

Review & Outlook | The Real Estate Sector

It's a Matter of Time; We're Positive

One year ago, we were wondering to what extent the outbreak of COVID-19 would affect the Egyptian real estate market in 2020, the span which has witnessed a series of events, between negative and positive for the sector.

Today, we present our review for 2020 with an analysis of the sales performance of the largest real estate developers listed on the Egyptian Stock Exchange (EGX). This is in addition to our outlook for the sector and companies' sales in 2021. We highlight that sales represent new sales (contracted sales), which express the real demand for real estate during the year. Then, sales are recognized as revenues, as per the accounting standards followed by each company. Accordingly, the period of revenue recognition does not necessarily match the period of sales.

2020 in Review: COVID-19 Hits New Sales of Real Estate

The outbreak of COVID-19 led to a YoY decline in sales in 2020 due to the partial closure of the country during the first half of the year.

- In 2020, the aqaramp index declined for the second year in a row to an average of 2,466 points (-12.0% YoY), to return near the pre-floatation level of an average of 2,423 points in 2016.
- The aggregated contracted sales value, for the 6 largest companies (excluding EGTS and HEL), declined by 5.8% YoY to EGP65.2bn in 2020.
- Aggregated sales in 2020 were supported by land sales of EGP6.8bn (c.10 % of aggregated sales), compared to EGP210.7mn in 2019 (0.3% of aggregated sales).
- The first half in 2020 was the most impacted by the lockdown after the outbreak of COVID-19. Meanwhile, the second half was stronger thanks to the partial re-opening of the country.
- Q4 2020 achieved strong sales (c.53% of H2 2020's sales and c.35% of 2020's sales), driven by the launch of real estate exhibitions, and offers introduced by developers to attract buyers.
- TMGH, EMFD, and PHDC are the largest contributors to aggregated sales in 2020.
- EMFD, MNHD, and OCDI are the outperformers in 2020, in terms of YoY change in sales.

Outlook: Low Interest Rates to Revive Real Estate Market

Interest rate cut and mortgage finance initiatives at low rates would stimulate demand for real estate in the secondary market which would eventually be positive for the primary market.

- We estimate aggregated sales (of the 6 companies mentioned in this report) to record EGP56.1bn in 2021 (-13.9% YoY). This is excluding the positive effect from interest rate cut and mortgage finance initiatives.
- We estimate aggregated sales, of the 6 companies, to grow by a 4-Years CAGR (2021-25) of 5.2% to reach EGP68.7bn in 2025.
- PHDC, OCDI, MNHD, and HELI have projects that can benefit from the mortgage finance initiative for the middle-income class at an 8% declining interest rate.
- EMFD, PHDC, OCDI, and TMGH have new launches which would support their new sales in 2021.
- EMFD, PHDC, and OCDI are the most diversified developers in terms of project locations.
- OCDI has the greatest opportunity for growth in new sales as it has a strong brand name and diversified land bank. However, it achieves below-average sales.
- MNHD and HELI can sell at lower prices and longer payment terms, compared to peers, as they own large land at low cost with no land liability.
- EMFD, OCDI, and MNHD have net cash balances that give them the ability to expand in new projects, deal with challenges in the market, or/and distribute cash to shareholders.
- TMGH and ORHD are benefited from the recovery of tourism after COVID-19 fades out.

(Last Prices as of
March 23, 2021)

Egyptian Resorts Co.

BUY

Target Price	EGP1.49
Market Price	EGP1.31
Upside	13.7%

Emaar Misr

BUY

Target Price	EGP4.78
Market Price	EGP2.33
Upside	105.2%

Heliopolis Housing

BUY

Target Price	EGP8.51
Market Price	EGP4.56
Upside	86.6%

Madinet Nasr

UNDER REVIEW

Target Price*	EGP7.15
Market Price	EGP3.68

*Our Target Price is Under Review

Orascom Development

BUY

Target Price	EGP6.92
Market Price	EGP5.70
Upside	21.4%

Palm Hills

UNDER REVIEW

Target Price*	EGP4.79
Market Price	EGP1.62

*Our Target Price is Under Review

SODIC

UNDER REVIEW

Target Price*	EGP30.22
Market Price	EGP16.80

*Our Target Price is Under Review

Talaat Moustafa

NOT RATED

Target Price*	N/A
Market Price	EGP6.46

*Not Rated

Mahmoud Gad, CMA
mgad@aaaiscurities.com

+2 (02) 279 29050

Review & Outlook | The Real Estate Sector

It's a Matter of Time; We're Positive

Table of Content

2020 in Review: COVID-19 Hits New Sales of Real Estate

• Key Events (over the past 14-months)	3
• The Impact of COVID-19 on the Real Estate Sector	4
• Egypt Real Estate Demand Index (aqaramp index)	4
• Correlation between "GDP per capita"/"Inflation", and "Sales"	5
• Aggregated Sales in 2020 were Supported by Land Sales	6
• Partial Lockdown Shifts Demand to H2	7
• Exhibitions and Offers Supported Q4's Sales	7
• TMGH, EMFD, and PHDC are the Largest Contributors in 2020	8
• EMFD, MNHD, and OCDI are the Outperformers in 2020	8
• Companies' Sales Drivers in 2020	9

Outlook: Low Interest Rates to Revive Real Estate Market

• Interest Rates Return to May 2014's Level	10
• Impact of Interest Rate Cut on the Real Estate Market	10
• New Mortgage Initiatives at Lower Rates	11
• Developers' Launched Projects which can Benefit from Mortgage Initiatives	11
• Expected Sales for 2021 based on GDP per Capita	12
• Companies' Sales Drivers for 2021	13

Review & Outlook | The Real Estate Sector

2020 in Review: COVID-19 Hits New Sales of Real Estate

Key Events (over the past 14-months)

