

## Revising forecasts; DAAR remains our top pick

- Despite improving liquidity and rental yields in the UAE, we maintain our neutral view on the sector as excess supply remains a concern
- Aldar, trading at 0.9x floor BV, looks appealing as both liquidity and asset quality have been clearly addressed...
- ...however, over the medium-term, we prefer DAAR and Mabaneer on supportive sector fundamentals, defensive profiles, and more attractive valuations

**Dar Al Arkan: Raise TP to SAR17.6/share from SAR16.9/share and maintain Overweight rating.** Despite its recent run (+20% since November), DAAR remains our top pick in MENA on valuation grounds as we feel that liquidity concerns are overstated in light of supportive fundamentals for plot sales with volumes picking up. DAAR's developed land portfolio (no CAPEX required) stands at SAR3.5bn, which alone could cover most of the company's debt of cSAR8bn, assuming historic margins of 45%. Also, we feel that it is the only builder in Saudi Arabia that provides direct exposure to the low-mid income segment through land sales (SAR500/sqm). We revise our EPS estimates downward by 10% in 2010e on the sale of less prime land, while maintaining margins. We push back the delivery of phase 1 of Shams Al Riyadh into 2012e and cut our EPS estimates for 2011e by 28%.

**Mabaneer: Maintain TP at KWD1,100/share and Overweight rating.**

Mabaneer is a REIT that provides direct exposure to the underserved Kuwaiti retail market. Also, unlike other Kuwaiti corporates, with a limited investment portfolio, Mabaneer offers a pure play on core operations, rather than indirect exposure to the KSE. The stock trades at 0.75x 2012e NAV when phase III is delivered and 0.65x 2013e NAV when occupancy levels normalize. Following an upward revision in management guidance on rental rates (+20% to an average of KWD450/sqm) and gross leasable area for phase III (to 95,000 from 85,000), we recently raised our rental income forecast (please refer to our note *Mabaneer: Back in fashion*, published on 7 January 2011).

**Aldar: Maintain TP at AED2.9/share and Overweight rating.** Following the funding framework, Aldar emerges as a leaner company with an improved capital structure, allowing the market to focus on fundamentals, in our view. The transaction, we estimate, yields an unflated BV of AED2.3/share on a fully diluted basis, which we feel provides a realistic floor valuation. In our most recent note, *Aldar: Turning a new leaf*, published on 14 January 2011, we reintroduce DCF in lieu of book NAV, which we used previously. While the impairments significantly impact the company's book, from a DCF

Dar Al Arkan	Overweight
Target price (SAR)	17.6
Potential return	75%
Mabaneer	Overweight
Target price (KWD)	1,100
Potential return	39%
Aldar	Overweight
Target price (AED)	2.9
Potential return	38%
Emaar	Neutral
Target price (AED)	3.8
Potential return	11%
Al Akaria	Neutral
Target price (SAR)	27.8
Potential return	9%
Sorouh	Neutral
Target price (AED)	1.6
Potential return	3%

Note: Returns based on prices as of 18 January 2011

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**Disclaimer: See page 41**

perspective the impact is less pronounced, considering that fair value gains/losses are noncash items and the street is not assuming any land sales, in our view. In contrast, the sale of Yas low yielding assets at a c15% profit we believe offsets the impact of the impairment and provides a cash injection, significantly reducing debt burden and interest costs. We cut our revenue estimates for 2010e by 56% to take into account delivery delays at Al Bandar and Al Gurm. We also adjusted our EPS forecasts downward to include AED10.5bn in asset impairments to be recognized in 4Q10. We raise our 2011e EPS estimates by 35% largely as a result of a one-off cAED2bn gain on disposal of assets.

**Emaar: We exclude KAEC from our valuation on widening losses and cut our TP to AED3.8/share from AED4.1/share but maintain Neutral rating.** On our estimates, current price levels reflect the company's rental assets and property sales backlog, with the upside largely driven by investments (e.g. KAEC and MGF). Given the funding uncertainties in the case of MGF and potential impairments of investments/loans to associates similar to what we saw with Aldar, we feel that the market is unlikely to price them in. MGF is likely to continue to be a drag on Emaar's cash flows as the IPO is unlikely to go through in the near term. Plans to raise USD2bn through a Sukuk issuance highlight the company's growing funding needs. Also, funding costs are on the rise (7.5% on CB and likely to be higher on planned USD2bn sukuk). KAEC losses are continuing to widen, raising concerns about the project's viability in the current environment. Accordingly, we exclude KAEC from our valuation and cut our TP to AED3.8/share but maintain Neutral rating. We revise our EPS estimates downward by 12% in 2010e as we now factor in (1) slower deliveries at Burj Khalifa, (2) margin compression on higher international contribution, and (3) push back the delivery of commercial units in Emaar Square. As such, we raise our EPS forecast for 2011e by 30%.

**Al Akaria: Raise TP to SAR27.8/share from SAR26.2/share but maintain Neutral rating.** We believe the rental portfolio is fully priced in to Al Akaria's current share price and that without a coherent plan the market will not give any value to the company's land bank where the current upside lies. We raise our EPS estimates by 115% in 2010e on higher occupancy at Al Akaria Plaza (70% versus 60% previously) and the sale of the Al Basateen developed land plot in Riyadh for SAR230m. We treat this land sale as a one-off given the company's history and considering that this sale has exhausted land held for sale, on our estimate. Therefore, we no longer assume any plot sales in 2011e and cut our EPS forecast by 8%. We raise our 2012e EPS estimates by 30% as the company recently revised the number of units at Diplomatic Quarters 2 upward to 420 from 292 previously with phase 1 expected to be delivered in 2012e.

**Sorouh: Cut TP to AED1.6/share from AED1.9/share but maintain Neutral rating.** Given that Sorouh's business model has historically been highly skewed towards sales with a limited buildup of recurring income properties, we feel that its growth prospects are limited. Sorouh trades at 0.7x 2010e BV, which implies that the market is pricing in AED2.2bn of asset impairments. While Sorouh follows cost accounting and its historic land sale prices averaged AED2,500/sqm versus AED4,500/sqm for Aldar, the magnitude of Aldar's impairments (70% of equity) raises concerns. 3Q10 numbers showed deterioration in overdue receivables. Accordingly, to be conservative, we now assume 50% of land receivables are unrecoverable up from 20% previously. We cut our EPS estimates for 2010e by 49% as the delivery of Sun and Sky Towers has now been pushed back to early 2011e. As a result, we double our EPS forecasts for 2011e.

## Revising estimates

### Estimates revision

	2010e				2011e				2012e			
	New	Old	% Δ	Cons.	New	Old	% Δ	Cons.	New	Old	% Δ	Cons.
<b>Dar Al Arkan (SARm)</b>												
Revenue	4,349	4,796	-9%	4,758	4,449	6,225	-29%	5,695	6,328	6,753	-6%	7,935
Gross profit	1,917	2,102	-9%		2,021	2,690	-25%		2,821	2,983	-5%	
GPM	44%	44%			45%	43%			45%	44%		
Net profit	1,548	1,729	-10%	1,709	1,610	2,247	-28%	2,040	2,411	2,598	-7%	2,738
<b>Mabane (KWD '000)</b>												
Revenue	35,253	34,452	2%	32,925	35,901	34,298	5%	35,200	70,359	60,990	15%	54,825
Gross profit	28,334	27,690	2%		28,855	27,566	5%		60,476	52,945	14%	
GPM	80%	80%			80%	80%			86%	87%		
Net profit	19,453	19,372	0%	18,700	18,872	18,037	5%	19,650	44,599	39,498	13%	33,675
<b>Aldar (AEDm)</b>												
Revenue	1,321	2,987	-56%	2,543	3,761	2,466	53%	4,070	8,757	8,517	3%	5,130
Gross profit	217	735	-71%		913	902	1%		2,473	2,613	-5%	
GPM	16%	25%			24%	37%			28%	31%		
Net profit	(12,218)	(254)	-	(951)	2,398	1,772	35%	(396)	1,501	3,507	-57%	375
<b>Sorouh (AEDm)</b>												
Revenue	1,106	3,421	-68%	2,550	3,220	783	311%	2,876	5,738	5,738	0%	3,065
Gross profit	799	1,311	-39%		1,196	662	81%		1,884	1,889	0%	
GPM	72%	38%			37%	85%			33%	33%		
Net profit	502	980	-49%	487	913	300	205%	775	1,700	1,630	4%	799
<b>Emaar (AEDm)</b>												
Revenue	10,991	11,250	-2%	10,980	9,211	6,672	38%	9,200	6,426	7,498	-14%	9,452
Gross profit	4,662	5,038	-7%		4,044	3,495	16%		3,229	4,128	-22%	
GPM	42%	45%			44%	52%			50%	55%		
Net profit	2,815	3,202	-12%	3,356	2,367	1,801	31%	2,692	1,555	2,437	-36%	2,969
<b>Al Akaria (SARm)</b>												
Revenue	442	205	116%	287	250	304	-18%	231	294	482	-39%	300
Gross profit	281	143	96%		175	192	-9%		206	283	-27%	
GPM	63%	70%			70%	63%			70%	59%		
Net profit	180	101	79%	122	118	141	-16%	114	113	178	-37%	123

