

Does a Spinoff Create Value?

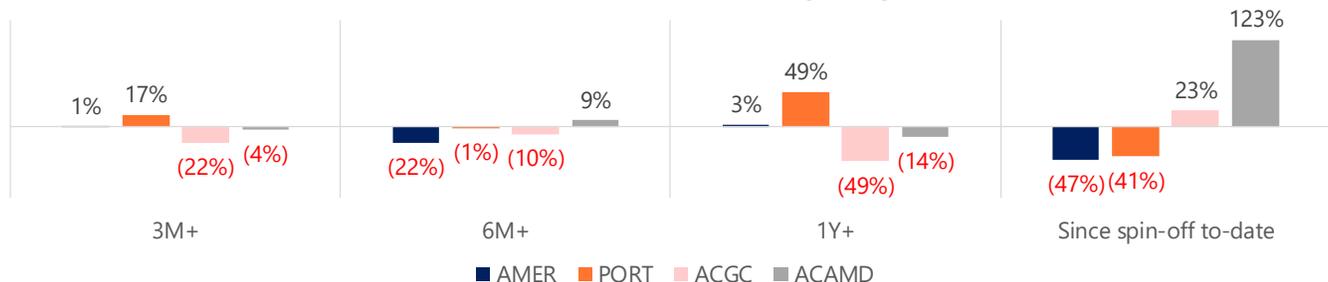
1. Today's Trading Playbook

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KEY THEMES

Earlier this month, we included M&A as one of the three key drivers we see for the market performance over the coming period. In hindsight, M&A does not necessarily have to be a combination of two entities; indeed, it can include spinoffs as well. We have recently been noticing a new trend in the market with listed companies spinning off into two or even three new entities. It all started with Amer Group [AMER] spinning off Porto Group [PORT], followed by Arab Cotton Ginning Co.'s [ACCG] spin off of Arab Co. for Asset Management & Development [ACAMD]. Today, the market is looking forward to at least three spinoffs, namely Pioneers Holding's [PIOH] real estate and industrial businesses, Orascom Investment Holding's [OIH] financial services business, and Arabia Investments Holding's [AIH] non-banking financial services business. Yesterday, AIH was up 3.4% following the news which should come as a boon to AIH shareholders who have seen the growth performance of the company's NBFS segment get overshadowed by a rather dull performance of the other two segments (construction & building materials and automotive). In retrospect, the below chart shows the stock performance of the two spinoffs that took place so far on the EGX: PORT and ACAMD. Since their spinoff, the former is down 41%, whereas the latter is the top performer by far, up 123%. In the three months following the spinoff, the stock performance of the new spinoff company ranged from marginally negative to positive. However, over the six and 12 months following the spinoff, the performance was mixed. On average, the stock performance of the spinoff companies has been better than that of the parent companies.

Performance of EGX-listed stocks post spin-off



Source: Bloomberg, Prime Research.



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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Some 2.3mn jobs were lost during the lockdown in Q4 2019-2020, according to statistics in the Ministry of Finance report. The retail industry sustained the largest number of cutbacks, shedding 624,000 jobs lost compared to the same period in the previous fiscal year.

Manufacturing came in second with 569,000 lost jobs, followed by the food and beverage and hospitality industry (469,000), transport and storage (309,000), and construction (288,000). ([MoF](#))

The government continued to cut back on fuel subsidies in Q1 FY21, reducing spending by 46% to EGP3.9bn from EGP7.25bn in the same period a year earlier. ([Skynews](#))

Non-Egyptian companies can now list shares in Egypt without meeting high capital requirements, provided they fulfill other conditions, according to changes to the Financial Regulatory Authority's (FRA) listing rules. ([Enterprise](#))

