



Research Note

Real Estate: 1st Quarter Preview

Emaar Properties

Rating: Outperform

Union Properties

Rating: Outperform

Deyaar Properties

Rating: Outperform

Aldar Properties

Rating: Market Perform

Sorouh Properties

Rating: Outperform

RAK Properties

Rating: Market Perform

- **Emaar:** We expect EPS to be roughly flat (yoy & qoq) for the first quarter at AED 0.28. While we expect top line growth to be strong, we are somewhat concerned about gross margins which fell to 36% in 4Q07. We are looking for a rebound in gross margins on the back of strong sales/pricing in the Burj Dubai projects.
- **Union Properties:** We expect EPS of AED 0.06, an improvement of roughly 28% yoy. The contracting and MEP businesses should continue to show strong results. We continue to notice a strong sales/pricing environment in both its DIFC and Motor City projects that should show up in 2009 results.
- **Deyaar:** We expect EPS of AED 0.05. The potential exists to surpass our estimate of a qoq 11% decline in the top line, though our indications show slower deliveries for the quarter compared with 4Q07.
- **Aldar:** We expect EPS of AED 0.45, a significant improvement qoq and yoy (55% and 86%, respectively). Our indications show strong sales activity and we expect further strength from land sales (roughly 30% of revenues). The wild card for our EPS estimate should come from the recognition of the land revaluation, which is approximately 48% of our estimated EPS. Projected EBITDA growth of 18% qoq still indicates strong operating growth for the company.
- **Sorouh:** We expect EPS of AED 0.17. However, we are unsure if the company will recognize any gain on land revaluation. If so, there could be as much as 150% upside to our estimate. Past recognition of these gains has been random, with none in 2007.
- **RAK Properties:** We expect EPS of AED 0.05, though our results rely almost solely on the revaluation gains that should be recorded (90% of reported net income). We do not expect that results will add much value to evaluating the fundamental operations of the company, as we expect no operating revenues to be recognized in the quarter.

Equity Data	Emaar	UP	Aldar	Sorouh	RAK	Deyaar
Current Price (AED)	11.15	4.82	10.90	9.42	2.27	2.37
Target Price (AED)	17.29	6.88	12.97	11.92	2.54	3.53
Upside/downside	55.1%	42.8%	19.0%	26.6%	12.0%	48.8%
12 Mo. Performance	-1.3%	90.5%	134.4%	234.0%	74.6%	NA
Market Cap. (AED bn.)	69.2	12.8	19.8	22.9	4.5	7.8
Ent. Value (AED bn.)	73.6	16.7	22.7	21.7	3.4	8.5
RIC	EMAR.DU	UPRO.DU	ALDRAD	SORAD	RPRO.AD	DEYR.DU
2008E Estimates						
Revenues (AED mln.)	20,025	3,280	5,521	3,777	438	2,518
Gross Margins	38.2%	21.5%	45.1%	52.3%	43.0%	41.3%
EBIT (AED mln.)	5,336	573	1,275	1,587	149	835
EBIT Margin	26.6%	17.5%	23.1%	42.0%	34.0%	33.2%
EBITDA (AED mln.)	5,551	606	1,360	1,659	150	843
EBITDA Margin	27.7%	18.5%	24.6%	43.9%	34.4%	33.5%
EPS	1.13	0.33	1.28	0.88	0.28	0.28
Cash Earnings/Share	0.98	0.17	0.70	0.75	0.16	0.25
Valuation Multiples						
PE '08E	10.0	14.0	8.2	10.5	7.9	8.7
PE '09E	6.4	3.1	6.1	8.7	6.3	4.6
EV/EBITDA '08E	13.3	27.5	16.7	13.1	22.3	10.1
EV/EBITDA '09E	8.7	4.0	12.4	9.5	12.9	5.1
P/Cash Earnings '08E	11.6	26.5	14.9	12.2	14.1	9.8
P/Cash Earnings '09E	7.1	3.3	12.0	9.1	10.5	4.8
P/BV	1.6	4.0	1.8	3.6	1.5	2.5

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UAE Real Estate Expectation Summary

