

14 August 2008

Recommendation

**Buy\***

Upside

**84.7%**

Target Price

**££91.07**

Current Price

**££49.30\*\***



# Olympic Group (OG) – 1H FY08 Results

Consumer Goods | Egypt

**"The Games are On"**

EPS FY08f

**££4.63**

Reuters Code

**OLGR.CA**

Bloomberg Code

**OLGR EY**

Market Cap

**££3.0 billion**  
**US\$0.6 billion**

Enterprise Value

**££3.3 billion**  
**US\$0.6 billion**

Number of Shares Outstanding

**60,075,784**

Average Daily Turnover

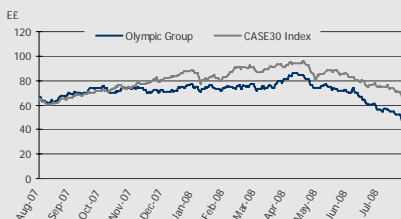
**££7.3 million**

52-week high/ low

**££86.07/46.40**

Shareholders' Structure

**52%** | Sallam family  
**37%** | Foreign Individuals  
**8%** | Local Institutions  
**3%** | Retail Investors



\* Refer to back cover for investment ratings

\*\* Closing of August 14<sup>th</sup>, 2008

## Olympic reports strong 1H FY08 results...

- OG reported impressive results in 1H FY08 with revenues growing by 28.8% to reach EE1.1 billion versus EE828.9 million in 1H FY07, excluding Namaa and B-Tech. *It should be noted that Olympic consolidated results for 1H FY07 included Namaa and B-Tech, while 1H FY08 excludes them. As such, we highlight the normalized figures for 1H FY07, i.e. excluding Namaa and B-Tech, for comparative purposes.*
- Local sales grew by 27.9% to reach EE912.3 million and comprised 85.5% of total sales in 1H FY08 versus 713.0 million in 1H FY07 and 86.0% of total sales in 1H FY07.
- Margins witnessed a slight decline, as expected, due to rising costs, mainly steel and SG&A costs, as the gross profit margin reached 27.2% in 1H FY08 versus 28.0% in 1H FY07, while the EBITDA margin reached 14.5% in 1H FY08 versus 15.4% in 1H FY07. We believe OG will continue to pass on some of the raw materials' price increases to consumers. However, margins could come under pressure in the short term, which is acceptable, in our opinion.
- The net profit increased by 23.6% to reach EE124.9 million, versus EE101.1 million in 1H FY07.

Figure 1 | Q2 Results Summary

EE (000's)	1H FY08	1H FY07*	Change
Revenues	1,067,187	828,857	28.8%
COGS	(777,130)	(607,450)	30.3%
Gross profit	290,057	232,390	24.8%
Gross profit margin	27.2%	28.0%	
EBITDA	155,115	127,281	21.9%
EBITDA margin	14.5%	15.4%	
EBIT	137,183	113,603	20.8%
EBIT margin	12.9%	13.7%	
Net profit	124,958	101,118	23.6%
Net profit margin	11.7%	12.2%	

\*OG Normalized figures excluding Namaa and B-Tech

## ... Indicating strong consumer spending despite high inflation...

OG's results indicate that consumer spending in Egypt is still strong, despite high inflation, which reached 20% in June 2008. We believe inflation will remain a challenge, and might eventually affect consumer spending, that is if the government's efforts in fighting inflation is not successful. We see OG, particularly, having a strong advantage relative to other players in the consumer goods sector, as white goods are considered to be commodities by the Egyptian population, with its favourable demographic structure.

## ... Maintain our valuation for OG at ££91.07 per share

We maintain our target price at ££91.07 per share, which is 84.7% higher than the current market price of ££49.30. Moreover, OG is in the process of spinning off its real estate and retail subsidiaries Namaa and B-Tech, through the distribution of 0.5 shares of Namaa (or ££5.00 per share) and 0.4 shares of B-Tech (or ££0.40 per share). If we conservatively assume that Olympic shareholders will opt to receive cash (££5.40 in total) instead of the shares, the upside potential will be higher, over 100%. According to OG's management, the spin-offs should take place before the end of Q3 2008. Accordingly, we assign OG a 'Buy' recommendation.

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## Selected Indicators\*

	2006a	2007a	2008f	2009f	2010f	2011f
Revenues (EE mil.)	1,831	2,276	2,779	3,335	4,206	5,421
Revenues Growth (%)	12.3%	24.3%	22.1%	20.0%	26.1%	28.9%
Gross Profit (EE mil.)	533	598	731	890	1,136	1,495
Gross Profit Margin (%)	29.1%	26.3%	26.3%	26.7%	27.0%	27.6%
EBITDA (EE mil.)	290	315	371	510	676	919
EBITDA Margin (%)	15.9%	13.8%	13.4%	15.3%	16.1%	17.0%
Net Income (EE mil.)	213	243	278	335	438	649
EPS (EE)	3.54	4.04	4.63	5.58	7.29	10.80
P/E (x)	13.9	12.2	10.6	8.8	6.8	4.6
P/B (x)	2.9	2.6	2.2	1.9	1.6	1.3
EBITDA Interest Coverage (x)	6.9	5.1	5.5	5.4	6.0	7.4
EV/EBITDA (x)	10.9	10.4	9.2	7.2	5.6	4.1
Total Debt/Equity (x)	0.4	0.4	0.5	0.6	0.6	0.5
Dividends per share (EE)	1.5	1.4	1.7	2.2	3.2	4.6
Dividend yield (%)	3.0%	2.8%	3.4%	4.5%	6.5%	9.3%

Source: OG Consolidated Figures, Beltone Financial estimates; \*Actual figures include Namaa and B-Tech, while forecasts exclude them

## OG products under scope

The figures below summarize the performance of OG's major products in 1H FY08 versus 1H FY07. OG witnessed strong growth in most of its product categories as follows:

**Figure 2 | OG's major products in units**

Units in (000s)	1H FY08	1H FY07	% Change
Automatic washing machines	173,328	124,508	39.2%
Manual washing machines	79,371	74,480	6.6%
One-door Refrigerators	152,002	157,866	-3.7%
Two-door Refrigerators	82,200	71,274	15.3%
Cookers	166,388	144,336	15.3%
Electric water heaters	222,804	208,888	6.7%
Gas water heaters	22,337	20,520	8.9%
Fans	89,341	39,454	126.4%

Source: OG

Pricing also increased for most of the product categories to support overall stronger margins for OG.

**Figure 3 | OG's major products sales value and avg. price per unit**

££ in (000s)	1H FY08 (££ 000s)	1H FY07 (££ 000s)	% Change in sales value	Avg. price per unit in 1H FY 08 (££)	Avg. price per unit in 1H FY 07 (££)
Automatic washing machines	374,578	251,333	49.0%	2,161	2,019
Manual washing machines	24,852	23,341	6.5%	313	313
One-door Refrigerators	137,148	138,678	-1.1%	902	878
Two-door Refrigerators	123,179	102,548	20.1%	1,499	1,439
Cookers	100,691	76,376	31.8%	N/A	N/A
Electric water heaters	92,987	82,219	13.1%	417	394
Gas water heaters	9,893	8,799	12.4%	443	429
Fans	13,674	5,669	141.2%	153	144

Source: OG

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## Investment Rating



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