

Price
EGP13.02
as close of 17 Nov. 2022

Fair Value
EGP14.4
set on 20 Nov. 2022

12MPT
EGP16.9 (+30%)
set on 20 Nov. 2022

Investment Rating
Risk Rating

Overweight ★ ★ ★
Medium ! ! !

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Gateway of the North

A simple, yet effective business model; initiate at OW/M

KEY INSIGHTS

A play on Egypt’s trade recovery: Alexandria Containers & Cargo Handling Co. [ALCN] is one of the five captains of Egypt’s sea terminal companies operating on the north shore. ALCN operates in Egypt’s largest gateway ports, Alexandria and El-Dekheila terminals, with a combined market share of 50.5% of total handled cargo in both ports. Strategically located within the European and American sea trade with easy road access to the Delta region and Cairo, ALCN is a play on the recovery of Egypt’s trade which we expect to grow by a 5y CAGR of 8.5%.

Strong financial position: ALCN enjoys some key strength points: (1) It operates as a free zone company, with no tax burden on its earnings. (2) Its revenues are linked to USD, while costs are mostly denominated in EGP. (3) It has exposure to a high-margin business with a five-year average gross profit margin (GPM) of 68%. (4) A stable dividend payer with a high dividend yield.

GCC sovereign funds getting a big chunk: UAE-based **ADQ Holding** and KSA-based **Public Investment Fund (PIF)** have acquired 32% and 20% stakes in ALCN, respectively. This reduced **Alexandria Port Authority’s** stake in ALCN to c.36%. Valuing ALCN at EGP12.3bn on average, the sale of these stakes has been a catalyst for ALCN’s stock performance which increased 47% in the last six months.

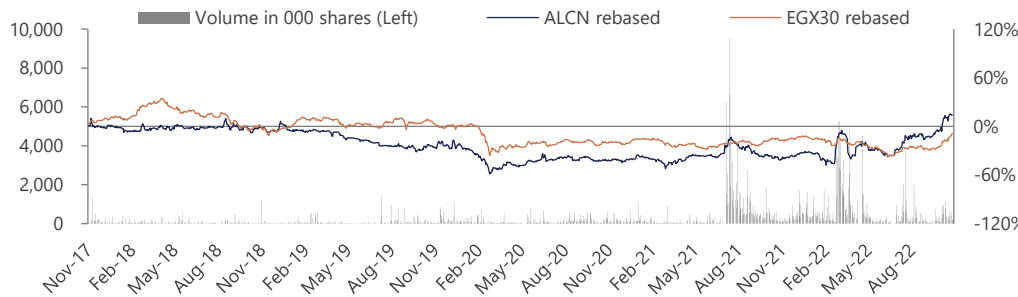
VALUATION, INVESTMENT THESIS, & RISKS

Overweight/Medium Risk, 12MPT EGP16.9/share (+30%): ALCN’s volumes decreased from 974,000 containers in 2019/20 to 914,000 containers the year after, mainly due to the COVID-19 pandemic. In 2022, container volumes reached 840,000 containers and are yet to recover to pre-covid volumes. We expect the utilization rate for ALCN to decline over the coming years due to new competition in Alexandria and slower trade growth. Yet, we expect earnings to grow at a 5y CAGR (2022-2027) of 8.6% due to higher average container fees. We valued ALCN using a five-year discounted cash flow approach that produced a fair value of EGP14.4/share and a 12-month price target (12MPT) of EGP16.9/share, hence our Overweight rating. Our 12MPT offers an upside potential of 30%, implying a 2022/23e P/E of only 9.7x.

Investment Thesis: ALCN has a solid financial position, with high gross margins. Interest-earning cash, with consistent dividend payments, translating into a high dividend yield (10.4% based on the last fiscal year). A strong balance sheet with zero debt.

Risks: The presence of new competitors in Alexandria and Abu Qir ports operating in container handling could dent ALCN’s market share. Any decline in trade volumes due to locally-imposed limitations on imports and/or global recession fears. A stronger EGP vs. USD. A decline in EGP interest rates.

STOCK RELATIVE PERFORMANCE CHART



KEY STOCK STATISTICS

Shares outstanding (mn)	1,490
Free float	5%
Market cap (EGPmn)	19,397
Market cap (USDmn)	795
52w range (EGP/share)	5.85-13.51
EGP100 invested 5y ago	114
EPS (TTM / 2023e) (EGP)	1.58 / 1.74
P/E (TTM / 2023e)	8.2x / 7.5x
P/BV (TTM / 2023e)	3.3x / 3.3x
Last fiscal year's DPS (EGP)	1.36
Dividend yield	10.4%
5y historical beta	0.64
5y Proj. EPS CAGR (2022-27)	8.6%

Source: Prime Research., Bloomberg.

