



# PRIMETime

Wednesday, 30 September 2020 (10:00 AM)

## Healthy Recovery

Nada Wagdy, Equity Analyst  
[NWagdy@egy.primegroup.org](mailto:NWagdy@egy.primegroup.org)

Cleopatra Hospital Co. [CLHO] [announced yesterday its Q3 2020 KPIs](#). Management expects to generate solid revenues in Q3 2020 with projected growth of c.15% y/y and around 50% q/q on recovered patient volumes, mainly in August and September. Margins are expected to return to historical average levels and net profit to grow on both quarterly and yearly basis.

Based on management guidance, we calculate that Q3 2020 revenues will likely hover around EGP531mn with GPM settling at 34.1% (vs. 36.1% in Q3 2019 and 28.3% in Q2 2020) in view of revenue growth and wide-ranging cost control and reduction efforts. We also estimate Q3 2020 net profit to come in around EGP89mn (+28% y/y, +381% q/q), implying a net margin of 16.8% (vs. 15.0% a year earlier and 5.4% in Q2 2020). This implies that 9M 2020 revenues will likely be in the vicinity of EGP1.4bn (+7% y/y) with GPM returning to its 5-year average historical levels of 32.6% (vs. 35.1% a year earlier).

As for 2020 full-year, revenues could reach EGP1.9bn (+6%y/y), with GPM of 33% (vs. 34.8% in 2019), filtering through to a net profit of c. EGP279mn (+8% y/y). This implies a 2020 P/E ratio of 29x, which is an exceptional year in view of COVID-19 impact. Historically, CLHO succeeded to record a 4-year CAGR (2015-2019) of 45% in its top line, reaching EGP1.8bn in 2019, while earnings grew by 40% over the same period to EGP257mn.

<i>EGPmn</i>	<b>Q3 2019</b>	<b>Q3 2020</b>	<b>y/y</b>	<b>9M 2019</b>	<b>9M 2020 E</b>	<b>y/y</b>	<b>2019</b>	<b>2020e</b>	<b>y/y</b>
Revenues	462	531	15%	1,287	1,374	7%	1,798	1,906	6%
Gross Profit	167	181	8%	452	449	-1%	625	630	1%
GPM	36.1%	34.1%	-206bps	35.1%	32.6%	-247bps	34.8%	33.0%	-174bps
Net Profit after minority	69	89	28%	167	190	14%	257	279	8%
NPM	15.0%	16.8%	175bps	12.9%	13.8%	86bps	14.3%	14.6%	31bps

Source: Company reports, Prime Research.

## 1. Today's Trading Playbook

Amr Hussein Elalfy CFA, Head of Research

[AElalfy@egy.primegroup.org](mailto:AElalfy@egy.primegroup.org)

### KEY THEMES

Misr Chemical Industries' [MICH] July and August 2020 bottom lines have so far totaled EGP28mn or EGP14mn each month, nearly matching June's figure. MICH is currently adding EGP14mn to its bottom line a month on the back of a cut in electricity prices, as well as high demand for its product portfolio resulting in favorable pricing, hence we expect GPM to be north of 40% in Q1 2020/21. With the company's fiscal year 2019/20 setting a weak base, we expect stellar earnings growth through 9M 2020/21. We think MICH is on its way to beat the EGP77mn bottom line target set in its 2020/21 budget. While the stock is up c.75% ytd, we think a strong long-term catalyst is Egypt's water desalination plans which, once materializing, will boast demand for chlorine over the course of the next ten years.

### POSITIVE

**MICH:** We continue to have MICH as one of our top picks in view of the above.

### NEUTRAL

**CLHO:** Q3 2020 indicators are somehow neutral for the stock performance with full-year earnings likely to be slightly short of EGP300mn.

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

## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**Egypt pulled in orders for nearly five times the USD750mn size of the MENA's first sovereign green bond**, as it pushes ahead with anti-pollution and renewable energy projects. ([Bloomberg](#))

**Social spending programs in the Middle East and Central Asia are still lagging behind the EM average despite making "notable progress in recent decades."** Egypt's FY21 budget shows the state spending rising 9% y/y, with increases of up to 70% on essential services like education and low-income housing. ([IMF Report](#))

**The European Bank for Reconstruction & Development (EBRD) has received a formal loan request from the Egyptian government for EUR250mn** to partially fund a project to convert Alexandria's Abu Qir railway into an underground metro. ([Arab-Finance](#))

