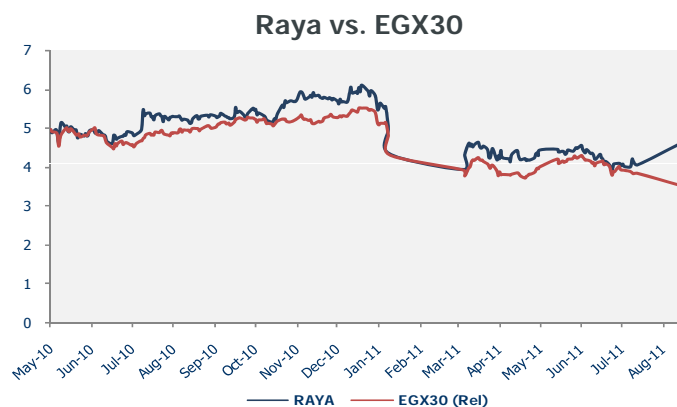
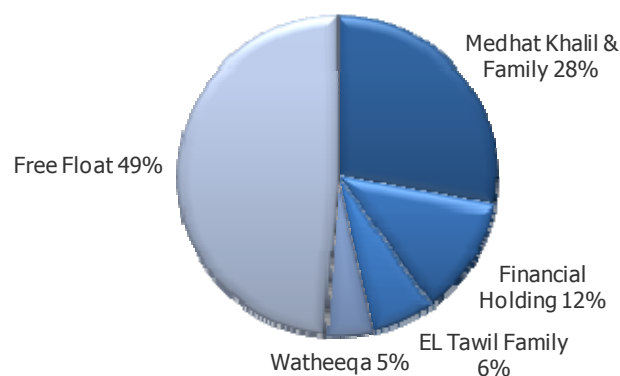


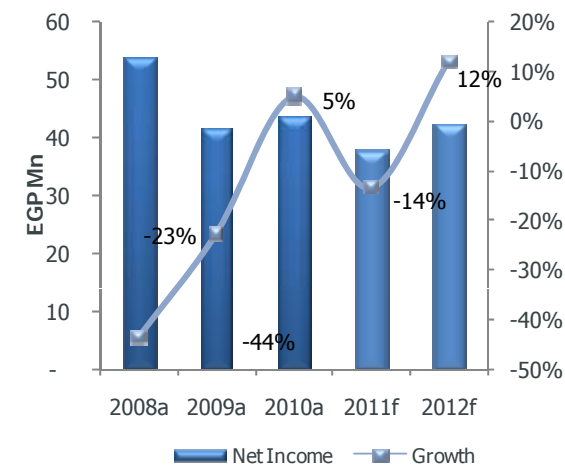
Date	22-Aug-11
Fair Value	6.59
Market Price (22 August 2011)	4.60
Upside Potential %	43%
Recommendation	Buy
Financial Year End	December
Ticker	RAYA
Sector	Telecom
No. of Shares (Mn)	62.0
Capital (EGP Mn)	310.8
Index	EGX30
Market Cap. (EGP Mn)	285.9
52W Range (EGP)	3.57-6.25
Av. Daily volume (000' shares) (6Months)	254.2
Free Float	49%



