

## EMEA Emerging Markets

Equity Research

### Prospecting for alpha and growth: Expanding our MENA coverage – Part 1

#### We are expanding our MENA coverage

We initiate coverage on 80 new stocks in the MENA region and resume coverage of an additional 10 stocks. We now cover 121 stocks in MENA across ten countries, including 23 banks, while our total coverage in the CEEMEA region reaches 341 stocks.

#### Prospecting for key themes we identify three

We identify three key drivers for the energy-rich MENA economies: (1) basic resources, with the region benefiting from high oil prices; (2) infrastructure development (including real estate), as current account surpluses from energy exports allow for significant investment into local economies, also through stimulus packages; and (3) rising consumer spending as a result of increasing (and in the case of GCC countries already high) GDP per head and population levels.

#### Above-average returns, discount multiples

MENA markets trade on 10.3x 2012E P/E, a discount to the global P/E of 11.6x, despite similar EPS growth and higher returns (CROCI).

#### We identify 28 new Buys in MENA...

We have 28 new Buys in our MENA non-financials coverage (with more than 50% potential valuation upside) which fit our three themes. With our oils team forecasting high oil prices over 2012-13, we believe GDP growth in MENA could be more resilient than consensus implies, but our top picks also offer sustainable medium-term strengths.

#### Eight also offer sustainable strengths

We have further screened our MENA stocks for sustainable (2011-15E) above-median (1) growth (2) cash returns (CROCI) and (3) balance sheet strength. Eight Buy-rated names fit these criteria and offer exposure to our three key themes of resources, infrastructure, consumption: Arab Potash (Fertilizers, Jordan), Aramex (Logistics, UAE), Drake and Scull (Construction, UAE), Industries Qatar (Chemicals, Qatar), Jordan Phosphate (Fertilizers, Jordan), Juhayna (Consumer staples, Egypt), Orascom Construction Industries (Construction/Fertilizers, Egypt) and Wataniya Telecom (Telecoms, Kuwait). We add Industries Qatar to the CEEMEA Focus.

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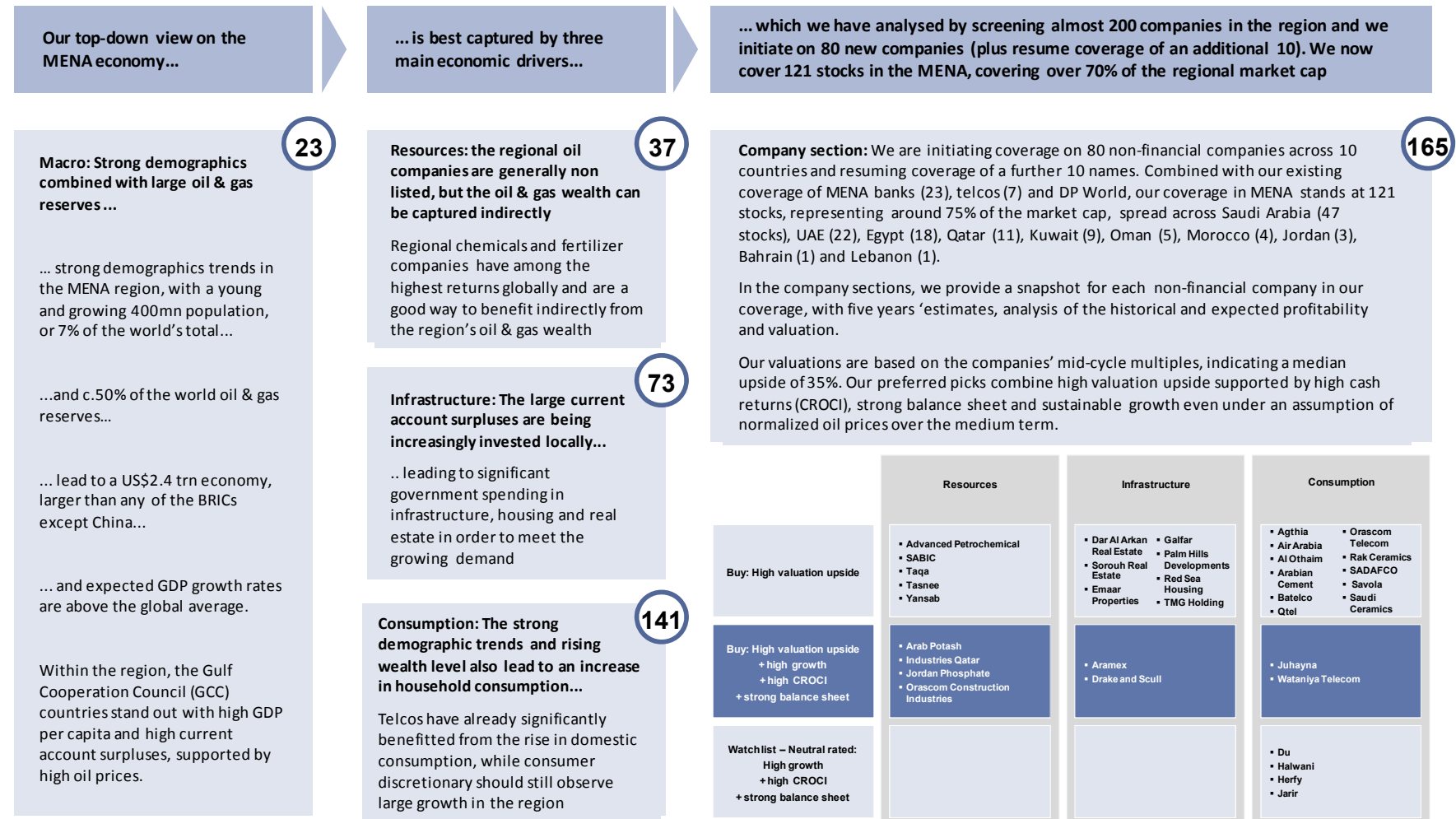
*We would like to thank for their significant contribution Harsh Mehta, Sinu Padmanabhan, Balram Ramesh and Abdallah Shunnar*

*Prices in this report are based on market close as of November 17, 2011 unless otherwise stated. Note that the circles denoting peer group averages in the Investment Profile charts for stocks in the Europe New Markets MENA Non Financials peer group do not currently show meaningful values.*

# Expanding our footprint in MENA to 121 stocks across ten countries

We initiate coverage on 80 new stocks in the MENA region and resume coverage of an additional 10 names. In addition to the 31 stocks already under coverage (including 23 banks), we now cover 121 stocks in the region across ten countries. In this report, we discuss the macroeconomic outlook for the MENA region, the key sectors driving the local economies (resources, infrastructure and consumer) and include a company profile for each non-financial company. We now cover 341 stocks in the CEEMEA region.

## Exhibit 1: Report structure: Macro overview, key sector drivers of the economy and company profiles

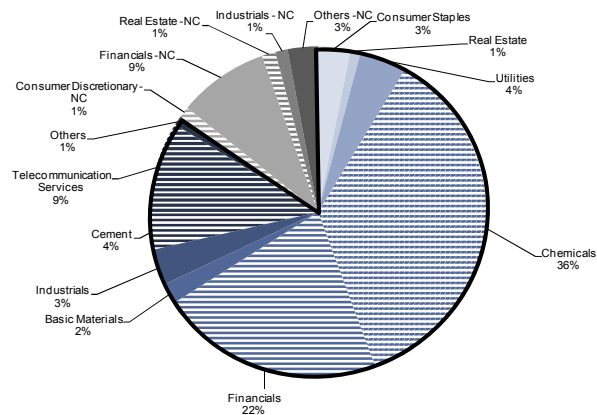


Source: Goldman Sachs Research estimates.

# We cover around 75% of the market cap in the MENA region

## Exhibit 2: Market cap composition in the largest MENA markets: Saudi Arabia is the largest (market cap US\$329 bn)

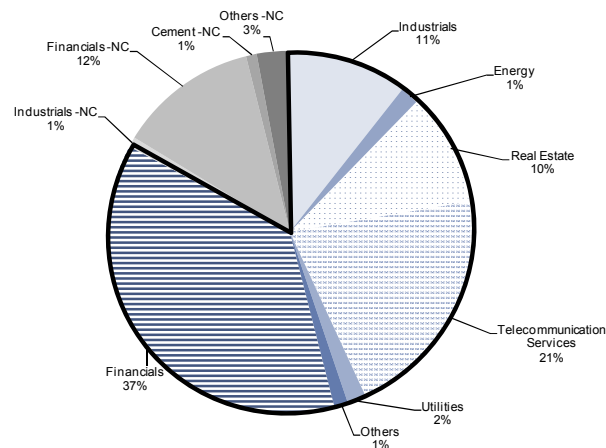
Market cap composition of Saudi stock market. NC: not covered; blue shading are sectors covered by GS, grey not covered



Source: Bloomberg, Goldman Sachs Research estimates.

## Exhibit 3: ...followed by the UAE (US\$121 bn)

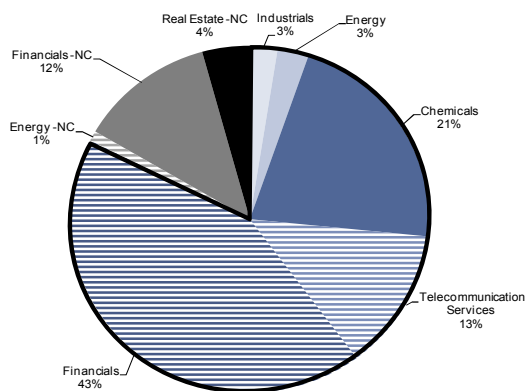
Market cap composition of UAE stock market (Abu Dhabi and Dubai; NC: not covered; blue shading are sectors covered by GS, grey not covered)



Source: Bloomberg, Goldman Sachs Research estimates.

## Exhibit 4: ...and Qatar (US\$96 bn)

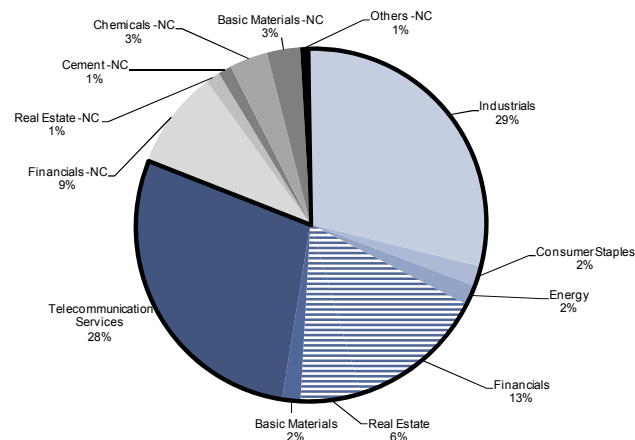
Market cap composition of Qatar stock market; NC: not covered; blue shading are sectors covered by GS, grey not covered



Source: Bloomberg, Goldman Sachs Research estimates.

## Exhibit 5: Egypt's market cap is US\$30 bn

Market cap composition of Egyptian stock market; NC: not covered; blue shading are sectors covered by GS, grey not covered



Source: Bloomberg, Goldman Sachs Research estimates.

## **Our MENA picks combine thematic exposure, strong fundamentals and valuation upside**

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**We identify three key drivers for the MENA economy and our preferred picks are supported by a strong positioning in each: (1) basic resources, with the region benefiting from the high oil price which drives regional GDP growth to a large extent; (2) infrastructure development (including real estate), as current account surpluses allow for significant investment into local economies, also through stimulus packages; and (3) rising consumer spending as a result of increasing (and in some cases already high) GDP per head and population levels. We identify 28 new Buy-rated stocks which fit these three themes, eight of which also have sustainable, above-median earnings growth, cash returns and balance sheets. With our oils team forecasting high oil prices over 2012-13, we believe GDP growth in MENA will be more resilient than global levels in 2012, but our top picks also offer sustainable medium-term strength. Of these stocks, we add Industries Qatar to the CEEMEA Focus List.**

### **Our eight MENA top picks are exposed to themes with strong growth, returns and balance sheet**

We have 28 new Buy ratings in our MENA non-financials coverage and we have further screened our stocks for sustainable (2011-15E) coverage-relative above-median (1) earnings (EBITDA) growth (2) cash returns (CROCI) and (3) balance sheets (net debt/equity). Eight of these fit all these criteria and offer exposure to our three key themes of resources, infrastructure and consumption: Arab Potash (Fertilizers, Jordan), Aramex (Logistics, UAE), Drake and Scull (Construction, UAE), Industries Qatar (Chemicals, Qatar), Jordan Phosphate (Fertilizers, Jordan), Juhayna (Consumer staples, Egypt), Orascom Construction Industries (Construction/Fertilizers, Egypt) and Wataniya Telecom (Telecoms, Kuwait).

### **23 Buy-rated stocks attractively valued and exposed to themes, but lack one or more strengths**

There are 23 Buy-rated stocks which fit our themes and are attractively valued, but do not screen as having above-median EBITDA growth, CROCI or balance sheet strength.

### **The watchlist: Four stocks with sustainable strength but less valuation upside**

Four names which offer exposure to our themes and display sustainably high returns, strong balance sheets and growth are Neutral-rated as we do not find the valuation compelling: Emirates Integrated Telecommunication Company (Du) (Telecoms, UAE), Halwani Brothers (Consumer Staples, Saudi Arabia), Herfy (Restaurants, Saudi Arabia) and Jarir (Retail, Saudi Arabia).

### **Among the banks, SAMBA and FGB are our preferred picks in MENA**

We cover 22 banks and one exchange in the MENA space with an aggregate market capitalization of US\$170 bn. Our nine Buy-rated stocks offer on average 55% upside potential. At 1.3x 2012E book, SAMBA trades at the lower end of its 3-year trading history despite our expected normalized ROE of 17%. The bank has substantial funding headroom, with among the lowest loan to deposit ratios of c.60%, allowing it to benefit from the long-term credit growth opportunity in Saudi. First Gulf Bank remains well capitalized with a Tier-I ratio of 19% (top quartile within MENA banks) and offers exposure to the relatively resilient Abu Dhabi market. The stock trades at a 20% discount to 2012E book value, or almost a 40% discount to EM banks with our projected normalized ROE of 15% for 2012.

