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The Cost of Ambition

1. Today's Trading Playbook

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KEY THEMES

Qalaa Holdings [**CCAP**] just posted its Q1 2021 results, which were marred by the negative performance of the Egyptian Refinery Co. (ERC). CCAP's net losses widened to EGP479mn vs. EGP405mn in Q1 2020 with revenues falling 23% y/y to EGP8bn (-15% q/q). CCAP's GPM deteriorated to 6.9% vs. 10% in Q1 2020. Lower GPM came on the back of ERC facing operational difficulties that led to a 29-day stoppage and 20 days of production slowdown. ERC's quarterly volumes dropped to 606,637 (-41% y/y), with zero volumes produced of jet fuel. Management indicated that ERC incurred net losses of EGP266mn vs. net profits of EGP402mn in Q1 2020, with Gross Refining Margin (GRM) half that of pre-COVID-19 levels. We note that management had previously stated that GRM peaked between November-December 2019 at USD3mn/day. While Q2 2020 had witnessed obvious improvement in terms of crude oil prices as well as the VLSFO-HSFO spread above USD100/ton, we believe that fast forward 2021, the spread is inclined to calm down, as ships savings from scrubbers will start weighing down on VLSFO prices, and accordingly pressuring ERC's GRM.

We note that, excluding ERC performance in Q1 2021, CCAP's revenues grew 9% y/y, driven by solid performance by **TAQA Arabia**, in addition to growth witnessed in the cement sector.

NEGATIVE

CCAP: We see Q1 2021 results weighing down on the stock performance at least in the short term.

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



2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt received USD5.9bn in foreign direct investment in 2020, accounting for 14.5% of the USD40.5bn invested in the region that year, coming second to the UAE which received USD19.9bn in FDI throughout the year. ([Reuters](#))

Russia seeks to expand its industrial partnership with Egypt in the field of auto manufacturing particularly, not only supplying equipment and spare parts, but also through industrial assembly of Russian cars in Egypt. ([Ministry of Trade & Industry](#))

Egypt, along with Senegal, South Africa, Rwanda, Morocco, is one of the leading candidates to receive at least EUR1bn in investment from the EU to establish COVID-19 vaccine manufacturing facilities in Africa. ([Enterprise](#))

Ultra Welfare Company, an affiliate of Abu Dhabi's sovereign wealth fund ADQ, is seeking approval from the FRA for its mandatory tender offer for up 100% of Amon Pharmaceutical for EGP37.8/share. ([Enterprise](#))

CORPORATE NEWS

EFG Hermes Holding's [HRHO] consumer finance arm, ValU, is expanding cross border to KSA before end of 2021. (Al-Mal)

Contact Financial Holding [CNFN] aims to securitize EGP3bn of its financing portfolio during Q3 2021. Meanwhile, CNFN is establishing a new e-payments company with a preliminary capital of EGP50mn. (Al-Borsa, Al-Mal)

Al-Shams Housing & Development's [ELSH] BoD approved appointing two contractors to construct five buildings in Solana, the company's project in the New Administrative Capital. The board also endorsed adjustments made to its marketing contract for Solana with **Real Marketing Co.**, ELSH's 30%-owned unit. ([Company disclosure](#))

Edita Food Industries' [EFID] OGM agreed to pay out cash dividends of EGP150mn or EGP0.207/share, implying a yield of 2.5%. ([Company disclosure](#))

Cleopatra Hospitals Group [CLHO] bought back 200,000 treasury shares. ([Company release](#))

North Cairo Flour Mills' [MILS] BoD approved the financial results for 11M 2020/21 ended 31 May 2021, showing net income of EGP3.39mn (-80% y/y) compared to the company's estimated target of EGP9.42mn. ([Company disclosure](#))



GLOBAL NEWS

Personal consumption expenditures (PCE), a key inflation indicator that the Federal Reserve uses to set policy, rose 3.4% in May—the fastest increase since the early 1990s.

