



PRIMETime

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Talking Pharma

1. TODAY'S TRADING PLAYBOOK

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KEY THEMES

While market participants are grappling with geopolitical risk in the MENA region, elsewhere pharma-related names are making history. Two names we refer to specifically today are **ISPH** and **MPCI**.

POSITIVE

ISPH: This is one of our top picks (please check the 19 stocks we listed [last Thursday](#)). The company seems to be considering some sort of vertical integration by investing in pharmaceutical companies. Another potential growth venue for the company could be its pharma logistics centers, which has recently become the focus of the Egyptian government. If ISPH partners with The Sovereign Fund of Egypt to develop this line of business further, this would add yet another catalyst for the stock.

MPCI: Memphis Pharmaceutical & Chemical Industries [MPCI] looks to have successfully turned around its operations after starting to reap the fruit of its recent upgrades. **MPCI** has long been a neglected stock amongst its pharmaceutical peers. It was probably the only company to still eke out losses after **NIPH** (which is incidentally one of the stock picks we mentioned [yesterday](#) within the pharma sector) has turned around. MPCI just reported its full-year results in 2019/20 ended 30 June 2020, posting a net income of EGP12.4mn vs. a net loss of EGP25.4mn in 2018/19. Even better, this implies a net income of EGP6.6mn in the month of June alone! As a scaler, MPCI's shareholders (60% of which is the Egyptian government; [free float](#) is c.25%) approved back in April the 2020/21 budget with target net income of EGP29.4mn on revenues of EGP575mn (+57% y/y). At its budgeted net income, MPCI would be trading at a forward P/E (2020/21) of 2.8x. If the EGP6.6mn were to be annualized, MPCI would be trading at an absurd 1x!

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

According to a new Ministry of Finance directive, all government agencies will now have to rely on the ministry's e-payments platform managed by E-Finance. ([Minister of Finance](#))

Egypt's food exports declined by 5% Y/Y to USD1.4bn during the first 5M of 2020. ([Mubasher](#))

CBE sent a letter to the banks to activate the lifting of the tax seizure on the accounts of the seized clients that are lagging in paying the state's tax dues in the case of paying 1% of the value of the disputed tax. ([Al-Borsa](#))

The European Investment Bank (EIB) approved to extend EUR1.1bn for financing the development of the public transport infrastructure in Egypt. ([Zawya](#))

The Egyptian ministers of international cooperation, environment, and local development discussed with a delegation from the World Bank the possibility of financing a project worth USD200mn for managing air pollution. ([Mubasher](#))

Engines of 42,000 cars were converted to dual fuel (gas/gasoline) during FY20, an increase of 25% on an annual basis. Owners of 320,000 cars in total so far have carried out this conversion. ([Egypt Today](#))

CORPORATE NEWS

Alexandria Container & Cargo Handling Co.'s [ALCN] unaudited 2019/20 financial indicators showed net income dropped 22% y/y to EGP1.42bn (missing its EGP1.8bn target) as revenues fell 13% y/y to EGP2.56bn (also missing its EGP2.83bn target). Revenues were dragged down by (1) weaker revenues from storage and stevedoring services, (2) stronger EGP, and (3) 6% y/y lower number of containers of 914,002 (which exceeded its 890,000 target). ([Company disclosure](#))

Faisal Islamic Bank of Egypt's [FAIT] stand-alone net profit after tax fell 41% y/y to EGP791.6mn in H1 2020. The bank's NII retreated 7.5% y/y to EGP1.9bn in H1 2020. ([Company disclosure](#))

Ibnsina Pharma's [ISPH] board of directors approved establishing a health care investment company aiming to invest in several aspects of the field. Meanwhile, ISPH is studying to acquire a non-controlling interest in several pharmaceutical companies. ([Enterprise](#))

The Holding Co. for Construction & Development is set to hand the Ministry of Public Enterprise its plan for Heliopolis Housing & Development [HELI] after it failed to find an investor willing to purchase a stake with management rights. ([Al-Borsa](#))

Orascom Development Egypt [ORHD] signed an agreement with Dr. Nermien Ismail Schools (NIS) to establish two added international schools in O West, with an estimated investment exceeding EGP500mn. ([Company disclosure](#))

The National Bank of Egypt (NBE) is planning to increase its retail lending portfolio in the current fiscal year by 25%. ([Al-Mal](#))

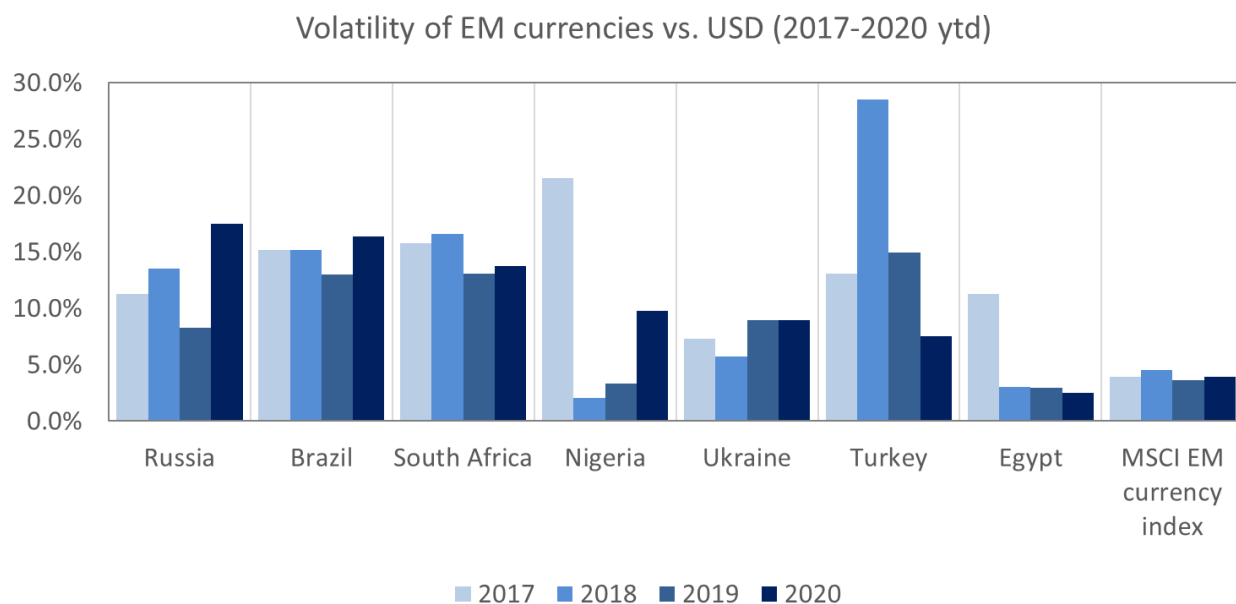
Uber announced the launch of its intercity bus service in Egypt with roundtrip routes between Cairo and Alexandria. ([Mubasher](#))

