Ad-Dulayl
Industrial Park
Qualified Industrial Zone (QIZ)
شركة مجمع الضليل الصناعي م.ع.م
(مدينة صناعية متكاملة)

التاريخ : 2004/12/22

السادة / هيئة الاوراق المالية المحترمين ،،،

DISCLOSURE - IDMC - 23/12/2004

تحية وبعد ،،

مرفق طيه صورة عن المقال الذي تم نشره في جريدة الغد يوم الاربعاء الموافق 2004/12/22 بخصوص دراسة لتقييم حقوق مساهمي شركة مجمع الضليل الصناعي م.ع.م الذي اعدته شركة الثقة للإستثمارات المالية (جورد انفست) ، كما نرفق معه صورة عن الدراسة .

شاكرين لكم حسن تعاونكم ،،،

وتفضلوا بقبول فائق الاحترام

رئيس مجلس الادارة
جاك خياط

شركة مجمع الضليل الصناعي م.ع.م
Ad-Dulayl Industrial Park P.L.C

بورصة عمان
الدائرة الإدارية
الديوان
٢٢ كانون الأول ٢٠٠٤
الرقم المتسلسل ٣٦٦٨
رقم الملف ٤١١٦
الجهة المختصة

نسخة /مركز ايداع الاوراق المالية
نسخة /بورصة عمان
نسخة /الملف

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Equity Research

Ad-Dulayl Industrial Park Company

شركة مجمع الضليل الصناعي م.ع.م

" دراسة تقييم حقوق المساهمين "

شركة الثقة للإستثمارات الأردنية
جوردانفست

Jordinvest
December 2004

٢ مرفق ١٤ الصليبي

Jordinvest

EQUITY RESEARCH

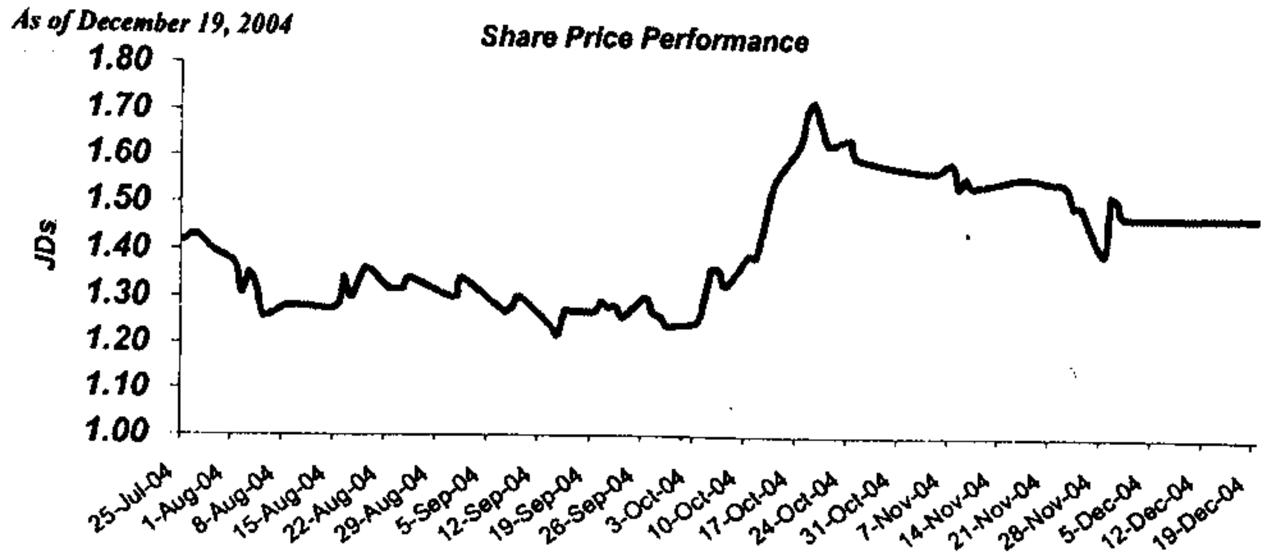
Ad-Dulayl Industrial Park Company, PLC

Real Estate Services Sector

Reuters Code: **141106**
ASE Ticker Symbol: **IDMC**
Listing: **Amman Stock Exchange**

