



PRIMETime

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CANA – Getting Ready

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Suez Canal Bank [CANA] is one of Egypt's small-cap banks with EGP49.5bn in total assets and an 0.8% market share. It is currently traded at a P/B of 0.52x. We valued the bank based on a sum-of-the-part (SOTP) methodology, breaking it down into two segments:

(1) The bank's operations, where we valued based on a justified P/B of 0.64x (excluding all of its equity investments). This concluded a value of EGP6.76/share.

(2) The bank's equity investments based on two sub-sections, listed investments (valued at market) and unlisted investments (valued at book value). This concluded a value of EGP3.85/share.

Summing up the two values (EGP6.76 + EGP3.85) we reach **a fair value for CANA of EGP10.62/share**, suggesting an upside potential of 24%. We note that we are conservative here as we replaced all the bank's equity investments with only what the bank has disclosed in its financial statements (i.e. our valuation excludes other investments that we do not know of). Hence, we made a sensitivity analysis based on two variables, ROE and COE.

Please check out the below tables for the detailed valuation and analysis.

We note that CANA will eventually have to comply with the Central Bank of Egypt's (CBE) minimum paid-in capital of EGP5bn, which is c. EGP1.7bn short if we were to compare it versus the bank's book value of equity. This justifies the recent sale of some of its investments, such as MIDOR, to potentially raise enough funds to increase its capital. Furthermore, this may open the door for a potential merger or acquisition by a bigger bank or another bank in the same predicament. Please check out *Today's Trading Playbook* below for more details on this.

							Equity value attrib. to CANA (EGPmn)	Value per CANA share (EGP)
Sum-of-the-parts valuation	Ticker	Methodology	NOS (mn)	CANA's stake (%)	Price/ share (EGP)	Equity value (EGPmn)		
Suez Canal Bank (value of operations)	CANA	Justified P/BV	200.0	100.00%		1,353	1,353	6.76
Total equity Investments							771	3.85
Equity investments							627	3.14
Mohandes Insurance	MOIN	Market price	60.0	9.88%	16.40	984	97	0.49
Sharm Dreams for Touristic Investment	SDTI	Market price	53.0	8.81%	4.94	262	23	0.12
Real Estate Egyptian Consortium	AREH	Market price	40.0	10.57%	6.03	241	25	0.13
Middle East Oil Refinery		Sale price *	44.0	1.27%	860.98	37,925	482	2.41
Sister companies		Book value				143	143	0.72
Total value of Suez Canal Bank (including total equity investments)							2,266	10.62
Implied price/total book value								0.69x
CANA's market price					8.54			
Upside potential						24%		

* Price/share is equivalent to USD54.7/share.

Source: Bank reports, Prime Research.

Fair value sensitivity

		ROE				
		10.0%	11.0%	12.0%	13.0%	14.0%
COE	18.0%	7.94	8.76	9.58	10.39	11.21
	17.0%	8.28	9.17	10.05	10.94	11.82
	16.0%	8.68	9.65	10.62	11.58	12.55
	15.0%	9.17	10.23	11.29	12.35	13.42
	14.0%	9.76	10.94	12.12	13.30	14.48

Source: Prime Research.

Upside potential

		ROE				
		10.0%	11.0%	12.0%	13.0%	14.0%
COE	18.0%	-7%	3%	12%	22%	31%
	17.0%	-3%	7%	18%	28%	38%
	16.0%	2%	13%	24%	36%	47%
	15.0%	7%	20%	32%	45%	57%
	14.0%	14%	28%	42%	56%	70%

1. TODAY'S TRADING PLAYBOOK

POSITIVE

CANA, EXPA: We continue to prefer these two small-cap banks, and we might throw in **SAIB** (traded in USD) as well, noting that both CANA and SAIB have the same major shareholder, namely **Arab International Bank**, with stakes of 41.5% and 46.1%, respectively. CANA's paid-in capital is currently at EGP2bn, while SAIB's stands at USD150mn (equivalent to EGP2.2bn). Combined, the two bank's paid-in capital would be EGP4.4bn, just a bit shy off the CBE's minimum EGP5bn threshold. Thus, we think it might make sense to combine both banks at some point. Just an idea!

