PRIMETime

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Egypt / Daily Newsletter

PRIME

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Déjà Vu

1. Today's Trading Playbook

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KEY THEMES

Wednesday's trading was somewhat similar to Tuesday's; Arab and non-Arab foreign institutional investors were net sellers with outflows of EGP8mn and EGP115mn, respectively. Also, local investors remained net buyers with inflows reaching EGP117mn. Let's digest the highlights from yesterday's trading:

- **EGX 30** was pushed down yet another 1.5%, stung by sell-offs in blue chips, namely CIB [**COMI**] (-3%), Fawry [**FWRY**] (-2%), and Elsewedy Electric [**SWDY**] (-2%).

- **EGX 70 EWI** (+2%) recovered most of its losses the day before. Incidentally, other names were a bit higher. For instance, Dice Sport & Casual Wear [**DSCW**] (+2%) extended its gains from the day before. Interestingly, we saw heightened activity in stocks of three companies with cross-holdings, namely Beltone Financial Holding [**BTFH**] (+18%), Contact Financial Holding [**CNFN**] (+10%), and their parent company Orascom Financial Holding [**OFH**] (+4%). It is not yet clear whether these moves, which come with above-average trading activity have anything to do with a potential corporate action in the making.

- Egytrans [**ETRS**] rose (+6%) after an IFA valued it at EGP414mn or EGP13.3/share, above its initial average valuation range of EGP12-13/share. The valuation came in 22% above Tuesday's closing price, leaving another 15% upside. By way of background, this IFA's valuation study is part of a potential tie-up with **HA Utilities (HAU)** which was also valued by the same IFA at EGP721.5mn, just below its initial average valuation range of EGP680-800mn announced last March. This is a reverse merger with an implied share swap ratio of 1.7 ETRS share to each HAU share, all pending the financial regulator's approval.

- EFIC [**EFIC**] rose 7% yesterday following our POSITIVE call on Tuesday – now up 4% since our call. However, MOPCO [**MFPC**], the other fertilizer POSITIVE call we had made on Tuesday, was down yet another 2%, now down 4% since our call.

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

2. Top News & Analysis

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MACRO NEWS

The Egyptian government signed off yesterday on a USD362.9mn facility from the World Bank's lending arm and the International Bank for Reconstruction & Development (IBRD). This is to upgrade the country's rail network is on the way. (The Cabinet)

Driven by the ongoing rebound in the tourism sector, Egypt is targeting USD6-9bn in tourism revenues in 2021, thanks to the influx of Eastern European and Gulf tourists, according to the Minister of Tourism & Antiquities. This should improve the current account deficit in the coming quarters and lead to local currency stability. (Bloomberg)

CORPORATE NEWS

CIB [COMI], in partnership with Talaat Moustafa Group Holding [TMGH], established TCA Properties, after obtaining the regulatory approvals. COMI owns a 37% stake in the new company, according to its Q1 2021 financial statements. (Petro-Press) This is a direct investment, COMI said, which will not be increased and will be divested in due time.

The Egyptian Exchange (EGX) approved decreasing Egyptian Iron & Steel's [IRON] par value to EGP1.8/share from EGP2/share over 976,872,278 shares, following its operations split with Iron & Steel Mines & Quarries [**ISMQ**]. Meanwhile, **IRON's 9M 2020/21 preliminary financial indicators showed a narrower net loss of EGP724.1mn** compared to EGP783.8mn a year before. (Mubasher)

Egytrans [ETRS] and HA Utilities BV's (DutchCo.) fair values were set at EGP414mn and EGP721.5mn, respectively, by Grant Thornton Financial Advisory. ETRS in its board meeting was to discuss these fair value studies and the DutchCo. Offer, all of which will be subject to FRA approval. HA Utilities Holding BV, which fully owns HA Utilities BV (DutchCo.), had estimated ETRS's fair value to range between EGP375-405mn, or EGP12-13/share, and DutchCo.'s to range between EGP680-800mn. Hence, the fair value of DutchCo. came within the range, while ETRS's was slightly higher than previously estimated. (Company disclosure)

EIPICO [PHAR] announced it is ready to start the go-live phase for its EPICO III project, with investments exceeding EGP1.2bn, to produce biologicals and biosimilars. PHAR is about to complete the registration of seven biologicals for the treatment of tumors, rheumatoid, and chronic diseases, which will be available by yearend. Last February, PHAR had signed a partnership agreement with Reliance Life Science, an Indian company, for the exclusive manufacturing and distribution of those seven biologic medications. (Company disclosures: 1, 2)

Lecico Egypt's [LCSW] consolidated net loss after minorities narrowed to EGP16.8mn in Q1 2021 against a net loss of EGP72.1mn a year before. LCSW's performance improved on higher revenues of EGP601mn (+21% y/y), lower net financing costs, and higher other revenues. (Company disclosure)

Banque du Caire [BQDC] aims to achieve a growth ranging between 10-15% y/y in its retail banking portfolio during 2021. (Al-Mal)

