CAPITAL RESEARCH

A CIB Group Member

Raya Holding (RAYA)

Egypt | Media & IT

Ingy Eldiwany
Ingy.Eldiwany@cicapital.com.eg
+202 333-18-354

Buy

since May 17, 2011

Current Price | EGP 5.96
Target Price | EGP 7.7
29% Upside

Looking forward to another fruitful year

April 22, 2012

- **Strong operational performance surpasses expectations; top line and EBITDA grow 23% apiece YoY in 4Q11.**
- **EGP18.6mn in impairment charges on ceased operation of RAYA Algeria result in 30% YoY decline in 4Q11 earnings.**
- **BariQ, new plastic recycling plant, to start operations in 2Q12; remaining 3 smart buildings to launch in 2013 and 2014.**
- **Traded at 2012E PER of 7.7x, vs. peer average of 8.3x.**
- **Raising our estimates on strong demand for mobile handsets. LTFV boosted to EGP10; TP raised 54% to EGP7.7; Buy maintained.**

Trade segment pushes top line higher: **Raya Holding [RAYA]** reported a 23% YoY higher top line in 4Q11, reaching EGP795.3mn (11% above CI Capital Research estimates). This was mainly fuelled by a 20% growth in Trade segment revenues (77% of RAYA's 4Q11 top line), thanks to strong demand, a duopoly in the distribution of Nokia phones, and its new product mix of high-margin mobile handsets and home appliances. Contact Center revenues reported a 28% YoY increase. Moreover, RAYA's IT segment recovered in 4Q11 with an 8% YoY growth from a stagnant 9M11 on delayed government and corporate IT projects post-revolution.

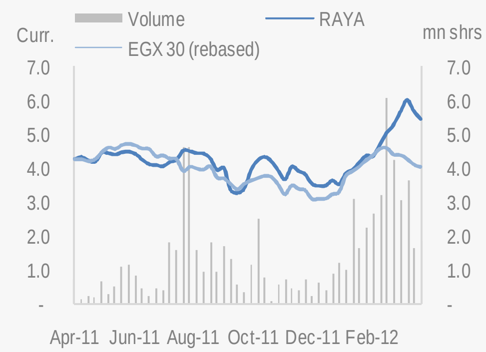
Earnings down on impairment charges: EBITDA grew 23% YoY to EGP50mn (57% above our estimates) with margin remaining flat at 6.3%. While gross profit margin improved slightly (53bps) on relatively higher margins, SG&A/Sales increased by 56bps on higher salaries and incentives, including vested stock options granted to employees. RAYA booked EGP57.5mn in impairment and provision charges in FY11, mostly on ceasing operations of Raya Algeria. Having previously booked total provisions of EGP37mn for this account in 2010 and 9M11, only EGP18.6mn was expensed in 4Q11, driving down earnings 30% YoY to EGP9.8mn. Excluding impairment charges, reversed provisions, EGP10.4mn investment losses from associates, and EGP12mn capital gain recorded in RAYA Smart buildings, normalized 4Q11 earnings after tax would show a 12% increase to EGP27.3mn.

Valuation and recommendation: Despite a challenging 2011, strong operational results confirmed our positive view on the company. With more profitable business lines yet to begin operation – including plastic recycling in 2Q12, and smart buildings within the next two years – we see long term potential in the stock. Our LTFV and a target price are set to EGP10/share and EGP7.7/share, respectively, and as the stock trades at a 2012E PER of 7.7x, we maintain our **Buy** recommendation.