## Our thematic framework and key picks in MENA

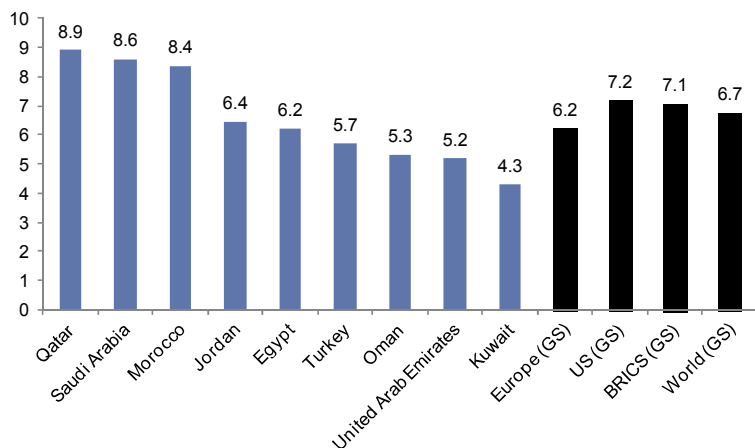
**Exhibit 6: Our key picks for MENA (non-financials) are grouped around three key themes: Resources, Infrastructure and Consumption: 31 are Buy-rated based on valuation upside, of which eight also show high CROCI, strong balance sheet and high medium term growth**

	Resources	Infrastructure	Consumption
Buy: High valuation upside	<ul style="list-style-type: none"> <li>Advanced Petrochemical</li> <li>SABIC</li> <li>Taqa</li> <li>Tasnee</li> <li>Yansab</li> </ul>	<ul style="list-style-type: none"> <li>Dar Al Arkan Real Estate</li> <li>Sorouh Real Estate</li> <li>Emaar Properties</li> <li>Galfar</li> <li>Palm Hills Developments</li> <li>Red Sea Housing</li> <li>TMG Holding</li> </ul>	<ul style="list-style-type: none"> <li>Agthia</li> <li>Air Arabia</li> <li>Al Othaim</li> <li>Arabian Cement</li> <li>Batelco</li> <li>Qtel</li> <li>Orascom Telecom</li> <li>Rak Ceramics</li> <li>SADAFCO</li> <li>Savola</li> <li>Saudi Ceramics</li> </ul>
Buy: High valuation upside + high growth + high CROCI + strong balance sheet	<ul style="list-style-type: none"> <li>Arab Potash</li> <li>Industries Qatar</li> <li>Jordan Phosphate</li> <li>Orascom Construction Industries</li> </ul>	<ul style="list-style-type: none"> <li>Aramex</li> <li>Drake and Scull</li> </ul>	<ul style="list-style-type: none"> <li>Juhayna</li> <li>Wataniya Telecom</li> </ul>
Watch list – Neutral rated: High growth + high CROCI + strong balance sheet			<ul style="list-style-type: none"> <li>Du</li> <li>Halwani</li> <li>Herfy</li> <li>Jarir</li> </ul>

Source: Goldman Sachs Research estimates

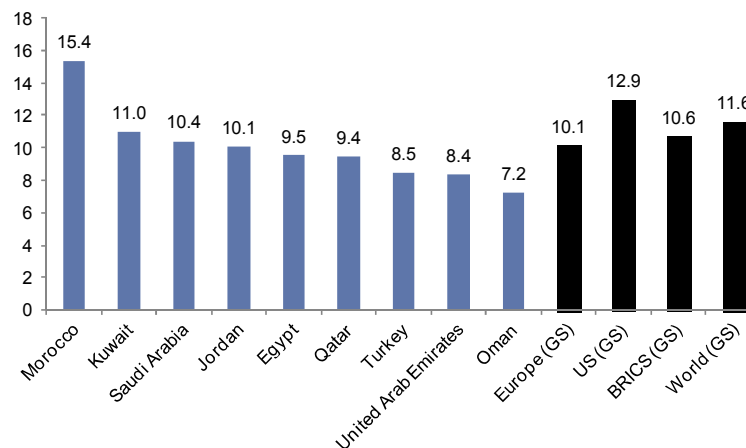
# All MENA countries trade at discounts to historical P/E multiples in 2012E

**Exhibit 7: Most MENA countries trade below global EV/EBITDA multiples**  
2012E median EV/EBITDA by country vs. selected regions (x)



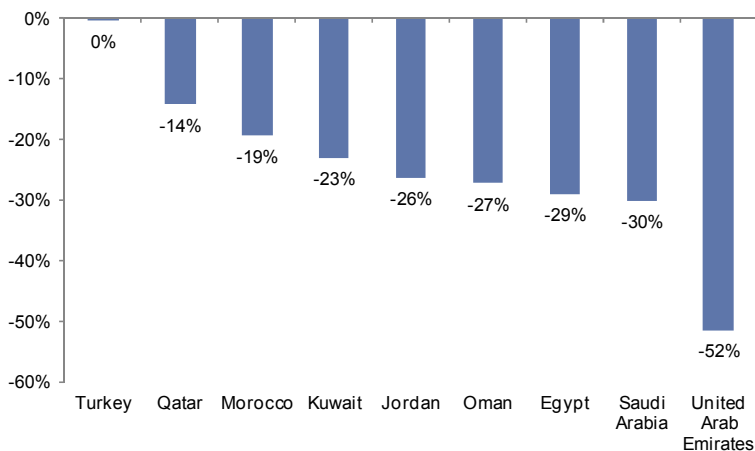
Source: Goldman Sachs Research estimates. Turkey and MENA non-financial coverage only.

**Exhibit 8: All MENA countries bar Morocco trade below global P/E levels**  
2012E median P/E by country vs. selected regions (x)



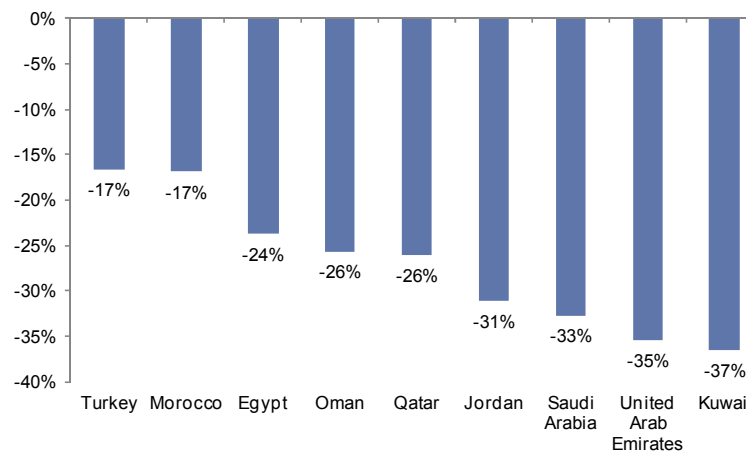
Source: Goldman Sachs Research estimates. Turkey and MENA include financial and non-financials.

**Exhibit 9: MENA countries are trading at a significant discount to history...**  
2012E median EV/EBITDA relative to 5-year historical median



Source: Goldman Sachs Research estimates. Turkey and MENA non-financial coverage only.

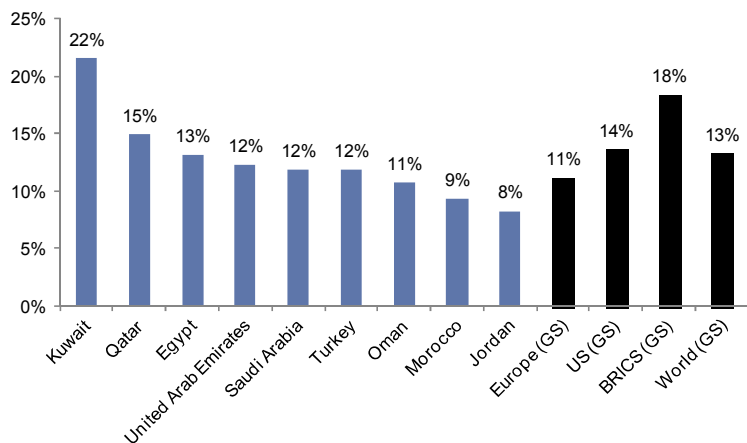
**Exhibit 10: .....as well as on 5-year median P/E**  
2012E median P/E relative to 5-year historical median



Source: Goldman Sachs Research estimates. Turkey and MENA include financial and non-financials.

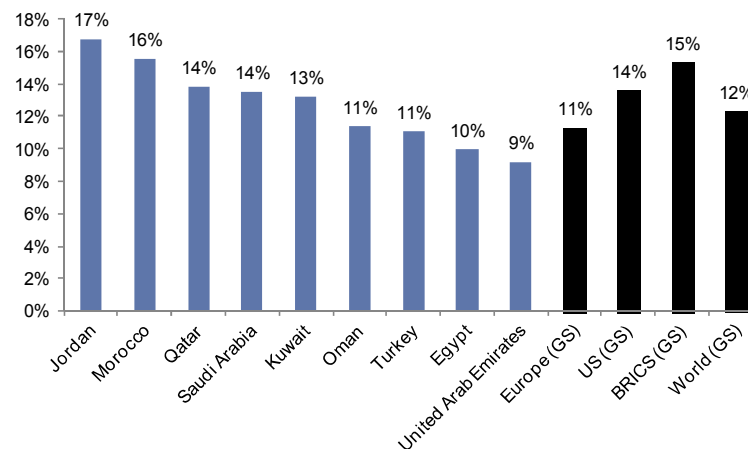
# MENA EPS growth at or above global levels in 2012E due to high oil price

**Exhibit 11: We forecast Gulf EPS growth at or above global levels in 2012E...**  
2012E median EPS growth by country vs. selected regions



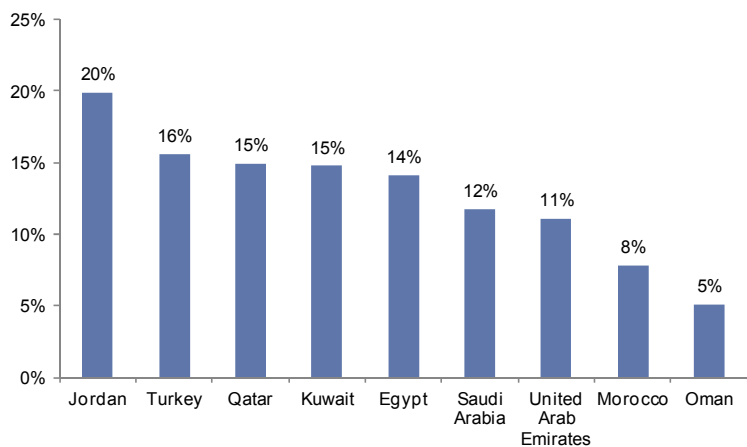
Source: Goldman Sachs Research estimates. Turkey and MENA include financial and non-financials.

**Exhibit 12: ...with most of MENA generating CROCI above global levels**  
2012E median CROCI by country vs. selected regions



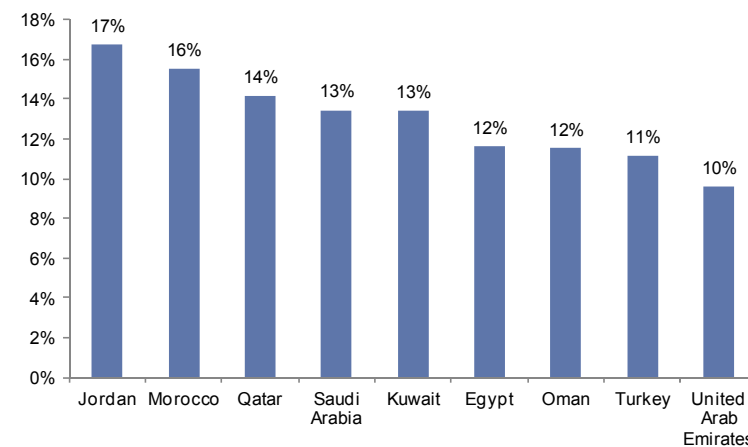
Source: Goldman Sachs Research estimate. Turkey and MENA non-financial coverage only.

**Exhibit 13: We expect EPS growth to be sustained over the medium term (assuming US\$85/bbl oil from 2014)...**  
2011-15E median EPS growth by country



Source: Goldman Sachs Research estimates. Turkey and MENA include financial and non-financials.

**Exhibit 14: ...as well as CROCI**  
2011E-15E median CROCI by country



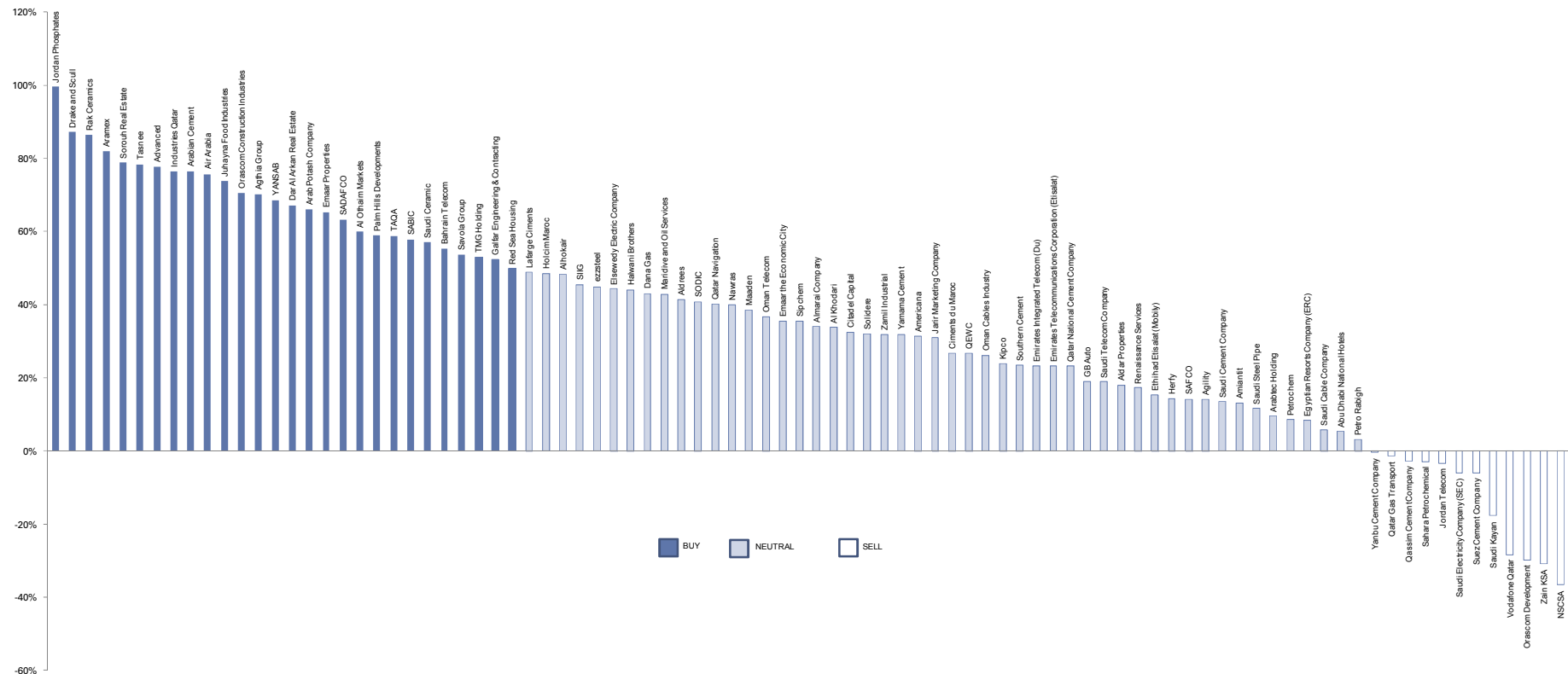
Source: Goldman Sachs Research estimates. Turkey and MENA non-financial coverage only.



