

Today's Story

MSCI SAIR – We Expect No Changes in Standard Index; SC Index to Witness Changes

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Global index provider MSCI is expected to announce the results of its *Semi-Annual Indices Review (SAIR)* on Monday, 13 May 2019. The changes in market structures, resulting from this review, will be reflected on the indices on 29 May 2019. In its SAIRs, MSCI usually updates the *Market Investable Equity Universe* for its tracked markets around the world. We note that this SAIR will show the inclusion of Saudi Arabia and Argentina equities phase one in MSCI EM index (phase two will be in August 2019), in addition to phase one of increasing China A shares weight in the index (phase two and three will end in November 2019). For *Today's Story*, we ran an exercise using MSCI's screening criteria to assess the changes that can affect MSCI Egypt's large- and mid-cap index (standard Index) and small-cap index (SC Index).

- Continuity rules save Egypt again:** In our *The Daily Beam* story dated 11 February 2019, we mentioned that Egypt's emerging market (EM) classification is maintained due to the continuity rules (which aim to stabilize the indices); as **Egypt's standard index** encompassed three stocks: **COMI**, **EAST**, and **SWDY**, the minimum number required. We had thought the last two of these three stocks failed to meet the float-adjusted market capitalization threshold in our previous screening. But, in today's screening we found that SWDY is the only stock that would fail to cross the float-adjusted market capitalization threshold based on its price level recorded on 30 April 2019. (Note: MSCI's cut-off date for the May SAIR will fall on any of the last ten business days of April.) Meanwhile, EAST's free float has increased after selling 4.5% of its stake under the Egyptian government's *Public Offerings Program (POP)*. However, for a market to maintain its EM classification, MSCI requires the membership of at least three stocks in the standard index of the subject country. Here, continuity rules, once again, should save Egypt's EM classification. That is, according to the rules, if any of the standard indices constituents fails to meet the size requirement before the index review's cut-off date, the float-adjusted market capitalization would be multiplied by a factor of 1.5x to avoid temporary inclusions or exclusions of market indices in the composite index at different times. In support of our updated screening results (shown in the below table) and the continuity rules, **we expect no changes in the coming SAIR for Egypt's standard index**. We drew this conclusion relying on SWDY's float-adjusted market capitalization after the 1.5x factor adjustment, leaving it at USD1.02bn. This makes the stock compliant with MSCI's minimum-size requirements and sequentially keeps Egypt's classification as an emerging market unchanged.

Ticker	Name	MktCap (USDmn)	Float-Adj. MktCap (USDmn)	ATVR*		Frequency of Trading**				FIF	Eligible?	Member?
				12M	3M	Q1	Q2	Q3	Q4			
Threshold				15%	15%	80%	80%	80%	80%	0.15		
COMI	Commercial International Bank (CIB)	6,478	4,351	23.2%	30.0%	100%	100%	100%	100%	0.65	Yes	Yes
EAST	Eastern Company	2,378	1,033	20.9%	30.3%	100%	100%	100%	100%	0.45	Yes	Yes
SWDY	Elsewedy Electric	1,984	679	61.9%	53.7%	100%	100%	100%	100%	0.35	No	Yes

Note: Red highlights refer to failure to meet MSCI's criteria.

* Annual Traded Value Ratio (annualized monthly traded value as a percentage of free-floated market capitalization).

** Number of trading days of the stock as a percentage of the total trading days of the market.

Source: Bloomberg, SHUAA Securities Egypt Research calculations.

- What we expect for Egypt's SC Index:** Egypt's SC Index is currently comprised of 14 members listed in the below table (as checked in the members column). **We see a high probability that ORWE could fail to fulfill the requirements** of market capitalization and float-adjusted market capitalization. In the SC Index case, we note that MSCI's continuity rules will not apply; they only do with standard indices. On the other hand, **we see a high probability that EKHO, ISPH, CLHO, and CCAP could meet MSCI's investability screening rules in this SAIR**.

We note that we are not subscribed to MSCI, so there can be some variance between our estimates and the actual rebalance results.