GLOBAL NEWS

Emirates REIT [DIFX: REIT], a Dubai-based Sharia-compliant real estate investment trust, said on Sunday it was considering delisting from Nasdaq Dubai amid a downturn in the UAE real estate sector and weak equity market conditions. ([Reuters](#))

EU leaders stood at an impasse on Sunday after three days of haggling over a plan to revive economies throttled by the COVID-19 pandemic, but the chairman of their near-record-length summit, Charles Mitchell, urged them to make one last push on “mission impossible”. ([Reuters](#))










































3. CHART OF THE DAY



Source: Bloomberg.

The annualized standard deviation of the Egyptian pound's daily percentage change in 2019 was c.2.9%, which is comforting for long EGP positions. However, over the long-run, such trends raise a red flag for the burden they place on the external sector's competitiveness. Post COVID-19, the EGP was relatively stable compared to most other EM currencies. The annualized volatility (as measured by the annualized standard deviation of daily percentage changes) hovered around 2.5% so far in 2020 (through 14 July). Meanwhile, in real terms, the EGP appreciated by 7% over the same period.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
568.9					736.3 815.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
		EGX 30	10,281.16	(1.53%) (26.36%)			Gold	1,810.42	0.74% 19.34%
		EGX 30 TR	3,928.07	(1.89%) (24.00%)			Silver	19.33	0.89% 8.20%
		EGX 70 EWI	1,409.29	(1.17%) 11.22%			Brent Oil	43.14	(0.53%) (31.91%)
		EGX 100 EWI	2,177.44	(1.15%) (0.33%)			WTI	40.59	(0.39%) (30.84%)
		DFMGI	2,061.43	0.43% (25.44%)			Natural Gas	1.72	(0.29%) (22.61%)
		ADSMI	4,255.78	(0.44%) (16.17%)	EGP		USD/EGP	15.96	(0.23%) (0.42%)
		TASI	7,423.23	(0.05%) (11.51%)	€		EUR/USD	1.14	0.39% 2.23%
		QE Index	9,316.51	0.06% (10.64%)	£		GBP/USD	1.26	0.12% (5.36%)
		S&P 500	3,224.73	0.28% (0.19%)	¥		USD/JPY	107.02	(0.23%) (1.26%)
		Dow 30	26,671.95	(0.23%) (6.54%)			6M TB yield	13.38	(14) (163)
		NASDAQ	10,503.19	0.28% 17.06%			1Y TB yield	13.49	(12) (108)
		VIX	25.68	(8.29%) 86.36%			10Y TB yield	14.43	33 73
		STOXX 50	3,365.60	0.01% (10.13%)			2Y TB yield	0.15	(1) (142)
EM		MSCI Emerging	1,055.06	0.86% (5.35%)			10Y TB yield	0.62	0 (130)
FM		MSCI Frontier	480.78	(0.26%) (17.95%)			30Y TB yield	1.33	2 (106)

* As of market close, except for commodities and currencies at 8.35am 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
20-Jul-20	AREH	Cash dividend	Distribution date for EGP0.50/share.
22-Jul-20	SKPC	Cash dividend	Distribution date for EGP0.15/share (1st installment).
22-Jul-20	NHPS	EGM	Amending the terms of the reimbursement program for the sale of Le Meridien Heliopolis hotel.
25-Jul-20	ELWA	OGM	Approving the financial statements ending 31 Dec. 2019.
25-Jul-20	ELWA	EGM	Approving splitting the par value per share and amending articles No. 4, 6 & 7 of the company's bylaws.
25-Jul-20	EALR	EGM	Approving articles of association for the Arab Co. for Land Reclamation.
26-Jul-20	ORWE	Cash dividend	Record date for EGP0.650/share.
26-Jul-20	MTIE	Stock dividend	Record date for 0.25:1.
26-Jul-20	ATLC	Stock dividend	Record date for 0.225:1.
26-Jul-20	OCPH	Cash dividend	Record date for EGP1.50/share.
26-Jul-20	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
27-Jul-20	OCPH	Cash dividend	Ex-dividend date for EGP1.50/share.
27-Jul-20	ATLC	Stock dividend	Distribution date for 0.225:1.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
14-Jul-20	Commercial International Bank - [COMI] - Q2 2020 results
9-Jul-20	MACROView – Inflation driven by non-food baskets and unfavorable base effect
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 – 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 – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19
3-Jun-20	MACROView – 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	MACROView– Acceleration in April driven by food prices – as expected
7-May-20	MACROView – Keeping head above water amid pandemic uncertainties
5-May-20	Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results

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