المجموعة المالية هيرميس
EFG HERMES

MENA FOCUS LIST

Add Arabtec and QTel, Remove SIDPEC and NSGB

11 APRIL 2010

STRATEGY NOTE

• **Taking Profits in Egypt, Adding Stocks in Dubai and Qatar:** With the Egyptian market having recovered strongly from a correction in mid-March, Egypt is once again one of the world's best performing markets YTD. We take profits on two Egyptian stocks, and reallocate to two markets that have performed less well YTD. The focus list has risen 69.7% over the past 12 months, outperforming the MSCI Arabian Markets index (up 39.8%) and outperforming the MSCI Emerging Markets index (up 64.1%).

• **Add Arabtec:** We increase our Dubai exposure, hoping for short-term upside on Arabtec on the assumption that either the Aabar acquisition will be less dilutive than previously thought or that the transaction may not take place at all. We do not expect 1Q2010 earnings to drive short-term performance, but note that working capital will continue to be tightly managed. With the deadline for the due diligence (16 April) fast approaching, we expect news on the Aabar deal to be positive for the stock. Arabtec continues to trade well below our FV of AED3.39.

• **Add Qtel:** We do not cover Qatar Telecom, but the stock trades at a discount to our MENA telecoms coverage universe based on consensus estimates, at a 2010e P/E of 7.7x (versus a MENA telecoms multiple of 11.3x). Some of this discount is due to relatively low liquidity, although we note that average daily value traded has recently begun to improve. A reduction in royalty fees announced in late March, to 12.5% of Qtel's Qatari operation's profits, in addition to 1% of the Qatari operation's revenue, from 25% of the company's net profit previously, will boost earnings in 2010. The change will be applied retroactively, from 7 October 2007.

• **Remove SIDPEC**: Sidi Kerir Petrochemicals has risen 42.5% since we added it to the focus list in January, and with the stock price approaching fair value, we take profits.

• **Remove NSGB:** We still like NSGB, and believe that the bank will do well as investment recovers in Egypt in 2010. However, the stock has risen 21.1% YTD and 29.5% since inclusion in the focus list, and we feel that there is greater short-term upside potential elsewhere.

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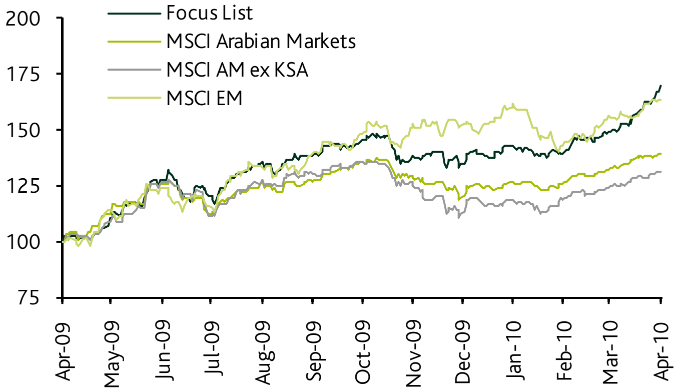
Figure 1: MENA Focus List
Prices and fair values in local currency

Ticker	Company Name	Country	Rating	Price 11 Apr.	Perf. Since Last Rebal.	FV	Upside	M Cap (USD mn)	ADVT* (USD mn)	P/E 2009a	P/E 2010e	P/E 2011e	EPS Growth 09-10e	EPS Growth 10-11e	Yield 2010e
ESRS.CA	Ezz Steel	Egypt	Buy	23.5	28.7%	25.1	7%	2,319	4.2	142.5	20.2	10.0	604.6%	101.9%	0.0%
ORTEq.L	OT	Egypt	Buy	6.1	22.2%	7.7	27%	6,400	14.6	16.8	13.5	12.0	24.3%	13.2%	1.8%
1120.SE	Al-Rajhi	Saudi	Neu.	85.3	14.8%	74.7	-12%	34,099	25.3	19.9	18.2	15.7	9.2%	15.8%	2.7%
1211.SE	Maaden	Saudi	-	19.0	12.8%	-	-	4,674	18.8	44.1	-	-	-	-	-
COMB.QA	CBQ	Qatar	Buy	77.8	28.6%	113.5	46%	4,628	6.0	11.6	10.1	8.1	15.0%	24.5%	7.8%
IQCD.QA	Industries Qatar	Qatar	Buy	117.6	11.9%	140.0	19%	17,769	7.2	17.4	14.3	10.5	22.3%	36.1%	2.6%
QTEL.QA	QTel	Qatar	-	160.1	N/A	-	-	6,451	1.8	8.4	-	-	-	-	-
ARTC.DU	Arabtec	UAE	Buy	2.7	N/A	3.4	26%	879	19.2	6.5	4.2	4.2	54.6%	1.7%	2.8%
EMAR.DU	Emaar	UAE	Buy	4.1	37.6%	5.9	44%	6,740	41.7	75.6	3.7	10.3	1951%	-64.2%	0.0%
DEPA.DI	Depa Limited	UAE	Buy	0.78	50.0%	1.2	51%	479	0.3	7.5	7.3	5.9	3.3%	22.9%	3.4%

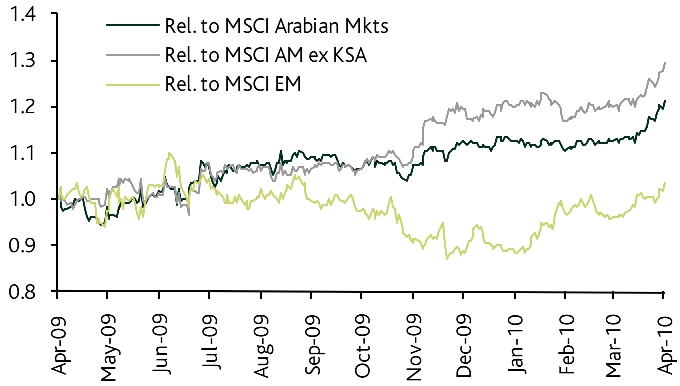
*ADVT = Average daily value traded, based on last 3-months trading activity
Source: Reuters, Zawya, company data, and EFG Hermes estimates

Figure 2: MENA Focus List vs Benchmark Indices



Source: Reuters, EFG Hermes

Figure 3: MENA Focus List Relative Performance



Source: Reuters, EFG Hermes

Figure 4: Performance

	1 month	3 month	52 Weeks
MENA Focus List	12.6%	20.7%	69.7%
MSCI Arabian Markets	4.8%	11.0%	39.8%
MSCI AM ex KSA	5.1%	12.0%	31.2%
MSCI Emerging Markets	5.3%	8.3%	64.1%

MSCI figures as of 10 April 2010
Source: Reuters, EFG Hermes estimates

Focus List Description: *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.*

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Neutral	(10%) and 15%
Sell	Below (10%)

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