COMPANY NOTE

July 27th, 2010

Raya Holding

Greener pastures - Upgraded to Strong Buy

Fresh off facing a number of challenges in 2009, Raya Holding [RAYA] surprised us with a better-than-expected performance in 1Q10. Where in 2009 earnings had declined 23% year-on-year, they surged 220% in 1Q10 on mainly lower interest expense. RAYA has three main lines of business – Trade, IT and Contact Centers – and plans to diversify into new, underpenetrated segments such as Land transportation (has been kicked off in 2Q10), Smart Buildings (starting 2011) and plastic recycling (by mid-2011). The incorporation of these new business segments, combined with the strong growth in Trade segment revenues in 2010 (largely the result of a new product mix featuring LCD televisions and Etisalat Misr products) added an average 21% to revenues and triple-digits to earnings over the forecast period versus our previous update. Since RAYA will likely have a strong, profitable portfolio if its new lines of business materialize, we increased our LTFV 50% to EGP14.7/share, from EGP9.8/share in our November 2009 update. Raya trades on a 2010E PER of 7.7x, compared to a composite peer average of 9x and a 10.7x market average. We set our target price at EGP8.3/share, based on an average value implied by peers' 2010E, 2011E and 2012E PERs. In light of the resulting 50% upside potential, we have upgraded our rating from Sell to Strong Buy.

Strong revenue growth in 1Q10: As the mobile handset market recovered during 1Q10, RAYA's revenues increased 48% year-on-year, driven by a 55% improvement in Trade segment revenues on a 71% increase in volume sold. Yet the Trade segment's strong revenue growth came at a price: namely lower margins. Hence, consolidated EBITDA declined 3% YoY, accompanied by a 204 bps narrowing in EBITDA margin. Nevertheless, earnings climbed 220% on a reduction in net interest expense and reversed provisions of EGP2.2mn.

Valuation and recommendation: Our outlook for RAYA has brightened, a result of the expected market recovery and returns the company will reap from its new investments. We also do not rule out the possibility of RAYA exiting a business segment in the event it receives a lucrative acquisition offer. In our valuation, we used the sum-of-the-parts method, valuing the Trade, IT, Contact Center and Land Transportation lines of business through the free cash flow to the firm method. We valued the other two segments (Smart Buildings and Plastic Recycling) using the free cash flow to equity method. We applied a 25% execution risk factor to account for any delay in the operation of the new segments. The incorporation of the new segments, together with the book values of RAYA's new investments, has driven our LTFV up 50% to EGP14.7/share. We also raised our target price 51%, to EGP8.3/share from EGP5.5/share. Given the resulting 50% upside potential, we upgrade our recommendation to **Strong Buy**.

EGP mn	2008 A	2009 A	2010 F	2011 F	2012 F
Revenues	**2,176.1**	**1,869.7**	**2,451.6**	**2,566.7**	**2,782.9**
Growth rate	*-4.3%*	*-14.1%*	*31.1%*	*4.7%*	*8.4%*
EBITDA	**137.7**	**85.9**	**101.9**	**127.3**	**243.9**
Growth rate	*24.7%*	*-37.6%*	*18.6%*	*24.9%*	*91.6%*
EBITDA margin	6.3%	4.6%	4.2%	5.0%	8.8%
Net income	**54.0**	**41.6**	**41.0**	**52.7**	**95.5**
Growth rate	*-43.2%*	*-22.9%*	*-1.5%*	*28.7%*	*81.0%*
Net margin	2.5%	2.2%	1.7%	2.1%	3.4%
PER	5.8x	7.6x	7.7x	6.0x	3.3x
P/BV	0.7x	0.6x	0.6x	0.6x	0.5x
EV/EBITDA	5.0x	6.0x	6.9x	7.0x	3.8x
Net debt/EBITDA	2.7x	2.3x	3.8x	4.6x	2.5x
Dividend yield	3.8%	4.5%	4.4%	5.8%	10.5%

Source: Company reports and CICR estimates

STRONG BUY (UPGRADED)
LT FAIR VALUE | EGP14.7
TARGET PRICE | EGP8.30

COMPANY SYNOPSIS

Raya Holding [RAYA] currently runs four business segments: retail & distribution (c.75% of the company's operations), IT, Contact Center and newly-introduced Raya Smart Buildings. Furthermore in 2Q10, RAYA launched its land transportation business targeting Egypt and Sudan. RAYA is also set to establish a new plastic recycling company (BariQ) in 2Q11 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 has presence in Algeria, Nigeria, Saudi Arabia, the UAE, Qatar and the US. Currently, RAYA has 29 outlets (down from 52 in 2008) in Egypt operating under the names "Raya" and "Nokia Care." RAYA also runs 3 outlets in Algeria.

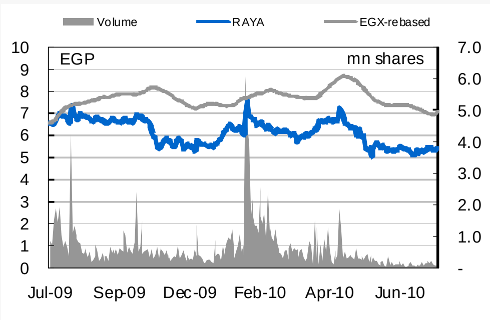
SHAREHOLDER STRUCTURE

Medhat Khalil & Family	28%
Financial Holding Int'l LTD	12%
El-Tawil Family	6%
Watheeqa	5%
Others	49%

STOCK DATA

Reuters; Bloomberg	RAYA.CA; RAYA EY
Recent price as of 26-Jul-10	EGP5.54
No. of O/S shares	56.9 mn
Market cap	EGP315 mn
52-wk high / low	EGP7.92/ EGP4.9
Avg. daily volume / turnover	0.63 mn /EGP4.06 mn

STOCK PERFORMANCE | 52 WEEKS



Source: Bloomberg

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Recent Developments

Egypt: a top outsourcing destination

- In early July 2010, the **European Outsourcing Association (EOA)** named Egypt "Off-Shoring Destination of the Year." The country beat global rivals like the **Philippines**, **Colombia** and **Sri Lanka**, as well as edging out regional competitors such as **Morocco** and **Jordan**.

Rejects offer for its contact center segment

- RAYA rejected an offer submitted by an international company to acquire a controlling stake in its Contact Center segment, operating through **Raya Contact Center Company** and the **Call Center Company (C3)**. A company official said a low offer price was the reason for the rejection.

RAYA partners with GPX Global Systems

- On June 10th, 2010, RAYA signed a contract with **GPX Global Systems** to build a second data center in Egypt, which will provide internet exchanges and data centers for firms in the Middle East. The center's total investment cost is estimated between EGP150-200mn. RAYA's revenues will hover around EGP24mn, primarily by offering 3,000 sqm in a building in **New Cairo** for the center.

RAYA buys back 500k shares

- In accordance with board decisions made on March 28th, RAYA bought back 500k treasury shares in late May 2010 under its ESOP.

BoD approves the following:

-DPS of EGP0.25/share;

-9% stock dividend;

-Leasing smart building for EGP90mn for 18months

-Raising stake in IBS

- In its board meeting held on March 28th, 2010, RAYA approved the following:
  - A proposed DPS of EGP0.25/share (implying a dividend yield of c.4.7%) and distribution of a 9% stock dividend. The stock dividend will likely be distributed sometime in August.
  - Leasing its administrative building in the Smart Village to **Palm Hills Middle East Company for Real Estate Investment** for EGP90mn over 18 months, starting February 2010 and through July 2011.
  - Raising its stake in **IBS** (an assembler and importer in the ICT market) to 49%, worth EGP7mn.

