

IPO Price (including issuance fees) Implied Market Cap
EGP1.02/share **EGP200mn**

Investment Rating **Not rated** ★ ★ ★
Risk Rating **Not rated** ! ! !

In a League of Its Own

Welcome the region’s first listed football club

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Figure 1: IPO details

Shares outstanding (post-IPO)	200mn
Offered stake	49.0%
Offered shares	98mn shares
IPO price *	EGP1.02/share
Capital increase value	EGP98mn
Public subscription per investor	
Min subscription (shares)	1,000
Max subscription (shares)	2,000,000
Allocation rate	
Up to 25,000 shares **	100%
More than 25,000 shares	Pro rata
Founders’ lockup period *** (for 80mn shares)	2 years

* Par value of EGP1/share in addition to issuance fees of EGP0.02/share.

** If the quantity offered for subscription permits.

*** The contribution of both Misr Insurance Holding Co. and Misr Spinning & Weaving Co.
Source: IPO Prospectus.

Figure 2: IPO timeline

Event	Date
Subscription opened	12 June 2022
Subscription closes	1 July 2022 *

*The end of the subscription will be on 1 July 2022, unless the offering is fully covered within 10 days from the subscription opening date.
Source: IPO Prospectus.

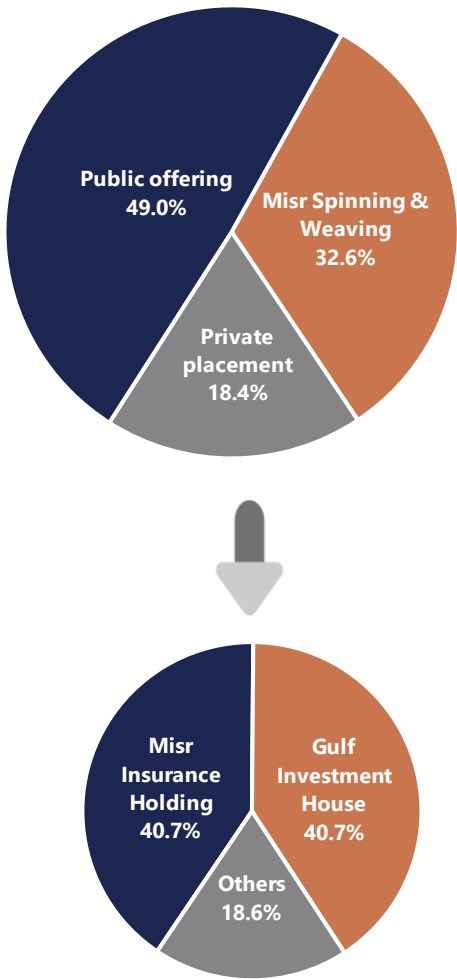
The résumé: Ghazl El-Mahalla Football Co. [GMFC] is a joint stock company that came into existence in 2021, following the separation of the football activity from **Misr Spinning & Weaving Co.** located in Al-Mahalla Al-Kubra, Egypt. Ghazl El-Mahalla team was formed in 1936 to participate in the Companies’ League at the time, before it took part in the Egyptian Premier League (EPL) in the 1956/1957 season. The team, one of the six fan-based football teams in Egypt, qualified for the EPL 46 times. The team won the EPL immediately upon its return in the 1972/1973 season as one of merely seven teams that won the EPL championship since its inception. Also, GMFC team came in second place in the 1975/1976 season and ranked third five times during the seasons between 1978/1979 and 1992/1993. The team regained the spotlight in the 2020/2021 season when it was promoted to the EPL after a 4-year absence since the 2015/2016 season. Moreover, it reached the Egypt Cup final six times. Regionally, the team qualified for the CAF Champions League final back in 1974.