Source: AlembicHC, Bloomberg and Reuters consensus

### Recommendations overview

	Recommendation	Action	New TP/share	Old TP/share	TP change
DAAR	Overweight	↔	SAR17.6	SAR16.9	↑
Mabane	Overweight	↔	KWD1,100	KWD1,100	↔
Aldar	Overweight	↔	AED2.9	AED2.9	↔
Emaar	Neutral	↔	AED3.8	AED4.1	↓
Al Akaria	Neutral	↔	SAR27.8	SAR26.2	↑
Sorouh	Neutral	↔	AED1.6	AED1.9	↓

Source: AlembicHC

## MENA real estate and construction valuation multiples

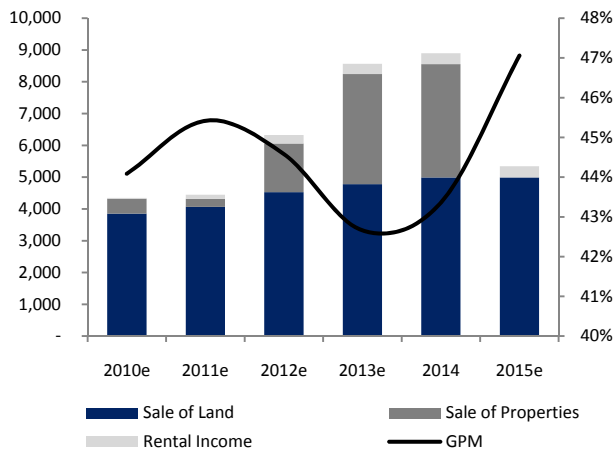
Company	BB code	Cur	CMP <sup>(1)</sup>	MCap (USDm)	Rec	TP	Upside	P/BV			P/NAV			P/E			ROE		
Real estate								09a	10e	11e	09a	10e	11e	09a	10e	11e	09a	10e	11e
<b>KSA</b>																			
Dar Al Arkan	AL ARKAN AB	SAR	10.1	2,894	OW	17.6	75%	0.8x	0.8x	0.7x	0.4x	0.4x	0.4x	5.1x	7.0x	6.7x	15%	11%	10%
Al Akaria	SRECO AB	SAR	25.6	819	N	27.8	9%	1.0x	1.0x	0.9x	0.5x	0.5x	0.4x	32.3x	17.0x	26.1x	3%	6%	4%
<b>Average</b>								<b>0.9x</b>	<b>0.9x</b>	<b>0.8x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>18.7x</b>	<b>12.0x</b>	<b>16.4x</b>	<b>9%</b>	<b>8%</b>	<b>7%</b>
<b>UAE</b>																			
Aldar	ALDAR UH	AED	2.1	2,344	OW	2.9	38%	0.4x	2.0x	0.9x	0.2x	0.2x	0.2x	5.4x	0.0x	2.5x	8%	-451%	36%
Emaar	EMAAR UH	AED	3.4	5,671	N	3.8	11%	0.7x	0.7x	0.6x	0.3x	0.2x	0.2x	63.6x	7.4x	8.8x	1%	9%	7%
Sorouh	SOROUH UH	AED	1.6	1,115	N	1.6	3%	0.7x	0.7x	0.6x	0.3x	0.3x	0.2x	4.2x	8.2x	4.5x	16%	8%	13%
<b>Average</b>								<b>0.6x</b>	<b>1.1x</b>	<b>0.7x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>24.4x</b>	<b>7.8x</b>	<b>5.2x</b>	<b>8%</b>	<b>-144%</b>	<b>19%</b>
<b>Egypt</b>																			
TMGH	TMGH EY	EGP	8.0	2,757	OW	10	25%	0.7x	0.7x	0.6x	0.6x	0.5x	0.5x	16.0x	16.0x	6.1x	4%	4%	10%
SODIC	OCDI EY	EGP	100.5	614	OW	130	29%	1.7x	1.5x	1.2x	0.7x	0.9x	0.7x	0.0x	16.2x	4.6x	-7%	9%	25%
Nasr City	MNHD EY	EGP	30.5	523	OW	39	28%	12.5x	10.1x	6.5x	0.4x	0.4x	0.4x	28.2x	38.4x	17.9x	44%	26%	36%
PHD	PHDC EY	EGP	5.9	1,064	OW	7.5	27%	2.0x	1.4x	1.1x	0.4x	0.7x	0.6x	8.3x	14.8x	5.4x	23%	10%	21%
ODH	ODHN EY	CHF	55.2	1,623	N	69	25%	1.5x	1.3x	1.2x	0.4x	0.5x	0.5x	12.1x	9.5x	7.5x	12%	14%	15%
Heliopolis <sup>(2)</sup>	HELI EY	EGP	24.2	462	N	27.4	13%	13.9x	7.7x	6.5x	0.3x	0.3x	0.3x	13.5x	20.4x	11.8x	68%	65%	44%
Egypt Resorts	EGTS EY	EGP	2.0	352	N	2.2	13%	1.9x	1.9x	1.9x	0.2x	0.2x	0.2x	0.0x	0.0x	0.0x	0%	-1%	-1%
<b>Average</b>								<b>4.9x</b>	<b>3.5x</b>	<b>2.7x</b>	<b>0.4x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>15.6x</b>	<b>19.2x</b>	<b>8.9x</b>	<b>21%</b>	<b>18%</b>	<b>22%</b>
<b>Kuwait</b>																			
Mabaneer	MABANEE KK	Kwd	790	1,422	OW	1100	39%	3.6x	3.2x	2.8x	1.2x	1.1x	1.1x	26.1x	20.5x	21.1x	14%	15%	13%
<b>Sector average</b>								<b>3.6x</b>	<b>3.2x</b>	<b>2.8x</b>	<b>1.2x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>26.1x</b>	<b>20.5x</b>	<b>21.1x</b>	<b>14%</b>	<b>15%</b>	<b>13%</b>
<b>Construction</b>																			
								<b>09a</b>	<b>10e</b>	<b>11e</b>	<b>09a</b>	<b>10e</b>	<b>11e</b>	<b>09a</b>	<b>10e</b>	<b>11e</b>	<b>09a</b>	<b>10e</b>	<b>11e</b>
DSI	DSI UH	AED	1.1	640	OW	1.2	11%	0.9x	0.9x	0.9x	8.2x	10.1x	9.4x	7.1x	12.9x	11.5x	13%	7%	8%
DSI (ex goodwill)	DSI UH	AED	1.1	640	OW	1.2	11%	1.4x	1.5x	1.3x	8.2x	10.1x	9.4x	7.1x	12.9x	11.5x	20%	11%	11%
Arabtec	ARTC UH	AED	1.9	602	N	2.4	30%	0.9x	0.8x	0.7x	4.1x	3.9x	3.8x	4.5x	4.4x	5.0x	21%	18%	14%
<b>Sector average</b>								<b>1.1x</b>	<b>1.1x</b>	<b>0.9x</b>	<b>6.8x</b>	<b>8.1x</b>	<b>7.5x</b>	<b>6.2x</b>	<b>10.0x</b>	<b>9.3x</b>	<b>18%</b>	<b>12%</b>	<b>11%</b>

Source: Bloomberg, AlembicHC

Note: (1) Prices as of 18 January 2011 (2) Adjusted for bonus shares

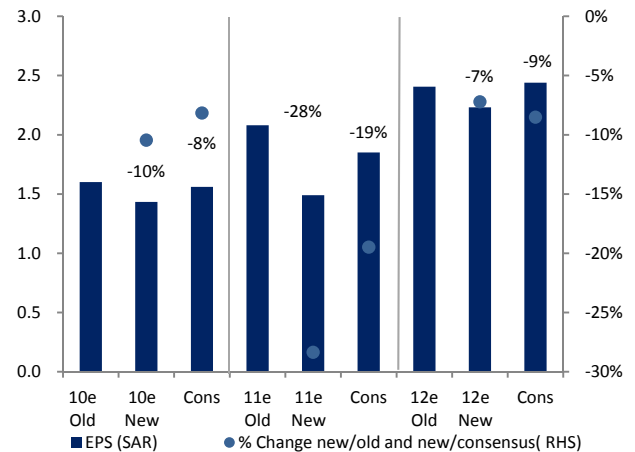
## Dar Al Arkan: Overweight, TP SAR17.6/share

