November 5, 2006

Recommendation
Add*

Upside/Downside
26%

12-month fair price
EGP17.4

Current Price
EGP13.8**

Reuters Code
RAYA.CA

Bloomberg Code
RAYA EC

Market Cap
EGP785.8 million
US$136.7 million

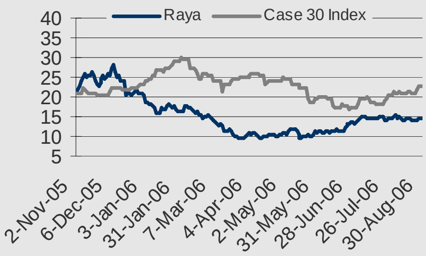
Enterprise Value
EGP767.5 million
US$133.5 million

Number of Shares Outstanding
57.0 million

Average Daily Turnover
EGP10.7 million

52-Week high/low
EGP28.01/9.39

Shareholders' Structure
12.0% | Financial Holdings
4.1% | Medhat Khalil & family
4.4% | Ahmed El Tawil
9.6% | Suliman Aba-Numay
3.0% | Mohammed El Tawil
10.1% | Watheqa Holding co.
1.4% | Amr El Tawil
55.4% | Free Float



* Refer to back cover for investment ratings & recommendations
** November 2, 2006 closing price

Raya Holding Technology & Telecommunications

CIT sector | Egypt

"What Happens Now? ...."

51% sale of Raya Telecom to Vodafone Egypt

The highlight this year for Raya Holding was the 51% sale of Raya Telecom to Vodafone Egypt in a total deal value of EGP104 million (US$18.1 million). With the international gateway license yet to be offered, the reengineered corporate structure of Raya Telecom could provide for a better opportunity for the license award. We have assumed that Raya Holding would have realized an approximate premium between 30% to 40% of the total deal value, equivalent to a range of EGP31 million to EGP42 million before taxes.

Raya Holding revamps brand image

The cash from the Raya Telecom deal would be used to expand efforts in the remaining two lines of business, namely the Retail and Distribution LoB and the Information Technology LoB. On the retail and distribution side, Raya will pursue outlet expansions in both Algeria and Egypt, in addition, to broadening its maintenance service foothold in the Middle East. Furthermore, Raya will embark on a new marketing strategy, which would focus on the reinforcement of customer loyalty. The cash from the deal would be used to invest in the relatively nascent Raya e-Finance and in the rapidly, growing outsourcing business. Raya is planning to buyout C3 entirely, of which they already have a 25% stake. Raya has already opened its new Raya Contact Center premise in 6^{th} of October, which has over 800 seats, suited to accommodate over 2,000 agents. Besides, the outsourcing segment, Raya will capitalize on the growing demand for business application solutions. The turnaround story for Raya will be in 2007, as Raya would start to harvest the benefits of the cash used from the sell-off of Raya Telecom and the improved effective tax rates.

Disappointing 1HFY06 results, but forecasts set to improve

Raya Holding undeniably experienced a difficult 1HFY06, by posting a disappointing EGP0.5 million (US$0.1 m) at the end of June 2006. The 95% drop was, in essence, driven by a more stringent provisions policy, which resulted in the company booking provisions close to EGP6.1 million versus a relatively insignificant EGP0.6 million in 1HFY05. Furthermore, at an effective tax rate of approximately 90%, the bottom line was significantly undermined. The unusually high effective tax rate was largely due to loss making entities (including Raya Telecom), which eroded the bottom line. With the exclusion of Raya Telecom, we believe that effective tax rate could reach 65% by the end of FY06, and then 40%, 30% and eventually 25% in FY07, FY08 and FY09 respectively.

We issued an "Add" recommendation on Raya

By taking a weighted average of the two fair values calculated using two valuation methodologies, namely DCF and comparison-based valuation, we arrived at a target value per share of EGP17.4, a 26% upside to the current market price of EGP13.8. Accordingly, we issued an "Add" recommendation.

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Selected Indicators*

Year End December	FY04a	FY05a	FY06e	FY07e	FY08e	FY09e	FY10e
Revenues (EGP mil.)	1,129	1,549	1,762	2,077	2,405	2,673	2,940
EBITDA (EGP mil.)	85	97	116	138	156	163	178
EBITDA margin	7.5%	6.2%	6.6%	6.6%	6.5%	6.1%	6.1%
Net income (EGP mil.)	29	40	52	64	86	95	102
EPS (EGP)	0.51	0.7	0.9	1.1	1.5	1.7	1.8
P/E (x)	27.1	19.8	15.1	12.3	9.1	8.2	7.7
P/BV (x)	5.1	2.7	1.8	1.6	1.4	1.2	1.0
EV/EBITDA (x)	9.1	7.9	6.6	5.6	4.9	4.7	4.3

Source: Raya, Beltone Financial.

