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Takeaways from SWDY's Earnings Call

1. Today's Trading Playbook

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KEY THEMES

Last week, Elsewedy Electric [SWDY] published its Q4 2020 results, which were generally better than expected. Below, we highlight the key takeaways from the company's earnings conference call:

Significant recovery: SWDY staged a strong recovery in Q4 2020 on back of its turnkey business which contributed 49% to its revenues for the first time in 2020. This handsome contribution offset a volume-driven decrease in revenues from wires and cables. Not only have its projects all been in operation despite the pandemic, SWDY has been awarded EGP18bn worth of fresh contracts in 2020. The company saw its meters backlog jump to EUR90mn at the end of 2020 from EUR74mn in 9M 2020.

More growth on way: SWDY's team is close to seal two deals in Indonesia and Pakistan, in line with the company's vision to tap into new markets and widen its client base. The size and effect of these deals are not disclosed yet, but both are within the transformers segment and the Indonesia's deal would be bigger than Pakistan's. Meanwhile, SWDY is still open for other potential investments in other segments, with the hope of improving margins.

2021 targets: Management is optimistic with what could be achieved in 2021. They expect double-digit growth in both top line and bottom line. Excluding potential investments, maintenance capex is seen ranging around 3% of revenues. Transmission projects in Egypt and power generation projects in Africa are expected to be part of the company's turnkey backlog, with a similar mix to last year's. Also, new awards are expected to reach around EGP18bn with a steady revenue of c. EGP23bn over the coming two years.

Dividends and treasury shares: SWDY's BoD approved a cash dividend of EGP0.4/share. The BoD opted to distribute a reasonable dividend – yet less than last year's, resting on a belief that



the net cash position helped the company execute as targeted and keeping it is a good sign now. After the pandemic effect wears off, they may ponder another dividend distribution but not right now. Cash is planned to help out with expansions and acquisitions to maintain a healthy debt level. While selling the treasury shares is in plans, the board's final decision will be made in May or June.

The impact of expensive copper: The effect of the recent increase in copper prices will be minimal on SWDY. Revenues and COGS may rise but the GPM will be steady. The increase in price is passed on to clients.

To sum up: In such a tough year, we are positive on SWDY's results in light of the potential acquisition deals coming its way, especially being in a high-margin segment. We maintain both our overweight rating and 12MPT for now.

POSITIVE

SWDY: In view of 2020 results, SWDY offers handsome upside, with further chances to revise our valuation up.

AUTO: GB Auto's [AUTO] 2020 results suggest a recovery in its automotive business, which when considered with its non-banking financial segment, still offers upside to our PT of EGP4.2/share, albeit 8%.

Now, on to the top news and analysis for the day.

2. TOP NEWS & ANALYSIS

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MACRO NEWS

All property tax services will be rolled out gradually on a new application to be launched on Digital Egypt platform, Minister of finance said. ([Mubasher](#))

The government is allocating EGP500mn as compensations to owners of buildings being demolished to expand the Ring Road connecting Greater Cairo's neighborhoods together. ([Egypt Today](#))

Egypt counts on the private sector to raise growth levels through its investments in the government's projects and initiatives, said Prime Minister. He added that the government has allocated EGP500bn for the Decent Life initiative and its affiliated projects despite the coronavirus crisis and the subsequent pressure on the state budget. ([Ahram Online](#))



Egypt's women empowerment plan is now officially in execution phase. The plan aims to back women's representation and leadership in the corporate world, promote career-family balance and encourage private investment in elder and child care, and offers training programs in sectors in which women are underrepresented are among the three-year goals for the Closing the Gender Gap Accelerator program. The program was launched last July by the International Cooperation Ministry, the National Council for Women (NCW), and the World Economic Forum. ([Cabinet statement](#))

The CBE asked the banks to build 20% provisions on credit facilities granted to three sectors in building materials, which are steel, cement and ceramics. ([Economy Plus](#))

CORPORATE NEWS

Elsewedy Electric [SWDY] signed a memorandum of understanding to develop an integrated industrial zone spanning 5mn sqm in Iraq. ([Al Mal](#))

GB Auto's [AUTO] 2020 net profit after minority skyrocketed to EGP917mn vs. EGP43mn a year ago, following the 25% y/y gross profit surge. Revenues, however, dropped 8% y/y to EGP23bn. ([Company disclosure](#))

Housing & Development Bank's [HDBK] 2020 consolidated net profit declined 7.4% to EGP2bn, as net interest income dipped by 5.7% to EGP2.8bn. In the meantime, gross loans grew 8% to EGP21bn and deposits rose 15% to EGP47bn. ROAE declined from 34% in 2019 to 26.5% in 2020. HDBK is currently trading at a P/B of 0.54x and an LTM P/E of 2.4x. ([Bank release](#))

