

April 29, 2008

AL MAL CAPITAL



Research Note

RAK Properties

Rating: Market Perform

RAK Properties 1Q08 Results

- RAK Properties reported a 9.62 % gain in net income (AED 114.58 million, AED 0.057 per share) versus income for 1Q 07. The reported results are stronger than our estimated net income AED 94 million (AED 0.05 per share). However, 100% of net income was derived from the recognition of AED110 million in government land grants, compared to our expectation of AED83 million.
- Unrecognized sales grew 232% year over year to AED564 million for 1Q08.
- The company reported properties under development grew by 16% over to the quarter to reach AED 855 million as compared to AED 735 million for the year 2007.
- During the quarter, RAK Properties established a subsidiary – RAK Properties International FZE to expand its land bank and develop properties in emerging markets through strategic joint ventures.
- The company has also reported advances paid of AED 161 million to acquire properties beyond borders of Ras Al Khaimah; in Dubai, Abu Dhabi and Tanzania.
- We continue to rate RAK Properties a Market Perform, with a 12 month target price of AED 2.54 per share. This represents 13% upside to our target. We feel that until the company starts to show results from operations, rather than results from land grants and revaluation gains, there is little to offer a catalyst for the stock price.

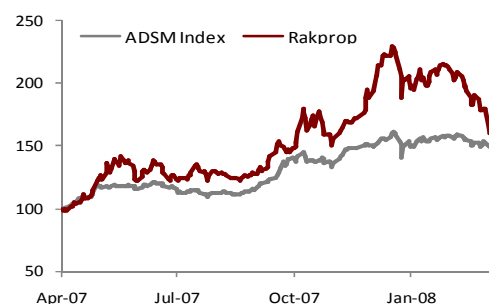
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(AED Millions)	2007A	2008E	2009E	2010E	2011E
Revenues	-	438	767	1,150	1,552
Gross Margins	NA	43.0%	42.6%	44.2%	45.0%
EBIT	(42)	149	258	405	559
EBIT Margin	NA	34.0%	33.6%	35.2%	36.0%
EBITDA	(40)	150	259	407	561
EBITDA Margin	NA	34.4%	33.8%	35.4%	36.1%
P/BV	1.54	1.50	1.45	1.35	1.30
EPS	0.25	0.26	0.37	0.37	0.43
PE	9.03	8.71	6.10	6.10	5.26
Cash Earnings/Share	0.06	0.13	0.22	0.27	0.35
P/Cash Earnings	36.79	16.94	10.09	8.27	6.39

Equity Data	
Current Price (AED)	2.25
Target Price (AED)	2.54
Upside/downside	13%
12 Mo. Performance	77%
Market Cap. (AED bn.)	4.50
Enterprise Value (AED bn.)	3.37
RIC	RPRO.AD





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