

Market Price

EGP4.84

as close of 23 Aug 2022

Fair Value

EGP7.3

set on 24 Aug 2022

12MPT

EGP8.7 (+79%)

set on 24 Aug 2022

Investment Rating

Overweight

★

★

★

Risk Rating

Medium

!

!

!

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Putting Bread on the Table

A diversification story underway; initiate at OW/M

KEY INSIGHTS

A cheese producer looking for diversification:

Arabian Food Industries (Domty) [DOMT] is one of the two biggest cheese producers, with a market share above 40%. However, the hopes to acquire a larger market share opened the door to dive in into the juice and milk as well as the bakery markets. DOMT tapped the bakery market in Q3 2018 then managed to almost double its utilization rate to 72% in 2021. However, we expect utilization rate to settle at 58% by 2026 in view of additional capacity coming on line. By end of 2026, we believe DOMT's revenue mix will stabilize at 64% cheese, 27% bakery, and 9% juice and milk.

More control over its channel marketing: In 2021, DOMT decided to phase out its cheese distribution agents, which was a positive move. Indeed, its cash conversion cycle (CCC) has been on a declining trend over the past three years (2019-21). This helped DOMT gain more control over its channels. In Q1 2022, DOMT reported the highest revenue growth since 2017, generating revenues of EGP1.1bn (+73% y/y).

Founder-led offer could be long-term positive catalyst:

An offer to acquire a 34% stake in DOMT at EGP5/share by Expedition Investments (partly owned by DOMT's founder) was launched on 18 August and will run through 14 September. The offer was initially priced at a 25% premium to the market before the stock rallied but is a potential positive in the long term.

VALUATION, INVESTMENT THESIS, & RISKS

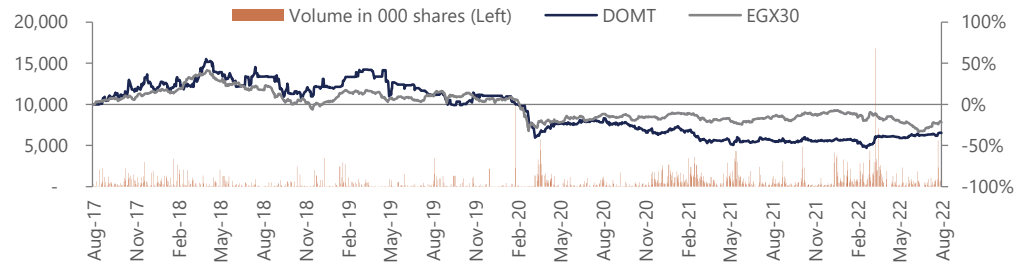
Overweight / Medium Risk, 12MPT EGP8.7/share (+79%):

We valued DOMT using the discounted cash flow approach which produced a fair value of EGP7.3/share and a 12MPT of EGP8.7/share, offering an upside potential of 79% and hence our Overweight rating. DOMT had been affected in H1 2021 by the phasing out of its cheese distribution agents, before it started to slightly recover in H2 2021. Meanwhile, we expect DOMT's earnings to grow at a 5y CAGR (2021-26) of 16%.

Investment thesis: Solid cheese market share, with plans to have their own distribution channels. A diversified revenue stream with bakery, its newest venture, coming in second in terms of revenue contribution. A consistent dividend payer that is expected to maintain its payout for the last three years.

Key risks: Competition from new entrants offering lower-priced products. Worldwide increases in SMP prices besides all raw materials in general. Any EGP devaluation would lead to a higher SMP cost and potentially lower margins. All three risks together may force DOMT to hike its selling prices, which may impact volumes negatively. If Expedition Investments' offer is successful, DOMT's free float may decline to only 10%, which can reduce the stock's trading liquidity.

STOCK RELATIVE PERFORMANCE CHART (5y)



KEY STOCK STATISTICS

Shares outstanding (mn)	283
Free float	43.4%
Market cap (EGPmn)	1,368
Market cap (USDmn)	71
52w range (EGP/share)	3.40-4.88
EGP100 invested 5y ago	EGP65
EPS (TTM / 2022e) (EGP)	0.76 / 0.75
P/E (TTM / 2022e)	6.3x / 6.4x
P/BV (TTM / 2022e)	1.4x / 1.3x
Last fiscal year's DPS (EGP)	0.20
Dividend yield	5.0%
5y historical beta	0.83
5y Proj. EPS CAGR (2021-26)	16%

Source: Prime Research., Bloomberg.

