

# Egypt Real Estate

## Gearing up for the next cycle

- **Favourable macroeconomic factors—such as the appreciation of property prices, land prices, and sales volumes—sustain strong trends in the sector, neutralising the impact of higher construction cost...**
- **...which should allow developers to unlock value added from retail and commercial property space**
- **We prefer developers with more potential to capitalise on the momentum; we maintain our OW rating for TMG, PHD, and MNHD**

### **We maintain our bullish view on the sector on strong growth in sales, and expect developers to gradually unlock the more value accretive retail and commercial land.**

Developers under our coverage not only witnessed price increases of 15-20% in 1H14, but also saw sales grow by as much as 22%. We believe strong price appreciation will be sufficient to counter an expected rise in construction costs, following recent fiscal reforms in Egypt. Developers with sizable undeveloped land banks continue to be the major beneficiaries of the positive price trends. The recent auction won by SODIC has fetched as much as EGP1,915/sqm (USD268/sqm)—an implied 80% increase to pre-revolution prices. Accordingly, total earnings for developers we cover are expected to grow by a CAGR of 25% during 2013-2016. Also, recent published figures show that most developers are seeing an improvement in collection of receivables. PHD announced its collection rate is up to 80%, from 60% in 2013, while SODIC's collection rate is currently c90%. As economic conditions pick-up, the land allocated to commercial and retail projects should see a swift upward revision, which, based on our analysis, could be as much as 6x more valuable than residential land.

**Macroeconomic factors to remain supportive of real estate.** We reiterate our positive outlook on the real estate sector, supported by combination of buoyant prospects for economic growth and expected negative interest rates. We believe that the willingness shown by banks to finance real estate ventures is a positive indicator for the industry. Based on recent announcements, banks will extend new credit facilities of cEGP6bn (c1% of the sector's consolidated loans) to a number of developers under coverage. Also, the recent efforts by the Central Bank of Egypt (CBE) to implement a mortgage system should support future growth. The CBE's initiative, although focused on low-income housing, should expedite structural reforms that would ultimately enhance affordability for the mid-high income segments—catered to by our covered developers—through broader mortgage availability. Developers have been adjusting for the issue since 2009, increasing payment terms and optimizing property sizes. Now, the government is also accommodating the trend, which should continue to help property pricing. Government-owned banks have also announced that the units received in TMG's El-Rehab project will be offered up for sale via mortgages.

**Maintain OW on TMG, PHD, and MNHD, reflecting our current bias towards “active land managers”.** We upgrade our valuations for real estate developers to reflect the strong increase in property prices and the expected efficient utilization of land banks. **TMG's** solid franchise and unique target segment have the company at the forefront of the economic recovery trail. We continue to hold a positive view on **PHD** as well, given the detected shift in sentiment towards the company, as shown by their strong sales figure in 2014. We are also positive on **MNHD** given management's noticeable efforts to start monetizing its land bank, as the strong sales in Tag Sultan have proven, garnering cEGP1.3bn since the launch.

**Maintain our N rating on HELI, upgrade ERC to N.** We reiterate Neutral on **Heliopolis Housing** given the lack of clarity on management's plans to unlock the land portfolio—a common attribute of state-owned companies. We still prefer MNHD to Heliopolis at this stage, given its swifter land-bank monetisation. Finally, we upgrade **Egyptian Resorts Company (ERC)** to N, and believe the stock is trading at floor valuation, but that tourism recovery and/or the resolution of the phase-three land debacle could trigger a valuation upgrade.

Talaat Mostafa Group		Overweight
Ticker	TMGH EY / TMGH.CA	
Target price (EGP)		12.5
Potential return (%)		28

Palm Hills Development		Overweight
Ticker	PHDC EY / PHDC.CA	
Target price (EGP)		5.2
Potential return (%)		22

Madinet Nasr Housing		Overweight
Ticker	MNHD EY / MNHD.CA	
Target price (EGP)		54.6
Potential return (%)		21

Heliopolis Housing		Neutral
Ticker	HELI EY / HELI.CA	
Target price (EGP)		60
Potential return (%)		8

Amer Group		Neutral
Ticker	AMER EY / AMER.CA	
Target price (EGP)		1.41
Potential return (%)		1%

Egyptian Resorts Company		Neutral
Ticker	EGTS EY / EGTS.CA	
Target price (EGP)		1.8
Potential return (%)		0

**Monsef Morsy**  
Senior Analyst – Real Estate  
+202 333-18-347  
monsef.morsy@ci-capital.com.eg

**Ankur Khetawat, CFA**  
Sector Head – Real Estate  
+202 333-18-360  
ankur.khetawat@ci-capital.com.eg

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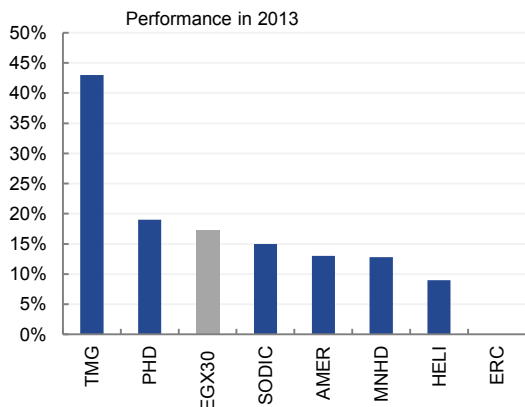
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## Investment summary

- Higher selling prices and efficient land management to trigger the second round of the realty rally
- Earnings to increase at a 25% CAGR in the next two years, to reflect higher deliveries and a rebound in tourism
- OW on TMG, PHD, and MNHD reflects growth prospects in sales and land value

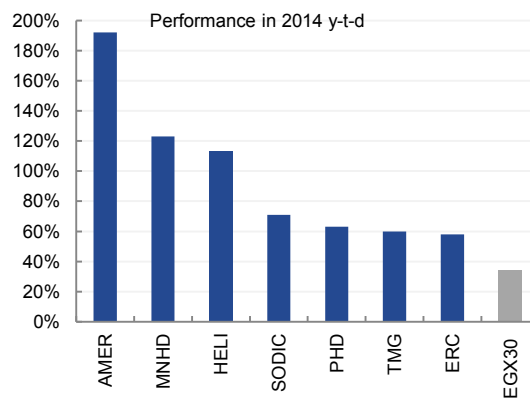
Since mid-2013, real estate companies have been at the top of the performance chart in the local stock market. Average stock prices for companies in our coverage universe have increased by 89% in 2014 y-t-d, driven mainly by improved political and economic conditions that accordingly restored the market's confidence in the developers' land ownership after a long period of uncertainty. Current stock prices broadly discount the resultant risk-compression. It is our view that solid increases in land (property) selling prices, and active management of the available land bank should trigger a new rally for realty stocks. Based on our upgraded valuations, the average upside potential for stocks with OW ratings is 24%.

### Tier-1 developers led the rally in 2013...



Source: Bloomberg

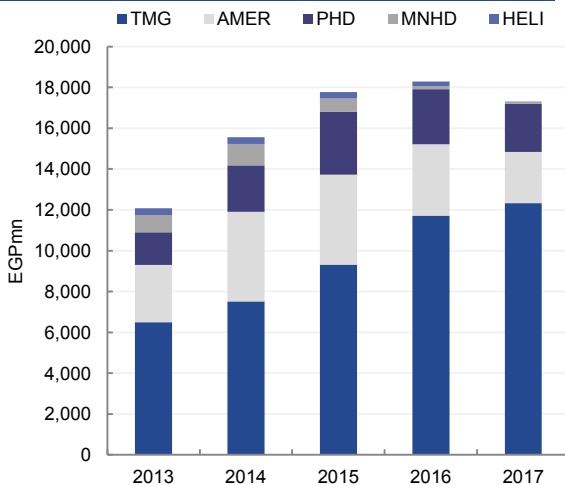
### ...triggering an aggressive re-rating for Amer, MNHD and HELI in 2014



Source: Bloomberg  
Note: Data as of 10 Aug 2014

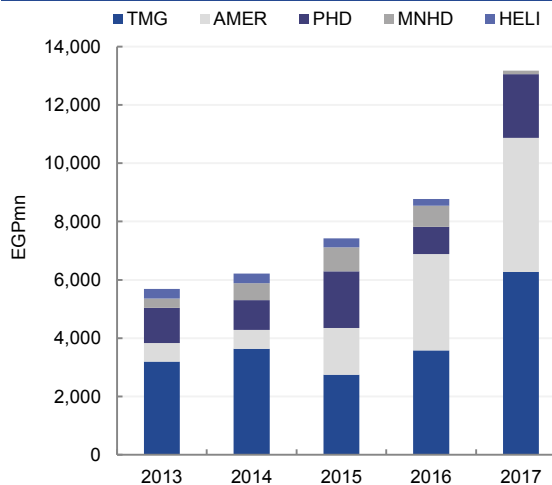
Based on the strong sales figures reported in 1Q14, as well as the announcement of some numbers from 2Q14, we expect most real estate developers to exceed their sales budgets for the full year. In our forecasts, companies are expected to report, on average, a c20% increase in sales during 2014 vs. what's actually budgeted. In terms of deliveries, the majority of companies disclosed plans to expedite construction work and ramp-up deliveries this year to prevent any further schedule delays. On average, we expect a 10-15% increase in deliveries during 2014.

### We expect sales to pick-up to accommodate a more positive macroeconomic outlook...



Source: Company data, CI Capital estimates

### ... as well as an improvement in deliveries, helping revenues grow further



Source: Company data, CI Capital estimates

**Market is yet to factor in full potential value of non-residential land bank including commercial and retail**

Many developers are already exploring avenues to better utilize their land banks amid improving economic and political conditions. From discussions with companies' management, we noticed an inclination to revert to previous plans of further penetrating the retail and commercial markets. For instance, PHD has identified a c150k sqm of non-residential land bank across its projects, which we now conservatively include in our valuation at EGP2k/sqm, adding EGP0.2/share to our TP. However, assuming a price of EGP6k/sqm for non-residential land could result in a potential upside of cEGP0.8 per share. Similarly, TMG has allocated c4.2mn sqm for its commercial developments in Madinaty, which, if launched, could add EGP4-8/share to our valuation. Finally, SODIC has assigned 128k sqm of land from its Eastown project, 180k sqm from its new land, and another 112k sqm from Westown to non-residential developments.

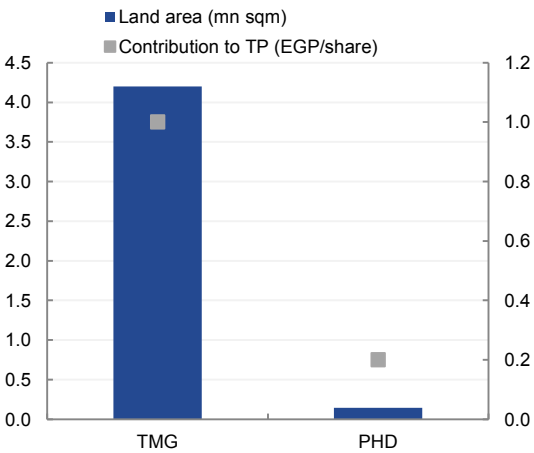
**Land valuation: Retail and commercial land banks are 6x and 3x more valuable than residential**

(EGP)	Residential land	Commercial land	Retail land
Property price/sqm (A)	7,000	18,000	30,000
Development cost (finished) (B)	(3,000)	(7,000)	(10,000)
Profit margin (C) = (A - B)	4,000	11,000	20,000
Dev margin @ 25% on property prices (D)	(1,750)	(4,500)	(7,500)
Land valuation/sqm @ FAR = 100% (C - D)	2,250	6,500	13,500
Compared to residential land bank	-	c3x	6x

Source: CI Capital estimates

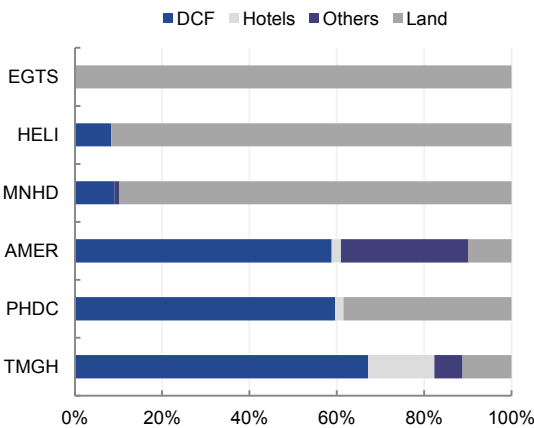
We shift the focus of our valuation from core land value towards higher monetisation potential to capture growth prospects as sector dynamics steadily improve. In our valuation, we use DCF to assess operational projects, while raw land is valued based on current market prices. As illustrated in the chart below, the weight of the DCF-derived values of the total valuation is higher for tier-1 developers (TMG and PHD)—reflecting their clearer future outlooks and more efficient utilization of land. For MNHD and HELI, the higher land component in the valuation offers a solid rerating potential, if there is more visibility on their monetisation strategy. As for ERC, we believe the stock is trading at floor valuation, and rerating hinges on the recovery of the tourism sector and the potential resolution of the phase three debacle.

**The next big thing: retail and commercial projects**



Source: Company data, CI Capital estimates

**Valuation: reflects higher land utilization for TMG, PHD and AMER**



Source: CI Capital estimates

**A summary of our coverage universe**

Company	Old TP	New TP	Potential upside	Investment thesis
TMGH EY	8	12.5	+28%	+ Strong sales of EGP4.1bn in 1H14 and full year figures will likely surpass FY14 forecasts of EGP7-7.5bn + Implementation of the new investment law should act as a strong share price catalyst + Recovery in hospitality operations is underway
PHDC EY	3.5	5.2	+22%	+ Ramping-up deliveries in 2014 and 2015 should expedite value unlocking + 20-30% increase in selling prices across most projects + Enhance projects efficiencies via increasing BUA and allocating areas to high-margin retail and commercial developments
MNHD EY	32.2	54.6	+21%	+ Availability of sizable undisputed land bank measuring c9mn sqm + Sold EGP1.3bn to date in Tag Sultan; selling prices witnessed 40% increase since launch + 50% increase in land prices, aligned with recent auction prices, while maintaining a 40% discount
HELI EY	27	60.0	+8%	+/- HELI holds one of the largest, dispute-free land banks in Cairo expanding over approximately c29mn sqm + But slower land monetisation due to lack of off-plan sales - Privatization remains a distant prospect, meaning a strategy shift will likely be gradual
AMER EY	0.81	1.41	+1%	+ Sales momentum continues, reflecting the shift towards primary housing +/- Recovery in restaurant and retail operations positive but impact to remain limited - Raise TP to EGP1.41/share; rate N given the lack of clarity on foreign projects
EGTS EY	1.04	1.8	0%	+ Trading at floor valuation + Looking to diversify revenue streams - Prolonged negotiations over phase three should continue to act as an overhang

Source: Bloomberg, CI Capital estimates

**Egypt real estate comparables**

Company	BB Code	Rating	Curr	TP (EGP)	CMP* (EGP)	Upside (%)	Market cap (USDmn)	P/E (x)				P/BV (x)				EPS CAGR (%)	RoE (%)			
								13	14e	15e	16e	13	14e	15e	16e	(13-16e)	13	14e	15e	16e
TMG	TMGH EY	OW	EGP	12.5	9.7	28	2,794	34.3	19.3	24.9	18.7	0.7	0.7	0.7	0.7	22	2	4	3	4
Palm Hills	PHDC EY	OW	EGP	5.2	4.3	22	807	24.2	17.9	7.2	9.8	1.6	1.3	1.1	1.0	35	7	7	15	10
Madinat Nasr	MNHD EY	OW	EGP	54.6	45.2	21	975	39.6	35.5	29.3	31.4	12.0	9.0	6.9	5.6	8	30	25	23	18
Heliopolis	HELI EY	N	EGP	60.0	55.5	8	814	45.5	31.4	27.2	27.3	16.0	10.6	7.6	6.0	19	35	34	28	22
Amer Group	AMER EY	N	EGP	1.41	1.40	1	893	n/m	52.7	17.1	8.7	3.3	3.1	2.6	2.0	52	1.7	5.9	15.5	23.4
Egypt Resorts	EGTS EY	N	EGP	1.8	1.8	-	261	n/m	n/m	n/m	n/m	1.5	1.5	1.5	1.6	n/m	n/m	n/m	n/m	n/m
<b>Mean</b>								<b>35.9</b>	<b>31.4</b>	<b>21.1</b>	<b>19.2</b>	<b>5.9</b>	<b>4.4</b>	<b>3.4</b>	<b>2.8</b>	<b>27.2</b>	<b>15.2</b>	<b>15.2</b>	<b>16.9</b>	<b>15.5</b>
<b>Median</b>								<b>36.9</b>	<b>31.4</b>	<b>24.9</b>	<b>18.7</b>	<b>2.5</b>	<b>2.3</b>	<b>2.1</b>	<b>1.8</b>	<b>22.0</b>	<b>7.0</b>	<b>7.0</b>	<b>15.5</b>	<b>18.0</b>

Source: Bloomberg, company data, CI Capital estimates

Note: Data as of 10 Aug 2014

## Bullish on realty sector as demand and liquidity dynamics improve

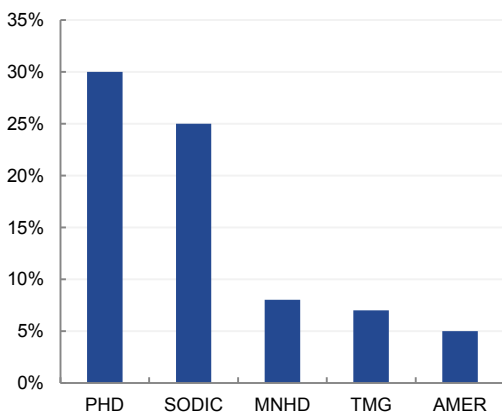
- Inflation and negative interest rates push demand by +50% and property prices by 15-20% in 2014...
- ...which should neutralize the impact of the expected increase in construction costs
- We expect tourism to recover in 4Q14 on the back of political stability

### Property prices remain positive, driven by strong growth prospects and negative outlook on real rates

Despite a 10-15% increase in property prices, we expect Cairo's property market to remain firm. The positive price momentum will be driven by macroeconomic factors, including negative real interest rates and a favourable outlook for economic growth in Egypt. Despite a recent 100bps increase in interest rates by the CBE, we expect negative real rates as inflation picks up due to fiscal reforms—such as the energy subsidy cuts—favouring real asset investment. Also, other structural factors—such as population migration to suburban areas for improved quality of life and favourable demographic conditions—remain supportive of the property market. Finally, a rise in property prices can be attributed to the depreciating value of the EGP, which has limited domestic investment opportunities, encouraging Egyptians to seek out the safe haven that is property ownership.