### Revenue breakdown (SARm)



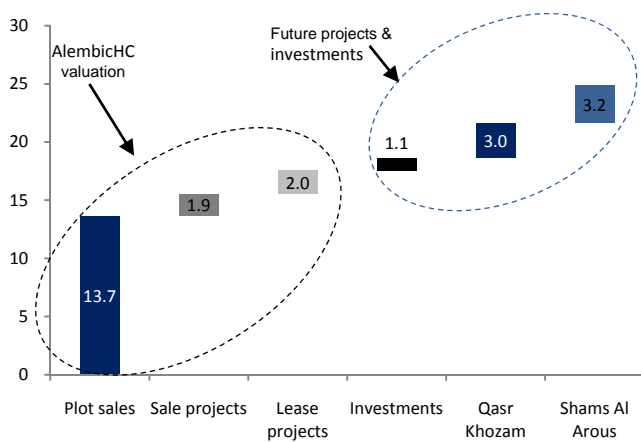
Source: AlembicHC

### EPS (SAR/share)



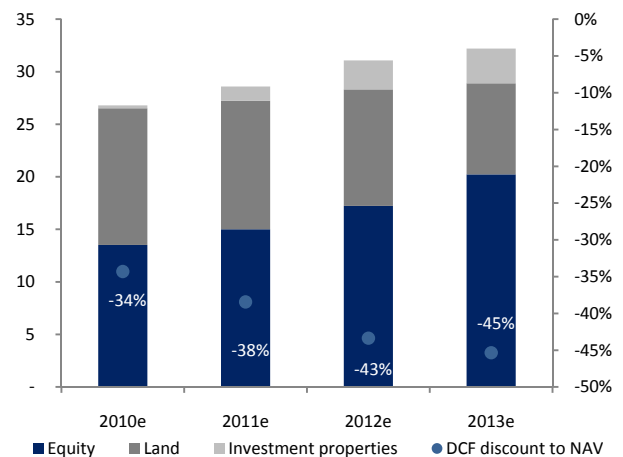
Source: AlembicHC, Reuters

### Valuation breakdown (SAR/share)



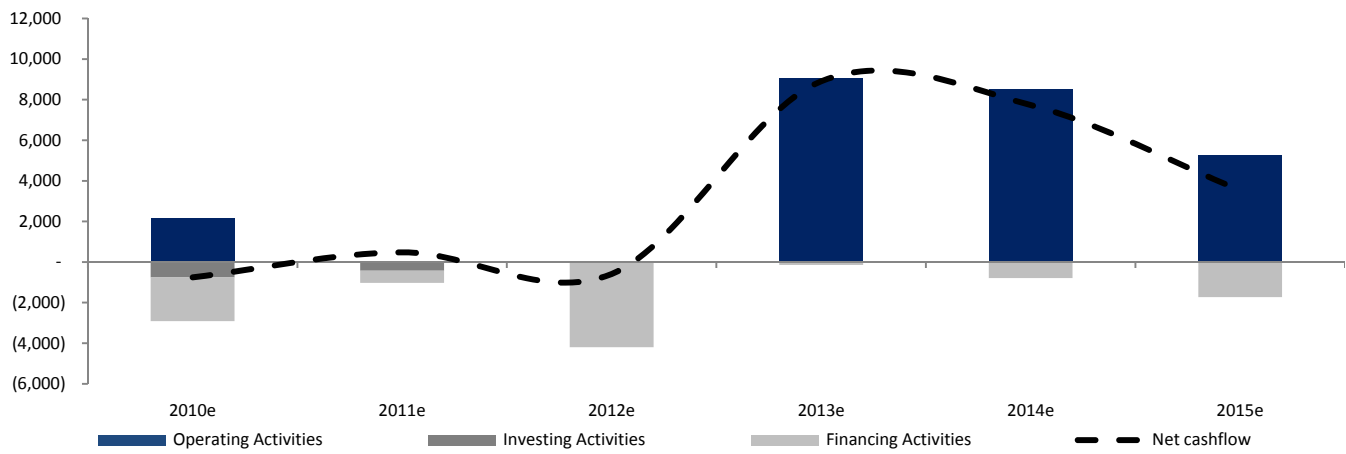
Source: AlembicHC

### NAV breakdown (SAR/share)



Source: AlembicHC

## Cash flow (SARm)



Source: AlembicHC

## Income statement (SARm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
Sale of land	4,620	4,945	3,855	4,066	4,526	4,781	4,990	4,990
Sale of properties	990	519	467	251	1,532	3,462	3,566	-
Rental income	-	-	26	131	269	322	341	352
<b>Revenue</b>	<b>5,611</b>	<b>5,464</b>	<b>4,349</b>	<b>4,449</b>	<b>6,328</b>	<b>8,565</b>	<b>8,898</b>	<b>5,341</b>
Cost of land	(2,199)	(2,559)	(2,027)	(2,189)	(2,448)	(2,600)	(2,722)	(2,722)
Cost of properties	(567)	(398)	(397)	(199)	(978)	(2,215)	(2,215)	-
Direct rental expenses	-	-	(8)	(39)	(81)	(96)	(102)	(105)
<b>Total cost</b>	<b>(2,766)</b>	<b>(2,957)</b>	<b>(2,432)</b>	<b>(2,428)</b>	<b>(3,507)</b>	<b>(4,911)</b>	<b>(5,040)</b>	<b>(2,828)</b>
<i>% of sales</i>	<i>49%</i>	<i>54%</i>	<i>56%</i>	<i>55%</i>	<i>55%</i>	<i>57%</i>	<i>57%</i>	<i>53%</i>
<b>Gross profit</b>	<b>2,845</b>	<b>2,507</b>	<b>1,917</b>	<b>2,021</b>	<b>2,821</b>	<b>3,654</b>	<b>3,858</b>	<b>2,514</b>
<i>Margin</i>	<i>51%</i>	<i>46%</i>	<i>44%</i>	<i>45%</i>	<i>45%</i>	<i>43%</i>	<i>43%</i>	<i>47%</i>
<b>Operating expenses</b>								
SG&A expenses	(150)	(146)	(123)	(133)	(190)	(257)	(267)	(160)
Other	(1)	-	-	-	-	-	-	-
Depreciation and amortization	(50)	(41)	(46)	(58)	(63)	(62)	(62)	(61)
<b>Operating expenses</b>	<b>(201)</b>	<b>(186)</b>	<b>(169)</b>	<b>(191)</b>	<b>(253)</b>	<b>(319)</b>	<b>(329)</b>	<b>(221)</b>
<b>EBIT (incl revaluation gain)</b>	<b>2,644</b>	<b>2,321</b>	<b>1,748</b>	<b>1,829</b>	<b>2,569</b>	<b>3,335</b>	<b>3,529</b>	<b>2,292</b>
<i>Margin</i>	<i>47%</i>	<i>42%</i>	<i>40%</i>	<i>41%</i>	<i>41%</i>	<i>39%</i>	<i>40%</i>	<i>43%</i>
Net financing cost (Islamic Murabha/Sukuk charges)	(245)	(146)	(190)	(187)	(109)	(36)	72	239
Other income	17	(2)	30	9	13	17	18	11
<b>Profit before taxes</b>	<b>2,417</b>	<b>2,173</b>	<b>1,588</b>	<b>1,651</b>	<b>2,473</b>	<b>3,316</b>	<b>3,619</b>	<b>2,542</b>
Income tax	(60)	(54)	(40)	(41)	(62)	(83)	(90)	(64)
Minority shareholders' interest	-	-	-	-	-	-	-	-
<b>Net profit (loss)</b>	<b>2,356</b>	<b>2,118</b>	<b>1,548</b>	<b>1,610</b>	<b>2,411</b>	<b>3,233</b>	<b>3,528</b>	<b>2,478</b>
<i>Margin</i>	<i>42%</i>	<i>39%</i>	<i>36%</i>	<i>36%</i>	<i>38%</i>	<i>38%</i>	<i>40%</i>	<i>46%</i>
<b>Basic EPS</b>	<b>3.3</b>	<b>2.0</b>	<b>1.4</b>	<b>1.5</b>	<b>2.2</b>	<b>3.0</b>	<b>3.3</b>	<b>2.3</b>
DPS	2.3	0.0	1.0	0.0	0.0	0.0	0.0	0.0
<i>Payout ratio</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<b>EBITDA</b>	<b>2,696</b>	<b>2,321</b>	<b>1,772</b>	<b>1,887</b>	<b>2,631</b>	<b>3,397</b>	<b>3,591</b>	<b>2,353</b>
<i>Margin</i>	<i>48%</i>	<i>42%</i>	<i>41%</i>	<i>42%</i>	<i>42%</i>	<i>40%</i>	<i>40%</i>	<i>44%</i>

