



Another Double Positive Last Month

1. Today's Trading Playbook

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KEY THEMES

Large caps rebounded in November, paring most of its October losses. November marked the fourth positive month for EGX 30 and the seventh for EGX 70 EWI so far in 2020. It is also the fourth month in 2020 where both EGX 30 and EGX 70 EWI end in the green. EGX 30 was up 4.1% in November vs. +8.8% for EGX 70 EWI. Meanwhile, Elsewedy Electric [**SWDY**] held yesterday its Q3 2020 earnings conference call which we attended. Below, please find the key takeaways from the call according to our industrials analyst **Dina Abdelbadie**:

- **Margins improvement:** SWDY benefited from higher copper prices, better margins in Egypt, Saudi Arabia, and Algeria and better turnkey margins which are expected to stay unchanged in Q4 2020. SWDY expects revenues of EGP20bn from turnkey projects in 2020 (with expected growth of 10% in 2021 and 2022 each). Also, SWDY plans to trim its SG&A and overheads costs.
- **Backlog and new awards:** SWDY managed to accumulate EGP48.5bn worth of backlog through end of September 2020 and expects nearly the same level next year. SWDY is keeping an eye on projects inside and outside Egypt, especially water treatment and desalination stations. Total additions to backlog so far stand at EGP12-13bn (with the projects usually taking 2-3 years to complete). SWDY expects to end the year with around EGP15bn in new awards, noting that adding c.USD1bn in such tough conditions is not easy.
- **Dividends:** SWDY is yet to decide on its 2020 dividends, which will be determined after full-year results are released (perhaps by March). Meanwhile, SWDY expressed interest in expanding its business organically or inorganically, hence its dividend policy will factor in the need for cash to bring on new investments, which according to management, are more valuable than cash.
- **Four things not to worry about:** First, despite the decrease in its net cash position, SWDY still maintains a good level of debt which will help in any upcoming acquisition. Second, the transformers backlog decreased y/y in 9M 2020 but is expected to grow on a y/y basis by end of year. Third, operations in Tanzania are going well – at a slow pace but acceptable execution rate.



Fourth, cable sales volume is expected to decrease by 7% y/y but should rebound in 2021, with collections on track as well.

- **Promising Q3 2020 results:** SWDY managed to improve its margins and keep a good level of new awards in such a tough year, but also looking for seizing the suitable acquisition opportunities. In view of Q3 2020 results, we are positive and optimistic about Q4 2020 results. We note that SWDY is traded at a TTM P/E of 6.5x and a TTM EV/EBITDA of 3.9x.

POSITIVE

SWDY: We have picked **SWDY** as one of the deeply-undervalued stocks several times so far in 2020. The first time was back on [6 July](#) when we thought that Q1 2020 results were just a bump in the road, and it has so far proven to be the case. The stock is up 36% since then vs. -1% for EGX 30. The second time was on [16 July](#) when we picked it as the only industrial stock we preferred. Then, we reiterated our call in August on four occasions ([1](#), [2](#), [3](#), and [4](#)). Also, we reiterated our call on SWDY [early November](#) and [two days ago](#).

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's current account deficit more than tripled to USD3.83bn in Q4 FY20 from USD1.09bn the year before as the pandemic dealt a heavy blow to the Country's FX revenues. ([CBE](#)) We are about to publish our report soon for further analysis.

Egypt's General Authority for Suez Canal Economic Zone (SCZone) has recently signed an agreement to establish the National Egyptian Railway Industries Co. (NERIC) in East Port Said with investments of USD240mn. The new company aims to increase the percentage of local components of locomotives to 45. ([Mubasher](#))

Egypt's index of manufacturing and extractive industries, excluding crude oil and petroleum products, grew by 1.6% to 97.03 in September from 95.51 in August. ([Mubasher](#))

Minister of Transport said that the U.S.-based Bechtel studies to cooperate with Egypt to execute the sixth Metro line. ([Al-Borsa](#))

National Bank of Egypt's (NBE) total assets reached EGP2.2tn in November 2020, while its loans portfolio reached EGP900bn. Retail loans came at EGP125bn, whereas SMEs related loans amounted to EGP85bn. ([Al-Borsa](#))



Standard & Poor's said Egyptian banks will be able to deal with the expected increase in non-performing loan rates during the next year and that these loans remain covered by provisions at 100%. ([Al-Borsa](#))

CORPORATE NEWS

Elsewedy Electric [SWDY] and Toyota Tsusho signed a EGP1.46bn contract with North Cairo Electricity Distribution Co. on a turnkey basis to upgrade the electricity infrastructure in Egypt. Also, 500,000 smart meters will be installed as part of the 910-day project. ([Company disclosure](#))

Maridive & Oil Services' [MOIL] 9M 2020 stand-alone figures showed that net losses widened to USD31.6mn from USD9.6mn. MOIL turned to a gross loss of USD4.2mn vs. a gross profit of USD15.6mn, after revenues decreased 29% y/y to USD34mn. ([Company disclosure](#))

Elsaeed Contracting & Real Estate Investment Co. SCCD [UEGC] on Sunday was awarded an EGP190mn project in Qena city. ([Company disclosure](#))

Egyptian Iron & Steel's [IRON] BoD approved splitting the company into two, which will make its mining and quarrying operation an independent business. ([Company disclosure](#))