**The Building Material Division expects a boost in steel and cement sales by 10%, backed by the government's decision to relax the construction limitations on new buildings.** (Al-Mal)

**Security authorities in Alexandria are imposing fees on transporting hazardous materials out of the city's main port.** ([Al-Mal](#))

## CORPORATE NEWS

**Al-Shams Housing & Urbanization [ELSH] will launch its New Administrative Capital project Solana in 2021.** The construction will be financed from the proceeds from ELSH's EGP53mn securitization issued on 20 September. ([Al Mal](#))

**HeidelbergCement France made a tender offer for c.32.9% of Suez Cement [SUCE] at EGP7.5/share** in a bid to become a full owner. The offer is now under study by the Financial Regulatory Authority (FRA). ([EGX](#), [Mubasher](#)) We note that EFG Hermes Holding [HRHO] is the financial advisor for the transaction, along with that for the acquisition of 100% of Tourah Portland Cement [TORA].

**South Valley Cement's [SVCE] net losses contracted to EGP69.8mn in H1 2020** vs. EGP100.8mn in a year before as revenues decreased 21% y/y to EGP196mn. ([Company disclosure](#))

**Industrial Engineering Co. for Construction & Development's [ENGCE] BoD approved to split the company into two.** One of the two entities will be engaged in manufacturing and trading activities, and the other will tap unutilized assets. ([Company disclosure](#))

**Ebtikar, a JV between B Investment [BINV], BPE Partners, and MM Group [MTIE], as reportedly received several offers from local and foreign institutions to acquire a stake in Ebtikar's subsidiaries Masary and Bee.** ([Al-Borsa](#)) We note that EFG Hermes Holding [HRHO] has been appointed as the financial advisor for the deal.

**CI Capital Holding's [CICH] Souhoola, its consumer finance arm, announced it received the FRA license.** Souhoola is currently active in 11 different governorates through 316 merchants, serving c.30,000 customers. ([Company disclosure](#))

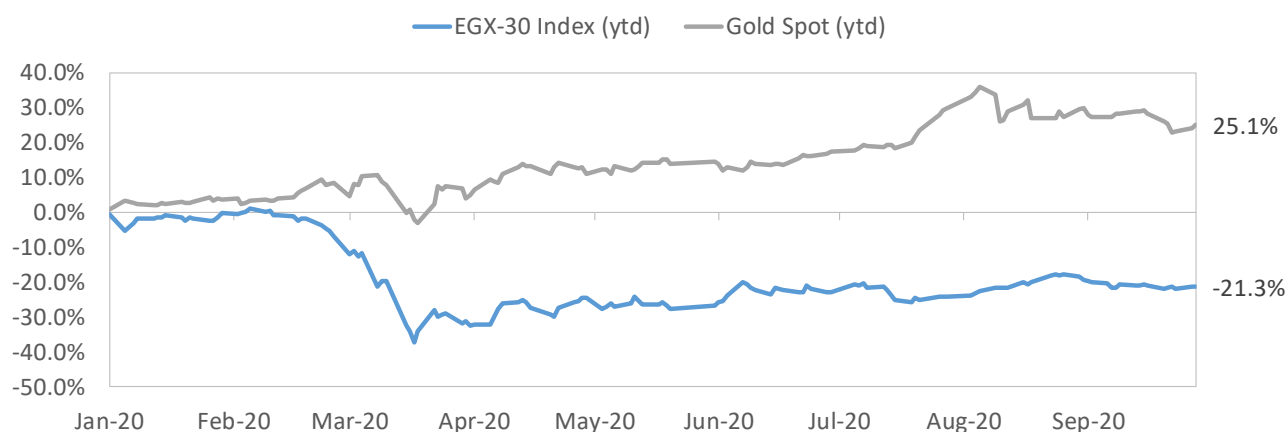
## GLOBAL NEWS

**World Bank President is seeking board approval for a USD12bn COVID-19 vaccine financing plan to help poor and developing countries secure a sufficient share of vaccine doses** when they become available in the coming months. ([Reuters](#))

**JPMorgan Chase has agreed to pay more than USD920mn to settle investigations with multiple federal agencies** after admitting to a multi-year scheme to manipulate market prices through illegal trading practices. ([Washington Post](#))

### 3. CHART OF THE DAY

Shihab M. Helmy, Equity Analyst  
[SMohammed@egy.primegroup.org](mailto:SMohammed@egy.primegroup.org)



Source: Bloomberg.

