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Intermédiaire en Bourse

July 2008

POULINA GROUP HOLDING

IPO - Investment Research

Transaction Summary

The Offer

A public offer for subscription in the share capital of Poulina Group Holding PGH.

The Company will seek to rise up to TND 16,670,000 (Sixteen million six hundred seventy thousand Tunisian Dinars).

The Company

Poulina is a group of companies operating for 40 years on the national economic scene. It has currently 70 companies with a dozen established abroad.

The owners of the group have begun a few years working on restructuring their activities leading to the creation of seven centers of activity.

The owners have just set up a Holding Poulina Group Holding (P.G.H) to which were gathered the shares they hold in the parent companies of the six groups and stocks and shares they hold directly in the Group companies.

P.G.H targets to consolidate its current position on the local market and develop new business opportunities abroad, specifically in the Maghreb Region.

Existing Shareholders

Abdelwaheb Ben Ayed Family	40.0%
Bouzguenda Family	22.3%
Bouricha Family	20.6%
Taoufik Ben Ayed Family	5.7%
Kallel Heirs Family	5.0%
Hedi Brini Family	1.9%
Others	4.4%

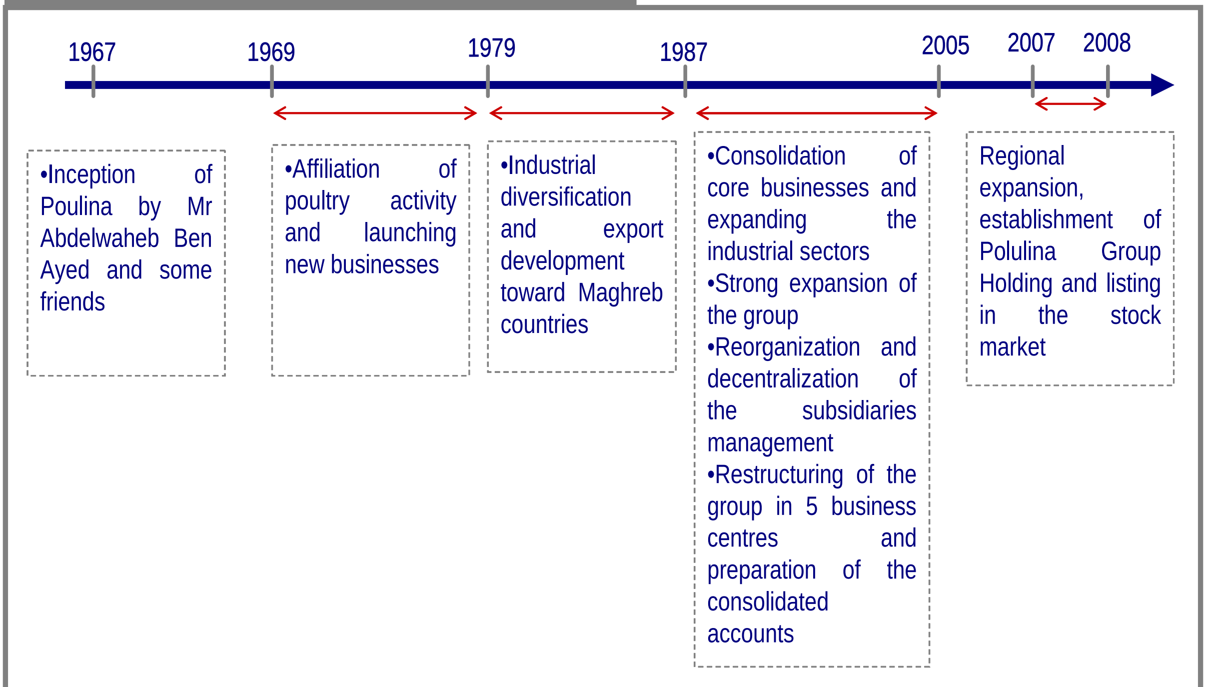
Paid-up Capital	TND 150, 000, 000 (one hundred and fifty million Tunisian Dinars)
Shares offered	16, 670, 000 new shares i.e 10% of the paid-up capital post-IPO
Offering price	5.950 TND per share
Offering mode	- **A Fixed-Price Offering** : 7 325 530 shares representing 43.94% of the new issued shares - **An underwritten placement**: 9 344 470 shares i.e. 56.06% of the new issued shares.
Maximum Subscription	The subscription order should include a number of shares which may not exceed 5% of the company's capital

About the Company

Company Overview

- PGH has been established in June 2008 as incorporation for the purpose of the management and the holding of participations in industrial or services companies.
- PGH accounts currently 300 employees, manages and controls 71 affiliates and 13,000 employees and sub-contractors.
- In 2007, Poulina group was considered as the second most important group in Tunisia in term of revenues and the first private one.