December | EGPmn	2009a	2010a	2011a	2012e	2013e	2014e
Revenue	1,870	2,554	2,646	2,893	3,074	3,322
Growth Rate (%)	-14.1	36.6	3.6	9.3	6.3	8.1
EBITDA	86	132	151	145	203	333
Growth Rate (%)	-37.4	53.3	14.3	-3.8	39.8	64.2
EBITDA Margin (%)	4.6	5.2	5.7	5.0	6.6	10.0
Net Income	42	44	36	48	66	161
Growth Rate (%)	-22.9	4.8	-18.0	34.7	37.9	142.6
Net Margin (%)	2.2	1.7	1.4	1.7	2.2	4.9
PER (x)	8.9	8.5	10.4	7.7	5.6	2.3
PBV (x)	0.7	0.7	0.7	0.6	0.6	0.5
EV/EBITDA (x)	6.6	4.7	5.5	7.6	6.0	3.3
Net Debt (Net Cash)/EBITDA (x)	2.3	1.9	3.0	5.0	4.2	2.1
Dividend Yield (%)	3.8	3.4	n/a	2.6	4.6	13.3

Source: Financials & CI Capital Research

52 Week Performance & Stock Details



Share Details

Last Price (EGP)	5.96
52 Week High	6.29
52 Week Low	3.07
6M Av. Daily Vol. (000' shrs)	379.33
% Chg: MoM / 6M / YoY	5.3 / 50.9 / 39.3
No. of Shares (mn)	62.21
Mkt. Cap (EGPmn)	370.78
Mkt. Cap (USDmn)	61.29
Paid in Capital (EGPmn)	310.83
Reuters / Bloomberg	RAYA.CA / RAYA Ey Equity
ISIN	EGS690C1C010

GDR Data

Last Price	No GDR available
52 Week High	n/a
52 Week Low	n/a

Company Profile

Raya Holding [RAYA] consists of five business segments: Retail & Distribution (c.81% of the company's operations), IT, Contact Centre, and the newly-introduced Raya Smart Buildings and Land Transportation business targeting Egypt and Sudan. RAYA is also set to start its new plastic recycling company (Bariq) in 2Q12 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 Saudi Arabia, the Gulf and the Levant . As of FY11, the company had 33 outlets operating under the names "Raya" and "Nokia Care" and "Samsung."

Ownership Structure

Medhat Khalil & Family	21.4%
Free Float	56.5%
Financial Holdings international Ltd	12.0%
Wathiqa Financial Company	3.1%
Others	7.1%

Source: Bloomberg / CICR *USD:EGP FX: 6.049

Financial Summary

Revenue growth driven by trade segment: In FY11, RAYA reported a 4% higher top line YoY, reaching EGP2,646mn (+3% above CI Capital Research estimates). Despite 22% lower top line in 1Q11 due to the stagnant demand prevalent during the January 25 Revolution, top line recovered in the remaining quarters. This was fueled mainly by revenue growth of the Trade segment and Contact Center.

Top line grow 4% YoY in FY11

EBITDA grew 14% YoY: EBITDA reached EGP151mn(+14% above our estimates). This came in due to top line growth in addition to recording a EGP12mn gross profit in the Smart Buildings segment. The latter represented a capital gain on the lease contract signed with **Palm Hills Development [PHDC]**. On a different note, RAYA booked EGP57.5mn in impairment and provision charges in FY11, mostly on ceasing operations of Raya Algeria. In FY11, RAYA reversed the previously booked provisions EGP23.3mn in 2010 for this account, thereby expensing EGP34.2mn in 2011. Excluding impairment charges, reversed provisions, EGP10.4mn investment losses from associates, and EGP12mn capital gain recorded in RAYA Smart Buildings, normalized 2011 earnings after tax would show a 1% increase to EGP68mn.

Earnings decline 18% YoY in FY11 on impairment charges

Figure 1 | Summary Actual Results vs. Forecasts (2011 vs. 2010)

