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Talking M

Mohamed Saad | Senior Equity Analyst

msaad@egy.primegroup.org

1. Today's Trading Playbook

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KEY THEMES

Abu Qir Fertilizers [**ABUK**] landed the shareholders agreement between ABUK as well as Helwan Fertilizers, and Al-Ahly Capital to inaugurate **Misr Methanol & Petrochemicals** with a nameplate capacity of 1mtpa of methanol in addition to 0.4mtpa of ammonia. The agreement dictates that ABUK's stake in the project will be 35%. However, we note that ABUK owns already 17% in Helwan Fertilizers. We note that, Misr Methanol & Petrochemicals will have an authorized capital of USD200mn, and a paid-in capital of USD20mn. The project's investment cost will be around USD2.6bn. Phase I of the project would cost alone USD1.6bn, with a target capacity of 1mtpa of methanol and 0.4mtpa of ammonia – all exportable. Phase II, on the other hand, would target capacity upgrades and potential involvement in methanol downstream activities.

The capital structure of the project suggests 70% of the investment cost would be financed through debt. The plant will be built over an area of c.1.6mn sqm in the Economic Zone of El-Sokhna Port. Management said the amount of natural gas required for operation has been approved by the Ministry of Petroleum. There's a great possibility that Misr Methanol & Petrochemicals will obtain natural gas prices at USD4.5 per MMBtu, same as ABUK itself.

We note that, Methanex Egypt—the other main local methanol producer—pays for natural gas based on a pricing formula linked to global methanol prices. By way of background, Canada's **Methanex Corporation**, back in 2008, decided to set up a methanol factory located in Damietta, Egypt with a production capacity of 1.3mtpa, primarily for supplying domestic and European markets using an approximate of 1.5mn cubic meters of natural gas annually, which implies an average consumption of natural gas per a methanol ton at c.33MMBtu. We will be keeping an eye out for any updates on the technical and financial feasibility for Misr Methanol & Petrochemicals to further assess the project potential.



ABUK is currently traded at 2021/22e P/E of 6.8x and EV/EBITDA of 8.2x. We remind you that we have an overweight recommendation on the name, with 12-month price target (12M PT) of EGP26/share, implying an upside potential of +36%. Key catalysts are: (1) liberalization of local urea prices, and (2) ABUK qualifying for the free zone status, and (3) any cut in natural gas prices by the Egyptian government, as a cut of USD1.0/MMBtu will add a 20% upside to our 12M PT.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Ministry of Finance has started preparing for international bond issuance during the current fiscal year, and has already launched a tender to select the advisors for the offerings. The winners will provide advice to all government proposals in international markets throughout the current fiscal year, with the exception of the sovereign sukuk, which are expected to be issued in early 2022. (Al-Borsa)

The Central Bank of Egypt (CBE) has issued regulations to allow the public to use all payment cards and mobile wallets to withdraw, deposit, and transfer EGP through service providers. (CBE) This will give more liquidity to e-payment service providers which is most likely will benefiting Fawry [FWRY], B Investments' [BINV], and MM Group's [MTIE] joint venture Ebtikar.

Egypt's sovereign wealth fund seeks to raise USD2.5bn by end of 2022 to invest in a range of economic and social development projects, from education to utilities, according to The Sovereign Fund of Egypt (TSFE). (Zawya)

CORPORATE NEWS

Abu Qir Fertilizers [ABUK] landed the shareholders agreement between ABUK as well as Helwan Fertilizers, and Al-Ahly Capital to inaugurate Misr Methanol & Petrochemicals with a nameplate capacity of 1mtpa of methanol in addition to 0.4mtpa of ammonia. The agreement dictates that ABUK stake in the project will be 35%. However, we note that ABUK owns already 17% in Helwan Fertilizers. (Company disclosure)

SODIC [OCDI] reported net income after minority of EGP122mn (+109% y/y) in Q2 2021 on higher revenues of EGP1.02bn (+39% y/y) and higher gross profit margin of 36% (+465bps). (Company disclosure)

Suez Canal Bank's [CANA] contributions to the "Fund of Funds" amounted to EGP100mn, according to CANA's Chairman. (Al-Mal)

Al Baraka Bank - Egypt's [SAUD] vice chairman and CEO Ashraf El Ghamrawy will step down from his role on 1 October. ([EGX](#))

GLOBAL NEWS

The Bank of Korea raised its policy rate for the first time in almost three years on Thursday, becoming the first major Asian central bank to shift away from pandemic-era monetary settings as ballooning consumer debt created new threats for the economy. ([Reuters](#))

The blistering rally in global stocks is nearly over, any further gains will be limited and a correction is likely by the end of the year, a Reuters poll of analysts found. ([Reuters](#))

Samsung Group is considering investments worth USD205bn in its semiconductor, biopharmaceuticals and telecommunications units during the next three years. ([Tech Crunch](#))

3. CHART OF THE DAY

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Shihab M. Helmy | Senior Equity Analyst
smohammed@egy.primegroup.org



Source: CPB Netherlands Bureau for Economic Policy Analysis.