CORPORATE NEWS

Palm Hills Developments [PHDC] successfully closed its largest securitization bond issuance of EGP1.25bn. The issue, which is backed by the receivables portfolio of 1,314 handed over units valued at EGP1.5bn, split into three tranches: (1) EGP373.8mn 11.43%, 13-month AA+ rated, (2) EGP685.3mn 12.03%, 36-month AA rated, and (3) EGP186.9mn 12.33%, 61-month A. The issuance was jointly managed by Arab African International Bank (AAIB) and CI Capital Holding [[CICH](#)], while AAIB, CIB [[COMI](#)], and Ahli United Bank ([AUB](#)) were the underwriters. (Company disclosures: [1](#), [2](#))

Bank ABC is close to acquire BLOM Bank (Egypt) after submitting a financial offer which can be increased to be higher than its competing offer by Emirates NBD. ([Hapi](#))

Telecom Egypt [ETEL] signed a cooperation agreement with Makadi Heights, one of the cities of Orascom Development Egypt [ORHD], to implement the information and communication technology infrastructure and provide integrated communication services in the city. ([Arab Finance](#))

Al Ezz Dekheila Steel's [IRAX] consolidated net losses after minorities widened to EGP1.2bn vs. a net loss of EGP668.6mn in Q3 2019. Although IRAX turned to a gross profit of EGP121.1mn vs. a gross loss of EGP112.1mn, the widened loss came due to: (1) lower revenues of EGP7.7bn (-4% y/y), (2) higher SG&A, and (3) higher financing costs. ([Company disclosure](#))



Egypt Aluminum [EGAL] said the technical studies for the capacity upgrades of its seventh line are currently being prepared. The studies are expected to take at least eight months. ([Company disclosure](#))

Heliopolis Housing & Development [HELI] will distribute cash dividends of EGP0.21/share over two installments, where EGP0.05/share will be paid by end of March 2021 and EGP0.16/share before June 2021. (Dividend yield 3.1%) ([Company disclosure](#))

Mansoura Poultry's [MPCO] EGM approved a 20-for-1 stock split, which will leave the par value at EGP0.20/share, down from EGP4/share. ([Company disclosure](#))

The Holding Co. for Maritime & Land Transport's vice president said that there is no intention to merge Alexandria Container & Cargo Handling's [ALCN], Damietta Container & Cargo Holding Co. [DCHC], and Port Said Container & Cargo Co. [PSCCHC]. (Al-Mal)

Raya Holding's [RAYA] subsidiary Aman For E-Payments received requests from 30,500 merchants to join the CBE initiative of disbursing 100,000 POS before end of this year. Meanwhile, Aman For Financial Services is also expanding its services to offer financing plans to schools and university fees. (Al-Mal)

Acrow Misr's [ACRO] Q3 consolidated net income after minorities increased by 516% y/y to EGP28mn, thanks to: (1) higher revenues (+14% y/y) of EGP263mn and (2) lower financing costs. ([Company disclosure](#))

GLOBAL NEWS

Delek Drilling, one of the main operators of Israel's large offshore gas fields, is planning to spin off most of its assets into a new company it will IPO on London Stock Exchange. ([Reuters](#))

Bond investors are piling into corporate junk debt in what the Financial Times attributes to optimism that the companies hardest hit by the pandemic can avoid insolvency. ([Financial Times](#))

President-elect Joe Biden intends to nominate a team of liberal and centrist economic advisers to serve alongside planned Treasury Secretary nominee Janet Yellen, people familiar with his plans said Sunday, as he prepares to confront the economic fallout from the coronavirus pandemic. ([WSJ](#))

