



Contradicting Aristotle

1. Today's Trading Playbook

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KEY THEMES

Aristotle, the Greek philosopher, once stated that "the whole is greater than the sum of its parts". In finance, we have a name for this. It's called "Synergy". We referred to this in [Sunday's issue](#) when we alluded to the accretive value EFG Hermes Holding [**HRHO**] can create from its acquisition of Arab Investment Bank (aiBank). However, in finance this is not always true. Contrary to Aristotle's claim, the sum of parts can sometimes be greater than the whole. Again, in finance, we have a name for this. It's called "Spinoff". We also referred to this concept here before, once by [end of November](#) and more recently by [mid-December](#). We were arguing that a "spinoff" (also known as a "demerger") can result in an arbitrage opportunity if a company is split based on book value (which is how spinoffs are implemented here in Egypt) rather than fair value.

As expected, Egyptian Iron & Steel's [**IRON**] shareholders [approved yesterday](#) splitting the company into two, one owning the steelmaking business and its land bank and the other owning the mines and quarries. Shareholders also called for the liquidation of the former's loss-making steel factory. While the liquidation underscores the operational issues IRON has had for so long, it is hoped to unlock the value hidden in its land bank on one hand and the scrap value of its steel factory on the other hand. So, while the shareholders' decisions did not come as a surprise, it remains to be seen how the valuation reports will draw the line between the two companies. For current shareholders, the valuation reports will only split IRON's assets and liabilities—and hence equity—into two separate companies owned by the same current shareholders. But in terms of valuation, this spinoff might represent an Aristotle contradiction with the two new companies' values eventually turning out to be greater than the whole (IRON).

POSITIVE

IRON, ESRS: IRON's spinoff should **(1)** stop the hemorrhaging of IRON's value, **(2)** unlock the value inherent in IRON's land bank, and **(3)** free IRON's new mines and quarries company to create value for its shareholders by better utilization of its assets. Meanwhile, the liquidation of IRON's steel factory leaves Ezz Steel [**ESRS**] and its 55%-owned subsidiary Al Ezz Dekheila [**IRAX**] as Egypt's two key steelmakers listed on the EGX, potentially opening the door for future M&A activity as part of a sector-wide consolidation wave that we think could be in the making.



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

2. TOP NEWS & ANALYSIS

MACRO NEWS

Egypt's total external debt rose 15% y/y in Q1 FY21 to more than USD125bn, up from almost USD110bn last year. ([CBE](#))

The Egyptian government's public offerings program (POP) appears to be on track with the government committee in charge of POP is set to meet later this month. The committee could shuffle the planned order of stake sales, but all options are on the table and will ultimately be in the committee's hands to decide. ([Enterprise](#))

Egypt is currently establishing several oil refineries and projects in Greater Cairo, Alexandria, Assiut, and Suez with investments of USD7bn. ([Zawya](#))

CORPORATE NEWS

Cleopatra Hospital's [CLHO] acquisition of Alameda Healthcare Group (AHG) is still pending regulatory approvals but is expected to close before the end of June. Last month, the Competition Protection Agency and the Prevention of Monopolistic Practices issued a preliminary decision not to grant CLHO the approval to acquire AHG. ([Enterprise](#), [Masrawy](#))

Egypt Kuwait Holding's [EKHO] OGM ratified the BoD proposal of a 10% stock dividend. ([Company disclosure](#))

Suez Cement [SUCE] will sell its 51% stake in Kuwait-based Hilal Cement [HCC] in an auction on 24 January 2021. The starting price will be KWD0.058/share. ([Mubasher](#)) This implies a minimum value of USD10mn (i.e. EGP157mn or EGP0.9/SUCE share).

Egyptian Modern Education Systems [MOED] plans to move from the small-cap Nilex to the EGX. ([Al-Borsa](#))

Arab African International Leasing, the leasing arm of Arab African International Bank (AAIB), intends to launch its factoring activities by the second half of 2021. ([Economy Plus](#))



GLOBAL NEWS

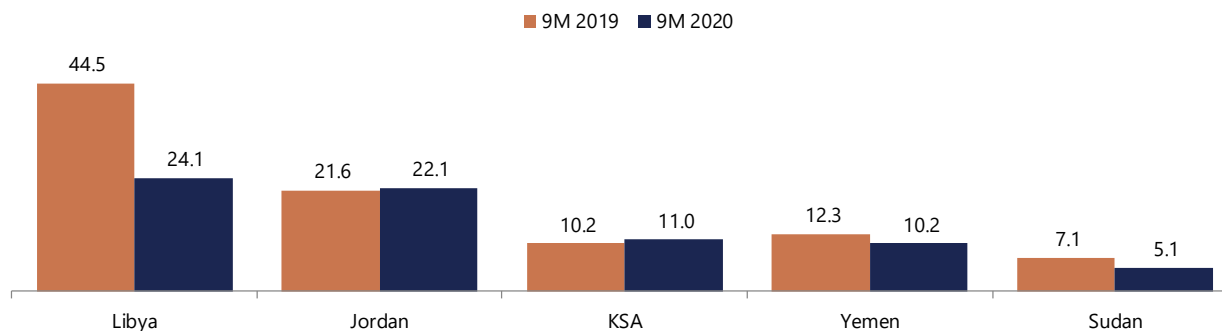
Bitcoin lost nearly 26% of its value on Sunday and Monday, its biggest two-day slump since March, amid a fierce selloff. The digital currency fell to as low as USD33,100 yesterday, having reached an all-time high of nearly USD42,000 on 8 January 2021. ([Bloomberg](#))

Saudi Arabia is looking to raise upwards of USD5bn in a bond-market comeback designed to bolster its state coffers, which have been battered by low oil prices. ([Bloomberg](#))

3. CHART OF THE DAY

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Egyptian Ceramics Export Destinations



Source: ECBM.

