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SWDY Q1 2022 Conference Call Highlights

1. Today's Trading Playbook

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KEY THEMES

Elsowedy Electric [**SWDY**] announced its first quarter results last Tuesday, whereas management held a conference call on Thursday, discussing Q1 2022 results. Here are the main takeaways.

Solid quarter for SWDY: Net earnings reached EGP761mn (+8.7% y/y). On the other hand, gross profits came at EGP2.3bn (+26.1% y/y), while GPM decreased to 12.5% compared to 15.0% in Q1 2021. We note that top line rose to EGP18.6bn (+51% y/y). The increase in revenues came driven by the wires & cables segment (+47.5% y/y), turnkey segment (+65.5% y/y) and transformers segment (+69.2% y/y). In general, top line growth was attributable to (1) Inflating prices of products, and (2) tepid growth in the wires & cables segment volumes.

Narrowing margins: SWDY's GPM decreased in turnkey and wires & cables segments from 13% and 12% respectively to 10% for both segments, which SWDY claims to be the normal GPM for the segments and to be in-line with market norms. Transformers segment GPM had a huge drop from 29% to 14% due to restructuring costs in Indonesia.

How FX played out for SWDY in Q1 2022: SWDY's ending backlog as of 31 March 2022 reached an all-time high of EGP73bn due to partially FX impact. The backlog is composed of 51% civil & networks projects, 27% transmission & distribution HV, and 22% power generation projects.

New investments: The new Busway factory cost amounted to USD10mn and SWDY expects the factory to contribute to less than 1% of total revenues. On the other hand, SWDY had acquisitions in Pakistan and Indonesia that added up to USD60mn, as management were targeting these markets due to dense population.

SWDY is one of the 15 stocks we had picked in our STANDPoint 2022 strategy outlook published on 30 January 2022. We have an Overweight rating for the name, with our 12MPT of EGP14.3/share (ETR +102%). SWDY is currently traded at TTM P/E of only 4x.



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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

The Prime Minister will launch a new industrial partnership with the UAE and Jordan. ([Enterprise](#))

Moody's has cut its outlook on Egypt's credit rating to negative. The negative outlook reflects the rising downside risks to the sovereign's external shock absorption capacity. (Moody's)

The EU is working on an agreement to import more Israeli gas through Egypt, given the situation of Russia-Ukraine war. ([Enterprise](#))

The government has purchased 3mn tons of local wheat since the start of the harvest season. ([Cabinet](#))

CORPORATE NEWS

Orascom Construction [ORAS] announced a consortium with Siemens Mobility and The Arab Contractors to build an additional 1325KM of tunnels to the 625KM contracted last year to reach a total of 2000KM. The consortium will design, install, commission, and maintain the high-speed rail system for 15 years. This will increase ORAS's backlog by EGP22.3bn to a total of EGP124.6bn. ([Company press release](#))

Housing and Development Bank [HDBK] announced its standalone Q1 2022 results. The figures showed a tepid net income growth of 3% y/y to EGP640mn, despite a satisfying 18% y/y increase in net interest income (NII) and a lower y/y effective tax rate of 23.5% vs. 28%. The subdued bottom line was due to (1) a 52% y/y decline in profits from housing projects (2) a much needed booking of EGP39mn of credit provisions against provision reversal of EGP31mn last year. On the balance sheet side, HDBK's deposits increased 11% y/y to EGP70bn, which was directed towards both loans that upped 7% to EGP26bn and OCI financial investments that increased 21% y/y to EGP23bn. ([Company disclosure](#))

Lecico Egypt [LCSW] consolidated statements for Q1 2022 show the company turning into profitability with EGP33.33mn net profits compared to a loss of EGP14.16mn in the same period last year. Revenues came at EGP745mn compared to EGP600mn in Q1 2021 (+24% y/y). ([Mubasher](#))



Heliopolis Housing & Development [HELI] announced its 9M 2021/22 results, registering a net profit of EGP19.2mn (+18% y/y) vs. EGP16.3mn a year earlier with a slight revenue growth of 1.1% y/y to EGP297.5mn. Meanwhile, HELI's GPM fell to 33.0% (-9.4pp y/y) as a result of greater sales return (+392% y/y). ([Company disclosure](#))

