

EGYPT REAL ESTATE| ON THE GROUND UPDATE

We contacted real estate companies to get a feel of how they are faring given the current covid-19 situation. Here are the main takeaways.

- The covid-19 impact on the real estate sector has less to do with raw material sourcing and more to do with construction schedules and sales momentum.
- Most of the inputs needed in the real estate sector are locally sourced, rendering potential import issues limited.
- Construction schedules may be lengthened due to fewer workers on site at the same time and, to a lesser extent, shorter working hours (less of a reason since working hours are originally usually set during the daytime).
- Sales seem to show hints of a slowdown; however, installment schedules of previous sales have not been extended.
- In terms of hospitality, given the current absence of tourists, companies are currently highly focused on limiting costs.

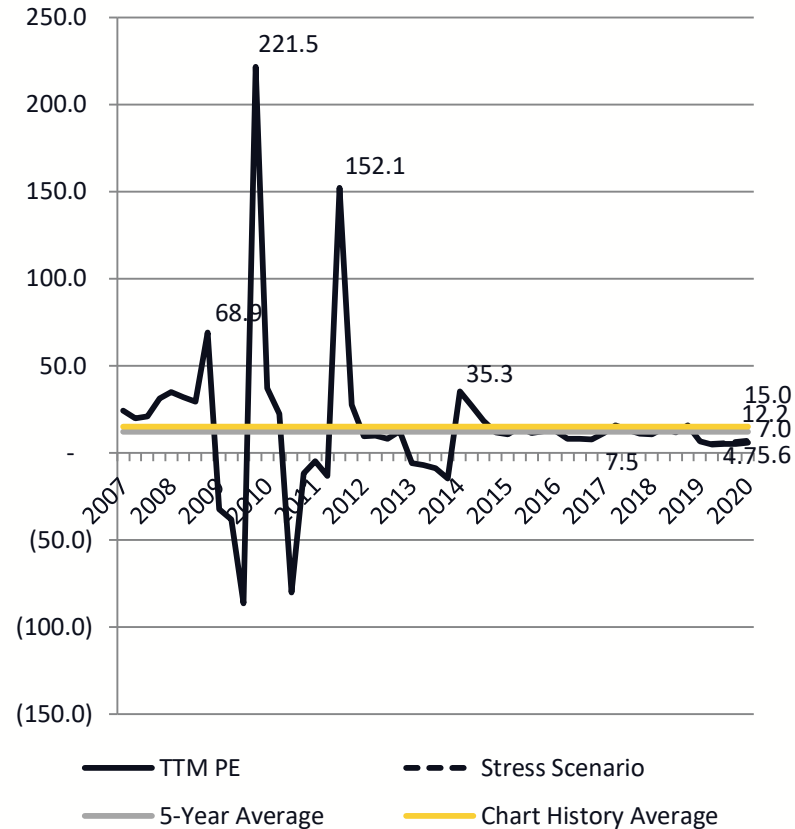
REAL ESTATE | SECTOR HEAVILY DISCOUNTED; OCDI LOOKS ATTRACTIVE

SODIC (OCDI)
FV: EGP29.87, OW

At its lowest PE in 13 years (excluding loss-making periods), OCDI is currently trading at a PE of 4.7. Our base case PE2020, which assumes a 20% decline in 2020 net income compared to 2019 net income, is 5.6, while a distressed scenario of 2020 net income being 20% lower than our base case translates into a PE2020 of 7.0.

Please note that we excluded three outliers in 2009 data from the chart.

