

## Today's Story

## CICH Sees A New Milestone, Despite A Sequential Drop + Conference Call Highlights

■ Mohamed Saad | Equity Analyst | [mfattah@shuaasecurities.com](mailto:mfattah@shuaasecurities.com)

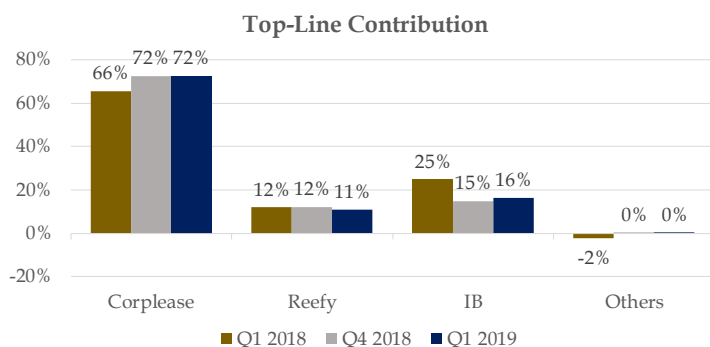
- **Results in brief:** Last Wednesday, **CI Capital Holding** (CICH) announced its Q1 2019 results, posting net earnings of EGP116mn (+41% y/y, -6% q/q) on the largest revenues ever recorded in a single quarter, hitting EGP729mn (+34% y/y, +9% q/q). Net operating margin improved moderately to 26.0% (+56bps y/y, +34bps q/q), as opex and employment costs retreated relative to the top line to 19.3% (-105bps y/y, -5bps q/q). Meanwhile, bottom-line figures were sequentially overshadowed by two items:

- 1) **Strong comparable gains of EGP38mn in Q4 2018**, stemming from FX differences during the year due to the early settlement of some USD-denominated contracts drawn up prior to the EGP flotation.
- 2) **Reversal of impairment of client accounts of EGP16.9mn in Q4 2018**, compared to impairments of EGP18.2mn in Q1 2019.

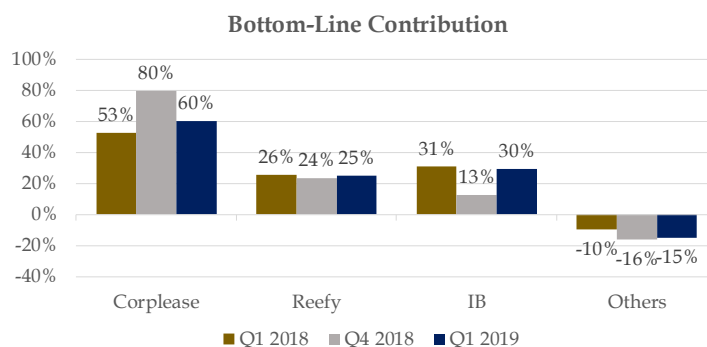
If normalized for FX gains during both quarters, earnings would have grown by 34% q/q. Management still sees 2019 bottom-line growth at 30% and targets an ROE in the low- to mid-20% range. CICH's current ROE stands at 20%, with TTM P/E of 10.7x and a P/B of 2.1x. Meanwhile, considering management guidance, CICH trades at a forward P/E of 8.8x.