Executive Summary

51% sale of Raya Telecom to Vodafone

The highlight this year for Raya Holding was the 51% sale of Raya Telecom to Vodafone Egypt in a total deal value of EGP104 million (US$18.1 million). With Raya Telecom apparently costing more money to run than garnering profits, Raya Holding gained from the partial spin-off. With Vodafone Egypt retaining management control of Raya Telecom, Raya Holding acquired a strong financial and technically experienced partner that would allow for multiple synergies and growth opportunities for both companies. Furthermore, with the international gateway license yet to be offered, the reengineered corporate structure of Raya Telecom could provide for a better opportunity for the license award. We have assumed that Raya Holding would have realized an approximate premium between 30% to 40% of the total deal value, equivalent to a range of EGP31 million to EGP42 million before taxes. That said, with the exclusion of 51% of Raya Telecom off Raya Holding's books, the effective tax rate, which was the main detriment to bottom line growth (calculated at 90% at the end of June 2006), would be tuned down considerably as Raya Telecom was a loss-making entity that diluted the consolidated net profits of Raya Holding. It is worth noting that Raya Telecom would be accounted for using the equity method following the release of 9MFY06 results.

Effective tax rate set to improve

Capital gains from Raya Telecom sale

To account for the capital gain proceeds from the Raya-Vodafone deal, we assumed a premium between 30% to 40% of the EGP104 million deal-value. In our forecasts, we used 35% to calculate the estimated capital gains, reaching EGP29.1 million after taxes.

Raya to focus on Retail & Distribution LoB & IT LoB

Currently, Raya will redirect its efforts to expand in the remaining two lines of business, namely Retail and Distribution LoB and the Information Technology LoB. Raya will use the cash received from the deal to pursue outlet expansions in both Algeria and Egypt. Furthermore, Raya will embark on a new marketing strategy, which would focus on the reinforcement of customer loyalty. According to management, Raya's retail outlets will undergo an upgrade in terms of services provided and the range of products offered.

The cash from the deal would also be used to expand the rapidly, growing outsourcing business, which is classified as part of the IT LoB. Raya is planning to buyout C3 entirely, of which they already have a 25% stake. Raya has already opened its new Raya Contact Center premise in 6th of October, which has over 800 seats, suited to accommodate over 2,000 agents. Besides, the outsourcing segment, Raya will capitalize on the growing demand for business application solutions.

Raya to capitalize on huge potential in e-Finance

The latest addition to the Raya IT LoB, is the establishment of Raya e-Finance. Raya is intent on becoming the leading e-Payment infrastructure in the financial/banking sector. In general, e-Finance is considered a nascent market in Egypt, therefore, with Raya taking the initiative to establish a presence in this untapped market, Raya would be able to capitalize on its huge growth potential.

Turnaround story in 2007

The turnaround story for Raya will be in 2007, as Raya would start to harvest the benefits of the cash used from the sell-off of Raya Telecom and the improved effective tax rates.

Disappointing 1H FY06 results

Raya Holding undeniably experienced a difficult 1HFY06, by posting a disappointing EGP0.5 million (US$0.1 m) at the end of June 2006. The 95% drop was, in essence, driven by a more stringent provisions policy, which resulted in the company booking provisions close to EGP6.1 million versus a relatively insignificant EGP0.6 million in 1HFY05. Furthermore, at an effective tax rate of approximately 90%, the bottom line was significantly undermined. The unusually high effective tax rate was a result of the changes in the overall taxing policy in Egypt, which exposed previously exempted profitable operations to taxation. The other reason was due to loss-making activities in the recently acquired companies under Raya's umbrella.

Target value of EGP17.4, 26% upside

By taking a weighted average of the two fair values calculated using two valuation methodologies, namely DCF and comparison-based valuation, we arrived at a target value per share of EGP17.4, a 26% upside to the current market price of EGP13.8. Accordingly, we issued an "Add" recommendation.