2020	
Q1	
Feb. 11	The World Health Organization (WHO) designated COVID-19 as the official name for the novel coronavirus.
Feb. 14	Egypt was the first African country to announce the first confirmed COVID-19 case.
Feb. 16	The Central Bank of Egypt (CBE) increased the ratio of mortgage loan-to-the total loan portfolio of banks to 10% from 5%.
Mar. 07	After the confirmed cases reached 100,000 globally, the WHO issued a statement calling for action to stop, contain, control, delay, and reduce the impact of COVID-19.
Mar. 09	Egypt's cabinet suspended all mass gatherings in Egypt to prevent the spread of COVID-19.
Mar. 11	The WHO announced COVID-19 as a pandemic after it spread in 114 countries.
Mar. 11	The Cityscape Egypt show, formerly scheduled to run from the 18 – 21 March, was postponed.
Mar. 16	To support the economy in the face of COVID-19, CBE cut the overnight deposit rate, the overnight lending rate, and the rate of the main operation by 300 basis points to 9.25%, 10.25%, and 9.75%, respectively.
Mar. 16	CBE deferred all customers' credit dues (corporates, individuals, and SMEs) for 6 months, including retail loans and mortgage loans for personal housing.
Mar. 19	CBE amended the interest rate of the mortgage finance initiative for the middle-income class, to be 8% (decreasing) instead of 10%.
Mar. 22	State-owned banks launched a 1-year 15% high-yield saving certificate.
Mar. 24	Egypt imposed a partial curfew and travel bans to prevent the spread of COVID-19.
Q2	
Apr. 14	The International Monetary Fund (IMF) expected that COVID-19 will have a severe impact on the global economy to contract by 3% in 2020, much worse than during the financial crisis. For Egypt, the IMF cut its projections for real GDP from 5.9% to 2.0% in FY2020 and from 6.0% to 2.8% in FY2021.
Jun. 19	Egypt reached the peak of the first wave of COVID-19.
Jun. 27	Egypt lifted the partial curfew with the implementation of precautionary measures against COVID-19.
Q3	
Sep. 24	CBE cut the overnight deposit rate, the overnight lending rate, and the rate of the main operation by 50 basis points to 8.75%, 9.75%, and 9.25%, respectively.
Sep. 21	The state-owned banks halted the 1-year 15%, saving certificates. We highlight that the total proceeds reached about EGP383.0bn.
Q4	
Oct. 13	The IMF upgraded its forecast for Egypt's real GDP from 2.0% to 3.5% in FY2020.
Nov. 04	The Cityscape Egypt show was held during 4 – 7 November.
Nov. 12	CBE cut the overnight deposit rate, the overnight lending rate, and the rate of the main operation by 50 basis points to 8.25%, 9.25%, and 8.75%, respectively.
Dec. 31	Egypt reached the peak of the second wave of COVID-19.
2021	
Q1	
Jan. 26	The IMF upgraded its forecast for Egypt's GDP from 5.0% to 5.5% in FY2021.
Feb. 15	The CBE amended the regulations related to financing real estate developers. As per these amendments, developers with high creditworthiness can borrow from banks to finance projects under co-development with the government and private parties. Moreover, they can borrow to finance the land payments if the land is owned by one of the government entities.
Mar. 14	The Egyptian President Abdel Fattah Al-Sisi directed the CBE to formulate and launch a new mortgage finance program, for the low- and middle-income classes, offering long-term loans up to 30 years with an interest rate of 3% (declining).

Source: WHO, IMF, CBE, Media Sources, AAIS Research

Review & Outlook | The Real Estate Sector

2020 in Review: COVID-19 Hits New Sales of Real Estate (Cont'd)

The Impact of COVID-19 on the Real Estate Sector

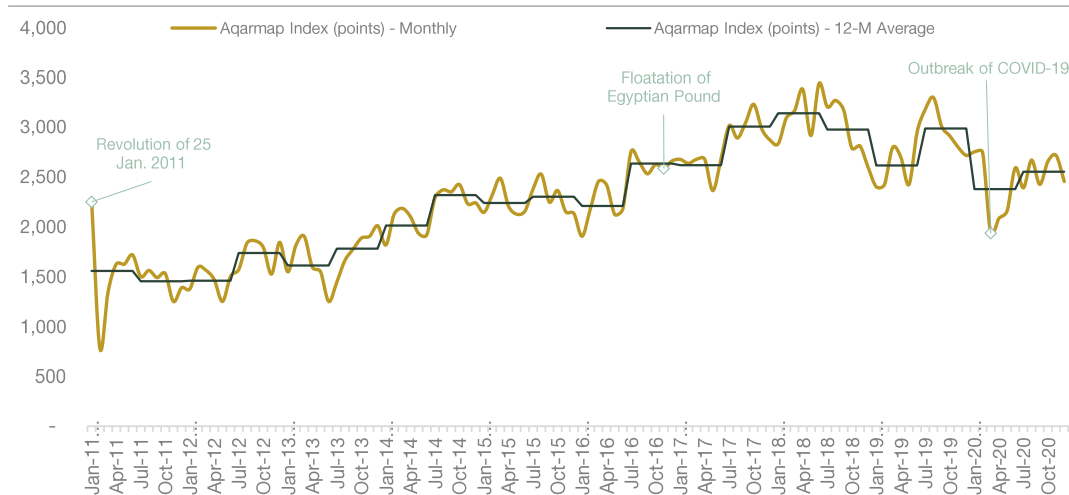
The real estate market is witnessing a weaker demand on real estate from local buyers since the floatation of the Egyptian pound in November 2016. We see the secondary market (resale) suffering the most as it is wholly dependent on cash payments. With the staggering rise in the price of units, coupled with lower purchasing power, buyers are turning more towards developers (primary market). The main reason for the shift is that developers have, over the past couple of years, began to offer extended payment terms. However, developers have continued to struggle for the following reasons:

1. The slowdown in the resale segment, coupled with the high interest rate environment negatively affected demand for real estate for investment purposes.
2. The entrance of new players who compete intensively with the current players.
3. Payment schemes are still beyond the reach of many buyers.

What made matters worse, the outbreak of COVID-19 which led to a decline in sales in 2020 due to the partial closure of the country during the first half of the year. This was despite the CBE cut the interest rates by 400 basis points in 2020 to reach its levels on May 29, 2014. However, this cut was accompanied by the announcement of a 1-year 15% high-yield saving certificate by state-owned banks, during March-September 2020, with total proceeds of EGP383.0bn.

Egypt Real Estate Demand Index (aqaramp index)

- In 2020, aqaramp index declined for the second year in a row to an average of 2,466 points (-12.0% YoY), to return near the pre-floatation level of an average of 2,423 points in 2016.
- 2019 and 2020 were the first years for the index to record an average annual decline since 2011 which witnessed a decline in the index values by 33.1% YoY to an average of 1,506 points (the lowest level since inception).
- aqaramp index sharply declined in March 2020 by 29.6% MoM and 30.8% YoY to 1,936 points; lowest monthly level since January 2016 (pre-floatation), after the outbreak of COVID-19.
- In H1 2020, the index declined by 20.3% HoH and 9.1% YoY to an average of 2,379; the lowest semi-annual level since H1 2016 (pre-floatation), impacted by the curfew after the outbreak of COVID-19.
- In H2 2020, the index recovered to an average of 2,553 points (+7.3% HoH, -14.5% YoY), driven by the re-opening of the economy.



