

Today's Story

No Matter the Comparison, Egypt Equities Are Attractive

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(in Arabic)

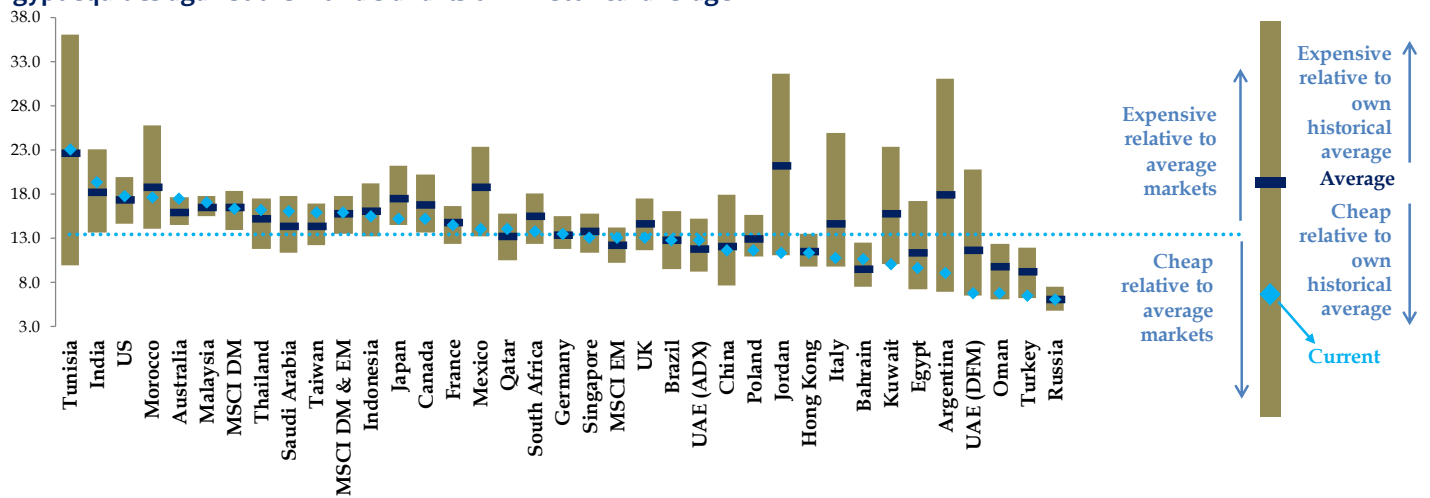
The Daily Cast
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In Today's Story, we look at Egypt equities through the benchmark EGX 30 index to explore how cheap they currently are relative to global and MENA markets and also to their own historical averages. We note that Egypt equities have recently been undermined by (1) a slower pace of further interest rate cuts by the CBE, (2) stronger EGP vis-à-vis USD, (3) money migration from existing emerging markets globally and locally to Saudi Arabia and Argentina which were recently upgraded to emerging markets status by global index provider MSCI and index compiler FTSE, and (4) a waves of margin calls. The heat on local equities, however, opens the door for global or regional investors who are looking to buy the dips.

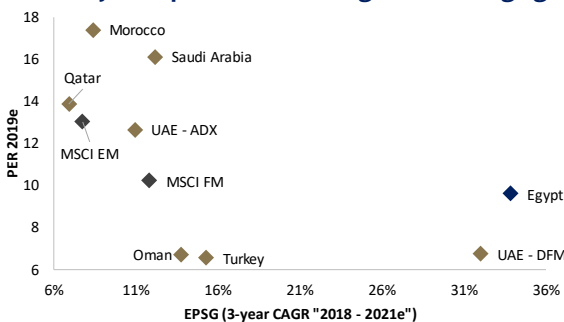
- **A cheap market:** Based on 2019 forward P/E, **Egypt** is the sixth cheapest among global markets under this study and the third in the Arab world behind **Oman** and **Dubai**. As depicted in the first chart below and based on current market prices and earnings estimates for 2019, EGX 30 is trading at a P/E of 9.6x, a 26% discount to **MSCI EM's** 13.0x, and is 15% below its 6-year historical average of 11.4x.
- **Highest earnings growth and ROE:** As illustrated in the bottom left chart, **Egypt** leads the MENA region in terms of earnings growth (a 3-year earnings CAGR of 34% for the 2018-2021 period) with a relatively lower P/E of 9.6x. Meanwhile, Egypt equities exhibit the highest return on equity (ROE) of 31% with a comparatively low P/BV of 1.8x, as shown in the ROE chart below to the right.

Egypt equities against the world's and its own historical average



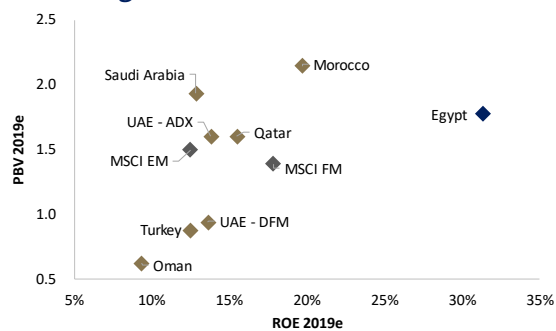
Note: The period under study is six years; current levels as of 25 June 2019. Source: Bloomberg.

Relatively cheap market with highest earnings growth ...



Source: Bloomberg.

... and highest ROE



Source: Bloomberg.

