

November 29, 2011

Raya Holding

Watch for a rising star

Raya Holding [RAYA] exhibited a 40% YoY growth in its 3Q11 earnings, reaching EGP12.6mn (+6% above CI Capital Research estimates of EGP11.9mn). This followed a 13% YoY increase in top line to EGP727mn coupled with a 102bps improvement in EBITDA margin to 5.3%. Due to the recent market sell-off, RAYA is currently trading at an attractive 2012E PER of 5.1x, compared to international peer average of 7.8x. In this note, we have raised our yearend and FY12E top line estimates by an average of 7%, based on raised estimates for Trade segment revenues. This is expected to outweigh the low performance of the IT segment on freezing most of government and corporate projects following the January 25 Revolution. While low performance in 1Q11 should drive down yearend earnings by 9%, earnings are expected to show double-digit growth going forward. However, the decline in the value of the IT segment, higher effective tax rate and risk free rate incorporated drove us to cut our LTFV by 23% to EGP9/share, down from EGP11.7/share. Also, we cut our target price 9% to EGP5/share. Given the 28% upside potential, we maintain our Buy rating.

Unprecedented top line growth backed by the Trade segment: RAYA reported a 13% YoY higher top line, reaching EGP727mn in 3Q11 (+9% above CI Capital Research estimates). This was mainly fuelled by a 30% growth in the Trade segment (86% of RAYA's 3Q11 top line), thanks to the strong summer demand and the new product mix featuring high-margin mobile handsets and LCDs. Also, Contact Center revenues reported a 24% YoY increase. With a considerable amount of the government and corporate IT projects put on hold following the January 25 Revolution, RAYA's IT segment witnessed a 44% decline in revenues.

3Q11 earnings up 40% YoY: Given the strong top line growth coupled with a 102bps improvement in EBITDA margin on higher Trade segment margins, EBITDA increased 39% YoY. Despite the EGP7.9mn customs provisions booked in 3Q11 to meet a penalty imposed on RAYA Algeria and the higher income tax rate, RAYA exhibited a 40% growth in bottom line profits reaching EGP12.6mn. In its 9M11 earnings, RAYA showed a 12% YoY decline on low earnings recorded in 1Q11A due to the slow demand during the January 25 Revolution besides the EGP5mn custom provisions booked, and losses incurred on damaged stores.

New segments coming on stream: RAYA is expected to start trial operations of its Plastic Recycling business in December 2011. Also, one of RAYA's four smart buildings is ready for use, while the remaining buildings will be launched in 2013.

Valuation and recommendation: Despite consumers' cutting back spending on non-essential items amidst the current economic slowdown, RAYA showed an overwhelming operational performance in 3Q11. We see value in the stock backed by operational improvements in the medium term and strong growth potential in the long run. With the stock trading at an attractive 2012E PER and 22% below par value, we maintain our Buy recommendation with an LTFV and a target price of EGP9/share and EGP5/share, respectively.

EGP mn	2010 A	2011 P	2012 P	2013 P	2014 P
Revenues	2,553.9	2,564.9	2,750.7	2,956.6	3,258.8
Growth rate	36.6%	0.4%	7.2%	7.5%	10.2%
EBITDA	138.4	132.6	132.5	184.5	341.4
Growth rate	60.6%	-4.2%	-0.1%	39.2%	85.1%
EBITDA margin	5.4%	5.2%	4.8%	6.2%	10.5%
Net income	43.6	39.6	47.7	58.1	153.4
Growth rate	4.8%	-9.2%	20.6%	21.7%	163.9%
Net margin	1.7%	1.5%	1.7%	2.0%	4.7%
PER	5.6x	6.2x	5.1x	4.2x	1.6x
P/BV	0.5x	0.4x	0.4x	0.4x	0.3x
EV/EBITDA	3.5x	4.7x	6.3x	5.2x	2.4x
Net debt/EBITDA	1.8x	2.8x	4.4x	3.9x	1.7x
Dividend yield	N/A	N/A	3.9%	6.0%	15.7%

Source: Company reports and CI Capital Research estimates

BUY (MAINTAINED)
LT FAIR VALUE | EGP9.0 (REDUCED)
TARGET PRICE | EGP5.0 (REDUCED)

COMPANY SYNOPSIS

Raya Holding [RAYA] consists of five business segments: retail & distribution (c.86% of the company's operations), IT, Contact Centre, and newly-introduced Raya Smart Buildings and land transportation business targeting Egypt and Sudan. RAYA is also set to establish a new plastic recycling company (Baria) in December 2011 in what will be the first of its kind in Egypt.

