# Jordan Press Foundation - Al-Rai (PRES)

## Equity Research Report
Initiation of Coverage

ABC Investments

P.O. Box 930059, Amman 11193, Jordan
Tel. + 962 (0) 6 5629300,
Fax. + 962 (0) 6 5682941
www.abci.com.jo
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ABC Investments

# Jordan Press Foundation (PRES)

## Media Sector

28 July 2009

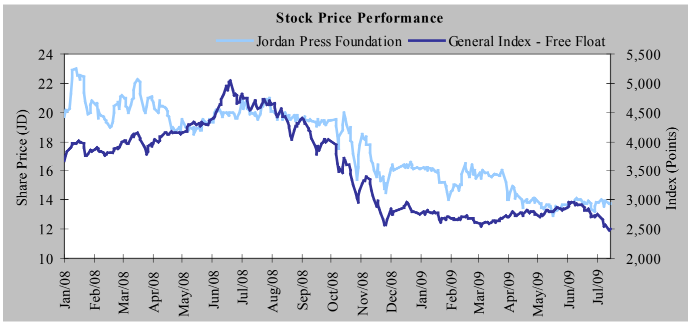
## Initiation of Coverage

## HOLD

### Current Price JD 14.00 / 12-Month Fair Value JD 14.70

| Share Information | |
|---|---|
| Ticker | PRES |
| Exchange | Amman Stock Exchange |
| Closing Price* | 14.00 |
| 52-Week High | 21.20 |
| 52-Week Low | 12.92 |
| Year-on-Year % Change | (32.7%) |
| Year-to-Date % Change | (13.3%) |
| Market Cap | 105,000,000 |

* Price as of July 14th 2009




| Key Ratios | |
|---|---|
| P/E (Trailing)* | 12.94x |
| P/E (Forward)** | 27.69x |
| P/BV* | 3.09x |
| ROAA* | 20.9% |
| ROAE* | 24.1% |
| Dividends per Share | JD 1.00 |

* Based on 2008 financial results
** Based on Annualised Q1 2009 Earnings

Based on a current market price of JD 14.00, PRES is trading at a trailing P/E and P/BV of 12.94x and 3.09x respectively, based on its 2008 financial results. Going forward, PRES is forecasted to register a before-tax bottom line of JD 8.37 million and a net income after tax of JD 6.97 million, giving an estimated forward P/E and P/BV of 15.29x and 3.17x.

Our estimated fair value for the PRES stock, using the discounted cash flow method and the excess returns model is JD 14.70, offering an upside potential of 5.0% over its current price. Therefore, we initiate our coverage of PRES with a HOLD recommendation.

- The Company's bottom line registered a 29.6% decline in 2008, dropping to JD 8.12 million. For Q1 2009, profits registered at JD 948.12 thousand, falling short of the JD 1.81 million profits realised in Q1 2008.

- Total revenues fell by 5.1% to JD 29.26 million, on the back of the JD 2.21 million drop in advertising revenues during 2008. Meanwhile, revenues from commercial press increased to JD 3.67 million from JD 3.06 million in 2007. PRES's top line registered at JD 6.42 million in Q1 2009, only 3.5% lower year-on-year.

- PRES's total assets declined in 2008 and Q1 2009 to JD 38.31 million and JD 36.58 million, respectively, from JD 39.22 million in 2007. Meanwhile, shareholders' equity rose by 1.8% in 2008 to JD 34.02 million before slumping to JD 27.47 million the following quarter.

- Return on Average Assets (ROAA) and Return on Average Equity (ROAE) declined to 20.9% and 24.1% in 2008 from 32.8% and 38.6% respectively in 2007.

- PRES distributed 100% cash dividends for the 2008 fiscal year, equivalent to JD 7.50 million.

| Key Financial Information | 2009F | 2010F | 2011F | 2012F | 2013F |
|---|---|---|---|---|---|
| Net Profit after Tax | 6,865,994 | 7,842,550 | 9,070,079 | 10,304,754 | 11,284,053 |
| Net Profit before Tax | 8,373,163 | 9,564,085 | 11,061,072 | 12,566,773 | 13,761,040 |
| Gross Profit | 11,583,898 | 13,160,817 | 14,947,568 | 16,855,066 | 18,420,869 |
| Total Assets | 37,287,588 | 37,731,866 | 39,625,585 | 42,954,129 | 46,359,650 |
| Shareholders' Equity | 33,165,907 | 33,372,454 | 35,012,597 | 37,895,924 | 40,908,526 |
| ROAA | 18.17% | 20.91% | 23.45% | 24.96% | 25.27% |
| ROAE | 20.44% | 23.57% | 26.53% | 28.27% | 28.64% |

**Research Department**

Tanya Khammash, CVA
Head of Equity Research Department
tanyak@abci.com.jo

Zein Alkhas
Equity Research Analyst
zeina@abci.com.jo

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## 1.0 NEWSPAPER INDUSTRY OVERVIEW

The media sector in Jordan is transforming rapidly....

The Jordanian media sector has undergone a rapid transformation over the last few years in response to the mass digitalisation of information, the liberalisation of the visual and audio sector in 2002, and the need to expand media services to maintain market share. Up until a few years ago, the number of radio stations in Jordan could be counted on a single hand. Now there are numerous entertainment and news-oriented stations broadcasting in both Arabic and English, with new channels constantly coming on the air. The number of newspapers has also increased rapidly, with several daily, weekly and monthly newspapers available on the shelves, alongside many free advertising publications and newspapers, in addition to a wide variety of magazines, and the eruption in number of free newspapers is expected to continue as it presents the means of obtaining market share and circulation.

The television segment of the media sector in Jordan remains the only segment that has not experienced significant growth. Jordan Television (JTV), a state-owned radio and television broadcaster, had been the sole television broadcaster in Jordan prior to the introduction of the Audiovisual Media Law in 2002, and was expected to be joined by the ATV network, a private television channel, following the enactment of the Law. However, the suspension of the launch of ATV has meant that the sector remains dominated by Jordan Television (JTV) and significantly undeveloped.

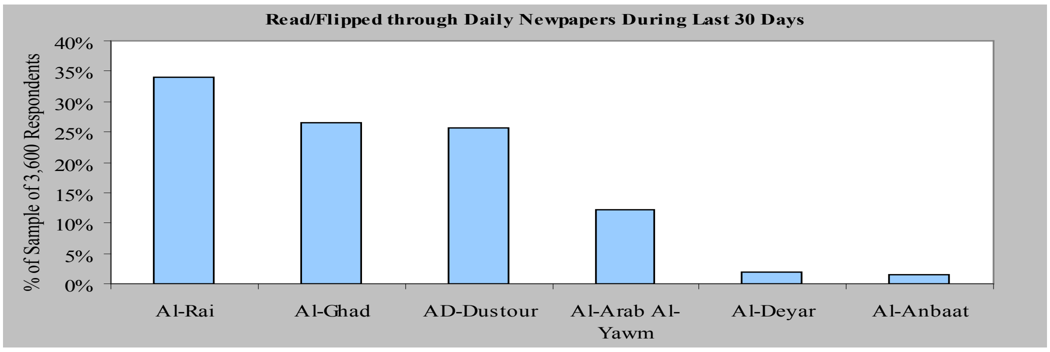
... with technology convergence and increased ease of internet access leading to an alteration in the fundamentals of the sector

The technology convergence, development of infrastructure, and reduction in costs of internet access has led to an alteration in the traditional media sector. The high penetration levels of internet has meant that paper newspapers are losing their importance globally as the main source of news as more and more people are turning online to access web sites of international news providers. While this is also a trend increasing in importance in the Kingdom, with a study carried out by the International Research & Exchanges Board (IREX) revealing that some 36% of Jordanians use the internet, 67% of whom fall in the 15-29 years age category, newspapers in Jordan have been, and continue to be, the primary resource for news, and the key avenue for advertising activity. Nonetheless, in response to the shift in consumer demands, with the study highlighting that a notable 46% of internet users in the Kingdom had accessed online news web sites in the 30 days prior to the study, many of the leading newspapers have taken their newspapers online.

| Daily Newspapers | Weekly Newspapers | |
|---|---|---|
| Al-Rai | Al-Kilma | Al-Shaheed |
| Ad-Dustour | Al-Liwa' | Shihan |
| Al-Ghad | Al-Muwajaha | Al-Bilad |
| Al-Arab Al-Yawm | Al-Mihwar | Al-Awtan |
| Al-Anbat | Al-Ikhbariya | Al-Urdun |
| Al-Diyar | Al-Jazeerah | Mithaq |
| Al-Sabeel | Al-Haqiqa Al-Dawliyah | The Star |
| Jordan Times | Al-Hadath | |

The newspaper industry is dominated by a number of daily newspapers, the most popular of which are the "Al-Rai", "Ad-Dustour", "Al-Ghad", "Al-Arab Al Yawm", and the "Jordan Times". The table above highlights some of the daily and weekly newspapers issued in the Kingdom.

