

Recommendation:	Buy
Fair Value:	EGP 8.38
12M TP:	EGP 9.92
Current Price:	EGP 6.80
Upside Potential:	23%

EGYTrans on Track

INITIATION OF COVERAGE WITH A BUY RECOMMENDATION

We initiate our coverage on EGYtrans (ETRS.CA) with a BUY recommendation at a fair value of EGP 8.38/share, which yields 23% upside potential above the last closing price of EGP 6.80/share.

SWOT ANALYSIS

STRENGTH

- ETRS maintains a strong debt-free financial position with EGP 123.3mn in cash and cash equivalents.
- ETRS maintains stable and strong growth in its regular business supported by its diversified revenue sources and clientele database.
- ETRS enjoys a full cost passing ability of fuel prices to its clients.
- The company has managed to maintain a stable dividend distribution with a quite attractive dividend yield.
- Proven track record in the field of exceptional cargo transportation and heavy lifts.
- ETRS' subsidiary, EDS, specializes in depot solution and tank cleaning with 70% market share of the local market.

WEAKNESS

- ETRS' subsidiary ETAL has a very cyclical market that is affected by the slowdown or absence of mega projects.

OPPORTUNITIES

- Endless demand from businesses for efficient transport of goods and commodities.
- The government's plans for mega projects, such as El-Dabaa Nuclear Power Station and urbanization plans would trigger more opportunities for ETRS to secure a strong backlog on the medium term.
- Clear governmental attention to logistics and transportation appears in deepening and upgrading Egypt's ports, new road network and logistic areas, developing transportation means, in addition to speeding up custom clearance procedures.

THREATS

- The effect of Corona Virus Pandemic on global and local economy.

Table 1: Investor Table

Investors Analysis	2019A	2020F	2021F	2022F	2023F	2024F
Revenues (EGP mn)	247.0	222.3	239.6	258.5	279.1	301.5
Revenue Growth	-11.1%	-10.0%	7.8%	7.9%	8.0%	8.1%
Net Profit (EGP mn)	31.9	28.3	29.9	32.2	33.9	36.2
Net Profit Growth	-23.8%	-11.3%	5.7%	7.8%	5.0%	6.9%
EPS (EGP)	1.02	0.91	0.96	1.03	1.08	1.16
DPS (EGP)	1.00	1.00	1.00	1.00	1.00	1.00
Dividend Yield	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
P/E	6.66x	7.51x	7.10x	6.59x	6.27x	5.87x
P/BV	0.74x	0.75x	0.76x	0.75x	0.75x	0.64x

Source: ETRS & OKAZ's Research

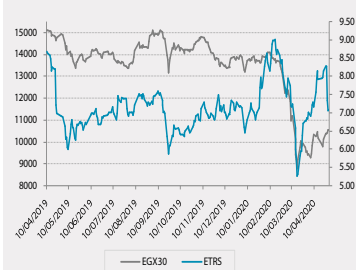
SHARE DATA

Reuter's code	ETRS.CA
Sector	Transportation
Financial Year	December
Par Value	EGP 5
52-week High/Low	EGP 9.25/4.75
6M Avg. Daily Volume	78,107
6M Avg. Daily Turnover	EGP 0.6mn
Paid in Capital	EGP 156.1mn
# of Shares	31.2mn
Market Cap.	EGP 212.2mn

RATIOS

	2019A	2020F
GPM	30.5%	30.5%
NPM	12.9%	12.7%
ROA	8.7%	8.0%
ROE	11.2%	10.0%

SHARE PERFORMANCE



SHAREHOLDER STRUCTURE

National Investment Bank	25.3%
M. Ashraf Omar	14.8%
Lahita Family	12.5%
Raed Abdel Rahman	14.0%
Others	33.4%

VALUATION

DCF	EGP 8.38
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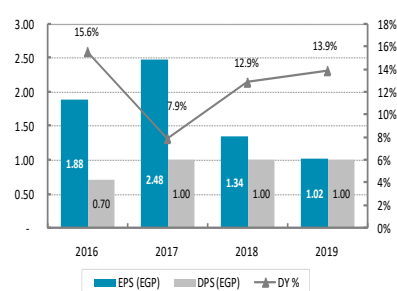
ANALYSTS

