



Selectivity

1. Today's Trading Playbook

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KEY THEMES

Conventional wisdom at the onset of the COVID-19 crisis would have suggested that drugmakers would be amongst the gainers. However, their performance has been mixed so far in 2020. On one hand, some companies, like EIPICO [**PHAR**] and Rameda [**RMDA**], have struggled to grow their revenues, let alone their profits. On the other hand, others have either turned from losses to profits, such as Memphis Pharma [**MPCI**], or successfully produced double-digit earnings growth rates, such as Arab Drug Co. [**ADCI**]. The latter just reported its 5M 2020/21 pretax earnings jumped a solid 42% y/y. What else could investors hope for?! Thus, we think one of the key themes investors might want to consider is "selectivity", which is to be selective even within the sector of choice.

POSITIVE

ADCI: Extrapolating the 5M 2020/21 pretax earnings, we could see ADCI report net earnings north of EGP115mn in 2020/21, implying a forward P/E ratio of just 4x! The stock is already up 78% ytd, and we think it has more room to grow.

NEGATIVE

ALCN: Alexandria Container & Cargo Handling [**ALCN**] continues to report dismal earnings, with 5M 2020/21 suggesting the company will deliver its third double-digit down year. In view of stable to stronger EGP, we do not expect the picture to improve any time soon.

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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt became the first African nation with a ready-to-go vaccine for COVID-19 after receiving the first shipment of the Chinese vaccine. ([Ministry of Health](#))



The European Union will provide Egypt with an additional EUR89mn under the second phase of the Health Sector Policy Support Program (HSPSP) in efforts to support the country's COVID-19 response. ([Ministry of international cooperation](#))

Monthly core CPI inflation, computed by the CBE, recorded zero in November 2020 compared to negative 0.1% in the same month of the previous year. Accordingly, the annual core inflation rate recorded 4% in November 2020, compared to 3.9% in October 2020. ([CBE](#))

Subsidized loans and more may be in the cards for those looking to convert petrol-powered cars to run on natural gas after President Abdel-Fattah El-Sisi called on the CBE and the government to provide car owners with "appropriate" financial incentives. ([Ittihadiya statement](#))

Egyptian startups raised USD6.6mn in venture capital funding last month, putting the country in third place in MENA behind the UAE and Saudi Arabia. ([Wamda](#))

CORPORATE NEWS

Qalaa Holdings' [CCAP] Q3 2020 bottom line recorded losses of EGP451mn vs. EGP705mn in Q2 2020. Revenues registered EGP8.8bn (+123% y/y) following ERC classification as an operating asset since Q1 2020. Revenues upped 18% q/q despite 3% lower volumes at ERC on a persistent stiff effect of COVID-19 on the refinery spread, leading to a gross refinery margin (GRM) of c.USD0.5mn/day. EBITDA margin deteriorated to 2.3% in Q3 2020 (-2pp q/q) as ERC margins dominated CCAP's due to the adverse spread between HSFO and LSFO prices (i.e. ERC's input and output, respectively). ([Company disclosure](#))

EIPICO [PHAR] obtained a license from the Egyptian Drug Authority to add a new packaging line producing 12mn pack of suppositories annually under the ointment segment at an investment north of EGP13mn. This comes as part of replacement and renewal projects for EIPICO 1 and 2 factories, which are expected to add EGP75mn to EIPICO's annual revenues. Over the 2021-2026 period, EIPICO plans to invest a total of EGP2.2bn, of which EGP1.2bn is earmarked for vital drugs and biological alternatives project, EIPICO 3, with seven products currently being registered to be produced for the first time in Egypt. ([Company disclosure](#))

Alexandria Container & Cargo Handling's [ALCN] net income in the 5M 2020/21 ended 31 November 2020 fell by 27% y/y to EGP465mn, hit by lower revenues of EGP905mn (-14% y/y) and weaker investment income of EGP67.6mn (-43% y/y). ([Company disclosure](#))



Eastern Co. [EAST] intends to produce and market tobacco heating products either by direct manufacturing or through cooperation with one of the international companies operating in this sector during the next year. ([Hapi](#))

Credit Agricole Egypt's [CIEB] EGM, held on 10 December 2020, approved waiving its right to a 25,000 sqm land (48.7% of total land) in New Cairo for the benefit of Abraaj for Urban Development. ([Bank release](#))

Arab Drug Co.'s [ADCI] preliminary KPIs showed net profit before tax of EGP63mn (+42% y/y) in 5M 2020/21 ended 30 November 2020, following the 10% y/y increase in revenues to EGP245mn. ([Company disclosure](#)). Thus, we estimate that ADCI's net profit before tax and revenues are expected to register EGP75mn and EGP294mn during H1 2020/21, respectively.

