

Today's Story

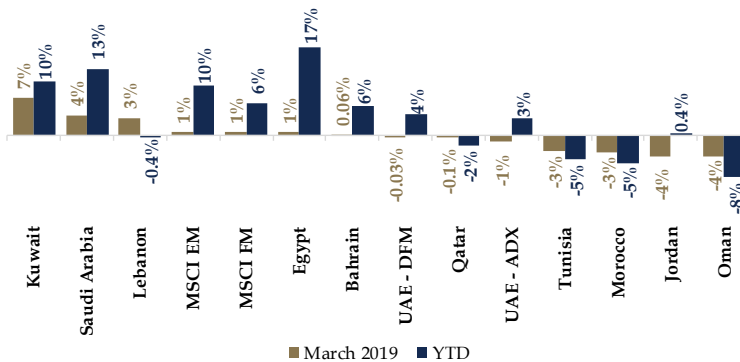
A Month in Brief: EGX 30 Rises in Q1 2019 Despite a Flattish March

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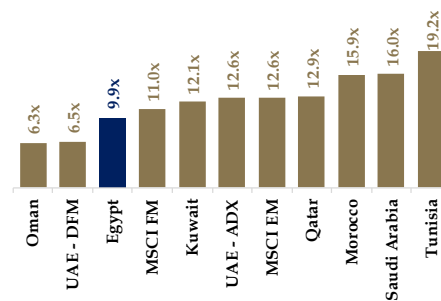
Egyptian equities did not perform in March as well as they did the first two months of 2019. Although the performance of EGX 30 and most of the sector indices was nearly flattened, Egypt was the strongest among MENA markets in Q1 2019, outperforming MSCI EM and MSCI FM and drawing on its earlier winnings in January and February. Indeed, as 2019 began, growing anticipation for the 100bps interest rate cut in mid-February helped spur investors' appetite. This positive sentiment even lasted for a short time afterward, before some profit taking waves washed through the market. Again, like in most of 2018 and Q1 2019, Egypt's market valuation remains very attractive; as EGX 30 is trading at a discount to both MSCI EM and MSCI FM. Egyptians maintained their net buying position in Q1 2019, partly accounting for the gains generated in the beginning of the quarter and passing the torch to foreigners who turned net buyers in March. Let's see how investors, sectors and indexes performed in March.

- Following a strong performance in January and February, **EGX 30** gained less than 1% in USD terms in March (+17% for the quarter), underperforming **MSCI EM** and **MSCI FM** indices which continued to decelerate in March for the second consecutive month. On the valuation side, Egypt held the third cheapest market position across the MENA markets behind **Oman** and **Dubai**. EGX 30 traded at a discount to MSCI EM (-22%) in March, and even at a discount (-10.5%) to MSCI FM.

MENA Markets March 2019 & YTD Performance



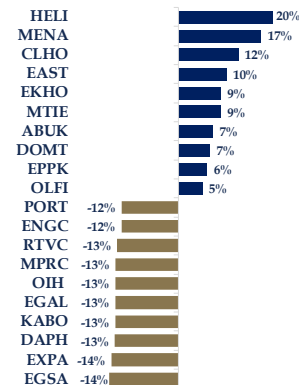
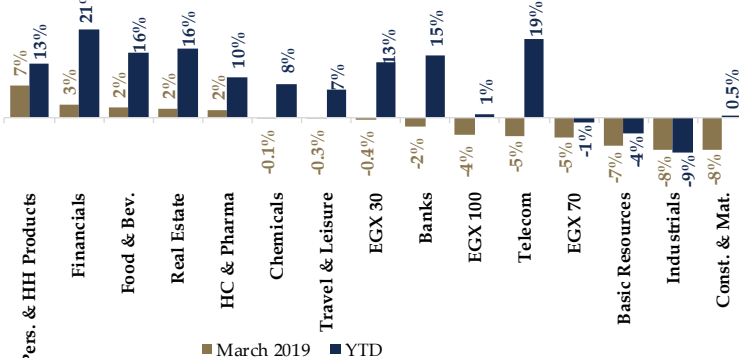
Fwd. P/E



Note: Performance measured in USD.
Source: Bloomberg.