Manar Azzam	Ext: 440
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INVESTMENT SUMMARY

- **The Only Stock in the Sector.** ETRS is a sole player in EGX that represents the transportation sector.
- **Strong Financial Position.** ETRS has EGP 123.3mn in cash and cash equivalents and is a debt-free, which qualifies the company to face an economic downturn, as opposed to highly leveraged companies.
- **Stable Growth in Regular Business.** EGYTRANS has managed to grow its revenues to reach EGP 247.0mn in FY2019 from EGP 131.7mn in FY2015 at CAGR of 17%, even though there were no considerable mega project contracts during the year showing the company's ability to maintain a satisfying growth in its regular line of business.
- **Attractive Dividend Yield.** ETRS has a track record of consistent dividend payments making it an ideal choice for yield hunters who prefer an income-generating stock due to its stable financial position and its ability to generate steady cash flow irrespective of market conditions. ETRS offers reliable payouts to its shareholders, with dividend yield of around 15%, exceeding banks interest rates especially after the latest interest rate cuts.
- **Good Reputation.** ETRS has a good reputation among its clients especially in the land transportation segment, which helped the company to create a wide and diversified clientele such as, but not limited to, SIEMENS, ELSEWEDY ELECTRIC, GHABBOUR AUTO, and ALARABY.
- **Proven Track Record.** ETAL has a long proven track record in offering logistical services for large and mega projects including power stations, cement mills, steel mills, electric sub-stations, and petrochemical projects.
- **Government Attention.** The government plans to develop logistic centers as well as dry and sea ports alongside with current initiatives to transform Egypt into a global logistics hub are considered major growth drivers for the transportation and logistics industry. Moreover, the continuing procedures of developing the work system in the Egyptian ports and the gradual transformation into the national "single window" system to speed up custom clearance procedures would boost the company's major activities.
- **M&A Interest Shown in the Sector:** Paradigm Logistics Limited to acquire a 31% stake of **Raya Holding (RAYA.CA)**'s subsidiary Ostool Transport.

Figure 1: ETRS' EPS, DPS, and DY



Source: ETRS & OKAZ's Research

INDUSTRY OUTLOOK

The transportation sector is known to be a highly fragmented industry. It is incredibly popular given its accessibility and relatively low capital requirements since it doesn't need massive capital or labor. It consists of so many individuals and many small and medium size companies.

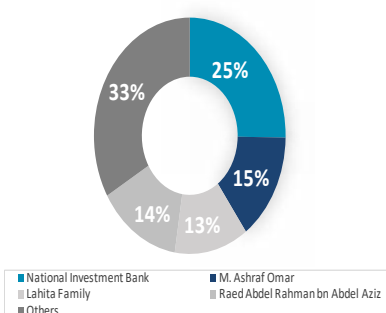
It's obvious that COVID-19 outbreak has a negative impact on the global economy and transportation sector, but we see a limited effect on the local side as a result of the consuming nature of the Egyptian population, especially for organized institutions (companies) like ETRS with its diversified services in the field of general and exceptional transportation, heavy lifts, and logistics, good reputation, and strong relationship with its clients.

Egypt's GDP. Gross domestic product is the most important indicator that sheds a lot of light on the overall investment landscape. Historically, Egypt's GDP annual growth showed positive numbers during the last decade despite the global crisis, revolutions, and political events due to Egyptians' high consumption, which is expected to maintain a positive GDP growth in spite of COVID-19 pandemic. It's worthy to mention that International Monetary Fund (IMF) expects Egypt to record a growth rate of 2% during 2020, to be the only country to achieve a positive economic growth during the current fiscal year in the MENA region.

COMPANY PROFILE

EGYTRANS (ETRS.CA) is a leading company in the field of transportation. ETRS was established in 1973 as a logistics provider company offering a wide range of professional and cost-effective logistic services, specialized in the field of integrated transport with a worldwide network of international agents. The company has branches in Cairo, Alexandria, Damietta, Port Said (Free Zone), and Suez providing its clients with several services including land transportation, sea & air freight forwarding and discharging, warehousing, custom clearance, and transit. It also provides full logistical services for mega projects, through its subsidiary, Egyptian Transportation and Logistics Company (ETAL) in addition to providing depot solutions services through its subsidiary, EGYtrans Depot Solutions (EDS), offering its customers a one-step shop for all their cargo transport needs.