REVENUES / EARNINGS DATA

	Q1	Q2	Q3	Q4	Year
Total Revenues (EGPmn)					
2022	1,122	1,152	e1,245	e1,042	e4,561
2021	647	670	956	1,087	3,361
2020	745	711	724	816	2,995
2019	655	647	720	647	2,669
2018	592	693	691	613	2,590
2017	471	487	680	614	2,254
Earnings (EGPmn)					
2022	50	61	e58	e43	e213
2021	(3)	(29)	52	53	72
2020	32	32	41	53	158
2019	29	38	51	39	156
2018	40	58	35	22	155
2017	(6)	12	22	33	62



BUSINESS SUMMARY

The road to diversification from day one:

DOMT was established in 1984 as a food and beverage company, making its debut as a cheese producer. Today, DOMT is one of the two biggest cheese producers in Egypt, with a market share exceeding 40% in an estimated EGP6bn market, whereas its main competitor Obour Land Food Industries [OLFI] has a market share of c.40%. DOMT's management started to diversify its top-line for the first time in 2013 with the introduction of juice, followed by milk, and more recently bakery that was added in 2018. DOMT has long been ahead in the road to diversification vis-à-vis OLFI. Indeed, back in 2017 when DOMT had already two segments, OLFI was just introducing juice and milk to its product mix.

Dealing with challenges: Over the past few years, DOMT had to deal with three key challenges, two of which were external and one internal, as highlighted below:

(1) Surviving COVID-19 while implementing a new marketing strategy: Food and beverage was one of the affected sectors during the worldwide pandemic. However, DOMT managed to maintain its performance in 2020. Despite the impact of COVID-19, DOMT's net profits grew by 1.2% y/y in 2020 on higher revenues of EGP2.9bn (+12% y/y) which was due to the increase in overall sales volume, specially in the bakery segment.

(2) Impacted by the Russia-Ukraine war: The Russia-Ukraine war left the dairy sector hit from multiple angles as both countries combined control c.13% from a total corn market of USD51.4bn. Thus, the dairy sector suffered from (1) higher fodder prices, affecting the farming process, (2) a decrease in corn supply, reducing food for cows, (3) higher vegetable oil prices, and (4) higher skim milk powder (SMP) prices. This in turn exerted pressure on the cost of DOMT's products and hence leading to higher selling prices.

(3) Phasing out cheese distribution agents: Historically, DOMT relied on distribution agents to reach rural areas and smaller shops. However, the cheese agents used to hold inventory worth one-month of sales ahead, which was priced lower. On one hand, this extended DOMT's cash conversion cycle by a month. On the other hand, this prevented DOMT from increasing selling prices immediately, which affected the cheese segment's profitability. In 2019, DOMT's management decided to undergo a structural change by gradually phasing out its cheese distribution agents. The phasing out was completed in H1 2021. Now, DOMT is distributing cheese through direct retail and wholesalers via their fleet.

More recently, however, the Egyptian government increased fuel prices, which could further pressure DOMT's margins in view of higher transportation costs.

From loose cheese to packaged cheese: In 2007, the cheese market in Egypt was dominated by loose cheese, capturing a 72% share. Since then, the share of loose cheese has been declining, reaching 25% by 2015 then 15% by 2020.

Diversifying without sacrificing its cheese market share: In 2021, cheese revenues captured 69% of DOMT's total revenues compared to 93% of OLFI's. This is a direct result of DOMT's revenue diversification strategy. Meanwhile, OLFI's cheese GPM is slightly higher at 22% (+0.9pp) versus only 21% for DOMT.

Lower contribution from juice and milk segment: While the packaged milk market is still growing, the juice market is fragmented. Thus, DOMT launched the bakery segment, which led to a gradual decline in the juice and milk segment contribution to total revenues starting in 2019, reaching 9.8% by 2021 compared to 7.4% for OLFI.

Bakery — a promising venture: DOMT penetrated the bakery market in 2018, with its famous *Domty* sandwich, competing with Edita Food Industries [EFID]. We note that bakery products are distributed directly to retailers,

thus ensuring their freshness. The bakery segment has so far been a success, becoming DOMT's second largest segment in terms of revenue contribution, reaching EGP727mn (22% of 2021 revenues). This compares to EFID's bakery segment revenues of EGP1.9bn (37% of 2021 revenues). DOMT's management is eyeing further expansion in this segment. Indeed, DOMT has invested in two production lines in H2 2021 worth EGP110mn that are expected to be delivered in November or December 2022 due to supply chain issues.

Founder-led offer to acquire 34% of DOMT: In April 2022, Expedition Investments revealed its intention to offer EGP5/share in cash to acquire up to 34% of DOMT, which when combined with related parties' ownership would amount to 90% of DOMT's shares. El Damaty family is one of Expedition Investments' minority owners. Today, El Damaty family and its related parties own a 41% combined stake in DOMT, which means they are targeting a controlling stake through this acquisition. On 18 August, the offer was launched post FRA approval and will run through 14 September. Today, there is only 3% upside to the offer price which may be considered a floor for new DOMT shareholders, a potential long-term positive that may offset short-term illiquidity risk if the free float falls to 10%.

