



PRIMETime

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Let the M&As Continue

1. TODAY'S TRADING PLAYBOOK

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KEY THEMES

The overall market sentiment continues to be positive, which was buoyed yesterday by Egypt's improved PMI reading—albeit it still in contractionary mode. [Here is our take on June's reading published minutes ago](#). With news of USD440mn of inflows injected in Egypt Treasuries, we should see (1) the EGP stabilizing (now back around where it was at the beginning of the year vis-à-vis USD) and (2) EGP yields pulling back if this trend continues—thanks to the recent USD8bn financing from the IMF. Also, with the economy opening up in July, we might see another improvement in PMI readings a month from now. We note that the number of new coronavirus cases fell yesterday to a 6-week low with a lower number of deaths reported, but we have to keep an eye out for any resurgence in figures over the next two weeks to monitor the impact of opening up the economy.

POSITIVE

ETEL: Back in focus, ETEL has two points to keep in mind. First, FWRY's continued rally (+10% yesterday) is now valuing the e-payment platform at EGP12.6bn—which again as we mentioned yesterday is not to make a judgement call on its fair value, but we want to use this as a measure of other opportunities in the market that should be worth more than the market is attaching to them. ETEL is a case in point with a market cap of only EGP23.3bn. In other words, FWRY is now worth a little bit more than half ETEL. Second, we can split ETEL's value into two main components (1) operating businesses and (2) investments, the most important of which is **Vodafone Egypt [VODE]**, valued at USD4.4bn in STC's initial offer. With STC's own-assigned deadline to make up its mind on VODE following a long due diligence process comes due on 12 July. Whether a deal goes through or not, ETEL's current price is only valuing its 45% investment in VODE, implicitly assigning zero value to its other operating businesses and other investments. We will also have to wait and see what ETEL's options are going to be in light of STC's final offer. ETEL is currently trading at 7.1x LTM earnings.

CLHO: With continued M&A deals in the health care sector (the latest of which is Al-Nada Hospital), CLHO should eventually re-rate from a current market cap of EGP8.3bn (just a tad above

USD515mn), given its sheer size and high growth profile. With foreign inflows emerging again in Treasuries, it would be a matter of time until they come back to their favorite stocks (CLHO included).

Now, on to the top news and analysis for the day.

2. TOP NEWS & ANALYSIS

MACRO NEWS

Several international institutions and funds have injected USD440mn into the Egyptian debt market, signaling that capital markets are starting to pick up again, which should ease the pressures on EGP and government Treasury yields. Meanwhile, the **rebound in net portfolio inflows to emerging markets continued to recover in June**, soaring to USD32.1bn from USD3.5bn in May, according to IIF. ([Mubasher](#), [Enterprise](#))

The Egyptian Tax Authority decided to extend the decision of unfreezing assets in tax disputes until the end of September, as part of the government's efforts to relieve the impact of the coronavirus on the economy. ([Mubasher](#))

Profits of Egyptian banks declined by 6.1% in Q3 FY20 to EGP36.9bn by the end of March, down from EGP39.3bn in the same quarter of 2019, according to CBE data. ([Al-Ahram](#))

Egypt is planning to execute 22 projects in Cairo Metro until 2024, investment cost is EGP512bn. ([Mubasher](#))

Egyptian cotton exports resumed to India and Pakistan after a two-month halt due to COVID-19. Volume of exports reached 1.25mn quintal as of September 2019, the beginning of the cotton export season, though lately have been sold cheap at 102 cents/quintal, compared to 107 cents/quintal before COVID-19. From a holistic perspective, this might be negative for the cotton ginning companies given reduced prices, but clothing manufacturers, for whom cotton is one of their raw materials, can improve their margins capitalizing on those price levels. (Al-Mal)

CORPORATE NEWS

Saudi Telecom (STC) has reportedly completed its due diligence on Vodafone Egypt [VODE] ahead of its potential USD2.4bn acquisition of Vodafone Group's 55% stake in the country's largest mobile operator. An official announcement is said to be planned for 15 July 2020 at 4 pm Cairo Local Time. ([Masrawy](#))

Al-Ahly Capital, the investment arm of National Bank of Egypt, intends to acquire a controlling interest in Al-Nada Hospital. This came after Al-Ahly Capital announced its plans to tap the health care sector with investments worth USD150mn. ([Al-Borsa](#))

Commercial International Bank - Egypt [COMI] announced that its subordinated debt during 2020 totaled USD300mn, equally amassed from International Finance Corporation (IFC), CDC, and European Bank for Reconstruction & Development (EBRD). ([Hapi](#))

Export Development Bank of Egypt's [EXPA] subsidiary EBE Factoring obtained a license from the FRA to conduct export, import, and domestic factoring business. ([Arab Finance](#))

Glaxo SmithKline [BIOC] reported a consolidated net income of EGP31.9mn in Q1 2020 vs. a net loss of EGP15.4mn a year before, thanks to higher revenues of EGP434mn (+16% y/y). ([Company disclosure](#))