Source: Company data, AlembicHC

## Balance sheet (SARm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
Cash and cash equivalents	716	2,223	1,375	1,851	1,261	10,168	17,906	21,439
Due from related parties	57	3	9	9	9	9	9	9
Prepaid expenses and others	1,737	233	420	268	115	-	-	-
Trade and other receivables	949	846	414	263	113	-	-	-
Developed land, short term and long term	3,099	4,458	2,986	796	-	-	-	-
Investment in land	3,727	3,683	4,775	5,541	6,731	6,058	4,712	3,366
Land WIP	3,726	5,245	6,285	6,881	5,230	3,303	1,927	551
Development properties WIP	4,195	4,023	3,642	4,840	5,193	2,215	(0)	(0)
<b>Current assets</b>	<b>18,206</b>	<b>20,715</b>	<b>19,906</b>	<b>20,449</b>	<b>18,651</b>	<b>21,753</b>	<b>24,553</b>	<b>25,365</b>
Investments in associates	1,120	1,162	1,162	1,162	1,162	1,162	1,162	1,162
Deferred charges net	127	98	2	2	2	2	2	2
Property, plant, and equipment	120	103	115	152	188	222	256	290
Investment properties (incl WIP)	591	1,518	2,021	2,351	2,293	2,236	2,180	2,126
<b>Noncurrent assets</b>	<b>1,958</b>	<b>2,882</b>	<b>3,301</b>	<b>3,668</b>	<b>3,645</b>	<b>3,623</b>	<b>3,601</b>	<b>3,580</b>
<b>Total assets</b>	<b>20,164</b>	<b>23,597</b>	<b>23,206</b>	<b>24,117</b>	<b>22,296</b>	<b>25,376</b>	<b>28,154</b>	<b>28,945</b>
<b>Liabilities</b>								
Trade and other payables	171	471	196	125	53	-	-	-
Borrowings and short-term debt	1,635	2,700	550	550	550	550	550	550
Other	613	635	1,164	1,164	1,164	1,164	1,164	1,164
<b>Current liabilities</b>	<b>2,420</b>	<b>3,806</b>	<b>1,943</b>	<b>1,844</b>	<b>1,768</b>	<b>1,714</b>	<b>1,714</b>	<b>1,714</b>
Borrowing and long-term debt	6,000	5,655	6,655	6,055	1,900	1,800	1,050	(638)
Provision for end of service indemnities	8	12	13	13	13	13	13	13
<b>Noncurrent liabilities</b>	<b>6,008</b>	<b>5,667</b>	<b>6,668</b>	<b>6,068</b>	<b>1,913</b>	<b>1,813</b>	<b>1,063</b>	<b>(625)</b>
Minority interest in subsidiaries	-	265	265	265	265	265	265	265
Paid up capital	7,200	10,800	10,800	10,800	10,800	10,800	10,800	10,800
Statutory and other reserves	3,600	462	462	462	462	462	462	462
Retained earnings	936	2,597	3,068	4,677	7,088	10,321	13,850	16,328
<b>Shareholders' equity</b>	<b>11,736</b>	<b>14,124</b>	<b>14,595</b>	<b>16,204</b>	<b>18,615</b>	<b>21,848</b>	<b>25,377</b>	<b>27,855</b>
<b>Total liabilities and equity</b>	<b>20,164</b>	<b>23,597</b>	<b>23,206</b>	<b>24,117</b>	<b>22,296</b>	<b>25,376</b>	<b>28,154</b>	<b>28,945</b>

Source: Company data, AlembicHC



## Cash flow (SARm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Net profit before minorities</b>	<b>2,417</b>	<b>2,173</b>	<b>1,548</b>	<b>1,610</b>	<b>2,411</b>	<b>3,233</b>	<b>3,528</b>	<b>2,478</b>
Depreciation and amortization	50	41	46	58	63	62	62	61
Change in working capital	296	2,236	455	(167)	1,132	5,752	4,937	2,722
Change in provisions	4	5	2	-	-	-	-	-
Net financing cost	-	-	(91)	(187)	(109)	(36)	72	239
Interest income (expense)	-	-	190	187	109	36	(72)	(239)
<b>Net cash generated from operating activities</b>	<b>2,766</b>	<b>4,455</b>	<b>2,150</b>	<b>1,501</b>	<b>3,605</b>	<b>9,048</b>	<b>8,527</b>	<b>5,262</b>
<b>Investments activities</b>								
CAPEX (land)	(744)	(1,193)	(214)	-	-	-	-	-
CAPEX (investments)	(3,798)	(930)	-	-	-	-	-	-
CAPEX (excl IP and hotels)/PPE	(3)	(1)	(21)	(40)	(40)	(40)	(40)	(40)
CAPEX (IP WIP)	(425)	(1,818)	(526)	(385)	-	-	-	-
<b>Net cash generated from investment activities</b>	<b>(4,971)</b>	<b>(3,942)</b>	<b>(761)</b>	<b>(425)</b>	<b>(40)</b>	<b>(40)</b>	<b>(40)</b>	<b>(40)</b>
<b>Financing activities</b>								
Dividends paid	(1,620)	-	(1,080)	-	-	-	-	-
Bank borrowings raised	1,235	720	(1,067)	(600)	(4,155)	(100)	(750)	(1,688)
Others	(41)	270	-	-	-	-	-	-
<b>Net cash generated from financing activities</b>	<b>(426)</b>	<b>990</b>	<b>(2,147)</b>	<b>(600)</b>	<b>(4,155)</b>	<b>(100)</b>	<b>(750)</b>	<b>(1,688)</b>
<b>Net addition (deduction) in cash</b>	<b>(2,630)</b>	<b>1,507</b>	<b>(758)</b>	<b>476</b>	<b>(590)</b>	<b>8,908</b>	<b>7,737</b>	<b>3,534</b>
Cash at beginning	3,347	717	2,224	1,466	1,941	1,351	10,259	17,996
<b>Cash at end of fiscal year</b>	<b>717</b>	<b>2,224</b>	<b>1,466</b>	<b>1,941</b>	<b>1,351</b>	<b>10,259</b>	<b>17,996</b>	<b>21,530</b>

Source: Company data, AlembicHC

## DCF (SARm)

	2008a	2009a	2010e	2011e	2012e	2013e	...	2027 TY
EBIT	2644	2321	1748	1829	2569	3335		280
Tax rate	3%	3%	3%	3%	3%	3%		3%
EBIT*(1-T)	2,578	2,263	1,704	1,783	2,504	3,251		273
Depreciation and amortization	50	0	25	58	63	62		56
Capital expenditure	(4,971)	(3,942)	(761)	(425)	(40)	(40)		(40)
Changes in working capital	296	2,236	455	-167	1,132	5,752		0
Free cash flow: Explicit period	-2,046	557	1,422	1,249	3,659	9,026		289
Terminal growth rate								3.0%
FCF: Terminal								3,303
<b>FCF: Total</b>	<b>(2,046)</b>	<b>557</b>	<b>1,422</b>	<b>1,249</b>	<b>3,659</b>	<b>9,026</b>		<b>3,592</b>

Source: AlembicHC

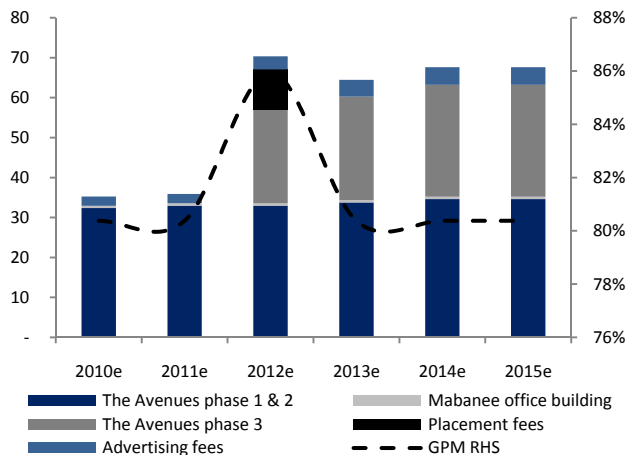
## Valuation and WACC

Terminal growth rate	3.0%	WACC	
NPV: FCF (SARm)	24,793	Beta	1.5
Net debt (SARm)	5,830	Risk free rate	4.5%
Equity (SARm)	18,963	Country risk premium	6.5%
Outstanding shares	1,080		
<b>DCF value (SAR/share)</b>	<b>17.6</b>	Cost of equity	14.3%
		After tax cost of debt	7.0%
		<u>Weights (SARm)</u>	6.8%
		Equity market capitalization	10,800
		Debt	8,355
		<b>Total</b>	<b>19,155</b>
		Tax rate	2.5%
		<b>WACC</b>	<b>12.0%</b>

