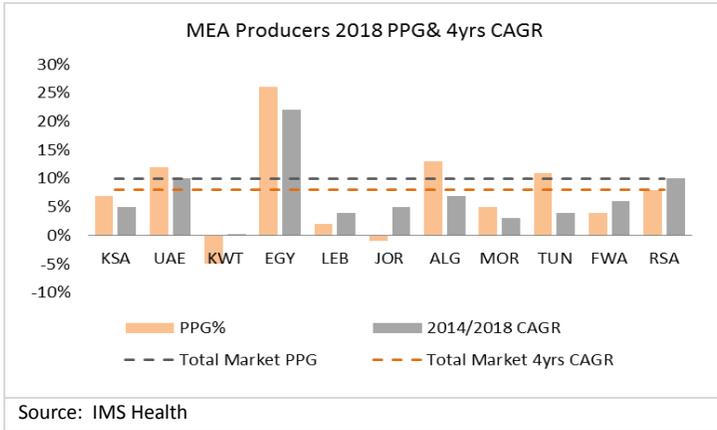
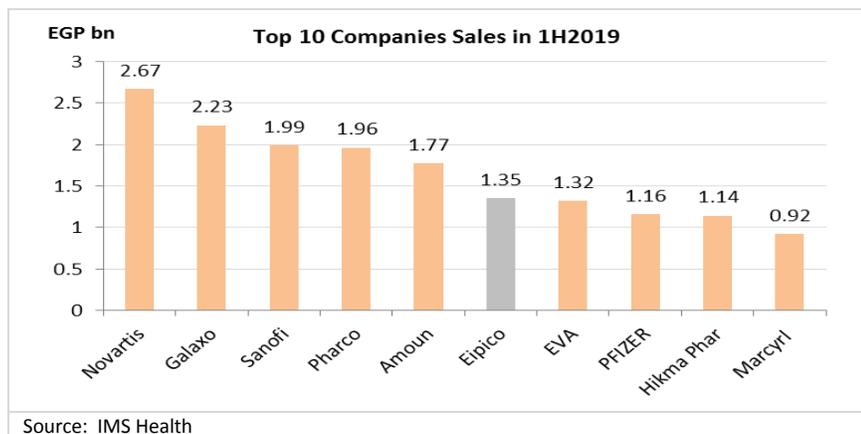


**Egypt is Swelling Its Presence among MEA Pharmaceuticals Producers** Egypt has continued to grow in value terms within pharmaceuticals manufacturers in Middle East and Africa Market (MEA) with 2014-2018 CAGR of 22% beating all other competitors in MEA area that reported total market CAGR of 8%. Egypt also achieved a 26% previous period growth (PPG) exceeding also all other competitors in MEA. Through these solid steps, Egypt managed to improve its position in MEA region to stabilize in the second place after Saudi Arabia in 2018.



Few days ago, the Egyptian pharmaceuticals manufactures sales of 1H2019 were announced recording total sales of EGP37.3bn with the top 10 companies dominating more than 44% of the total market sales according to IMS Health. **Egyptian International Pharmaceuticals Industries (EIPICO)** recorded sales of EGP1.36bn in 1H2019 marking almost 18% increase in the topline compared to EGP1.15bn in 1H2018.

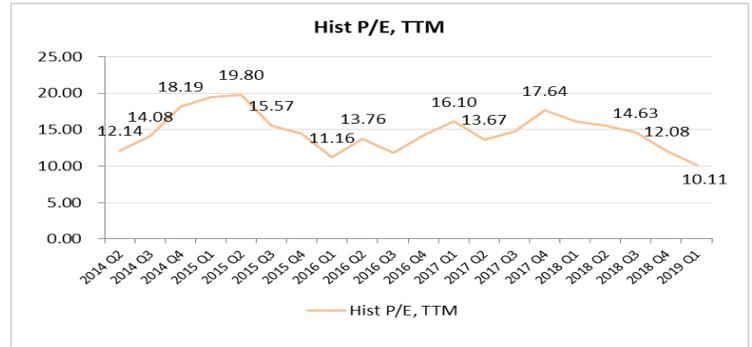


**EIPICO Improves Its Ranking and Market Share**

**In a Highly Competitive and Fast Growing Market** We gave a look to **EIPICO's** ranking and market share in 2018 Market Insights report, where EIPICO acquired nearly 3% market share with the seventh ranking. Continuing its cohesive steps, EIPICO acquired an 8% market share in 1H2019 with the sixth ranking recording total sales of EGP1.36bn while the total market sales marked EGP16.51bn.

We view the ability of EIPICO to improve its market share and ranking among top 10 companies shows the rock-solid financial and market position of the company as EIPICO is working through a highly competitive market with local and multinational companies. It is worth noting that, Pharmaceuticals sector in General and EIPICO in Particular are included in our top picks in 2018-2019 Macroeconomic Outlook.

**EIPICO share is Vastly Undervalued**, According to market consensus the average TP of EIPICO is estimated at EGP104/share with an upside potential of 38% compared to the current price of EGP75/share. The recent market plunging and as well EIPICO's share brought the TTM P/E to the least in the last 5 years with 10.11x compared to an average historical PE of 15x and Healthcare and Pharmaceuticals sector PE of 19.5x.



Source: Reuters

It is worth noting that, **EIPICO** has recorded a net profit of EGP203.3mn in 1Q2019 marking a 17% increase compared to EGP172.7mn in 1Q2018. The increase in the bottom line was mainly due to a 25% surge in the topline that reached EGP915.3mn in 1Q2019 versus EGP732.1mn in 1Q2018 as well as a 33% upwelling in income from investments in sister companies that recorded EGP27.6mn in 1Q2019 compared to EGP20.7mn in 1Q2018.

It is worth noting also that, **EIPICO** is considered one of the best achievers in the industry when it comes to profitability margins as EIPICO recorded EBITDA and net profit margin of 30% and 22% respectively outperforming the industry that has EBITDA and NI margins of 21.3% and 12.3% respectively.

**EIPICO has Multiple Positive Triggers** EIPICO's share enjoys many upside triggers given Egypt's population growth, Comprehensive Health Care Act, EGP Appreciation as well as the company's plans of exports Fueling and the recently announced Hormones and Cancer drugs project

- **Recently Announced Project** EIPICO's actions to begin a massive project with an investment cost of **EGP1bn** of manufacturing entirely imported Hormones and Cancer drugs. According The company management, the targeted drugs are sold currently with margins near 50% in the Egyptian market and guarantees EIPICO a monopolistic position for a long time due to the high investment cost.
- **EGP Appreciation** the Egyptian pound is appreciating against US dollar since January 2019 as well as an optimistic view towards EGP performance in FX markets in the coming period guarantee higher margins of EIPICO with imported raw materials and specified medicines prices in Egypt.
- **Exports** EIPICO is targeting penetrating new markets to improve exports that have higher margins than locally sold production. It is worthy noting that, the current exports/sales ratio of EIPICO is 19% as of 1Q2019.
- **Comprehensive Healthcare Act** we view an increasing demand given the gradual application of the healthcare program in Egypt ,as well as Egypt's high population growth would support EIPICO's topline two gears (Volumes and Prices)

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