

Unmitigated Temerity

TODAY'S TOP NEWS & ANALYSIS

Abu Dhabi Islamic Bank - Egypt — Core Coverage Report

GDP grew by 4.4% y/y in Q1 FY23

A new roadmap for FX management

Car sales continue to drop

Shareholders of Arab Cotton Ginning approved cash dividends

Ibnsina Pharma finishes off its share buyback program

NEW RESEARCH

Abu Dhabi Islamic Bank - Egypt — Core Coverage Report

Unmitigated Temerity: Growth, Profitability, or Both? Reiterated at OW/M

In a fast-moving, rapidly changing, and increasingly competitive banking landscape, Abu Dhabi Islamic Bank - Egypt [**ADIB**] has been following a strategy of aggressive growth to pave its way to profitability. ADIB managed to solve a radical equation; not only did it restructure its business model with an emphasis on size growth, but it also did not let profitability fall by the wayside in the process. This eventually allows the bank to offer its investors above-average returns. The two questions we try to answer here are: (1) "How risky is this high return?" and (2) "Is this wave of fast-paced profitable growth sustainable?"

Overweight/Medium Risk; 12MPT of EGP22.6/share: Our residual income-based fair value (FV) is EGP28.5/share, assuming a long-term ROE of 17.5% and a terminal COE of 17%. However, we set our 12MPT at EGP22.6/share based on a P/BV of 0.8x, a c.20% discount to 2023e P/BV implied by our FV. Our 12MPT implies a 2022e P/E of 4.5x. As for the announced EGP1bn capital increase, our post-money valuation implies an FV of EGP24.8/share and a 12MPT of EGP20/share. Key catalysts: Strong loan book growth with improving economic conditions. Higher-than-expected earnings growth. Key risks: Deterioration in asset quality. High sensitivity to interest rate unfavorable fluctuations. Slower-than-anticipated earnings growth.

For the **full report**, please [click here](#).

MACRO

GDP grew by 4.4% y/y in Q1 FY23

The Egyptian economy achieved annual growth rate of 4.4% during Q1 FY23, according to data from **Ministry of Planning and Economic Development**. Growth came despite continued global headwinds thanks to the pandemic and the war in Ukraine. ([Enterprise](#))

A new roadmap for FX management

The CBE governor met with heads of Egyptian banks to decide upon new FX management strategy. The main takeaways were as follows:

- (1) Hotels and tourism facilities are to deposit FX funds in local banks in exchange for funding incentives.
- (2) Offering new USD-denominated CDs for Egyptian expats.
- (3) Easing USD-depositing regulatory requirements.
- (4) Contemplating the use of FX derivatives. ([Asharq Business](#))

Car sales continue to drop

Egypt's car sales have dropped again in October 2022, where passenger vehicles sales decreased by 69% y/y, reaching c.6,100 car. In addition, buses and trucks sales dropped by 43% y/y and 63% y/y, respectively. ([Enterprise](#))

CORPORATE

Shareholders of Arab Cotton Ginning approved cash dividends

Arab Cotton Ginning [**ACGC**] OGM held on 27 November 2022 approved paying a DPS of EGP0.15/share, implying 5% in dividend yield. ([Company disclosure](#))

Ibnsina Pharma finishes off its share buyback program

Ibnsina Pharma [**ISPH**] has bought back 2mn shares yesterday. As of now, ISPH has bought back 10% of its total outstanding shares as treasury shares. ([Company disclosure](#))

MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.			
852.9					1,948.3 1,010.1			
			daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	12,917.22	(0.71%)	8.10%		Gold	1,741.36	(0.77%) (4.09%)
	EGX 30 TR	5,316.89	(0.65%)	12.72%		Silver	20.94	(3.72%) (8.73%)
	EGX 70 EWI	2,549.85	(0.04%)	15.81%		Brent Oil	83.19	1.94% 16.36%
	EGX 100 EWI	3,686.32	(0.25%)	13.24%		WTI	77.24	1.73% 13.42%
	DFMGI	3,287.34	(0.54%)	2.86%		Natural Gas	6.71	7.84% 94.05%
	ADSMI	10,406.34	(1.16%)	22.60%	EGP	USD/EGP	24.57	0.13% (36.01%)
	TASI	10,746.64	(0.46%)	(4.74%)	€	EUR/USD	1.03	0.44% (8.65%)
	QE Index	11,629.55	(0.91%)	0.03%	£	GBP/USD	1.20	0.42% (11.25%)
	S&P 500	3,963.94	(1.54%)	(16.83%)	¥	USD/JPY	138.95	0.17% (16.91%)
	Dow 30	33,849.46	(1.45%)	(6.85%)		6M TB yield	18.53	14 580
	NASDAQ	11,049.50	(1.58%)	(29.37%)		1Y TB yield	18.65	32 588
	VIX	22.21	8.34%	28.98%		10Y TB yield	14.68	30 29
	STOXX 50	3,935.51	(0.68%)	(8.44%)		2Y TB yield	4.47	4 434
EM	MSCI Emerging	930.77	(1.09%)	(24.45%)		10Y TB yield	3.71	8 278
FM	MSCI Frontier	470.45	0.66%	(29.32%)		30Y TB yield	3.75	5 209