Forecast update

Overall

Pursuit of retail outlet expansion

Following the finalization of the deal between Vodafone Egypt and Raya Holding to sell 51% of Raya Telecom at EGP104 million (US$18.1 m), Raya will redirect its efforts to expand in the remaining two lines of Business, namely Retail and Distribution LoB and the Information Technology LoB. Raya will use the cash received from the deal to pursue heavily in outlet expansions in both Algeria and Egypt. Furthermore, Raya will embark on a new marketing strategy, which would focus on the reinforcement of customer loyalty. According to management, Raya's retail outlets will undergo an upgrade in terms of services provided and the range of products offered. That said, Raya would concentrate its efforts on providing a wider range of multi-brand mobile handsets in addition to their maintenance, as opposed to Nokia brands, which are Raya's number one seller. Concurrent with the retail expansion, Raya will also expand its maintenance service foothold in the Middle East. Raya has a superior maintenance service level of quality and capacity. Raya's maintenance workshops handle around 22,000 mobile-handsets per month, which is an impressive unit-solution rollout. That said, Raya have submitted to the Maintenance Level 4 tender offered by Nokia (results within a month), which if won would allow Raya to serve Egypt and 14 other North West African countries. The cash from the deal would also be used to expand the rapidly, growing outsourcing business, which is classified as part of the IT LoB. Raya is planning to buyout C3 entirely, of which they already have a 25% stake. Raya has already opened its new Raya Contact Center premise in 6th of October, which has over 800 seats, suited to accommodate over 2,000 agents. Besides, the outsourcing segment, Raya will capitalize on the growing demand for business application solutions. On a related note, Raya will use the proceeds of the deal to invest heavily in Raya e-Finance, which is a new business segment under the IT LoB, and has a huge, untapped growth potential. Unlike the Retail and Distribution LoB, the outsourcing segment provides attractive margins of above 45% and has more room for future growth. The turnaround story for Raya will be in 2007, as Raya would start to harvest the benefits of the cash used from the sell-off of Raya Telecom and the improved effective tax rates.

Buyout remaining C3 stake

Investments in Raya e-Finance

Turnaround story in 2007

Revenues

Consolidated revenue growth forecast of EGP1,762 million, a 13.8% growth

In our consolidated revenue forecast for 2006, we have assumed an annual growth of 13.8%, clocking up a top line of EGP1,762 million (US$306.4 m). The main revenue driver is the retail and distribution LoB, which contributes over 75% of the total top line. Acquisitions and expansion of operations in both Algeria and Egypt are likely to lead to increased sales. By the end of 2006, we expect the number of shops in Egypt to reach 60 by 2007. Accordingly, we have forecast total retail revenue to reach EGP253 million, a 21% increase over last year's figures. Concurrently, we have also forecast an increase in IT distribution reaching approximately EGP290 million. Over and above the retail outlet expansion, Raya will be using some of the proceeds from the Raya Telecom deal to expand their mobile maintenance service segment in the Middle East, which has an attractive margin above 50%.

Overall mobile penetration set to increase in 2007

Taking into consideration that overall mobile penetration in the market has not been as dynamic as 2005, we have tuned down our mobile distribution forecasts by 2% bringing it down to EGP746 million by the end of 2006. However, in 2007 we have assumed a pickup in the mobile distribution segment, taking into account the entry of Etisalat (winner of the third mobile license) in 2007, which should result in an overall increase in mobile penetration rates for at least two years in Egypt. With the acquisition of the Sagem brand, Raya would be well-equipped to address the lower-income tier subscribers, which will comprise the majority of subscriber additions in the Egyptian market.

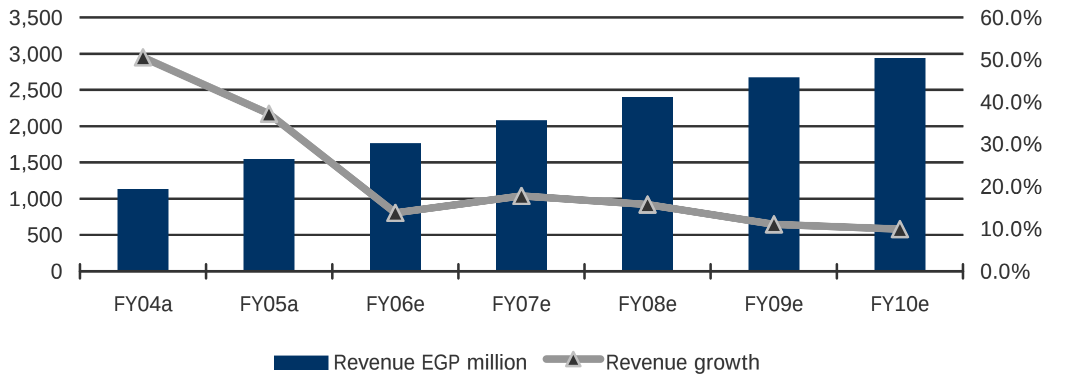
Outsourcing the highest growth potential

The largest growth story in both 2006 and 2007 would be the IT LoB, which includes the outsourcing segment. With the inauguration of Raya's new contact center, Raya will easily multiply its business income from outsourcing and off-shoring services, concurrent with improving margins as Raya's capability to reduce rental and SG&A expenses will increase. Besides, the outsourcing segment, Raya will capitalize on the growing demand for business application solutions. Raya already has a very wide regional presence in Middle East and North Africa region, including Algeria, Saudi Arabia, UAE, Kuwait, Qatar, Oman, Jordan, Yemen, Morocco, Syria, Tunisia, Lebanon and Iraq. The company has received multiple awards and partnership deals, most notably, the Cisco Outstanding Customer Intimacy Award, the Sun Microsystems Fastest Growing Partner in the MENA Award, the Symantec Platinum Partnership and the Raya Academy and Intel Middle East Partnership.

