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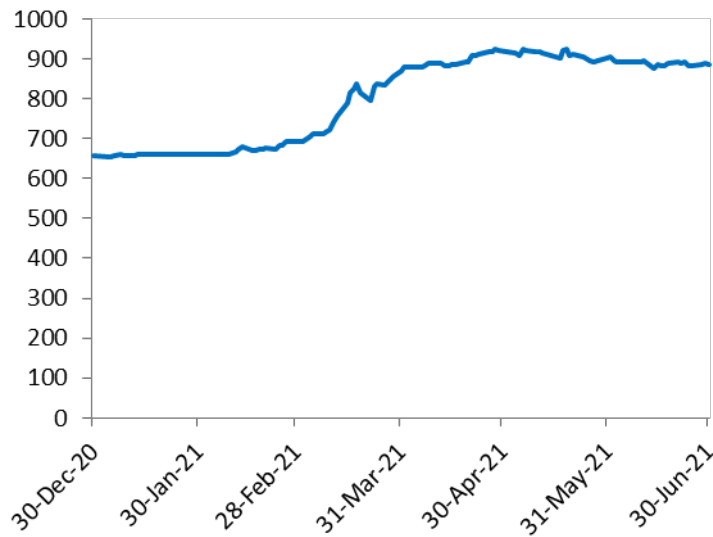
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1. Introduction

The capital market in Lebanon can somehow explain to us the current economic situation in the country despite the weakness on its volume size. Specifically, the year 2021 reflected the market current situation in Lebanon. The real estate sector in Lebanon continues to be the star on the BSE compared to other sectors in term of volumes and values as the evolution of its price showed a good performance. The banking sector has showed an oscillating performance amid the uncertainty about the future of this sector in Lebanon, as the financial crisis has hit it badly. However, few stocks in this sector have showed a good evolution of their price while this good performance remains doubtful due to the low volume applied. On the other hand, the industrial sector hasn't witnessed any progress in the first half of 2021 on the Beirut Stock Exchange, as this sector is considered fragile even before the financial crisis that started in 2019. However, in order to build a sustainable economy, the industrial sector must have a major role in the economic cycle. Overall, the stock market in Lebanon is not considered a strong indicator to evaluate the financial market in Lebanon due to the weakness of its size; however it can give an indicative idea of the status of the market. We will begin by first discussing the performance of the whole market in H1 2021; then we will analyze in greater detail the performance of the Solidere Stock, thus making it represent the core of the note. This will be followed by a discussion of the banking and industrial stocks and a conclusion to close the note.