Source: Company data, AlembicHC

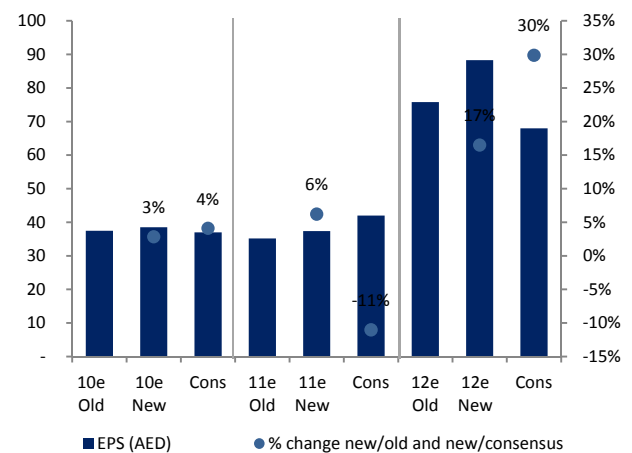
## Mabane: Overweight, TP KWd1,100/share

### Revenue breakdown (KWdM)



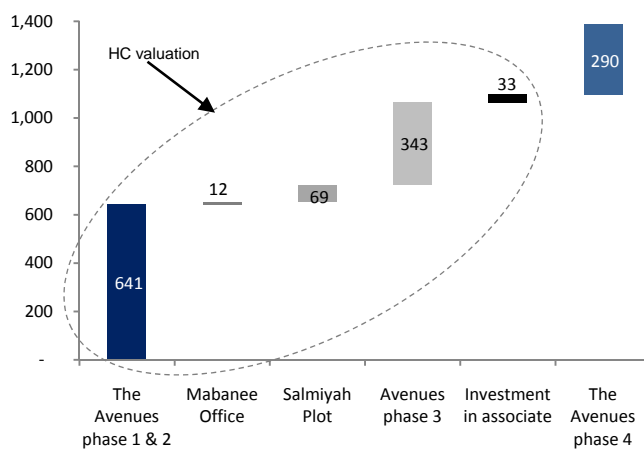
Source: AlembicHC

### EPS (KWd/share)



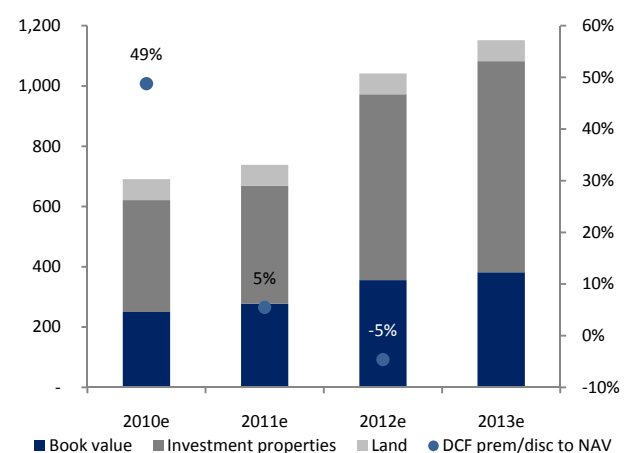
Source: AlembicHC, Reuters

### Valuation breakdown (KWd/share)



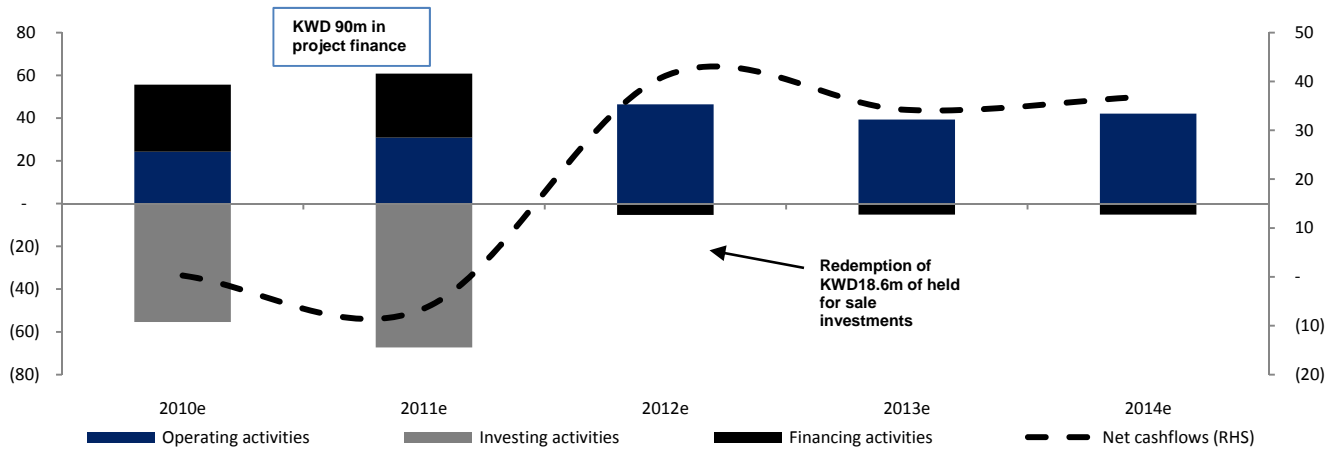
Source: AlembicHC

### NAV breakdown (KWd/share)



Source: AlembicHC

## Cash flow (KWDm)



Source: AlembicHC

### Mabane income statement (KWD '000)

Year to 31 December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
Rental income	23,556	30,731	32,947	33,552	57,065	60,240	63,210	63,210
Placement fees	11,007	1,545	-	-	10,000	-	-	-
Advertising services	1,750	2,213	2,306	2,349	3,295	4,217	4,425	4,425
<b>Revenue</b>	<b>36,312</b>	<b>34,489</b>	<b>35,253</b>	<b>35,901</b>	<b>70,359</b>	<b>64,457</b>	<b>67,634</b>	67,634
Direct rental expenses	(5,588)	(6,941)	(6,919)	(7,046)	(9,884)	(12,650)	(13,274)	(13,274)
<b>Gross profit</b>	<b>30,724</b>	<b>27,547</b>	<b>28,334</b>	<b>28,855</b>	<b>60,476</b>	<b>51,806</b>	<b>54,360</b>	<b>54,360</b>
<i>% of sales</i>	85%	80%	80%	80%	86%	80%	80%	80%
Depreciation	(2,528)	(3,051)	(3,182)	(3,890)	(4,339)	(4,277)	(4,214)	(4,153)
SG&A expenses (excl depreciation)	(2,401)	(2,530)	(3,034)	(3,052)	(7,036)	(6,446)	(6,763)	(6,763)
Fair value gains (losses)	(13,485)	(487)	-	-	-	-	-	-
<b>EBIT</b>	<b>12,310</b>	<b>21,480</b>	<b>22,119</b>	<b>21,914</b>	<b>49,100</b>	<b>41,084</b>	<b>43,382</b>	<b>43,444</b>
<i>% of sales</i>	34%	62%	63%	61%	70%	64%	64%	64%
Net financing cost	(6,068)	(4,938)	(1,738)	(2,150)	(2,347)	(1,775)	(1,085)	(354)
Associate income	(274)	(315)	-	-	-	-	-	-
Allowance for doubtful debt	-	(1,033)	-	-	-	-	-	-
Foreign exchange gains (losses)	-	854	-	-	-	-	-	-
Other income (expense)	500	25	43	50	71	90	95	95
<b>Profit before taxes</b>	<b>6,467</b>	<b>16,074</b>	<b>20,424</b>	<b>19,814</b>	<b>46,824</b>	<b>39,399</b>	<b>42,392</b>	<b>43,185</b>
Contribution to KFAS	(59)	(160)	(204)	(198)	(467)	(393)	(423)	(431)
Contribution to NLST	(130)	(427)	(543)	(527)	(1,245)	(1,048)	(1,127)	(1,148)
Income taxes/Zakat	(52)	(176)	(224)	(217)	(513)	(432)	(464)	(473)
<b>Net income before minority interest</b>	<b>6,225</b>	<b>15,310</b>	<b>19,453</b>	<b>18,872</b>	<b>44,599</b>	<b>37,527</b>	<b>40,378</b>	<b>41,133</b>
Minority interest	-	-	-	-	-	-	-	-
<b>Net income attributable to shareholders</b>	<b>6,225</b>	<b>15,310</b>	<b>19,453</b>	<b>18,872</b>	<b>44,599</b>	<b>37,527</b>	<b>40,378</b>	<b>41,133</b>
<b>EBITDA (excl revaluation)</b>	<b>25,794</b>	<b>23,556</b>	-	-	-	-	-	-
<b>EPS</b>	<b>14.9</b>	<b>33.3</b>	<b>38.5</b>	<b>37.4</b>	<b>88.3</b>	<b>74.3</b>	<b>80.0</b>	<b>81.4</b>
<b>DPS (KWD)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>0.0</b>
<i>Payout ratio</i>	0%	0%	0%	26%	27%	11%	13%	0%

