PHAROS

Egypt Equity Strategy| If Optimism is a Virtue, Reality Check is a Blessing

November 13, 2016

- Foreign participation; a long awaited spark.
- Market outpaces FV upgrades and logical DCF assumptions.
- Replacement cost and potential acquisitions are the magic reasons.

Foreign investors cheer floatation and drive market spike

After long awaited reform measures, foreign participation in the market has spiked, affecting trading volumes and share price movements. We thought that it would be useful at these levels to see how «stocks in focus» are positioned within their respective sectors and where optimism can stretch fair values to, given the spike witnessed in prices over the last six sessions. To further put things into perspective, we go through a reality check of the several opportunities and challenges that corporations in Egypt would have to deal with over the next 6-18 months.

DCF valuations are close to being «stretched» at this point

When we have examined the current assumptions underlying our and consensus DCF valuation and strongly believe that the implied assumptions do capture the turnaround in macroeconomic conditions, which takes us to the next question.

Why is the market showing extremely strong momentum that seems to surpass cash flow assumptions and leaves analysts torn between realistic assumptions and FV upgrades that seem to chase the market, rather than lead it?

Replacement cost and potential acquisitions are the driver

The short answer is Replacement Cost. Post devaluation, the replacement cost of any industrial producer or heavy capex business has doubled in EGP terms and has relatively «dwarfed» the current market capitalization of established players.

Consequently, regardless of what the DCF is telling us, these businesses do look cheap in comparison, whether for portfolio investors or as potential acquisition targets.

We would not be surprised if the market momentum continues beyond upgraded FVs that should start flowing in over the next quarter.

We examine below our fundamental strategic view per sector and per key players in each sector. A detailed Egypt valuation table is presented at the end of this report to show valuations and multiples, the stocks we favor and dividend plays.

OVERWEIGHT	EQUALWEIGHT	UNDERWEIGHT
Banking	Real Estate Developers	Cement
Financial Services	Telecom	Steel
Contractors & Cables	Consumer Staples	Ceramics
Logistics	Consumer Durables	
Land Bank Owners	Tobacco	
	Pharma and Health	
	Chems/Petchems	

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Overweight Financial Institutions|

It's a win-win situation for bank and non-bank financial institutions in Egypt

Banks have been a primary beneficiary of the deficit monetization over the last two years, with net interest margins skyrocketing over the last 6 quarters, despite the slow growth in balance sheets. We believe that they will continue to be the primary beneficiary in the macro transformation story, with the "gradual" shift from treasury instrument allocation into lending, in tandem with the foreseen gradual reduction in policy rates, once we reach stability in the FX market, which has already started to witness signs of normalization.

COMI (Equalweight, FV: EGP69.45, P/B 2017e: 3.2x) has always been the safe bet for investing in EGX, with its >30% weight of the index, being the number one stock of choice for foreign investors in the Egyptian stock market, and reflecting a proxy for Egypt's macroeconomic growth potential and an underpenetrated banking sector. Despite the rally witnessed by the stock MTD (+26%), we continue to recommend an Equalweight exposure to the stock, where it current trades at P/B FY2017e of 3.1x, versus an ROE of 32%.

With CIB edging closer to FV and investors looking for stocks that would act as a proxy for macroeconomic recovery, we believe CIEB (Overweight, FV: EGP36.72, P/B 2017e: 2.2x) will continue to rerate. CAE is currently trading at a P/B FY2017e of 2.1x a ROE of 32%. The stock is also trading at P/E FY2017e of 7.7x, versus a sector average of 9.9x. CAE is a high yield play with estimated divided yield of 6.4%.

While we realize that HDBK (Overweight, FV: EGP24.97, P/B FY2017e: 0.8x) has low liquidity, we believe that the recent rally has helped the stock realize part of its FV, where it went up by 19.7% MTD. The bank has demonstrated healthy momentum in balance sheet growth and solid margins. In addition, its real estate operations have proven to provide some support for non-interest income and is tapping the middle income housing market, where demand has proven relative resilience to price escalation. HDBK is trading at a very attractive P/E 2017e of 4.0x, and a solid P/B 2017e 0.8x versus an ROAE of c.20%. In addition, HDBK is a high yield stock with estimated dividend yield in 2016 of 8.6%, on current price.