Figure 2: ETRS shareholder structure



Source: ETRS & OKAZ's Research

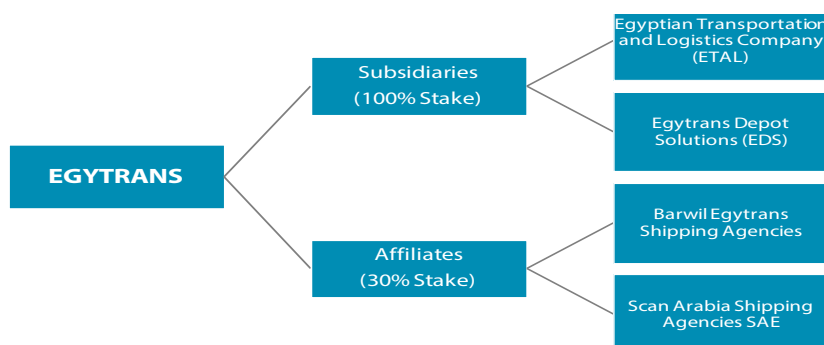
ETRS' OWNERSHIP AND STRUCTURE

ETRS' authorized capital is EGP 1bn while paid in capital reached EGP 156.1mn distributed over 31.2mn shares at par value of EGP 5/share.

ETRS STRUCTURE AND OPERATION

EGYtrans Group provides full logistic solutions and door to door transportation in safe and professional manners through its holding company alongside with its subsidiaries as follows:

Figure 3: EGYTRANS Subsidiaries and Affiliates



Source: ETRS & OKAZ's Research

While the transportation activity is considered to be the main service provided by the company, ETRS provides full logistical services to ensure professional and cost-effective transportation of all kinds of shipments and through all stages, including:

LAND TRANSPORTATION

ETRS provides transportation for both normal and exceptional cargos. It specializes in integrated transport in a way that maximizes ease and efficiency for its clients in terms of time, cost, safety, accessibility and convenience through its 10-truck fleet that can be increased depending on the local demand. ETRS also specializes in providing logistical solutions for large projects and transporting exceptional cargos and all types of equipment and packages of exceptional weight or dimensions. ETRS conducts logistical studies and route surveys to determine the best transport method. Land transportation contributes to ETRS' total consolidated revenues by 30% on a 3-year average.

STORAGE YARDS & WAREHOUSING

ETRS owns and operates storage yards including a 10k sqm storage yards located in Adabiya port of Suez specialized in handling and storing general cargos of different sizes including heavy lift equipment as well as containerized cargos.

In addition, ETRS also owns and operates several warehouses located in Cairo, Alexandria, and Port Saied (Free Zone) with total areas of 28k sqm. Storage yards and warehousing contribute to ETRS' total consolidated revenues by 27% on a 3-year average.

AGENCY, SHIPPING & DISCHARGE

ETRS coordinates the transport of vessels and cargos, organizes the process needed to offload the cargos at the arrival points, and decides the most reliable, fastest, and cost-effective route in order to get shipments ready for delivery. Agency, shipping & discharge contribute to ETRS' total consolidated revenues by 11% on a 3-year average.

LOGISTIC SERVICES

ETRS is specialized in sea and air freight as well as custom clearance services. The logistic services provided by the company include shipments of all kinds of cargoes including general, break bulk, containerized or Ro/Ro cargo to and from any part of the world. The company also provides custom clearance services as it handles the required paperwork at customs on behalf of its clients. Logistics activity contributes to ETRS' total consolidated revenues by 12% on a 3-year average.

OTHER SERVICES

EGYTRANS also provides other services including depot solutions, packing, consolidation, distribution, transit, and insurance services. The rest of ETRS' services contribute to its total consolidated revenues with the remaining 20% on a 3-year average.

