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## Is Recovery Brewing?

### 1. Today's Trading Playbook

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**KEY THEMES**

**Misr Cement - Qena [MCQE]** saw its consolidated net sales increase 7.9% y/y to EGP572mn in Q2 2021, driven by higher prices. Meanwhile, volume decreased by 5.3% y/y to 0.71mn tons, mostly weighed down by lower local volume, despite an exports surge of 163% y/y to 82,000 tons. MCQE's gross profit recovered (+28% y/y to EGP113mn), as well as EBITDA (+28% y/y to EGP102mn). Meanwhile, net income grew notably by 129% y/y to EGP32mn. MCQE managed to deleverage its balance sheet, with debt decreasing to EGP906mn in H1 2021 (-14% y/y). Sustaining this pace would reduce interest expense in H2 2021. Improvement in performance is also the product of a very weak base in 2020.

**Healthier margins:** In Q2 2021, efficient cost-cutting measures widened gross profit margin to 19.8% (vs. 16.7% in Q2 2020), EBITDA margin (17.8% vs. 14.9% in Q2 2020), and net margin (5.6% vs. 2.6% in Q2 2020).

**Capacity cut yet to make impact:** Recently, the **Egyptian Competition Authority (ECA)** approved cutting the production capacity for 23 cement companies, including MCQE. The decision was a product of tough operating environment and local oversupply of cement. As this decision became effective in July 2021, its impact on MCQE financials will only be seen starting Q3 2021. MCQE has announced before that it will update its 2021 budget after the ECA greenlighted production cut.

MCQE is traded at a TTM P/E of 33 after the stock appreciated aggressively since last July by as almost 90%.

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

## 2. TOP NEWS & ANALYSIS

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#### MACRO NEWS

**Egyptian banks' total assets rose by 9.5% ytd to EGP7.7tn in May 2021**, as net lending grew 12.8% ytd to EGP2.8tn, while deposits increased 8.3% ytd to EGP5.6tn. ([CBE](#))

**Money supply (M2) grew 9% ytd to EGP5.4tn by Q2 2021**, while net foreign assets (NFA) dropped 7.3% ytd to EGP251bn by Q2 2021. ([CBE](#))

**President Abdel-Fattah El-Sisi said there is a plan for the New Administrative Capital Co. (NACC) to go public within two years**, stressing the New Administrative Capital is the work of NACC and is not financed by the state or NUCA. NACC owns EGP100bn of liquid funds in banks, the president added, and its assets range between EGP3-4tn. ([Hapi](#))

**Egypt does not depend on approvals from the World Health Organization for the usage of COVID-19 vaccines**, Mohamed Abdel Fatah, the head of the Central Department of Preventive Medicine, was quoted by local newspaper Al-Shorouk as saying. It is up to the Egyptian Medicines Authority, he added, "which conducts stronger tests." ([Shorouk News](#))

**Transport startup Swvl, based in Dubai and Cairo, expects to turn its first profit in 2024 as it expands into new countries.** ([Reuters](#))

**Egypt received 1.76mn doses of the Oxford / AstraZeneca vaccine** through the Gavi / Covax program on Friday. ([Health Ministry](#))

#### CORPORATE NEWS

**GB Auto [AUTO] reported net income after minority of EGP374mn (+223% y/y) in Q2 2021 on higher revenues of EGP7.3bn (+81% y/y)**, driven mainly by auto & auto related segment's revenues which upped 100% y/y to record EGP5.8bn. AUTO is now trading at LTM P/E of 3.2x. ([Company disclosure](#))

**Al Baraka Bank - Egypt [SAUD] saw its consolidated net profit grow to EGP612mn in H1 2021** (+12.6% y/y), as net interest income (NII) increased to EGP1.4bn (+14% y/y). SAUD's net lending edged down 1% ytd to EGP19.4bn, while deposits edged up 2% ytd to EGP67.5bn. ROAE retreated to 23.3% from 26.3% in Q2 2020. ([Bank release](#)) SAUD is currently trading at a P/BV of 0.58x and a TTM P/E of 2.41x.

**Egypt Aluminum [EGAL] preliminary 2020/21 bottom line came at EGP27.5mn vs. net losses of EGP1.6bn a year earlier.** Profitability turnaround is the product of 56% top line improvement to EGP11.4bn, as well as notably contracting gross losses of EGP84mn (i.e. GLM of 0.7% vs. GLM of 28% a year earlier). ([Company disclosure](#))

**EFG Hermes Holding [HRHO] is exploring four investment opportunities in startups.**

Meanwhile, HRHO will securitize part of the portfolio of **ValU**, consumer finance arm, in Q4 2021. (Al-Borsa)

**Misr Cement - Qena [MCQE] Q2 2021 consolidated net income after minorities jumped by 125% y/y to EGP32mn.** Meanwhile, net sales increased by 7.9% y/y to EGP572mn driven by the increase in prices. ([Company disclosure](#)) MCQE is traded at a TTM P/E of 33.1x.