Figure 1 : Most important dates



Source : Tunisie Valeurs

Capital and shareholding

PGH has been created in June 2008 due to the securities contributions of the group founders.

PGH has an authorized share capital of TND 150,000,000 divided into 150,000,000 shares with a nominal value of TND 1.000 (one Tunisian Dinar) each. The capital of PGH is held by many renowned and famous Tunisian businessmen.

Figure 2: Own

Shareholders	Before the listing		After the listing	
	Number of shares	in %	Number of shares	in %
Abdelwaheb Ben Ayed Family	60 000 000	40,0%	59 667 860	35,8%
Bouzguenda Family	33 450 000	22,3%	33 500 670	20,1%
Bouricha Family	30 900 000	20,6%	31 000 620	18,6%
Taoufik Ben Ayed Family	8 550 000	5,7%	8 666 840	5,2%
Kallel Heirs Family	7 500 000	5,0%	7 500 150	4,5%
Hedi Brini Family	2 850 000	1,9%	3 000 060	1,8%
Others	6 600 000	4,4%	7 000 140	4,2%
Public	0	0,0%	16 670 000	10,0%
Foreign Institutionals	-	-	*8 168 000*	*4,9%*
Free Float	-	-	*8 502 000*	*5,1%*
Total	150 000 000	100,0%	166 670 000	100,0%

The current shareholders will seek to rise up the capital from 150 MTND to 166.67 MTND. The present offer will concern the subscription in the share capital of PGH of 16,670,000 new shares representing 10% of the post-offer share capital.

Company businesses

- Currently, the group is well diversified while respecting profitability and integration logic. Poulina Group Holding is acting in six industrial and services business activities.
- PGH has 71 affiliates in which 15 are abroad. Poultry, Industry and agro-food remain the most important activities of the holding regarding the number of companies (52 companies in which 11 abroad) and revenues (87.9% of the total revenues).

Figure 3: PGH businesses

Poulina Group Holding

Business	Poultry	Agro-food and services	Industry	Ceramic	Packaging	Real Estae	
Activity	Trade and storage of animal nutrition Production and distribution of eggs and polutry meat	Manufacture and marketing of ice cream, margarine, yoghurt, desserts, dairy products, chips, juice and pastry industry Computer services, trading, distribution, etc. ...	Production and marketing of metal products, wood, refrigerators (Brand Mont Blanc)	Manufacture and marketing of ceramic tiles	Transformation of cardboard, paper, the cell, stretched films Pprinting on plastic film (food packaging and carton boxes)	Real Estate development Purchase, import and marketing of components and construction products	
Number of companies	21	17	14	8	9	2	71
Local	16	15	10	5	8	2	56
Abroad	5	2	4	3	1	-	15

Between these different business sectors, there are many synergies namely regarding:

- Economies of scale,
- Upstream and downstream integration
- Financial and organizational synergies

Market and Competition

Since PGH is acting in several businesses, we will give a brief overview of each of its core businesses.

1- Poultry sector

- In Tunisia, the sector took off since the seventies thanks to the investment incentives and high subsidies on raw materials (cereals, etc. ...).
- With the crisis in 82-83 where there have been several outbreaks and acute overproduction, there was the inception of an organization (GIPAV now GIPAC) in charge of the organization and the upgrade of the sector.
- Currently in Tunisia, the white meat market represents 50% of the total meat consumption (beef, fish, lamb, chicken, turkey, etc…) against 36% in 1994 ;
- The sector is still dominated by small artisans (65% of the market) despite the establishment of specifications governing the sale of live poultry. However, 35% of the market is divided between some structured producers.

2-Agro-food sector

This sector represents 3.5% of the national GDP and gathers 5,500 companies. Since 1995, as part of the upgrade under the Association Agreement with the EU, the Agro-food industries have begun a modernization process to better meet Tunisian consumer expectations whose level of life rises and, secondly, to withstand competition from imported products.

In 2006, food accounted for 10% of total exports of goods and services, 20% of the value added and 25% of investments in manufacturing industries.