EGPmn	4Q10 A	4Q11 A	YoY growth	4Q11 E	A vs. E	FY10 A	FY11 A	YoY growth	FY11 E	A vs. E
Revenues										
Trade	512	613	20%	604	1%	2,093	2,155	3%	2,146	0%
IT	127	137	8%	79	75%	478	359	-25%	300	20%
Contact Center	23	30	28%	29	5%	91	109	20%	107	1%
Smart Buildings	(14)	15	NA	2	595%	59	27	-54%	15	88%
Ostool (Land Transportation)	1	3	218%	7	-54%	4	11	148%	15	-26%
Total Revenues	**646**	**795**	**23%**	**716**	**11%**	**2,554**	**2,646**	**4%**	**2,567**	**3%**
GPM										
Trade	9.0%	9.3%	32 bps	9.5%	-18 bps	9.0%	9.5%	44 bps	9.5%	-5 bps
IT	16.8%	20.3%	345 bps	13.7%	660 bps	15.3%	17.1%	179 bps	14.8%	234 bps
Contact Center	38.7%	49.7%	1101 bps	40.5%	925 bps	41.1%	44.4%	327 bps	41.8%	253 bps
Smart Buildings	-72.3%	90.3%	NA	21.6%	6863 bps	70.6%	66.6%	-399 bps	35.7%	3092 bps
Ostool (Land Transportation)	46.0%	45.1%	-93 bps	30.0%	1512 bps	46.5%	20.3%	-2614 bps	20.3%	0 bps
Total gross profits	**90**	**115**	**28%**	**82**	**40%**	**340**	**370**	**9%**	**337**	**10%**
Gross margin	**13.9%**	**14.4%**	**53 bps**	**11.5%**	297 bps	**13.3%**	**14.0%**	**66 bps**	**13.1%**	84 bps
EBITDA	**41**	**50**	**23%**	**32**	**57%**	**132**	**151**	**14%**	**133**	**14%**
EBITDA margin	**6.3%**	**6.3%**	**-3 bps**	**4.5%**	183 bps	**5.2%**	**5.7%**	**53 bps**	**5.2%**	53 bps
NPAUI	**14**	**10**	**-30%**	**14**	**-29%**	**44**	**36**	**-18%**	**40**	**-10%**
NPAUI Normalized	**24**	**27**	**12%**	**13.8**	**98%**	**67**	**68**	**1%**	**54**	**25%**

A=Actual E=Expected NA= Not Available

Source: Company Reports and CI Capital Research Estimates

Changes to our Forecasts

Upgrading forecasted Trade revenues on strong demand for new mobile handsets

Upward revision to top line: In this note, we have raised our top line estimates by an average of 3% over FY12-FY15. The strong performance exhibited in the Trade segment in 2011 – driven by strong consumer demand for mobile handsets and a duopoly in the distribution of Nokia phones in Egypt – drove us to raise our revenue estimates for the Trade segment by an average of 3% over the forecast period [FY12-FY15]. **RAYA** and **i2** are now the sole distributors for Nokia mobile handsets in Egypt after **Ring** ceased its mobile Retail and Distribution operations last year. We have also raised our revenue estimates for the IT segment on an expected slight recovery in corporate and government spending on IT projects, and the penetration of the Abu Dhabi market. We almost maintained our estimates for Smart Buildings, while raising the revenues of the Plastic Recycling segments on higher current prices for its output, Polyethylene Terephthalate.

Raising earnings estimates on higher expected revenues

Fine tuning earnings estimates for the current year: Despite raising our revenue estimates by 5% in 2012E compared to our previous forecasts, earnings estimates have only been raised 1%. This came on the back of cutting estimates for sundry income, which represents receipts from renting spaces in RAYA's headquarters in Sixth of October City. Following the termination of the lease contract with one of the entities in 2011, we lowered our estimates for this account. Going forward, we raised our earnings estimates by an average of 6% over the forecast period FY13-FY15 on higher top line estimates. Overall, earnings are projected to grow at a 5-year (2012-2016) CAGR of 38%, mainly driven by the strong potential performance of the new high-margin Smart Buildings segment starting 2014. Excluding the impact of the Smart Buildings, earnings would report a CAGR growth of 6% over the same 5-year period.

