

## Egypt's Lucky Oil Strike

### FUNDAMENTAL THOUGHTS

**Egypt Petroleum Show pays off:** Last week saw the commencement of the sixth edition of Egypt Petroleum Show (**EGYPS 2023**), with more than 32,000 participants, 2,000 delegates, and 41 international oil and gas companies in attendance. **Egypt** hopes to develop its petroleum sector, enhance cooperation with international entities, and spur FDIs in oil and gas. Below are our main takeaways:

(1) **Cooperation with multiple sovereign nations to expand the scope of the petroleum sector:**

- **European Union** has renewed its MoU with Egypt and Israel to secure its supply of natural gas.
- **Iraq** is calling on Egyptian companies to obtain exploration licenses in Iraq and support the petrochemicals sector given an abundant supply of feedstock.
- **Yemen** wishes to benefit from Egypt's expertise in the natural gas sector, specifically compressed natural gas.

(2) **Multiple international companies pledged to increase their investments in Egypt:**

- **Wintershall Dea** (Germany) announced plans to invest USD1.5bn in 2023 for all of its international operations (Egypt represents 10% of its production).
- **Dana Gas** (UAE) will invest USD100mn in Egypt in 2023 and 2024; it is also interested in securing the new oil and gas exploration bids (Egypt represents 40% of its production with production capacity of 24,000 barrels of oil equivalent).
- LSE-listed **Energean** will invest USD350mn in its concession in Abu Qir in the Mediterranean.
- **Bronco Oilfield Services** will invest USD8mn for offshore drilling and exploration in the North Sinai region.
- **Kuwait Energy** to drill two wells with an investment of USD4mn.
- **Eni** (Italy) will drill two wells with an investment of USD7mn.
- **Chevron** (USA) will complete seismic research in its Red Sea concession and will help Egypt reduce its methane emissions.
- **BP, Apache Corporation, and Mudabala Investment Co.** (UAE) have all pledged to increase their investments in Egypt to increase production rates and research activities.

(3) **Cooperation between Egypt and international entities:**

- **Schlumberger** and **Enppi** will cooperate in deep-water extraction and engineering designs.
- **Shell, Bechtel Egypt, Enppi, and Petrojet** will cooperate to reduce carbon emissions.



- **Apache Corporation** and **Helleniq Energy** (Grec) will help export **Qarun Petroleum Company's** crude oil stock.

(4) **Technological developments to modernize the energy sector in Egypt:**

- **IBM** will support digital transformation in the energy sector.
- **Baker Hughes** will cooperate with petroleum companies to develop, design, and implement advanced petroleum equipment.
- **Emerson Global** showcased its energy sector enhancement technology through automation, digital transformation, and asset optimization to accelerate energy efficiency and reduce carbon emissions.
- AMS-listed **Fugro** unveiled their new-patented QuickVision smart camera, assisting in subsea structure installation and drilling. The camera will provide direct and contactless monitoring and verification technology, to provide safer, more efficient, and cheaper solutions for marine operations.

**How will this all play out for the EGX-listed names?** EGYPS will allow the energy sector to reach new heights and hopefully turn Egypt into a Middle Eastern energy hub. Below we name a few local companies in the sector that could benefit from increased FDIs and more opportunities, which we group into:

- (1) **Offshore support services companies**, such as Maridive & Oil Services [**MOIL**], will likely benefit in the short run from the increased offshore exploration and drilling activity that will occur.
- (2) **Infrastructure contractors**, such as Egypt Gas [**EGAS**], will benefit in the short to long term, as it is Egypt's main natural gas infrastructure contractor and will likely participate in some of the natural gas projects announced.
- (3) **Energy distributors**, such as Qalaa Holdings' [**CCAP**] **TAQA Arabia** and Egypt Kuwait Holding's [**EKHO**] **NAT Energy**, will likely benefit in the long run as natural gas production levels increase, so will the need to distribute natural gas to more sectors and households in the country.

