



Talking Pharma 2

1. Today's Trading Playbook

Amr Hussein Elalfy CFA | Head of Research
AElalfy@egy.primegroup.org

KEY THEMES

Exactly [three months ago](#), we alluded to an often neglected sector in Egypt: pharma. The reason the sector is often neglected has nothing to do with its dynamics. To the contrary, the pharmaceutical sector has been under investors' focus since the onset of the global COVID-19 crisis. Ironically, the reason has rather to do with the fact that Egypt's pharma sector (with nine names listed on EGX) represent a tad less than 2% of total market cap, let alone its scarce trading liquidity. This means most pharma stocks are off the radar screens of many institutional investors. Nonetheless, some pharma names have outperformed the market's main index EGX 30 by huge percentage points. More specifically, Cairo Pharma [**CPCI**] (+32%), Alex Pharma [**AXPH**] (+23%), and Glaxo Smith Kline [**BIOC**] (+22%) all rang up positive returns in the three-month period ending yesterday, compared to a paltry +8.7% for EGX 30. Please see below a run of the nine stocks. Yesterday alone, EIPICO [**PHAR**] (+4.7%), BIOC (+3.0%), and CPCI (+1.2%) ended the day higher. With news of potential M&A activity in the industry, we could be in for a re-rating.

Egypt pharma stocks

Market cap					
Company name	Ticker	(EGPmn)	3M perf.	P/E	Yield
Cairo Pharma	CPCI	568	32.2%	5.2x	7.6%
Alex Pharma	AXPH	750	23.4%	4.4x	9.3%
Glaxo Smith Kline	BIOC	1,457	22.2%	6.2x	2.7%
Memphis Pharma	MPCI	85	4.4%	5.0x	N/A
Nile Pharma	NIPH	305	0.6%	3.4x	2.9%
Arab Drug Co.	ADCI	378	0.1%	4.0x	5.9%
Rameda	RMDA	2,721	(1.9%)	25.6x	N/A
EIPICO	PHAR	4,710	(3.0%)	8.4x	8.1%
Minapharm Pharma	MIPH	922	(8.2%)	5.3x	7.2%
Total		11,895			
Average			7.7%	7.5x	6.2%
Median			0.6%	5.2x	7.2%
EGX 30			8.7%		
EGX 70			38.7%		

Source: Investing.com, Mubasher.



POSITIVE

Pharma: The health care sector in general and the pharma industry in specific are among our top preferred sectors/industries in Egypt. Trading at low to mid-single digit P/E ratios with high single-digit yields, the sector should re-rate based on fundamentals on one hand and on potential M&A action on the other hand.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt is the only country in the MENA region that will witness positive real GDP growth, expected at 3.5%, in 2020. ([IMF](#))

Egypt will invest EGP36.7bn in green projects during the current fiscal year, accounting for around 14% of its investment budget. The government aims to dedicate 30% of its investment budget to green projects in FY22. ([Al-Mal](#))

The FRA has granted consumer finance companies six more months to comply with the new Consumer Credit Law. ([Al-Borsa](#))

Egypt will manage 90% of its imports and exports electronically by January 2021 in a bid to speed up customs clearance, increase trade flows, and improve Egypt's ranking in the Logistical Performance Index. ([Egyptian Cabinet](#))

CORPORATE NEWS

Faisal Islamic Bank of Egypt [FAIT] announced that Ithmaar Bank has acquired Faisal Investment Bank of Bahrain's 4.7% stake, thus raising its ownership in FAIT to 14.03% from 9.33%. ([Bank release](#))

EIPICO [PHAR] announced that the vital drugs and biological alternatives project, EIPICO 3, is expected to be operational by end of Q2 2022. EIPICO expects the project to generate annual revenues of EGP605mn (21% of 2020 annualized revenues), with priority given to the local market before considering exports. ([Company disclosure](#))

Emaar Misr for Development's [EMFD] chairman expects the Egyptian real estate market to recover in 2021. ([Al-Mal](#))



A consortium of Hassan Allam Holding and Almar Water Solutions acquired 60 water desalination stations through buying Ridgewood Egypt for Water Desalination in a USD20mn deal. (Al-Mal)