The nitty-gritty of the IPO: Not only is GMFC the first of its kind for being the first football company to be listed on a regional stock exchange, but it is also the first company to be listed immediately after incorporation, before the issuance of at least two years of financial statements. To carry out its IPO, GMFC should reach a minimum capital of EGP200mn with the subscription of at least 1,000 shareholders. Thus, the company is raising capital through three channels, two of which have already been successfully covered:

- 1) Preferred in-kind contribution** of c. EGP65mn from Misr Spinning & Weaving Co., representing a 32.6% stake in GMFC. This is in return for a usufruct right for 20 years to use Ghazl El-Mahalla Stadium and the football training pitches attached to it, the trade name of Ghazl El-Mahalla and all players’ contracts, as well as the advertising and sponsorship contracts estimated at EGP29mn during the 2020/2021 season.
- 2) Private placement tranche of EGP37mn**, which was fully covered, with an EGP15mn contribution of Misr Insurance Holding Co. Meanwhile, Egyptian, Kuwaiti, and Saudi individuals and institutions covered the remainder. We note that the shares of Misr Spinning & Weaving Co. and Misr Insurance Holding Co. (a total of 80mn shares or 40% of GMFC’s total shares post capital increase) are subject to a two-year lockup period from the stock’s first trading date.
- 3) A public offering of EGP98mn**, which is currently underway.

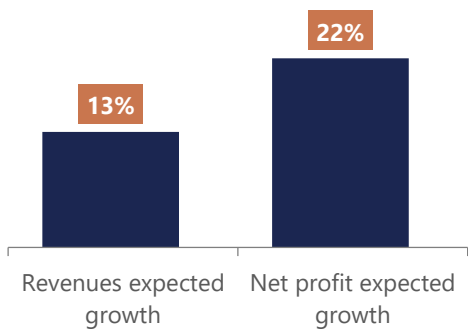


Figure 3: Expected shareholder structure post capital increase



Source: IPO Prospectus.

Figure 4: Expected CAGR through 2023 and 2030



Note: The 2022 figures include GMFC's 19-month financial results (7 months from 2021 and 12 months from 2022).
Source: IPO Prospectus.

Use of IPO proceeds: Part of the EGP135mn IPO cash proceeds will be channeled towards: **(1)** developing the main stadium and the gymnasium, enhancing the stadium's electronic facilities systems (e.g. cameras and lighting systems) and first aid rooms for fans, and raising the efficiency of the green field, **(2)** setting up players' hostels and providing services necessary to accommodate the first-team players, juniors, and buds, **(3)** continuing the 3-year contract with global experts to develop the foundation for a strong football school while raising the training efficiency in the junior and buds segments and discovering new talents in line with GMFC's strategy, and **(4)** developing pitches for juniors and putting up changing rooms.

Corporate strategy: GMFC seeks to generate most of its revenues from the sale of players without buying players at exorbitant prices to boost its squad. To achieve this strategy, GMFC has already contracted Hutnik, a Polish football school, for a three-year term. Hutnik will be responsible for developing the technical and personal skills of juniors and buds players in order to qualify them for local and international transfers. GMFC currently has 180 players, divided into three age brackets:

- (1) The first-team squad (30 players).
- (2) The juniors team (100 players divided into four 25-player age groups of 21, 19, 17, and 15 years or younger).
- (3) The buds team (pre-teen) team (50 players aged between 9 and 13 years).

Expected revenues and earnings: GMFC is expected to generate revenues from **(a)** sponsorship, **(b)** advertising rights, **(c)** sale of tickets and merchandise, and **(d)** the net value of players, which will be the main revenue contributor. GMFC is expected to generate revenues of EGP155mn in 2030 vs. EGP65mn in 2023 (a 7-year CAGR of 13%). Meanwhile, gross profit margin is expected to double to 48% by 2030 from 24% in 2023. Driven by improved revenues and boosted margins, GMFC's net profit is expected to reach EGP67mn in 2030 (a 7-year CAGR of 22 %).

Dividend policy: According to the IPO prospectus, GMFC is mulling dividend distributions starting 2025, with an expected payout ratio of 60% heading to 75% by 2026 through 2030. Hence, GMFC is expected to pay dividend of around EGP26mn in 2025, implying a dividend yield of 13% (based on the expected profits and the IPO price).

Investment thesis: The first football company to be floated on the Egyptian Exchange (EGX). Contracting with the Polish school helps the company meet its strategy and generate revenues from net sales value of players. The potential participation in African championships could lead the team to international competitions and transfers, and boost advertising revenues.

Risks: Being relegated from the EPL. Not selling players in the coming few seasons or selling them at lower-than-expected prices. Weaker or no advertising revenues.



