

Market Price
EGP42.35
at close of 4 Dec 2022

Fair Value
EGP42.9 (was EGP39.5)
set on 5 Dec 2022

12MPT
EGP49.1 (+16%, was EGP41.1)
set on 5 Dec 2022

Investment Rating

Neutral

★

★

★

Risk Rating

Medium

!

!

!

Still Spearheading

12MPT upped, yet downgraded to N/M on price rally

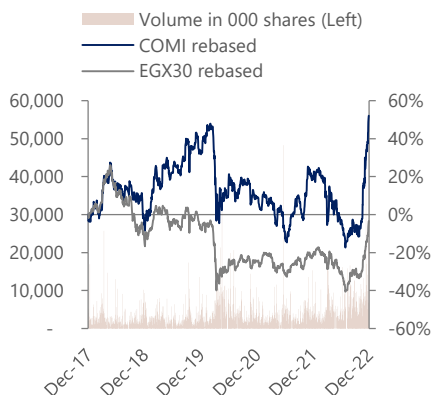
Amany Shaaban

Equity Analyst

T +202 3300 5720

ashaaban@egy.primegroup.org

RELATIVE PERFORMANCE (5Y)



Source: Bloomberg, Prime Research.

KEY STOCK STATISTICS

Shares outstanding (mn)	2,983
Free float	60.8%
Market cap (EGPmn)	126,330
Market cap (USDmn)	5,141
52w range (EGP/share)	42.8–22.5
EGP100 invested 5y ago	EGP152
EPS (TTM / 2022e) (EGP)	5.27 / 5.29
BVPS (TTM / 2022e) (EGP)	21.63 / 26.00
P/E (TTM / 2022e)	8.0x / 8.0x
P/BV (TTM / 2022e)	2.0x / 1.6x
Last fiscal year's DPS (EGP)	0.90
Dividend yield	2.0%
5y historical beta	1.10
5y Proj. EPS CAGR (2021-26)	13%

Source: Prime Research.

In this note, we revisit our assumptions and revise our financial model for Commercial International Bank [COMI]. This is in view of the latest developments in the banking sector, CBE policy decisions made since our last update, and COMI's own record-breaking results seen in Q3 2022. Indeed, we had published a Core Coverage Update on **27 September 2022**, affirming our positive outlook on COMI. Since then, our 12MPT of EGP41.1/share materialized, with COMI delivering a 69% return in two months' time. Today, we see major catalysts and a higher potential for the name in the coming months. However, we downgrade our rating from OW/M to N/M, albeit with a 19% higher 12MPT of EGP49.1/share (+16% upside).

Good, better, best: Since the beginning of the year, COMI has been exhibiting incredible performance, culminating into its unprecedented quarterly earnings of EGP4.4bn in Q3 2022 on the back of an all-time high quarterly net interest income of EGP8bn. This asserts how well-proportioned COMI's balance sheet is, given how satisfactorily it took in the interest rate hikes. What is even more noteworthy is that the record-breaking earnings came all from core banking operations without any non-recurring or one-offs, which attests to the bank's financial stability.

Resilience is key: Overall, we think COMI is resilient enough; not only does it utilize favorable monetary policy decisions, but it also withstands adverse ones. This was proven by the recently-increased required reserve ratio (RRR), which we have taken into consideration in our revised model. Indeed, COMI is one of the least impacted banks in the market. COMI managed to post strong ytd growth rates in loans (+21%) and deposits (+23%) at a time when state-owned banks have been issuing high-yield CDs. This is an unspoken pledge of an ever-growing market share for COMI. On the loans side, COMI's loan growth was not induced by the EGP devaluation alone; organic growth in EGP-denominated loans reached 28% ytd. On the deposits side, COMI took a proactive move, issuing new products ahead of other banks to lock in funds, which in turn blocked any higher cost of funding in the future even with the rate hikes. We believe monetary policy decisions take time to materialize into banks' financials; therefore, we believe the positive impact of the latest 200bps rate hike and the much-higher sovereign yield is yet to show through COMI's net interest income (NII) in the next couple of quarters. Accordingly, we see both COMI's NIM and ROE having much more room to expand, which will reflect on its value. Going forward, we think COMI stands to be one of the key beneficiaries of the CBE's upcoming launch of FX derivatives and EGP non-deliverable forward contracts (NDFs), thus adding another source of trading income for a bank that is well known for its sleek trading skills.



