes and low supplies of NG, which historically led to lower utilization rates.

Off to a spectacular 2021/22: ABUK achieved record-high top line of EGP2.66bn in Q1 2021/22. Similarly, net earnings was the highest on record, coming against the backdrop of robust global urea prices, with an intra-quarter high of USD555/ton. Prices continued to be elevated through Q2 2021/22, breaking above USD900/ton. Such unprecedented fortunes of the nitrogen-based fertilizer can be attributed to: (1) lower-than-expected Chinese exports, (2) generally tight global supply of ammonia driving urea prices higher, (3) a jump in major crops prices, such as corn, wheat, and soybeans, and (4) higher global NG prices, further fueling the urea price rally.

Full liberalization of local fertilizer prices is ABUK's queening square: In November 2021, the Egyptian government handed the local nitrogen fertilizer producers a big gift; it revised local nitrogen fertilizers prices upward. This sent the local subsidized price 37-50% higher from nearly EGP3,000-3,290/ton to EGP4,500/ton. Effectively, this raised the average price per sack from EGP150-165 to as high as EGP225 for both urea and ammonium nitrate. This decision came following a recent hike in NG prices by c.28% to USD5.75/MMBTu three weeks earlier. The new regime will see fertilizer producers, in addition to their monthly quota, required to sell an additional 10% of their output in the "free" local market (where prices are not subsidized). However, by the end of December 2021, a presidential statement cited the possibility of a complete lift of existing subsidies on the price of local fertilizers, with a cash subsidy regime proposed. The impact of a fully liberalized local fertilizer market on ABUK's profitability would be enormous, especially as ABUK commits to a local quota equal to a hefty 77,000 ton per month.

Normalization isn't expected to hit that hard: While ABUK is currently enjoying high-flying urea prices, it is fairly predictable that prices will start to normalize more by end of 2021/22. Hence, we believe current price levels will remain robust, yet the momentum will slow, all the way through Q3 2021/22 (ending March 2022). Our view is based on tamer global prices of NG as the winter season ends. In addition, the behavior of Chinese urea exports will play a massive role later on, as China limits exports, ensuring ample stock for the spring season. Thus, we expect global urea prices to fall gradually from such high levels in 2021/22 to settle near USD300/ton in 2025/26.

Valuation & Rating

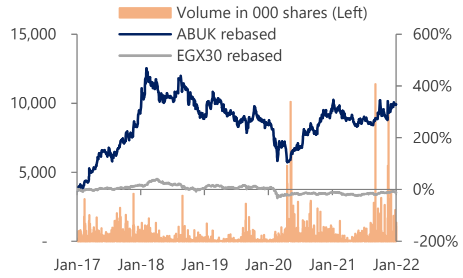
Overweight / Medium Risk, 12MPT EGP31.0/share: We valued ABUK using a DCF approach. We reached a 12-month PT of EGP31.0/share. Hence, we rate ABUK as Overweight. Our DCF assumes a terminal WACC of 14.5% and a long-term growth rate of 3%. Our projections account for Abu Qir III expansion but not for any impact related to ABUK's upcoming methanol venture. However, we are keeping an eye out for any update on the technical and financial feasibility of the methanol plant.

Investment Thesis & Risks

Investment thesis: Favorable nitrogen fertilizer market environment. Liberalization of local prices. Qualifying for free zone status. A high dividend yield (we expect DPS to be c.EGP2.5 for 2021/22).

Risks: Soft global urea prices. Stronger Egyptian pound. Continued COVID-19 threats to trade mobility. Any further hikes in NG prices after the recent 28% increase.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	1,261.9
Free float	37%
Market cap (EGPmn)	27,067
52w range (EGP/share)	24.24-17.90
EGP100 invested 5y ago	428.31
TTM EPS (EGP)	2.72
TTM P/E	7.9x
Last FY DPS (EGP)	1.30
Dividend yield	6.1%
5Yr beta	0.83

Source: Prime Research, Bloomberg.

More Than One Way to Skin a Cat

Market Price	12MPT		
EGP10.60	EGP16.7 (+58%)	Investment Rating	Overweight ★ ★ ★
as of 26 Jan 2022	as of 26 Jan 2022	Risk Rating	Medium ! ! !

Business Model: Established in 2005, B Investments Holding [**BINV**], an Egypt-based private equity firm, was listed on the Egyptian Exchange (EGX) in 2018. BINV's investment sectors include real estate development, downstream oil and gas, IT systems integration, non-banking financial services, renewable energy, manufacturing, and food & beverage. Its subsidiaries include Gourmet, Madinet Nasr Housing & Development [**MNHD**], Giza Systems, Total Egypt, Ebtikar Holding for Financial Investments, and Infinity Solar.

Key Insights

A cash-rich business: BINV is a private equity outfit with diversified investments, providing exposure to sectors that are not represented in the Egyptian Exchange (EGX). Since it was listed on the EGX in 2018, BINV has made a few acquisitions, including the takeover of Gourmet Egypt, Ebtikar's Masary, and Tamweel. No exits have taken place until BINV's management decided to unlock value in one of its gems, divesting 20% of its stake in Total Egypt in late 2020 in an exit worth 5x its initial investment, followed by a full exit from its stake in BEARD, albeit a small transaction.

Despite weak 9M 2021, potential remains high: BINV's 9M 2021 and yearly results were weaker than expected in 2021. BINV almost broke even in Q3 2021, having reported net earnings of EGP72.92mn (-53% y/y) in 9M 2021, while revenues hit EGP112mn (-41% y/y). Its revenues were pressured by a smaller piece of its investment companies' profit pie, which contributed only EGP24.4mn (-75% y/y). However, BINV's cash position remains healthy at EGP453mn (27% of its market cap). In addition, BINV continues to maintain a debt-free balance sheet with a TTM ROAE of 11%.

Weak ROAE is misleading: BINV's ROAE is very weak when compared to that of other names across the financial sector. However, the annual earnings offers little to be revealed about the valuation potential. BINV's most important catalyst, however, would be the success of a partial or full divestiture of its fundamentally-sound holdings. After the partial exit of Total Egypt and the full exit of BEARD, all eyes are now on Ebtikar's long-awaited IPO.

The front gate to Egypt's fintech transformation: Ebtikar has achieved a 66% y/y growth in transactions value to EGP22.4bn in 9M 2021. In our Core Coverage Report, we valued the two e-payment companies at a combined EGP2.9bn (EGP442mn of which is attributed to BINV). Ebtikar's IPO is planned to be executed in 2021 . Recently, Ebtikar Holding for Financial Investments (a company owned jointly between BINV, BPE Partners, and MM Group for Industry & International Trade [**MTIE**]) raised its stake in TBE Egypt for Payment Solutions & Services (Bee) from 60% to 99.9% through a share swap into Ebtikar.

Valuation & Rating

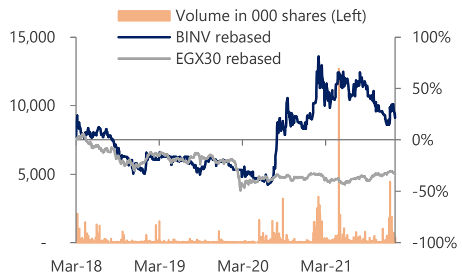
Overweight / Medium Risk; 12MPT EGP16.7/share: We valued BINV using a sum-of-the-parts approach which produced a fair value of EGP15.5/share and a 12MPT of EGP16.7/share. Hence, we rate BINV as Overweight. Meanwhile, we expect BINV to generate 4-year (2020-2024) earnings growth at a CAGR of 1% due to 2020's high base.

Investment Thesis & Risks

Investment thesis: Recent exits unlocking hidden value. Vodafone Egypt's planned acquisition of 20% of Ebtikar's e-payment platforms, boosting Ebtikar's valuation ahead of its IPO. MNHD undertaking an ambitious strategy of asset monetization. A pipeline that consists of more interesting investments, mainly in health care, food & beverage, education and pharmaceuticals.

Risks: Any delay in Ebtikar's IPO due to new waves of COVID-19 or disturbance in the performance of the capital market. MNHD's salability risk and the fluctuating prices of building materials.

Relative Performance (Since IPO)



Key Stock Statistics

Shares outstanding (mn)	160.0
Free float	54%
Market cap (EGPmn)	1,696
52w range (EGP/share)	18.68-9.82
EGP100 invested since IPO	121.00
TTM EPS (EGP)	1.23
TTM P/E	8.3x
Last FY DPS (EGP)	1.25
Dividend yield	11.8%
5Yr beta	0.72

Source: Prime Research, Bloomberg.

Growth to Pick Up on NBFS Expansion

Market Price	12MPT	Investment Rating	Overweight ★ ★ ★
EGP4.02	EGP6.0 (+49%)	Risk Rating	Medium ! ! !
as of 26 Jan 2022	as of 26 Jan 2022		

Business Model: Established in 2005, CI Capital Holding [**CICH**], an Egypt-based diversified financial services group, was listed on the Egyptian Exchange (EGX) in 2018. CICH offers capital markets financial solutions to global and regional institutional and individual clients, such as investment banking, M&A advisory, asset management, securities brokerage, custody, and research through its investment banking platform. CICH also offers non-banking financial services, including leasing (through Corplease), microfinance (through Reefy), consumer finance (through Souhoola), and mortgage finance (through CI Mortgage).

Key Insights

Ventures bearing fruit with more yet to come: CICH has been growing its NBFS segment, gradually diversifying its range of customer solutions. It recently added consumer finance (through subsidiary Souhoola) to its microfinance, mortgage finance, and leasing operations. We believe CICH's sustainable growth is derived from the NBFS segment, specifically leasing.

Acquired at an attractive valuation: In February 2021, Banque Misr offered, through an MTO, to acquire a controlling (51% and 90%) stake in CICH at EGP4.7/share, below our 12MPT of EGP6.0/share. Later the deal went through, with Banque Misr taking over 90% of CICH's total outstanding shares. After the transaction, CICH's stock trading liquidity plunged before bouncing back up later in 2021.

A prosperous 2021: 9M 2021 results showed a bottom line of EGP412mn (+43% y/y). This robust growth was backed by a strong IB platform performance, thanks to: (1) merchant banking gains amid Taaleem Management Services' [**TALM**] exit and (2) advisory fees recorded in Q3 2021 for the conclusion of **BLOM Bank Egypt**'s sale to **Bank ABC** at a total of USD425mn. Furthermore, we believe the IB platform will have an exceptional 2021, given CICH's advisory on E-Finance's [**EFIH**] IPO which took place in Q4 2021 as well as CICH's solid asset management performance. However, the NBFS platform performance slipped slightly due to a setback in leasing activities which was marginally offset by microfinance activity. In our opinion, this is the blessing of diversification within the NBFS platform. CICH's TTM ROAE stood at 19%, nearly touching its pre-COVID-19 levels (i.e. 21% in 2019).

Trading at a slim 2022e P/B: CICH is trading at 2022e P/B and P/E of 0.9x and 7x, respectively. We view these multiples as attractive, especially given our expectations of bottom-line growth at a 4-year CAGR of 7%, hitting EGP719mn by 2023. This growth is seen to be driven by expansions in CICH's NBFS platform as well as a recovery in Egypt's capital market.

Valuation & Rating

Overweight / Medium Risk; 12MPT EGP6.0/share: We valued CICH using the residual income model. We reached a fair value of EGP5.2/share and set our 12MPT at EGP6.0/share. Thus, we rate CICH as Overweight.

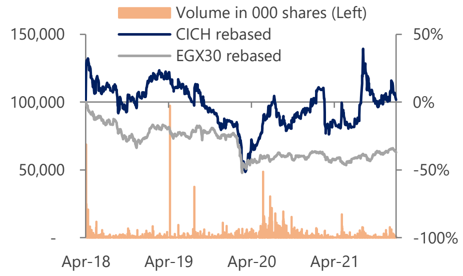
Investment Thesis & Risks

Investment rationale: More expansions in NBFS would hedge against any headwinds the IB platform could face amid weak capital markets. While Corplease remains a giant player in the leasing sector, Souhoola and CI Mortgage, CICH's latest ventures, should start contributing more to the NBFS platform.

Risks: In view of COVID-19 implications, CICH could be negatively affected as follows:

- <u>IB Platform:</u> Weak local market recovery, especially with the absence of cross-border presence.
- <u>NBFS Platform:</u> Corplease commands the lion's share in the platform in terms of top line and bottom line. Hence, profitable diversification is tied to growth in newly-added sectors.

Relative Performance (Since IPO)



Key Stock Statistics

Shares outstanding (mn)	1,000.0
Free float	13%
Market cap (EGPmn)	4,020
52w range (EGP/share)	5.61-2.97
EGP100 invested since IPO	101.77
TTM EPS (EGP)	0.60
TTM P/E	8.5x
Last FY DPS (EGP)	0.20
Dividend yield	5.0%
5Yr beta	1.11

Source: Prime Research, Bloomberg.

Looking for the valuation model? Please contact your relationship manager or email Prime Research (research@egy.primegroup.org).

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Size Does Matter

Market Price	12MPT	Investment Rating	Risk Rating
EGP51.85 as of 26 Jan 2022	EGP72.0 (+38%) as of 26 Jan 2022	Overweight ★ ★ ★	Medium ! ! !

Business Model: Established in 1975, Commercial International Bank - Egypt [**COMI**], the leading private-sector bank in Egypt, was listed on the Egyptian Exchange (EGX) in 1995, COMI offers a broad range of financial products and services to its customers, including more than 500 of Egypt's largest corporations, enterprises of all sizes, institutions, and households. COMI is the most profitable commercial bank operating in Egypt, with more than 200 branches and units. Its segments include corporate banking, investment banking, retail banking, treasury & capital market services, and others.

Key Insights

Sector-leading eligibility: COMI is the biggest private bank in Egypt in terms of asset size. Total assets hit EGP490bn by end of Q3 2021, representing an asset market share of 5.8%. COMI's asset allocation is not strikingly different compared to that shown in other banks' balance sheets. Government debt securities represent 47% of total assets, whereas net lending captures only 28%. On the deposits front, COMI holds a sizable market share, offering a very affordable cost at 4.7%. Such an IEA-IBL mixture allows the bank to sustain a spread of 5.1% (27% above the sector's average). COMI represents the best exposure to Egypt's banking, with the stock being the most liquid across the sector and the entire EGX.

A stupendous recovery in 2021: Despite NIM slipping in 9M 2021, COMI managed to grow its ROAE. Net interest margin (NIM) retreated 128bps y/y to 5.9% in 9M 2021 but it stabilized in Q3 2021 due to a stable cost of funds. 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%.