GLOBAL NEWS

MSCI Emerging Markets Currency index pushed to a fresh record high on Wednesday, aided by the U.S. dollar languishing near five-month lows after Fed officials reiterated they will not change monetary policy any time soon. (Reuters)

3. Chart of the Day

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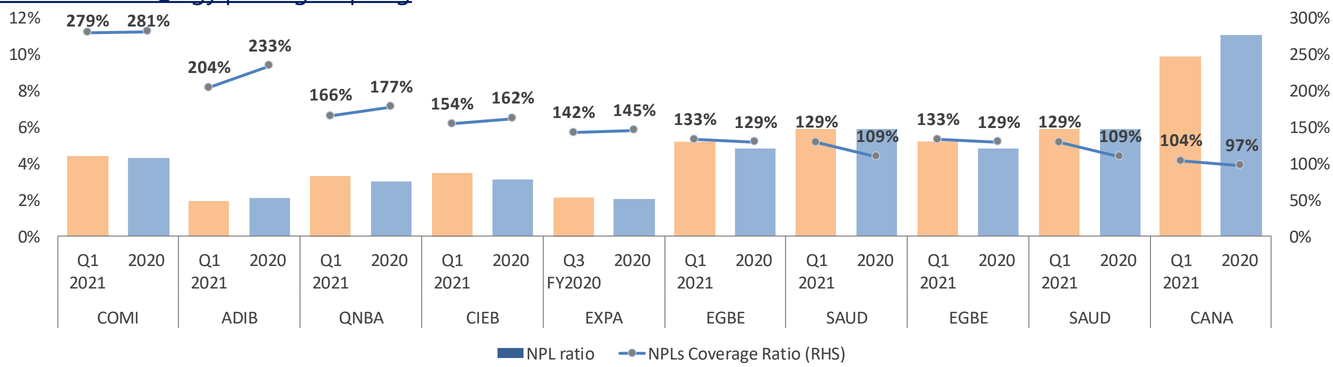

Source: Banks' Financials.

The changes in Egypt banks' NPL & NPL coverage: During Q1 2021, most banks suffered marginal impairment in their asset quality, while a few showed improvement in terms of NPL size and NPL coverage ratio. For instance, CIB [**COMI**] saw an increase of 14bps q/q in its NPLs, but maintained the highest NPL coverage of 279%. On the other hand, Suez Canal Bank's [**CANA**] NPL plunged the most and NPL coverage ratio surged despite its 8% ytd growth in gross loans. Also, despite its asset quality improvement, CANA still has the highest NPL and the lowest NPL coverage ratio in the market. In 2021, we expect Egypt banks' asset quality to be pressured by the expected lending growth in view of an economic recovery aided by lucrative interest rates.

4. Markets Performance

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Current equity market cap (EGPbn)	655.7

Equity turnover (EGPmn): Last, ytd avg.	1,403.6	1,178.6

			daily chg.	ytd chg.
Egypt	EGX 30	10,369.57	(1.54%)	(4.39%)
	EGX 30 TR	4,026.10	(1.77%)	(3.49%)
	EGX 70 EWI	2,210.34	2.01%	3.04%
	EGX 100 EWI	3,135.56	1.46%	1.22%
UAE	DFMGI	2,825.22	0.95%	13.37%
	ADSMI	6,564.31	(1.03%)	30.11%
Saudi Arabia	TASI	10,471.55	0.23%	20.51%
Qatar	QE Index	10,628.25	0.18%	1.84%
US	S&P 500	4,195.99	0.19%	11.71%
	Dow 30	34,323.05	0.03%	12.14%
	NASDAQ	13,738.00	0.59%	6.59%
	VIX	17.36	(7.86%)	(23.69%)
EU	STOXX 50	4,031.67	(0.11%)	13.48%
EM	MSCI Emerging	1,351.95	0.48%	4.70%
FM	MSCI Frontier	632.23	0.08%	10.60%

			daily chg.	ytd chg.
	Gold	1,896.67	(0.14%)	0.17%
	Silver	27.68	(1.13%)	5.03%
	Brent Oil	68.87	(0.46%)	32.34%
	WTI	66.21	(0.36%)	35.96%
	Natural Gas	2.98	0.87%	18.55%
EGP	USD/EGP	15.67	0.01%	(0.46%)
€	EUR/USD	1.22	0.03%	(0.16%)
£	GBP/USD	1.41	(0.03%)	3.26%
¥	USD/JPY	109.15	(0.06%)	5.65%
Egypt	6M TB yield	13.39	(1)	66
	1Y TB yield	13.34	(1)	57
	10Y TB yield	14.83	(0)	44
US	2Y TB yield	0.14	(0)	1
	10Y TB yield	1.58	1	65
	30Y TB yield	2.26	0	60

