



# No Dividends for You

## 1. Today's Trading Playbook

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### KEY THEMES

Yesterday, it was revealed that the Central Bank of Egypt (CBE) has directed all Egyptian banks to refrain from distributing any cash dividends, be it from their annual profits or retained earnings. The CBE cited COVID-19 repercussions locally and globally and the potential impact on the economy. Such a move is said to be supportive of banks' capital bases. However, the market reaction was quite negative overall as investors punished bank stocks for the absence of dividends. But the issue here is not skipping a year without dividends as investors were not sure how long this directive will be effective for. However, we believe the impact to be short term in nature and impacting a select group of banks, namely large-cap banks and generous dividend payers. As for small-cap banks, they were not expected to be paying dividends in the first place as they shore up their equity to meet the CBE's minimum EGP5bn capital requirement. In the longer term, however, retaining profits should create higher value for shareholders as we should see higher-than-expected growth going forward, especially for banks that are able to generate ROEs in excess of 18-20%. Speaking of which, QNB Alahli [**QNBA**] just reported its full-year 2020 results yesterday, providing a glimpse of hope for an overall recovery in banks' results post-COVID-19. Please see our quick take on the results in the news section below.

### NEUTRAL

**Small-cap banks:** Abu Dhabi Islamic Bank Egypt [**ADIB**], Export Development Bank of Egypt [**EXPA**], and Suez Canal Bank [**CANA**].

### NEGATIVE

**Large-cap banks and high dividend payers:** Al Baraka Bank Egypt [**SAUD**], CIB [**COMI**], Credit Agricole Egypt [**CIEB**], Faisal Islamic Bank of Egypt [**FAIT**], Housing & Development Bank [**HDBK**], and **QNBA**.

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



## 2. TOP NEWS & ANALYSIS

### MACRO NEWS

**The Central Bank of Egypt (CBE) prohibited banks from distributing cash dividends from net profits or retained earnings to support their capital bases.** ([CBE](#))

**The Ministry of Finance is expected to revise GDP growth targets for the current fiscal year sometime this month as it takes stock of economic performance in H1 FY21 and amends full-year expectations accordingly.** The ministry will not make legal amendments to the state budget and will only announce the revised figures and targets to give an indicator of where things are headed. ([Enterprise](#))

**Egypt held the second-biggest share of venture capital investment in MENA last year,** falling behind the UAE, which accounted for a whopping 56% of the total funding amount last year. ([Magnitt](#))

**The upcoming sale of military-owned Wataniya Petroleum is attracting more attention from GCC oil and gas companies.** ([Al-Borsa](#))

### CORPORATE NEWS

**Qatar National Bank Alahli's [QNBA] 2020 consolidated net profit retreated 12% y/y** (+2.8% q/q) to EGP7.5bn. The bank built up provisions to EGP2.1bn in 2020 (EGP671mn of which in Q4) from EGP697mn in 2019, which curbed the net profit despite a 6.4% y/y rise in net interest income of EGP14.6bn (-2.1% q/q). Meanwhile, net lending grew 7% y/y to EGP164bn and deposits rose 12% y/y to EGP233bn. ROAE declined to 20.5% from 27.1%. Net interest margin (NIM) looked more stabilized at 5.6%, 0.17% lower than 2019 levels, thanks to a 2% fall in funding cost to 7.2%. (Bank release) QNBA is currently trading at a P/B of 0.97x and a P/E of 5.15x.

**The value of Cleopatra Hospital's [CLHO] acquisition of 100% of Alameda Healthcare Group (AHG) will be funded through assumption of AHG's attributable debt of c.3.3bn in addition to an equity up to a maximum of 884mn new shares to AHG's shareholders.** ([Company disclosure](#)) This values AHG at an enterprise value of c. EGP8bn based on CLHO's closing price yesterday or EGP10.4mn/bed and EGP8.8mn/bed for 2020 and 2021, respectively.

**EFG Hermes Holding [HRHO] concluded the first issuance of Amer Group [AMER], Porto Group [PORT], and Qasatli EGP6.5bn securitization program.** The first issuance was worth EGP700mn. ([Company disclosure](#))



**Bee for e-payments, a subsidiary of Ebtikar which is a JV between MM Group [MTIE] and B Investments [BINV], is set to provide public schools tuition fees and expenses on its platform.** ([Al-Mal](#))

**Talaat Mostafa Group's [TMGH] subsidiary Al Rehab Securitization Co. securitization issuance of EGP870mn was seized by four banks.** A total of EGP700mn was shared by CIB [COMI] and Suez Canal Bank's [CANA] (EGP350mn each). Meanwhile, Banque du Caire [BQDC] snapped EGP105mn, and Abu Dhabi Commercial Bank Egypt (ADCB-E) took EGP65mn. ([Hapi](#))

