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The Day After

1. Today's Trading Playbook

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KEY THEMES

It's the day after yet another spinoff in the history of Orascom Telecom Holding [**ORTE**] in just over nine years. Yes, remember that name that was once the market bellwether? Early 2012, ORTE was split into Global Telecom Holding [**GTHE**] and Orascom Telecom, Media, & Technology [**OTMT**] which was later renamed to the one we knew as Orascom Investment Holding [**OIH**]. Today, we will welcome a new stock to the non-banking financial services (NBFS) sector with Orascom Financial Holding [**OFH**] trading on the EGX for the first time after its demerger from OIH. As per the spinoff math, OIH's per-share par value of EGP0.42 will be split into EGP0.31/share for OFH and EGP0.11/share for post-spinoff OIH leaving it with nine legacy businesses. Based on the split ratio, **OFH's opening price today is set at EGP0.478/share** (c.74% of OIH's closing price of EGP0.647/share at end of 10 February). Hence, **OIH's opening price is set at EGP0.169/share** (the remaining c.26%).

OFH's new corporate structure will now include stakes in Beltone Financial Holding [**BTFH**] (74.55%) and Sarwa Capital Holding [**SRWA**] (29.25%) in addition to some EGP74mn due from related parties, which when discounted for a year at a cost of equity (COE) of 18% would be worth some EGP62mn. **Please see the table for more details.**

Implied by current market caps, using ...	Spinoff ratio	SRWA + BTFH market caps	Upside / (downside)
Total OIH group (EGPmn)	3,394	3,394	0%
OIH - New (EGPmn)	889	958	8%
OFH - NewCo (EGPmn)	2,505	2,436	-3%
SRWA	29.25%	1,400	
BTFH	74.55%	973	
Due from related parties *		62	

Total OIH group (EGP/share)	0.647	0.647	0%
OIH - New (EGP/share)	0.169	0.183	8%
OFH - NewCo (EGP/share)	0.478	0.464	-3%
SRWA	29.25%	0.267	
BTFH	74.55%	0.186	
Due from related parties		0.012	

OIH - New (% of total)	26%	28%	Underpriced
OFH - NewCo (% of total)	74%	72%	Overpriced

Par value split (EGP/share)	0.42
OIH - New (EGP/share)	0.11
OFH - NewCo (EGP/share)	0.31

* A balance of c. EGP74mn as of 30 Sep 2020 discounted one year at a COE of 18%.

Source: EGX, companies' disclosures, Prime Research.



OFH's mandate is to expand its NBFS services in the future. We continue to be bullish on the NBFS sector and hence more bullish on OFH vis-à-vis OIH. Adjusted to the market values of its BTFH and SRWA stakes and the discounted due from related parties, we believe **OIH is worth EGP0.183/share (+8%)**, while **OFH is worth EGP0.464/share (-3%)**.

NEUTRAL

OFH, OIH: The above calculation suggests that investors long OIH should sell OFH and buy more OIH, while new investors should buy OIH. However, the picture is not that crystal clear for the following:

(1) For OFH, we believe it's where all the action will be, starting with a clean slate and zero leverage. OFH will likely go on an acquisition spree within the NBFS space, potentially raising capital through debt or equity. However, in the short term, we could see some pressure if OIH's GDR holders opt to sell off their OFH local shares for cash.

(2) For OIH, we believe it will be a wild card (a call option) on however the story in North Korea will unfold. On the other hand, the risk is if a totally unrelated investment (à la Nile Sugar back in 2019) is thrown on its balance sheet at unreasonable valuation levels.

Thus, we believe today's split is a short-term neutral on both stocks, but in the long run we see higher potential in OFH.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

A three-year state budget and fiscal policy priority framework will be on the House of Representatives' agenda when cabinet submits the FY22 state budget at the end of March, Prime Minister said at a meeting with parliamentary committee heads. The budget framework will outline the government's medium-term spending priorities and will be taken up as a new approach by the government and submitted alongside the standard detailed annual budget. ([Al-Mal](#))

Green projects in Egypt will get a portion of an USD240mn loan from the Japan International Cooperation Agency (JICA), with the remainder of the loan earmarked for supporting the state budget and softening the impact of the COVID-19 pandemic on the economy. ([Cabinet statement](#))



The Egyptian Minister of Health, announced that digital transformation in the health sector covered the presidential initiatives which have been launched since 2018 at a cost of EGP14.2bn. The country worked on automating records of births and deaths, medical reports of beneficiaries of the universal health insurance scheme, and the mechanism of the provision of subsidized infant formula. ([Mubasher](#))

