CAPITAL RESEARCH

TOURISTIC REAL ESTATE

COMPANY NOTE

6th June 2010

Egyptian Resorts Co. (ERC)

Weak in the short-run ... Strong over the long term

Egyptian Resorts Co. [EGTS] released its 1Q10 financial results, showing a net loss of EGP2.2mn. This resulted from the company's inability to sell land plots, which has persisted since 2008 on the back of the current economic climate. We expect this to continue till early 2011, after which a period of accelerated land sales will follow. On the positive side, ERC now envisions itself acting as a property developer as well as a land developer. Orascom Housing and Development [OHDN] has already acquired a stake in ERC – ERC then entered into an agreement with Orascom Development Management (ODM) to develop and sell 6% of its land bank. This should both stimulate future land sales and diversify the company's revenue lines. We have adjusted our forecasts to reflect the slow sales' effects on valuation, reaching a LTFV of EGP6.77 per share, 11% lower than our previous LTFV. We also reduced our Target Price, by 16% to EGP4.2 per share, implying 96% upside potential from current market price. As such, we reiterate our Strong Buy recommendation and High Risk rating for ERC.

No land sales: ERC has not sold any land plots since late 2008, a result of the slowdown in the tourism industry driven by local and global economic conditions. We expect this situation to continue till early 2011, followed by a period of accelerated land sales in line with the overall economic recovery. We have adjusted our sales figures to reflect this situation.

Weak financial performance: ERC reported net losses during both 2009 and 1Q10. Net sales fell 34% year-on-year (YoY) to EGP4.4mn in 1Q10, driving a net loss of EGP2.2mn (vs. EGP10.3mn in 1Q09).

Confidence in long term view: On the positive side, **Orascom Development Holding AG [ODHN]** – a leading touristic real estate developer – acquired a 4.5% stake in ERC, a move supporting ERC's long term potential in spite of the current slowdown in sales resulting from the industry's cyclical nature.

Changing strategy: ERC now envisions itself acting as a property developer as well as a land developer. ERC will cooperate with **Orascom Development and Management (ODM)** to market, sell, and develop the marina and surrounding real-estate over 2.5mn sqm. This should both diversify revenues and stimulate further land sales.

Valuation and recommendation: ERC is a master developer of mega-resort communities, and the timing of its land sales is thus a function of macroeconomic factors that demand a long term perspective when determining its value. Nonetheless, we would be remiss to ignore the short term fluctuations in land sales. As such we have adjusted our sales forecast with an eye to both of these issues. We have downgraded LTFV by11% to EGP6.77 per share and reduced our Target Price by 16% to EGP4.2 per share, implying 96% upside potential from the current market price. As such, we reiterate our **Strong Buy** recommendation and **High Risk** rating for ERC.

EGP mn	2008A	2009A	2010P	2011P
Revenues	**348**	**26**	**43**	**122**
Growth rate	*-1.1%*	*-92.6%*	*65.5%*	*186.9%*
EBITDA	**297**	**-2.6**	**-0.8**	**56**
Growth rate	*3.4%*	*-100.9%*	*-67.9%*	*-6861.6%*
EBITDA margin	85.5%	-9.9%	-1.9%	45.4%
Net income	**265**	**-3.9**	**9**	**53**
Growth rate	*-7.2%*	*nm*	*nm*	*498.2%*
Net margin	76.1%	-15.3%	20.8%	43.3%
PER	**10.6x**	**-712.8x**	**317.4x**	**53.1x**
P/BV	2.7x	2.6x	2.6x	2.5x
EV/EBITDA	**8.2x**	**-979.4x**	**-3130.2x**	**44.7x**
Net debt/EBITDA	-1.2x	120.9x	292.8x	-6.0x
Dividend yield	N/A	N/A	N/A	N/A

Source: Company financials and CICR estimates

LTFV | EGP 6.77
TARGET PRICE | EGP 4.20
STRONG BUY | HIGH RISK

SHARE DATA

Reuters; Bloomberg	EGTS.CA; EGTS EY
Recent price as of 3-Jun-10	LE 2.14
No. of O/S shares	1050.0 mn
Market cap	LE 2,247.0 mn
52-wk high / low	LE 3.23/ LE 1.62
Avg. daily volume / turnover	11.01 mn / LE 26.9 mn

COMPANY SYNOPSIS

Egyptian Resorts Company (ERC) was incorporated in April 1996 as a shareholding company operating under Law no. 159/1981 and its executive regulations.

