

Today's Story

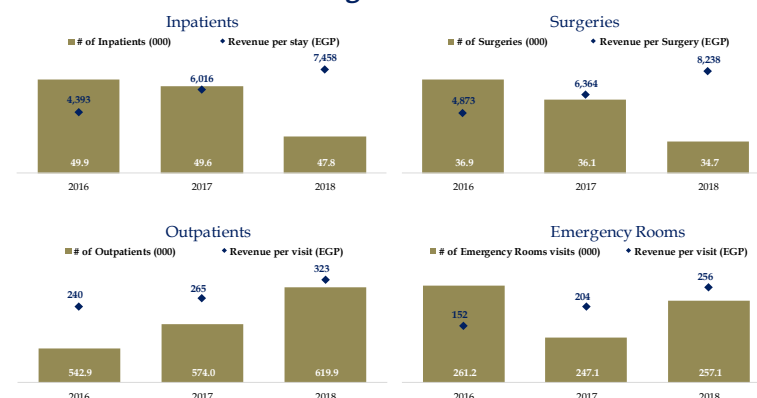
Key Takeaways from CLHO's 2018 Results and Conference Call

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We have published a [Results Commentary](#) on 17 March 2019, detailing the impressive financial results that **Cleopatra Hospital Co.** (CLHO) delivered in 2018, compared to 2017. In *Today's Story*, we will shed more light on revenue growth drivers in addition to outlining the key takeaways from the company's analyst conference call that we attended yesterday.

- Solid revenue growth driven by volume and price:** As detailed in the above-mentioned note, CLHO saw its revenues climb 29% y/y to EGP1.46bn in 2018 (+27% y/y to EGP394mn in Q4 2018). As depicted in the charts to the right, CLHO's four main business segments showed healthier revenue growth, powered by improvements in volume and/or price. **Outpatients** was the most growing segment (2-year CAGR +51%), drawing on a rise in both volume and price, followed by **emergency rooms visits** (2-year CAGR +48%). Meanwhile, **inpatients** and **surgeries** showed a slight decrease in volume but found some relief from better prices.

CLHO's main four business segments revenue drivers



Source: Company Disclosure.

- Deleveraging to ease interest burden:** An earlier management decision to repay outstanding debts using part of capital increase proceeds has started to lift the interest burden. Indeed, interest expense dropped by as much as 49% y/y in 2018 to EGP38mn, while interest income continued to rise, with a giant leap of 118% y/y to EGP129mn.
- Subsidiaries' capital hike:** The BoD said it intends to participate in the capital increase of its subsidiaries, namely **Cairo Specialized Hospital**, **Nile Badrawi Hospital**, and **Al-Shorouk Hospital**. These investment injections would help develop and renew the infrastructure and medical equipment of those subsidiaries.
- Key takeaways from the conference call:**
 - Further guidance about 2019 expansions:** We see CLHO staying the course of its expansion plans, as explained in the earlier note, without any delay—which was our key risk. Management affirmed that the **El-Katib Hospital** acquisition will be finalized by April, while inauguration of a second polyclinic will take place by the same time or at most by the end of Q2 2019. Meanwhile, the first of the two newly-opened polyclinics are now fully operational in the Fifth Settlement (East Cairo), as planned for 2019.
 - Increasing volumes, smart price hikes should keep revenue growing during 2019:** According to management, 2019 will show consolidation of new assets (namely **El-Katib Hospital** and **Queens Hospital**) in addition to two new polyclinics, which should help add more volumes compared to 2018. On another front, management is going to raise overall prices by 11-15% while monitoring its market share (i.e. highly competitive segments will show the least price increases and vice versa).
 - Improved revenue mix and sustained healthy margins in 2018 is another winning formula:** With management reaffirming its policy to keep improving the revenue mix and achieving synergies, 2019 margins should stay as healthy as in 2018, if not marginally healthier.
- Conclusion:** CLHO's stock price has surpassed our base-case 12M PT of EGP5.78/share that we had set on 30 December 2018, closing at EGP6.15/share yesterday (+32% since our initiation). Nevertheless, we are still very positive on the company's business model and management strategy which we believe will unlock more value in the stock. We will be updating our model in view of 2018 results.

