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Show Me the Money

1. Today's Trading Playbook

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Continuing with the Q2 2021 earnings theme, Telecom Egypt [**ETEL**] has just landed a set of strong figures, with EPS at EGP1.02 (+134% y/y, -18% q/q). While EPS declined sequentially due to lower other income and higher borrowing costs, the stupendous earnings growth from an annual perspective is the result of 13% y/y growth in top-line to EGP8.97bn.

Compared to Q2 2020, top-line performance was decorated by an 18% surge in total retail revenues, whereas wholesale growth was capped at 5% on the back the fading trends of international incoming calls. We note that ETEL has achieved a 7% q/q growth in revenues, due to strong contribution from Home & Consumer besides the International Customers & Networks segments. Furthermore, ETEL has managed to improve its EBITDA margin by as much as 420bps to 38.9%, due to a favorable shift in the company's revenues mix.

We remind you that we have picked ETEL before in our newly-launched series **TAKEStock dated 8 June 2021** after both ETEL and VODE have worked out new shareholder's agreement, where we valued ETEL at EGP22.5/share (ETR +50%). Since then, ETEL soared by c.25%. We believe the new dividend policy, coupled by the strong earnings momentum for ETEL, should serve as a sufficient catalyst to help re-rate the stock from such ridiculous valuation levels. Despite the recent rally in the stock price, we note that ETEL is still trading at a TTM P/E of only 3.7x. We continue to see ETEL having sufficient growth locomotives in the foreseeable future despite its relatively large size and huge turnover capabilities, being the biggest infrastructure player in Egypt's telecom sector, as well as potential engagement in fintech business down the road.

POSITIVE

ETEL: Another set of good results should help re-rate the stock further.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt has closed 12 development financing agreements worth EUR197mn within the framework of the joint cooperation strategy with Germany during H1 2021, in order to support Egypt's development vision and implement a number of projects in various sectors. ([Ahram Online](#))

In line with our expectations, annual headline urban inflation accelerated to 5.4% in July, up from 4.9% in June, driven by mainly electricity and fuel price hikes, in addition to the unfavorable base-year effect. Monthly reading also increased to 0.9% in July from 0.2% in June. We will publish our report soon. ([CAPMAS](#))

The Minister of Petroleum discusses with his Israeli counterpart plans to receive and liquefy Israeli natural gas at Egypt's LNG facilities in Damietta and Idku plants. ([Ministry of Petroleum](#))

CORPORATE NEWS

Telecom Egypt [ETEL] reported an EAS-based net income after minority of EGP1.74bn (+134% y/y) in Q2 2021 on higher revenues of EGP8.97bn (+13% y/y), higher gross profit margin of 41.6% (+235bps), and higher investment income ,mainly from Vodafone Egypt [**VODE**] of EGP613mn (+14% y/y). ETEL now trades at a TTM P/E of 3.7x. ([Company disclosure](#))

Egyptian Chemical Industries "KIMA" [EGCH] is considering entrusting the development of its factory in Aswan to a new contractor, in place of the Italian Tecnimont. The new project will include the installation of a new nitric acid unit and a new nitrate fertilizer production unit in accordance with the conditions of the Ministry of Environment. (Al-Borsa)

Edita Food Industries [EFID] has signed a new medium-term loan worth EGP150mn to finance the purchase of its new bakery line which is set to be operational during Q1 2022. ([Company disclosure](#))

Arab Banking Corporation (ABC) acquired 100%, or 298.6mn shares, of BLOM Bank Egypt at a price of EGP22.29/share (USD1.42/share). ([EGX](#)) This transaction implies a P/BV of 1.36x.

Fintech company dopay has been awarded a banking agent license through Arab Banking Corporation Egypt (ABC). ([Dopay](#))

GLOBAL NEWS

Oil prices rose on Tuesday, edging up from a three-week low in the previous session, but gains are likely to be limited on worries that rising COVID-19 cases and restrictions in China will dent fuel demand. ([Reuters](#))

The U.S. Senate has set a Tuesday vote on passage of an USD1tn bipartisan infrastructure bill that is one of President Joe Biden's top priorities, and then will immediately begin to debate a more far-reaching USD3.5tn bill. ([Reuters](#))