Figure 2 | New vs. Old KPI Estimates

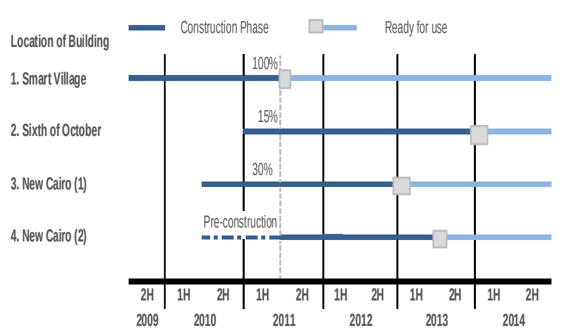
	2012 e			2013 e			2014 e			2015e		
	Old	New	Chg.	Old	New	Chg.	Old	New	Chg.	Old	New	Chg.
Revenues (EGP mn)												
Trade	2,257	2,332	3%	2,311	2,378	3%	2,325	2,398	3%	2,395	2,528	6%
IT	315	389	23%	377	428	14%	452	471	4%	542	518	-4%
Contact Center	114	121	6%	118	126	6%	124	131	6%	128	136	6%
Smart Buildings	5	5	0%	39	42	7%	211	209	-1%	214	214	0%
Ostool (Land Transportation)	41	18	-57%	64	23	-64%	94	28	-70%	125	35	-72%
BariQ (Plastic Recycling)	36	39	8%	66	88	33%	74	97	30%	81	103	28%
Net Revenues (EGP mn)	**2,751**	**2,893**	**5%**	**2,957**	**3,074**	**4%**	**3,259**	**3,322**	**2%**	**3,462**	**3,522**	**2%**
Total Gross profit (EGP mn)	**353**	**380**	**8%**	**433**	**461**	**7%**	**622**	**622**	**0%**	**667**	**655**	**-2%**
Total Gross Profit Margin (%)	**12.8%**	**13.1%**	**30bps**	**14.6%**	**15.0%**	**37bps**	**19.1%**	**18.7%**	**-34bps**	**19.3%**	**18.6%**	**-67bps**
Trade	9.7%	10.1%	31bps	9.8%	10.1%	37bps	9.8%	9.9%	8bps	9.8%	9.8%	-2bps
IT	15.9%	17.6%	175bps	16.7%	17.7%	100bps	18.6%	18.9%	23bps	19.3%	19.5%	26bps
Contact Center	42.1%	43.5%	139bps	42.8%	43.5%	63bps	43.1%	43.0%	-8bps	41.9%	41.5%	-33bps
Smart Buildings	85.0%	85.0%	0bps	85.0%	85.0%	0bps	85.0%	85.0%	0bps	85.0%	85.0%	0bps
Ostool (Land Transportation)	44.1%	35.0%	-909bps	52.0%	35.0%	-1700bps	52.0%	40.0%	-1200bps	40.0%	40.0%	0bps
BariQ (Plastic Recycling)	35.0%	35.0%	0bps	40.0%	52.0%	1200bps	40.0%	52.0%	1200bps	52.0%	52.0%	0bps
EBITDA	**133**	**145**	**10%**	**184**	**203**	**10%**	**341**	**333**	**-2%**	**369**	**348**	**-6%**
EBITDA Margin	**4.8%**	**5.0%**	**20bps**	**6.2%**	**6.6%**	**37bps**	**10.5%**	**10.0%**	**-44bps**	**10.7%**	**9.9%**	**-77bps**
Net Income (EGP mn)	**47.8**	**48.2**	**1%**	**58.1**	**66.4**	**14%**	**153.4**	**161.2**	**5%**	**174.4**	**172.2**	**-1%**

Source: CI Capital Research Estimates

Investments in RAYA Smart Buildings on track: RAYA has so far expensed EGP246mn on its investments in Smart Buildings (almost 40% of the EGP605mn estimated CAPEX). Only one Smart Building has been made ready for use, and the remaining three are expected to be launched throughout 2013 and 2014. These buildings may be offered for sale or rent, but for projection purposes, we assumed they will be for rent. We expect profits to start flowing gradually as the four buildings begin full operations. This should be driven by the segment's high profitability (an 85% gross margin), which is expected to contribute 28% to RAYA's consolidated gross profits by 2015.

