Deutsche Bank

1 November 2011

Citadel Capital

Reuters: **CCAP.CA** Bloomberg: **CCAP EY** Exchange: **CAI** Ticker: **CCAP**

Upgrading to Buy on strong liquidity

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Recommendation Change

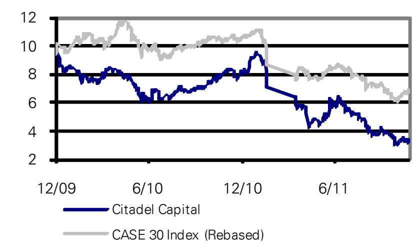
Buy

Price at 1 Nov 2011 (EGP)	**3.18**
Price target - 12mth	**6.50**
52-week range (EGP)	**9.53 - 3.07**
CASE 30 Index	**4,451**

Key changes

Rating	Hold to Buy ↑	
Price target	6.70 to 6.50 ↓	**-3.0%**
Net profit (FYE)	55.9 to 134.0 ↑	**139.7%**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*-11.4*	*-34.6*	*-59.7*
CASE 30 Index	*6.1*	*-12.3*	*-32.7*

Stock data

Market cap (EGPm)	**2,104**
Market cap (USDm)	**353**

Risk-reward now skewed to the upside
Based on our forecast net cash position of USD195m by FY11E vs. expected cash burn of USD50m per annum, we expect Citadel Capital's cash-to-market-cap ratio to reach c.40% shortly, giving the stock a strong defensive edge. We switch to a more conservative NAV approach to show the full impact of the new funds, which add c.50% to the current market price. Our slightly revised target price of EGP6.5 suggests strong upside potential. At 0.5x P/BV, the stock looks cheap and defensive; it has significantly underperformed the EGX index YTD; upgrade to Buy.

Cash to market cap ratio to reach 40%, adding a strong defensive angle
We forecast a net cash position of USD195m by year-end, or c.40% of the post-rights market cap. This incorporates: (i) USD120m of fresh capital from the rights issue, (ii) an OPIC loan of USD125m, (iii) recoveries from loans to companies of c.USD35m, (iv) capex of USD76m for the balance of FY11E, and (v) USD57m of debt swapped into equity. Against an estimated forward yearly cash burn of USD50m, we think this convincingly removes any doubts on the viability of Citadel Capital as a going concern, and adds a strong defensive angle to the story.

New cash adds c.50% to current market price, or EGP1.6 per share
We now discard all market or peer benchmarks in our valuation of the company, using instead the book value of investments adjusted for cash, debts and dues. This NAV is more conservative, at pre-cash EGP4.9 vs. EGP6.7 previously, but allows us to better reflect the impact of the new cash, which adds EGP1.6 per share to the current market price. Our new target price of EGP6.5 still omits asset management, capital gains and carried interest, which could add another EGP2.3 per share, based on our analysis, when the situation in Egypt improves and the country's capital markets regain stability.

Steep underperformance and strengthened balance sheet: time to Buy
Citadel Capital is one of the worst performers on the Egyptian market YTD, having lost 63.5% vs -37.7% for the EGX30 Index. Given the newly defensive balance sheet and weak momentum, we change our stance and are upgrading to Buy from Hold. We value the company on an adjusted NAV basis, omitting asset management, carry and capital gains. (See p. 8.) Risks to our call include a worsening of the political outlook in Egypt, high cash calls from co-investors, and higher-than-expected provisions against losses on certain investments.

Forecasts and ratios

Year End Dec 31	2010A	**2011E**	2012E
Net profit (EGPm)	-298.3	**134.0**	135.8

Source: Deutsche Bank estimates, company data

Model updated:01 November 2011

Running the numbers

Middle East

Egypt

Specialty Finance

Citadel Capital

Reuters: CCAP.CA Bloomberg: CCAP EY

Buy

Price (1 Nov 11)	EGP 3.18
Target price	EGP 6.50
52-week Range	EGP 3.07 - 9.53
Market Cap (m)	EGPm 2,104 USDm 353

Company Profile

Citadel Capital is one of the leading private equity firms in the MENA region with investments more than USD 8.3b across 15 industries including energy, mining, agrifoods, cement, transportation and retail.

