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Takeaways from 2020's Final Breath

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Nearly all EGX 30 constituents have already published their CQ4 2020 financials. With the exception of Qalaa Holdings [**CCAP**] and excluding Orascom Investment Holding [**OIH**] and its spinoff Orascom Financial Holding [**OFH**], a total of 28 companies of the EGX 30 constituents have published their quarterly results for CQ4 2020 ended 31 December 2020. Judging from this 28-company sample, we note below some takeaways that we find interesting concerning EGX 30 and its constituents during CQ4 2020:

- **Banks** still dominate earnings, contributing c.28% to the index's bottom line, followed by **Real Estate** (c.15%) and **Consumer Staples** (12%). However, we note that banks' contribution to the index's profitability has come down drastically when compared to CQ4 2019 when it was c.39%.
- Compared to CQ3 2020, **Industrials** (+59% q/q) and **Non-Banking Financials** (+51% q/q) were at the top of the ladder in terms of earnings growth. Meanwhile, **Health Care** (-31% q/q) and **Real Estate** (-23% q/q) were the ones to witness the biggest earnings slump.
- Compared to CQ4 2019, **Consumer Discretionary** (+99% y/y) and **Telecom Services & IT** (+35% y/y) were the highest in terms of earnings growth. On the other hand, **Real Estate** (-43% y/y) and **Energy & Utilities** (-27% y/y) have seen the largest slippage in earnings.
- Singling out names in CQ4 2020, we note that GB Auto [**AUTO**] achieved the highest earnings growth (+557% y/y), while TMG Holding [**TMGH**] (-82% y/y) experienced the widest earnings tumble. Also, out of the 28 companies, from a y/y perspective, only Sidi Kerir Petrochemicals [**SKPC**] turned to profitability. On the other hand, both Heliopolis Housing & Development [**HELI**] and AMOC [**AMOC**] drifted into losses in CQ4 2020.
- If CQ4 2020 figures were to be annualized, sectoral P/E ratios indicate that **Banks** and **Consumer Discretionary** have become the cheapest from q/q and y/y perspectives, respectively. Meanwhile, **Real Estate** appreciated the most of all others. **Using annualized CQ4 2020 figures, the EGX 30's P/E ratio stands at 7.4x vs. 8.3x in CQ3 2020 and 9.8x in CQ4 2019.**

1. Today's Trading Playbook

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KEY THEMES

The past week has not been too nice to investors in general, especially those with holdings in EGX 70 EWI constituents. EGX 30 continues to outperform EGX 70 EWI on a year-to-date basis, albeit with a negative ytd performance of 5.4%. This is dwarfed by EGX 70 EWI's negative ytd performance of 14.4%, having been hit by margin calls and concerns over new rules to regulate margin lending in general. Yesterday's new regulations will put a cap on margin lending to be complied with by the beginning of 2022 in an effort to reduce concentration risk. In our view, this has been a major overhang on the market performance of late, but it is not the only one. Recent geopolitical tensions concerning the Grand Ethiopian Renaissance Dam (GERD) may still mute the market performance in the short term. Nonetheless, we see the magnitude of market sell-off unwarranted, especially when considering the market's cheap valuation. Please see the story in the above section.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The IMF upgraded Egypt's growth projections for FY22 by 0.2% to 5.7%, up from its 5.5% growth forecast in January. Output is expected to accelerate to 5.8% by FY26. ([IMF](#))

The Financial Regulatory Authority (FRA) stated yesterday its set of regulations to control margin trading. Market participants will have until the beginning of 2022 to comply with the new regulations. This includes applying a cap on how much a brokerage company could lend to a single client (a maximum of 1% of a company's market cap or 2% of free float shares, whichever is higher) and how many shares of a single company can be margined (a maximum of 15% of outstanding shares or 25% of free float shares, whichever is higher). ([FRA](#))

Egypt delivered a primary surplus of EGP25bn during 9M FY21, despite the economic shock of the coronavirus heaping pressure on public finances. ([MoF](#))

Ethiopia announced on Tuesday that it will move forward with the second-year filling of the GERD, slated for this summer, just hours after the collapse of talks with Egypt and Sudan to reach an agreement on the re-launching of the negotiations. ([Ahram Online](#))

The Suez Canal Authority is considering an expansion of the southern section of the waterway where Ever Given became lodged late last month. ([Reuters](#))

