



The Long Wait

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Yesterday, the Egyptian Exchange held an online conference call with the management of Arabian Cement [ARCC]. Below are the key highlights and our takeaways.

Demand is key: The cement industry is suffering from oversupply of c.30mn tons. Demand was 52mn tons in 2019; however, supply was 80mn tons. Demand is expected to end 2020 at 40mn tons, while the recovery is expected to be in 2021 where demand can come back to the 50mn-ton level. COVID-19, Ramadan, and Eid—combined with the lockdown—affected sales negatively.

New loans are not on the map: ARCC's management does not expect new loans as they are not needed. ARCC will just pay back loans related to building its factory in 2006.

Natural gas option is still not attractive at current prices: In order to consider using natural gas again, it needs to be around USD3-4/mmbtu. Otherwise, the other options are more favored.

Exports cannot be counted on: Exports are 10% of sales due to tough competition; profit margin of exports is low due to decreasing prices from the countries that have oversupply, especially Turkey, Saudi Arabia, and the United Arab Emirates. ARCC exports mainly go to Libya and some African countries that benefit from the COMESA agreement. The tax reduction makes prices competitive there.

Reconstruction of Libya and Iraq: Both Libya and Iraq offer export opportunities for ARCC. However, Libya is more accessible, backed by the low cost of land transportation. That said, ARCC will appreciate any cooperation agreement between Egypt and Iraq. However, Iraq is nearer to Saudi Arabia, so Saudi cement manufacturers can have a competitive advantage to sell there.

Expected full-year results: ARCC expects to record a net loss—for the first time—of EGP50mn in 2020 due to continued price decreases. Meanwhile, ARCC has the lowest cost per ton; two years ago, it started to use solar power to decrease its energy costs by 4%.

Our takeaways: ARCC recorded a net loss of EGP5.6mn in H1 2020 compared to a net profit of EGP26mn a year ago, affected by a 17% y/y decrease in revenues to EGP1.28bn in H1 2020. ARCC is currently traded at TTM EV/EBITDA of 5.2x and EV/Sales of 0.7x. For now, we will continue to wait for any catalyst that stimulates demand levels. As far we see it, it will be a long wait. Until then, we are negative on the cement industry in general due to the short-term struggles it is suffering from: low demand and high costs.



1. Today's Trading Playbook

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KEY THEMES

Global markets seem to be pricing in a Biden win (which is as close as it can get), with U.S. markets ending the day after election day in the green across all indices, led by Nasdaq (+3.85%). Across the Atlantic, Europe was also up, led by France (+2.4%). Meanwhile, Asia was mostly up, led by China and even Russia (the United States' No. 1 adversary according to Biden). But again, this is overseas. What about back home? All EGX indices were up, with all sectors ending the day on a positive note, except for banks which slipped slightly (-0.4%). Although CIB [COMI] has been propping up EGX 30 performance over the past couple of days, other banks fell, like Suez Canal Bank [CANA] and Credit Agricole Egypt [CIEB]—both of which fell 1.9% a piece. What perplexes us, however, is the fact that foreign investors continue to bet net sellers (mainly institutions), while Egyptians (also mainly institutions) are net buyers.

POSITIVE

Real Estate: We also reiterate our sector call on real estate against the backdrop of the ongoing Cityscape exhibition and in view of potentially lower construction costs (e.g. cement prices) for new projects.

NEGATIVE

Cement, Tourism: We reiterate our negative view on the cement industry. The only possible short-term positive is any merger & acquisition (M&A) activity. Meanwhile, the tourism sector looks like it will have yet another bump along the way, stepping into the Christmas/end-of-year holiday season. This may negatively impact tourism-related stocks in the short term.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

EasyJet has suspended flights to and from Egypt in response to new lockdown restrictions in the UK which banned non-business travel overseas. According to the airline's website, from next Tuesday the airline will not operate any flights to Sharm El-Sheikh and Hurghada until 5 December when the travel restrictions are expected to be lifted. ([EasyJet](#))



The Egyptian Cabinet approved a new law on Wednesday to issue sovereign sukuk and will send it to the Parliament for a vote. ([Reuters](#))

Saudi Arabia's sovereign wealth fund is considering investing in Egyptian projects alongside the Sovereign Fund of Egypt (TSFE). ([The Cabinet](#))

Net Foreign Assets (NFA) of the banking sector rose 31% m/m to USD13.9bn (equivalent to EGP220bn) in September 2020 but fell on an annual basis (-35% y/y). Meanwhile, Egypt's M2 money supply increased 2% m/m (+25% y/y) to USD301bn (equivalent to EGP4.75tn) in September 2020. ([CBE](#))