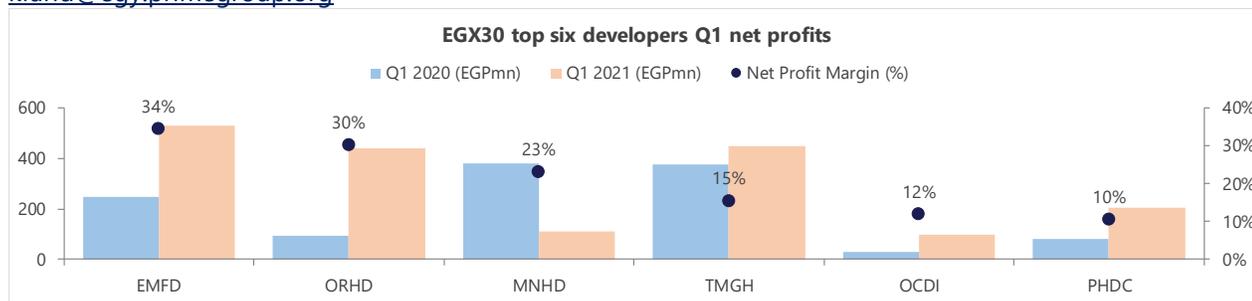
Though the gain was the biggest since April 1992, it met the Dow Jones estimate and markets reacted little to the news. The stock market posted mostly solid gains, while government bond yields were moderately higher. ([CNBC](#))

3. CHART OF THE DAY

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Source: Companies' reports.

EGX 30's top six real estate developers saw their Q1 2021 net profits increase to EGP1.83bn (+52% y/y) on higher revenues of EGP9.2bn (+54% y/y). Orascom Development Egypt [**ORHD**] achieved the highest growth (+377% y/y to EGP439mn). Meanwhile, Emaar Misr for Development [**EMFD**] generated the highest value (EGP529mn) and net profit margin (34%). Of the six real estate developers, five yielded positive earnings growth in Q1 2021, with the exception of Madinet Nasr Housing & Development [**MNHD**] which saw its net profits decline to EGP113mn (-70% y/y) absent any land monetization.



4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)		651.5		Equity turnover (EGPmn): Last, ytd avg.		1,277.9		1,178.6			
			daily chg.	ytd chg.		daily chg.	ytd chg.				
		EGX 30	10,278.86	0.06%	(5.22%)			Gold	1,781.44	0.35%	(6.16%)
		EGX 30 TR	4,008.19	0.78%	(3.92%)			Silver	26.10	0.60%	(1.14%)
		EGX 70 EWI	2,328.72	(0.79%)	8.56%			Brent Oil	76.18	0.82%	47.07%
		EGX 100 EWI	3,296.87	(0.58%)	6.43%			WTI	74.05	1.02%	52.62%
		DFMGI	2,857.07	(0.38%)	14.65%			Natural Gas	3.50	2.28%	37.69%
		ADSMI	6,576.05	(1.01%)	32.31%	EGP		USD/EGP	15.69	0.12%	(0.33%)
		TASI	10,919.68	0.23%	25.66%	€		EUR/USD	1.19	0.03%	(2.30%)
		QE Index	10,761.35	(0.05%)	3.07%	£		GBP/USD	1.39	(0.31%)	1.53%
		S&P 500	4,280.70	0.33%	13.97%	¥		USD/JPY	110.75	(0.11%)	7.26%
		Dow 30	34,433.84	0.69%	12.51%			6M TB yield	13.34	(4)	61
		NASDAQ	14,360.39	(0.06%)	11.42%			1Y TB yield	13.20	(9)	43
		VIX	15.62	(2.19%)	(31.34%)			10Y TB yield	14.83	(0)	44
		STOXX 50	4,120.66	(0.04%)	15.99%			2Y TB yield	0.28	1	15
EM		MSCI Emerging	1,379.59	0.89%	6.84%			10Y TB yield	1.53	4	60
EM		MSCI Frontier	640.82	0.28%	12.10%			30Y TB yield	2.15	4	49

* 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
28-Jun-21	DSCW	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.
29-Jun-21	RACC	EGM	Discussing a capital decrease and amending articles 4, 6 and 7 of the bylaws.
29-Jun-21	CIEB	OGM	Approving a capital increase and other agenda items.
29-Jun-21	CIEB	EGM	Amending articles 6 and 7 of the bylaws.
29-Jun-21	HELI	Cash dividend	Date for a payout of EGP0.16/share (2nd round).
29-Jun-21	HELI		The deadline for buying a copy of the bidding terms for Heliopark.
30-Jun-21	IDHC	OGM	Approving the financial statements and approving distributing dividends.
30-Jun-21	CICH	Cash dividend	Date for a payout of EGP0.05/share (2nd round).
1-Jul-21	AMES	EGM	Approving increasing the issued capital and amending articles 6 and 7 of the bylaws.
3-Jul-21	MTIE	OGM	Renewing the board term.
4-Jul-21	OIH	OGM	Approving the financial statements and other agenda items.
5-Jul-21	MOIL	EGM	Approving cutting the authorized capital from USD1bn to



			USD940.5mn.
7-Jul-21	ELSH	Auction	Open bid for five residential buildings and 11 commercial plots.
11-Jul-21	EXPA	OGM	Date for ex-dividends at a 1-for-5 ratio.
11-Jul-21	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in the 6 th of October project.
11-Jul-21	MTIE	Stock dividend	Last date for eligibility for a 0.25-for-1 stock dividend.
12-Jul-21	MTIE	Stock dividend	Date for distributing a 0.25-for-1 stock dividend.
12-Jul-21	SVCE	EGM	Amending articles of the bylaws.

