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Exits Kick Off, Unlocking Value

1. Today's Trading Playbook

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KEY THEMES

Almost 9.5 months ago in this very section ([specifically on 5 August 2020](#)), we were the first in the market to uncover the cheap valuation of B Investments [**BINV**]. Those who had followed our call back then would have pocketed a juicy 144% return in less than 10 months! That said, we still see more positive returns to be had in the stock, having published [our Core Coverage Rote on the name yesterday](#). Our non-banking financials analyst Sherif El-Etr sees further hidden value to be unlocked in BINV which provides exposure to sectors that are not represented on the Egyptian Exchange (EGX). Indeed, BINV's plans to float Ebtikar's e-payment companies on EGX during H2 2021 should mean other prosperous divestments could be underway. Using a sum-of-the-parts approach, El-Etr reached a fair value of EGP16.4/share and a 12-month price target of EGP17.9/share, and hence the Overweight rating. For further details, please check out [our Core Coverage Report](#).

POSITIVE

BINV: Further value could be unlocked with any upcoming divestments. We see an upside potential in excess of 20% from market price.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Egyptian Exchange could see as many as five more companies offer shares for sale before the year is out, EGX Chairman said. According to him, two or three companies could offer their shares on the EGX in the back half of 2021, but he did not specify whether they were private- or public-sector companies, whether the listings would be primary or secondary offerings, or whether he was including stake sales by already listed company.

([CNBC Arabia](#))

The IMF is considering a proposal that calls for establishing a liquidity and sustainability fund worth USD30bn. The fund aims at extending credit and finance facilities for African countries so as to help them recover from the COVID-19 pandemic, Egypt's Minister of Finance announced on Tuesday. ([Ahram online](#))

A 205% increase in investments in the health sector was set in the FY22 development strategy as presented to the parliament by the minister of planning. ([Egypt today](#))

Egypt is keen on expanding its electrical linkage projects with many countries as part of a strategy to become a global energy hub. ([Egypt today](#))

Gold prices in Egypt have witnessed an upward trend since the beginning of this week, supported by the gains of the precious metal globally. ([Mubsher](#))

CORPORATE NEWS

Speed Medical's [SPMD] BoD approved to establish a company for financing medical and pharmaceutical services, a first in Egypt, under the name Speed Finance for consumer finance. The EGP25mn capital of the new company, where SPMD will hold a 50% stake, will be paid within a year. SPMD's board also decided to open eleven Speed Lab branches in Sharqia governorate. ([Company disclosure](#))

The Egyptian Stock Exchange (EGX) disclosed that a total of 7.7mn of Taaleem Management Services' [TALM] shares were sold to the stabilization fund at the IPO price of EGP5.75/share during 18 May 2020 trading session. We note that the retail tranche were a total of 18mn shares. ([EGX](#))

Export Development Bank of Egypt's [EXPA] Q3 FY21 consolidated net profit fell to EGP536mn (-45% y/y), after net interest income (NII) slid to EGP1.37bn (-12.4% y/y). Meanwhile, net lending grew to EGP35.9bn (+15% ytd) and deposits jumped to EGP55.7bn (+27% ytd). ROAE retreated to 11.5% from 24.2% in Q3 FY20. ([Bank release](#)) EXPA is currently trading at a P/BV of 0.53x and a TTM P/E of 5.17x.

Suez Canal Bank's [CANA] Q1 2021 net profit edged up to EGP116mn (+1.2% y/y), as net interest income (NII) grew to EGP374mn (+4.1% y/y). At the same time, net lending rose to EGP19.3bn (+8.7% ytd) and deposits increased to EGP45.8bn (+3.5% ytd). ROAE edged down to 12.2% from 13.9% in Q1 2020. ([Bank release](#)) CANA is currently trading at a P/BV of 0.51x and a TTM P/E of 3.3x.