A wide CAR that could allow further generous payout: With the CBE prohibiting Egyptian banks from paying out dividends following the onset of COVID-19, COMI's CAR hit 32%, way above the CBE's threshold of 12.5% as COMI has allocated most of its assets to government debt securities. Even after adding the D-SIB capital buffer, COMI is still holding giant capital. Robust CAR would give the bank capital space to up its payout ratio, which was historically slim at 16%. We think the bank will be able to offer relatively strong payouts (around 35% of 2021 bottom line), once the CBE removes restrictions as we expect during 2022. Furthermore, COMI could either decide to up its payout ratio or utilize the amount of capital when the capex lending cycle kicks in.

What to expect in 2022? We believe COMI will be able to achieve growth within in the mid-teens when it comes to total assets, lending, and deposits. We also believe COMI's net loans-to-deposits ratio will not move by much, being slightly static between 2021-2022 at 36%. Finally, we expect the bank to achieve net earnings in excess of EGP16bn. Hence, COMI is currently trading at 2022e P/E of 6x.

Valuation & Rating

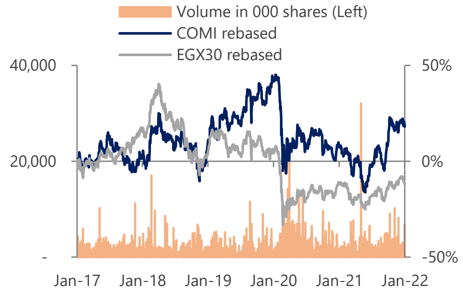
Overweight / Medium Risk; 12MPT of EGP72/share: Relying on a residual income model, we reached a fair value of EGP70.5/share. However, we set our 12MPT at EGP72/share, based on (2.15x 9M 2021) book equity, in line with its historical average). Hence, we assign COMI an Overweight rating.

Investment Thesis & Risks

Investment thesis: Possibly generous payout. High deposit growth and highest deposits market share held by a private bank.

Risks: Any shaking in asset quality. The possibility of intensifying competition arising from recent M&A activity, which would challenge reasonable funding opportunities. Systematic and geopolitical risks.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	1,970.2
Free float	76%
Market cap (EGPmn)	102,157
52w range (EGP/share)	54.15-36.53
EGP100 invested 5y ago	118
TTM EPS (EGP)	5.77
TTM P/E	9.0x
TTM P/BV	1.5x
Last FY DPS (EGP)	na
Dividend yield	na
5Yr beta	1.02

Source: Prime Research, Bloomberg.

Post-COVID-19 Recovery

Market Price	12MPT		
EGP40.75	EGP70.0 (+74%)	Investment Rating	Overweight ★ ★ ★
as of 26 Jan 2022	as of 26 Jan 2022	Risk Rating	Medium ! ! !

Business Model: Established in 1980, Egyptian International Pharmaceutical Industries Co. (EIPICO) [**PHAR**] was listed on the Egyptian Exchange (EGX) in 1995. PHAR produces dosage forms, such as spansule capsules (long-acting) as well as non-traditional dosage forms, such as the soft gelatin capsules, lyophilized products, gels, sprayers, and effervescent tablets. PHAR exports its products to Arab countries as well as African, Asian, and East European countries. Its products include anesthetics, analgesics, antibiotics, blood substitutes, restoratives, dermatological drugs, and vitamins among others.

Key Insights

A leading drugmaker: PHAR is the largest EGX-listed drugmaker. One of PHAR's best advantages is the integrative nature of its operations, in addition to its factories being fully compliant with international standards. PHAR is often ranked among the top ten in terms of sales value, with almost half of its production being antibiotics. Just on 17 January 2022, PHAR's BoD ratified the feasibility study for establishing a company specialized in the manufacturing of raw chemical materials for pharmaceuticals. The new company will have a paid-in capital of EGP400mn, with PHAR targeting a 25% stake. Additionally, PHAR is a generous dividends payer, constantly giving back to shareholders, with a dividend yield ranging between 5-9% and a payout ratio of more than 50%. EIPICO has two factories (i.e. EIPICO I and EIPICO II) that produce human medicines which are divided into 25 main classes, topped by antibiotics and ophthalmics.

Growth to resume on base-year effect: 2020 provided a weak base for 2021 to surpass post COVID-19 as PHAR's revenues dropped 15% to EGP2.9bn and bottom line fell 27% to EGP487mn. Furthermore, efficiency was impacted negatively with SG&A-to-revenues ratio rising to 19.5%. We expect both revenues and net earnings to grow in 2021 by 14% and 5%, respectively.

Integration is key for value creation: PHAR satisfies most of its needs of ampules and vials through its subsidiary EIACO. Meanwhile, PHAR mostly depends on its own transportation fleet and branches for pharmaceuticals distribution, which in turn helps save cost for the business.

Access to export markets: PHAR produces more than 300 different medicines with a window to export to around 65 countries, including Arab, African, Asian, and European markets. Exports represent around c.20% on average of PHAR's total revenues.

Valuation & Rating

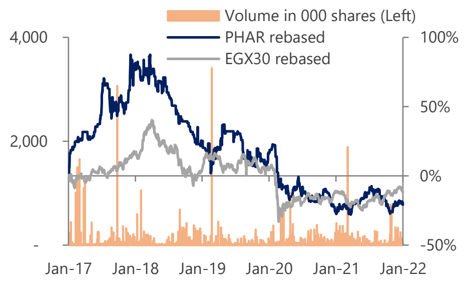
Overweight / Medium Risk, 12MPT EGP70.0/share: We valued using a discounted cash flow approach which pointed to a fair value of EGP59.5/share and a 12-month price target of EGP70.0/share. Hence, we rate PHAR as Overweight. In our DCF, we calculated PHAR's WACC at 15.4% and cost of equity at 17.27%. We assume long term terminal growth rate of c.10% for PHAR. The stock trades at a 2021e P/E of only 8x, which appears even more attractive given the future growth prospect of the entire sector is the within the mid-teens.

Investment Thesis & Risks

Investment thesis: The introduction of new products (veterinary medicines, feed concentrates, and biosimilars). PHAR's stock relative liquidity provides the best possible exposure to Egypt's pharma market.

Risks: Being adversely vulnerable to global value chains. Leveraged balance sheet. High working capital needs.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	99.2
Free float	50%
Market cap (EGPmn)	4,041
52w range (EGP/share)	49.00-37.01
EGP100 invested 5y ago	79.04
TTM EPS (EGP)	4.71
TTM P/E	8.6x
Last FY DPS (EGP)	2.95
Dividend yield	7.2%
5Yr beta	0.47

Source: Prime Research, Bloomberg.

Elsewedy Electric [SWDY]

Sunday, 30 January 2022 / 9:00 am CLT
Egypt / Industrials

Looking for the valuation model? Please contact your relationship manager or email Prime Research (research@egy.primegroup.org).

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Inorganic Growth to Complement Traditional Business

Market Price
EGP9.03
as of 26 Jan 2022

12MPT
EGP14.3 (+43%)
as of 26 Jan 2022

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

Business Model: Established in 2005, Elsewedy Electric [**SWDY**] was listed on the Egyptian Exchange (EGX) in 2006. Through 30 production facilities located in 14 countries with exports to more than 110 countries, SWDY operates in six key business segments, namely Wires & Cables (power and special cables and winding wires), Turnkey (design, procurement, and installation services), Meters (meters and systems divisions), Transformers (including power transformers, cast resin transformers, and oil distribution transformers), Electrical Products (cable accessories and fiberglass poles), and Renewables (blades, wind towers, and wind turbines).

Key Insights

The worst is over: SWDY's stock price nosedived in the early days of COVID-19 outbreak on lockdown pressure locally and globally, which we believe was a once in lifetime opportunity. However, while SWDY's EPS dropped c.25% in 2020, this provided a weak base later on in 2021. This weak base was boldly topped by rallying global commodity prices, which lent the cable segment a sufficient boost that echoed through SWDY's top line and blended margin. This drives our expectation that SWDY will achieve earnings growth of 16% in 2021. Despite rebounding by some 12% off its low in (mid-April) 2021, we still believe SWDY holds even deeper value to investors, drawing on its diversified and integrated portfolio.

An integrated energy solutions provider: SWDY offers several energy products, including cables (which are used in the turnkey segment) and power generation parts (e.g. transformers and meters). Aside from the integrated nature of its operations, one of SWDY's key strengths is its commanding geographical presence. SWDY was able to clinch an USD2.9bn contract for the largest turnkey project in Tanzania in a consortium with Arab Contractors late 2018, with a 45% share attributable to SWDY. We note that over the course of the last two years, SWDY started to employ features of inorganic growth as a means of fending off the maturity of its current traditional business segment. In December 2021, SWDY announced the opening of a brand new industrial complex in Tanzania over 120,000 sqm, producing cables, wires, transformers, in addition to PVC. Paving the way for this pursuit was a number of acquisitions over the course of the last two years. Outside Egypt, these acquisitions included Indonesia's CG Power System, Pakistan's Valdius Engineering, three wind energy companies as well as a hydroelectric energy company in Greece. In Egypt, SWDY has acquired International Cables.

Valuation & Rating

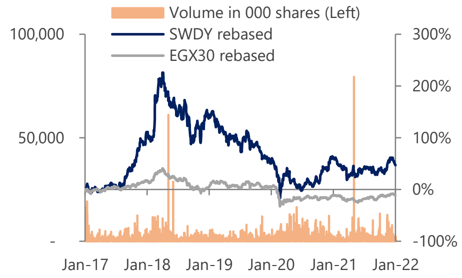
Overweight / Medium Risk; 12MPT EGP14.3/share: We valued SWDY using a six-year two-stage discounted cash flow (DCF) model, with growth settling at 3% by the terminal year. Assuming a weighted total equity risk premium of 8.9% for Egypt, Gulf countries, and Tanzania, we reached a WACC of 13.3%, heading to 12% by the terminal year. We concluded with a fair value of EGP12.9/share, and set our 12-month price target at EGP14.3/share. Hence, we rate SWDY as Overweight. SWDY is currently trading at a 2022e P/E and EV/EBITDA of 5.2x and 4.4x, respectively.

Investment Thesis & Risks

Investment thesis: Solid growth potential in Africa's infrastructure and energy sectors, in addition to being paid in U.S. dollars (less currency risk) with guaranteed payments (less credit risk). Egypt's need for electricity distribution and potential exports even if the country becomes electricity self-sufficient. Its strong R&D team which is on the lookout for the new opportunities Egypt has to offer as the company is participating in upcoming tenders for smart meters, water desalination, or electric cars batteries. Its potential participation in the reconstruction of Libya, Syria, and Iraq.

Risks: Political risk in African countries. Toughening competition may hinder margin improvement. Currency risk as SWDY is still exposed to FX risk when it comes to having a long position in USD whether in debt or cash.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	**2,184.2**
Free float	**32%**
Market cap (EGPmn)	**19,723**
52w range (EGP/share)	**10.54-7.41**
EGP100 invested 5y ago	**146.97**
TTM EPS (EGP)	**1.65**
TTM P/E	**5.5x**
Last FY DPS (EGP)	**0.40**
Dividend yield	**4.4%**
5Yr beta	**1.17**

Source: Prime Research, Bloomberg.

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Market-Implied Discount Unjustified

Market Price	12MPT		
EGP12.66/USD0.978	EGP21.0/USD1.34	Investment Rating	Overweight ★ ★ ★
as of 26 Jan 2022	(+66% / 37%) as of 26 Jan 2022	Risk Rating	Medium ! ! !

Business Model: Established in 1977, Faisal Islamic Bank of Egypt [**FAIT / FAITA**], the first Egyptian Islamic commercial bank, was listed on the Egyptian Exchange (EGX) in 1995. Following Islamic Sharia principles, FAIT offers its services through its head office and 27 branches located across Egypt via three segments: Finance & Investment Services (local market, foreign investment, and bank companies), Banking Services (internet banking, ATM cards, phone banking, documentary credits, letters of guarantee, securities services), and Investment Trustees Services (housing projects, tourist villages, real estate exhibitions).

Key Insights

Egypt's biggest Islamic lender: FAIT is the largest Islamic bank in Egypt in terms of deposits and total assets. The bank captured a total deposit market share of 1.75% as of September 2021, with deposits totaling EGP106bn in 9M 2021. FAIT's business model is centered on low lending utilization ratios and focusing on high yielding, less risky assets. This strategy is reflected in the bank's balance sheet, with a solid asset base of EGP126bn, concentrated mainly in Treasuries which constitute 56% of total assets. FAIT grew its Treasury holdings at an incredible pace of 117% between Q4 2019 and Q3 2021 (less than two years). On the other hand, its loan portfolio is substantially small in size in both absolute and relative terms. Despite growing during 9M 2021 at a double-digit growth rate of 11%, the bank's loans had a market share of c.0.4%, with net lending capturing around 9% of its total assets.

Low funding costs aid spreads, while keeping risk at bay: FAIT has one of the cheapest deposits bases among its peers. As a result, the bank enjoys a low funding cost of 4.9%, one of the perks of being an Islamic bank. Hence, the bank has a higher-than-average spread of 4.6% compared to a market average of c.4.5%. As lending does not dominate FAIT's yields, the bank is able to achieve slightly above-average spread at below-average risk appetite through its hassle-free business model.

A beneficiary of tight monetary conditions: FAIT's NIM decelerated among other banks when interest rates were cut during 2020. However, stepping into 2022, with mounting global inflation risks, a growing possibility of a rate hike will benefit FAIT's margins. Indeed, FAIT has a short-term (i.e. up to one year) positive asset-repricing gap that represents 10% of total assets.

A CAR wide enough for further generous payout: With the CBE prohibiting banks from paying out dividends and FAIT'S focus on zero risk-weighted Treasuries, the bank's CAR hit 32.2%, way above the CBE's threshold of 12.5%. Robust financial soundness indicators as indicated by such a wide CAR suggest the bank has enough capital to up its payout ratio. Indeed, FAIT's BoD suggested the cash dividends distribution of EGP1.26/share, which imply a 28.5% payout ratio, higher than the bank's historical average.

Valuation & Rating

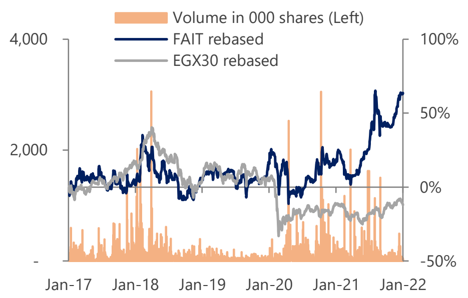
Overweight / Medium Risk, 12MPT of EGP21.0/share and USD1.34/share: Using the residual income model, we reached a fair value of EGP18.2/share (USD1.16/share for the USD-denominated stock). However, we set our 12MPT at EGP21.0/share (USD1.34/share), based on a 2022e cost of equity of 15.3%. Offering upside of 66% and 37%, respectively, we rate FAIT and FAITA as Overweight. The long-term cost of equity is 18.67%, assuming an inflation differential between the U.S. and Egypt of 7.6%, as per our calculation, and Egypt's equity risk premium is 6%. We estimated the bank's terminal ROE at 15%, which represents the historical long-term midpoint of its previously recorded levels since 1994, excluding outliers.