PGH is acting namely in:

- *Ice creams*: the market has grown at an annual growth rate of 3% during the five last years. Two big companies share the market: POULINA (60%) with its trademark “SELJA” and NESTLE (40%).
- *Yoghurts and desserts creams:* the national production is ensured by 9 companies. POULINA holds 15% of the market through its subsidiary GIPA. This activity has an important growth potential with the development of the dairy desserts. Délice-Danone, a subsidiary of Danone France (50%), is the market leader in yoghurt and dairy desserts in Tunisia.
- *Margarine and vegetable fat :* POULINA is the market leader with 53% of market share due to its trademark “JEDIDA” . During the last five years, this sector has grown by 10% annually.

3- Metallurgy sector

- In Tunisia, there are 326 companies in the metalworking sector: manufacture of pipes, boilers, metal processing, gas cylinders, metal construction, hardware, etc.…
- Six companies share the market for the manufacture of tubes. PAF (Belonging to PGH, is the leader with 60% of market share).

4- Wood sector

- It is a fragmented industry where small businesses and craft workshops, representing 80% of the market.
- About 400 structured companies, only a dozen of companies are large and relatively specialized.
- Foreign competition is mainly on top-quality products and MDF (panels derived from Wood)
- The furniture represents 60% of the industry driven by the households demand. The furniture market adds up 300MTND with a CAGR of 7% over the five past years.
- The rise of MDF in the modern habitat, the annual growth of imports of MDF was 45% between 2003 and 2006.
- The building and industry sectors are estimated at 130 MTND and would reach 159 MTND in 2010 i.e. a CAGR of 3.4%. Contrary to the furniture sector, the building and industry one has low penetration level because of the tight competition with substitutes – Aluminum and PVC.
- GAN-STIBOIS (belonging to PGH), the unique local producer of MDF has 60% of the market share.

5- Household Appliances sector

- A significant expansion started in the mid 1990 propelled by the increase in the standard of living of the Tunisian citizens and the proliferation of outlets.
- However, the major challenge of this industry lies in the strong unfair competition between the unofficial market and the Tunisian producers.
- For refrigerators, Poulina is the leader via its trademark "Mont Blanc" with 39% of market share in 2007.

6- Ceramic sector

- Since the early 2000, the sector has undergone a revolution thanks to the introduction of a new product: the sandstone. This product has been a great success and has helped to win market share to ceramic surface against competitor surfaces.
- Over the four last years, the consumption of wall tiles has increased by 9%, tile floor by 1.2% and the sandstone of 21%.
- The sector is still concentrated around four players, and the share of imports is 10% for wall tiles and 15% for sandstone
- The market share of Poulina through its subsidiary “CARTHAGO” is 24% for wall tiles, 63% for floor tiles and 41% for the sandstone.

7- The packaging sector

- It is a diversified market but very competitive: More than 200 companies in different branches (glass, paper, metal, plastic, wood),
- Since 2002, there is an annual growth by 5% in the paper segment to represent currently, 46% of the sector total production. This growth is driven by the change on the consumers' habits, awareness of industrials regarding the importance of the packaging aspect in the marketing actions
- UNIPACK, a subsidiary of PGH, is the leader on corrugated cardboard and compact cardboard with 30% of market share.

8- The Real estate sector

- Over the last 10 years, the real estate sector has posted an average growth of 3% due to government incentives to become home owner, improvement of the purchasing power. Consequently, the rate of property in Tunisia is around 80%, currently.
- 1260 property developers are counted in which 100 are really active. Their participation in the market remains negligible (14%) against 83% for the self-building. This figure indicates the potential for "structured" property development in Tunisia
- POULINA is acting in the high-standing buildings located in the upper-crust districts of Tunis.