Societe Arabe Internationale de Banque's [SAIB] Q1 2021 net profit reached USD5.3mn (+28% y/y), after net interest income (NII) hit USD33mn (+8.3% y/y). Concurrently, net lending grew to USD1.7bn (+2.1% ytd) and deposits climbed to USD4.1bn (+6% ytd). Also, ROAE inched up to 6.2% from 5.6% in Q1 2020. ([Bank release](#))

Nile Misr Healthcare intends to reduce its initial bid offer to acquire a majority stake in Alexandria Medical Services [AMES], after Cleopatra Hospitals [CLHO] seeks to make a mandatory tender offer to acquire up to 100% stake in [AMES] with a values of EGP550mn or EGP38.53/share. ([Enterprise](#))

Misr Life Insurance is reportedly looking to float 25% of its shares in 2022. (Al-Borsa)

GLOBAL NEWS

U.S. homebuilding fell more than expected in April, likely pulled down by soaring prices for lumber and other materials, but construction remains supported by an acute shortage of previously owned homes on the market. ([Reuters](#))

Treasury Secretary called on Tuesday for business leaders to pay higher taxes to support government stimulus spending, and backed stronger labor unions and lowering barriers to foreign competition. ([CNBC](#))

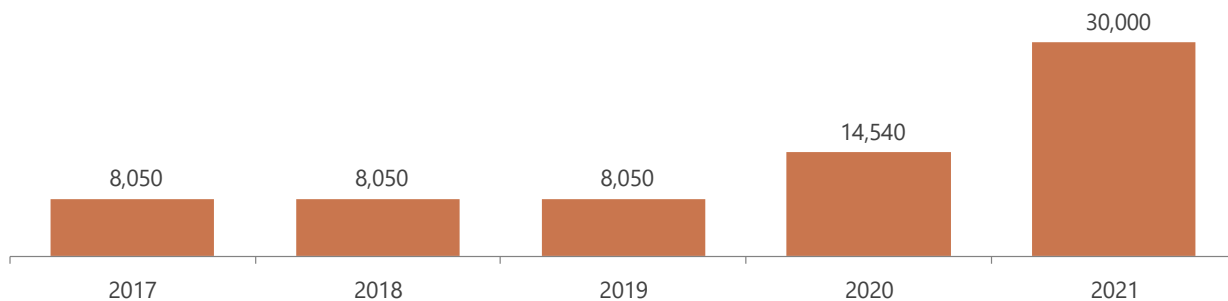
3. CHART OF THE DAY

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SWDY's transformers capacity evolution

■ Annual Capacity (MVA)



Source: Company reports.

Transformers is one of Elsewedy Electric's [SWDY] high-margin segments, generating a gross profit margin after intercompany sales of 29.4% in Q1 2021. Recently, SWDY completed two

acquisitions in Indonesia and Pakistan that will help the company more than double its annual capacity and will open the door for tapping new markets in Australia and Asia.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						679.7	

* As of market close, except for commodities and currencies at 8.1am 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.
19-May-21	ALCN	BoD meeting	Discussing 10M 2020/21 financials.
20-May-21	IDHC		First trading day on EGX
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.
25-May-21	AREH	Stock Split	Last date for eligibility for a 10-for-1 stock Split.
25-May-21	AREH	Stock Split	Payment date for a 10-for-1 stock split.
26-May-21	AJWA	EGM	Discussing the continuation of the company.
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.
2-Jun-21	ECAP	Cash dividend	Last date for eligibility for EGP1/share.
5-Jun-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
7-Jun-21	ECAP	Cash dividend	Payment date for a dividend of EGP1/share.
8-Jun-21	CCAP	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
18-May-21	B Investments Holding [BINV] – Exits Kick Off, Unlocking Value
18-May-21	Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead
17-May-21	Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth
11-May-21	MACROView – Inflation Eased but Stage Still Set for a Pick-Up
9-May-21	MACROView – Stability Prevailed
6-May-21	MACROView – The Road to Recovery Gets Longer
18-Apr-21	MACROView – Challenges Remain Daunting
13-Apr-21	Crédit Agricole Egypt (CAE) [CIEB] – The Value Algorithm
12-Apr-21	Orascom Construction [ORAS] – Rich in Value
11-Apr-21	MACROView – Monthly Reading Pressured By Seasonality
6-Apr-21	MACROView – FX Assets Well Placed to Mitigate Potential Risks
6-Apr-21	MACROView – Still Downbeat
28-Mar-21	Taaleem Management Services [TALM] – Enriching the Education Sector
18-Mar-21	EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues
10-Mar-21	MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon
8-Mar-21	MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions
7-Mar-21	Al-Shams Housing & Development [ELSH] – Making Hay While the Sun Shines
3-Mar-21	MACROView – Weak Demand Still Weighing on the Rebound Trajectory
2-Mar-21	MACROView – Commodity Supercycle: Real or Hype?

1-Mar-21	<u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u>
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>
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>

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