Egypt's ceramic exports decreased, like most, during 9M 2020 amid the pandemic. Exports to Libya, Egypt's largest ceramics importer, fell 46% y/y to USD24mn in 9M 2020. Meanwhile, exports to Saudi Arabia and Jordan increased slightly y/y.



4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
671.5						1,535.7		1,178.6	
				daily chg.	ytd chg.			daily chg.	ytd chg.
	↗	EGX 30	11,278.72	0.58%	4.00%		↘	Gold	1,843.89 (0.28%) (2.20%)
	↗	EGX 30 TR	4,350.90	0.33%	4.29%		↘	Silver	24.91 (2.01%) (3.80%)
	↗	EGX 70 EWI	2,189.76	0.47%	2.08%		↗	Brent Oil	55.66 0.25% 7.72%
	↗	EGX 100 EWI	3,182.46	0.43%	2.73%		↗	WTI	52.25 0.31% 8.02%
	↗	DFMGI	2,698.68	0.91%	8.30%		↗	Natural Gas	2.75 2.73% 11.15%
	↗	ADSMI	5,237.48	1.19%	3.84%	EGP	↘	USD/EGP	15.65 (0.31%) (0.57%)
	↗	TASI	8,869.47	0.59%	2.07%	€	↘	EUR/USD	1.22 (0.02%) (0.55%)
	↗	QE Index	10,842.99	1.09%	3.90%	£	↗	GBP/USD	1.35 0.16% (0.96%)
	↘	S&P 500	3,799.61	(0.66%)	1.16%	¥	↘	USD/JPY	104.26 (0.02%) 0.96%
	↘	Dow 30	31,008.69	(0.29%)	1.31%		↘	6M TB yield	12.79 (13) 6
	↘	NASDAQ	13,036.43	(1.25%)	1.15%		↘	1Y TB yield	12.87 (8) 10
	↗	VIX	24.08	11.69%	5.85%		↗	10Y TB yield	14.39 13 0
	↘	STOXX 50	3,620.62	(0.67%)	1.91%		↗	2Y TB yield	0.15 1 2
	↘	MSCI Emerging	1,349.60	(0.29%)	4.52%		↗	10Y TB yield	1.14 2 21
	↗	MSCI Frontier	588.44	0.70%	2.94%		↗	30Y TB yield	1.88 1 22

* As of market close, except for commodities and currencies at 8.25am 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
14-Jan-21	SMCS	EGM	Discussing netting contracts.
16-Jan-21	EPPK	OGM	Examining violations to article 160.
17-Jan-21	MNHD	Lawsuit	For recovering EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in a 6th of October project.
19-Jan-21	ORAS	Cash dividend	Record date for EGP3.313/share.
20-Jan-21	ORAS	Cash dividend	Ex-Dividend date for EGP3.313/share.
21-Jan-21	GPPL	OGM	Approving the financial statements ending 31 Dec. 2019 & a board reshuffle.
23-Jan-21	DSCW	OGM	Approving the financial statements ending 31 Dec. 2019 & a board reshuffle.
24-Jan-21	AIH	Lawsuit	A court session discussing legal disputes relevant to the company.
24-Jan-21	PACH	Cash dividend	Record date for EGP1.00/share.
24-Jan-21	CSAG	Cash dividend	Record date for EGP1.382/share.
24-Jan-21	SUCE	Auction	To sell its 51% stake in Kuwait-based Hilal Cement in an auction, with a starting price of KWD0.058/share.



25-Jan-21	CSAG	Cash dividend	Ex-Dividend date for EGP1.382/share.
26-Jan-21	ORAS	Cash dividend	Distribution date for EGP3.313/share.
27-Jan-21	PACH	Cash dividend	Distribution date for EGP0.50/share (1st installment).
27-Jan-21	CSAG	Cash dividend	Distribution date for EGP1.382/share.
28-Jan-21	SKPC	EGM	Discussing a board proposal to amend articles 2, 3 & 4 of the bylaws.
30-Jan-21	ALRA	EGM	Amending articles 6 & 7 of the bylaws.
3-Feb-21	ETRS	OGM	Discussing adding a new board member.
3-Feb-21	ETRS	EGM	Amending articles 5 & 22 of the bylaws.
8-Feb-21	MFPC	EGM	Amending articles 4, 7, 25, 21, 29, 46, 48 & 55 of the bylaws.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
10-Jan-21	<u>MACROView – Below End-of-Year Target</u>
6-Jan-21	<u>MACROView – On the Path to Further Recovery</u>
5-Jan-21	<u>MACROView – Rutted Road to Recovery</u>
28-Dec-20	<u>Elsewedy Electric [SWDY] – More Growth to Come</u>
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>



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