

UNDERWEIGHT

Elsewedy Electric

SWDY.CA | EGX

Cables, Energy & EPC Infrastructure

Price Target: 71 EGP

Current Price: 91.19 EGP

Upside/(Downside): (22.3)%

At 91 EGP, the market is pricing more than 12% perpetual FCF growth — above Egypt's nominal GDP — while near-term free cash flow remains thin; our DCF supports a fair value of 71 EGP.

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Investment Summary

UNDERWEIGHT

Investment Thesis

- We initiate coverage with an Underweight rating and a 71 EGP price target, 22% below the market price. At 91 EGP, SWDY discounts a 12.3% perpetual growth rate — above Egypt's ~10% nominal GDP.
- Growth is real but cash-poor. We estimate a 13% revenue CAGR to FY30E, yet UFCF only turns material from FY28E as CapEx tapers from 4.5% to 1.8% of revenue.
- Constructions & infrastructure drives the top line (+30% FY26E), funded by customer advances; gross margin holds at 15.0% on our estimates.
- We estimate EPS doubles from 8.10 (FY25A) to 16.35 (FY30E), a 15% CAGR — solid, but fully priced at 11.3x trailing earnings.

Rating	UNDERWEIGHT
Price (EGP)	91.19
Price Target (EGP)	71
Upside/(Downside)	(22.3)%
Market Cap	EGP 195.1 bn
Shares O/S (mn)	2,139.4
EV (EGP bn)	213.3
Net Debt* (EGP bn)	18.2
FY26E EPS (EGP)	9.98
FY26E P/E	9.1x

**Net debt incl. NCI, net of cash, associates & debt securities.*

Key Catalysts

- FCF inflection from FY28E as CapEx tapers toward D&A and the working-capital build moderates.
- CBE easing cycle lowers the 9.6% effective cost of debt and our 20.0% WACC.
- EPC backlog conversion at stable margins lifts the Constructions mix.

Key Risks

- Copper price and EGP volatility pressure the 15% gross margin.
- Negative Δ NWC (~EGP 9–10 bn p.a.) keeps near-term FCF yield below 1%.
- Project execution risk on a rapidly growing EPC book.

Company Overview

Elsewedy Electric is Egypt's largest integrated cables and electrical-infrastructure group, listed on the EGX since 2006 with a market capitalization of EGP 195 bn. The company manufactures wires, cables and electrical products, and executes turnkey EPC and infrastructure projects across Egypt, the GCC, Africa and Europe. FY25A revenue reached EGP 281 bn, up 21.2% y/y. Cables & accessories remain the core at 55% of revenue, while Constructions & infrastructure is the growth engine, expanding 50% y/y to 32% of the mix. Customer advances on EPC contracts fund the working-capital build, and equity-accounted JVs in Qatar and KSA (Doha Cables, Elsewedy Cables Qatar) contributed EGP 1.6 bn to FY25A profit. We estimate the group sustains a 13% revenue CAGR through FY30E at a stable 15% gross margin.

Segment Revenue — FY25A

Segment	Revenue (EGP mn)	% of Total	Y/Y Growth
Cables & accessories	155,793	55.4%	+8.0%
Electrical products & digital	34,298	12.2%	+27.1%
Constructions & infrastructure	90,959	32.4%	+49.9%
Total	281,049	100.0%	+21.2%

Source: FY2025 consolidated financial statements, Note 5-3.

