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Rising from the Ashes

1. Today's Trading Playbook

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The stimulus package passed overnight by the Cabinet to stimulate trading on the Egyptian Exchange (EGX) was welcome by almost all market participants. However, some still see more issues are yet to be tackled. Bottom line, the stamp duties will be removed, and the capital gains tax is here to stay and will be implemented as scheduled starting next year, albeit with some sweeteners, such as a lower tax rate for investors in mutual funds. Also, the cost basis for calculating capital gains tax will also include the full cost of trading (i.e. margin loan cost), which makes sense. Furthermore, any new IPOs will have a two-year 50% discount on their related capital gains to further stimulate new listings in the market. The question remains, however, whether this addresses all the issues remains to be seen, especially from the eyes of foreign investors who have been neglecting the Egyptian stock market despite its being one of the cheapest in the region, while other regional markets (e.g. Saudi Arabia and Abu Dhabi) have benefited from an overall positive sentiment post-COVID-19. That said, we should expect the market to greet the stimulus package in today's trading with a positive the market open.

Elsewhere, we have more Q3 results coming our way. Telecom Egypt [ETEL] has reported its 9M 2021 figures, registering a whopping 73% y/y growth in bottom line to EGP6.1bn. Meanwhile, quarterly speaking, ETEL's earnings grew by 51% y/y to EGP2.2bn on the back of 22% growth in revenues to EGP9.0bn coupled with 633bps expansion in EBITDA margin of 39.8%. Revenue growth was mainly dominated by the Home & Consumer segments, as well as the Domestic Wholesale segment. On the other hand, EBITDA margin expansion comes as a result of a better, healthier revenue mix. ETEL's current market cap is EGP23.6bn, which if we annualized 9M 2021 earnings, we'll get to a 2022e P/E that's only 3x! Also, at such a market cap, ETEL is trading below its book value. For a very long period, ETEL's ROE levels were not as satisfying; however, based on annualized 9M 2021, ETEL will score an annualized ROE of c.19%. We reiterate our call for ETEL, anchored by (1) impressive earnings run, (2) very steep valuation discount, (3) ETEL is Egypt's only and dominant telecom infrastructure player, and (4) any related deal talks regarding Vodafone Egypt [VODE] should help re-rate the undervalued ETEL. We valued ETEL at EGP22.5/share (+62% y/y) in our [TAKEStock](#) dated 8 June 2021.

Meanwhile, Al Ezz for Ceramics & Porcelain [**ECAP**] managed to swing to a net profit of EGP31mn in Q3 2021 from a net loss of EGP8.3mn in Q3 2020. Revenues during Q3 surged to EGP358mn (+31% y/y) aided by local sales and a better product mix. Meanwhile, ECAP's gross profit shot up to EGP106mn (+79% y/y) and its margins improved. We note the contribution of local sales increased by 6%, at the expense of exports, to 86% of total. Bolstering local sales was a strong recovery in the local market as construction revived in Egypt post-COVID-19. This increase in local sales points to improved profitability; the company sells its products locally at a premium to exports where it has to sell at a lower price to compete globally. Also, the local market rebound offsets the effect of pricier energy on the company. The increase in natural gas prices itself, which is 6% to USD4.75/MMBTu, already only translates to a paltry 0.5% more cost on the company.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Egyptian government announced a package of EGX tax cuts and fee reductions to support trading on the bourse ahead of the introduction of the capital gains tax on resident investors next year. ([Egyptian Cabinet](#))

We expect yesterday in our inflation note, the surge in core food items drove annual core inflation rose to 5.2% in October, up from 4.8% in September. Monthly core inflation came in at 2.1%, up from 1.7% in September. ([CBE](#))

CORPORATE NEWS

Telecom Egypt [ETEL] reported an EAS-based net income after minority of EGP2.2bn (+51% y/y) in Q3 2021 on higher revenues of EGP9.0bn (+22% y/y), higher gross profit margin of 44% (+724bps), and higher investment income from Vodafone Egypt [**VODE**] of EGP751mn (+35% y/y). ([Company disclosure](#))

Housing & Development Bank's [HDBK] separate net profit in 9M 2021 inched up to EGP1.4bn (+0.7% y/y). Higher net interest income (NII) of EGP2.4bn (+24.3% y/y) is what enhanced the net profit, yet an EGP109mn increase in provisions (vs. EGP190mn provisions reversals) made the improvement marginal. Meanwhile, ROAE fell to 16.8% from 20.5% in 9M 2020. On a ytd basis, net lending climbed to EGP22.9bn (+22.3%) and deposits rose to EGP56.3bn (+24.4%). ([Bank release](#)) HDBK is currently trading at a P/BV and a TTM P/E of 0.70x and 3.33x, respectively.

