El Sewedy Electric

بلوم مصر لتداول الأوراق المالية
BLOM EGYPT SECURITIES
BLOMINVEST BANK

Equity Research – Initiation of Coverage		Share Price (EGP):	38.10
Sector:	Electric Equipment	Fair Value (EGP):	42.23
Country:	Egypt	Upside:	11%
Date:	June 01, 2011	Recommendation:	HOLD

Initiating with a HOLD Recommendation and a Fair Value of EGP 42.23 per share based on the channels of analysis below

Capacity growth persists in parallel with strategic acquisitions

El Sewedy has completed its capacity expansion plans for its cable production facilities in response to increasing demand for electricity in the region driven by robust infrastructure and construction spending. After growing at a CAGR of 25% since 2007, capacity of the cable business which constituted 76% of revenues in 2010 is expected to grow by 15% during 2011. The company has been making strategic acquisitions in electrical products, engineering, and wind energy in order to enter newly developing markets and reduce its exposure to fluctuations of copper prices.

Venture into higher margin businesses to improve profitability

Net income is estimated to considerably decline in 2011 as a result of a slow-down in sales due to the regional political tensions. Increased competition from cable producers is likely to apply further pressure on the company's profit margins which have been declining since 2008. However, El Sewedy's venture into higher margin businesses such as electrical products and turnkey projects is likely to improve its overall profitability as they capture a larger share of revenues. We estimate a 5% profit margin for 2011 which is significantly lower than 6.3% reported in 2010, but we anticipate improving margins in 2012.

Comfortable liquidity accompanied by potential for increased leverage

El Sewedy maintains high levels of liquidity with current assets estimated at 1.3x current liabilities. However, the company also relies on leverage as it operates in a capital intensive industry. Its debt-to-equity has been hovering around 110% but is expected to increase as new power generation projects in the region begin or resume once the political situation calms.

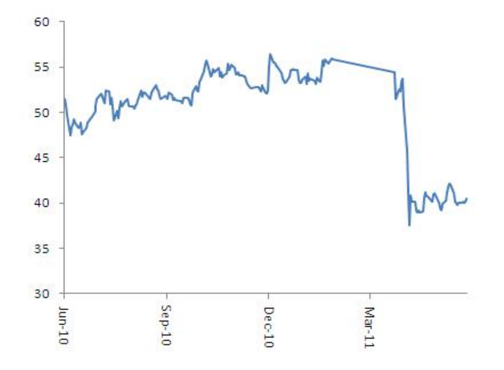
Increased competition and political tensions in region justify discount

We value El Sewedy at EGP 42.23 per share using a discounted cash flow model with a 16% discount rate. A HOLD recommendation is issued taking into consideration the increased competition in the cables market and the risk of the wind energy sales failing to materialize substantially over the foreseeable future. However when comparing El Sewedy to peers, we find that it is significantly undervalued with a P/E of 8.4 compared to 18.8 for the average. This of course is justifiable following the political tensions in the region where most of the company's revenues are generated.

Share Data

Bloomberg Symbol	SWDY EY
Reuters Symbol	SWDY.CA
Market Cap (EGP)	6,535,835,800
Number of Shares	171,860,000
Free Float	33%
Price-to-Earnings	8.4
Price-to-Book	1.7

Share Performance



Source: Reuters

1 Month Return	-6.3%
3 Month Return	-15.7%
6 Month Return	-29.0%
12 Month Return	-20.4%
52 Week Range	56.49 – 37.56

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Performance and Forecasts

Year	2009	2010	2011e	2012f	2013f	2014f
Revenues (EGP M)	9,291	12,902	12,890	16,169	17,595	18,171
Net Income (EGP M)	631	817	645	830	958	999
EPS (EGP)	4.80	4.63	3.76	4.83	5.57	5.81
BVPS (EGP)	34.88	31.11	30.76	34.18	37.36	39.25
ROA	5.8%	6.5%	4.7%	5.5%	5.6%	5.6%
ROE	14.4%	16.5%	12.1%	14.9%	15.6%	15.2%

Source: Company Historicals and Blominvest Estimates

FINANCIALS & VALUATION

Year	2009	2010	2011e	2012f	2013f	2014f
Profit & Loss Summary						
Revenue (EGP M)	9,291	12,902	12,890	16,169	17,595	18,171
Revenue Growth (%)	-18.8	38.9	-0.1	25.4	8.8	3.3
Gross Profit (EGP M)	1,543	1,988	1,697	2,082	2,306	2,416
Gross Margin (%)	16.6	15.4	13.2	12.9	13.1	13.3
Net Profit (EGP M)	631	817	645	830	958	999
Profit Margin (%)	6.8	6.3	5.0	5.1	5.4	5.5
Net Profit Growth (%)	-29.7	29.5	-21.0	28.6	15.4	4.2
Earnings Per Share (EGP)	4.80	4.63	3.76	4.83	5.57	5.81
Price-to-Earnings (Forward P/E)	8.04	8.34	10.28	7.99	6.92	6.64
Balance Sheet Summary (EGP M)						
Accounts & Other Receivables	3,405	4,638	4,101	5,497	6,014	6,059
Inventories	2,779	3,700	3,707	4,708	5,076	5,253
Fixed Assets	2,670	3,544	3,686	3,834	4,025	4,227
Cash & Cash Equivalents	715	1,000	932	1,222	1,322	1,351
Other Assets	1,793	1,063	1,062	1,163	1,269	1,304
Total Assets	11,363	13,944	13,489	16,424	17,707	18,193
Total Liabilities	6,779	8,603	8,202	10,550	11,286	11,448
Book Value Per Share (EGP)	34.88	31.11	30.76	34.18	37.36	39.25
Profitability						
ROA (%)	5.8	6.5	4.7	5.5	5.6	5.6
ROE (%)	14.4	16.5	12.1	14.9	15.6	15.2
Liquidity						
Cash / Current Liabilities	0.13	0.14	0.14	0.13	0.13	0.14
Current Assets / Current Liabilities	1.22	1.32	1.33	1.29	1.30	1.32
Net Working Capital / Current Assets	0.18	0.24	0.25	0.22	0.23	0.24

Comparables

	Valuation			Margin Analysis (%)			Profitability (%)	
	P/E	P/Rev	P/BV	Gross	Oper.	Net	ROE	ROA
El Sewedy	8.4	0.8	1.7	16.6	9.4	6.8	15.8	5.8
Average of Peers	18.8	1.1	3.0	17.3	4.9	6.1	11.0	4.8

Valuation

	2011e	2012f	2013f	2014f	2015f	Term. Val.
Net Income (EGP million)	645	830	958	999	1,111	
Free Cash Flow to Firm (EGP million)	917	638	817	907	1,024	8,479
Discounted Cash-flows (EGP million)	917	550	607	581	566	4,037
El Sewedy Value (EGP milion)						7,258
Number of shares (in millions)						171.9
Share Value (EGP)						**42.23**

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INVESTMENT SUMMARY

We issue a HOLD recommendation on El Sewedy Electric after carefully analyzing the following:

Business Model

El Sewedy Electric (SE) is the Middle East and Africa (MEA) regional leader in the manufacturing of copper and aluminum cables with a current production capacity of 282,000tpa. Revenues from cables products and raw materials make up as much as 76% of the company's total revenues, down from 80% in 2009. That was mainly the result of sales from non-cable businesses which include electrical products, and engineering and contracting gaining momentum throughout the previous few years. While SE holds the indisputable leading position in Egypt constituting more than 30% of total revenues, other countries in the region contribute to 57% of the company's top line and Europe holds the remaining 13% share. However, the shares vary across each business segment; revenues from cables, transformers and turnkey projects are mostly generated from the MEA region while meters sales come largely from Europe. In order to improve its profit margin and its market share through lower costs, SE internally produces a wide range of raw materials. In 2010, gross sales from raw materials constituted around 40% of SE's gross revenue from the cables line of business, both from internal usage and sales of excess capacity.

Profitability

We estimate SE's net income to increase at a CAGR of 6.4% between 2010 and 2015, a growth that could have been higher if it weren't for the decline in earnings from EGP 817 million in 2010 to EGP 645 million in 2011. The expected drop in net profit in 2011 is mainly the result of slower revenues from hampered sales in the politically troubled region, coupled with a decline in the operating margin of the firm on increased competition from cables players. In fact, fierce regional competition has caused the net profit margin at SE to decline from 7.8% in 2008 to 6.3% in 2010 and we expect further pressure on margins down to 5% in 2011. Going forward, the company's bottom line will slightly improve through 2015 to 6% as margins in the electrical products segment improve and revenues from non-cables segments, which benefit from higher margins, contribute to an increasing share of earnings.

Growth

Sales at SE are expected to be pressured down in 2011 by the dramatic decline in utilization rates due to the increased political upheavals in most of the countries where SE operates and some of its export markets. However, with cable sales dominating the revenue stream of the company, SE remains highly sensitive to the fluctuations of copper prices which are expected to maintain their upward trend until 2012 on shortage in the supply of the metal. The hike in copper prices is anticipated to help offset most of the decline in utilization rate, resulting in a mere 0.1% y-o-y decline in SE's revenues to EGP 12.87 billion. Contribution from cables sales will slowly retreat to 73% by 2015 from 76% currently, as revenues from electrical products and turnkey projects gain grounds. However, we expect that the uncertainty of the business environment in the Middle East and Africa region will most likely postpone any considerable contribution of the juvenile wind energy segment to SE's top line over the medium term.

Financial Position

SE has consistently maintained high levels of liquidity with current assets amounting to about 1.3 times of current liabilities. Hence, the company maintained a positive net working capital ratio over the considered period, a situation which we expect to persist in the near future, underpinned by limited investments in fixed assets and the absence of major acquisitions given the unstable regional political environment.

Amidst a capital-intensive industry, SE leverages most of its operations among which the many acquisitions and alliances made over the past few years across the several segments. Hence, the company's debt-to-equity ratio which has been hovering near 110% is expected to remain stagnant at that level in 2011. Beyond 2011, we forecast an increase in the company's leverage due to the growing demand for cables in the Middle East and Africa, led by the many power generation projects that are expected to kick-off or resume in the region once the political situation stabilizes.

Valuation

We appraised the fair value of SE at EGP 42.23 per share using a discounted free cash flow model based on a 5-year forecast, with a discount rate of 16% and a terminal growth rate of 3.5%, given the outlook of the company. In our assumptions we assigned no increase in capacity for cables product, while we assumed that copper prices will continue to rise through 2012 on shortage of supply.

SE appears to be undervalued with relation to its price multiples. This is justifiable given the pressure exercised on the share price by the political disturbances in the region, especially the unsteady situation in Egypt, the company's largest single market. In addition, the diversification into different business segments seems to be a challenge for SE amidst the current political environment. We thus issue a HOLD recommendation on the company's equity due to expecting downward pressure on the stock caused by heightened political tensions in the region, increased competition in the cables market and the risk of the wind energy sales failing to materialize substantially over the foreseeable future.