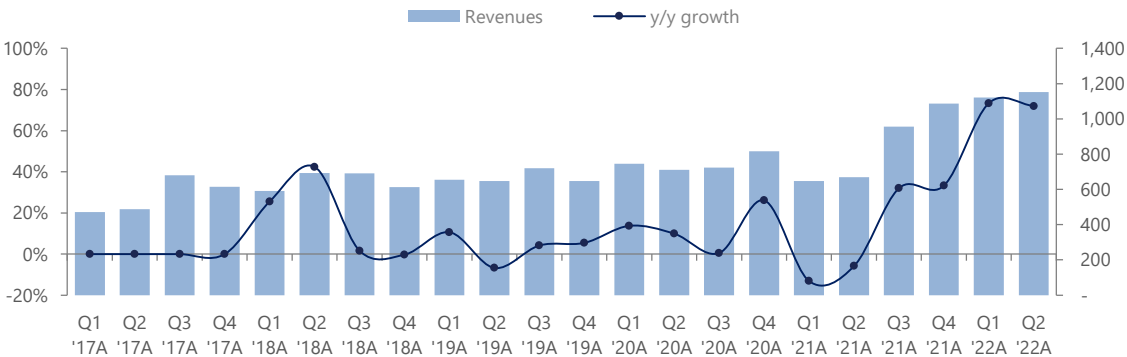


BUSINESS SUMMARY (CONT'D)

Over 2017-21, earnings fluctuated on cost volatility despite growing revenues: DOMT's revenues have grown at a 4y CAGR of 11% through 2021. However, net profits grew at a 4y CAGR of only 4.2%, as significantly higher costs hit the bottom line in 2017 and 2021. Also, DOMT's interest expense grew by 41% y/y in 2017 on higher interest rates. However, net profits grew by 151% y/y in 2018, up from 2017's low base, on better revenues and improved costs. Meanwhile, DOMT's net profits remained nearly flat for three years from 2018 to 2020 within the EGP155-158mn range. However, DOMT's net profits more than halved to EGP72mn in 2021 on higher distribution costs after phasing out its cheese distribution agents.

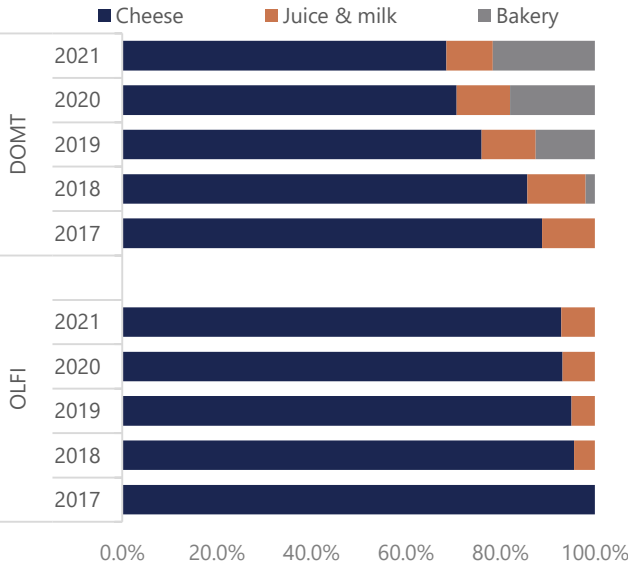
All-time revenue highs in the past four consecutive quarters: After phasing out its cheese distribution agents in H1 2021, DOMT recorded 10% y/y lower revenues. However, in H2 2021, DOMT managed to get back on track, with revenues growing by 33% y/y. Since Q3 2021, DOMT has reported four consecutive quarters with all-time revenue highs on the back of improved sales volumes and higher selling prices. Indeed, DOMT recorded revenues of EGP956mn in Q3 2021 (+32% y/y) before hitting the EGP1.0bn mark in Q4 2021 (+33% y/y) then EGP1.1bn in Q1 2022 (+73% y/y) and finally EGP1.2bn in Q2 2022 (+72% y/y).

Figure 1: DOMT's quarterly revenues (EGPmn vs. y/y growth)



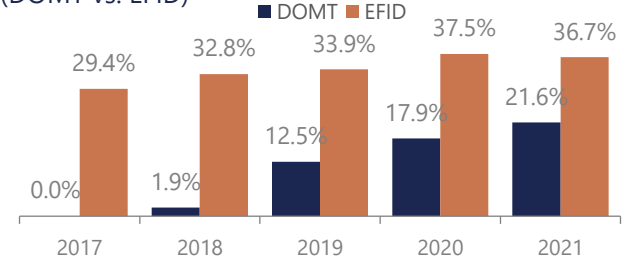
Source: Company reports.

Figure 2: Revenue mix (last 5y)
(DOMT vs. OLFI)



Source: Company reports.

Figure 3: Contribution of bakery to total revenues
(last 5Y)
(DOMT vs. EFID)



Source: Company reports.

Figure 4: DOMT's significant milestones

Year	Milestone
1984	• DOMT was established.
2007	• Partnership with Tetra Pak.
2013	• Introduced the juice segment.
2014	• Partnership with Magdi Yacoub Foundation (provide the hospital with lower-priced Domty products).
2016	• Trading on DOMT's stock started on the EGX. • Partnership with Al Ahly SC (as a sponsor).
2018	• Introduced the bakery segment.
2019	• Started to phase out its cheese distribution agents.
2021	• All cheese distribution agents phased out.
2022	• An acquisition offer by Expedition Investments launched at EGP5/share.

Source: Company reports, Prime Research.



