



# PRIMETime

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## Another Price Cut?

### 1. Today's Trading Playbook

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#### KEY THEMES

Last Thursday, [local media reports](#) claimed that the Egyptian government is mulling cutting natural gas prices again to USD3.0/mmbtu for the industrials sector. Winding the clock a little back, we recall that natural gas prices have already been cut for that sector, except for fertilizer names in addition to Sidi Kerir Petrochemicals [SKPC] that were not included in March's cut. The media reports suggest that natural gas prices may be cut across all industrial companies, including those that did not benefit from the March cut. Now, before jumping into conclusions – which we will, we need to put a few points into perspective to gauge the market reaction today and throughout the week. **First**, those media reports have neither been officially confirmed nor do they provide a timeline for the purported decision, so investors eager to buy on the unconfirmed news should be cautious. **Second**, at first, we expect the market to generally treat the majority of energy-intensive family with grace in response to the media reports.

As time progresses and assuming those media reports gain credence, we see buying will be more focused towards names with relative business model stability. In this sense, we tend to believe that fertilizer companies, added to SKPC, will be market favorites (a) after having missed out on the first round of price cuts back in March and being sort of dipped by the market as a result back then and (b) because their selling prices have been less violently hit compared to other industrial segments.

Meanwhile, a cut in natural gas prices would shore up the competitive advantage of the Egyptian ceramics abroad. However, weak local (and international post COVID-19) demand would prune the possible gains. Either way, a potential restructure of Libya, Iraq, and Syria will keep the sector's hopes alive. Elsewhere in cement, most companies are already using coal as their source of energy, except for South Valley Cement [SVCE]. So, we view the effect here as limited; it only gives

companies flexibility to revert to natural gas whenever it is more cost effective. However, similar to ceramics, the industry is still suffering from the weak local demand, oversupply, and export difficulties, let alone the slowdown in the real estate sector.

## POSITIVE

**ABUK, SKPC, EGCH, EKHO, ESRS, Ceramics:** In view of the above, we assemble our list of beneficiaries in the following order: Abu Qir Fertilizers [ABUK], SKPC, Egyptian Chemical Industries [EGCH], Egypt Kuwait Holding Co. [EKHO], and Ezz Steel [ESRS], followed by ceramics players.

## NEUTRAL

**MFPC, Cement:** Needless to say, Misr Fertilizers Production Co. [MFPC] is most likely out of this picture, given its urea-linked pricing formula. We do not see cement producers jumping back to natural gas as of yet until it proves to be more cost effective to the other energy sources most of them use nowadays (e.g. coal and refuse-derived fuel).

For valuation multiples and other stock-related data, please check [our multiples report](#).

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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**Although the inflation trajectory is still in favor of easing, the Central Bank of Egypt kept its main interest rates stable on Thursday**, in line with [our expectations](#). (CBE)

**Egypt has allocated EGP12.7bn (USD797mn) for gradual transformation into digital governance in FY21 budget.** ([Ahram Online](#))

**The European Investment Bank (EIB) could provide Banque Misr with as much as EUR750mn for on-lending to SMEs.** ([EIB](#))

### CORPORATE NEWS

**Ibnsina Pharma's [ISPH] Q2 2020 net profit retreated 37% y/y to EGP39mn**, primarily on a 34% y/y increase in SG&A to EGP218mn. Net sales grew 16% y/y to EGP4.55bn, and gross profit rose to EGP356mn (+13% y/y), yielding a GPM of 7.8% vs. 8.1% in the same period last year. ([Company disclosure](#))

**CI Capital Holding's [CICH] Q2 2020 bottom line stood at EGP90.4mn** (-8% y/y, +2% q/q) amid COVID-19. Revenues declined 11% to EGP514mn on weaker performance by its NBFi platform. ([Company disclosure](#))

**Although it was denied earlier, Banque Misr upped their stake in CI Capital [CICH] to 24.7% and now the largest shareholder in CICH. ([Enterprise](#))**

