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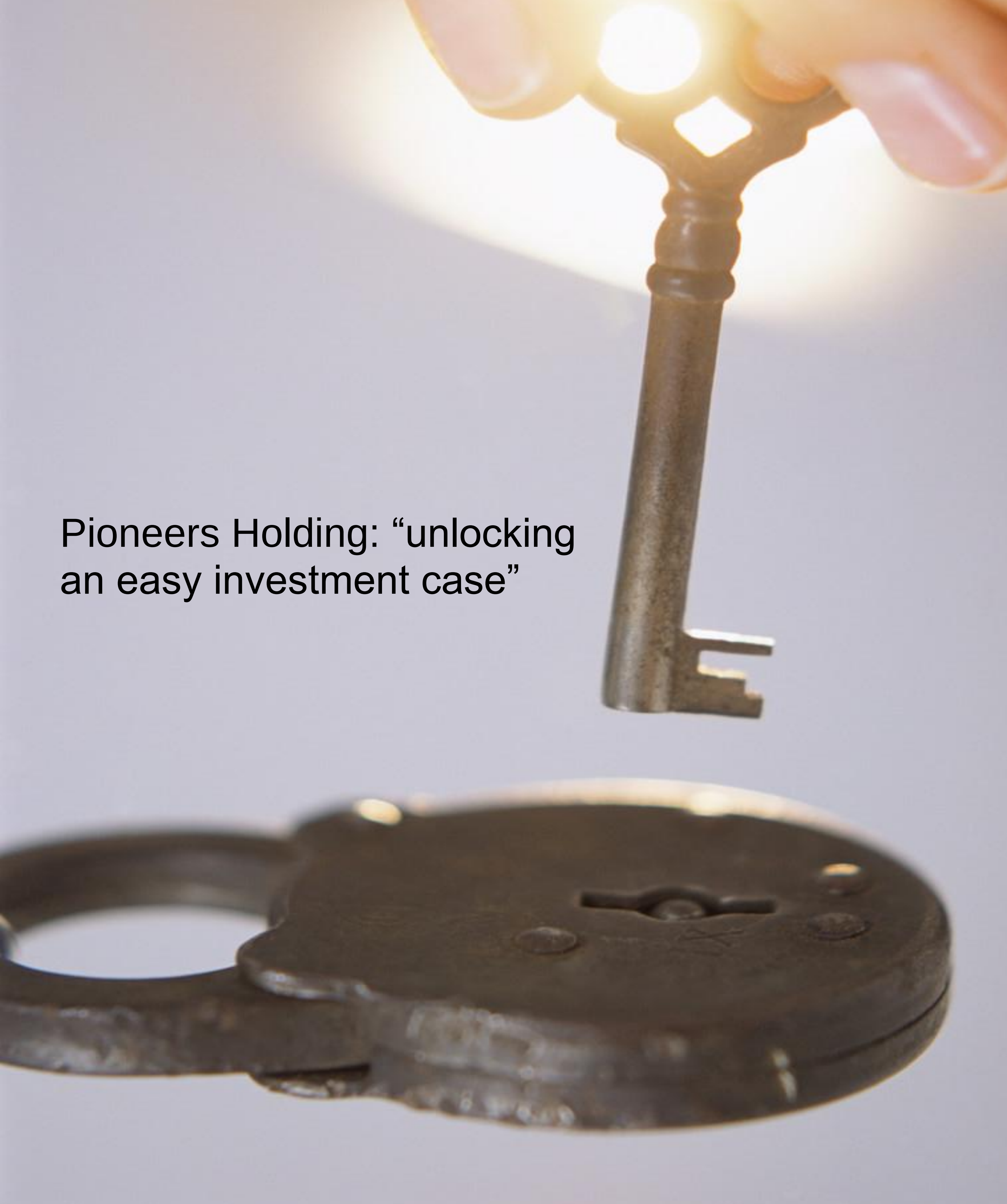


Pioneers Holding: “unlocking an easy investment case”

PIONEERS HOLDING

Pioneers Holding – Unlocking an Easy Investment Case - BUY!

We value Pioneers Holding (PIOH) at EGP14.29/share, a BUY – an upside of 100.6%. Post the 60% Rooya swap, we infer c.87% of the group's gross asset value (GAV) comprising of real estate assets. Bulk of what we perceive as undiscounted value, originates from the real estate portfolio; inclusive of eight individual companies – most of which are listed in the EGX. Contrary to market perceptions, the financial services assets account for just 5% of PIOH's GAV. Our valuation implies a strong BUY; an easy investment case, given the prelude to an anticipated spin-off/IPO of the real estate portfolio in 2016.

What's not in the price now? As per our valuation, a large chunk of PIOH's undiscounted/locked-in value, originates from its real estate portfolio – with Rooya (owned 60%, consolidated fully starting 1Q15), United Company for Housing (UNIT, owned 33%) and Cairo for Housing (ELKA, owned 68%) standing out as the largest contributors. With PIOH through its subsidiaries effectively owning total land bank of 4.04msqm, our valuation of the real estate portfolio implies a price/sqm of EGP1,867. While viewing this as a big discount to prevailing land prices, the same however, does fall in the range of some of the pure-play real estate developers in Egypt – nevertheless, without justification. We expect PIOH to pursue unlocking this hidden value through: a) further consolidation of ownership/control over the largest assets and, b) spinning-off of the real estate assets through an IPO (expected in 2016).

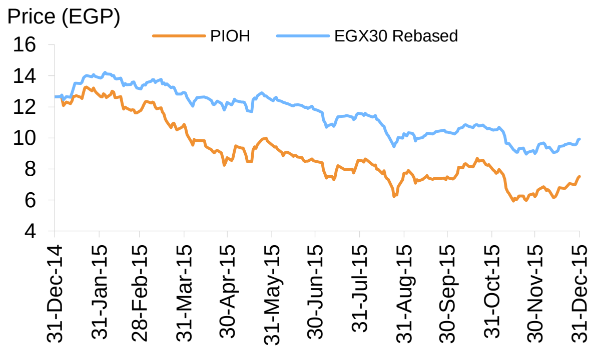
What's in the price now? The current share price of EGP7.12/share, reflects in our opinion, the market valuing PIOH almost as a marked-to-market equity investment company; and then applying a meager premium over it. Contrary to this angle, our approach views PIOH more like a holding company with strategic control over its portfolio of investments - individually valuing each of the assets, most of which are already listed with proven profitability/execution track records, strong balance sheets and rich in land bank. Bulk of the underpricing, seems reasoned by the complexity of its financial structure, lack of research coverage, and market misperceptions over dilution risks.

We value PIOH at EGP14.29/share: We apportion 50% weights, each to two valuation approaches – 1) assuming development of the real estate portfolio through a DCF model and, 2) purely based on the value of the available salable land (or the NAV approach). Valuations 1 & 2 arrive at NAVs of EGP14.78/share and EGP13.79/share, respectively. Gross of PIOH's holding company assets/liabilities, Rooya accounts for 62% of the total value, followed by UNIT (11.6%), ELKA (9.7%) and financial services (5%). Most of the remaining NAV comprises of the recently acquired brownfield assets – Arab Dairy and Giza Cables – both of which we value at book/cost.

