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New Expansions = Further Growth

1. Today's Trading Playbook

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KEY THEMES

Contrary to what [Reuters](#) said last Thursday but matching what [Hapi](#) just revealed this morning, **Bank ABC** has agreed on Friday with **BLOM Bank Lebanon** to acquire its 99.4% stake in **BLOM Bank Egypt** for a total consideration of EGP6.7bn for 100%, implying a valuation of 1.42x P/BV. Please see the *Top News & Analysis* section for more details. This will likely help support banks' stocks in the short term, especially after the overreaction the market has had post the Central Bank of Egypt's decision have all banks refrain from distributing any dividends.

Meanwhile, last Thursday, we published [our first core coverage note](#) in the New Year, featuring CI Capital Holding [**CICH**], the second largest investment bank by market cap. We had published [another core coverage report](#) on EFG Hermes Holding [**HRHO**] back on 22 December 2020; HRHO is up 10% since then. We rate CICH, similar to HRHO, as Overweight with a 12M PT of EGP6.0/share, implying a 45% upside. Immediately after we published our note at noon, CICH jumped to end the day up 5% based on its VWAP but up 7% based on its last price. So, why do we like CICH? **Sherif El Etr**, our non-banking financials analyst, believes CICH is successfully working to smooth out spikes in its top and bottom lines, diversifying its revenue streams. It has expanded its non-banking financial services (NBFS) platform further by setting up ventures focused on consumer finance, mortgage finance, and microfinance to exploit these high-margin segments. Furthermore, CICH's IB platform, which has been missing a private equity arm, is being substituted for with its merchant banking operations, which essentially serves the same purpose. CICH is expected to monetize its investment in Egypt's education sector by floating Taaleem, which controls and operates Nahda University in Beni Suef, in an IPO in 2021. Sherif sees more expansions in NBFS would hedge against any headwinds CICH's IB platform could



face amid weak capital markets, which he expects to recover starting 2021. Meanwhile, he expects to see more contribution from the high-margin NBFS very soon.

POSITIVE

CICH: CICH is trading at a 2020e P/E and P/BV of 9.0x and 1.3x, respectively. While the stock has underperformed EGX 30 since its IPO debut mid-2018, it is still some 6% below its IPO price.

Banks: Bank ABC's acquisition of **BLOM Bank Egypt** will likely help banks stocks in general recover some of their earlier losses last week.

ORAS: Orascom Construction's [**ORAS**] announcement of its involvement in Egypt's high-speed rail system will help support its growth and should drive its stock higher.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Cabinet signed off on an EGP2bn overdraft for the FY21 state budget to help finance measures to prop up the economy and certain sectors amid the fallout from the pandemic. ([Cabinet statement](#))

The budget deficit narrowed to 3.6% in H1 FY21 from 4.1% during the same period in the previous fiscal year, while the primary surplus hit EGP14bn. ([Cabinet statement](#))

Egypt accounted for more than EUR1bn of the EUR2.2bn of financing the EBRD provided to the southern and eastern Mediterranean (SEMED) last year. ([Enterprise](#))

CORPORATE NEWS

Bank ABC announced completion of the acquisition successfully of BLOM Bank Egypt in a transaction worth USD428mn (EGP6.7bn), which includes all BLOM's financial and non-financial assets. Completion of the acquisition is subject to a number of conditions and approvals including regulatory approvals in Bahrain, Egypt, and Lebanon. The acquisition is expected to complete in Q2 2021, and a further announcement will be made at that time. ([ABC release](#), [Hapi](#)) For BLOM Bank Egypt, the transaction implies a valuation of P/BV of 1.42x and TTM P/E of 8.1x. The deal's P/BV implies a growth rate of 9.6%, assuming an ROAE of 18.7%, which reflects Bank ABC's assessment of the potential at the bank particularly given its pre-pandemic ROAE levels (ROAE was 24.3% in 2019).



Orascom Construction [ORAS] consortium with Siemens Mobility and Arab Contractors signs an MOU to build Egypt's first high-speed rail system. The first high-speed line will stretch across 460km and has an order value of around USD3bn. ([Company disclosure](#))

Egyptian Gulf Bank's [EGBE] 2020 standalone net profit retreated 7% to EGP625mn despite a 34% growth in net interest income (NII) to EGP2.6bn. Net loans slipped marginally by 3% to EGP23bn, while deposits grew 8% to EGP60.3bn. ([Bank disclosure](#)) ROAE retreated by 372bps to 12.6% in 2020. EGBE is currently traded at a P/BV of 0.46x and TTM P/E of 4.0x.

