
EGYPT EQUITY STRATEGY 2021 |

REVERTING TO THE MEAN

DECEMBER 2020

Pharos Research

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TABLE OF CONTENTS

□ EGX | WHAT GOES DOWN WILL COME UP

□ DATA SCREENS | THE WHOLE EIGHT YARDS

1. Top Picks and Stocks Awaiting Catalysts
2. Low Multiples
3. Dividend Plays
4. High Upside
5. Made Crazy Gains
6. Facing a Slump
7. Cash-Rich and High-Debt Companies
8. 2021 Results Monitor

□ SECTOR REVIEWS | OUTLOOK, HOPES, AND FEARS

- Banks
- Non-Bank Financial Services
- Consumer Goods
- Healthcare and Pharma
- Telecom and E-Payments
- Real Estate
- Chemicals and Petrochemicals
- Contractors and Building Materials
- Logistics

□ MACRO BACKDROP | GREY CLOUDS CLEARING

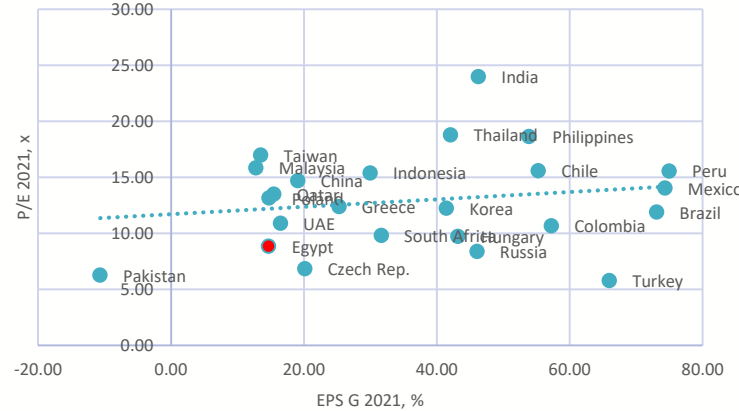
EGX |

WHAT GOES DOWN WILL COME UP

EGYPT TO DELIVER HEALTHY MULTIPLES AMONGST EM PEERS

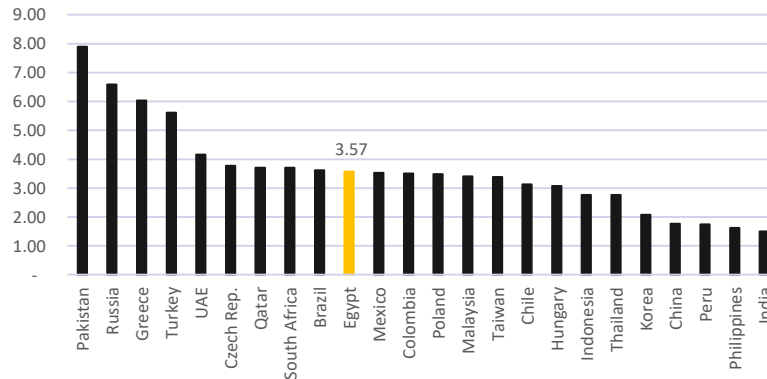
- Within EM peers, MSCI Egypt, led by COMI, still looks relatively attractive, with weighted EPS growth of c.15% and P/E 2021f of 7.6x.
- For profitability, within EM, Egypt is delivering solid ROE of c.20%, on average, with a P/B 2021f of 2.0x.
- We project a DY2021 of 3.6%, within the norms for Egyptian equities.
- Egypt's market cap to GDP is currently at 12% of estimated Nominal GDP for 2021, the lowest in more than 20 years.

Egypt is trading at attractive 2021 P/E multiple



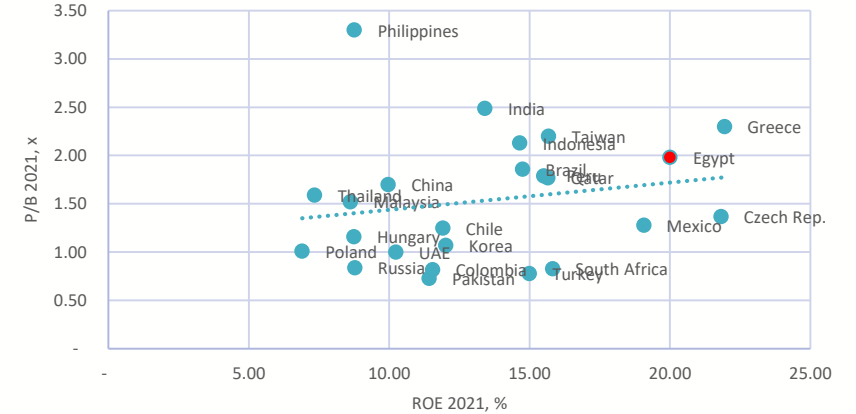
Source: Bloomberg and Pharos Research

Egypt dividend yield in line with EM average



Source: Bloomberg and Pharos Research

Egypt delivers balanced profitability versus P/B multiple



Source: Bloomberg and Pharos Research

Egypt's market cap to GDP went down to 12% on 2021 NGDP

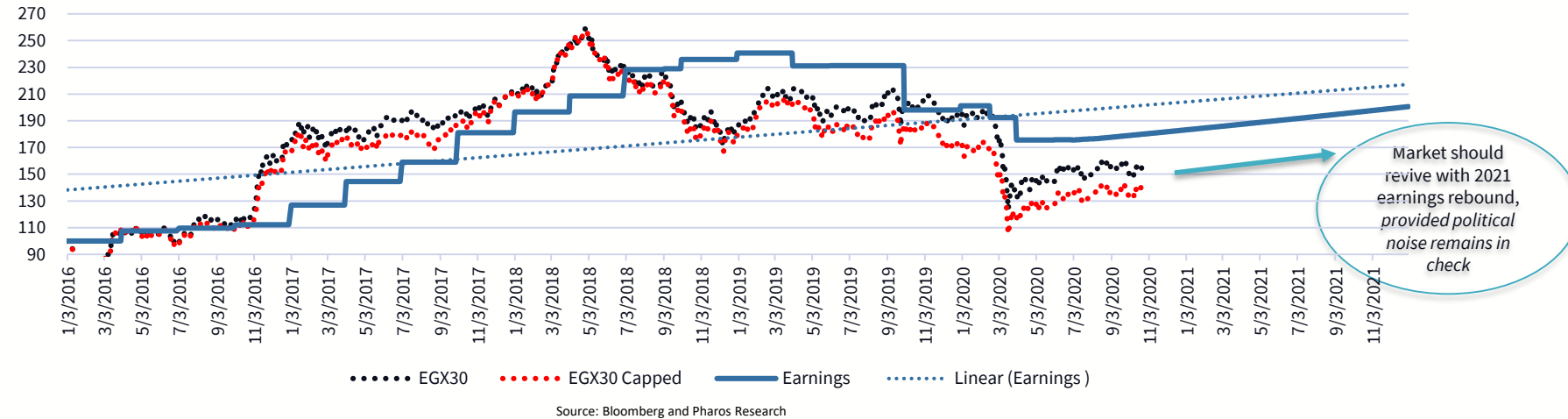


Source: Bloomberg and Pharos Research

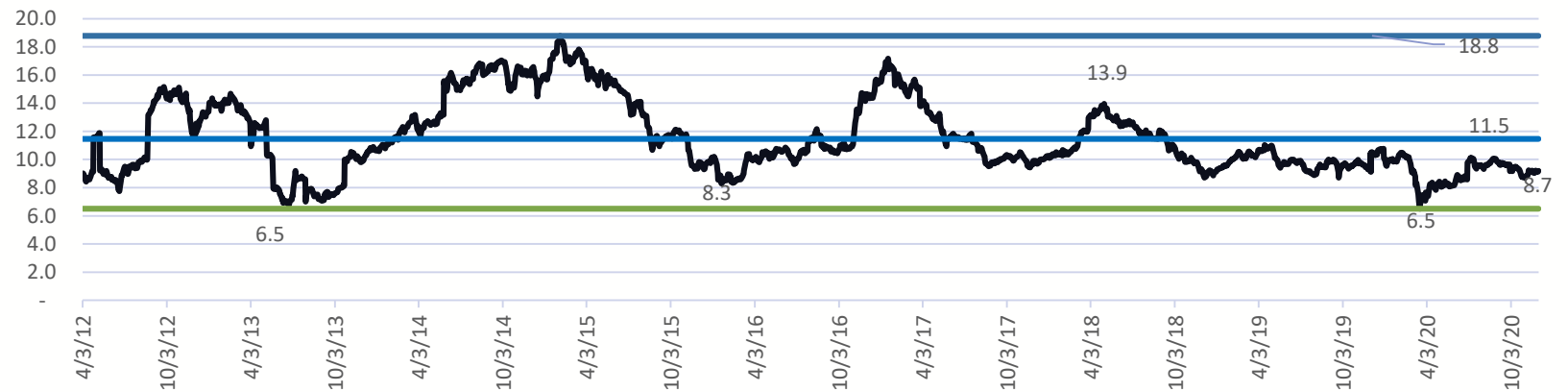
EARNINGS AND MARKET ARE MOVING TOGETHER; MARKET HAS POTENTIAL FOR 25-30% RERATING

- Aggregated earnings of listed companies have plateaued since 2019, to start a downtrend in 4Q19 until 2Q20.
- By virtue of the economy opening up, after almost one quarter of shutdowns, we expect earnings to recover gradually over next year.
- The relative recovery in earnings will be a key driver for market performance over the course of 2021 (+27%), provided that political noise remains in check.**
- Market hit a bottom in terms of multiples by mid-March 2020, when the market P/E hit 6.5x, and now it has recovered to a current multiple of 8.7x. Market is trading at 7.6x for 2021.
- Further leg of recovery can be driven by potential rerating of the P/E multiple to c.11.5x (+30%).**

Market is moving in tandem with earnings momentum



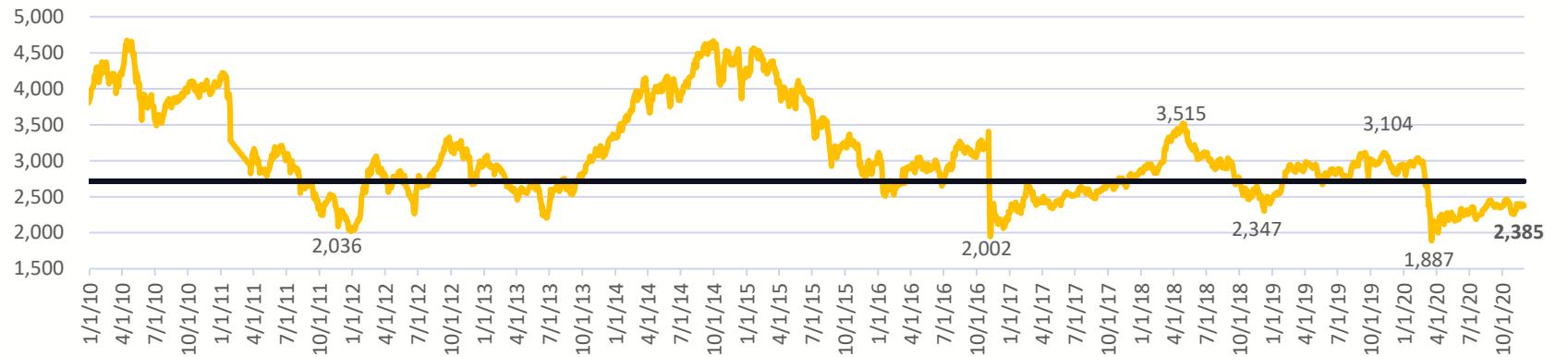
Market started recovering once it hit 6.5x P/E in mid March; Earnings recovery will drive performance over next year



EGX30 IN USD CONFIRMS SAME TRENDS; FOREIGNERS INTERESTED IN NEW STORIES

- In order to run some verifications on our fundamental EGX30 rerating target, we looked at EGX30/USD index and it confirms the same rerating potential of 25-30%, which might be supported by any witnessed exchange rate strength.

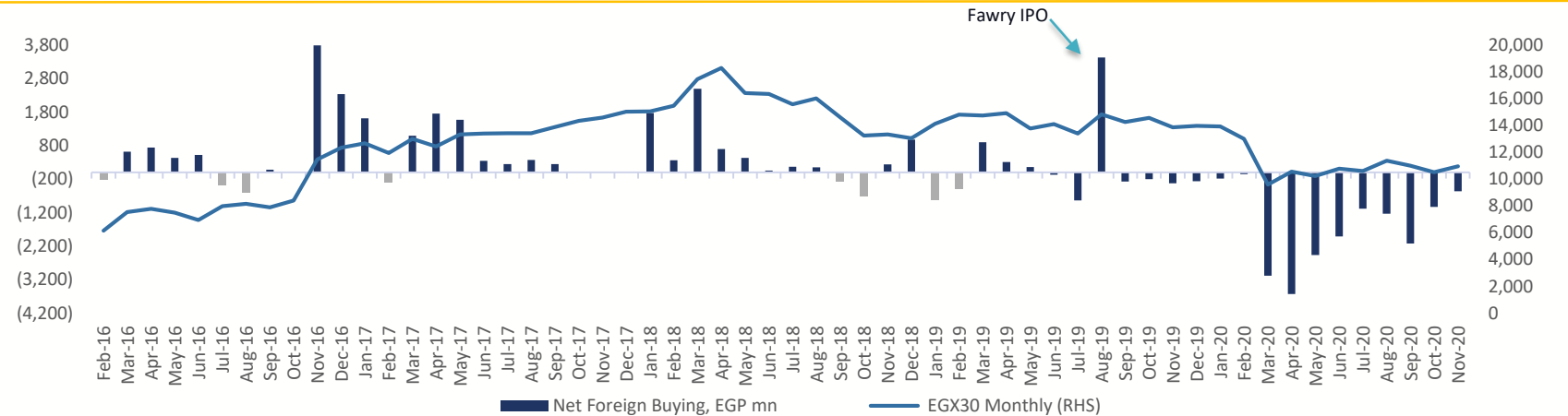
EGX30 in USD yields c.1,900-2,000 as a potential bottom and c.3,200-3,500 as a potential recovery area, from a current 2,385



Source: Bloomberg and Pharos Research

Foreigners are net sellers, unless we offer attractive IPOs

- In 2019 and 2020, **foreign investors were net sellers on a monthly basis since June 2019, with the exception of August 2019**, since they have heavily invested into the **Fawry IPO**. Hence, the market needs more successful IPOs to witness a meaningful rebound and fresh capital.



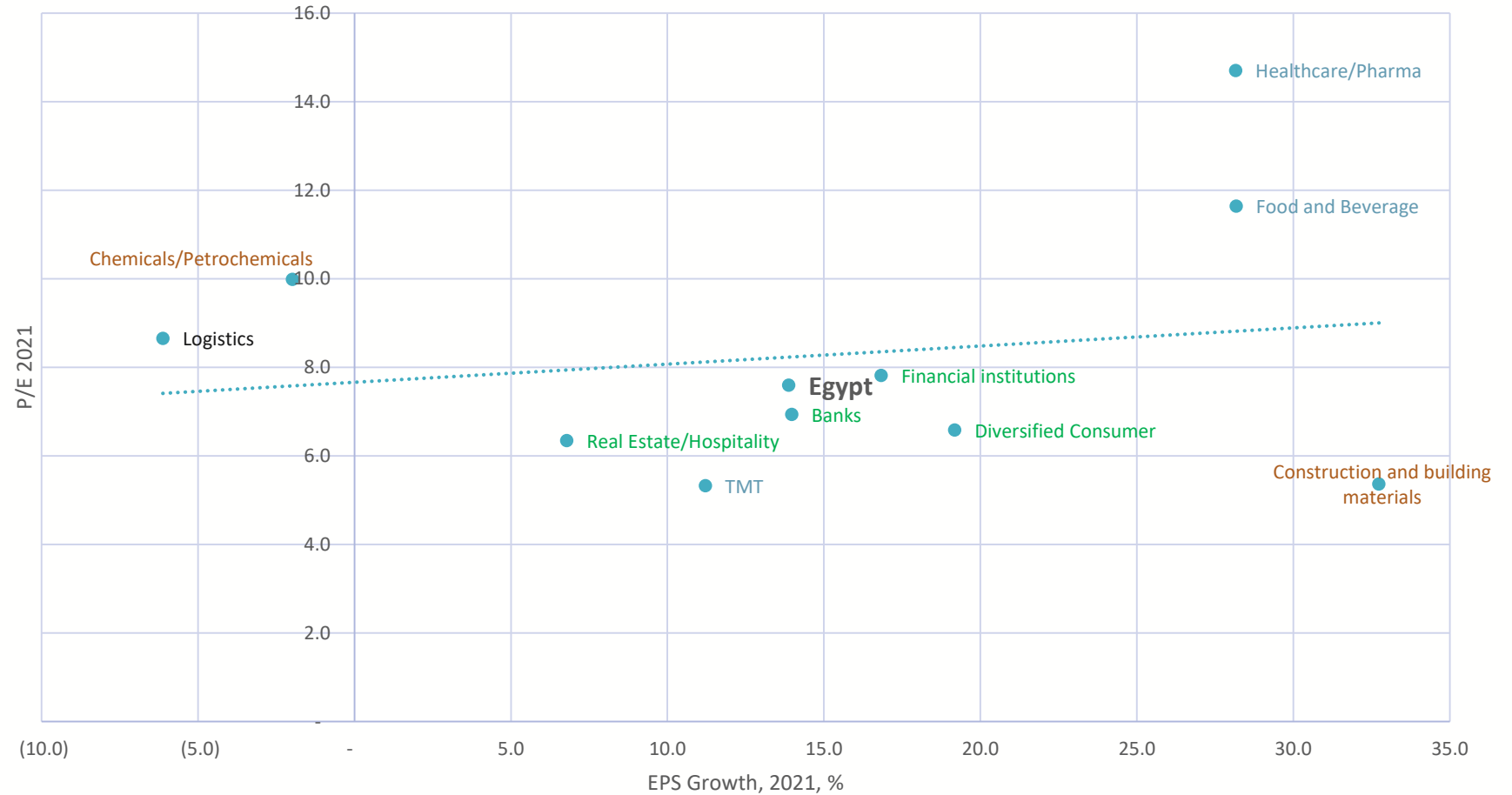
Source: Bloomberg and Pharos Research



SECTORS IN FOCUS | MIX AND MATCH BEATS ALL

Sector multiples for 2021 reflect growth opportunities in Consumer, Healthcare, and Construction sectors

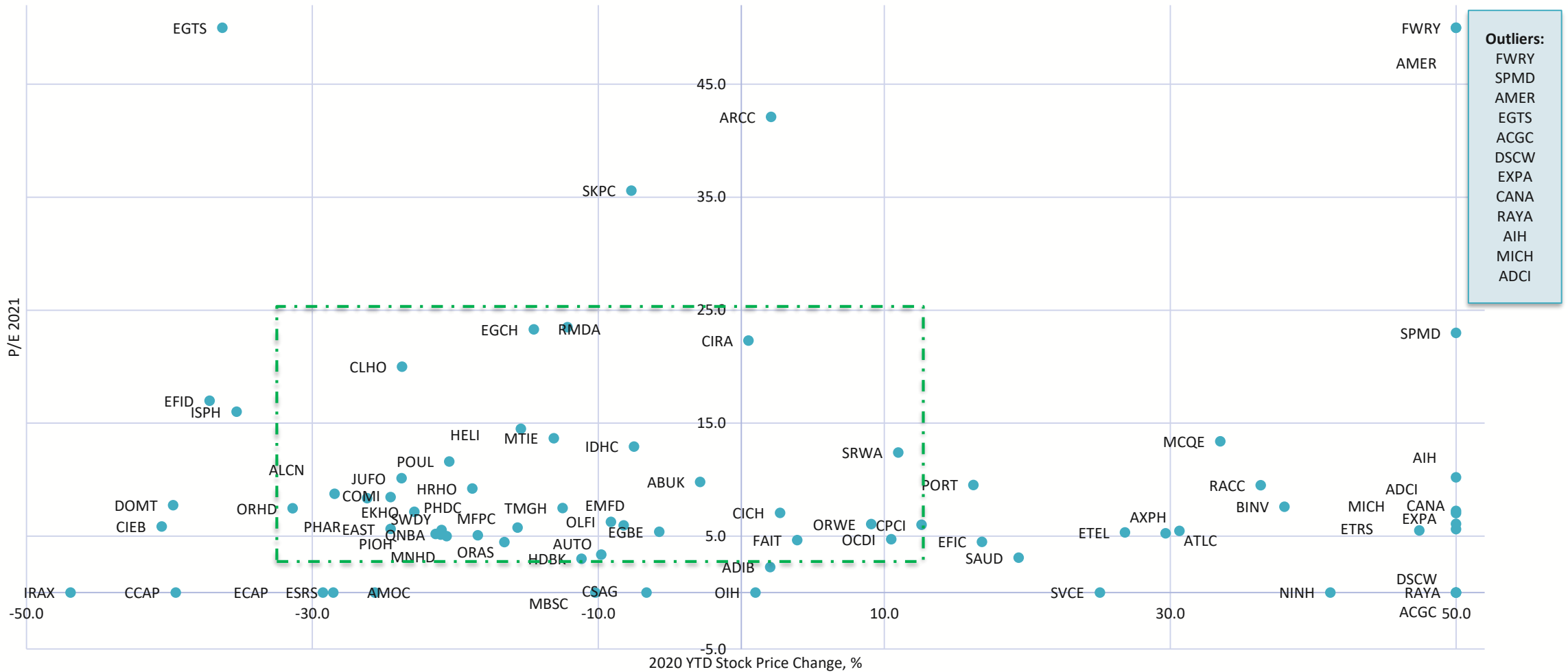
- **For 2021, we take the following positions:**
 1. Prioritize security selection over sector allocation
 2. Mix between Steady, Event-Driven, and Regressing to Norm groups (check chart and caption on the right)



- Event-Driven
- Offers healthy/steady state, but at rich multiples
- Regressing to Norm
- Lacks Catalysts

TRADING VIEW: WHERE SHOULD WE BE POSITIONED? THE BOTTOM LEFT QUADRANT

Stocks with low multiples (P/E, Y-axis) and have high mismatch between earnings and stock price performance (stocks that did not re-rate despite healthy earnings, X-axis)



- Outliers:**
- FWRY
 - SPMD
 - AMER
 - EGTS
 - ACGC
 - DSCW
 - EXPA
 - CANA
 - RAYA
 - AIH
 - MICH
 - ADIC

** Stocks incurring losses/deliver volatile earnings, or valued using NAV and thus lack estimates, were intentionally added to "0" P/E line

Source: Bloomberg and Pharos Research

THEMES IN FOCUS AND KEY BENEFICIARIES

2021 Expected Themes/Catalysts

1. Relative recovery in 2021 YoY earnings|
2. Interest rates decline|
3. Exchange rate stability/strength|
4. Highest recovery from pandemic impact|
5. Expansion plans come on stream/ generate cash flows|
6. Tourism rebound|
7. Commodity price recovery|
8. Lower feedstock cost: gas or electricity|
9. Free zone status and tax reliefs|
10. Cement supply glut and resolution negotiations|
11. Acquisition multiples in the banking sector|
12. Lower provisions for banks and NBFIs|
13. Water and transportation infrastructure spending|
14. Electricity infrastructure spending|
15. Acquisition of e-payment platforms, or new IPOs |
16. Auto replacement program for fully depreciated vehicles|
17. Export incentivizing|
18. Foreign investor re-entry into equity markets|
19. Asset monetization stories|

CLHO, EFID, PHAR, FWRY, CIRA, JUFO, ISPH, DOMT, ORHD, ORAS, SWDY, EAST, ADIB, COMI

Real estate developer sales, **ESRS, IRAX, AUTO, LCSW, EGCH, MCQE, DSCW, EFIC, DOMT**

Food and Beverage, Pharma producers

ORHD, AUTO, ORWE

EFID, EGCH (KIMA), CLHO

ORHD, TMGH

ESRS, ABUK, EKHO, MFPC, SKPC

ESRS, ABUK, SKPC (gas), EGAL, MICH (electricity)

EKHO, ABUK, MFPC

ARCC, MCQE, MBSC

CIEB, QNBA

COMI, **HRHO, CICH**

ORAS

SWDY

FWRY, MTIE, BINV, RAYA

AUTO

ORWE

COMI, CIEB, EFID, CLHO, EAST, ORAS, EKHO

HELI, MNHD, ACAMD, PACH, EAST, ETEL

1. CIRA
2. FWRY
3. CLHO
4. HRHO
5. ORHD
6. ORAS
7. EKHO
8. EFID
9. ESRS
10. CIEB

DATA SCREENS |

THE WHOLE EIGHT YARDS

1. TOP PICKS AND STOCKS AWAITING CATALYSTS
2. LOW MULTIPLES
3. DIVIDEND PLAYS
4. HIGH UPSIDE
5. MADE CRAZY GAINS
6. FACING A SLUMP
7. CASH-RICH AND HIGH-DEBT COMPANIES
8. 2021 RESULTS MONITOR

DATA SCREENS | TOP PICKS AND STOCKS AWAITING CATALYSTS (EVENT-DRIVEN)

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change			PE ratio (x)			PB ratio (x)			DY %			ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %	TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2020	2021	2020	2021	TTM	2020	2021			
Banks																												
CIB	COMI	62.66	80.00	27.7	Overweight	5,912.5	6,208,157	-24.5	8.9	10.2	8.5	1.8	1.6	1.4	2.0	16.4	17.2	-13.1	20.7	---	---	---						
Credit Agricole Egypt	CIEB	25.95	47.00	81.1	Overweight	515.2	508,178	-40.5	5.3	6.6	5.9	1.2	1.1	1.0	13.2	16.8	17.9	-42.6	13.0	---	---	---						
ADIB Egypt	ADIB	12.57	20.00	59.1	Equalweight	160.5	174,630	2.0	2.3	2.8	2.3	0.5	0.4	0.4	0.0	18.3	18.2	-25.6	21.5	---	---	---						
Housing and Development Bank	HDBK	38.00	59.14	55.6	Overweight	307.0	169,925	-11.2	2.2	2.9	3.0	0.6	0.6	0.5	6.6	21.0	17.3	-16.5	-4.1	---	---	---						
QNB Alahli Bank	QNBA	17.00	26.26	54.5	Overweight	2,339.1	74,064	-21.0	3.4	5.6	5.1	1.0	0.9	0.8	5.3	17.5	16.7	-14.5	8.6	---	---	---						
Sector MCAP weighted average									6.7	8.0	6.9	1.3	1.2	1.1	3.7	16.5	16.4	-15.8	14.0	---	---	---						
Financial institutions																												
Arabia Investments & Development (Istithmarat) AIH		0.57	0.59	4.1	Equalweight	48.8	1,472,632	92.0	7.0	12.0	10.2	1.4	1.3	1.2	0.0	10.8	11.8	-27.3	30.0	---	---	---						
Egyptian Financial Group-Hermes Holding	HRHO	13.78	20.50	48.8	Overweight	676.3	1,412,395	-18.8	8.9	10.0	9.2	0.8	0.8	0.7	0.0	7.8	8.2	-23.5	9.2	---	---	---						
CI Capital	CICH	3.78	5.00	32.3	Overweight	241.4	973,101	2.7	6.9	8.3	7.1	1.4	1.2	1.0	0.0	15.6	15.8	-17.2	17.0	---	---	---						
Pioneers Holding for Financial Investments	PIOH	4.16	6.30	51.4	Overweight	280.2	844,160	-20.6	3.9	4.5	5.0	0.6	0.6	0.5	0.0	13.3	10.0	---	---	5.4	6.0	5.0						
BP Holding For Financial Investments	BINV	11.04	13.00	17.8	Equalweight	112.8	102,953	38.0	9.0	8.8	7.6	1.0	0.9	0.8	3.5	10.2	10.5	17.2	15.0	---	---	---						
Food and Beverage																												
Edita Food Industries SAE	EFID	9.41	14.00	48.8	Overweight	435.9	556,580	-37.2	24.0	22.7	17.0	4.2	3.7	3.3	1.6	17.3	20.5	-17.1	33.6	12.3	12.5	10.4						
Juhayna Food Industries	JUFO	6.58	11.00	67.2	Overweight	395.5	401,441	-23.8	14.7	13.0	10.1	2.2	2.0	2.0	2.7	16.6	21.9	45.0	28.0	6.1	5.6	4.8						
Sector MCAP weighted average									16.5	14.6	11.6	2.5	2.4	2.4	2.4	17.4	20.7	9.0	28.2	9.0	8.1	7.0						
Diversified Consumer																												
Eastern Company	EAST	11.76	20.50	74.3	Overweight	1,689.6	1,310,519	-24.5	9.8	7.1	5.6	3.1	2.4	2.0	11.9	33.6	38.6	0.4	25.2	3.0	2.8	2.2						
Ghabbour Auto	AUTO	3.32	4.50	35.5	Overweight	231.9	1,231,818	-9.8	5.4	3.4	3.4	0.8	0.6	0.5	0.0	19.6	16.9	n/m	0.5	7.0	6.7	5.0						
MM Group for Industry & International Trade	MTIE	7.48	10.50	40.4	Overweight	369.4	656,692	-13.1	17.8	15.7	13.7	3.8	3.0	2.5	0.0	20.5	19.0	-19.8	15.0	7.6	11.7	10.6						
Oriental Weavers	ORWE	7.68	8.00	4.2	Equalweight	326.2	607,405	9.1	6.6	6.4	6.1	0.8	0.7	0.7	8.5	10.0	9.8	-5.5	5.4	5.1	5.4	4.8						
Cairo for Investment and Real Estate	CIRA	13.95	15.50	11.1	Overweight	519.1	508,140	0.5	36.7	31.9	22.3	8.1	8.1	6.4	1.6	25.6	26.8	35.6	30.0	16.7	18.0	13.0						
Sector MCAP weighted average									10.0	7.7	6.6	2.6	2.0	1.7	7.8	25.6	29.7	-3.3	19.2	4.2	4.9	3.9						
Construction and building materials																												
Ezz Steel	ESRS	7.44	8.00	7.5	Equalweight	258.1	1,775,630	-28.5	---	---	---	---	---	---	---	---	---	---	---	---	---	---						
El Sewedy Electric	SWDY	9.09	10.50	15.5	Overweight	1,267.8	1,707,847	-21.0	6.5	7.6	5.5	1.3	1.2	1.1	8.8	14.8	18.9	-34.9	36.8	3.0	4.9	4.1						
Orascom Construction Limited	ORAS	82.99	125.00	50.6	Overweight	618.8	294,636	-16.6	6.7	6.0	4.5	1.0	1.0	0.9	4.0	16.5	25.2	-27.8	22.0	1.7	2.4	1.8						
Arabian Cement	ARCC	3.42	4.00	17.0	Equalweight	82.7	212,278	2.1	---	---	42.1	1.2	1.1	1.1	0.0	-4.3	2.5	---	---	7.1	7.6	5.8						
Sector MCAP weighted average									7.7	7.0	5.4	1.2	1.1	1.0	1.5	9.9	13.7	-30.9	32.7	4.2	4.7	3.8						
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9						

Top Pick

Event-Driven/Awaits Catalyst

DATA SCREENS | TOP PICKS AND STOCKS AWAITING CATALYSTS (EVENT-DRIVEN) [CONT'D]

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		PE ratio (x)			PB ratio (x)			DY %			ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %	TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	2020	2021	TTM	2020	2021	
Chemicals/Petrochemicals																									
Abou Kir Fertilizers & Chemical Industries	ABUK	20.31	23.00	13.2	Overweight	1,636.5	675,670	-2.9	13.1	9.5	9.8	4.6	3.8	3.4	5.9	39.6	34.9	1.9	-2.8	7.8	7.9	7.5			
Egypt Kuwait Holding Company	EKHO	1.02	1.61	58.0	Overweight	1,043.9	543,951	-22.9	11.7	8.7	7.2	2.0	1.9	1.8	6.8	21.8	25.2	22.4	21.7	6.9	5.5	4.4			
Misr Fertilizers Production Company (MOPCO)	MFPC	52.24	65.50	25.4	Overweight	764.3	198,672	-15.6	5.8	5.7	5.8	0.8	0.8	0.7	3.0	7.0	13.0	44.2	-0.2	3.4	4.2	4.2			
Sector MCAP weighted average									10.6	8.4	10.0	2.8	2.5	2.3	1.3	17.4	21.0	14.6	-2.0	6.3	6.6	7.6			
Healthcare/Pharma																									
Cleopatra Hospital	CLHO	4.60	6.30	37.0	Overweight	470.0	488,506	-23.7	31.8	26.8	20.0	3.7	3.3	2.8	0.0	12.8	14.6	6.6	34.1	19.3	16.1	11.9			
Integrated Diagnostics Holdings	IDHC	3.70	4.50	21.6	Overweight	555.0	376,487	-7.5	18.7	16.8	12.9	3.6	3.7	3.6	5.3	22.4	28.6	8.9	29.6	10.3	9.7	7.5			
Tenth Of Ramadan	RMDA	4.05	4.77	17.8	Overweight	198.8	363,973	-12.1	24.8	34.8	23.5	2.7	2.7	2.4	0.0	7.7	10.3	8.7	48.0	12.2	16.6	13.2			
Speed Medical	SPMD	1.31	1.75	33.6	Overweight	142.4	268,774	254.1	75.7	32.3	23.0	14.1	7.6	5.7	0.0	34.9	27.0	303.7	40.6	11.6	6.0	4.8			
Egyptian International Pharmaceuticals (EIPICO)	PHAR	49.08	60.50	23.3	Overweight	310.8	193,864	-26.2	11.7	11.0	8.4	1.8	1.6	1.5	9.2	15.1	18.0	-33.8	31.2	8.1	7.8	6.8			
Alexandria Pharmaceuticals	AXPH	137.48	280.00	103.7	Overweight	43.9	12,278	29.7	4.9	4.7	5.2	1.3	1.3	1.1	11.3	28.4	22.8	70.3	-10.2	1.9	1.7	1.6			
Sector MCAP weighted average									13.1	14.0	14.7	2.9	2.7	2.4	5.0	16.0	17.0	-12.0	28.2	12.7	10.4	8.5			
TMT																									
Fawry for Banking and Payment Technology	FWRY	32.86	N/R	N/R	Equalweight	1,484.1	1,457,511	321.3	140.2	128.0	99.0	33.2	23.2	16.2	0.0	39.6	34.9	60.0	30.0	58.1	40.7	28.0			
Telecom Egypt	ETEL	12.76	16.60	30.1	Overweight	1,390.9	1,422,213	26.8	5.6	5.9	5.3	0.6	0.6	0.5	2.0	9.8	9.9	5.8	11.2	3.8	3.2	2.8			
MM Group for Industry & International Trade	MTIE	7.48	10.50	40.4	Overweight	369.4	656,692	-13.1	17.8	15.7	13.7	3.8	3.0	2.5	0.0	20.5	19.0	-19.8	15.0	7.6	11.7	10.6			
Real Estate/Hospitality																									
Talaat Moustafa Group Holding	TMGH	7.15	10.50	46.9	Overweight	942.2	1,016,429	-12.5	6.9	7.4	7.5	0.5	---	---	0.5	---	---	6.2	-1.0	7.2	---	---			
Orascom Development Egypt	ORHD	4.68	8.45	80.6	Overweight	337.8	542,733	-31.4	9.3	9.3	7.5	1.9	---	---	---	---	---	-16.1	24.4	6.3	---	---			
Sector MCAP weighted average									7.2	6.9	6.3	1.3	1.0	1.1	3.0	---	---	3.4	6.8	6.6	---	---			
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9			

Top Pick

Event-Driven/Awaits Catalyst

DATA SCREENS | LOW MULTIPLES

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)	Price change	PE ratio (x)			PB ratio (x)			DY %	ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %	TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	TTM	2020	2021	
Banks																							
Export Development Bank of Egypt	EXPA	16.92	18.50	9.3	Overweight	294.7	1,046,743	121.5	5.1	4.9	5.6	0.8	0.7	0.6	3.0	16.8	13.1	0.1	-12.5	---	---	---	
Credit Agricole Egypt	CIEB	25.95	47.00	81.1	Overweight	515.2	508,178	-40.5	5.3	6.6	5.9	1.2	1.1	1.0	13.2	16.8	17.9	-42.6	13.0	---	---	---	
ADIB Egypt	ADIB	12.57	20.00	59.1	Equalweight	160.5	174,630	2.0	2.3	2.8	2.3	0.5	0.4	0.4	0.0	18.3	18.2	-25.6	21.5	---	---	---	
Housing & Development Bank	HDBK	38.00	59.14	55.6	Overweight	307.0	169,925	-11.2	2.2	2.9	3.0	0.6	0.6	0.5	6.6	21.0	17.3	-16.5	-4.1	---	---	---	
Faisal Islamic Bank of Egypt (EGP)	FAIT	12.99	14.51	11.7	Equal weight	415.0	162,339	3.9	4.7	4.7	4.7	0.5	0.4	0.4	9.9	9.9	9.7	-44.9	2.1	---	---	---	
QNB Alahli Bank	QNBA	17.00	26.26	54.5	Overweight	2,339.1	74,064	-21.0	3.4	5.6	5.1	1.0	0.9	0.8	5.3	17.5	16.7	-14.5	8.6	---	---	---	
Al Baraka Bank Egypt	SAUD	12.12	15.00	23.8	Overweight	171.0	34,420	19.4	2.1	2.4	3.1	0.5	0.5	0.5	5.8	24.1	16.2	22.4	-20.9	---	---	---	
Egyptian Gulf Bank	EGBE	0.41	0.49	18.2	Equalweight	173.7	23,277	-5.7	4.6	6.1	5.4	0.5	0.5	0.5	0.0	8.7	8.8	-23.5	14.1	---	---	---	
Financial institutions																							
Pioneers Holding for Financial Investments	PIOH	4.16	6.30	51.4	Overweight	280.2	844,160	-20.6	3.9	4.5	5.0	0.6	0.6	0.5	0.0	13.3	10.0	---	---	5.4	6.0	5.0	
Al Tawfeek Leasing Company	ATLC	3.55	4.00	12.7	Equalweight	26.1	225,694	30.7	7.5	6.6	5.5	1.2	1.1	1.0	5.0	16.2	16.3	-15.5	20.0	---	---	---	
Food and Beverage																							
Obour Land for Food Industries	OLFI	5.09	7.50	47.3	Overweight	130.0	148,524	-9.1	7.5	6.9	6.3	2.4	2.4	1.9	5.3	34.9	33.6	13.4	9.4	5.4	4.4	4.1	
Diversified Consumer																							
Ghabbour Auto	AUTO	3.32	4.50	35.5	Overweight	231.9	1,231,818	-9.8	5.4	3.4	3.4	0.8	0.6	0.5	0.0	19.6	16.9	n/m	0.5	7.0	6.7	5.0	
Oriental Weavers	ORWE	7.68	8.00	4.2	Equalweight	326.2	607,405	9.1	6.6	6.4	6.1	0.8	0.7	0.7	8.5	10.0	9.8	-5.5	5.4	5.1	5.4	4.8	
Construction and building materials																							
Orascom Construction Limited	ORAS	82.99	125.00	50.6	Overweight	618.8	294,636	-16.6	6.7	6.0	4.5	1.0	1.0	0.9	4.0	16.5	25.2	-27.8	22.0	1.7	2.4	1.8	
Chemicals/Petrochemicals																							
Misr Fertilizers Production Company (MOPCO)	MFPC	52.24	65.50	25.4	Overweight	764.3	198,672	-15.6	5.8	5.7	5.8	0.8	0.8	0.7	3.0	7.0	13.0	44.2	-0.2	3.4	4.2	4.2	
Healthcare/Pharma																							
Alexandria Pharmaceuticals & Chemical Industries	AXPH	137.48	280.00	103.7	Overweight	43.9	12,278	29.7	4.9	4.7	5.2	1.3	1.3	1.1	11.3	28.4	22.8	70.3	-10.2	1.9	1.7	1.6	
Cairo Pharmaceuticals & Chemical Industries	CPCI	35.30	44.00	24.6	Equalweight	33.7	11,238	12.6	4.2	6.6	6.0	0.7	0.8	0.8	9.1	13.1	13.7	32.7	9.5	2.4	2.6	2.5	
Arab Pharmaceuticals	ADCI	74.25	95.50	28.6	Overweight	28.4	9,494	75.9	4.2	5.8	6.1	1.8	1.9	1.6	5.4	36.7	28.9	132.7	-5.5	1.9	2.3	2.3	
TMT																							
Telecom Egypt	ETEL	12.76	16.60	30.1	Overweight	1,390.9	1,422,213	26.8	5.6	5.9	5.3	0.6	0.6	0.5	2.0	9.8	9.9	5.8	11.2	3.8	3.2	2.8	
Real Estate/Hospitality																							
Medinet Nasr Housing	MNHD	3.79	5.35	41.2	Overweight	348.5	2,122,715	-21.4	6.2	5.0	5.2	1.3	---	---	5.0	---	---	11.4	-3.6	5.8	---	---	
Emaar Misr for Development	EMFD	2.68	4.58	70.9	Overweight	775.1	1,315,046	-8.2	6.4	6.7	6.0	0.7	---	---	---	---	---	3.4	13.3	5.8	---	---	
Palm Hills Developments	PHDC	1.43	2.14	50.1	Overweight	283.9	878,173	-18.4	5.4	5.7	5.1	0.5	---	---	---	---	---	-7.1	11.3	7.0	---	---	
Six of October Development (SODIC)	OCDI	14.64	17.11	16.9	Overweight	326.4	370,785	10.5	6.8	6.1	4.7	0.9	---	---	4.0	---	---	16.4	28.9	4.3	---	---	
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9	