The latest addition to the Raya IT LoB, is the establishment of Raya e-Finance. Raya is intent on becoming the leading e-Payment infrastructure in the financial/banking sector. In general, e-Finance is considered a nascent market in Egypt, therefore, with Raya taking the initiative to establish a presence in this untapped market, Raya would be able to capitalize on its huge growth potential.

Raya e-Finance has huge untapped potential

Figure 1 | Revenues and Revenue growth



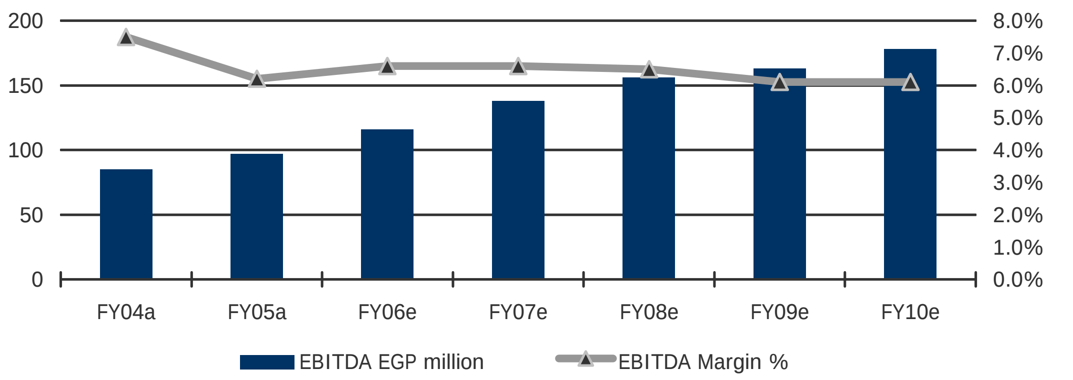
Source: Raya, Beltone Financial estimates

EBITDA Margin

With overall revenue increasing, we have assumed an overall improvement in the EBITDA margin reaching 6.6% at the end of both FY06 and FY07. Going forward, we have forecasted a modestly declining EBITDA margin, accounting for a less aggressive pace of revenue growth.

EBITDA margins improving

Figure 2 | EBITDA and EBITDA Margin



Source: Raya, Beltone Financial estimates

Depreciation & Amortization

Following the 51% sell-off of Raya Telecom, we have adjusted our original forecasts by excluding Raya Telecom from our net assets base. From our previous report "Raya Holding Update – Delayed Growth", we reduced our total asset base by approximately 5%. Accordingly, we have adjusted our depreciation and amortization expenses to EGP28.6 million by the end of 2006 (which includes depreciation charges for Raya Telecom up until 9MFY06, since Raya Telecom will be accounted for following the third quarter via the equity method). Going forward, we have excluded Raya Telecom from all of our depreciation and amortization forecasts.

Interest Expense

We have excluded from our long-term loans balance, the loan that was specifically drawn out by Raya Holding for Raya Telecom and the associated interest expense. The loan balance for credit facilities drawn out by Raya Telecom as of 30 June 2006, amounted to EGP16.5 million. A part of the loan was supplied by CitiBank and had an interest rate charge of 13.75% for local purchases and a 13% interest rate charge for imported products. The balance for this loan as of June 30, 2006 amounted to EGP2.7 million. The remaining part of the loan was offered by MIBank at an interest rate of 13%. The balance of this loan reached EGP13.8 million at the end of June 2006. Our interest expense forecasts for FY06 are EGP24 million.

Interest Income

We infused our cash balance in 2006 by EGP104 million, which is the monies received from the Raya Telecom transaction. In our forecast, we assumed that Raya would not use the cash in 2006 and keep it as interest-earning time deposits. In 2007, we assumed that Raya Holding, would use 50% of this money to finance its various expansion plans. Meanwhile, the remaining 50% of the cash would be gradually used over our forecast period to finance CAPEX requirements. Our interest income forecast for FY06 is EGP6.8 million.

Investment Income

Following the 9M FY06 results, Raya Telecom would be accounted for through investment income. Presuming that Raya Telecom was a loss-making entity we have booked an EGP1 million loss in Raya's income statement in FY06. Assuming improvements in the management and operations of Raya Telecom, we forecasted FY07 to result in a breakeven status with positive proceeds starting from 2008.