Founded

1938

Headquarters

Cairo, Egypt

Segments

3 reporting lines

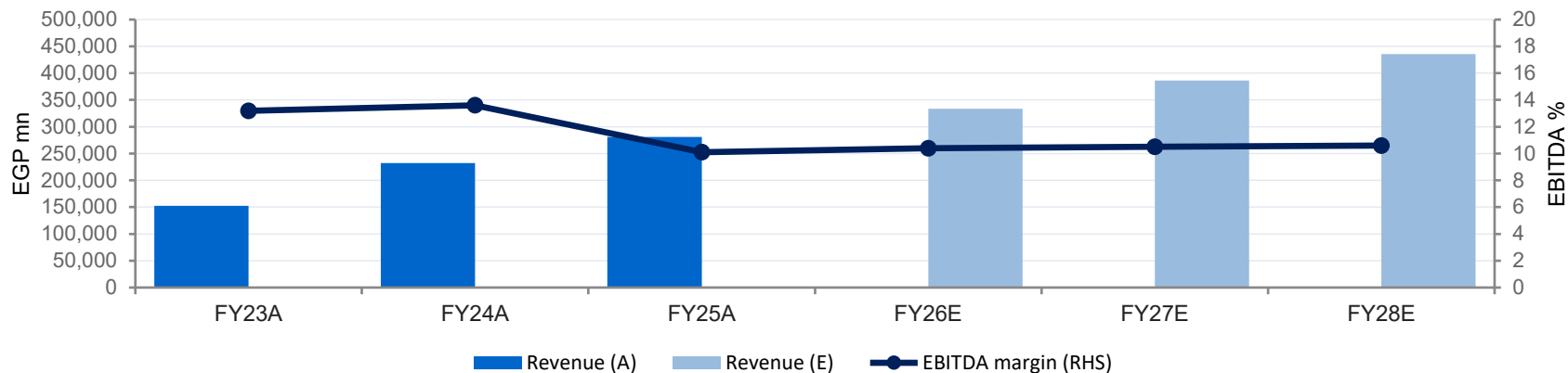
Main Markets

Egypt · GCC · Africa · Europe

EGX Listing

2006 (SWDY.CA)

Historical & Forecast Financial Performance



EGP mn	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	152,186	231,982	281,049	333,891	386,096	435,287
<i>Y/Y Growth</i>	—	52.4%	21.2%	18.8%	15.6%	12.7%
Gross Profit	29,077	43,899	40,762	50,084	57,914	65,293
EBITDA	20,035	31,601	28,363	34,639	40,597	46,152
<i>EBITDA Margin</i>	13.2%	13.6%	10.1%	10.4%	10.5%	10.6%
EBIT	17,739	29,342	25,354	31,219	36,100	40,699
Net Income (parent)	10,116	17,461	17,330	21,345	24,687	28,087
EPS (EGP)	4.73	8.16	8.10	9.98	11.54	13.13

Revenue Model & Key Operating Assumptions

EGP mn	FY24A	FY25A	FY26E	FY27E	FY28E
Cables	144,307	155,793	174,488	193,682	213,050
<i>Y/Y Growth</i>	—	+8.0%	+12.0%	+11.0%	+10.0%
<i>% of Total</i>	62.2%	55.4%	52.3%	50.2%	48.9%
Electrical & digital	26,983	34,298	41,157	48,154	54,895
<i>Y/Y Growth</i>	—	+27.1%	+20.0%	+17.0%	+14.0%
<i>% of Total</i>	11.6%	12.2%	12.3%	12.5%	12.6%
Constructions & infra	60,692	90,959	118,246	144,260	167,342
<i>Y/Y Growth</i>	—	+49.9%	+30.0%	+22.0%	+16.0%
<i>% of Total</i>	26.2%	32.4%	35.4%	37.4%	38.4%
Total Revenue	231,982	281,049	333,891	386,096	435,287

Driver	25A	26E	27E	28E
Revenue Growth (%)	21.2	18.8	15.6	12.7
EBITDA Margin (%)	10.1	10.4	10.5	10.6
Effective Tax Rate (%)	22.6	22.5	22.5	22.5
CapEx / Revenue (%)	4.7	4.5	3.8	3.1
Terminal Growth (%)†	—	10.0		
WACC (%)	—	20.0		

† Anchored to Egypt nominal GDP.

Segment outlook: We model Constructions & infrastructure as the growth engine (+30% FY26E, tapering to +16% by FY28E) on EPC backlog conversion, lifting its mix from 32% to 38% of revenue. Cables compound at 10–12% on volume and price pass-through, while Electrical & digital grows in the high teens. Each line tapers toward Egypt's ~10% nominal GDP by FY30E — no segment outgrows the economy in perpetuity.

Income Statement Summary (EGP millions)