Shareholder Structure



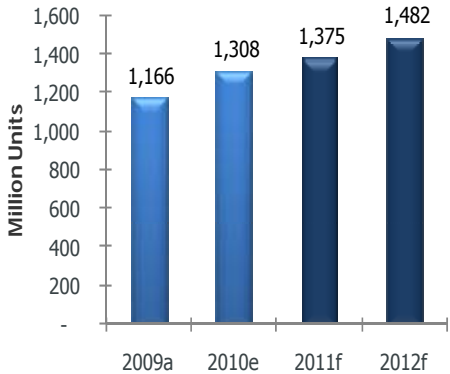
Net Profit



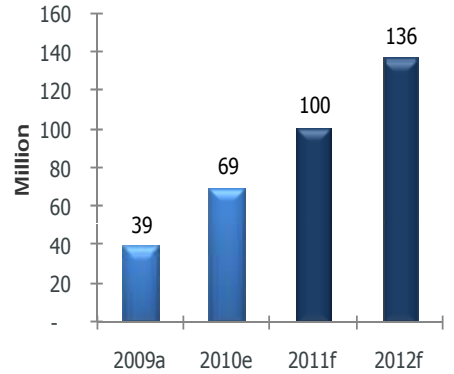
	2010a	2011f	Change%	2012f	2013f
Revenue	2,560	2,304	-10%	2,551	2,798
Gross Profit	368	329	-11%	380	420
Gross Profit Margin%	14.4%	14.3%	0%	14.9%	15.0%
EBIT	105	74	-30%	103	111
EBIT Margin%	4.1%	3.2%	-1%	4.0%	4.0%
Net Profit	44	38	-14%	42	46
Net Profit Margin%	1.7%	1.6%	0%	1.7%	1.7%
EPS (EGP)	0.70	0.61	-14%	0.68	0.75
DPS (EGP)	0.00	0.00	NA	0.00	0.00
P/E	6.56	7.58	16%	6.77	6.16
P/BV	0.55	0.52	-7%	0.48	0.45
Dividend Yield	0%	0%	NA	0%	0%

Source: Raya, Sigma Capital Estimates.

Worldwide Mobile Handset Shipments

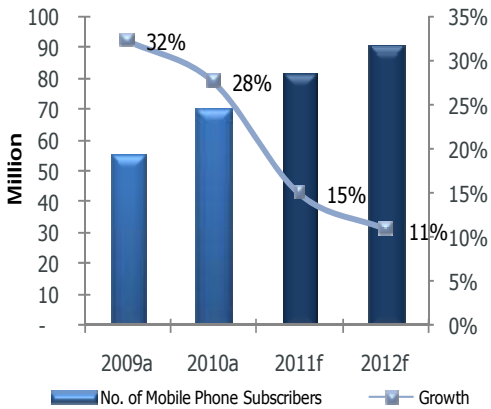


Worldwide Mobile Applications User Base

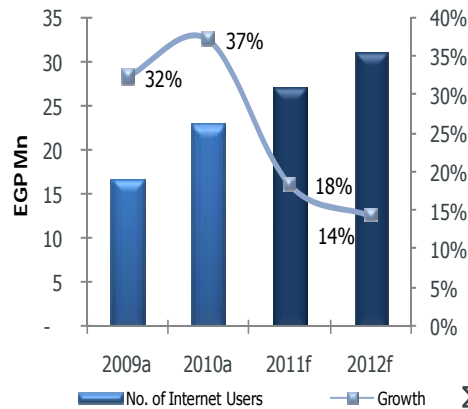


Σ Mobile handset industry is highly correlated to different factors, such as mobile penetration, subscriber additions and handset replacement rates. Rising mobile penetration increases the subscriber base, which fuels the demand for handsets; and the introduction of new technologies impacts replacement rates. Total worldwide handsets shipments recorded an impressive growth of 7% reaching 1,308 million units in FY10 up from 1,166 million units. Customer handsets' spending accelerated growth rate is primarily attributable to the implementation of new technologies (3G, 4G & Long Term Evolution) and the availability of new devices with better features and designs. Moreover, mobile applications are rapidly changing and enhancing the mobile industry, transforming mobile handsets from simple communication devices into gadgets with powerful information, entertainment; thus, boosting the use of mobile data services.

Egypt-Total Mobile Subscribers



Egypt-Total Internet Users



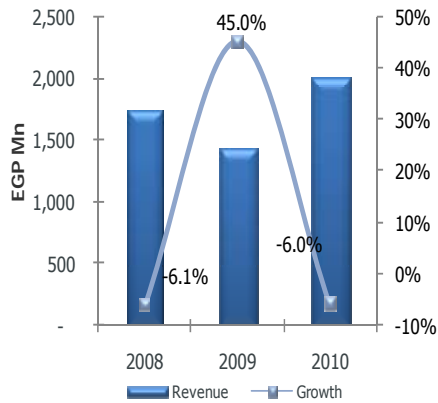
Σ Mobile market is almost reaching saturation levels in developed countries at an average of 116 subscriptions/100 inhabitants at the end of FY10 at a marginal growth of 1.6%. Concurrently, the developing world is increasing its share of mobile subscriber-base from 53% in FY05 to 68% at the end of FY10.