TMG Holding [TMGH] saw New Urban Communities Authority (NUCA) get the Cabinet nod for allocating 5,000 feddans in Capital Gardens City to the group for development. The estimated cost of this land plot is reportedly EGP28.5bn or EGP1,350/sqm. On another note, **TMGH is going to receive a syndicated loan worth EGP1.3bn from five banks to finance the cost of its New Administrative Capital project Celia.** The five banks are **National Bank of Egypt (NBE)** (EGP350mn), **Abu Dhabi Commercial Bank Egypt (ADCB)** (EGP300mn), **Arab Bank** (EGP300mn), **Arab African International Bank (AAIB)** (EGP200mn), and Suez Canal Bank's [**CANA**] (EGP150mn). ([Al-Borsa](#), [Al-Mal](#): [1](#), [2](#))

Heliopolis Housing & Development [HELI] provided more details on the 270 feddans in New Heliopolis it is planning to auction. The auction date is set for 15 February 2021, while the 270 feddans are to be offered as a wholesome deal or split into two plots with an area of 141.3 feddans and 128.7 feddans. Furthermore, HELI set a payment term of 10 years with a 10% down payment. ([Company disclosure](#))

Cairo for Investment & Real Estate Development's [CIRA] 2020/21 net profit after minority rose 12% y/y to EGP112mn mainly as revenues grew 18% y/y to EGP370mn. CIRA's improved performance came in despite a 28% y/y increase in SG&A and a rise in net finance cost to EGP25mn vs. a net finance income of EGP0.12mn a year earlier. ([Company disclosure](#))

Arabian Food Industries Co. [DOMT] achieved its target for Q4 2020 sales which rose c.26% y/y to c. EGP815mn, as per the unaudited results, vs. the previously expected EGP800mn. A 25% y/y rise in revenues from the white cheese segment helped the company reach its target. ([Company disclosure](#))

Elsaeed Contracting & Real Estate Investment [UEGC] is awarded an EGP270mn project to construct a water treatment station in Luxor City. ([Company disclosure](#))

Speed Medical's [SPMD] BoD approved the full acquisition of Masr Beni Suf Labs and Qena's Al-Hayat Labs for EGP10mn and EGP4mn, respectively. The board also decided to proceed with acquiring 50% plus one share in City Co. at EGP27mn, which is less than the EGP97mn fair value set by the independent financial advisor. ([Company disclosure](#))



Ajwa for Food Industries [AJWA] turned to a net profit of EGP28mn in Q3 2020 from a net loss of EGP14mn a year earlier as gross profit rose 112 times. Meanwhile, revenues jumped 200% to EGP529mn. ([Company disclosure](#))

GLOBAL NEWS

Saudi Arabia's sovereign wealth fund will spend at least USD40bn annually in the country over the next five years to finance mega-projects such as the futuristic, zero-carbon city Neom. ([Financial times](#))

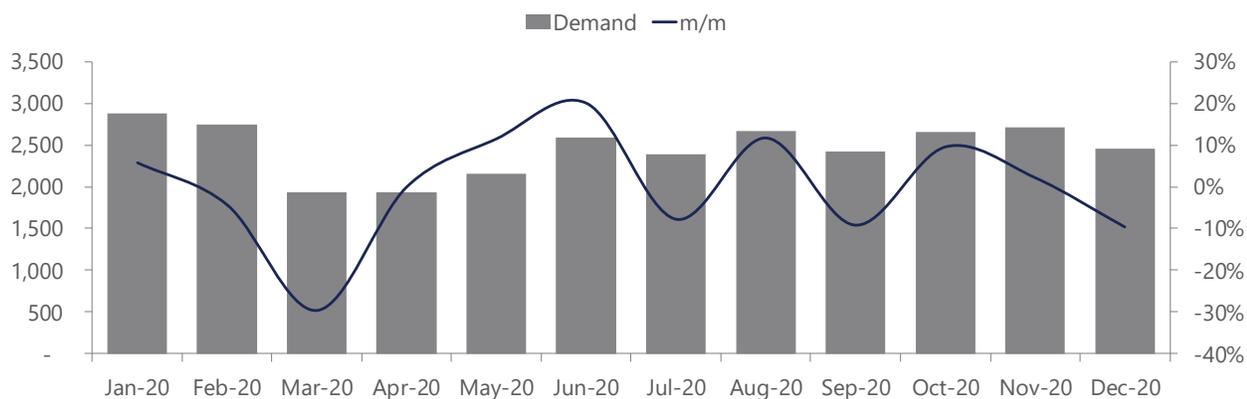
U.S. retail sales fell for a third straight month in December as renewed measures to slow the spread of COVID-19 triggered job losses, further evidence that the wounded economy lost considerable speed at the end of 2020. ([Reuters](#))

3. CHART OF THE DAY

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Aqaarmap Real Estate Demand Index



Source: Aqaarmap.

Based on Aqaarmap's index, demand for real estate properties has declined in December (-9.6% m/m, -10% ytd). The index gauges demand using the website's traffic and economic and statistical data.