Recommendation	BUY
Market Price (EGP)	7.12
Fair Value (EGP)	14.29
Upside Potential (%)	100.6%
Name of the Index	EGX

Stock Data	
Reuters Code	POIH CA
Bloomberg Code	PIOH EY
Shares Outstanding (m)	566.7m
Market Cap (EGPm)	4,001
Market Cap (USDm)	510
Free Float (%)	52.7

PIOH vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Financial Indicators & Valuation Multiples

(EGPm)	2011a	2012a	2013a	2014a	9M15a
Revenue	113	1,322	1,602	2,416	3,937
Gross Profit	134	371	396	615	1,091
EBIT	107	305	465	583	868
Net Income	77	121	160	242	401
ROE (%)	3.0	4.7	5.8	8.0	14.2*
Net debt/Equity	0.04	(0.03)	0.00	(0.00)	0.25
P/E (x)	NM	29.1	22.0	14.5	7.5*

*Source: Company Data, NAEEM Research *annualised*

Risks to be noted: The main risk for PIOH comes from the inside – given management's focus to raise ownership in some of the real estate assets (primarily, ELKA and UNIT) – through increased leverage, involving high debt-servicing costs. Secondly, like in the case with other real estate developers, execution risks need to be considered, with large undeveloped land; in addition, with the presence of sizable minority shareholders across assets.

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Valuation

We recommend PIOH as a BUY with a TP of EGP14.29/share.

We value PIOH at EGP14.29/share and recommend BUY. We derive our valuation allotting 50% weights, each to the DCF-based development model and land bank NAV. The DCF route values the company at EGP14.78/share (upside of 108%) and the NAV route values the company at EGP13.79/share (upside of 94%). At current market capitalisation, Interestingly, PIOH's GAV (EGP7.12/share) is almost identical to the listed value of its owned investments; in addition, valuing Rooya (consolidated starting 1Q15) at its swap value (which was made at a massively discounted price of EGP448/sqm). Our DCF-based development model, assumes a discount rate of 19% on individual project cash flows (spread across three-five years) and a tax rate of 22.5%. The land NAV model takes into assumption, prevailing market prices of land based on information collated from various sources including - brochures, brokers/agents, cold calling exercises and PIOH – whichever, the lowest. In both the valuation approaches, for the companies/assets wherein PIOH owns a stake of 60% or lower, we apply a 20% holding company discount to the arrived equity fair values.

PIOH's valuation break-down scenarios

Asset	Sector	Ownership	Listed value	DCF	Land NAV	Base-case
				EGP/share		
Cairo for Housing	Real Estate	68%	1.24	1.26	1.70	1.48
Giza Gen Contracting	Contracting	38%	0.14	0.12	0.14	0.13
Electro Cable	Industrials	29%	0.21	0.21	0.21	0.21
United for Housing	Real Estate	33%	0.50	1.67	1.87	1.77
Elsaeed	Contracting	33%	0.24	0.18	0.31	0.25
Rooya	Real Estate	60%	2.88*	10.43	8.65	9.54
UNIP	Paper/Pack	33%	0.03	0.03	0.03	0.03
Egyptians for Housing	Real Estate	12%	0.08	0.09	0.11	0.09
Egyptians Abroad	Real Estate	12%	0.03	0.06	0.09	0.06
Financial services	Financials	90%-100%	0.76	0.76	0.76	0.76
Giza Power	Industrials	55%	0.38	0.38	0.38	0.38
Arab Diary	Food	72%	0.62	0.62	0.62	0.62
Gross Asset Value			**7.12**	**15.81**	**14.82**	**15.32**
Holding Co. debt			(0.09)	(0.09)	(0.09)	(0.09)
Holding Co. cash			0.01	0.01	0.01	0.01
Other assets/(liabilities)			(0.47)	(0.47)	(0.47)	(0.47)
Shareholder loans (Giza Power)			(0.48)	(0.48)	(0.48)	(0.48)
Net Asset Value (EGP/share)			**6.09**	**14.78**	**13.79**	**14.29**

*Source: NAEEM estimates. Note: * Rooya's book value is represented by the implied SWAP value in return for PIOH shares*

Combined, Rooya, UNIT and ELKA, account for 84% of PIOH's equity fair value.

Rooya, UNIT and ELKA are the largest assets owned by PIOH. Our base-case valuation, values Rooya, UNIT and ELKA at EGP9.54/share, EGP1.77/share and EGP1.48/share, respectively – making up c.84% of PIOH's equity value (gross of holding company assets/liabilities). All the three companies have a rich concentration of land bank; Rooya owning 6msqm, UNIT owning 0.6msqm and ELKA owning 0.182msqm – with parts of them representing development stage assets and, at prime locations. Its financial services business (inclusive of investment banking and brokerage operations) represents a value of EGP0.76/share (5% weight) – implying a P/B multiple of 1.6x and a P/E of 10x. The rest of PIOH's NAV consists mostly of Arab Dairy and cables (Giza Power and

Electro Cable) – both of which we value at market value (i.e. based on the latest prevailing share price).

PIOH is expected to spin off its real estate portfolio through an IPO in 2016.

Anticipating the real estate spin-off in 2016. With almost 90% of PIOH's NAV comprising of real estate assets, segregation/spinning off of these investments into a separate vehicle, seems like the ideal way forward; with the obvious objective to unearth shareholder value for PIOH. As already indicated in the public domain, management expects to undertake an IPO in 1H16, floating part of its real estate portfolio. While we are yet to accurately confirm exact details, the IPO could be pertaining to either Rooya standalone or a combination of Rooya along with the other real estate assets clubbed under a single umbrella. Assuming the latter scenario (Rooya clubbed with other assets), PIOH could look to raise its ownership stakes in the underlying assets, prior to the spinoff (at the least, ensuring majority control at the subsidiary level). Reinforcing the argument, we observe PIOH already having raised its stakes recently (4Q15) in ELKA (by 31pps), Egyptians for Abroad (ABRD, by 2pps) and Egyptians for Housing (EHDR, by 2pps) – in total, costing the group c.EGP325m, based on our calculations. While the size of the IPO and the float, are yet to be revealed, PIOH expects to partly cash-out with the proceeds; with part of the proceeds also expected to be reinvested into the new entity.

In 2015, PIOH acquired an additional 48% stake in Arab Dairy for EGP206m.

Although seemingly interesting, we value Arab Dairy at investment cost. During 2015, PIOH acquired a strategic stake in cheese maker Arab Dairy, increasing its ownership in the subsidiary to 72% from 24% - costing the group c.EGP206m. While the exposure to the Egyptian food industry through the brownfield investment does seem promising from a longer term standpoint, we prefer to apply a wait-and-see approach; for now, valuing the investment at cost. In addition, with the sector continuing to witness increased M&A activity (ex: Biscomisr, Gozour, Timmys, Hallayeb, JUFO/Arla etc.) driven by its attractiveness, we would not be surprised of a sooner-than-anticipated exit by PIOH. As for the developments in the Egyptian dairy market, the sector seems promising, especially given the downtrend in the price of raw materials (raw milk powder) and the increased demand for feta cheese as a source of cheap, easy to transport, and easy to store protein for the masses. With Arab Dairy already having a sizable market share, additional investments could be made in order to create a much more profitable business – important to bear in mind that since its takeover by PIOH, Arab Dairy has reverted back to profitability (previously loss making) at the bottom-line.

Rooya to undergo a capital increase as part of B/S restructuring.