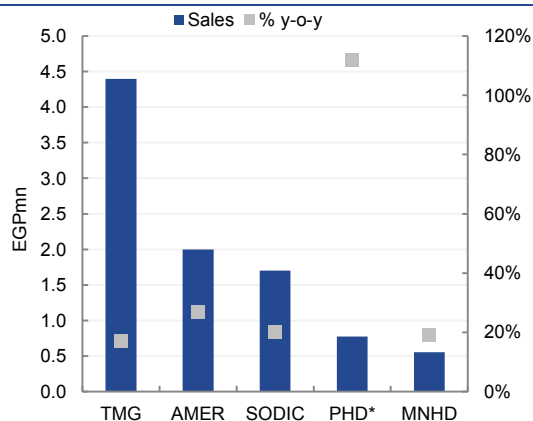
Price increases in 2014 were most impactful on higher-end developers like SODIC and PHD compared to mid- and high-end developers like TMG and MNHD, which can be partially explained by developers' willingness to balance out affordability issues. For example, SODIC's Eastown and Westown projects recorded impressive 25% and 10% increases in 2014, netting EGP1.7bn in sales y-t-d (85% of full year budget of EGP2bn). Other upscale developer PHD has increased prices, adding an average 30-35% to selling prices in its primary home projects in Cairo. Also, after a long stagnation, the second-home market is showing strong signs of revival, with PHD recording a 10% increase in prices. In terms of volumes as well, it is worth noting that PHD booked EGP0.8bn in new sales during 1Q14 and is targeting EGP2.5bn for the full year—10x higher than last year. Moving on to mid- and high-end developers like TMG, we find that the company has upped its prices by 7% in the El-Rehab and Madinaty projects, recording EGP4.1bn sales in 1H14, which if annualized, exceeds its 2014 target of EGP7.5bn—a 25% increase y-o-y. MNHD also seems to be following a similar direction, adding 8% to prices at its flagship venture Tag Sultan to match TMG's Madinaty, selling at EGP7k/sqm. However, volumes remain steady at EGP550mn, in line with the full year budget of EGP1bn. Finally, Amer Group capitalised heavily on the upward trend in Cairo's prices, recording EGP0.95bn in revenue, mainly generated from sales of primary homes, diversifying its focus from the volatile secondary-home market.

### Developers in 1H14 have not only recorded a strong rise in selling prices...



Source: CI Capital Research

### ...but in sales volumes as well



Source: Company data  
Note: PHD figures as of 1Q14

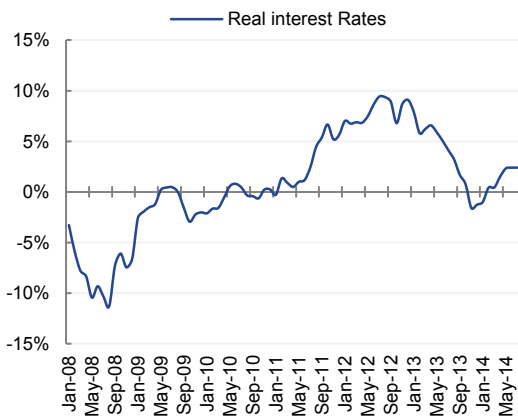
**Developers seen gearing-up their balance sheets, but still leverage remains limited.**

We are observing a willingness on the developers' side to gear-up their balance sheets, as well as a readiness from banks to finance real estate ventures—positive indicators for the industry. 2014 alone saw a number of developers announce facility agreements with banks to finance their various projects. For example, PHD intends to secure EGP2.4bn as a six-year project-finance facility, 300-350bps above the benchmark. SODIC is following a mixed funding strategy and intends to raise EGP1bn through equity, and a further EGP1bn through a debt facility to bankroll the development of its newly acquired land in New Cairo. MNHD announced as well that it had signed an EGP530mn loan with CIB to finance construction work in its Tag Sultan project. Amer also announced its intention to securitize its receivables and free up cash. While TMG has delayed its EGP1.8bn syndicated debt program, which we attribute to EGP1bn in proceeds from the Saudi land sale, which has comforted the company's immediate cash position.

Plans to direct all proceeds towards expediting the construction process highlight developers' expectations of a sustainable demand for real estate in the foreseeable future, and their strategy to broadly maintain current margin levels. Also, against a backdrop of improved macroeconomic conditions and a pick-up in land values in Egypt, banks are becoming more cooperative, especially as they are provided higher-quality collaterals. Overall, we view this as a positive factor, as lending would allow real estate developers to: reduce dependence on off-plan financing, and better absorb the collection rate shock. It would also expedite construction, helping the establishment of an inventory to act as a hedge against potential inflation, and building recurring income portfolios in commercial and retail. Based on recent announcements, banks will extend new credit facilities of cEGP6bn (c1% of the sector's consolidated loans) to a number of developers under coverage.

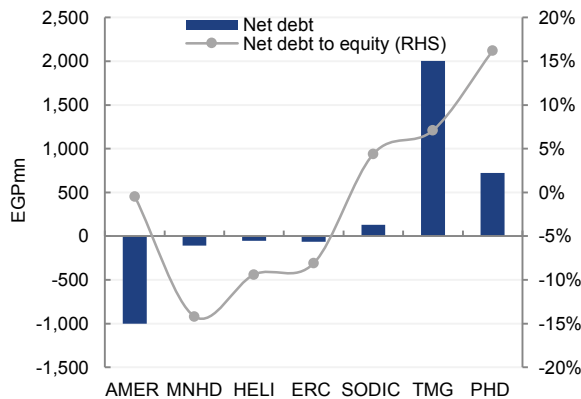
We note that, despite the recent drive to gear-up the balance sheets, the developers' numbers provide scope for an aggressive strategy, largely attributed to an off-plan model for residential properties, which reduces the upfront payment requirements. Also, we expect limited leverage to soften the impact of the recent 100bps hike in interest on the developers, as the off-plan model should continue to bridge the cash gap. As depicted in the chart below, even after new debt is taken on in 2014, net debt-to-equity ratio for tier-1 developers averages 9%. Therefore, we expect combined earnings for developers under coverage to increase at a 25% CAGR in the next two years.

**Real interest rates likely to revert to negative territory as inflation headwinds get stronger later in the year**



Source: CBE

**Egyptian developers remain largely unlevered**



Source: Company data

**New investment law to directly benefit TMG**

The enactment of the new investment law (announced in May)—whose fate is currently being determined by the Supreme Constitutional Court—would prevent third parties from challenging contracts between the government and investors. If passed, the law would apply to new as well as pending cases. We expect TMG's Madinaty dispute to fall within the proposed law's ambit due to two factors: i) the Madinaty contract, between the developer and the state, was challenged by a third, unaffiliated party, and ii) the issue is still pending, with a the next hearing due to take place on 7 Oct 2014. We expect the case to be withdrawn once the court determines the law's constitutional validity, which would not only remove one of the sector's major overhangs, but also increase TMG's TP by EGP4-8/share.

As for ERC's land dispute, management is still in talks with the TDA regarding phase three. Given recent government efforts to settle pending cases, primarily in the real estate domain, we believe ERC's chances to see a peaceful resolution are quite high. In our view, phase three being the backyard to phases one and two could play into ERC's favor during their negotiations with the authorities.

### New mortgage fund to kick-off structural reforms, paving the way for mid-high segments

Last February, to stimulate access to finance for real estate investments by low- and mid-income households, the CBE launched a mortgage finance initiative to extend long-term mortgages at low and fixed interest rates to these segments. The programme's conditions stipulate that the CBE would lend banks EGP10bn at a 2% rate for 20 years. These funds can then be used to front low-and mid-income mortgages at a 7-8% interest rate. Given that the price of a mortgaged unit under this programme is capped at EGP400k, we do not expect developers under our coverage to directly benefit from it. However, once implemented, it could lead to structural reform and increase mortgage awareness in Egypt, ultimately enhancing mortgage penetration—which currently just stands at 0.5% of GDP. Also, state-owned banks have announced that the units handed over to the government by TMG in its EI-Rehab project will be offered up for sale via mortgages.

### Retail and commercial space to be a new value-driver

Post-2011, and despite political uncertainty, residential sales performed strongly, while commercial and retail businesses were adversely affected. This was attributed to lower business confidence that discouraged investment in retail and commercial projects. Developers abruptly lost their pre-2011 drive to expand retail and commercial space as a way of diversifying their revenue streams and building recurring income portfolios. The halt in plans was caused by diminished demand and the capital intensive nature of such projects. For example, SODIC saw sales and prices stagnate on its commercial project Polygon, while PHD had to offload its New Cairo mall to address its liquidity issues. TMG as well had to pause its ambitious commercial property development program due to land dispute and lack of demand.

As per estimates published by property consultant John Lang LaSalle (JLL), in 2013, Cairo's retail market did not see any new supplies, and the commercial/retail land portfolio remained stable throughout at 773k sqm. The consultant also stated that in the same year, rentals fell between 7-15% for prime stores and regional malls against a vacancy rate of 26%. Similar trends were reflected on office space, where despite the lack of supply, saw a 9% plunge.

However, as the economy heals, we are observing green shoots in non-residential property portfolios. And given that commercial and retail land banks are becoming more valuable, its impact on the valuation would be disproportionate to the land size. To demonstrate, an average office space generates an annual EGP1800/sqm, which, assuming a 10% yield, values commercial space at EGP18k/sqm, 2x higher than residential real estate. Similarly, retail rentals averages EGP3500/sqm, resulting in a valuation of EGP35K/sq—or 4x higher than a typical high-end apartment project. As the table below reflects, the implied land valuation stands at EGP6.5k and EGP13.5k for the commercial and retail land banks, respectively, compared to EGP2.2k/sqm for residential property sales.

#### Land valuation: Retail and commercial land banks are 6x and 3x more valuable than residential

EGP	Residential land	Commercial land	Retail land
Property price/sqm (A)	7,000	18,000	30,000
Development cost (finished) (B)	(3,000)	(7,000)	(10,000)
Profit margin (C) = (A - B)	4,000	11,000	20,000
Dev margin @ 25% on property prices (D)	(1,750)	(4,500)	(7,500)
Land valuation/sqm @ FAR = 100% (C - D)	2,250	6,500	13,500
Compared to residential land bank	-	c3x	6x

Source: CI Capital estimates

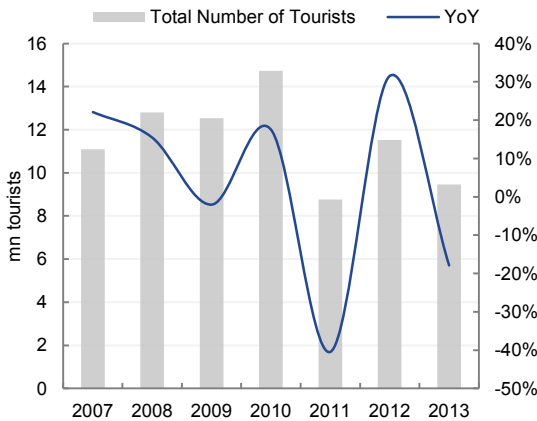
In our valuations, we conservatively value land dedicated for non-residential developments at par with residential land. Therefore, we expect higher market valuations for these areas once development plans start to materialize. For companies under coverage, PHD has assigned c150k sqm of retail and commercial areas across its projects. This currently adds EGP0.2/share to our current TP with potential upside of cEGP0.8 per share, if valued at the prevailing prices of non-residential land. Similarly, TMG dedicates c4.2mn sqm for its commercial developments in Madinaty, which if launched could add EGP4-8 per share to our valuation. As for SODIC, the total land allocated for non-residential developments is 420k/sqm in Eastown, Westown, and the new project.



### Tourism bottoming-out; we expect recovery as of 4Q14 to benefit developers with exposure to tourism

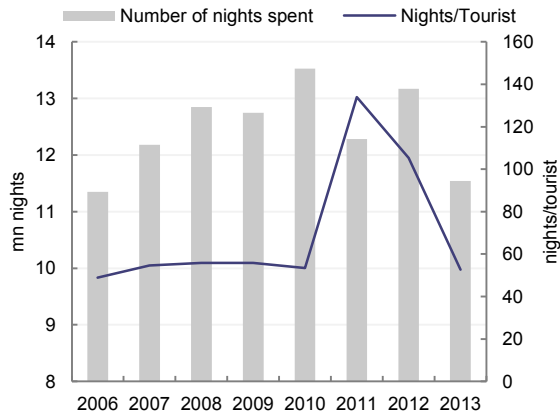
While on a y-o-y basis, tourist arrivals remain 26% lower still in 2014, we expect presidential elections and the resulting political stability to reflect well on the tourism sector. As the chart below indicates, tourist arrivals took a nosedive after political turbulence in June/July 2013, but have responded well to the more stable political climate following the events of August 2013. The major drop in tourism figures was attributed mainly to contracted arrivals from Europe, which historically constituted three-fourth of total tourist inflow every year. Going forward, we expect a shift in trend as many western countries lift travel bans on Egypt. We therefore remain optimistic on our outlook for the tourism sector, expecting recovery to take full effect from 4Q14 onwards.

#### Post-revolution, both tourism...



Source: CAPMAS

#### ...and hotel occupancy rates struggled

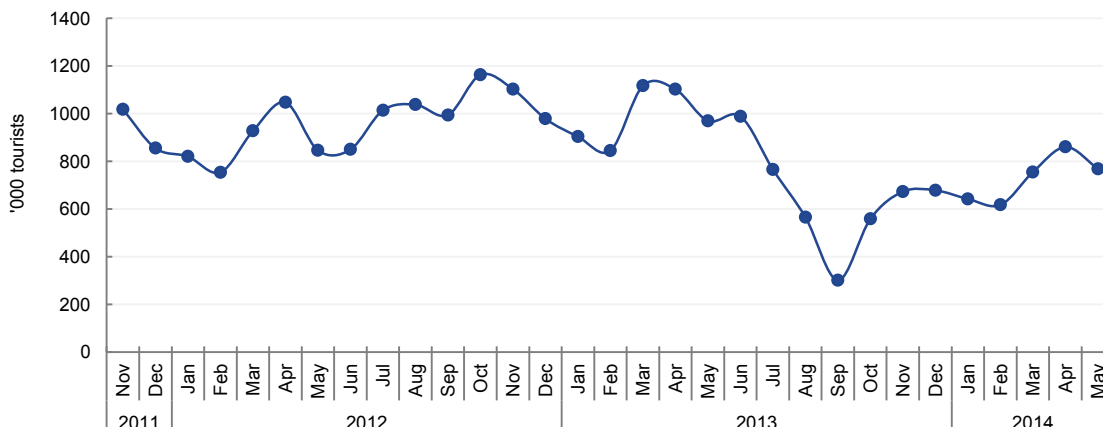


Source: CAPMAS

In the case of the Egyptian tourism sector, political stability and security are strong economic drivers. This is evident in the charts that follow, which show the impact of the financial crisis—a slight decline of 2% in the number of tourists against a 40% drop post-revolution, and an 18% drop after the 30 June events. Countries are regaining their trust in Egypt's political environment and are starting to perceive the country as safer and less volatile; seven European states—Germany, Finland, Italy, France, Ireland, Denmark, and Spain—have already lifted travel bans on Egypt's touristic Red Sea area. As mentioned above, Europeans constitute the majority of Egypt's tourist base (In 1H14, 77% of all incoming tourists were European). The same applies to hotel occupancy levels, where the decline in the duration of stay after the financial crisis was 2%, compared to 23% and 31% in 2011 and 2013 respectively. Thus, we expect the sector to bounce back as political pressure is alleviated.