Contact center expands to 3000 seats

- Mid-March 2010, RAYA inaugurated a new contact center building in **Cairo Contact Center Park** in Maadi. The center has a capacity of around 750 seats. 200 seats are currently in use and the rest should be occupied by year-end. The new center together with the 500 seats planned to be added through RAYA's headquarters in late 2010 will bring RAYA's total number of seats to 3,000.

NTRA to control the spread of smuggled handsets

- Early March 2010, the **National Telecom Regulatory Authority (NTRA)** announced that effective March 1st, Egypt's mobile operators disconnected mobile lines operating on smuggled Chinese handsets with serial numbers identical to those of original handsets. Reports claimed 600k lines fell into this category and were disconnected.

RAYA sells Etisalat products, GPS & Blackberry devices in its stores

- Late February 2010, RAYA disclosed it would begin selling mobile and internet products & services from **Etisalat Misr** through its retail and distribution segment. RAYA's retail segment also now sells GPS and Blackberry devices through its retail outlets.

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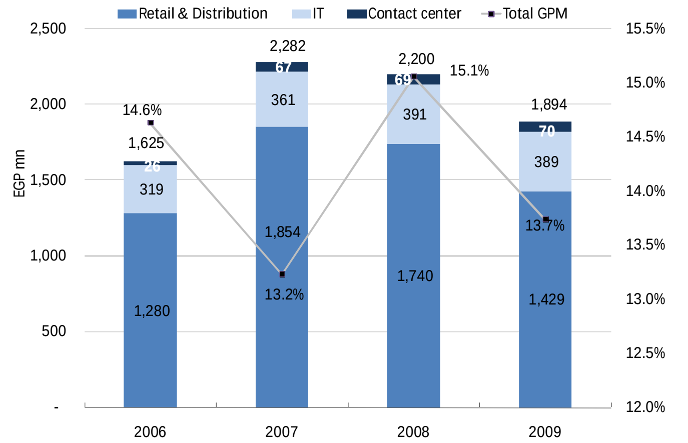
II. Operational Summary

RAYA once focused on just three business segments, but has since expanded its portfolio to include three others: Land Transportation, Smart Buildings and Plastic Recycling. Nonetheless, the Trade segment remains the backbone of RAYA's operations.

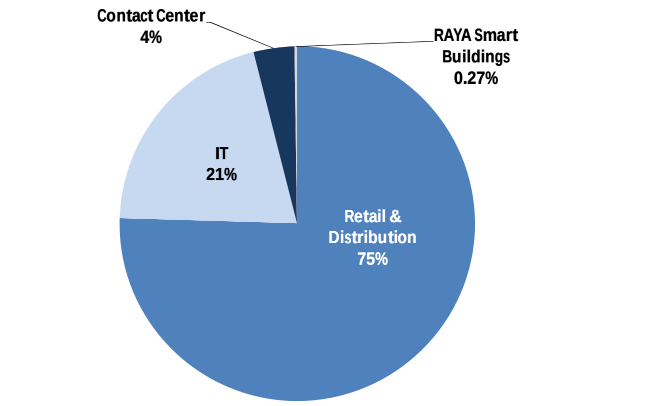
Figure 1 | Revenue Breakdown by Segment (2006-2009)



Total figures included intercompany sales

Source: Company reports

Figure 2 | Revenue Breakdown in 2009



Source: Company reports

A. Trade Segment

This segment is the primary contributor to RAYA's consolidated figures, accounting for an average 79% over the last four years. It consists of three sub-segments.

1. Retail Segment

Extended product portfolio

The retail sub-segment targets Egypt's upper and middle income groups through 29 outlets (as of mid 2010) in prime locations throughout **Cairo**, **Giza** and **Alexandria**, under the names **RAYA**, **Nokia Care** and **Samsung**. In addition to Nokia and Samsung products, RAYA's outlets offer mobile handsets from **LG**, **Sony Ericsson**, **Alcatel, Palm**, **HTC** and **Research in Motion** (BlackBerry products). To achieve even wider penetration, RAYA recently launched an e-commerce website (www.rayashop.com), in addition to offering value-added services such as mobile and internet products from Etisalat Misr.

RAYA also operates 3 outlets in **Algeria** worth USD10mn.

Number of outlets reduced by half due to economic slowdown

As a result of negative market conditions, RAYA shut down 29 non-profitable outlets in Egypt during 2009 and in early 2010 (out of a total 58 in 2008).

2. Distribution Segment

RAYA is a major importer and distributor of mobile handsets, operating through more than 3,000 dealers and over 2,400 points of sale. It uses a fleet of 60 vans to support its business in East Cairo and Alexandria, for instance by delivering inventory to small shops. RAYA also distributes handsets in Algeria.

In addition to handsets, however, RAYA also deals in IT hardware such as **Intel** microchips, **HP** printers & PCs, **Dell** notebooks and serves, **Sony** notebooks, **Apple** products (such as iPad and iPhone), **Canon** printers & cameras and others. RAYA has also concluded a strategic alliance with Etisalat Misr to handle that company's mobile and internet products.

3. Maintenance Segment

RAYA offers after-sale services for Nokia mobile phones in compliance with that company's highest standards, with the capacity to service in excess of 1.4mn handsets annually in Egypt and 14 other North and West African countries. It does this at Nokia

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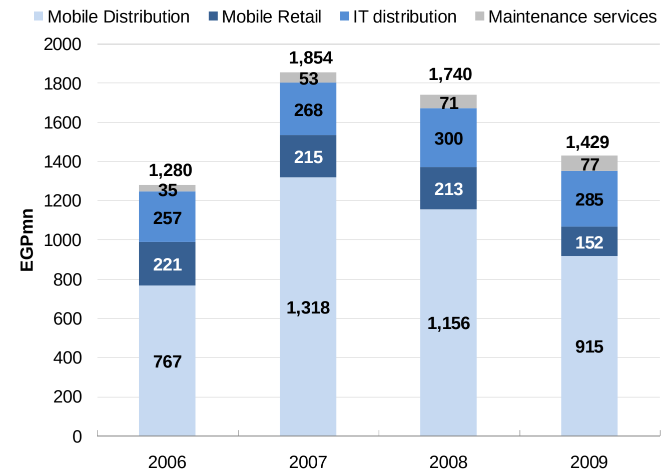
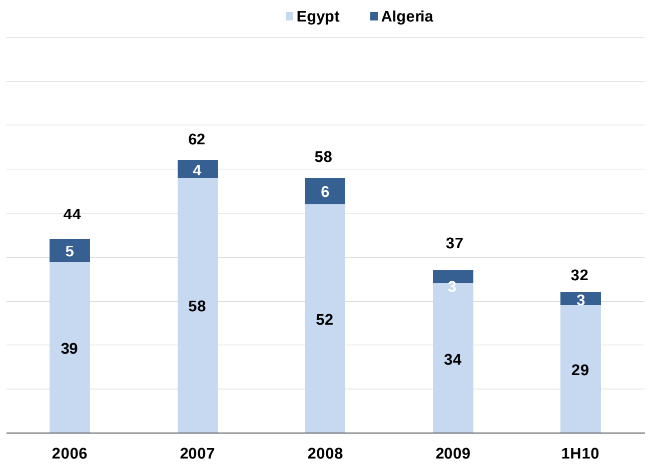
Level 4 Maintenance Centers. RAYA's maintenance centers are located in **Egypt**, **Algeria** and **Nigeria**. RAYA operates a Level 3 Maintenance Center in Egypt exclusively.