RAYA is currently one of Egypt's flagship CIT companies, commanding a large share of the local mobile distribution market and a broad share of the IT segment, offering a wide array of services. RAYA's IT segment has a presence in Algeria, Nigeria, Saudi Arabia, the UAE and the US. As of 9M11, the company had 31 outlets operating under the names "Raya" and "Nokia Care" and "Samsung".

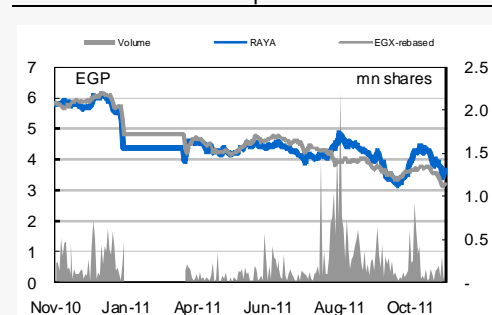
SHAREHOLDER STRUCTURE

Medhat Khalil & Family	26%
Financial Holding Intl LTD	12%
El-Tawil Family	4%
Watheeqa	5%
Others	52%

STOCK DATA

Reuters; Bloomberg	RAYA.CA; RAYA EY
Recent price as of 29-Nov-11	EGP3.92
No. of O/S shares	62.2 mn
Market cap	EGP244 mn
52-wk high / low	EGP6.25/ EGP3.07
Avg. daily volume / turnover	0.22 mn / EGP1.05 mn

STOCK PERFORMANCE | 52 WEEKS



Source: Bloomberg

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Figure 1 | Summary Actual vs. Forecasted Results (9M11 vs. 9M10)

EGPmn	3Q10 A	3Q11 A	YoY growth	3Q11 E	A vs. E	9M10 A	9M11 A	YoY growth	9M11 E	A vs. E
Revenues										
Trade	484.0	628.2	30%	501.0	25%	1,480	1,542	4%	1,414.9	9%
IT	125.4	70.3	-44%	131.4	-46%	341	221	-35%	282.6	-22%
Contact Center	22.9	28.5	24%	23.7	21%	61	79	29%	73.8	7%
Smart Buildings	16.5	2.2	-87%	8.3	-74%	44	12	-72%	18.5	-33%
Ostool (Land Transportation)	1.0	2.7	173%	6.5	-59%	1	7	655%	11.3	-34%
Intercompany sales	(4.4)	(4.7)		(6.0)		(20)	(12)	-41%	(12.9)	
Total Revenues	645.3	727.2	13%	664.8	9%	1,908	1,851	-3%	1,788	3%
GPM										
Trade	8.2%	9.5%	128 bps	8.6%	83 bps	9.1%	9.5%	43 bps	9.2%	29 bps
IT	15.7%	13.7%	-192 bps	16.7%	-295 bps	18.2%	15.2%	-303 bps	16.2%	-106 bps
Contact Center	57.6%	40.5%	-1717 bps	45.0%	-453 bps	51.8%	42.3%	-945 bps	43.9%	-157 bps
Smart Buildings	27.6%	21.6%	-599 bps	42.0%	-2041 bps	26.5%	38.1%	1161 bps	41.8%	-367 bps
Ostool (Land Transportation)	46.9%	16.9%	-3004 bps	30.0%	-1310 bps	46.9%	20.3%	-2660 bps	26.7%	-641 bps
Total gross profits	78	92	18%	81.3	13%	240.4	254.9	6%	244.6	4%
Gross margin	12.0%	12.6%	57 bps	12.2%	38 bps	12.6%	13.8%	118 bps	13.7%	10 bps
EBITDA	27.9	38.8	39%	28.8	35%	91.3	100.9	11%	90.9	11%
EBITDA margin	4.3%	5.3%	102 bps	4.3%	102 bps	4.8%	5.5%	67 bps	5.1%	37 bps
NPAUI	9.0	12.6	40%	11.9	6%	29.7	26.0	-12%	25.3	3%
NPAUI Normalized	14.7	20.6	40%	12.9	59%	42.5	40.3	-5%	32.6	24%

