

## Today's Story

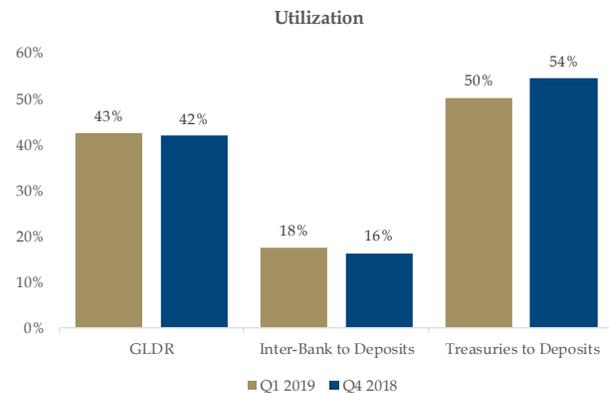
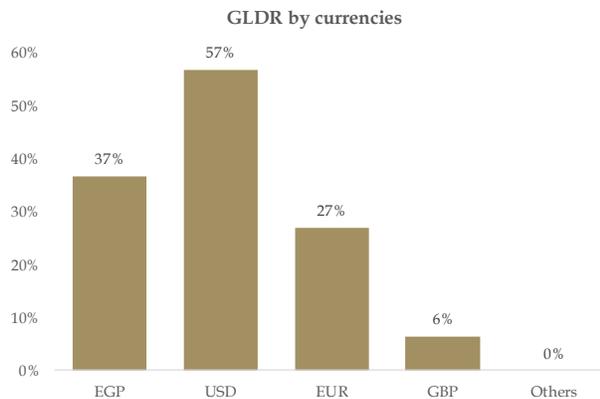
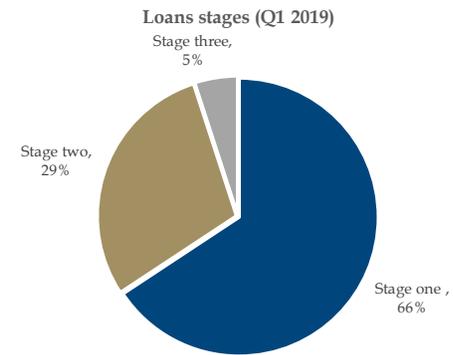
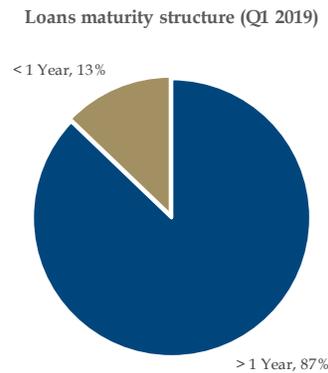
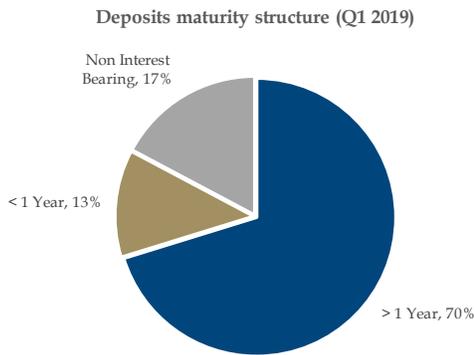
### COMI's Q1 2019 Conference Call Highlights

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Commercial International Bank - Egypt (COMI) followed up its financial results released of Monday with a conference call yesterday, elaborating on its performance in Q1 2019. Generally, management sees that gradual improvement in the macroeconomic environment as catalyst to the bank's stable performance through the quarter. This rosier macroeconomic picture has been partly painted by slightly tame inflation, a USD comeback to the banking system earlier in the quarter, a strengthening local currency, as well as a 100bps interest rate cut. Here are our key takeaways from the conference call.

