

**Price**  
**EGP6.10**  
at close of 30 Jan 2022

**Fair Value**  
**EGP7.40**  
set on 26 Dec 2021

**12M PT**  
**EGP8.6** (+41%)  
set on 26 Dec 2021

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

## Double-Digit Growth Complements a Resilient Story

Rating and 12MPT maintained

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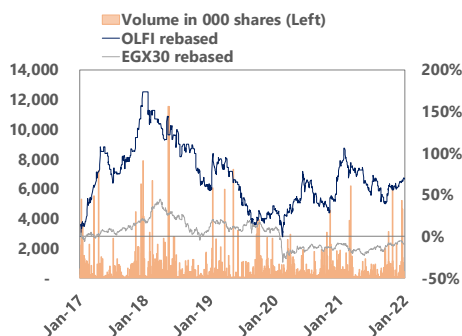
**Net earnings came broadly in line:** Obour Land Food Industries [OLFI] has reported its consolidated 2021 figures, with a bottom line of EGP351mn (+13% y/y) on higher revenues of EGP3.0bn (+10% y/y). 2021 bottom line came 4% above Prime Research estimate (PRe) of EGP336mn. Meanwhile, the top line came broadly in line, less than 2% ahead of our estimates. OLFI managed to generate a strong top line sequential growth of 8%, as Q4 2021 revenues upped to EGP88mn. On the other hand, Q4 2021 bottom line came in at EGP96mn (-13% q/q).

**Recovery is both price and volume driven:** Management indicated that Q4 2021 witnessed a rebound from the slow sales activity seen in Q3 2021. Top line grew by 27% y/y in Q4 2021 on the back of a 26% y/y growth in white cheese sales volumes, which recorded 30,600 tons. For the full year, total white cheese volume reached 108,100 tons (+3% y/y, +2% vs. PRe). Furthermore, top line growth in 2021 was also supported by a 6% y/y increase in average selling prices of white cheese, in line with our estimates of EGP25.6/kg. Management indicated that average selling prices for milk were hiked by 9% y/y.

**The road to top line diversity continues:** The milk and juice segments have generated gross revenues of EGP191mn and EGP37mn, respectively, in 2021. Total milk sales volume grew 17% y/y, whereas revenues grew 27% y/y. Management attributed the aforementioned 9% hike in milk selling prices to the increasing local prices of raw milk.

**Margins slightly pressured:** OLFI's overall GPM dropped to 23.6% in 2021 vs. 24.6% in 2020 (-1.1pp y/y). We note that despite the annual drop in GPM, we view this as fairly normal and predictable. We initially projected GPM for OLFI to stand at 23.7% in 2021, which is just 7bps ahead of actual figures. The primary reason for the margin slippage is higher input costs across the board. Despite OLFI's effort to buy cheap Skim Milk Powder (SMP) at cheap prices in 2020, the impact of higher SMP prices has already started to materialize in H2 2021, weighing on OLFI's gross margins. We expect SMP bought by OLFI to average USD3,300/ton in 2022.

**Overweight and 12M PT maintained:** We appreciate the double-digit growth seen in 2021, despite the relative drop in margins. Meanwhile, OLFI is trading at 2022e P/E of 6.8x and EV/EBITDA 4.9x. Thus, we maintain our 12M PT at EGP8.6/share (+41%) and hence our Overweight rating.



Source: Bloomberg.

### Key Stock Statistics

Shares outstanding (mn)	400
Free float	40%
Market cap (mn)	EGP2,440
Market cap (mn)	USD155
52w range (EGP/share)	5.0-8.23
EGP100 invested 5y ago	EGP169
TTM EPS	EGP0.88
TTM P/E	7.0x
2022e EPS	EGP0.89
2022e P/E	6.8x
2022e P/B	2.8x
Last fiscal year's DPS	EGP0.60
Dividend yield	10.0%
5Yr beta	0.7
5Y Proj. EPS CAGR	10%

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