

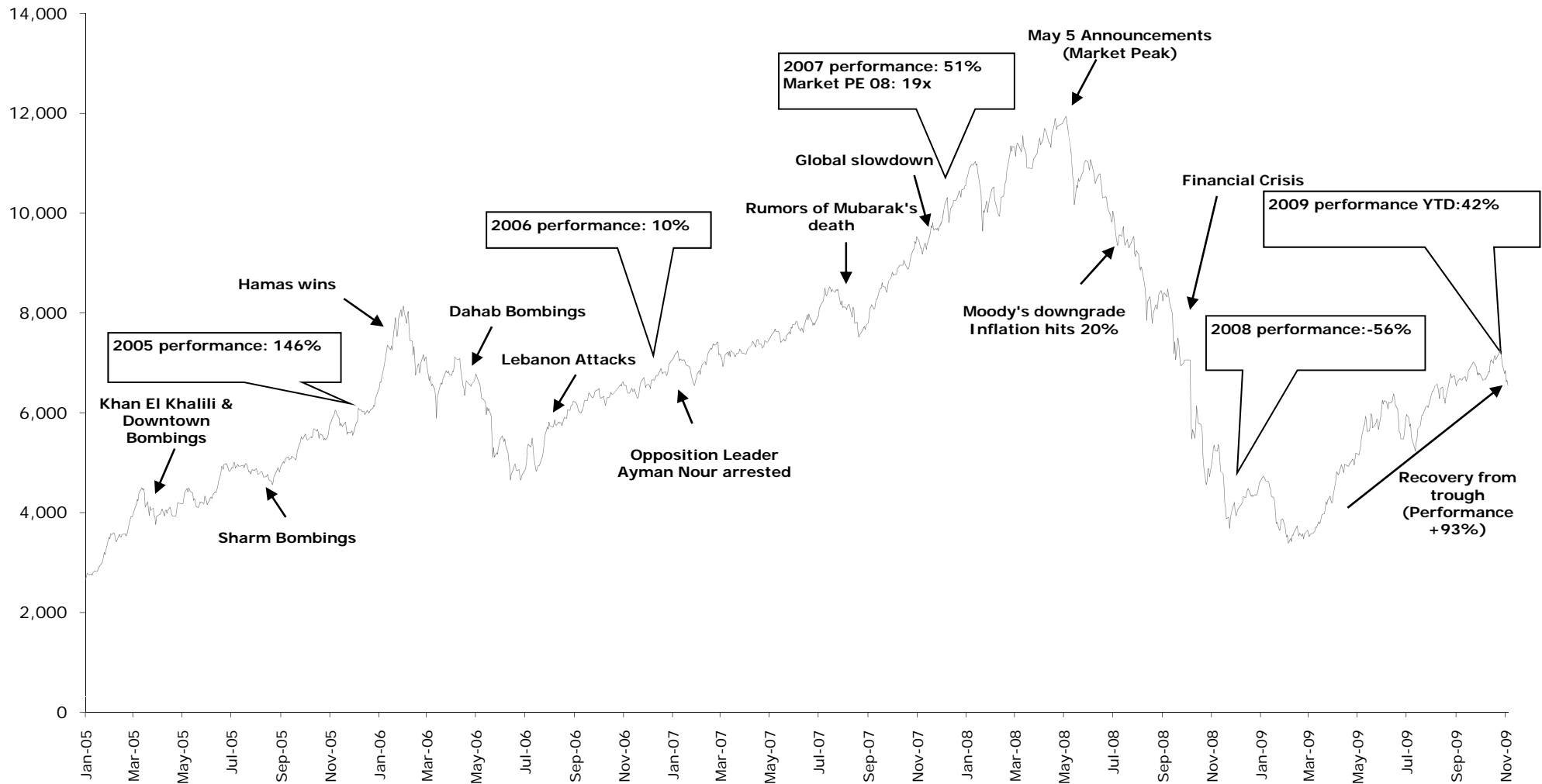


Egypt's Capital Markets: Opportunities abound

**The Egyptian-British Chamber of Commerce
11 November 2009
London**



EGX30 Recent History



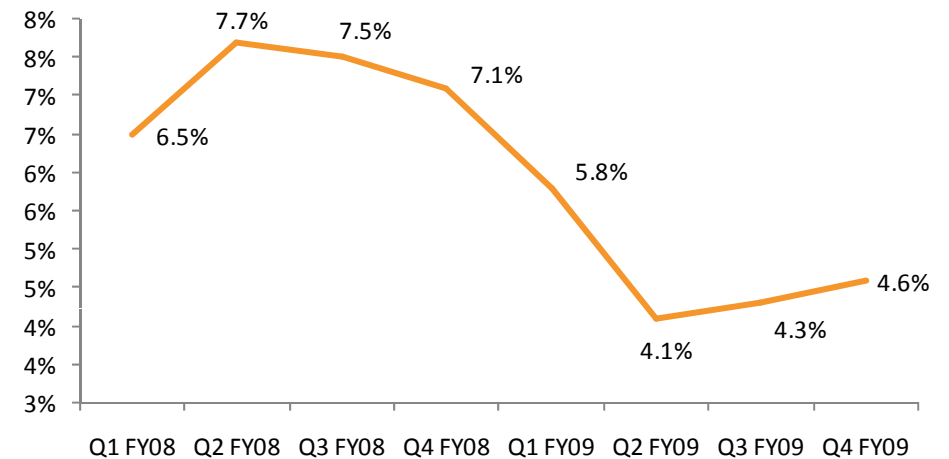
Source: Bloomberg



Egypt- Soft landing from the crisis

- ▶ No liquidity crunch in banking sector – Loan/deposits ratio only 54%
- ▶ Very little use of securitization and derivatives
- ▶ No influence from short selling or hedge fund activity
- ▶ Mortgage exposure very low (<0.5% of GDP)
- ▶ Relatively resilient domestic demand (comprising 70% of GDP)
- ▶ Lower commodity prices helped drive down inflation (from peak of 22% to 9% today)
- ▶ Government infrastructure spending bolstered construction sector