Shareholder loans worth EGP680m pertain to an upcoming capital increase for subsidiary Rooya; with no dilution risks for PIOH. We infer a shareholder loan worth EGP680m having appeared in PIOH's B/S in the 9M15 financial statements. Upon clarification with management, we note that the amount represents a loan from PIOH to Rooya, which would later be converted to equity in the subsidiary (an accounting entry as a preamble to the capital increase). The same comes as part of a capital increase (to be done in two phases by end-2015) for Rooya – to restructure its B/S (which currently has barely any networth in the books), in order to make it more presentable to banks in order to obtain a syndicated loan. Crucially, PIOH would contribute to the extent of 60% (its share in Rooya) in the capital increase; maintaining its stake in the subsidiary (hence, ruling out any dilution risks). With regards to the syndicated loan (expected post the capital increase), while the extent of loan financing is not officially disclosed by the company, we assess the same to be in the range of EGP2bn - EGP2.5bn; given our estimation of a similar amount being stuck in working capital (pertaining to projects undertaken) at the Rooya subsidiary level. Proceeds of the anticipated capital increase and loans, would be channeled to finance land liabilities, as well as to speed up on project executions (existing and new) at Rooya.

PIOH transformed itself into a diversified holding company during 2010-2015

PIOH's made investments worth EGP3.1bn during 2010-2015.

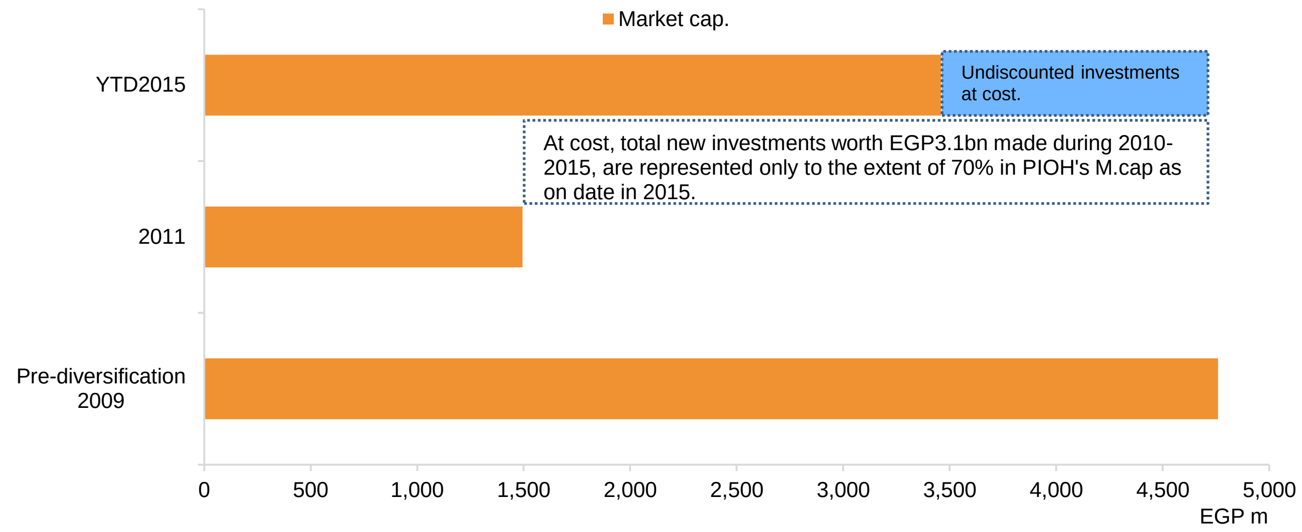
Exposed mostly to Egypt, PIOH started off (around 1995/1996) as a pure-play financial services company; consisting mainly of brokerage, asset management and investment banking functions. Post the January 2011 revolution in Egypt however, the company's management implemented an opportunistic investment approach – aggressively prioritising towards diversification and broadening of horizon into sectors such as real estate & contracting, industrials and consumers (most of which are listed entities in the EGX). During the years 2010-2015, the PIOH acquired strategic stakes in companies such as ELKA (2011, real estate), UNIT (2012, real estate), Giza Contracting, El Saeed Contracting (2011, real estate and contactors), Electro Cables (2011/12, industrials), Rooya (2014/15, real estate), Arab Dairy (2014/15, consumers), and Giza Power (2015, industrials). Based on our estimate, the summation of all the transactions amounted to c. EGP3.1bn – almost equally involving both cash and swaps (in exchange for PIOH shares). Given the aggressive asset acquisition spree (which is still ongoing), as of 2015, PIOH's intrinsic value now comprises of - real estate (87%), financial services (5%), industrials (4%) and consumers (4%). However, its current market cap. represents just 70% of these investments (at cost), as on date in 2015.

PIOH's main investments during 2010-2015

Asset	Sector	Ownership	Year of control	Investment (EGPm)	Cost/share (EGP)	Current price (EGP)
Cairo for Housing	Real Estate	68%	2010	601	9.87	11.09
Electro Cable	Industrials	29%	2012	132	0.98	0.82
Giza Gen Contracting	Real Estate	38%	2012	75	2.25	2.38
El Saeed Contracting	Real Estate	33%	2012	176	0.94	0.88
United for Housing	Real Estate	33%	2012	363	13.20	9.96
Rooya	Real Estate	60%	2015	1,223	NA	NA
Arab Diary	Food	72%	2015	309	79.57	80.30
Giza Power	Industrials	55%	2015	214	NA	NA
Total investment (EGPm)				**3,093**		

Source: Company Data, NAEEM estimates

PIOH's market capitalisation versus new investments added over the years



Source: Company Data, NAEEM estimates

PIOH is a significantly undervalued story, but with no valid reasoning

PIOH's current market price implies a price/sqm of EGP872 – a big discount to the prevailing market rates.

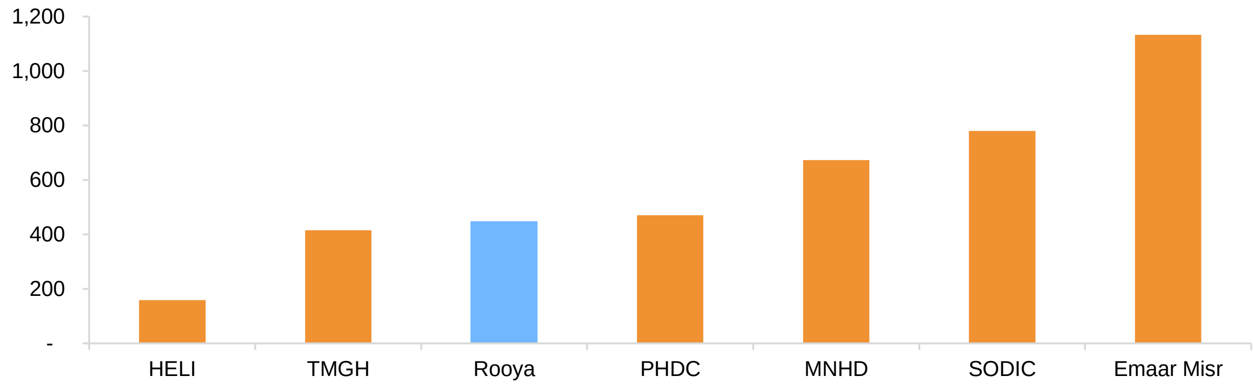
Base-case, we infer an upside of 100.6% to PIOH – with a large chunk of this undiscounted/locked-in value, originating from the real estate portfolio – with Rooya, UNIT, and ELKA, standing out as the largest contributors. The company through its subsidiaries effectively owns total land bank amounting 4.04msqm; with the current market price implying a price/sqm of EGP872 – a distressed scenario, in our opinion. While viewing this as a big discount to prevailing land prices (based on the location and type (residential/commercial)), the same however, does fall in the range of few pure-play real estate developers listed in Egypt – nevertheless, we note that most of the real estate portfolio owned by PIOH subsidiaries have the relative merits of being located in prime areas. Hence, we see no valid justification to the underlying discount on PIOH's real estate assets and land bank; which are dispute free, with proven profitability track records and having healthy balance sheets. Post having undertaken extensive verifications; i.e. project brochures/websites, brokers/agents, cold calling exercises, and applying a tax rate of 22.5%, discount rate of 19% (in the DCF model) and a holding company discount of 20%, our valuation of the company's real estate assets reflects a price/sqm of EGP1,867. While the company's other remaining assets such as financial services and Arab Dairy, could arguably also reap good returns in the longer run, our valuation assumes minimal value accretion from these avenues for now.