**Housing & Development Bank's [HDBK] standalone net profit after tax diminished 37% q/q to EGP386mn in Q2 2020.** This came as a result of strong provisions reversal in Q1 2020. The bank's NIM retreated marginally to 6.1% in Q2 2020 from 6.4% in Q1 2020, while ROAE retreated significantly to 22% in Q2 2020, down from 36.4% in Q1 2020. ([Bank release](#))

**Al Baraka Bank's [SAUD] standalone net profit after tax grew marginally by 5% q/q to EGP280mn in Q2 2020. This came despite higher effective tax rate by 10% q/q due higher treasuries utilization (+131% q/q).** The bank's NII grew 26% q/q to EGP623mn in Q2 2020, while provisions build up retreated (-48% q/q) to EGP64mn in Q2 2020. ([Bank release](#))

**RAMEDA [RMDA] Q2 2020 net profit after minority surged 54% y/y to EGP19.9mn mainly on lower net finance expense of EGP3.8mn vs. EGP27mn in Q2 2019 and following the 6% y/y growth in gross profit (GPM of 48% vs GPM of 47.6%).** Revenues grow 6% y/y to EGP205mn during Q2 2020. ([Company disclosure](#))

**Sarwa Capital's [SRWA] Q2 2020 bottom line slipped to EGP36.2mn (-42% y/y, -60% q/q),** mainly due to lower margins and despite revenues surging y/y to EGP1.03bn (+49% y/y, -5.2% q/q). ([Company disclosure](#))

**Arabia Investments' [AIH] Q2 2020 bottom line dropped -15.7% q/q to EGP10.3mn (+25.8% y/y),** hit by higher operating expenses. Meanwhile, top line reached EGP378.6mn (-2% y/y, +78% q/q). ([Company disclosure](#))

**Prime Holding [PRMH] turned its bottom-line losses in Q1 2020 into profits of EGP3.6mn (+75% y/y) in Q2 2020.** Meanwhile, revenues surged to EGP29.7mn (+76% y/y, +859% q/q). ([Company disclosure](#))

**Maridive & Oil Services' [MOIL] consolidated net losses jumped almost 7x to USD28.3mn in Q1 2020** vs. a net loss of USD3.8mn a year before. Despite a 67% y/y increase in revenues to USD65.2mn, MOIL incurred a gross loss of USD9.8mn vs. a gross profit of USD12.6mn in Q1 2019. A project in India executed by subsidiary Valentine Maritime bolstered revenues, but costs already swelling from the pandemic escalated. (Company disclosures: [1](#), [2](#))

**Porto Group [PORT] turned to a net loss of EGP23mn in H1 2020** from a net profit of EGP86mn in H1 2019. Meanwhile, revenues halved to EGP336mn and GPM reached 32% vs. 39% in H1 2019. ([Company disclosure](#))

**Egyptian Media Production City's [MPRC] Q2 2020 net profit rose 11% y/y to EGP23mn** on an FX gains of EGP4.5mn vs. FX losses of EGP4.5mn in Q2 2019. Revenues grew 7% y/y to EGP114mn in Q2 2020, but gross profit fell 4% y/y to EGP49mn, yielding a GPM of 43% compared to 48% in Q2 2019. ([Company disclosure](#))

**Misr Beni Suef Cement's [MBSC] Q2 2020 net income jumped by 82% y/y to EGP29.4mn**, boosted by (1) a decline in income taxes costs to EGP1.7mn from EGP18.8mn a year before and (2) interest income of EGP4.3mn. Sales decreased by 52% y/y to EGP216.3mn. ([Company disclosure](#))

**Arabian Cement [ARCC] reported stand-alone losses of EGP20mn in Q2 2020** vs. a net profit of EGP22.5mn in Q2 2019, driven by a 19% y/y fall in revenues to EGP601.4mn. ([Company disclosure](#))

**Sinai Cement's [SCEM] stand-alone net losses widened to EGP140.2mn in Q2 2020** compared to a net loss of EGP108.2mn. Despite a 10% y/y rise in sales to EGP158.9mn, SCEM's gross losses climbed to EGP77.1mn from EGP41.9mn a year ago. ([Company disclosure](#))

**Lecico Egypt's [LCSW] consolidated net losses mounted to EGP75mn in Q2 2020** vs. a net loss of EGP47.1mn in Q2 2019, pulled wider by a 57% y/y decrease in revenues to EGP382mn. ([Company disclosure](#))

