

Today's Story

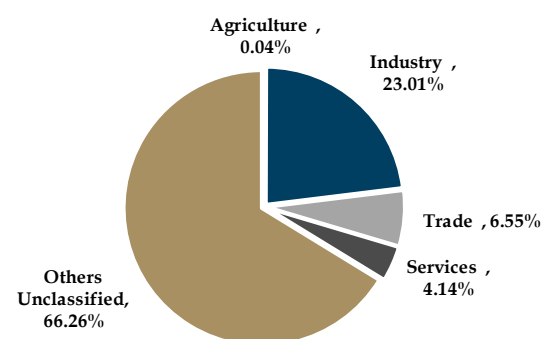
CBE's Latest Initiative – Why Ill-Received by Investors?

■ Sara Maher | Equity Analyst | smaher@shuaasecurities.com
 ■ Mohamed Saad | Equity Analyst | mfattah@shuaasecurities.com

- Brief on the CBE's circular:** The Central Bank of Egypt (CBE) will conditionally exclude real estate factored receivables' collection from the 35-40% ceiling on installment-to-income ratio, according to a circular sent out on Sunday. To outline the background: banks offer bills discounting, a service where they extend credit to corporate clients, while gaining the right to collect and receive the client's receivables. Of course, these receivables have a future due, so bank's clients get a discounted value of their receivables, minus any fee and commissions related to the process. That service could assist companies to manage their working capital. Banks only accept receivables, of which debtors comply with the aforementioned ceiling on installment-to-income ratio. Real estate developers rarely comply with this ratio with their clients, thus they benefitted less from such services. What is new here is that the CBE allowed banks to provide these services under no restriction to the limit on the installment-to-income ratio. The CBE move aims at boosting growth in the real estate sector and increasing optionality to real estate players when it comes to their working capital needs. However, a series of conditions were placed by the CBE to qualify for this leeway, which include but are not limited to the following:

- The total amount permissible under the above-mentioned service should not exceed EGP50bn.
- Banks will only discount receivables of an existing and delivered real estate unit.
- At least 50% of the unit's contracted value must be already paid.
- Receivables should mature within a maximum of six years from the discounting transaction.
- The real estate company must obtain the client's consent before transferring the amount to the bank.
- Companies will need to deposit a minimum of 10% of the discounted receivables portfolio or double the average default ratio of receivables in the preceding three years, whichever higher.
- The financing granted by a bank to a real estate company (including this service) should not exceed 3x its equity.

Total discounted bills in EGP as of December 2018



Source: CBE.

- Fallout in the real estate sector:** While the initiative sounded favorable to the real estate players, as it increased their pool of options, the market reaction came rather negative. The majority of the sector ended Tuesday in the red territory as the table below shows. This counter-response could be voicing the true sentiment of the market. Let's dive into why the initiative elicited this response from the market:
- **Over-expectation:** Investors received a number of signals from policy makers that they would support the real estate sector. It could be that investors' expectations were a bit higher than what they are actually being offered, or simply that the market is possibly doubting the effectiveness of such a tool.
- **Reverse psychology:** In contrast to the first point, efforts to promote the sector might have been perceived as masking an underlying weakness.
- **CBE action helps little on recent bookings:** Taking into account that the conditions are applied only to delivered units, including at least 50% of contracted value to be already paid, with a maximum of 6-year maturity, beneficiaries might be qualified to small portfolio developers, who are less oriented around off-plan business.
- **Discounted bills are not sizable as loans:** Data from the CBE showed that the discounted bills in local currency as of December 2018 totaled EGP11.23bn. This is almost a quarter of the EGP50bn limit in the CBE's initiative. Besides, if that figure of the discounted bills (as of December 2018) does not reflect all what the CBE is offering, the share of the real estate sector is seemingly so little. As the above chart shows, if we are to assume that real estate is categorized under the services sector, it would only represent c.4.14% of total discounted bills as of December 2018.

Listed companies' receivables portfolio at end of 2018 and stock price change after CBE announcement

EGPmn, unless stated otherwise	Short term notes receivables	Long term notes receivables	Accounts Receivables	Total notes receivable ^c	Receivables (total) FY2018	Equity	D/E	Share Prices, 9 April	Change after CBE announcement
PHDC	4,235	13,087	1,062	17,323	18,385	9,216	0.51	2.52	-3.8%
HELI	806	-	749	806	1,555	497	3.46	26.56	-1.8%
MNHD	2,239	6,149	775	8,389	9,164	3,469	0.16	7.05	-1.7%
AMER	-	-	767	-	767	1,800	0.21	0.79	-1.5%
PORT	-	-	697	-	697	850	0.35	0.79	-1.3%
ORHD	1,150	535	-	1,685	1,685	2,280	1.86	7.29	-1.2%
TMGH	-	-	26,525	-	26,525	30,497	0.17	11.62	-0.5%
OCDI	-	7,666	3,969	7,666	11,635	4,907	0.31	16.99	-0.3%
EMFD	-	-	2,434	-	2,434	14,143	0.00	3.50	0.0%

Source: Company financials.