—Omar Taha | Equity Analyst

## TODAY'S TOP NEWS & ANALYSIS

Russian oil services company to operate in Egypt for the first time

Egypt and Italy to interconnect their electricity soon

Three international consortia compete for Abu Qir metro project

Two state-owned pharmaceutical companies to sell minority stakes

Oman's sovereign fund interested in investing in Egypt

Palm Hills Developments concluded a bond securitization worth EGP638mn

Talaat Moustafa Group's preliminary 2022: A 25% increase in bottom line profits

CIRA Education to increase its prices

Egyptians Housing & Development's 2022: Post-merger revenues grew

## MACRO

### Russian oil services company to operate in Egypt for the first time

An agreement has been signed between **Russia's Tyumen Oil Tec**, **Egypt's Access Middle East Oil Service**, and F&M for the Russian company's oil services. The Russian company will be able to offer its services in Egypt, bringing solutions that are technologically advanced and cheaper. ([Al-Mal](#))

### Egypt and Italy to interconnect their electricity soon

The Egyptian and Italian governments are reportedly in talks to sign an MoU for a 3GW interconnector project next June, with reports about a third country joining the project. The Italian offer includes funding options from European sources. ([Enterprise](#))

### Three international consortia compete for Abu Qir metro project

Three international consortiums are currently competing on the new 21.7km Abu Qir metro project, with a total expected cost of EUR1.6bn. The consortia are:

- (1) Orascom Construction [**ORAS**] and the French **Talis Group**.
- (2) Chinese **CRBC** and **CRCC**, **Concrete Plus**, and **Adler EG**.
- (3) **Arab Contractors**, **Hassan Allam Holding**, **Concord Construction**, and **Alstom**. (Economy plus)

### Two state-owned pharmaceutical companies to sell minority stakes

The **Egyptian government** is planning to offer 30-40% of **Chemical Industries Development Co. (CID)** and **Misr Pharma** to investors through the EGX within six months. It is noted that no strategic investors are currently interested. ([Enterprise](#))

## **Oman's sovereign fund interested in investing in Egypt**

**Oman Investment Authority (OIA)** is reportedly looking for investment opportunities in **Egypt's** energy, healthcare, technology, food & beverages, and logistics sectors. The deals should start by H1 2023 if the negotiations succeed. (Economy plus)

## **CORPORATE**

### **Palm Hills Developments concluded a bond securitization worth EGP638mn**

Palm Hills Developments [**PHDC**], in cooperation with EFG Hermes Holding [**HRHO**], concluded a bond securitization worth EGP638mn. The securitization structure is as follows:

**Tranche A:** Valued at EGP105.27mn with a tenor of 13 months and a credit rating of AA+.

**Tranche B:** Valued at EGP232.87mn with a tenor of 36 months and a credit rating of AA.

**Tranche C:** Valued at EGP299.86mn with a tenor of 84 months and a credit rating of A.

([Company disclosure](#))

### **Talaat Moustafa Group's preliminary 2022: A 25% increase in bottom line profits**

Talaat Moustafa Group Holding's [**TMGH**] consolidated preliminary net income came in at EGP2.23bn (+25% y/y) on revenues of EGP19.9bn (+29.5% y/y), while GPM decreased by 1pp y/y to 31.5%. ([Company disclosure](#))

### **CIRA Education to increase its prices**

The EGP devaluation has pushed CIRA Education's [**CIRA**] costs higher by c.25%; however, CIRA will increase its enrollment prices only by 10% this year and the next year. According to plans, CIRA should have four universities by 2025, one of which should be operational by September 2023 while the second should be operational by 2024-2025. ([Zawya](#))

### **Egyptians Housing & Development's 2022: Post-merger revenues grew**

Egyptians Housing & Development's [**EHDR**] 2022 results showed a net income of EGP16.6mn (-38.5% y/y) despite higher revenues of EGP59.4mn (+345% y/y) as the comparable year included gains from sale of investments amounting to EGP28.1mn. GPM came in at 48.1% (-7.3pp y/y). We note that the 2022 financials reflect the effect of the merger between EHDR and **Emerald Real Estate Investment, Edge Development & Project Management, Odin Investment & Development**, and **Odin for Investment & Real Estate Marketing**. ([Company disclosure](#))