REVENUES / EARNINGS DATA

	Q1	Q2	Q3	Q4	Year
Total Revenues (EGPmn)					
2022	538	581	714	1,009	2,842
2021	548	549	627	674	2,397
2020	670	579	568	767	2,584
2019	694	714	665	856	2,928
2018	702	754	730	829	3,015
Earnings (EGPmn)					
2022	336	371	559	762	2,028
2021	278	348	387	398	1,410
2020	418	318	304	453	1,493
2019	495	468	386	485	1,833
2018	564	573	576	734	2,447

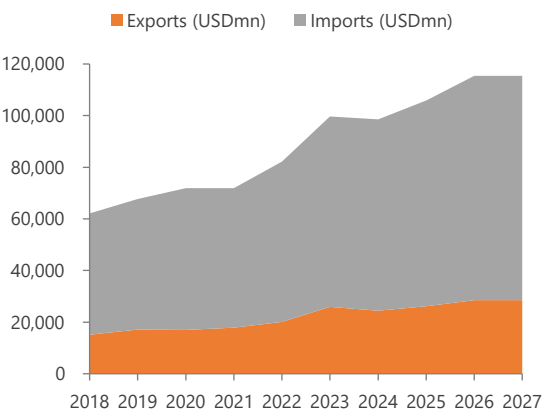


BUSINESS SUMMARY

The Seascape: A Market Overview

Egypt's trade-off between CAD and trade: Historically, Egypt's trade has grown by a 5y CAGR (2017-22) of 10.7%, thanks to the implementation of a successful economic reform program starting in 2016. More recently, in order to reduce Egypt's trade deficit, the Egyptian government has been keen to increase the country's industrial exports and limit unnecessary imports. While this strategy should bode well for Egypt's current account deficit (CAD), it led to lower trade volumes. On the other hand, after the most recent steep EGP depreciation in October, we expect to see trade limitations ease and for trade to grow over the forecast period at a 5y CAGR of 8.5%, reaching USD115bn by 2027.

Figure 1: Egypt's trade evolution



Source: CBE, Prime Research.

A competitive industry: Egypt's container handling industry can be split into two main groups:

- (1) State-owned companies operating under the umbrella of the **Holding Co. for Maritime & Land Transport**.
- (2) Foreign companies operating in Alexandria and the Red Sea region, such as **AICT** (a **Hutchison** subsidiary), UAE-based **DP World**, and Netherlands-based **APM Terminals**.

Meanwhile, as part of its expansion plan, the Egyptian government is cooperating with a consortium of foreign companies to operate new terminals in Abu Qir, El-Dekheila, and Ain Sokhna. Moreover, the new **Egyptian Multi-Purpose Terminal (EGMPT)** in Alexandria (which will be operated by **CGM-CMA**) is scheduled to start operations by the end of the year and will compete directly with ALCN's terminals.

Figure 2: Egypt's key players in the sector

Company name	Capacity*	No. of cranes	Container volumes*
Alex Containers & Cargo Handling Co.	1,500,000	15	839,952
Alexandria International Container Terminals Co.	900,000	5	n/a
Damietta Container Handling Co.	1,800,000	13	1,087,900
Egyptian Multi Purpose Terminals	1,500,000	12	n/a
Port Said Container Handling Co.	1,500,000	10	507,987

* Latest available data, numbers in TEUs.

Source: Company disclosure, Prime Research.

The Wave Breaker:
Alexandria Containers & Cargo Handling Co.

A unique business model: ALCN's primary operations span handling and storing trade containers in Alexandria and El-Dekheila, the largest commercial seaports in Egypt, with a total container capacity of 500,000 TEUs for the former and 1mn TEUs for the latter. Furthermore, ALCN's other services include transit container storage, customs clearance, and waste management.

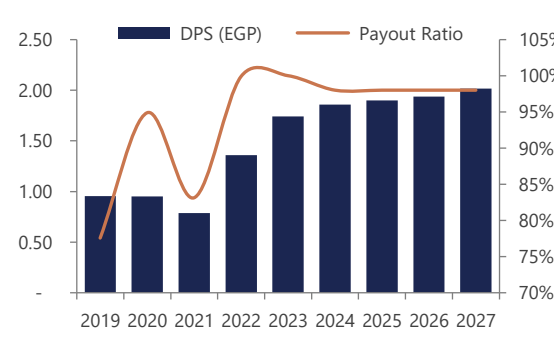
A beneficiary of a weaker EGP: ALCN's revenues are linked to the USD (i.e. EGP revenues priced in USD), making it a beneficiary of a weaker EGP, which we expect in the future. We saw an example of this during Q1 2022/23, where average fees for trade containers increased to EGP4,350/TEU compared to EGP3,700/TEU the quarter before. On the other hand, ALCN's costs are mainly in EGP, except for fuels and replacement parts, which supports the company's profitability margins in the case of a weaker EGP.