ERC's main activity is touristic resorts development. Currently, it is undergoing the establishment of a fully-integrated touristic-residential resort community in Sahl Hasheesh, 17 km south of Hurghada. To achieve said objective, ERC can either supplies the land with infrastructure and sell it to other developers, or develop the land by itself, or in cooperation with other developers.

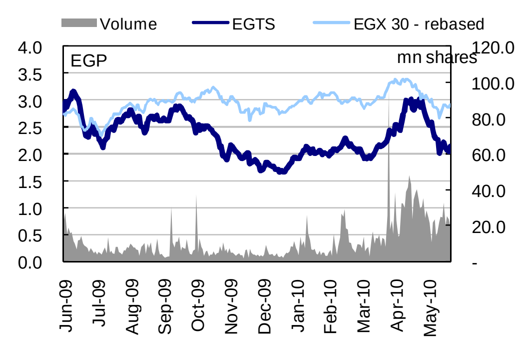
ERC owns 69.38% of Sahl Hasheesh Company (SHC) that was incorporated to own and manage all the commercial and down-town areas as well as build residential and hotel apartments with the related services and supporting facilities in Sahl Hasheesh. The company has not started operations yet.

In April 2010, Orascom Development Holding AG [ODHN] acquired 4.5% of ERC. Moreover, Orascom Development & Management (ODM), a subsidiary of ODHN, entered into a nine years agreement with EGTS to develop a total area of 2.5mn sqm in Sahl Hasheesh resort.

SHAREHOLDER STRUCTURE

Misr Insurance	13.10%
Kato for Investment	11.96%
Rowad Tourism Co.	10.00%
First Arabian Co.	10.00%
Al Ahly Capital Holding	8.99%
Orascom Development Holding	4.50%
Banks, Ins. Co. and Others	11.37%
Free Float	30.08%

EGTS vs. EGX 30



Hany Mohamed Samy

Hany.Samy@cich.com.eg

COMPANY NOTE

I. FINANCIAL RESULTS

Mainly deferred revenues: ERC was not able to sell any land plots during 1Q10, which resulted in low revenues totalling EGP4.4mn, 81% of which were deferred revenues. This also occurred during 2009 as a result of a slow tourism industry. We expect this to continue during 2010 and early 2011, followed by a period of accelerated land sales in line with overall economic recovery.

A negative EBITDA: Due to the absence of land sales accompanied by high gross margins, as well as high SG&A, ERC recorded a negative EBITDA of EGP2.6mn (compared to EBITDA of EGP0.3mn and a 3.9% EBITDA margin in 1Q09).

Net income followed suit: ERC recorded a loss of EGP2.2mn (vs. EGP10.3mn in 1Q09). Net income was impacted by a sharp 675% YoY rise in depreciation to EGP3.2mn due to capitalization of infrastructure assets in 2009.

Figure 1 | Income Statement Summary

(EGP mn)	1Q09A	4Q09A	1Q10A	QoQ	YoY	1Q10F	VAR
Net revenues	6.7	3.7	4.4	19.6%	-33.6%	6.8	-35%
EBITDA	0.3	-3.7	-2.6	nm	nm	0.82	nm
EBITDA margin	3.9%	-100.7%	-58.7%	nm	nm	12.0%	nm
Net profit	10.3	-13.1	-2.2	nm	nm	-0.50	nm
Net profit margin	154.3%	-354.0%	-49.7%	nm	nm	-7.4%	nm

nm: not meaningful

II. VALUATION

In addition to considering the long term nature of the company, we are also accounting for the short and medium term impacts of any critical variables on our valuation model. Hence, we have adjusted our valuation models for ERC to account for the drop in land sales that caused net losses in both 2009 and 1Q10 on a consolidated level.

i. DCF VALUATION

DCF valuation methodology: We took a conservative approach when estimating the annual increase in selling price per sqm, the construction cost per sqm, and the rate of sqm sold each year in order to reflect the current and status of the economy and its forecasted performance.

