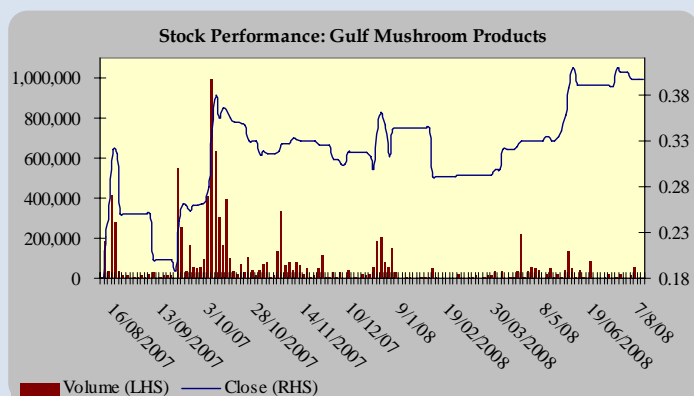


Gulf Mushroom Products: Q2 2008

Company	Gulf Mushroom products
CMP (RO)	0.397
Ticker	GMPI
Established	Oct-97
Industry	Cultivation
Share outstanding	14,400,000
Market Cap. (RO)	5,716,800

Price History



Financial Summary

(RO '000)	H1 2008	H1 2007	% Change
Revenue	1,904	1,501	26.8%
Operating Costs	(635)	(489)	29.9%
EBITDA	618	530	16.6%
Net Profit	402	332	21.1%
Share Capital	1,440	1,440	0.0%
Share Equity	2,535	728	248.2%
Total Assets	6,795	5,117	32.8%
Basic EPS	0.028	0.023	21.1%
P/E Ratio	7.3	8.8	-17.4%
GPM (%)	32.5%	35.3%	-8.1%
NPM (%)	21.1%	22.1%	-4.5%

Source: Company Financials, Al Madina Research

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Preview of Q2 2008

At the end of the first half of 2008, Gulf Mushroom Products reported a 26.8% growth in revenues (Y-o-Y) to the tune of RO. 1.90 mn, up from RO. 1.50 mn last year. The company's bottom line saw a 21.1% (y-o-y) increase to reach RO. 402K as against RO. 332K a year earlier despite the increase in operational costs.

Company & Industry Overview

Gulf Mushroom Products Co. SAOG was incorporated in 1997, engaged in the cultivation, processing and marketing of mushrooms. The Company operates a mushroom farm with an annual capacity exceeding 3,000 metric tons for cultivating, harvesting and canning fresh button mushrooms. The Company's products include fresh white mushrooms, giant fresh mushrooms, white button mushroom in glass jars (slices and whole) and cans (pieces and stems). Its main export markets include the Middle East, Singapore and Malaysia.

The company's restructuring plan in 2005 of moving out of the processed mushrooms market and concentrating solely on fresh mushroom has yielded good results. Apart from this a variety of factors have worked in favour for the company. These include the increasing trend in shifting to a vegetarian diet, increase in the tourism (and medical tourism), as well as the technical know-how. The increasing trend of vegetarianism and tourism has led to a greater demand for the company's products. Gulf Mushroom Products also enjoys the advantage of market proximity over its major competitors. This is ideal given the short term shelf life of its products (fresh mushrooms). The company boasts to be the largest hi-tech mushroom farm in the entire Middle East region. The company's products have also received a boost given the high prevailing value of the Euro making imports dearer. The Company has succeeded in establishing itself as a reliable player in the market.

During the six months ended 30th June 2008 the company produced 1,200 MT of fresh white button mushrooms compared to 957 MT for the same period last year, an increase of 26%. The company has kept its production levels in line with the expected demand for the product. For the three months ended 30th June 2008 we notice a decline in profitability at the company. The EBITDA has dropped from RO. 342K in Q1 2008 to just RO. 276K in Q2 2008. The obvious reason for the reduction in profitability has been the higher costs incurred by the company during the period. The Q2 2008 EBITDA margin stands at 28.6%. Overall, half yearly results still rate positively with the EBITDA up 16.6% (y-o-y) to RO. 618K.