Σ Egypt's telecom industry is experiencing rapid growth despite recent political events and losses that telecom companies incurred during the uprising ranging from USD90Mn to USD110Mn (with the higher figure factoring in the exodus of call centers). Egypt's mobile market grew by an impressive 28% in May FY11 with net additions standing at 16.52 million subscribers to reach 74.77 million subscribers in May FY11. Accordingly, mobile penetration rose to 94.13% in May FY11 up from 74.85% in the previous year. On the other hand, 3G subscriptions recorded 4.35 million subscribers in FY10, representing 6.16% of Egypt's FY10's total mobile subscriber base that stood at 70.66 million subscribers. Meanwhile, the numbers of internet users and broadband subscribers continue to increase at a robust rate. Internet users reached almost 25.76 million in May FY11, increasing 20.94% over the last year.

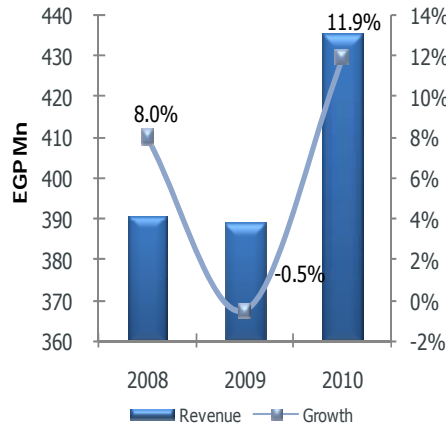
Σ It's worth mentioning that a significant downgrade to Egypt' country risk rating was made on the back of the political crisis and uncertainty over the formation of a democratically elected government.

Source: BMI & ITU, (based on Dec. released figures)

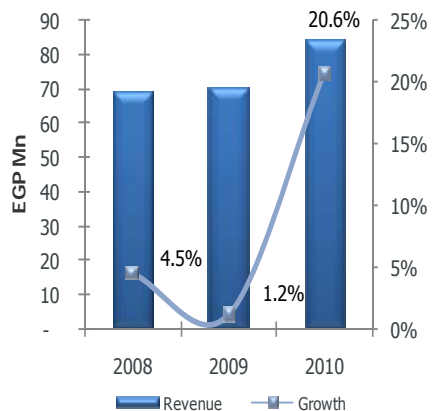
Mobile Handsets Revenues



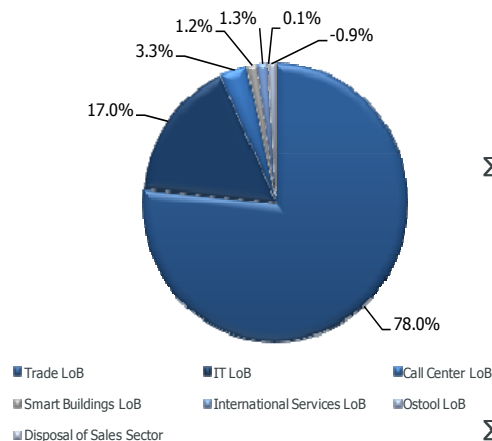
IT Revenues



Call Center Revenues



Revenue Split



Source: Raya Holding

Σ RAYA is one of the largest telecommunications and IT industry market players in the region, capturing a leading market share in the Egyptian mobile handsets distribution market. In addition to Raya's three major lines of businesses, trade & distribution, IT and call centers; the company diversified its core business to include smart buildings, integrated IT solutions, recycling as well as logistics.

Σ Raya Smart Buildings offers smart office/commercial buildings complexes as well as green buildings. Raya Smart Buildings currently has a total land bank of 27,690m² with 115,000m² built-up areas in 6th of October, new Cairo and planned total investment of EGP600Mn. The construction of the first smart and green office building project in smart village "Raya View" started August FY10 and it's expected to be completed in 2Q11. The second project is in new Cairo "Raya Offices" which is currently under construction and expected to be launched by 4Q12. "Raya Plaza" is another new project in new Cairo and expected to be completed in 4Q13. Raya Smart Buildings launched its management arm "Raya Management Facility" which provides facility operation, maintenance and design-built services.