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Fiscal year end 31-Dec	2008	2009	2010	2011E	2012E
Data Per Share					
EPS (stated)(EGP)	0.04	0.32	-0.45	0.03	0.04
EPS (DB) (EGP)	0.04	0.32	-0.45	0.03	0.04
Growth Rate - EPS (DB) (%)	nm	714	-242	106	30
DPS (EGP)	0.00	0.00	0.00	0.00	0.00
BVPS (stated) (EGP)	na	na	na	na	na
Tang. NAV p. sh. (EGP)	0.00	0.00	0.00	0.00	0.00
Market Capitalisation (EGPm)	0.00	5,550.91	6,053.73	2,103.92	2,103.92
Shares in issue (m)	661.61	661.61	661.61	661.61	661.61
Valuation Ratios & Profitability Measures					
P/E (stated)	na	26.4	-20.3	116.4	89.8
P/E (DB)	na	26.4	-20.3	116.4	89.8
P/B (stated)	na	na	na	na	na
P/Tangible equity (DB)	na	na	na	na	na
ROE(stated)(%)	nm	nm	nm	nm	nm
ROTE (tangible equity) (%)	nm	nm	nm	nm	nm
ROIC (invested capital) (%)	nm	nm	nm	nm	nm
Dividend yield(%)	na	0.0	0.0	0.0	0.0
Dividend cover(x)	nm	nm	nm	nm	nm
Profit & Loss (EGPm)					
Net interest revenue	0	0	0	0	0
Non interest income	198	438	182	151	148
Commissions	0	0	0	0	0
Trading Revenue	0	0	0	0	0
Other revenue	198	438	182	151	148
Total revenue	198	438	182	151	148
Total Operating Costs	174	204	191	95	100
Employee Costs	167	195	182	90	93
Other costs	8	9	9	6	6
Pre-Provision profit/(loss)	24	234	-9	55	48
Bad debt expense	0	24	289	38	25
Operating Profit	24	210	-299	17	22
Pre-tax associates	0	0	0	0	0
Pre-tax profit	24	210	-299	17	22
Tax	-2	-1	0	-1	-1
Other post tax items	0	0	0	0	0
Stated net profit	26	211	-298	18	23
Goodwill	0	0	0	0	0
Extraordinary & Other items	0	0	0	0	0
Bad Debt Provisioning	0	0	0	0	0
Investment reval, cap gains / losses	0	0	0	0	0
DB adj. core earnings	26	211	-298	18	23
Key Balance Sheet Items (EGPm) & Capital Ratios					
Risk-weighted assets	0	0	0	0	0
Interest-earning assets	0	0	0	0	0
Customer Loans	na	na	na	na	na
Total Deposits	0	0	0	0	0
Stated Shareholder Equity	0	0	0	0	0
Equals: Tangible Equity	0.0	0.0	0.0	0.0	0.0
Tier 1 capital	0.0	0.0	0.0	0.0	0.0
Tier 1 ratio (%)	na	na	na	na	na
o/w core tier 1 capital ratio (%)	nm	nm	nm	nm	nm
Credit Quality					
Gross NPLs/Total Loans(%)	na	na	na	na	na
Risk Provisions/NPLs(%)	nm	nm	nm	nm	nm
Bad debt / Avg loans (%)	na	na	na	na	na
Bad debt/Pre-Provision Profit(%)	0.0	10.3	-3,067.9	69.0	53.0
Growth Rates & Key Ratios					
Growth in revenues (%)	nm	121	-58	-17	-2
Growth in costs (%)	na	17	-6	-50	5
Growth in bad debts (%)	nm	nm	1,105	-87	-34
Growth in RWA (%)	nm	nm	nm	nm	nm
Net int. margin (%)	nm	nm	nm	nm	nm
Cap.-market rev. / Total revs (%)	nm	nm	nm	nm	nm
Total loans / Total deposits (%)	nm	nm	nm	nm	nm
ROTE Decomposition					
Revenue % ARWAs	nm	nm	nm	nm	nm
Net interest revenue % ARWA	nm	nm	nm	nm	nm
Non interest revenue % ARWA	nm	nm	nm	nm	nm
Costs/income ratio (%)	87.8	46.6	105.2	63.4	67.7
Bad debts % ARWAs	nm	nm	nm	nm	nm
Tax rate (%)	-6.6	-0.5	0.1	-5.9	-4.5
Adj. Attr. earnings % ARWA	nm	nm	nm	nm	nm
Capital leverage (ARWA/Equity)	nm	nm	nm	nm	nm
ROTE (Adj. earnings/Ave. equity)	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

Investment thesis

Outlook

Citadel Capital is a hybrid asset management firm focused on private equity in the MENA region. It is the largest PE fund in continental Africa and MENA. The company offers concentrated thematic exposure to key trends that we believe are transformational in the context of a) the demographic challenges facing Egypt, b) the ongoing liberalization and modernization of Egypt's economy, and c) Egypt's increasingly strategic position in the context of African trade with Europe and Asia. We see strong differentiation in its business model relative to traditional PE funds, firstly in the investment outlay of 10-20% equity vs. the 2-3% equity deployment that is typical in the industry, and secondly in light of the consistent thematic investment approach adopted by management, which seeks exposure to economic themes that are unique to Egypt.

We rate the stock a Buy given the highly defensive balance sheet, with a cash-to-market-cap ratio at 40%, and the fact that the stock has been an underperformer YTD, suggesting the possibility that the change in its capital strength could turn around its market performance.

Valuation

We value Citadel Capital by adjusting the book value of its investments in its platform companies for cash, dues and debt. This yields a value per share of EGP6.5 (or EGP4.9 post-rights), implying c.90% upside potential from current levels. Due to the current political situation in Egypt, we have decided to temporarily suspend the value of the firm's asset management franchise, or the potential for carried interest and capital gains.

Risks

Risks to our call include a further deterioration in the macro and political situation in Egypt, high cash calls from co-investors in Citadel Capital's funds, and higher-than-expected provisions against losses on certain investments.

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Citadel Capital's financial position is now strong

Sources of funds: USD280 by year-end

Rights issue: USD120m raised, better than expected

The rights issue in September-October 2011 raised USD120m, better than our initial expectations. All in all it was a drawn-out process that diverted investors' focus away from the underlying company fundamentals. Its end marks a new start for the company, in our opinion.

Overseas Private Investment Corporation (OPIC) loan expected at USD125m – we think this should happen very soon

Under the US government financial assistance package to Egypt, OPIC is giving Egypt USD1bn of loans that must be linked to investments and not to budget reduction. Citadel Capital qualifies for just such a loan, and management guidance on this is for USD125m, which we believe will be finalized and paid before the end of November.

The key attraction of an OPIC loan is the interest rate and tenor, which instead of interest + LIBOR over maybe five years with bullet repayments, is likely to be a longer tenor and more favorable rate.

A further positive on the cash front: existing term loan to be restructured

Citadel Capital has a USD172m bank loan outstanding, the structure of which calls for two payments of interest plus 10% of principal, and for a bullet repayment of the outstanding principal in 2013.