While Jordan is renowned for its high literacy rate, a poll by the International Research & Exchanges Board (IREX) revealed that only some 53.8% of Jordanians had read any publication within the last 30 days prior to the survey, of whom 56.6% read daily newspapers, 15.4% read weeklies, and 15.7% read monthly publications.




Source: Jordan Media Survey Feb 2009

Readership of daily newspapers for the polled sample highlighted the "Al-Rai" newspaper to be the most popular, with a 34.1% market share, followed by the "Al-Ghad" and "Ad-Dustour" newspapers, with market shares of 26.6% and 25.7% respectively.

Al-Rai newspaper has been found to be the most popular daily newspaper in the Kingdom

This trend was also more-or-less consistent when considering newspaper readership by age group, with "Al-Rai" maintaining its lead, while in terms of gender, "Al-Rai" newspaper continued to be the most popular daily publication for both male and female readers, however, "Ad-Dustour" was the next most popular publication for male readers, while "Al-Ghad" was the second most popular publication for females.

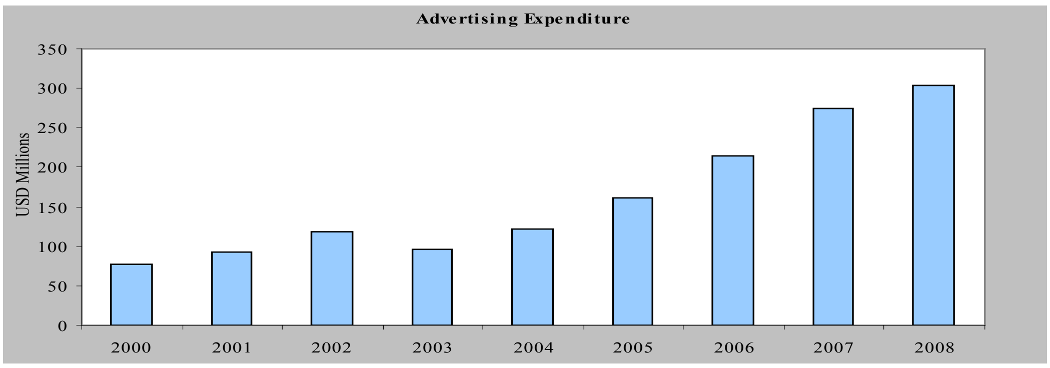
**Readership of Key Daily Newspapers by Category**

| Daily Newspaper | By Gender | | By Age-Group | | | |
|---|---|---|---|---|---|---|
| | Male | Female | 15-24 | 25-34 | 35-44 | 45+ |
| Al-Rai | 19 | 15.1 | 9.1 | 8.5 | 7.2 | 9.3 |
| Al-Ghad | 14.2 | 12.4 | 8.1 | 6.1 | 5.6 | 6.8 |
| Ad-Dustour | 14.4 | 11.2 | 6.8 | 6.3 | 5.9 | 6.7 |
| Al-Arab Al-Yawm | 7.0 | 5.1 | 2.4 | 3.4 | 3.1 | 3.2 |

Source: Jordan Media Survey Feb 2009

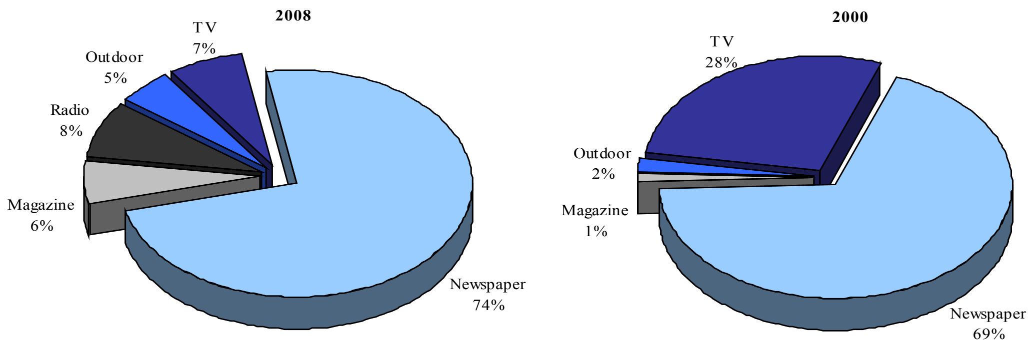
For the newspaper industry, advertising is the principal revenue generator. Over the past decade, advertising expenditure has been on the rise, reaching USD 303 million in 2008 compared to USD 77 million back in year 2000. The illustration below highlights the surge in advertising expenditure from year 2004 onwards, following the liberalisation of the telecom industry in 2005 and increased spending on advertising by the financial services sector.

Advertising expenditure has risen significantly in recent years...




Newspapers are the dominant channel for advertising in Jordan, claiming 74% of the total advertising expenditure in 2008. A comparison of advertising expenditure by media reveals an increased importance of newspapers, magazines and radio in particular, at the expense of television advertising, whose importance declined from 28% of total advertising expenditure in year 2000 to a mere 7%.

... and continues to be present primarily in newspapers, with radio rapidly gaining ground at the expense of television




Nevertheless, the newspaper sector faces a number of challenges, including a shortage of local talent, a loss of talent to regional and foreign media outlets, low wages in the sector, and restrictions on free speech. Jordan ranked in position 128th out of 173 nations in the Worldwide Press Freedom Index 2008, and its rank has been slipping, dropping from 122nd out of 169 nations in 2007 and 109th out of 186 nations in 2006. The Index is compiled based on 49 criteria relating to violations directly affecting journalists and news media, such as imprisonment, physical attacks and threats, censorship, and harassment.

Jordan ranked in position 128 in the Worldwide Press Freedom Index 2008

The sector is also experiencing heightening competition from satellite news channels and online news providers. Jordan's demographics is skewed towards younger age brackets, with approximately 37% of the population falling within the "under 15" age group. To sustain growth and development into the future, newspapers will have to adopt new business models that target this younger age group. The younger population is more internet-enabled than older generations, and likely to have a preference for the instant online access obtainable while on the move, enabled by Blackberrys and iPhones, rather than the traditional paper-news method. The IPEX study also revealed that 19% of Jordanians listen to the radio through their mobile phones. Newspapers also need to focus on converting online usage into revenues through membership fees, pay-per-read services, and increased online advertising. However, the global financial crisis and imminent recession bodes badly for the sector, as advertising expenses tend to be of the first expenses to be cut during hard times. This is expected to impact negatively on the newspaper industry in the short term.

## 2.0 OVERVIEW OF THE JORDAN PRESS FOUNDATION

The Jordan Press Foundation ("Al-Rai", "PRES" or "the Company") was established as a private shareholding company in 1971. In 1986, the Company's legal form was transformed into a public shareholding company with a paid-up capital of JD 1,000,000. The Company's capital was raised over the years to reach 7,500,000 shares/JD, with the most recent capital increase occurring in 2006.

PRES was established in 1971...

Al-Rai's operations entail publishing newspapers and magazines, printing, publishing and distribution, in addition to performing research, studies and surveys. The Company issues two daily newspapers; the Arabic "Al-Rai" newspaper, with a distribution of 90,000 issues per day, of which 75,000 are directed to the Jordanian market, and the English "Jordan Times" newspaper, which has a daily distribution of around 12,000 issues, alongside "Hatem Magazine", a children's monthly magazine published in Arabic. The Company is hoping to issue the Hatem Magazine bi-monthly, initially, before converting it into a weekly magazine. During 2009, the Company launched a weekly newspaper catering specifically to advertisements, called "Al-Rai Al-I'laniya". The Company also offers printing services to the public, in addition to distributing advertisements in its newspapers and magazine.

... and currently produces and distributes newspapers and magazines, as well as offering printing services through its commercial printing business line

PRES enjoys the leading market position amongst six other local daily newspapers in relation to volume of sales and advertisements, and is a pioneer in terms of its use of advanced printing technology. It plans to enhance its capabilities further, by purchasing a new printing machine which will be able to print three daily newspapers simultaneously, as well as preparing a new mailing room for the paper. The Company is also obtaining tender offers for the execution of the Al-Rai printing complex building in the Um Al-Amad area. The project is expected to take two years and will be financed entirely from the Company's existing resources.