Figure 5: Operational & financial KPIs

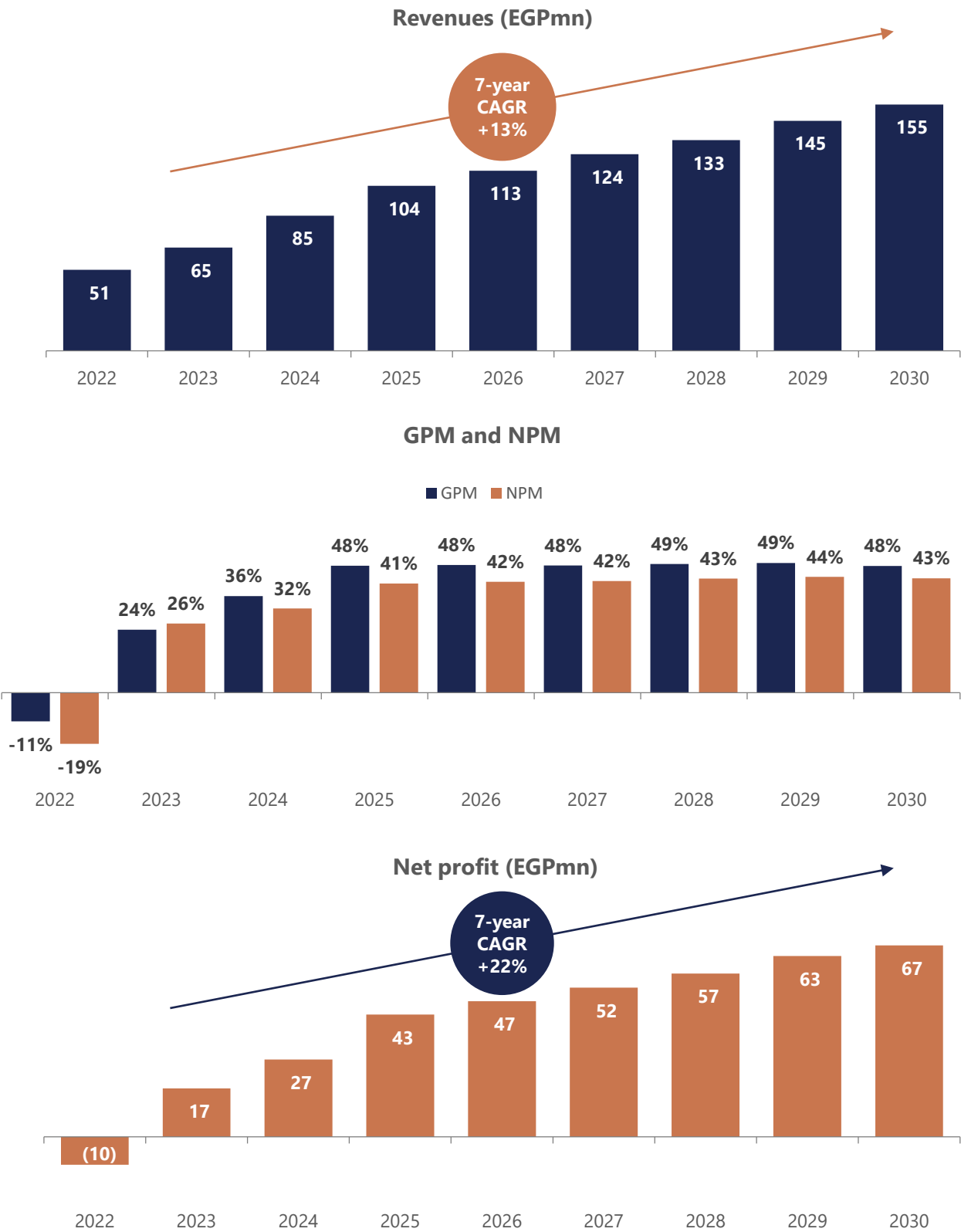
Income statement (EGPmn)	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues	51	65	85	104	113	124	133	145	155
Cost of revenues	(56)	(50)	(54)	(54)	(59)	(64)	(68)	(74)	(81)
Gross profit	(5)	15	31	50	55	59	64	71	74
<i>GPM</i>	<i>(11%)</i>	<i>24%</i>	<i>36%</i>	<i>48%</i>	<i>48%</i>	<i>48%</i>	<i>49%</i>	<i>49%</i>	<i>48%</i>
SG&A	(3)	(2)	(3)	(3)	(3)	(3)	(3)	(4)	(4)
EBITDA	(8)	13	28	47	52	56	61	67	70
Depreciation	(5)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
EBITA	(13)	10	25	44	49	53	58	64	67
Amortization	(5)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
EBIT	(18)	7	22	41	45	50	55	61	64
Interest income	8	10	13	15	16	18	19	21	23
EBT	(10)	17	35	55	62	68	74	82	87
Taxes	0	(0)	(8)	(13)	(14)	(16)	(17)	(19)	(20)
Net Profit	(10)	17	27	43	47	52	57	63	67

