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Will Delisting Unlock Value?

1. Today's Trading Playbook

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KEY THEMES

After years of tiny trading value (only EGP24mn since the beginning of 2021), National Bank of Kuwait - Egypt [**NBKE**] may be on the brink of going private. The bank's shareholders will meet on 10 August to discuss a voluntary delisting. NBKE is currently trading at P/BV of 0.74x, unjustifiably low given its high ROAE of c.18% recorded in Q1 2021.

Historically, NBKE delivered a solid performance, having achieved:

1. An earnings 3-year CAGR (2016–2019) of 37%.
2. A super-high ROAE exceeding 30% (36.3% in 2018 and 30.2% in 2019).
3. A high loans-to-deposit ratio of 67% (as of Q1 2021).
4. Outstanding asset quality justified by an impressive NPL ratio of 1.6% in Q1 2021.
5. A comfortable CAR of 26%, giving the bank more room to grow in the Egyptian market. NBKE already increased its paid-in capital to EGP5bn to meet the minimum requirement by the CBE.

Our back-of-the-envelope valuation for NBKE using a justified P/BV multiple suggests a justified P/BV multiple of 1.2x and a PT of EGP22.3/share, implying an upside of 68%. This is based on a cost of equity (COE) of 15%, a terminal growth rate of 5%, and a long-term ROAE of 17.1%.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt's index of manufacturing and extractive industries, excluding crude oil and petroleum products, fell by 5.8% m/m to 102.72 in May from 109.10 in April. ([Mubasher](#))

Local-currency deposits held by the Egyptian banking sector grew to EGP4.03tn in June 2021 compared to EGP3.932tn in May 2021. Moreover, money supply (M2) increased by 18.1% y/y in June reaching EGP5.36tn, compared with EGP4.54tn in the same month one year before. ([CBE](#))

Tobacco giant Philip Morris is among several tobacco companies with local operations that are said to be interested in bidding for a license to set up Egypt's second tobacco company. ([Al-Mal](#))

EGX changed the list of stocks that are eligible for same-day trading, short-selling and margin trading. Stocks listed under Category A are eligible for same-day trading and 100% collateral for margin trading, while those listed under Category B will be eligible for same-day trading but only 80% collateral for margin trading. Moreover, EGX increased the eligible stocks for short selling to 63 from 53. The change is effective starting today's trading session. ([EGX](#), [Category A](#), [Category B](#), [Short-Selling List](#))

CORPORATE NEWS

Fawry [FWRY] bought Banque Misr's 14.99% stake in Fawry Plus at a price of EGP1.15/share for a total value of EGP16.2mn. FWRY's BoD also decided to buy another 14.99% of Fawry Plus from CIB [[COMI](#)]. ([Company disclosure](#))

CIB's [COMI] request to list 492.6mn new shares through a stock dividend has been approved by the Egyptian Exchange (EGX). This will bring the number of COMI's shares to a total of 1,970mn starting 16 August 2021. ([EGX](#))

Alexandria Flour Mills' [AFMC] unaudited financial results for FY21 showed that net income leapt to EGP17.6mn (+117.5% y/y) from EGP8.1mn in FY20. A one-off capital gain of EGP3.0mn from asset sales lifted the company's performance. Meanwhile, revenues slipped to EGP185.5mn (-2.1% y/y), and gross margin stretched to 19.9% (+7.9pp y/y). ([Company disclosure](#))

Central Egypt Flour Mills [CEFM] grew its net income to EGP101.3mn (+2.8% y/y) in FY21 from EGP98.6mn in FY20. Meanwhile, revenues declined to EGP531.6mn (-3.4% y/y), and gross margin improved to 46.5% in FY21 (+6.4pp y/y). Meanwhile, the company approved a capex of EGP32mn for FY21, EGP12.8mn of which has already been met. ([Company disclosure](#))

Upper Egypt Flour Mills [UEFM] posted its unaudited stand-alone results for FY21, where net income fell to EGP128.7mn (-3.5% y/y) from EGP133.3mn in FY20. The slide in net income was pinned on (1) a decline of EGP1.1mn in gross profit, (2) a combined fall of EGP13.3mn in investment and other income, and (3) a decrease of EGP4.8mn in SG&A expenses. Meanwhile, revenues increased to EGP811.8mn (+2.2% y/y), and gross profit margin inched down to 26.7% (-0.7pp y/y). ([Company disclosure](#))