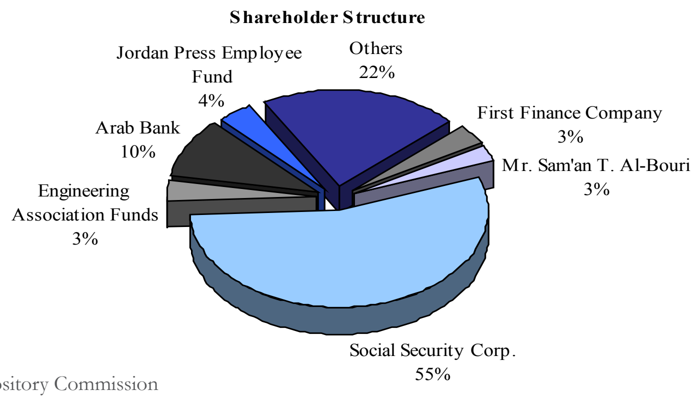
The Company's General Assembly approved the distribution of 100% cash dividends, equivalent to JD 7.50 million, thereby maintaining a stable percentage per share compared to 2007.

PRES distributed 100% cash dividends for 2008 fiscal year

## Board Members

| Board Members | Company Represented | Position |
|---|---|---|
| Dr. Fahed Al-Fanek | Social Security Corporation | Chairman |
| Mr. Mohammad Abdel Ghani Al-Amad | Private Sector | Vice-Chairman |
| Mr. Nader Al-Hourani | Social Security Corporation | General Manager |
| Mr. Mohammad Al-Ja'fari | Social Security Corporation | Member |
| Mr. Nasouh Al-Majali | Social Security Corporation | Member |
| Ms. Fadia Al-Munir | Social Security Corporation | Member |
| Mr. Asem Al-Abed | Arab Bank | Member |
| Mr. Azmi Mohmoud Hiyasat | Private Sector | Member |
| Mr. Yanal Kamal Al-Bustami | Private Sector | Member |

## Shareholder Structure

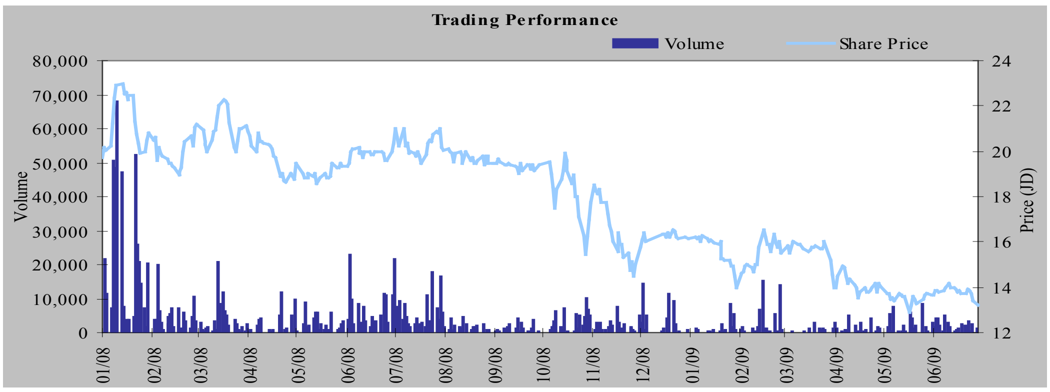



Source: Securities Depository Commission

The Social Security Corporation is PRES's main shareholder

The Social Security Corporation is the Company's largest shareholder, with an ownership stake of 55%, followed by the Arab Bank, with a 10% holding.

## Trading Information




The start of 2008 saw PRES's stock price soar by 19.4% from JD 19.73 as of 2007 year-end to a high of JD 23.55 just two weeks later, marking the stock's peak price for year 2008. The stock quickly fell during the next month, reaching JD 18.95 on February 17th before rising again to

PRES's stock reached a high of JD 23.55 in 2008...

above the JD 22-mark in March. At the end of the first quarter of the year, the share price stood at JD 20.88, registering a 5.8% increase on a year-to-date basis.

During the second quarter of 2008, the Jordanian stock market ascended by a whopping 21.6%, a buoyancy that was not reflected on PRES's stock performance, which actually dropped to JD 20.33 at the end of the first half of 2008. The following quarter saw the stock fluctuate within a range of JD 18.53 - JD 21.34, before falling sharply in the final quarter of 2008 in response to the financial crisis and credit crunch in the U.S. and its repercussions on the global economy, to register its low for the year of JD 14.60 on November 23rd, and closing the year at JD 16.14, 18.2% lower year-on-year.

... but ended the year at JD 16.14

The stock fared no better in 2009, with PRES's share price reaching JD 14.00 on January 29th before recovering to JD 16.79 just under a month later. By the end of the first quarter, however, the stock price had returned to JD 14.00, and entered into the second quarter of the year following a downward trend to reach of low of JD 12.92 on May 17th, the lowest price reached by the stock since April 2007. By the end of the first half of 2008, PRES's stock price had slumped by 14.3% over the six month period to reach JD 13.84.

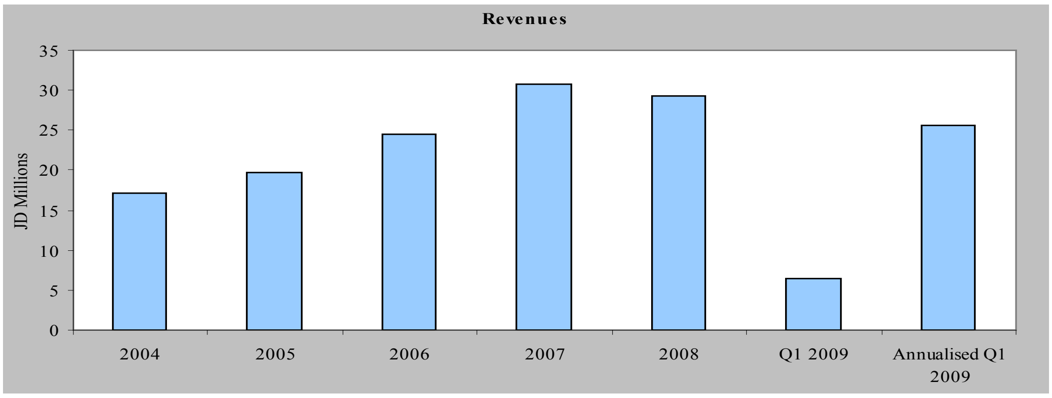
## 3.0 SWOT ANALYSIS

| Strengths | Weaknesses |
|---|---|
| Market leader | Exposure to strong local market competition |
| Strong readership and customer loyalty | Lack of differentiation from competition in online services |
| Good market coverage | Weak capture of online advertising |
| Sole producer of daily English newspaper | Exposure to high competition from online global news providers, such as Al-Jazeera, CNN, BBC, Reuters |
| Relatively diversified revenue lines | Shortage of local talent |
| Technologically advanced | Government control reducing press freedom |
| Government support | |

| Opportunities | Threats |
|---|---|
| Expansion into related services and new business models | Declining readership and penetration due to a rising partiality to read news online |
| Online advertising and monetising online services | Development of other media services |
| High literacy rate in Jordan leading to high readership | Increase of free newspapers available |
| Newspaper readership culture | Loss of talent to competitors |
| Large potential market in the "youth" segment of the population | Loss of advertising revenues to leading regional online news providers |

## 4.0 INCOME STATEMENT

### 4.1 Revenue and Revenue Mix

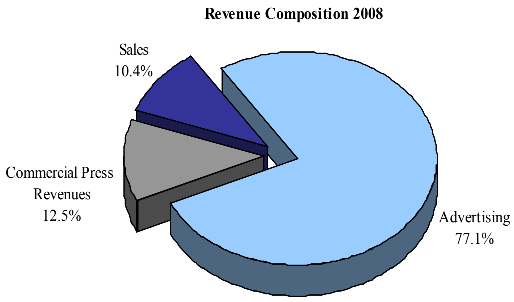


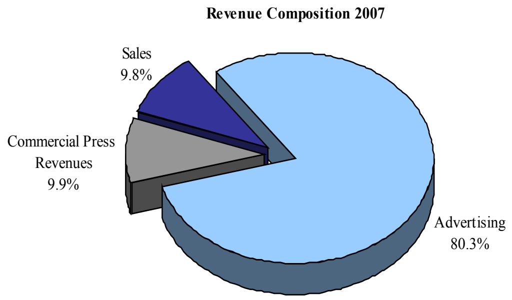

Steady increase in revenues during 2004 through 2007 before experiencing a decline

In the period between 2004 through 2007, PRES demonstrated accelerating growth in its revenues, which rose from JD 17.10 million to JD 30.84 million over the period. In 2008, however, the revenues declined by 5.1% to JD 29.26 million, and in the first quarter of 2009, had registered at JD 6.42 million, giving annualised revenues for the entire year of JD 25.66 million, some 12.3% lower than the revenues generated the year prior.