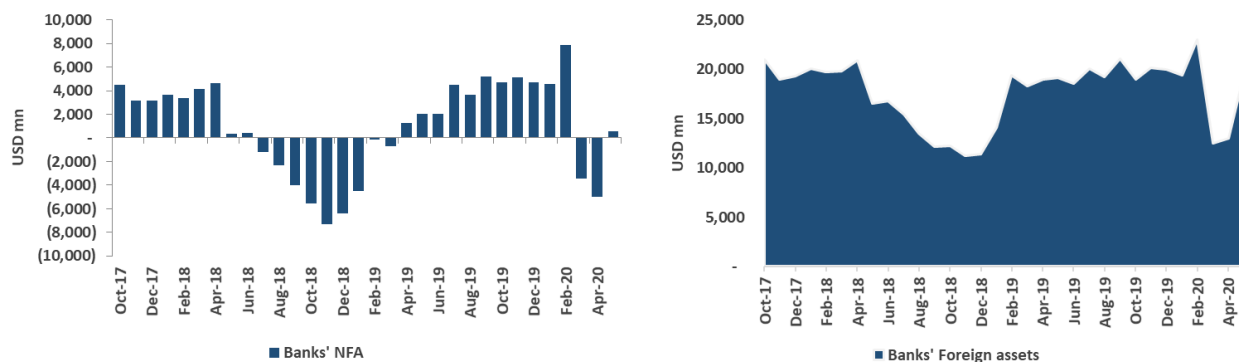
GLOBAL NEWS

German industrial orders rebounded moderately in May, and a fifth of firms in Europe's biggest economy said in a survey published on Monday they feared insolvency, adding to expectations of a slow and painful recovery from the coronavirus pandemic. ([Reuters](#))

Consumers in the Eurozone returned *en masse* to shops in May as lockdowns were eased in the bloc, signaling a sharp recovery of sales after record drops in March and April. ([Reuters](#))

Oil prices rose on Monday, supported by tighter supplies and a string of data expected to show economic recovery across the globe and despite a spike in coronavirus cases in the United States and other countries. ([CNBC](#))

3. CHART OF THE DAY



Source: CBE.

For the first time in two months, banks' NFA restored its net assets position in May, thanks to a USD6.3bn surge in their foreign assets. Their net foreign assets position reached USD560mn, up from the net liability position of USD5bn by the end of April. By end of April, total foreign assets declined by USD10bn since February 2020 due to the massive capital outflows triggered by COVID-19. By the end of May, the Eurobond issuance (USD5bn) and the disbursement of IMF's RFI (USD2.8bn) helped banks offset the decline in their foreign assets to reach USD19.3bn, up from USD 13bn in April.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
600.2					1,079.7 784.1				

* As of market close, except for commodities and currencies at 8.34am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

DATE	TICKER	TYPE	EVENT
7-Jul-20	EXPA	OGM	Approving the 2020/21 budget.
7-Jul-20	GMCI	OGM	Approving the financial statements ending 31 Dec. 2019.
7-Jul-20	BTFH	OGM	Approving the financial statements ending 31 Dec. 2019.
8-Jul-20	MOIL	BoD meeting	Discussing the financial results.
8-Jul-20	ACAMD	OGM	Approving the sale of a land plot.
8-Jul-20	QNBA	Cash dividend	Distribution date for EGP1.00/share.
9-Jul-20	RTVC	EGM	Amending article No. 5 of the company's bylaws.
11-Jul-20	ECAP	OGM	Approving the financial statements ending 31 Dec. 2019 and proposed dividend.
11-Jul-20	ECAP	EGM	Amending articles No. 4 & 5 of the company's bylaws.
12-Jul-20	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
13-Jul-20	ZMID	Stock dividend	Record date for 1:1.
14-Jul-20	ZMID	Stock dividend	Distribution date for 1:1.
14-Jul-20	FERC	OGM	Considering the netting contracts.
14-Jul-20	ALEX	EGM	Discussing the delisting suggestion and amending Article No. 4 of the company's bylaws.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
7-Jul-20	MacroView – Non-oil private sector keeps perking up in June, but demand stays depressed-oil
25-Jun-20	EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition
10-Jun-20	MacroView on Inflation May reading – Lowest annual reading in five months, but monthly figures show no changes
8-Jun-20	Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices
8-Jun-20	MacroView on Reserves May figures – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19
3-Jun-20	MacroNote on PMI May reading – Non-oil private sector took a breather in May, but outlook remains cloudy
18-May-20	Abu Dhabi Islamic Bank [ADIB] – Q1 2020 Results
18-May-20	Al Baraka Bank Egypt [SAUD] – Q1 2020 Results
17-May-20	Credit Agricole Egypt [CIEB] – Q1 2020 Results
13-May-20	MacroView – Yesterday’s CBE conference call with Deputy Governor
11-May-20	Inflation – Acceleration in April driven by food prices – as expected
7-May-20	MacroNote – Keeping head above water amid pandemic uncertainties
5-May-20	Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results

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