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EGYPT NEWS

Suez Canal transit fees to remain unchanged in 2010
The Suez Canal Authority (SCA) has decided to keep transit fees unchanged for a second year in 2010, Bloomberg quoted the SCA Chairman, Ahmed Fadel, as saying. The move is in line with our expectations, given the weak status of the global economy which is dampening global trade activity. The waterway's revenues reached USD4.3 billion in 2009, down 20.3% Y-o-Y, as the number of vessels passing through it fell 19.6% Y-o-Y, he said. Fadel forecasts revenue to rise by around 2.5% Y-o-Y in 2010. Suez Canal revenues stabilised from 2Q2009 onwards, following a sharp decline between September 2008 and March 2009, and revenues in December 2009 fell at their slowest pace (0.5% Y-o-Y) in a year at USD390 million. We forecast the waterway's revenues will rise 6.3% Y-o-Y to USD4.6 billion in 2010e, and 2.6% Y-o-Y to USD4.8 billion in the government's fiscal year 2009/10e which ends on 30 June 2010. The canal is an important source of government revenue (providing around 9% of total fiscal revenue in FY2008/09) as well as being an important source of foreign currency. (Bloomberg, Mohamed Abu Basha)

Egypt mulls anti-dumping action against Turkish steel
Egypt is looking into possible anti-dumping action against Turkish steel imports, the Egyptian trade minister said after talks with his Turkish counterpart. In Egypt the need for housing and government infrastructure spending has kept steel demand relatively resilient, and it has been a major regional market for Turkish steel. In 9M2009, imported steel constituted c40% of the domestic market. (Reuters)

MCIT to intervene to help settle dispute over Mobinil
Egypt's Minister of Communications and Information Technology, Tarek Kamel, announced he would soon invite Orascom Telecom (OT) and France Telecom (FT) to convene with him at the Ministry of Communications and Information Technology (MCIT), in the presence of the National Telecommunications Regulatory Authority (NTRA), to try and reach a compromise in the ongoing dispute over Mobinil. Kamel highlighted the importance of maintaining the successful partnership between OT and FT, while reaffirming MCIT's neutrality in the dispute. (Al Alam Al Youm)

Mobinil: EGP230.02, Neutral, FV EGP229.2, MCap USD4,213 m, EMPN EY / EMOB.CA

OT: EGP28.62, Buy, FV EGP57.9, MCap USD4,602 m, ORTE EY / ORTE.CA

OT's lenders inclined towards approving its rights issue
OT's lending banks, local and international, are leaning towards approving the company's recently announced USD800 million rights issue, according to Banque Misr's head of central credit, Mohamed Fayed. OT must get approval from its lenders to proceed with its proposed rights issue; lenders believe that the move should boost OT's liquidity position, Fayed said. (Al Mal)

OT: EGP28.62, Buy, FV EGP57.9, MCap USD4,602 m, ORTE EY / ORTE.CA

ALGERIA NEWS

Government considering price controls
Algeria's government is considering the introduction of price controls on some consumer goods to curb inflation, the El Watan newspaper quoted the Commerce Minister, El Hachemi Djaaboub, as saying. The government is considering placing an upper limit on prices to counteract those situations where price manipulation occurs, Djaaboub said. This was one of several options discussed at a government meeting last week, and ministers are considering amending the 2008 competition law to give greater scope to impose price controls, the newspaper quoted him as saying.

Algerian consumer price inflation was running at an average of around 6% Y-o-Y in 11M2009, according to official figures, with some food price inflation running at 9% Y-o-Y over the same period. Rising inflation has already ignited a number of riots by different groups, including workers in private and public institutions and teachers. Algeria's government has blamed speculators in the food supply chain for the high prices, while business people say the problem is caused by the tough restrictions imposed last year on imported goods. (Reuters)

JORDAN NEWS

Government to finalise new investment law
The government is planning to pass legislation soon to facilitate local and foreign investment, the Jordan Times quoted the Jordan Investment Board's acting Executive Director, Issa Gammoh, as saying. Gammoh said the new law, which would probably be passed as a temporary law in the absence of parliament, could serve as a tool to implement a one stop-shop responsible for regulating investment. He added that such legislation would guarantee foreign investors easy access to the market, especially via the creation of a central committee that would help to overcome red tape. (Jordan Times)

Jordan signs loan guarantee agreement with AFESD
Jordan has signed a loan guarantee agreement with the Arab Fund for Economic and Social Development (AFESD) for the financing of Phase IV of the Samra Project for Electricity Generation, as well as the remaining part of Phase III. The Samra Project seeks to meet the growing demand for electricity in the Kingdom by increasing its electric power generation capacity to around 900 megawatts, from the current 600 megawatts. The loan's principal amount will be paid back through 36 bi-annual instalments, with a grace period of four years and at an interest rate of 3%. (Jordan Times)