East Delta Flour Mills' [EDFM] unaudited financials for FY21 point to higher net income of EGP129.7mn (+7.0% y/y) versus EGP121.3mn in FY20. In the meantime, revenues edged down to EGP500.9mn (-1.7% y/y) and gross profit margin widened to 38% (+4% y/y). ([Company disclosure](#))

El-Nasr Company for Civil Works' [NCCW] secured FRA approval to increase its capital by EGP25.6mn to EGP98.8mn through a rights issue at a par value of EGP5/share. ([Company disclosure](#))

GLOBAL NEWS

Oil prices fell on Monday on worries over China's economy after a survey showed growth in factory activity slipped sharply in the world's second-largest oil consumer, with concerns compounded by a rise in oil output from OPEC producers. ([Reuters](#))

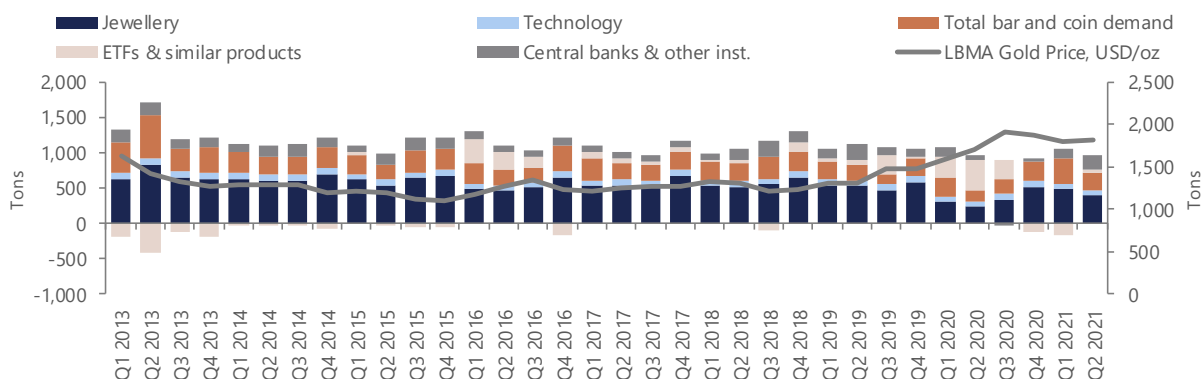
Asia's factories hit a rough patch in July as rising input costs and a new wave of coronavirus infections overshadowed solid global demand, highlighting the fragile nature of the region's recovery. ([Reuters](#))

3. CHART OF THE DAY

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Source: World Gold Council.

Gold demand for Q2 2021 was almost flat compared with Q2 2020 at 955.1 tons (-1% y/y), taking the whole H1 2021 demand to 1,833.1 tons (-10% y/y). Consumer demand for jewelry rebounded strongly in Q2 2021 from the pandemic-driven slump in 2020, although it remained well below typical pre-pandemic levels. The modest Q2 2021 inflows into gold-backed ETFs partly offset the heavy outflows from Q1 2021. Thus, ETFs saw net outflows of 129.3 tons in H1 2021 for the first time since 2014. Central bank buying continued in Q2 as global gold reserves grew by 199.9 tons, which ramped up net buying by 63% y/y in H1 2021. Gold used in technology also continued to recover from the 2020 lows, as Q2 2021 demand grew by 18% y/y.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
707.1						2,271.8		1,178.6	
				daily chg.	ytd chg.			daily chg.	ytd chg.
		EGX 30	10,810.21	0.63%	(0.32%)			Gold	1,814.19 (0.76%) (4.64%)
		EGX 30 TR	4,217.25	0.78%	1.09%			Silver	25.49 (0.09%) (3.37%)
		EGX 70 EWI	2,809.46	1.66%	30.97%			Brent Oil	75.41 (1.10%) 43.98%
		EGX 100 EWI	3,793.61	1.38%	22.46%			WTI	73.95 (0.96%) 50.95%
		DFMGI	2,781.58	0.57%	11.62%			Natural Gas	3.91 1.66% 56.72%
		ADSMI	7,393.11	1.02%	46.53%	EGP		USD/EGP	15.70 (0.12%) (0.23%)
		TASI	11,066.93	0.49%	27.36%	€		EUR/USD	1.19 0.03% (2.81%)
		QE Index	10,736.44	(0.16%)	2.88%	£		GBP/USD	1.39 0.04% 1.75%
		S&P 500	4,395.26	(0.54%)	17.02%	¥		USD/JPY	109.72 (0.05%) 6.22%
		Dow 30	34,935.47	(0.42%)	14.14%			6M TB yield	13.25 2 52
		NASDAQ	14,672.68	(0.71%)	13.85%			1Y TB yield	13.15 (16) 38
		VIX	18.24	3.05%	(19.82%)			10Y TB yield	14.82 (0) 43
		STOXX 50	4,089.30	(0.67%)	15.11%			2Y TB yield	0.19 (2) 6
EM		MSCI Emerging	1,277.80	(1.36%)	(1.04%)			10Y TB yield	1.23 (2) 30
FM		MSCI Frontier	642.08	0.14%	12.32%			30Y TB yield	1.90 (0) 24