Orascom Construction's [ORAS] CEO said his company does not mind to participate in the logistics field within regulations that guarantee its target return. ORAS is also interested in investing in strategic warehouses. ([Hapi](#))

Amer Group [AMER] is going to securitize only EGP800mn of its receivables portfolio by end of December. (Al-Alam Al- Youm)

Dice Sports & Casual Wear [DSCW] said its export revenues (75% of total revenues) dropped 27% y/y during this year due to COVID-19. (Al-Mal)

Cottonil is considering floating part of its shares on EGX during next year. ([Masrawy](#))

GLOBAL NEWS

Developing countries are expected to outperform developed nations in 2021 as vaccines become more widely distributed early next year. ([Reuters](#))

Iron ore futures on China's Dalian Commodity Exchange surged by almost 10% on Friday to an all-time high, crossing the CNY1,000/ton (USD152.95/ton) mark for the first time in its history. ([CNBC](#))

Brent futures fell 28 cents (or 0.56%) to settle at USD49.97 a barrel, after rising above USD51 a barrel on Thursday to an early-March high. ([CNBC](#))

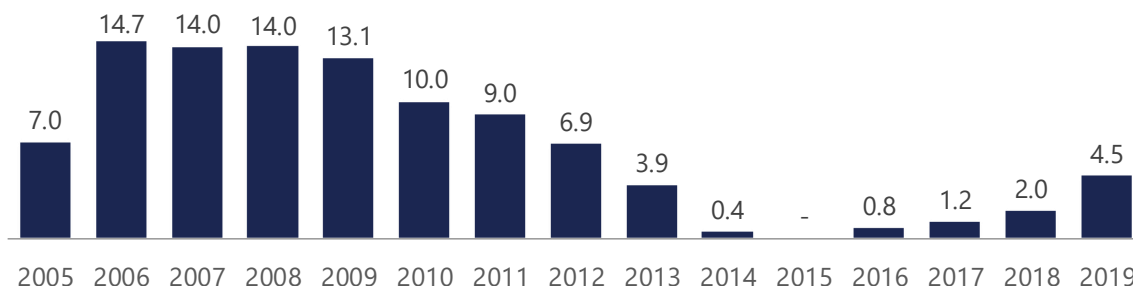


3. CHART OF THE DAY

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■ Egypt's LNG exports (billion cubic metres)



Source: BP Statistical Review of World Energy - June 2020.

The year 2015 was a turning point to Egypt's status in the natural gas market globally. The country was finally able to halt its LNG imports in that year and became a net exporter by 2018, thanks to the discovery of the giant Zohr field. LNG exports more than doubled in 2019 before the COVID-19 crisis hit global demand. Exports of LNG from Idku terminal stopped in March as the country shut down the facility after spot prices fell below USD2/mmbtu. The recent rebound in global natural gas prices and the reopening of Damietta terminal should enhance Egypt's exports down the road.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.			
650.2					1,398.2 1,023.8			
			daily chg.	ytd chg.			daily chg.	ytd chg.
🇪🇬	📉 EGX 30	10,987.39	(0.28%)	(21.30%)	📈	Gold	1,839.85	0.18% 21.26%
	📉 EGX 30 TR	4,236.67	(0.07%)	(18.03%)	📉	Silver	23.95	(0.21%) 34.16%
	📉 EGX 70 EWI	2,093.25	(1.28%)	65.20%	📉	Brent Oil	49.97	(0.56%) (20.59%)
	📉 EGX 100 EWI	3,040.47	(1.35%)	39.18%	📉	WTI	46.57	(0.45%) (20.13%)
🇪🇬	📈 DFMGI	2,546.84	0.28%	(7.89%)	📈	Natural Gas	2.59	1.49% 18.36%
	📈 ADSMI	5,109.19	0.63%	0.98%	EGP	USD/EGP	15.71	(0.21%) (2.07%)
🇸🇦	📉 TASI	8,643.97	(0.19%)	3.04%	€	EUR/USD	1.21	(0.21%) 8.02%
🇺🇸	📉 QE Index	10,446.06	(0.70%)	0.20%	£	GBP/USD	1.32	(0.53%) (0.25%)
	📉 S&P 500	3,663.46	(0.13%)	13.39%	¥	USD/JPY	104.04	(0.19%) (4.21%)
	📈 Dow 30	30,046.37	0.16%	5.28%	🇪🇬	6M TB yield	13.22	(2) (179)
	📉 NASDAQ	12,377.87	(0.23%)	37.95%	📉	1Y TB yield	13.29	(2) (128)
	📈 VIX	23.31	3.51%	69.16%	↔️	10Y TB yield	14.49	0 79
🇪🇺	📉 STOXX 50	3,485.84	(1.04%)	(6.92%)	🇺🇸	2Y TB yield	0.12	(3) (145)
EM	📈 MSCI Emerging	1,257.66	0.21%	12.83%	📉	10Y TB yield	0.89	(5) (103)
FM	📈 MSCI Frontier	555.90	0.62%	(5.13%)	📉	30Y TB yield	1.63	(6) (76)

