

Today's Story

CIRA – Solid Growth Isn't Excuse for New Price Peaks

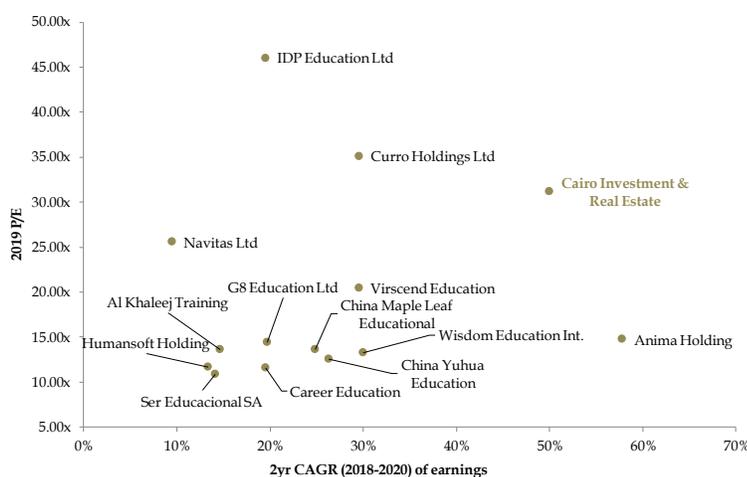
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- The path to the top:** Ever since **Cairo for Real Estate & Development (CIRA)** had floated its shares back in October 2018, its stock has been performing very well on the heels of a flood of positive news, ranging from expansions to monetization of unutilized assets by the educational provider. CIRA's stock currently stands at EGP9.65/share, which is a notable increase of 61% from its IPO price of EGP6/share.
- Q1 FY2018/19 results:** CIRA has just recently released its Q1 FY2018/19 financial results ended 30 November 2018, where earnings jumped 21% y/y to EGP61.4mn during the quarter. Earnings growth was a product of (1) higher revenues (+31% y/y), echoing an overall surge in revenues of CIRA's segments of K-12 and higher education and (2) interest income of EGP2.7mn versus interest expense of EGP3mn in Q1 FY2017/18. A contraction was detected in CIRA's margins, topped by EBITDA margin which shrank to 47% in Q1 FY2018/19 from 54% in the comparable quarter a year earlier, as SG&A expenses soared in the wake of the one-off IPO related expenses of EGP11.4mn. Adjusting for that one-off item, EBITDA margin would have been still lower at 52%.
- Now what?** We expounded our view in *The Daily Beam* on 17 September 2018 about the company's valuation which looked a bit stretched based on P/E multiples. Today, CIRA is trading at 31.3x FY2018/19 earnings versus 13.6x for its peers (a huge premium of 130%), which could partially be justified by the expected high growth in CIRA's earnings. CIRA's PEG ratio stands at 0.62x versus a median of 0.73x for its peers. **That said, we think that the stock is overbought, showing almost no upside potential from its current levels. CIRA's consensus target price is EGP9.75/share (only two analysts), only 1% above market price.**

Results Summary (EGPmn)	Q1 2017/18	Q1 2018/19	% Chg. y/y
Revenues	152.86	200.92	31%
Gross Profit	99.70	128.50	29%
GPM	65%	64%	
EBITDA	83.03	94.02	13%
EBITDA Margin	54%	47%	
Net Profit	50.94	61.46	21%
Net Profit Margin	33%	31%	

Source: Company reports

CIRA's global peers (P/E vs. earnings growth)



Source: Bloomberg.

CIRA's global peers (PEG ratio)



Source: Bloomberg.