EFG-Hermes (Overweight, FV: EGP20.25) continues to be the cream of the crop. The floatation of the EGP has actually triggered a rerating for the commercial banking segment sale proceeds and any remaining stake (USD472 million after transaction cost), taking HRHO's sum of the parts FV to EGP20.25, using an exchange rate of EGP15.00/USD. While we realize that the stock has rallied 110% YTD, the real growth potential for EFG Hermes in our view is within the new ventures, and the planned expansion within frontier markets, that justifies higher upside potential within the investment bank. We believe that the upside potential between current market price and our FV is conservative for new ventures and has the potential to double. Our base case scenario factors in consistent growth trends; where an optimistic scenario takes the valuation of EFG Hermes to EGP25.00.

Overweight Contractors & Cables|

Power generation and infrastructure spending beneficiaries poised for solid growth

El Sewedy Electric (Overweight, FV: EGP64.00) is well positioned for potential awards of projects within the power generation, transmission and distribution within Africa and the Middle East. With strong demand for wires & cables, backed by expansion of electricity capacities, El Sewedy is poised for healthy top line growth. Our best case scenario points to c.15% upside from the current market price (c.EGP90.00). On the balance sheet side, El Sewedy electric is a net beneficiary from the floatation of the EGP. We estimate EGP508 million in FX gains in 4Q2016 given that 70% of receivables are in foreign currency; mainly attributed to emergency projects, and despite having 25% of debt and 30% of payables in foreign currency. Operationally, if the company can raise the GP/ton to EGP10,500 in 2017 in order to sustain a GPM of 13% for the wires & cables segment, this would be a very strong catalyst for a valuation rerating. Exports count for 66% of cable segment sales, which will be boosted strongly by the depreciation in the local currency. Record high turnkey backlog of EGP20 billion in June 2016 and favorable execution rates are expected to fuel revenue growth. A boost in smart meters selling prices will drive the segment's performance upward. On the flip side, finance expenses will jump to unprecedented levels, since the company's debt is now mostly dominated in EGP and is subject to the interest rate hike.

ORAS (Overweight, FV: EGP105.00) is a play on infrastructure spending and local currency depreciation. By 1H16, MENA accounted for 51% of revenue led by Egypt, which represented 44% of total revenues. MENA-generated EBITDA margin recorded 8.8% in 1H16 and 9.2% in 2Q16, mainly driven by projects in Egypt. According to management, 74% of the group's total backlog is in FCY or priced in FCY. FCY-denominated and FCY-priced backlog outweigh FCY costs in Egypt. The group also incorporates cost escalation clauses in the majority of Egypt contracts to protect against potential cost inflationary pressures. We estimate that the backlog would reach USD6.0 billion by the end of 2016 and USD7.7 billion by the end of 2021. On the margin front, we estimate that GPM would continue to average 8.0% and EBITDA margin would stabilize at c.5%. ORAS is cheap compared to peers; with net cash is 30% of market capitalization. Emerging market peers are trading at 18.1x P/E; 10.9x EV/EBITDA; and 1.5x P/B. ORAS is trading on 2017 projected multiples of 7.0x P/E; 3.5x EV/EBITDA and 1.3x P/B.

Overweight Land Bank Owners; Equalweight Real Estate Developers|

Real estate developers will face headwinds but land bank owners continue to be the safe bet

We continue to recommend MNHD (Overweight, FV: EGP20.39) and HELI (Overweight, FV: EGP74.30), given their vast raw land banks which carry no land liabilities and were secured at very low cost.

We also recommend exposure to developers like TMGH (Overweight, FV: EGP9.45) and PHDC (Overweight, FV: EGP3.47) and OCDI (Overweight, FV: EGP19.70). We realize that construction costs have already risen because of the introduction of the VAT and the floatation of the EGP, which has trickled down to prices of all building materials. Developers are tackling this challenge by carefully reviewing their prices across all launches, and considering higher focus on smaller units, since increasing prices would affect affordability. The increase in interest rates was already reflected in the discount rates we use for valuation. However, the increase in interest rates would raise the debt service burden on PHD specifically, since its net debt to equity figure is relatively high (0.4x as of September 2016). However, our FVs still hold, given that they are mainly supported by the valuation of the companies' raw land plots, which might rerate upwards given the current macroeconomic dynamics.

