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The Value Algorithm

1. Today's Trading Playbook

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KEY THEMES

Yesterday, our banking analyst **Shihab M. Helmy** published a [Core Coverage Report](#) on Crédit Agricole Egypt (CAE) [**CIEB**]. Valuing CIEB using a residual income method, he reached a fair value of EGP36.3/share and a 12-month price target of EGP33/share (+47%) based on a terminal justified price-to-book value multiple of 1.52x. Hence, CIEB is rated Overweight / Medium Risk. In this equity note, Shihab laid down his 2021 outlook for CIEB and the banking sector as a whole. He is very upbeat on CIEB's outlook based on its high lending capability and its highly generous dividend policy. However, the bank lost both advantages in 2020 due to market conditions and a decision by the CBE. Still, he believes 2021 bodes well for the bank in view of the lucrative lending rates for borrowers and the expected resumption of dividend distribution, subject to the CBE's approval. Despite the expected pullback in CIEB's net interest margin (NIM) and ROAE throughout the forecast horizon to settle at 5.2% and 17.5%, respectively, CIEB is still attractive as a medium- to long-term investment, given its current low P/BV of 0.9x vs. its historical average of 1.5x. For more details, please read the [Core Coverage Report](#).

POSITIVE

CIEB: Trading below book despite currently relatively high ROAE of c.19%, CIEB is poised for re-rating.

EGAL: The government's decision to impose a three-year tariff on aluminum imports bodes well for Egypt Aluminum [**EGAL**].

NEUTRAL

AUTO: GB Auto's [**AUTO**] stock jumped more than 10% earlier in the week on news of a 5% stake sale of one of AUTO's subsidiaries. That highlighted the deep discount to fair value the stock was trading at. Today's news of a delay in procuring input to deliver cars in the government's car replacement initiative will cast doubts on the potential windfall for AUTO from this initiative. We see the positive and negative news cancelling each other.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The government is placing import tariffs over aluminum imports, particularly molds, cylinders, and wires for a three-year period, starting mid-April 2021. The tariffs will be a 16.5% of CIF value of with a minimum of USD333/ton during the first year to come down to 13.5% of with a minimum of USD271/ton in the second year. The final year will see the tariff rate at 10.5% of CIF value of with a minimum of USD211/ton. ([Official statement](#)) We view this as a positive for Egypt Aluminum [**EGAL**], potentially pushing its blended selling prices higher given that its local prices are already set at a premium to its export prices.

A number of sugar farmers asked the Ministry of Supply & Internal Trade to raise the procurement price of sugarcane to EGP1,000/ton from the current EGP720/ton, due to high input costs. (Al-Borsa)

The Investor Protection Fund (IPF) will expand its coverage to stock market losses if a listed company is ordered by regulators to delist its shares. An earlier version of the regulation issued in 2016 shows that the fund had only compensated investors if publicly-traded companies went bankrupt or got into deep financial distress, or if it was proven that the investor's losses were due to mismanagement, negligence, or fraud on the part of the company. ([Enterprise](#))

Minister of the Public Enterprise expects the production of the fully-electric "Nasr E70" car to start by mid-2022. ([Egypt today](#))

South Sudan agreed to import poultry and related products from Egypt. (Al-Borsa)

CORPORATE NEWS

The Ministry of Finance denied that GB Auto [AUTO] has withdrawn from the government's initiative to convert and replace cars to operate with a dual-fuel system. This came after AUTO said it was unable to deliver Hyundai cars to all those who registered with AUTO, representing 35% of all the initiative registrations, or c.24,000 people, due to the lack of some input components. Those registered now have two options, either to wait for the input components issue to be resolved or to apply for another car model with another company. (Al-Mal)