PIOH's portfolio of real estate assets

Asset	M.Cap. (EGPm)	Available land (sqm)	M.Cap implied price/sqm (EGP)	Prevailing market rate^ (EGP/sqm)	Our valuation (EGP/sqm)
Cairo for Housing	1,040	181,774	5,720	11,548	6,810
Giza Gen Contracting	213	76,284	2,799	4,209	2,592
United for Housing	867	596,137	1,454	9,743	5,106
El Saeed Contracting	415	97,987	4,238	7,549	4,334
Rooya*	2,723*	6,083,145	448	6,259	1,481
Egyptians for Housing	376	82,873	4,543	13,569	5,421
Egyptians Abroad	150	32,373	4,632	10,855	8,545
PIOH (effective ownership)		**4,040,722**	**872**		**1,867**

*Source: NAEEM estimates. * Rooya M.cap is represented by the implied SWAP value in return for PIOH shares*
^Weighted average prices based on market prices and BUA information provided by the company in each portfolio with difference prices; weights are assigned according to the BUA

Implied land value (based on M.Cap) per sqm of undeveloped land (EGP/sqm)



Source: Company Data, NAEEM estimates, Rooya MCap assumed to be EGP2.7bn i.e. at SWAP value

PIOH and its subsidiaries have healthy balance sheets, proven profitability track records and, no disputes.

While PIOH's underlying valuation seems compelling, its B/S and profitability depicts a healthy track record too; the same, also reflected in most of its platform investments/subsidiaries and their respective financial positions – overall, throwing no signs of red flags in terms of liquidity, profitability and most importantly, disputes with regards to owned land, court cases (both a common phenomenon in Egypt), management controversies etc. Backed by increased impacts of consolidation of real estate assets into its books, PIOH has managed to sustain its profitability margins post the 2011 revolution. While we do take cognizance of rising overheads and construction costs, pressuring margins for most real estate developers and contractors, profitability in absolute terms has witnessed a visible uplift over the past few years – a result of higher unit pricing and a booming real estate sector buffering the impacts of a depreciating EGP and inflation. On the other hand, PIOH's financial services portfolio, has managed to report a positive bottom-line (with YTD15 depicting a near break-even situation). Arab Dairy, the recently acquired cheese producer, was the only sizable loss-making investment till 2014; however, the subsidiary has recommenced reporting profits since the takeover in 2015. In line with other industrial manufacturers in Egypt, Electro Cables margins remain wafer thin, because of rising costs and competition.

Operating performance and financial position - PIOH and subsidiaries

Asset (EGPm)		2012	2013	2014	9M15
PIOH Consolidated	Sales	1,348	1,641	2,434	3,937
	Net profit	121	160	242	401
	Net margin	9.0%	9.7%	9.9%	10.2%
	Total debt	550	816	1,233	3,029
	Cash	691	804	1,251	1,309
	Net debt	(141)	12	(18)	1,720
Cairo for Housing	Sales	482	421	645	611
	Net profit	74	149	90	73
	Net margin	15.3%	35.3%	14.0%	12.0%
	Total debt	327	521	610	540
	Cash	340	452	499	636
	Net debt	(12)	69	111	(96)
United for Housing	Sales	43	27	88	72
	Net profit	29	25	35	32
	Net margin	68.4%	95.2%	40.2%	44.3%
	Total debt	-	-	-	-
	Cash	51	31	41	49
	Net debt	(52)	(31)	(41)	(49)
El Saeed Contract.	Sales	259	268	419	507
	Net profit	62	67	75	75
	Net margin	23.9%	24.9%	17.8%	14.8%
	Total debt	1	9	1	23
	Cash	6	84	44	103
	Net debt	(5)	(76)	(44)	(80)
Giza Contracting	Sales	257	432	646	599
	Net profit	21	27	40	44
	Net margin	8.0%	6.3%	6.2%	7.3%
	Total debt	68	52	39	50
	Cash	30	33	53	96
	Net debt	37	20	(13)	(46)
Arab Dairy	Sales	608	650	627	398
	Net profit	10	(4)	(30)	5
	Net margin	1.6%	-0.6%	-4.7%	1.3%
	Total debt	171	159	192	203
	Cash	7	7	11	13
	Net debt	164	152	181	190
Electro Cable	Sales	439	542	622	425
	Net profit	(0)	8	44	22
	Net margin	-0.1%	1.4%	7.0%	5.2%
	Total debt	80	137	153	224
	Cash	13	16	21	25
	Net debt	67	122	132	199
Egypt for Housing	Sales	NA	19	12	48
	Net profit	NA	3	2	6
	Net margin	NA	13.5%	12.9%	12.5%
	Total debt	NA	-	-	4
	Cash	NA	9	21	14
	Net debt	NA	(9)	(21)	(10)
Egyptians Abroad	Sales	NA	7	9	22
	Net profit	NA	1	1	4
	Net margin	NA	7.5%	10.3%	17.7%
	Total debt	NA	-	-	-
	Cash	NA	8	23	38
	Net debt	NA	(8)	(23)	(38)

Source: Company data, NAEEM estimates. Note: negative net debt implies excess cash over debt

We foresee value-unlockment for PIOH through the following steps:

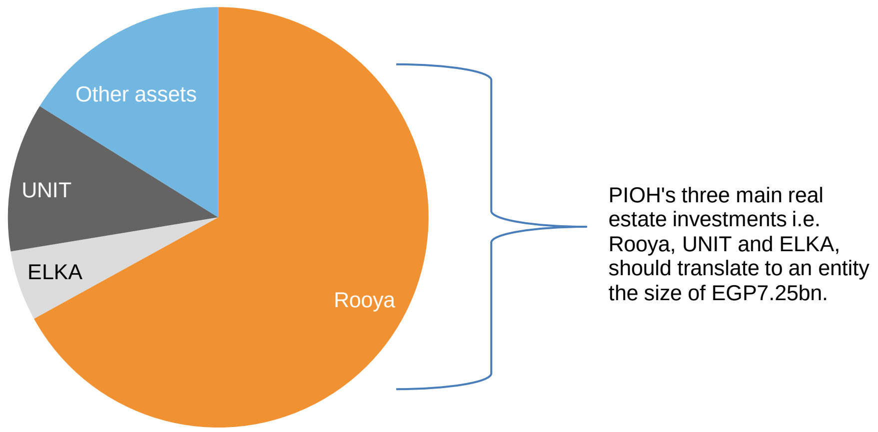
Spin-off/segregation of real estate assets could be a prelude to an impending IPO – unlocking returns for PIOH shareholders.