Source: Company data, AlembicHC

## Mabane balance sheet (KWD '000)

Year to 31 December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Assets</b>								
Cash and cash equivalents	24,017	10,172	9,909	3,431	44,555	78,716	115,661	160,846
Accounts receivable	6,489	4,258	4,854	3,640	2,427	1,213	-	-
Held for trading investments	763	-	-	-	-	-	-	-
<b>Current assets</b>	<b>31,268</b>	<b>14,430</b>	<b>14,763</b>	<b>7,071</b>	<b>46,982</b>	<b>79,930</b>	<b>115,661</b>	<b>160,846</b>
Available for sales investments	25,504	18,663	10,589	-	-	-	-	-
Investment in associates	16,366	17,049	16,914	16,914	16,914	16,914	16,914	16,914
Property, plant, and equipment	558	673	1,003	1,167	1,415	1,490	1,568	1,646
Investment properties	157,122	169,797	225,826	289,058	284,738	280,483	276,292	272,163
<b>Long-term assets</b>	<b>199,550</b>	<b>206,183</b>	<b>254,333</b>	<b>307,138</b>	<b>303,067</b>	<b>298,887</b>	<b>294,774</b>	<b>290,722</b>
<b>Total assets</b>	<b>230,819</b>	<b>220,613</b>	<b>269,096</b>	<b>314,209</b>	<b>350,049</b>	<b>378,816</b>	<b>410,435</b>	<b>451,568</b>
<b>Liabilities</b>								
Trade and other payables	16,852	17,449	14,836	11,127	7,418	3,709	-	-
Short-term borrowings	66,184	61,730	51,874	51,874	51,874	51,874	51,874	51,874
Current liabilities	83,036	79,179	66,710	63,001	59,292	55,583	51,874	51,874
Borrowing and long-term debt	40,779	20,179	66,633	101,633	101,633	101,633	101,633	101,633
Other noncurrent liabilities (security deposits)	9,113	9,414	9,009	9,009	9,009	9,009	9,009	9,009
Provision for employee services	284	447	319	319	319	319	319	319
<b>Long-term liabilities</b>	<b>50,175</b>	<b>30,039</b>	<b>75,961</b>	<b>110,961</b>	<b>110,961</b>	<b>110,961</b>	<b>110,961</b>	<b>110,961</b>
<b>Minority interest in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Paid up capital	41,745	45,920	50,511	50,511	50,511	50,511	50,511	50,511
Statutory and other reserves	17,027	20,255	20,255	20,255	20,255	20,255	20,255	20,255
Retained earnings	36,621	44,528	55,504	69,326	108,875	141,351	176,679	217,812
Treasury shares	(2,300)	(2,645)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)	(2,732)
Gain on sale of treasury shares	-	-	-	-	-	-	-	-
Treasury shares reserve	4,634	4,418	4,313	4,313	4,313	4,313	4,313	4,313
Fair value reserve	(119)	(1,082)	(1,426)	(1,426)	(1,426)	(1,426)	(1,426)	(1,426)
<b>Shareholders' equity</b>	<b>97,608</b>	<b>111,394</b>	<b>126,425</b>	<b>140,247</b>	<b>179,796</b>	<b>212,273</b>	<b>247,600</b>	<b>288,733</b>
<b>Total liabilities and equity</b>	<b>230,819</b>	<b>220,613</b>	<b>269,096</b>	<b>314,209</b>	<b>350,049</b>	<b>378,816</b>	<b>410,435</b>	<b>451,568</b>

Source: Company data, AlembicHC

### Mabane cash flow statement (KWD '000)

Year to 31 December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Net profit before minorities</b>	<b>6,519</b>	<b>16,144</b>	<b>19,453</b>	<b>18,872</b>	<b>44,599</b>	<b>37,527</b>	<b>40,378</b>	<b>41,133</b>
Depreciation and amortization	2,601	3,170	3,182	3,890	4,339	4,277	4,214	4,153
Change in working capital	(7,889)	1,544	892	8,094	(2,496)	(2,496)	(2,496)	-
Change in provisions	192	1,199	101	-	-	-	-	-
Net financing cost	6,068	(617)	(1,125)	(2,150)	(2,347)	(1,775)	(1,085)	(354)
Interest income (expenditure)	-	-	1,738	2,150	2,347	1,775	1,085	354
Others	8,086	517	-	-	-	-	-	-
<b>Net cash generated from operating activities</b>	<b>15,577</b>	<b>21,957</b>	<b>24,242</b>	<b>30,856</b>	<b>46,443</b>	<b>39,308</b>	<b>42,097</b>	<b>45,286</b>
<b>Investments activities</b>								
CAPEX (PPE)	(30,823)	(234)	(338)	(180)	(268)	(97)	(101)	(101)
CAPEX (investment properties)	-	(15,109)	(59,203)	(67,105)	-	-	-	-
Others	1,444	5,156	4,152	-	-	-	-	-
<b>Net cash generated from investment activities</b>	<b>(29,379)</b>	<b>(10,186)</b>	<b>(55,389)</b>	<b>(67,284)</b>	<b>(268)</b>	<b>(97)</b>	<b>(101)</b>	<b>(101)</b>
<b>Financing activities</b>								
Dividends paid	-	-	(4,564)	(5,050)	(5,050)	(5,050)	(5,050)	-
Share issue	-	-	-	-	-	-	-	-
Bank borrowings raised	39,271	(26,628)	36,168	35,000	-	-	-	-
Others	(2,301)	(561)	(193)	-	-	-	-	-
<b>Net cash generated from financing activities</b>	<b>36,970</b>	<b>(27,189)</b>	<b>31,411</b>	<b>29,950</b>	<b>(5,050)</b>	<b>(5,050)</b>	<b>(5,050)</b>	<b>-</b>
<b>Net addition (deduction) in cash</b>	<b>23,169</b>	<b>(15,418)</b>	<b>264</b>	<b>(6,478)</b>	<b>41,124</b>	<b>34,161</b>	<b>36,945</b>	<b>45,184</b>
Cash at beginning	(2,623)	20,547	10,172	10,436	3,958	45,082	79,243	116,188
<b>Cash at the end of fiscal year</b>	<b>20,547</b>	<b>10,172</b>	<b>10,436</b>	<b>3,958</b>	<b>45,082</b>	<b>79,243</b>	<b>116,188</b>	<b>161,373</b>

Source: AlembicHC

### Mabane (KWD '000 )

	2008a	2009a	2010e	2011e	2012e	2013e	...	2027 TY
EBIT	12,310	21,480	22,119	21,914	49,100	41,084		54,370
Tax rate	(242)	(764)	(970)	(941)	(2,225)	(1,872)		(3,194)
EBIT*(1-T)		20,716	21,148	20,972	46,875	39,212		51,176
Depreciation and amortization	0	-3,051	1,589	3,890	4,339	4,277		3,535
Capital expenditure	(29,379)	(10,186)	(55,389)	(67,284)	(268)	(97)		(115)
Revaluation of investment properties	(13,485)	(487)	0	0	0	0		0
Changes in working capital	(7,889)	1,544	892	8,094	(2,496)	(2,496)		0
Free cash flow: Explicit period	(50,753)	8,537	(31,760)	(34,329)	48,451	40,896		54,596
% change y-o-y		-116.8%	-472.0%	8.1%	-241.1%	-15.6%		-0.1%
Terminal growth rate								<b>3.0%</b>
FCF: Terminal								969,586
<b>FCF: Total</b>	<b>(50,753)</b>	<b>8,537</b>	<b>(31,760)</b>	<b>(34,329)</b>	<b>48,451</b>	<b>40,896</b>		<b>1,024,183</b>