DATA SCREENS | DIVIDEND PLAYS

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change			PE ratio (x)			PB ratio (x)			DY %	ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %	TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	2020	2021	TTM	2020	2021		
Credit Agricole Egypt	CIEB	25.95	47.00	81.1	Overweight	515.2	508,178	-40.5	5.3	6.6	5.9	1.2	1.1	1.0	13.2	16.8	17.9	-42.6	13.0	---	---	---				
Housing & Development Bank	HDBK	38.00	59.14	55.6	Overweight	307.0	169,925	-11.2	2.2	2.9	3.0	0.6	0.6	0.5	6.6	21.0	17.3	-16.5	-4.1	---	---	---				
Faisal Islamic Bank of Egypt (EGP)	FAIT	12.99	14.51	11.7	Equal weight	415.0	162,339	3.9	4.7	4.7	4.7	0.5	0.4	0.4	9.9	9.9	9.7	-44.9	2.1	---	---	---				
QNB Alahli Bank	QNBA	17.00	26.26	54.5	Overweight	2,339.1	74,064	-21.0	3.4	5.6	5.1	1.0	0.9	0.8	5.3	17.5	16.7	-14.5	8.6	---	---	---				
Al Baraka Bank Egypt	SAUD	12.12	15.00	23.8	Overweight	171.0	34,420	19.4	2.1	2.4	3.1	0.5	0.5	0.5	5.8	24.1	16.2	22.4	-20.9	---	---	---				
Egypt Kuwait Holding Company	EKHO	1.02	1.61	58.0	Overweight	1,043.9	543,951	-22.9	11.7	8.7	7.2	2.0	1.9	1.8	6.8	21.8	25.2	22.4	21.7	6.9	5.5	4.4				
Al Tawfeek Leasing Company	ATLC	3.55	4.00	12.7	Equalweight	26.1	225,694	30.7	7.5	6.6	5.5	1.2	1.1	1.0	5.0	16.2	16.3	-15.5	20.0	---	---	---				
Obour Land for Food Industries	OLFI	5.09	7.50	47.3	Overweight	130.0	148,524	-9.1	7.5	6.9	6.3	2.4	2.4	1.9	5.3	34.9	33.6	13.4	9.4	5.4	4.4	4.1				
Arabian Food Industries Co DOMTY	DOMT	5.37	9.40	75.0	Overweight	96.9	62,320	-39.7	12.9	9.8	7.7	1.8	1.9	1.7	5.0	19.2	22.9	-0.6	26.5	7.9	9.5	7.8				
Arab Cotton Ginning	ACGC	3.03	3.32	9.6	Equalweight	51.2	3,012,555	98.8	n/m	n/m	n/m	0.7	0.4	0.4	7.4	6.0	8.1	n/m	n/m	---	7.2	6.3				
Eastern Company	EAST	11.76	20.50	74.3	Overweight	1,689.6	1,310,519	-24.5	9.8	7.1	5.6	3.1	2.4	2.0	11.9	33.6	38.6	0.4	25.2	3.0	2.8	2.2				
Oriental Weavers	ORWE	7.68	8.00	4.2	Equalweight	326.2	607,405	9.1	6.6	6.4	6.1	0.8	0.7	0.7	8.5	10.0	9.8	-5.5	5.4	5.1	5.4	4.8				
El Sewedy Electric	SWDY	9.09	10.50	15.5	Overweight	1,267.8	1,707,847	-21.0	6.5	7.6	5.5	1.3	1.2	1.1	8.8	14.8	18.9	-34.9	36.8	3.0	4.9	4.1				
Abou Kir Fertilizers & Chemical Industries	ABUK	20.31	23.00	13.2	Overweight	1,636.5	675,670	-2.9	13.1	9.5	9.8	4.6	3.8	3.4	5.9	39.6	34.9	1.9	-2.8	7.8	7.9	7.5				
Misr Chemical Industries	MICH	11.27	15.00	33.1	Overweight	52.6	203,229	99.0	8.6	12.9	7.0	1.5	1.6	1.4	8.9	12.6	21.6	-17.8	83.7	2.1	3.0	2.2				
Integrated Diagnostics Holdings	IDHC	3.70	4.50	21.6	Overweight	555.0	376,487	-7.5	18.7	16.8	12.9	3.6	3.7	3.6	5.3	22.4	28.6	8.9	29.6	10.3	9.7	7.5				
Egyptian International Pharma (EIPICO)	PHAR	49.08	60.50	23.3	Overweight	310.8	193,864	-26.2	11.7	11.0	8.4	1.8	1.6	1.5	9.2	15.1	18.0	-33.8	31.2	8.1	7.8	6.8				
Alexandria Pharmaceuticals & Chemical Industries	AXPH	137.48	280.00	103.7	Overweight	43.9	12,278	29.7	4.9	4.7	5.2	1.3	1.3	1.1	11.3	28.4	22.8	70.3	-10.2	1.9	1.7	1.6				
Cairo Pharmaceuticals & Chemical Industries	CPCI	35.30	44.00	24.6	Equalweight	33.7	11,238	12.6	4.2	6.6	6.0	0.7	0.8	0.8	9.1	13.1	13.7	32.7	9.5	2.4	2.6	2.5				
Arab Pharmaceuticals	ADCI	74.25	95.50	28.6	Overweight	28.4	9,494	75.9	4.2	5.8	6.1	1.8	1.9	1.6	5.4	36.7	28.9	132.7	-5.5	1.9	2.3	2.3				
Alexandria Containers & Goods	ALCN	8.18	8.70	6.4	Equalweight	778.2	93,264	-28.4	9.0	8.2	8.7	2.6	3.8	2.5	9.4	46.1	28.5	-18.6	-6.6	3.7	6.7	7.5				
Egyptian Transport (EGYTRANS)	ETRS	10.60	10.50	-0.9	Equalweight	21.1	52,017	47.4	17.7	19.3	15.0	1.3	0.9	0.9	6.5	15.0	15.0	11.2	11.3	14.0	---	---				
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9				

DATA SCREENS | HIGH UPSIDE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)	Price change	PE ratio (x)			PB ratio (x)			DY %	ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %	TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	TTM	2020	2021	
Banks																							
Credit Agricole Egypt	CIEB	25.95	47.00	81.1	Overweight	515.2	508,178	-40.5	5.3	6.6	5.9	1.2	1.1	1.0	13.2	16.8	17.9	-42.6	13.0	---	---	---	
ADIB Egypt	ADIB	12.57	20.00	59.1	Equalweight*	160.5	174,630	2.0	2.3	2.8	2.3	0.5	0.4	0.4	0.0	18.3	18.2	-25.6	21.5	---	---	---	
Housing & Development Bank	HDBK	38.00	59.14	55.6	Overweight	307.0	169,925	-11.2	2.2	2.9	3.0	0.6	0.6	0.5	6.6	21.0	17.3	-16.5	-4.1	---	---	---	
QNB Alahli Bank	QNBA	17.00	26.26	54.5	Overweight	2,339.1	74,064	-21.0	3.4	5.6	5.1	1.0	0.9	0.8	5.3	17.5	16.7	-14.5	8.6	---	---	---	
Financial institutions																							
Egyptian Financial Group-Hermes Holding Company	HRHO	13.78	20.50	48.8	Overweight	676.3	1,412,395	-18.8	8.9	10.0	9.2	0.8	0.8	0.7	0.0	7.8	8.2	-23.5	9.2	---	---	---	
CI Capital	CICH	3.78	5.00	32.3	Overweight	241.4	973,101	2.7	6.9	8.3	7.1	1.4	1.2	1.0	0.0	15.6	15.8	-17.2	17.0	---	---	---	
Pioneers Holding for Financial Investments	PIOH	4.16	6.30	51.4	Overweight	280.2	844,160	-20.6	3.9	4.5	5.0	0.6	0.6	0.5	0.0	13.3	10.0	---	---	5.4	6.0	5.0	
Egypt Kuwait Holding Company	EKHO	1.02	1.61	58.0	Overweight	1,043.9	543,951	-22.9	11.7	8.7	7.2	2.0	1.9	1.8	6.8	21.8	25.2	22.4	21.7	6.9	5.5	4.4	
Sarwa Capital Holding	SRWA	3.74	5.00	33.7	Overweight	285.9	7,826	11.0	14.1	16.8	12.4	2.2	2.0	1.8	0.0	11.9	14.5	-33.5	37.0	---	---	---	
Food and Beverage																							
Cairo Poultry	POUL	3.39	4.95	46.0	Equalweight	103.7	674,541	-20.4	21.5	12.3	11.6	1.3	1.3	1.3	2.9	6.3	10.9	12.8	6.0	3.7	4.4	4.0	
Edita Food Industries SAE	EFID	9.41	14.00	48.8	Overweight	435.9	556,580	-37.2	24.0	22.7	17.0	4.2	3.7	3.3	1.6	17.3	20.5	-17.1	33.6	12.3	12.5	10.4	
Juhayna Food Industries	JUFO	6.58	11.00	67.2	Overweight	395.5	401,441	-23.8	14.7	13.0	10.1	2.2	2.0	2.0	2.7	16.6	21.9	45.0	28.0	6.1	5.6	4.8	
Obour Land for Food Industries	OLFI	5.09	7.50	47.3	Overweight	130.0	148,524	-9.1	7.5	6.9	6.3	2.4	2.4	1.9	5.3	34.9	33.6	13.4	9.4	5.4	4.4	4.1	
Arabian Food Industries Co DOMTY	DOMT	5.37	9.40	75.0	Overweight	96.9	62,320	-39.7	12.9	9.8	7.7	1.8	1.9	1.7	5.0	19.2	22.9	-0.6	26.5	7.9	9.5	7.8	
Diversified Consumer																							
Eastern Company	EAST	11.76	20.50	74.3	Overweight	1,689.6	1,310,519	-24.5	9.8	7.1	5.6	3.1	2.4	2.0	11.9	33.6	38.6	0.4	25.2	3.0	2.8	2.2	
Ghabbour Auto	AUTO	3.32	4.50	35.5	Overweight	231.9	1,231,818	-9.8	5.4	3.4	3.4	0.8	0.6	0.5	0.0	19.6	16.9	n/m	0.5	7.0	6.7	5.0	
MM Group for Industry & International Trade	MTIE	7.48	10.50	40.4	Overweight	369.4	656,692	-13.1	17.8	15.7	13.7	3.8	3.0	2.5	0.0	20.5	19.0	-19.8	15.0	7.6	11.7	10.6	
Construction and building materials																							
Orascom Construction Limited	ORAS	82.99	125.00	50.6	Overweight	618.8	294,636	-16.6	6.7	6.0	4.5	1.0	1.0	0.9	4.0	16.5	25.2	-27.8	22.0	1.7	2.4	1.8	
Chemicals/Petrochemicals																							
Misr Chemical Industries	MICH	11.27	15.00	33.1	Overweight	52.6	203,229	99.0	8.6	12.9	7.0	1.5	1.6	1.4	8.9	12.6	21.6	-17.8	83.7	2.1	3.0	2.2	
Healthcare/Pharma																							
Ibsina Pharma	ISPH	5.40	8.15	50.9	Overweight	331.0	669,055	-35.3	20.1	20.3	16.0	4.5	3.5	2.9	0.0	17.3	18.0	-22.4	26.8	16.4	8.3	7.3	
Cleopatra Hospital	CLHO	4.60	6.30	37.0	Overweight	470.0	488,506	-23.7	31.8	26.8	20.0	3.7	3.3	2.8	0.0	12.8	14.6	6.6	34.1	19.3	16.1	11.9	
Speed Medical	SPMD	1.31	1.75	33.6	Overweight	142.4	268,774	254.1	75.7	32.3	23.0	14.1	7.6	5.7	0.0	34.9	27.0	303.7	40.6	11.6	6.0	4.8	
Alexandria Pharmaceuticals & Chemical Industries	AXPH	137.48	280.00	103.7	Overweight	43.9	12,278	29.7	4.9	4.7	5.2	1.3	1.3	1.1	11.3	28.4	22.8	70.3	-10.2	1.9	1.7	1.6	
TMT																							
Telecom Egypt	ETEL	12.76	16.60	30.1	Overweight	1,390.9	1,422,213	26.8	5.6	5.9	5.3	0.6	0.6	0.5	2.0	9.8	9.9	5.8	11.2	3.8	3.2	2.8	
Real Estate/Hospitality																							
Medinet Nasr Housing	MNHD	3.79	5.35	41.2	Overweight	348.5	2,122,715	-21.4	6.2	5.0	5.2	1.3	---	---	5.0	---	---	11.4	-3.6	5.8	---	---	
Emaar Misr for Development	EMFD	2.68	4.58	70.9	Overweight	775.1	1,315,046	-8.2	6.4	6.7	6.0	0.7	---	---	---	---	---	3.4	13.3	5.8	---	---	
Talaat Moustafa Group Holding	TMGH	7.15	10.50	46.9	Overweight	942.2	1,016,429	-12.5	6.9	7.4	7.5	0.5	---	---	0.5	---	---	6.2	-1.0	7.2	---	---	
Palm Hills Developments	PHDC	1.43	2.14	50.1	Overweight	283.9	878,173	-18.4	5.4	5.7	5.1	0.5	---	---	---	---	---	-7.1	11.3	7.0	---	---	
Orascom Development Egypt	ORHD	4.68	8.45	80.6	Overweight	337.8	542,733	-31.4	9.3	9.3	7.5	1.9	---	---	---	---	---	-16.1	24.4	6.3	---	---	
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9	

• For stocks valued using Sum-of-The-Parts (SoTP) or NAV, no earnings estimates are available

• *For ADIB, We recommend LT investment after capital increase, hence the Equalweight recommendation

DATA SCREENS | MADE CRAZY GAINS IN 2020

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %	ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021		2020	2020	2021	2020	2021	TTM	2020	2021
Export Development Bank of Egypt	EXPA	16.92	18.50	9.3	Overweight	294.7	1,046,743	121.5	5.1	4.9	5.6	0.8	0.7	0.6	3.0	16.8	13.1	0.1	-12.5	---	---	---		
Suez Canal Bank	CANA	12.37	10.45	-15.5	Equalweight	158.0	54,979	83.8	5.2	6.4	7.2	0.7	0.6	0.6	0.0	10.8	8.6	-21.1	-11.0	---	---	---		
Al Baraka Bank Egypt	SAUD	12.12	15.00	23.8	Overweight	171.0	34,420	19.4	2.1	2.4	3.1	0.5	0.5	0.5	5.8	24.1	16.2	22.4	-20.9	---	---	---		
Arabia Investments & Development (Istithmaraat) Fawry for Banking and Payment Technology Services	AIH	0.57	0.59	4.1	Equalweight	48.8	1,472,632	92.0	7.0	12.0	10.2	1.4	1.3	1.2	0.0	10.8	11.8	-27.3	30.0	---	---	---		
Al Tawfeek Leasing Company	FWRY	32.86	N/R	N/R	Equalweight	1,484.1	1,457,511	321.3	140.2	128.0	99.0	33.2	23.2	16.2	0.0	39.6	34.9	60.0	30.0	58.1	40.7	28.0		
BP Holding For Financial Investments	ATLC	3.55	4.00	12.7	Equalweight	26.1	225,694	30.7	7.5	6.6	5.5	1.2	1.1	1.0	5.0	16.2	16.3	-15.5	20.0	---	---	---		
Raya Holding For Financial Investments	BINV	11.04	13.00	17.8	Equalweight	112.8	102,953	38.0	9.0	8.8	7.6	1.0	0.9	0.8	3.5	10.2	10.5	17.2	15.0	---	---	---		
Arab Cotton Ginning	RAYA	7.71	10.00	29.7	Overweight	105.6	52,887	68.0	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
Dice Sport & Casual Wear	ACGC	3.03	3.32	9.6	Equalweight	51.2	3,012,555	98.8	n/m	n/m	n/m	0.7	0.4	0.4	7.4	6.0	8.1	n/m	n/m	---	7.2	6.3		
Misr Cement (Qena)	DSCW	1.63	1.50	-7.9	Equalweight	55.1	2,137,103	86.0	n/m	---	---	2.7	---	---	---	---	---	---	---	---	35.1	---	---	
South Valley Cement	MCQE	9.92	12.00	21.0	Equalweight	45.6	227,637	33.5	17.2	15.4	13.4	0.5	0.5	0.5	0.0	3.3	3.9	33.7	15.0	5.4	6.8	5.4		
Egyptian Financial & Industrial (EFIC)	SVCE	1.87	1.50	-19.6	Equalweight	57.4	176,375	25.1	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	
Misr Chemical Industries	EFIC	13.81	14.00	1.4	Equalweight	64.2	653,950	16.8	6.3	5.1	8.4	5.5	0.7	0.6	4.0	13.7	7.1	-41.0	53.0	5.4	6.0	4.5		
Speed Medical	MICH	11.27	15.00	33.1	Overweight	52.6	203,229	99.0	8.6	12.9	7.0	1.5	1.6	1.4	8.9	12.6	21.6	-17.8	83.7	2.1	3.0	2.2		
Alexandria Pharmaceuticals & Chemical Industries	SPMD	1.31	1.75	33.6	Overweight	142.4	268,774	254.1	75.7	32.3	23.0	14.1	7.6	5.7	0.0	34.9	27.0	303.7	40.6	11.6	6.0	4.8		
Nozha International Hospital	AXPH	137.48	280.00	103.7	Overweight	43.9	12,278	29.7	4.9	4.7	5.2	1.3	1.3	1.1	11.3	28.4	22.8	70.3	-10.2	1.9	1.7	1.6		
Arab Pharmaceuticals	NINH	50.97	50.00	-1.9	Equalweight	45.8	11,387	41.2	14.9	---	---	2.8	---	---	---	---	---	---	---	---	6.7	---	---	
Egyptian Transport and Commercial Services (EGYTRANS)	ADCI	74.25	95.50	28.6	Overweight	28.4	9,494	75.9	4.2	5.8	6.1	1.8	1.9	1.6	5.4	36.7	28.9	132.7	-5.5	1.9	2.3	2.3		
Telecom Egypt	ETRS	10.60	10.50	-0.9	Equalweight	21.1	52,017	47.4	17.7	19.3	15.0	1.3	0.9	0.9	6.5	15.0	15.0	11.2	11.3	14.0	---	---		
Raya Contact Center	ETEL	12.76	16.60	30.1	Overweight	1,390.9	1,422,213	26.8	5.6	5.9	5.3	0.6	0.6	0.5	2.0	9.8	9.9	5.8	11.2	3.8	3.2	2.8		
Porto Holding	RACC	6.19	7.00	13.1	Equalweight	41.9	225,813	36.3	15.5	18.5	9.5	1.7	1.9	1.7	0.0	39.6	34.9	-66.6	98.0	6.7	8.0	7.0		
Amer Group Holding	PORT	0.59	0.35	-41.1	Equal weight	44.4	875,076	16.2	27.1	126.9	9.5	0.8	---	---	---	---	---	-94.7	---	35.6	---	---		
Market MCAP weighted average	AMER	0.98	0.42	-57.2	Equal weight	62.8	216,427	67.1	166.1	---	65.0	0.6	---	---	---	---	---	---	---	---	4.6	---	---	
									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9		

DATA SCREENS | FACING A SLUMP

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %	ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021		2020	2020	2021	2020	2021	TTM	2020	2021
CIB	COMI	62.66	80.00	27.7	Overweight	5,912.5	6,208,157	-24.5	8.9	10.2	8.5	1.8	1.6	1.4	2.0	16.4	17.2	-13.1	20.7	---	---	---		
Credit Agricole Egypt	CIEB	25.95	47.00	81.1	Overweight	515.2	508,178	-40.5	5.3	6.6	5.9	1.2	1.1	1.0	13.2	16.8	17.9	-42.6	13.0	---	---	---		
Housing & Development Bank	HDBK	38.00	59.14	55.6	Overweight	307.0	169,925	-11.2	2.2	2.9	3.0	0.6	0.6	0.5	6.6	21.0	17.3	-16.5	-4.1	---	---	---		
QNB Alahli Bank	QNBA	17.00	26.26	54.5	Overweight	2,339.1	74,064	-21.0	3.4	5.6	5.1	1.0	0.9	0.8	5.3	17.5	16.7	-14.5	8.6	---	---	---		
Egyptian Financial Group-Hermes	HRHO	13.78	20.50	48.8	Overweight	676.3	1,412,395	-18.8	8.9	10.0	9.2	0.8	0.8	0.7	0.0	7.8	8.2	-23.5	9.2	---	---	---		
Qalaa Holdings	CCAP	1.48	1.25	-15.3	Equalweight	261.8	1,099,290	-39.5	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
Pioneers Holding for Financial Investments	PIOH	4.16	6.30	51.4	Overweight	280.2	844,160	-20.6	3.9	4.5	5.0	0.6	0.6	0.5	0.0	13.3	10.0	---	---	5.4	6.0	5.0		
Egypt Kuwait Holding Company	EKHO	1.02	1.61	58.0	Overweight	1,043.9	543,951	-22.9	11.7	8.7	7.2	2.0	1.9	1.8	6.8	21.8	25.2	22.4	21.7	6.9	5.5	4.4		
Cairo Poultry	POUL	3.39	4.95	46.0	Equalweight	103.7	674,541	-20.4	21.5	12.3	11.6	1.3	1.3	1.3	2.9	6.3	10.9	12.8	6.0	3.7	4.4	4.0		
Edita Food Industries SAE	EFID	9.41	14.00	48.8	Overweight	435.9	556,580	-37.2	24.0	22.7	17.0	4.2	3.7	3.3	1.6	17.3	20.5	-17.1	33.6	12.3	12.5	10.4		
Juhayna Food Industries	JUFO	6.58	11.00	67.2	Overweight	395.5	401,441	-23.8	14.7	13.0	10.1	2.2	2.0	2.0	2.7	16.6	21.9	45.0	28.0	6.1	5.6	4.8		
Arabian Food Industries Co DOMTY	DOMT	5.37	9.40	75.0	Overweight	96.9	62,320	-39.7	12.9	9.8	7.7	1.8	1.9	1.7	5.0	19.2	22.9	-0.6	26.5	7.9	9.5	7.8		
Eastern Company	EAST	11.76	20.50	74.3	Overweight	1,689.6	1,310,519	-24.5	9.8	7.1	5.6	3.1	2.4	2.0	11.9	33.6	38.6	0.4	25.2	3.0	2.8	2.2		
MM Group for Industry & International Trade	MTIE	7.48	10.50	40.4	Overweight	369.4	656,692	-13.1	17.8	15.7	13.7	3.8	3.0	2.5	0.0	20.5	19.0	-19.8	15.0	7.6	11.7	10.6		
Ezz Steel	ESRS	7.44	8.00	7.5	Equalweight	258.1	1,775,630	-28.5	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
El Sewedy Electric	SWDY	9.09	10.50	15.5	Overweight	1,267.8	1,707,847	-21.0	6.5	7.6	5.5	1.3	1.2	1.1	8.8	14.8	18.9	-34.9	36.8	3.0	4.9	4.1		
Al EZZ Ceramics and Porcelain Co	ECAP	16.57	15.00	-9.5	Equalweight	54.0	548,425	-29.2	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
Orascom Construction Limited	ORAS	82.99	125.00	50.6	Overweight	618.8	294,636	-16.6	6.7	6.0	4.5	1.0	1.0	0.9	4.0	16.5	25.2	-27.8	22.0	1.7	2.4	1.8		
EL Ezz Aldekhela Steel Alexandria	IRAX	303.50	300.00	-1.2	Underweight	378.1	161,931	-46.9	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
Alexandria Mineral Oils Company	AMOC	2.70	3.00	11.1	Underweight	222.7	382,981	-25.6	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
Egyptian Chemical Industries (KIMA)	EGCH	4.60	3.35	-27.2	Underweight	262.3	316,152	-14.5	-2.6	-2.9	23.3	0.9	1.0	0.7	0.0	-34.0	3.0	-4,275.0	113.0	-46.0	-48.0	13.7		
Misr Fertilizers Production Company (MOPCO)	MFPC	52.24	65.50	25.4	Overweight	764.3	198,672	-15.6	5.8	5.7	5.8	0.8	0.8	0.7	3.0	7.0	13.0	44.2	-0.2	3.4	4.2	4.2		
Ibsina Pharma	ISPH	5.40	8.15	50.9	Overweight	331.0	669,055	-35.3	20.1	20.3	16.0	4.5	3.5	2.9	0.0	17.3	18.0	-22.4	26.8	16.4	8.3	7.3		
Cleopatra Hospital	CLHO	4.60	6.30	37.0	Overweight	470.0	488,506	-23.7	31.8	26.8	20.0	3.7	3.3	2.8	0.0	12.8	14.6	6.6	34.1	19.3	16.1	11.9		
Tenth Of Ramadan Pharma (Rameda)	RMDA	4.05	4.77	17.8	Overweight	198.8	363,973	-12.1	24.8	34.8	23.5	2.7	2.7	2.4	0.0	7.7	10.3	8.7	48.0	12.2	16.6	13.2		
Egyptian International Pharmaceuticals (EIPICO)	PHAR	49.08	60.50	23.3	Overweight	310.8	193,864	-26.2	11.7	11.0	8.4	1.8	1.6	1.5	9.2	15.1	18.0	-33.8	31.2	8.1	7.8	6.8		
Alexandria Containers & Goods	ALCN	8.18	8.70	6.4	Equalweight	778.2	93,264	-28.4	9.0	8.2	8.7	2.6	3.8	2.5	9.4	46.1	28.5	-18.6	-6.6	3.7	6.7	7.5		
Medinet Nasr Housing	MNHD	3.79	5.35	41.2	Overweight	348.5	2,122,715	-21.4	6.2	5.0	5.2	1.3	---	---	5.0	---	---	11.4	-3.6	5.8	---	---		
Talaat Moustafa Group Holding	TMGH	7.15	10.50	46.9	Overweight	942.2	1,016,429	-12.5	6.9	7.4	7.5	0.5	---	---	0.5	---	---	6.2	-1.0	7.2	---	---		
Heliopolis Housing	HELI	6.66	7.30	9.6	Overweight	567.8	997,400	-15.4	25.3	---	---	2.4	---	---	0.5	---	---	---	---	6.8	---	---		
Palm Hills Developments	PHDC	1.43	2.14	50.1	Overweight	283.9	878,173	-18.4	5.4	5.7	5.1	0.5	---	---	---	---	---	-7.1	11.3	7.0	---	---		
Egyptian Resorts Company	EGTS	1.53	1.39	-9.1	Equal weight	102.5	566,441	-36.3	---	79.8	112.2	1.9	---	---	---	---	---	---	-28.9	---	---	---		
Orascom Development Egypt	ORHD	4.68	8.45	80.6	Overweight	337.8	542,733	-31.4	9.3	9.3	7.5	1.9	---	---	---	---	---	-16.1	24.4	6.3	---	---		
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9		

DATA SCREENS | CASH-RICH AND HIGH DEBT COMPANIES

	Cash, EGP mn	Debt, EGP mn	Net Cash, EGP mn	Shares, mn	Net Cash/Share, Trading Currency	Market Price/Share, Trading Currency	Net Cash/ Market Cap
MBSC	1,031	-	1,031	75	13.75	13.47	102%
EMFD	11,032	10	11,022	4,529	2.43	2.68	91%
HRHO	8,663	3,993	4,670	769	6.08	13.78	44%
EAST	11,439	1	11,438	2,250	5.08	11.76	43%
TMGH	9,710	4,649	5,062	2,064	2.45	7.15	34%
ORAS	557	348	209	117	28.01	82.99	34%
CSAG	738	-	738	200	3.69	13.11	28%
ETRS	87	-	87	31	2.80	10.60	26%
ABUK	6,437	14	6,423	1,262	5.09	20.31	25%
BINV	437	-	437	160	2.73	11.04	25%
RACC	195	45	151	106	1.42	6.19	23%
PACH	94	-	94	24	3.93	17.85	22%
ADCI	94	-	94	6	15.71	74.25	21%
ALCN	2,553	-	2,553	1,490	1.71	8.18	21%
CPCI	85	-	85	15	5.71	35.30	16%
AXPH	84	-	84	5	16.76	137.48	12%
MICH	83	-	83	73	1.14	11.27	10%
EGTS	110	-	110	1,050	0.11	1.53	7%
OCDI	2,476	2,189	287	349	0.82	14.64	6%
CLHO	410	-	410	1,600	0.26	4.60	6%
FWRV	1,008	18	990	707	1.40	32.86	4%
SWDY	10,065	10,047	18	2,184	0.01	9.09	0%
MTIE	201	423	(222)	773	(0.29)	7.48	-4%
OIH	683	819	(135)	5,246	(0.03)	0.56	-5%
CIRA	209	585	(376)	583	(0.65)	13.95	-5%
SKPC	292	540	(248)	525	(0.47)	8.29	-6%
OLFI	31	173	(142)	400	(0.36)	5.09	-7%
EFID	645	1,188	(543)	725	(0.75)	9.41	-8%
AMER	644	733	(89)	1,003	(0.09)	0.98	-9%
ORWE	2,172	2,687	(515)	665	(0.77)	7.68	-10%
RMDA	506	862	(356)	769	(0.46)	4.05	-11%

	Cash, EGP mn	Debt, EGP mn	Net Cash, EGP mn	Shares, mn	Net Cash/Share, Trading Currency	Market Price/Share, Trading Currency	Net Cash/ Market Cap
EGAL	1,611	2,179	(568)	413	(1.38)	11.69	-12%
SRWA	950	1,707	(757)	1,197	(0.63)	3.74	-17%
JUFO	102	1,174	(1,072)	941	(1.14)	6.58	-17%
ISPH	261	1,178	(918)	960	(0.96)	5.40	-18%
EKHO	295	480	(185)	1,024	(0.18)	1.02	-18%
HELI	169	1,914	(1,745)	1,335	(1.31)	6.66	-20%
PHAR	724	1,943	(1,219)	99	(12.29)	49.08	-25%
MFPC	2,736	6,055	(3,319)	229	(14.49)	52.24	-28%
MNHD	1,832	3,522	(1,690)	1,440	(1.17)	3.79	-31%
ORHD	1,834	3,483	(1,650)	1,130	(1.46)	4.68	-31%
ECAP	216	506	(290)	51	(5.69)	16.57	-34%
POUL	101	706	(605)	479	(1.26)	3.39	-37%
PHDC	2,304	4,354	(2,049)	3,118	(0.66)	1.43	-46%
PIOH	1,016	3,426	(2,411)	1,055	(2.29)	4.16	-55%
ARCC	116	852	(736)	379	(1.94)	3.42	-57%
PORT	143	579	(435)	1,170	(0.37)	0.59	-63%
ETEL	1,305	18,155	(16,850)	1,707	(9.87)	12.76	-77%
ACGC	201	840	(640)	265	(2.42)	3.03	-80%
DOMT	361	1,776	(1,415)	283	(5.01)	5.37	-93%
EFIC	32	1,012	(980)	73	(13.47)	13.81	-98%
DSCW	30	991	(914)	530	(1.73)	1.63	-106%
MCQE	130	1,140	(1,010)	72	(14.03)	9.92	-141%
EGCH	131	7,390	(7,259)	893	(8.13)	4.60	-177%
LCSW	179	976	(796)	80	(9.96)	4.83	-206%
CICH	981	9,957	(8,976)	1,000	(8.98)	3.78	-237%
AIH	319	2,315	(1,996)	1,349	(1.48)	0.57	-260%
AUTO	1,829	14,293	(12,464)	1,094	(11.39)	3.32	-343%
MOIL	18	406	(388)	470	(0.83)	0.18	-458%
IRAX	2,354	30,080	(27,726)	20	(1,420.99)	303.50	-468%
ATLC	111	2,624	(2,513)	115	(21.87)	3.55	-616%
ESRS	2,223	34,579	(32,356)	534	(60.61)	7.44	-815%
CCAP	4,660	57,160	(52,500)	1,820	(28.85)	1.48	-1956%

DATA SCREENS | 2021 RESULTS MONITOR

Stocks	Revenues*, EGP mn				Net Income (Parent), EGP mn			
	FY19	FY20	FY21	YoY Change	FY19	FY20	FY21	YoY Change
PORT.CA	1,738	953	1,345	41%	104	5	73	1231%
SKPC.CA	4,961	3,683	4,079	11%	369	57	127	123%
RMDA.CA	894	882	1,041	18%	82	90	132	47%
SWDY.CA	46,629	43,062	48,578	13%	4,022	2,618	3,582	37%
CLHO.CA	1,798	1,942	2,471	27%	257	274	368	34%
EFID.CA	4,025	3,960	4,455	12%	363	301	402	34%
PHAR.CA	3,411	2,906	3,233	11%	671	444	582	31%
FWRY.CA	884	1,238	1,609	30%	103	165	214	30%
CIRA.CA	705	1,088	1,350	24%	188	255	332	30%
OCDI.CA	5,329	5,171	5,870	14%	719	838	1,080	29%
JUFO.CA	7,636	7,667	8,455	10%	329	477	610	28%
ISPH.CA	16,600	19,630	23,142	18%	329	255	324	27%
DOMT.CA	2,669	2,956	3,314	12%	156	155	196	26%
ORHD.CA	4,660	4,713	5,758	22%	679	570	709	24%
ORAS.CA	3,184	3,291	3,521	7%	121	103	125	22%
EAST.CA	14,025	14,465	17,280	19%	3,475	3,591	4,367	22%
ADIB.CA	3,078	3,197	3,695	16%	1,229	914	1,111	22%
COMI.CA	21,579	25,060	26,890	7%	10,444	9,075	10,957	21%
ATLC.CA	9,106	7,690	9,228	20%	7,369	6,224	7,469	20%
EXPA.CA	1,965	2,288	2,714	19%	2,494	2,909	3,464	19%
CICH.CA	2,597	2,132	2,496	17%	545	458	536	17%
MCQE.CA	3,123	2,470	2,666	8%	35	46	53	15%
MTIE.CA	9,830	8,642	9,326	8%	460	368	424	15%
EGBE.CA	1,950	2,618	2,470	-6%	584	448	511	14%
EMFD.CA	5,468	4,468	5,242	17%	1,739	1,799	2,039	13%
CIEB.CA	3,135	2,835	2,969	5%	2,124	1,219	1,377	13%
PHDC.CA	6,224	5,893	6,751	15%	847	787	876	11%
ETEL.CA	25,752	29,684	33,649	13%	3,474	3,676	4,089	11%
CPCI.CA	963	1,010	1,109	10%	60	80	88	10%

Stocks	Revenues*, EGP mn				Net Income (Parent), EGP mn			
	FY19	FY20	FY21	YoY Change	FY19	FY20	FY21	YoY Change
OLFI.CA	2,588	2,667	2,835	6%	262	297	325	9%
HRHO.CA	4,811	4,866	5,312	9%	1,378	1,054	1,151	9%
QNBA.CA	13,753	14,632	15,680	7%	7,673	6,564	7,129	9%
EKHO.CA	564	602	647	8%	116	120	129	8%
POUL.CA	4,415	3,986	4,225	6%	117	132	140	6%
ORWE.CA	10,134	9,323	10,086	8%	847	800	843	5%
PIOH.CA	9,362	6,700	7,035	5%	1,079	800	840	5%
FAIT.CA	4,183	3,750	3,945	5%	2,483	1,369	1,397	2%
AUTO.CA	25,398	21,925	24,556	12%	43	1,075	1,080	1%
TMGH.CA	11,744	13,400	13,245	-1%	1,872	1,989	1,970	-1%
ABUK.CA	8,585	7,882	7,847	0%	3,157	2,695	2,618	-3%
MNHD.CA	2,201	2,752	2,788	1%	981	1,093	1,053	-4%
HDBK.CA	2,942	2,687	2,873	7%	2,004	1,673	1,605	-4%
ADCI.CA	436	521	596	14%	33	77	73	-6%
AXPH.CA	829	1,025	1,167	14%	86	146	131	-10%
ALCN.CA	2,928	2,584	2,380	-8%	1,833	1,493	1,339	-10%
CANA.CA	740	701	856	22%	488	385	342	-11%
IRAX.CA	38,547	31,448	36,808	17%	(3,267)	(4,667)	(3,865)	-17%
ESRS.CA	45,714	38,863	44,965	16%	(6,195)	(3,553)	(2,923)	-18%
SAUD.CA	1,880	2,420	2,601	7%	896	1,097	867	-21%
MBSC.CA	1,809	1,102	1,450	31%	80	168	130	-22%
EGTS.CA	189	218	197	-10%	(64)	20	14	-29%
LCSW.CA	2,350	2,007	2,145	7%	(298)	(235)	(129)	-45%
CCAP.CA	14,917	31,834	36,290	14%	(1,136)	(1,880)	(712)	-62%
EGAL.CA	12,190	7,254	9,318	28%	571	(1,671)	(531)	-68%
EGCH.CA	341	315	1,024	225%	32	(1,350)	170	n/m
AMER.CA	1,492	1,290	1,491	16%	43	(28)	15	n/m
ARCC.CA	3,102	2,622	2,797	7%	29	(50)	31	n/m
ECAP.CA	1,232	961	1,120	17%	52	(26)	28	n/m
HELI.CA	1,428	NA	1,500	n/m	679	(40)	630	n/m

SECTOR REVIEWS |

OUTLOOK, HOPES, FEARS, AND PICKS

“SECURITY SELECTION BEATS SECTOR ALLOCATION”

BANKS |

*BANK LENDING RECUPERATES BUT
PROFITS CAPPED BY HIGH TAXES AND POLICY RATE CUTS*

BANKS | LENDING RECUPERATES BUT PROFITS CAPPED BY HIGH TAXES AND POLICY RATE CUTS

Sector Outlook and Trends

- Corporate capex lending should come into play in 2021, supported by meaningful policy rate cuts in 2020 (300 bps in March followed by two 50 bps cuts in September and November). Full recovery expected in 2022, supported by macro dynamics.
- Lending growth should surpass that of funding beefing up utilization ratios.
- Competition should intensify on deposit accumulation, especially if lending picked up significantly.
- Allocation to treasury instruments should diminish on 1) lower budget deficit, 2) new tax law, and 3) anticipated pick-up in private investments and lending.
- Asset quality may come under pressure over 1H2021, post the moratorium which ended in September 2020. Most banks have built more than adequate provisions in 2020.
- NIM already started to decline in 2H20 and should continue through 2021/2022 with further expected rate cuts (200bps in 2021). Pressure on margins for some banks could be lowered or postponed due to: 1) shorter maturity of liabilities that could be rolled over at lower rates faster than assets, 2) having large investments of LT treasury bonds, which not only lock in high rates but also flee from the application of the new tax law.
- Profit growth will be impacted by the new tax law as its impact becomes more visible in 2020, being applied on a larger portion of treasury investments, and since banks parked high assets in treasury in 2020.
- Small banks that are on expansion mode always lag on efficiency, while big banks lead as inflation decelerates.
- New capital requirements (raising the minimum capital for commercial banks to EGP5.0 billion up from EGP500 million) could trigger a wave of profit retention, capital raising and M&As in the sector. CARs meet the CBE minimum requirement of 12.5% for 2020. However, it may subside as lending picks up making capital hikes imminent.

