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Getting Real ... Again

1. Today's Trading Playbook

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KEY THEMES

Large caps continued to publish their Q1 2021 results last week and over the weekend too! Of our Core Coverage universe, we have so far seen some mixed trends. On one hand, [Elsewedy Electric](#) [**SWDY**] and [EFG Hermes Holding](#) [**HRHO**] have reported strong results, whereas [Crédit Agricole Egypt](#) [**CIEB**] and [Commercial International Bank - Egypt](#) [**COMI**], which published its Q1 report late Friday night, exhibited narrower net interest margin (NIM) y/y. Meanwhile, Orascom Construction's [**ORAS**] earnings came somewhat short of our estimates, and CI Capital Holding's [**CICH**] earnings were dented by a one-off ESOP cost triggered by Banque Misr's mandatory tender offer (MTO). Yet, we think it is too early to tell whether Q1 2021 trends will permeate throughout 2021. For this, we have maintained our ratings and 12-month price targets (12M PT) as is for now.

Earnings aside, we could see real estate stocks coming back in favor this week following an [Al-Mal report](#) that the Egyptian government will be limited new land sales to real estate developers, thus excluding individuals. Earlier in the year, we had made [a positive call](#) on the real estate as we thought the negative sentiment is starting to turn positive.

POSITIVE

Real Estate: We think investors will bid real estate developers' stocks higher this week, especially those exposed to new cities.

NEGATIVE

HDBK: Housing & Development Bank [**HDBK**] could feel the brunt of the government's above-mentioned decision later on in the year.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

In line with the successful efforts to advance global partnerships to promote development cooperation with multilateral and bilateral development partners, the Ministry of International Cooperation announced the ongoing cooperation portfolio with Germany amounting to EUR1.7bn which has funded 30 projects so far either through loans or technical and financial grants. This portfolio has benefited many sectors, including, energy efficiency, renewable energy, water sanitation, development of water resources, solid waste management, migration, labor market, private sector support, technical education, vocational training, urban development and administrative reform, development of women and youth, and community development. ([Egypt Today](#))

The dairy market in Egypt is receiving a boost from Ireland, which has been a key supplier for Egypt's dairy products over the last 10 years. Ireland's leading dairy ingredient suppliers are set to strengthen business ties with key Egyptian retailers and food manufacturers through a dairy forum hosted by the Irish Food Board. According to CAPMAS, the country imports of dairy product is around USD602mn, where the share of Irish product account north of 10%. ([Egypt Today](#))

Ending the COVID-19 pandemic by vaccinating at least 40% of the population in all countries by the end of 2021 and at least 60% by the first half of 2022 is the core goal of the newly announced IMF USD50bn proposal. The faster end to the pandemic, according to IMF, could inject the equivalent of USD9tn into the global economy by 2025 due to a faster resumption of economic activity. ([IMF](#))

To improve tax bases without imposing pressures on household spending through new taxes, the Egyptian government is considering introducing VAT on e-commerce sales in Egypt in two phases under amendments to the VAT law. The changes would be phased in over two years and would see international companies that don't pay tax in Egypt required to collect and remit 14% VAT on transactions for digital goods and services. (Al-Watan). This came after Egypt signed the OECD convention on double taxation that aims to redistribute taxes paid by tech companies such as Facebook and YouTube based on where the income is coming from. Meanwhile, the Biden administration is proposing a global minimum tax of at least 15% where the initial proposal comes as officials with the Treasury's Office of Tax Policy participated in meetings with officials from 24 nations over the last two days as part of the OECD's international tax negotiations. ([CBC News](#))

The Ministry of Housing, Utilities and Urban Communities issued a decree that limits land sales to real estate developers as new city authorities are no longer allowed issue lands for individuals. This decree could help real estate developers boost their sales through land monetization and we could see an increase in land prices in response to the decree. Furthermore, the ministry launched a website to serve the residents of new cities. (Al-Mal: [1](#), [2](#))

Responsible banking sources announced that the CBE intends to issue supplementary rules for establishing specialized banks for the first time in Egypt during Q3, likely to be next July, after the completion of all controls related to its work. ([Masrawy](#)) The specialized banks could be in the form of digital banks, banks specializing in SMEs or specific sectors, and banks specializing in payments.