**Ceramica Remas's [CERA] Q2 2020 net income fell 28% y/y to EGP3.8mn**. Meanwhile, revenues halved to EGP99.9mn as local sales slipped 43% to EGP57.7mn, and export sales slid 57% y/y to EGP42mn. Gross profit fell 18% y/y to EGP14.2mn. ([Company disclosure](#))

**Cairo Oils & Soap's [COSG] net loss widened to EGP36mn in H1 2020** vs. EGP25mn in H1 2019. Meanwhile, revenues were down 39% y/y to EGP26mn and gross losses reached EGP14mn (+219% y/y, GLM of -55% vs. GLM of -11% in H1 2019). ([Company disclosure](#))

**Egyptian Starch & Glucose's [ESGI] net loss widened to EGP7.6mn in H1 2020** from EGP5.9mn in H1 2019, yielding an NLM of -2% from -1.1% in H1 2019. Revenues fell 23% y/y to EGP372mn in H1 2020, while gross profit dropped 39% y/y to EGP24mn, yielding a GPM of 6% vs. 8% in H1 2019. ([Company disclosure](#))

**El-Nasr for Manufacturing Agricultural Crops' [ELNA] Q1 2020 net loss narrowed to EGP 0.9mn** from a net loss of EGP1.3mn in Q1 2019. ([Company disclosure](#))

**Ajwa Group for Food Industries' [AJWA] Q1 2020 net loss mounted to EGP10.5mn** vs. a net loss of EGP8.4mn in Q1 2019 as revenues grew 6% y/y to EGP286mn. ([Company disclosure](#))

## GLOBAL NEWS

**The U.S. push to fire up its economy in the middle of a pandemic remained stalled last week** with signs the lapse of emergency unemployment benefits and business grants may have begun taking a toll. ([Reuters](#))

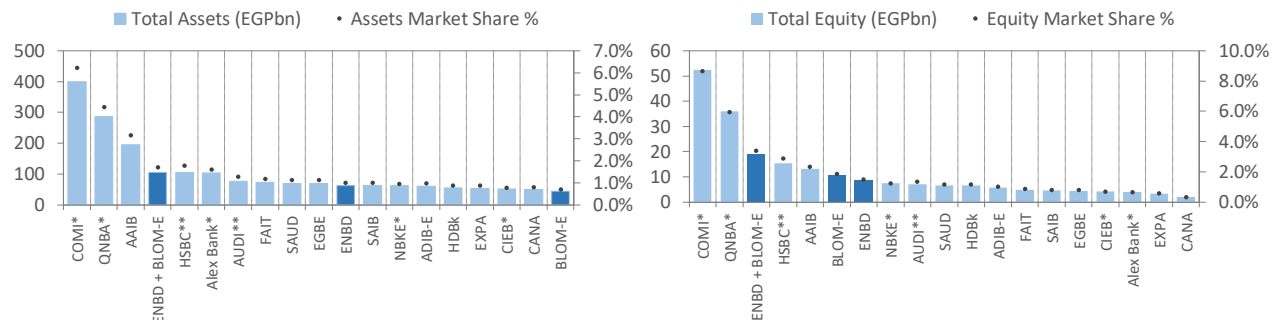
**The U.S. and China have delayed a review of their Phase 1 trade deal** initially slated for Saturday, sources familiar with the plans told *Reuters*, citing scheduling conflicts and the need to allow time for more Chinese purchases of U.S. exports. ([Reuters](#))

**China's retail sales slipped in July**, dashing expectations for a modest rise, as consumers in the world's second-largest economy failed to shake off wariness about the coronavirus, while the factory sector's recovery struggled to pick up the pace. ([Reuters](#))

**Tunisia's tourism-dependent economy shrank 21.6% in Q2 2020**, compared to the same period last year, due to the coronavirus crisis. ([Reuters](#))

### 3. CHART OF THE DAY

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























Note: Figures are at end of Q1 2020, unless otherwise noted (\* at end of Q2 2020 and \*\* at end of Q4 2019).