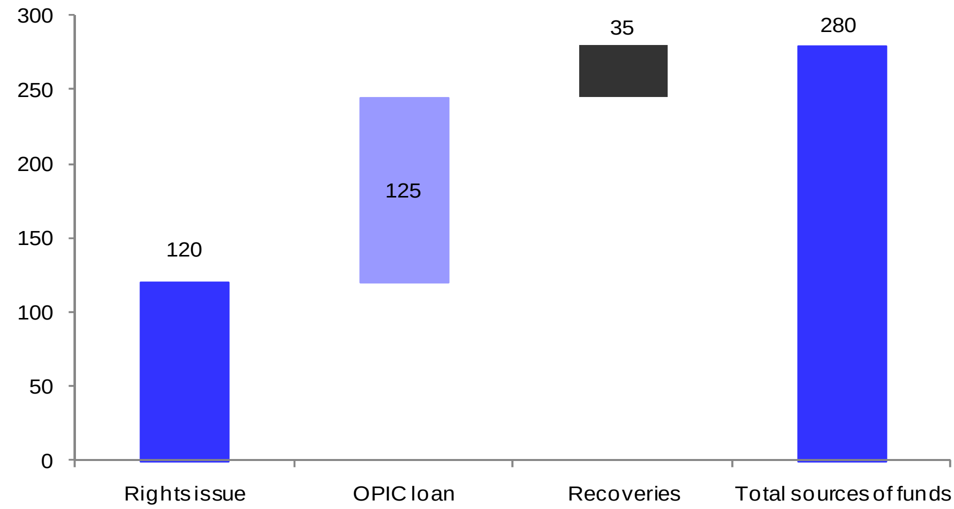
Following discussions with management, we understand that this bank loan is currently being restructured to facilitate repayment terms. Importantly, the bullet component of the repayment is expected to be discarded in favor of equal yearly installments comprising interest and a portion of principal.

From a cash flow perspective, this would alleviate near-term stress on cash balances and allow management to avoid lumpy repayments, which in the absence of near-term exits is an additional comfort factor.

Further recoveries from platform companies: another c.USD35m

Citadel Capital expects to recover some bridge loans made to platform companies before year-end, notably advances made to the Nile Logistics platform, which should bring in a further USD35m to its cash balances.

Figure 1: Sources of funds FY11E (USD m)



Source: Deutsche Bank, company data

Uses of funds: c.USD100m this year, c.USD50m thereafter

Working capital requirement: USD15m

The key point for us in the firm's guidance for uses of its incoming funds is that they include only a small component (USD15m) of working capital. This money will essentially cover the company's operating expenses in salaries, transport, communications and offices.

Debt repayments are estimated at c.USD30m, including USD20m of interest and USD10m of principal. Note that **USD20m was already repaid in May**.

USD70m for investments

Of the remaining planned spending, the largest portion (USD33m) is to be allocated to Citadel Capital's investment in the Egyptian Refinery Company (ERC). New company guidance suggests that the equity financing borne by Citadel Capital could reach lower levels due to lower construction costs and greater equity contributions from third parties. The new guidance calls for USD33m to be injected into ERC vs. USD52m previously.

ERC is a USD3.6bn refinery project that would be Citadel Capital's largest investment to date. The equity component of the project is expected to be in the vicinity of USD1bn, while the debt, which has already been secured, should cover the balance.

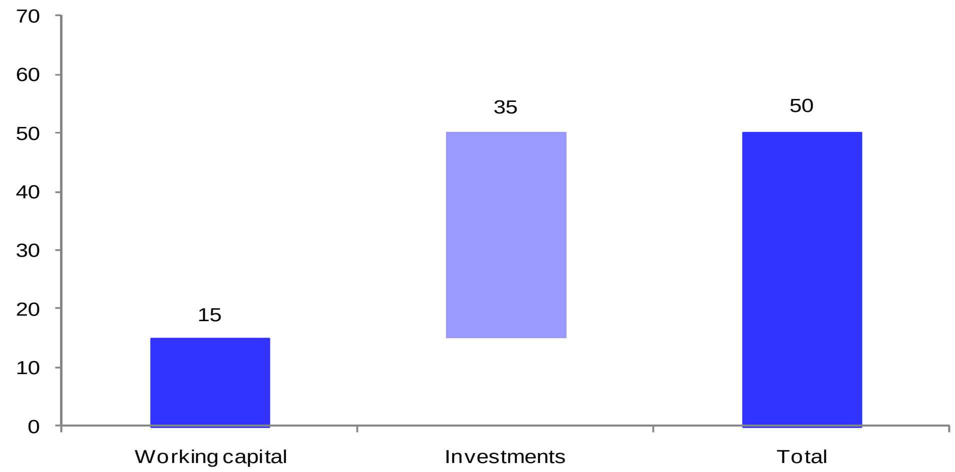
Further uses of funds for investments will include cash commitments to existing platforms such as Nile Logistics, Glass Works, Wafra, Aresco and Tawazon.

With a cash burn of USDc.50m a year, Citadel Capital should be cash positive for a while

We assume in our model that Citadel Capital's cash burn rate will be c.USD50m per year for the next two years. This lower cash burn going forward reflects certain one-offs for FY11E, such as the USD33m investment in Egyptian Refinery Company, and the USD20m interest repayment.

We therefore assume that outside of such payments, Citadel Capital will continue to invest in its platform companies at a fairly steady rate.