GLOBAL NEWS

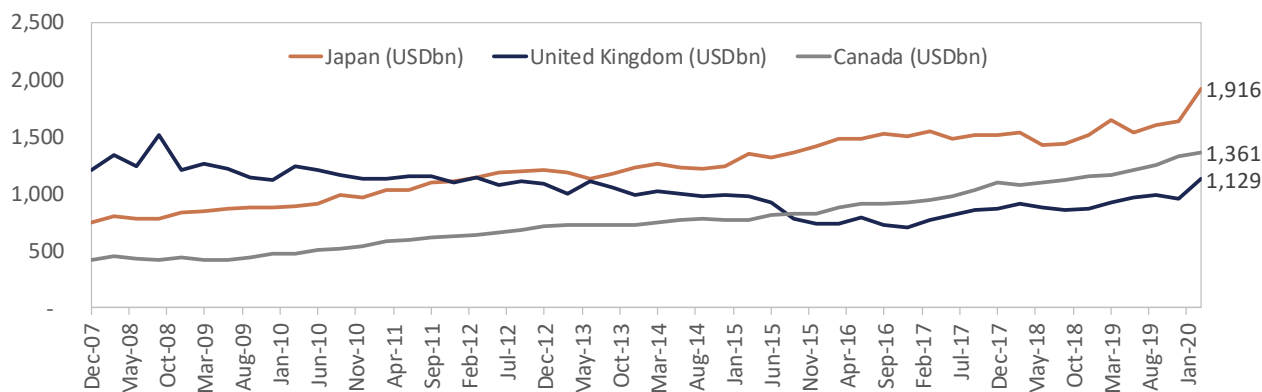
China kept its benchmark lending rate for corporate and household loans steady for the sixth straight month at its October fixing on Tuesday, encouraged by an extended recovery in the world's second-largest economy from the coronavirus shock. ([Reuters](#))

OPEC plans further oil output cuts amid "anemic" demand and a second wave of COVID-19. ([Bloomberg](#))

According to the World Bank, MENA economies are projected to contract by 5.2% in 2020, which is 4.1 percentage points (pp) below the forecast in April 2020, and 7.8pp worse than that of October 2019, reflecting an increasingly pessimistic outlook for the regional economy. The region is expected to recover only partially in 2021. ([World Bank](#))

3. CHART OF THE DAY

Shihab M. Helmy | Equity Analyst
SMohammed@egy.primegroup.org



Source: BIS.

U.S. banks' claims due to non-U.S. banks: According to the above chart, it is clear that Japanese banks are the biggest creditor to U.S. banks at USD1,916bn at end of Q1 2020, exceeding Canadian banks' claims (at USD1,361bn) and U.K. banks' claims (at USD1,129bn). Hence, Japanese banks are the most exposed to U.S. banks, which has been the case since mid-2013.

4. MARKETS PERFORMANCE



Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
623.9					941.7 948.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	📉	EGX 30	11,171.36	(0.12%) (19.98%)		📈	Gold	1,904.08 0.25% 25.46%	
	📈	EGX 30 TR	4,270.75	0.20% (17.37%)		📈	Silver	24.39 0.96% 37.47%	
	📈	EGX 70 EWI	1,954.21	0.13% 54.23%		📉	Brent Oil	42.62 (0.72%) (32.37%)	
	📈	EGX 100 EWI	2,871.56	0.07% 31.45%		📉	WTI	40.83 (0.12%) (30.42%)	
	📈	DFMGI	2,208.81	1.26% (20.11%)		📈	Natural Gas	2.80 0.79% 30.52%	
	📈	ADSMI	4,559.55	0.28% (10.23%)	EGP	📈	USD/EGP	15.70 0.03% (2.19%)	
	📉	TASI	8,547.61	(0.15%) 1.89%	€	📈	EUR/USD	1.18 0.44% 5.04%	
	📉	QE Index	9,999.66	(0.10%) (4.08%)	£	📈	GBP/USD	1.29 0.26% (2.27%)	
	📉	S&P 500	3,426.92	(1.63%) 6.07%	¥	📈	USD/JPY	105.43 0.03% (2.85%)	
	📉	Dow 30	28,195.42	(1.44%) (1.20%)		📈	6M TB yield	13.37 4 (164)	
	📉	NASDAQ	11,478.88	(1.65%) 27.93%		📈	1Y TB yield	13.51 7 (106)	
	📈	VIX	29.18	6.46% 111.76%		📈	10Y TB yield	14.66 2 96	
	📉	STOXX 50	3,242.51	(0.09%) (13.42%)		📈	2Y TB yield	0.16 2 (141)	
EM	📈	MSCI Emerging	1,127.28	0.28% 1.13%		📈	10Y TB yield	0.77 3 (115)	
FM	📉	MSCI Frontier	528.54	(0.92%) (9.80%)		📈	30Y TB yield	1.56 3 (83)	