SUBSIDIARIES

1. Egyptian Transportation and Logistics Company (ETAL)



ETAL was established in 1982 and is 100% owned by ETRS. ETAL provides its clients with various services including regular land transportation for different cargos in all forms and types. ETAL is well equipped to deal with logistical and managerial challenges related to handling and transporting oversized and heavy equipment enabling the company to manage all forms of shipment and through all stages. The company is specialized in providing logistical and technical solutions for mega projects including transporting sensitive shipments with non-traditional specifications such as exceptional cargoes and heavy lifts, which requires the use of special equipment and high level of knowledge and expertise to deal with the technicality of the service in terms of the shipment's exceptional dimensions and weights.

ETAL conducts studies of roads, to avoid any unusual circumstances, strengthening and reinforcing bridges as well as reclaiming or removing obstacles along the way in order to transport the shipments effectively. The company also provides:

- Logistic Solutions including logistic studies and transportation engineering planning and design to be able to manage any unfavorable and risky conditions that may occur.
- Route Surveys including studying and planning the best possible routes in order to provide time and cost effective services.
- Determination of the Required Equipment and procedures needed to handle, store, and transport cargos.
- Supervision of the entire transport operation beginning with the off-loading of heavy lifts onto hydraulic trailers and other cargo-carrying trucks and ending with the delivery and installation of the transported units.

ETAL acquires a 60% market share of specialized transportation field in Egypt and

represents about 6.5% of EGYTRANS' total turnover in 2019 according to ETRS annual report. ETAL's net profits after taxes declined 33.6% in FY2019 recording EGP 3.8mn.

2. EGYtrans Depot Solutions (EDS)



EDS was established in 2010 and is 99.9% owned by ETRS, specializing in maintenance, storage, cleaning, and repairing liquid bulk cargo containers, especially ISO Tank Containers and tank vehicles. The company is located in Alexandria to benefit the most from its proximity to the port.

ISO Tank is a tank container which is built according to the ISO standard (International Organization for Standardization). ISO tanks are designed to carry liquids in bulks. It is made of stainless steel and is surrounded by various types of protective layers. Different skins can be used with an ISO tank depending on the type of bulk cargo it is carrying. ISO tanks are highly reliable, cost-effective, and a safe way of transporting bulk liquids from one place to another.



Repairing and cleaning ISO tanks allows exporters to maximize their earnings and control their costs by reutilizing these tanks and ship them back filled. EDS' market share is about 70% of the depot solution and tank-cleaning market, and contributes 4.5% of EGYTRANS total turnover in 2019 according to ETRS annual report.

EDS' revenues increased by 17.6% in FY2019 to record USD 1.2mn compared to USD 0.998mn in FY2018, while EDS' net profits after tax increased 30.1% in FY2019 to record USD 0.562mn compared to USD 0.432mn in FY2018.

3. EGYtrans Bargelink Company, EGYtrans River Ports Company

ETRS has two more subsidiaries as well, EGYtrans Bargelink and EGYtrans River Ports that have been under liquidation since July 2016; however both companies hadn't started operation since their inception in 2009. EGYtrans Bargelink (EBL) was supposed to be specialized in land and river transportation as well as marine transportation for goods inside territorial waters, while EGYtrans River Ports was set to be specialized in the management, operation and development of river ports and providing all services related to shipping, discharging and storage of goods in addition to maintenance and freight for moveable containers except air freight. The liquidation decision came as the result of the existence of legal barriers and complicated regulations that made it hard for the companies to acquire the required licenses to begin operation. It's worth mentioning that the companies' EGMS have decided to extend the term of liquidation to April 30th 2020.



SISTER COMPANIES (AFFILIATES)

4. Barwil EGYtrans Shipping Agencies

Barwil is an Egyptian registered company and has been a fully licensed shipping agent since 1996. Barwil is a joint venture between Wilhelmsen Ship Services (WSS) Group and ETRS, where ETRS holds a 30% stake in the company. The company currently handles about 2000 vessel appointments in Egypt per annum.



5. Scan Arabia Shipping Agencies SAE

Scan Arabia is a shipping agent for the Korean shipping line Hanjin that was established in 1998. Scan Arabia is also a joint venture between Wilhelmsen Group and ETRS where ETRS holds 30% stake as well. The company also provides liner shipping agency services.



