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CIB's Q3 2021 Conference Call Highlights

1. Today's Trading Playbook

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KEY THEMES

Commercial International Bank [COMI] closed 1.1% higher on Sunday, as investors cheered all-time high quarterly net profit of EGP3.8bn (+19% q/q) during Q3 2021. Management held its analyst conference call yesterday, discussing Q3 2021 results. Here are the highlights, presented by our senior banking analyst, Shihab M. Helmy:

Focus on quality funding paid off: COMI experienced a steady growth in high-quality low-cost funding by focusing on elevating its CASA levels in new deposit booking throughout the last three quarters. This strategy has borne fruit as CASA deposits now represent 55% of total deposits. In doing so, management opted to use a different kind of promotions, including bonus points, higher credit card limits, and an upgrade for customers, among other benefits.

NIM compression is a matter of liquidity: Weaker NIM is a reflection of two important variables: (1) the liquidity issue resulting from shifting between Treasuries with different maturities and (2) a pickup in lending volume in 9M 2021 alleviating the negative impact on the net interest income, yet lending still has a low impact on NIM compared to interbank investments.

Lending is strengthening, CAR is seen dwindling: COMI borrowed more than EGP4bn during September alone, building on its good relationship with governmental entities, such as the Egyptian General Petroleum Corporation (EGPC). This helped reduce the impact on the bank's CAR. However, COMI expects its inflated CAR level to soften going forward, setting the scene for ROAE to improve further.

The likely dividend policy: COMI has not yet decided whether or not to distribute dividends based on 2021 earnings. The dividend decision has to be taken by the board of directors (BoD) and the Central Bank of Egypt (CBE). That said, management will propose in the BoD meeting to distribute dividends at 25% of both 2020 and 2021e earnings.

Expansion plans shelved: COMI does not intend to press ahead with its expansion plans in Africa, after its experience in Kenya where the results were not as anticipated. On another note, COMI expects Mayfair Bank to be the link for trade finance operations between Kenya and Egypt.

The best play on Egypt's banks: Although COMI has already been an impressive performer since the beginning of the year, up 18.8% ytd, it is currently traded at a forward P/E of only 7.5x and a forward P/BV of 1.6x. We have an Overweight rating on the name with a 12-month price target of EGP62/share, implying an upside potential of c.18%.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The state is looking to back out of select sectors of the economy in an orderly way, according to the statement from the Cabinet economic group yesterday. ([Egyptian Cabinet](#))

The house gave final approval to amendments designed to encourage more public-private partnerships (PPP). Changes to the PPP act passed by the House yesterday explicitly allow public entities to partner with private companies on transport, energy, communications and healthcare projects, and introduce new mechanisms to simplify the process. ([Masrawy](#))

The Export Development Fund has started the fourth phase of the state's initiative for the immediate payment of export rebate, and the deadline for the third phase has been extended until the end of next month to facilitate exporters obtaining their arrears. ([Economy Plus](#))

The Chamber of Engineering Industries requests the inclusion of sanitary ware products in the exports subsidies program. (Al-Borsa)

The European Bank for Reconstruction and Development (EBRD) approved a financing of Euro250mn, equivalent to USD286.2mn dollars, for the Alexandria metro project. ([Economy Plus](#))

CORPORATE NEWS

Elsewedy Electric [SWDY] posted stronger revenues of EGP14.9bn in Q3 2021 (+31% y/y, +8% q/q), drawing on larger contribution from wire and cable segment. However, consolidated net income after minorities slipped to EGP704mn (-14% y/y, -21% q/q) for the same quarter, as GPM narrowed to 11.5% (-6.1pp y/y, -3pp q/q). (Company disclosures: [1](#), [2](#)) SWDY is now trading at a TTM P/E of 5.1x and an EV/EBITDA of 4.2x. For more details, please check out [our note](#), commenting on Q3 2021.