A=Actual E=Expected NA= Not Available

Source: Company reports and CI Capital Research estimates

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Changes to our Forecasts

Top line is revised higher: In this note, we have raised our top line estimates by an average of 7% over FY11-FY14. The strong performance exhibited in the Trade segment so far in 2011— despite consumers' overall cautious spending — drove us to revise higher our revenue estimates for the Trade segment by an average of 16% over the forecast period [FY11-FY14]. We also revise higher revenues of the Contact Center segment on strong performance exhibited in 3Q11. Yet, we cut our revenue forecasts for the IT segment due to the expected prolonged freeze of corporate and government spending on IT projects in 2012. We almost maintained our estimates for the Smart Buildings and Plastic Recycling segments.

Raising Trade segment estimated revenues outweighed a cut in revenues of the IT segment

Earnings estimates cut in FY11 but raised in FY12: Absent confirmation from management whether an EGP12mn capital gain (on the lease contract signed with **Palm Hills Development [PHDC]**) will be recorded in 4Q11, we prefer to exclude it from our 2011E earnings. Accounting for this, along with the higher income tax rate, we cut our yearend earnings by 8%; however, we raised our top line and EBITDA margin estimates, driven by the strong performance of the Trade segment in 3Q11. Overall, earnings are projected to grow at a 2011-2014 CAGR of 37%, mainly driven by the strong potential performance of the new high-margin Smart Buildings segment. Excluding the impact of the Smart Buildings, earnings would report a CAGR growth of 11% over 2011-2014 period.

Despite higher EBITDA, 2011E earnings cut on excluding the EGP12mn estimated capital gain

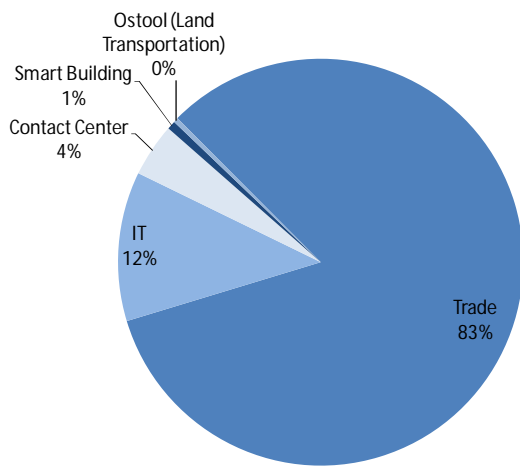
Figure 2 | New vs. old KPI estimates

	2011 e			2012 e			2013 e			2014 e		
	Old	New	Chg.	Old	New	Chg.	Old	New	Chg.	Old	New	Chg.
Revenues (EGP mn)												
Trade	1,754	2,146	22%	2,011	2,257	12%	2,021	2,311	14%	2,053	2,325	13%
IT	438	300	-31%	477	315	-34%	520	377	-27%	566	452	-20%
Contact Center	83	107	29%	94	114	22%	98	118	21%	103	124	19%
Smart Buildings	52	12	-76%	11	5	-50%	39	39	0%	211	211	0%
Ostool (Land Transportation)	20	15	-27%	41	41	0%	64	64	0%	94	94	0%
BariQ (Plastic Recycling)	0.4	0.4	-8%	34	36	4%	66	66	1%	74	74	0%
Net Revenues (EGP mn)	2,327	2,565	10%	2,643	2,751	4%	2,782	2,957	6%	3,073	3,259	6%
Total Gross profit (EGP mn)	284	337	18%	351	353	0%	432	433	0%	613	622	1%
Total Gross Profit Margin (%)	12.2%	13.1%	90bps	13.3%	12.8%	-47bps	15.5%	14.6%	-89bps	19.9%	19.1%	-86bps
Trade	8.3%	9.5%	122bps	8.9%	9.7%	85bps	9.7%	9.8%	8bps	9.9%	9.8%	-11bps
IT	19.5%	14.8%	-471bps	19.3%	15.9%	-349bps	19.2%	16.7%	-250bps	19.1%	18.6%	-44bps
Contact Center	46.1%	41.8%	-431bps	44.3%	42.1%	-221bps	44.3%	42.8%	-147bps	43.7%	43.1%	-61bps
Smart Buildings	17.8%	38.1%	2029bps	85.0%	85.0%	0bps	85.0%	85.0%	0bps	85.0%	85.0%	0bps
Ostool (Land Transportation)	30.0%	25.1%	-488bps	35.0%	35.0%	0bps	40.0%	40.0%	0bps	40.0%	40.0%	0bps
BariQ (Plastic Recycling)	25.0%	5.0%	-2,000bps	43.9%	44.1%	20bps	52.0%	52.0%	0bps	52.0%	52.0%	0bps
EBITDA	92	133	44%	124	133	7%	193	184	-4%	348	341	-2%
EBITDA Margin	4.0%	5.2%	121bps	4.7%	4.8%	13bps	6.9%	6.2%	-69bps	11.3%	10.5%	-86bps
Net Income (EGP mn)	43.2	39.6	-8%	42.0	47.7	14%	75.2	58.1	-23%	192.4	153.4	-20%

