

INVESTMENT RESERCH REPORT PERLA GROUP INTERNATIONAL



 **PERLA**
GROUP INTERNATIONAL

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Investment Opportunity Analysis: PERLA Group International

Company Overview

PERLA Group International Limited is a Dubai-based diversified services group; the company currently operates the following divisions:

- PERLA Aviation
- PERLA Telecoms Group
- PERLA Armoured Cars
- PERLA K-9 Services

PERLA Aviation

PERLA Aviation is a unique company based in Dubai, offering private jet services and helicopter services for the Middle East and African regions.

Perla is to commence its services by acquiring 2 private jets and 2 helicopters respectively, and operating them as affordable transportation services.

The private jet services will be operating within 4-hour flight radius servicing key markets between Southern Europe, Middle East, West Asia and Africa.

The helicopters are intended to operate as "helicopter-taxi service" in UAE, offering passengers an alternative travelling method within Dubai and also inter-city transportation in UAE.





MAIN POINTS ABOUT PERLA AVIATION – CORPORATE JET

- Both private jets and helicopter services are regarded as growth industries in the region.
- The private jets are designed to cover up to 4 hours radius; this covers Southern Europe, Middle East, West Asia and most of African major commercial centers.
- Demand for private jet services are primarily driven by corporate executives and some Government officials.
- The region's commercial airlines are not regarded as safe and reliable alternatives; private jet is often the only choice for travel.
- Increasing commercial activities in Iraq and Libya have increased demand for private jet services.
- Increasing business activities between Southern Europe and Middle East regions have created a new market for private jet services, both Spain and Italy, for instance are expanding their commercial activities in the region.
- Increasing mining & resources activities in West and East Africa have also resulted in increasing the demand.
- Large scale construction & infrastructure projects are also regarded as potential customer base for the private jet and helicopter services transporting technical people to the sites.
- Perla's plans involves in operating 2 x 5-seater light aircrafts, as the result, they can operate at relatively low cost.
- These aircrafts are designed to operate on short run-ways, which is ideal for many smaller airports in the region.



Main Points about PERLA Aviation –Helicopter Services

- An under-supply market in UAE, presenting opportunities for new entrants to the UAE helicopter services market.
- Traffic congestion is a major challenge in UAE especially between the cities, helicopter services is often regarded as an alternative way for many executives and tourists.
- New major events such as Grand Prix are expected to bring additional demand for helicopter services such as photographers, media, event organizers and tourists.
- UAE is already a major helicopter-services market in the region, there are helipads available in most of the commercial buildings and resorts.
- Helicopters are commonly used to transfer many tourists between the hotels, resorts and cities in UAE, and it is considerably affordable compared with other markets because of the low fuel cost in UAE.
- Perla's plan is to offer the first "helicopter-taxi" service in UAE, the pricing structure will be at competitive lower rate than other helicopter operators which operate heavier, and larger passenger capacity helicopters.





PERLA – Telecommunications Division

The founders of Perla Group International have extensive telecommunications experience and knowledge; they had been involved in a number of large telecommunication projects and companies in the past.

To date, telecommunications division is still the primary revenue contributor to Perla International Group; the company has already established recurring revenue streams for its telecommunication services.

Perla telecommunications division consists of the following services:

- Telecommunications Equipment Supply
- Equipment Maintenance, Installation and Services
- Bandwidth Management and Provision
- Network Monitoring and Management
- Telecommunications consultancy services and “turnkey” solutions



Middle East & Africa –

Telecommunications Growth Analysis

Both Middle East and Africa are fast growing markets for telecommunications services, the growth has been underpinned by both fast growing mobile population and take-up of telecommunication services.

In established telecommunications markets including UAE, Saudi Arabia, Qatar and South Africa, the mobile penetration rate has exceed 100% already, the demand in those markets are driven by applications, especially data applications.

In other emerging markets, the growth are mainly from increasing mobile populations, however, this is also creating new demand for infrastructure and network roll-outs, which is a key revenue contribution for Perla’s telecommunications services division, as well as equipment supply.

In terms of the broadband services and satellite communications, the founders of Perla Group International have extensive experiences in the satellite industry and utilized their networks and experience in becoming a key player in the region.

Perla’s telecommunications is now offering bandwidth, and other value added, including bandwidth management through its Network Operating Center (NOC) and contents driven services.

Perla telecommunications is currently working with other regional Telcos in providing them with telecommunications equipment and network management services; these include turnkey projects



such as establishing teleports or network construction services for Governments in Africa and the Middle East region.

In 2009, Perla has won several major contracts to provide equipment and construction for a number of telecommunications infrastructure projects in West Africa.

Key Opportunities for PERLA Telecommunications

- Some industry analysts describe Africa as a “virgin market” for telecommunications opportunities; especially for the mobile population.
- These markets are also adopting new value added services particularly contents, music downloads and other messaging services.
- Perla is also positioned in capitalizing on the region’s growing telecommunications infrastructure projects. There are currently large scale telecommunications upgrades in markets such as UAE, Oman, and Libya.
- In Africa, a number of nations are rolling out new networks to service their growing mobile population such as Angola, Tunisia, Tanzania, Namibia and Nigeria.