Union Properties						
(AED Millions)	1Q07	4Q07	1Q08E	Consensus	yoy	qoq
Revenues	592	898	875	NA	48%	-2%
EBIT	59	102	145	NA	148%	43%
EBITDA	67	102	153	NA	129%	51%
Net Income	141	228	181	165	28%	-21%
EPS	0.05	0.08	0.06	0.06	-	-
Emaar Properties						
(AED Millions)	1Q07	4Q07	1Q08E	Consensus	yoy	qoq
Revenues	3904	5029	5076	NA	30%	1%
EBIT	1451	1228	1294	NA	-11%	5%
EBITDA	1487	1288	1346	NA	-10%	5%
Net Income	1721	1736	1695	1750	-1%	-2%
EPS	0.28	0.28	0.28	0.29	-	-
Deyaar						
(AED Millions)	1Q07	4Q07	1Q08E	Consensus	yoy	qoq
Revenues	NA	617	547	NA	-	-11%
EBIT	NA	166	135	NA	-	-18%
EBITDA	NA	167	138	NA	-	-17%
Net Income	NA	236	151	NA	-	-36%
EPS	NA	0.07	0.05	NA	-	-
Aldar						
(AED Millions)	1Q07	4Q07	1Q08E	Consensus	yoy	qoq
Revenues	9	1080	1318	NA	-	22%
EBIT	-81	380	444	NA	-	17%
EBITDA	-79	393	465	NA	-	18%
Net Income	452	542	840	875	86%	55%
EPS	0.26	0.29	0.45	0.46	-	-
Sorouh						
(AED Millions)	1Q07	4Q07	1Q08E	Consensus	yoy	qoq
Revenues	280	835	910	NA	225%	9%
EBIT	108	361	362	NA	236%	0%
EBITDA	162	363	377	NA	133%	4%
Net Income	114	484	419	378	268%	-13%
EPS	0.05	0.19	0.17	0.15	-	-
RAK Properties						
(AED Millions)	1Q07	4Q07	1Q08E	Consensus	yoy	qoq
Revenues	0	0	0	NA	-	-
EBIT	-7	-15	-16	NA	-	-
EBITDA	-6	-15	-16	NA	-	-
Net Income	104	194	94	NA	-10%	-52%
EPS	0.05	0.10	0.05	NA	-	-

Source: Al Mal Capital Research and Consensus estimates from Reuters

Emaar

We expect Emaar's bottom line results to be roughly flat compared to 1Q07 and 4Q07. We expect net income AED 1.695 billion (0.28 EPS), compared to consensus of AED 1.75 billion. A strong sales and pricing environment should continue to drive the top line. In particular, Emaar has experienced substantial pricing power for recent launches in the Burj Dubai area. We expect this to relieve the margin pressure from international operations that we saw in 4Q07.



Union Properties

We expect EPS of AED 0.06, an improvement of roughly 28% yoy. The contracting and MEP businesses should continue to show strong results. We continue to notice a strong sales and pricing environment in both its DIFC and Motor City projects that should show up in 2009 results.

On an operating basis, we expect to see substantial improvement. EBITDA is expected to improve 129% over 1Q07 and 51% over 4Q07. The relatively slower pace of improvement on the net income line of 28% yoy and -21% qoq is due to a less aggressive expectation for the reported gain on investment property.

Deyaar

We expect EPS of AED 0.05, compared to AED 0.07 in 4Q07. Our estimate is driven mainly by our expectation of an 11% qoq decline in recognized revenues owing to our indications that deliveries may have slowed in the quarter.

Aldar

We expect EPS of AED 0.45, a significant improvement qoq and yoy (55% and 86%, respectively). Our indications show strong sales activity for the company and we expect further strength from land sales (roughly 30% of revenues). The wild card for our EPS estimate should come from recognition of the land revaluation, which is approximately 48% of our estimated EPS. However, our projected EBITDA growth of 18% qoq still indicates strong operating growth for the company.

Sorouh

We expect EPS of AED 0.17, compared to AED 0.05 in 1Q07 and AED 0.19 in 4Q07. However, the company has been unclear about any potential recognition of valuation gains on its real estate portfolio. The company has not run a revaluation through the income statement since 2006. If a revaluation of the real estate portfolio is included, there could be as much as 150% upside to our estimate.

RAK Properties

We do not expect the company to recognize any revenues from operations in the quarter. Therefore, the main drivers of results should be gains from the sale of investments and the fair value gains on the real estate portfolio. We expect EPS of AED 0.05, compared to AED 0.05 in 1Q07 and AED 0.10 in 4Q07.



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