* As of market close, except for commodities and currencies at 8.15am 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
27-May-21	PHAR	BoD meeting	Discussing the agenda.
27-May-21	FAIT	EGM	Amending articles 2, 7, & 47 of the bylaws.
27-May-21	BINV	Cash dividend	Date for a payout of EGP1.25/share.
27-May-21	MICH	BoD meeting	Following up on 10M 2020/2021 financial position.
29-May-21	ALCN	BoD meeting	Discussing cash excess usage.
30-May-21	ISPH	BoD meeting	Discussing the financial results.
30-May-21	HRHO	EGM	Approving an employee incentive system and other agenda items.
30-May-21	ZMID	Cash dividend	Date for a payout of EGP0.15/share (1st round).
2-Jun-21	ECAP	Cash dividend	Last date for eligibility for EGP1/share.
3-Jun-21	ECAP	Cash dividend	Ex-dividend date for EGP1/share.
5-Jun-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
6-Jun-21	OCDI	Cash dividend	Last date for eligibility for a dividend of EGP0.550/share.
7-Jun-21	OCDI	Cash dividend	Ex-dividend date for EGP0.550/share.
7-Jun-21	ECAP	Cash dividend	Date for a payout of EGP1/share.
8-Jun-21	CCAP	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
9-Jun-21	OCDI	Cash dividend	Payment date for a dividend of EGP0.550/share.

10-Jun-21	RTVC	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.

7. Latest Research

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DATE	PUBLISHED REPORT
23-May-21	Orascom Construction [ORAS] – Earnings Short of Our Estimates
23-May-21	CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense
22-May-21	Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions
20-May-21	Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth
20-May-21	EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track
18-May-21	**B Investments Holding [BINV] – Exits Kick Off, Unlocking Value**
18-May-21	Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead
17-May-21	Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth
11-May-21	MACROView – Inflation Eased but Stage Still Set for a Pick-Up
9-May-21	MACROView – Stability Prevailed
6-May-21	MACROView – The Road to Recovery Gets Longer
18-Apr-21	MACROView – Challenges Remain Daunting
13-Apr-21	**Crédit Agricole Egypt (CAE) [CIEB] – The Value Algorithm**
12-Apr-21	**Orascom Construction [ORAS] – Rich in Value**
11-Apr-21	MACROView – Monthly Reading Pressured By Seasonality
6-Apr-21	MACROView – FX Assets Well Placed to Mitigate Potential Risks
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	Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed
4-Feb-21	MACROView – External Buffers Are Still Restoring Grounds
3-Feb-21	MACROView – A Fragile Improvement but Favorable Sentiment
3-Feb-21	MACROView – External Woes vs. Cautious Optimism
1-Feb-21	**STANDPoint – Egypt 2021 Investing Playbook**
14-Jan-21	**CI Capital Holding [CICH] – New Expansions = Further Growth**
10-Jan-21	MACROView – Below End-of-Year Target
6-Jan-21	MACROView – On the Path to Further Recovery
5-Jan-21	MACROView – Rutted Road to Recovery
28-Dec-20	**Elsewedy Electric [SWDY] – More Growth to Come**
22-Dec-20	**EFG Hermes Holding [HRHO] – Blueprinting Its Eminence**
16-Dec-20	CIB [COMI] – Earnings beat despite higher provisions
10-Dec-20	MACROView – The Highest Reading in Seven Months
7-Dec-20	MACROView – Restored Ground
6-Dec-20	MACROView – Lost Momentum
3-Dec-20	MACROView – Not as Severe as Expected but All Eyes on the Scars
25-Nov-20	**Misr Chemical Industries [MICH] – Pandemic Proof**
10-Nov-20	MACROView – An expected rise as the new school year began
4-Nov-20	MACROView – The Stars Seem to Be Aligned for International Reserves
3-Nov-20	MACROView – The Highest Reading in Six Years
25-Oct-20	CIB [COMI] – Short-term pain for longer-term gain
11-Oct-20	MACROView – Disinflationary trend interrupted
11-Oct-20	MACROView – External strains are slacking and reserves are growing
6-Oct-20	**CIB [COMI] – A Good Bet for the "Risk On" Mode**
5-Oct-20	MACROView – Egypt's recovery is broadening
10-Sep-20	MACROView – A Stunning Chapter Towards Targets
8-Sep-20	MACROView – Crawling Out of the Troughs
3-Sep-20	MACROView – Job losses and the bumpy road to recovery
18-Aug-20	Oriental Weavers Carpet [ORWE] – Q2 2020 Results
13-Aug-20	Credit Agricole Egypt [CIEB] – Q2 2020 Results
10-Aug-20	MACROView – Muted inflation environment still dominates
9-Aug-20	MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed
5-Aug-20	MACROView – Toward gradual recovery

29-Jul-20	MACROView – CAD gains eroded by financial account vulnerability
14-Jul-20	Commercial International Bank - [COMI] - Q2 2020 results
9-Jul-20	MACROView – Inflation driven by non-food baskets and unfavorable base effect
8-Jul-20	MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position
7-Jul-20	MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed
25-Jun-20	EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition
10-Jun-20	MACROView – Lowest annual reading in five months, but monthly figures show no changes
8Jun-20	Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices
8-Jun-20	MACROView – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19
3-Jun-20	MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy

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