For TMG, hospitality income came in at EGP97mn in 1Q14—a 1.5% y-o-y increase compared to 1Q13. Hotel receipt improvements were mainly the result of a 25% increase in occupancy rates, and a 5% rise in ARR at the company's Four Seasons Nile Plaza hotel in Cairo. According to management, average occupancy rates improved further in 2Q14, and currently stand at c40%. With regards to ERC, management informed us that occupancy rates in Sahl Hasheesh reached 70%, and that ARR is currently at a three-year high of USD160.

#### Tourism remains sensitive to political events, but we expect recovery by 4Q14



Source: CI Capital estimates, CAPMAS

**Our land model determines developers' land values according to land-specific factors and assumes higher discounts as landowners move away from central Cairo**

To determine land value, our model considers various factors, including location, size, developers' master plans, current and expected property prices, expected project completion schedule, to name a few. Additionally, we use land/property prices at the most prominently located plots in Cairo as a benchmark, valuing other areas at a gradually ascending discount that corresponds to their distance from the city center. Consequently, land plots located near and within the city command higher value than suburban land plots. We also factor in plot size when determining the discount where, generally, larger size entails a higher discount due to a relatively slower monetisation cycle. Our land model helps us position land owned by various developers into relative perspectives by providing better benchmarks.

For second homes, despite near identical pricing to primary homes, lower land values reflect lesser liquidity, larger land sizes, the availability of cheaper land plots for purchase, and the discretionary nature of the investment. Finally, developer- and land-specific factors like master plans and development schedules, as well as qualitative factors such as the developer's track record, also contribute to determining land value.

We divide the land bank under our coverage into four zones, classified according to location and size. The core, Zone-1, holds areas that include the Cairo-based land bank in Sixth October City and New Cairo. This category includes TMG's El-Rehab, El-Rabwa, MNHD's Teegan, SODIC's Westown, and Heliopolis Housing's Heliopolis-located land—the most valuable land banks, serving as a benchmark for other zone classifications.

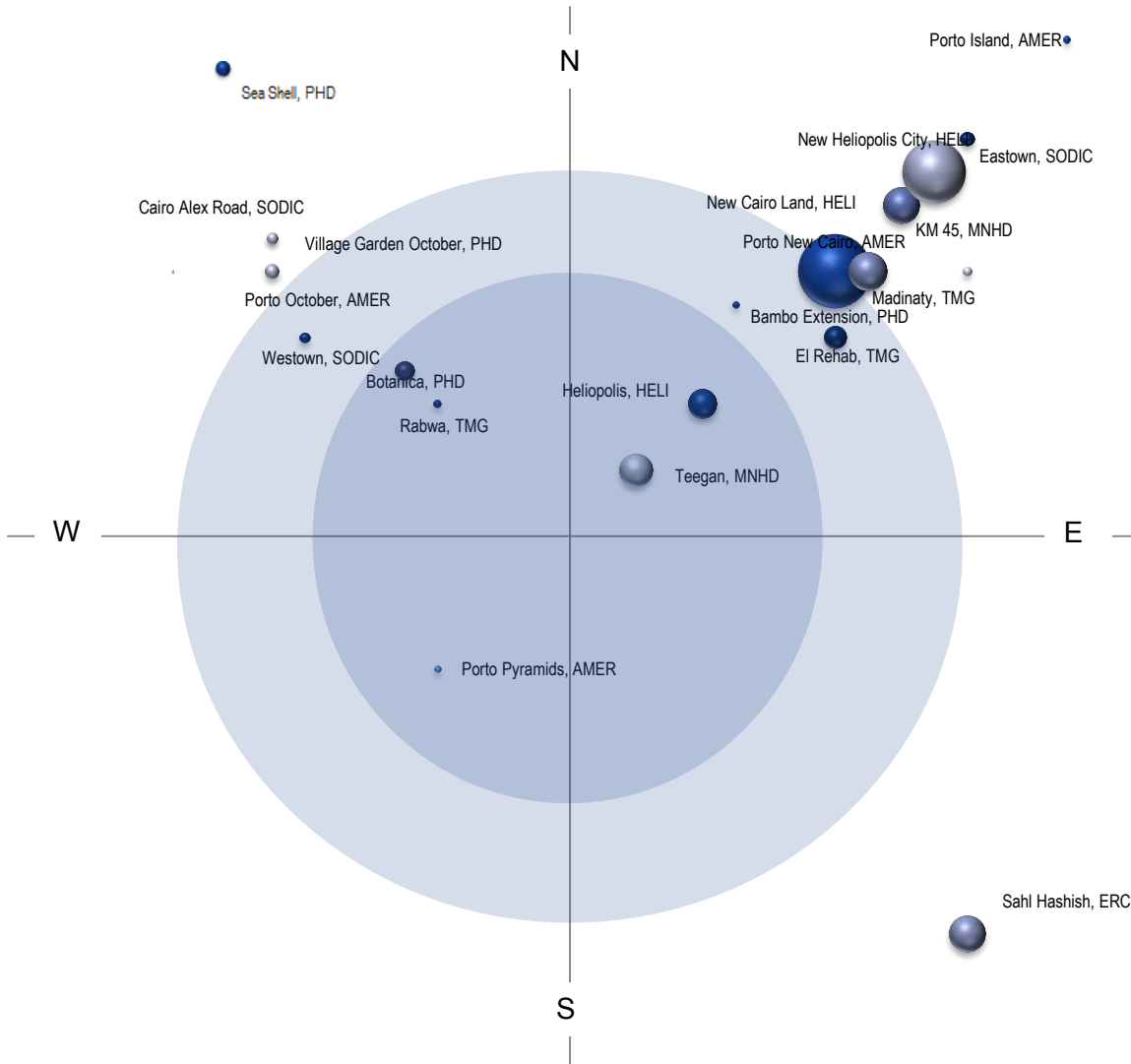
Zone-2 includes large plots within Cairo that are prone to slower monetisation due to their sizes and the prolonged completion of their master plans. For these plots, we apply an average discount range of 30-50% relative to Zone-1. In this group, we include TMG's Madinaty, MNHD's KM45, and Heliopolis Housing's New Heliopolis City, and El-Obour's land bank.

The remaining two zones are assigned to second homes. Zone-3 includes smaller land plots currently under development, whose final master plans indicate a higher probability of land monetisation. In this category, we include Amer's second-home portfolio (e.g. Porto Marina and Porto Sokhna) and apply a discount range of 60-80% relative to Zone-1. Finally, Zone-4 includes large raw land plots designated to second homes, but whose master plans and project launches are unlikely to materialize in the near-term. In this segment, we apply an 80-90% discount range relative to Zone-1, and include ERC's Sahl Hasheesh and Amer's Porto Island 1.

We also cross-check our land valuation against our residual land valuation, auction data, and other appraisals by independent sources like CBRE and Colliers. The residual income method provides a fair approximation of land prices for properties across the spectrum. We derive land prices using development costs ranging between EGP1,250-3,500/sqm, and a pre-tax developer's margin of 25%, on expected selling prices ranging between EGP4,000-6,000/sqm. Our residual land method implies land values from EGP250-1,375/sqm, depending on the target segment.

Finally, we also cross-check our land valuation with on-the-run auctions, which suggest a price range between EGP1,000-2,000/sqm, depending on location and the master plan, broadly following the pattern we see in our land model.

Land valuation model: nearer is dearer



Source: Company data, CI Capital estimates  
Note: Bubble size represents BUA

Land valuation

Developer	Project	Location	Purpose	Raw land (mn sqm)	Ownership (%)	Price (EGP/sqm)	Land discount (%)	Effective price (EGP/sqm)	Effective land value (EGPmn)	Attribution to value (EGP/share)
TMG	Madinaty	East Cairo	Retail/Commercial	4.2	100	1,500	67	495	2,065	1.0
	Marsa Allam	Red Sea	Mixed	3.3	100	40	-	40	130	0.1
	Saudi land	Saudi	Mixed	4.0	50	500	-	500	1,000	0.5
PHD	Various projects	Multiple	Retail/Commercial	0.1	100	2,000	-	2000	290	0.2
	Botanica	West Cairo	Mixed	7.0	100	500	-	500	3,500	1.8
	Galallah	North Coast	Residential	1.0	100	400	-	400	413	0.2
	WIPCO	North Coast	Residential	0.3	100	300	-	300	76	0.04
	Sahl Hasheesh land	Red Sea	N/A	0.1	100	715	-	715	66	0.03
	Alexandria	Alexandria	N/A	0.02	51	500	-	500	4	0.002
	Saudi land	Saudi	Mixed	5.0	51	500	-	500	1,275	0.7
MNHD	Teegan	East Cairo	Mixed	3.5	100	2,000	40	1200	4,200	27.1
	KM45	East Cairo	Mixed	5.5	100	1,000	40	600	3,300	21.3
HELI	Heliopolis	East Cairo	Mixed	2.5	100	1,000	20	800	2,023	18.2
	New Heliopolis City	East Cairo	Mixed	19.6	100	500	70	250	2,865	25.8
	Obour City	East Cairo	Mixed	0.1	100	1,000	50	500	42	0.4
AMER	New Cairo Land	East Cairo	Mixed	7.1	100	500	70	250	1,065	9.6
	Porto Dead Sea	Jordan	Mixed	0.8	100	1,250	-	1,250	1,050	0.23
	Porto Agadir	Morocco	Mixed	1.2	100	1,000	-	1,000	800	0.18
ERC	Porto Tartous	Syria	Mixed	0.2	100	1,000	100	-	-	-
	Sahl Hasheesh	Red Sea	Mixed	4.0	100	858	30	601	2,402	1.6

Source: Company data, CI Capital estimates

## **Companies section**

# Talaat Mostafa Group (TMG)

# Overweight

## Clarity over Madinaty debacle clears the way for future upgrades

- **Expedite construction work to ramp up deliveries and contain inflation of operational costs**
- **The new investment law should act as a catalyst for the stock, and likely trigger an upward rerating**
- **We maintain our OW rating and upgrade our TP to EGP12.5 from EGP8.0 on higher property prices and strong sales/deliveries momentum pace**

**Solid contracted sales should reduce construction delays...** TMG reported new contracted sales worth EGP4.1bn in 1H14, up c20% y-o-y. If sales activity continues on this strong pace in the coming quarters, sales figure for FY14 will likely exceed the company's expected EGP7.0-7.5bn. Higher receivables from new sales should help ramp up deliveries, moving in line with management's plan to reduce delivery delays to 4-6 months from 8-10 months in 2013. TMG forecasts a 25% y-o-y increase in total real estate revenues (incl. villa sales) to EGP5bn in 2014 vs. EGP4bn in 2013. As per management's guidance, TMG is no longer in talks to borrow EGP1.8bn for El-Rehab project, as it proved to be financially unfeasible. Still, TMG would rather use the sales proceeds from its Saudi investment (SAR500mn/EGP900mn)—received in 2Q14—to expedite construction.

**...and broadly maintain margins at current levels.** In terms of pricing, TMG should be able to pass on the bulk of operational costs at least in the short-term. Average selling prices increased 6-10% in 2014 y-t-d. The recent 100bps increase in official rates will have no impact on TMG's real estate segment, given that the company's debt is mainly hotel-related, and the bulk is USD denominated. Another positive factor for TMG's expected margins vs. peers' is the availability of a sizable, undeveloped 16mn sqm land bank. Accordingly, the land cost component (c25% of total construction cost) will remain stable at its historical average—assuming the Madinaty land contract is unaltered. We expect 2014e GPM to come in at 30%, vs. 26% in 2013, on the back of the pick-up in deliveries from relatively high sales in 2010, and even higher villa sales.

**Hospitality revenues slightly improved in 1Q14, but broader recovery is expected in 4Q14.** Hospitality income came in at EGP97mn in 1Q14, a 1.5% y-o-y increase compared to 1Q13. Hotel receipt improvements were mainly the result of a 25% increase in occupancy rates and a 5% rise in ARR at the company's Four Seasons Nile Plaza hotel in Cairo. According to management, average occupancy rates showed further improvement in 2Q14, and currently stand at c40%. Given the improved political climate and travel bans on Egypt lifting, we expect a strong recovery in tourism/business activities as of 4Q14 to benefit TMG's hotels, and look ahead to hotel revenues converging to their historic averages of 10-15% of total revenues as of 2015e.

**The new investment law should be a catalyst, likely to trigger upward rerating.** The legitimacy of the new law, which bans third-party challenges to state contracts, is currently under study by the Supreme Constitutional Court (SCC). A resolution of Madinaty's case without any changes to the existing contract—via the new investment law or as a result of state efforts to resolve pending investment issues—will likely trigger an upward rerating in our valuation; unlocking the value of c4.2mn sqm of land could potentially add EGP4-8/share to our estimate. A court hearing is set for 7 October, but will likely be postponed if the SCC fails to reach a verdict by then.

**Raise our TP to EGP12.5/share and maintain our OW rating on higher property prices and strong sales/deliveries momentum.** Our updated valuation incorporates higher land valuations—after recent land auctions—that should trigger a broad increase in property prices. In the last five years, TMG's performance was solid despite several major shocks. Accordingly, we expect TMG to be one of the key beneficiaries of growing demand amid an expected upturn in economic and liquidity conditions. In our valuation, we use DCF to assess all currently operational projects and hospitality businesses, and value of the undeveloped retail land in Madinaty and the Saudi venture as raw land.

<b>Target price (EGP)</b>	<b>12.5</b>
Share price (EGP)	9.7
Potential return (%)	28

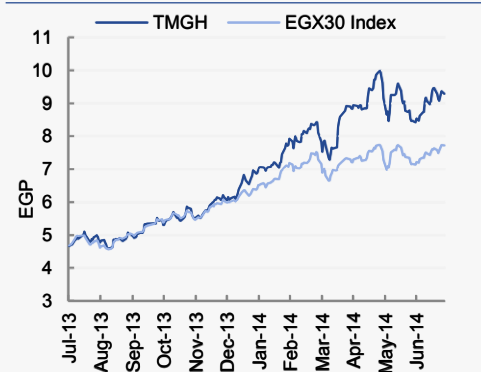
### Share details

Ticker	TMGH EY / TMGH.CA
6M avg daily value (USDmn)	4.14
% Δ: m-o-m / 6M / y-o-y	7/34/95
No. of shares (mn)	2,064
Market cap (EGPmn)	19,975
Market cap (USDmn)	2,794

### Ownership structure

TMG Investment	50.27%
Other (Talaat Mostafa family & Saudi group)	25.75%
Free float	23.98%

### Absolute & relative share price performance



Source: Bloomberg  
Note: All prices are as of 10 August 2014

## Valuation

We value all operational projects, including Madinaty, and the hospitality businesses using DCF. We use a 14.3% WACC and a terminal growth rate of 5% to arrive at hotels' perpetual value. The cost of equity is derived using an after-tax risk-free rate of 9.8%, a risk premium of 6.5%, and a beta of 1. Meanwhile, we value the 4.2mn sqm of undeveloped land allocated for commercial and/or retail developments in Madinaty as raw land, as well as the Saudi investment.

Our base valuation assumes a status quo with regards to ownership in Madinaty, given the potential application of the new investment law and the government's efforts to resolve all pending investment issues. In our DCF valuation, we assume the following:

- Total revenues of EGP5.8bn in 2014, vs. EGP4.8bn in 2013, largely from the expected ramp-up in deliveries and pick-up in villa sales
- Real estate sales will stand at EGP7.5bn and EGP9.6bn in 2014 and 2015, respectively
- Construction work in Madinaty is expected to continue until 2026,
- A 10% annual increase in selling prices and construction costs
- For the hospitality business, average occupancy rates are expected to come in at 45% in 2014, and to revert to historic averages of above 60% as of 2016; average room rates will grow by 10% per annum
- A tax rate of 30%, up from 25%
- We incorporate the gain on sale of the Saudi investment in 2014

For valuing the land allocated to non-residential purposes in Madinaty, we use EGP1,500/sqm—a 25% discount to the price SODIC paid to acquire its new land—but also applied a 67% discount given that is not expected to be unlocked unless the land issue is resolved (effective price used is cEGP500/sqm). Nonetheless, the resolution of the Madinaty land debacle and the completion of the master plan for the commercial/retail space should trigger an upward revision of around EGP4-8/share to our valuation. It is worth noting that the market price per sqm of commercial land averages between EGP3-5k per sqm. Also, we use EGP500/sqm to value the company's 4mn sqm of land in Saudi Arabia. In our valuation, we factored in the 3.3mn sqm land—in Marsa Alam in the Red Sea—at the acquisition price of EGP40/sqm or EGP0.1/share. The company is engaged in another court battle over the legitimacy of its ownership rights to this land, but management has stated that all due payments related to the plot were fully paid, expressing confidence in its own legal position.