Top Headlines

Corporate

- **Egyptian Chemical Industries (EGCH)** expects that *Kima 2* factory will start commercial operation by Q3 2019. (Al-Alam Al-Youm)
- The **Egyptian Exchange (EGX)** announced that **El-Pharonia for Real Estate Investment**, which is owned by **Raya Holding for Financial Investments' (RAYA)** CEO Medhat Khalil, has completed the mandatory tender offer of 57mn shares of RAYA at EGP5.53/share. ([Arab Finance](#))
- **AT Lease (ATLC)** inked a contract to buy its new administrative building in *Polygon, West Town*. ATLC purchased the building for EGP82.2mn. ([Company disclosure](#))
- The **Minister of Transport** announced that establishing containers terminal at *Berth 55* in **Alexandria Port** is to start in July 2019 over two years. Meanwhile, **Damietta Port's** second containers terminal is still being planned and designed with three consortia having shown interest in the **Sixth of October Dry Port**. Submission of the quotation is expected by May 2019 by the three consortia: (1) **PSA, Concur, and Hassan Allam**; (2) **DP World** and the **Holding Company for Maritime Transport**; and (3) **Elsewedy Electric (SWDY), 3A International, and Schenker Egypt (Germany)**. (Al-Borsa)

Non-Corporate

- March **urban inflation** reached 14.2% y/y and 0.8% m/m. This compares slightly lower to February's figures which were 14.4% y/y and 0.98% m/m. ([Bloomberg](#))
- In its *World Economic Outlook 2019*, the **IMF** kept its forecast for **Egypt's** GDP growth at 5.5% in FY2018/19, unchanged from its October estimate, and 5.9% in 2019/20. As for inflation, the IMF edged up its forecast to 14.5% from 14%, predicting it to ease to 12.3% in 2019/20. ([Reuters](#)) Meanwhile, the IMF cut its forecast for world economic growth to 3.3% this year, down from the 3.5% it had forecast for 2019 back in January. ([Bloomberg](#))
- The **Ministry of Finance** and the **Central Bank of Egypt** are in talks to clear the government's overdraft which reached EGP325bn prior to **Egypt's** signing for the **IMF** loan in 2016. The ministry will also issue an EGP40-60bn securitization bond for the CBE as part of the agreement. The ministry has been using the overdraft to repay the government's debt and interest during the past period when the state's financing gap was too wide. Clearing overdraft accounts between the CBE and government agencies was part of Egypt's agreement with the IMF. ([Enterprise](#))
- **Egypt's** **tourism sector** grew to 16.5% in 2018, according to a study by the **World Travel & Tourism Council (WTTC)** quoted by the **Egyptian Ministry of Tourism**, remarkably higher than the average global growth of 3.9%. ([Egypt Independent](#))

Markets

↘	EGX 30	15,088.55	(0.15%)	↘	EGX 70	667.83	(0.80%)
↗	DFMGI	2,801.96	0.17%	↗	ADSMI	5,076.03	0.01%
↗	TASI	9,047.58	0.11%	↘	QE Index	10,217.92	(0.09%)
↘	S&P 500	2,878.20	(0.61%)	↗	MSCI EM	1,093.44	0.45%
↘	Gold	1,303.68	(0.03%)	↗	Brent Oil	70.81	0.28%

*As of market close, except for commodities at spot price as of 8.17am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** closed marginally lower on Tuesday, pressured by **EKHO**, **PHDC**, and **MNHD**. UAE's **ADSMI** ended in green as its **telecom** and **industrial** sectors performed well, while **DFMGI** trended higher on support from **telecom** and **financial services** stocks. In **Saudi Arabia**, **TASI** ended stronger, lifted by the **insurance** sector.
- **Global Markets:** **US stocks** ended lower Tuesday, with the **S&P 500** breaking its eight-day winning streak, on fears over trade tensions escalation with the **European Union** and weaker global growth outlook from the **IMF**. **Asian shares** fell on Wednesday following a slide in US equities. **Oil** was trading slightly higher this morning, while **gold** was almost flat.

Number of the Day

USD4.29bn

The value of Egypt's non-oil exports in Q2 FY2018/19.