Edita Food Industries' [EFID] BoD proposed distributing a 2020 dividend of EGP150mn or EGP0.207/share, suggesting a 2% yield. The BoD also approved reducing the company's capital from EGP145mn to EGP144.6mn by cancelling 2.3mn treasury shares. ([Company disclosure](#))

The Arab Ceramic Co. [CERA] saw its net income increase by 64% y/y to EGP30.5mn in 2020, helped by a decrease in financing costs and a rise in other revenues. Meanwhile, net revenues dropped by 19% y/y to EGP640.2mn. ([Company disclosure](#))

Mansoura Poultry's [MPCO] 2020 net profit skyrocketed to EGP20mn from EGP0.33mn a year earlier, following a gross profit leap of 411% y/y, 18x surge in capital gain and 380% y/y growth in interest income. Revenues rose 55% y/y to EGP157mn. Meanwhile, MPCO's BoD proposed increasing the issued capital by issuing bonus shares drawing on retained earnings at 20% of capital. ([Company disclosure](#) [1](#), [2](#))



CI Capital Holding's [CICH] Taaleem, which is planned to float on EGX during Q1 2021, is preparing for its the virtual roadshow that will include investors from South Africa, United Kingdom, USA, and the Gulf region. ([Al-Mal](#))

Speed Medical's [SPMD] subsidiary, Speed Hospitals Co., will join the consortium led by Tawasul Holdings for Financial Investments to complete the acquisition of the entire shares Alexandria Medical Services [AMES]. Tawasul Holdings currently acquires 25.92% stake in AMES. Meanwhile, **Prime Speed Medical Services, a 30% subsidiary of Speed Medical [SPMD], reached an initial agreement with the Russian government to supply Egypt with 10mn doses of COVID-19 vaccine Sputnik.** ([Al-Mal](#))

Amer Group [AMER] recorded net losses after minority of EGP80mn in 2020. Meanwhile, its revenues declined to EGP1.38bn (-7% y/y). ([Company disclosure](#))

Porto Group's [PORT] revenues contracted to EGP863mn (-50% y/y). Meanwhile, its net profits after minority shrank to EGP25mn (-75% y/y). ([Company disclosure](#))

GLOBAL NEWS

The House of Representatives voted early Saturday morning to approve President Joe Biden's USD1.9tn pandemic aid package, a major step toward enacting the first legislative priority of the new administration as the devastating fallout from the spread of COVID-19 has left Americans in dire need of further relief. ([CNN](#))

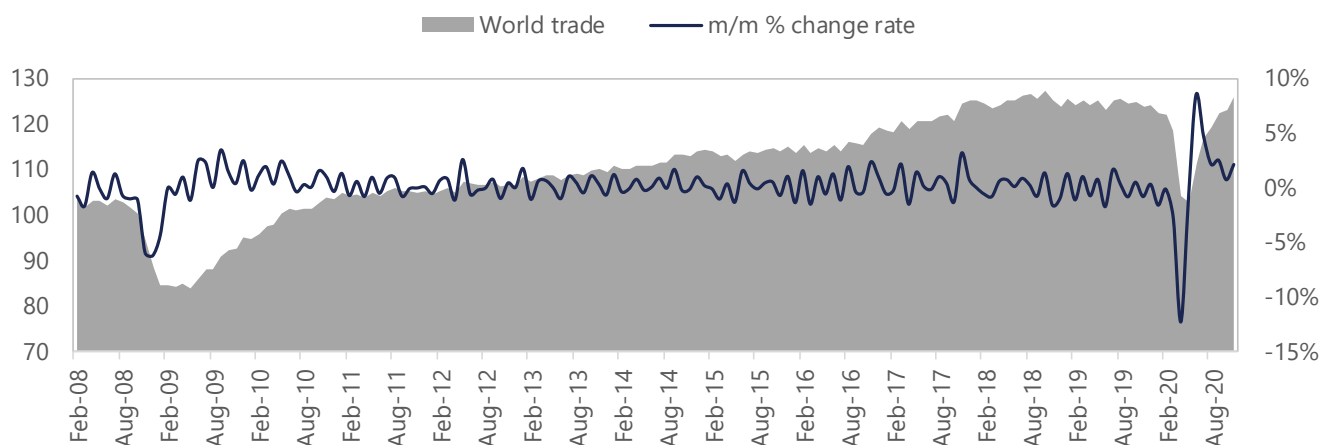
U.S. government bonds showed signs of stabilizing Friday, pushing yields lower a day after a chaotic session had sent them soaring. The yield on the benchmark 10-year Treasury note settled at 1.459% down from 1.513% at Thursday's close. The 10-year yield rose more than 0.3% in February for the largest one-month rise since November 2016. ([WSJ](#))



3. CHART OF THE DAY

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Source: CPB World Trade Monitor.

