



## Dice Sport & Casual Wear (DSCW) / Consumer Discretionary

### Stock Looks to Have Bottomed Out; Adding DSCW to EGX Model Portfolio

Updating our stock picks as part of our EGX Model Portfolio (EGX-MP), we are adding a new stock effective this morning. We name Dice Sport & Casual Wear (DSCW) as replacement for Alexandria Mineral Oils Co. (AMOC) that we had recently removed off our top picks.

#### Key Highlights

- Back in the limelight:** Shares of Dice Sport & Casual Wear (DSCW) have gone up by c.23% in almost two weeks after undergoing a 5-for-1 stock split. In our view, there was no other company-specific news behind this jump in the stock price, just like there was no good reason for the stock's prior slump. Noting that DSCW is highly leveraged, the company may benefit from an expected drop in interest rates in the upcoming period, which may be what have helped DSCW's recent stock performance. However, we note that a considerable portion of the company's debt is in USD, which may limit the benefit of lower EGP interest rates.
- Reversing 2018 performance?** DSCW's stock has shown lackluster performance during 2018, declining by more than 40%, coupled with low trading liquidity. In 9M 2018, DSCW posted strong revenue growth of 32% y/y, but earnings fell by 17% y/y to EGP107mn on (1) an overall increase in the company's costs, (2) a higher interest expense, and (3) FX losses versus FX gains in 9M 2017.

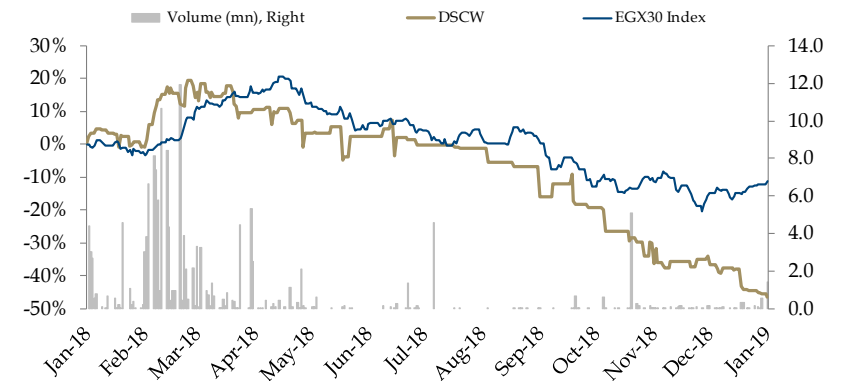
#### Valuation

- PT EGP4.0/share:** In our story about the company published in [The Daily Beam on 12 September 2018](#), we had highlighted some key positive points about the company and its outlook, some of which we think are still viable. DSCW is still cheap,

trading at a TTM P/E of 5x. Furthermore, management has revised their earnings' guidance for 2018 from EGP250mn to be around EGP177mn or slightly lower than 2017. If we are to consider the newly-revised lower earnings' guidance of 2018, P/E would be 4.6x. More conservatively, if we consider 2017 seasonality, we would put 2018 earnings at EGP150mn, which would imply a P/E of 5.3x for 2018. With DSCW's stock trading liquidity recently improving, we think most of the negative news have already been priced in the stock, which is why DSCW has bottomed out – in our view. We value DSCW at an undemanding 7x our conservative EGP150mn earnings, which implies a PT of EGP4.0/share.

#### Risks

- Any interest rate hike given its high leverage.
- Any strengthening in the EGP could put a lid on revenue growth which is export driven.
- A slower-than-expected collection of export incentives from the government or a change in the export rebate system that is unfavorable for DSCW.

**Not Rated**
**PT: EGP4.0**


Last Price (EGP)	2.97
52 Week Range (EGP)	2.17 - 6
6M-ADVT (EGPmn)	0.94
Market Cap (EGPmn)	787
No. of Shares O/S (mn) / Free float	265.0 / 63.4%

FY ended 31 Dec.	2015	2016	2017
<b>EGPmn</b>			
<b>Revenues</b>	<b>588.9</b>	<b>721.1</b>	<b>1,187.1</b>
YoY growth	na	22.5%	64.6%
<b>Gross profit</b>	<b>130.8</b>	<b>235.3</b>	<b>389.0</b>
Margin %	22.2%	32.6%	32.8%
<b>EBITDA</b>	<b>99.3</b>	<b>150.1</b>	<b>299.7</b>
Margin %	16.9%	20.8%	25.2%
<b>Net income</b>	<b>67.7</b>	<b>(137.6)</b>	<b>176.7</b>
Margin %	11.5%	(19.1%)	14.9%
P/E	3.0x	nm	4.5x
Dividend yield	--	--	--
ROE	47.4%	nm	92.2%

Note: Multiples are based on year-end values, except 2017 which is based on last market price.  
Source: Bloomberg.

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