



## Company Update

### EMAAR Properties

Rating: Market Perform

## Rumor Confirmed – Emaar Secures +\$26.7bn Project in Saudi Arabia

Emaar has been chosen to develop Kingdom City and Kingdom Tower in Jeddah; development worth at least SAR100bn (\$26.7bn). According to news reports released on Saturday evening, Prince Alwaleed's Kingdom Holdings' selected Emaar as the developer for Jeddah Kingdom City land and Kingdom Tower, the highest in the world at 1Km in height. EMAAR beat out five other international developers in order to secure this project. According to the press release, within a week from the signing, Emaar "was able to bring together an experienced team to work on the development, master planning, traffic study, environment and updating market research and commencement of ground work." The preliminary license has been obtained and the Emaar team is working in coordination with the Jeddah municipality.

**With this announcement, the rumor of a significant Saudi contract has now been confirmed.** Emaar stock has appreciated strongly off its lows of AED1.74 (Feb. 18) on the back of the Dubai bourse/\$20bn bond news and the general perception that "the worst is behind us." More recently, post its preliminary 1Q09 release in early May, the stock has rebounded 66% from AED2.35 to AED3.90 due to two rumors/catalysts: (1) Emaar would receive funds from the Dubai government to meet short-term funding requirements, if so needed; and (2) Emaar could announce a significant project in KSA. With this announcement, (2) has now been essentially confirmed/validated. Kingdom Holdings' selection of Emaar underscores the fact that Emaar remains a fiscally viable, major developer capable of handling such a significant project, which is in line with our view. As for (1), we have always held the view that the Dubai government remains willing and able to support Emaar if the need so arises. We reinforced this opinion recently in our May 17 report, where we stated, "Given Emaar's preeminent position in the Dubai/Middle East property market and the Dubai government's significant 31% ownership stake in the company, we believe that Emaar would receive government assistance if it were so required."

**What to do with stock now? We believe Emaar shares could remain choppy along with rest of the market.** If traders buy the rumor and sell the fact, then Emaar stock could face some pressure in the very near-term. However, as we have noted above, this announcement underscores Emaar's position as the preeminent Middle East developer. This could allow the stock to benefit even in the very near-term. Over the next few months, we believe that the overall market could remain choppy or volatile and we expect Emaar shares to follow suit. We continue to rate Emaar shares a Market Perform but raise our 12-month price target of AED4.44.

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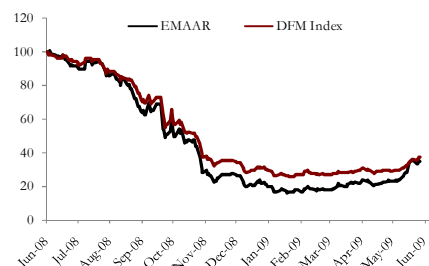
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Equity Data	
Current Price (AED)	3.90
Target Price (AED)	4.44
Upside/downside	13.85%
12 Mo. Performance	-65.2%
Market Cap. (AED bn.)	23.8
Enterprise Value (AED bn.)	29.13
RIC	EMAR.DU
Bloomberg	EMAAR UH



(AED Millions)	2007A	2008A	2009E	2010E	2011E
Revenues	17,869	16,015	6,957	7,514	8,265
Gross Margins	39.5%	42.5%	45.0%	43.0%	42.0%
EBIT	5,223	4,703	1,322	1,352	1,653
EBIT Margin	29.2%	29.4%	19.0%	18.0%	20.0%
EBITDA	5,404	5,004	1,704	1,766	2,108
EBITDA Margin	30.2%	31.2%	24.5%	23.5%	25.5%
EPS	1.08	0.50	0.25	0.33	0.39
PE	3.61	7.78	15.33	11.95	10.09
Cash Earnings/Share	1.11	0.55	0.32	0.39	0.46
P/Cash Earnings	3.52	7.08	12.29	9.89	8.46

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