* As of market close, except for commodities and currencies at 8.32am 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
20-Oct-20	ADCI	Cash dividend	Record date for EGP4.00/share.
21-Oct-20	MICH	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividends.
21-Oct-20	MICH	EGM	Amending articles of the company's bylaws.
21-Oct-20	RAKT	OGM	Approving the financial statements ending 30 Jun. 2020.
21-Oct-20	RAKT	EGM	Amending articles of the company's bylaws.
22-Oct-20	SKPC	Cash dividend	Distribution date for EGP0.15/share (2nd installment).
22-Oct-20	ABUK	Cash dividend	Distribution date for EGP0.30/share (1st installment).
24-Oct-20	MTIE	EGM	Amending article No. 5 of the company's bylaws.
24-Oct-20	WKOL	OGM	Approving the financial statements ending 30 Jun. 2020.
24-Oct-20	WKOL	EGM	Discussing the continuation of the company.
25-Oct-20	AIH	Lawsuit	A court session discussing legal disputes relevant to the company.
25-Oct-20	EAST	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.



25-Oct-20	MBSC	Cash dividend	Record date for EGP1.500 DPS.
25-Oct-20	SUGR	Cash dividend	Record date for EGP0.25 DPS.
25-Oct-20	ADCI	Cash dividend	Distribution date for EGP4.00 DPS.
26-Oct-20	SUGR	Cash dividend	Ex-Dividend date for EGP0.25/share.
26-Oct-20	MBSC	Cash dividend	Ex-Dividend date for EGP1.500/share.
26-Oct-20	ROTO	Cash dividend	Distribution date for EGP0.375/share (3rd installment).
28-Oct-20	MBSC	Cash dividend	Distribution date for EGP1.500/share.
28-Oct-20	SUGR	Cash dividend	Distribution date for EGP0.25/share.
28-Oct-20	PRCL	OGM	Approving the financial statements ending 30 Jun. 2020.
28-Oct-20	PRCL	EGM	Discussing the continuation of the company.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
11-Oct-20	<u>MACROView – Disinflationary trend interrupted</u>
11-Oct-20	<u>MACROView – External strains are slacking and reserves are growing</u>
6-Oct-20	<u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u>
5-Oct-20	<u>MACROView – Egypt’s recovery is broadening</u>
10-Sep-20	<u>MACROView – A Stunning Chapter Towards Targets</u>
8-Sep-20	<u>MACROView – Crawling Out of the Troughs</u>
3-Sep-20	<u>MACROView – Job losses and the bumpy road to recovery</u>
18-Aug-20	<u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u>
13-Aug-20	<u>Credit Agricole Egypt [CIEB] – Q2 2020 Results</u>
10-Aug-20	<u>MACROView – Muted inflation environment still dominates</u>
9-Aug-20	<u>MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</u>
5-Aug-20	<u>MACROView – Toward gradual recovery</u>
29-Jul-20	<u>MACROView – CAD gains eroded by financial account vulnerability</u>
14-Jul-20	<u>Commercial International Bank - [COMI] - Q2 2020 results</u>
9-Jul-20	<u>MACROView – Inflation driven by non-food baskets and unfavorable base effect</u>
8-Jul-20	<u>MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position</u>
7-Jul-20	<u>MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed</u>
25-Jun-20	<u>EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition</u>
10-Jun-20	<u>MACROView – Lowest annual reading in five months, but monthly figures show no changes</u>
8-Jun-20	<u>Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices</u>



8-Jun-20	<u>MACROView – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19</u>
3-Jun-20	<u>MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy</u>
18-May-20	<u>Abu Dhabi Islamic Bank [ADIB] – Q1 2020 Results</u>
18-May-20	<u>Al Baraka Bank Egypt [SAUD] – Q1 2020 Results</u>
17-May-20	<u>Credit Agricole Egypt [CIEB] – Q1 2020 Results</u>
13-May-20	<u>MACROView – Yesterday’s CBE conference call with Deputy Governor</u>
11-May-20	<u>MACROView– Acceleration in April driven by food prices – as expected</u>
7-May-20	<u>MACROView – Keeping head above water amid pandemic uncertainties</u>
5-May-20	<u>Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results</u>



Prime Securities

Shawkat El Maraghy

Managing Director

T +202 3300 5622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

AAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

T +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 5110

SRaslan@egy.primegroup.org

Mohamed El Henawy

Nasr City Branch Manager

T +202 3300 5166

MElhenawy@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +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, 7th Fl.
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

Branches

Heliopolis

7 Elheqaz Square
Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

Nasr City

9 Elbatrawy St.
Nasr City, Cairo, Egypt

T +202 3300 8160

F +202 3305 4622

Alexandria

7 Albert Al Awal St.
Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

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