Investment Thesis & Risks

Investment thesis: Possible generous payout. High deposit growth since the Sharia-compliant bank operates in a Muslim-majority country. While the bank's ROE is not rich at only 15.7%, we believe FAIT and FAITA are trading at undeserving discount to book value, given our cost of equity assumptions.

Risks: Low lending focus could deprive the bank from imminently profitable opportunities. Any shakeup in asset quality, as 60.6% of which are Stage 2 loans. Possibly intensifying competition in light of recent M&A activity, which could challenge reasonable funding opportunities.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	607
Free float	39%
Market cap (EGPmn)	8,763
52w range (EGP/share)	13.12-7.71
EGP100 invested 5y ago	164
TTM EPS (EGP)	4.42
TTM P/E	2.86x
TTM P/BV	0.6x
Last FY DPS (EGP)	na
Dividend yield	na
5Yr beta	0.74

Source: Prime Research, Bloomberg.

Geographic Expansion to Drive Growth

Market Price	12MPT		
EGP19.81	EGP28.9 (+46%)	Investment Rating	Overweight ★ ★ ★
as of 26 Jan 2022	as of 26 Jan 2022	Risk Rating	Medium ! ! !

Business Model: Established in 2012, Integrated Diagnostics Holdings plc [**IDHC**] is an integrated diagnostics services provider that was listed on London Stock Exchange in 2015 then the Egyptian Exchange (EGX) in 2021. IDHC operates in three geographic areas (Egypt, Sudan, and Jordan), offering immunology, radiology, hematology, endocrinology, molecular biology, cytogenetics, hatopathology, and microbiology. Its core brands include Al Borg, Al Mokhtabar, and the Medical Genetics Centre brand in Egypt, Biolab in Jordan, and Ultralab and Al Mokhtabar Sudan in Sudan. IDHC provides over 1,000 diagnostic services through c.310 branches.

Key Insights

An exceptional last year: IDHC has had an exceptional year in 2021, where both volume tests and average price per test exhibited astounding growth. IDHC, we reckon, has ended the year with a top line close to EGP5bn and net earnings hovering around EGP1.5bn. This means IDHC is currently traded at a 2021e P/E of only 9.5x, which does not mirror the company's growth potential and nature of business model. Although 2021 was extraordinary, we view ample and sufficient growth for IDHC in the future, especially with the company employing both organic and inorganic growth strategies, all supported by strong underlying growth fundamentals across its markets.

Inorganic growth windows: IDHC is set to acquire a 50% stake in Base Consultancy FZ LLC, the holding company of Islamabad Diagnostic Centre (IDC) from Evercare Group, for a total consideration of USD72.35mn. IDC is one of the active integrated diagnostic players at the Pakistani market, serving almost 2mn patients in its last fiscal year and performing around 3mn tests. The acquisition, still subject to regulatory approval from Pakistan's Competition Commission, comes within IDHC's inorganic growth strategy in a number of fast growing, high-population markets within Africa and Southeast Asia. IDC has managed to generate revenues of USD46mn in its fiscal year ending 30 June 2021, hitting a 3-year CAGR of 87%. Meanwhile, bottom line stood at USD13.7mn, implying an NPM of c.30%. This implies revenue per test of USD15 vs. USD10 for IDHC. IDC has a branch network that grew from 23 branches in 2017 to 85 branches in 2021, with a target of 100 branches by 2023. Valued at USD144.7mn, IDC's acquisition implies a P/E of 11x and a P/S of 3x. IDHC said that more than 80% of the deal would be financed through debt, as IDHC has already successfully arranged a loan agreement of USD45mn from International Finance Corporation (IFC).

The perfect exposure to health care in frontier and emerging markets: IDHC's operations span Egypt, Jordan, Nigeria, Sudan, and most recently Pakistan. We think there is tremendous growth potential to be explored, especially in south Asian and African economies, where healthcare spending is being probed up.

Valuation & Rating

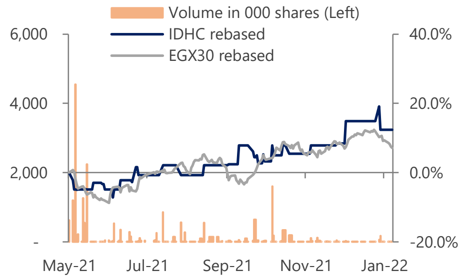
Overweight / Medium Risk; 12MPT EGP28.9/share: We valued IDHC using a discounted cash flow approach which produced a fair value of EGP24.0/share and a 12MPT of EGP28.9/share. Hence, we rate IDHC as Overweight. The stock trades at a 2022e P/E of only 9.5x, which appears even more attractive given the company's future growth prospects.

Investment Thesis & Risks

Investment thesis: Resilient demand drivers. Perfect exposure to health care services in both frontier and emerging markets. Outstanding geographical presence. A possibly stronger U.S. dollar.

Risks: Exposure to potential damage in the event of social or political unrest in its markets of operation. FX risks. Competition.

Relative Performance (Since Listing)



Key Stock Statistics

Shares outstanding (mn)	600.0
Free float	7%
Market cap (EGPmn)	11,886
52w range (EGP/share)	22.00-3.94
EGP100 invested since listing	112.43
TTM EPS (EGP)	2.22
TTM P/E	8.9x
Last FY DPS (EGP)	0.79
Dividend yield	4.0%
5Yr beta	na

Source: Prime Research, Bloomberg.

Middle & West Delta Flour Mills [WCDF]

Sunday, 30 January 2022 / 9:00 am CLT

Egypt / Consumer Staples

Looking for the valuation model? Please contact your relationship manager or email Prime Research (research@egy.primegroup.org).

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Maintaining Composure With a High Yield

Market Price	12MPT		
EGP90.29	EGP156.6 (+73%)	Investment Rating	Overweight ★ ★ ★
as of 26 Jan 2022	as of 26 Jan 2022	Risk Rating	Medium ! ! !

Business Model: Established in 1967, Middle & West Delta Flour Mills [**WCDF**] was listed on the Egyptian Exchange (EGX) in 1996. WCDF is primarily involved in the manufacture, processing, import, export, warehousing, and distribution of different types of grains and derivatives, mainly wheat. WCDF also manufactures bread, pasta, and other baked products, and related equipment and spare parts.

Key Insights

The top player in the 82%-extraction flour market: In FY21, WCDF ranked No. 1 in the 82%-extraction flour market with a market share of 26.4%. It also ranked No. 2 in the 72%-extraction flour with a market share of 33.9% despite tough competition from the private mills.

A winner in face of stiff private rivalry: WCDF was able to stay intact despite the rivalry of private mills in the production of 82%-extraction flour in the major governorates, due to the lack of private-sector mills and the existence of an active bran market as the farms are close to its operations. The refinement rate in private-sector mills is 157 kg of flour and bran per one ardeb of wheat compared to a standard rate of 153.5 kg for private-sector and state-owned mills since 1 February 2020 and 152.5 kg earlier. This dynamic ultimately left private-sector mills gushing in profits and state-owned mills either swamping in losses or clambering for the crumb. Please read our **TAKE**Stock report for our top picks in the Egyptian milling industry.

Optimal milling costs: The company's operating cost is reasonable, in accordance with the standardized costs set by the Ministry of Supply & Internal Trade (MOSIT) at EGP438.5/ton of wheat. WCDF's average costs came in at nearly EGP450/ton of wheat in FY21.

The best among state-owned mills in FY21: WCDF reported a y/y increase of 5.7% in net income to EGP191mn in FY21. It also achieved the highest net income in absolute terms among the state-owned milling firms during the period.

Most generous dividend yield: WCDF most recent DPS came in at EGP13.0, implying a dividend yield of 14.4%, the highest among the listed state-owned mills.

Real estate for revenue diversification: WCDF was among the state-owned mills that adopted real estate investments to diversify its revenue streams and offset any revenue decline stemming from the latest milling framework (3rd Stage) and the COVID-19 outbreak.

Clean balance sheets: WCDF enjoys a clean balance sheet with a strong cash position. Its net cash-to-market cap ratio was as high as 120% in FY21 compared to a weighted average of 38% of the remaining EGX-listed mills. As a result, WCDF has a negative EV/ton of EGP120 compared to the sector average of positive EGP244 for state-owned mills. Moreover, WCDF generated a lucrative ROE of 31% in FY21, higher than the sector's average of 22%.

Valuation & Rating

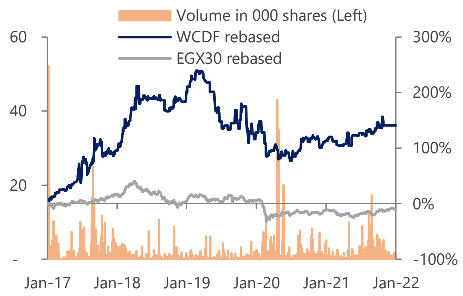
Overweight / Medium Risk, 12MPT EGP156.6/share: We valued WCDF using the Gordon growth model. This model led to a 12MPT of EGP156.6/share. Therefore, we rate WCDF as Overweight. We assumed a terminal cost of equity of 13.7% and a long-term growth rate of 5%.

Investment Thesis & Risks

Investment thesis: A dominant player in the 82%-extraction flour market. Among the four state-owned players so far unaffected by the rivalry posed by private-sector mills. Operating costs are reasonable compared to the standardized costs of MOSIT. A high dividend yield and a balance sheet clean from debt with a negative EV.

Risks: Further increase in the operating costs that could dent profitability. Intensifying rivalry in the 82%-extraction flour production from private-sector mills, slashing the flour allocation. The stock's thin trading activity.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	7.5
Free float	31%
Market cap (EGPmn)	677
52w range (EGP/share)	111.00-85.00
EGP100 invested 5y ago	240.87
TTM EPS (EGP)	25.55
TTM P/E	3.5x
Last FY DPS (EGP)	13.00
Dividend yield	14.4%
5Yr beta	0.70

Source: Prime Research, Bloomberg.

Misr Chemical Industries [MICH]

Sunday, 30 January 2022 / 9:00 am CLT
Egypt / Materials

Looking for the valuation model? Please contact your relationship manager or email Prime Research (research@egy.primegroup.org).

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Still Pandemic Proof

Market Price	12MPT	Investment Rating	Risk Rating
EGP10.01 as of 26 Jan 2022	EGP13.9 (+63%) as of 26 Jan 2022	Overweight ★ ★ ★	Medium ! ! !

Business Model: Established in 1959, Misr Chemical Industries [**MICH**] was and listed on the Egyptian Exchange (EGX) in 1994. MICH manufactures a range of chemical products, including liquid caustic soda, caustic soda flakes, liquid chlorine, hydrochloric acid, bleaching powder, and compressed hydrogen at 150 bar unit of pressure, comprises sodium hypochlorite 12%, sodium hypochlorite 6%, and calcium hypochlorite 6%, and laboratory products, which consists of ferric chloride, distilled water, and calcium chloride.

Key Insights

A multi-boosted business model: MICH came in 2020 with an interesting turnaround story, anchored by (1) considerable cost savings and (2) resilient top-line figures. Through the years, the chloralkali manufacturer has been exposed to risks associated with hikes in electricity prices and fluctuating caustic soda and chlorine markets. However, the COVID-19 pandemic brought about sound demand for MICH's key products and byproducts. Going forward, we believe MICH's performance will stabilize at levels above historical averages, driven by a pandemic-induced recovery.

Global factors gifted MICH a remarkable kickoff to 2021/22: MICH's selling prices were in good shape in Q1 2021/22 due to tight supply of chlorine and caustic soda in the U.S. amid robust demand. The situation of disrupted supply was amplified by the fallout of hurricane Ida and the woes of a 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 electrochemical unit (ECU) components globally. Also during the quarter, MICH saw the highest utilization rates since it revamped its factory back in 2017, according to management.

Further growth to come from water desalination: Egypt plans to more than triple its desalination capacities over the next decade. Capitalizing on this, MICH should further see higher chlorine sales.

Forward multiples are very cheap: During 5M 2021/22, MICH achieved bottom line of EGP79.7mn, with an average monthly bottom line of EGP16mn. While we do not expect such a pace to continue, we see MICH achieving a high single-digit growth in net earnings annually. We expect MICH to end 2021/22 with a bottom line of EGP145mn (+9% y/y), which implies a 2021/22e P/E of only 5x. MICH's balance sheet has a lush net cash position, amounting to 39% of market cap. Furthermore, because of its solid net cash position, MICH's payout ratio is sound (c.55%), suggesting a forward dividend yield of 11%.

Valuation & Rating

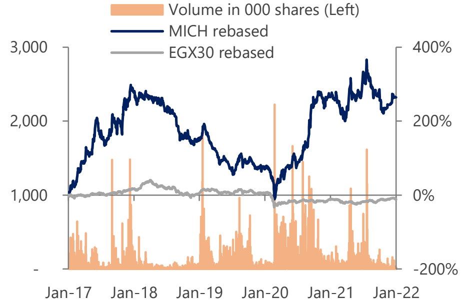
Overweight / Medium Risk, 12M PT EGP13.9/share: We valued MICH using a DCF model. This method indicated a fair value of EGP12.0/share. We set the company's 12-month PT of EGP13.9/share. Hence, we rate MICH as Overweight. Our DCF assumes a terminal WACC of 19% and a long-term growth rate of 3%. We opted to exclude from our DCF any potential re-rating arising from water treatment/desalination projects due to the uncertainty surrounding their implementation. Our rough estimates indicate MICH will build accretive value or an NPV of c.EGP1.4/share.

Investment Thesis & Risks

Investment thesis: Selling prices to normalize swimmingly, concurrently with cost savings. Utilization rates to improve further on the back of water treatment/desalination projects. Higher local chlorine prices, following recent the movements in the global chlorine market.

Risks: Competition. Soft global commodity markets posing downward risk to products' marketability. A stronger Egyptian pound. Any hikes beyond those expected in electricity prices.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	73.1
Free float	30%
Market cap (EGPmn)	732
52w range (EGP/share)	14.35-8.75
EGP100 invested 5y ago	364.26
TTM EPS (EGP)	1.89
TTM P/E	5.2x
Last FY DPS (EGP)	1.00
Dividend yield	10.0%
5Yr beta	0.94

Source: Prime Research, Bloomberg.

Flying-High Dividend Yield

Market Price	12MPT	Investment Rating	Overweight ★★★
USD4.18	USD6.6 (+58%)	Risk Rating	Medium !!!
as of 26 Jan 2022	as of 26 Jan 2022		

Business Model: Established in 1996, Egyptian Satellites (NileSat) [**EGSA**] was listed on the Egyptian Exchange (EGX) in 1998. EGSA operates in Egypt's media free-zone, focusing on cable and satellite and also provides internet services. More recently, EGSA added to its activities the provision of services, consultations, and integrated solutions in the field of satellite specifications and its operation, ground stations and its related works, and the establishment of satellite TV channels.