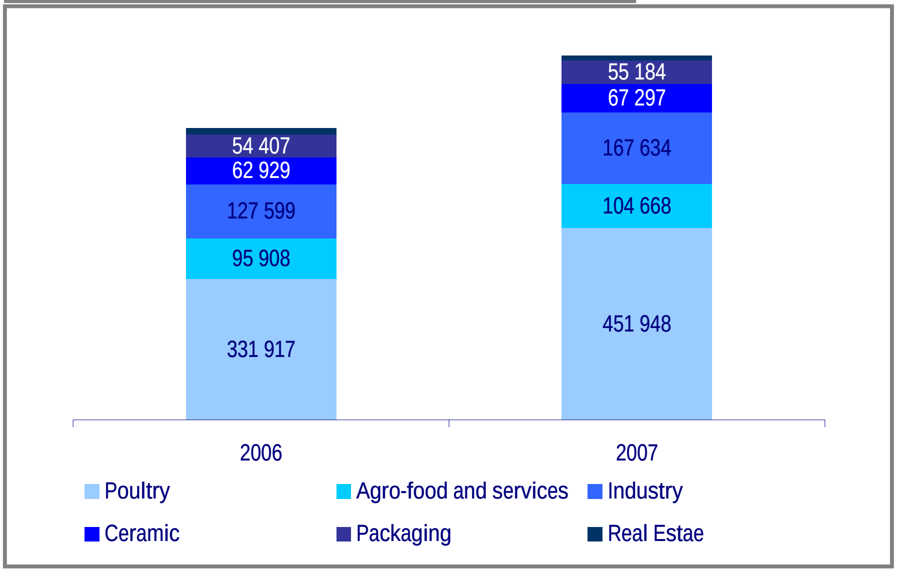
Financial Analysis

1- Revenues

Regarding the evolution of the activity in 2007, the turnover of the group Poulina reached 823MTND representing a growth of 25% compared to 2006 which was established to 658MTND. The mini-holding company dedicated to poultry is the major player in the group and generates revenues which represent 53% of whole group incomes. This centre has also achieved an increase of 36% of its revenues.

In addition, except the mini-holding Ettaamir (the Real estate) whose revenues have significantly decreased (-27%), all the other mini-holdings have seen their turnover grow from 1.4% for the packaging pole 19.5% for the pole Industry.

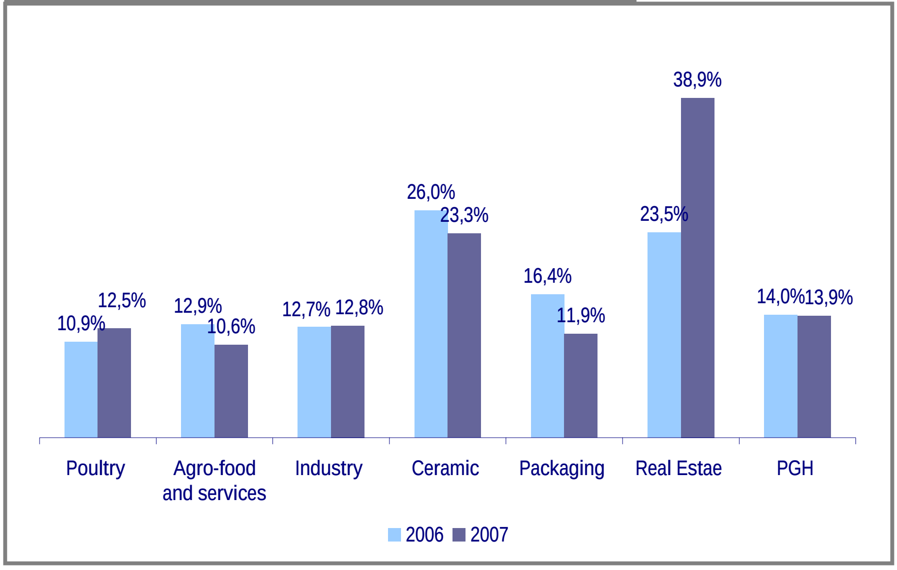
Figure 4: PGH revenues growth



2- Profitability

In 2007, the EBITDA of PGH was in rise by 24% as compared to 2006 to stand off at 115 MTND. However, the EBITDA margin was stable at 14% despite the rise in prices of the raw and food materials.

Figure 5: EBITDA margin growth



In 2007, the net income of PGH was in growth by 7% at 52.4 MTND but the net profit margin was in drop from 7.4% in 2006 to 6.4% in 2007. This decline was driven by the drop of the operating margin in 2007 as compared to 2006 but also in 2006 there was a capital gain of 11.4 MTND coming from the sale of a part of the company UNIPACK.

3- Financial balance

The working capital of PGH is negative reflecting an imbalance between permanent resources and fixed assets. In 2007, the situation has improved (-11MD) compared to 2006 (-41MD), but it is still unsatisfactory. The rebalancing through a strengthening of long-term resources (Long and medium term debts and / or equity).