KEY ASSUMPTIONS

White Cheese		2019a	2020a	2021a	2022e	2023e	2024e	2025e	2026e
Volumes sold	000 tons	91	96	94	110	106	103	99	96
y/y growth		-12.8%	6.2%	-2.8%	16.9%	-3.1%	-3.2%	-3.3%	-3.4%
Effective price	EGP/kg	22.4	22.0	24.6	31.0	31.6	32.3	32.9	33.6
y/y growth		4.8%	-1.7%	11.9%	26.0%	2.0%	2.0%	2.0%	2.0%
Revenues	EGPmn	2,029	2,118	2,305	3,397	3,358	3,315	3,270	3,221
y/y growth		-8.6%	4.4%	8.8%	47.4%	-1.2%	-1.3%	-1.4%	-1.5%

SMP Cost Breakdown		2019a	2020a	2021a	2022e	2023e	2024e	2025e	2026e
Global SMP average price	USD/ton	2,418	2,539	2,979	3,998	3,723	3,449	3,174	2,900
DOMT's SMP total cost	USDmn	38	39	47	74	67	60	53	47
y/y growth		25.5%	3.1%	20.4%	56.9%	-9.8%	-10.3%	-11.0%	-11.8%
DOMT's SMP total cost	EGPmn	678	627	740	1,374	1,255	1,139	1,048	957
y/y growth		25.7%	-7.6%	18.0%	85.7%	-8.6%	-9.2%	-8.0%	-8.7%
DOMT's SMP cost	EGP/kg	7.5	6.5	7.9	12.5	11.8	11.1	10.6	10.0

Source: Company reports, Prime Research.

Comments

White cheese, the largest contributor to total revenues (c.69% in 2021), saw its revenues grow at a 4y CAGR (2017-21) of 3.6%. We expect revenues to grow at a 5y CAGR (2021-26) of 6.9% to EGP3.2bn by 2026, driven by:

- **Sales volumes** were affected after the phasing out of cheese agents in 2019. Recently, higher raw material prices pressured smaller cheese producers, leaving room for DOMT to increase its sales volume in Q1 and Q2 2022. However, as cheese utilization rates normalize through 2026, we forecast cheese sales volume to grow at a 5y CAGR (2021-26) of 0.5%.
- **Factory prices** are expected to grow at a 5y CAGR (2021-26) of 6.4% to average EGP34/kg in 2026, with the greatest hike expected in 2022 due to global inflation and higher raw materials prices worldwide.

SMP: In line with higher global commodity prices, SMP prices increased in 2021 by 17% y/y to USD2,979/ton due to COVID-19. Although SMP prices were highly increased after the Russia-Ukraine war broke out, it started to slow down again at the beginning of August, to USD3,680/ton (-3.8% ytd). Higher prices of SMP, a core raw material in cheese manufacturing, impacted the cheese industry negatively. However, we expect DOMT to overcome the increased costs by its increased sales volumes and higher selling prices.

- **Prices** are expected to rise by 34% y/y to around USD4,000/ton by end of 2022. Thus, we expect DOMT's total SMP cost to reach USD74mn in 2022 (+57% y/y).



KEY ASSUMPTIONS (CONT.'D)

Bakery		2019a	2020a	2021a	2022e	2023e	2024e	2025e	2026e
Volumes sold	mn pack	103	170	206	171	213	245	262	262
y/y growth		390.5%	65.0%	21.2%	-17.0%	24.3%	15.4%	6.7%	0.0%
Effective price	EGP/pack	3.2	3.2	3.5	4.5	5.0	5.1	5.2	5.3
y/y growth		35.3%	-2.7%	11.7%	28.0%	10.0%	2.0%	2.0%	2.0%
Revenues	EGPmn	334	537	727	772	1,056	1,243	1,353	1,380
y/y growth		563.8%	60.6%	35.4%	6.2%	36.7%	17.7%	8.8%	2.0%

Juice & Milk		2019a	2020a	2021a	2022e	2023e	2024e	2025e	2026e
Volumes sold	mn liters	35	41	40	37	38	39	40	41
y/y growth		-7.4%	17.2%	-3.4%	-7.3%	2.7%	2.6%	2.6%	2.5%
Effective price	EGP/liter	8.7	8.3	8.3	10.7	10.9	11.1	11.3	11.6
y/y growth		3.2%	-4.9%	-0.1%	28.7%	2.0%	2.0%	2.0%	2.0%
Revenues	EGPmn	306	341	329	392	411	430	450	470
y/y growth		-4.4%	11.4%	-3.5%	19.2%	4.8%	4.7%	4.6%	4.5%

Revenue Mix		2019a	2020a	2021a	2022e	2023e	2024e	2025e	2026e
White Cheese	EGPmn	2,029	2,118	2,305	3,397	3,358	3,315	3,270	3,221
Bakery	EGPmn	334	537	727	772	1,056	1,243	1,353	1,380
Juice & milk	EGPmn	306	341	329	392	411	430	450	470
Total Revenues	EGPmn	2,669	2,995	3,361	4,561	4,824	4,988	5,072	5,071
y/y growth		3.0%	12.2%	12.2%	35.7%	5.8%	3.4%	1.7%	0.0%

Comments

Bakery, the newest segment and the second largest contributor to total revenues, saw its revenues grow significantly since its launch in Q3 2018 at a 3y CAGR (2018-21) 31%. We expect revenues to grow at a 5y CAGR (2021-26) of 14% to EGP1.4bn in 2026, driven by:

- **Sales volumes** are expected to grow starting in 2023 through 2026. Recently, DOMT invested in two new lines for bakery and croissant which are expected to be received in Q4 2022. Thus, we forecast volumes to grow at a 5y CAGR (2021-26) of 4.9%.