Fiscal year ends December 31

	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
Revenue	152,186	231,982	281,049	333,891	386,096	435,287	481,130	524,599
<i>Y/Y growth %</i>	—	52.4%	21.2%	18.8%	15.6%	12.7%	10.5%	9.0%
Gross Profit	29,077	43,899	40,762	50,084	57,914	65,293	72,170	78,690
<i>Gross Margin %</i>	19.1%	18.9%	14.5%	15.0%	15.0%	15.0%	15.0%	15.0%
SG&A	-8,648	-12,170	-16,162	-19,032	-22,007	-24,811	-27,424	-29,902
EBITDA	20,035	31,601	28,363	34,639	40,597	46,152	51,212	55,817
<i>EBITDA Margin %</i>	13.2%	13.6%	10.1%	10.4%	10.5%	10.6%	10.6%	10.6%
D&A	-2,296	-2,260	-3,009	-3,420	-4,497	-5,453	-6,226	-6,767
EBIT	17,739	29,342	25,354	31,219	36,100	40,699	44,986	49,050
<i>EBIT Margin %</i>	11.7%	12.6%	9.0%	9.4%	9.4%	9.4%	9.4%	9.4%
Net Finance Cost	-2,124	-3,515	-2,145	-2,213	-2,516	-2,481	-2,205	-1,521
Share of Associates	604	1,132	1,569	1,487	1,683	1,905	2,157	2,441
PBT	16,218	26,959	24,778	30,492	35,267	40,124	44,937	49,970
Tax	-5,080	-8,122	-5,591	-6,861	-7,935	-9,028	-10,111	-11,243
<i>Effective Rate %</i>	31.3%	30.1%	22.6%	22.5%	22.5%	22.5%	22.5%	22.5%
Net Income (parent)	10,116	17,461	17,330	21,345	24,687	28,087	31,457	34,980
EPS (EGP)	4.73	8.16	8.10	9.98	11.54	13.13	14.70	16.35

DCF Valuation — Base Case

Initiating with UNDERWEIGHT | Price Target: 71 EGP

Component	Value
Risk-Free Rate (EGP T-bond)	19.70%
Equity Risk Premium*	4.46%
Beta (Blume-adjusted)	0.97
Cost of Equity	24.04%
Pre-Tax Cost of Debt	9.64%
After-Tax CoD (22.5% CIT)	7.47%
Weights (E / D)	75.7% / 24.3%
WACC	20.0%

*Rf embeds Egypt sovereign risk. ERP = 4.46% US mature-market premium only (per model). Adding Egypt's country ERP separately would double-count country risk and is excluded.

EGP mn	NOPAT	D&A	CapEx	ΔNWC	UFCF
FY26E	24,195	3,420	-15,025	-9,668	2,922
FY27E	27,977	4,497	-14,672	-9,551	8,252
FY28E	31,542	5,453	-13,494	-9,000	14,501
FY29E	34,864	6,226	-11,547	-8,387	21,156
FY30E	38,014	6,767	-9,443	-7,953	27,385

Terminal Value FY30 (g = 10.0%)	300,650
PV of Terminal Value	130,194
PV of Stage-1 Cash Flows	39,612
Total Enterprise Value	169,806
Less: Net Debt (incl. NCI)	(18,215)
Equity Value	151,591
÷ Shares (mn)	2,139.4
Fair Value per Share	70.86 EGP

SWDY trades at 91.19 EGP, a 29% premium to our DCF-derived fair value of 71 EGP. We initiate coverage with an Underweight rating. Our price target implies 22% downside.

EV/EBITDA FY26E	
At market price	6.2x
At target (FV)	4.9x

Cross-check: 5.4x exit-multiple TV gives 71.01 EGP (implied terminal growth 10.0%, at our nominal-GDP ceiling).

Sensitivity Analysis — Fair Value per Share (EGP)

Table 1 — WACC × Terminal Growth (perpetuity)

WACC \ g	9.0%	9.5%	10.0%	10.5%	11.0%
19.0%	73.4	77.0	81.0	85.5	90.5
19.5%	69.0	72.2	75.8	79.7	84.1
20.0%	64.9	67.7	70.9	74.4	78.3
20.5%	61.4	64.0	66.8	69.9	73.4
21.0%	58.1	60.4	63.0	65.8	68.8

Table 2 — WACC × Exit EBITDA Multiple

WACC \ x	4.4x	4.9x	5.4x	5.9x	6.4x
19.0%	62.2	68.1	74.0	79.9	85.8
19.5%	61.0	66.8	72.5	78.3	84.1
20.0%	59.7	65.4	71.0	76.7	82.4
20.5%	58.6	64.2	69.7	75.3	80.8
21.0%	57.4	62.9	68.3	73.8	79.2

Base case: WACC = 20.0%, g = 10.0%, exit multiple = 5.4x | Current price: 91.19 EGP. Green: FV > market price. Yellow: within ±5%. Red: FV below market. No cell in either grid reaches 91.19 EGP within ±100bps of WACC and ±100bps of g (or ±1.0x of the exit multiple) — the market price requires an implied perpetual growth of 12.3%, above Egypt's nominal GDP.

