



PRIMETime

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The Reckoning

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We've come a long way so far in the Q2 2020 earnings season (or Q4 2019/20 for those companies closing their fiscal years in June). So far, out of the EGX 30 current constituents, 23 (76.7%) have posted their figures whether unaudited or full financials. Meanwhile, seven companies (23.3%) are yet to publish their financials. The 23 companies that published their figures have shown collective earnings of EGP6.5bn (-17.3% y/y, -10.7% q/q), whereas the top line came in at EGP56.0bn (-8.8% y/y, -7.3% q/q). It isn't much of a surprise to see slippage, both on annual and quarterly bases, since the effect of COVID-19 induced lockdown measures were expected to be more visible in Q2 more than Q1.

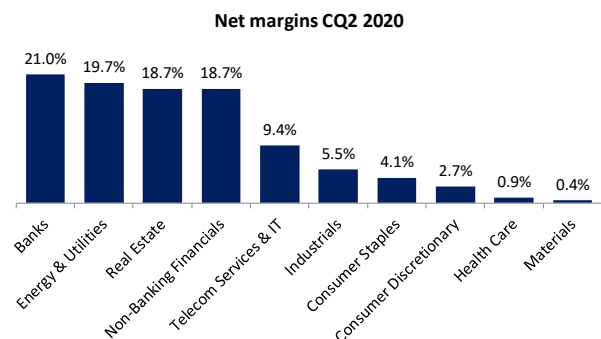
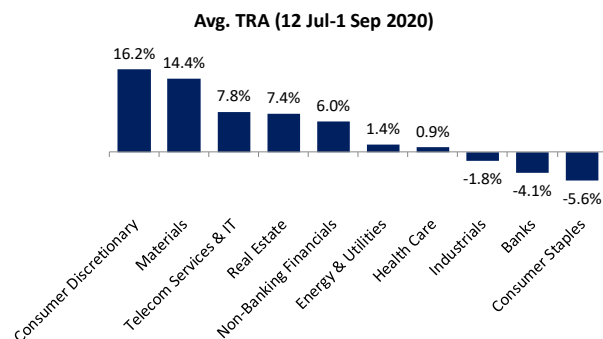
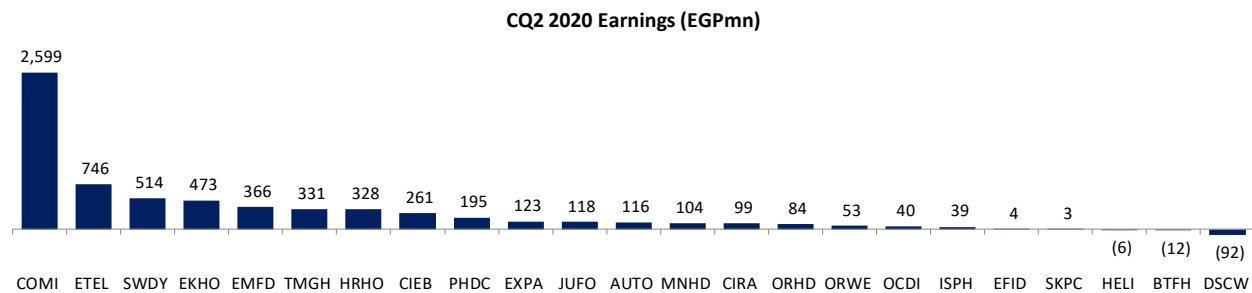
Here are some interesting observations we noted out of the 23 companies:

- All companies reported profits, except for only three which posted losses: **BTFH**, **DSCW**, and **HELI**.
- From a y/y window, two companies turned to losses: **DSCW** and **HELI**; but only **HELI** turned to losses sequentially.
- From a y/y window, two companies turned to profitability: **AUTO** and **EMFD**; but only **SKPC** turned to profits sequentially.