# We see median upside of 35% for new MENA stocks in our coverage

We estimate a 35% median upside for the 90 new MENA stocks (80 initiations; 10 resumptons of coverage). Given the high average valuation upside, we assign a Buy rating to names with more than 50% potential upside to our 12-month price targets, while the Sell-rated names are those with absolute downside.

**Exhibit 15: The median potential upside for new stocks in our coverage is 35%; our new Buys have average upside of 69%**  
Potential upside/(downside) for new stocks under coverage in MENA



All price targets have 12-month timeframe

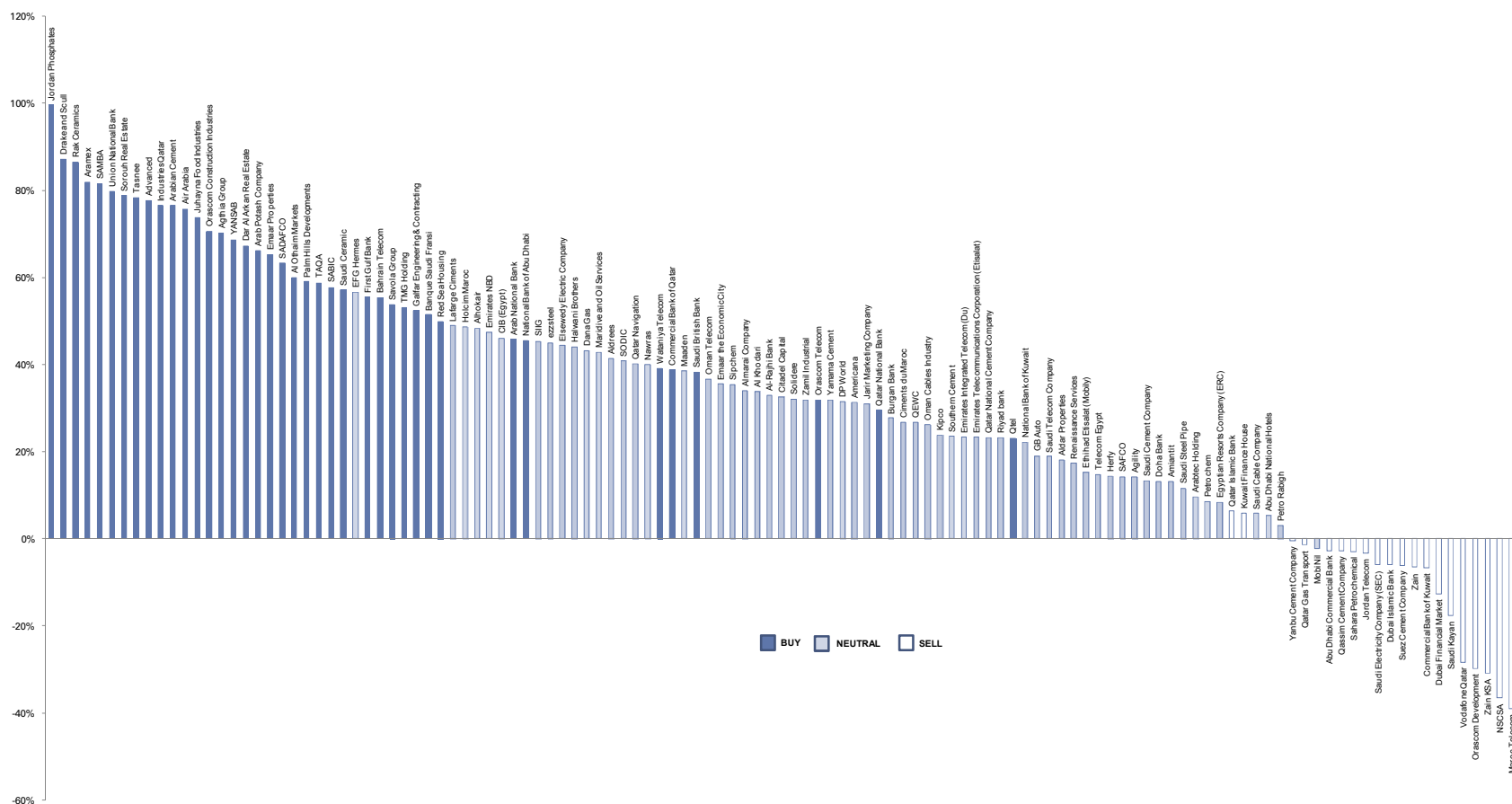
Source: Goldman Sachs Research estimates.

# Our MENA stocks under coverage have median potential upside of 32%

## We have 40 Buy-rated stocks and 20 Sell-rated in MENA

Exhibit 16 illustrates the potential upside/downside for our entire MENA coverage. Taking into account also stocks already under coverage (banks, telcos and DP World), our median upside for MENA is 32%. In our MENA coverage, we have 40 Buy-rated stocks, including 28 from our new coverage and nine banks. We are Sell-rated on 20 stocks, including 12 Sells from our new coverage.

**Exhibit 16: The median upside for our entire MENA coverage (new and existing stocks) is 32%; our Buys have 62% potential upside on average**  
New and existing MENA stocks potential upside



All price targets have 12-month timeframe except Commercial International Bank (Egypt), EFG Hermes, Burgar Bank, Commercial Bank of Kuwait, Kuwait Finance House, National Bank of Kuwait, which have two-year timeframe.

Source: Goldman Sachs Research estimates.



## Our valuation approach is based on stock mid-cycle multiples

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### **Our valuation approach is based on a stock's own mid-cycle multiples**

Our valuation approach in setting our 12-month price targets is based on applying historical mid-cycle multiples. We use the stock's own 5-year median EV/EBITDA multiple and apply it to 2012E and 2013E earnings (thus capturing both the potential risk from the current economic slowdown and the potential upside from growth in 2013) and average the two.

### **Where this is not relevant, we use peer multiples**

Where the stock's historical EV/EBITDA multiples have been volatile or there is a lack of trading history, for example if it has recently listed, we apply the mid-cycle (5-year median) EV/EBITDA of peers (regional or global, as appropriate, depending on the structure of the industry). In cases where EV/EBITDA is not relevant, we apply either the stock's mid-cycle P/E or that of its peers (e.g. highly geared companies or companies with material associates), P/B or SOTP for holdings.

### **We apply a 10% premium to high CROCI companies, a discount for low CROCI**

We apply a premium/discount to historical multiples to take into account the company's cash returns (CROCI), gearing, potential legal risks and the holding nature of the group. Specifically, as illustrated in Exhibit 18, we apply a 10% premium to the historical multiples for companies moving into first-quartile CROCI and a 10% discount for those moving into four-quartile CROCI relative to the coverage group. This is to reflect the fact that historically companies moving into first-quartile CROCI tend to be rerated, while companies moving into four-quartile tend to derate - see our European Tactical Research team's December 2010 report *Europe – Cash generation at record highs: Reaping the rewards from reinvestment*.

Where we use peer multiples, we apply a 10% premium relative to peers for companies with first-quartile CROCI and a 10% discount for four-quartile CROCI companies relative to peers, to reflect the fact that high CROCI companies tend to trade at a premium (and low CROCI trade at a discount), as observed by our European Tactical Research team.

### **We apply a 10% discount for high gearing or liquidity risk**

We apply a 10% discount for companies with increasing gearing (either where net debt/EBITDA is forecast to exceed 3x on average in 2012-13, or is already above that level and increasing further). If we use peer multiples, we apply a discount where the gearing is more than twice the peer group average. We also apply a 10% discount if we view the company as having material liquidity (or refinancing) risk. Conversely, for companies that are significantly improving their balance sheet, we apply a 10% premium.

## For telcos, we use tax, capex and growth-adjusted multiples

For telecom stocks, we use EV/EBITDA multiples that are adjusted to reflect (1) different tax rates of the countries where they operate (which range from as low as 2.5% to above 50%, leading to significant differences in how much of the EBITDA can be converted to cash for shareholders); (2) capex efficiency measured as capex/sales; and (3) medium-term growth prospects.

## And a 15%-25%-45% discount for holding companies and where there is legal uncertainty

For holdings we apply a 25% discount to the SOTP, in line with the historical discount observed for holdings in EMEA. As complex holdings tend to trade at larger discounts, we increase the discounts for complex holdings to 45%, while we halve it for focused holdings (holding with all subsidiaries in related industries). We also apply a 15% or 30% discount for potential legal risk (eg pending lawsuits or reputational risks), depending on their materiality.

### Exhibit 18: We apply a set of rules to derive premia or discounts to historical multiples based on cash returns (CROCI), gearing, legal risk and holdings

If the stock has own history, we apply a premium (discount) for		
<b>CROCI</b>	2012-13 CROCI relative to 2006-10 is moving into 1Q	10%
	2012-13 CROCI relative to 2006-10 is moving out of 1Q	-10%
	2012-13 CROCI relative to 2006-10 is moving out of 4Q	10%
	2012-13 CROCI relative to 2006-10 is moving into 4Q	-10%
<b>Gearing</b>	Net debt/EBITDA moving above 3x, or growing if already above this level or liquidity risk	-10%
	Net debt/EBITDA moving below 3x	10%
<b>Legal risk</b>	Limited legal or reputational risk	-15%
	Significant legal risk	-30%
If we use peer multiples, we apply a premium (discount) for		
<b>CROCI</b>	1Q CROCI relative to peers	10%
	4Q CROCI relative to peers	-10%
<b>Gearing</b>	Net debt/EBITDA more than twice the sector average net debt/EBITDA or liquidity risk	-10%
	Net debt/EBITDA reducing to less than twice the sector average net debt/EBITDA	10%
<b>Legal risk</b>	Limited legal or reputational risk	-15%
	Significant legal risk	-30%
For holdings, we apply a discount based on the business mix:		
Focused holding	All subsidiaries in related businesses	-15%
Standard discount	Conglomerate holding, controlling different businesses	-25%
Complex holding	Holding with complex structure or corporate governance	-45%

Source: Goldman Sachs Research estimates.

**Exhibit 19: Our price target methodology for new stocks under coverage (and for stocks where coverage is resumed) is based on applying the stock own historical 5-year (mid-cycle) multiple....**