The poultry presents a largely positive working capital (+55 MD in 2007), that can be explained by the fact that the poultry is the core business of the group and has reached a certain level of maturity that involves less investments compared to permanent capital. In addition, this business is profitable and has cumulated over the years reserves (160MTND as equities for a paid-up capital of 5.5 MTND). The other mini holdings have negative working capital level because of the investments.

In 2007, PGH presents had a working capital requirement equivalent to 11.7% of the revenues in rise as compared to 2006 (4.7%). This growth was due mainly to the increase in the stocks +46 MTND from 140MTND to 186MTND.

Figure 6: Financial balance

	PGH		Poultry		Agro-food & Services		Industry		Packaging		Ceramic		Real Estae	
In MTND	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Working Capital	-11,1	-41,7	55,3	36,8	-14,9	-22,9	-16,3	-30,7	-18,4	-15,9	-22,5	-15,7	8,0	7,4
Working Capital Requirement	96,7	31,2	71,3	53,5	8,4	-1,0	37,9	6,9	-23,9	-22,8	-4,4	-13,2	9,8	7,3
Cash position	-107,8	-72,9	-16,1	-16,7	-23,3	-21,9	-54,2	-37,6	5,5	7,0	-18,1	-2,5	-1,7	0,2

4- The debts

The group has an acceptable debt ratio, since net debt represents 44% of equity. Nevertheless, within the group some centers of activity are better than others. Indeed, the Industry & technique pole has a high debt ratio that reached 513% in 2007. The poultry, central activity of the group has low debt ratio (10%) and the packaging activity shows a negative gearing.

Figure 7: Debt Ratios

Debt Ratio	2007	2006
PGH	44%	36%
Poultry	10%	12%
Agro-food & Services	108%	94%
Industry	513%	955%
Packaging	-31%	-46%
Ceramic	54%	10%
Real Estae	16%	-2%

5- Return on equity

Generally, the group has a significant financial return. The profitability of the two mini-holdings Industry & Technology and packaging are characterized by high variability from -211% to +140% for the first and +351% to 27% for the second. Ceramic and Real estate have high level of ROE respectively 43% and 52%.

Figure 8: Return on Equity

ROE	2007	2006
PGH	28%	32%
Poultry	28%	21%
Agro-food & Services	-12%	24%
Industry	141%	-212%
Packaging	28%	352%
Ceramic	43%	45%
Real Estae	52%	49%

Forecasts and development outlooks

Poulina group aims to:

- Explore opportunities for growth while staying within the same businesses.
- Internationalize the group's activities namely in the Maghreb region.
- Strengthen the horizontal and vertical integration of the group.

To achieve these goals, the group will undertake an ambitious investment plan. By engaging themselves in this IPO, the owners of the Group offer to the financial market a real "business plan" characterized by significant investments, an important development plan abroad and consistent levels of growth and performance.

For the potential investors, the investment in PGH should be a strategic choice registering necessarily in a medium and long term horizon.

The total investments are more than 540MD over the period 2008-2012. Carthago Céramic is the company that will benefit most from this investment program with 130MTND. GAN will also have a significant investment of 77 MTND which will be used for producing appliances under the brand MERLONI.

Figure ç: Investment Plan

Sector	Main projects	Place	Budget in MTND	Forecasted additional revenues 200 2012 in MTNI
Poultry	3 factories producing food compounds	Tunisia & Libya	91.4	289.6
Agro-food and services	Refining unit and packaging oil; food company in Libya	Tunisia & Libya	116.7	101.5
Industry	Plant production of household appliances under the brand MERLONI, manufacturing unit of MDF panels, steel plant in Algeria	Tunisie & Algeria	142.3	303.7
Ceramic	Two lines of sandstone tiles, two units of wall tiles, two production units of brick	Tunisie, Libya & Algeria	143.4	433.7
Packaging	Acquisition of a chain of production of paper for corrugated cardboard	Tunisia	47.3	123.1
TOTAL			541.1	1251.6

If the investments mentioned above were achieved on time and the starting dates of the projects are respected, the strategy will lead to the main following results:

- Increase in total turnover to reach 1,697.9 MTND in 2012 against 822.9 MTND in 2007 representing an increase of 100.6% and a CAGR of 16.5%.
- Growth of the EBITDA to reach 319 MTND in 2012 against 114 MTND in 2007 i.e. a rise by 178%at a CAGR of 22.7%;
- The net income will rise up to 188.1 MTND in 2012.