Housing Bank leads JOD40 million syndicated loan to Al Tajamouat for Touristic Projects
The Housing Bank for Trade and Finance (HBTF) announced in a press release that it acted as the lead manager of a JOD40 million syndicated loan to Al Tajamouat for Touristic Projects Plc. The loan syndicate includes Union Bank, HSBC and Egyptian Arab Land Bank. The funds will be directed towards Taj Mall - Al Tajamouat's upcoming retail and leisure development in Abdoun. (Jordan Times)

SAUDI NEWS

SABIC's 4Q2009 results significantly above forecasts
SABIC released its headline 4Q2009 results yesterday, showing a strong set of numbers that were significantly above our estimates. Gross profit grew 17% Q-o-Q to SAR10 billion, 22% ahead of our SAR8.2 billion forecast. Operating profit was also up by 17% Q-o-Q at SAR7.8 billion, 34% higher than our estimates, while net profits surged 26% to SAR4.58 billion (well above our SAR3.2 billion forecast). On an annual basis, SABIC's 2009 net income was SAR9.1 billion, a decline of 57% Y-o-Y.

No further details were available. However, we would speculate that 4Q2009's positive surprise was mainly a function of i) higher utilisation rates in Europe (we assumed 83% in line with 9M2009's average utilisation rates and assumed full capacity utilisation in Saudi); ii) a higher contribution from newly expanded projects to 4Q2009's performance (particularly from Sharq, which we expected to start operations in 1Q2010e); and iii) a significant improvement in the performance of its US subsidiary, SIP. With SABIC's results well above consensus forecasts (SAR3.5bn) for the second consecutive quarter, we expect the stock to perform well and reiterate our Buy rating. (Ahmed Shams El Din)

SABIC: SAR89.25, Buy, FV SAR105.0, MCap USD71,400, SABIC AB/2010.SE

NSCSA 4Q2009 results: below expectations
NSCSA's 4Q2009 net income was SAR48.1million, down 50% Y-o-Y and 27% below our forecast of SAR 66.0 million. At the gross operating level, income came in at SAR 72.2 million, down 60% Y-o-Y and 23% below our forecast of SAR 93.9 million. Overall, FY2009 net income of SAR 362.8 million is down 52% Y-o-Y and 5% below our SAR381 million estimate. The group has also cut its dividend payment by 67%, to SAR 1.0 from SAR 1.5 in 2008. We were expecting dividends to remain flat Y-o-Y. NSCSA has cited a weak VLCC market for the drop in Y-o-Y profits - average VLCC day rates in 2009 were USD32,000/day versus USD92,000/day in 2008. We suspect the shortfall versus our 4Q2009 estimates is also due to weaker-than-expected profits at the VLCC division.

While 4Q2009 earnings are below expectations, these numbers do not reflect the outlook for NSCSA as the group is highly geared to the VLCC spot market. Here, the news is more positive as average day rates have recently risen to cUSD87,000/day. Should the rate stabilise at these levels, NSCSA's earnings should bounce back strongly. That said, the stock has recently rallied to SAR19.0 and we believe the upturn in the shipping markets is already priced in. On a note of caution, we highlight that VLCC rates are highly volatile and industry fundamentals do not suggest that a rapid sustained recovery is on the cards. Overall, 4Q2009 earnings are weaker than expected and the cut in the dividend is likely to disappoint many investors. The group is highly geared to the VLCC spot market and, while there has been a short term rally in this market, we do not believe the current high rates will be sustained. We maintain our Sell rating on the stock. (Redwan Ahmed, Nadine Hassouna)

NSCSA: SAR18.65, Sell, FV SAR15.0, MCap USD1,566.7 million, NSCSA AB / 4030.SR

Zain KSA 4Q2009 results miss forecasts
Zain Saudi Arabia's (Zain KSA) 4Q2009 total revenue came in at SAR895 million, 6.1% below our estimates but up 8% Q-o-Q and 111% Y-o-Y. FY2009 total revenue reached SAR3.0 billion. The company had previously indicated that its subscriber base had exceeded 6 million subscribers by end of November, versus our forecast of 5 million subscribers by the end of 2009. Gross profit for the quarter was SAR356 million, missing our SAR431 million forecast by 17.5% but up 47% Q-o-Q. This implies an improving gross profit margin of 39.8%, from 29.4% in 3Q2009 and 7.3% in 4Q2008. However, it nevertheless fell short of our forecast gross profit margin of 45.3%. Gross profit for the FY2009 was SAR878 million, translating into a full year gross profit margin of 29%. 4Q2009's operating loss (EBIT) was SAR436 million, lower than both 3Q2009's loss of SAR668 million and our forecast of a SAR458 million loss. The company's CEO, Saad Al-Barrak, mentioned that the company succeeded in decreasing its operating expenses significantly, partly due to the expansion in its network coverage to 83% of populated areas, which has thus reduced the national roaming costs.