CORPORATE NEWS

Madinet Nasr Housing & Development [MNHD] recently obtained a new land allocation from the New Urban Communities Authority for c.100-feddan land plot in New Nasser City in South Assiut at an estimated cost of EGP500mn. MNHD is going to begin development in 2021 and is currently studying the 5-phase project's revenues and investment cost. ([Al Borsa](#), [Hapi](#))

Fawry's [FWRY] BoD has called for an OGM and an EGM to approve an EGP500mn capital increase, as follows: (1) EGP100mn through a 28% stock dividend (raising paid-in capital from EGP353mn to EGP453mn) and (2) an EGP400mn rights issue at a par value of EGP0.5/share (raising paid-in capital from EGP453mn to EGP853mn). Both corporate actions will eventually raise the number of shares from 707.3mn currently to 1.707bn. ([Company disclosure](#))

Porto Group [PORT] is going to launch three new projects with an investment cost of EGP20bn, with two projects (Porto Golf Cairo and Porto Assiut) being developed locally and the third (Porto Agadir) in Morocco. ([Al-Mal](#))

Telecom Egypt [ETEL] and Vodafone Egypt [VODE] acquired new cellular frequencies. VODE bought two 20-MHz bands for USD540mn, while ETEL bought two 10-MHz bands for USD305mn. ([NTRA](#), [Telecom Egypt](#))

Sarwa Capital [SRWA] is finalizing the issuance of its sukuk program worth EGP2.5bn and is expected to be issued within the next two weeks. ([Al-Borsa](#))

Banque Misr could provide EGP6.6bn in sharia-compliant loans to seven real estate developers. ([Al-Shorouk](#))



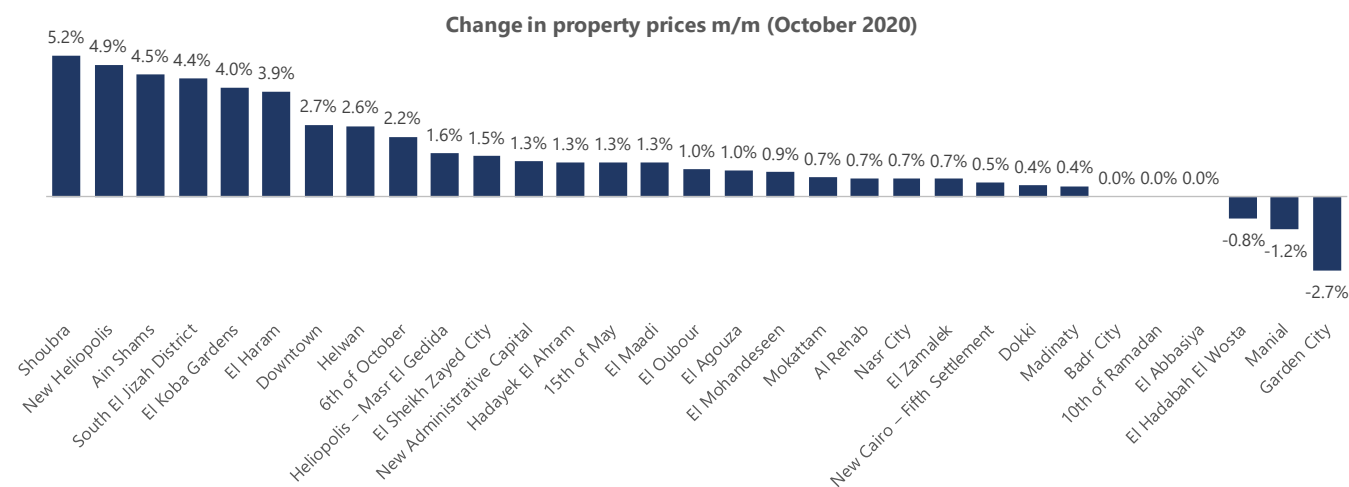
GLOBAL NEWS

Ant Group's planned USD37bn IPO was suspended to protect the stability of capital markets, the Chinese government said on Wednesday. ([Financial Times](#))

Saudi Arabia is reforming its "kafala" sponsorship system. The new system will allow private-sector migrant workers to change jobs without the permission of their employers — but only when their contracts end — and enable them to leave and re-enter the country without their employers' approval. ([Ministry of Labor](#))

3. CHART OF THE DAY

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Source: Aqaarmap.