- **Lending growth yet to be triggered:** Although the bank has already achieved 4% growth in loan book in the quarter, management thinks that the real breakout for the loan market has not yet taken place. While a 100bps rate cut is in hand this year, capex lending still requires further stimulus, with working capital finance—mostly in local currency—still a principal contributor to the loan growth achieved ytd. Explaining the increase in government loans, management clarified that it is only sequential to its policy, sent out to corporate clients, whereby any loan granted to a 50% state-owned company is classified as government loan. Commenting on its year's target for loan growth, management thinks it will vary according to the extent and timing of the coming rate cut. Assuming that the coming rate cut will be delayed up to late Q3 2019, growth set for loan book should be around 15% for the entire year.
- **Measures to mitigate the effect of the new taxation:** The non-retroactive application of the new amendment will buy banks time to capitalize on their outstanding longer-dated Treasury investments. Thus, the effect in 2019 will not be as profound as maybe perceived. Also, management thinks that the impact will depend on how much of the income stream is structured to trickle through lending. It added that with the right conditions, it is thought that the effective tax rate will surpass the 28-29% range.
- **NIM's resilience will hinge on careful funding decisions:** Management foresees net interest margin (NIM) to remain supported, in the wait for meaningful rate cut decisions. The key factor here will be for the bank to take a more selective approach regarding deposits growth. Controlling funding costs, through targeting higher levels of CASA, will be of a high priority. In anticipation of a rate cut, the bank continued to tune the deposits maturity mix towards the short term. The bank's management sees the fellow heavyweight banks remaining mostly the only source of serious competition. Meanwhile, management believes that the opportunity in the large, undiscovered informal sector offers the industry a heady target.
- **Opex escalation, a product of accruals:** COMI's cost-to-income ratio during the quarter rose slightly to 24.2%, management said, owing to accruing some of the bank's G&A—a move that has been adopted early, rather than later in Q3 or Q4 2019.  
**Eroded net income from fees and commissions:** The bank's non-interest income retreated in Q1 2019, suppressed by less net income from fees and commissions, more specifically that credit-related. That skid is pinned on weaker provision of the services of letters of credit (LCs) versus documentary letter of credit (DLC), with the latter being rendered cheaper. The return of momentum in the direction of income from fees and commissions will be closely tied to strong recovery in capex lending and long-term finance.

*Below are some financial KPIs from the bank's balance sheet.*



Source: Bank financials.

## Top Headlines

### Corporate

- **Eastern Company (EAST)** launched a new unflavored muassel product, expecting the segment's sales to increase by 50%. ([Company disclosure](#))
- **Dice Sport & Casual Wear (DSCW)** plans to add 50 new retail branches in 2019, attracting new clients and brands, increasing exports, and finalizing the acquisition of **Cairo Cotton Center's** assets during May, according to the company's **CFO Victor Fakhry**. This comes as a part of DSCW's strategy to increase its profitability in 2019. (Al-Mal)
- **Egyptian Satellite Co. "Nilesat" (EGSA)** reported a y/y 13% drop in earnings for Q1 2019 to USD11mn from USD13mn in Q1 2018, as per its preliminary key financial figures. A 10% decrease in top line to USD33mn during the quarter was the company's explanation for weaker earnings. ([Company disclosure](#))

### Non-Corporate

- **Egypt's** budget deficit dipped to 5.4% of GDP in 9M FY2018/19 ending 31 March 2019 (equivalent to EGP281.3bn), the **Ministry of Finance** said, compared to 6.2% in the same period a year prior (equivalent to EGP276.3bn). ([Arab Finance](#)) The minister said that the primary surplus has grown 5x to EGP35.6bn or 0.7% of GDP versus a primary surplus of EGP7bn or 0.2% of GDP in the year-ago period. (Al-Mal) The minister also added that the government targets a single-digit inflation rate in FY2019/20. ([Al-Borsa](#))
- **Egypt** expects, in principle, to receive the final tranche of about USD2bn of its IMF loan in July, **Deputy Finance Minister Ahmed Kouchouk** said. ([Arab Finance](#)) The IMF mission is currently visiting Egypt for the final review as part of the IMF's USD12bn loan agreement. Meanwhile, foreign holdings of government debt amounted to USD16.8bn by the third week of April 2019. He also said that the government has been generating a primary surplus on a monthly basis since August 2018. (Al-Mal)
- The **Ministry of Finance** will put forward a law draft to freeze the current taxes on stock exchange orders to the **Cabinet** in its meeting today. Endorsing this move will guard investors against a third wave of increases, scrapping an original plan where taxes would have risen to 0.175% from 0.15% per order on 1 June 2019. ([Ministry of Finance](#))