Balance sheet (EGPmn)	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash	105	128	162	185	203	222	243	265	288
Net fixed assets	25	22	19	16	13	10	7	4	1
Usufruct rights	60	57	53	50	47	44	40	37	34
Total Assets	190	207	234	251	263	276	290	306	323
Paid-in capital	200	200	200	200	200	200	200	200	200
Reserves	0	0	0	2	5	7	10	13	16
Retained earnings	0	(10)	7	6	11	17	23	30	40
Net income of the year	(10)	17	27	43	47	52	57	63	67
Total Equity	190	207	234	251	263	276	290	306	323

Note: The 2022 figures include GMFC's 19-month financial results (7 months from 2021 and 12 months from 2022).
Source: IPO Prospectus.



Figure 6: GMFC in charts



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Source: IPO Prospectus.

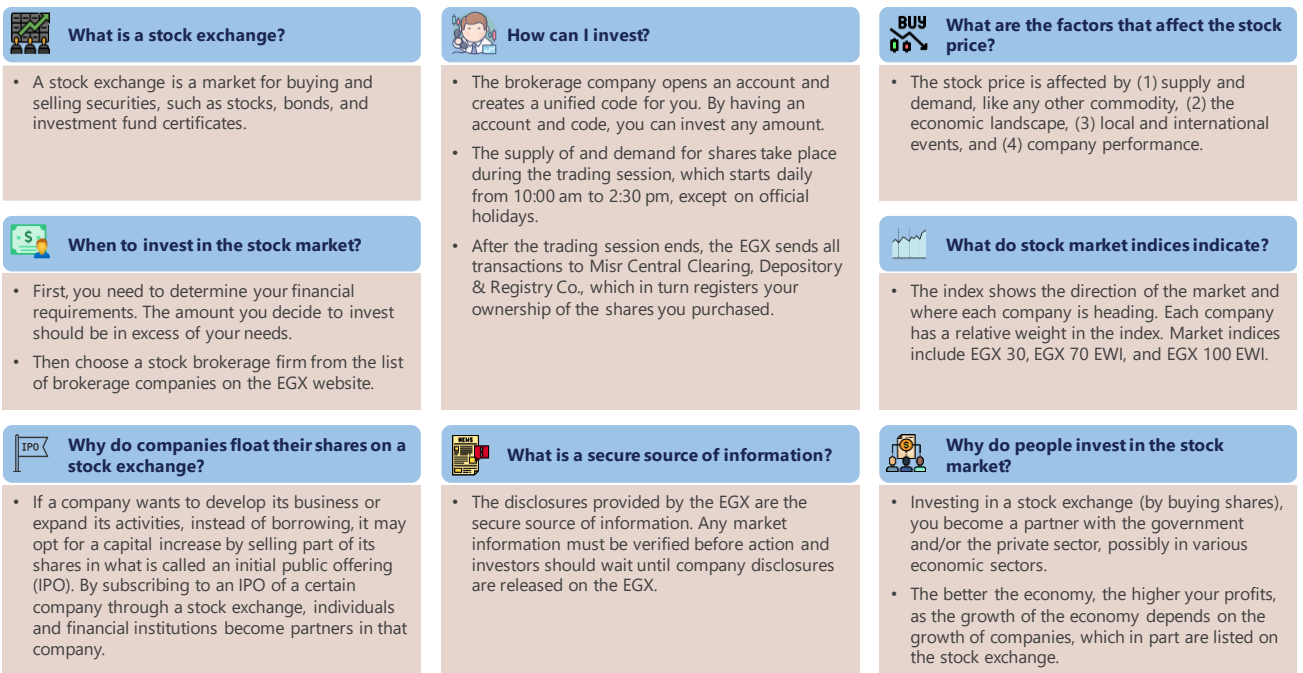


Figure 7: GMFC’s Teams



Source: Company reports, Prime Research.

Figure 8: Frequently asked questions on investing in the Egyptian Exchange (EGX)



Source: The Egyptian Exchange, Prime Research.

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