Figure 10: Business Plan

In MTND	2006	2007	2008 F	2009 F	2010 F	2011 F	2012 F
Revenues	658,4	823,0	921,5	1156,9	1387,4	1568,7	1697,9
Growth %		*25%*	*12%*	*26%*	*20%*	*13%*	*8%*
Gross Margin	215,3	248,7	290,6	385,0	475,0	538,0	562,2
Gross Margin Rate	*33%*	*30%*	*32%*	*33%*	*34%*	*34%*	*33%*
Staff costs	34,2	35,7	41,9	51,3	59,3	64,3	70,1
Growth %		*5%*	*17%*	*22%*	*16%*	*8%*	*9%*
As % of revenues	*5%*	*4%*	*5%*	*4%*	*4%*	*4%*	*4%*
Other operating expenses	88,8	98,4	105,5	127,0	149,9	165,6	172,9
Growth %		*11%*	*7%*	*20%*	*18%*	*10%*	*4%*
As % of revenues	*13%*	*12%*	*11%*	*11%*	*11%*	*11%*	*10%*
E.B.I.T.D.A	92,3	114,6	143,2	206,7	265,8	308,1	319,1
Growth %		*24%*	*25%*	*44%*	*29%*	*16%*	*4%*
E.B.I.T.D.A margin	*14,0%*	*13,9%*	*16%*	*18%*	*19%*	*20%*	*19%*
Provisions & Depreciation	33,0	42,7	45,8	60,3	72,8	82,3	83,1
Growth %		*29%*	*7%*	*32%*	*21%*	*13%*	*1%*
E.B.I.T	59,4	71,9	97,4	146,4	193,1	225,8	236,0
Growth %		*21%*	*35%*	*50%*	*32%*	*17%*	*5%*
E.B.I.T margin	*9%*	*9%*	*11%*	*13%*	*14%*	*14%*	*14%*
Net Financial Income	-15,1	-17,7	-4,6	-25,0	-30,8	-32,8	-34,1
Extraordinary elements	7,6	1,6	0,3	0,5	0,7	0,9	1,0
Corporate Tax	2,3	3,2	4,1	4,5	5,3	6,1	7,5
Consolidated Net income	49,3	53,5	89,8	118,3	158,7	189,0	196,4
Interest of minority	0,2	1,1	3,0	7,3	9,2	13,2	8,3
Net Income	49,0	52,4	86,8	111,0	149,5	175,8	188,1
Growth %		*7%*	*66%*	*28%*	*35%*	*18%*	*7%*
Net Margin	*7,4%*	*6,4%*	*9,4%*	*9,6%*	*10,8%*	*11,2%*	*11,1%*

Source : Tunisie Valeurs

Figure 11: Balance Sheet

In MTND	2006	2007	2008 F	2009 F	2010 F	2011 F	2012 F
Fixed Assets	319,6	362,0	470,3	606,4	609,0	587,4	521,8
in which :							
Tangible assets	256,1	295,8	427,1	564,5	568,4	545,6	478,7
Financial Assets	53,0	55,8	32,9	34,0	35,2	36,6	38,1
Operating assets	371,8	446,7	459,9	605,0	706,5	786,2	919,2
in which :							
Inventories	140,4	186,8	196,8	251,4	290,0	323,6	347,4
Accounts receivable	96,7	122,5	150,2	213,0	248,5	280,4	303,8
Banks and cash equivalents	24,5	17,7	41,5	52,1	66,5	70,6	149,2
Total Assets	691,4	808,7	930,196	1 211,4	1 315,4	1 373,5	1 441,0
Shareholders' equity and financing liabilities	277,9	350,9	712,3	858,7	991,0	1067,1	1119,9
in which :							
Shareholders' equity	186,3	227,2	422,0	494,2	599,8	725,6	857,5
Interest of minority	17,1	17,0	19,8	25,3	28,2	33,3	28,0
Debts	69,8	100,9	270,5	339,1	363,0	308,2	234,3
Operating liabilities	413,5	457,8	217,9	352,8	423,4	306,5	321,1
in which :							
Accounts payable	130,2	135,0	145,5	190,5	227,2	253,7	272,6
Short term borrowings	97,4	125,5	44,7	128,0	56,1	7,1	0,0
Total liabilities and equity	691,4	808,7	930,197	1 211,4	1 414,4	1 373,5	1 441,0

Source : Tunisie Valeurs

VALUATION

PGH shares valuation was based on two valuation methodologies (Discounted cash flows (DCF) and profitability method. The peer group valuation was used as an indication and a model called "differential": the DCF but with fairly conservative assumptions.