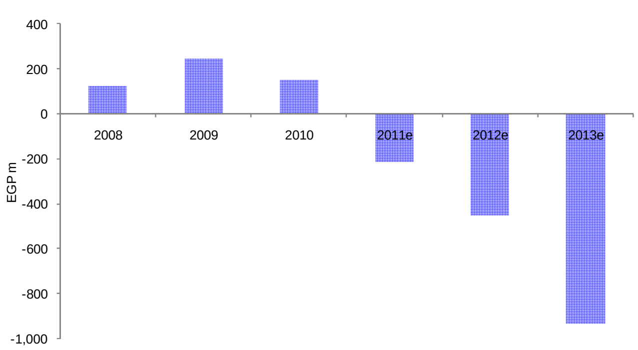
Figure 2: Future cash burn estimates, FY12/13E (USD m)



Source: Deutsche Bank

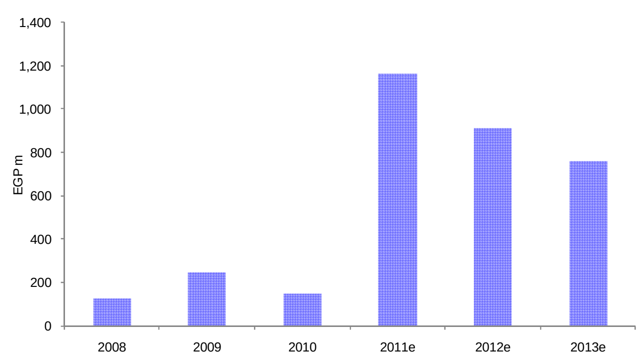
On our net cash assumptions, we previously estimated that Citadel Capital would be sharply cash-negative for the medium term. Factoring in the new capital raised and the expected OPIC loan, we now expect Citadel Capital to be cash positive for the foreseeable future.

Figure 3: Previous forecast of net cash position



Source: Deutsche Bank, company data (Note: the exchange that we use is USD1:EGP5.95)

Figure 4: New forecast of net cash position



Source: Deutsche Bank, company data (Note: the exchange that we use is USD1:EGP5.95)

Valuation

What the new cash does to the NAV

NB: our valuation is based on the current number of shares in issue, i.e.661.61m shares. We also state all charts with the adjusted number of shares post-rights, which is 871.625m. We expect the new shares to come to market soon and will adjust all valuations at such time.

Taking into account the fresh cash that we expect Citadel Capital to post in the short term, the adjustments to NAV consist of:

- Increase in cash
- Increase in debt
- Decrease in dues and payables

Instead of relying on peer valuations, company guidance or market transactions to value some of the components of Citadel Capital's NAV, as we did previously, we revert to the lowest possible valuation, which is the stated book value of Citadel Capital's own invested capital. We do this in order to get a clearer picture of the impact of the new funds that Citadel Capital is raising on its NAV.

Based on this approach, the market valuation of Citadel Capital's stock, based on Q2 financial statements, should be EGP4.9 per share. We adjust the cash, debt and receivables to reflect the new funds and new capex guidance, and also assume that some of the equity raised is invested in the platform companies. This adjustment yields an increase in value per share of c.50% to EGP6.5, at 1x book value.

We think the market has not yet realized the full impact of the new funds on Citadel Capital's NAV, reflected in the current implied pricing of just 0.5x book value.

Figure 5: Citadel Capital revised NAV

Principal Investments (own balance sheet)	Q2 -11a	FY11e					
Book value of investments (EGP m)	4,372	4,639					
Adjusted for:							
Cash and cash equivalents	156	1,163					
Due to Citadel Capital (receivables)	354	241					
Due from Citadel Capital (payables)	-826	-361					
Debt	-794	-1,374					
Adjusted book value	**3,262**	**4,309**	**4,309**	**4,309**	**4,309**	**4,309**	**4,309**
Book value multiple (x)	**1.0**	**0.5**	**0.6**	**0.7**	**0.8**	**0.9**	**1.0**
No of shares (m)	661.6						
Current value per share of principal investments (EGP)	**4.9**	**3.4**	**3.9**	**4.6**	**5.2**	**5.9**	**6.5**
(On adj. post-rights No of shares)		**2.6**	**3.0**	**3.5**	**3.9**	**4.4**	**4.9**

Impact of new funds

Current market price implied P/B

Value at book

Source: Deutsche Bank estimates, company data

What we leave on the table: asset management, capital gains and carry – worth potentially another EGP2.3 per share

We unbundle the remainder of the firm's per-share value drivers, which include asset management, exits and carry, to give investors a clearer sense of how much optionality comes for free with the stock.

Asset Management (fee-related earnings)

We consider the AM business on a standalone basis, meaning that only the advisory fees that it generates are treated as revenue. From this we deduct the operational costs, impairments and provisions, interest expenses and gains, and finally the management incentive (management earn-out), which is only levied if the bottom line is positive.

Once we arrive at a net figure, we average the next three years' earnings to reach a sustainable figure, and apply the average forward P/E multiple of asset managers, which is 15x. This yields a figure of EGP0.6 per share for the asset management franchise.

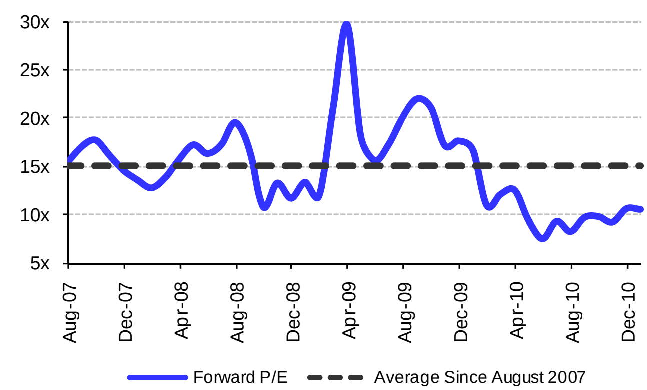
Figure 6: Valuation of asset management

Fee-related earnings (EGP m)	2011e	2012e	2013e
Management advisory fees	150	158	166
Less: Operating expenses	-95	-100	-102
Fee related revenues (EGP m)	55	58	63
Less: interest (net)	0	0	0
Impairments and provisions	-38	-25	-15
Taxes	-1	-1	-1
Less: management earn-out	-1.6	-3.2	-4.7
Net fee-related income (EGP m)	14	29	43

Earnings multiple (x) based on 2011e-2013e net FRE	15.0
Franchise value	429
Value per share (EGP)	**0.6**
(On adj. post-rights no of shares)	**0.5**

Source: Deutsche Bank estimates (NB: we show interest income as nil given our expectations that the interest proceeds from outstanding convertible loans to platform companies nullifies the interest payment on the new and existing debt).