Top Headlines

Corporate

- **Heliopolis Housing & Development** (HELI) plans to sell in a few days an area of 1,980 sqm in *Heliopolis*, 100 feddans in *Heliopark*, and c.190 feddans in *New Heliopolis City*, said the company's **Managing Director for Finance** Sahar El-Damaty. The mentioned plots' market value stands at EGP7bn. Sales proceeds will be used to pay off HELI's outstanding debt and finance its expansion plans. (Al-Mal)
- **Global Telecom Holding** (GTHE) confirmed ongoing discussions to resolve its outstanding tax issues with the **Egyptian Tax Authorities** (ETA). GTHE's total outstanding tax liability, as per the ETA, amounts to EGP5.088bn (USD285mn). ([Company disclosure](#))
- **Orange Egypt** (OREG) mulls floating its shares again on the **EGX** and plans to invest EGP5.3bn this year. ([Enterprise](#))
- **Rosatom** which is implementing the *Dabaa* nuclear plant, started to select the subcontractors and steel suppliers. The company had visited **Ezz Steel** (ESRS) factory and is considering **Orascom Construction** (ORAS) and **Elsewedy Electric** (SWDY) as subcontractor candidates. (Al-Mal)
- **Arabia Investments Holding** (AIND) stated that its outstanding lawsuit against **France's Peugeot** was postponed to 21 April 2019. ([Company disclosure](#))
- **Ibnsina Pharma** (ISPH) is planning to inaugurate four new operational sites per year for the next four years, in addition to increasing its distribution vehicles. Currently, ISPH's has a total of 59 operational sites and 656 distribution vehicles. ([Company disclosure](#))
- **Maridive & Oil Services Co.** (MOIL) reported revenues of USD208.2mn in 2018 (-13% y/y) as E&P spending bottomed out during the year. Net profits after minorities fell 37% y/y to USD12.9mn, reflective of a market-wide slowdown in E&P spending and offshore construction activity. Key operational developments during the year included the group's strategic decision to relocate one of its key multi-purpose support vessels (MPSV) to the *Gulf of Mexico*. Also, the group's marine division was awarded a number of new contracts, including one for a crew boat to **Eni** in **Tunisia**, two PSVs contracted for a mega project in **Egypt's Zohr** field, in addition to an ASD Tug acquired at 2018-end, which is currently being modified for a contract with **Saudi Aramco** in **Saudi Arabia**. ([Company disclosure](#))

Non-Corporate

- Average yields on **three-year** and **seven-year T-bonds** were down in an auction held on **18 March**:
 - Yield on **three-year bonds** fell to 16.347% from 16.461% (-11bps) with EGP2.8bn accepted versus EGP1bn required. The submitted amount was approximately EGP4.4bn, which implies a bid-to-cover ratio of 4.4.
 - Yield on **seven-year bonds** went down to 16.627% from 16.991% (-36bps) with EGP1bn accepted versus EGP750mn required. The submitted amount stood at EGP2.4bn, implying a bid-to-cover ratio of 3.2. ([CBE](#))
- **Egypt's tourism industry** grew 16.5% in 2018, according to new data by the **World Tourism & Travel Council**. International visitors spent EGP218bn in Egypt last year, with Germans accounting for the single largest bloc of tourists. ([Enterprise](#))
- **The Egyptian government** is considering tying the yields on local bond issuances to inflation or the central bank's corridor rate, to reduce the state's debt service burden. Also, currently under consideration is a return to zero-coupon bond issuances, which can be reclaimed within three months if the CBE cuts rates within that time frame. ([Enterprise](#))
- The **Egyptian Exchange (EGX)** is planning to create a real estate index that measures companies' performance and unit prices, according to EGX **Chairman** Mohamed Farid. The index is intended to make accurate data available on the prices of different types of development across the country, as well as demand for real estate products, in addition to tracking changes in both. ([Al-Mal](#))

Markets

↘	EGX 30	14,910.78	(0.82%)	↘	EGX 70	695.21	(0.35%)
↗	DFMGI	2,619.82	1.63%	↗	ADSMI	5,066.74	1.80%
↗	TASI	8,653.16	1.05%	↗	QE Index	9,972.68	1.11%
↗	S&P 500	2,832.94	0.37%	↗	MSCI EM	1,069.26	1.13%
↗	Gold	1,306.59	0.22%	↗	Brent Oil	67.58	0.06%

*As of market close, except for commodities at spot price as of 8.13am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** ended Monday's session in the red, dragged down by **COMI, EAST, and ESRS**. UAE indices closed higher, with **ADSMI** and **DFMGI** surging, led by the **banking** and **real estate** sectors. Meanwhile, **Saudi Arabia's TASI** gained supported by **banking** and **materials** stocks.
- **Global Markets:** US indexes rose during Monday's session, lifted by the **banking** and **tech** sectors. **Asian shares** held tight ranges on Tuesday ahead of the **Federal Reserve** policy meeting. Both **gold** and **oil** were trading higher this morning.

Number of the Day

USD125mn

TCI Sanmar Chemicals' total planned investments for expanding its **Port Said** factory.

