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Sugar Isn't the "New White"

1. Today's Trading Playbook

TABLE OF CONTENTS**KEY THEMES**

Despite being on the receiving end of some good news, Cairo for Investment & Real Estate Development's [**CIRA**] performance wasn't as good during Thursday's session, ending the day down some 1.9%. CIRA issued a statement on Thursday asserting the probable positive effect of the decision to remove foreign ownership limits on private schools in Egypt. The company stated that such a decision will facilitate obtaining licenses to construct new private schools. We still view any correction in CIRA's stock price as an opportunity, given the quality of the company's cash flows as well as the limited downside risks associated with its expansion plans.

Elsewhere, Delta Sugar [**SUGR**] released a set of poor unaudited preliminary figures for 2020 (please see the top news and analysis section below). Despite showing better volumes, SUGR's performance was pressured by higher manufacturing costs, coupled with weak selling prices. This, in return, caused for lower inventory cost in many cases, thus burdening the company's margins. We think that until white sugar prices reach to levels economically reasonable relative to beet prices, net losses are inevitable.

POSITIVE

CIRA: We reiterate the positive effect of removing foreign limits on private school ownership.

NEGATIVE

SUGR: Higher selling volumes will not help in the presence of weak selling prices and higher manufacturing costs.

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



2. TOP NEWS & ANALYSIS

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MACRO NEWS

CDC Group is earmarking some USD1bn for infrastructure and finance investments in Africa in 2021, with a particular focus on Egypt, Ethiopia, Kenya, and Nigeria. Along with the **European Bank for Reconstruction & Development** and **Development Partners International**, CDC raised last year USD750mn—of which USD250mn was earmarked for Egypt—to invest in the pharma industry across Africa through a shared investment platform. ([Bloomberg](#))

Three mining companies have signed five new gold exploration contracts worth a combined USD13mn with the Ministry of Petroleum. ([Cabinet statement](#))

Some 1.4mn tourists visited Egypt between the resumption of international flights on 1 July 2020 and the end of the year 2020. We closed 2020 with a total of 3.7mn tourist arrivals, down almost 75% from the 13mn seen in 2019. ([Cabinet statement](#))

CORPORATE NEWS

Obour Land for Food Industries' [OLFI] 2020 net income after minority rose to EGP310mn (+5% y/y) as revenues rose 6% y/y to EGP2.7bn. Meanwhile, OLFI proposed an EGP240mn dividend for 2020 (a DPS of EGP0.6), implying 9% yield. (Company disclosures: [1,2](#))

Delta Sugar's [SUGR] 2020 initial KPIs showed a net loss of EGP267mn (vs. a net income of EGP 43mn a year before), mainly on lower global sugar prices. ([Company disclosure](#))

Sidi Kerir Petrochemicals' [SKPC] BoD held on 21 January 2021 has approved the company's operational budget for 2021, targeting a top line of EGP4.47bn, a GPM of 9.3%, and a bottom line of EGP212mn. ([Company disclosure](#))

First Abu Dhabi Bank's (FAB) acquisition of Bank Audi's Egyptian unit is reportedly going to value the unit at USD660mn (EGP10.3bn), sources close to the deal said, implying a price-to-book value (P/BV) ratio of 1.4x. EFG Hermes Holding [**HRHO**] is the financial advisor for both parties in the transaction. ([Hapi](#))

BLOM Bank and Bank ABC agreed on the sale of AROPE Insurance – Lebanon's stakes in two insurance companies AROPE Egypt Properties & Liabilities and AROPE Egypt Life Assurance, 18 months after signing BLOM Bank Egypt's share purchase agreement, according to sources familiar with the deal. ([Hapi](#))

The Sovereign Fund of Egypt (TSFE) is in negotiations to acquire a controlling stake in E-Finance. (Al-Borsa)



Cairo For Investment & Real Estate Development [CIRA] said that the Ministry of Education's decision to allow uncapped foreign ownership in international and private schools in Egypt opens the door wider for CIRA to gain licenses for more schools.

([Company disclosure](#))

Edita Food Industries [EFID] said that the proposed amendments to the valued-added tax law would not push Edita to backtrack capex spending this year, according to a senior official at the company. The proposed amendments, if passed, which would raise the tax imposed on some sweets and crackers from the current 5% to 14%. ([Enterprise](#))

Several medical institutions are competing to acquire Abu Dhabi Commercial Bank - Egypt's [ADCB] 51.5% stake in Alexandria Medical Services [AMES], including a consortium made up of Mabaret Al-Asafra Hospital and Tana Africa Capital. ([Al-Mal](#))

Real Estate Egyptian Consortium's [AREH] FY20 revenues nosedived to EGP20.9mn (-74% y/y), and net profits fell to EGP14.2mn (-64% y/y). On another note, AREH's EGM approved a 10-for-1 stock split. (Company disclosures: [1](#), [2](#))

GLOBAL NEWS

Optimism that a "massive" global economic recovery is in the cards for H2 2021 is spurring on a surge in stock markets. The optimism comes as vaccines are being proven effective against the new COVID variant, while the Biden administration promises to push out a USD1.9tn stimulus package and rejoined the World Health Organization. ([Financial Times](#))