From a sectorial point of view, we note the following:

- Only **Energy & Utilities** and **NBFS** posted y/y growth in earnings, the former carried by **EKHO**, while the latter driven by **HRHO**.
- Sequentially, only **NBFS** and **Industrials** saw q/q earnings growth, with the latter represented by **SWDY**.
- Four sectors (out of 10) saw net margin expansion q/q: **NBFS**, **Energy & Utilities**, **Industrials**, and **Materials**.
- **Banks** continued to hold the lion's share within EGX 30 constituents, commanding 46% of the sample's earnings, followed by **Real Estate** (17%), **Telecom** (12%), and **Industrials** (8%).
- So far into the Q2 2020 earnings season (based on all EGX 30 constituents' total return from 12 July through 1 September), seven sectors had an average positive total return, while three had an average negative total return.

Please see the charts below for a quick look at the Q2 2020 earnings season.



Source: Bloomberg, Prime Research.

1. Today's Trading Playbook

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KEY THEMES

As seen in our story today, a sample of 23 EGX30 constituents posted their CQ2 2020 figures, where the entire sample posted a decline in net earnings both annually and sequentially. Judging by the sample, this is supposed to be a weak quarter, one that will resemble a weak base for the following quarter to beat. This comes especially as lockdown measures are over, conditioned by averting a second wave of the pandemic.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's foreign debt declined by USD1.4bn to USD111.3bn at the end of Q1 2020 (31.7% of GDP), compared to USD112.7bn by the end Q4 2019, according to data released by the Central Bank of Egypt (CBE). However, we note that in the aftermath of the coronavirus pandemic from end-March onwards, Egypt's foreign debt will have increased. This was due to the country's extensive borrowing to alleviate the pressures of the pandemic in view of the effect on

remittances, tourism revenues, Suez Canal's revenues, and portfolio outflows. ([CBE](#), Prime Research)

The Egyptian National Authority for Tunnels (NAT) signed a contract with France's RATP Dev for the management, operation, and maintenance of Cairo's third metro line. The partnership is the first of its kind in Egypt as the government adopts a plan to develop the urban transportation sector in Greater Cairo, Alexandria, and other governorates. ([Mubasher](#))

The Ministry of International Cooperation said the value of the ongoing agreements with multilateral and bilateral development partners for environmental projects reached USD238.2mn. ([Egypt Today](#))

Egypt large annual government financing needs of 30%-40% of GDP are the key credit weakness that exposing the country's financing conditions to tightening domestic or external financing conditions, according to Moody's annual credit analysis. Moreover, securing employment opportunities for new labor market entrants remains a long-term social challenge, as does the preservation of water resources in the environmental domain. ([Moody's](#))

CORPORATE NEWS

Palm Hills Developments' [PHDC] pre-sales fell 27% y/y to EGP4.4bn in H1 2020. Revenues dropped 20% y/y to EGP2bn, and net profit after minority retreated 39% y/y to EGP277mn. On a separate note, **PHDC's board of directors approved a securitization issuance estimated at EGP1bn**, which will be conducted by Egyptian Securitization Co. ([Company disclosure](#), [Hapi](#))

Remco for Tourism Villages Construction [RTVC] saw its net loss after minority reach EGP210mn in Q2 2020 vs. a net profit after minority of EGP66mn a year earlier. Meanwhile, RTVC logged a gross loss of EGP53mn vs. a gross profit of EGP241mn in Q2 2019. ([Company disclosure](#))

Elsewedy Electric's [SWDY] subsidiary, Elsewedy Electric for Trading & Distribution, has signed a new contract to build new substation on turnkey basis, the project value is EGP355.5mn and will be implemented over a 14-month period. ([Company disclosure](#))

Heliopolis Housing & Development's [HELI] revenues declined 20% y/y to EGP1.1bn in 2019/20, and net profits edged lower 0.9% y/y to EGP373mn. ([Company disclosure](#))

Ebtikar, a JV between B Investment [BINV] and BPE Partners and MM Group [MTIE] (49.9%) is willing to establish a consumer finance company with a capital of EGP10mn. pending final FRA approvals. Meanwhile, **Vitas Egypt**, fully-owned by Ebtikar, awaiting CBE's approval to start collecting installments through e-wallets, in a move that CBE encourages while moving into digitalization and cashless economy. (Al-Mal)