Gulf Mushroom Products

(RO 000)	Yr 2008E	Q2 '08	Q1 '08	Yr 2007	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Yr 2006
Turnover/Revenue	3,927	966	938	3,097	886	710	767	734	2,228
Direct Expenses	(1,366)	(344)	(291)	(1,072)	(16)	(567)	(256)	(233)	(701)
Gross Profits	2,561	622	647	2,026	871	143	511	501	1,526
Admin, Selling & Distribution expenses	(1,457)	(346)	(305)	(1,081)	(642)	43	(252)	(230)	(797)
Other Income	41	6	9	27	9	4	13	1	21
Profit before depreciation & net financing cost	1,145	282	351	971	237	190	272	272	750
Depreciation	(321)	(81)	(80)	(303)	(81)	(77)	(73)	(72)	(301)
Provision for impairment	0	0	0	(140)	(140)	0	0	0	0
Profit before net financing cost	824	201	271	529	17	113	199	200	450
Net financing cost	(138)	(33)	(37)	(149)	(35)	(47)	(29)	(38)	(162)
Net Profit for the period	685	168	234	380	(18)	66	170	162	288

Common Size Income Statement

Gross Profit	65.2%	64.4%	69.0%	65.4%	98.2%	20.1%	66.6%	68.3%	68.5%
Admin, Selling & Distribution expenses	-37.1%	-35.8%	-32.5%	-34.9%	-72.4%	6.1%	-32.9%	-31.3%	-35.8%
Other Income	1.0%	0.6%	1.0%	0.9%	1.0%	0.6%	1.7%	0.1%	0.9%
Depreciation	-8.2%	-8.4%	-8.5%	-9.8%	-9.1%	-10.8%	-9.5%	-9.8%	-13.5%
Net Financing cost	-3.5%	-3.4%	-3.9%	-4.8%	-4.0%	-6.6%	-3.8%	-5.2%	-7.3%
Net Profit	17.5%	17.4%	24.9%	12.3%	-2.1%	9.3%	22.2%	22.1%	12.9%

Source: Company Financials, Al Madina Research.

Outlook & Recommendations

We notice a positive demand for the products of the Gulf Mushroom primarily in the GCC. All over the world more and more people are taking to vegetarian food and the company's main customer in the fresh market is the tourism industry. The company's major markets of the UAE and other GCC countries have all adapted measures to promote tourism as a viable industry which will likely create a better market for fresh mushrooms. The tourism sector in Oman has seen extraordinary growth in the last few years. These market conditions seem to be very fair for the company's growth. Never the less the largest portions of the company's sales are export oriented.

The company has managed to uphold its market share despite the competition faced from few mushroom farms in the GCC region besides imports from Holland, Iran and Jordan. The Company has successful in doing so due to its various technical, commercial and logistical advantages. Despite recent weakness, the Euro still remains strong against the USD and with global security threats air freight costs have increased significantly thus making imports of fresh mushrooms into the company's markets less competitive.

We remain confident on the performance of the company in 2008 and beyond. We expect the company to earn revenues of nearly **RO. 3.92 million** for the year 2008 with a net profit estimate of **RO. 685K** for the year. The solid profitability is likely to result in a major reduction in the company's past accumulated losses. At the current market price, the 2008 forward P/E works out to be quite low at **8.3 times**. We give a **buy** rating to stock for the short-mid term.

Al Madina Research: Rating Methodology

Rating	Explanation
Buy	Capital gain of >20% to the CMP over the year.
Accumulate	Capital gain in the range of 10%-20% to the CMP over the year.
Hold	Capital gain in the range of 0%-10% to the CMP over the year.
Reduce	Capital likely to depreciate in the range of 0%-10% to the CMP over the year.
Sell	Capital likely to depreciate >10% to the CMP over the year.

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