

Buy

TP KD0.45 (from KD0.47)

RBS Refiner

Price (close 02 Jan)	KD0.37
3M high/low	KD0.41/0.31
Market cap	KD370.65m
Av (12M) turnover	KD0.66m
Freefloat	73.8%
Reuters	AGLT.KW
Bloomberg	AGLTY.KK
Net debt (cash) FY10	KD(75.04)m
3yr EPS CAGR 11-13F	12.6%
Income (2012F div yield)	3.7%

Source: Bloomberg

Rasmala vs consensus

PBT (KDm)	Rasmala	Consensus	Difference
2011F	38.9	41.6	-6.4%
2012F	32.9	56.6	-41.9%
2013F	42.9	81.2	-47.1%

Source: Rasmala forecasts, Bloomberg

Price performance

	(1M)	(3M)	(12M)
Price (KD)	0.40	0.31	0.52
Absolute (%)	-6.3	19.4	-28.8
Rel to mkt*(%)	-5.6	20.2	-14.5

*Kuwait SE Index
Source: Bloomberg

Key events

4 Apr 2012 2011Y results
15 May 2012 1Q12 results

Source: Bloomberg

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Agility

G&A expense adjustment

We adjust our forecasts to account for higher-than-expected G&A expenses in 3Q11. As a result, we lower our EBITDA forecasts and target price. We value Agility using an SOTP methodology arriving at a fair value of KWD0.447, with the largest contribution coming from a DCF of Agility's core operations.

Event: We adjust our forecasts to account for higher-than-expected G&A in 3Q11.

Although Agility successfully implemented cost-cutting initiatives in 2Q11 lowering G&A expenses as a percentage of revenue to 6.5%, G&A expenses as a percentage of revenue increased to 8.6% in 3Q11. We adjust our forecasts accordingly.

Forecasts: We increase SG&A expenses forecasts and lower EBITDA forecasts.

We increase our 4Q11F and 2012-2016F SG&A expenses to reflect the higher-than-expected 3Q11 reported numbers. As a result, we lower our EBITDA forecasts and target price accordingly.

Valuation: We arrive at our target price of KWD0.447 using an SOTP methodology.

We value Agility using an SOTP methodology arriving at a fair value of KWD0.447, with the largest contribution coming from a DCF of Agility's core operations. The key risk to our central scenario is a worse-than-expected negative outcome to Agility's legal case with the US government. Bloomberg consensus shows the stock has two Buy recommendations and one Hold recommendation. We largely avoid comparing our estimates with consensus due to a lack of reported estimates.

Key forecasts

year to Dec	FY09A	FY10A	FY11F	FY12F	FY13F
Revenue (KDm)	1,705	1,606	1,303	1,274	1,338
EBITDA (KDm)	215.5	76.30	44.30 ▼	66.60	77.40
Normalised PTP (KDm)	166.4	31.70	38.90 ▲	32.90 ▼	42.90
Norm fully diluted EPS (KD)	0.16	0.03	0.03	0.03	0.04
Normalised PE	2.37	14.70	13.30	13.40	10.30
Dividend per share (KD)	0.00	0.04	0.04	0.01	0.02
Dividend yield (%)	0.07	10.50	10.50	3.69	4.82

Use of ▲ ▼ indicates that the line item has changed by at least 5%.
Accounting standard: IFRS

Source: Company data, Rasmala forecasts

Important disclosures can be found in the Disclosures Appendix.

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RBS Equities Forecasts: Agility

Income statement

KDm, year to December	FY09A	FY10A	FY11F	FY12F	FY13F
Revenue	1705	1606	1303	1274	1338
Cost of sales	-1078	-1118	-941.5	-913.1	-954.5
Operating costs	-411.7	-411.7	-317.3	-294.7	-306.3
EBITDA	215.5	76.3	44.3	66.6	77.4
DDA & Impairment (ex gw)	-46.6	-44.0	-31.4	-31.2	-32.8
EBITA	168.8	32.2	13.0	35.4	44.6
Goodwill (amort/impaird)	0.00	0.00	0.00	0.00	0.00
EBIT	168.8	32.2	13.0	35.4	44.6
Net interest	-3.27	-4.44	13.0	-2.51	-1.74
Associates (pre-tax)	0.00	0.00	0.00	0.00	0.00
Other pre-tax items	0.82	3.92	13.0	0.00	0.00
Reported PTP	166.4	31.7	38.9	32.9	42.9
Taxation	-10.5	-6.97	-5.99	-5.26	-6.86
Minority interests	0.67	0.54	-4.91	0.00	0.00
Other post-tax items	-0.14	-0.18	-0.18	-0.18	-0.17
Reported net profit	156.4	25.1	27.8	27.5	35.8
Tot normalised items	-0.14	-0.18	-0.17	-0.17	-0.17
Normalised EBITDA	215.5	76.3	44.3	66.6	77.4
Normalised PTP	166.4	31.7	38.9	32.9	42.9
Normalised net profit	156.6	25.3	28.0	27.6	36.0