- **Factory prices** are expected to grow at a 5y CAGR (2021-26) of 8.4% to an average of EGP5.3/pack in 2026.

Juice & Milk: We expect juice & milk's contribution to revenues to slightly decrease from 9.8% in 2021 to 9.3% by 2026, driven by:

- **Volumes** growing at a 5y CAGR (2021-26) of only 0.5% compared to 4y CAGR (2017-21) of 1.2%.

- **Factory prices** growing at a 5y CAGR (2021-26) of 6.9% compared to 4y CAGR (2017-21) of 5.6%.

Revenue mix: We forecast DOMT's revenue mix to reflect its new venture in bakery segment. Without sacrificing its position in the cheese market, we expect DOMT's bakery segment to contribute by 27% to revenues by 2026.



KEY VALUATION INPUT

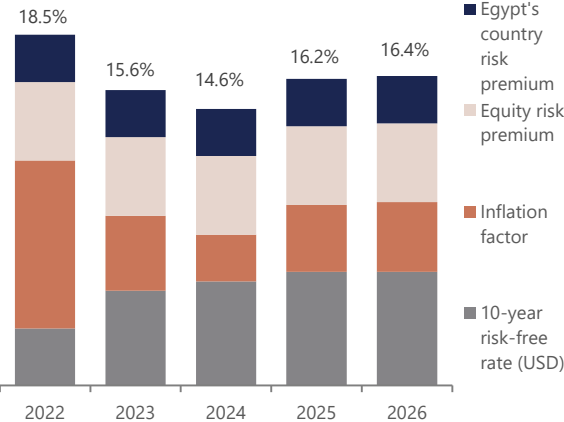
Terminal COE

16.4%.

Terminal growth rate

5.0%.

Cost of equity structure (next 5y)



RETURN/RISK MATRIX



Source: Bloomberg, Prime Research.

VALUATION MODEL

EGPmn	H2 2022	2023	2024	2025	2026	Terminal
EBIT	196	410	492	521	534	
Taxes on EBIT	(44)	(92)	(111)	(117)	(120)	
Board & employees allocation	-	(21)	(20)	(29)	(32)	
NOPAT	152	297	361	375	382	401
D&A	37	107	109	121	131	
Change in WC	70	(52)	(22)	(2)	19	
Capex	(125)	(94)	(75)	(76)	(76)	
Net investments	(18)	(39)	12	43	75	(159)
Free cash flow to the firm (FCFF)	134	257	373	418	456	242
Discount factor	0.95	0.84	0.74	0.66	0.59	
Present Value of FCFF	127	215	278	276	268	1,863
DCF Enterprise Value	3,028					
Net (debt)/cash	(968)					
Other investments	5					
Minorities	(0)					
Equity value	2,064					
Number of outstanding shares	282.6					
FV (EGP/share)	7.3					
Market price	4.84					
12MPT (EGP/share)	8.7					
Upside/(downside)	79%					

Reinvestment rate	40%
ROIC	13%
TGR	5%

PEERS ANALYSIS (AS OF 23-AUG-2022)

Peer Group Comparable (TTM)	Ticker	Mkt Cap (USDmn)	ROE	ROA	P/E	P/BV	Revenues (USDmn)	Net Income (USDmn)
Local Peers' Average		224	22.2%	19.2%	5.2x	2.3x	349	25
Obour Land Food Industries	OLFI	106	21.0%	43.8%	5.2x	2.3x	183	20
Juhayna Food Industries	JUFO	360	17.3%	10.0%	12.7x	2.1x	561	34
Edita Food Industries	EFID	365	36.8%	17.0%	9.7x	3.2x	335	34
Cairo Poultry	POUL	66	13.9%	6.1%	6.9x	0.9x	318	12
Regional Peers' Average		5,433	12.9%	7.2%	29.8x	3.8x	1,699	165
Almarai	ALMARAI	14,273	10.5%	5.0%	32.1x	3.4x	4,226	417
Halwani Brothers	HB	677	9.9%	4.7%	50.1x	5.2x	291	22
Saudia Dairy & Foodstuff	SADAFCO	1,653	13.5%	9.2%	27.3x	4.0x	579	55
Peers' Median		365	13.9%	9.2%	29.7x	3.7x	335	34
DOMT		72	22.3%	7.3%	6.3x	1.4x	225	11