FINANCIAL ANALYSIS

Table 2: Income Statement

Income Statement (EGP mn)	2018A	2019A	Change (%)
Revenues	277.9	247.0	-11%
COGS	-194.3	-171.7	-12%
Gross Profit	83.5	75.3	-10%
SG&A	-34.3	-35.1	2%
EBITDA	49.2	40.3	-18%
Depreciation	-6.1	-5.7	-7%
EBIT	43.1	34.6	-20%
Net Interest	4.2	-0.6	-113%
Other Income/Expense	5.5	4.9	-11%
EBT	52.8	38.9	-26%
Net Taxes	-11.0	-7.0	-36%
Net Profit	41.8	31.9	-24%

Source: ETRS & Okaz Research

ETRS posted consolidated net profit of EGP 31.9mn in FY2019 marking 23.8% decline compared to EGP 41.8mn in FY2018. The deterioration in the company's performance is mainly attributed to 9.8% decline in gross profit recording EGP 75.3mn in FY2019 compared to EGP 83.5mn in FY2018 driven by 11.1% decline in revenues in FY2019 recording EGP 247.0mn compared to EGP 277.9mn in FY2018

The decline in revenues is attributed to the lack of mega projects contracts in FY2019, and since COGS have declined 11.6% in FY2019 recording EGP 171.7mn compared to EGP 194.3mn in FY2018, ETRS managed to slightly enhance its GPM in FY2019 to 30.5% compared to 30.1% in FY2018, whereas NPM declined to 12.9% in FY2019 from 15.0% in FY2018 due to FX losses that multiplied in FY2019 recording EGP 4.3mn compared to EGP 35.6k in FY2018, showing the effect of the appreciation of EGP in 2019, since part of the company's revenues are denominated in USD.

Table 3: Financial Statements

Income Statement (EGP mn)	2018A	2019A	2020F	2021F	2022F	2023F	2024F
Revenues	277.9	247.0	222.3	239.6	258.5	279.1	301.5
Cost of Revenues	-194.3	-171.7	-154.5	-166.6	-179.7	-194.0	-209.6
Gross Profit	83.5	75.3	67.8	73.1	78.8	85.1	91.9
SG&A Expenses	-34.3	-35.1	-30.2	-32.6	-35.1	-37.9	-41.0
EBITDA	49.2	40.3	37.6	40.5	43.7	47.1	50.9
Depreciation & Amortization	-6.1	-5.7	-6.5	-6.3	-5.7	-6.4	-6.5
EBIT	43.1	34.6	31.1	34.1	37.9	40.8	44.5
Other Income/Expenses	4.2	-0.6	2.3	2.3	2.2	2.2	2.1
Net Interest	5.5	4.9	3.1	2.1	1.4	0.7	0.1
Net Profit Before Tax	52.8	38.9	36.5	38.6	41.6	43.7	46.7
Income Tax	-11.0	-7.0	-8.2	-8.7	-9.4	-9.8	-10.5
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	41.8	31.9	28.3	29.9	32.2	33.9	36.2

Source: ETRS & Okaz Research

Balance Sheet (EGP mn)	2018A	2019A	2020F	2021F	2022F	2023F	2024F
Cash & Equivalents	122.0	123.3	111.7	102.4	94.5	87.7	132.2
Accounts Receivable	81.4	57.5	54.5	58.9	63.7	68.9	74.6
Inventories	9.2	6.8	5.5	5.9	6.4	6.9	7.5
Other Current Assets	40.3	31.1	31.1	31.1	31.1	31.1	31.1
Total Current Assets	252.8	218.7	202.8	198.3	195.7	194.6	245.4
Net Fixed Assets	126.5	130.9	135.4	141.1	148.4	156.3	155.9
Other Long Term Assets	32.1	15.3	14.9	14.5	14.2	13.8	13.7
Total Assets	411.4	364.9	353.1	353.9	358.3	364.7	414.9
Short Term Debt	2.5	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Payable	57.9	41.6	35.3	38.0	41.0	44.3	47.8
Other Current Liabilities	38.0	30.9	29.4	29.0	29.5	30.1	30.8
Total Current Liabilities	98.4	72.5	64.7	67.0	70.5	74.4	78.6
Long Term Debt	7.7	0.0	0.0	0.0	0.0	0.0	0.0
Other Long Term Liabilities	0.2	0.9	0.0	0.0	0.0	0.0	0.0
Total Liabilities	106.3	73.4	64.7	67.0	70.5	74.4	78.6
Provisions	20.1	6.3	6.3	6.3	6.3	6.3	6.3
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Common Equity	285.0	285.2	282.1	280.6	281.4	283.9	330.0
Total Liabilities and Equity	411.4	364.9	353.1	353.9	358.3	364.7	414.9