Rich margins and ROE: Generally speaking, container handling is a very high-margin business. For instance, ALCN's GPM averaged 68% over the past five years. In fact, ALCN's historical margins are higher than its peers (e.g., **Damietta** and **Port Said Container Handling Co.**). Add to that, having been operating in a free zone since 2005, ALCN's tax burden is close to none, with only c.5% of its earnings

subject to income tax. This usually translates into high double-digit ROEs (averaging 40% in the last five years), which are driven mainly by high operating margins and asset turnover ratio.

Cash, the treasure chest: Given the nature of its business, ALCN boasts a negative cash conversion cycle (CCC), which leaves the company with a considerable cash balance (was EGP3.1bn at end of Sep. 2022) and hence a high interest income. ALCN uses this solid liquidity to finance new capex, invest in other companies, and pay generous dividends to shareholders. Historically, ALCN's dividend payout ratio has been stable, averaging 81% over the past five years and reaching a 100% payout ratio in 2021/22 (a 10.4% yield based on 2021/22), which makes ALCN suitable for investors looking for income stocks.

Figure 3: DPS and payout ratio



Source: Company disclosure, Prime Research.



BUSINESS SUMMARY (CONT'D)

Deep Waters: Threats facing ALCN

ALCN’s market share in Alexandria and El-Dekheila ports decreased from 60% in 2016 to 50.5% in 2021, which is attributable to the following:

- 1. New competition:** The new EGMPT terminal in Alexandria’s Pier No.100 was set to start operation in Q4 2022, thus decreasing ALCN’s market share. However, this is partially offset by its investment in EGMPT (a 13% stake acquired for EGP286mn).
- 2. Lower transit revenues:** ALCN’s transit revenues have decreased by a 4y CAGR of -42%, reaching only 1,596 TEUs in 2021; in 2022, ALCN recovered some of its transit market share, reaching 9,845 TEUs (+517% y/y but still down 32% since 2017). The drop in transit volumes is due to insufficient storage space behind the piers to store transit containers, leaving an opportunity for its competitors in Alexandria, Damietta, and Port Said to claim this revenue stream.
- 3. Low utilization:** ALCN’s piers and wenchers in Alexandria operate at a utilization rate of 80.3%, dwarfing the 37.2% utilization rate of its piers in El-Dekheila. Such a low utilization rate at El-Dekheila is due to the deepening of Pier No. 96; the project started 63 months ago, exceeding its 18-month original plan, suggesting a lost opportunity for ALCN.

4. Low operational efficiency: ALCN faces intense competition in Alexandria and El-Dekheila from AICT, which operates five cranes (handling 49.5% of total containers in both ports). Meanwhile, ALCN operates 15 cranes with almost the same market share. This reflects ALCN’s inefficiency in capital allocation, specifically having 11 cranes in El-Dekheila port which is still not fully operational.

2022, a big year for ALCN: UAE-based **Alpha Oryx Limited**, a subsidiary of **ADQ Holding**, acquired a 32% stake in ALCN back on April 2022 at EGP6.15/share (a 17% discount to the market price), implying a P/E of 5.5x. Within the same context, the **Saudi Egyptian Investment Co.**, a subsidiary of KSA’s **Public Investment Fund (PIF)**, also acquired a 20% stake in ALCN on August 2022 at EGP10.14/share (a 7.6% premium to the market price), implying a P/E of 7.5x. These forenamed acquisitions position ADQ Holding and PIF with a total combined stake of 52% in ALCN, lowering **Alexandria Port Authority’s** stake in the company to c.36%. Consequently, ALCN’s status was changed from the public sector to the private sector to be subject to Law No. 159 of 1981.

Figure 4: Acquisitions and investments history in the sector

Acquirer	Acquiree	Country	Share price (USD)	Share price (EGP)	Stake	Total transaction (USDmn)
ADQ (UAE)	Alex. Containers & Cargo Handling Co. [ALCN]	Egypt	0.25	6.15	32.0%	159
PIF (KSA)	Alex. Containers & Cargo Handling Co. [ALCN]	Egypt	0.42	10.14	20.0%	157
AD Ports	Transcargo International (TCI) Transmar	Egypt	n/a	n/a	70.0%	140
Port & Free Zone World	DP World Ports	UAE	16.75	n/a	19.6%	2,718
CMA CGM	LA Container Terminal	USA	n/a	n/a	90.0%	2,300

Investor	Project location	Country	Purpose	Total investment (USDmn)	Total investment (EGPmn)
Hutchison Ports CMA CGM MSC	SCZone El-Dekheila Port	Egypt	Build and operate two containers handling terminals in Ain Sokhna and El-Dekheila ports.	800	19,520
AP Moller-Maersk	SCZone	Egypt	Building and operating a second container terminal in East Port Said.	500	12,200
DP World	SCZone	Egypt	Total DP World's investments in Ain Sokhna port.	1,680	40,992
Agility Logistics	SCZone	Egypt	Set up and operate two new logistic hubs in Ain Sokhna and East Port Said.	60	1,464

Source: Company disclosures, media reports, Prime Research.