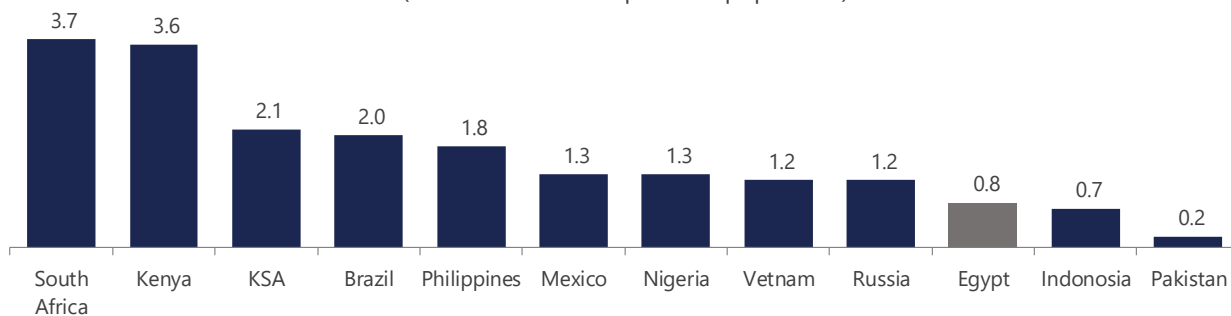
Two Federal Reserve officials said on Monday that the U.S. economy is growing rapidly and that while the labor market still has room for improvement, inflation is already at a level that could satisfy one leg of a key test for the beginning of interest rate hikes. ([Reuters](#))

3. CHART OF THE DAY

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Egypt's small fintech size relative to EM peers
(number of fintechs per 1mn population)



Source: Tellimer.

Egypt's fintech ecosystem is less than a quarter of that of South Africa or Kenya and around half that of Nigeria. Egypt's fintech space is mostly dominated by payment firms which command 48% of the total ecosystem vs. the EM average of 32%. The Central Bank of Egypt (CBE) is eager to move towards a cashless economy with Egyptian banks providing various electronic services via mobile banking apps. Yet, to reach that goal, Egypt has a long path strewn with hurdles, topped by financial illiteracy.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
711.2						1,808.4		1,178.6	
				daily chg.	ytd chg.			daily chg.	ytd chg.
		EGX 30	10,800.39	0.57%	(0.41%)			Gold	1,729.94 (1.88%) (8.58%)
		EGX 30 TR	4,206.56	0.45%	0.83%			Silver	23.45 (3.62%) (10.51%)
		EGX 70 EWI	2,854.32	(0.82%)	33.06%			Brent Oil	69.04 1.13% 34.79%
		EGX 100 EWI	3,835.21	(0.62%)	23.80%			WTI	66.48 1.38% 38.91%
		DFMGI	2,823.35	0.02%	13.30%			Natural Gas	4.06 (0.42%) 59.24%
		ADSMI	7,572.82	0.95%	49.67%	EGP		USD/EGP	15.70 (0.02%) (0.25%)
		TASI	11,197.97	(0.15%)	28.87%	€	⇄	EUR/USD	1.17 0.00% (3.92%)
		QE Index	10,940.73	(0.12%)	4.84%	£		GBP/USD	1.38 (0.01%) 1.28%
		S&P 500	4,432.35	(0.09%)	18.00%	¥		USD/JPY	110.29 0.09% 6.92%
		Dow 30	35,101.85	(0.30%)	14.69%			6M TB yield	13.14 (1) 41
		NASDAQ	14,860.18	0.16%	15.30%			1Y TB yield	13.26 1 49
		VIX	16.72	3.53%	(26.51%)			10Y TB yield	14.80 (2) 41
		STOXX 50	4,177.15	0.06%	17.58%			2Y TB yield	0.22 1 9
EM		MSCI Emerging	1,294.20	0.13%	0.23%			10Y TB yield	1.32 2 39
FM		MSCI Frontier	652.54	0.51%	14.15%			30Y TB yield	1.97 2 31

* As of market close, except for commodities and currencies at 8.22am 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
10-Aug-21	ELSH	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	MSCI		MSCI's August 2021 Quarterly Index Review announcement
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.
15-Aug-21	MTIE	BoD meeting	Discussing Q2 financial results.
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
9-Aug-21	<u>CI Capital Holding [CICH] – Robust Exit Saves the Day</u>
5-Aug-21	<u>MACROView – The Sky Is No Blue</u>
4-Aug-21	<u>MACROView – Constrained Recovery</u>
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>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	<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>

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