

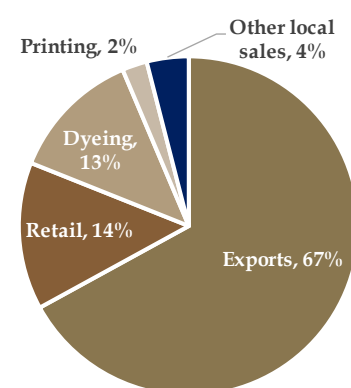
Today's Story

DSCW's 2018 Earnings in Line with Our Estimates – Stays in SSE's EGX-MP

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- Earnings for the full-year of 2018 fell on higher COGS:** Dice Sport & Casual Wear's (DSCW) earnings dropped 13% y/y to EGP154mn in 2018 from EGP177mn in 2017. Earnings were largely pressured by COGS which escalated by 36% to EGP1.11bn as the company incurred the full costs of labor in its **Cairo Cotton Center's (CCC)** factory while operating at low utilization rates. Highly leveraged, DSCW saw its interest expense climb 30% y/y to EGP92mn, weighing on earnings. Earnings in Q4 2018 were nearly flat on a yearly basis but shot 80% up to EGP47mn on a sequential basis, predominantly driven by 51% q/q revenue growth to EGP483mn. This resulted in a lower ratio of SG&A as a percentage of revenue, contracting to 9% from 14% in Q3 2018.
- Revenue growth continues, but margins are squeezed by higher costs:** DSCW's revenues rose 28% y/y to EGP1.52bn in 2018 from EGP1.19bn in 2017, with export revenues increasing 17% y/y on heavier volume (+15%) and a higher average price per piece of exports (+2.5%). Exports accounted for 67% of revenues, still the top contributing segment. The retail segment exhibited impressive growth of 71% y/y to EGP213mn in 2018, backed by a 72% larger volume y/y. Total number of stores grew by c.31% y/y to 188 stores, 73% of which are franchised and the remainder is rented. However, top line growth could not offset the jump in COGS, leading GPM to fall by 424bps to 27% from 31% in 2017. However, we note that gross profit and EBITDA grew y/y in absolute terms by 10% and 8% to EGP402mn and EGP325, respectively.
- Management guidance for 2019:** DSCW's management expects to achieve revenues of EGP2bn (+32% y/y) and net profit of EGP200mn (+29% y/y) in 2019. Also, it aims to finalize during this year the acquisition of CCC's assets that DSCW currently leases. This EGP140mn acquisition would be financed from the company's internal resources in addition to a medium-term loan. DSCW says it will work on raising utilization rates in CCC to improve its margins.
- DSCW—Still cheap, remains part of SSE's EGX Model Portfolio:** DSCW's stock is currently trading at 5.2x 2018 earnings, an attractive valuation—in our view. If we consider 2019 expected earnings, it would be trading at a more attractive forward P/E of 4x. We are still holders of the name, hence we are keeping it in our **EGX Model Portfolio (EGX-MP)**. We remind our readers that we had added DSCW to our EGX-MP on 3 February 2019. At that time, we valued the company at 7x our conservative estimated earnings of EGP150mn (which is incidentally in line with earnings just reported in 2018), implying a PT of EGP4.0/share (+33% upside).

DSCW's 2018 revenue mix by segment (EGP1.52bn)



Source: Company reports.

Summary of DSCW's results

EGPmn	2018	2017	y/y	Q4 2018	Q4 2017	y/y	Q3 2018	q/q
Revenues	1,516	1,187	28%	483	404	39%	320	51%
COGS	(1,113)	(822)	36%	(367)	(279)	39%	(232)	58%
Gross Profit	402	365	10%	116	125	36%	88	32%
Gross Profit Margin	27%	31%	-424 bps	24%	31%	-18 bps	27%	-346 bps
SG&A	168	141	19%	44	55	41%	44	2%
SG&A % of Revenues	11%	12%	-77 bps	9%	14%	7 bps	14%	-443 bps
EBITDA	325	302	8%	98	94	54%	58	69%
EBITDA Margin	21%	25%	-397 bps	20%	23%	19 bps	18%	217 bps
Interest Expense	92	70	30%	22	20	8%	25	-15%
Net Income	154	177	-13%	47	47	1%	26	80%
Net Margin	10%	15%	-469 bps	10%	12%	-178 bps	8%	155 bps

Source: Company disclosure.

