

April 24, 2008

AL MAL CAPITAL



## Research Note

### Sorouh Properties

Rating: Outperform

### Sorouh 1Q08 Results

- Sorouh Properties reported slightly weaker than expected results, with net income of AED361 million, compared to our estimate of AED419 million and market consensus of AED378 million.
- Revenues from land sales in the quarter were weaker than we had expected, coming in at AED624 million versus our estimate of AED910 million. The shortfall on the revenue line (compared to our estimate) was almost completely mitigated by a higher gross margin of 66%, compared to our projection of 51%.
- We projected an EBIT of AED362 million, compared to AED314 million reported for the quarter.
- The company reported no revaluation gain on its property portfolio for the quarter.
- We feel that the gross margin improvement from 55% in 4Q07 to 66% in 1Q08 illustrates the company's continued pricing power. With typical volatility of plot sales and the process involved when evaluating the independent developers, we do not feel that the lower quarter over quarter (down 25%) is significant. In our opinion it may just reflect the company's focus on finding quality partners and other timing issues.
- We maintain our Outperform rating on the stock and our 12 month target price of AED11.92 per share.

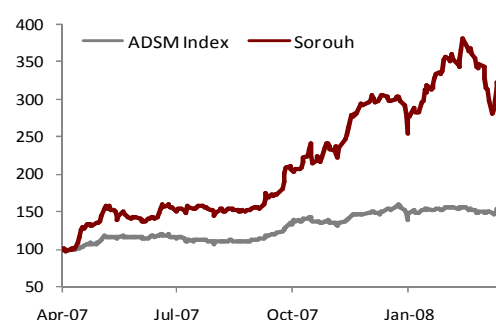
(AED Millions)	2007A	2008E	2009E	2010E	2011E
Revenues	2,321	3,777	5,137	7,140	8,211
Gross Margins	56.9%	52.3%	51.2%	48.3%	48.1%
EBIT	1,055	1,587	2,199	2,849	3,260
EBIT Margin	45.4%	42.0%	42.8%	39.9%	39.7%
EBITDA	1,112	1,659	2,284	2,926	3,308
EBITDA Margin	47.9%	43.9%	44.5%	41.0%	40.3%
P/BV	5.52	3.89	3.26	2.41	1.82
EPS	0.50	0.88	1.08	1.43	1.65
PE	19.6	11.3	9.1	6.9	6.0
Cash Earnings/Share	0.53	0.75	1.03	1.32	1.48
P/Cash Earnings	18.8	13.1	9.6	7.5	6.6

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Equity Data	
Current Price (AED)	9.86
Target Price (AED)	11.92
Upside/downside	21%
12 Mo. Performance	241%
Market Cap. (AED bn.)	25
Enterprise Value (AED bn.)	23
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