The Egyptian Ministry of Planning and Economic Development and Chairman of the National Investment Bank (NIB), announced the closing of subscription to Siula Liquidity Fund launched by NIB's investment arm, NI Capital. NI Capital's first money market fund raised over EGP1.075bn ahead of its scheduled closure on 10 March thanks to the high demand. ([Mubasher](#))

The Egyptian Minister of Petroleum and Mineral Resources, announced a plan to increase the mining sector's contribution to the country's GDP to 5% over the coming five years. In line with that more gold exploration contracts will be signed in the next week and a half. All remaining contracts for gold exploration concessions awarded in the Oil Ministry's tender last year will be signed by the end of February. ([Ministry of Oil and Mineral Resources](#))

CORPORATE NEWS

EIPICO [PHAR] signed a partnership agreement with India's Science Life Reliance for exclusively manufacturing and distributing seven drugs treating tumors, rheumatoid and chronic diseases. PHAR obtained an official preliminary approval to register these drugs. ([Company disclosure](#))

Speed Medical Co.'s [SPMD] 2020 net income skyrocketed 363% y/y to EGP79mn, following a 138% y/y increase in gross profit. Revenues, meanwhile, surged 107% y/y to EGP174mn. In a separate release, Speed Medical [SPMD] is in the process to acquire a majority stake in Prime Speed Healthcare, which owns 70% stake in Prime Speed Medical. SPMD currently owns 30% stake in Prime Speed Medical, according to informed sources. ([Company disclosure](#), Al-Mal)

Alexandria Container & Cargo Handling's [ALCN] 7M 2020/21 ended 31 January 2021 net income fell by 9% y/y to EGP747mn. Meanwhile, revenues decreased to EGP1.3bn (-9% y/y). ([Company disclosure](#))

Egyptian Starch & Glucose's [ESGI] BoD approved the fair value set by an independent financial advisor at EGP9.63/share in effort to voluntarily delist from EGX. The BoD also gave the go-ahead for buying the shares held by objecting shareholders, ([Company disclosure](#))



Egyptians for Housing & Development [EHDR] sold c.35.7mn (3.72%) treasury shares on 15 February. ([Company disclosure](#))

Orascom Investment Holding [OIH] announced that trading on its stock as well as its listed GDR in LSE will resume starting from today's trading session. As per EGX disclosure, OIH will trade at an open price of EGP0.169/share, as Orascom Financial Holding's [**OFH**] open price will be EGP0.478/share. ([Company disclosure](#), [EGX disclosure](#))

Elsewedy Electric's [SWDY] subsidiary signed a KWD16.1mn contract to provide and install overhead lines for Boubyan main transfer station. ([Company disclosure](#))

GLOBAL NEWS

U.S. Treasury yields hit one-year highs on Wednesday, lending support to the dollar but pressuring lofty valuations for stocks, as investors reckoned that a stimulus-fueled global recovery will eventually bring rising inflation. ([Reuters](#))

Bullish oil prices marked time on Wednesday, as support from supply disruptions in the U.S. south caused by an Arctic blast was offset by expectations that OPEC+ producers may ease their output curbs after April. ([Reuters](#))

Bitcoin rose above USD50,000 on Tuesday for the first time, adding steam to a rally fueled by signs that the world's biggest cryptocurrency is gaining acceptance among mainstream investors and companies. ([Reuters](#))



