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Suffering Way Less

1. Today's Trading Playbook

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KEY THEMES

Less losses: Lecico Egypt [LCSW] managed to narrow its consolidated net loss after minorities to EGP6.8mn in Q2 2021 compared to a net loss of EGP75mn a year before. LCSW's performance improved on back of 66% higher revenues of EGP636mn and despite the seasonal demand weakness caused by Ramadan. It even reported pre-tax income in Q2 2021, a first in three years.

The three segments that helped LCSW prune its losses: Taking the lead was sanitary ware (65% of sales) of which revenues leapt 93% y/y to EGP412mn in Q2 2021, powered by an increase in both volume (+72% y/y) and prices (+13% y/y). Sanitary ware volume surged 72% y/y to 1.25mn pieces, as export volume soared 119% after the European markets recovered, which offset an 8% fall in local volume. Meanwhile, the average selling price increased 13% y/y to EGP330/piece. The sanitary ware segment generated a gross profit margin of 16.8% in Q2 2021 against a gross loss margin of 2.2% in Q2 2020.

Secondly, tiles (32% of sales) of which revenues increased 28% y/y to EGP201mn in Q2 2021, driven by a 23% y/y rise in volume, thanks to higher exports and a 5% y/y increase in average selling prices. The tile segment's gross profit margin improved to 19% in Q2 2021 from 8.4% in Q2 2020.

Lastly, brassware, the smallest segment, saw its revenues climb 92% y/y to EGP22.9mn, backed by a 21% increase in local volume and a 59% y/y surge in average price to EGP1,102/piece.

Justified higher debt: Debt mounted in Q2 2021 to EGP910mn compared to EGP860mn in Q1 2021, as LCSW's receivables growth resulted in the need to re-build its inventory which was consumed on higher demand for LCSW's products and some raw materials supply shortage.

Future plans: LCSW targets to improve its margins further (especially for sanitary ware), decrease its overhead costs as percentage of sales, and reduce its tax charges. Granted, 2020 was a tough year as demand hit affected by -COVID-19 and LCSW was much affected by its high

exposure to foreign markets which suffered from long lockdowns, yet Q2 2021 figures are healthier and point to a brighter future. LCSW trades at a P/S of 0.17

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt's unemployment rate flattened in Q2 2021 at 7.3% (-0.10bps q/q, -230bps y/y). ([Enterprise](#))

Egypt's renewable energy production from the New & Renewable Energy Authority's (NREA) projects has increased over 22% y/y in FY21, reaching 4,518k mWh. ([NREA](#))

CORPORATE NEWS

Orascom Development Egypt [ORHD] reported net income after minority of EGP277mn (+231% y/y) during Q2 2021 on higher revenues of EGP1.5bn (+51% y/y) and higher gross profit margin of 32.4% (+402bps). ([Company disclosure](#))

B Investments' [BINV] H1 2021 results showed a bottom line of EGP73mn (-41% y/y) on the back of lower revenues of EGP99mn (-33% y/y). Lower revenues were mainly attributed to lower share of profit from Madinet Nasr for Housing & Development [MNHD] and **Gourmet Egypt** share of loss of EGP9.4mn. ([Company disclosure](#))

KIMA [EGCH] said it reached terms with Iron & Steel for Mines & Quarries [ISMQ] regarding disputes over certain land plots. According to the agreement, EGCH will get to receive two land plots, with a cumulative area of 74,825 sqm, whereas ISMQ will receive a land plot with a total area of 45,000 sqm. ([Company disclosure](#))

Ibnsina Pharma's [ISPH] H1 2021 consolidated net profit increased to EGP105mn (+18% y/y) as sales grew to EGP10bn (+14% y/y). In the meantime, GPM inched down to 7.5% (vs. 7.9% in H1 2020) and ROAE fell to 17.3% (vs. 25.3% in H1 2020). ([Company release](#)) ISPH is currently trading at a TTM P/E of 16.2x, and an EV/EBITDA of 14.4x.