### DCF valuation

EGPmn	2013	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021-2029e
Net profits (attributable)	527	741	808	1,073	1,442	1,443	2,084	2,553	28,970
Interest (1-t)	136	339	263	350	470	471	679	833	9,447
Non-cash expenses	124	95	100	105	110	110	111	111	1000
Change in WC	(1,372)	546	(1,573)	(1,044)	(2,521)	(1,578)	(2,180)	(446)	2,368
Capex	(39)	97	882	144	151	-	-	-	-
<b>FCFF</b>	<b>2,198</b>	<b>533</b>	<b>1,862</b>	<b>2,427</b>	<b>4,393</b>	<b>3,602</b>	<b>5,054</b>	<b>3,943</b>	<b>37,049</b>
WACC (%)		14.3	14.3	14.3	14.3	14.3	14.3	14.3	14.3
NPV of FCFF		533	1,629	1,858	2,942	2,110	2,590	1,768	9,735
<b>Total NPV</b>	<b>23,165</b>								
Terminal value from hotels		1,295							
<b>DCF value</b>	<b>24,460</b>								
Outstanding shares	2,064								
<b>Value per share</b>	<b>11.9</b>								

Source: CI Capital estimates

### Valuation breakdown per share (EGP)

Operational residential projects & hotels	11.9
Undeveloped commercial land in Madinaty	1.0
Other undeveloped land & Saudi investment	0.5
<b>Total value</b>	<b>13.4</b>
Add: Cash & investments	0.9
Less: Debt	1.8
<b>Target price</b>	<b>12.5</b>
Share price	9.7
<b>Upside (%)</b>	<b>28</b>

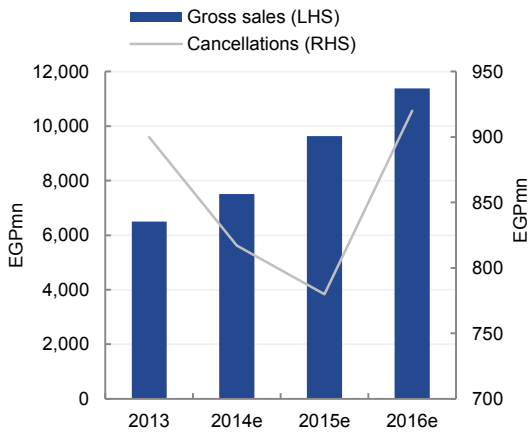
Source: CI Capital estimates

## Downside risks

The key downside risks to our valuation are a negative outcome to the Madinaty dispute, a slowdown in the pace of construction, and a delayed recovery in the tourism sector.

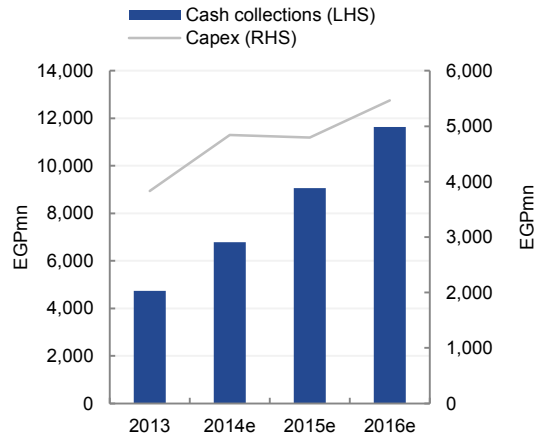
## Operational KPIs

### Gross sales vs. cancellations



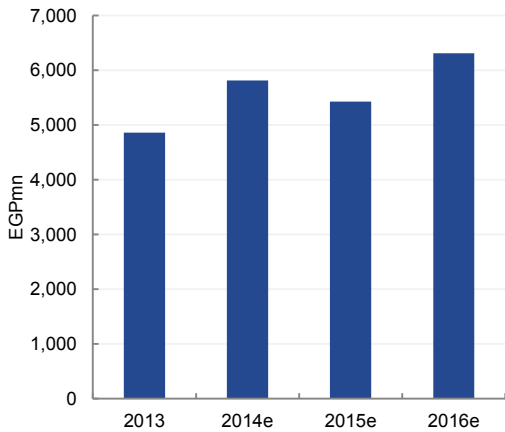
Source: TMG, CI Capital estimates

### Cash collections vs. capex



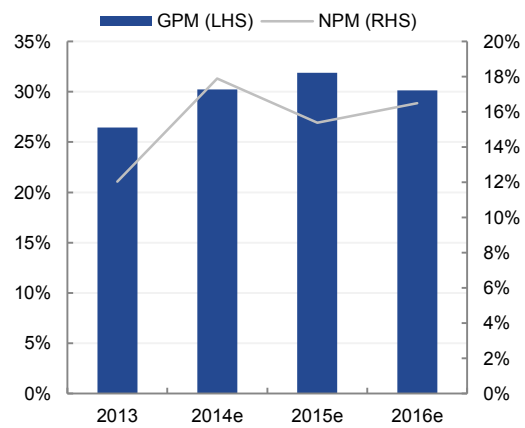
Source: TMG, CI Capital estimates

### Revenue progression



Source: TMG, CI Capital estimates

### GPM and NPM



Source: TMG, CI Capital estimates



## Financials: Talaat Mostafa Group (TMG)

EGPmn   FY end: Dec	2013	2014e	2015e	2016e	2013	2014e	2015e	2016e	
<b>Income statement</b>					<b>Basic &amp; per-share data</b>				
Revenue	4,858	5,815	5,252	6,500	Market cap (EGPmn)	19,599	19,599	19,599	19,599
CoGS	(3,574)	(4,056)	(3,578)	(4,541)	Enterprise value (EGPmn)	23,603	22,604	20,880	19,465
Gross profit	1,285	1,759	1,674	1,960	EPS (basic) (EGP)	0.28	0.50	0.39	0.52
EBITDA	963	1,373	1,280	1,634	EPS (normalised) (EGP)	0.28	0.50	0.39	0.52
Depreciation	(124)	(94)	(99)	(104)	DPS (EGP)	0.15	n/a	n/a	n/a
EBIT	795	1,278	1,180	1,529	Book value (EGP)	13.0	13.6	14.0	14.6
Net interest income	(112)	(94)	(48)	(7)	Free cash flow (EGP)	1.1	0.3	0.9	1.2
PBT	716	1,616	1,255	1,665	<b>Valuation</b>				
Taxes	(176)	(485)	(376)	(500)	P/E (basic) (x)	33.5	18.8	24.3	18.3
NPAT	540	1,131	878	1,166	P/E (CICR) (x)	33.5	18.8	24.3	18.3
Net income after approp.	585	1,041	808	1,073	P/BV (x)	0.7	0.7	0.7	0.7
Normalised net income	585	1,041	808	1,073	Dividend yield (%)	2	n/a	n/a	n/a
Ordinary dividends	300	-	-	-	Free cash flow yield (%)	11.2	2.7	9.5	12.4
<b>Balance sheet</b>					EV/revenue (x)	4.9	3.9	4.0	3.0
Cash & cash equivalent	681	1,070	2,360	3,365	EV/EBITDA (x)	24.5	16.5	16.3	11.9
Accounts receivables	13,880	14,606	17,404	21,065	<b>Growth</b>				
Work in process	16,372	17,803	17,362	19,105	Revenue (% y-o-y)	5	20	(10)	24
Current assets	34,143	36,702	40,351	46,763	EBITDA (% y-o-y)	4	43	(7)	28
Net fixed assets	4,028	3,934	4,070	4,214	EBIT (% y-o-y)	4	61	(8)	30
Non-current assets	427	408	408	408	EPS (% y-o-y)	7	78	(22)	33
Total assets	55,296	57,932	62,464	69,019	<b>Profitability</b>				
Short-term debt	1,554	1,259	1,057	856	RoE (%)	2.2	3.7	2.8	3.6
Accounts payable	2,707	2,434	1,789	2,270	RoA (%)	1.1	1.8	1.3	1.6
Current liabilities	24,072	25,981	30,115	36,767	RoC (%)	2.1	2.6	2.6	3.3
Gross debt	3,773	3,073	2,569	2,065	Asset turnover (x)	0.1	0.1	0.1	0.1
Net debt	3,093	2,003	209	(1,300)	EBITDA margin (%)	19.8	23.6	24.4	25.1
Non-current liabilities	4,328	3,924	3,444	2,181	Net profit margin (%)	12.0	17.9	15.4	16.5
Total liabilities	28,400	29,906	33,559	38,948	<b>Liquidity</b>				
Shareholder equity	25,984	27,024	27,832	28,905	EBITDA/net interest (x)	8.6	14.7	26.8	219.9
Minority interest	912	1,003	1,073	1,166	Net debt/equity (x)	0.1	0.1	-	-
Provisions	-	-	-	-	Net debt/total assets (x)	0.1	-	-	-
Total liab. & shareholder equity	55,296	57,932	62,464	69,019	Net debt/EBITDA (x)	3.2	1.5	0.2	(0.8)
<b>Cash flow summary</b>					Current ratio (x)	1.4	1.4	1.3	1.3
Income before minorities	716	1,616	1,255	1,665	Quick ratio (x)	1.4	1.4	1.3	1.2
Change in WC	1,836	45	1,976	1,446					
Payment of taxes	(176)	(485)	(376)	(500)					
CF from operations	208	1,087	2,606	1,559					
Capex	39	(97)	(882)	(144)					
Dividends	-	-	-	-					
CF from investing	39	(55)	(882)	(144)					
Change in net debt	190	(734)	(504)	(504)					
CF from financing	127	(643)	(434)	(411)					
Net cash flow	374	389	1,290	1,005					
Free cash flow to firm	2,198	533	1,862	2,427					

Source: Company financials, CI Capital estimates

Based on 10 August 2014 closing price

# Palm Hills Developments (PHD)

# Overweight

## Back in the game

- **Abiding by the delivery schedule is key to unlocking value**
- **Enhancing project efficiency to compensate for contracting land bank**
- **Maintain our OW rating and upgrade TP to EGP5.2/share on better land utilization and inflation in selling prices**

**Ramping up deliveries in 2014 and 2015 should reflect positively on future off-plan sales.** During 1Q14, PHD delivered 291 units, a 76% y-o-y increase, compared to 165 units handed over in 1Q13. PHD had earlier informed the market that it plans to deliver 2,000 units during 2014, 50% of which would be in Casa. We revised the delivery figure downwards, mainly due to some hiccups regarding the extension of utilities to Casa. Nonetheless, PHD is on track where construction spending is concerned; capex came in at cEGP522mn in 1H14 (EGP228mn in 1Q14) out of the EGP1bn budgeted for the full year. The improvement in PHD's liquidity position, and the shift in clients sentiment towards company operations—amid a strong marketing campaign—have also reflected on sales progression. PHD booked EGP593mn in contracted sales in 1Q14, representing a c50% y-o-y increase. Sales were mainly concentrated in the Katameya Extension, Golf Views, and Golf Extension projects. We forecast full-year net sales of cEGP2bn for 2014 vs. EGP400mn in 2013. Accordingly, PHD is expected to record EGP1.9bn in 2014 and EGP3.5bn in 2015 in total real estate revenues. Lower delinquency on receivables (currently at 20%) and acquisition of new debt (EGP1.6bn for capex financing) should ensure a stable cash flow stream to support construction activities. Customer receivables stood at EGP3.7bn as of 1Q14, and c65% is up for collection in 2014 and 2015, according to the collection schedule. On payables, total land liabilities stand at EGP1.7bn, of which 53% are scheduled for payment over the next two years.

**Enhancing project efficiency will result in higher monetisation.** In line with the trend in the sector, PHD amended the master plan for a number of its projects, leaving the general layout unchanged. The amendments included increasing BUA—either by adding more units, or reconfiguring larger land plots into smaller a unit—which was first witnessed in the Hacienda Bay project. These changes should add cEGP600mn from new sales at an EBITDA margin of 40%. PHD is also working on applying similar adjustments to Golf Views pending regulatory approvals. Moreover, PHD drafted an initial master plan dedicating c150k sqm to commercial/retail developments, which had not been included in our previous valuation.

**We anticipate margin improvement as of 2014 on the expected pick-up in standalone unit sales amid significant selling price increases.** GPM is expected to come in at 47% in 2014 vs. 24% in 2013. Higher standalone unit sales should drive margin expansion, generating higher revenues from related land. Out of the EGP1.9bn in revenues expected in 2014, 44% (EGP0.8bn) should come from sales related to standalone units. As for pricing, PHD had raised its selling prices in 2014 by 25-30% vs. only marginal increases in the last two years. It is important to note though that the significant number of cancelations in 2011-13 hit PHD hard. PHD's 2014e results are not expected to mirror the increase in the tax rate to 30% either, but the company will benefit after losses incurred in 2011 and 2012. We expect an effective tax rate of 10% and NPM of 17% in 2014.

**Maintain OW call and upgrade TP to EGP5.2/share on better land utilization and higher selling prices.** In our valuation, we use DCF to account for launched projects. We incorporate strong recovery in off-plan sales, acceleration in deliveries, and a 20-30% increase in selling prices across most projects. Meanwhile, we value the remaining land bank of c13mn sqm as raw land, which yields a value of EGP2.9/share; of which Botanica (7mn sqm) represents 70%. In our view, the major downside risk to our valuation is delays in delivery.

<b>Target price (EGP)</b>	<b>5.2</b>
Share price (EGP)	4.3
Potential return (%)	22

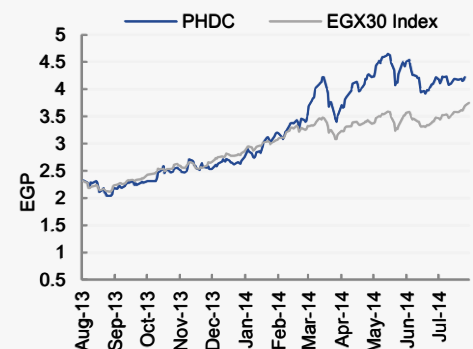
### Share details

Ticker	PHDC EY / PHDC.CA
6M avg daily value (USDmn)	8.12
% Δ: m-o-m / 6M / y-o-y	3/34/83
No. of shares (mn)	1,348
Market cap (EGPmn)	5,771
Market cap (USDmn)	807

### Ownership structure

Free float	53.9%
MMID	43.8%
Ripplewood	2.3%

### Absolute & relative share price performance



Source: Bloomberg

Note: All prices are as of 10 August 2014

## Valuation

We use a combination of DCF and land valuation for the appraisal of PHD. Using DCF, we employ a 14.4% WACC and 5% terminal growth rate to derive the perpetual value of hotels. The cost of equity is arrived at using an after-tax risk-free rate of 9.8%, a 6.5% risk premium, and a beta of 1. Meanwhile, we use value the 13mn sqm of undeveloped land—7mn sqm of which belong to the Botanica land, 5mn sqm to the Saudi land, and 1mn sqm on the Egyptian North Coast—according to our land valuation model. We also factor in c150k sqm of land dedicated to commercial and retail purposes. For conservatism, we value the non-residential land using an EGP2k/sqm average, given the lack of clarity on the development plans from these plots. Their after-tax value is cEGP300mn or EGP0.2/share.

