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Short-Term Headwinds

1. Today's Trading Playbook

TABLE OF CONTENTS**Nada Wagdy** | Equity Analystnwagdy@egy.primegroup.org**KEY THEMES**

Cairo for Investment & Real Estate Development [**CIRA**] reported its 9M 2021/22 results, where net earnings saw a slight decline to EGP424mn (-0.5% y/y) mainly on a lower adjusted GPM of 65.9% (-390bps y/y) and higher net financing costs (+72% y/y) due to CIRA's upcoming expansion plans and higher interest rates. The GPM decline was propelled by increasing costs of salaries, wages, utilities, and maintenance, in addition to other costs related to CIRA's new schools. However, the lower G&A-to-sales ratio (-205bps y/y) partially offset the increasing cost of sales, which resulted in a narrower decline in adjusted EBITDA margin of 56.4% (-173bps y/y), adjusted for an EGP7.3mn one-off pre-operating expenses related to BCCIS West & SIS schools. Certain cost items, particularly salaries, indicate that licensed tuition fee hikes will be necessary to offset inflationary growth. However, this will be done accompanied by financial solutions tailored to students' families.

Revenues, however, witnessed a growth of 15.3% y/y during 9M 2021/22 to EGP1.5bn. The growth in revenues was propelled by an increase in tuition revenues (representing 94% of revenues) for both K-12 (+16.9% y/y) and Higher-Ed (+17.9% y/y) segments. CIRA's students' enrollments and tuition fees during the period grew 8.2% y/y and 8.6% y/y, respectively, resulting in the higher tuition revenues.

Moreover, Higher-Ed pupil-to-teacher (PTR) ratio was boosted from 15.1x in 9M 2020/21 to 15.8x in 9M 2021/22. This happened mainly due to a higher increase in students than teaching staff. As management is aiming to hire more teaching staff, they are targeting a PTR ratio of 15.3-15.4x in this segment. Moreover, utilization rates dropped 19pp to 56% due to the newly-added faculties of BUC, which just started this year. However, management expects to see a ramp-up in utilization rates next year as BUC is now fully operational. The same was for the K-12 segment, where the utilization rate dropped to 91% vs. 95% last year due to the newly-added schools. PTR for this segment was nearly flat at 11.3x (-0.1x).

From a quarterly perspective, Q3 2021/22 saw its bottom line weaken by 28% y/y in view of limited top line growth of 1.7% to EGP520mn. We note that GPM has narrowed notably, whereas higher borrowing costs and a higher effective tax rate pressured the bottom line, leading NPM to shrink to 27.0% (-11.3pp).

Generally, the quarter came below our estimates, failing to deliver on expectations. However, we continue to have a positive outlook on CIRA in view of its promising expansion plan. Management said that CIRA will begin to accept applications for Badr University in Assiut (BUA) by August, with the launch of six faculties by the beginning of the coming academic year, as CIRA obtained the required licenses. The outlook for volume growth in 2022/23 remains upbeat, given the reversal of the centralized higher education admission system and an expected pool of 700,000 newly graduated high schoolers. While we expect volume growth to be strong, CIRA's ability to carefully hike prices, coupled with receding inflation, will bring margins back on track. We remind you that we have an Overweight rating on CIRA with a 12MPT of EGP20.6/share (ETR +80%). We note that CIRA is currently traded at a TTM P/E of 21.7x. For more details, please check out our [Core Coverage Report dated 23 May 2022](#).

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

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt, the UAE, and Jordan are discussing their new industrial partnership in Cairo.
([Enterprise](#))

Russian Foreign Minister Sergey Lavrov will be meeting a number of Egyptian officials in Cairo, as part of his tour to meet a number of officials in the Arab League. ([Bloomberg Asharq](#))

CORPORATE NEWS

Cairo for Investment & Real Estate Development [CIRA] reported net income after minority of EGP140mn (-28% y/y) in Q3 2021/22 mainly due to lower gross profit margin recording 65.9% (-390bps y/y) and higher net financing costs of 97% y/y. Revenues, however, slightly increased to EGP520mn during the same quarter (+1.7% y/y). (Company disclosure)