GB Auto [AUTO] sold 1.2mn treasury shares on Monday. ([Company disclosure](#))

GLOBAL NEWS

Global stocks had one of their best months ever in November as a constant stream of positive vaccine news, the election of Joe Biden and easy monetary policy had investors piling into stocks. ([Bloomberg](#))

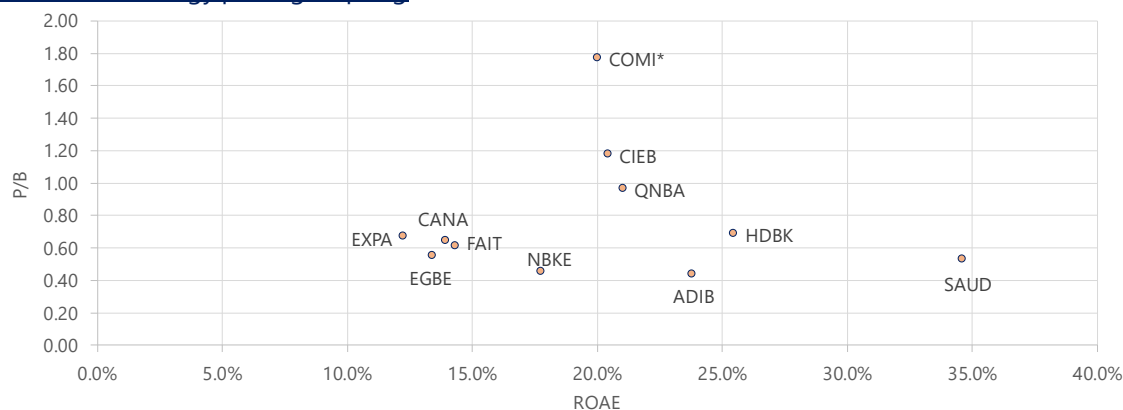
President-elect Joe Biden and his transition team announced on Monday several nominees and appointments for the incoming administration's top economic posts. The transition team confirmed earlier report that former Federal Reserve Chair Janet Yellen would be Biden's official nominee for Treasury secretary. If confirmed by the Senate, Yellen would be the first woman to serve as the department's leader in its 231-year history. ([CNBC](#))



3. CHART OF THE DAY

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Note: Figures are at end of Q3 2020. * CIB's ROAE is at end of Q2 2020.
Source: Banks' financials.

Banks' ROAE vs. P/BV: Most EGX-listed Egyptian banks are traded below 1.5x their book value, except for CIB [**COMI**] which trades at 1.8x (below its 14-year median P/B of 2.4x), as shown in the graph above. In 9M 2020, the profitability of most banks was partially lifted up by slower provision build-up in Q3 2020. However, ROAEs in 9M 2020 were still generally pressured down to an average of 20%. Meanwhile, Al-Baraka Bank Egypt [**SAUD**] achieved the highest ROAE (c.35%) which makes its deeply-discounted P/BV of 0.53x unjustifiable.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
636.5					1,848.2 1,002.3				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	EGX 30	10,943.35	(0.60%)	(21.62%)		Gold	1,776.95	(0.61%)	17.73%
	EGX 30 TR	4,250.44	0.12%	(17.76%)		Silver	22.64	0.31%	28.08%
	EGX 70 EWI	2,040.86	0.25%	61.07%		Brent Oil	47.88	(0.73%)	(24.47%)
	EGX 100 EWI	2,983.83	0.10%	36.59%		WTI	45.34	(0.73%)	(22.81%)
	DFMGI	2,419.60	0.82%	(12.49%)		Natural Gas	2.88	2.32%	34.72%
	ADSMI	4,964.94	(0.42%)	(2.18%)		USD/EGP	15.70	0.35%	(2.15%)
	TASI	8,747.09	0.44%	4.27%	€	EUR/USD	1.19	0.25%	6.64%
	QE Index	10,262.10	(0.21%)	(1.57%)	£	GBP/USD	1.33	0.31%	0.81%
	S&P 500	3,621.63	(0.46%)	12.10%	¥	USD/JPY	104.31	0.07%	(3.89%)
	Dow 30	29,638.64	(0.91%)	3.86%		6M TB yield	13.24	0	(178)
	NASDAQ	12,198.74	(0.06%)	35.96%		1Y TB yield	13.31	0	(126)
	VIX	20.57	(1.30%)	49.27%		10Y TB yield	14.49	(2)	79
	STOXX 50	3,492.54	(1.00%)	(6.74%)		2Y TB yield	0.15	(1)	(142)
EM	MSCI Emerging	1,205.07	(2.08%)	8.11%		10Y TB yield	0.85	0	(107)
FM	MSCI Frontier	541.25	(1.11%)	(7.63%)		30Y TB yield	1.58	(0)	(81)

* As of market close, except for commodities and currencies at 8.17am 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
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 dividends at a ratio of 1:1.
10-Dec-20	EGAS	Stock dividend	Distribution date for dividends at a ratio of 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	<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>
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 [MACROView – Keeping head above water amid pandemic uncertainties](#)
- 5-May-20 [Commercial International Bank \(CIB\) - Egypt \[COMI\] – Q1 2020 Results](#)



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