

TABLE OF CONTENTS

1. Today's Trading Playbook	2. Top News & Analysis	3. Chart of the Day
4. Markets Performance	5. Latest EGX Valuation Multiples	6. Key Dates
		7. Latest Research

New Cement Dynamics Explained

1. Today's Trading Playbook

[TABLE OF CONTENTS](#)

Dina Abdelbadie | Equity Analyst

dabdelbadie@egy.primegroup.org

KEY THEMES

The approval granted to 23 cement companies (listed at the end of this section) by the Egyptian Competition Authority (ECA) to cut their production capacity will apply to local sales for one year starting 15 July 2021. The new quotas will be set after taking into account the following formula applied by the ECA, indicating the amount of the production capacity cut for each company:

The amount of production capacity cut = 10.69% * Company's production capacity + 2.81% * No. of production lines * Company's production capacity + 0.968% * Age bracket * Company's production capacity

We note that the ECA divided the companies into three age brackets:

Age Bracket I: Factories founded before 2007 for which **15 years** are used,

Age Bracket II: Factories founded between 2007 and 2016 for which **10 years** are used, and

Age Bracket III: Factories founded after 2016 for which **5 years** are used.

We simplified the formula into the following:

$$y = x * (a + b \beta_1 + c \beta_2)$$

Where,

y = The amount of production capacity cut for the company.

x = The company's production capacity.

a (constant) set at 10.69%, b (constant) set at 2.81%, and c (constant) set at 0.968%.

β_1 = The number of production lines.

β_2 = The age bracket (set as either 15, 10, or 5 years).

In other words, the formula reduces to:

$$y = x * (0.1069 + 0.0281 \beta_1 + 0.00968 \beta_2)$$

When applied, this formula will impact EGX-listed companies in the ways we worked out below:

Impact of quota on EGX-listed companies' production capacity

Company name	Company's production capacity	a	No. of production lines	b	Age category	No. of years	c	Reduction (mn tons)	Reduction %
Misr Beni Suef Cement [MBSC]	3.10	0.33	2	0.17	1	15	0.45	0.96	30.8%
Misr Cement - Qena [MCQE]	2.00	0.21	2	0.11	1	15	0.29	0.62	30.8%
Sinai Cement [SCEM]	3.80	0.41	2	0.21	1	15	0.55	1.17	30.8%
South Valley Cement [SVCE]	1.50	0.16	1	0.04	1	15	0.22	0.42	28.0%
Arabian Cement [ARCC]	5.00	0.53	2	0.28	2	10	0.48	1.30	26.0%

Source: ECA, Prime Research.

At first, the news will seem positive for the sector overall in view of its tough conditions, especially the over-supply gap. However, to recoup any loss in their revenues resulting from lower volumes, companies (as shown in the below sensitivity table) would need to see prices rise first between 22-102%, depending on how many production lines a company has and how old it is. Generally speaking, the least impacted companies would be the young ones with a few production lines.

Production capacity cut in percentage terms

No. of production line	Age bracket (years)		
	15	10	5
1	28.0%	23.2%	18.3%
2	30.8%	26.0%	21.2%
3	33.6%	28.8%	24.0%
4	36.5%	31.6%	26.8%
5	39.3%	34.4%	29.6%
6	42.1%	37.2%	32.4%
7	44.9%	40.0%	35.2%
8	47.7%	42.9%	38.0%
9	50.5%	45.7%	40.8%

Source: Prime Research.

Implied price rise to maintain revenues

No. of production line	Age bracket (years)		
	15	10	5
1	38.9%	30.2%	22.5%
2	44.6%	35.1%	26.8%
3	50.7%	40.4%	31.5%
4	57.4%	46.2%	36.6%
5	64.6%	52.5%	42.0%
6	72.6%	59.3%	47.9%
7	81.4%	66.8%	54.3%
8	91.2%	75.0%	61.3%
9	102.0%	84.0%	69.0%

Of the five EGX-listed companies shown above, **MBSC**, **MCQE**, and **SCEM** would have the highest drop in volume (-31%), while **ARCC** would have the lowest (-26%).

Here are the 23 cement companies that requested to reduce their production:

1. Alexandria Portland Cement [**ALEX**].
2. Amreyah Cement.
3. Amreyah Intercement.
4. Arabian Cement [**ARCC**].
5. Arish Cement.
6. Assiut Cement.
7. Beni Suef Cement.
8. Building Materials Industries.
9. Egyptian Cement.
10. El Sewedy Cement.

