

A Tale of Two Stake Sales

FUNDAMENTAL THOUGHTS

Once again, Telecom Egypt [**ETEL**] is back to the news headlines. This time it has nothing to do with Vodafone Egypt [**VODE**], its 45%-owned subsidiary, which has been sought after by at least two suitors, namely **Qatar Investment Authority (QIA)** and **ADQ Holding**. News reports cited the **Egyptian government's** interest to offer a 10% stake in ETEL itself (another source put the stake at between 10-20%). Understandably, the stock reacted negatively to the news, falling 3.7% to close the day at EGP26.76 after hitting an intraday high of EGP28.50 with a high volume of 6.8mn shares changing hands.

In our opinion, we think the market is discounting a “no deal” for a VODE stake sale, which would have brought ETEL cash proceeds close to its own market cap. Indeed, a 10-20% stake sale would be worth EGP4.6-9.1bn, which is equivalent to roughly USD150-300mn, at yesterday's market price. The point here is that such a sale will only benefit the seller, in this case, the Egyptian government. This means ETEL shareholders will get the short end of the stick, even in the case of a high premium above ETEL's market price. ETEL shareholders will only benefit directly if ETEL sells a stake in VODE, thus raising cash that can be either (1) distributed in the form of cash dividends (potentially in USD, thus helping the Egyptian government along the way with direly needed USD) or (2) used to pay off outstanding debt. Either way, ETEL shareholders will benefit somehow. Otherwise, they will continue to hold shares in ETEL that is deeply undervalued and will have to wait to realize the full valuation potential of their investment in ETEL.

That said, the sale of a minority stake of 10-20% in ETEL will not likely appeal to an institutional investor unless it has some other sweeteners attached, like a higher voting right in the company's board or a combo deal with a partial stake in VODE. This is why we think there could be more to this than just a minority stake sale in ETEL.

At any rate, we reiterate our view that ETEL is very cheap in terms of valuation [which we had put in at EGP46.7/share](#).

—Amr Hussein Elalfy, MBA, CFA | Head of Research

TODAY'S TOP NEWS & ANALYSIS

CBE reportedly calls on banks to refrain from/limit dividends in 2023

The EGP falls more than 6% against the US dollar in the black market

Sovereign fund of Egypt expects USD4bn Gulf investments

The New Urban Communities Authority offers a 15% discount for foreign investors

Egyptian Ministry of Agriculture releases amounts of corn and soybeans

Egypt offers to sell 10-20% of Telecom Egypt

Ezz Steel announces new rebar prices for March

GV Developments and TAQA Arabia to cooperate in Tarboul industrial city

PACHIN H1 2022/23: Back in the green

MACRO

CBE reportedly calls on banks to refrain from/limit dividends in 2023

The **Central Bank of Egypt (CBE)** is reportedly advising Egyptian banks to be extremely prudent when it comes to dividends payout in 2023 in order to maintain their capital position and financial soundness. Sources added that the instructions differ from one bank to another depending on each's capital adequacy. The stronger banks likely to be allowed to distribute limited dividends, while banks with weaker positions will likely be restricted from any dividend distributions. ([Masrawy](#))

The EGP falls more than 6% against the US dollar in the black market

The **EGP** has weakened by more than 6% against **US dollar** in the black market over the last week. The EGP traded at about 33.5 to USD yesterday against 31.5 last week. ([Bloomberg](#))

Sovereign fund of Egypt expects USD4bn Gulf investments

The CEO of The **Sovereign Fund of Egypt (TSFE)** expected **Gulf** investments worth USD4bn as part of the first package projects. Regarding the pre-IPO fund, he said that the fund has 3 stages, and currently there are 11 companies that will be offered to strategic investors or a public offering or both, adding that between 2 to 3 companies will be offered during the next month. ([CNBC Arabia](#))

The New Urban Communities Authority offers a 15% discount for foreign investors

The New Urban Communities Authority (**NUCA**) is offering land for foreign investors to buy with three payment options:

- A 15% discount for immediate payment in USD, or
- Installment plan for payment in EGP taking into account the USD/EGP rate at the day of

- payment and the CBE's borrowing rate
- Installment plan to pay in foreign currency at the USD CDs rate of the state-owned banks. ([Al-Mal](#))

Egyptian Ministry of Agriculture releases amounts of corn and soybeans

Last week, the Egyptian **Ministry of Agriculture** released 96,000 tons of corn worth USD34.4mn and 41,000 tons of soybeans worth USD30.4mn, in addition to fodder worth USD2.2mn. ([Al-Mal](#))

CORPORATE

Egypt offers to sell 10-20% of Telecom Egypt

According to sources, Egypt is offering a 10-20% stake of its 80%-owned incumbent Telecom Egypt [**ETEL**]. (Reuters, Asharq Business: [1](#), [2](#))

Ezz Steel announces new rebar prices for March

Ezz Steel [**ESRS**] raised its factory rebar prices, for the third time in 2023, to reach EGP29,285 (including 14% tax) starting today. This is a 9% increase since the last price increase that occurred 47 days ago (19 January 2023). (Company disclosure)











































GV Developments and TAQA Arabia to cooperate in Tarboul industrial city

Real estate developer **GV Investments** and **TAQA Arabia**, Qalaa Holding's [**CCAP**] subsidiary, signed an agreement to form **Tarboul Infra** to accelerate the completion of the infrastructure, supply full utilities, and provide clean energy sources for Egypt's largest industrial smart city in Tarboul, Giza. The aim is to attract investors and provide advanced integrated solutions to support various industries. ([Company disclosure](#))

PACHIN H1 2022/23: Back in the green

Paints & Chemical Industries (PACHIN) [**PACH**] H1 2022/23 net income came at EGP19.5mn compared to a net loss of EGP12.8mn. Revenues increased by 13.6% y/y to EGP486.4mn, while GPM increased by 8pp y/y to 15.6%. ([company disclosure](#))

MARKETS PERFORMANCE

Current equity market cap (EGPbn)						1,082.4		Equity turnover (EGPmn): Last, ytd avg.						1,929.6		2,245.6						
						daily chg.		ytd chg.								daily chg.		ytd chg.				
		EGX 30	16,803.89	(0.14%)	15.11%														Gold	1,846.86	(0.52%)	1.30%
		EGX 30 TR	6,918.34	(0.27%)	15.21%														Silver	21.05	(0.98%)	(12.05%)
		EGX 70 EWI	3,067.23	0.19%	9.47%														Brent Oil	86.18	0.49%	1.56%
		EGX 100 EWI	4,534.84	0.01%	9.39%													WTI	80.46	0.47%	0.38%	
		DFMGI	3,456.18	1.05%	3.60%														Natural Gas	2.57	(1.09%)	(43.15%)
		ADSMI	9,996.73	0.91%	(2.10%)												EGP		USD/EGP	30.83	(0.17%)	(19.74%)
		TASI	10,447.96	0.35%	(0.29%)												€		EUR/USD	1.07	0.02%	(0.21%)
		QE Index	10,695.04	0.69%	0.13%												£		GBP/USD	1.20	0.13%	(0.35%)
			S&P 500	4,048.42	0.07%	5.44%												¥		USD/JPY	135.93	(0.04%)
		Dow 30	33,431.44	0.12%	0.86%														6M TB yield	22.15	18	298
		NASDAQ	11,675.74	(0.11%)	11.55%													1Y TB yield	22.59	20	369	
		VIX	18.61	0.65%	(14.12%)													10Y TB yield	14.68	0	0	
		STOXX 50	4,313.78	0.44%	13.71%														2Y TB yield	4.89	3	46
EM		MSCI Emerging	993.74	0.58%	3.91%													10Y TB yield	3.96	1	8	
FM		MSCI Frontier	481.58	0.30%	1.96%													30Y TB yield	3.89	1	(7)	

* As of market close, except for commodities and currencies at 8.15am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