Market Risks

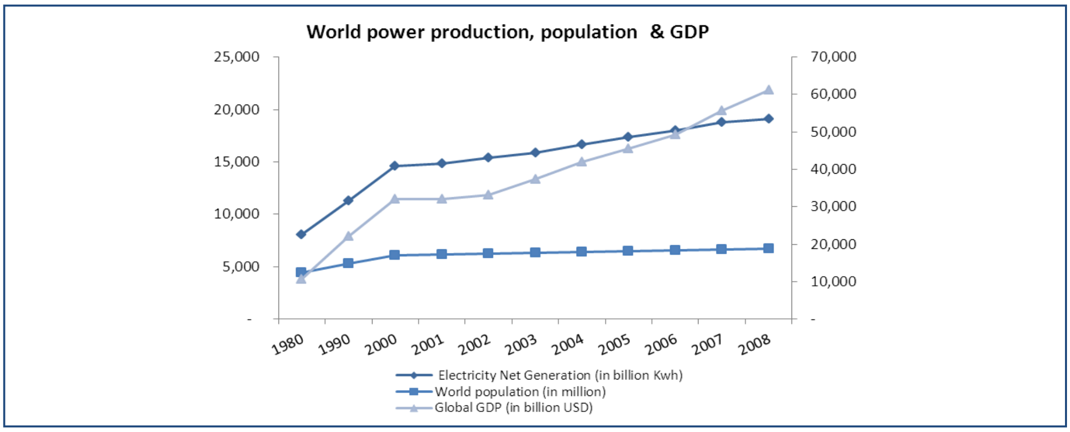
While unrest has settled in Egypt, a major market for SE, demand from the residential sector for the company's products is still cautious, a situation that will persist at least until the upcoming residential reelections due in September and which will determine the direction demand will follow going forward. In addition, uncertainty continues in several markets which constitute a growth opportunity and where SE has established operations, namely in Syria, Yemen and Libya. Moving to sector risk, the fierce competitive environment in the cable sector is another concern. With the Middle East and Africa region constituting an attractive market for cable producers in terms of the opportunities for growth potential, the market is now flooded with strong competitors on both the local and international levels which limits SE's potential to being a price maker. Another major risk to SE is the high sensitivity of profitability to fluctuations in copper prices. Unfortunately, cable players cannot impact copper price movements as the latter rely on the global dynamics of supply and demand for the metal. Finally, the wind energy segment remains quite risky in the region on many levels: First, the current regional political instability is a threat to the profitability of this segment, especially with SE's project in Libya being stalled amidst violent political disturbances in the country along with Egypt's wind farm project. Second, state involvement in the power industry in the region is very high, with little room for privatization activity which constitutes a high barrier to companies operating in the energy generation sector.

OVERVIEW OF THE CABLE & ELECTRICITY GLOBAL MARKET

The global cables market is estimated to have exceeded $62 billion in 2010, with growth resuming after having slowed to 1.1% in 2009 due to the financial crisis. Demand from emerging economies and specifically Asian markets, which capture 56% of the global market share, is expected to considerably lift growth forecasts with an estimated CAGR of 8% through 2014. Representing 60% of the global cable market, production of power cables is the core activity of El Sewedy for which growth relies on electricity consumption.

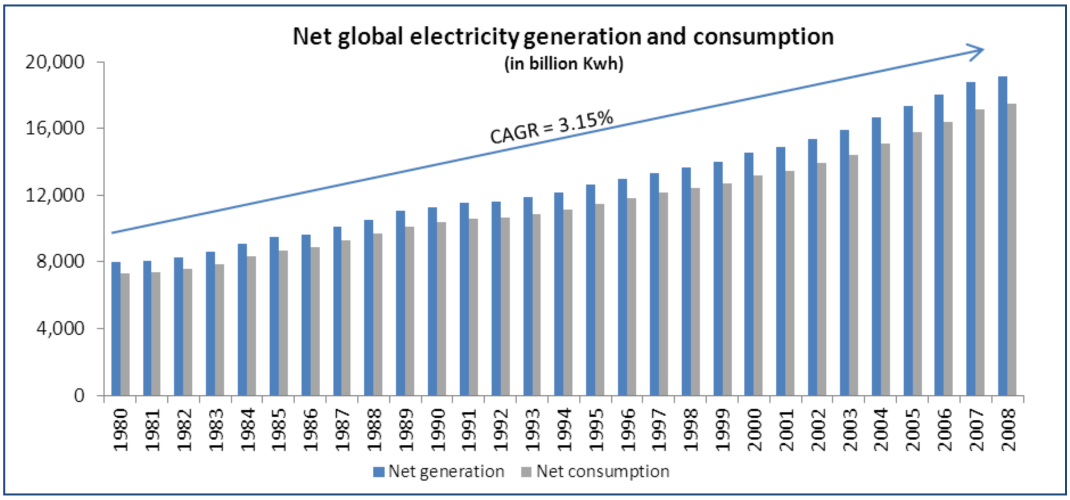
Economic growth and population expansion lead the global power sector

The relationship between electricity generation and economic growth has shown a strong positive correlation, giving evidence that the world's power sector which is driven by the dynamics of global supply and demand, reckons on factors that drive economic growth among which, population expansion and technological advances. However, the nature of the correlation has not yet been clearly identified, and it is yet to be proven if increased electricity generation causes GDP growth or vice versa.



Source: EIA, IMF, World Bank, Blominvest

Between 1980 and 2008, global electricity production and consumption grew at a CAGR of 3.15% while global output expanded at a CAGR of 6.21%.



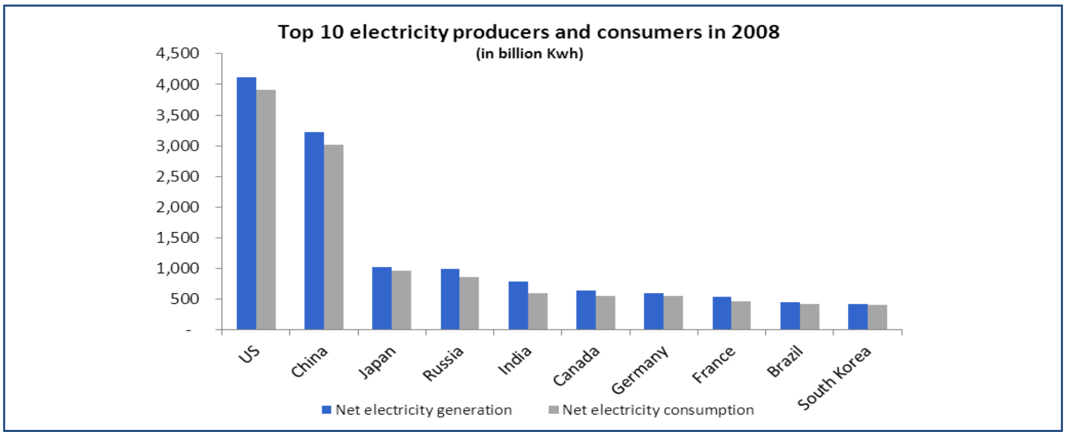
Source: EIA, Blominvest

During the 2009 global recession where global GDP dropped by 0.6% y-o-y, demand for energy declined by 1.1% y-o-y. Particularly, the world's electricity consumption plunged by an average of 1.5% y-o-y for the first time in three decades, with the regions mostly hit by the recession experiencing the steepest declines in consumption while emerging markets witnessed accelerated electricity depletion. Energy consumption in Asia rose by 4% during the year, led by China which experienced an annual growth rate of 8% in 2009, up from 4% in 2008 and posted a GDP expansion of 9.1% y-o-y. On the other hand, North America, Europe and CIS which witnessed a y-o-y economic contraction near 2.5%, 3.8% and 6.5% respectively, exhausted an average of 6% less energy during the period.

USA tops the world's electricity producers and consumers followed by China

The world's total electricity generation stood at around 19,103 billion Kwh in 2008, and is expected to rise at a CAGR of 2% per year to around 35,400 billion Kwh through 2030.

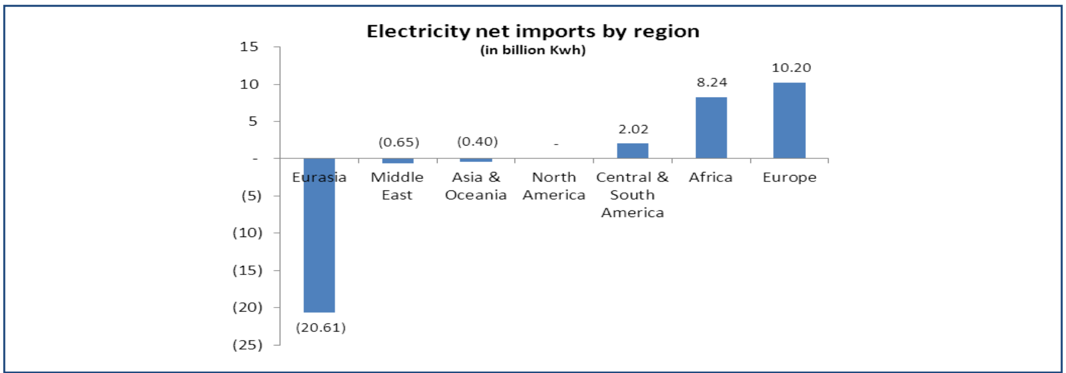
The USA is the world's largest electricity producing country with 4,119 billion Kwh produced in 2008, or around 22% of the global production for the year. China comes second with 3,221 billion Kwh produced in 2008 or 17% of the world's production, followed by Japan which generated 1,015 billion Kwh in electricity or 5.3% of the global capacity. While China's installed capacity of electricity generation constituted around 65% of that of the United States in 2007 and its production volume stood at around 80% of the latter, it is currently estimated that the second largest global economy might have overtaken the USA's position as the biggest producing country of electricity. It is worth noting that while India held the fifth position in the ranking for 2008, the emerging economy is aiming to triple its current electricity capacity by 2020 and thus move up in the ranking to the third place.



Source: EIA, Blominvest

The world's net electricity consumption stood at 17,445 billion Kwh in 2008 with the USA alone consuming 3,906 billion Kwh.

Since it is expensive to import energy, countries try to be self-sufficient in terms of electricity capacity. Electricity costs vary significantly from country to country and depend on type and market price of the fuel used, the existence of government subsidies and industry regulations, and even on weather patterns.