## MARKETS PERFORMANCE

Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
1,107.1					2,466.2    2,424.3				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	📉	EGX 30	17,488.87	(0.19%)	19.80%		📈	Gold	1,842.36    0.33%    1.01%
	📉	EGX 30 TR	7,206.24	(0.17%)	20.01%		📈	Silver	21.73    0.70%    (9.29%)
	📉	EGX 70 EWI	2,990.83	(0.44%)	6.74%		📉	Brent Oil	83.00    (2.51%)    (3.09%)
	📉	EGX 100 EWI	4,514.90	(0.19%)	8.91%		📉	WTI	76.34    (2.74%)    (5.11%)
	📉	DFMGI	3,457.72	(0.34%)	3.65%		📉	Natural Gas	2.28    (4.77%)    (49.16%)
	📈	ADSMI	9,977.24	0.15%	(2.29%)	EGP	📈	USD/EGP	30.55    0.05%    (19.07%)
	📉	TASI	10,548.45	(0.23%)	0.67%	€	📈	EUR/USD	1.07    0.20%    (0.09%)
	📈	QE Index	10,641.45	1.83%	(0.37%)	£	📈	GBP/USD	1.20    0.37%    (0.38%)
	📉	S&P 500	4,079.09	(0.28%)	6.24%	¥	📉	USD/JPY	134.15    (0.16%)    (2.26%)
	📈	Dow 30	33,826.69	0.39%	2.05%		📈	6M TB yield	21.77    18    260
	📉	NASDAQ	11,787.27	(0.58%)	12.62%		📈	1Y TB yield	22.27    15    337
	📉	VIX	20.02	(0.74%)	(7.61%)		↔	10Y TB yield	14.68    0    0
	📉	STOXX 50	4,274.92	(0.52%)	12.69%		📉	2Y TB yield	4.62    (1)    19
EM	📉	MSCI Emerging	999.42	(1.16%)	4.50%		📈	10Y TB yield	3.81    1    (6)
FM	📉	MSCI Frontier	490.95	(0.22%)	3.94%		📈	30Y TB yield	3.87    3    (9)

\* As of market close. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

## KEY DATES

DATE	TICKER	TYPE	EVENT
22-Feb-23	AMOC	Cash dividend	Payment date for a dividend of EGP0.25/share (2nd installment).
22-Feb-23	SKPC	Stock dividend	Last date for eligibility for a 0.20-for-1 stock dividend.
23-Feb-23	SKPC	Stock dividend	Date for distributing a 0.20-for-1 stock dividend.
25-Feb-23	OLFI	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
26-Feb-23	CANA	Stock dividend	Last date for eligibility for a 0.24-for-1 stock dividend.
27-Feb-23	CANA	Stock dividend	Date for distributing a 0.24-for-1 stock dividend.
28-Feb-23	BTFH	EGM	Approving increasing the issued capital & amending Articles No. 6 & 7 of the company's bylaws.
1-Mar-23	PHDC	EGM	Discussing decreasing paid in capital by EGP120mn.
1-Mar-23		MSCI	MSCI's February 2023 Quarterly Index Review Effective Date.
5-Mar-23	MOIN	Cash dividend	Payment date for a dividend of EGP0.096/share (2nd installment).
9-Mar-23	OCDI	OGM	Approving financial statements ending 31 Dec. 2022 and discussing netting contracts.
15-Mar-23		IMF Review	First IMF review with Egypt (end-December 2022 quantitative targets).
15-Mar-23	SMFR	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
15-Mar-23	SMFR	EGM	Amending articles No. 31 & 56 of the company's bylaws.
16-Mar-23	FAIT	OGM	Approving financial statements ending 31 Dec. 2022 & board election.

18-Mar-23	SNFC	OGM	Approving financial statements ending 31 Dec. 2022.
20-Mar-23	COMI	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
20-Mar-23	COMI	EGM	Amending some articles of the bank's bylaws.
20-Mar-23	DEIN	OGM	Board election.
20-Mar-23	ANFI	OGM	Approving financial statements ending 31 Dec. 2022.
20-Mar-23	ANFI	EGM	Discussing the continuation of the company.
21-Mar-23	ADIB	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	ADIB	EGM	Amending articles No. 39 & 40 of the bank's bylaws.

