



Blueprinting Its Eminence

1. Today's Trading Playbook

Amr Hussein Elalfy CFA | Head of Research
aelfy@egy.primegroup.org

KEY THEMES

Yesterday, the market seems to have come back to its senses somewhat. Advances almost matched declines, but both EGX 30 (+0.7%) and EGX 70 EWI (+0.3%) managed to eke out small gains for the day. As expected, local retail investors (net sellers of EGP25mn) continued to de-leverage after Monday's sharp decline squeezed them and may have triggered some margin calls. Ironically, local institutions were also net sellers (EGP32mn), while foreign institutions were net buyers for a change (EGP53mn). High-beta stocks like Ezz Steel [**ESRS**] led the gainers, and consumer names like Juhayna Food Industries [**JUFO**] and GB Auto [**AUTO**] were in favor. Last Sunday, we had picked AUTO as one of the ten stocks in the market that are worth looking at.

Meanwhile, and as the market was paring its Monday losses yesterday, we issued our core coverage note on EFG Hermes Holding [**HRHO**], yet another stock that we had picked first back on 16 July 2020 along with 18 other EGX-listed stocks. HRHO was our only non-banking financial stock at the time that we liked. Since then, the stock is up 8% from EGP13.03 to last close at EGP14.10 yesterday, having hit an intraday high of EGP15.53 on 26 July 2020 (a 19% return in just five trading days). Now, our 12-month price target (12M PT) is set at EGP17.7/share, leaving some 25% more to go from these levels. So, why do we like HRHO? **Sherif El Etr**, equity analyst, explains how HRHO is embarking on a three-pronged strategy, expanding its **(1)** traditional investment banking platform to include **(2)** non-banking financial services (NBFS) as well as **(3)** commercial banking which is expected sometime in Q1 2021 with the acquisition of a 51% stake in state-owned bank Arab Investment Bank (aiBank). By doing so, HRHO is seeking for a better utilization of its equity base. Having been generating low single-digit ROEs in the past, HRHO is now addressing this issue with high-margin businesses, like NBFS. Indeed, HRHO's wide array of services includes microfinance, leasing, factoring, and consumer finance. All these businesses are still in the early stages of their lifetimes within an industry in the growth stage.

POSITIVE

HRHO: Please read our core coverage report [here](#).



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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Taxpayers have until 31 December to file for a settlement under legislative provisions that passed earlier this year. ([Al-Borsa](#))

The International Cooperation Ministry marshaled USD9.8bn to finance development projects in 2020, with USD6.7bn allocated to government projects and USD3.1bn going to support the private sector. ([Ministry of International Cooperation](#))

The launch of the long-awaited commodities exchange (Egycomex) has again been delayed, as it now will not be seeing the light of day until H2 2021. ([Al-Mal](#))

Liquefied petroleum gas shippers will continue to pay lower Suez Canal transit fees until June 2021 as the government tries to support revenues as the pandemic continues to sap trade. ([Al-Mal](#))

CORPORATE NEWS

Maridive & Oil Services' [MOIL] Q3 2020 consolidated net loss after minorities widened to USD43mn vs. USD14.5mn a year earlier. Meanwhile, revenues decreased by 9% y/y to USD22.8mn. On a separate note, MOIL's subsidiary Maridive Offshore Projects' fair value study is still under preparation by the designated IFA. (Company disclosures: [1](#), [2](#))

Paints & Chemical Industries' [PACH] Q1 2020/21 preliminary indicators showed a recovery in net income after minorities to EGP20.1mn (+455% y/y). Meanwhile, revenues dropped to EGP207.2mn (-6.8% y/y). PACH's resins factory returned to operation at 75% capacity. ([Company disclosure](#))

B Investments [BINV] said today that the transaction to partially exit Total Egypt is not finalized yet with no announced value. Media reports have said that BINV will cash in some EGP146mn from this partial exit, reducing its stake from 7.97% to 6.38%. ([Company disclosure](#), [Al-Mal](#))

Palm Hills Developments' [PHDC] global depositary receipts (GDRs) last trading day was yesterday, and the GDR listing is now officially canceled with each GDR representing 20 ordinary shares. ([Company disclosure](#))



Target for Real Estate Investment, Development, Agricultural Reclamation & Tourism Development raised its stake in Dice Sports & Casual Wear [DSCW] from 9.02% to 10.70%.
([Company disclosure](#))