7. LATEST RESEARCH

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16-June-21	<u>B Investments Holding [BINV] – Strong Financials, Growing Investments</u>
14-June-21	<u>Al-Shams Housing & Development [ELSH] – Earnings Flattened by Factoring Cost</u>
10-June-21	<u>MACROView – Inflation Risk Rising, but Still Within Target</u>
8-June-21	<u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u>
6-June-21	<u>MACROView – Further Enhancement</u>
3-June-21	<u>MACROView – Contraction Eased</u>
23-May-21	<u>Orascom Construction [ORAS] – Earnings Short of Our Estimates</u>
23-May-21	<u>CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense</u>
22-May-21	<u>Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions</u>
20-May-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth</u>
20-May-21	<u>EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track</u>
18-May-21	<u>B Investments Holding [BINV] – Exits Kick Off, Unlocking Value</u>
18-May-21	<u>Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead</u>
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 [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 [Commercial International Bank \[COMI\] – Earnings Beat Despite Higher Provisions](#)
- 25-Feb-21 [Elsewedy Electric \[SWDY\] – Strong Set of Results Driven by Turnkey](#)
- 22-Feb-21 [CI Capital Holding \[CICH\] – Got the Hit, Yet Better Than Expected](#)
- 10-Feb-21 [MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices](#)
- 8-Feb-21 [Misr Chemical Industries \[MICH\]– Annually Wild, Quarterly Tamed](#)
- 4-Feb-21 [MACROView – External Buffers Are Still Restoring Grounds](#)
- 3-Feb-21 [MACROView – A Fragile Improvement but Favorable Sentiment](#)
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- 1-Feb-21** [**STANDPoint – Egypt 2021 Investing Playbook**](#)
- 14-Jan-21** [**CI Capital Holding \[CICH\] – New Expansions = Further Growth**](#)
- 10-Jan-21 [MACROView – Below End-of-Year Target](#)
- 6-Jan-21 [MACROView – On the Path to Further Recovery](#)
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- 6-Dec-20 [MACROView – Lost Momentum](#)
- 3-Dec-20 [MACROView – Not as Severe as Expected but All Eyes on the Scars](#)
- 25-Nov-20** [**Misr Chemical Industries \[MICH\] – Pandemic Proof**](#)
- 10-Nov-20 [MACROView – An expected rise as the new school year began](#)
- 4-Nov-20 [MACROView – The Stars Seem to Be Aligned for International Reserves](#)
- 3-Nov-20 [MACROView – The Highest Reading in Six Years](#)
- 25-Oct-20 [CIB \[COMI\] – Short-term pain for longer-term gain](#)
- 11-Oct-20 [MACROView – Disinflationary trend interrupted](#)



- 11-Oct-20 [MACROView – External strains are slacking and reserves are growing](#)
- 6-Oct-20 [**CIB \[COMI\] – A Good Bet for the “Risk On” Mode**](#)
- 5-Oct-20 [MACROView – Egypt’s recovery is broadening](#)
- 10-Sep-20 [MACROView – A Stunning Chapter Towards Targets](#)
- 8-Sep-20 [MACROView – Crawling Out of the Troughs](#)
- 3-Sep-20 [MACROView – Job losses and the bumpy road to recovery](#)
- 18-Aug-20 [Oriental Weavers Carpet \[ORWE\] – Q2 2020 Results](#)
- 13-Aug-20 [Credit Agricole Egypt \[CIEB\] – Q2 2020 Results](#)
- 10-Aug-20 [MACROView – Muted inflation environment still dominates](#)
- 9-Aug-20 [MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed](#)
- 5-Aug-20 [MACROView – Toward gradual recovery](#)
- 29-Jul-20 [MACROView – CAD gains eroded by financial account vulnerability](#)
- 14-Jul-20 [Commercial International Bank - \[COMI\] - Q2 2020 results](#)
- 9-Jul-20 [MACROView – Inflation driven by non-food baskets and unfavorable base effect](#)
- 8-Jul-20 [MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position](#)
- 7-Jul-20 [MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed](#)

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