Figure 7: Historical forward P/E of asset managers



Source: Bloomberg Finance LP, Deutsche Bank

Valuing capital gains

We value potential capital gains by considering the value of Citadel Capital's own investments, which the company refers to as own-balance sheet investments. This we take as the adjusted book value of the firm's equity participations in its platform companies (Figure 8 explains how we calculate this).

We outline sensitivities to a range of IRR scenarios based on a six-year investment period. Assuming a discount rate of 20%, we then find the NPV and look at the implied cash on cash multiple that this would generate. Following deduction of (i) the agreement with an anchor shareholder entitling him to 35% of carry and capital gains, and (ii) the management earn-out, fixed at 10% of net, we reach a value per share for equity holders.

Figure 8: Valuation of capital gains

Capital gains on principal investments	2011e								
FY11E book value of investments (EGP m)	4,309								
Time horizon	6yrs								
IRR assumptions	20%	25%	30%	35%	40%	45%	50%	55%	60%
Exit value	12,867	16,438	20,800	26,086	32,447	40,051	49,085	59,757	72,297
Discount rate	20%	20%	20%	20%	20%	20%	20%	20%	20%
NPV of principal investments	0.0	1,196	2,657	4,427	6,557	9,104	12,129	15,703	19,903
Implied Cash on Cash (CoC) multiple (x)	0.0	0.3	0.6	1.0	1.5	2.1	2.8	3.6	4.6
Legacy agreement with core shareholder (35%)		419	930	1,549	2,295	3,186	4,245	5,496	6,966
Management share (10%)	0.0	78	173	288	426	592	788	1,021	1,294
NPV of capital gains per share (current)	**0.0**	**1.1**	**2.3**	**3.9**	**5.8**	**8.0**	**10.7**	**13.9**	**17.6**
(On adj. post-rights no of shares)		**0.8**	**1.8**	**3.0**	**4.4**	**6.1**	**8.1**	**10.5**	**13.3**

Source: Deutsche Bank estimates

Valuing carried interest

We value the carry in much the same way we value the potential capital gains. Instead of taking only Citadel Capital's own investments as a starting point, we use the total value of the funds including the commitments of co-investors or LPs. We then run IRR scenarios to drive the value of exits, deduct the hurdle rate, and from the 20% that would be Citadel Capital's we further take away the 35% due to the anchor shareholder and 10% management earn-out. This gives us a value per share for equity holders of the company.

Figure 9: Valuation of carried interest

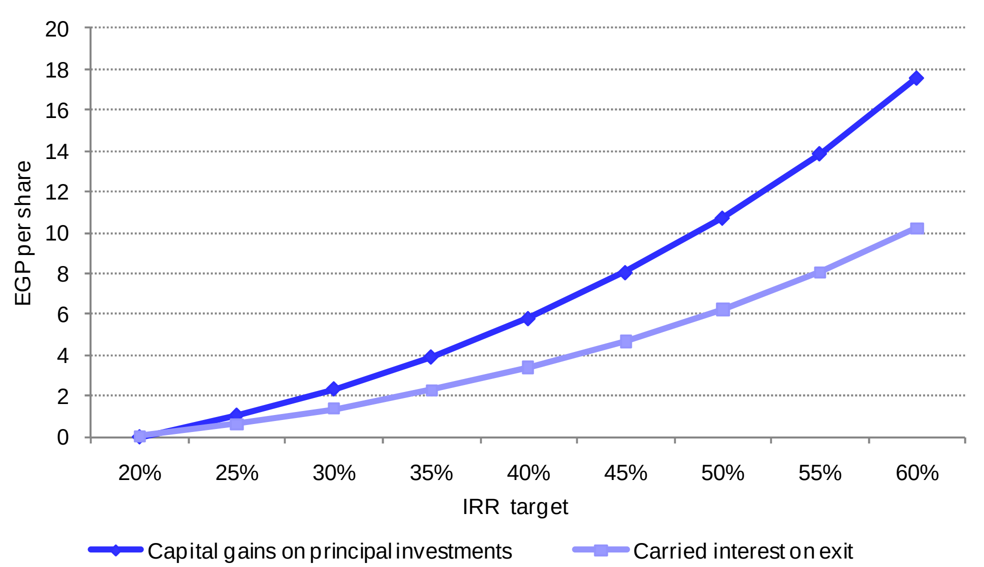
Carried interest upside	2011e								
FY11 Total equity invested (EGP m)	12,495								
Time horizon	6yrs								
IRR assumptions	20%	25%	30%	35%	40%	45%	50%	55%	60%
Value of exit	37,310	47,665	60,311	75,638	94,082	116,130	142,326	173,271	209,631
Hurdle rate	12%	12%	12%	12%	12%	12%	12%	12%	12%
Hurdle rate value	24,663	24,663	24,663	24,663	24,663	24,663	24,663	24,663	24,663
Carry rate	20%	20%	20%	20%	20%	20%	20%	20%	20%
Carry	30	2,101	4,631	7,696	11,385	15,794	21,034	27,223	34,495
Legacy agreement with core shareholder (35%)	11	735	1,621	2,694	3,985	5,528	7,362	9,528	12,073
Management earn-out	2	137	301	500	740	1,027	1,367	1,769	2,242
Carry per share to common equity holders	0.0	1.9	4.1	6.8	10.1	14.0	18.6	24.1	30.5
PV of carry per share (current)	**0.0**	**0.6**	**1.4**	**2.3**	**3.4**	**4.7**	**6.2**	**8.1**	**10.2**
(On adj. post-rights no of shares)		**0.5**	**1.0**	**1.7**	**2.6**	**3.5**	**4.7**	**6.1**	**7.7**

Source: Deutsche Bank estimates

We estimate the absolute minimum value per share that capital gains and carried interest can generate at EGP1.7 per share. This is the value per share post all deductions in the event of the entire Citadel Capital portfolio being exited at an IRR of 25%.