Recommendation: BUY
Current Price: JD 1.48
Target Price: JD 2.45 – 2.65

STOCK PERFORMANCE



Shares Outstanding: 11.0 million

Market Cap (JD): 16.280 million

52-Week High: JD 1.720/sh

52-Week Low: JD 1.220/sh

INVESTMENT SUMMARY

- In March, 2004, International Detergents Manufacturing Company ("IDMC") acquired the Middle East Agricultural & Trading Company ("MEATCO"), which owned Ad-Dulayl Industrial Park (the "Park"). The merged company became known as **Ad-Dulayl Industrial Park Company** (the "Company") in March, 2004.
- The Park has changed its policy from a Qualified Industrial Zone ("QIZ") that *sells* industrial land, to one that *rents* industrial buildings to investors and caters to their industrial needs.
- Approximately 23% of the Park's total land capacity has been utilized, leaving 77% for future growth in the coming years.

FINANCIAL INDICATORS

(In JD Thousands)	31/12/2003*	30/9/2004	31/12/2004E
Balance Sheet Data:			
Current Assets	4,979.5	3,367.9	1,071.8
Net Fixed Assets	17,791.6	18,807.3	18,767.3
Total Assets	22,771.1	21,395.1	19,839.1
Current Liabilities	4,748.2	2,376.8	837.3
Long Term Loans	4,741.1	4,741.1	4,741.1
Deferred Rent	532.2	2,907.8	2,860.4
Total Liabilities	11,620.1	10,025.7	8,438.7
Shareholders 'Equity	11,150.9	11,369.4	11,400.4
Income Statement Data:			
Total Revenue	**284.8**	**621.7**	**905.2**
Operating Profit (EBIT)	159.9	437.8	707.2
Operating Profit Margin (%)	*56.1%*	*70.4%*	*78.1%*
Net Profit	31.2	273.1	304.1**
Net Profit Margin (%)	*11.0%*	*43.9%*	*33.6%*

* This column represents MEATCO's 2003 results prior to the acquisition by IDMC.
** 2004E net income does not include non-recurring income of approx. JD 1.2 million.

- The Park provides state-of-the-art industrial buildings, with private access to the main roads, in addition to a number of other services afforded to investors and workers inside the Park. Ad-Dulayl area also offers close access to a large "labor pool" to investors operating in the Park.
- The Company is currently undertaking several projects that will increase and diversify its revenue sources. Some of these projects include: (1) Dormitory and food catering services; (2) A garment washing plant; (3) A finishing plant; and (4) An embroidery plant; all of which are expected to considerably add to the Company's future profitability.
- Total revenue is expected to reach **JD 905,200** by 2004 year-end, which is attributed mainly to an increase in *rent revenue*, as new five-year rent contracts (with 2-year advance payments) were added during the second half of 2004. However, the actual revenue from rent alone is higher when accounting for the full year's rent, which should be reflected in the 2005 income statement.
- There are currently ***20 investors*** operating inside the Park, with investments of ***USD 150 million***, employing ***12,000 workers*** and with **exports of *USD 19.35 million*** during the period ending July, 2004, which represents 68% of Az-Zarka District's total exports.

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Investment Highlights

Company is currently in the process of issuing JD 8.0 million in bonds

Ad-Dulayl Industrial Park Co. is currently undergoing an ***JD 8.0 million bond financing** (the "Bond Issue")*, which is divided into two tranches (denominated in Jordanian dinars and US dollars). The Bond proceeds will be used to refinance the Company's existing bank debt, finance new projetcs, as well as the construction of new industrial buildings.

The Company anticipates 54 additional contracts within the coming five years

Over the next five years, the Company is projecting that an additional ***54 rental contracts*** would be signed with investors for factories inside the Park. As such, the Company is projecting that its rent revenue would increase from approximately JD 600,000 in 2004E to around JD 5.8 million by 2009, due to the increase in demand generated by foreign textile producers who wish to benefit from the advantages of Jordan's QIZs. Moreover, the increase in rental contracts is expected to be coupled with an increase in *other service* revenues at the Park, which are estimated to increase from JD 270,000 in 2004E to JD 385,600 by 2009.