Effective Tax Rate

Effective tax rate set to decline

One of the biggest challenges that Raya faced during 2005 was its huge effective tax rate. As of 1H FY06, Raya had an effective tax rate of approximately 90%, this was largely due to loss making entities (including Raya Telecom), which eroded the bottom line. With the exclusion of Raya Telecom, we believe that effective tax rate could reach 65% by the end of FY06, and then 40%, 30% and eventually 25% in FY07, FY08 and FY09 respectively.

Capital Gains

Capital gains accounted for using 35% of total deal value

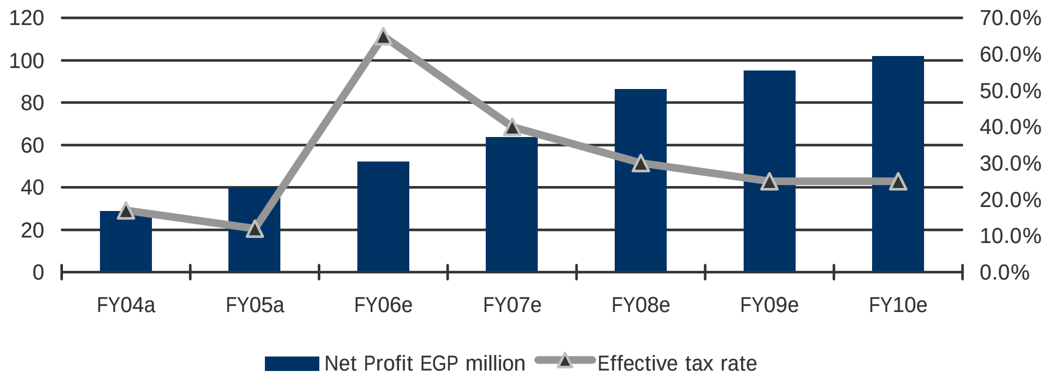
To account for the capital gain proceeds from the Raya-Vodafone deal, we assumed a premium between 30% to 40% of the EGP104 million deal value. In our forecasts, we used 35% to calculate the estimated capital gains, reaching EGP29.1 million after taxes.

Net Income

Net profit to reach EGP52.1 million in FY06, a 31.2% annual growth

All things considered, our net profit forecast for FY06 reached EGP52.1 million (US$9.06 m), a 31.2% annual growth, buoyed by capital gains and a general improvement in profitability margins.

Figure 3 | Net Income and Effective Tax Rate



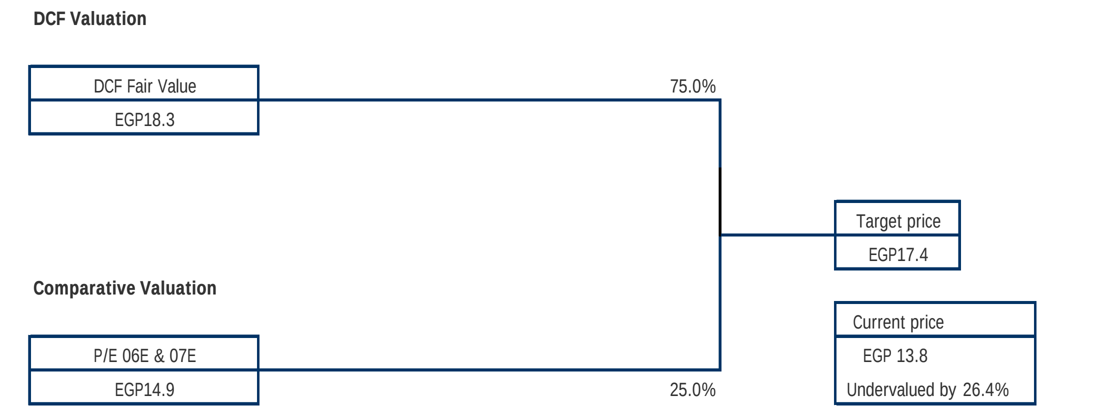
Source: Raya, Beltone Financial estimates

Valuation update

Target value per share of EGP17.4

By taking a weighted average of the two fair values calculated using two valuation methodologies, namely DCF and comparison-based valuation, we arrived at a target value per share of EGP17.4, a 26% upside to the current market price of EGP13.8. Accordingly, we issued an “Add” recommendation.

Figure 7 | Valuation summary



Source: Beltone Financial

DCF 12-month fair value of EGP18.3 per share

We arrived at a DCF 12- month fair value of EGP18.3/share, which is 33% higher than EGP13.8 closing price. We based our valuation on the following assumptions:

A cost of equity of 16%: This is the sum of a risk-free rate of 8.5% equivalent to the average yield on the 12-month government treasury bills and a risk premium of 7.5%.

A terminal growth rate of 5%: We developed explicit FCF estimates for the coming five years (2006-2010) and have assumed a perpetual growth rate of 5%, thereafter.