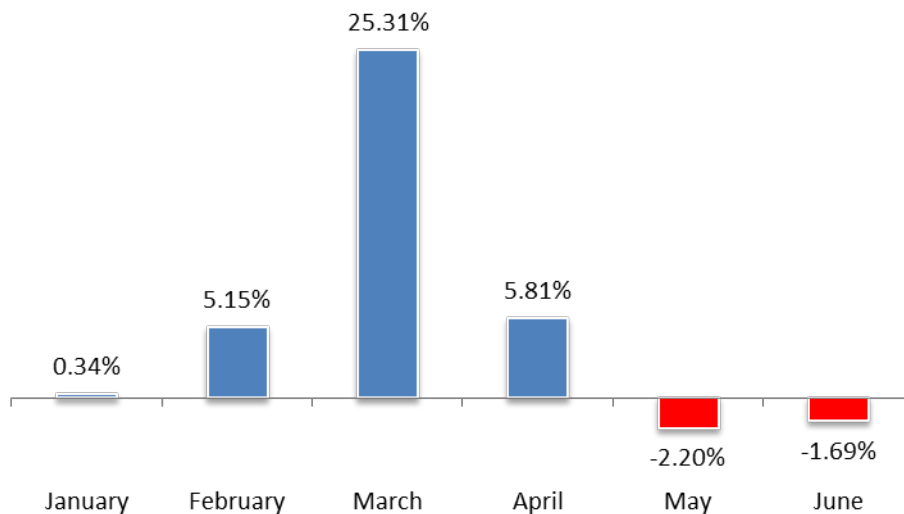
2. Market Performance

Performance of the Blom Stock Index in H1 2021



Source: Blominvest Research Department

Monthly Changes in the Blom Stock Index



Source: Blominvest Research Department

The Blom Stock Index (BSE) increased in the first 6 months of 2021 by 34.51% to 884.93 at the end of June 2021. Further, the market capitalization increased from \$6.74B at the end of December 2020 to \$9.07B at the end of June 2021. The total traded volume and value were 18.50M shares worth \$190.56M in first half of 2021. The positive upturns registered by the BSI in H1 2021 were during the months of February, March and April. In fact, the political situation has strongly affected the financial market, as in those three months there were a hope that the former Prime Minister Saad El Hariri will succeed in forming a new government that will apply the reforms requested by the IMF and put the economic

situation on the right path. Unfortunately, the government hasn't seen the light adding more uncertainty to the financial market.

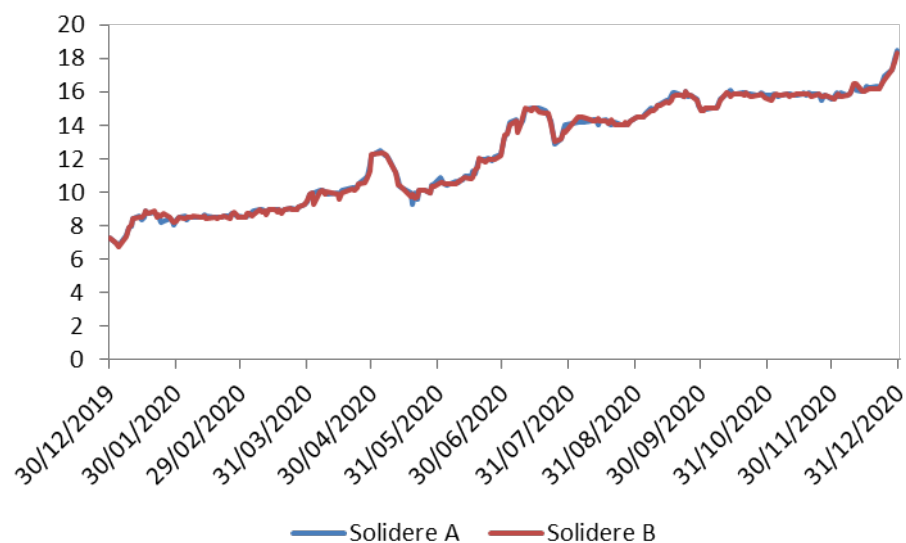
The first half's best performers were real estate shares. Solidere A and B increased by 35.57% and 34.70% to close at \$24.81 and \$24.65. On the other hand, banking and industrial shares recorded oscillating movements. Blom listed shares grew from \$2.07 at the end of December 2020 to \$3.38 at the end of June 2021. Also, Audi listed shares added 79.51% to end the first half at \$2.19. However, the low volume traded on those shares make them less reliable source for a true fundamental analysis.

