



Research Note

UPP Call Notes

Union Properties

Rating: Outperform

- Last evening, Union Properties conducted a conference call to update investors about the current operating environment and future plans.
- Earnings guidance: The company stated that (because the recent strong results) year-end net income could come in the range of AED850-900 million. This is in line with our expectation of AED 915 million.
- The company stated that it is currently in talks with the Dubai government to double its land bank through a joint venture operation with the government. The first deal would consist of roughly 15 million sq.ft., while an additional 35 million sq.ft. is also under consideration.
- DIFC project is roughly 60% sold, with a bulk buyer interested in a further 20%, and they plan to launch the remaining 20% by December this year. The prices are currently in the area of AED 3900 per sq.ft. (residential) and AED 4000-4500 per sq. ft. (commercial). Handover is expected in the 1st half 2009.
- The board will be considering a proposal to increase the foreign ownership limit from 15% to 30%.
- **Investment Thesis:** Union Properties remains our top pick in the UAE real estate sector. In our view, the company offers investors exposure to both a well managed/high growth contracting business (at a significant discount to other contractors in the UAE) and a premium real estate development company with a proven track record. The stock currently trades at a 2009E PE of 2.9x. The combination of the recurring cash generation from the contracting segment and the strong impact that property development will have on earnings next year should offer a significant catalyst for the stock price over the next 12 months.

(AED Millions)	2007A	2008E	2009E	2010E	2011E
Revenues	2,922	3,280	12,304	7,953	8,197
Gross Margins	18.0%	21.5%	37.4%	28.1%	27.6%
EBIT	405	573	4,113	1,915	1,935
EBIT Margin	13.9%	17.5%	33.4%	24.1%	23.6%
EBITDA	436	606	4,145	1,945	1,964
EBITDA Margin	14.9%	18.5%	33.7%	24.5%	24.0%
P/BV	4.14	4.03	2.28	1.74	1.47
EPS	0.25	0.33	1.57	0.80	0.81
PE	18.2	13.6	2.9	5.6	5.5
Cash Earnings/Share	0.11	0.17	1.46	0.70	0.73
P/Cash Earnings	40.62	25.87	3.08	6.45	6.15

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Equity Data	
Current Price (AED)	4.49
Target Price (AED)	6.88
Upside/downside	53%
12 Mo. Performance	52%
Market Cap. (AED bn.)	12
Enterprise Value (AED bn.)	16
RIC	UPRO.DU



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