CORPORATE NEWS

Commercial International Bank's (CIB) [COMI] separate financials showed net profits grew to EGP2.9bn (+20% y/y) in Q1 2021 as it booked lower provisions of EGP702mn (-43% y/y, -38% q/q). COMI performed well despite lower net interest income (NII) of EGP5.7bn (-8% y/y, -9% q/q). Also, net interest margin (NIM) retreated to 5.8% in the same quarter (-141bps y/y, -86bps q/q), despite a lower funding cost of 4.6% (-68bps y/y). Meanwhile, ROAE almost stabilized at 19.6%, thanks to a lower cost of risk (-182bps y/y) and a lower effective tax rate, and despite weaker financial leverage. COMI is currently trading at a TTM P/E of 7.8x and a P/BV of 1.4x. ([Bank release](#)) For now, we maintain our 12-month price target (12M PT) at EGP83/share for COMI, implying an upside potential of 46%.

CI Capital Holding [CICH] turned to a net loss of EGP17mn in Q1 2021 vs. a net profit of EGP88mn in the same quarter last year. The negative swing is mainly attributed to a one-off expense of EGP150mn for its ESOP. Normalized, net profit would reach EGP133mn (+48% y/y). CICH's revenues rose to EGP560mn (+8% y/y) as its investment banking platform performed better. CICH's normalized TTM ROAE stands at 17%, in line with our FY2021 expectations. ([Company disclosure](#))

Fawry's [FWRY] Q1 2021 net income after minorities jumped by 146% y/y to EGP76mn. Meanwhile, revenues increased by 35% y/y to EGP349mn. ([Company Disclosure](#))

Orascom Construction [ORAS] announced 6,524,444 of its shares were transferred by Cascade Investment on 10 May to Melinda French Gates. The price per share was not disclosed in ORAS's statement. Melinda French Gates now holds a direct and indirect ownership of 5.6% and 0.2% respectively in ORAS, where Cascade Investment has none. ([Company disclosure](#))

The Ministry of Housing, Utilities & Urban Communities decided to stop selling construction lands to individuals, limiting its sales to real estate developers. ([Al-Mal](#)) This will slow down deposit growth at Housing & Development Bank [**HDBK**] starting Q3 2021.

Speed Medical's [SPMD] BoD approved to list the stock in Dubai Financial Market. SPMD shares equivalent to up to 33% of the company's capital should be listed. SPMD's issued capital is currently at EGP222mn distributed over 1.11bn shares. ([Company disclosure](#)) **The BoD also approved to distribute EGP78mn dividends in the form of stock dividends.** This will bring SPMD's capital to EGP300mn. ([Al-Mal](#))

IbnSina Pharma [ISPH] plans to spend c.EGP141mn in pursuit of its annual expansion plan for 2021. This compares to EGP171mn invested last year. ([Company disclosure](#))

Heliopolis Housing & Development's [HELI] said it will extend the deadline to purchase the conditions booklet for its project Heliopark to 29 July instead of 16 July. ([Arab Finance](#))

GB Auto [AUTO] is seeking an EGP250mn loan to finance a car assembly plant with an interest rate of 8%, as part of the Central Bank of Egypt's (CBE) initiative to support the industry. AUTO's total debt stood at EGP15bn as of 31 March 2021. ([Shorouk](#))

GLOBAL NEWS

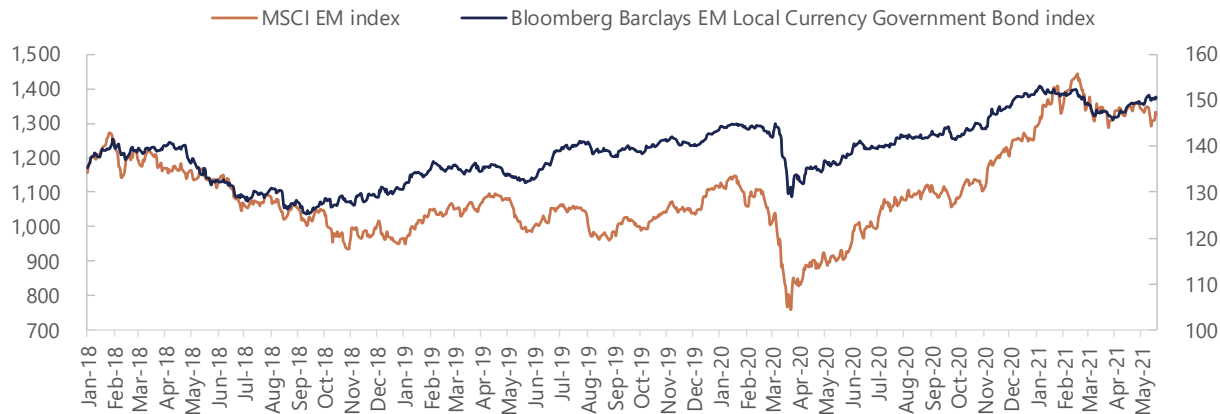
Global markets and central banks in EMs are keeping watch on how U.S. inflation will unfold as they look for clues about when the fed easy policy measures might finally start to unwind. Thus, the Central Bank of Egypt (CBE) is likely going to hold its "wait and see" mode in the upcoming meeting. Investors got their first indication this week when minutes from the US central bank's last policy meeting featured a discussion in which some members said it would be time soon to talk about rolling back at least one of the key tools the Fed has used to guide the economy. ([CNBC](#))