Ticker	Stock	Country	Ccy	Sector	Current price	Market cap (in pricing currency)	Market cap (in US\$)	Methodology	Multiple used	Per share value			Upside/(downside) to (%)								
										Multiple used	2012E	2013E	Price target	2012E per share value	2013E per share value	Average upside (to price target)					
<b>Stock own multiple</b>																					
2280.SE	Almarai Company	Saudi Arabia	SAR	Consumer Staples	91.8	21,103	5,627	EVEBITDA	Stock 5-year median	13.7	116	130	123	27%	41%	34%					
APOT.AM	Arab Potash Company	Jordan	JOD	Basic Materials	42	3,499	4,937	EVEBITDA	Stock 5-year median	11.6	67.0	72.6	69.8	59%	73%	66%					
ARMX.DU	Aramex	United Arab Emirates	AED	Transportation	1.82	2,665	725	Other	Stock 5-year median	10.6	3.06	3.56	3.31	68%	96%	82%					
SCM.CS	Ciments du Maroc	Morocco	MAD	Industrials	1000	14,436	1,743	EVEBITDA	Stock 5-year median	10.9	1142	1393	1268	14%	39%	27%					
4220.SE	Emaar the Economic City	Saudi Arabia	SAR	Financial Services	6.4	5,440	1,450	PB	Stock 5-year median	1.0	8.66	8.69	8.67	35%	36%	36%					
4240.SE	Fawaz Abdulaziz Alhokair and Company	Saudi Arabia	SAR	Consumer Cyclical	58	4,060	1,083	EVEBITDA	Stock 5-year median	11.10	81.5	90.6	86.1	41%	56%	48%					
HOL.CS	Holcim Maroc	Morocco	MAD	Industrials	1800	7,578	915	EVEBITDA	Stock 5-year median	10.1	2485	2863	2674	38%	59%	49%					
IQCD.QA	Industries Qatar	Qatar	QAR	Basic Materials	136	74,635	20,496	EVEBITDA	Stock 5-year median	10.3	215	264	240	59%	94%	76%					
4190.SE	Jarir Marketing Company	Saudi Arabia	SAR	Consumer Staples	203	8,130	2,168	EVEBITDA	Stock 5-year median	14.8	240	293	266	18%	44%	31%					
JOPH.AM	Jordan Phosphate Mines Co.	Jordan	JOD	Basic Materials	13.6	1,019	1,438	EVEBITDA	Stock 5-year median	8.7	24.8	29.5	27.1	82%	117%	100%					
LAC.CS	Lafarge Ciments	Morocco	MAD	Industrials	1448	25,295	3,054	EVEBITDA	Stock 5-year median	12.0	2009	2304	2157	39%	59%	49%					
FOOD.KW	Kuwait Food Company (Americana)	Kuwait	KWD	Consumer Cyclical	1.48	595	2,154	EVEBITDA	Stock 5-year median	6.6	1.88	2.01	1.94	27%	36%	31%					
3040.SE	Qassim Cement Company	Saudi Arabia	SAR	Industrials	67.5	6,075	1,620	EVEBITDA	Stock 5-year median	9.9	65.6	65.5	65.6	-3%	-3%	-3%					
QANC.QA	Qatar National Cement Company	Qatar	QAR	Industrials	109.1	5,357	1,471	EVEBITDA	Stock 5-year median	10.6	121	148	134	11%	36%	23%					
QNNC.QA	Qatar Navigation	Qatar	QAR	Transportation	77.9	8,922	2,450	EVEBITDA	Stock 5-year median	5.3	106	112	109	36%	44%	40%					
2010.SE	Saudi Basic Industries Corporation (SABIC)	Saudi Arabia	SAR	Basic Materials	95.8	287,250	76,589	EVEBITDA	Stock 5-year median	10.8	139	163	151	45%	70%	58%					
2020.SE	Saudi Arabia Fertilizer Company (SAFCO)	Saudi Arabia	SAR	Basic Materials	184	45,875	12,232	EVEBITDA	Stock 5-year median	10.3	202	217	210	10%	18%	14%					
2040.SE	Saudi Ceramic Company	Saudi Arabia	SAR	Industrials	138	3,438	917	EVEBITDA	Stock 5-year median	13.0	196	237	216	42%	72%	57%					
2270.SE	Saudi Dairy and Foodstuff Company (SADAFCO)	Saudi Arabia	SAR	Consumer Staples	42.9	1,394	372	EVEBITDA	Stock 5-year median	9.6	68.4	71.7	70.1	59%	67%	63%					
SOLA.BY	Solidere	Lebanon	USD	Financial Services	13.5	2,718	2,718	EVEBITDA	Stock 5-year median	17.7	16.3	19.4	17.8	21%	43%	32%					
3050.SE	Southern Cement	Saudi Arabia	SAR	Industrials	74.0	10,360	2,762	EVEBITDA	Stock 5-year median	11.0	90.4	92.3	91.4	22%	25%	23%					
3020.SE	Yamama Cement	Saudi Arabia	SAR	Industrials	61.0	8,235	2,196	EVEBITDA	Stock 5-year median	10.9	78.7	82.1	80.4	29%	35%	32%					
3060.SE	Yanbu Cement Company	Saudi Arabia	SAR	Industrials	59.0	6,195	1,652	EVEBITDA	Stock 5-year median	10.1	54.8	62.7	58.8	-7%	6%	0%					
<b>Stock own multiples with premium (discount)</b>																					
AGLT.KW	Agility The Public Warehousing Company (Agility)	Kuwait	KWD	Transportation	0.40	414	1,497	EVEBITDA	Stock 5-year median	3.2	0.39	0.51	0.45	-1%	29%	14%					
AIRA.DU	Air Arabia	United Arab Emirates	AED	Transportation	0.63	2,921	795	Other	Stock 5-year median	8.8	0.94	1.26	1.10	50%	101%	76%					
ARTC.DU	Arabtec Holding	United Arab Emirates	AED	Industrials	1.37	2,048	558	Other	Stock 5-year median	5.4	1.32	1.68	1.50	-3%	23%	10%					
4300.SE	Dar Al Arkan Real Estate	Saudi Arabia	SAR	Financial Services	6.20	6,696	1,785	PE	Stock 5-year median	8.5	9.2	11.5	10.4	48%	86%	67%					
PHDC.CA	Palm Hills Developments	Egypt	EGP	Financial Services	1.24	1,300	217	PE	Stock 5-year median	7.0	1.76	2.19	1.97	42%	76%	59%					
QEWV.CA	Qatar Electricity and Water Company (QEWV)	Qatar	QAR	Utilities	140	14,000	3,845	PE	Stock 5-year median	11.2	170	185	177	21%	32%	27%					
4230.SE	Red Sea Housing	Saudi Arabia	SAR	Industrials	41.6	1,248	333	EVEBITDA	Stock 5-year median	9.9	59.9	64.8	62.3	44%	56%	50%					
RSC.OM	Renaissance Services	Oman	OMR	Energy	0.56	159	413	EVEBITDA	Stock 5-year median	5.1	0.50	0.82	0.66	-11%	46%	17%					
2160.SE	Saudi Arabian Amiantit Company	Saudi Arabia	SAR	Industrials	14.7	1,692	451	EVEBITDA	Stock 5-year median	6.3	16.4	16.7	16.6	12%	14%	13%					
SOR.AD	Sorouh Real Estate	United Arab Emirates	AED	Financial Services	0.97	2,546	693	PE	Stock 5-year median	9.4	1.61	1.86	1.73	66%	92%	79%					
SUCE.CA	Suez Cement Company	Egypt	EGP	Industrials	26.0	4,736	791	EVEBITDA	Stock 5-year median	4.1	23.4	25.5	24.5	-10%	-2%	-6%					
TMGH.CA	Talaat Mostafa Group Holding Company (TMG Holding)	Egypt	EGP	Financial Services	3.29	6,789	1,135	PE	Stock 5-year median	12.4	4.24	5.83	5.04	29%	77%	63%					
4030.SE	The National Shipping Company of Saudi Arabia (NSCSA)	Saudi Arabia	SAR	Transportation	11.2	3,528	941	EVEBITDA	Stock 5-year median	8.4	6.98	7.24	7.11	-38%	-35%	-37%					

All price targets have 12-month timeframe

Source: Goldman Sachs Research estimates



**Exhibit 21: We also apply a premium/discount for high returns (CROCI), gearing, legal risk and holding structure of the companies**

Premium/discounts applied to MENA stocks' historical or peer multiples

	CROCI	Gearing	Legal risk	Holding	Sum premia (discount)	Reason for premium / (discount)	Reason for not using stock own EV/EBITDA
<b>Stock own multiples with premium (discount)</b>							
Air Arabia		-10%			-10%	Weaker balance sheet going forward	Adjusted for leases (using EV/EBITDAR)
Agility The Public Warehousing Company (Agility)	-10%		-30%		-40%	Major legal risk (major lawsuit); CROCI moving into 4Q	
Arabtec Holding	-10%				-10%	CROCI moving out of 1Q	Adjusted for leases (using EV/EBITDAR)
Dar Al Arkan Real Estate	-10%	-10%			-20%	CROCI moving into 4Q; gearing increasing above 3x net debt/EBITDA	Using PE for real estate
Palm Hills Developments	-10%	-10%	-15%		-35%	Minor legal risk; CROCI moving into 4Q; liquidity risk	Using PE for real estate
Qatar Electricity and Water Company (QEWC)	10%				10%	CROCI moving into 1Q	EV/EBITDA volatile, P/E consistent
Red Sea Housing	-10%				-10%	CROCI moving into 4Q	
Renaissance Services			-15%		-15%	Potenatual reputational risk	
Saudi Arabian Amiantit Company	-10%				-10%	CROCI moving into 4Q	
Sorouh Real Estate	-10%				-10%	CROCI moving into 4Q	Using PE for real estate
Suez Cement Company	-10%				-10%	CROCI moving into 4Q	
Talaat Mostafa Group Holding Company (TMG Holding)			-15%		-15%	Minor legal risk (relating to part of land bank)	Using PE for real estate
The National Shipping Company of Saudi Arabia (NSCSA)	-10%	-10%			-20%	CROCI moving into 4Q; gearing increasing above 3x net debt/EBITDA	
<b>Peer multiples with premium (discount)</b>							
Al Khodari	10%				10%	1Q CROCI relative to peers	Limited history
Abdullah Al Othaim Markets Company	10%				10%	1Q CROCI relative to peers	Limited history
Abu Dhabi National Hotels	-10%	-10%			-20%	4Q CROCI relative to peers; high gearing relative to peers	Volatile multiples
Advanced Petrochemical Company	10%				10%	1Q CROCI relative to peers	Limited history
Aldar Properties		-10%			-10%	Balance sheet/convertible dilution	Volatile multiples
Dana Gas		-10%			-10%	Liquidity risk	Volatile multiples
Eisewedy Electric Company		-10%	-15%		-25%	Minor legal risk (Syria and Libya); high gearing relative to peers	Volatile multiples
Egyptian Resorts Company (ERC)			-30%		-30%	Major legal risk (risk to land bank)	No EBITDA
ezzsteel			-30%		-30%	Major legal risk (lawsuit against chairman and major shareholder)	Volatile multiples
Herfy	10%				10%	1Q CROCI relative to peers	Limited history
Juhayna Food Industries	10%				10%	1Q CROCI relative to peers	Limited history
National Industrialization Company (Tasnee)	10%	10%			20%	1Q CROCI relative to peers; degearing	Volatile multiples
Oman Cables Industry		-10%			-10%	High gearing relative to peers	Volatile multiples
Orascom Development Holding AG		-10%			-10%	High gearing relative to peers	Using PE for real estate
Ras Al Khaimah Ceramic Company (RAK Ceramics)	-10%	-10%			-20%	4Q CROCI relative to peers; high gearing relative to peers	Volatile multiples
Saudi Cable Company	-10%	-10%			-20%	4Q CROCI relative to peers; high gearing relative to peers	Volatile multiples
Yanbu National Petrochemicals (YANSAB)	10%				10%	1Q CROCI relative to peers	Limited history
Zamil Industrial Investment Company	-10%				-10%	4Q CROCI relative to peers	Volatile multiples
<b>Holdings</b>							
Citadel Capital				-25%	-25%	Holding	Holding
Kipco				-15%	-15%	Focused holding	Focused holding
Orascom Construction Industries				-25%	-25%	Holding	Holding
Saudi Industrial Investment Group (SIIG)				-15%	-15%	Focused holding	Focused holding
Savola Group				-25%	-25%	Holding	Holding

Source: Goldman Sachs Research estimates



## We now cover 121 stocks in the MENA region

We are initiating coverage on 80 new stocks and resuming coverage on 10 stocks

### Exhibit 22: MENA stocks, price targets and ratings under our coverage

Sorted by country, then by company name alphabetically

Ticker	Company Name	Country	GS Industry Lvl 1	GS Industry Lvl 2	Rating	Market cap (US\$m)	ADV -12m (US\$m)	Currency	Price	Price target	Potential upside/ (downside)	PT Period	Primary analyst
BTEL.BH	Bahrain Telecom	Bahrain	Telecom Services	Wireless	Buy	1,505	0.1	BHD	0.39	0.61	55%	12 months	Matija Gergolet
CCAP.CA	Citadel Capital	Egypt	Financial Services	Diversified Financials	Neutral	453	3.1	EGP	3.11	4.12	32%	12 months	Matija Gergolet
COMI.CA	Commercial International Bank (Egypt)	Egypt	Financial Services	Banks	Neutral	2,365	9.4	EGP	23.7	34.7	46%	2 years	Waleed Mohsin
HRHO.CA	EFG Hermes	Egypt	Financial Services	Banks	Neutral	976	3.7	EGP	12.2	19.1	57%	2 years	Waleed Mohsin
EGTS.CA	Egyptian Resorts Company (ERC)	Egypt	Financial Services	Real Estate	Neutral	188	1.2	EGP	0.96	1.04	8%	12 months	Eshan Toorabally, CFA
SWDY.CA	Elsewedy Electric Company	Egypt	Industrials	Capital Goods	Neutral	747	1.3	EGP	20.0	28.9	44%	12 months	Arsalan Mustafa, CFA
ESRS.CA	ezzsteel	Egypt	Basic Materials	Steel	Neutral	499	2.6	EGP	5.50	7.97	45%	12 months	Matija Gergolet
AUTO.CA	GB Auto	Egypt	Consumer Cyclical	Automobiles	Neutral	513	0.4	EGP	23.8	28.3	19%	12 months	Eshan Toorabally, CFA
JUFO.CA	Juhayna Food Industries	Egypt	Consumer Staples	Food	Buy	546	0.9	EGP	4.50	7.82	74%	12 months	Matija Gergolet
MOIL.CA	Maridive and Oil Services	Egypt	Energy	Energy: Oil Services	Neutral	544	1.0	USD	1.77	2.53	43%	12 months	Matija Gergolet
EMOB.CA	MobiNil	Egypt	Telecom Services	Telecom Services	Neutral	1,677	1.3	EGP	100	98.0	-2%	12 months	Alexander Balakhnin
OCIC.CA	Orascom Construction Industries	Egypt	Industrials	Construction	Buy	7,831	6.3	EGP	228	388	70%	12 months	Eshan Toorabally, CFA
ODHN.S	Orascom Development Holding AG	Egypt	Financial Services	Real Estate	Sell	450	0.8	CHF	16.7	11.7	-30%	12 months	Eshan Toorabally, CFA
ORTE.CA	Orascom Telecom	Egypt	Telecom Services	Telecom Services	Buy	2,807	5.4	EGP	3.11	4.10	32%	12 months	Alexander Balakhnin
PHDC.CA	Palm Hills Developments	Egypt	Financial Services	Real Estate	Buy	217	2.2	EGP	1.24	1.97	59%	12 months	Eshan Toorabally, CFA
OCDI.CA	Sixth of October Development and Investment Company (SODIC)	Egypt	Financial Services	Real Estate	Neutral	196	0.7	EGP	12.9	18.2	41%	12 months	Eshan Toorabally, CFA
SUCE.CA	Suez Cement Company	Egypt	Industrials	Construction	Sell	791	0.2	EGP	26.0	24.5	-6%	12 months	Eshan Toorabally, CFA
TMGH.CA	Talaat Mostafa Group Holding Company (TMG Holding)	Egypt	Financial Services	Real Estate	Buy	1,135	3.5	EGP	3.29	5.04	53%	12 months	Eshan Toorabally, CFA
ETEL.CA	Telecom Egypt	Egypt	Telecom Services	Telecom Services	Neutral	3,977	2.0	EGP	13.9	16.0	15%	12 months	Alexander Balakhnin
APOT.AM	Arab Potash Company	Jordan	Basic Materials	Agriculture	Buy	4,937	0.1	JOD	42.0	69.8	66%	12 months	Matija Gergolet
JOPH.AM	Jordan Phosphate Mines Co.	Jordan	Basic Materials	Agriculture	Buy	1,438	0.5	JOD	13.6	27.1	99%	12 months	Matija Gergolet
JTEL.AM	Jordan Telecom	Jordan	Telecom Services	Wireless	Sell	1,961	0.1	JOD	5.56	5.37	-3%	12 months	Matija Gergolet
AGLT.KW	Agility The Public Warehousing Company (Agility)	Kuwait	Transportation	Transportation: Logistics	Neutral	1,497	2.4	KWD	0.40	0.45	14%	12 months	Eshan Toorabally, CFA
BURG.KW	Burgan Bank	Kuwait	Financial Services	Banks	Neutral	2,421	2.8	KWD	0.47	0.60	28%	2 years	Waleed Mohsin
CBKK.KW	Commercial Bank of Kuwait	Kuwait	Financial Services	Banks	Sell	3,684	0.7	KWD	0.80	0.75	-7%	2 years	Waleed Mohsin
KPRO.KW	Kipco	Kuwait	Financial Services	Diversified Financials	Neutral	1,451	1.2	KWD	0.32	0.39	24%	12 months	Arsalan Mustafa, CFA
KFIN.KW	Kuwait Finance House	Kuwait	Financial Services	Banks	Sell	8,403	7.3	KWD	0.90	0.95	6%	2 years	Waleed Mohsin
FOOD.KW	Kuwait Food Company (Americana)	Kuwait	Consumer Cyclical	Restaurants & Pubs	Neutral	2,154	0.4	KWD	1.48	1.94	31%	12 months	Matija Gergolet
NBKK.KW	National Bank of Kuwait	Kuwait	Financial Services	Banks	Neutral	16,561	9.9	KWD	1.16	1.42	22%	2 years	Waleed Mohsin
NMTC.KW	Wataniya Telecom	Kuwait	Telecom Services	Wireless	Buy	3,540	0.6	KWD	1.94	2.70	39%	12 months	Alexander Balakhnin
ZAIN.KW	Zain	Kuwait	Telecom Services	Wireless	Sell	13,034	9.7	KWD	0.93	0.87	-6%	12 months	Alexander Balakhnin
SOLA.BY	Solidere	Lebanon	Financial Services	Real Estate	Neutral	2,718	0.7	USD	13.5	17.8	32%	12 months	Eshan Toorabally, CFA
SCM.CS	Ciments du Maroc	Morocco	Industrials	Construction	Neutral	1,743	0.2	MAD	1,000	1,268	27%	12 months	Eshan Toorabally, CFA
HOL.CS	Holcim Maroc	Morocco	Industrials	Construction	Neutral	915	0.3	MAD	1,800	2,674	49%	12 months	Eshan Toorabally, CFA
LAC.CS	Lafarge Ciments	Morocco	Industrials	Construction	Neutral	3,054	0.6	MAD	1,448	2,157	49%	12 months	Eshan Toorabally, CFA
IAM.PA	Maroc Telecom	Morocco	Telecom Services	Telecom Services	Sell	15,207	0.2	EUR	12.8	7.80	-39%	12 months	Alexander Balakhnin
GECS.OM	Galfar Engineering & Contracting	Oman	Industrials	Construction	Buy	300	0.5	OMR	0.35	0.53	51%	12 months	Eshan Toorabally, CFA
OCAB.OM	Oman Cables Industry	Oman	Industrials	Capital Goods	Neutral	169	0.1	OMR	0.70	0.91	31%	12 months	Arsalan Mustafa, CFA
OTL.OM	Oman Telecom	Oman	Telecom Services	Wireless	Neutral	2,328	0.6	OMR	1.20	1.63	36%	12 months	Matija Gergolet
NWRS.OM	Omani Qatari Telecommunication Company (Nawras)	Oman	Telecom Services	Wireless	Neutral	1,053	1.0	OMR	0.62	0.87	40%	12 months	Matija Gergolet
RSC.OM	Renaissance Services	Oman	Energy	Energy: Oil Services	Neutral	413	1.5	OMR	0.56	0.66	17%	12 months	Matija Gergolet
COMB.QA	Commercial Bank of Qatar	Qatar	Financial Services	Banks	Buy	5,579	5.3	QAR	82.1	114	39%	12 months	Waleed Mohsin
DOBK.QA	Doha Bank	Qatar	Financial Services	Banks	Neutral	3,576	4.2	QAR	63.0	71.3	13%	12 months	Waleed Mohsin
IQCD.QA	Industries Qatar	Qatar	Basic Materials	Chemicals	Buy	20,496	12.2	QAR	136	240	77%	12 months	Matija Gergolet
QEWC.QA	Qatar Electricity and Water Company (QEWC)	Qatar	Utilities	Utilities: Power	Neutral	3,845	2.5	QAR	140	177	26%	12 months	Matija Gergolet

