المجموعة المالية - هيرميس
EFG HERMES

MENA FOCUS LIST

Add EIPICO, Agthia, NSCSA; Remove SIDPEC, ADCB, DFM

21 JUNE 2009

STRATEGY NOTE

The MENA Focus List is a collaborative effort between the research and sales departments at EFG-Hermes and comprises our top investment ideas across the MENA region – including stocks that are currently not covered by research. Stocks on the Focus List have an investment horizon of up to six months while performance is benchmarked against the MSCI Arabian Markets index. The list itself is reviewed on a weekly basis, though changes can be applied on an as needed basis and as frequently as opportunities permit, with stock picks themselves based on both fundamental and technical factors. The removal of any company from the list does not necessarily equate to a negative fundamental view on the shares.

Back into low-beta names: We take profits on a number of stocks that have done well in the ongoing rally, and on a net basis we move to a lower-beta list as we believe markets are entering a period of consolidation, if not weakness.

Add EIPICO: We add EIPICO (PHAR.CA) as an inexpensive lower-beta stock. The stock trades at 7.0x 2009e earnings, with 7.7% 2009e dividend yield. 1Q2009 earnings surprised positively, rising 18% Y-o-Y and 27% Q-o-Q thanks to a rapid rebound in EBITDA margins to trend levels after a weak 4Q2008. Revenue growth was relatively strong, at 4% Y-o-Y, considering that 1Q2008 was a strong quarter. We expect the recovery in EBITDA margins to continue, though we may see a small Q-o-Q fall in earnings in 2Q2009 due to unusual investment income in 1Q2009.

Add Agthia: 83% of Agthia's (AGTH.AD) revenues come from flour and animal feed, with the rest coming from mineral water (Aghtia has 23% market share in the UAE). More interesting are growth prospects from exclusive manufacturing and distribution rights for Capri-Sun (the number one children's drink brand globally) for GCC ex-Saudi Arabia, effective February 2009. 2Q2009 results should mark the first full quarter of contribution from this segment. Shares have rallied recently, but valuation remains attractive at 8.9x12-month trailing P/E and 1.1x P/B. In our view, the new revenue stream is not factored in.

Add NSCSA: We recently upgraded NSCSA (4030.SE) to ST Buy on the back of improving VLCC rates, which have more than tripled in the last month. From our coverage universe, NSCSA has the best exposure to spot prices (VLCC's account for over 50% of total revenues), but the stock has lagged the sector and the Saudi market since the start of March. Shares are not cheap at 17.1x 2009e and 12.8x 2010e earnings but we believe the rise in VLCC rates should mean a short-term boost in performance.

Remove SIDPEC: Shares have risen 35% since inclusion versus 8% for the benchmark MSCI Arabian Markets Index, and we take profits on this uncovered stock. The stock lagged the market for much of the current rally, but has performed strongly over the past two weeks.

Remove ADCB: Shares have risen 15% since inclusion versus 7% for the benchmark index. However, the bank continues to trade at a discount to the sector at 6.7x 2009e and 7.9x 2010e P/E (0.7x 2009e P/B), which we believe is justified by lingering risks to the balance sheet and earnings visibility which, despite having improved somewhat, remains relatively limited.

Remove Dubai Financial Market: Shares fell 9% since inclusion versus 0% for the benchmark index. With stock market momentum now starting to slow, Dubai volumes look likely to stabilise if not fall as we enter the summer. DFM was included in the Focus List purely as a short-term opportunity.

Focus List Summary: The MENA Focus List now comprises Agthia, Air Arabia, and Emirates NBD in the UAE; Almarai and NSCSA in Saudi Arabia; Qatar Electricity & Water in Qatar; and Commercial International Bank, Eastern Company, El Sewedy Cables, and EIPICO in Egypt. Year-to-date, the MENA Focus List has risen 29.3% versus 19.5% for the MSCI Arabian Markets Index and 13.4% for the MSCI Arabian Markets ex Saudi Arabia Index. The Focus List continues to lag the continued strength of emerging markets, with the MSCI EM benchmark having risen 32.1% year-to-date.