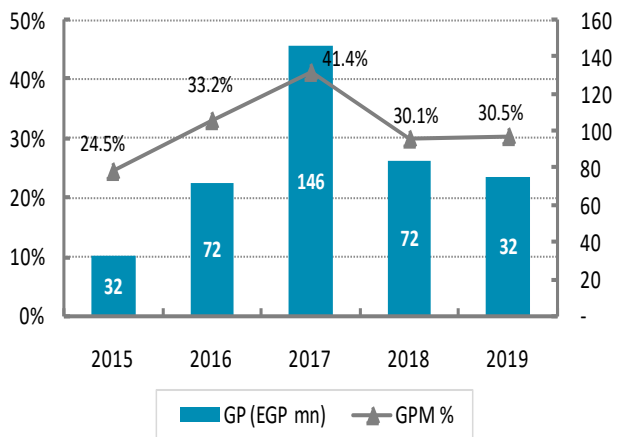
Source: ETRS & Okaz Research

Table 4: Financial Indicators

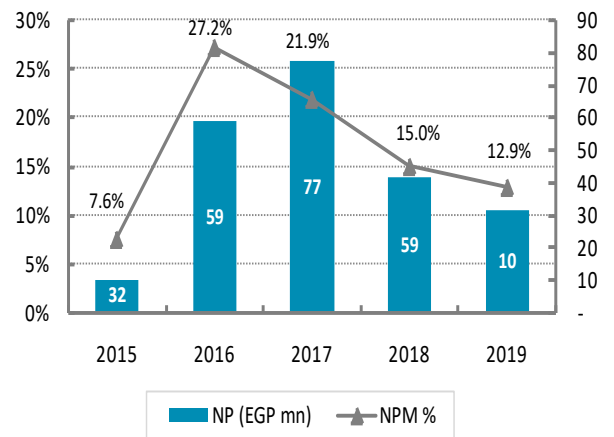
KPIs	2018A	2019A	2020F	2021F	2022F	2023F	2024F
Per-Share Data							
EPS	1.34	1.02	0.91	0.96	1.03	1.08	1.16
BVPS	9.13	9.14	9.04	8.99	9.02	9.10	10.57
Revenue per-share	8.90	7.91	7.12	7.68	8.28	8.94	9.66
DPS	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Multiples							
PER	5.8x	6.7x	7.5x	7.1x	6.6x	6.3x	5.9x
PBV	0.8x	0.7x	0.8x	0.8x	0.8x	0.7x	0.6x
P/Revenue	0.9x	0.9x	1.0x	0.9x	0.8x	0.8x	0.7x
DY	12.9%	14.7%	14.7%	14.7%	14.7%	14.7%	14.7%
Profitability							
Revenues	277.9	247.0	222.3	239.6	258.5	279.1	301.5
Revenue Growth	-21.1%	-11.1%	-10.0%	7.8%	7.9%	8.0%	8.1%
Gross Profit Margin (GPM)	30.1%	30.5%	30.5%	30.5%	30.5%	30.5%	30.5%
EBITDA Margin	17.7%	16.3%	16.9%	16.9%	16.9%	16.9%	16.9%
EBIT Margin	15.5%	14.0%	14.0%	14.2%	14.7%	14.6%	14.7%
Net Profit	41.8	31.9	28.3	29.9	32.2	33.9	36.2
Net Profit Growth	-45.9%	-23.8%	-11.3%	5.7%	7.8%	5.0%	6.9%
Net Profit Margin (NPM)	15.0%	12.9%	12.7%	12.5%	12.5%	12.1%	12.0%
ROE	14.7%	11.2%	10.0%	10.7%	11.4%	11.9%	11.0%
ROA	10.2%	8.7%	8.0%	8.4%	9.0%	9.3%	8.7%
Operating Efficiency							
Asset Turnover	0.7	0.7	0.6	0.7	0.7	0.8	0.7
Net Fixed Assets Turnover	2.2	1.9	1.6	1.7	1.7	1.8	1.9
Liquidity & Debt Service Coverage							
Working Capital	154.4	146.2	138.11	131.31	125.18	120.19	166.76
Current Ratio	2.6	3.0	3.1	3.0	2.8	2.6	3.1
Quick Ratio	2.5	2.9	3.1	2.9	2.7	2.5	3.0
Net (Debt) Cash	111.8	121.5	110.8	102.4	94.5	87.7	132.2
Debt /EBITDA	0.2	0.0	0.00	0.00	0.00	0.00	0.00
Total Coverage	2.38	2.98	3.14	2.96	2.77	2.62	3.12