Source: AlembicHC

### Mabane Valuation and WACC

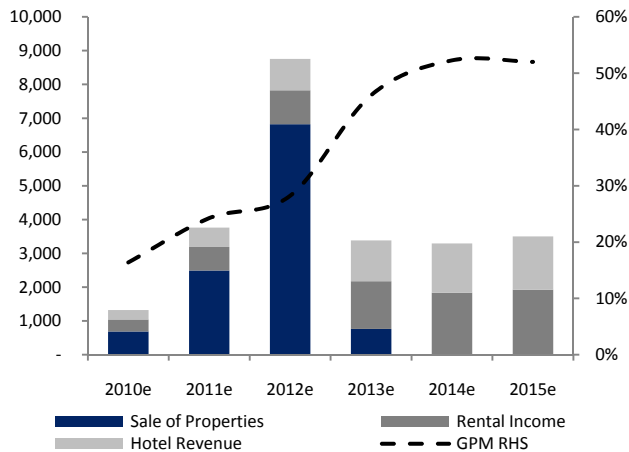
Terminal growth rate	3.0%	WACC	
<b>NPV: FCF (KWD '000)</b>	<b>653,018</b>	Beta	1.1
Net debt/cash (KWD '000)	150,076	Risk free rate	4.0%
Equity (KWD '000)	502,942	Country risk premium	5.5%
Outstanding shares (m)	505		
<b>DCF value (KWD/share)</b>	<b>996</b>	<b>Cost of equity</b>	<b>10.1%</b>
		Cost of debt	5.0%
		<b>After tax cost of debt</b>	<b>4.8%</b>
Value of land (KWD '000)	35,000	Weights (KWD '000)	
Investment in associates (KWD '000)	16,914	Equity market capitalization	383,887
Value of land and investments (KWD '000)	51,914	Debt	118,506
Value of land and investments(per share)	103	Total	502,393
<b>Total value (KWD/share)</b>	<b>1,099</b>	Tax rate	5.0%
		<b>WACC</b>	<b>8.8%</b>