Cleopatra Hospitals [CLHO] announced that they have bought back 154mn shares until now, which is c.9.6% of total outstanding shares. ([Company disclosure](#))

Speed Medical [SPMD] announced that a shareholder has decreased his stake in the company from 8.2% to 5.5%, selling 30mn shares for EGP16mn at an average price of EGP0.52/share. ([Mubasher](#))

The FRA approved to give the leasing and factoring license to Misr Finance, a newly-established entity and a subsidiary of Misr Insurance Holding. (Company disclosure)

FEMCO, an engineering, procurement and construction company in the oil and gas industry, mulls floating 49% of its shares in the EGX within two years. (Al-Mal)

GLOBAL NEWS

The ECB hiked rates by 50bps on Thursday, its first interest rate hike in over a decade, joining other major central banks in the race to get on top of surging inflation. (Reuters)

Russia and Ukraine have signed a landmark agreement to resume grain exports through the Black Sea. However, Ukraine has accused Russia of firing missiles at the Ukrainian port city of Odesa, less than 24 hours after the signing. (Enterprise)

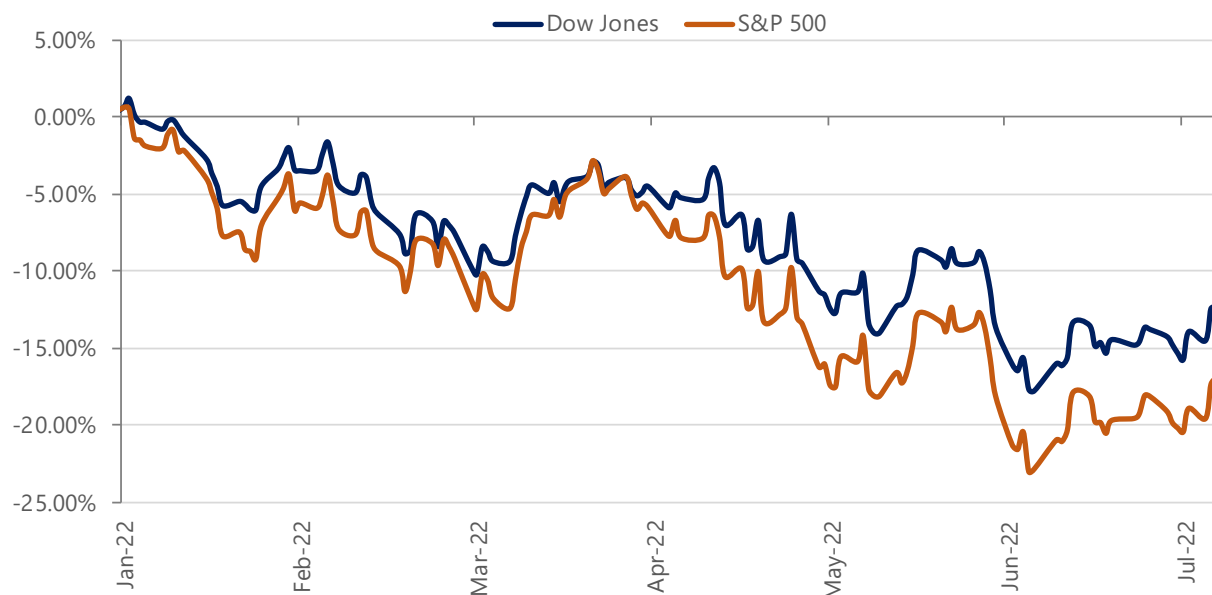
3. CHART OF THE DAY

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Dow Jones vs S&P 500 (ytd)



Source: Bloomberg.