KEY ASSUMPTIONS

Revenues	2020a	2021a	2022a	2023e	2024e	2025e	2026e	2027e
Total Revenues (EGPmn)	2,584	2,397	2,842	3,495	3,874	4,009	4,114	4,296
Total Capacity (TEUs)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total Volumes (TEUs)	914,002	839,059	839,952	805,500	791,250	777,000	762,000	762,000
Utilization rate	60.9%	55.9%	56.0%	53.7%	52.8%	51.8%	50.8%	50.8%
Trade Volumes (TEUs)	911,459	837,463	830,107	795,000	780,000	765,000	750,000	750,000
Trade Revenues (EGPmn)	2,556	2,397	2,837	3,489	3,867	4,001	4,105	4,287
% of total	100.0%	100.0%	99.8%	99.8%	99.8%	99.8%	99.8%	99.8%
Transit Volumes (TEUs)	2,543	1,596	9,845	10,500	11,250	12,000	12,000	12,000
Transit Revenues (EGPmn)	1.2	0.7	4.9	5.6	7.0	8.2	8.9	9.7
% of total	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

Total Costs *	2020a	2021a	2022a	2023e	2024e	2025e	2026e	2027e
Total Costs (EGPmn)	1,220	1,092	1,118	1,216	1,309	1,355	1,410	1,481
Wages	601	488	516	541	567	594	623	654
Fuels and replacement parts	82	92	111	130	145	150	154	160
Depreciation	122	139	150	143	150	136	127	122
Rent	188	198	196	215	237	261	287	315
Other costs	227	177	145	187	207	214	220	230

* Cost of revenues + SG&A.
Source: Company reports, Prime Research.

Comments

Revenues: Mainly driven by handling containers from trade and transit segments, revenues can be broken down into the following:

- **Trade:** Trade is the most significant contributor to revenues, contributing 99.8% of total revenues in 2022. The segment average trade fees reached EGP3,325/TEU in 2022, which we expect to reach EGP5,715/TEU by 2027 due to the expected weakening of the EGP against the USD.
- **Transit:** The transit segment witnessed a decline in container volumes starting in 2020, where its contribution declined from 1.2% in 2019 to 0.03% in 2021 then back up to 0.2% in 2022. The volume drop is mainly due to a lack of storage spaces for transit containers. However, ALCN is actively working on recovering lost revenue from this segment. Average transit fees reached EGP535/TEU in 2022, and we expect them to reach EGP806/TEU by 2027, powered by the EGP weakening against the USD.

Costs: Wages and rent contribute the most to total costs (COGS and SG&A), contributing 64.2% in 2022. Costs are broken down into:

- **Wages:** ALCN had 2,947 employees at end of 2021/22, with very little growth in the number of employees. We expect wages to reach EGP654mn by 2027 (a 5yr CAGR of 4.9%) mainly due to wage inflation.
- **Fuels & replacement parts:** This is the only USD-denominated cost component in ALCN's cost structure. We expect total fuels and replacement parts to reach EGP160mn by 2027 (a 5yr CAGR of 7.6%).

Investments: ALCN has maintained a substantial investment plan over the last five years, which are broken down to:

- **Capex:** ALCN has maintained a high capex level over the years, with a 5y average capex/revenues of c.10%, but we expect fixed asset additions to slow down as ALCN still does not fully utilize its available assets.
- **Investments in other companies:** Other than its core business, ALCN's 13% stake in EGMPT should bode well for ALCN's valuation and eventually bottom line.

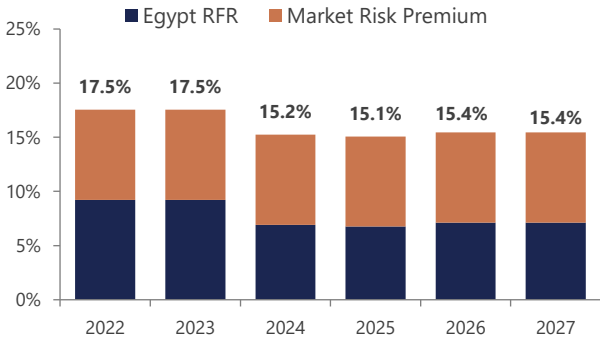


KEY VALUATION INPUT

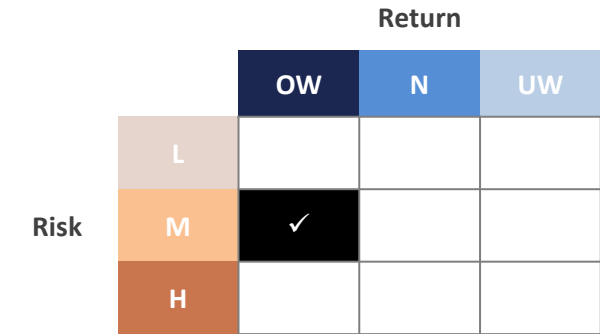
Terminal COE
15.4%.

