

EGYPT REAL ESTATE

SODIC p. 13

Rec: **Overweight** TP (EGP): 28.0 Upside (%): 80

TMG p. 16

Rec: **Overweight** TP (EGP): 17.5 Upside (%): 51

Orascom Development Egypt p. 19

Rec: **Overweight** TP (EGP): 12.0 Upside (%): 66

Palm Hills Developments p. 22

Rec: **Overweight** TP (EGP): 4.20 Upside (%): 53

MNHD p. 25

Rec: **Overweight** TP (EGP): 11.5 Upside (%): 55

Emaar Misr p. 28

Rec: **Overweight** TP (EGP): 5.50 Upside (%): 51

Heliopolis Housing p. 31

Rec: **Overweight** TP (EGP): 26.5 Upside (%): 22

Amer Group p. 34

Rec: **Neutral** TP (EGP): 0.90 Upside (%): 1

Porto Group p. 37

Rec: **Underweight** TP (EGP): 0.80 Upside (%): (18)

Egyptian Resorts Company p. 40

Rec: **Underweight** TP (EGP): 1.60 Upside (%): (24)

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Sector undervalued; Strong disconnect between fundamentals and stock valuations

Real estate trading at a steep discount. Egypt realty stocks under coverage currently trade on an average EV of EGP900/sqm, a c25% discount to the 3-year historical average, and a c45% discount to the fair value implied from current land prices and payment plans by NUCA (EGP1.6k/sqm). Operational metrics were on the rise in 2018 (aggregate sales +20% y-o-y, receivables +50%), boding well for future cash flows, earnings (2019-21e EPS CAGR of 30%), and profitability (GPM to widen 4pp by 2021e), with post-floatation inflationary pressures expected to be fully absorbed over the coming two years. However, several cities (North Coast, Alex Road) are under planning by the government, adding a layer of registration approvals, possibly delaying construction by 1-2 years, but we see no risk to names under our coverage, given they have approvals secured for 2-3 years.

Further rate cuts, land expansions to drive sectorial rerate. Following the derating of the sector since Apr-18 to end-2018 (-55% on average), we believe there is significant upside in most of the real estate stocks (95% of market cap under coverage). This value, in our view, will be largely realised, on the back of: i) further monetary easing, following the 100bps cut in Feb-19 (200bps expected during 2Q-4Q19), ii) land bank expansions, iii) continued strong presales and earnings, and iv) the imminent launch of commercial components.

Real estate cycle normalisation to start in 2019. Following 3 years of strong sales momentum (2015-17), the real estate sector started to show signs of a more mature, stable market in 2018, and we expect 2019 to follow suit. We look for aggregate sales to remain flat y-o-y in 2019, with price hikes contained (13-15%), maintaining margins going forward. We do not view this negatively, coming from a strong base, but more a sign of a maturing market reaching normalised levels. However, the improvement in LCY liquidity, in line with the declining interest rate environment, should lend support to real estate sales in 2019-20e. We believe the focus in the coming period will be on deliveries (2019-21e revenue CAGR of 18%), cash flow generation (cEGP80bn of aggregate receivables collectable over 5-6 years), and cost control (margins around 40%).

Key Overweight calls. We like **SODIC** (on valuation, being the cheapest stock within our coverage, trading at a 60% discount to peers in terms of EV/sqm), **TMG** (provides long-term value and stability, with the largest backlog within our coverage of EGP41bn, backed by a strong recurring income portfolio at 25% of top line), and **ODE** (provides exposure to the recovering tourism sector – arrivals up 36% y-o-y in 2018 – with several catalysts on the horizon, including results of the newly launched O-West project). We also flag **PHD** as a key beneficiary from lower interest rates, with its leveraged balance sheet (D/E of 62% and interest cost at c38% of EBITDA).



Contents

Investment summary	3
Sector outlook	8
Companies	12
SODIC.....	13
Talaat Moustafa Group (TMG).....	16
Orascom Development Egypt (ODE).....	19
Palm Hills Developments.....	22
Madinet Nasr for Housing and Development (MNHD).....	25
Emaar Misr.....	28
Heliopolis Housing.....	31
Amer Group.....	34
Porto Group.....	37
Egyptian Resorts Company (ERC).....	40
Disclaimer	43

Triggers for the sector

- Further interest rate cuts (100bps cut in Feb-19, 200bps expected during 2Q-4Q19) positively affecting cost of funding and project NPVs
- Land bank expansions, primarily through NUCA's auctions
- Stronger-than-expected presales figures across the board
- Launch of commercial land banks, primarily in East Cairo

Key risks

- Further delays in monetary easing, keeping cost of funding high, and resulting in further negative sentiment on the sector
- Increased competition from smaller developers and the government, affecting short-term market share
- Further economic reforms (taxation, gas prices, etc.) piling more pressure on end-consumers' affordability
- Further settlements or revaluations by the government on existing land banks

Investment summary

The market currently trades on an average EV of EGP900/sqm, at a c25% discount to the 3-year historical average, and a 45% discount to the fair value implied from current land prices and payment plans by NUCA (EGP1.6k/sqm). Operational metrics have been on the rise (aggregate sales up 20% y-o-y, receivables +50%), boding well for future cash flows, earnings (2019-21e EPS CAGR of 30%), and profitability (margins to widen 4pp by 2021), with post-floatation inflationary pressures expected to be fully absorbed over the coming two years. Accordingly, we believe the market is assigning the sector unfair assumptions.

We believe we are entering a phase of the cycle where margins and payment plans are likely to be maintained for the coming few years, with price increases in line with (or slightly above) inflation. We expect aggregate sales to remain relatively flat y-o-y in 2019 (EGP58bn, on our 2019 estimate), with an average growth rate of c3% y-o-y during that period. We do not necessarily view this negatively, especially coming from a strong base, but as a sign of a maturing market, reaching normalised levels. That said, we believe the coming period will be more about deliveries (19-21e revenue CAGR of 18%), cash flow generation (cEGP80bn of aggregate receivables collectable over an average of 5-6 years), and cost control (margins to remain around 40% on average).

In the medium-term, we see increased populations in existing projects, on the back of the healthy delivery pipeline, likely to have a two-fold positive effect on future sales, with: i) higher inhabitancy likely to heighten demand for residential sales in these projects, and ii) higher occupancy rates in the projects likely to put a premium on pricing of the respective non-residential components. Consequently, we anticipate the market will become more selective in the coming period, favouring companies with a strong track record, a solid financial backing, and clear earnings visibility. Additionally, we assign further value to names that provide decent exposure to the recovering tourism market.

Coverage quantitative comparison

Stock	Market cap (EGPmn)	Rating	Upside (%)	Performance since Apr-18 (%)	Residual land bank (mn sqm)	EV/sqm (EGP)	Cash + receivables coverage (%)	Backlog (EGPbn)	Last ND/E (%)	EPS CAGR 17-21e (%)
TMGH	24,165	OW	51	(13)	21.1	1,060	39	41	(9)	32
EMFD	16,600	OW	51	(22)	4.8	1,075	112	33	(91)	12
MNHD	9,040	OW	55	(32)	7.2	1,250	22	8	0	31
PHDC	8,560	OW	53	(48)	13.8	730	13	15	43	25
OCDI	5,425	OW	80	(46)	7.1	400	91	18	(57)	26
PORT	990	UW	(18)	(48)	2.1	500	101	5	11	(10)
Developers			45	(35)		840	63	20	(17)	19
HELI	9,815	OW	22	(39)	25.8	390	n/a	n/a	168	30
ORHD	8,275	OW	66	15	31.8	370	n/a	n/a	159	36
EGTS	2,230	UW	(24)	(6)	3.4	640	n/a	n/a	(9)	31
AMER	910	N	1	(52)	2.0	200	n/a	n/a	(23)	1
Land owners			16	(21)		400	n/a		74	24

Source: Company data, Bloomberg, CI Capital Research
 Closing prices as of 18 February 2019

Timeline of upcoming events, catalysts

Date	Company	News
Imminent	PHDC	Results of Alexandria project launch
Imminent	ORHD	Results of O-West project launch
28 Mar-19	ALL	MPC meeting - potential interest rate cut
1H19	MNHD	Launch of non-residential component in Taj City
23 May-19	ALL	MPC meeting - potential interest rate cut
2/3Q19	OCDI	Launch of Al-Yosr and 500-feddan project
2/3Q19	TMGH	Launch of new phase in Madinaty

Source: Company disclosures, CI Capital Research

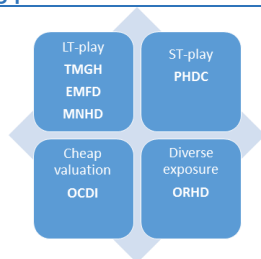
Comparative valuation

Sector scoreboard – TMG in the lead, with SODIC a close second

Stock	Flows	Downside risk	Diversity	Cash flow	Leverage	Execution	Earnings visibility	Pipeline	Valuation			Total score
	6M traded volume	Rec. + cash as % of Mcap	Rec. income as % of revenue	OCF	ND/E	EPS CAGR	Backlog	Residual land	EV/sqm	EV/BL	EV/rec.	
TMGH	4	3	5	5	4	4	5	5	3	3	2	43
EMFD	1	5	2	4	5	1	4	1	2	5	5	35
MNHD	3	2	2	2	2	5	1	2	1	1	1	22
PHDC	5	1	3	1	1	2	3	4	4	2	3	29
OCDI	2	4	4	3	3	3	2	3	5	4	4	37

Source: CI Capital Research

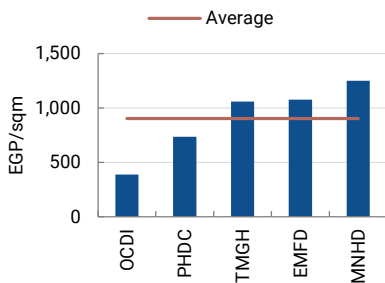
Trading preference indicator



Source: CI Capital Research

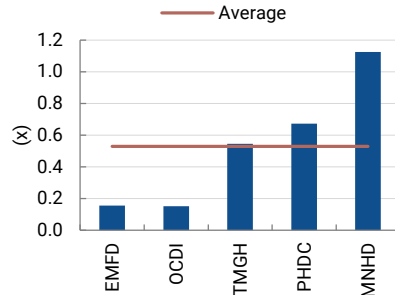
Based on the table above, we see TMG ranks the highest among our real estate coverage, when looking at a selection of KPIs. That said, we do not believe this would apply to all investors, as preferences would differ based on trading dynamics. Accordingly, we designed the table to the left, stating, in our view, the main stocks to invest in based on trading preferences. Despite TMG's strong fundamentals, we view it as more of a long-term, deep value stock. In the short run, we trust the likes of SODIC and PHD would be much quicker to rerate, based on valuation levels and macroeconomic catalysts. Conversely, a stock like ODE may not offer as much value as the likes of SODIC, following its strong run in 2018, but provides a more diverse portfolio, likely to leverage on the recovering tourism sector.

SODIC, PHD cheapest on EV/sqm



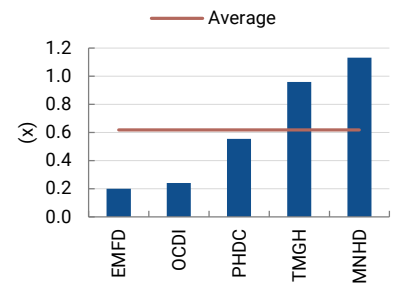
Source: CI Capital estimates

EMFD cheapest on EV/backlog



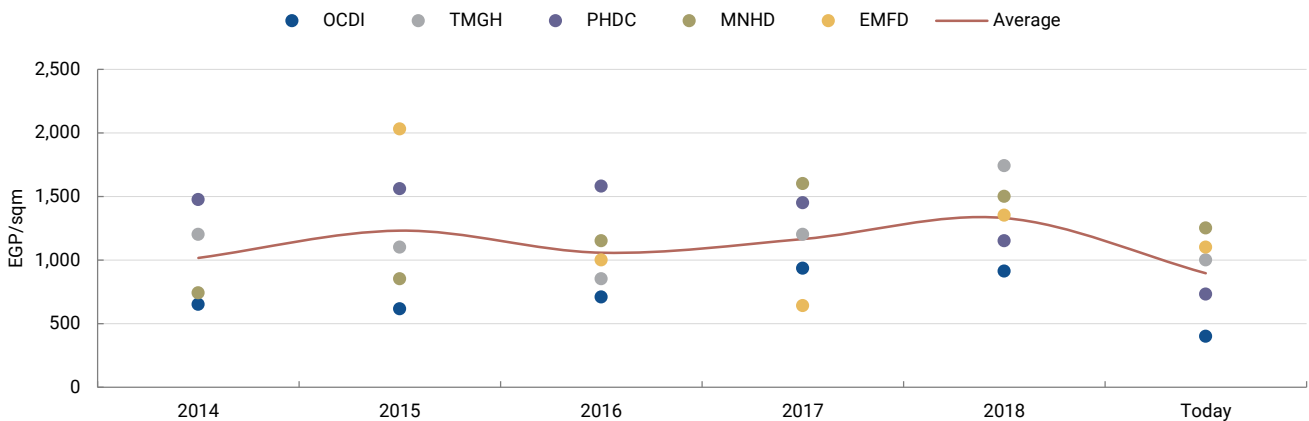
Source: CI Capital estimates

SODIC, EMFD cheap on EV/receivables



Source: CI Capital estimates

EV/sqm – SODIC always traded at a discount to peers, but the gap has widened; PHD at a discount despite historical premium



Source: Company data, Bloomberg, CI Capital Research

Overweight calls – What does each name offer?

Despite strong performances seen across the board in terms of presales and volumes, stock prices have not followed suit, with sentiment on the sector largely negative over the past nine months. That said, we continue to believe the real estate sector is strongly undervalued, and the market will now consider company-specific fundamentals and catalysts. This comes as the macro catalysts materialise, starting with the resumption of monetary easing (100bps cut on 14 Feb-19). Real estate share prices usually move in tandem with interest rates, peaking during the last monetary easing cycle and dropping as soon as the cycle was halted.

SODIC largely undervalued, with overhang of the deal now out of the way

SODIC currently trades on an EV of EGP400/sqm, at a 60% discount to the peer average, making it the lowest stock in the sector based on this metric. This comes on a c50% drop in the share price since its peak of cEGP30.0/share in Apr-18. We find this unjustified, but suggest came as a result of the: i) deal with MNHD acting as an overhang, ii) EGP800mn settlement for the SODIC West plot, iii) downward revision of the sales target for the year (EGP6.5bn vs. EGP8.7bn originally), on the back of a delay in Al-Yosr's regulatory approvals and weakness in North Coast sales, and iv) inability to achieve the revised sales target for the year (we estimate EGP5.5bn vs. target of EGP6.5bn). We note the negative news flow has been priced in, while the overhang of the deal has now been removed. Accordingly, we expect better share price performance in 2019.

SODIC is expected to launch two new projects in 2019, namely the newly-acquired 500-feddan co-development with NUCA and Al-Yosr. Both are earmarked for launch during 2/3Q19, highlighting a strong return to West Cairo. Launches in SODIC East and Villette are expected to continue, with the latter set to pick up the pace, as deliveries started in 2H18. Despite recent news, SODIC will continue selling in the North Coast, with its currently operational plots registered and dispute-free. Accordingly, with the deal no longer acting as a distraction for the company, coupled with numerous launches lined up for the year, we see an operationally strong 2019. SODIC recently launched the Eastown Offices, which are sold at shorter payment plans and higher prices, further improving the company's already strong cash position (net cash of EGP2.9bn as of 9M18) over the coming years.

TMG offers stability, diversity, and long-term value

TMG currently has a net cash balance of cEGP3bn, with a backlog of cEGP41bn, significantly higher than any other developer in Egypt. The company has a residual land bank of c18mn sqm, fully located in East Cairo, where there has been heavy infrastructure spending from the government, largely on the back of the New Administrative Capital. With the emergence of the New Administrative Capital, and several government entities and bank headquarters moving there, TMG's Madinaty became at the centre of East Cairo. TMG looks to leverage on this, with a strong recurring income pipeline, namely its flagship area in Madinaty, The Spine (500-700k sqm of GLA), expected in 2020.

This would add to TMG's already strong recurring income portfolio, including four hotels (Four Seasons Sharm El Sheikh, Four Seasons Nile Plaza, Nile Kempinski, and San Stefano), as well as retail and office space in Madinaty and Rehab. Recurring income comprises c25% of TMG's 2018 top line, higher than any other developer in the market. This figure is expected to increase to 40-45% by 2021, highly positive for TMG, in our view, as it provides a sizable cushion for the company in case of a market slowdown. TMG began selling high-margined (c75%), non-residential units in Madinaty and Rehab last year, guaranteeing significant cash flow in the coming few years.

Triggers for SODIC

- Launch of Al-Yosr and 500-feddan project during 2/3Q19
- Successful launch in SODIC East, amid strong competition in the area
- Continued deliveries in Villette, Caesar, and Eastown, improving population
- Improved presales in Malaaz, following weak 2018 in North Coast
- Improved cash flow prospects through non-residential sales

Triggers for TMG

- Strong reported numbers, on real estate and hotel performance
- Rate cuts increasing foreign flows into the stock (largest market cap)
- New phase launches in Madinaty (including The Spine) and Celia
- Continued non-residential sales improving cash flow generation
- Further improvement in recurring income, namely hotels



Triggers for ODE

- The release of official sales figures from the recently launched O-West
- Continued strong sales performance in El-Gouna and Makadi
- Completion of Tamweel sale, and using proceeds to pay down debt
- Continued strong performance in hotels and services

Triggers for Palm Hills

- Rate cuts minimising interest payments and cost of funding
- Numbers on the launch of the Alexandria project
- Continued sales in Badya, coupled with price increases
- Launch of 205-feddan mixed-use co-development with Arkan
- Rezoning of Botanica in order to sell remaining plot

Orascom Development Egypt (ODE) provides balanced exposure to tourism and RE

ODE provides a balanced exposure to real estate and tourism, with real estate sales and residual land comprising c60% of valuation and hotels comprising the balance. El-Gouna, ODE's flagship project, continues to hold the lion's share of valuation. However, the recent launch of the West Cairo project, O-West, signals the company's first entry into the primary residential market. Numbers for the launch have yet to be disclosed, but it is our understanding, based on anecdotal information, that the launch was well received by the market. We factor in presales of EGP3.0bn for 2019. In addition to O-West, ODE exceeded its target of EGP2bn for sales in El-Gouna, while increasing average prices c15% y-o-y to cEGP40k/sqm, as of 9M18. Additionally, the revival of Makadi has begun this year, with all hotels now sold and cEGP300mn of presales generated from the project in 2018 (initial target of EGP200mn). The completion of the Tamweel deal is merely a formality.

ODE's hotels have been performing well over the past few years, generating over EGP800mn in 9M18 (+35% y-o-y). Average occupancies are currently over 80%, signifying potential growth will come in the form of increasing ARR's (+20% y-o-y in 2018, reaching USD60/night on average in El Gouna) and room additions. The CBRE valued 2,654 hotel rooms in El Gouna at cEGP5.4bn, c6.7x the book value of the hotels (cEGP704mn), relatively in line with our valuation. This implies an EV of cUSD115k/room, a c55% discount to the global average (based on a selection of global peers) of cUSD260k/room. ODE currently trades on a EV of cEGP370/sqm, a c10% discount to other land owners, and a c40% discount to Egyptian Resorts Company. Accordingly, for exposure to the improving Egyptian tourism market, especially with the positive noise on the resumption of Russian flights to Egypt, ODE is the best entry-point, in our view.