AFDB approved an EUR145mn loan to finance railway upgrades through the Egypt National Railways Modernization Project (ENRP). ([AFDB](#))

Cabinet approved a draft bill to regulate the fintech industry. The new law would regulate the use of fintech to deliver non-banking financial services (NBFS) in a bid to promote financial inclusion and expand the number of beneficiaries. ([Cabinet Statement](#))

The Central Bank of Egypt (CBE) and the Ministry of Supply & Internal Trade signed a cooperation protocol with the aim of providing easy financing for bakery owners to help them switch to using natural gas as an alternative to diesel as a source of energy. ([Al-Borsa](#))

National Bank of Egypt's (NBE) deposit portfolio exceeded EGP2tn, including EGP1.3tn in saving certificates. ([Al-Borsa](#))

CORPORATE NEWS

Macro Group Pharmaceuticals (Macro Capital) [MCRO] obtained the Financial Regulatory Authority's (FRA) approval to publish its IPO prospectus. The maximum IPO price will be EGP6.15/share, as per the prospectus, implying a market cap of EGP3.5bn, compared to the EGP5.30-6.15/share range announced earlier. ([FRA](#), [Company disclosure](#))

Raya Holding [RAYA] intends to invest EGP500mn in Egypt during 2021. The company plans to penetrate new fields like artificial intelligence (AI) in addition to expanding its NBFS segment through Aman Holding. ([Al-Mal](#))

Edita Food Industries [EFID] said it will adopt a conservative plan during 2021 amid the continuation of COVID-19. Meanwhile, EFID expects to face some challenges during 2021, including the increase in raw material prices and the delays to procure them, in addition to the government's decision of raising the tax imposed on some sweets and crackers from 5% to 14%. ([Al-Mal](#))

Arab Cotton Ginning Co.'s [ACGC] OGM approved not to distribute dividends for FY2019/20 ended 30 June 2020. ([Company disclosure](#))

Arab Contractors was awarded an EUR93.5mn contract to build an international road in Chad. ([Mubasher](#))

GLOBAL NEWS

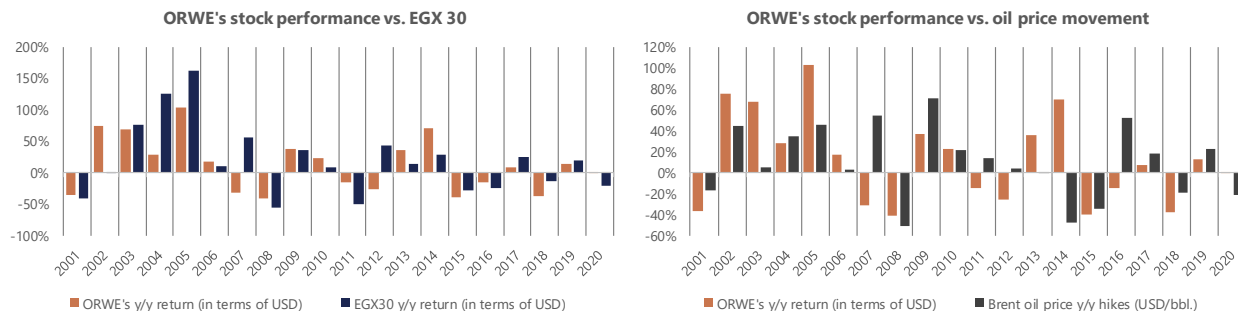
The IMF sees the global economy growing this year at a faster pace than previously expected, saying in its updated World Economic Outlook that it now expects global growth to come in at 6% (0.5% higher than the 5.5% growth it had penciled in three months ago) and 4.4% in 2022. ([IMF](#))

China's central bank will soon begin issuing a crypto-like digital yuan designed to be independent of the global financial system. ([WSJ](#))

3. CHART OF THE DAY

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Source: Bloomberg.

Although polypropylene, an oil derivative, represents the lion's share of Oriental Weavers Carpet's [ORWE] cost of sales (28% of COGS on average), ORWE's stock performance has not been greatly affected by the movement in oil prices throughout the past 20 years. Rather, the stock followed the market (as measured by EGX 30) most of the time. In those 20 years, ORWE followed the market 17 times (85% of the time) but opposed the trend of oil price movements only six times (30% of the time).