Prices in China for commodities such as iron ore, steel rebar, coal and copper have surged to record highs in May prompting the government to step in to curb "unreasonable" cost increases for consumers. Yet, China's overall appetite for metal looks set to stay strong as long as its economy grows. ([Reuters](#)) When it comes to commodity super cycle, we knew that China has been the main driver of global metal markets for more than a decade, and it's not surprising to see the world's factory floor and largest construction market still leading the pack.

3. CHART OF THE DAY

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Source: Bloomberg.

Last year's rally in emerging markets (EM) assets has waned this year as pandemic infections overwhelm EMs from India to Brazil. Moreover, the weight of higher inflation expectations, their exposure to U.S. growth and the impact of higher commodity prices petered out investors' enthusiasm toward EMs. The Bloomberg Barclays EM local currency government bond index is down 1.1% ytd, and the MSCI emerging markets index also fallen by 8.1% since its 2021 peak in mid of February.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
671.9					1,562.7 1,178.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
🇪🇬	📉 EGX 30	10,731.96	(0.69%)	(1.04%)	📈 Gold	1,881.25	0.22%	(0.90%)	
	📈 EGX 30 TR	4,181.09	0.25%	0.22%	📉 Silver	27.56	(0.69%)	4.40%	
	📉 EGX 70 EWI	2,229.15	(0.54%)	3.92%	📈 Brent Oil	66.44	2.04%	28.26%	
	📉 EGX 100 EWI	3,181.12	(0.62%)	2.69%	📈 WTI	63.58	2.65%	31.04%	
🇦🇪	📈 DFMGI	2,750.96	1.47%	10.39%	🔥 Natural Gas	2.91	(0.65%)	14.45%	
	📉 ADSMI	6,517.85	(0.01%)	29.19%	EGP 📉 USD/EGP	15.68	(0.24%)	(0.39%)	
🇲🇦	📉 TASI	10,339.85	(0.32%)	18.99%	€ 📉 EUR/USD	1.22	(0.38%)	(0.28%)	
🇺🇸	📉 QE Index	10,695.05	(0.36%)	2.48%	£ 📉 GBP/USD	1.42	(0.28%)	3.51%	
	📉 S&P 500	4,155.86	(0.08%)	10.64%	¥ 📈 USD/JPY	108.96	0.17%	5.53%	
	📈 Dow 30	34,207.84	0.36%	11.77%	🇪🇬 📉 6M TB yield	13.39	(1)	66	
	📉 NASDAQ	13,470.99	(0.48%)	4.52%	📉 1Y TB yield	13.35	(1)	58	
🇪🇺	📉 VIX	20.15	(2.52%)	(11.43%)	📉 10Y TB yield	14.83	(0)	44	
	📈 STOXX 50	4,025.78	0.65%	13.32%	🇺🇸 📉 2Y TB yield	0.15	(1)	2	
EM	📈 MSCI Emerging	1,330.04	0.05%	3.00%	📉 10Y TB yield	1.61	(6)	68	
FM	📈 MSCI Frontier	623.65	0.21%	9.10%	📉 30Y TB yield	2.32	(5)	66	

* 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
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	Distribution 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
22-May-21	Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions
20-May-21	Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth
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	MACROView – Still Downbeat

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>AI-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>Elsowedy 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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