**CI Capital Holding's [CICH] investment banking arm concludes advisory on the sale of 99.4% stake in BLOM Bank Egypt to the Arab Banking Corporation (ABC Bank).** CICH's investment banking acted as exclusive sell side advisor to BLOM Bank on the USD425mn transaction. ([Company disclosure](#))

**Al-Shams Housing & Development [ELSH] reported net income of EGP54mn (-27% y/y) in H1 2021** mainly on lower revenues of EGP132mn (-10% y/y) and a lower gross profit margin of 87.3% (-9bps). ([Company disclosure](#))

**Prime Holding's [PRMH] H1 2021 revenues increased to EGP55mn (+67% y/y).** However, net loss registered EGP22mn (from a net loss of EGP14mn a year before) due to higher operating expenses. ([Company disclosure](#))

**Arabia Investments Holding's [AIH] H1 2021 results registered a bottom line increase to EGP42mn (+85% y/y)** on the back of higher revenues of EGP789mn (+33% y/y) and higher operating margin. ([Company disclosure](#))

**Giza General Contracting & Real Estate Investment Co. [GGCC] H1 2021 net income increased by 29% y/y to EGP32.4mn,** backed by 38% y/y increase in revenues to EGP630.4mn in H1 2021. ([Company disclosure](#)) GGCC trades at a TTM P/E of 14.3x.

**Lecico Egypt's [LCSW] Q2 2021 consolidated net loss after minorities narrowed to EGP6.8mn compared to a net loss of EGP75mn a year before.** The improved performance came as a result of (1) 66% increase in revenues in Q2 2021 to EGP636mn, (2) Higher other revenues, and (3) positive net financing costs. ([Company disclosure](#))

**Arab Moltaqa Investments' [AMIA] H1 2021 bottom line showed a surge to EGP75mn (+138% y/y).** While operating revenues dropped to EGP227mn (-24% y/y), the increase in bottom line was backed by securitization proceeds and capital gains. ([Company disclosure](#))

**GLOBAL NEWS**

**U.S. Treasury yields tumbled** after the release of a survey showing a gloomier outlook from American consumers on issues including personal finances, the economic recovery and inflation.

([Financial Times](#))

**Lebanon's central bank governor said nobody was running the country,** hitting back after government criticism of his decision to halt fuel subsidies which drained currency reserves.

([Reuters](#))

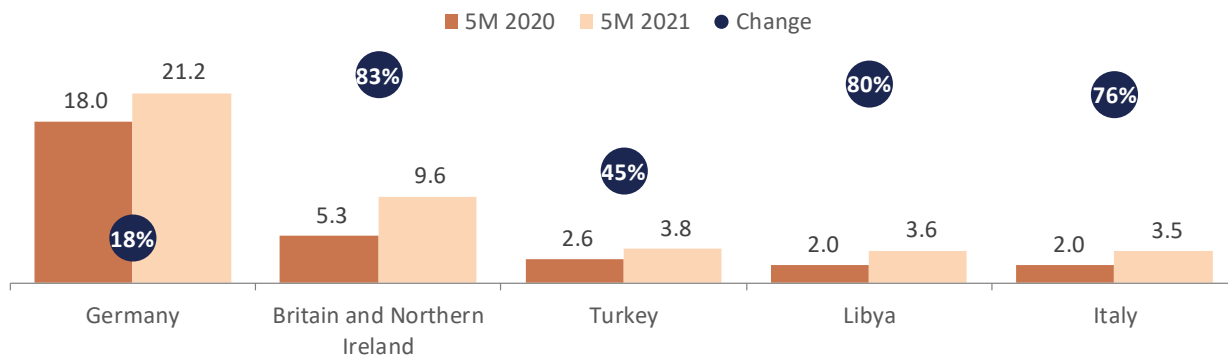
### 3. CHART OF THE DAY

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**Egyptian sanitary ware export destinations (USDmn)**



Source: ECBM.

Egyptian sanitary ware exports in 5M 2021 increased by 33% y/y to USD65mn. According to ECBM, Germany ranked first with USD21.2mn of exports (+18% y/y). Meanwhile, Britain and Northern Ireland exhibited the biggest growth in both absolute and relative terms among the top five export destinations with USD9.6mn in exports (+USD4.4mn and +83% y/y).

