



PRIMETime

Monday, 10 August 2020 (9:30 AM)

And the M&A Saga Continues

1. Today's Trading Playbook

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KEY THEMES

Talks of a potential acquisition of **BLOM Bank Egypt** by **Emirates NBD** underscores the overall M&A theme in Egyptian stocks in general and Egypt banks in specific. The news follows the expressed interest by EFG Hermes Holding [**HRHO**] [end of June](#) to acquire Arab Investment Bank (aiBank). Based on our back-of-the-envelope valuation for BLOM Bank Egypt, we think it could fetch a valuation of 1x its book equity of EGP4.2bn. We applied both justified price-to-book multiple of 1.03x (based on a sustainable ROE of 15.8%, a cost of equity (COE) of 15.5%, and a terminal growth rate of 5.0%) and a P/E ratio of 5x 2020e earnings.

POSITIVE

EXPA, CANA: We reiterate our view that small-cap banks stand to benefit off the overall consolidation trend in the market. Both Export Development Bank of Egypt [**EXPA**] and Suez Canal Bank [**CANA**] trade below book value, thus we think their valuations should re-rate in view of the news.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Urban headline inflation eased to 4.2% in July down from 5.6% in June, while monthly inflation edged up to 0.4% in July against 0.1% in June. ([CAPMAS](#)) We note that July reading came below [our expectation](#) of 0.7-0.9% m/m and 4.6-4.8% y/y.

Egypt discussed Sunday with the European Investment Bank (EIB) activating EUR1.1bn funding that has recently been approved to finance three projects for the National Authority for Tunnels. ([Egypt Today](#))

The FRA licensed 45 companies over the last seven months to operate in the non-banking financial services sector. ([Al-Borsa](#))

Egypt disbursed EGP346.8mn to support workers hit by the coronavirus pandemic, including those working in tourism and also the spinning and weaving industry. ([Mubasher](#))

The Ministry of Trade & Industry will form a committee to review the criteria based on which a product can be labeled as "Made in Egypt". ([Zawya](#))

Egyptian consortium ELF-SGRC Energy signed a contract for the largest solar power station in West Africa. The first phase will be within 16 months, and the station capacity is 200MW with a cost of USD200mn. ([Al-Borsa](#))

CORPORATE NEWS

Emirates NBD eyes acquiring a majority stake at BLOM Bank Egypt. This is yet another acquisition attempt on a Lebanese banking unit in Egypt by a UAE bank, following FAB's failed endeavor to acquire Audi Bank. BLOM Bank Egypt manages a balance sheet of EGP43.7bn in total assets, with TTM earnings of EGP973mn and a TTM ROE of 21%, according to its Q1 2020. We note that the bank, which is not listed on EGX, lacks the minimum paid-in capital requirement (the EGP5bn in paid-in capital), according to the new banking law; its book equity stood at EGP4.2bn at end of Q1 2020. ([Hapi](#), [Bank financials](#))

EFG Hermes Holding's [HRHO] affiliated Val-U is in talks with 7-8 schools in the pre-stages to pay tuition fees in installments. ([Al-Mal](#))

Elsewedy Electric for Transmission & Distribution for Energy, a subsidiary of Elsewedy Electric [SWDY], signed a new contract with Democratic Republic of Congo's National Electricity Co. to build a high voltage distribution substation with a value of USD38.6mn. SWDY will do the EPC works of the project on a turnkey basis within 18 months from commencement. ([Company disclosure](#))

Emaar Misr for Development's [EMFD] stand-alone net profit climbed c.70% q/q to EGP366mn in Q2 2020. GPM grew to 36% in Q2 2020, up from 20% in Q1 2020, as revenues more than tripled to EGP770mn. Meanwhile, NPM fell to 47% in Q2 2020 from 90%. (Company releases: [1](#), [2](#))

Elsaeed Contracting's [UEGC] BoD approved continuing its share buyback, capped by 10% of the company's outstanding shares starting from 9 August to 9 November in a step to support the stock price. Treasury stocks currently represent 5.89% of UEGC's shares. (Company disclosures: [1](#), [2](#))

Egytrans [ETRS] consolidated H1 2020 net profits decreased sharply by 60% y/y to EGP9.6mn as revenues declined 35% y/y to EGP101.4mn. ([Company disclosure](#))

Egyptian Media Production City's [MPRC] H1 2020 net profit rose 8% y/y to EGP52mn as revenues rose 10.4% y/y to EGP232mn and gross profit reached EGP106mn vs. EGP97mn in H1 2019. Meanwhile, MPRC's BoD approved the acquisition of shares owned by five companies to raise MPRC's stake in Arabian Hotel Co. Media Production City to 97.55%. ([Company disclosure](#))

Speed Medical [SPMD] aims to complete its due diligence process to acquire City Labs by the end of the Q3 2020 with an eye to complete the acquisition by the end of 2020. ([Al-Borsa](#))

