



Earnings Preview

ALDAR Properties

Rating: Market Perform

EMAAR Properties

Rating: Under Review

SOROUH Real Estate

Rating: Market Perform

UNION Properties

Rating: Market Perform

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UAE Real Estate: 2Q09 Preview Retaining Ratings With Ongoing Concerns

A majority of stocks under our coverage should post challenging Y/Y results but show sequential improvement. Emaar, Aldar, and Sorouh are expected to come in with an 80%, 88%, and 40% Y/Y declines in net income, while UPP could report a 115% Y/Y increase. When compared vs. 1Q09, besides Aldar, the other three names should post healthy sequential improvement in 2Q09 net profits. We discuss each of the individual stocks in detail below.

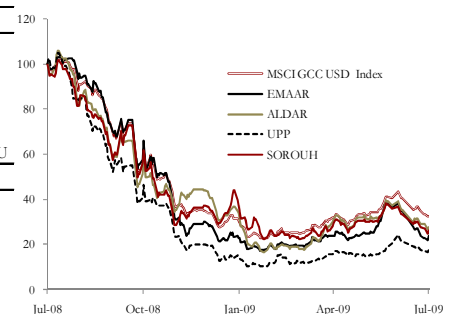
While Emaar benefits from accelerating contribution from Downtown Burj Dubai handovers in 2009, we remain concerned about its impending potential merger. We have already suspended our rating on Emaar given our concerns about the potentially dilutive impact of its merger with Dubai Holdings' three real estate subsidiaries. (For details, see our June 28 report, "*Merger Could be Potentially Dilutive; Suspending Rating.*") In terms of estimates, with the majority of Emaar's revenues/profits for this year to be driven by accelerating handover of units in its Downtown Burj Dubai development, we expect an improving sequential trend in estimates from 2Q09-4Q09 (albeit at a lower rate than previously modeled given the possible delay in completion of the Burj Dubai tower from September to December.) At 7.8x our 2009 EPS estimate, Emaar remains a trading play, but we would like to see more clarity on the financial terms of its impending merger before forming a longer-term view on the stock.

UPP should post Y/Y & Q/Q gains from Motor City handovers in 2Q09, however, lack of funding coupled with delays in Limestone House/Ritz Carlton Hotel remains negative. Given its historical comparisons of a predominantly low-margin contracting business, UPP should enjoy higher revenues and margins (and consequently, net income) as it starts handing over its Motor City project beginning 2Q09. Thus, we believe short-term buyers could benefit from a possible near-term bounce in the stock when the company reports its 2Q09 preliminary results. However, given its funding challenges (which most recently prompted UPP to delay completing its Limestone House/Ritz Hotel projects from September to at least early 2010), we advise long-term investors to adopt a "wait-and-see" strategy on the stock.

Given lack of land sales and lower revaluation gains on land, we expect Aldar to post weak Y/Y and sequential results. Versus 2Q08, when Aldar generated more than AED1.2bn from land sales (78% of gross revenues), we expect the company to record no land sales in 2Q09 much like 1Q09. We also remain skeptical of Aldar's ability to replicate almost AED920mm in revaluation gains on land that the company recorded in 1Q09. Given its challenging expected 2Q09 results, we would be cautious on this name ahead of its earnings announcement.

Sorouh to report sequentially improving numbers as we progress through 2009, but management's decision to refrain from new land sales should weigh on results. For the remainder of 2009, besides previously contracted land sales, Sorouh expects to realize revenues on property sales on handover of Golf Gardens 1 and recurring rental revenues from Sas Al Nakhl, Khalidiya Village and Al Oyoun Village. While expected to post a relatively shallower Y/Y drop in 2Q09 net income vs. Aldar and Emaar, we believe the stock could weaken somewhat after its earnings announcement.

Equity Data	Aldar	Emaar	Sorouh	UP
Current Price (AED)	3.40	2.47	2.44	0.86
12 Mo. Performance	-70.4%	-76.0%	-72.7%	-82.5%
Market Cap. (AED bn.)	12.4	15.0	6.1	2.9
Ent. Value (AED bn.)	28.0	20.4	3.4	9.0
RIC	ALDR.AD	EMAR.DU	SOR.AD	UPRO.DU
2009E Estimates & Valuation				
Revenues (AED mm.)	4,232	8,503	3,016	6,913
EPS	0.41	0.32	0.58	0.51
Cash Earnings/Share	(0.11)	0.39	0.59	0.50
PE '09E	8.3	7.8	4.2	1.7
P/Cash Earnings '09E	N.M.	6.3	4.2	1.7





2Q09E Net Income Comparisons

<i>(AED mm)</i>	Net Income to Common Equity			Change	
	2Q09E	1Q09	2Q08	Q/Q	Y/Y
EMAAR	324	237	1,660	37%	-80%
UPP	682	30	318	2165%	115%
ALDAR	145	889	1,236	-84%	-88%
SOROUH	410	125	687	227%	-40%

Source: Company Reports

Note: Emaar's 2Q08 Figures are based on prior accounting standard and thus not comparable with forecasts

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