

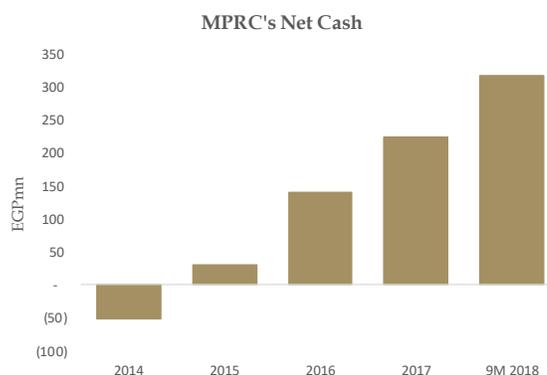
## Today's Story

### MPRC – For Patient Investors

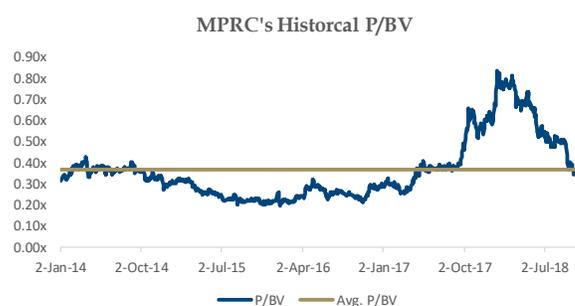
☒ Mohamed Saad | Equity Analyst | [mfattah@shuaasecurities.com](mailto:mfattah@shuaasecurities.com)

☒ Mohamed Sobol | Equity Analyst | [msobol@shuaasecurities.com](mailto:msobol@shuaasecurities.com)

- The Business:** The **Egyptian Media Production City (MPRC)** belongs to a clan of forgotten names, despite operating in an interesting industry (i.e. media). Established back in 1997 according to the free zone law, MPRC's main activities are the rent and sale of production facilities (e.g. studios) for TV and cinematic production. Also, MPRC owns the **International Academy for Engineering & Media Sciences (IAEMS)** which contributes to MPRC's top line by c.14%, while the rest is revenues of studios and production facilities.
- En route to Exceed 2018's Target:** MPRC recorded total revenues of EGP281.4mn in 9M 2018 (+4% y/y), albeit MPRC's management had targeted EGP356.4mn for the year. If 9M 2018 revenues were to be annualized, MPRC would beat the management's target by 5%. However, another takeaway from the results was margin improvement, which helped the company witness a significant growth in net earnings, as EPS recorded EGP0.30 (+169% y/y). NPM registered 22% as opposed to 9% a year earlier as GPM expanded to 40% in 9M 2018 versus 31% a year earlier. However, we notice that the improvement in margin came in view of retreatment in MPRC's COGS on the back of a slippage in some non-cash expenses.
- A Play of Nice Cash:** MPRC's balance sheet is characterized by low debt and ample cash. The company's net cash position was c.EGP317mn as of 30 September 2018, while MPRC's market cap stands at c.EGP906mn, meaning that c.35% of MPRC's market cap is actually net cash. Due to such a fact, MPRC has been resilient to the high interest rate environment. Indeed, part of the strong results achieved on a ytd basis was a stronger interest income of EGP15mn (+101% y/y). In addition, MPRC had recently inked a usufruct agreement with **Al Hokair for Investments & Development** to utilize its *Magic Land* for 30 years. Such a deal will result in EGP12mn of cash paid annually to MPRC, in addition to a 5% share in *Magic Land's* gross profit before depreciation and amortization, which we believe should impact MPRC's future cash flow positively. The first chart on the right depicts the evolution of MPRC's net cash from red territories back in 2014 to strong green ones since 2016.
- Valuation:** MPRC's stock price appreciation could be limited by the company's slow revenue growth (a historical 4-year CAGR of only 4%). However, MPRC's value is presumably in its unutilized assets. In this respect, MPRC is currently traded at a P/BV of 0.42x, a 50% discount off its peak of 0.83x back in January 2018. It is currently trading just a notch above its historical P/V average since 2014 0.37x, as the second chart on the right shows. Thus, investors should also keep an eye on any news that may indicate further utilization of MPRC's assets.



Source: Company reports



Source: Bloomberg

## Top Headlines

### Corporate

- The **Financial Regulatory Authority (FRA)** has approved for **Orascom Investment Holding (OIH)** to publish its tender offer of **Sarwa Capital (SRWA)** through the previously-announced two scenarios to buy at least 20% of SRWA's shares at EGP6.62/share or a maximum of 30% at EGP7.36/share. OIH will not be obligated to complete the offer if responding shares are less than 20%. The offer will take place from 28 November through 11 December 2018. The

EGX will announce the number of responding shares on 11 December 2018, where if tendered shares are below 30% of SRWA's shares, sellers will be granted two business days to withdraw their selling offers. ([FRA](#))

- **Raya Holding for Financial Investments (RAYA)** is about to finish an air conditioner manufacturing facility's study. The air conditioners will be produced under the trademark of Chinese **Chigo** along with a US-based **York** with an annual capacity expected to reach 100,000 units. ([Company Disclosure](#))
- **EFG Hermes Holding (HRHO)** aims for its NBFS segment to contribute 30% to its bottom line by the end of 2018, while targeting to represent 50% by the end of 2021. HRHO mulls exploring insurance and mortgage finance services. ([Enterprise](#))
- **Industrial Engineering Company for Construction & Development's (ICON) (ENGC)** net profit increased by more than 5x in 9M 2018 to EGP361.6mn on higher revenues of EGP927.2mn (+94% y/y) and a higher gross profit margin of 25.9% (+373bps). ([Company Disclosure](#))