Housing & Development Bank's [HDBK] separate net profits for H1 2021 was almost flat at EGP1bn (+0.1%) as higher net interest income of EGP1.6bn (+26.3% y/y) was offset by EGP105mn provisions build-up (vs. provision reversals of EGP152mn). On a ytd basis, net lending climbed to EGP21.2bn (+9.5%) and deposits to EGP52.1bn (+10.6%). ROAE fell to 26.6% in H1 2021 from 29.8% in H1 2020. ([Bank release](#)) HDBK is currently trading at a P/BV and TTM P/E of 0.58x and 2.3x, respectively.

Export Development Bank of Egypt's [EXPA] H1 2021 consolidated net profit fell to EGP686mn (-37% y/y), on a lower net interest income of EGP1.9bn (-5.4% y/y). On a ytd basis, net lending grew to EGP37.2bn (+5.5%) and deposits to EGP57.8bn (+15%). ROAE retreated to 10.6% in H1 2021 from 19.7% in H1 2020. ([Bank release](#)) EXPA is currently trading at a P/BV of 0.49x and a TTM P/E of 4.71x.

Abu Dhabi Islamic Bank - Egypt [ADIB] posted consolidated net profit of EGP680mn in H1 2021 (+28% y/y), aided by one-off non-operating income of EGP71mn from selling its shares in an associate company, higher net interest income of EGP1.6bn (+4.2% y/y), and 57% lower provisions of EGP101mn booked. Ytd, net lending grew to EGP41.7bn (+4.3%) and deposits to EGP65bn (+4%). ROAE increased 24.4% in H1 2021 vs. 23.3% in H1 2020. (Bank release) ADIB is currently trading at a P/BV of 0.58x and a TTM P/E of 2.7x.

Faisal Islamic Bank of Egypt's [FAIT] H1 2021 stand-alone net profit grew to EGP1bn (+28% y/y) as net interest income rose to EGP2.5bn (+29% y/y), despite booking double the provisions, which reached EGP197mn. Ytd, net lending to EGP11.1bn (+10.2%) and deposits to EGP103.7bn (+7%). ROAE reached 14% in H1 2021 vs. 12% in H1 2020. ([Bank release](#)) FAIT is currently trading at a P/BV of 0.38x and a TTM P/E of 2.5x.

Sidi Kerir Petrochemicals' [SKPC] Q2 2021 bottom line came at EGP131mn (-14% q/q). Sequential slippage in bottom line came despite 4% higher revenues to EGP1,360mn on higher selling prices. However, GPM weakened by 59bps to 20.9%, leading to a flattish gross profit of EGP285mn (+1% q/q). Furthermore, SKPC saw sequential upping in its SG&A, and borrowing costs, which filtered through weaker net earnings from a quarterly perspective. ([Company disclosure](#))

Misr Beni Suef Cement's [MBSC] preliminary financial indicators for Q2 2021 show higher net income of EGP42.3mn (+44% y/y), backed by stronger gross profit of EGP22.1mn (+92% y/y), higher other revenues, and lower taxes. Meanwhile, revenues decreased to EGP184.7mn (-15% y/y). ([Company disclosure](#)) MBSC trades at a TTM P/E of 24.9x.

Cairo Poultry's [POUL] H1 2021 net profit edged up to EGP79mn (+3% y/y) after revenues rose to EGP2.4bn (+18% y/y). However, the increase in revenues was offset by a lower GPM of 11%, down from 15% in the same period last year. ([Company disclosure](#))

Maridive & Oil Services [MOIL] incurred less net losses after minorities of USD12.3mn in Q2 2021 compared to USD19.8mn in Q2 2020, thanks to lower taxes. Meanwhile, revenues decreased by 49% y/y to USD29.5mn in Q2 2021. ([Company disclosure](#))

