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What Goes Up Must Come Down

1. Today's Trading Playbook

TABLE OF CONTENTS**KEY THEMES**

Al Ahly for Development & Investment [**AFDI**] has had an aggressive run last year. AFDI had hit a 52-week low of EGP2.95/share back on 19 March 2020, jumping 635% to end Tuesday's trading at EGP21.68/share! The company has what we call "interesting" stakes. AFDI fully owns **Nile Financial Leasing**, an active leasing player, a 17% stake in **Cairo Capital**, as well as some JVs with B Investments [**BINV**]. However, we do not think the components of its portfolio justify such a gigantic run. To put things into perspective, AFDI's annualized 9M 2020 ROE stands at c.1%, yet its current P/BV is 1.6x. Such a multiple can only make sense if (1) the underlying growth is potentially huge or (2) AFDI is set to exit one or more of its stakes at lucrative valuation. For now, none of the two cases has so far materialized.

NEGATIVE

AFDI: Its 10-month 635% stock performance is not justified ... yet.

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

2. TOP NEWS & ANALYSIS

TABLE OF CONTENTS**MACRO NEWS**

Foreign direct investments into Egypt fell 39% in 2020 as fears over the coronavirus pandemic caused a historic drop in global investment flows. Egypt attracted USD5.5bn of FDIs last year, down from USD8.5bn in 2019, in what was a sharper drop than the 32% average among North African economies and 18% dip across Africa. Despite this, Egypt remained the top destination for FDIs on the continent. ([UNCTAD](#))

The CBE directed banks to give those aged between 16 and 21 access to a limited number of banking services in a move the central bank hopes will increase the rate of financial inclusion. ([Shorouk](#))



The Egyptian economy is expected to grow 2.8% in the fiscal year that ends in June, a Reuters poll of 20 economists showed on Tuesday, slower than the 3.3% forecast three months earlier. The economists polled by Reuters expected annual urban inflation to slow to 5.6% in FY21 before gathering pace to 7.0% in each of FY22 and FY23. ([Zawya](#))

The first test shipment out of Damietta's LNG plant will be sent out on 14 February as Italy's Eni takes over the plant's operations from Spain's Naturgy under the terms of an agreement between the two companies and the Egyptian government. ([S&P global](#))

CORPORATE NEWS

CIB's [COMI] internet banking transactions more than doubled in 2020 to EGP53bn (+118%). ([Al-Mal](#))

Egyptian Gulf Bank's [EGBE] 2020 stand-alone net profit retreated 7.5% y/y to EGP625mn, as operating expenses reached EGP1.4bn (+26% y/y). Provisions were also an undermining factor, having built up to EGP424mn in 2020 (despite an EGP13mn reversal in Q4 2020) from EGP212mn in 2019. Meanwhile, net lending declined 2.7% y/y to EGP22.7bn, whereas deposits rose 7.5% y/y to EGP60.3bn. ROAE fell to 12.6% from 16.4%, due to an increase in cost of risk (CoR) from 0.9% to 1.8%, the effect of which we expect to soften from Q2 2021 onwards. ([Bank release](#)) EGBE is currently trading at a P/B of 0.45x and a P/E of 3.9x.

Egypt Aluminum's [EGAL] preliminary H1 2020/21 results showed net losses narrowing to EGP341mn vs. EGP596mn a year earlier. This comes in light of a 40% y/y improvement in revenues to EGP5.01bn as well as lower gross losses. EGAL still registered a gross loss margin (GLM) of 9.5% vs. 27.9% a year earlier. ([Company disclosure](#))

Al-Tayseer Medical Group seeks to have six affiliated hospitals and to acquire a new group of medical labs before floating on the EGX (expected in 2024). Al-Tayseer's 2021 expansion plan includes the acquisition of 80% of a hospital in Alexandria, raising its stake in Mansoura Center to 50.5%, and building a new hospital. (Al-Borsa)

LSE-listed Hikma Pharma plans to acquire the 91.2% stake in EGX-listed GlaxoSmithKline [BIOC] owned by its parent company Glaxo Group Limited through a mandatory tender offer for 100% of BIOC. ([Company disclosure](#))

Galina Holding is reportedly attracting at least 10 local and foreign investors institutions interested in participating in a private placement by June 2021, selling a 49% stake to raise EGP600mn by issuing new share before floating at least 10% on the EGX. ([Enterprise](#))



Edita Food Industries [EFID] launched a new Molto Mini Magnum SKU, retailing at EGP5/pack, in efforts to "migrate consumers towards higher price-points while offering higher value-for-money propositions." ([Company disclosure](#))

Real Estate Egyptian Consortium [AREH] said it received no binding purchase offer from major shareholder Target for Real Estate Investment which told the media it was going to increase its stake in the company to 90%. ([Company disclosure](#))

Bank Audi Egypt's net profit before taxes grew 16.7% to EGP2.1bn in 2020, despite a 51% increase in provisions build-up. The bank's total assets inched up 13.7% to EGP85.6bn in 2020, while its book value increased 12.7% to EGP8bn. ([Al-Mal](#))

GLOBAL NEWS

Mergers and acquisitions (M&A) deal making in the Middle East was slower in 2020 compared 2019. There were 220 M&A deals in H1 2020, down 2% from 225 in 2H 2019, whereas total value slightly increased by 3% to USD14.5bn from USD14.1bn for the same period last year. For the full year of 2020, however, there was a 13% y/y decrease in M&A deals while deal value significantly dropped by 51% y/y demonstrating signs of distress. ([BakerMcKenzie](#))