Furthermore, we have excluded the planned development of 2.5mn sqm by ODM as neither the master plan nor project details have been announced.

We have applied a WACC of 18%, comprising a risk free rate of 10% and a market premium of 8% over the free cash flows until 2034 (the year by which we estimate the entire land bank will be sold out) Over the coming five-year period, revenues will primarily consist of land sales (representing 93% of total revenues), followed by community management fees (4%), utility management fees (3%) and commercial areas (1%). Our DCF model yielded a shareholders' value of EGP7.03bn, implying a DCF-based of EGP6.72 per share - 214% upside potential over the current market price.

Sensitivity analysis: Faced with some uncertainties in our valuation model, we have applied sensitivity analysis. Given that one of the key variables affecting ERC's fair value is the estimated annual increase in land prices, we ran a sensitivity analysis to assess the different ways in which land selling prices may progress in light of macroeconomic conditions and the state of tourism activities. This would in turn affect the estimated annual increase in sales.

We applied a range of estimated average annual selling prices for ERC's different land plots based on recent price levels. Our base case assumes that selling prices will increase at an annual growth rate of 13% till the whole land bank is sold out by 2034. Our optimistic case assumes an average annual growth rate of 15%, and our pessimistic case 11% over the same time frame. In line with our conservative stance, we have used an average annual growth rate in selling prices per sqm of 11% from 2010 till 2014 under all scenarios.

The following figure shows the output of our sensitivity analysis, a fair value of EGP6.72 per share under the base case (representing an upside potential of 214% from current market price and warranting a **Strong Buy** recommendation). The respective upside potentials for the optimistic and pessimistic cases are 317% and 106% respectively.

Figure 2 | DCF valuation

	Optimistic	Base	Pessimistic
Average annual selling price growth rate	15%	13%	11%
Shareholders' value (EGP '000)	9,360,591	7,053,277	4,635,757
DCF	**8.91**	**6.72**	**4.42**
Recent Price (3-June-10)	2.14	2.14	2.14
Discount to DCF value	-76%	-68%	-52%

Source: CICR estimates

ii. NAV VALUATION

NAV valuation methodology: Our valuation for ERC using NAV method resulted in a value per share amounting to EGP6.9, implying 222% upside potential. This value is the product of two components:

- NAV based on existing assets and liabilities, excluding the fair value of the unsold land bank.
- A value assigned to the unsold land bank, based on the land's estimated selling price less development costs and after assigning a mass-selling discount (the discount that should be given to potential buyers if the land is immediately sold in its entirety at current market prices).

Scenario analysis: Given the different variables that are key to setting ERC's NAV, we have applied scenario analysis to consider these variables under different economic conditions and their consolidated impact on ERC's NAV. Our scenario analysis consideration the following variables:

- **Assets:** A discount of 30% from March 2010 book value was applied for the optimistic case, 35% for the base case, and 40% for the pessimistic case.
- **Liabilities:** We assumed that all liabilities are paid in full.
- **Selling price:** For land bank calculation, we discounted selling price per sqm by 30%, 35% and 40% from recent selling price per sqm for the optimistic, base and pessimistic cases, respectively.
- **Development cost:** We maintained total estimated development costs as forecasted for the base case, decreased them by 10% for the optimistic case and increased them by 10% for the pessimistic case.

The output of our scenario analysis resulted in NAV of EGP8.1 per share for the optimistic scenario, with an upside potential of 280%. Our pessimistic scenario, on the other hand, resulted in a value of EGP5.6 per share with 159% upside potential from current market price.

Market cap - implied price per sqm: In an attempt to measure how far the selling price per sqm of unsold land bank has to fall to imply the current share price, we used our base case assumptions and backed out the average selling price per sqm. At the current price of EGP2.14, the implied average selling price per sqm of unsold land is EGP269 - a discount of 62% from 2008 and 2009 average selling prices.

