

Today's Story

A Rising Tide Lifts All Boats ... If We Have One

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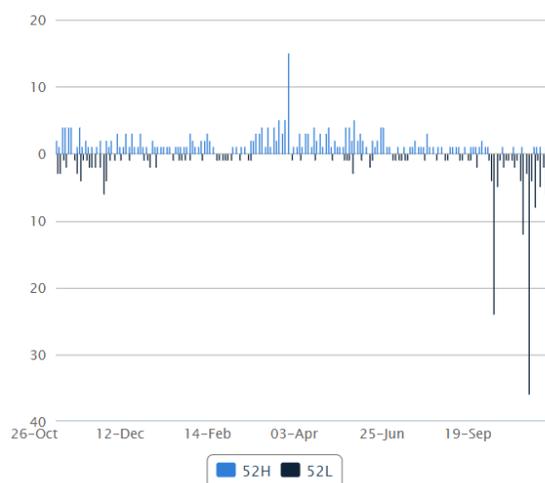
- In [The Daily Beam published last Sunday](#), I was of the opinion that “delaying the [public offerings program] POP may not be negative after all” and that “the Egyptian government’s decision to postpone the offerings should not be taken as a setback in its POP but rather a reassessment of the timeline and perhaps the subject companies on the table”. Indeed, **it is now becoming more apparent that going ahead with the POP would not have been the wisest decision for now**, given two factors:

1) **Market sentiment:** The Egyptian stock market has not been doing well over the past six months, with the **EGX 30** falling off its April peak to-date by 29%. Global markets did not help either with emerging markets apocalypse taking hold across more than one market. We even started seeing stocks hitting 52-week lows more than those hitting 52-week highs and much more than the normal trend. *Please see chart on the right.*

2) **Corporate performance:** Over the past 10 days or so, we have seen the preliminary earnings reports of three of the 9 EGX-listed stocks that were slated as part of the POP, namely **Alexandria Containers & Handling Co. (ALCN)**, **Alexandria Mineral Oils Co. (AMOC)**, and **Eastern Company (EAST)**. Overall, the earnings reports have been negative and below expectations. While aggregate revenues grew 10.6% y/y, ALCN’s revenues fell 1.2%. Meanwhile, aggregate earnings fell 13.4%, with all three companies reporting lower earnings. The worst performance came when least expected from AMOC whose earnings fell 37% y/y despite posting 16% higher revenues due to lower margins. The market participants punished the stocks of these three companies following their disappointing results with an average negative performance of 12.2% since their earnings release. AMOC, again, was the worst performer, down 28.8%, which reflects how disappointed investors have been.

- As the saying goes, a rising tide lifts all boats, but the general **market sentiment** is not helping, and neither is **corporate performance** so far. We note that the three disappointing earnings reports came from three different sectors, logistics, energy, and consumer. **Thus, it is perhaps wiser to wait it all out until we have solid earnings to support valuation and a general market conducive to initial and secondary public offerings.**

Number of EGX stocks hitting new 52-week highs and lows



Source: Decypha

No.	Ticker	FY ends	Revenues (EGPmn)			Earnings (EGPmn)			Date released	Stock performance		
			CQ3 18	CQ3 17	y/y	CQ3 18	CQ3 17	y/y		Prior day	25-Oct-18	% chg.
1	ALCN	Jun	694	702	(1.2%)	495	564	(12.3%)	17-Oct-18	15.60	14.77	(5.3%)
2	AMOC	Jun	4,105	3,529	16.3%	253	403	(37.1%)	21-Oct-18	9.91	7.06	(28.8%)
3	EAST	Jun	3,392	3,177	6.8%	991	1,041	(4.8%)	24-Oct-18	16.29	15.87	(2.6%)
Total			8,191	7,408	10.6%	1,739	2,008	(13.4%)				(12.2%)

Note: CQ is calendar quarter ended 30 September.

Source: Company disclosures, SHUAA Securities Egypt.

Top Headlines

Corporate

- Heliopolis Housing & Development (HELI)** said it will sell 30-100 acres in **New Heliopolis City** to secure liquidity for its investment plan which includes the developing of commercial, residential, and services projects as well as debt settlement. ([Company Disclosure](#))
- Banque Misr** has inked a settlement agreement with **Ministry of Finance** regarding c.EGP2bn of tax disputes were due to Banque Misr since the year 1993. (Alalam Elyoum)