4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
677.8						1,617.6	1,178.6		
			daily chg.	ytd chg.		daily chg.	ytd chg.		
		EGX 30	11,453.43	0.57%	5.61%			Gold	1,828.45 (0.98%) (3.68%)
		EGX 30 TR	4,424.19	0.71%	6.05%			Silver	24.77 (2.94%) (6.19%)
		EGX 70 EWI	2,254.63	1.20%	5.10%			Brent Oil	55.10 (2.34%) 6.37%
		EGX 100 EWI	3,252.80	0.85%	5.00%			WTI	52.36 (2.26%) 7.91%
		DFMGI	2,702.34	(0.70%)	8.44%			Natural Gas	2.74 2.66% 7.80%
		ADSMI	5,266.72	(0.45%)	4.03%	EGP		USD/EGP	15.66 (0.30%) (0.49%)
		TASI	8,898.68	(0.18%)	2.41%	€		EUR/USD	1.21 (0.60%) (1.10%)
		QE Index	10,913.83	0.43%	4.44%	£		GBP/USD	1.36 (0.72%) (0.59%)
		S&P 500	3,768.25	(0.72%)	0.32%	¥		USD/JPY	103.85 0.05% 0.58%
		Dow 30	30,814.26	(0.57%)	0.68%			6M TB yield	12.84 4 11
		NASDAQ	12,998.50	(0.87%)	0.86%			1Y TB yield	12.88 1 11
		VIX	24.34	4.69%	6.99%			10Y TB yield	14.38 (1) (1)
		STOXX 50	3,599.55	(1.15%)	1.32%			2Y TB yield	0.13 (2) (1)
EM		MSCI Emerging	1,358.03	(0.93%)	5.17%			10Y TB yield	1.09 1 16
FM		MSCI Frontier	591.67	(0.04%)	3.51%			30Y TB yield	1.85 3 19

* As of market close. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

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Find out how your favorite stocks compare to the rest of the market.

6. KEY DATES

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DATE	TICKER	TYPE	EVENT
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.
4-Feb-21	AMES	OGM	Approving increasing the issued capital.
6-Feb-21	EDBM	EGM	Discussing cutting share par value and amending articles 6 & 7 of the bylaws.
8-Feb-21	MFPC	EGM	Amending articles 4, 7, 25, 21, 29, 46, 48 & 55 of the bylaws.
8-Feb-21	EIUD	EGM	Amending articles 3, 4, 6 & 7 of the bylaws.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
14-Jan-21	<u>CI Capital Holding [CICH] – New Expansions = Further Growth</u>
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 – Ruttled 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 [MACROView – Job losses and the bumpy road to recovery](#)
- 18-Aug-20 [Oriental Weavers Carpet \[ORWE\] – Q2 2020 Results](#)
- 13-Aug-20 [Credit Agricole Egypt \[CIEB\] – Q2 2020 Results](#)
- 10-Aug-20 [MACROView – Muted inflation environment still dominates](#)
- 9-Aug-20 [MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed](#)
- 5-Aug-20 [MACROView – Toward gradual recovery](#)
- 29-Jul-20 [MACROView – CAD gains eroded by financial account vulnerability](#)
- 14-Jul-20 [Commercial International Bank - \[COMI\] - Q2 2020 results](#)
- 9-Jul-20 [MACROView – Inflation driven by non-food baskets and unfavorable base effect](#)
- 8-Jul-20 [MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position](#)
- 7-Jul-20 [MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed](#)
- 25-Jun-20 [EFG Hermes Holding \[HRHO\] – Behind the Optics of the Arab Investment Bank Potential Acquisition](#)
- 10-Jun-20 [MACROView – Lowest annual reading in five months, but monthly figures show no changes](#)
- 8Jun-20 [Oriental Weavers Carpet \[ORWE\] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices](#)
- 8-Jun-20 [MACROView – Solid buffers and moderate depreciation: The CBE's recipe to deal with COVID-19](#)
- 3-Jun-20 [MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy](#)
- 18-May-20 [Abu Dhabi Islamic Bank \[ADIB\] – Q1 2020 Results](#)
- 18-May-20 [Al Baraka Bank Egypt \[SAUD\] – Q1 2020 Results](#)
- 17-May-20 [Credit Agricole Egypt \[CIEB\] – Q1 2020 Results](#)
- 13-May-20 [MACROView – Yesterday's CBE conference call with Deputy Governor](#)
- 11-May-20 [MACROView– Acceleration in April driven by food prices – as expected](#)
- 7-May-20 [MACROView – Keeping head above water amid pandemic uncertainties](#)
- 5-May-20 [Commercial International Bank \(CIB\) - Egypt \[COMI\] – Q1 2020 Results](#)

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