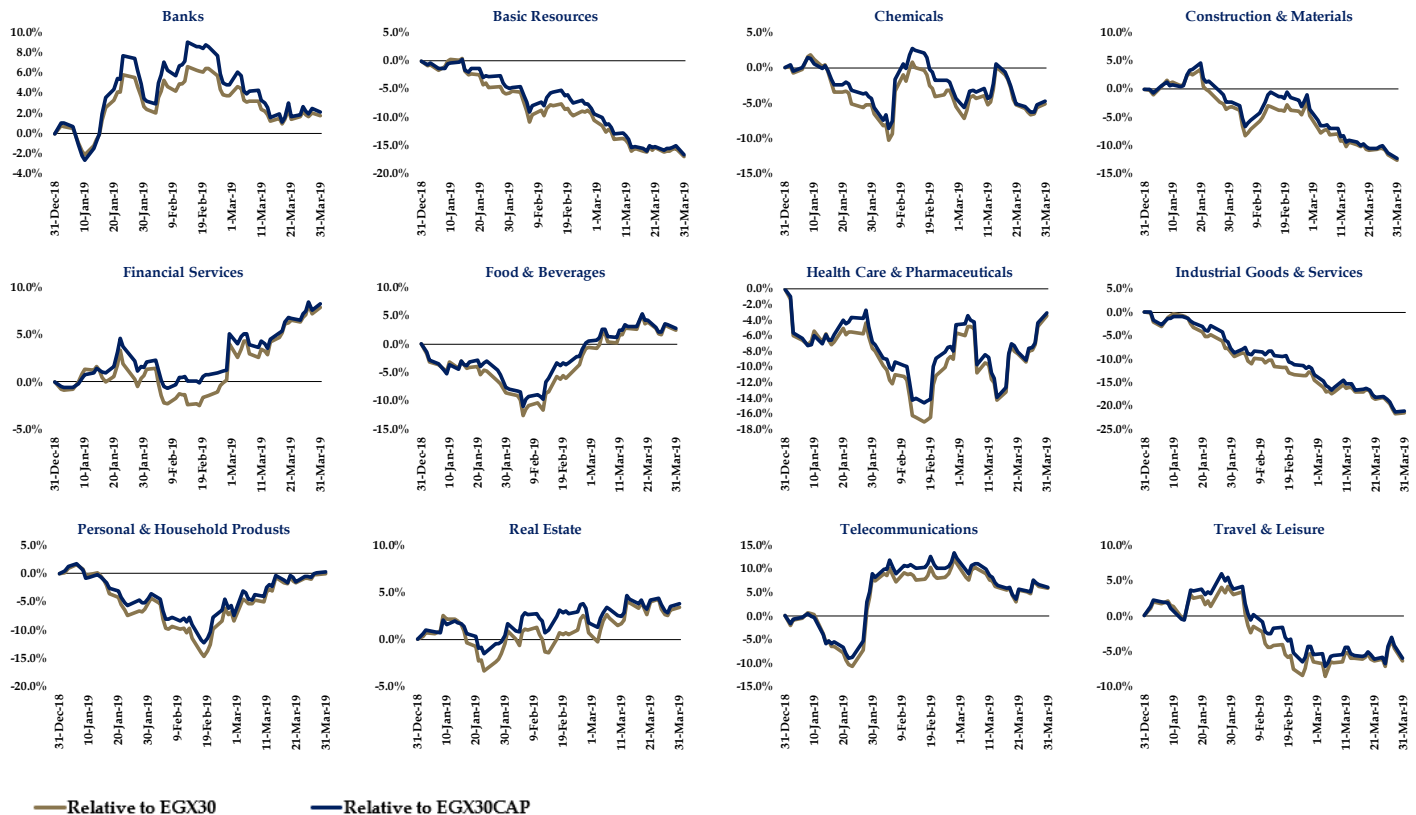
- Contrary to January and February, most of **EGX** sectors performed poorly in March 2019. **Personal & household products** was the top performer, followed by **financials**, while **construction & materials** and **industrials** were the worst. For the full Q1 2019, **financials** and **telecom** stayed on top of the winners for the second month in a row, while **industrials** and **basic resources** were the only two sectors that skidded. The below chart to the right depicts the best and worst ten performing stocks within EGX 100's constituents based on a total return analysis for March 2019.