Key Insights

Flush with cash: EGSA is a special case in the Egyptian stock market. EGSA operates as a lessor for broadcasters, by being a space host, through the capacity it offers on its own satellites, in addition to various support services to land-based broadcasting stations. Despite operating in a vital sector, with virtually no competitor locally, EGSA's revenues have been on a downward trajectory since 2015, falling at a 6-year CAGE (2014-2020) of 7%. This has not come as a surprise since EGSA lost many main accounts as big corporates within the MENA region tightened their advertising budgets. EGSA has a negative enterprise value of USD94mn, with its net cash position being lower than its market cap of USD161mn.

The Nilesat 301 story: EGSA had previously injected around USD250mn into launching its then-new satellite (Nilesat 201) in 2010, noting that the useful life of EGSA's satellites ranges between 15-18 years. EGSA used to operate Nilesat 201 and Nilesat 102, but the latter went out of service having reached the end of its useful life. Therefore, in order to protect against any possible failure of Nilesat 201, EGSA has signed a contract with French Thales Alenia Space to build Nilesat 301, with a total investment cost of c.USD300mn. The new satellite is scheduled for launch in early 2022 and will help EGSA offer different services beside its traditional ones. Those services will include internet transmission along with other new services. EGSA is in serious need to diversify its service offering to help adjust its top line pattern from its current downward direction.

Phenomenal USD dividend yield: EGSA's ability to generate cash flows is strong, despite the weakness in its top line. This inherently is due to a big chunk of its expenses being paid in EGP, while revenues are in USD. Also, EGSA's operating cash flow is higher than net earnings due to the huge (non-cash) depreciation. Sustaining a high dividend payout ratio is not just an option for EGSA but seemingly a necessity. In our opinion, this is actually the case as EGSA's biggest shareholder is National Media Authority (NMA) (also known as Maspero) which replaced the Egyptian Radio & Television Union "ERTU"). With a 40% stake, Maspero is heavily indebted to many government agencies. As a result, we believe Maspero will likely remain supportive of fat cash dividends from its investments (e.g. EGSA) as one solution to its own debt problems. As we write this report, EGSA offers a USD dividend yield of 11%, which is just absurd.

Valuation & Rating

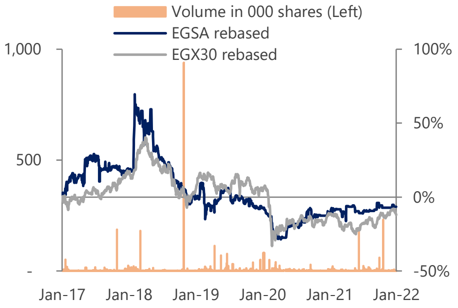
Overweight / Medium Risk; 12M PT USD6.6/share: We valued EGSA through applying a 5x P/E multiple for EGSA's TTM bottom line, excluding interest income. This implies a value for EGSA's operations of USD118mn. We then added back USD96mn, representing the company's net cash, after deducting USD142mn related to the unpaid amount of Nilesat 301 investment costs. This a led to a FV of USD5.8/share, and accordingly a 12MPT of USD6.6/share (+58%). Hence, we rate EGSA as Overweight.

Investment Thesis & Risks

Investment thesis: The only listed company within its sector. A phenomenal dividend yield. Any divestiture by National Bank of Egypt (NBE), a 5%+ EGSA shareholder, in view of its commitment to exit non-financial investments within the coming years may catalyze EGSA's re-rating. Any turnaround in revenues by virtue of introducing new services.

Risks: A stronger EGP. Revenues deteriorating further. Nilesat 201 satellite going obsolete faster than anticipated.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	37.3
Free float	49%
Market cap (USDmn)	156
52w range (USD/share)	4.69-3.93
USD100 invested 5y ago	93.37
TTM EPS USD)	0.66
TTM P/E	5.7x
Last FY DPS (USD)	0.45
Dividend yield	10.8%
5Yr beta	0.57

Source: Prime Research, Bloomberg.

Prime Research
research@primegroup.org

Diversification Is Key for This High Yield Stock

Market Price	12MPT	Investment Rating	Overweight ★★★
EGP6.15	EGP8.6 (+40%)	Risk Rating	Medium !!!
as of 26 Jan 2022	as of 26 Jan 2022		

Business Model: Established in 1997, Obour Land Food Industries [**OLFI**] was listed on the Egyptian Exchange (EGX) in 2016. OLFI is a leading white cheese manufacturer in Egypt, specializing in the production, processing, and packaging of different types of cheese. OLFI manufactures, markets, and distributes a wide variety of carton-packed and plastic tub white cheese products, milk, and juice products, and it has a robust distribution platform, with a direct and indirect outreach that covers all of Egypt.

Key Insights

Key strength points: We believe OLFI has got several strength points that would help it maintain its growth profile and attractive positioning. OLFI has a healthy cash collection policy, keeping its working capital at sustained levels. Moreover, OLFI's dividend policy of an average 50% payout ratio should meet the investor's two objectives: the return of investment and maintaining growth prospects. Lastly, OLFI maintains a very low debt/equity ratio, ensuring a healthy balance sheet.

The future of the white cheese segment: OLFI's revenues from the white cheese segment grew at a 4-year CAGR (2016-2020) of 15%, backed by a 42% increase in 2017 amid price hikes driven by the EGP floatation. We project revenues to grow at a 5-year CAGR (2020-2025) of 7% with a spike in 2022 of 13%, boosted by (1) a lower base year, (2) the ability to pass through higher raw materials cost to end consumer as we expect future price hikes, and (3) a recovery in household demand which was dragged down by COVID-19 implications. We expect the prices of skim milk powder (SMP), an essential input in cheese manufacturing, to normalize at around USD3,000/ton vs. a current high of USD3,600/ton. However, OLFI's shrewd procurement management had successfully advised buying SMP inventory in 2020 when it was much cheaper at around USD2,200/ton. This purchase has provided 18 months' worth of inventory, lasting through H1 2021.

Revenue diversification is a long-term necessity: We forecast OLFI's revenues mix to reflect its management objective of diversifying its revenue streams. While maintaining its strong position in the white cheese segment, we expect OLFI's milk segment to contribute around 9% to revenues by 2025. OLFI is currently traded at 2022e P/E of 6.9x and EV/EBITDA of 4.9x.

Valuation & Rating

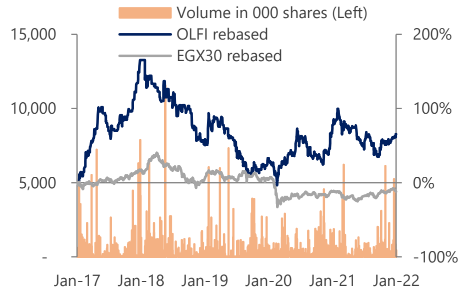
Overweight / Medium Risk, 12MPT EGP8.6/share: We valued OLFI using a discounted cash flow approach which resulted in a fair value of EGP7.4/share and a 12-month price target of EGP8.6/share. Hence, we rate OLFI as Overweight. OLFI's stock has been in a downward spiral, dropping 25% since late February 2021. Our 12MPT offers an upside potential of 40%. The stock trades at a 2021e P/E of only 7.3x, which appears even more attractive when compared to OLFI's 5-year earnings CAGR (2020-2025) of 10%.

Investment Thesis & Risks

Investment thesis: A dominant cheese player, with solid sales and distribution channels. Diversifying revenue stream sources by venturing into milk and juice segments. Strong cash collection policy which would ensure OLFI's liquidity position. Debt is sustained within healthy limits. A generous dividend payer, with a forward dividend yield of 8.7%.

Risks: Lower-than-expected growth rates in the milk segment which would translate into a sub-par ROI, especially within a saturated market dominated by one player, namely Juhayna Food Industries [**JUFO**]. Growth is limited to expansions in the cheese market, so the lack of greenfield investments could stifle OLFI's growth rates compared to its peers. OLFI's business model is highly sensitive to prices of key production inputs, such as SMP, which is priced in foreign currencies; thus, any increase in SMP would expose OLFI to higher production cost and higher FX risk.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	400.0
Free float	40%
Market cap (EGPmn)	2,460
52w range (EGP/share)	8.23-4.73
EGP100 invested 5y ago	165.28
TTM EPS (EGP)	0.70
TTM P/E	8.7x
Last FY DPS (EGP)	0.60
Dividend yield	9.8%
5Yr beta	0.66

Source: Prime Research, Bloomberg.

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The "Glocal" Contractor of Choice

Market Price	12MPT	Investment Rating	Overweight ★ ★ ★
EGP72.96	EGP146.0 (+100%)	Risk Rating	Medium ! ! !
as of 26 Jan 2022	as of 26 Jan 2022		

Business Model: Established in 2015, Orascom Construction PLC [**ORAS**] is a UAE-based global contractor that was listed on Nasdaq Dubai in 2015. ORAS works in infrastructure, commercial, and industrial projects in the MEA region and the United States. ORAS owns a 50% stake in BESIX, a Brussels-based Belgian contractor with access to Europe, the Middle East, and Australia. ORAS operates under different brands, namely Orascom, Contrack, and The Weitz Company, covering projects in civil buildings, heavy industries, manufacturing, petrochemicals, infrastructure, power generation, transport, water and wastewater, and data centers.

Key Insights

A global contractor with strong presence in Egypt: ORAS is definitely one of the beneficiaries of Egypt's expansion in infrastructure spending and potentially water desalination. In 9M 2021, Egypt contributed 68% and 72% to ORAS's revenue and backlog, respectively, excluding the company's 50% stake in BESIX.

Backlog mounted: By end of September 2021, ORAS's backlog (excluding its 50% stake in BESIX) increased 14% y/y to USD6bn, with new awards jumping 38% y/y to USD2.8bn, on the back of:

- The MEA region: Fifty-seven percent of the contract awards in 9M 2021 was generated from the Middle East & Africa (MEA) region topped by Egypt. ORAS took part in some of the country's megaprojects, such as the Greater Cairo Metro and the monorail, yet the company is still aiming higher. Its ambitious efforts were rewarded with Egypt's first high-speed rail project contract, bearing testament to ORAS's strong brand name in the country's transportation sector.
- The United States: Forty-three percent of the contract awards in 9M 2021 was generated from the United States. Those were mainly data center and student housing projects.

A regular and generous dividend payer: ORAS intends to keep extending its semi-annual dividend policy from 2020. In 2021, ORAS has already dealt out a dividend of USD0.23/share in August and announced in December of the same year an equal dividend to be distributed in January 2022. The two dividend payments combined (USD0.46/share) imply a payout ratio of 59%.

BESIX finally heaved itself back to profitability: It seems like BESIX's turnaround story is finally here. BESIX was profitable in Q3 2021 for the first time in the year, achieving an attributable net income of USD6.5mn (vs. an attributable net loss of USD0.2mn in Q2 2021). In 9M 2021, BESIX generated an attributable net income of USD4.9mn, leading us to expect BESIX ending the year profitable. BESIX managed in 9M 2021 also to increase its stand-alone backlog to EUR4.9bn (+17% y/y) and contract awards by 77% y/y to EUR2.7bn.

Valuation & Rating

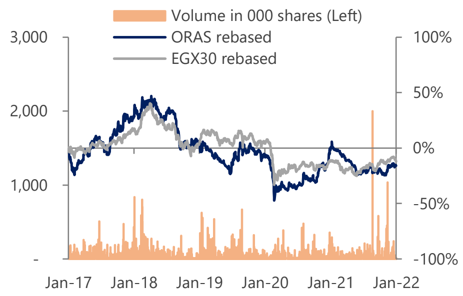
Overweight / Medium Risk; 12MPT EGP146.0/share: We valued ORAS adopting a five-year two-stage discounted cash flow (DCF) model, with growth settling at 3% by the terminal year. Using a weighted total equity risk premium of 8.3% for Egypt, the United States, and Saudi Arabia, we reached a WACC of 15.6%, heading to 13.0% by the terminal year. We concluded with a fair value of EGP126/share, and we set our 12-month price target at EGP146/share. Hence, we rate ORAS as Overweight.

Investment Thesis & Risks

Investment thesis: Strong brand locally and globally. Smart management. A decent backlog that guarantees a stable workflow over the coming couple of years. Potential participation in the reconstruction of Libya, Syria, and Iraq. BESIX is expected to contribute positively to ORAS's bottom line starting 2021. ORAS has a strong track record of megaprojects, mostly for governments, which somewhat guards against default risks.

Risks: Uncertainty of the impact of COVID-19 and its variants on operations worldwide despite the spread of vaccines. A potential penalty related to Sidra Medical & Research Center's project in Doha that might squeeze USD602mn out of ORAS's pocket, yet we have deduced this amount from our valuation already.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	116.8
Free float	23%
Market cap (EGPmn)	8,519
52w range (EGP/share)	102.80-68.00
EGP100 invested 5y ago	84.19
TTM EPS (EGP)	13.19
TTM P/E	5.4x
Last FY DPS (EGP)	3.65
Dividend yield	5.0%
5Yr beta	0.89

Source: Prime Research, Bloomberg.

Looking for the valuation model? Please contact your relationship manager or email Prime Research (research@egy.primegroup.org).

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Sustainable Growth With Potentially Higher Yield

Market Price	12MPT	Investment Rating	Overweight ★ ★ ★
EGP8.37	EGP16.5 (+97%)	Risk Rating	Medium ! ! !
as of 26 Jan 2022	as of 26 Jan 2022		

Business Model: Established in 1981, Oriental Weavers Carpet [**ORWE**] was listed on the Egyptian Exchange (EGX) in 1994. One of the world's largest carpet, rug, and related raw materials producers, ORWE operates through its local and international subsidiaries, including Oriental Weavers Textile Co., Egyptian Fiber Co. (EFCO), Misr American Carpet Mills (Mac) , Oriental Weavers (OW) USA, Oriental Weavers International (OWI) and Oriental Weavers China (Tianjin). ORWE owns a giant network of factories in three countries and exports its products to 130 countries worldwide.

Key Insights

A leader in the carpet market: ORWE is the leading carpet manufacturer in Egypt and one of the top worldwide, producing about 120mn sqm annually. OWRE has six subsidiaries under its umbrella, with one located in USA (OW USA) and another in China (OW China), the company is currently subject to liquidation. ORWE's carpets are sold under more than one distinct brand and with a wide price range, making them suitable for all income classes. With foreign currency representing north of 60% of revenues, ORWE is poised to benefit from any depreciation in the Egyptian pound and, most importantly, Egypt's export rebate program.