12MPT SENSITIVITY ANALYSIS

		Terminal growth				
		3.0%	4.0%	5.0%	6.0%	7.0%
Terminal WACC	10.6%	10.0	10.0	10.1	10.2	10.3
	11.6%	9.2	9.2	9.3	9.4	9.5
	12.6%	8.5	8.6	8.7	8.7	8.8
	13.6%	7.9	8.0	8.1	8.2	8.2
	14.6%	7.5	7.5	7.6	7.7	7.7

		Terminal SMP Price (USD/ton)				
		2,700	2,800	2,900	3,000	3,100
Terminal FX	18.4	13.0	12.4	11.7	11.1	10.5
	19.4	11.5	10.9	10.2	9.5	8.9
	20.4	10.0	9.3	8.7	8.0	7.3
	21.4	8.6	7.8	7.1	6.4	5.7
	22.4	7.1	6.3	5.6	4.8	4.1



FINANCIAL MODEL

Financials (ends 31 Dec, EGPmn)	2019a	2020a	2021a	2022e	2023e	2024e	2025e	2026e
Income Statement								
Total revenue (Net)	2,669	2,995	3,361	4,561	4,824	4,988	5,072	5,071
COGS	(1,984)	(2,259)	(2,607)	(3,432)	(3,638)	(3,693)	(3,735)	(3,721)
GP	684	736	753	1,129	1,186	1,295	1,337	1,350
SG&A	(420)	(483)	(607)	(753)	(793)	(824)	(836)	(834)
Other operating (exp.)/ Inc.	24	30	37	48	54	56	57	57
EBITDA	334	336	249	489	529	614	655	678
Depreciation & amortization	(59)	(68)	(86)	(84)	(107)	(109)	(121)	(131)
Health insurance and provisions	(7)	(8)	(9)	(14)	(12)	(12)	(13)	(13)
EBIT	268	261	154	391	410	492	521	534
Finance (expense)/income	(63)	(55)	(60)	(111)	(149)	(120)	(109)	(109)
Profit before taxes	205	206	94	280	261	373	412	425
Taxes	(49)	(49)	(22)	(67)	(59)	(84)	(93)	(96)
Net profit	156	158	72	213	202	289	319	329

Balance Sheet								
Current Assets								
Cash & Cash Equivalents	64	104	164	199	165	251	335	421
Accounts receivables	569	667	637	865	903	922	925	913
Inventory	299	287	514	677	711	715	716	707
Other Current Assets	281	456	458	524	539	548	552	552
Total Current Assets	1,213	1,515	1,773	2,265	2,318	2,436	2,529	2,593
Property, plant, & equipment (net)	547	543	682	944	1,097	1,217	1,327	1,426
Other Non-Current Assets	177	206	106	53	53	53	53	53
Total Assets	1,938	2,264	2,561	3,262	3,468	3,706	3,909	4,072
Liabilities & Equity								
CPLT	16	31	31	28	30	32	34	35
Credit facilities	596	747	1,009	1,367	1,425	1,451	1,453	1,431
Trade & notes Payable	222	307	363	478	506	514	520	518
Other Current Liabilities	129	125	119	146	152	154	155	155
Total Current Liabilities	963	1,210	1,523	2,018	2,114	2,150	2,162	2,138
Long-Term Debt	112	117	93	85	91	97	101	105
Other Non-Current Liabilities	54	49	87	87	87	87	87	87
Total Liabilities	1,130	1,376	1,702	2,190	2,292	2,334	2,349	2,330
Minority Interest	0	0	0	0	0	0	0	0
Total Equity	808	888	859	1,071	1,176	1,372	1,560	1,743
Total Liabilities & Equity	1,938	2,264	2,561	3,262	3,468	3,706	3,909	4,072

Cash Flow Statement								
Cash from Operating	246	203	(18)	(29)	246	375	438	480
Cash from Investing	(132)	(252)	(69)	(283)	(249)	(229)	(230)	(230)
Cash from Financing	(81)	89	147	347	(31)	(60)	(124)	(164)
Net Change in Cash	33	40	59	35	(34)	86	84	86

Ratios & Multiples	2019a	2020a	2021a	2022e	2023e	2024e	2025e	2026e
Per-Share Data (EGP)								
Market Price (EGP)	9.94	5.89	4.11	4.84	4.84	4.84	4.84	4.84
# Shares (WA,in mn)	282.6	282.6	282.6	282.6	282.6	282.6	282.6	282.6
EPS	0.55	0.56	0.26	0.75	0.72	1.02	1.13	1.17
Payout ratio	36.2%	35.8%	0.0%	35.8%	35.8%	35.8%	35.8%	35.8%
DPS	0.20	0.20	0.00	0.27	0.26	0.37	0.40	0.42
BVPS	2.86	3.14	3.04	3.79	4.16	4.86	5.52	6.17