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's annual urban inflation rose to 5.6% in June 2020, up from 4.7% in May 2020. Meanwhile, monthly urban inflation for June came in at 0.1%. ([CAPMAS](#))

Egypt's fuel automatic pricing committee decided to keep the current fuel prices fixed until the end of September 2020. The need to shield the economy against unfavorable fluctuations of oil prices predicted in Q3 2020 was cited by the committee as a reason for its decision. We believe

the oil price outlook should remain well below the government's estimate of USD61/bbl in the FY21 budget. This should release some savings from the projected EGP28bn fuel subsidy bill. ([Al-Mal](#))

Egypt is currently disbursing EGP331.65mn to workers hit by the coronavirus pandemic, including those working in tourism and spinning and weaving sectors. We see that the income-support measures should be an essential element of fiscal stimuli, given the substantial demand shock created by the pandemic turmoil. ([Mubasher](#))

CAPMAS's index of manufacturing and extractive industries, excluding crude oil and petroleum products, dropped by 11.4% m/m to an initial 98.5 in April from 111.2 in March. The official statistics agency's rubber and plastic manufacturing index increased by 12.6% m/m to 49.9 from 44.3 in March, due to the growth in sales of rubber-made medical supplies. The mining and quarrying manufacturing index also rose 15.9%, but the machinery and equipment index fell 29.0% m/m. ([Mubasher](#))

Vehicle importers will benefit from customs exemptions on European and Turkish cars originating from GCC countries by providing the Euro 1 certificate in addition to a documented report from Gulf ports proving the vehicles are directly exported from their free zones. ([Al-Mal](#))

CORPORATE NEWS

Telecom Egypt [ETEL] signed a cooperation protocol with the Ministry of Education to launch the first school of applied technology in Egypt, which will be named WE Joint School of Applied Technology for Communication & Information Technology. ([Al-Mal](#))

CI Capital Holding [CICH] raised its stake in Palm Hills Developments [PHDC] from 2.86% to 3.00% after buying 4.14mn shares worth EGP5.18mn. ([Mubasher](#))

Misr Insurance Co. and Misr Life Insurance Co., through six investment portfolios, sold stakes in Egyptian Resorts Co. (ERC) [EGTS] for EGP20.2mn and EGP20.9mn, respectively, cutting the former's stake from 3.7% to 2.34% and the latter's from 3.29% to 1.88%. ([Company disclosure](#))

Misr Insurance Co. sold stakes in El-Nasr Clothing & Textiles [KABO] for a total value of EGP6.2mn, through two investment portfolios, reducing its stake in KABO from 4.96% to 1.21%. Meanwhile, **Misr Life Insurance Co. sold its entire stake in KABO for a total of EGP1.5mn.** ([EGX](#))

Americana Group raised the purchase price for the minority shares in subsidiary Egyptian Co. for International Touristic Projects (Americana Egypt) [EITP] to EGP6.32/share. ([FRA](#))

Samsung Mobile Phones, for whom MM Group for Industry & International Trade [MTIE] is a key distributor, raised its prices by a range of EGP51-700, led by a 5% fee imposed by the National Telecom Regulatory Authority (NTRA) on mobile phone imports a week ago. ([Al-Mal](#))

Technip has signed a contract with Assiut Oil Refining Co. to build a USD2.8bn hydrocracking complex which will produce c.2.8mn tons of diesel, 0.4mn of naphtha, and 0.1mn of butane using mazut as feedstock. ([Enterprise](#), [Official statement](#))

GLOBAL NEWS

Emerging countries, including Egypt are expected to be favorable destinations for tourists, Oxford Business Group said. The group expects global business travel to take longer to rebound, and may struggle to return to pre-pandemic levels, noting that businesses will look to formalize operational shifts prompted by the pandemic and turn temporary measures into permanent strategies. ([Oxford Business Group](#))

Argentina's USD65bn debt restructuring talks teetered on the edge on Wednesday after two key creditor groups knocked back the country's latest "final" offer, while the government signaled that there was no room left to improve the terms. ([Reuters](#))

