

Today's Story

AMOC's Pain Could Be CCAP's Gain

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(in Arabic)



The Daily Cast
البث اليومي

- Earlier today, we reinstated our rating for **Alexandria Mineral Oils Co.** (AMOC) which is currently witnessing a significant business risk. IMO regulations will dent demand for fuel oil blended, AMOC's main product, representing c.56% of its sales volumes in FY2018/19. Consequently, product prices will be pushed significantly lower in FY2019/20, dragging down AMOC's profitability. Also, prices of the lube complex products declined y/y and continue to trade at such low levels during FY2019/20, especially lubricant oils which are facing strong competition. Although we expect AMOC's results in Q1 FY2019/20 to be better than in Q4 FY2018/19, we remain negative on AMOC, given a stronger EGP and an expected pressure on profitability in the remainder of FY2019/20. We believe the only way to overcome weak performance in the future is by implementing the new VR project. Until then, **we reinstate our rating as Underweight/ High Risk given a 12M PT of EGP3.78/share (-7%).**

For the full report and valuation, please read our valuation update [Price Decoupling to Hit Valuation](#).

- We also note that **Qalaa Holdings'** (CCAP) subsidiary **Egyptian Refining Co. (ERC)** should benefit off the expected changes in fuel oil prices which will enhance its operating margins and hence performance. That said, our main concerns on CCAP are (1) further EGP appreciation and (2) any dilution of its ownership in ERC in the future.

Top Headlines

Corporate

- Juhayna Food Industries'** (JUFO) consolidated net profit for 9M 2019 declined 18.6% y/y to EGP291mn, despite a 7% y/y increase in revenue to EGP5.79bn. Gross profit margin slightly expanded by 120bps to 30.5% in 9M 2019, while EBITDA margin shrank 160bps to 15.1%. For Q3 2019, revenues increased 6% y/y to EGP2.04bn, while earnings dropped 8% y/y to EGP111mn. JUFO's earnings in 9M 2019 were pressured by (1) 19% higher SG&A of EGP1.07bn y/y and (2) greater taxes due to the end of the tax exemption period for some of its subsidiaries, as well as imposing new healthcare insurance fees, which together slashed EGP93mn from net profit. Dairy (49%), yogurt (22%), and juices (23%) remained the strongest contributors to revenues in Q3 2019. ([Company disclosure](#))
- Alexandria Spinning & Weaving Co. "Spinalex"** (SPIN) announced its unaudited results for Q1 FY2019/20, posting a wider net loss of EGP6.48mn compared to EGP4.23mn a year ago. ([Company disclosure](#))
- Arab Polvara Spinning & Weaving Co.** (APSW) logged a narrower net loss of EGP5.735mn as per its unaudited financials for 9M 2019, compared to EGP7.711mn in the same period a year earlier. ([Company disclosure](#))
- Nile Pharmaceuticals & Chemical Industries** (NIPH) released its preliminary figures for Q1 FY2019/20, where net profit hit EGP15.5mn versus net losses of EGP9.5mn in the same period last year. Revenues increased 54% y/y to EGP213.3mn, while gross profit margin widened to 28.4% in Q1 FY2019/20 from 14.6% in Q1 FY2018/19. ([Company disclosure](#))
- Extracted Oils'** (ZEOT) AGM decided to distribute a cash dividend of EGP0.05/share, implying a 3.9% yield. ([Company disclosure](#))
- Wadi Investments** increased its share in **Electro Cable Egypt** (ELEC) from 15.41% to 18.93% by buying 25mn shares for EGP37.5mn. In addition, **Al-Hesn Consulting** increased its stake in ELEC from 16.25% to 19.7% by buying 24.6mn shares for EGP36.9mn. In the same vein, **Nemow Investments** reduced its stake in ELEC to 10% from 15.29% by selling 37.6mn shares for EGP56.4mn. All deals were executed at EGP1.5/share. ([EGX](#), [EGX](#), [EGX](#)) According to our calculation, this raises PIOH's and its related parties' combined ownership in ELEC to 68.14%.
- Lecico Egypt** (LCSW) aims at reducing its debt by half to EGP600mn, down from EGP1.2bn over the next three years, according to Taher Gargour, LCSW's **Managing Director**. He added that the recent government decision of reducing natural gas prices for ceramic producers among others will reduce LCSW's cost of production by 5%, implying a limited positive impact on the overall company's results. (Al-Borsa)

- **Pioneers Holding** (PIOH) is looking to establish **Al-Nour Pharma**, an 60%-owned subsidiary of PIOH, specializing in the manufacturing and distribution of pharmaceutical products. The new subsidiary's initial paid-in capital is set to be EGP1mn. ([Company disclosure](#))
- **Acrow Misr for Scaffolding and Formwork** (ACRO) BoD approved a cash dividend of EGP1.75/share, implying a 12.7% yield. ([EGX](#))