Egypt quarterly GDP growth FY08-FY09



Source: CBE



Key pluses for Economy/Market

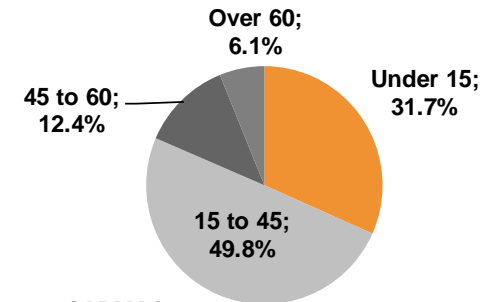
- ▼ Demand driven by:
 - ▼ Favorable demographics:
 - Around 50% of the population is between 15-45
 - Rising per capita income (USD 2,000)
 - Increasing urbanization
 - ▼ High population growth
 - Population of c.77m with a c.2% annual growth rate

- ▼ Under-Leveraged banking System:
 - ▼ Loans/Deposits ratio of only 54%
 - ▼ Low banking penetration of c.10%
 - ▼ High banking density (pop/branch at 22,300)
 - ▼ Underdeveloped mortgage market (Total value of mortgage finance loans as of June 09 just EGP 3.7 bn)

- ▼ Labor arbitrage opportunities that make Egypt attractive as a regional production hub