Sector Outlook and Trends (cont'd)

- We account for 1) healthcare tax calculated at the lower of: 0.25% of interest income or EGP10k, 2) new tax treatment law for banking sector, and 3) 1% industry development fund dues 4) emergency bailout fund which should reach 0.5% of total deposits in 10 years. All four combined had a direct negative impact on earnings growth in 2021 and valuation. It is worth noting that the impact of the healthcare tax and the industry development fund dues is low.

The Hopes

- Economic recovery reflects on corporate earnings and lending appetite with lower-than-expected deterioration of asset quality
- Revival in corporate lending, and capex lending, to fuel non-interest income, compensating for the compression in NIMs
- Recent banking sector acquisition multiples to drive stock prices
- CBE lowers Required Reserve Ratio (14% currently) freeing up more deposits to be utilized in lending, improving profitability
- Better than expected efficiency ratios as inflation stabilizes
- Lower than expected impact of new tax law

The Fears

- Interest rate cuts would bring higher than projected margin compression
- Slower-than-anticipated recovery in purchasing power or capex lending that would hold back lending
- Higher than expected taxes from the new tax law application
- Delayed recovery in business environment or higher SME lending would push NPLs upwards and lead to higher COR
- More strict CBE regulations on the banking sector that might pressure profitability
- Negative investor sentiment on sector due to bank's potential capital hikes and weak stock market conditions

Top Picks

- **CIEB's (FV: EGP47.00, OW)** favorable funding structure makes it amongst the most aggressive players for profitability despite conservative growth strategy. CIEB is among our top dividend plays. We expect several rounds of bonus shares to increase paid in capital from retained earnings and reach new minimum capital of EGP 5 billion.

Value stocks with market overhang

- **COMI (FV: EGP80.00, OW)** continues to be the perfect proxy for the macro transformation story in Egypt. The bank is well capitalized and is to deliver ROAE of 17% on strong NIM of 6.8% in 2021. The stock has been under pressure followed by the stepping down of the Chairman as per the CBE request on serious violations. We believe that the story had a much higher impact on the stock than what fundamentals warrant, and it has been overshadowing stock price performance.
- **ADIB (FV: EGP20.00, EW)** The potential rights issue that is to settle the amounts paid under capital increase from ADIB UAE has been acting as a key overhang on share price performance. We expect the adjusted market price of the stock to rally post finalizing the capital increase which should take place soon.
- **HDBK's (FV: EGP59.14, OW)** real estate segment along with the diversified bank's investments keep delivering high earnings growth that sometimes compensates for any relative weakness in commercial banking operations. The potential demerger of the stock into banking and real estate could unlock its upside potential. Also, the bank awaits two rounds of bonus shares (1:10 and 1:5) that could happen soon to beef up paid in capital, which could also support share price performance. It enjoys favorable funding structure which supported strong NIM above 500 bps and ROE of 18% in 2021, with healthy dividend yield of 5.5% in 2021.
- **QNBA's (FV: EGP26.26, OW)** free float increase can unlock upside potential. The bank's latest free float recorded 5%. The bank's financial soundness and size of operations makes it a direct competitor to COMI. Unlike COMI, QNBA trades at very cheap multiples penalized by very low free float and daily traded volumes.

SECTOR VALUATION TABLE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %	ROE (%)			EPS growth (%)	
							3M	YTD %		TTM	2020	2021	TTM	2020	2021		2020	2020	2021	2020	2021
Banks																					
CIB	COMI	62.66	80.00	27.7	Overweight	5,912.5	6,208,157	-24.5	8.9	10.2	8.5	1.8	1.6	1.4	2.0	16.4	17.2	-13.1	20.7		
Export Development Bank of Egypt	EXPA	16.92	18.50	9.3	Overweight	294.7	1,046,743	121.5	5.1	4.9	5.6	0.8	0.7	0.6	3.0	16.8	13.1	0.1	-12.5		
Credit Agricole Egypt	CIEB	25.95	47.00	81.1	Overweight	515.2	508,178	-40.5	5.3	6.6	5.9	1.2	1.1	1.0	13.2	16.8	17.9	-42.6	13.0		
ADIB Egypt	ADIB	12.57	20.00	59.1	Equalweight	160.5	174,630	2.0	2.3	2.8	2.3	0.5	0.4	0.4	0.0	18.3	18.2	-25.6	21.5		
Housing & Development Bank	HDBK	38.00	59.14	55.6	Overweight	307.0	169,925	-11.2	2.2	2.9	3.0	0.6	0.6	0.5	6.6	21.0	17.3	-16.5	-4.1		
Faisal Islamic Bank of Egypt (EGP)	FAIT	12.99	14.51	11.7	Equal weight	415.0	162,339	3.9	4.7	4.7	4.7	0.5	0.4	0.4	9.9	9.9	9.7	-44.9	2.1		
QNB Alahli Bank	QNBA	17.00	26.26	54.5	Overweight	2,339.1	74,064	-21.0	3.4	5.6	5.1	1.0	0.9	0.8	5.3	17.5	16.7	-14.5	8.6		
Suez Canal Bank	CANA	12.37	10.45	-15.5	Equalweight	158.0	54,979	83.8	5.2	6.4	7.2	0.7	0.6	0.6	0.0	10.8	8.6	-21.1	-11.0		
Al Baraka Bank Egypt	SAUD	12.12	15.00	23.8	Overweight	171.0	34,420	19.4	2.1	2.4	3.1	0.5	0.5	0.5	5.8	24.1	16.2	22.4	-20.9		
Egyptian Gulf Bank	EGBE	0.41	0.49	18.2	Equalweight	173.7	23,277	-5.7	4.6	6.1	5.4	0.5	0.5	0.5	0.0	8.7	8.8	-23.5	14.1		
Sector MCAP weighted average									6.7	8.0	6.9	1.3	1.2	1.1	3.7	16.5	16.4	-15.8	14.0		
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9		
LT Fundamental Top Pick																					
Event-Driven/Awaits Catalyst																					

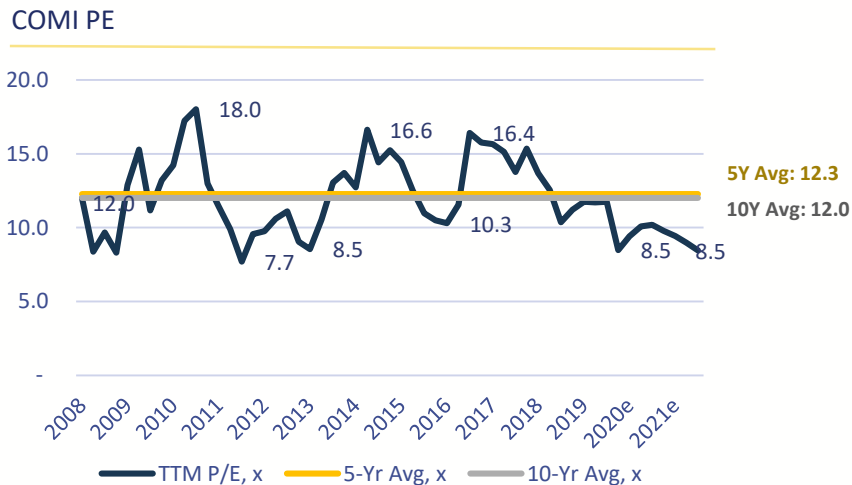
BANKS | CIEB ATTRACTIVE; COMI OFFERS 25%; ADIB & EXPA PROMISING

Commercial International Bank (COMI)

FV: EGP80.00, OW

COMI is trading at 8.5x 2021 P/E which is below its 5- and 10-year averages of 12.3x and 12.0x, respectively.

COMI has an easy 20-25% rerating potential from here.



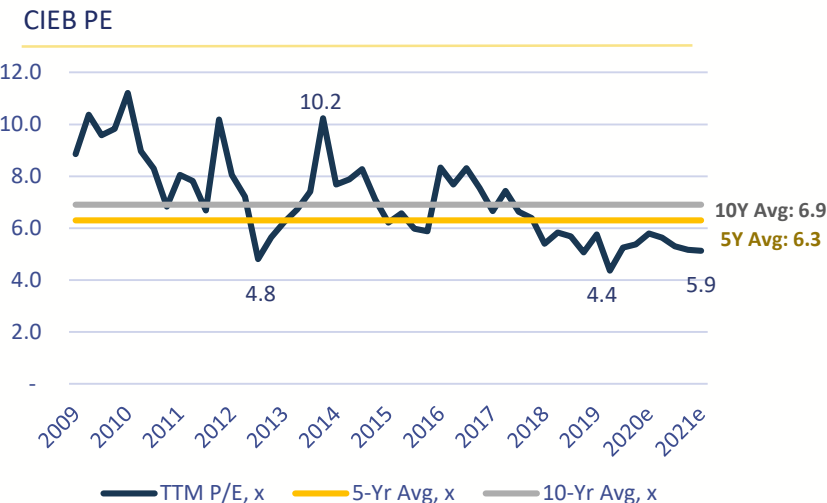
Source: Bloomberg and Pharos Research

Credit Agricole (CIEB)

FV: EGP47.00, OW

CIEB is trading at 2021 P/E of 5.9x which is still 17% higher than its all time low of 4.4x which was witnessed in 2020. However, current multiples are 19% lower than its 5-year average of 6.3x and 26% lower than its 10-year average of 6.9x.

CIEB always looks attractive on multiples versus COMI and still is, but liquidity continues to be a challenge.



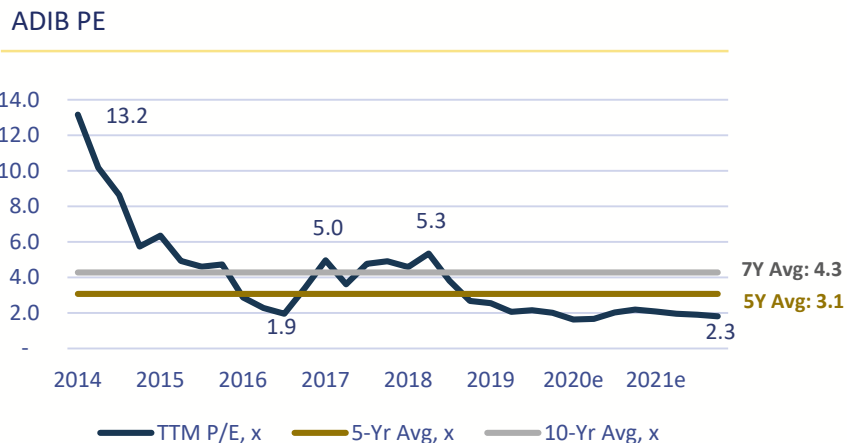
Source: Bloomberg and Pharos Research

Abu Dhabi Islamic Bank - Egypt (ADIB)

FV: EGP20.00, EW

ADIB is currently trading at P/E 2021 of 2.3x, below its 5-year average of 3.1x and its 7-year average of 4.3x.

Since 2018 year-end, the stock has been trading at a gap to its historical average multiples due to the pending capital increase issue. We recommend entry into stock post rights issue conclusion.



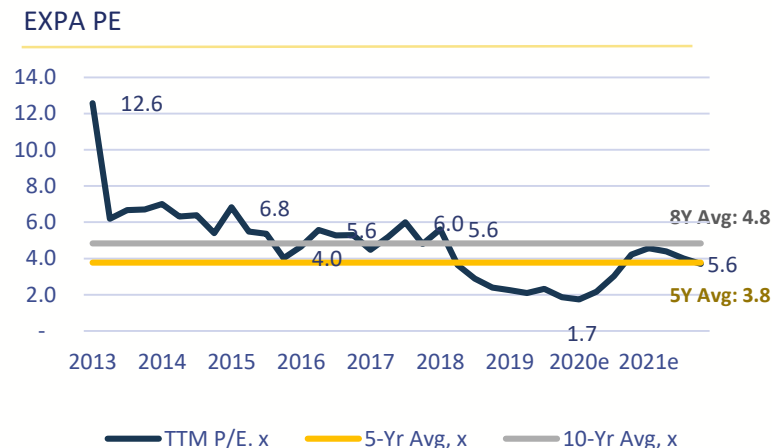
Source: Bloomberg and Pharos Research

Export Development Bank (EXPA)

FV: EGP18.50, OW

EXPA is currently trading at 5.6x P/E2021 in line with its 5-year average of 3.8x.

The stock has recently rallied over hopes of opening foreign ownership on the stock and plans for sale of non-core real estate assets.



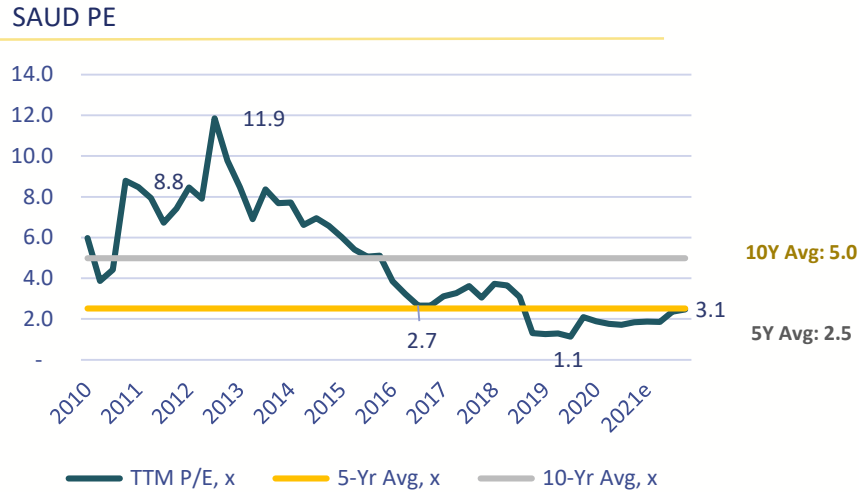
Source: Bloomberg and Pharos Research

BANKS | SAUD AND QNBA SHOWING ATTRACTIVE CHARTS

Al Baraka Bank (SAUD)

FV: EGP15.00, OW

Currently trades at 3.1x P/E2021 which is in-line with 5-year average, but below its 10-year average of 5.0x.

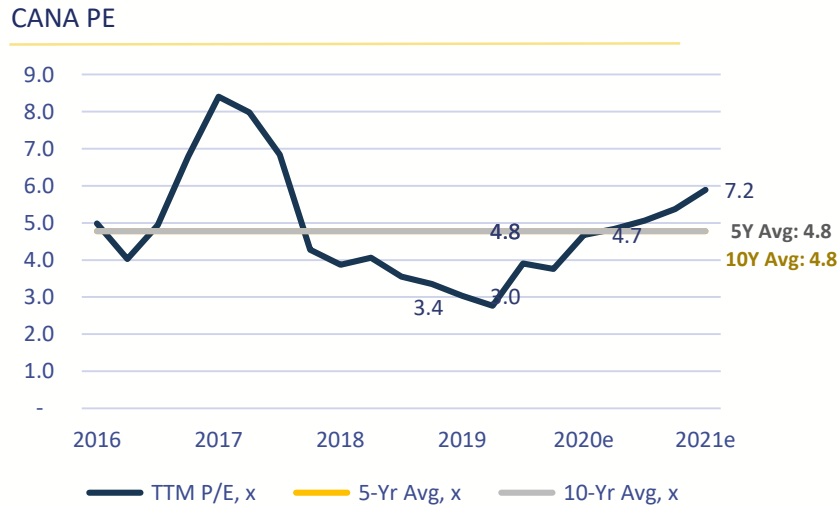


Source: Bloomberg and Pharos Research

Suez Canal Bank (CANA)

FV: EGP10.45, EW

Currently trades at 7.2x P/E2021 which is above its historical 5- and 10-year averages of 4.8x.

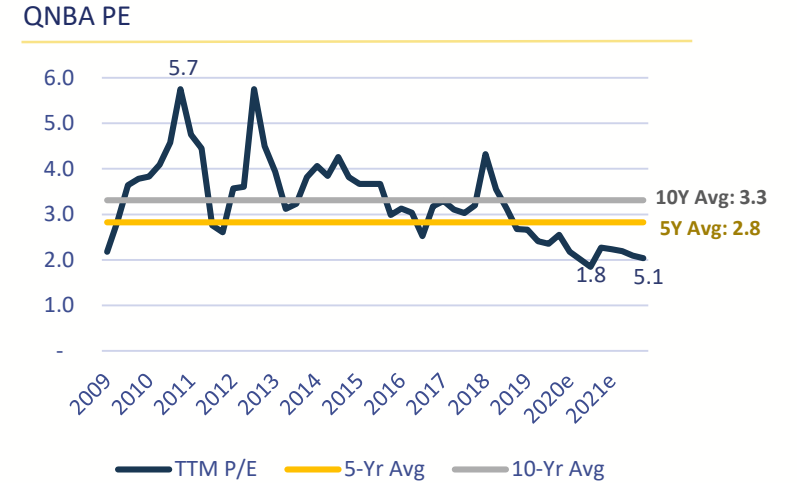


Source: Bloomberg and Pharos Research

Qatar National Bank - Egypt (QNBA)

FV: EGP26.26, OW

QNBA is trading at P/E2021 of 5.1x which is below its 5- and 10-year historical averages, overly penalizing the stock for its low liquidity.

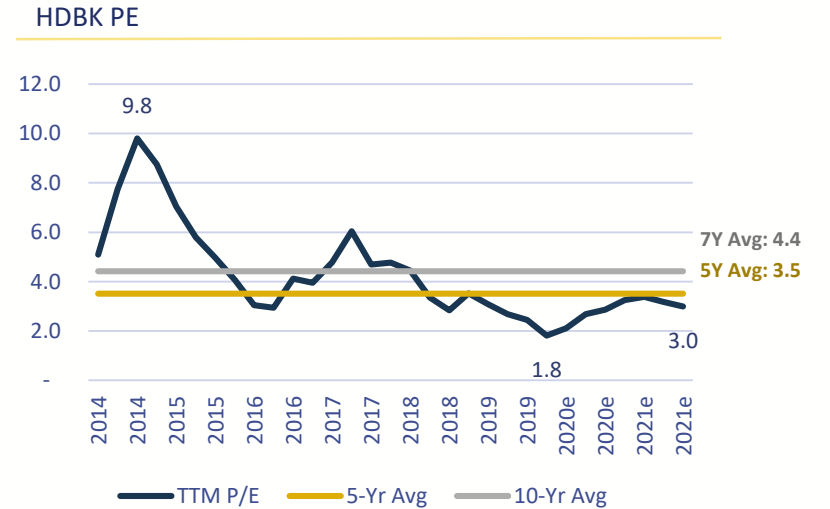


Source: Bloomberg and Pharos Research

Housing and Development Bank (HDBK)

FV: EGP59.14, OW

HDBK is currently trading at 2021 P/E of 3.0x which is still below its 5-year average of 3.5x and 7-year average of 4.4x.



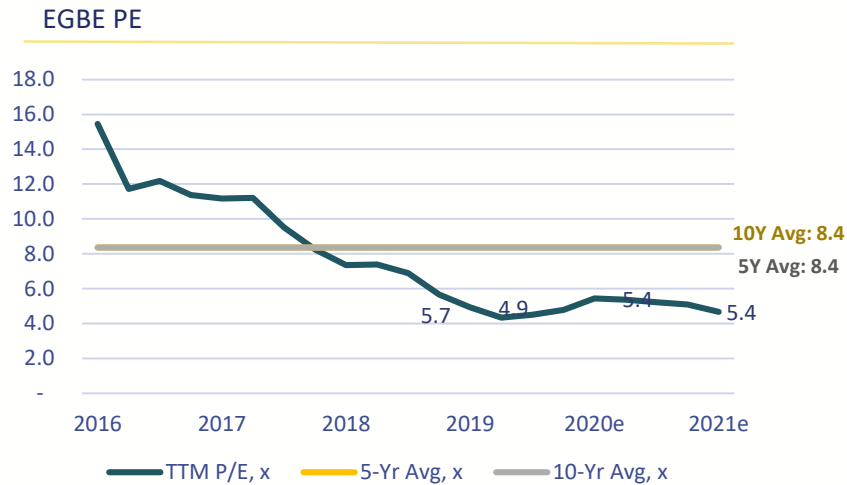
Source: Bloomberg and Pharos Research

BANKS | EGBE AND FAIT TRADE CHEAP, BUT LACK CATALYSTS

Egyptian Gulf Bank (EGBE)

FV: USD0.53, EW

Currently trades at 5.4x P/E2021 which is below its historical 5- and 10-year averages of 8.4x.

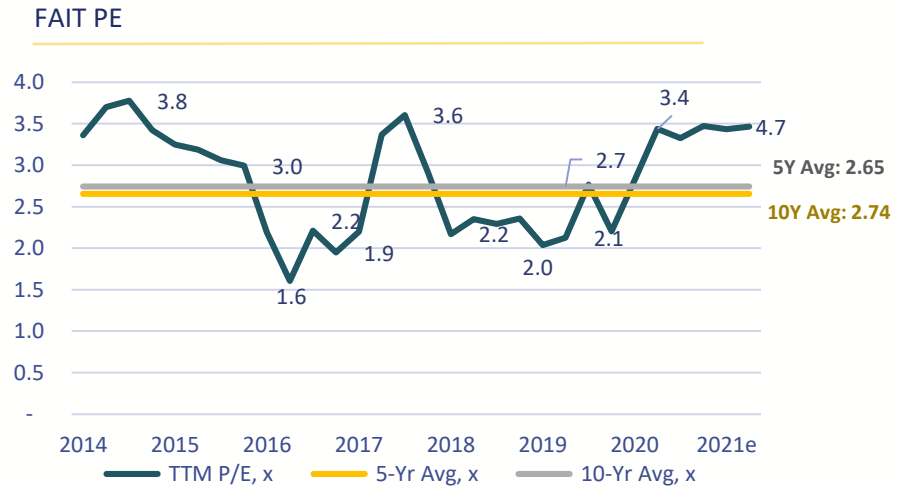


Source: Bloomberg and Pharos Research

Faisal Islamic Bank (FAIT)

FV: EGP14.51, EW

Currently trades at 4.7x P/E2021 which is way above its 5- and 10-year averages of 2.65x and 2.74x, respectively.



Source: Bloomberg and Pharos Research

NON-BANK FINANCIALS |

*MICROFINANCE AND LEASING GROW CAUTIOUSLY
EQUITY MARKET SHOULD RECOVER*

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NBFS | MICROFINANCE AND LEASING GROW CAUTIOUSLY; EQUITY MARKET SHOULD RECOVER

Sector Outlook and Trends

- **Equity market** activities are expected to revive on the back of 1) significant rate cuts (400 bps in 2020 and 200 bps in 2021) and the cancellation of the 15% high yield CDs in Sept.2020, 2) currency stability, 3) 2 years of pent-up demand on M&A and IPOs, and 4) improved private investment climate and investor confidence.
- **Leasing market** historically expanded aggressively, despite a high interest rate environment, demonstrating low penetration rates. We expect demand for leasing to recover in 2021 after taking a breather in 2020 on postponed CAPEX plans and the adaptation to the new leasing law.
 - Market will be driven by: 1) monetary easing, 2) the continued need for liquidity by real estate companies, and 3) the revival of capex lending in other industries. Margins to remain stable, hovering around 5%, since companies lend and borrow at floating rates.
 - Profitability for some companies might be constrained by either 1) booking high provisions as portfolio expands as per the new leasing law, or 2) by limiting growth to control asset quality and provisions accordingly. However, earnings will be supported by diversified scope of operations whether factoring or securitization.
- **Microfinance lending** is expected to continue growing in 2021 reaping the benefits of branch expansions that took place in 2020 and supported by the extremely low bank account penetration rates (c.10%), especially within the low-income groups and the informal sector of the economy mainly in Upper Egypt and Delta, where banking reach/branch coverage is minimal. Microfinance delivers superior earnings growth rates, with ROE north of 30%, driven by high spreads that reach 20%, and high frequency of repeat clients.
 - Margins to come in mixed, expected to slightly decline due to competition, but cushioned by higher spreads created by the recent significant rate cuts.
 - Profitability will be supported by high volumes and healthy margins, but asset quality and provisioning will be a key factor to watch out for in light of fast growth or the pandemic repercussions.

The Hopes

- Better global economic conditions on vaccination hopes would improve investment climate and would give emerging markets a much-needed breather, and support foreign investment in emerging equity markets
- CBE policy rate cuts should support portfolio growth in financing businesses
- New Leasing and Factoring Law should limit competition by raising the operating standards for start-up players
- Competition stays tamed, which would allow microfinance companies to benefit from rate cuts by widening their margins since microfinance clients are price-insensitive
- Financial inclusion and e-payment initiatives will increase the addressable market for microfinance institutions and create an environment where it is easier to extend and collect installments/repayments

Top Picks

- **HRHO** (FV: EGP20.50, OW) is a play on non-bank financial services, in its widest definition, whether in traditional investment banking (EGP4.96/share), microfinance and consumer finance services (EGP4.24/share) through controlling one of the largest microfinance branch networks or leasing and factoring (EGP1.11/share) through strong corporate connections, thus benefiting from cross-selling opportunities. With the expected improvement in private investment climate in Egypt, especially in 2021 post significant rate cuts and a healthy pipeline of IPOs, HRHO is a key beneficiary through its solid brokerage market share (north of 20%). HRHO is also highly rich in cash, which contributes EGP10.05 in FV per share.
- **CICH** (FV: EGP5.00, OW) is well positioned to benefit from the growth opportunities within Egypt's financial services sector by having the exposure to Egypt equity market while maintaining revenue stream stability from its lending businesses (c.78% of 9M20 bottom line). CICH launched consumer finance and mortgage finance arms in 2019 and acquired 9% of Al Taaleem Management Services In 3Q19, which it plans to take public through an IPO in 1Q2021

The Fears

- Pressure on emerging markets emerges, especially with the rise of global growth concerns
- Intensified competition between NBFIs with the increased number of service providers would hinder growth rates or significantly pressure margins
- Lower asset quality or higher booked provisions due to weak economic conditions or institutions prioritizing growth over quality
- Lack of a strict-enough regulatory environment would result in heightened competition in microfinance or leasing market, or push players to poor-quality growth
- Strict regulations from the FRA that would deter growth or profitability for non-bank financial services providers

Stocks Awaiting Catalysts

BINV will offer several catalysts by the end of 2020 and in 2021. BINV is currently working on selling 20% of its 7.97% stake in TOTAL Egypt (c.1.59%). Assuming a TOTAL valuation range of EGP8-10 billion, this makes the proceeds from BINV's 1.59% stake sale in TOTAL EGP127-160 million (EGP0.79-1.00/BINV share). On the other hand, expansion plans from its NBFS arm through its stake in Ebtikar and the income on its earnings from this high-growth subsidiary, along with news about Bee and Masary's IPO, and given current FWRY's market cap and implied global peers Marketcap/Total throughput of 0.30x, we value Bee and Masary at EGP5.04 billion, out of which (EGP677 million, EGP4.23/share) is BINV's total share. *BINV's management strategy is skewed towards the distribution of most of exit proceeds unless it is needed for other investments.* Moreover, BINV is committed to invest EGP200 million in a specialized healthcare investment company with a total capital of EGP1.0 billion, where the company is expected to close its first investment under this vehicle in 4Q20/1Q21. BINV has a debt free capital structure, with a cash balance of EGP437 million as of September 2020.

AIH will start to witness substantial earnings growth, along with its plans to direct more investments in the NBFS sector and expanding to factoring and insurance brokerage services, along with cleaning up all the legacy issues in the beginning of 2021 which will boost earnings as well. Moreover, there is a potential of splitting the company into two entities, where one entity will operate in the NBFS sector and the other will manage the remaining investments.



SECTOR VALUATION TABLE

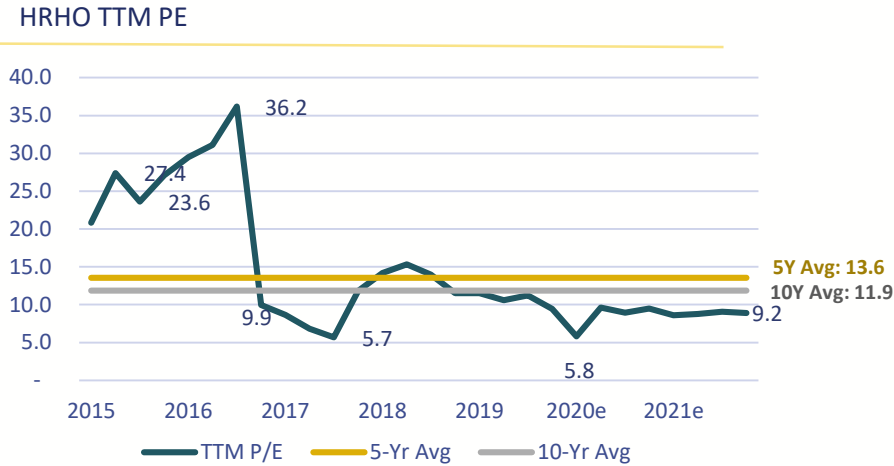
Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVTD (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %			ROE (%)		EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	2020	2021	TTM	2020	2021
Financial institutions																									
Arabia Investments & Development (Istithmaraat)	AIH	0.57	0.59	4.1	Equalweight	48.8	1,472,632	92.0	7.0	12.0	10.2	1.4	1.3	1.2	0.0	10.8	11.8	-27.3	30.0	---	---	---			
Egyptian Financial Group-Hermes Holding Company	HRHO	13.78	20.50	48.8	Overweight	676.3	1,412,395	-18.8	8.9	10.0	9.2	0.8	0.8	0.7	0.0	7.8	8.2	-23.5	9.2	---	---	---			
Orascom Investment Holding	OIH	0.56	0.45	-19.4	Underweight	186.9	1,226,290	1.0	---	---	---	---	---	---	---	---	---	---	---	---	---	---			
Qalaa Holdings	CCAP	1.48	1.25	-15.3	Equalweight	261.8	1,099,290	-39.5	---	---	---	---	---	---	---	---	---	---	---	---	---	---			
CI Capital	CICH	3.78	5.00	32.3	Overweight	241.4	973,101	2.7	6.9	8.3	7.1	1.4	1.2	1.0	0.0	15.6	15.8	-17.2	17.0	---	---	---			
Pioneers Holding for Financial Investments	PIOH	4.16	6.30	51.4	Overweight	280.2	844,160	-20.6	3.9	4.5	5.0	0.6	0.6	0.5	0.0	13.3	10.0	---	---	5.4	6.0	5.0			
Al Tawfeek Leasing Company	ATLC	3.55	4.00	12.7	Equalweight	26.1	225,694	30.7	7.5	6.6	5.5	1.2	1.1	1.0	5.0	16.2	16.3	-15.5	20.0	---	---	---			
BP Holding For Financial Investments	BINV	11.04	13.00	17.8	Equalweight	112.8	102,953	38.0	9.0	8.8	7.6	1.0	0.9	0.8	3.5	10.2	10.5	17.2	15.0	---	---	---			
Raya Holding for Financial Investments	RAYA	7.71	10.00	29.7	Overweight	105.6	52,887	68.0	---	---	---	---	---	---	---	---	---	---	---	---	---	---			
Sarwa Capital Holding	SRWA	3.74	5.00	33.7	Overweight	285.9	7,826	11.0	14.1	16.8	12.4	2.2	2.0	1.8	0.0	11.9	14.5	-33.5	37.0	---	---	---			
Sector MCAP weighted average									9.2	8.9	7.8	1.4	1.0	0.8	2.9	4.9	4.1	2.3	16.8	---	---	---			
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9			
LT Fundamental Top Pick																									
Event-Driven/Awaits Catalyst																									

NBFS | CICH IS A GOOD DEAL

EFG Hermes (HRHO)

FV: EGP20.50, OW

HRHO is trading at P/E2021 of 9.2x which is below its historical 5- and 10-year averages of 13.6x, and 11.9x, respectively.

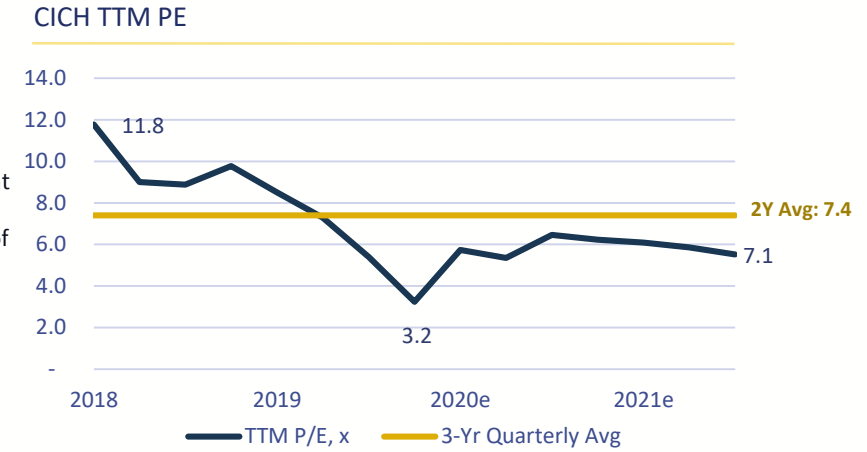


Source: Bloomberg and Pharos Research

CI Capital (CICH)

FV: EGP5.00, OW

CICH is currently trading at 2021 P/E of 7.1x which is below its 2-year average of 7.4x.

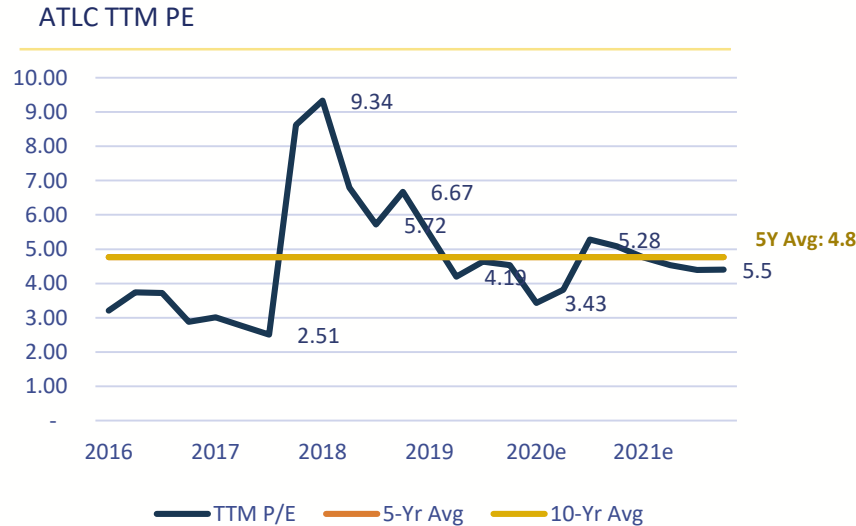


Source: Bloomberg and Pharos Research

Al Tawfik Leasing (ATLC)

FV: EGP4.00, EW

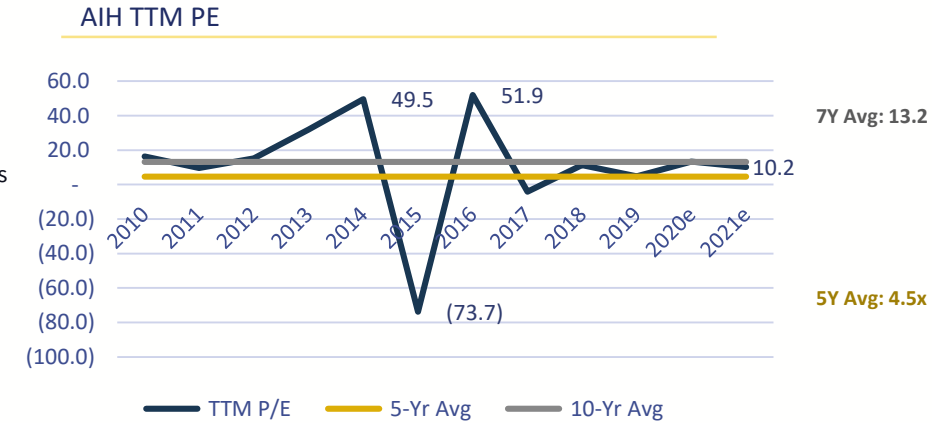
Currently trades at 5.5x P/E2021 which is below close to its 5-year average of 4.8x.



Source: Bloomberg and Pharos Research

Arabia Investments Holding (AIH)

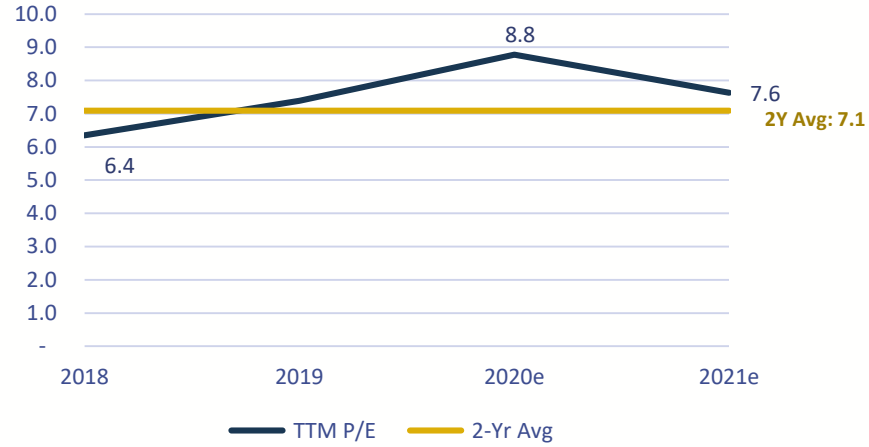
Currently trades at 10.2x P/E2021 which is above its 5-year average of 4.5x and below its 10-year average of 13.2x.



Source: Bloomberg and Pharos Research

NBFS | SRWA AND BINV MULTIPLES CLOSE TO HISTORICAL AVG; NEED CATALYSTS

BINV TTM PE

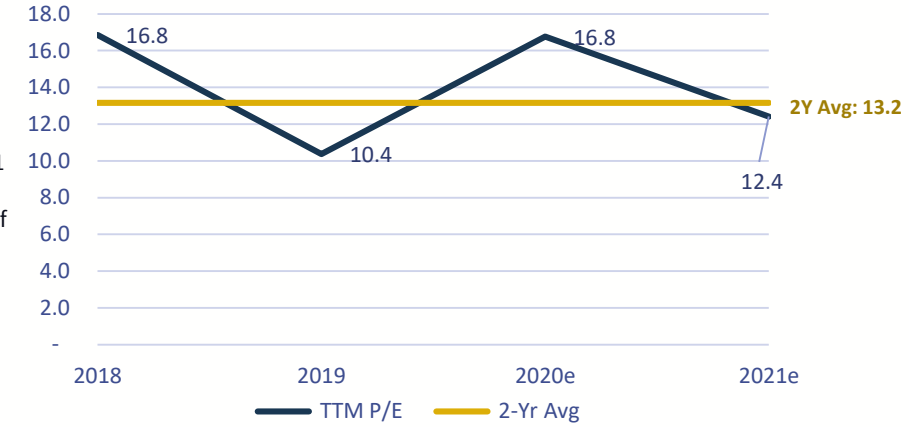


B Investments (BINV)

BINV is currently trading at P/E2021 of 7.6x which is close above its historical 2-year average of 7.1x.

Source: Bloomberg and Pharos Research

SRWA TTM PE



Sarwa Capital (SRWA)

SRWA is trading at P/E2021 of 12.4x which is below its historical 2-year average of 13.2x.

