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Taking a Cue From a Q

1. Today's Trading Playbook

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KEY THEMES

As heavyweight companies continue to report their Q1 2021 results, investors are reacting to the news on a case-by-case basis. Yesterday, EFG Hermes Holding [**HRHO**] reported [strong y/y performance](#) on both the top and bottom lines. Investors buoyed the results, bidding the stock 1.5% higher, having risen 2.6% intraday. We see three catalysts at play, two long term and one short term. The long term catalysts are its non-banking financial services platform strong performance and its acquisition of aiBank. These two catalysts alone should drive ROAE higher over time. The short term catalyst is the proposed 20% stock dividend that HRHO shareholder will vote to approve today.

Meanwhile, another heavyweight, Elsewedy Electric's [**SWDY**] Q1 2021 results were good enough to save the stock of the market pullback following MSCI's decision to remove it from MSCI EM index. The company just had its conference call discussing Q1 2021 results, which our industrials analyst **Dina Abdelbadi** attended and left with the below takeaways:

Optimistic for the full year: SWDY's management is satisfied with Q1 2021 results, boasting higher revenues, gross profit, EBITDA, and net income as well as lower SG&A as a percentage of revenues with higher margins on an annual basis. Despite turnkey's lower revenues, SWDY kept a strong backlog position, ending Q1 2021 with almost EGP50bn, having added EGP5.2bn in new awards during the quarter. Management indicated that turnkey revenues are not linear, and with such a sizable backlog, there is no need to worry about revenues over the coming couple of years.

Net debt position is monitored: SWDY had a net debt position of EGP1.34bn in Q1 2021 due to higher copper prices that exceeded USD10,000/ton and the partial finance of the transformers acquisitions that will be financed through both debt and equity. However, the debt level is monitored in order not to affect the financials negatively. As for the shares cancellation, it will take place in Q2 and Q3 2021 according to the regulations.

The effect of higher copper prices: Copper prices witnessed a high level of USD10,000/ton compared to USD6,000-7,000 expected in SWDY's budget. This may affect the company's working capital needs and hence increase its short-term debt, which may affect demand negatively as the products as well as some turnkey projects would be deemed expensive. In the meantime, SWDY sells cables not copper, so the risk is minimal as the price increase will be passed on to customers.

More acquisitions to come? After the two acquisitions in Indonesia (the company works well) and Pakistan (the company needs some restructuring), we may have more acquisitions this year. The two transformer acquisitions will start to be consolidated partially in Q2 2021 and fully in Q3 2021 as they are already operational.

Guidance for 2021: Capex is expected to be around EGP1.2bn (normal maintenance), excluding acquisitions. Turnkey revenues are expected to range between EGP24-25bn (higher than 2020 revenues of EGP22.7bn), with a GPM of 12-13% (close to 2020 GPM of 13.9%). Meters segment is also expected to expand more in Latin America, Argentina, and the GCC.

POSITIVE

HRHO: Still trading below book at 0.8x, we monitor HRHO's ROAE which crossed into double digits in Q1 2021, albeit just 11%. We see 23% upside to our 12M PT of EGP17.7/share.

SWDY: SWDY is trading at attractive multiplies (P/E of 5.7x and EV/EBITDA of 3.6x), leaving a 45% upside.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Ministry of Trade & Industry will reportedly discuss solutions in view of higher aluminum prices in the local market after tariffs were placed by the government on aluminum imports last April. ([Al-Arabiya](#)) We note that the increase in prices was also a product of higher aluminum prices globally. On a further note, some officials at Egypt Aluminum [EGAL] have commented in the press last April saying that EGAL will not exploit the tariffs by upping their local selling prices, stating that the import tariffs' positive effect will be through increasing local volumes.