Terminal growth rate
3%.

Cost of equity structure



RETURN/RISK MATRIX



Source: Bloomberg, Prime Research.

VALUATION MODEL

EGPmn	Q2-Q4 2023e	2024e	2025e	2026e	2027e	Terminal
EBIT	1,713	2,641	2,692	2,742	2,855	2,941
Taxes on EBIT	-	-	-	-	-	-
NOPAT	1,713	2,641	2,692	2,742	2,855	2,941
D&A	112	150	136	127	122	
Capex	(199)	(109)	(58)	(72)	(75)	
Change in WC	(85)	(40)	(21)	60	(39)	
Net investments	(171)	(2)	57	114	7	(571)
FCFF	1,509	2,642	2,748	2,856	2,862	19,042
Present Value of FCFF	1,396	2,056	1,857	1,675	1,454	9,673
DCF Enterprise Value	18,111					
Net (Debt)/ Cash	3,066					
Other investments	298					
Minorities	-					
DCF Equity Value	21,475					
NOS (mn)	1,490					
FV (EGP/share)	14.4					
Market price	13.02					
12MPT (EGP/share)	16.9					
Upside	30%					

Reinvestment rate	5%
ROIC	63%
TGR	3%

PEERS ANALYSIS (AS OF 17-NOV-2022)

Peer Group Comparable (TTM)	Ticker	Country	Mkt Cap (USDmn)	Revenues (USDmn)	Net Income (USDmn)	ROE	ROA	TTM P/E	TTM EV/EBITDA
Local Peers' Average			79	30	13	23%	18%	16.8x	17.5x
Damietta Container Handling Co.*	DCHC	Egypt	77	51	22	26.0%	21.8%	n/a	n/a
Port Said Container Handling Co.*	PTCHC	Egypt	69	42	19	28.3%	26.2%	n/a	n/a
Canal Shipping Agencies	CSAG EY	Egypt	154	5	11	27.4%	19.9%	21.0x	24.1x
Egytrans	ETRS EY	Egypt	15	22	1	8.5%	5.5%	16.8x	10.8x
Regional Peers' Average			1,180	390	90	6.5%	4.9%	16.6x	8.0x
Salalah Port Services Co.	SPSI OM	Oman	229	182	7	5.5%	3.10%	23.9x	3.9
Qatar Navigation	QNNS QD	Qatar	3,148	903	251	6.0%	5.2%	12.5x	14.2
Jassim Transport & Stevedoring Co.	JTC KK	Kuwait	164	84	12	8.0%	6.3%	13.5x	6
Peers' Average			154	51	12	8.5%	6.3%	15.2x	10.8x
Alex. Containers & Cargo Handling Co.	ALCN EY	Egypt	795	116	83	38.5%	36.3%	9.6x	3.7x

* Unlisted companies that are planned to be listed soon in the EGX. Market cap is book value. The latest financials used are for 2020/21.

12MPT SENSITIVITY ANALYSIS

		Terminal Growth Rate				
		1.0%	2.0%	3.0%	4.0%	5.0%
Terminal WACC	13.4%	17.8	17.9	18.0	18.1	18.2
	14.4%	17.2	17.3	17.4	17.5	17.5
	15.4%	16.7	16.8	16.9	16.9	17.0
	16.4%	16.2	16.3	16.4	16.5	16.5
	17.4%	15.8	15.9	16.0	16.0	16.1

		Terminal Utilization rate				
		46%	48%	50%	52%	54%
Terminal Price/TEU (USD)	186.8	14.9	15.3	15.7	16.1	16.6
	196.6	15.4	15.8	16.3	16.7	17.2
	207.0	15.9	16.4	16.9	17.3	17.8
	217.3	16.5	16.9	17.4	17.9	18.4
	228.2	17.0	17.5	18.0	18.5	19.1



