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Waiting to Connect

1. Today's Trading Playbook

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KEY THEMES

Today is the last trading day before an abnormally-long Eid vacation lasting for five days; kudos to COVID-19. This often makes some traders a bit uncomfortable owning certain stocks over such long weekends, especially at times of regional geopolitical tensions. So, we won't be surprised if the market was generally quiet today. On the other hand, some investors prefer to own stocks of well-established companies that trade below their fair values. One such standout stock is Telecom Egypt [**ETEL**] which just reported its Q1 2021 results last night, posting a net income of EGP2.1bn (+62% y/y), the highest quarterly profits in its history, while revenues jumped 20% y/y. The question is whether investors will be patient enough to wait for the stock to connect to its fundamentals. We note that ETEL has long been part of [our key long ideas](#) and [more recently](#) we mentioned it again as one of the key beneficiaries of an extended partial lockdown. Also, Edita Food Industries [**EFID**] is another company that reported a strong set of Q1 2021 results with double-digit growth in top and bottom lines (both in excess of 20% y/y).

Meanwhile, our POSITIVE calls [highlighted here before](#) continue to make strong returns for those who were patient enough to own the stocks for only two weeks. The list is led by Egypt Aluminum [**EGAL**] which saw its stock advance 16% (19% based on last price) since our call on 27 April, including yesterday's 6.6% return (+10% based on last price). As for [yesterday's POSITIVE calls](#), Elsewedy Electric [**SWDY**] ended the day marginally higher, whereas Ibnsina Pharma [**ISPH**] was up 2%.

POSITIVE

ETEL: The stock is now trading at a TTM P/E of just 3.2x, an absurdly cheap valuation multiple for a clean business model with double-digit growth.

EFID: Trading close to an all-time low at EGP7.10/share, EFID's P/E is now only 14x, a low multiple for a consumer stock with such a growth profile.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Annual core inflation fell to 3.3% in April, down from 3.7% in March 2021, while monthly reading accelerated to 0.7% from 0.5%, respectively. ([CBE](#))

The Ministry of Trade & Industry approved the executive regulations to the law regulating the Industrial Development Authority (IDA). ([Ministry statement](#))

The Egyptian Ministries of Civil Aviation and Tourism & Antiquities have decided to extend the initiative supporting the country's domestic tourism by two more weeks to 31 May. ([Zawya](#))

CORPORATE NEWS

Telecom Egypt [ETEL] reported an EAS-based net income after minority of EGP2.1bn (+62% y/y) in Q1 2021 on higher revenues of EGP8.4bn (+20% y/y), higher gross profit margin of 40.9% (+282bps), and higher investment income from Vodafone Egypt [VODE] of EGP1bn (+103% y/y). ([Company disclosure](#))

Cleopatra Hospitals Group's [CLHO] conditional sale and purchase agreement (SPA) to acquire Alameda Healthcare Group in Egypt has been terminated. ([Company disclosure](#))

Edita Food Industries' [EFID] EAS-based consolidated financials showed a net profit of EGP103mn (+23% y/y) after revenues grew to EGP1.17bn (+21% y/y) and despite a slightly lower GPM of 34.5% (-74bps y/y). Meanwhile, **EFID's BoD approved to increase its stake in Edita Food Industries Morocco from 50% to 76% and to increase its capital by MAD15mn to MAD60mn** to finance its operations. (Company disclosures: [1](#) [2](#))

Egyptian Iron & Steel [IRON] said the Holding Co. for Metallurgical Industries decided to suspend negotiations with Sahara Group which did not provide enough details. ([Company disclosure](#))

Al-Shams Housing & Development's [ELSH] shareholders approved the distribution of both cash and stock dividends. The cash dividend is EGP0.20/share and will be paid in two equal installments in September and December 2021. Meanwhile, the 25% stock dividend will be financed from retained earnings in the amount of EGP45.4mn. ([Company disclosure](#))