Source: CI Capital Research estimates

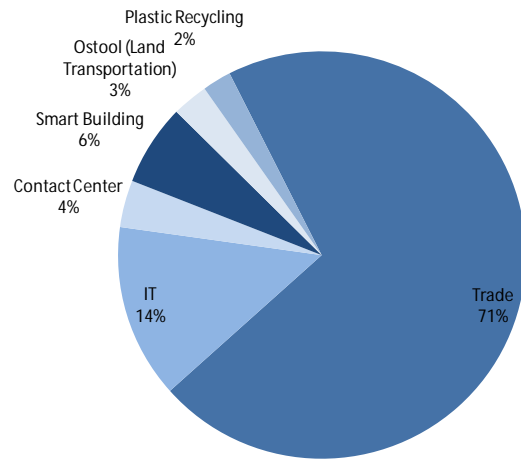
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Figure 3 | Revenue Breakdown in FY9M11



Source: Company Reports

Figure 4 | Revenue Breakdown in FY15



Source: CI Capital Research estimates

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Valuation and Recommendation.

LTFV cut 23% to EGP9/share down from EGP11.7/share: In our sum-of-the-parts valuation of RAYA's business segments, we cut our LTFV by 23% to EGP9/share vs. EGP11.7/share in our previous update. This mainly resulted from the following:

- (i) Downgrading the valuation of the IT segment by 34% given its current low performance, which should continue no longer than late 2012.
- (ii) Accounting for the new income tax rate (25%) for all business segments instead of the previous 20% rate. This impacted the valuation of RAYA's all business segments.
- (iii) A 100bps increase in the risk free rate to 12%, taking into account the recent increase in interest rates by the Central Bank of Egypt (CBE).

We used a cost of equity of 17.4% for business segments valued using the free cash flow to equity method, such as Smart Building and Plastic Recycling. Meanwhile, we value the remaining segments— such as Trade, IT, Contact Centers (valued using the free cash flow to the firm)— using a WACC of 11.8% compared to 12.5% in our previous note on lower equity weight on the back of lower market capitalization.

Target price cut to EGP5/share: Our target price is cut 9% to EGP5/share. The target price is reached by taking the average of the implied values by 2011E, 2012E and 2013E composite PERs of peers' averages. We still apply a 50% execution discount factor for the 2013E implied value, to account for any delay that might occur for the new Smart Buildings segment.

Valuation and recommendation: Despite consumers' cutting back spending on non-essential items amidst the current economic slowdown, RAYA showed an impressive operational performance in 3Q11. We see value in the stock backed by operational improvements in the medium term and strong growth potential on the long run. Also, with the stock trading at an attractive 2012E PER and 22% below par value, we keep our Buy recommendation with an LTFV and target price of EGP9/share and EGP5/share, respectively.