CI Capital Holding's [CICH] investment banking arm, CIIB, joined the consortium of investment banking companies that will float e-Finance on EGX. (Al-Borsa)

EFG Hermes Holding's [HRHO] microfinance arm, Tanmeyah, targets an outstanding portfolio of EGP5.5bn by year end vs. a current EGP3.4bn. (Al-Borsa)

After legal and procedural conditions have been satisfied, GB Auto [AUTO] announced the execution of the transaction related to its subsidiary that executed an agreement with certain foreign investment funds whereby it would sale part of its stake in **MNT Investments BV (Dutch)**, representing 5% of the shares at a price of c.EGP353mn. ([Company disclosure](#))

Elsaeed Contracting Co.'s [UEGC] H1 2021 consolidated net income increased to EGP73.7mn (+8% y/y), and net revenues to EGP718mn (+46% y/y). ([Company disclosure](#)) UEGC trades at a TTM P/E of 7.2x.

Porto Group's [PORT] Q2 2021 recorded a net profit after minorities of EGP50.6mn compared to a net loss of EGP7.4mn a year before. The improved performance came due to a 207% y/y increase in revenues to EGP397mn in Q2 2021. ([Company disclosure](#))

GLOBAL NEWS

Slowing economic recovery amid a resurgent pandemic is leaving emerging-market currencies vulnerable to a selloff if Treasury yields rise again. ([Bloomberg](#))

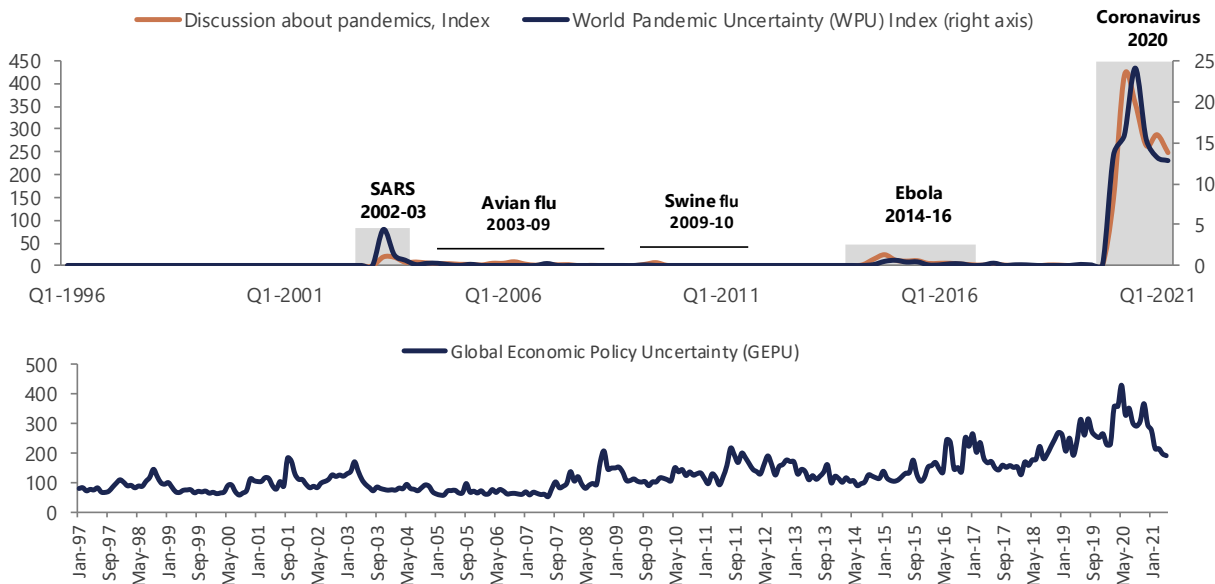
From copper to crude and corn to coal, commodity prices have enjoyed a powerful rally from last year's pandemic lows, aided by China's hunger for raw materials and huge stimulus packages. ([Financial Times](#))

3. CHART OF THE DAY

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Source: World Uncertainty Index.