After falling dramatically during Q2 2020, export volumes have since soared above pre-pandemic levels speeding up the global economy and are now at an all-time high. According to the Organization for Economic Co-operation & Development (OECD), Australia's exports increased 10% q/q in Q2 2021, Brazil's shot up by 29% q/q, and Russia's grew by a whopping 31% q/q. Those countries are major commodity exporters, benefitting from increasing prices, limited global supply, and strong demand.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						731.5		Equity turnover (EGPmn): Last, ytd avg.				2,307.5		1,178.6	
				daily chg.	ytd chg.					daily chg.	ytd chg.				
		EGX 30	11,064.43	1.04%	2.02%			Gold	1,791.00	(0.66%)	(5.93%)				
		EGX 30 TR	4,321.13	0.92%	3.58%			Silver	23.84	(0.08%)	(10.16%)				
		EGX 70 EWI	2,991.04	0.36%	39.43%			Brent Oil	72.25	(0.39%)	38.94%				
		EGX 100 EWI	3,977.88	0.74%	28.41%			WTI	68.36	(0.59%)	40.07%				
		DFMGI	2,902.65	(0.05%)	16.48%			Natural Gas	3.90	0.56%	54.35%				
		ADSMI	7,665.15	(0.21%)	51.55%	EGP		USD/EGP	15.71	(0.20%)	(0.23%)				
		TASI	11,156.63	0.14%	28.39%	€		EUR/USD	1.18	(0.06%)	(3.69%)				
		QE Index	11,135.15	(0.28%)	6.70%	£		GBP/USD	1.38	(0.09%)	0.59%				
		S&P 500	4,496.19	0.22%	19.70%	¥		USD/JPY	110.02	(0.01%)	6.55%				
		Dow 30	35,405.50	0.11%	15.68%			6M TB yield	12.98	(16)	25				
		NASDAQ	15,041.86	0.15%	16.71%			1Y TB yield	13.18	(9)	41				
		VIX	16.79	(2.50%)	(26.20%)			10Y TB yield	14.80	0	41				
		STOXX 50	4,181.12	0.07%	17.69%			2Y TB yield	0.23	(0)	10				
EM		MSCI Emerging	1,275.31	0.42%	(1.24%)			10Y TB yield	1.35	5	42				
FM		MSCI Frontier	656.07	0.39%	14.77%			30Y TB yield	1.96	4	30				

* As of market close, except for commodities and currencies at 8.2am 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
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.
16-Sep-21		MPC Meeting	Determining the CBE's policy rate.



18-Sep-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
19-Sep-21	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in 6th of October project.
25-Sep-21	ABUK	OGM	Approving the financial statements ending 30 Jun. 2021 and proposed dividend.
25-Sep-21	ELNA	OGM	Approving financial statements and other agenda items.

7. LATEST RESEARCH

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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>Elsowedy 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>Elsowedy 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>

Prime Securities

Shawkat El Maraghy

Managing Director

T +20233005622

SElmaraghy@egy.primegroup.org

Sales

Mohamed Ezzat

Head of Sales & Branches

T +20233005784

MEzzat@egy.primegroup.org

Mohamed Ashmawy

Head of Institutional Sales

T +20233005612

MAshmawy@egy.primegroup.org

Amr Alaa CFTe

Team Head-Institutional Desk

T +20233005609

AAlaa@egy.primegroup.org

Mohamed ElMetwaly

Manager

T +20233005610

MElmetwaly@egy.primegroup.org

Emad El Safoury

Manager

T +20233005624

EElsafoury@egy.primegroup.org

Shawkat Raslan

Heliopolis Branch Manager

T +20233008130

SRaslan@egy.primegroup.org

Nashwa Abuelatta

Alexandria Branch Manager

T +20233005173

NAbuelatta@egy.primegroup.org

Research

Amr Hussein Elalfy CFA

Head of Research

T +20233005724

AElalfy@egy.primegroup.org

Head Office

Prime Securities S.A.E.

Regulated by FRA License No. 179.
Member of the Egyptian Exchange.

2 Wadi El Nil St, Liberty Tower, 7th Fl.
Mohandessin, Giza, Egypt

T +20233005700/770/650/649

F +20237607543

Branches

Heliopolis

7 Elheqaz Square
Heliopolis, Cairo, Egypt

T +20227770600

F +20227770604

Alexandria

7 Albert Al Awa St.
Smouha, Alexandria, Egypt

T +20233008170

F +20233054622

Website

www.primeholdingco.com

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