PRIME

STANDPoint Portfolio Update

Adding ALCN, ECAP, HRHO, and RACC

Amr Hussein Elalfy
MBA, CFA
Head of Research
T +202 3300 5724
aelalfy@egy.primegroup.org

Photo by Kolleen Gladden

So far, the year 2023 has proven to be more than just a year of adjustment, not only locally but globally. The onset of what seems to be a re-run of the Global Financial Crisis (GFC) has taken many market participants by surprise. But depending on whom you ask, the picture is not all gloomy. For us, we like to stick to our rules, picking stocks for the long term at relatively cheap multiples with potential catalysts in sight. In this note, we are taking stock of our **STAND**Point Portfolio (SPP) performance so far, updating its constituents, and recalibrating our outlook for the coming period.

Where do we stand and how are we doing so far?

As we illustrated in our 2023 annual strategy outlook, SPP has outperformed all main market indices since inception back in 2021. However, the market has been on a downward spiral as EGX 30 (-14.3%), EGX 70 EWI (-12.1%), and EGX 100 EWI (-13.6%) all fell in the period from 29 January through 20 March 2023. Similarly, SPP fell 16.2% over the same period, yet maintaining its long-term outperformance nonetheless. We are adding four new stocks to SPP within our three key themes: **(1)** beneficiaries of a high interest rate environment, **(2)** export-oriented businesses, and **(3)** companies with long USD (i.e. non-EGP) positions. We note that today, Mother's Day, marks the first anniversary of the first major EGP devaluation seen in 2022.

What to do next?

We continue to retain the same 10 stocks we had in our SPP, namely **ADIB**, **COMI**, **TALM**, **EKHO/A**, **SWDY**, **ORAS**, **OFH**, **ACAMD**, **TMGH**, and **ETEL**. Today, we are adding four new stocks, so in total we now have 14 stocks in SPP. The new additions are Alexandria Containers Handling [**ALCN**], Al Ezz Ceramics & Porcelain (GEMMA) [**ECAP**], EFG Hermes Holding [**HRHO**], and Raya Customer Experience [**RACC**].

For the investment rationale for the four new additions, please read Page 2.

Late January 2023, we published our fundamental strategy outlook STANDPoint: 2023 — The Year of Adjustment. In that note, we also updated our STANDPoint Portfolio, which we had started early 2021. Our commitment is to follow up on our SPP, which we are doing in this note.

Figure 1: Current SPP

Ticker	12MPT (EGP)	Upside
ECAP	35.3	170%
TALM	7.8	129%
ETEL	46.7	112%
OFH	0.39	111%
ACAMD	1.05	99%
TMGH	15.0	77%
SWDY	21.0	73%
ORAS	146.0	67%
ALCN	26.1	63%
EKHOA	56.8	63%
ADIB	27.4	51%
RACC	2.7	38%
HRHO	21.0	28%
COMI	54.5	12%
Average		**78%**

Source: Prime Research.

Alexandria Containers Handling [ALCN]

On 8 February 2023, we updated our Core Coverage for ALCN with an Overweight / Medium Risk rating and a 12MPT of EGP26.1/share (adjusted for cash dividends). The stock price has since fallen by 11% on going ex-dividend, but this creates an even more lucrative entry point in the stock, noting that the USD has strengthened some 2% since then. ALCN boasts a high-margin business model with revenues linked to a strengthening USD and growing trade volumes and value. The stock is currently trading at 2022/2023e P/E of only 5.7x, while yielding an eye boggling 15%.

ALCN — Rating: OW / M, 12MPT: EGP26.1/share (9-Feb-2023)

Al Ezz Ceramics & Porcelain (GEMMA) [ECAP]

On 16 March 2023, we updated our Core Coverage for ECAP with an Overweight / Medium Risk rating and a 12MPT of EGP35.3/share. We like the stock for its growth potential given its growing capacity, higher utilization rates, and stronger selling prices. Also, ECAP is one of the exporters that should benefit from a stronger USD and sustained demand in Europe and MENA. All of this can be had at relatively low valuation multiples of only 2.9x 2023e earnings while yielding 7%/11% on 2022a/2023e dividends.

