



When Fundamentals Prevail

1. Today's Trading Playbook

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KEY THEMES

We can argue that investors at large can see value in many stocks that trade in the market, but only a few believe in that so-called "fair value" being realized. Some argue that the market price is the fair value investors are willing to pay for a certain stock, which is true in a sense but only at that time of trade execution. For example, early in the year, Telecom Egypt [**ETEL**] rose on news of a potential deal involving its 45%-owned No. 1 mobile operator Vodafone Egypt [**VODE**]. Investors all of a sudden saw value in ETEL! Yesterday, a similar story took place involving MOPCO [**MFPC**] which rose 20% on the day following news of a divestment by a major shareholder, **Nutrien**, of its 26% stake at a value of USD540mn. Realizing that there was an arbitration case to the tune of USD140mn against MFPC's subsidiary **ENPC**, the deal would remove an overhang on the stock and implicitly re-rate the stock at a much higher level. This implies a value of USD400mn for the 26% stake, which values MFPC at USD1.54bn or EGP105/share, an 82% premium to the prior day's close. Before the announcement, the stock was trading at 6.4x LTM earnings (now at 7.6x). We think the stock could re-rate to 9x, which would imply a price target above EGP80/share (leaving another c.15% on the table) compared to a consensus of EGP82.5/share. You may check all the updated multiples [here](#).

POSITIVE

MFPC, ABUK: As MFPC re-rated on the news, Abu Qir Fertilizers [**ABUK**] rose as investors re-rated the stock as well. We see another 10% in ABUK.

NEGATIVE

ETEL: We could see the stock punished today following news of Vodafone Group [**LSE: VOD**] suspending its plans to divest its 55% stake in VODE.

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



2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt banks' net profit in Q3 2020 reached EGP45.5bn (EGP30bn of which came from the top 10 banks), while net interest income recorded EGP111bn (EGP74bn by the top 10 banks). The CAR ratio for the banking system reached c.20%, while non-performing loans (NPL) reached 3.4% with an NPL coverage ratio of 96.4%. (CBE: [1](#), [2](#), [3](#))

Egypt could secure EUR1.1bn in finance from the European Investment Bank this week. The financing will fund the electrification of the Abu Qir-Alexandria railway, the renovation of the Raml tramline in Alexandria, and an extension to Cairo Metro Line 2. ([Al-Mal](#))

The automotive industry could be getting a boost from a fund the government is mulling to encourage local manufacturing, especially automotive components and vehicle assembly. ([cabinet statement](#))

The Ministry of Electricity is in talks with international players to build wind farms capable of producing 1.7 GW. The projects will reportedly cost a combined USD1.5bn to implement. These include 500-MW plants with Siemens, another with a consortium of Toyota, GD France and Orascom, as well as one with the UAE's Al-Nowais. ([Al-Borsa](#))

The Suez Canal Authority will slash transit fees for large oil tankers traveling between northern Europe and southeast Asia by 48% as it looks to maintain the canal's status as a critical shipping route. ([Al-Mal](#))

CORPORATE NEWS

MOPCO [MFPC] has stated yesterday that the deal related to Canadian Nutrien's selling its entire 26% stake in MFPC for c.USD540mn (representing the value of sold shares in addition to arbitration claims held against MFPC's subsidiary ENPC) will not result in any financial nor legal liability towards the company. ([Company release](#))

Vodafone Group ended talks to sell its 55% stake in Vodafone Egypt [VODE] to Saudi Telecom Co. (STC) [KSA: 7001], a deal that would have been valued at as much as USD2.4bn. Meanwhile, **Telecom Egypt [ETEL] and Orange Egypt for Telecommunications [OREG] signed a number of commercial agreements,** with the aim of improving their commercial and service quality terms. (Bloomberg, [Company disclosure](#))



MM Group's [MTIE] BoD approved the participation in the capital increase of its NBFS arm Ebtikar with EGP15mn, raising its total contribution to EGP365mn. Also, the BoD approved the participation in Basata Financial Holding, another NBFS firm, with EGP30mn, representing 49.9% of its capital. ([Company disclosure](#))

Egyptian Media Production City's [MPRC] BoD approved the 2021 budget which targets a stand-alone net profit of EGP118mn (+19% y/y vs. 2020 annualized net profit). In the budget, total revenues are projected to grow to EGP533mn (+62% y/y vs. 2020 annualized revenues). ([Company disclosure](#))

Odin Investments [ODIN] said it will not go ahead with its offer to buy a 90% stake in Nasr Company for Civil Works [NCCW] after receiving rejection from parent company Madinet Nasr for Housing & Development [MNHD]. ([Company disclosure](#))

LSE-listed Integrated Diagnostics Holding [LSE: IDHC] is targeting to complete the dual listing of its ordinary shares on the EGX by end of H1 2021. ([Company disclosure](#))

GLOBAL NEWS

Britain's European neighbors began closing their doors to travelers from the United Kingdom on Sunday amid alarm about a rapidly spreading strain of coronavirus that has caused cases to soar there. The travel restrictions come at a difficult time for many British companies, which are engaged in last-minute stockpiling before 31 December, when a status quo transition period with the European Union ends and new customs rules come into effect. ([Reuters](#))

