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Value in the Making

1. Today's Trading Playbook

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Credit Agricole - Egypt's [CIEB] H1 2021 financial indicators depict a number of interesting highlights:

- The bank is reverting back to the growth trajectory, with both gross loans and deposits growing at 6.6% and 6.9% on an ytd basis. This comes after a very depressing 2020, where CIEB deposits dropped some 10% back then. CIEB sustained its key utilization rate (i.e. gross loans-to-total deposits ratio) at a robust 65%.
- EPS growth came in at c.9% y/y to EGP2.22. The reason appears to be a more resilient net interest income, which solidified CIEB's total banking turnover.
- Growth in interest income is believed to be volume driven, given little changes that took place on the price front. However, given a stable effective tax rate in H1 2021 from a y/y perspective at 27%, we think bottom-line growth was further complemented by either lower credit provisions or an improvement in cost-to-income measures.
- Annualized ROAE in H1 2021 came in at around 20%, showing a 122bps improvement from its ROAE recorded during the entirety of 2020.

The bank is currently traded at an annualized P/E of only 5x, and TTM P/BV of only 0.95x. Our target bottom line for 2021 is EGP1.6bn, which we believe is very achievable; H2 2021 may be witnessing a quicker provisions reversal. We believe as we progress forward in 2021, CIEB will appear even cheaper, especially when compared to its historical P/BV profile. We remind you that we have an Overweight rating on CIEB, with a 12M PT of EGP33/share (+38%).

POSITIVE

CIEB: On a good set of results.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Fitch Ratings said the pressures on Egyptian banks' credit profiles and viability ratings have eased on improvements in the country's operating environment since end of Q3 2020. ([Fitch](#))

International Finance Corporation (IFC) is investing USD100mn in Egypt's first private-sector green bond to help unlock finance for climate-smart projects, reduce greenhouse gas emissions, and support the country's transition to a greener economy. ([IFC](#))

The Central Bank of Egypt (CBE) intends to issue new "plastic currency" banknotes in a denomination of EGP10 in early November. ([Al-Mal](#))

After President Abdel-Fattah El-Sisi raised the prospect for increasing subsidized bread prices yesterday, the Ministry of Supply & Internal Trade is now drafting the new price hikes in a report that will then be sent to the Cabinet for review and approval. The decision is expected to have a positive impact on the state budget but will negatively affect lower income class and raise the inflation outlook. ([Al-Shorouk](#))

Egypt's wheat import bill declined 13% this year in line with reduced imports of other key commodities. ([Zawya](#))

Egypt's hotels are expected to witness higher occupancy rates during 2021, according to a recent report by Colliers International. The hotel occupancy rates are expected to increase by 79% y/y in Cairo and by 88% y/y in Sharm El-Sheikh. Hotels in Hurghada and Alexandria are projected to have higher occupancy rates by 112% y/y and by 26% y/y, respectively. ([Mubasher](#))

Mobile phone sales in Egypt grew 18% y/y during H1 2021, reaching 7.9mn units, compared to 6.7mn units a year ago. ([Al-Mal](#))

CORPORATE NEWS

Orascom Development Egypt [ORHD] faces a green charge of USD33.9mn (c.EGP0.5/share) laid by the government in relation to El-Gouna. The company said it learned about the claim from a letter it received from the Environment Protection Agency which "failed to respond to ORHD's request for further information." ([Company disclosure](#))

Emaar Misr for Development's [EMFD] net income jumped to EGP1.33bn in H1 2021 (+103% y/y), backed by higher revenues of EGP3.8bn (+265% y/y). ([Company disclosure](#)) EMFD trades at a TTM P/E of 4.6x.

Credit Agricole - Egypt's [CIEB] H1 2021 separate net profit inched up 9% y/y to EGP764mn, most likely due to lower operating expenses. While gross loans grew 6.6% ytd to EGP28.6bn by end of Q2 2021 (+6.8% q/q), deposits grew 6.9% ytd to EGP44.6bn (+2.4% q/q). Annualized ROAE registered around 20%. (Bank release). CIEB is currently trading at a P/BV of 0.95x and a TTM P/E of 5.2x. CIEB achieved Q2 2021 net profit 4.4% higher than our estimates of 375mn which is expected to reach our 2021e net profit of EGP1.6bn. ([Company disclosure](#))