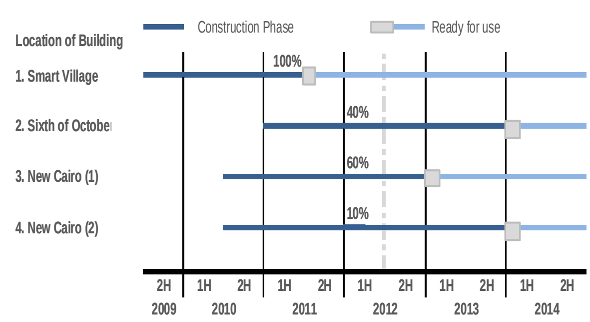
Still over two years' wait to reap the fruits of the Smart Buildings segment

Figure 3 | Timeline for New Smart Buildings (OLD)



Source: Company Reports & CI Capital Research

Figure 4 | Timeline for New Smart Buildings (NEW)



Source: Company Reports & CI Capital Research

Construction development YTD:

- Smart Village building is 100% finished
- 40% of the construction in the Sixth of October building is completed
- 60% of the construction in the New Cairo (1) building is completed
- 10% of the New Cairo (2) building is completed

Revenue calculation: We assumed average rent would fall between USD20-25/sqm, subject to a 5% annual increase, with a USD5/sqm rent in the buildings' basements. Both office and basement areas are assumed to be 80% occupied.

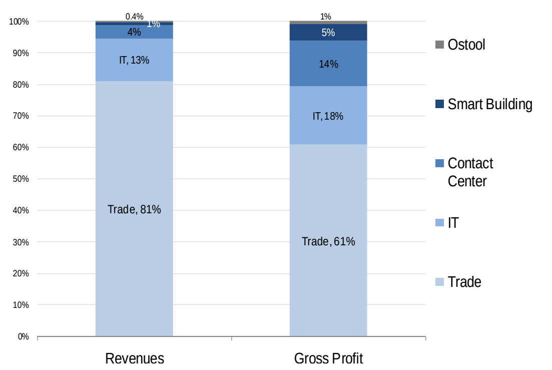
Figure 5 | Summary of Expected KPIs for Smart Buildings (2012P-2016P)

	2009 A	2010 A	2011 A	2012 P	2013 P	2014 P	2015 P	2016 P
Revenues (EGP mn)		-	-	5	42	209	214	222
Gross profit (EGP mn)		-	-	4	36	178	182	189
Gross profit margin				85%	85%	85%	85%	85%
Capex (EGP mn)	**80**	**77**	**93**	**202**	**154**	**-**		
Assumed debt financing (EGP mn)		31	26	141	108	-		
Assumed equity financing (EGP mn)		46	67	61	46	-		

Source: Company Reports & CI Capital Research

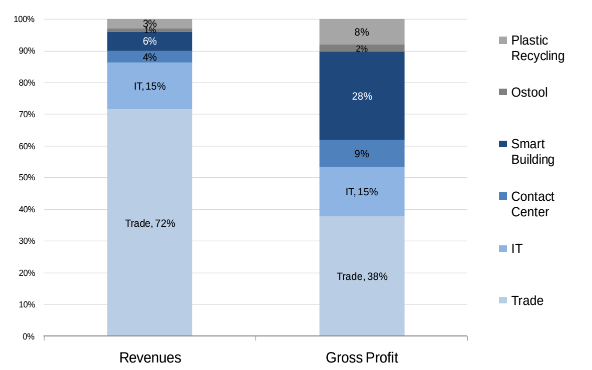
BariQ to be launched in 2Q12: Management has recently revealed that commercial operation of **BariQ** – its plastic recycling company – is expected to take place in 2Q12 instead of its initially planned launch date of 1Q12. Management is targeting a 68% utilization rate in its first year of operations, and the company has announced the signature of contracts with plastic manufacturers to sell its output. With a forecasted gross margin of 52%, BariQ should contribute 8% to RAYA's consolidated gross profits in 2015.