All price targets 12 months except Commercial International Bank (Egypt), EFG Hermes, Burgan Bank, Commercial Bank of Kuwait, Kuwait Finance House, National Bank of Kuwait, which have two-year timeframe.

Source: Goldman Sachs Research. Shaded rows refer to existing coverage prior to this report.

**Exhibit 22 cont'd: MENA stocks, price targets and ratings under our coverage**

Sorted by country, then by company name alphabetically

Ticker	Company Name	Country	GS Industry Lvl 1	GS Industry Lvl 2	Rating	Market cap (US\$m)	ADV -12m (US\$m)	Currency	Price	Price target	Potential upside/ PT Period (downside)	Primary analyst
QGTS.QA	Qatar Gas Transport	Qatar	Transportation	Transportation: Shipping	Sell	2,731	4.4	QAR	18.0	17.7	-1% 12 months	Matija Gergolet
QISB.QA	Qatar Islamic Bank	Qatar	Financial Services	Banks	Sell	5,112	4.8	QAR	82.2	87.5	6% 12 months	Waleed Mohsin
QNBK.QA	Qatar National Bank	Qatar	Financial Services	Banks	Buy	26,535	8.4	QAR	152	197	30% 12 months	Waleed Mohsin
QANC.QA	Qatar National Cement Company	Qatar	Industrials	Construction	Neutral	1,471	0.6	QAR	109	134	23% 12 months	Eshan Toorabally, CFA
QNNC.QA	Qatar Navigation	Qatar	Transportation	Transportation: Infrastructure	Neutral	2,450	2.1	QAR	77.9	109	40% 12 months	Eshan Toorabally, CFA
QTEL.QA	Qtel	Qatar	Telecom Services	Wireless	Buy	7,115	1.8	QAR	147	181	23% 12 months	Alexander Balakhnin
VFQS.QA	Vodafone Qatar	Qatar	Telecom Services	Wireless	Sell	1,751	0.8	QAR	7.54	5.40	-28% 12 months	Matija Gergolet
1330.SE	Abdullah Abdul Mohsin Al-Khodari Sons Company (Al Khodari)	Saudi Arabia	Industrials	Construction	Neutral	584	4.0	SAR	51.5	68.9	34% 12 months	Eshan Toorabally, CFA
4001.SE	Abdullah Al Othaim Markets Company	Saudi Arabia	Consumer Staples	Retail (Consumer Staples)	Buy	575	3.2	SAR	95.0	152	60% 12 months	Arsalan Mustafa, CFA
2330.SE	Advanced Petrochemical Company	Saudi Arabia	Basic Materials	Chemicals	Buy	1,044	10.6	SAR	27.7	49.2	78% 12 months	Arsalan Mustafa, CFA
4200.SE	Aldrees Petroleum and Transport Services	Saudi Arabia	Consumer Cyclical	Retail	Neutral	279	1.4	SAR	41.8	59.1	41% 12 months	Arsalan Mustafa, CFA
2280.SE	Almarai Company	Saudi Arabia	Consumer Staples	Food	Neutral	5,627	6.6	SAR	91.8	123.0	34% 12 months	Matija Gergolet
1120.SE	Al-Rajhi Bank	Saudi Arabia	Financial Services	Banks	Neutral	27,496	24.5	SAR	68.8	91.4	33% 12 months	Waleed Mohsin
1080.SE	Arab National Bank	Saudi Arabia	Financial Services	Banks	Buy	6,323	1.5	SAR	27.9	40.7	46% 12 months	Waleed Mohsin
3010.SE	Arabian Cement	Saudi Arabia	Industrials	Construction	Buy	900	3.8	SAR	42.2	74.5	77% 12 months	Eshan Toorabally, CFA
1050.SE	Banque Saudi Fransi	Saudi Arabia	Financial Services	Banks	Buy	8,022	1.7	SAR	41.6	63.0	51% 12 months	Waleed Mohsin
4300.SE	Dar Al Arkan Real Estate Development Company (Dar Al-Arkan)	Saudi Arabia	Financial Services	Real Estate	Buy	1,785	11.3	SAR	6.20	10.4	67% 12 months	Eshan Toorabally, CFA
4220.SE	Emaar the Economic City	Saudi Arabia	Financial Services	Real Estate	Neutral	1,450	11.1	SAR	6.40	8.67	35% 12 months	Eshan Toorabally, CFA
7020.SE	Etihad Etisalat Co	Saudi Arabia	Telecom Services	Wireless	Neutral	9,519	17.2	SAR	51.0	58.8	15% 12 months	Alexander Balakhnin
4240.SE	Fawaz Abdulaziz Alhokair and Company	Saudi Arabia	Consumer Cyclical	Retail	Neutral	1,083	2.5	SAR	58.0	86.1	48% 12 months	Arsalan Mustafa, CFA
6001.SE	Halwani Brothers	Saudi Arabia	Consumer Staples	Food	Neutral	270	3.0	SAR	35.5	51.1	44% 12 months	Arsalan Mustafa, CFA
6002.SE	Herfy	Saudi Arabia	Consumer Cyclical	Restaurants & Pubs	Neutral	598	1.2	SAR	74.8	85.5	14% 12 months	Matija Gergolet
4190.SE	Jarir Marketing Company	Saudi Arabia	Consumer Staples	Retail (Consumer Staples)	Neutral	2,168	1.8	SAR	203	266	31% 12 months	Arsalan Mustafa, CFA
2060.SE	National Industrialization Company (Tasnee)	Saudi Arabia	Basic Materials	Chemicals	Buy	5,900	17.3	SAR	39.7	70.8	78% 12 months	Matija Gergolet
2002.SE	National Petrochemicals Company (Petrochem)	Saudi Arabia	Basic Materials	Chemicals	Neutral	2,777	8.5	SAR	21.7	23.6	9% 12 months	Matija Gergolet
3040.SE	Qassim Cement Company	Saudi Arabia	Industrials	Construction	Sell	1,620	1.8	SAR	67.5	65.6	-3% 12 months	Eshan Toorabally, CFA
2380.SE	Rabigh Refineries and Petrochemical (Petro Rabigh)	Saudi Arabia	Basic Materials	Chemicals	Neutral	5,290	17.8	SAR	22.7	23.3	3% 12 months	Matija Gergolet
4230.SE	Red Sea Housing	Saudi Arabia	Industrials	Construction	Buy	333	2.6	SAR	41.6	62.3	50% 12 months	Arsalan Mustafa, CFA
1010.SE	Riyad bank	Saudi Arabia	Financial Services	Banks	Neutral	9,419	2.5	SAR	23.6	29.0	23% 12 months	Waleed Mohsin
2260.SE	Sahara Petrochemical	Saudi Arabia	Basic Materials	Chemicals	Sell	1,720	14.9	SAR	22.1	21.3	-3% 12 months	Matija Gergolet
1090.SE	SAMBA	Saudi Arabia	Financial Services	Banks	Buy	11,374	3.3	SAR	47.4	86.0	81% 12 months	Waleed Mohsin
2020.SE	Saudi Arabia Fertilizer Company (SAFCO)	Saudi Arabia	Basic Materials	Agriculture	Neutral	12,232	8.9	SAR	184	210	14% 12 months	Matija Gergolet
2160.SE	Saudi Arabian Amiantit Company	Saudi Arabia	Industrials	Construction	Neutral	451	4.8	SAR	14.7	16.6	13% 12 months	Arsalan Mustafa, CFA
1211.SE	Saudi Arabian Mining (Maaden)	Saudi Arabia	Basic Materials	Metals & Mining	Neutral	6,388	19.7	SAR	25.9	35.9	39% 12 months	Matija Gergolet
2010.SE	Saudi Basic Industries Corporation (SABIC)	Saudi Arabia	Basic Materials	Chemicals	Buy	76,589	161.3	SAR	96	151	58% 12 months	Matija Gergolet
1060.SE	Saudi British Bank	Saudi Arabia	Financial Services	Banks	Buy	7,999	1.5	SAR	40.0	55.3	38% 12 months	Waleed Mohsin
2110.SE	Saudi Cable Company	Saudi Arabia	Industrials	Capital Goods	Neutral	238	6.1	SAR	11.8	12.4	6% 12 months	Arsalan Mustafa, CFA
3030.SE	Saudi Cement Company (SCC)	Saudi Arabia	Industrials	Construction	Neutral	2,580	3.3	SAR	63.3	71.7	13% 12 months	Eshan Toorabally, CFA
2040.SE	Saudi Ceramic Company	Saudi Arabia	Industrials	Construction	Buy	917	1.7	SAR	138	216	57% 12 months	Eshan Toorabally, CFA
2270.SE	Saudi Dairy and Foodstuff Company (SADAFCO)	Saudi Arabia	Consumer Staples	Food	Buy	372	3.4	SAR	42.9	70.1	63% 12 months	Arsalan Mustafa, CFA
5110.SE	Saudi Electricity Company (SEC)	Saudi Arabia	Utilities	Utilities: Power	Sell	14,775	13.4	SAR	13.3	12.5	-6% 12 months	Matija Gergolet
2250.SE	Saudi Industrial Investment Group (SIIG)	Saudi Arabia	Basic Materials	Chemicals	Neutral	2,322	8.1	SAR	19.4	28.1	45% 12 months	Matija Gergolet
2310.SE	Saudi International Petrochemicals (Sipchem)	Saudi Arabia	Basic Materials	Chemicals	Neutral	1,955	11.6	SAR	20.0	27.1	36% 12 months	Arsalan Mustafa, CFA
2350.SE	Saudi Kayan	Saudi Arabia	Basic Materials	Chemicals	Sell	7,519	48.7	SAR	18.8	15.5	-18% 12 months	Matija Gergolet
1320.SE	Saudi Steel Pipe	Saudi Arabia	Industrials	Construction	Neutral	339	1.8	SAR	24.9	27.8	12% 12 months	Arsalan Mustafa, CFA

All price targets have 12-month timeframe

Source: Goldman Sachs Research. Shaded rows refer to existing coverage prior to this report.