ECAP — Rating: OW / M, 12MPT: EGP35.3/share (16-Mar-2023)

EFG Hermes Holding [HRHO]

We are yet to update our Core Coverage for HRHO, but we think that at current levels, the stock offers an upside commensurate with its underlying growth story. HRHO checks all three themes. First, the company exports its financial services regionally, having been in involved in almost every major IPO in the GCC region. Second, the company has a hoard of cash in foreign currency that leads to FX gains. Third, the company's 51% stake in aiBank should bear fruit with a tighter for longer interest rate environment. The company is yet to reports its 2022 financials, which we think should reflect a stronger USD. At 1.2x book and a P/E in the low teens, we think the company's franchise deserves a premium given its diversified portfolio geographically and segmentally. We think the stock could be worth 1.5x book or EGP21/share.

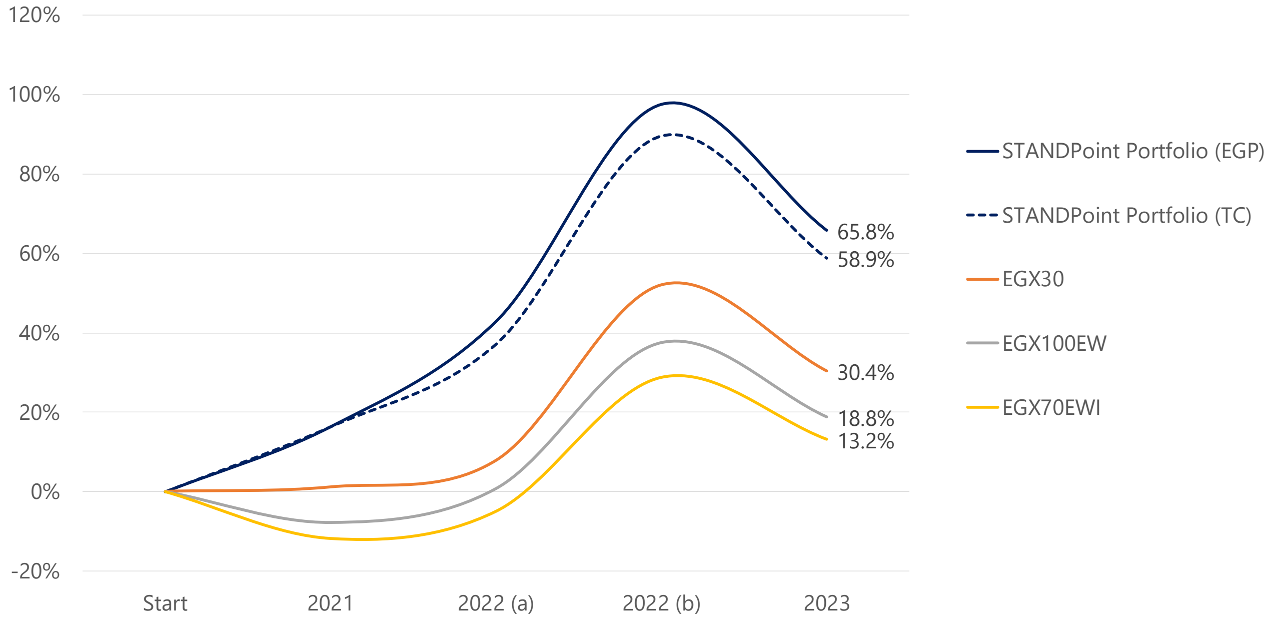
HRHO — Rating: NR, 12MPT: EGP21/share

Raya Customer Experience [RACC]