The Company also has an ambitious expansion plan, whereby it has already begun investing in new projects that aim at providing essential support services to investors' operations, which include the following:

New projects in the pipeline will diversify the revenue streams at the Park in the coming years

- ✓ **Dormitories :** The Company currently has limited housing facilities to cater to the workers in the industrial facilities at the Park. However, the Company's plans include the construction of several dormitories that would ultimately house up to 5,000 workers by 2009.
- ✓ **Catering Services:** The Company has completed the designs for the construction of a catering facility, which would gradually expand in the next five years to provide three daily meals to 5,000 workers by 2009.
- ✓ **A Garment Washing Plant:** The Company has begun the construction of a garment washing plant over an area of 10 dunums inside the Park. The plant is expected to have a daily washing capacity to service 12,000 garment pieces. Such plant is expected to be fully operational in the first quarter of 2005.
- ✓ **A Finishing Plant:** A finishing plant is also expected to be fully operational in the first quarter of 2005, whereby it would cater to the textile producers' garment finishing needs, including ironing, trimming, inspecting and packing.
- ✓ **An Embroidery Plant:** An embroidery plant for textile manufacturers is also to be launched in early 2005. Such plant is to offer in-house sewing and stitching services to garment manufacturers at the Park.
- ✓ **An Artesian Well:** The Park currently has its own artesian well located inside the Park, which has recently been authorized for use by the Water Authority. The estimated production capacity of the well is approximately 60 cubic meters per hour, which would supply water for *human and industrial consumption*, in addition to providing *water recycling* for industrial wastewater.

2005F net income expected to increase to JD 2.6 million

Recent tax exemptions expected to have a positive impact on Company's cash flows

Based on the Company's five-year business plan and the planned new projects mentioned above, Jordinivest has conducted an equity valuation of the Company's five-year projected cash flows using the *discounted cash flow analysis (DCF)* methodology (highlighted under the 'Valuation' section of this Report). In summary, the Company is expected to generate a net income from recurring operations of about JD 304,100 in 2004E (which would increase to around **JD 1.5 million** when *non-recurring* income is added), which is projected to rise to approximately JD 2.6 million by year-end 2005. The *recent tax exemptions* granted to private QIZs by the Council of Ministers will also have a very positive impact on the Company's operating cash flows.

مجمع الضليل

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Based on the DCF analysis (using the Company's weighted average cost of capital), as well as applying the ***current weighted market average P/E of the Services sector*** in Jordan (approximately 18.0x) to the projected 2004 EPS of (JD 0.140 per share, including non-recurring income), we believe that the fair value of the Company's share price is in the range of **JD 2.45 to JD 2.65** per share. Our long term recommendation for the Company is therefore a **Buy**.

مرفق. مع الإفصاح
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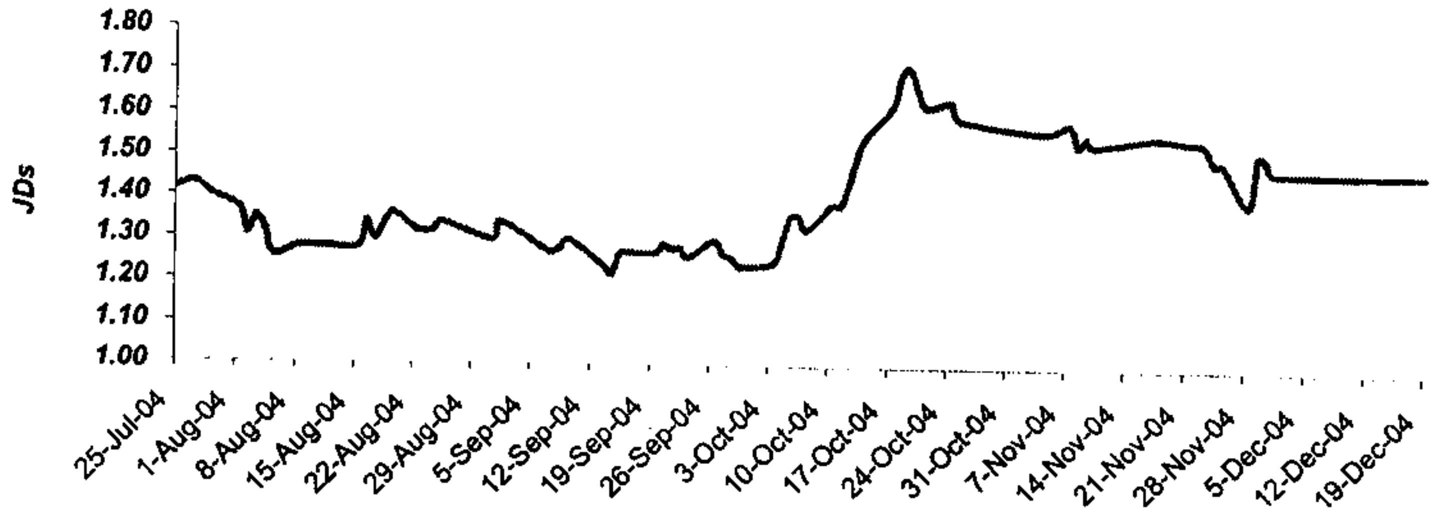
Share Price Performance