1) Anticipating a structural spin-off - a conventional route which we expect PIOH to take to unlock trapped value, is through segregation of its majority-owned real estate assets from the rest of the entity. Like in the case with similar entities in the region (OCI NV, Qalaa Holdings, Amer, EMAAR etc), PIOH could look to deconsolidate its real estate portfolio and club them under a separate investment vehicle – overall, resulting in the creation of a pure-play real estate conglomerate. While speculating on the vehicle composition/structure would be a difficult guess, the following point should be also taken into context as a pre-occurrence

2) Further consolidation of existing investments - As a prelude to an expected spin-off (of majority owned assets), PIOH could explore avenues to raise its ownership stakes in the other main real estate subsidiaries – i.e ELKA and UNIT – in order to have maximum control over their boards. While the company is already in the process of increasing its ownership in ELKA (with ownership raised from 37% to 68% in 4Q15), exploring the same with regards to UNIT and the other smaller subsidiaries, could be a matter of time, in our opinion. Assuming PIOH to purchase the additional stakes (resulting in majority control), at current market price, the exercise should cost the group a minimum of EGP500m, based on our estimate. Important to note that as per the rules, PIOH would have to gain board approvals (of ex-PIOH shareholders), independent financial advisor fair price evaluations and regulatory green signals, prior to acquiring the required additional stakes in the subsidiary companies

3) An IPO in 2016 – assuming successful consolidation of ownership control and creation of the vehicle (i.e. deconsolidation of the real estate portfolio from the rest of PIOH), the simplest way forward would be part-dilution of equity through an IPO. Important to note, that management has already given indications of undertaking a real estate IPO in 1H16. While still early days to speculate, like in the case with recent transactions, a c.20%-25% float could be a reasonable assumption. Going by its existing ownership stakes, PIOH's three main real estate investments (Rooya, UNIT, ELKA and the smaller developers) should represent an equity value of EGP7.25bn, based on our estimates. However, assuming a contrarian scenario of PIOH being unable to consolidate control over ELKA and UNIT (along with the other smaller names), its investment in Rooya (the only majority controlled real estate asset as on date), represents an equity value of EGP5.4bn, as per our calculations

PIOH's fair value composition in the context of a spin-off

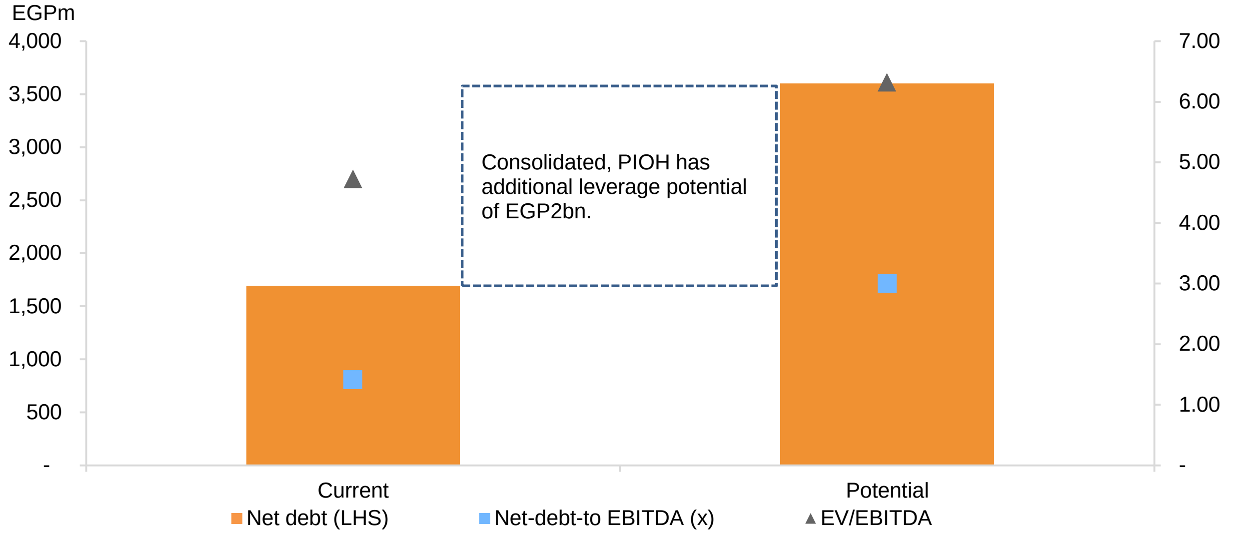


Source: NAEEM estimates

Leveraging up is another way out for PIOH to unlock hidden value.

4) Leveraging on the balance sheet - going by the books, we infer PIOH and its standalone assets, having sufficient room to lever up on the B/S front – i.e. an incremental EGP2bn of additional debt. With a forward Net Debt/EBITDA multiple of 1.4x, we see the company being able to raise sufficient amounts of debt to speed up on the execution side of its large real estate assets; mainly Rooya, UNIT and ELKA. In line with conventional covenant norms, underlying, the company should be comfortably able to stretch its books to an implied gearing level (net-debt-to-EBITDA) of 3.0x and an EV/EBITDA of 6.0x (from the current 4.7x)

Leverage potential – PIOH consolidated



Source: Company Data, NAEEM estimates

Commencement of meaningful dividend payouts, but beyond 2016.

5) Dividend commencement: Given its strong balance sheet and recurring earnings/cash flow stream, PIOH should be eventually headed towards adopting a dividend policy. While the absolute payouts (if any) in the short term could be minimal (due to its current focus on stake acquisitions, investments and raising of liquidity profile), distribution of dividends is a strategy that would eventually be implemented; especially, given conventional wisdom that stocks representing stable yields usually trade at premiums to the market in general. In PIOH's case however, we infer Rooya facing near-term requirements on the liquidity side, with roughly EGP2.3bn of cash stuck in working capital (related to projects currently undertaken) – hence, we expect the company to boost its liquidity profile during the next twelve months, before implementing a sustainable/meaningful dividend payout policy. While PIOH has sufficient cash in hand (EGP1.3bn as of 9M15) to restart dividend payouts; however, we expect the company to be focused more on expansions/stake acquisitions during the next twelve months.