## LATEST RESEARCH

DATE	PUBLISHED REPORT
8-Feb-23	<a href="#">Alexandria Containers Handling [ALCN] – Breaking Higher Waves</a>
<b>29-Jan-23</b>	<b><a href="#">STANDPoint – The Year of Adjustment; Our fundamental outlook for 2023</a></b>
18-Dec-22	<a href="#">Elsewedy Electric [SWDY] – Turning Copper Into Gold</a>
5-Dec-22	<a href="#">Commercial International Bank [COMI] – Still Spearheading</a>
28-Nov-22	<a href="#">Abu Dhabi Islamic Bank - Egypt [ADIB] – Unmitigated Temerity</a>
<b>20-Nov-22</b>	<b><a href="#">Alexandria Containers &amp; Cargo Handling Co. [ALCN] – Gateway of the North</a></b>
14-Nov-22	<a href="#">Obour Land for Food Industries [OLFI] – Wise and Clever</a>
<b>13-Nov-22</b>	<b><a href="#">STANDPoint – Time to Catch Up; Updating our fundamental outlook</a></b>
3-Nov-22	<a href="#">TAKEStock – Telecom Egypt [ETEL] – Life Above 40</a>
19-Oct-22	<a href="#">Lecico Egypt [LCSW] – A Fragile Tile?</a>
27-Sep-22	<a href="#">Commercial International Bank [COMI]: Commander-in-Chief</a>
24-Sep-22	<a href="#">TAKEStock: The Egyptian Banking Industry - The RRR Effect</a>
21-Sep-22	<a href="#">EGYPTBanks – The Causal Sequence</a>
<b>24-Aug-22</b>	<b><a href="#">Arabian Food Industries (Domty) – Core Coverage Report</a></b>
22-Aug-22	<a href="#">Credit Agricole Egypt [CIEB] – Core Coverage Update</a>
31-Jul-22	<a href="#">Ghazl El-Mahalla Football Co. [GMFC] - IPO Update</a>
14-Jun-22	<a href="#">Ghazl El-Mahalla Football Co. [GMFC] - In a League of Its Own</a>
8-Jun-22	<a href="#">TAKEStock – Delta Sugar [SUGR] - Sweet and Sour</a>
7-Jun-22	<a href="#">TAKEStock – Orascom Financial Holding [OFH] - Triple-Digit Upside</a>
25-May-22	<a href="#">TAKEStock – The Egyptian Cement Industry - Gauging the Impact</a>
<b>23-May-22</b>	<b><a href="#">Cairo for Investment &amp; Real Estate Development [CIRA] – Head of the Class</a></b>
19-May-22	<a href="#">MACROView – A New Game Plan</a>
17-May-22	<a href="#">MACROView – All Uphill from Here</a>
<b>15-May-22</b>	<b><a href="#">EGYPTBanks – Harness the Hike</a></b>
15-May-22	<a href="#">TAKEStock – Hidden “valu”</a>
28-Apr-22	<a href="#">MACROView – Din of Battle Getting Louder</a>
17-Apr-22	<a href="#">MACROView – Before the Grand Storm</a>
14-Apr-22	<a href="#">EFG Hermes Holding [HRHO] – Rating Cut on Withdrawal of FAB's Bid</a>

- 12-Apr-22 [MACROView – Mounting External Vulnerabilities](#)
- 10-Apr-22 [MACROView – Much Higher Inflation ... and Longer](#)
- 24-Mar-22 [EFG Hermes Holding \[HRHO\] – The Best Is Yet to Come](#)
- 23-Mar-22 [CI Capital Holding \[CICH\] – A Year to Remember](#)
- 22-Mar-22 [Orascom Construction \[ORAS\] – A Clear Devaluation Winner](#)
- 10-Mar-22 [MACROView – The Dizzying Speed](#)
- 6-Mar-22 [MACROView – On the Back Foot](#)
- 2-Mar-22 [MACROView – Calculating the Ferocity](#)
- 1-Mar-22 [Housing & Development Bank \[HDBK\] – Credit Provisions Flattened Earnings Growth](#)

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