GLOBAL NEWS

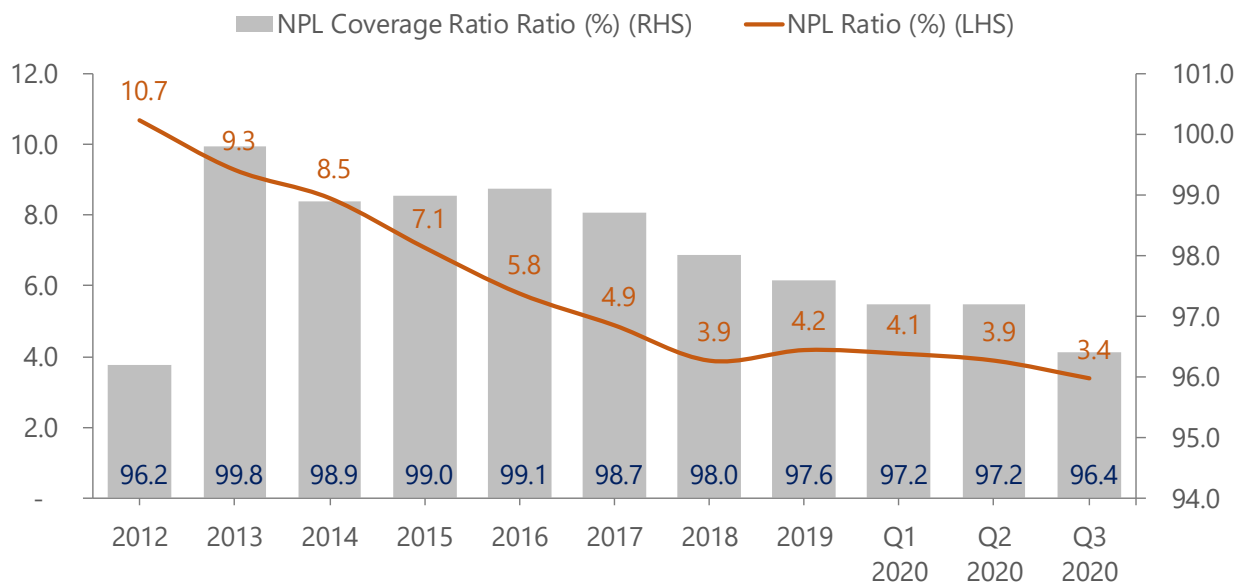
Saudi Arabia granted 20% more foreign investment licenses in the third quarter compared to the same period last year, with India and Egypt driving the increase despite efforts to attract American and European interest. ([Bloomberg](#))

There has been a change in the management of Saudi's USD360bn sovereign wealth fund as it prepares to step up its involvement in the economy. ([Bloomberg](#))

U.S. consumer confidence dropped for a second straight month in December as a deterioration in the labor market amid renewed business restrictions to slow the raging pandemic offset the rolling out of a vaccine for COVID-19. ([Reuters](#))

3. CHART OF THE DAY

Shihab M. Helmy | Equity Analyst
smohammed@egy.primegroup.org













































Source: CBE.

Egypt's banks display healthy asset quality: As depicted above, Egyptian banks showed an improvement in asset quality as NPLs fell to their lowest level since 2012. This coincides with a stable NPL coverage ratio, which enables banks to absorb any economic slowdown as a result of COVID-19 second wave.



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.						
632.9					1,155.8 1,036.4						
			daily chg.	ytd chg.				daily chg.	ytd chg.		
		EGX 30	10,655.91	0.70%	(23.68%)			Gold	1,860.84	(0.86%)	22.83%
		EGX 30 TR	4,129.83	1.22%	(20.10%)			Silver	25.19	(3.76%)	41.57%
		EGX 70 EWI	1,963.82	0.26%	54.99%			Brent Oil	50.08	(1.50%)	(21.61%)
		EGX 100 EWI	2,867.51	0.51%	31.26%			WTI	47.02	(1.47%)	(20.55%)
		DFMGI	2,480.79	0.81%	(10.27%)			Natural Gas	2.78	0.11%	27.14%
		ADSMI	5,109.61	0.72%	1.01%	EGP		USD/EGP	15.72	0.32%	(2.31%)
		TASI	8,680.45	1.66%	3.47%	€		EUR/USD	1.22	0.17%	8.66%
		QE Index	10,534.69	(0.05%)	1.05%	£		GBP/USD	1.34	0.37%	1.15%
		S&P 500	3,687.26	(0.21%)	14.13%	¥		USD/JPY	103.64	(0.16%)	(4.73%)
		Dow 30	30,015.51	(0.67%)	5.18%			6M TB yield	12.65	(32)	(236)
		NASDAQ	12,807.92	0.51%	42.74%			1Y TB yield	12.67	(33)	(190)
		VIX	24.23	(3.70%)	75.83%			10Y TB yield	14.27	(22)	57
		STOXX 50	3,497.49	1.42%	(6.61%)			2Y TB yield	0.12	(0)	(145)
EM		MSCI Emerging	1,248.71	(0.66%)	12.03%			10Y TB yield	0.92	(2)	(100)
FM		MSCI Frontier	561.12	0.32%	(4.24%)			30Y TB yield	1.65	(2)	(74)

* As of market close, except for commodities and currencies at 8.38am 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
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 a stock split and amending articles No. 6 & 7 of the 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
22-Dec-20	<u>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</u>
16-Dec-20	<u>CIB [COMI] – Earnings beat despite higher provisions</u>
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>



Prime Securities

Shawkat El Maraghy

Managing Director

T +202 3300 5622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +202 3300 5784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +202 3300 5612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head –Institutional Desk

T +202 3300 5609

AAlaa@egy.primegroup.org

Mohamed El Metwaly

Manager

T +202 3300 5610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +202 3300 5624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +202 3300 5110

SRaslan@egy.primegroup.org

Mohamed El Henawy

Nasr City Branch Manager

T +202 3300 5166

MElhenawy@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +202 3300 5173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +202 3300 5724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi Elnil St., Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +202 3300 5700 / 770 / 650 / 649

F +202 3760 7543

Branches

Heliopolis

7 Elheqaz Square
Heliopolis, Cairo, Egypt

T +202 2777 0600

F +202 2777 0604

Nasr City

9 Elbatrawy St.
Nasr City, Cairo, Egypt

T +202 3300 8160

F +202 3305 4622

Alexandria

7 Albert Al Awal St.
Smouha, Alexandria, Egypt

T +202 3300 8170

F +202 3305 4622

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