- Increasing number of enterprise and corporate-driven network demands, especially from financial institutions such as linking their ATM networks, new satellite teleports for communications, and for mining & resources companies.
- A notable increase in satellite communications in Africa and Middle East.
- PERLA’s Network Operating Center (NOC) is an established center capable in monitoring and managing bandwidth on behalf of its corporate and telecommunications clients.





Perla – Armoured Vehicle Business

The Armoured Vehicle business is an unusual business, yet a fast growing and profitable business to be in.

The Armoured Vehicle industry is a major industry in the Middle East, West Asia and Africa, the demand is from a number of sources:

- Government Departments
- United Nation and other humanitarian organizations
- Corporations
- Individuals

Since its commencement, it has been a growing business segment for Perla as the region's stability remains challenging and likely to remain so in the foreseeable future.

At present, it is receiving increasing orders from Pakistan, Afghanistan and Iraq – the contracts are mainly with the Government or humanitarian organizations to protect their personnel on ground.

In Africa, the demand is for different reasons. In many cases, they are supplied to corporations to protect their executives and for cash transfers.

In some cases, vehicles were supplied to wealthy families to protect their family members, this is actually an increasing trend in many parts of Africa.

Perla also provides additional services and products to the armoured vehicles, Perla can fit-out the vehicles with communications equipment, as well as managing the networks for the vehicle fleets. This integration business

model allows Perla to capitalize further opportunities and profit.



Company Analysis

Aviation Industry: Demand and Supply in the UAE Market

The demand for both private jet and helicopter services are increasing rapidly in the UAE and its surrounding market. This is driven by a number of factors, one is derived from the growth from increasing corporate customers, including executives who often travel from UAE to other regional centers.

Second is lack of adequate commercial service in most parts of the Middle East, for example, there are regular visits from UN personnel visiting Iraq and Afghanistan, some of these services have been arranged by private jets.



Similarly, large engineering and utilities companies that need to travel between the regions under tight schedule also rely on private jets, as they are more reliable and also safer, and only require short run-ways to operate.

Increasing business activities between Southern Europe and North Africa. There is a lack of reliable commercial airlines operating in the North African region, and European executives have been using private jets as their primary transportation method.



Aviation industry: Key Differentiating Factors for PERLA Aviation

These aircrafts have competitive advantages in terms of lower operating cost, while these aircrafts have smaller capacity with 5 people maximum on each trip, the advantage being they can land and take-off at more locations using shorter run-ways, and therefore, able to service more destinations.

The management of PERLA Group has estimated the

cashflow projections, apart from fuel cost, which is very low in the region; the only major operating cost is the pilot which is on contractual rate.

Therefore, the operating cost can be as low as US\$1,000 per hour, which is significantly lower than other operators in the region.

Future growth of aviation industry in the Middle East

From our management interviews with PERLA and our research, a number of new markets have emerged in the Middle East as new routes for private jet services.

There have been significant increasing commercial activities in Libya since it opened its ties with the West; Iraq is also increasing its commercial activities, as well as Oman, Kuwait and Qatar.

At present, there are a large number of infrastructure projects ranging from desalination plants, new highways, new airports, gas pipelines and large scale resorts under construction.

The key demands for private jets are from corporate executives and engineers to visit these sites, which are often distant from main airports and not easily accessible by commercial airlines.

Private jets and helicopter services are the best way to travel to these sites.

Helicopter Taxi Services, the next emerging trend in UAE



Whilst there are a number of operators in Dubai already, there is actually an undersupply situation once new major sporting and entertainment events commence in UAE.

There are several factors contributing to the growth of UAE's helicopter services market:

- Hospitality Industry - Demand from hospitality sectors, a large number of luxury resorts are built on islands in UAE, the best way in accessing to these resorts is via helicopter service.
- Tourism Support - Government's proactive policy in promoting Dubai as the favourite tourism destination. This has encouraged new developments not just in Dubai but other cities, and has increased the demand for inter-city transportation.
- Traffic Congestion - Traffic congestion continues to worsen in UAE from population growth, and is expected to worsen much further as Grand Prix and other new planned events start later this year and 2010.
- Financial Corporate Executives - Dubai International Financial Center is now well established as the region's financial hub, and connecting to major international trading hubs. We have seen increase of financial institutions establishing in Dubai, this has been a major consumer market for helicopter services (corporate executives).
- Infrastructure Projects - Perla also highlights again, the demand from engineering & construction firms, which is another source for helicopter-taxi-service customers, including both corporate executives and engineers visiting

numerous infrastructure and development projects around UAE.

Satellite Communications Services Demand will benefit Perla Group

Our research has confirmed satellite services are still being used as the primary communication service in many parts of Middle East and Africa; and often the only available communication service in the region.