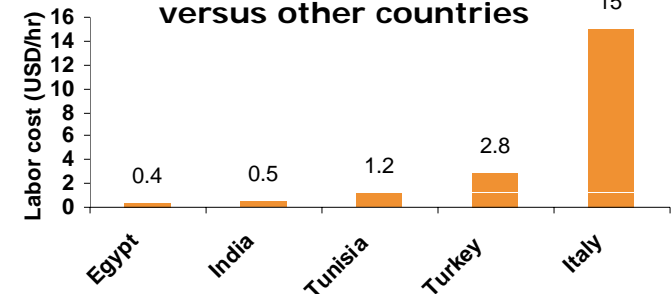
- ▼ Relatively stable currency

Population Segmentation by age



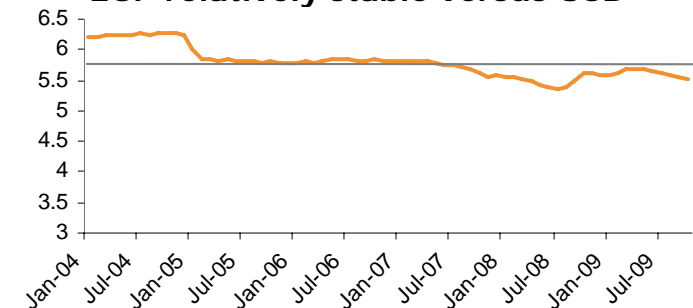
Source: CAPMAS

Average Labor cost in Egypt versus other countries



Source: Ministry of Trade & Investment

EGP relatively stable versus USD

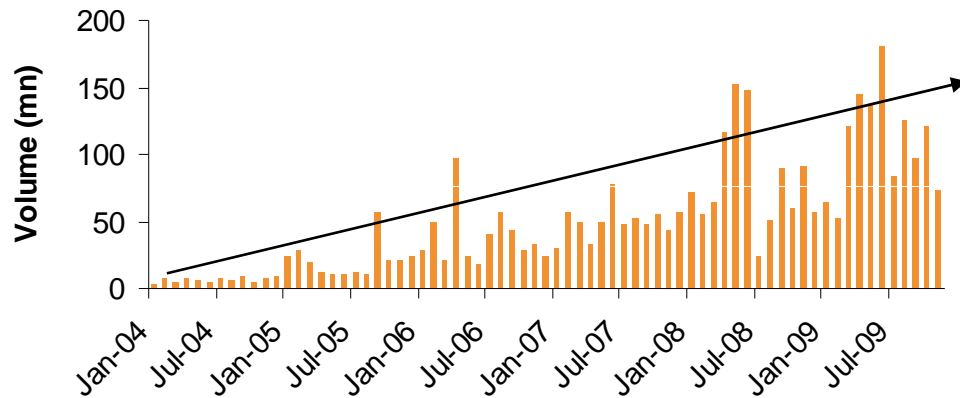


Source: OANDA.com



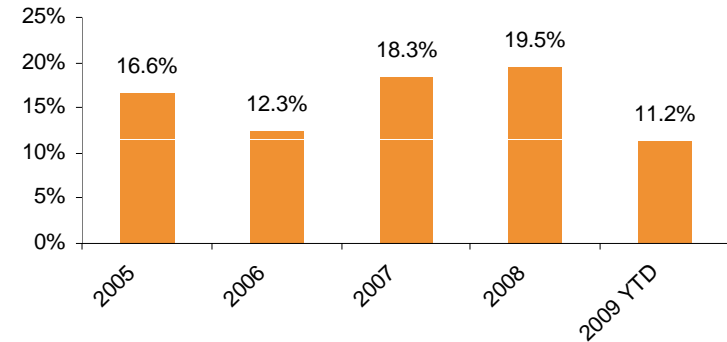
EGX gaining prominence

EGX30 Market volume Jan 05-Oct 09



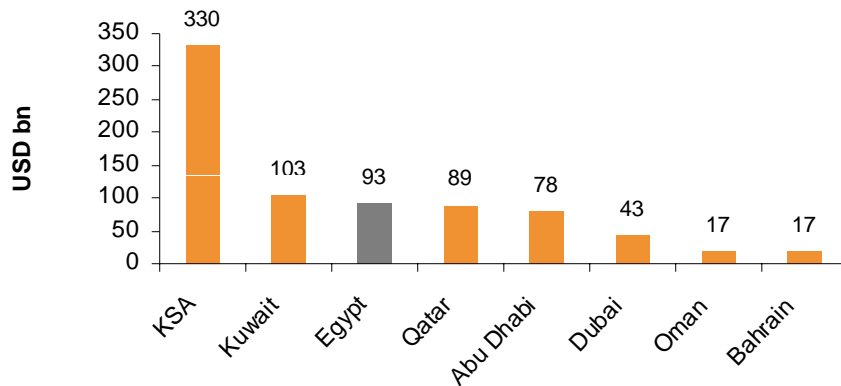
Source: Bloomberg

Foreign trading in local market as a % of total volume



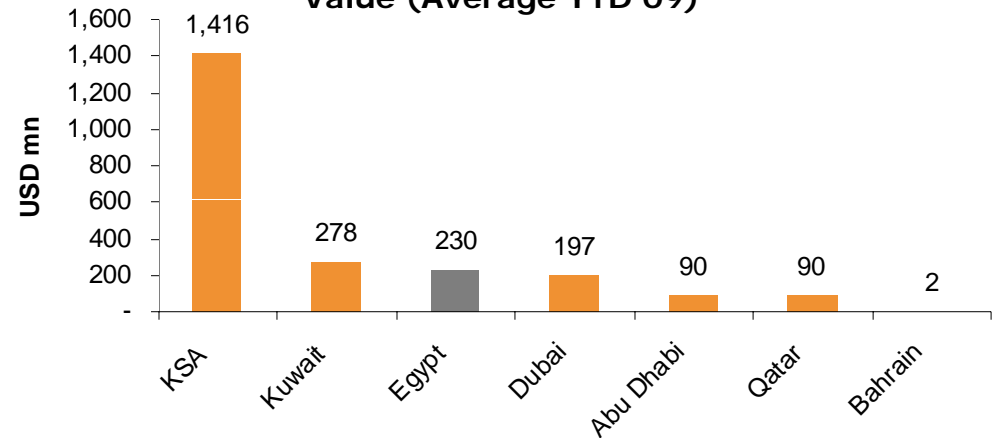
Source: Egypt Stock Exchange

Egypt vs. GCC in terms of Market Cap. (November 09)



Source: Zawya

Egypt vs. GCC in terms of Daily Traded Value (Average YTD 09)



Source: Bloomberg



Regulatory Framework maturing

Today

- Settlement: Financial settlement for stocks bought and sold are made on netting basis on T+0 (for the 48 most active stocks). Stocks not sold on T+0 cannot be sold before T+2. Other stocks are settled on T+2 and cannot be sold before then
- There are no futures/options markets
- There is no short selling
- Diligent market surveillance & heightened corporate governance