**Exhibit 22 cont'd: MENA stocks, price targets and ratings under our coverage**

Sorted by country, then by company name alphabetically

Ticker	Company Name	Country	GS Industry Lvl 1	GS Industry Lvl 2	Rating	Market cap (US\$m)	ADV -12m (US\$m)	Currency	Price	Price target	Potential upside/ PT Period (downside)	Primary analyst
7010.SE	Saudi Telecom Company	Saudi Arabia	Telecom Services	Telecom Services	Neutral	17,757	9.2	SAR	33.3	39.6	19% 12 months	Alexander Balakhnin
2050.SE	Savola Group	Saudi Arabia	Consumer Staples	Food	Buy	3,453	3.5	SAR	25.9	39.8	54% 12 months	Matija Gergolet
3050.SE	Southern Cement	Saudi Arabia	Industrials	Construction	Neutral	2,762	0.6	SAR	74.0	91.4	24% 12 months	Eshan Toorabally, CFA
4030.SE	The National Shipping Company of Saudi Arabia (NSCSA)	Saudi Arabia	Transportation	Transportation: Shipping	Sell	941	4.9	SAR	11.2	7.11	-37% 12 months	Eshan Toorabally, CFA
3020.SE	Yamama Cement	Saudi Arabia	Industrials	Construction	Neutral	2,196	2.2	SAR	61.0	80.4	32% 12 months	Eshan Toorabally, CFA
3060.SE	Yanbu Cement Company	Saudi Arabia	Industrials	Construction	Sell	1,652	1.1	SAR	59.0	58.8	0% 12 months	Eshan Toorabally, CFA
2290.SE	Yanbu National Petrochemicals (YANSAB)	Saudi Arabia	Basic Materials	Chemicals	Buy	6,659	22.3	SAR	44.4	74.8	68% 12 months	Matija Gergolet
7030.SE	Zain KSA	Saudi Arabia	Telecom Services	Wireless	Sell	2,053	16.2	SAR	5.50	3.80	-31% 12 months	Alexander Balakhnin
2240.SE	Zamil Industrial Investment Company	Saudi Arabia	Industrials	Construction	Neutral	419	3.8	SAR	26.2	34.6	32% 12 months	Arsalan Mustafa, CFA
ADCB.AD	Abu Dhabi Commercial Bank	United Arab Emirates	Financial Services	Banks	Sell	4,418	1.1	AED	2.90	2.82	-3% 12 months	Waleed Mohsin
TAQA.AD	Abu Dhabi National Energy (Taqa)	United Arab Emirates	Utilities	Utilities: Power	Buy	2,015	0.3	AED	1.22	1.94	59% 12 months	Matija Gergolet
ADNH.AD	Abu Dhabi National Hotels	United Arab Emirates	Consumer Cyclical	Lodging	Neutral	681	0.2	AED	2.50	2.63	5% 12 months	Eshan Toorabally, CFA
AGTH.AD	Agthia Group	United Arab Emirates	Consumer Staples	Food	Buy	270	0.1	AED	1.65	2.81	70% 12 months	Matija Gergolet
AIRA.DU	Air Arabia	United Arab Emirates	Transportation	Transportation: Airlines	Buy	795	2.0	AED	0.63	1.10	76% 12 months	Eshan Toorabally, CFA
ALDR.AD	Aldar Properties	United Arab Emirates	Financial Services	Real Estate	Neutral	948	6.5	AED	1.03	1.22	18% 12 months	Eshan Toorabally, CFA
ARTC.DU	Arabtec Holding	United Arab Emirates	Industrials	Construction	Neutral	558	6.6	AED	1.37	1.50	9% 12 months	Eshan Toorabally, CFA
ARMX.DU	Aramex	United Arab Emirates	Transportation	Transportation: Logistics	Buy	725	1.4	AED	1.82	3.31	82% 12 months	Eshan Toorabally, CFA
DANA.AD	Dana Gas	United Arab Emirates	Energy	Energy: Oil	Neutral	988	2.5	AED	0.55	0.79	44% 12 months	Matija Gergolet
DPW.DI	DP World	United Arab Emirates	Transportation	Transportation: Infrastructure	Neutral	8,965	2.9	USD	10.8	14.2	31% 12 months	Anton Farlenkov
DSI.DU	Drake and Scull International	United Arab Emirates	Industrials	Construction	Buy	482	2.3	AED	0.83	1.54	87% 12 months	Eshan Toorabally, CFA
DFM.DU	Dubai Financial Market	United Arab Emirates	Financial Services	Capital Markets	Sell	2,115	2.8	AED	0.97	0.85	-13% 12 months	Waleed Mohsin
DISB.DU	Dubai Islamic Bank	United Arab Emirates	Financial Services	Banks	Sell	2,079	1.7	AED	2.01	1.89	-6% 12 months	Waleed Mohsin
EMAR.DU	Emaar Properties	United Arab Emirates	Financial Services	Real Estate	Buy	4,411	10.2	AED	2.66	4.40	65% 12 months	Eshan Toorabally, CFA
DU.DU	Emirates Integrated Telecommunications Company (Du)	United Arab Emirates	Telecom Services	Wireless	Neutral	3,584	1.8	AED	2.88	3.55	23% 12 months	Matija Gergolet
ENBD.DU	Emirates NBD	United Arab Emirates	Financial Services	Banks	Neutral	4,918	0.4	AED	3.25	4.79	47% 12 months	Waleed Mohsin
ETEL.AD	Emirates Telecommunications Corporation (Etisalat)	United Arab Emirates	Telecom Services	Wireless	Neutral	21,503	4.1	AED	10.0	12.3	23% 12 months	Matija Gergolet
FGB.AD	First Gulf Bank	United Arab Emirates	Financial Services	Banks	Buy	6,126	2.1	AED	15.0	23.3	55% 12 months	Waleed Mohsin
NBAD.AD	National Bank of Abu Dhabi	United Arab Emirates	Financial Services	Banks	Buy	8,166	1.0	AED	10.5	15.2	45% 12 months	Waleed Mohsin
RKCE.AD	Ras Al Khaimah Ceramic Company (RAK Ceramics)	United Arab Emirates	Industrials	Construction	Buy	304	0.1	AED	1.50	2.80	87% 12 months	Eshan Toorabally, CFA
SOR.AD	Sorouh Real Estate	United Arab Emirates	Financial Services	Real Estate	Buy	693	2.5	AED	0.97	1.73	78% 12 months	Eshan Toorabally, CFA
UNB.AD	Union National Bank	United Arab Emirates	Financial Services	Banks	Buy	1,984	0.6	AED	2.92	5.25	80% 12 months	Waleed Mohsin

All price targets have 12-month timeframe

Source: Goldman Sachs Research. Shaded rows refer to existing coverage prior to this report.



**Exhibit 23 cont'd:**

Summary of MENA non-financials Buy and Sell rated stocks and key screening data and valuation multiples. Quartiles relative to MENA non-financials universe

REFERENCE DATA										OPERATING DATA				VALUATION DATA							
Ticker	Company name	Rating	Market cap (US\$m)	ADV -12M (US\$m)	Sector (Level 3)	Ccy	Current price	Price target	Upside/ (downside)	EBITDA growth	CROCI	Net debt/ equity	EBITDA vs. consensus	Price perf. (US\$)	Dividend Yield	EV/ EBITDA	EV/ EBITDA	EV/ EBITDA	PE	PE	PE
										Quartile 11-15E	Quartile 11-15E	Quartile 11-15E	2012E	YTD	2012	2012	2013	5-yr median	2012	2013	5-yr median
4190.SE	Jarir Marketing Company	Neutral	2,168	1.8	Retail	SAR	203	266	31%	1	1	2	10%	35%	5.4%	12.6	10.2	14.8	13.5	11.0	15.5
SCM.CS	Ciments du Maroc	Neutral	1,743	0.2	Building Materials	MAD	1000	1268	27%	3	3	2	-11%	-16%	3.0%	9.4	7.5	10.9	16.5	12.9	19.3
QEWV.OA	Qatar Electricity and Water Company (QEWV)	Neutral	3,845	2.5	IPPs	QAR	140	177	26%	3	2	4	5%	10%	6.4%	8.9	8.2	12.4	9.2	8.5	10.2
QCAB.OM	Oman Cables Industry	Neutral	169	0.1	Electrical Equipment	OMR	0.73	0.91	26%	3	3	4	20%	-38%	5.5%	8.8	8.0	12.3	6.6	6.3	14.3
KPRO.KW	Kipco	Neutral	1,451	1.2	Multi-Sector Holdings	KWD	0.32	0.39	24%	4	4	1		-22%	6.5%			0.8	10.6	9.4	15.2
3050.SE	Southern Cement	Neutral	2,762	0.6	Building Materials	SAR	74.0	91.4	24%	4	1	1	-3%	21%	6.9%	8.6	8.3	11.0	13.1	12.9	14.3
DU.DU	Emirates Integrated Telecommunications Company (Du)	Neutral	3,584	1.9	Telecom Wireless	AED	2.88	3.55	23%	1	1	2	4%	1%	3.5%	3.5	3.0	11.7	11.1	9.3	25.9
QANC.QA	Qatar National Cement Company	Neutral	1,471	0.6	Building Materials	QAR	109	134	23%	4	2	1	-11%	2%	4.6%	9.5	7.6	10.6	12.4	10.2	13.8
ETEL.AD	Emirates Telecommunications Corporation (Etisalat)	Neutral	21,503	4.1	Telecom Wireless	AED	9.99	12.3	23%	3	2	1	-2%	-7%	5.8%	3.6	3.0	5.7	10.6	9.7	13.5
QTEL.QA	Qtel	Buy	7,115	1.8	Telecom Wireless	QAR	147	181	23%	4	2	3	7%	-1%	3.6%	4.7	4.0	7.1	7.0	6.1	10.2
AUTO.CA	GB Auto	Neutral	513	0.4	Automobiles	EGP	23.8	28.3	19%	2	2	4	-17%	-47%	0.0%	7.2	5.7	9.9	13.1	9.3	14.7
7010.SE	Saudi Telecom Company	Neutral	17,757	9.2	Telecom Services	SAR	33.3	39.6	19%	4	3	3	0%	-22%	7.5%	4.6	4.2	7.6	7.5	6.8	10.9
ALDR.AD	Aldar Properties	Neutral	948	6.5	Developers	AED	1.03	1.22	18%	1	4	4	-24%	-55%	0.0%	20.9	15.6	51.5	16.2	7.1	56.9
RSC.OM	Renaissance Services	Neutral	413	1.5	Oil Services	OMR	0.56	0.66	17%	4	3	4	-3%	-49%	3.5%	5.3	4.3	6.0	5.7	4.2	8.3
7020.SE	Ethiad Etisalat Co	Neutral	9,519	17.2	Telecom Wireless	SAR	51.0	58.8	15%	3	1	2	-5%	-8%	7.8%	4.9	4.4	7.9	7.1	6.7	10.2
ETEL.CA	Telecom Egypt	Neutral	3,977	2.0	Telecom Services	EGP	13.9	16.0	15%	4	4	1	6%	-25%	9.9%	1.2	1.1	3.4	7.9	7.2	9.6
2020.SE	Saudi Arabia Fertilizer Company (SAFCO)	Neutral	12,232	8.9	Agriculture	SAR	184	210	14%	4	1	1	15%	15%	8.2%	9.2	8.5	10.3	10.9	10.0	12.4
6002.SE	Herfy	Neutral	598	1.2	Restaurants	SAR	74.8	85.5	14%	2	1	1	4%	5%	3.7%	10.0	8.2	11.9	13.3	11.2	15.5
AGLT.KW	Agility The Public Warehousing Company (Agility)	Neutral	1,497	2.4	Logistics	KWD	0.40	0.45	14%	2	4	1	-18%	-23%	5.0%	3.0	1.8	5.4	9.9	6.7	8.4
3030.SE	Saudi Cement Company (SCC)	Neutral	2,580	3.3	Building Materials	SAR	63.3	71.7	13%	3	2	2	-5%	27%	6.7%	10.2	9.1	12.5	12.7	11.4	13.8
2160.SE	Saudi Arabian Amiantit Company	Neutral	451	4.8	Infrastructure	SAR	14.7	16.6	13%	4	4	3	-17%	-29%	10.2%	5.8	5.8	7.0	11.5	11.3	17.3
1320.SE	Saudi Steel Pipe	Neutral	339	1.8	Infrastructure	SAR	24.9	27.8	12%	2	3	1	-30%	3%	2.0%	8.8	6.1	10.1	13.8	10.4	17.6
ARTC.DU	Arabtec Holding	Neutral	558	6.7	Engineering & Construction	AED	1.37	1.50	9%	4	2	1	-5%	-13%	0.0%	5.5	4.8	5.8	10.3	6.8	7.6
2002.SE	National Petrochemicals Company (Petrochem)	Neutral	2,777	8.5	Chemicals	SAR	21.7	23.6	9%	1	3	4	31%	-4%	1.9%	8.9	6.9		10.6	8.1	
EGTS.CA	Egyptian Resorts Company (ERC)	Neutral	168	1.2	Developers	EGP	0.96	1.04	8%	1	3	1	-30%	0.0%		3.9				6.6	
2110.SE	Saudi Cable Company	Neutral	238	6.1	Electrical Equipment	SAR	11.8	12.4	6%	1	4	4	-26%	-16%	0.0%	9.2	7.3	10.9	8.9	7.0	22.0
ADNH.AD	Abu Dhabi National Hotels	Neutral	681	0.2	Hotels	AED	2.50	2.63	5%	1	4	3	6%	-17%	15.0%	7.8	7.8	6.6	6.9	6.7	10.9
2380.SE	Rabigh Refineries and Petrochemicals (Petro Rabigh)	Neutral	5,290	17.9	Chemicals	SAR	22.7	23.3	3%	2	3	4	-5%	1%	0.0%	8.9	7.3	23.6	10.0	8.4	
3060.SE	Yanbu Cement Company	Sell	1,652	1.1	Building Materials	SAR	59.0	58.8	0%	2	3	2	6%	38%	6.0%	10.8	9.5	10.1	12.1	11.0	12.2
QGTS.QA	Qatar Gas Transport	Sell	2,731	4.4	Shipping	QAR	18.0	17.7	-1%	4	3	4	-6%	-10%	6.5%	11.0	10.3	20.4	11.0	9.7	82.5
EMOB.CA	MobilNil	Neutral	1,677	1.3	Telecom Services	EGP	100	98	-2%	4	2	4	2%	-41%	6.1%	4.2	3.7	6.7	14.7	10.2	9.9
3040.SE	Qassim Cement Company	Sell	1,620	1.8	Building Materials	SAR	67.5	65.6	-3%	4	1	1	-2%	8%	7.1%	10.2	10.2	9.9	12.8	12.8	12.3
2260.SE	Sahara Petrochemical	Sell	1,720	14.9	Chemicals	SAR	22.1	21.3	-3%	1	4	4	-16%	-7%	2.3%	9.6	7.7		10.3	8.9	35.4
JTEL.AM	Jordan Telecom	Sell	1,961	0.1	Telecom Wireless	JOD	5.56	5.37	-3%	4	2	1	3%	3%	6.7%	6.4	6.1	5.7	14.6	13.5	13.9
5110.SE	Saudi Electricity Company (SEC)	Sell	14,775	13.4	Electric Utilities	SAR	13.3	12.5	-6%	2	4	4	-3%	-5%	5.3%	9.1	8.0	10.9	16.3	11.6	34.4
SUCE.CA	Suez Cement Company	Sell	791	0.2	Building Materials	EGP	26.0	24.5	-6%	4	3	1	-39%	-34%	4.6%	4.7	4.2	4.5	12.3	10.0	6.6
ZAIN.KW	Zain	Sell	13,034	9.7	Telecom Wireless	KWD	0.93	0.87	-6%	4	2	1	-1%	-38%	5.9%	5.8	5.2	7.7	10.1	9.5	11.1
2350.SE	Saudi Kayan	Sell	7,519	48.8	Chemicals	SAR	18.8	15.5	-18%	1	3	4	-34%	-2%	4.0%	15.0	9.1		40.0	10.5	68.1
VFQS.QA	Vodafone Qatar	Sell	1,751	0.8	Telecom Wireless	QAR	7.54	5.40	-28%	1	4	2	-27%	-9%	0.0%	20.2	12.3				
ODHN.S	Orascom Development Holding AG	Sell	450	0.8	Developers	CHF	16.7	11.7	-30%	1	4	3	-46%	-70%	0.0%	16.2	10.1		29.8	12.7	19.5
7030.SE	Zain KSA	Sell	2,053	16.3	Telecom Wireless	SAR	5.50	3.80	-31%	1	4	4	-27%	-29%	0.0%	15.8	11.2	84.5			
4030.SE	The National Shipping Company of Saudi Arabia (NCSA)	Sell	941	4.9	Shipping	SAR	11.2	7.11	-37%	4	4	4	-3%	-36%	3.6%	10.3	10.2	10.5	14.1	12.9	14.3
IAM.PA	Maroc Telecom	Sell	15,207	0.2	Telecom Services	EUR	12.8	7.80	-39%	4	2	3	-1%	-4%	6.8%	8.0	8.0	8.0	14.8	14.9	15.0
<b>MENA median</b>									32%				-2%	-16%	4.8%	7.3	6.2	10.5	10.3	9.0	14.6

