



Research Note

Sorouh 2Q08 Earnings

Sorouh Properties

Rating: Outperform

- Sorouh reported second quarter earnings Thursday after the close of trading. The company reported net income of AED 616 million, compared to our estimate of AED 492 million.
- Detailed results are yet to be posted to the public, though the top line growth appears to have been driven by exceptional growth in land sales. Revenues grew to roughly AED 950 million for the second quarter, compared to our estimate of AED 773 million.
- Revenues grew at a 18.6% year over year growth rate, while net income grew at robust 39% from the same period last year.
- **Was there a share buyback?** Based on the company's press release that only included the half year revenues, net income, and EPS, it seems that the company may have reduced the shares outstanding by nearly 200 million shares in the quarter. The company reported 42 fils EPS for the first half on AED 977 million in net income. This implies shares outstanding of about 2.3 billion, compared to the 2.5 billion outstanding at the end of the first quarter.
- Margin expansion appears to come from increased land sales. The net margin improved to 65% in the quarter, compared to 57% in the 1st quarter 2008 and 55% in the 2nd quarter 2007.
- In light of these strong results, we continue to maintain an *outperform* rating on the stock.

(AED Millions)	2007A	2008E	2009E	2010E	2011E
Revenues	2,321	3,777	5,137	7,140	8,211
Gross Margins	56.9%	52.3%	51.2%	48.3%	48.1%
EBIT	1,055	1,587	2,199	2,849	3,260
EBIT Margin	45.4%	42.0%	42.8%	39.9%	39.7%
EBITDA	1,112	1,659	2,284	2,926	3,308
EBITDA Margin	47.9%	43.9%	44.5%	41.0%	40.3%
P/BV	5.30	3.74	3.13	2.31	1.74
EPS	0.50	0.88	1.08	1.43	1.65
PE	18.8	10.8	8.8	6.6	5.7
Cash Earnings/Share	0.53	0.75	1.03	1.32	1.48
P/Cash Earnings	18.0	12.6	9.2	7.2	6.4

Robert McKinnon
T+971 4 360 11 17
robert.mckinnon@almalcapital.com

Equity Data	
Current Price (AED)	9.47
Target Price (AED)	11.92
Upside/downside	26%
12 Mo. Performance	241%
Market Cap. (AED bn.)	23.68
Enterprise Value (AED bn.)	22
RIC	SOR.AD



Office 302, Burj Dubai Square 4
Sheikh Zayed Road
P. O. Box 119930
Dubai, United Arab Emirates
T +971 4 360 1111
F +971 4 360 1122
www.almalcapital.com


Al Mal Securities Group
Managing Director

Tamim Refai +971 4 360 11 30

Institutional Sales & Trading

Noel Glendon-Doyle +971 4 360 11 08

Khamis Shinnawi +971 4 360 11 10

Tareq Hamdan +971 4 360 11 06

Homam Maghalseh +971 4 360 11 07

Hassan El Salah +971 4 360 11 09

Portfolio Advisory

Mohamed Salim +971 4 360 11 02

Akram Annous +971 4 360 11 12

All Desks Number +971 4 360 11 00

Al Mal Capital Research
Managing Director

Robert McKinnon +971 4 360 11 17

Equity Research Analysts

Irfan Ellam +971 4 360 11 53

Bobby Sarkar +971 4 360 11 68

Deepak Tolani, CFA +971 4 360 11 52

Katherine Lynn +971 4 360 11 66

Mala Pancholia +971 4 360 11 54

Prerna Sharma +971 4 360 11 56

Arun Ramachandra +971 4 360 11 57

Disclaimer: This report is not an offer to buy or sell nor a solicitation to buy or sell any of the securities mentioned within. The information and recommendations contained in this report were prepared using information available to the public and sources Al Mal Capital believes to be reliable. Al Mal Capital PSC does not guarantee the accuracy of the information contained within this report and accepts no responsibility or liability for losses or damages incurred as a result of investment decisions taken based on information provided or referred to in this report. Any analysis of historical facts and data is for information purposes only and past performance of any company or security is no guarantee or indication of future results. Al Mal Capital PSC, or its "related group companies" (which may include any of its branches, affiliates and subsidiaries) or any director(s) or employee(s) of the said companies, individually or collectively, may from time to time take positions or effect transactions related to companies mentioned in this report. Al Mal Capital PSC and its related group companies may have performed or seek to perform investment banking or any other financial or advisory services for the companies mentioned in this report.