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
637.9					919.5 1,178.6				
				daily chg.	ytd chg.			daily chg.	ytd chg.
		EGX 30	10,263.22	0.06%	(5.37%)			Gold	1,743.27 0.87% (8.24%)
		EGX 30 TR	3,945.45	(0.27%)	(5.43%)			Silver	25.16 1.14% (4.81%)
		EGX 70 EWI	1,836.52	(1.71%)	(14.39%)			Brent Oil	62.74 0.06% 21.20%
		EGX 100 EWI	2,750.69	(1.17%)	(11.21%)			WTI	59.33 0.08% 22.38%
		DFMGI	2,574.08	0.03%	3.29%			Natural Gas	2.46 0.94% (2.36%)
		ADSMI	6,080.52	1.08%	20.35%	EGP		USD/EGP	15.70 0.04% (0.20%)
		TASI	9,988.98	0.24%	14.95%	€		EUR/USD	1.19 0.02% (2.77%)
		QE Index	10,394.92	0.20%	(0.39%)	£		GBP/USD	1.38 (0.30%) 0.83%
		S&P 500	4,073.94	(0.10%)	8.46%	¥		USD/JPY	109.75 0.02% 6.31%
		Dow 30	33,430.24	(0.29%)	9.23%			6M TB yield	13.39 (2) 66
		NASDAQ	13,698.38	(0.05%)	6.29%			1Y TB yield	13.37 (1) 60
		VIX	18.12	1.17%	(20.35%)			10Y TB yield	14.82 3 43
		STOXX 50	3,970.42	0.62%	11.76%			2Y TB yield	0.16 0 3
EM		MSCI Emerging	1,346.91	0.61%	4.31%			10Y TB yield	1.66 (4) 73
FM		MSCI Frontier	587.26	0.50%	2.73%			30Y TB yield	2.33 (2) 67

* As of market close, except for commodities and currencies at 8.41am 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
7-Apr-21	TALM	IPO	First trading day on EGX.
7-Apr-21	DAPH	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
7-Apr-21	RACC	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
7-Apr-21	RACC	EGM	Amending article 2 of the bylaws.
7-Apr-21	MNHD	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
7-Apr-21	MNHD	EGM	Amending articles 4, 6 & 7 of the bylaws.
11-Apr-21	CICH	Cash dividend	Record date for a payout of EGP0.05/share (1st installment).
12-Apr-21	RAYA	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
12-Apr-21	AIFI	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
12-Apr-21	AIFI	EGM	Amending an article of the bylaws.
12-Apr-21	SRWA	Cash dividend	Record date for a payout of EGP0.107/share.
14-Apr-21	CICH	Cash dividend	Distribution date for a dividend of EGP0.05/share (1st installment).



14-Apr-21	EKHO	Stock dividend	Record date for dividends at a 1-for-10 ratio.
14-Apr-21	EIUD	Stock dividend	Record date for dividends at a 0.25-for-1 ratio.
15-Apr-21	SRWA	Cash dividend	Distribution date for a dividend of EGP0.107/share.
15-Apr-21	EIUD	Stock dividend	Distribution date for dividends at a 0.25-for-1 ratio.
15-Apr-21	EKHO	Stock dividend	Distribution date for dividends at a 1-for-10 ratio.
15-Apr-21	CLHO	OGM	Approving the financial statements ending 31 Dec. 2020, and discussing a dividend distribution and other agenda items.
15-Apr-21	CLHO	EGM	Approving an employee incentive system.
15-Apr-21	SAUD	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
15-Apr-21	MENA	OGM	Approving the financial statements ending 31 Dec. 2020.
15-Apr-21	MOIN	OGM	Discussing netting contracts and a board reshuffle.
15-Apr-21	MOIN	EGM	Approving increasing the issued capital and amending articles 4, 6 & 7 of the bylaws.
18-Apr-21	CCRS	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
18-Apr-21	RMDA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
18-Apr-21	RMDA	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
19-Apr-21	EFIC	Cash dividend	Record date for a payout of EGP0.250/share.
21-Apr-21	PORT	EGM	Voting on a new company name.
22-Apr-21	EFIC	Cash dividend	Distribution date for a dividend of EGP0.250/share.
22-Apr-21	OCDI	OGM	Approving the financial statements, and discussing a dividend distribution and other agenda items.
22-Apr-21	KZPC	Cash dividend	Record date for a payout of EGP2.500/share.
24-Apr-21	CICH	OGM	Electing a new BoD and ratifying the financial statements.

7. LATEST RESEARCH

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



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>
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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