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Telecom Egypt – Show Me the Dividends

1. Today's Trading Playbook

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KEY THEMES

Telecom Egypt [**ETEL**] is finally getting its money's worth from its 45% stake in Vodafone Egypt. Yesterday, ETEL and Vodafone Group [**LSE: VOD**] signed a modified shareholders' agreement that defines their future relationship as the two strategic investors in Egypt's largest and most profitable mobile operator, **Vodafone Egypt (VFE)**, come to terms with regards to key milestones. Overall, we see the impact of this as POSITIVE with a STRONG degree, where we think ETEL should be worth EGP22.5/share (+89% upside). For more details as why we think ETEL is dirt cheap, please read [our TAKEStock](#) just published this morning.

POSITIVE

ETEL: Please refer to [our note published this morning](#) as part of a new research series called **TAKEStock**, where analysts lay out their reflections on certain events in the market.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt will start issuing sukuk, or sharia-compliant Islamic bonds, as soon as a law making its way through the country's Parliament goes into effect. This expected issuance is in line with the framework to diversify the country's external debt portfolio. ([Reuters](#))

The Export Development Fund has completed the preparation of certificates for 804 companies. This comes within the second phase of the initiative for immediate payment of export support, and the companies are scheduled to receive their dues by 17 June. ([Economy Plus](#))

The Russian energy producer Rosneft plans to start constructing Vostok Oil project. It intends to start shipping oil through this project instead of Suez Canal in 2024 to shorten the travel to Asia. ([Reuters](#))

CORPORATE NEWS

Vodafone Egypt [VODE] will distribute a total of EGP10bn in special dividends in calendar year 2021 by virtue of a modified shareholders' agreement signed by Telecom Egypt [ETEL] and Vodafone Group [LSE: VOD]. An amount of EGP2bn is already paid out in dividends in March 2021, of which ETEL's share was EGP0.9bn. Hence, a total of EGP8bn will be distributed through the end of 2021 to all shareholders, of which ETEL's share will be EGP3.6bn or EGP2.1/share and will be used in debt repayment as per ETEL's management guidance. This should further enhance ETEL's EPS. Following the modified shareholders' agreement, VODE will pay out dividends at a minimum ratio of 60% of free cash flow going forward, which we think is a **STRONG POSITIVE** for ETEL, having been historically unable to quite capitalize on its 45% stake in Vodafone Egypt. ([Press release](#))

In an interview, TMG Holding's [TMGH] Managing Director Hisham Talaat Moustafa said that TMGH will launch its project Noor today. The launch will run for 35 days with a 5% discount in the first week followed by 4%, 3%, 2%, and 1% in the weeks after, and [an online platform](#) for booking will be available. Noor will offer payment terms up to 15 years with down payment starting at EGP38,000 and monthly installments of EGP3,800. (YouTube: [1](#), [2](#))

Juhayna Food Industries' [JUFO] preliminary financial indicators showed higher net profits of EGP440mn in 2020 (+34% y/y) and marginally higher revenues of EGP7.6bn (+0.1%). Gross profit margin expanded to 33.4% in 2020, up from 30.2% a year earlier, while net profit margin improved to 5.8% from 4.3%. On another note, Yasser El-Mallawany resigned and Jan Anders Lindgren was appointed as a board member. ([Company disclosure](#))

Abu Qir Fertilizers' [ABUK] BoD on 6 June 2021 appointed German TKFT to prepare a technical study regarding the granulation unit within Abu Qir III expansions project, which targets upping capacity from 1,925 mtpd to 2,500 mtpd. Furthermore, the BoD tapped **Nexant** to prepare marketing and economic feasibility to assess the suggestion of setting an Ammonium Nitrate unit with a capacity of 2,400 mtpd or setting a Calcium Ammonium Nitrate (CAN) unit with a capacity of 3,000 mtpd. Finally, **ABUK signed a shareholders' agreement with Helwan Fertilizers and Al-Ahly Capital to inaugurate a methanol factory** with a capacity of 1mn tons of methanol per annum in addition to 0.4mn tons of ammonia per annum. The agreement states that ABUK's stake in the project will be 35%. We note that ABUK already owns a 17% in Helwan Fertilizers. ([Company disclosure](#))

Orascom Financial Holding's [OFH] CEO mentioned that the purpose of their recent sale of 4.5% in Beltone Financial Holding [BTFH] was only to get OFH's stake back to normal levels before the increase in 2020. Moreover, he mentioned that the proceeds of EGP17.4mn will finance company's future projects. ([Al-Mal](#))

Export Development Bank of Egypt [EXPA] targets to achieve a net profit of EGP844mn in the 18-month period ending December 2021, total assets of EGP77.2bn, and net lending of EGP39bn. ([Bank release](#)) EXPA's fiscal year is expected to end by December instead of June starting this year.

