



PRIMETime

Monday, 17 August 2020 (9:24 AM)

Will the Party Continue?

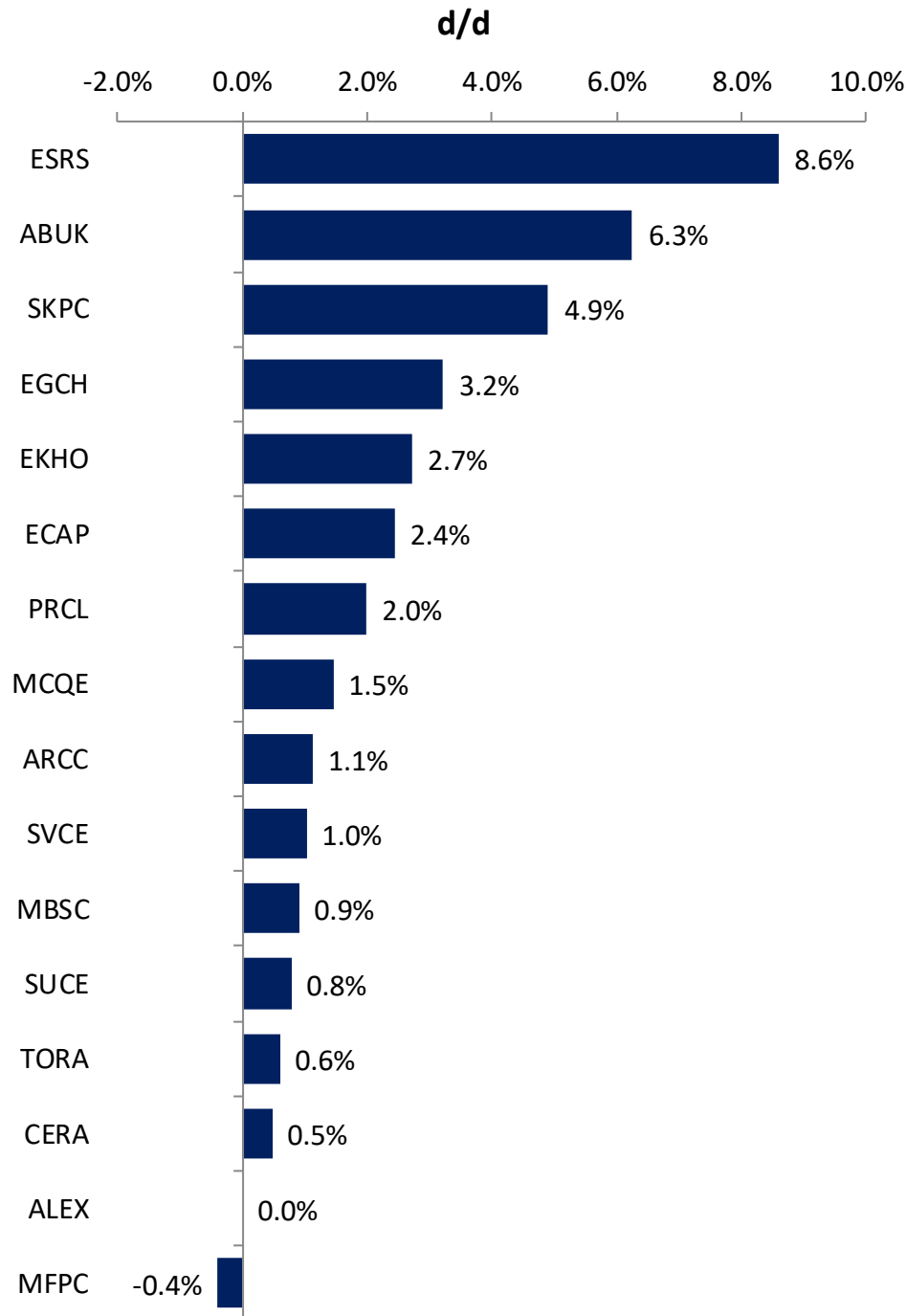
1. Today's Trading Playbook

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Yesterday, EGX30 ticked 1.61% up amid stronger stocks of energy-intensive companies, riding the momentum sparked by media reports claiming gas prices will be cut. Here are our takeaways from the stock performances yesterday:

- 1) Part from ESRS being top performer, fertilizers and SKPC took the lead. ([See our list published yesterday](#))
- 2) Ceramics had only eked out moderate gains, as the sector faces marketability issues.
- 3) MFPC as well as cement players delivered a mute performance.
- 4) Gainers saw their VWAP fall 2% off their intraday peak.

We continue to see that as media reports gain credence, companies with stronger top-line prospect will see their investor party grow louder. As we mention yesterday.