As a final point we note that due to its own substantial equity commitments in all of its platform companies, Citadel Capital stands to make far higher returns on capital gains than on carried interest, which we construe as a signal of a high degree of alignment with the interests of co-investors.

Figure 10: Per-share value of capital gains and carried interest

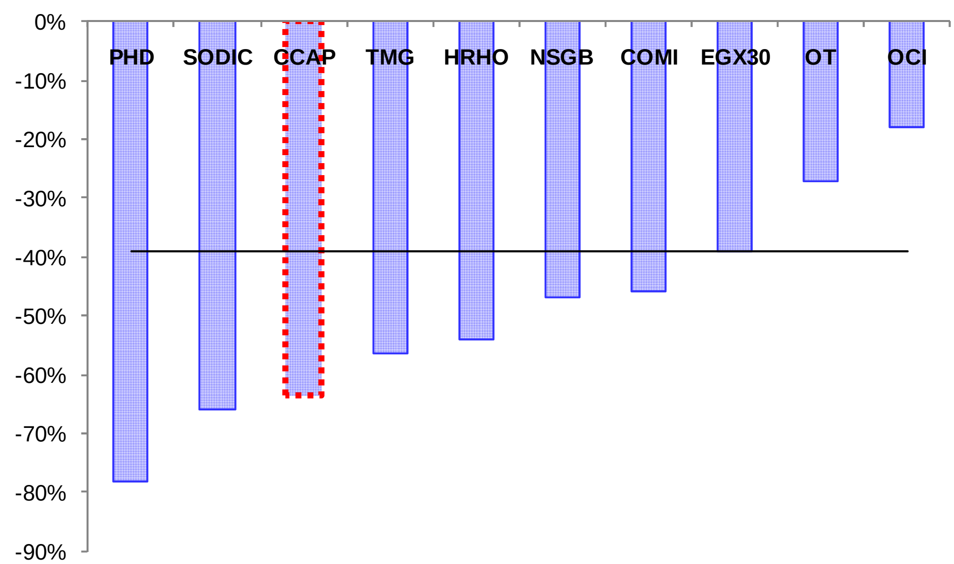


Source: Deutsche Bank estimates

Underperformance suggests the stock has scope to gain

Citadel Capital ranks among this year's worst performers on the Egyptian market, with only a couple of real estate names posting worse performances. We believe that the company's small size in terms of market cap and its cyclical nature, in light of the cycle of exits, are key reasons for its poor performance. Moreover, the recent rights issue seems to have focused the market on the notion that Citadel Capital's viability was at risk, further damaging sentiment on the name.

Figure 11: YTD market performance of key blue chips listed on EGX



Source: Deutsche Bank, Thomson Reuters (based on closing prices as at Oct.31, 2011)

We believe that the strong liquidity and capital of the company, coupled with its underperformance on the market, should translate into a sustainable turnaround in terms of potential share price gains from current levels.

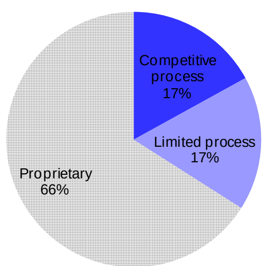
Key positives to bear in mind

Invested ownership with strong deal sourcing

Citadel Capital offers access to an investment platform with invested owners and management, with c.33% owned by Citadel Capital Partners, the founder's ownership vehicle, and 15% by the Board of Directors other than CCP.

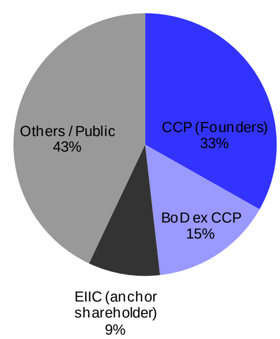
Historically the deal flow has been heavily driven by management, with nearly two-thirds of past deals being sourced on a proprietary basis.

Figure 12: Deal flow on completed deals (by volume)



Source: Deutsche Bank, company data

Figure 13: Ownership of Citadel Capital

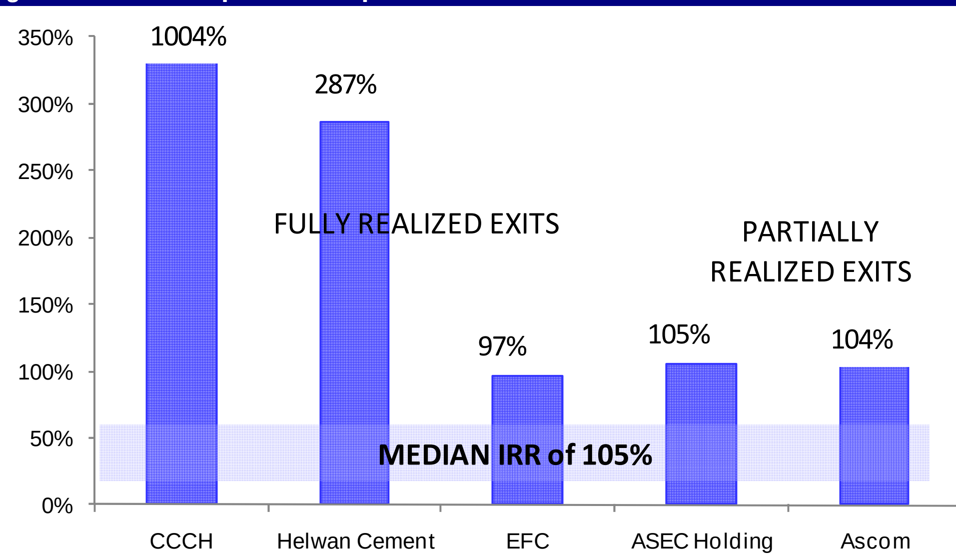


Source: Deutsche Bank, company data

Superior track record

Citadel Capital has a strong track record on exits, with a median investment IRR of 105% on partially and fully realized exits.