Cutting LTFV on higher taxes and risk free rate besides lower value of IT segment

Target price cut

Figure 5 | Target price calculation

	2011E	2012E	2013E
Peers' composite PER*	8.9x	7.8x	7.0x
RAYA EPS (EGP/share)	0.6	0.8	0.9
Implied value (EGP/share)	5.7	6.0	6.6
Execution risk factor	0%	0%	50%
Implied value after the discount	5.65	5.97	3.29
Average value (EGP/share)	5.0		

*Please refer to Figure 6 for the methodology of calculating RAYA's peer average

Source: CI Capital Research estimates

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Figure 6 | RAYA's Segments PER vs. International Peers

Company Name	Ticker	Country	Curr.	Last Price LCY	PER		
					11e	12e	13e
Trade segment							
Avnet Inc	AVT US	USA	USD	27.0	6.8x	6.1x	5.6x
Brightpoint Inc	CELL US	USA	USD	8.8	8.4x	7.6x	6.7x
Average					7.6x	6.9x	6.1x
Weight					68%	65%	55%
IT segment							
BATM Advanced Communica	BVC LN	UK	GBP	0.2	10.9x	9.2x	9.7x
Infosys Technologies Ltd	INFO IN	IN	INR	29.0	20.6x	17.8x	15.3x
Computer Sciences Corp	CSC US	USA	USD	23.0	6.0x	5.9x	5.4x
Average					12.5x	11.0x	10.1x
Weight					15%	15%	15%
Contact Center segment							
Sykes Enterprises Inc	SYKE US	USA	USD	14.3	10.5x	9.9x	8.9x
Average					10.5x	9.9x	8.9x
Weight					15%	14%	12%
Smart Buildings segment							
Mastec Inc	MTZ US	USA	USD	15.9	14.9x	10.8x	9.1x
Average					14.9x	10.8x	9.1x
Weight					2%	1%	8%
Plastic Recycling segment							
Guanwei Recycling Corp	GPRC US	USA	USD	1.1	1.7x	1.6x	1.5x
Yasuhara Chemical Co Ltd	4957 JP	Japan	JPY	2.2	4.2x	3.6x	3.4x
Average					2.9x	2.6x	2.5x
Weight					0%	5%	8%
Composite Peer average					8.9x	7.8x	7.0x
Raya Holding	RAYA	Egypt	EGP	3.9	6.2x	5.1x	4.2x

*Composite peer average is based on each segment's contribution to RAYA's gross profits

Source: Bloomberg, Company reports and CI Capital Research estimates

Catalysts

- Better-than-expected pick-up in the handsets market and positive recognition of the partnership signed with Samsung; RAYA has recently become an authorized distributor for Samsung Product Portfolio, including Home Appliances.
- Stronger IT business in the Gulf to offset frozen local projects.
- Faster-than-expected economic recovery may drive demand for the new profitable smart buildings segment.

Downside Risks

- Severe tightening of consumer spending given local economic and inflationary pressures.
- Serious competition in the Trade segment from other distributors and from Chinese handsets.
- Global economic uncertainty might lead to lower outsourcing projects for the contact center business.
- Poor waste collection points could deter the success of the plastic recycling plant.
- Prolonged slowdown and lower foreign investments may further slow investments in the Smart Buildings segment.

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Technical recommendation

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The stock continued to recover from EGP3.38/share clearing through EGP3.85/share former resistance. Corrective dips have left a succession of higher lows. Momentum should increase after breaking the important resistance at EGP4/share for next strong resistance at EGP4.35-4.50 then our basic target at EGP4.75/share. On the downside, we will abandon such expectation in case of a clear downward break of EGP3.68/share. In that case, we will be in the process of a wider sideways consolidation formation, and its ranges will be between EGP3.85-4 and EGP3.35-3.20.

Current trend is sideways

Long term trend is Down

Current target is EGP4.5-4.75/share

Stop Loss: below EGP3.68/share

Recommendation: Buy

Figure 7 | RAYA technical support and resistance levels



Source: Reuters & CI Capital Technical Desk

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Company Financials [2010A-2014E]

Balance Sheet (EGP mn)	2010 A	2011 E	2012 E	2013 E	2014 E
Assets					
Cash & Cash Equivalent	113	92	104	125	170
Net Receivables	188	213	252	271	300
Total Inventory	308	376	601	793	808
Advance Payment to Suppliers	46	47	46	48	51
Other Trading Assets	0	0	0	0	0
Other Current Assets	0	0	0	0	0
Total Current Assets	654	728	1,003	1,237	1,328
Net Plant					
Long-Term Investments	62	117	117	117	117
Other Trading Non-Current Assets	258	258	258	258	258
Other Non-current Assets	98	99	106	114	125
Intangibles	74	74	74	74	74
Total Assets	1,354	1,519	1,809	2,023	2,083

