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Let the IPOs Resume

1. Today's Trading Playbook

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KEY THEMES

Trading on Orascom Investment Holding [**OIH**] shares will be suspended effective today until the Listing Committee at the Egyptian Exchange (EGX) issues its decision with regards to OIH's proposed spinoff. With the new company, initially to be known as Orascom Financial Holding (OFH) owning OIH's stakes in Sarwa Capital Holding [SRWA] (29.24%) and Beltone Financial Holding [BTFH] (74.55%), we calculate that based on all three stocks' closing prices yesterday, OIH's remaining business is now worth some EGP981mn or EGP0.187/share (compared to a post-split EGP0.169/share or 26.2% of the pre-spinoff price), while OFH is now worth some EGP2.4bn or EGP0.460/share (compared to a post-spinoff EGP0.478/share). In other words, if both post-spinoff OIH and OFH were to trade today, the former would offer a 10% upside, and the latter a 4% downside. Once we know when the new shares will trade, we would simply need to compare the post-spinoff implied values to know which one should be bought/sold.

POSITIVE

CICH: In line with [our Core Coverage dated 14 January 2021](#), CI Capital Holding [**CICH**] has taken a step closer to list **Taaleem**, owner of El-Nahda University in Upper Egypt, on the EGX. This, as well as Banque Misr's intention to acquire up to 90% of CICH at EGP4.7/share, should offer some support for the stock, which we value at EGP5.2/share with a 12M PT of EGP6.0/share.

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



2. TOP NEWS & ANALYSIS

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MACRO NEWS

Water, public transit, and a green economy will become the focus of the European Commission's support to Egypt under its new agenda for the Southern Mediterranean region. The commission has allocated up to EUR7bn in direct funding in addition to an estimated EUR30bn in funds that will be mobilized indirectly through public- and private-sector financing for the entire region between 2021-2027. ([Enterprise](#))

The Cabinet signed off on the proposed financial incentives for vehicle owners to swap out their old cars to new ones running on natural gas or dual fuel engines. Under the proposal, owners of private vehicles can get up to 10% off of the cost of a new vehicle — with the ceiling set at EGP 22,000 — while taxi and microbus owners will be able to get 20% and 45% off, up to a maximum of EGP45,000 and EGP65,000, respectively. ([Cabinet](#))

Egypt's core inflation rate fall to 3.6% in January 2021, compared to 3.8% in December 2020, while monthly core inflation recorded 0.5% last month, compared to zero in December. ([CBE](#))

CORPORATE NEWS

Credit Agricole - Egypt's [CIEB] separate net profit retreated 42% y/y to EGP1.37bn in 2020, most likely due to heavy operating expenses and high provision build-up, coupled with higher effective tax rate of 30%. By end of Q4 2020, gross loans grew 10% y/y to EGP26.9bn (-3% q/q) and deposits rose 4% y/y to EGP41.3bn. Meanwhile, ROAE fell to 20% in 2020 from 37.7% in 2019, most likely due to a high cost of risk (CoR), the effect of which we expect to soften from Q2 2021 onwards. CIEB is currently trading at a P/BV of 1.2x and a TTM P/E of 6.4x. ([Bank release](#))

Banque Misr yesterday sent a draft of its binding offer to acquire a controlling stake in CI Capital Holding [CICH] to the FRA. A stake ranging between 51% and 90% (652.8mn shares, excluding free float) at EGP4.7/share is the purchase target. ([FRA](#))

CI Capital Holding [CICH] announced Taaleem's intention to proceed with its initial public offering (IPO) and submission of its registration application to the FRA as a preliminary step to list its ordinary shares on the EGX. The offering is expected to consist of a secondary sale of shares by Sphinx Obelisk B.V. of up to 357.8k ordinary shares on the EGX (up to 49.0% Taaleem' share capital. (Company disclosure)

GB Auto [AUTO] expects to be one of the major beneficiaries of the vehicle replacement program, as it was during the white taxi replacement program, according to a company official. ([Enterprise](#))



Abu Dhabi Commercial Bank Egypt's (ACDB) 2020 net profit inched up 14% to EGP491mn as net interest income (NII) grew 19.6% to EGP1.26bn. Gross loans expanded 30.3% to EGP17.4bn, while deposits grew 13.7% to EGP29.1bn. ROAE increased marginally to 17.5% in 2020 vs. 16.4% in 2019. (Bank release)

Rameda [RMDA] said that it continues to search for new investment opportunities, after retracting its decision to submit an offer to acquire Glaxo Group's stake in GlaxoSmithKline [BIOC]. (Al-Mal)

GLOBAL NEWS

Oil prices fell on Thursday, giving up some of the recent strong gains on profit taking and speculation that the market's strength could tempt producers, like Saudi Arabia, to reduce output by less. (Reuters)

Iraq said on Wednesday OPEC+ would keep its output cuts policy unchanged at a March meeting but that Saudi Arabia would likely abandon voluntary production cuts of 1mn barrels per day (bpd) after that as oil prices rally. (Reuters)