Equalweight Consumer Staples and Durables|

Consumer goods manufacturers face the storm; pricing power is the name of their game

The floatation of the local currency is the biggest obstacle facing food & beverage producers in Egypt, as big players such as Juhayna, Edita and Domty respectively source c.60%, c.15% & c.70% of their raw material costs in foreign currency. Another cost based predicament that food & beverage companies will face is the increase in energy prices that will spike their selling and distribution expenses. Given the current interest rate hikes, interest expense will shoot up for all food and beverage companies that have accrued debt on their balance sheets. Throughout the year, producers have been reluctant to pass the increased expenses to their consumers at one shot, instead they opted on gradual price hikes, in order to maintain market share. Price escalation power and export prospects are the key success factor, as manufacturers seek to redeem any lost margins from the previous quarters as well as maintain them pending any further weakness of the Egyptian Pound. The underlying problem with this strategy is that it might hinder sales volume growth especially in the more niche juice segment which will affect Juhayana and Domty's profitability. Moreover, if there are significant price increases in the dairy market, the government might hit back by revisiting the previously discussed margin restraints on necessity goods. When it comes to increasing prices, Eastern Company and Edita are in a relatively better position to pass on their prices given the inelasticity of demand over their products and the increase of unlikelihood of any government price interventions.

Amongst food and beverage producers, we continue to recommend allocation to JUFO (Overweight, FV: EGP6.40) and DOMT (Overweight, FV: EGP8.25). EFID (Equalweight, FV: EGP14.60) has edged close to our FV and is trading at higher multiples (P/E FY2017e of 27.0x) versus P/E FY2017e of 15.0x for JUFO and DOMT.

AUTO (Overweight, FV: EGP3.50) had been operationally under pressure due to FX unavailability. Their inventory and "relatively" better pricing range resulted in significant market share gain over the last 18 months. We believe that volumes will be negatively impacted by the massive increase in prices, but client migration from the higher brand categories to more reasonably priced ones should support AUTO's market share. The rise in prices has compensated for the drop in sales volume and has resulted in improved operating margins.

ORWE (Overweight, FV: EGP10.95) is an FX neutral industrial player, poised to benefit from export incentivizing programmes. They source their needs of FX through their exports. Challenges in the export markets seem to have faded off, and the depreciation of the local currency should boost export volumes. For the local market, the company intends to raise prices by 20-25% over two phases, which should be smoothly implemented supported by import parity with Turkish imports.

PHAR (Equalweight, FV: 83.00) has been sourcing their FX needs from the official banking system at EGP8.85/USD, up until floatation.

Margins have been boosted in 2Q16 and 3Q16 after the price revision implemented in 2Q2016. Reality will hit starting 4Q2016 when costs would need to be booked at the new exchange rate. EIPICO's exports represent 20% of revenue, while FX denominated costs add up to 60% of total COGS. Pharmaceutical producers are currently lobbying for price increases in view of the EGP floatation.

EAST (Equalweight, FV: EGP280.00) has been sourcing its FX needs from the banking system at EGP8.85/USD. Toll manufacturing agreements and exports represent 15-18% of revenue while imported raw materials represent 40-45% of costs. Effectively 50% of its FX needs is sourced through banks. Those needs will now be secured at the new official rate at EGP15-16/USD. While EAST has high pricing power with demand being inelastic to its products, margins will be distressed until further price hikes are passed.

Equalweight Chemicals|

We recommend selective exposure due to the extreme difference in company specific opportunities and risks

EK Holding (Overweight, FV: USD0.70): Due to the clear business model of Sprea Misr (USD0.29 per share of EKHO) and NatEnergy (USD0.18 per share), their high growth potential and strong cash flow visibility, we believe that a FV of USD0.52 per share for EK Holding could be easily unlocked, after adding USD0.05 per share for net cash. Maintained positive developments for AlexFert, whether higher utilization rates or improvement in global Urea prices, would unlock its FV of USD0.07, taking EK Holding value to USD0.59. Average DPS distributed by EK Holding has been around 2.5 cents, with the potential for that DPS to go up to 3.0 cents, if net profits hit USD60-65 million in FY2016. This yields c.6% return on the USD, which is quite attractive. In our view, the stock would start to realize its potential with FX shortage resolution, or higher interest from foreign institutions into USD-denominated stocks within the local market, which has actually started to materialize.

AMOC (Overweight, Consensus FV: EGP49.37) is a second stage refinery and one of the companies that stand to benefit from the recent floatation of the Egyptian pound. 100% of AMOC's revenue versus c.85% of its COGS are dollar-denominated. Despite its consistently low margins, AMOC is very much a great dividend as well as an oil play; with a payout ratio averaging 88% over the past five years and the stock more or less mirroring oil prices. Unlike many stocks, AMOC's debt free status makes it immune to the 550bps hike in interest rates over 2016 affecting its bottom line. AMOC being a client and a supplier to EGPC can be seen as a double edged sword, on the one hand AMOC enjoys a steady working capital (payables are receivables are netted), yet AMOC's dependency on EGPC for feedstock causes margin swings as a result of the inconsistency of feedstock quality. Consequently, we believe that AMOC is set to perform well over the coming two quarters, especially if OPEC and non OPEC producers manage to broker a deal.