WACC calculated for each year depending upon the capital structure: Based on a pre-tax cost of debt of 13.7%, we calculated a weighted average cost of capital (WACC) of 15.6% for the year 2006. This increases marginally thereafter due to minor changes in the company’s capital structure, reaching 16.0% by 2010.

Based on these assumptions, we arrived at a 12-month fair value of EGP18.3 per share.

We can observe from the figure below that the share value varies substantially with a change in cost of equity (and therefore, on the WACC).

Figure 8 | DCF Sensitivity Analysis (Value per Share EGP)

		Terminal Growth Rate				
		3%	4%	5%	6%	7%
Cost of Equity	+2%	13.7	14.5	15.5	16.6	17.9
	+1%	14.7	15.6	16.8	18.1	19.7
	0%	15.8	16.9	**18.3**	19.9	21.9
	-1%	17.1	18.4	20.1	22.1	24.6
	-2%	18.6	20.3	22.3	24.8	28.1

`Source: Beltone Financial

Comparison-based fair value of EGP14.9 per share

For our comparison-based valuation we have compared the company international peers on FY06E P/E and FY07E P/E multiples. This yielded a value of EGP14.9/share.

1HFY06 results in brief

Overall

The drop was, due to more stringent provisions policy and changes in overall taxing policies

Raya's bottom line was a disappointing EGP0.5 million (US$0.1 m) at the end of 1HFY06. The 95% drop was, in essence, driven by a more stringent provisions policy, which resulted in the company booking provisions close to EGP6.1 million versus a relatively insignificant EGP0.6 million in 1HFY05. Furthermore, at an effective tax rate of approximately 90%, the bottom line was significantly undermined. The unusually high effective tax rate was a result of the changes in the overall taxing policy in Egypt, which exposed previously exempted profitable operations to taxation. The other reason was due to loss-making activities in the recently acquired companies under Raya's umbrella.

Revenues

During 1HFY06, Raya's total revenues grew 24% year-on-year to EGP806.9 million (US$140.3 m). This growth resulted mainly from a 38% increase in revenues from the IT line of Business (LoB) to EGP179.2 million from EGP129.6 million in 1HFY05. A 30% growth in revenues from the Telecom LoB to EGP37.3 million in 1HFY06 also added to the top line. Meanwhile the Retail and Distribution LoB experienced the least growth rate of 19%, arriving at EGP603.8 million. The Retail & Distribution LoB continues to contribute to the bulk of total revenue, however growth in the IT LoB surpassed that of the retail and distribution, and in turn resulting in a 200 bps reduced contribution of retail and distribution to revenues, reaching 74% in 1HFY06.

Handset sales grew to 689,000 units in H1FY06 compared to 548,000 units in the same the comparable period, reflecting a 26% increase. The higher proportional increase in handsets compared to revenues was driven by a 10% drop in the average mobile prices compared to 1HFY05, in line with the market trend towards lower price-point segments. Another dampening effect was the overall mobile penetration rates which grew at a slower pace than 2005, (an average of 939,000 net subscriber additions in 1H FY05 compared to an average of 780,000 net subscriber additions in 1H FY06).

Maintenance revenues grew by 40% reaching EGP16 million up from EGP11 million in 1HFY05, as the number of handsets serviced increased to 127,400, a 37% increase over the same period last year.

Figure 4 | Revenue Segmentation by Line of Business

EGP millions unless stated otherwise	1H FY05	1H FY06	Change %
IT LOB	129.6	179.2	38%
Retail & Distribution LOB	509.2	603.8	19%
Telecom LOB	28.6	37.3	30%
Total Revenue	**667.4**	**820.3**	
Revenue Contribution %			
IT LOB	19%	22%	
Retail & Distribution LOB	76%	74%	
Telecom LOB	4%	5%	

Source: Raya Earnings Release

EBITDA

EBITDA increased to EGP39.7 million compared to EGP30.3 million recorded in the previous year, a 31% increase. EBITDA margins improved by 400bps to 4.9% in 1HFY06 compared to 4.5% in 1HFY05.

Figure 5 | Gross Profit segmentation by Line of Business

	1H FY05	1H FY06
IT LOB	25%	20%
Retail & Distribution LOB	12%	12%
Telecom LOB	30%	45%

Source: Raya Earnings Release

Net Profit

Raya recorded a net income of EGP0.5 million

Earnings before tax amounted to EGP5.0 million (US$0.87 m), meanwhile Raya recorded a net profit after tax of EGP0.5 million (US$0.01 m), reflecting a 95% drop relative to the previous quarter. The less than expected results were due to the implications of the new tax law and its loss-making activities in the recently acquired companies under Raya's umbrella. A more stringent provisions policy also resulted in an additional diluting factor, with provisions jumping up to EGP6.1 million compared to EGP0.6 million in 1HFY05.