Source: Banks reports.

**Bigger Is Better:** The acquisition of **BLOM Bank Egypt** by **Emirates NBD**, if concluded, would raise the latter's assets market share by 70% (from c.1% at end of March 2020 to 1.7%) and would more than double its equity market share (from 1.5% to 3.4%). A combined "Emirates NBD + BLOM Bank Egypt" entity would be the fourth largest private-sector bank in terms of assets behind **Arab African International Bank (AAIB)** and the third in terms of equity just ahead of **HSBC**.

## 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					607.9			Equity turnover (EGPmn): Last, ytd avg.					1,274.3		849.5	
					daily chg.	ytd chg.							daily chg.	ytd chg.		
		EGX 30	10,944.18	0.20%	(21.61%)				Gold	1,945.12	(0.44%)	28.20%				
		EGX 30 TR	4,192.43	0.54%	(18.88%)					Silver	26.45	(3.85%)	48.14%			
		EGX 70 EWI	1,650.10	0.08%	30.23%						Brent Oil	44.80	(0.36%)	(28.81%)		
		EGX 100 EWI	2,519.09	(0.02%)	15.31%						WTI	42.01	(0.54%)	(27.95%)		
		DFMGI	2,155.40	1.90%	(22.04%)						Natural Gas	2.36	7.97%	7.63%		
		ADSMI	4,386.67	0.62%	(13.27%)			EGP			USD/EGP	15.93	0.13%	(0.68%)		
		TASI	7,704.25	0.77%	(8.16%)					EUR/USD	1.18	0.24%	5.61%			
		QE Index	9,602.49	0.52%	(7.89%)						GBP/USD	1.31	0.15%	(1.29%)		
		S&P 500	3,372.85	(0.02%)	4.40%						USD/JPY	106.60	(0.31%)	(1.85%)		
		Dow 30	27,931.02	0.12%	(2.13%)							6M TB yield	13.68	3	(133)	
		NASDAQ	11,019.30	(0.21%)	22.81%						1Y TB yield	13.82	3	(75)		
		VIX	22.05	(0.36%)	60.01%				10Y TB yield		14.58	0	88			
		STOXX 50	3,305.05	(1.13%)	(11.75%)				2Y TB yield		0.15	(4)	(142)			
EM		MSCI Emerging	1,093.16	(0.28%)	(1.93%)				10Y TB yield	0.71	3	(121)				
FM		MSCI Frontier	492.56	(0.09%)	(15.94%)				30Y TB yield	1.45	7	(94)				

\* As of market close, except for commodities and currencies at 8.31am 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
16-Aug-20	AJWA	EGM	Amending article No. 4 of the company's bylaws.
17-Aug-20	ROTO	Cash dividend	Distribution date for EGPO.375/share (2nd installment).
17-Aug-20	AUTO	Conference Call	Discussing Q2 2020 results.
18-Aug-20	PHDC	OGM	Approving the board decisions made 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.
24-Aug-20	NCGC	EGM	Approving increasing issued capital and amending articles No. 4, 6 & 7 of the company's bylaws.
25-Aug-20	PORT	Stock dividend	Record date for a share dividend at a ratio of 0.166:1.
26-Aug-20	PORT	Stock dividend	Distribution date for a share dividend at a ratio of 0.166:1.
26-Aug-20	MIPH	EGM	Amending article No. 4 of the company's bylaws.
29-Aug-20	AALR	OGM	Board election.
31-Aug-20	LCSW	OGM	Approving the financial statements ending 31 Dec. 2019.
31-Aug-20	ZMID	Cash dividend	Distribution date for EGPO.25/share (2nd installment).

## 7. LATEST RESEARCH

DATE	PUBLISHED REPORT
13-Aug-20	<a href="#">Credit Agricole Egypt [CIEB] – Q2 2020 Results</a>
10-Aug-20	<a href="#">MACROView – Muted inflation environment still dominates</a>
9-Aug-20	<a href="#">MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</a>
5-Aug-20	<a href="#">MACROView – Toward gradual recovery</a>
29-Jul-20	<a href="#">MACROView – CAD gains eroded by financial account vulnerability</a>
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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