**EGX 30 vs. Gold:** On a year-to-date basis, EGX 30 index (-21.3%) underperformed the gold spot price (+25.1%). This can be attributed to gold acting as a safe haven with the onset of the COVID-19 crisis, and culminating in an inverse correlation of -0.68.

### 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)				618.3	Equity turnover (EGPmn): Last, ytd avg.				1,506.9	931.5
				daily chg.	ytd chg.				daily chg.	ytd chg.
	↗	EGX 30	10,987.19	0.16%	(21.30%)		↗	Gold	1,898.07	0.88% 24.40%
	↘	EGX 30 TR	4,193.57	(0.14%)	(18.86%)		↗	Silver	24.19	2.17% 33.24%
	↘	EGX 70 EWI	2,021.76	(0.06%)	59.56%		↘	Brent Oil	41.03	(3.30%) (35.50%)
	↘	EGX 100 EWI	2,917.35	(0.03%)	33.54%		↘	WTI	39.29	(3.23%) (33.10%)
	↘	DFMGI	2,252.91	(0.38%)	(18.52%)		↗	Natural Gas	2.56	21.89% 13.48%
	↗	ADSMI	4,494.75	0.06%	(11.43%)		↘	USD/EGP	15.74	(0.14%) (1.75%)
	↘	TASI	8,284.34	(0.60%)	(1.25%)		↗	EUR/USD	1.17	0.67% 4.61%
	↗	QE Index	9,910.72	0.27%	(5.33%)		↗	GBP/USD	1.29	0.23% (3.17%)
	↘	S&P 500	3,335.47	(0.48%)	3.24%		↗	USD/JPY	105.66	0.15% (2.82%)
	↘	Dow 30	27,452.66	(0.48%)	(3.80%)		↘	6M TB yield	13.52	(5) (149)
	↘	NASDAQ	11,085.25	(0.29%)	23.55%		↘	1Y TB yield	13.60	(7) (97)
	↗	VIX	26.27	0.31%	90.64%		↘	10Y TB yield	14.64	(5) 94
	↘	STOXX 50	3,214.30	(0.28%)	(14.17%)		↗	2Y TB yield	0.14	2 (143)
	↘	MSCI Emerging	1,068.79	(0.10%)	(4.12%)		↘	10Y TB yield	0.65	(1) (126)
	↘	MSCI Frontier	515.22	(1.05%)	(12.07%)		↔	30Y TB yield	1.42	0 (97)

\* As of market close, except for commodities and currencies at 8.54am 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
30-Sep-20	CSAG	BoD meeting	Approving financial statements.
30-Sep-20	MNHD	Cash dividend	Distribution date for EGP0.30/share (2 <sup>nd</sup> 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 an 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 the issued capital.
30-Sep-20	MOIN	Stock dividend	Record date for dividends at ratio of 0.25:1.
30-Sep-20	ISPH	Stock dividend	Record date for dividends at ratio of 0.170:1.
30-Sep-20	EXPA	BoD meeting	Reviewing agenda items.
1-Oct-20	UASG	BoD meeting	Discussing financials.
1-Oct-20	MOIN	Stock dividend	Distribution date for dividends at ratio of 0.25:1.
1-Oct-20	ISPH	Stock dividend	Distribution date for dividends at ratio of 0.170:1.
1-Oct-20	ACGC	OGM	Approving the financial statements ending 30 Jun. 2020.
3-Oct-20	EFIC	EGM	Amending articles No. 26 and 36 of the company's bylaws.
4-Oct-20	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
5-Oct-20	CLHO	EGM	Discussing applying a reward system for employees.
7-Oct-20		FOMC	Discussing policy rate.
7-Oct-20	NCCW	Stock dividend	Record date for dividends at ratio of 0.333:1.
8-Oct-20	NCCW	Stock dividend	Distribution date for dividends at ratio of 0.333:1.
11-Oct-20	WCDF	OGM	Approving the financial statements ending 30 Jun. 2020.
12-Oct-20	CIRA	Cash dividend	Record date for EGP0.144/share.
12-Oct-20	IRON	OGM	Amending articles of the company's bylaws.
12-Oct-20	IRON	EGM	Reshuffling the board members.
12-Oct-20	COMI	BoD meeting	Reviewing Agenda Items.
13-Oct-20	CIRA	Cash dividend	Ex-Dividend date for EGP0.144/share.
13-Oct-20	ACAMD	OGM	Approving the financial statements ending 31 Dec. 2019.
13-Oct-20	MOSC	OGM	Approving the financial statements ending 30 Jun. 2020.
13-Oct-20	MOSC	EGM	Amending article No. 4 of the company's bylaws.

