

Price
EGP9.35
at close of 9 Feb 2022

Fair Value
EGP12.9
set on 30 Jan 2022

12MPT
EGP14.3 (+53%)
set on 30 Jan 2022

Investment Rating

Overweight

★

★

★

Risk Rating

Medium

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Ending 2021 on a Good Note

Overweight and 12MPT maintained

Abdallah Ismail

Equity Analyst

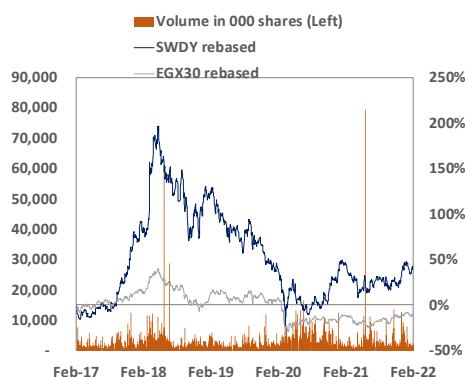
T +202 3300 5716

aismail@egy.primegroup.org

Earnings came broadly in line: Elsewedy Electric's [SWDY] Q4 2021 revenues increased by 31.6% y/y to EGP19.7bn (+32% q/q), driven by growth across the board (except for meters) but was led by the wires & cables segment. However, consolidated net income after minorities slipped 4.3% y/y to EGP1.2bn (+76% q/q) on a drop in GPM to 14.9% (-4pp y/y, +3.4pp q/q) which nonetheless came in 1.4pp above our expectations. For the year as a whole, net earnings recorded EGP3.5bn (+16.7% y/y), coming in line with our estimates of EGP3.5bn (+1.2% vs. PRe). In general, SWDY was able to end the year on a strong note, after some challenges faced during Q3 2021.

Segmental performance was a mixed bag in Q4 2021:

- **Wires & Cables:** The largest revenue contributor (49% in 2021, 80% contribution to total revenue growth y/y in Q4 2021), wires & cables revenues jumped 70% y/y during the quarter to EGP9.4bn, driven mainly by higher prices as volumes grew 3.4% y/y. However, GPM slumped y/y to 10% in Q4 2021 vs. 13.2% in Q4 2020 but higher than the 8.5% in Q3 2021.
- **Turnkey:** The second largest revenue contributor (42% in 2021, 14% contribution to total revenue growth y/y in Q4 2021), turnkey revenues increased 8.2% y/y in Q4 2021 to EGP8.8bn. Gross profit dropped in absolute and relative terms to EGP1.6bn (-2% y/y). GPM weakened to 18% in Q4 2021 compared to 20%. Meanwhile, backlog grew notably to EGP70bn in Q4 2021 (+43% y/y, +23% q/q) vs. EGP57bn in Q3 2021.
- **Transformers:** Despite its small contribution to revenues (3% in 2021, 3.5% contribution to total revenue growth y/y in Q4 2021), transformers revenues increased 38.6% y/y to EGP596mn. However, gross profit decreased 63.3% y/y to EGP60.7mn in Q4 2021, leading GPM to narrow to 10.2% vs. 38.5% a year before. Meanwhile, backlog decreased to USD119mn in Q4 2021 (down from USD133mn in Q3 2021). We note that SWDY started to consolidate its two recent acquisitions of Indonesia's CG Power System and Pakistan's Valdius Engineering Ltd. in Q3 2021.
- **Electric Products:** With its small contribution to revenues (1% in 2021, 2.1% contribution to total revenue growth y/y in Q4 2021), electric products revenues more than doubled y/y to EGP198mn. Boasting the second highest margin across all segments, electric products recorded a gross profit margin of 51%.



Source: Bloomberg.

KEY STOCK STATISTICS

Shares outstanding (mn)	2,184
Free float	31.6%
Market Cap (EGPmn)	20,531
Market Cap (USDmn)	1,308
52w range	10.32-7.41
EGP100 invested 5y ago	139
TTM EPS	1.64
TTM P/E	5.8x
TTM EV/EBITDA	4.6x
2022e P/E	5.5x
Last fiscal year's DPS	EGP0.40
Dividend yield	4%
5Y beta	0.73
4Y Proj. EPS CAGR	9%

Source: Bloomberg, Prime Research.

