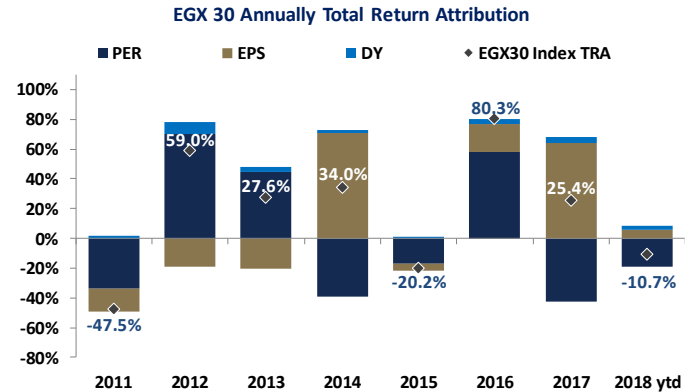


Today's Story

What Really Pushed EGX 30's Buttons so Far in 2018?

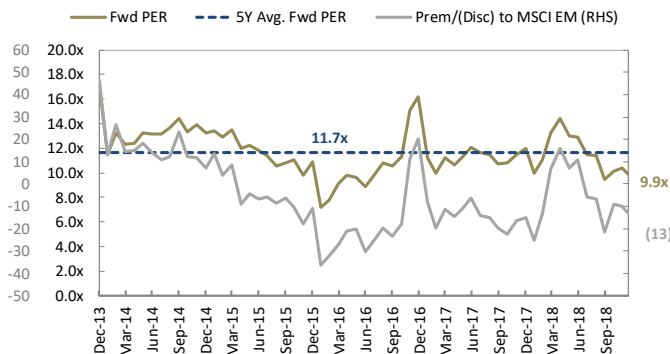
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- Exploring the factors underlying EGX 30's ups and downs in 2018, we can ascribe the movement direction of Egypt's benchmark EGX 30 total return (including dividends) to three main forces: (1) analysts' earnings estimates as measured by **forward earnings-per-share (EPS)** for the index components, (2) re-rating/de-rating as measured by a higher/lower **forward price-to-earnings (P/E)** ratio which is also partially affected by earnings estimates, and (3) **dividend yield (DY)**. The chart on the right shows the EGX 30 total return attribution analysis on an annual basis, where the -10.7% ytd total return is linked to a P/E de-rating of -18.8% versus upbeat earnings estimate of 6.0% and 2.2% DY.

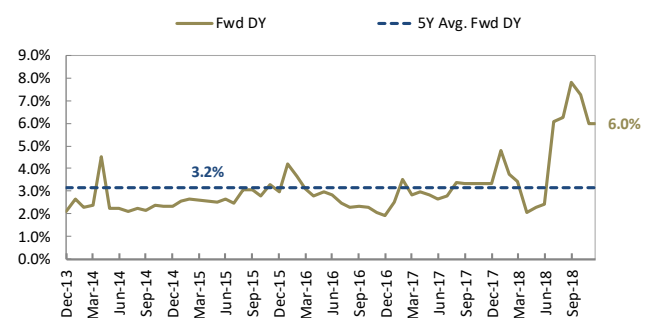


Source: Bloomberg, SHUAA Securities Egypt.

- Does this mean Egypt's equity market is currently attractive? The below chart to the left illustrates that the EGX 30 index is currently trading at 9.9x forward earnings, a 15% discount to its 5-year historical average P/E and a 13% discount to MSCI EM, bowing to a sell-off wave that took its toll on the market in the last months. In addition, the index exhibited an above-average dividend yield of 6% (as illustrated in the below chart to the right), almost double its 5-year historical average of 3.2%.



Source: Bloomberg.



Source: Bloomberg.

Top Headlines

Corporate

- Raya Holding for Financial Investments' (RAYA)** CEO Medhat Khalil waived his appeal filed with the Dispute Settlement Office of the **Financial Regulatory Authority (FRA)** on the back of his planned mandatory tender offer and will proceed with the binding offer for the company's shares. Further, Khalil requested from the FRA: (1) a grace period of 60 days to submit the tender offer and (2) an approval of the tender offer to be at a stock value not less than the average during the six months prior to 29 October 2018, which we calculate as EGP9.36/share (6.8% above Thursday's close). Meanwhile, Khalil is currently studying whether to fund the purchase of 100% of RAYA's shares from a foreign or a local entity. ([Company disclosure](#), Al-Mal)
- Qalaa Holdings (CCAP)** reported a net profit of EGP127mn versus net losses of EGP312mn in Q3 2017. The swing to profit can be attributed to the EGP276.3mn non-cash gains from the de-consolidation of **Africa Railways'** operational liabilities. Meanwhile, revenues grew 40% y/y to EGP3.28bn, buoyed up by the consolidation of **National Printing Co.** and revenue growth of 39% y/y in **TAQA Arabia**. Gross margin inched higher to 17.4% versus 16.1% in Q3 2017, helped by **ASEC Holding's** higher margins. ([Company PR](#))