Figure 3 | Trade Segment Breakdown



Source: Company reports

Figure 4 | No. of Retail Outlets in Egypt and Algeria



Source: Company reports

B. IT Segment

Steady growth

RAYA's IT line of business offers IT solutions for several industries, including finance, telecommunication, oil & gas and real estate. The services it provides include infrastructure solutions, business application and outsourcing services. The segment's major projects include:

- ATM installation and maintenance for the **Egyptian National Post Office.**
- Technological infrastructure application for the **Income Tax Authority.**
- The infrastructure of **CityStars**, **Bank Audi** and the **American University in Cairo.**

Not only does this segment cover the local market, it has also expanded its reach to **Saudi Arabia**, the **Gulf** and the **Levant** through **RAYA International Services (RIS)**. RIS serves government, utilities and health and education sectors in the region.

C. Contact Center Segment

Further attention to "parking services" in the coming period

Through more than 1200 agents, RAYA offers voice, non-voice (financing & accounting) and value-added services to foreign and local companies. Value-added services include so-called "parking services," which allow companies (usually international companies) to quickly rent and operate seats through a hosting model inside Raya Contact Center. The hosting company provides a number of "mandatory" services such as internet connections, phone lines, PCs, phone sets and office furniture. In addition, it offers "optional" services like human resource outsourcing, program management and training services.

The inauguration of RAYA's new building in **Contact Center Park** in Maadi in May 2010 marked the launch of RAYA's fourth building. In total, the Contact center segment will offer 3000 seats by end of 2010 in five buildings spread across **Sixth of October** (800 seats), **RAYA headquarters** (500 seats by end of 2010), **Downtown** (700 seats), **C3** (250 seats) and the new facility (750 seats by the end of 2010).

D. RAYA Smart Buildings *(New)*

RAYA will offer Smart offices starting 2011

Leveraging on its experience in "smart office" technology solutions, RAYA will begin offering both smart office and commercial building complexes in Egypt. There is much potential (not to mention growing demand) for smart buildings, especially from multinational companies operating in Egypt, as the country presently has few to offer outside of City Stars Building and Nile City. Compared to **Dubai**, however, Egypt offers fairly low lease rates.

Four buildings on the way

RAYA intends to establish four smart buildings in the Smart Village, Sixth of October City and New Cairo. The company purchased the land in 2008 and 2009 at a total cost of almost EGP110mn. Total estimated capex (including the cost of the land itself) for the new segment is EGP605mn, at a ratio of 70:30 debt to equity financing. RAYA plans to lease these buildings, but may transfer ownership of some at the end of the lease period.

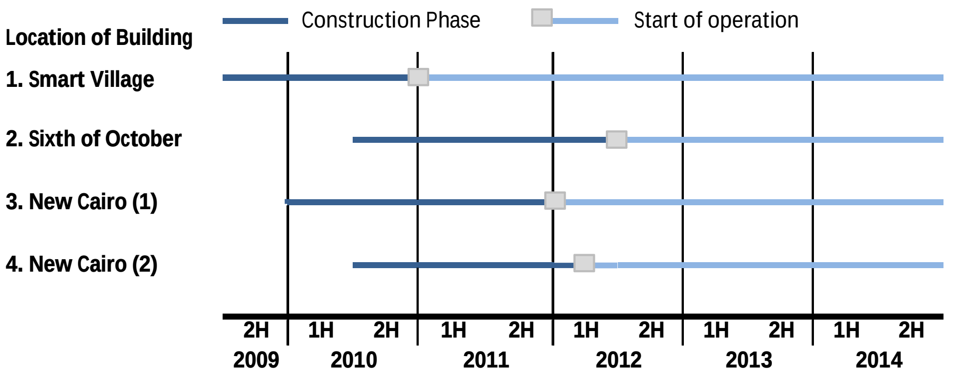
Figure 5 | Land Plots under RAYA Smart Buildings (total estimated capex is EGP605mn)

Location	Size of land plot	Built up area	Acquisition cost	Expected cost of	Total capex EGP mn	Estimated End date
Smart Village	1,190 sqm	7,970 sqm	EGP9mn	EGP50mn	EGP59mn	4Q2010
Sixth of October City	17,052 sqm	74,000 sqm	EGP60mn	EGP307mn	EGP367mn	1H12
New Cairo (1)	4,300 sqm	17,600 sqm	EGP22mn	EGP70mn	EGP92mn	4Q2011
New Cairo (2)	4,200 sqm	15,000 sqm	EGP18mn	EGP68mn	EGP86mn	1Q12
Total		**114,570 sqm**	**EGP110mn**	**EGP495mn**	**EGP605mn**	

** Expected cost of development for Sixth of October building and New Cairo (2) building is based on our estimates*

Source: Company reports

Figure 6 | Timeline of the New Smart Buildings



Source: Company reports

Revenue calculation: When it came to smart buildings, we assumed average rent would fall between USD27-30/sqm, subject to a 5% annual increase. We assumed a USD5/sqm rent in the buildings' basements. Both office and basement areas are assumed to be 80% occupied.

Figure 7 | Summary of KPIs of RAYA Smart Buildings (2011 P-2014 P)

	2010 P	2011 P	2012 P	2013 P	2014 P
Revenues (EGP 000)	-	14,180	127,923	206,330	215,065
Gross profit (EGP 000)	-	12,053	108,735	175,380	182,805
Capex (EGP mn)	194	214	81	5	5
Debt (EGP mn)	135	150	56		
Equity (EGP mn)	58	64	24		

Source: CICR estimates

E. BariQ Plastic Recycling *(New)*

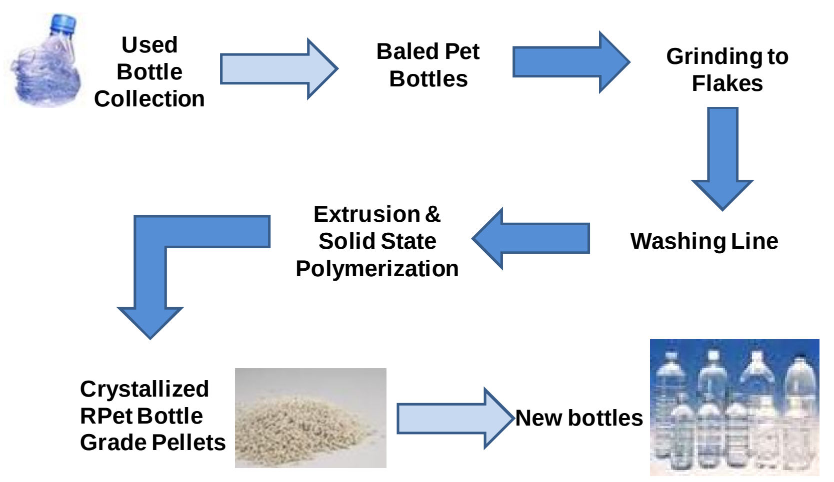
Few recyclers in the Middle East

There is sizable room for growth in this field, and since it is USFDA approved, there is especially strong growth potential within the Middle East. There is a limited number of recyclers in the Middle East, but those currently operating include **Tadweerco** in Saudi Arabia and **Horizon Technologies** in the UAE.