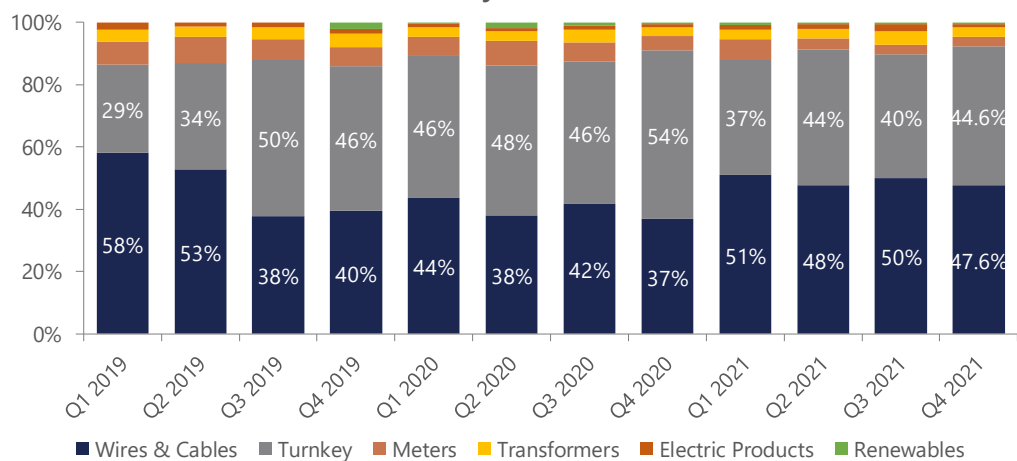


- **Meters:** The segment continued to underperform this quarter, but with revenues falling only 2% y/y to EGP637mn (+35% q/q) on recovering selling prices. Gross profit decreased 7.3% y/y; hence, gross profit margin came in at 31.9% in Q4 2021 vs. 33.7% a year before. Meanwhile, backlog increased to EUR152mn in Q4 2021 vs. EUR110mn in Q3 2021.
- **Renewables:** The smallest segment (less than 1% of revenues in Q4 2021), renewables revenues grew by 19.5% y/y to EGP97.8mn in Q4 2021.

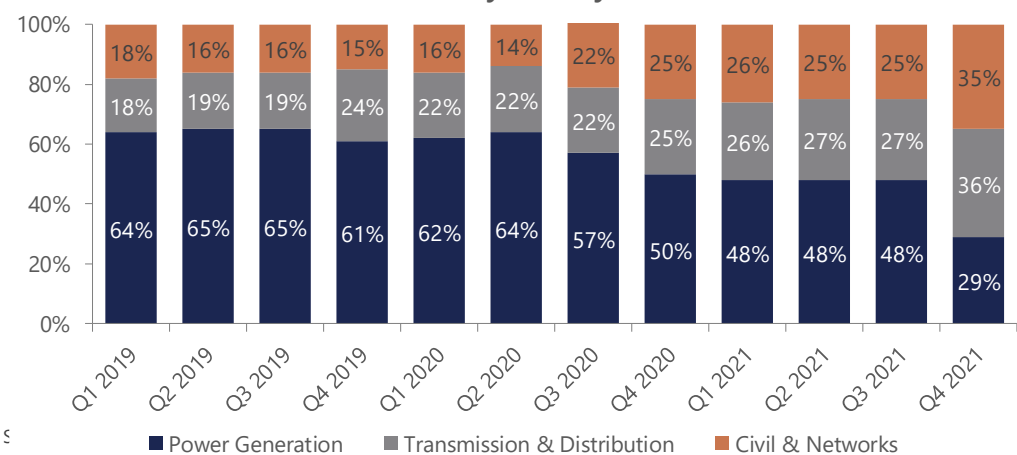
Overweight and 12MPT maintained: SWDY is now trading at a TTM P/E of 5.8x and EV/EBITDA of 4.6x, with ROE of 18.5%. In view of Q4 2021, we maintain our rating as Overweight with the same 12-month price target (12MPT) of EGP14.3/share.