Ticker	Name	MktCap (USDmn)	Float-Adj. MktCap (USDmn)	ATVR*		Frequency of Trading **				FIF	Eligible?	Member?
				12M	3M	Q1	Q2	Q3	Q4			
Threshold				15%	15%	80%	80%	80%	80%	0.15		
EKHO	Egypt Kuwait Holding	1,493	756	48.6%	68.6%	100%	100%	100%	100%	0.50	Yes	
TMGH	TMG Holding	1,362	704	43.6%	35.2%	100%	100%	100%	100%	0.50	Yes	Yes
GTHE	Global Telecom Holding	1,230	529	155.2%	129.4%	100%	95%	98%	95%	0.45	Yes	Yes
HRHO	EFG Hermes	711	459	51.1%	44.1%	100%	100%	100%	100%	0.65	Yes	Yes
JUFO	Juhayna Food Industries	707	346	28.2%	33.2%	100%	95%	94%	90%	0.50	Yes	Yes
MNHD	Medinet Nasr for Housing & Development	442	286	54.9%	74.3%	100%	100%	100%	100%	0.65	Yes	Yes
ETEL	Telecom Egypt	1,402	278	95.2%	83.4%	100%	100%	100%	100%	0.20	Yes	Yes
OCDI	Six of October Development and Investment	346	261	55.9%	58.6%	100%	100%	100%	98%	0.75	Yes	Yes
SKPC	Sidi Kerir Petrochemicals	534	259	36.2%	50.6%	100%	100%	100%	100%	0.50	Yes	Yes
PHDC	Palm Hills Developments	435	199	142.2%	162.7%	100%	100%	100%	100%	0.45	Yes	Yes
ISPH	Ibsina Pharma	533	199	16.5%	17.6%	100%	100%	100%	100%	0.35	Yes	
AMOC	Alexandria Mineral Oils	418	198	53.6%	67.5%	100%	100%	100%	100%	0.45	Yes	Yes
CLHO	Cleopatra Hospital	637	195	29.3%	40.6%	100%	100%	100%	100%	0.30	Yes	
HELI	Heliopolis Housing & Development	667	183	128.9%	114.9%	100%	100%	100%	98%	0.25	Yes	Yes
CCAP	Qalaa Holdings	297	181	467.6%	316.9%	100%	88%	100%	100%	0.60	Yes	
ESRS	Ezz Steel	494	161	52.1%	88.9%	100%	100%	100%	100%	0.30	Yes	Yes
PIOH	Pioneers Holding	402	148	145.3%	92.1%	100%	100%	100%	100%	0.35	Yes	Yes
ORWE	Oriental Weavers Carpet	243	138	46.3%	47.1%	100%	100%	100%	100%	0.55	No	Yes

Note: Stocks in bold and shaded are those with high conviction to be included in MSCI Egypt SC Index.

Source: Bloomberg, SHUAA Securities Egypt Research calculations.

Top Headlines

Corporate

- Madinet Nasr Housing & Development (MNHD)** released its preliminary consolidated results for Q1 2019, where revenues grew 3.8% y/y but declined 12.2% q/q to EGP634mn. Net profit hit EGP329mn (+5% y/y, +36% q/q), resulting in a sequential net margin improvement to 52% versus 33% in Q4 2018 but remained relatively flat compared to Q1 2018. ([Company disclosure](#)) The company's BoD authorized the managing director to sign with a mortgage finance company a protocol to finance units in *Hadayek El-Nasr* in the **Sixth of October City**. ([Al-Alam Al-Youm](#))
- Maridive & Oil Services (MOIL)** announced that shareholder **Najjad Zeenni** expressed his interest to fully subscribe to a USD37mn capital increase, where 60.655mn shares will be issued at a price of USD0.61 each, and his share will rise to c.12.90%. This capital increase should be used to fund MOIL's full acquisition of **Valentine Maritime**. MOIL already owns 75% of Valentine Maritime, hence targeting the remaining 25% that will be sold by **Kinga Industries** (owned by Mr. Zeenni) at USD1/share. This proposal is to be discussed by MOIL's BoD, and—if approved—an IFA will be appointed to assess the fair value of the stock. ([Company disclosure](#))
- Edita Food Industries (EFID)** posted Q1 2019 results, which showed bottom-line of EGP114mn (+88% y/y, -11% q/q). Annual earnings growth came in view of a considerable margin expansion, as GPM registered 35.4% vs. 31.6% a year earlier. Revenues grew 11% y/y to EGP982mn on (1) an enhanced product mix, (2) a rising sales volume, and (3) an increase in average price per pack sold. On the other hand, the sequential drop in earnings took place on a weaker top line (-9% q/q), driven by an 8% drop in volume packs and a nearly flattish average price per pack (-1.4% q/q). GPM was pressured q/q by nearly 45bps, while EBITDA margin came at c.20% (+375bps y/y, -58bps q/q). EFID managed to de-leverage its balance sheet, through debt reduction despite capex outlays during the quarter of EGP65.8mn related to the addition of new production lines at E08 and E15 factories. Net debt-to-EBITDA came in at 1.23x in Q1 2019 vs. 1.67x in Q4 2018. EFID is currently trading at TTM P/E of 40.6x and TTM EV/EBITDA of 21.2x. ([Company disclosure](#))
- Orascom Construction (ORAS)** has been pre-qualified to bid for the construction of an independent sewage treatment plant in **Saudi Arabia**. The plant, close to **Taif** in **Mecca**, will boast a total treatment capacity of up to 270,000 m³ per day once completed, officials from Saudi Arabia's **Water & Electricity Company (WEC)** said. Nine other global industry heavyweights, including **France's Suez** and **South Korea's Samsung Engineering**, have also been prequalified for the project. ([Enterprise](#))
- Egyptian Media Production City's (MPRC)** earnings grew 17% y/y to EGP27mn in Q1 2019, supported by a 7% rise in revenues to EGP103mn and higher interest income of 69% y/y to EGP7mn compared to EGP4mn in Q1 2018. ([Company Disclosure](#))