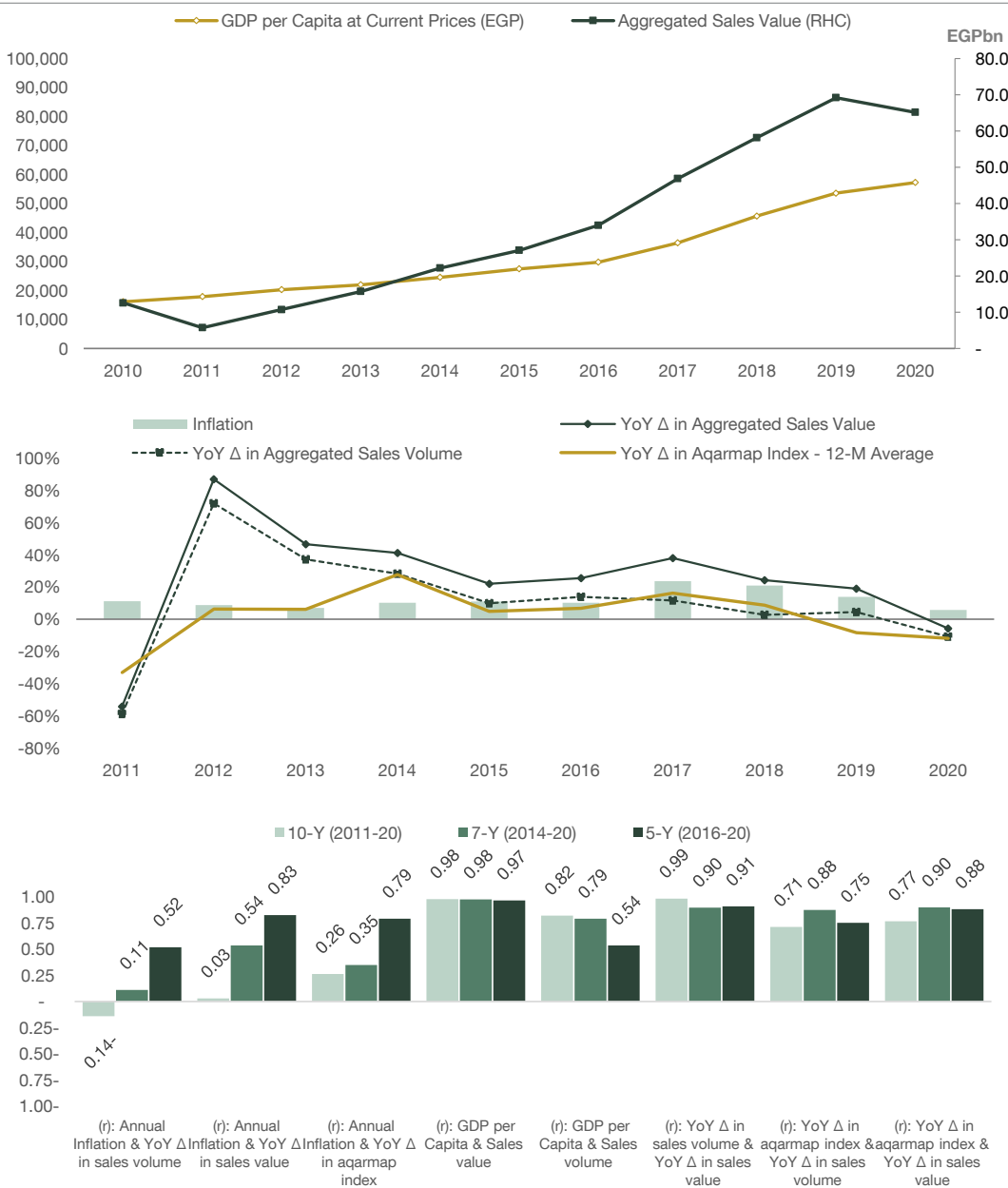
Source: aqaramap, AAIS Research

Review & Outlook | The Real Estate Sector

2020 in Review: COVID-19 Hits New Sales of Real Estate (Cont'd)

Correlation between “GDP per capita”/“Inflation”, and “Sales”

- “GDP per capita – at current prices” and “sales value” had a positive, strong correlation over the past 10 years (2011-20), 7 years (2014-20), and 5 years (2016-20).
- “Inflation” and “change in sales volume” had a negative weak correlation over the past 10 years (2011-20). However, they were positively correlated over shorter periods (2016-20).
- “aqarmap index” and “sales” had a strong, positive correlation over the past 10 years (2011-20), 7 years (2014-20), and 5 years (2016-20).



Source: IMF, aqarmap, AAIS Research

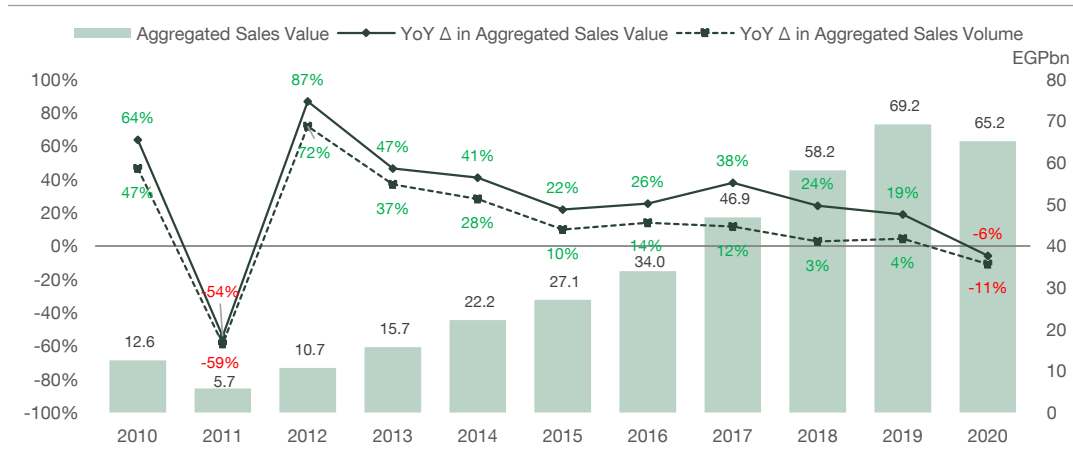
Note: Details related to aggregated sales calculation are presented in the next slide.