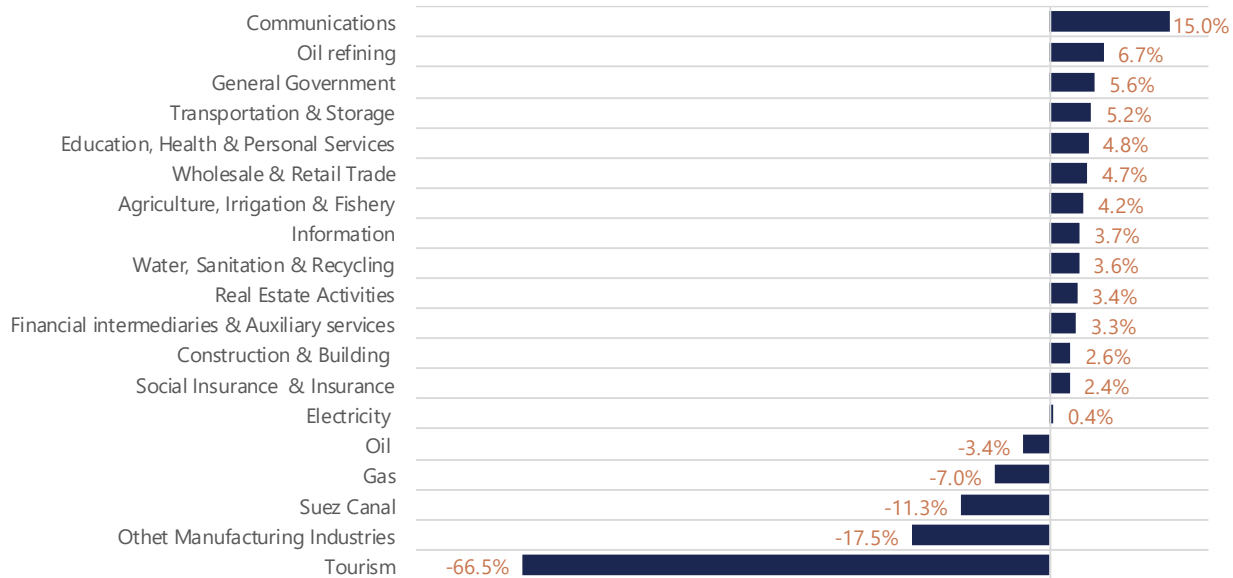
3. CHART OF THE DAY

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Sectors growth rates y/y in Q1 FY21



Source: Ministry of Planning.

Communication and oil refining were the fastest growing sectors in Q1 FY21 (ended on 30 Sept. 2020). The growth momentum of the latter came in line with the government's plan to achieve self-sufficiency of refined fuel products by 2023. Meanwhile, the communication sector is still a candidate for further growth at a time where the digitalization process is set to accelerate.



4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.			
706.6					1,590.7 1,178.6			
			daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	11,534.05	0.06%	6.35%		Gold	1,794.47	(1.34%) (5.64%)
	EGX 30 TR	4,424.06	0.00%	6.05%		Silver	27.24	(1.36%) 3.35%
	EGX 70 EWI	2,416.69	0.65%	12.66%		Brent Oil	63.35	0.24% 22.59%
	EGX 100 EWI	3,453.56	0.63%	11.48%		WTI	60.05	0.08% 23.87%
	DFMGI	2,610.50	(1.20%)	4.76%		Natural Gas	3.13	(0.51%) 22.61%
	ADSMI	5,663.86	0.27%	12.26%		USD/EGP	15.64	0.27% (0.63%)
	TASI	9,101.96	0.22%	4.75%		EUR/USD	1.21	(0.14%) (1.04%)
	QE Index	10,459.94	0.03%	0.23%		GBP/USD	1.39	(0.11%) 1.59%
	S&P 500	3,932.59	(0.06%)	4.70%		USD/JPY	106.04	(0.12%) 2.58%
	Dow 30	31,522.75	0.20%	2.99%		6M TB yield	13.13	8 40
	NASDAQ	14,047.50	(0.34%)	8.99%		1Y TB yield	13.17	1 40
	VIX	21.46	7.46%	(5.67%)		10Y TB yield	14.69	(0) 30
	STOXX 50	3,726.40	(0.21%)	4.89%		2Y TB yield	0.12	1 (1)
	MSCI Emerging	1,442.17	0.31%	11.69%		10Y TB yield	1.29	8 36
	MSCI Frontier	584.92	0.29%	2.32%		30Y TB yield	2.08	7 42

* As of market close, except for commodities and currencies at 8.05am 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
17-Feb-21	CICH	BoD meeting	Discussing the financial statements ending 31 Dec. 2020.
17-Feb-21	ELSH	BoD meeting	Discussing appointing new board representatives, a managing director and CEO.
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.
18-Feb-21	CICH	Conference Call	Discussing FY 2020 Results.
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.
24-Feb-21	ETEL	Earnings Announcement	2020 EAS-Financial results' announcement.
28-Feb-21	HELI	Auction	Open bid for 270 feddans in new Heliopolis.



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.
28-Feb-21	AREH	EGM	Discussing a stock split and amending articles No. 6 & 7 of the bylaws.
3-Mar-21	AMER	Lawsuit	A court session discussing legal disputes relevant to the company.
3-Mar-21	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
7-Mar-21	EGBE	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
7-Mar-21	EGBE	EGM	Amending articles 4, 52, 6 & 7 of the bylaws.
10-Mar-21	RTVC	EGM	Discussing an offer for its 99.95% stake in Orient Tours Hotels & Tourism Villages
13-Mar-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.

7. LATEST RESEARCH

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DATE	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>Elsowedy 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>
8-Jun-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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