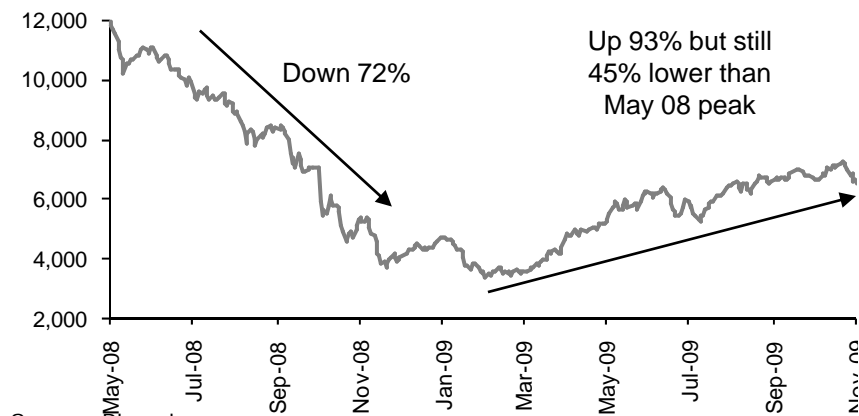
Future Developments

- Settlement: Financial settlement for all stocks on T+2 with ability to sell any stock immediately
- Introduction of futures/options markets
- Introduction of short selling
- Introduction of ETFs
- Full recognition of private equity industry in law



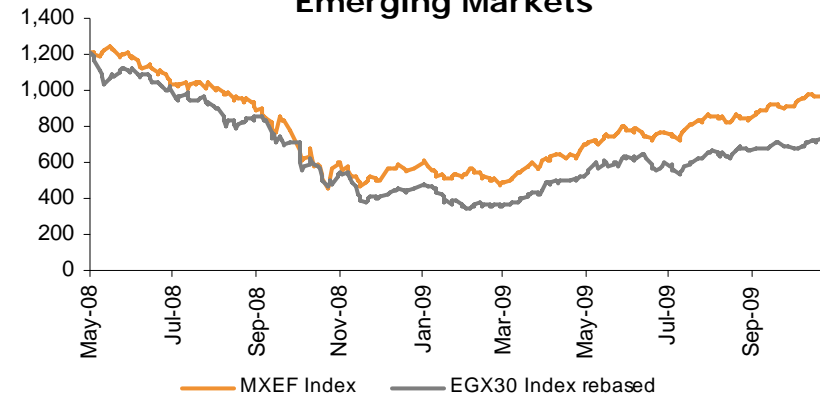
Egypt versus other Emerging Markets

EGX 30 May 2008 peak to date



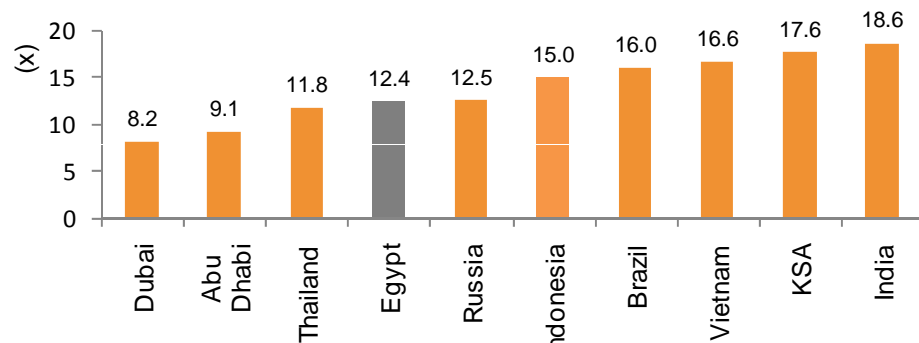
Source: Bloomberg

EGX 30 has under-performed MSCI Emerging Markets



Source: Bloomberg

Forward P/E

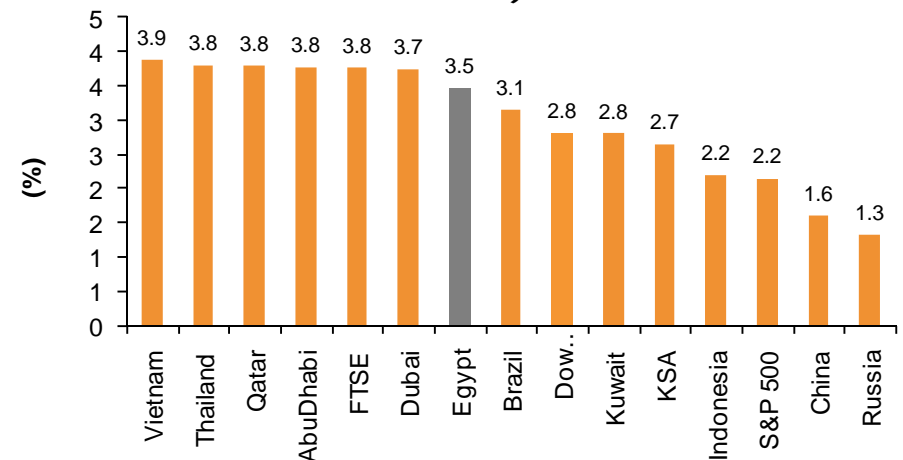


Egypt EPS CAGR 2009-2011 c.28%

BRIC average EPS CAGR 2009-2011 c.24%

Source: Bloomberg Estimates 2/11/09

Dividend yield 2009 (Egypt vs. other markets)