Speed Medical's [SPMD] expansion plan spans different sectors between medical laboratories and specialized clinics with an expansion of the hospital sector. SPMD will allocate about EGP400mn investments in 2022, in addition to investing between EGP200-300mn this year, CEO said. ([Al-Mal](#))

Vodafone Egypt [VODE] has completed the due diligence on Ebtikar's two e-payment companies Bee and Masary. VODE's acquisition of 20% of Ebtikar's e-payment companies is now pending the CBE's approval. (Al-Mal)

GLOBAL NEWS

Fresh outbreaks of the Delta COVID-19 variant in Southeast Asia have crippled its factory sector, disrupting global supplies of goods such as rubber gloves, semiconductors and SUVs and threatening the USD3tn region's recovery. ([Reuters](#))

Oil settled lower on Tuesday, as concern about rising cases of the Delta COVID-19 variant outweighed expectations for another weekly draw in U.S. inventories that had boosted prices early. ([Reuters](#))

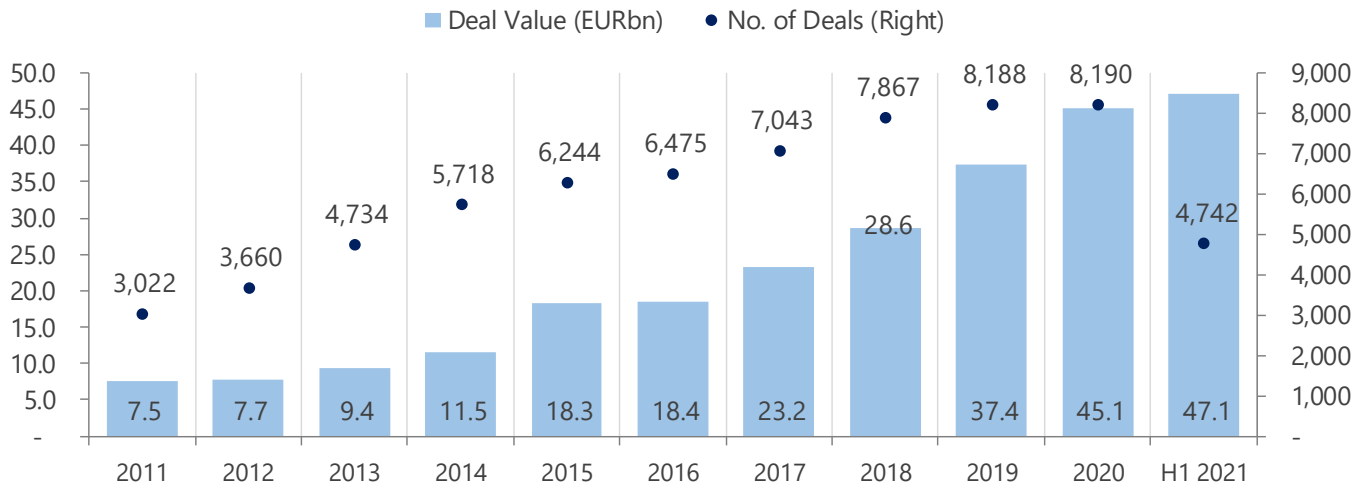
Turkey's inflation climbed more than expected in July to nearly the level of the central bank's benchmark interest rate, further diminishing the chances of an early cut in borrowing costs sought by the president. Annual inflation accelerates to 18.95% in July, while the central bank's benchmark rate is 19.00%. ([Bloomberg](#))

3. CHART OF THE DAY

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Source: PitchBook, Geography: Europe.