BariQ to be the first of its kind in Egypt

RAYA owns 94% of **BariQ**, the plastic recycling company, and obtained the technological know-how necessary for its operation from European partners. The process begins as empty bottles are collected by third parties and then compressed into compact bales for shipment to recyclers. BariQ will begin by crushing the baled bottles into plastic flakes, which are then washed in hot, diluted alkaline water. The hot flakes are then passed through a vented extruder, at which point they are made into pellets or products like fiber, film or molded articles. The Solid State Polymerization (SSP) reactor raises the molecular weight (Mw) of PET to the required level for enhancing its mechanical properties. Crystallized PETs are then sold back to bottle manufacturing companies.

Figure 8 | Bottle-to Bottle Recycling Plant (Polyethylene terephthalate)



BariQ operations represented by dark blue arrows
Sources: CICR and Bepex International LLC

BariQ to start operations in 2Q11 with investments of EGP70mn

Investments in BariQ: Investment in BariQ totals nearly EGP70mn, with debt:equity at 40:60. The company's annual capacity is 10.12k tons of rpet production and 2k tons of flakes. The current average price of rpet is US$1,050/ton, while the average price of flakes hovers around USD670/ton. According to management, BariQ is expected to have a gross profit margin of 52%. For conservatism, we assumed the company will have a gross margin of 35% in its first year of operation and will increase to 52% in the second year.

Figure 9 | Summary KPIs of BariQ (2011P-2014P)

	2011 P	2012 P	2013 P	2014 P
rPet Production capacity (tons/year)	10,120	10,121	10,122	10,123
Utilization rate	31%	78%	90%	92%
Price US$/ton	1,201	1,307	1,376	1,376
Revenues from r Pet (EGP 000)	**21,099**	**56,763**	**69,781**	**72,685**
Flakes Production capacity (tons/year)	2,000	2,000	2,000	2,000
Utilization rate	31%	78%	90%	90%
Price US$/ton	767	835	879	878
Revenues from flakes (EGP 000)	**2,663**	**7,163**	**8,806**	**8,973**
Total revenues (EGP 000)	**23,762**	**63,926**	**78,587**	**81,658**
Gross Profit (EGP 000)	**8,355**	**33,242**	**40,865**	**42,462**
Gross Profit Margin	35%	52%	52%	52%
EBITDA (EGP 000)	**5,504**	**22,374**	**27,505**	**28,580**
EBITDA Margin	**23%**	**35%**	**35%**	**35%**
Capex (EGP 000)	**53,410**			
Debt: Equity	40:60			

P=Projected
Source: CICR estimates

F. Land Transportation segment ***(New)***

Ostool began operations in April 2010

In November 2009, RAYA established **Ostool**, a land transportation company, with a paid-in-capital of EGP40mn. RAYA presently holds a 45% stake in Ostool. The company began operations in April 2010, planning to operate a fleet of 30 trucks in the first year and expand to 300 trucks within 3-5 years. We made the conservative assumption that the business will start with ten trucks in 2010 and add 12 trucks annually after that. Ostool will be consolidated starting 1H10.

Figure 10| Projected KPIs for Ostool (Land Transportation Company)

	2010 P	2011 P	2012 P	2013 P	2014 P
Fleet Size (no of trucks)	10	22	34	46	58
Truck Additions/Year	10	12	12	12	12
Working Days	240	320	320	320	320
Utilization Rate	60%	75%	80%	85%	90%
Capacity/Truck (tons)	50	50	50	50	50
Average Fees/ton (EGP)	80	87	95	103	113
Revenues (EGP 000)	**3,632**	**18,323**	**35,847**	**58,171**	**87,122**
Gross margin	**25%**	**30%**	**35%**	**40%**	**40%**

Source: CICR estimates

- Ostool will target Egypt and Sudan.
- Capex plan is EGP40mn.
- Ostool will transport grain, cement, coal and other raw materials
- RAYA plans to operate Ostool on a long-term contract basis, dealing with clients who have recurring logistics needs

G. Other New Investments in Affiliates

Minority Active Investments

IBS

RAYA holds a 49% stake in IBS, distributor of BenQ

RAYA has currently a 49% stake in IBS with a total investment value of EGP10mn. The company was founded in 1996 in Cairo, and is an importer and assembler within the ICT market. It is the sole authorized distributor and service provider for **BenQ** and **ASUS** products in Egypt. IBS specializes in the sale of liquid crystal display (LCD) TVs & monitors, projectors, digital cameras, computers, and computer components. Hence, RAYA now distributes BenQ LCDs.

Fawry

Fawry is an electronic bill payment and presentment (EBPP) company that enables Egyptians to conveniently and securely pay bills through the various electronic channels available at banks. Fawry began operations in 4Q09. RAYA owns a 35% stake, with an investment of EGP10.5mn.

Minority Passive Investments

Regional Investment Holding

In December 2009, RAYA announced investing a 5% stake in **Regional Investment Holding**, with a total value of EGP30.2mn.

Egyptian Company for Developing Smart Village

Also, **RAYA** owns a 3.4% stake of the Egyptian Company for Developing Smart Village with total investments of EGP 14.3mn.

Financial Summary

2009 & 1Q10

Total revenues hit by lower Trade segment revenues in 2009

Light at the end of a dark tunnel: As the Trade segment contributes over 75% of RAYA's total revenues, it is the main driver for any change in the company's consolidated top line. In 2009, the company reported a 14% decline in revenues to EGP1,870mn. That year, Trade segment performance declined 18% year-on-year (YoY) on lower volumes sold. This in turn was driven by lower demand for handsets and increasing competition within the market, especially from Chinese handsets. In 2009, RAYA closed 21 non-profitable stores, reducing its total number of outlets to 37 from 58 in 2008.

Boost in 1Q10 top line driven by strong Trade revenues

As a result of the mobile handset market recovering during 1Q10, RAYA's revenues increased 48% year-on-year, driven by a 55% improvement in Trade segment revenues on a 71% increase in volume sold.

Growth in IT segment revenues

IT segment revenues remained flat in 2009 as the banking and the financial sector remained cautious till late in the year. The segment also reduced its operations in the **GCC** market and focused instead on **Saudi Arabia**. In 1Q10, the IT segment posted a 15% increase due to the sizeable business on hand in late 2009.

RAYA lost key accounts in Contact Center segment during the slowdown

Contact Center revenues increased 1% YoY in 2009 and 2% in 1Q10. RAYA lost key accounts as a result of the global economic slowdown and hence, decreased its number of agents 37% to 1,268 in FY09 (down from 2,000 agents in FY08). RAYA had 2200 seats available as of December 2009 as RAYA expanded its infrastructure to provide parking services model.

RAYA Smart Buildings recorded revenues of EGP11.2mn in 1Q10, from two months of the EGP90mn lease contract signed with **Palm Hills Developments** for its Smart Village building.

Margins down on higher volumes of low-average price handsets sold

EBITDA still declining: In 2009, EBITDA fell 38% to EGP85.9mn (vs. CICRe of EGP85.3mn), implying a 173 bps YoY contraction in EBITDA margin to 4.6%. The Trade segment's gross profit margin fell 208 bps on increasing sales volumes of lower-priced handsets. The other two segments posted slight declines in their margins.

Earnings down 23% YoY in 2009

In 1Q10, EBITDA declined an additional 3% YoY, accompanied by a 204 bps narrowing of EBITDA margin. Strong revenue growth for the Trade segment came at a price: namely lower margins. The Trade segment's gross profit margin contracted 310 bps, though Contact center margins improved significantly on an increasing contribution from offshore revenues (with relatively high margins) compared to the same period a year earlier.