The Central Bank of Egypt (CBE) decided to finance up to 90%, instead of an earlier 75%, of the renovation of hotels and tourism transportation fleets as part of its tourism initiative which will now end by December instead of June. ([CBE](#))

In a serious attempt to support labor market efficiency and boost workers' real income, **the Cabinet approved raising the minimum wage for civil servants from EGP2,000 to EGP2,400**, effective 1 July, the start of next fiscal year. ([Cabinet Statement](#))

The National Bank of Egypt (NBE) has connected with the UAE-based financial service provider LuLu International Exchange – part of the LuLu Financial Group – through RippleNet to process cross-border remittances from the UAE to Egypt, which will be quicker and more reliable. ([Ripple](#))

Tourists entering the Red Sea, South Sinai, Luxor, and Aswan governorates will now pay visa fees of USD25 per person as of 1 May, after a Tourism Ministry initiative waiving entry fees expired. ([Enterprise](#))

As tourism started to rebound, **tourists entering the Red Sea, South Sinai, Luxor and Aswan governorates will now pay visa fees of USD25 per person as of 1 May**, after a Tourism Ministry initiative waiving entry fees expired. However, tourism players are lobbying for an extension as the COVID-19 remains active. ([Enterprise](#))

Foreign investment in the education sector is receiving fresh inflows from Paris-based education group Open Sky International (OSI) which plans to open the doors to its first school in Cairo this September. It also plans to set up another 10 of its schools in Egypt by 2025. ([Open Sky](#))

CORPORATE NEWS

Orascom Construction's [ORAS] Q1 2021 net income decreased by 4.4% y/y to USD23.9mn (23% below our estimates of USD31mn, 21% of our full-year estimated net income of USD113mn). Meanwhile, revenues decreased by 1.3% y/y to USD816.6mn (1.6% below our estimate of USD830mn). We are neutral on the results; ORAS is currently trading at a TTM P/E and EV/EBITDA of 7x and 2.9x, respectively. ([Company disclosure](#))

EFG Hermes Holding's [HRHO] Q1 2021 financials showed signs of recovery with bottom line reaching EGP292mn (+223% y/y), mostly helped by the year-ago comparables that were weakened by built up provisions. Meanwhile, revenues grew to EGP1.2bn (+30% y/y). NBFS contributed 36% and 48% to group's revenues and bottom line respectively, showing gradual growth. On another note, **HRHO and The Sovereign Fund of Egypt {TSFE} got the cabinet nod for their 76% acquisition of aiBank.** ([Company disclosure](#), [Youm 7](#))

Integrated Diagnostics Holding [IDHC], which has been listed on the London Stock Exchange (LSE) and today on the Egyptian Exchange (EGX), reported net income after minority of EGP594mn in 2020 (+16% y/y). Such performance is derived from higher revenues of EGP2.7bn (+19% y/y) and higher gross profit margin of 51% (+187bps). ([Company disclosure](#))

Crédit Agricole Egypt's (CAE) [CIEB] request to increase its paid-up capital by three-fold to EGP5bn from EGP1.2bn has been approved by the Financial Regulatory Authority (FRA).

Of the capital hike, EGP128mn will be financed from special and capital reserves and EGP3.6bn from retained earnings. The capital increase is subject to the approval of the Central Bank of Egypt. ([FRA](#))

Palm Hills Developments' [PHDC] EGM approved reducing its issued capital from EGP6.23bn to EGP6.16bn through writing off treasury shares valued at EGP72.7mn. Also, it agreed to waive 50% of its Botanica land, which stretches over 1,283 feddans (5.39mn sqm) in New Sphinx City to the New Urban Communities Authority (NUCA) in return for installing all the needed utilities in the land, changing the land use from agricultural to residential as well as making an in-kind payment to NUCA. ([Company disclosure](#))

United Housing & Development [UNIT] received the Financial Regulatory Authority's (FRA) approval to reduce its issued capital from EGP354mn to EGP343mn through writing off treasury shares valued at EGP10.8mn. ([Company disclosure](#))

Egyptian Resorts Co. [EGTS] swung to losses of EGP6.5mn in Q1 2021, dragged by lower revenues of EGP18mn (-80% y/y). ([Company disclosure](#))

Elwadi for International Investment & Development [ELWA] saw its 2020 net profits sink to EGP26mn (-40% y/y) after its revenues dived to EGP37mn (-34% y/y). ([Company disclosure](#))