GLOBAL NEWS

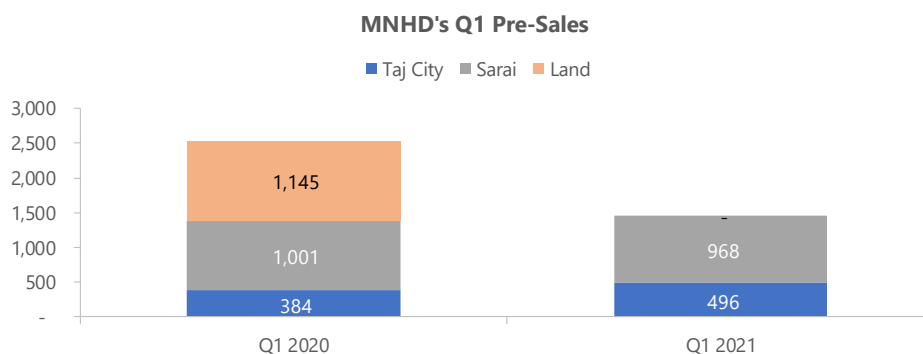
The U.S. dollar was subdued on Tuesday as investors looked to U.S. inflation data due later in the week after softer-than-expected jobs data quelled expectations of an early tapering in the Federal Reserve's stimulus. ([Reuters](#))

The Federal Reserve is in the early stages of a campaign to ready markets for reducing its USD120bn in monthly asset purchases to stimulate the economy. Comments by Fed officials in the past several weeks suggest the issue of tapering looks likely to be discussed as soon as the Federal Open Markets Committee meeting next week, and the Fed may be on track to begin asset reductions later this year or early next year. ([CNBC](#))

3. CHART OF THE DAY

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Source: Company reports.

Madinet Nasr Housing & Development's **[MNHD]** Pre-Sales dropped in Q1 2021 to EGP1.46bn vs. EGP2.53bn in Q1 2020 (-42% y/y). The decline is attributed to the lack of land monetization which contributed EGP1.15bn in Q1 2020 (45.3% of total revenues) vs. zero in Q1 2021. Excluding the land sales, however, shows MNHD's Q1 2021 real estate pre-sales did grow 6% y/y.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
642.6						3,398.9 1,178.6					
daily chg. ytd chg.						daily chg. ytd chg.					
	EGX 30	10,105.04	(0.17%)	(6.83%)			Gold	1,899.21	0.40%	(0.13%)	
	EGX 30 TR	3,918.76	(0.66%)	(6.07%)			Silver	27.89	0.35%	5.24%	
	EGX 70 EWI	2,377.36	0.28%	10.82%			Brent Oil	71.49	(0.69%)	37.07%	
	EGX 100 EWI	3,320.65	0.50%	7.19%			WTI	69.23	(0.65%)	41.76%	
	DFMGI	2,839.01	0.65%	13.93%			Natural Gas	3.07	1.14%	22.29%	
	ADSMI	6,646.14	0.34%	31.73%		EGP	USD/EGP	15.69	(0.04%)	(0.35%)	
	TASI	10,719.85	0.32%	23.37%		€	EUR/USD	1.22	(0.11%)	(0.33%)	
	QE Index	10,708.42	(0.29%)	2.61%		£	GBP/USD	1.42	(0.25%)	3.50%	
	S&P 500	4,226.52	(0.08%)	12.53%		¥	USD/JPY	109.25	0.21%	6.03%	
	Dow 30	34,630.24	(0.36%)	13.15%			6M TB yield	13.39	1	66	
	NASDAQ	13,881.72	0.49%	7.71%			1Y TB yield	13.33	(0)	56	
	VIX	16.42	0.00%	(27.82%)			10Y TB yield	14.84	1	45	
	STOXX 50	4,097.65	0.20%	15.34%			2Y TB yield	0.16	1	3	
EM	MSCI Emerging	1,380.59	(0.07%)	6.92%			10Y TB yield	1.57	2	64	
FM	MSCI Frontier	635.82	(0.31%)	11.23%			30Y TB yield	2.25	2	59	

