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ARCC Q3 2021 Earnings Call Highlights

1. Today's Trading Playbook

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KEY THEMES

Q3 2021 – almost in the black: Arabian Cement Co.'s [ARCC] Q3 2021 recorded a consolidated net income of EGP0.07mn vs. net losses of EGP34.2mn a year earlier. ARCC has managed to break even in Q3 2021, thanks to a 13% y/y increase in its top line. The cement manufacturer has made use of the Egyptian Competition Authority's (ECA) decision to cut capacities, effective July 2021. Indeed, the decision helped decrease excess supply in the market, narrowing the gap between supply and demand in the local market, helping cement manufacturers to increase their selling prices. For ARCC, on the revenue side, cement selling prices increased to EGP718/ton (+28% y/y), thanks to the aforementioned ECA decision which more than offset the decrease in volume sold. On the cost side, there is a 15% y/y increase in cash cost to EGP605/ton due to the increase in the costs related to ARCC's fuel mix.

Fuel mix costs going down once again: Many of ARCC's fuel mix components reached an all-time high. But right now, they seem to face a number of downward pressures where we can see prices normalizing in Q1 2022. Meanwhile, we can see some fluctuations in ARCC's fuel mix components, yet management thinks the peak is already behind us. Management said that coal inventory is enough to the extent that it does not have to buy at such high levels. Coal price in normal times is around USD70/ton, around half the current prices.

What to expect in 2021? Management still thinks ARCC will be able to record top line within the range of EGP2.3-2.4bn which is 5% lower than consolidated 2020 revenues of EGP2.5bn. We can also see a double-digit net income figure between EGP50-P60mn with a net profit margin of 2-3%. On the other hand, 2022 is harder to expect due to the uncertainty related to ECA decision continuation in the far future.

Cement prices rally is expected to continue: Cement selling prices rebounded in Q3 2021 and Q4 2021. The company expects the pace of the rally to be slower. Management expects cement prices will gradually improve to a target EGP1,300/ton in the long run.

We are maintaining our short-term positive outlook on the industry, we think we will see a recovery in cement companies' earnings and margins if demand and—consequently—prices were to be sustained at the current level. ARCC is currently traded at TTM EV/EBITDA and at EV/sales of 10x and 0.95x, respectively.

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt's economy grew at its quickest pace in two decades in Q1 FY22, as it continued to recover from COVID-19 crisis. GDP expanded 9.8% y/y due to a continued recovery in the country's tourism sector and improved manufacturing activity, as well as growing contribution of the construction sector. ([Egyptian Cabinet](#))

Coca-Cola Hellenic Bottling Company is looking to invest USD1bn in the Egyptian market over the next five years, following its acquisition of Coca-Cola Bottling Company of Egypt. ([Egyptian Cabinet](#))

A new form of securitization, which will allow state-owned utilities and other state-owned companies to raise capital by securitizing future cash flows, is closer to being introduced to the Egyptian market after the Cabinet yesterday green-lighted amendments to the Capital Markets Law. ([Al-Mal](#))

CORPORATE NEWS

Orascom Construction [ORAS] joined the Green Hydrogen Consortium to co-develop Egypt's first green hydrogen production facility with Fertiglabe (ADX: FERTIGLB), Scatec (Oslo: SCATC) and The Sovereign Fund of Egypt. ([Company disclosure](#))

Telecom Egypt [ETEL] has teamed up with Ciena, to use its latest technology, WaveLogic 5 Extreme, to maximize ETEL's Middle East North Africa (MENA) submarine cable system and Egypt's mesh network capacities. The new technology allows providing more capacities while rationalizing costs, as it will give ETEL the highest capacity per wavelength. ([Ciena](#))

The Minister of Communication & Information Technology said that users' rights will not be harmed in the deal concerning the sale of Vodafone Group's 55% stake in Vodafone Egypt [VODE] to Vodacom. Meanwhile, the minister said that the imposed 10% customs on mobile phones would encourage local manufacturing and limit the spread of smuggled devices entering the country. ([Al-Borsa](#))