11. Helwan Cement.
12. Lafarge Cement.
13. Medcom-Aswan for Cement.
14. Minya Portland Cement.
15. Misr Beni Suef Cement [**MBSC**].
16. Misr Cement - Qena [**MCQE**].
17. Nahda Cement.
18. National Cement Company in Beni Suef.
19. Sinai Cement [**SCEM**].
20. South Valley Cement [**SVCE**].
21. Suez Cement [**SUCE**].
22. Tourah Portland Cement [**TORA**].
23. Wadi El Nile Cement.

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

2. TOP NEWS & ANALYSIS

TABLE OF CONTENTS

MACRO NEWS

The first Made-in-Egypt Sinovac vaccines could be sent out to clinics around the country in the coming two weeks, advisor to the health minister Noha Assem said. ([Enterprise](#))

The Central Bank of Egypt (CBE) introduced the rules of introducing commercial registry & documenting services through banks. ([CBE](#)) These steps will give more confidence in the banking sector by the unbanked population to facilitate their transactions, particularly the most complicated one.

Egypt's industrial production index for transformative and extractive industries, excluding crude oil and petroleum products, increased 8.7% recording 183.1 during Q1 2020, compared to LE 118.98 during the same quarter of 2020. ([Egypt today](#))

The Egyptian Exchange (EGX) will run a mock session today to test the new system of calculating closing share prices. ([EGX](#))

CORPORATE NEWS

Dice Sports & Casual Wear [DSCW] reported net income after minority of EGP3mn in Q1 2021 (vs. net losses of EGP42mn a year ago) on higher revenues of EGP298mn (+14% y/y) and a higher gross profit margin of 18% (+226 bps). ([Company disclosure](#))



Vortex Energy, managed by the private equity arm of EFG Hermes, reached a first-close of USD200mn for its fourth fund, Vortex Energy IV. The fund is “anchored by EFG Hermes and Abu Dhabi sovereign institutional investors and family offices,” said the manager of the global renewable energy platform. On another note, the eligibility date for HRHO's 20% stock dividend, which will raise the company's capital to EGP4.6bn through retained earnings, is 25 July. (Company disclosures: [1](#), [2](#))

Elsewedy Electric [SWDY] is studying executing new dams projects in Africa in partnership with Arab Contractors. (Al-Mal) SWDY is traded at a TTM P/E of 5.4x.

Orascom Investment Holding [OIH] saw its bottom line shift to a loss of EGP46mn in Q1 2021 from a profit of EGP43mn in Q1 2020. Weaker financing income overshadowed higher revenues of EGP207mn (+15% y/y) and a wider GPM of 14% (vs. 7% in Q1 2020). ([Company disclosure](#))

Arabian Cement [ARCC] expects a 26% decrease in local sales after the Egyptian competition authority approved a request from cement producers to reduce their production capacity. Nonetheless, ARCC sees its profitability improving in view of the expected increase in prices. ([Company disclosure](#))

Consumer finance companies will be exempt from value added taxes as decided by financial regulator FRA and the Egyptian Tax Authority. ([Masrawy](#)) The EGX-listed beneficiaries are EFG Hermes Holding [HRHO], CI Capital Holding [CICH], Raya Holding [RAYA], Contact Financial Holding [CNFN], and Prime Holding [PRMH].

Misr Cement - Qena [MCQE] will update its 2021 budget after the Egyptian Competition Authority (ECA) greenlighted a production cut. ([Company disclosure](#)) In view of this news, the production, sales and profitability will be affected in the local market.

Nile Misr Medical Holding is about to exit the race to acquire Alexandria Medical Services [AMES]. ([Enterprise](#))

GLOBAL NEWS

Russia is leading efforts to close divisions between Saudi Arabia and the United Arab Emirates to help strike a deal to raise oil output in coming months, three OPEC+ sources said, with OPEC and its allies yet to set a date for their next oil policy meeting. ([Reuters](#))

U.S. job openings rose slightly to a new record high in May and hiring dipped, a sign that the economy could still be struggling with labor shortages as coronavirus restrictions eased across the country. ([Reuters](#))