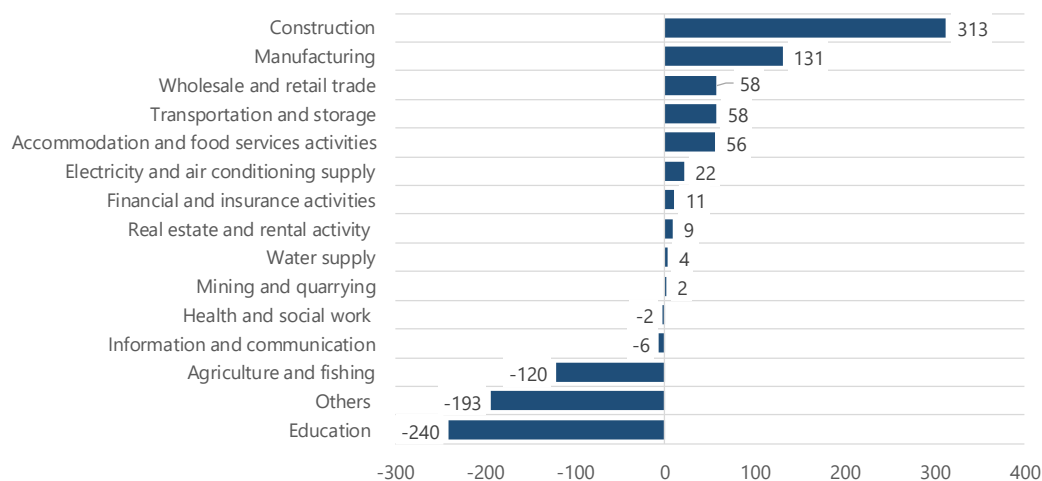
Saudi Arabia is taking no chances with the new strain, suspending all international flights, as well as closing off all land and sea borders for a week, subject to renewal. ([Saudi Press Agency](#))



3. CHART OF THE DAY

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Source: CAPMAS.

A net of 102,000 jobs were added to the Egyptian labor market during 2018 and 2019, statistics show. Construction was the largest contributor, claiming 313,000 jobs. Manufacturing industries was a distant second, followed by wholesale & retail trade, while transport & storage came in fourth.

4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
653.8					1,246.1 1,033.7				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	EGX 30	10,890.30	0.42%	(22.00%)		Gold	1,881.35	(0.22%)	25.53%
	EGX 30 TR	4,202.55	0.13%	(18.69%)		Silver	25.81	(0.96%)	52.17%
	EGX 70 EWI	2,108.37	2.03%	66.40%		Brent Oil	52.26	(2.91%)	(19.37%)
	EGX 100 EWI	3,056.74	1.84%	39.92%		WTI	49.10	(2.65%)	(18.02%)
	DFMGI	2,559.24	0.35%	(7.44%)		Natural Gas	2.70	(0.41%)	22.84%
	ADSMI	5,113.77	(0.42%)	(0.15%)	EGP	USD/EGP	15.70	(0.18%)	(1.77%)
	TASI	8,686.89	(0.28%)	3.55%	€	EUR/USD	1.23	(0.59%)	8.67%
	QE Index	10,587.10	1.04%	1.55%	£	GBP/USD	1.35	(1.23%)	0.75%
	S&P 500	3,709.41	(0.35%)	14.81%	¥	USD/JPY	103.30	0.14%	(4.76%)
	Dow 30	30,179.05	(0.41%)	5.75%		6M TB yield	12.65	(32)	(236)
	NASDAQ	12,755.64	(0.07%)	42.16%		1Y TB yield	12.67	(33)	(190)
	VIX	21.57	(1.64%)	56.53%		10Y TB yield	14.27	(22)	57
	STOXX 50	3,545.74	(0.42%)	(5.32%)		2Y TB yield	0.13	(0)	(144)
	MSCI Emerging	1,268.36	(0.36%)	13.79%		10Y TB yield	0.95	2	(97)
	MSCI Frontier	562.92	0.34%	(3.93%)		30Y TB yield	1.69	3	(70)

* As of market close, except for commodities and currencies at 8.41am 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-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 board reshuffle.
21-Dec-20	SUCE	EGM	Amending articles No. 20 and 26 of the 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	Discussing the sale of some assets.
22-Dec-20	AJWA	EGM	Amending article No. 4 of the bylaws.
23-Dec-20	EGCH	OGM	Approving the financial statements ending 30 Jun. 2020 & a board reshuffle.
23-Dec-20	EGCH	EGM	Amending articles of the 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.
27-Dec-20	SCTS	Cash dividend	Record date for EGP1.50/share.
28-Dec-20	GSSC	Cash dividend	Record date for EGP3.450/share.
28-Dec-20	MENA	EGM	Discussing stock split and amending articles No. 6 & 7 of the company's bylaws.
29-Dec-20	CAED	Cash dividend	Record date for EGP0.90/share.
30-Dec-20	SCTS	Cash dividend	Distribution date for EGP1.50/share.
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 the issued capital through stock dividends 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.
31-Dec-20	GSSC	Cash dividend	Distribution date for EGP3.450/share.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
16-Dec-20	CIB [COMI] – Earnings beat despite higher provisions



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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