

TABLE OF CONTENTS

1. Today's Trading Playbook	2. Top News & Analysis	3. Chart of the Day
4. Markets Performance	5. Latest EGX Valuation Multiples	6. Key Dates
		7. Latest Research

No Roses Without Thorns

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1. Today's Trading Playbook

[TABLE OF CONTENTS](#)

KEY THEMES

Narrower losses: Arabian Cement Co. [ARCC] said, in its quarterly earnings call, that Q2 2021 consolidated net losses after minorities narrowed to a net loss of EGP17mn from EGP21.5mn a year before. Meanwhile, revenues decreased by 14% y/y to EGP532.4mn, as volume sold shrank 18% y/y to 814,000 tons, which more than offset the 3.6% y/y increase in prices to EGP630/ton.

Higher cash cost per ton: Although cash costs decreased 9% y/y to EGP454mn on lower volume, cash cost per ton increased by 11% y/y to EGP558 inflated by a rise in the prices of pet coke, coal, and freight. ARCC does not keep pet coke inventory for long, only for one or two months. Piling up inventory is costly and, while prices fluctuate, is also risky.

Cement seen to get pricier: We have seen prices rise to EGP900-930/ton, and management expects a gradual increase in the company's selling prices until prices reach the desired level of EGP1,000-1,200/ton. Cement consumption in Egypt has already recovered in H1 2021 to 24.1mn tons (+5% y/y).

Pinning higher hopes for H2 2021: Management expects H2 2021 EBITDA could be 2-3x that of the first half's EGP133mn which was affected by a technical problem in one of the company's production lines.

Positive industry outlook: We see the bottom line of cement companies recovering in H2 2021, if the price increase and demand recovery are sustained.

ARCC trades at a P/S of 1x, EV/EBITDA of 18.2x, and EV/ton of USD51.

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

2. TOP NEWS & ANALYSIS

TABLE OF CONTENTS

MACRO NEWS

Egypt will receive a foreign currency boost equivalent to c.USD2.8bn through the IMF's new SDR allocation, which came into effect on 23 August. The new allocation will boost FX reserves, and reduce the reliance on more expensive domestic or external debt. ([IMF](#))

The Minister of Finance revealed that Egypt is ready to issue the first sovereign sukuk in H1 2022. The minister said that work will be done to issue the executive regulations for the law, within 3 months, in cooperation with the FRA and Al-Azhar. ([Economy plus](#))

CORPORATE NEWS

Egypt Kuwait Holding [EKHO] allocated USD40mn to increase its 57% stake at Alex Fert to 65% before year-end. It also eyes bumping up its holding in Alexfert to 70% in the medium term. Lastly, the company is mulling investing USD30mn to acquire a new gas concession in North Sinai. ([Hapi](#), [Enterprise](#))

Elsowedy Electric [SWDY] and Egypt Cables won the tender to supply and install cables to connect the Zayed Monorail station to The National Electricity Network. The total value of the projects is EGP25mn. (Al-Mal)

Dice Sports & Casual Wear [DSCW] decided to liquidate its subsidiary, Egyptian Clothing Manufacturing & Trading, which was established in 2013. DSCW attributed the reason for the liquidation of the company to the fact that it did not engage in any operations since its establishment, until the date of liquidation, pointing out that last December a liquidator was appointed for the company. (Al-Mal)

Abu Qir Fertilizers [ABUK] has managed to achieve in 2020/21 top line of EGP8.8bn (+3.3% vs. Prime Research estimates "PRe"), achieving an annual growth of 12.2%. Consequently, pretax income reached EGP4.3bn (+2.8% vs. PRe). However, a lower effective tax rate of 19% resulted in relatively a wider beat in net earnings, recording EGP3.5bn (+8.0% vs. PRe). ABUK managed to achieve a strong y/y earnings growth of 30%, capitalizing on robust urea prices during H2 2020/21. ABUK managed to enrich its margins, with GPM registering 45.5% in 2020/21 (+8pp y/y, -50bps vs. PRe). ([Company disclosure](#)) Meanwhile, **BoD has suggested the distribution of a cash dividend equal to a DPS of EGP1.20**, implying a dividend yield of 6.2%. ([Mubasher](#))

E-Finance, a state-owned e-payment platform, is expected to debut on EGX in Q4 2021. The company will hold a general assembly in September to finalize all needed requirements. (Al-Mal)

Banque du Caire [BQDC] announced that it had obtained a license from the Central Bank of Egypt (CBE) for the electronic signature of its clients from companies and financial institutions. ([Hapi](#))