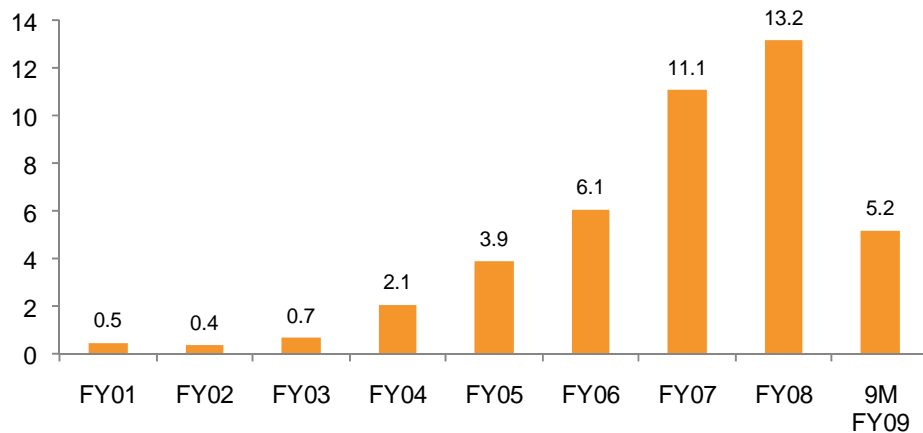


Source: Bloomberg



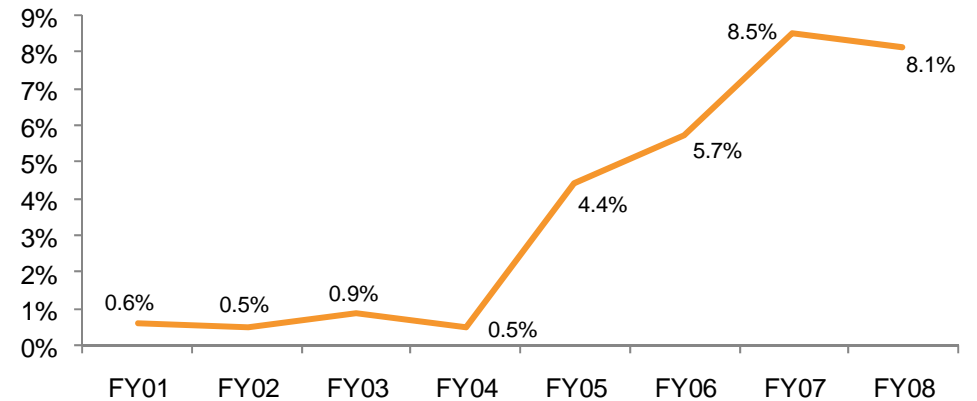
Foreign Direct Investment into Egypt

Net FDI Inflows FY01 to 9M FY09 (USD mn)



**Source: CBE

Net FDI inflows growth FY01 to FY08



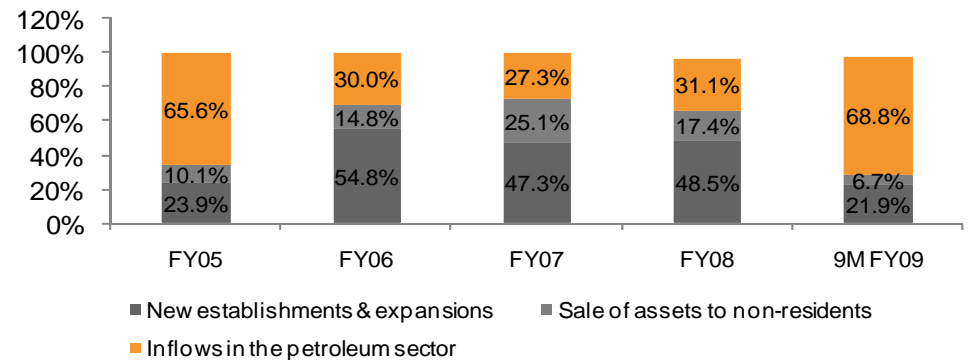
**Source: CBE

Sector Distribution of Net FDI Inflows

USD mn	FY05	FY06	FY07	FY08	9M FY09
New establishments and expansions	926	3,348	5,227	6,400	881
Sale of assets to non residents	391	906	2,772	2,300	269
Real Estate	17	26	39	400	106
Inflows in the petroleum sector	2,540	1,832	3,015	4,100	2,772
Net FDI	3,873	6,111	11,053	13,200	4,028

