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Flashy Multiples

1. Today's Trading Playbook

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KEY THEMES

Yesterday, the market cashed in on the opportunities spouted from MSCI SAIR announcement. Elsewedy Electric's [**SWDY**], after hitting an intraday low of EGP7.8/share, before recovering some of its losses, closing the day at EGP8.18/share, as investors cheered a set of pretty strong Q1 2021 figures. As of yesterday's close, SWDY currently trades at a TTM P/E of 5.6x, while the name is traded at 2021 P/E and EV/EBITDA of 6.7x and 4.5x respectively. We believe such trading multiples are good enough to stimulate buying potential over the course of 2021. We remind you that we have an overweight recommendation on the name, with a 12M PT of EGP12.7/share (ETR 55%).

Elsewhere, with Q1 2021 results season continue, we're starting to get a clearer idea on how stiff the avalanche in banking stocks was in 2020. For example, Faisal Islamic Bank of Egypt's [**FAIT**] standalone figures in the first quarter points to NIM improving by around 70bps, with annualized ROAE settling in the mid-teens, yet the bank P/BV is a slim 0.3x. We note that the current P/BV that FAIT is trading on is 16% below its 5-year average (since 18 May 2016) of 0.47x. The bank always erred on the side of caution in the past, the thing which dented profitability as interest rates fell down in 2020. However, FAIT's very low funding cost has always allowed the bank to generate acceptable returns despite the bank's overly risk off mode.

POSITIVE

SWDY: Good chances of rerating after overcoming the negative effect of MSCI SAIR announcement.

FAIT: Q1 2021 results showcases repressed trading multiples compared to historical levels.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Utilities and other companies that provide ongoing services to the public may soon be able to raise capital by securitizing future cash flows under a new instrument greenlit by the Financial Regulatory Authority. ([FRA](#))

The Ministry of Trade & Industry reduced import tariffs on iron billets last month to USD46/ton from USD60, while anti-dumping duties on steel rebars are now at USD85/ton from USD105/ton. These rates will remain in place until April 2022, when they are expected to be reduced again. ([Al-Shrouk](#))

Tourism revenues in Q1 2021 are down almost 60% compared to pre-COVID Q1 2019, with Egypt losing out on some USD600mn in revenues per month during the quarter compared to 2019 figures, Tourism and Antiquities Minister said. ([Al-Arabiya](#))

CORPORATE NEWS

Elsewedy Electric's [SWDY] consolidated Q1 2021 net income jumped to EGP700mn (+75% y/y) on higher revenues of EGP12.3bn (+14% y/y). SWDY will cancel 13.4mn treasury shares. SWDY currently trades at a TTM P/E of 5.6x. (Company disclosures [1](#), [2](#), [3](#))

Madinet Nasr for Housing & Development [MNHD] accepted the resignation of its board member and CEO, Eng. Ahmed El Hitamy, who will still serve as a consultant until the end of the year. MNHD's current chairman will assume full CEO responsibilities until Haitamy's successor is announced. ([Company disclosure](#))

Cleopatra Hospitals [CLHO] is seeking an approval from the Financial Regulatory Authority (FRA) to make a mandatory tender offer to acquire the entire stake of Alexandria Medical Services [AMES] which is valued at EGP550mn or EGP38.53/share. Moreover, CLHO's BoD approved a loan of EGP371mn from Ahli United Bank – Egypt. ([Company disclosure](#))

Sidi Kerir Petrochemicals' [SKPC] Q1 2021 recorded net earnings of EGP152mn vs. net losses of EGP31mn in the comparable quarter. The significant improvement in bottom line comes on the back of robust revenue growth, as top line recorded EGP1.3bn (37.5% y/y). GPM improved substantially to 21.5% vs. 2.6%, reflecting considerably higher selling prices when compared to the first quarter of the pandemic. ([Company disclosure](#))

Abu Dhabi Islamic Bank - Egypt's [ADIB] Q1 2021 consolidated net profit jumped 44% y/y to EGP332mn, as a result of EGP71mn income from selling its share in associate company, Net interest income (NII) retreated marginally 1.4% y/y to EGP804mn. Net lending grew 5.4% ytd to EGP42.2bn, while deposits inched up 2% ytd to EGP63.9bn. ROAE jumped to 25.4% vs. 22.2% in Q1 2020. ADIB is currently trading at a P/BV of 0.43x and TTM P/E of 1.74x. ([Bank release](#))