## 4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
715.7						1,753.3 1,178.6					
				daily chg.	ytd chg.					daily chg.	ytd chg.
		EGX 30	10,884.50	0.28%	0.36%			Gold	1,779.74	1.53%	(6.25%)
		EGX 30 TR	4,271.29	0.89%	2.38%			Silver	23.75	2.45%	(10.05%)
		EGX 70 EWI	2,871.09	0.15%	33.84%			Brent Oil	70.59	(1.01%)	36.27%
		EGX 100 EWI	3,846.51	0.03%	24.17%			WTI	68.44	(0.94%)	41.06%
		DFMGI	2,814.63	(0.07%)	12.95%			Natural Gas	3.86	(1.83%)	52.07%
		ADSMI	7,594.35	0.47%	51.04%	EGP		USD/EGP	15.70	0.00%	(0.25%)
		TASI	11,323.70	(0.01%)	30.31%	€		EUR/USD	1.18	0.57%	(3.43%)
		QE Index	10,920.42	0.04%	4.64%	£		GBP/USD	1.39	0.42%	1.43%
		S&P 500	4,468.00	0.16%	18.95%	¥		USD/JPY	109.59	(0.74%)	6.14%
		Dow 30	35,515.38	0.04%	16.04%			6M TB yield	13.14	(1)	40
		NASDAQ	14,822.90	0.04%	15.01%			1Y TB yield	13.27	2	50
		VIX	15.45	(0.90%)	(32.09%)			10Y TB yield	14.80	(2)	41
		STOXX 50	4,229.70	0.08%	19.06%			2Y TB yield	0.16	(8)	3
EM		MSCI Emerging	1,280.86	(0.78%)	(0.81%)			10Y TB yield	1.59	24	66
FM		MSCI Frontier	656.28	0.37%	14.81%			30Y TB yield	2.27	27	61

\* 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
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.

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DATE	PUBLISHED REPORT
11-Aug-21	<a href="#"><u>Crédit Agricole Egypt (CAE) [CIEB] – Non-Interest Income Heals Earnings Growth</u></a>
10-Aug-21	<a href="#"><u>MACROView – July's Feverous Inflation</u></a>
9-Aug-21	<a href="#"><u>CI Capital Holding [CICH] – Robust Exit Saves the Day</u></a>
5-Aug-21	<a href="#"><u>MACROView – The Sky Is No Blue</u></a>
4-Aug-21	<a href="#"><u>MACROView – Constrained Recovery</u></a>
26-Jul-21	<a href="#"><u>EFG Hermes Holding [HRHO] – FV and 12MPT Adjustment to Bonus Share Action</u></a>
13-Jul-21	<a href="#"><u>Commercial International Bank [COMI] – Tamed Credit Provisions Spur Annual Growth</u></a>
8-Jul-21	<a href="#"><u>MACROView – Inflation Edged Up, As Expected</u></a>
8-Jul-21	<a href="#"><u>MACROView – External Buffers Still Powering Ahead</u></a>
6-Jul-21	<a href="#"><u>MACROView – A Steady and Slow Recovery in the Making</u></a>
<b>5-July-21</b>	<b><a href="#"><u>Abu Qir Fertilizers [ABUK] – Talking U</u></a></b>
16-June-21	<a href="#"><u>B Investments Holding [BINV] – Strong Financials, Growing Investments</u></a>
14-June-21	<a href="#"><u>Al-Shams Housing &amp; Development [ELSH] – Earnings Flattened by Factoring Cost</u></a>
10-June-21	<a href="#"><u>MACROView – Inflation Risk Rising, but Still Within Target</u></a>
8-June-21	<a href="#"><u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u></a>
6-June-21	<a href="#"><u>MACROView – Further Enhancement</u></a>
3-June-21	<a href="#"><u>MACROView – Contraction Eased</u></a>
23-May-21	<a href="#"><u>Orascom Construction [ORAS] – Earnings Short of Our Estimates</u></a>
23-May-21	<a href="#"><u>CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense</u></a>
22-May-21	<a href="#"><u>Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions</u></a>
20-May-21	<a href="#"><u>Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth</u></a>
20-May-21	<a href="#"><u>EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track</u></a>
<b>18-May-21</b>	<b><a href="#"><u>B Investments Holding [BINV] – Exits Kick Off, Unlocking Value</u></a></b>
18-May-21	<a href="#"><u>Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead</u></a>
17-May-21	<a href="#"><u>Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth</u></a>
11-May-21	<a href="#"><u>MACROView – Inflation Eased but Stage Still Set for a Pick-Up</u></a>
9-May-21	<a href="#"><u>MACROView – Stability Prevailed</u></a>
6-May-21	<a href="#"><u>MACROView – The Road to Recovery Gets Longer</u></a>