**Source: CBE

Sector Distribution of Net FDI Inflows



**Source: CBE

** Fiscal year ends in June



Key Sectors to Watch



Telecom Sector

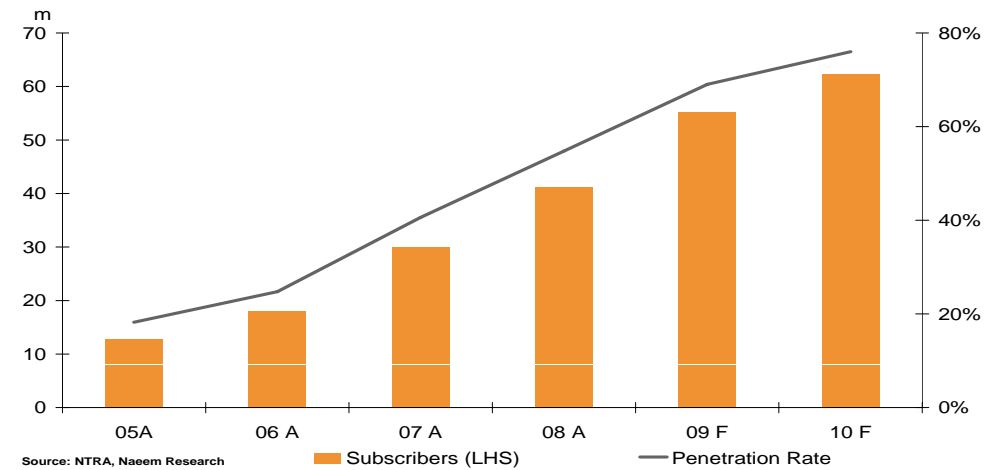
- ▶ Egypt's mobile penetration reached 65% at June 2009. Forecast at 84% by 2013
- ▶ Cellular market adds c. 1.5m subs/month reflecting keen competition, competitive market with 3 players
- ▶ Egypt under-penetrated relative to its PPP-adjusted per capita GDP
- ▶ The subscriber base has grown rapidly from only 7.6m at end-2004 to a forecast 55.2m at end-2009, a CAGR of 49%
- ▶ Egypt's demographics support further penetration growth, c. 42% of the population is under 25 years old. Population growing at c.2% a year
- ▶ Gradual liberalization in fixed line market. Two triple play licenses currently under bidding

Top pick:

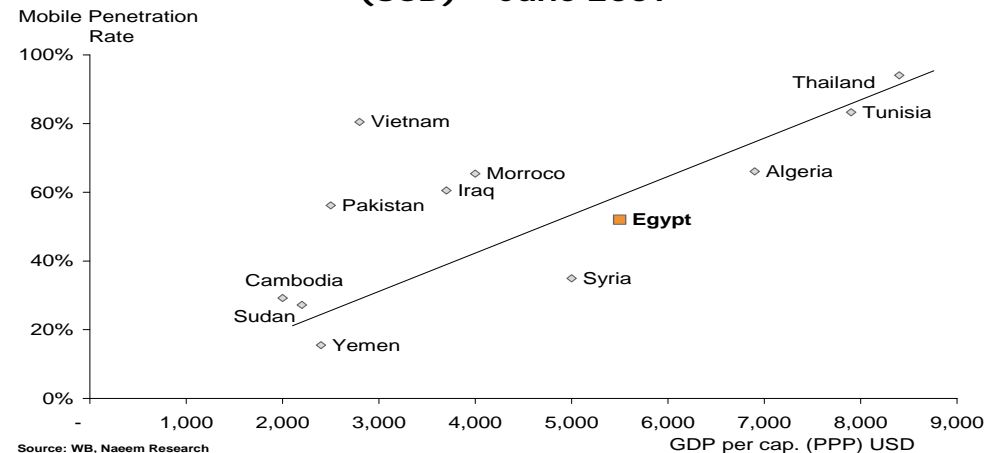
Orascom Telecom Holding (ORTE) – **BUY**, TP EGP55 (USD49/GDR), 50% upside potential.

Diversified exposure to growth /frontier cellular markets.