Egyptian Gulf Bank's [EGBE] 9M 2021 stand-alone net profit grew to EGP507mn (+8.8% y/y), as net interest income (NII) rose to EGP2.1bn (+4.6% y/y) and provisions booking accelerated to EGP339mn (+22.4% y/y). The bank's ROAE retreated marginally to 12.4% in 9M 2021 vs. 12.9% in 9M 2020. ([Bank release](#)) EGBE is currently traded at a P/B of 0.46x and a TTM P/E 3.89x.

GB Auto [AUTO] is adjusting its product mix and seeking alternatives for its three wheelers as the Egyptian government banned their imports. AUTO's motorcycles & three wheelers contribute around 12% to its total revenues. It holds 90% of the three wheeler market share in Egypt. ([Company disclosure](#))

GLOBAL NEWS

U.S. consumer prices accelerated in October as Americans paid more for gasoline and food, leading to the biggest annual gain in 31 years, more signs that inflation could stay uncomfortably high well into 2022 amid snarled global supply chains. ([Reuters](#))

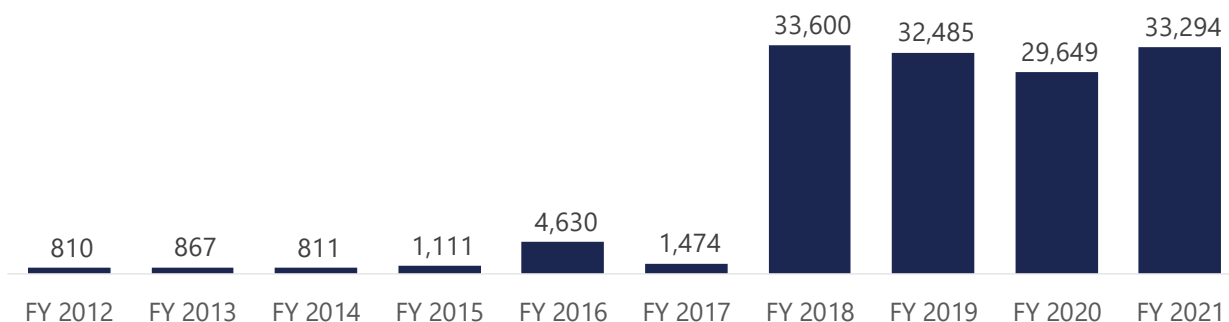
Oil prices were steady on Thursday after falling in the previous session on concerns rising inflation in the United States, spurred by climbing energy costs, may prompt the government to release more strategic crude stockpiles to drive down prices. ([Reuters](#))

3. CHART OF THE DAY

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Dina Abdelbadie | Equity Analyst
dabdelbadie@egy.primegroup.org

**Public Investments in the Construction Sector in the Last 10 Years
(EGPmn)**



Source: Ministry of Planning and Economic Development.

Public investments in the construction sector grew at a 9-year CAGR of 51% to EGP33.3bn by FY2021. The growth pace however was much more rapid starting FY2018, driven by public mega projects.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)						Equity turnover (EGPmn): Last, ytd avg.			
724.3						829.0		1,178.6	
				daily chg.	ytd chg.			daily chg.	ytd chg.
	↓	EGX 30	11,480.50	(0.93%)	5.86%		↗	Gold	1,849.60 0.97% (2.31%)
	↓	EGX 30 TR	4,496.91	(0.90%)	7.79%		↗	Silver	24.64 1.37% (5.76%)
	↓	EGX 70 EWI	2,121.18	(2.97%)	(1.12%)		↗	Brent Oil	82.64 0.24% 59.92%
	↓	EGX 100 EWI	3,089.88	(2.36%)	(0.26%)		↗	WTI	81.34 0.27% 68.10%
	↓	DFMGI	3,106.96	(0.42%)	24.68%		↗	Natural Gas	4.88 0.82% 93.78%
	↗	ADSMI	8,230.48	0.42%	63.13%	EGP	↗	USD/EGP	15.71 0.05% 0.21%
	↗	TASI	11,857.51	0.89%	36.46%	€	↗	EUR/USD	1.15 0.01% (6.02%)
	↗	QE Index	12,012.12	0.20%	15.10%	£	↗	GBP/USD	1.34 0.11% (1.83%)
	↓	S&P 500	4,646.71	(0.82%)	23.71%	¥	↓	USD/JPY	113.91 (0.91%) (9.40%)
	↓	Dow 30	36,079.94	(0.66%)	17.88%		↗	6M TB yield	12.64 2 (9)
	↓	NASDAQ	15,622.71	(1.66%)	21.22%		↗	1Y TB yield	13.25 5 48
	↗	VIX	18.73	5.34%	(17.67%)		↓	10Y TB yield	14.71 (2) 32
	↗	STOXX 50	4,348.82	0.10%	22.41%		↗	2Y TB yield	0.52 8 39
EM	↗	MSCI Emerging	1,274.39	0.11%	(1.31%)		↗	10Y TB yield	1.55 9 62
FM	↓	MSCI Frontier	685.60	(0.15%)	19.94%		↗	30Y TB yield	1.91 8 25