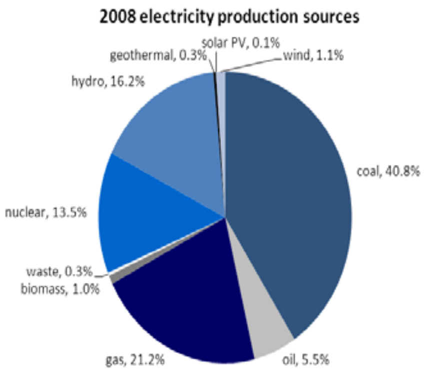


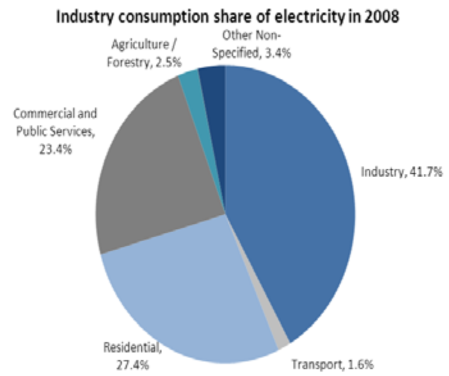
Source: EIA, Blominvest

Europe topped the worldwide regions in terms of its net electricity imports for 2008 at 10.2 billion Kwh while Eurasia stood as the highest net exporter with 21 billion Kwh in the same year.
On a country basis, the world's biggest net importers of electricity include Brazil, Italy and the United States with net imports in 2008 of around 42 billion Kwh, 40 billion Kwh and 33 billion Kwh respectively. On the other hand, France, Paraguay and Canada constituted the top three net exporters with 48 billion Kwh, 46 billion Kwh and 32 billion Kwh of net electricity exports during the same period.

Coal dominates the sources of electricity and manufacturing consumes the major share

Currently, coal constitutes the most popular source for producing electricity with about 41% of global electricity generation in 2008 while natural gas ranks second contributing to 21% of power production. It is worth noting that while only 19% of the 2008 global electricity production came from renewable energy sources such as hydropower, wind, sunlight and geothermal heat, these are expected to gain momentum and contribute significantly to the generation of electricity globally in the medium term, amid increased global warming awareness and the threat of the exhaustion of fossil fuels. In fact, it is estimated that the renewable share of world electricity generation will grow from 19% in 2008 to 23% by 2035 with almost 80% of the increase attributed to hydroelectric power and wind power.





Source: IEA, Blominvest

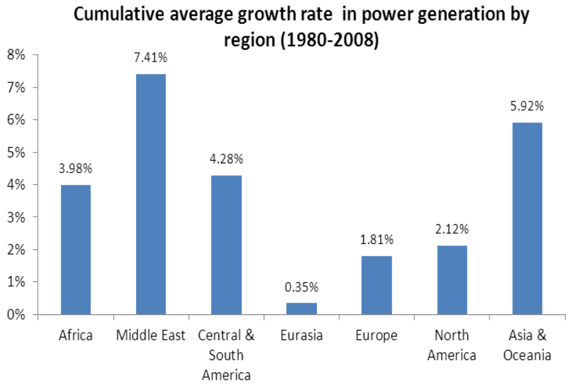
The industrial, the residential, and the commercial sectors are the biggest energy users, exhausting around 92.5% of the global production with the industrial sector alone depleting around 42% of the global power capacity in 2008.

CABLE MARKET AND ITS DRIVERS IN THE REGION

The cable market in the Middle East is estimated at one million tons annually, comprising 5% of global demand with GCC countries responsible for 84% of the MENA demand. The market is expected to grow at a CAGR of 5% over the next few years, almost double the growth forecasts for the global market. Robust infrastructure spending and construction activity, both key drivers for the cable market, have boosted demand on the industrial and residential fronts. Capacity in the region is estimated at 1.2 million tons annually with Saudi Arabia ranked as the top producer with around 32% of capacity in the Middle East.

Middle East & Africa electricity sector ranks among the fastest growing in the world

The Middle East power sector has been the fastest-growing in the world over the period 1980-2008, expanding at a CAGR of 7.4% per year while Africa ranked fourth with a CAGR of 4%, compared with the world's 3% over the same period.

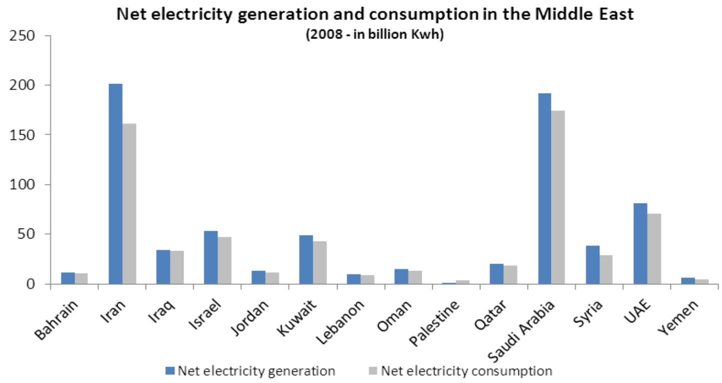


Source: EIA, Blominvest

The rapidly growing population in the Middle East and Africa is expected to reach around 2 billion by 2035 from just above 1.2 billion in 2010. Along with the estimated GDP expansion at a CAGR of 8.2%, the region's demand for electricity is expected to rise considerably. As a result, MEA's electricity production is forecasted to increase from an estimated 1,222 Twh in 2010 to 1,518 Twh by 2015 and for the Middle Eastern region alone, it is estimated to grow at a CAGR of 2.2% per year from 0.7 trillion Kwh in 2008 to 1.3 trillion Kwh by 2035.

Iran and KSA are regional leaders in the power sector but Qatar is catching up

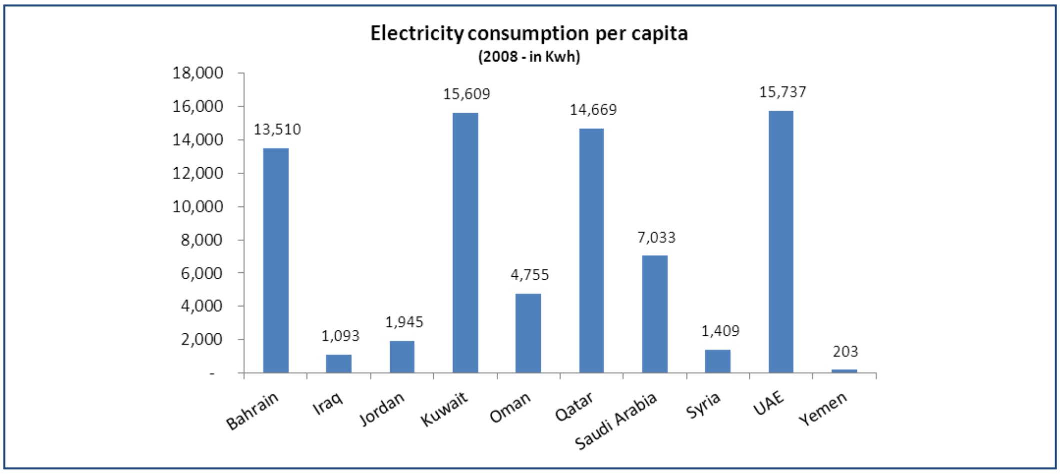
Iran, Saudi Arabia, and the UAE account for two thirds of the regional generation and consumption of electricity, and demand has increased sharply over the past several years in each of these countries. From 2000 to 2007, Iran's net generation increased by an average of 7.9% per year, Saudi Arabia's by 6.1% per year and the UAE's by 9.6% per year.



Source: EIA, Blominvest

Over the coming five years, power consumption growth in the region is forecasted to range between 11.3% for Iran to a more aggressive 63.3% in Qatar.

In Egypt, the power industry is struggling to keep up with an increasing demand for electricity. Egypt's population is expected to increase from 84.5 million in 2010 to 91.7 million in 2015, with GDP per capita and electricity consumption per capita set to rise by 60% and 21% respectively. As a result, the increase in the country's power generation will reach 61% over a ten-year horizon.



Source: EIA, World Bank, Blominvest

Over $100 billion invested in the Middle Eastern power infrastructure sector

To match the ever-growing demand in the region, $131 billion worth of electricity projects are planned or under construction in the Middle East and this figure represents solely the projects that were disclosed. This implies that the real value of the electricity projects to be conducted in the region is far higher.

Saudi Arabia constitutes the largest market in terms of value and the number of projects announced, with 47 power projects under way for a total worth of $39 billion. The UAE follows with projects valued near $29 billion and Iran comes third with around $18 billion worth of projects while Qatar has announced 21 projects underway for a total value of $14 billion.

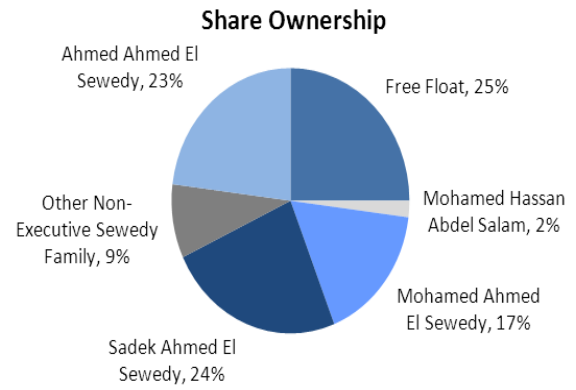
Finally, the multimillion dollar GCC interconnection power grid project which links Kuwait, Saudi Arabia, Bahrain, Qatar, the UAE and Oman is set to be completed in the near future. The grid will allow the member states to reduce high long-term investment cost of power systems by reducing the level of generation reserves and provide assistance during power emergency situations. In addition, it will also offer the GCC countries the opportunity to exchange power energy among them.

COMPANY PROFILE

El Sewedy Electric Company (SE) incorporated in Egypt in 1984, is a holding company whose subsidiaries are leading cables and electrical products manufacturers in the Middle East and Africa. The company owns more than 30 production facilities in more than 15 countries around the globe and exports its products to approximately 110 countries across Africa, the Middle East, Europe, and the Far East. SE, through its subsidiaries, is involved in the generation of energy as well as its transmission, distribution, measurement and management.

Ownership

SE went public in May 2006 raising EGP 1.2 billion through the issuance of 30 million shares, representing 25% of the then-share capital of El Sewedy Cables – the former name of the company. SE's stocks are listed on the Egyptian Stock Exchange (EGX 30) and the company has currently 171,860,000 shares outstanding with a par value of EGP 10 each.



