

Today's Story

CSAG – Value Knocks, Stakes Answer

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- **Where's the value?** The new year is expected to mark a reintroduction of the government's public offerings program (POP), after being halted in 2018, hampered by bearish market conditions. Whether a serious resumption is on or off the table, the program reintroduction itself will surely make waves in terms of the beneficiaries' names that would surface as well as how it will impact valuations both directly and indirectly. We think **Canal Shipping Agencies (CSAG)** is one of these names for several reasons:
 - As CSAG operates in one of the sectors subject to the upcoming public offerings, a link to its name will be made by many when the SPO of **Alexandria Containers Handling (ALCN)** takes place. Also, two of the original 23 companies said to be floated within the POP are **Damietta Container & Cargo Handling (DCCH)** and **Port Said Container & Cargo Handling**, both of which are 20% owned by CSAG.
 - Sentiment aside, CSAG's stock has an underlying value to offer. However, the value does not spout from the company's own operations but rather from the deeply-undervalued investments of CSAG. Consequently, the bottom line of CSAG is always larger in size than its top line, speaking of how insignificant operations contribute to the company's value.
 - Income generated from CSAG's shares in **DCCH** and **PSCCH** accounts for the majority of CSAG's investment income. The EGP flotation lent these two companies a substantial boost, which contributed to CSAG's profitability. This also positions CSAG as a natural play on USD strength.
- **Valuation:** We valued CSAG using an adjusted book value approach after revaluing its stakes in PSCCH and DCCH, using a DCF model. We reached a TP of EGP16.4/share, where DCCH and PSCCH contributed 49% and 29%, respectively, to our valuation, while the remaining 22% accounted for CSAG's remaining book value, excluding PSCCH and DCCH's old book value of investments.

CSAG's Valuation Breakdown			
Company name	Value (EGPmn)	EGP/share	Weight
DCCH	1,619	8.09	49%
PSCCH	946	4.73	29%
Remaining book value	708	3.54	22%
TP	3,272	16.36	100%
Market price		12.26	
Upside		33%	

Source: SHUAA Securities Egypt

Top Headlines

Corporate

- **Egyptian Media Production City (MPRC)** commented on its stock price increase from EGP4.65/share on 23 December 2018 to EGP6.62/share on 10 January 2019, citing no event that could substantially affect the stock price. ([Company disclosure](#)) We reiterate our earlier view about MPRC, which was published in [The Daily Beam](#) on 27 November 2018, where we highlighted that the company's stock is cheap, trading at a discount to book value (current P/BV of 0.6x). Since then, MPRC's stock had generated a return of c.40%.
- **Abu Qir Fertilizers (ABUK)** mulls upping its borrowing needs to USD250mn to meet the investment cost of calcium ammonium project. (Al-Mal)
- **Egyptian Petrochemicals Holding Co. (ECHEM)** nominated Mosaad El-Kassaby as the new **Chairman of Sidi Kerir Petrochemicals (SKPC)**. ([Company disclosure](#))
- **Raya Holding for Financial Investments'** (RAYA) fully-owned subsidiary **Raya IT** is currently in negotiations for establishing digital branches for four local banks. (Al-Mal)
- **Egyptian Chemical Industries (EGCH)** said it completed 93% of its project **KIMA 2**, expecting to start operating the ammonia unit by the end of January and to begin commercial production in February. ([Company disclosure](#))
- **Heliopolis Housing & Development's (HELI)** BoD approved the sale of the company's 20% stake in **Al-Nasr for Real Estate to Zahraa Maadi Investment & Development (ZMID)**. (EGX)
- **LG Electronics Egypt** is targeting to invest USD15mn to expand its operations in **Egypt**. ([Enterprise](#))

- **Raya Contact Center (RACC)** will kick off its operations in **Saudi Arabia** in Q2 2019. The company is planning to invest as much as SAR1mn in the kingdom. RACC is also mulling to operate in the **UAE** and **Poland** in the upcoming period. (Al-Mal)

Non-Corporate

- **Eastern Mediterranean** countries meeting in **Cairo** agreed to set up a forum to create a regional gas market, cut infrastructure costs and offer competitive prices, **Egypt's Ministry of Petroleum** said. The other countries involved are **Cyprus, Greece, Israel, Italy, Jordan, and Palestine**. ([Arab Finance](#))
- The **European Bank for Reconstruction & Development (EBRD)** has provided banks operating in **Egypt** with USD600mn to re-lend the small- and medium-sized enterprises. ([Arab Finance](#))
- The **Minister of Finance** said that the upcoming bond issuance was not yet determined in terms of value, currency, or timing, responding to *Reuters* news about USD2bn JPY-denominated bonds coming next week. ([MoF](#))

Markets

↘	EGX 30	13,335.75	(1.41%)	↘	EGX 70	685.53	(0.39%)
↘	DFMGI	2,527.28	(0.41%)	↗	ADSMI	4,999.23	0.61%
↘	TASI	8,270.55	(0.25%)	↗	QE Index	10,671.56	0.17%
↘	S&P 500	2,582.61	(0.53%)	↘	MSCI EM	992.71	(0.84%)
↘	Gold	1,290.47	(0.10%)	↗	Brent Oil	59.81	1.39%

*As of market close, except for commodities at spot price as of 8.39am CLT.

- **MENA Markets:** The **EGX 30** could not complete what has been hardly a 2-session winning streak and ended lower. **UAE indices** ended on a mixed note, with **DFMGI** losses in **real estate** and **consumer** names, while gains on **ADSMI's banking** sector managed to offset losses from other market segments.
- **Global Markets:** **US equities** closed lower on their first day trading of the week, spooked by a recent negative economic figure concerning **Chinese** exports and imports in December. Meanwhile, **oil** is rebounding in morning trading, recovering from Monday's slump, which took place in light of latest data regarding China's economy. **Gold** is trading flat, and so is the **US Dollar Index (DXY)**.

Number of the Day

2.7mn

Total number of beneficiaries of microfinance loans as of Q3 2018.

Today's Quiz

What's the total number of **CSAG's** outstanding shares?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
El Ezz Aldekhela Steel Alexandria	IRAX	Dividends	17-Jan	Distribution of cash dividends of EGP40/share
Rowad Tourism	ROTO	EGM	21-Jan	Reviewing Agenda Items
Engineering Industries ICON	ENGC	EGM	27-Jan	Discussing capital increase
Global Telecom Holding	GTHE	AGM	28-Jan	Discussing capital increase
Paints & Chemical Industry	PACH	Dividends	28-Jan	Record date for cash dividends eligibility (EGP3/share)
Porto Group Holding	PORT	Lawsuit	29-Jan	Legal Disputes Relevant to the Company
Paints & Chemical Industry	PACH	Dividends	31-Jan	Distribution of cash dividends of EGP1.5/share
Arabia Investments and Development	AIND	Lawsuit	3-Feb	Legal Disputes Relevant to the Company
Advanced Pharmaceutical Packaging	APPC	AGM	6-Feb	Reviewing Agenda Items
Paints & Chemical Industry	PACH	Dividends	30-Apr	Distribution of cash dividends of EGP1.5/share

Quiz Answer

200mn shares.

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