- **Management remarks:** During the conference call following the earnings release, CICH's management responded to some loaded questions and made some remarks about Q1 2019 results. Here are the key highlights we noted:
  - **Re-regulation nips newcomers in the bud—in favor of NBFS' market share:** Management still believes that the new regulatory environment will create more barriers before small players, thwarting market shares from seeping over to newcomers.
  - **Taaleem, a move towards merchant banking:** As announced earlier, CICH should be part of a consortium that is in serious talks to acquire 60% of **Taaleem**, where CICH will act as a deal sponsor and expects to account for 15-20% of the deal. CICH has nothing but support for the current management team of **El-Nahda University**, a Taaleem unit, explaining that there is no intention to control the university through the deal. Although CICH's exposure to the deal is tiny (since Taaleem itself does not fully own the university), management thinks that the investment is an interesting growth story.
  - **Reefy's loan book recovers slightly:** Management had blamed the 1% retreat in Reefy's outstanding loan book back in Q4 2018 on system maintenance and testing across all branches. The same reason was cited by management to justify the weak recovery in lending activities through Q1 2019, explaining that Reefy's lending had not been active across all of its branches until mid-February 2019. Management shrugged off the idea of totally digitalizing its microfinance service, since a large chunk of its clients is located in rural areas.
  - **Eying securitization this year:** Like in Q4 2018, no securitization issuance took place in Q1 2019. Similar to Q4 2018, the buffer provided by **Corplease's** wider equity base was below the debt-to-equity ceiling, which explained why the securitization issuance was delayed in Q1 2019. Management stated that a securitization move is not targeted to lift profitability on its own, yet the procedure would be timed to coincide with balance sheet deleverage whenever needed to provide further room for growth. That said, CICH expects a securitization move this year at EGP1.2bn (i.e. c.15% of the company's total loan book). Furthermore, management is targeting new leasing booking of nearly EGP3.5bn through the year.

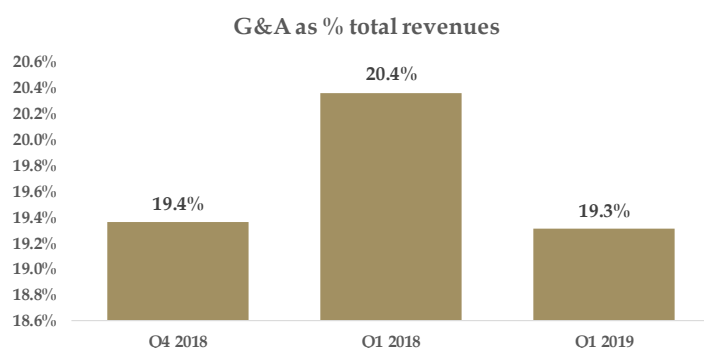
## Key Indicators (Q1 2019, y/y and q/q)



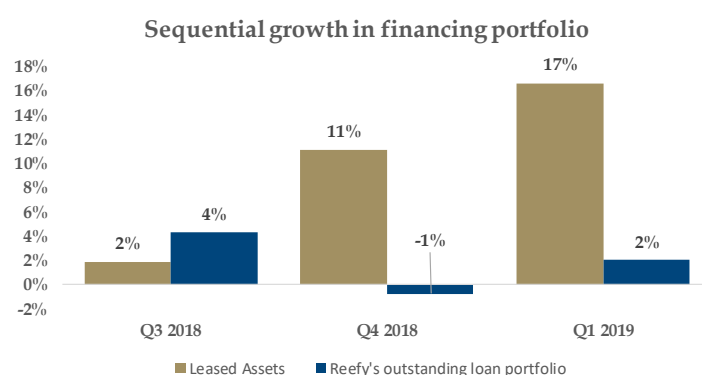
Source: Company data.



Source: Company data.



Source: Company data.



Source: Company data.

## Top Headlines

### Corporate

- **Telecom Egypt (ETEL)** signed a landing party agreement and a binding letter of intent (LoI) with **Pakistan & East Africa Connecting (PEACE) Cable International Network Co.** and **PCCW Global**. PEACE cable is a 12,000-km long cable system with landings in **Pakistan, Djibouti, Egypt, Kenya, and France** that provides open, flexible and carrier-neutral services for its customers. Also, ETEL signed with **Huawei** two MoUs as part of ETEL's continuous efforts to transform its fixed and mobile network with the newest technologies. (Company disclosure)
- **Cairo for Investment & Real Estate Development (CIRA)** is studying between several offers from local banks for financing worth of EGP300mn, which will be allocated for opening new faculties in **Badr University in Cairo (BUC)**. (Al-Mal)
- **Misr fertilizers Production Co.'s (MFPC)** AGM has agreed to distribute cash dividends of EGP2.25/share for 2018, implying a dividend yield of 3.1%. (Company disclosure)
- **Arab Co. for Asset Management & Development (ACAMD)** reported its preliminary key financial figures (since inception on 4 April 2018 until 31 March 2019), where earnings stood at EGP6.1mn, and revenues clocked in at EGP0.8mn. On a separate note, ACAMD's BoD approved the sale of 19,441 sqm **Minyet Samanoud** land plot for EGP2700/sqm, bringing in c. EGP52.5mn in cash proceeds for the company. (Company disclosure)
- **El-Shams Housing & Urbanization's (ELSH)** AGM approved an EGP0.5/share cash dividend and decided to increase issued capital by EGP60.5mn through a 50% stock dividend. (Company disclosure)
- **National Housing for Professional Syndicates' (NHPS)** EGM endorsed selling **Meridien Heliopolis Hotel** at no less than the value set by the independent financial advisors which include **National Bank of Egypt (NBE)**. (Company disclosure)