3. Solidere A/Solidere B

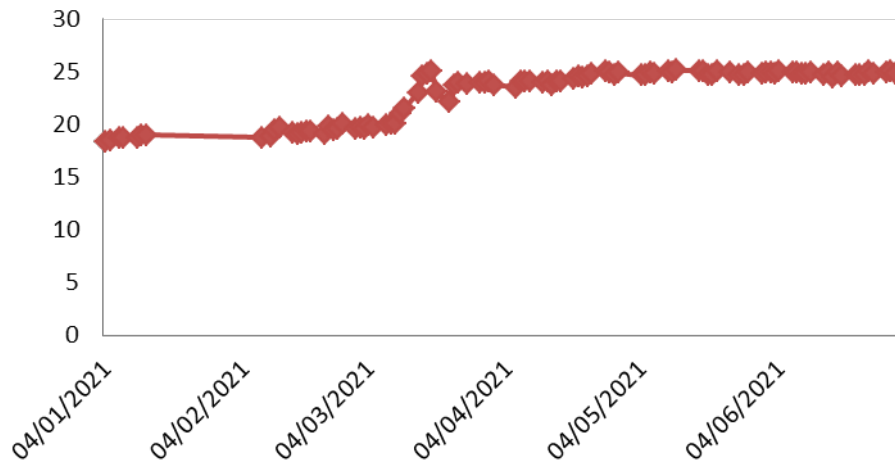
3.1 Stock Performance

The real estate sector in Lebanon witnessed an expansion amid the financial crisis .When the banking sector was unable to meet the withdrawal request by depositors, the investors headed to what they believed was the last resort of the safest heaven investment; they turned to real estate, by investing in this sector by buying lands and apartments through a banker check. In fact, depositors believed that investing in real estate will save the value of their deposits, and may protect them from any potential haircut plan that could be imposed by the government in the future. As a result, the real estate stocks listed on the BSE, Solidere A and Solidere B, witnessed respectively a huge increase in price from \$7.30 and 7.29\$ on December 2019 to \$18.50 and \$18.29 on December 2020 and then again to \$24.81 and \$24.65 on June 2021.

Solidere Stock Price Performance



Source: Blominvest Research Department

Solidere Stock Price Performance for H1 2021**Solidere A**

Interesting to note that, looking at both graphs above, we notice that the giant increase in the price of Solidere stock occurred mainly at the end of 2020. However, the price of Solidere stock continues to record a good performance in H1 2021 and has not slowed down.

We will present the trend of some financial ratios and financial numbers for the Solidere Company to analyze fundamentally the evolution of its stock price.

USD	2020 H1	2019	2018	2017	2016	2015
Total Assets	2,208,201,447	2,249,716,170	2,481,973,360	2,711,727,381	2,878,203,711	2,917,500,108
Total Liabilities	337,885,066	417,443,969	698,650,144	811,855,493	862,270,308	960,009,749
Total Equity	1,870,316,381	1,832,272,201	1,783,322,216	1,899,871,888	2,015,933,403	1,957,490,360
Net Income	38,066,058	42,141,314	(115,689,425)	(116,367,756)	75,225,450	(87,212,755)
Debt to Equity	0.62%	11.16%	27.12%	27.84%	30.18%	35.17%
EPS	0.23	0.30	(0.70)	(0.71)	0.46	(0.53)
ROAE	2.05%	2.71%	-6.28%	-5.94%	3.79%	-4.34%

3.2 Macroeconomic Analysis

The financial crisis in Lebanon has had some positive effects on the real estate market in Lebanon. Lebanese banks imposed an informal capital control as they failed to meet client withdrawals demands in foreign currency. Depositors were in despair to liberate their money from the Banks and to protect the values of their asset, so they headed to real estate sector by buying lands and apartments via banker check. The real estate sector unlike the other sectors witnessed an expansion in 2019 and 2020, which was reflected on the price of the stock of Solidere as it's only real estate public company listed on the BSE.

3.3 Fundamental analysis

The financials of Solidere can clearly show the good performance of the company as reflected in the stock market. From the table above, we can notice that the total liabilities were down by 40.2% and 19% in 2019 and 2020, respectively. In fact, the increase of sales has helped Solidere to reduce their debts as the bank loans account has dropped from \$155.48M in 2019 to \$11.49M in the second quarter of 2020. As a result, total equity has increased in the year of 2019 and 2020, which improved some reliable financial ratios like EPS and ROAE, as they increased from (0.70) and (6.28%) in 2018 to 0.30 and 2.71% in 2019, respectively, leaving the stock of Solidere more attractive to investors.