KEY DATES

DATE	TICKER	TYPE	EVENT
9-Mar-23	OCDI	OGM	Approving financial statements ending 31 Dec. 2022 and discussing netting contracts.
13-Mar-23	QNBA	Cash dividend	Deadline for eligibility for a dividend of EGP0.75/share.
14-Mar-23	QNBA	Cash dividend	Ex-dividend date for EGP0.75/share.
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	QNBA	Cash dividend	Payment date for a dividend of EGP0.75/share.
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.
18-Mar-23	SAUD	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
18-Mar-23	EGAS	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
18-Mar-23	EGAS	EGM	Amending Articles No. 2 & 6 of the company's bylaws.
19-Mar-23	ATLC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
19-Mar-23	EGBE	OGM	Approving financial statements ending 31 Dec. 2022 and the

			proposed dividends.
19-Mar-23	EXPA	Stock dividend	Last date for eligibility for a 0.062-for-1 stock dividend.
20-Mar-23	EXPA	Stock dividend	Date for distributing a 0.062-for-1 stock dividend.
20-Mar-23	AMIA	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
20-Mar-23	AMIA	EGM	Approving increasing the issued capital & amending Articles No. 6 & 7 of the company's bylaws.
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.
20-Mar-23	EHDR	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
20-Mar-23	BINV	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
20-Mar-23	TMGH	OGM	Approving financial statements ending 31 Dec. 2022.
20-Mar-23	OLFI	Cash dividend	Deadline for eligibility for a dividend of EGP0.95/share.
21-Mar-23	OLFI	Cash dividend	Ex-dividend date for EGP0.95/share.
21-Mar-23	CERA	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	EFIH	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	EFIC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	SKPC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
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.
21-Mar-23	CNFN	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
21-Mar-23	KZPC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
22-Mar-23	KRDI	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
23-Mar-23	ARCC	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
23-Mar-23	OLFI	Cash dividend	Payment date for a dividend of EGP0.95/share.
26-Mar-23	AUTO	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
26-Mar-23	AUTO	EGM	Amending articles No. 2 & 41 of the company's bylaws.
26-Mar-23	MBSC	OGM	Approving financial statements ending 31 Dec. 2022.
26-Mar-23	MBSC	EGM	Discussing capital reduction & amending Articles No. 4, 6 & 7 of the

			company's bylaws.
27-Mar-23	ECAP	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
27-Mar-23	SAIB	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
28-Mar-23	POUL	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
28-Mar-23	EFID	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
28-Mar-23	UNIT	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
28-Mar-23	ETEL	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
28-Mar-23	PORT	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
29-Mar-23	EPCO	OGM	Approving financial statements ending 31 Dec. 2022.
29-Mar-23	MCRO	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
29-Mar-23	MCRO	EGM	Discussing capital reduction & amending Articles No. 6 & 7 of the company's bylaws.
29-Mar-23	AMES	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
29-Mar-23	SUGR	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
29-Mar-23	ICLE	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
29-Mar-23	ACAMD	OGM	Approving financial statements ending 31 Dec. 2022 and netting contracts.
29-Mar-23	ELSH	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
30-Mar-23	ATQA	OGM	Approving financial statements ending 31 Dec. 2022 and netting contracts.
30-Mar-23	MENA	OGM	Approving financial statements ending 31 Dec. 2022.
30-Mar-23	CIEB	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
30-Mar-23	ETRS	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
30-Mar-23	EXPA	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
30-Mar-23	HDBK	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
30-Mar-23	LCSW	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.
30-Mar-23	CANA	OGM	Approving financial statements ending 31 Dec. 2022 and the proposed dividends.

LATEST RESEARCH

DATE	PUBLISHED REPORT
8-Feb-23	<u>Alexandria Containers Handling [ALCN] – Breaking Higher Waves</u>
29-Jan-23	<u>STANDPoint – The Year of Adjustment; Our fundamental outlook for 2023</u>
18-Dec-22	<u>Elsewedy Electric [SWDY] – Turning Copper Into Gold</u>
5-Dec-22	<u>Commercial International Bank [COMI] – Still Spearheading</u>
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>

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