* As of market close. 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
13-Dec-20	CEFM	Cash dividend	Distribution date for EGP3.250/share.
13-Dec-20	MNHD	OGM	Approval on Nasr Utilities & Installations' sales contract. Restructuring the board and revising its term. Revisiting the dividend policy.
13-Dec-20	UEFM	Cash dividend	Record date for EGP10.00/share.
14-Dec-20	UEFM	Cash dividend	Ex-Dividend date for EGP10.00/share.
15-Dec-20	ICLE	Cash dividend	Distribution date for EGP2.50/share.
15/16-Dec-20		FOMC	Determining the direction of the monetary policy and benchmarks policy rates.
16-Dec-20	UEFM	Cash dividend	Distribution date for EGP10.00/share.
16-Dec-20	PACH	OGM	Approving the financial statements ending 30 Jun. 2020 and the proposed dividend.
16-Dec-20	PACH	EGM	Amending article No. 4 of the company's bylaws.
16-Dec-20	MILS	Cash dividend	Record date for EGP0.500/share.
17-Dec-20	MILS	Cash dividend	Ex-Dividend date for EGP0.500/share.
19-Dec-20	GGCC	EGM	Discussing a stock split and amending articles No. 6 & 7 of the company's bylaws.
21-Dec-20	MILS	Cash dividend	Distribution date for EGP0.500/share.
21-Dec-20	TORA	OGM	A board reshuffle.
21-Dec-20	TORA	EGM	Amending articles No. 21 & 28 of the company's bylaws.
21-Dec-20	SUCE	OGM	Discussing netting contracts and a BoD reshuffle.
21-Dec-20	SUCE	EGM	Amending articles No. 20 and 26 of the company's bylaws.
21-Dec-20	ACRO	Cash dividend	Record date for EGP1.750/share.
22-Dec-20	ACRO	Cash dividend	Ex-Dividend date for EGP1.750/share.
22-Dec-20	CIRA	EGM	Discuss the sale of some assets.
22-Dec-20	AJWA	EGM	Amending article No. 4 of the company's bylaws.
24-Dec-20	ACRO	Cash dividend	Distribution date for EGP1.750/share.
24-Dec-20		MPC Meeting	Determining the CBE's policy rate.
24-Dec-20	ROTO	Cash dividend	Distribution date for EGP0.375/share (4th installment).
27-Dec-20	EKHO	OGM	Approving the financial statements ending 30 Jun. 2020 and the proposed dividend.
27-Dec-20	EKHO	EGM	Approving increasing the issued capital.
27-Dec-20	PRMH	EGM	Approving adding a mutual fund activity by itself or with others.
27-Dec-20	MOIL	EGM	Discussing the changing and hiring for key positions.
30-Dec-20	ELSH	Cash dividend	Distribution date for EGP0.100/share (2nd installment).
31-Dec-20	FWRY	OGM	Discussing netting contracts.
31-Dec-20	FWRY	EGM	Approving increasing issued capital through stock dividend and rights issue.
31-Dec-20	ABUK	Cash dividend	Distribution date for EGP0.90/share (2nd installment).



31-Dec-20 NRPD Lawsuit A court session discussing legal disputes relevant to the company.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
10-Dec-20	<u>MACROView – The Highest Reading in Seven Months</u>
7-Dec-20	<u>MACROView – Restored Ground</u>
6-Dec-20	<u>MACROView – Lost Momentum</u>
3-Dec-20	<u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u>
25-Nov-20	<u>Misr Chemical Industries [MICH] – Pandemic Proof</u>
10-Nov-20	<u>MACROView – An expected rise as the new school year began</u>
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	<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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