Source: El Sewedy Electric, Blominvest

Board of Directors

Sadek Ahmad El Sewedy	Chairman
Ahmad Ahmad Sadek El Sewedy	Director
Mohammad Ahmad El Sewedy	Director
Dion Metzemaekers	Director
Amer Labib	Director
Mohammad Hassan Abdulsalam	Director
Hisham El Kzindar	Director

Source: Zawya

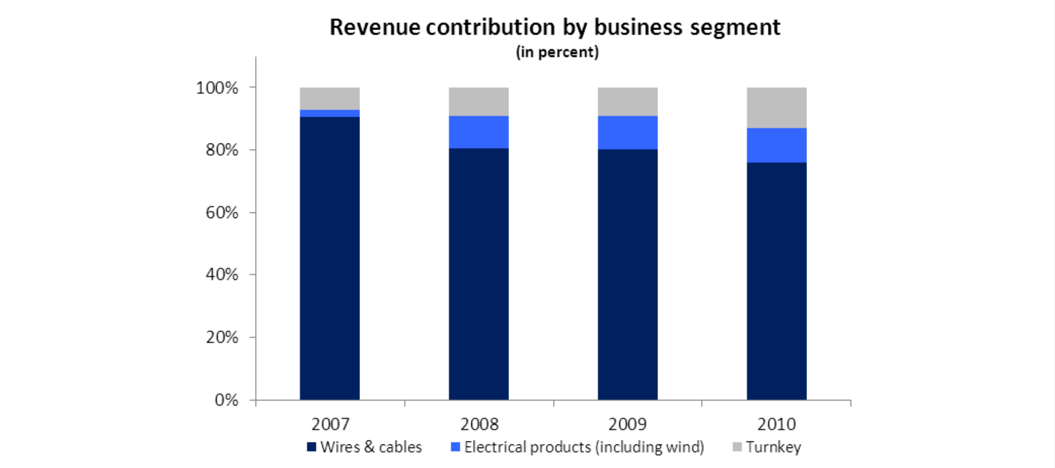
Management

Ahmad Ahmad Sadek El Sewedy	Chief Executive Officer
Sherif Mohammad Ali	General Manager
Deema Abu Ghazaleh	Chief Financial Officer
Mohammad Radwan	Chief Investment Officer
Hazem Al Haddad	Vice President, Business Development & Treasury
Ahmad Al Homsani	Investor Relations Director
Dion Metzemaekers	Cables & Transformers CEO
Dieter Brunner	Head of Meters

Source: Zawya

BUSINESS MODEL

SE's revenue is generated from four different business lines: cables and wires which have originally constituted the company's main source of income, electrical products and engineering and contracting – or turnkey. Recently, the company has expanded its product lines to cover the renewable energy sector through the introduction of the wind energy generation business line.



Source: El Sewedy Electric, Blominvest

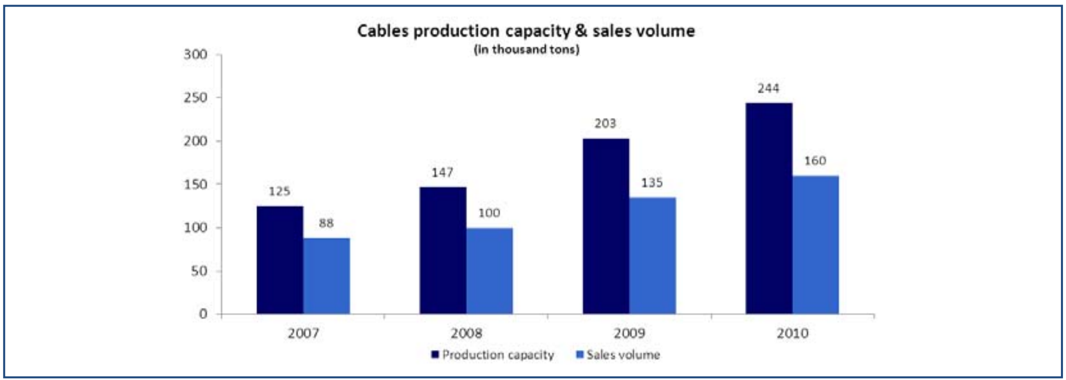
Through its cables and electrical products, SE serves a variety of markets including energy and infrastructure, industrial, building, and residential markets, with a main focus on Egypt and the MENA region. The company has furthermore been able to benefit from its full-service energy solutions for the cross-selling of its products and services and serves various sectors including automotive, railways, buildings, telecommunication and energy networks, oil and gas, power systems, and wind farms.

Revenue Mix

Cables and wires business

Since the establishment of SE, cables and wires have constituted the company's core operations, making up as much as 76% of total revenues in 2010. The company manufactures a wide range of cables including power cables, winding wires, fiber optics and other special cables which are all used in buildings and industrial sites as well as in the telecom industry. SE is also involved in the production of the raw materials used to assemble the cables and related accessories, mainly raw steel, PVC compound, master batch and copper rods.

From 2007 to 2010, SE's cables production capacity grew at a CAGR of 25% reaching around 282,000tpa by the end of 2010.



Source: El Sewedy Electric, Blominvest

Non-cables businesses

Throughout the previous few years, non-cables businesses have been contributing to an increasing share of SE's total revenues. This has been especially favored by the company acquiring strategic players in the electrical products, engineering and contracting, and wind energy fields.

- Electrical products, meters and transformers:

During recent years, the acquisition of leading players in the industry and the establishment of electrical products manufacturing facilities, have enabled SE to increase its share of sales of this category from 2% of total sales in 2007 to 11% in 2010. The company has benefited from these acquisitions to expand its electrical products segment which includes cables accessories, explosion proof, fiber glass poles and insulators besides its transformers, meters and other energy measurement and management equipment.

SE's current production capacity of transformers stands at around 13,000 MVA. As for capacity for the electric ceramic insulators, through the Egyptian Company for Manufacturing Electric Insulators (ECMEI), stands at 7,000 tons while its Slovenian subsidiary Iskraemeco produces around 1 million smart meters.

- Wind energy:

The global trend towards a sustainable environment gave SE the incentive to enter the market of wind towers, wind turbines and blades. Hence, the company acquired in early 2010 90% of the Spanish market leader M.Torres Olvega Industrial (MTOI) with a production capacity of 100 turbines. In addition, the company formed a joint venture with German steel manufacturer Schaaf Industrie Aktiengesellschaft Group (SIAG) in mid-2008, which aims to build wind towers.

In 2010, the company generated EGP 120.5 million in revenues from its wind energy segment, representing a first installment of its first and only project in Libya. Moreover, the company has been shortlisted to participate for the construction of a wind farm in Egypt which was expected to kick-off during 2011. However, due to the political upheavals in both countries, it is most likely that revenues from this segment will remain limited in the near future.

While this segment is still in the juvenile stage, contributing to less than 1% of SE's top line in 2010, and would take a few years to kick off, revenues from wind energy are expected to hold an increasing share of the company's sales over the medium term.

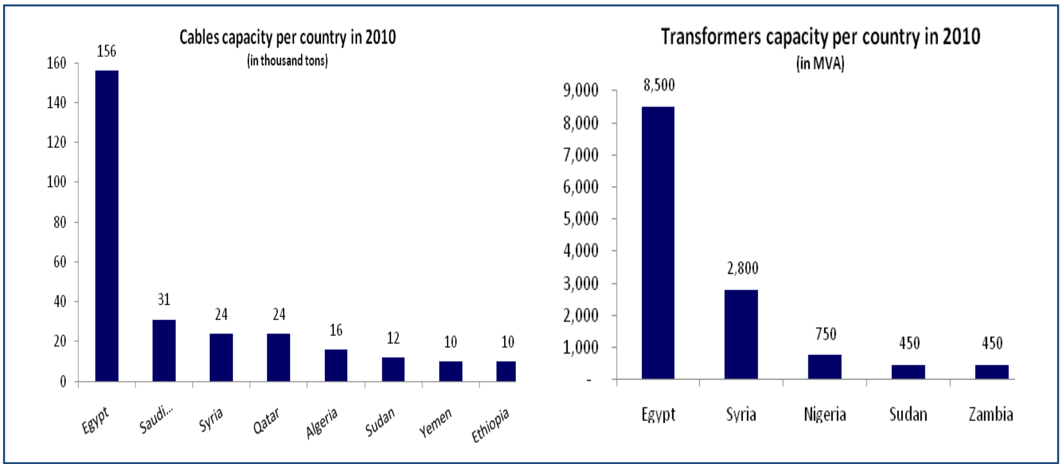
- Engineering and contracting:

With the various business segments offered, SE has been able to integrate its operations through engineering and contracting projects with focused electricity specialization. Revenues from turnkey projects have grown at a CAGR of 23% over the past four years to constitute around 13% of the company's sales in 2010 from 7% in 2007.

Geographical Diversification

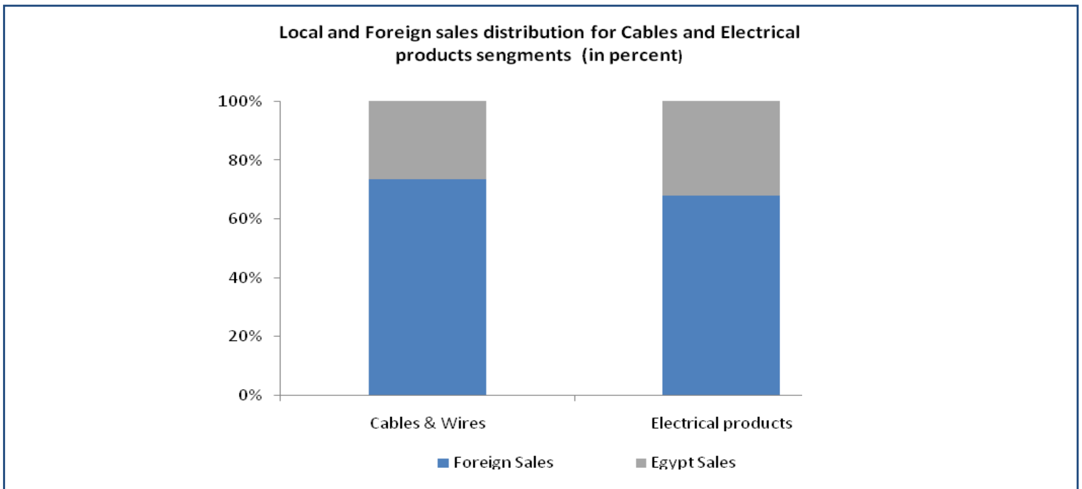
Besides its market leadership position in Egypt, SE has expanded in international markets through its acquisitions of non-cables businesses in the global market, and the establishment of cables and transformers production factories in various countries in the Middle East and Africa.

With operations of cables production facilities in eight countries in the MENA region, namely Egypt, Saudi Arabia, Syria, Algeria, Qatar, Yemen and Ethiopia, SE has benefited from shares that range between 20% to 40% in these markets. In Saudi Arabia, the company's market share is the lowest compared with the other countries and so SE aims to serve 10% of the market in the medium term, as competition from well-established large players in Saudi Arabia is tougher than elsewhere in the region.



Source: El Sewedy Electric, Blominvest

As for its non-cables business line, the acquisition of Spain's MTOI, Slovenian producers of metering equipment Iskraemco and its parent Iskra Amesi and the joint venture with SIAG have provided SE with a presence in the European market and enabled it to serve different markets while diversifying its geographical risk exposure. In addition, the company operates plants that manufacture power and distribution transformers in five different countries across the region.



Source: El Sewedy Electric, Blominvest

SE is targeting different markets while trying to tailor its services to meet each market's specific needs. The Middle East and Africa region largely dominate the sales mix, contributing to around 87% of revenues for 2010 while Europe contributes to the remaining 13% but the share varies across each business segment. In fact, while the strong majority of revenues from cables and transformers are generated from the MEA region, 90% of meters sales come from Europe.

Internal production of raw materials

In order to improve its profit margin and its market share through lower costs, SE internally produces a wide range of raw materials. The following are the main raw materials manufactured by the company:

- Copper rods: this is the major input material in copper wires due to the high thermal and electrical conductivity of the element which outperforms Aluminum conductivity. The company's current capacity for copper rods stands at 120,000 tons.
- Steel: this category includes low carbon galvanized steel wires which are used for the armoring of cables and high carbon galvanized steel wires used in the production of Aluminum Conductor Steel Reinforced (ACSR) cables used in overhead power transmission lines.
- PVC Compound: This is the most widely used electric insulation material on electric wires, for transmission cables and the latest fiber optics. SE currently produces both soft and rigid PVC.
- Master batch: including white, black, color and special effect master batch. These are used for the coloration of cables and fiber optics.

