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SWDY's Q2 2021 Earnings Call Highlights

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1. Today's Trading Playbook

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KEY THEMES

A promising year: SWDY's management is satisfied with its Q2 2021 results, expecting revenues and earnings to grow y/y by 15% and 10%, respectively, and a gross profit margin of 13-13.5% in 2021. The management believes all segments will contribute to the expected growth. It sees growth opportunities locally, e.g. in infrastructure upgrades under "the Decent Life" initiative, and outside Egypt. In H1 2021, the cable segment performed well as exports were grown by the company's exposure to new markets and the recovery in European markets.

Vowing flat debt: Management blamed its increased debt on: (1) the rise in global commodities prices, (2) recent transformer acquisitions, (3) the dividend distributed to shareholders, (4) and normal capex spending. Management expects to wind up the year indebted with EGP4-4.5bn, which is about the same as the current debt level.

Turnkey: SWDY managed to control its costs as much as possible to keep its gross profit margin around 12-13%, which is the target for 2021. Maybe we can see a decline in GPM next year or the year after is probable depending on the project mix. On this note, 25% of Tanzania's project is completed so far and the company expects 40% completion by the end of the year. The project is expected to bring in revenues in the EGP23-24bn range.

More growth underway: Management is pinning high hopes on its transformer and meter segments. Although meters performed poorly, with some raw material shortage, it is seen to rebound. Another acquisition is expected before the end of 2021. The recent transformer takeover deals should be consolidated in H2 2021 (Indonesia in Q3 2021 and Pakistan in Q4 2021) due to company restructuring in Pakistan.

Positive on SWDY: We have a positive outlook on SWDY's performance in Q2 2021 and we maintain our Overweight rating and 12M PT of EGP12.7/share.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt's National Telecom Regulatory Authority (NTRA) has adopted a regulatory framework for data centers and cloud computing. ([NTRA](#))

President Abdel-Fattah El-Sisi approved the decision of the House of Representatives to issue the Sovereign Sukuk Law. The Cabinet will set the executive regulations of the law within three months from the date the law comes into force, and based on the proposal of the Minister of Finance, and after consulting with Al-Azhar and the Financial Regulatory Authority (FRA). ([Masrawy](#))

The Egyptian Capital Market Association (ECMA) is preparing to hold meetings with representatives of EGX and the FRA to discuss the future of capital gains tax and stamp tax. (Al-Borsa)

CORPORATE NEWS

Oriental Weavers Carpet [ORWE] reported net income after minority of EGP299mn (+461% y/y) in Q2 2021 on higher revenues of EGP2.9bn (+58% y/y) and higher gross profit margin of 17.6% (+871bps). ([Company disclosure](#)) ORWE is now trading at a TTM P/E of 4.2x.

Fawry [FWRY] said the Egyptian American Enterprise Fund decreased its stake in the company to 8.74% from 9.67% at an average price of EGP17/FWRY share. ([Company disclosure](#))

Elsowedy Electric's [SWDY] subsidiary United Metals Co. secured a two-year facility of USD25mn from EBRD to fund its working capital and raw materials after COVID-19. ([EBRD](#)) Meanwhile, SWDY and **Arab Contractors** have successfully installed the first parts of the first turbine in Tanzania's Julius Nyerere Hydropower Project (JNHPP). ([Mubasher](#))

Eastern Tobacco [EAST] intends to launch the first electronic cigarette product in the local market at the end of this year or early 2022. ([Al-Mal](#))

Contact Financial Holding [CNFN] is working on securitizing EGP1.5bn of a real estate developer during Q4 2021. (Al-Borsa)

Cairo for Investment & Real Estate Development [CIRA] obtained the Cabinet's approval to establish Badr University in Assiut (BUA), located in Nasser City. CIRA built the first phase of the university and is awaiting the presidential and operational decisions to commence study at BUA. ([Company disclosure](#))

Misr Cement – Qena [MCQE] revised its stand-alone 2021 budget figures post the Egyptian Competition Authority's (ECA) decision to reduce production. MCQE is now projecting to sell 1.7mn tons during 2021 vs. previously 1.8mn ton, which should lead to top line projection of EGP1,120mn vs. EGP1,151mn before. Eventually MCQE projects higher net profit of EGP93mn instead of EGP47mn on higher gross profits of EGP294mn vs. EGP179mn. (Company disclosure)

Sabaa International for Pharmaceutical's [SIPC] H1 2021 net profit grew to EGP2.6mn (+32.5% y/y), driven mainly by lower expenses on selling & distribution expenses (-69% y/y) and general & admin expenses (-27% y/y). This came despite a decline in revenues (-13.3% y/y) with GPM retreating to 34% in H1 2021 from 44% in H1 2020. ROAE rose to 4.8% from 3.6% for the same comparable periods. ([Company release](#)) SIPC is currently traded at a TTM P/E of 18.4x.

Minapharm Pharmaceuticals' [MIPH] separate net profit for H1 2021 more than doubled to EGP153.5mn, helped by: (1) higher revenues of EGP1bn (+37% y/y), (2) stronger financing income (+113% y/y) due mainly to FX gains, (3) lower interest expenses of EGP28.6mn (-21% y/y), and (4) lower provision expenses of EGP9.8mn (-39% y/y). Thus, ROAE more than doubled to 34% in H1 2021 vs. 15% in H1 2020. ([Company release](#)) MIPH is currently traded at a TTM P/E of 5.4x.