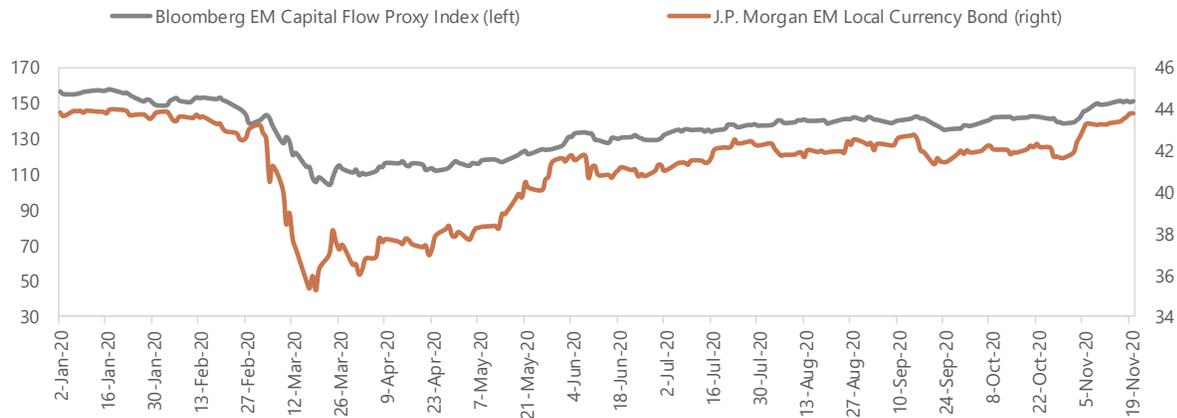


Oil-producing group OPEC, and its allies, will likely delay an output hike at its meeting this week as it weighs positive vaccine news against new coronavirus lockdowns and resurgent shale drilling in the U.S. ([CNBC](#))

3. CHART OF THE DAY

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Source: Bloomberg.

Capital inflows to EMs continued to recover from the sell-off wave triggered by COVID-19 turmoil, with both EM equity and debt posting positive monthly inflows in October. According to IIF, portfolio inflows to EMs jumped in October to USD19.9bn from USD2.1bn in September. Both Bloomberg EM Capital Flow Proxy Index and J.P. Morgan EM Local Currency Bond are still indicating that capital inflows to EMs are going to grow further in November, yet they are still below pre-COVID-19 levels.



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)		638.6		Equity turnover (EGPmn): Last, ytd avg.		1,201.6 998.4	
			daily chg.	ytd chg.		daily chg.	ytd chg.
	EGX 30	11,009.27	0.26%	(21.15%)		Gold	1,787.79 (1.54%) 17.02%
	EGX 30 TR	4,245.46	0.15%	(17.86%)		Silver	22.57 (3.61%) 24.29%
	EGX 70 EWI	2,035.78	1.35%	60.67%		Brent Oil	48.18 (2.57%) (25.41%)
	EGX 100 EWI	2,980.90	1.16%	36.45%		WTI	45.53 (2.17%) (23.62%)
	DFMGI	2,399.98	(0.83%)	(13.20%)		Natural Gas	2.84 1.09% 31.29%
	ADSMI	4,985.88	0.28%	(1.77%)	EGP	USD/EGP	15.64 (0.13%) (2.40%)
	TASI	8,708.59	0.17%	3.81%	€	EUR/USD	1.20 0.02% 6.71%
	QE Index	10,283.79	(0.06%)	(1.28%)	£	GBP/USD	1.33 0.26% 0.67%
	S&P 500	3,638.35	0.24%	12.62%	¥	USD/JPY	104.09 (0.17%) (4.33%)
	Dow 30	29,910.37	0.13%	4.81%		6M TB yield	13.24 (1) (178)
	NASDAQ	12,205.85	0.92%	36.03%		1Y TB yield	13.31 (4) (126)
	VIX	20.84	(1.93%)	51.23%		10Y TB yield	14.51 (29) 81
	STOXX 50	3,527.79	0.48%	(5.80%)		2Y TB yield	0.16 (0) (141)
EM	MSCI Emerging	1,230.72	0.09%	10.41%		10Y TB yield	0.85 (4) (107)
FM	MSCI Frontier	547.31	0.10%	(6.60%)		30Y TB yield	1.58 (5) (81)