Σ Raya International Services (RIS) provides state of the art IT solutions to different sectors (governmental, utilities, health & education) in the MENA region. Such solutions include enterprise resource planning, software development and software infrastructure technology services.

Σ Raya Holding Investments added "Bariq Co." for recycling and remanufacturing of plastic materials with EGP4Mn paid in capital and in which Raya owns 94%. The company will start operations by the end of FY11 and it is considered to be the first of its kind in Egypt. In addition to "Ostool Co." for ground cargo transportation which started operations in April FY10 and is targeting to be the largest logistics and ground cargo transportation company serving North Africa, Sudan, and ME region with 35 trucks by FY11. Raya holds 45% of the company.

Σ On the other hand, Raya expanded its portfolio of investments to include "Fawry" for Banks Technology & Electronic Payment in which Raya holds 35% with total investments of EGP16.1Mn which started operations in 4Q09; as well as International Business Solutions (IBS) which is specialized in the manufacturing and distribution of LCDs, projectors, digital cameras and computers that Raya sells at its stores and online. Raya increased its stake in IBS to 49%, with a total investment value of EGP10Mn. Finally, Raya acquired a 30% stake in Rameda which is an Egyptian pharmaceutical company in 1Q11. Raya Holding is planning to increase its total investment portfolio to EGP700Mn by FY14.

Σ Raya has recently announced the establishment of a new company specialized in building social networking sites at an investment cost of EGP20Mn over three years, to be financed through 75% equity & 25% debt.

