



# PRIMETime

Tuesday, 15 September 2020 (9:41 PM)

## Optionality

### 1. Today's Trading Playbook

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#### KEY THEMES

When it comes to its 45%-stake investment in Vodafone Egypt [**VODE**], Telecom Egypt [**ETEL**] has the optionality to either continue to be part of its success story or cash out on its investment, partially or entirely. Below, we pencil in the options available for ETEL, in our opinion, and the respective target price for each option:

#### **(1) Not selling its 45% stake in VODE:**

##### ***(1. A.) Without a counter bid:***

Under this scenario, ETEL continues as a minority shareholder with its current stake (45%), which may push it to renegotiate with its new partner (**STC**) regarding dividends distribution and may prefer to enter into a put option to sell its stake in VODE to STC in the following years at a preset price, taking into account the time value of money.

- **Target price: A price range between EGP12-14/share within 6-12 months.**

##### ***(1. B.) With a counter bid:***

Under this scenario, ETEL submits a counter bid that may be potentially equal or slightly higher than STC's, using its right of first refusal according to its shareholder agreement with Vodafone Group [**UK: VOD**]. ETEL may then resort to borrowing, with VODE's balance sheet providing it with the financial capacity. ETEL may even partner with another entity (the Sovereign Fund of Egypt perhaps) to take a piece of VODE while ETEL retains a stake of more than 50% to consolidate its financials.

- **Target price: A price range between EGP10-16/share within 6-12 months.**

**(2) Selling its 45% stake in VODE:*****(2. A.) Entirely:***

Under this scenario, ETEL exits its entire stake in VODE at the same price as VOD's deal, provided the final transaction price is appropriate for ETEL and with the submission of a mandatory tender offer by STC for ETEL's 45% stake.

- Target price: EGP16-22/share depending on the final deal price.

***(2. B.) Partially:***

Under this scenario, ETEL exits its stake in Vodafone Egypt partially (e.g. sells 25% and keeps 20%) while entering into a put option to sell the remaining stake (20% in this case) in the following years, if it so chooses, taking into account the time value of money.

- Target price: EGP14-18/share, depending on the final deal price.

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

**2. TOP NEWS & ANALYSIS****MACRO NEWS**

**President of Bombardier met with Minister of Transportation Kamel El-Wazir to discuss possibilities of renovating Egyptian train engines or manufacturing new ones.** ([Egypt Today](#))

**Egypt will establish the National Authority for Accreditation & Quality Assurance in Vocational Training & Technical Learning,** a new authority to improve vocational training. ([Ahram Online](#))

**The CBE directed banks to provide repayment facilities to their clients after the installments grace period expires.** ([CBE](#))

**CORPORATE NEWS**

**Orascom Investment Holding [OIH] logged a bottom-line loss of EGP57.5mn in Q2 2020,** turning its positive Q1 2020 sign into negative. Meanwhile, revenues shrank to EGP232.6mn (-15% y/y, -15% q/q). ([Company disclosure](#))

**Misr Oils & Soap's [MOSC] registered net earnings of EGP20.9mn in 2019/20 vs. net losses of EGP15.6mn in 2018/19. Revenues grew 1.2% to EGP1.5bn, yet MOSC recorded GPM of 2.3% vs. GLM of 0.14% in the comparable period.** According to 2019/20 figures, MOSC is trading at a P/E of 4.4x. ([Company disclosure](#))

**Ezdehar Egypt Mid-Cap Fund has acquired a minority stake in Al-Taisier Medical Holding Group,** a move aimed to expand Al-Taisier investments in hospitals and laboratories. ([Enterprise](#))

**Nile Cotton Ginning's [NCGC] BoD disclosed that the EGP50/share mandatory tender offer submitted by IMEX International to acquire NCGC, with a minimum of a 50% stake, is very low and must be reconsidered. ([Company disclosure](#))**

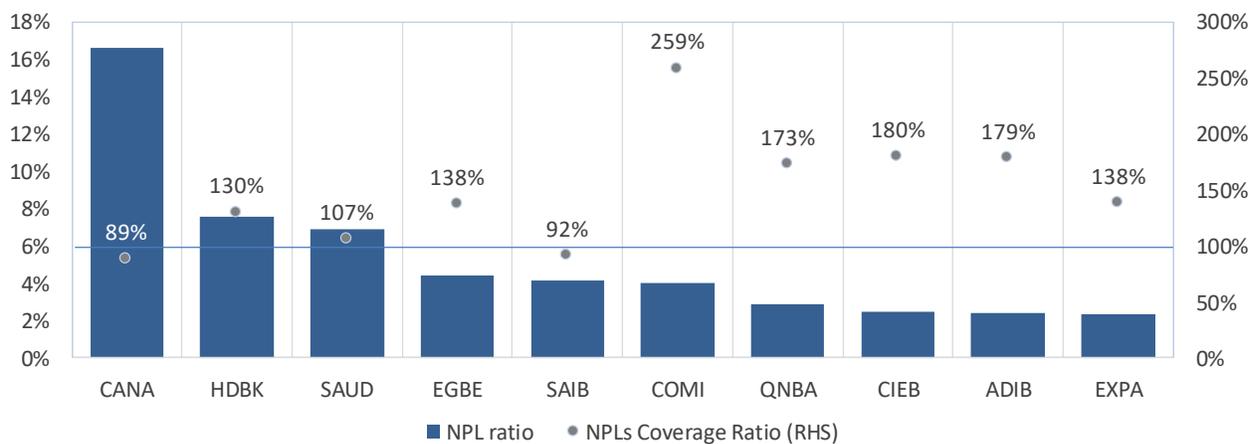
## GLOBAL NEWS

**U.S. consumers are feeling slightly less pessimistic about the housing market and their finances,** but overall expectations about the labor market, income, and spending remain weak when compared to pre-pandemic levels. ([Reuters](#))

## 3. CHART OF THE DAY

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Note: Figures are at end of Q2 2020.  
Source: Banks' financials.