* As of market close, except for commodities and currencies at 8.35am CLT. Change in Treasuries is in basis points.
Source: Bloomberg, CBE.

KEY DATES

DATE	TICKER	TYPE	EVENT
30-Nov-22	ICLE	Cash dividend	Payment date for a dividend of EGP1.25/share (2nd installment).
1-Dec-22	ETRS	OGM	Approving financial statements and the proposed dividends.
1-Dec-22		MSCI	MSCI's November 2022 Semi-Annual Index Review Effective Date.
6-Dec-22	SAUD	Stock dividend	Last date for eligibility for a 1.74-for-1 stock dividend.
7-Dec-22	SAUD	Stock dividend	Date for distributing a 1.74-for-1 stock dividend.
7-Dec-22	MOIN	OGM	Approving financial statements and the proposed dividends.
10-Dec-22	EGTS	Lawsuit	Rescheduled court hearing for withdrawal of assigned land.
11-Dec-22	AMER	EGM	Approving the division of the company and amending Articles no. 6 & 7 of the company's bylaws.
12-Dec-22	GOCO	OGM	Approving financial statements and the proposed dividends.
13-Dec-22	ADIB	Right Issue	Last day for eligibility for subscription in the rights issue.
13-Dec-22	CAED	OGM	Approving financial statements and the proposed dividends.
13-14 Dec-2022		FOMC	Determining policy rate & monetary stance.
15-Dec-22	ARCC	OGM	Approving financial statements and the proposed dividends.
17-Dec-22	HELI	OGM	Approving financial statements and the proposed dividends.
18-Dec-22	ADIB	Right Issue	First day of trading the rights issue.
18-Dec-22	ADIB	Capital increase	Capital increase subscription starting date.
22-Dec-22		MPC Meeting	Determining the CBE's policy rate.
29-Dec-22	MICH	Cash dividend	Payment date for a dividend of EGP0.75/share (2nd installment).
29-Dec-22	ABUK	Cash dividend	Payment date for a dividend of EGP2.00/share (2nd installment).
11-Jan-23	ADIB	Right Issue	Last day of trading the rights issue.
16-Jan-23	ADIB	Capital increase	Capital increase subscription closing date.