PIOH : Snapshot of key subsidiary companies owned

Rooya	Pioneers acquired a 60% stake in Rooya in 2014 for EGP1.22bn in a share swap and cash deal; fully consolidated into the books starting 1Q15. Rooya Group is amongst the leading property developers in Egypt, with available land bank of approximately 6msqm; to be developed as first homes, second homes and commercial/retail developments. Most of its land bank is concentrated in East Cairo (Stone Park), Marsa Alam, Ain Sokhna (both along the red sea) and Sahel (north coast). ▶ Stone Park: The East Cairo project with a total area of 1.8msqm, is the largest project for the company; deriving maximum value potential. Stone Park would be developed 40:40:20 as villas : apartments : commercial spaces – to be developed in five phases. Management has disclosed that phases 1 & 2 of the project have already achieved close to 90% sales (villas and townhouses). Phase 3, 4 & 5 are expected to commence execution starting January 2016, with project completion expected in four to five years. Essential to also take into consideration that parts of the project would be co-developed with ELKA ▶ Telal El Sokhna - The red sea project has a waterfront of six kilometers and total land of 2.5msqm. Sokhna-I is already sold out, while Sokhna 2 is current underway with phase-I sold out and phase-II having achieved 17% sales. Phase III with a total BUA of 257ksqm is expected to commence execution by end-2015 ▶ Telal el-Sahel 2: The tourist residential project in the North Coast is established on a space of nearly 718ksqm, with a total BUA of 144ksqm and total hotel units amounting to 800 units. Project implementation will start in January 2016 and last for 3.5 years ▶ Wadi Shuni: A leisure residential project located in Marsa Alam on a space of nearly 1.2msqm, with a total BUA of c.300ksqm. The project implementation will start in July 2016 and last for four years ▶ Sahary 6 October: A residential project located in the city of 6th of October on a space of nearly 130ksqm, with a total BUA of c.112ksqm; project implementation will start in January 2016 and last for three years
Cairo for Housing/ELKA	**Owned 68% by PIOH, Cairo for Housing and Development owns:** ▶ Residential units with a space of approximately 101,000sqm - distributed among the company's projects in Cairo (76ksqm in Maadi, New Cairo and Mokattam) and Alexandria ▶ ELKA also owns commercial real estate inventory in many of its projects, with a total space of 42,500sqm ▶ Galleria Mall - The company has also acquired a commercial mall in the 5th settlement at a cost of EGP240m. Finishing works at the mall are currently being carried out by the company; the mall is expected to be officially open in February 2016 ▶ ELKA also has an agreement with Rooya to co-develop parts of the Stone Park project; in return for in-kind consideration of units ▶ The total space of the company's unutilized lands amounts to nearly 38ksqm
United for Housing/ UNIT	**Owned 33% by PIOH, UNIT:** ▶ The company owns total unutilized land area of 428ksqm, 99% of it located in Alexandria; in particular Seyouf (116 acres) – regulatory approvals have been obtained, with the plot expected to be monetized through sale of land parcels, as well as developments/co-developments ▶ UNIT owns around 750 housing units and commercial stores in old buildings (rented by virtue of old rental system). The company seeks to regularize the status of these buildings through an external legal consultant to maximize return. As on date, the company has succeeded in freeing up 53 units and is currently working on selling them ▶ It also owns fully-built housing units with salable area of 22,000sqm ▶ 3rd phase of Fardous October - implementation has started on eight land plots in 6th of October as extension to the Fardous October project (phases 1, 2). Project salable area is 18ksqm

Arab Diary	**Owned 72% by PIOH, Arab Dairy:** Arab Diary is one of the leading cheese makers in Egypt, selling its cheese and milk products to retailers and restaurants in Egypt and the Middle East. Exports represent 40% of total revenue – making it self-sufficient to finance FX needs for imports. Pioneers had acquired a majority stake in Arab Diary in early 2015 in a bidding war with Lactalis subsidiary Al-Nour for Dairy Industries at a price of EGP71.11/ share. Later-on, PIOH sold c.12% of its stake to an existing investor El Gohar in the company. As on date, PIOH's stake in Arab Dairy stands at 72.35% with 25% owned by El Gohar. The company bought 15ksqm of industrial land, which will be used to expand the existing factory and add new production lines. Arab Dairy is currently pursuing to adopt an aggressive marketing plan for 2016.
Electro Cables/Giza Power	**Owned 29% by PIOH, ELEC:** ELEC is actively engaged in manufacturing electrical cables for low and medium-voltage as well as telephone cables and related hardware. The company operates in the domestic market with an estimated market share of 10% to 12% and also exports to Arab and African states. PIOH owns a 29% stake in Electro Cables. The subsidiary along with PIOH recently acquired Giza Power; intending to synergies its new factory with Electro Cables existing one (which is old). ELEC plans to set up a new factory in Badr city.
Financial Services	The financial service arm of Pioneers provides brokerage, asset management and investment banking services. The brokerage division mainly caters to retail and HNW investors in Egypt which represents a major chunk of market volumes.

Project pipeline - PIOH and subsidiaries

Asset	Project	Type	Location	Area (sqm)	Start date	Duration
Rooya	Wadi Shuni	Tourist residential	Marsa Alam	300,000	July 2016.	4 years
	Sahari october	Residential	6th of October	112,000	January 2016.	3 years
	Telal El Sehel 2	Tourist residential	North Coast	144,000	January 2016.	3.5 years
	Stone Park PH 3	Residential	New Cairo	412,000	January 2016.	4 years
	Stone Park PH 4	Commercial	New Cairo	867,000	January 2016.	5 years
	Stone Park PH 5	Commercial	New Cairo	198,000	January 2016.	4 years
	Canals Village	Tourist residential	Marsa Alam	120,000	July 2016.	3 years
	Telal El Sukhna PH 3	Tourist residential	Obou-aldarj	257,000	2015	3 years
	Telal el-Sahel (Ext.)	Res. & Commercial	North Coast	80,000	January 2016.	3 years
ELKA	Sakan	Residential	New Cairo	34,559	In progress	3 years
	Block 62	Residential	Maadi - Cairo	29,436	In progress	3 years
	Mandara 102	Residential	Alexandria	19,157	In progress	4 years
	Gallery Mall	Commercial	New Cairo	42,108	In progress	3 years
UNIT	Fardouse Phase 2	Residential	6th of October	13,635	January 2016.	3 years
	Fardouse Phase 3	Residential	6th of October	18,356	January 2016.	3 years
	Loa'loa'a 1-2	Res. & Commercial	Alexandria	13,117	January 2016.	3 years
	Gawhara	Res. & Commercial	Alexandria	120,707	January 2016.	3 years
Elsaeed Contracting	Darna	Residential	Maadi	40,182	In progress	3 years
	Lotus	Residential	6th October	21,284	In progress	3 years
	Darna Mall	Commercial	Maadi	13,283	January 2016.	3 years
	Nasr city Mall	Commercial	Nasr City	7,520	January 2016.	3 years
Giza Contracting	Maadi Paradise	Residential	Zahraa Maadi	8,364	In progress	Three years
	October Mall	Commercial	6th of October	8,870	In progress	Three years

Source: Company data, NAEEM estimates

Risks can never be overlooked

Large projects and an aggressive inorganic expansion strategy, raises the probability of a short term liquidity squeeze.

- Leveraging up could stretch the B/S for the near term: Assuming the case wherein PIOH pursues acquiring additional stakes (mainly ELKA and UNIT), the company should need EGP500m of minimal cash outlay. In addition, with the new presence of large real estate assets requiring a high level of project execution bandwidth, the company's B/S could get stretched – taking in debt/credit lines involving high servicing costs
- Diluted ownership/board control in many of its largest assets, could sometimes result in differing/contrasting views on the strategies to be implemented (at the subsidiary level) – at times, invariably resulting in directions that might not be aligned with that of PIOH
- Passive analyst coverage on the stock: With the company still being viewed as a financial services/brokerage entity, most investment banks-cum-brokerage houses view PIOH as direct competition – leaving minimal room to justify sell-side coverage on the stock. While the company could look to restructure its existing structure through a spin-off, extending research coverage on the stock could always be a challenge for the company

The cables businesses are PIOH's weak links, in our opinion.