Satellite communications are relatively more reliable in North Africa and West and East African mining centers. We have also noticed resumption of many mining activities in African again as commodities price return to growth phase, we expect demand for satellite communications services will increase in 2009 and 2010.

Telecommunications demands in African Continent & Middle East

From our research, we are expecting an exponential growth in telecommunication services in Africa and the Middle East over next 5 to 7 years until it reaches to the next cycle.

This region remains largely untapped by most of the western Telcos; but companies such as Vodafone and Hutchison have both made successful attempts in growing their presence in the region.

Perla's strategy in positioning itself as a region's major telecommunications equipment and services provider is considered as a smart strategy, especially integrating with satellite and wireless technology and services.



Furthermore, Perla has worked with some of the Middle East based Telcos to expand into African market, this is considered as a cost-effective strategy as these Telcos are leading the telecommunications expansion in African markets.

Transition into Service Oriented business model

According to Perla's management; they are expanding their value added services (VAS) for its telecommunications division, and this strategy has improved their profit margin considerably.

By integrating value added services especially contents application, contents management and bandwidth management; they can secure long term recurring contracts with their clients.

Demand for Armoured Vehicle continues to rise

With conflicts and crime rates continue to be a major challenge in most parts of the region, the demand for armoured vehicle continues to rise and is probably the only sector in the automotives industry that had been immune from the global recession.

Leading the demand are from Government orders, as well as non-military uses mainly for financial institutions as well as protecting key personnel such as company executives and engineering staff for oil & gas and infrastructure sectors.

Frequent attacks on Nigerian oil transmission infrastructure have highlighted the demand for security, in many instances; armoured vehicles are used to carry engineers to repair the damages to avoid further attacks

from militia groups.

The management is also anticipating further demand from regions such as Afghanistan and Pakistan, it had just received an order from Pakistan over supply of a large fleet of armoured vehicles, both for military and non-military uses.

Other research have also confirmed the similar trend, with orders from South African armoured vehicle manufacturers also recording increasing demand for its special purpose armoured vehicles.

There are a number of revenue opportunities Perla has already achieved:

- Provision of second-hand armoured vehicles to Governments and non-Government organizations.
- Fitting out & conversion contracts
- Provision, assembly and installation of parts for armoured vehicles, this provides customized design for different customers for their requirements. For instance, in some regions, enhancements against mines are required
- Integrating with Perla's telecommunications services, providing satellite and wireless telecommunications equipment and services to the vehicles.





K-9 Services – potential new revenue source

Perla's K-9 Services is a relatively new service added to Perla Group International. While this is a new service,

civil and military authorities.

We believe this service can compliment as part of Perla's offering in the security & military related consultancy services, we see good potential for Perla to provide this specialist service for border-patrols and anti-narcotics related opportunities.

Conclusion

We view Perla Group International as a unique company positioned to capitalize on the business opportunities in the Middle East and African regions.

After analysing its divisions, we regard Perla aviation as the most promising opportunity.

The current global recession also presents an opportunity for Perla Group to acquire aircrafts at competitive price; this applies to both private jets and helicopters.

Perla is strategically located in Dubai, with one of the world's lowest fuel costs; it is an ideal hub to operate these services, servicing the customers in Europe, Middle East and African regions.

Lastly, as Perla has established long term relationships with some of the regions' major customers, it has the capability to leverage these relationships and expand its aviation services.

which involves in training security dogs with specialists, it is a fast growing specialist service and being widely adopted by airport and sea-port authorities as well as

We also view telecommunications services as an ideal business for Perla. This is currently its major revenue contributor, and we believe this would continue until its aviation business is well established.

While the company is not a telecommunications service provider, as UAE and other markets are all regulated market; it is providing value added services, and has been adopted by both enterprise and Government users.

A large number of telecommunications infrastructure projects are being constructed or planned in this region, such as rolling out of 3G networks across the region, especially in African markets, where mobile phone penetration remains low (apart from South Africa). Many analysts have predicted that by 2013, mobile phone will become the region's primary communications method, replacing fixed line; Perla is anticipated to participate in some of these contracts either as equipment supplier or as turnkey project contractor.

Data services are also becoming very popular in the region. At moment, this is mainly in the Middle East, including UAE and Saudi Arabia, where online applications such as games and entertainment are increasing their popularity.

As more mobile contents are being introduced, further upgrades are required to improve the quality and security.



Money Cat Company Analysis Rating

Company Potential	Growth	High, being strategically located in Dubai, servicing high growth markets.
Business Risk		Moderate, the company is a relatively young company, with established revenues; the aviation is a new business division to be operated by PERLA.
Financial Risk		Moderate, the company is a relatively new company, but it has demonstrated 3 years of financial growth already, and start to establish recurring contracts from its customers.
Management Experience		Good, the key management has good experience both in international business and telecommunications.
Geopolitical Risks		Moderate. The company is operating in some of the more challenging regions, such as Iraq; but its headquarter remains in Dubai which is the most secure hub in the region.

Contact Details

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