



Another Turnaround Story

1. Today's Trading Playbook

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KEY THEMES

When the market barely moves in any specific direction and conventional rules do not seem to be that effective, it might be helpful to look for turnaround stories. One of these stories that we think is in the making is Misr Oil & Soap [**MOSC**]. Here is why. MOSC has managed to turn profitable in 2019/20, posting EGP17mn in net earnings vs. EGP16mn in net losses a year before. The reason comes in light of weaker raw materials prices. MOSC's key product is ration cards edible oil, a product that the Holding Co. for Food Industries buys from MOSC after supplying MOSC with its main materials (i.e. raw oil). There is some evidence that supports the possibility of replicating 2019/20 performance in 2020/21. This includes MOSC's 2M 2020/21 bottom line of EGP3.5mn. Also, MOSC has just finalized a settlement with Alex Bank, which should result in an EGP14.6mn increase in MOSC's book value of equity. Should the effect of this settlement appear in MOSC's income statement, we could be looking at EGP35mn bottom line for 2020/21, implying a forward P/E of 2.8x. Excluding the settlement, MOSC is still relatively cheap, currently trading at 6.5x P/E for 2019/20.

POSITIVE

MOSC, MICH: Please refer to the above. Misr Chemical Industries [**MICH**] continues to deliver strong y/y earnings, as we had alluded to before.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Foreign holdings of Egyptian treasury bills ticked up for the third consecutive month in August, edging up to USD13.3bn from USD10.8bn in July. ([CBE](#))

In line with the increase in overall reserves in August, commercial banks' foreign assets grew by USD1.4bn in August to stand at USD18.75bn. Foreign liabilities grew also but at a



slower pace by USD749mn, which paved the way for NFAs to improve. Meanwhile, money supply (M2) climbed by 19.2% y/y and 1.2% m/m to EGP4.68tn by end of August 2020. ([CBE](#))

The new monorail project, three wastewater treatment facilities, and a desalination plant will be partially funded through USD500mn of last month's USD750mn green bond issuance. ([Al-Mal](#))

General Electric's EGP825mn financial offer to establish a regional control center in Delta (Talkha) for Energy is better than ABB-Elsewedy Electric [SWDY] consortium's by EGP37mn. ([Al-Mal](#))

CORPORATE NEWS

Misr Chemical Industries [MICH] Q1 2020/21 unudited results showed bottom line more than tripled to EGP42mn vs. EGP9mn in the comparable quarter. This comes in light of a 62% growth in revenues to EGP127mn and a strong margin improvement, as GPM recorded 52% against 29% a year earlier. ([Company disclosure](#))

Arabian Ginning Cotton's [ACGC] FY20 initial KPIs showed a net loss of EGP188mn (NLM of 17%) vs. net income of EGP1.66mn (NPM of 0.1%) a year earlier. Meanwhile, gross losses reached EGP7.01mn (GPL of -1% vs. GPM of 15% in FY19) and revenues dropped 35% y/y to EGP1.08bn. ([Company disclosure](#))

Ibnsina Pharma [ISPH] has applied for 10,000sqm plot of land in the new Sohag, with a total value of c. EGP13.5mn, to establish logistical stores for the distribution of medicines in the governorates of Upper Egypt. ([Al-Mal](#))

Arabian Food Industries Co. (Domty) [DOMT] expects better profitability in Q3 2020 compared to Q1 and Q2 2020. DOMT sees sales in Q3 2020 slightly improving from the EGP720mn recorded in Q3 2019. ([Zawya](#))

Orascom Investment Holding's [OIH] extraordinary general meeting approved the "horizontal" demerger of the company, Orascom Financial Holding's approved equity amounting to EGP2.01bn, while OIH's new equity amounting to EGP0.89bn. ([Company disclosure](#))

El-Nasr for Manufacturing Agricultural Crops [ELNA] has been asked by Sohag for Housing & Development, which purchased ELNA's land in Sohag for EGP650mn, to reschedule the first installment from 20 October to 20 November. ([Company disclosure](#))



Egyptians for Housing Development & Reconstruction [EHDR] 4-for-1 stock split will be effective 26 October 2020. EHDR is also planning to offer its subsidiary **Emerald Development & Projects Management** in an IPO on Nilex in 2021. ([Company Disclosure](#), [Al-Mal](#))

Golden Coast Co.'s [GOCO] 10-for-1 split will be effective on 26 October 2020. ([Company disclosure](#))

GLOBAL NEWS

The U.S. sued Google on Tuesday, accusing the USD1tn company of illegally using its market muscle to hobble rivals in the biggest challenge to the power and influence of Big Tech in decades. ([Reuters](#))

Japan will join forces with the United States and Europe to take on any market abuses by the four Big Tech companies, a sign Tokyo will join global efforts to regulate digital platform operators. ([Reuters](#))