Palm Hills the largest direct beneficiary of the resumption of monetary easing

Amid the current high interest rate environment, PHD's D/E of 60%, and its major securitisation pipeline/plan, positions it as the strongest beneficiary, vis-à-vis the other listed real estate players within our coverage, of the recent resumption of monetary easing (we estimate every 100bps cut saves cEGP50mn in interest payments). During 2018, PHD paid a total of cEGP700mn in interest payments, equivalent c45% of the company's 2018 EBIT. In 2017, the company began its plan to securitise cEGP2.5bn over the following 2-3 years. With over 50% of this amount yet to be securitised, the resumption of monetary easing will imply narrowed discount rates, largely benefitting the company's financing plans. Accordingly, we view the recent and continued rate cuts as the main trigger for the sector, and with PHD currently trading on a EV of EGP730/sqm (20% discount to peers), coupled with its leveraged position, expect its share price to be one of the first to re-rate.

PHD has an extensive development pipeline in the coming period, with the recent launch of Badya adding pressure on cash flows. We believe the recent EGP1.6bn rights issue, coupled with the cEGP1bn of additional debt, provide visibility on PHD's cash flow needs over the next two years. We expect the first phase of Badya to continue to pile the pressure on cash flows, as the pricing is still very discounted relative to other West Cairo projects (c40% discount) and payment plans are relatively extended (8 years vs. average of 6). However, we trust in the project's long-term story. Additionally, the recent launch of the Alexandria project (sales value not yet disclosed) should bode well for cash flows, with instalment plans for the project at 4-5 years, rather than the 7-8 year plans seen across the board over the past few years. As part of a JV with Arkan Development, PHD is expected to launch the mixed-use co-development in 2019, with only minor details remaining to conclude the deal. As for Botanica, we anticipate PHD to give up a portion of the land to increase the footprint on the land it retains, with this land likely to be sold, as the company already has enough exposure in West Cairo, primarily through Badya.

Triggers for MNHD

- ▶ Launch of non-residential segment in Taj City, improving cash flow
- ▶ Deliveries in Taj City, building the population in the project
- ▶ Building recurring income portfolio for long-term sustainable cash flow

Triggers for Emaar Misr

- ▶ Acquisition of new land in East and West Cairo
- ▶ Launch of the long-anticipated Emaar Square in Uptown Cairo (UTC)
- ▶ Resolving the legal dispute on the UTC plot on favourable terms

Triggers for Heliopolis Housing

- ▶ Launch of the Sunville project
- ▶ Improved sales in SODIC East, translating to strong cash collections
- ▶ Positive news on surrounding land plots

Expect MNHD to shift towards non-residential segment in 2019

Following the breakdown of talks with SODIC, **MNHD** continues to hold an undisputed, cost-free residual land of over 7mn sqm, in prime areas in the ever-growing East Cairo. With Tag Sultan fully delivered and several other phases expected to be delivered over the coming years, MNHD is expected to start capitalising on the growing population and prime location by entering into the non-residential segment. Taj City and Sarai jointly have 1.5mn sqm (20% of residual land) of land earmarked for non-residential development. It is our understanding the office space will be divided between built-to-sell (BTS) and built-to-lease (BTL), while retail will be fully leased out for quality control purposes.

MNHD was barely able to reach its target for the year (including PHD's Capital Gardens in its sales figure), however, that alone was an achievement, in our view, with no major launches during the year amid already challenging market conditions. That said, we expect relatively flat y-o-y residential sales in 2019 (cEGP5.2bn), with the main upside for the year coming from the launch of the non-residential segment (cEGP1.5bn during 2019). The company guided for the launch of office space in Taj City during 1H19, with a portion already pre-launched. We believe this will be strongly welcomed by the market, due to the project's prime positioning. With these units sold at high margins, coupled with no land payments, we think these sales will help finance the capex needed for the recurring income assets. Accordingly, over the coming few years, as the population grows in and around Taj City, MNHD will start developing a strong recurring income portfolio, in our view, guaranteeing sustainable cash flows in the long run.

Emaar Misr shielded by strong cash balance; Land bank expansion a must

Emaar Misr has a net cash balance of over EGP11bn, shielding it, in our view, from any obstacles that may occur in the market over the coming period. Any pauses to monetary easing would have a positive impact on the company, with interest payments maintained at a high level (cEGP1.5bn during 2018). Additionally, Emaar Misr is still selling its products on an average of 6-year instalments, with all other developers extending payment plans to 7 and 8-year plans, leaving room for any potential plan extensions. Emaar's clientele is mostly comprised of business owners rather than salaried employees, who are most hit by the current economic conditions.

The company's strong footing in the region, as a result of its parent company, provides it with a different target market. This comes as Egyptians abroad currently comprise c7% of total demand for Emaar Misr products, and real estate in Egypt is still c15% cheaper than before the EGP float in USD terms. There is an ongoing dispute, however, between Emaar Misr and El-Nasr Housing related to Uptown Cairo, with the former reportedly offering EGP100mn to settle the dispute. We view this as an overhang on the stock, but expect to see a resolution soon, with Emaar's significant cash balance providing a strong buffer.

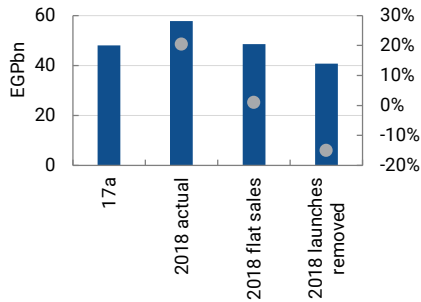
Heliopolis Housing land undervalued by the market, but not a favourite

We have no doubt over the value stemming from **Heliopolis Housing's** land bank. However, our main concern is the speed at which this land will be monetised, and the effect this will have on shareholders. Accordingly, we choose to assume monetisation for the company's land bank, arriving at a c85% discount to NAV.

Heliopolis Housing's current share price implies an EV of EGP390/sqm, a 2% discount to the EGP400/sqm implied for land owners under our coverage. The average price for the company's land bank would be c3k/sqm. Assuming Heliopolis was to sell its land bank, over 7-year instalments, would imply an EV of EGP1.6k/sqm. Accordingly, the EV implied from the current share price is at a 75% discount to the implied EV/sqm, assuming the land is sold.

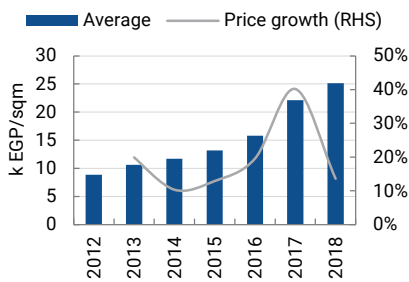


Actual presales vs. normalisation assumptions



Source: Company data, CI Capital estimates
Note: Actual based on our assumption for some cases

Average historical price increases



Source: Company data, CI Capital estimates

Events supporting historical contracted sales growth in recent years

Year	Event
2013-14	Absorption of pent-up demand following 2011 revolution
2015-17	Hedge to inflation, EGP devaluation
2018	Monetary easing begins, major launches
2019e	Resumption of monetary easing, launch of non-residential inventory

Source: CI Capital Research

Sector outlook

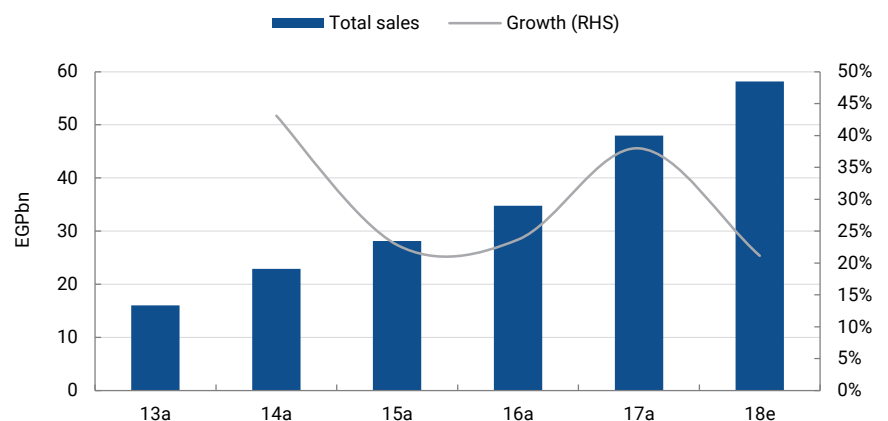
Market to normalise in 2019...

In 2016 and 2017, developers rushed to increase their selling prices, in a bid to maintain profitability levels, and extend payment plans, to challenge affordability. However, payment plans remained relatively unchanged in 2018, while selling prices spiked by an average of 15%, relatively in line with inflation levels. This is the theme we expect to see over the coming few years, with developers looking to barely maintain current margins, and payment plans remaining unchanged. Any future potential change in payment plans would be shortening, rather than extending, once economic conditions allow it. Accordingly, we see the property market is nearing equilibrium, with developers looking to maintain margins and volumes, while buyers are content with no further significant price hikes. This is coupled with existing relaxed payment terms.

Looking at 2018, excluding the launches from the aggregate would imply that sales dropped c15% y-o-y. That said, completely excluding the launches, without increasing sales in already existing projects, would be unfair. This is as the sales and marketing focus will have shifted towards major launches rather than existing projects. Accordingly, to fairly exclude new launches, we would assume that companies with major launches during the year recorded flat y-o-y sales. Aggregate presales would come in at cEGP49bn, a 1% y-o-y increase. That said, new launches will be present every year, inevitably inflating aggregate presales. Nevertheless, it is important to monitor existing projects and how their dynamics alter y-o-y, to conclude where in the cycle the sector is.

Despite the prospect of several macro (further interest rate cuts, improved liquidity, etc.) and company-specific (project and non-residential launches) catalysts expected in 2019, we anticipate the market will continue normalising. Coming from a high base, we look for the y-o-y growth rate to continue declining in 2019, with aggregate sales remaining relatively flat. This is in addition to more contained growth in construction costs, and in turn, reserved selling price increases, another sign of normalisation seen in 2018.

2018 contracted sales growth the lowest in five years, despite mega launches, pointing to a commencement of normalised market conditions



Source: Company data, CI Capital estimates

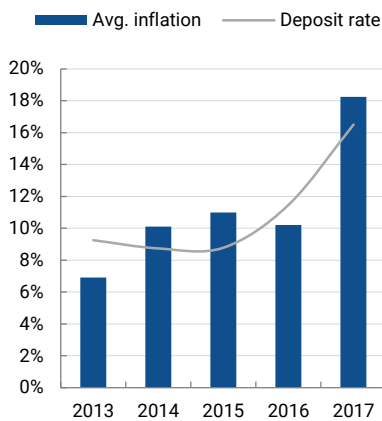


...but resumption of monetary easing is a support

Since the EGP floatation, with inflation and hiked interest rates, attractive investments, such as high-yielding 18-month CDs, have been on offer. This, coupled with high inflation levels raising construction costs, led to concerning real estate demand. Developers countered this by increasing selling prices, while simultaneously extending payment plans. In doing so, they passed on the cost increases to end-consumers, maintaining their required NPV for their respective projects. They provided consumers with relatively unchanged monthly payments, keeping affordability concerns at bay.

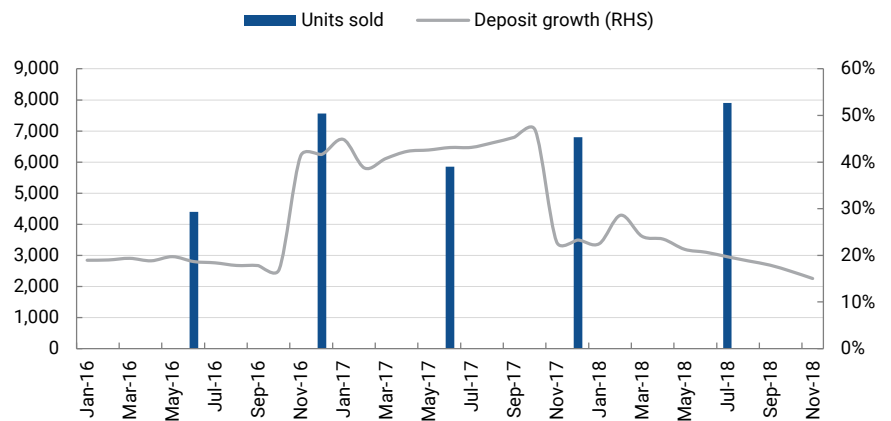
Signs of potential monetary easing began to materialise, with interest rates starting to decline. This was seen as a highly positive catalyst for the economy as a whole, and the sector in particular. Monetary easing would coincide with the maturity of the high-yielding CDs, potentially resulting in an influx of liquidity flowing into the real estate market. Accordingly, the plan was halted for several months, amid the recent macroeconomic changes, but is now back on track. We believe this will greatly benefit the sector, creating a more attractive investment environment, on much lower cost of funding, facilitating the achievement of project NPVs.

Effect of interest rates on inflation



Source: CBE

Deposit growth now declining, as real estate sales volumes continue to increase



Source: CBE, Company data

Sustainable demand in top bracket, supported by favourable demographics

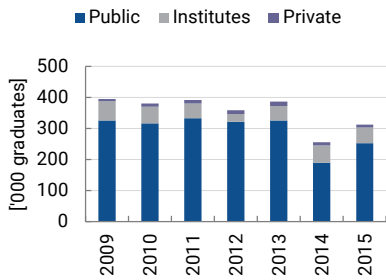
We estimate c40k marriages p.a. in the upper-middle bracket of society vs. a supply of c15k units by listed developers in 2018, and an estimated 15-20k units by the major developers. With Egypt's underpenetrated mortgage system, coupled with the increasing affordability constraints minimising cash transactions, we think real demand within the aforementioned target market is intact.

Other than real demand, we believe long-term investment demand is still in place, with Egyptians typically favouring real estate as an inflation hedge in the long-run, for long-term capital gains, or yields from rental once projects mature. We see some buyers remain willing to speculate on new areas, such as the New Administrative Capital. Post the EGP floatation, the value of real estate significantly fell in USD-terms. We estimate it remains c15-20% cheaper to acquire a unit in USD-terms. Adding to the favourable payment plans, foreign demand (Egyptians abroad, Arabs, etc.) increased to c15% of demand across the board from an average c5%.



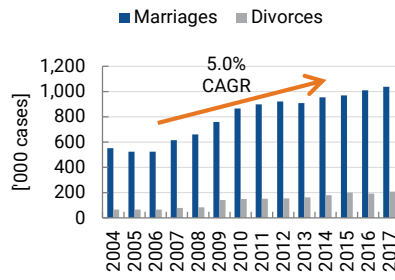
Egypt real estate
Sector outlook

Graduates from local universities



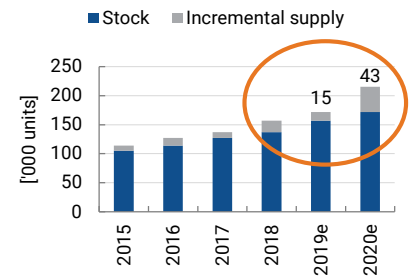
Source: CAPMAS
Note: Data beyond 2015 not available at source

Marriage data supports local demand



Source: CAPMAS
Note: 2017 estimate based on historical growth

Branded supply at c58k next two years



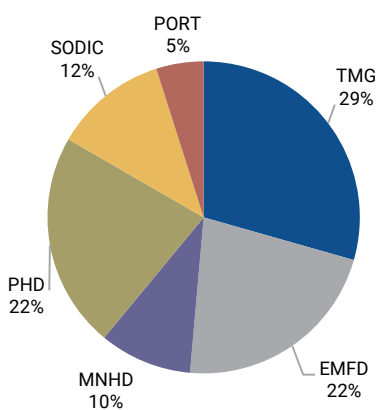
Source: JLL Mena
Note: Increased supply on the back of smaller developers

Consolidation on the cards, major players to take centre stage

With demand for real estate on the rise, numerous small developers have been entering the real estate market in recent years, offering flexible payment plans and terms, in a bid to eat up from legacy developers' market share. Since then, we had viewed this as a potential short-term concern for larger developers, as it forced the majority of them to extend payment plans to remain competitive and maintain their growth. That said, when payment plans are significantly extended and delivery dates are maintained, a financing gap is created, which can only be bridged with a solid balance sheet or strong financial backing.

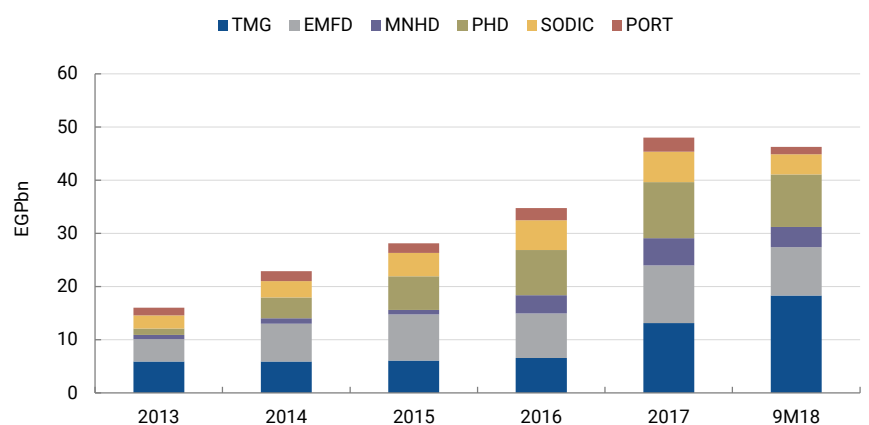
Accordingly, we anticipate these smaller developers will start dropping out of the market, as they will be unable to fulfil these commitments. This financing gap will catch up with these developers, translating into cost overruns. In the medium to-long-term, we view this positively for the larger, more established developers, with balance sheet, track record, and brand equity as supporting factors to these long-term payment plans, bridging the financing gaps. Accordingly, the market will start witnessing a state of consolidation, where buyers will become a lot pickier in their choices, and demand will be strongly geared towards a handful of more established developers, in our view.

Market share of listed universe



Source: Company data

Historical aggregate presales by listed active developers



Source: Company data



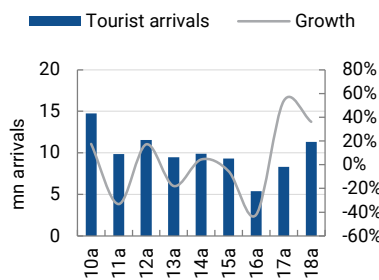
NUCA adopts more flexible model

With land prices on the rise, NUCA recently shifted to the more cash-flexible model of offering land plots on co-developments, rather than outright acquisitions. This benefits all parties, in our view, as developers are now able to pay land instalments over longer periods of time (upon collection of instalments from sales), while NUCA is able to increase the implied land prices, resulting in the required NPV. This, in our view, allowed for a larger pool of developers to participate in these auctions, allowing them to focus their external funding on recurring income assets that require large capex upfront before reaping any rewards.