Underweight Building Materials|

Cement players' fate determined by new licenses; Efficiency and profitability highly affect outlook

Even if demand for cement picked up on higher infrastructure spending, we realize that the new capacities expected to come on stream in three years would create pressure on prices and utilization rates amongst existing players. Demand has to grow at a CAGR of 11.3% over the coming 3 years to maintain the same utilization rate by 2019, which in our view, is highly unlikely. We estimate that demand will grow at a CAGR of 5.4% between 2015 and 2020 on the back of higher infrastructure spending, to hit 70 million tons by 2020, which is roughly equivalent to the industry's current nameplate capacity. Furthermore, the new capacities should come on stream to take market supply to north of 100 million tons per annum (assuming that existing players as well as new market entrants will execute their capacity expansion plans).

As we previously noted, listed cement companies are trading significantly below replacement cost. In our view, the acute deviation between the EV/ton of listed players and replacement cost is conducive to sector consolidation.

Arabian Cement (Equalweight, FV: EGP8.58) should face several challenges in light of the latest developments, namely, 1) cost hikes as a result of the EGP flotation, 2) 300 bps interest rate hike, and 3) extremely volatile coal prices. We expect 1) the company to book sizeable FX losses on its foreign denominated USD debt in 4Q16, which will wipe out FY2016 bottom line, 2) interest expenses to rise, and finally 3) higher energy and electricity prices to weigh on margins. In spite of surging average retail prices YTD and with the VAT adjustment from 5% to 13%, 56.3% and 37.7%, respectively, it is worth noting that coal prices skyrocketed 74.9% in USD terms YTD (currently hovering around USD 109/metric ton). As per management guidance, current coal inventory is sufficient until 1Q17. However, our conservative estimates take into account further margin compression on the back of a weaker EGP against the USD and rising energy and electricity costs as we expect GPM to level off to 21.7% in 2020 when the new capacities come on stream versus 31.8% attained by the company in 1H16.

South Valley Cement (Underweight, FV: EGP3.65) should face strong headwinds, given that the company is operating towards the high end of the cost curve as it has not yet converted to coal and that natural gas prices will significantly increase on the back of the EGP depreciation. As per sporadic news announcements, the company will incur USD19.5 million to install the new coal mill. Given that the new capacities are expected to come on stream by 2019/2020, we do not expect the company to be able to reap the rewards of coal conversion. Additionally, Thursday's closing stock price implies that the company will be able to attain GPM levels north of 25% over the coming years versus 20.3% attained by the company in 1H16 and 3.3% higher than what we project for its more efficient peer, ACC. Accordingly, we advise our clients to capitalize on the current rally to offload their positions.

Ceramics' tier-one producers are better positioned than other industry peers

ECAP (Overweight, FV: EGP7.56) is a net beneficiary of the EGP depreciation, given that the company is the sole tier-1 local producer and a weaker EGP against the USD shields the company from foreign competition. This should allow the company to raise prices further in tandem with rising costs, namely, the significant increase in energy prices in EGP terms as a result of the EGP depreciation against the USD. As per 2Q16 financials, interest bearing debt stood at EGP165 million; USD denominated credit facilities contributed 9.2% to total credit facilities, whereas EGP credit facilities' interest rate is fixed at 12.64%. Our extremely conservative FV takes into account strong decline in exports as well as domestic sales over our forecast horizon, coupled with significant increase in production costs, namely, energy prices, wages and inability to fully pass on price increases to consumers. We believe that the stock has been over-penalized by sentiment on the sector overall.

Steel producers face multiple challenges in relation to foreign currency and natural gas

Ezz Steel's (Equalweight, Consensus FV: EGP10.20) performance is contingent on USD and natural gas availability, which would affect capacity utilization rates. The company incurs natural gas prices in EGP equivalent based on the prevailing official FX rate, thus we expect the adjustment in natural gas prices in EGP terms to weigh on margins. As per management guidance, steel seling prices are set weekly based on the prevailing EGP/USD rates. We expect the company to report sizable non-cash FX losses resulting from USD denominated debt revaluation. Over and above, the company has an outstanding debt of EGP 17.4 billion, on which interest expense will rise significantly post the interest rate hike.

Equalweight Telecoms|

It is not all rosy for telecom players

With regards to Global Telecom (Equalweight, FV: EGP6.25), challenging outlook for Djezzy to overshadow the growth in Pakistan and the stable operations in Bangladesh. In our opinion, the expected under-performance will curb topline growth for 2016 and 1H17 since launching 4G services will payoff starting 2H17. The stock has surged by 190% YTD, positively impacted by the floatation of the EGP, refinancing of the shareholders loan and speculation regarding the possibility of de-listing from EGX.

