



PRIMETime

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Hopping on the FinTech Bandwagon

1. Today's Trading Playbook

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KEY THEMES

The market continues to bet on Egypt's evolving fintech industry, especially following the outstanding performance of Fawry [**FWRY**] (+223% ytd). Other players are now keen to hop on the fintech bandwagon in view of investors' appetite for the industry. Indeed, MM Group [**MTIE**] and B Investments [**BINV**] continue to gain traction, having been neglected for so long. This backdrop makes us wonder if the Egyptian government will bring forward its **e-Finance** IPO, unless it has other plans involving merger and acquisition activities.

POSITIVE

MTIE: As we mentioned yesterday, MM Group [**MTIE**] has been and continues to be one of our stock picks on the EGX. We believe a rerating of its e-payment platform is long overdue, which could fetch a value north of EGP10/share, according to our valuation. If you would like to receive a copy of our valuation exercise, [please drop us an email](#) or talk to your relationship manager.

NEGATIVE

EGAL: Egypt Aluminum [**EGAL**] has recorded its first net loss in the last 25 years (since 1995/96, the latest financials we have). While not unexpected in view of weak demand, a weak USD, and higher electricity cost, EGAL is in dire need for a strategic action on the part of the Egyptian government. Our proposal is to link the cost of electricity to aluminum prices (similar to the case with some Egyptian nitrogen-based fertilizers producers whose natural gas cost is linked to urea prices). The cost of electricity will need to be set in such a way to ensure a sustainable economic profit for EGAL. We see two reasons why the government must ensure that EGAL is profitable: (1) the government is an EGAL shareholder with a 92%+ stake, so dividend payments will go up its coffers and (2) the government should be able to collect more income taxes off EGAL when it is profitable. Unless the government makes such a strategic move, we would continue to have a negative view on the name.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's current FY21 budget aims to reduce the poverty rate to 30% from 32.5% in FY18 and the extreme poverty rate to 5%, according to the Ministry of Planning & Economic Development. ([Ahram Online](#))

The number of ships that crossed Suez Canal since January reached 12,000. A large ship would pay USD1mn to cross the international waterway, according to the Suez Canal Authority. ([Egypt Today](#))

Egyptian families that have a mobile phone increased to about 98.8%, while those having a landline phone reached about 27.6%. ([Egypt today](#))

The UNDP and Japan said they will expand an existing partnership supporting Egypt's crisis management in order to address the socio-economic impact of COVID-19 in the country with funding of around USD2.73mn. ([Ahram Online](#))

The Egyptian Exchange will own more than 30% of the company that will manage the Egyptian Commodities Exchange, making EGX the main shareholder in the new entity. ([Al-Mal](#))

The CBE decided to extend the daily working hours for banks operating in Egypt, starting next September, for employees until 4 pm and for clients until 3 pm. ([Al-Mal](#))

The Consumer Protection Authority (CPA) has obligated schools, higher education institutions, and third-party transportation service providers to reimburse 25% of their school bus fees paid for the 2019/20 academic year. Students returning to the same schools this 2020/21 academic year will have that 25% amount credited against their school fees. ([Consumer Protection Authority](#))

CORPORATE NEWS

Egypt Aluminum's [EGAL] preliminary indicators for 2019/20 showed net losses of EGP994mn against net earnings of EGP571mn in 2018/19 due to a 40% plunge in revenues to EGP7.3bn. Revenues nosedived as a result of slimmer volumes and weaker selling prices. This, alongside a higher cost of electricity, led to gross losses of EGP1.3bn vs. gross profits of EGP291mn in 2018/19. Accordingly, EGAL achieved a GLM of 18.6% vs. 2.4% last year. The disappointing performance is caused by (1) weaker demand which is translated into lower volumes and softer selling prices, (2) higher electricity costs, and (3) a stronger EGP vs. USD. ([Company disclosure](#))

Palm Hills Development [PHDC] justified cancellation of its GDR at London Stock Exchange due to poor trading and high costs, without clear value added, according to Mamdouh Abdel Wahab, Executive Vice President of investor relations. ([Al-Mal](#))

Amer Group [AMER] denied media reports it shelved plans to buy a land plot in New Sohag City. ([Company disclosure](#))

El-Nasr Co. for Civil Works' [NCCW] BoD approved yesterday to sell its 1.6% stake in El-Nasr Utilities & Installations (NUI) to a strategic investor for EGP80,000 (200,000 shares at EGP0.4/share). This is part of the EGP30mn offer that Madinet Nasr Housing & Development [MNHD] had received for the acquisition of NUI in equity and other dues. According to Hapi Journal, the strategic investor is **Daoud Group**. ([Company disclosure](#), [Hapi Journal](#))

Industrial Engineering Co. for Construction & Development's [ENGCE] Q2 2020 net income after minorities decreased 58% y/y to EGP10.5mn, pressured by a 25% fall in revenues to EGP311.3mn and despite an improved gross profit margin of 26% (+251bps). ([Company disclosure](#))