Egypt sectors March 2019 & YTD Performance



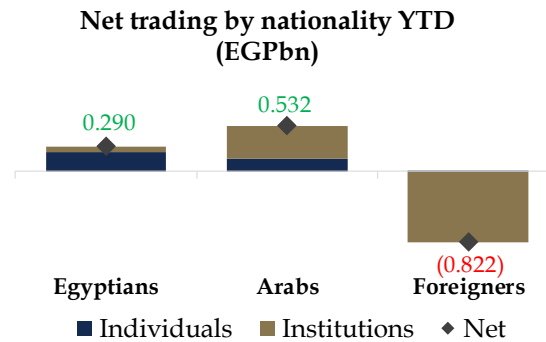
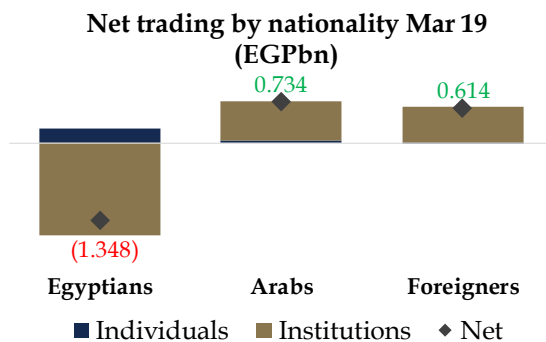
Note: Performance measured in EGP.
Source: Bloomberg.

- For the daily relative performance of sectors vis-à-vis EGX 30 and EGX 30 CAP indices for the 12 sectors through Q1 2019, please see the charts below:



Source: Bloomberg, SHUAA Securities Egypt.

- In terms of investors trading by type:
 - Egyptians** turned net sellers with EGP1.35bn net outflows in March after they were net buyers in the first two months of 2019, driven by institutions. Despite their heavy selling pressure in March, Egyptians closed the quarter as net buyers with a net inflow of EGP0.29bn (vs. EGP1.64bn ytd in February).
 - Arabs** were net buyers with EGP0.73bn of net inflows for the second month in a row in March. They closed out the quarter as net buyers with net inflows of EGP0.53bn (vs. EGP0.20bn ytd in February).
 - Foreigners** became net buyers in March with EGP0.61bn net inflow for the first time after two months, driven by institutions. Foreigners ended the quarter as net sellers with net outflows of EGP0.82bn (vs. EGP1.44bn ytd in February).



Source: EGX.