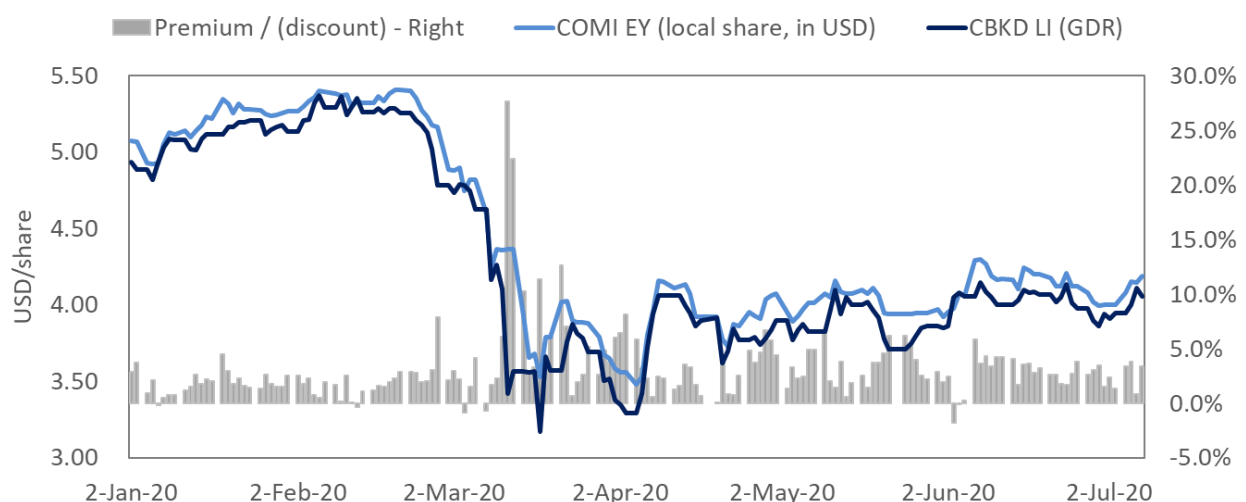
British finance minister warned of hardship ahead as he set out plans to protect jobs and limit the economic impact of the coronavirus. ([Reuters](#))

China's passenger car sales in June fell 6.5% y/y to 1.68mn units, the China Passenger Car Association (CPCA) said on Wednesday. Retail sales were in line with expectations and signaled a continuing recovery in the passenger car market, CPCA said. ([Reuters](#))

Orders for infrastructure materials and equipment have helped industrial output recover faster in China than most places emerging from COVID-19 lockdowns, but further expansion will be hard to attain without stronger broad-based demand and exports. ([Reuters](#))

Turkey's lira this week slipped to its weakest level since hitting a record low in early May after inflation for the month of June was reported at 12.6%, a figure that topped economists' expectations. With rapidly shrinking foreign reserves to prop up the currency, inflation and currency devaluation are showing no signs of a turnaround. ([CNBC](#))

3. CHART OF THE DAY



Premium of COMI's local share price to its GDRs' has returned to its average ytd levels near 3%, following an upsurge in mid-March this year.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
608.5					1,631.1 799.0				

* As of market close, except for commodities and currencies at 8.14am 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
9-Jul-20	RTVC	EGM	Amending Article No. 5 of the Company's bylaws.
11-Jul-20	ECAP	OGM	Approving the financial statements ending 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 1.00:1.
14-Jul-20	ZMID	Stock dividend	Distribution date for 1.00:1.
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.
14-Jul-20	IRAX	OGM	Approving the financial statements ending 31 Dec. 2019.
14-Jul-20	IRAX	EGM	Amending Articles No. 3, 4, 19, 20, 25, 39, 40, 42, 43, 45, 46, 47, 49, 51, 56 of the company's bylaws.
15-Jul-20	EEII	EGM	Approving splitting the par value per share and amending Articles No. 4, 6 & 7 of the company's bylaws.
15-Jul-20	TMGH	Cash dividend	Distribution date for EGP0.044/share (2 nd installment).
15-Jul-20	AREH	Cash dividend	Record date for EGP0.50/share.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
8-Jul-20	MacroView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position
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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