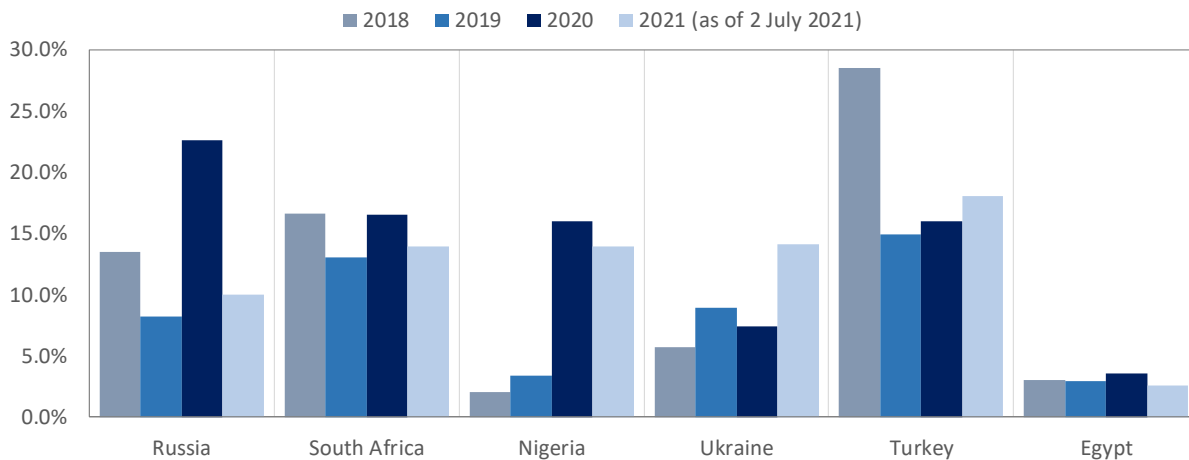
Federal Reserve officials talked tapering at their most recent meeting, but few seemed in a rush to get the process going, according to minutes released Wednesday. The Fed's June 15-16 meeting summary provided only a few new glimpses into talks about when the central bank should begin reducing the pace of its bond purchases. ([CNBC](#))

3. CHART OF THE DAY

[TABLE OF CONTENTS](#)

Mona Bedeir | Chief Economist
mbedier@egy.primegroup.org

Volatility of EM currencies vs. USD (2018-2 July 2021)



Source: Bloomberg.

Post-COVID-19 peak in March 2020, the EGP was relatively stable compared to most EM currencies. The EGP's annualized standard deviation (based on daily changes) in 2021 (as of 2 July 2021) hovers around 2.6%, which is comforting for long EGP positions. However, such trends raise a red flag for the burden they place on the external sector's competitiveness, given the ongoing widening of current account deficit.

4. MARKETS PERFORMANCE

TABLE OF CONTENTS

Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
664.0						1,067.5 1,178.6					
				daily chg.	ytd chg.					daily chg.	ytd chg.
		EGX 30	10,277.25	1.21%	(5.24%)			Gold	1,803.63	0.36%	(5.27%)
		EGX 30 TR	4,012.25	0.62%	(3.83%)			Silver	26.14	(0.07%)	(1.65%)
		EGX 70 EWI	2,341.76	2.13%	9.17%			Brent Oil	73.43	(0.23%)	41.43%
		EGX 100 EWI	3,284.95	1.72%	6.04%			WTI	72.20	(0.35%)	48.29%
		DFMGI	2,782.08	(0.02%)	11.64%			Natural Gas	3.60	(0.06%)	41.55%
		ADSMI	6,969.64	(0.22%)	38.14%	EGP		USD/EGP	15.69	(0.15%)	(0.32%)
		TASI	10,958.55	(0.12%)	26.11%	€		EUR/USD	1.18	0.12%	(3.37%)
		QE Index	10,865.88	0.78%	4.12%	£		GBP/USD	1.38	(0.10%)	0.86%
		S&P 500	4,358.13	0.34%	16.03%	¥		USD/JPY	110.66	(0.35%)	6.80%
		Dow 30	34,681.79	0.30%	13.32%			6M TB yield	13.35	(1)	62
		NASDAQ	14,665.06	0.01%	13.79%			1Y TB yield	13.27	4	50
		VIX	16.20	(1.46%)	(28.79%)			10Y TB yield	14.82	(1)	43
		STOXX 50	4,078.53	0.64%	14.80%			2Y TB yield	0.22	0	9
		MSCI Emerging	1,340.68	(0.44%)	3.83%			10Y TB yield	1.31	(4)	38
		MSCI Frontier	643.16	0.85%	12.51%			30Y TB yield	1.92	(6)	26

* As of market close, except for commodities and currencies at 8.15am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

