



# PRIMETime

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## Egyptian Media Production City – Cheaper by the Dozen

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Egyptian Media Production City [**MPRC**] has a couple of interesting fundamental features. For one thing, it's flush with cash. Indeed, MPRC's net cash position stood at EGP264mn as of H1 2020, where the company's market cap is only EGP872mn. In other words, net cash is 30% of MPRC's market price. The other interesting fundamental feature concerns its poor monetization of assets; MPRC has an asset turnover of just 0.17x and an ROE of a mediocre 4.5%.

Now, if a company is cash rich, yet facing difficulties in utilizing its assets, a sensible approach could be to utilize excess liquidity hoping for a return, which is what MPRC seems to have attempted recently. Late July 2020, MPRC managed to up its stake in Arab Hotel Co., the owner of Movenpick Hotel in Media Production City, from an initial 10% stake. Post-acquisition, we calculate MPRC's stake would reach 97.55%. This deal implicitly valued Movenpick at EGP223mn or EGP0.784mn/room, according to our calculation. This is compared to EGP0.780mn/room for Misr Hotels [**MHOT**]. While there are no details about Movenpick Hotel, we believe MPRC managed to gain a majority at a depressed valuation, which should eventually work out well for MPRC.

Moreover, if we to adjust MPRC's net cash after this investment, MPRC's net cash would decrease to EGP70.5mn. Valuing MPRC's 97.5% stake in Movenpick Hotel at EGP217mn (according to the above-mentioned transaction), we would reach a value of EGP288mn for MPRC's Movenpick Hotel and its net cash. At MPRC's current market cap of EGP872mn, we see the market attaching only EGP585mn to all MPRC's other business lines. We note that MPRC reported net earnings of EGP52mn in H1 2020, which if annualized, would imply that MPRC's business lines other than Movenpick Hotel are valued by the market at a P/E of just 5.7x, which is still cheap.

## 1. Today's Trading Playbook

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### KEY THEMES

As we mentioned [yesterday](#), our bet on large caps has paid off with EGX 30 jumping more than 2%, its highest daily positive performance in exactly two months. Still down 18% ytd, we expect EGX 30 to continue closing the gap vis-à-vis its small-cap counterpart EGX 70 throughout the end of the year. Yesterday's performance has been buoyed in part by a positive sentiment in the market concerning Libya's stabilizing situation, which could open the door for Egyptian companies to partake in that country's reconstruction. For a run of where stocks stand in terms of performance and valuation, please refer to [the EGX multiples report](#) (always found in Section #5 of **PRIMETime**).

### POSITIVE

**Large Caps:** Same as [yesterday](#).

**MPRC:** As noted above, MPRC's valuation is cheap when chipping away its net cash position and adjusting for its recent acquisition of Movenpick Hotel. The stock was up 6.7% yesterday, in line with the market's overall positive performance and partially helped with the company's treasury share buyback.

### NEGATIVE

**DSCW:** Q2 2020 results published by Dice Sport & Casual Wear [**DSCW**] (please see below) may pressure the stock in the short term. The company looks to have suffered from COVID-19 induced lockdowns around the world, hitting its top line growth.

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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**The Egyptian government will be looking to obtain a USD2bn COVID-19 loan to be used for stimulus** from a consortium led by Emirates NBD and First Abu Dhabi Bank that also includes Mashreq and Citibank, including a USD510mn Sharia-compliant tranche. ([Al-Mal](#))

**The Egyptian Ministry of Finance will offer a financial guarantee worth EGP3bn to state-owned Holding Co. for Water & Wastewater**, according to an official statement. The guarantee will help fund desalination projects in El-Hammam area in Marsa Matrouh, in addition to Safaga, El-Quseir, and Marsa Alam in the Red Sea. ([Zawya](#))

**Egypt is set to resume tourism activities in Luxor and Aswan early September.** ([Zawya](#))

**The Egyptian government has 10 new mining exploration tenders in the works for late 2020 or early 2021, including iron, copper, phosphate, and lithium.** ([Al-Mal](#))

**The FRA conducted a stress test given COVID-19 worst-case scenarios on NBFI different segments with results showing “strength in financial position”.** FRA urged companies to expedite the shift towards digitalization. ([Enterprise](#))

**Nissan walked away from converting minibuses to run on natural gas, while Toyota is eyeing incentives from the Egyptian government to participate.** This leaves Al-Amal and Modern Motors as the two main participants in the conversion plan so far. ([Hapi](#))