Cellular market Subscribers and Penetration Rate



Mobile Penetration Rates versus Per Cap. GDP (USD) – June 2009





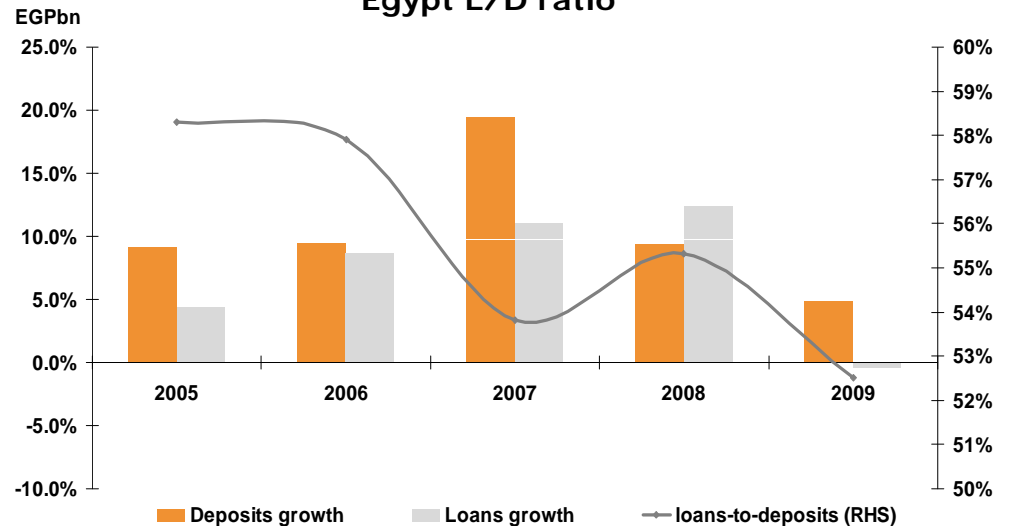
Banking Sector

- ▶ Egyptian banks, unlike their global peers, are not facing a liquidity squeeze. Virtually no exposure to global toxic assets. L/D ratio was only 54% in August 09 (vs. regional peers average ratio of 84%).
- ▶ Shifting focus to the highly profitable, albeit riskier, retail and SME segments, which still offer good growth potential.
- ▶ Egypt's low banking penetration (estimated at 10%) and high banking density (pop/branch at 22,300) offer room for domestic market growth.
- ▶ Egyptian banks, as part of a CBE reform program, are improving their asset quality and covering their NPLs. LLP/Loans ratio has increased over the past several years (15.5% 2Q09 vs. 12.6% FY03).

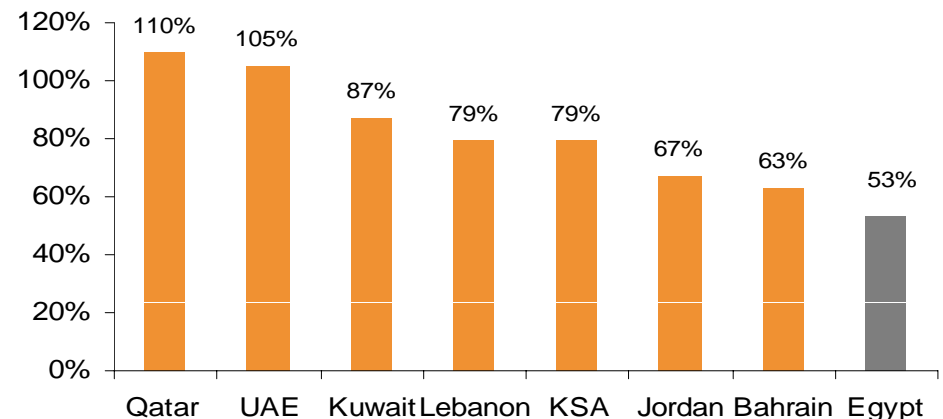
Top picks:

National Société Générale Bank (NSGB) – **ACCUMULATE**, TP EGP31.7, 15% upside potential, PBV of 1.9x. Fundamentally strong and good asset quality. Small banks such as EDBE(EXPA) and FAIT(FAIT) also offer investment opportunities.

Egypt L/D ratio



Egypt L/D ratio versus other markets





Real Estate Sector

- High population density (c.31,000/Sq Km) in Cairo city with estimated average family size of 4.4.
- Growing population (2% pa) coupled with increasing wealth (2009e GDP per capita of USD2,240) drives demand.
- Recent property boom (2004-08) was driven by long underserved accumulated demand in Class A property market (>EGP1.5m). As the market saturates in class A, future sales to be driven by natural consumption demand in the class B/ C segment(<EGP1.5m)
- Mortgage is still at infancy representing <0.5% of GDP, despite recent strong growth. This is a key catalyst in next phase of growth
- Underserved class 'A' retail and office market offers future developments potential

Top pick:

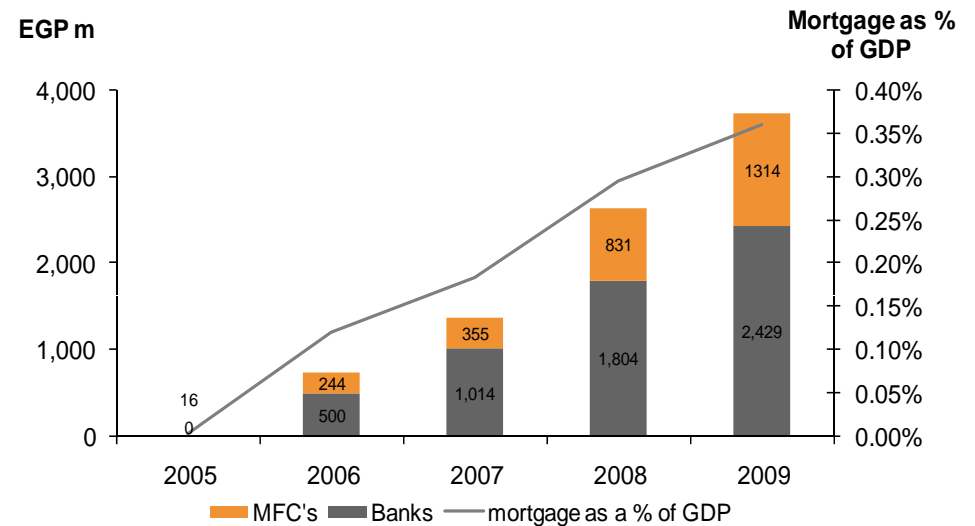
Palm Hills Development Company (PHDC)-
BUY, TP EGP16, 97% upside potential.

PHDC is in sweet spot to take advantage of the revival of end user demand in Egypt due to the resizing of units to cater to class B/C markets. Nine new project launches due through end 2011.

Avg annual income (EGP)	Population (mn)	%	Population in Urban areas (mn)	Affordability (Avg house value in EGP)	Annual Housing Demand
203,000	4.7	6%	4	570,000	28,200
61,020	9.5	12%	8	171,500	57,000
27,000	16.6	21%	10	76,000	99,600
10,260	18.2	23%	14	28,750	109,200
3,240	30.0	38%	19	9,000	180,000

Source : Sakan Finance, Naeem estimates

Value of Mortgage Finance Loans by the end of June 2009



* Fiscal year ends in June

Source: Ministry of Investment Egypt, IMF



Infrastructure and Materials Sector

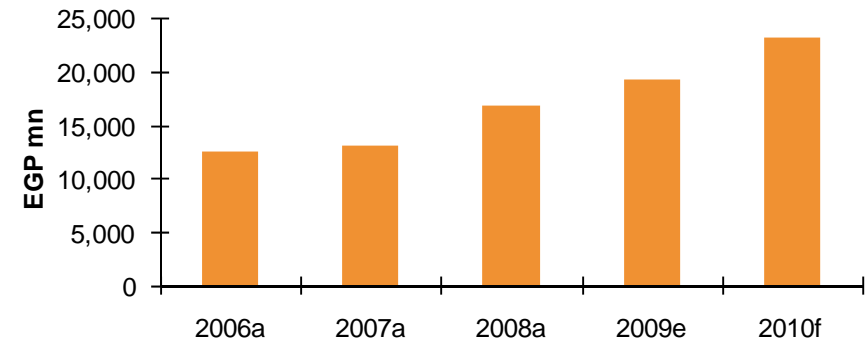
- Urban, industrial and population expansions during coming decades will drive demand for electricity, water and other infrastructure needs.
- Construction sector represented 4.4% of Egypt's nominal GDP, as of March 2009. The sector grew at a CAGR of 22% over the period from June 2005 to June 2008.
- As a stimulus to the recent financial crisis, Egyptian government pumped EGP6.6bn in to infrastructure projects, including water desalination, roads and electricity plants.
- There will be a wide range of opportunities during the next decade, including 52 planned infrastructure projects targeting important sectors with an investment cost of c. EGP137bn.
- Large players in the market have exposure to MENA and African region opportunities.

Top picks:

El Sewedy Cables (SWDY) – **BUY**, TP EGP95, 39% upside potential.

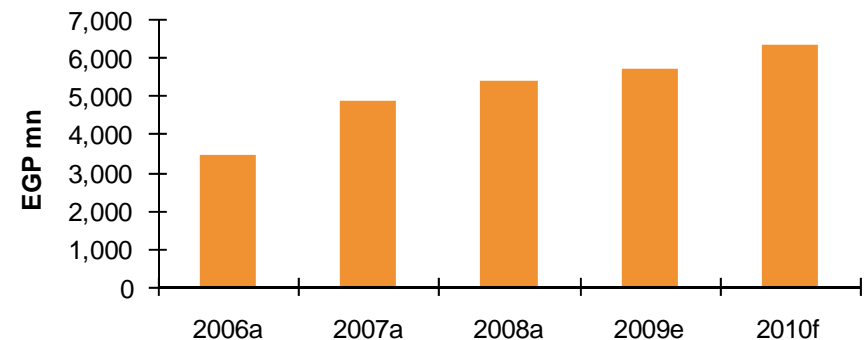
MENA market leader in cables production.
Enduring cost advantages and new business lines (Wind/Electrometers), to sustain future growth.

Construction booming- Strong growth in OCI Revenues



Source: OCI & NAEEM Research

Building materials- Strong growth in El Sewedy Cables Revenues



Source: El Sewedy Cables & NAEEM Research