Tourism improvement bodes well

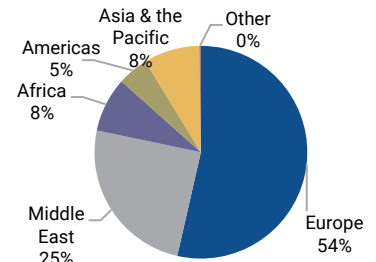
In 2017 and 2018, tourism numbers significantly improved in terms of tourist arrivals (45% 2016-18 CAGR). They remain, however, 25% below pre-revolution levels, leaving ample room for upside. As the government highlights the importance of being able to sell real estate to foreigners, alongside expected steps to improve this initiative, we believe the tourism sector’s recovery could bode well for the real estate market in the long-term.

Tourist arrivals since 2010



Source: CBE

Arrivals by nationality



Source: CBE

New regulations being introduced

A number of cities are under planning by the government. These include: i) Al Alamain City, and ii) Ras El Hekma City, both in the North Coast, as well as iii) Sphinx City, on the Cairo-Alex Road. This triggered the issuance of presidential decrees, which as per our understanding, put an additional layer of approvals for land acquisitions and masterplans, which may delay launches for 1-2 years. Within our coverage, SODIC, PHD, and Emaar Misr have exposure to these locations. We see no downside risk on our valuations for each of the three companies, given approvals are secured for 2-3 years.



Companies

SODIC	13
Talaat Moustafa Group (TMG)	16
Orascom Development Egypt (ODE)	19
Palm Hills Developments.....	22
Madinet Nasr for Housing and Development (MNHD)	25
Emaar Misr	28
Heliopolis Housing.....	31
Amer Group.....	34
Porto Group.....	37
Egyptian Resorts Company (ERC)	40

OVERWEIGHT

Target price (EGP)	28.0
Share price (EGP)	15.6
Potential upside (%)	79.5

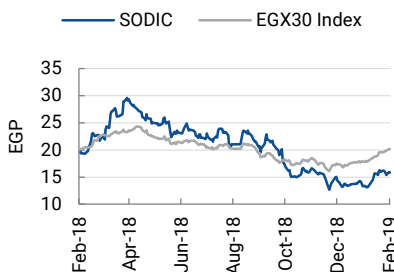
Share details

6M avg daily value (EGPmn)	0.76
%Δ: m-o-m / 6M / y-o-y	19 / (25) / (21)
Rel. %Δ: m-o-m / 6M / y-o-y	6 / (24) / (22)
No. of shares (mn)	342
Market cap (USDmn)	310
Market cap (EGPmn)	5,425

Ownership structure (%)

Olayan Investment Company	14
Dr. Walid Bin Abdullah Abanumay	10
RA Six Holdings Ltd.	9
RIMCO Investment	7
Free float	60

Performance



Source: Bloomberg
 Closing prices as of 18 February 2019

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SODIC

OCDI.EY / OCDI.CA

Overhangs out of the way; Favourable entry point

Resume coverage with Overweight call. We resume coverage on SODIC with a TP of EGP28.0/share, implying 80% upside, the highest within our coverage. Since Apr-18, SODIC's stock price plummeted c50%, primarily on the: i) overhang from the deal with MNHD, ii) EGP800mn settlement for SODIC West, iii) downward revision of 2018 sales target (EGP6.5bn vs. EGP8.7bn originally), iv) inability to achieve the revised sales target for the year, as per our estimates (cEGP5.5bn vs. target of EGP6.5bn), and v) weak sentiment surrounding the sector (down 55% since Apr-18). We believe the negative news flow is now priced in, and with the stock trading on an EV of 400/sqm (60% discount to peers).

Sales guidance incorporates new West Cairo projects. SODIC set its 2019 sales target at EGP7.2bn, implying c30% y-o-y growth, as per our 2018 estimates. Now that the company increased the footprint and allowable BuA in Al-Yosr (for 50% of the land), the project should be launched during the year, with sales of cEGP1bn for the year, on our estimate. The sales target also includes the 500-feddan co-development with NUCA, which is pending finalisation of the contract. Accordingly, we opt to assume the project will be launched in 2020, hence our 2019 estimate of EGP6.6bn.

East Cairo projects to remain resilient. We look for presales of EGP4.3bn in East Cairo, driven by new launches in SODIC East (EGP2.7bn), and continued sales in Vilette (EGP1.3bn) and, to a lesser extent, Eastown (EGP330mn). Despite increased competition in the area, we expect SODIC's brand name and track record, along with increasing maturity in the latter two projects, to support presales. That said, the newly acquired inventory in West Cairo could cushion any blow in the East in case of a slowdown or oversupply.

North Coast inventory provides buffer. SODIC's registered and sellable area in Malaaz provides it with a 4-year pipeline in the North Coast. Accordingly, with only the back plot of the project not yet registered, and the front plot expected to sell over four years, SODIC can afford to wait on the regulations to be finalised. Any delays beyond this pipeline, in addition to inability to achieve the annual sales targets, would be considered the main downside risks to our valuation.

KPI summary

	2017a	2018e	2019e	2020e	2021e
Net presales (EGPbn)	5.7	5.5	6.6	7.7	9.5
Revenues	2,293	3,784	5,270	5,369	5,883
Gross profit margin (%)	38.5	36.8	36.6	42.6	42.6
Net income (EGPmn)	597	440	901	1,261	1,619
RoE (%)	13.6	9.1	15.8	18.1	18.8
Net debt-to-equity	(0.5)	(0.4)	(0.4)	(0.6)	(0.6)

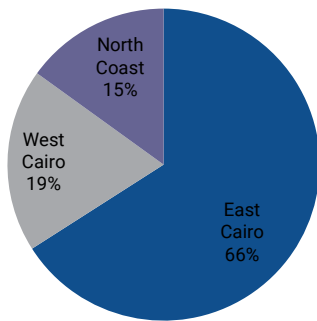
Source: Company data, CI Capital estimates



SODIC
Real estate
Egypt

Valuation and assumptions

Valuation by location



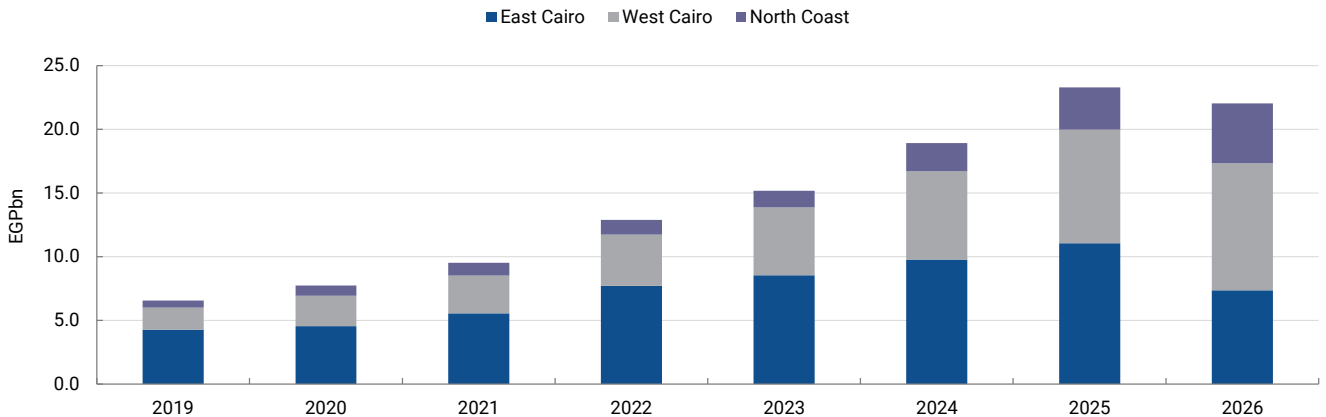
Source: CI Capital Research

Valuation breakdown

Asset	Land area (sqm)	Methodology	EV (EGPmn)	As % of EV	EV / share (EGP)
Villette	1,266,215	DCF, NAV	1,871	23	5.5
Eastown	884,206	DCF, NAV	1,525	19	4.5
SODIC East	2,751,000	DCF	1,918	24	5.7
Kattameya Plaza	126,000	DCF	44	1	0.1
Total East Cairo	5,027,421		5,358	66	15.8
Allegria	2,428,283	DCF	220	3	0.6
Westown	761,534	DCF, NAV	256	3	0.8
October Plaza	126,000	DCF, NAV	99	1	0.3
One16	35,293	DCF	79	1	0.2
Al-Yosr	630,000	DCF	188	2	0.6
500-feddan project	2,100,000	DCF	104	1	0.3
Other West	630,357	DCF, NAV	599	7	1.8
Total West Cairo	6,711,467		1,545	19	4.6
Cesar	386,922	DCF	344	4	1.0
Malaaz	1,260,000	DCF	878	11	2.6
Total North Coast	1,646,922		1,222	15	3.6
Total projects	13,385,810		8,124	100	24.0
Cash and equivalents			4,396		13.0
Debt			(1,514)		(4.5)
NPV of land liabilities			(718)		(2.1)
Westown settlement			(800)		(2.4)
TP			9,489		28.0

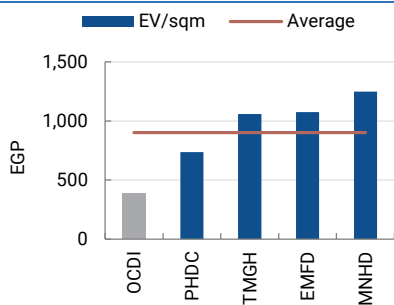
Source: CI Capital Research

Presales breakdown by area – East Cairo dominant in the short-run, but West Cairo and North Coast to grow in stature



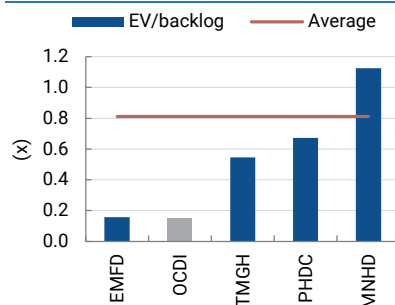
Source: CI Capital estimates

SODIC cheapest on EV/sqm,...



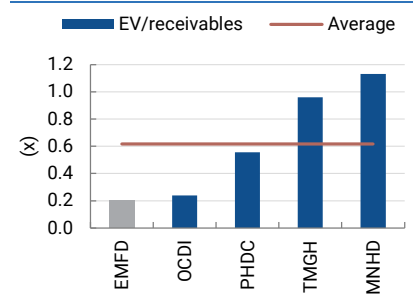
Source: CI Capital Research

...EV to backlog,...



Source: CI Capital Research

...and EV to receivables



Source: CI Capital Research

Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	2,293	3,784	5,270	5,369	5,883
CoGS	(1,410)	(2,394)	(3,343)	(3,079)	(3,379)
Gross profit	883	1,391	1,928	2,289	2,504
Gross profit margin (%)	39	37	37	43	43
EBITDA	510	801	1,039	1,386	1,592
Depreciation and amortisation	(32)	(37)	(47)	(49)	(53)
EBIT	478	764	992	1,336	1,540
Net interest income (expense)	321	205	174	294	554
PBT	799	969	1,166	1,631	2,094
Taxes	(200)	(128)	(262)	(367)	(471)
Net income	599	841	904	1,264	1,623
Attributable net income	597	440	901	1,261	1,619

Balance sheet

Cash and equivalents	3,490	1,173	4,214	5,524	6,627
Accounts and notes receivable	3,732	3,860	4,109	4,358	4,672
Development properties	8,011	8,037	6,865	5,080	3,903
Other current assets	1,534	3,765	1,718	1,885	2,069
Total current assets	16,767	16,835	16,906	16,847	17,270
Property, plant, & equipment	293	290	286	281	279
Accounts and notes receivable	7,491	8,258	9,752	11,251	13,131
Other non-current assets	119	120	120	120	120
Total assets	24,671	25,503	27,064	28,500	30,800
Short-term debt & overdraft	539	173	330	153	153
Customer advances	15,497	16,445	17,092	17,771	18,658
Land liabilities and notes	756	498	552	484	448
Other current liabilities	2,113	1,841	1,818	1,781	1,758
Total current liabilities	18,905	18,957	19,792	20,190	21,017
Long-term debt	957	1,424	1,397	1,247	1,097
Land liabilities and notes	353	225	75	-	-
Other credit balances	12	12	12	12	12
Total liabilities	20,228	20,619	21,276	21,449	22,125
Shareholder equity	4,377	4,816	5,717	6,978	8,597
Minority interests	67	68	70	73	77
Total equity and liabilities	24,671	25,503	27,064	28,500	30,800

Cash flow statement

Operating cash flow	645	386	1,212	1,680	2,147
Working capital changes	(96)	(896)	(458)	2	(846)
Net operating cash flow	549	(510)	754	1,682	1,301
Net investment cash flow	396	(1,907)	2,157	(45)	(48)
Net financing cash flow	325	100	130	(327)	(150)
Net change in cash	1,269	(2,317)	3,041	1,310	1,103
FCF	488	(544)	711	1,637	1,253

Source: Company data, CI Capital estimates
 Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	3,254	3,254	3,254	3,254	3,254
EPS (basic)	1.8	1.3	2.7	3.7	4.8
DPS	-	-	-	-	-
BVPS	12.9	14.2	16.9	20.6	25.4
FCFPS	1.4	(1.6)	2.1	4.8	3.7
Valuation					
P/E (basic) (x)	8.9	12.0	5.9	4.2	3.3
P/BV (x)	1.2	1.1	0.9	0.8	0.6
Dividend yield (%)	-	-	-	-	-
FCF yield (%)	9	(10)	13	31	24
EV/revenue (x)	1.4	0.9	0.6	0.6	0.6
EV/EBITDA (x)	6.4	4.1	3.1	2.3	2.0

Growth (% y-o-y)

Revenue	10.9	65.1	39.3	1.9	9.6
EBITDA	6	57	30	33	15
EBIT	4	60	30	35	15
EPS	39	(26)	105	40	28

Profitability (%)

RoE	13.6	9.1	15.8	18.1	18.8
RoA	2.4	3.3	3.3	4.4	5.3
RoIC	10.2	6.9	12.1	15.0	16.4
Asset turnover (x)	10.8	6.7	5.1	5.3	5.2
EBITDA margin	22	21	20	26	27
Net profit margin	26	22	17	24	28

Liquidity (x)

EBITDA/net interest	1.6	3.9	6.0	4.7	2.9
Net debt/equity	(0.5)	(0.4)	(0.4)	(0.6)	(0.6)
Net debt/total assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Net debt/EBITDA	(4.1)	(2.2)	(2.4)	(3.0)	(3.4)
Current ratio	0.9	0.9	0.9	0.8	0.8
Quick ratio	0.4	0.3	0.4	0.5	0.5

OVERWEIGHT

Target price (EGP)	17.5
Share price (EGP)	11.6
Potential upside (%)	50.9

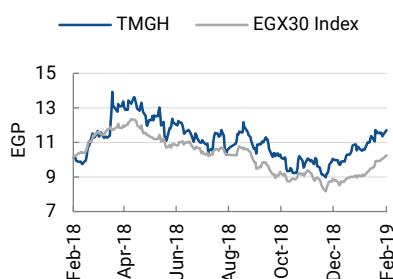
Share details

6M avg daily value (USDmn)	1.01
%Δ: m-o-m / 6M / y-o-y	10 / 9 / 16
Rel. %Δ: m-o-m / 6M / y-o-y	(3) / 10 / 14
No. of shares (mn)	2,064
Market cap (USDmn)	1,380
Market cap (EGPmn)	24,165

Ownership structure (%)

TMG Investment	43
Alexandria Company for Cons.	8
RIMCO Egypt Investment	6
Schroders PLC	5
Free float/other shareholders	38

Performance



Source: Bloomberg
 Closing prices as of 18 February 2019

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TALAAAT MOUSTAFA GROUP (TMG)

TMGH.EY / TMGH.CA

Favourable mix of stability and growth

Our LT play on the sector. TMG is the largest developer by market cap, presales, backlog, and revenue. We favour its superior development capabilities, cash flow generation, and diverse revenue mix. We see an upside potential of >50%, with its EV-to-backlog at par to peers' average, despite TMG's solid balance sheet (net cash EGP2.7bn), strong track record (backlog of EGP41bn), brand equity, and clear earnings visibility (2018-21e EPS CAGR of 32%). TMG should also benefit from improvement in stock market activity, on increased foreign flows (largest market cap in sector), potentially positioning it as an MSCI index play.

Long-term value stored in Madinaty. With Al Rehab selling its final phase and Celia expected to be fully sold by 2020, TMG's long-term story continues to lie in Madinaty (54% of EV), where we expect marketing focus to shift and presales to pick up in the coming years (EGP47bn of residential sales in the next five years). We view Madinaty as the long-term central hub of East Cairo, with the New Administrative Capital now well underway, coupled with the high infrastructure spending by the government in East Cairo. We look for TMG to capitalise on this through continued commercial presales (EGP25bn over the coming five years), while simultaneously growing its recurring income portfolio (retail, clubs, FS Madinaty, etc.), providing long-term, sustainable value.

Improved hotels performance. Average occupancy within TMG's hospitality portfolio (23% of EV) reached 66% in 9M18 (58% in 2017), with Cairo hotels achieving an occupancy of 78% (69% in 2017), on our estimates. Average ARR's increased 15%, partly driven by gradually improving conditions in Sharm El Sheikh. This translates into top line growth of 35% y-o-y, with an EV of USD240k/room, an 8% discount to the global average. We expect a 2018-21 top line CAGR of 20%.

Strong cash generation. TMG generated positive OCF since 2013, with over EGP2bn in 9M18. The sustainable recurring income base (c25% of revenue), along with strong traction for presales (avg. of EGP17bn in next five years) put TMG in a solid financial position. The high-margin commercial launches and growth in recurring income (18-21e rev. CAGR of 16%) are expected to further improve cash generation over the coming years (avg. OCF of EGP3.9bn).

