

Today's Story

Putting the Pedal to the Metal

- **GB Auto (AUTO)** released its Q2 2018 consolidated financial results after trading hours yesterday. Overall, the report was a good set of results that saw both the auto and the financing businesses delivering strong growth rates. In Q2 2018, **group revenues** grew to EGP6.09bn (+39% y/y, +28% q/q), with Passenger Cars driving revenue growth on a quarterly basis, contributing 82% of total growth.
 - On the **topline** side:
 - Revenues in the **auto business** came in at EGP5.23bn (+45% y/y, +30% q/q), driven by Passenger Cars segment (+69% q/q) amid recovery of demand in car sales in Egypt.
 - Revenues in the **financing business** came in at EGP1.19bn (+51% y/y, +17% q/q), driven by **Drive** (+40% q/q) in Q2 2018.
- **Group gross profit** jumped to EGP866.9mn (+83% y/y, +23% q/q), also with Passenger Cars as the main contributor to gross profit growth on a quarterly basis, contributing 72% of total growth.
 - On the **gross profit** side:
 - Gross profit for the **auto business** came at EGP617.3mn (+101% y/y, +26% q/q), implying a gross profit margin of 11.8% in Q2 2018.
 - Gross profit for the **financing business** came at EGP244.3mn (+63% y/y, +15% q/q), implying a gross profit margin of 20.4% in Q2 2018.
- On the **bottom line** side:
 - The **auto business** turned to profitability in Q2 2018, thanks to growth in the business's topline as well as the lower financing costs. Segment profits reached EGP45mn in Q2 2018 versus losses of EGP54.4mn in Q1 2018 and losses of EGP207.3mn in Q2 2017.
 - The **financing business** continued its strong performance, delivering profits of EGP102mn (+78% y/y, +18% q/q).
- Group **net profits** skyrocketed by 342% q/q to EGP148.1mn versus only EGP33.5mn in Q1 2018, thanks mainly to the auto business which turned its losses into profits sequentially. The group had previously suffered from net losses of EGP150.9mn in Q2 2017.
- **In summary, we are positive about AUTO's Q2 2018 results as well as its outlook for the year.** AUTO's earnings beat consensus estimates on both the top line and the bottom line fronts by 15% and 79%, respectively. Moreover, we calculate AUTO's net earnings of EGP363mn on an annualized basis, implying an EPS of EGP0.33 and a P/E of 17.2x. **In view of the company's beating estimates, we can also expect an earnings upgrade by analysts in the market on the back of this solid set of results.**

Top Headlines

Corporate

- **Arab Co. for Asset Management and Development (ACAMD)** is mulling to sell portion of its 600,000 sqm land plots to finance the development of its real estate projects in the upcoming period. (Al-Mal)
- **EGX** is currently examining **Qatar National Bank-Egypt's (QNBA)** capital increase documents, which will take place through the issuance of 10% bonus shares. ([Mubasher](#))
- **Golden Textiles (GTWL)** has declared cash dividends of EGP0.50 through two equal payments. Record date for cash dividends eligibility will be 12 August 2018. ([Company Disclosure](#))

- **Chemical Industries Holding Company** made a deal with **Egyptian Natural Gas Holding Company** to settle **National Cement** (NCEM) debts which worth EGP3.5bn against NCEM's 3.0mn sqm plot of land in in Helwan. (Al-Mal)

Non-Corporate

- The **Financial Regulatory Authority (FRA)** issued amendments to the regulations that govern the establishment and licensing of microfinance firms. Under new rules, microfinance outfits must have a minimum issued capital of EGP15mn and initial paid-in capital that is equal to at least 50% of that amount and which increases gradually over a three-year period. The rules also stipulate that no one person, entity, or group can own more than 49% of a microfinance firm without receiving a non-objection from the FRA. ([Enterprise](#))
- The **Egyptian Exchange (EGX)** and the **Ministry of Petroleum** are considering the establishment of a natural gas futures exchange. The sale and purchase of natural gas between companies and suppliers will be carried out through this futures market, according to *Al-Mal* News. ([Mubasher](#))
- **Syria** imposed duties on ceramic imported from a group of Arab countries, including **Egypt**, at the rate of EGP25 per square meter. ([Youm7](#))
- Amr Nassar **Minister of Trade and Industry**, has repealed a decree which imposes an export fee on sugar "EGP3000 per tons". (youm7)

