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The Elephant In The Room

1. Today's Trading Playbook

TABLE OF CONTENTS**KEY THEMES**

This morning, Orascom Construction [**ORAS**] has released its full year 2020 results. Despite a 25% drop in bottom line, revenue growth came in mid-single digit. Resilient topline performance came on the back of improvement regarding US performance, as revenues for US increased 26% y/y contributing 37% of company's revenues. An important good sign was US segment P&L showed a turn to profitability with USD9.3mn in net income compared to a net loss of USD17.5mn in 2019. Moreover, ORAS's investment BESIX -which 50% owned- distributed a cash dividend of EUR10mn to ORAS despite its loss of USD6.2mn, backed by a recovery seen during the second half of 2020. We note that management has proposed distributing a cash dividend of USD0.23/share implying a dividend yield of 4%. We continue to see ORAS as considerably undervalued, currently trading at 2020 P/E of 7.4x and EV/EBITDA of 1.8x. ORAS may not be a market favorite right now, given the obstacles facing major contractors, in addition to couple of potential legal claims that represent an overhang. However, we believe once the market is able to deal with the elephant in the room, the obvious undervaluation in ORAS will be an important tailwind for future upward re-rating.

Elsewhere, the tug of war in oil prices continues, with WTI crude prices below the USD60/bbl mark. This comes despite the cargo ship which had stuck, blocking crude oil carriers in the **Suez Canal** since Tuesday. Oil prices decline again is a response to renewed fear of major lockdowns in many of developed counties, particularly in Europe, will delay demand recovery in fuel-related products. The important takeaway here is that we're witnessing a sentiment shift. Contrary to the majority of Q1 2020, oil prices are now more responsive to demand concerns, negating the effect of different supply curbs.

POSITIVE

ORAS: Despite annual drop in profitability, we believe ORAS is considerably undervalued, given the scope of its future operations.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Cabinet has reportedly approved the sustainable development plan 2021/2022, presented by the Minister of Planning and Economic Development. Also, Cabinet approved the draft budget for the 2021/22 featuring continuing efforts to maintain balanced financial stability in light of the repercussions of the COVID-19 pandemic without prejudice to the sustainability of budget and debt indicators ([Economy Plus, Cabinet statement](#))

The Central Bank of Egypt (CBE) agreed with the Financial Regulatory Authority (FRA) today, to establish a fund to stimulate trading on the EGX, within the framework of the role the Central Bank plays to support markets and in an effort to stimulate trading volumes on the stock exchange. ([Economy Plus](#))

The CBE has allowed banks to seek assistance from service providers in implementing simplified procedures for identifying and verifying the identity of customers, in order to facilitate access to the largest unbanked population, as part of the rules for simplifying account opening. ([Al-Mal](#))

CORPORATE NEWS

EK Holding [EKHO] is allegedly looking to invest c.USD300mn between 2021 and 2021. The new investment may feature buying some of the minority stakes in number of subsidiaries. ([Al-Borsa](#))

Orascom Construction's [ORAS] 2020 net income decreased by 25% y/y to USD90.9mn. Meanwhile, revenues increased by 6% y/y to USD3.37bn. BoD proposed distributing a cash dividend of USD0.23/share implying a dividend yield of 4%. ORAS managed to keep the same level of the previous year backlog of USD5.4bn. ORAS currently trading at a P/E of 7.4x and EV/EBITDA of 1.8x. (Company disclosure [1](#), [2](#))

International Agricultural Products [IFAP] announced that the fair value study for Nile Agricultural (AGA) has been amended to become EGP334/share instead of EGP338, previously. ([Company disclosure](#), [Mubasher](#))

GLOBAL NEWS

The owner and insurers of one of the world's largest container ships stuck in the Suez Canal face claims totaling millions of dollars even if the ship is refloated quickly ([Reuters](#))