Better-than-expected earnings: In 2009, a 32% deviation from our earnings' estimates resulted from: (i) 4.5% lower-than-expected interest expense (ii) 68% lower provisions of EGP4.6mn (compared to our estimates of EGP14.3mn), mainly on reversed provisions totalling EGP5.2mn, and (iii) a 37% increase in sundry income to EGP21mn (up from our estimated EGP15mn) resulting from third party rentals (rent received from a divested subsidiary). In 2Q09, RAYA recorded an EGP12.9mn gain from sale of its stake in **Advancys Company**.

Earnings surged 220% YoY in 1Q10

Strong earnings performance in 1Q10. Earnings increased 220% in 1Q10 on 74% lower interest expense due to lower working investment needs and reversed provisions of EGP2.2mn. This was an improvement over a provisions expense of EGP2.6mn in 1Q09.

Figure 11| Summary Actual vs. Forecasted Results (4Q09 vs. 4Q08; 1Q10 vs. 1Q09)

EGP000	4Q08A	4Q09 A	YoY growth	4Q09 E	Variance A vs. E	1Q09 A	1Q10 A	YoY growth	1Q10 E	Variance A vs. E
Revenues										
Retail & Distribution	401,899	402,402	0%	355,908	13%	332,677	515,062	55%	351,954	46%
IT	85,897	98,936	15%	90,725	9%	90,098	103,690	15%	93,381	11%
Contact Center	16,298	17,622	8%	17,062	3%	16,893	17,279	2%	20,201	-14%
RAYA Smart Buildings		(1,033)		6,186	NA	-	11,240	NA	-	NA
Intercompany sales	(8,487)	(8,284)	-2%	(2,456)		(8,254)	(9,241)	12%	-	
Total Revenues	**495,607**	**509,642**	**3%**	**467,425**	9%	**431,415**	**638,030**	**48%**	**465,536**	37%
GPM										
Retail & Distribution	14.0%	10.4%	-360 bps	10.9%	-56 bps	10.5%	7.4%	-312 bps	10.3%	-286 bps
IT	26.0%	20.9%	-512 bps	19.6%	122 bps	22.4%	21.0%	-145 bps	19.6%	141 bps
Contact Center	47.6%	49.7%	216 bps	46.0%	366 bps	38.9%	50.1%	1114 bps	48.1%	196 bps
RAYA Smart Buildings	0.0%	1.0%		0.0%		0.0%	25.3%	NA	50.0%	
Total gross profits	**86,627**	**71,116**	**-18%**	**64,628**	**10.0%**	**60,946**	**71,408**	**17%**	**64,124**	**11%**
Gross margin	**17.48%**	**13.95%**	-352 bps	**13.83%**	13 bps	**14.13%**	**11.19%**	-294 bps	**13.77%**	-258 bps
SG&A	(42,313)	(48,488)	15%	(42,536)	14%	(35,367)	(46,612)	32%	(41,207)	13%
SG&A/ Sales	8.54%	9.51%	98 bps	9.10%	41 bps	8.20%	7.31%	-89 bps	8.85%	-155 bps
EBITDA	**44,315**	**22,628**	**-49%**	**22,093**	2%	**25,579**	**24,796**	**-3%**	**22,917**	8%
EBITDA margin	**8.94%**	**4.44%**	-450 bps	**4.73%**	-29 bps	**5.93%**	**3.89%**	**-204 bps**	**4.92%**	-104 bps
Depreciation & Amortization	(8,721)	(14,350)	65%	(9,232)	-14%	(7,625)	(7,640)	0%	(9,095)	-16%
EBIT	**35,593**	**8,278**	**-77%**	**12,861**	-36%	**17,954**	**17,157**	**-4%**	**13,822**	**24%**
Net interest expense	(11,796)	(1,943)	-84%	(3,864)	-50%	(11,267)	(2,573)	-77%	(7,182)	-64%
Sundry income	3,129	6,415	105%	1,145	460%	4,525	2,893	-36%	3,929	-26%
Sundry expenses	(8,504)	6,290	-174%	(3,196)	-297%	(5,887)	(1,156)	-80%	(2,506)	-54%
Net Profits Before Taxes	**18,422**	**19,040**	3%	**6,947**	174%	**5,324**	**16,321**	**207%**	**8,061**	**102%**
Prov. Income Taxes	(6,052)	(3,032)	-50%	(1,036)	193%	(1,707)	(4,445)	160%	(2,303)	93%
Net Profits after Taxes	**12,371**	**16,007**	29%	**5,911**	171%	**3,618**	**11,877**	**228%**	**5,759**	**106%**
Minority interest	173	65	-62%	77	-15%	91	6	-94%	75	-92%
NPAUI	**12,543**	**16,072**	28%	**5,988**	168%	**3,708**	**11,883**	**220%**	**5,833**	104%

Source: CICR and company reports

July 27th, 2010

Changes to our Forecasts

Rolling over our 5-year forecast to 2014: We have rolled our 5-year forecast period over from 2013 to 2014.

Revising our top line estimates: We revised our top line estimates to account for the Trade segment's strong revenue performance in 1Q10 and the inclusion of new lines of business, namely the Land Transportation, Smart Buildings and the Plastic Recycling segments.

Trade segment forecasts raised an average 18% over FY2010-2014

Trade segment to remain main contributor to revenues: In 1Q10, Trade segment revenues accounted for almost 80% of total consolidated revenues. Due to the 71% increase in volumes of handsets sold and the recent addition of liquid crystal displays (LCDs) and **Etisalat Misr** offerings to the product mix, we adjusted our estimates going forward. We raised our estimates for Trade segment revenues an average 18% over the forecast period. According to company management, the Trade segment should contribute only 28% to earnings in five years' time, down from 50% in 2010. RAYA plans to gradually re-open the retail outlets it has previously shut as the market picks up.

IT revenues to maintain growth: Over the 2010-2014 period, we expect IT revenues to increase by a 5-year CAGR of 9%, to EGP599mn from EGP389mn in 2009. This will occur on the back of RAYA's strategy focused on serving promising sectors such as governmental and commercial sectors. Moreover, through **RAYA International Services**, the company offers IT services to **Saudi Arabia**, the **Gulf**, and **North Africa**.

Competition growing in this segment

Room for further growth in the Contact Center segment: In late 2010, RAYA plans to add 750 seats through its newly-inaugurated building in **Cairo Contact Center Park** in Maadi in addition to 500 seats in RAYA headquarters. We forecast Contact center revenues to grow by a CAGR of 8% over our 5-year forecast period. RAYA's management has warned that competition is strengthening in this segment as international players such as **Sykes** and **Global Stream** have entered the market (thanks to Egypt's strong position in the international outsourcing business). Recently, RAYA's chairman announced the company does not intend to sell any stake in the Contact center segment. However, RAYA does plan to partner with multinational players to expand its segment to 10,000 agents (up from the current 1,268), and will rely on advice from a major international consultant to coordinate this move. The chairman disclosed that RAYA plans to expand its "parking services" to benefit from the flow of foreign investments to Egypt over the coming period.

Lease contract to Palm Hills generates profits of EGP37mn over 2010 and 2011

Accounting for the new lease contract signed with Palm Hills: We accounted for the EGP90mn lease contract signed with **Palm Hills Middle East Co. for Real Estate Investments** (for 18 months starting in February 2010). Forecasted profits from this transaction are around EGP37mn, with almost EGP25mn of that figure representing operational profit for Raya Smart Buildings. The remaining EGP12mn is a capital gain that could result if RAYA transfers the title to Palm Hills in 2011.

