

## Today's Story

### CQ4 2018 Earnings Recap: Financials, Telecom, and Real Estate Lead the League

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Egypt's **aggregate earnings** soared 81% y/y (+122% q/q) to EGP11.73bn, according to Q4 2018 results so far released by 64 companies, while **aggregate revenue growth** recorded +11% y/y (-1% q/q) to EGP60.23bn. The double-digit earnings growth can be attributed in large measure to impressive growth in **Global Telecom Holding's** (GTHE) earnings after having suffered losses in Q3 2018 and Q4 2017 on the back of impairment losses and financing costs. Excluding GTHE's results, **adjusted aggregate earnings** grew 18% y/y (-13% q/q) to EGP10.43bn. Narrowing the parameter range, we excluded all companies with ±100% y/y earnings growth (i.e. outliers), arriving at an increase of only 16% (-15% q/q).

- **Sectors spearheading revenue and earnings growth:**

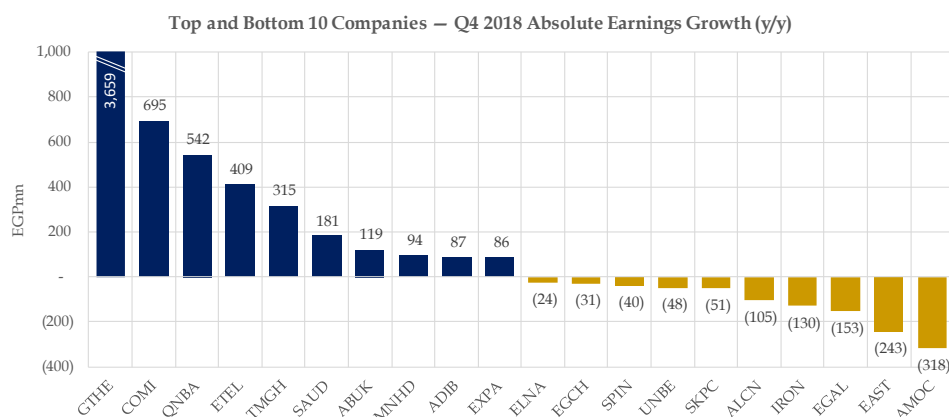
- **Revenues** showed absolute y/y growth in Q4 2018, driven by **Financials** (+29% y/y, +2% q/q), thanks to **COMI** and **QNBA** which yielded net revenues of EGP6.12bn (+39% y/y, -4% q/q) and EGP3.80bn (+29% y/y, +10% q/q), respectively. The second top sector contributing to revenue growth was **Real Estate** (+34% y/y, +32% q/q), fueled by stronger **TMGH** (+41% y/y, +45 q/q) and **AMER** (+19% y/y, +20% q/q).
- **Earnings** exhibited absolute y/y growth in Q4 2018, led by **Telecom** (+157% y/y, +129% q/q), buoyed up by **GTHE's** earnings of EGP1.30bn (+155% y/y, +119% q/q) in addition to **ETEL's** losses of EGP21.9mn (+95% y/y, -102% q/q). **Financials** (+37% y/y, -2% q/q) was the second dominant contributor to earnings growth, thanks again to **COMI** and **QNBA** whose earnings jumped to EGP2.56bn (+37% y/y, -1% q/q) and EGP1.82bn (+43% y/y, -6% q/q), respectively.

- The below table illustrates revenues and earnings growth by sector, while the chart thereafter depicts top and bottom 10 companies in terms of absolute y/y earnings growth in Q4 2018:

#### CQ4 2018 Reported vs. Historical Revenue and Earnings

EGPmn	Revenues				Earnings			
	# of stocks	CQ4 2018	y/y	q/q	# of stocks	CQ4 2018	y/y	q/q
Consumer Discretionary	5	376	19%	-6%	5	10	-77%	-76%
Real Estate	7	5,859	34%	32%	7	971	94%	27.0%
Consumer Staples	12	7,670	9%	7%	12	1,210	-19%	-2%
Energy & Utilities	1	3,701	34%	-11%	1	25	-93%	-90%
Financials	13	14,465	29%	2%	13	5,976	37%	-2%
Industrials	8	956	-6%	-6%	8	545	-14%	-7%
Health Care	7	981	20%	10%	7	83	14%	21%
Telecom Services & IT	3	18,621	-1%	-11%	3	1,492	157%	129%
Materials	8	7,602	-2%	-2%	8	1,414	-16%	11%
<b>Aggregate</b>	<b>64</b>	<b>60,232</b>	<b>11%</b>	<b>-1%</b>	<b>64</b>	<b>11,726</b>	<b>81%</b>	<b>122%</b>

Source: Bloomberg, SHUAA Securities Egypt calculations.



Source: Bloomberg, SHUAA Securities Egypt calculations.