KPI summary

	2017a	2018e	2019e	2020e	2021e
Net presales (EGPbn)	13.1	21.3	17.9	17.7	16.2
Revenues (EGPmn)	8,534	10,176	10,703	11,569	17,767
Gross profit margin (%)	36.5	37.3	37.6	37.5	41.6
Net income (EGPmn)	1,439	1,535	1,982	2,318	4,400
RoE (%)	5.1	5.1	6.0	6.4	10.5
Net debt-to-equity	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)

Source: CI Capital estimates

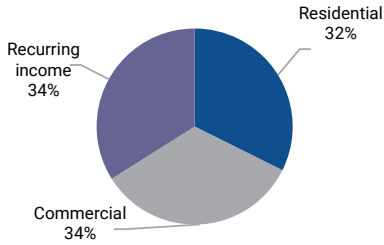


Talaat Moustafa Group (TMG)

Real estate
Egypt

Valuation & assumptions

Value almost equally distributed



Source: CI Capital estimates

Valuation summary

Project	Area (mn sqm)	Valuation	EV (EGPmn)	As % of EV	EV/share (EGP)
Madinaty	24.6	DCF	7,570	22	3.67
Rehab	2.9	DCF	1,035	3	0.50
Celia	2.1	DCF	2,331	7	1.13
Commercial	6.6	DCF	11,386	34	5.52
Hotels		DCF	7,607	23	3.69
Recurring income		DCF	3,866	11	1.87
Total assets	36.2		33,796		16.38
Cash & investments			7,681		3.72
Debt			(5,017)		(2.43)
Dividends			(351)		(0.17)
TP			36,109		17.50

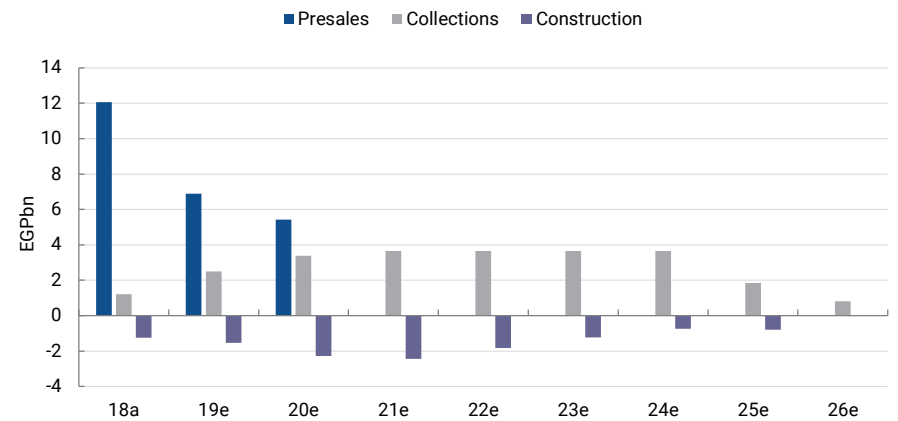
Source: CI Capital estimates

Details/assumptions on Celia

Area (sqm)	2,100,000
BuA (sqm)	1,260,000
Apartments	8,000
Villas	1,100
Starting apt. price (EGPk/sqm)	17
Starting villa price (EGPk/sqm)	22
Expected proceeds (EGPbn)	33
Sales period	5
Total investment cost (EGPbn)	20

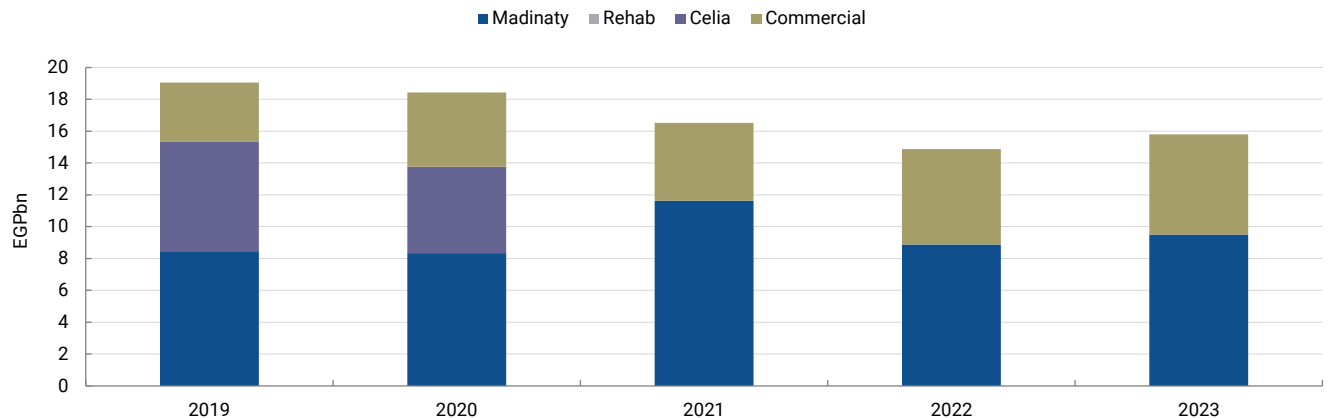
Source: Company data, CI Capital estimates

Presales and cash flow assumptions for Celia



Source: CI Capital estimates

Sales breakdown by project – Celia a strong short-term contributor, but Madinaty and commercial sales here to stay



Source: CI Capital estimates



Talaat Moustafa Group (TMG)

Real estate

Egypt

Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	8,534	10,176	10,703	11,569	17,767
CoGS	(5,415)	(6,380)	(6,678)	(7,226)	(10,375)
Gross profit	3,119	3,797	4,025	4,343	7,392
Gross profit margin	36.5	37.3	37.6	37.5	41.6
EBITDA	2,553	2,946	3,106	3,351	5,871
Depreciation and amortisation	(145)	(166)	(172)	(178)	(184)
EBIT	2,408	2,779	2,933	3,173	5,687
Net interest	(108)	(68)	259	471	756
PBT	1,793	2,076	2,677	3,129	5,927
Taxes	(410)	(477)	(612)	(714)	(1,343)
Att. net income	1,439	1,535	1,982	2,318	4,400
Balance sheet					
Cash and equivalents	3,340	4,175	4,207	6,076	10,805
Accounts and notes receivable	18,329	33,461	43,043	49,905	52,620
Work in progress	24,410	25,659	27,482	29,528	29,232
Other current assets	4,107	5,477	4,890	4,793	4,497
Total current assets	50,187	68,772	79,621	90,303	97,153
PPE	3,834	3,849	3,859	3,863	3,861
Projects under construction	2,785	4,085	5,385	6,585	7,185
Investments (inc. associates)	2,617	2,617	2,617	2,617	2,617
Total non-current assets	22,933	23,728	24,518	25,202	25,280
Total assets	73,119	92,500	104,139	115,505	122,433
Short-term debt & overdraft	2,284	1,729	1,229	502	502
Customer advances	24,118	39,515	50,987	61,479	64,520
Other current liabilities	10,338	13,301	11,792	11,425	10,547
Total current liabilities	36,740	54,545	64,008	73,406	75,569
Long-term debt	2,949	2,449	1,949	1,449	949
Land liabilities and notes	4,170	4,170	4,170	3,508	2,847
Total non-current liabilities	7,226	6,726	6,226	5,065	3,903
Total liabilities	43,967	61,272	70,234	78,471	79,473
Equity	28,134	30,210	32,886	36,015	41,941
Minority interests	1,019	1,019	1,019	1,019	1,019
Total equity and liabilities	73,119	92,500	104,139	115,505	122,433
Cash flow statement					
Operating cash flow	2,116	2,596	3,197	3,649	6,447
Working capital changes	(1,234)	610	(855)	651	(620)
Net operating cash flow	882	3,206	2,342	4,299	5,827
Net investment cash flow	(1,290)	(1,315)	(1,310)	(1,204)	(598)
Net financing cash flow	502	(1,055)	(1,000)	(1,227)	(500)
Net change in cash	94	835	32	1,869	4,729
FCF	(91)	1,890	1,032	3,096	5,229

Source: Company data, CI Capital estimates
Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	23,776	23,776	23,776	23,776	23,776
EPS (basic)	0.7	0.7	1.0	1.1	2.1
DPS	0.17	0.17	0.19	0.21	0.25
BVPS	13.6	14.6	15.9	17.5	20.3
FCFPS	(0.0)	0.9	0.5	1.5	2.5
Valuation					
P/E (basic) (x)	16.6	15.6	12.1	10.3	5.4
P/BV (x)	0.9	0.8	0.7	0.7	0.6
Dividend yield (%)	1.5	1.5	1.6	1.8	2.2
FCF yield (%)	(0.4)	7.9	4.3	12.9	21.8
EV/revenue (x)	2.8	2.3	2.2	2.1	1.3
EV/EBITDA (x)	9.3	8.1	7.7	7.1	4.1
Growth (% y-o-y)					
Revenue	29.8	19.2	5.2	8.1	53.6
EBITDA	29.1	15.4	5.4	7.9	75.2
EBIT	30.9	15.4	5.5	8.2	79.2
EPS	74.1	6.6	29.1	17.0	89.8
Profitability (%)					
RoE	5.1	5.1	6.0	6.4	10.5
RoA	2.0	1.7	1.9	2.0	3.6
RoIC	4.3	4.5	5.5	6.1	10.1
Asset turnover (x)	0.1	0.1	0.1	0.1	0.1
EBITDA margin	30	29	29	29	33
Net profit margin	17	15	19	20	25
Liquidity (x)					
EBITDA/net interest	(24)	(43)	12	7	8
Net debt/equity	(0.0)	(0.1)	(0.1)	(0.2)	(0.3)
Net debt/total assets	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Net debt/EBITDA	(0.5)	(1.0)	(1.3)	(2.1)	(2.1)
Current ratio	1.4	1.3	1.2	1.2	1.3
Quick ratio	0.6	0.7	0.7	0.8	0.8

OVERWEIGHT

Target price (EGP)	12.0
Share price (EGP)	7.24
Potential upside (%)	65.7

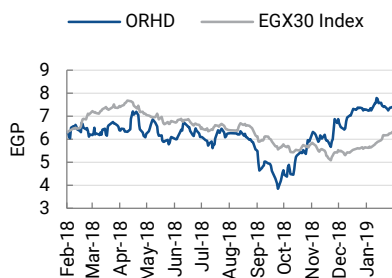
Share details

6M avg daily value (USDmn)	1.10
%Δ: m-o-m / 6M / y-o-y	0 / 17 / 16
Rel. %Δ: m-o-m / 6M / y-o-y	(13) / 17 / 15
No. of shares (mn)	1,130
Market cap (USDmn)	470
Market cap (EGPmn)	8,275

Ownership structure (%)

Orascom Development Holding	77
Free float	23

Performance



Source: Bloomberg
Closing prices as of 18 February 2019

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ORASCOM DEVELOPMENT EGYPT (ODE)

ORHD.EY / ORHD.CA

Well-positioned for further rerating; Overweight

Play on improvement in tourism outlook. In Dec-18, Hurghada received its first EasyJet flight in three years, while Russians have started arriving at Sharm El Sheikh, albeit through Kazakhstan. We expect the EasyJet news to reflect positively on El Gouna operations, with an increase in Hurghada prices and occupancies expected to have a trickle-down effect on El Gouna. Russians returning to Sharm El Sheikh may bode well for the long-term story of Taba, previously a strong attraction for Russian tourism.

Raise our TP 33% to EGP12.0/share. This is to account for: i) higher-than-expected selling prices in El Gouna; we increased average selling prices in 2019-21e 14% to EGP48k/sqm, and ii) faster sales for O-West, the company's first primary market project. ODE trades on a EV of EGP370/sqm, a c40% discount to ERC's EGP620/sqm. We find this unjustified, as ODE is significantly better operationally positioned (2017 OCF of EGP700mn vs. EGP4mn for ERC; 2019e ROE 26% vs. 8% for ERC), with a more diversified portfolio. Accordingly, we view ODE as an attractive entry point for touristic exposure.

Contracted sales to almost double in 2019, aided by sales in O-West. In Dec-18, a soft launch was held for ODE's long-awaited O-West project, followed by a fully-fledged launch earlier this year. We expect the project to generate presales of cEGP17bn over the next five years (48% of sales), and contracted sales to grow 15% and 13% in 2020 and 2021 to EGP6bn and EGP7bn, respectively. Capitalising on its prime location, management plans to imminently launch the commercial component at O-West, which would represent an upside risk to our numbers.

Sale of non-core assets not in our numbers. ODE's OGM approved the sale of Tamweel in Jun-18, and is currently in the process of selling its three hotels in Makadi. These transactions are expected to generate net proceeds of EGP800mn, with a one-time gain on the income statement of cEGP450mn, and cEGP260mn of unconsolidated debt. Upon completion, these transactions would increase our TP by c8% (EGP0.95/share), all else constant. That said, we do not account for any revenue from Makadi hotels or Tamweel starting 2019.

KPI summary

	2017a	2018e	2019e	2020e	2021e
Net presales (EGPbn)	1.4	2.5	5.3	6.1	6.9
Revenues (EGPmn)	2,603	3,321	3,832	4,379	5,168
Gross profit margin (%)	29.5	32.1	31.9	31.4	29.2
Net income (EGPmn)	288	678	666	873	998
RoE (%)	19.5	35.0	25.6	25.1	22.3
Net debt-to-equity (x)	1.6	0.9	0.2	(0.5)	(1.2)

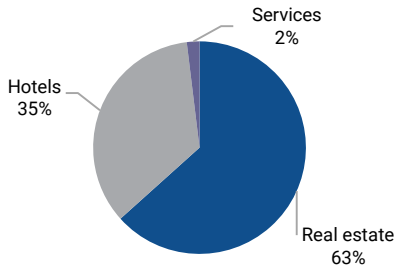
Source: CI Capital estimates



Orascom Development Egypt (ODE)
Real estate
Egypt

Valuation & assumptions

Valuation breakdown by segment



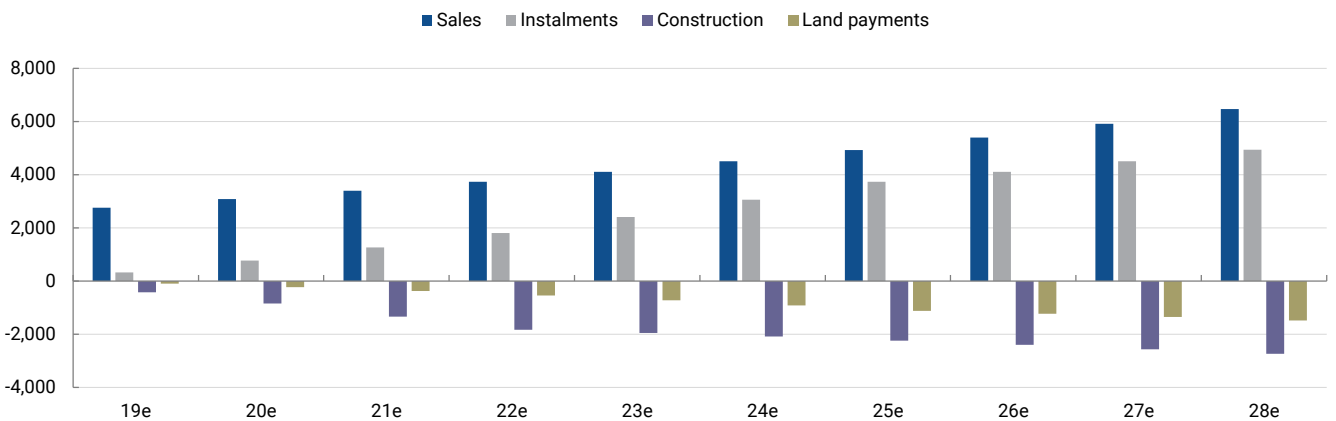
Source: CI Capital Research

Valuation summary

Project	Methodology	EV (EGPmn)	As % of EV	EV/share (EGP)
El Gouna	DCF	5,531	33	4.99
Taba	DCF	223	1	0.20
Byoum	DCF	22	0	0.02
Total hotels		5,776	35	5.21
El Gouna	DCF	7,478	45	6.75
Makadi	DCF	149	1	0.13
Taba	NAV	72	0	0.07
Byoum	NAV	40	0	0.04
O-West	DCF	2,791	17	2.52
Total residual		10,531	63	9.50
Total services		320	2	0.29
Gross EV		16,626	100	15.0
Cash		959		0.87
Debt		(4,287)		(3.87)
Net EV		13,299		12.0

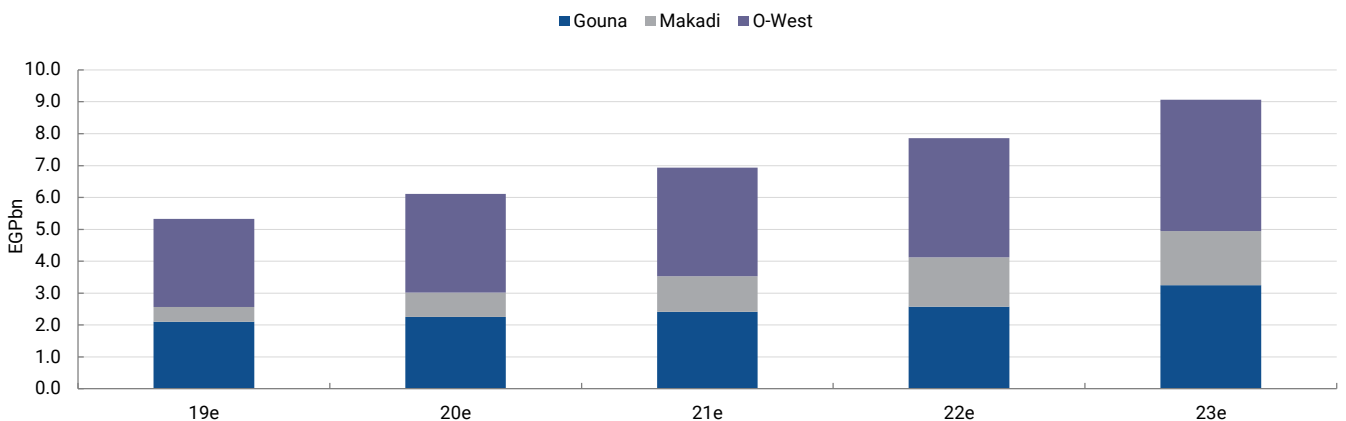
Source: CI Capital Research

Assumptions for first 10 years of O-West – Expect first few years in the red, with heavy capex upfront



Source: CI Capital estimates

Variety of projects provides ODE with diverse pipeline over the coming years



Source: CI Capital estimates



Orascom Development Egypt (ODE)

Real estate

Egypt

Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	2,603	3,321	3,832	4,379	5,168
CoGS	(1,835)	(2,255)	(2,608)	(3,005)	(3,659)
Gross profit (inc. depreciation)	767	1,066	1,223	1,374	1,509
Gross profit margin (%)	29	32	32	31	29
EBITDA	1,182	1,775	1,402	1,653	1,798
Depreciation and amortisation	(222)	(258)	(227)	(246)	(271)
EBIT	960	1,517	1,175	1,407	1,527
Net interest income (expense)	(439)	(506)	(290)	(255)	(214)
PBT	521	1,010	885	1,152	1,313
Taxes	(129)	(253)	(199)	(259)	(295)
Net income	392	758	686	893	1,018
Attributable net income	288	678	666	873	998
Balance sheet					
Cash and equivalents	1,258	1,410	2,473	4,706	8,409
Accounts and notes receivable	916	1,027	1,760	2,588	3,521
Inventory	625	1,080	1,640	2,393	3,390
Other current assets	2,785	808	808	808	808
Total current assets	5,584	4,325	6,681	10,496	16,128
Property, plant, & equipment	3,125	3,110	3,094	3,078	3,063
Investment property	90	88	86	83	81
Projects under construction	356	401	446	491	536
Accounts and notes receivable	663	1,289	3,189	3,911	3,268
Other non-current assets	240	240	240	240	240
Total assets	10,057	9,452	13,734	18,299	23,315
Short-term debt & overdraft	4,243	386	491	466	506
Customer advances	931	2,330	6,282	10,416	14,849
Other current liabilities	2,276	586	586	586	586
Total current liabilities	7,450	3,302	7,359	11,468	15,941
Long-term debt	183	3,190	2,729	2,293	1,817
Other non-current liabilities	484	484	484	484	484
Total liabilities	8,117	6,976	10,572	14,245	18,242
Shareholder equity	1,480	1,936	2,602	3,474	4,472
Minority interests	460	540	560	580	600
Total equity and liabilities	10,057	9,452	13,734	18,299	23,315
Cash flow statement					
Operating cash flow	913	693	1,018	1,285	1,446
Working capital changes	(206)	206	760	1,829	3,148
Net operating cash flow	621	646	1,579	2,854	4,299
Net investment cash flow	(187)	638	(160)	(160)	(160)
Net financing cash flow	5	(1,071)	(356)	(461)	(436)
Net change in cash	439	213	1,062	2,233	3,703
FCF	403	486	1,418	2,694	4,139