Favorable outcome pre COVID-19: During the five years prior to COVID-19 (2015-2019), ORWE's revenues grew at a 4-Year CAGR of 14.6% driven by domestic sales (+9.6%) and exports (+18.3%). Over the same period, rebate collection increased at a CAGR of 15.3%, accounting for an average of 5% of export sales (excluding OW USA and OW China). Bottom line, ORWE's net income grew at a 4-year CAGR of 21% to EGP775mn in 2019.

Wide margins during COVID-19: Despite the COVID-19 pandemic fallout, ORWE managed to post the highest gross profit margins in its history starting from Q4 2020, reaching an all-time high of 17.6% in Q2 2021. This came on the back of (1) cheaper raw materials in Q4 2020, (2) lower marketing costs as meetings with clients became virtual, which also reduced travel expenses, (3) ORWE's focus on high-margin products and cost saving plans, and lastly (4) demand recovery, especially in exports.

Export rebates, a big catalyst: ORWE had collected the highest rebate of EGP428mn during 2020, part of which was under a government program that allowed exporters to receive 85% of their due export rebates till 30 June 2019 as one lump sum. We believe rebates will continue to be one of the main catalysts for ORWE after Egypt's new export subsidies framework is put in place. Under the new program, ORWE will receive an average base rate on its exports, excluding OW USA and OW China revenues, over three phases from FY21 to FY23. ORWE is expected to get receive 7.5% and 11.0% on its FY21 and FY22 exports, respectively.

Strong performance expected to continue: We believe ORWE's strong performance will continue, thanks to its competitive edge of the limited health-restriction measures on its operation compared to its competitors in countries, such as China of which companies also continue to face higher energy cost. Also, Turkish exporters might see the positive impact from a depreciating Turkish lira partially offset by higher imported input raw materials.

Better rebates may mean higher dividends: ORWE is the top dividend payer in Egypt's consumer sector with a payout ratio that has exceeded 100% in some years as the company usually distributes from its retained earnings. We believe the higher the rebates, the more generous the company will be when it comes to its dividend policy.

Valuation & Rating

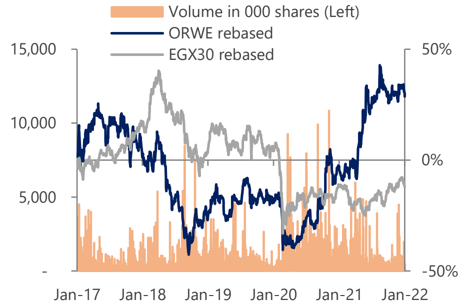
Overweight / Medium Risk, 12MPT EGP16.5/share: We valued ORWE employing a DCF model, suggesting a fair value of EGP14.1/share. We set our 12MPT at EGP16.5/share. Hence, we rate ORWE as Overweight. Our DCF assumes a terminal WACC of 11.7% and a long-term growth rate of 3%.

Investment Thesis & Risks

Investment thesis: Strong market position as the lead manufacturer of carpets in Egypt. A possible more lucrative rebate program. A possibly stronger U.S. dollar would boost top line growth.

Risks: Higher polypropylene prices could drag margins lower.. Higher interest rates. Weaker TRY could impact its competitive edge.

Relative Performance (5 years)



Key Stock Statistics

Shares outstanding (mn)	665.1
Free float	35%
Market cap (EGPmn)	5,567
52w range (EGP/share)	9.42-5.78
EGP100 invested 5y ago	128.69
TTM EPS (EGP)	1.89
TTM P/E	4.4x
Last FY DPS (EGP)	1.00
Dividend yield	11.9%
5Yr beta	0.67

Source: Prime Research, Bloomberg.

Telecom Egypt [ETEL]

Sunday, 30 January 2022 / 9:00 am CLT

Egypt / Telecom Services

Looking for the valuation model? Please contact your relationship manager or email Prime Research (research@egy.primegroup.org).

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Calling Up the Entire Squad

Market Price	12MPT	Investment Rating	Overweight ★ ★ ★
EGP16.23	EGP28.1 (+73%)	Risk Rating	Low ! ! !
as of 26 Jan 2022	as of 26 Jan 2022		

Business Model: Established in 1998, Telecom Egypt's [**ETEL**] business dates back to 1854 when the first telegraph line connecting Cairo and Alexandria was inaugurated, replacing the former ARENTO. Trading on the Egyptian Exchange (EGX) in 2005, ETEL provides telecom products and voice and data services, be they fixed (through a de facto monopoly) or mobile (through its #4 MNO and a 45% stake holding in Vodafone Egypt "VODE", the #1 MNO). ETEL operates through five business segments: home & consumer, enterprise, domestic, international carrier affairs, and international customers & networks.

Key Insights

The owner of Egypt's telecom infrastructure: Given its history, ETEL is Egypt's telecom backbone and infrastructure provider, including submarine cables and fiber optics. All players in the telecom space utilize ETEL's fixed-line network, thus placing ETEL at the heart of every development in the telecom, media, and technology sector. Furthermore, with the construction of the new administrative capital, ETEL's products and services will be in demand, laying the foundation for all telecom services there.

A de facto fixed-line monopoly: ETEL is the de facto fixed-line monopoly with no competitor, even though competition is not off limits. ETEL has agreements with Egypt's top three mobile operators, securing its long-term revenue streams. It offers them transmission and international services, which is one way for ETEL to capitalize on its infrastructure assets.

Direct and indirect exposure to mobile: ETEL is the only telecom provider in Egypt that corners the mobile segment of the market from two angels. Not only does ETEL have its own mobile operator (the No. 4 MNO known as "We"), but it also has a 45% stake long held in VODE, the country's top MNO in terms of size and profitability.

Indirect exposure to the high-growth fintech industry: ETEL stands to benefit indirectly off of Egypt's digital transformation and financial inclusion initiatives. On one hand, higher data traffic means better utilization of ETEL's infrastructure, thanks to the Internet of Things. On the other hand, ETEL has an indirect exposure (9%) to Egypt's high-growth fintech industry through VODE which will eventually own 20% stakes in two e-payment platforms (Masary and Bee).

Potential growth in the underserved media industry: With many industries going digital, ETEL is poised to benefit off of an ongoing evolution in the media industry where over-the-top (OTT) media services are offered directly to viewers.

Valuation & Rating

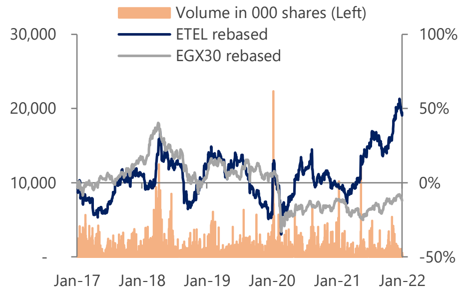
Overweight / Low Risk, 12MPT EGP28.1/share: We think ETEL's enterprise value (ex-45% stake in VODE) should be worth at least 3.0x EBITDA, implying an EV of c.EGP42bn. Considering ETEL's net debt and VODE stake (which we value at the average between 8.0x P/E and 5.0x EV/EBITDA), ETEL would be worth EGP30.2/share (+75% upside). Alternatively, at only 6.0x P/E, ETEL would be worth EGP26.1/share (+51% upside). Averaging the results of both valuation methods, we reach a value of EGP28.1/share (+63% upside). ETEL continues to trade at very cheap multiples that are not commensurate with either its recent financial performance or strong growth profile. Currently, ETEL trades at a TTM EV/EBITDA (ex-VODE) of 1.4x, P/E of 4.0x, and FCFF yield of 21%, even after the stock price rallied 45% since our **TAKE**Stock dated 8 June 2021.

Investment Thesis & Risks

Investment thesis: ETEL is a cash cow in a defensive sector with growth potential across all its business segments. ETEL is in a sweet spot with several factors at play: (1) All business segments are flourishing in view of a global and local shift to online services in the aftermath of COVID-19. (2) ETEL is cash flow positive and its recently-amended shareholder agreement with Vodafone Group, its partner in VODE, will ensure sustainable dividends in the future. (3) Around a fifth of ETEL's revenues is non-EGP denominated, a natural hedge against any weakness in the EGP. (4) A re-rating of its investments, be it through M&As or IPOs, a positive for its stock performance.

Risks: Being 80% owned by the Egyptian government may put a lid on ETEL's growth in certain segments or lead to the engagement in low-margin state-owned projects.

Relative Performance (5 years)



Key Stock Statistics

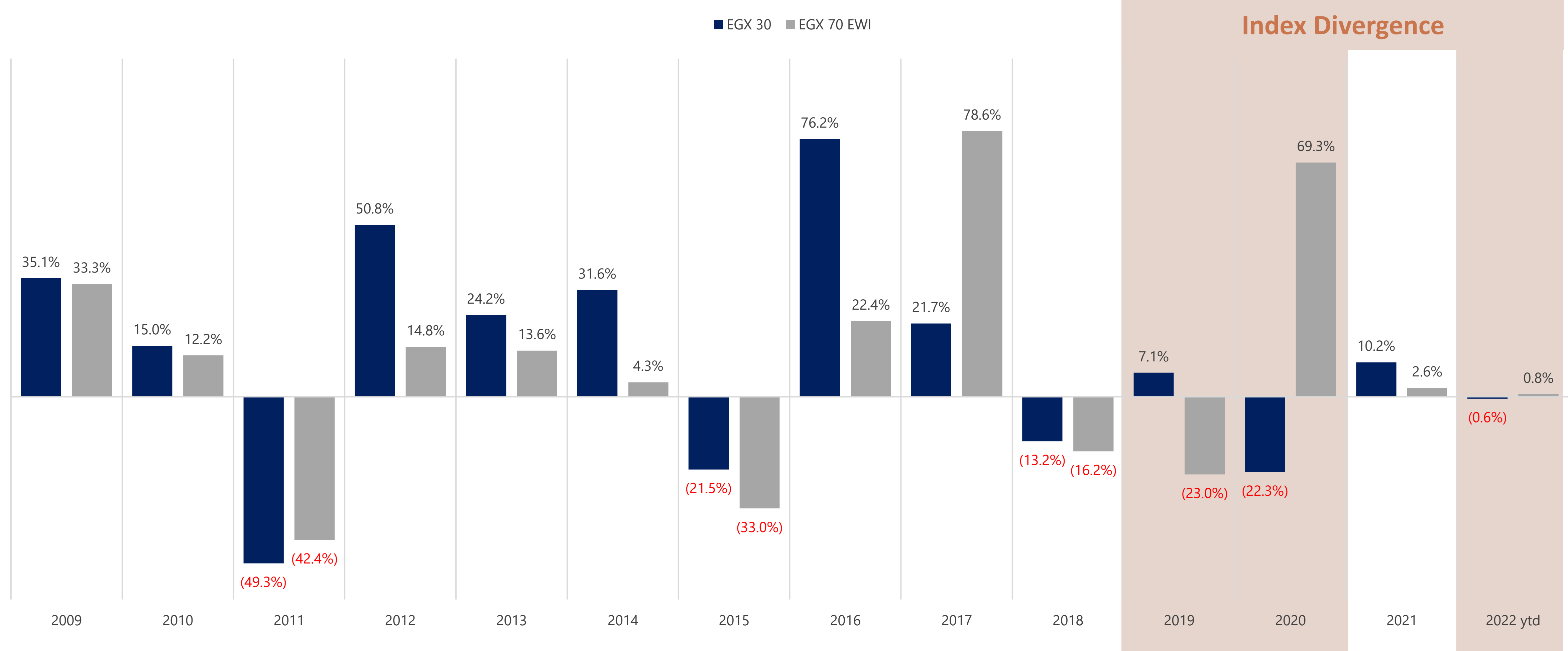
Shares outstanding (mn)	**1,707.1**
Free float	**20%**
Market cap (EGPmn)	**27,706**
52w range (EGP/share)	**17.55-10.12**
EGP100 invested 5y ago	**145.16**
TTM EPS (EGP)	**3.74**
TTM P/E	**4.2x**
Last FY DPS (EGP)	**0.75**
Dividend yield	**4.6%**
5Yr beta	**0.79**

Source: Prime Research, Bloomberg.

MARKET in Figures

MARKET in Figures

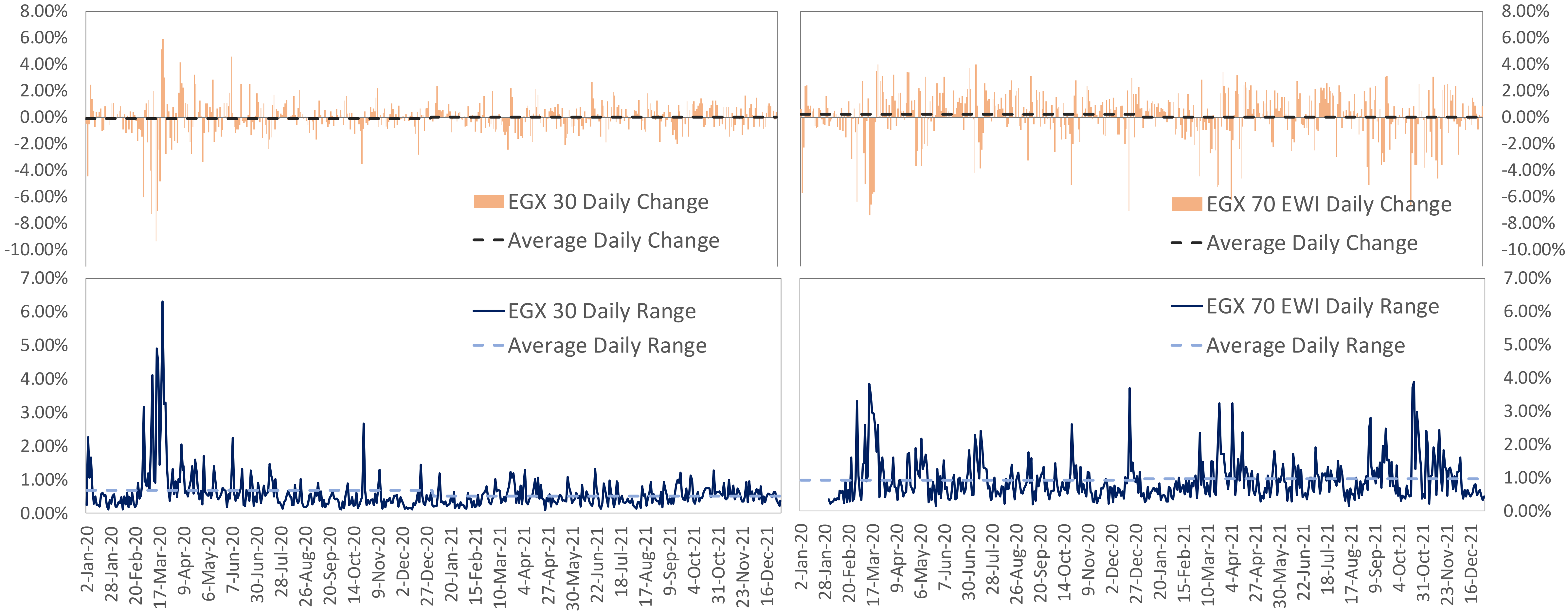
Figure 34: EGX 30 vs. EGX 70 EWI * (annual return in EGP terms, 2009-2022 ytd)



Note: ytd is as of 18 January 2022.
Source: EGX, Prime Research.

