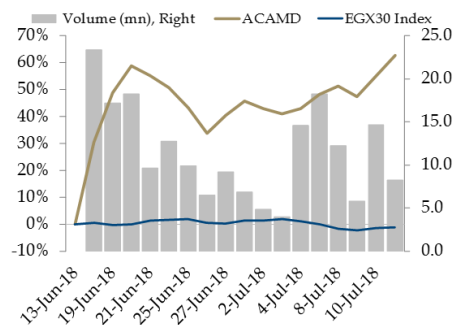


Valuation: **EGP5.13** (+64%)

Stock chart and data



Last Price (EGP)	3.12
52 Week Range (EGP)	2.01 - 3.33
6M-ADVT (EGPmn)	34.04
Market Cap (EGPmn)	826
No. of Shares O/S (mn) / Free float	264.8 / 95.6%

Source: Bloomberg, Decypha

Time to Unlock the Value in Its Land Bank

The stock of Arab Co. for Asset Management & Development (ACAMD), which spun off from Arab Cotton Ginning (ACGC) last month, has been performing very well so far. It is up by as much as 60% since its first day of trading on 14 June 2018. Apparently, the market has come to appreciate its land bank of 588,936 sqm and its debt-free balance sheet. Still, we believe the stock can be worth even more, yielding a high return in the medium term, driven by its total land bank.

- Background:** ACGC had announced back in December 2016 its plan to split (demerge) into two separate entities, namely ACGC and ACAMD. Moreover, it added that **its land bank along with a cash balance of EGP9.9mn** will be transferred to the new entity (based on the balance sheet as of 30 June 2016). Later in 2017, ACGC's BoD approved listing the new separate entity on the **EGX**. Prior to the spin-off, the market did not fully appreciate the intrinsic value of ACGC's land bank when it was under its umbrella.
- Now what?** ACAMD, as a new company, is now up and running to specifically manage and develop its land bank of 588,936 sqm. ACAMD's management is yet to reveal its strategy as how it will monetize this land bank. While the market started to partially appreciate ACAMD's story, it is somewhat skeptical as far as the strategy's execution is concerned.
- Valuation:** We ran a quick exercise to estimate the fair value of ACAMD's land bank using current market prices. We calculated a weighted average price of EGP4,580/sqm to reach a total value of EGP2.70bn for the land bank. This is compared to a post-demergers book value of land bank of EGP127mn. However, to account for the "saleability" of this land bank, we applied a 50% discount rate, thus averaging EGP2,290/sqm. This translated into a total value of EGP1.35bn (EGP5.09/share). Please see the table on Page 2. Adding ACAMD's EGP10mn cash balance, we get a combined valuation of EGP5.13/share (+64% of yesterday's close of EGP3.12). We also ran a sensitivity analysis to see how ACAMD's value could change given the change in land bank price and the discount rate applied for its "saleability", ranging between a high of EGP7.88/share (based on a 10% increase in land bank price and a 30% discount rate for "saleability") and a low of EGP2.79/share (based on a 10% decrease in land bank price and a 70% discount rate for "saleability").

Sensitivity analysis

Land price change	Discount rate used for "saleability"				
	30%	40%	50%	60%	70%
10%	7.88	6.76	5.64	4.52	3.40
5%	7.52	6.45	5.38	4.32	3.25
0%	7.17	6.15	5.13	4.11	3.09
-5%	6.81	5.84	4.88	3.91	2.94
-10%	6.45	5.54	4.62	3.70	2.79

Source: SHUAA Securities Egypt

Valuation summary

Details of parent and spin-off companies	ACGC Pre-Demerger	ACGC Post-Demerger	ACAMD Post-Demerger
No. of shares (mn)	264.8	264.8	264.8
Book value (EGPmn)	1,486	1,349	137
Paid-in capital (EGPmn)	1,324	1,192	132
Par value (EGP/share)	5.00	4.50	0.50

Source: Media sources, SHUAA Securities Egypt

Land bank of Arab Co. for Asset Management & Development	Size (sqm)	Price (EGP/sqm)	Price @ 50% discount (EGP/sqm)	Est. market value (EGPmn)
Tanta land, Gharbia Gov.	24,818	12,000	6,000	149
Meetbarra land, Menofiya Gov.	96,268	8,500	4,250	409
Zefta land, Gharbia Gov.	60,285	4,000	2,000	121
Ahnassia land, Beni Suef Gov.	183,429	2,000	1,000	183
Samaloot land, Minya Gov.	57,767	2,000	1,000	58
Hawwara land, Fayoum Gov.	49,839	6,000	3,000	150
Abu Teeg land, Assiut Gov.	28,960	5,000	2,500	72
Damanhour land, Behaira Gov.	11,156	3,000	1,500	17
Desouk land, Kafr El-Sheikh Gov.	1,249	3,500	1,750	2
Minyet Samannood land, Daqahlia Gov.	75,165	5,000	2,500	188
Total / Weighted average	588,936	4,580	2,290	1,349

Source: Media sources, SHUAA Securities Egypt

Figures in EGPmn	ACGC Pre-Demerger	ACGC Post-Demerger	ACAMD Post-Demerger (Book value)	ACAMD Post-Demerger (Adjusted)
Cash	54.0	44.1	9.9	9.9
<u>Other current assets</u>	<u>220.4</u>	<u>220.4</u>	-	-
Total current assets	274.4	264.5	9.9	9.9
Net fixed assets	171.8	45.0	126.8	1,348.6
<u>Other non-current assets</u>	<u>1,143.4</u>	<u>1,143.4</u>	-	-
Total non-current assets	1,315.2	1,188.4	126.8	1,348.6
Total assets	1,589.6	1,452.9	136.7	1,358.5
Current liabilities	24.2	24.2	-	-
<u>Non-current liabilities</u>	<u>3.7</u>	<u>3.7</u>	-	-
Total liabilities	27.9	27.9	-	-
Paid-in capital	1,324.1	1,191.7	132.4	132.4
Legal reserves	229.5	225.2	4.3	4.3
<u>Retained earnings & others</u>	<u>8.1</u>	<u>8.1</u>	-	1,221.8
Total equity	1,561.7	1,425.1	136.7	1,358.5
Total equity & liabilities	1,589.6	1,452.9	136.7	1,358.5
Book value/share	5.90	5.38	0.52	5.13

Source: Media sources, SHUAA Securities Egypt



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