Arab Developers Holding [ARAB] released its Q1 2022 unaudited financials, recording net losses of EGP8.66mn vs. net profits of EGP18.85mn in Q1 2021, on a lower revenue of EGP186.56mn (-41.4% y/y) vs. EGP318.16mn in the same period last year. Meanwhile, ARAB's presales rose 6.0% to EGP316mn and delivered 153 units (-23.5% y/y). ([Company disclosure](#))

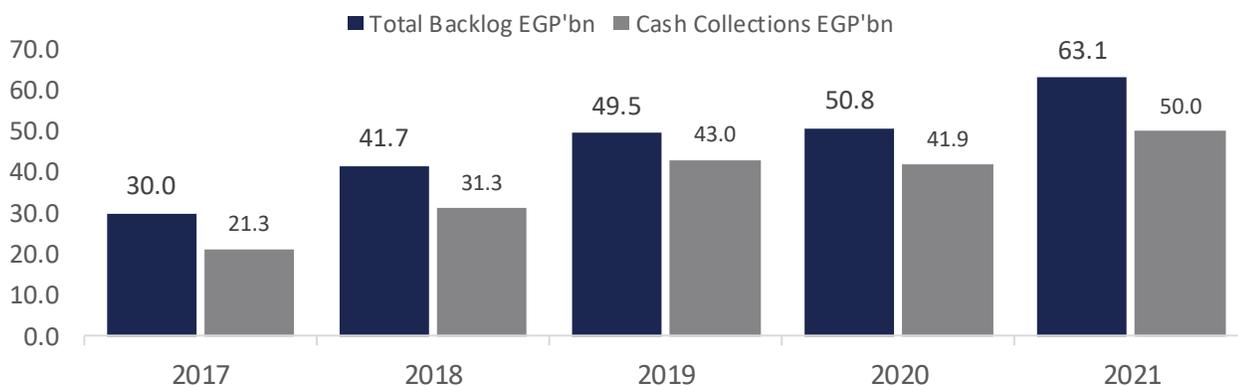
Arab Co. for Asset Management & Dev. [ACAMD] released unaudited financial results for Q1 2022, decreasing net losses of EGP1.78mn vs. net losses of EGP1.86mn in the same period last year, while revenue grew to EGP 259.72mn (15.0% y/y) with a higher GPM of 58.9% (+6.2pp y/y). ([Company disclosure](#))

Lafarge Cement Egypt is planning to initiate talks with ECA to renew the production quota for cement producers. Where Lafarage 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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Source: Company disclosures.

TMG Holding [**TMGH**] recorded the largest backlog of EGP63.1bn (+24.2% y/y, 20.4% CAGR) in 2021.



4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)		669.2		Equity turnover (EGPmn): Last, ytd avg.		577.6		852.3	
			daily chg.	ytd chg.		daily chg.	ytd chg.		
	EGX 30	10,200.56	(0.46%)	(14.63%)		Gold	1,853.72	0.17%	1.34%
	EGX 30 TR	4,118.72	(0.50%)	(12.68%)		Silver	22.11	0.45%	(5.13%)
	EGX 70 EWI	1,746.37	(1.07%)	(20.68%)		Brent Oil	119.43	1.73%	57.48%
	EGX 100 EWI	2,627.49	(1.23%)	(19.28%)		WTI	115.07	0.86%	58.11%
	DFMGI	3,296.99	0.03%	3.16%		Natural Gas	8.73	(2.03%)	133.97%
	ADSMI	9,688.99	1.52%	14.14%	EGP	USD/EGP	18.60	0.00%	(15.50%)
	TASI	12,530.34	(0.47%)	11.07%	€	EUR/USD	1.07	0.09%	(5.58%)
	QE Index	12,828.51	(0.23%)	10.35%	£	GBP/USD	1.26	0.25%	(6.66%)
	S&P 500	4,158.24	2.47%	(12.76%)	¥	USD/JPY	127.11	0.01%	(9.46%)
	Dow 30	33,212.96	1.76%	(8.60%)		6M TB yield	13.66	(2)	93
	NASDAQ	12,131.13	3.33%	(22.46%)		1Y TB yield	13.64	1	87
	VIX	25.72	(6.47%)	49.36%		10Y TB yield	14.37	(34)	(2)
	STOXX 50	3,808.86	1.83%	(11.39%)		2Y TB yield	2.47	(4)	234
EM	MSCI Emerging	1,043.17	1.98%	(15.33%)		10Y TB yield	2.75	(1)	182
FM	MSCI Frontier	547.49	0.37%	(17.75%)		30Y TB yield	2.97	(0)	131