Results in Charts

SWDY's Quarterly Revenue Breakdown



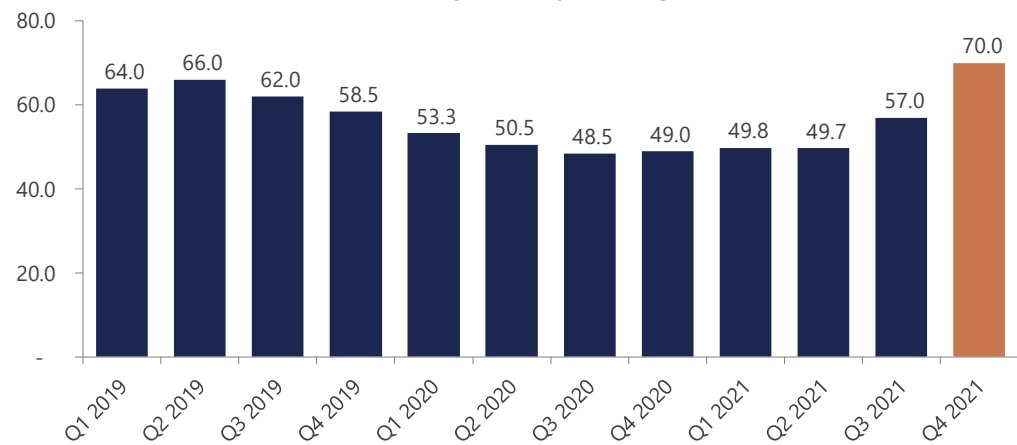
SWDY's Quarterly Turnkey Breakdown



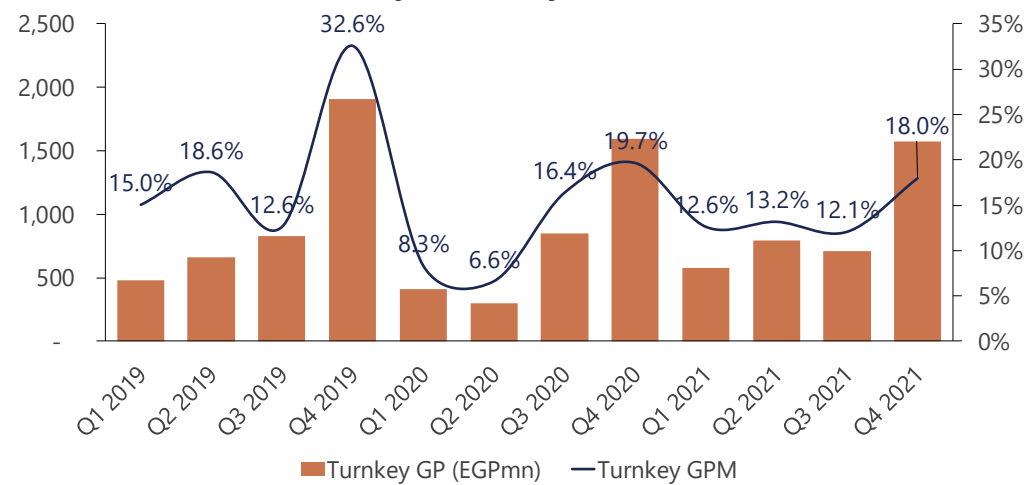


Results in Charts (cont.'d)

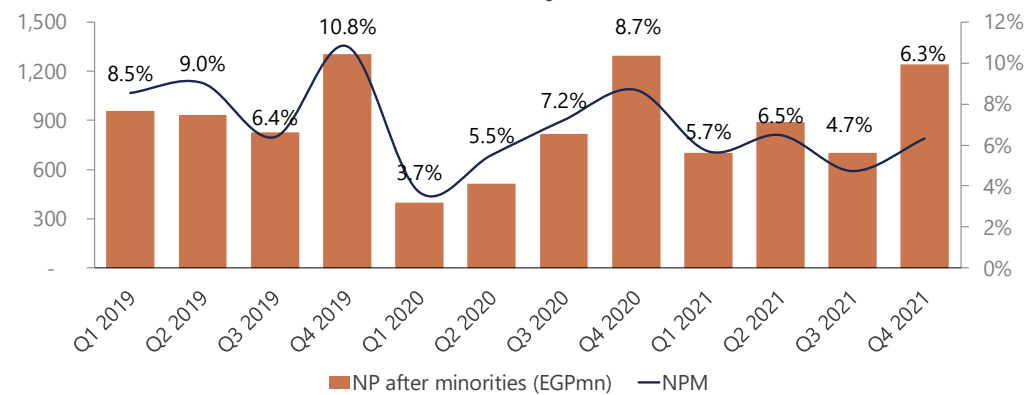
SWDY's Quarterly Turnkey Backlog (EGPbn)



Turnkey's Quarterly Gross Profit



SWDY's Quarterly Net Profit



Source: Company reports, Prime Research.

Prime Securities

Shawkat El Maraghy

Managing Director

T +202 3300 5622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

AAAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

T +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 8130

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi Elnil St, Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

Branches

Heliopolis

7 Elhegaz Square

Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

Alexandria

7 Albert Al Awal St.

Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

Website

www.primeholdingco.com

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