* As of market close, except for commodities and currencies at 8am 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
8-Jun-21	CCAP	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
9-Jun-21	OCDI	Cash dividend	Date for a payout of EGP0.55/share.
9-Jun-21	MPRC	Stock dividend	Last date for eligibility for a 0.052-for-1 stock dividend.
10-Jun-21	MPRC	Stock dividend	Date for a stock dividend issue at a 0.052-for-1 ratio.
10-Jun-21	RTVC	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
15-Jun-21	UNIP	Cash dividend	Last date for eligibility for a dividend of EGP0.011/share.
16-Jun-21	UNIP	Cash dividend	Date for ex-dividends of EGP0.011/share.
16-Jun-21	UNIT	EGM	Approving a capital reduction and amending articles 6, 7 and 24 of the bylaws.
16-Jun-21	HDBK	Stock dividend	Last date for eligibility for a 1-for-5 stock dividend.
16-Jun-21	EHDR	Stock dividend	Last date for eligibility for a 0.1-for-1 stock dividend.
17-Jun-21	HDBK	Stock dividend	Date for stock dividends at a 1-for-5 ratio.
17-Jun-21	EHDR	Stock dividend	Date for stock dividends at a 0.1-for-1 ratio.
17-Jun-21	SCEM	OGM	Approving the 2020 financial statements and an asset sale.



17-Jun-21	SCEM	EGM	Amending articles in the bylaws.
17-Jun-21		MPC Meeting	Determining the CBE's policy rate.
20-Jun-21	UNIP	Cash dividend	Payment date for a dividend of EGP0.011/share.
21-Jun-21	MOIL	OGM	Approving the financial statements and other agenda items.
21-Jun-21	MOIL	EGM	Approving a capital reduction.
24-Jun-21	MENA	EGM	Amending articles 5 and 39 of the bylaws.
26-Jun-21	CSAG	OGM	Approving the estimated budget of FY 2021/22.
26-Jun-21	UASG	OGM	Approving the estimated budget of FY 2021/22.
26-Jun-21	ALCN	OGM	Approving the estimated budget of FY 2021/22.
28-Jun-21	DSCW	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
29-Jun-21	RACC	EGM	Discussing capital decrease & amending articles 4, 6 & 7 of the bylaws.
29-Jun-21	CIEB	OGM	Approving a capital increase and other agenda items.
29-Jun-21	CIEB	EGM	Amending articles 6 & 7 of the bylaws.
29-Jun-21	HELI	Cash dividend	Date for a payout of EGP0.16/share (2nd round).
29-Jun-21	HELI		The deadline for buying a copy of the bidding terms for Heliopark.
30-Jun-21	CICH	Cash dividend	Date for a payout of EGP0.05/share (2nd round).
30-Jun-21	EGTS	OGM	Approving the financial statements and other agenda items.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
8-June-21	<u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u>
6-June-21	<u>MACROView – Further Enhancement</u>
3-June-21	<u>MACROView – Contraction Eased</u>
23-May-21	<u>Orascom Construction [ORAS] – Earnings Short of Our Estimates</u>
23-May-21	<u>CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense</u>
22-May-21	<u>Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions</u>
20-May-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth</u>
20-May-21	<u>EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track</u>
18-May-21	<u>B Investments Holding [BINV] – Exits Kick Off, Unlocking Value</u>
18-May-21	<u>Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead</u>
17-May-21	<u>Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth</u>
11-May-21	<u>MACROView – Inflation Eased but Stage Still Set for a Pick-Up</u>
9-May-21	<u>MACROView – Stability Prevailed</u>
6-May-21	<u>MACROView – The Road to Recovery Gets Longer</u>
18-Apr-21	<u>MACROView – Challenges Remain Daunting</u>
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>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>
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>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>

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