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Gauging the Impact

1. Today's Trading Playbook

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KEY THEMES

Yesterday, we published our TAKEStock note regarding the state of the cement sector in the wake of radical changes in price and cost regimes. The Central Bank of Egypt hiked interest rates twice so far this year, 100bps on 21 March and 200bps on 19 May, while the EGP weakened by c.15%. Recently, Egypt's Prime Minister directed the Egyptian Competition Authority (ECA) to reach a fair price for cement after the latest price surges. This will all put pressure on cement producers' margins. From the surface, a weaker EGP may look promising for cement exporters, but not all exporters are created equal. In this TAKEStock, we gauged the potential impact of a weaker EGP, a high interest rate environment, and higher fuel prices. In sum, we would prefer companies that are operationally efficient with strong balance sheets. For more details [please check out our TAKEStock note from yesterday](#).

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 a 5.4% clip in Q3 2021/22 vs. 2.9% a year earlier. ([Cabinet](#))

Construction of the pipeline connecting Cyprus' Aphrodite NG field to Egypt will begin by the end of the year. ([Enterprise](#))

The government is looking to attract foreign investors with major new projects. In a meeting with US and Egyptian CEOs yesterday, the Prime Minister said his government will launch a string of major new projects in the coming months and pledged fresh incentives to draw foreign investors into the country. ([Enterprise](#))

CORPORATE NEWS

EFG Hermes Holdings' [HRHO] net earnings rose 18% y/y to EGP345mn in Q1 2022, driven by 55% higher group net operating revenues to EGP1.9bn. However, it was driven mostly by the consolidation of aiBank for the full quarter. Otherwise, ex-aiBank, net earnings would have fallen by 6% y/y, while group net operating revenues would have risen by 20% y/y to EGP1.5bn, driven by both the investment bank (IB) and NBFS platforms. aiBank, which has seen its performance improve since its acquisition, contributed almost 21% to HRHO's bottom line or EGP72mn. This implies an average monthly net income of EGP47mn, up from EGP37.5mn in Nov-Dec 2021. On a sequential basis, HRHO's net earnings fell by 14% q/q on 5% q/q lower group net operating revenues. This was mainly driven by the IB platform, of which revenues decreased by 25% q/q to EGP901mn, falling q/q across all business lines except brokerage. AUMs at the asset management arm suffered from the one-year 18% CD launched by state-owned banks. (Company disclosure)

Misr Chemical Industries [MICH] reported its Q3 2021/22 earnings that came at EGP52mn, where 45% of the quarter earnings were taking place in March 2022. MICH was able in March 2022 to achieve earnings of EGP23.4mn, bringing 9M 2021/22 bottom line of EGP148mn (+38% y/y) due to significantly higher caustic soda prices, coupled with improved y/y utilization rate. As a result, MICH achieved top line growth was 12% y/y to EGP399mn. MICH achieved non-operating gains amounting to EGP24.6mn, where EGP8.4mn of which were FX gains resulting from the EGP depreciation last March. We note that MICH has already achieved our bottom line target for the entirety of 2021/22, thanks to non-recurring items. In light of 9M 2021/22 figures, we will be raising our EPS projection for MICH by c.15-20%. MICH is one of the 15 stocks we had picked in our STANDPoint 2022 strategy outlook published on 30 January 2022. We have an Overweight recommendation for the name, with our 12MPT of EGP13.9/share (ETR +46%). MICH is currently traded at 2021/22 P/E of only 4x. ([Company disclosure](#))

TMG Holding [TMHG] announced its Q1 2022 financials, achieving consolidated net profit after tax of EGP553.9mn (+27.5% y/y) vs. EGP434.6mn a year earlier, while revenue grew to EGP3.04bn (+12.0% y/y) with a marginally higher GPM of 35.9% (+1.1pp y/y). In addition, TMGH's real estate presales jumped 55.2% y/y to EGP5.37bn. ([Company disclosure](#))

