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Prophylactic Moves

1. Today's Trading Playbook

TABLE OF CONTENTS**KEY THEMES**

After yesterday's trading session, Arabia Investments Holding [**AIH**] said that the lawsuit filed by its subsidiary CDCM has been rejected for reasons related to the Egyptian judiciary not having jurisdiction to consider the case. The statement is likely to be met with resentment from investors long AIH stock, albeit the probability of a lawsuit win was not high. At this stage, what is more noteworthy is AIH's earnings performance. The company had generated a bottom line of EGP44mn in 9M 2020, most of which was driven by its NBFS segment through its **UE Finance** and **Rawaj**, whereas the construction and building materials segment contributed losses. We expect AIH to end 2020 with recurring earnings after minority of EGP70-75mn, depending on how far Rawaj's securitization has been. This puts AIH at a 2020e P/E within the range of 11.8-12.7x, an ROE of 14%, and a P/BV of 1.6x—which we see as somewhat rich. The hopes in 2021 for AIH's management are to resolve the construction and building materials segment legacy issues and to generate a near triple-digit bottom line figure. But until this happens, you're welcome to try out all sorts of prophylactic moves.

NEGATIVE

AIH: The rejection of the lawsuit could dent the positive sentiment towards the stock in the short term, especially that—at current levels—AIH's valuation (at least based on our estimates for 2020) is not that attractive.

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



2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Minister of Petroleum & Mineral Resources inked a new production sharing contract between the state-owned Ganoub El-Wadi Petroleum Holding Co. (Ganope) and Shell Egypt to explore for oil and natural gas in the deep waters of the Red Sea. ([Ahram Online](#))

U.K. exploration and production company Energean plans to spend USD235mn (EGP3.69bn) to develop the North Amriya and North Idku concessions in offshore Egypt. ([Zawya](#))

A project to locally assemble electric vehicles between the Ministry of Military Production and an unnamed international company will officially be announced this Wednesday. ([Youm7](#))

CORPORATE NEWS

Cairo For Investment & Real Estate Development's [CIRA] BoD approved to acquire 51% of Innovette for Education by entering into a partnership, through which the latter will launch 25 new nurseries across Egypt over the next five years (with three nurseries expected this year). CIRA expects to invest about EGP50mn in this segment over the upcoming period. ([Company disclosure](#))

SODIC's [OCDI] gross contracted sales reached EGP7.4bn (+1.4% y/y) in 2020, with a 14% cancelation rate, indicating net contracted sales of EGP6.36bn (-5% y/y). OCDI delivered 1,162 units in 2020, surpassing its expectation of handing over 1,150 units. ([Company disclosure](#))

Arabia Investments Holding [AIH] announced that the lawsuit filed by Cairo for Development & Cars Manufacturing (CDCM) has been rejected by an Egyptian court which cited no Egyptian jurisdiction. ([Company disclosure](#)) the lawsuit goes back to the cancellation of Peugeot's agreement with CDCM.

Dice Sports & Casual Wear [DSCW] aims to expand during 2021 by opening some 52 new branches, including those operating as franchises. Meanwhile, DSCW received export rebates worth EGP62mn under the government's immediate rebate payment initiative. DSCW expects an improvement in its profitability starting Q1 2021, supported by exports. (Al-Borsa)

Suez Cement [SUCE] will sell its 51% stake in Hilal Cement Co. KSCP [KSE: HCC] at a share price of KWD0.057, implying a value of at least KWD2.9mn. ([Mubasher](#)) This is equivalent to EGP153.3mn or EGP0.84/SUCE share (i.e. c.10% of SUCE's market value).



GLOBAL NEWS

Traders are likely putting their trust in the Federal Reserve to provide the next spur to an emerging-market rally that may be showing signs of fatigue. ([Bloomberg](#))

China was the largest recipient of foreign direct investments in 2020 as the coronavirus outbreak spread across the world over the course of the year, with the Chinese economy having brought in USD163bn in inflows. ([Reuters](#))

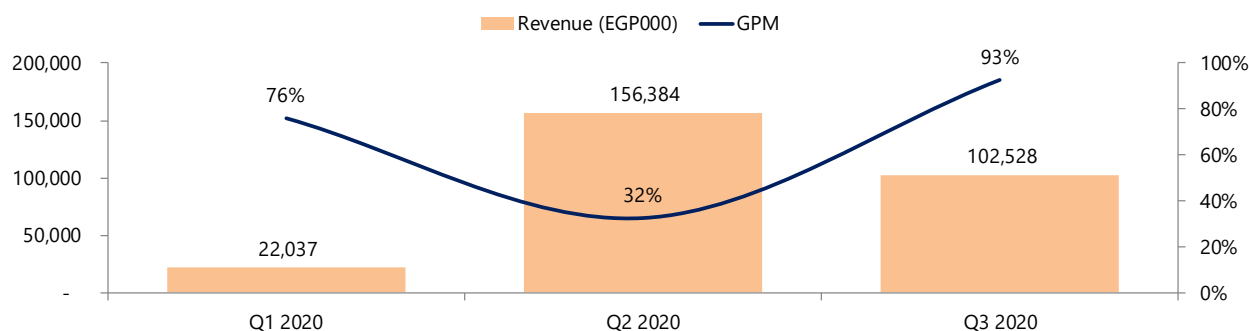
3. CHART OF THE DAY

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SWDY's Renewables performance













































Source: Company reports.

Elsewedy Electric [**SWDY**] recently added renewables, a high-margin segment, to its portfolio. Despite its negligible 1% contribution to SWDY's revenues, the segment's gross profit margin jumped to 93% in Q3 2020.



4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						689.6							
						Equity turnover (EGPmn): Last, ytd avg.		1,505.4		1,178.6			
						daily chg.		ytd chg.					
		EGX 30	11,525.25	(1.11%)	6.27%			Gold	1,855.61	(0.77%)	(2.46%)		
		EGX 30 TR	4,434.61	(1.44%)	6.30%				Silver	25.49	(1.71%)	(3.38%)	
		EGX 70 EWI	2,328.85	0.73%	8.56%					Brent Oil	55.41	(0.04%)	6.93%
		EGX 100 EWI	3,341.36	0.40%	7.86%					WTI	52.27	0.02%	7.75%
		DFMGI	2,715.94	(0.72%)	8.99%					Natural Gas	2.45	3.39%	(0.39%)
		ADSMI	5,613.17	0.03%	11.39%		EGP			USD/EGP	15.73	0.09%	(0.04%)
		TASI	8,829.52	(0.53%)	1.61%	€		EUR/USD	1.22	0.07%	(0.29%)		
		QE Index	10,706.90	(0.27%)	2.60%	£		GBP/USD	1.37	0.22%	0.34%		
			S&P 500	3,841.47	(0.30%)	2.27%	¥		USD/JPY	103.78	(0.06%)	0.46%	
		Dow 30	30,996.98	(0.57%)	1.28%			6M TB yield	12.89	6	16		
		NASDAQ	13,543.06	0.09%	5.08%			1Y TB yield	13.00	11	23		
		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, except for commodities and currencies at 8.23am CLT. 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
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	GGCC	Stock Split	Record date for a 5-for-1 split ratio.
26-Jan-21	ELEC	Stock Split	Record date for a 5-for-1 split ratio.
27-Jan-21	GGCC	Stock Split	Distribution date for a 5-for-1 split ratio.
27-Jan-21	ELEC	Stock Split	Distribution date for a 5-for-1 split ratio.
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.
27-Jan-21	MICH	BoD meeting	Following up on production, sales and exports.
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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