IDMC's share last traded on February 10, 2004, after which it was suspended from trading as IDMC underwent a capital restructuring, which included the acquisition of MEATCO. After the company's name was changed to Ad-Dulayl Industrial Park Company, the share resumed its trading on July 25, 2004, at an opening price of JD 1.420/share.

Since resumption of trading on July 25, 2004, the Company's share experienced a gradual decline until it reached JD 1.220 in mid-September, 2004. However, after the announcement of the signing of new contracts for new industrial buildings, the share price increased to JD 1.720 on October, 19, 2004 (its 52-week high), increasing by approximately 21% from its level at the opening of trading on July 25, 2004. The share also witnessed an increase in trading volume during that period, reaching a volume of 930,000, compared to 171,000 for the period from July 25, 2004, to December 1, 2004.

Valuation

A valuation of the Company was conducted, using the Discounted Cash Flow (DCF) approach based on the Company's 5-year business plan.

Business Plan
As mentioned earlier, the Company has begun investing in new projects that aim at providing essential support services to investors' operations. These new projects are:

- ✓ **Dormitories :** To offer housing and accommodation to workers of factories operating inside the Park.
- ✓ **Catering Services:** To offer meals to the workers operating inside the Park.
- ✓ **A Garment Washing Plant:** To provide garment washing services in accordance with investors' requirements and standards.
- ✓ **A Finishing Plant:** To provide finishing services (ironing, packing, etc) for garment manufacturers.
- ✓ **An Embroidery Plant:** To offer in-house sewing and stitching services to garment manufacturers.
- ✓ **An Artesian Well:** To increase the supply of water for human and industrial consumption, and to provide water recycling for industrial wastewater with the aim of maximizing water usage.

All projects fully operational by the second half of 2005

The Company expects these projects to be ***fully operational in 2005***, whereby the garment washing, finishing plant, and artesian well are to commence operation in early 2005. The embroidery is expected to commence operations during the first quarter of 2005, and the dormitories and catering projects in the second quarter of the year. The catering service and dormitories are expected to expand in the following years to meet the increase in workforce.

In addition to the above, the Company expects growth in revenue from *existing operations* (rent revenue, revenue from general services, and revenue from additional works done inside the factories). The Company is anticipating eight new rent contracts during the year 2005, ten during 2006, and an additional 12 contracts per year for each of 2007, 2008, and 2009. The following table depicts the Company's expected performance and the free cash flow to the firm (FCFF) for the 5-year projection period. (*Please note that the net profit figures take into effect the proposed income tax exemptions, which were approved by the Council of Ministers in November 2004*).