LATEST RESEARCH

DATE	PUBLISHED REPORT
28-Nov-22	<u>Abu Dhabi Islamic Bank - Egypt [ADIB] – Unmitigated Temerity</u>
20-Nov-22	<u>Alexandria Containers & Cargo Handling Co. [ALCN] – Gateway of the North</u>
14-Nov-22	<u>Obour Land for Food Industries [OLFI] – Wise and Clever</u>
13-Nov-22	<u>STANDPoint – Time to Catch Up; Updating our fundamental outlook</u>
3-Nov-22	<u>TAKEStock – Telecom Egypt [ETEL] – Life Above 40</u>
19-Oct-22	<u>Lecico Egypt [LCSW] – A Fragile Tile?</u>
27-Sep-22	<u>Commercial International Bank [COMI]: Commander-in-Chief</u>
24-Sep-22	<u>TAKEStock: The Egyptian Banking Industry - The RRR Effect</u>
21-Sep-22	<u>EGYPTBanks – The Causal Sequence</u>
24-Aug-22	<u>Arabian Food Industries (Domty) – Core Coverage Report</u>
22-Aug-22	<u>Credit Agricole Egypt [CIEB] – Core Coverage Update</u>
31-Jul-22	<u>Ghazl El-Mahalla Football Co. [GMFC] - IPO Update</u>
14-Jun-22	<u>Ghazl El-Mahalla Football Co. [GMFC] - In a League of Its Own</u>
8-Jun-22	<u>TAKEStock – Delta Sugar [SUGR] - Sweet and Sour</u>
7-Jun-22	<u>TAKEStock – Orascom Financial Holding [OFH] - Triple-Digit Upside</u>
25-May-22	<u>TAKEStock – The Egyptian Cement Industry - Gauging the Impact</u>
23-May-22	<u>Cairo for Investment & Real Estate Development [CIRA] – Head of the Class</u>
19-May-22	<u>MACROView – A New Game Plan</u>
17-May-22	<u>MACROView – All Uphill from Here</u>
15-May-22	<u>EGYPTBanks – Harness the Hike</u>
15-May-22	<u>TAKEStock – Hidden “valu”</u>
28-Apr-22	<u>MACROView – Din of Battle Getting Louder</u>
17-Apr-22	<u>MACROView – Before the Grand Storm</u>
14-Apr-22	<u>EFG Hermes Holding [HRHO] – Rating Cut on Withdrawal of FAB’s Bid</u>
12-Apr-22	<u>MACROView – Mounting External Vulnerabilities</u>
10-Apr-22	<u>MACROView – Much Higher Inflation ... and Longer</u>
24-Mar-22	<u>EFG Hermes Holding [HRHO] – The Best Is Yet to Come</u>
23-Mar-22	<u>CI Capital Holding [CICH] – A Year to Remember</u>
22-Mar-22	<u>Orascom Construction [ORAS] – A Clear Devaluation Winner</u>

10-Mar-22	<u>MACROView – The Dizzying Speed</u>
6-Mar-22	<u>MACROView – On the Back Foot</u>
2-Mar-22	<u>MACROView – Calculating the Ferocity</u>
1-Mar-22	<u>Housing & Development Bank [HDBK] – Credit Provisions Flattened Earnings Growth</u>
27-Feb-22	<u>Export Development Bank of Egypt [EXPA] – A Year to Forget</u>
22-Feb-22	<u>Commercial International Bank (CIB) [COMI] – 2021, a Grand Finale</u>
21-Feb-22	<u>Crédit Agricole Egypt (CAE) [CIEB] – Non-Interest Income Saves the Day</u>
20-Feb-22	<u>Abu Dhabi Islamic Bank - Egypt [ADIB] – Wise Utilization Enhances Profitability</u>
17-Feb-22	<u>Al Baraka Bank Egypt [SAUD] – Earnings Pressured by Higher Cost of Risk</u>
16-Feb-22	<u>MACROView – A Soothing Message From the CBE ... and Our Takeaways</u>
14-Feb-22	<u>Abu Qir Fertilizers [ABUK] – Another Record-High Quarter</u>
13-Feb-22	<u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u>
10-Feb-22	<u>MACROView – Ebb and Flow</u>
10-Feb-22	<u>MACROView – The Cloudy Year Has Just Begun</u>
9-Feb-22	<u>Elsewedy Electric [SWDY] – Ending 2021 on a Good Note</u>
8-Feb-22	<u>MACROView – A Fall in Disguise</u>
7-Feb-22	<u>Macro Group Pharmaceuticals [MCRO] – Not the Usual Pharma Stock</u>
1-Feb-22	<u>MACROView – The Ripple Effect</u>
31-Jan-22	<u>Obour Land For Food Industries [OLFI] – Double-Digit Growth Complements a Resilient Story</u>
30-Jan-22	<u>STANDPoint – Egypt Valuation Repertoire — 2022 Outlook</u>
12-Jan-22	<u>QNB Alahli [QNBA] – Slow Earnings Pace Despite Assets Growth</u>
10-Jan-22	<u>MACROView – The Last Reading Ahead of a Cloudy Year</u>
30-Dec-21	<u>EGYPTCeramics – From Dusk to Dawn</u>
26-Dec-21	<u>Obour Land For Food Industries [OLFI] – A Play on Consumption Recovery</u>
22-Dec-21	<u>MACROView – The Return of the ‘Vigilante’</u>
14-Dec-21	<u>MACROView – When “Bad” Inflation Clouds the Path of “Good” Inflation</u>
9-Dec-21	<u>MACROView – Another Retreat ... Until Further Notice</u>
8-Dec-21	<u>MACROView – For Stormy Days, Eyes on the Ball</u>
7-Dec-21	<u>EGYPTBanks – Takeoff Time</u>
5-Dec-21	<u>MACROView – Searching for Lost Momentum</u>

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