Source: Bloomberg

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's Ministry of Finance disbursed EGP6bn in urgent allocations in July to a number of supply and service authorities. The move aims at boosting these authorities' capabilities to fulfill their obligations to the domestic market amid the ongoing COVID-19 crisis. ([Ahram Online](#))

Egypt is investing about EGP1tn in the electricity sector until up to 2024, president Sisi said.

Investments injected into the transportation sector from 30 June 2014 until June-end 2024 will total EGP1.1tn. ([Egypt Today](#))

The Ministry of Public Business Sector offered four investment opportunities to Egypt's sovereign fund in the sectors of medicine, real estate and agriculture. ([Egypt Today](#))

The Suez Canal's revenues slightly fell to USD5.7bn in FY20, compared to USD5.8bn reported a year earlier. It saw a 4% y/y increase in traffic in FY2020. (Zawya)

CORPORATE NEWS

EK Holding [EKHO] Q2 2020 net earnings grew 14% y/y to USD29.8mn, given c.13% higher top line of USD150.2mn. Revenue growth was resilient to lower top line of Spree (-17% y/y), helped by a stellar ONS performance (revenues up 102% y/y). Lower Spree's revenues were more than offset with generous margin expansion within the company on the back of lower methanol prices. Meanwhile, a ramp-up in productivity led ONS's margin to expand c.5pp. EKHO's attributable EBITDA for H1 2020 stood at USD98.5mn. Annualized, EKHO trades at 5.8x and 9.2x of EV/EBITDA and P/E for 2020e. ([Company disclosure](#))

Fawry [FWRY] Q2 2020 results showed significant bottom-line growth reaching EGP39.5mn (293% y/y, 28% q/q), with top line surging to EGP291.3mn (+46% y/y, +13% q/q). FWRY is currently trading at a P/E of 98x. ([Company disclosure](#))

Faisal Islamic Bank of Egypt's [FAIT] stand-alone net profit after tax retreated 31% q/q to EGP323mn in Q2 2020, due to higher provision build-up 37% q/q to EGP45.5mn in Q2 2020. However, the bank's NII edged up c.5% q/q to EGP996.4mn in Q2 2020. ([Bank disclosure](#))

Alexandria Mineral Oils' [AMOC] preliminary indicators for 2019/20 showed consolidated net losses of EGP473mn against net earnings of EGP574mn in 2018/19, due to a 40% drop in revenues to EGP8.99bn. The decline in topline alongside unfavorable raw materials cost patterns led to gross losses of EGP381mn vs. EGP944mn of gross profits in 2019/18. AMOC had a GLM of 4% vs. a GPM of 6% last year. The disappointing margins are blamed on: (1) weaker selling prices resulting from a soft oil market, (2) worsening input-output cash spreads, and (3) stronger EGP vs. USD. ([Company disclosure](#))

Oriental Weavers Carpet [ORWE] saw its net profit after minority dive by 75% y/y to EGP53mn (-69% q/q) in Q2 2020, mainly on lower export and local revenues. Revenues fell 31% y/y to EGP1.8bn (-20% q/q) and gross profit retreated EGP161mn (-45% y/y, -43% q/q, GPM of 8.9% vs. 11.1% in Q2 2019). This came despite lower polypropylene price of USD1,014/ton (-15% y/y, -5% q/q) on average. ORWE collected EGP98mn in export rebates (+165% y/y, +79% q/q). Meanwhile, SG&A remained flat at EGP102mn (+1.1% y/y, -21% q/q). EBITDA, however fell 16.3% y/y to EGP296mn following the gross profit drop (EBITDA margin of 16.3% vs. 13.4% in Q2 2019). Based on its latest financials, ORWE is now trading at TTM P/E of 6.5X ([Company disclosure](#))

Abu Dhabi Islamic Bank - Egypt's [ADIB] standalone net profit grew 22% q/q to EGP281.5mn in Q2 2020 as a result of retreat in provisions build up c.10% q/q to EGP110mn in Q2 2020.

However ADIB's NII fall back 5%q/q to EGP773mn in Q2 2020. The bank's net loans grew c.10% q/q to EGP37.3bn in Q2 2020, while deposits increased 4.2% q/q to EGP54bn in Q2 2020. ([Bank release](#))

Suez Canal Bank's [CANA] net profit after tax retreated 4.2% q/q to EGP109.5mn. This came as a result of doubling provisions to EGP151mn in Q2 2020. While NII grew 12% q/q to EGP403mn in Q2 2020. ([Bank release](#))

Egyptian Gulf Bank's [EGBE] standalone net profit grew marginally 2.5% q/q to EGP160mn in Q2 2020. EGBE's NII increased c.19% q/q to EGP726mn in Q2 2020, while net fees & commission income fall 67% q/q to EGP48mn. ([Bank release](#))

Cairo Poultry's [POUL] Q2 2020 net profit after minority dropped 28% y/y to EGP64mn.