Porto Group [PORT] turned to net profits of EGP17.7mn in Q1 2021 from losses of EGP15.5mn in Q1 2020, on higher operating profits of EGP30.2mn vs. operating losses of EGP13.4mn, and less finance expenses of EGP1.5mn (vs. EGP8.5mn). Meanwhile, revenues surged to EGP318mn (+54% y/y). PORT's Q1 2021 pre-sales declined to EGP298mn (-8% y/y). (Company disclosures [1](#), [2](#))

Faisal Islamic Bank of Egypt's [FAIT] Q1 2021 stand-alone net profits grew to EGP538mn (+14.6% y/y) as net interest income grew to EGP1.26bn (+32% y/y). Meanwhile, net lending increased to EGP10.8bn (+8% ytd), and deposits edged up to EGP100.1bn (+3.3% ytd). ROAE rose to 15.1% from 14.4%, and NIM reached 5.1% vs. 4.4% thanks to attractive Treasury yields. FAIT is attractively trading at a P/BV of 0.30x and a P/E of 2.1x. ([Bank release](#))

Alexandria Factory for Readymade Garments, a wholly owned subsidiary of Dice Sport & Casual Wear [DSCW], said a fire breakout cost it losses, initially estimated at EGP15mn, in some insured machines and raw materials. On a separate note, DSCW was valued by an independent financial advisor, upon request from the Financial Regulatory Authority (FRA), at EGP2.69/share. (Company disclosures [1](#), [2](#))

Beltone Financial Holding [BTFH] recorded consolidated net profits of EGP3.8mn in Q1 2021 vs net losses of EGP8.4mn a year earlier, after reversing provisions of EGP11.3mn and growing operating revenues to EGP76.2mn (+9.3% y/y). ([Company release](#))

Contact Financial Holding's [CNFN] Q1 2021 consolidated net profit climbed to EGP114.7mn (+22.4% y/y), after COGS plunged to EGP108mn (-87% y/y). CNFN performed well despite a 65% y/y fall in total revenues to EGP414mn. ([Company release](#))

Misr Cement - Qena [MCQE] saw its Q1 2021 consolidated net income decrease to EGP28.9mn (-23.6% y/y). Meanwhile, revenues declined to EGP712.7mn (-12.6% y/y) as demand slowed and cement cheapened. (Company disclosures [1](#), [2](#))

Speed Medical [SPMD] seeks to acquire 25% stake in Digital Wellnez Software, which owns the CareSquare application and affiliated with Misr Pharmacies owners, with an estimated value of EGP22.5mn. ([Al-Mal](#))

Al Baraka Bank - Egypt's [SAUD] Q1 2021 consolidated net profit grew 2% y/y to EGP269mn, as a result of 13.2% y/y growth in net interest income (NII) to EGP636mn. Net lending inched up marginally 2.2% ytd to EGP19.9bn, while deposits increased 1.1% ytd to EGP67.1bn. ROAE retreated to 21.1% down from 26.1% in Q1 2020. SAUD is currently trading at a P/BV of 0.54x and P/E of 2.27x. ([Bank release](#))

GLOBAL NEWS

Atlanta Federal Reserve President said that he's comfortable with the central bank's ultra-loose policy even as inflation gains steam in the U.S. economy. ([CNBC](#))