Non-Corporate

- **Sharm El-Sheikh Airport** will begin receiving flights from **London** for the first time in four years in December after the **UK** last week [lifted its flight ban](#). One weekly chartered flight carrying 168 passengers will then continue until March 2020. ([Enterprise](#))
- The **Egyptian government** is in “serious talks” with **Djibouti** to set up an Egyptian logistics zone in the country, head of the **Egyptian Commercial Services Authority** Ahmed Antar said. ([Al-Borsa](#))
- **Nestlé** will invest EGP600mn in three years to set up a new bottled water factory and spend EUR30mn next year to add two production lines to its existing facility near **Banha**, the company’s **Business Executive Officer** Rasem Dabbas said, with no further details about the plan’s timeline. ([Enterprise](#))
- The **Ministry of Finance** has approved the disbursement of EGP300mn to the **Ministry of Social Solidarity** for its employment program. The fund is disbursed from the **World Bank**’s USD500mn loan aiming at supporting social schemes. ([Al-Borsa](#))
- **Egypt** is to start exporting electricity to **Sudan** in Q1 2020 with a capacity 300MW. The two parties agreed early on that Sudan will repay Egypt in the form of goods. ([Al-Borsa](#))
- The **Ministry of Communication** is planning to inaugurate in three months **Egypt**’s first artificial intelligence (AI) research center in **Smart Village**. The center will be operational in Q1 2020 and will relocate to a new R&D center in the **New Administrative Capital** at some point in the future. ([Enterprise](#))
- **Average yields** were marginally down in an auction held on **27 October 2019**, as follows: ([CBE](#))

Maturity	Yield	Was	Required	Submitted	Accepted	Bid-to-cover ratio
91 days	15.905%	15.944%	EGP9.25bn	EGP15.1bn	EGP9.25bn	1.6
273 days	15.759%	15.792%	EGP9.5bn	EGP22.6bn	EGP13.4bn	2.4

Markets

↗ EGX 30	14,237.39	0.22%	↘ EGX 30 TR	5,264.44	(0.29%)
↘ EGX 70	530.69	(0.04%)	↗ EGX 100	1,407.41	0.06%
↗ DFMGI	2,787.64	0.13%	↘ ADSMI	5,148.55	(0.28%)
↘ TASI	7,891.73	(0.27%)	↘ QE Index	10,301.17	(0.74%)
↗ S&P 500	3,022.55	0.41%	↘ MSCI EM	1,035.84	(0.15%)
↗ Gold	1,505.53	0.06%	↘ Brent Oil	61.88	(0.23%)

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

- **MENA Markets:** **Egypt**’s benchmark **EGX 30** ended higher on Sunday, helped by gains in **HRHO**, **EAST**, and **PHDC**. In the **UAE**, **DFMGI** closed in green area supported by **real estate** stocks, but **ADSMI** headed south. **Saudi Arabia**’s **TASI** dipped on pressure from its **banks** sector.
- **Global Markets:** **Asian stocks** edged up on Monday as **Chinese stocks** reversed early losses, supported by hopes for progress in resolving the **US-China** trade war. **Oil** and **gold** were almost flat.

Number of the Day

200mn

The number of **Extracted Oils Co.**'s (ZEOT) shares.

Today's Quiz

What is the cash balance of General Co. for Silos & Storage (GSSC) as of 30 June 2019?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Heliopolis Housing & Development	HELI	Tender	29-Oct	Public Auction of residential and commercial land plots in New Heliopolis City
Cairo Pharmaceuticals	CPCI	Dividends	30-Oct	Ex-date (EGP2.50/share); Last eligible date (29 October)
Egyptian Resorts Co.	EGTS	AGM	31-Oct	Reviewing Agenda Items
Misr Cement (Qena)	MCQE	Dividends	31-Oct	Payment date (EGP0.25/share)
Fawry for Banking Technology and Electronic Payn	FWRY	EGM	6-Nov	Reviewing Agenda Items
Union National Bank Egypt	UNBE	EGM	6-Nov	Reviewing Agenda Items
Kafr El-Zayat Pesticides & Chemicals	KZPC	EGM	9-Nov	Reviewing Agenda Items
Amer Group Holding & Porto Group Holding	AMER/PORT	Lawsuit	10-Nov	Legal disputes relevant to Porto Tartous project
Arab Co for Asset Management & Development	ACAMD	AGM	10-Nov	Reviewing Agenda Items
Alexandria Containers Handling	ALCN	EGM / AGM	11-Nov	Reviewing Agenda Items
Egyptian Iron & Steel	IRON	EGM / AGM	11-Nov	Reviewing Agenda Items
Alexandria Flour Mills	AFMC	Dividends	13-Nov	Ex-date (EGP0.30/share); Last eligible date (12 November)
Eastern Company	EAST	Dividends	14-Nov	Payment date (EGP0.60/share)
East Delta Flour Mills	EDFM	AGM	16-Nov	Reviewing Agenda Items
Amer Group Holding	AMER	Lawsuit	21-Nov	Legal disputes relevant to the company
Porto Group Holding	PORT	Lawsuit	21-Nov	Legal disputes relevant to the company
Egyptian Resorts Co.	EGTS	AGM	24-Nov	Reviewing Agenda Items
Arabia Investments Holding	AIH	Lawsuit	24-Nov	Legal dispute regarding against France's
Abou Kir Fertilizers & Chemicals	ABUK	Dividends	31-Dec	Payment date (EGP1.00/share)
Eastern Company	EAST	Dividends	16-Jan	Pament date (EGP0.40/share)
Alexandria Mineral Oils	AMOC	Dividends	27-Feb	Payment date (EGP0.10/share)

Quiz Answer

EGP411mn.

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