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And the Recovery Continues

1. Today's Trading Playbook

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KEY THEMES

Ezz Steel [**ESRS**] Q2 2021 consolidated net earnings after minority grew to EGP800mn (i.e. EPS of EGP1.47) vs. net losses of EGP984mn a year earlier. Profitability turnaround was sparked by a 140% y/y growth in revenues to EGP16.9bn. From a quarterly window, EPS grew 2% q/q, while top line expanded at a 25% speed.

ESRS was able to utilize the rise in average selling prices to counter increasing iron ore prices, and maintain a robust GPM of 21% during the quarter vs. nearly 0% a year earlier. We note that the strong bottom line performance was further complemented by 19% lower borrowing cost y/y to EGP804mn.

Volumes came in stronger this quarter, with 12% q/q higher volumes, mainly driven by a 28% increase in long rebar volumes. Meanwhile, flat steel volumes slipped 6% q/q. Flat steel volumes contributed 40% to overall volume mix, which compares to a 47% contribution in Q1 2021 as a result of rebounding long volumes. Management believes that the reissuance of building permits should induce more volume recovery in the local market towards year end.

On an annualized basis, ESRS is trading at a ridiculous 2021 P/E of only 1.3x. After more than seven months in 2021, we think selling prices will remain relatively high for the rest of the year, with prices normalizing in line with a gradual improvement in local volumes afterwards. Furthermore, iron ore prices have started to cool off notably recently, which will help support the long-term outlook of the company's cash spread. We think the prospect for Q3 2021 is fairly strong on the back of: (1) the solidity of selling prices so far in 2021 and (2) the recent action by China to lower export rebates on products, including cold rolling, which consequently positively affected HRC prices globally.

POSITIVE

ESRS: A strong Q2 2021 earnings report could push the stock further north.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The rebound in tourism sector is set to enter a new phase today as the first direct EgyptAir flight from Moscow to the Red Sea will land in Hurghada today. ([Egyptian Cabinet](#))

The Building Materials Chamber will request the cancellation of cutting production capacity for cement producers. This decision is backed by the recent increase of EGP150-200/ton. (Al-Mal)

CORPORATE NEWS

National Investment Bank (NIB) will be liquidated by the Egyptian government after halting all lending and deposit-taking activities since January 2021. ([Economy Plus](#)) NIB will exit its investments from Sidi Kerir Petrochemicals [**SKPC**] (6.9%), Export Development Bank of Egypt [**EXPA**] (40.7%), Abu Dhabi Islamic Bank - Egypt [**ADIB**] (10%), Abu Qir Fertilizers [**ABUK**] (24.8%), Egyptian Financial & Industrial Co. [**EFIC**] (1.1%), Misr Fertilizers Production (MOPCO) [**MFPC**] (12.8%), Madinet Nasr Housing & Development [**MNHD**] (3.7%), EgyTrans [**ETRS**] (25.25%), Misr Beni Suef Cement [**MBSC**] (20%), Suez Cement [**SUCE**], and Misr Cement - Qena [**MCQE**] (9.6%), in addition to a number of private companies.

Elsowedy Electric [SWDY] and Egytech Cables signed a new contract with the Egyptian Electricity Transmission Co. (EETC). The contract amounts EGP192mn and will be executed over seven months to connect Cairo North Station with Bahtim Substation. ([Company disclosure](#)) SWDY trades at a TTM P/E of 5.6X

TMG Holding's [TMGH] unaudited consolidated net income rose to EGP869.4mn in H1 2021 (+23% y/y) while revenues increased to EGP5.5bn (+27% y/y). ([Company disclosure](#)) TMGH is trading at a TTM P/E of 7.8x.

Madinet Nasr Housing & Development's [MNHD] unaudited consolidated financial indicators showed net income slumped to EGP228.6mn in H1 2021 (-53% y/y) while revenues fell to EGP954.6mn (-27% y/y). MNHD's BoD approved to participate with c. EGP14mn in Nasr Co. for Civil Works' [**NCCW**] capital increase. (Company disclosures: [1](#), [2](#)) MNHD is trading at a TTM P/E of 6.4x.

CI Capital Holding's [CICH] H1 2021 results showed bottom line slip to EGP172mn (-4% y/y), while revenues surged to EGP1.98bn (+92% y/y) backed by a 803% y/y surge in the company's share of profit from joint control investments. CICH has a TTM ROAE of 17% and P/E of 7x. ([Company disclosure](#))

Arab Co. for Asset Management & Development [ACAMD] posted narrower net losses of EGP3.1mn in H1 2021 (vs. EGP3.4mn in H1 2020) while revenues increased to EGP0.45mn (+9% y/y). ([Company disclosure](#))

EFG Hermes Holding's [HRHO] Corp Solutions, its leasing and factoring company, is planning to securitize up to EGP700mn of its portfolio by Q4 2021. ([Hapi](#))

The Arab Ceramic Co. - Ceramica Remas [CERA] Q2 2021 net income increased by 226% y/y to EGP12.4mn. Meanwhile, revenues doubled to EGP198.7mn. ([Company disclosure](#)) CERA is trading at a TTM P/E of 11.5x.

Rameda's [RMDA] H1 2021 net profit after minority interest grew 41% y/y to EGP61.8mn, yielding an NPM of 11.5%. Bottom-line growth was supported by an improved operating leverage. Revenues inched up 23% y/y in H1 2021 to EGP538mn on the back of the increase in sales both domestically and abroad, thanks to drugs used for the treatment of COVID-19 coupled with growing antibiotic sales in H1 2021. ([Company release](#)) RMDA is currently trading at a TTM P/E of 17.7x.