- Horizon : 2008-2012
- Risk free rate : 6.9 % (Bonds rate maturity 2022)
- Risk premium : 6.52%
- Market yield : 13.42%
- Discount rate :
  - Capital cost : Specific to each company
  - Beta : Specific to each company
  - Debt cost : 7.25 % = TMM+2%

Figure 12: Valuation Assumptions

Sector	Bêtas	Capital cost	WACC
Poultry	between 1,0 and 1,4	between 13,1% and 16,3%	between 12,8% and 16,2%
Agro-food and services	between 1,0 and 1,7	between 13,5% and 18,0%	between 10,8% and 17,7%
Industry	between 1,2 and 1,5	between 14,7% and 17,1%	between 10,8% and 16,4%
Packaging	between 1,0 and 1,3	between 13,7% and 15,4%	between 11,9% and 15,4%
Ceramic	1,2	14,50%	12,30%
Real Estae	between 1,4 and 1,6	between 16,4% and 17,3%	between 15,0% and 16,2%

The combination of the different valuation methodologies suggests a fair value per share of 7.57 TND. The offered shares will be offered to the IPO applicants at 5.95 TND per share, which implies a 21% discount comparatively to the average fair value.

Figure 13: Valuation

Method	Valuation by Ernest & Young
DCF (in MTND)	1 170,80
Profitability (in MTND)	1 100,00
Average in MTND	1 135,40
Value per share in TND	7,57
Offering price per share in TND	5,95
Discount	-21%

Source : Tunisie Valeurs and Ernest & Young

NB: The other two methods that were used have resulted in a value of equity between 839 MTND and 973 MTND i.e. 5.590 TND and 6.490 TND per share.

Figure 14: Offering price comparison

	Market	PGH	Difference	PGH Stock price to comply with the market indicators
PER*	14,54	17,04	17%	5,08
Div yield**	3,10%	4,20%	36%	8,1
PBV	1,95	3,65	87%	3,17
Average stock price				5,44

**Earnings 2007*

***Based on a dividend of the fiscal year 2008 equal to 0.250 dinar per share.*

The Initial Public Offering

The current shareholders of PGH will seek to rise up the capital from 150 MTND to 166.67 MTND. The present offer will concern the subscription in the share capital of PGH of 16,670,000 new shares representing 10% of the post-offer share capital through an Initial Public Offering on Tunis Stock Exchange. The contemplated Initial Public Offering comprises:

- A Fixed-Price Offering of 8,502,000 shares (representing 5.1% of PGH capital after the capital increase) on Tunis Stock Exchange;
- An Underwritten Placement (pursuant to Article 56 of the General Rules governing the listing and trading of securities on Tunis Stock Exchange) of 8,168,000 shares (representing 4.9% of PGH capital after the capital increase) among foreign non-resident institutional investors. The underwriting syndicate will be constituted of the three first stockbrokerage houses in Tunisia: Tunisie Valeurs, MAC SA and Axis.

The subscription price for the new shares will be 5.950 TND offered per share, all fees and taxes inclusive. The nominal value per share is 1 TND. The maturity date of the offered shares is January 1st, 2008.

MAC SA RECOMMENDATION

After ARTES, considered as a big capitalization, the central market of Tunis Stock Exchange Market gets ready to welcome another « big cap ». *Poulina Group Holding* market capitalization, by more than 892.5 MTND, will represent 11.6% of the total market cap currently and it will become the biggest capitalization of the market.

In addition, the stock market is waiting for this IPO since the beginning of the year and we expect that it will be oversubscribed many times and the stock price will have an appreciable potential. Furthermore, the important share offered to foreign investors in this IPO will contribute to the good stock behavior of the share.

In addition to these stock factors, the company has strong assets that militate in favor of its success on the stock market: The group's presence in the market for nearly 40 years, the leading position in the market of several entities, the integration of companies within each business line, the potential for growth that can be generated by the presence in Maghreb countries, the effectiveness of organizational mode of the group and management quality are arguments in favor of the potential of PGH in the stock market.

In the light on this analysis, we recommend to subscribe to this IPO.

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