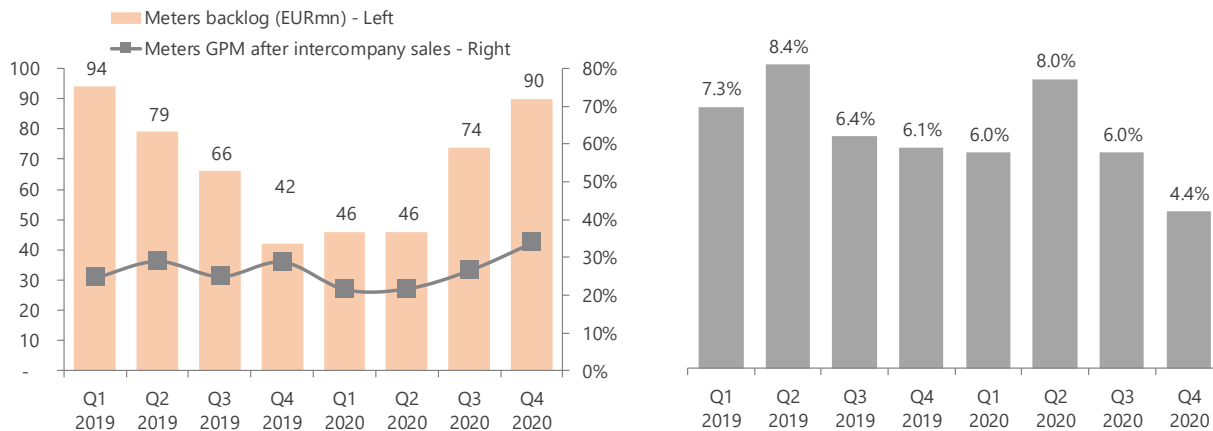
3. CHART OF THE DAY

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Elsewedy Electric's Meters Segment Performance



Source: Company reports.

Elsewedy Electric [**SWDY**] managed to improve its meters segment gross profit margin after the hit in Q1 2020, recording its highest gross profit margin in two years in Q4 2020 (33.8%). Meanwhile, the meters segment contribution to revenues was relatively low (only 4.4% in Q4 2020), and the backlog increased significantly to EUR90mn, the second highest level in reached two years after Q1 2019.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.			
645.8					1,122.7 1,178.6			
			daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	10,702.18	2.20%	(1.32%)		Gold	1,734.69	0.44% (8.66%)
	EGX 30 TR	4,117.79	0.50%	(1.30%)		Silver	25.09	0.14% (5.13%)
	EGX 70 EWI	1,855.29	1.81%	(13.51%)		Brent Oil	64.41	(1.82%) 22.08%
	EGX 100 EWI	2,795.00	2.02%	(9.78%)		WTI	61.18	(2.08%) 23.47%
	DFMGI	2,515.35	(0.72%)	0.94%		Natural Gas	2.52	(0.16%) (0.98%)
	ADSMI	5,745.28	0.17%	12.50%		USD/EGP	15.76	0.04% 0.13%
	TASI	9,464.08	(0.27%)	8.91%		EUR/USD	1.18	0.03% (3.27%)
	QE Index	10,213.13	0.19%	(2.14%)		GBP/USD	1.37	(0.01%) 0.10%
	S&P 500	3,889.14	(0.55%)	3.54%		USD/JPY	108.73	0.22% 5.54%
	Dow 30	32,420.06	(0.01%)	5.93%		6M TB yield	13.39	3 66
	NASDAQ	12,961.89	(2.01%)	0.57%		1Y TB yield	13.36	0 59
	VIX	21.20	4.43%	(6.81%)		10Y TB yield	14.79	8 40
	STOXX 50	3,832.55	0.14%	7.88%		2Y TB yield	0.15	1 2
	MSCI Emerging	1,298.44	(1.91%)	0.56%		10Y TB yield	1.62	(1) 69
	MSCI Frontier	572.20	(0.55%)	0.10%		30Y TB yield	2.31	(2) 65

* As of market close, except for commodities and currencies at 8.33am 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-Mar-21	MICH	BoD meeting	Following up on production, sales and exports.
25-Mar-21	AUTO	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
25-Mar-21	AUTO	EGM	Discussing the agenda.
25-Mar-21	UNIT	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
27-Mar-21	MBSC	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
27-Mar-21	MCQE	OGM	Approving the financial statements ending 31 Dec. 2020.
27-Mar-21	PHAR	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
27-Mar-21	MPRC	OGM	Approving the financial statements ending 31 Dec. 2020.
27-Mar-21	MPRC	EGM	Amending articles 7 & 21 of the bylaws.
27-Mar-21	EFIC	OGM	Approving the financial statements ending 31 Dec. 2020.
27-Mar-21	EFIC	EGM	Amending article 36 of the bylaws.
27-Mar-21	EGAS	EGM	Approving the financial statements ending 31 Dec. 2020 and the