Arabian Cement [ARCC] turned to net losses of EGP6.3mn in Q1 2021 vs. a net profit of EGP15.9mn in Q1 2020. Sales revenues retreated to EGP432.4mn (-38.5% y/y) in Q1 2021, while GPM reached 6.9%, slightly up from 6.7% a year before. (Company release)

SODIC [OCDI] is planning to securitize receivables of EGP500mn. (Al-Mal)

GLOBAL NEWS

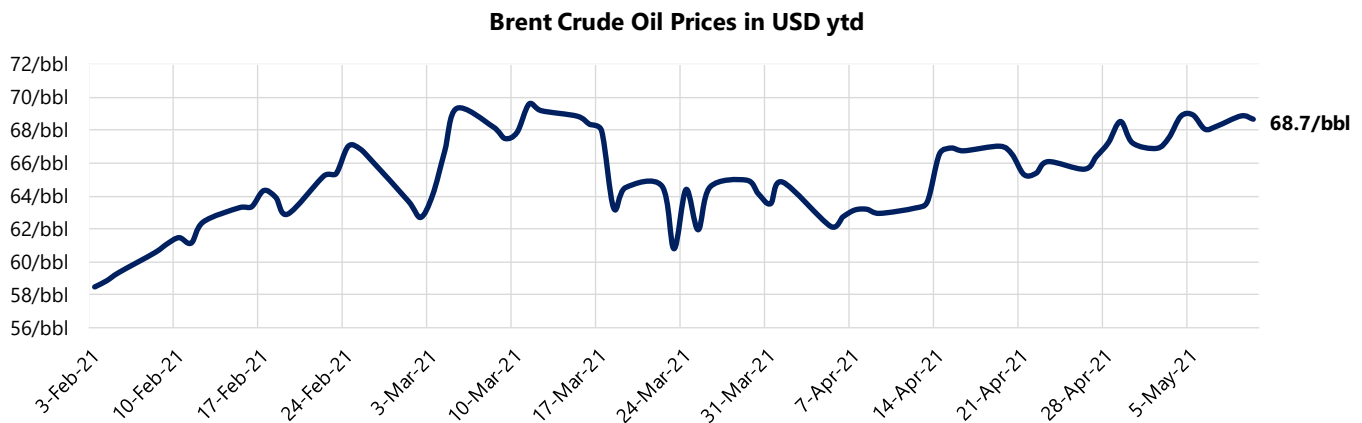
U.S. gasoline prices at the pump jumped 6 cents in the latest week, according to the American Automobile Association (AAA), and could soon be headed for the highest level since 2014 due to a cyber-attack that shut down the country's biggest fuel pipeline system. ([Reuters](#))

Led by China, renewable energy grew at its fastest pace in two decades last year and will continue to grow in the next two years, a report by the International Energy Agency (IEA) showed. ([Reuters](#))

3. CHART OF THE DAY

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Source: Investing.com.

Brent oil prices have bounced back on Monday to their best levels since mid-March, crossing over the USD68.0/bbl mark. This comes as a cyber-attack caused Colonial Pipeline, which provides nearly half of the U.S. east coast's fuel supply, to shut down its entire system back on Friday.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
665.8					822.9 1,178.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
		EGX 30	10,686.03	0.40% (1.47%)			Gold	1,836.07	0.26% (3.29%)
		EGX 30 TR	4,169.41	1.05% (0.06%)			Silver	27.31	(0.51%) 3.55%
		EGX 70 EWI	2,135.42	0.29% (0.45%)			Brent Oil	68.32	(0.42%) 31.33%
		EGX 100 EWI	3,059.55	0.29% (1.24%)			WTI	64.92	(0.40%) 33.26%
		DFMGI	2,696.03	0.36% 8.19%			Natural Gas	2.93	(0.82%) 14.53%
		ADSMI	6,209.43	(0.14%) 23.07%	EGP		USD/EGP	15.67	(0.04%) (0.48%)
		TASI	10,322.68	0.92% 18.79%	€		EUR/USD	1.21	0.07% (0.65%)
		QE Index	10,950.72	0.14% 4.93%	£		GBP/USD	1.41	(0.02%) 3.26%
		S&P 500	4,188.43	(1.04%) 11.51%	¥		USD/JPY	108.81	0.06% 5.45%
		Dow 30	34,742.82	(0.10%) 13.51%			6M TB yield	13.39	(1) 66
		NASDAQ	13,401.86	(2.55%) 3.98%			1Y TB yield	13.36	(2) 59
		VIX	19.66	17.80% (13.58%)			10Y TB yield	14.83	(1) 44
		STOXX 50	4,023.35	(0.27%) 13.25%			2Y TB yield	0.16	1 3
EM		MSCI Emerging	1,346.35	(0.16%) 4.27%			10Y TB yield	1.60	3 67
FM		MSCI Frontier	622.13	1.05% 8.83%			30Y TB yield	2.32	4 66