- Risk of impairments: Questions over the future course of the cables business. PIOH has already spent c.EGP350m to acquire Giza Power and ELEC. Given our insight on the local cables industry already facing an oversupplied and cost-inflated situation, doubts remain on the benefits accruing from these investments
- Execution risks: As in the case with many real estate developers in Egypt, project execution delays/cancellations need to always be taken into consideration. With PIOH consolidated already having booked EGP7bn as projects under development, execution delays on account of cancellations, receivable impairments and working capital issues, is always a risk that needs to be discounted

Inflation has already resulted in cost pressures for developers in Egypt, with more to come.

- Cost inflation: Since the 2011 revolution, Egypt has aggressively pursued a strategy to gradually eliminate energy subsidies; overall, resulting in across-the-board margin pressures arising from inflation. With subsidy removals yet to be factored in completely, margins for real estate and industrial sectors could hit new lows in the coming years
- Risk of commercial real estate oversupply: PIOH has a good chunk of its investments channeled to the commercial real estate space in Egypt. While the country's demographics do look tilted positively in favor of commercial developments as on date, risk of longer term oversupply is a reasonable probable scenario – laying doubts on project executions related to Rooya, ELKA and UNIT

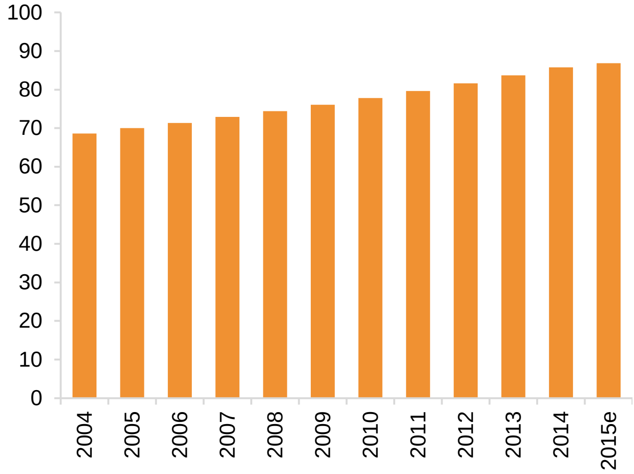
Egypt Real Estate Sector

Favourable demographics with a growing young population continues to act as key driver

48% of the population is between the ages of 15-45, marking Egypt as a young country.

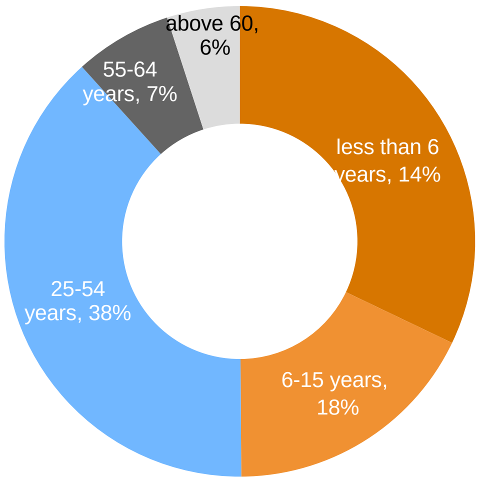
Egypt offers an attractive demographic profile. Strong pent-up demand for primary homes comes from a growing population (c.87m, growing 2% yearly with almost 50% between 15 - 45 years of age). In contrast to this growing demand, the country has a shortage in supply of quality homes. Unlike most other MENA countries, Egypt relies more on tourism, manufacturing and agricultural sectors, rather than just oil and gas. These factors make up for a significant portion of GDP, acting as key drivers for economic growth.

Egypt's population in m (2003-15), about 40% is young



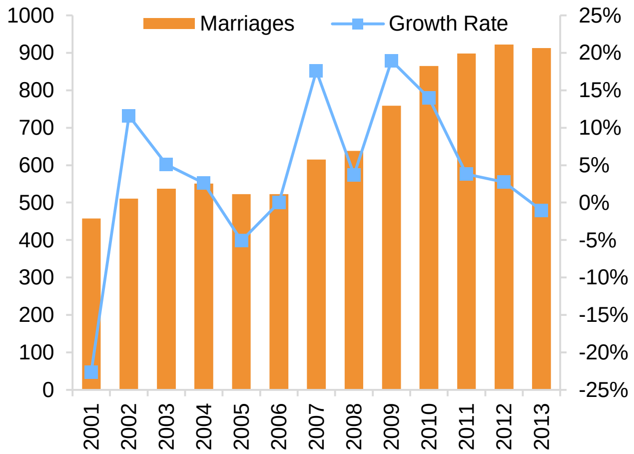
Source: NAEEM estimates

Egypt's population distribution



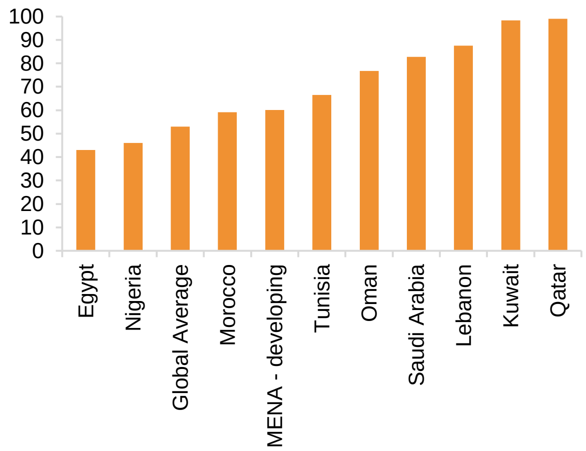
Source: NAEEM estimates

Marriages are a natural demand boost



Source: NAEEM estimates

Egypt has one of the lowest levels of urbanisation (%)