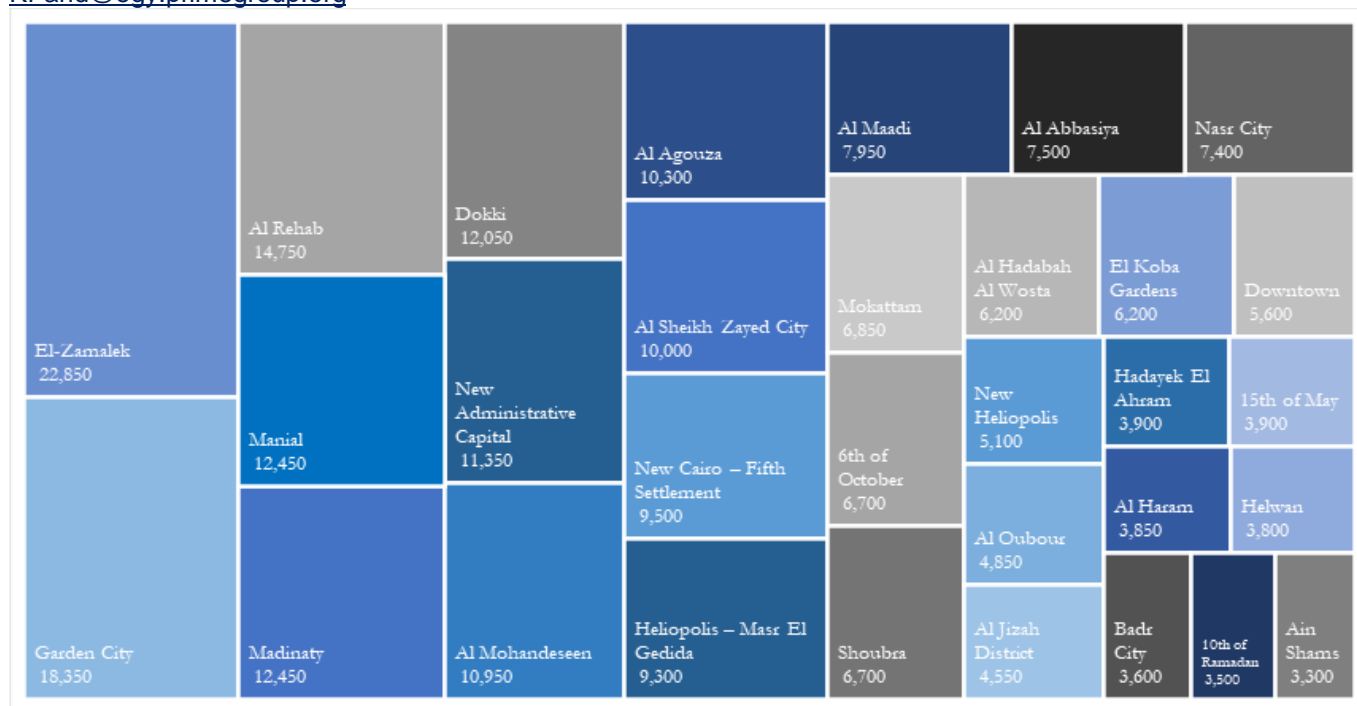
The value of global trade is set to fall by 7% to 9% in 2020 from the previous year, despite signs of a fragile rebound led by China in the third quarter. ([Reuters](#))

Israeli pipeline company EAPC said on Tuesday it had signed a preliminary deal to help transport oil from the United Arab Emirates to Europe via a pipeline that connects the Red Sea city of Eilat and the Mediterranean port of Ashkelon. ([Reuters](#))



3. CHART OF THE DAY

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Source: Aqaar Map.

The tree map above shows the average apartment prices in Cairo neighborhoods, based on the properties listed on Aqaar Map. In West Cairo, El-Zamalek is the most expensive at EGP22,800/sqm on average, while in East Cairo, a square meter in Al Rehab costs the most at EGP14,700.



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
621.8						941.7 948.6			
				daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	11,157.62	(0.12%)	(20.08%)			Gold	1,906.95	0.15% 26.50%
	EGX 30 TR	4,271.31	0.01%	(17.36%)			Silver	24.64	1.04% 40.70%
	EGX 70 EWI	1,942.44	(0.60%)	53.30%			Brent Oil	43.16	1.27% (32.04%)
	EGX 100 EWI	2,854.18	(0.61%)	30.65%			WTI	41.70	1.56% (29.07%)
	DFMGI	2,180.81	(1.27%)	(21.12%)			Natural Gas	2.91	4.22% 34.40%
	ADSMI	4,542.63	(0.37%)	(10.33%)		EGP	USD/EGP	15.70	0.00% (2.19%)
	TASI	8,533.00	(0.17%)	1.71%		€	EUR/USD	1.18	0.45% 5.79%
	QE Index	10,015.52	0.16%	(3.93%)		£	GBP/USD	1.29	0.00% (1.95%)
	S&P 500	3,443.12	0.47%	6.57%		¥	USD/JPY	105.50	0.07% (3.12%)
	Dow 30	28,308.79	0.40%	(0.80%)			6M TB yield	13.37	4 (164)
	NASDAQ	11,516.49	0.33%	28.35%			1Y TB yield	13.51	7 (106)
	VIX	29.35	0.58%	112.99%			10Y TB yield	14.73	7 103
	STOXX 50	3,227.87	(0.45%)	(13.81%)			2Y TB yield	0.15	(1) (142)
EM	MSCI Emerging	1,133.94	0.59%	1.73%			10Y TB yield	0.79	2 (113)
FM	MSCI Frontier	529.76	0.23%	(9.59%)			30Y TB yield	1.59	3 (80)

* As of market close, except for commodities and currencies at 8.42am 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
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>
8Jun-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>



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