TABLE OF CONTENTS

[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

TABLE OF CONTENTS

DATE	TICKER	TYPE	EVENT
11-Jul-21	EXPA	Stock dividend	Last date for eligibility for a 0.2-for-1 stock dividend.
11-Jul-21	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in the Sixth of October City project.
11-Jul-21	MTIE	Stock dividend	Last date for eligibility for a 0.25-for-1 stock dividend.
12-Jul-21	EXPA	Stock dividend	Date for distributing a 0.2-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.
13-Jul-21	RAYA	Cash dividend	Last date for eligibility for a dividend of EGP0.045/share.
14-Jul-21	RAYA	Cash dividend	Date for ex-dividends of EGP0.045/share.
14-Jul-21	EXPA	OGM	Approving the estimated budget.
15-Jul-21	TMGH	Cash dividend	Date for a payout of EGP0.072/share (2nd round).
18-Jul-21	RAYA	Cash dividend	Date for paying out a dividend of EGP0.045/share.
21-Jul-21	PHDC	Decreasing issued capital	Decreasing the issued capital to EGP6.16bn from EGP6.23bn by writing off 36.5mn treasury shares.
24-Jul-21	PIOH	EGM	Ratification of PIOH's split.
25-Jul-21	HRHO	Stock dividend	Last date for eligibility for a 0.2-for-1 stock dividend.

25-Jul-21	ECAP	Stock dividend	Last date for eligibility for a 0.045-for-1 stock dividend.
25-Jul-21	NBKE	Stock dividend	Last date for eligibility for a 2.33-for-1 stock dividend.
25-Jul-21	MNHD	Stock dividend	Last date for eligibility for a 0.04-for-1 stock dividend.
26-Jul-21	HRHO	Stock dividend	Date for distributing a 0.2-for-1 stock dividend.
26-Jul-21	ECAP	Stock dividend	Date for distributing a 0.045-for-1 stock dividend.
26-Jul-21	NBKE	Stock dividend	Date for distributing a 2.33-for-1 stock dividend.
26-Jul-21	MNHD	Stock dividend	Date for distributing a 0.04-for-1 stock dividend.
26-Jul-21	MICH	EGM	Approving new articles of association and other agenda items.
27-Jul-21	HELI		Last day for buying a copy of the bidding terms for Heliopark.
29-Jul-21	ZMID	Cash dividend	Payment date for EGP0.15/share (2nd installment).

7. LATEST RESEARCH

TABLE OF CONTENTS

DATE PUBLISHED REPORT

6-Jul-21	<u>MACROView – A Steady and Slow Recovery in the Making</u>
5-July-21	<u>Abu Qir Fertilizers [ABUK] – Talking U</u>
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	<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 – Ruttled 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>

Prime Securities

Shawkat El Maraghy

Managing Director

T +20233005622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +20233005784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +20233005612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head-Institutional Desk

T +20233005609

AAlaa@egy.primegroup.org

Mohamed ElMetwaly

Manager

T +20233005610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +20233005624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +20233008130

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +20233005173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +20233005724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi El Nil St, Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +20233005700/770/650/649

F +20237607543

Branches

Heliopolis

7 Elheqaz Square
Heliopolis, Cairo, Egypt

T +20227770600

F +20227770604

Alexandria

7 Albert Al Awa St.
Smouha, Alexandria, Egypt

T +20233008170

F +20233054622

Website

www.primeholdingco.com

Disclaimer

Information included in this report has no regard to specific investment objectives, financial situation, advices or particular needs of the report users whether they received them directly or through any research pool and other specialized websites. The report is published for information purposes only and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Unless specifically stated otherwise, all price information is only considered as indicator. No express or implied representation or guarantee is provided with respect to completeness, accuracy or reliability of information included in this report. Past performance is not necessarily an indication of future results. Fluctuation of foreign currency rates of exchange may adversely affect the value, price, or income of any products mentioned in this report. Information included in this report should not be regarded by report users as a substitute for the exercise of their own due diligence and analysis based on own assessment and judgment criteria. Any opinions given are subject to change without notice and may significantly differ or be contrary to opinions expressed by other Prime business areas as a result of using different assumptions and criteria. Prime Group is under no obligation responsible to update or keep current the information contained herein. Prime Group, its directors, officers, employees or clients may have or have had interests or long or short positions in the securities and/or currencies referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Prime Group, its related entities, directors, employees, and agents accept no liability whatsoever for any loss or damage of any kind arising from the use of all or part of these information included in this report whether it is received directly or through research pools and other specialized websites. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall, in no way, constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Furthermore, Prime Group or any of the group companies may have or have had a relationship with or may provide or have provided other services, within its objectives to the relevant companies.

Copyrights © 2021, Prime Group, ALL RIGHTS RESERVED. You are hereby notified that distribution and copying of this document is strictly prohibited without the prior approval of Prime Group.