Based on the average property listings in Aqaarmap, the average price of listings increased 1.5% with Shoubra's price rising the most (+5.2%) and Garden City's declining the most (-2.7%).



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
608.4						815.7 954.7					
				daily chg.	ytd chg.					daily chg.	ytd chg.
		EGX 30	10,556.89	0.43%	(24.39%)			Gold	1,902.92	(0.33%)	25.82%
		EGX 30 TR	4,053.23	0.43%	(21.58%)			Silver	23.90	(1.34%)	35.68%
		EGX 70 EWI	1,850.06	1.57%	46.01%			Brent Oil	41.23	(1.87%)	(35.71%)
		EGX 100 EWI	2,707.34	1.33%	23.93%			WTI	39.15	(1.89%)	(34.13%)
		DFMGI	2,153.48	0.65%	(22.11%)			Natural Gas	3.05	0.23%	39.47%
		ADSMI	4,689.79	0.87%	(7.62%)	EGP		USD/EGP	15.71	(0.05%)	(2.00%)
		TASI	8,088.73	1.13%	(3.58%)	€		EUR/USD	1.17	0.14%	4.72%
		QE Index	9,726.95	0.27%	(6.70%)	£		GBP/USD	1.30	(0.22%)	(2.25%)
		S&P 500	3,443.44	2.20%	6.58%	¥		USD/JPY	104.52	(0.16%)	(3.92%)
		Dow 30	27,847.66	1.34%	(2.42%)			6M TB yield	13.49	4	(152)
		NASDAQ	11,590.78	3.85%	29.18%			1Y TB yield	13.66	7	(91)
		VIX	29.57	(16.82%)	114.59%			10Y TB yield	14.79	6	109
		STOXX 50	3,161.07	2.01%	(15.60%)			2Y TB yield	0.14	(3)	(143)
EM		MSCI Emerging	1,135.26	1.28%	1.85%			10Y TB yield	0.78	(11)	(114)
FM		MSCI Frontier	522.45	(0.02%)	(10.84%)			30Y TB yield	1.55	(11)	(84)

* 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
4/5-Nov-20		FOMC	Discussing FED's policy rate decision.
5-Nov-20	UASG	BoD meeting	Approving 9M 2020 financial statements.
8-Nov-20	CEFM	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.
8-Nov-20	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in 6th of October project.
8-Nov-20	EGBE	Stock dividend	Record date dividends at ratio of for 0.0822:1.
9-Nov-20	EGBE	Stock dividend	Distribution date for dividends at ratio of 0.0822:1.
9-Nov-20	KABO	OGM	Approving the financial statements ending 30 Jun. 2020.
9-Nov-20	CICH	BoD meeting	Approving 9M 2020 financial statements.
10-Nov-20	MTIE	BoD meeting	Approving 9M 2020 financial statements.
11-Nov-20	GSSC	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.



11-Nov-20	ZMID	EGM	Amending articles No. 3 & 4 of the company's bylaws and creating a JV company with Premier for Real Estate Investment.
11-Nov-20	EGAL	OGM	Approving the financial statements ending 30 Jun. 2020.
11-Nov-20	EGAL	EGM	Amending articles of the company's bylaws.
12-Nov-20	ISPH	BoD meeting	Approving 9M 2020 financial statements.
12-Nov-20	EAST	Cash dividend	Record date for EGP1.429/share.
12-Nov-20		MPC Meeting	Discussing CBE's policy rate decision.
12-Nov-20	PRCL	OGM	Approving the financial statements ending 30 Jun. 2020.
12-Nov-20	PRCL	EGM	Discussing the continuation of the company.
15-Nov-20	EAST	Cash dividend	Distribution date for EGP0.714/share (1st installment).
16-Nov-20	WCDF	Cash dividend	Record date for EGP12.00/share.
16-Nov-20	MICH	Cash dividend	Record date for EGP1.00/share.
17-Nov-20	MICH	Cash dividend	Ex-Dividend date for EGP1.00/share.
17-Nov-20	UEFM	OGM	Approving the financial statements ending 30 Jun. 2020 and proposed dividend.
17-Nov-20	UEFM	EGM	Amending some articles of the Company's bylaws.

7. LATEST RESEARCH

DATE

PUBLISHED REPORT

4-Nov-20	<u>MACROView – The Stars Seem to Be Aligned for International Reserves</u>
3-Nov-20	<u>MACROView – The Highest Reading in Six Years</u>
25-Oct-20	<u>CIB [COMI] – Short-term pain for longer-term gain</u>
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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