Figure 6 | Breakdown of Revenues & Gross Profit in FY11A



Source: Company Reports & CI Capital Research Estimates

Figure 7 | Breakdown of Revenues & Gross Profit in FY15E



Source: Company Reports & CI Capital Research Estimates

Valuation and Recommendation

Higher LTFV on upward revision to revenues

LTFV raised to EGP10/share: In our sum-of-the-parts (SotP) valuation of RAYA's business segments, we raised our LTFV by 11% to EGP10/share vs. EGP9/share in our previous update. This mainly resulted from an upward revision to top line estimates and the expenditure of almost 15% of capex of the smart building in 2011. This came in despite a 100bps increase in the risk free rate to 13%, considering the prevailing high yield on treasury bonds.

We used a cost of equity of 18.4% 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 12.7% compared to 11.8% in our previous note on higher equity weight on the back of higher market capitalization.

Figure 8 | Sum of the Parts (SotP) Valuation

Line of Business (EGP 000)	Method of Valuation	Cost of equity	Cost of debt (1-t)	WACC	Perpetual growth	EV*	Net Debt (Debt-Cash)	Equity [EV-Net Debt]	Execution risk factor	LTFV/RAYA share (New)	LTFV/Raya Share (Old)	% Change
Trade LoB	FCFF	18.4%	9.0%	12.7%	2.0%	418,428	244,553	173,875		2.8	2.6	8%
IT LoB	FCFF	18.4%	9.0%	12.7%	2.0%	255,082	77,708	177,373		2.9	2.7	5%
Contact Center LoB	FCFF	18.4%	9.0%	12.7%	2.0%	74,999	9,142	65,857		1.1	0.9	15%
Smart buildings LoB	FCFE	18.4%	9.0%		3.0%		NA	116,815	50%	0.9	0.9	5%
Plastic recycling LoB	FCFE	18.4%	9.0%		3.0%		NA	35,413	0%	0.6	0.4	62%
Land transportation LoB	FCFF	18.4%	9.0%	12.7%	2.0%	64,011	-	64,011	0%	1.0	0.8	22%
Net debt of the Holding Co.							82,959	(82,959)		(1.3)	(1.2)	11%
Book value of investments								127,170		2.0	1.9	8%
LTFV**								**613,544**	**619,148**	**10.0**	**9.0**	11%

* Assumptions of working capital and capex of each segment is based on our own assumptions
** LTFV is calculated one year forward

Source: CI Capital Research estimates

Target price raised 54%

Target price raised to EGP7.7/share: We have raised our target price 54% to EGP7.7/share, a figure reached by taking the average of the implied values of 2012E, 2013E and 2014E composite PERs of peers' averages. We applied execution discount factors of 15% and 50% for the implied values of 2013E and 2014E, respectively, to account for any delay that might occur for the new Smart Buildings segment.

Valuation and recommendation: Although 2011 was a challenging year, strong operational results confirmed our positive view towards the company. With more profitable businesses lines yet to begin operations – including plastic recycling in 2Q12, and smart buildings within the next two years – we see long term potential in the stock. RAYA is traded at 2012E PER of 7.7x compared to composite peers' average and market average of 8.1x. We raised our LTFV to EGP10/share and target price to EGP7.7/share, while maintaining our Buy recommendation.

Figure 9 | Target Price Calculation

	2012E	2013E	2014E
Peers' composite PER*	8.3x	8.1x	7.1x
RAYA EPS (EGP/share)	0.8	1.1	2.6
Implied value (EGP/share)	**6.5**	**8.7**	**18.4**
Execution risk factor	**0%**	**15%**	**50%**
Implied value after the discount	6.45	7.37	9.22
Average value (EGP/share)	**7.7**		

*Please refer to Figure 10 for the methodology of calculating RAYA's peer average