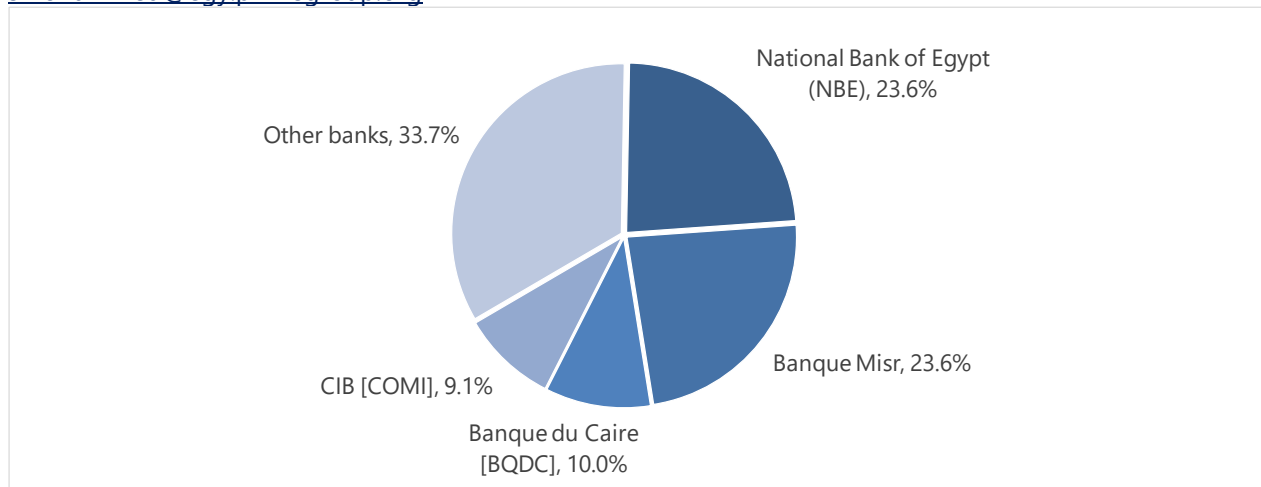
Oil prices extended gains on Tuesday as hopes of a solid recovery in fuel demand following the reopening of the U.S. and European economies offset concerns over spreading COVID-19 cases in Asia. ([Reuters](#))

Sudan just got USD30bn in the form of debt cancellation and funding pledges from IMF members during a conference in Paris. ([Sky news](#))

3. CHART OF THE DAY

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Source: Ministry of Finance.

Bank contributions in state initiative for conversion to natural gas-fueled cars: Banks did not contribute evenly in the state's initiative aimed to encourage conversion from gasoline- to natural gas-powered cars. By end of April, 5,500 applicants participated in the initiative, largely through state-owned banks. Around 47% of the participants applied through **National Bank of Egypt (NBE)** and **Banque Misr**. We speculate private lenders may have found their involvement

in the initiative to be barely profitable, hence contributed less. But the initiative is still ongoing and time would tell soon whether private banks would upset this pattern.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
671.6					1,602.5 1,178.6				
				daily chg.	ytd chg.			daily chg.	ytd chg.
	📉	EGX 30	10,674.67	(0.87%)	(1.57%)		📈	Gold	1,866.90 1.27% (1.45%)
	📉	EGX 30 TR	4,153.83	(0.88%)	(0.43%)		📈	Silver	28.17 2.73% 7.96%
	📈	EGX 70 EWI	2,185.13	1.07%	1.86%		📈	Brent Oil	69.46 0.35% 34.56%
	📈	EGX 100 EWI	3,123.35	0.86%	0.82%		📈	WTI	66.27 0.32% 37.02%
	📈	DFMGI	2,673.07	0.32%	7.27%		📈	Natural Gas	3.11 0.26% 22.76%
	📈	ADSMI	6,477.57	0.77%	28.10%	EGP	📈	USD/EGP	15.72 0.34% (0.16%)
	📈	TASI	10,396.44	0.71%	19.64%	€	📈	EUR/USD	1.22 0.22% (0.30%)
	📉	QE Index	10,793.47	(1.21%)	3.43%	£	📈	GBP/USD	1.41 0.34% 3.75%
	📉	S&P 500	4,163.29	(0.25%)	10.84%	¥	📉	USD/JPY	109.21 (0.09%) 5.68%
	📉	Dow 30	34,327.79	(0.16%)	12.16%		📉	6M TB yield	13.39 (1) 66
	📉	NASDAQ	13,379.05	(0.38%)	3.81%		📉	1Y TB yield	13.35 (1) 58
	📈	VIX	19.72	4.84%	(13.32%)		📉	10Y TB yield	14.83 (1) 44
	📉	STOXX 50	4,006.84	(0.26%)	12.78%		📉	2Y TB yield	0.15 (0) 2
EM	📈	MSCI Emerging	1,311.45	0.30%	1.56%		📈	10Y TB yield	1.65 3 72
FM	📈	MSCI Frontier	618.12	0.28%	8.13%		📈	30Y TB yield	2.37 2 71

* As of market close, except for commodities and currencies at 8.17am 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
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	FWRV	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
17-May-21	<u>Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth</u>
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>

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