Source: Company data, CI Capital estimates
Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	10,732	10,732	10,732	10,732	10,732
EPS (basic)	0.3	0.6	0.6	0.8	0.9
DPS	0.2	-	-	-	-
BVPS	1.3	1.7	2.3	3.1	4.0
FCFPS	0.4	0.4	1.3	2.4	3.7
Valuation					
P/E (basic) (x)	27.8	11.8	12.1	9.2	8.0
P/BV (x)	5.4	4.1	3.1	2.3	1.8
Dividend yield (%)	2.8	-	-	-	-
FCF yield (%)	5.0	6.1	17.7	33.6	51.6
EV/revenue (x)	4.1	3.2	2.8	2.5	2.1
EV/EBITDA (x)	9.1	6.0	7.7	6.5	6.0
Growth (% y-o-y)					
Revenue	79	28	15	14	18
EBITDA	582	50	(21)	18	9
EBIT	n/a	58	(23)	20	9
EPS	n/a	135	(2)	31	14
Profitability (%)					
RoE	19.5	35.0	25.6	25.1	22.3
RoA	2.9	7.2	4.8	4.8	4.3
RoIC	4.9	12.3	11.4	14.0	14.7
Asset turnover (x)	0.3	0.4	0.3	0.2	0.2
EBITDA margin	45	53	37	38	35
Net profit margin	11	20	17	20	19
Liquidity (x)					
EBITDA/net interest	(2.7)	(3.5)	(4.8)	(6.5)	(8.4)
Net debt/equity	1.6	0.9	0.2	(0.5)	(1.2)
Net debt/total assets	0.3	0.2	0.1	(0.1)	(0.3)
Net debt/EBITDA	2.7	1.2	0.5	(1.2)	(3.4)
Current ratio	1.2	1.4	1.3	1.3	1.3
Quick ratio	0.3	0.7	0.6	0.6	0.7

OVERWEIGHT

Target price (EGP)	4.20
Share price (EGP)	2.75
Potential upside (%)	52.7

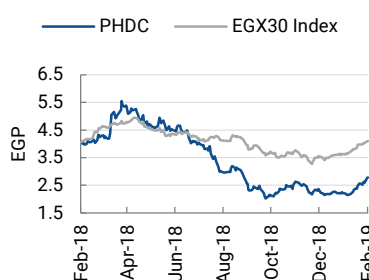
Share details

6M avg daily value (USDmn)	1.83
%Δ: m-o-m / 6M / y-o-y	25 / (6) / (31)
Rel. %Δ: m-o-m / 6M / y-o-y	12 / (6) / (33)
No. of shares (mn)	3,079
Market cap (USDmn)	490
Market cap (EGPmn)	8,565

Ownership structure (%)

MMID	41
Union Properties	18
Free float	41

Performance



Source: Bloomberg
 Closing prices as of 18 February 2019

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PALM HILLS DEVELOPMENTS (PHD)

PHDC.EY / PHDC.CA

Biggest short-term beneficiary; Resume with OW

Expect speedy rerating, as rate cuts continue. We resume coverage on PHD with a TP of EGP4.20/share, implying 53% upside, warranting an Overweight rating. With the resumption of monetary easing, and PHD's highly leveraged position, coupled with its significant securitisation pipeline, we expect the company to be the first within our coverage to rerate. PHD's share price dropped by a staggering 50% since its peak in Apr-18, pushing the stock to trade on an EV of EGP730/sqm, a 20% discount to peers.

Rights issue provides cash flow visibility. PHD recently completed an EGP1.54bn rights issue, which was fully subscribed by end-2018. Proceeds from this offering are expected to go towards: i) development in Badya (EGP990mn), ii) a mall in PHNC (EGP150mn), iii) the 205-feddan co-development with Arkan (EGP250mn), and iv) and development expenses in The Crown (EGP150mn). PHD recently took up another cEGP500mn loan, while increasing one of its allowable credit facilities by cEGP400mn. Jointly, the rights issue and the new debt provide cash flow visibility over the next two years for PHD.

We believe in Badya's long-term story. The first phase of Badya is expected to continue pressuring PHD's cash flows in the short to medium-term, as the pricing is still discounted relative to other West Cairo projects (c40% discount) and payment plans are relatively extended (8 years vs. average of 6). That said, land comes at cash-flexible terms, with payments largely back-loaded and made over c13 years. We believe in the project's long-term story, with the early cash-strained phases merely a platform for long-term profitability.

Alexandria project positive for cash flows. PHD recently launched its project in Alexandria, with exact figures from the launch not yet disclosed. It is our understanding, however, that the project was well-received by the market, due to the governorates being relatively untapped areas, with strong pent-up demand in the area. We believe this launch should bode well for cash flows, with instalment plans for the project at 4-5 years, due to lack of competition in the area, coupled with strong demand for the product.

KPI summary

	2017a	2018e	2019e	2020e	2021e
Net presales (EGPbn)	10.5	12.3	12.6	13.4	14.6
Revenues (EGPmn)	6,604	6,926	7,068	7,256	7,803
Gross profit margin (%)	31.9	36.9	36.6	37.7	44.4
Net income (EGPmn)	806	754	862	1,272	1,944
RoE (%)	12	8	8	10	13
Debt-to-equity (x)	0.5	0.4	0.3	0.1	(0.2)

Source: Company data, CI Capital estimates

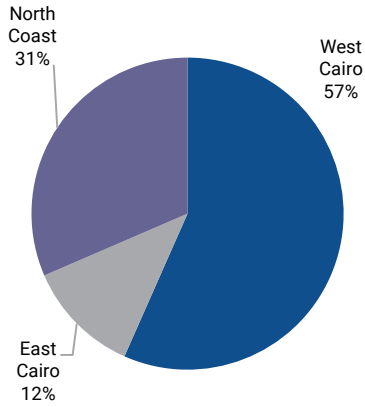


Palm Hills Developments (PHD)

Real estate
Egypt

Valuation and assumptions

Valuation breakdown by location



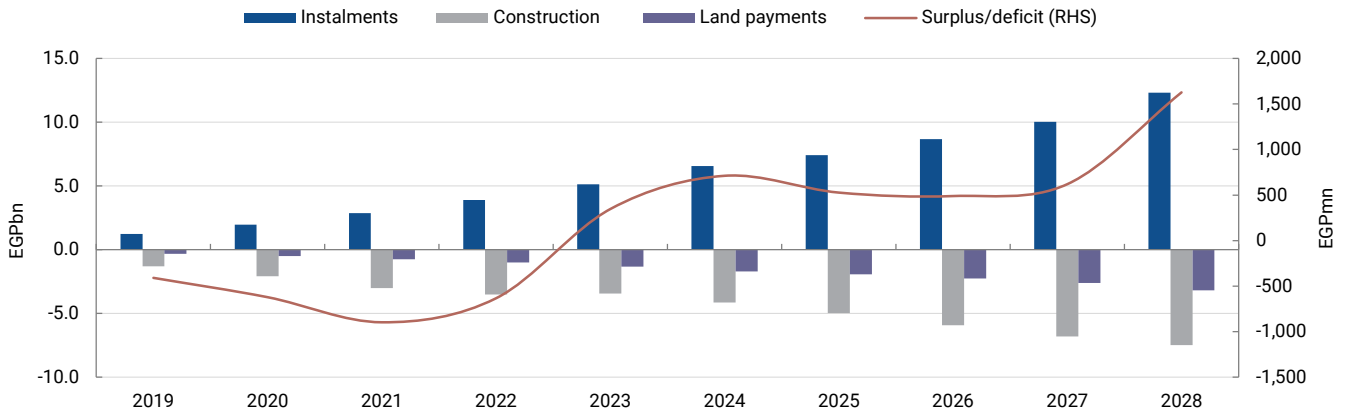
Source: CI Capital Research

Valuation summary

Assets	Land area (sqm)	Valuation methodology	EV (EGPmn)	As % of EV	EV/share (EGP)
Badya	12,600,000	DCF	3,739	23	1.21
The Crown	798,000	DCF	492	3	0.16
Palm Parks	474,600	DCF	656	4	0.21
Other West Cairo	5,709,818	DCF	1,879	12	0.61
Total West Cairo	19,582,418		6,767	42	2.20
Palm Hills New Cairo	2,100,000	DCF	700	4	0.23
Other East Cairo	2,352,375	DCF	721	4	0.23
Total East Cairo	4,452,375		1,421	9	0.46
Hacienda Bay	2,410,961	DCF	1,385	9	0.45
Alexandria	567,000	DCF	1,471	9	0.48
Other North Coast	1,252,809	DCF	907	6	0.29
Total North Coast	4,230,771		3,763	23	1.22
Total projects	28,265,564		11,950	74	3.88
Botanica	7,138,152	NAV	1,428	9	0.46
Commercial land	972,950	DCF	1,406	9	0.46
ERC land	92,000	NAV	29	0	0.01
Total raw land	8,203,102		2,863	18	0.93
Palm Hills Club			986	6	0.32
Hotels			344	2	0.11
Total EV			16,143		5.24
Cash & equivalents			1,449		0.47
Gross debt (inc. overdrafts)			(4,667)		(1.52)
TP			12,925		4.20

Source: CI Capital Research

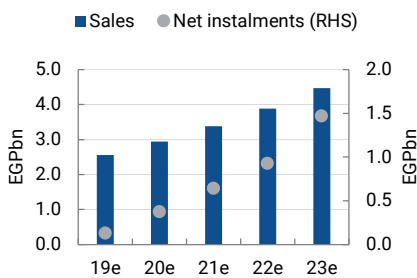
Badya assumptions – Project to break even over the coming years, with positive long-term prospects



Source: CI Capital estimates

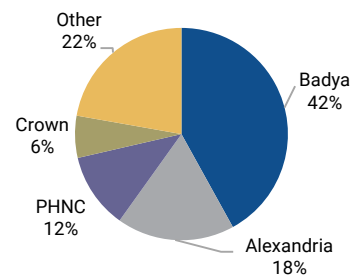
Note: Only includes first 10 years of the project

Sales assumptions for Alexandria



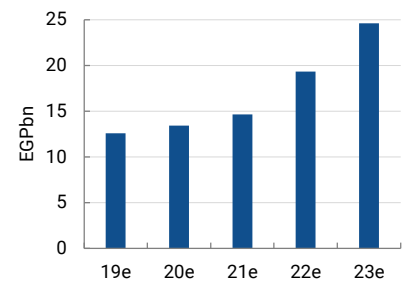
Source: CI Capital estimates

Sales contribution by project



Source: CI Capital estimates

Contracted sales estimates



Source: CI Capital estimates

Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	6,604	6,926	7,068	7,256	7,803
CoGS	(4,500)	(4,372)	(4,479)	(4,519)	(4,342)
Gross profit	2,103	2,554	2,589	2,737	3,462
SG&As	(756)	(859)	(877)	(900)	(968)
EBITDA	1,347	1,695	1,712	1,837	2,493
Depreciation and amortisation	(20)	(54)	(129)	(135)	(142)
EBIT	1,327	1,641	1,583	1,702	2,351
Net interest income (expense)	(149)	(136)	(148)	100	317
PBT	1,103	1,151	1,249	1,795	2,692
Taxes	(167)	(321)	(312)	(449)	(673)
Net income	936	829	937	1,347	2,019
Attributable net income	806	754	862	1,272	1,944

Balance sheet

Cash and equivalents	562	1,145	1,857	3,682	5,420
Short-term receivables	3,896	5,751	7,644	9,574	11,445
Work in progress	9,194	12,002	15,104	18,953	23,746
Other current assets	1,896	1,633	1,660	1,724	1,841
Total current assets	15,548	20,531	26,265	33,932	42,452
Property, plant, & equipment	347	1,502	1,495	1,488	1,480
Long-term receivables	11,357	16,192	18,666	20,912	23,137
Other non-current assets	1,999	1,990	1,990	1,995	2,003
Total assets	29,251	40,215	48,415	58,327	69,073
Short-term debt & overdraft	1,405	1,001	849	1,763	27
Customer advances	10,132	15,950	21,907	28,532	35,852
Short-term notes payable	1,240	998	940	884	829
Other current liabilities	1,938	4,390	6,275	8,731	11,638
Total current liabilities	14,715	22,341	29,971	39,910	48,346
Long-term debt	3,229	3,774	4,232	3,022	3,022
Long-term notes payable	1,913	1,705	1,450	1,218	1,008
Other current non-current liabilities	2,155	2,539	1,733	1,428	1,329
Total liabilities	22,011	30,359	37,386	45,577	53,706
NAV	6,702	9,317	10,491	12,211	14,828
Minority interests	538	538	538	538	538
Total equity and liabilities	29,251	40,215	48,415	58,327	69,073

Cash flow statement

Operating cash flow	1,357	1,094	1,157	1,830	2,781
Working capital changes	(1,636)	(927)	(573)	479	890
Net operating cash flow	(278)	167	584	2,309	3,671
Net investment cash flow	131	(1,191)	(103)	(113)	(121)
Net financing cash flow	(99)	1,607	230	(371)	(1,811)
Net change in cash	(246)	583	711	1,825	1,738
FCF	(316)	(1,033)	482	2,201	3,557

Source: Company data, CI Capital estimates
Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	11,480	11,480	11,480	11,480	11,480
EPS (basic)	0.3	0.2	0.3	0.4	0.6
DPS	-	-	-	-	1.00
BVPS	2.2	3.0	3.4	4.0	4.8
FCFPS	(0.1)	(0.3)	0.2	0.7	1.2
Valuation					
P/E (basic) (x)	10.5	11.2	9.8	6.7	4.4
P/BV (x)	1.3	0.9	0.8	0.7	0.6
Dividend yield (%)	n/a	n/a	n/a	n/a	n/a
FCF yield (%)	(4)	(12)	6	26	42
EV/revenue (x)	1.7	1.7	1.6	1.6	1.5
EV/EBITDA (x)	8.5	6.8	6.7	6.2	4.6

Growth (% y-o-y)

Revenue	17	5	2	3	8
EBITDA	33	26	1	7	36
EBIT	33	24	(4)	7	38
EPS	26	(6)	14	48	53

Profitability (%)

RoE	12	8	8	10	13
RoA	3	2	2	2	3
RoIC	7	5	6	7	11
Asset turnover (x)	0.2	0.2	0.1	0.1	0.1
EBITDA margin	20	24	24	25	32
Net profit margin	12	11	12	18	25

Liquidity (x)

EBITDA/net interest	(9.0)	(12.4)	(11.6)	18.3	7.9
Net debt/equity	0.5	0.4	0.3	0.1	(0.2)
Net debt/total assets	0.1	0.1	0.1	0.0	(0.0)
Net debt/EBITDA	2.6	2.1	1.9	0.6	(1.0)
Current ratio	1.1	0.9	0.9	0.9	0.9
Quick ratio	0.4	0.4	0.4	0.4	0.4

OVERWEIGHT

Target price (EGP)	11.5
Share price (EGP)	7.42
Potential upside (%)	55.0

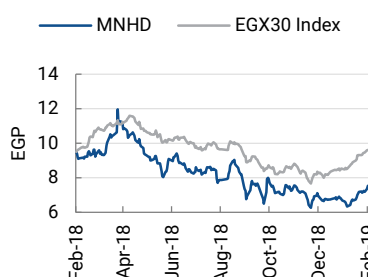
Share details

6M avg daily value (USDmn)	0.97
%Δ: m-o-m / 6M / y-o-y	13 / (4) / (21)
Rel. %Δ: m-o-m / 6M / y-o-y	0 / (4) / (22)
No. of shares (mn)	1,200
Market cap (USDmn)	515
Market cap (EGPmn)	9,040

Ownership structure (%)

BIG Investment Group	24
National Company for Construction	15
BPE Partners	7
Free float	54

Performance



Source: Bloomberg
Closing prices as of 18 February 2019

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MADINET NASR FOR HOUSING AND DEVELOPMENT (MNHD)

MNHD.EY / MNHD.CA

Non-residential component to enter the fold; OW

Commercial phase already launched. We resume coverage on MNHD with a target price of EGP11.5/share, implying 55% upside, warranting an Overweight rating. Following the cancellation of the deal with SODIC, the main focus for MNHD over the coming period is to capitalise on the growing population and prime location of Taj City, by launching the non-residential component. Office space in the project has already been pre-launched, coming at a margin of c60%, with cash flows from this sale expected to aid in building a recurring income portfolio over the coming four years.

Residential sales to remain relatively flat. MNHD generated cEGP5.5bn in 2018, barely meeting its target for the year. For 2019, we expect relatively flat y-o-y residential sales (cEGP5.2bn), with the main upside for the year coming from the launch of the aforementioned non-residential segment (cEGP1.5bn in 2019). We look for sales to continue in sub-phases within Sarai and Taj City. However, with the introduction of the non-residential component in Taj City, we see sales focus to be more geared towards there.

Cheap land bank not to be taken for granted. MNHD currently has a residual land bank of over 7mn sqm, located in prime, maturing areas in East Cairo. The stock continues to trade at a premium to peers in terms of EV/sqm (c35% premium), which we find justified, on: i) the land being almost completely cost-free, and ii) a large portion of the land bank earmarked for non-residential development (20% of residual land). Accordingly, we continue to believe MNHD's cost-free, prime land bank is largely undervalued by the market at current levels.

Land sales a financing option. With a capex-heavy development pipeline, coupled with MNHD's current net cash position of cEGP160mn, land sales could be seen as a strong source of financing for the company going forward. Once population starts to build up in the projects, MNHD will be able to sell the land at steep premiums to average land prices in the area. By doing so, the company will have a quick alternative debt to expedite the monetisation of its land bank. That said, management will need to be highly selective of buyers to ensure the quality of the wider project is maintained.