Item	FY10	Comment and Analysis	1H11	Comment and Analysis	Income Statement (EGP Mn)				
					2009a	2010a	1H10	1H11	
Revenue	+37%	<ul style="list-style-type: none"> Σ The increase in FY10 revenue was mainly driven by: <ul style="list-style-type: none"> • A 39% growth in trade business segment revenue due to a 16% increase in the number of handsets sales on the back of the recovery of the latter's market, new product mix introduction, as well as the launch of Etisalat strategic partnership with new products and value added services. • A 12% increase in IT revenues due to the successful implementations of a number of projects during FY10, such as multiple outsourcing projects with Mubadalah, Abu Dhabi Judicial Department and Federal Authority for Government Human Resources. • A 21% increase in call center revenues mainly attributable to the launch of Raya & Cisco's "Cairo Center of Excellence" Operations. • A more than 5-fold increase in the recently introduced, "smart buildings", recording EGP30Mn in FY10 vs. EGP6Mn in FY09. 	-11%	<ul style="list-style-type: none"> Σ The decline in 1H11 revenue was mainly driven by: <ul style="list-style-type: none"> • An 8% decrease in trade & distribution sales revenue recording EGP913Mn compared to EGP996Mn during 1H10 as shops were closed during the revolution and three retail outlets were damaged and burnt, constituting a loss worth EGP3Mn. • A 34% decrease in IT sales revenue standing at EGP135Mn compared to EGP204Mn in 1H10 as corporate spending remained under-pressure. • A 63% decline in smart buildings sales revenue reaching EGP10Mn compared to EGP28Mn in 1H10 due to economic instability reflecting customers' reluctance to invest in real estate. 	Revenues	1,871	2,560	1,262	1,123
					Cost of Goods Sold	-1,586	-2,192	-1,077	-963
					Gross Profit	285	368	186	160
					Selling, General & Administrative Expenses	-196	-224	-103	-99
					Depreciation & Amortization	-40	-38	-35	-22
					Other Income/Expense	22	-11	5	-7
					Net Interest	-24	-8	-4	-5
					Net Provisions	2	-28	-17	-7
					Net Profit Before Tax	49	60	31	21
					Taxes	-8	-18	-10	-9
					Minority Interest	0	1	0	1
					Net Profit	42	44	21	13
					EPS (EGP)	0.73	0.70	0.33	0.22
COGS	+38%	<ul style="list-style-type: none"> Σ FY10 COGS increase was primarily driven by a 20% increase in IT raw material cost along with a 41% increase in trade & distribution and a 68% rise in IBS. Σ Gross profit margin stood at 14% in FY10 compared to 15% in FY09. Σ The increase in COGS is partially related to the introduction of Etisalat strategic partnership (IT related services). Σ EBITDA reached EGP145Mn in the FY10 compared to EGP89Mn with an EBITDA margin standing at 6% vs. 5% in the FY09. 	-11%	<ul style="list-style-type: none"> Σ The decline in COGS was primarily driven by a 33% decrease in IT cost along with an 8% decrease in trade & distribution costs. In addition to a 71% decrease in smart buildings costs. Σ Gross profit margin reached 14% in 1H11 compared to 15% for the same period last year. Σ EBITDA recorded EGP62Mn in 1H11 compared to EGP82Mn for the same period last year with EBITDA margin standing at 5% in 1H11 vs. 7% for the same period last year, indicating that Operations were severely affected due to revolution. 	Balance Sheet (EGP Mn)				
					Cash	122	96	163	72
					Accounts Receivable	379	447	440	442
					Inventories	188	191	224	285
					Other Current Assets	43	70	57	77
					Total Current Assets	732	804	883	877
					Fixed Assets	238	197	179	245
					Other Long Term Assets	283	354	341	439
					Total Assets	1,252	1,354	1,403	1,560
Net Profit	+5%	<ul style="list-style-type: none"> Σ Although gross profit surged 14%, net profit recorded an only 5% increase YoY and this was mainly attributable to: <ul style="list-style-type: none"> • Other expenses of EGP11Mn in FY10 that have replaced other income of EGP22Mn in FY09. • A more than 10-fold increase in provision expense recording EGP31Mn compared to EGP3Mn in FY09 as the Algerian Customs Authority (Direction Générale des Douanes Algériennes DGD) imposed a fine on Raya Algeria amounting to EGP34.9Mn. • A 129% increase in income taxes. 	-35%	<ul style="list-style-type: none"> Σ The huge dip in 1H11 net profit was mainly attributable to: <ul style="list-style-type: none"> • A 16% increase in net interest due to a 3% increase in interest expense amounting to EGP5.0Mn in 1H11 vs. EGP4.8Mn for the same period last year. • A more than 8-fold increase in receivables impairment recording EGP2.3Mn in 1H11 compared to EGP0.28Mn in 1H10. • A 51% decrease in other revenue reaching EGP3.2Mn compared to EGP6.5Mn in 1H10. • Unusual losses of EGP3Mn in the 1H11 compared to nil in the 1H10 mainly due to outlets' losses during the revolution. 	Short Term Debt	257	278	283	390
					Accounts Payable	229	187	305	249
					Other Current Liabilities	148	172	189	148
					Total Current Liabilities	634	637	776	786
					Long Term Debt	58	91	49	128
					Provisions	11	37	72	43
					Other Long Term Liabilities	56	71	11	73
					Total Liabilities	759	836	908	1,031
					Total Equity Including Minorities	493	518	495	530
					Total Liabilities and Equity	1,252	1,354	1,403	1,560

Valuation Assumptions	2010a	2011e	2012f	2013f
Trade LoB				
Mobile Distribution Revenue (EGP Mn)	1,581	1,295	1,455	1,588
<i>Y-o-Y change</i>	74%	-18%	12%	9%
IT Distribution Revenue (EGP Mn)	203	215	233	251
<i>Y-o-Y change</i>	-24%	6%	8%	8%
Retail Revenue (EGP Mn)	145	137	147	157
<i>Y-o-Y change</i>	-1%	-5%	7%	7%
Maintenance Revenue (EGP Mn)	93	100	118	126
<i>Y-o-Y change</i>	20%	8%	18%	7%
Total Trade Revenue (EGP Mn)	1,993	1,748	1,952	2,123
<i>Y-o-Y change</i>	39%	-12%	12%	9%
IT LoB				
Infrastructure Revenue (EGP Mn)	279	263	276	299
<i>Y-o-Y change</i>	12%	-6%	5%	8%
Business Applications Revenue (EGP Mn)	139	132	140	151
<i>Y-o-Y change</i>	12%	-5%	6%	8%
Outsourcing Services Revenue (EGP Mn)	17	17	18	19
<i>Y-o-Y change</i>	12%	-5%	6%	8%
Total IT Revenue (EGP Mn)	435	412	434	469
<i>Y-o-Y change</i>	12%	-5%	5%	8%
Total Call Center Revenue (EGP Mn)	84	78	86	96
<i>Y-o-Y change</i>	21%	-8%	10%	12%
Segments with Minor Contribution				
Smart buildings LoB (EGP Mn)	31	44	11	12
<i>Y-o-Y Change</i>	446%	45%	-75%	5%
International Services LoB (EGP Mn)	33	30	33	35
<i>Y-o-Y Change</i>	78%	-10%	10%	7%
Ostool LoB (EGP Mn)	3	15	31	38
<i>Y-o-Y Change</i>	-111%	500%	100%	25%
Bariq LoB (EGP Mn)	0	0	30	53
<i>Y-o-Y Change</i>	0%	0%	0%	75%
Inter-Company Sales (EGP Mn)	(23)	(23)	(26)	(28)
<i>Y-o-Y Change</i>	27%	2%	9%	10%
Total Revenue (EGP Bn)	2.6	2.3	2.6	2.8
<i>Y-o-Y Change</i>	37%	-10%	11%	10%