Figure 12 | Accounting for the building leased to Palm Hills

(EGP 000)	2010 P	2011 P
Revenues	37,000	41,000
Costs	22,000	31,000
Gross Profits	**15,000**	**10,000**
Capital gain		12,000
Total Profits	**15,000**	**22,000**

Source: Company reports

Smart Buildings: A healthy profit generator

RAYA Smart Buildings, a new untapped field in Egypt: Once the smart buildings begin full operations (scheduled for 2011 and 2012), we expect profits to start flowing. This should be driven by the estimated high profitability of the segment (an 85% gross margin). We expect revenues to reach EGP215mn in 2014, contributing nearly 7% of RAYA's total consolidated revenues and 31% to total gross profit in 2014.

A field with high margins

BariQ, a promising new segment. We expect BariQ's revenues to reach EGP64mn once it is fully-utilized in 2012. With a forecasted gross margin of 52%, BariQ should contribute 7% to RAYA's consolidated gross profits in 2014.

Higher EBITDA and net income: We believe consolidated EBITDA and net income will improve in 2010, performing better than we had expected in our previous update as a result of the smart building segment's high gross profits. Beyond 2010, net income should grow an average 50% on (i) profits from the smart building segment and plastic recycling, (ii) a capital gain of EGP12mn in 2011 from the transfer of the Smart Village building to Palm Hills, (iii) anticipated returns from the investments in **Fawry** (the electronic bill payment business), **IBS**, **Smart Village Development Company**, and **Regional Investment Holding**.

Financing expansions: RAYA is expected to raise almost EGP342mn LTD to finance expansion in the Smart Buildings segment over 2010-2012 period. Similarly, RAYA is expected to raise EGP21mn LTD to finance its BariQ expansion over the 2010-2012 period. We have already incorporated the expected debt financing and its associated interest expense into our forecasts.

Figure 13 | New vs. Old Forecasts

EGP mn	2010E	2011E	2012E	2013E	2014E
Sales in our previous update	2,018	2,188	2,307	2,392	NA
Sales in new update	**2,452**	**2,567**	**2,783**	**2,992**	**3,132**
Change in sales	*21%*	*17%*	*21%*	*25%*	*NA*
Gross Profit in our previous update	285	307	319	327	NA
Gross Profit in new update	**298**	**339**	**480**	**588**	**632**
Change in Gross Profit	*4%*	*10%*	*51%*	*80%*	*NA*
Gross Profit in our previous update	14.1%	14.0%	13.8%	13.7%	*NA*
Gross profit margin in new update	**12.1%**	**13.2%**	**17.3%**	**19.6%**	**20.2%**
Change in Gross Profit Margin	*-2.0%*	*-0.8%*	*3.4%*	*6.0%*	*NA*
EBITDA in our previous update	106	112	116	120	NA
EBITDA in new update	**102**	**127**	**244**	**333**	**366**
Change in EBITDA	*-4%*	*13%*	*110%*	*177%*	*NA*
EBITDA margin in our previous update	5.2%	5.1%	5.0%	5.0%	*NA*
EBITDA margin in new update	**4.2%**	**5.0%**	**8.8%**	**11.1%**	**11.7%**
Change in EBITDA Margin	*-1.1%*	*-0.2%*	*3.7%*	*6.1%*	*NA*
Interest Expense in our previous update	(28)	(27)	(25)	(21)	NA
Interest Expense in new update	**(36)**	**(57)**	**(84)**	**(85)**	**(72)**
Change in Interest Expense	*27%*	*109%*	*235%*	*305%*	*NA*
Other net non-operating income in our previous update	3	3	3	3	NA
Other net non-operating income in our new update	18	33	18	24	29
Change in net non-operating income	*504%*	*949%*	*469%*	*626%*	*NA*
Net Income in our previous update	31	33	35	38	NA
Net Income in new update	**41**	**53**	**95**	**160**	**197**
Change in net income	*34%*	*58%*	*175%*	*315%*	*NA*

Source: CICR estimates

COMPANY NOTE

Valuation and Recommendation.

LTFV increased to EGP14.7 from EGP9.8: We used the sum-of-the-parts valuation method to value RAYA's new business structure. The existing three business segments (Trade, IT and Contact center) together with Ostool, the new land transportation segment, were valued using the free cash flow to the firm method. The other two new segments were valued using the free cash flow to equity method. We applied an execution risk factor of 25% to account for any delay in the operations of the three new segments. Our LTFV is now 50% higher at EGP14.7/share (thanks to the fair value of the new segments: Smart Buildings, Plastic Recycling and Land Transportation) along with the book value of RAYA's new investments such as **Regional Investment Holding**, **IBS**, **Egyptian Company for Developing Smart Village**, and **Fawry for Banks Technology & Electronic Payment**.

Figure 14| SoTP summary valuation

Line of Business (EGP 000)	Method of Valuation	Discount Rate (WACC/ Cost of Equity)	Perpetual growth	EV*	Net Debt (Debt-Cash)	Equity [EV-Net Debt]	Execution risk factor	Fair value/RAYA share (New)	Fair value/Raya Share (Old)
Trade LoB	FCFF	12%	2.0%	319,070	102,542	216,528		3.8	4.1
IT LoB	FCFF	12%	2.0%	290,495	29,054	261,441		4.6	4.6
Contact Center LoB	FCFF	12%	2.0%	100,812	3,418	97,394		1.7	1.5
Smart buildings LoB	FCFE	15%	5.0%		-	147,118	25%	1.9	-
Plastic recycling LoB	FCFE	15%	5.0%		-	79,339	25%	1.0	-
Land transportation LoB	FCFF	12%	2.0%	54,665	-	54,665	25%	0.7	-
Net debt of the Holding Co.					20,321	(20,321)		(0.4)	(0.5)
Book value of investments						69,713		1.2	0.1
LTFV**						**905,877**	**835,597**	**14.7**	**9.8**

* Assumptions of working capital and capex of each segment are based on our own assumptions

** LTFV is calculated one year forward

Source: CICR analysis

Target price set at EGP8.3/share - upgraded to Strong Buy: We raised our target price 51% to EGP8.3/share from EGP 5.5/share. Based on this value, RAYA would be trading at a 7% premium to the market's 2010E PER of 10.8x. Given the resulting 50% upside potential, we upgrade our recommendation to **Strong Buy** from Sell.

We reached our target price of EGP8.3/share by taking the average of the implied values based on a 2010E, 2011E and 2012E composite peers' average. We applied a 25% execution discount factor for the value in 2012 to account for any delay that might occur for the new business segments that are expected to be almost fully utilized in 2012.