Figure 3 | NAV valuation

amount in EGP '000	31/3/2010	Optimistic	Base	Pessimistic	Implied
(I) NAV excluding Land Bank					
Total Long Term Assets	405,644	159,834	263,669	243,386	263,669
Total Current Assets	1,078,374	577,623	557,427	537,231	557,427
Total Assets	1,484,018	737,457	821,096	780,617	821,096
Total Current Liabilities	132,224	132,224	132,224	132,224	132,224
Total Long Term Liabilities	200,186	200,186	200,186	200,186	200,186
Total Liabilities	332,410	332,410	332,410	332,410	332,410
Minority Interest	77,818	77,818	77,818	77,818	77,818
NAV excluding Land Bank		**327,230**	**410,868**	**370,390**	**410,868**
(ii) Land Bank					
Total land sales*		16,409,041	15,236,966	14,064,892	8,986,292
Total cost of land sales		6,151,149	6,696,207	7,241,265	6,696,207
Net Land Bank Value (Net of Taxes)		**8,206,314**	**6,832,607**	**5,458,901**	**1,832,068**
NAV		8,533,543	7,243,476	5,829,291	2,242,936
No. of Shares		1,050,000	1,050,000	1,050,000	1,050,000
NAV / Share		**8.1**	**6.9**	**5.6**	**2.14**
Recent Price (3-June-10)		2.14	2.14	2.14	2.14
Discount to NAV		-74%	-69%	-61%	0%
* Average selling price per sqm		491	456	421	269

Source: Company financials and CICR estimates

iii. LONG TERM FAIR VALUE

We have consolidated the DCF valuation with the NAV valuation to reach a LTFV for ERC, which we believe represents the real value of the company over the long term. We have used a weighted average approach, assigning 70% to the DCF values and 30% for the NAV under each case.

Following this methodology, we reached a LTFV of EGP6.77 per share under the base case, implying an upside potential of 216% from the current market price. Our optimistic scenario revealed a LTFV of EGP8.68 per share – implying 306% upside potential, while the pessimistic case LTFV stood at EGP4.76 per share, implying 122%. As such, we reiterate our **Strong Buy** recommendation and **High Risk** rating for ERC.

Figure 4 | LTFV

	Optimistic	Base	Pessimistic
DCF	8.91	6.72	4.42
NAV	8.13	6.90	5.55
LTFV	8.68	6.77	4.76

Source: CICR estimates

iv. TARGET PRICE

As a supplier of serviced land plots for touristic developments, ERC's operations are significantly impacted by the health of the local and global economy and other macro factors. Thus, for the purpose of valuation, we have considered the long term nature of this industry in both the DCF and NAV methods, and consequently in the final consolidation in the LTFV.

However, in order to assess the short term effects of the industry's performance on ERC's share price, we have also considered the short term catalysts (both positive and negative) that we believe will impact the stock price in the near future. After evaluating these catalysts, we assigned ERC a Target Price amounting to EGP4.2 per share, representing a 38% discount from LTFV and an upside potential of 96% from current market price. As such, we assign a **Strong Buy** recommendation.

v. NEGATIVES

The new Target Price is 16% lower than the previous one. Please refer to our (Company Note: "A windfall wealth", dated June 4th, 2009). We reduced our Target Price to reflect the following:

Cyclicality risk: Touristic development is a cyclical activity affected by both the local and global economic and political situations, which exposes ERC's activities to operational risk. ERC has suffering from a lack of land sales from 2008 to the present on the back of the global economic crisis and the local economic slowdown. We expect this situation to continue during the rest of 2010 and early 2011, to be followed by a pick-up in land sales n line with global economic recovery.

Lending risk: Due to the current economic slowdown and its negative impact on tourism activity in Egypt, local banks have become reluctant to lend money to touristic developers. This has led to a lower demand for ERC's land bank by local developers. We do not, however, expect this situation to persist for an extended period of time.

Higher building materials costs: Steel ex-factory prices increased, from EGP3,050 per ton in April 2009 to EGP3,800 per ton in May 2010 – a 25% increase. This increase steel prices is an additional burden on local touristic developers, resulting in less demand for ERC's land bank.