MARKET in Figures (cont.'d)

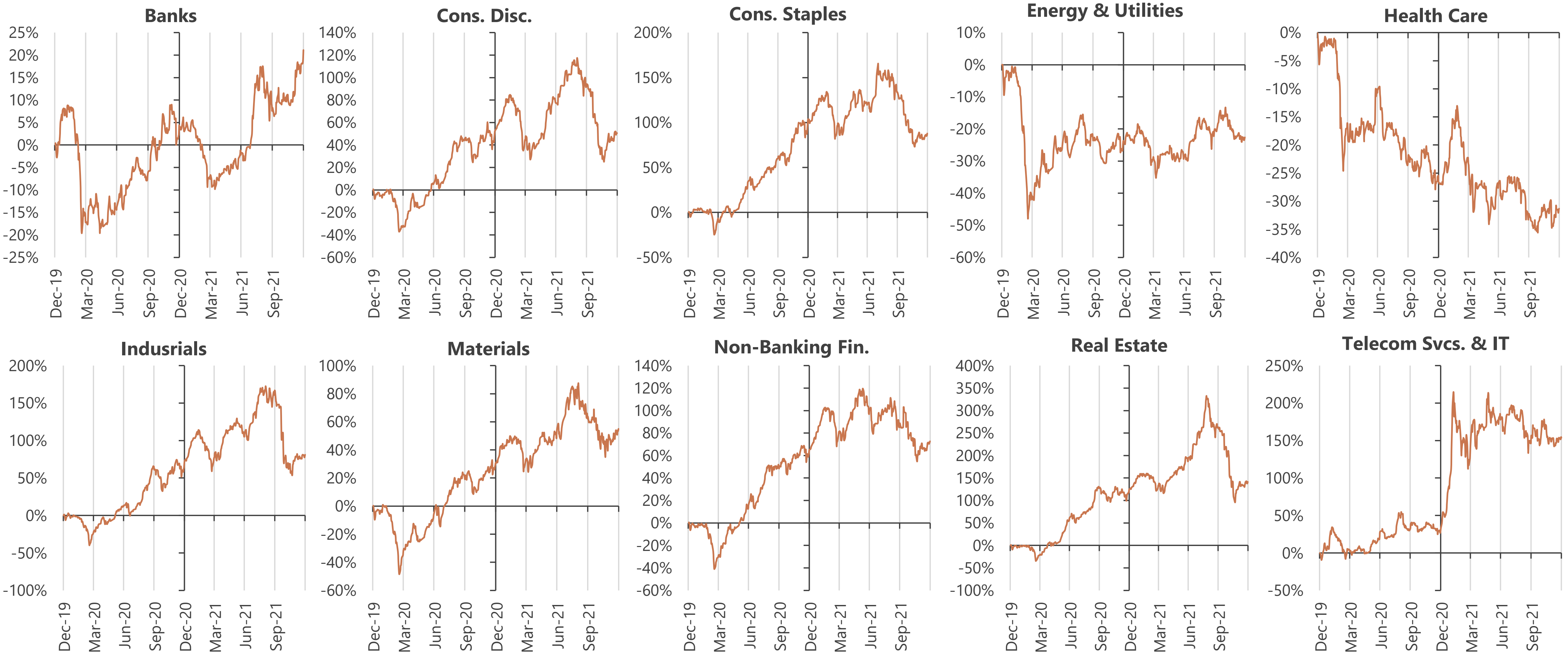
Figure 35: EGX 30 vs. EGX 70 EWI in 2020-2021 (daily change vs. daily range)



Source: EGX, Prime Research.

MARKET in Figures (cont.'d)

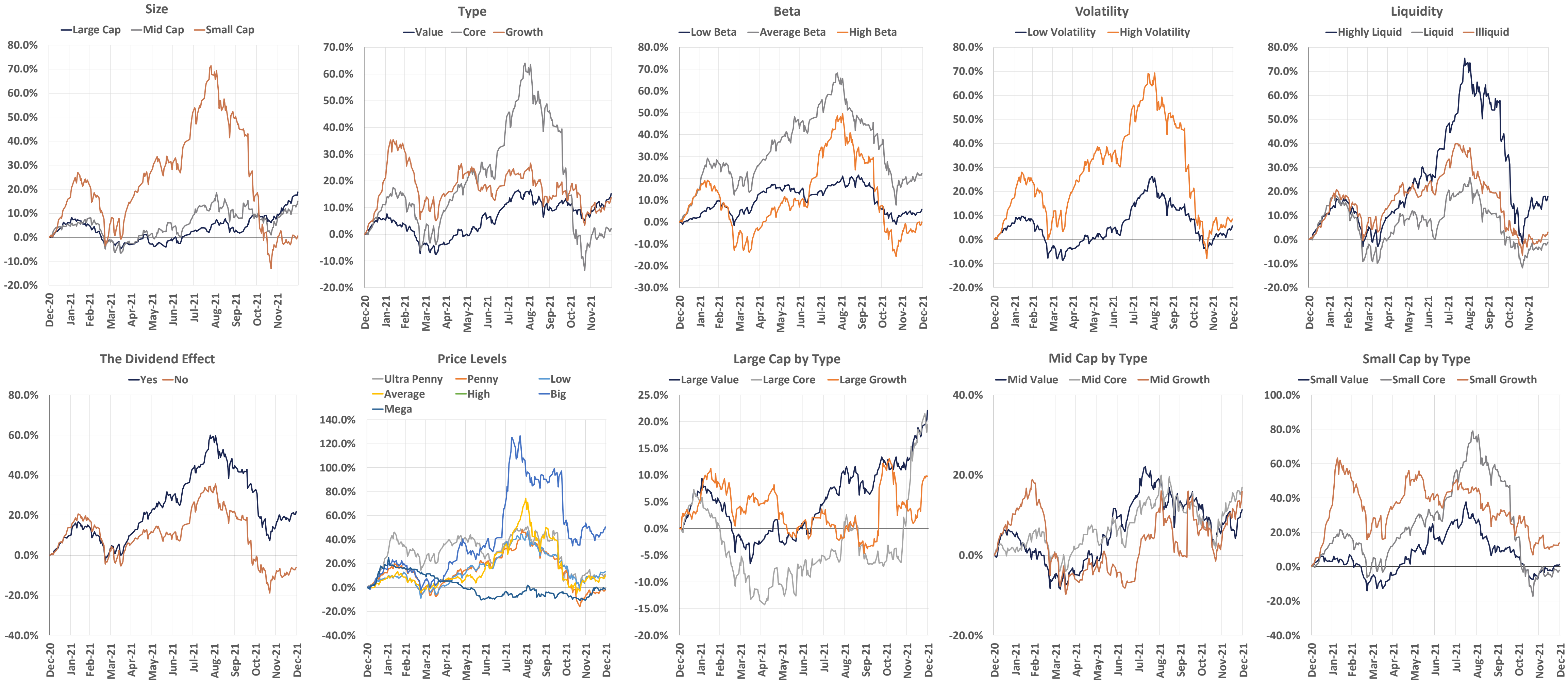
Figure 36: Prime Research Sector Performance (2020-2021, daily)



Source: Bloomberg, Prime Research.

MARKET in Figures (cont.'d)

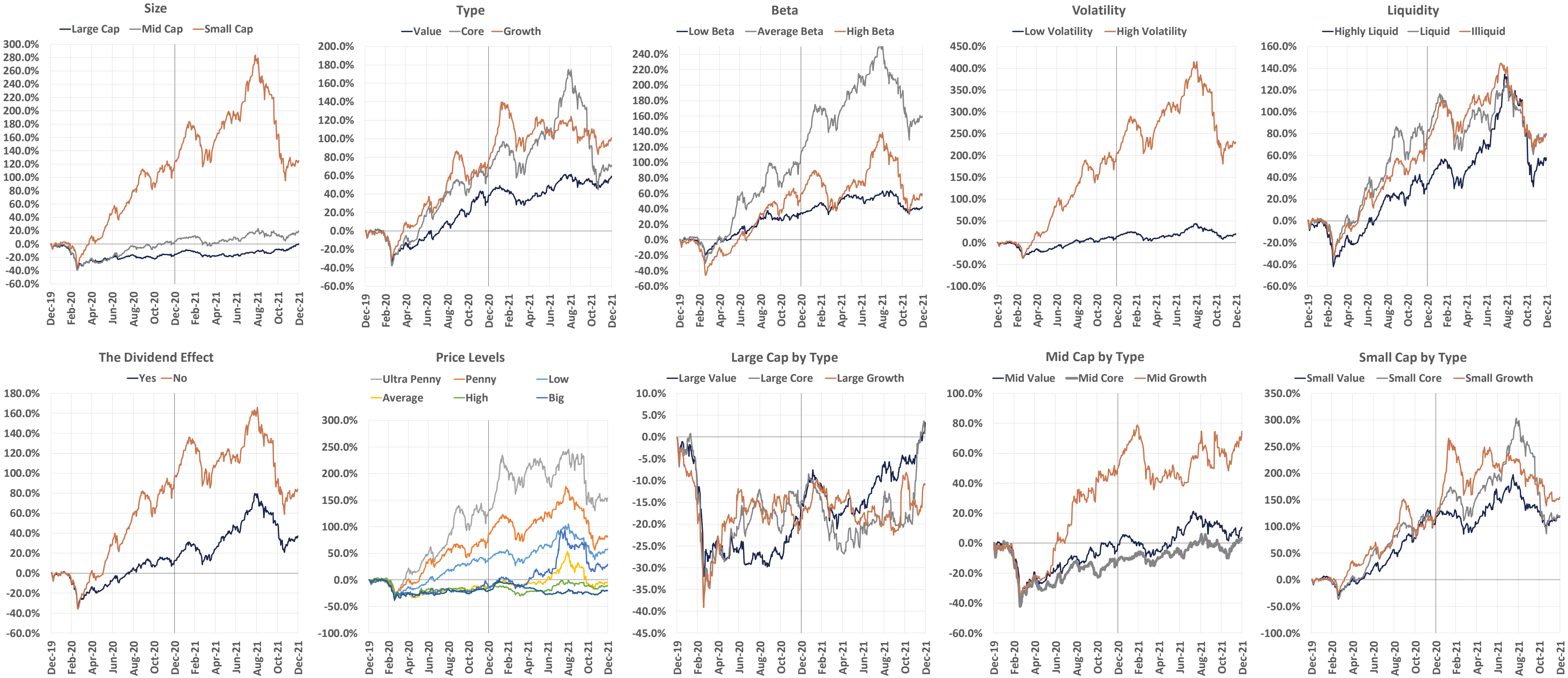
Figure 37: Prime Research categories (performance in 2021)



Source: Bloomberg, Prime Research.

MARKET in Figures (cont.'d)

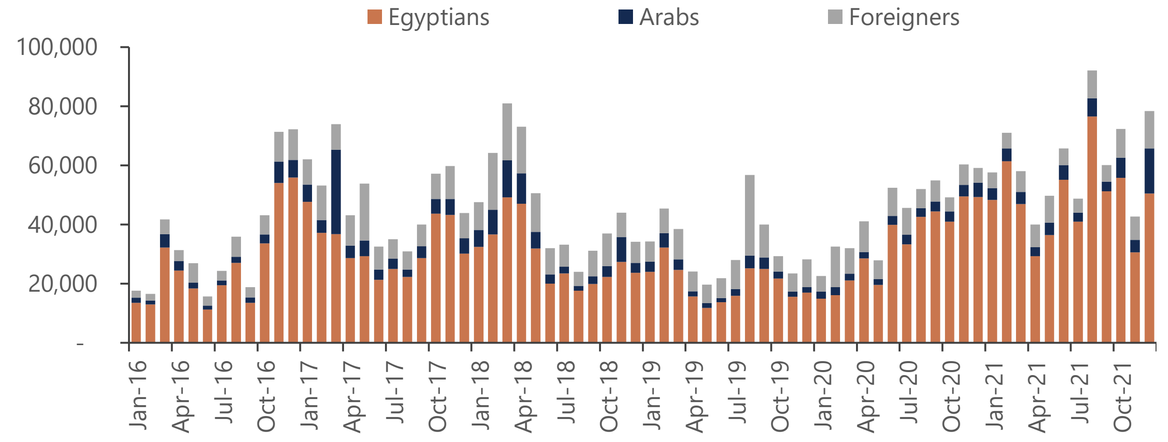
Figure 38: Prime Research categories (performance in 2020-2021)

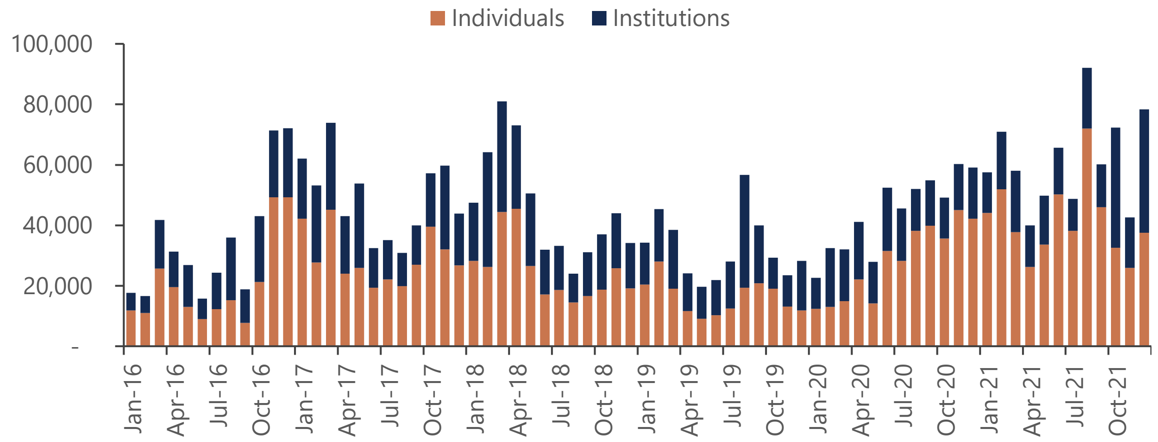


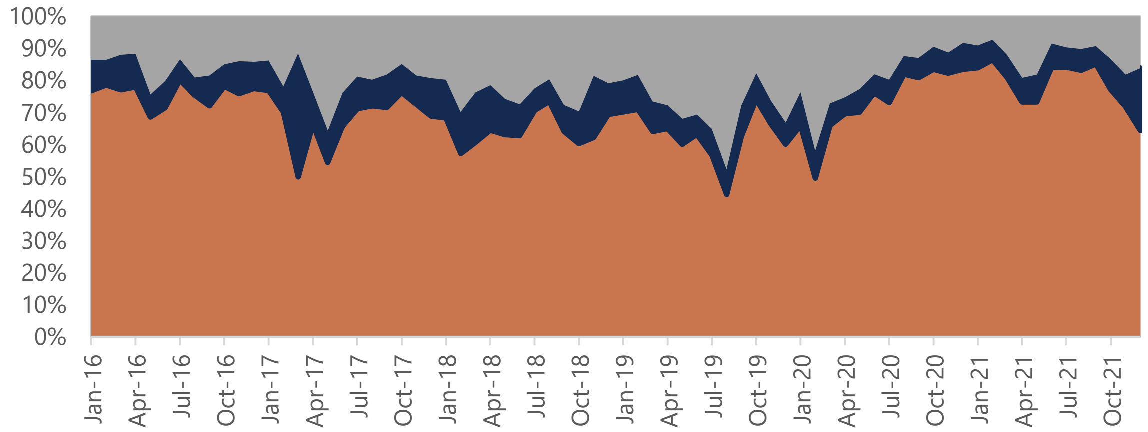
Source: Bloomberg, Prime Research.