Source: ETRS & Okaz Research

Figure 4: ETRS Profitability Margins

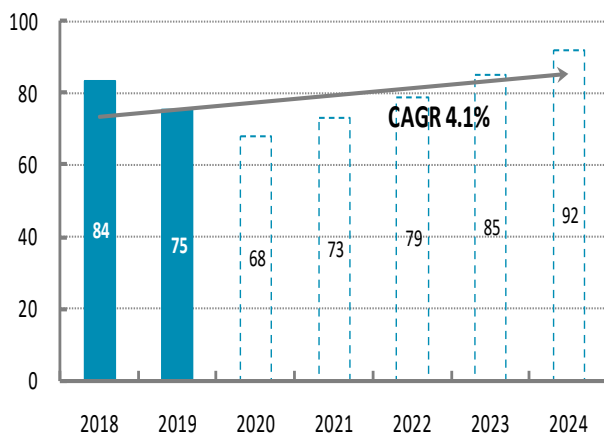


Source: ETRS & Okaz Research



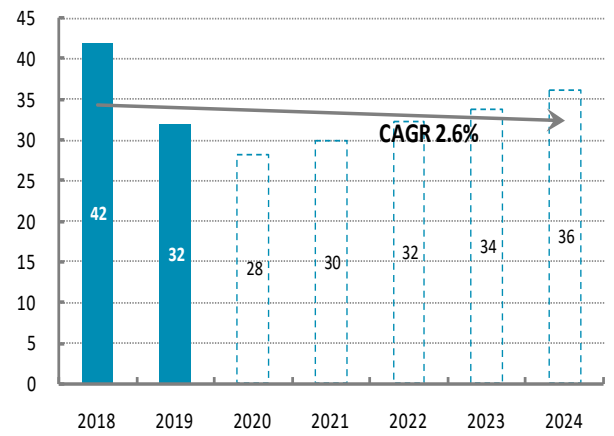
Source: ETRS & Okaz Research

Figure 5: Gross Profit (EGP mn)



Source: ETRS & Okaz Research

Figure 6: Net Profit (EGP mn)



Source: ETRS & Okaz Research

VALUATION ASSUMPTIONS

- We expect ETRS' consolidated revenues from the company's regular business to grow at 5-year CAGR of 4.1% to reach EGP 301.5mn in FY2024 compared to EGP 247.0mn in FY2019. However, we have estimated a 10% decline in ETRS' FY2020 revenues as a result of COVID-19 pandemic.
- We have eliminated any expected revenues from mega projects activity.
- The majority of COGS constituents are variable, we estimated COGS at 70% of revenues, as per the past two years and this level to be maintained for the whole forecasted period.
- SG&A assumed to continue at their 5 years average of 13.6% of sales.