Top Headlines

Corporate

- **Prime Holding** (PRMH) is reportedly mulls acquiring 100% of **Pharos Securities Brokerage** and **Pharos Investment Banking** as well as their custody operations. ([Economy Plus](#))
- **Cleopatra Hospital Co.** (CLHO) has appointed Ahmed Badreldin, who is currently serving as **Vice Chairman**, to be **Non-Executive Chairman** of the board of directors, representing **Care Healthcare Ltd.** Effective 24 June 2019, Badreldin will succeed Tarek Zahed, who will remain on the board as **Vice Chairman** and continue to focus on governance, risk, and compliance. Badreldin has been leading CLHO's acquisitions since 2014. ([Company disclosure](#))
- **Cairo for Investment & Real Estate Development** (CIRA) is acquiring 60% of UAE-based **Starlight Education**, which indirectly owns **British Columbia Canadian International School (BCCIS)** located in **Al-Shorouk City**. No further details on the transaction were provided. ([Company disclosure](#))
- **Acrow Misr for Scaffolding & Formwork** (ACRO) reported a 2% y/y decrease in consolidated revenues to EGP333mn in Q1 2019 from EGP341mn in Q1 2018. Meanwhile, gross profit dropped by 19% y/y to EGP139mn, net of depreciation. Net profit after minority declined 22% y/y to EGP48mn from EGP62mn. ([Company disclosure](#))
- **Industrial Engineering Co. for Construction & Development** (ENGC) achieved consolidated revenues of EGP523mn in Q1 2019 vs. EGP223mn in Q1 2018 (+135% y/y). Meanwhile, net profit after minority jumped 29% y/y to EGP43mn in Q1 2019 vs. EGP33mn in Q1 2018. Separately, management will consider setting up a new firm to take over ENGC's unutilized real estate assets to maximize their potential, as per a board decision. ([EGX](#), [EGX](#))

Non-Corporate

- **Siemens** looks set to get work as the **Ministry of Transport** upgrades its railway signaling system, minister Kamel El-Wazir said. El-Wazir also encouraged the company to bid in future tenders for railway locomotives during the talks about future cooperation in the transport sector, renewable energy, vocational training and tech-driven manufacturing. ([Enterprise](#))

Markets

🔻	EGX 30	13,831.23	(0.26%)	🔻	EGX 70	598.14	(0.29%)
🔻	DFMGI	2,623.47	(0.62%)	🔻	ADSMI	4,989.41	(0.52%)
🔼	TASI	8,649.88	0.59%	🔻	QE Index	10,450.59	(0.52%)
🔻	S&P 500	2,917.38	(0.95%)	🔻	MSCI EM	1,045.30	(0.74%)
🔻	Gold	1,408.25	(1.07%)	🔼	Brent Oil	66.14	1.68%

*As of market close, except for commodities at spot price as of 8.32am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** slipped on Tuesday over weaker **CCAP**, **TMGH**, and **EAST**. UAE's **DFMGI** was down, pressured by its **real-estate** and **banking** sectors, and **ADSMI** took a dive, weighed by **banking** and **telecommunication** stocks. Meanwhile, **Saudi Arabia's TASI** rose as its **banking**, and **real-estate** sectors strengthened.
- **Global Markets:** **US equities** slipped as the **Fed** skipped "aggressive" easing probability, with strength seen on the greenback. **Oil prices** rose on lower-than-expected US inventories. **Gold prices** fell moderately in early Wednesday trading on a stronger **US dollar**.

Number of the Day

EGP1.72bn

Madinet Nasr Housing & Development's (MNHD) pre-sales for Q1 2019.

Today's Quiz

How much is El-Wadi Co. Touristic Investment's (ELWA) stake in *Horizon Pyramids Hotel*?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Ezz Steel	ESRS	AGM	26-Jun	Reviewing Agenda Items
Canal Shipping Agencies	CSAG	EGM	27-Jun	Reviewing Agenda Items
United Arab Shipping	UASG	EGM	27-Jun	Reviewing Agenda Items
Alexandria Containers Handling	ALCN	EGM	27-Jun	Reviewing Agenda Items
Misr Cement (Qena)	MCQE	Dividends	27-Jun	Payment date (EGP0.25/share)
Egyptian Transport and Commercial	ETRS	Dividends	27-Jun	Payment date (EGP0.50/share)
South Valley Cement	SVCE	Results	30-Jun	1Q 2019 results
Amer Group Holding	AMER	Lawsuit	4-Jul	Legal Disputes Relevant to the Company
Porto Group Holding	PORT	Lawsuit	4-Jul	Legal Disputes Relevant to the Company
Egyptian Resorts Co.	EGTS	Lawsuit	4-Jul	Appeal against TDA regarding Sahl Hasheesh
Export Development Bank	EXPA	AGM	10-Jul	Adopting the planning budget for FY 2019/2020
Egyptian Resorts Co.	EGTS	EGM	10-Jul	Amending some of the company's articles of incorporation
TMG Holding	TMGH	Dividends	15-Jul	Payment date (EGP0.088/share)
Orascom Construction	ORAS	Dividends	21-Jul	Ex-date (USD0.30/share); Last eligible date (20Jule)
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	21-Jul	Legal Disputes relevant to <i>Porto Tartous</i> project
Orascom Construction	ORAS	Dividends	25-Jul	Payment date (USD0.30/share)
Qalaa Holdings	CCAP	AGM	27-Jul	Reviewing Agenda Items
Orascom Construction	ORAS	Results	8-Aug	1H 2019 results
Ismailia Misr Poultry	ISMA	Dividends	8-Aug	Payment date (EGP0.10/share)
Sidi Kerir Petrochemicals	SKPC	Dividends	22-Aug	Payment date (EGP0.50/share)
Global Telecom Holding	GTHE	AGM	27-Aug	Discussing capital increase
Sidi Kerir Petrochemicals	SKPC	Dividends	16-Oct	Payment date (EGP0.25/share)
Misr Cement (Qena)	MCQE	Dividends	31-Oct	Payment date (EGP0.25/share)

Quiz Answer

33%.

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