Non-Corporate

- The **Central Bank of Egypt (CBE)** accepted **Treasury bills** worth a combined EGP16.3bn on Thursday on behalf of the **Ministry of Finance**. The T-bills accepted are split between EGP6.31bn in **182-day T-bills** (avg. yield of 19.859% vs. 19.928% in the last auction) and EGP9.95bn in **357-day T-bills** (avg. yield of 19.809% vs. 19.877% in the last auction). ([CBE](#))
- **Egypt** has set its external borrowing ceiling at USD16.73bn for FY2018/19, a government document obtained by *Reuters* showed. Egypt will borrow USD10.51bn for the repayment of external debt in FY2018/19. External government debt is expected to reach USD98.86bn. ([Reuters](#))
- **Prime Minister** is looking to cut the number of posts in his cabinet and is pushing the downsizing of the civil service through attrition. ([Enterprise](#))
- **Egypt** will present mining law amendments to the **Parliament** within three months to make the industry more attractive to investors, the **Minister of Petroleum** said. ([Reuters](#))
- The **Ministry of Petroleum** has completed a new draft for agreements of gas exploration in the **Red Sea**. The new scheme allows for foreign investor's renewal of concession area, increasing the production portion assigned to cover the investor costs as well as other incentives. (Al-Borsa)
- **Ministry of Finance** is mulling to cancel the EGP50 levy on new mobile phone purchases that was imposed at the start of the fiscal year in July. Moreover, the ministry is studying to introduce two alternative approaches which include a completely new service fee or double the stamp tax on mobile phone bills. ([Enterprise](#))

Markets

↘	EGX 30	13,023.73	(1.68%)	↘	EGX 70	668.08	(2.59%)
↘	DFMGI	2,736.40	(0.06%)	↘	ADSMI	4,882.26	(0.89%)
↗	TASI	7,835.55	4.30%	↗	QE Index	10,153.36	0.01%
↘	S&P 500	2,658.69	(1.73%)	↘	MSCI EM	939.55	(0.99%)
↗	Gold	1,233.53	0.11%	↗	Brent Oil	77.62	0.95%

*As of market close

- **MENA Markets:** The **EGX 30** fell for the third consecutive session on Thursday, dragged by **COMI, ABUK, and AMOC. UAE indices** also declined, dragged by losses in the **banking** sector in both **DFM** and **ADX**. Meanwhile, **TASI** advanced substantially on the back of gains in the **banking** and the **materials** sectors.
- **Global Markets:** **Wallstreet** took a considerable shot of volatility, as earnings season didn't impress, tech stocks sold off. Sentiment for global risk assets weakened again, shadowing the performance of **MSCI EM** with nearly 1% decline. **Oil** prices ended the week in the red territory, despite gaining some momentum on Friday.

Number of the Day

USD1bn

The expected initial cost of **Alexandria Mineral Oils Co.'s (AMOC)** new expansion project.

Today's Quiz

Were foreigners' net buyers or sellers in Egyptian equities last week, and by how much?

(Answer located at the end of this newsletter)

Earnings Watch

Company	Ticker	Period	Currency	Earnings (mn)			Revenues (mn)			Commentary
				Actual	Year ago	y/y % chg.	Actual	Year ago	y/y % chg.	
Arab Pharmaceuticals	ADCI	Q1 2018/19	EGP	9.8	7.4	32%	105.6	88.0	20%	Despite slightly decreasing GPM, revenue growth support net earnings growth.

Source: EGX

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Alexandria Flour Mills	AFMC	Lawsuit	29-Oct	Legal Disputes Relevant to the Company
Sinai Cement	SCEM	GM	29-Oct	Reviewing Agenda Items
Raya Holding	RAYA	EGM	30-Oct	Reviewing Agenda Items
Raya Holding	RAYA	GM	30-Oct	Discussing distribution of dividends
El Nasr Co for Transformers	NASR	Dividends	31-Oct	Distribution of 3rd installment of cash dividends of EGP 0.1 per share
Export Development Bank	EXPA	Dividends	4-Nov	Record date for cash dividends distribution of EGP 0.50 per share
Extracted Oils	ZEOT	Dividends	5-Nov	Record date for cash dividends distribution of EGP 0.05 per share
Export Development Bank	EXPA	Dividends	7-Nov	Distribution of cash dividends of EGP 0.50 per share
Extracted Oils	ZEOT	Dividends	8-Nov	Distribution of cash dividends of EGP 0.05 per share
Six of October Development and Investment	OCDI	EGM	8-Nov	Reviewing Agenda Items
Beltone Financial Holding	BTFH	EGM	8-Nov	Discussing cancelling the global depository receipts (GDRs) system
Orascom Development Egypt	ORHD	EGM	8-Nov	Discussing capital increase
International Agricultural Products	IFAP	GM	11-Nov	Reviewing Agenda Items
Arabia Investments and Development	AIND	Lawsuit	11-Nov	Legal Disputes Relevant to the Company
National Co For Maize Products	NCMP	EGM	12-Nov	Reviewing Agenda Items
Egyptian Transport and Commercial	ETRS	EGM	13-Nov	Reviewing Agenda Items
Arabia Investments and Development	AIND	EGM	14-Nov	Discussing capital reduction
Global Telecom Holding	GIHE	GM	15-Nov	Discussing extending of maturity of revolving credit facility of USD 100 million
Porto Group Holding	PORT	Lawsuit	29-Nov	Legal Disputes Relevant to the Company

Quiz Answer

Foreigners were net buyers with a net trading of EGP281mn.

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