Figure 14: Citadel Capital IRR on past exits



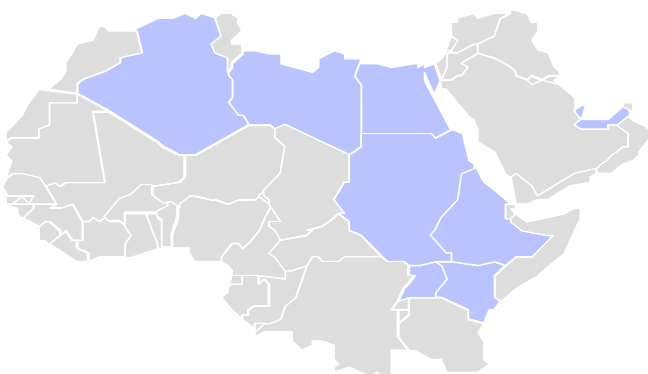
Source: Deutsche Bank, company data

Unique footprint and attractive investment themes

The footprint of Citadel Capital is one of the key positives for the investment case, in our view. Citadel Capital offers a relatively unique way to play the African growth theme, with rising exposure to lower Nile Basin countries.

Thematically, the exposure to Africa is one of the strongest themes in the company's platform companies. Other overarching investment themes include infrastructure, which we think Citadel Capital has the highest gearing to as a single theme, demographics, commodities, and, specific to Egypt, energy deregulation and fuel subsidy reforms.

Figure 15: Citadel Capital – primary footprint



Source: Deutsche Bank, company data

Figure 16: Citadel Capital thematic exposure

Platform companies	*INVESTMENT THEME*					
	Infrastructure	Demographics	Africa	Commodities	Ener Dereg	Fuel Sub Ref
ASEC Holding	X	X	X	X		
ASCOM Geology & Mining	X	X	X	X		
Nile Logistics	X		X	X		X
East Africa Railways	X		X	X		X
Gozour		X	X			
Wafra		X	X			
National Petroleum Company		X		X	x	
NOPC / Rally Energy Corp			X	X	x	
Nile Valley Petroleum	X			X	x	
Egyptian Refining Company	X	X		X	x	
TAQA Arabia	X	X	X		x	X
Mashreq	X	X		X	x	
Glass Works	X					
Finance Unlimited		X	X			
Bonyan	X	X				
Tawazon	X	X			x	
United Foundries Company	X	X		X		

Source: Deutsche Bank, company data

New large investment coming: Egyptian Refinery Company

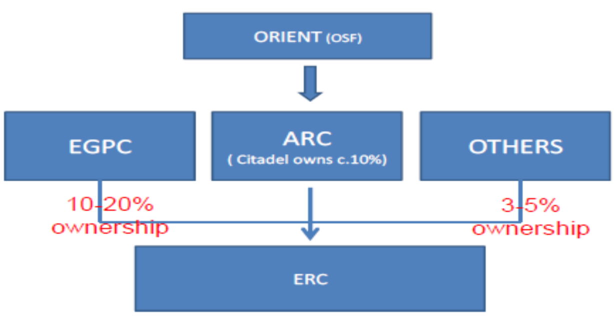
In the coming quarters (no exact date) Citadel Capital should receive the green light for the formal launch of its largest investment to date, the Egyptian Refinery Company (ERC). This c.USD3.5bn refinery project is a direct play on energy deregulation in the Egyptian market, as well as a broader play on infrastructure and demographics.

ERC is a new hydro-cracking / cocking facility that will be built next to the existing refinery units of the Cairo Oil Refinery Company (CORC). The feedstock will be supplied by CORC's units, while the refined products that ERC will produce (diesel, jet fuel, naphtha, reformate, LPG and fuel oil) will be sold through an off-take agreement to the Egyptian General Petroleum Co (EGPC) on a take or pay basis in USD and based on international prices.

Under the existing framework, EGPC is to commit to a 25-year contract with ERC starting from the launch of commercial operations.

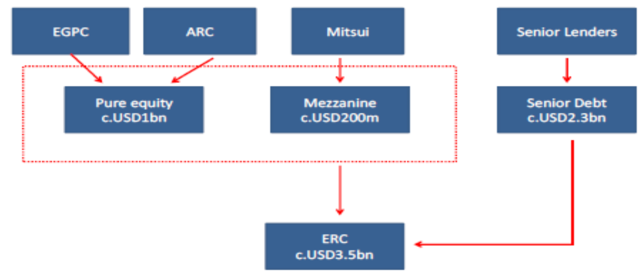
The debt component of the financing package is already in place, and the equity has been committed, but remains undrawn as yet.