According to PitchBook, venture capital deal value reached a record of EUR27.7bn in Q2 2021, immediately topping the previous quarterly peak set in Q1 2021. Through H1 2021, European VC deal value reached EUR47.1bn and has already beaten the annual record of EUR45.1bn set in 2020. If the current pace persists throughout H2 2021, the deal value could land near the EUR100bn mark by year-end. European VC has developed strongly in 2021 as capital flows increased dramatically despite uncertainty stemming from COVID-19 and macroeconomic volatility. Meanwhile, the quantity of deals remains healthy and should reach roughly 8,000 deals for the third consecutive year, signaling that the VC deal-making environment in Europe has never been stronger.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
703.9						1,822.4 1,178.6					
daily chg. ytd chg.						daily chg. ytd chg.					
	EGX 30	10,726.33	(0.88%)	(1.10%)			Gold	1,810.44	(0.17%)	(4.43%)	
	EGX 30 TR	4,170.63	(0.50%)	(0.03%)			Silver	25.52	0.45%	(2.71%)	
	EGX 70 EWI	2,730.29	(2.97%)	27.28%			Brent Oil	72.41	0.04%	39.85%	
	EGX 100 EWI	3,710.11	(2.45%)	19.77%			WTI	70.56	(0.16%)	45.20%	
	DFMGI	2,795.68	0.19%	12.19%			Natural Gas	4.03	1.24%	60.58%	
	ADSMI	7,433.38	0.39%	47.38%		EGP	USD/EGP	15.69	(0.00%)	(0.26%)	
	TASI	11,208.76	0.46%	28.99%		€	EUR/USD	1.19	0.07%	(2.82%)	
	QE Index	10,843.10	0.24%	3.90%		£	GBP/USD	1.39	0.11%	1.91%	
	S&P 500	4,423.15	0.82%	17.76%		¥	USD/JPY	109.04	0.06%	5.68%	
	Dow 30	35,116.40	0.80%	14.74%			6M TB yield	13.15	(8)	42	
	NASDAQ	14,761.29	0.55%	14.53%			1Y TB yield	13.25	(6)	48	
	VIX	18.04	(7.30%)	(20.70%)			10Y TB yield	14.80	(2)	41	
	STOXX 50	4,117.95	0.03%	15.91%			2Y TB yield	0.18	0	5	
EM	MSCI Emerging	1,294.18	0.08%	0.23%			10Y TB yield	1.18	(0)	25	
FM	MSCI Frontier	646.54	0.40%	13.10%			30Y TB yield	1.84	(1)	18	

* As of market close, except for commodities and currencies at 8:33am 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
4-Aug-21	CSAG	BoD meeting	Discussing 2020/21 financials.
5-Aug-21		MPC Meeting	Determining the CBE's policy rate.
5-Aug-21	DAPH	EGM	Increasing the capital from EGP249.48mn to EGP299.37mn and amending articles 4, 6 & 7 of the bylaws.
8-Aug-21	SKPC	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
10-Aug-21	ETEL	Conference Call	Discussing Q2 2021 earnings.
10-Aug-21	OFH	OGM	Discussing the company's establishment expenses and other agenda items.
10-Aug-21	ORAS	Cash dividend	Date for paying out a dividend of USD0.2313/share.
10-Aug-21	RTVC	EGM	Discussing an offer for subsidiary Ambian for Tourism Investment.
10-Aug-21	HELI		Deadline for turning in the conditions brochure for Heliopark.
10-Aug-21	NBKE	BoD meeting	Discussing delisting.
11-Aug-21	ISPH	BoD meeting	Discussing Q2 financial results.
14-Aug-21	HELI	OGM	Approving the estimated budget of FY 2021/22.
14-Aug-21	HELI	EGM	Amending articles of the bylaws.

15-Aug-21	COMI	Stock dividend	The deadline for eligibility for a 0.33-for-1 stock dividend.
16-Aug-21	COMI	Stock dividend	Date for distributing a 0.33-for-1 stock dividend.
18-Aug-21	MOIN	OGM	Authorizing the board of directors to appoint a new member.
18-Aug-21	MOIN	EGM	Amending article 21 of the bylaws.
21-Aug-21	ELNA	OGM	Approving the financial statements and other agenda items.
22-Aug-21	PRCL	OGM	Reshuffling the board and discussing other agenda items.
22-Aug-21	PRCL	EGM	Amending the articles of association.
24-Aug-21	GOCO	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
25-Aug-21	NCCW	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
26-Aug-21	ELWA	OGM	Approving the financial statements ending 31 Dec. 2020 and the proposed dividend.
30-Aug-21	EGTS	OGM	Approving the financial statements and other agenda items.
31-Aug-21	MBSC	Cash dividend	The deadline for eligibility for a dividend of EGP1.5/share.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
26-Jul-21	<u>EFG Hermes Holding [HRHO] – FV and 12MPT Adjustment to Bonus Share Action</u>
13-Jul-21	<u>Commercial International Bank [COMI] – Tamed Credit Provisions Spur Annual Growth</u>
8-Jul-21	<u>MACROView – Inflation Edged Up, As Expected</u>
8-Jul-21	<u>MACROView – External Buffers Still Powering Ahead</u>
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>Elsowedy 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>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>

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