Markets

↗	EGX 30	15,761.55	0.74%	↗	EGX 70	751.88	0.69%
↘	DFMGI	2,951.07	(0.90%)	↗	ADSMI	4,911.19	0.57%
↗	TASI	8,242.82	0.15%	↗	QE Index	9,973.97	0.41%
↗	S&P 500	2,858.45	0.28%	↗	MSCI EM	1,079.79	0.82%
↗	Gold	1,213.26	0.19%	↘	Brent Oil	74.64	(0.01%)

*As of market close, except for commodities at spot price as of 8:17am CLT.

- **MENA Markets:** The **EGX30** rebounded yesterday, driven by gains in **ABUK**, **HRHO**, and **GTHE**. **TASI** ended slightly higher, driven by good performance in the materials and banks sectors. **UAE indices** ended on a mixed note, with **ADSMI** showing a strong performance for the second session in a row.
- **Global Markets:** **US indices** finished higher Tuesday boosted by an advance in the energy sector. **Oil** prices were slightly down in early trades, after it was inched up in the previous session on back of talks about **Iran** sanctions.

Number of the Day

330

The number of pharmaceutical products approved by the Minister of Health for repricing.

Today's Quiz

How many core business segments does GB Auto (AUTO) have?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Extracted Oils	ZEOT	Right issue	8-Aug	Record date for right issue
Golden Coast	GOCO	Dividends	9-Aug	Distribution of cash dividends of EGP0.1 per share (1st installment)
Sidi Kerir Petrochemicals	SKPC	Dividends	9-Aug	Distribution of cash dividends of EGP0.4 per share
Alexandria Spinning & Weaving	SPIN	Capital Increase	9-Aug	Raising capital by EGP45m over 22.5m shares
Extracted Oils	ZEOT	Capital Increase	9-Aug	Raising capital by EGP157.2m over 42.8m shares
Misr Duty Free Shops	MFSC	EGM	9-Aug	Reviewing Agenda Items
Sharkia National Food	SNFC	EGM	11-Aug	Reviewing Agenda Items
General Silos & Storage	GSSC	Lawsuit	12-Aug	Legal Disputes Relevant to the Company
Alexandria Containers Handling	ALCN	EGM	13-Aug	Reviewing Agenda Items
Telecom Egypt	ETEL	Earnings release	14-Aug	Announcing Q2 2018 financial results
Arab Cotton Ginning	ACGC	EGM	15-Aug	Reviewing Agenda Items
Middle East Glass Manufacturing Co	MEGM	GM	15-Aug	Reviewing Agenda Items
Univert Food Industries	UNFO	Buying Offer	15-Aug	Final date of the offer to buy shares of the company
Misr National Steel Ataqa	ATQA	Dividends	15-Aug	Record date for bonus shares eligibility (100%)
Misr National Steel Ataqa	ATQA	Dividends	16-Aug	Distribution of bonus shares (100%)
Egyptian Iron & Steel	IRON	Lawsuit	16-Aug	Legal Disputes Relevant to the Company
Egyptian Iron & Steel	IRON	GM	16-Aug	Reviewing Agenda Items
Orange Egypt for Telecommunications	OREG	BOD	27-Aug	Discuss delisting company's shares
El Nasr Co for Transformers	NASR	Dividends	29-Aug	Distribution of cash dividends of EGP0.0375 per share
Egyptian Transport and Commercial	ETRS	Dividends	30-Aug	Distribution of cash dividends of EGP0.5 per share
Arab Polvara Spinning & Weaving	APSW	Lawsuit	8-Sep	Legal Disputes Relevant to the Company
Ibnsina Pharma	ISPH	Lawsuit	18-Sep	Legal Disputes Relevant to the Company
October Pharma	OPPH	Dividends	27-Sep	Distribution of cash dividends of EGP2.0 per share

Quiz Answer

Four business segments: (1) Passenger Cars, (2) Motorcycles & Three-Wheelers, (3) Commercial Vehicles & Construction Equipment, and (4) Tires.



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