



## Results Review

### Aldar Properties

Rating: Market Perform

## Weak 2Q09 As Expected; Maintain Market Perform

**As expected, Aldar posted lackluster 2Q09 results; we maintain our Market Perform rating.** Aldar's 2Q09 numbers (more details below) reaffirm the fact that real estate market fundamentals remain challenging over the next 6-9 months. We continue to envision a difficult 2-3 quarters with limited new land/property sales until 1Q10 and increased incidences of buyer defaults. *Thus, we continue to maintain our 12-month Market Perform rating on Aldar shares.* While Aldar remains a trading play in the near-term (based on level of oil prices, performance of global equity markets, etc.), we suggest that long-term investors remain on the sidelines until late 2009, when we believe that the stock will start factoring in a pickup in the local real estate market around 2Q10.

**2Q09 revenues of AED572mm increases 15% sequentially, but falls 60% Y/Y as Aldar records no new land sales in 1H09.** Aldar sold zero land in 2Q09, which is not surprising to us. We had stated in our UAE Real Estate earnings preview published July 15, "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". Aldar's lack of new land sales thus far this year is consistent with its Abu Dhabi peer, Sorouh, which also did not record any land sales in 1H09. We continue to expect a difficult year ahead for Aldar with no new land/property sales in Abu Dhabi expected until at least 1Q10 (a fact reaffirmed by Sorouh management recently).

**Net Income of AED254mm down 71% Q/Q and 79% Y/Y as combination of no new land sales and lower land revaluation gains weigh on reported profits.** The Y/Y decline in net income should not come as a surprise given our expectation of an 80% or so fall in net income on a Y/Y basis as Aldar did not sell any high-margin land in 2Q09 (in line with our expectation). The sequential decline of 71% in net income is mostly because Aldar only recorded AED275mm in revaluation gains on land in 2Q09. This is hardly surprising to us, as we had always expected Aldar to record significantly lower land revaluation gains in 2Q09 versus the overly aggressive land revaluation gain of AED920mm posted in 1Q09.

**Cash is king and Aldar has plenty of it.** Our view has always been that in the current difficult environment, investors need to focus on the balance sheet/liquidity for real estate companies. As of end 2Q09, Aldar had AED13.9bn in available cash, which we believe is enough to fund its projects for the next 12+ months. Thus, we believe that Aldar remains well positioned to withstand the ongoing downturn in the real estate market.

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Equity Data						
Current Price (AED)	3.94					
52-Week Range	12.55-1.96					
Dividend Yield	3.21%					
12 Mo. Performance	-66.6%					
Market Cap. (AED bn.)	14.36					
Enterprise Value (AED bn.)	36.11					
RIC	ALDR.AD					
(AED Millions)	2007A	2008A	2009E	2010E	2011E	
Revenues	1,227	4,978	4,381	7,667	12,267	
Gross Margins	45.6%	53.9%	24.4%	30.0%	30.0%	
EBIT	166	1,758	102	1,380	2,331	
EBIT Margin	13.5%	35.3%	2.3%	18.0%	19.0%	
EBITDA	185	1,782	256	1,649	2,761	
EBITDA Margin	15.1%	35.8%	5.8%	21.5%	22.5%	
EPS	0.78	1.03	0.63	0.69	0.96	
PE	5.1	3.8	6.3	5.7	4.1	
Cash Earnings/Share	0.05	0.55	0.14	0.41	0.72	
P/Cash Earnings	86.6	7.2	28.6	9.6	5.5	

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