Telecom Egypt (Equalweight, FV: EGP11.00) should face several challenges ahead; including fixed line competition from MNOs, which could mean that ARPUs will plummet further. The company recorded its first ever net debt balance of EGP1763 million compared to a net cash balance of EGP2586 million in 2Q16, possibly pushing bottom line downwards going forward due to the burden of debt service. Despite the possibility of receiving dividends from Vodafone Egypt as FX situation improves, we rule out high dividend payout due to the intense CAPEX requirements to enter the mobile market and the debt service requirements mentioned previously. The fully saturated mobile market will be a challenging task for ETEL, as it sets optimistic targets for a customer acquisition. ETEL's stake in Vodafone Egypt currently contributes significantly to ETEL's bottom line and loss of such lucrative income might not be replaced with matched earnings from its potential mobile operations. The stock is currently trading at a P/E FY2017e of 6.0x and EV/EBITDA 2017 of 3.9x, which looks cheap. However, with the challenges stated above, we recommend a "Hold" on FV of EGP11.00.

Egypt Valuation Table

TOP PICKS

Dividend Plays

Company name	Bloomberg code	Closing price	Fair value	Upside	Rec'n	Market cap (USD, mn)	(ADVT (USD 1M	MTD change	YTD change	P/E 2016	P/E 2017	P/B 2016	P/B 2017	ROE 2016	ROE 2017	DY 2016	DY 2017	EV/EBITDA 2016	EV/EBITDA 2017
Market average										**11.8**	**10.8**	**2.0**	**1.8**	**18.9**	**18.7**	**3.1%**	**3.9%**	**7.7**	**6.8**
OVERWEIGHT BANKING SECTOR																			
CIB	COMI EY	EGP 67.22	EGP 69.45	3.3%	EW	4,662.9	9,511,197	30.0%	76.5%	13.7	11.3	3.9	3.2	31.5	31.6	1.7%	2.0%	---	---
Credit Agricole Egypt	CIEB EY	EGP 31.01	EGP 36.72	18.1%	OW	579.6	556,885	47.7%	49.5%	8.4	7.7	2.5	2.2	32.4	31.9	6.4%	7.2%	---	---
Housing & Development Bank	HDBK EY	EGP 21.02	EGP 24.95	18.7%	OW	159.9	102,243	22.8%	-5.7%	4.1	4.0	0.9	0.8	23.0	20.4	8.6%	8.8%	---	---
QNB Alahli Bank	QNBA EY	EGP 33.30	EGP 34.84	4.6%	OW	1,485.5	120,569	19.7%	27.7%	6.6	5.5	1.3	1.0	24.5	24.8	5.5%	6.5%	---	---
Egyptian Gulf Bank	EGBE EY	USD 1.15	USD 1.33	15.4%	EW	331.1	21,734	-0.9%	-16.9%	16.8	14.0	2.5	2.1	17.2	16.4	2.2%	2.3%	---	---
ADIB Egypt	ADIB EY	EGP 4.44	EGP 4.35	-2.0%	EW	53.3	92,853	34.5%	-11.4%	3.5	3.1	0.8	0.7	19.7	17.7	0.0%	0.0%	---	---
Al Baraka Bank Egypt	SAUD EY	EGP 9.86	EGP 11.16	13.1%	EW	81.1	6,481	17.7%	-0.3%	3.3	3.3	0.7	0.6	21.8	18.0	5.1%	6.6%	---	---
Export Development Bank of Egypt	EXPA EY	EGP 8.80	EGP 12.36	40.5%	EW	76.2	14,837	1.1%	5.4%	3.4	2.9	0.6	0.5	8.3	14.1	9.0%	12.0%	---	---
Faisal Islamic Bank of Egypt (EGP)	FAIT EY	EGP 9.25	EGP 13.87	50.0%	OW	384.1	32,915	8.6%	32.2%	8.8	8.5	0.6	0.6	21.8	18.4	9.6%	10.5%	---	---
Sector average										**11.2**	**9.4**	**2.9**	**2.3**	**27.2**	**27.1**	**3.3%**	**3.8%**	**---**	**---**
OVERWEIGHT FINANCIAL SERVICES																			
Citadel Capital	CCAP EY	EGP 0.86	EGP 1.00	16.3%	EW	194.1	1,943,052	21.1%	-46.3%	---	---	0.6	0.8	-28.8	-24.3	0.0%	0.0%	57.7	46.4
EFG-Hermes Holding	HRHO EY	EGP 18.49	EGP 20.25	10.0%	OW	683.5	9,850,243	18.0%	109.9%	19.8	28.5	1.2	1.2	6.8	7.5	1.3%	1.6%	---	---
Egypt Kuwait Holding	EKHO EY	USD 0.47	USD 0.70	52.2%	OW	458.6	394,347	11.9%	-9.6%	7.8	6.3	0.9	0.8	12.4	14.0	5.9%	7.4%	6.3	5.7
Pioneers Holding	PIOH EY	EGP 10.64	EGP 11.40	7.2%	EW	453.6	2,454,226	26.7%	77.3%	---	---	---	---	---	---	---	---	---	---
Sector average										**14.9**	**6.3**	**1.0**	**1.0**	**3.5**	**5.1**	**3.1%**	**3.9%**	**6.3**	**5.7**
UNDERWEIGHT BUILDING MATERILS																			
Al Ezz Ceramics and Porcelain	ECAP EY	EGP 4.87	EGP 7.56	55.2%	OW	14.9	7,406	28.2%	8.2%	6.6	5.0	0.6	0.6	10.2	12.3	6.5%	8.9%	3.4	2.7
Arabian Cement	ARCC EY	EGP 7.29	EGP 8.58	17.7%	EQ	166.0	1,156,420	36.5%	-26.7%	9.9	7.2	1.9	1.7	20.0	22.8	7.4%	7.8%	4.3	4.0
EL Ezz Aldekhela Steel Alexandria	IRAX EY	EGP 268.47	EGP 385.00	43.4%	EW	215.7	42,355	32.1%	-10.0%	---	16.2	1.7	1.6	-13.9	10.2	7.4%	6.4%	10.2	8.2

