

Today's Story

It is Eurobond Season – First Impression on Egypt's 2019 Issue

Esraa Ahmed | Senior Economist | ealmajeed@shuaasecurities.com

Almost in the same timing for the third successive year, the Egyptian government has raised USD4bn in Eurobonds from international markets, aiming at financing budget operations through diversified sources. The issue values stood at USD750mn, USD1.75bn, and USD1.5bn, typically maturing in 5, 10, and 30 years, respectively. After examining data published by the Ministry of Finance, we record our main observations on the latest issue and how it compares to the government's previous taps on the international markets.

- (1) Sold like hotcakes, record-high subscription:** According to the ministry's statement, **Egypt** has received USD21.5bn as indicated in the order book. This figure compares aloft to the usual USD12-13bn orders for similar issues during the last two years. The bid-to-cover ratio was almost 5.4 times, up from around three times back in 2017 and 2018.
- (2) Issues are more expensive, compared to the 2018 issue:** Comparing the issue yields for 2019 versus those of 2018, we see that the 2019 issue is somewhat more expensive. In that sense, both yields and spreads (difference to US benchmark government bonds) are higher, across three the tranches, compared to figures from the previous issue.
- (3) The issue compares favorably to peers:** That said, a quick look at the comparable issues by countries with a credit rating almost similar to that of Egypt, we find that the yield on Egypt's Eurobonds is cheaper than the prevailing rates going for B-rated countries like **Ghana**. The same goes when comparing to other issues of peers such as those of **Sri Lanka, Pakistan** and **Ethiopia**, where average yields stood at around 6.4%, 8.2% and 8.8% for 5-, 10-, and 30-years maturities, respectively.
- (4) Expecting a hike in reserves, but in external debt as well:** The recent USD4bn as well as the latest disbursed USD2bn tranche of the **IMF** loan are expected to make their way to the **CBE's** reserves. This polishes up the external liquidity profile of the country. However, there will be a similar hike in external debt, which is expected to exceed USD105bn by June 2019.

Overall, although the issue is comparably expensive, it still compares favorably against similar peers' issues. Justifiably so, as the terms of borrowing in emerging markets have been tightened over the past months, but the effect on Egypt has been somewhat mitigated due to an overall economic improvement and successive favorable credit rating actions. On one hand, the Eurobonds issuance further improves external liquidity, diversifies budget resources, and widens the surplus in the financial account of the balance of payments in H2 FY2018/19. On the other hand, the issuance brings the overall external debt even higher, putting the state budget further under the mercy of the global monetary stance and exposing it to FX risks.



Source: Bloomberg

Top Headlines

Corporate

- **Telecom Egypt's** (ETEL) earnings for 2018 showed a growth of 14% y/y, reaching EGP3.48bn versus EGP3.05bn in 2017. Normalizing for **Etisalat Misr** provisions in 2017, net profit for 2018 would have declined by 15% on higher financing and interest expenses. Revenue for 2018 recorded a 23% increase to come at EGP22.77bn, driven by the growth of 42% y/y in Home & Consumer segment and 66% y/y increase in International Customer & Networks segment. EBITDA margin came in line with the company guidance recording 27%. ([Company Disclosure](#))
- **Madinet Nasr Housing & Development's** (MNHD) BoD gave the green light for the distribution of a 20% stock dividend. The issuance will be pending approval of the **Financial Regulatory Authority (FRA)**. ([EGX](#))
- **AT Lease's** (ATLC) bottom-line stood at EGP69.8mn (+19% y/y) in 2018, in line with what the management projected for the year. Total leasing income hit EGP775mn (+16% y/y), whereas operating profit reached EGP82mn (+15% y/y). ATLC has added new bookings of EGP1.16bn, which brought the portfolio of net leased assets to EGP2.54bn by the end of 2018. For 2019, management is eyeing to increase bookings by 46% to EGP1.70bn. ATLC trades at a P/B of 1.6x and P/E of 8.0x. ([Company disclosure](#), [Company disclosure](#))
- **Housing & Development Bank** (HDBK) has proposed distributing EGP632.5mn as cash dividends, which translates to EGP5/share, implying a dividend yield of 9%. ([Company disclosure](#))
- **Amer Group** (AMER) brought in 10% y/y lower revenues (+20% q/q) in 2018, where profits declined to EGP77mn (-14% y/y, -90% q/q) in 2018. However, sales leaped 180% y/y to EGP2.37bn in 2018, but Q4 2018 sales decelerated 48% q/q to EGP328mn. The company announced completing 85% of *Porto Saeed Hotel* which is worth EGP3bn of the EGP7.0bn invested in the project, and it plans to launch it by the end of Q1 2019. It also intends to launch *Porto Garawla* soon in Matrouh, a project that includes 2,750 front units. ([EGX](#), [Company disclosure](#))
- **Bank Audi** is reportedly looking to complete due diligence for **National Bank of Greece - Egypt (NBG)** by the end of this month. NBG owns about 17 branches in **Egypt**. ([Enterprise](#))