**GAFI and Benya Capital aim to implement an extended plan to develop the technological infrastructure for networks and communications in Egypt and Africa.** The plan entails executing vital projects, including the establishment of the largest factory for manufacturing optical fiber cables in Egypt, Africa and the Arab world, with an expected value of EGP1bn. ([Egypt Today](#))

## CORPORATE NEWS

**Palm Hills Developments’ [PHDC] extraordinary general assembly approved canceling its GDR program listed on London Stock Exchange.** Meanwhile, PHDC intends to securitize installments worth EGP1.5bn next year to reduce its leverage ratio. ([Company release](#), Al-Mal)

**Dice Sport & Casual Wear [DSCW] logged a net loss after minority of EGP49mn in Q2 2020** vs. a net profit after minority of EGP41mn in Q2 2019. The swing to net losses was caused by an operating loss of EGP22mn (vs. operating profit of EGP41mn in Q2 2019) and an FX loss of EGP17mn (vs. an FX gain of EGP21mn in Q2 2019). Revenues dropped 53% y/y to EGP185mn, and gross profit plunged 89% y/y, implying a GPM of 6% vs. 24% in Q2 2019. ([Company disclosure](#))

**South Valley Cement’s [SVCE] Q1 2020 net losses widened to EGP41.4mn** compared to EGP38.5mn a year ago, hit by a 33% y/y decrease in revenues to EGP88.8mn. Meanwhile, gross loss margin widened to 28%, up from 14%. ([Company disclosure](#))

**Egyptian Media Production City [MPRC] bought back 500,000 and 413,683 treasury shares on 19 July 2020 and 23 August 2020, respectively.** ([Company disclosure](#))

**GB Auto [AUTO], the local agent for Hyundai, Chery, Geely and Mazda, is preparing to produce and assemble the Hyundai Accent RB model.** This is part of AUTO's plan to introduce a new model to its production lines, with the aim of reducing costs and gaining a competitive edge. ([Al Mal](#))

**Amer Group [AMER] decided to cancel its plans to buy a 30 acres land plot in New Sohag City to establish residential project.** (Al-Mal)

**Ezdehar Management, a private equity firm investing mainly in high-growth mid-cap, is looking to raise up to USD200mn by end of next year from investors for its second fund.** ([Al-Borsa](#))

## GLOBAL NEWS

**As countries world-wide boost spending to battle the new coronavirus, government debt has soared to levels not seen since World War II.** Among advanced economies, debt rose to 128% of global GDP as of July, according to the International Monetary Fund. In 1946, it came to 124%. ([WSJ](#))

**Chinese Premier said the country's economy could grow this year,** despite the impact of the COVID-19 pandemic. The world's second-biggest economy grew 3.2% y/y in Q2 2020, recovering from a record contraction as coronavirus lockdown measures ended and policymakers stepped up stimulus to combat the shock from the crisis. ([Reuters](#))

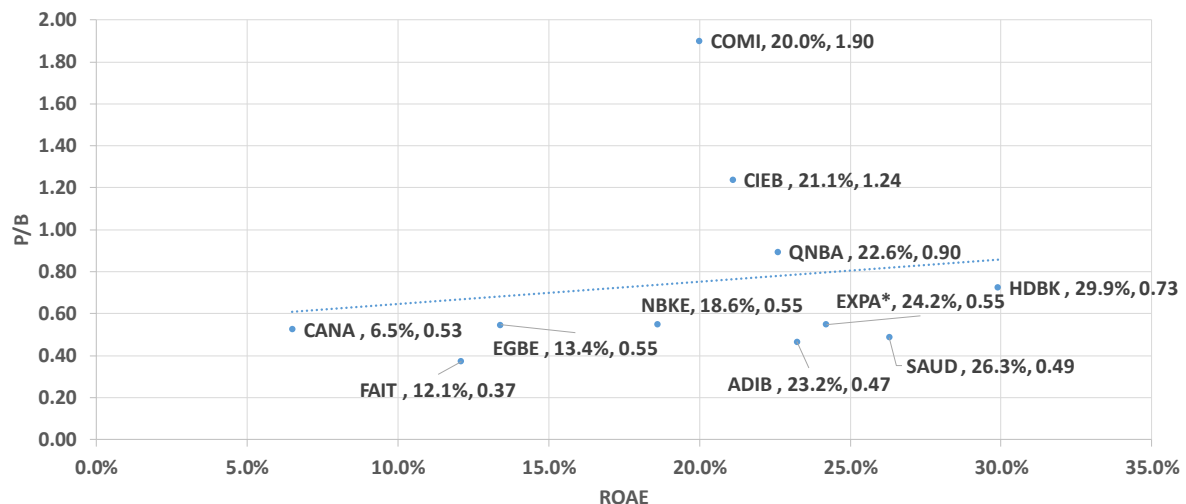
**While 2018 saw record funding levels for the fintech sector, new data suggest that the global pandemic has led to a significant decrease in overall venture capital deals this year.**