In our DCF valuation, we incorporate the following:

- Total revenues of EGP1.9bn in 2014 vs. EGP1.2bn in 2013. We expect EGP1bn to come in from deliveries of sales backlog, and cEGP0.9bn from revenues related to new standalone unit sales
- Net contracted sales at EGP2bn and EGP2.3bn in 2014 and 2015 respectively. 2014 should see the sale of 33 units in the newly launched project Woodville. The first phase of the project comprises 66 units—mainly townhouses and small standalone properties—at an average selling price of EGP1.8-2.0mn per unit
- The additional EGP600mn in revenues from the reconfiguration of the Hacienda Bay master plan
- A 10% annual increase in selling prices and construction costs over our forecast horizon
- For hotels (c2% of total valuation), average occupancy rates are expected to stand at 40% in 2014, and revert to historic averages of above 60% as of 2016. Average room rates are expected to grow by 10% per annum
- We assume an effective tax rate of 10% in 2014, and 30% going forward

### DCF valuation

EGPmn	2013	2014e	2015e	2016e	2017e	2018e	2019e	2020-2021e
Net profits (attributable)	237	321	796	584	949	531	669	859
Interest (1-t)	146	162	167	160	96	47	47	-
Non-cash expenses	10	18	15	16	17	19	20	43
Change in WC	263	(407)	156	(602)	(2,974)	(409)	(285)	1,368
Capex	39	42	47	51	56	62	68	72
<b>FCFF</b>	<b>93</b>	<b>866</b>	<b>776</b>	<b>1,311</b>	<b>3,980</b>	<b>944</b>	<b>953</b>	<b>(537)</b>
WACC (%)		14	14	14	14	14	14	14
NPV of FCFF		866	679	1,003	2,662	552	487	(103)
<b>Total NPV</b>	<b>6,145</b>							
Terminal value from hotels		125						
<b>Equity value</b>	<b>6,270</b>							
Outstanding shares	1,348							
<b>Value per share</b>	<b>4.7</b>							

Source: CI Capital estimates

### Land valuation

Location	Unlaunched project	% holding	Raw land (sqm)	Land value (EGP/sqm)	Total value (EGPmn)	
Residential	West Cairo	Botanica	100	7,000,000	500	3,500
	North Coast	Galallah	100	1,032,234	400	413
	North Coast	WIPCO	100	252,000	300	76
	Red Sea	ERC land	100	92,250	715	66
	Alexandria	Downtown Alex	51	17,000	500	4
	Saudi Arabia	Saudi Riyadh	51	5,000,000	500	1,275
<b>Total commercial/retail portfolio</b>		100	144,774	2,000	290	
<b>Total land value (after-tax) (EGPmn)</b>					<b>3,936</b>	

Source: PHD, CI Capital estimates

### Valuation breakdown per share (EGP)

Operational residential projects & hotels	4.7
Undeveloped land (incl. commercial/retail)	2.9
<b>Total value</b>	<b>7.6</b>
Add: Cash & investments	0.1
Less: Debt & LL	2.5
<b>Target price</b>	<b>5.2</b>
Share price	4.3
<b>Upside (%)</b>	<b>22</b>

Source: CI Capital estimates

## Upside risks

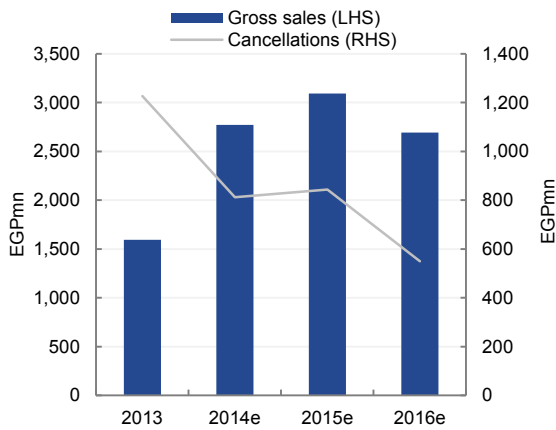
Monetization of the 1mn sqm of land in the North Coast and development of the commercial/retail areas.

## Downside risks

The key downside risks to our valuation are: a delay in budgeted deliveries and a slowdown in newly contracted sales.

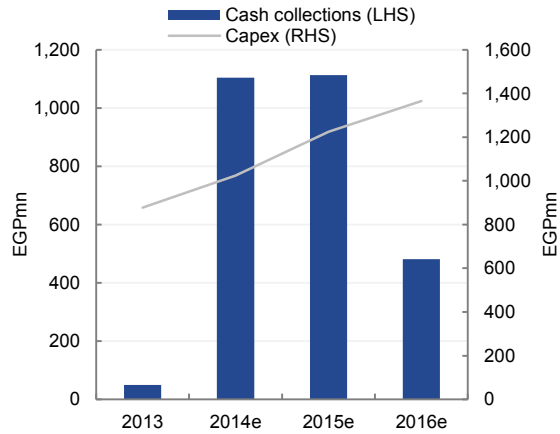
## Operational KPIs

Gross sales vs. cancellations



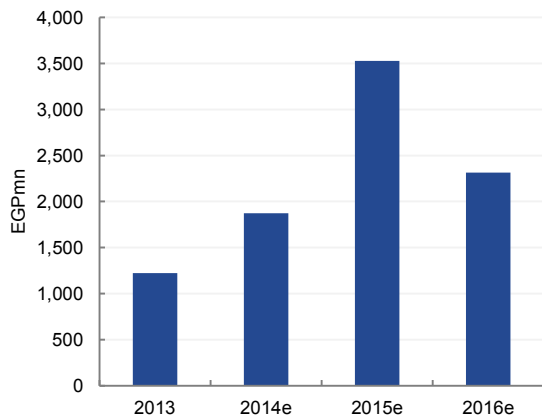
Source: PHD, CI Capital estimates

Cash collections vs. capex



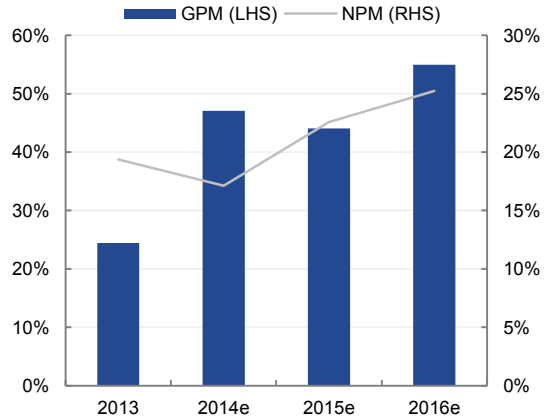
Source: PHD, CI Capital estimates

Revenue progression



Source: PHD, CI Capital estimates

GPM and NPM



Source: PHD, CI Capital estimates

## Financials: Palm Hills Developments (PHD)

EGPmn   FY end: Dec	2013	2014e	2015e	2016e		2013	2014e	2015e	2016e
<b>Income statement</b>					<b>Basic &amp; per-share data</b>				
Revenue	1,222	1,874	3,526	2,313	Market cap (EGPmn)	5,528	5,528	5,528	5,528
CoGS	(923)	(992)	(1,972)	(1,042)	Enterprise value (EGPmn)	7,002	6,551	6,754	6,269
Gross profit	299	882	1,554	1,271	EPS (basic) (EGP)	0.18	0.24	0.59	0.43
EBITDA	144	510	1,203	1,042	EPS (normalised) (EGP)	0.18	0.24	0.59	0.43
Depreciation	(10)	(18)	(15)	(16)	DPS (EGP)	n/a	n/a	n/a	n/a
EBIT	134	492	1,188	1,026	Book value (EGP)	2.60	3.30	3.93	4.39
Net interest income	77	(145)	(45)	(183)	Free cash flow (EGP)	0.07	0.64	0.58	0.97
PBT	248	375	1,213	889	<b>Valuation</b>				
Taxes	(1)	(37)	(364)	(267)	P/E (basic) (x)	23.3	17.2	6.9	9.5
NPAT	248	337	849	622	P/E (CICR) (x)	23.3	17.2	6.9	9.5
Net income after approp.	237	321	796	584	P/BV (x)	1.6	1.2	1.0	0.9
Normalised net income	237	321	796	584	Dividend yield (%)	n/a	n/a	n/a	n/a
Ordinary dividends	-	-	-	-	Free cash flow yield (%)	1.7	15.7	14.0	23.7
<b>Balance sheet</b>					<b>Growth</b>				
Cash & cash equivalent	111	341	648	926	Revenue (% y-o-y)	203	53	88	(34)
Accounts receivables	3,402	3,955	4,379	4,557	EBITDA (% y-o-y)	n/m	254	136	(13)
Work in progress	3,668	3,520	3,327	3,164	EBIT (% y-o-y)	n/m	268	142	(14)
Current assets	7,250	7,816	8,354	8,646	EPS (% y-o-y)	n/m	35	148	(27)
Net fixed assets	1,771	1,792	1,815	1,840	<b>Profitability</b>				
Non-current assets	3,433	4,003	4,485	4,702	RoE (%)	6.8	7.2	15.0	9.9
Total assets	10,683	11,818	12,839	13,348	RoA (%)	2.2	2.7	6.2	4.4
Short-term debt	284	284	284	284	RoIC (%)	2.9	8.7	12.8	11.2
Current portion LT debt	215	325	278	278	Asset turnover (x)	8.7	6.3	3.6	5.8
Accounts payable	1,595	1,595	1,595	1,595	EBITDA margin (%)	11.8	27.2	34.1	45.1
Current liabilities	4,870	5,462	5,357	5,798	Net profit margin (%)	19.4	17.1	22.6	25.2
Gross debt	1,300	1,063	1,520	1,273	<b>Liquidity</b>				
Net debt	1,189	722	872	347	EBITDA/net interest (x)	(1.9)	3.5	27.0	5.7
Non-current liabilities	2,307	1,913	2,190	1,635	Net debt/equity (x)	0.3	0.2	0.2	0.1
Total liabilities	7,177	7,375	7,546	7,433	Net debt/total assets (x)	0.1	0.1	0.1	-
Shareholder equity	3,221	4,142	4,938	5,522	Net debt/EBITDA (x)	8.3	1.4	0.7	0.3
Minority interest	285	301	354	393	Current ratio (x)	1.5	1.4	1.6	1.5
Provisions	-	-	-	-	Quick ratio (x)	1.5	1.4	1.4	1.3
Total liab. & shareholder equity	10,683	11,818	12,839	13,348	<b>Cash flow summary</b>				
Income before minorities	248	375	1,213	889	Income before minorities	248	375	1,213	889
Change in WC	(1,170)	(465)	(994)	(91)	Change in WC	(1,170)	(465)	(994)	(91)
Payment of taxes	(1)	(37)	(364)	(267)	Payment of taxes	(1)	(37)	(364)	(267)
Cash flow from operations	(766)	52	59	740	Cash flow from operations	(766)	52	59	740
Capex	564	-	-	-	Capex	564	-	-	-
Dividends	-	-	-	-	Dividends	-	-	-	-
Cash flow from investing	603	(21)	(23)	(25)	Cash flow from investing	603	(21)	(23)	(25)
Change in net debt	189	(418)	219	(476)	Change in net debt	189	(418)	219	(476)
CF from financing	219	199	272	(437)	CF from financing	219	199	272	(437)
Net cash flow	55	230	307	277	Net cash flow	55	230	307	277
Free cash flow to firm	93	866	776	1,311	Free cash flow to firm	93	866	776	1,311

Source: Company financials, CI Capital estimates  
Based on 10 August 2014 closing price

# Madinet Nasr for Housing & Development (MNHD) Overweight

## Sizable land bank to pay-off

- **Tag Sultan's strong sales represent an inflection point in land monetisation**
- **Reiterate our positive view on MNHD on active management and availability of a sizable undeveloped, debt-free land bank**
- **Upgrade our TP to EGP54.6/share to incorporate inflation in land prices**

**Tag Sultan's strong sales signal potential success for future launches.** To date, MNHD recorded cEGP1.3bn in total sales of from its Tag Sultan project (the first phase of the 3.5mn sqm Teegan development). Management targets EGP1.8bn in total revenues from the project, and plans to fully deliver in three-four years. Although MNHD is anticipating regulatory approvals on Teegan's new master plan, it can launch new phases based on the old one (similar to Tag Sultan's)—which would allow it to maintain its strong sales momentum. In line with management's statements, new phases are expected to come on stream as of early 2015. We reiterate our view that the strong appetite for Tag Sultan, and the increase in selling prices to levels comparable to tier-1 peers (EGP6,500/sqm), should facilitate the company's monetisation plans for its 5.5mn sqm land near TMG's Madinaty (KM45 land). MNHD plans to enter into JV agreements with other developers for the first 1mn sqm of the project, which could be a major share price catalyst.

**Active management should expedite land monetisation and reflect positively on future profitability.** So far, MNHD's strong price performance y-t-d was driven mainly by the improvement in overall market activity, and also the start of the land monetisation process. Both reflected well on the company's profitability (2013 net income +105% y-o-y). Nonetheless, we expect the pace of the land monetisation process to trigger a second rally. Management has set an annual marketing budget of 3% of sales and is currently establishing a sales centre for future projects in Teegan. MNHD had launched its first-ever marketing campaign for Tag Sultan late last year. On the financing side, MNHD recently announced it had agreed to borrow EGP500mn from CIB to use in accelerating construction. This is comfortably supported by the company's low gear, where debt-to-equity stands at 5%. Income generated from finished unit sales and commercial plots in Nasr City area are also expected to speed up development of the unutilized land bank, and simultaneously act as a cushion in downturns.

**Availability of a sizable unutilized land bank should weigh positively on margins.** Since most realty developers have been actively looking to replenish their land banks recently, we favour MNHD as it already holds a sizable and unutilized land bank, a plus, particularly amid the significant rise in land acquisition costs in recent auctions (+100-150%). MNHD's margins are expected to fare better than most peers, given that the rise in overall construction fees will be limited to the increase in building material costs, as the carrying value of land is almost at zero. This should also provide the company with a competitive edge for future pricing, and hence, affordability. In the last three years, consolidated margins improved from a 32% average to 45%, on higher contributions from real estate sales to total revenue vs. revenues from its contracting subsidiaries. Until 2016, we expect gross margins to hover around 45%.

**We maintain our OW rating and raise our TP to EGP54.6/share from EGP32.2.** Our upgraded valuation mostly rests on the expected upsurge in land prices. In our valuation, we use DCF to assess launched projects, and NAV valuation for Teegan (ex. Tag Sultan) and KM45. Based on our updated land prices, we value the Teegan land at EGP2k per sqm, mirroring SODIC's newly acquired land, given its prime location. Meanwhile, we value the KM45 land at EGP1k per sqm. For conservatism, we maintained the 40% discount to account for plot size and the relatively lower pace of monetisation compared to larger peers.

<b>Target price (EGP)</b>	<b>54.6</b>
Share price (EGP)	45
Potential return (%)	21

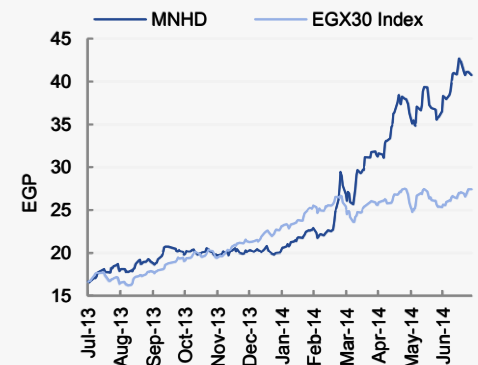
### Share details

Ticker	MNHD EY / MNHD.CA
6M avg daily value (USDmn)	1.16
% Δ: m-o-m / 6M / y-o-y	10/109/154
No. of shares (mn)	155
Market cap (EGPmn)	6,970
Market cap (USDmn)	975

### Ownership structure

Free float	47%
Beltone Group	23%
National Co. for Construction & Dev.	15%
Beltone Capital	8%
Muriah Holding	7%

### Absolute & relative share price performance



Source: Bloomberg  
Note: All prices are as of 10 August 2014

## Valuation

We use DCF to value launched projects (Tag Sultan, Hay Al Waha, and land plots in Nasr City). We also use a discount rate of 15.9%. In the cost of equity calculation, we use an after-tax risk-free rate of 9.8%, in addition to a 6.5% risk premium, and a beta of 1. Meanwhile, we value Teegan and KM45 as raw land, factoring in the newly updated prices, and maintaining the 40% discount to allow ample breathing room for the larger among the two. For Teegan, we use a price of EGP2,000/sqm up from EGP1,000/sqm, whereas for KM45 we use EGP1,000/sqm up from EGP500/sqm. As per management's guidance, we excluded c4mn sqm of undisputed land, given that the issues are not expected to see resolution in the short-term.

In our projections, we assume that Tag Sultan will be fully sold by 2016, a two-year delivery period. We assume a 10% downpayment for the project, with the balance paid in installements within a six-year timeframe. GPM is expected to hover around 50%. We assume annual sales will stand at 130 units in Hay Al Waha, while landplot sales in Nasr City will average 25-30 units every year. We expect total sales in 2014 to reach EGP1bn, of which 90% is expected to flock in from Tag Sultan. Across MNHD's project spectrum, we expect selling prices to rise by an annual 10%. According to management, y-t-d sales stand at EGP550mn, and selling prices went up 10%. Also, we expect a 95% rate for average collection of receivables, in line with the historic average.

### DCF valuation

EGPmn	2013	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e
Net profits (attributable)	158	177	214	200	70	67	77	85	92
Interest (1-t)	5	5	5	4	3	3	2	1	1
Non-cash expenses	8	13	17	17	19	18	15	15	12
Change in WC	121	188	310	258	(467)	(332)	(228)	(167)	26
Capex	2	7	8	4	5	5	6	7	7
<b>FCFF</b>	<b>49</b>	<b>-</b>	<b>(82)</b>	<b>(41)</b>	<b>554</b>	<b>414</b>	<b>316</b>	<b>262</b>	<b>73</b>
WACC (%)		15.9	15.9	15.9	15.9	15.9	15.9	15.9	15.9
NPV of FCFF		-	(71)	(31)	355	229	151	108	26
<b>Total NPV</b>	<b>768</b>								
<b>DCF value</b>	<b>768</b>								
Outstanding shares	155								
<b>Value per share</b>	<b>5.0</b>								

Source: CI Capital estimates

### Valuation breakdown per share (EGP)

Launched projects & subsidiaries	5.0
Teegan	27.1
KM45	21.3
<b>Total value</b>	<b>53.3</b>
Add: Cash & investments	1.4
Less: Debt	0.2
<b>Target price</b>	<b>54.6</b>
Share price	45
<b>Upside (%)</b>	<b>21</b>

Source: CI Capital estimates

## Upside risks

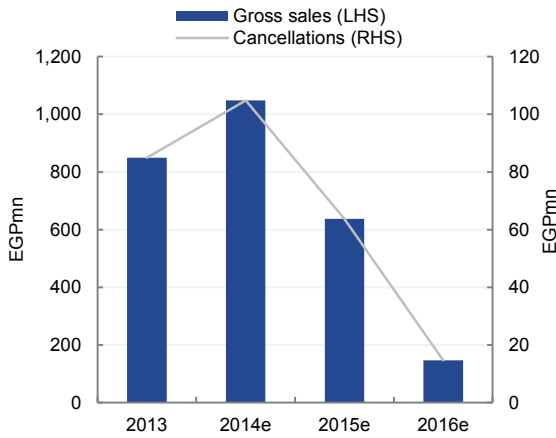
Stronger-than-expected monetisation of Teegan and KM45 accordingly apply lower discount rates to our land bank valuation.