FINANCIAL MODEL

Financials (ends 30 Jun., EGPmn)	2020a	2021a	2022a	2023e	2024e	2025e	2026e	2027e
Income Statement								
Total revenue (Net)	2,584	2,397	2,842	3,495	3,874	4,009	4,114	4,296
Cost of revenues	(1,003)	(855)	(870)	(980)	(1,058)	(1,094)	(1,138)	(1,195)
Gross profit	1,581	1,543	1,972	2,515	2,856	2,916	2,976	3,101
SG&A	(217)	(238)	(249)	(236)	(251)	(261)	(272)	(285)
Other operating (exp.)/ Inc.	(75)	(33)	134	32	36	37	38	40
EBITDA	1,404	1,430	1,926	2,454	2,791	2,827	2,869	2,977
Depreciation & amortization	115	158	70	143	150	136	127	122
EBIT	1,289	1,272	1,857	2,311	2,641	2,692	2,742	2,855
Finance (expense)/income	205	139	172	281	219	200	205	215
Profit before taxes	1,494	1,411	2,029	2,592	2,860	2,892	2,948	3,070
Taxes	(1)	(0)	(0)	(1)	(1)	(1)	(1)	(1)
Net profit	1,493	1,410	2,028	2,592	2,859	2,891	2,947	3,069
Balance Sheet								
Current Assets								
Cash & Cash Equivalents	2,629	2,407	2,474	2,773	3,095	3,235	3,456	3,638
Accounts receivables	643	389	919	1,118	1,174	1,203	1,152	1,203
Inventory	100	105	109	123	132	137	142	150
Other Current Assets	0	13	13	5	5	5	5	6
Total Current Assets	3,373	2,914	3,515	4,018	4,406	4,580	4,756	4,996
Property, plant, & equipment (net)	1,321	1,426	1,465	1,542	1,501	1,423	1,368	1,322
Other Non-Current Assets	227	620	609	609	609	609	609	609
Total Non-Current Assets	1,549	2,047	2,074	2,151	2,110	2,032	1,977	1,931
Total Assets	4,921	4,960	5,589	6,170	6,516	6,612	6,734	6,927
Liabilities & Equity								
Other provisions	15	16	15	15	15	15	15	15
Debit and other debit accounts	454	302	247	304	328	339	353	371
Other Current Liabilities	0	12	29	23	25	26	27	29
Total Current Liabilities	469	331	291	342	369	380	395	414
Other Non-Current Liabilities	65	60	26	26	26	26	26	26
Total Liabilities	533	391	317	368	394	406	421	440
Minority Interest	-	-	-	-	-	-	-	-
Total Equity	4,388	4,569	5,272	5,802	6,122	6,205	6,313	6,487
Total Liabilities & Equity	4,921	4,960	5,589	6,170	6,516	6,612	6,734	6,927
Cash Flow Statement								
Cash from Operating	1,053	1,466	1,342	2,981	3,147	2,945	3,093	3,173
Cash from Investing	64	(324)	(47)	(220)	(109)	(58)	(72)	(75)
Cash from Financing	(1,602)	(1,286)	(1,339)	(2,462)	(2,716)	(2,747)	(2,800)	(2,916)
Net Change in Cash	(484)	(144)	(44)	299	322	140	221	182

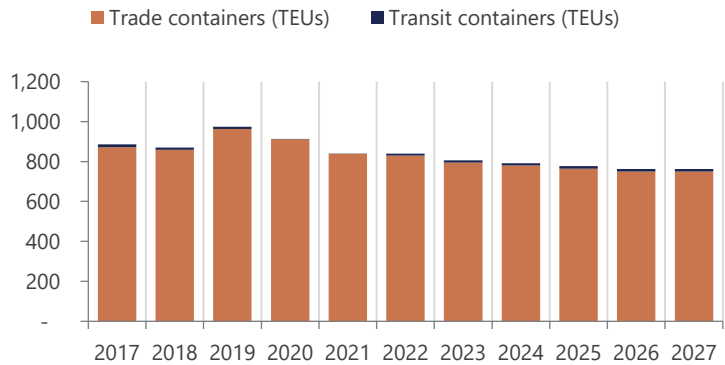
	2020a	2021a	2022a	2023e	2024e	2025e	2026e	2027e
Per-Share Data (EGP)								
Price (EGP)	8.04	7.90	13.02	13.02	13.02	13.02	13.02	13.02
# Shares (WA,in mn)	1,490	1,490	1,490	1,490	1,490	1,490	1,490	1,490
EPS	1.00	0.95	1.36	1.74	1.92	1.94	1.98	2.06
Payout ratio	95%	83%	100%	95%	95%	95%	95%	95%
DPS	0.95	0.79	1.36	1.65	1.82	1.84	1.88	1.96
BVPS	2.95	3.07	3.54	3.89	4.11	4.17	4.24	4.35
Valuation Indicators								
P/E (x), based on end of FY market price	8.0x	8.3x	9.6x	7.5x	6.8x	6.7x	6.6x	6.3x
P/E (x), based on our 12M PT				9.7x	8.8x	8.7x	8.6x	8.2x
DY, actual based on BoP price, est. on current		9.8%	17.2%	12.7%	14.0%	14.2%	14.4%	15.0%
P/BV (x)	2.7x	2.6x	3.7x	3.3x	3.2x	3.1x	3.1x	3.0x
EV/IC (x)	4.8x	4.2x	5.8x	6.3x	6.3x	6.2x	6.2x	6.1x
EV/Sales (x)	3.7x	3.9x	6.0x	4.6x	4.0x	3.9x	3.8x	3.6x
EV/EBIT (x)	7.4x	7.4x	9.2x	7.0x	6.0x	5.8x	5.7x	5.4x
EV/EBITDA (x)	6.8x	6.6x	8.9x	6.6x	5.7x	5.6x	5.4x	5.2x
Profitability & Growth Ratios								
Revenue Growth	(12%)	(7%)	19%	23%	12%	2%	3%	4%
EBIT Growth	-21%	-1%	46%	24%	14%	2%	2%	4%
EPS Growth	(19%)	(6%)	44%	28%	10%	1%	2%	4%
GPM	61%	64%	69%	72%	73%	73%	72%	72%
EBIT Margin	50%	53%	65%	66%	67%	67%	67%	66%
Net Margin	58%	59%	71%	74%	73%	72%	72%	71%
ROIC	64%	57%	63%	89%	105%	107%	108%	113%
ROAE	33%	31%	41%	47%	48%	47%	47%	48%
ROAA	30%	29%	38%	44%	45%	44%	44%	45%
Liquidity & Solvency Indicators								
Net Cash (Debt)	2,629	2,407	2,474	2,773	3,095	3,235	3,456	3,638
Net Cash (Debt) /Equity	60%	53%	47%	48%	51%	52%	55%	56%
Net Cash (Debt) to EBIT	2.0x	1.9x	1.3x	1.2x	1.2x	1.2x	1.3x	1.3x
Debt to Assets	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x
Current ratio	7.2x	8.8x	12.1x	11.7x	12.0x	12.0x	12.0x	12.1x
Consensus Estimates								
Revenues				3,186	3,724	4,124	n/a	n/a
Prime Research vs. Consensus				10%	4%	-3%	n/a	n/a
Net Income				2,061	2,620	2,946	n/a	n/a
Prime Research vs. Consensus				26%	8%	-2%	n/a	n/a