Egypt Aluminum [EGAL] reported its 9M 2021/22 results. EGAL registered a net profit for the period of EGP1.7bn vs. net losses of EGP348mn a year earlier. Meanwhile topline recorded EGP10.8bn (+32% y/y). EGAL's GPM for the period was 21.69% vs. GLM of 5.95% a year earlier. Reasons for such performance turnaround are better sales volumes, coupled with a strong rally in aluminum base prices globally. ([Company disclosure](#))

Housing and Development Bank [HDBK] announced its preliminary standalone results for Q1 2022. The bank's bottom line slightly increased 3.2% y/y to EGP640mn in light of an 18.5% y/y increase in net interest income (NII) to EGP969mn. ([Company disclosure](#))

EIPICO [PHAR] announced its Q1 2022 results, reporting an increase in net profit reaching EGP186mn (+11% y/y). Meanwhile, revenues came in at EGP899mn (+15% y/y) compared to EGP785mn last year. Meanwhile, PHAR's BoD approved to acquire ACDIMA's stake (i.e. 99.9%) in UP Pharma ([Company disclosure](#))

Qatari Baladna, bought 1.4mn shares of Juhayna Food Industries [JUFO], worth EGP12.4mn, increasing its stake in from 9.99% to 10.13%. ([Company disclosure](#))

Lafarge Cement Egypt is planning to initiate talks with ECA to renew the production quota for cement producers. Where Lafarge says that the quota system helped achieve equilibrium in the supply and demand for cement in Egypt. (Al-Mal)

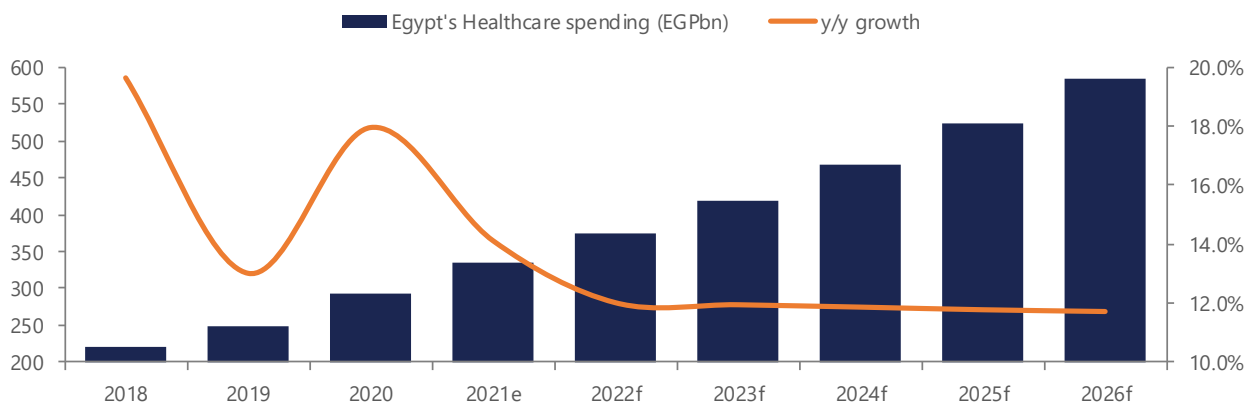
3. CHART OF THE DAY

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Egypt's Healthcare Spending



Source: Fitch Solutions.