N.B: It's worth mentioning that Raya Holding has signed a financial lease contract with Palm Hills Developments (PHDC) for Raya's own administrative building in Smart Village with a total value of EGP90Mn and an expected total capital gain of EGP37Mn of which EGP15Mn was booked in FY10 and EGP22Mn in FY11.

- Σ We forecast that Raya's top line will witness a slowdown of 10% in FY11 on the back of the economic turmoil and high pressures on consumer spending.
- Σ Although mobile handsets sales started to recover in 1Q11, and continued improving even during 1H11, after being squeezed for more than one month, as per company's management; we believe that headsets sales revenue will slowdown by 18% in FY11 as a result of lower selling prices due to aggressive competition in consumer electronics. The decrease is mainly attributable to consumer and corporate spending cuts following the revolution that took place early this year. However, we believe that, starting FY12 and going forward, headsets sales revenue will surge on the back of the expansion in African countries and an improving economic and political conditions.
- Σ IT sales revenue is expected to witness a 5% decrease in FY11 due to the shrinkage in corporate spending in private sector along with a suspension of a number of governmental projects. Nevertheless, Egypt's IT spending is expected to increase to USD1.9Bn by FY13 up from USD1.2Bn in FY10 together with an expected market growth of 12% over the four coming years, as per company guidance. Thus, IT revenue will recover and start to perform well by FY12.
- Σ Our forecasts assume that call center sales revenue will slump 8% in FY11 as the company incurred losses of EGP4Mn as a result of the cancellation of four local projects as well as the delay of three off-shore projects.
- Σ Raya's investment in smart buildings is expected to witness a growth of 45% as a result of high demand despite the slowdown in real estate sector, as per company's guidance. Moreover, the regional market for smart buildings is expected to reach USD3.25Bn by the end of FY11. It's worth mentioning that Raya postponed two of its projects to be launched in the 2H13 instead of the 4Q11.
- Σ Bariq will be launched by the end of FY11 and it should contribute 7% to Raya's revenue by FY15. In addition, Ostool which started operation in 2Q10 is expected to witness a 6-fold increase in FY11 as it plans to have 35 trucks by FY11.
- Σ Our forecasts assume that net profit will slip 14% and start picking up in FY12. We assume that the company will start paying cash dividends by FY14 as most of its projects will be completed by FY13 leaving the company with excess cash and no further announced expansions.