Banque Misr's FY2020 stand-alone net profit rose to EGP11.05bn (+28.5% y/y) as net interest income (NII) jumped to EGP28.62bn (+62% y/y). This came despite higher provisions of EGP1.44bn (+77% y/y) and operating expenses of EGP12.08bn (+24% y/y). In the meantime, total assets climbed to EGP1.22tn (+27% y/y) after net lending grew to EGP335.4bn (+24% y/y), while deposits increased to EGP927.8bn (+24% y/y). ROAE hit 14.2% in FY2020, up from 13.1% in FY2019. (Bank release)

Atlas for Investment & Food Industries' [AIFI] OGM approved not to distribute dividends for 2020. ([Company disclosure](#))

GLOBAL NEWS

U.S. consumer prices rose by the most in more than 8.5 years in March as increased vaccinations and massive fiscal stimulus unleashed pent-up demand, kicking off what most economists expect will be a brief period of higher inflation. The CPI jumped 0.6% last month, the largest gain since August 2012, after rising 0.4% in February. A 9.1% surge in gasoline prices accounted for nearly half of the increase in the CPI. ([Reuters](#))

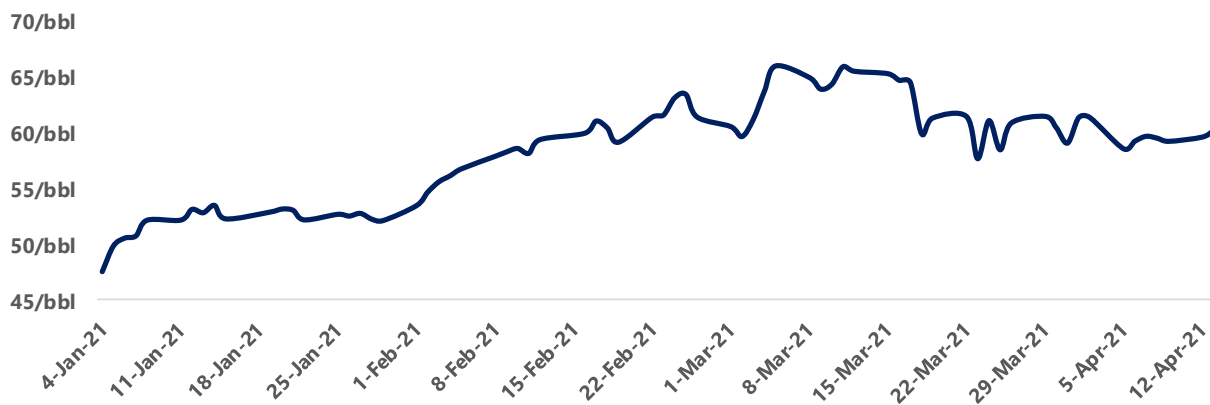
Chinese regulators have given tech companies a month to clear up anti-competitive practices following the anti-trust ruling against e-commerce giant Alibaba which saw it slapped with a record USD2.8bn fine. ([FT](#))

3. CHART OF THE DAY

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WTI Crude Oil Price in USD ytd



Source: Bloomberg.

WTI Crude oil prices have bounced back on Tuesday, crossing over the USD60/bbl mark, as trade data in China signaled strong momentum in March.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						644.5	