Top Headlines

Corporate

- **B Investments'** (BINV) 2018 earnings surged to EGP194mn (+46% y/y), on higher revenues of EGP245mn (+43% y/y). Top line growth mostly resulted from dividend income, profit share from joint ventures, and finance income. With an ROE of 12%, BINV is trading at a P/E of 7x and a P/B of 0.86x. Management proposed a cash dividend distribution of EGP0.5/share, implying a 6% yield. ([Company disclosure](#))
- **Arabia Investments Holding's** (AIND) 2018 results showed net earnings recording EGP60mn, missing the previous management guidance of EGP80mn for 2018 although the company's NBFS segment posted strong growth. Total recurring revenues recorded EGP1.28bn (+15% y/y). Meanwhile, the construction & building materials segment failed to deliver on expectations in terms of growth with top line slipping 2% y/y despite a sequential recovery in Q4 2018 and showing some margin improvement. Current outstanding backlog for **Kahromika** registered EGP940mn according to AIND. We note that AIND managed to pay back EGP5mn out of the convertible shareholder loan, which amounted at the end of the year at EGP72mn. ([Company disclosure](#))
- **Arabian Food Industries** (DOMT) Q4 2018 showed a bottom line of EGP22mn (-37% q/q, -34% y/y) on weaker sales revenues of EGP613mn (-11% q/q). GPM for Q4 2018 witnessed a notable improvement both sequentially and annually, recording 24.6% versus 23.4% and 22.4% in Q3 2018 and Q4 2017, respectively, on a more enhanced sales mix. However, EBIT margin narrowed to 9.2% on quite a surge in marketing spending as well as higher health insurance costs. *Domty Sandwich* revenues contributed 7% to DOMT'S Q4 2018 top line, where the cheese & juice segments contributed 83% and 11%, respectively. For the year as whole, DOMT's bottom line recorded EGP155mn (+151% y/y), capitalizing on a rebound in volumes as well as a weak base represented by 2017 performance following the EGP flotation. The BoD has proposed a cash dividend distribution of EGP0.2/share, implying a 1.7% yield. DOMT is currently trading at a P/E of 21x. ([Company disclosure](#), [Company disclosure](#))
- **Sidi Kerir Petrochemicals'** (SKPC) AGM approved a cash dividend of EGP1.25/share for 2018, implying a dividend yield of 7.3% versus the EGP0.70 proposed by the BoD. ([Company disclosure](#))
- **Egypt Gas** (EGAS) AGM gave the green light for an EGP5.21/share cash dividend for 2018, implying a dividend yield of 6.6%.
- **Elsewedy Electric** (SWDY), in a consortium with **Mitsubishi Hitachi Power Systems**, has been awarded a c.USD550mn contract by **Sharjah Electricity & Water Authority (SEWA)** to perform engineering, procurement and construction work in the *Al Layyah Combined Cycle Power Plant* in the **UAE**. The 1026.3MW gas-fired combined cycle power project will start producing energy by 2020. ([EGX](#))
- **Talaat Moustafa Group Holding's** (TMGH) AGM endorsed a cash dividend of EGP0.176/share for 2018, implying a dividend yield of 1.5%. ([Company disclosure](#))
- **Egypt Aluminum** (EGAL) delayed accepting offers on the 300 MW/Hour power station tender until the company finalizes the relevant agreements with the **Ministry of Electricity**. ([Company disclosure](#))
- **Egyptian Iron & Steel** (IRON) postponed its tender for revamping its production lines to 15 April 2019. ([Company disclosure](#))
- The **CEO of Suez Canal for Cargo Handling**, a subsidiary of Danish **Maersk**, expects his company to turn to losses in 2019 after reporting net profits of USD5mn in 2018 and USD10mn in 2017. This is on the back of the increase in the charges, which made it lose its competitive edge especially with strong competitors like **Port of Piraeus in Greece**. He also noted that 16 navigation lines shifted from **East Port Said** port to Port of Piraeus in 2017, citing an example that a ship with a shipment of 141 tons will pay charges of USD70,000 in East Port Said vs. only USD31,000 in Port of Piraeus. ([Arab Finance](#))

Non-Corporate

- The **Ministry of Finance** sent its draft FY2019/20 budget to the **House of Representatives**. Highlights included:
 1. **Revenues** are forecast to reach EGP1.13tn — with tax collection rising 13% y/y to EGP856.6bn and other earnings up 30% to EGP277.8bn.
 2. **Expenditure** amounts to EGP1.57tn, +12% y/y from EGP1.40tn.
 3. **Debt service payments** projected at EGP569bn (+6.5% y/y).
 4. **Subsidies and social benefits** will climb 3.8% to EGP327.7bn even as electricity subsidies fall 37.5% to EGP10bn and spending on petroleum products is cut by 42%.
 5. The budget assumes USD68 per barrel for oil and an FX to stand at average of the period 1-15 March 2019. (MoF, [Enterprise](#))

- In the **new SMEs draft law** to be presented to the **Parliament**, businesses with turnover of up to EGP10mn will be eligible for a preferential tax rate of 1.25% for a period of time after registering, while those with annual revenues of under EGP1mn will be taxed EGP2,000-6,000. ([Enterprise](#))
- Egypt** will keep 95-Octane gasoline at EGP7.75 (USD0.4485) per liter through Q2 2019 as it links the cost to international fuel prices for the first time, the **Ministry of Petroleum** said in a statement. ([Reuters](#))
- Average yields on **91-day** and **273-day T-bills** were up in an auction held on **31 March**:
 - Yield on **91-day T-bills** increased from 17.248% to 17.392% (+14.4bps) with EGP5.9bn accepted versus EGP8.75bn required. The submitted amount was c. EGP6.6bn, implying a bid-to-cover ratio of almost 0.76.
 - Yield on **273-day T-bills** rose from 17.222% to 17.380% (+15.8bps) with EGP6.8bn accepted versus EGP8.75bn required, and the submitted amount exceeded EGP11bn, implying a bid-to-cover ratio of 1.3. ([CBE](#))

Markets

↗	EGX 30	14,737.88	0.49%	↘	EGX 70	684.89	(0.15%)
↗	DFMGI	2,634.86	0.14%	↘	ADSMI	5,074.65	(0.52%)
↗	TASI	8,819.44	0.35%	↘	QE Index	10,107.42	(0.38%)
↗	S&P 500	2,834.40	0.67%	↗	MSCI EM	1,058.13	1.24%
↘	Gold	1,290.64	(0.13%)	↗	Brent Oil	68.22	0.95%

*As of market close, except for commodities at spot price as of 8.16am CLT.