KPI summary

	2017a	2018e	2019e	2020e	2021e
Net presales (EGPbn)	5.1	5.5	6.6	7.1	7.8
Revenues (EGPmn)	2,428	2,783	3,668	4,467	7,744
Gross profit margin (%)	65	64	69	67	57
Net income (EGPmn)	932	1,085	1,509	1,731	2,763
RoE (%)	38	33	32	27	30
Net debt-to-equity (x)	0.0	(0.1)	0.2	0.2	0.1

Source: Company data, CI Capital estimates

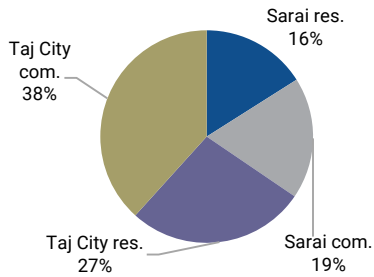


Madinet Nasr for Housing and Development (MNHD)

Real estate
Egypt

Valuation and assumptions

Valuation by location and type



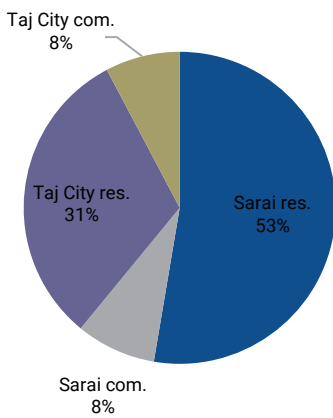
Source: CI Capital Research

Valuation breakdown

Projects	Area (mn sqm)	Valuation methodology	EV (EGPmn)	As % of EV	EV/share (EGP)
Sarai (residential)	4.33	DCF	1,972	14	1.64
Sarai (commercial)	0.75	DCF	2,278	17	1.90
Capital Gardens	0.43	DCF	1,184	9	0.99
Sarai	5.51		5,434	40	4.53
Taj City (residential)	2.83	DCF	3,348	25	2.79
Taj City (commercial)	0.70	DCF	4,716	35	3.93
Taj City	3.53		8,065	59	6.72
Nasr Gardens inventory	0.08	NAV	86	1	0.07
NCCW	n/a	Market cap	55.54	0	0.05
Total EV	9.13		13,640	100	11.37
Net cash			164		0.14
TP			13,803		11.5

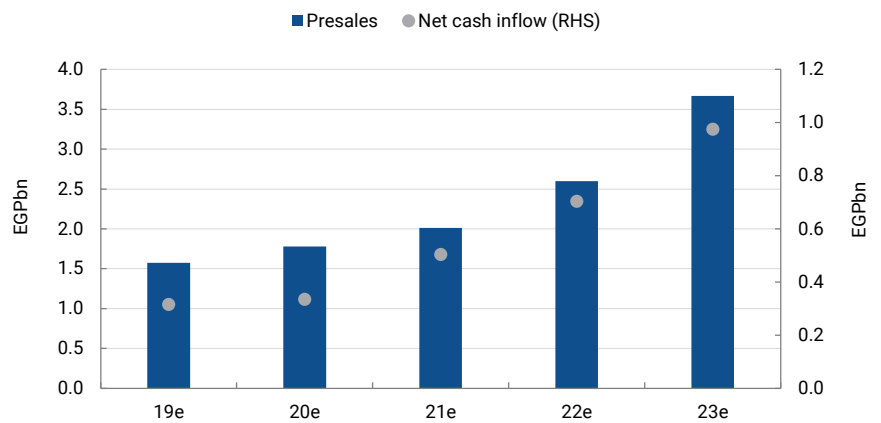
Source: CI Capital Research

Land bank breakdown



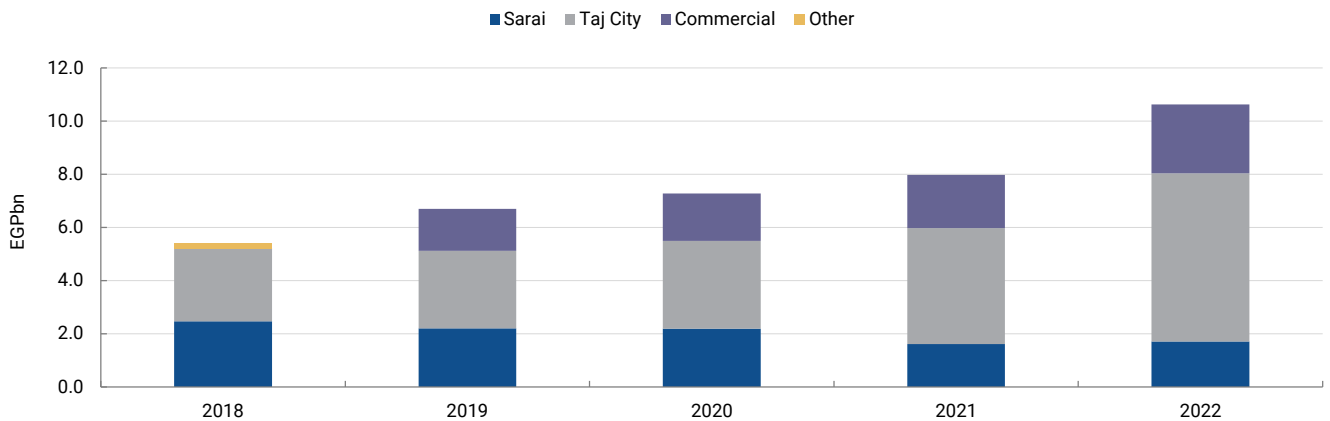
Source: Company data

Taj City commercial sales assumptions



Source: CI Capital estimates

Sales breakdown by project and type over the coming five years – Taj City expected to dominate



Source: CI Capital estimates



Madinet Nasr for Housing and Development (MNHD)

Real estate

Egypt

Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	2,428	2,783	3,668	4,467	7,744
Gross profit	1,588	1,790	2,539	3,000	7,744
Gross profit margin (x)	65	64	69	67	100
EBITDA	1,200	1,474	2,066	2,466	3,744
Depreciation and amortisation	(8)	(8)	(8)	(8)	(8)
EBIT	1,191	1,466	2,058	2,458	3,735
Net interest income (expense)	3	(63)	(106)	(218)	(163)
PBT	1,203	1,433	1,982	2,269	3,603
Taxes	(270)	(322)	(446)	(511)	(811)
Net income	933	1,110	1,536	1,759	2,792
Attributable net income	932	1,085	1,509	1,731	2,763

Balance sheet

Cash and equivalents	269	670	201	15	82
Short-term receivables	2,296	1,716	2,072	2,547	3,100
WIP	1,358	1,441	2,741	3,824	2,930
Other current assets	683	1,376	2,255	2,986	2,427
Total current assets	4,606	5,203	7,269	9,372	8,539
Long-term receivables	5,145	7,301	10,092	12,389	14,629
Other long-term assets	5,240	7,401	10,197	12,499	14,744
Total assets	9,846	12,604	17,466	21,871	23,283
Short-term debt and overdrafts	543	726	825	1,071	521
Infrastructure liabilities	171	182	150	147	149
Other current liabilities	1,351	1,458	1,550	1,628	1,601
Total current liabilities	2,065	2,365	2,525	2,847	2,271
Advances	5,119	6,745	9,374	11,544	10,934
Long-term debt	207	79	766	921	725
Total liabilities	7,392	9,189	12,665	15,311	13,931
Shareholder equity	2,384	3,319	4,679	6,409	9,172
Minority interests	71	96	122	150	179
Total equity and liabilities	9,846	12,604	17,466	21,871	23,283

Cash flow statement

Operating cash flow	1,166	1,407	1,956	2,244	3,577
Working capital changes	(1,368)	(894)	(3,051)	(2,821)	(2,754)
Net operating cash flow	(202)	514	(1,095)	(578)	823
Net investment cash flow	(11)	3	(11)	(11)	(11)
Net financing cash flow	82	(116)	637	403	(745)
Net change in cash	(131)	401	(469)	(186)	67
FCF	(212)	501	(1,108)	(591)	810

Source: Company data, CI Capital estimates
Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	8,933	8,933	8,933	8,933	8,933
EPS (basic)	0.8	0.9	1.3	1.4	2.3
DPS	-	-	-	-	-
BVPS	2.0	2.8	3.9	5.3	7.6
FCFPS	(0.2)	0.4	(0.9)	(0.5)	0.7

Valuation

P/E (basic) (x)	9.6	8.2	5.9	5.1	3.2
P/BV (x)	3.7	2.7	1.9	1.4	1.0
Dividend yield (%)	-	-	-	-	-
FCF yield (%)	(2.4)	5.6	(12.4)	(6.6)	9.1
EV/revenue (x)	3.7	3.2	2.4	2.0	1.2
EV/EBITDA (x)	7.4	6.1	4.3	3.6	2.4

Growth (% y-o-y)

Revenue	20	15	32	22	73
EBITDA	15.1	23	40	19	52
EBIT	15	23	40	19	52
EPS	1.0	16	39	15	60

Profitability (%)

RoE	38	33	32	27	30
RoA	9	9	9	8	12
RoIC	32	29	27	24	28
Asset turnover (x)	4.1	4.5	4.8	4.9	3.0
EBITDA margin	49	53	56	55	48
Net profit margin	38	40	42	39	36

Liquidity (x)

EBITDA/net interest	416.2	(23.5)	(19.5)	(11.3)	(23.0)
Net debt/equity	0.0	(0.1)	0.2	0.2	0.1
Net debt/total assets	0.0	(0.0)	0.1	0.1	0.0
Net debt/EBITDA	(0.0)	0.1	(0.1)	0.5	0.7
Current ratio	2.2	2.2	2.9	3.3	3.8
Quick ratio	3.8	4.1	4.9	5.3	7.9

OVERWEIGHT

Target price (EGP)	5.50
Share price (EGP)	3.64
Potential upside (%)	51.1

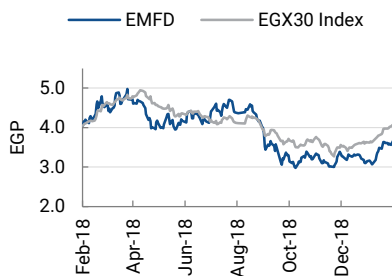
Share details

6M avg daily value (USDmn)	0.59
%Δ: m-o-m / 6M / y-o-y	16 / (16) / (10)
Rel. %Δ: m-o-m / 6M / y-o-y	3 / (16) / (11)
No. of shares (mn)	4,529
Market cap (USDmn)	945
Market cap (EGPmn)	16,580

Ownership structure (%)

Emaar Properties	87
Free float	13

Performance



Source: Bloomberg
 Closing prices as of 18 February 2019

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EMAAR MISR

EMFD EY / EMFD.CA

Strong financial position, awaiting new land; OW

Market assumes almost no new sales. Emaar's share price accounts for its cash balance (EGP2.50/share) and receivables (EGP0.80/share), with minimal value assigned to its project pipeline. We expect Emaar's strong sales to maintain momentum (average contracted sales at EGP13bn in 2019-21), supported by its high-end target market, which is largely shielded from economic changes. The stock trades on a EV of EGP1.1k/sqm (20% premium to peers), historically at a premium due to its clientele base (higher-end product). That said, Emaar's EV to backlog is at 0.2x (70% discount to peers).

Clear earnings visibility. Emaar sits on the second highest backlog (cEGP30bn) within our coverage, after TMG. Intensified deliveries are expected to translate into a 2017-21e revenue CAGR of 11%, with margins to remain around 40%, highlighting Emaar's ability to pass on cost increases to its end-consumers. Emaar continues to generate one of the highest ROEs in the market, with an average of c20% expected over the coming years.

New land acquisition critical, as Mivida nears completion. Emaar was recently in talks to acquire two neighbouring plots in East Cairo (396 feddans and 344 feddans), with no progress, as per our understanding, despite being the only bidder. We believe adding exposure to East Cairo is vital, as sales in Mivida are expected to be concluded this year, leaving no other exposure in the area. Emaar also bid for a 410-feddan plot in West Cairo, near SODIC West, however, lost out despite being the highest bidder. We would have viewed this acquisition positively as it would have signalled the company's first residential exposure in West Cairo.

UTC dispute the main overhang. There is an ongoing dispute between Emaar and El-Nasr Housing related to UTC land, with the former reportedly offering EGP100mn to settle the dispute, and the latter reportedly asking for EGP1bn plus the remainder of the UTC plot. We find this unlikely. That said, we conservatively assume Emaar will settle for EGP1bn (EGP0.22/share), however, deem this improbable. We view this as an overhang, but expect to see a resolution soon, with Emaar's significant cash balance providing a good buffer.

KPI summary

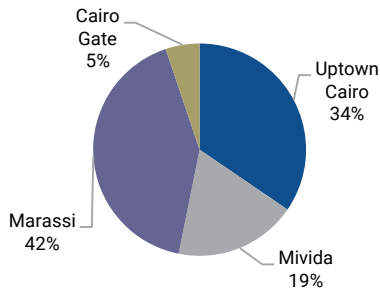
	2017a	2018e	2019e	2020e	2021e
Net presales (EGPbn)	10.9	11.7	11.4	11.7	12.1
Revenues (EGPmn)	4,511	6,401	5,940	6,285	6,727
Gross profit margin (%)	38.0	40.0	40.8	40.5	41.9
Net income (EGPmn)	2,300	2,924	3,106	3,282	3,674
RoE (%)	21.5	21.4	18.5	16.4	15.5
Net debt-to-equity	(1.0)	(0.8)	(1.0)	(1.1)	(1.1)

Source: CI Capital estimates



Emaar Misr
Real estate
Egypt

Contribution by project to EV



Source: CI Capital estimates

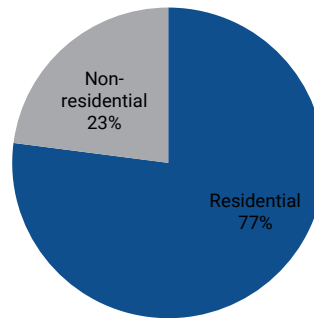
Valuation & assumptions

Valuation summary

	Area (mn sqm)	EV (EGPmn)	EV/sqm (EGP)	EV/share (EGP)
Uptown Cairo	4.5	5,036	1,018	1.11
Mivida	3.7	2,682	1,747	0.59
Marassi	6.5	6,156	1,961	1.36
Cairo Gate	0.6	722	1,501	0.16
Total	15.3	14,595		3.22
Net cash and investments		11,327		2.50
Total pre UTC settlement		25,923		5.72
UTC settlement		(1,000)		(0.22)
Total		24,923		5.50

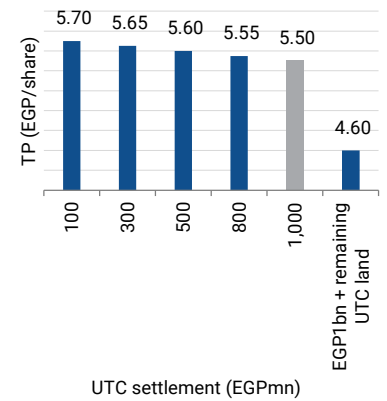
Source: CI Capital estimates

Residential makes up bulk of our valuation



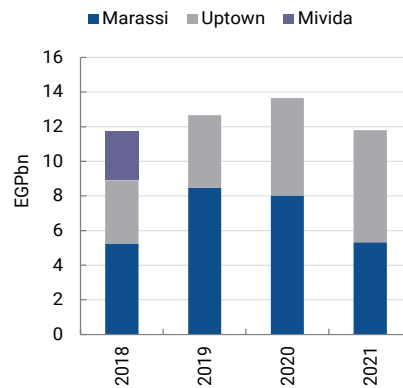
Source: CI Capital estimates

Returning remaining land in UTC highly unlikely, in our view



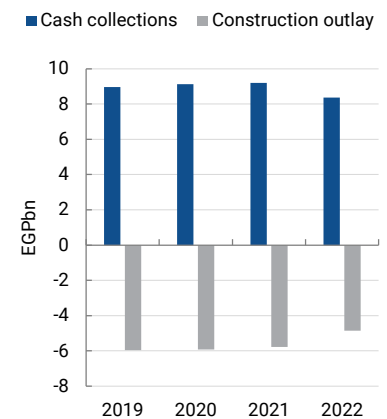
Source: CI Capital estimates

Sales at Marassi to end this year



Source: CI Capital estimates

Healthy cash generation



Source: CI Capital estimates

Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	4,511	6,401	5,940	6,285	6,727
CoGS	(2,798)	(3,842)	(3,516)	(3,737)	(3,911)
Gross profit	1,714	2,559	2,424	2,548	2,815
SG&As	(500)	(756)	(737)	(753)	(849)
Other income	172	226	250	276	304
EBITDA	1,387	2,029	1,937	2,070	2,270
Depreciation and amortisation	(45)	(59)	(65)	(71)	(77)
EBIT	1,342	1,970	1,872	1,999	2,194
Net interest income (expense)	1,375	1,481	1,945	2,164	2,470
PBT	2,762	3,511	3,882	4,234	4,740
Taxes	(462)	(587)	(776)	(953)	(1,067)
Net income	2,300	2,924	3,106	3,282	3,674
Balance sheet					
Cash and equivalents	10,260	10,617	16,584	22,373	25,420
Accounts and notes receivable	2,243	3,183	2,953	3,125	3,344
Development properties	11,737	15,081	18,587	21,976	24,848
Other current assets	3,604	4,893	6,182	7,528	8,949
Total current assets	27,844	33,773	44,306	55,001	62,561
Property, plant, & equipment	540	567	588	601	607
Investment property	118	114	110	106	102
Projects under construction	302	302	302	302	302
Deferred tax assets	198	198	198	198	198
Total assets	29,002	34,954	45,504	56,208	63,770
Short-term loans & borrowings	27	14	14	11	11
Customer advances	12,590	14,969	21,811	28,597	31,794
Land liabilities and notes	-	-	-	-	-
Other current liabilities	5,623	6,273	6,876	7,515	8,197
Total current liabilities	18,239	21,256	28,702	36,123	40,003
Long-term debt	11	17	7	-	-
Other credit balances	28	35	42	50	59
Total liabilities	18,278	21,307	28,751	36,173	40,062
Shareholder equity	10,724	13,648	16,753	20,035	23,708
Total equity and liabilities	29,002	34,954	45,504	56,208	63,770
Cash flow statement					
Operating cash flow	1,497	2,125	2,042	2,186	2,398
Working capital changes	1,433	(3,000)	2,280	1,762	(1,477)
Net operating cash flow	2,930	(875)	4,322	3,949	922
Net investment cash flow	(2,223)	(992)	1,655	1,852	2,128
Net financing cash flow	(589)	(7)	(10)	(11)	(3)
Net change in cash	119	(1,874)	5,967	5,790	3,047
FCF	2,895	(975)	4,222	3,849	822

Source: Company data, CI Capital estimates
 Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	5,160	5,160	5,160	5,160	5,160
EPS (basic)	0.5	0.6	0.7	0.7	0.8
DPS	-	-	-	-	-
BVPS	2.4	3.0	3.7	4.4	5.2
FCFPS	0.6	(0.2)	0.9	0.8	0.2
Valuation					
P/E (basic) (x)	7.3	5.8	5.4	5.1	4.6
P/BV (x)	1.5	1.2	1.0	0.8	0.7
Dividend yield (%)	-	-	-	-	-
FCF yield (%)	17.6	(5.9)	25.6	23.3	5.0
EV/revenue (x)	1.1	0.8	0.9	0.8	0.8
EV/EBITDA (x)	3.7	2.5	2.7	2.5	2.3
Growth (% y-o-y)					
Revenue	12.5	41.9	(7.2)	5.8	7.0
EBITDA	5.6	46.3	(4.6)	6.9	9.7
EBIT	5.9	46.9	(5.0)	6.8	9.7
EPS	36.6	27.1	6.2	5.7	11.9
Profitability (%)					
RoE	21.5	21.4	18.5	16.4	15.5
RoA	7.9	8.4	6.8	5.8	5.8
RoIC	8.2	10.1	6.5	5.2	4.8
Asset turnover (x)	6.4	5.5	7.7	8.9	9.5
EBITDA margin	30.7	31.7	32.6	32.9	33.7
Net profit margin	51.0	45.7	52.3	52.2	54.6
Liquidity (x)					
EBITDA/net interest	1.0	1.4	1.0	1.0	0.9
Net debt/equity	(1.0)	(0.8)	(1.0)	(1.1)	(1.1)
Net debt/total assets	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)
Net debt/EBITDA	(7.4)	(5.2)	(8.6)	(10.8)	(11.2)
Current ratio	1.5	1.6	1.5	1.5	1.6
Quick ratio	0.6	0.5	0.6	0.7	0.8

OVERWEIGHT

Target price (EGP)	26.5
Share price (EGP)	21.7
Potential upside (%)	22.1

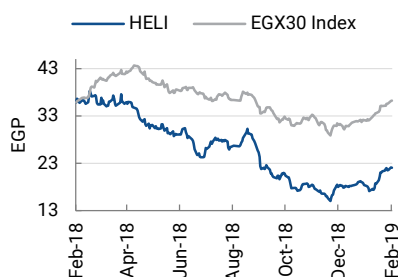
Share details

6M avg daily value (USDmn)	1.09
%Δ: m-o-m / 6M / y-o-y	20 / (17) / (38)
Rel. %Δ: m-o-m / 6M / y-o-y	7 / (17) / (40)
No. of shares (mn)	445
Market cap (USDmn)	560
Market cap (EGPmn)	9,815

Ownership structure (%)

National Company for Construction	72
Free float	28

Performance



Source: Bloomberg
Closing prices as of 18 February 2019

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HELIOPOLIS HOUSING

HELI.EY / HELI.CA

Overweight on valuation; Not a favourite

Raise TP c13% as we update our assumptions for SODIC East. We raise our assumptions for SODIC East's total sales proceeds by 24%, on the back of: i) a higher-than-expected average starting price (+6%), ii) more relaxed monetisation period (10 years vs. 9), and iii) higher average annual growth (13% vs. 11%). Accordingly, our new TP comes in at EGP26.5/share, implying 22% upside, barely warranting an Overweight rating. That said, we view Heliopolis Housing as more of a long-term story and favour active developers with imminent pipelines.