Egyptian Chemical Industries [EGCH] preliminary FY 2019/20 indicators showed net losses of EGP1.5bn against net earnings of EGP32mn last year. This comes due to (1) 5% lower revenues of EGP321mn and, (2) higher gross losses vs. gross profit in the comparable period. GLM came at 42% vs. GPM of 5% a year earlier, (3) higher net financing costs, (4) lower FX gains, as well as (5) surging effective tax rate. (Company disclosure [1,2](#))

Arabian Cement's [ARCC] OGM approved a no-dividend policy for 2019. ([Company disclosure](#))

Bank ABC chose HSBC's investment banking as a financial advisor for its potential acquisition on BLOM Bank's Egypt assets, while Emirates NBD picked Freshfields as legal advisor for the deal on BLOM Bank Egypt's potential acquisition as well. ([Al-Borsa](#))

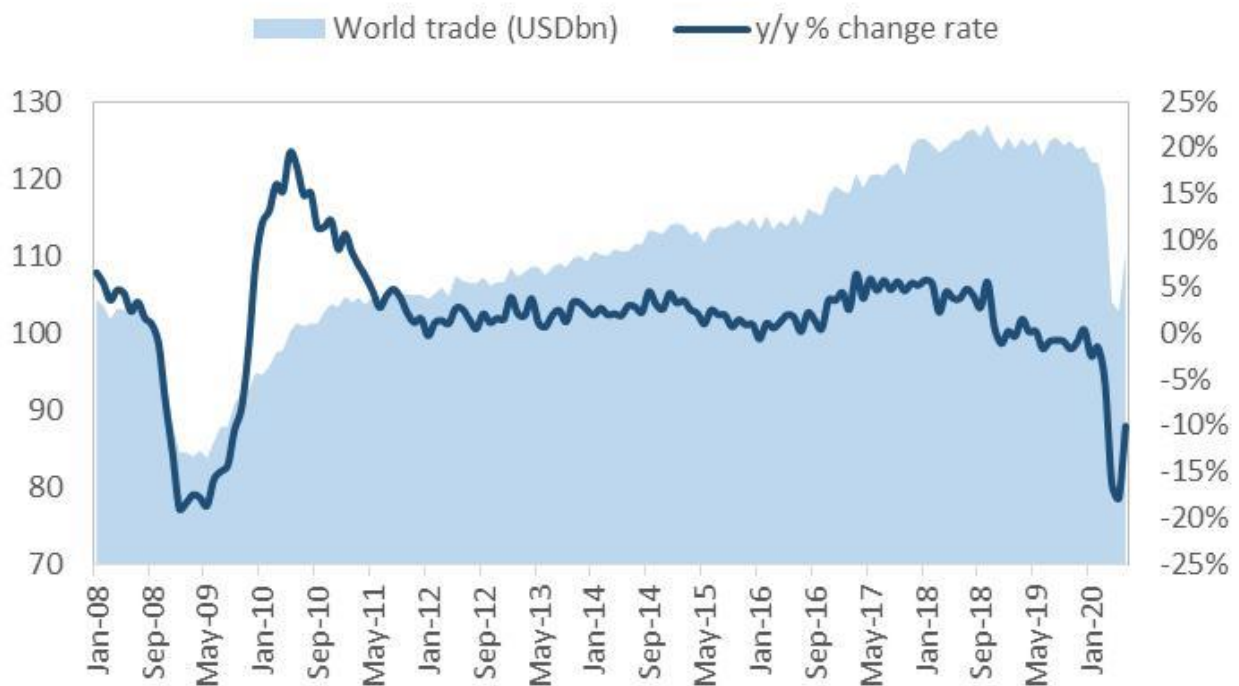
GLOBAL NEWS

U.S. manufacturing activity accelerated to a nearly two-year high in August amid a surge in new orders, but employment continued to lag, supporting views that the labor market recovery was losing momentum. ([Reuters](#))

China's factory activity expanded at the fastest clip in nearly a decade in August, bolstered by the first increase in new export orders this year as manufacturers ramped up production to meet rebounding demand, a private survey showed on Tuesday. ([Reuters](#))

3. CHART OF THE DAY
















































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Source: CPB world trade monitor.