A loosing entity: The abovementioned factors have resulted in a net loss of EGP3.9mn for ERC during 2009, and an EGP2.2mn net loss over 1Q10, We expect ERC's bottom line to improve to EGP8.8mn over 2010, followed by a pick-up to a net profit of EGP132mn in 2012.

vi. POSITIVES

We expect the following catalysts to work in favour of ERC's share price.

A strategic investment: Orascom Development Holding AG (ODHN) – one of the world's leading touristic real-estate developers – acquired a 4.5% stake in ERC, evidencing ERC's long term potential in spite of the current slowdown in sales resulting from the nature of the industry. This should drive informed investors to follow suit, which will drive the share price up.

Partnership with ODM: ERC will cooperate with Orascom Development and Management (ODM) – a subsidiary of ODHM – to market, sell, and manage the development of the marina and surrounding real estate totalling 2.5mn sqm, with ERC retaining property ownership. With the continuous successful implementation of such plan, we expect ERC's share price to react positively to this news.

A very profitable business model: The average development cost per sqm of SHA is USD11.4, versus a 5-year historical average selling price of USD44.9, implying a gross profit margin of 75% per sqm. At 2008's average selling price of USD142 per sqm, gross profit margin would widen to 92%. The sale of land plots should trigger this catalyst, which would lead to greater confidence in the company and an upward correction in its share price.

Long term recurring revenue stream from management of SHA: In addition to its community development activity, ERC's plans include community management and utility supply (including water, electricity, and communications).

This activity serves three purposes: (i) to distinguish SHA as a fully-serviced community, giving it a competitive edge which will lead to stronger demand (ii) to provide a continuing revenue stream and the primary source of revenue after the land bank is sold, and (iii) to provide attractive profit margins. For example, the gross margins of community management services in comparable projects in **Turkey** and **India** range from 40%-60% depending on the efficiency of their operations. Moreover, gross margins for supplying water range between 50-60%. We expect this catalyst to influence only long term investors considering both the company's long term potential and its current low price per share, which will generate buy pressure.

A cash-rich company: ERC's cash position is quite significant, amounting to EGP294mn as of March 31st, 2010. We consider this a credit for ERC that should facilitate the financing of its development plans in cooperation with ODM.

An affluent receivables position: Total receivables (both short and long term) amounted to EGP540mn as of March 31st, 2010. This also should facilitate continuous interest-free financing to ERC's projects.

A debt-free company: Finally, even after consuming both its cash surplus and its receivables, ERC should have no trouble raising debt as it is currently a debt-free company.

vii. RISK FACTORS

Political situation: Due to the 2010 parliamentary election and the presidential elections coming up in 2011, we may see foreign investors delay investment in Egypt till after the elections to avoid any political risks. This could negatively impact demand for ERC's land.

Delayed economic recovery: Economic recovery and its anticipated positive impact on the tourism industry could take longer than expected, leading to lower land sales than forecasted over the coming years.

A conservative banking system: With any delay in economic recovery, we may see local banks continue to remain risk-averse (resulting in reduced lending to touristic developers). This could lead to less land sales by ERC than predicted over the coming years.

Higher building materials costs: If key building material prices increase drastically over the coming years, they will negatively impact touristic developers, leading to lower-than-expected land sales.

Delay in ODM agreement: Any delay in the execution of ERC's agreement with ODM would negatively impact the company.

Delayed revenues from community management: Any delay in land sales would impact revenue generated by ERC's community and utilities management.