OCDI Historical TTM PE

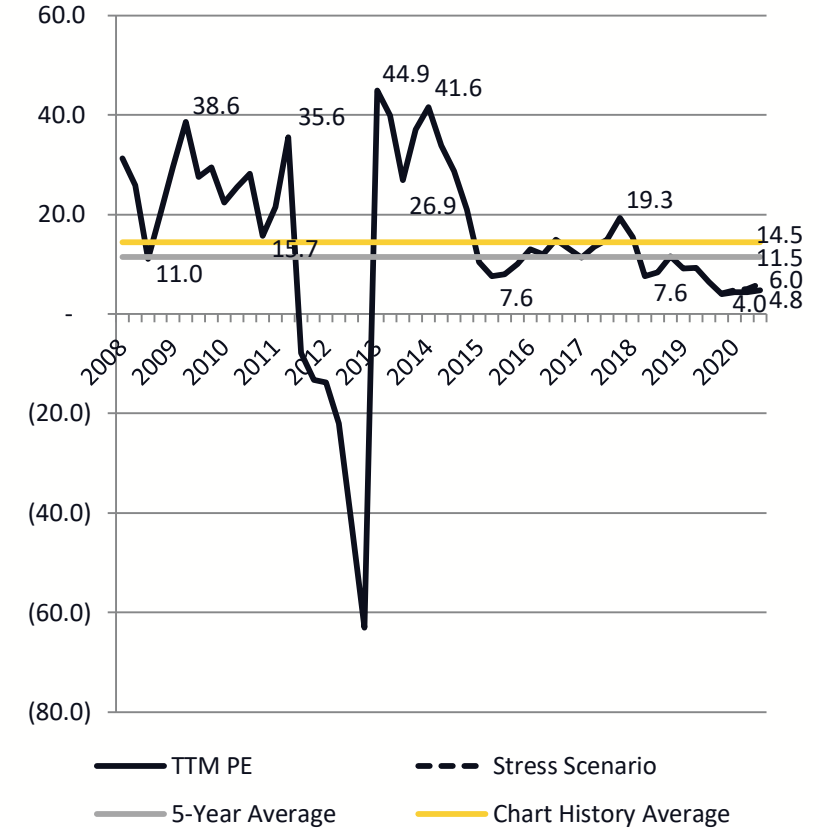


Source: Bloomberg and Pharos Research

Palm Hills Developments (PHDC)
FV: EGP3.53, OW

At its lowest PE in 12 years (excluding loss-making periods), PHDC is currently trading at a PE of 4.0. Our base case PE2020, which assumes a 20% decline in 2020 net income compared to 2019 net income, is 4.8, while a distressed scenario of 2020 net income being 20% lower than our base case translates into a PE2020 of 6.0.

PHDC Historical TTM PE



Source: Bloomberg and Pharos Research

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30 March 2020

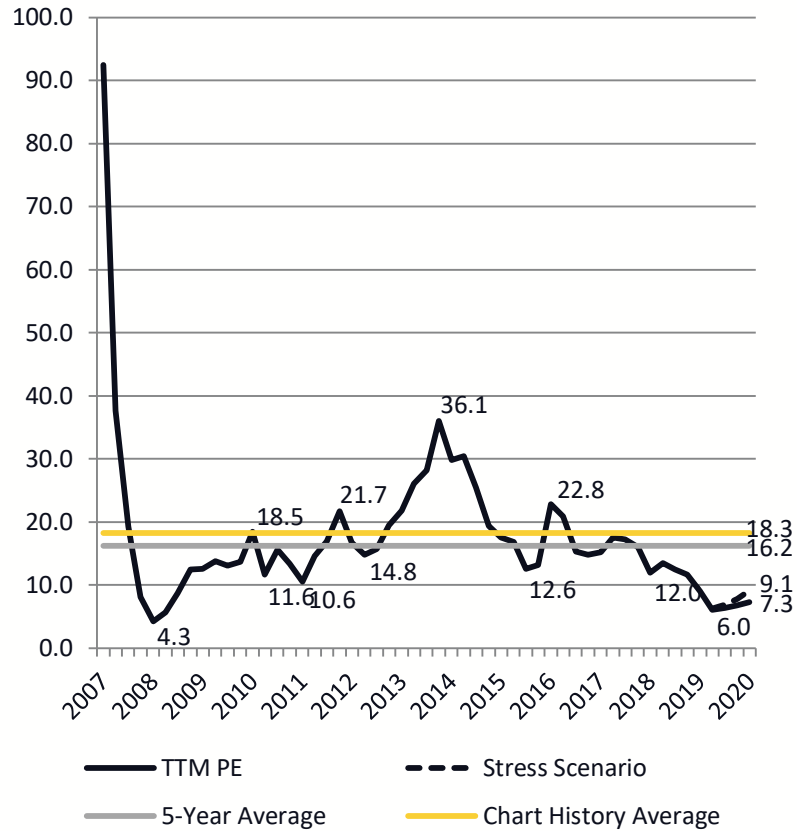


REAL ESTATE | SECTOR HEAVILY DISCOUNTED; OCDI LOOKS ATTRACTIVE

Talaat Moustafa Group Holding (TMGH)
FV: EGP17.46, OW

Even at a current PE of 6.0, the lowest in 12 years, TMGH's PE is still higher than its 2008 counterpart of 4.3. Our base case PE₂₀₂₀, which assumes a 20% decline in 2020 net income compared to 2019 net income, is 7.3, while a distressed scenario of 2020 net income being 20% lower than our base case translates into a PE₂₀₂₀ of 9.1.