Figure 15 | Target price calculation

	2010E	2011E	2012E
Peers' composite PER	9.0x	8.5x	8.5x
RAYA EPS (EGP/share)	0.7	0.9	1.7
Implied value (EGP/share)	**6.5**	**7.8**	**14.3**
Execution risk factor			**25%**
Average value (EGP/share)	**8.3**		

Source: CICR estimates

Figure 16 | Implied PER based on the target price

Current Price	5.5	2010E	2011E	2012E
PER		7.7x	6.0x	3.3x
Target Price	**8.3**	**2010E**	**2011E**	**2012E**
PER		11.6x	9.0x	5.0x

Source: CICR analysis

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Figure 17 | RAYA's Segments PER vs. International Peers

Company Name	Ticker	Country	Currency	Last Price* LCY	PER 09a	10e	11e	12e
Trade segment								
Mobilezone Holding AG-BR	Mob SW	SZ	CHF	9.3	14.2x	13.5x	12.9x	12.3x
Avnet Inc	AVT US	US	USD	25.1	13.1x	7.9x	7.8x	7.8x
Brightpoint Inc	CELL US	US	USD	7.3	15.6x	8.8x	7.5x	7.5x
Average					**14.3x**	**10.1x**	**9.4x**	**9.2x**
IT segment								
BATM Advanced Communications	BVC LN	IS	GBp	0.2	4.7x	5.2x	4.7x	4.5x
GIJIMA Ast Group LTD	GIJ SJ	SA	ZAr	0.9	7.5x	4.8x	4.2x	4.0x
EOH Holdings LTD	EOH SJ	SA	ZAr	10.9	8.9x	8.5x	8.1x	7.7x
Computer Sciences Corp	CSC US	US	USD	45.7	8.6x	8.0x	7.4x	7.4x
Average					**7.5x**	**6.6x**	**6.1x**	**5.9x**
Contact Center segment								
Sykes Enterprises Inc	SYKE US	US	USD	14.6	12.4x	7.9x	7.5x	7.1x
APAC Customer services Inc	APAC US	US	USD	5.9	9.2x	11.3x	10.8x	10.3x
Average					**10.8x**	**9.6x**	**9.1x**	**8.7x**
Smart Buildings segment								
Mastec Inc	MTZ US	US	USD	10.8	11.9x	9.7x	9.1x	9.1x
Average					**11.9x**	**9.7x**	**9.1x**	**9.1x**
Plastic Recycling segment								
Yasuhara Chemical Co Ltd	4957 JP	JN	JPY	720.0	15.4x	14.6x	13.9x	13.3x
Argha Karya Prima Industr PT	AKPI IJ	ID	IDR	1160.0	8.3x	7.9x	7.6x	7.2x
Average					**11.9x**	**11.3x**	**10.8x**	**10.2x**
Composite Peer average					**11.8x**	**9.0x**	**8.5x**	**8.5x**
Raya Holding	**RAYA**	**EGY**	**EGP**	**5.5**	**7.6x**	**7.7x**	**6.0x**	**3.3x**

**Composite peers' average is based on each segment's contribution to gross profits*
Source: Bloomberg, Company reports and CICR estimates

Catalysts

- Greater-than-expected pick-up in the handset market.
- The Trade segment penetrating a new foreign market.
- Imposing anti-dumping duties on Chinese handsets sold legally in the local market.
- Rapid expansion in the land transportation segment should drive up return on investments.
- Growing demand for new smart buildings in Egypt.
- Increasing flow of foreign IT investments into Egypt.

Risks

- Serious competition from other distributors in the Trade segment.
- Competition from local and international companies in the contact center business.
- Poor waste collection points could deter the success of plastic recycling plant.
- Increasing competition in the smart building field may lead to a lower occupancy rate for RAYA's new planned buildings.

Figure 18| RAYA's New Inter-corporate Investment Portfolio

Company	Paid-in capital (EGP000)	RAYA's stake	Accoun ng method	Operation	Date of start of operation
Minority active investments					
Fawry for Banks Technology & Electronic Payment	EGP30,000	35%	Equity method	An electronic bill payment and presentment (EBPP) company that enables the Egyptian public to securely pay their bills through the various electronic channels available at banks; including ATMs, the internet, mobile phones, call centers and IVR.	4Q09
IBS	NA	49%	Equity method	IBS is an importer and assembler in the ICT market. IBS is the authorized distributor and service provider for BenQ and ASUS products in Egypt.	1996/ RAYA exercised a call option in 2009 & 2010 for a total value of EGP10.12mn
Minority passive investments					
Egyptian Company for Developing Smart Village	EGP422,249	3%	Available-for-sale investments	Managing & developing of Smart Village	Existing
Regional Investment Holding Ltd	USD110,000	5%	Available-for-sale investments	River transportation and ports management	Existing
Controlling stakes					
Ostool, Land Transportation	EGP40,000	45%	Consolidation	Engages in land transportation with plans to own about 300 heavy trucks within 3-5 years	2Q10
Raya for Financial Lease	EGP490	100%	Consolidation	Leasing a building to Palm Hills Middle East Dev.	2010
Raya Smart Buildings & Raya for Construction	EGP1,000	100%	Consolidation	Develops smart office/commercial buildings complexes with genuine infrastructure and variety of IT systems	2010
Arab Homes for Financial Leasing Company	EGP12,000	100%	Consolidation	Currently is utilized to finance the Smart Village building transaction.	2009
Egyptian Co. for Investment & Glass manufacturing*	EGP120	100%	Not consolidated	Expecte to handle the commercial and export activities and to offer feasibility studies to glass manufacturers	NA
BariQ	EGP70,000	94%	Consolidation	Recycling and remanufacturing of plastic materials	2Q11

*RAYA is looking for a substitute to Interpane, which is facing financial problems

Source: CICR & Company reports

Company Financials [2008A-2014P]

Balance Sheet (EGP mn)	2008 A	2009 A	2010 P	2011 P	2012 P	2013 P	2014 P
Assets							
Cash & Cash Equivalent	59	116	71	79	132	175	183
Net Receivables	205	217	265	277	300	324	348
Total Inventory	413	231	489	713	805	825	843
Advance Payment to Suppliers	22	16	24	24	25	26	27
Total Current Assets	**699**	**579**	**848**	**1,094**	**1,262**	**1,350**	**1,401**
Net Plant	**297**	**254**	**275**	**286**	**290**	**283**	**270**
Long-Term Investments	38	59	62	62	62	62	62
Other Trading Non-Current Assets	74	229	237	237	237	237	237
Other Non-current Assets	57	59	61	64	70	75	78
Intangibles	76	71	71	71	71	71	71
Total Assets	**1,240**	**1,252**	**1,553**	**1,814**	**1,991**	**2,078**	**2,119**
Liabilities & Shareholders' Equity							
Short-Term Debt	340	240	255	298	362	362	315
Current Portion of Long-Term Debt	28	14	24	79	82	79	73
Accounts Payable	128	229	277	287	296	310	322
Accrued Expenses	40	47	65	67	69	72	75
Down Payments to customers	40	33	44	46	49	53	56
Taxes Payable	17	12	12	12	12	12	12
Dividends Payable	0	7	14	18	33	56	68
Other Current Liabilities	64	61	98	103	111	120	125
Total Current Liabilities	**655**	**643**	**788**	**911**	**1,015**	**1,063**	**1,047**
Total Long-Term Debt	66	58	179	282	291	224	151
Other Non-Current Liabilities	5	4	4	4	4	4	4
Total Liabilities	**726**	**706**	**972**	**1,197**	**1,310**	**1,291**	**1,202**
Deferred Taxes	43	54	62	63	63	64	64
Minority Interest	(2)	(2)	(2)	(2)	(1)	1	2
Shareholders Equity	**473**	**495**	**522**	**556**	**618**	**722**	**851**
Total Liab. & Shareholders' Equity	**1,240**	**1,252**	**1,553**	**1,814**	**1,991**	**2,078**	**2,119**