GLOBAL NEWS

Ethiopia's Prime Minister Abiy Ahmed has gone to direct the war from the front lines, state-affiliated media reported on Wednesday, as two Olympian athletes announced they were enlisting in the military. Abiy announced late on Monday he was planning to personally direct the fight against Tigrayan forces and their allies. ([CNN](#))

More than one in four investors feel 'bearish' about emerging markets, an HSBC survey showed on Wednesday, as slowing economic growth and the specter of tighter monetary policy in the United States clouds the outlook. ([Reuters](#))

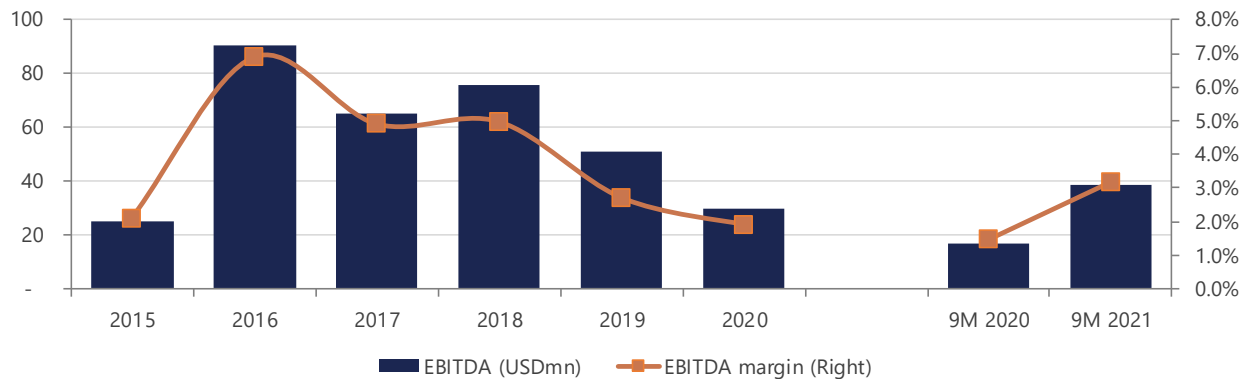
The number of Americans filing new claims for unemployment benefits dropped to a 52-year low last week, suggesting economic activity was accelerating as a year ravaged by shortages, high inflation and an unrelenting pandemic draws to a close. ([Reuters](#))

3. CHART OF THE DAY

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

BESIX's EBITDA Recovery (50% stake)



Source: Company disclosures.

BESIX, Orascom Construction's [**ORAS**] 50%-owned joint venture, showed a significant recovery in 9M 2021 with an EBITDA of USD39mn (vs. USD17mn in 9M 2020), up 30% from the full-year figure in 2020.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
714.1					1,048.7 1,178.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	EGX 30	11,352.64	(0.15%)	4.68%		Gold	1,788.61	(0.03%)	(5.53%)
	EGX 30 TR	4,447.72	(0.09%)	6.61%		Silver	23.55	(0.45%)	(10.42%)
	EGX 70 EWI	2,031.72	(0.12%)	(5.29%)		Brent Oil	82.25	0.22%	59.13%
	EGX 100 EWI	2,991.49	(0.06%)	(3.43%)		WTI	78.39	0.04%	61.62%
	DFMGI	3,156.85	0.40%	26.68%		Natural Gas	5.07	0.16%	99.92%
	ADSMI	8,398.31	(0.11%)	66.80%	EGP	USD/EGP	15.71	(0.02%)	0.16%
	TASI	11,369.38	1.00%	30.84%	€	EUR/USD	1.12	0.13%	(8.20%)
	QE Index	11,790.01	(0.05%)	13.01%	£	GBP/USD	1.33	0.16%	(2.35%)
	S&P 500	4,701.46	0.23%	25.17%	¥	USD/JPY	115.43	(0.25%)	(10.52%)
	Dow 30	35,804.38	(0.03%)	16.98%		6M TB yield	12.66	(0)	(7)
	NASDAQ	15,845.23	0.44%	22.94%		1Y TB yield	13.32	3	55
	VIX	18.58	(4.13%)	(18.33%)		10Y TB yield	14.71	0	32
	STOXX 50	4,276.25	(0.18%)	20.37%		2Y TB yield	0.65	4	52
EM	MSCI Emerging	1,253.15	(0.18%)	(2.95%)		10Y TB yield	1.64	0	71
FM	MSCI Frontier	668.32	0.32%	16.91%		30Y TB yield	1.97	(3)	31