In JD 000's	2005F	2006F	2007F	2008F	2009F
Rent Revenue	1,250.9	2,227.2	3,416.5	4,691.0	5,818.3
Other Services Revenue	193.7	245.4	304.0	344.8	385.6
Revenue from Garment Washing	1,428.0	1,463.7	1,500.2	1,537.8	1,576.2
Revenue From Dormitories	85.0	261.3	446.5	640.7	844.4
Revenue from the Finishing Plant	743.7	762.3	781.4	800.9	820.9
Revenue from the Artesian Well	303.4	311.0	318.8	326.7	334.9
Revenue from Food Catering	315.0	1,291.5	1,937.2	2,583.0	3,228.7
Revenue from the Embroidery	202.8	277.2	284.1	291.3	298.5
Total Revenue	**4,522.8**	**6,840.0**	**8,989.0**	**11,216.4**	**13,307.8**
Operating Profit (EBIT)	**3,243.3**	**4,583.0**	**6,007.4**	**7,466.2**	**8,748.6**
Profit Before Tax	2,693.4	4,052.5	5,504.0	7,015.4	8,299.7
Net Profit	**2,579.0**	**3,921.2**	**5,356.4**	**6,856.0**	**8,128.3**

Other Financial Data:

Capital Expenditures	(4,294.5)	(3,822.7)	(4,475.8)	(4,489.2)	(4,502.9)
Free Cash Flow to the Firm (FCFF)	(1,406.2)	1,356.8	2,349.7	3,850.2	5,219.4

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DCF Valuation

DCF Valuation is the summation of the present value of future cash flow, less the net debt

The DCF valuation is based on the free cash flow to the firm (FCFF) defined as cash flow remaining after covering capital expenditures, depreciation, and working capital needs. The FCFF and the Terminal Value (TV) of the Company are then discounted back to present value at the Weighted Average Cost of Capital (WACC) calculated for the Company. The summation of all present values of future cash flows and the TV is the DCF Enterprise value (EV) of the Company. The Company's net debt (total existing interest bearing debt less investments and cash balances), is subtracted from the EV to arrive at the DCF Equity Value, which is then divided by the number of shares to arrive at the DCF share price.

The DCF model highlights are:

1. Weighted Average Cost of Capital (WACC) of approximately 13.3% derived on the basis of:
   a. Cost of Equity: 17.0%.
   b. Equity Ratio: 67% *(based on current market value of equity).*
   c. Pre-Tax Cost of Debt: 7.0% *(current bond financing JD rate)*
   d. Debt Ratio: 33%
2. Assumed terminal growth rate of 2.5%.
3. Terminal value based on the *5th* year free cash flow.

In JD 000's	**2004E**	**2005F**	**2006F**	**2007F**	**2008F**	**2009F**
Free Cash Flow to the Firm (FCFF):	–	(1,406.2)	1,356.8	2,349.7	3,850.2	5,219.4
Terminal Value (TV):						49,329.9
NPV of FCFF (2005-2009):	6,499.9					
NPV of TV (2009):	26,131.6					
Enterprise Value:	32,631.5					
Net Debt (as of 31/12/2004):	5,015.3					
Equity Value:	**27,616.2**					
DCF Value per Share:	**JD 2.51**					

Based on the above assumptions, the DCF model produces a value of ***JD 2.51 per share***. We view this as the core or fundamental value of Ad-Dulayl Industrial Park Company. The table below summarizes the *sensitivity analysis*, which we performed on our DCF estimates, to test the effect of varying the discount rate and terminal growth rate on the share price of the Company:

		Perpetual Growth Rate (%)		
		2.0%	**2.5%**	3.0%
	12.0%	2.87	3.03	3.20
Discount	13.0%	2.49	2.62	2.75
Rate	**13.3%**	2.39	**2.51**	2.65
(%)	14.0%	2.18	2.28	2.39
	15.0%	1.92	2.00	2.09

Summary Conclusion

Promising growth potential in share price

The Company's share price closed at JD 1.48 per share on December 19, 2004. However, we believe the share price has a substantial potential for growth in the *medium to long term.* Assuming the Company goes ahead with its business plan for the new projects and maintains the same success rate in retaining and attracting new clients, we expect the net profit to reach JD 2.6 million in 2005F, or an Earnings per Share (EPS) of **JD 0.234 (in 2005F)**, including the accounting for the income tax exemptions, which were recently provided to privately-owned QIZs by the Council of Ministers. Even assuming an average price-earnings ratio (P/E) *of 15.0x*, the share price would be valued well above the DCF share price range we have calculated above. Therefore, we believe the Company provides a good long-term investment opportunity.