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	Last date for eligibility for dividends of EGP0.250/share.
19-Apr-21	DOMT	Cash dividend	Last date for eligibility for dividends of EGP0.20/share.
19-Apr-21	EFID	Cash dividend	Last date for eligibility for dividends of EGP0.21/share.
20-Apr-21	PHDC	Cash dividend	Last date for eligibility for dividends of EGP0.100/share.
20-Apr-21	AUTO	Cash dividend	Last date for eligibility for EGP0.25/share.
21-Apr-21	PORT	EGM	Voting on a new company name.
22-Apr-21	EFID	Cash dividend	Date for a dividend payout of EGP0.21/share.
22-Apr-21	EFIC	Cash dividend	Date for a dividend payout of EGP0.250/share.
22-Apr-21	OCDI	OGM	Approving the financial statements, appointing an IFA to evaluate ALDAR's offer to acquire no less than 51% for EGP18-19/share, and discussing a dividend distribution and other agenda items.
22-Apr-21	KZPC	Cash dividend	Last date for eligibility for dividends of EGP2.50/share.
22-Apr-21	DOMT	Cash dividend	Date for a payout of EGP0.20/share.
24-Apr-21	CICH	OGM	Electing a new BoD and approving the financial statements.
24-Apr-21	MTIE	OGM	Approving the financial statements, and discussing a dividend distribution and other agenda items.
24-Apr-21	MTIE	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
24-Apr-21	EDBM	OGM	Approving the financial statements and other agenda items.
25-Apr-21	CERA	Cash dividend	Last date for eligibility for EGP0.15/share.
25-Apr-21	AUTO	Cash dividend	Date for a dividend payout of EGP0.25/share.
25-Apr-21	AMIA	Cash dividend	Last date for eligibility for dividends of EGP0.50/share.
25-Apr-21	ETRS	Cash dividend	Last date for eligibility for dividends of EGP0.375/share.
25-Apr-21	ORWE	Cash dividend	Last date for eligibility for dividends of EGP1.00/share.
25-Apr-21	PHDC	Cash dividend	Date for a dividend payout of EGP0.100/share.
25-Apr-21	MFPC	Cash dividend	Last date for eligibility for dividends of EGP3.50/share.
25-Apr-21	ETEL	Cash dividend	Last date for eligibility for EGP0.75/share.
25-Apr-21	PHAR	Cash dividend	Last date for eligibility for EGP2.95/share.
27-Apr-21	KZPC	Cash dividend	Date for a payout of EGP2.50/share.
27-Apr-21	AJWA	OGM	Approving the financial statements and other agenda items.
27-Apr-21	AJWA	EGM	Discussing the continuation of the company.
28-Apr-21	CERA	Cash dividend	Date for a payout of EGP0.15/share.
28-Apr-21	ETEL	Cash dividend	Date for a payout of EGP0.75/share.
28-Apr-21	PHAR	Cash dividend	Date for a payout of EGP2.95/share.
28-Apr-21	MFPC	Cash dividend	Date for a payout of EGP3.50/share.
28-Apr-21	ORWE	Cash dividend	Date for a payout of EGP1.00/share.
28-Apr-21	ETRS	Cash dividend	Date for a payout of EGP0.375/share.
28-Apr-21	AMIA	Cash dividend	Date for a payout of EGP0.50/share.
28-Apr-21	ORHD	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
28-Apr-21	AREH	OGM	Approving the financial statements, and discussing a dividend distribution and other agenda items.
28-Apr-21	ACAMD	OGM	Approving the financial statements and other agenda items.
28-Apr-21	EGAL	OGM	Approving the estimated budget for FY2021/22.
28-Apr-21	EGCH	OGM	Approving the estimated budget for FY2021/22.
28-Apr-21	EGCH	EGM	Approving increasing the issued capital.

7. LATEST RESEARCH**TABLE OF CONTENTS**

DATE	PUBLISHED REPORT
13-Apr-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – The Value Algorithm</u>
12-Apr-21	<u>Orascom Construction [ORAS] – Rich in Value</u>
11-Apr-21	<u>MACROView – Monthly Reading Pressured By Seasonality</u>
6-Apr-21	<u>MACROView – FX Assets Well Placed to Mitigate Potential Risks</u>
6-Apr-21	<u>MACROView – Still Downbeat</u>
28-Mar-21	<u>Taaleem Management Services [TALM] – Enriching the Education Sector</u>
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>Esewedy 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>
1-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>Esewedy 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 slackening 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 [MACROView– Acceleration in April driven by food prices – as expected](#)
- 7-May-20 [MACROView – Keeping head above water amid pandemic uncertainties](#)
- 5-May-20 [CIB \[COMI\] – Q1 2020 Results](#)

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