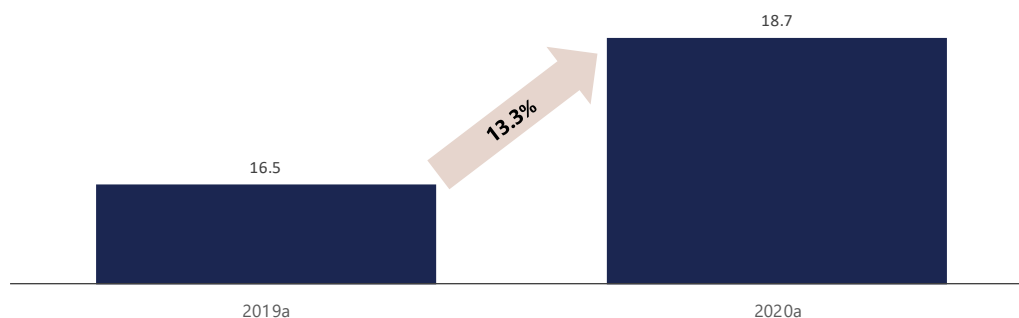
U.S. consumer prices rose moderately in January, and underlying inflation remained benign as the pandemic continues to be a drag on the labor market and services industry. (Reuters)

3. CHART OF THE DAY

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Egypt's Microfinance Market 2020 Growth (Total Financing Amount, EGPbn)
























Source: FRA, Prime Research.






















Egypt's microfinance sector has grown by 13.3% y/y in 2020, with financing of EGP18.7bn vs. EGP16.5bn in 2019. However, looking at Q1 2020 alone, financing grew 40% y/y to EGP17.8bn compared to EGP12.7bn in the same period of 2019. Slower growth was an expected result amid COVID-19 lockdowns and economic turbulences. The pandemic environment also held down the number of beneficiaries of microfinance at 3.2mn for both years.



4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					706.3	
					daily chg.	ytd chg.
		EGX 30	11,545.03	0.85%	6.45%	
		EGX 30 TR	4,445.74	0.98%	6.57%	
		EGX 70 EWI	2,434.93	1.84%	13.51%	
		EGX 100 EWI	3,468.78	1.51%	11.97%	
		DFMGI	2,631.60	(0.59%)	5.60%	
		ADSMI	5,666.80	0.07%	11.90%	
		TASI	8,901.63	0.10%	2.44%	
		QE Index	10,528.52	0.80%	0.89%	
		S&P 500	3,909.88	(0.03%)	4.09%	
		Dow 30	31,437.80	0.20%	2.72%	
		NASDAQ	13,972.53	(0.25%)	8.41%	
		VIX	21.99	1.66%	(3.34%)	
		STOXX 50	3,648.37	(0.35%)	2.69%	
EM		MSCI Emerging	1,422.95	0.98%	10.20%	
FM		MSCI Frontier	581.48	(0.22%)	1.72%	

Equity turnover (EGPmn): Last, ytd avg.					1,934.6 1,178.6	
					daily chg.	ytd chg.
		Gold	1,842.89	0.25%	(3.22%)	
		Silver	27.03	(0.88%)	1.85%	
		Brent Oil	61.47	(0.57%)	17.99%	
		WTI	58.68	(0.60%)	20.22%	
		Natural Gas	2.91	2.20%	17.17%	
EGP		USD/EGP	15.62	(0.24%)	(0.77%)	
€		EUR/USD	1.21	0.08%	(0.72%)	
£		GBP/USD	1.38	0.07%	1.27%	
¥		USD/JPY	104.59	0.00%	1.30%	
		6M TB yield	13.06	(13)	33	
		1Y TB yield	13.16	(16)	39	
		10Y TB yield	14.69	(0)	30	
		2Y TB yield	0.11	(2)	(2)	
		10Y TB yield	1.13	(3)	20	
		30Y TB yield	1.92	(3)	26	

* As of market close, except for commodities and currencies at 8.25am 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
13-Feb-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
15-Feb-21	SRWA	EGM	First, increasing the BoD seats from 11 to 13. Second, changing the authorized capital to comply with FRA's regulations. Third, changing the company's name to Contact Financial Holding.
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.
21-Feb-21	FAIT	Stock dividend	Record date for 0.15-for-1.
22-Feb-21	FAIT	Stock dividend	Distribution date for 0.15-for-1.
22-Feb-21	FWRY	EGM	Discussing applying a reward system for employees.



23-Feb-21	OLFI	OGM	Approving the financial statements ending 31 Dec. 2020 and the dividend distribution.
28-Feb-21	EXPA	OGM	Approving increasing the issued capital by distributing EGP54.5mn worth of bonus shares.
28-Feb-21	EXPA	EGM	Approving increasing the issued capital and amending articles 5, 23 and 48 of the bylaws.
28-Feb-21	ACRO	EGM	Amending article 4 of the bylaws.

7. LATEST RESEARCH

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PUBLISHED REPORT

10-Feb-21	<u>MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices</u>
8-Feb-21	<u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u>
4-Feb-21	<u>MACROView – External Buffers Are Still Restoring Grounds</u>
3-Feb-21	<u>MACROView – A Fragile Improvement but Favorable Sentiment</u>
3-Feb-21	<u>MACROView – External Woes vs. Cautious Optimism</u>
2-Feb-21	<u>STANDPoint – Egypt 2021 Investing Playbook</u>
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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