Source: Bloomberg and Pharos Research

CONSUMER GOODS |

DIVERSIFICATION IN F&B SEGMENTS IS KEY

ECONOMIC RECOVERY TO STIMULATE DISCRETIONARY SPENDING

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CONSUMER STAPLES | DIVERSIFICATION IN PRODUCT SEGMENTS IS KEY

Sector Outlook and Trends

- Dairy and cheese manufacturers received a much-needed boost in retail sales as consumers stockpiled their pantries as a reaction to the coronavirus outbreak in March 2020. We expect this trend to normalize by the beginning of FY21.
- On the other side, snack-food players took a hit from the lockdown and closure of schools/universities, which resulted in postponing their initial expansion plans to FY21.
- F&B companies faced additional explicit and implicit costs relating to the pandemic, forcing cost-cutting measures to save margins. Margins are expected to gradually improve in-line with recovery of consumption trends and with the introduction of higher-margin products.
- We believe that F&B companies will not raise prices directly, owing to the recent slump in commodity prices and YoY appreciation in the FX rate. Any future cost pressures will likely be passed on to the consumers. Cigarette prices will likely face a price hike in FY21/22 to fully pass-on the increase in VAT.
- We expect working capital days (and in turn the overdraft balance) to shrink down to normalized levels in FY21, following companies' increase in their strategic stock of raw materials and finished goods to hedge against any possible disruptions in the production cycle owing to the pandemic.

The Hopes

- Stable commodity prices, local currency appreciation, and introduction of new high-margin SKUs would allow companies to improve their profitability
- Deceleration in inflation would relieve pressure off consumer purchasing power and improve sales volumes
- Resumption of expansion plans to enter fast-growing and/or high-margin F&B segments
- Faster than expected pick-up in export sales volume

Top Picks

- **EFID (FV:EGP14.00)** should witness a stronger FY21 results on the back of normalized traffic and recovery in snack-food consumption and as the company resumes with their plan to enter the Moroccan market by establishing a factory by 1Q21.

The Fears

- Slower than expected recovery in purchasing power and more rationed consumption in the case of a second pandemic wave
- Increased competition would squeeze margins and hinder potential growth opportunities
- Spike in commodity prices and/or FX rate would further pressure company margins as they keep price hikes minimal to remain competitive
- Amending VAT law which includes subjecting snacks and bakeries to 14% VAT instead of the current 5%

Stocks Awaiting Catalysts

- **JUFO (FV:EGP11.00)** Management see full-year GPM averaging at c.34% (+4pps YoY), on account of the renegotiation of contracts with suppliers, favorable product mix and the EGP appreciation. In addition to posting healthy topline growth throughout FY20, JUFO embarked on a cost cutting plan that entails downsizing labor and liquidating excess inventory. JUFO is on track to introduce a new segment by early 2021 which is expected to be profitable as soon as it is launched. Release of Chairman would be another key catalyst.
- **EAST (FV: EGP20.50)** following the amendment to the tobacco tax-brackets and higher VAT rates, which were only partially passed-on, we anticipate management focus on ex-factory prices, which will reflect in better topline growth and margins. Otherwise, the company enjoys mostly stable volumes, due to inelastic demand.
- **DOMT (FV: EGP9.40)** is a beneficiary of a pick-up consumer purchasing power, which would make use of the company's expansion in the sandwich capacity to c.1 million pc/day in FY20 up from 200kpc/day in FY18. DOMT will enter the market of dairy and flavored milk by mid 1Q21 which will result in better absorption of overheads. We are still awaiting government sales volume to get back on track after the slump in 3Q20 caused by stockpiling.
- **OLFI (FV:EGP7.50)** margins will see a relative improvement following the implementation of new and improved production lines, in addition to the introduction of a high-margin processed cheese product and flavored milk product.

DIVERSIFIED CONSUMER | ECONOMIC RECOVERY TO STIMULATE DISCRETIONARY SPENDING

Sector Outlook and Trends

- The sector is a key beneficiary of improving macro trends (inflation deceleration, EGP/USD stability and falling interest rates) which triggered some recovery in demand for discretionary products due to better access to markets and longer retail hours compared to 2Q20.
- AMIC recorded an overall 23% YoY increase in 9M20 passenger car volumes, on the back of robust underlying growth in 1Q20 which was interrupted by the government's partial lockdown of the economy in 2Q20. However, growth momentum resumed following the easing of lockdown measures and better seasonality, which is expected to continue in 2021.
- Export sales of durables should also witness YoY recovery on the back of 1) a shift to e-commerce across key markets, 2) implementation of price promotions and extended payment facilities to boost orders and 3) large manufacturers taking-up forgone orders from distressed competitors.
- Companies who are reliant on oil-based raw materials will witness more normalized margins over the course of 2021, given that polypropylene prices have declined c.9% in 10M20 compared to 10M19, but will recover with oil prices, considering a one-quarter time lag.
- Owing to the defensive nature of the education sector, we expect education service providers to remain resilient if there is a second wave of the pandemic. However, companies who have the infrastructure in place to offer online learning and with economies of scale are expected to perform better.

The Hopes

- Stable/appreciating FX rate, which would increase margins for companies with imported components (but would hurt exporting companies)
- Deceleration in inflation would relieve pressure off consumer purchasing power and improve sales volumes
- Low cost of financing would improve profitability for leveraged companies such as AUTO

Top Picks

- **CIRA (CFV: EGP15.50)** is a high-growth stock, with a solid expansion plans within a fast-growing market. Management plans to introduce 6 additional faculties at Badr University and Regent British School in New Mansoura for the 2020/21 academic year.

The Fears

- Increased competition would squeeze margins and hinder potential growth opportunities
- Spike in commodity prices amidst a seemingly fragile consumer environment would further pressure company margins
- Logistic pressure could disrupt production flows and/or the ease of exporting products

Stocks Awaiting Catalysts

- **AUTO (FV: EGP4.50)** Recovery in purchasing power and signs of higher passenger car sales will be a key catalyst for the stock, which will further be supported by better profitability in AUTO's Egyptian passenger car segment as the company phased-out the lesser-profitable models by the end of FY19. GB Capital continues to be a key profitability driver for the company and with 400 bps cut in rates in 2020 and 200 bps more expected in 2021, that is in addition to provision normalization, we might see healthy recovery in the segment's profitability.
- **ORWE (FV:EGP8.00)** should witness better results in FY21 as consumer confidence and access to export markets returns to normal. Management also indicated they aim to slightly increase the FY20 payout ratio (DY 14%) that should be supported by the expedited payment of export rebate backlog.

SECTOR VALUATION TABLE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %			ROE (%)			EPS growth (%)			EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	2020	2021	2020	2021	TTM	2020	2021
Food and Beverage																											
Cairo Poultry	POUL	3.39	4.95	46.0	Equalweight	103.7	674,541	-20.4	21.5	12.3	11.6	1.3	1.3	1.3	2.9	6.3	10.9	12.8	6.0	3.7	4.4	4.0					
Edita Food Industries SAE	EFID	9.41	14.00	48.8	Overweight	435.9	556,580	-37.2	24.0	22.7	17.0	4.2	3.7	3.3	1.6	17.3	20.5	-17.1	33.6	12.3	12.5	10.4					
Juhayna Food Industries	JUFO	6.58	11.00	67.2	Overweight	395.5	401,441	-23.8	14.7	13.0	10.1	2.2	2.0	2.0	2.7	16.6	21.9	45.0	28.0	6.1	5.6	4.8					
Obour Land for Food Industries	OLFI	5.09	7.50	47.3	Overweight	130.0	148,524	-9.1	7.5	6.9	6.3	2.4	2.4	1.9	5.3	34.9	33.6	13.4	9.4	5.4	4.4	4.1					
Arabian Food Industries Co DOMTY	DOMT	5.37	9.40	75.0	Overweight	96.9	62,320	-39.7	12.9	9.8	7.7	1.8	1.9	1.7	5.0	19.2	22.9	-0.6	26.5	7.9	9.5	7.8					
Sector MCAP weighted average									16.5	14.6	11.6	2.5	2.4	2.4	2.4	17.4	20.7	9.0	28.2	9.0	8.1	7.0					
Diversified Consumer																											
Arab Cotton Ginning	ACGC	3.03	3.32	9.6	Equalweight	51.2	3,012,555	98.8	n/m	6.4	4.6	0.7	0.4	0.4	7.4	6.0	8.1	n/m	n/m	---	7.2	6.3					
Dice Sport & Casual Wear	DSCW	1.63	1.50	-7.9	Equalweight	55.1	2,137,103	86.0	n/m	---	---	2.7	---	---	---	---	---	---	---	---	35.1	---					
Eastern Company	EAST	11.76	20.50	74.3	Overweight	1,689.6	1,310,519	-24.5	9.8	7.1	5.6	3.1	2.4	2.0	11.9	33.6	38.6	0.4	25.2	3.0	2.8	2.2					
Ghabbour Auto	AUTO	3.32	4.50	35.5	Overweight	231.9	1,231,818	-9.8	5.4	3.4	3.4	0.8	0.6	0.5	0.0	19.6	16.9	n/m	0.5	7.0	6.7	5.0					
MM Group for Industry & International Trade	MTIE	7.48	10.50	40.4	Overweight	369.4	656,692	-13.1	17.8	15.7	13.7	3.8	3.0	2.5	0.0	20.5	19.0	-19.8	15.0	7.6	11.7	10.6					
Oriental Weavers	ORWE	7.68	8.00	4.2	Equalweight	326.2	607,405	9.1	6.6	6.4	6.1	0.8	0.7	0.7	8.5	10.0	9.8	-5.5	5.4	5.1	5.4	4.8					
Cairo for Investment and Real Estate Development	CIRA	13.95	15.50	11.1	Overweight	519.1	508,140	0.5	36.7	31.9	22.3	8.1	8.1	6.4	1.6	25.6	26.8	35.6	30.0	16.7	18.0	13.0					
Sector MCAP weighted average									10.0	7.7	6.6	2.6	2.0	1.7	7.8	25.6	29.7	-3.3	19.2	4.2	4.9	3.9					
LT Fundamental Top Pick																											
Event-Driven/Awaits Catalyst																											

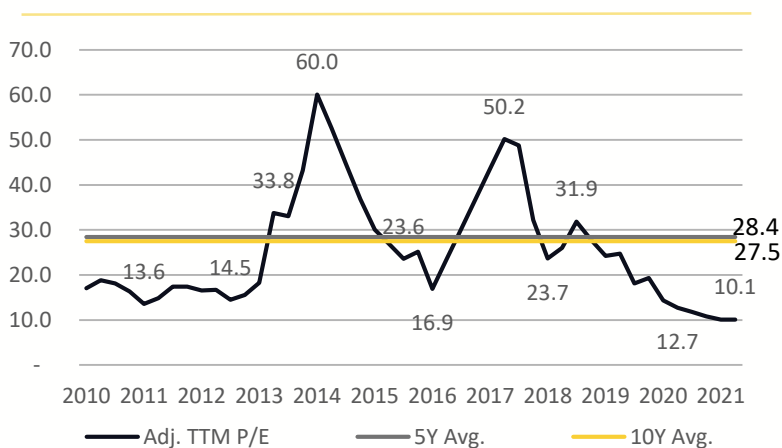
CONSUMER STAPLES | JUFO LOOKS MOST ATTRACTIVE ON MULTIPLES AND DIVERSITY; EFID PROFITS TO RECOVER

Juhayna (JUFO)

FV: EGP11.00, OW

JUFO is trading at a historically low P/E multiple, reaching a record FY21e P/E of 10.1x despite showing resilient earnings over FY20. This is much below the 5- and 10-year averages of 28.4x and 27.5x. JUFO is currently the cheapest stock of all F&B stocks.

JUFO Adjusted¹ TTM PE



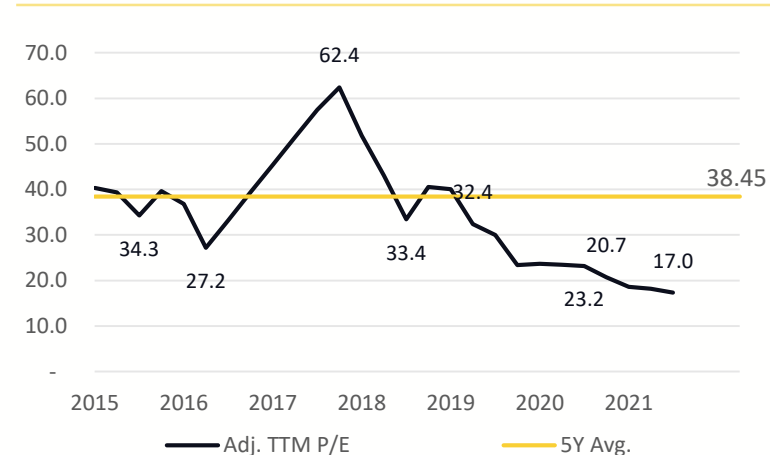
Source: Bloomberg and Pharos Research

Edita (EFID)

FV: EGP14.00, OW

Among our stock universe, EFID had witnessed the sharpest drop of stock price (-c.36% YTD). Currently, EFID is the stock with the highest P/E multiple of all F&B stocks with FY21e P/E multiple of 17.0x. is much below the 5-year average of 38.45x.

EFID Adjusted TTM PE



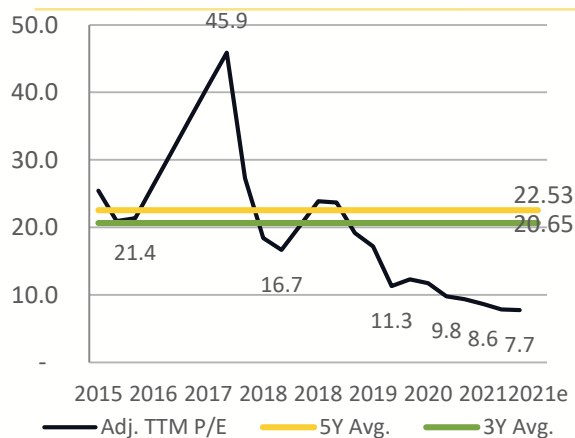
Source: Bloomberg and Pharos Research

Arabian Food Ind.(DOMT)

FV: EGP9.40, OW

DOMT is currently trading at FY21e P/E of 7.7x and its multiple is gradually increasing relative to 2020 P/E multiples.

DOMT Adjusted TTM PE



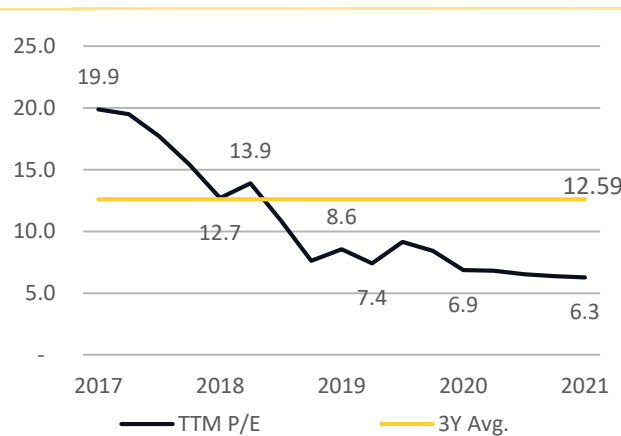
Source: Bloomberg and Pharos Research

Obourland (OLFI)

FV: EGP7.50, EW

OLFI 's P/E is gradually increasing with FY21e P/E of 6.3x which is slightly below the 3-year average of 12.59x.

OLFI TTM PE



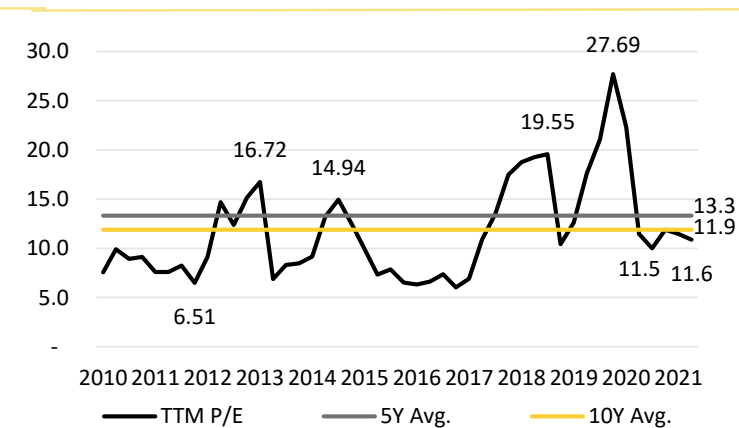
Source: Bloomberg and Pharos Research

Cairo Poultry (POUL)

FV: EGP4.95, EW

POUL is currently trading at FY20/21f TTM P/E of 11.6x, at a discount to its 5yr and 10yr average of 13.3x and 11.9x , respectively.

POUL Adjusted TTM PE



Source: Bloomberg and Pharos Research

¹ Adjusted TTM P/E excludes any outliers resulting from a dramatic drop in F&B stock earnings following the EGP devaluation.

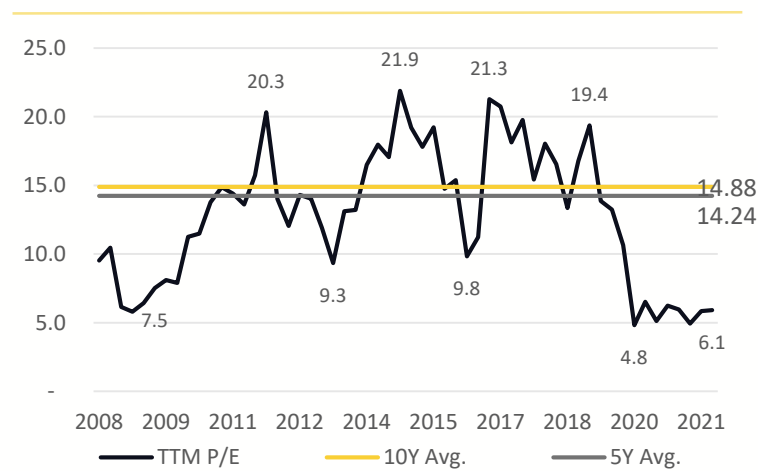
DIVERSIFIED CONSUMER | EAST, ORWE AND AUTO MUCH CHEAPER THAN HISTORICAL AVERAGE

Oriental Weavers (ORWE)

FV: EGP8.00, EW

ORWE is currently trading at FY21e P/E of 6.1x which is much lower than both its 10-year and 5-year historic averages of 14.88x and 14.24x.

ORWE TTM PE



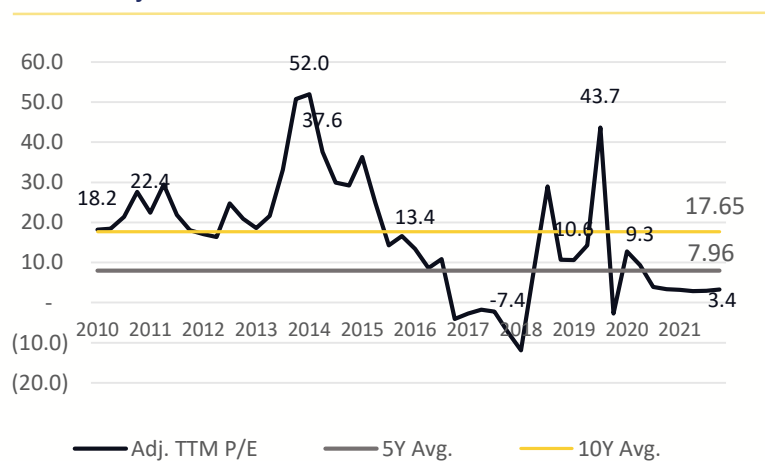
Source: Bloomberg and Pharos Research

Ghabbour Auto (AUTO)

FV: EGP4.50, OW

AUTO is currently trading at FY21e P/E of 3.4x, significantly lower than its 5-year historical average of 7.96x and 10-year historical average of 17.65x.

AUTO Adjusted¹ TTM PE



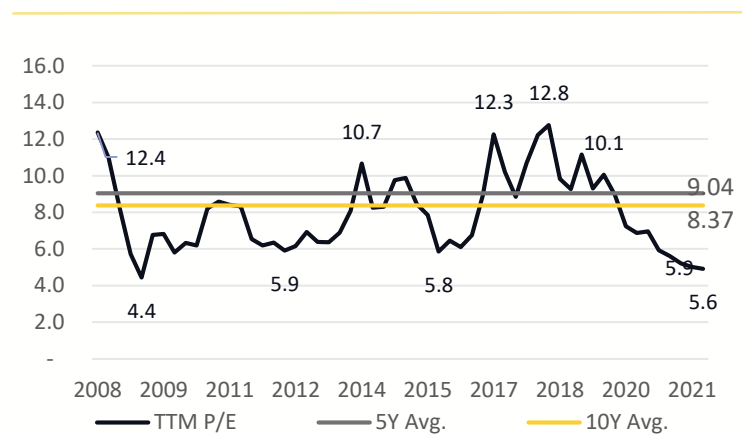
Source: Bloomberg and Pharos Research

Eastern Company (EAST)

FV: EGP20.50, OW

EAST is currently trading at FY21e P/E of 5.6x which is lower than its 5-year average of 9.04x and 10-year average of 8.37x. Given muted volume growth over FY19-20, we expect any price hikes to spur EAST share price and multiples from its current lows.

EAST TTM PE



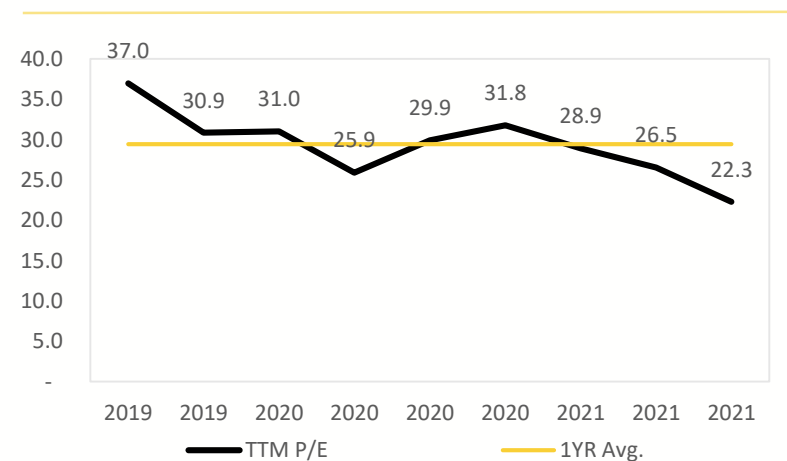
Source: Bloomberg and Pharos Research

Cairo for Investment and Real Estate Development (CIRA)

FV: EGP15.50, OW

CIRA is currently trading at FY21e P/E of 22.3x, lower than its one-year average of 29.43x.

CIRA Adjusted¹ TTM PE



Source: Bloomberg and Pharos Research

¹ Adjusted TTM P/E excludes any outliers resulting from a dramatic drop in F&B stock earnings following the EGP devaluation.

HEALTHCARE AND PHARMA |

NOT ENTIRELY DEFENSIVE

MACRO DYNAMICS TO SUPPORT GROWTH

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HEALTHCARE AND PHARMA | NOT ENTIRELY DEFENSIVE; MACRO DYNAMICS TO SUPPORT GROWTH

Sector Outlook and Trends

- Market growth is predominantly driven by out of the pocket expenditure (61% of total health expenditure), alongside a heavily growing population by c. 2% per annum. Yet, Egypt still exhibits one of the lowest expenditure per capita figures in the MENA region (1.4% of GDP), implying vast room for future growth.
- The Universal Healthcare Act would serve as a long-term catalyst that further boosts Egypt's healthcare expenditure, which should come into full effect by 2032. The program (6 phases) started phase one at the end of 2018 in Port Said, and is currently being implemented in Luxor, bringing the total beneficiaries YTD to less than 2% of Egypt's population. We believe that the impact of this act will not fully materialize until the end of phase six in 2032, which encompasses Cairo and Giza, Egypt's heaviest populated cities (c. 19% of the total population).
- Egypt is the MEA region's largest producer and second largest consumer of pharmaceuticals, growing by a CAGR (2013-2019) of 19%, surpassing the region's CAGR of 8%. We forecast total pharma market to grow at a 5yr CAGR of c.12% between 2020-25f.
- The Egyptian pharma market' growth is largely price-driven; where almost two-thirds the growth is driven by the growth in ASP and one-third is driven by volumes. The ASP for the total market grew at a CAGR of 15% between 2013-19a, compared to a volumes CAGR of only 5% during the same period.
- The new Law establishing the Egyptian Drug Authority ("**EDA**") and the Unified Medical Procurement Authority ("**UMPA**"), started in July 2020, might reshape the non-retail pharma market dynamics and gradually increase the contribution of the non-retail segment to the total pharma sales from 30% currently to around 35% by 2025f, according to our estimates. The Law outlines the mandate of the UMPA, which mainly includes: 1) purchasing of pharmaceuticals for the relevant public sector entities, 2) managing a system for the storage, transportation, and distribution of pharmaceuticals, 3) monitors warehouses of governmental entities and 4) establishing a comprehensive database for medical technology in all public health institutions and their warehouses in order to monitor needs, and consumption. Under the law, governmental agencies are prohibited from purchasing pharmaceuticals directly and not through the UMPA. This Law aims to solve the crises facing the supply of Egyptian medicine, through maintaining strategic stockpile and preventing the state from suffering from drug shortage crises.

The Hopes

- Exchange rate stability/strength to offset any increases in imported raw material prices and accordingly support margin health
- Health Screening Programs by the government (such as that of Hepatitis C) would raise awareness and demand in the pharma market
- A growing population along with a relatively (compared to MENA region) lower expenditure per capita will continue to drive growth going forward
- Easing exports restrictions imposed during pandemic will improve access to foreign currency needs for APIs imports.
- Gradual average price increases on higher average price points from newly introduced SKUs in the market
- The implementation of the Universal Healthcare Act should result in very gradual topline step-ups for pharma manufacturers, distributors, and hospitals over the next twelve years
- As inflation cools down, healthcare expenditure is expected to recover

Top Picks

- **CLHO (FV: EGP6.30, OW)** is a leading healthcare provider, operating six hospitals and 2 polyclinics. CLHO's strategy is focused on organic expansions through expanding current facilities and inorganic expansions through acquiring other hospitals, establishing new polyclinics and diversifying its service offering, which would collectively drive revenue growth. We forecast revenue CAGR of 28% between 2020-25f, with bottom line growing at a CAGR of 31% along with c.2-3pps improvement in profitability margins over the forecast horizon (2021-25f), factoring-in the potential earnings set-ups resulting from inorganic expansions.
- **SPMD** is a rapidly growing private diagnostics provider focused on both organic (establishing Speed Labs) and inorganic (mergers and acquisitions) growth opportunities, with over 90 labs nationwide up to date, one lab in Sudan, one polyclinic, and is working on establishing Speed Hospital. SPMD plans to reach 200 Speed Labs and 5 polyclinics within the upcoming years, besides the inauguration of Speed Hospital in 2Q21. In addition, SPMD owns a 30% stake in Prime Speed (leading diagnostics provider focused on Covid-19 testing), which generates substantial investment income and thus boosts SPMD's bottom-line.

The Fears

- Export restrictions imposed on Egyptian manufactures might cap revenue growth and affect their ability to secure foreign currency needed for APIs imports
- Postponement or failure to complete acquisition/capex spending plans would put market share gains on hold
- Slower than expected increases in average selling prices
- Higher APIs prices or failure to negotiate better prices with suppliers
- Any potential weakness in the currency would put pressure on margins
- Weak drug portfolio optimization towards high margin drugs would affect margins negatively
- The impact of the practices of the UMPA on the pharma manufactures and distributors is still vague

Stocks Awaiting Catalysts

- **PHAR (FV: EGP60.50, OW)** is currently working on the establishment of its new Biosimilar factory, with locally-sourced raw materials. The local market size for oncology and hormone-based products is estimated at around EGP1.5 billion, that is currently 100% imported. With PHAR being one of the first mover producers in that area, we expect the company to cover at least 50% of the local demand before targeting export markets. According to the latest available data, the estimated capex for the project is around EGP1.0-1.2 billion, to be financed using 1:1 debt to equity and generate around EGP500 million of revenues during the first year of operations (2023e) according to management. We believe the project will add value to PHAR on the revenue and margins side post implementation; but might pressure bottom line performance because of higher interest expense paid on the project's debt financing, at least initially.
- **RMDA (EGP4.77, OW)** is expected to report continues growth in revenues on successful molecule launches, portfolio optimization towards high margin products and raising its production capacity. We expect RMDA to grow revenues at a CAGR of 20% between 2020-25f with an average of 2-3pps improvement in operating margins over the forecast horizon (2021-25f); primarily on portfolio optimization and cost control efforts.

SECTOR VALUATION TABLE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		PE ratio (x)			PB ratio (x)			DY %		ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %	TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	TTM	2020	2021		
Healthcare/Pharma																								
Ibsina Pharma	ISPH	5.40	8.15	50.9	Overweight	331.0	669,055	-35.3	20.1	20.3	16.0	4.5	3.5	2.9	0.0	17.3	18.0	-22.4	26.8	16.4	8.3	7.3		
Cleopatra Hospital	CLHO	4.60	6.30	37.0	Overweight	470.0	488,506	-23.7	31.8	26.8	20.0	3.7	3.3	2.8	0.0	12.8	14.6	6.6	34.1	19.3	16.1	11.9		
Integrated Diagnostics Holdings	IDHC	3.70	4.50	21.6	Overweight	555.0	376,487	-7.5	18.7	16.8	12.9	3.6	3.7	3.6	5.3	22.4	28.6	8.9	29.6	10.3	9.7	7.5		
Tenth Of Ramadan Pharmaceutical Industries & Diagnostic	RMDA	4.05	4.77	17.8	Overweight	198.8	363,973	-12.1	24.8	34.8	23.5	2.7	2.7	2.4	0.0	7.7	10.3	8.7	48.0	12.2	16.6	13.2		
Speed Medical	SPMD	1.31	1.75	33.6	Overweight	142.4	268,774	254.1	75.7	32.3	23.0	14.1	7.6	5.7	0.0	34.9	27.0	303.7	40.6	11.6	6.0	4.8		
Egyptian International Pharmaceuticals (EIPICO)	PHAR	49.08	60.50	23.3	Overweight	310.8	193,864	-26.2	11.7	11.0	8.4	1.8	1.6	1.5	9.2	15.1	18.0	-33.8	31.2	8.1	7.8	6.8		
Alexandria Pharmaceuticals & Chemical Industries	AXPH	137.48	280.00	103.7	Overweight	43.9	12,278	29.7	4.9	4.7	5.2	1.3	1.3	1.1	11.3	28.4	22.8	70.3	-10.2	1.9	1.7	1.6		
Nozha International Hospital	NINH	50.97	50.00	-1.9	Equalweight	45.8	11,387	41.2	14.9	---	---	2.8	---	---	---	---	---	---	---	6.7	---	---		
Cairo Pharmaceuticals & Chemical Industries	CPCI	35.30	44.00	24.6	Equalweight	33.7	11,238	12.6	4.2	6.6	6.0	0.7	0.8	0.8	9.1	13.1	13.7	32.7	9.5	2.4	2.6	2.5		
Arab Pharmaceuticals	ADCI	74.25	95.50	28.6	Overweight	28.4	9,494	75.9	4.2	5.8	6.1	1.8	1.9	1.6	5.4	36.7	28.9	132.7	-5.5	1.9	2.3	2.3		
Sector MCAP weighted average									13.1	14.0	14.7	2.9	2.7	2.4	5.0	16.0	17.0	-12.0	28.2	12.7	10.4	8.5		
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9		
Top Pick																								
Event-Driven/Awaits Catalyst																								

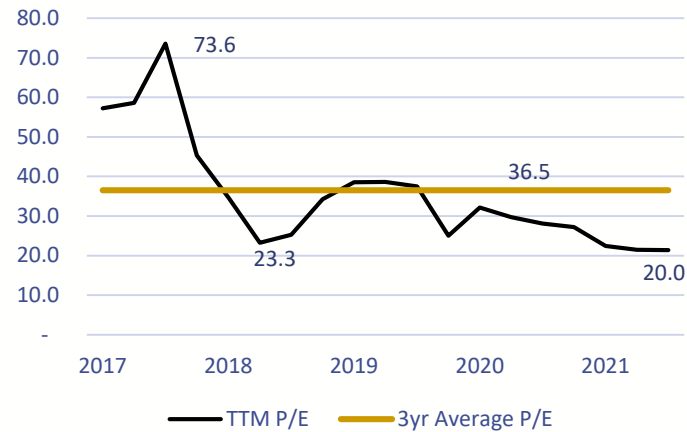
HEALTHCARE AND PHARMA | VERY RICH MULTIPLES; PHAR AN EXCEPTION FOR A REASON

Cleopatra Hospitals Group (CLHO)

FV: EGP6.30, OW

CLHO is currently trading at 2021f TTM P/E of 20.0x, at a discount of its 3yr average TTM P/E of 36.5x.

CLHO TTM PE



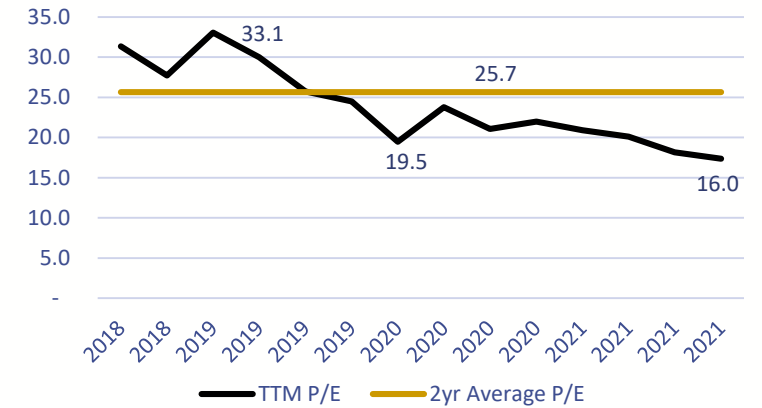
Source: Bloomberg and Pharos Research

Ibnsina Pharma (ISPH)

FV: EGP8.15, OW

ISPH is trading at 2021f TTM P/E of 16.0x, at a discount to its 2yr average of 25.7x.

ISPH TTM PE



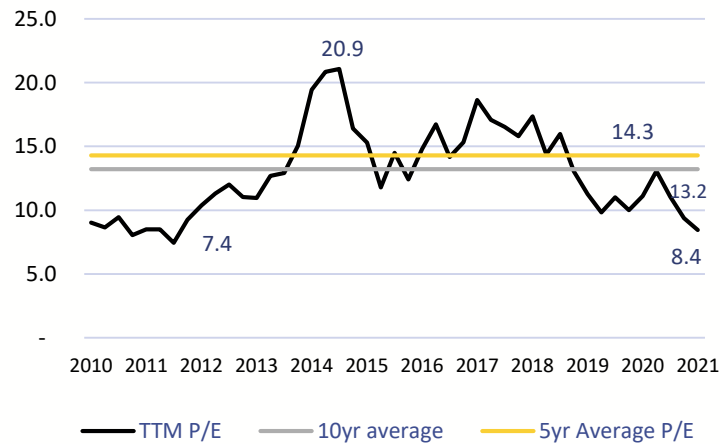
Source: Bloomberg and Pharos Research

EPICO (PHAR)

FV: EGP60.50, OW

PHAR is trading at 2021f TTM P/E of 8.4x, at a discount to its 5yr and 10yr average of 14.3x and 13.2x.

PHAR TTM PE



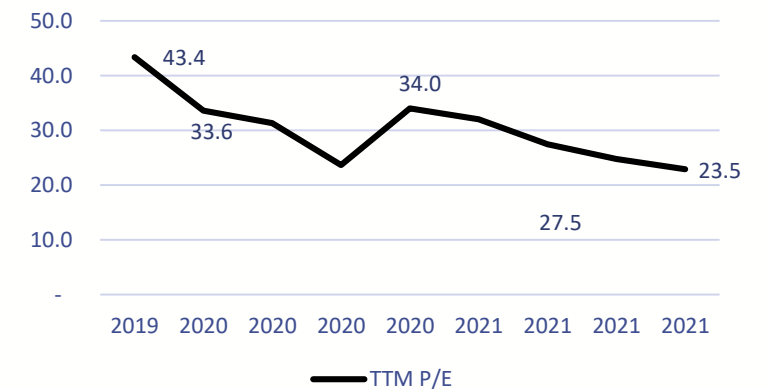
Source: Bloomberg and Pharos Research

Rameda (RMDA)

FV: EGP4.77, OW

RMDA is trading at 2021f TTM P/E of 23.5x.

RMDA TTM PE



Source: Bloomberg and Pharos Research



TELECOM | *AGGRESSIVE CAPEX BURDENS CASH FLOWS*

E-PAYMENTS | *UNDER-PENETRATION AND REGULATIONS CATALYZE GROWTH*

TELECOM | AGGRESSIVE CAPEX BURDENS CASH FLOWS

TECHNOLOGY & E-PAYMENTS | UNDER-PENETRATION AND SUPPORTIVE REGULATIONS CATALYZE GROWTH

Sector Outlook and Trends

Telecoms:

- Data ARPUs and Mobile data revenues are expected to continue driving growth
- Competition between mobile operators imposes higher spending on marketing, offering integrated bundles and the introduction of new products
- Capex acceleration plans among mobile operators to expand network infrastructure to accommodate increased data demand; but pressures cash flows.
- Cost cutting initiatives are expected to take place by lowering employee costs and replacing customer-facing operations by automation, artificial intelligence and IT capabilities, in order to improve the customer experience and to reduce cost base.
- Higher retail revenue contribution to support operating margins going forward, given their higher margins.

Technology:

- Digitalization and financial inclusion initiatives to support mobile wallets and e-payments applications.
- New payment facilitator licenses offered to e-payment players throughout 2020 is expected to significantly improve margins, increase the total value of throughout, number of services offered and number of daily transactions.
- The expected listing of Bee and Masary, Ebtikar's subsidiary and the government's e-payment arm, e-Finance, in 2021 should act as a strong catalyst for the sector and sets solid matrixes for valuations.

The Hopes

- Digital transformation initiatives to pave the way for investment opportunities
- Unexpectedly high growth in mobile data usage and ADSL ARPUs on expansion in the automated services can create healthy revenue growth momentum
- Expansion plans to capitalize on digital transformation and financial inclusion secure sustainable revenue streams
- Cooperation between local MNOs and global partners that could improve profitability and create cost synergies
- Cost cutting initiatives to support margins over the medium term
- Stronger currency translates into higher FX gains - since most players debt is in foreign currency - and offsets weaker revenue growth on lower revenue contribution of foreign currency.
- Eased regulatory environment and CBE's financial inclusions initiatives is expected to support growth.

Top Picks

FWRY is Egypt's leading e-payments platform, offering 894 digital services to consumers across Egypt, with a 114.9k enabled merchants and total throughput reaching EGP58.7 billion during 9M20. Being the first mover and the largest player, FWRY is well positioned to benefit from the nationwide financial inclusion and digital transformation initiatives. FWRY is planning a 2-stage capital increase worth EGP500 million; to be directed towards capturing growth opportunities by investing in banking services, mobile application, growing the acceptance business and enabling the B2B platform to extend payment business between merchants and suppliers. FWRY's revenue diversification strategy led to significant margin improvements that are sustainable in our view.