The Company's primary revenue source is advertising, which comprised over 77% of its core operating revenues in 2008. During 2008, at a time when inflation in Jordan soared to double-digit figures and was quickly followed by the onset of a global recession, advertising began to slump, exhibited as an 8.9% drop in revenues from JD 24.78 million in 2007 to JD 22.56 million. This also reflected on PRES's revenue mix, whereby advertising had contributed some 80.3% to its total operating revenues the year prior. The effect of the decline was exacerbated due to year 2007 exhibiting aggressive advertising strategies in certain segments of the economy, corresponding to the parliamentary elections, rebranding of banks and telecommunications companies, and cut-throat competition between mobile phone companies, which added an estimated JD 2.50 million in non-recurring advertising revenues. Worth highlighting is that the decline in advertising revenue in 2008 was also exhibited by PRES's sole listed competitor, the Jordan Press & Publishing Company - Ad-Dustour (JOPP), whose advertising revenues fell by 9.9% over the same period.

Advertising revenues make up 77% of Al-Rai's core revenues




The Company's revenues from newspaper and magazine sales, meanwhile, registered just under a 1% growth, reaching JD 3.03 million, but it was the revenues from the commercial press services that stole the limelight in terms of growth, rising by 25.2% to JD 3.67 million, surpassing the revenues generated from newspaper and magazine sales.

In terms of newspaper sales, PRES's main revenue generator is its Al-Rai newspaper, with revenues of JD 2.84 million of a total of JD 3.03 million. The Jordan Times, meanwhile, generated JD 178.79 thousand in revenues during 2008 while Hatem Magazine yielded a mere JD 12.33 thousand.

Al-Rai newspaper is the Company's primary revenue generator...

**Revenues by Business Line - 2008**

| | Al-Rai Newspaper | Jordan Times Newspaper | Hatem Magazine | Commercial Press | Total |
|---|---|---|---|---|---|
| Sales Revenues | 2,837,842 | 178,793 | 12,330 | - | **3,028,965** |
| Advertising Revenues | 21,552,078 | 955,094 | 55,679 | - | **22,562,851** |
| Commercial Press Revenues | - | - | - | 3,667,422 | **3,667,422** |
| **Total Operating Revenues** | **24,389,920** | **1,133,887** | **68,009** | **3,667,422** | **29,259,238** |

Advertising revenues for the two newspapers and magazine far surpassed the revenues from sales. Once again, the Al-Rai newspaper stole the limelight, with advertising revenues registering at JD 21.55 million against JD 955.09 thousand and JD 55.68 thousand for the Jordan Times and Hatem Magazine, respectively.

... both in terms of sales and advertising revenues

A study by PricewaterhouseCoopers predicted a compounded annual growth rate in media advertising in Jordan of 13% over the period 2007-2012, and a 13% CAGR in newspaper advertising over the same period. However, the global economic slowdown is likely to dampen the growth, as advertising expenditure for companies is generally one of the first expenses to be cut during a

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recession. For PRES, the recent launch of the Al-Rai Advertising publication is likely to help boost the advertising revenues generated by the Company going forward.

### 4.2 Gross Margin

PRES's gross margin fell to 46% in 2008 from 52.0% the year prior

**Revenue and Gross Margin by Product 2008**

| | Al-Rai Newspaper | Jordan Times Newspaper | Hatem Magazine | Commercial Press | Total |
|---|---|---|---|---|---|
| Total Operating Revenues | 24,389,920 | 1,133,887 | 68,009 | 3,667,422 | 29,259,238 |
| Cost of Sales | 12,175,982 | 713,032 | 54,649 | 2,855,994 | **15,799,657** |
| **Gross Margin** | **12,213,938** | **420,855** | **13,360** | **811,428** | **13,459,581** |
| **Gross Margin (%) - 2008** | **50.1%** | **37.1%** | **19.6%** | **22.1%** | **46.0%** |
| **Gross Margin (%) - 2007** | **56.2%** | **55.1%** | **3.0%** | **16.4%** | **52.0%** |

In parallel with the growth in revenues, PRES's cost of sales rose from JD 9.83 million in 2004 to JD 14.79 million in 2007. However, in contrast to the slump in revenues in 2008, the cost of sales rose further to JD 15.80 million on the back of the soaring inflation levels endured during the year. Despite a notable drop in prices towards the end of 2008 and into 2009 compared to the high levels reached earlier in 2008, the cost of sales for the first quarter of 2009 continued to rise, registering at JD 4.47 million in Q1 2009, equivalent to an annualised JD 17.86 million.

Raw materials comprise more than half of the Company's cost of sales. During 2008, the price of raw materials used increased by 5.6%, conflicting with the 5.1% decrease in operating revenues over the same period. This led to a drop in the Company's gross margin to 46.0% from 52.0% the year prior. Despite this decline, PRES's gross margin far surpassed that of Ad-Dustour (JOPP), whose gross margin stood at 17.4% at the end of 2008, comprising a margin of 5.9% on the Ad-Dustour newspaper and 26.7% on its commercial press services.

The publication of the Al-Rai newspaper is the most profitable line of business for PRES, with a gross margin of 50.1%. Hatem Magazine, on the other hand, is the least profitable, generating a mere JD 13.36 thousand during the year. Strikingly, however, is the sharp increase in the magazine's gross margin to 19.6% compared to 2007's 3.0%.

### 4.3 Operating Expenses

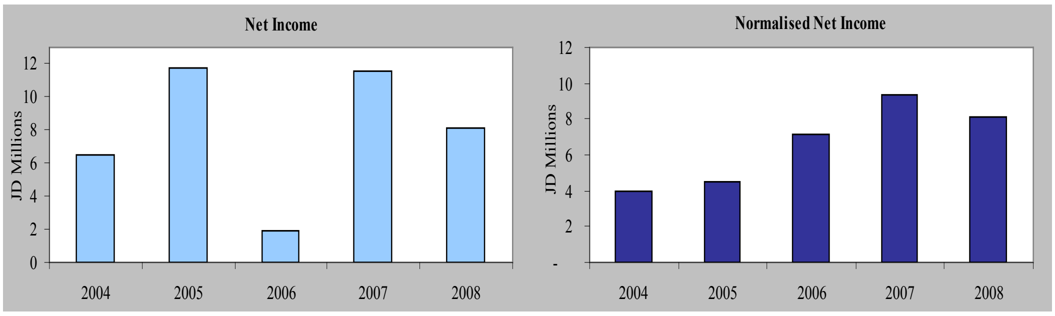
| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Sales and Distribution Expenses | 433,837 | 615,230 | 986,025 | 1,315,088 | 1,275,754 |
| General & Administrative Expenses | 2,108,660 | 1,991,941 | 2,003,722 | 2,413,806 | 2,540,260 |
| **Total** | **2,542,497** | **2,607,171** | **2,989,747** | **3,728,894** | **3,816,014** |

Hand-in-hand with the sharp rise in prices during 2008 was an increase in the general and administrative expenses, which rose by 5.2% year-on-year. Surprisingly, the sales and distribution expenses actually declined by 3% over the same period to stand at JD 1.28 million. Overall, the operating expenses have increased at a CAGR of 10.7% since 2004, and in Q1 2009, the operating expenses amounted to JD 887.03 thousand, which, when annualised, translates into a 7.0% drop compared to 2008. A decline in operating expenses is to be expected for 2009 as inflation levels have receded dramatically compared to the peaks of 2008, and also in response to anticipated cost-cutting strategies, as the economic slowdown continues to take its toll on businesses in the Kingdom.

### 4.4 Net Profit

Net income reached JD 8.12 million, down from 11.52 million in 2007...

The Company's net income has been very turbulent in recent years, rising sharply in 2005 to JD 11.73 million, registering an 81.2% increase, before dropping by a whopping 83.8% the following year to JD 1.90 million, and soaring and falling once again in 2007 and 2008, respectively, to JD 11.52 million and JD 8.12 million. The primary contributor to these fluctuations has been the performance of PRES's investment portfolio, which generated gains of JD 8.28 million in 2005 and losses of JD 5.25 million in 2006, as well as the exceptional performance of the advertising segment of PRES's business in 2007, generating non-recurring revenues of JD 2.50 million.