World trade volume rebounded in June (+7.6% m/m) vs. May (-1.1% m/m), according to the CPB World Trade Monitor published by the Netherlands Bureau for Economic Policy Analysis. On an annual basis, the volume of global trade dropped at a slower pace (-10% in June vs. -18% in May). World trade had experienced an unprecedented decline in April as most big economies suffered from draconian coronavirus lockdown measures. The volume of global trade in goods had dropped by 12.1% m/m in April, the largest monthly contraction since 2000.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						625.7		Equity turnover (EGPmn): Last, ytd avg.						2,961.5		900.1			
						daily chg.		ytd chg.								daily chg.		ytd chg.	
		EGX 30	11,233.94	(1.16%)	(19.54%)			Gold	1,970.18	0.12%	29.49%			Silver	28.11	(0.11%)	56.74%		
		EGX 30 TR	4,284.39	(0.61%)	(17.11%)			Brent Oil	45.58	0.66%	(26.92%)			WTI	42.76	0.35%	(25.98%)		
		EGX 70 EWI	1,830.82	(0.96%)	44.49%			Natural Gas	2.53	(3.92%)	15.44%				USD/EGP	15.87	0.04%	(1.03%)	
		EGX 100 EWI	2,732.03	(1.13%)	25.06%			EUR/USD	1.19	(0.20%)	6.13%					GBP/USD	1.34	0.10%	0.84%
		DFMGI	2,252.39	0.32%	(18.54%)		USD/JPY	105.96	0.05%	(2.36%)					6M TB yield	13.67	0	(134)	
		ADSMI	4,525.41	0.13%	(10.80%)		1Y TB yield	13.82	0	(75)					10Y TB yield	14.78	0	108	
		TASI	7,898.86	(0.53%)	(5.85%)			2Y TB yield	0.13	1		(144)			10Y TB yield	0.68	(3)	(124)	
		QE Index	9,850.68	0.06%	(5.51%)			30Y TB yield	1.43	(5)		(96)							
		S&P 500	3,526.65	0.75%	9.16%				MSCI Emerging	1,120.02	1.68%	0.48%							
		Dow 30	28,645.66	0.76%	0.38%					MSCI Frontier	515.90	0.71%		(11.96%)					
		NASDAQ	11,939.67	1.39%	33.07%														
	VIX	26.12	(1.10%)	89.55%															
		STOXX 50	3,277.58	0.15%	(12.48%)														
		MSCI Emerging	1,120.02	1.68%	0.48%														
		MSCI Frontier	515.90	0.71%	(11.96%)														

* As of market close, except for commodities and currencies at 8.25am 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
3-Sep-20	BIOC	Cash dividend	Distribution date for EGP0.500/share.
9-Sep-20	DAPH	OGM	Discussing netting contracts.
9-Sep-20	CPCI	Stock dividend	Record date for 25% stock dividend.
10-Sep-20	CPCI	Stock dividend	Distribution date for a 25% stock dividend.
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 the USD interest rate.
17-Sep-20	ORAS	EGM	Voting on hiring Nada Shousha as an independent non-executive independent director.
17-Sep-20	RMDA	EGM	Amending article No. 4 of the company's bylaws.
20-Sep-20	ORWE	EGM	Amending some articles of the company's bylaws.
21-Sep-20	EHDR	EGM	Approving splitting the par value per share and amending articles No. 6 & 7 of the company's bylaws.
21-Sep-20	CICH	OGM	Discussing adding two seats to the BoD.
21-Sep-20	MFSC	Cash dividend	Record date for EGP0.995/share.
22-Sep-20	MFSC	Cash dividend	Ex-Dividend date for EGP0.995/share.
24-Sep-20	MFSC	Cash dividend	Distribution date for EGP0.995/share.

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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