18-Apr-21	<a href="#"><u>MACROView – Challenges Remain Daunting</u></a>
13-Apr-21	<a href="#"><u><b>Crédit Agricole Egypt (CAE) [CIEB] – The Value Algorithm</b></u></a>
12-Apr-21	<a href="#"><u><b>Orascom Construction [ORAS] – Rich in Value</b></u></a>
11-Apr-21	<a href="#"><u>MACROView – Monthly Reading Pressured By Seasonality</u></a>
6-Apr-21	<a href="#"><u>MACROView – FX Assets Well Placed to Mitigate Potential Risks</u></a>
6-Apr-21	<a href="#"><u>MACROView – Still Downbeat</u></a>
28-Mar-21	<a href="#"><u>Taaleem Management Services [TALM] – Enriching the Education Sector</u></a>
18-Mar-21	<a href="#"><u>EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues</u></a>
10-Mar-21	<a href="#"><u>MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon</u></a>
8-Mar-21	<a href="#"><u>MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions</u></a>
7-Mar-21	<a href="#"><u><b>Al-Shams Housing &amp; Development [ELSH] – Making Hay While the Sun Shines</b></u></a>
3-Mar-21	<a href="#"><u>MACROView – Weak Demand Still Weighing on the Rebound Trajectory</u></a>
2-Mar-21	<a href="#"><u>MACROView – Commodity Supercycle: Real or Hype?</u></a>
1-Mar-21	<a href="#"><u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u></a>
25-Feb-21	<a href="#"><u>Elsewedy Electric [SWDY] – Strong Set of Results Driven by Turnkey</u></a>
22-Feb-21	<a href="#"><u>CI Capital Holding [CICH] – Got the Hit, Yet Better Than Expected</u></a>
10-Feb-21	<a href="#"><u>MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices</u></a>
8-Feb-21	<a href="#"><u>Misr Chemical Industries [MICH]– Annually Wild, Quarterly Tamed</u></a>
4-Feb-21	<a href="#"><u>MACROView – External Buffers Are Still Restoring Grounds</u></a>
3-Feb-21	<a href="#"><u>MACROView – A Fragile Improvement but Favorable Sentiment</u></a>
3-Feb-21	<a href="#"><u>MACROView – External Woes vs. Cautious Optimism</u></a>
1-Feb-21	<a href="#"><u><b>STANDPoint – Egypt 2021 Investing Playbook</b></u></a>
14-Jan-21	<a href="#"><u><b>CI Capital Holding [CICH] – New Expansions = Further Growth</b></u></a>
10-Jan-21	<a href="#"><u>MACROView – Below End-of-Year Target</u></a>
6-Jan-21	<a href="#"><u>MACROView – On the Path to Further Recovery</u></a>
5-Jan-21	<a href="#"><u>MACROView – Rutted Road to Recovery</u></a>
28-Dec-20	<a href="#"><u><b>Elsewedy Electric [SWDY] – More Growth to Come</b></u></a>
22-Dec-20	<a href="#"><u><b>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</b></u></a>
16-Dec-20	<a href="#"><u>CIB [COMI] – Earnings beat despite higher provisions</u></a>
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3-Dec-20	<a href="#"><u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u></a>
<b>25-Nov-20</b>	<b><a href="#"><u>Misr Chemical Industries [MICH] – Pandemic Proof</u></a></b>
10-Nov-20	<a href="#"><u>MACROView – An expected rise as the new school year began</u></a>
4-Nov-20	<a href="#"><u>MACROView – The Stars Seem to Be Aligned for International Reserves</u></a>
3-Nov-20	<a href="#"><u>MACROView – The Highest Reading in Six Years</u></a>
25-Oct-20	<a href="#"><u>CIB [COMI] – Short-term pain for longer-term gain</u></a>
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11-Oct-20	<a href="#"><u>MACROView – External strains are slacking and reserves are growing</u></a>
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5-Oct-20	<a href="#"><u>MACROView – Egypt’s recovery is broadening</u></a>
10-Sep-20	<a href="#"><u>MACROView – A Stunning Chapter Towards Targets</u></a>
8-Sep-20	<a href="#"><u>MACROView – Crawling Out of the Troughs</u></a>
3-Sep-20	<a href="#"><u>MACROView – Job losses and the bumpy road to recovery</u></a>
18-Aug-20	<a href="#"><u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u></a>



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