



# PRIMETime

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## The Fintech Rush

### 1. Today's Trading Playbook

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#### KEY THEMES

Up over 29% so far in 2020, gold has yet proven to be a must-have investment in investors' portfolios. What has driven the gold's positive performance in 2020 so far? On one hand, investors prefer to avoid stock market volatility by parking their funds in precious metals, mainly the yellow one: gold. On the other hand, the recent U.S. dollar weakening often means higher prices of commodities that are priced in the greenback. At such volatile times, investors rush to gold for safety. A "gold rush" is when a new discovery of gold brings an onrush of miners seeking their fortune. Major gold rushes took place in the 19<sup>th</sup> century across the world, most notably in the United States. Nowadays in Egypt, there is a new type of rush: the fintech rush. Investors are seeking their fortune in newfound businesses built on the fintech concept.

#### NEGATIVE

**FWRY:** Let's start today with the negative section. A case in point (for such a fintech rush) is **Fawry** [FWRY] which is up 118% ytd. The e-payment outfit that went public last August saw its market cap jump from EGP4.6bn to EGP12bn in just less than a year. Yesterday, some of FWRY's existing shareholders that were part of the company prior to its IPO decided to offload between 10-13% of their holdings at FWRY after agreeing to a 180-day lock-up period concerning their remaining stakes. *Please read the news below.* We believe the sale would be perceived negatively by the market. So, until FWRY churns out earnings growth that can justify its high-flying valuation, we would rather stay away from the name for the time being.

#### POSITIVE

**SWDY, HRHO:** Both **Elsewedy Electric** [SWDY] (+3.5% d/d) and **EFG Hermes Holding** [HRHO] (-3.9% d/d) have fallen prey to the MSCI rebalancing masquerade, where investors (or better identified as traders) bid up prices of stocks set to join an MSCI index and hammer prices of other

stocks expected to be ditched off that same MSCI index. This has been the case over the past few weeks, where traders bet on SWDY's removal off MSCI EM index by selling it off. On the other hand, other traders bet on HRHO's inclusion to MSCI EM index by loading up on it. As ridiculous as this may sound, it does create opportunities with new entry and exit points for removed and added stocks, respectively. Regardless of the direction of flows into these two stocks (**SWDY** and **HRHO**), we continue to have them as part of our 19-stock top picks (please take another look at them [here](#)).

**MICH: Misr Chemical Industries'** [MICH] preliminary earnings reached EGP64mn, but we remind you that its 9M 2019/20 (ended 31 March 2020) bottom line was only EGP28mn. This implies that Q4 2019/20 bottom line recorded around EGP36mn (56% of full-year earnings). We believe the reason is higher demand for MICH products instigated by the pandemic, especially chlorine and sodium hypochlorite. Replication of Q4 2019/20 performance in 2020/21 is not completely a sure thing, yet with the company benefitting off the recent cut in electricity prices (-8% or EGP0.10/kWh) in 2020/21, we should see a further boost to operating performance. MICH trades at 2019/20 P/E of 6.9x.

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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**Foreign investors injected USD3bn into Egyptian debt in the first two weeks of July.** ([Mubasher](#))

**French oil company Total said on Tuesday it made a gas discovery at a well off the coast of Egypt, along with its partners BP and ENI.** ([Zawya](#))

**Italian multi-national oil and gas company Eni discovered new oil resources in the Western Desert of Egypt.** This comes in line with a new well exploration in the South West Meleiha concession, located about 130 kilometers north of the Siwa Oasis. ([Arab Finance](#))

**In H1 2020, automotive sales in Egypt climbed 22%** despite COVID-19 weighing in on the sector for much of Q2 2020, while locally-assembled car sales fell 11%, to 16,829 vehicles. (Al-Mal: [1](#), [2](#))

### CORPORATE NEWS

**Fawry's [FWRY] biggest shareholders, including the Egyptian American Enterprise Fund (EAEF), International Finance Corporation (IFC), National Bank of Egypt, and Banque Misr are seeking to sell as many as 50mn shares (a combined stake of c.7%),** along with other sellers such as responsAbility, Link HoldCo BV (Helios), and select Fawry employees. EFG Hermes Holding [HRHO] is the offering's manager. (Bloomberg)