- The **Egyptian Cabinet** approved the establishment of a solar power plant with a capacity of 200MW by **Eni**. The **Egyptian government** is to buy the generated electricity at USD0.027 per Kwh (the same as the price for the **Egyptian Electricity Transmission Co. (EETC)** in **Kom Ombo's** tender), according to sources in EETC. The sources added that the Egyptian government has set a maximum price of USD0.027 per Kwh for the electricity generated from solar energy by the private sector. (Al-Borsa)

## Markets

↗	EGX 30	14,389.91	1.30%	↘	EGX 70	633.23	(1.20%)
↘	DFMGI	2,725.87	(0.28%)	↘	ADSMI	5,124.48	(0.42%)
↘	TASI	8,968.86	(0.82%)	↘	QE Index	10,251.08	(0.44%)
↘	S&P 500	2,884.05	(1.65%)	↘	MSCI EM	1,057.05	(0.53%)
↗	Gold	1,287.38	0.23%	↗	Brent Oil	70.21	0.47%

\*As of market close, except for commodities at spot price as of 8.49am CLT.

- MENA Markets:** Egypt's benchmark **EGX 30** turned to the green area after three bloody sessions, boosted by gains in **COMI**, **ORHD**, and **ORWE**. In the **UAE**, **consumer** and **banks** stocks nudged **ADSMI** lower. Also, **DFMGI** shed losses, hurt by **insurance** and **services** stocks. **Saudi Arabia's TASI** closed weaker as its **media** and **food & beverage** sectors sagged.
- Global Markets:** **Asian equities** tracked Wall Street's slide on Wednesday, while investors switched to safe haven government bonds and **gold**, driven by fears that global growth will suffer as a potential trade deal between the **United States** and **China** appeared to be unraveling. **Oil** prices rebounded in **Asia** as traders weighed US sanctions against **Iran**.

## Number of the Day

14

The number of constituents in **MSCI Egypt's small cap index**.

## Today's Quiz

How much did Egyptian investors contribute in April 2019 to total turnover?

(Answer located at the end of this newsletter)

## Corporate Events

Company	Ticker	Event Type	Event Date	Reason
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)
Ibsina Pharma	ISPH	BoD	11-May	Discussing Q1 2019 results
Orascom Development Egypt	ORHD	Results	12-May	Q1 2019 results
Arab Cotton Ginning	ACGC	EGM	12-May	Reviewing Agenda Items
United Co for Housing & Developments	UNIT	EGM / AGM	12-May	Reviewing Agenda Items
Ibsina Pharma	ISPH	Conference Call	13-May	Discussing Q1 2019 results
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
Orascom Development Egypt	ORHD	Conference Call	13-May	Discussing Q1 2019 results
Telecom Egypt	ETEL	Results	14-May	Q1 2019 results
Telecom Egypt	ETEL	Conference Call	14-May	Discussing Q1 2019 results
GB Auto	AUTO	Conference Call	15-May	Discussing Q1 2019 results
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)
Ibsina Pharma	ISPH	Dividends	15-May	Ex-date (EGP0.07/share); Last eligible date (14 May)
Ibsina Pharma	ISPH	Dividends	19-May	Payment date (EGP0.07/share)
Misr Fertilizers Production Co.	MFPC	Dividends	20-May	Ex-date (EGP2.25/share); Last eligible date (19 May)
General Silos & Storage	GSSC	AGM	20-May	Reviewing Agenda Items
Orascom Construction	ORAS	AGM	21-May	Discuss dividends of USD0.30/share
Misr Fertilizers Production Co.	MFPC	Dividends	22-May	Payment date (EGP2.25/share)
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	AIH	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	26-Jun	Discussing capital increase
Egyptian Transport and Commercial	ETRS	Dividends	27-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

65%.

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