- **Egyptian International Pharmaceutical Industries Co. “EIPICO”** (PHAR) announced its preliminary figures for Q1 2019 showing sales in excess of EGP895mn (+22% y/y). Meanwhile, total production value hit more than EGP1bn in a quarter for the first time on the back of an increase in utilization rates. ([Company disclosure](#))
- **Arab Ceramic Co. “Ceramica Remas”** (CERA) BoD approved the establishment of a contracting company with a paid-in capital of EGP1mn and an authorized capital of EGP10mn. However, the exact contribution of CERA to the new company has not been set yet. ([Mubasher](#))
- **Mondi Industrial Bags’** claim of no obligation to submit a mandatory tender offer for **Suez Bags’** (SBAG) free-float shares has been accepted by the financial regulator on grounds of the company’s citation of Article No. 365 in the *Executive Regulations of the Capital Market Law*. ([EGX filling](#))

## Non-Corporate

- In its Regional Economic Outlook, the **IMF** expected **Egypt’s** current account deficit to retreat further to reach 2% of GDP in 2020. ([Al-Borsa](#))
- **Misr for Central Clearing, Depository and Registry (MCDR)** may be looking to list its subsidiary **El Makasa Sport** in EGX through capital increase. MCDR’s subsidiary has a paid capital of EGP42mn and owns a 30% stake at an artificial turf facility. ([Al Borsa](#))
- **CBE governor**, Tarek Amer, said that ongoing actions are in place for CBE to divest a stake in **The United Bank** to a **US** based fund. The sale is expected to be finalized in about three months, after end of due diligence procedures. Furthermore, CBE governor, Tarek Amer, said that floating a non-controlling stake through EGX isn’t off the table. ([Hapi](#), [Al Borsa](#))
- **Egypt** targets to collect proceeds of EGP100bn from the *Public Offerings Program (POP)*, **Assistant Minister of Finance for Capital Market Affairs** Khaled Abel-Rahman said. He added that the program is expected to raise market capitalization by EGP450bn and will be implemented within 23 months from January 2019. ([Arab Finance](#))
- Gold miner **Centamin Egypt** reported Q1 production that exceeded its forecast at 116,183 ounces of gold in Q1 2019 ended 31 March, above its forecast range of 105,000-115,000 ounces. The **Egyptian government** has received USD20.5mn as its share in profits. ([Al-Borsa](#), [Egypt Today](#))
- Eng. Mamdouh Raslan, **Chairman of the Holding Co. for Water & Waste Water**, announced that water desalination plants with a capacity of 671 cubic meters/day will be executed by 2022. Over the medium and long run, a capacity of 645 cubic meters/day is expected to be added between 2022-2027 to reach a targeted capacity of 2.7mn cubic meters/day by 2037. ([Arab Finance](#))
- The **General Authority of the Suez Canal Economic Zone** and the **Government of Tianjin** signed an MoU to develop the second phase of the *Tianjin Economic-Technological Development Area (TEDA)* industrial zone. According to the memorandum, an area of six square kilometers will be developed to establish advanced industrial sectors, aiming at attracting USD5bn investments in the fields of textile, petrochemicals, and plastic industries. ([Egypt Independent](#))
- **Average yields on 91-day and 273-day T-bills** were up in an auction held on 24 April 2019 as follows: ([CBE](#))
  - **91-days:** 17.375% (+14bps vs. 17.235%); **EGP8bn** required; **EGP8.7bn** submitted; **EGP8bn** accepted; bid-to-cover: 1.1.
  - **273-days:** 17.196% (+16.7bps vs. 17.029%); **EGP8bn** required; **EGP8.3bn** submitted; **EGP4.7bn** accepted; bid-to-cover: 1.0.