## Top Headlines

## Corporate

- **Global Telecom Holding** (GTHE) turned to net profit of USD72.6mn in Q4 2018 against net losses of USD154mn in Q4 2017 and USD378.9mn in Q3 2018. GTHE's shift to profit was brought about by (1) lower financial expenses (-33% y/y), (2) lower FX losses (-74% y/y), and (3) lower income tax (-85% y/y). Meanwhile, revenues fell 3% y/y to USD701.8mn, while EBITDA margin widened by 120bps y/y to 43.5%, thanks to **Jazz** in **Pakistan** and **Djezzy** in **Algeria**. ([Company disclosure](#)). On a separate note, the **Financial Regulatory Authority (FRA)** is expected to decide "as soon as possible" on **VEON Ltd.**'s (NASDAQ: VEON) mandatory tender offer for up to 1,997.6mn shares (42.31%) of GTHE, at a price per share of EGP5.30. (Bloomberg)
- **Al-Ezz Dekheila Steel** (IRAX) released its stand-alone results for 2018, where net profit grew 13% y/y to EGP2.50bn, propelled up by higher revenues of EGP36.1bn (+19% y/y). Meanwhile, gross margins stabilized at 15%. ([Company disclosure](#))
- **AT Lease** (ATLC) has inked a loan agreement with **Egyptian Arab Land Bank** to provide financing facilities worth EGP200mn. ([Company disclosure](#))
- **Telecom Egypt** (ETEL) has signed an MoU with **China's Huawei** to cooperate on cloud computing. Also, ETEL signed another MoU with **Ericsson** to upgrade its cloud network, which will enable it to provide 5G services. Meanwhile, ETEL signed a cooperation agreement with US hardware giant **Cisco Systems**, which will allow it to develop its fixed internet capabilities. The signing of such agreements came during the **Mobile World Congress** which kicked off in **Barcelona** yesterday. ([Enterprise](#))
- **President of El-Wady for Phosphate Industries & Fertilizers Co.**, Khaled El-Ghazaly Harb said that the **Abu Tartur** project will depend on 2mn tons of **phosphate ore** per annum, extracted from **Abu Tartur** mine, as a main input for production. The project includes three units for the production of concentrated **sulfuric acid** with a capacity of 1.6mn tons per annum and another for the production of **phosphoric acid** with a capacity of 500,000 tons per annum. (Al-Borsa)

## Non-Corporate

- Average yields on **five-year** and **10-year T-bonds** were down in an auction held on **25 February**:
  - Yield on **five-year bonds** decreased to 16.889% from 17.362% (-47 bps) with EGP1.9bn accepted versus EGP750mn required. The submitted amount was approximately EGP5.3bn, implying a bid-to-cover ratio of around 7.
  - Yield on **10-year bonds** was down to 17.157% from 17.735% (-57.8) with EGP1.5bn accepted versus EGP500mn required. The submitted amount stood at EGP3.5bn, implying a bid-to-cover ratio of almost 7. ([CBE](#))
- Trade exchange between **Egypt** and the **US** has reached USD6.5bn during 2018, said Thomas Goldberger, **Chief of Mission and Chargé d'Affaires of the United States in Egypt**, adding that there are expectations of continued growth in terms of trade and investment between the two countries during 2019. ([Arab Finance](#))
- **Centamin Egypt** announced the payment of USD98.7mn to the **Egyptian government** as profits, royalties, and taxes from El-Sukari gold mine production in 2018. Centamin Egypt expects to produce between 490,000-520,000 ounces of gold at Sukari this year, higher than 2018's 472,000 ounces but still lower than the 544,000 ounces produced in 2017. ([Enterprise](#), [Al-Borsa](#))

## Markets

↘	EGX 30	14,946.35	(0.06%)	↗	EGX 70	715.81	0.14%
↘	DFMGI	2,661.25	(0.28%)	↘	ADSMI	5,115.75	(0.47%)
↘	TASI	8,433.09	(0.94%)	↗	QE Index	10,226.69	0.36%
↗	S&P 500	2,796.11	0.12%	↗	MSCI EM	1,067.64	0.85%
↗	Gold	1,328.14	0.04%	↘	Brent Oil	64.66	(0.15%)

\*As of market close, except for commodities at spot price as of 8.11am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** ended Tuesday session slightly down, pressured by **COMI**, **EKHO**, and **SWDY**. **UAE's DFMGI** dropped, weighed by **real estate** and **transportation** stocks, while **banks** and **real estate** stocks dragged **ADSMI** down. Meanwhile, in **Saudi Arabia**, **TASI** sagged as **banks** and **materials** players weakened.
- **Global Markets:** **S&P 500** closed Monday's session in the green on news of trade war delay between the **US** and **China**. **Asian shares** went down on Tuesday as investors waited to see if **Washington** and **Beijing** can clinch a trade deal. **Gold** was trading higher in today's morning session, while **oil** was down.

## Number of the Day

# USD54bn

The value of **Saudi Arabia's** total investments in **Egypt**.

## Today's Quiz

What much external debt did Egypt run into in Q1 FY2018/19 ended 30 September 2018?

(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
MM Group for Industry	MTIE	Conference Call	28-Feb	Discussing Q4 2018 Results
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 <i>Porto Tartous</i> project
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	3-Mar	Legal Disputes relevant to <i>Porto Tartous</i> 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
CI Capital Holding	CICH	EGM / AGM	20-Mar	Reviewing Agenda Items
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

USD93bn.

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