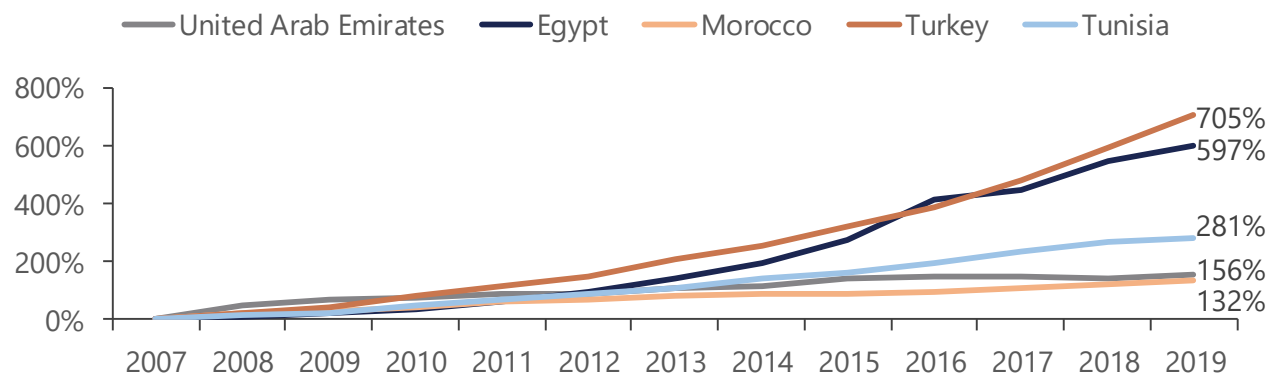
The UAE has taken the first step towards becoming a member of the European Bank for Reconstruction & Development (EBRD) with the bank's Board of Governors' approval of its request to become a shareholder of the multilateral financial institution. ([EBRD](#))

3. CHART OF THE DAY

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Net domestic liquidity (local currency, rebased vs. 2007)













































Source: World Bank.



One of the key factors that support the Egyptian economy during the COVID-19 shock is the resilience of its banking sector in terms of performance and liquidity. Even among other MENA peers, Egypt's banking sector is standing strong.

4. MARKETS PERFORMANCE

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| Current equity market cap (EGPbn) | | | | | | Equity turnover (EGPmn): Last, ytd avg. | | | | | |
|---|---|---------------|-----------|------------|----------|---|---|--------------|----------|------------|----------|
| 690.2 | | | | | | 1,705.7 1,178.6 | | | | | |
| | | | | | | | | | | | |
| | | | | daily chg. | ytd chg. | | | | | daily chg. | ytd chg. |
|  |  | EGX 30 | 11,527.34 | 0.15% | 6.29% |  |  | Gold | 1,850.92 | (0.27%) | (2.59%) |
| |  | EGX 30 TR | 4,448.61 | 0.27% | 6.63% |  |  | Silver | 25.47 | 0.48% | (3.83%) |
| |  | EGX 70 EWI | 2,354.98 | 0.47% | 9.78% |  |  | Brent Oil | 55.91 | 0.63% | 8.61% |
| |  | EGX 100 EWI | 3,378.52 | 0.50% | 9.06% | |  | WTI | 52.61 | 0.68% | 9.17% |
|  |  | DFMGI | 2,698.02 | (0.93%) | 8.27% |  |  | Natural Gas | 2.66 | 0.30% | 4.92% |
| |  | ADSMI | 5,582.68 | (0.63%) | 11.34% | EGP |  | USD/EGP | 15.75 | 0.04% | (0.06%) |
|  |  | TASI | 8,789.87 | (0.65%) | 1.15% | € |  | EUR/USD | 1.22 | (0.01%) | (0.47%) |
|  |  | QE Index | 10,639.34 | (0.30%) | 1.99% | £ |  | GBP/USD | 1.37 | 0.02% | 0.50% |
|  |  | S&P 500 | 3,849.62 | (0.15%) | 2.49% | ¥ |  | USD/JPY | 103.62 | 0.07% | 0.43% |
| |  | Dow 30 | 30,937.04 | (0.07%) | 1.08% |  |  | 6M TB yield | 12.89 | 6 | 16 |
| |  | NASDAQ | 13,626.06 | (0.07%) | 5.72% | |  | 1Y TB yield | 13.00 | 11 | 23 |
| |  | VIX | 23.02 | (0.73%) | 1.19% | |  | 10Y TB yield | 14.69 | 31 | 30 |
|  |  | STOXX 50 | 3,592.83 | 1.12% | 1.13% |  |  | 2Y TB yield | 0.12 | 1 | (1) |
| EM |  | MSCI Emerging | 1,388.76 | (1.52%) | 7.55% | |  | 10Y TB yield | 1.04 | 1 | 11 |
| FM |  | MSCI Frontier | 586.16 | (0.54%) | 2.54% | |  | 30Y TB yield | 1.80 | 0 | 14 |

* As of market close, except for commodities and currencies at 8.55am 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 |
|-----------|--------|---------------|---|
| 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. |
| 18-Feb-21 | QNBA | OGM | Approving the financial statements ending 31 Dec. 2020 and the proposed dividend. |
| 18-Feb-21 | QNBA | EGM | Amending articles 4 & 39 of the bylaws. |
| 23-Feb-21 | OLFI | OGM | Approving the financial statements ending 31 Dec. 2020 and the dividend distribution. |

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 | <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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