

## Financial Performance in H1 2014

- The improvement in the performance of Palestine Development and Investment Company PADICO's several projects- especially the newly operated- , subsidiaries and affiliates has contributed in increasing the company's net income by 9.24% to settle at \$15.01 million in H1 2014 compared to \$13.74 million in H1 2013. Net income attributable to the shareholders of the parent company aggregated at \$14.42 million in H1 2014; up by 4.88% than H1 2013, to record a net margin of 24.36% in the same period.
- Total revenues reported an increase of 10.61% in H1 2014, to stand at \$60.32 million compared to \$54.53 million in H1 2013. This item mainly consists of 61.18% operating revenues and 36.97% share of associates profits.
- Operating revenues from PADICO's subsidiaries accounted for \$36.90 million in H1 2014; up by 12.84% than the corresponding period of 2013. This was due to an enhancement in the operating revenues of PADICO's subsidiaries; mainly from Palestine Industrial Investment Company PIIC and Palestine Securities Exchange Company PSE, as well as the generated revenues from Nakheel Palestine for Agricultural Company- a new constructed project that started operating in 2011 and 2012.
- PADICO's share of associates' profits grew by 8.16% in H1 2014, to hit \$22.30 million compared to \$20.61 million in H1 2013. This primarily resulted from an increase of 5.97% in PADICO's associate net income- Palestine Telecommunications Company- coinciding with an increase of 4.84% in gross income following the stability of revenues versus a decrease in cost of revenues and effective tax expenses, as well as recording investment gains in H1 2014 opposed to an investment loss in the corresponding period of 2013.
- PADICO's other associate- The Vegetable Oil Industries Company VOIC- recorded an increase of 46.95% in its net income following the increase in sales and stake from associates profits. VOIC owns 25% of the National Beverage Company and 27.03% in the Plastic Technology Company. This attributed in increasing PADICO's share of associates' profits and therefore PADICO's total revenues.
- Total expenses stood at \$44.72 million in H1 2014 compared to \$41.10 million in H1 2013; up by 8.81%. Accompanying the growth in the operating revenues of PADICO's subsidiaries, the key contributor to total expenses by 59.22%- operating costs- soared by 12.06% to settle at \$26.48 million in H1 2014. Moreover, general and administrative expenses also increased by 2.62% to settle at \$8.11 million in H1 2014 compared to \$7.90 million in H1 2013. Depreciation and amortization stabilized between the two periods.
- Accordingly, operating profits showed an increase of 16.26% after hitting \$20.24 million in H1 2014 compared to \$17.41 million in H1 2013, to record an operating margin of 34.19% in H1 2014.