TOP PICKS

Dividend Plays

Company name	Bloomberg code	Closing price	Fair value	Upside	Rec'n	Market cap (USD, mn)	ADVT (USD 1M	MTD change	YTD change	P/E 2016	P/E 2017	P/B 2016	P/B 2017	ROE 2016	ROE 2017	DY 2016	DY 2017	EV/EBITDA 2016	EV/EBITDA 2017
Ezz Steel	ESRS EY	EGP 8.25	EGP 10.20	23.7%	EW	269.4	3,295,806	18.2%	-7.7%	---	16.8	1.4	1.2	-9.5	3.7	0.0%	1.0%	9.9	7.3
Lecico Egypt	LCSW EY	EGP 2.26	EGP 3.24	43.4%	EW	10.9	15,281	11.3%	-44.7%	---	15.1	0.2	0.2	-2.0	1.5	0.0%	0.0%	5.6	4.7
Misr Beni Suef Cement	MBSC EY	EGP 19.04	EGP 54.70	187.3%	EW	85.8	2,712	13.3%	-18.9%	---	---	---	---	---	---	0.0%	0.0%	---	---
Misr Cement (Qena)	MCQE EY	EGP 81.99	EGP 107.80	31.5%	EW	147.3	304,280	3.9%	-2.6%	11.4	6.7	2.7	2.2	18.5	29.1	4.7%	8.5%	8.1	5.8
Sinai Cement	SCEM EY	EGP 22.37	EGP 19.10	-14.6%	UW	94.1	6,082	5.3%	-6.2%	---	54.6	1.2	1.2	-6.0	-0.3	4.5%	4.5%	46.9	10.3
South Valley Cement	SVCE EY	EGP 4.35	EGP 3.65	-16.1%	UW	127.3	286,352	13.9%	4.6%	18.3	12.5	0.6	0.6	3.4	4.8	0.0%	2.0%	5.9	4.1
Suez Cement	SUCE EY	EGP 11.86	EGP 20.90	76.3%	EW	129.7	35,892	27.7%	-45.6%	---	13.9	0.3	0.3	-1.5	2.2	6.2%	6.5%	6.6	3.4
Sector average										**9.8**	**12.1**	**1.7**	**1.5**	**14.6**	**13.0**	**3.5%**	**3.5%**	**6.2**	**5.6**
OVERWEIGHT CONTRACTORS AND CABLES																			
Orascom Construction (Egypt)	ORAS EY	EGP 94.11	EGP 105.00	11.6%	OW	666.3	1,289,725	4.9%	38.0%	7.4	5.1	1.1	1.0	15.4	18.4	0.0%	2.2%	2.3	1.8
El Sewedy Electric	SWDY EY	EGP 78.82	EGP 64.00	15.0%	OW	1,058.7	1,719,879	25.7%	114.8%	7.8	8.5	2.2	2.0	30.7	23.1	4.5%	5.0%	6.6	6.1
Sector average										**7.4**	**5.1**	**1.1**	**1.0**	**15.4**	**18.4**	**---**	**2.2%**	**2.3**	**1.8**
EQUALWEIGHT CONSUMER DURBLES																			
Eastern Tobacco	EAST EY	EGP 287.10	EGP 280.00	-2.5%	EW	863.0	953,446	37.0%	64.1%	10.2	8.5	2.5	2.2	24.4	24.9	4.2%	5.3%	5.2	4.7
Ghabbour Auto	AUTO EY	EGP 2.76	EGP 3.50	24.7%	OW	181.5	454,154	39.4%	-22.0%	9.8	7.3	0.8	0.7	8.2	9.6	4.7%	5.2%	7.3	6.6
Oriental Weavers	ORWE EY	EGP 9.99	EGP 11.20	12.1%	OW	270.3	1,941,585	11.9%	26.5%	9.3	8.2	1.1	1.0	13.2	11.7	6.1%	6.8%	5.9	5.9
Sector average										**9.7**	**8.3**	**1.9**	**1.7**	**19.0**	**20.0**	**4.7%**	**5.6%**	**5.7**	**5.2**
EQUALWEIGHT FOOD & BEVERAGE																			
Arabian Food Industries (DOMTY)	DOMT EY	EGP 7.23	EGP 8.25	13.6%	OW	122.8	584,201	47.6%		21.9	17.4	3.9	3.5	25.4	21.6	1.4%	1.7%	11.4	9.6
Edita Food Industries	EFID EY	EGP 13.74	EGP 14.60	6.3%	EW	599.2	483,477	48.4%	-16.0%	41.9	26.6	7.7	6.5	19.0	24.9	1.0%	1.6%	21.4	16.2
Juhayna Food Industries	JUFO EY	EGP 5.83	EGP 6.40	9.8%	OW	329.9	1,154,279	48.7%	-26.9%	20.0	16.0	2.2	2.0	9.7	11.9	2.1%	2.8%	8.8	7.7
Sector average										**18.7**	**15.0**	**2.4**	**2.2**	**16.0**	**19.9**	**2.0%**	**2.7%**	**9.5**	**12.3**