Normalising the earnings for these two factors and adjusting for tax presents a more stable growth pattern in the bottom line, with a minor dip in 2008 corresponding to the dip in the Company's top line.

| | Q1 2008 | Q1 2009 | % Change |
|---|---|---|---|
| Revenues | 6,649,261 | 6,415,188 | (3.5%) |
| Cost of Sales | 3,760,531 | 4,465,640 | 18.8% |
| **Gross Profit** | **2,888,730** | **1,949,548** | **(32.5%)** |
| **Net Income** | **1,807,886** | **948,119** | **(47.6%)** |

At the end of the first quarter of 2009, PRES had realised a net income of JD 948.12 thousand, or JD 3.79 million in annualised terms, falling significantly short of the levels of income realised in recent years. The Q1 2009 financial results revealed that although revenues from advertising and selling of publications declined during the quarter compared to the same period of 2008, the cost of sales continued to rise, impacting negatively on the gross profit, and consequently on the Company's bottom line.

... while in Q1 2009, net income stood at JD 948.12 thousand

### 4.5 Earnings per Share

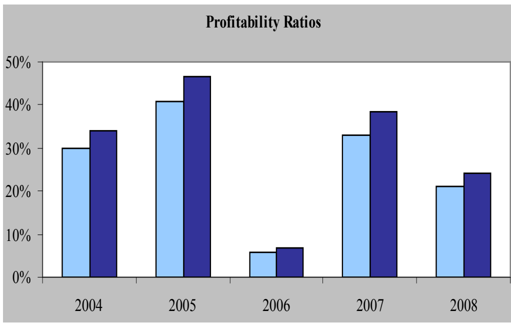
| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Basic EPS | 1.079 | 1.564 | 0.254 | 1.537 | 1.082 |
| Normalised EPS | 0.664 | 0.605 | 0.649 | 1.243 | 1.084 |

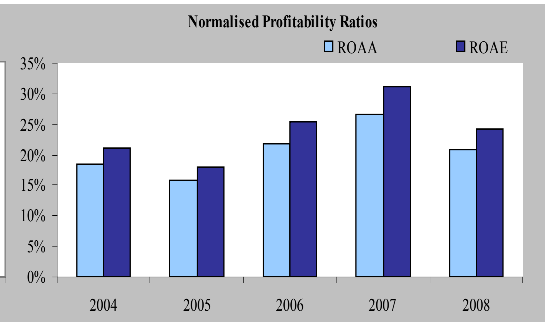
Predictably, PRES's basic EPS exhibited a similar degree of turbulence as its net profit. Normalising the EPS shows a slight decline during 2005, consequent to the 1.50 million shares/JD capital increase, followed by a steady growth in 2006 and 2007, before declining to JD 1.08 per share in 2008. Over the five years, the Company's normalised EPS has grown at a CAGR of 13.0%.

In Q1 2009, the PRES's EPS amounted to JD 0.126 per share compared to an EPS of JD 0.241 for the equivalent quarter the year prior.

### 4.6 Profitability Ratios

PRES's poor investment portfolio performance in 2006 reflected negatively on its key profitability ratios, the Return on Average Assets (ROAA) and Return on Average Equity (ROAE), which declined from 40.7% and 46.7% respectively in 2005 to 5.82% and 6.8% one year later. Year 2008 also saw a drop in its ratios, compared to 2007, to 20.9% and 24.1% respectively, attributed to the decline in operating income that year, coupled with losses realised on its investments, alongside exceptional revenues realised in 2007, which pulled up the comparative ratios for 2007.




Normalised profitability ratios reveal 2007 to be PRES's top performing year, while non-adjusted returns resulted in 2005 having the best profitability ratios

Normalising the earnings leads to a more stable trend in the ratios, highlighting a less dramatic decline in 2008, with the ROAA falling from 26.6% in 2007 to 21.0% year-on-year, while the ROAE dropped from 31.2% to 24.1% over the same period.

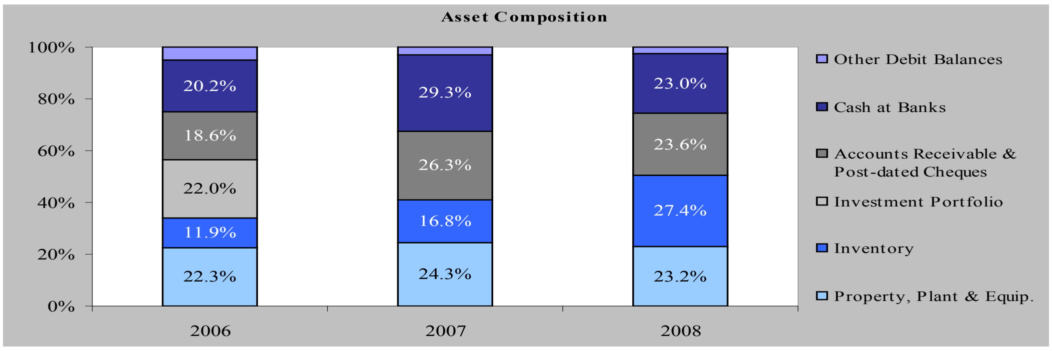
For the first quarter of 2009 based on annualised earnings, the ROAA and ROAE amounted to 10.1% and 12.3% respectively, exhibiting further declines in PRES's profitability ratios.

## 5.0 BALANCE SHEET

### 5.1 Assets

PRES's assets registered a CAGR of 13.3% since 2004

PRES's total assets have grown at a CAGR of 13.3% since 2004 to register at JD 38.31 million in 2008. Compared to 2007, however, the assets had declined by 2.3%, equivalent to JD 918.79 thousand. The composition of PRES's assets shows a relatively stable structure over the years, aside from a large decline in the weighting of the investment portfolio, which declined from 22% of total assets in 2006 to a negligible amount in 2007 and 2008, coupled with a rise in the weighting of inventory, which reached 27.4% of total assets in 2008, leaving the assets divided more-or-less evenly between fixed assets, inventory, receivables and cash balances.




In Q1 2009, PRES's assets had declined further to JD 36.58 million, due primarily to a decline in inventory levels from JD 10.51 million at the end of 2008 to JD 8.83 million just three months later.

| | PRES | | JOPP | |
|---|---|---|---|---|
| | 2007 | 2008 | 2007 | 2008 |
| Accounts Receivable Turnover Ratio | 2.63 | 2.09 | 2.86 | 2.70 |
| *Number of Receivable Days* | *139* | *174* | *128* | *135* |
| Inventory Turnover Ratio | 2.88 | 1.85 | 4.51 | 4.80 |
| *Number of Inventory Days* | *127* | *197* | *81* | *76* |
| Length of Operating Cycle (Days) | 265 | 372 | 209 | 212 |

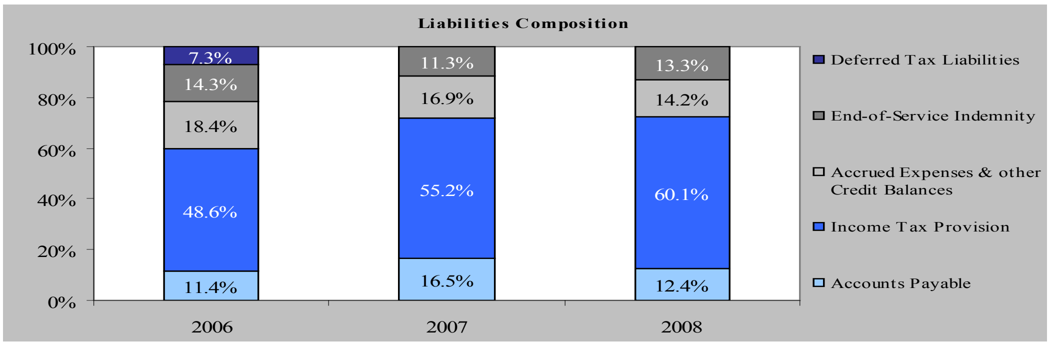
In terms of the Company's accounts receivable turnover ratio, this registered a decline in 2008 compared to 2007, driving up the number of receivable days. Compared to Ad-Dustour's receivable days, PRES also appears unfavourably. This situation also arises with regards the inventory turnover ratio, which dropped from 2.88 in 2007 to 1.85 in 2008, giving a rise in inventory days from 127 to 197 days, more than double the inventory days registered by JOPP.

Overall, PRES's operating cycle is significantly longer than that of JOPP, highlighting a possible inefficiency in cash and inventory management at the Company.

JOPP has a longer operating cycle than PRES...

## 5.2 Liabilities

PRES's liabilities have grown at a CAGR of 10.6% from JD 2.87 million in 2004 to JD 4.28 million in 2008. Strikingly, PRES does not maintain any debt on its balance sheet, a feature, which, while reassuring to the Company's stakeholders due to its low financial leverage, means that the Company has an unnecessarily high cost of capital.




The composition of the liabilities reveals that income tax provisions make up more than half of the Company's liabilities. Its other liabilities include accounts payable, end of service indemnity, and other credit balances.