* As of market close. 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
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-Jun-22	EGTS	OGM	Approving financial statements and other agenda items.
14-15 Jun-2022		FOMC	Determining policy rate & monetary stance.
16-Jun-22	HELI	Cash dividend	Payment date for a dividend of EGP0.08/share (2nd installment).
23-Jun-22		MPC Meeting	Determining the CBE's policy rate.
26-Jun-22	ASCM	OGM	Approving financial statements and other agenda items.
6-Jul-22	TMGH	Cash dividend	Payment date for a dividend of EGP0.087/share (2nd installment).
26-27 Jul-2022		FOMC	Determining policy rate & monetary stance.
28-Jul-22	PHAR	Cash dividend	Payment date for a dividend of EGP1.5/share (2nd installment).

7. LATEST RESEARCH

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



- 7-Feb-22 [Macro Group Pharmaceuticals \[MCRO\] – Not the Usual Pharma Stock](#)
- 1-Feb-22 [MACROView – The Ripple Effect](#)
- 31-Jan-22 [Obour Land For Food Industries \[OLFI\] – Double-Digit Growth Complements a Resilient Story](#)
- 30-Jan-22 [STANDPoint – Egypt Valuation Repertoire — 2022 Outlook](#)**
- 12-Jan-22 [QNB Alahli \[QNBA\] – Slow Earnings Pace Despite Assets Growth](#)
- 10-Jan-22 [MACROView – The Last Reading Ahead of a Cloudy Year](#)
- 30-Dec-21 [EGYPTCeramics – From Dusk to Dawn](#)**
- 26-Dec-21 [Obour Land For Food Industries \[OLFI\] – A Play on Consumption Recovery](#)**
- 22-Dec-21 [MACROView – The Return of the ‘Vigilante’](#)
- 14-Dec-21 [MACROView – When “Bad” Inflation Clouds the Path of “Good” Inflation](#)
- 9-Dec-21 [MACROView – Another Retreat ... Until Further Notice](#)
- 8-Dec-21 [MACROView – For Stormy Days, Eyes on the Ball](#)
- 7-Dec-21 [EGYPTBanks – Takeoff Time](#)**
- 5-Dec-21 [MACROView – Searching for Lost Momentum](#)
- 21-Nov-21 [TAKESock – Nitrogen Fertilizers Local Price Hike](#)
- 17-Nov-21 [EFG Hermes Holding \[HRHO\] – Earnings Growth Skyrocketing ex-One-Offs](#)
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- 3-Nov-21 [MACROView – Gathering Clouds](#)
- 1-Nov-21 [TAKESock – Separating the Wheat from the Chaff](#)
- 31-Oct-21 [TAKESock – Natural Gas Price Hike](#)
- 19-Oct-21 [MACROView – The Storm Is Gone but the Headwinds Persist](#)
- 13-Oct-21 [e-finance \[EFIH\] – An Eye-Opening IPO](#)
- 10-Oct-21 [MACROView – Walking a Tightrope](#)



- 6-Oct-21 [MACROView – On “Risk Control” Mode](#)
- 6-Oct-21 [MACROView – The Tortuous Path to Recovery](#)
- 19-Sep-21 [TAKEStock – Consumer Staples \(Food & Beverage\) – All You Can Eat Festival](#)
- 15-Sep-21 [MACROView – Deciphering the Din of Battle](#)
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- 9-Sep-21 [MACROView – Hot Summer Winds](#)
- 7-Sep-21 [MACROView – The Global Blessing Windfall](#)
- 6-Sep-21 [MACROView – Tempered, But Cautious, Optimism](#)
- 5-Sep-21 [Misr Chemical Industries \[MICH\] – Nice While It Lasted](#)
- 29-Aug-21 [Orascom Construction \[ORAS\] – Recovery on Track Although Below Estimates](#)
- 24-Aug-21 [Abu Qir Fertilizers \[ABUK\] – When the Stars Align](#)
- 18-Aug-21 [EFG Hermes Holding \[HRHO\] – Solid Business, Strong Financial Growth](#)
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- 8-Jun-21 [TAKEStock – Telecom Egypt \[ETEL\] – Show Me the Dividends](#)
- 6-Jun-21 [MACROView – Further Enhancement](#)
- 3-Jun-21 [MACROView – Contraction Eased](#)

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