Non-Corporate

- German wind energy company **Senvion** is looking to invest USD1bn to construct wind farms in **Egypt** over the coming years, **Financial Manager**, Ahmed Elsawaf said. The company is currently bidding in a tender for a 250 MW plant in the **Gulf of Suez** among other projects and looking at long-term investment in Egypt. ([Enterprise](#))
- **Egypt** has issued USD4bn in USD-denominated bonds with 5-, 10-, and 30-year maturities. The sale that was five times oversubscribed, raising USD21.5bn. The issue included five-year bonds worth USD750mn with a yield of 6.2%, 10-year bonds valued at USD1.75bn with a yield of 7.6%, and 30-year bonds of USD1.5bn with a yield of 8.7%. ([MoF](#))
- The **Ministry of Finance** said that **Egypt** will tap into the international markets with another international bond issuance before end of June. ([Al-Borsa](#))
- **Egypt** aims at lengthening its debt profile with a target of 70% of long-term debt by 2022, up from 5% last fiscal year, according to Ahmed Kouchok, the **Deputy Minister of Finance**. ([Al-Borsa](#))

Markets

↗	EGX 30	15,213.54	0.38%	↘	EGX 70	719.66	(0.31%)
↗	DFMGI	2,632.08	2.58%	↗	ADSMI	5,060.89	0.51%
↗	TASI	8,567.24	0.59%	↗	QE Index	10,077.82	0.96%
↗	S&P 500	2,784.70	0.18%	↗	MSCI EM	1,049.32	1.19%
↗	Gold	1,338.98	0.04%	↗	Brent Oil	67.19	0.16%

*As of market close, except for commodities at spot price as of 8.26am CLT.

- **MENA Markets:** **EGX 30** ended higher on Wednesday, supported by gains over **AIND**, **ORAS**, and **ACAMD**. **UAE indices** closed in green, with **ADSMI** boosted by its **real-estate** and **consumer** stocks, while **DFMGI** was powered by winnings in the

real-estate and the insurance sectors. Also, Saudi Arabia's TASI delivered a positive performance fueled by consumers and utilities names.

- **Global Markets:** US stocks closed moderately higher Wednesday, following the release of minutes from the Federal Reserve's meeting, which showed the policy-setting committee was split on the path for interest rates. Meanwhile, oil prices hovered around the 2019 high as a result of OPEC-led supply cuts and US sanctions on Venezuela and Iran but were prevented from rising further by slowing growth in the global economy.

Number of the Day

USD4bn

The value of Eurobonds issued by Egypt's Ministry of Finance during February 2019.

Today's Quiz

How many commercial banks are members of the EGX 30 index?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Egyptian Chemical Industries - Kima	EGCH	Dividends	27-Feb	Ex-date for 0.017 stock dividends
Egyptian International Pharmaceuticals (EIPICO)	PHAR	Dividends	27-Feb	Ex-date for 25% stock dividends
Qatar National Bank Alahly	QNBA	EGM / AGM	28-Feb	Discussing capital increase, stock split
New Ismailia for Urban Development	IDRE	EGM	28-Feb	Reviewing Agenda Items
Ismailia Misr Poultry	ISMA	EGM	28-Feb	Reviewing Agenda Items
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	28-Feb	Legal Disputes relevant to Porto Tartous project
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	3-Mar	Legal Disputes relevant to Porto Tartous project
National Co For Maize Products	NCMP	EGM	4-Mar	Reviewing Agenda Items
Union National Bank Egypt	UNBE	EGM / AGM	9-Mar	Reviewing Agenda Items
Commercial International Bank (CIB)	COMI	EGM	10-Mar	Reviewing Agenda Items
El Arabia Engineering Industries	EEII	EGM	10-Mar	Reviewing Agenda Items
Sabaa International Co	SIPC	EGM	16-Mar	Reviewing Agenda Items
Arabia Investments and Development	AIND	Lawsuit	17-Mar	Legal Disputes Relevant to the Company
Misr Cement (Qena)	MCQE	AGM	23-Mar	Distribution of cash dividends of EGP0.50/share
National Housing for professional Syndicates	NHPS	EGM	27-Mar	Reviewing Agenda Items
Global Telecom Holding	GTHE	AGM	27-Mar	Discussing capital increase
Paints & Chemical Industry	PACH	Dividends	30-Apr	Distribution of cash dividends of EGP1.5/share

Quiz Answer

Only one: Commercial International Bank – Egypt (COMI).

Contact Details

☎ +(202) 16331

📍 143, Bank Zone, 5th Settlement,
New Cairo, First Abu Dhabi Bank Building (6th 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