World trade volume grew by 2.1% m/m in November 2020 compared to October, following an increase of 0.7% m/m in October. World trade volume is also slightly higher than at the end of 2019, pre-COVID.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						709.3		Equity turnover (EGPmn): Last, ytd avg.						1,837.5		1,178.6			
						daily chg.		ytd chg.								daily chg.		ytd chg.	
		EGX 30	11,617.91	1.60%	7.12%			Gold	1,734.04	(2.06%)	(8.66%)			Silver	26.67	(2.76%)	1.01%		
		EGX 30 TR	4,471.61	1.27%	7.19%				Brent Oil	64.42	(2.56%)		24.36%						
		EGX 70 EWI	2,384.46	0.93%	11.16%			WTI	61.50	(3.20%)	26.75%								
		EGX 100 EWI	3,424.52	1.14%	10.55%				Natural Gas	2.77	(0.22%)		9.14%						
		DFMGI	2,527.48	0.78%	1.42%	EGP		USD/EGP	15.70	0.10%	(0.25%)	€		EUR/USD	1.21	(0.82%)	(1.15%)		
		ADSMI	5,627.99	(0.03%)	11.55%		£		GBP/USD	1.39	(0.59%)		1.92%						
		TASI	9,194.92	0.87%	5.82%	¥		USD/JPY	106.57	0.34%	3.22%								
		QE Index	10,120.67	1.69%	(3.02%)			6M TB yield	13.25	6	51			2Y TB yield	0.13	1	(1)		
		S&P 500	3,811.15	(0.48%)	1.47%			1Y TB yield	13.22	(1)	45								
		Dow 30	30,932.37	(1.50%)	1.06%			10Y TB yield	14.73	4	34								
		NASDAQ	13,192.35	0.56%	2.36%			30Y TB yield	2.14	(9)	48								
	VIX	27.95	(3.25%)	22.86%															
		STOXX 50	3,636.44	(1.33%)	2.36%														
EM		MSCI Emerging	1,339.26	(3.22%)	3.72%														
FM		MSCI Frontier	573.99	(2.04%)	0.41%														

* As of market close. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.



5. LATEST EGX VALUATION MULTIPLES

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[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

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DATE	TICKER	TYPE	EVENT
28-Feb-21	MICH	BoD meeting	Following up on production, sales and exports.
28-Feb-21	ISPH	BoD meeting	Discussing the financial results.
28-Feb-21	MOIN	BoD meeting	Discuss financial statements for the period ending 31st Dec. 2020 and increasing the issued capital to EGP235mn drawing on retained earnings.
28-Feb-21	EKHO	BoD meeting	Discussing the financial results.
28-Feb-21	HELI	Auction	Open bid for 270 feddans in New Heliopolis.
28-Feb-21	EXPA	OGM	Approving increasing the issued capital by distributing EGP54.5mn worth of bonus shares.
28-Feb-21	EXPA	EGM	Approving increasing the issued capital and amending articles 5, 23 and 48 of the bylaws.
28-Feb-21	ACRO	EGM	Amending article 4 of the bylaws.
28-Feb-21	AREH	EGM	Discussing a stock split and amending articles 6 & 7 of the bylaws.
1-Mar-21	PHDC	Conference Call	Discussing 4Q 2020 financial results.
2-Mar-21	AUTO	Conference Call	Discussing FY 2020 results.
3-Mar-21	AMER	Lawsuit	A court session discussing legal disputes relevant to the company.
3-Mar-21	PORT	Lawsuit	A court session discussing legal disputes relevant to the company.
7-Mar-21	EGBE	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
7-Mar-21	EGBE	EGM	Amending articles 4, 52, 6 & 7 of the bylaws.
10-Mar-21	RTVC	EGM	Discussing an offer for its 99.95% stake in Orient Tours Hotels & Tourism Villages
10-Mar-21	FWRY	Stock dividend	Record date for 0.28-for-1.
11-Mar-21	FWRY	Stock dividend	Distribution date for 0.28-for-1.
11-Mar-21	CICH	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
13-Mar-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
15-Mar-21	ETEL	EGM	Amending articles 21 & 43 of the bylaws.
16-Mar-21	SRWA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
16-Mar-21	ALUM	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
16-Mar-21	ALUM	EGM	Amending articles 4 & 7 of the bylaws.
18-Mar-21	NBKE	OGM	Approving the financial statements ending 31 Dec. 2020.
18-Mar-21	SAIB	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
18-Mar-21	FAIT	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
18-Mar-21		MPC Meeting	Discussing a policy rate decision.