According to Fitch Solutions, Egypt's healthcare spending is expected to grow at a 4-year CAGR (2022-2026) of 11.8% to EGP584.6bn by 2026. Meanwhile, annual growth is expected to level off from 12.0% in 2022 to 11.7% by 2026.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
673.5					702.2 855.3				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	EGX 30	10,247.43	(1.61%)	(14.24%)		Gold	1,853.46	(0.70%)	0.89%
	EGX 30 TR	4,139.29	(1.50%)	(12.24%)		Silver	21.99	(0.58%)	(6.63%)
	EGX 70 EWI	1,765.31	(3.67%)	(19.82%)		Brent Oil	114.03	0.25%	50.73%
	EGX 100 EWI	2,660.15	(3.29%)	(18.28%)		WTI	110.33	0.34%	52.12%
	DFMGI	3,258.04	(0.03%)	1.94%		Natural Gas	8.97	0.20%	140.99%
	ADSMI	9,559.27	0.92%	12.62%	EGP	USD/EGP	18.61	(0.46%)	(15.44%)
	TASI	12,588.89	2.34%	11.59%	€	EUR/USD	1.07	(0.08%)	(6.14%)
	QE Index	12,858.58	(0.12%)	10.60%	£	GBP/USD	1.26	(0.09%)	(7.16%)
	S&P 500	3,978.73	0.95%	(16.52%)	¥	USD/JPY	127.32	(0.38%)	(9.59%)
	Dow 30	32,120.28	0.60%	(11.61%)		6M TB yield	13.66	(2)	93
	NASDAQ	11,434.74	1.51%	(26.91%)		1Y TB yield	13.64	1	87
	VIX	28.37	(3.67%)	64.75%		10Y TB yield	14.37	(34)	(2)
	STOXX 50	3,677.10	0.81%	(14.45%)		2Y TB yield	2.51	(2)	238
EM	MSCI Emerging	1,019.59	0.26%	(17.24%)		10Y TB yield	2.76	(1)	183
FM	MSCI Frontier	544.32	0.55%	(18.23%)		30Y TB yield	2.97	(1)	131

* 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
26-May-22	IRAX	Cash dividend	Ex-dividend date for EGP60/share.
26-May-22	EAST	OGM	Approving on Eastern Company's contribution to the capital of the United Tobacco Company, (UTC total capital EGP 100 million), through acquisition.
26-May-22	EAST	EGM	Amending Articles No. 7 & 21 of the company's bylaws.
26-May-22	ZMID	OGM	Approving financial statements ending 31 Dec. 2021 and the proposed dividends.
26-May-22	FWRY	OGM	Approving financial statements ending 31 Dec. 2021 and the proposed dividends.
28-May-22	AIFI	OGM	Approving financial statements ending 31 Dec. 2021 and other agenda items.
29-May-22	ELSH	BoD meeting	Discussing financial results.
29-May-22	MICH	BoD meeting	Follow up on production, sales and exports.
30-May-22	IRAX	Cash dividend	Date for paying out a dividend of EGP60/share.
30-May-22	PHDC	Cash dividend	Payment date for a dividend of EGP0.05/share (1st installment).
31-May-22	ETEL	Conference Call	Discussing Q1 2022 results.