## Downside risks

The key downside risks to our valuation are: slower than expected construction progress, and delay in launching new phases in Teegan.

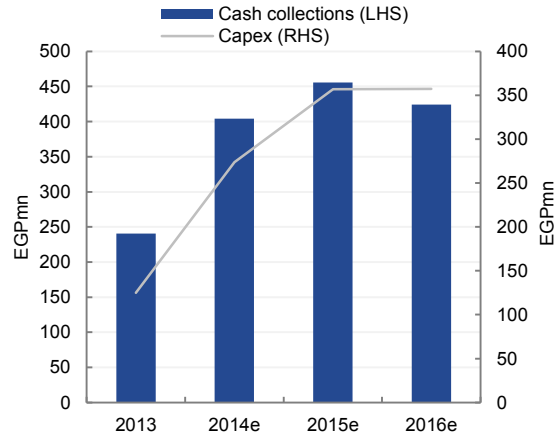
## Operational KPIs

### Gross sales vs. cancellations



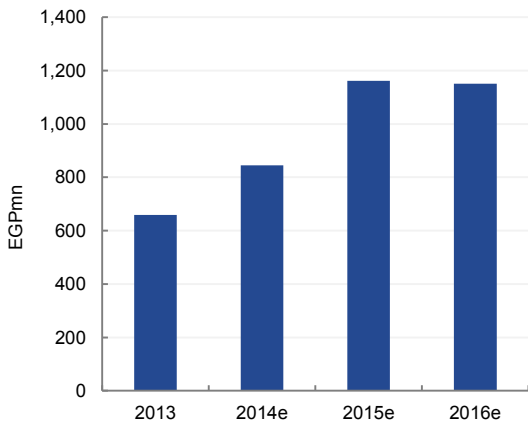
Source: MNHD, CI Capital estimates

### Cash collections vs. capex



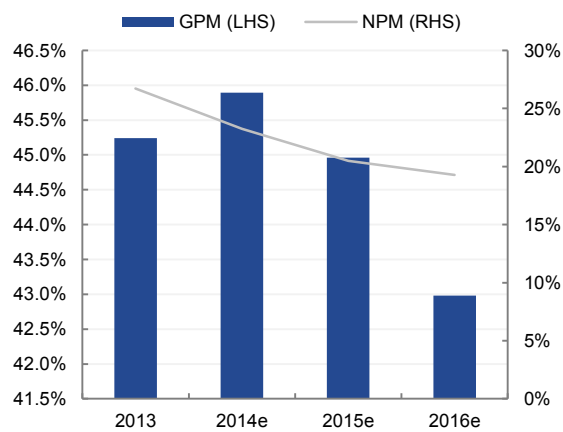
Source: MNHD, CI Capital estimates

### Revenue progression



Source: MNHD, CI Capital estimates

### GPM and NPM



Source: MNHD, CI Capital estimates



## Financials: Madinet Nasr Housing & Development (MNHD)

EGPmn | FY end: Dec

Income statement	2013	2014e	2015e	2016e	Basic & per-share data	2013	2014e	2015e	2016e
Revenue	719	869	1,189	1,181	Market cap (EGPmn)	6,975	6,975	6,975	6,975
CoGS	(393)	(470)	(654)	(674)	Enterprise value (EGPmn)	6,928	6,922	6,999	7,040
Gross profit	325	399	534	508	EPS (basic) (EGP)	1.1	1.3	1.5	1.4
EBITDA	235	279	349	323	EPS (normalised) (EGP)	1.1	1.3	1.5	1.4
Depreciation	4	4	5	5	DPS (EGP)	n/a	n/a	n/a	n/a
EBIT	232	275	344	318	Book value (EGP)	3.7	5.0	6.5	8.0
Net interest income	2	1	1	2	Free cash flow (EGP)	0.3	-	(0.5)	(0.3)
PBT	247	300	363	338					
Taxes	(60)	(90)	(109)	(102)	<b>Valuation</b>				
NPAT	187	210	254	237	P/E (basic) (x)	40	35	29	31
Net income after approp.	176	197	238	222	P/E (CICR) (x)	40	35	29	31
Normalised net income	176	197	238	222	P/BV (x)	12	9	7	6
Ordinary dividends	-	-	-	-	Dividend yield (%)	n/a	n/a	n/a	n/a
					Free cash flow yield (%)	1	-	(1)	(1)
<b>Balance sheet</b>					EV/revenue (x)	10	8	6	6
Cash & cash equivalent	122	137	73	44	EV/EBITDA (x)	29	25	20	22
Accounts receivables	869	1,540	1,746	1,482					
Work in process	294	290	261	282	<b>Growth</b>				
Current assets	1,620	2,319	2,430	2,122	Revenue (% y-o-y)	45	21	37	(1)
Net fixed assets	30	37	45	49	EBITDA (% y-o-y)	88	19	25	(7)
Non-current assets	72	79	87	91	EBIT (% y-o-y)	92	19	25	(7)
Total assets	1,692	2,397	2,517	2,213	EPS (% y-o-y)	105	12	21	(7)
Short-term debt	11	11	11	11					
LT debt	16	16	16	12	<b>Profitability</b>				
Accounts payable	110	135	172	202	RoE (%)	30	25	23	18
Current liabilities	1,013	1,508	1,374	837	RoA (%)	10	8	9	10
Gross debt	27	27	27	23	RoIC (%)	29	26	25	19
Net debt	(95)	(110)	(46)	(21)	Asset turnover (x)	0.4	0.4	0.5	0.5
Non-current liabilities	43	43	43	38	EBITDA margin (%)	33	32	29	27
Total liabilities	1,055	1,551	1,416	875	Net profit margin (%)	26	24	21	20
Shareholder equity	580	777	1,015	1,237					
Minority interest	48	57	70	86	<b>Liquidity</b>				
Provisions	-	-	-	-	EBITDA/net interest (x)	131	232	290	139
Total liab. & shareholder equity	1,692	2,397	2,517	2,213	Net debt/equity (x)	(0.2)	(0.1)	-	-
					Net debt/total assets (x)	(0.1)	-	-	-
<b>Cash flow summary</b>					Net debt/EBITDA (x)	(0.4)	(0.4)	(0.1)	(0.1)
Income before minorities	187	210	254	237	Current ratio (x)	1.6	1.5	1.8	2.5
Change in WC	(81)	(196)	(318)	(261)	Quick ratio (x)	1.3	1.3	1.6	2.2
Payment of taxes	(60)	(90)	(109)	(102)					
Cash flow from operations	58	13	(67)	(30)					
Capex	(4)	(11)	(13)	(10)					
Dividends	-	-	-	-					
Cash flow from investing	(31)	(11)	(13)	(10)					
Change in net debt	14	-	-	(4)					
Cash flow from financing	10	33	16	11					
Net cash flow	37	35	(64)	(29)					
Free cash flow to firm	49	-	(82)	(41)					

Source: Company financials, CI Capital estimates  
Based on 10 August 2014 closing price

# Heliopolis Housing

Neutral

## Immense land value but monetization remains slow

- **Large undeveloped land bank is still key, but the benefits of undisputed land are not expected to reflect on earnings**
- **Privatization remains a distant prospect, meaning a strategy shift will be gradual**
- **Maintain Neutral rating as unlocking a strong land bank is hindered by slow monetisation; we prefer MNHD to Heliopolis**

**The company intends to move up the value chain by adopting an off-plan sales model, but still we expect only a slow and gradual shift.** For instance, there is a proposal to launch the Helio Park project in New Cairo—0.8mn sqm of which the company recently received approval to develop—on an off-plan sales scheme. However, for a legacy project like Obour City, the developer is auctioning off four buildings as complete units in the current quarter. Also, in the foreseeable future, the developer's business model will remain land-centric, as reflected by the recent sale of 16 plots in New Heliopolis City (El-EI-Shorouk area, across from TMG's Madinaty). The project, which targets the mid-income segment, fetched EGP25mn from sales, implying a price of EGP1,000/sqm. Furthermore, the company plans to auction off a 260K sqm land plot from the same project, at an expected price of EGP1,500/sqm, payable over five years at zero interest. This highlights the developer's devotion to the piecemeal land-selling strategy over a broader plan to monetise the land bank as an integrated project, reflecting management's conservative approach.

**FY13/14 headline figures continue to reflect slow monetisation; FY15 budgeted figures yield no improvement, despite land value increases in Cairo.** In FY14, Heliopolis reported a net profit of EGP184mn, with total revenues standing at EGP420mn—a 24% increase y-o-y. We believe that modest revenue growth, despite commanding a large land bank, underlines the developer's conservative tactics. While the company's gross profit margin of 59% is one of the highest in the industry, it can be attributed to a higher land component in the sales mix. Yet, the BoD's intention to cut dividends to allocate more funds into construction projects could be regarded as a positive step towards accelerated land development. However, the company is expected to follow a conservative strategy as evidenced by its FY15 budget; revenues are expected to come in at EGP366mn, while target net profits stand EGP150mn, which implies declines of 13% and 19%, respectively, vs. figures reported in FY14 financials.

**We still prefer MNHD to Heliopolis, given its swifter land-bank monetisation.** MNHD has demonstrated stronger performance where unlocking land value is concerned, as the recent evolution in its business model—focusing on the mid- and high- income segments (previously only mid-income)—helps expedite monetisation. Meanwhile, the land value potential for Heliopolis is high, and despite its land quality, monetisation remains slow, given the developer's conservatism. Also, while both stocks have exhibited strong positive correlation, our bias towards MNHD reflects the fact that future growth for Heliopolis Housings' future is hindered by a slower development timeline, and the company's reliance on land sales to support top-line growth. Given that we do not foresee any significant changes in company strategy, and that the GoE is cautious about privatization, the process of unlocking land value is likely to remain inhibited.

<b>Target price (EGP)</b>	<b>60</b>
Share price (EGP)	55.5
Potential return (%)	8

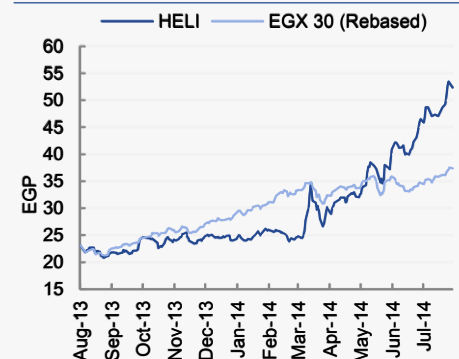
### Share details

Ticker	HELI EY / HELI.CA
6M avg daily value (USDmn)	1.69
% Δ: m-o-m / 6M / y-o-y	13/101/123
No. of shares (mn)	111
Market cap (EGPmn)	5,820
Market cap (USDmn)	814

### Ownership structure

National Building & Con.	72%
Free float	28%

### Absolute & relative share price performance



Source: Bloomberg  
Note: All prices are as of 10 Aug 2014

**Maintain N rating, but increase TP to EGP60/share as we lower land discounts to reflect improved market conditions.**

While other developers need to expand their land banks, HELI has sufficient land to continue development in the medium-term, which places it in a unique in our coverage universe. Still, our Neutral rating at a TP of EGP60/share signals the slow pace of monetisation. We use a combination of DCF and land valuation to assess HELI. In DCF, the cost of equity is derived from a post-tax risk-free rate of 10%, an equity risk premium of 6.5%, and a beta of 1. To be conservative, we have restricted our explicit forecasts to projects that have already launched. To appraise the land, we use our land valuation model, where we discount a further 20-70%, depending on the land bank, to arrive at a target price. We raise land prices to reflect the recent increase in the land values in Cairo. Accordingly, we value the land located in the Heliopolis area at EGP1,000/sqm compared to EGP700/sqm previously. For the land banks in El-Shorouk and New Cairo, our property prices stand at EGP500/sqm—a lower price for the large land plot based on the lower liquidity and location. Our TP indicates an 8% potential total return, which, according to our rating system, implies a Neutral rating. Our target price also implies a 40% discount to current NAV. To estimate NAV, we gauge the current market value of company assets—including land—and use equity as base to arrive at our estimates. For the company's land bank, we use our land model to determine values. For investment properties recorded at market value, we directly use balance sheet value, unless it differs materially from our estimates, in which case we use our own valuation. For pre-sold properties, we mark-up based on gross margins, and for developed properties, we use book values. Finally, we derive gross NAV, by which we adjust net debt and other assets and liabilities to reach our final figure.

**Land valuation**

Project	Location	Land area (mn sqm)	BUA (mn sqm)	Remaining BUA (mn sqm)	Value (EGP/sqm)	Total value (EGPmn)	Discount (%)	Value after discount (EGPmn)
Heliopolis	Heliopolis	2.5	2.5	2.5	1,000	2,528	20	2,023
New Heliopolis City	El-Shorouk	19.6	11.8	11.8	500	9,802	70	2,941
Obour City	Cairo/Ismalia Rd	0.1	0.1	0.1	500	139	50	70
New Cairo Land	New Cairo	7.1	4.3	4.3	500	3,560	70	1,068
<b>Total</b>		<b>29.4</b>	<b>18.6</b>	<b>18.6</b>		<b>16,029</b>		<b>6,101</b>
<b>Land value/share (EGP)</b>						<b>144</b>		<b>55</b>

Source: Company data, CI Capital estimates

**Upside risks**

Availability of dispute-free land bank offer a potential valuation upgrade but the magnitude hinges on the pace of monetisation. Also, management said the developer is currently anticipating the restoration of ownership of 4.2mn sqm of land encroached in NHC, which was returned to them via direct court order. This land was excluded from our valuation, but if incorporated, would add EGP2/share to our TP. Additionally, the resolution of a lawsuit against the defaulting tenant of the Maryland Park in Cairo can add EGP77mn in overdue receivables. Other upside risks include any changes in the company's strategy to draw peers' interest and co-develop land, or sell it to further support monetisation. And finally, the company caters to the middle- and budget-housing segments in Egypt, where affordability is still a key concern. Thus, the introduction of consumer-friendly mortgage schemes could further boost sales.

**Downside risks**

Although Heliopolis Housing has several housing projects underway, development remains slow, hampering the company's process of unlocking value. The company's land bank in its entirety is located in east Cairo, exposing the company to a concentration risk. Land also accounts for c91% of our valuation, which makes it sensitive to any movement in land prices.