19-Mar-21	NINH	OGM	Approving the financial statements ending 31 Dec. 2020.
19-Mar-21	NINH	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
23-Mar-21	ADIB	OGM	Approving the financial statements ending 31 Dec. 2020.
23-Mar-21	ADIB	EGM	Approving increasing the authorized capital from EGP4bn to EGP7bn, and amending article 6 of the bylaws.
23-Mar-21	EHDR	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
23-Mar-21	EHDR	EGM	Approving a stock dividend and amending articles 6 and 7 of the bylaws.

7. LATEST RESEARCH

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DATE PUBLISHED REPORT

25-Feb-21	<u>Elsewedy Electric [SWDY] – Strong Set of Results Driven by Turnkey</u>
22-Feb-21	<u>CI Capital Holding [CICH] – Got the Hit, Yet Better Than Expected</u>
10-Feb-21	<u>MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices</u>
8-Feb-21	<u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u>
4-Feb-21	<u>MACROView – External Buffers Are Still Restoring Grounds</u>
3-Feb-21	<u>MACROView – A Fragile Improvement but Favorable Sentiment</u>
3-Feb-21	<u>MACROView – External Woes vs. Cautious Optimism</u>
2-Feb-21	<u>STANDPoint – Egypt 2021 Investing Playbook</u>
14-Jan-21	<u>CI Capital Holding [CICH] – New Expansions = Further Growth</u>
10-Jan-21	<u>MACROView – Below End-of-Year Target</u>
6-Jan-21	<u>MACROView – On the Path to Further Recovery</u>
5-Jan-21	<u>MACROView – Rutted Road to Recovery</u>
28-Dec-20	<u>Elsewedy Electric [SWDY] – More Growth to Come</u>
22-Dec-20	<u>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</u>
16-Dec-20	<u>CIB [COMI] – Earnings beat despite higher provisions</u>
10-Dec-20	<u>MACROView – The Highest Reading in Seven Months</u>
7-Dec-20	<u>MACROView – Restored Ground</u>
6-Dec-20	<u>MACROView – Lost Momentum</u>
3-Dec-20	<u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u>
25-Nov-20	<u>Misr Chemical Industries [MICH] – Pandemic Proof</u>
10-Nov-20	<u>MACROView – An expected rise as the new school year began</u>
4-Nov-20	<u>MACROView – The Stars Seem to Be Aligned for International Reserves</u>
3-Nov-20	<u>MACROView – The Highest Reading in Six Years</u>



25-Oct-20	<u>CIB [COMI] – Short-term pain for longer-term gain</u>
11-Oct-20	<u>MACROView – Disinflationary trend interrupted</u>
11-Oct-20	<u>MACROView – External strains are slacking and reserves are growing</u>
6-Oct-20	<u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u>
5-Oct-20	<u>MACROView – Egypt’s recovery is broadening</u>
10-Sep-20	<u>MACROView – A Stunning Chapter Towards Targets</u>
8-Sep-20	<u>MACROView – Crawling Out of the Troughs</u>
3-Sep-20	<u>MACROView – Job losses and the bumpy road to recovery</u>
18-Aug-20	<u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u>
13-Aug-20	<u>Credit Agricole Egypt [CIEB] – Q2 2020 Results</u>
10-Aug-20	<u>MACROView – Muted inflation environment still dominates</u>
9-Aug-20	<u>MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</u>
5-Aug-20	<u>MACROView – Toward gradual recovery</u>
29-Jul-20	<u>MACROView – CAD gains eroded by financial account vulnerability</u>
14-Jul-20	<u>Commercial International Bank - [COMI] - Q2 2020 results</u>
9-Jul-20	<u>MACROView – Inflation driven by non-food baskets and unfavorable base effect</u>
8-Jul-20	<u>MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position</u>
7-Jul-20	<u>MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed</u>
25-Jun-20	<u>EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition</u>
10-Jun-20	<u>MACROView – Lowest annual reading in five months, but monthly figures show no changes</u>
8-Jun-20	<u>Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices</u>
8-Jun-20	<u>MACROView – Solid buffers and moderate depreciation: The CBE’s recipe to deal with COVID-19</u>
3-Jun-20	<u>MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy</u>
18-May-20	<u>Abu Dhabi Islamic Bank [ADIB] – Q1 2020 Results</u>
18-May-20	<u>Al Baraka Bank Egypt [SAUD] – Q1 2020 Results</u>
17-May-20	<u>Credit Agricole Egypt [CIEB] – Q1 2020 Results</u>
13-May-20	<u>MACROView – Yesterday’s CBE conference call with Deputy Governor</u>
11-May-20	<u>MACROView– Acceleration in April driven by food prices – as expected</u>
7-May-20	<u>MACROView – Keeping head above water amid pandemic uncertainties</u>
5-May-20	<u>Commercial International Bank (CIB) - Egypt [COMI] – Q1 2020 Results</u>



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