While SE currently exhausts all of its in-house production of copper rods, the utilization of raw steel and PVC has been hovering in the 80% range, which enables the company to sell its excess capacity to third parties. Over the medium term, SE aims to be able to increase its production capacity for cables as to deplete 100% of the raw materials it manufactures.

In 2010, gross sales from raw materials constituted around 40% of SE's gross revenue from the cables and wires line of business, both from internal usage and sales of excess capacity.

STRATEGY

SE aims to position itself as a major player in the specific markets it serves besides being the market leader in several countries where it operates. Founded on fully-integrated operations, the Egyptian company was able to position itself as a highly specialized solutions provider in the electricity sector.

Deep product and sector specialization with fully-integrated solutions

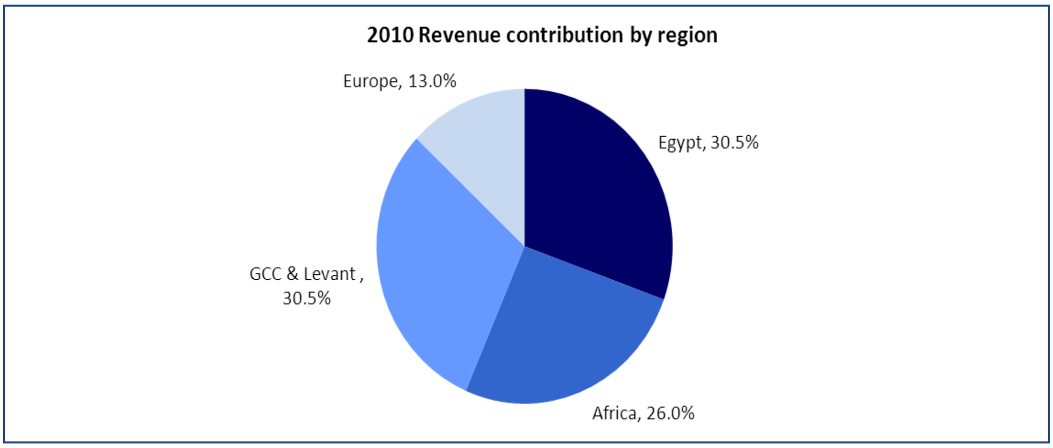
SE owns and operates companies that specialize in the different lines it services, from the in-house production of raw materials such as steel, copper rods and plastics, to the manufacturing of cables, and the undertaking of energy engineering and contracting projects. The global acquisitions, alliances and controlling interest investments in the power sector have enabled SE to:

- Penetrate a market with a growth opportunity in one of the business segments it operates, establish its brand and expand its market hold to the other business lines,
- Position itself as a one-stop shop for energy solutions through the cross selling of its products and services while building long-term customers relationships, and
- Control input costs and optimize production efficiency.

A focus on the markets that constitute a high growth potential

The Egyptian market remains the single country being the major source of business for SE. However, the company does serve Middle Eastern countries, especially those that are witnessing solid economic growth. The increasing demand for electricity has had SE eyeing the $131 billion of projects planned or under way in the Middle Eastern region, with a focus on the Saudi Arabian, United Arab Emirates and Qatari markets. In addition, African countries which suffer from an underdeveloped infrastructure and a deficit in electricity supply constitute a considerable growth potential for SE's businesses.

In order to quickly and better serve these markets, SE has decentralized its operations while trying to ensure that most of its scattered facilities remain as integrated extensions to the company's headquarters in Egypt.

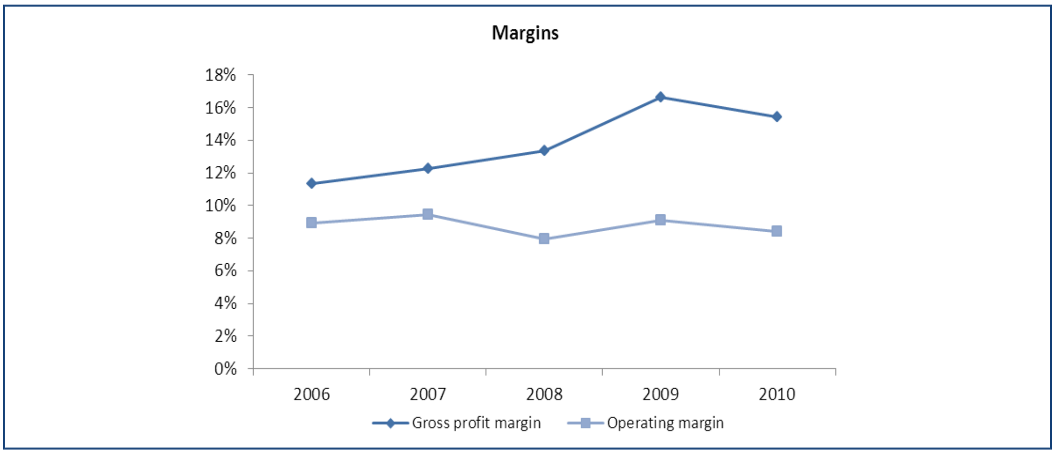


Source: El Sewedy Electric, Blominvest

Operational Efficiency

The cable industry is both highly capital intensive and highly dependent on the prices of raw materials, while labor and energy do not account for a significant share of the finished product cost. As a result, there is little beneficial effect on margins obtained by manufacturing cables locally compared with labor-intensive industries. However, compared to other players in the region operating in the same industry and which import their input materials, SE, through its in-house production of major input materials including copper rods, benefits from higher margins due to an uninterrupted supply of raw materials.

Moreover, by creating nearly-fully independent facilities in the Middle East and Africa region, SE has increased its operating efficiency through lower operating costs especially for those related to the selling and distribution. This has enabled SE to sustain a cost-leadership position in the region. In addition, the Egyptian company established operations in countries that offer tax exemption, especially: Syria, Algeria, Sudan, Zambia, Ethiopia and Yemen.



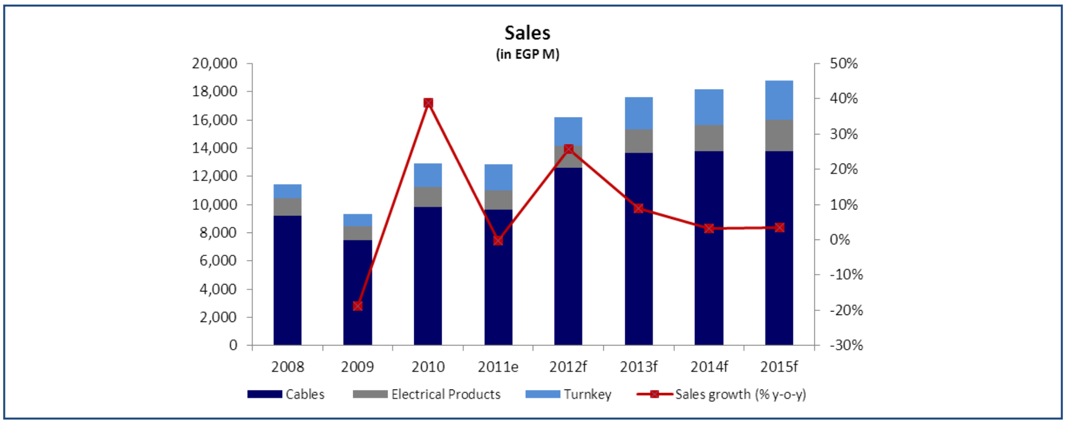
Source: Blominvest

FINANCIAL ANALYSIS

Revenues

We expect sales at SE to grow at a CAGR of 9.9% between 2011 and 2015, despite an anticipated slowdown in the company's sales throughout the year pressured down by the dramatic decline in utilization rates due to the increased political upheavals in most of the countries where SE operates and some of its export markets. The slowdown will however be reflected by an estimated decline in sales of 0.1% y-o-y in 2011 to EGP 12.89 billion. As cable sales make up of 76% of SE's total sales, the company's top line remains highly sensitive to fluctuations in copper prices which are expected to continue to climb in 2011 to average around $9,500/mt compared with around $7,500/mt in 2010. The upward pressure on copper prices is mainly driven by shortages in copper supply that are yet unable to catch up with rising demand for the metal. This economic condition is expected to persist until the end of 2012. Thus, the increase in copper's prices coupled with a recovery in the sales of the company once regional political tensions ease will lead to a 25.4% y-o-y jump in revenues in 2012.

In 2010, SE's revenues witnessed a remarkable 38.9% y-o-y increase driven by a y-o-y jump of more than 40% in copper prices from near $5,000/mt in 2009. Prior to 2010, SE's sales fluctuated heavily, mirroring the movement of copper prices.



Source: Blominvest

While the company is diversifying into different businesses and aiming to gain grounds in the renewable energy market, the uncertainty of the business environment in the Middle East and Africa region will most likely postpone any considerable contribution of its wind energy segment to its top line over the medium term. As a result, contribution of the cables segment to total revenues will slowly fall from 76% in 2010 to 73% by 2015, as revenues from engineering and contracting grow from 13% to 15% over the same period, as the company benefits from the projected increase in power projects undertaken in the region. As for the electrical products segment which includes the wind energy business, we expect their contribution to slightly grow from 11% in 2011 to 12% by 2015 as revenues from wind energy slowly materialize in the medium term.

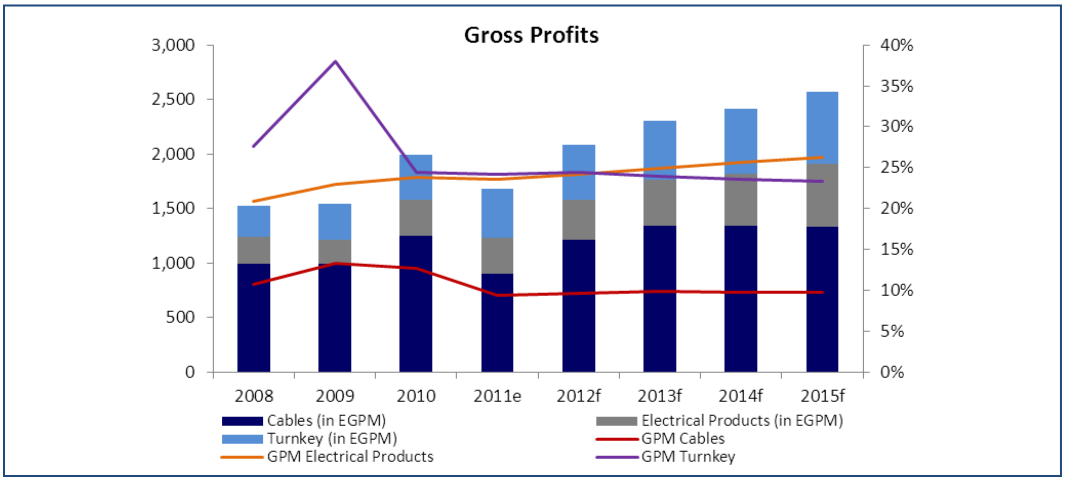
Gross Margins

Margins of cables producers have been pressured by the fierce competition among the major regional cables players, coupled with global producers having established facilities in the region to take advantage of rising demand for cables. This led to a decline in the gross margin from the business segment at SE to 12.7% in 2010 from 13.3% in 2009, despite the 32% y-o-y increase in cables sales. We expect a further drop in the margins from cables sales in 2011 down to 9.6% which will stagnate around that level through 2015.