ETEL (FV: EGP16.60, OW) plans to focus on digital transformation and increasing retail revenue contribution to support margins; in line with plans to wrap up capex plans. ETEL's revenue and profitability will continue to be mainly driven by high growth in data services and improved overall market share through bundled service offering and improved efficiency as mobile dilution gradually phases out. ETEL's stake in Vodafone currently contributes 51.3% of the total valuation (EGP8.52/ETEL share). The impact of ETEL's decision on its investment in Vodafone is largely dependent on the final offer price. *Regardless of what the decision is, a stake sale at a premium of the current valuation is positive and, a stake purchase at a discount to the current valuation is positive; and vice versa.*

The Fears

- Caps on dividends distribution on aggressive capex spending
- Failures to cut costs which would squeeze margins
- Price pressure from competition
- Debt financing pressures bottom line
- Weaker EGP would translate into FX losses, since telecom sector companies usually borrow in USD to benefit from lower rates
- Regulatory and legal changes that could impose new taxes on mobile operators/customers that will cap demand

Stocks Awaiting Catalysts

- **MTIE (FV: EGP10.50, OW)** is one of Egypt's largest distributors of retail discretionary products in Egypt, capitalizing on its geographical coverage and customer reach. MTIE reported healthy margins in 2020, despite operational challenges, which is expected to continue going forward, mainly on the inclusion of high margin products to the company's distribution portfolio. *We believe that a key catalyst for MTIE will be expansion plan from its NBFS arms through its stake in Ebtikar and the income on its earnings from this high-growth subsidiary.* Moreover, with news about Bee and Masary's IPO in 1H21, given current FWRY's market cap and implied global peers Marketcap/Total throughput of 0.30x, we value Bee and Masary at EGP5.04 billion, out of which EGP1.99 billion (EGP2.57/share) is MTIE's share. MTIE's management is planning to distribute the proceeds in case of a stake sale in the planned IPO to shareholders.

SECTOR VALUATION TABLE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %		ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	2020	2021	TTM	2020	2021
TMT																									
Fawry for Banking and Payment Technology Services	FWRV	32.86	N/R	N/R	Equalweight	1,484.1	1,457,511	321.3	140.2	128.0	99.0	33.2	23.2	16.2	0.0	39.6	34.9	60.0	30.0	58.1	40.7	28.0			
Telecom Egypt	ETEL	12.76	16.60	30.1	Overweight	1,390.9	1,422,213	26.8	5.6	5.9	5.3	0.6	0.6	0.5	2.0	9.8	9.9	5.8	11.2	3.8	3.2	2.8			
MM Group for Industry & International Trade	MTIE	7.48	10.50	40.4	Overweight	369.4	656,692	-13.1	17.8	15.7	13.7	3.8	3.0	2.5	0.0	20.5	19.0	-19.8	15.0	7.6	11.7	10.6			
Raya Contact Center	RACC	6.19	7.00	13.1	Equalweight	41.9	225,813	36.3	15.5	18.5	9.5	1.7	1.9	1.7	0.0	39.6	34.9	-66.6	98.0	6.7	8.0	7.0			
Sector MCAP weighted average									6.6	6.1	5.3	1.7	0.8	0.5	1.6	12.2	9.6	6.7	11.2	5.0	3.4	2.8			
Top Pick																									
Event-Driven/Awaits Catalyst																									

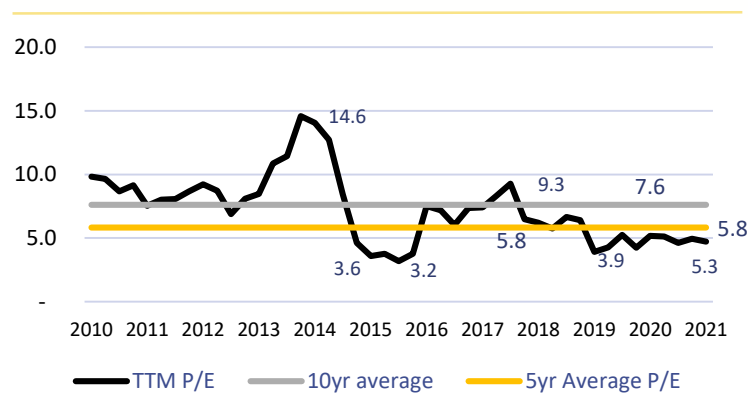
TECHNOLOGY & E-PAYMENTS | ETEL IS CHEAP, BUT ALWAYS SO; DO NOT CHECK E-PAYMENT MULTIPLES

Telecom Egypt (ETEL)

FV: EGP16.60, OW

ETEL currently trades at 2021f P/E of 5.3x, which is below its 5yr and 10yr TTM P/E average of 5.8x and 7.6x.

ETEL TTM PE



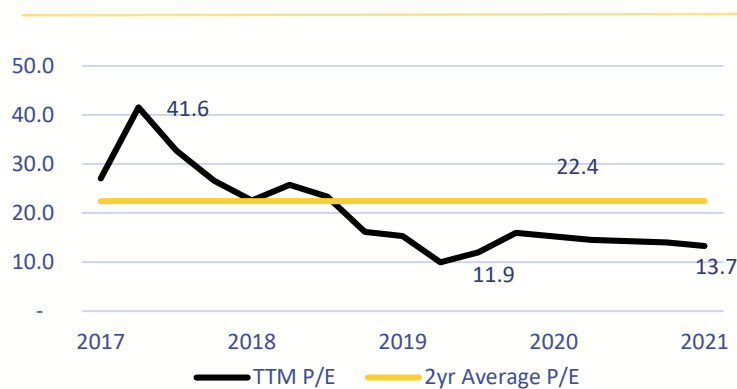
Source: Bloomberg and Pharos Research

MM Group for Industry and International Trade (MTIE)

FV: EGP10.50, OW

MTIE currently trades at 2021f P/E of 13.7x, which is below the 2yr TTM P/E average of 22.4x.

MTIE TTM PE

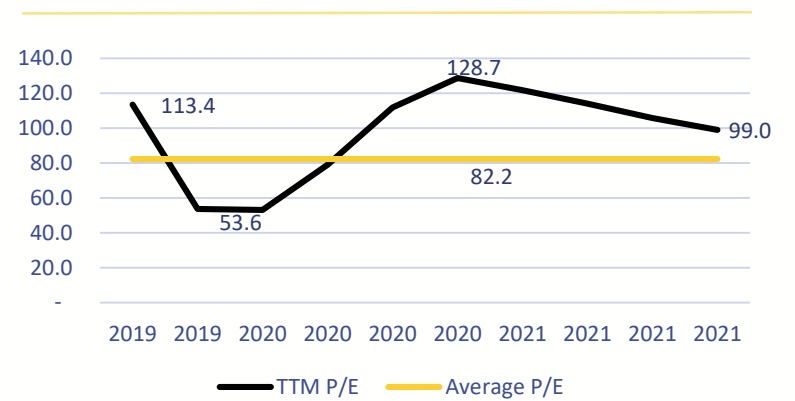


Source: Bloomberg and Pharos Research

Fawry for Banking and Payment Technology Services (FWRY)

FWRY currently trades at 2021f TTM P/E of 99.0x, compared to average TTM since IPO of 82.2x.

FWRY TTM PE

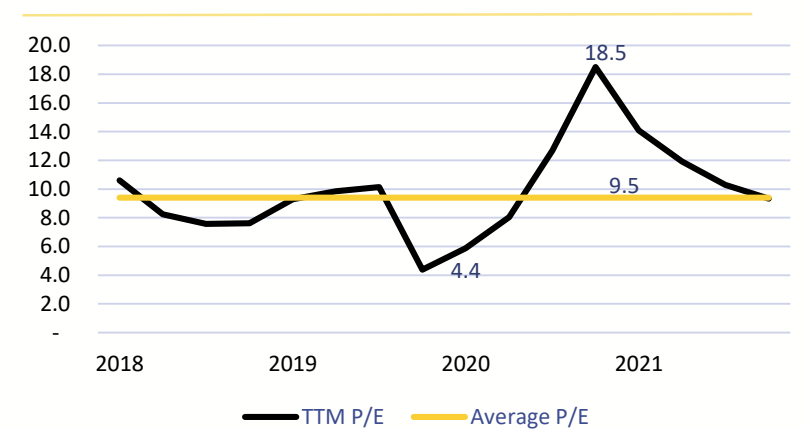


Source: Bloomberg and Pharos Research

Raya Contact Center (RACC)

RACC currently trades at 2021f P/E of 9.5x, which is inline with its historical 2yr TTM P/E average of 9.4x.

RACC TTM PE



REAL ESTATE |

PORTRAYED RESILIENCE IN A TOUGH 2020

STABILITY EXPECTED IN 2021

REAL ESTATE | PORTRAYED RESILIENCE IN A TOUGH 2020; STABILITY EXPECTED IN 2021

Sector Outlook and Trends

- Stable sales momentum
- No significant change in selling price and cost
- No further extension of installment schedules, since 2020 already witnessed some stretches in payment plans, with promotional campaigns offering schedules of more than ten years
- Lower sales cancellation rate
- Lower delinquency rate
- Stable construction operations and delivery pace, leading to stable revenue and net profit
- Increase in commercial sales
- Increase in land sales
- Continued solid sales in coastal projects due to continued adoption of a work-from-home lifestyle
- Increase in hospitality revenue

The Hopes

- Increase in sales
- No extension of installment schedules
- Decrease in costs
- Decrease in delinquency rates
- Increase in hospitality revenue

Top Pick | ORHD (FV: EGP8.45)

- Solid sales
- Diversified revenue mix
- Key beneficiary of positive turnaround in tourism
- Unique product offering
- Stock currently offers one of the biggest valuation upsides among sector coverage

The Fears

- Decrease in sales
- Extension of installment schedules
- Increase in costs
- Increase in delinquency rates
- Decrease in hospitality revenue
- Increase in debt

Top Pick | TMGH (FV: EGP10.50)

- Solid sales
- Sizable commercial portfolio
- Strong development track record
- Beneficiary of positive turnaround in tourism
- Strong net cash position

SECTOR VALUATION TABLE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %	ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021		2020	2020	2021	2020	2021	TTM	2020	2021
Real Estate/Hospitality																								
Medinet Nasr Housing	MNHD	3.79	5.35	41.2	Overweight	348.5	2,122,715	-21.4	6.2	5.0	5.2	1.3	---	---	5.0	---	---	11.4	-3.6	5.8	---	---		
Emaar Misr for Development	EMFD	2.68	4.58	70.9	Overweight	775.1	1,315,046	-8.2	6.4	6.7	6.0	0.7	---	---	---	---	---	3.4	13.3	5.8	---	---		
Talaat Moustafa Group Holding	TMGH	7.15	10.50	46.9	Overweight	942.2	1,016,429	-12.5	6.9	7.4	7.5	0.5	---	---	0.5	---	---	6.2	-1.0	7.2	---	---		
Heliopolis Housing	HELI	6.66	7.30	9.6	Overweight	567.8	997,400	-15.4	25.3	---	14.5	2.4	---	---	0.5	---	---	---	---	6.8	---	---		
Palm Hills Developments	PHDC	1.43	2.14	50.1	Overweight	283.9	878,173	-18.4	5.4	5.7	5.1	0.5	---	---	---	---	---	-7.1	11.3	7.0	---	---		
Porto Holding	PORT	0.59	0.35	-41.1	Equal weight	44.4	875,076	16.2	27.1	126.9	9.5	0.8	---	---	---	---	---	-94.7	---	35.6	---	---		
Egyptian Resorts Company	EGTS	1.53	1.39	-9.1	Equal weight	102.5	566,441	-36.3	---	79.8	112.2	1.9	---	---	---	---	---	---	-28.9	---	---	---		
Orascom Development Egypt	ORHD	4.68	8.45	80.6	Overweight	337.8	542,733	-31.4	9.3	9.3	7.5	1.9	---	---	---	---	---	-16.1	24.4	6.3	---	---		
Six of October Development & Investment (SODIC)	OCDI	14.64	17.11	16.9	Overweight	326.4	370,785	10.5	6.8	6.1	4.7	0.9	---	---	4.0	---	---	16.4	28.9	4.3	---	---		
Amer Group Holding	AMER	0.98	0.42	-57.2	Equal weight	62.8	216,427	67.1	166.1	---	65.0	0.6	---	---	---	---	---	---	---	4.6	---	---		
Sector MCAP weighted average										7.2	6.9	6.3	1.3	1.0	1.1	3.0	---	---	3.4	6.8	6.6	---	---	
Top Pick																								
Event-Driven/Awaits Catalyst																								

REAL ESTATE | PORTRAYED RESILIENCE IN A TOUGH 2020; STABILITY EXPECTED IN 2021

Multiples Expose Upside in ORHD

The multiples in the table below measure how much the market is pricing each company's residual land area. The multiples point to ORHD being the cheapest among its peers. EMFD's negative multiple in the second column reflects its strong balance sheet with its sum of net cash and discounted receivables higher than market cap. We remind you that OCDI's multiples in the first and second column are high because of VYE's high land liabilities which are taken into account undiscounted in the net cash calculation in the table.

	(Market Cap - Net Cash)/Sqm, EGP	(Market Cap - (Net Cash + Discounted Receivables))/Sqm, EGP	Market Cap/Sqm, EGP
OCDI	2,572	2,056	967
EMFD	393	(597)	2,964
PHDC	521	269	263
EGTS	476	262	473
ORHD	261	179	197
TMGH	646	380	625
MNHD	1,066	754	814
HELI	481	458	402

Sqm refers to residual land area.

Residual land areas of co-development projects are included as per revenue share.

Net cash calculation takes into account undiscounted land liabilities.

REAL ESTATE | PORTRAYED RESILIENCE IN A TOUGH 2020; STABILITY EXPECTED IN 2021

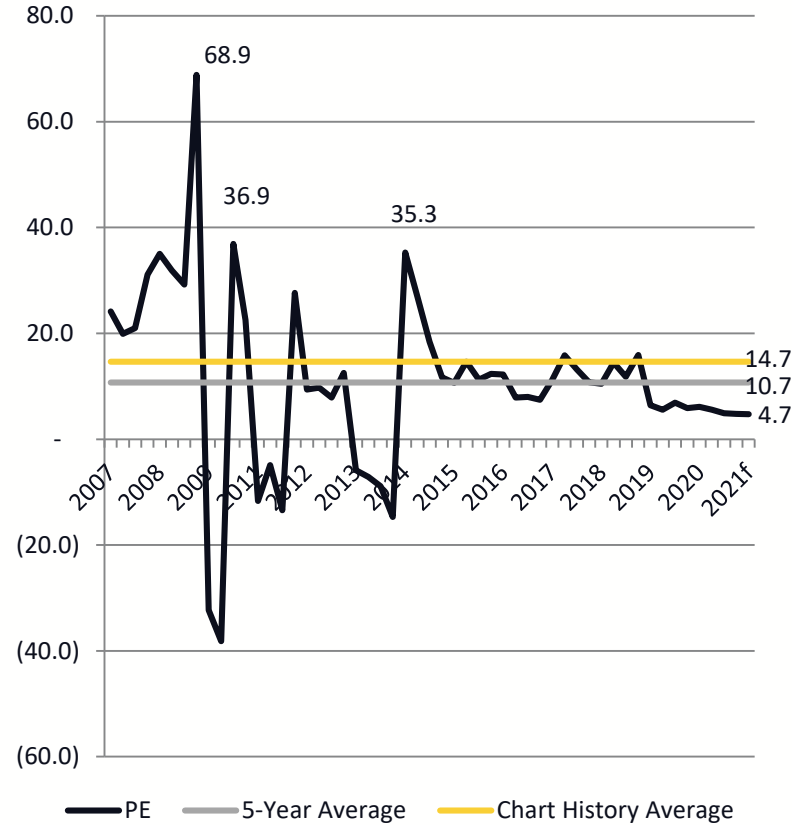
SODIC (OCDI)

FV: EGP17.11, OW

OCDI is trading at a PE2021 of 4.7x, which is lower than its 5-year historical average of 10.7 and 14-year historical average of 14.7.

Please note that we excluded outliers in 2009-2012 data from the chart.

OCDI PE



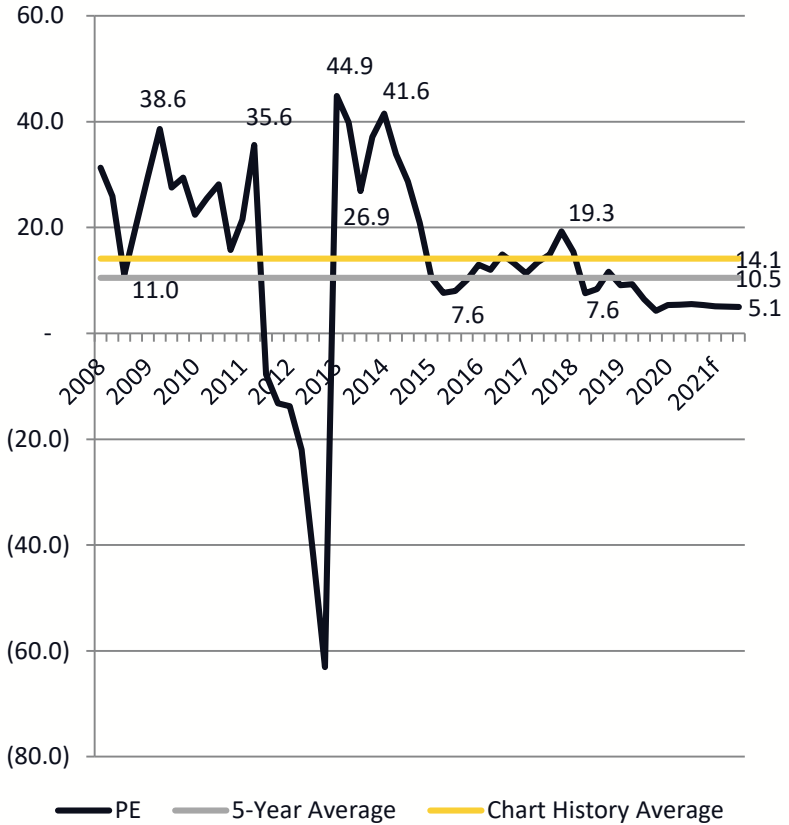
Source: Bloomberg and Pharos Research

Palm Hills Developments (PHDC)

FV: EGP2.14, OW

PHDC is trading at a PE2021 of 5.1x, which is lower than its 5-year historical average of 10.5 and 13-year historical average of 14.1.

PHDC PE



Source: Bloomberg and Pharos Research

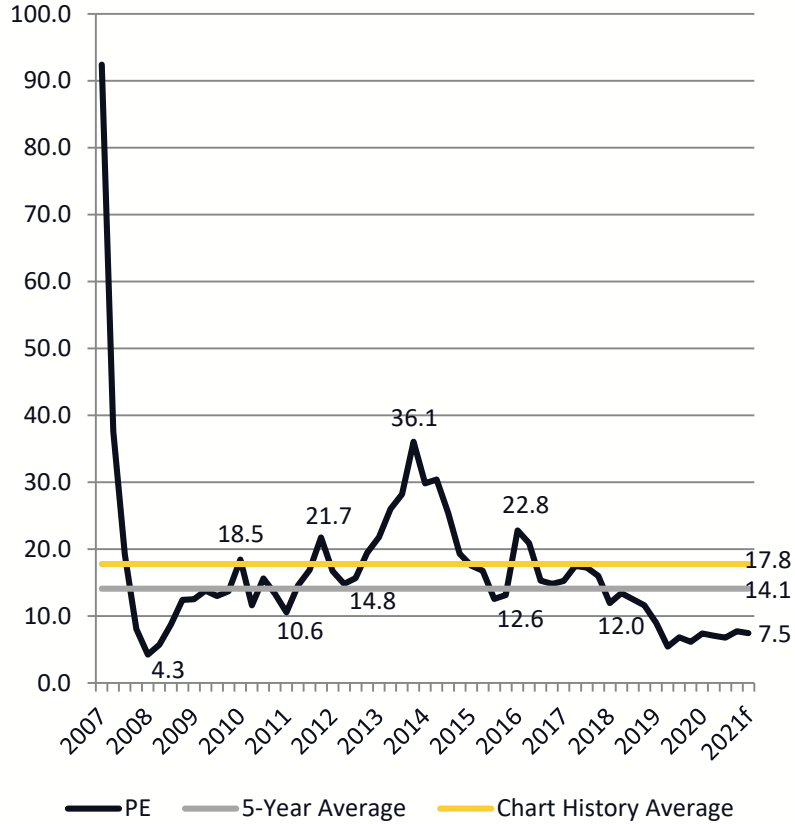
REAL ESTATE | PORTRAYED RESILIENCE IN A TOUGH 2020; STABILITY EXPECTED IN 2021

Talaat Moustafa Group Holding (TMGH)

FV: EGP10.50, OW

TMGH is trading at a PE2021 of 7.5x, which is lower than its 5-year historical average of 14.1 and 14-year historical average of 17.8.

TMGH PE



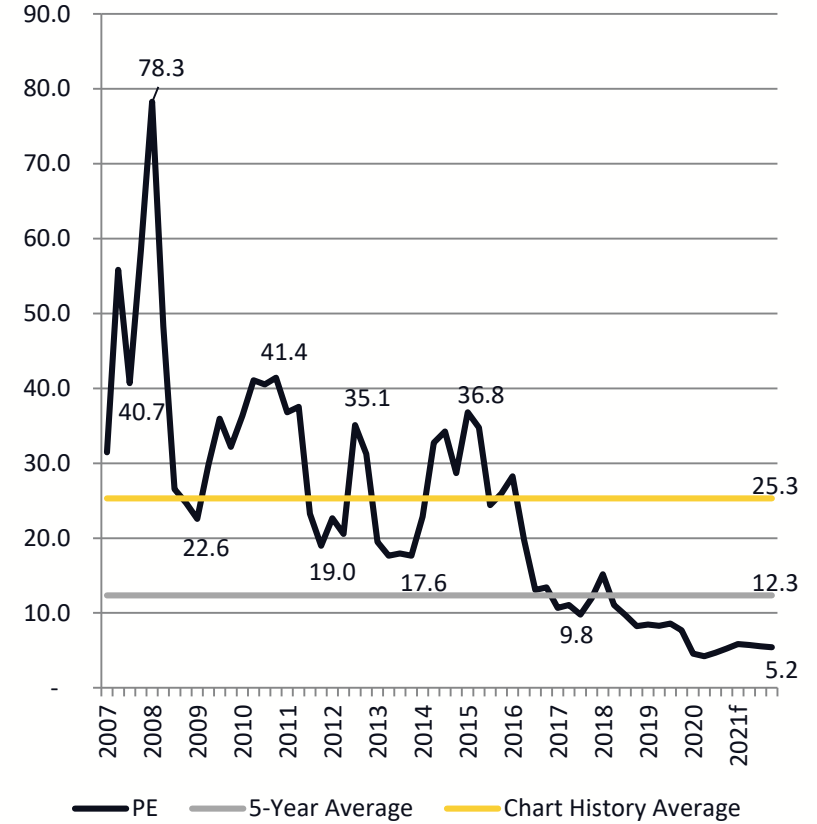
Source: Bloomberg and Pharos Research

Madinet Nasr for Housing and Development (MNHD)

FV: EGP5.35, OW

MNHD is trading at a PE2021 of 5.2x, which is lower than its 5-year historical average of 12.3 and 14-year historical average of 25.3.

MNHD PE



Source: Bloomberg and Pharos Research

REAL ESTATE | PORTRAYED RESILIENCE IN A TOUGH 2020; STABILITY EXPECTED IN 2021

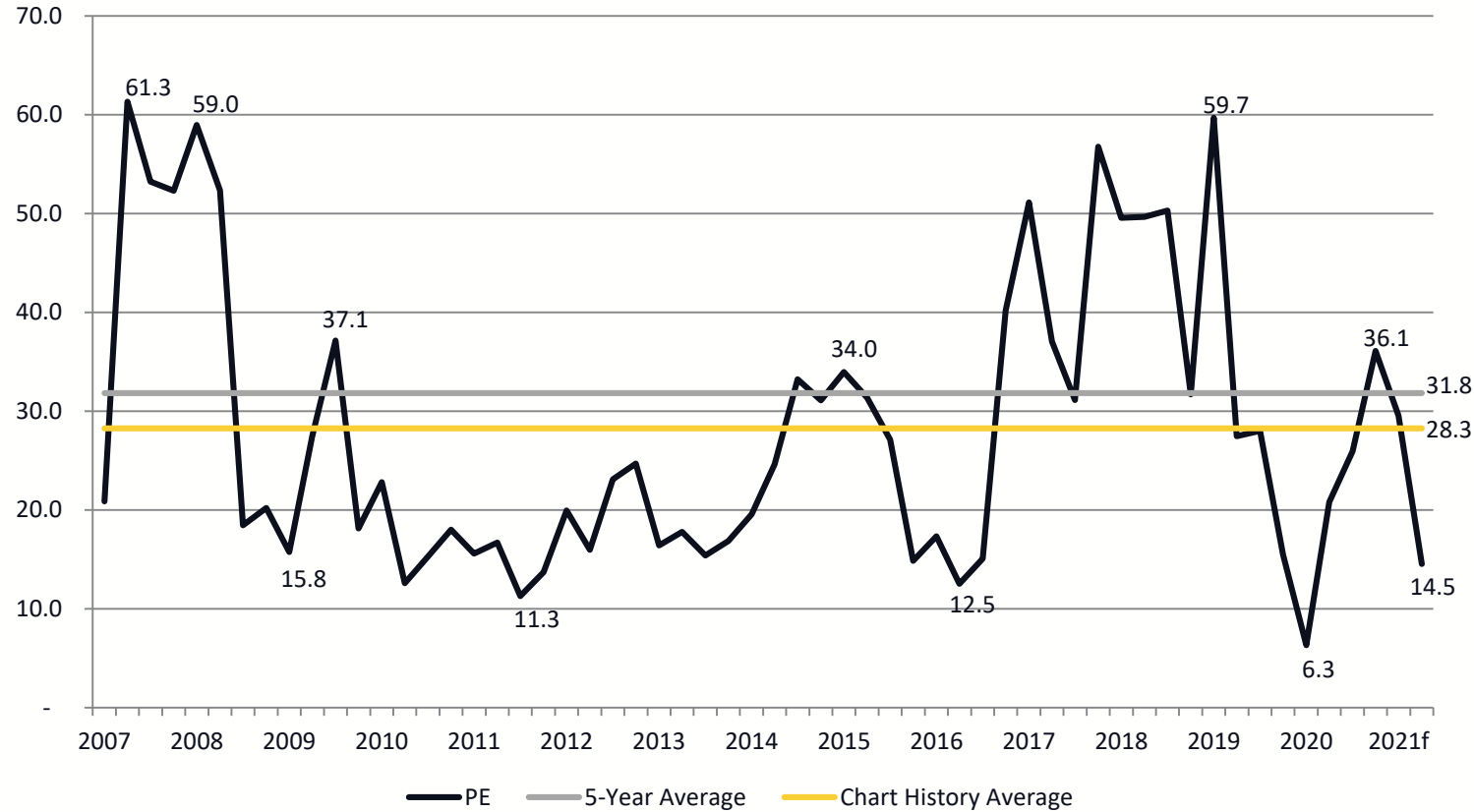
HELI PE

Heliopolis Company for Housing and Development (HELI)

FV: EGP7.30, OW

HELI is trading at a PE2021 of 14.5x, which is lower than its 5-year historical average of 31.8 and 14-year historical average of 28.3.

Please note that we excluded outliers in 2020 data from the chart.



Source: Bloomberg and Pharos Research

CHEMICALS AND PETROCHEMICALS |

PRICE RECOVERY IS VITAL

AMIDST UNCERTAIN FEEDSTOCK COST CUTS

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Marina William

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CHEMICALS AND PETROCHEMICALS | PRICE RECOVERY IS VITAL AMIDST UNCERTAIN FEEDSTOCK COST CUTS

Sector Outlook and Trends

Oil Market Broadly Stable | Despite vaccination hopes driving oil price recovery lately, we believe that oil fundamentals will remain relatively stressed in 2021, with oil hovering around USD50/barrel, driven by: 1) Demand limitations on lingering fears from news waves of infection and questions about the exact timing when vaccines are commercially available for a high percentage of world population; 2) OPEC+ supply management, where crude price recovery is contingent on the balance between demand and supply, and supply should be a threat with the cartel's plans to ease production cuts in January 2021, alongside member countries who may opt-out of complying to any extended production cuts, on the back of the adverse effects of cuts on their economies. We subscribe to the notion that global supply glut may return, at a year (2021) when demand is projected to exhibit weak growth, estimated at 97.1 mbpd (still below pre-pandemic levels), in comparison to 91.3 mbpd in 2020. We project that oil prices will hover around USD50/bbl in 2021, from USD43/bbl in 2020.

Refining Margins Challenged | Although IMO regulations in 2020 significantly shifted the demand profile for the marine industry, by putting demand pressure on high-sulfur fuels (which were expected to support hikes in Ultra Low Sulfur Fuel Oil products (ULSFO/Diesel) and Diesel- HSFO spreads, the surrounding global conditions managed to snuff-out the long-awaited price impacts. That happened in addition to the emergence of a competitor for ULSFO, which is Very Low Sulfur Fuel Oil (VLSFO), that a sizeable chunk of vessel owners opted for being the lower-cost option. With Diesel-HSFO spreads currently hovering at a dismal c.USD100/ton, we expect the lag in recovery in Diesel-HSFO spreads to persist until 1H2021, with recovery contingent on major hikes in oil prices, recovery in world trade and crucially more marine vessels opting to use ULSFO rather than VLSFO. We estimate Diesel-HSFO spreads to average USD224/ton in 2021, from an average of USD138/ton in 2020.

Urea Prices Relatively Healthy | Urea producers managed to remain resistant to the pandemic's adverse effects in 2020. We expect global nitrogen fertilizers' fundamentals to remain solid, driven by continued demand from India and Brazil and flat domestic urea production in India. Although tender volumes in 2021 is expected to ease from previous highs, it is expected to be above the five-year annual average of 7 million metric tons. We also expect a healthy level of corn planting in the USA, which in turn would further support demand for urea. We forecast Urea prices to average USD240/ton in 2021 versus USD228/ton in 2020.

Polyethylene Market Under Pressure | Global PE markets will continue to face some pressure in 2021, mainly because of: 1) Weak demand fundamentals because of the structural long-term economic slowdown in China; 2) US capacity additions that are unprecedented in scale; 3) China and other Asian economies continued PE capacity additions in an effort to boost self-sufficiency; and 4) focus on environmental concerns and recycling in light of plastic waste and plastic pollution studies. We assume PE prices of USD975/ton in 2021, versus USD868/ton in 2020.

The Hopes

- Oil prices rebound in a better-than-expected manner and swiftly reach USD60/bbl
- Extension of global monetary stimulus to support manufacturing activities in Europe and Asia, which will drive demand for chemicals and petrochemicals
- Improved trade relations between China and US, under Biden administration, which would result in oil price recovery and higher global trade
- Cut in gas feedstock cost for petrochemical and fertilizer producers by USD1.00/mmbtu
- A better-than-expected volume of Indian Urea tenders which would lift urea prices beyond expectations
- Chemical and petrochemical producers would have access to free-zone status on 50% export ratio, which would lift net margins and valuations.
- Significant weakness in EGP, against expectations, would lift producer profitability

Top Picks

- **EKHO** (FV: USD1.61, OW) for the second year running continues to be our top pick for the sector as the company continues its solid track record of sustainable growth across all its segments. We foresee growth coming from: 1) Nat Energy as the company continues to increase gas installation to households, with EKH having renewed its concession for 15 more years; 2) Sprea as the company continues to capitalize on being a market leader for formaldehyde derivatives; 3) AlexFert, which is expected to continue solid performance backed efficient capacity utilization and expected recovery in urea prices; 4) ONS' natural gas pricing contract with the government that dictates a floor of USD5.18/mmBtu when Brent is at USD40/bbl, which protects the company against drops in regional pricing of natural gas. We can expect a decent dividend payout with DPS of USD0.60/share (DY6.1% on the USD).

The Fears

- Continued instability in oil prices on the back of weak demand or oversupply
- Weak demand for nitrogen fertilizers driven by Chinese exports or weak Indian tenders
- Vaccination delays and extended lockdowns in developed economies will impact global demand and prices of chemical and petrochemical products
- Sustained US-China trade tensions would not bode well for global trade markets
- Unfeasible conditions to grant Petchem players a free zone status
- Government does not reduce industrial gas prices, in light of pick-up in Henry Hub prices
- A greater-than-expected appreciation in EGP

Stocks Awaiting Catalysts

- **ABUK** (FV: EGP23.00, OW) stands to benefit from potential cuts in feedstock cost, liberalization of the local fertilizer market, or granting chemical producers a free-zone status based on high export revenues.
- **MFPC** (FV:EGP65.50, OW) would not be a beneficiary of any cuts in natural gas cost, since it secures gas below USD3.00/mmbtu but would benefit from the potential government initiative of classifying companies utilizing natural gas feedstock as a free zone company, which would unlock c.20% of further upside potential.

SECTOR VALUATION TABLE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %			ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	TTM	2020	2021			
Chemicals/Petrochemicals																										
Abou Kir Fertilizers & Chemical Industries	ABUK	20.31	23.00	13.2	Overweight	1,636.5	675,670	-2.9	13.1	9.5	9.8	4.6	3.8	3.4	5.9	39.6	34.9	1.9	-2.8	7.8	7.9	7.5				
Egyptian Financial & Industrial (EFIC)	EFIC	13.81	14.00	1.4	Equalweight	64.2	653,950	16.8	6.3	5.1	4.5	0.6	0.6	0.7	4.0	13.7	21.0	-41.0	53.0	5.4	6.0	4.5				
Sidi Kerir Petrochemicals	SKPC	8.29	9.55	15.2	Equalweight	277.9	589,714	-7.7	-109.8	-40.9	35.6	1.4	1.5	1.3	0.0	-3.4	3.7	-122.0	215.0	-48.0	-72.1	14.8				
Egypt Kuwait Holding Company	EKHO	1.02	1.61	58.0	Overweight	1,043.9	543,951	-22.9	11.7	8.7	7.2	2.0	1.9	1.8	6.8	21.8	25.2	22.4	21.7	6.9	5.5	4.4				
Alexandria Mineral Oils Company	AMOC	2.70	3.00	11.1	Underweight	222.7	382,981	-25.6	---	---	---	---	---	---	---	---	---	---	---	---	---	---				
Egyptian Chemical Industries (KIMA)	EGCH	4.60	3.35	-27.2	Underweight	262.3	316,152	-14.5	-2.6	-2.9	23.3	0.9	1.0	0.7	0.0	-34.0	3.0	-4,275.0	113.0	-46.0	-48.0	13.7				
Misr Chemical Industries	MICH	11.27	15.00	33.1	Overweight	52.6	203,229	99.0	8.6	12.9	7.0	1.5	1.6	1.4	8.9	12.6	21.6	-17.8	83.7	2.1	3.0	2.2				
Misr Fertilizers Production Company (MOPCO)	MFPC	52.24	65.50	25.4	Overweight	764.3	198,672	-15.6	5.8	5.7	5.8	0.8	0.8	0.7	3.0	7.0	13.0	44.2	-0.2	3.4	4.2	4.2				
Sector MCAP weighted average									10.6	8.4	10.0	2.8	2.5	2.3	1.3	17.4	21.0	14.6	-2.0	6.3	6.6	7.6				
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9				
Top Pick																										
Event-Driven/Awaits Catalyst																										

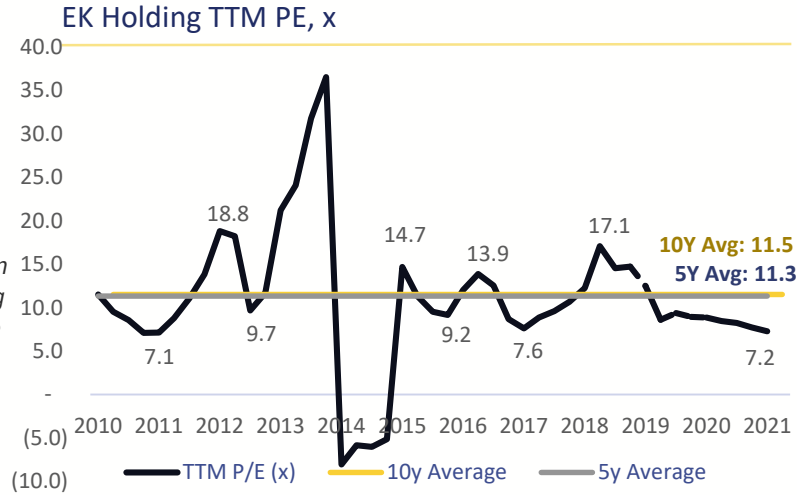
CHEMICALS AND PETROCHEMICALS | EKHO STANDS OUT AMONGST PEERS

EK Holding (EKHO)

FV: USD1.16, OW

Last price: USD1.03

EK Holding is currently trading at a 2021e PE of 7.2x; close to some of the lowest PE levels reached in the stock's 12-year trading history and still below the 5-year and 10-year averages of 11.3x and 11.5x, respectively.



Source: Bloomberg and Pharos Research

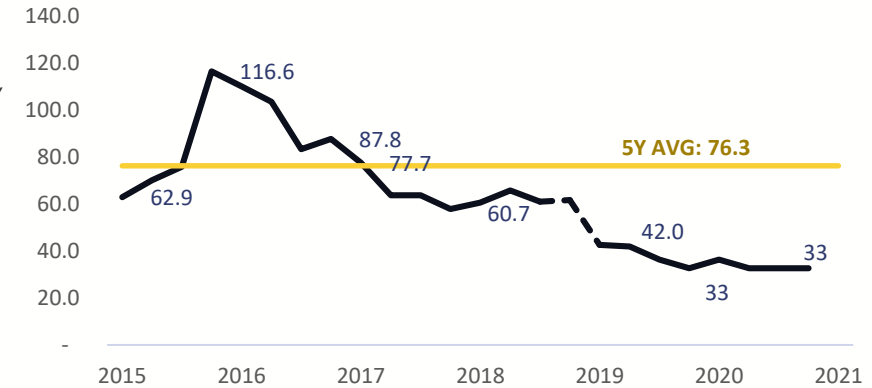
Qalaa Holdings (CCAP)

FV: EGP1.25, EW

Last price: EGP1.50

Qalaa Holdings is currently trading at a 2021e EV/EBITDA of 32.7x. Our base case reflects an updated view on diesel-HSFO spreads for ERC.

Qalaa Holdings TTM EV/EBITDA, x



Source: Bloomberg and Pharos Research

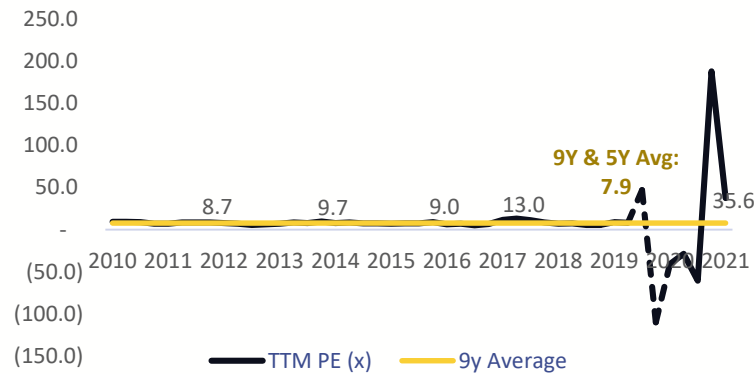
Sidi Kerir Petrochemicals (SKPC)

FV: EGP9.55, EW

Last price: EGP8.32

SKPC is currently trading at a high 2021e PE of 35.6x in light of weak prices of Polyethylene.