Today's Quiz

What was the IMF forecast for global economic growth for 2019 in January?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Cleopatra Hospital	CLHO	EGM / AGM	10-Apr	Reviewing Agenda Items
Arab Cotton Ginning	ACGC	EGM	14-Apr	Reviewing Agenda Items
Faisal Islamic Bank of Egypt - USD	FAITA	Dividends	14-Apr	Last date of cash dividends eligibility of USD0.08/share
Faisal Islamic Bank of Egypt	FAIT	Dividends	14-Apr	Last date of cash dividends eligibility of EGP1.433/share
Credit Agricole Egypt	CIEB	Dividends	15-Apr	Last date of cash dividends eligibility of EGP4.24/share
Egyptian Iron & Steel	IRON	Tender	15-Apr	Tender for the revamping of its production lines
Ismailia Misr Poultry	ISMA	Dividends	15-Apr	Distribution of cash dividends of EGP0.10/share
Sinai Cement	SCEM	AGM	16-Apr	Reviewing Agenda Items
Faisal Islamic Bank of Egypt - USD	FAITA	Dividends	17-Apr	Distribution of cash dividends of USD0.08/share
Faisal Islamic Bank of Egypt	FAIT	Dividends	17-Apr	Distribution of cash dividends of EGP1.433/share
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
Edita Food Industries	EFID	Dividends	18-Apr	Distribution of cash dividends of EGP0.20/share
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
Minapharm Pharmaceuticals	MIPH	EGM / AGM	20-Apr	Discuss the capital increase
Oriental Weavers Carpet	ORWE	Dividends	21-Apr	Last date of cash dividends eligibility of EGP1.5/share
Egyptian Financial & Industrials	EFIC	Dividends	21-Apr	Last date of cash dividends eligibility of EGP0.25/share
Telecom Egypt	ETEL	Dividends	21-Apr	Last date of cash dividends eligibility of EGP0.25/share
Al Tawfeek for Financial Lease	ATLC	Dividends	21-Apr	Record date for dividends eligibility of EGP0.25/share cash dividends
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 Holding	AIND	Lawsuit	21-Apr	Legal Disputes relevant to the Company
El Obour Real Estate Investments	OBRI	EGM / AGM	22-Apr	Reviewing Agenda Items
National Co For Maize Products	NCMP	AGM	22-Apr	Reviewing Agenda Items
El-Shams Housing & Urbanization	ELSH	AGM	23-Apr	Reviewing Agenda Items
Suez Cement	SUCE	AGM	23-Apr	Reviewing Agenda Items
Industrial & Engineering Projects	IEEC	EGM / AGM	23-Apr	Reviewing Agenda Items
Misr Fertilizers Production Co.	MFPC	AGM	23-Apr	Reviewing Agenda Items
Tourah Portland Cement	TORA	AGM	23-Apr	Reviewing Agenda Items
Assiut Islamic Trading	AITG	Dividends	24-Apr	Distribution of cash dividends of EGP0.45 share
Al Tawfeek for Financial Lease	ATLC	Dividends	24-Apr	Distribution of cash dividends of EGP0.25 share
Egyptian Financial & Industrials	EFIC	Dividends	24-Apr	Distribution of cash dividends of EGP0.25 share
Telecom Egypt	ETEL	Dividends	24-Apr	Distribution of cash dividends of EGP0.25 share
Oriental Weavers Carpet	ORWE	Dividends	24-Apr	Distribution of cash dividends of EGP1.5/share
Arab Co for Asset Management & Development	ACAMD	EGM	24-Apr	Amending some of the company's articles of incorporation
Orascom Development Egypt	ORHD	AGM	24-Apr	Reviewing Agenda Items
Pioneers Holding	PIOH	EGM	25-Apr	Amending some of the company's articles of incorporation
Sabaa International Co	SIPC	EGM / AGM	27-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
Minapharm Pharmaceuticals	MIPH	AGM	30-Apr	Reviewing Agenda Items
Egyptian Transport and Commercial	ETRS	Dividends	30-Apr	Distribution of cash dividends of EGP0.5/share
Global Telecom Holding	GTHE	BoD	1-May	Discussing Q1 2019 results
Arabian Food Industries Co Domty	DOMT	AGM	2-May	Reviewing Agenda Items
Maridive & Oil Services	MOIL	EGM / AGM	2-May	Reviewing Agenda Items
Arabia Investments Holding	AIND	GM	4-May	Discussion of planning a Murabaha contract with the major shareholder
Arab Polvara Spinning & Weaving	APSW	AGM	4-May	Reviewing Agenda Items
Raya Contact Center	RACC	AGM	5-May	Reviewing Agenda Items
Orascom Investment Holding	OIH	AGM	5-May	Discussing Nile Sugar Acquisition
Raya Holding	RAYA	AGM	6-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
Egyptian Transport and Commercial	ETRS	Dividends	30-Jun	Distribution of cash dividends of EGP0.5/share
Ismailia Misr Poultry	ISMA	Dividends	8-Aug	Distribution of cash dividends of EGP0.10/share

Quiz Answer

3.5%.

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