A consideration of the accounts payable turnover ratio reveals that PRES settles its payables significantly quicker than does its competitor, JOPP, at 17 days versus 71 days. This results in a cash cycle for the Company of 354 days, more than double the length of JOPP's cash cycle, and while PRES has a comfortable cash position, better management of its cash cycle could translate into more efficient and profitable use of its working capital.

... as well as a longer cash cycle

| | PRES | | JOPP | |
|---|---|---|---|---|
| | 2007 | 2008 | 2007 | 2008 |
| Accounts Payable Turnover Ratio | 19.88 | 21.17 | 4.82 | 5.17 |
| *Number of Payable Days* | *18* | *17* | *76* | *71* |
| Length of Cash Cycle (Days) | 247 | 354 | 133 | 141 |

## 5.3 Shareholders' Equity

Aside from year 2006 when PRES's profits fell, the Company's shareholders' equity has maintained positive growth to reach JD 34.02 million in 2008. While part of the increase can be attributed to the JD 1.50 million capital increase in 2005, the bulk of the growth has been spurred by the strong profits of the Company, and consequently its retained earnings.

Shareholders' equity registered at JD 34.02 million in 2008...

At the end of the first quarter of 2009, the balance of the shareholders' equity had fallen to JD 27.47 million following the distribution of JD 7.5 million in cash dividends, equivalent to 100% of paid-up capital.

... which fell to JD 27.47 million as of the end of Q1 2009

## 6.0 KEY FORECAST ASSUMPTIONS

### Revenue Assumptions

| Revenues | 2009F | 2010F | 2011F | 2012F | 2013F |
|---|---|---|---|---|---|
| Newspapers and Magazines Sales | 2,968,386 | 3,027,753 | 3,088,308 | 3,150,075 | 3,213,076 |
| *Growth %* | *(2%)* | *2%* | *2%* | *2%* | *2%* |
| Advertisements in Newspapers and Magazines | 21,434,708 | 23,578,179 | 25,935,997 | 28,529,597 | 30,811,965 |
| *Growth %* | *(5%)* | *10%* | *10%* | *10%* | *8%* |
| Commercial Press | 4,217,535 | 4,934,516 | 5,773,384 | 6,639,392 | 7,635,300 |
| *Growth %* | *15%* | *17%* | *17%* | *15%* | *15%* |
| **Total** | **28,620,629** | **31,540,449** | **34,797,690** | **38,319,063** | **41,660,341** |

We have assumed stable but low growth in newspaper and magazine sales for the duration of our forecast period, due to the increased proclivity to obtain news from online sources, as opposed to the traditional printed papers. Due to the newspaper readership culture in Jordan, however, we have maintained positive levels of growth, aside from year 2009, where we have assumed a slight decline in sales due to reduced purchasing power of the Jordanian population in response to the deceleration of growth in the economy and rising unemployment levels.

We assumed a stable but low level of growth for newspaper sales for our forecast period...

With regards advertisements in newspapers and magazines, we anticipate a tightening of belts across all segments of the economy during 2009, as costs are cut while waiting out the worst of the impact of the global financial crisis. We do, however, anticipate relatively strong growth in advertising revenues from 2010 onwards, but we also accounted for the anticipated shift in readership trends and reduced circulation in the later stages of our forecast period, by reducing the level of growth slightly.

... accompanied by a slump in advertising revenues this year before picking up once more...

For commercial press, this represents a more recent, less mature, line of business, and we therefore project strong growth going forward, but allowed for increased competition from 2012 onwards as profitability levels draw in new companies to the commercial press industry.

.... alongside strong growth in commercial press revenues

### Cost of Sales Assumptions

We have assumed the following levels of growth in the key components of the cost of sales for the forecast period based on historical growth and expectations of the trends going forward. For the majority of expense captions, we expect a lower or negative growth during 2009, both as a result of cost cutting, and due to the drop in inflation levels compared to 2008. As a result of this, most expenses will have an above average growth in 2010 to compensate for the lower relative expense in 2009.

| Cost of Sales | 2009F | 2010F | 2011F | 2012F | 2013F |
|---|---|---|---|---|---|
| Raw Materials | 7% | 10% | 8% | 8% | 8% |
| Salaries | 3% | 5% | 7% | 10% | 10% |

### S&M and G&A Expense Assumptions

In terms of sales and marketing expenses, we have assumed that they comprise a constant 4.0% of revenues, exceeding the historical average level of 3.7%, while for general and administrative expenses, we have assumed a constant level of 8.5% of revenues, which is lower than the historical average level of 9.4%, due to the general and administrative expenses following a declining trend in recent years.

### Paid-up Capital Assumptions

We have assumed that the Company will raise its capital slightly in 2012, from 7.5 million shares/JD to 8.0 million shares/JD to accommodate any expansion plans going forward.

We have assumed a rise in paid-up capital to JD 8 million in 2012

## 7.0 VALUATION

Using two valuation methods, we arrive at a weighted average fair value for PRES's stock of JD 14.70 registering 5.0% higher than the stock's current price, leading us to lend a HOLD recommendation for the stock.

| Weighted Average Fair Value per Share | | | |
|---|---|---|---|
| **Valuation Method** | **Target Value** | **Weighting** | **Value** |
| Discounted Cash Flow Model | 17.28 | 50% | 8.64 |
| Residual Income Model | 12.13 | 50% | 6.06 |
| **Weighted Average Fair Value** | | **100%** | **14.70** |
| Current Price | | | 14.00 |
| Upward (Downward) Potential | | | 5.00% |

## 7.1 Discounted Cash Flow (DCF)

Our DCF returns a fair value for PRES of JD 17.28 per share. Since the Company does not maintain any debt on its balance sheet, the cost of debt was estimated based on the weighted average prime lending rate offered by licensed banks as per the Central Bank of Jordan, currently amounting to 8.44%. Therefore, the WACC was based on a cost of equity of 10.51% and an after-tax cost of debt of 6.92%. A 10% and 90% debt and equity structure was assumed, arriving at a WACC of 10.15%.

| (in JD) | 2009f | 2010f | 2011f | 2012f | 2013f | Terminal Value |
|---|---|---|---|---|---|---|
| Free Cash Flow | 5,792,862 | 9,744,388 | 9,631,463 | 9,527,930 | 11,470,798 | 140,729,098 |
| NPV for Period 2009 - 2013 | 34,042,602 | | | | | |
| NPV of Terminal Value | 86,784,490 | | | | | |
| Outstanding Debt | - | | | | | |
| Cash at Beginning of Period | 8,793,973 | | | | | |
| **Equity Value** | **129,621,065** | | | | | |
| # of Outstanding Shares | 7,500,000 | | | | | |
| **DCF Value per Share** | **17.28** | | | | | |

The components of the WACC are as follows:

| | | |
|---|---|---|
| Cost of Debt | 8.44% | Based on weighted average prime lending rate |
| Tax Rate | 18.0% | Based on effective tax rate over past 5 years |
| Beta | 0.65 | Computed by ABCI |
| Risk-Free Rate | 4.70% | Based on CBJ treasury bond rate |
| Market Risk Premium | 8.90% | Based on Damodaran Market Risk Premium for Jordan |
| **WACC** | **10.15%** | |
| **Terminal Growth Rate** | **2.00%** | |

### Sensitivity Analysis

The table below illustrates the sensitivity of the discounted cash flow model valuation to the inputs of the model. To reflect the extent of this sensitivity, we have performed a sensitivity analysis on the model's two key inputs; the terminal growth rate and the WACC.

| | | Terminal Growth Rate | | | | |
|---|---|---|---|---|---|---|
| | | 0.00% | 1.00% | 2.00% | 3.00% | 4.00% |
| WACC | 8.15% | 18.66 | 20.43 | 22.78 | 26.05 | 30.88 |
| | 9.15% | 16.63 | 17.95 | 19.65 | 21.89 | 25.01 |
| | 10.15% | 15.00 | 16.02 | **17.28** | 18.90 | 21.05 |
| | 11.15% | 13.67 | 14.47 | 15.44 | 16.65 | 18.20 |
| | 12.15% | 12.56 | 13.20 | 13.96 | 14.89 | 16.05 |

ABC Investments

## 7.2 Excess Returns Model

The Excess Returns Model values the Bank based on returns generated, over and above the required cost of equity. A cost of equity of 10.51% was used, and a declining growth rate for the period 2014 - 2017 was utilised, before decelerating to 2% into perpetuity. This model returns a fair value for PRES of JD 12.13 per share.