ForexSchoolOnline.com said that fintech startups raised USD8.8bn in H1 2020 (-20% y/y). ([Zawya](#))

## 3. CHART OF THE DAY

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








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

Source: Banks' financials.

**Banks ROAE vs. P/BV:** As shown above, most EGX-listed Egyptian banks are traded below 1.5x their book value, except for CIB [COMI] which trades at 1.9x, below its 14-year median P/B of 2.4x. As per H1 2020 figures, the profitability of most banks was lowered by strong provisions build-up which pressured down the respective ROAE to an average of 20%. Meanwhile, Housing & Development Bank [HDBK] achieved the highest ROAE (c.30%) which doesn't justify its deeply discounted P/BV of 0.73x.

## 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						627.2	
						daily chg.	ytd chg.
		EGX 30	11,391.08	2.07%	(18.41%)		
		EGX 30 TR	4,376.96	2.33%	(15.31%)		
		EGX 70 EWI	1,740.36	2.80%	37.35%		
		EGX 100 EWI	2,638.69	2.60%	20.79%		
		DFMGI	2,235.58	(0.50%)	(19.14%)		
		ADSMI	4,542.96	0.94%	(10.21%)		
		TASI	7,901.93	0.75%	(5.81%)		
		QE Index	9,809.05	0.43%	(5.31%)		
		S&P 500	3,397.16	0.34%	5.15%		
		Dow 30	27,930.33	0.69%	(2.13%)		
		NASDAQ	11,311.80	0.42%	26.07%		
		VIX	22.54	(0.79%)	63.57%		
		STOXX 50	3,259.75	(0.43%)	(12.96%)		
<b>EM</b>		MSCI Emerging	1,091.85	1.05%	(2.05%)		
<b>FM</b>	⇄	MSCI Frontier	497.67	0.00%	(15.07%)		

Equity turnover (EGPmn): Last, ytd avg.				1,422.2		869.0	
				daily chg.	ytd chg.		
		Gold	1,940.48	(0.35%)	27.65%		
		Silver	26.79	(1.68%)	47.97%		
		Brent Oil	44.35	(1.22%)	(29.38%)		
		WTI	42.34	(1.12%)	(27.27%)		
		Natural Gas	2.45	4.08%	10.46%		
<b>EGP</b>		USD/EGP	15.93	(0.02%)	(0.66%)		
€		EUR/USD	1.18	(0.53%)	5.31%		
£		GBP/USD	1.31	(0.94%)	(1.09%)		
¥	⇄	USD/JPY	105.80	0.00%	(2.55%)		
	⇄	6M TB yield	13.68	0	(133)		
		1Y TB yield	13.84	2	(73)		
		10Y TB yield	14.78	20	108		
	⇄	2Y TB yield	0.17	0	(140)		
	⇄	10Y TB yield	0.64	0	(128)		
	⇄	30Y TB yield	1.34	0	(105)		

\* As of market close, except for commodities and currencies at 8.42am 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
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.
29-Aug-20	WKOL	OGM	Board election.
29-Aug-20	MOIL	OGM	Board election.
30-Aug-20	UASG	Auction	Renting a yard in Red Sea ports.
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.
1-Sep-20	MENA	OGM	Approving the financial statements ending 31 Dec. 2019.
9-Sep-20	DAPH	OGM	Discussing netting contracts.
10-Sep-20	SPHT	EGM	Amending article No. 4, 6, 7 & 60 of the Company's bylaws.

12-Sep-20	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
15/16-Sep-20		FOMC	Deciding on USD interest rate.

## 7. LATEST RESEARCH

DATE	PUBLISHED REPORT
18-Aug-20	<a href="#">Oriental Weavers Carpet [ORWE] - Q2 2020 Results</a>
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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