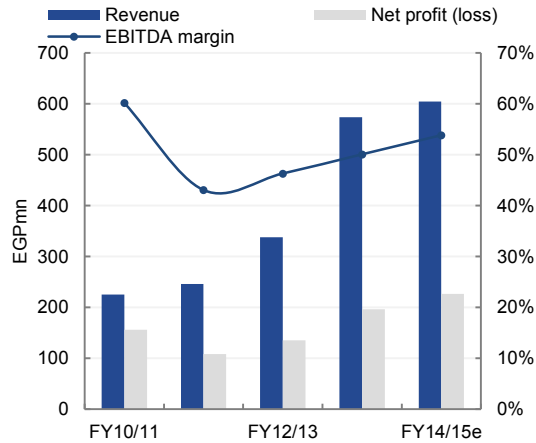
## Company snapshot

### Land bank



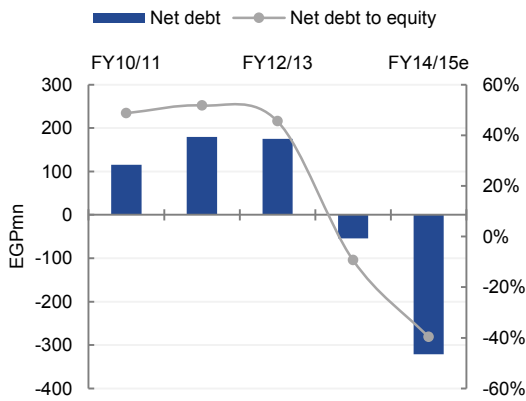
Source: Heliopolis Housing, CI Capital estimates

### Earnings



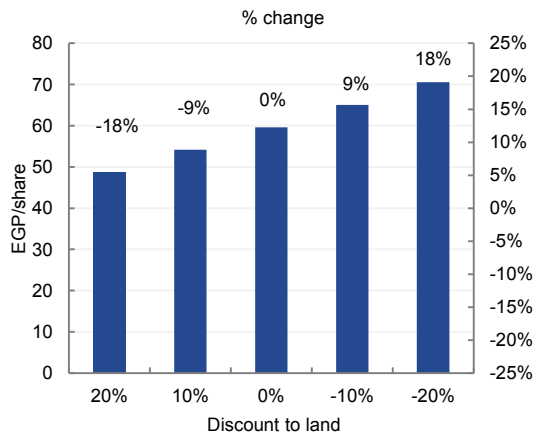
Source: Heliopolis Housing, CI Capital estimates

### Liquidity



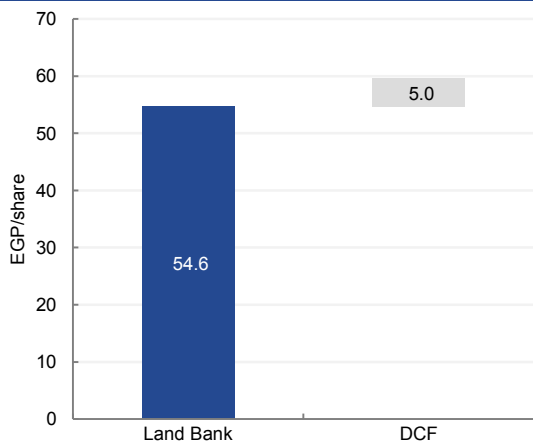
Source: Heliopolis Housing, CI Capital estimates

### Valuation sensitivity to land bank



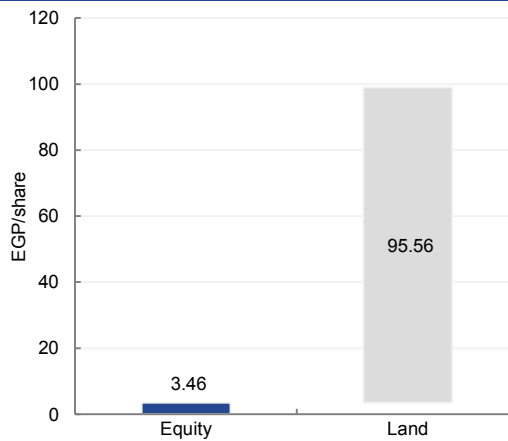
Source: Heliopolis Housing, CI Capital estimates

### Valuation breakdown



Source: Heliopolis Housing, CI Capital estimates

### NAV breakdown



Source: Heliopolis Housing, CI Capital estimates

## Financials: Heliopolis Housing

EGPmn   FY end: June	2012	2013	2014e	2015e	2012	2013	2014e	2015e	
<b>Income statement</b>					<b>Basic and per-share data</b>				
Revenue	246	338	573	604	Market cap (EGPmn)	6,116	6,116	6,116	6,116
CoGS	(104)	(136)	(231)	(219)	Enterprise value (EGPmn)	6,296	6,291	6,062	5,795
Gross profit	142	202	342	386	EPS (basic) (EGP)	1.0	1.2	1.8	2.0
EBITDA	106	156	289	325	EPS (normalized) (EGP)	1.0	1.2	1.8	2.0
Depreciation	2	2	1	2	DPS (EGP)	(0.7)	n/a	n/a	n/a
EBIT	106	155	290	327	Book value (EGP)	3.1	3.5	5.2	7.3
Net interest income	42	47	(28)	(3)	Free cash flow (EGP)	(0.5)	1.0	2.3	2.4
PBT	146	186	262	324	<b>Valuation</b>				
Taxes	(22)	(38)	(65)	(97)	P/E (basic)	56.6	45.1	31.1	27.0
NPAT	124.3	147.3	196.4	227	P/E (CICR)	56.6	45.1	31.1	27.0
Net income after approp.	108.0	135.5	196.4	227	P/BV (x)	17.6	15.9	10.5	7.6
Normalised net income	108.0	135.5	196.4	227	Dividend yield	1.3	n/a	n/a	n/a
Ordinary dividends	(78)	-	-	-	Free cash flow yield	(0.9)	1.8	4.3	4.3
<b>Balance sheet</b>					EV/revenue (x)	25.6	18.6	10.6	9.6
Cash & cash equivalent	11	1	227	497	EV/EBITDA (x)	59.4	40.2	21.1	17.8
Accounts receivables	1,379	1,690	1,352	946	<b>Growth (% y-o-y)</b>				
Work in progress	391	352	352	352	Revenue	9	37	70	5
Current assets	1,814	2,070	1,959	1,823	EBITDA	(22)	48	83	13
Net fixed assets	21	23	24	23	EBIT	(22)	46	87	13
Non-current assets	2	2	-	2	EPS (normalized)	(10)	19	33	15
Total assets	1,838	2,095	1,983	1,849	<b>Profitability</b>				
Short-term debt	213	278	223	149	RoE (%)	31	35	34	28
Current portion LT debt	-	-	-	-	RoA (%)	6	6	10	12
Accounts payable	-	-	-	-	Asset turnover (x)	-	-	-	-
Current liabilities	1,382	1,658	1,362	1,010	EBITDA margin	-	-	-	-
Gross debt	216	281	225	152	Net profit margin	43	46	50	54
Net debt	180	175	(51)	(321)		51	44	34	38
Non-current liabilities	109	52	42	30	<b>Liquidity</b>				
Total liabilities	1,490	1,710	1,404	1,041	EBITDA/net interest (x)	2.5	3.3	(10.7)	(105.3)
Shareholder equity	347	385	582	808	ND/equity (x)	0.5	0.5	(0.1)	(0.4)
Minority interest	-	-	-	-	ND/total assets (x)	0.1	0.1	-	(0.2)
Provisions	-	-	-	-	ND/EBITDA (x)	1.7	1.1	(0.2)	(1.0)
Total liab. & shareholder equity	1,838	2,095	1,983	1,849	Current ratio (x)	1.3	1.2	1.4	1.8
<b>Cash flow summary</b>					Quick ratio (x)	1.0	1.0	1.2	1.5
Income before minorities	108	136	196	227					
Δ in working capital	(135)	(64)	31	40					
Payment of taxes	(22)	(38)	(65)	(97)					
CF from operations	14	41	228	269					
Capex	(4)	-	(2)	(2)					
Dividends	(89)	(90)	-	-					
CF from investing	(4)	53	(2)	(2)					
Change in net debt	77	(15)	-	-					
CF from financing	(12)	(105)	-	-					
Net cash flow	(2)	(10)	226	267					
Free cash flow to firm	(54)	113	260	265					

Source: Company data, CI Capital estimates  
Based on 10 August 2014 closing prices

# Amer Group Holding

Neutral

## Egypt priced-in: further upside depends on successful foreign projects launch

- **Sales growth momentum still strong at EGP2bn in 1H14, up 27% y-o-y**
- **Recovery in restaurant and retail segments, albeit positive, has limited impact on valuation**
- **Raise TP to EGP1.41/share as we include the newly-launched Porto October JV, but maintain N rating as we wait for the fog to clear on foreign projects**

**Sale momentum continues, reflecting a shift towards primary housing:** After the Porto Cairo launch, Amer Group's sales continue to be driven by primary housing. For example, in 2013 and 1H14 combined, the group sold EGP5bn worth of properties, of which 65% were Cairo-based, compared to just 10% in earlier years. A shift to primary housing has moved Amer Group up the value chain where per-unit value has increased by 91% to EGP0.96mn, compared to EGP0.5mn a year earlier. Also, we expect revenues to pick-up as of 2014 to reflect stronger deliveries in projects like Porto Cairo Mall, Golf Bay Marina, and Porto Matrouh. Also, the company reported EGP138mn in sales on its time-share program Porto Vacation Club (PVC), which are yet unrecognized.

**Stronger sales and collection-linked land costs to keep cash flow comfortable.** Our calculations suggest that total potential revenues from Egypt-based projects stand at EGP28bn, only EGP6bn of which have been recognized to date. Similarly, out of an estimated EGP16bn in costs, the developer has already spent EGP7bn that include land cost, leaving EGP9bn more to the end of the year. While the gross margins vary at the project level, we expect Amer to maintain a gross margin of 40-45%. The latest set of financials indicate that 50% of pre-sales backlog (EGP7bn as of 2Q14) have already been collected, leaving EGP3.5bn. The real estate segment remains the most significant part of our valuation, adding EGP0.83/share.

**Hotel and retail to remain loss making; denting overall profitability.** As Amer Group's business model dictates building a hotel before developing a residential community around it, the hotel will only ever do little more than enhance a residential portfolio. Also, given the locations of the hotels and associated retail area, they remain exposed to cyclicalities. Out of 792 hotel rooms that the company owns and operates in Egypt, 538 rooms are on the North Coast (Porto Marina, Porto Golf Marina, and Porto Matrouh); the other 254 are on the Red Sea (Porto Sokhna), which leaves them exposed to seasonality. The hotel business was a loss-making segment for years before becoming marginally profitable in 1H14. Given that Amer Group's hotels target a domestic clientele, it was relatively immune to the volatility of the tourism sector. Our assumption puts forth a growth of 20% in hotel revenues over the next two years, broadly reflecting a growth in Average Room Rate (ARR) and occupancy rates, as the company's Porto brand gains more recognition. However, we maintain a valuation of EGP0.2mn/room for the hotel business, which contributes EGP0.03/share to our total valuation.

**The Porto Cairo mall opening last quarter increased Amer Group's GLA by 35k sqm to 86k sqm.** We accordingly increase our revenue forecasts for the retail business. Despite an increase in retail gross leasable area (GLA), the business continued to exhibit reduced profitability due to one-off opening expenses for the Porto Cairo mall. However, we expect a pick-up in profitability in the second half of year and estimate mall revenue in 2014 will stand at EGP43mn. The retail segment adds EGP0.11/share to our valuation.

<b>Target price (EGP)</b>	<b>1.41</b>
Share price (EGP)	1.40
Potential return (%)	1%

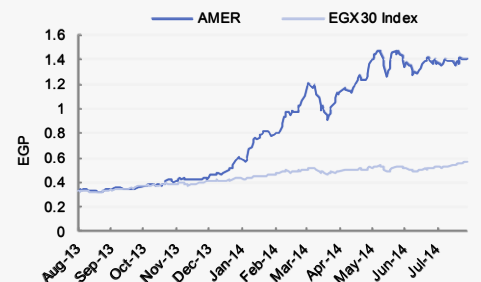
### Share details

Ticker	AMER EY / AMER.CA
6M avg daily value (USDmn)	7.86
% Δ: m-o-m / 6M / y-o-y	1/76/307
No. of shares (mn)	4,560
Market cap (EGPmn)	6,429
Market cap (USDmn)	899

### Ownership structure

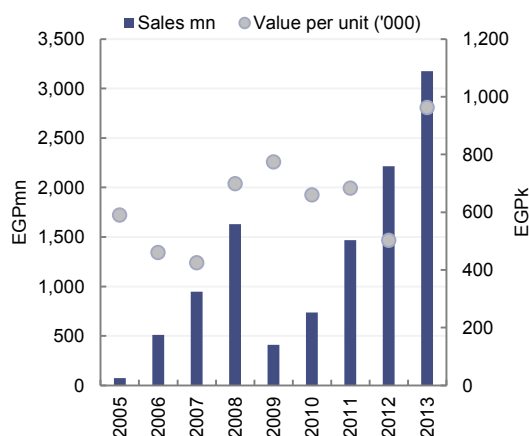
SOL Global Holding	35.2%
Amer Wakf Ltd.	14.5%
Lantess Intl Ltd.	10.4%
Egyptian Wakf Ltd.	7.3%
Mohamed El Amin	6.8%
Fineby Estates Limited	3.5%
Free float	22.3%

### Absolute & relative share price performance



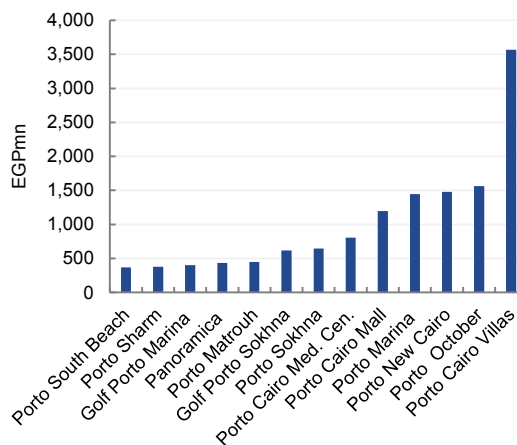
Source: Bloomberg  
Note: All prices are as of 10 August 2014

**Per-unit sale value for Amer increased in 2013...**



Source: Company data

**...driven by Cairo-based primary home projects**



Source: Company data, CI Capital estimates

**The restaurant business is poised to turn around, but value addition is to remain limited.**

Since the 2011 revolution, despite contributing one-fifth to total company revenues, Amer's restaurant business has been generating losses—even though it contributed 16% to total revenue pre-2011. We attribute lower profitability to lower occupancy rates and operational inefficiencies. However, going forward, we expect a turnaround for restaurants, driven by a combination of factors including a new management team, the launch of a new brand, potential expansion in the GCC, and an operational and financial restructuring program. 1H14 results showed operating profits U-turn to land at EGP0.4mn, against a loss of EGP2.3mn in 1H13. Our full year estimates imply an operating profit of EGP12mn, which goes up to EGP19mn and EGP30mn in 2015e and 2016e respectively. Our forecasts reflect an increase in the total number of restaurants to 73 from 56 presently, with operating margins growing to 12%. Accordingly, we value Amer Group's restaurant business at EGP0.03/share, in line with our previous valuations.

**The real estate business is in line with our valuation methodology; we now include launched projects.**

We now include the primary housing projects, Porto Cairo and Porto October, to our DCF analysis. Also, for the Group's real estate business, we restrict our forecasts and valuation to existing projects. On the foreign front, we still exclude the Syrian project (Porto Tartous) due to political uncertainty in the country. Additionally, given that two other projects, (Morocco-based Porto Agadir and Jordan-based Porto Dead Sea) still remain un-launched, we value them as raw land, as the future remains uncertain. However, we note that if successfully launched, the projects could potentially add EGP0.4/share to our valuation, based on average prices of EGP10k/sqm—implying a discounted land value of EGP2k/sqm for both.

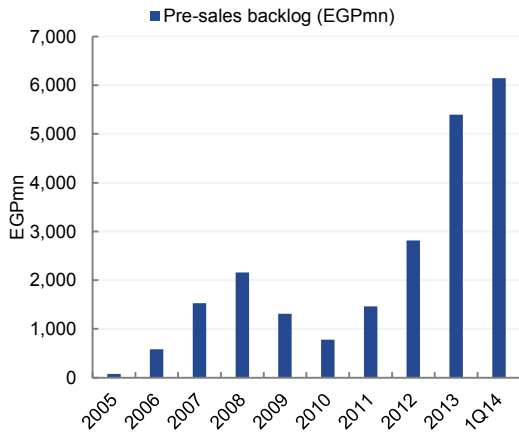
**Land valuation**

Location	Name of project	Land (mn sqm)	BUA (mn sqm)	Density (x)	CI BUA valuation (EGP/sqm)	Total land value (EGPmn)	Discount for TP (%)	Effective land valuation (EGPmn)
Jordan	Porto Dead Sea	0.8	0.8	1.0	1,250	1,050	-	1,050
Morocco	Porto Aghadir	1.2	0.8	0.7	1,000	800	-	800
Syria	Porto Tartous	0.2	0.5	2.8	1,000	512	100	-
<b>Total</b>		<b>2.2</b>	<b>2.2</b>	<b>1.0</b>		<b>2,362</b>	<b>22</b>	<b>1,850</b>
<b>Land value/share (EGP)</b>								<b>0.41</b>