Sidi Kerir Petrochemicals TTM PE, x



Source: Bloomberg and Pharos Research

Source: Bloomberg and Pharos Research

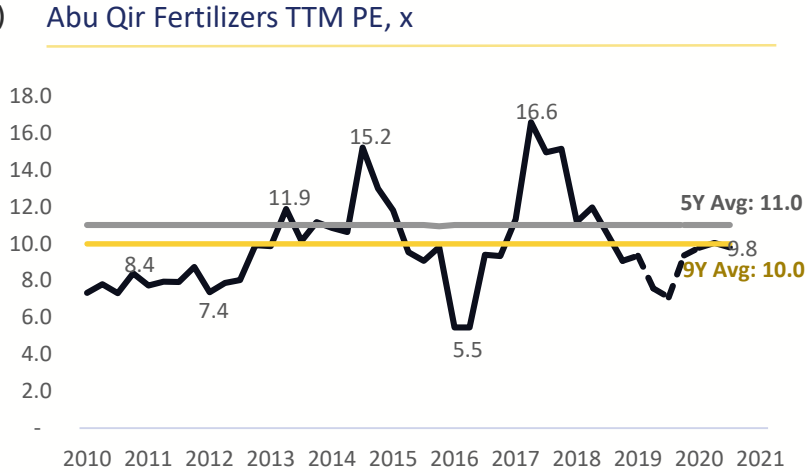
CHEMICALS AND PETROCHEMICALS | MFPC OFFERS CHEAPEST MULTIPLES; ABUK REFLECTS STRONGEST FUNDAMENTALS

Abu Qir Fertilizers (ABUK)

FV: EGP23.00, OW

Last price: EGP20.33

Abu Qir is currently trading at a 2021e PE of 9.8x; which is close to the 5-Year and 9-Averages.



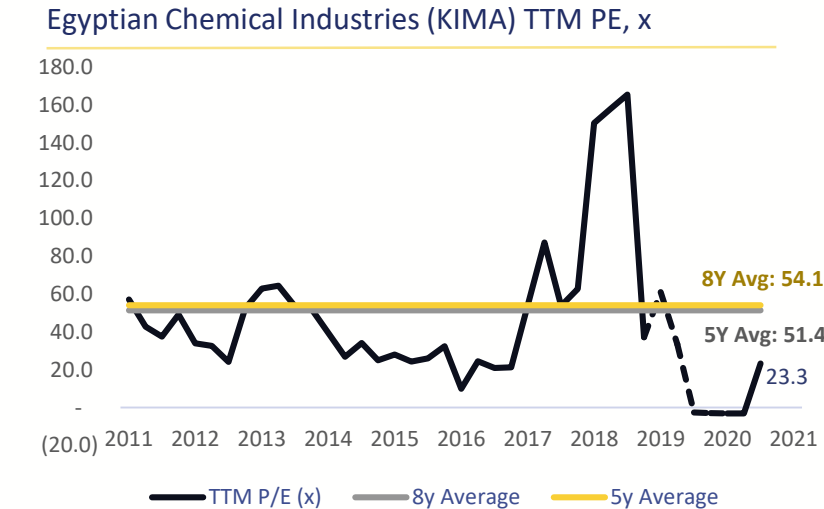
Source: Bloomberg and Pharos Research

Egyptian Chemical Industries - KIMA (EGCH)

FV: EGP3.35, EW

Last price: EGP4.45

KIMA is currently trading at a 2021e PE of 23.3x; a sizeable premium to its peers, Abu Qir and MOPCO.



Source: Bloomberg and Pharos Research

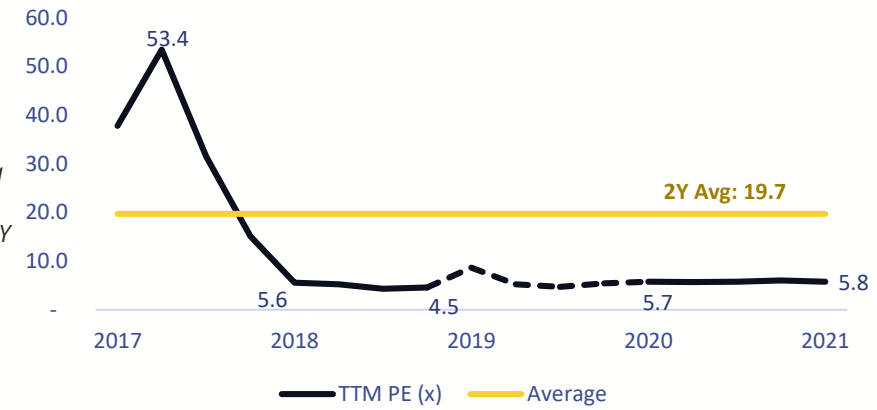
Misr Fertilizers Production Co - MOPCO (MFPC)

FV: EGP65.50, OW

Last Price: EGP52.24

MOPCO is currently trading at a 2021e PE of 5.8x; a significant discount to its 2Y average, as well as to its local peers, Abu Qir and KIMA. MFPC continues to show on our charts as one of the cheapest fundamental picks.

Misr Fertilizers Production Co. (MOPCO) TTM PE, x



Source: Bloomberg and Pharos Research

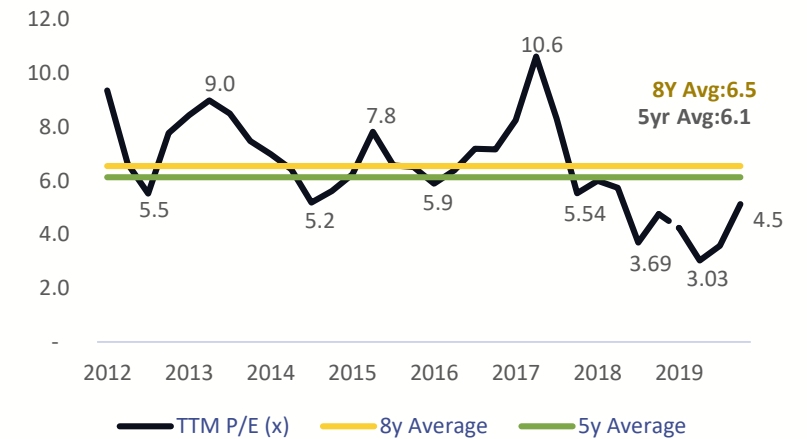
Egyptian Financial & Industrial (EFIC)

CFV: EGP14.00, EW

Last price: EGP13.81

EFIC is currently trading at a 2021e P/E of 4.5x; close to its 5Y and 8Y averages.

Egyptian Financial & Industrial (EFIC) TTM PE, x



Source: Bloomberg and Pharos Research

CONTRACTORS AND CABLES |
BUILDING MATERIALS |

WATER & TRANSPORT IN DRIVER'S SEAT
PURELY EVENT-DRIVEN

CONTRACTORS AND CABLES | WATER AND TRANSPORTATION IN DRIVER'S SEAT

Sector Outlook and Trends

- Contractors:** The government is maintaining its strategy to invest in infrastructure and transportation, where we see a good pipeline of projects linked to the Ministry of Transport in roads, additional metro line phases, the monorail and railway investments. There is high focus on investments in water treatment and water desalination plants. The government is investing EGP135 billion in water treatment plans over the next 10 years. We also see a handful of awards in building electricity transmission lines and transformer stations in Egypt and Africa to upgrade and develop the nation's electricity grid and we expect Egypt to look more into exporting electricity to countries in Africa, Europe, and the GCC like Saudi through connecting grids. We expect investments in renewable energy to pick up in Egypt and the region considering the government's long-term target of generating 60% of Egypt's energy from renewable sources by 2035 up from 42% as a previous target.
- Wires & Cables:** Copper and Aluminum have started to rally starting 4Q20- which bodes well for cable producers profitability (GP/tonne for cables)- on higher Chinese demand and hopes for improved global economic outlook, increased infrastructure stimulus packages, and higher supply risks after hitting the lowest levels in years during 1H20. Copper prices surged to record seven-year high figures as of early December 2020, crossing the USD7,600/tonne mark while Aluminum prices reached almost two years high figures hitting the USD2,060/tonne mark. We incorporate in our models avg. copper prices of USD6,885/tonne and avg. aluminum prices of USD1,888/tonne for 2021, as per Bloomberg consensus estimates expecting more normalized average prices in 2021.

The Hopes

- Investments in water and transportation sector will boost contractor awards and revenue in the coming two years
- Penetrating new markets in Africa and/or the Middle East
- Contractors winning awards in the reconstruction of Iraq and Libya
- Higher than expected awards momentum to grow backlog
- Demand recovery for wires and cables on electricity transmission and distribution investments in Egypt
- Margin sustainability for **SWDY** and US margin improvement for **ORAS**
- Copper and Aluminum prices to resume their uptrend
- Value accretive M&A activity by **SWDY**, and investments in renewables
- Faster execution rates in high margin projects
- EGP depreciation
- SWDY** to maintain DPS and **ORAS** to increase DPS on improving profitability

Top Picks

- ORAS (FV: USD7.9/EGP125)** is well positioned to secure awards in the water and transportation sectors. The backlog will remain skewed towards profitable infrastructure projects in MEA region. We expect ORAS to secure average awards per annum of USD2.2 million over our forecast horizon and EBITDA margin to be at the 6.5% mark. MENA EBITDA margin to record an average of 8% and USA EBITDA margin to record an average of 1.5%.
- SWDY (FV: EGP10.50)** We expect the turnkey segment to be the driver of growth going forward. We factor in average awards per annum of USD1.5 billion stemming from upgrading and connecting Egypt's electricity grid, power generation in Africa & GCC, and water sector. We see growth coming organically and inorganically through M&A activity namely in cables, meters, and renewables. We factor in modest cable volume growth but supported with higher copper and aluminum prices. SWDY blended GPM to range between 13% - 14% and EBITDA margin to hover around 10% over our forecast horizon. We factor in FY20 DPS of EGP0.8, implying payout ratio of 49% and DY of 8.7%, nevertheless, the management might choose to grow inorganically at the expense of not distributing dividends.

The Fears

- Escalation of pandemic-caused disruptions, slowing down execution rates
- Greater than expected appreciation in EGP which could affect contractors' competitiveness in the region
- Lower than expected awards momentum and declining backlog
- Slowdown in government spending on infrastructure projects
- Softening demand for wires and cables
- Decline in commodity prices, namely copper and aluminum, resulting in lower gross profit per tonne and GPM
- Delayed recovery in neighboring countries' (Iraq and Libya) reconstruction due to political instability
- Losses coming from legal cases and litigation issues (ORAS)

Potential Sector Catalysts

- Huge investments in the water sector to combat water shortage
- Power generation projects in the region
- Agreements of exporting electricity and connection grids with other countries
- A pickup in private investments in Egypt
- Steeper-than-expected weakness in local currency
- Higher-than-expected and faster-than-expected reconstruction activity in neighboring countries

BUILDING MATERIALS | PROFITABILITY AND STOCK PRICES PURELY EVENT-DRIVEN

Sector Outlook and Trends

- Cement** | 2020 was another challenging year for the industry after the government paused construction activity in capital cities of several governorates for more than 6 months, to fight illegal construction, and which hampered volumes and prices for most of the year. The ban was lifted by the end of November 2020. We are expecting volumes for the year to close at c.43-44 million tonnes and to grow in 2021 to c.49 million tonnes on recovering building activity, with average market utilization rate of c.60-65% and average realized price/tonne of c.EGP650/tonne. The only major upside risk to this outlook is government intervention to set volume quotas for companies, which will help raise prices across the sector and would then alleviate some of the challenges facing the industry. Petcoke, Coal, and RDF to remain the cheapest energy sources. Nevertheless, the huge supply/demand gap of c.30 million tonnes would carry on until inefficient players exit the market.
- Steel** | From a global view, Turkish rebar prices are to average USD440-450/tonne in 2020 and we expect it to rise to c.USD480 in 2021 due to building up demand and rising raw material prices namely iron ore which is to avg. c.USD150 by 2020 end and we expect it to continue its rally during to 2021 amidst surging Chinese demand on infrastructure spending and expected supply shortage resulting from lower Brazilian production. We expect steel/iron ore spreads in 2020 to average USD240 and to recover to USD280-300 in 2021. From a domestic perspective, we expect further price hikes by steel manufacturers to mirror the increase in iron ore prices and to match global prices. We see volumes returning to more normalized levels on the resumption of building activity and a recovery in exports. A key catalyst for integrated steel players is a cut in natural gas prices where a USD1.00/MMBtu cut would save ESRS c.EGP845 million per annum in costs.
- Tiles and Sanitary Ware:** We expect 2021 to witness better volumes on both the domestic and export levels, coming from a weak base in 2020. We expect to see companies ramping up production while keeping an eye on inventory to efficiently manage working capital, thus improving margins owing to higher economies of scale than 2020. We believe tile manufacturers to highly benefit from the potential natural gas cuts where each USD1.00/MMBtu results in cost savings of c.5%, however, this reduction might be passed on to consumers in terms of price discounts to push local demand, but we expect such potential cuts to enhance export margins. We also expect the companies to benefit from any further interest rate cuts in 2021. A paradigm shift for the industry would be fast and significant recovery of consumer purchasing power and stability in inflation, or large-scale reconstruction in neighboring countries.

The Hopes

- Government intervention by setting a quote for volumes on cement companies
- Rising cement prices in tandem with supply disruptions and/or meaningful demand recovery
- Higher construction activity and favorable building regulations
- Excess output to be exported to neighboring countries amidst Egypt's active role in the reconstruction of Iraq and Libya
- Inefficient cement producers would exit the market reducing the supply/demand gap
- Declining Petcoke, Coal, RDF prices aiding supporting efficient players margins
- Higher than expected natural gas and electricity price cuts
- Steeper than expected interest rate
- Steep depreciation of the EGP
- Imposition of high import tariffs on steel products
- A steep pickup in steel/iron ore and steel/scrap spreads

Stocks Awaiting Catalysts

- ESRS** is a key beneficiary of any potential cuts in natural gas prices. As per our estimates, each USD1.00/MMBtu cut would save ESRS c.EGP845 million per annum in costs. The company would also benefit from steel/iron ore spread hikes and furthermore, any interest rate cuts would help alleviate the company's losses owing to its high debt structure of net debt/market cap of c.8.1x as per 2Q20 figures.
- ARCC** enjoys the highest cost efficiency and flexibility of energy mix composition. We believe that two key catalyst for the company is the resumption of building activity and the intervention of the government by setting volumes quota on the cement industry which will help price recovery and in turn help ARCC margins significantly. ARCC accounts for more than 50% of total sector exports, thanks to its favorable cost structure and proximity to ports.

The Fears

- A decline in prices to the levels seen in 2020 weighing down on margins
- Delayed government intervention in the cement market, leading to further decline in selling prices of cement
- The entrance of new cement capacities, magnifying the supply/demand gap
- Failure to see a recovery in demand for building materials especially cement
- Re-imposition of construction activity ban which would pressure all building materials volumes
- Escalation of pandemic-caused disruptions, impacting the ability to export to key markets
- Cash cost/ton exceeding export prices
- Stability/rise in energy and electricity prices
- Strengthening of the EGP against the USD
- A decrease in import tariffs
- Weak steel/iron ore and steel/scrap spreads

SECTOR VALUATION TABLE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %	ROE (%)			EPS growth (%)		EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021		2020	2020	2021	2020	2021	TTM	2020	2021
Construction and building materials																								
Ezz Steel	ESRS	7.44	8.00	7.5	Equalweight	258.1	1,775,630	-28.5	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	
El Sewedy Electric	SWDY	9.09	10.50	15.5	Overweight	1,267.8	1,707,847	-21.0	6.5	7.6	5.5	1.3	1.2	1.1	8.8	14.8	18.9	-34.9	36.8	3.0	4.9	4.1		
Al EZZ Ceramics and Porcelain Co	ECAP	16.57	15.00	-9.5	Equalweight	54.0	548,425	-29.2	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
Orascom Construction Limited	ORAS	82.99	125.00	50.6	Overweight	618.8	294,636	-16.6	6.7	6.0	4.5	1.0	1.0	0.9	4.0	16.5	25.2	-27.8	22.0	1.7	2.4	1.8		
Misr Cement (Qena)	MCQE	9.92	12.00	21.0	Equalweight	45.6	227,637	33.5	17.2	15.4	13.4	0.5	0.5	0.5	0.0	3.3	3.9	33.7	15.0	5.4	6.8	5.4		
Arabian Cement	ARCC	3.42	4.00	17.0	Equalweight	82.7	212,278	2.1	---	---	42.1	1.2	1.1	1.1	0.0	-4.3	2.5	---	---	7.1	7.6	5.8		
South Valley Cement	SVCE	1.87	1.50	-19.6	Equalweight	57.4	176,375	25.1	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
EL Ezz Aldekhela Steel Alexandria	IRAX	303.50	300.00	-1.2	Underweight	378.1	161,931	-46.9	---	---	---	---	---	---	---	---	---	---	---	---	---	---		
Misr Beni Suef Cement	MBSC	13.47	15.00	11.4	Equalweight	64.5	10,789	-10.2	6.7	5.7	7.3	---	---	---	---	---	---	---	---	---	---	---		
Sector MCAP weighted average									7.7	7.0	5.4	1.2	1.1	1.0	1.5	9.9	13.7	-30.9	32.7	4.2	4.7	3.8		
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9		
Top Pick																								
Event-Driven/Awaits Catalyst																								

CONTRACTORS AND BUILDING MATERIALS | ORAS AND SWDY MULTIPLES BEAT ALL

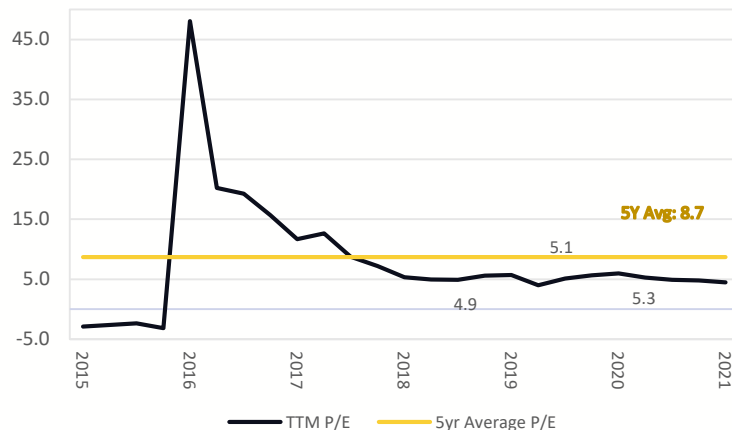
Orascom Construction (ORAS)

FV: EGP125.0, OW

Last price: EGP83.9

ORAS is currently trading at 2021e TTM P/E of 4.5x, which is below its 5yr average of TTM P/E 8.7x.

Orascom Construction TTM PE, x



Source: Bloomberg and Pharos Research

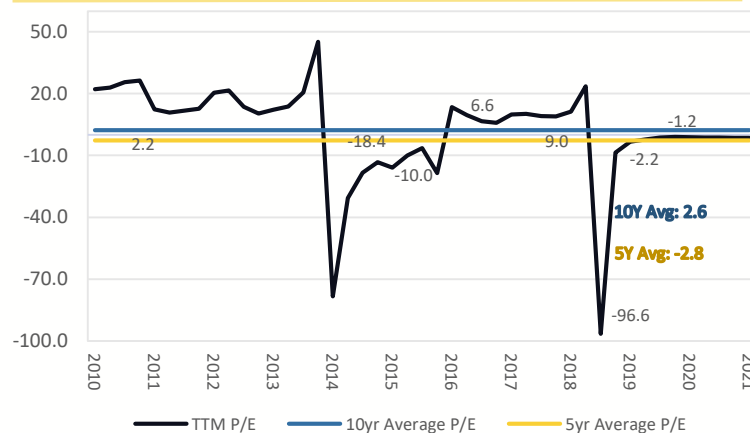
Al Ezz Dekheila Steel - Alexandria (IRAX)

FV: EGP300, EW

Last price: EGP294.62

IRAX is currently trading at 2021e TTM P/E of -1.5x due to the company's growing losses, which is above its 5yr average TTM P/E of -2.8x but lower than 10yr average TTM P/E of 2.6x.

Al Ezz Dekheila Steel - Alexandria TTM PE, x



Source: Bloomberg and Pharos Research

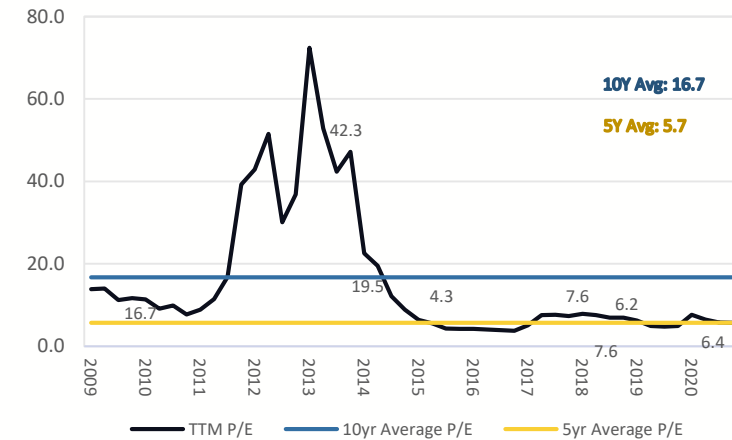
Elsewedy Electric (SWDY)

FV: EGP10.50, EW

Last price: EGP9.11

SWDY is currently trading at 2021e TTM P/E of 5.5x, which is inline with its 5yr average of TTM P/E 5.7x but much below its 10yr average of TTM P/E 16.7x.

Elsewedy Electric TTM PE, x



Source: Bloomberg and Pharos Research

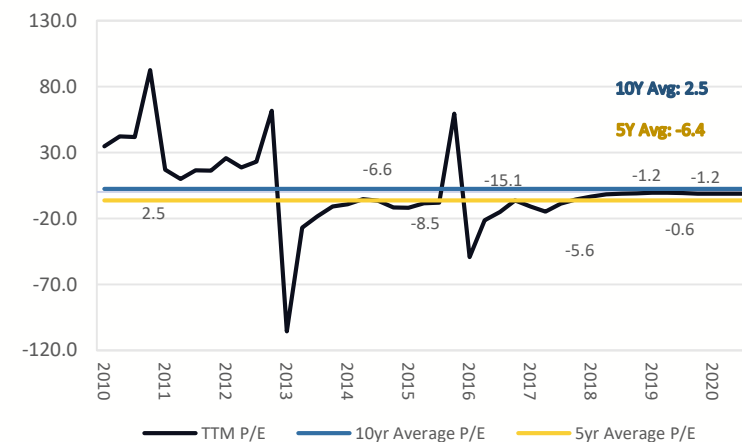
Ezz Steel (ESRS)

FV: EGP8.00, EW

Last price: EGP7.55

ESRS is currently trading at 2021e TTM P/E of -1.4x due to continuing losses, which is above its 5yr average TTM P/E of -6.4x but lower than 10yr average TTM P/E of 2.5x.

Ezz Steel TTM PE, x



Source: Bloomberg and Pharos Research

BUILDING MATERIALS | GOVERNMENT SUPPORT NEEDED TO STOP LOSSES

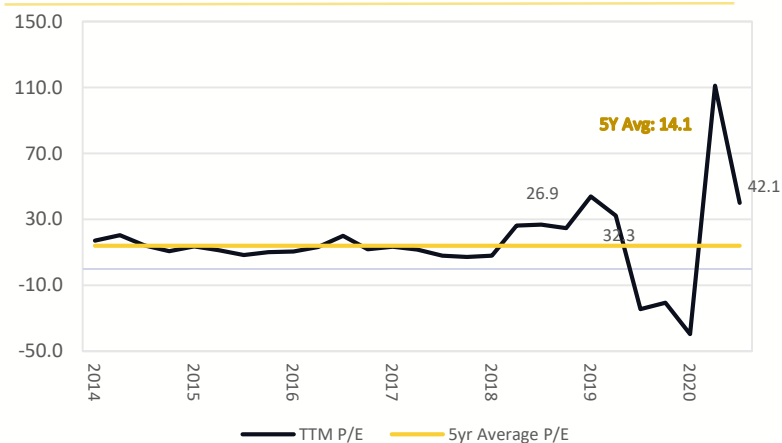
Arabian Cement Company (ARCC)

FV: EGP4.00, EW

Last price: EGP3.33

ARCC is currently trading at a 2021e TTM P/E of 42.1x way above its 5yr average TTM P/E of 14.1x

Arabian Cement Company TTM PE, x



Source: Bloomberg and Pharos Research

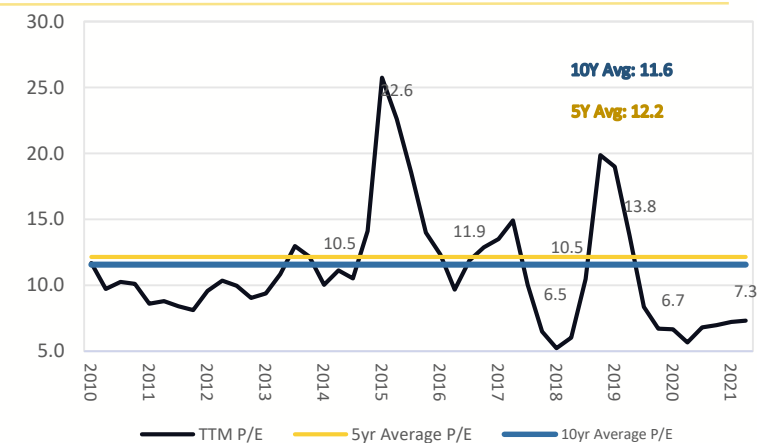
Misr Beni Suef Cement Company (MBSC)

FV: EGP15.00, EW

Last price: EGP13.51

MBSC is currently trading at a 2021e TTM P/E of 7.3x below its 5yr average TTM P/E of 12.2x and its 10yr average TTM P/E of 11.6x.

Misr Beni Suef Cement TTM PE, x



Source: Bloomberg and Pharos Research

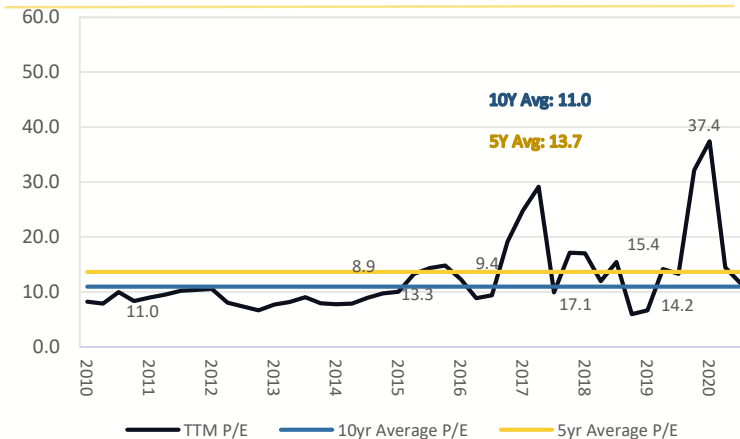
Misr Cement - Qena (MCQE)

FV: EGP15.00, EW

Last price: EGP9.21

MCQE is currently trading at a 2021e TTM P/E of 13.4x; below its 5yr average TTM P/E of 13.7x and above than its 10yr TTM P/E average of 11.0x.

Misr Cement - Qena TTM PE, x



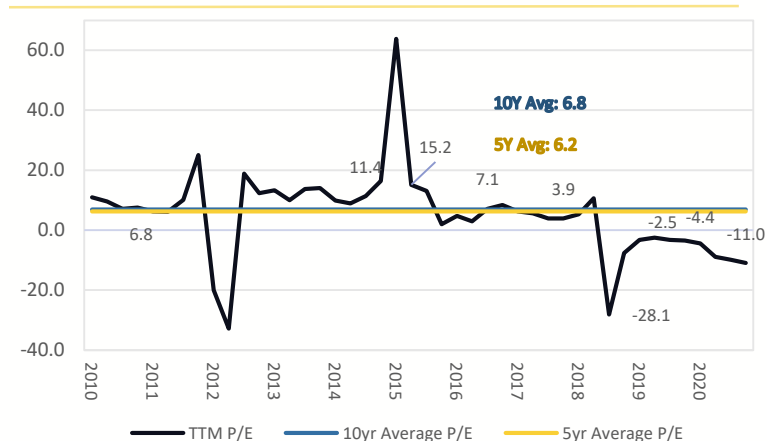
Source: Bloomberg and Pharos Research

Egypt Aluminum (EGAL)

Last price: EGP11.58,

EGAL is currently trading at a 2021e TTM P/E of -11.0x; below its 5yr average TTM P/E of 6.2x and above than its 10yr TTM P/E average of 6.8x.

Egypt Aluminum TTM PE, x



Source: Bloomberg and Pharos Research

LOGISTICS |

GLOBAL SLOWDOWN CAPPING GROWTH

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LOGISTICS | GLOBAL SLOWDOWN CAPPING GROWTH

Sector Outlook and Trends

- Global slowdown in economic growth and weak trading activities to cap volumes growth.
- Threats of competition between global and local ports is expected to pressure pricing.
- Stronger EGP pressures margins but lower inflation ceils costs growth, given that most players' revenues are USD denominated while costs are EGP based and mirror inflation.
- Government's initiatives to increase the efficiencies of maritime ports and improving storage systems would reduce containers' waiting time in the ports; which could potentially impact storage revenues negatively.
- Lower oil prices opens new pathways for maritime transportation (even if longer) other than Egyptian ports, which adds to volume pressure.

The Hopes

- Recovery of trade activities worldwide and specifically in Egypt
- Expansion projects to drive volume recovery
- Government investments in ports and infrastructure projects should attract traffic to Egypt
- Europe and UAE preference for using Egyptian ports rather than other Mediterranean ports to shield volume compression

The Fears

- Global lockdowns affect global economic growth and trading activities, as well as the government plans to invest in infrastructure and development of ports
- Discounts offered by authorities and rival companies to grab market share threaten the competitiveness of the Egyptian ports or put further pressure on margins
- Delays in terminal deepening projects and expansion plans in Egyptian Ports
- Further interest rate cuts would negatively impact interest income, given that most players are cash rich
- A stronger-than-projected pressure on revenues through FX rate in light of COGS currency mismatch
- Cost inflation negatively impacts margins

SECTOR VALUATION TABLE

Company name	Bloomberg code	Closing price	Pharos fair value	Pharos upside (%)	Recom'n	Market cap USD mn	ADVT (USD)		Price change	PE ratio (x)			PB ratio (x)			DY %			ROE (%)			EPS growth (%)			EV/EBITDA (x)		
							3M	YTD %		TTM	2020	2021	TTM	2020	2021	2020	2020	2021	2020	2021	2020	2021	TTM	2020	2021		
Logistics																											
Canal Shipping Agencies	CSAG	13.11	15.00	14.4	Equalweight	167.4	195,719	-6.6	10.9	---	---	3.1	---	---	6.0	---	---	---	---	---	---	---	---	---	---	---	
Alexandria Containers & Goods	ALCN	8.18	8.70	6.4	Equalweight	778.2	93,264	-28.4	9.0	8.2	8.7	2.6	3.8	2.5	9.4	46.1	28.5	-18.6	-6.6	3.7	6.7	7.5					
Egyptian Transport and Commercial Services (EGYTRANS)	ETRS	10.60	10.50	-0.9	Equalweight	21.1	52,017	47.4	17.7	19.3	15.0	1.3	0.9	0.9	6.5	15.0	15.0	11.2	11.3	14.0	---	---	---	---	---		
Sector MCAP weighted average									9.6	8.1	8.7	2.5	3.7	2.5	8.0	34.4	21.4	-17.8	-6.1	4.0	6.7	7.5					
Market MCAP weighted average									8.7	8.3	7.6	1.7	1.6	1.4	3.6	13.7	14.4	-12.7	13.9	6.2	6.0	5.9					
Top Pick																											
Event-Driven/Awaits Catalyst																											

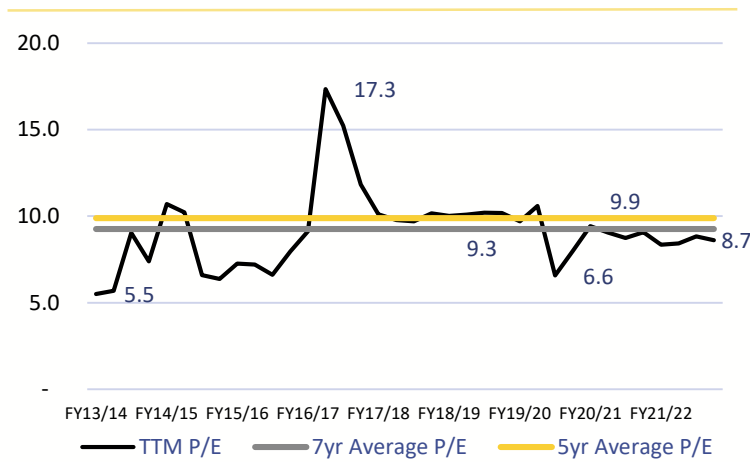
LOGISTICS | MULTIPLES UNATTRACTIVE; LACKS FUNDAMENTAL CATALYSTS

Alexandria Containers (ALCN)

FV: EGP8.70, EW

ALCN currently trades at 20/21f P/E of 8.7x, which is inline with its 5yr and 7yr TTM P/E average of 9.9x and 9.3x.

ALCN TTM PE

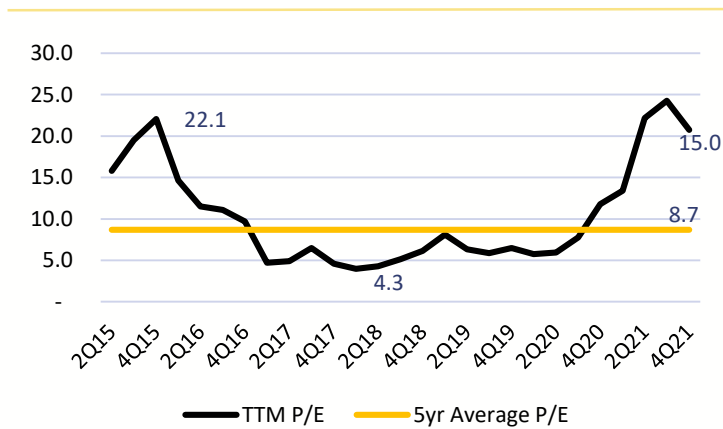


Source: Bloomberg and Pharos Research

Egytrans (ETRS)

ETRS currently trades at 2021f P/E of 15.0x, which is at a significant premium to its 5yr average of 8.7x.

ETRS TTM PE

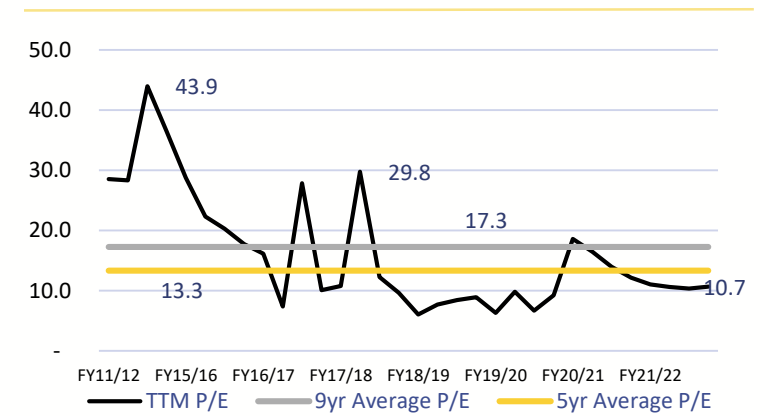


Source: Bloomberg and Pharos Research

Canal Shipping Agency (CSAG)

CSAG currently trades at 21/22f TTM P/E of 10.7x, compared to its 5yr and 9yr TTM P/E average of 13.3x and 17.3x.

CSAG TTM PE



Source: Bloomberg and Pharos Research

MACRO BACKDROP |

GREY CLOUDS CLEARING

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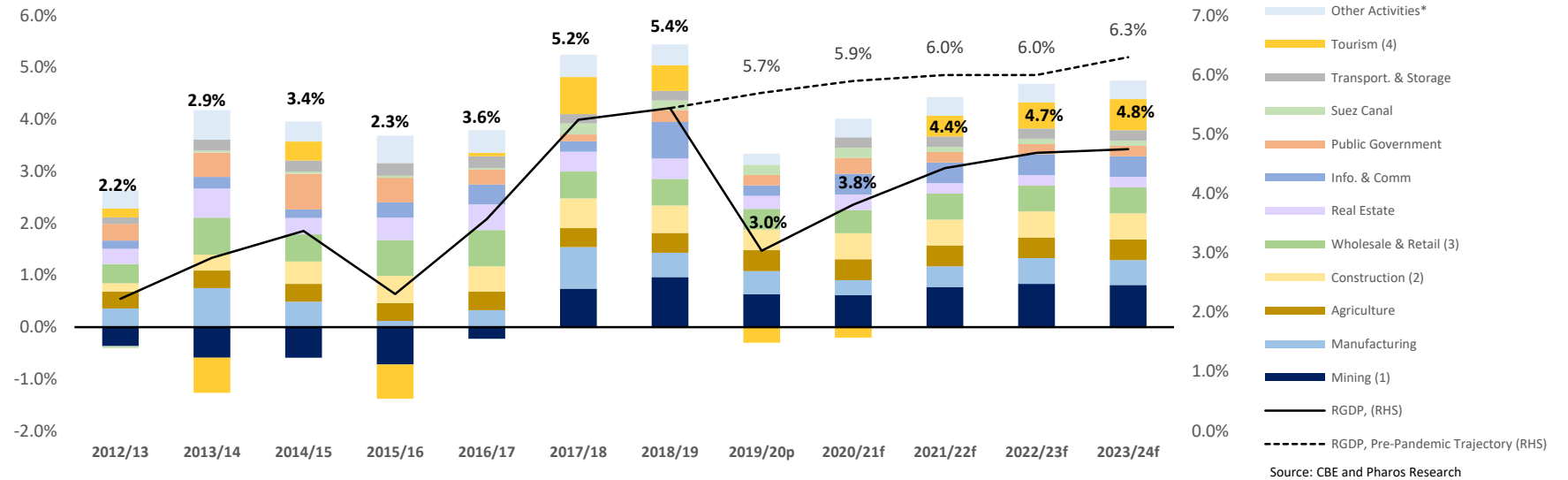
ECONOMIC GROWTH MOMENTUM INTERRUPTED BUT RECOVERY HAS ALREADY STARTED

RGDP should recover to 3.9%* in FY20/21 after the hit it took during the pandemic, where it is projected to reach 3.5%* in FY19/20. The growth trajectory that started with the structural reforms in 2017 through 3Q19/20 was interrupted by the spread of the pandemic in 2020. Even though Egypt was one of the few economies to deliver growth by year-end, **3 more years are now required to recover the previous growth momentum.**

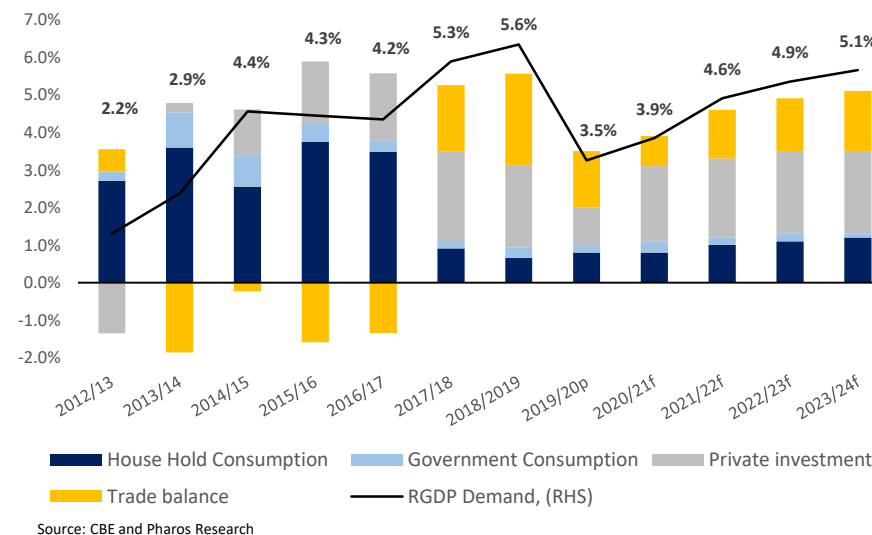
Growth will continue to be driven by Mining, especially as oil prices stabilize in the coming 3 years; followed by Construction as state mega projects are still ongoing; as well as wholesale and retail services which have historically always supported growth. We account for a gradually declining share of the public government as the state slowly gives room to private sector-led economic growth.