* As of market close, except for commodities and currencies at 832am CLT. 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
11-May-21	ETEL	Earnings update call	To comment on Q1 2021 results
12-May-21	TMGH	Cash dividend	Date for a payout of EGP0.072/share (1st round).
16-May-21	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in the 6th of October project.
17-May-21	NCCW	OGM	A board reshuffle.
17-May-21	NCCW	EGM	Amending articles 21, 24, 31 & 32 of the bylaws.
17-May-21	POUL	Cash dividend	Last date for eligibility for a dividend of EGP0.160/share.
19-May-21	ESGI	OGM	Approving the financial statements and other agenda items.
19-May-21	RMDA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
19-May-21	RMDA	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
19-May-21	ORAS	OGM	Approving the financial statements and a cash dividend of USD0.23/share.
19-May-21	SWDY	Cash dividend	Last date for eligibility for a dividend of EGP0.40/share.
20-May-21	FWRY	Right Issue	The closing date for a rights issue subscription.
20-May-21	POUL	Cash dividend	Date for a payout of EGP0.160/share.

20-May-21	HRHO	OGM	Approving a capital increase of EGP768.6mn through retained earnings and approving other agenda items.
20-May-21	HRHO	EGM	Approving an employee incentive system and other agenda items.
20-May-21	IDHC	First Trading Day	First day of trading of Integrated Diagnostics Holding's [IDHC] local shares in EGP on the EGX.
24-May-21	SWDY	Cash dividend	Date for a payout of EGP0.40/share.
24-May-21	BINV	Cash dividend	Last date for eligibility for a dividend of EGP1.25/share.
27-May-21	FAIT	EGM	Amending articles 2, 7, & 47 of the bylaws.
27-May-21	BINV	Cash dividend	Date for a payout of EGP1.25/share.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
11-May-21	<u>MACROView – Inflation Eased but Stage Still Set for a Pick-Up</u>
9-May-21	<u>MACROView – Stability Prevailed</u>
6-May-21	<u>MACROView – The Road to Recovery Gets Longer</u>
18-Apr-21	<u>MACROView – Challenges Remain Daunting</u>
13-Apr-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – The Value Algorithm</u>
12-Apr-21	<u>Orascom Construction [ORAS] – Rich in Value</u>
11-Apr-21	<u>MACROView – Monthly Reading Pressured By Seasonality</u>
6-Apr-21	<u>MACROView – FX Assets Well Placed to Mitigate Potential Risks</u>
6-Apr-21	<u>MACROView – Still Downbeat</u>
28-Mar-21	<u>Taaleem Management Services [TALM] – Enriching the Education Sector</u>
18-Mar-21	<u>EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues</u>
10-Mar-21	<u>MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon</u>
8-Mar-21	<u>MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions</u>
7-Mar-21	<u>Al-Shams Housing & Development [ELSH] – Making Hay While the Sun Shines</u>
3-Mar-21	<u>MACROView – Weak Demand Still Weighing on the Rebound Trajectory</u>
2-Mar-21	<u>MACROView – Commodity Supercycle: Real or Hype?</u>
1-Mar-21	<u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u>
25-Feb-21	<u>Elsowedy 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>

1-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>

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