Review & Outlook | The Real Estate Sector

2020 in Review: COVID-19 Hits New Sales of Real Estate (Cont'd)

Aggregated Sales in 2020 were Supported by Land Sales

- The aggregated sales in this report represent the combined sales for the following 6 companies (in alphabetical order): EMFD, MNHD, ORHD, PHDC, OCDI, TMGH. We excluded EGTS and HELI as they have a different business model as master developers.
- The aggregated contracted sales value slightly declined by 5.8% YoY to EGP65.2bn in 2020.
- This is considered the first decline since 2011 which witnessed a sharp decline in the aggregated sales by 54% YoY to EGP5.7bn.
- We estimated the change in sales volume at -10.9% YoY in 2020 vs. -58.8% YoY in 2011.
- Aggregated sales in 2020 were supported by land sales of EGP6.8bn (c.10 % of aggregated sales), compared to EGP210.7mn in 2019 (0.3% of aggregated sales).
- If we excluded land sales, the YoY decline in aggregated sales would have widened to 15.4% in 2020.



Source: companies' data, AAIS Research

Note: To estimate the change in the historical aggregated sales volume, we assumed annual change in sales prices matched the historical annual inflation rates.

As per the strong correlation coefficient between “historical sales for the 6 companies” and “historical GDP per capita – at current prices”, aggregated sales for 2020 should be estimated at EGP69.1bn (excluding land sales), matching 2019’s sales.

We highlight that:

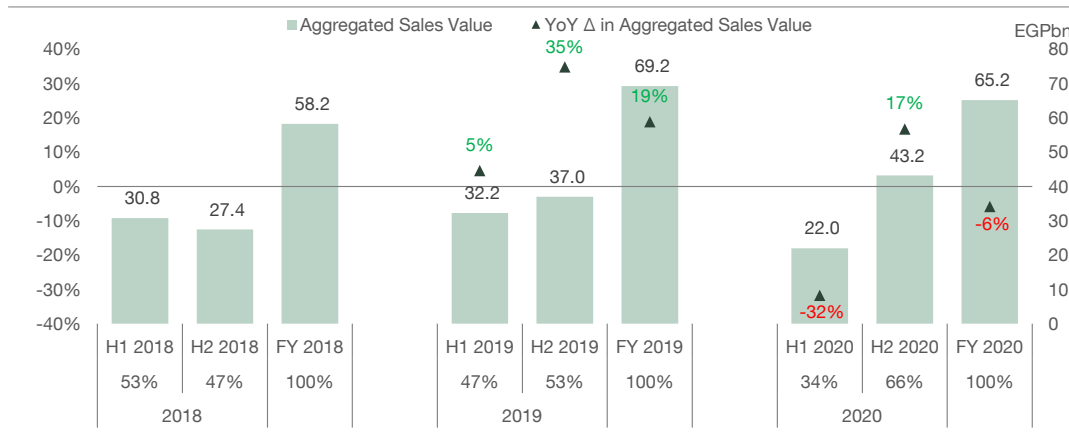
- We based our estimates on IMF’s forecast for the GDP per capita – at current prices – for FY2020 (updated in January 2021).
- Aggregated sales recorded EGP65.2bn in 2020 (-5.8% YoY); with a deviation of -5.6% from estimated sales of EGP69.1bn.
- Aggregated sales (excluding land sales) recorded EGP58.4bn in 2020 (-15.4% YoY) and lower than our estimated aggregated sales of EGP69.1bn by 15.5%.
- We attribute the decline in aggregated sales in 2020 below the estimated sales to the COVID-19 effect.
- If we used the IMF’s pre-COVID-19 forecast (updated in January 2020) for GDP per capita, aggregated sales for 2020 would be estimated at EGP73.9bn (+6.7% YoY).

Review & Outlook | The Real Estate Sector

2020 in Review: COVID-19 Hits New Sales of Real Estate (Cont'd)

Partial Lockdown Shifts Demand to H2

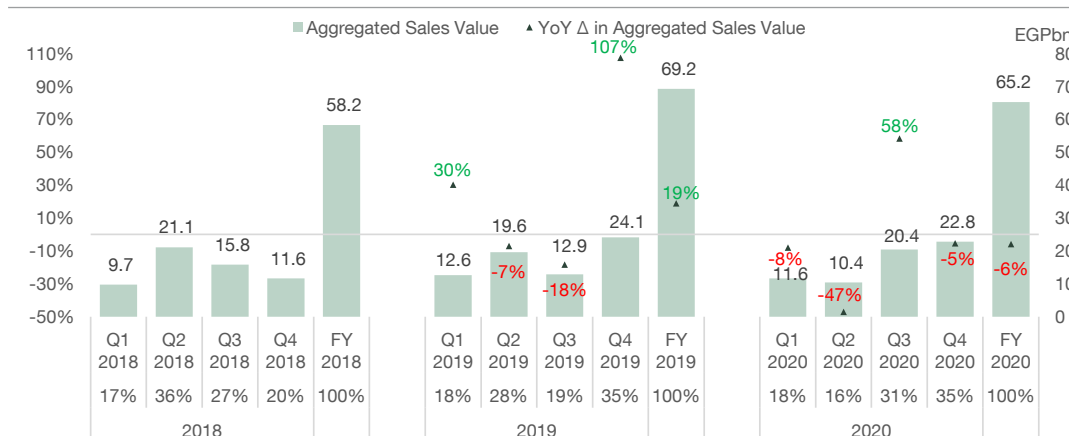
- The first half in 2020 was the most impacted by the lockdown after the outbreak of COVID-19. Meanwhile, the second half was stronger thanks to the partial re-opening of the economy.
- H1 2020 declined by 32% YoY and 41% HoH to EGP22.0bn.
- H2 2020 grew by 17% YoY and 96% HoH to EGP43.2bn to meet the delayed demand from H1 2020. Moreover, H2 2020 contributed two-third of 2020's sales compared to 53% and 47% in 2018 and 2019, respectively.



Source: companies' data, AAIS Research

Exhibitions and Offers Supported Q4's Sales

- Q3 2020 led the recovery of sales in H2 2020, with aggregated sales of EGP20.4bn (+58.2% YoY, +96.5% QoQ) driven by strong sales for the 6 companies. This represents c.47% of H2 2020's sales and c.31% of 2020's sales.
- Q4 2020 continued to achieve strong sales, recording EGP22.8bn (c.53% of H2 2020's sales and c.35% of 2020's sales). This was driven by the launch of real estate exhibitions, the launch of new phases/projects, and flexible payment terms offered by developers.
- Although aggregated sales surged 11.8% QoQ in Q4 2020, they declined by 5.5% YoY on higher sales in the comparable period. We highlight that TMGH was the sole company with a QoQ decline in sales in Q4 2020, recording EGP4.5bn (-41.2% QoQ).