3.4 The Dollar/Lollar Dilemma

The price of Solidere stock is approximately now 25\$ on the BSE. However, this price in terms of market exchange rates doesn't reflect the reality. To be more specific, depositors that possess dollars accounts in the bank can buy this stock not in fresh dollar but at in "Lollar" at the rate of 3,900; the black market rate is now approximately LBP18,000/\$ against the "Lollar" rate of LBP3,900/\$. By doing a simple calculation we can tell that the real market price of Solidere stock price is 5.41\$.

3.5 Outlook for Solidere

Solidere grasped the expansion that happened in the real estate sector amid the financial crisis. It did well financially by closing most of their debts, and increasing their sales. However, and in order to maintain the good performance that happened in those two years, (2019/2020), Solidere must have a new vision for the future. As we believe that this expansion might have come to an end and we don't see a solid reason that the price of this stock will continue to go up. On the other hand, the future of political and economic situation will have definitely a great impact on the real estate sector, as companies need certain stability and a good political environment in order to invest and make more profit. This should reflect very well indeed on the price of Solidere Stock.

4. Banking and Industrial Stocks

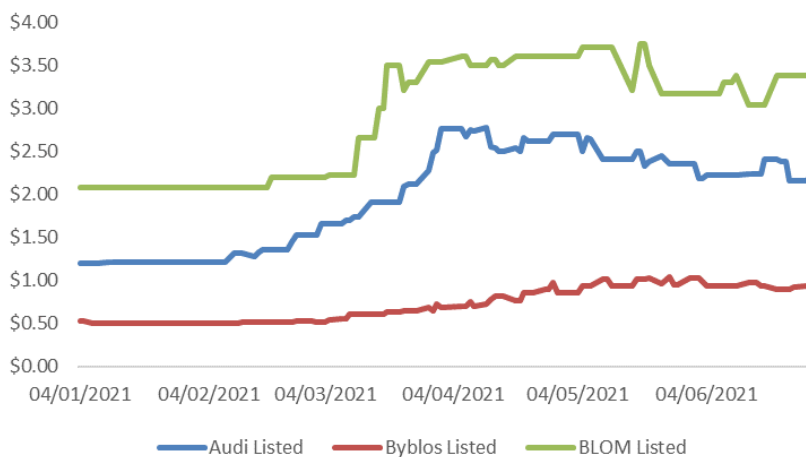
BLOM Stock Index (BSI) and market capitalization continued with the rising trend as a result of the increase in stock price related to the banking sector (Bank Audi, BLOM Bank, Byblos Bank, BLC Bank, Bank of Beirut and Banque BEMO).

In the banking sector, the largest gainers in terms of volume were Audi listed and Byblos listed; in details, the share price reached \$2.19 and \$0.92, respectively end of June 2021,

with a total volume for this period reaching \$8,149,607 and \$1,490,223. As for BLOM Listed, stock price highly increased by 63.29% to reach \$3.38 with a low volume of \$123,473 as of June 2021. It is worth noting that the highest share prices were measured in months of April and May for all 3 banks.

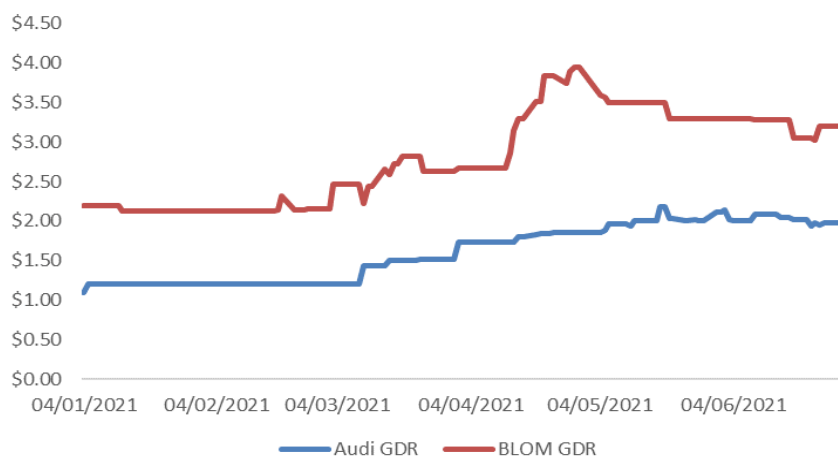
Moreover, Audi GDR and BLOM GDR both registered an increase in share price to stand at \$1.98 and \$3.20, respectively, with a total volume of \$1,090,676 and \$378,695 for the first half of 2021.