Source: CI Capital Research estimates

Figure 10 | Segment PERs vs. International Peers

Company Name	Ticker	Country	Last Price LCY	PER 12e	PER 13e	PER 14e
Trade segment						
AVENIR TELECOM	AVT FP	FR	0.6	6.9x	6.9x	5.6x
Avnet Inc	AVT US	USA	34.8	8.4x	7.7x	7.0x
Brightpoint Inc	CELL US	USA	7.5	6.9x	6.2x	5.0x
Average				**7.4x**	**6.9x**	**5.9x**
Weight				52%	38%	38%
IT segment						
BATM Advanced Communications	BVC LN	UK	0.2	9.4x	6.5x	4.7x
Infosys Technologies Ltd	INFO IN	IN	27.7			
Computer Sciences Corp	CSC US	USA	28.4	6.6x	8.5x	7.8x
Average				**8.0x**	**7.5x**	**6.2x**
Weight				16%	14%	15%
Contact Center segment						
Sykes Enterprises Inc	SYKE US	USA	15.7	13.6x	11.3x	10.4x
Average				**13.6x**	**11.3x**	**10.4x**
Weight				12%	9%	9%
Smart Buildings segment						
Mastec Inc	MTZ US	USA	17.0	12.1x	10.2x	9.2x
Average				**12.1x**	**10.2x**	**9.2x**
Weight				8%	29%	28%
Plastic Recycling segment						
Guanwei Recycling Corp	GPRC US	USA	1.7	2.6x	2.5x	2.4x
Yasuhara Chemical Co Ltd	4957 JP	Japan	697.0	7.4x	7.1x	6.9x
Average				**5.0x**	**4.8x**	**4.6x**
Weight				12%	10%	10%
Composite Peer average				**8.3x**	**8.1x**	**7.1x**
Raya Holding	**RAYA EY**	**Egypt**	**6.0**	**7.7x**	**5.6x**	**2.3x**

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

Source: Bloomberg, Company reports and CI Capital Research estimates

Investment Rationale

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 Home Appliances.
- Stronger IT business in the Gulf set to offset project-execution setbacks in the local market.
- 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 distributed brands 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.

Technical Recommendation

Mohamed El-Zayat, MSTA, CFTe | Mohamed.Elzayat@cicapital.com.eg

Current target is EGP6.25, then EGP7.25-7.75/share
Stop Loss: below EGP4.85/share

The previous sharp and significant rise has allowed for the formation of a retracement until the EGP5.15/share level, without modifying the uptrend or canceling higher targets. The first sign of support is at EGP5.30/share, where we have the 38.2 Fibonacci Line of the EGP3.50 to EGP6.29, at which level signs of a resumed upward trend may appear. On the upside, a break above EGP5.60/share would confirm that short term bottom is in place and a stronger rise should follow, first towards EGP6.25/share, then EGP7.25-7.75/share.

On the downside, a drop below EGP5.15/share will put focus back onto the support at EGP4.85/share, where our stop loss should be positioned.