Source: Prime Research.

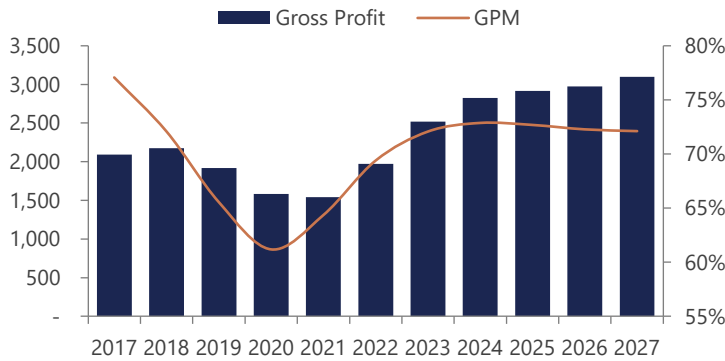


STORY IN CHARTS

Containers handled: ALCN’s number of trade and transit containers handled by ALCN decreased historically 5y CAGRs (2017-22) of 1% and 6%, respectively.

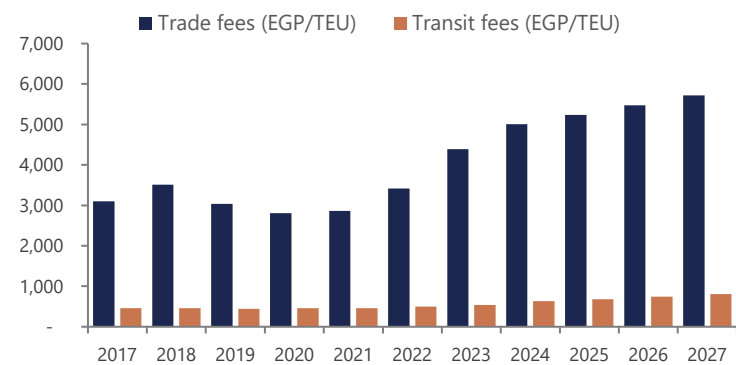


Gross profit: ALCN’s GPM decreased from 77% in 2017 to 69.4% in 2022, mainly due to competition and a higher rental cost. We expect GPM to normalize over the coming years to an average of 72.4%.

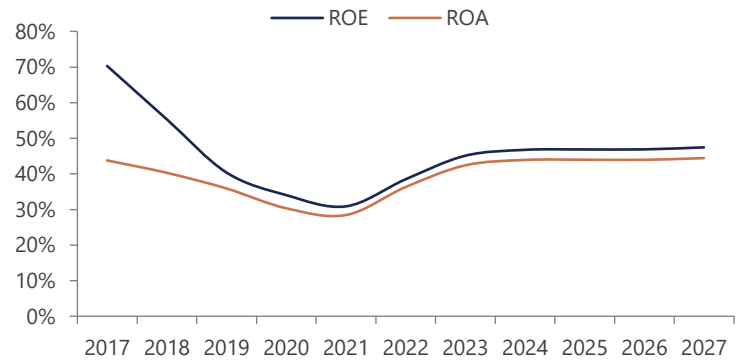


Source: Company reports, Prime Research.