Balance Sheet & Cash Flow Summary (EGP millions)

	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Cash & equivalents	25,552	38,180	41,949	36,590	35,292	39,226
Total Assets	151,449	249,527	311,099	359,725	410,654	462,516
Total Debt	41,766	59,083	62,509	62,509	62,509	62,509
Net Debt	16,214	20,903	20,560	25,919	27,217	23,283
Shareholders' Equity	35,724	55,275	66,871	82,346	100,244	120,608
Book Value per Share (EGP)	16.70	25.84	31.26	38.49	46.86	56.38

Cash Flow & Credit Metrics

	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Operating Cash Flow	—	—	—	15,897	20,595	25,644
CapEx	-4,749	-8,490	-13,112	-15,025	-14,672	-13,494
Free Cash Flow	—	—	—	872	5,923	12,150
FCF Yield (%)	—	—	—	0.4%	3.0%	6.2%
Net Debt / EBITDA (x)	0.81	0.66	0.72	0.75	0.67	0.50
Interest Coverage (x)	3.6	3.8	4.3	5.5	6.8	8.1

FCF Yield on current market cap (EGP 195.1 bn). Historical OCF/FCF not restated in the model — forecast CFS begins FY26E. Debt held flat; cash is the model plug.

Risks to Rating and Price Target

Downside Risks

Copper & commodity exposure. Cable margins pass copper through with a lag; a sharp rally compresses the 15.0% gross margin we model.

EGP depreciation. A weaker pound inflates the EPC cost base and FX-denominated finance costs faster than contract repricing.

Execution & backlog conversion. Construction revenue (+30% FY26E) depends on timely project delivery; slippage hits both growth and advances-funded liquidity.

Rates stay higher for longer. Our 20.0% WACC assumes the easing cycle holds; +100bps cuts fair value to ~67 EGP.

Working-capital intensity. NWC at 17% of revenue consumes EGP 9–10 bn annually; faster growth deepens the cash drag.

Upside Risks

Backlog acceleration. New international EPC awards above our +30%/+22% path would lift estimates and bring the FCF inflection forward.

FX tailwind on exports. USD-denominated cable revenue gains translation value on EGP weakness, partially hedging the cost risk.

Faster CBE easing. –100bps on WACC lifts our fair value to ~76 EGP; a lower EGP risk-free rate is the single largest swing factor.

Margin recovery. Operating leverage above our flat 15.0% gross-margin assumption adds roughly 4–5 EGP per 50bps.

JV monetization. Qatar/KSA associates (EGP 6.8 bn carrying value) returned a 24% ROE in FY25A; higher dividends add direct cash.

Financial Summary (EGP millions, except per-share data)

Fiscal year ends December 31.

	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E	FY29E	FY30E
INCOME STATEMENT								
Revenue	152,186	231,982	281,049	333,891	386,096	435,287	481,130	524,599
Y/Y growth %	—	52.4%	21.2%	18.8%	15.6%	12.7%	10.5%	9.0%
EBITDA	20,035	31,601	28,363	34,639	40,597	46,152	51,212	55,817
EBITDA Margin %	13.2%	13.6%	10.1%	10.4%	10.5%	10.6%	10.6%	10.6%
EBIT	17,739	29,342	25,354	31,219	36,100	40,699	44,986	49,050
Net Income (parent)	10,116	17,461	17,330	21,345	24,687	28,087	31,457	34,980
EPS (EGP)	4.73	8.16	8.10	9.98	11.54	13.13	14.70	16.35
BALANCE SHEET								
Cash	25,552	38,180	41,949	36,590	35,292	39,226	49,001	64,471
Total Assets	151,449	249,527	311,099	359,725	410,654	462,516	515,086	569,070
Total Debt	41,766	59,083	62,509	62,509	62,509	62,509	62,509	62,509
Net Debt	16,214	20,903	20,560	25,919	27,217	23,283	13,508	-1,961
Shareholders' Equity	35,724	55,275	66,871	82,346	100,244	120,608	143,414	168,774
BVPS (EGP)	16.70	25.84	31.26	38.49	46.86	56.38	67.04	78.89
CASH FLOW & RATIOS								
Operating CF	—	—	—	15,897	20,595	25,644	30,508	35,099
CapEx	-4,749	-8,490	-13,112	-15,025	-14,672	-13,494	-11,547	-9,443
Free Cash Flow	—	—	—	872	5,923	12,150	18,961	25,657
P/E at 91.19 (x)	19.3	11.2	11.3	9.1	7.9	6.9	6.2	5.6
Net Debt/EBITDA (x)	0.81	0.66	0.72	0.75	0.67	0.50	0.26	—