

# EGYPT TELECOM | ON THE GROUND UPDATE

## Social Distancing Lead to Higher Data Usage

- Social distancing measures, online learning in schools and universities along with employees working from homes, should lead to higher data revenues for internet service providers.
- Mobile revenues and mobile internet revenues as well should witness an increase, mainly on higher usage; driving ARPU growth.
- The Ministry of Communication agreed with the four mobile network operators in Egypt, to provide and increase the monthly download capacities of internet subscriptions by 20% for all users to support social distancing and online learning decisions, where the ministry bears the cost; hence no cost pressure on internet providers.
- Business process outsourcing companies and call centers should benefit from the current social distancing in the global and local market, given a witnessed increase in demand for delivery services.

## EGYPT TECHNOLOGY & E-PAYMENT | ON THE GROUND UPDATE

### **Restrictions on Movements Supports Financial Inclusion Potential**

- COVID-19 outbreak is now a motive to speed up government plans to promote financial inclusion.
- In-light of movement restrictions, consumers are gradually shifting to online platforms to pay bills and purchase goods.
- CBE waived fees and commissions on operations that are executed through mobile wallets and imposed daily limits on cash withdrawals and deposits to stimulate a cashless economy and prevent the spread of the virus.
- E-payment companies operating in the market offering basic services/necessities including bills, telecom, education and pre-paid electricity cards should witness solid transaction flow on their network.
- E-Payment companies offering services through banking channels/e-channels and mobile wallets might witness growth given the new regulations issued lately by CBE.
- However, if COVID-19 outbreak puts massive downward pressure on economic conditions and changed consumer spending patterns; e-payment companies will lose transaction volumes for entertainment and amusement.
- COVID-19 outbreak might support government plans for financial inclusion and digital transformation.

# TELECOM & TECHNOLOGY | TRADING AT ATTRACTIVE MULTIPLES

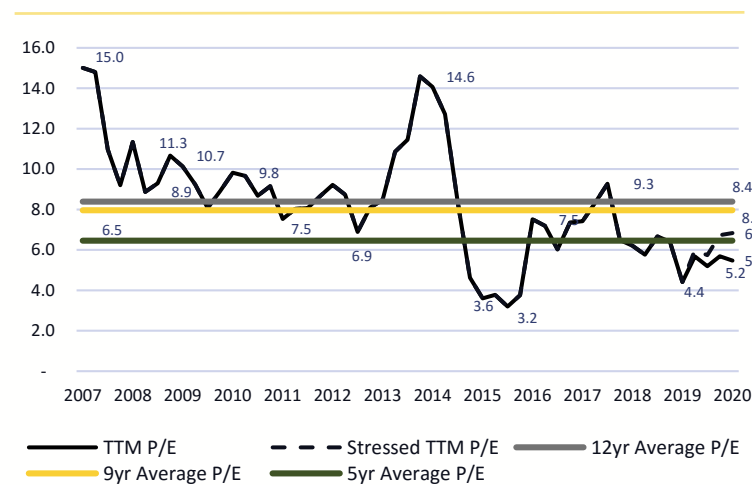
## Telecom Egypt (ETEL)

FV: EGP16.22, OW

ETEL currently trades at 2020f P/E of 5.5x, which is below its 5yr and 9yr P/E average of 6.5x and 8.0x. Stressed TTM 2020f P/E at 6.8x, between 5yr and 9yr historical averages.

ETEL currently trades at lower than historical averages, however management decision on Vodafone's investment is a key stock performance driver.

## ETEL TTM PE



Source: Bloomberg and Pharos Research

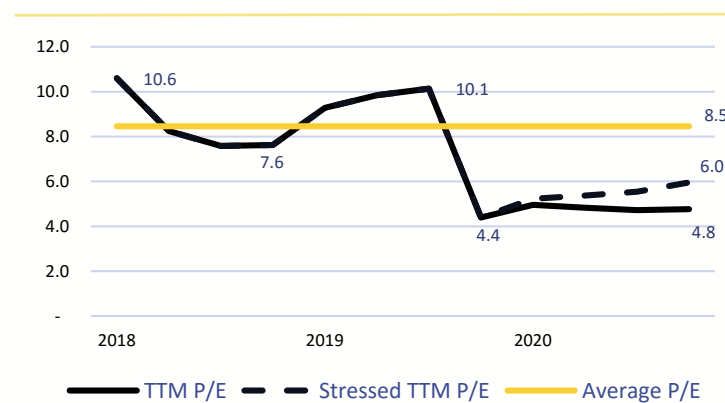
## Raya Contact Center (RACC)

FV: EGP10.60, OW

RACC currently trades at 2020f P/E of 4.8x, stressed P/E of 6.0x which is below the 2yr P/E average of 8.5x.

RACC currently trades at a significant discount to historical average, however the company is currently challenged by lower profitability and FX strength, but these factors are taken into account for 2020 earnings.

## RACC TTM PE

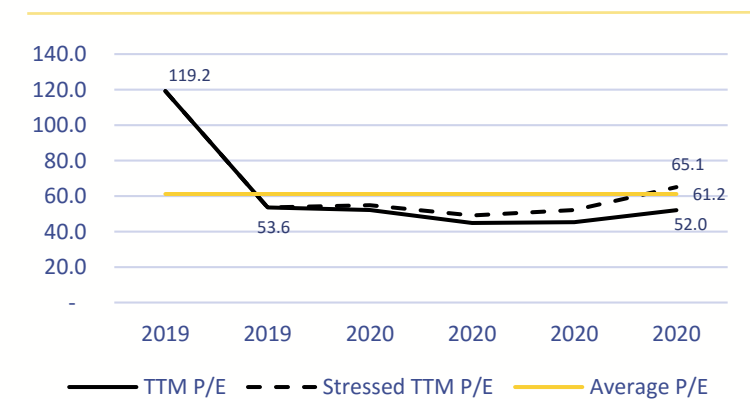


Source: Bloomberg and Pharos Research

## Fawry for Banking and Payment Technology Services (FWRY)

FWRY currently trades at 2020f P/E of 52.0x, stressed P/E of 65.1x, compared to average TTM since IPO of 61.2x.

## FWRY TTM PE



Source: Bloomberg and Pharos Research

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