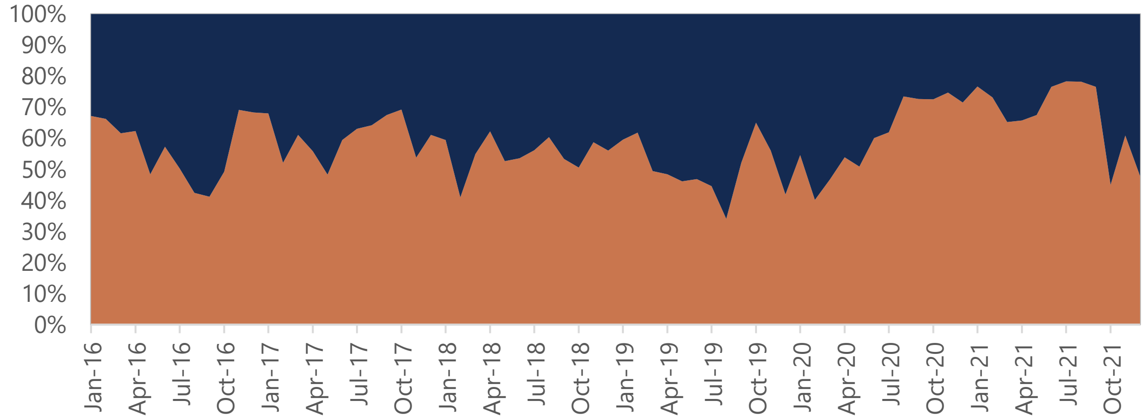
MARKET in Figures (cont.'d)

Figure 39: Trading values (EGPmn) by nationality and type of investor and market share (2016-2021)





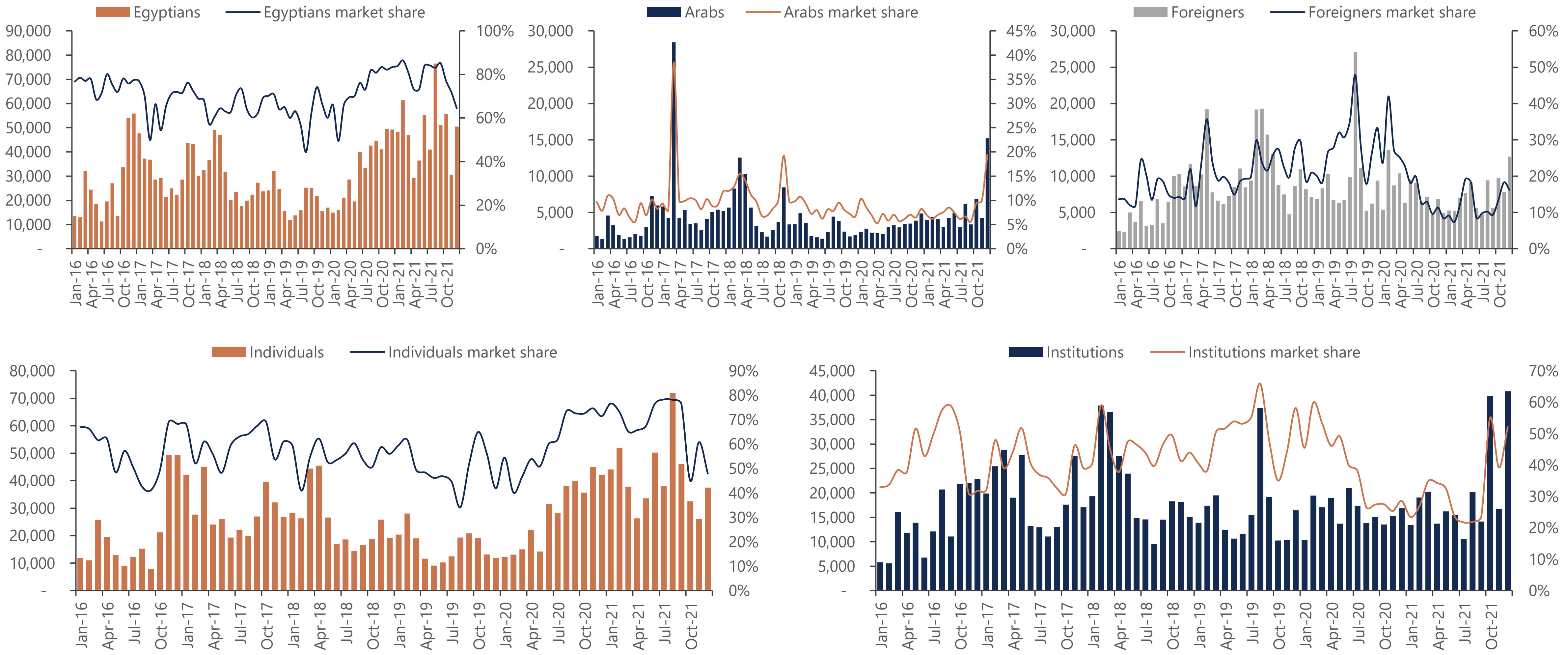




Source: EGX, Prime Research.

MARKET in Figures (cont.'d)

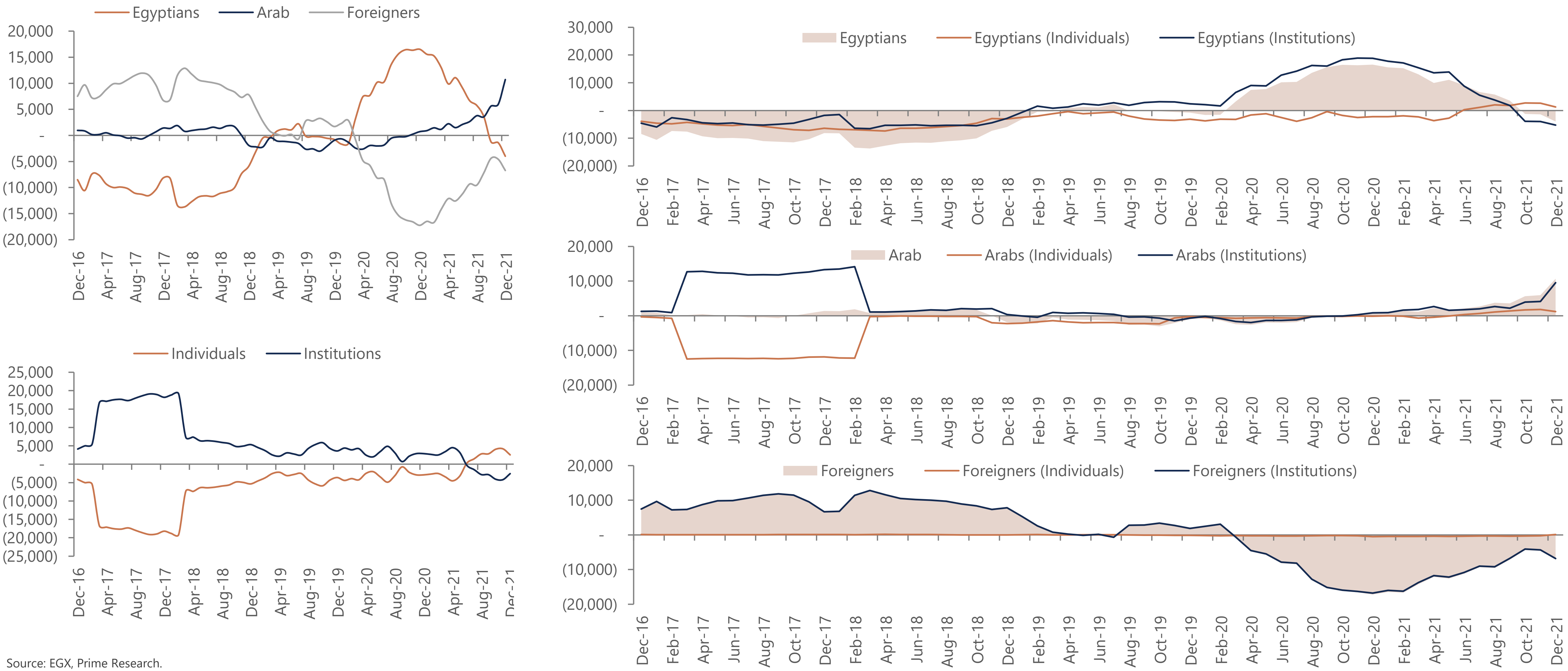
Figure 40: Trading values (EGPmn) by nationality and type of investor and market share (2016-2021)



Source: EGX, Prime Research.

MARKET in Figures (cont.'d)

Figure 41: Net trading values (EGPmn) by nationality and type of investor on a trailing 12-month basis (2016-2021)



Source: EGX, Prime Research.

APPENDIX.

APPENDIX

APPENDIX

Figure 42 (A): Prime Research Style & Quantitative Matrix

Ticker	Name	Sector	Size	Type	Beta Type	Volatility Type	Liquidity	Div Payer?	Price level
ADIB	Abu Dhabi Islamic Bank Egypt	Banks	Mid Cap	Value	Average Beta	Low Volatility	Highly Liquid	No	Low
CIEB	Credit Agricole Egypt	Banks	Large Cap	Value	Low Beta	Low Volatility	Liquid	Yes	Low
COMI	Commercial International Bank (CIB)	Banks	Large Cap	Value	Average Beta	Low Volatility	Highly Liquid	Yes	High
EXPA	Export Development Bank of Egypt	Banks	Mid Cap	Value	Low Beta	Low Volatility	Illiquid	Yes	Low
FAIT	Faisal Islamic Bank of Egypt (EGP)	Banks	Large Cap	Value	Low Beta	Low Volatility	Illiquid	Yes	Low
HDBK	Housing & Development Bank	Banks	Mid Cap	Core	Low Beta	Low Volatility	Illiquid	Yes	High
QNBA	Qatar National Bank Alahly	Banks	Large Cap	Value	Low Beta	Low Volatility	Illiquid	Yes	Average
ACGC	Arab Cotton Ginning	Consumer Discretionary	Small Cap	Core	High Beta	Low Volatility	Highly Liquid	Yes	Penny
AUTO	GB Auto	Consumer Discretionary	Mid Cap	Growth	Average Beta	Low Volatility	Highly Liquid	Yes	Penny
CIRA	Cairo Invest. & Real Estate Dev.	Consumer Discretionary	Large Cap	Growth	Low Beta	Low Volatility	Liquid	Yes	Low
DSCW	Dice Sport & Casual Wear	Consumer Discretionary	Small Cap	Growth	High Beta	High Volatility	Highly Liquid	No	Penny
ELWA	El-Wadi for Touristic Investments	Consumer Discretionary	Small Cap	Core	High Beta	High Volatility	Liquid	No	Penny
KABO	El-Nasr Clothes & Textiles	Consumer Discretionary	Small Cap	Core	High Beta	Low Volatility	Illiquid	No	Penny
MPRC	Egyptian Media Production City	Consumer Discretionary	Small Cap	Core	High Beta	Low Volatility	Illiquid	No	Low
MTIE	MM Group for Industry & Int.'l Trade	Consumer Discretionary	Mid Cap	Growth	High Beta	Low Volatility	Highly Liquid	No	Low
ORWE	Oriental Weavers Carpet	Consumer Discretionary	Mid Cap	Value	Low Beta	Low Volatility	Liquid	Yes	Low
ROTO	Rowad Tourism	Consumer Discretionary	Small Cap	Core	High Beta	High Volatility	Highly Liquid	Yes	Low
RTVC	Remco for Touristic Villages	Consumer Discretionary	Small Cap	Core	High Beta	High Volatility	Liquid	No	Penny
SDTI	Sharm Dreams for Tourism	Consumer Discretionary	Small Cap	Core	Average Beta	High Volatility	Highly Liquid	No	Low
SPIN	Alexandria Spinning & Weaving	Consumer Discretionary	Small Cap	Core	Average Beta	High Volatility	Liquid	No	Penny
TALM	Taaleem Management Services	Consumer Discretionary	Mid Cap	Core	Low Beta	High Volatility	Illiquid	No	Low
ADPC	Arab Dairy Products	Consumer Staples	Small Cap	Core	Low Beta	High Volatility	Illiquid	No	Low
AFMC	Alexandria Flour Mills	Consumer Staples	Small Cap	Core	High Beta	Low Volatility	Illiquid	Yes	Low
AIFI	Atlas for Inv. & Food Industries	Consumer Staples	Small Cap	Core	Average Beta	High Volatility	Liquid	No	Ultra Penny
AJWA	Ajwa for Food Industries	Consumer Staples	Small Cap	Core	High Beta	High Volatility	Liquid	No	Low
COSG	Cairo Oils & Soap	Consumer Staples	Small Cap	Core	Low Beta	Low Volatility	Illiquid	No	Penny
DOMT	Arabian Food Industries (Domty)	Consumer Staples	Small Cap	Growth	Average Beta	Low Volatility	Illiquid	Yes	Penny
EAST	Eastern Company	Consumer Staples	Large Cap	Value	Low Beta	Low Volatility	Highly Liquid	Yes	Low
EFID	Edita Food Industries	Consumer Staples	Large Cap	Core	Low Beta	Low Volatility	Liquid	Yes	Low
IFAP	International Agricultural Products	Consumer Staples	Small Cap	Core	High Beta	High Volatility	Illiquid	No	Penny

Source: EGX, Prime Research.