We up our 12MPT by 19% to EGP49.1/share, yet we downgrade our rating to N/M:

Our residual income-based fair value is EGP42.9/share, assuming a long-term ROE of 20.7% and a terminal COE of 17%. However, we set our 12MPT at EGP49.1/share based on a 1.6x P/BV 2023e book value of equity. This offers an upside potential of 16%, which is lower than COMI's COE. Hence, we downgrade our rating from Overweight/Medium Risk to Neutral/Medium Risk on recent price rally. Our new 12MPT implies a 2022e P/E of 9.3x.

Key catalysts: Higher-than-anticipated corporate lending with improving economic conditions. Higher-than-expected earnings growth.

Key risks: Persisting competition from state-owned banks affecting COMI's deposits. Deterioration in asset quality.



VALUATION MODEL

Excess Return Model	2021a	2022e	2023e	2024e	2025e	2026e	Terminal
Figures in EGPmn							
Net income	13,420	15,785	19,233	20,125	22,063	24,851	28,599
Ending book value	68,928	77,546	91,536	105,274	120,653	138,177	
Less: Equity cost		(12,358)	(15,851)	(14,729)	(17,247)	(20,712)	(23,720)
Excess equity return		3,427	3,382	5,395	4,816	4,139	4,879
Terminal value							53,230
ROAE		21.6%	22.7%	20.5%	19.5%	19.2%	20.7%
Terminal growth rate							8.0%
Discount factor		1.00	0.83	0.72	0.61	0.52	
PV of excess return (5 years)		3,427	2,808	3,859	2,959	2,171	
PV of terminal value							27,918
BV (2021)		68,928					
PV of equity excess return (next 5 years)		15,225					
PV of terminal value		27,918					
Equity value		112,071					
NOS (mn)		2,983					
FV/share (end of 2021)		37.6					
Market price (4 Dec 2022)		42.35					
FV/share (today - adjusted for DPS)		42.9					
Upside potential		1%					
12MPT		49.1					
Upside potential		16%					

Source: Prime Research.

FV SENSITIVITY ANALYSIS

		Terminal COE				
		15%	16%	17%	18%	19%
Terminal GR	6.0%	48.9	44.5	41.0	37.8	35.2
	7.0%	51.0	45.8	41.8	38.3	35.5
	8.0%	53.6	47.5	42.9	38.9	35.8
	9.0%	57.1	49.7	44.2	39.7	36.2
	10.0%	61.9	52.5	46.0	40.6	36.6

PEERS ANALYSIS (AS OF 4-DEC-2022)

Ticker	Market cap (EGPmn)	ROE	ROA	FLM	P/E	P/BV	NIM
COMI	126,309	21.3%	2.9%	7.4x	9.0x	2.0x	5.85%
QNBA	39,067	31.7%	2.3%	13.9x	2.6x	0.8x	5.08%
FAIT	14,895	21.3%	2.9%	7.3x	4.2x	0.7x	5.03%
CIEB	10,725	23.7%	3.3%	7.3x	5.3x	1.2x	5.87%
HDBK	7,730	22.1%	2.8%	7.8x	3.3x	0.6x	5.70%
EGBE	6,344	26.6%	2.0%	13.0x	1.7x	0.4x	4.85%
ADIB	5,406	12.5%	1.0%	12.9x	8.0x	1.1x	4.08%
CANA	2,977	12.8%	1.1%	12.0x	5.4x	0.6x	3.19%

Source: Prime Research.