The company reported a net loss of SAR657 million for the quarter, an improvement on 3Q2009's net loss of SAR820 and 4Q2008's net loss of SAR930 million. We were forecasting a net loss of SAR618 million for the quarter. FY2009 net loss came in at SAR3.0 billion. Zain KSA remains a start-up in the early stages of its growth, and we therefore expect to see fluctuations in its quarterly earnings. We maintain our Neutral recommendation on the stock, and have a fair value of SAR12.4 per share. We will update our forecasts for the company shortly. (Nadine Ghobrial)

Zain Saudi Arabia: SAR10.25, Neutral, FV SAR12.43, MCap USD3,827 m, ZAINKSA AB / 7030.SE

STC's 4Q2009 results: revenue in line, margins miss, net profit boosted by maxis sale
Saudi Telecom Company (STC) reported flat 4Q2009 consolidated revenue of SAR12,999 million, up 0.5% Q-o-Q and 5.7% Y-o-Y. This was exactly in line with our forecast SAR13,006 million. The company did not provide a revenue breakdown by geographical operations; however, we estimate the Saudi operation contributed 71% to STC's top line. We estimate Oger Telecom (35% owned) contributed 19% to consolidated revenue, while Maxis (25% owned) contributed 8%. The company's 4Q2009 operating profit (EBIT) significantly missed our estimates, however, at SAR2,588 million (-16.8% Q-o-Q, -7.5% Y-o-Y), 19.8% lower than our estimate. This implies an EBIT margin of 19.9% versus our estimated 24.8%, down from 3Q2009's margin of 24.1%. We have previously highlighted our concern with regards to the significant pressure STC is facing at the operating margins level, which we believe is due to a more competitive landscape in both its Saudi home market and its emerging markets subsidiaries. STC's 4Q2009 net profit increased 22.4% Q-o-Q and more than doubled on a yearly basis to SAR2,941 million, 28% ahead of our estimate of SAR2,298 million. However, the company indicated that the fourth quarter bottom line was boosted by a one-off capital gain of SAR684 million due to the sale of a stake in Maxis Malaysia in November 2009. Excluding this one-off capital gain, STC's net profit for the quarter would have been SAR2,257 million, in line with our estimate.

STC's board of directors recommended an interim cash dividend of SAR1,500 million, or SAR0.75 per share, for the fourth quarter of 2009. This implies a payout ratio of 55% for FY2009 and a dividend per share of SAR3.00, in line with our estimates. STC's FY2009 dividend yield is 6.6% based on yesterday's closing price. Both the ex-dividend date and the distribution date are still undetermined. (Nadine Ghobrial)

STC: SAR45.7, Buy, FV SAR73.5, MCap USD24,373 m, STC AB / 7010.SE

Almarai 4Q2009 net profit up 13.5% Y-o-Y, FY2009 up 18.4% Y-o-Y
Almarai Company reported a 4Q2009 net profit of SAR248.8 million, up 13.5% Y-o-Y but down 31.5% Q-o-Q. This implies a 16.0% net profit margin, narrowing from 17.2% in FY2008. Gross profit for the quarter was SAR568.6, growing 14.8% Y-o-Y, while the gross profit margin of 36.7% contracted slightly from 36.8% last year. Operating profit was SAR281.4 million, rising 6.3% Y-o-Y. The company booked SAR1,548.2 million in sales during the fourth quarter, up 21.5% Y-o-Y. FY2009 net profit came in at SAR1,096.7 million, climbing 20.5% Y-o-Y with a net profit margin of 18.7%. Gross profit came in at SAR2,365.8 million, rising 18.4% Y-o-Y, with the gross profit margin of 40.3% contracting from 43.37% in FY2008. Operating profit for the year was SAR1,278.9 million, up 20.5% Y-o-Y, and sales for the year were up 16.7% Y-o-Y at SAR5,868.8 million. The company attributed its sales performance to increased market share, across nearly all segments, as well as enhanced operational efficiency.