Today's Quiz

How many polyclinics does CLHO target opening in the next five years?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Credit Agricole Egypt	CIEB	AGM	19-Mar	Reviewing Agenda Items
Abu Dhabi Islamic Bank	ADIB	AGM	20-Mar	Reviewing Agenda Items
CI Capital Holding	CICH	EGM / AGM	20-Mar	Reviewing Agenda Items
Egyptian Arabian Themar Securities Brokerage	EASB	AGM	21-Mar	Reviewing Agenda Items
Misr Cement (Qena)	MCQE	AGM	23-Mar	Distribution of cash dividends of EGP0.50/share
Egyptian Satellites	EGSA	EGM / AGM	24-Mar	Reviewing Agenda Items
El-Shams Housing & Urbanization	ELSH	EGM	24-Mar	Reviewing Agenda Items
GB Auto	AUTO	EGM / AGM	24-Mar	Reviewing Agenda Items
TMG Holding	TMGH	AGM	25-Mar	Reviewing Agenda Items
Medinet Nasr for Housing & Development	MNHD	AGM	25-Mar	Reviewing Agenda Items
Telecom Egypt	ETEL	AGM	27-Mar	Reviewing Agenda Items
Integrated Engineering Group	INEG	AGM	27-Mar	Reviewing Agenda Items
Housing & Development Bank	HDBK	AGM	27-Mar	Reviewing Agenda Items
Global Telecom Holding	GTHE	EGM / AGM	27-Mar	Discussing the continuation of the activity of the company though the company's losses exceeded 50% of the value of shareholders' equity.
Arabian Cement	ARCC	AGM	27-Mar	Reviewing Agenda Items
Amer Group Holding	AMER	EGM / AGM	27-Mar	Reviewing Agenda Items
Al Tawfeek for Financial Lease	ATLC	EGM / AGM	27-Mar	Reviewing Agenda Items
National Housing for professional Syndicates	NHPS	EGM	27-Mar	Reviewing Agenda Items
Qatar National Bank Alahly	QNBA	Dividends	27-Mar	Distribution of cash dividends of EGP1/share
International Company for Leasing	ICLE	AGM	27-Mar	Reviewing Agenda Items
Global Telecom Holding	GTHE	AGM	27-Mar	Discussing capital increase
Egyptian Chemical Industries - Kima	EGCH	AGM	28-Mar	Adopting the planning budget for FY 2019/2020
Sidi Kerir Petrochemicals	SKPC	AGM	28-Mar	Reviewing Agenda Items
Egypt Aluminum	EGAL	AGM	28-Mar	Adopting the planning budget for FY 2019/2020
Commercial International Bank (CIB)	COMI	Dividends	28-Mar	Distribution of cash dividends of EGP1/share
Alexandria Co for Pharmaceuticals	AXPH	EGM / AGM	30-Mar	Adopting the planning budget for FY 2019/2020
Egyptian International Pharmaceuticals (EIPICO)	PHAR	EGM / AGM	30-Mar	Reviewing Agenda Items
Cairo Pharmaceuticals	CPCI	EGM / AGM	30-Mar	Reviewing Agenda Items
Lecico Egypt	LCSW	AGM	31-Mar	Reviewing Agenda Items
Egypt Aluminum	EGAL	Tender	31-Mar	Tender for the solar power station
Alexandria Containers Handling	ALCN	AGM	31-Mar	Reviewing Agenda Items
Arab Pharmaceuticals	ADCI	EGM / AGM	31-Mar	Reviewing Agenda Items
Egyptian Iron & Steel	IRON	Tender	31-Mar	Tender for the revamping of its production lines
Eastern Company	EAST	EGM / AGM	1-Apr	Reviewing Agenda Items
Canal Shipping Agencies	CSAG	EGM	1-Apr	Adopting the planning budget for FY 2019/2020
Elsewedy Electric	SWDY	EGM / AGM	1-Apr	Reviewing Agenda Items
Palm Hills Developments	PHDC	EGM / AGM	4-Apr	Reviewing Agenda Items
Egyptian Electrical Cables	ELEC	Tender Offer	4-Apr	Last day for submitting orders in tender offer.
Obour Land For Food Industries	OLFI	AGM	6-Apr	Reviewing Agenda Items
Amer Group Holding & Porto Group Holding	OCDI	EGM	8-Apr	Reviewing Agenda Items
Amer Group Holding & Porto Group Holding	OCDI	AGM	9-Apr	Reviewing Agenda Items
Cleopatra Hospital	CLHO	EGM	10-Apr	Reviewing Agenda Items
Ismailia Misr Poultry	ISMA	Dividends	15-Apr	Distribution of cash dividends of EGP0.10/share
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	18-Apr	Legal Disputes relevant to <i>Porto Tartous</i> project
Amer Group Holding & Porto Group Holding	NCEM	Lawsuit	27-Apr	To rule in canceling the decision to dissolve the company
Paints & Chemical Industry	PACH	Dividends	30-Apr	Distribution of cash dividends of EGP1.5/share
Suez Canal Bank	CANA	Lawsuit	7-May	To rule in a lawsuit that invalidated the Bank's AGM on April 4, 2018
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	23-Jun	Legal Disputes relevant to <i>Porto Tartous</i> project
Ismailia Misr Poultry	ISMA	Dividends	15-Aug	Distribution of cash dividends of EGP0.10/share

Quiz Answer

Ten polyclinics, two each year, including 2019.

Correction and Clarification

In *The Daily Beam* issue dated Monday, 18 March 2019, **Beltone Financial Holding's** (BTFH) revenues were incorrectly mentioned as EGP82.4bn, when it should be EGP82.4mn.

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