As for electrical products, SE's gross margin has improved over the past three years from 20.8% in 2008 to 23.8% in 2010, mainly led by the increasing sales of power transformers which have been gaining grounds since 2009, as opposed to distribution transformers. Sales from the highvoltage power transformers, characterized by a lower cost of production per MVA, helped SE improve its gross margin from this line of products from 15.5% in 2008 to 18% in 2010. The increasing contribution of power transformers to the sales of electrical products will continue to materialize into higher margins in the near future, expected to reach around 20% in 2011.

The trend of the gross margin from meters has been mirroring that of transformers, increasing from 16.1% in 2008 to 20.1% in 2010. Over the medium term, we expect further improvement with gross margin to reach 30% by 2015.

Finally, for engineering and contracting projects, gross margin is highly dependent on raw material prices which have been undergoing aggressive fluctuations over the past few years. We expect the gross margin from turnkey projects in 2011 to remain at around 24%, near its 2010 level, and to maintain an almost-flat curve over the medium term.

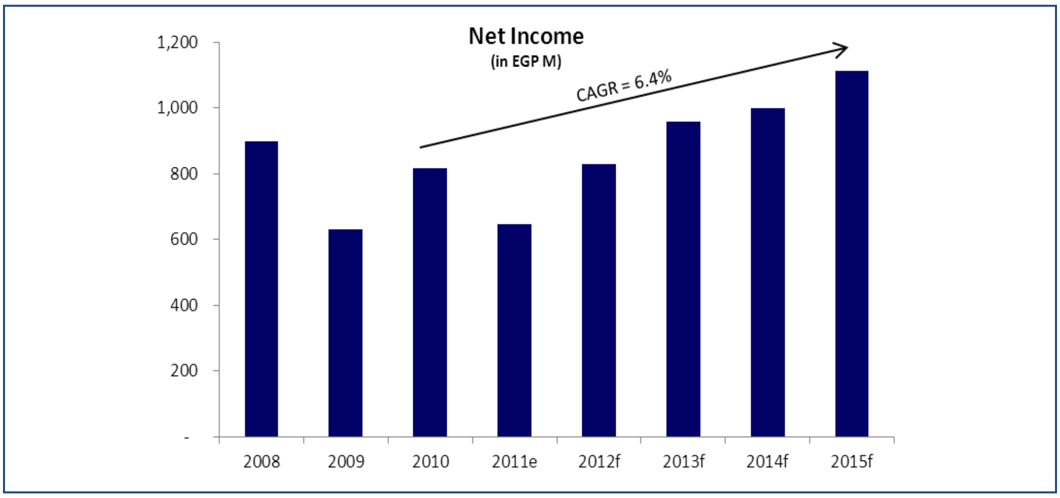


Source: Blominvest

Earnings

We estimate SE's net income to increase at a CAGR of 6.4% between 2010 and 2015, a growth that could have been higher if it weren't for the decline in earnings from EGP 817 million in 2010 to EGP 645 million in 2011. The expected drop in net profit in 2011 is mainly the result of slower revenues, coupled with a decline in the operating margin of the firm.

Going forward, the company's bottom line will improve through 2015 as margins in the electrical products segment improve and revenues from non-cables segments, including wind, which benefit from higher margins, contribute to an increasing share of the company's earnings.



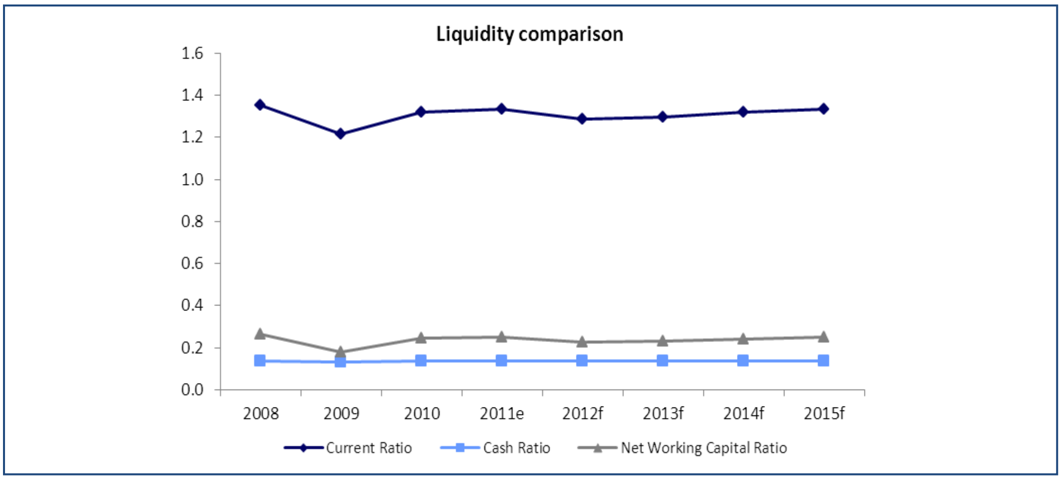
Source: Blominvest

Liquidity

SE has consistently maintained high levels of liquidity with current assets amounting to about 1.3 times of current liabilities, backed mostly by inventories which constitute up to 44% of current assets. Hence, the company maintained a positive net working capital ratio over the considered period.

We expect liquidity ratios to hover around their high levels of 2010 over our five-year outlook, underpinned by limited investments in fixed assets and the absence of major acquisitions.

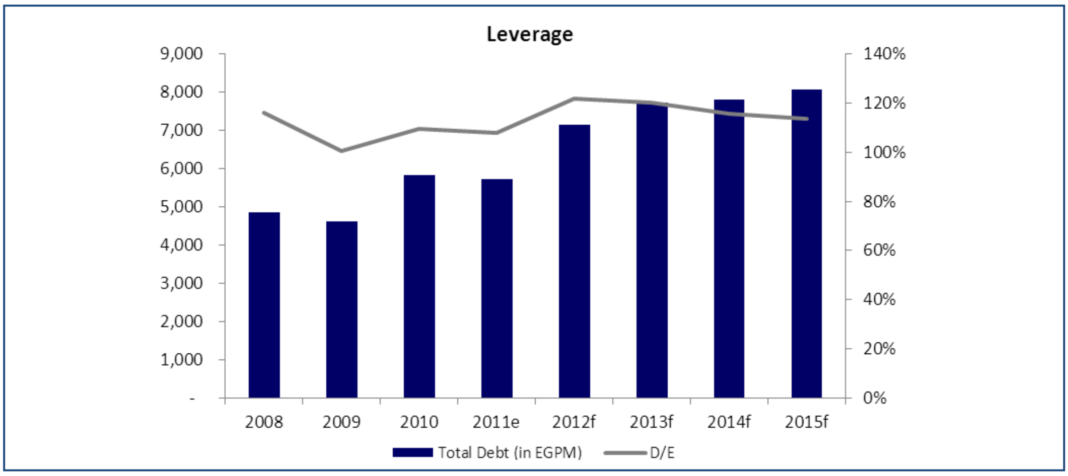
Current Ratio = Current Assets / Current Liabilities
Cash Ratio = Cash / Current Liabilities
Net Working Capital Ratio = (Current Assets – Current Liabilities) / Current Assets



Source: Blominvest

Leverage

Amidst a capital-intensive industry, SE leverages most of its operations among which the many acquisitions and alliances made over the past few years across the several segments. Hence, the company's debt-to-equity ratio which has been hovering near 110% is expected to remain stagnant at that level in 2011 as no potential plans for acquisitions or expansions are in sight, given the unstable regional political environment. Beyond 2011, we forecast an increase in the company's leverage due to the growing demand for cables in the Middle East and Africa, led by the many power generation projects that are expected to kick-off or resume in the region once the political situation stabilizes.

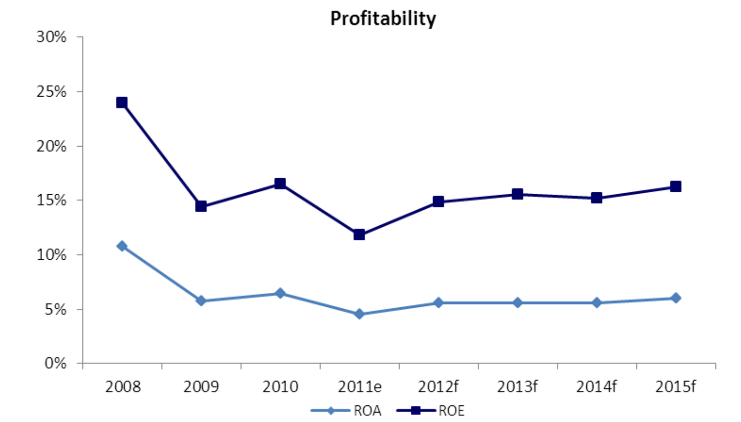


Source: Blominvest

Profitability

SE has witnessed a dramatic decline of more than 30% in its Return on Assets (ROA) and Return on Equity (ROE), reaching 6.5% and 16.5% respectively in 2009 compared to 2008 levels. This has been mostly the result of the major fluctuations in copper prices which exercised a downward pressure on SE's net income. We expect a further deterioration as regional political tensions should continue to weigh on the company's earnings.

Moving forward, we see a slight improvement in the company's profitability ratios, led by the easing political conditions in the region. Furthermore, non-cable businesses, which are more profitable than the cable segment for the company, should gain momentum driving further up these ratios.



Source: Blominvest

Dividends

SE does not follow a specific dividend distribution policy. Normally, the company distributes dividends when it is not investing in the expansion of its operations. In 2009, the company paid dividends of EGP 1 per share for a total of EGP 132.2 million.

COMPARABLE ANALYSIS

In order to assess the performance of SE in comparison to peers, we compare it on four different fronts:

1. Relative Valuation: Demonstrates if the company is overvalued, fairly valued or undervalued compared to its peers.
2. Profitability: Presents the company's Gross, Operating and Net Profit Margins with regard to the average company in the industry and region.
3. Management Effectiveness: Provides insight into how well management is at utilizing assets and equity to generate earnings.
4. Liquidity and Efficiency: Offers a glance at the company's liquidity position in comparison to peers and its inventory turnover compared to the global cables industry.

Comparable Firms

Since SE operates principally as a cables manufacturer, we randomly selected a list of 10 cables players from a population of 1,376 companies which are most comparable to SE with regards to operations. We draw our sample from companies with a market capitalization that ranges between $250 million and $3 billion with an average of $1.4 billion, versus $1.2 billion for SE. From the region, we selected two companies to serve as a benchmark: Gulf Cable which operates in Kuwait and Oman Cables which we judged an appropriate benchmark although its market cap of $85 million is well below that of SE.