Monthly changes in the share price of Audi listed, BLOM listed and Byblos listed

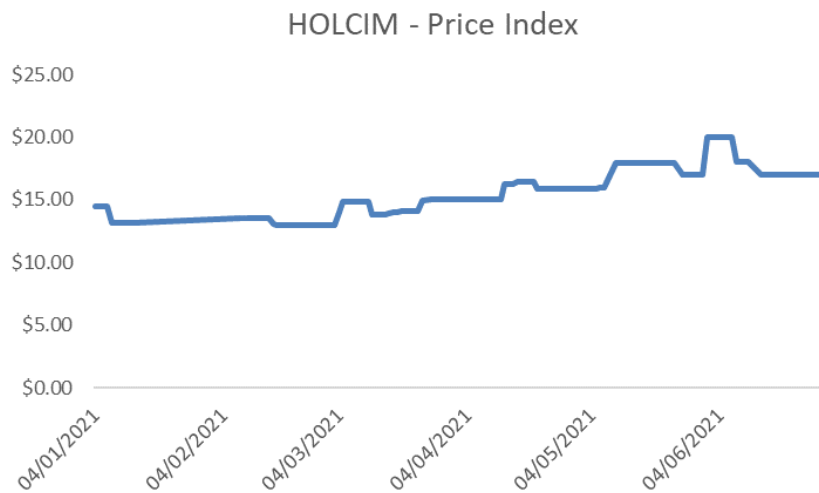


Source: Blominvest Research Department

Monthly changes in the share price of Audi GDR and BLOM GDR



In the Industrial Sector, in terms of value, HOLCIM share price surged by 17.24% year to date; and its price went up from \$14.5 to \$17.00 end of June 2021 despite its low volume for this period reaching \$48,192.



Source: Blominvest Research Department

As for the preferred shares, the BLOM Preferred Shares Index (BPSI) is still losing its price value, from 47.64 points at Dec 2020 to 45.57 points at June 2021 and depicting a falling long-term trend.

5- Conclusion

The first half of 2021 witnessed critical events that shaped the stock market and the bourse' s performance. This includes shortages in basic goods, medicine and fuel. That it is addition to the further depreciation of the Lebanese pound and banks' tightening up on withdrawals and transfers, and widening of hyperinflation.

Furthermore, the decline in the foreign currency reserves despite the need for it, led to a further depreciation in the value of the Lebanese Pound and what' s remaining of the reserves has been critically preserved for the import of essential goods.

Under such circumstances, the outlook of the Lebanese bourse for the upcoming months will be affected by the ongoing economic and political events, however, deterioration in the exchange rate of the LBP vis a vis the USD, is still picking up the stock market, as it is considered to be a safer haven. As a result, the BSI soared to 34.5% at end of June 2021 - probably the highest in the world – though this was skewed by the heavy weight of Solidere in the index.

As such, investors' main decisions remain pending the IMF plan and restructuring of the Banking system. In parallel, trading activities will remain tied to several decisions of which is the government formation, the resurgence in financial inflows, and the stability of the LBP/USD rate.

Importantly, it is of a great step ahead to focus on the industrial sector, to provide essential local products rather than highly depending on imports, as well as to help revive the investment and competitiveness in the economy.

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