- MENA Markets:** Egypt's benchmark **EGX 30** ended on a positive note on Sunday, lifted by **TMGH**, **HRHO**, and **COMI**. In the **UAE**, **real estate** and **services** sectors drove **DFMGI** upwards, while **ADSMI** was still weakened by its **real estate** and **financial** stocks. **Saudi Arabia's TASI** closed on a high note on the back of a continuous rise of its **banking** and **telecom** sectors.
- Global Markets:** **Asian equities** rose on Monday on positive updates regarding the Chinese economy. Elsewhere, **US futures** are up in morning trading. **Oil** prices gained on tight supply expectations, while **gold** prices were merely flat.

Number of the Day

EGP12.2bn

Emaar Misr for Development's (EMFD) net cash balance by 2018 end.

Today's Quiz

How many residential units were sold in *Celia*, Talaat Moustafa Group's (TMGH) latest project, by the end of 2018?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Juhayna Food Industries	JUFO	Dividends	1-Apr	Distribution of cash dividends of EGP0.20/share
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
Alexandria Containers Handling	ALCN	AGM	4-Apr	Adopting the planning budget for FY 2019/2020
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.
Suez Canal Bank	CANA	EGM / AGM	4-Apr	Reviewing Agenda Items
Obour Land For Food Industries	OLFI	AGM	6-Apr	Reviewing Agenda Items
Raya Holding	RAYA	OPR	7-Apr	Ending of the OPR market
Six of October Development and Investment	OCDI	EGM / AGM	8-Apr	Reviewing Agenda Items
Egyptian Gulf Bank	EGBE	Dividends	10-Apr	Last date of bonus shares eligibility of 6.6%
Cleopatra Hospital	CLHO	EGM	10-Apr	Reviewing Agenda Items
Arab Cotton Ginning	ACGC	EGM	14-Apr	Reviewing Agenda Items
Ismailia Misr Poultry	ISMA	Dividends	15-Apr	Distribution of cash dividends of EGP0.10/share
Sinai Cement	SCEM	AGM	16-Apr	Reviewing Agenda Items
Oriental Weavers Carpet	ORWE	EGM / AGM	17-Apr	Discuss of bonus shares (50%)
Egyptian Satellites	EGSA	Dividends	17-Apr	Last date of cash dividends eligibility of USD0.60/share
Elsaeed Contracting & Real Estate	UEGC	AGM	18-Apr	Reviewing Agenda Items
Credit Agricole Egypt	CIEB	Dividends	18-Apr	Distribution of cash dividends of EGP4.24/share
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	18-Apr	Legal Disputes relevant to <i>Porto Tartous</i> project
Egyptian Electrical Cables	ELEC	AGM	21-Apr	Reviewing Agenda Items
Arab Co for Asset Management & Development	ACAMD	Tender	21-Apr	Land Auction
EFG Hermes	HRHO	EGM / AGM	21-Apr	Reviewing Agenda Items
Arabia Investments and Development	AIND	Lawsuit	21-Apr	Legal Disputes relevant to the Company
El Obour Real Estate Investments	OBRI	EGM / AGM	22-Apr	Reviewing Agenda Items
Atlas For Investment and Food Industries	AIFI	EGM / AGM	27-Apr	Reviewing Agenda Items
National Cement	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
Maridive & Oil Services	MOIL	EGM / AGM	2-May	Reviewing Agenda Items
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
Global Telecom Holding	GTHE	AGM	27-Jun	Discussing capital increase
Ismailia Misr Poultry	ISMA	Dividends	15-Aug	Distribution of cash dividends of EGP0.10/share

Quiz Answer

A total of 3,125 units.

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