SODIC [OCDI] reported net income after minority of EGP120mn in Q3 2021 (-75% y/y) on lower revenues of EGP1.4bn (-38% y/y) and tighter gross profit margin of 28% (-501bps y/y). ([Company disclosure](#))

Orascom Investment Holding [OIH] logged a bottom-line loss of EGP25mn in Q3 2021 (vs. EGP50mn in Q3 2020). Meanwhile, revenues increased to EGP219mn (+34% y/y). ([Company disclosure](#))

Raya Contact Center [RACC] achieved net income after minority of EGP9.95mn in Q3 2021 (+28% y/y) on larger revenues of EGP185mn (+3% y/y) and wider gross profit margin of 35% (+232bps y/y). ([Company disclosure](#))

Rameda's [RMDA] Q3 2021 net profit jumped 82% y/y to EGP45.3mn, as a result of 34% y/y growth in revenues to EGP315mn. However, GPM retreated to 46.3%, NPM grew to 14.4% in Q3 2021. Meanwhile, RMDA aims to launch new products during the fourth quarter of 2021 and focuses on nutritional supplements. ([Company release](#))

MM Group for Industry & International Trade [MTIE] reported net income after minority of EGP87mn (-1% y/y). Meanwhile, revenues and gross profit margin slightly upped to EGP2.24bn and 10% (+2% y/y, +66bps, respectively) during the same period. Furthermore, MTIE's BoD Approved a purchase of a new land plot in the New Administrative Capital to establish an exhibition and a maintenance service car center worth EGP132mn. ([Company disclosure](#))

Electro Cable Co. - Egypt [ELEC] saw its net income after minorities surge to EGP39mn in Q3 2021 (+74% y/y). In the meantime, gross profit climbed to EGP105mn (+62% y/y), backed by higher revenues of EGP704mn (+56% y/y). ([Company disclosure](#))

Giza General Contracting & Real Estate Investment Co. [GGCC] said its consolidated net income after minorities for Q3 2021 plunged to EGP3mn (-77% y/y). Meanwhile, the company's gross profit dived to EGP13mn (-53% y/y). ([Company disclosure](#))

Cairo for Investment & Real Estate Development's [CIRA] BoD approved borrowing EGP375mn to fund expansion plans. ([Company disclosure](#))



Speed Medical's [SPMD] BoD decided to sell unused assets of its 80.25%-owned subsidiary Speed Hospitals. The proceeds will be used to complete the second expansion phase of Speed Hospital on Ismailia Desert Road, which is planned to raise the number of beds from 65 to 140 at the end of next year. ([Company release](#))

Misr Cement – Qena [MCQE] intends to decrease its coal usage which accounts for 80% of the fuel mix. (Al-Borsa)

GLOBAL NEWS

Global goods trade is slowing after a sharp rebound following the initial shock of the COVID-19 pandemic as production and supply disruptions and cooling demand for imports dampen growth, the World Trade Organization said on Monday. ([Reuters](#))

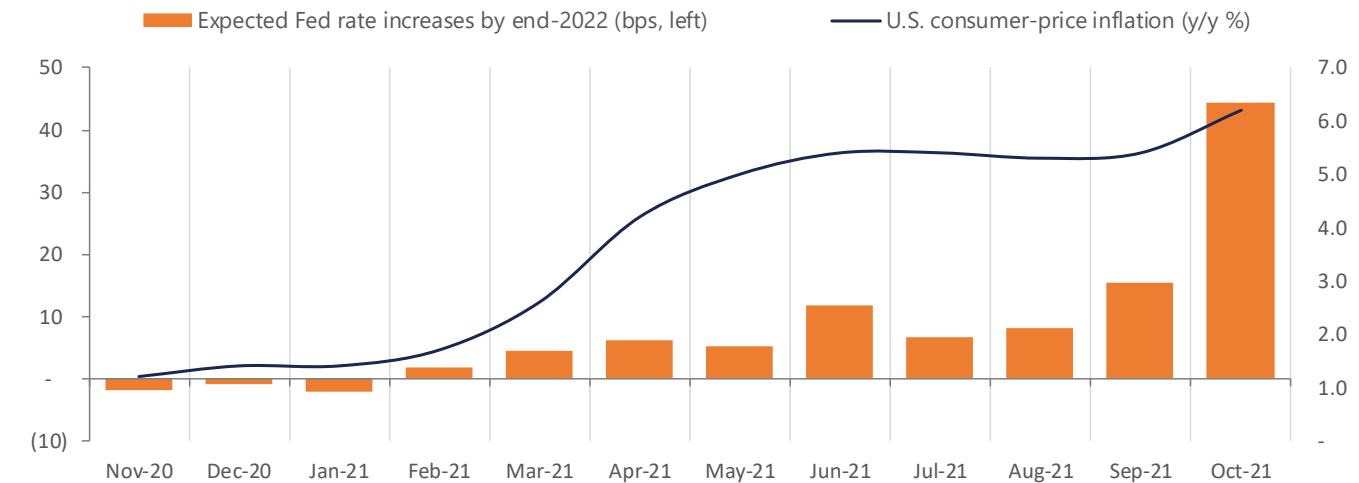
Tightening monetary policy now to rein in inflation could choke off the euro zone's recovery, European Central Bank President Christine Lagarde said on Monday, pushing back on calls and market bets for tighter policy. ([Reuters](#))