Table 5: Revenue Assumptions (EGP mn)

	2018A	2019A	2020F	2021F	2022F	2023F	2024F	Forecasted CAGR
Freight & Discharging	33.7	19.0	17.1	17.4	17.8	18.1	18.5	-0.5%
GR (%)	-100.0%	-43.7%	-10.0%	2.0%	2.0%	2.0%	2.0%	
Contribution to revenues	12.1%	7.7%	7.7%	7.3%	6.9%	6.5%	6.1%	
Logistics	33.9	36.7	33.0	34.0	35.0	36.1	37.2	0.3%
GR (%)	-100.0%	8.3%	-10.0%	3.0%	3.0%	3.0%	3.0%	
Contribution to revenues	12.2%	14.9%	14.9%	14.2%	13.6%	12.9%	12.3%	
Land Transportation	70.5	61.8	55.6	61.2	67.3	74.1	81.5	5.7%
GR (%)	-100.0%	-12.3%	-10.0%	10.0%	10.0%	10.0%	10.0%	
Contribution to revenues	25.4%	25.0%	25.0%	25.5%	26.0%	26.5%	27.0%	
Add. Services	33.3	28.1	25.3	26.5	27.9	29.3	30.7	1.8%
GR (%)	-100.0%	-15.8%	-10.0%	5.0%	5.0%	5.0%	5.0%	
Contribution to revenues	12.0%	11.4%	11.4%	11.1%	10.8%	10.5%	10.2%	
Storage	34.8	41.7	37.6	41.3	45.5	50.0	55.0	5.7%
GR (%)	-100.0%	20.1%	-10.0%	10.0%	10.0%	10.0%	10.0%	
Contribution to revenues	12.5%	16.9%	16.9%	17.2%	17.6%	17.9%	18.2%	
Other Revenues	71.7	59.7	53.8	59.1	65.1	71.6	78.7	5.7%
GR (%)	-100.0%	-16.7%	-10.0%	10.0%	10.0%	10.0%	10.0%	
Contribution to revenues	25.8%	24.2%	24.2%	24.7%	25.2%	25.6%	26.1%	
Total Revenues	277.9	247.0	222.3	239.6	258.5	279.1	301.5	4.1%
GR (%)	-100.0%	-11.1%	-10.0%	7.8%	7.9%	8.0%	8.1%	

Source: ETRS & Okaz Research

VALUATION

• We updated our valuation for ETRS using DCF based on the company's projected free cash flow to firm (FCFF) during the period from FY2020 to FY2024 to derive ETRS' value per share of EGP 8.38, our Discounted Cash Flow (DCF) model is based on COE of 18.3%, beta of 0.94, risk free rate of 10.9 % (10 years T-bond of 13.6% after tax) and equity risk premium of 8% and terminal growth rate of 3%. It's worth noting that we have adjusted the company's cash with EGP 31.2mn distributed cash dividend in April 2020.

Table 6: Valuation

FCFF	2020	2021	2022	2023	2024
NOPAT	24.1	26.4	29.4	31.6	34.5
+Depreciation & Amortization	6.5	6.3	5.7	6.4	6.5
-Net Plant Expend.	(10.6)	(11.7)	(12.7)	(13.8)	(6.0)
-Change W.I.	(3.5)	(1.6)	(1.7)	(1.9)	(2.1)
=Free Cash Flow to the Firm	16.5	19.6	20.7	22.2	32.9
Discount Factor	0.90	0.76	0.64	0.54	0.46
TV					220.8
TCF	14.8	14.8	13.2	12.0	115.9
EV	170.7				
+Adjusted Cash	92.1				
+Investments	0.6				
- Minority	(1.8)				
- Debt	(0.0)				
Equity	261.6				
Number of shares	31.2				
FV/Share (EGP)	8.38				
12M-TP (EGP)	9.92				

Source: ETRS & Okaz Research

SENSITIVITY ANALYSIS

We conducted a sensitivity analysis for the changes in both COE and terminal growth rate to assess potential effects on our fair value to range between EGP 7.90/share and EGP 9.01/share.

Table 6: Sensitivity Table

Terminal Growth	Cost Of Equity (COE)					
		16%	17%	18%	19%	20%
5%	9.00	8.97	8.94	8.91	8.88	
4%	8.70	8.67	8.64	8.61	8.58	
3%	8.45	8.41	8.38	8.35	8.32	
2%	8.22	8.19	8.16	8.13	8.10	
1%	8.02	7.99	7.95	7.92	7.89	

Source: ETRS & Okaz Research

RECOMMENDATION GUIDELINES

Recommendation			
Strong Buy $\geq 30\%$	$30\% > \text{Buy} \geq 15\%$	$15\% > \text{Hold} \geq -15\%$	Sell $< -15\%$

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