All price targets have 12-month timeframe

Source: Goldman Sachs Research estimates

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# Egyptian Resorts Company (EGTS.CA)

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## Neutral: Return potential: 8%

### Egypt: Real Estate

#### Risks offset any revenue generating activity in the near term

Egyptian Resorts Company (ERC) derives its revenues from the landbank of Sahl Hasheesh on the Red Sea Coast, south of Hurghada. We expect reduced real estate activity in the luxury segment in 2011-12, and with the lack of clarity on the status of the development approval license of Phase III of Sahl Hasheesh (68% of the total landbank), we initiate on ERC with a Neutral rating.

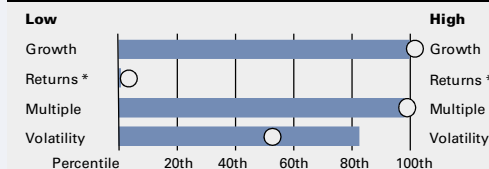
#### Investment thesis: Lower sales and margins, landbank approval pending; Neutral

- ERC's primary source of income is the real estate sales of Sahl Hasheesh International Resort Community (Phase I, II and III) to sub-developers, management fees for services and utilities provided in the community.
- We believe end-consumer demand for luxury apartments, villas, resorts and hotels will be muted through 2012 due to our economists' expectation of a global economic slowdown and a time lag for consumer demand normalising after the political events in Egypt this year. We forecast net real estate sales of 0.05mn sqm in 2011 and 0.25mn sqm in 2012 for Phase I and Phase II and no sales for Phase III.
- We believe ERC's 2011-12 margins will come under pressure from the high inflation environment and inability of the company to pass on increased costs to developers in the near term. We expect margins to recover only late 2012, when the company benefits from the management fees collection starting 2012 and implementation of the community management model that passes on the cost increases to the developers. We estimate operating margins of -34% in 2011, -15% in 2012 and 57% in 2013.
- In April 2011, the Tourism Development Authority (TDA) withdrew preliminary approval for the allocation of Phase III which contributes to 68% of the total landbank. Though the company has appealed against the TDA action, the status quo remains unchanged.

#### Valuation: Trading above book value despite landbank risk

Our 12-month price target of £E1.04 for ERC is based on an average 2012/13E P/E and P/B methodology. We apply a 9.7x P/E multiple, reflecting a 30% discount (to factor in risk relating to the Sahl Hasheesh phase III landbank) to the 5-year multiple of 13.9x for GS-covered real estate developers. Due to negative EPS in 2012E, we use a floor P/B valuation of 0.77x based on ERC's history to arrive at a 2012 per share value. Our price target implies 8% potential upside.

#### Investment Profile



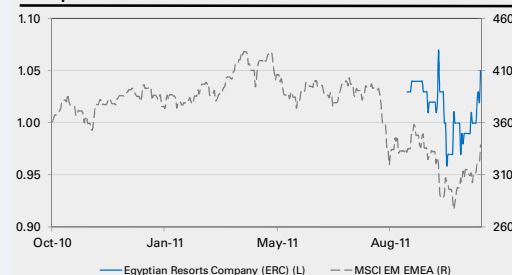
■ Egyptian Resorts Company (ERC) (EGTS.CA)

○ Europe New Markets MENA Non Financials Peer Group Average

\* Returns = Return on Capital For a complete description of the investment profile measures please refer to the disclosure section of this document.

Key data	Current			
Price (£E)	0.96			
12 month price target (£E)	1.04			
Upside/(downside) (%)	8.3			
Market cap (\$ mn)	168.5			
Free Float (%)	31.9			
Number of shares outstanding (mn)	1,050.00			
	12/10	12/11E	12/12E	12/13E
Revenue (£E mn)	14.9	48.6	189.8	343.8
EBIT (£E mn)	(28.1)	(16.6)	(28.9)	197.3
EPS (£E)	0.00	0.00	(0.01)	0.15
EV/EBITDA (X)	NM	NM	NM	3.9
P/E (X)	NM	NM	NM	6.6
Dividend yield (%)	NM	0.0	0.0	3.0
FCF yield (%)	--	(5.4)	(6.0)	9.3
CROCI (%)	(2.1)	0.0	(1.3)	17.0
EV/GCI (X)	NM	0.9	0.9	0.8
Net Debt/EBITDA (X)	--	--	--	(1.2)

#### Price performance chart



Source: Company data, Goldman Sachs Research estimates, Datastream.

## Industry drivers: Headwinds of weak tourism and weak luxury real estate sales

### Key issues and core drivers of growth

- Since ERC's primary source of revenue generation is real estate sales of Sahl Hasheesh International Resort Community (gross land area of 41mn sqm), the revenues of the company tend to be lumpy and not a linear progression of a business driven by a traditional sales cycle.
- Following the political turmoil in Egypt, we believe that the current environment is not conducive to the sale of luxury real estate in Egypt and this will weigh on the land sale of Sahl Hasheesh through 2012. We assume the remaining land sale of 0.09 mn m<sup>2</sup> for Phase I and sale of only 0.21 mn m<sup>2</sup> for Phase II through 2011-12, recovering to 0.5 mn m<sup>2</sup> in 2013. Approximately 18% of our revenues forecasts of £E190 mn for 2012 and £E344 mn for 2013 are contributed by rendered services vs. c.1% in the past, highlighting our view of weak land sales.
- ERC has a strong balance sheet with a net cash position which may help the company manage the current low sales environment. We forecast net debt/equity of -22% for 2011 and -16% for 2012 versus the 3-year historical average of -31%. However, the book value of the company is at risk due to issues related to the landbank.

### Risk to the investment case

- Withdrawal of the approval for allocation of Phase III would impact the development and sales of 28mn sqm of land (68% of the land bank) which includes the back areas of Phase I and II. It is currently unclear whether ERC would have to pay an extra amount for previously acquired land or whether this will result in a loss of land, or no action at all.
- An upside risk would be political stability in Egypt and improvements in real estate activity.

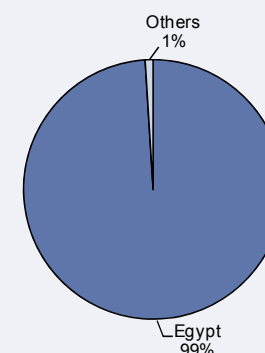
### Industry context: Industry overshadowed by weak demand and legal issues

The Egyptian real estate is driven by primary housing demands of the growing middle-income population, demand for secondary units for residential and investment purposes from upper/upper middle-income groups and non-resident Egyptians, low-income affordable housing initiatives by the government and commercial activities primarily in the urban region. The sector was among the most important destinations of FDI investments in Egypt. Real estate investments accounted for 0.4% of FDI in FY2004-05, increased to 4.5% in FY2009-10 but post the regime change FDI was down 96% for quarter ending June 2011. According to the American Chamber of Commerce in Egypt, the market for luxury property was near saturation prior to January 2011 which exposes sub-developers of Sahl Hasheesh to the additional task of attracting foreign demand for the developments. Currently, the real estate sector is overshadowed by legal issues mostly related to the previous regime's land allocation to developers and approval of sites for development. The major players in the industry are Palm Hills, TMG, SODIC and ERC.

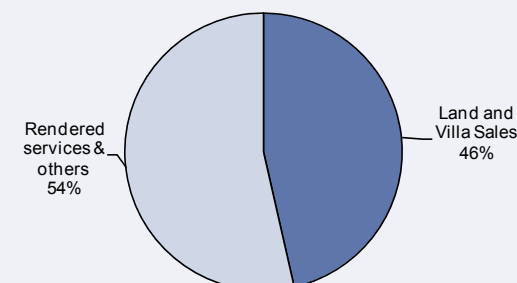
### Company description

Egyptian Resorts Company (ERC) is a master developer focused on building mega communities. The company derives revenues from the sale of project-defined land plots to sub-developers, sale of utilities and community management fees and the development and operation of strategic one-off and recurring revenue assets. The company's current focus is developing Sahl Hasheesh International Resort Community (gross saleable land of 36.3mn sqm) which has been divided into three phases. Only 0.09mn sqm is remaining to be sold in Phase I while Phase II has 5.02mn sqm and Phase III has 25.3mn sqm. The company currently has c.200 employees.

### Sales by geography exposure (2010A)



### Sales by division (2011E)

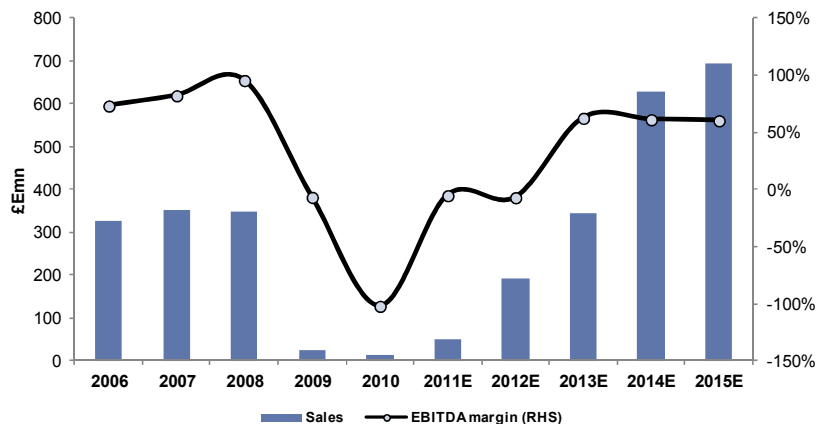


Source: Company data, Goldman Sachs Research estimates.



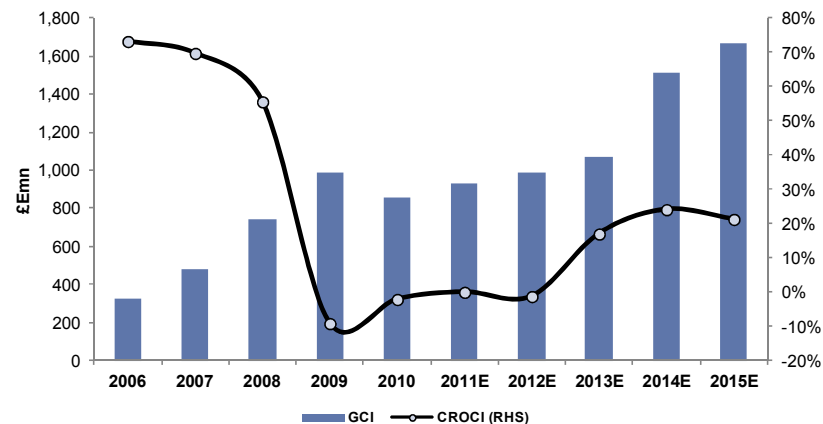
# Key financial ratios: Low margins and low CROCI in the near term

**Exhibit 454: Sales and margins pick up only after 2013E**



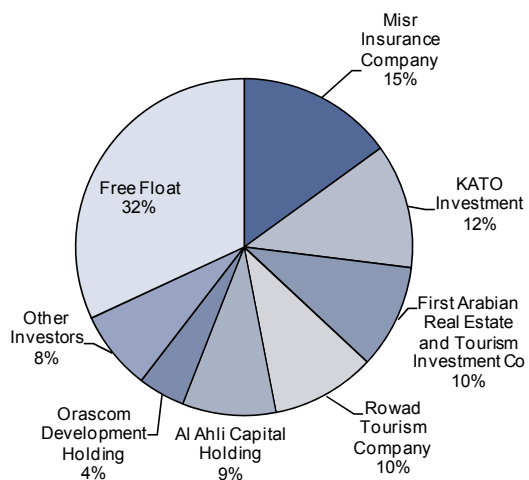
Source: Company data, Goldman Sachs Research estimates.