Acrow Misr for Scaffolding & Formwork's [ACRO] Q2 2020 net income after minorities slumped 73% y/y to EGP6.3mn, hit by 30% lower revenues of EGP198.5mn and a narrower gross profit margin of 28% (-68bps). ([Company disclosure](#))

Real Estate Egyptian Consortium [AREH] received a tax exemption from paying off the EGP46mn arrears deferred from the 1988-1998 period, conditional on paying the principal which is estimated at EGP22mn. ([Company disclosure](#))

Egyptians for Housing & Development [EHDR] agreed to an EGP13mn stock dividend earmarked for the employees' incentive program. ([Company disclosure](#))

Giza Spinning & Weaving Co. is considering an initial public offering (IPO) for part of its shares on the Egyptian stock exchange before the end of 2020. ([Al-Mal](#))

GLOBAL NEWS

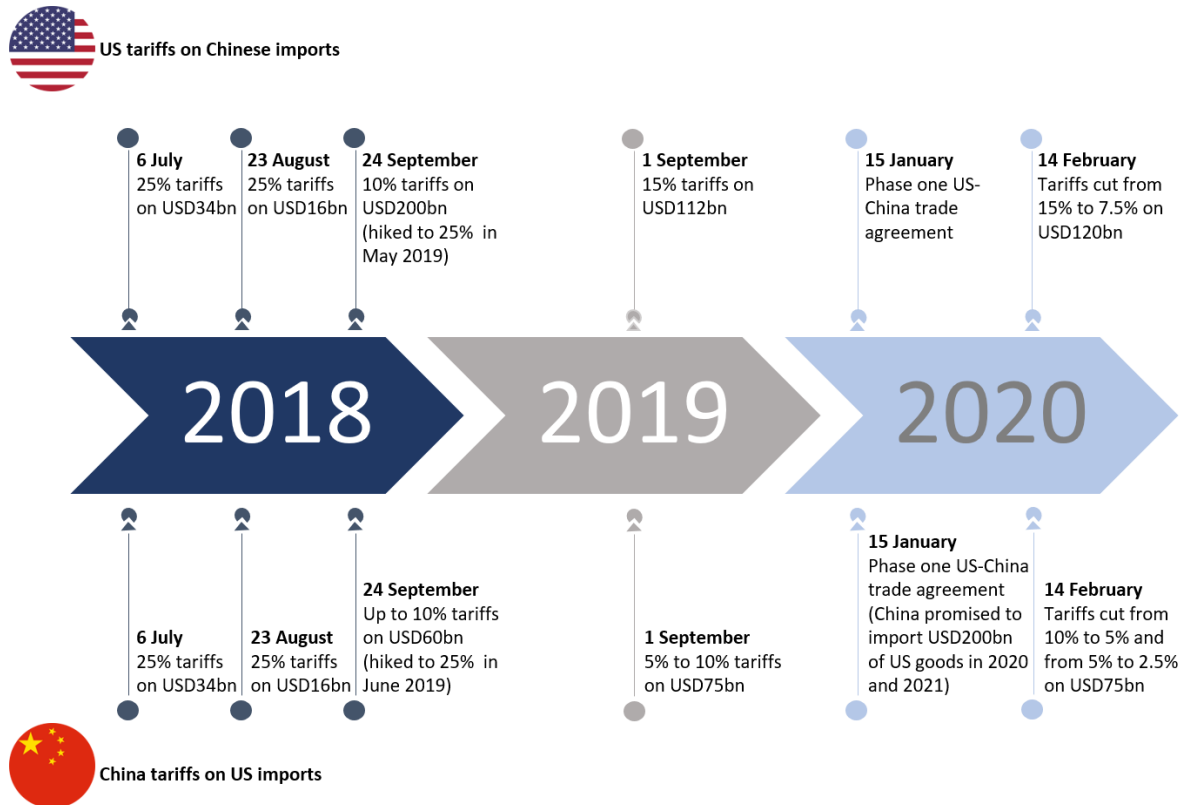
U.S. consumer confidence dropped to a more than six-year low in August as households worried about the labor market and incomes, casting doubts on the sustainability of the economy's recovery from the COVID-19 recession. ([Reuters](#))

U.S. Treasury yields rose on Tuesday as traders awaited for a key speech from Federal Reserve Chairman Jerome Powell later this week. ([CNBC](#))

3. CHART OF THE DAY

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US-China Trade Tensions' Timeline



Source: Center for Agricultural and Rural Development (CARD).

The China-U.S. trade war began in 2018, when the U.S. President Donald Trump decided to slap tariffs and other trade barriers on China. Retaliation measures enforced by China in response to the U.S. hostile trade policy produced two years of disruptive trade tension and raised concerns over the outlook of global trade. After that, Phase one agreement was signed between the U.S. and China in an attempt to evolve the relationship between the world's two largest economies.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
628.1					1,694.3 881.3				
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* As of market close, except for commodities and currencies at 9.12am 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
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	To rent 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	Oriental Weavers Carpet [ORWE] - Q2 2020 Results
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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