EIPICO's [PHAR] total sales grew to EGP1.54bn in H1 2021 (+10% y/y). Meanwhile, the company's drug exports climbed to USD22.7mn (+45% y/y). ([Company release](#))

Emirates NBD will provide EGP2bn in financing to a consortium of four construction firms to build the largest agricultural wastewater treatment plant in El-Hammam. ([Enterprise](#))

GLOBAL NEWS

Aluminum prices are closing in on their highest levels in 10 years as global demand for everything from beer cans to packaging rebounds from the pandemic. ([Financial Times](#))

Oil prices fell nearly 2% on Monday, extending last week's steep losses on the back of a rising U.S. dollar and concerns that new pandemic curbs in Asia, especially China, may set back the global recovery in fuel demand. ([Reuters](#))

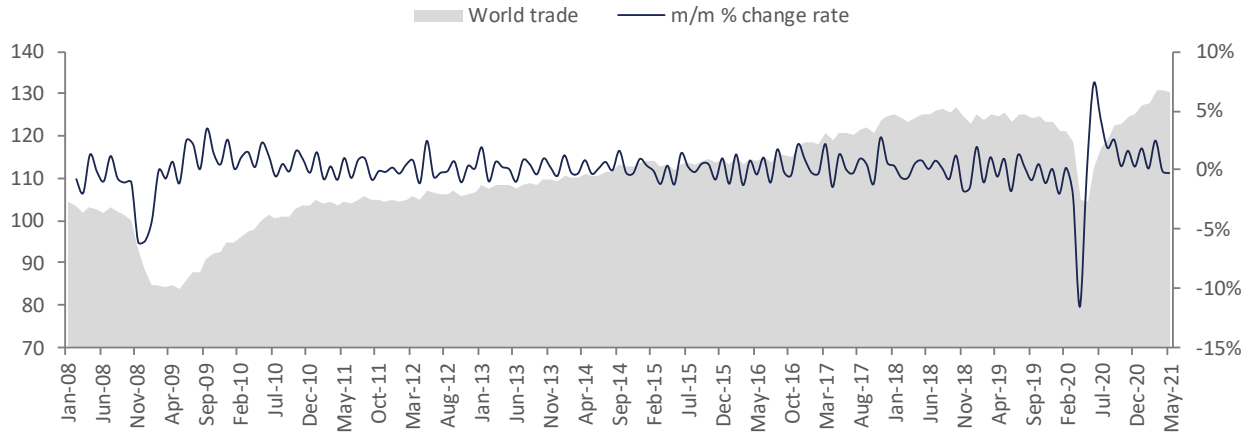
The U.S. dollar climbed against major peers on Monday, reaching a four-month high versus the euro, as traders positioned for an earlier tapering of Federal Reserve stimulus. ([Reuters](#))

3. CHART OF THE DAY

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Mona Bedeir | Chief Economist

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Source: CPB world trade monitor.

World goods trade fell in May 2021 by 0.3% m/m, and the April reading was revised down to nearly -0.06%, indicating the rebound in world trade is continuing to lose momentum. However, on an annual basis, it is still growing, driven by base effect (+25% in May 2021, similar to April 2021).

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.			
710.5					1,773.9 1,178.6			
			daily chg.	ytd chg.			daily chg.	ytd chg.
	EGX 30	10,738.67	0.14%	(0.98%)		Gold	1,763.03	(2.29%) (7.98%)
	EGX 30 TR	4,187.65	0.19%	0.38%		Silver	24.33	(3.29%) (9.19%)
	EGX 70 EWI	2,878.00	1.91%	34.16%		Brent Oil	70.70	(2.38%) 33.24%
	EGX 100 EWI	3,859.21	1.43%	24.58%		WTI	68.28	(2.49%) 37.22%
	DFMGI	2,822.85	0.09%	13.28%		Natural Gas	4.14	0.56% 63.96%
	ADSMI	7,501.38	1.11%	49.19%	EGP	USD/EGP	15.70	(0.10%) (0.27%)
	TASI	11,215.33	0.05%	29.07%	€	EUR/USD	1.18	0.02% (3.70%)
	QE Index	10,954.17	0.42%	4.97%	£	GBP/USD	1.39	0.11% 1.59%
	S&P 500	4,436.52	0.17%	18.12%	¥	USD/JPY	110.25	(0.11%) 6.66%
	Dow 30	35,208.51	0.41%	15.04%		6M TB yield	13.14	(1) 41
	NASDAQ	14,835.76	(0.40%)	15.11%		1Y TB yield	13.26	1 49
	VIX	16.15	(6.54%)	(29.01%)		10Y TB yield	14.80	(2) 41
	STOXX 50	4,174.54	0.32%	17.51%		2Y TB yield	0.21	4 8
	MSCI Emerging	1,292.53	(0.58%)	0.10%		10Y TB yield	1.30	13 37
	MSCI Frontier	649.26	(0.04%)	13.58%		30Y TB yield	1.95	10 29

* As of market close, except for commodities and currencies at 8.41am 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
9-Aug-21	SKPC	BoD meeting	Discussing Q2 financial results.
10-Aug-21	EKHO	BoD meeting	Discussing Q2 financial results.
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
5-Aug-21	MACROView – The Sky Is No Blue
4-Aug-21	MACROView – Constrained Recovery
26-Jul-21	EFG Hermes Holding [HRHO] – FV and 12MPT Adjustment to Bonus Share Action
13-Jul-21	Commercial International Bank [COMI] – Tamed Credit Provisions Spur Annual Growth
8-Jul-21	MACROView – Inflation Edged Up, As Expected
8-Jul-21	MACROView – External Buffers Still Powering Ahead

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 – 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 [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](#)

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