**Credit Agricole Egypt's [CIEB] stand-alone net profit after tax fell by 42% q/q to EGP257mn.**

While NII retreated by 10% to EGP671mn, the wider bottom line drop is most likely due to higher provisions. ROAE dropped to 16% in Q2 2020 from 26.5% in Q1 2020. ([Bank disclosure](#))

**Talaat Moustafa Group Holding's [TMGH] consolidated net profit after tax retreated 13% y/y to EGP705mn in H1 2020** as revenues declined 7% y/y to EGP4.6bn. ([Company release](#))

**Delta Sugar's [SUGR] H1 2020 initial results showed a 75% y/y drop in net profit to EGP52mn from EGP211mn in H1 2019, following the 52% y/y drop in gross profit (GPM of 8.3% vs GPM of 21.5% in H1 2019).** This came despite a 26% y/y growth in revenues to EGP1.7bn. On a quarterly basis, SUGR showed a 22% y/y growth in net profit reaching EGP171mn in Q2 2020 alone, mainly on a 110% y/y surge in revenues to EGP927mn which resulted in a 20% y/y growth in gross profit. ([Company disclosure](#))

**Misr Chemical Industries' [MICH] preliminary 2019/20 EPS came in at EGP0.88 (-27% y/y) or EGP64mn on flattish top line of EGP366mn.** Please read our take on the results in the Playbook section above. ([Company disclosure](#))

**Wasatch Frontier Emerging Small Countries Fund sold 2.02mn shares in Cleopatra Hospital Co. [CLHO] for EGP9.5mn, reducing its stake in CLHO from 0.47% to 0.34%.** ([Company disclosure](#))

**EIPICO [PHAR] started producing Epifluver 200 mg,** an antiviral drug using favipiravir as active ingredient for treating COVID-19, after it obtained Egyptian Drug Authority's (EDA) approval. The company also said it will soon start producing Remdesivir. ([Company disclosure](#))

**Eastern Co.'s [EAST] BoD approved the company's 2020/21 budget which targets revenues and net profits of EGP15.9bn and EGP4.3bn, respectively.** ([Company release](#))

**Heliopolis Housing & Development's [HELI] BoD agreed yesterday to extend the deadline to develop a 655-acre plot in New Heliopolis under a 2016 agreement with SODIC [OCDI] by 11 months.** ([Company disclosure](#))

**Both PACHIN [PACH] and MM Group for Industry & International Trade [MTIE] participated in the state's latest consumption boost initiative.** MTIE has indicated it will participate in the initiative indirectly through three products it distributes, namely *SICO* mobile phones, *Samsung* TV sets, and *Carrier* air conditioners. We note that the consumer segment as a whole represents c.65% of MTIE's revenues, with the mobile sub-segment representing 78% of the consumer segment. (Al-Mal)

## GLOBAL NEWS

**U.S. consumer confidence ebbed in July amid a flare-up in COVID-19 infections across the country,** which is threatening the economy's recovery from an unprecedented recession caused by the pandemic. ([Reuters](#))

**The Federal Reserve said Tuesday that it is extending its menu of lending programs to businesses, governments and individuals to the end of 2020.** ([CNBC](#))