31-May-22	ISPH	Stock dividend	Last date for eligibility for a 0.167-for-1 stock dividend.
1-Jun-22	ISPH	Stock dividend	Date for distributing a 0.167-for-1 stock dividend.
1-Jun-22	HRHO	EGM	Amending Article No.5 of the company's bylaws.
1-Jun-22		MSCI	MSCI's May 2022 Semi-Annual Index Review Effective Date.
4-Jun-22	CCRS	OGM	Setting responsibilities for board members and directors.
5-Jun-22	AUTO	EGM	Discussing capital reduction and amending articles No.6 & 7 of the company's bylaws.
5-Jun-22	ISPH	Cash dividend	Deadline for eligibility for a dividend of EGP0.100/share.
6-Jun-22	ISPH	Cash dividend	Ex-dividend date for EGP0.100/share.
7-Jun-22	IDHC	OGM	Approving financial statements and the proposed dividends.
8-Jun-22	ISPH	Cash dividend	Date for paying out a dividend of EGP0.100/share.
12-Jun-22	DOMT	EGM	Discussing the cancelation of GDR.
14-15 Jun-2022		FOMC	Determining policy rate & monetary stance.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
25-May-22	<u>TAKEStock – The Egyptian Cement Industry - Gauging the Impact</u>
23-May-22	<u>Cairo for Investment & Real Estate Development [CIRA] – Head of the Class</u>
19-May-22	<u>MACROView – A New Game Plan</u>
17-May-22	<u>MACROView – All Uphill from Here</u>
15-May-22	<u>EGYPTBanks – Harness the Hike</u>
15-May-22	<u>TAKEStock – Hidden “valu”</u>
28-Apr-22	<u>MACROView – Din of Battle Getting Louder</u>
17-Apr-22	<u>MACROView – Before the Grand Storm</u>
14-Apr-22	<u>EFG Hermes Holding [HRHO] – Rating Cut on Withdrawal of FAB’s Bid</u>
12-Apr-22	<u>MACROView – Mounting External Vulnerabilities</u>
10-Apr-22	<u>MACROView – Much Higher Inflation ... and Longer</u>
24-Mar-22	<u>EFG Hermes Holding [HRHO] – The Best Is Yet to Come</u>
23-Mar-22	<u>CI Capital Holding [CICH] – A Year to Remember</u>
22-Mar-22	<u>Orascom Construction [ORAS] – A Clear Devaluation Winner</u>
10-Mar-22	<u>MACROView – The Dizzying Speed</u>
6-Mar-22	<u>MACROView – On the Back Foot</u>
2-Mar-22	<u>MACROView – Calculating the Ferocity</u>
1-Mar-22	<u>Housing & Development Bank [HDBK] – Credit Provisions Flattened Earnings Growth</u>
27-Feb-22	<u>Export Development Bank of Egypt [EXPA] – A Year to Forget</u>
22-Feb-22	<u>Commercial International Bank (CIB) [COMI] – 2021, a Grand Finale</u>
21-Feb-22	<u>Crédit Agricole Egypt (CAE) [CIEB] – Non-Interest Income Saves the Day</u>
20-Feb-22	<u>Abu Dhabi Islamic Bank - Egypt [ADIB] – Wise Utilization Enhances Profitability</u>
17-Feb-22	<u>Al Baraka Bank Egypt [SAUD] – Earnings Pressured by Higher Cost of Risk</u>
16-Feb-22	<u>MACROView – A Soothing Message From the CBE ... and Our Takeaways</u>
14-Feb-22	<u>Abu Qir Fertilizers [ABUK] – Another Record-High Quarter</u>
13-Feb-22	<u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u>
10-Feb-22	<u>MACROView – Ebb and Flow</u>
10-Feb-22	<u>MACROView – The Cloudy Year Has Just Begun</u>
9-Feb-22	<u>Elsewedy Electric [SWDY] – Ending 2021 on a Good Note</u>
8-Feb-22	<u>MACROView – A Fall in Disguise</u>

7-Feb-22	<u>Macro Group Pharmaceuticals [MCRO] – Not the Usual Pharma Stock</u>
1-Feb-22	<u>MACROView – The Ripple Effect</u>
31-Jan-22	<u>Obour Land For Food Industries [OLFI] – Double-Digit Growth Complements a Resilient Story</u>
30-Jan-22	<u>STANDPoint – Egypt Valuation Repertoire — 2022 Outlook</u>
12-Jan-22	<u>QNB Alahli [QNBA] – Slow Earnings Pace Despite Assets Growth</u>
10-Jan-22	<u>MACROView – The Last Reading Ahead of a Cloudy Year</u>
30-Dec-21	<u>EGYPTCeramics – From Dusk to Dawn</u>
26-Dec-21	<u>Obour Land For Food Industries [OLFI] – A Play on Consumption Recovery</u>
22-Dec-21	<u>MACROView – The Return of the ‘Vigilante’</u>
14-Dec-21	<u>MACROView – When “Bad” Inflation Clouds the Path of “Good” Inflation</u>
9-Dec-21	<u>MACROView – Another Retreat ... Until Further Notice</u>
8-Dec-21	<u>MACROView – For Stormy Days, Eyes on the Ball</u>
7-Dec-21	<u>EGYPTBanks – Takeoff Time</u>
5-Dec-21	<u>MACROView – Searching for Lost Momentum</u>
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-Jul-21	<u>Abu Qir Fertilizers [ABUK] – Talking U</u>
16-Jun-21	<u>B Investments Holding [BINV] – Strong Financials, Growing Investments</u>
14-Jun-21	<u>Al-Shams Housing & Development [ELSH] – Earnings Flattened by Factoring Cost</u>
10-Jun-21	<u>MACROView – Inflation Risk Rising, but Still Within Target</u>
8-Jun-21	<u>TAKEStock – Telecom Egypt [ETEL] – Show Me the Dividends</u>
6-Jun-21	<u>MACROView – Further Enhancement</u>
3-Jun-21	<u>MACROView – Contraction Eased</u>

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