TMGH Historical TTM PE



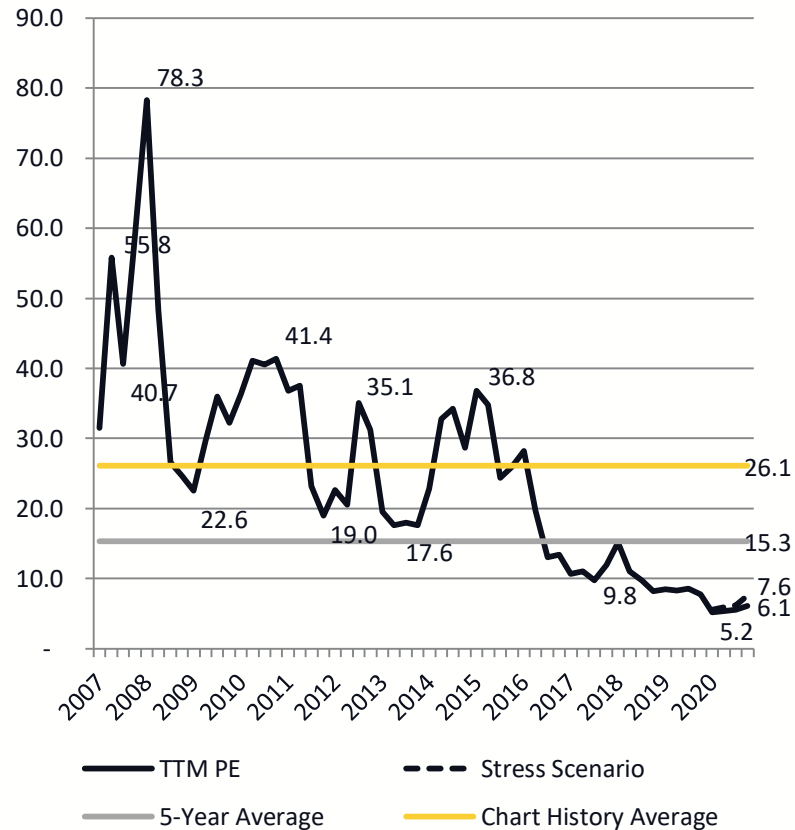
Source: Bloomberg and Pharos Research

REAL ESTATE | SECTOR HEAVILY DISCOUNTED; OCDI LOOKS ATTRACTIVE

Madinet Nasr for Housing and Development (MNHD) FV: EGP8.00, OW

At its lowest PE in 13 years, MNHD is currently trading at a PE of 5.2. Our base case PE₂₀₂₀, which assumes a 20% decline in 2020 net income compared to 2019 net income, is 6.1, while a distressed scenario of 2020 net income being 20% lower than our base case translates into a PE₂₀₂₀ of 7.6.

MNHD Historical TTM PE

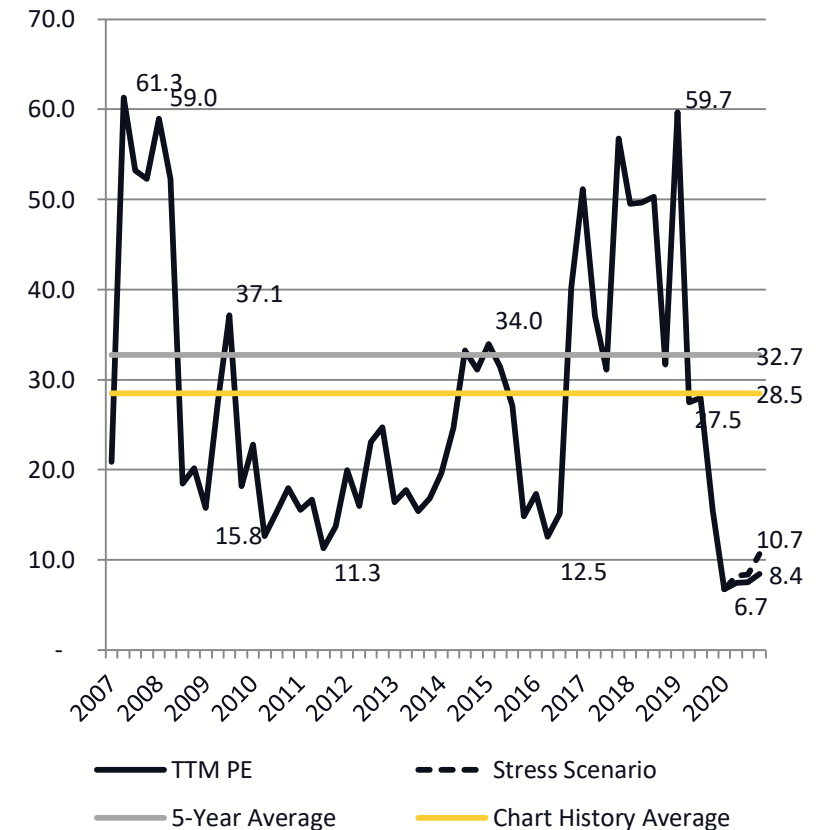


Source: Bloomberg and Pharos Research

Heliopolis Company for Housing and Development (HELI) FV: EGP12.32, OW

At its lowest PE in 13 years, HELI is currently trading at a PE of 6.7. Our base case PE₂₀₂₀, which assumes a 20% decline in 2020 net income compared to 2019 net income, is 8.4, while a distressed scenario of 2020 net income being 20% lower than our base case translates into a PE₂₀₂₀ of 10.7.

HELI Historical TTM PE



Source: Bloomberg and Pharos Research

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