Meanwhile, revenues fell 17% y/y to EGP993mn and gross profit reached EGP175mn (-1% y/y, GPM of 17.6% vs. 14.7% in Q2 2019). ([Company disclosure](#))

Beltone Financial Holding [BTFH] revealed its Q2 2020 results, logging a bottom-line loss of EGP12.09mn, from losses of EGP25.2 in Q2 2019. BTFH achieved total revenues of EGP62.37mn (+25% y/y, -8% q/q), with zero contribution from investment bank department. ([Company disclosure](#))

Al Shams Housing & Urbanization's [ELSH] net profit after tax retreated marginally to EGP73.6mn in H1 2020 from EGP73.9mn in H1 2019. Meanwhile, revenues rose 35% to EGP147mn and interest expense reached c. EGP30mn. ([Company disclosure](#))

Giza General Contracting & Real Estate Investment Co. SAE [GGCC] saw its consolidated net income decrease 26% y/y to EGP15.3mn in Q2 2020, hit by a 16% y/y decline in revenues to EGP207.7mn. ([Company disclosure](#))

Negotiations that could see First Bank of Abu Dhabi (FAB) acquire Bank Audi's Egypt arm are expected to resume as soon as the covid-19 pandemic has subsided. ([Masrawy](#))

Arab Cotton Ginning [ACGC] denied selling stake in El Nasr Clothing & Textiles [KABO]. ([Company disclosure](#))

B Investments Holding [BINV] to establish a healthcare platform with capital of EGP1bn. The new venture is said to acquire majority stakes in leading local healthcare players. ([Enterprise](#))

Speed Medical's [SPMD] H1 2020 net profit shot up 98% y/y to EGP21mn. SPMD is currently waiting for the Financial Regulatory Authority's (FRA) approval to move out of Nilex to the main market on main EGX before the end of November 2020. ([Mubasher](#), [Al Borsa](#))

Etisalat Misr plans to pump new investments estimated at EGP4.5bn during the current year, with the aim of continuing to develop networks and improve the services provided, in addition to expanding the company's activities in the data transmission sector. (Al Mal)

GLOBAL NEWS

U.S. President Donald Trump said he could exert pressure on more Chinese companies such as technology giant Alibaba after he moved to ban TikTok. ([Reuters](#))

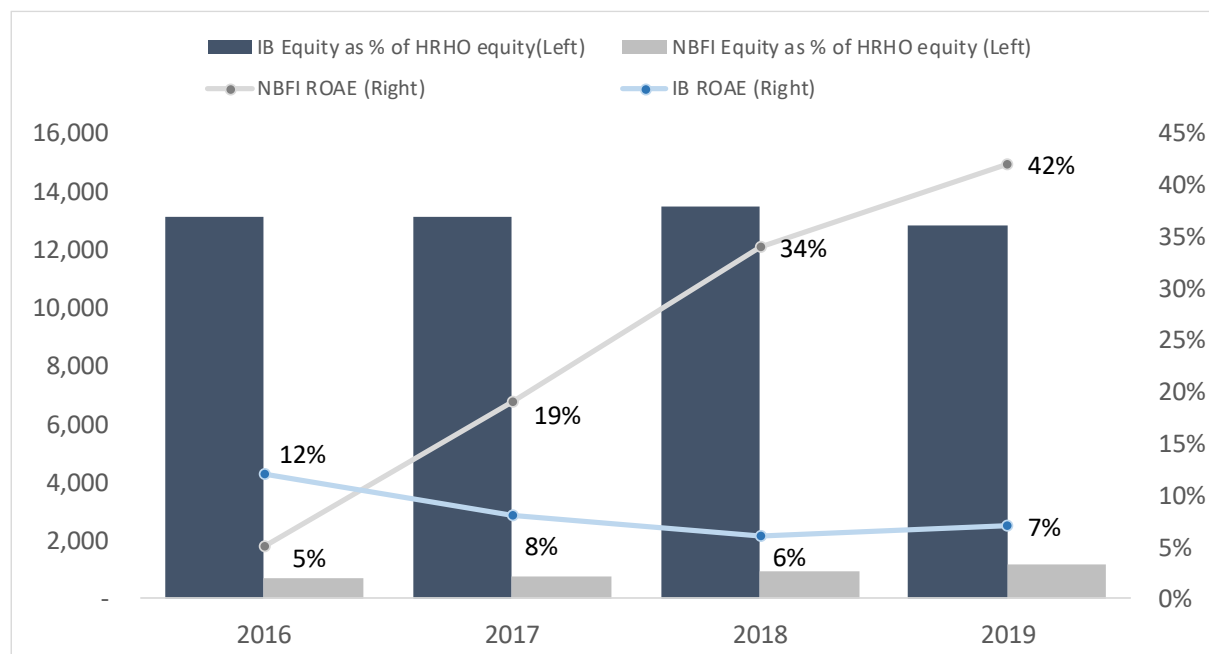
The U.S. bond market's gauge of investor inflation expectations this week rose to six-month highs, bolstered in part by data showing higher producer and consumer prices in July. ([Reuters](#))