Historically, around 80% of GDP was derived from household (HH) consumption every year. This ratio began shrinking on the account of rising private sector share, as business climate improves. Naturally, population growth increases HH consumption and hence growth, but the effect of net exports replaced HH consumption since 2017. **We expect HH consumption to slowly pick up over the forecast horizon while giving a bigger share to private sector and net exports.** Accordingly, PMI has been fluctuating around 50 the past 3 years, and after the dip in April 2020 due to the lockdown, **it remained above 50 for 2 consecutive months; signaling a growing return of private sector expansion.**

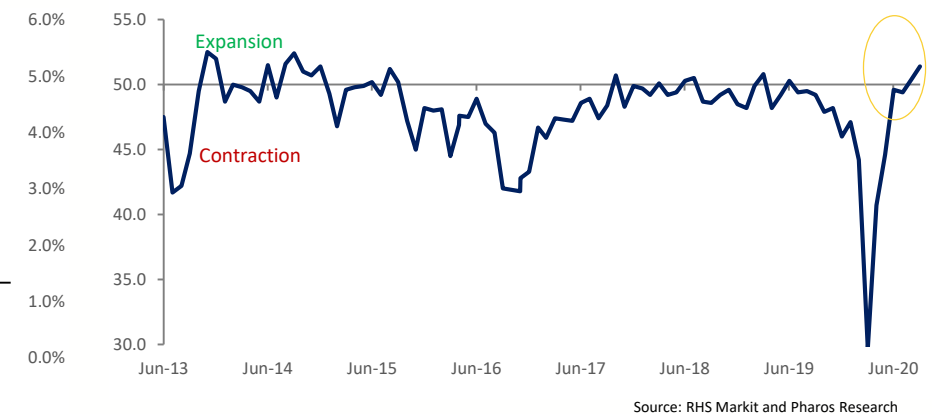
Real GDP* to recover from the sharp pandemic-driven weakness; Driven by mining, construction and wholesale/retail services



Private sector takes over household consumption as main GDP* driver



PMI tips into expansion after harsh contraction in April



*RGDP growth differs between the 2 graphs as top graph shows supply side calculation and bottom left graph shows demand side.

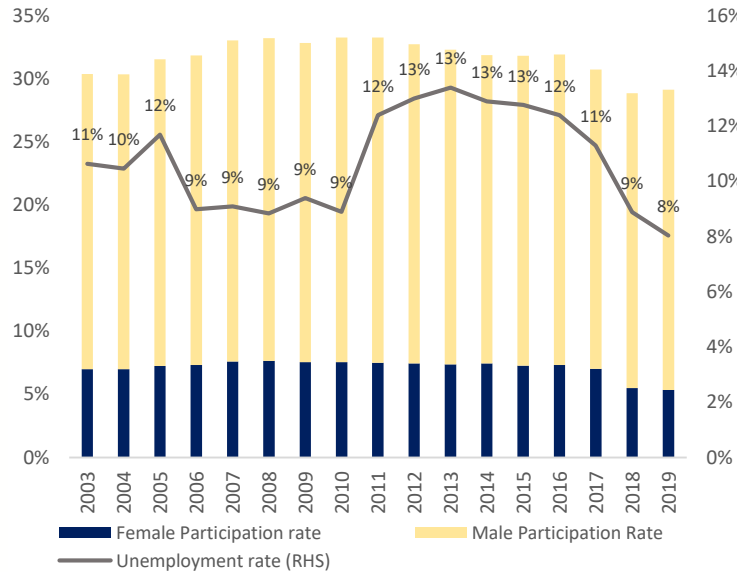
LIVING STANDARDS IMPROVE ON STABLE MONETARY CONDITIONS; LABOR FORCE AND INCOME DISTRIBUTION CHALLENGES REMAIN

Economic growth still struggles to be inclusive, and as powerful in improving living standards. **Egypt operates with a relatively small labor force, which has remained around 30% of the population** for the last 20 years, and even dipped to 28% in 2019, on the back of females exiting the labor force (EMs average is 45%). **Unemployment rate fell to 8%** in 2019 and 7.5% in 2Q20, but the lockdowns tipped it back up to 8.5% in 3Q20. **That rate is expected to stabilize around 7% in the future** unless serious job creation strategies are implemented. The small size of the labor force is underpinned by the young average population age and high dependency rate. A closer look shows that **low-skill sectors such as Agriculture and Construction absorb 35% of employment, and that urban youth have the highest unemployment rates in the country.**

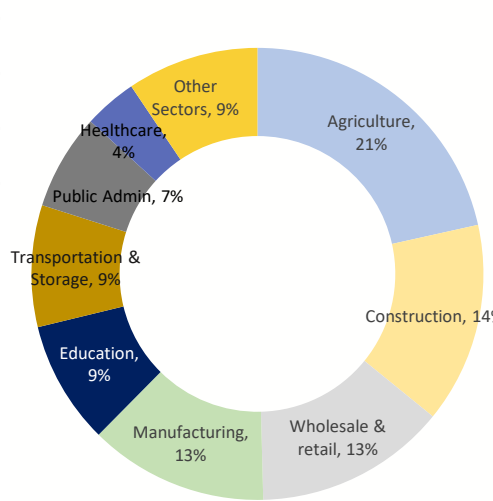
The most recent **HIECS*** results show that the **wealthiest 10% of the population are responsible for 25% of HH consumption** and the demand-driven economy. On the income side, **50% of Egyptians belong to the middle class**, suggesting that the state's efforts to eradicate poverty have placed most of Egyptians within the middle class and thus new accommodative policies are now needed to move from poverty alleviation to more inclusive growth that improves living standards.

The Wellbeing Index uses RGDP, inflation and unemployment rates to derive a proxy for prosperity in Egypt at a micro level. The index was on a recovery path since the currency float and the consequent high inflation which deteriorated real income and living standards. Fortunately, the effect of the pandemic on wellbeing was mild because of the CBE inflation targeting and monetary easing, which both absorbed most of the shock received by GDP and unemployment. **Our view is positive on the long term since the monetary sector, which many times pulled the index down, is now in check.**

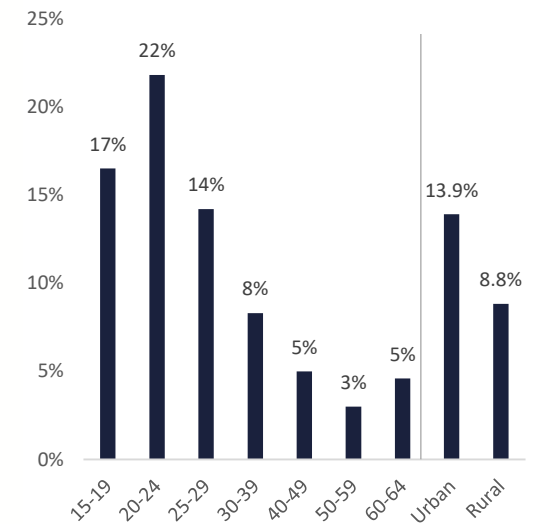
Unemployment and participation rates



Employment by sector, 2Q2020

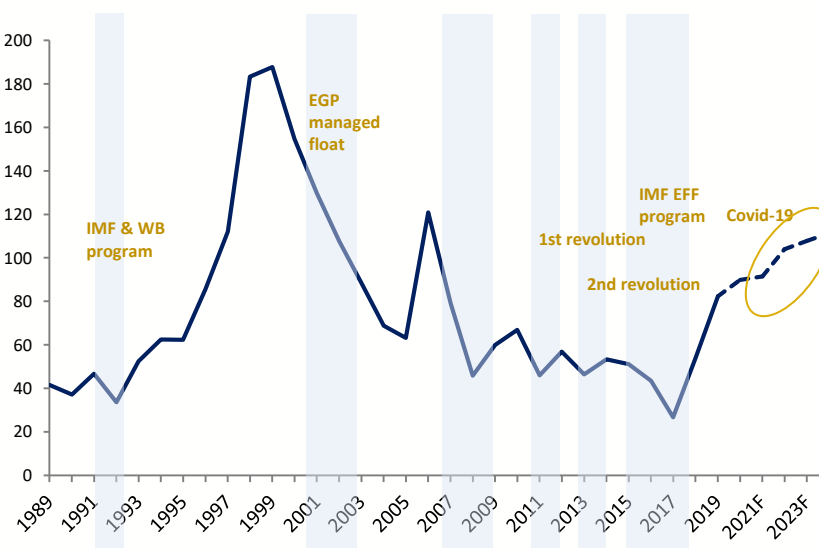


Unemployment by age group and region



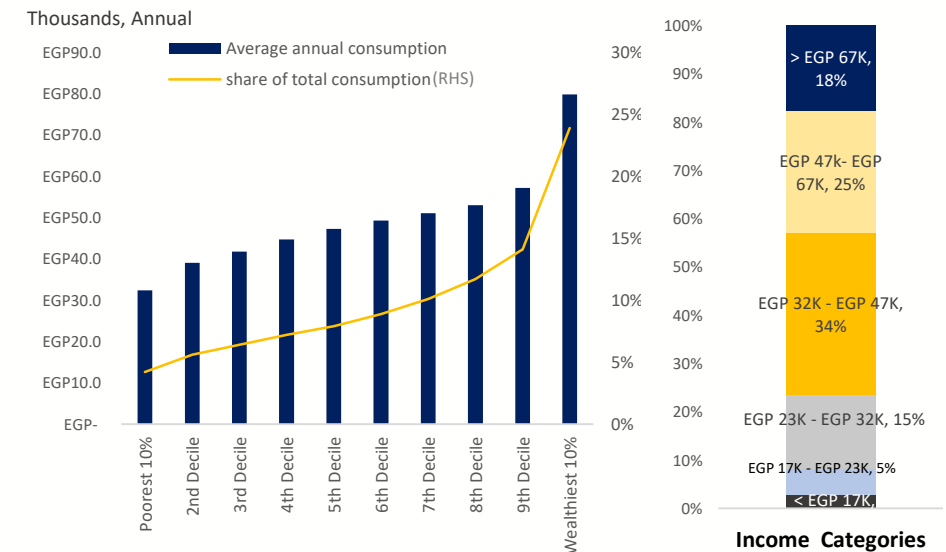
Source: CAPMAS and Pharos Research

Wellbeing survives Covid: a sign of future improvement



Source: CBE and Pharos Research

A large middle class in a demand-driven economy fueled by the wealthy's spending



Source: CAPMAS and Pharos Research

CBE SUCCESSFULLY TAMED INFLATION AFTER SIGNIFICANTLY REDUCING FOOD PRICE VOLATILITY

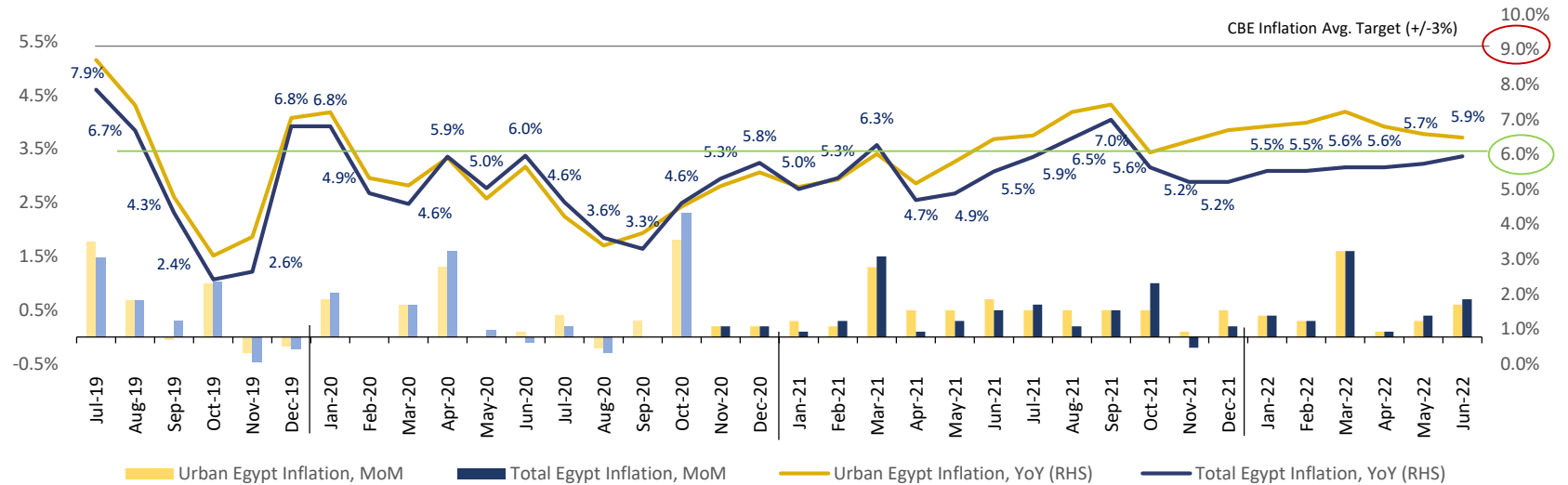
We expect inflation to stabilize in 2021 and over the forecast horizon: ending FY20/21 at an average of 4.9% and CY2021 at 5.6% YoY. The projected inflation rate hence remains below the lower bound of the inflation target set by the Central Bank (CBE) of 9% (+/-3%) YoY throughout the forecast horizon.

The CPI basket underwent changes in September 2019 affecting the base year and the weights of categories causing Food & Beverages to have a smaller weight, which was distributed over the remaining categories. This might have helped maintain food price volatility in check, in addition to other state efforts to secure the supply of food items and prevent irregularity in prices. While Food items have always impacted inflation the most, their contribution to total inflation has been slowly fading, leaving a higher share to non-food items.

Core inflation is expected to maintain its downward trend, as a true reflection of economic conditions. **Price volatility in food items almost disappeared, with some minor exceptions, and is expected to remain this low over the next 3 years.** Regulated items have also declined in their contribution to inflation as the government removed multiple subsidies and is expected to further decline as all subsidies are reduced or entirely eliminated.

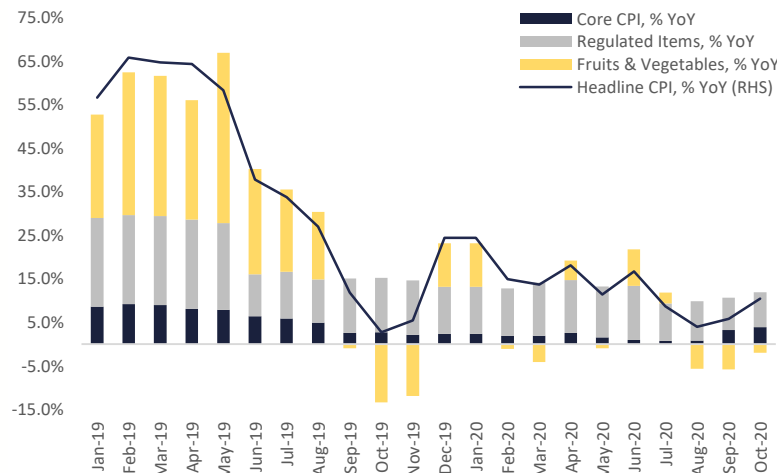
The factors that have typically impacted inflation before include oil and wheat prices, since Egypt is a heavy wheat importer, and transportation costs account for an important portion of the cost of food. The correlation became more visible after the structural reforms that float the currency, liberalized energy prices and alleviated subsidies. Inflation is also sensitive to the exchange rate given the weight of imported items in the CPI basket. **But this sensitivity is expected to slowly fade over the coming years.**

Inflation outlook for 2021 is stable around the lower bound of CBE target, mild fluctuation caused by the base effect



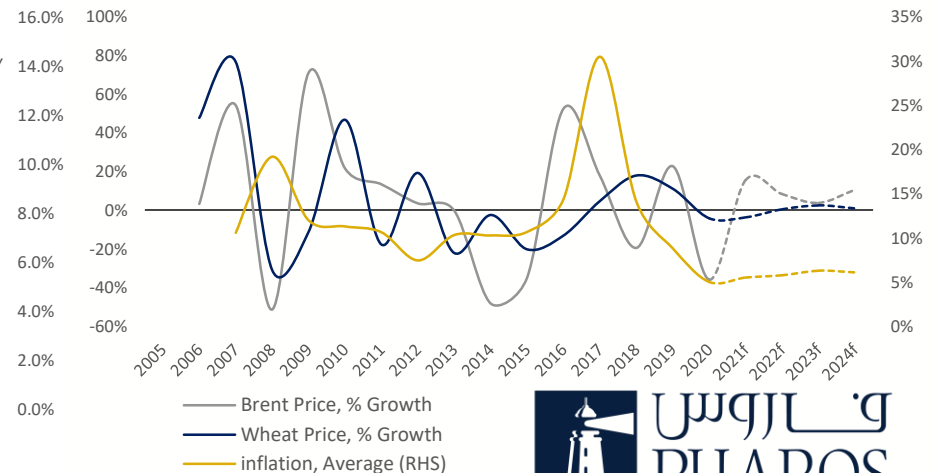
Source: CAPMAS, Central Bank of Egypt, and Pharos Research

Food's contribution to CPI gradually replaced by non-food items...



Source: CAPMAS, Central Bank of Egypt, and Pharos Research

... as inflation decouples from Wheat and Oil price movements



Source: CBE, Bloomberg, and Pharos Research



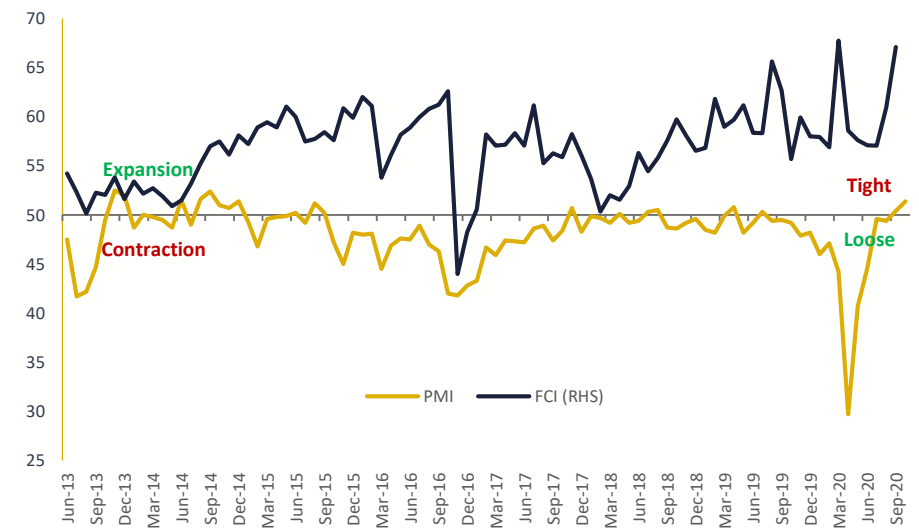
EXPECT FURTHER MONETARY EASING IN 2021 ON STABLE INFLATION AND SUPPORTIVE GLOBAL MONETARY CONDITIONS

The Financial Conditions Index (FCI) is a tool to assess the stance of monetary policy and liquidity by tracking money supply and inflation. **The index shows tight monetary conditions** and was on a downward trend within the “loosening” conditions until pressure from pandemic caused it to spike up again in August 2020. It is notable that a contraction in PMI is correlated with tight monetary conditions, and as economic conditions worsened in April with the worst contraction in PMI since 2013, FCI showed the tightest monetary conditions. Hence the importance of the CBE’s monetary easing to support growth at the time.

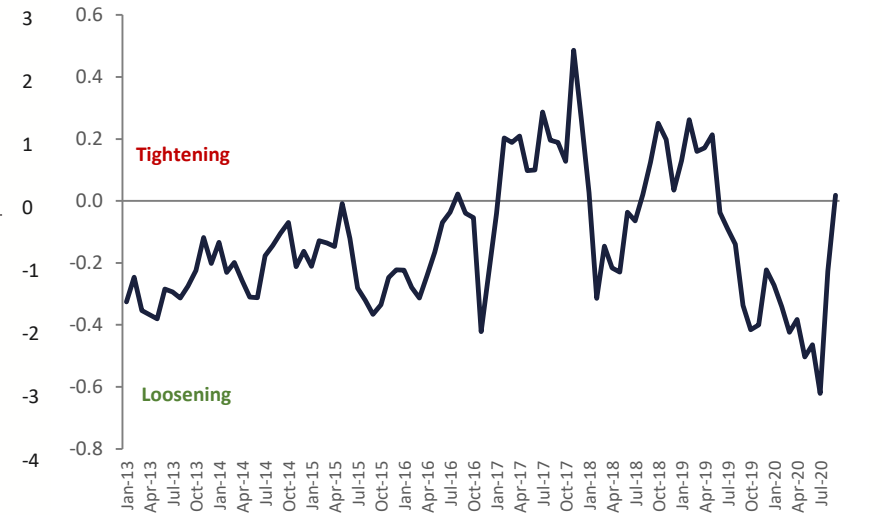
We expect CBE to make a 200 bps rate cut in 2021, lowering its overnight lending rate to 7.25% and stabilize there. CBE’s monetary easing successfully tamed inflation and real interest rates leave some room for further easing, especially if global monetary conditions and hard currency inflows into Egypt remain as supportive of lower rates.

The yield curve has completely normalized with a positive slope of 1.4% in November 2020, after being inverted for 4 years. A normal-sloping yield curve suggests strong investor confidence in the government, trust to invest in long term treasury instruments and faith in the future macro climate.

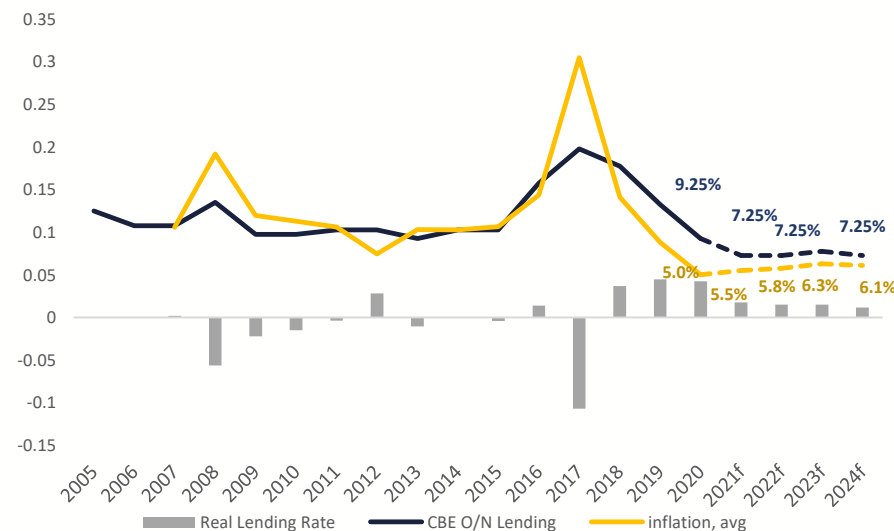
Tight monetary conditions come with economic contraction & vice versa



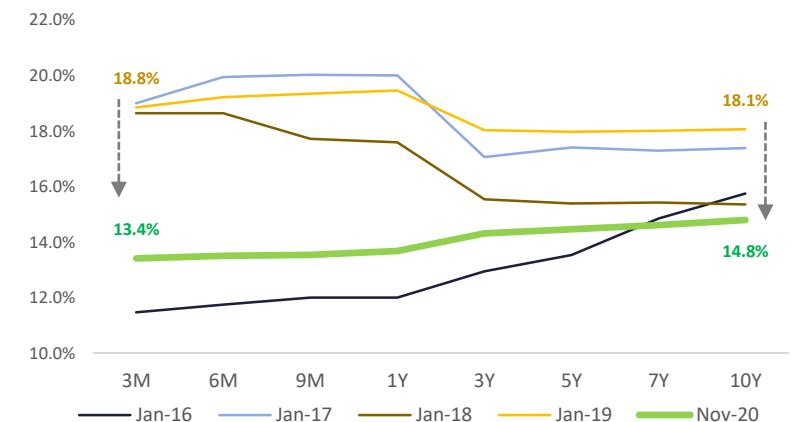
Real Broad Money index exits loose conditions in pandemic



Monetary easing to continue in 2021



Yield Curve now normalized



Source: CBE and Pharos Research



EXTERNAL POSITION TAKES THE HIT; NON-OIL TRADE DEFICIT BURDENS EXTERNAL BALANCE

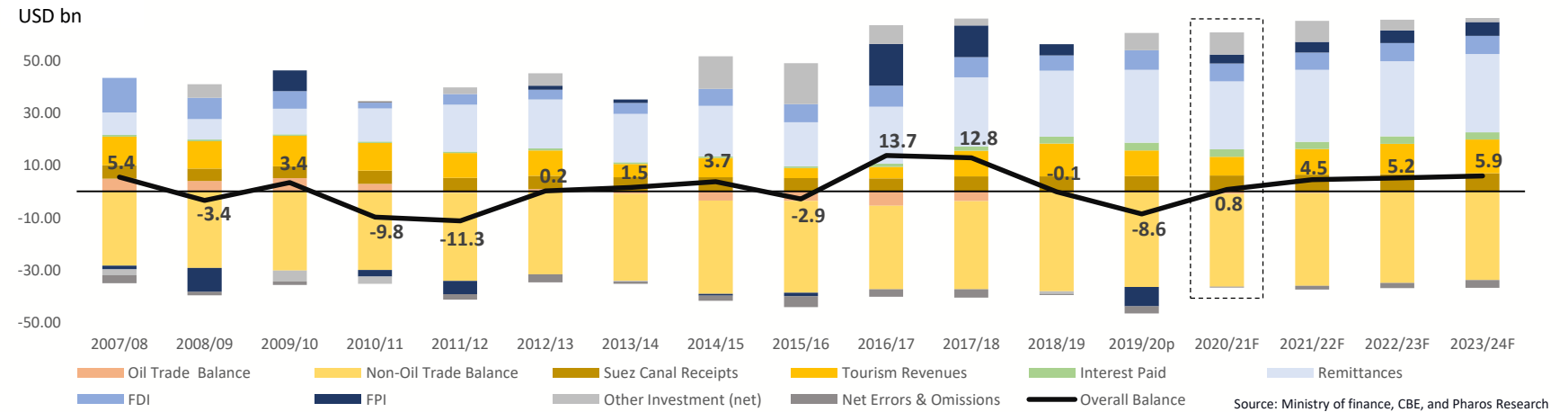
We expect the Balance of Payments (BoP) to recover strongly to a surplus of USD0.8bn in FY20/21 after recording its biggest deficit since 2011 of USD8.6bn in FY19/20. Uncertainty and risk accompanying the pandemic caused a big USD7.3bn Foreign Portfolio Investments (FPI) outflow in 19/20. We expect FPIs to recover to an inflow of USD3.4bn in FY20/21, as foreign investments in treasury instruments already started flowing back in starting August 2020. The BoP continues to be held back by the non-oil trade deficit and supported by Remittances and Suez Canal. Tourism recovery will be contingent on pandemic containment measures.

We expect the current account deficit to widen from 3.1% of GDP in FY19/20 to 4.3% of GDP in FY20/21 on the following factors:

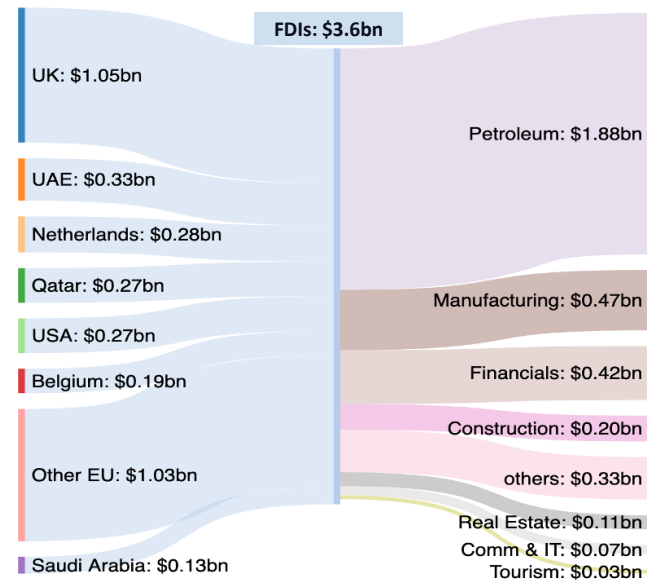
- (1) Services balance falling to USD5.4bn in 20/21 from USD9.0bn in 19/20; as tourism revenues fall to USD7.2bn from USD10bn, despite some growth in Suez Canal revenues to USD6.1bn in 20/21 from USD5.8bn in 19/20.
- (2) Lower Remittances of USD26bn in 20/21 from USD28bn in 19/20.
- (3) A wider income deficit of USD12bn in 20/21 from USD11bn in 19/20; as income receipts decline on the back of lower Fed funds rate causing lower interest on reserves, in addition to higher interest paid as external debt dues peak in 2020.

FDI's projected growth to be delayed until further recovery in the EU is witnessed; since it is our primary source of FDIs, contingent on an improved business climate.

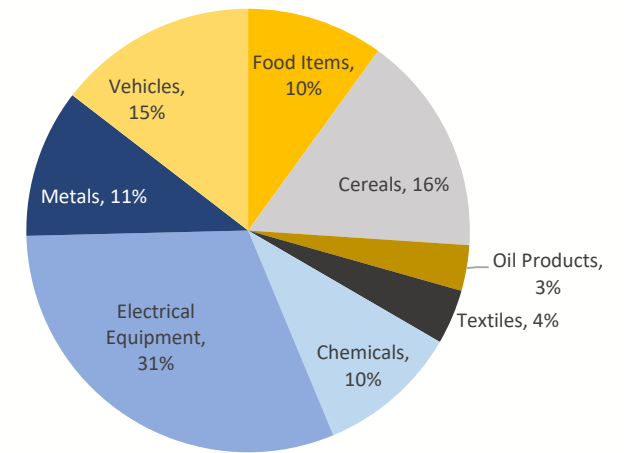
BoP takes a strong hit from FPI exits in 19/20; FY20/21 to recover strongly on FPI, FDI & remittances despite weak tourism



FDI inflows mostly from EU into the oil sector, 3Q19/20



Trade deficit by product type in 3Q19/20



REMITTANCES AND TOURISM RECOVERING AFTER MILD HIT; NIR TO GET SLOWLY REBUILT

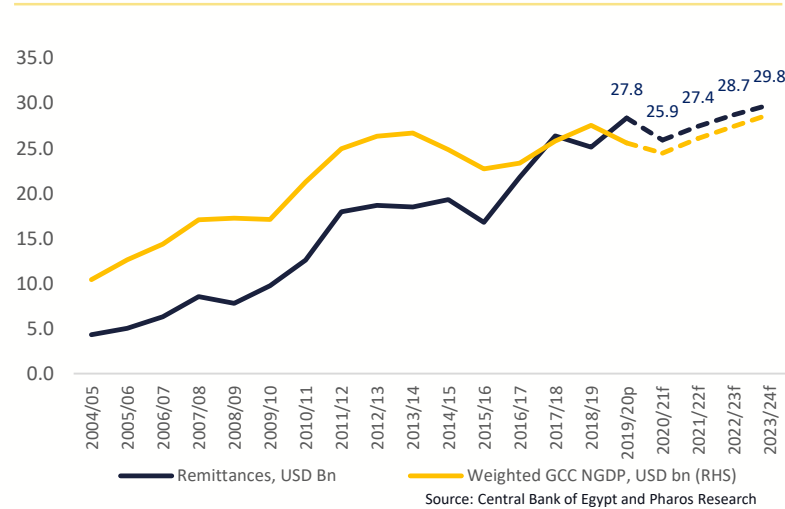
We expect remittances to slowly recover over the coming 3 years after a projected FY20/21 drop as GCC economies, which host 97% of Egyptians working abroad, weakened by the drop in oil prices, the slowdown in oil demand and the burden of fiscal stimulus packages. The drop in remittances could have started in FY19/20, if it weren't for CBE's high interest CDs offered in 2020 which attracted some funds from Egyptians abroad as well as residents. The persistence of weak economic conditions in the GCC could result in job losses and pose a threat to remittances' positive outlook.

Tourism revenues should fall to USD7.2bn in 20/21 from its peak of USD13bn in 18/19 and are expected to recover starting 21/22 contingent on global virus containment measures. The magnitude of the recovery remains uncertain as borders reopen slowly and as income levels bear the brunt of slow economic growth. We expect tourism revenues to catch up with its original pre-pandemic trajectory by 23/24.

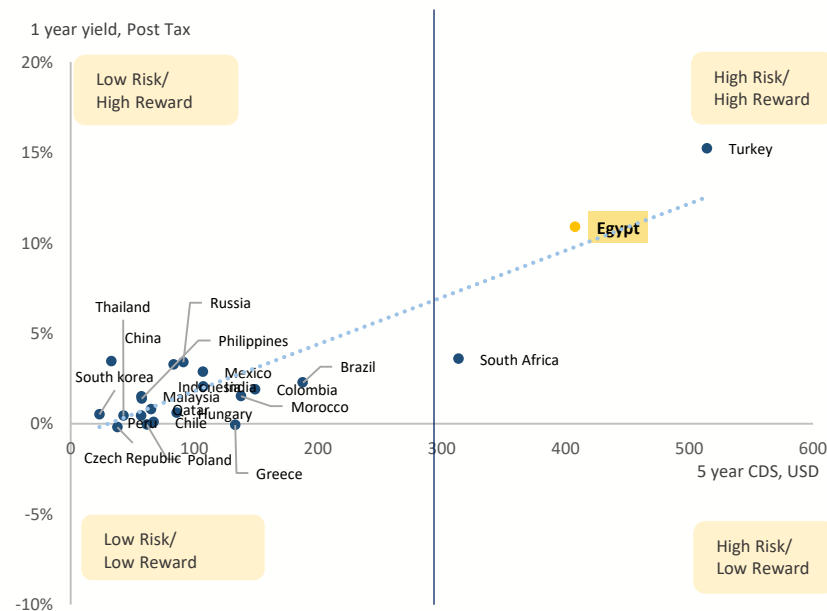
Net International Reserves (NIR) to get slowly rebuilt to USD43bn in 20/21 after falling to USD40bn in 19/20 when the CBE used it to cover FPI outflows in March 2020. As tourism picks up, remittances and FDIs stabilize, and more inflows of FPIs come in, pressure on NIR will substantially fall. NIR import coverage should grow back to 8 months of imports in 20/21 after falling to 7 months in 19/20.

Relative to other EMs, Egypt's treasury instruments look attractive, offering 11% post-tax yield, with a relatively high CDS rates, thus a high risk/high reward matrix positioning. Egypt offers the highest pre-tax 1-year real yield of 7.7% (nominal is 14%) in 2020 while developed economies offer negative real yields and most EMs offer yields below 5%.

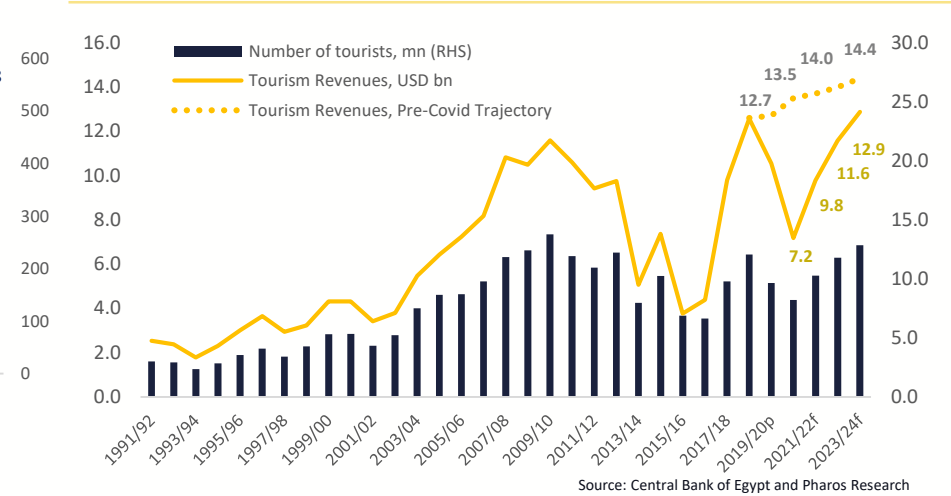
Remittances respond to weakness in GCC economies



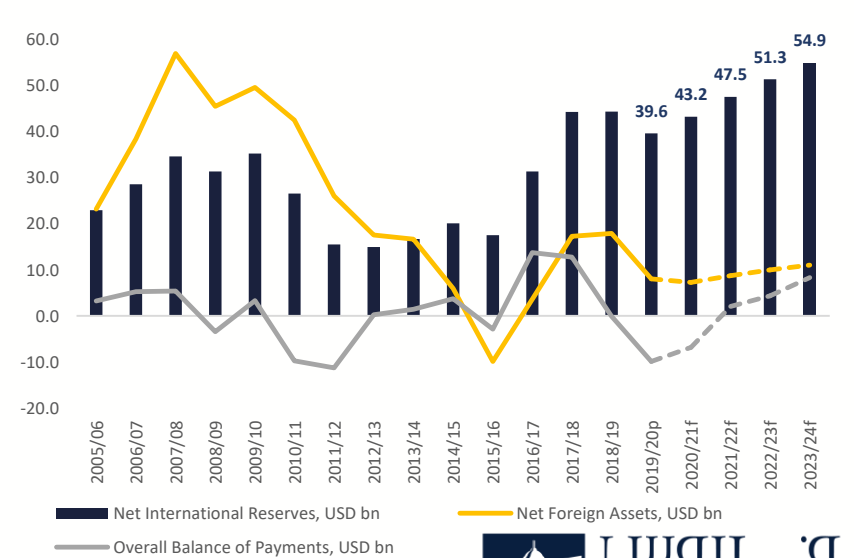
Attractive mix, though at elevated risk



Tourism might take three years to catch pre-pandemic momentum



NIR to get rebuilt on dissipating pressures, NFA to follow



EXCHANGE RATE TO REMAIN BROADLY STABLE AS PRESSURES FADE AWAY

We expect the nominal exchange rate to reach stability at 16.00 EGP/USD in 2021 and over the next 3 years on three key factors:

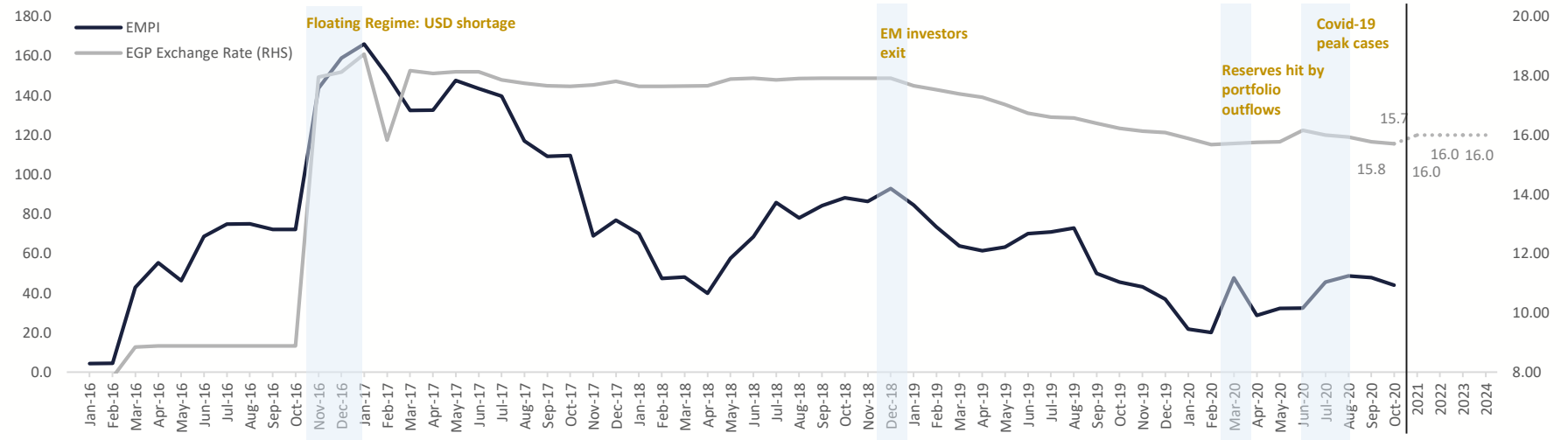
A decline in Reserve money supply (M0) after a sharp rise during the lockdown, which alleviated pressure on the currency and caused the Exchange Market Pressure Index (EMPI) to go down. As the economy recovers from the pandemic's shock, global monetary easing will further reduce pressures on the EGP. The exchange rate showed malleability in response to EMPI declining pressures in early 2020, albeit at smaller magnitudes than EMPI movements.

