



Research Note

Emaar 1Q08 Earnings

Emaar Properties

Rating: Outperform

- Emaar reported first quarter earnings yesterday after the close of trading. The company reported net income of AED 1.65 billion (AED 0.27 per share), compared to our estimate of AED 1.69 billion (AED 0.28 per share). Net income declined 3.8% year over year.
- Gross margins improved to 48.7%, compared to 35.8% in 4Q07 and 49.4% in 1Q07. However, the margin improvement from 4Q07 is mainly to due declining revenues from the unprofitable John Laing Homes unit in the US, which saw revenues decline AED 1.2 billion quarter over quarter.
- Operating margins declined from 37.5% in 1Q07 to 32.9% in 1Q08, as SG&A expenses increase 33% year over year.
- Declining operating results were somewhat mitigated by a 411% increase in results from associated companies, from AED 27 million to AED 138 million.
- The company booked very strong sales in the UAE, mainly driven by the Downtown Burj Dubai development. Emaar reported record sales of AED 5.6 billion in UAE sales for 1Q08, compared to AED 4.6 billion in 1Q07.
- We continue to feel second half of this year may offer a catalyst for the stock, even in light of what may appear to be weak first quarter results. We expect the strong sales booked in the quarter from the UAE operations, from Downtown Burj Dubai in particular, should impact earnings more towards the end of this year and into 2009. Additionally, sales from international operations should further ramp up towards the end of this year.
- Though these results should not offer much of a catalyst for the stock price, we do maintain our long term positive outlook for the stock and expect stronger earnings in the second half of the year. We maintain our AED 17.30 target price and our Outperform rating on the stock.

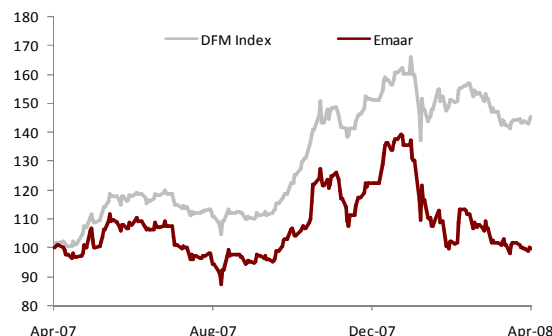
(AED Millions)	2006A	2007A	2008E	2009E	2010E
Revenues	14,006	17,566	20,025	28,836	37,775
Gross Margins	49.7%	37.8%	38.2%	37.9%	37.2%
EBIT	5,742	4,516	5,336	8,161	10,858
EBIT Margin	41.0%	25.7%	26.6%	28.3%	28.7%
EBITDA	5,860	4,697	5,551	8,420	11,144
EBITDA Margin	41.8%	26.7%	27.7%	29.2%	29.5%
P/BV	2.18	1.82	1.55	1.28	1.04
EPS	1.07	1.08	1.13	1.74	2.27
PE	10.42	10.29	9.78	6.37	4.90
Cash Earnings/Share	1.02	0.98	0.98	1.57	2.09
P/Cash Earnings	10.85	11.29	11.34	7.05	5.32

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Equity Data	
Current Price (AED)	11.10
Target Price (AED)	17.29
Upside/downside	56%
12 Mo. Performance	10%
Market Cap. (AED bn.)	68
Enterprise Value (AED bn.)	72
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