U.S. President Joe Biden's proposed fiscal package will boost the coronavirus-hit economy significantly, according to a majority of economists in a Reuters poll, and they expect it to return to its pre-COVID-19 size within a year. ([Reuters](#))

Oil prices settled lower on Friday, weighed down by a build in U.S. crude inventories and worries that new pandemic restrictions in China will curb demand in the world's biggest oil importer. ([Reuters](#))

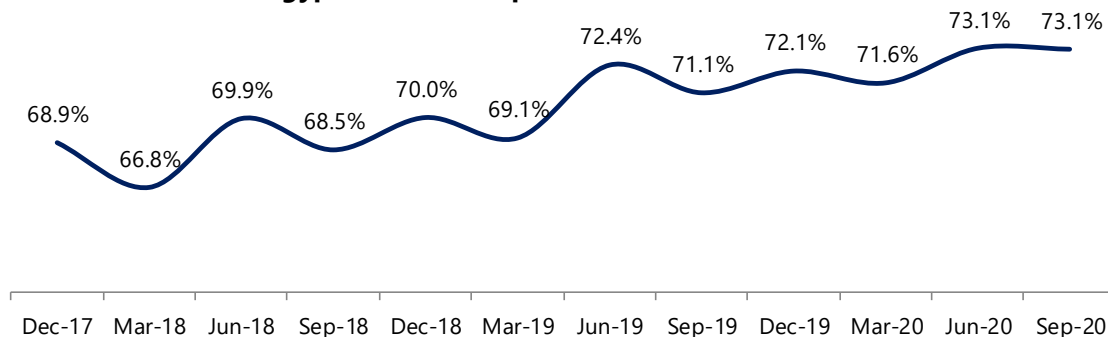


3. CHART OF THE DAY

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Egyptian Banks' Deposits-to-Total Assets Ratio



Source: CBE.

Egyptian banks' deposits-to-total assets ratio: As depicted above, total deposits as a percentage of total assets in Egypt's banking sector grew notably over the past three years or so. The growth of deposits, derived from high-yield CDs issued by state-owned banks, outweighed that of total assets. In a low interest rate environment, we expect this ratio to reverse on the back of a recovery in lending, coinciding with a slowdown in deposits, as those high-yield CDs mature.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
693.3						1,703.8 1,178.6			
				daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	11,654.58	0.48%	7.46%			Gold	1,855.61	(0.77%) (2.25%)
	EGX 30 TR	4,499.60	0.42%	7.86%			Silver	25.49	(1.71%) (3.44%)
	EGX 70 EWI	2,311.89	0.39%	7.77%			Brent Oil	55.41	(1.23%) 6.97%
	EGX 100 EWI	3,328.19	0.45%	7.44%			WTI	52.27	(1.62%) 7.73%
	DFMGI	2,735.61	(2.03%)	9.78%			Natural Gas	2.45	(1.81%) (3.66%)
	ADSMI	5,611.30	(1.14%)	10.71%		EGP	USD/EGP	15.73	0.09% (0.04%)
	TASI	8,876.49	(0.02%)	2.15%		€	EUR/USD	1.22	0.06% (0.37%)
	QE Index	10,736.35	(0.58%)	2.88%		£	GBP/USD	1.37	(0.34%) 0.12%
	S&P 500	3,841.47	(0.30%)	2.27%		¥	USD/JPY	103.78	0.27% 0.51%
	Dow 30	30,996.98	(0.57%)	1.28%			6M TB yield	12.84	4 11
	NASDAQ	13,543.06	0.09%	5.08%			1Y TB yield	12.88	1 11
	VIX	21.91	2.77%	(3.69%)			10Y TB yield	14.38	(1) (1)
	STOXX 50	3,602.41	(0.44%)	1.40%			2Y TB yield	0.13	0 (1)
	MSCI Emerging	1,392.85	(0.94%)	7.87%			10Y TB yield	1.09	(0) 16
	MSCI Frontier	586.71	0.09%	2.64%			30Y TB yield	1.85	2 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
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.
26-Jan-21	ELEC	Stock Split	Record date for EGP0.20/share.
27-Jan-21	ELEC	Stock Split	Distribution date for EGP0.20/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.
31-Jan-21	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
31-Jan-21	AMER	Lawsuit	A court session discussing legal disputes relevant to the company.
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 the 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.
9-Feb-21	RAYA	EGM	Discussing a stock split and articles 6 & 7 of the bylaws.
9-Feb-21	EGCH	EGM	Approving increasing the issued capital and amending article 6 of the bylaws.
13-Feb-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
15-Feb-21	SRWA	EGM	Increasing BoD members from 11 to 13.
15-Feb-21	EAST	Cash dividend	Distribution date for EGP0.714/share (2nd installment).
15-Feb-21	HELI	Auction	Open bid for 270 feddans in New Heliopolis
15-Feb-21	AREH	EGM	Discussing a stock split and amending articles 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 – 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>
8Jun-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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