GLOBAL NEWS

China is expected to keep its benchmark lending rate unchanged for the 16th straight month at its August fixing on Friday, but some traders and analysts believe a cut may be needed soon amid signs the country's economic recovery is losing steam, a Reuters survey showed. ([Reuters](#))

Investors worried about rising prices for everything from consumer goods to raw materials have poured into inflation-protected American government debt, propelling its returns above other major types of U.S. bonds this year. ([Financial Times](#))

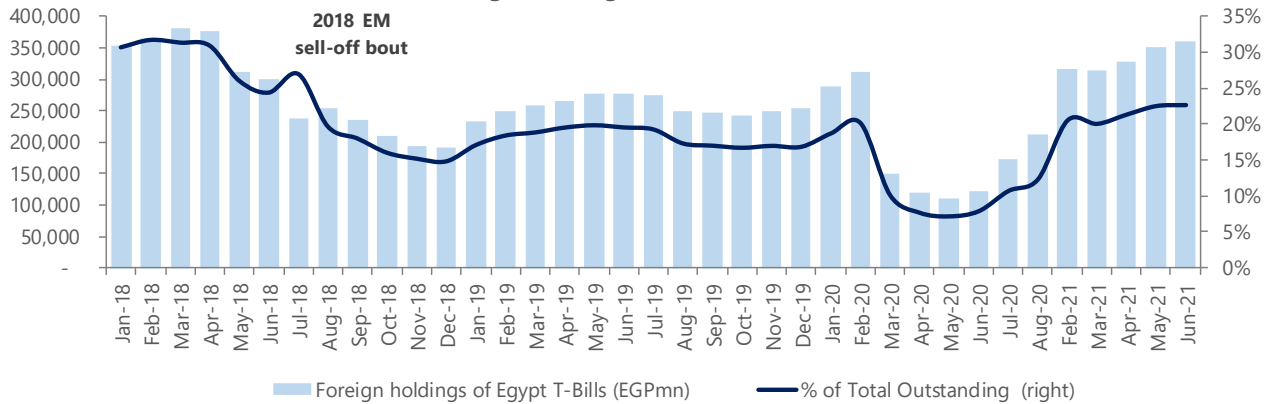
3. CHART OF THE DAY

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Foreign Holdings of T-bills trend



Source: CBE.

As depicted above, foreign holdings of Egypt T-bills started to recover by H2 2020 after witnessing a sell-off bout as a result of lockdowns. Lucrative yields were attracted foreign holdings, hovering above c.13%. Moreover, the EGP appreciated against USD by 2.8% y/y in Q2 2021; hence, lingering increase in foreign holdings of Egypt T-bills should keep yields attractive, especially with a resilient EGP.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.					
720.6						3,571.6 1,178.6					
daily chg. ytd chg.						daily chg. ytd chg.					
	EGX 30	10,907.96	(0.27%)	0.58%			Gold	1,787.82	0.09%	(6.17%)	
	EGX 30 TR	4,231.46	(0.78%)	1.43%			Silver	23.51	(0.63%)	(11.66%)	
	EGX 70 EWI	2,932.42	0.43%	36.70%			Brent Oil	68.23	(1.57%)	29.65%	
	EGX 100 EWI	3,903.04	0.19%	25.99%			WTI	65.46	(1.97%)	32.25%	
	DFMGI	2,862.01	0.87%	14.85%			Natural Gas	3.85	(1.38%)	49.63%	
	ADSMI	7,694.59	(0.46%)	52.02%		EGP	USD/EGP	15.70	(0.00%)	(0.26%)	
	TASI	11,344.94	(0.42%)	30.56%		€	EUR/USD	1.17	(0.28%)	(4.40%)	
	QE Index	10,996.13	0.12%	6.34%		£	GBP/USD	1.38	(0.39%)	0.23%	
	S&P 500	4,400.27	(1.07%)	17.15%		¥	USD/JPY	109.77	0.18%	6.51%	
	Dow 30	34,960.69	(1.08%)	14.23%			6M TB yield	13.14	(1)	40	
	NASDAQ	14,525.91	(0.89%)	12.71%			1Y TB yield	13.27	2	50	
	VIX	21.57	20.44%	(5.19%)			10Y TB yield	14.80	0	41	
	STOXX 50	4,189.42	(0.17%)	17.92%			2Y TB yield	0.21	0	8	
EM	MSCI Emerging	1,261.60	0.46%	(2.30%)			10Y TB yield	1.26	(0)	33	
FM	MSCI Frontier	656.61	(0.12%)	14.87%			30Y TB yield	1.90	(3)	24	

* As of market close, except for commodities and currencies at 8:55am 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
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.
29-Aug-21	ORAS	Earnings release	Announcing H1 2021 financial results.
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	AMES	Stock dividend	Last date for eligibility for a 0.09-for-1 stock dividend.
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	AMES	Stock dividend	Date for distributing a 0.09-for-1 stock dividend.



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.
8-Sep-21	CNFN	EGM	Adding investment banking to the company's activities.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
18-Aug-21	EFG Hermes Holding [HRHO] – Solid Business, Strong Financial Growth
17-Aug-21	Elsewedy Electric [SWDY] – Impressive Set of Results
17-Aug-21	Commercial International Bank [COMI] – Adjustment Post Stock Dividend
16-Aug-21	B Investments Holding [BINV] – Growth Dented Across the Board
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	TAKESStock – 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	<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>

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