| | 2009F | 2010F | 2011F | 2012F | 2013F | 2014F | 2015F | 2016F | 2017F | 2018F | Terminal Value |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net Income | 6,865,994 | 7,842,550 | 9,070,079 | 10,304,754 | 11,284,053 | 11,530,394 | 11,624,696 | 11,600,416 | 11,425,806 | 11,072,258 | 11,293,703 |
| Less: Equity Charge | 3,575,692 | 3,485,699 | 3,507,407 | 3,679,784 | 3,982,819 | 4,327,969 | 4,699,009 | 5,079,961 | 5,458,360 | 5,818,409 | 6,141,300 |
| Excess Equity Return | 3,290,302 | 4,356,851 | 5,562,672 | 6,624,970 | 7,301,234 | 7,202,425 | 6,925,687 | 6,520,455 | 5,967,446 | 5,253,849 | 5,152,403 |
| Cumulative Equity Cost | 1.105 | 1.221 | 1.350 | 1.491 | 1.648 | 1.821 | 2.013 | 2.224 | 2.458 | 2.717 | |
| **Present Value** | **2,977,383** | **3,567,553** | **4,121,735** | **4,442,008** | **4,429,866** | **3,954,321** | **3,440,764** | **2,931,358** | **2,427,606** | **1,934,044** | |
| **Estimating Equity Cost** | | | | | | | | | | | |
| Beginning BV of Equity | 34,022,170 | 33,165,907 | 33,372,454 | 35,012,597 | 37,895,924 | 41,179,977 | 44,710,371 | 48,335,067 | 51,935,483 | 55,361,290 | 58,433,547 |
| Cost of Equity | 10.51% | 10.51% | 10.51% | 10.51% | 10.51% | 10.51% | 10.51% | 10.51% | 10.51% | 10.51% | 10.51% |
| Equity Charge | 3,575,692 | 3,485,699 | 3,507,407 | 3,679,784 | 3,982,819 | 4,327,969 | 4,699,009 | 5,079,961 | 5,458,360 | 5,818,409 | 6,141,300 |
| **Estimating Book Value of Equity** | | | | | | | | | | | |
| Return on Equity | 20.44% | 23.57% | 26.53% | 28.27% | 28.64% | 28.00% | 26.00% | 24.00% | 22.00% | 20.00% | |
| Net Income | 6,865,994 | 7,842,550 | 9,070,079 | 10,304,754 | 11,284,053 | 11,530,394 | 11,624,696 | 11,600,416 | 11,425,806 | 11,072,258 | |
| Dividends Paid | 7,500,000 | 7,500,000 | 7,500,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 | |

| | | |
|---|---|---|
| Risk-Free Rate | 4.70% | Based on CBJ Treasury Bond Rate |
| MRP | 8.90% | Based on Damodaran Market Risk Premium for Jordan |
| Beta | 0.66 | Computed by ABC Investments |
| **Cost of Equity** | **10.54%** | |
| Perpetual Growth | 2.00% | |
| Equity Invested | 34,022,170 | |
| PV of Equity Excess Return | 32,292,595 | |
| PV of Terminal Value | 24,630,651 | |
| Value of Equity | 90,945,415 | |
| Number of Shares Outstanding | 7,500,000 | |
| **Value per share** | **12.13** | |

## Sensitivity Analysis

The table below illustrates the sensitivity of the excess returns model valuation to the inputs of the model. To reflect the extent of this sensitivity, we have performed a sensitivity analysis on the model's two key inputs; the terminal growth rate and the cost of equity.

| | | Terminal Growth Rate | | | | |
|---|---|---|---|---|---|---|
| | | 0.00% | 1.00% | 2.00% | 3.00% | 4.00% |
| Cost of Equity | 8.51% | 14.46 | 15.16 | 16.08 | 17.34 | 19.15 |
| | 9.51% | 12.75 | 13.23 | 13.83 | 14.62 | 15.70 |
| | 10.51% | 11.39 | 11.72 | **12.13** | 12.64 | 13.32 |
| | 11.51% | 10.27 | 10.50 | 10.79 | 11.13 | 11.57 |
| | 12.51% | 9.35 | 9.51 | 9.71 | 9.94 | 10.24 |

## BALANCE SHEET

| | Historical | | | | | Forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009F | 2010F | 2011F | 2012F | 2013F |
| **Assets** | | | | | | | | | | |
| Property, Plant & Equipment | 4,212,746 | 5,682,972 | 6,921,027 | 9,533,820 | 8,869,080 | 8,117,998 | 8,455,972 | 8,628,435 | 10,048,801 | 10,282,781 |
| Projects under Construction | - | - | 495,376 | 34,513 | 72,375 | - | - | - | - | - |
| Deferred Tax Assets | - | 129,827 | 131,995 | 131,995 | 113,529 | - | - | - | - | - |
| Inventory | 2,902,968 | 3,068,804 | 3,686,225 | 6,575,194 | 10,509,352 | 9,341,697 | 10,350,951 | 10,634,031 | 10,768,413 | 11,933,214 |
| Trading Investments | 7,124,422 | 14,128,138 | 5,841,963 | 51,786 | 39,542 | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| Held-to-Maturity Investments | - | - | 991,536 | - | - | - | - | - | - | - |
| Accounts Receivable | 2,624,274 | 3,243,162 | 3,429,588 | 6,960,148 | 4,729,114 | 4,579,301 | 5,046,472 | 5,567,630 | 6,131,050 | 6,665,655 |
| Accrued Revenues | 551,406 | 626,860 | 726,403 | 805,716 | 438,914 | 772,757 | 851,592 | 939,538 | 1,034,615 | 1,124,829 |
| Other Debit Balances | 233,154 | 985,071 | 164,762 | 292,453 | 419,801 | 372,068 | 410,026 | 452,370 | 498,148 | 541,584 |
| Cash and Balances at Banks | 4,890,658 | 5,161,387 | 6,260,299 | 11,494,959 | 8,793,973 | 10,634,292 | 8,797,000 | 9,192,858 | 9,839,814 | 10,777,346 |
| Post-Dated Cheques & Cheques under Collection | 728,332 | 1,345,168 | 2,342,929 | 3,343,238 | 4,319,351 | 3,434,476 | 3,784,854 | 4,175,723 | 4,598,288 | 4,999,241 |
| Total Assets | 23,267,960 | 34,371,389 | 30,992,103 | 39,223,822 | 38,305,031 | 37,287,588 | 37,731,866 | 39,625,585 | 42,954,129 | 46,359,650 |
| **Shareholders' Equity** | | | | | | | | | | |
| Paid-Up Capital | 4,500,000 | 6,000,000 | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 | 8,000,000 | 8,000,000 |
| Issuance Premium | 2,000,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | 700,000 | 700,000 |
| Statutory Reserve | 1,300,000 | 1,500,000 | 1,849,737 | 1,875,000 | 1,875,000 | 1,875,000 | 1,875,000 | 1,875,000 | 2,000,000 | 2,000,000 |
| Voluntary Reserve | 4,500,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 6,000,000 |
| Other Reserves | 2,500,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Retained Earnings | 5,601,725 | 10,879,300 | 5,532,327 | 12,532,056 | 13,147,170 | 12,290,907 | 12,497,454 | 14,137,597 | 16,195,924 | 19,208,526 |
| Shareholders’ Equity | 20,401,725 | 29,879,300 | 26,382,064 | 33,407,056 | 34,022,170 | 33,165,907 | 33,372,454 | 35,012,597 | 37,895,924 | 40,908,526 |
| **Liabilities** | | | | | | | | | | |
| End-of-Service Indemnity | 593,227 | 649,133 | 659,974 | 659,974 | 567,647 | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 |
| Deferred Tax Liabilities | - | 593,669 | 334,569 | 1,513 | 1,513 | - | - | - | - | - |
| Due to Banks | - | - | 69,334 | - | - | - | - | - | - | - |
| Accounts Payable | 233,895 | 296,504 | 525,892 | 962,222 | 530,326 | 1,022,204 | 918,982 | 754,305 | 772,704 | 813,382 |
| Income Tax Provision | 954,666 | 1,332,767 | 2,241,565 | 3,212,295 | 2,573,212 | 1,883,962 | 2,151,919 | 2,488,741 | 2,827,524 | 3,096,234 |
| Accrued Expenses and Other Credit Balances | 1,084,447 | 1,620,016 | 778,705 | 980,762 | 610,163 | 715,516 | 788,511 | 869,942 | 957,977 | 1,041,509 |
| Total Liabilities | 2,866,235 | 4,492,089 | 4,610,039 | 5,816,766 | 4,282,861 | 4,121,681 | 4,359,412 | 4,612,988 | 5,058,204 | 5,451,124 |
| Total Shareholders' Equity and Liabilities | 23,267,960 | 34,371,389 | 30,992,103 | 39,223,822 | 38,305,031 | 37,287,588 | 37,731,866 | 39,625,585 | 42,954,129 | 46,359,650 |