Valuation Indicators								
P/E (x), based on end of FY market price	18.0x	10.5x	16.0x	6.4x	6.8x	4.7x	4.3x	4.2x
P/E (x), based on our 12M PT				11.5x	12.1x	8.5x	7.7x	7.4x
DY, actual based on BoP price, est. on current		2.0%	0.0%	6.5%	5.3%	7.6%	8.4%	8.6%
P/BV (x)	3.5x	1.9x	1.4x	1.3x	1.2x	1.0x	0.9x	0.8x
EV/IC (x)	2.4x	1.5x	1.2x	1.1x	1.1x	1.0x	0.9x	0.9x
EV/Sales (x)	0.5x	0.5x	0.5x	0.5x	0.5x	0.5x	0.5x	0.5x
EV/EBIT (x)	11.8x	7.7x	10.4x	5.7x	5.7x	4.7x	4.3x	4.0x
EV/EBITDA (x)	9.8x	6.2x	7.1x	4.8x	4.6x	3.9x	3.5x	3.3x

Growth Ratios & Profitability								
Revenue Growth	3%	12%	12%	36%	6%	3%	2%	(0%)
EBIT Growth	-10%	-1%	-35%	134%	5%	18%	6%	3%
EPS Growth	1%	1%	-54%	194%	(5%)	43%	11%	3%
Asset growth	3.5%	16.8%	13.1%	27.4%	6.3%	6.9%	5.5%	4.2%
GPM	26%	25%	22%	25%	25%	26%	26%	27%
EBIT Margin	10%	9%	5%	9%	9%	10%	10%	11%
Net Margin	6%	5%	2%	5%	4%	6%	6%	6%
Asset turnover ratio	1.4x	1.3x	1.3x	1.4x	1.4x	1.3x	1.3x	1.2x
ROIC	5%	4%	2%	5%	4%	5%	5%	5%
ROAE	20%	19%	8%	22%	18%	23%	22%	20%
ROAA	8%	8%	3%	7%	6%	8%	8%	8%

Liquidity & Solvency Multiples								
Net Debt (Cash)	590	525	748	1,060	1,160	1,106	1,031	928
Net Debt (Cash) /Equity	73%	59%	87%	99%	99%	81%	66%	53%
Net debt (Cash) to EBIT	2.2x	2.0x	4.9x	2.7x	2.8x	2.2x	2.0x	1.7x
Debt to Assets	0.38x	0.40x	0.46x	0.47x	0.46x	0.44x	0.42x	0.40x
Current ratio	1.3x	1.3x	1.2x	1.1x	1.1x	1.1x	1.2x	1.2x

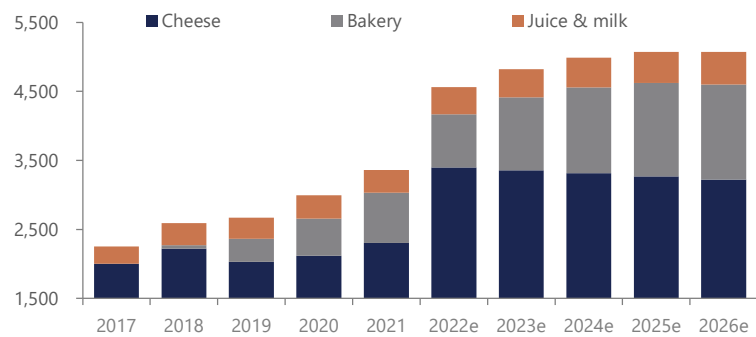
Consensus Estimates								
Revenues				4,229	4,700	5,243	5,657	
Prime Research vs. Consensus				7.9%	2.6%	-4.9%	-10.3%	
Net Income				169	221	280	382	
Prime Research vs. Consensus				25.8%	-8.5%	3.1%	-16.4%	

Source: Company data, Prime Research estimates.

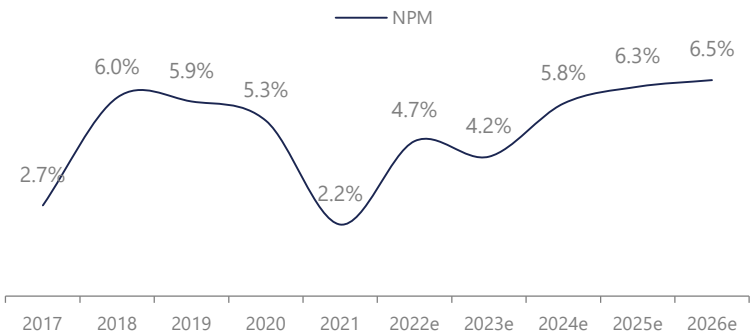


STORY IN CHARTS

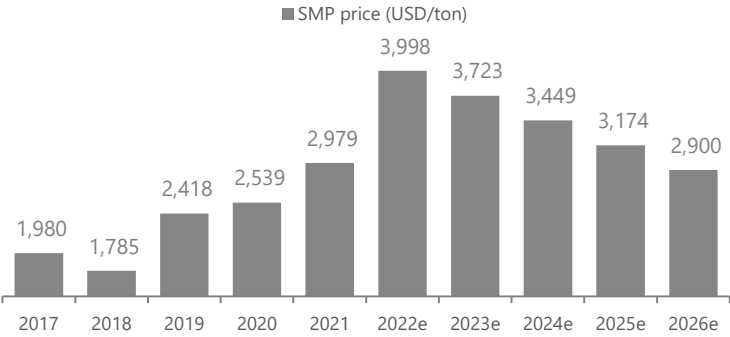
Revenues (EGPmn): Total revenues are expected to grow at a 5y CAGR (2021-26) of 8.6%. Bakery contribution to total revenues are expected to grow while juice and milk is expected to decrease.