Balance sheet

KDm, year ended December	FY09A	FY10A	FY11F	FY12F	FY13F
Cash & market secs (1)	314.2	203.8	134.2	156.5	176.7
Other current assets	505.6	401.4	399.1	392.6	407.7
Tangible fixed assets	256.8	238.4	208.5	188.8	180.1
Intang assets (incl gw)	280.1	255.0	250.7	250.7	250.7
Oth non-curr assets	427.4	396.0	448.7	450.0	452.7
Total assets	1784	1495	1441	1439	1468
Short term debt (2)	94.4	69.2	52.5	52.5	52.5
Trade & oth current liab	411.7	388.9	393.9	383.1	400.1
Long term debt (3)	258.6	59.6	40.5	34.9	29.3
Oth non-current liab	66.6	55.1	54.8	54.8	54.8
Total liabilities	831.2	572.7	541.8	525.3	536.7
Total equity (incl min)	952.9	921.9	899.6	913.3	931.3
Total liab & sh equity	1784	1495	1441	1439	1468
Net debt	38.8	-75.0	-41.2	-69.1	-94.9

Cash flow statement

KDm, year to December	FY09A	FY10A	FY11F	FY12F	FY13F
EBITDA	215.5	76.3	44.3	66.6	77.4
Change in working capital	18.8	74.4	-11.8	-4.33	1.92
Net interest (pd) / rec	3.27	39.9	-12.3	5.41	5.08
Taxes paid	-18.9	-17.5	-9.71	-5.44	-7.03
Other oper cash items	16.6	-3.65	17.1	-2.51	-1.74
Cash flow from ops (1)	235.2	169.4	27.6	59.8	75.6
Capex (2)	-60.2	-40.5	-13.0	-12.7	-26.8
Disposals/(acquisitions)	-32.3	31.4	-2.29	0.00	0.00
Other investing cash flow	-84.3	81.4	51.0	0.00	0.00
Cash flow from invest (3)	-176.7	72.3	35.7	-12.7	-26.8
Incr / (decr) in equity	0.29	0.00	0.00	0.00	0.00
Incr / (decr) in debt	16.1	0.00	0.00	0.00	0.00
Ordinary dividend paid	-0.98	-39.6	-39.3	-13.7	-17.9
Preferred dividends (4)	0.00	0.00	0.00	0.00	0.00
Other financing cash flow	-103.5	-237.1	-39.8	-11.0	-10.7
Cash flow from fin (5)	-88.2	-276.7	-79.2	-24.8	-28.6
Forex & disc ops (6)	0.94	-0.10	-0.98	0.00	0.00
Incr/(decr) cash (1+3+5+6)	-28.7	-35.1	-16.9	22.3	20.2
Equity FCF (1+2+4)	175.0	128.9	14.6	47.0	48.8

Source: Company data, Rasmala forecasts

New forecasts

We adjust our forecasts to account for higher-than-expected G&A expenses in 3Q11. As a result, we lower our EBITDA forecasts.

New main assumptions

▪ G&A expenses

- We increase our 4Q11 G&A expenses as a percentage of revenues forecast from 7.5% to 8.0%. We increase the 2012-2016 forecast average from 7.6% to 7.7%.

▪ Salary expenses

- We increase our 4Q11 salary expenses as a percentage of revenues forecast from 14.3% to 15.1%. We increase the 2012-2016 forecast average from 15.0% to 15.6%.

▪ EBITDA

- As a result of a higher SG&A expenses forecast, we lower our 4Q11 EBITDA forecast from KWD16.3m to KWD15.3m. We lower the 2012-2016 EBITDA margin average forecast from 5.9% to 5.7%.

Key forecasts

(KDm)	old 4Q11F	new 4Q11F	old 2011F	new 2011F
Revenue	324.3	324.3	1,300.1	1,303.2
Gross profit	87.5	90.1	355.2	361.7
EBITDA	16.3	15.3	60.7	55.1
Net profit	6.4	4.3	28.4	27.8
EPS (KD)	0.006	0.004	0.028	0.028

Source: Rasmala forecasts

Valuation

Our new valuation yields a fair value of KWD0.447, 20.8% higher than the current price. At KWD0.370, the stock is trading at 2011F EV/EBITDA of 7.4x and 2011F PE of 13.3x. Our valuation implies 2011F EV/EBITDA of 9.2x and PE of 16.0x.

Base-case scenario valuation

(KDm)	Value	Per share (KD)	% of Asset value	Valuation methodology
Core business lines	451	0.450	101%	DCF
AFS investments	130	0.130	29%	Book Value
Total EV	581	0.580	130%	
Net cash	41	0.041	9%	Net Debt as of 31/12/2011
Minority interests	-8	-0.008	-2%	Minority Interest as of 31/12/2011
US DGS Fine	-167	-0.166	-37%	Internal Estimate
Total equity value	448	0.447	100%	
Shares outstanding	1,002			
Equity value per share	0.447			
Current price	0.370			
Potential upside/downside	20.8%			
Recommendation	Buy			

Source: Company data, Rasmala forecasts

Disclosure Appendix

Recommendation structure

Absolute performance, short term (trading) recommendation (Australian coverage only): A Trading Buy recommendation implies upside of 5% or more from the suggested entry price range, and a Trading Sell recommendation implies downside of 5% or more from the suggested entry price range. The trading recommendation time horizon is 0-60 days.

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price and, except as follows, only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. For research on Australian listed property trusts (LPT) or real estate investment trusts (REIT), the recommendation is based upon total return, ie, the estimated total return of capital gain, dividends and distributions received for any particular stock over the investment horizon.

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