III. CONSOLIDATED FINANCIALS

Balance Sheet (EGP mn)	2008A	2009A	2010P	2011P	2012P	2013P
Assets						
Cash & Cash Equivalents	371	309	242	333	380	466
Net Receivables	323	394	317	343	399	474
Total Inventory	351	373	393	419	570	704
Advance Payment	14	8	9	21	45	65
Other Current Assets	12	7	2	6	14	20
Total Current Assets	**1,071**	**1,091**	**962**	**1,123**	**1,407**	**1,730**
Net Fixed Assets	**268**	**332**	**343**	**302**	**275**	**259**
Long -Term Real Estate Investme	212	74	21	67	145	238
Long-Term Loans	0	0	0	0	0	0
Total Assets	**1,550**	**1,497**	**1,327**	**1,491**	**1,828**	**2,227**
Liabilities & Shareholders' Equity						
Short-Term Debt	0	0	1	1	2	1
Accounts Payable	0	0	0	0	0	0
Down Payment	35	34	56	160	341	510
Est. Remaining Cost of Develop S	59	42	59	44	29	15
Due to TDA - Short Term	24	26	24	24	25	26
Other Current Liabilities	36	37	9	24	51	76
Total Current Liabilities	**233**	**143**	**153**	**258**	**453**	**632**
Long-Term Debt	0	0	0	0	0	0
Due to TDA - Long Term	196	192	0	1	2	2
Other Non-Current Liabilities	0	0	0	0	0	0
Total Liabilities	**430**	**335**	**154**	**259**	**454**	**634**
Other Provisions	0	0	0	0	0	0
Minority Interest	78	78	80	83	86	89
Shareholders' Equity	**1,041**	**1,076**	**1,085**	**1,141**	**1,280**	**1,496**
Total Liab. & Equity	**1,550**	**1,497**	**1,327**	**1,491**	**1,828**	**2,227**

Income Statement (LE mn)	2008A	2009A	2010P	2011P	2012P	2013P
Net Revenues	**348**	**26**	**43**	**122**	**261**	**391**
Cost of Revenues	(22)	(10)	(13)	(30)	(65)	(95)
Gross Profit	**326**	**16**	**30**	**92**	**196**	**296**
SG&A	(28)	(18)	(30)	(36)	(46)	(57)
EBITDA	**297**	**(3)**	**(1)**	**56**	**150**	**239**
Depreciation & Amortization	(2)	(6)	(6)	(6)	(6)	(7)
EBIT	**295**	**(8)**	**(6)**	**50**	**144**	**232**
Interest Expense	(0)	(0)	(0)	(1)	(1)	(2)
Interest on Land Purchase Liabilit	0	0	0	0	0	0
Provisions	(10)	(6)	0	0	0	0
Interest Income	22	24	19	20	25	30
Other Non-Operating Income	40	(1)	1	1	1	1
EBT	**346**	**8**	**13**	**70**	**169**	**261**
Taxes	(80)	(11)	(3)	(14)	(34)	(52)
NPAT	**266**	**(3)**	**11**	**56**	**135**	**209**
Minority Interest	(1)	(1)	(2)	(3)	(3)	(3)
Extraordinary Items	0	0	0	0	0	0
Attributable Profits	**265**	**(4)**	**9**	**53**	**132**	**206**

Cash Flow (EGP mn)	2008A	2009A	2010P	2011P	2012P	2013P
NOPAT	264	(104)	(11)	36	111	181
Depreciation & Amortization	2	6	6	6	6	7
Gross Cash Flow (COPAT)	**266**	**(99)**	**(5)**	**42**	**117**	**187**
Working Investments Change	(9)	45	(61)	(6)	(127)	(153)
Other Current Items	14	5	(23)	11	20	18
Cash After Current Operations	**271**	**(48)**	**(89)**	**47**	**10**	**53**
Financing Payments	(0)	(0)	(0)	(1)	(1)	(2)
Cash Before Long Term Use	**271.13**	**(48.45)**	**(89)**	**46**	**9**	**51**
Net Plant Change	(177)	(70)	(17)	36	20	9
FCFF	**94**	**(118)**	**(106)**	**83**	**30**	**62**
Others	71	28	20	21	26	30
Cash Before Financing	**165**	**(90)**	**(86)**	**103**	**55**	**91**
Short-Term Debt	0	0	1	(0)	0	(1)
Long-Term Debt	0	0	0	0	0	0
Networth	(315)	38	(1)	(0)	4	7
Grey Area	61	7	2	3	3	3
Dividends	(2)	(17)	17	(15)	(15)	(15)
Change in Cash	(91)	(62)	(67)	91	47	86