FINANCIAL MODEL

Financials (ended Dec., EGPmn)	2020a	2021a	2022e	2023e	2024e	2025e
Balance Sheet						
Cash & other at CBE	33,573	43,385	66,170	77,736	87,926	98,876
Interbank assets	86,997	79,991	65,857	80,192	76,318	69,781
Net customer loans	118,855	144,766	192,031	238,760	287,960	344,318
Securities holdings (assets)	131,530	169,048	218,896	251,142	281,258	313,132
T-bills	39,465	41,580	68,361	60,927	68,913	77,495
Fixed assets	2,260	2,404	2,722	3,151	3,503	3,847
Intangibles	-	-	-	-	-	-
Non-earning and other assets	13,465	15,477	15,497	15,877	16,311	16,808
Total assets	426,145	496,651	629,534	727,784	822,189	924,256
Interbank liabilities	8,816	863	5,379	6,222	7,029	7,895
Customer deposits	340,087	406,101	525,850	609,266	689,128	774,948
Other liabilities	17,838	20,759	20,759	20,759	20,759	20,759
Total liabilities	366,740	427,723	551,989	636,247	716,916	803,603
Shareholders' equity	59,405	68,928	77,546	91,536	105,274	120,653
Total liabilities & equity	426,145	496,651	629,534	727,784	822,189	924,256
Income Statement						
Interest income	42,071	44,945	53,918	67,886	69,724	73,934
Interest expense	(16,981)	(20,058)	(23,953)	(31,186)	(31,215)	(32,557)
Net interest income	25,090	24,888	29,964	36,700	38,509	41,378
Net fees & commissions	2,070	2,382	2,954	3,412	3,856	4,331
Net trading income	396	697	838	968	1,094	1,229
Other net income	1,021	769	1,533	828	932	1,043
Non-interest income	3,487	3,848	5,325	5,209	5,881	6,602
Total revenue	28,577	28,736	35,290	41,908	44,390	47,980
G&A	(5,553)	(6,096)	(6,706)	(7,376)	(8,114)	(8,925)
Operating profit	23,024	22,639	28,584	34,532	36,275	39,054
Loan loss charge	(4,989)	(1,677)	(373)	(1,642)	(1,992)	(1,696)
Non-operating Inc./ (exp.)	(2,738)	(1,981)	(3,882)	(3,243)	(3,435)	(3,713)
Pre-tax profit	15,297	18,981	24,329	29,646	30,849	33,646
Taxes	(4,997)	(5,561)	(8,543)	(10,413)	(10,724)	(11,583)
Net profit	10,300	13,420	15,785	19,233	20,125	22,063

Source: Bank financials, Prime Research.



FINANCIAL MODEL (CONT'D)

Ratio & Multiples	2020a	2021a	2022e	2023e	2024e	2025e
Per-Share Data						
Price	28.68	34.23	42.35	42.35	42.35	42.35
EPS	3.45	4.50	5.29	6.45	6.75	7.40
BVPS	19.92	23.11	26.00	30.69	35.30	40.45
DPS	-	0.90	1.06	1.29	1.35	1.48
Dividend yield	0.0%	2.6%	2.5%	3.0%	3.2%	3.5%
P/E (x)	8.3x	7.6x	8.0x	6.6x	6.3x	5.7x
P/BV (x)	1.4x	1.5x	1.6x	1.4x	1.2x	1.0x
Profitability & Efficiency						
RoAA	2.5%	2.9%	2.8%	2.8%	2.6%	2.5%
RoAE	18.5%	20.9%	21.6%	22.7%	20.5%	19.5%
Payout ratio	0%	20%	20%	20%	20%	20%
NII/Total banking income	88%	87%	85%	88%	87%	86%
NIM	6.6%	5.7%	5.5%	5.8%	5.4%	5.1%
Spread	6.4%	5.6%	5.8%	6.0%	5.5%	5.3%
Cost-to-income ratio	19%	21%	19%	18%	18%	19%
Capital						
Tier 1 capital	28%	27%	17%	17%	18%	19%
CAR	31%	30%	21%	21%	21%	22%
RWA as % of Total Assets	47%	47%	45%	49%	50%	51%
Asset Quality						
NPLs/gross loans	4.3%	5.1%	4.7%	4.6%	4.6%	4.6%
NPLs Coverage Ratio	281%	213%	184%	169%	155%	139%
Liquidity & Leverage						
Gross L/D	40%	40%	40%	43%	45%	48%
Earning Assets/Total Assets	91%	90%	88%	88%	88%	88%
Leverage	11.6%	11.3%	6.9%	7.5%	8.1%	8.8%
Equity Multiplier	7.2x	7.2x	8.1x	8.0x	7.8x	7.7x
Growth Rates						
Assets	10%	17%	27%	16%	13%	12%
Equity	15%	16%	13%	18%	15%	15%
Net loans	0%	22%	33%	24%	21%	20%
Deposit	12%	19%	29%	16%	13%	12%
Net Income	-13%	30%	18%	22%	5%	10%

Source: Bank financials, 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

AAlaa@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 MBA, 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 Elhegazi 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

Disclaimer

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2022, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.