- **Vortex Energy**, company managed by **EFG Hermes'** (HRHO) private equity arm, has sold its 49% stake in European wind power portfolio, consisting of 56 wind farms located in **France, Portugal, Spain, and Belgium** with a total capacity of 998 MW. The deal whose size was not disclosed took place, with the buyers being a group of institutional investors advised by **J.P. Morgan Asset Management**. Vortex had initially bought a 49% stake, which consisted of 23 wind farms in 2016 (664 MW capacity back then) in a EUR550mn transaction. ([Company Discourse](#))
- **Orascom Construction** (ORAS), in partnership with **China State Construction Engineering Corporation (CSCEC)**, was one of the seven consortia qualified by **Phosphate Misr Co.** to develop the railroad connecting **Abou Tartour** with **Safaga** extending 700 km with a total investment of USD300mn. (Al-Mal)

Non-Corporate

- **Egypt's** government is negotiating with the **IMF** to postpone implementing some measures linked to the reform program, mainly launching the fuel pricing mechanism. Recently, the **IMF** has said that they are discussing "some details" with the government related to the fifth tranche of the well-known USD12bn loan. ([Al-Borsa](#))
- The **Central Bank of Egypt** announced that remittances hit USD21.4bn in January-October 2018 versus USD19.8bn in the same period the year before, achieving 8% y/y growth. ([Al-Mal](#))
- **Egypt's exports of building materials** retreated marginally in 10M 2018 by 0.23% y/y to USD4.21bn. ([Al-Borsa](#))
- In an auction held on 20 December, **average yields** were almost flat on **182-day** and **364-day T-bills**:
 - Yield on **182-day T-bills** were marginally up at 19.982% from 19.980% (+0.2bps) with accepted amount of EGP8.2bn vs. EGP9.5bn required.
 - Yield on **364-day T-bills** decreased marginally from 19.981% to 19.978% (-0.3bps) with EGP26.6bn accepted vs. EGP9.3bn required. ([CBE](#))

Markets

↗	EGX 30	13,137.58	0.45%	↗	EGX 70	678.21	0.31%
↘	DFMGI	2,509.81	(1.35%)	↘	ADSMI	4,855.94	(0.08%)
↘	TASI	7,753.36	(1.36%)	↘	QE Index	10,412.51	(0.80%)
↘	S&P 500	2,416.62	(2.06%)	↘	MSCI EM	957.33	(0.26%)
↘	Gold	1,256.94	(0.23%)	↘	Brent Oil	53.82	(0.98%)

*As of market close

- **MENA Markets:** Egypt's benchmark **EGX 30** closed slightly higher last Thursday after two sessions in the red zone, supported by gains in **COMI, EKHO, and ORAS**. **UAE indices** closed both in the red, with **DFMGI** pulled down by **consumer staples** and **transportation** stocks, whereas **ADSMI** was dragged by **financial** and **energy** stocks.
- **Global Markets:** Stocks in **Asia** were broadly lower on Friday, with **Japanese equities** leading the fall. **US stocks** plunged again on Friday as the **Federal Reserve's** rate hike on Wednesday drove losses, and fears of an extended government shutdown worsened things on Friday. **Oil** prices continued last week's sell-off on Friday, posting the worst weekly performance in nearly three years, as global oversupply kept buyers away from the market ahead of the long festive break.

Number of the Day

1.9x

EGX 30's forward price-to-book value ratio.

Today's Quiz

What is the level of **interest payments** planned by the **Egyptian government** for the FY2018/19 budget?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Egypt Aluminum	EGAL	Capital Increase	23-Dec	Record date for bonus shares distribution of 50%
Egypt Aluminum	EGAL	Dividends	24-Dec	Distribution of bonus shares of 50%
Cairo for Educational Affairs	CAED	AGM	26-Dec	Reviewing Agenda Items
El Ezz Aldekhela Steel Alexandria	IRAX	AGM	29-Dec	Discussing distribution of dividends
Industrial & Engineering Projects	IEEC	EGM	29-Dec	Reviewing Agenda Items
Cairo Investment & Real Estate	CIRA	EGM	30-Dec	Reviewing Agenda Items
Nozha International Hospital	NINH	Dividends	2-Jan	Record date for bonus shares distribution of 25%
Modern Shorouk Printing & Packaging	SMPP	Dividends	2-Jan	Record date for bonus shares distribution of 10%
Nozha International Hospital	NINH	Dividends	3-Jan	Distribution of bonus shares of 25%
Modern Shorouk Printing & Packaging	SMPP	Dividends	3-Jan	Distribution of bonus shares of 10%
Egyptian Media Production City	MPRC	EGM	3-Jan	Reviewing Agenda Items
Golden Pyramids Plaza	GPPL	EGM	5-Jan	Reviewing Agenda Items
Beltone Financial Holding	BTFH	Lawsuit	5-Jan	Legal Disputes Relevant to the Company
Raya Holding	RAYA	EGM/AGM	9-Jan	Discussing capital increase & distribution of dividends
Suez Canal Co for Technology Settlement	SCTS	EGM/AGM	10-Jan	Reviewing Agenda Items
Global Telecom Holding	GTHE	AGM	28-Jan	Discussing capital increase
Porto Group Holding	PORT	Lawsuit	29-Jan	Legal Disputes Relevant to the Company

Quiz Answer

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