Liabilities & Shareholders' Equity

Short-Term Debt	260	264	312	377	393
Current Portion of Long-Term Debt	17	45	86	118	112
Accounts Payable	187	195	203	207	217
Accrued Expenses	52	55	59	62	65
Down Payments to customers	70	70	68	65	62
Taxes Payable	68	68	68	68	68
Dividends Payable	9	0	9	15	47
Other Spontaneous Finance	0	0	0	0	0
Other Current Liabilities	41	41	44	47	52
Total Current Liabilities	705	738	849	960	1,017
Total Long-Term Debt	80	158	294	346	234
Other Non-Current Liabilities	14	14	14	14	14
Long-Term Spontaneous Finance	0	0	0	0	0
Total Liabilities	799	910	1,157	1,321	1,265
Deferred Taxes	37	52	58	64	70
Other Provisions	0	0	0	0	0
Minority Interest	3	1	0	1	4
Shareholders Equity	516	555	594	637	743
Total Liab. & Shareholders' Equity	1,354	1,519	1,809	2,023	2,083

Income Statement (EGPmn)	2010 A	2011 E	2012 E	2013 E	2014 E
Revenues					
Trade	1,993	2,146	2,257	2,311	2,325
IT	468	300	315	377	452
Contact Center	84	107	114	118	124
Smart Buildings	30	12	5	39	211
Ostool (Land transportation)	2	15	41	64	94
BariQ (Plastic recycling)	0	0	36	66	74
intercompany sales	(23)	(16)	(18)	(19)	(21)
Cost of Revenues	(2,192)	(2,228)	(2,398)	(2,524)	(2,637)
Gross Profits	362	337	353	433	622
Trade	180	204	220	226	229
IT	87	44	50	63	84
Contact Center	35	45	48	51	53
Smart Buildings	21	5	4	33	179
Ostool (Land transportation)	1	4	14	26	37
BariQ (Plastic recycling)	0	0	16	34	39
SG&A	(224)	(204)	(220)	(248)	(280)
EBITDA	138	133	133	184	341
Depreciation & Amortization	(38)	(41)	(46)	(57)	(73)
EBIT	100	92	87	128	269
Interest Expense	(10)	(23)	(27)	(52)	(65)
Provisions	(23)	(20)	(10)	(10)	(10)
Interest Income	2	2	2	2	3
Investment Income	(9)	1	3	4	6
Other Non-Operating Income	9	10	9	8	7
Other Non-Operating Expenses	(10)	(7)	0	0	0
EBT	60	55	64	80	210
Taxes	(18)	(17)	(17)	(21)	(53)
NPAT	42	38	47	59	156
Minority Interest	1	1	1	(1)	(3)
Attributable Profits	44	40	48	58	153

A=Actual E=Expected

Source: Company reports and CI Capital Research estimates

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Cash Flow (EGPmn)	2010 A	2011 E	2012 E	2013 E	2014 E
NOPAT	130	75	70	107	215
Depreciation & Amortization	38	41	46	57	73
Gross Cash Flow (COPAT)	168	116	116	163	288
Working Investments Change	(77)	(83)	(253)	(209)	(36)
Other Current Items	(18)	0	3	3	5
Cash After Current Operations	74	32	(135)	(43)	257
Financing Payments	(24)	(40)	(72)	(139)	(183)
Cash Before Long Term Use	50	(8)	(207)	(181)	74
Net Plant Change	7	(76)	(54)	(28)	(30)
FCFF	81	(44)	(189)	(71)	228
Others	(60)	(54)	3	3	0
Cash Before Financing	(3)	(138)	(258)	(207)	44
Short-Term Debt	20	3	48	66	16
Long-Term Debt	40	123	222	171	(0)
Networth	(21)	1	1	(1)	(3)
Grey Area	(40)	(1)	(1)	1	3
Dividends	2	(9)	0	(9)	(15)
Change in Cash	(3)	(21)	12	21	45