**Arab Co. for Asset Management & Development's [ACAMD] BoD approved the reduction of its capital from EGP1bn to EGP600mn.** In addition to that, the BoD approved a 5-for-1 stock split for its EGP132mn paid-in capital to be distributed over 1.32bn shares instead of 264.8mn. ([Company Disclosure](#))

**Egyptian Iron & Steel's [IRON] EGM has reportedly agreed to the liquidation of the steel making business right after the spinoff.** ([Mubasher](#))

## GLOBAL NEWS

**The threat of Russia tightening wheat-export restrictions to safeguard its food supplies is spooking traders, prompting Egypt to take the rare step of canceling a tender to buy the grain.** Russia said it will this week discuss whether to adjust an export tax planned for next month amid concerns the measure hasn't done enough to keep high domestic prices in check. ([Bloomberg](#))

**The European Bank for Reconstruction & Development and the UN World Tourism Organization are providing a technical assistance package for Egypt's tourism industry** that has been battered by the pandemic. ([Enterprise](#))

**One U.S. Federal Reserve official says there is now a "clearer focus" about the economy's path forward and a horizon for a fuller recovery.** Another says the pandemic's "endgame" is here. A third predicts 2021 will prove "impressive." ([Reuters](#))

**OPEC+ compliance with pledged oil output curbs fell to 75% in December, among the lowest levels since the supply pact started in May 2020.** This is a lower estimate of compliance by the Organization of the Petroleum Exporting Countries and allies, known as OPEC+ than others have reported. A trend of lower compliance could weigh on oil prices, which are currently at an 11-month high. ([Reuters](#))

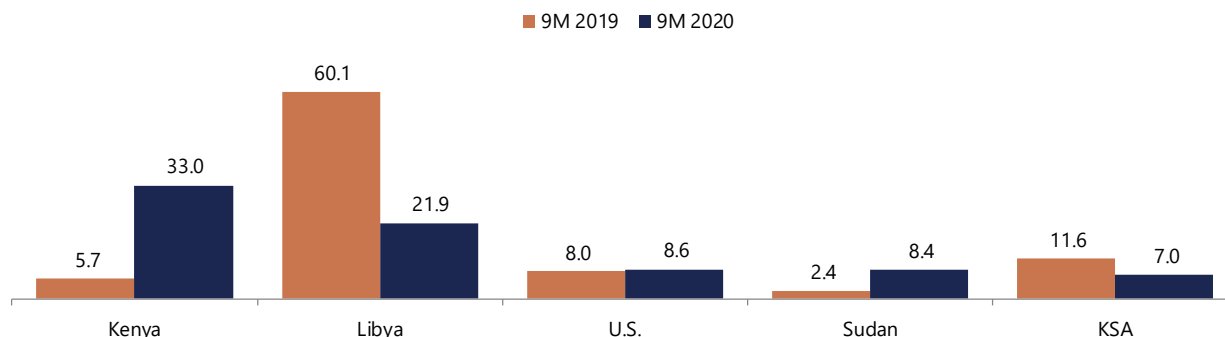
**The U.S. Energy Information Administration on Tuesday cut its 2021 world oil demand growth forecast by 220,000 barrels per day from its previous estimate.** ([Reuters](#))



### 3. CHART OF THE DAY

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**Egyptian Cement Export Destinations**



Source: ECBM.

The cement industry has been facing some challenges in Egypt. High energy costs and oversupply are not helping the industry to recover. We think some of the oversupply may be absorbed by exports especially to African countries where Egyptian cement export prices are attractive. For example, Egyptian cement exports to Kenya jumped to USD33mn in 9M 2020 (+475% y/y). On the other hand, Libya, which was the top importer of Egyptian cement in 9M 2019, imported less (-64% y/y) in the same period last year at USD21.9mn.

### 4. MARKETS PERFORMANCE

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
672.3						1,663.0 1,178.6			
				daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	11,339.75	0.54%	4.56%		Gold	1,854.77	0.59%	(2.03%)
	EGX 30 TR	4,384.43	0.77%	5.10%		Silver	25.56	2.60%	(3.08%)
	EGX 70 EWI	2,204.05	0.65%	2.75%		Brent Oil	56.58	1.18%	10.52%
	EGX 100 EWI	3,194.77	0.39%	3.13%		WTI	53.21	1.07%	10.84%
	DFMGI	2,701.15	0.09%	8.39%		Natural Gas	2.75	(0.65%)	7.72%
	ADSMI	5,258.17	0.40%	4.22%	EGP	USD/EGP	15.70	0.33%	(0.24%)
	TASI	8,884.46	0.17%	2.24%	€	EUR/USD	1.22	0.06%	(0.02%)
	QE Index	10,838.69	(0.04%)	3.86%	£	GBP/USD	1.37	0.10%	0.06%
	S&P 500	3,801.19	0.04%	1.20%	¥	USD/JPY	103.76	(0.07%)	0.43%
	Dow 30	31,068.69	0.19%	1.51%		6M TB yield	12.79	(13)	6
	NASDAQ	13,072.43	0.28%	1.43%		1Y TB yield	12.87	(8)	10
	VIX	23.33	(3.11%)	2.55%		10Y TB yield	14.38	(1)	(1)
	STOXX 50	3,612.13	(0.23%)	1.67%		2Y TB yield	0.14	(1)	1
EM	MSCI Emerging	1,353.57	0.29%	4.83%		10Y TB yield	1.13	(0)	20
FM	MSCI Frontier	591.85	0.58%	3.54%		30Y TB yield	1.88	(0)	22