* As of market close, except for commodities and currencies at 8.56am 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-Nov-20	ESGI	OGM	A board reshuffle.
30-Nov-20	ZMID	Cash dividend	Distribution date for EGP0.25/share (3rd installment).
30-Nov-20	AFMC	Cash dividend	Distribution date for EGP0.180/share.
30-Nov-20	EDFM	Cash dividend	Record date for EGP11.00/share.
30-Nov-20	SWDY	Conference Call	Discussing 9M 2020 results.
1-Dec-20	EDFM	Cash dividend	Ex-dividend date for EGP11.00/share.
1-Dec-20	CIRA	OGM	Approving the financial statements ending 31 Aug. 2020.
1-Dec-20	CIRA	EGM	Amending article No. 4 of the company's bylaws.
2-Dec-20	ELEC	EGM	Approving splitting the par value per share and amending articles No. 6 & 7 of the company's bylaws.
3-Dec-20	NCGC	OGM	Approving the financial statements ending 30 Jun. 2020.
3-Dec-20	EDFM	Cash dividend	Distribution date for EGP11.00/share.
5-Dec-20	AMER	Lawsuit	A court session discussing legal disputes relevant to the company.



5-Dec-20	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
7-Dec-20	ASCM	OGM	Discussing appointing a second auditor for the company's accounts for the current year ending 31 Dec.
7-Dec-20	ASCM	EGM	Amending article No. 4 of the company's bylaws.
8-Dec-20	CEFM	Cash dividend	Record date for EGP3.250/share.
8-Dec-20	BTFH	OGM	Discussing netting contracts.
8-Dec-20	OIH	OGM	Approving (1) a sale-leaseback agreement with its subsidiary Beltone Financial Holding and (2) renting an office space to its spinoff company Orascom Financial Holding.
8-Dec-20	OIH	EGM	Approving a sale-and-lease back agreement for one of its tangible assets.
9-Dec-20	EGAS	Stock dividend	Record date for 1:1.
10-Dec-20	EGAS	Stock dividend	Distribution date for 1:1.
10-Dec-20	CIEB	EGM	Discussing the assignment of a land plot owned by the Urban Communities Authority for EGP100mn.
10-Dec-20	ACAMD	EGM	Approving splitting the par value per share and amending articles No. 6 & 7 of the company's bylaws.
10-Dec-20	ICLE	Cash dividend	Record date for EGP2.50/share.
12-Dec-20	ALCN	OGM	Approving the financial statements ending 30 Jun. 2020 and the proposed dividend.
12-Dec-20	ALCN	EGM	Amending article No. 19 of the company's bylaws.
15-Dec-20	ICLE	Cash dividend	Distribution date for EGP2.50/share.

7. LATEST RESEARCH

DATE

PUBLISHED REPORT

25-Nov-20	Misr Chemical Industries [MICH] – Pandemic Proof
10-Nov-20	MACROView – An expected rise as the new school year began
4-Nov-20	MACROView – The Stars Seem to Be Aligned for International Reserves
3-Nov-20	MACROView – The Highest Reading in Six Years
25-Oct-20	CIB [COMI] – Short-term pain for longer-term gain
11-Oct-20	MACROView – Disinflationary trend interrupted
11-Oct-20	MACROView – External strains are slacking and reserves are growing
6-Oct-20	CIB [COMI] – A Good Bet for the “Risk On” Mode
5-Oct-20	MACROView – Egypt’s recovery is broadening
10-Sep-20	MACROView – A Stunning Chapter Towards Targets
8-Sep-20	MACROView – Crawling Out of the Troughs
3-Sep-20	MACROView – Job losses and the bumpy road to recovery
18-Aug-20	Oriental Weavers Carpet [ORWE] – Q2 2020 Results
13-Aug-20	Credit Agricole Egypt [CIEB] – Q2 2020 Results
10-Aug-20	MACROView – Muted inflation environment still dominates



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