Figure 6 | Consolidated Income Statement for 1H FY06

EGP thousands unless stated otherwise	1H FY05	1H FY06	Growth
Revenues	**667,402**	**820,341**	23%
COGS	(566,508)	(698,681)	23%
Gross Profit	**100,893**	**121,660**	
G&A expenses	(70,703)	(82,534)	17%
Sundry revenues	121	664	450%
Capital loss	(10)	0	
EBITDA	**30,301**	**39,790**	31%
EBITDA Margin	4.5%	4.9%	
Provisions for Inv. & A/R	0	(4,944)	
Amrt. & Dep.	(11,817)	(16,932)	
Net Interest expense	(10,854)	(14,253)	31%
Dues from subsidiaries	6,726	2,695	
Other provisions	(646)	(1,167)	
FX losses	(994)	(213)	
Reversed provisions	500	0	
NPBT	**13,216**	**4,975**	-62%
Minority Interest	(1,083)	82	
Net profit after taxes	**12,133**	**5,058**	-58%
Taxes	(1,578)	(4,531)	
Net Profit	**10,555**	**527**	-95%

Source: Raya Earnings Release

Financial Statements

Consolidated Balance Sheet

All figures in EGP 000s unless stated otherwise	FY04a	FY05a	FY06e	FY07e	FY08e	FY09e	FY10e
Cash and cash equivalents	99,337	153,117	260,052	223,657	242,389	183,612	200,961
Accounts receivable, net	253,713	298,532	297,532	350,640	405,983	451,226	496,349
Inventories, net	56,360	159,235	130,400	153,536	178,092	198,886	218,869
Total current assets	**444,906**	**640,862**	**717,453**	**757,303**	**855,933**	**863,193**	**945,648**
Assets under construction	15,661	40,524	40,524	40,524	40,524	40,524	40,524
Property, plant and equipment, net	62,311	146,598	182,433	209,445	267,310	354,084	499,709
Other non-current assets	38,374	49,662	49,662	49,662	49,662	49,662	49,662
Total non-current assets	**116,347**	**236,784**	**272,619**	**299,631**	**357,496**	**444,270**	**589,895**
	0	0	0	0	0	0	0
Total assets	**561,253**	**877,646**	**990,072**	**1,056,934**	**1,213,429**	**1,307,463**	**1,535,543**
Due to Banks	98,044	156,902	225,838	176,600	190,426	138,784	217,040
CPLTD	10,909	10,455	17,001	19,522	22,180	18,430	17,180
Accounts Payable	115,366	140,838	178,242	209,867	243,431	271,855	299,169
Dividends Payable	814	431	0	0	0	0	0
Other current Liabilities	0	0	0	0	0	0	0
Total current liabilities	**350,698**	**449,328**	**513,831**	**515,193**	**582,708**	**570,531**	**689,063**
Long-term borrowings	23,703	27,637	16,243	10,013	3,783	5,053	5,073
Other non-current liabilities	3,698	-2,332	4,869	12,882	21,744	31,344	38,752
Total non-current liabilities	**27,401**	**25,306**	**21,111**	**22,895**	**25,526**	**36,397**	**43,824**
Paid-in capital	99,194	284,924	284,924	284,924	284,924	284,924	284,924
Reserves	52,342	43,788	76,023	115,432	168,839	227,808	290,970
Retained earnings	36,422	76,123	96,006	120,314	153,255	189,627	228,585
Treasury Stock	(4,804)	(1,823)	(1,823)	(1,823)	(1,823)	(1,823)	(1,823)
Total shareholders' equity	**183,154**	**403,011**	**455,130**	**518,846**	**605,195**	**700,535**	**802,656**
Total liab. and shareholders' equity	**561,253**	**877,645**	**990,072**	**1,056,934**	**1,213,429**	**1,307,463**	**1,535,543**