Source: Reuters & CI Capital Technical desk

Financial Statements

RAYA | EGPmn | FY End: December	2010a	2011a	2012e	2013e	2014e	2015e
Balance sheet						
Cash & Cash Equivalent	113.0	111.6	57.8	77.3	130.2	115.5
Current Assets	703.5	836.3	1,064.7	1,292.1	1,382.6	1,416.8
Total Assets	1,354.4	1,644.0	1,892.2	2,106.2	2,192.5	2,220.8
Current Liabilities	704.8	867.6	965.2	1,131.3	1,213.5	1,206.0
Total Debt	357.7	568.7	786.6	927.5	845.4	718.5
Net Debt	244.7	457.1	728.8	850.3	715.2	603.0
Total Liabilities	798.8	1,077.4	1,283.9	1,443.3	1,411.0	1,312.8
Shr Equity (Book Value)	515.6	550.6	589.3	638.8	750.8	870.4
Minority Interest	2.6	3.0	2.1	3.3	6.2	9.2
Provisions	37.4	13.1	16.9	20.8	24.6	28.4
Total Liabilities & Equity	1,354.4	1,644.0	1,892.2	2,106.2	2,192.5	2,220.8
Income statement						
Revenue	2,553.9	2,646.0	2,892.7	3,074.3	3,322.0	3,521.8
COGS	-2,213.9	-2,276.2	-2,513.1	-2,613.0	-2,699.5	-2,867.0
Gross Profit	340.0	369.8	379.6	461.3	622.4	654.8
EBITDA	132.1	151.0	145.3	203.0	333.4	348.4
EBIT	99.9	115.8	103.0	151.3	274.8	276.8
Int. Income	2.4	0.5	1.0	0.6	1.5	1.9
Int. Expense	-10.0	-15.3	-42.0	-70.2	-69.0	-57.0
PBT	59.9	56.1	63.7	90.7	219.3	234.2
NPAT	42.3	34.6	47.4	67.6	164.0	175.2
Net Income	43.6	35.8	48.2	66.4	161.2	172.2
Normalised Net Income	74.3	16.1	48.2	66.4	161.2	172.2
Ordinary Dividends	12.4	0.0	9.5	16.9	49.2	52.6
Cash Flow Summary						
COPAT	162.1	55.1	128.9	179.9	278.2	289.4
FCFF	62.8	-81.9	-13.6	108.0	229.2	230.3
Change in Cash	94.0	-1.4	-53.7	19.4	52.9	-14.7
Key Multiples						
Per Share Data						
EPS (Basic) (EGP)	0.7	0.6	0.8	1.1	2.6	2.8
EPS (Normalised) (EGP)	1.2	0.3	0.8	1.1	2.6	2.8
Dividend Per Share*	0.2	n/a	0.2	0.3	0.8	0.8
Book Value Per Share	8.3	8.9	9.5	10.3	12.1	14.0
Valuation						
PER (Basic) (x)	8.5	10.4	7.7	5.6	2.3	2.2
PER (CICR) (x)	5.0	23.0	7.7	5.6	2.3	2.2
PBV (x)	0.7	0.7	0.6	0.6	0.5	0.4
Dividend Yield (%)	3.4	n/a	2.6	4.6	13.3	14.2
Earnings Yield (%)	11.8	9.7	13.0	17.9	43.5	46.5
EV/Revenue (x)	0.2	0.3	0.4	0.4	0.3	0.3
EV/EBITDA (x)	4.7	5.5	7.6	6.0	3.3	2.8
Market Capitalisation (EGPmn)	370.5	370.5	370.5	370.5	370.5	370.5
Enterprise Value (EGPmn)	617.8	830.6	1,101.4	1,224.1	1,091.9	982.7
Profitability						
ROE (%)	8.5	6.5	8.2	10.4	21.5	19.8
ROA (%)	3.2	2.2	2.5	3.2	7.4	7.8
Asset Turnover (x)	1.9	1.6	1.5	1.5	1.5	1.6
EBITDA Margin (%)	5.2	5.7	5.0	6.6	10.0	9.9
Liquidity						
ND (NC)/Equity (x)	0.5	0.8	1.2	1.3	1.0	0.7
ND (NC)/EBITDA (x)	1.9	3.0	5.0	4.2	2.1	1.7

Source: Company Financials & CICR Database
*Diluted DPS, based on latest number of shares.

Research

Amr Hussein Elalfy, CFA | Co-Head of Research
Amr.Elalfy@cicapital.com.eg

Mona Mansour | Co-Head of Research
Mona.Mansour@cicapital.com.eg

Sales

CI Capital Securities Brokerage

Khaled Abdelrahman | Managing Director & Global Head of Securities Brokerage
Khaled.Abdelrahman@cicapital.com.eg

Dynamic Securities

Hesham Khalil | Managing Director
Hesham.Khalil@cicapital.com.eg

CI Capital – US

Karim Baghdady | Director International Sales
KBaghdady@ci-capital.com

CI Capital Holding

64 Mohie El-Din Abou El-Ezz Street,
5th Floor, Dokki,
Giza, Egypt
Tel: +2(02) 33318357
Research@cicapital.com.eg
www.cicapital.com.eg

CI Capital – US

19 West 44th Street
New York, NY 10036
Tel: +646 454 8620

Investment Rating*

Strong Buy
>30%

Buy
>20% <30%

Hold
>10% <20%

Underweight
>0% <10%

Sell
<0%

*Rating System

In February 2008, CI Capital Research (CICR) launched a new rating system to give analysts more freedom to be market responsive. This was 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 did we stop 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 investment rating bar above, and to be BUY must return over 19%, an arbitrary hurdle rate we think reasonable given prevailing interest rates and risks.