TOP PICKS

Dividend Plays

Company name	Bloomberg code	Closing price	Fair value	Upside	Rec'n	Market cap (USD, mn)	(ADVT (USD 1M	MTD change	YTD change	P/E 2016	P/E 2017	P/B 2016	P/B 2017	ROE 2016	ROE 2017	DY 2016	DY 2017	EV/EBITDA 2016	EV/EBITDA 2017
OVERWEIGHT LOGISTICS																			
Alexandria Containers	ALCN EY	EGP 114.86	EGP 140.00	21.9%	OW	1,019.2	127,797	49.2%	122.7%	12.5	9.0	6.6	5.5	62.1	52.0	4.8%	5.3%	6.5	4.5
Sector average										**12.5**	**9.0**	**6.6**	**5.5**	**62.1**	**52.0**	**4.8%**	**5.3%**	**6.5**	**4.5**
EQUALWEIGHT CHEMS/PETCHEMS																			
Alexandria Mineral Oils (AMOC)	AMOC EY	EGP 44.78	EGP 49.37	10.3%	OW	231.8	252,711	13.1%	78.3%	8.9	9.1	1.6	1.6	17.7	16.9	8.9%	9.7%	4.6	5.2
Egyptian Financial & Industrial (EFIC)	EFIC EY	EGP 7.21	EGP 8.70	33.4%	EW	30.0	308,065	2.9%	2.3%	13.5	4.8	0.5	0.5	3.6	9.3	---	---	7.5	4.8
Sidi Kerir Petrochemicals	SKPC EY	EGP 13.30	EGP 15.65	17.6%	EW	419.8	1,065,361	-4.1%	17.1%	8.4	7.7	2.7	2.5	32.4	35.5	10.2%	11.1%	5.9	5.3
Sector average										**14.1**	**12.4**	**1.9**	**1.8**	**18.0**	**16.1**	**1.8%**	**4.6%**	**9.7**	**7.5**
UNDERWEIGHT PHARMA																			
Cleopatra Hospital	CLHO EY	EGP 11.58	EGP 11.53	-0.4%	EW	111.4	285,896	18.8%	---	5.3	4.0	3.9	3.1	17.6	18.7	---	---	10.1	8.3
EIPICO	PHAR EY	EGP 84.67	EGP 83.00	-2.0%	UW	403.8	601,535	18.2%	18.5%	15.4	13.6	3.8	3.7	23.2	26.4	5.2%	6.1%	8.9	7.6
Integrated Diagnostics	IDHC LN	USD 3.49	USD 3.97	13.7%	UW	523.9	470,074	27.0%	-29.4%	29.4	24.4	4.0	3.7	14.7	15.9	2.8%	4.0%	16.8	14.8
Sector average										**12.7**	**18.0**	**3.9**	**3.6**	**18.3**	**20.3**	**3.8%**	**4.9%**	**13.0**	**11.3**
EQUALWEIGHT TELECOM																			
Global Telecom Holding	GTHE EY	EGP 6.05	EGP 6.25	3.3%	EW	1,907.9	11,467,354	25.8%	190.9%	12.1	12.0	1.4	1.1	23.0	20.2	0.0%	2.5%	3.0	3.0
OTMT	OTMT EY	EGP 0.72	EGP 0.72	0.0%	EW	227.1	1,956,924	28.6%	1.4%	7.7	7.9	0.9	0.8	15.0	11.3	---	---	---	---
Telecom Egypt	ETEL EY	EGP 10.07	EGP 11.00	9.2%	EW	1,033.4	1,296,583	15.0%	56.9%	5.3	6.0	0.6	0.6	10.8	9.3	8.4%	8.3%	3.8	3.9
Sector average										**9.6**	**9.8**	**1.1**	**0.9**	**18.5**	**16.0**	**2.9%**	**4.6%**	**3.3**	**3.3**