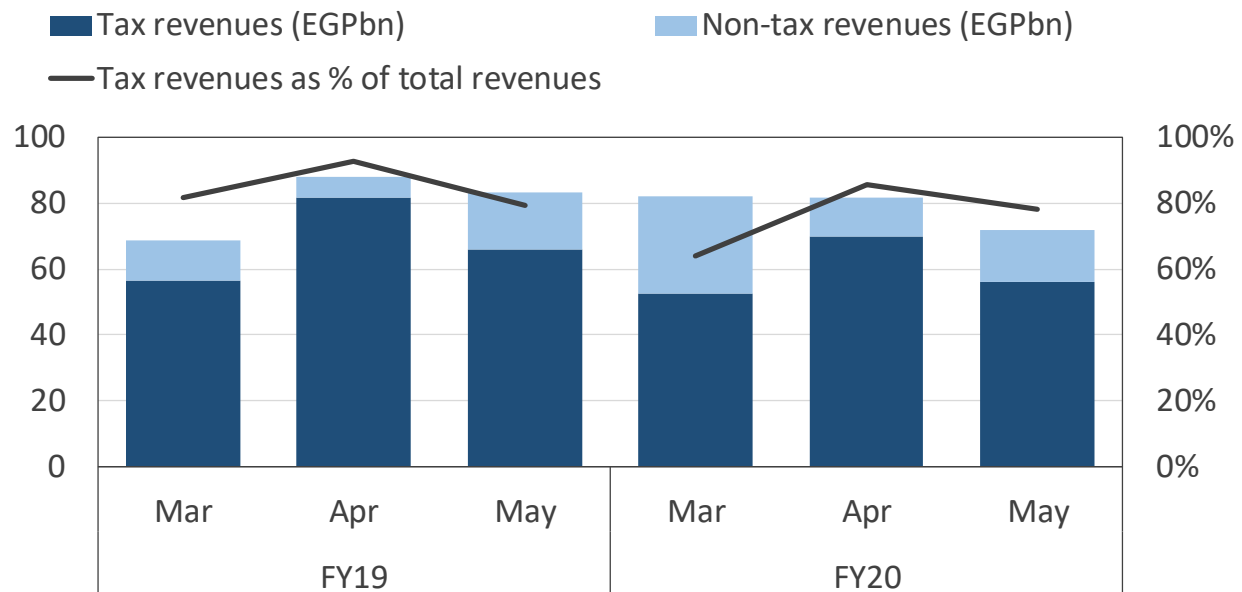
**Turkey's lira fell to a fresh record low against the euro on Tuesday,** extending losses from the previous session, as investors worry about the country's dwindling foreign exchange reserves,

growing foreign-denominated debt, central bank intervention, and potential sanctions from the EU. ([CNBC](#))

### 3. CHART OF THE DAY

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

































































Source: Ministry of Finance.

According to the most recent data from the Egyptian Ministry of Finance monthly report, total government revenues increased by 2.2% y/y in 11M FY20 (ended 31 May 2020) to EGP786.8bn. This growth was mainly due to the significant contribution of non-tax revenues which grew 20.6%, while tax revenues fell 2.4% over the same period. Let's remember that tax revenues averaged around 72% of total public revenues over the last five years. Thus, it is important to dig deeper to trace the impact of COVID-19 lockdown measures on tax revenues during the last couple of months.

The above chart shows that tax revenues fell by 7% y/y in March 2020 compared to 15% in April and May 2020. By the end of May 2020, total tax revenues decreased 2.4% y/y to EGP601bn in 11M FY20 (July 2019—May 2020) vs. EGP616bn in 11M FY19. The Egyptian government had budgeted to collect some EGP857bn in taxes in FY20. However, achieving this target in June taxes would have had to hit EGP256bn or jump 119% y/y vs. EGP117bn in June 2019. This would have been a “mission impossible”, given the announced corporate income tax reliefs for sectors struggling with the impact of the virus outbreak and the effect of COVID-19 induced economic slowdown on VAT taxes.

## 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						582.9		Equity turnover (EGPmn): Last, ytd avg.						1,059.2		824.6			
						daily chg.		ytd chg.								daily chg.		ytd chg.	
		EGX 30	10,568.84	(0.06%)	(24.30%)			Gold	1,958.43	0.83%	29.01%			Silver	24.40	(0.76%)	36.12%		
		EGX 30 TR	4,045.00	0.29%	(21.74%)			Brent Oil	43.22	(0.44%)	(31.07%)			WTI	41.04	(1.35%)	(29.48%)		
		EGX 70 EWI	1,514.56	(0.31%)	19.53%			Natural Gas	1.80	3.81%	(18.41%)	EGP		USD/EGP	15.95	(0.37%)	(0.33%)		
		EGX 100 EWI	2,320.94	(0.19%)	6.24%	€		EUR/USD	1.17	(0.31%)	4.78%	£		GBP/USD	1.29	0.39%	(2.46%)		
		DFMGI	2,065.30	0.19%	(25.30%)			USD/JPY	105.09	(0.27%)	(3.37%)			6M TB yield	13.57	12	(144)		
	ADSMI	4,324.33	(0.15%)	(15.54%)			EUR/USD	1.17	(0.31%)	4.78%			1Y TB yield	13.69	10	(88)			
		TASI	7,459.21	0.05%	(11.09%)	£		GBP/USD	1.29	0.39%	(2.46%)			10Y TB yield	14.48	5	78		
		QE Index	9,371.75	0.22%	(10.52%)	¥		USD/JPY	105.09	(0.27%)	(3.37%)			2Y TB yield	0.14	(2)	(143)		
		S&P 500	3,218.44	(0.65%)	(0.38%)			6M TB yield	13.57	12	(144)			10Y TB yield	0.59	(2)	(133)		
	Dow 30	26,379.28	(0.77%)	(7.57%)			1Y TB yield	13.69	10	(88)			30Y TB yield	1.22	(4)	(117)			
	NASDAQ	10,402.09	(1.27%)	15.93%			10Y TB yield	14.48	5	78									
	VIX	25.44	2.83%	84.62%			2Y TB yield	0.14	(2)	(143)									
		STOXX 50	3,303.56	0.02%	(11.79%)			2Y TB yield	0.14	(2)	(143)								
EM		MSCI Emerging	1,082.02	0.83%	(2.93%)			10Y TB yield	0.59	(2)	(133)								
FM		MSCI Frontier	478.29	1.62%	(18.38%)			30Y TB yield	1.22	(4)	(117)								