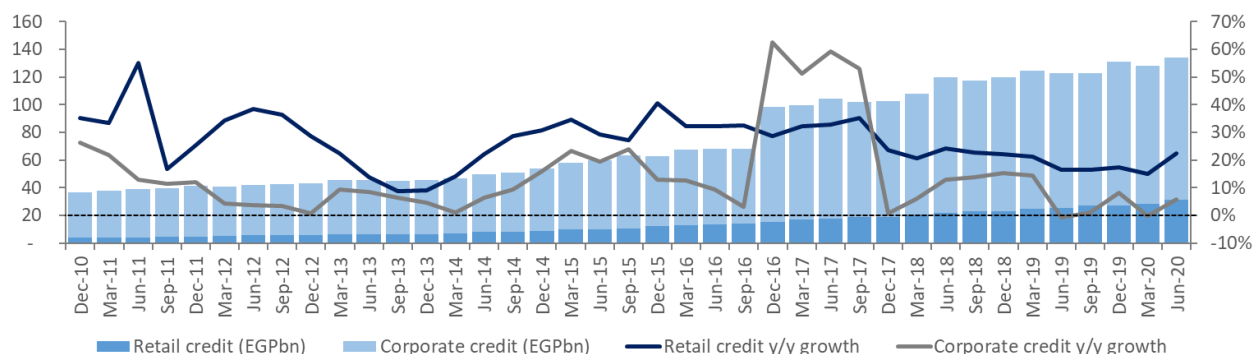
GLOBAL NEWS

German companies expect public life to be restricted for 8.5 more months due to coronavirus, a survey by the IFO economic institute showed on Monday, as Europe's largest economy battles to recover from a pandemic-induced downturn. ([Reuters](#))

China's factory deflation eased in July, driven by a rise in global oil prices and as industrial activity climbed back towards pre-coronavirus levels, adding to signs of recovery in the world's second-largest economy. ([Reuters](#))

3. CHART OF THE DAY











































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Source: CIB, Prime Research.

CIB's [COMI] retail credit exhibited solid growth in Q2 2020, outpacing that of corporate lending, thus raising its contribution to the bank's loan portfolio. The spike in retail loans during very turbulent times may be indicative of promisingly mounting opportunities regardless of the prevailing lending rates. Starting from March 2017, evidence showed high growth in retail credit despite a 700bps hike in corridor rates, reflecting a hearty appetite for retail lending in tough circumstances, unlike corporate lending which is closely correlated to corridor rates. Bottom line is retail credit growth is becoming more unpredictable amid a widening low-income segment and certain high earners still preferring to borrow from banks for purchases, with CIB catering to the latter group.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						602.4					
						daily chg.	ytd chg.				
		EGX 30	10,962.52	1.34%	(21.48%)			Gold	2,035.55	(1.36%)	34.08%
		EGX 30 TR	4,206.18	1.78%	(18.62%)			Silver	28.30	(2.15%)	60.06%
		EGX 70 EWI	1,604.04	1.01%	26.59%			Brent Oil	44.40	(1.53%)	(28.78%)
		EGX 100 EWI	2,464.75	1.15%	12.83%			WTI	41.22	(1.74%)	(28.37%)
		DFMGI	2,093.63	(0.66%)	(24.28%)			Natural Gas	2.24	3.37%	3.56%
		ADSMI	4,331.49	(0.64%)	(14.87%)	EGP		USD/EGP	15.97	0.12%	(0.43%)
		TASI	7,530.31	0.40%	(10.24%)	€		EUR/USD	1.18	(0.76%)	5.18%
		QE Index	9,398.90	(0.14%)	(9.85%)	£		GBP/USD	1.31	(0.69%)	(1.46%)
		S&P 500	3,351.28	0.06%	3.73%	¥		USD/JPY	105.92	0.35%	(2.61%)
		Dow 30	27,433.48	0.17%	(3.87%)			6M TB yield	13.65	0	(136)
		NASDAQ	11,010.98	(0.87%)	22.72%			1Y TB yield	13.79	0	(78)
		VIX	22.21	(1.94%)	61.18%			10Y TB yield	14.48	0	78
		STOXX 50	3,252.65	0.38%	(13.15%)			2Y TB yield	0.14	2	(143)
EM		MSCI Emerging	1,089.32	(1.56%)	(2.27%)			10Y TB yield	0.57	3	(135)
FM		MSCI Frontier	483.49	0.09%	(17.49%)			30Y TB yield	1.24	4	(115)

* As of market close, except for commodities and currencies at 8.28am 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
10-Aug-20	ECAP	Cash dividend	Distribution date for EGP0.225/share.
10-Aug-20	MCQE	BoD meeting	Discussing Q2 2020 results.
11-Aug-20	ACGC	OGM	Electing new board members.
11-Aug-20	CSAG	BoD meeting	Discussing 2019/20 financial statements.
12-Aug-20	ORAS	Cash dividend	Distribution date for EGP3.36/share.
12-Aug-20	DOMT	Conference call	Discussing Q2 2020 results.
12-Aug-20	ISPH	BoD meeting	Discussing Q2 2020 results.
13-Aug-20		MPC meeting	Deciding on EGP interest rate.
13-Aug-20	ETEL	Earnings Announcement	Announcing Q2-2020 earnings.
13-Aug-20	CICH	Conference Call	Discussing H1 2020 results.
15-Aug-20	ABUK	EGM	Amending articles No. 4, 21 & 50 of the company's bylaws.
16-Aug-20	AJWA	EGM	Amending article No. 4 of the company's bylaws.
17-Aug-20	ROTO	Cash dividend	Distribution date for EGP0.375/share (2nd installment).
18-Aug-20	PHDC	OGM	Approving the board decisions on 25/6/2020.
18-Aug-20	PHDC	EGM	Considering cancelling the international certificates of deposit program.
19-Aug-20		FOMC	Releasing the minutes of the last meeting.
22-Aug-20	ESRS	OGM	Approving the financial statements ending 31 Dec. 2019.

22-Aug-20	ALRA	OGM	Board election.
24-Aug-20	MFSC	OGM	Discussing 2019/20 financial statements and proposed dividend.

7. LATEST RESEARCH

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

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