While we do not have an active Core Coverage for RACC, its financial performance in Q4 2022 was noticeable, delivering EGP36mn in net earnings, dwarfing the EGP10mn recorded in 9M 2022. Indeed, 78% of RACC's earnings were generated in Q4 2022 alone on revenues (ex-government subsidies) of EGP368mn (+61% y/y). Undoubtedly, a stronger USD helped, and it sure should help when the company reports its Q1 2023 results with the USD up 25% ytd. At market price, assuming Q4 2022 earnings (ex-FX gains) repeat in 2023, the stock would be trading at 7.4x 2023e earnings. At only 10x 2023e earnings, RACC could be worth EGP2.7/share.

RACC — Rating: NR, 12MPT: EGP2.7/share

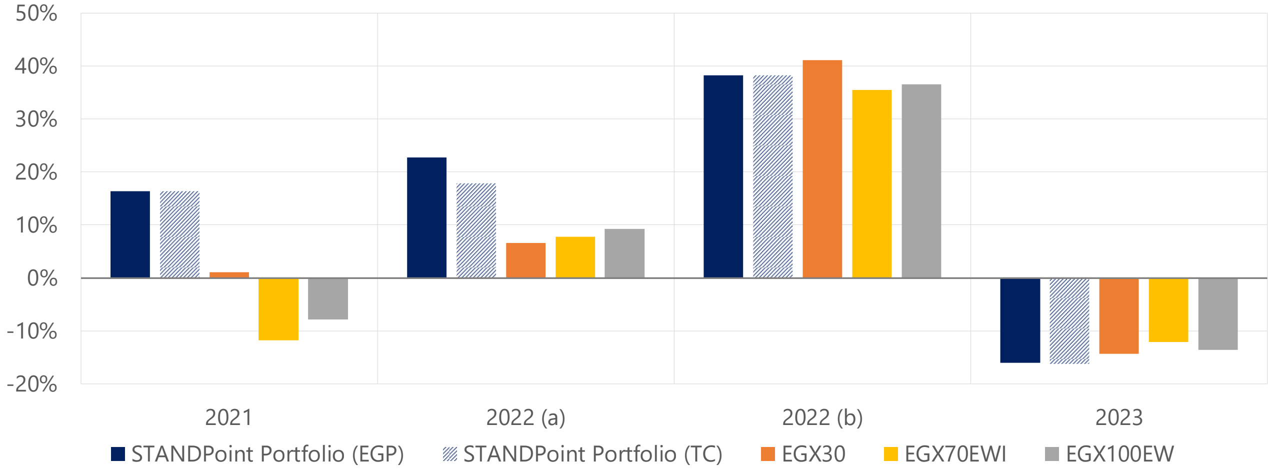
Figure 2: SPP's cumulative relative performance vs. market indices (2021-2023 ytd)



Time period	From	To
2021	2 Feb 2021	26 Jan 2022
2022 (a)	30 Jan 2022	10 Nov 2022
2022 (b)	13 Nov 2022	25 Jan 2023
2023	29 Jan 2023	20 Mar 2023

Source: Bloomberg, Prime Research.

Figure 3: SPP's periodical relative performance vs. market indices (2021-2023 ytd)



Source: Bloomberg, Prime Research.

PRIME

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

Emad El Safoury
Manager
T +202 3300 5624
EElsafoury@egy.primegroup.org

Mohamed Ashmawy
Head of Institutional Sales
T +202 3300 5612
MAshmawy@egy.primegroup.org

Shawkat Raslan
Heliopolis Branch Manager
T +202 3300 8130
SRaslan@egy.primegroup.org

Amr Alaa CFTe
Team Head –Institutional Desk
T +202 3300 5609
AAlaa@egy.primegroup.org

Nashwa Abuelatta
Alexandria Branch Manager
T +202 3300 5173
NAbuelatta@egy.primegroup.org

Mohamed El Metwaly
Manager
T +202 3300 5610
MElmetwaly@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

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.