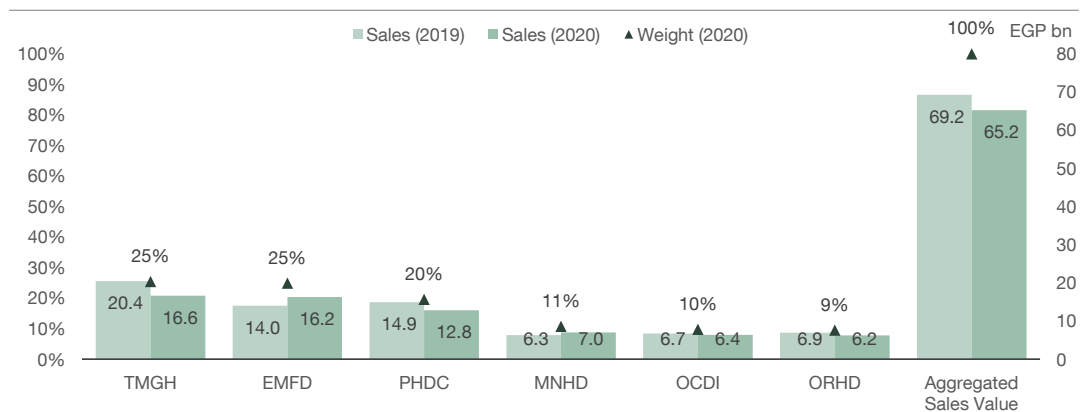
Source: companies' data, AAIS Research

Review & Outlook | The Real Estate Sector

2020 in Review: COVID-19 Hits New Sales of Real Estate (Cont'd)

TMGH, EMFD, and PHDC are the Largest Contributors in 2020

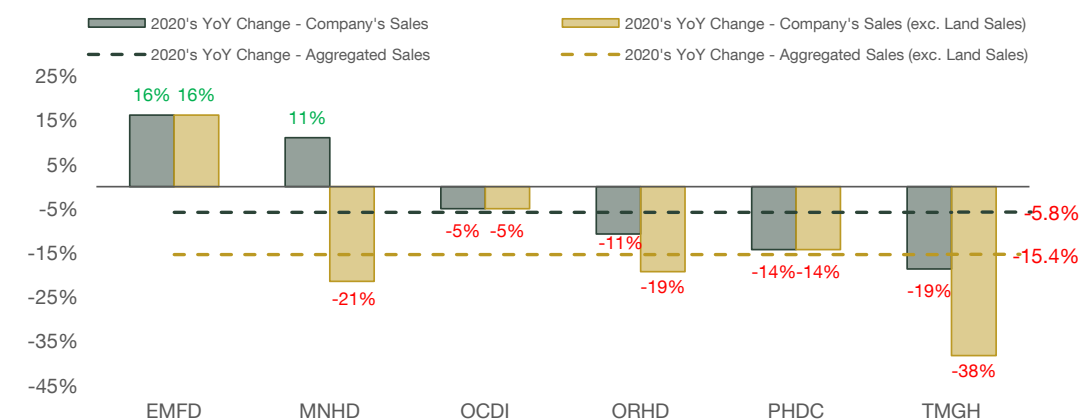
- TMGH and EMFD equally contributed 50% of aggregated sales in 2020, recording sales of EGP16.6bn and EGP16.2bn, respectively.
- This is followed by PHDC which contributed 20% of aggregated sales in 2020 of EGP12.8bn.
- Companies achieved land sales in 2020 are: TMGH (EGP4.0bn; 24% of its sales), MNHD (EGP2.2bn; 31% of its sales), and ORHD (EGP0.6bn; 9% of its sales).



Source: companies' data, AAIS Research

EMFD, MNHD, and OCDI are the Outperformers in 2020

- In terms of YoY change in 2020's sales, outperformers are EMFD (+16.2% YoY), MNHD (+11.1% YoY), and OCDI (-5.0% YoY), compared to an average decline of 5.8% YoY for aggregated sales in 2020.
- On the contrary, TMGH, PHDC, and ORHD underperformed 2020's average performance, achieving YoY declines of 18.6%, 14.3%, and 10.7%, respectively.
- If we excluded land sales, TMGH, MNHD, and ORHD would have recorded a YoY decline of 38.2%, 21.4%, and 19.3%, respectively. Hence, the only companies that would be outperformed in 2020 are EMDF (+16.2%) and OCDI (-5.0%) compared to a decline of 15.4% YoY in aggregated sales excluding land sales.