The Dow Jones Industrial Average dropped 12% ytd, while the S&P 500 dropped 17% ytd, feeling the brunt of the military conflict between Russia and Ukraine, coupled with continuous COVID-19 related woes.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
622.7					981.9 807.3				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	↗	EGX 30	9,289.81	1.94%	(22.26%)		↗	Gold	1,727.64 0.51% (5.55%)
	↗	EGX 30 TR	3,759.78	1.96%	(20.29%)		↘	Silver	18.60 (1.37%) (20.20%)
	↗	EGX 70 EWI	1,798.27	2.39%	(18.33%)		↘	Brent Oil	103.20 (0.64%) 37.97%
	↗	EGX 100 EWI	2,642.11	2.40%	(18.83%)		↘	WTI	94.70 (1.71%) 32.34%
	↗	DFMGI	3,256.96	0.03%	1.91%		↗	Natural Gas	8.30 4.63% 122.49%
	↗	ADSMI	9,662.23	0.67%	13.83%	EGP	↗	USD/EGP	18.91 0.01% (16.94%)
	↗	TASI	11,987.97	1.04%	6.26%	€	↘	EUR/USD	1.02 (0.17%) (10.18%)
	↗	QE Index	12,709.12	1.37%	9.32%	£	↗	GBP/USD	1.20 0.03% (11.33%)
	↘	S&P 500	3,961.63	(0.93%)	(16.88%)	¥	↗	USD/JPY	136.12 0.91% (15.46%)
	↘	Dow 30	31,899.29	(0.43%)	(12.22%)		↗	6M TB yield	15.58 9 285
	↘	NASDAQ	11,834.11	(1.87%)	(24.36%)		↗	1Y TB yield	16.05 30 328
	↘	VIX	23.03	(0.35%)	33.74%		↗	10Y TB yield	14.68 30 29
	↘	STOXX 50	3,596.49	(0.00%)	(16.33%)		↘	2Y TB yield	2.99 (23) 286
EM	↘	MSCI Emerging	990.37	(0.03%)	(19.61%)		↘	10Y TB yield	2.76 (26) 183
FM	↘	MSCI Frontier	514.45	(0.15%)	(22.71%)		↘	30Y TB yield	2.98 (18) 132

* 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
24-Jul-22	SAIB	Stock dividend	Last date for eligibility for a 0.05-for-1 stock dividend.
24-Jul-22	AIFI	OGM	Approving financial statements.
25-Jul-22	SAIB	Stock dividend	Date for distributing a 0.05-for-1 stock dividend.
26-Jul-22	ZMID	Cash dividend	Deadline for eligibility for a dividend of EGP0.30/share.
26-27 Jul-22		FOMC	Determining policy rate & monetary stance.
27-Jul-22	ELSH	Cash dividend	Payment date for a dividend of EGP0.075/share (1st installment).
28-Jul-22	PHAR	Cash dividend	Payment date for a dividend of EGP1.5/share (2nd installment).
30-Jul-22	ELNA	OGM	Approving financial statements and other agenda items.
30-Jul-22	ELNA	EGM	Approving cancelling Articles No. 21 & 23 of the company's bylaws.
31-Jul-22	ZMID	Cash dividend	Payment date for a dividend of EGP0.15/share (1st installment).
31-Jul-22	AJWA	OGM	Approving financial statements.
31-Jul-22	AJWA	EGM	Discussing the continuation of the company & amending Article No. 4 of the company's bylaws.
1-Aug-22	ORAS	EGM	Approval of appointing Renad Younes as Independent Non-Executive Director
3-Aug-22	MNHD	Stock dividend	Last date for eligibility for a 0.12-for-1 stock dividend.
4-Aug-22	MNHD	Stock dividend	Date for distributing a 0.12-for-1 stock dividend.
7-Aug-22	AIVC	OGM	Approving financials ended 31 January 2022.

11-Aug-22		MSCI	MSCI's August 2022 Quarterly Index Review Announcement.
11-Aug-22	UNIT	EGM	Approving decreasing the issued capital & amending Articles No. 6 & 7 of the company's bylaws.
14-Aug-22	GMFC	Subscription in the capital increase	Last day of subscription in the GMFC's EGP98mn capital increase.
16-Aug-22	MNHD	OGM	To discuss allowing OCDI to conduct due diligence.

7. LATEST RESEARCH

DATE	PUBLISHED REPORT
14-Jun-22	<u>Ghazl El-Mahalla Football Co. [GMFC] - In a League of Its Own</u>
8-Jun-22	<u>TAKEStock – Delta Sugar [SUGR] - Sweet and Sour</u>
7-Jun-22	<u>TAKEStock – Orascom Financial Holding [OFH] - Triple-Digit Upside</u>
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>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>

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