



Research Note

Aldar Properties 3Q08 Results

Aldar Properties

Rating: Outperform

- Aldar Properties reported third quarter net income of AED 759 million (AED 0.30 per share), compared to our estimate of AED 592 million (AED 0.24 per share). Net income increased 50% year over year, but declined 39% over the second quarter.
- Roughly 40% of the net income is attributable to revaluation gains of AED 300 million booked in the quarter.
- We are somewhat concerned by the 35% quarter over quarter decline in revenues. In our view, some of the decline is due to a seasonal slowdown but the scale of decline from the second quarter could indicate that land sales were weak towards the end of the quarter. This would coincide with the evidence we have been seeing of slowing transactions over the last two months.
- We maintain our year end EPS estimate of AED 1.57 per share, which incorporates our assumption of weakening land sales in the fourth quarter. We are looking for EPS of AED 0.19 in the 4Q08. However, there may be potential upside to our year end estimate given the large contribution of revaluation gains to the bottom line. Also to reflect weakness in the real estate sector we have reduced our 2009 EPS estimate to AED 1.60 per share from AED 1.80 and 2010 has been reduced to AED 1.54 from AED 2.20 per share.
- To reflect our lowered expectations and a higher cost of capital (reflecting a nearly 130 basis point decline in the regional risk free rate) We have reduced our target price for Aldar to AED 8.26 per shares from our previous target of AED 12.95 per share. We are concerned about the potential immediate impact that a softening real estate market and poor global credit conditions will have on land sales. However, once the current economic crisis calms, we believe there is attractive long term value for investors at current levels.

(AED Millions)	2007A	2008E	2009E	2010E	2011E
Revenues	1,227	5,521	7,729	9,661	10,628
Gross Margins	45.6%	55.0%	60.0%	55.0%	55.0%
EBIT	166	1,822	2,937	3,188	3,507
EBIT Margin	13.5%	33.0%	38.0%	33.0%	33.0%
EBITDA	185	1,907	3,056	3,337	3,671
EBITDA Margin	15.1%	34.5%	39.5%	34.5%	34.5%
P/BV	1.27	1.14	0.78	0.59	0.49
EPS	1.04	1.57	1.60	1.54	1.63
PE	5.0	3.3	3.2	3.4	3.2
Cash Earnings/Share	0.08	0.76	1.21	1.32	1.49
P/Cash Earnings	62.0	6.8	4.3	3.9	3.5

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Equity Data	
Current Price (AED)	5.20
Target Price (AED)	8.26
Upside/downside	59%
12 Mo. Performance	-42%
Market Cap. (AED bn.)	13
Enterprise Value (AED bn.)	16
RIC	ALDR.AD



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