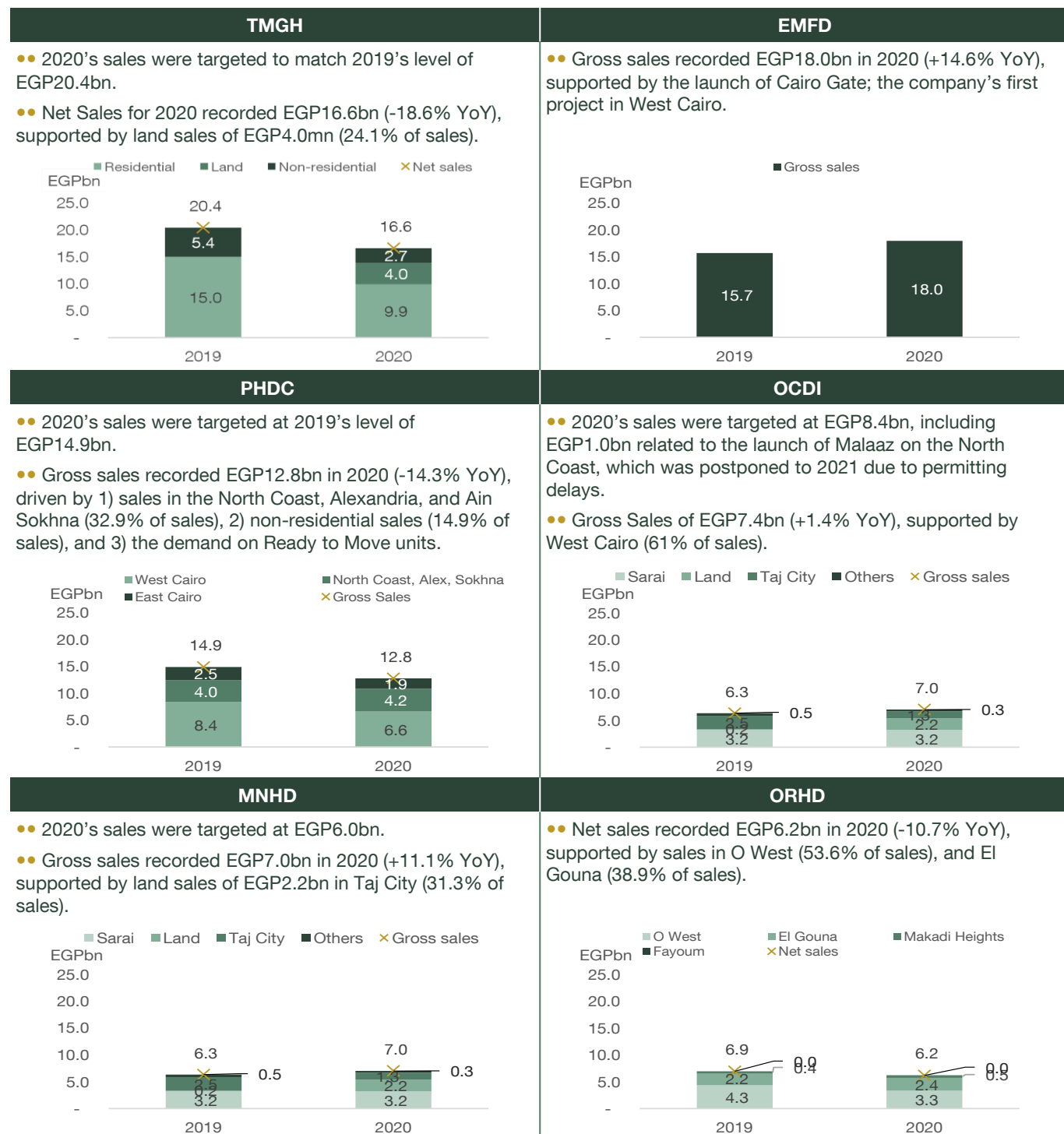


Source: companies' data, AAIS Research

Review & Outlook | The Real Estate Sector

2020 in Review: COVID-19 Hits New Sales of Real Estate (Cont'd)

Companies' Sales Drivers in 2020



Source: Companies' data, AAIS research

Note: We excluded HELI and EGTS from the sales comparison as they have different business models. Moreover, we ranked the companies based on their contribution to aggregated sales.

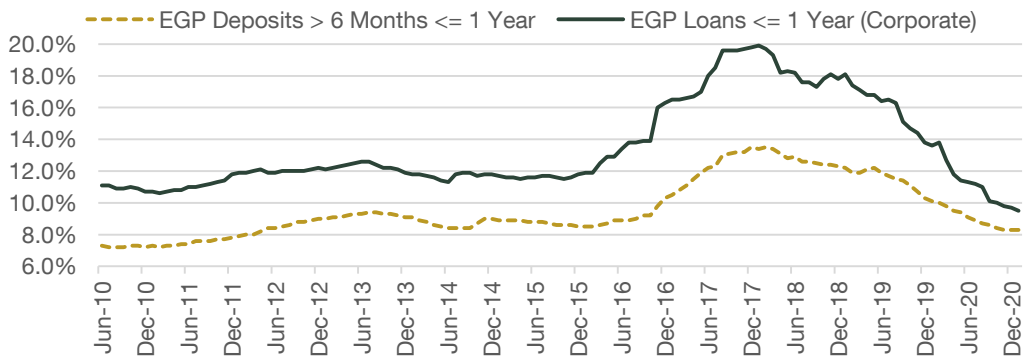
Review & Outlook | The Real Estate Sector

Outlook: Low Interest Rates to Revive Real Estate Market

Interest Rates Return to May 2014's Level

During 2020, CBE cut the overnight deposit rate, the overnight lending rate, and the rate of the main operation by 400 basis points to 8.25%, 9.25%, and 8.75%, respectively. Accordingly, the interest rate returned to its level on May 29, 2014.

- the weighted average interest rates for EGP loans (≤ 1 -year) for corporates, declined to 9.7% in December 2020, compared to 13.8% in December 2019, 17.8% in December 2018, and 19.8% in December 2017 (highest level over the past 10 years).
- the weighted average interest rates for EGP deposits (> 6 -months ≤ 1 -year) continued to decline to reach 8.3% in December 2020, compared to 10.3% in December 2019, 12.3% in December 2018, 13.5% in December 2017 (highest level over the past 10 years).



Source: CBE

The Impact of Interest Rate Cut on the Real Estate Market

- For Clients:** Real estate is believed as an alternative investment in times of low interest rates. Historically, investing in real estate has been generating: 1) a rental yield of c.5% (subject to annual increase), and 2) capital appreciation – over the long-run – matching the inflation rate. Consequently, it could be perceived as a hedge against inflation investment.
- For Developers:**
 - Borrowings:** Low interest rates encourage the developers to borrow at lower rates to finance the financing gap arising from selling with low down payments (0-10%) and longer periods of payments (8-10 years), while they deliver the units after about 4 years.
 - Securitization:** Developers can securitize the receivables related to units delivered to units at lower discount rates in the time of low interest rates, which would enhance the developers' liquidity and financial positions.
 - Pricing & Payment Terms:** Low interest rates enable the developers (in the primary market) to:
 - Offer lower installment prices (holding the installment period unchanged). We highlight that when developer sell units in installments, they charge the unit cash price with the cost of finance, which is related to the installment period (no. of years) and the market interest rate, or
 - Extend the installment period without significantly increasing installment prices.

Accordingly, we could see higher demand in the secondary market causing its prices to rise and the gap between prices in secondary and primary markets to narrow. For long-term investors, it would be the right time to re-allocate their investments and think about investing in real estate at current prices. However, affordability remains the main issue for housing buyers including the middle-income segment. Hence, we believe the rental market could be a better alternative for them until their income level improves and/or they have access to mortgage finance at low interest.