APPENDIX (cont.'d)

Figure 42 (B): Prime Research Style & Quantitative Matrix

Ticker	Name	Sector	Size	Type	Beta Type	Volatility Type	Liquidity	Div Payer?	Price level
ISMA	Ismailia Misr Poultry	Consumer Staples	Small Cap	Core	High Beta	High Volatility	Highly Liquid	Yes	Low
JUFO	Juhayna Food Industries	Consumer Staples	Mid Cap	Value	Low Beta	Low Volatility	Liquid	Yes	Low
NEDA	Northern Upper Egypt Development	Consumer Staples	Small Cap	Core	High Beta	High Volatility	Illiquid	No	Penny
OLFI	Obour Land Food Industries	Consumer Staples	Mid Cap	Growth	Low Beta	Low Volatility	Illiquid	Yes	Low
POUL	Cairo Poultry	Consumer Staples	Small Cap	Core	High Beta	Low Volatility	Liquid	Yes	Penny
SUGR	Delta Sugar	Consumer Staples	Small Cap	Core	High Beta	High Volatility	Highly Liquid	Yes	Low
ZEOT	Extracted Oils	Consumer Staples	Small Cap	Core	Average Beta	Low Volatility	Illiquid	Yes	Penny
AMOC	Alexandria Mineral Oils	Energy & Utilities	Mid Cap	Value	High Beta	Low Volatility	Highly Liquid	Yes	Penny
CCAP	Qalaa Holdings	Energy & Utilities	Mid Cap	Growth	High Beta	Low Volatility	Highly Liquid	No	Penny
EGAS	Natural Gas & Mining Projects	Energy & Utilities	Mid Cap	Core	High Beta	Low Volatility	Liquid	Yes	High
EKHO	Egypt Kuwait Holding	Energy & Utilities	Large Cap	Value	Low Beta	Low Volatility	Highly Liquid	Yes	Ultra Penny
MOIL	Maridive & Oil Services	Energy & Utilities	Small Cap	Growth	Low Beta	Low Volatility	Illiquid	No	Ultra Penny
CLHO	Cleopatra Hospitals Group	Health Care	Large Cap	Growth	Low Beta	Low Volatility	Highly Liquid	No	Penny
IDHC	Integrated Diagnostics Holding	Health Care	Large Cap	Growth	Average Beta	Low Volatility	Illiquid	Yes	Average
ISPH	Ibnsina Pharma	Health Care	Mid Cap	Growth	Average Beta	Low Volatility	Highly Liquid	Yes	Low
PHAR	EIPICO	Health Care	Mid Cap	Core	Low Beta	Low Volatility	Illiquid	Yes	High
RMDA	Rameda	Health Care	Mid Cap	Growth	Low Beta	Low Volatility	Liquid	No	Penny
SPMD	Speed Medical	Health Care	Small Cap	Growth	Average Beta	High Volatility	Highly Liquid	No	Penny
ALCN	Alexandria Containers Handling	Industrials	Large Cap	Value	Average Beta	Low Volatility	Liquid	Yes	Low
CERA	Arab Ceramics	Industrials	Small Cap	Core	Low Beta	High Volatility	Highly Liquid	Yes	Ultra Penny
CSAG	Canal Shipping Agencies	Industrials	Mid Cap	Value	High Beta	High Volatility	Illiquid	Yes	Low
ECAP	Al-Ezz Ceramics & Porcelain	Industrials	Small Cap	Value	High Beta	Low Volatility	Illiquid	Yes	Low
EDBM	Egyptian for Developing Building	Industrials	Small Cap	Core	Low Beta	High Volatility	Highly Liquid	No	Ultra Penny
EEII	El-Arabia Engineering Industries	Industrials	Small Cap	Core	High Beta	High Volatility	Highly Liquid	No	Ultra Penny
ELEC	Egyptian Electrical Cables	Industrials	Mid Cap	Core	High Beta	Low Volatility	Liquid	No	Ultra Penny
ENGC	Engineering Industries (ICON)	Industrials	Small Cap	Growth	High Beta	High Volatility	Illiquid	Yes	Low
ETRS	Egytrans	Industrials	Small Cap	Value	Average Beta	Low Volatility	Illiquid	Yes	Low
GDWA	Gadwa Industrial Development	Industrials	Small Cap	Core	Low Beta	Low Volatility	Illiquid	No	Penny
GGCC	Giza General Contracting	Industrials	Small Cap	Growth	High Beta	High Volatility	Liquid	No	Ultra Penny
LCSW	Lecico Egypt	Industrials	Small Cap	Growth	High Beta	High Volatility	Illiquid	No	Penny

Source: EGX, Prime Research.

APPENDIX (cont.'d)

Figure 42 (C): Prime Research Style & Quantitative Matrix

Ticker	Name	Sector	Size	Type	Beta Type	Volatility Type	Liquidity	Div Payer?	Price level
NRPD	National RE Bank for Dev.	Industrials	Small Cap	Core	Low Beta	High Volatility	Illiquid	No	Average
ORAS	Orascom Construction	Industrials	Large Cap	Value	Low Beta	Low Volatility	Liquid	Yes	Mega
PRCL	Sheeni	Industrials	Small Cap	Core	High Beta	High Volatility	Liquid	No	Penny
SWDY	Elsewedy Electric	Industrials	Large Cap	Value	High Beta	Low Volatility	Highly Liquid	Yes	Low
UASG	United Arab Shipping	Industrials	Small Cap	Core	High Beta	High Volatility	Illiquid	No	Penny
UEGC	Elsaeed Contracting & RE Inv.	Industrials	Small Cap	Core	High Beta	Low Volatility	Liquid	No	Ultra Penny
ABUK	Abu Kir Fertilizers & Chemicals	Materials	Large Cap	Value	Low Beta	Low Volatility	Highly Liquid	Yes	Average
ARCC	Arabian Cement	Materials	Small Cap	Core	High Beta	Low Volatility	Illiquid	Yes	Penny
ASCM	ASEC Co. for Mining (ASCOM)	Materials	Small Cap	Core	High Beta	High Volatility	Liquid	No	Low
ATQA	Misr National Steel (Ataqa)	Materials	Small Cap	Core	High Beta	High Volatility	Liquid	No	Penny
EFIC	Egyptian Financial & Industrials	Materials	Small Cap	Value	High Beta	Low Volatility	Liquid	Yes	Low
EGAL	Egypt Aluminum	Materials	Mid Cap	Core	High Beta	High Volatility	Illiquid	Yes	Low
EGCH	KIMA	Materials	Mid Cap	Growth	High Beta	Low Volatility	Illiquid	No	Penny
ESRS	Ezz Steel	Materials	Mid Cap	Core	High Beta	Low Volatility	Highly Liquid	No	Low
IRON	Egyptian Iron & Steel	Materials	Mid Cap	Core	Low Beta	High Volatility	Illiquid	No	Penny
ISMQ	Iron & Steel Mines & Quarries	Materials	Mid Cap	Core	High Beta	High Volatility	Illiquid	No	Penny
MCQE	Misr Cement (Qena)	Materials	Small Cap	Core	High Beta	High Volatility	Liquid	Yes	Low
MEPA	Medical Packaging	Materials	Small Cap	Core	High Beta	High Volatility	Liquid	No	Ultra Penny
MFPC	MOPCO	Materials	Large Cap	Value	Low Beta	Low Volatility	Liquid	Yes	Big
MICH	Misr Chemical Industries	Materials	Small Cap	Value	Average Beta	Low Volatility	Illiquid	Yes	Low
PACH	PACHIN	Materials	Small Cap	Core	High Beta	Low Volatility	Illiquid	Yes	Average
RAKT	Rakta Paper Manufacturing	Materials	Small Cap	Core	High Beta	High Volatility	Illiquid	No	Low
SKPC	Sidi Kerir Petrochemicals	Materials	Mid Cap	Value	High Beta	Low Volatility	Highly Liquid	Yes	Low
SUCE	Suez Cement	Materials	Small Cap	Core	Average Beta	High Volatility	Illiquid	No	Low
SVCE	South Valley Cement	Materials	Small Cap	Core	High Beta	High Volatility	Illiquid	No	Penny
AFDI	Al-Ahly for Development & Investment	Non-Banking Financials	Small Cap	Core	High Beta	High Volatility	Liquid	No	Average
AIH	Arabia Investments Holding	Non-Banking Financials	Small Cap	Core	High Beta	High Volatility	Highly Liquid	No	Ultra Penny
AMIA	Arab Moltaqa Investments	Non-Banking Financials	Small Cap	Core	Average Beta	High Volatility	Liquid	Yes	Penny
ASPI	Aspire Capital Holding	Non-Banking Financials	Mid Cap	Growth	High Beta	High Volatility	Highly Liquid	No	Ultra Penny
ATLC	Al-Tawfeek for Financial Leasing	Non-Banking Financials	Small Cap	Growth	High Beta	High Volatility	Liquid	Yes	Penny

Source: EGX, Prime Research.

APPENDIX (cont.'d)

Figure 42 (D): Prime Research Style & Quantitative Matrix

Ticker	Name	Sector	Size	Type	Beta Type	Volatility Type	Liquidity	Div Payer?	Price level
BINV	B Investments Holding	Non-Banking Financials	Small Cap	Core	Low Beta	Low Volatility	Liquid	Yes	Low
BTFH	Beltone Financial Holding	Non-Banking Financials	Small Cap	Growth	High Beta	High Volatility	Highly Liquid	No	Penny
CICH	CI Capital Holding	Non-Banking Financials	Mid Cap	Growth	Average Beta	Low Volatility	Liquid	Yes	Penny
EFIH	E-Finance	Non-Banking Financials	Large Cap	Growth	Average Beta	High Volatility	Highly Liquid	No	Low
FWRY	Fawry	Non-Banking Financials	Large Cap	Growth	High Beta	Low Volatility	Highly Liquid	No	Low
HRHO	EFG Hermes Holding	Non-Banking Financials	Large Cap	Core	Average Beta	Low Volatility	Highly Liquid	Yes	Low
ODIN	ODIN Investments	Non-Banking Financials	Small Cap	Core	High Beta	High Volatility	Highly Liquid	No	Penny
OFH	Orascom Financial Holding	Non-Banking Financials	Small Cap	Core	Average Beta	Low Volatility	Highly Liquid	No	Ultra Penny
OIH	Orascom Investment Holding	Non-Banking Financials	Mid Cap	Core	Average Beta	Low Volatility	Highly Liquid	No	Ultra Penny
PRMH	Prime Holding	Non-Banking Financials	Small Cap	Core	High Beta	Low Volatility	Illiquid	Yes	Ultra Penny
RACC	Raya Contact Center	Non-Banking Financials	Small Cap	Growth	High Beta	High Volatility	Liquid	Yes	Low
ACAMD	Arab Co. for Asset Management & Dev.	Real Estate	Small Cap	Core	High Beta	Low Volatility	Highly Liquid	Yes	Penny
AMER	Amer Group Holding	Real Estate	Small Cap	Core	High Beta	High Volatility	Liquid	No	Penny
AREH	Real Estate Egyptian Consortium	Real Estate	Small Cap	Core	Average Beta	High Volatility	Highly Liquid	Yes	Penny
CCRS	Gulf Canadian	Real Estate	Small Cap	Core	Average Beta	High Volatility	Illiquid	No	Ultra Penny
DAPH	Dev. & Engineering Consultancies	Real Estate	Small Cap	Core	Average Beta	High Volatility	Illiquid	No	Big
DCRC	Delta for Construction	Real Estate	Small Cap	Core	Average Beta	High Volatility	Illiquid	No	Low
EGTS	Egyptian Resorts Co.	Real Estate	Small Cap	Core	High Beta	High Volatility	Highly Liquid	No	Low
EHDR	Egyptians for Housing & Development	Real Estate	Small Cap	Core	High Beta	High Volatility	Liquid	No	Penny
ELKA	El-Kahera Housing & Developments	Real Estate	Small Cap	Growth	Average Beta	High Volatility	Liquid	No	Penny
ELSH	El-Shams Housing & Development	Real Estate	Small Cap	Core	High Beta	Low Volatility	Highly Liquid	Yes	Average
EMFD	Emaar Misr for Development	Real Estate	Large Cap	Value	Average Beta	High Volatility	Liquid	No	Penny
EMRI	Emerald for Real Estate Investment	Real Estate	Small Cap	Core	High Beta	High Volatility	Highly Liquid	No	Penny
GOCO	Golden Coast	Real Estate	Small Cap	Core	High Beta	Low Volatility	Liquid	No	Penny
HELI	Heliopolis Housing & Development	Real Estate	Large Cap	Core	High Beta	High Volatility	Highly Liquid	Yes	Penny
IDRE	New Ismailia for Urban Development	Real Estate	Small Cap	Core	Low Beta	High Volatility	Highly Liquid	No	Low
MENA	Mena Touristic & Real Estate	Real Estate	Small Cap	Core	High Beta	Low Volatility	Liquid	No	High
MNHD	Madinet Nasr Housing & Development	Real Estate	Mid Cap	Value	Average Beta	Low Volatility	Highly Liquid	Yes	Penny
OCDI	SODIC	Real Estate	Mid Cap	Value	Low Beta	Low Volatility	Illiquid	Yes	Penny
ORHD	Orascom Development Egypt	Real Estate	Mid Cap	Core	Average Beta	Low Volatility	Liquid	Yes	Low

Source: EGX, Prime Research.

APPENDIX (cont.'d)

Figure 42 (E): Prime Research Style & Quantitative Matrix

Ticker	Name	Sector	Size	Type	Beta Type	Volatility Type	Liquidity	Div Payer?	Price level
PHDC	Palm Hills Developments	Real Estate	Mid Cap	Core	Average Beta	Low Volatility	Highly Liquid	No	Penny
PORT	Porto Group Holding	Real Estate	Small Cap	Core	High Beta	High Volatility	Highly Liquid	No	Penny
PRDC	Pioneers Properties	Real Estate	Mid Cap	Core	High Beta	High Volatility	Illiquid	No	Ultra Penny
REAC	Reacap Financial Investments	Real Estate	Small Cap	Core	Average Beta	High Volatility	Illiquid	No	Penny
RREI	Arab Real Estate Investment	Real Estate	Small Cap	Core	High Beta	High Volatility	Illiquid	No	Penny
TANM	Tanmiya for Real Estate Investment	Real Estate	Small Cap	Core	High Beta	Low Volatility	Illiquid	No	Ultra Penny
TMGH	TMG Holding	Real Estate	Large Cap	Core	Average Beta	High Volatility	Highly Liquid	Yes	Penny
UNIT	United Co for Housing & Developments	Real Estate	Small Cap	Core	High Beta	High Volatility	Liquid	No	Low
ZMID	Zahraa El-Maadi Investment	Real Estate	Small Cap	Core	High Beta	Low Volatility	Highly Liquid	Yes	Penny
ETEL	Telecom Egypt	Telecom Services & IT	Large Cap	Value	Low Beta	High Volatility	Highly Liquid	Yes	Low
RAYA	Raya Holding	Telecom Services & IT	Small Cap	Growth	Average Beta	High Volatility	Illiquid	Yes	Ultra Penny

Source: EGX, Prime Research.

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