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ADD EIPICO, AGTHIA, NSCSA; REMOVE SIDPEC, ADCB, DFM

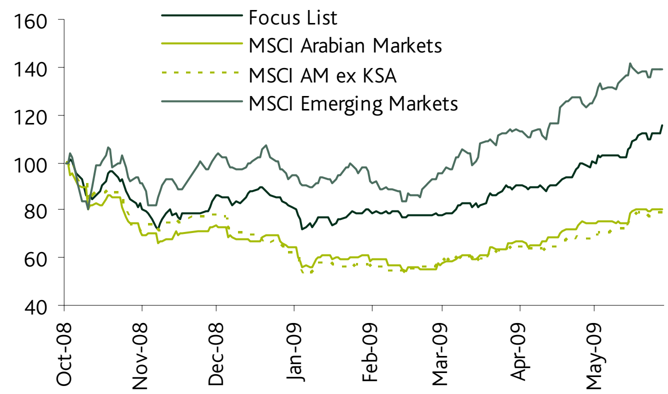
I. FOCUS LIST ANALYSIS

Figure 1: MENA Focus List
Prices in local currency

Ticker	Company Name	Country	Rec. ST/LT	Price 18 Jun	Perf. Since Last Rebal.	LTFV	Upside	M Cap USDm	ADVT* USDm	P/E 2008a	P/E 2009e	P/E 2010e	EPS Growth 08-09e	EPS Growth 09-10e	Yield 2009e
COMI.CA	CIB	Egypt	Acc./Acc.	48.4	0.7%	49.4	2%	2,530	6.6	11.7	9.9	8.8	18.5%	12.7%	3.4%
EAST.CA	Eastern Company	Egypt	Buy/Buy	122.0	5.9%	173.3	42%	1,089	1.3	8.9	8.9	9.2	0.7%	-4.1%	6.1%
SWDY.CA	El Sewedy Cables	Egypt	Neu./Buy	74.4	1.4%	100.0	34%	1,754	5.0	12.3	10.4	8.0	18.7%	30.2%	0.0%
PHAR.CA	EIPICO	Egypt	Acc./Buy	27.5	N/A	37.2	35%	354	0.2	8.3	7.0	6.0	18.1%	18.0%	7.7%
QEWC.QA	Qatar Elec. & Water	Qatar	Buy/Buy	96.2	-4.8%	134.8	40%	2,644	2.4	12.7	10.4	9.7	22.1%	7.4%	4.8%
2280.SE	Al Marai	Saudi		149.0	0.2%	-	-	4,331	6.3	17.8	-	-	-	-	-
4030.SE	National Shipping Co.	Saudi	Buy/Neu	18.6	N/A	14.2	-24%	1,562	22.6	7.8	17.1	12.8	-54.4%	33.8%	8.1%
AIRA.DU	Air Arabia	UAE	Acc./Buy	1.01	-9.0%	1.5	51%	1,284	11.2	9.2	9.2	10.8	0.6%	-15.0%	2.7%
AGTH.AD	Agthia	UAE		1.49	N/A	-	-	243	1.7	12.4	-	-	-	-	-
ENBD.DU	Emirates NBD	UAE	Buy /Buy	4.1	-0.7%	7.17	75%	6,189	0.3	5.6	5.4	6.6	4.5%	-17.8%	3.0%

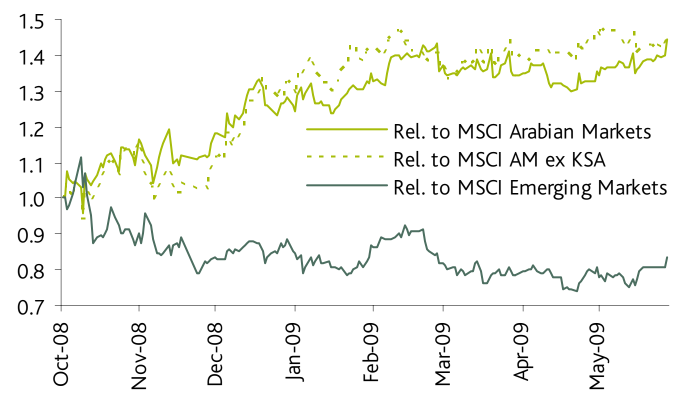
* ADVT = Average daily value traded, based on last 3-months trading activity.
Source: EFG-Hermes, Reuters, Zawya, company data

Figure 2: MENA Focus List vs. Benchmark Indices



Source: Reuters, EFG-Hermes

Figure 3: MENA Focus List Relative Performance



Source: Reuters, EFG-Hermes

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The Short-Term (ST) rating is based on the analyst's best expectations on the shorter-term price movements of the stock. Short-Term is defined as any time up to six months of the rating being applied to the stock. While shorter-term drivers could include quantifiable facts and figures, the analyst may also consider non-quantifiable issues such as the analyst's view on investor sentiment, potential news flow on the stock or the sector, or other issues which could impact share price movements.

The Long-Term (LT) rating is based on the percentage upside or percentage downside of the stock price to the analyst's Long Term Fair Value (LTFV). Long Term is defined as any time period beyond 1 year. The LTFV is based on the analyst's current expectations of the equity fair value of the company on a per share basis which is normally based on rigorous and fundamental long-term analysis of the company's financial potential. Of course, any such analysis is based on the analyst's expectations for the future and are always considered estimates.

For both the Short-Term and Long-Term ratings for any investment covered in our research, the ratings are defined by the following ranges in percentage terms:

Rating	% upside (downside)
Buy	25% and above
Accumulate	10 to 25%
Neutral	(10%) to 10%
Reduce	(10%) to (25%)
Sell	(25%) or more downside

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