Review & Outlook | The Real Estate Sector

Outlook: Low interest rates to revive real estate market (Cont'd)

New Mortgage Initiatives at Lower Rates

Currently, we have two mortgage initiative programs targeting three income classes; low-income class, lower-middle-income class, and middle-income class, as follows:

	Mortgage Finance Initiative		
	1	2	
Targeted Class	Middle-Income	Lower-Middle-Income	Low-Income
Release Date	Dec. 19, 2020	Mar. 14, 2021	
Interest Rate	8% (decreasing)	3% (decreasing)	
Financing Period (up to)	20 Years	30 Years	
Max. Monthly Income:			
Individual	EGP40,000	EGP10,000	EGP4,500
Family	EGP50,000	EGP14,000	EGP6,000
Max. Price of Unit	EGP2,250,000	EGP1,000,000	EGP350,000
Max. Space of Unit (net)	150 sqm	n/a	n/a

Assuming Unit Space (Gross) of	100-120 sqm	100-120 sqm	75-90 sqm
Implied Max. Av. Price/ sqm (Cash Price) for Finished Units	EGP22,500-18,750	EGP10,000-8,350	EGP4,670-3,890
Implied Max. Av. Price/ sqm (Cash Price) for Core and Shell*	EGP19,500-15,750	EGP7,000-5,350	EGP4,170-3,390
Implied Max. Av. Price/ sqm (Installment Price)**	EGP24,375-19,690	EGP8,750-6,690	EGP4,590-4,240

Source: CBE, Media Sources, AAIS Research

* We assume the finishing cost of EGP3,000/sqm for middle-income units and EGP500/sqm for low-income units.

** Moreover, we assume the cash price for immediate delivery is 20% lower than the installment price (over 8 years) with the delivery after 4 years.

Developers' Launched Projects which can Benefit from Mortgage Initiatives

	Middle-Income	Lower-Middle-Income	Low-Income
EGTS	n/a	n/a	n/a
EMFD	n/a	n/a	n/a
HELI	• New Heliopolis (East Cairo)	n/a	n/a
MNHD	• Sarai (East Cairo) • Taj City (East Cairo)	n/a	n/a
ORHD	n/a	n/a	n/a
PHDC	• Badya (West Cairo)* • Palm Hills New Cairo (East Cairo)*	n/a	n/a
OCDI	• Sodic East (East Cairo)* • 500 feddans project (West Cairo)*	n/a	n/a
TMGH	n/a	n/a	n/a

Source: companies' data, AAIS Research

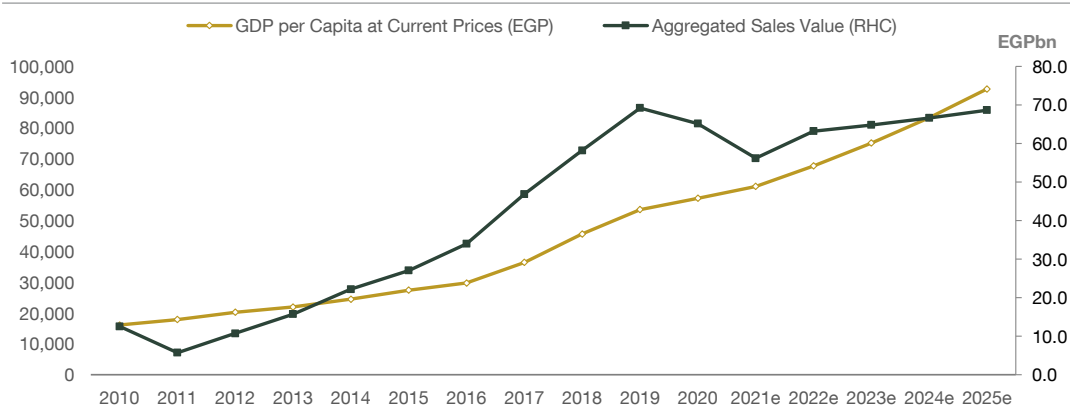
* Projects under co-development with state-owned entities.

Review & Outlook | The Real Estate Sector

Outlook: Low interest rates to revive real estate market (Cont'd)

Expected Sales for 2021 based on GDP per capita

Based on the IMF's estimates for GDP per capita – at current prices – (updated in January 2021), we estimate aggregated sales (of the 6 companies mentioned in this report) to record EGP56.1bn in 2021 (-13.9% YoY). Then, we estimate aggregated sales to grow by a 4-Years CAGR (2021-25) of 5.2% to reach EGP68.7bn in 2025.



Source: IMF, companies' data, AAIS Research

We highlight that:

- The aqarmap index recorded an average of 2,524 points in January and February 2021. This is considered 8% lower than the comparable period in 2019 which recorded an average of 2,752 points.
- Our estimates for aggregated sales exclude the expected positive effect from:
 - a. the current low interest which is expected to support the demand for real estate as an alternative investment.
 - b. the mortgage initiatives for the middle-income class which is expected to stimulate the demand for real estate in the secondary market (also known as resale), which would eventually push demand in the primary market.

Accordingly;

- Our view for the real estate sector is positive over the medium- to long-term thanks to:
 - the growing demand for the real estate,
 - the mortgage initiative programs for the middle-income class,
 - the expected decline in COVID-19 confirmed cases as vaccination rates increase, and
 - the current low level of the interest rate.
- Over the short-term, we expect the real estate sector will begin to recover in the second half of 2021 driven by:
 - the expected decline in COVID-19 confirmed cases during the summer which would allow the launch of real estate exhibitions.
 - The due of the 15% 1-year saving certificate, issued last year by state-owned banks, with total proceeds of EGP383.0bn, starting March 22, 2021, until September 2021. We expect that part of these amounts would be directed to the real estate sector.

Review & Outlook | The Real Estate Sector

Outlook: Low interest rates to revive real estate market (Cont'd)