* 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
2-Aug-21	OCDI	MTO	The deadline for Aldar Properties' [ADX: ALDAR] MTO for a minimum of a 51% stake in SODIC [OCDI].
2-Aug-21	POUL	OGM	Appointing an independent board member and voting on changes to the board responsibilities.
2-Aug-21	PHDC	OGM	Discussing netting contracts.

2-Aug-21	ORAS	Cash dividend	The deadline for eligibility for a dividend of USD0.2313/share.
5-Aug-21		MPC Meeting	Determining the CBE's policy rate.
5-Aug-21	DAPH	EGM	Increasing the capital from EGP249.48mn to EGP299.37mn and amending articles 4, 6 & 7 of the bylaws.
8-Aug-21	SKPC	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
10-Aug-21	OFH	OGM	Discussing the company's establishment expenses and other agenda items.
10-Aug-21	ORAS	Cash dividend	Date for paying out a dividend of USD0.2313/share.
10-Aug-21	RTVC	EGM	Discussing an offer for subsidiary Ambian for Tourism Investment.
10-Aug-21	HELI		Deadline for turning in the conditions brochure for Heliopark.
10-Aug-21	NBKE	BoD meeting	Discussing delisting.
14-Aug-21	HELI	OGM	Approving the estimated budget of FY 2021/22.
14-Aug-21	HELI	EGM	Amending articles of the bylaws.
15-Aug-21	COMI	Stock dividend	The deadline for eligibility for a 0.33-for-1 stock dividend.
16-Aug-21	COMI	Stock dividend	Date for distributing a 0.33-for-1 stock dividend.
18-Aug-21	MOIN	OGM	Authorizing the board of directors to appoint a new member.
18-Aug-21	MOIN	EGM	Amending article 21 of the bylaws.
21-Aug-21	ELNA	OGM	Approving the financial statements and other agenda items.
22-Aug-21	PRCL	OGM	Reshuffling the board and discussing other agenda items.
22-Aug-21	PRCL	EGM	Amending the articles of association.
24-Aug-21	GOCO	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
25-Aug-21	NCCW	EGM	Approving increasing issued capital and amending articles 6 & 7 of the bylaws.
26-Aug-21	ELWA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
30-Aug-21	EGTS	OGM	Approving the financial statements and other agenda items.
31-Aug-21	MBSC	Cash dividend	The deadline for eligibility for a dividend of EGP1.5/share.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
26-Jul-21	<u>EFG Hermes Holding [HRHO] – FV and 12MPT Adjustment to Bonus Share Action</u>
13-Jul-21	<u>Commercial International Bank [COMI] – Tamed Credit Provisions Spur Annual Growth</u>
8-Jul-21	<u>MACROView – Inflation Edged Up, As Expected</u>
8-Jul-21	<u>MACROView – External Buffers Still Powering Ahead</u>
6-Jul-21	<u>MACROView – A Steady and Slow Recovery in the Making</u>
5-July-21	<u>Abu Qir Fertilizers [ABUK] – Talking U</u>
16-June-21	<u>B Investments Holding [BINV] – Strong Financials, Growing Investments</u>
14-June-21	<u>Al-Shams Housing & Development [ELSH] – Earnings Flattened by Factoring Cost</u>
10-June-21	<u>MACROView – Inflation Risk Rising, but Still Within Target</u>
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>

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