

A Window of Opportunity

EFG Hermes GDR window has been heavily utilized by investors for repatriation of profits after COMI's GDR window closed. Any opportunity out there?

CIB GDR (CBKD IL) soared after window closure

At the time when CIB's GDR window was open, high investor demand on the local shares to transfer into the GDR as a profit repatriation mechanism has lifted local share price and pressured GDR price. As long as the GDR window was open, the GDR failed to mirror the solid performance witnessed by the local share. Once the GDR window closed, and as the transfer pressure on the GDR was lifted, the stock re-rated massively (Figure 2).

History will repeat itself with EFG Hermes GDR (EFGD IL)

We believe that the same will happen with EFG Hermes GDR, after the conversion window closes, which should take a month or less, depending on when devaluation would happen and/or restrictions on repatriation of profits ease, or the GDR conversion limit is reached.

Buy EFG Hermes GDR for a potential 40%+ return

Looking at HRHO EY's yesterday's closing price (EGP15.67) and using the same exchange rate implied by the COMI EY/CBKD LI conversion (EGP11.62), the EFG Hermes GDR should re-rate to USD2.69, offering a 47% potential return on the USD. This is not happening currently or on the short term, as long as the GDR conversion is still open.

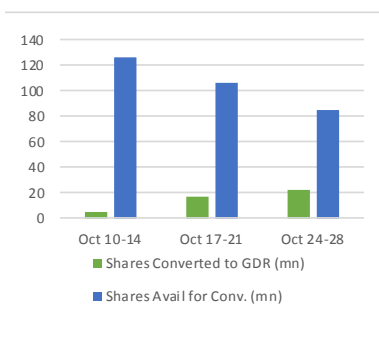
Risks: EFG-Hermes local share price drops significantly before the GDR window closes; or EFSA prohibits GDR conversion for foreign investors

The only risk to this trade is that the EFG-Hermes local share price drops anywhere below EGP15.67 before the GDR window closes, which reduces the potential return from 40%. Another risk is that EFSA prohibits GDR conversion for foreign investors, but we see low chances for such risk.

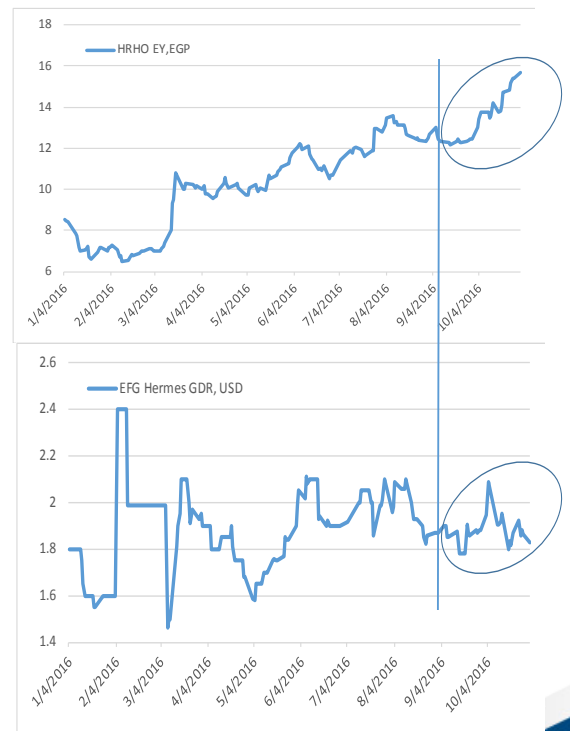
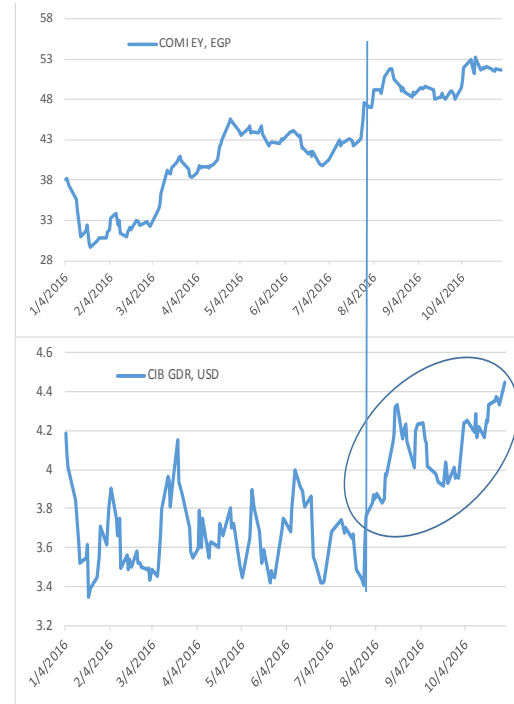
A scenario analysis is provided below: Conversion demand is gaining stronger grounds every week;

HRHO EY	EFGD LI	Potential Return
15.67	2.69	47%
15.00	2.58	41%
14.50	2.49	36%
14.00	2.40	31%
13.50	2.32	27%
13.00	2.23	22%
12.50	2.15	17%
12.00	2.07	13%
11.50	1.98	8%
11.00	1.89	3%

Window should close in 4-6 weeks



GDR stays under pressure up until conversion window closes





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