Fact Sheet	2008A	2009A	2010P	2011P	2012P	2013P
ROE	25.4%	-0.4%	0.8%	4.6%	10.3%	13.8%
ROS	76.1%	-15.3%	20.8%	43.3%	50.6%	52.7%
ROA	17.1%	-0.3%	0.7%	3.6%	7.2%	9.3%
ROIC	20.0%	-7.7%	-0.9%	2.9%	8.1%	11.3%
Gross Profit Margin	**93.6%**	**61.3%**	**69.3%**	**75.2%**	**75.0%**	**75.8%**
EBITDA Margin	**85.5%**	**-9.9%**	**-1.9%**	**45.4%**	**57.5%**	**61.2%**
ATO	0.2	0.0	0.0	0.1	0.1	0.2
WI/ Sales	187.7%	2873.8%	1552.2%	509.2%	257.4%	187.7%
ALEV	1.5	1.4	1.2	1.3	1.4	1.5
Liabilities/Networth	0.4	0.3	0.1	0.2	0.4	0.4
Current Ratio	4.6	7.6	6.3	4.3	3.1	2.7

Per-Share Ratios	2008A	2009A	2010P	2011P	2012P	2013P
Share Price	2.14	2.14	2.14	2.14	2.14	2.14
No. Of Shares (000)	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
EPS	0.252	(0.004)	0.008	0.051	0.126	0.196
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Revenues/Share	0.3	0.0	0.0	0.1	0.2	0.4
BV/Share	1.0	1.0	1.0	1.1	1.2	1.4
Gross Cash Flow/Share	0.3	(0.1)	(0.0)	0.0	0.1	0.2
FCFF/Share	0.1	(0.1)	(0.1)	0.1	0.0	0.1
EBITDA/Share	0.3	(0.0)	(0.0)	0.1	0.1	0.2
EV/Share	1.8	1.8	1.9	1.8	1.8	1.7

Multiples	2008A	2009A	2010P	2011P	2012P	2013P
P/E	8.5x	-569.2x	253.5x	42.4x	17.0x	10.9x
P/ Revenue	6.5	87.2	52.6	18.4	8.6	5.8
EV/ Revenues	5.4	75.2	47.0	15.6	7.2	4.6
P/ COPAT	8.4	(22.7)	(410.0)	53.6	19.2	12.0
EV/ COPAT	7.1	(19.6)	(366.1)	45.7	15.9	9.5
P/ FCFF	23.8	(19.0)	(21.2)	27.1	74.3	36.0
EV/ FCFF	19.9	(16.4)	(18.9)	23.1	61.8	28.5
P/ EBITDA	7.6	(878.6)	(2733.3)	40.4	15.0	9.4
EV/ EBITDA	6.3	(757.7)	(2440.5)	34.5	12.4	7.5
P/ BV	2.2x	2.1x	2.1x	2.0x	1.8x	1.5x

Note: A = Actual; P = Projected

Source:ERC and CICR forecasts

Contacts & Disclaimer

CI CAPITAL RESEARCH

Mark Rorison | Group Director, Head of Research
Mark.Rorison@cich.com.eg

Amr Hussein Elalfy, CFA | Director
Amr.Elalfy@cich.com.eg

Mona Mansour | Director
Mona.Mansour@cich.com.eg

CI CAPITAL SECURITIES BROKERAGE (EGYPT & UAE)

Amr Mostafa | Managing Director
Amr.Mostafa@cich.com.eg

DYNAMIC SECURITIES

Ahmed Roushdy | Managing Director
Ahmed.Roushdy@cich.com.eg

CI CAPITAL HOLDING

8, Nadi El-Seid Street, Third Floor
Dokki, Giza
Egypt

Reuters pages: COIW, COIX, COIY, and COIZ
Bloomberg page: COIB <GO>

For more information,
please contact CI Capital Research on +2 (02) 33 38 62 59,
send e-mail to Research@cich.com.eg
or visit our website at www.cich.com.eg

RATING SYSTEM

In February 2009, 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 changing 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 target 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 as 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.)

Recommendation structure:

	Change to Target Price	
Strong BUY	> 30%	**Strong Conviction**
BUY	> 20% < 30%	
Hold	> 10% < 20%	
Underweight	> 0% < 10%	
SELL	< 0%	