Fact Sheet	2010 A	2011 E	2012 E	2013 E	2014 E
ROE	8.5%	7.1%	8.0%	9.1%	20.6%
ROS	1.7%	1.5%	1.7%	2.0%	4.7%
ROA	3.2%	2.6%	2.6%	2.9%	7.4%
ROIC	15.5%	7.5%	5.5%	7.3%	14.5%
Gross Margin	14.2%	13.1%	12.8%	14.6%	19.1%
Trade LoB	9.0%	9.5%	9.7%	9.8%	9.8%
IT LoB	18.6%	14.8%	15.9%	16.7%	18.6%
Contact Center LoB	41.1%	41.8%	42.1%	42.8%	43.1%
Smart Buildings LoB	70.6%	38.1%	85.0%	85.0%	85.0%
Land transportation (Ostool)	46.5%	25.1%	35.0%	40.0%	40.0%
Plastic recycling LoB (BariQ)	NA	5.0%	44.1%	52.0%	52.0%
EBITDA Margin	5.4%	5.2%	4.8%	6.2%	10.5%
ATO	1.9	1.7	1.5	1.5	1.6
W/ Sales	0.2	0.2	0.3	0.4	0.3
ALEV	2.6	2.7	3.0	3.2	2.8
Liabilities/Networth	1.5	1.6	1.9	2.1	1.7
Current Ratio	0.9	1.0	1.2	1.3	1.3

Per-Share Ratios	2010 A	2011 E	2012 E	2013 E	2014 E
Share Price	3.9	3.9	3.9	3.9	3.9
No. Of Shares (mn)	62.2	62.2	62.2	62.2	62.2
EPS	0.70	0.64	0.77	0.93	2.47
DPS	0.00	0.00	0.15	0.23	0.62
Revenues/Share	41.1	41.3	44.2	47.6	52.4
BV/Share	8.3	8.9	9.5	10.2	12.0
Gross Cash Flow/Share	2.7	1.9	1.9	2.6	4.6
FCFF/Share	1.3	(0.7)	(3.0)	(1.1)	3.7
EBITDA/Share	2.2	2.1	2.1	3.0	5.5
EV/Share	7.9	9.9	13.4	15.5	13.1

Multiples	2010 A	2011 E	2012 E	2013 E	2014 E
P/E	5.6x	6.2x	5.1x	4.2x	1.6x
Dividend Yield	0%	0%	4%	6%	16%
P/ Revenue	0.1x	0.1x	0.1x	0.1x	0.1x
EV/ Revenues	0.2x	0.2x	0.3x	0.3x	0.2x
P/ COPAT	1.4x	2.1x	2.1x	1.5x	0.8x
EV/ COPAT	2.9x	5.3x	7.2x	5.9x	2.8x
P/ FCFF	3.0x	-5.6x	-1.3x	-3.4x	1.1x
EV/ FCFF	6.1x	-14.2x	-4.4x	-13.5x	3.6x
P/ EBITDA	1.8x	1.8x	1.8x	1.3x	0.7x
EV/ EBITDA	3.5x	4.7x	6.3x	5.2x	2.4x
P/ BV	0.5x	0.4x	0.4x	0.4x	0.3x

Note: A = Actual; E= Expected

Source: Company reports and CI Capital Research estimates

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In February 2008, CI Capital Research (CICR) launched a new rating system to give analysts more freedom to be market responsive. This is to make one element of our research more dynamic, namely the advertising of target prices and recommendations. What we did not change is our assessment of the Long Term Fair Value (LTFV), nor have we stopped our detailed industry and company research. What we did is change the target price to trade in the balance of where a share should trade and where we think it will trade.

LTFV: As before we continue to estimate a fundamental valuation, largely DCF and/or NAV based.

Target Price: The price, which is not necessarily the LTFV, is where the analyst, given all (qualitative as well as financial) information available, thinks the share price can get to within the next 3-12 months. This can be changed at any time on changing facts and perceptions.

Recommendations: Our new rating system falls out from the total return relating to the share price performance to the target price, and including any distributions may not be included in the target price calculation. This is shown in the table below, and to be BUY must return over 19%, an arbitrary hurdle rate we think reasonable given prevailing interest rates and risks (Please see table below.)

Rating	Potential Upside/Downside
Strong Buy	>30%
Buy	>20%<30%
Hold	>10%<20%
Underweight	>0% <10%
Sell	<0%