Companies' Sales Drivers for 2021

Sector / Company	Key Drivers for Sales	Key Risks
Real Estate Sector	<ul style="list-style-type: none"> • Low interest rates, and low inflation rates. • Mortgage initiatives for the middle-income class. • Growing demand for real estate driven by a large population (101.6mn), population growth (c.2.0-2.5% p.a.), and demographics (c.44% under the age of 40, and c.61% under the age of 30). 	<ul style="list-style-type: none"> • Lower consumer purchasing power. • Higher competition. • Lower down payments with longer periods of installments • Higher land cost and building material cost.
EGTS	<ul style="list-style-type: none"> • Sales of remaining units in Bay Village, Bay Condos, and Tawaya projects. • Resume selling of land plots to sub-developers. 	<ul style="list-style-type: none"> • The concentration of the company's projects in Sahl Hasheesh, on the Red Sea. • A slowdown in the tourism sector.
EMFD	<ul style="list-style-type: none"> • The launch of its new project in El Sheikh Zayed extension (West Cairo), with a total gross land area (GLA) of 500 feddans (2.1mn sqm). 	<ul style="list-style-type: none"> • Not using the company's cash balance to replenish its land bank.
HELI	<ul style="list-style-type: none"> • The implementation of the company's new strategy to accelerate the monetization pace of its land in New Heliopolis and Heliopark. 	<ul style="list-style-type: none"> • The concentration of the company's projects in East Cairo.
MNHD	<ul style="list-style-type: none"> • The selling of large land plots in Taj City and Sarai to other developers. • Low land cost with no land liability allows MNHD to offer more flexible prices and payment terms and achieving a high margin relative to other peers. 	<ul style="list-style-type: none"> • The concentration of the company's projects in East Cairo.
ORHD	<ul style="list-style-type: none"> • The strong demand for real estate units in El Gouna (a secondary home project in Hurghada, on the Red Sea) and O West (a primary home project in West Cairo). 	<ul style="list-style-type: none"> • The company has only one project in the primary home segment, located in West Cairo. • A slowdown in the tourism sector.
PHDC	<ul style="list-style-type: none"> • The launch of a new project in New Alamin, on the North Coast. • The Ready to Move products is expected to continue in supporting sales. • Starting delivery of The Crown (West Cairo) in 2021, Badya (West Cairo), and Palm Hills Alexandria in 2022, would accelerate the sales in 2021. • Monetizing of Botanic land in West Cairo. 	<ul style="list-style-type: none"> • Any slowdown in the sales of Badya (West Cairo) due to its largest contributor to PHDC's future sales.
OCDI	<ul style="list-style-type: none"> • Starting delivery in SODIC East, in New Heliopolis (East Cairo), in 2021, would accelerate the sales in the project. • The launch of Malaaz after issuance of the permits in the North Coast. 	<ul style="list-style-type: none"> • Any slowdown in the sales of SODIC East (New Heliopolis, East Cairo), the 500 feddans in El Sheikh Zayed Extension (West Cairo), and Malaaz (the North Coast) projects, as they are the largest contributors to Sodic's future sales.
TMGH	<ul style="list-style-type: none"> • The launch of Capital Gardens; a new project in East Cairo. 	<ul style="list-style-type: none"> • The concentration of the company's projects in East Cairo. • A slowdown in the tourism sector.

Source: companies' data, AAIS Research

Review & Outlook | The Real Estate Sector

Stock rating methodology & guidelines

This report's validity is 3 months from its publication date highlighted on the first page. This report was prepared in accordance with the Financial Regulatory Authority's Board of Directors decree number 39 for the year 2018. Through a top-down or bottom-up approach analysts will apply different valuation methodologies to reach the "intrinsic" value of stocks commonly known as the Target Price (TP). Valuation techniques may be absolute and/or relative in nature. Primarily the Discounted Cash Flow (DCF) approach will be applied. In addition to estimating the intrinsic value of a company's stock, the research team will also demonstrate in published reports an assessment of the strategic positioning of the enterprise being assessed, its competitive advantages, and value drivers. The department's focus is to support our clients' investment decision process. We identify 5 rating recommendations as follows:

Please click [here](#) for key valuation terminology in both English and Arabic

BUY	$TP \geq +10\%$
HOLD	$-5\% \leq TP \leq +10\%$
SELL	$TP \leq -5\%$
Not Rated	-
Suspended	-

Analyst Certification

I(we), Mahmoud Gad CMA, Senior Analyst – Real Estate employed at Arab African International Securities, and author(s) to this report, hereby attest that the view(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect my (our) personal view(s) and that no part of my (our) compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report.

Disclaimer

This report is provided for informational purposes only. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Arab African International Securities (AAIS) issues a variety of research products, including fundamental analysis, technical analysis, and trade ideas. Recommendations contained in one type of communication may differ from recommendations contained in others, whether as a result of differing time horizons, methodologies or otherwise. AAIS may also engage in transactions with customers, in a manner inconsistent with the views taken in this research report. Others within AAIS, including sales staff and other analysts, may take views that are inconsistent with those taken in this research report.

The information and opinions in this report were compiled by AAIS. Though the information herein is believed to be reliable and has been obtained from public sources believed to be reliable, AAIS has not independently verified it and makes no attestation, guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy, adequacy, or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. AAIS has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof if any opinion, forecast or estimate contained herein changes or subsequently becomes inaccurate.

Opinions, estimates and projections about all of the subject companies and securities contained in this report constitute the current judgment of the author as of the date of this report. No part of the author's compensation was, is, or will be directly or indirectly reliant on the specific recommendations or views expressed in this report. The information presented is subject to change without notice, Target Prices are inherently imprecise and a product of the author's judgment. The financial instruments discussed in this report may not be suitable for all investors and investors must make their own informed investment decisions. Past performance is not necessarily a guide to future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. In case of investments for which there is no recognized market it may be difficult for investors to sell their investments or to obtain reliable information about its value or the extent of the risk to which it is exposed.

Neither AAIS nor its affiliates, subsidiaries, directors, officers, employees, agents, licensors, or any third-party information provider and vendors will be liable for any direct, indirect, incidental, special, consequential, punitive, or exemplary damages, including but not limited to damages for loss of profits, revenue, income, goodwill, or any intangible losses caused by the use of this report.

This report is not for distribution in the U.S. Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts.

AAIS and/or its officers and employees, and/or members of their families may have a long/short position in the securities mentioned in this report and may buy and/or sell for their own account some or all of these securities. Any featured company logos are service/trademarks of their respective owners. All other content copyrights of AAIS. ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, to any third party without the prior written consent of AAIS.

Review & Outlook | The Real Estate Sector

Head Office

2 Abdel Kader Hamza Street,
Cairo Center Building - 10th Floor
Garden City, 11516, Cairo, Egypt
Tel : +2 (02) 279 29050

Sales Team & Account Managers

Yasser Alaa
Head of Sales & Trading
+2 (02) 279 29034
yalaa@aaisecurities.com

Haitham Fadl
Institutional Sales
+2 (02) 279 23434
hfadl@aaisecurities.com

Mahmoud Banoub
Institutional Sales
+2 (02) 279 23434
mbanoub@aaisecurities.com

Khaled Fouad
+2 (02) 279 29042
kfouad@aaisecurities.com

Tamer Safwat
+2 (02) 279 29049
tsafwat@aaisecurities.com

Ahmed Mahdy
+2 (02) 279 29037
aabdelrahman@aaisecurities.com

Moatasem Ismail
+2 (02) 279 29038
mismail@aaisecurities.com

Hany Abdel Hamid
+2 (02) 279 29040
hhamied@aaisecurities.com

Mostafa Al-Kordi
+2 (02) 279 29043
malkordi@aaisecurities.com

Emad Zaky
+2 (02) 279 29043
ezaky@aaisecurities.com

Marwa Ashour
+2 (02) 279 29043
mashour@aaisecurities.com