Top Headlines

Corporate

- **Siemens Gamesa** selected **Elsewedy-Marubeni** to establish the first phase of the wind farm of a capacity 180MW as an EPC+Finance project, through Japanese institutions. (Al-Borsa)
- **Palm Hills Developments** (PHDC) plans to launch *Palm Hills Alexandria* next month with initial investments amounting to c. EGP15bn, said the company's CEO Yasseen Mansour. Meanwhile, the company will be launching a new phase in *Badya* by 2020. (Al-Mal)
- **Sarwa Capital's** (SRWA) subsidiary **Plus Leasing** is negotiating to obtain an EGP600mn financing to fund its new bookings during 2019. (Al-Mal)
- **Alexandria Pharmaceuticals & Chemical Industries** (AXPH) released its financial statements for 8M FY2018/19 (July 2018 – February 2019) where net profit inched up 1.3% y/y to EGP95.3mn. Meanwhile, total revenues increased on 14.3% y/y to EGP599.1mn, but gross profit margin shrank to 28.4% compared to 31.7% a year ago. (Company disclosure)
- **National Housing for Professional Syndicates** (NHPS) has reached an agreement with **Egyptian Resorts Co.** (EGTS) to replace the disputed land plot in **Sahl Hasheesh** with another equivalent plot in the same area. It is possible that NHPS will launch a new residential and hospitality project on the land during 2019. (Al-Mal)
- **Suez Cement's** (SUCE) *Kattameya* plant's team launched a successful attempt to use waste as an alternative fuel in its main kiln burner, reducing dependence on fossil fuel by around 10% of its total fuel consumption. Meanwhile, around 15% of fuel in the preheater "Calciner" is substituted for by alternative fuel which now sums up to around 25%, out of a planned 30%, of total fuel consumption. (Company disclosure)

Non-Corporate

- **Emirates NBD's Egypt Purchasing Managers' Index** has ticked up to 49.9 in March from 48.2 in February, due to higher orders and lower input costs for firms. (Markit)
- According to the **Egyptian Tax Authority** head Abdel Azim Hussein, the 0.25% levy businesses will have to pay as part of the *Universal Health Care Act* will definitely be on revenues for the current fiscal year. (Enterprise)
- **Tourism revenues** grew 50% y/y to USD11.4bn in 2018 versus USD7.6bn in 2017 on a higher number of tourists and higher daily spending. (Enterprise)
- Average yields on **91-day** and **266-day T-bills** were up in an auction held on 7 April:
 - Yield on **91-day T-bills** increased from 17.392% to 17.524% (+13.2bps), with EGP8.75bn required and EGP10bn accepted. The submitted amount was c. EGP11.5bn, implying a bid-to-cover ratio of about 1.3.
 - Yield on **266-day T-bills** rose from 17.380% to 17.556% (+17.6bps), with EGP8.75bn required and EGP7.9bn accepted. The submitted amount was c. EGP8.66bn, implying a bid-to-cover ratio of 0.99. (CBE)

Markets

↘	EGX 30	15,135.47	(0.74%)	↘	EGX 70	675.23	(0.42%)
↗	DFMGI	2,780.95	0.17%	↗	ADSMI	5,052.49	0.40%
↘	TASI	9,011.11	(0.58%)	↗	QE Index	10,192.19	0.03%
↗	S&P 500	2,892.74	0.46%	↗	MSCI EM	1,085.14	0.41%
↗	Gold	1,297.85	0.47%	↗	Brent Oil	70.71	0.53%

*As of market close, except for commodities at spot price as of 8.45am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** endured losses at the beginning of the week, as **COMI**, **CCAP**, and **TMGH** weakened. UAE's **ADSMI** ended in green on upbeat **telecom** and **banking** stocks, while **DFMGI** closed stronger strengthened by **banks** and **financial services** stocks. In **Saudi Arabia**, **TASI** halted its winning streak, as its **banking** and **materials** sectors ran into some profit taking.
- **Global Markets:** **Asian equities** retreated a bit on Monday, off a 7-month high, as a bullish run met with anticipation mode regarding upcoming market events, such as the earnings season. **US future indices** are moderately down, pointing to a red opening to **Wall Street**. **Oil** prices remained up, supported by supply destruction scenarios.

Number of the Day

EGP6.25bn

The capital increase proposed by **Orascom Investment Holding's** (OIH) BoD to finance the acquisition of **Nile Sugar**.