Almarai's also announced that its board of directors decided to distribute SAR460 million in cash dividends for FY2009, or SAR4.0 per share. The ex-dividend date will be the day following the company's annual general meeting, the date of which is yet to be announced. (Company disclosure, Nada Amin)

AlHokair reports 3Q2009 net profit of SAR42.4 million, up 3% Y-o-Y, but down 67% Q-o-Q
Fawaz AlHokair Company's 3Q2009 (ended 31 December 2009) net profit rose 2.9% Y-o-Y but dropped 66.8% Q-o-Q to SAR42.4 million, Tadawul reported. Gross profit for the quarter climbed 15.7% Y-o-Y to SAR226.6 million, while operating profit increased 64.4% Y-o-Y to SAR46.7 million. 9M2009 net profit totalled SAR203.7 million, up 9.2% Y-o-Y, and gross profit reached SAR726.1 million, up 12.2% Y-o-Y. Operating profit for the period was SAR204.5 million, rising 25.3% Y-o-Y. The company added that it believes the Y-o-Y increase in 3Q2009 net profit stems from increased sales due to seasonality, as well as a decline in expenses. (Tadawul)

Assir's 4Q2009 earnings double Q-o-Q to SAR30 million
Assir Trading, Tourism & Manufacturing Company reported a 4Q2009 net profit of SAR30 million, surging 100% Q-o-Q and versus a net loss of SAR215 million in 4Q2008. Gross profit was SAR151 million versus a loss of SAR104 million in 4Q2008, while operating profit was SAR52 million versus a loss of SAR194 million in 4Q2008. FY2009 net profit reached SAR79 million, versus a net loss of SAR434 million in FY2008. (Tadawul)

Petro Rabigh's 4Q2009 net loss narrows to SAR323.7 million
Rabigh Refining and Petrochemical Company (Petro Rabigh) announced results with 4Q2009's loss narrowing to SAR323.7 million from SAR902.8 million in 4Q2008 due to better profit margins. The drop in losses is attributed to an improvement in profit margins for the refining and petrochemical sectors, the company said in a statement to the stock exchange. Petro Rabigh is a joint venture between state energy firm Saudi Arabian Oil Company (Aramco) and Japan's Sumitomo Chemical Company. (Zawya, Tadawul)

Sahara's 4Q2009 net profit at SAR52.9 million
Sahara Petrochemicals Company (2260.SA) posted a 4Q2009 net profit of SAR52.9 million, reversing a net loss of SAR7.8 million in 4Q2008, on higher sales of ethylene and polyethylene. FY2009 earnings per share came in at SAR0.35 versus losses per share of SAR0.33 a year ago, the company said to the stock exchange. (Zawya, Tadawul)

Yamama Cement to pay SAR2 per share dividend for 2H2009
Yamama Saudi Cement Company (YSCC) BoD proposed a SAR2 per share cash dividend for 2H2009. The firm previously paid out SAR1 per share as a dividend for 1H2009. The ex-dividend date will be after the company's AGM. (Tadawul, Zawya)

Saudi Southern Province Cement 4Q2009 profit up 2.4%
Southern Province Cement Co. (SPCC) said its net profit for 4Q2009 inched up 2.4% to SAR180.7 million from a year earlier due to lower costs and higher sales. Fourth-quarter operating profit surged 57% Y-o-Y to SAR174.7 million. Full-year earnings stood at SAR733.6 million, down 7.3% Y-o-Y. (Tadawul)

Saudi Cement 4Q2009 net profit up 18.2%
Saudi Cement Co. announced a 4Q2009 net profit of SAR145.5 million, up 10.5% Y-o-Y and 18.2% Q-o-Q, driven by a rise in sales. Operating profit in 4Q2009 rose 25.6% Y-o-Y to SAR155.2 million. Full-year earnings came in at SAR588.3 million, down 5.3% Y-o-Y. (Tadawul)

SPM 4Q2009 earnings grow 24.1% Y-o-Y to SAR24.7 million
Saudi Paper Manufacturing Company's (SPM) 4Q2009 earnings climbed 24.1% Y-o-Y and 11.7% Q-o-Q to SAR27.55 million, Tadawul reported. Gross profit soared 52.9% Y-o-Y to SAR54.4 million and operating profit by 39.2% Y-o-Y to SAR31.15 million. SPM reported a FY2009 growth of 22.7% Y-o-Y in gross profit to SAR186.21 million, while operating profit was up 15.6% Y-o-Y to SAR106.4 million. FY2009 earnings were up 10.9% at SAR94.0 million. The company added that its comparatively stronger performance for the year is due to an increase in sales, facilitated by its expansions. (Tadawul)

ACC makes a net loss of SAR87.4 million from profits of SAR46.8 in 4Q2008
Arabian Cement Company (ACC) announced net losses for 4Q2009 of SAR87.4 million, compared to profits of SAR46.8 in 4Q2008 and SAR72.8 million in 3Q2009. FY2009 net profits amounted to SAR171.9 million, down 47% Y-o-Y. The decline in net profits is attributable to a SAR97 million provision that the company has taken for closing its old production lines in 2010. (Tadawul)

[Note – EFG-Hermes is not responsible for the accuracy of news items taken from other media.]

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