The global acceleration in vaccination rollout, the lifting of restrictions, and good economic data tamped down uncertainty to a great measure. Global Economic Policy Uncertainty (GEPU), a media-based index, continues to wane as pandemic uncertainty abates. However, concerns are still profound that, with the rapid spreading of the Delta variant, uncertainty will resurface, which could stunt growth and recovery.

The GEPU Index is a GDP-weighted average of national EPU indices for 21 countries: Australia, Brazil, Canada, Chile, China, Colombia, France, Germany, Greece, India, Ireland, Italy, Japan, Mexico, the Netherlands, Russia, South Korea, Spain, Sweden, the United Kingdom, and the United States.

The WPU Index is constructed by counting the number of times uncertainty is mentioned within a proximity to a word related to pandemics in the Economist Intelligence Unit country reports. Specifically, the index is the percent of the word "uncertain", and its variants, that appear near the pandemic terms in EIU country reports, multiplied by 1,000. A higher number means higher uncertainty related to pandemics and vice versa.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						719.8					
						Equity turnover (EGPmn): Last, ytd avg.		1,559.6		1,178.6	
						daily chg.		ytd chg.			
		EGX 30	11,029.56	1.33%	1.70%			Gold	1,779.74	1.53%	(6.52%)
		EGX 30 TR	4,293.32	0.52%	2.91%			Silver	23.75	2.45%	(10.67%)
		EGX 70 EWI	2,887.50	0.57%	34.61%			Brent Oil	70.59	(1.46%)	34.29%
		EGX 100 EWI	3,866.00	0.51%	24.80%			WTI	68.44	(1.56%)	38.85%
		DFMGI	2,815.96	0.05%	13.00%			Natural Gas	3.86	(1.14%)	50.33%
		ADSMI	7,601.64	0.10%	50.84%	EGP		USD/EGP	15.70	0.00%	(0.26%)
		TASI	11,351.63	0.25%	30.64%	€		EUR/USD	1.18	(0.06%)	(3.49%)
		QE Index	10,933.06	0.12%	4.76%	£		GBP/USD	1.39	(0.10%)	1.33%
		S&P 500	4,468.00	0.16%	18.95%	¥		USD/JPY	109.59	(0.18%)	5.95%
		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, except for commodities and currencies at 8:35am 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
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.
1-Sep-21	MBSC	Cash dividend	Date for ex-dividends for EGP1.5/share.

1-Sep-21	MSCI		The effective date for MSCI's August 2021 Quarterly Index Review.
2-Sep-21	DAPH	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
5-Sep-21	MBSC	Cash dividend	Date for paying out a dividend of EGP1.5/share.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
11-Aug-21	Crédit Agricole Egypt (CAE) [CIEB] – Non-Interest Income Heals Earnings Growth
10-Aug-21	MACROView – July's Feverous Inflation
9-Aug-21	CI Capital Holding [CICH] – Robust Exit Saves the Day
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	MACROView – A Steady and Slow Recovery in the Making
5-July-21	Abu Qir Fertilizers [ABUK] – Talking U
16-June-21	B Investments Holding [BINV] – Strong Financials, Growing Investments
14-June-21	Al-Shams Housing & Development [ELSH] – Earnings Flattened by Factoring Cost
10-June-21	MACROView – Inflation Risk Rising, but Still Within Target
8-June-21	TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends
6-June-21	MACROView – Further Enhancement
3-June-21	MACROView – Contraction Eased
23-May-21	Orascom Construction [ORAS] – Earnings Short of Our Estimates
23-May-21	CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense
22-May-21	Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions
20-May-21	Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth
20-May-21	EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track
18-May-21	B Investments Holding [BINV] – Exits Kick Off, Unlocking Value
18-May-21	Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead
17-May-21	Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth
11-May-21	MACROView – Inflation Eased but Stage Still Set for a Pick-Up

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>

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