## Markets

↗	EGX 30	14,770.27	0.85%	↘	EGX 70	649.27	(0.04%)
↘	DFMGI	2,760.14	(0.56%)	↘	ADSMI	5,332.44	(0.90%)
↗	TASI	9,276.50	0.12%	↘	QE Index	10,359.74	(0.45%)
↗	S&P 500	2,943.03	0.11%	↗	MSCI EM	1,082.91	0.45%
↗	Gold	1,283.26	0.26%	↘	Brent Oil	71.85	(0.26%)

\*As of market close, except for commodities at spot price as of 8.14am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** closed Wednesday, the last session of last week, in the green territory, helped by **COMI**, **EKHO**, and **EAST**. Meanwhile, both of **UAE indices** closed Monday in red, with real estate and financial stocks pulling **DFMGI** down, whereas **ADSMI** was pressured by its banking and telecommunication sectors. Furthermore, **TASI** closed Monday lower, affected by losses over its materials and retailing related names.
- **Global Markets:** **US Equities** rose on Monday, as investors cheered a couple of positive earning reports, coupled with expectation of a dovish **Fed** later this week. **Asian equities** slipped in morning trading, affected by negative economic figures out of **China**. **Oil** prices' rally faced a stopper this morning on rising levels of output. Elsewhere, the **US dollar index** (DXY) was marginally down, whereas **gold** prices edged up, as **Fed** actions are in focus.

## Number of the Day

### USD450mn

The total cost of building the state-owned **Assiut Oil Refining Co.'s (ASORC)** facility for producing high-octane fuels.

## Today's Quiz

What was total net earnings of **CI Capital Holding (CICH)** in Q1 2019?

(Answer located at the end of this newsletter)

## Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Egypt Kuwait Holding	EKHO	Dividends	30-Apr	Payment date (USD0.05/share)
Paints & Chemical Industry	PACH	Dividends	30-Apr	Payment date (EGP1.50/share)
Minapharm Pharmaceuticals	MIPH	AGM	30-Apr	Reviewing Agenda Items
Egyptian Transport and Commercial	ETRS	Dividends	30-Apr	Payment date (EGP0.50/share)
Suez Bags	SBAG	AGM	30-Apr	Reviewing Agenda Items
Canal Shipping Agencies	CSAG	BoD	30-Apr	Discussing Q1 2019 results
Arab Dairy Products	ADPC	Capital Increase	30-Apr	End date of trading right issue Separately
United Arab Shipping	UASG	BoD	30-Apr	Discussing 9M FY2017/18 results
Global Telecom Holding	GTHE	BoD	1-May	Discussing Q1 2019 results
Heliopolis Housing & Development	HELI	Tender	2-May	Public Auction of Land in Sheraton
Global Telecom Holding	GTHE	Conference call	2-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
Heliopolis Housing & Development	HELI	Tender	4-May	Public Auction of Land in Sheraton
Acrow Misr	ACRO	AGM	4-May	Reviewing Agenda Items
Engineering Industries ICON	ENGC	EGM / AGM	4-May	Reviewing Agenda Items
Arabia Investments Holding	AINH	AGM	4-May	Discussion of planning a Murabaha contract with the major shareholder
Arab Polvara Spinning & Weaving	APSW	AGM	4-May	Reviewing Agenda Items
Egyptian International Tourism	EIIP	EGM / AGM	5-May	Reviewing Agenda Items
Remco for Touristic Villages	RTVC	AGM	5-May	Reviewing Agenda Items
Raya Contact Center	RACC	EGM / AGM	5-May	Reviewing Agenda Items
Orascom Investment Holding	OIH	AGM	5-May	Discussing Nile Sugar Acquisition
Egyptian International Pharmaceuticals (EIPICO)	PHAR	Dividends	6-May	Ex-date (EGP4/share); Last eligible date (5 May)
Six of October Development and Investment	OCDI	Dividends	6-May	Ex-date (EGP0.50/share); Last eligible date (5 May)
Raya Holding	RAYA	AGM	6-May	Reviewing Agenda Items
Nozha International Hospital	NINH	Dividends	7-May	Ex-date (EGP0.60/share); Last eligible date (6 May)
Suez Canal Bank	CANA	Lawsuit	7-May	To rule in a lawsuit that invalidated the Bank's AGM on April 4, 2018
El Ezz Aldekhela Steel Alexandria	IRAX	Dividends	7-May	Ex-date (EGP20/share); Last eligible date (6 May)
Egyptian International Pharmaceuticals (EIPICO)	PHAR	Dividends	8-May	Payment date (EGP4/share)
Six of October Development and Investment	OCDI	Dividends	8-May	Payment date (EGP0.50/share)
Elsewedy Electric	SWDY	Dividends	8-May	Payment date (EGP0.80/share)
Canal Shipping Agencies	CSAG	Dividends	8-May	Payment date (EGP0.58/share)
El Ezz Aldekhela Steel Alexandria	IRAX	Dividends	9-May	Payment date (EGP20/share)
Nozha International Hospital	NINH	Dividends	9-May	Payment date (EGP0.60/share)
Arab Cotton Ginning	ACGC	EGM	12-May	Reviewing Agenda Items
United Co for Housing & Developments	UNIT	EGM / AGM	12-May	Reviewing Agenda Items
TMG Holding	TMGH	Dividends	13-May	Ex-date (EGP0.176/share); Last eligible date (12 May)
Egyptian Resorts Co.	EGTS	EGM	13-May	Amending some of the company's articles of incorporation
Egyptian Resorts Co.	EGTS	AGM	13-May	Reviewing Agenda Items
Suez Bags	SBAG	BoD	15-May	Reviewing Agenda Items
Medinet Nasr for Housing & Development	MNHD	EGM	15-May	Amending some of the company's articles of incorporation
Medinet Nasr for Housing & Development	MNHD	AGM	15-May	Authorizing the BoD to enter into netting contracts
Global Telecom Holding	GTHE	EGM	15-May	Amending some of the company's articles of association
Amer Group Holding	AMER	Lawsuit	15-May	Legal disputes relevant to Porto Tartous project
TMG Holding	TMGH	Dividends	15-May	Payment date (EGP0.088/share)
General Silos & Storage	GSSC	AGM	20-May	Reviewing Agenda Items
Middle Egypt Flour Mills	CEFM	EGM / AGM	22-May	Reviewing Agenda Items
Porto Group Holding	PORT	Lawsuit	23-May	Legal disputes relevant to Porto Tartous project
South Cairo & Giza Mills	SCFM	EGM / AGM	26-May	Reviewing Agenda Items
Arabia Investments Holding	AINH	Lawsuit	9-Jun	Legal disputes against French Peugeot
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	23-Jun	Legal Disputes relevant to Porto Tartous project
Global Telecom Holding	GTHE	AGM	27-Jun	Discussing capital increase
Egyptian Transport and Commercial	ETRS	Dividends	30-Jun	Payment date (EGP0.50/share)
TMG Holding	TMGH	Dividends	15-Jul	Payment date (EGP0.088/share)
Ismailia Misr Poultry	ISMA	Dividends	8-Aug	Payment date (EGP0.10/share)

## Quiz Answer

EGP116mn.

## Contact Details

☎ +(202) 16331

📍 143, Bank Zone, 5th Settlement,  
New Cairo, First Abu Dhabi Bank Building (6<sup>th</sup> 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](http://www.shuaasecurities.com)