Figure 17: Tentative ownership structure of ERC



Source: Deutsche Bank (NB: provisional estimates of ownership %)

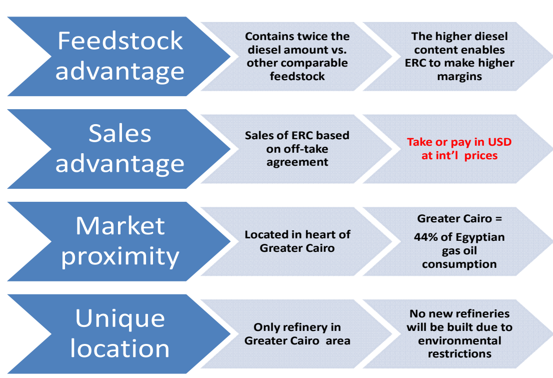
Figure 18: Tentative financing structure of ERC



Source: Deutsche Bank (NB: provisional estimates of sources of funds)

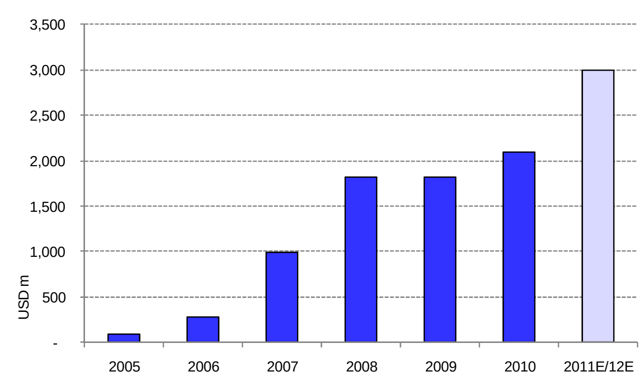
Note that Citadel Capital's management fees on the project will be only 0.5% vs. the 1% on other funds, which is why we adjust the overall fee levels to 0.85%.

Figure 19: ERC's four key competitive advantages



Source: Deutsche Bank

Figure 20: Fee-earning AuM



Source: Deutsche Bank, company data

We estimate that the capital gains + carry on this transaction alone could exceed USD700m for Citadel Capital, based on a 35% IRR.

The author of this report wishes to acknowledge the contribution made to the writing of this report by Aarthi Chandrasekaran, an employee of Amba Research, a third-party provider to Deutsche Bank of offshore research services.

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
Citadel Capital	CCAP.CA	3.18 (EGP) 1 Nov 11	NA

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

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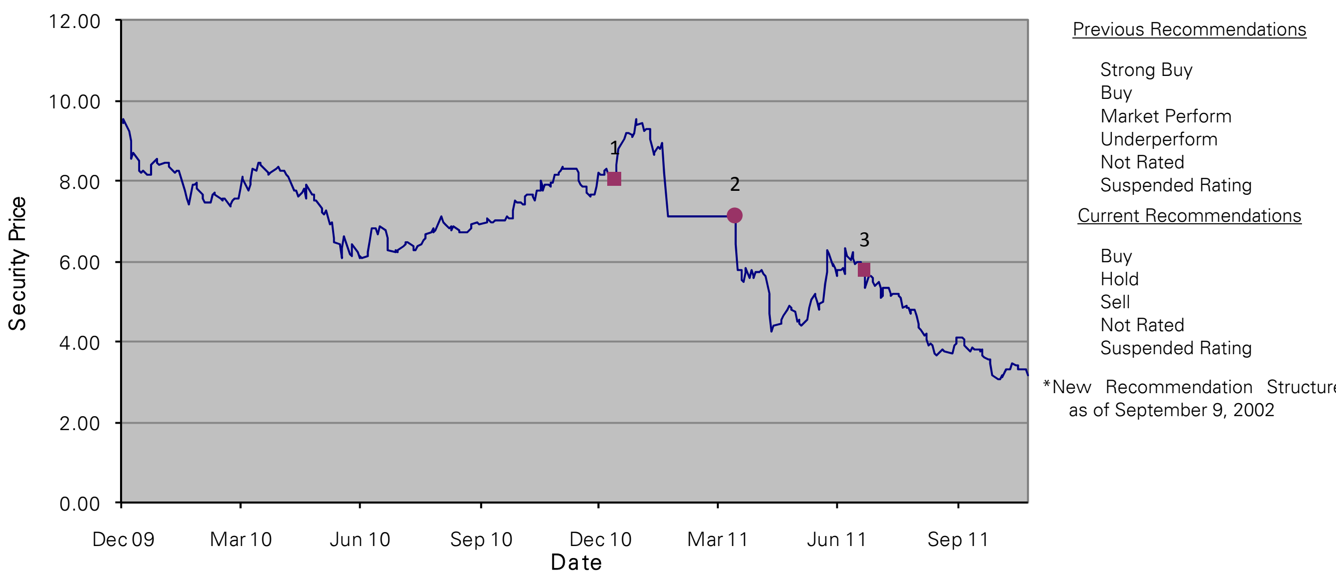
Historical recommendations and target price: Citadel Capital (CCAP.CA)

(as of 11/1/2011)



1. 20/12/2010: Buy, Target Price Change EGP12.40
2. 22/3/2011: Downgrade to Hold, Target Price Change EGP8.00
3. 29/6/2011: Hold, Target Price Change EGP6.70

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Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

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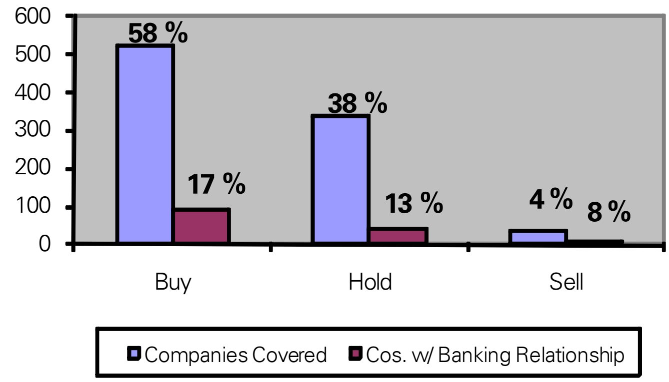
Equity rating dispersion and banking relationships



Global Universe

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