* As of market close, except for commodities and currencies at 8.3am 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
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 the issued capital and amending articles 3, 4, 6 & 7 of the bylaws.
25-Nov-21	RMDA	OGM	Discussing the agenda.
28-Nov-21	EAST	Cash dividend	Deadline for eligibility for a dividend of EGP1.6/share.
30-Nov-21	ZMID	Cash dividend	Date for paying out a dividends of EGP0.15/share (3rd round).
30-Nov-21	UEFM	Cash dividend	Deadline for eligibility for a dividend of EGP10.00/share.
30-Nov-21	MOIN	Cash dividend	Deadline for eligibility for a dividend of EGP0.25/share.
30-Nov-21	AFMC	Cash dividend	Deadline for eligibility for a dividend of EGP0.20/share.
1-Dec-21	AFMC	Cash dividend	Ex-date for dividends of EGP0.20/share.
1-Dec-21	UEFM	Cash dividend	Ex-date for dividends of EGP10.00/share.
1-Dec-21	EAST	Cash dividend	Date for paying out a dividend of EGP1.00/share (1st round).
1-Dec-21	MSCI		MSCI's November 2021 Semi-Annual Index Review Effective Date.
1-Dec-21	CIRA	OGM	Approving the financial statements and other agenda items.
2-Dec-21	GDWA	EGM	Approving changes to the bylaws.
2-Dec-21	CAED	OGM	Approving the financial statements and other agenda items.

4-Dec-21	NEDA	OGM	Board election.
5-Dec-21	AFMC	Cash dividend	Date for paying out a dividend of EGP0.20/share.
5-Dec-21	MOIN	Cash dividend	Date for paying out a dividend of EGP0.125/share (1st installment).
5-Dec-21	UEFM	Cash dividend	Date for paying out a dividend of EGP10.00/share.
6-Dec-21	ACGC	OGM	Approving the financial statements and other agenda items.
7-Dec-21	ORWE	OGM	Discussing netting contracts.
11-Dec-21	UEFM	EGM	Amending articles of the bylaws.
13-Dec-21	MNHD	OGM	Approving its fair value study.
13-Dec-21	MNHD	EGM	Approving increasing the issued capital and amending articles 6 & 7 of the bylaws.
14-Dec-21	PHDC	OGM	Discussing netting contracts.
14-15 Dec-21		FOMC	Determining the U.S. Monetary stance.
16-Dec-21		MPC Meeting	Determining the CBE's policy rate.
16-Dec-21	NBKE	EGM	Discussing delisting.
16-Dec-21	ETRS	EGM	Amending articles of incorporation.
19-Dec-21	PORT	EGM	Amending article 2 of the bylaws.
26-Dec-21	AIH	Lawsuit	A court session discussing legal disputes relevant to the company.
30-Dec-21	ABUK	Cash dividend	Date for paying out a dividend of EGP1.00/share (2nd round).
30-Dec-21	MICH	Cash dividend	Date for paying out a dividend of EGP0.50/share (2nd round).
30-Dec-21	EGTS	OGM	Approving the financial statements and other agenda items.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
21-Nov-21	<u>TAKEStock – Nitrogen Fertilizers Local Price Hike</u>
17-Nov-21	<u>EFG Hermes Holding [HRHO] – Earnings Growth Skyrocketing ex-One-Offs</u>
17-Nov-21	<u>Orascom Construction [ORAS] – BESIX – Back on Track Again</u>
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>
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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>
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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>
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3-Feb-21	<u>MACROView – A Fragile Improvement but Favorable Sentiment</u>
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16-Dec-20	<u>CIB [COMI] – Earnings beat despite higher provisions</u>
10-Dec-20	<u>MACROView – The Highest Reading in Seven Months</u>
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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>

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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