\* As of market close, except for commodities and currencies at 8.13am 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	Auctioning a 51% stake in Kuwait-based Hilal Cement at 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.
6-Feb-21	EDBM	EGM	Discussing cutting share par value and amending articles 6 & 7 of the company's 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	<a href="#">MACROView – Below End-of-Year Target</a>
6-Jan-21	<a href="#">MACROView – On the Path to Further Recovery</a>
5-Jan-21	<a href="#">MACROView – Rutted Road to Recovery</a>
28-Dec-20	<a href="#">Elsewedy Electric [SWDY] – More Growth to Come</a>
22-Dec-20	<a href="#">EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</a>



16-Dec-20	<a href="#"><u>CIB [COMI] – Earnings beat despite higher provisions</u></a>
10-Dec-20	<a href="#"><u>MACROView – The Highest Reading in Seven Months</u></a>
7-Dec-20	<a href="#"><u>MACROView – Restored Ground</u></a>
6-Dec-20	<a href="#"><u>MACROView – Lost Momentum</u></a>
3-Dec-20	<a href="#"><u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u></a>
25-Nov-20	<a href="#"><u>Misr Chemical Industries [MICH] – Pandemic Proof</u></a>
10-Nov-20	<a href="#"><u>MACROView – An expected rise as the new school year began</u></a>
4-Nov-20	<a href="#"><u>MACROView – The Stars Seem to Be Aligned for International Reserves</u></a>
3-Nov-20	<a href="#"><u>MACROView – The Highest Reading in Six Years</u></a>
25-Oct-20	<a href="#"><u>CIB [COMI] – Short-term pain for longer-term gain</u></a>
11-Oct-20	<a href="#"><u>MACROView – Disinflationary trend interrupted</u></a>
11-Oct-20	<a href="#"><u>MACROView – External strains are slacking and reserves are growing</u></a>
6-Oct-20	<a href="#"><u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u></a>
5-Oct-20	<a href="#"><u>MACROView – Egypt’s recovery is broadening</u></a>
10-Sep-20	<a href="#"><u>MACROView – A Stunning Chapter Towards Targets</u></a>
8-Sep-20	<a href="#"><u>MACROView – Crawling Out of the Troughs</u></a>
3-Sep-20	<a href="#"><u>MACROView – Job losses and the bumpy road to recovery</u></a>
18-Aug-20	<a href="#"><u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u></a>
13-Aug-20	<a href="#"><u>Credit Agricole Egypt [CIEB] – Q2 2020 Results</u></a>
10-Aug-20	<a href="#"><u>MACROView – Muted inflation environment still dominates</u></a>
9-Aug-20	<a href="#"><u>MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</u></a>
5-Aug-20	<a href="#"><u>MACROView – Toward gradual recovery</u></a>
29-Jul-20	<a href="#"><u>MACROView – CAD gains eroded by financial account vulnerability</u></a>
14-Jul-20	<a href="#"><u>Commercial International Bank - [COMI] - Q2 2020 results</u></a>
9-Jul-20	<a href="#"><u>MACROView – Inflation driven by non-food baskets and unfavorable base effect</u></a>
8-Jul-20	<a href="#"><u>MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position</u></a>
7-Jul-20	<a href="#"><u>MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed</u></a>
25-Jun-20	<a href="#"><u>EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition</u></a>
10-Jun-20	<a href="#"><u>MACROView – Lowest annual reading in five months, but monthly figures show no changes</u></a>
8-Jun-20	<a href="#"><u>Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices</u></a>



8-Jun-20	<a href="#"><u>MACROView – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19</u></a>
3-Jun-20	<a href="#"><u>MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy</u></a>
18-May-20	<a href="#"><u>Abu Dhabi Islamic Bank [ADIB] – Q1 2020 Results</u></a>
18-May-20	<a href="#"><u>Al Baraka Bank Egypt [SAUD] – Q1 2020 Results</u></a>
17-May-20	<a href="#"><u>Credit Agricole Egypt [CIEB] – Q1 2020 Results</u></a>
13-May-20	<a href="#"><u>MACROView – Yesterday’s CBE conference call with Deputy Governor</u></a>
11-May-20	<a href="#"><u>MACROView– Acceleration in April driven by food prices – as expected</u></a>
7-May-20	<a href="#"><u>MACROView – Keeping head above water amid pandemic uncertainties</u></a>
5-May-20	<a href="#"><u>Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results</u></a>



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