## Non-Corporate

- The **Egyptian Cabinet** issued the executive regulations of the Capital Market Law amendments that were made recently. The amendments included the introduction of short selling mechanism, futures trading, and green bonds as a tool of funding. The amendments will also aim to protect the rights of minorities. (Al-Borsa)
- The **Ministry of Finance** and the **Federation of Egyptian Banks (FEB)** agreed on to apply amendments on upcoming Treasury issuance rather than current holdings. Also, banks will pay their income taxes on a quarterly basis as part of the redraft. ([MoF](#))

## Markets

↘	EGX 30	13,049.12	(0.79%)	↘	EGX 70	680.08	(0.15%)
↘	DFMGI	2,727.41	(0.44%)	↗	ADSMI	4,971.43	0.50%
↗	TASI	7,528.90	0.22%	↗	QE Index	10,356.62	1.02%
↗	S&P 500	2,673.45	1.55%	↗	MSCI EM	976.57	0.76%
↘	Gold	1,221.78	(0.05%)	↘	Brent Oil	60.30	(0.30%)

\*As of market close, except for commodities at spot price as of 8.05am CLT.

- **MENA Markets:** The EGX 30 closed red, dragged by COMI, EAST, ABUK, AMOC, and QNBA. UAE indices were mixed as banking and telecom drove ADSMI up, while the real estate sector drove DFMGI down. TASI closed in the green, driven by the banking and the materials sectors.
- **Global markets:** Asia markets traded mostly higher on Tuesday as investors wait for a crucial meeting between US President Trump and Chinese leader Xi Jinping. US stocks jumped on Monday as shares of some tech companies rebounded. Record Saudi oil production pulled down crude prices on Tuesday. Gold prices inched lower on Tuesday as the dollar steadied amid fears of a slowdown in global economic growth and increasing pessimism due to a likely worsening of US-China trade dispute.

## Number of the Day

32

Number of ceramic factories in Egypt.

## Today's Quiz

What is **Elsewedy Electric's** (SWDY) backlog as of 30 September 2018?

(Answer located at the end of this newsletter)

## Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Porto Group Holding	PORT	Lawsuit	29-Nov	Legal Disputes Relevant to the Company
Egyptian for Developing Building	EDBM	EGM	01-Dec	Discussing capital reduction
Arabian Cement	ARCC	AGM	01-Dec	Distribution of profits for the period from 1 Jan-31 Dec 2017
Cleopatra Hospital	CLHO	EGM/AGM	03-Dec	Reviewing the IFA report regarding the fifth hospital acquisition
Rubex Plastics	RUBX	EGM	03-Dec	Reviewing Agenda Items
Universal for Paper and Packaging Materials	UNIP	Dividends	03-Dec	Record date for cash dividends distribution of EGP 0.30 per share
Dice Sport & Casual Wear	DSCW	Stock split	04-Dec	Discussing stock split
Sues Canal Co for Technology Settlement	SCTS	AGM	05-Dec	Reviewing Agenda Items
Universal for Paper and Packaging Materials	UNIP	Dividends	06-Dec	Distribution of cash dividends of EGP 0.30 per share
Misr Chemical Industries	MICH	AGM	09-Dec	Reviewing Agenda Items
Al Ahram Co for Printing	EPPK	GM	11-Dec	Discussing recomposition of board of directors
Arabia Investments and Development	AIND	EGM	13-Dec	Discussing capital reduction
Ibnsina Pharma	ISPH	Lawsuit	19-Dec	Legal Disputes Relevant to the Company
Industrial & Engineering Projects	IEEC	EGM/AGM	21-Dec	Reviewing Agenda Items

## Quiz Answer

EGP35.6bn.

## Contact Details

☎ +(202) 16331

📍 143, Bank Zone, 5th Settlement,  
New Cairo, First Abu Dhabi Bank Building (6<sup>th</sup> Floor)  
Cairo, Egypt

## Analyst Certification

We, **analysts mentioned in this document**, employed with SHUAA Securities Egypt, and authors to this document, hereby certify that all the views expressed in this research report accurately reflect our views about the subject issuer(s) or security(ies). We also certify that no part of our compensation was, is or will be directly or indirectly related to the specific recommendation(s) or view(s) expressed in this report. Also, we certify that neither ourselves nor any of our close relatives hold or trade into the subject securities.

## Head of Research Certification

I, **Amr Hussein Elalfy**, Head of Research of SHUAA Securities Egypt, confirm that I have vetted the information and all the views expressed by the analysts in this document about the subject issuer(s) or security(ies). I also certify that the authors of this document, has not received any compensation directly related to the contents of the document.

## Disclaimer

This document has been issued by SHUAA Securities Egypt for informational purposes only. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment or subscribe to any investment management or advisory service. SHUAA Securities Egypt has based this document on information obtained from sources it believes to be reliable. It makes no guarantee, representation or warranty as to its accuracy or completeness and accepts no responsibility or liability in respect thereof or for any reliance placed by any person on such information. Accordingly, no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by SHUAA Securities Egypt or by any of its respective officers, employees, agents or affiliates in relation to the accuracy, completeness or fairness of the information or opinions contained herein or any other written or oral information made available to any interested party or its advisers and any such liability is expressly disclaimed. All opinions expressed herein are subject to change without notice. This document may not be reproduced or circulated without the prior written consent of SHUAA Securities Egypt. SHUAA Securities Egypt is regulated by the Financial Regulatory Authority under license number 91.

## Issuer of Report

SHUAA Securities Egypt

Website: [www.shuaasecurities.com](http://www.shuaasecurities.com)