Non-Corporate

- **Egypt's** urban y/y inflation recorded 13.0% in April 2019 (was 14.2% in March 2019), while m/m recorded 0.5% (was 0.8% in March 2019). ([CAPMAS](#))
- **Egypt's** economy is expected to grow at 5.8% in Q4 of FY2018/19, the **Minister of Planning** said. ([Reuters](#))
- **Egypt's** external debt rose by about 3.7% q/q from USD93.1bn in September 2018 to USD96.6bn in December 2018 (+16% y/y). ([CBE](#))
- **The government** does not intend to reintroduce the capital gains tax on the stock market anytime soon despite deciding earlier this week to keep the stamp tax on EGX trades unchanged at 0.15%, according to the local press. ([Enterprise](#))
- The **Ministry of Finance** will tap banks to manage **Egypt's** first sukuk issuance worth up to USD1.5bn by September, preparing for marketing early 2020. ([Enterprise](#))

Markets

↘	EGX 30	14,026.81	(2.52%)	↘	EGX 70	619.20	(2.22%)
↘	DFMGI	2,712.87	(0.48%)	↘	ADSMI	5,123.94	(0.01%)
↘	TASI	8,899.80	(0.77%)	↘	QE Index	10,123.40	(1.25%)
↘	S&P 500	2,879.42	(0.16%)	↘	MSCI EM	1,050.94	(0.58%)
↗	Gold	1,283.27	0.19%	↘	Brent Oil	69.88	(0.70%)

*As of market close, except for commodities at spot price as of 8.35am CLT.

- **MENA Markets:** **Egypt's** benchmark **EGX 30** lost more than 2% on Wednesday, hit by **IRON**, **ACAMD**, and **AMOC**. In the **UAE**, **real estate** and **financial** stocks led **ADSMI** lower. Also, **DFMGI** slipped over **consumer staples** and **financial** stocks. **Saudi Arabia's** **TASI** closed weaker as its **media** and **commercial & professional services** sectors slid.
- **Global Markets:** **US Indices** ended Wednesday's session in the red, except for the **Dow Jones Industrial Average**. Meanwhile, **Asian shares** continued to drop on the trade tension between **US** and **China**. **Gold** was trading higher during today's morning session, while **oil** was lower.

Number of the Day

USD69.1bn

Total value of **Saudi Aramco's** acquisition of 70% of **Saudi Basic Industries Corporation (SABIC)**.

Today's Quiz

What is **EGX 30's** month-to-date return?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
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 diputes relevant to 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)
Egyptian for Developing Building	EDBM	EGM	19-May	Discussing capital increase
Misir 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
Misir 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 diputes relevant to to Porto Tartous project
South Cairo & Giza Mills	SCFM	EGM / AGM	26-May	Reviewing Agenda Items
Arabia Investments Holding	AIH	Lawsuit	9-Jun	Legal diputes 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

The EGX 30 has lost 6% in only five trading sessions.

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