NIR & NFA took the hit from FPI outflows instead of the exchange rate. As FPIs saw its biggest outflow of USD16.8bn in 19/20, the EGP was supposed to absorb this shock by depreciating sharply, as was the case for many EMs. However, CBE forfeited USD5bn from NIR to cover outflows to protect the EGP from volatility and NFA went down from USD25bn in February 2020 to USD3bn in April 2020, hence the witnessed depreciation from 15.70EGP/USD to 16.20EGP/USD between Feb. and June 2020.

A favorable decline in inflation differential between Egypt and its main trading partners from 8% in 2019 to 4% in 2021 and the coming 3 years, mainly due to the domestic inflation rate's quick deceleration, will cause a drop in REER, suggesting competitiveness gain in real terms, which would further ease the pressure on the nominal exchange rate.

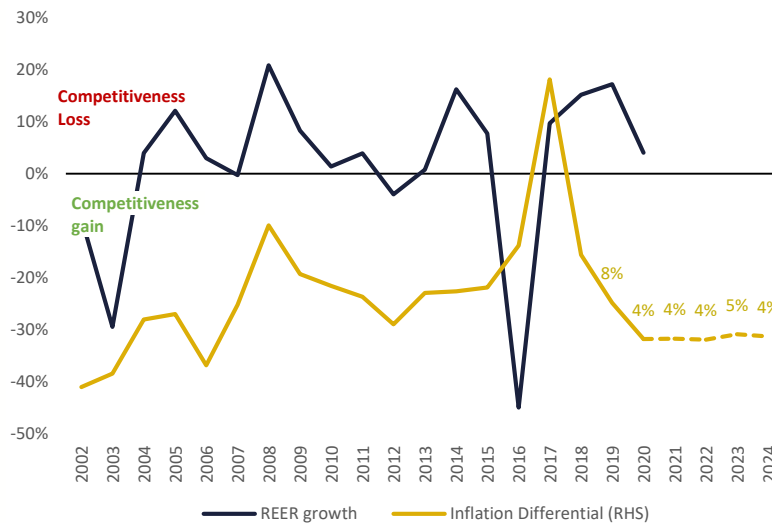
Therefore, we expect the nominal exchange rate to fluctuate slightly but maintain an annual average of 16.00 EGP/USD in FY20/21 and over the forecast horizon until FY23/24.

Exchange Market Pressure Index (EMPI) falls with a 3% appreciation in 2020, outlook stable at 16.0EGP/USD



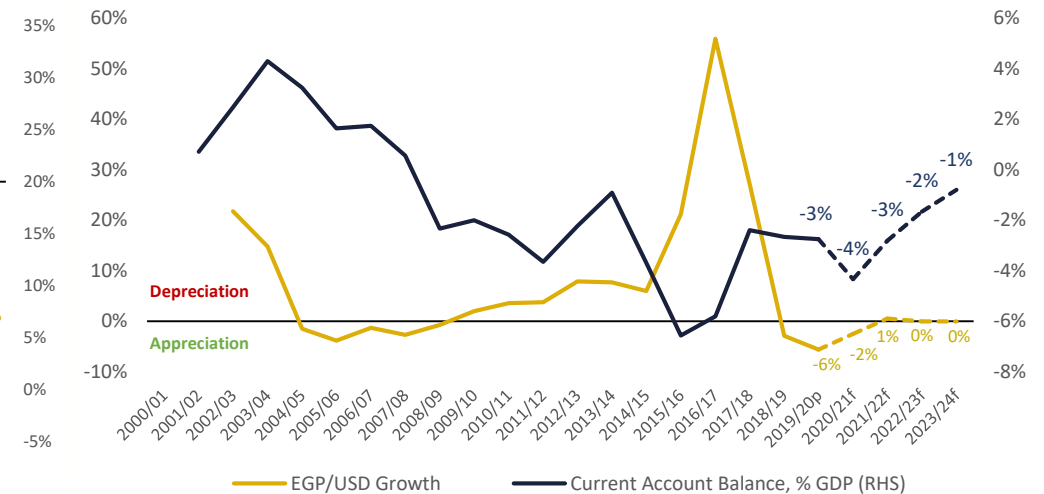
Source: CBE and Pharos Research

Signs of competitiveness gain



Source: CBE, Pharos Research, JP Morgan.

EGP responds to stabilizing current account deficit in 21/22



Source: CBE and Pharos Research



DEBT ACCUMULATION IS STABILIZING; HEAVY DEBT SERVICE DRAINS PUBLIC SPENDING

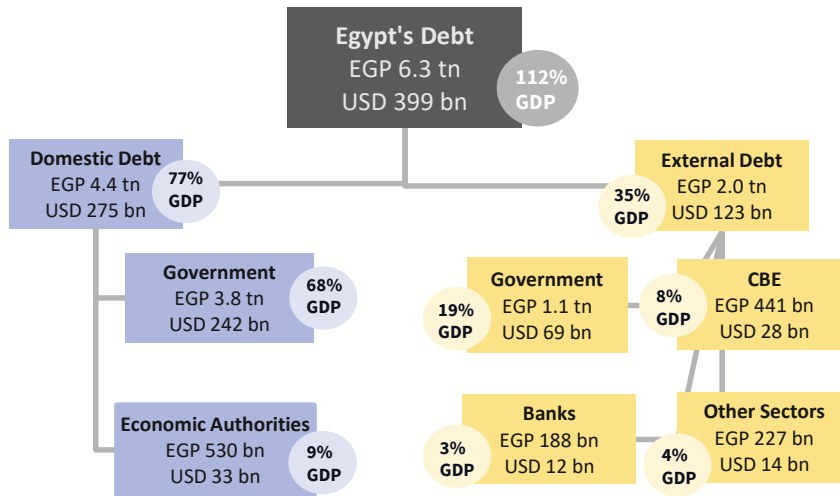
Total Debt is projected to stabilize at 114% of GDP in FY20/21 and the coming 2 years, hitting EGP7.2tn (USD454bn) in 20/21, which is a decline from 115% of GDP in 19/20 (EGP6.7tn), as debt accumulation slows down to 8% YoY in 20/21 from 9% and 14% in 19/20 and 18/19 respectively, on three factors:

- Continuing fiscal consolidation:** As the primary balance turned positive in 17/18 and despite projection to fall to 0.5% of GDP in 20/21 from 0.9% in 19/20, it is still expected to remain positive over the forecast horizon. Debt-to-GDP ratio is expected to decelerate, continuing that trend which started in 2017. Fiscal consolidation through reducing public expenditure and subsidies will also help reduce the government's share of debt from 90% of total debt in FY19/20 to 87% in 20/21 and ultimately 72% by FY23/24.

- Shifting to external debt:** The Ministry of Finance has been shifting towards less costly sources of financing by gradually increasing the portion of external debt through Eurobond auctions and Euroclear certification. External debt's share surged from an average of 15% of total debt during 14/15 to 30% in 19/20 and is expected to hit 31% in 20/21. **We expect external debt to stabilize at 35% of GDP over FY19/20-FY21/22.** The repayment plan for external debt is concentrated in 21/21 and 21/22 and a total debt service of EGP1.1tn is due in FY20/21. As visible, effective interest rate paid on domestic debt stands around 11% versus 2% on external debt, hence the shift for cost reduction.

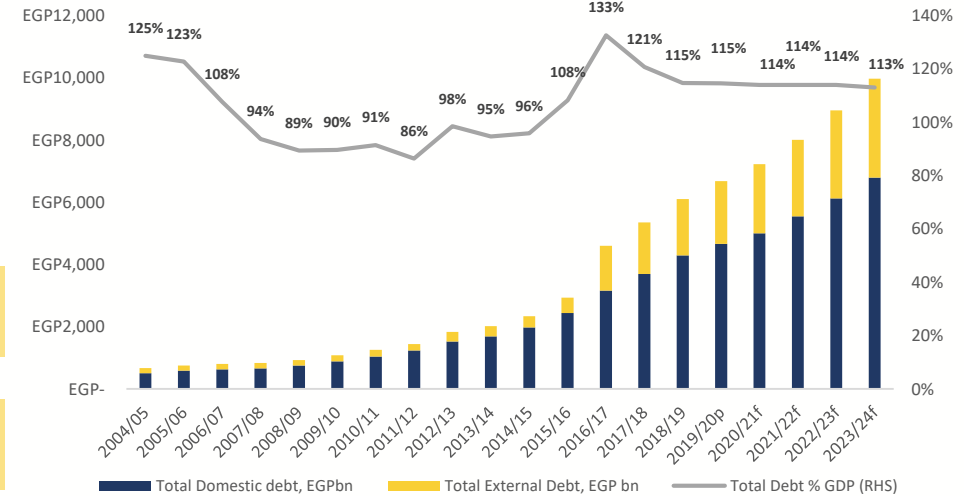
- Favorable debt dynamics:** The supportive macroeconomic environment over the next 3 years, in addition to 2 ongoing IMF programs (RFI and SBA) would help reduce the debt ratio and decelerate the debt accumulation speed.

As of 4Q19/20, debt is mostly domestic & government owned

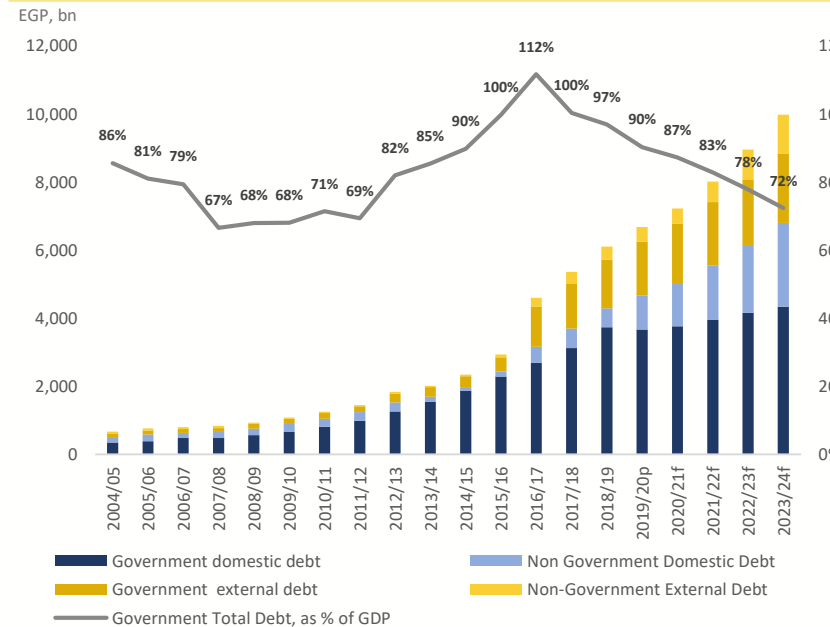


Source: CBE, MoF and Pharos Research

Domestic debt share slowly making way to external, Stable Debt-to-GDP

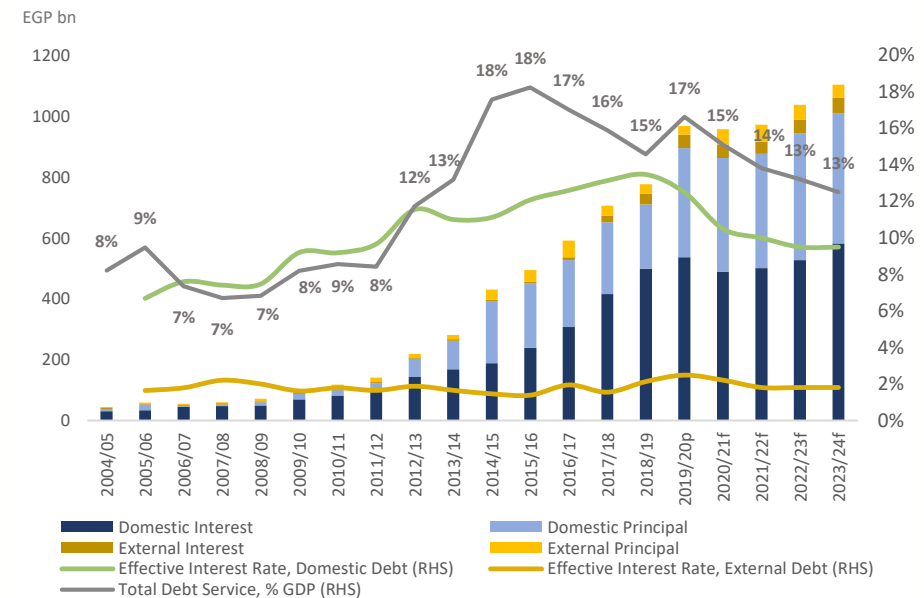


Government's debt level to fall, but remains key borrower



Source: CBE and Pharos Research

Debt service declines on low effective interest on external debt



BUDGET DEFICIT WIDENS ON FISCAL STIMULUS AND WEAK REVENUES; PRIMARY BALANCE STILL POSITIVE

The fiscal deficit is projected to narrow to EGP500bn in FY20/21 from EGP530bn in 19/20 yet widen compared to previous years as increased spending on fiscal stimulus packages and sector support were met with lockdowns and weak economic activity resulting in low revenues. The pandemic-induced pressure that took place in 19/20 and 20/21 will show signs of recovery by 21/22. The deficit along with EGP555bn in debt repayments are expected to be repaid mainly through domestic debt. In FY19/20, 50% of domestic sources of funding were short term, with the shift to longer tenors in the ministry's debt management strategy, now 70% of funding in 20/21 will come from long term domestic debt.

FY20/21's budget shows a declining share of spending on general public services* to 12% of GDP, from 15% in 19/20, is notable. It would allow for more spending on Education (2.5% of GDP), Health (1.5% of GDP) and on Housing (1.3% of GDP).

Expenditure is expected to grow at 4% in 20/21, its slowest pace ever, hitting EGP1.5tn and steadily grow to reach EGP1.8tn in 23/24. This comes on the back of:

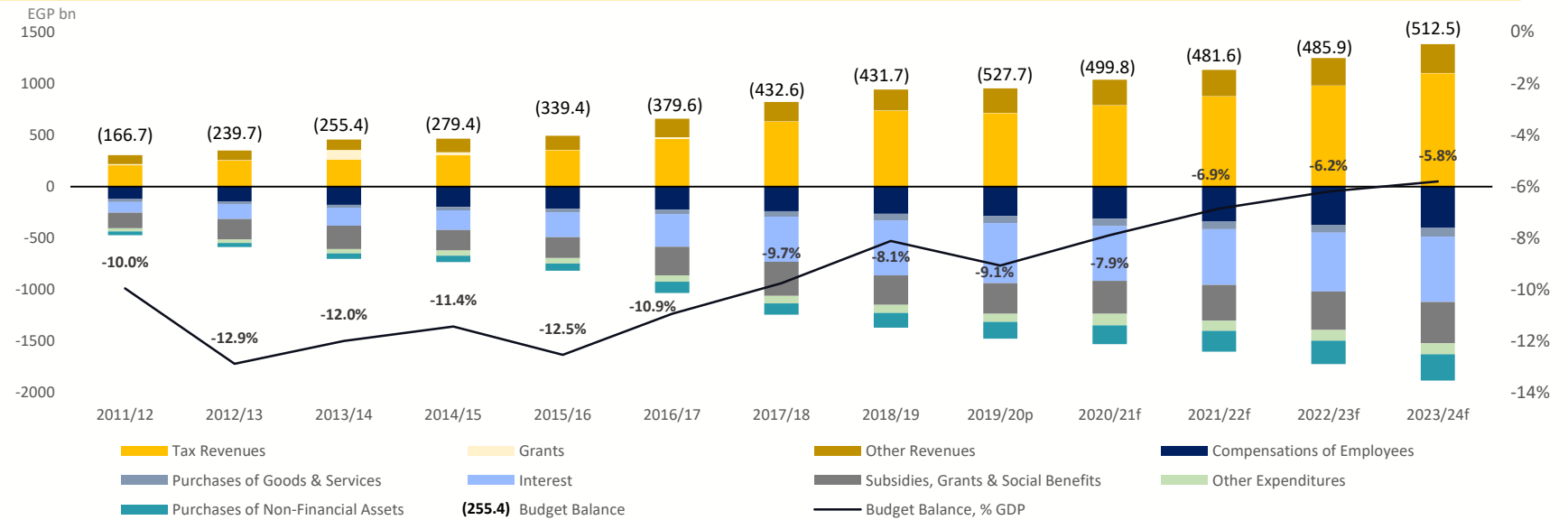
(1) Declining Interest payments by 8% in 20/21 falling from a peak of EGP580bn in FY19/20 to EGP530bn in FY20/21. Since most of the debt is domestic, it should benefit from the 400bps interest rate cuts during 2020, reducing the cost of debt.

(2) Lower subsidy burden as the government follows through with the subsidy alleviation plan.

Fiscal consolidation efforts should reduce expenditure to 24% of GDP in FY20/21 from 25% FY19/20 and stabilize it at 21% by FY23/24.

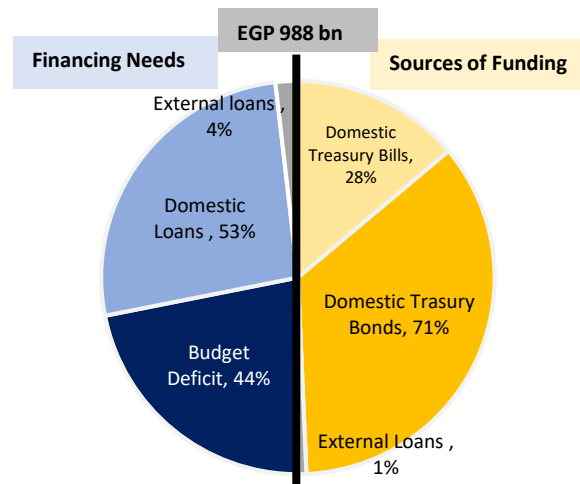
Revenues are also expected to rise to EGP1.0tn in FY20/21 from EGP0.9tn in FY19/20, on the back of higher tax revenues, after falling by 4% in FY19/20.

The budget balance is drained by domestic interest payments; Sources are Tax Revenues, mostly VAT receipts

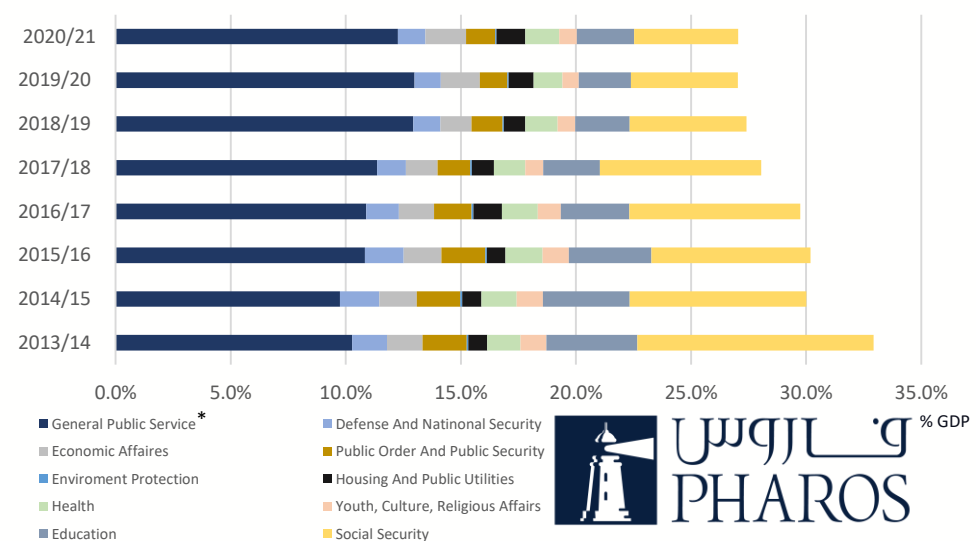


Source: Ministry of Finance and Pharos Research

FY20/21's debt service & fiscal deficit drive more debt accumulation



Expenses prioritize Public services*, declining attention to social security



Source: Ministry of Finance and Pharos Research

* Includes expenses on government's judicial, legislative and executive bodies such as ministries, parliament, presidency and others.


FISCAL STIMULUS CREATES BUDGET BURDEN; SUBSIDY REFORMS TO RESUME BUT THE WORST IS OVER

To fight the pandemic’s spread and sustain the vulnerable through economic hardship while maintaining growth and job creation, the government introduced a **EGP100bn fiscal stimulus package in March 2020**, which included diverse packages to support economic growth for the most vulnerable sectors such as tourism, aviation and healthcare; to provide safety nets to households facing drastically reduced incomes, and tax incentives and breaks to alleviate the burden of lockdowns and weak demand from the private sector players.

On the subsidy reform side, we expect the government to resume electricity and fuel price adjustments, however at smaller magnitudes than the previous rounds. **The electricity subsidy that was supposed to be phased out by FY21/22 was pushed to FY24/25.** In FY20/21, the electricity subsidy creates a total fiscal burden of **EGP80bn**: from a residential tariff subsidy of EGP27bn, a 0.1EGP/KWH price discount for manufacturers over 5 years costing EGP22bn, and natural gas price-fix at USD3.00/mmbtu over 5 years costing EGP30bn. The cost of production already equaled the average retail price for commercial and industrial tariffs as of FY20/21 and their subsidies has been fully phased out. **The challenge to full subsidy alleviation is maintaining a stable cost of electricity production rather than manually fixing it**; which is tied to the exchange rate and the price of natural gas. Both of which are not expected to dramatically change in the near term.


Government’s EGP100bn fiscal Stimulus plan to combat pandemic

Tax Breaks




- Raising the exempt income tax bracket from EGP 8k to 15k annually.
- Income tax exemption worth EGP 9k per employee earning below EGP24k per year.
- Introduction of a new lowest income tax bracket taxed at 2.5% for those earning less than EGP30k per year.
- Postponing tax payments of negatively impacted factories.
- 6-months property tax exemption for tourism sector players.

Sector Support



- Reduction of Natural gas prices to manufacturers to 4.5 USD/mmbtu; and electricity prices to 1.08 EGP/KW.
- Special initiatives for the tourism and Aviation sectors worth EGP 5bn.
- Supporting the Healthcare sector with EGP 11bn.
- EGP 3bn support to the Export Subsidy Fund to ensure liquidity for exporters.
- Government investments of EGP 10 bn to repay contractors and suppliers.
- A 300bps interest rate cut in March to boost the private sector.

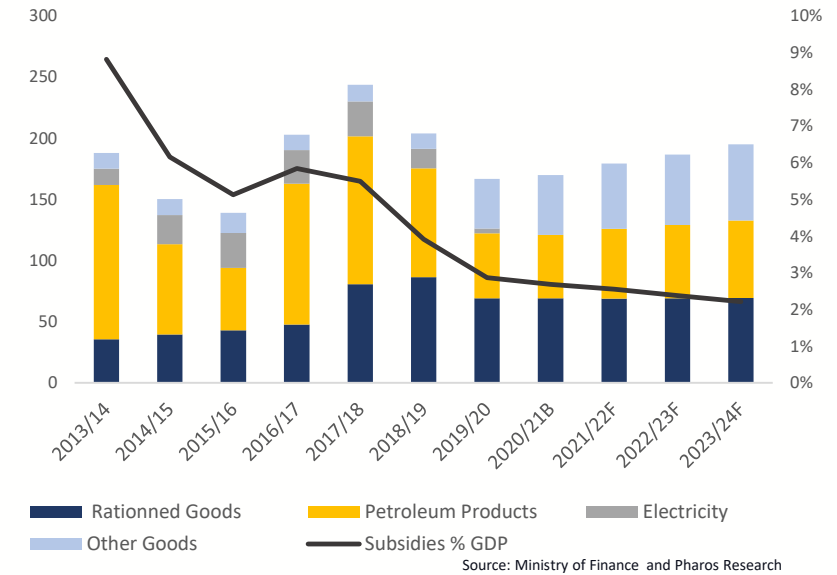
Safety Nets



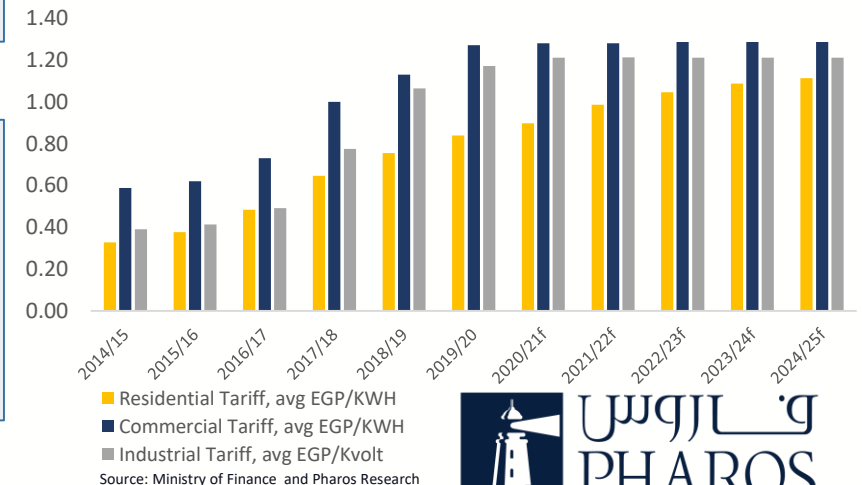
- Adding 124k vulnerable households to social safety nets.
- A EGP 3 bn fund to support irregular labor, including a monthly EGP 500 disbursements.
- A EGP 50bn initiative to provide real estate lending to middle income earners over 20 years at a 10% interest rate.

Source: Ministry of Finance, CBE and Pharos Research

Total subsidies decline as fuel and electricity subsidies are removed



Only Residential electricity subsidy remains, full alleviation by 2025



REGULATORY ENVIRONMENT SLOWLY RESPONDS TO BUSINESS NEEDS

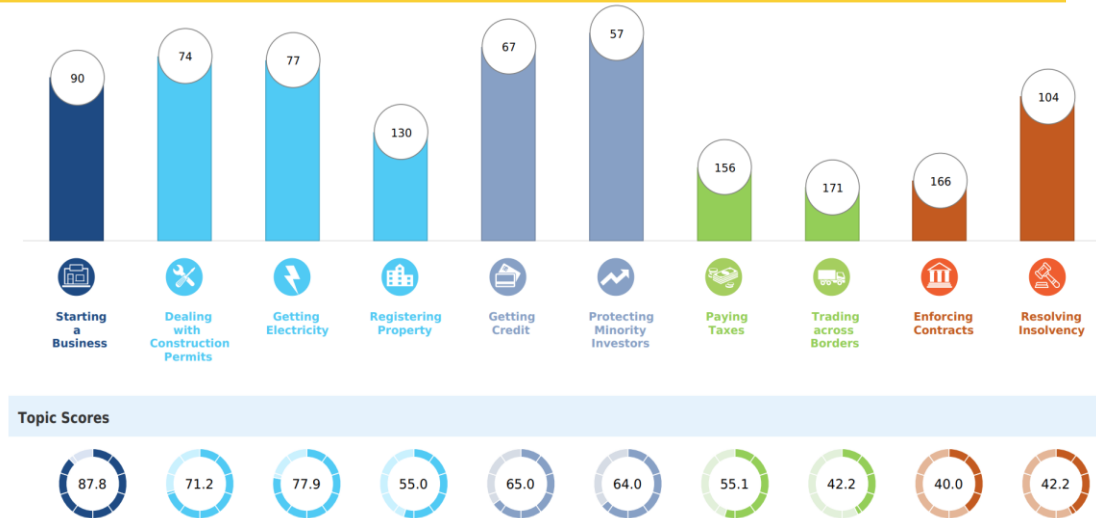
2020 Regulatory Changes

- Customs Act Law
- New Income Tax Law
- New Unified Tax Act
- Social Security & Pensions Act
- Public Enterprises Law
- New Electricity Act
- New Real Estate Tax Act
- Unified Budget Act
- Unified Insurance Act
- Payment Systems Regulations
- Consumer Finance Law
- Small and Medium Enterprises (SME) Law
- New Bankruptcy Law
- New Banking Law

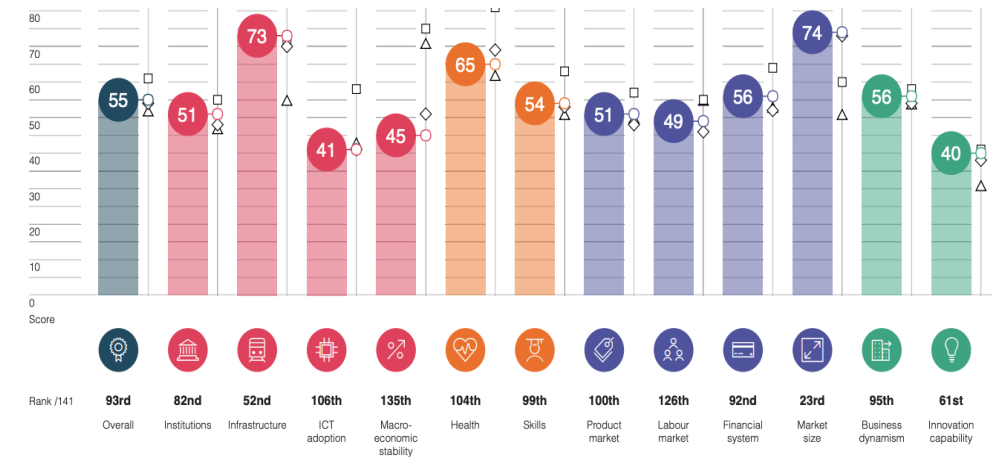
2021 Regulatory Changes

- Customs Act Law
- New Unified Tax Act
- New Electricity Act
- New Real Estate Tax
- Unified Budget Act

Ease Of Doing Business Index for Egypt 2020



Global Competitiveness Index for Egypt 2020



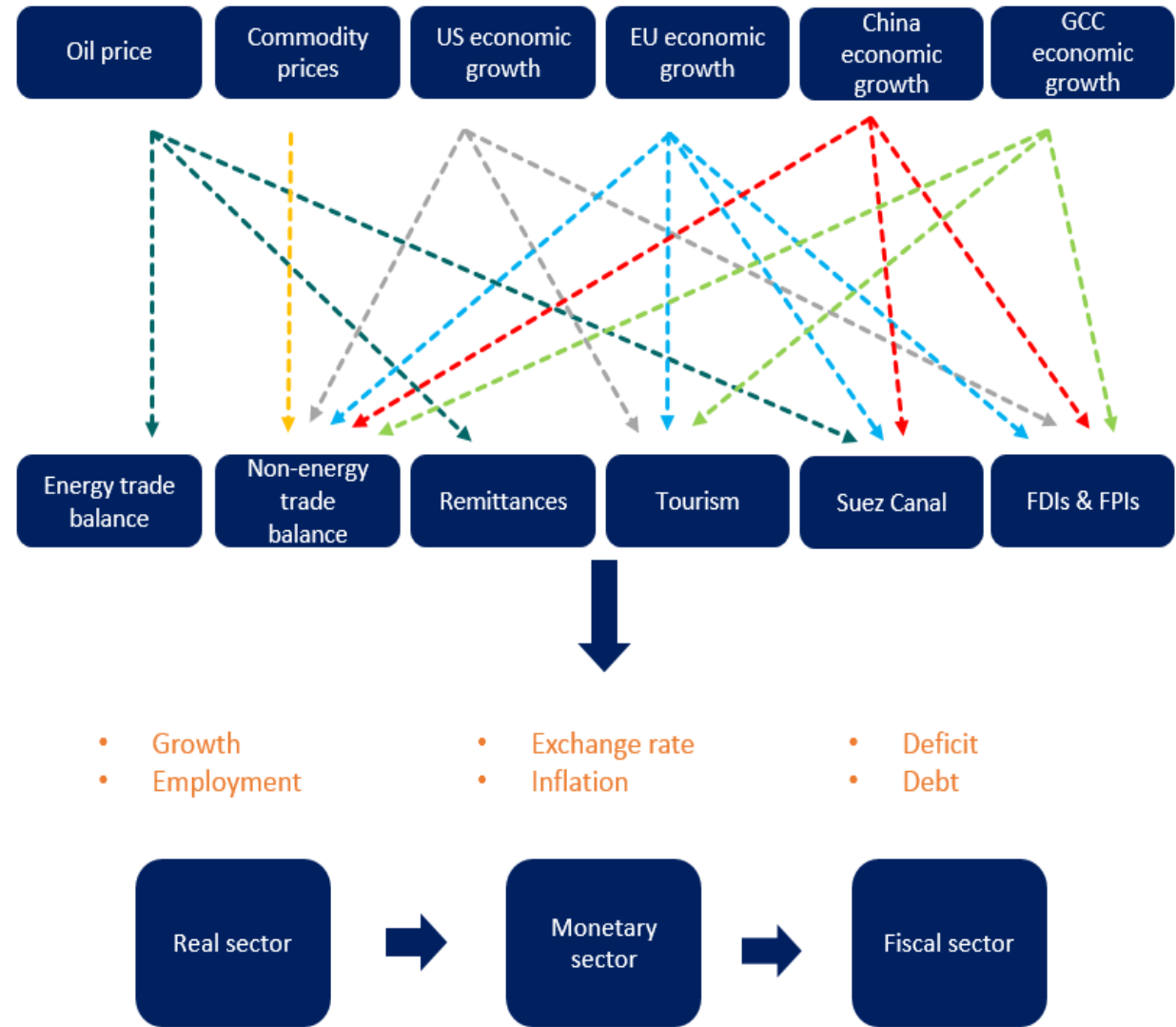
EXTERNAL SHOCKS CONTINUE TO POSE THE BIGGEST RISK

UPSIDE TRIGGERS

- Gas self-sufficiency and exports
- Higher FDI inflows
- Faster fiscal consolidation
- Extended global monetary easing
- Stable crude oil prices benefits the trade balance
- High crude oil prices and increased global demand on oil benefits GCC economies, which in turn feeds into remittances
- Monetary easing from the Fed has allowed the CBE to take on more aggressive easing (which comes in favor of the private sector) without harming carry trades, foreign portfolio investments or inflation

DOWNSIDE RISKS

- Further EMs turmoil might affect foreign inflows in treasury
- Weaker GCC economies exhausted by a high fiscal burden from weak oil demand, low supply and cheap oil prices could hit remittances
- Faster than expected US monetary tightening
- Higher volatility in crude oil prices to affect the government's hedging contracts and subsidy alleviation plans
- Commodity prices recovery especially Wheat and Rice could affect food subsidies and ultimately budget deficit
- Prolonged international trade lockdown and containment measures put serious risks on tourism revenues
- Sustained trade wars might impact Suez Canal revenues



Key indicators	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20p	2020/21f	2021/22f	2022/23f	2023/24f
Real Sector										
RGDP, USD bn	248	213	143	205	223	245	261	271	284	299
RGDP, EGP bn	1,838	1,917	1,998	3,654	3,858	3,993	4,148	4,339	4,552	4,784
RGDP, % growth	4.4%	4.3%	4.2%	5.3%	5.6%	3.5%	3.9%	4.6%	4.9%	5.1%
NGDP, EGP bn	2,444	2,708	3,470	4,437	5,322	5,823	6,335	7,024	7,847	8,825
NGDP, % growth	14.7%	10.8%	28.1%	27.9%	19.9%	9.4%	8.8%	10.9%	11.7%	12.5%
Monetary Sector										
CBE lending rate, % End of period	9.75%	12.75%	17.75%	17.75%	16.75%	10.25%	8.25%	7.25%	7.25%	7.25%
Inflation, total Egypt, YoY %	11.0%	10.0%	23.0%	22.0%	13.5%	5.3%	4.9%	5.8%	5.9%	6.5%
Fiscal Sector										
Budget Deficit, EGP bn	-279	-339	-380	-433	-432	-528	-500	-482	-486	-513
Budget Deficit, % GDP	-11.4%	-12.5%	-10.9%	-9.7%	-8.1%	-9.1%	-7.9%	-6.9%	-6.2%	-5.8%
Revenues, EGP bn	465	491	659	821	942	952	1,036	1,133	1,248	1,381
Revenues, % GDP	19.0%	18.1%	19.0%	18.5%	17.7%	16.4%	16.3%	16.1%	15.9%	15.7%
Expenditure, EGP bn	733	818	1,032	1,244	1,370	1,476	1,530	1,604	1,723	1,883
Expenditure, % GDP	30.0%	30.2%	29.7%	28.0%	25.7%	25.3%	24.2%	22.8%	22.0%	21.3%
Total Debt, USD bn	307	330	253	299	366	409	454	500	559	623
Total Debt, % of GDP	95.8%	108.2%	132.5%	120.7%	114.7%	114.6%	114.0%	114.0%	114.0%	113.0%
External Debt, USD bn	48.1	55.8	79.0	92.6	108.7	123.5	139.4	153.6	176.6	198.6
External Debt, % GDP	15.0%	18.3%	41.5%	37.4%	34.1%	34.6%	35.0%	35.0%	36.0%	36.0%
Domestic Debt, EGP bn	1,974	2,436	3,161	3,695	4,289	4,659	5,005	5,549	6,121	6,795
Domestic Debt, % GDP	80.8%	89.9%	91.1%	83.3%	80.6%	80.0%	79.0%	79.0%	78.0%	77.0%
Total Debt Service % GDP	17.6%	18.2%	17.0%	15.9%	14.6%	16.6%	15.1%	13.8%	13.2%	12.5%
External Sector										
Nominal Exchange rate, Avg USD/EGP	7.39	8.2	14.86	17.72	17.62	16.32	15.91	16.00	16.00	16.00
Net international Reserves, USD bn	20.08	17.55	31.31	44.26	44.35	39.62	43.18	47.50	51.30	54.89
Net international Reserves, Months of imports	3.6	3.4	6.5	9.0	8.4	7.1	8.1	9.1	9.7	10.4
Balance of Payments, USD bn	3.7	-2.9	13.7	12.8	-0.1	-8.6	0.8	4.5	5.2	5.9
Trade Balance, USD bn	-39.1	-38.7	-37.3	-37.3	-38.0	-36.5	-36.4	-36.0	-34.9	-33.8
Petroleum Trade Balance, USD bn	-3.5	-3.6	-5.4	-3.7	0.0	-0.4	-1.0	-0.6	-0.3	0.0
Non-Petroleum Trade Balance, USD bn	-35.6	-35.1	-31.8	-33.6	-38.0	-36.0	-35.4	-35.4	-34.6	-33.8
Total Imports, USD bn	61.3	57.4	59.0	63.1	66.5	62.8	62.5	63.2	63.1	62.8
Total Exports, USD bn	22.2	18.7	21.7	25.8	28.5	27.1	26.1	27.2	28.2	29.0
Current Account Balance, USD bn	-12.1	-19.8	-14.4	-6.0	-8.2	-11.2	-17.2	-12.3	-8.1	-4.4
Current Account Balance, % GDP	-3.7%	-6.0%	-6.2%	-2.4%	-2.7%	-3.1%	-4.3%	-2.8%	-1.7%	-0.8%
FDIs, USD bn	6.4	6.9	7.9	7.7	5.9	7.5	6.8	6.6	6.8	7.0
FPIs, USD bn	-0.6	-1.3	16.0	12.1	4.2	-7.3	3.4	4.1	4.9	5.3
Tourism Receipts, USD bn	7.4	3.8	4.4	9.8	12.6	9.9	7.2	9.8	11.6	12.9
Suez Canal Revenues, USD bn	5.4	5.1	4.9	5.7	5.7	5.8	6.1	6.3	6.6	6.9
Remittances, USD bn	19.3	16.8	21.8	26.4	25.2	27.8	25.9	27.4	28.7	29.8

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