\* As of market close, except for commodities and currencies at 8.54am 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
28/29-Jul-20		FOMC	Deciding on USD interest rate.
29-Jul-20	OCPH	Cash dividend	Distribution date for EGP1.50/share.
29-Jul-20	ORWE	Cash dividend	Distribution date for EGP0.650/share.
29-Jul-20	NCGC	EGM	Approving increasing issued capital and amending articles No. 4, 6 & 7 of the company's bylaws.
29-Jul-20	SMCS	OGM	Approving the financial statements ending 31 Dec. 2019.
29-Jul-20	SMCS	EGM	Discussing relinquishing a plot of land in New Cairo.
29-Jul-20	EFID	Conference Call	Discussing Q2 2020 results.
2-Aug-20	GOCO	OGM	Approving the financial statements ending 31 Dec. 2019.
2-Aug-20	GOCO	EGM	Approving splitting the par value per share and amending articles No. 4, 6 & 7 of the company's bylaws.
5-Aug-20	ORAS	Cash dividend	Record date for EGP3.36/share.
5-Aug-20	SVCE	OGM	Approving the financial statements ending 31 Dec. 2019.
5-Aug-20	SVCE	EGM	Amending articles No. 4, 22 & 47 of the company's bylaws.
5-Aug-20	ECAP	Cash dividend	Record date for EGP0.225/share.
6-Aug-20	ORAS	Cash dividend	Ex-Dividend date for EGP3.36/share.
6-Aug-20	ECAP	Cash dividend	Ex-Dividend date for EGP0.225/share.

## 7. LATEST RESEARCH

DATE	PUBLISHED REPORT
14-Jul-20	<a href="#">Commercial International Bank - [COMI] - Q2 2020 results</a>
9-Jul-20	<a href="#">MACROView – Inflation driven by non-food baskets and unfavorable base effect</a>
8-Jul-20	<a href="#">MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position</a>
7-Jul-20	<a href="#">MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed</a>
25-Jun-20	<a href="#">EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition</a>
10-Jun-20	<a href="#">MACROView – Lowest annual reading in five months, but monthly figures show no changes</a>
8-Jun-20	<a href="#">Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices</a>
8-Jun-20	<a href="#">MACROView – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19</a>
3-Jun-20	<a href="#">MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy</a>
18-May-20	<a href="#">Abu Dhabi Islamic Bank [ADIB] – Q1 2020 Results</a>
18-May-20	<a href="#">Al Baraka Bank Egypt [SAUD] – Q1 2020 Results</a>
17-May-20	<a href="#">Credit Agricole Egypt [CIEB] – Q1 2020 Results</a>
13-May-20	<a href="#">MACROView – Yesterday’s CBE conference call with Deputy Governor</a>
11-May-20	<a href="#">MACROView– Acceleration in April driven by food prices – as expected</a>
7-May-20	<a href="#">MACROView – Keeping head above water amid pandemic uncertainties</a>
5-May-20	<a href="#">Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results</a>

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