### Quotes

PSE: PADICO

Bloomberg: PADICO:PS

ISIN: PS4002112937

Sector: Investment

Trading Currency: USD

### Key Market Data

Date: 28/08/2014

Closing: \$1.62

YTD: 20.00%

52 High/Low:\$1.87/\$0.98

Free Float at 63.61%

Forward PE: \$13.96x

P/BV: 0.94x

- Finance costs increased by 10.96% to aggregate at \$5.76 million in H1 2014 compared to \$5.19 million in H1 2013 in corresponding to an increase in PADICO's debt (long term loans, short term loans, bonds and credit facilities) to 225.12 million in H1 2014 compared to H1 2013, while, slightly decreased by 0.22% compared to the end of the year 2013.
- EBIT recorded an amount of \$21.55 million in H1 2014 compared to \$19.42 million in H1 2013; up by 10.99%. On the other hand, effective tax expense rate increased to 4.95% in H1 2014 compared to 3.41% in H1 2013. It is good to note that PADICO is a holding company for several companies which in turn are subject to different tax rates due to applying tax exemption- investment promotion- on some of them and some not. So, not all companies are incurring 20% tax expenses. Moreover, subsidiaries companies in Jordan for example are subject to different tax rates. Also, PADICO is exposed to wide network of companies so it witnesses differences between accounting net income and taxable income.
- Investment in associates- the largest contributor to total assets by 45.33%- slightly decreased by 0.45% to settle at \$376.60 million in H1 2014 compared to \$378.28 million in H1 2013. This came in corresponding to an 8.16% increase in PADICO's share of associates' profits. It is good to note that PADICO uses the equity method to record investments in associates after taking into consideration the cash dividends amount distributed and received.
- Investment properties slightly decreased by 0.46% to settle at \$97.62 million in H1 2014. This figure consists of PADICO and its subsidiaries' real estate and lands investments, mainly from Jericho Gate Project that is currently owned by PADICO and PALTEL by 50% each, in addition to Palestinian Real Estate Investment Company PRICO.
- Projects in progress grew by 13.59% to aggregate at \$62.95 million in H1 2014 compared to \$55.42 million in H1 2013 parallel to the additional investments in projects in progress, especially Al-Ghadeer Residence Project that is implemented by Palestine Real Estate Investment Company PRICO- PADICO's subsidiary in the real estate sector.
- The major contributor to total liabilities by 75.09%- PADICO's debt (long term loans, short term loans, bonds and credit facilities)- slightly decreased by 0.22% to aggregate at \$225.61 million in H1 2014 compared to \$226.12 million in H1 2013. This came mainly from a decrease of 32.27% in credit facilities and short-term interest bearing loans and borrowings to settle at \$45.92 million in H1 2014; constituting 15.28% from total liabilities. On the other hand, an increase of 29.15% was witnessed in the long-term interest bearing loans and borrowings to settle at \$94.70 million in H1 2014; contributing around 31.52% from total liabilities. It is good to note that PADICO has issued \$85 million bonds.
- Returned earnings, the second major contributor to shareholders' equity by 28.27%, slightly decreased by 0.58% to settle at \$149.89 million in H1 2014.
- Equity attributable to the shareholders of the parent company increased by 2.51% to aggregate at \$429.35 million in H1 2014. Non-controlling interests decreased by 0.76% to settle at \$100.94 million in H1 2014, to record earnings per share EPS of \$0.058 and book value BK of \$1.72 in H1 2014.

## Key financial ratios

Item - Semi Annual Data	H1 2013	H1 2014	Δ
Operating Margin	32.65%	34.19%	4.70%
Net Margin	25.79%	24.36%	-5.54%
ROA	1.77%	1.74%	-2.14%
ROE - attributable to shareholders of the parent	3.45%	3.36%	-2.62%
ROE - total equity	2.76%	2.72%	-1.59%
Current Ratio	0.74	0.79	6.71%
Quick Ratio	0.65	0.72	10.04%
Cash Ratio	0.21	0.28	33.36%
Working capital	(27,427,000)	(23,307,000)	15.02%
Net Working Capital	-3.54%	-2.81%	20.71%
Debt to Total Equity Ratio	55.79%	56.66%	1.55%
Equity Ratio	64.19%	63.83%	-0.55%
Loans & Bonds to Total Equity	42.37%	42.54%	0.41%
Loans & Bonds to Assets	27.20%	27.16%	-0.14%
Fixed Assets to Total Equity	27.48%	25.43%	-7.44%
Interest Coverage	3.74	3.74	0.03%
Total Assets Turnover Ratio	6.88%	7.13%	3.60%
Fixed Assets Turnover Ratio	39.00%	43.89%	12.56%
Working Capital Turnover	-194.40%	-254.00%	-30.66%

## Key market ratios

Item	H1 2013	H1 2014	Δ
EPS	0.055	0.058	4.88%
BV	1.59	1.72	7.70%
P/BV	0.55	0.84	54.75%
Q Ratio	0.28	0.44	55.52%
Cash to Market Cap	10.31%	8.72%	-15.45%

## Key Financial Highlights

## Income Statement Items

Item (USD)	H1 2013	H1 2014	Δ
Operating Revenues & Stake of Associates	53,317,000	59,199,000	11.03%
General & Administrative Expenses	7,902,000	8,109,000	2.62%
Operating Profit	17,410,000	20,240,000	16.26%
EBIT	19,418,000	21,552,000	10.99%
Income Attributable to the Owners of the Parent Company	13,748,000	14,419,000	4.88%

## Balance Sheet Items

Item (USD)	2013	H1 2014	Δ
Investment in Associates	378,278,000	376,594,000	-0.45%
Investment Properties	98,080,000	97,624,000	-0.46%
Projects in Progress	55,421,000	62,955,000	13.59%
Total Assets	808,673,000	830,751,000	2.73%
Debt	226,119,000	225,612,000	-0.22%
Total Liabilities	288,106,000	300,451,000	4.28%
Retained Earnings	150,763,000	149,890,000	-0.58%
Equity Attributable to Owners of the Parent Company	418,844,000	429,355,000	2.51%

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