**Exhibit 455: CROCI and GCI depressed in the near term**



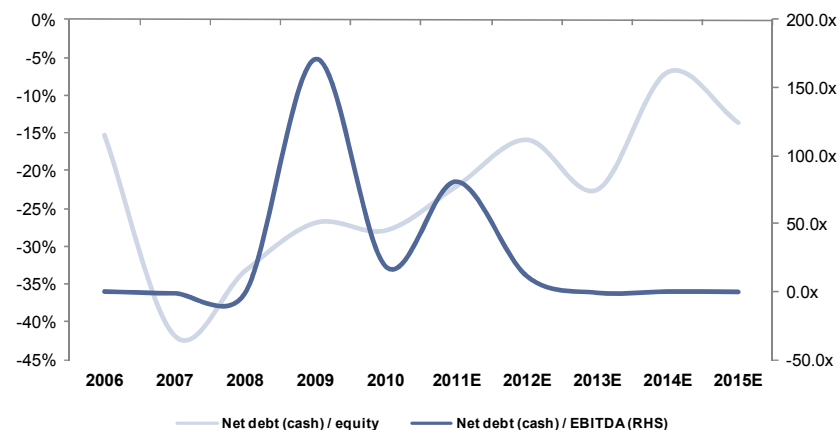
Source: Company data, Goldman Sachs Research estimates.

**Exhibit 456: Egyptian Resorts Company shareholding and group structure**



Source: Company data.

**Exhibit 457: We forecast ERC to remain a net cash company through 2015E**



Source: Company data, Goldman Sachs Research estimates.

## Landbank details of Egyptian Resorts Company

### Exhibit 458: A total of 30.38 mn sqm of land remains to be sold (including Phase III land)

Details of landbank of Egyptian Resorts Company

	Total area (mn sqm)	Sellable area (mn sqm)	Remaining area to be sold (mn sqm)	2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 -->2023												
Phase I	5.6	4.67	0.09	Plot sales												
				Projects' Development												
Phase II	7.03	6.32	5.02	Plot sales												
				Projects' Development												
Phase III	28.3	25.37	25.27	Plot sales												
				Projects' Development												
<b>TOTAL</b>	<b>40.93</b>	<b>36.36</b>	<b>30.38</b>													

Source: Company data, Goldman Sachs Research.

## Valuation, growth and returns: Trading above book value despite landbank risk

### Exhibit 459: ERC CROCI will remain depressed in 2011 and 2012 in our view

Egyptian Resorts Company  
Y/E December  
£Emn

Financial Services  
Real Estate  
Developers

Share price (E£) **0.96**  
Market cap 1,008

12-month price target (E£) **1.04**  
Potential upside/(downside) 8%

\$/£E (spot) 5.98

Valuation	2008	2009	2010	2011E	2012E	2013E
EV/Sales	11.6	75.8	133.6	17.8	4.8	2.4
EV/EBITDA	12.2	-1080.0	-130.5	-323.5	-66.4	3.9
EV/EBIT	12.3	-260.6	-71.0	-52.0	-31.6	4.2
EV/DACF	11.9	-24.7	-102.2	-4567.4	-75.8	4.7
EV/NOPLAT	16.0	626.5	-59.7	-65.0	-39.5	5.2
EV/GCI	5.4	2.0	2.3	0.9	0.9	0.8
P/E	15.9	-338.9	572.9	-581.4	-119.7	6.6
P/B	4.2	2.0	2.4	1.1	1.1	1.0
P/CFO	12.1	-36.4	-458.7	103.6	-191.9	5.6
FCF yield	3.0%	-5.3%	-1.6%	-5.4%	-6.0%	9.3%
Dividend yield	1.3%	2.9%	2.9%	0.0%	0.0%	3.0%

Price target calculation	EPS 2012E	EPS 2013	P/E multiple	Value 2012E	Value 2013E	Price target
EPS	-0.01	0.15	9.7	0.66	1.42	
Implied per share valuation (E£)				0.66	1.42	<b>1.04</b>
Due to negative EPS in 2012, our 2012 per share valuation is based on a floor P/B multiple of 0.77x based on ERC's history.						

Returns and gearing	2008	2009	2010	2011E	2012E	2013E
CROCI	55.5%	-9.2%	-2.1%	0.0%	-1.3%	17.0%
ROIC	48.5%	0.5%	-4.7%	-2.0%	-3.2%	20.5%
ROE	24.8%	-0.4%	-0.4%	-0.2%	-0.9%	15.7%
Net debt/EBITDA	-1.1	NM	NM	NM	NM	-1.2
Net debt/equity	-33.2%	-26.8%	-27.8%	-22.0%	-15.8%	-22.4%

Growth	2008	2009	2010	2011E	2012E	2013E
Sales growth	-1.1%	-92.6%	-42.1%	225.5%	290.9%	81.1%
EBITDA growth	15.0%	-100.5%	744.5%	-82.5%	416.1%	-1652.7%
EBIT growth	14.8%	-102.3%	274.8%	-40.9%	74.4%	-781.6%
Net income growth	-0.4%	-102.4%	-159.4%	-145.3%	385.6%	-1924.2%
EPS growth	-30.7%	-102.1%	-159.4%	-145.3%	385.6%	-1924.2%

Source: Goldman Sachs Research estimates.

## Financials: Lumpy revenues due to non-uniform real estate sales

The political unrest in Egypt in 1Q2011 has resulted in lower construction activity and tourist arrivals into Egypt. Though construction has restarted in Sahl Hasheesh and the sub-developers are seeing increased visitor numbers to the resort city, we believe the company's top line will be driven more by fees of services rendered and utilities than real estate sales in 2011 and 2012. We forecast total sales growth of 225.5% in 2011, 291% in 2012 and 81% in 2013 vs. -42% in 2010 and -93% in 2009. The sales growth rates are high due to the low base effect of 2009 and 2010, when no land was sold. Notably, the revenue generation in 2011 is from rendered services rather than land sales. The company reported ££24.5 mn in 1H2011 revenues with a 69% contribution from rendered services and others segment.

### Exhibit 460: We expect margins to recover beginning only in 2013 after incurring losses in 2011 to 2012

Egyptian Resorts Company, 2006-2015E P&L £E mn

Summarised P&L	EAS 2006	EAS 2007	EAS 2008	EAS 2009	EAS 2010	EAS 2011E	EAS 2012E	EAS 2013E	EAS 2014E	EAS 2015E
Land and Villa Sales	326	349	338	0	0	23	159	279	523	581
Rendered Services & Other	0	3	10	26	15	26	31	65	105	112
<b>Group revenues</b>	<b>326</b>	<b>352</b>	<b>348</b>	<b>26</b>	<b>15</b>	<b>49</b>	<b>190</b>	<b>344</b>	<b>627</b>	<b>693</b>
Growth	285.4%	8.0%	-1.1%	-92.6%	-42.1%	225.5%	290.9%	81.1%	82.5%	10.5%
<b>Group EBITDA (clean)</b>	<b>238</b>	<b>288</b>	<b>331</b>	<b>-2</b>	<b>-15</b>	<b>-3</b>	<b>-14</b>	<b>214</b>	<b>383</b>	<b>416</b>
Group EBITDA margin	73.0%	81.9%	95.2%	-7.0%	-102.4%	-5.5%	-7.3%	62.2%	61.0%	60.1%
<b>Group EBIT (clean)</b>	<b>237</b>	<b>287</b>	<b>329</b>	<b>-7</b>	<b>-28</b>	<b>-17</b>	<b>-29</b>	<b>197</b>	<b>362</b>	<b>394</b>
Group EBIT margin	72.9%	81.5%	94.6%	-29.1%	-188.3%	-34.2%	-15.2%	57.4%	57.7%	56.8%
Share of associates	0	0	0	0	0	0	0	0	0	0
Net financial items	-1	2	28	22	27	12	9	7	8	10
<b>Pre-tax (clean)</b>	<b>236</b>	<b>289</b>	<b>357</b>	<b>14</b>	<b>-1</b>	<b>-4</b>	<b>-20</b>	<b>204</b>	<b>370</b>	<b>404</b>
Non-recurring Items	0	0	-11	-6	-6	0	0	0	0	0
<b>Pre-tax (reported)</b>	<b>236</b>	<b>289</b>	<b>345</b>	<b>8</b>	<b>-8</b>	<b>-4</b>	<b>-20</b>	<b>204</b>	<b>370</b>	<b>404</b>
Tax	0	-3	-80	-11	-2	0	0	-41	-74	-81
Tax rate (%)	0%	1%	23%	142%	-19%	0%	0%	20%	20%	20%
Profit after tax (reported)	236	286	265	-3	-9	-4	-20	164	296	323
Minorities	-4	-6	-1	-1	6	2	12	-10	-18	-20
<b>Net income (reported)</b>	<b>231</b>	<b>280</b>	<b>264</b>	<b>-4</b>	<b>-4</b>	<b>-2</b>	<b>-8</b>	<b>154</b>	<b>278</b>	<b>303</b>
Post-tax exceptionals	4	6	-9	2	-8	0	0	0	0	0
<b>Net income (clean, continuing operations)</b>	<b>227</b>	<b>274</b>	<b>273</b>	<b>-6</b>	<b>4</b>	<b>-2</b>	<b>-8</b>	<b>154</b>	<b>278</b>	<b>303</b>
<b>EPS (clean, fully diluted)</b>	<b>0.32</b>	<b>0.43</b>	<b>0.29</b>	<b>-0.01</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.01</b>	<b>0.15</b>	<b>0.26</b>	<b>0.29</b>
<b>DPS</b>	<b>0.00</b>	<b>0.05</b>	<b>0.06</b>	<b>0.06</b>	<b>0.06</b>	<b>0.00</b>	<b>0.00</b>	<b>0.03</b>	<b>0.05</b>	<b>0.06</b>

Source: Company data, Goldman Sachs Research estimates.

**Exhibit 461: Balance sheet remains strong in our view, although there is risk to the carrying value of the landbank**  
Egyptian Resorts Company balance sheet and cash flow statement, 2006-2015E £E mn

Summarised cash flow										
	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
EBIT	237	287	329	-7	-28	-17	-29	197	362	394
Depreciation/Amortisation	0	2	2	6	13	14	15	17	21	23
Net financial items	1	11	22	24	18	12	9	7	8	10
Taxes paid	0	-3	-80	-11	-2	0	0	-41	-74	-81
Other items	-2	-7	84	-71	-6	0	0	0	0	0
Change in working capital	-162	-186	-75	10	11	-22	-8	44	-374	-86
<b>Cash flow from operations</b>	<b>74</b>	<b>104</b>	<b>281</b>	<b>-50</b>	<b>6</b>	<b>-12</b>	<b>-13</b>	<b>224</b>	<b>-57</b>	<b>259</b>
Capex	-18	-39	-150	-70	-42	-46	-50	-124	-69	-75
Capex/D&A	6228.7%	2572.2%	6897.5%	1227.3%	330.4%	332%	332%	750%	332%	332%
capex/sales (%)	5.5%	11.1%	43.3%	270.7%	283.9%	95.2%	26.5%	36.1%	10.9%	10.8%
<b>Free cash flow pre-dividend</b>	<b>56</b>	<b>65</b>	<b>131</b>	<b>-120</b>	<b>-36</b>	<b>-58</b>	<b>-64</b>	<b>100</b>	<b>-126</b>	<b>185</b>
Free cash flow pre-dividend/revenues (%)	17.2%	18.4%	37.6%	-464.0%	-240.5%	-120.3%	-33.5%	29.1%	-20.1%	26.6%
Other investing activities	0	0	0	0	0	0	0	0	0	0
Dividend	0	-7	-170	0	0	0	0	0	-31	-56
<b>Cash surplus (post dividend)</b>	<b>56</b>	<b>58</b>	<b>-39</b>	<b>-120</b>	<b>-35</b>	<b>-58</b>	<b>-64</b>	<b>100</b>	<b>-157</b>	<b>129</b>
Other and financing	0	328	-52	58	0	0	0	0	0	0
<b>Change in net cash (net debt)</b>	<b>56</b>	<b>386</b>	<b>-91</b>	<b>-62</b>	<b>-35</b>	<b>-58</b>	<b>-64</b>	<b>100</b>	<b>-157</b>	<b>129</b>
<b>Net debt (cash)</b>	<b>-76</b>	<b>-462</b>	<b>-371</b>	<b>-309</b>	<b>-274</b>	<b>-215</b>	<b>-152</b>	<b>-252</b>	<b>-95</b>	<b>-224</b>
Summarised balance sheet										
	2006	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
Inventories	0	0	0	0	1	3	13	23	42	47
Receivables	206	329	323	394	251	243	247	344	627	693
Cash and cash equivalents	76	462	371	309	274	274	274	274	274	274
Other	176	189	377	388	454	486	475	516	941	1,040
<b>Current assets</b>	<b>458</b>	<b>980</b>	<b>1,071</b>	<b>1,091</b>	<b>979</b>	<b>1,005</b>	<b>1,008</b>	<b>1,156</b>	<b>1,885</b>	<b>2,053</b>
Tangible assets	51	93	268	332	362	395	430	537	585	637
Intangible assets	0	0	0	0	6	6	6	6	6	6
Other	159	180	212	74	84	84	84	84	84	84
<b>Non-current assets</b>	<b>211</b>	<b>273</b>	<b>480</b>	<b>406</b>	<b>452</b>	<b>485</b>	<b>520</b>	<b>627</b>	<b>675</b>	<b>727</b>
<b>Total assets</b>	<b>668</b>	<b>1,253</b>	<b>1,550</b>	<b>1,497</b>	<b>1,432</b>	<b>1,490</b>	<b>1,528</b>	<b>1,784</b>	<b>2,560</b>	<b>2,780</b>
Short-term interest-bearing liabilities	0	0	0	0	0	0	0	0	0	0
Accounts payables	13	34	24	26	24	24	47	86	157	173
Other	99	103	210	117	215	219	190	344	627	693
<b>Current liabilities</b>	<b>112</b>	<b>136</b>	<b>234</b>	<b>143</b>	<b>239</b>	<b>243</b>	<b>237</b>	<b>430</b>	<b>784</b>	<b>866</b>
Long-term interest-bearing liabilities	0	0	0	0	0	58	122	22	178	49
Pension provisions	0	0	0	0	0	0	0	0	0	0
Other	56	10	197	200	208	208	208	208	208	208
<b>Non-current liabilities</b>	<b>56</b>	<b>10</b>	<b>197</b>	<b>200</b>	<b>208</b>	<b>267</b>	<b>330</b>	<b>230</b>	<b>387</b>	<b>258</b>
Total Common Equity	485	1,090	1,041	1,076	912	910	902	1,055	1,302	1,550
Minorities	15	16	78	78	73	71	58	68	87	106
<b>Total equity and liabilities</b>	<b>668</b>	<b>1,253</b>	<b>1,550</b>	<b>1,497</b>	<b>1,432</b>	<b>1,490</b>	<b>1,528</b>	<b>1,784</b>	<b>2,560</b>	<b>2,780</b>

Source: Company data, Goldman Sachs Research estimates