* As of market close, except for commodities and currencies at 8.15am 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

DATE	TICKER	TYPE	EVENT
11-Nov-21	UASG	BOD Meeting	Discussing the financial results.
11-Nov-21	ISPH	BOD Meeting	Discussing the financial results.
11-Nov-21	MSCI		MSCI's November 2021 Semi-Annual Index Review Announcement.
14-Nov-21	EKHO	BOD Meeting	Discussing the financial results.
14-Nov-21	DEIN	Cash dividend	Date for paying out a dividend of EGP0.40/share.
15-Nov-21	RUBX	EGM	Approving splitting the par value per share and amending articles 6 & 7 of the bylaws.
15-Nov-21	MFPC	EGM	Amending articles 3 & 55 of the bylaws.
17-Nov-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
18-Nov-21	HELI	OGM	Approving the financial statements and other agenda items.
18-Nov-21	HELI	EGM	Discussing the agenda.
21-Nov-21	MNHD	Lawsuit	To recover EGP24.8mn owed by MNHD to NRPD for the development of 32 buildings in 6th of October project.
21-Nov-21	FWRY	OGM	Election of a new BoD.
21-Nov-21	WCDF	Cash dividend	Last date for eligibility for a dividend of EGP13.00/share.
22-Nov-21	WCDF	Cash dividend	Date for ex-dividends of EGP13.00/share.

24-Nov-21	AUTO	Conference Call	Discussing Q3 2021 earnings.
24-Nov-21	WCDF	Cash dividend	Date for paying out a dividend of EGP13.00/share.
24-Nov-21	NRPD	OGM	Approving the financial statements ending 31 Dec. 2020.
25-Nov-21	TALM	OGM	Approving the financial statements and the proposed dividend.
25-Nov-21	TALM	EGM	Amending articles 4 & 21 of the bylaws.
25-Nov-21	ISPH	EGM	Approving increasing issued capital and amending articles 3, 4, 6 & 7 of the bylaws.
25-Nov-21	RMDA	OGM	Discussing the agenda.
30-Nov-21	ZMID	Cash dividend	Date for paying out EGP0.15/share (3rd round).

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
10-Nov-21	<u>MACROView – The Calm Before the Storm, or Maybe Not</u>
10-Nov-21	<u>CI Capital Holding [CICH] – Record-Breaking Quarter</u>
7-Nov-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Earnings Recover on Lower Provisions</u>
4-Nov-21	<u>MACROView – Underlying Strength, but Gathering Headwinds</u>
3-Nov-21	<u>MACROView – Gathering Clouds</u>
1-Nov-21	<u>TAKEStock – Separating the Wheat from the Chaff</u>
31-Oct-21	<u>TAKEStock – Natural Gas Price Hike</u>
19-Oct-21	<u>MACROView – The Storm Is Gone but the Headwinds Persist</u>
13-Oct-21	<u>e-finance [EFIH] – An Eye-Opening IPO</u>
10-Oct-21	<u>MACROView – Walking a Tightrope</u>
6-Oct-21	<u>MACROView – On “Risk Control” Mode</u>
6-Oct-21	<u>MACROView – The Tortuous Path to Recovery</u>
19-Sep-21	<u>TAKEStock – Consumer Staples (Food & Beverage) – All You Can Eat Festival</u>
15-Sep-21	<u>MACROView – Deciphering the Din of Battle</u>
14-Sep-21	<u>TAKEStock – Orascom Investment Holding [OIH] — Monetization at Play</u>
9-Sep-21	<u>MACROView – Hot Summer Winds</u>
7-Sep-21	<u>MACROView – The Global Blessing Windfall</u>
6-Sep-21	<u>MACROView – Tempered, But Cautious, Optimism</u>
5-Sep-21	<u>Misr Chemical Industries [MICH] – Nice While It Lasted</u>
29-Aug-21	<u>Orascom Construction [ORAS] – Recovery on Track Although Below Estimates</u>
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>
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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>
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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>Elsowedy 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>

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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