			proposed dividend.
27-Mar-21	MPCO	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
28-Mar-21	HELI	Cash dividend	Record date for a payout of EGP0.05/share (1st installment).
28-Mar-21	UNIP	OGM	Approving the financial statements ending 31 Dec., 2020.
28-Mar-21	UNIP	EGM	Discussing a 10-for-1 stock split and amending articles 6 & 7 of the bylaws.
28-Mar-21	ODIN	OGM	Approving the financial statements ending 31 Dec. 2020.
28-Mar-21	TMGH	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
29-Mar-21	UEGC	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
29-Mar-21	GGCC	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
29-Mar-21	AMIA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
29-Mar-21	ETEL	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
30-Mar-21	EFID	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
30-Mar-21	AMER	OGM	Approving the financial statements ending 31 Dec. 2020.
30-Mar-21	PHTV	OGM	Approving the financial statements ending 31 Dec. 2020.
30-Mar-21	PHTV	EGM	Amending article 4 of the bylaws.
30-Mar-21	ELEC	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
30-Mar-21	ELEC	EGM	Discussing a land sale.
30-Mar-21	ZMID	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
30-Mar-21	MFPC	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
30-Mar-21	PRMH	OGM	Approving the financial statements ending 31 Dec. 2020.
30-Mar-21	PRMH	EGM	Discussing the agenda.
30-Mar-21	NEDA	EGM	Approving the financial statements ending 31 Dec. 2020.
30-Mar-21	EKHO	OGM	Approving the financial statements ending 31 Dec. 2020.
30-Mar-21	COMI	OGM	Approving the financial statements ending 31 Dec. 2020 and the employee profit share distribution.
31-Mar-21	HELI	Cash dividend	Distribution date for dividends of EGP0.05/share (1st installment).
31-Mar-21	EMFD	OGM	Approving the financial statements ending 31 Dec. 2020.
31-Mar-21	SPMD	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
31-Mar-21	CERA	OGM	Approving the financial statements ending 31 Dec. 2020.
31-Mar-21	CERA	EGM	Approving increasing the issued capital.
31-Mar-21	SUGR	OGM	Approving the financial statements ending 31 Dec. 2020.
31-Mar-21	SUGR	EGM	Approving the company's contribution to establish Qaha and Edfina Advanced Industries Company.
31-Mar-21	CIEB	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
31-Mar-21	HELI	Auction	Open bid for 270 feddans in New Heliopolis.
31-Mar-21	LCSW	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
31-Mar-21	ATQA	OGM	Approving the financial statements ending 31 Dec. 2020.



31-Mar-21	ATQA	EGM	Amending articles 4 & 7 of the bylaws.
31-Mar-21	SKPC	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
31-Mar-21	HDBK	OGM	Approving the financial statements ending 31 Dec. 2020.
31-Mar-21	CANA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
31-Mar-21	ACAMD	OGM	Approving the financial statements ending 31 Dec. 2020.
31-Mar-21	ISPH	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
31-Mar-21	POUL	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
31-Mar-21	ETRS	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
31-Mar-21	ARCC	OGM	Approving the financial statements ending 31 Dec. 2020.
31-Mar-21	ORWE	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
31-Mar-21	COSG	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
31-Mar-21	COSG	EGM	Approving a capital reduction.
31-Mar-21	PIOH	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution.
31-Mar-21	DOMT	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
31-Mar-21	DOMT	EGM	Discussing a capital reduction.
31-Mar-21	CANA	Stock dividend	Record date for dividends at a 1-for-10 ratio.
1-Apr-21	CANA	Stock dividend	Distribution date for dividends at a 1-for-10 ratio.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
18-Mar-21	<u>EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues</u>
10-Mar-21	<u>MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon</u>
8-Mar-21	<u>MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions</u>
7-Mar-21	<u>Al-Shams Housing & Development [ELSH] – Making Hay While the Sun Shines</u>
3-Mar-21	<u>MACROView – Weak Demand Still Weighing on the Rebound Trajectory</u>
2-Mar-21	<u>MACROView – Commodity Supercycle: Real or Hype?</u>
1-Mar-21	<u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u>
25-Feb-21	<u>Elsewedy Electric [SWDY] – Strong Set of Results Driven by Turnkey</u>
22-Feb-21	<u>CI Capital Holding [CICH] – Got the Hit, Yet Better Than Expected</u>
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</u>

position

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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