3. CHART OF THE DAY

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Source: Bloomberg.

At the time when U.S. CPI inflation climbed by the most in three decades in October, key drivers like the global energy crunch and supply constraints showed few signs of abating. This drove economists and markets to predict even bigger jumps in the coming months and ramped up bets on Fed rate hikes in 2022.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
719.8					1,027.7 1,178.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	EGX 30	11,496.63	(1.43%)	6.01%		Gold	1,862.84	(0.11%)	(1.74%)
	EGX 30 TR	4,503.61	(1.45%)	7.95%		Silver	25.06	(1.01%)	(5.09%)
	EGX 70 EWI	2,129.65	(3.23%)	(0.72%)		Brent Oil	82.05	1.07%	60.10%
	EGX 100 EWI	3,106.04	(2.57%)	0.27%		WTI	80.88	0.87%	68.14%
	DFMGI	3,254.92	2.67%	30.62%		Natural Gas	5.02	0.66%	98.90%
	ADSMI	8,269.42	(0.32%)	64.11%	EGP	USD/EGP	15.71	0.01%	0.01%
	TASI	11,836.58	(0.64%)	36.22%	€	EUR/USD	1.14	0.09%	(6.86%)
	QE Index	11,979.31	0.12%	14.75%	£	GBP/USD	1.34	0.05%	(1.81%)
	S&P 500	4,682.80	(0.00%)	24.67%	¥	USD/JPY	114.12	(0.20%)	(9.57%)
	Dow 30	36,087.45	(0.04%)	17.91%		6M TB yield	12.66	2	(7)
	NASDAQ	15,853.85	(0.04%)	23.01%		1Y TB yield	13.29	3	52
	VIX	16.49	1.23%	(27.52%)		10Y TB yield	14.71	(2)	32
	STOXX 50	4,386.19	0.36%	23.46%		2Y TB yield	0.52	(0)	39
EM	MSCI Emerging	1,286.82	0.10%	(0.34%)		10Y TB yield	1.61	4	68
FM	MSCI Frontier	681.07	(0.23%)	19.15%		30Y TB yield	1.99	6	33

* 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

DATE	TICKER	TYPE	EVENT
16-Nov-21	PHDC	Conference Call	Discussing Q3 2021 earnings.
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	The ex-date for 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
15-Nov-21	<u>B Investments Holding [BINV] – Growth Dented Across the Board – Take 2</u>
15-Nov-21	<u>Elsewedy Electric [SWDY] – A Quarter to Forget?</u>
14-Nov-21	<u>Misr Chemical Industries [MICH] – A Healthy Kick-off to a Promising Year</u>
14-Nov-21	<u>Abu Qir Fertilizers [ABUK] – A “One-of-a-Kind” Quarter</u>
14-Nov-21	<u>Commercial International Bank [COMI] – Elegant Earnings Growth on All Fronts</u>
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>Elsewedy 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>

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