TOP PICKS

Dividend Plays

Company name	Bloomberg code	Closing price	Fair value	Upside	Rec'n	Market cap (USD, mn)	(ADVT (USD 1M	MTD change	YTD change	P/E 2016	P/E 2017	P/B 2016	P/B 2017	ROE 2016	ROE 2017	DY 2016	DY 2017	EV/EBITDA 2016	EV/EBITDA 2017
EQUALWEIGHT REAL ESTATE																			
Amer Group Holding	AMER EY	EGP 0.31	EGP 0.27	-12.8%	UW	85.0	418,466	29.2%	-31.1%	5.7	4.2	0.8	0.8	16.0	18.1	5.6%	6.2%	2.4	1.8
Egyptian Resorts Company	EGTS EY	EGP 0.84	EGP 0.97	15.7%	EW	53.0	449,722	20.0%	0.0%	7.1	13.1	1.0	0.9	4.7	4.3	---	---	10.9	9.4
Emaar Misr for Development	EMFD EY	EGP 2.64	EGP 3.46	31.1%	EW	718.9	2,625,508	22.8%	-3.6%	11.7	8.7	1.6	1.4	15.0	17.7	4.2%	6.3%	10.4	7.4
Heliopolis Housing	HELI EY	EGP 63.32	EGP 81.27	28.3%	OW	423.5	1,577,806	8.4%	27.0%	18.9	42.2	9.6	9.5	64.3	22.6	3.6%	1.6%	16.5	32.0
Medinet Nasr Housing	MNHD EY	EGP 15.97	EGP 20.39	27.7%	OW	480.0	1,411,268	14.3%	16.8%	21.5	15.1	5.2	3.7	30.1	33.7	0.3%	0.3%	16.9	11.8
Palm Hills Developments	PHDC EY	EGP 2.83	EGP 3.47	22.6%	OW	407.5	3,700,250	23.6%	18.4%	10.6	9.7	1.0	0.9	10.3	10.9	2.2%	1.9%	11.0	10.3
Porto Holding	PORT EY	EGP 0.29	EGP 0.34	17.5%	EW	80.2	690,053	26.1%	-29.3%	11.5	5.4	2.3	2.0	19.7	32.8	6.0%	8.1%	---	---
SODIC	OCDI EY	EGP 14.87	EGP 19.05	28.1%	OW	303.0	3,388,095	13.4%	57.0%	11.4	9.5	1.3	1.2	12.7	13.0	---	17.7%	9.7	9.7
Talaat Moustafa Group	TMGH EY	EGP 7.47	EGP 9.63	28.8%	OW	926.7	3,606,653	31.7%	15.5%	12.1	11.6	0.6	0.5	4.4	4.5	2.6%	2.9%	9.6	9.0
Sector average										**13.7**	**10.7**	**1.1**	**1.4**	**13.3**	**15.9**	**2.9%**	**3.2%**	**11.7**	**9.1**

Sources: Bloomberg, Pharos Holding

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