Income Statement (EGPmn)	2008A	2009 A	2010 P	2011 P	2012 P	2013 P	2014 P
Revenues	**2,176**	**1,870**	**2,452**	**2,567**	**2,783**	**2,992**	**3,132**
Trade LoB	1,740	1,429	1,944	1,954	1,998	2,043	2,091
IT LoB	391	389	425	463	504	549	599
Contact Center LoB	69	70	78	90	94	100	104
Smart Buildings LoB		5	37	55	128	206	215
Plastic Recycling LoB (BariQ)		0	0	24	64	79	82
Land transportation (Ostool)		0	4	18	36	58	87
intercompany sales	(24)	(24)	(36)	(38)	(41)	(44)	(46)
Cost of Revenues	**(1,848)**	**(1,613)**	**(2,154)**	**(2,228)**	**(2,302)**	**(2,404)**	**(2,500)**
Gross Profits	**328**	**257**	**298**	**339**	**480**	**588**	**632**
Trade LoB	213	145	158	167	185	198	211
IT LoB	81	78	86	93	98	106	115
Contact Center LoB	33	33	38	43	43	45	46
Smart Buildings LoB		5	15	22	109	175	183
Plastic Recycling LoB (BariQ)			0	8	33	41	42
Land transportation (Ostool)			1	5	13	23	35
SG&A	(190)	(171)	(196)	(212)	(237)	(254)	(266)
EBITDA	**138**	**86**	**102**	**127**	**244**	**333**	**366**
Depreciation & Amortization	(32)	(38)	(33)	(37)	(58)	(71)	(74)
EBIT	**106**	**48**	**69**	**91**	**186**	**263**	**291**
Interest Expense	(36)	(25)	(36)	(57)	(84)	(85)	(72)
Provisions	(12)	(5)	(5)	(5)	(5)	(5)	(5)
Interest Income	1	2	2	1	2	4	5
Investment Income	6	(5)	6	12	16	21	25
Other Non-Operating Income	10	33	15	24	5	4	3
EBT	**74**	**49**	**51**	**66**	**120**	**201**	**248**
Taxes	(21)	(8)	(10)	(13)	(24)	(40)	(50)
NPAT	**53**	**41**	**41**	**53**	**96**	**161**	**198**
Minority Interest	1	0	0	(0)	(1)	(1)	(2)
Attributable Profits	**54**	**42**	**41**	**53**	**95**	**160**	**197**

Cash Flow (EGPmn)	2008 A	2009 A	2010 P	2011 P	2012 P	2013 P	2014 P
NOPAT	68	23	52	77	162	222	242
Depreciation & Amortization	32	38	33	37	58	71	74
Gross Cash Flow (COPAT)	**100**	**61**	**86**	**114**	**220**	**293**	**316**
Working Investments Change	(96)	278	(236)	(224)	(101)	(24)	(25)
Other Current Items	(26)	(8)	37	5	9	8	6
Cash After Current Operations	**(22)**	**331**	**(113)**	**(106)**	**127**	**278**	**296**
Financing Payments	(56)	(53)	(49)	(80)	(163)	(167)	(151)
Cash Before Long Term Use	**(78)**	**278**	**(163)**	**(186)**	**(36)**	**111**	**146**
Net Plant Change	(96)	9	(54)	(48)	(62)	(64)	(61)
FCFF	**(118)**	**340**	**(168)**	**(153)**	**66**	**214**	**235**
Others	12	(135)	12	30	13	19	26
Cash Before Financing	**(162)**	**153**	**(205)**	**(203)**	**(84)**	**66**	**110**
Short-Term Debt	94	(99)	15	44	63	(0)	(46)
Long-Term Debt	24	6	144	182	92	11	0
Networth	(13)	(5)	0	(0)	(1)	(1)	(2)
Grey Area	0	10	8	0	1	1	2
Dividends	(8)	(7)	(7)	(14)	(18)	(33)	(56)
Change in Cash	(65)	57	(45)	9	52	44	8

Fact Sheet	2008 A	2009 A	2010 P	2011 P	2012 P	2013 P	2014 P
ROE	11.4%	8.4%	7.9%	9.5%	15.4%	22.1%	23.1%
ROS	2.5%	2.2%	1.7%	2.1%	3.4%	5.3%	6.3%
ROA	4.4%	3.3%	2.6%	2.9%	4.8%	7.7%	9.3%
ROIC	7.8%	2.9%	5.4%	6.4%	12.0%	16.1%	17.5%
Gross Margin	**15.1%**	**13.7%**	**12.1%**	**13.2%**	**17.3%**	**19.6%**	**20.2%**
Trade LoB	12.2%	10.2%	8.1%	8.6%	9.3%	9.7%	10.1%
IT LoB	20.7%	20.1%	20.2%	20.1%	19.4%	19.3%	19.1%
Contact Center LoB	47.9%	47.5%	49.2%	47.7%	45.9%	44.6%	43.9%
Smart Buildings LoB		0.0%	40.5%	40.0%	85.0%	85.0%	85.0%
Plastic Recycling LoB (BariQ)			NA	35.2%	52.0%	52.0%	52.0%
Land transportation (Ostool)			25.0%	30.0%	35.0%	40.0%	40.0%
EBITDA Margin	**6.3%**	**4.6%**	**4.2%**	**5.0%**	**8.8%**	**11.1%**	**11.7%**
ATO	1.8	1.5	1.6	1.4	1.4	1.4	1.5
WI/ Sales	0.2	0.2	0.3	0.3	0.3	0.3	0.3
ALEV	2.6	2.5	3.0	3.3	3.2	2.9	2.5
Liabilities/Networth	1.5	1.4	1.9	2.2	2.1	1.8	1.4
Current Ratio	1.1	0.9	1.1	1.2	1.2	1.3	1.3

Per-Share Ratios	2008 A	2009 A	2010 P	2011 P	2012 P	2013 P	2014 P
Share Price	5.5	5.5	5.5	5.5	5.5	5.5	5.5
No. Of Shares (mn)	57.0	57.0	57.0	57.0	57.0	57.0	57.0
EPS	0.9	0.7	0.7	0.9	1.7	2.8	3.4
DPS	0.2	0.2	0.2	0.3	0.6	1.0	1.2
Revenues/Share	38.2	32.8	43.0	45.0	48.8	52.5	55.0
BV/Share	8.3	8.7	9.2	9.8	10.9	12.7	14.9
Gross Cash Flow/Share	1.8	1.1	1.5	2.0	3.9	5.1	5.5
FCFF/Share	(2.1)	6.0	(2.9)	(2.7)	1.1	3.7	4.1
EBITDA/Share	2.4	1.5	1.8	2.2	4.3	5.9	6.4
EV/Share	12.1	9.0	12.3	15.7	16.1	14.1	11.8

Multiples	2008 A	2009 A	2010 P	2011 P	2012 P	2013 P	2014 P
P/E	5.8x	7.6x	7.7x	6.0x	3.3x	2.0x	1.6x
Dividend Yield	4%	5%	4%	6%	10%	17%	21%
P/ Revenue	0.1x	0.2x	0.1x	0.1x	0.1x	0.1x	0.1x
EV/ Revenues	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x	0.2x
P/ COPAT	3.2x	5.1x	3.7x	2.8x	1.4x	1.1x	1.0x
EV/ COPAT	6.9x	8.3x	8.2x	7.9x	4.2x	2.7x	2.1x
P/ FCFF	-2.7x	0.9x	-1.9x	-2.1x	4.8x	1.5x	1.3x
EV/ FCFF	-5.9x	1.5x	-4.2x	-5.8x	14.0x	3.8x	2.9x
P/ EBITDA	2.3x	3.7x	3.1x	2.5x	1.3x	0.9x	0.9x
EV/ EBITDA	5.0x	6.0x	6.9x	7.0x	3.8x	2.4x	1.8x
P/ BV	0.7x	0.6x	0.6x	0.6x	0.5x	0.4x	0.4x

Note: A = Actual; P= Projected

Source: Company reports and CICR estimates

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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%	