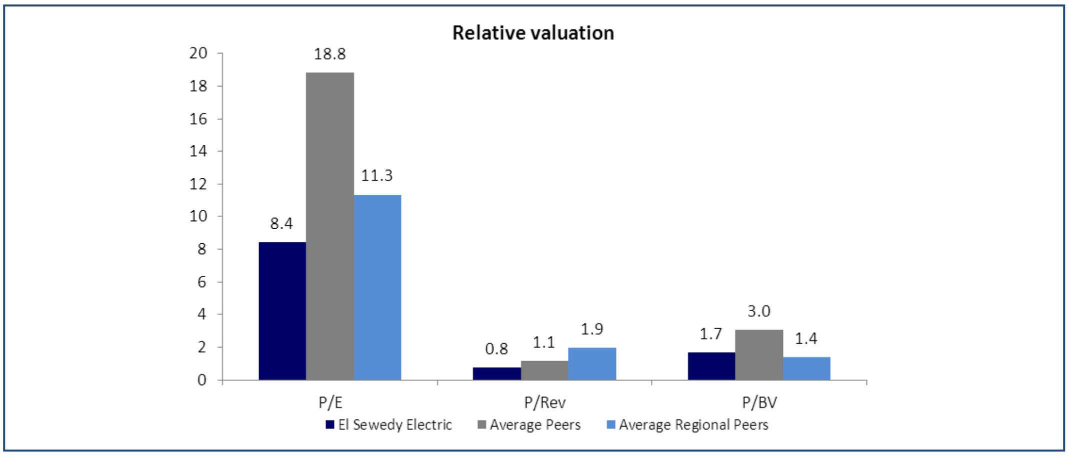
The complete list of comparable firms is available in the appendix.

Relative Valuation

SE seems significantly undervalued when comparing its price-to-earnings ratio of 8.4 to both that of its regional peers and the global benchmark of 11.3 and 18.8, respectively. This is further validated by the lower price-to-revenues ratio against peers. We attribute this discount to the risk premium required for investing in an underdeveloped country with high political instability given the sharp drop in SE's share price amidst the political disruptions in Egypt.

However, when comparing SE's price-to-book value to its regional peers in Kuwait, and Oman, we can see that the Egyptian company trades at a price-to-book value slightly higher than the region's average. We attribute this premium to the company's higher leverage compared to the average of both Omani and Kuwaiti peers, which decreases its relative net assets.

Finally, investors attribute a premium to SE's equity relative to peers, given that the company is the undisputed regional leader in the cables market and is expanding into more-profitable business segments.

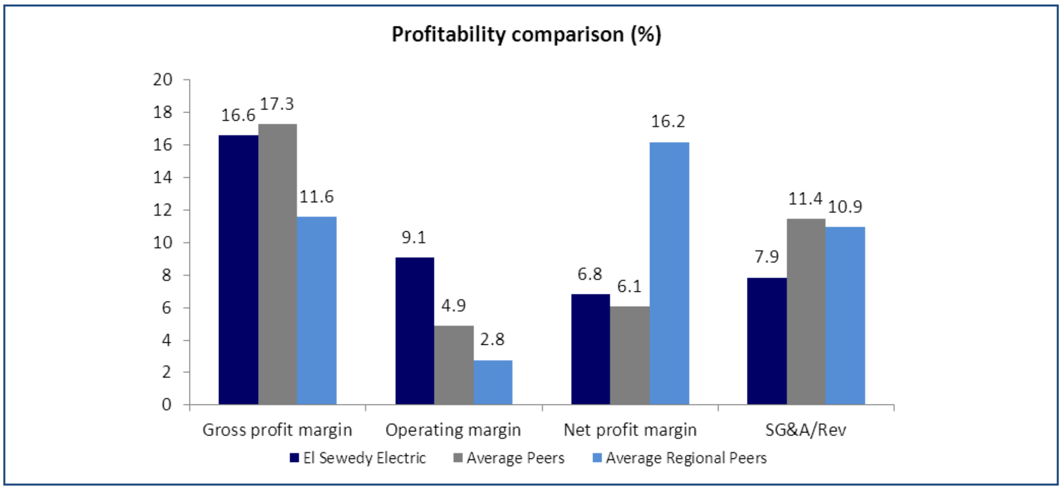


Source: Reuters Knowledge, Blominvest

Profitability Comparison

We studied SE's gross profit, operating and net income margins against peers to understand the company's relative profitability position. While our target company appears to hold a level of production efficiency close to the average total peers, it outperforms its regional peers with a gross margin of 16.6% versus 11.6% for the average regional cable players. This is attributable to the company exercising a better control on input prices, being the sole cable maker in the region to internally produce raw materials including copper rods, PVC and steel. Furthermore, with operations scattered across different countries, SE can save on selling and distribution expenses compared to regional peers given its selling, general and administrative expenses ratio to revenues. Thus, the company enjoys an operating margin which is considerably higher than the 2.8% average for regional peers.

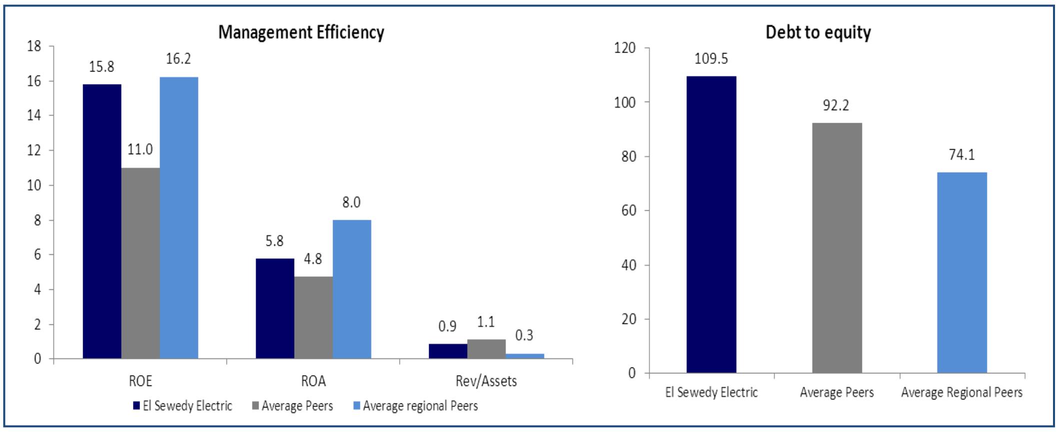
Finally, SE exhibits a slightly higher net profit margin compared to total peers while it seems to be significantly lagging behind regional players. This can be attributable to the regional peers holding an average debt-to-equity ratio of 74% versus SE's 109.5%, hence much lower finance costs.



Source: Reuters Knowledge, Blominvest

Management Efficiency

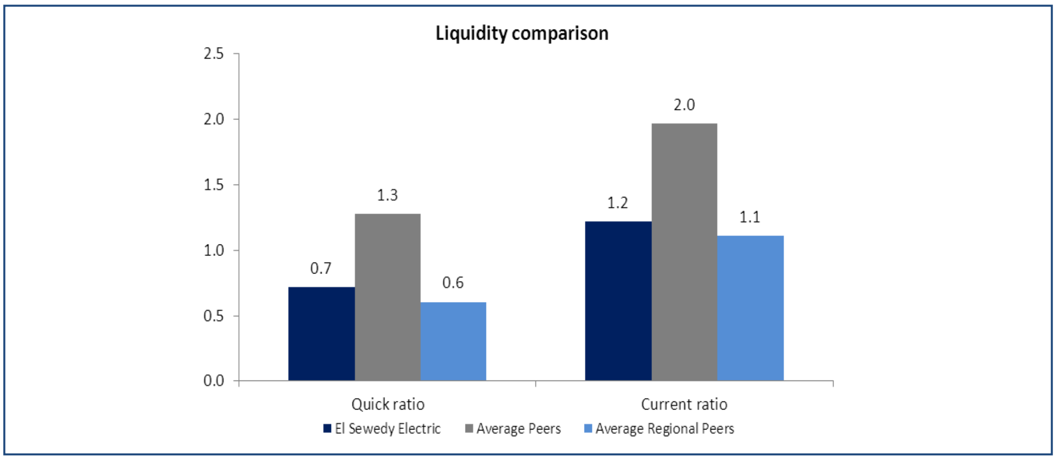
SE's ROE and ROA ratios which stand at 15.8% and 5.8% respectively confirm that the company outperforms its total peers in managing its assets and equity while ranks on par with regional peers for ROE and second to the region's cable players when we study ROA. The significant spread is mainly the result of extremely high finance costs relative to regional peers resulting from a much higher debt-to-equity ratio. However, the company seems to exhibit better efficiency in generating revenues from its assets relative to the average of both Omani and Kuwaiti peers.



Source: Reuters Knowledge, Blominvest

Liquidity comparison

Taking a look at the quick and current ratios, SE appears to be less liquid than the average in the market with ratios of 0.7 and 1.2 benchmarked to 1.3 and 2.0 for total peers, respectively. We believe this is mostly due to the extensive capital investment of the company in its non-cables businesses and maintaining a stable cash ratio of only 13% to 14% since 2008.



Source: Reuters Knowledge, Blominvest

Putting it together

SE appears to be undervalued with relation to its price multiples, this is justifiable given the pressure exercised on the share price by the political disturbances in the region, especially the unsteady situation in Egypt, the company's largest single market. We expect that pressures on SE's share price will persist at least until Egypt's presidential elections, expected to be held in September. In addition, the diversification into different business segments seems to be a challenge for SE amidst the current political environment. The future of the wind energy business which the company is hoping to expand seems uncertain especially with its single project in Libya being stalled by the ongoing political tensions and Egypt's wind farm project being on hold until an indefinite period.

Finally, it should be noted that we appraised SE's price multiples only relative to other cables players, ignoring the evaluation of its electrical products, engineering and contracting and wind energy against relevant comparable firms, businesses which the company hopes to become the major contributors to its revenues over the medium term.

VALUATION

We valued SE at EGP 42.23 per share, which presents a 9.4% premium over the current stock price of EGP 38.60. However, we issue a HOLD recommendation due to expecting downward pressure on the stock caused by heightened political tensions in the region, increased competition in the cables market and the risk of the wind energy sales failing to materialize substantially over the foreseeable future.

Assumptions in valuation

<u>Discount Rate</u>

We used a WACC of 16.24% for the purpose of valuing SE's equity derived as follows:

WACC = (Weight of Equity * Cost of Equity) + (Weight of Debt * Cost of Debt) * (1 – Tax Rate)

= (0.48 * 21.79%) + (0.52 * 13.95%) * (1 – 20 %) = 16.24%, rounded down to 16%.