Current valuation at a discount to peer average. Heliopolis Housing's current share price implies an EV of EGP390/sqm, a 2% discount to the EGP400/sqm implied for land owners under our coverage. The average price for the company's land bank would be c3k/sqm. Assuming Heliopolis was to sell its land bank, over 7-year instalments, this would imply an EV of EGP1.6k/sqm. Accordingly, the EV implied from the current share price is at a 75% discount to the implied EV/sqm, assuming the land is sold.

New projects accounted for. Our SotP DCF valuation includes: i) New Heliopolis City, ii) HelioPark, iii) SODIC East, and iv) Sunville. The company previously stated it is in the design phase for a new 650-feddan self-development. That said, with Sunville expected to sell over five years, as per company guidance, we expect other sales in New Heliopolis City, including the 650-feddan project, to commence in FY20/21, which is already factored into our TP.

Monetisation timeframe key. We have no doubt over the value stemming from Heliopolis Housing's land bank. However, our main concern is the speed at which this land will be monetised, and the effect this will have on shareholders. Accordingly, we choose to assume monetisation for this land bank, arriving at a c85% discount to NAV. Other risks include: i) potential cost overruns, as pricing is already at a discount to the market, while steep competition limits price increases, ii) lack of know-how in master development and off-plan model sales, and iii) minimal brand equity, with the market opting for more established players.

KPI summary

	17/18a	18/19e	19/20e	20/21e	21/22e
Revenues (EGPmn)	955	1,009	1,080	1,195	1,391
Gross profit margin	64	67	71	74	78
Net income (EGPmn)	265	382	457	572	760
RoE (%)	41.4	48.0	45.6	44.6	47.1
Net debt-to-equity (x)	168.1	92.2	(15.1)	(6.8)	(6.0)

Source: Company data, CI Capital estimates



Heliopolis Housing
Real estate
Egypt

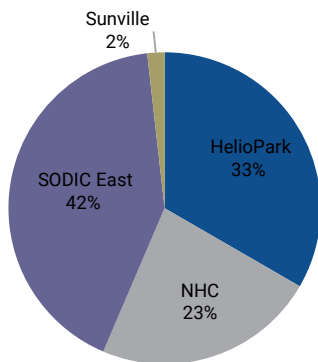
Valuation & assumptions

Valuation summary

Project	Land area (mn sqm)	BuA (mn sqm)	Monetisation period	EV	EV/sqm	EV/share
HelioPark	7.1	4.3	20	4,424	623	9.9
New Heliopolis City	15.5	9.3	40	3,061	197	6.9
SODIC East	2.8	1.5	10	5,543	2,016	12.5
Sunville	0.4	0.3	5	237	564	0.5
Total	25.8	15.4		13,265		29.8
Net cash, debt, dividends				(1,344)		(3.0)
Net receivables				(107)		(0.2)
TP				11,815		26.5

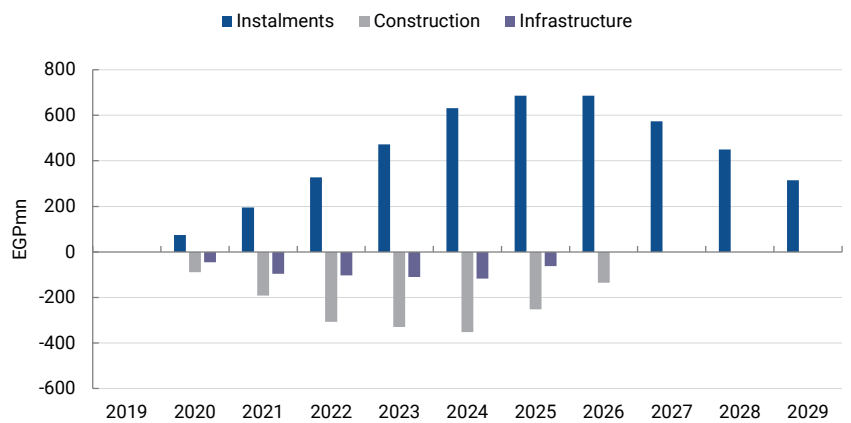
Source: CI Capital Research

Valuation breakdown by project



Source: CI Capital Research

Assumptions for Sunville



Source: CI Capital estimates

Financial statements

FY end: Jun | EGPmn

	17/18a	18/19e	19/20e	20/21e	21/22e
Income statement					
Revenue	955	1,009	1,080	1,195	1,391
CoGS	(343)	(333)	(316)	(305)	(305)
Gross profit	612	676	764	890	1,086
Gross profit margin (%)	64	67	71	74	78
EBITDA	514	575	657	774	952
Net interest income (expense)	(168)	(77)	(62)	(29)	38
PBT	346	497	596	745	990
Taxes	(80)	(116)	(138)	(173)	(230)
Net income	265	382	457	572	760

Balance sheet

Cash and equivalents	8	461	1,346	1,281	1,292
Accounts and notes receivable	734	734	650	2,169	4,861
Work in progress	1,393	874	1,007	1,618	3,387
Other current assets	1,025	1,026	1,049	1,073	1,102
Total current assets	3,160	3,094	4,052	6,142	10,642
Property, plant, & equipment	16	19	21	22	25
Other non-current assets	86	37	36	35	35
Total assets	3,262	3,151	4,109	6,200	10,701
Short-term debt & overdraft	1,090	-	-	-	-
Advances	579	417	1,166	2,979	7,148
Other current liabilities	870	657	657	657	657
Total current liabilities	2,540	1,074	1,824	3,637	7,805
Non-current liabilities	81	1,281	1,281	1,281	1,281
Total liabilities	2,621	2,355	3,105	4,918	9,087
Equity	641	795	1,004	1,282	1,615
Total equity and liabilities	3,262	3,151	4,109	6,200	10,701

Cash flow statement

Operating cash flow	342	545	597	746	992
Working capital changes	(1,053)	27	539	(515)	(550)
Net operating cash flow	(711)	572	1,136	231	441
Net investment cash flow	(30)	(2)	(2)	(2)	(3)
Net financing cash flow	738	(117)	(249)	(294)	(427)
Net change in cash	(3)	453	885	(65)	11
FCF	(758)	566	1,130	225	435

 Source: Company data, CI Capital estimates
 Closing price as of 18 February 2019

17/18e 18/19e 19/20e 20/21e 21/22e

Basic & per-share data (EGP)

Enterprise value (mn)	10,911	10,911	10,911	10,911	10,911
EPS (basic)	0.6	0.9	1.0	1.3	1.7
DPS	0.5	0.6	0.7	1.0	1.5
BVPS	1.4	1.8	2.3	2.9	3.6
FCFPS	(1.7)	1.3	2.5	0.5	1.0

Valuation

P/E (basic) (x)	37.1	25.8	21.5	17.2	12.9
P/BV (x)	15.4	12.4	9.8	7.7	6.1
Dividend yield (%)	2.3	2.5	3.0	4.3	6.6
FCF yield (%)	(7.7)	5.8	11.5	2.3	4.4
EV/revenue (x)	11.4	10.8	10.1	9.1	7.8
EV/EBITDA (x)	21.2	19.0	16.6	14.1	11.5

Growth (% y-o-y)

Revenue	2.9	5.7	7.0	10.7	16.4
EBITDA	(3.5)	11.8	14.4	17.7	23.0
EPS	(23.9)	43.9	19.8	25.0	32.9

Profitability (%)

RoE	41.4	48.0	45.6	44.6	47.1
RoA	8.1	12.1	11.1	9.2	7.1
RoIC	15.3	48.0	45.6	44.6	47.1
Asset turnover (x)	3.4	3.1	3.8	5.2	7.7
EBITDA margin	53.8	56.9	60.9	64.7	68.5
Net profit margin	27.8	37.8	42.4	47.8	54.7

Liquidity (x)

EBITDA/net interest	(3.1)	(7.4)	(10.7)	(26.6)	25.1
Net debt/equity	1.7	0.9	(0.2)	(0.1)	(0.1)
Net debt/total assets	0.3	0.2	(0.0)	(0.0)	(0.0)
Net debt/EBITDA	2.1	1.3	(0.2)	(0.1)	(0.1)
Current ratio	1.2	2.9	2.2	1.7	1.4
Quick ratio	0.3	1.1	1.1	0.9	0.8

NEUTRAL

Target price (EGP)	0.90
Share price (EGP)	0.89
Potential upside (%)	1.12

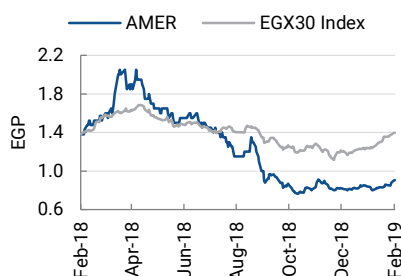
Share details

6M avg daily value (USDmn)	0.15
%Δ: m-o-m / 6M / y-o-y	8 / (21) / (34)
Rel. %Δ: m-o-m / 6M / y-o-y	(5) / (21) / (36)
No. of shares (mn)	1,003
Market cap (USDmn)	55
Market cap (EGPmn)	910

Ownership structure (%)

Sol Global Holding	33
Amer Wakf Ltd.	10
Lantess International	7
Mohamed Al Amin	6
Free float	43

Performance



Source: Bloomberg
Closing prices as of 18 February 2019

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AMER GROUP

AMER.EY / AMER.CA

Unclear plan and pipeline; Maintain Neutral

Porto Saeed marks return to development business. Following the spin-off of Porto Group in 2015, Amer Group was planned to gradually transform into a land owner/investor and a recurring income operator, after sales and inventory at a selected number of projects which remained with Amer were concluded. The company has, however, launched Porto Saeed in 2018, for which it booked cEGP2bn in contracted sales, marking its return to the development business.

Presales pipeline lacks clarity. Beyond Porto Saeed, for which management expects cEGP7bn from the sale of residential and non-residential units, the pipeline of its development business is unclear. We note Amer has a licence to build 22k units in Golf Porto Marina, for which it had an initial plan to co-develop. Plans will now likely change to self-development, given the shift back to the development business, but this has yet to be confirmed. Sales excluding Porto Saeed are estimated to have reached cEGP300mn in 2018.

Recurring income segments provide minimal value. Amer Group's restaurants, malls, and hotels comprise c15% of the company's top line and c10% of the gross profit, compared to c25% of the top line in 2015. Consequently, these recurring income segments only comprise 15% of our valuation, despite being considered one of the company's core operations. With regards to Porto Vacation, we choose not to include it in our valuation, due to lack of visibility on the programme.

Market valuation deem fair, amid increased risks. With real estate development continuing to derive the bulk of the valuation, we highlight the: i) increased competition within the secondary home business, and ii) heightened economic pressures on Amer's target market, as sources of increased risks for Amer, negatively reflecting on its ability to pass on increased costs to its customers, thereby, margins. We note Amer Group's other segments (restaurants, malls, and hotels) are highly seasonal and poorly-performing, failing to compensate for the lumpiness of the development business.

KPI summary

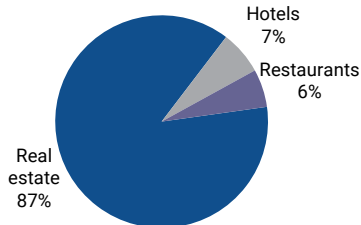
	2017a	2018e	2019e	2020e	2021e
Revenues (EGPmn)	2,155	1,955	2,623	2,673	2,261
Gross profit margin (%)	36	37	30	28	29
Net income (EGPmn)	90	97	122	89	94
RoE (%)	5.0	5.2	6.2	4.4	5
Net debt-to-equity (x)	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)

Source: CI Capital estimates



Amer Group
Real estate
Egypt

Real estate represents bulk of valuation



Source: CI Capital estimates

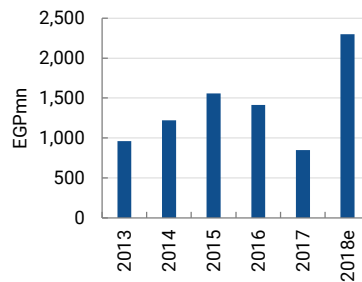
Valuation & assumptions

Valuation summary

Segment	EV (EGPmn)	EV/share (EGP)
Real estate	985	0.98
Hotels	75	0.07
Restaurants	65	0.06
EV	1,125	1.12
Cash	792	0.79
Debt	(453)	(0.45)
Land liabilities	(565)	(0.56)
TP	899	0.90

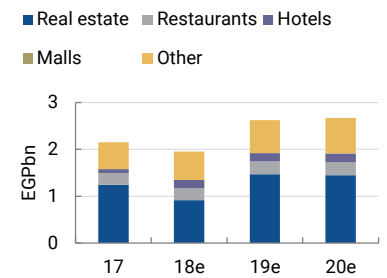
Source: CI Capital estimates

Porto Saeed marked return to development business in 2018



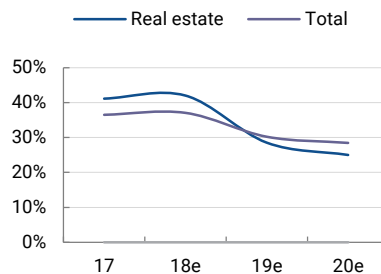
Source: CI Capital estimates

Revenue supported by increased deliveries in 2019-20e



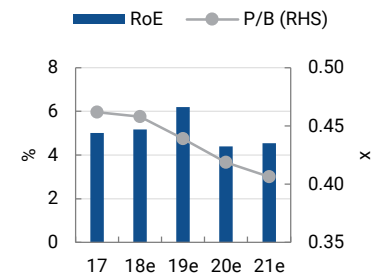
Source: CI Capital estimates

Company margins to be pressured by lower margins on real estate business



Source: CI Capital estimates

RoE weakness to continue



Source: CI Capital estimates



Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	2,155	1,955	2,623	2,673	2,261
CoGS	(1,368)	(1,231)	(1,830)	(1,913)	(1,595)
Gross profit	786	724	792	761	665
EBITDA	339	364	263	215	218
Depreciation and amortisation	(81)	(82)	(82)	(83)	(81)
EBIT	258	282	181	133	136
Net interest income (expense)	(140)	(150)	(15)	(11)	(8)
PBT	118	132	166	121	128
Taxes	(25)	(40)	(50)	(36)	(38)
Net income	93	92	116	85	90
Attributable net income	90	97	122	89	94

Balance sheet

Cash and equivalents	755	776	874	1,241	1,542
Accounts and notes receivable	536	1,058	952	905	859
Work in progress	2,307	2,871	2,009	1,608	1,286
Other current assets	406	227	186	156	135
Total current assets	4,004	4,932	4,021	3,910	3,822
Property, plant, & equipment	704	672	648	624	600
Investment properties	219	553	529	505	481
Projects under construction	58	212	209	207	204
Restricted dep. due to unit owners	671	726	814	901	961
Other debit balances	5	5	5	5	5
Total assets	5,661	7,100	6,227	6,152	6,073
Short-term debt & overdraft	47	80	68	57	45
Customer advances	1,374	2,056	1,850	1,665	1,499
Land liabilities and notes	42	-	-	-	-
Other current liabilities	1,371	1,781	963	955	957
Total current liabilities	2,834	3,916	2,881	2,677	2,501
Long-term debt	259	84	72	60	48
Land liabilities and notes	51	454	454	454	454
Other credit balances	714	769	857	944	1,003
Total liabilities	3,858	5,224	4,265	4,135	4,007
Shareholder equity	1,796	1,873	1,965	2,024	2,078
Minority interests	7	3	(3)	(8)	(12)
Total equity and liabilities	5,661	7,100	6,227	6,152	6,073

Cash flow statement

Operating cash flow	367	525	321	233	21
Working capital changes	115	(226)	171	(469)	(260)
Net operating cash flow	482	299	492	(236)	(239)
Net investment cash flow	(17)	(22)	(22)	(23)	(24)
Net financing cash flow	(38)	281	(82)	(78)	(85)
Net change in cash	428	558	388	(338)	(348)
FCF	(247)	51	119	386	316

Source: Company data, CI Capital estimates
Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	613	613	613	613	613
EPS (basic)	0.1	0.1	0.1	0.1	0.1
DPS	0.01	-	-	-	-
BVPS	1.8	1.8	1.9	2.0	2.0
FCFPS	0.2	(0.2)	0.1	0.1	0.4

Valuation

P/E (basic) (x)	9.9	9.2	7.3	10.0	9.5
P/BV (x)	0.5	0.5	0.5	0.5	0.4
Dividend yield (%)	1.2	-	-	-	-
FCF yield (%)	19	(28)	6	13	43
EV/revenue (x)	0.3	0.3	0.2	0.2	0.3
EV/EBITDA (x)	1.8	1.7	2.3	2.8	2.8

Growth (% y-o-y)

Revenue	(12)	(9)	34	2	(15)
EBITDA	(1)	3	(11)	7	(28)
EBIT	(4)	2	(15)	9	(36)
EPS	(17)	16	(50)	8	26

Profitability (%)

RoE	5.0	5.2	6.2	4.4	4.5
RoA	2	1	2	1	2
RoIC	13	13	7	5	5
Asset turnover (x)	0.4	0.3	0.4	0.4	0.4
Gross margin	36	37	30	28	29
EBITDA margin	16	19	10	8	10
Net profit margin	4	5	5	3	4

Liquidity (x)

EBITDA/net interest	(2.4)	(2.4)	(17.1)	(18.8)	(26.7)
Net debt/equity	(0.2)	(0.3)	(0.4)	(0.5)	(0.7)
Net debt/total assets	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Net debt/EBITDA	(1.2)	(1.6)	(2.6)	(5.1)	(6.5)
Current ratio	1.4	1.3	1.4	1.5	1.5
Quick ratio	0.5	0.5	0.6	0.8	1.0

UNDERWEIGHT

Target price (EGP)	0.80
Share price (EGP)	0.97
Potential upside (%)	(17.5)

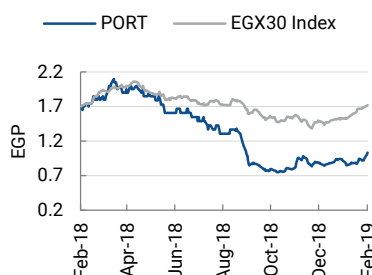
Share details

6M avg daily value (USDmn)	0.27
%Δ: m-o-m / 6M / y-o-y	13 / (22) / (40)
Rel. %Δ: m-o-m / 6M / y-o-y	0 / (22) / (42)
No. of shares (mn)	1,003
Market cap (USDmn)	60
Market cap (EGPmn)	990

Ownership structure (%)

Sol Global Holding	35
Amer Wakf Ltd	6
Mohamed Amin Ragab	5
Free float	54

Performance



Source: Bloomberg
 Closing prices as of 18 February 2019

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PORTO GROUP

PORT EY / PORT.CA

Market implies overly optimistic assumptions

Unfavourable trading dynamics. Porto Group's current EV/sqm is at a 30% premium to SODIC. We believe this is largely unjustified, with the latter offering far superior products (30-50% premium in pricing), implying more favourable margins (+8-10pps premium for SODIC). Porto Group's target market is the most impacted by economic pressures, warranting a discount to peer average trading multiples. Our TP of EGP0.80/share implies 18% downside, warranting an Underweight rating.