Top Headlines

Corporate

- **Egyptian Iron & Steel's (IRON)** BoD has approved the sale of a 200,000 sqm land in **Helwan** to **Abu Qir Fertilizers' (ABUK)** subsidiary **Helwan Fertilizers Co. (HFC)** which plans to construct a new production line on this land. In addition, the BoD agreed to transfer IRON's ownership of two other land plots (14,000 sqm located in **Alexandria** and 10,000 located on the **Cairo-Alexandria Road**) to the **Metallurgical Industries Holding Co. (MIHC)** which in return will transfer 73,385,518 shares worth shy of EGP400mn of its IRON shares to **Banque Misr**, paying off a debt owed by IRON to the bank. ([Company disclosure](#))
- **Orascom Construction PLC (ORAS)** announced the addition of USD825mn to its backlog in Q4 2018, closing the company's 2018 consolidated backlog at an estimated USD4.2bn. Projects in **Egypt** and **Africa** account for c.60% of the new awards while projects in the **US** comprised the rest. ([Press Release](#))
- **Delta Sugar (SUGR)** expects to receive 2mn tons of beet next February to kick off the new season of sugar beet production. (Al-Alam Al-Youm)

Non-Corporate

- The **budget deficit** shrank to 3.6% of GDP in H1 FY2018/19, down from 4.2% the previous year, while **primary surplus** recorded 0.4% of GDP, up from a deficit of 0.3% during the same period last year, the **Minister of Finance** said. ([Enterprise](#))
- The **Egyptian Tax Authority** could allow banks to count the "cost of investment" in government Treasuries as an expense that would lower their pre-tax income, according to the authority head. ([Enterprise](#))
- The **House of Representatives' Housing Committee** will approve in a month's time a law to establish a federation for real estate developers and set up a fund to hedge against sector-related risks, the **Committee Secretary** said. ([Enterprise](#), [Al-Mal](#))
- Average yields on **91-day** and **273-day T-bills** were down in an auction held on 20 January:
 - Yield on **91-day T-bills** decreased to 18.478% from 18.715% (-23.7bps) with EGP8.5bn accepted and required. The submitted amount was approximately EGP15bn.
 - Yield on **273-day T-bills** declined to 18.684% from 19.275% (-59.1bps) with EGP12bn accepted vs. EGP8.5bn required, while the submitted amount exceeded EGP52bn. ([CBE](#))

Markets

↘	EGX 30	13,444.21	(0.29%)	↗	EGX 70	674.87	0.20%
↘	DFMGI	2,512.83	(0.16%)	↘	ADSMI	4,975.31	(0.20%)
↘	TASI	8,383.52	(0.76%)	↘	QE Index	10,760.23	(0.26%)
↗	S&P 500	2,670.71	1.32%	↗	MSCI EM	1,018.00	0.89%
↘	Gold	1,281.58	(0.04%)	↗	Brent Oil	62.83	0.21%

*As of market close, except for commodities at spot price as of 8.01am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** sagged on Sunday, after **GTHE**, **SWDY**, and **EAST** dipped. **Saudi Arabia's TASI** also headed south on pressure from the **banking** and the **food and beverage** sectors. **UAE's DFMGI** slightly declined as **transportation** and **investment & financial services** sectors dived, while **telecommunication** and **banking** stocks also drove **ADSMI** down.
- **Global Markets:** Asian markets rose despite news that **China's** economy grew at its lowest pace in three decades last year. Following that news, **oil** prices steadied, further being supported by supply cuts led by the **Organization of the Petroleum Exporting Countries (OPEC)**.

Number of the Day**24,233**

The total number of students enrolled in **Cairo Investment & Real Estate's** (CIRA) schools as of Q1 FY2018/19.

Today's Quiz

What is the name of the largest real estate developer listed on **EGX** in terms of landbank?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
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
Egyptian Electrical Cables	ELEC	EGM	10-Feb	Reviewing Agenda Items
Ibsina Pharma	ISPH	Lawsuit	19-Feb	Legal Disputes Relevant to the Company
Paints & Chemical Industry	PACH	Dividends	30-Apr	Distribution of cash dividends of EGP1.5/share

Quiz Answer

Talaat Moustafa Group Holding (TMGH), with a landbank currently standing at 45.4mn sqm.

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