## 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="#"><u>MACROView – Muted inflation environment still dominates</u></a>
9-Aug-20	<a href="#"><u>MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</u></a>
5-Aug-20	<a href="#"><u>MACROView – Toward gradual recovery</u></a>
29-Jul-20	<a href="#"><u>MACROView – CAD gains eroded by financial account vulnerability</u></a>
14-Jul-20	<a href="#"><u>Commercial International Bank - [COMI] - Q2 2020 results</u></a>
9-Jul-20	<a href="#"><u>MACROView – Inflation driven by non-food baskets and unfavorable base effect</u></a>
8-Jul-20	<a href="#"><u>MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position</u></a>
7-Jul-20	<a href="#"><u>MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed</u></a>
25-Jun-20	<a href="#"><u>EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition</u></a>
10-Jun-20	<a href="#"><u>MACROView – Lowest annual reading in five months, but monthly figures show no changes</u></a>
8-Jun-20	<a href="#"><u>Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices</u></a>
8-Jun-20	<a href="#"><u>MACROView – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19</u></a>
3-Jun-20	<a href="#"><u>MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy</u></a>
18-May-20	<a href="#"><u>Abu Dhabi Islamic Bank [ADIB] – Q1 2020 Results</u></a>
18-May-20	<a href="#"><u>Al Baraka Bank Egypt [SAUD] – Q1 2020 Results</u></a>
17-May-20	<a href="#"><u>Credit Agricole Egypt [CIEB] – Q1 2020 Results</u></a>
13-May-20	<a href="#"><u>MACROView – Yesterday’s CBE conference call with Deputy Governor</u></a>
11-May-20	<a href="#"><u>MACROView– Acceleration in April driven by food prices – as expected</u></a>
7-May-20	<a href="#"><u>MACROView – Keeping head above water amid pandemic uncertainties</u></a>
5-May-20	<a href="#"><u>Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results</u></a>

## Prime Securities

### Shawkat El Maraghy

Managing Director

Tel.: +202 3300 5622

SElmaraghy@egy.primegroup.org

### SALES

#### Mohamed Ezzat

Head of Sales & Branches

Tel.: +202 3300 5784

MEzzat@egy.primegroup.org

#### Mohamed Ashmawy

Head of Institutional Sales

Tel.: +202 3300 5612

MAshmawy@egy.primegroup.org

#### Amr Alaa, CFTe

Team Head – Institutional Desk

Tel.: +202 3300 5609

AAlaa@egy.primegroup.org

#### Mohamed El Metwaly

Manager

Tel.: +202 3300 5610

MElmetwaly@egy.primegroup.org

#### Emad El Safoury

Manager

Tel.: +202 3300 5624

EElsafoury@egy.primegroup.org

#### Shawkat Raslan

Heliopolis Branch Manager

Tel.: +202 3300 5110

SRaslan@egy.primegroup.org

#### Mohamed El Henawy

Nasr City Branch Manager

Tel.: +202 3300 5166

MElhenawy@egy.primegroup.org

#### Nashwa Abuelatta

Alexandria Branch Manager

Tel.: +202 3300 5173

NAbuelatta@egy.primegroup.org

### Research

#### Amr Hussein Elalfy, cFA

Head of Research

Tel.: +202 3300 5724

AElalfy@egy.primegroup.org

### HEAD OFFICE

#### PRIME SECURITIES S.A.E.

Regulated by FRA License No. 179.

Member of the Egyptian Exchange.

2 Wadi Elnil St., Liberty Tower, 7<sup>th</sup> Fl.

Mohandessin, Giza

Egypt

Tel: +202 3300 5700/770/650/649

Fax: +202 3760 7543

### BRANCHES

#### HELIOPOLIS

7 Elhegag Square

Heliopolis, Cairo

Egypt

Tel: +202 2777 0600

Fax: +202 2777 0604

#### NASR CITY

9 Elbatrawy St.

Nasr City, Cairo

Egypt

Tel: +202 3300 8160

Fax: +202 3305 4622

#### ALEXANDRIA

7 Albert Al Awal St.

Smouha, Alexandria

Egypt

Tel: +202 3300 8170

Fax: +202 3305 4622

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