CORRECTION

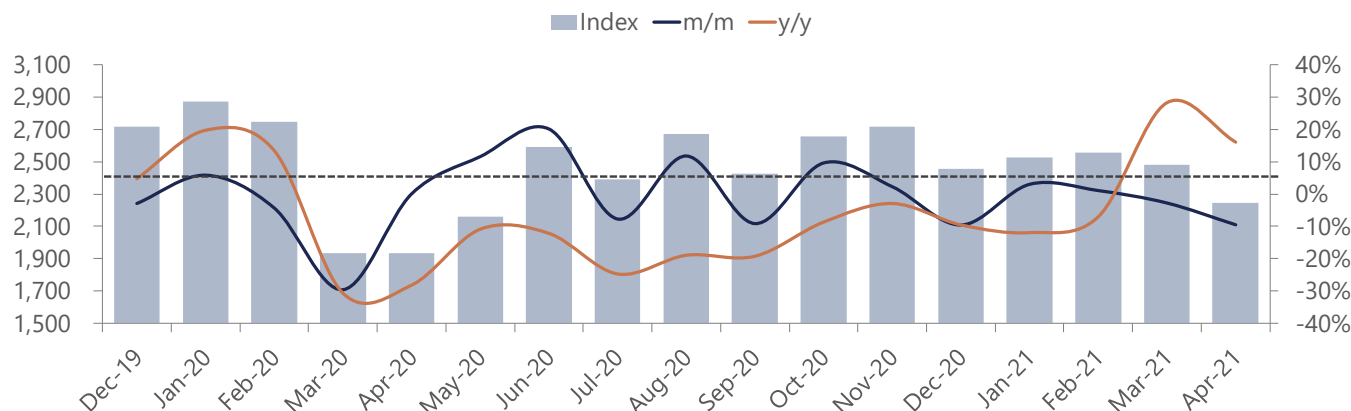
Contact Financial Holding [**CNFN**] has reported a net profit of EGP114.7mn in Q1 2021. It was incorrectly mentioned in [Tuesday's PRIMETIME](#) as EGP114.7bn. The story has since been corrected.

3. CHART OF THE DAY

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Aqaarmap Real Estate Demand Index



Source: Aqaarmap, Prime Research.

Based on Aqaarmap's index, demand for real estate properties declined in April 2021 by 9.5% m/m and 8.6% ytd. Moreover, y/y demand in April 2021 increased by 16%. We note that Aqaarmap's index gauges demand using the website's traffic and economic and statistical data.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
665.8					1,919.7 1,178.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	EGX 30	10,806.23	0.23%	(0.36%)		Gold	1,869.62	0.01%	(1.30%)
	EGX 30 TR	4,170.75	(0.88%)	(0.03%)		Silver	27.74	(1.59%)	5.23%
	EGX 70 EWI	2,241.36	0.48%	4.49%		Brent Oil	66.66	0.48%	29.31%
	EGX 100 EWI	3,200.82	0.43%	3.32%		WTI	63.36	0.57%	31.33%
	DFMGI	2,711.21	0.24%	8.80%		Natural Gas	2.96	(0.03%)	16.70%
	ADSMI	6,518.61	(0.15%)	28.51%		USD/EGP	15.68	0.01%	(0.41%)
	TASI	10,372.54	(0.49%)	19.37%		EUR/USD	1.22	0.11%	(0.23%)
	QE Index	10,733.62	(0.70%)	2.85%		GBP/USD	1.41	0.05%	3.31%
	S&P 500	4,115.68	(0.29%)	9.57%		USD/JPY	109.22	(0.09%)	5.69%
	Dow 30	33,896.04	(0.48%)	10.75%		6M TB yield	13.39	(1)	66
	NASDAQ	13,299.74	(0.03%)	3.19%		1Y TB yield	13.35	(1)	58
	VIX	22.18	3.94%	(2.51%)		10Y TB yield	14.83	(0)	44
	STOXX 50	3,936.74	(1.71%)	10.81%		2Y TB yield	0.16	0	3
	MSCI Emerging	1,327.54	(0.42%)	2.81%		10Y TB yield	1.67	3	74
	MSCI Frontier	619.47	0.11%	8.37%		30Y TB yield	2.37	1	71

* As of market close, except for commodities and currencies at 8.22am 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
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 EGP0.16/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.
30-May-21	ISPH	BoD meeting	Discussing the financial results.
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
20-May-21	EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track
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	<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>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>
8Jun-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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