SE's Cost of Equity = Risk-Free Rate + (Beta * Market Risk Premium)

= 12.92% + (1.00 * 8.87%) = 21.79%

- We used a Risk-Free Rate of 12.92% represented by the 343-day Treasury bill issued by the Egyptian government. This captures the country risk premium of investing in a relatively undeveloped country such as Egypt when comparing it to the U.S. Treasury and the country's political instability.
- SE's Beta over the past 2 years is estimated at 1.00. This is a measure of the cable maker's share volatility against the EGX-30 Index that represents the 30 largest shares on the Egyptian Stock Exchange.
- A Market Risk Premium of 8.87% is the result of the difference between the average 7-year return of the EGX-30 estimated at 21.79% and the Risk-Free Rate of 12.92%. This represents the premium investors expect to gain for realizing the additional risk of investing in securities.

<u>Terminal Growth Rate</u>

We selected a terminal growth rate of 3.5% for SE beyond 2015, taking into consideration the revenues from SE's non-cables businesses which is expected to gain momentum in the future, as opposed to the cables segment which is expected to grow at a slower pace moving forward.

Assumptions in forecasting cables revenues and gross margins

- We assume no increase in copper and aluminum cables capacity, which is estimated around 289,000 tons. The company's utilization rate for cables is estimated to reach 80% of total cables capacity up from 62% in 2010.

  We anticipate no capacity expansion for any of the raw materials produced and full capacity utilization rate for copper rods over the five-year outlook, while a level hovering near 80% for both steel and PVC inputs. Revenues from other non-tonnage cable sales were decreased by an average of 1.5% over the outlook.

- We expect the cost trend for both copper and aluminum cables to mirror that of the spot prices of two metals using estimates by Bloomberg and Business Monitor International. We applied the same reasoning for raw steel prices, while we assume an increase in PVC prices by an average of 1% over the considered period.

- We believe that gross margin from cables will be slightly pressured by the increased competition in the regional market. Hence, we cut the gross profit margin of copper cables from 9.1% to 7.8% through 2015 and from 19% to 17% for aluminum cables.

  For copper rods, PVC and raw steel we consider that gross margins would hover near 3.5%, 15% and 11% respectively.

Assumptions in forecasting non-cables revenues

- Capacity from meters and transformers are projected to increase by an average of 2.8% through 2015. While meters capacity utilization rate will most likely stagnate near current levels of 79% through 2015, we foresee a tangible improvement in the utilization rates for transformers from the current low of 36% up to near 67%.
- We forecast a slight improvement in the gross margin of electrical products from little less than 20% in 2010 to near 22% through 2015.

Estimating Net Income

- SG&A was maintained at 3.1% of revenues which is in line with the past three years.
- Finance Expenses were forecasted by applying 4% on interest bearing liabilities.
- A 20% income tax is applied in accordance with Egyptian law.

Determining Free Cash Flow

From Net Income, we deduce Free Cash Flow (FCF) by applying the following:
FCF = Net Income + Depreciation – Capital Expenditures (CAPEX) – Change in Net Working Capital

Free Cash Flow (in EGP M)	2011e	2012f	2013f	2014f	2015f
Net income	646	830	958	998	1,111
Add: Depreciation	318	335	354	363	373
Less: CAPEX	(147)	(156)	(197)	(219)	(233)
Less: Change in Net Working Capital	101	(371)	(298)	(236)	(227)
FCF	917	638	817	907	1,024

Source: Blominvest

Sensitivity Analysis

Discount Rate	Terminal Growth	Fair Value/Share	Premium
17%	4.00%	40.20	4.15%
17%	3.50%	39.29	1.80%
17%	3.00%	38.45	-0.38%
16%	4.00%	43.33	12.25%
16%	**3.50%**	**42.23**	**9.41%**
16%	3.00%	41.22	6.79%
15%	4.00%	47.05	21.88%
15%	3.50%	45.70	18.39%
15%	3.00%	44.47	15.19%

Source: Blominvest

PROJECTED INCOME STATEMENT

In EGP million	2009	2010	2011e	2012f	2013f	2014f
Operational revenues	9,291	12,902	12,890	16,169	17,595	18,171
Operational costs	(7,747)	(10,914)	(11,192)	(14,086)	(15,290)	(15,755)
Gross Profit	1,543	1,988	1,697	2,082	2,306	2,416
Other operating income	157	148	193	210	243	273
Selling & distribution expenses	(332)	(341)	(352)	(415)	(426)	(425)
Admin. Expenses	(398)	(51)	(490)	(566)	(633)	(691)
Other OPEX	(127)	(201)	(193)	(226)	(211)	(25)
Operating income	844	1,084	856	1,085	1,282	1,319
Finance Income	53	57	41	55	64	68
Finance costs	(233)	(234)	(217)	(251)	(309)	(320)
Net financing costs	(179)	(176)	(176)	(196)	(245)	(253)
Net profit before tax	665	908	680	890	1,036	1,067
Income tax						
Current income tax	(24)	(86)	(29)	(51)	(67)	(58)
Deferred income tax	(10)	(5)	(6)	(9)	(11)	(10)
Net profit for the year after tax	631	817	646	830	958	999
Attributable to:						
Equity holders of parent	634	796	620	792	910	947
Minority interest	(3)	21	26	38	48	52

Source: Blominvest

PROJECTED BALANCE SHEET

In EGP million	2009	2010	2011e	2012f	2013f	2014f
Assets						
Long term assets						
Fixed assets	2,670	3,544	3,686	3,834	4,025	4,227
Projects under construction	1,059	270	275	283	289	306
Investments AFS	17	14	16	14	15	15
Investments in associates	336	10	10	10	10	10
Paid on account of investments	20	1	-	-	-	-
Debit balances	474	239	266	356	405	400
Non-tangible assets	28	166	166	166	166	166
Deferred tax assets	22	32	35	36	39	40
Total long term assets	4,626	4,278	4,454	4,697	4,949	5,164
Current assets						
Inventories	2,779	3,700	3,707	4,708	5,077	5,253
Trade, notes & other receivables	2,656	4,115	3,589	4,760	5,230	5,270
Due from affiliates	276	283	246	381	379	389
Investment fund/ T Bills / CDs	311	569	560	653	750	766
Cash & cash equivalents	715	1,000	932	1,222	1,322	1,351
Total current assets	6,737	9,667	9,035	11,724	12,758	13,029
Total Assets	11,363	13,944	13,489	16,424	17,707	18,193
Current liabilities						
Banks facilities & overdrafts	2,996	4,16	3,867	5,093	5,595	5,542
ST loans and installments of LTD	629	601	725	919	968	1,018
Trade, notes & other payables	1,760	2,316	1,949	2,803	2,956	2,984
Due to affiliates	55	156	87	133	159	146
Provisions	95	72	151	148	154	180
Total current liabilities	5,534	7,310	6,778	9,097	9,833	9,868
Long term liabilities						
Loans	989	1,073	1,121	1,145	1,152	1,247
Deferred tax liabilities	62	109	121	132	139	143
Other liabilities	194	111	183	177	162	190
Total long term liabilities	1,245	1,293	1,424	1,453	1,452	1,580
Total liabilities	6,779	8,603	8,202	10,550	11,286	11,448
Shareholders' equity						
Issued and paid capital	1,322	1,719	1,719	1,719	1,719	1,719
Own stock	(2)	(2)	(2)	-	-	-
Legal reserve	17	37	32	46	56	60
Increase in subsidiary value	579	579	580	580	580	580
Retained earnings	1,709	1,858	2,000	2,284	2,682	2,933
Net profit for the year	634	796	620	792	910	947
Forex from foreign entities translation	(47)	(59)	(53)	(53)	(55)	(54)
Total shareholders' equity	4,212	4,927	4,895	5,367	5,891	6,184
Minority interests	372	414	391	507	530	560
Total Equity	4,584	5,341	5,287	5,874	6,421	6,745

Source: Blominvest

APPENDIX

I - List of Comparable Peers

Company	Country	Mkt Cap USD (m)	Valuation				Profitability Analysis				Management Effectiveness				Liquidity	
			P/E	P/Rev	P/BV	P/CF	Gross Margin (%)	Operating Margin (%)	Net Margin (%)	SG&A / Rev	ROE	ROA	Rev/TA	D/E	Quick Ratio	Current Ratio
Gulf Cable & Elect Industries Co KSC	Kuwait	1,171	12.2	3.5	1.4	11.5	14.6	0.4	28.3	10.9	13.4	9.0	0.3	33.5	0.5	0.9
Oman Cables Industry	Oman	85	10.4	0.4	-	8.3	8.5	5.2	4.0	-	19.1	7.0	-	114.8	0.7	1.3
Nexans SA	France	2,807	29.6	0.5	0.9	9.0	17.2	4.5	2.0	10.7	4.1	1.6	0.8	50.3	1.3	1.8
General Cable Corporation	USA	2,140	19.0	0.4	1.5	12.3	11.4	4.6	1.6	6.8	4.9	1.8	1.2	66.5	1.2	2.0
Fujikura Ltd.	Japan	1,653	14.2	0.3	0.7	3.8	16.3	2.5	1.8	11.6	5.2	1.9	1.1	90.8	1.1	1.4
LEONI AG	German	1,499	11.3	0.4	2.2	6.0	17.5	4.4	2.3	10.3	15.8	3.6	1.6	136.4	0.9	1.4
Draka Holding N.V.	Netherlands	1,237	184.2	0.4	1.5	13.7	8.9	1.2	0.3	5.5	(0.1)	0.4	1.4	71.6	0.6	1.0
Jiangsu Zhongtian Technology Co., Ltd.	China	1,175	18.3	1.8	3.9	13.7	22.0	12.0	10.6	9.8	24.0	10.4	1.0	77.6	1.1	1.5
Guang Dong Nan Yang Cable Group	China	812	35.4	2.9	3.4	27.9	15.3	11.1	8.6	3.4	10.3	9.7	1.1	5.9	4.7	7.1
Havell's India Limited	India	1,092	-	0.9	11.9	32.2	41.0	3.0	1.3	34.0	13.7	2.2	1.7	275.1	0.6	1.2
Average Peers		**1,367**	**18.8**	**1.1**	**3.0**	**13.8**	**17.3**	**4.9**	**6.1**	**11.4**	**11.0**	**4.8**	**1.1**	**92.2**	**1.3**	**2.0**
Average Regional Peers *		628	11.3	1.9	1.4	9.9	11.6	2.8	16.2	10.9	16.2	8.0	0.3	74.1	0.6	1.1
El Sewedy Electric	**Egypt**	**1,173**	**8.4**	**0.8**	**1.7**	**8.5**	**16.6**	**9.1**	**6.8**	**7.9**	**15.8**	**5.8**	**0.9**	**109.5**	0.7	1.3

Source: Reuters, Blominvest

**Regional Peers consist of Gulf Cable & Elect Industries in Kuwait and Oman Cables Industry in Oman.*

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Equity Rating Key

Buy: A recommendation with a potential return greater than 10% based on our current 12-month view of total shareholder return*.

Hold: A recommendation with a potential return between -10% and 10% based on our current 12-month view of total shareholder return.

Sell: A recommendation with a potential return of less than -10% based on our current 12-month view of total shareholder return.

* Total Shareholder Return is calculated by the potential price growth over a 12-month period along with the expected dividend yield.

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