Today's Quiz

What is the total outstanding debt of Dice Sport & Casual Wear (DSCW)?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Six of October Development and Investment	OCDI	EGM / AGM	8-Apr	Reviewing Agenda Items
Egyptian Gulf Bank	EGBE	Dividends	8-Apr	Last date of bonus shares eligibility of 6.6%
Heliopolis Housing & Development	HELI	Dividends	8-Apr	Distribution of cash dividends of EGP0.25/share
Cleopatra Hospital	CLHO	EGM	10-Apr	Reviewing Agenda Items
Arab Cotton Ginning	ACGC	EGM	14-Apr	Reviewing Agenda Items
Faisal Islamic Bank of Egypt - USD	FAITA	Dividends	14-Apr	Last date of cash dividends eligibility of USD0.08/share
Faisal Islamic Bank of Egypt	FAIT	Dividends	14-Apr	Last date of cash dividends eligibility of EGP1.433/share
Egyptian Iron & Steel	IRON	Tender	15-Apr	Tender for the revamping of its production lines
Ismailia Misr Poultry	ISMA	Dividends	15-Apr	Distribution of cash dividends of EGP0.10/share
Sinai Cement	SCEM	AGM	16-Apr	Reviewing Agenda Items
Faisal Islamic Bank of Egypt - USD	FAITA	Dividends	17-Apr	Distribution of cash dividends of USD0.08/share
Faisal Islamic Bank of Egypt	FAIT	Dividends	17-Apr	Distribution of cash dividends of EGP1.433/share
Oriental Weavers Carpet	ORWE	EGM / AGM	17-Apr	Discuss of bonus shares (50%)
Egyptian Satellites	EGSA	Dividends	17-Apr	Last date of cash dividends eligibility of USD0.60/share
Elsaed Contracting & Real Estate	UEGC	AGM	18-Apr	Reviewing Agenda Items
Edita Food Industries	EFID	Dividends	18-Apr	Distribution of cash dividends of EGP0.20/share
Credit Agricole Egypt	CIEB	Dividends	18-Apr	Distribution of cash dividends of EGP4.24/share
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	18-Apr	Legal Disputes relevant to <i>Porto Tartous</i> project
Minapharm Pharmaceuticals	MIPH	EGM / AGM	20-Apr	Discuss the capital increase
Egyptian Electrical Cables	ELEC	AGM	21-Apr	Reviewing Agenda Items
Arab Co for Asset Management & Development	ACAMD	Tender	21-Apr	Land Auction
EFG Hermes	HRHO	EGM / AGM	21-Apr	Reviewing Agenda Items
Arabia Investments Holding	AIND	Lawsuit	21-Apr	Legal Disputes relevant to the Company
El Obour Real Estate Investments	OBRI	EGM / AGM	22-Apr	Reviewing Agenda Items
National Co For Maize Products	NCMP	AGM	22-Apr	Reviewing Agenda Items
El-Shams Housing & Urbanization	ELSH	AGM	23-Apr	Reviewing Agenda Items
Suez Cement	SUCE	AGM	23-Apr	Reviewing Agenda Items
Industrial & Engineering Projects	IEEC	EGM / AGM	23-Apr	Reviewing Agenda Items
Misr Fertilizers Production Co.	MFPC	AGM	23-Apr	Reviewing Agenda Items
Tourah Portland Cement	TORA	AGM	23-Apr	Reviewing Agenda Items
Arab Co for Asset Management & Development	ACAMD	EGM	24-Apr	Amending some of the company's articles of incorporation
Orascom Development Egypt	ORHD	AGM	24-Apr	Reviewing Agenda Items
Pioneers Holding	PIOH	EGM	25-Apr	Amending some of the company's articles of incorporation
Atlas For Investment and Food Industries	AIFI	EGM / AGM	27-Apr	Reviewing Agenda Items
National Cement	NCEM	Lawsuit	27-Apr	To rule in canceling the decision to dissolve the company
Paints & Chemical Industry	PACH	Dividends	30-Apr	Distribution of cash dividends of EGP1.5/share
Minapharm Pharmaceuticals	MIPH	AGM	30-Apr	Reviewing Agenda Items
Egyptian Transport and Commercial	ETRS	Dividends	30-Apr	Distribution of cash dividends of EGP0.5/share
Maridive & Oil Services	MOIL	EGM / AGM	2-May	Reviewing Agenda Items
Raya Contact Center	RACC	AGM	5-May	Reviewing Agenda Items
Orascom Investment Holding	OIH	AGM	5-May	Reviewing Agenda Items
Suez Canal Bank	CANA	Lawsuit	7-May	To rule in a lawsuit that invalidated the Bank's AGM on April 4, 2018
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	23-Jun	Legal Disputes relevant to <i>Porto Tartous</i> project
Global Telecom Holding	GTHE	AGM	27-Jun	Discussing capital increase
Egyptian Transport and Commercial	ETRS	Dividends	30-Jun	Distribution of cash dividends of EGP0.5/share
Ismailia Misr Poultry	ISMA	Dividends	8-Aug	Distribution of cash dividends of EGP0.10/share

Quiz Answer

c. EGP800mn, at end of December 2018.

Correction & Clarification

Egyptian Resorts Co. (EGTS) recorded a gross loss margin of 30% in 2018 vs. a gross profit margin of 38% a year ago. It was incorrectly mentioned in *Top Headlines* yesterday that EGTS recorded a gross profit margin in 2018.

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