Porto Group has felt the pinch. Porto Group's presales suffered in 2018, with our numbers implying a 32% drop (c33% drop y-o-y in 9M18). We primarily attribute this weakness to: i) Porto Group's clientele facing affordability constraints, ii) high exposure to secondary market, with demand decelerating on the lack of necessity, and iii) strong footing in the North Coast, where there has been weakness across the board, caused by increased competition.

Margins to suffer due to price-sensitive clientele. We believe Porto Group's clientele (salaried employees) is more sensitive to current economic conditions, compared to other developers under our coverage, minimising Porto's ability to significantly increase prices. In our view, this will pressure margins over the coming three years, with units sold pre-devaluation coming at discounted margins. A large portion of Porto Group's projects is located in the North Coast and Ain El Sokhna, where we believe demand will take a strong hit, due to increased competition and affordability constraints.

Foreign projects, Porto City represent upside risks. We do not account for Porto Dead Sea (previously 10% of EV, valued at book), Porto Tartous, or Porto Agadir, in our valuation, due to stalled progress and lack of visibility. A new project is planned, according to management, in Mostakbal City, set for mid-19, but is pending finalisation of co-development agreement and other regulatory approvals, which we believe makes a 2019 launch unlikely. Faster-than-expected progress on any of these projects represents upside risk to our valuation.

KPI summary

	2017a	2018e	2019e	2020e	2021e
Presales (EGPmn)	2,209	1,812	2,102	2,463	2,849
Revenue (EGPmn)	2,384	2,030	2,083	2,384	2,343
Gross profit margin (%)	27	29	27	24	28
Net income (EGPmn)	254	179	144	119	164
RoE (%)	33.7	19.2	13.4	9.9	12.1
Net debt-to-equity (x)	0.03	0.09	(0.13)	0.04	0.04

Source: CI Capital estimates

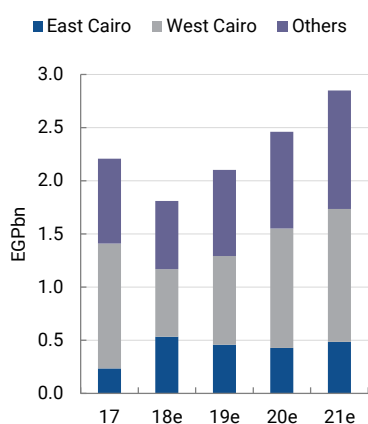
Valuation & assumptions

Valuation summary

Project	Methodology	Revenue share (%)	EV (EGPmn)	Stake	Proportionate EV (EGPmn)	As % of EV	EV/share (EGP)
Porto Cairo	DCF	100	38	100	38	4	0.04
Porto New Cairo	DCF	75	64	100	64	7	0.06
East Cairo			102		102	11	0.10
Porto October	DCF	75	311	100	311	35	0.31
Porto Pyramids	DCF	81	67	70	47	5	0.05
West Cairo			378		358	40	0.36
Porto Sokhna Island	DCF	80	72	100	72	8	0.07
Porto Saeed	DCF	85	81	70	57	6	0.06
Porto Matrouh	DCF	80	39	100	39	4	0.04
Porto Lagoons	DCF	80	145	100	145	16	0.14
Golf Bay	DCF	100	32	100	32	4	0.03
Porto Marina Residence	DCF	100	7	100	7	1	0.01
Villagio	DCF	75	81	100	81	9	0.08
Grand View	DCF	80	5	100	5	1	0.01
Other (Egypt)			462		438	49	0.44
Total value			942		898	100	0.89
Add: net cash			(95)		(95)		(0.10)
TP			847		802		0.80

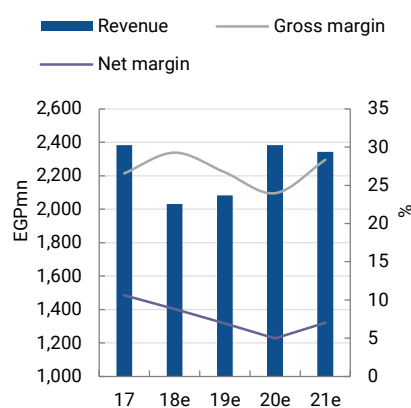
Source: CI Capital estimates

Our numbers factor in a gradual improvement in contracted sales numbers for Porto starting 2019e



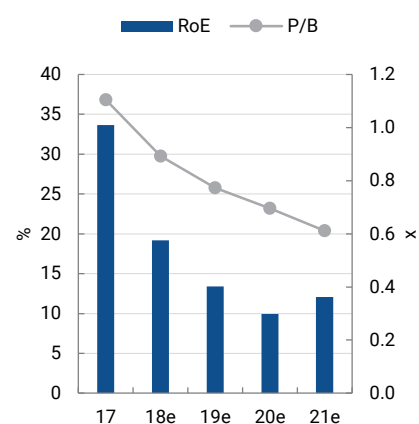
Source: CI Capital estimates

Increased deliveries starting 2020e to support revenue growth after 2 relatively weak years



Source: CI Capital estimates

RoEs to come under pressure on weaker margins



Source: CI Capital estimates

Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	2,384	2,030	2,083	2,384	2,343
CoGS	(1,751)	(1,436)	(1,527)	(1,812)	(1,679)
Gross profit	633	594	556	571	664
EBITDA	377	325	279	246	304
Depreciation and amortisation	(14)	(15)	(16)	(17)	(17)
EBIT	362	310	264	229	286
Net interest income (expense)	(89)	(109)	(109)	(108)	(107)
PBT	325	215	171	138	197
Taxes	(80)	(48)	(38)	(31)	(44)
Net income	246	167	132	107	152
Attributable net income	254	179	144	119	164
Balance sheet					
Cash and equivalents	115	144	139	151	149
Accounts and notes receivable	792	830	1,244	1,713	2,079
Work in progress	2,600	2,779	2,622	2,424	2,397
Prepayments and other	886	841	724	640	581
Total current assets	4,393	4,594	4,728	4,929	5,206
Property, plant, & equipment	230	236	240	244	246
Foreign joint ventures	300	300	300	300	300
Other non-current assets	211	187	187	190	190
Total assets	5,135	5,316	5,455	5,662	5,941
Land liabilities	133	270	372	484	526
Client down payments	3,179	2,958	3,060	2,813	2,862
Accounts payable	322	338	355	373	392
Other current liabilities	378	392	407	423	439
Total current liabilities	4,013	3,958	4,194	4,092	4,219
Long-term liabilities	309	388	208	411	411
Total liabilities	4,321	4,346	4,402	4,503	4,630
Shareholder equity	754	932	1,077	1,195	1,360
Minority interests	(0)	(12)	(24)	(36)	(48)
Total equity and liabilities	5,135	5,316	5,455	5,662	5,941
Cash flow statement					
Operating cash flow	449	339	295	262	321
Working capital changes	(448)	(391)	(23)	(412)	(216)
Net operating cash flow	1	(52)	272	(149)	105
Net investment cash flow	(59)	(20)	(20)	(20)	(20)
Net financing cash flow	(10)	100	(258)	181	(88)
Net change in cash	(67)	29	(5)	12	(2)
FCF	43	70	360	(53)	133

Source: Company data, CI Capital estimates
 Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	994	994	994	994	994
EPS (basic)	0.25	0.18	0.14	0.12	0.16
DPS	-	-	-	-	-
BVPS	0.75	0.93	1.07	1.19	1.36
FCFPS	0.04	0.07	0.36	(0.05)	0.13
Valuation					
P/E (basic) (x)	3.8	5.4	6.7	8.2	5.9
P/BV (x)	1.3	1.0	0.9	0.8	0.7
Dividend yield (%)	-	-	-	-	-
FCF yield (%)	4.4	7.2	36.9	(5.4)	13.7
EV/revenue (x)	0.4	0.5	0.5	0.4	0.4
EV/EBITDA (x)	2.6	3.1	3.6	4.0	3.3
Growth (% y-o-y)					
Revenue	97	(15)	3	14	(2)
EBITDA	220	(14)	(14)	(12)	24
EBIT	245	(15)	(15)	(13)	25
EPS	97	(29)	(19)	(18)	38
Profitability (%)					
RoE	34	19	13	10	12
RoA	5	3	3	2	3
RoIC	37	28	21	17	18
Asset turnover (x)	0.5	0.4	0.4	0.4	0.4
Gross margin	27	29	27	24	28
EBITDA margin	16	16	13	10	13
Net profit margin	11	9	7	5	7
Liquidity (x)					
EBITDA/net interest	(4.2)	(3.0)	(2.6)	(2.3)	(2.8)
Net debt/equity	0.0	0.1	(0.1)	0.0	0.0
Net debt/total assets	0.0	0.0	(0.0)	0.0	0.0
Net debt/EBITDA	0.1	0.3	(0.5)	0.2	0.2
Current ratio	1.1	1.2	1.1	1.2	1.2
Quick ratio	0.2	0.2	0.3	0.5	0.5

UNDERWEIGHT

Target price (EGP)	1.60
Share price (EGP)	2.10
Potential upside (%)	(23.8)

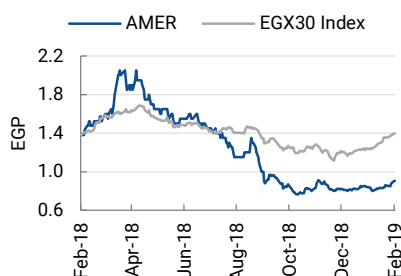
Share details

6M avg daily value (USDmn)	0.91
%Δ: m-o-m / 6M / y-o-y	11 / 33 / 33
Rel. %Δ: m-o-m / 6M / y-o-y	(2) / 33 / 31
No. of shares (mn)	1,050
Market cap (USDmn)	130
Market cap (EGPmn)	2,230

Ownership structure (%)

Red Sea Hotels Holding	12
Ashraf Soliman & related parties	14
First Arabian Company	10
Misr Insurance	8
Ashraf Soliman & related parties	8
Misr Life Insurance	7
Free float & others	35

Performance



Source: Bloomberg
Closing prices as of 18 February 2019

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EGYPTIAN RESORTS COMPANY (ERC)

EGTS EY / EGTS.CA

Market already reflects potential positive news

EV/sqm more than fully recovered following EGP devaluation. ERC's share price surged c200% since the EGP float (c90% of assets USD-denominated), pushing the company's market cap up to cEGP2.2bn. This market cap assigns an EV of cUSD35/sqm for its residual land. ERC's market cap on its last price before the float was cEGP0.8bn, implying an EV/sqm of USD26/sqm, at a discount to the current value assigned. This implies the stock currently fully reflects the new USD:EGP exchange rate, as well as the improved operational outlook, leaving little room for upside, and reaffirming our Underweight rating for the stock.

Shift to real estate yet to materialise. Management announced its plans to migrate from the volatile land sales model towards the higher value, more stable real estate sales and development model. 2018 saw no or limited land sales, mostly at Tawaya and Jamaran, as well as the launch of Bay Village. Studies are underway for a number of new projects to be added to the pipeline (residential and mixed-use). If these projects are to be launched, sales contracts could significantly increase in the coming years. The residual 3.5mn sqm, if fully developed, is expected to last c10-15 years, as per management.

Services segment yet to turn profitable. New hotels are in the planning phase in Sahl Hashish by ERC, as well as other players. Materialisation of these plans, which would require time, will help the segment reach critical mass, allowing it to positively contribute to the company's bottom line and ability to generate cash.

Monitor cash collections. Further acceleration of the company's collections is critical for ERC, with its last reported outstanding receivables at cEGP1.4bn (c70% of market cap). Negotiations for the settlement of cEGP600mn of receivables are currently underway, according to management. A resolution would ease some pressure off the company's cash position.

KPI summary

	2017a	2018e	2019e	2020e	2021e
Revenue (EGPmn)	281	144	410	435	573
Gross profit margin (%)	36.6	(16.2)	36.4	39.6	49.1
Net income (EGPmn)	63	(34)	74	108	186
RoE (%)	6.6	(3.7)	7.5	9.9	14.5
Net debt-to-equity (x)	(0.1)	(0.1)	(0.3)	(0.5)	(0.5)

Source: CI Capital estimates



Egyptian Resorts Company (ERC)
Real estate
Egypt

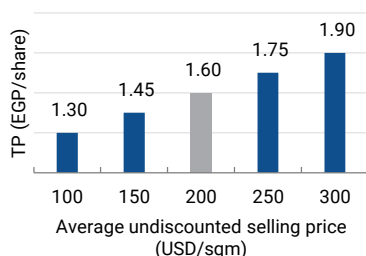
Valuation & assumptions

Valuation summary

Project	Methodology	Stake	Proportionate EV (EGPmn)	EV/share (EGP)	As % of EV	As % of TP
Phase 1 & 2	DCF	100	860	0.82	73	51
SHC land	DCF	78	28	0.03	2	2
Total land			888	0.85	75	53
Sawari	DCF	100	43	0.04	4	3
Jamaran	DCF	100	66	0.06	6	4
Tawaya	DCF	78	75	0.07	6	4
Total projects			185	0.18	16	11
SHC rentals	DCF	78	29	0.03	2	2
Utilities	NAV	100	75	0.07	6	4
Total services			104	0.10	9	6
Total value			1,148	1.12	100	70
Add: net cash			86	0.08		5
Add: receivables	NPV		524	0.50		31
Less: infrastructure cost	NPV		(106)	(0.10)		(6)
Net cash and A/R			504	0.48		30
TP				1.60		100

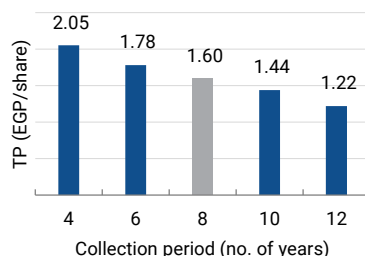
Source: CI Capital estimates

TP sensitive to land selling prices...



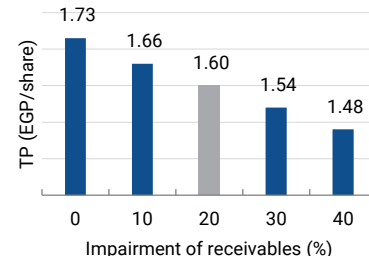
Source: CI Capital estimates

...and collection periods; we assume 8 years in our base case...



Source: CI Capital estimates

...and 20% impairment to receivables; run sensitivities for 0-40%



Source: CI Capital estimates



Egyptian Resorts Company (ERC)

Real estate

Egypt

Financial statements

FY end: Dec EGPmn	2017a	2018e	2019e	2020e	2021e
Income statement					
Revenue	281	144	410	435	573
CoGS	(178)	(168)	(261)	(262)	(291)
Gross profit	103	(23)	149	172	282
EBITDA	92	(37)	93	112	190
Depreciation and amortisation	(22)	(24)	(25)	(27)	(28)
EBIT	70	(61)	68	85	162
Net interest income (expense)	10	16	17	44	69
PBT	80	(45)	84	130	232
Taxes	(11)	10	(9)	(19)	(42)
Net income	69	(35)	75	111	190
Attributable net income	63	(34)	74	108	186
Balance sheet					
Cash and equivalents	122	126	332	511	624
Accounts and notes receivable	914	820	673	674	748
Work in progress	591	602	521	478	448
Other current assets	34	34	34	34	34
Total current assets	1,661	1,581	1,560	1,696	1,853
Property, plant, & equipment	103	96	89	80	69
Investment property	148	149	149	149	150
Accounts and notes receivable	471	441	551	552	612
Other non-current assets	56	56	56	56	56
Total assets	2,439	2,324	2,405	2,533	2,740
Customer advances	176	191	226	221	209
Entitlements to TDA	140	140	142	145	150
Other current liabilities	500	404	373	393	418
Total current liabilities	816	736	741	759	776
Purchase of land creditors	621	621	621	621	621
Total liabilities	1,437	1,357	1,362	1,380	1,398
Shareholder equity	949	914	988	1,097	1,283
Minority interests	(17)	(17)	(16)	(14)	(10)
Total equity and liabilities	2,439	2,324	2,405	2,533	2,740
Cash flow statement					
Operating cash flow	55	(13)	120	166	270
Working capital changes	(51)	35	104	31	(139)
Net operating cash flow	4	22	223	197	131
Net investment cash flow	(4)	(18)	(18)	(18)	(18)
Net financing cash flow	(13)	-	-	-	-
Net change in cash	(13)	4	205	179	113
FCF	(13)	4	205	179	113

Source: Company data, CI Capital estimates
Closing price as of 18 February 2019

	2017a	2018e	2019e	2020e	2021e
Basic & per-share data (EGP)					
Enterprise value (mn)	2,111	2,111	2,111	2,111	2,111
EPS (basic)	0.1	(0.0)	0.1	0.1	0.2
DPS	-	-	-	-	-
BVPS	0.9	0.9	0.9	1.0	1.2
FCFPS	(0.0)	0.0	0.2	0.2	0.1

Valuation					
P/E (basic) (x)	35.2	(64.7)	29.9	20.3	11.9
P/BV (x)	2.3	2.4	2.2	2.0	1.7
Dividend yield (%)	-	-	-	-	-
FCF yield (%)	(0.6)	0.2	9.3	8.1	5.1
EV/revenue (x)	7.5	14.6	5.2	4.9	3.7
EV/EBITDA (x)	22.9	(57.6)	22.7	18.8	11.1

Growth (% y-o-y)					
Revenue	61.5	(48.6)	183.5	6.1	31.9
EBITDA	n/m	(139.7)	(354.0)	20.3	69.8
EBIT	n/m	(186.4)	(211.3)	26.1	90.1
EPS	n/m	(154.5)	(316.4)	46.8	71.6

Profitability (%)					
RoE	6.6	(3.7)	7.5	9.9	14.5
RoA	2.6	(1.5)	3.1	4.3	6.8
RoIC	6.3	(5.6)	5.9	6.0	9.4
Asset turnover (x)	0.1	0.1	0.2	0.2	0.2
Gross margin	32.8	(25.4)	22.7	25.8	33.2
EBITDA margin	24.7	(24.1)	18.4	25.4	33.1

Liquidity (x)					
EBITDA/net interest	9.2	(2.3)	5.6	2.5	2.8
Net debt/equity	(0.1)	(0.1)	(0.3)	(0.5)	(0.5)
Net debt/total assets	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)
Net debt/EBITDA	(1.3)	3.4	(3.6)	(4.6)	(3.3)
Current ratio	1.2	1.2	1.1	1.2	1.3
Quick ratio	1.3	1.4	1.4	1.6	1.8



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Neutral (N): Estimated total potential return greater than or equal to 0% and less than 20%

Underweight (UW): Estimated total potential return less than 0%

NR: Not Rated

SP: Suspended

The definition of each rating for equities listed in the GCC is as follows:

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NR: Not Rated

SP: Suspended

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