**Egypt Banks' Non-Performing Loans (NPLs):** In H1 2020, EGX-listed banks witnessed a high level of provision build-up to cover over 100% of NPL loans portfolio. Meanwhile, Suez Canal Bank [CANA] and Housing & Development Bank [HDBK], which are still burdened by high NPLs, have seen their NPL ratio improve from 18% and 9% in Q4 2019 to 16.6% and 7.5%, respectively. In contrast, CIB [COMI] recorded the highest coverage ratio with an NPL ratio of only 4%. That said, this generally reflects the healthy asset quality of EGX-listed banks.

## 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)		614.2		Equity turnover (EGPmn): Last, ytd avg.		1,042.9 909.6	
			daily chg.	ytd chg.		daily chg.	ytd chg.
	 EGX 30	11,034.38	(0.52%)	(20.97%)		 Gold	1,956.86 0.84% 29.57%
	 EGX 30 TR	4,213.91	(0.55%)	(18.47%)		 Silver	27.12 1.47% 53.89%
	 EGX 70 EWJ	1,868.67	(0.55%)	47.48%		 Brent Oil	39.61 (0.55%) (37.10%)
	 EGX 100 EWJ	2,749.40	(0.49%)	25.86%		 WTI	37.26 (0.19%) (36.05%)
	 DFMGI	2,282.38	0.35%	(17.45%)		 Natural Gas	2.31 1.81% 4.71%
	 ADSMI	4,515.11	0.11%	(11.03%)		 USD/EGP	15.78 0.13% (1.63%)
	 TASI	8,256.07	0.64%	(1.59%)	€	 EUR/USD	1.19 0.17% 6.06%
	 QE Index	9,872.86	(0.05%)	(5.30%)	£	 GBP/USD	1.28 0.39% (2.87%)
	 S&P 500	3,383.54	1.27%	4.73%	¥	 USD/JPY	105.73 (0.41%) (2.72%)
	 Dow 30	27,993.33	1.18%	(1.91%)		 6M TB yield	13.58 10 (143)
	 NASDAQ	11,056.65	1.87%	23.23%		 1Y TB yield	13.65 10 (92)
	 VIX	25.85	(3.80%)	87.59%		 10Y TB yield	14.70 (8) 100
	 STOXX 50	3,316.79	0.03%	(11.44%)		 2Y TB yield	0.15 2 (142)
	 MSCI Emerging	1,104.27	1.14%	(0.93%)		 10Y TB yield	0.68 1 (124)
	 MSCI Frontier	514.94	0.47%	(12.12%)		 30Y TB yield	1.42 0 (97)

\* As of market close, except for commodities and currencies at 8.28am 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
15/16-Sep-20		FOMC	Deciding the interest rate on USD.
16-Sep-20	AMES	Stock dividend	Record date for a dividend at ratio of 0.083:1.
17-Sep-20	AMES	Stock dividend	Distribution date for a dividend at ratio of 0.083:1.
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	MNHD	Lawsuit	A court decision discussing legal disputes relevant to the company.
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.
24-Sep-20		MPC Meeting	Discussing interest rate decision.
26-Sep-20	IFAP	OGM	Approving the financial statements ending 30 Jun. 2020.
26-Sep-20	ABUK	OGM	Approving the financial statements ending 30 Jun. 2020.

26-Sep-20	CPCI	OGM	Approving the financial statements ending 30 Jun. 2020.
26-Sep-20	AXPH	OGM	Approving the financial statements ending 30 Jun. 2020.
26-Sep-20	ADCI	OGM	Approving the financial statements ending 30 Jun. 2020.
27-Sep-20	CIRA	OGM	Discussing dividend distribution.
27-Sep-20	AIH	Lawsuit	A court Session discussing legal disputes relevant to the company.
27-Sep-20	NCGC	OGM	Approving the financial statements ending 30 Jun. 2020.
28-Sep-20	NCGC	EGM	Amending some articles of the Company's bylaws.
28-Sep-20	ESGI	EGM	Amending article No. 4, 7, 21, 26, & 29 of the Company's bylaws.
30-Sep-20	MNHD	Cash dividend	Distribution date for EGPO.30/share (2nd installment).
30-Sep-20	EXPA	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	AMOC	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	NIPH	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	MHOT	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	MHOT	EGM	Discussing a note on amicable settlement on VAT.
30-Sep-20	DEIN	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	MPCI	OGM	Approving the financial statements ending 30 Jun. 2020.
30-Sep-20	MPCI	EGM	Approving increasing issued capital.

## 7. LATEST RESEARCH

DATE	PUBLISHED REPORT
10-Sep-20	<a href="#">MACROView – A Stunning Chapter Towards Targets</a>
8-Sep-20	<a href="#">MACROView – Crawling Out of the Troughs</a>
3-Sep-20	<a href="#">MACROView – Job losses and the bumpy road to recovery</a>
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 [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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