Source: Amer Group, CI Capital estimates

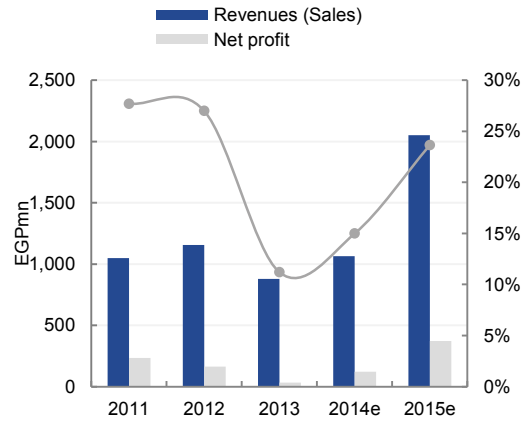
## Company snapshot

### Pre-sales backlog



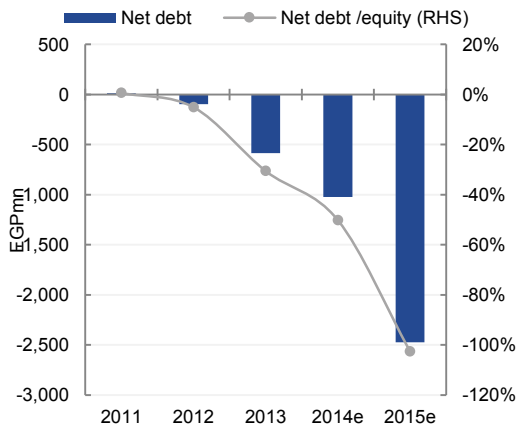
Source: Amer, CI Capital estimates

### Earnings



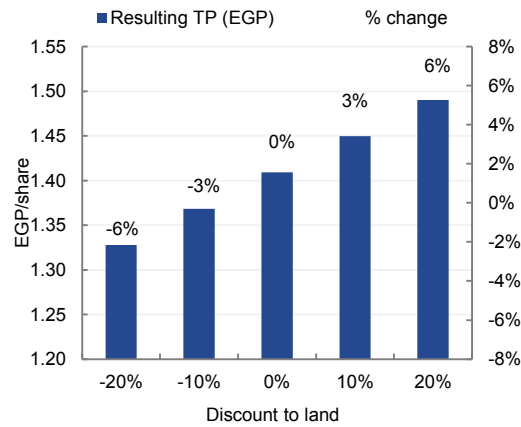
Source: Amer, CI Capital estimates

### Liquidity



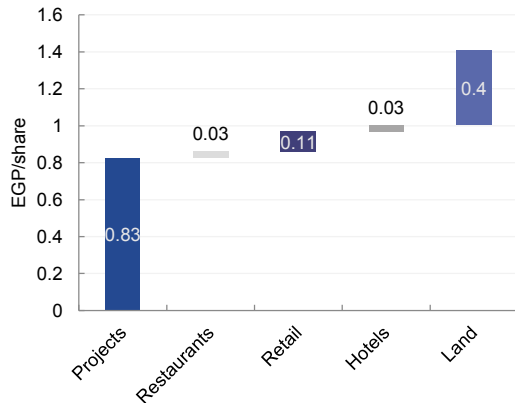
Source: Amer, CI Capital estimates

### Valuation sensitivity to land bank



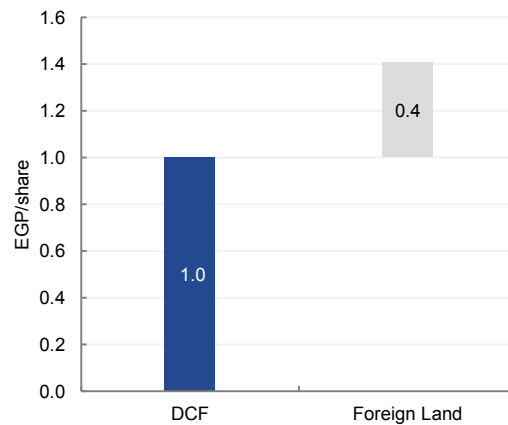
Source: Amer, CI Capital estimates

### Valuation breakdown



Source: Amer, CI Capital estimates

### NAV breakdown



Source: Amer, CI Capital estimates



## Financials: Amer Group

EGPmn   FY end: Dec	2013	2014e	2015e	2016e		2013	2014e	2015e	2016e
<b>Income statement</b>					<b>Basic and per-share data</b>				
Revenue	878	1,065	2,053	3,849	Market cap (EGPmn)	6,383	6,383	6,383	6,383
CoGS	(555)	(690)	(1,329)	(2,479)	Enterprise value (EGPmn)	5,795	5,357	3,906	1,942
Gross profit	323	375	724	1,370	EPS (basic) (EGP)	0.01	0.03	0.08	0.16
EBITDA	80	160	485	897	EPS (normalized) (EGP)	0.01	0.03	0.08	0.16
Depreciation	43	46	49	52	DPS (EGP)	0.4	n/a	n/a	n/a
EBIT	38	113	436	846	Book value (EGP)	0.42	0.45	0.53	0.69
Net interest income	(11)	26	57	159	Free cash flow (EGP)	0.12	0.09	0.30	0.40
PBT	36	171	526	1,039	<b>Valuation</b>				
Taxes	(4)	(43)	(132)	(260)	PE (basic)	n/m	52.7	17.1	8.7
NPAT	32	128	395	779	PE (CICR)	n/m	52.7	17.1	8.7
Net income after approp.	32	121	373	737	PBV (x)	3.3	3.1	2.6	2.0
Normalised net income	32	121	373	737	Dividend yield	n/a	n/a	n/a	n/a
Ordinary dividends	274	-	-	-	Free cash flow yield	8.4	6.2	21.7	28.5
<b>Balance sheet</b>					EV/revenue (x)	6.6	5.0	1.9	0.5
Cash & cash equivalent	818	1,255	2,706	4,671	EV/EBITDA (x)	72.2	33.6	8.0	2.2
Accounts receivables	579	439	392	346	<b>Growth (% y-o-y)</b>				
Work in progress	3,277	4,466	5,823	6,051	Revenue	(24)	21	93	88
Current assets	4,356	5,843	8,604	10,750	EBITDA	(72)	99	204	85
Net fixed assets	559	615	616	618	EBIT	(85)	201	286	94
Non-current assets	1,310	1,310	1,310	1,310	EPS (normalized)	(79)	300	208	97
Total assets	6,225	7,767	10,530	12,678	<b>Profitability</b>				
Short-term debt	155	155	155	155	RoE (%)	1.7	5.9	15.5	23.4
Accounts payable	211	190	169	148	RoA (%)	0.5	1.6	3.5	5.8
Current liabilities	3,778	5,170	7,559	8,970	RoIC (%)	4.6	5.8	2.3	2.3
Gross debt	232	232	232	232	Asset turnover (x)	0.1	0.1	0.2	0.3
Net debt	(586)	(1,024)	(2,475)	(4,439)	EBITDA margin	9.1	15.0	23.6	23.3
Non-current liabilities	545	557	557	557	Net profit margin	3.6	12.0	19.2	20.2
Total liabilities	4,323	5,726	8,115	9,526	<b>Liquidity</b>				
Shareholder equity	1,920	2,041	2,414	3,151	EBITDA/net interest (x)	(7.5)	6.1	8.5	5.7
Minority interest	(2)	(2)	(2)	(2)	ND/equity (x)	(0.3)	(0.5)	(1.0)	(1.4)
Provisions	-	-	-	-	ND/total assets (x)	(0.1)	(0.1)	(0.2)	(0.4)
Total liab. & shareholder equity	6,241	7,765	10,527	12,675	ND/EBITDA (x)	(7.3)	(6.4)	(5.1)	(4.9)
<b>Cash flow summary</b>					Current ratio (x)	1.2	1.1	1.1	1.2
Income before minorities	32	121	373	737	Quick ratio (x)	0.3	0.3	0.4	0.5
Δ in working capital	502	342	1,079	1,229					
Payment of taxes	4	43	132	260					
Cash flow from operations	598	510	1,501	2,018					
Capex	(54)	(73)	(50)	(54)					
Dividends	-	-	-	-					
Cash flow from investing	(93)	(73)	(50)	(54)					
Change in net debt	(36)	-	-	-					
Cash flow from financing	(62)	-	-	-					
Net cash flow	443	437	1,451	1,964					
Free cash flow to firm	536	395	1,383	1,819					

Source: Company data, CI Capital estimates  
Based on 14 Aug 2014 closing prices

# Egyptian Resorts Company (ERC)

Neutral

## Tourism recovery is key for future re-ratings

- **ERC is trading at floor valuation; pick-up in tourism activity is key for potential upgrades**
- **Develop new recurring revenue stream while waiting for the outcome of negotiations over phase-three dispute**
- **Upgrade rating to N and TP to EGP1.8/share on higher land prices**

**ERC is trading at floor valuation.** ERC's current market cap broadly discounts status-quo operations/assets, not incorporating any development plans for the land bank, and disregarding potential for positive surprises. Other than the phase-three land (28mn sqm) in its Red Sea Resort Sahl Hasheesh, ERC owns 4.1mn sqm of undeveloped land in phases one and two, which represents 100% of the company's valuation. Meanwhile, the level of revenues generated from providing utilities to developers and property owners is at its minimum, given the low utilization rate of sold land. According to management, that rate is currently at c50%. Also, recent micro data shows that tourism is bottoming out; occupancy rates in Sahl Hasheesh recovered in 1H14 to reach 60%. The low level of land-utilization and potential for further improvement in occupancy rates should result in higher revenues—generated from extension of utilities—once tourism activity recovers.

**Current cash balance secures two years of operations with no new land sales.** Based on the company's 2009-13 financials (almost no land sales), cash required to finance operations was cEGP50mn per annum. In the past five years, cancellations (i.e. returning down payments) resulted in the bulk of cash outflows. Therefore, the cash balance as of 1Q14 (cEGP100mn) is believed to be sufficient to sustain operations for another two years, without making new land purchases. Also, management indicated that cEGP90mn of the total EGP318mn in receivables should be collected in 2014, which should provide fresh support to the company's liquidity situation.

**Looking for new sources to diversify revenue streams.** ERC is in the process of acquiring majority stakes in three or four hotels, as well as a land bank in Hurghada owned by Orascom Hotels and Development (OHD). The company will call for a capital increase of cEGP1bn to finance the potential acquisitions. The increase is estimated to take place at EGP1.9-2.1/share, following the results of a valuation by an independent financial advisor. What remains of the capital increase, if at all, will be covered by means of issuing shares to OHD, raising its stake in ERC from its current 4.5%.

**Phase-three land bank: the potential alpha.** Based on our discussion with management, we understand that talks with the TDA regarding phase three are still ongoing. Given the government's recent efforts to settle pending issues, primarily in real estate, we believe that there is a high probability for a positive resolution to ERC's case. In our view, the fact that phase three is the back area to phases one and two could also play into the company's favor in their talks with the government. However, we did not incorporate the phase-three land in our valuation for conservatism. Accounting for phase three could add EGP2-4/share to our current valuation. The next court hearing is set for 15 September 2014. With regards to Sawari, the project is accounted for in our valuation as raw land seeing as its development hinges on resolving the aforementioned dispute. We need to highlight that incorporating the project as a development could add cEGP0.5/share to our valuation.

**We upgrade our rating to N, and TP to EGP1.8/ share on higher land prices.** Our valuation upgrade reflects the increase in land selling prices in recent auctions. We use a price of USD85 per sqm (EGP607) to value the 4mn sqm available for sale in phases one and two. For conservatism, we do not assign any value to revenues from provisioning utilities and maintenance—given that we assume the income received from those activities will be used to finance operations in the absence of land sales.

<b>Target price (EGP)</b>	<b>1.8</b>
Share price (EGP)	1.8
Potential return (%)	0

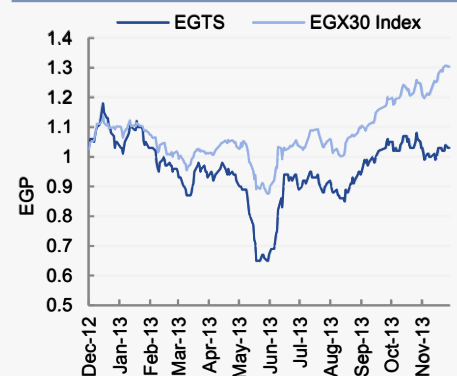
### Share details

Ticker	EGTS EY / EGTS.CA
6M avg daily value (USDmn)	4.74
% Δ: m-o-m / 6M / y-o-y	2/23/91
No. of shares (mn)	1,050
Market cap (EGPmn)	1,869
Market cap (USDmn)	261

### Ownership structure

Free float	31.91%
KATO Investment	11.96%
Rowad Tourism Co.	10%
First Arabian Co.	10%
Al Ahly Capital Holding	8.99%
Misr Insurance	8.05%
Misr for Life Insurance	6.95%
Orascom Development Holding	4.5%
Other	7.64%

### Absolute & relative share price performance



Source: Bloomberg  
Note: All prices are as of 10 August 2014

## Valuation

We value ERC's Sahl Hasheesh land bank as raw land. A total of 4.1mn sqm of land (incl. the Sawari project) is available for sale in phases one and two. We use USD85/sqm (USD60/sqm after-tax) to value ERC's current land holdings. We do not anticipate developments in the land bank. According to Sawari's current master plan and inputs, considering the project as a development in our valuation could add cEGP0.5/per share to current estimates—assuming a 10-year horizon for development. The commencement of development awaits the resolution of the dispute with the government over phase three. For conservatism, we do not assign any value to revenues from provisioning utilities and maintenance since we do assume that income received will be used to finance operations in the absence of land sales. We continue to assign zero value to phase three. We also discount receivables (net of payables) to reflect possible delays in collection.

## Upside risks

Upside risks include a favorable outcome of the Sahl Hasheesh phase-three dispute, and developing the land bank rather than selling land plots.

### Valuation breakdown per share (EGP)

Phases 1 & 2 (incl. Sawari land)	1.7
Add: Net receivables	0.2
Less: Debt & LL	0.1
<b>Target price</b>	<b>1.8</b>
Share price	1.8
<b>Upside (%)</b>	<b>-</b>

Source: CI Capital estimates

## Financials: Egyptian Resorts Company (ERC)

EGPmn   FY end: Dec	2013	2014e	2015e	2016e	2013	2014e	2015e	2016e	
<b>Income statement</b>					<b>Basic and per-share data</b>				
Revenue	49	39	41	43	Market cap (EGPmn)	1,859	1,859	1,859	1,859
CoGS	(52)	(62)	(64)	(67)	Enterprise value (EGPmn)	1,808	1,844	1,881	1,914
Gross profit	(3)	(22)	(23)	(24)	EPS (basic) (EGP)	(0.04)	(0.04)	(0.04)	(0.04)
EBITDA	(22)	(39)	(40)	(41)	EPS (normalized) (EGP)	(0.04)	(0.04)	(0.04)	(0.04)
Depreciation	-	-	-	-	DPS (EGP)	n/a	n/a	n/a	n/a
EBIT	(47)	(39)	(40)	(41)	Book value (EGP)	0.78	0.75	0.71	0.67
Net interest income	3	3	3	3	Free cash flow (EGP)				
PBT	(43)	(39)	(40)	(41)	<b>Valuation</b>				
Taxes	(0.5)	-	-	-	P/E (basic)	n/m	n/m	n/m	n/m
NPAT	(48)	(43)	(44)	(45)	P/E (CI Capital)	n/m	n/m	n/m	n/m
Net income after approp.	(41)	(37)	(38)	(39)	P/BV (x)	2	2	2	3
Normalised net income	(41)	(37)	(38)	(39)	Dividend yield	n/a	n/a	n/a	n/a
Ordinary dividends	-	-	-	-	Free cash flow yield	-	-	-	-
<b>Balance sheet</b>					EV/revenue (x)	37	47	46	45
Cash & cash equivalent	109	73	35	3	EV/EBITDA (x)	(83)	(47)	(47)	(47)
Accounts receivables	313	313	313	308	<b>Growth</b>				
Work in progress	520	520	520	520	Revenue (% y-o-y)	15	(19)	4	4
Current assets	956	920	884	847	EBITDA (% y-o-y)	n/m	n/m	n/m	n/m
Net fixed assets	142	142	142	142	EBIT (% y-o-y)	n/m	n/m	n/m	n/m
Non-current assets	353	353	353	353	EPS (normalized) (% y-o-y)	n/m	n/m	n/m	n/m
Total assets	1,309	1,273	1,236	1,199	<b>Profitability</b>				
Short-term debt	9	9	9	9	RoE (%)	n/m	n/m	n/m	n/m
Accounts payable	79	79	79	79	RoA (%)	n/m	n/m	n/m	n/m
Current liabilities	236	234	231	229	Asset turnover (x)	27	32	30	28
Gross debt	9	9	9	9	EBITDA margin	(45)	(99)	(97)	(95)
Net debt	(100)	(64)	(27)	6	Net profit margin	(85)	(95)	(93)	(91)
Non-current liabilities	252	256	260	264	<b>Liquidity</b>				
Total liabilities	489	490	492	494	EBITDA/net interest (x)	(8)	(14)	(15)	(15)
Shareholder equity	771	734	696	657	ND/equity (x)	(0.1)	(0.1)	-	-
Minority interest	49	49	49	49	ND/total assets (x)	(0.1)	(0.1)	-	-
Provisions	-	-	-	-	ND/EBITDA (x)	5	2	1	-
Total liab. & shareholder equity	1,309	1,273	1,236	1,199	Current ratio (x)	4	4	4	4
<b>Cash flow summary</b>					Quick ratio (x)	4	4	4	4
Income before minorities	(48)	(43)	(44)	(45)					
Δ in working capital	(24)	1	1	6					
Payment of taxes	(0.5)	-	-	-					
Cash flow from operations	(65)	(36)	(37)	(33)					
Capex	8	-	-	-					
Dividends	-	-	-	-					
Cash flow from investing	10	-	-	-					
Change in net debt	9	-	-	-					
Cash flow from financing	2	-	-	-					
Net cash flow	(53)	(36)	(37)	(33)					
Free cash flow to firm	-	-	-	-					

Source: Company data, CI Capital estimates  
Based on 10 August 2014 closing price

## Issuer of Report:

### CI Capital Holding SAE

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

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- Underweight (UW):** Estimated total potential return less than 0%
- NR:** Not Rated
- SP:** Suspended

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- NR:** Not Rated
- SP:** Suspended.

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