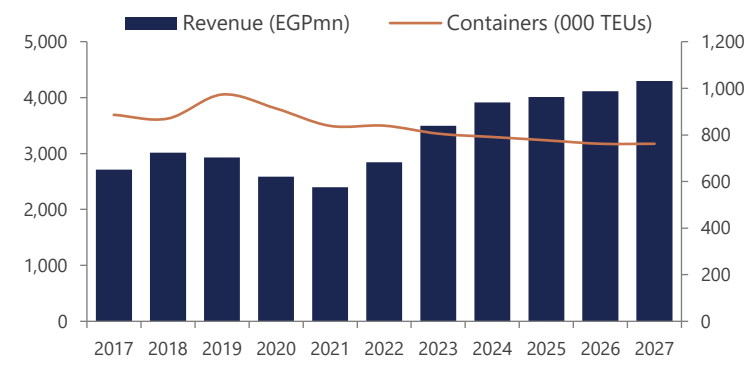
Average container fees: ALCN’s average fee per trade and transit container increased at 5y CAGRs (2017-22) of 1% and 4.7% to EGP3,418/TEU and EGP495/TEU, respectively.



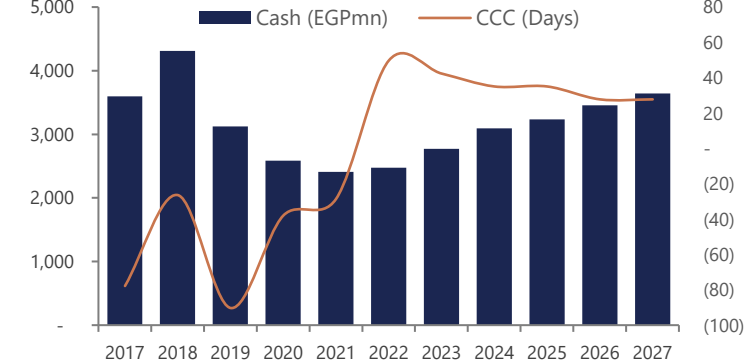
High profitability ratios: Having decreased over the last five years, ALCN’s ROA and ROE recovered to 36% and 38% in 2022, respectively.



Revenues: ALCN’s revenues were hit in 2020 and 2021 due to the pandemic and the world’s logistics issues then normalized in 2022. We expect revenues to grow at a 5y CAGR (2022-27) of 8.6%.



Cash and CCC: ALCN’s liquidity is very strong, having a negative cash conversion cycle and a heavy cash balance, the company does not use any bank overdrafts or loans.





CORPORATE PROFILE

Alexandria Containers and Cargo Handling [ALCN] is one of the leading container handling companies in Alexandria. ALCN mainly operates in cargo handling but also operates in handling dangerous waste. The company operates as a private sector company and is subject to law No. 159 of 1981, capital market law No. 95 of 1992, the Investment Incentives Law No. 8 of 1997, and its executive regulations on No. 460 of 2005.

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Dr. Islam Mohamed Abdelfattah.

Board Members

1. Dr. Islam Mohamed Abdelfattah, Non-Executive Chairperson.
2. Admiral Yasser Mohamed Morsy, Executive Managing Director.
3. Mrs. Hoda Mohamed Attia, Non-Executive.
4. Dr. Maha Abdelfattah, Non-Executive.
5. Admiral Nehad Shahin Ali, Non-Executive.
6. Mr. Falah Mohamed Falah El-Ahbaby, Non-Executive.
7. Mr. Wael Ali Reda El-Jasmy, Non-Executive.
8. Mr. Mohamed Gomaa Saeed, Non-Executive.
9. Mr. Ahmed Ben Khalil Al-Kordy, Non-Executive.

Auditor

Ashraf Abdel Ghani Accountants & Tax Consultants (ATC)

Domicile

Alexandria, Egypt.

Founded

1984.

Number of Stockholders

1,775.

Listing

EGX: ALCN.

SHAREHOLDER STRUCTURE

Shareholder	Stake
The Holding Co. for Maritime & Land Transport	35.4%
Alpha Oryx Limited (a subsidiary of ADQ Holding)	32.0%
Saudi Egyptian Investment CO. (a subsidiary of PIF)	20.0%
Alexandria Port Authority	7.6%
Free float	5.0%

PRIME RESEARCH’S COVERAGE HISTORY

Date	Rating	12MPT
20-Nov-2022	Overweight Medium Risk	EGP16.9

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