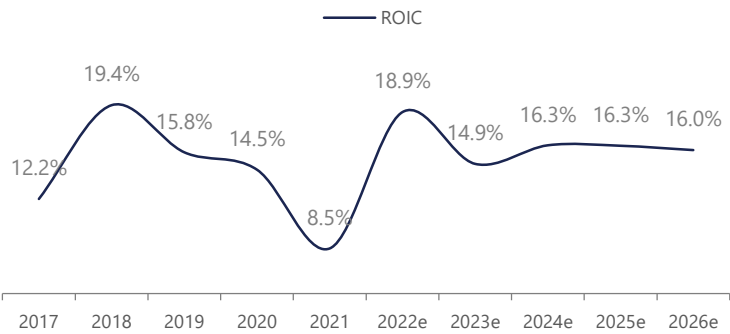
Net Profit Margin: DOMT's NPM is expected to reach 4.7% in 2022 and we expect NPM to settle at 6.5% in 2026.



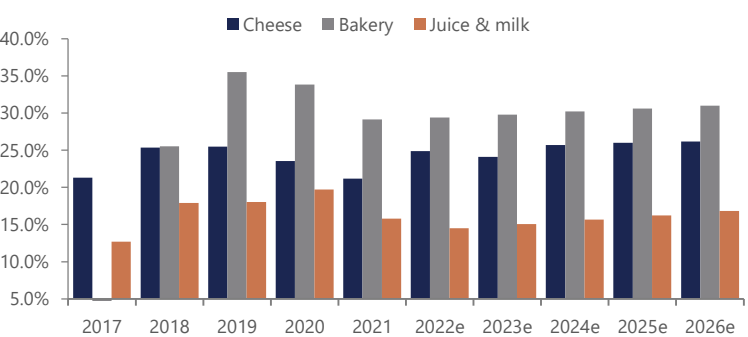
Skim Milk Powder: We forecast prices to increase in 2022 reaching USD4,000/ton, due to higher global commodity prices.



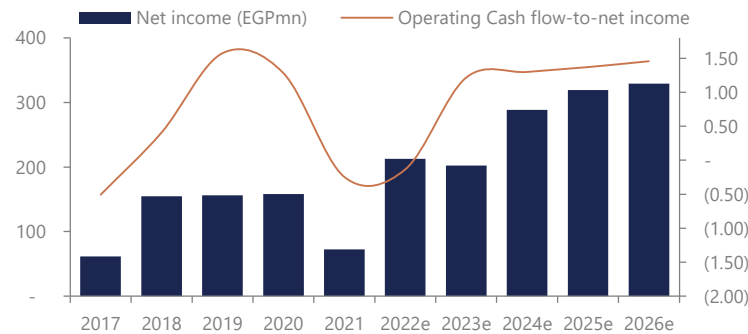
Return on Investment Capital (ROIC): ROIC is expected to reach 16% by 2026, normalizing from 2022 levels.



Gross Profit Margin: Cheese GPM is expected to reach 26% in 2026. Meanwhile, bakery GPM is expected to grow to 31%, whereas juice & milk will reach 17%.



Net operating cash flow-to-net income ratio: We forecast DOMT's operating cash flow-to-sales ratio to reach 1.46 by 2026.



Source: Company reports, Prime Research.



CORPORATE PROFILE

Established in March 1984, Arabian Food Industries (Domty) [DOMT] has been listed on the Egyptian Exchange (EGX) since December 2015. DOMT operates within the food and beverage sector, focusing on packaged foods.

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Website

www.domty.org

Chairperson

Mr. Omar Mohamed El Damaty.

CEO

Mr. Mohamed Omar El Damaty.

Board Members

1. Mr. Omar Mohamed El Damaty.
2. Mr. Mohamed Omar El Damaty.
3. Mr. Mohamed Abdelbaqy Abdulrahman.
4. Mr. Munir Amin Fakhry Abdel-Noor.
5. Mr. Yahya Mohamed Awad Binladin.
6. Mr. Hani Salah Mohamed Sarieldin.
7. Mrs. Zeinab Mohamed Abdulhamid Shaheen.

Auditors

Nabil and Samaha & Co.
Allied for Accounting & Auditing.

Domicile

Giza, Egypt.

Founded

1984.

Number of Stockholders

1,983.

Listing

EGX: DOMT.

SHAREHOLDER STRUCTURE

Shareholders	Stake
Yahya Mohamed Awad Binladin	15.7%
Trevi Holding	11.5%
Omar Mohamed El Damaty	9.2%
Zeinab Mohamed Abdulhamid Shaheen	7.2%
NAS5 Russell Investment Company PLC	6.7%
Others	49.7%

PRIME RESEARCH COVERAGE HISTORY

Date	Rating	12M PT
24-Aug-2022	Overweight Medium Risk	EGP8.7

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