Source: Raya, Beltone Financial estimates

Consolidated Income Statement

All figures in EGP 000s unless stated otherwise	FY04a	FY05a	FY06e	FY07e	FY08e	FY09e	FY10e
Revenues	**1,129,055**	**1,549,386**	**1,762,433**	**2,077,022**	**2,404,846**	**2,672,844**	**2,940,128**
COGS	(937,110)	(1,299,492)	(1,472,366)	(1,733,599)	(2,010,857)	(2,245,652)	(2,471,278)
Gross Profit	**191,945**	**249,894**	**290,067**	**343,424**	**393,989**	**427,192**	**468,850**
S.G. & Administrative Expenses	(107,379)	(153,183)	(174,246)	(205,348)	(237,759)	(264,255)	(290,681)
EBITDA	**84,566**	**96,711**	**115,821**	**138,075**	**156,230**	**162,937**	**178,169**
Depreciation & Amortization	(20,364)	(27,323)	(28,600)	(15,194)	(18,107)	(23,281)	(30,784)
Provisions	(5,178)	(3,827)	(3,525)	(4,154)	(4,810)	(5,346)	(2,940)
Interest Expense	(23,224)	(24,994)	(24,074)	(28,219)	(25,083)	(22,034)	(23,498)
Interest Income	495	3,349	6,810	9,750	5,746	4,259	3,407
Investment Income	(675)	(6,856)	(1,000)	0	2,921	3,659	4,399
Sundry Income / Expenses	299	5,093	(3,182)	2,077	2,405	2,673	2,940
Other Non-Operating expense	0	0	0	0	0	0	0
Intercompany Profit/ Loss	3,271	7,001	7,351	7,718	8,104	8,509	8,935
FX Loss/ Gains	(1,282)	(1,684)	(215)	0	0	0	0
Minority Interest	(3,039)	(2,270)	(3,675)	(3,859)	(4,052)	(4,255)	(4,467)
Net Income before Taxes	**34,868**	**45,200**	**65,710**	**106,194**	**123,355**	**127,121**	**136,160**
Income Tax	(5,925)	(5,488)	(42,712)	(42,478)	(37,006)	(31,780)	(34,040)
After-Tax Income	**28,944**	**39,712**	**22,999**	**63,716**	**86,348**	**95,341**	**102,120**
Unusual Items/ Capital gains	0	0	29,120	0	0	0	0
Net Income	**28,944**	**39,712**	**52,119**	**63,716**	**86,348**	**95,341**	**102,120**

Source: Raya, Beltone Financial estimates

Cash flows

All figures in EGP 000s unless stated otherwise	FY04a	FY05a	FY06e	FY07e	FY08e	FY09e	FY10e
Net Operating Profit	64,201	69,389	87,221	122,881	138,123	139,656	147,386
Depreciation & Amortization	20,364	27,323	28,600	15,194	18,107	23,281	30,784
Provisions	1,906	(3,174)	(3,826)	(3,564)	(3,295)	(3,164)	(5,995)
Cash Flow	**86,472**	**93,538**	**111,995**	**134,511**	**152,935**	**159,773**	**172,175**
Change in STD	25,671	58,858	68,936	(49,238)	13,827	(51,642)	78,255
Change in LTD	941	14,389	5,607	13,292	15,950	19,700	17,200
Change in Net Worth	27,856	180,145	0	(0)	(0)	0	(0)
Change in WI	(25,040)	(113,923)	27,492	(28,164)	(28,868)	(22,823)	(23,578)
CAPEX	(27,650)	(134,196)	(35,315)	(42,207)	(75,972)	(110,054)	(176,409)
Financial Payments	(29,702)	(35,903)	(34,529)	(45,220)	(44,605)	(44,214)	(41,928)
Grey Area	(8,217)	(6,098)	(7,200)	(8,013)	(8,862)	(9,600)	(7,408)
Tax Paid	(5,925)	(363)	(47,836)	(42,478)	(37,006)	(31,780)	(34,040)
Net Cash Flow	**44,409**	**56,448**	**89,149**	**(67,518)**	**(12,601)**	**(90,641)**	**(15,733)**

Source: Raya, Beltone Financial estimates

Financial Ratios

	FY04a	FY05a	FY06e	FY07e	FY08e	FY09e	FY10e
Growth							
Revenues	50.6%	37.2%	13.8%	17.8%	15.8%	11.1%	10.0%
EBITDA	106.5%	14.4%	19.8%	19.2%	13.1%	4.3%	9.3%
Net profit	161.2%	37.2%	31.2%	22.3%	35.5%	10.4%	7.1%
Profitability							
Operating profit margin	5.7%	4.5%	4.9%	5.9%	5.7%	5.2%	5.0%
EBITDA margin	7.5%	6.2%	6.6%	6.6%	6.5%	6.1%	6.1%
Net profit margin	2.6%	2.6%	3.0%	3.1%	3.6%	3.6%	3.5%
EPS (EGP)	0.51	0.70	0.91	1.12	1.52	1.67	1.79
ROE	15.8%	9.9%	11.5%	12.3%	14.3%	13.6%	12.7%
ROA	5.2%	4.5%	5.3%	6.0%	7.1%	7.3%	6.7%
Leverage							
Total debt/Total assets	23.6%	22.2%	26.2%	19.5%	17.8%	12.4%	15.6%
Total debt/Equity	71.2%	48.7%	56.8%	39.3%	35.2%	22.7%	29.2%

Source: Raya, Beltone Financial estimates

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Disclaimer

Inv. Rating

Upside

Buy
Significantly over-weight vs. the index

25 %

Add
Over-weight vs. the index

5 %

Neutral
Maintain index weight

-5 %

Reduce
Under-weight vs. the index

-25 %

Sell
Do not hold the stock

Downside