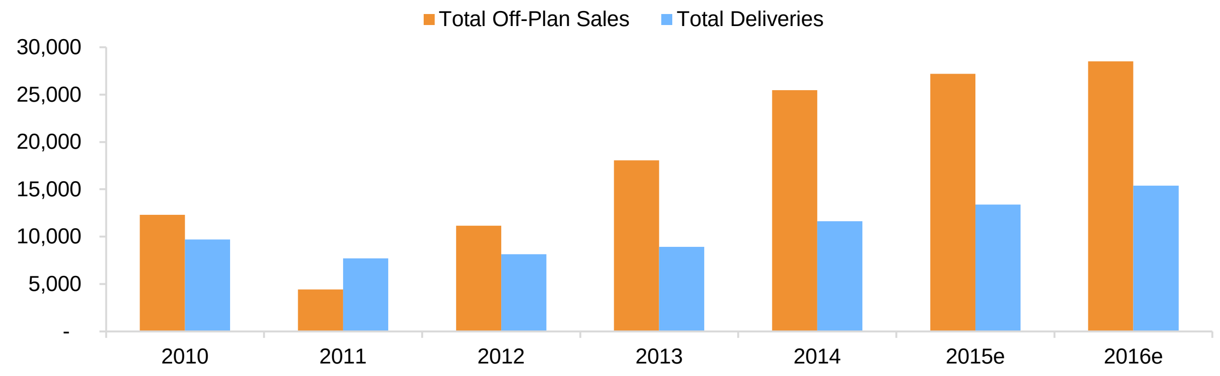


Source: NAEEM estimates

Egypt Residential: Demand, Prices Continue To Remain Firm

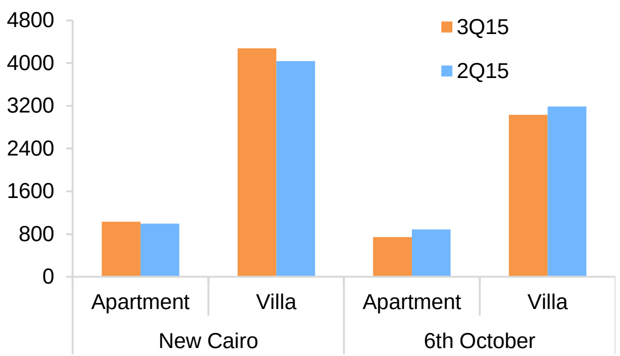
Cairo's residential market continues to recover and witnesses positive performance .The new emerging suburbs of New Cairo (East of Cairo) and 6th October (West of Cairo) offer not only quality housing for Egyptian families, but provides variety of services including education, a business center, shopping malls, leisure and sports facilities at proximity. Apartment and villa sales prices continue to increase across Cairo. The parallel impacts arising from the mega real estate project of the new Cairo Capital announced in the Economic Summit, is expected to result in additional investment in the residential sector, strengthening overall demand. Overall, demand for primary-homes remains solid as property investments are widely seen as stable and safe investments by Egyptians, cushioning against inflation and currency depreciation.

Off-plan sales compared with deliveries of leading property developers in Egypt (EGP bn)



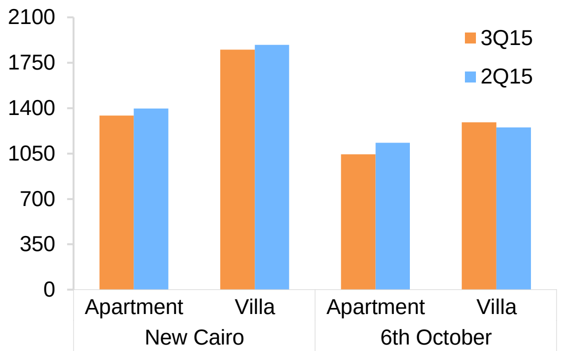
Source: NAEEM estimates

Egypt residential rent rates 2Q15-3Q15 (USD/Month)



Source: : Jones Lang LaSalle, NAEEM Research

Egypt residential sales price 2Q15-3Q15 (USD/sqm)

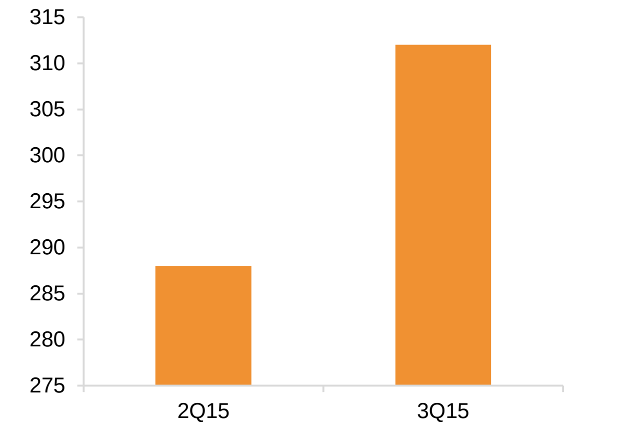


Source: : Jones Lang LaSalle, NAEEM Research

Cairo Office: Rents Expected To Stabilize As New Supply to Be Absorbed By Current Demand

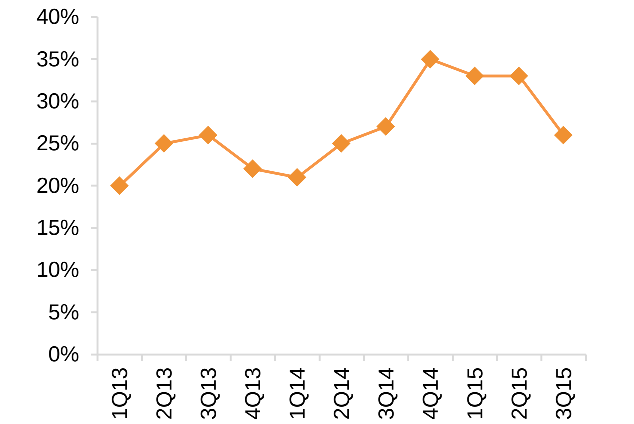
In 3Q15, Cairo's office sector witnessed a slight increase in average retail rents. In New Cairo, rental rates increased during 3Q15. The total amount of office space reached 911,000 sqm in 3Q15, up 2% YoY. Cairo's office supply is expected to expand further, with an additional 10,000sqm to be delivered in 4Q15. Recently, most of the companies, especially multinationals decided to relocate to the new urban settlements to benefit from better security and accessibility. As a result, majority of the recent office developments have been focused at new urban settlements such as New Cairo and 6th of October.

New Cairo Office Rents (USD/sqm)



Source: Jones Lang LaSalle, NAEEM Research

Cairo's Office Vacancy Rate



Source: Jones Lang LaSalle, NAEEM Research

Cairo Retail Market: Still Underpenetrated, More Supply To Be Added

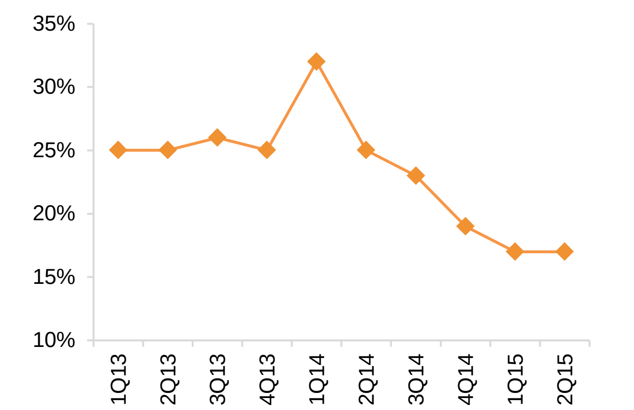
The total amount of retail supply in Cairo reached 1.3m GLA sqm in 3Q15, driven by the completion of a further 8ksqm at Cairo Festival City. An additional 444k sqm GLA of retail space is expected to enter the market during 2016. Cairo's retail space saw an increase in average retail rents of 13% YoY and almost flat QoQ during 3Q15. Compared to other cities in the region, Cairo's retail market remains undersupplied; we expect investments in this space to pick up going forward. Medinet Nasr Housing has approved an offer from Saudi based Fawaz Al- Hokair Group to build a joint mall on its Teegan land. The expected leasable BUA from this deal is likely to be 70,000sqm, to be completed in 2018-2019.

New Retail Supply

	Name	GLA (sq m)
6th October	Mall of Arabia	110
	Dandy Mega Mall	65
	The Strip	26
	Dolphin Mall	26
	Designopolis	22
	Galleria 40	22
New Cairo	Cairo Festival City	150
	Emeralds	42
	Katameya Downtown	30
	Porto Cairo Mall	29
	Cityscape Mall	19
	Concorde Mall	10

Source: Jones Lang LaSalle, NAEEM Research

Retail Vacancy Rate



Source: Jones Lang LaSalle, NAEEM Research

Disclosure Appendix

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Rating	Upside/Downside potential	Rating distribution as of 12 January 2016
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ACCUMULATE	>10% to 20%	11%
HOLD	+10% to -10%	35%
REDUCE	<-10% to -20%	4%
SELL	< -20%	4%

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