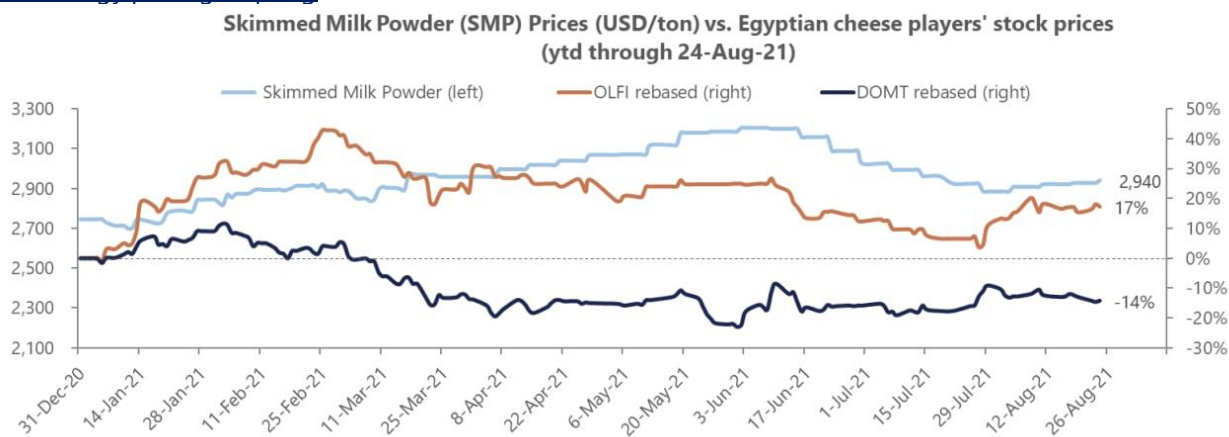
GLOBAL NEWS

Global corporate profits in Q3 2021 are likely to fall for the first time in 18 months after record earnings in April-June, Reuters calculations showed, as the spreading of COVID-19 and Delta variant squeezes supply chains and raises labor costs. ([Reuters](#))

3. CHART OF THE DAY

TABLE OF CONTENTS

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Source: Bloomberg.

The price of skimmed milk powder (SMP) increased 7% ytd to USD2,940/ton after peaking at USD3,203/ton in mid-June 2021 (+17% ytd). SMP is a key input in dairy production and the fluctuation in its prices would affect cheese players like Domty [**DOMT**] and Obour Land Food Industries [**OLFI**]. So far into 2021, OLFI (+17%, LTM P/E of 7.8x) has outperformed DOMT (-14%, LTM P/E of 9.7x).

4. MARKETS PERFORMANCE

TABLE OF CONTENTS

Current equity market cap (EGPbn)						724.5		Equity turnover (EGPmn): Last, ytd avg.						2,583.4		1,178.6			
						daily chg.		ytd chg.								daily chg.		ytd chg.	
		EGX 30	10,950.24	0.61%	0.97%			Gold	1,802.90	(0.14%)	(5.42%)			Silver	23.86	0.99%	(10.21%)		
		EGX 30 TR	4,281.75	0.61%	2.63%				Brent Oil	71.05	(0.11%)		37.01%						
		EGX 70 EWI	2,980.35	0.22%	38.93%			WTI	67.54	(0.27%)	38.83%								
		EGX 100 EWI	3,948.68	0.40%	27.47%				Natural Gas	3.90	(0.67%)		52.42%						
		DFMGI	2,904.10	0.57%	16.54%	EGP			USD/EGP	15.74	0.28%	(0.26%)							
		ADSMI	7,681.53	(0.03%)	51.98%	€			EUR/USD	1.18	(0.14%)	(3.90%)							
		TASI	11,141.03	0.71%	28.21%	£			GBP/USD	1.37	(0.09%)	0.34%							
		QE Index	11,166.01	0.29%	7.00%	¥		USD/JPY	109.65	0.05%	6.25%								
			S&P 500	4,486.23	0.15%	19.44%			6M TB yield	12.98	(16)	25							
		Dow 30	35,366.26	0.09%	15.55%			1Y TB yield	13.18	(9)	41								
		NASDAQ	15,019.80	0.52%	16.54%			10Y TB yield	14.80	0	41								
		VIX	17.22	0.41%	(24.31%)				2Y TB yield	0.23	1	10							
		STOXX 50	4,178.08	0.04%	17.60%			10Y TB yield	1.30	4	37								
EM		MSCI Emerging	1,270.01	2.62%	(1.65%)			30Y TB yield	1.92	5	26								
FM		MSCI Frontier	653.52	0.41%	14.33%														

* As of market close, except for commodities and currencies at 8.45am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

TABLE OF CONTENTS

[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

TABLE OF CONTENTS

DATE	TICKER	TYPE	EVENT
25-Aug-21	OCDI	Conference Call	Discussing Q2 2021 earnings.
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.
26-Aug-21	SPMD	BoD meeting	Discussing Speed Medical's acquisition of Prime Speed Healthcare.
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 of 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**TABLE OF CONTENTS**

DATE	PUBLISHED REPORT
24-Aug-21	<u>Abu Qir Fertilizers [ABUK] – When the Stars Align</u>
18-Aug-21	<u>EFG Hermes Holding [HRHO] – Solid Business, Strong Financial Growth</u>
17-Aug-21	<u>Elsowedy Electric [SWDY] – Impressive Set of Results</u>
17-Aug-21	<u>Commercial International Bank [COMI] – Adjustment Post Stock Dividend</u>
16-Aug-21	<u>B Investments Holding [BINV] – Growth Dented Across the Board</u>
11-Aug-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Non-Interest Income Heals Earnings Growth</u>
10-Aug-21	<u>MACROView – July's Feverous Inflation</u>
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>

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