



Research Note

Emaar: Conference Call Notes

Emaar Properties

Rating: Outperform

- Emaar held a conference call to disclose results with the investment community. Below is a summary of what was discussed.
- The company has expanded its land bank in Turkey by approximately 73.5 thousand sq. m. at a cost of AED 400 million.
- **International unit sales:** approximately 73% of units released in the second quarter were sold. Currently, 70% of all units release in the international projects has been sold.
- Gross profit for the 2Q08 includes an AED 165 million write down related to development properties at WL Homes in the US. However, the company has not written down goodwill related to the purchase. The company stated that if there is any write down related to the US operations in the second half of the year, increased profitability will more than offset the impact.
- Indications are still in place that the pace of earnings growth will begin to improve in the second half of this year and into 2009. This is supported by strong UAE and International sales that have yet to be recognized as revenues. We expect the larger part of this strength in pricing/sales will impact the results in mid to late 2009. UAE sales were roughly 75% higher than 2Q07 (at AED 6.5 billion), and the impact from these sales has yet to impact the reported results.
- Though, we do not expect these results to offer a significant near term catalyst for the stock price, we expect any ramp up to earnings into 2009 should offer a new catalyst. Therefore, with the stock trading at a 9.3x 2008E PE and x 2009E PE, we believe current levels should be a good entry point for long term investors.

(AED Millions)	2006A	2007A	2008E	2009E	2010E
Revenues	14,006	17,566	20,025	28,836	37,775
Gross Margins	49.7%	37.8%	38.2%	37.9%	37.2%
EBIT	5,742	4,516	5,336	8,161	10,858
EBIT Margin	41.0%	25.7%	26.6%	28.3%	28.7%
EBITDA	5,860	4,697	5,551	8,420	11,144
EBITDA Margin	41.8%	26.7%	27.7%	29.2%	29.5%
P/BV	2.08	1.74	1.48	1.22	1.00
EPS	1.07	1.08	1.13	1.74	2.27
PE	9.95	9.83	9.34	6.08	4.68
Cash Earnings/Share	1.02	0.98	0.98	1.57	2.09
P/Cash Earnings	10.36	10.79	10.83	6.73	5.08

Equity Data

Current Price (AED)	10.6
Target Price (AED)	17.29
Upside/downside	63%
12 Mo. Performance	11%
Market Cap. (AED bn.)	64.63
Enterprise Value (AED bn.)	69
RIC	EMAR.DU
Bloomberg	EMAAR UH



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