## INCOME STATEMENT

| | Historical | | | | | Forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Revenues from Sale of Newspapers and Magazines | 2,702,791 | 2,722,683 | 2,912,609 | 3,007,818 | 3,028,965 | 2,968,386 | 3,027,753 | 3,088,308 | 3,150,075 | 3,213,076 |
| Revenues from Advertisements in Newspapers and Magazines | 12,822,875 | 15,254,420 | 19,719,741 | 24,776,349 | 22,562,851 | 21,434,708 | 23,578,179 | 25,935,997 | 28,529,597 | 30,811,965 |
| Revenues from Commercial Press | 1,570,753 | 1,718,497 | 1,895,219 | 3,058,306 | 3,667,422 | 4,217,535 | 4,934,516 | 5,773,384 | 6,639,392 | 7,635,300 |
| **Total Revenues** | **17,096,419** | **19,695,600** | **24,527,569** | **30,842,473** | **29,259,238** | **28,620,629** | **31,540,449** | **34,797,690** | **38,319,063** | **41,660,341** |
| Cost of Sales | (9,832,564) | (11,518,524) | (12,935,340) | (14,791,573) | (15,799,657) | (17,036,731) | (18,379,632) | (19,850,121) | (21,463,998) | (23,239,472) |
| **Gross Profit** | **7,263,855** | **8,177,076** | **11,592,229** | **16,050,900** | **13,459,581** | **11,583,898** | **13,160,817** | **14,947,568** | **16,855,066** | **18,420,869** |
| Sales and Distribution Expenses | (433,837) | (615,230) | (986,025) | (1,315,088) | (1,275,754) | (1,144,825) | (1,261,618) | (1,391,908) | (1,532,763) | (1,666,414) |
| General & Administrative Expenses | (2,108,660) | (1,991,941) | (2,003,722) | (2,413,806) | (2,540,260) | (2,432,754) | (2,680,938) | (2,957,804) | (3,257,120) | (3,541,129) |
| **Operating Expenses** | **(2,542,497)** | **(2,607,171)** | **(2,989,747)** | **(3,728,894)** | **(3,816,014)** | **(3,577,579)** | **(3,942,556)** | **(4,349,711)** | **(4,789,883)** | **(5,207,543)** |
| **Operating Profit** | **4,721,358** | **5,569,905** | **8,602,482** | **12,322,006** | **9,643,567** | **8,006,319** | **9,218,261** | **10,597,857** | **12,065,183** | **13,213,327** |
| Other Revenues | 109,917 | 142,800 | 127,461 | 192,393 | 345,759 | 211,399 | 232,966 | 257,024 | 283,034 | 307,714 |
| Gains (Losses) from Trading Investments | 2,850,122 | 8,281,442 | (5,248,566) | 1,073,946 | (14,046) | 286,206 | 315,404 | 347,977 | 383,191 | 416,603 |
| Fees and Other Expenses | (373,890) | (537,122) | (205,901) | (443,707) | (336,353) | (343,448) | (378,485) | (417,572) | (459,829) | (499,924) |
| Interest Income | 108,554 | 75,878 | 119,081 | 539,133 | 493,923 | 212,686 | 175,940 | 275,786 | 295,194 | 323,320 |
| Financing Costs | - | (18,661) | (27,823) | - | - | - | - | - | - | - |
| **Profit before Tax** | **7,416,061** | **13,514,242** | **3,366,734** | **13,683,771** | **10,132,850** | **8,373,163** | **9,564,085** | **11,061,072** | **12,566,773** | **13,761,040** |
| Income Tax | (944,666) | (1,786,667) | (1,463,970) | (2,158,779) | (2,017,736) | (1,507,169) | (1,721,535) | (1,990,993) | (2,262,019) | (2,476,987) |
| **Net Income** | **6,471,395** | **11,727,575** | **1,902,764** | **11,524,992** | **8,115,114** | **6,865,994** | **7,842,550** | **9,070,079** | **10,304,754** | **11,284,053** |

## KEY RATIOS

| | Historical | | | | | Forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| **Growth Ratios** | | | | | | | | | | |
| Growth in Operating Revenues | (0.7%) | 18.0% | 54.4% | 43.2% | (21.7%) | (17.0%) | 15.1% | 15.0% | 13.8% | 9.5% |
| Growth in EBITDA | 24.3% | 76.9% | (71.0%) | 237.5% | -24.3% | (20.6%) | 23.1% | 13.9% | 13.0% | 9.1% |
| Growth in Net Profit | 30.5% | 81.2% | (83.8%) | 505.7% | -29.6% | (15.4%) | 14.2% | 15.7% | 13.6% | 9.5% |
| Growth in Shareholders' Equity | 16.4% | 46.5% | (11.7%) | 26.6% | 1.8% | (2.5%) | 0.6% | 4.9% | 8.2% | 7.9% |
| Growth in Total Assets | 17.0% | 47.7% | (9.8%) | 26.6% | -2.3% | (2.7%) | 1.2% | 5.0% | 8.4% | 7.9% |
| **Liquidity Ratios** | | | | | | | | | | |
| Current | 8.38 | 8.79 | 6.48 | 5.73 | 7.88 | 8.05 | 7.59 | 7.54 | 7.22 | 7.29 |
| Quick | 7.11 | 7.84 | 5.46 | 4.45 | 5.05 | 5.47 | 4.90 | 4.95 | 4.86 | 4.88 |
| Length of Operating Cycle | | 179 | 182 | 231 | 326 | 325 | 308 | 305 | 294 | 290 |
| Length of Cash Cycle | | 171 | 171 | 212 | 309 | 303 | 289 | 291 | 281 | 278 |
| **Turnover Ratios** | | | | | | | | | | |
| Inventory Turnover Ratio | 4.37 | 3.86 | 3.83 | 2.88 | 1.85 | 1.72 | 1.87 | 1.89 | 2.01 | 2.05 |
| Debtors Turnover | | 4.32 | 4.19 | 3.50 | 2.84 | 3.26 | 3.26 | 3.26 | 3.26 | 3.26 |
| Creditors Turnover | | 43.43 | 31.46 | 19.88 | 21.17 | 16.67 | 20.00 | 26.32 | 27.78 | 28.57 |
| Net Fixed Assets Turnover | 4.13 | 3.98 | 3.89 | 3.75 | 3.18 | 3.37 | 3.81 | 4.07 | 4.10 | 4.10 |
| Total Asset Turnover | 0.79 | 0.68 | 0.75 | 0.88 | 0.75 | 0.76 | 0.84 | 0.90 | 0.93 | 0.93 |
| **Profitability Ratios** | | | | | | | | | | |
| Gross Profit Margin | 42.5% | 41.5% | 47.3% | 52.0% | 46.0% | 40.5% | 41.7% | 43.0% | 44.0% | 44.2% |
| EBITDA Margin | 47.0% | 72.2% | 16.8% | 45.2% | 36.1% | 29.3% | 32.7% | 33.8% | 34.7% | 34.8% |
| Net Profit Margin | 37.9% | 59.5% | 7.8% | 37.4% | 27.7% | 24.0% | 24.9% | 26.1% | 26.9% | 27.1% |
| ROAA | 30.0% | 40.7% | 5.8% | 32.8% | 20.9% | 18.2% | 20.9% | 23.5% | 25.0% | 25.3% |
| ROAE | 34.1% | 46.7% | 6.8% | 38.6% | 24.1% | 20.4% | 23.6% | 26.5% | 28.3% | 28.6% |
| ROCE | 34.8% | 43.2% | 12.0% | 38.6% | 27.9% | 24.2% | 27.7% | 30.4% | 32.0% | 32.5% |
| **Valuation Ratios** | | | | | | | | | | |
| Number of Shares | 4,500,000 | 6,000,000 | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 | 8,000,000 | 8,000,000 |
| Share Price | 18.81 | 18.80 | 10.29 | 19.73 | 16.14 | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 |
| EPS | 1.08 | 1.56 | 0.25 | 1.54 | 1.08 | 0.92 | 1.05 | 1.21 | 1.29 | 1.41 |
| DPS | 0.50 | 0.90 | 0.60 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| BV | 4.53 | 4.98 | 3.52 | 4.45 | 4.54 | 4.42 | 4.45 | 4.67 | 4.74 | 5.11 |
| P/E | 17.44 | 12.02 | 40.56 | 12.84 | 14.92 | 15.29 | 13.39 | 11.58 | 10.87 | 9.93 |
| P/BV | 4.15 | 3.78 | 2.93 | 4.43 | 3.56 | 3.17 | 3.15 | 3.00 | 2.96 | 2.74 |

**Disclaimer**