The pandemic has accelerated a trend toward renewable energy that will see fossil fuels become cheaper and the cost of their emissions rise, meaning that production in many fields will no longer be commercially viable. ([Bloomberg](#))

Japan was hit by its biggest economic contraction on record in the second quarter as the coronavirus pandemic crushed consumption and exports, keeping policymakers under pressure for bolder action to prevent a deeper recession. ([Reuters](#))

3. CHART OF THE DAY

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





























Source: Company reports, Prime Research,

EFG Hermes' equity split by platform shows the significant size difference in platforms sizes' of equities relevant to their return. HRHO has been lately expanding in the NBF platform EFG Finance, with leasing, microfinance, consumer finance, and factoring under its belt. The NBF

platform has been witnessing a very attractive ROAE, which justifies more expansion and depth in business. In 2016, 95% of HRHO's equity was contributed by IB platform at a 12% ROAE, moving along the line, IB ROAE dropped to 7% in 2019 with 92% equity contribution. In 2016, NBFI contributed 5% with an ROAE of 5%. This contribution came after (1) ValU (HRHO's consumer finance arm) and EFG Factoring were added, (2) the business expansion in Tanmeya (HRHO's microfinance arm), which showed a 72% ROAE in 2019 and now is leading the segment, and (3) the business expansion in EFG Leasing, NBFI platform in 2019 contributed 8% with an ROAE of 42%.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						607.9	
						daily chg.	ytd chg.
		EGX 30	11,120.26	1.61%	(20.35%)		
		EGX 30 TR	4,192.43	0.54%	(18.88%)		
		EGX 70 EWI	1,678.86	1.74%	32.50%		
		EGX 100 EWI	2,563.93	1.78%	17.37%		
		DFMGI	2,183.37	1.30%	(21.03%)		
		ADSMI	4,413.27	0.61%	(13.05%)		
		TASI	7,759.48	0.72%	(7.51%)		
		QE Index	9,603.06	0.01%	(7.89%)		
		S&P 500	3,372.85	(0.02%)	4.40%		
		Dow 30	27,931.02	0.12%	(2.13%)		
		NASDAQ	11,019.30	(0.21%)	22.81%		
		VIX	22.05	(0.36%)	60.01%		
		STOXX 50	3,305.05	(1.13%)	(11.75%)		
EM		MSCI Emerging	1,093.16	(0.28%)	(1.93%)		
FM		MSCI Frontier	492.56	(0.09%)	(15.94%)		

Equity turnover (EGPmn): Last, ytd avg.				1,274.3		854.2	
				daily chg.	ytd chg.		
		Gold	1,945.12	(0.44%)	28.19%		
		Silver	26.45	(3.85%)	50.80%		
		Brent Oil	44.80	(0.36%)	(28.27%)		
		WTI	42.01	(0.54%)	(27.30%)		
		Natural Gas	2.36	7.97%	8.86%		
EGP		USD/EGP	15.93	0.13%	(0.68%)		
€		EUR/USD	1.18	0.24%	5.82%		
£		GBP/USD	1.31	0.15%	(1.18%)		
¥		USD/JPY	106.60	(0.31%)	(1.91%)		
		6M TB yield	13.68	3	(133)		
		1Y TB yield	13.82	3	(75)		
		10Y TB yield	14.58	0	88		
		2Y TB yield	0.16	1	(141)		
		10Y TB yield	0.71	0	(121)		
		30Y TB yield	1.43	(2)	(96)		

* As of market close, except for commodities and currencies at 8.05am 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
17-Aug-20	ROTO	Cash dividend	Distribution date for EGP0.375/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.
26-Aug-20	OBRI	Cash dividend	Record date for EGP0.300/share.
27-Aug-20	OBRI	Cash dividend	Ex-Dividend date for EGP0.300/share.
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 EGP0.25/share (2nd installment).
31-Aug-20	OBRI	Cash dividend	Distribution date for EGP0.300/share.

7. LATEST RESEARCH

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