Income Statement (EGP Mn)	2010a	2011f	2012f	2013f	Key Financial Indicators	2010a	2011f	2012f	2013f
Revenues	2,560	2,304	2,551	2,798	Liquidity				
Cost of Goods Sold	-2,192	-1,974	-2,171	-2,378	Current Ratio	1.3	1.3	1.2	1.1
Gross Profit	368	329	380	420	Quick Ratio	1.0	0.8	0.8	0.8
Selling, General & Administrative Expenses	-224	-217	-235	-245	Efficiency				
Depreciation & Amortization	-38	-38	-43	-64	Inventory Turnover	11.5	7.6	9.0	10.2
Other Income/Expense	-11	22	0	0	Inventory DOH	31.8	47.9	40.7	35.6
Net Interest	-8	-38	-48	-51	Receivables Turnover	5.7	5.4	6.1	6.9
Net Provisions	-28	-10	0	0	Average Collection Days	63.7	67.9	60.2	52.9
Net Profit Before Tax	60	49	55	60	Fixed Assets Turnover	13.0	10.3	7.6	6.4
Taxes	-18	-12	-14	-15	Total Assets Turnover	1.9	1.6	1.6	1.7
Minority Interest	1	1	1	1	Leverage				
Net Profit	44	38	42	46	Debt Ratio	27.2%	30.8%	32.3%	32.1%
EPS (EGP)	0.70	0.61	0.68	0.75	Debt-Equity Ratio	71.1%	82.2%	86.5%	85.0%
DPS (EGP)	0.00	0.00	0.00	0.00	Times Interest Earned	10.5	1.7	2.0	2.0
Balance Sheet (EGP Mn)	2010a	2011f	2012f	2013f	Profitability				
Cash	96	37	58	75	Revenue Growth	36.9%	-10.0%	10.7%	9.7%
Accounts Receivable	447	428	421	406	Gross Profit Margin	14.4%	14.3%	14.9%	15.0%
Inventories	191	259	242	232	EBITDA Margin	5.7%	4.9%	5.7%	6.3%
Other Current Assets	70	58	64	70	Net Profit Growth	4.8%	-13.6%	12.0%	10.0%
Total Current Assets	804	782	785	783	Net Profit Margin	1.7%	1.6%	1.7%	1.7%
Fixed Assets	197	224	337	438	ROA	3.2%	2.5%	2.6%	2.7%
Other Long Term Assets	354	474	474	474	ROE	8.4%	6.8%	7.1%	7.2%
Total Assets	1,354	1,481	1,596	1,695	Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%
Short Term Debt	278	263	283	291					
Accounts Payable	187	196	204	210					
Other Current Liabilities	172	159	166	185					
Total Current Liabilities	637	618	653	686					
Long Term Debt	91	193	232	254					
Provisions	37	43	43	43					
Other Long Term Liabilities	71	71	71	71					
Total Liabilities	836	926	1,000	1,054					
Total Equity Including Minorities	518	555	596	641					
Total Liabilities and Equity	1,354	1,481	1,596	1,695					

DCF (Weight 70%)

Σ We are comfortable with a 18.5% cost of equity which yielded a WACC of 13.8%. Our calculations are based on a 2% terminal growth rate.

		Cost of Equity				
		16.5%	17.5%	18.5%	19.5%	20.5%
Terminal Growth	1%	8.13	7.48	6.89	6.35	5.86
	2%	8.30	7.61	6.98	6.41	5.90
	3%	8.50	7.75	7.07	6.47	5.93
	4%	8.72	7.90	7.17	6.53	5.95
	5%	8.97	8.07	7.28	6.59	5.97

DCF Fair Value

EGP6.98/share

Multiples (Weight 30%)

Σ We arrived to our multiples fair value using the simple average of the three fair values yielded by each independent multiple for global peers.

Company	Country	PE		P/BV		EV/EBITDA	
		2010	2011	2010	2011	2010	2011
Avnet Inc.	US	6.52	6.67	1.10	0.92	4.65	4.70
Arrow Electronics	US	8.03	6.61	1.17	0.94	6.01	4.82
Brightpoint, Inc.	US	10.63	8.64	N.A	N.A	7.49	5.49
Datatec	South Africa	15.37	11.65	1.50	1.31	7.53	5.57
<i>Peers Average</i>		10.14	8.39	1.26	1.06	6.42	5.14
<i>RAYA's Fair Value Based on FY11 Multiples (EGP/Share)</i>		5.09		9.41		2.51	

Source: Bloomberg

Multiples Fair Value

EGP5.67/share

Combined Fair Value: EGP6.59/share

Price (22 August 2011): EGP4.60/share

Recommendation: BUY*

Upside Potential: 43%

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* Investment Grade Methodology:

BUY: Upside > 15%

HOLD: Upside < 15%

SELL: Downside > 15%

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