Source: Company data, AlembicHC



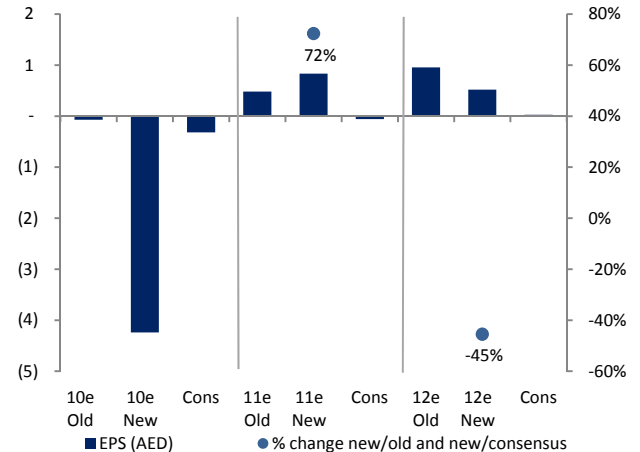
## Aldar: Overweight, TP AED2.9/share

### Revenue breakdown (AEDm)



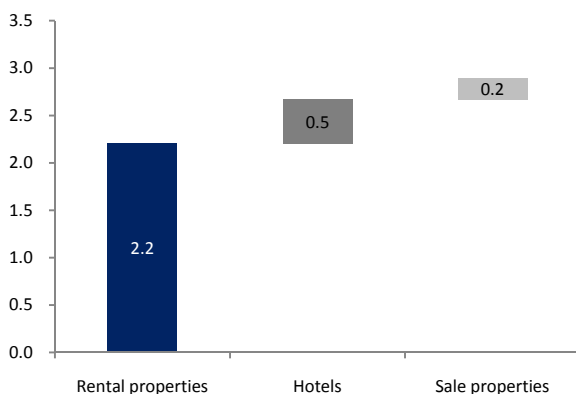
Source: AlembicHC

### Fully diluted EPS (AED/share)



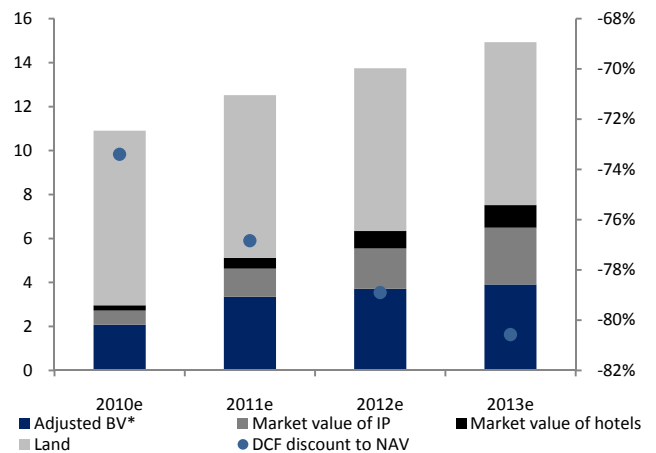
Source: AlembicHC, Reuters

### Valuation breakdown (AED/share)



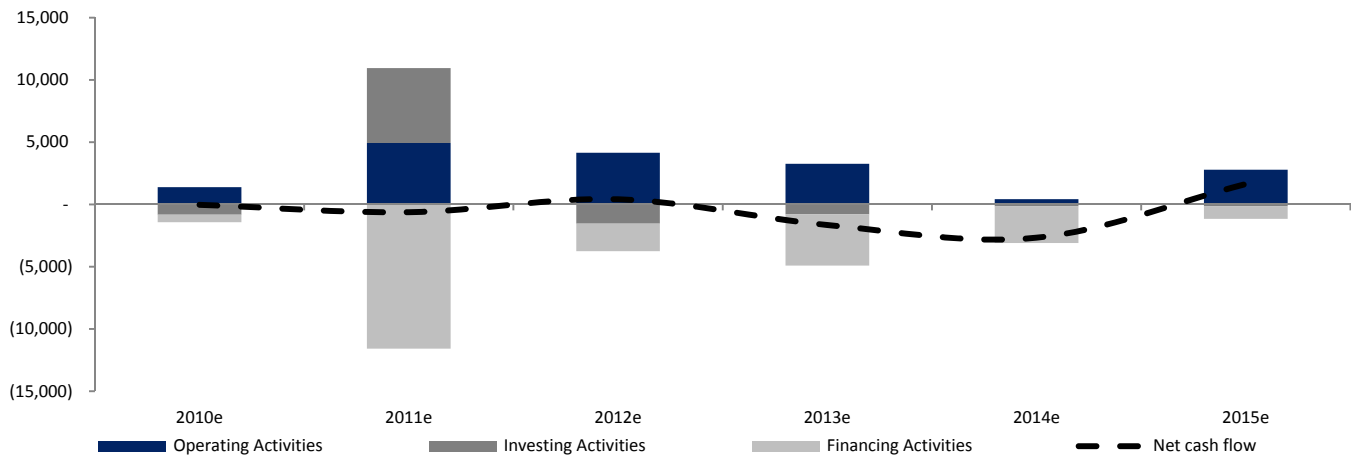
Source: AlembicHC

### NAV breakdown (AED/share)



Source: AlembicHC

## Cash flow (AEDm)



Source: AlembicHC

## Income statement (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
Sale of land	3,737	103	-	-	-	-	-	-
Sale of properties	1,115	1,470	690	2,491	6,825	764	-	-
Rental income	87	394	353	700	1,001	1,413	1,834	1,926
Hotel revenue	-	-	277	570	931	1,205	1,459	1,574
Other income	39	12	-	-	-	-	-	-
<b>Revenue</b>	<b>4,978</b>	<b>1,979</b>	<b>1,321</b>	<b>3,761</b>	<b>8,757</b>	<b>3,382</b>	<b>3,293</b>	<b>3,500</b>
Cost of land	(1,142)	-	-	-	-	-	-	-
Cost of properties	(1,104)	(1,270)	(501)	(1,986)	(5,231)	(556)	-	-
Direct rental expenses	(35)	(266)	(128)	(350)	(400)	(424)	(550)	(578)
Hotel direct costs	-	-	(150)	(513)	(652)	(844)	(1,021)	(1,102)
Other expenses	(14)	-	(325)	-	-	-	-	-
<b>Total cost</b>	<b>(2,295)</b>	<b>(1,537)</b>	<b>(1,104)</b>	<b>(2,849)</b>	<b>(6,284)</b>	<b>(1,823)</b>	<b>(1,571)</b>	<b>(1,680)</b>
<i>% of sales</i>	<i>46%</i>	<i>78%</i>	<i>84%</i>	<i>76%</i>	<i>72%</i>	<i>54%</i>	<i>48%</i>	<i>48%</i>
<b>Gross profit</b>	<b>2,683</b>	<b>443</b>	<b>217</b>	<b>913</b>	<b>2,473</b>	<b>1,559</b>	<b>1,722</b>	<b>1,821</b>
<i>Margin</i>	<i>54%</i>	<i>22%</i>	<i>16%</i>	<i>24%</i>	<i>28%</i>	<i>46%</i>	<i>52%</i>	<i>52%</i>
Is something supposed to be here?	0%	-	-	-	-	-	-	-
SG&A expenses	(926)	(1,617)	(1,133)	(650)	(876)	(750)	(494)	(525)
Fair value gains (losses/provisions)	1,533	1,961	(10,930)	-	-	-	-	-
Other income	-	114	14	2,219	44	68	66	70
Operating expenses	607	459	(12,050)	1,569	(832)	(683)	(428)	(455)
<b>EBIT (incl revaluation gain)</b>	<b>3,290</b>	<b>901</b>	<b>(11,833)</b>	<b>2,481</b>	<b>1,641</b>	<b>876</b>	<b>1,294</b>	<b>1,366</b>
<i>Margin</i>	<i>66%</i>	<i>46%</i>	<i>-896%</i>	<i>66%</i>	<i>19%</i>	<i>26%</i>	<i>39%</i>	<i>39%</i>
Is something supposed to be here?	0%	-	-	-	-	-	-	-
Net financing cost	(371)	(262)	(545)	(84)	(141)	(70)	(22)	(115)
Other fin. income (charges)	480	456	159	-	-	-	-	-
Associate income	47	(88)	2	-	-	-	-	-
<b>Profit before taxes</b>	<b>3,447</b>	<b>1,007</b>	<b>(12,218)</b>	<b>2,398</b>	<b>1,501</b>	<b>806</b>	<b>1,272</b>	<b>1,251</b>
Income taxes	-	-	-	-	-	-	-	-
Minority shareholders' interest	-	-	-	-	-	-	-	-
<b>Net profit (loss)</b>	<b>3,447</b>	<b>1,007</b>	<b>(12,218)</b>	<b>2,398</b>	<b>1,501</b>	<b>806</b>	<b>1,272</b>	<b>1,251</b>
<i>Margin</i>	<i>69%</i>	<i>51%</i>	<i>-925%</i>	<i>64%</i>	<i>17%</i>	<i>24%</i>	<i>39%</i>	<i>36%</i>
<b>Basic EPS</b>	<b>2.0</b>	<b>0.4</b>	<b>(4.7)</b>	<b>0.8</b>	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>
<b>Fully diluted EPS</b>	<b>1.2</b>	<b>0.3</b>	<b>(4.2)</b>	<b>0.8</b>	<b>0.5</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>
DPS	-	0.0	(1.5)	-	-	-	-	-
<i>Payout ratio</i>	<i>0%</i>	<i>4%</i>	<i>33%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<b>EBITDA excl reval gains</b>	<b>1,758</b>	<b>(1,060)</b>	<b>(562)</b>	<b>2,824</b>	<b>1,873</b>	<b>1,105</b>	<b>1,518</b>	<b>1,586</b>

Source: Company data, AlembicHC

## Balance sheet (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Assets</b>								
Cash and cash equivalents	12,066	10,313	5,728	5,106	5,518	3,870	1,200	2,835
Receivables on Yas Island assets sale	-	9,138	-	-	-	-	-	-
Trade and other receivables	6,651	7,888	4,553	1,717	1,503	1,288	1,073	1,073
Development properties	7,130	10,808	16,076	15,628	10,669	7,234	5,627	4,019
<b>Current assets</b>	<b>25,848</b>	<b>38,146</b>	<b>26,357</b>	<b>22,452</b>	<b>17,689</b>	<b>12,392</b>	<b>7,900</b>	<b>7,927</b>
Investments in associates	875	627	578	578	578	578	578	578
Other financial assets	97	199	169	169	169	169	169	169
Refundable costs	-	-	-	-	-	-	-	-
Receivables on Yas Island assets sale	-	-	2,435	2,261	1,913	1,565	1,218	870
<b>Long-term assets – noncurrent</b>	<b>972</b>	<b>826</b>	<b>3,182</b>	<b>3,008</b>	<b>2,660</b>	<b>2,313</b>	<b>1,965</b>	<b>1,617</b>
Intangible asset	163	40	34	34	34	34	34	34
Hotels	-	-	54	161	208	198	188	179
Property, plant, and equipment	1,831	12,400	13,303	4,416	4,344	4,276	4,211	4,149
Investment properties	20,953	14,812	5,918	8,344	9,680	10,325	10,325	10,325
<b>Permanent</b>	<b>22,947</b>	<b>27,252</b>	<b>19,309</b>	<b>12,954</b>	<b>14,266</b>	<b>14,832</b>	<b>14,758</b>	<b>14,687</b>
<b>Total assets</b>	<b>49,767</b>	<b>66,224</b>	<b>48,847</b>	<b>38,414</b>	<b>34,616</b>	<b>29,537</b>	<b>24,622</b>	<b>24,231</b>
<b>Liabilities</b>								
Trade and other payables	7,464	6,556	5,746	5,108	4,469	3,831	638	-
Borrowings – short term	2,683	4,696	8,763	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>10,147</b>	<b>11,252</b>	<b>14,509</b>	<b>5,108</b>	<b>4,469</b>	<b>3,831</b>	<b>639</b>	<b>0.0</b>
Borrowing and long-term debt	15,669	29,711	24,003	18,391	16,187	12,070	9,122	8,119
Obligation under finance lease/retentions	938	1,438	1,442	1,442	1,442	1,442	1,442	1,442
Other financial liabilities	586	404	288	288	288	288	288	288
Advances from customers	2,136	2,444	4,250	3,632	1,175	46	-	-
Provision for employee services	22	34	43	43	43	43	43	43
<b>Long-term liabilities – noncurrent</b>	<b>19,352</b>	<b>34,031</b>	<b>30,026</b>	<b>23,796</b>	<b>19,136</b>	<b>13,889</b>	<b>10,895</b>	<b>9,892</b>
Minority interest in subsidiaries	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Paid up capital	2,578	2,578	2,578	2,882	2,882	2,882	2,882	2,882
Statutory and other reserves	3,825	3,887	3,870	3,870	3,870	3,870	3,870	3,870
Retained earnings	5,885	6,441	(5,880)	(3,483)	(1,982)	(1,175)	96	1,347
Convertible bonds	7,980	8,034	3,744	6,240.4	6,240.4	6,240.4	6,240.4	6,240.4
<b>Shareholders' equity</b>	<b>20,268</b>	<b>20,941</b>	<b>4,312</b>	<b>9,510</b>	<b>11,011</b>	<b>11,817</b>	<b>13,089</b>	<b>14,340</b>
<b>Total liabilities and equity</b>	<b>49,767</b>	<b>66,224</b>	<b>48,848</b>	<b>38,414</b>	<b>34,616</b>	<b>29,537</b>	<b>24,622</b>	<b>24,231</b>

Source: Company data, AlembicHC

## Cash flow (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Net profit before minorities</b>	<b>3,447</b>	<b>1,007</b>	<b>(11,388)</b>	<b>2,398</b>	<b>1,501</b>	<b>806</b>	<b>1,272</b>	<b>1,251</b>
Depreciation and amortization	25	94	341	342	232	228	225	221
Change in working capital	-	(693)	1,492	2,201	2,426	2,230	(1,069)	1,317
Share of associates	(47)	88	-	-	-	-	-	-
Interest income (expense)	(272)	(194)	234	84	141	70	22	115
Interest received	-	-	158	411	183	175	190	48
Interest paid	164	-	(391)	(495)	(324)	(245)	(212)	(162)
Fair value gain on investment property	(1,533)	(1,961)	10,945	-	-	-	-	-
Provision for employee end of service benefits	13	12	-	-	-	-	-	-
Others (net)	(447)	623	-	-	-	-	-	-
<b>Net cash generated from operating activities</b>	<b>1,351</b>	<b>(1,025)</b>	<b>1,391</b>	<b>4,941</b>	<b>4,159</b>	<b>3,265</b>	<b>428</b>	<b>2,789</b>
<b>Investments activities</b>								
CAPEX (excl hotel properties)	(1,485)	(837)	(2,826)	6,124	(1,486)	(795)	(150)	(150)
Additions to hotels properties	-	-	(55)	(112)	(57)	-	-	-
Additions to investment properties	(11,762)	(14,537)	-	-	-	-	-	-
Associates	(393)	(0)	-	-	-	-	-	-
Acquisition (sale) of financial assets	(3)	(9)	-	-	-	-	-	-
Movement in >3 months bank deposits	(4,647)	1,210	2,058	-	-	-	-	-
Others	520	687	-	-	-	-	-	-
<b>Net cash generated from investment activities</b>	<b>(17,771)</b>	<b>(13,485)</b>	<b>(823)</b>	<b>6,012</b>	<b>(1,544)</b>	<b>(795)</b>	<b>(150)</b>	<b>(150)</b>
<b>Financing activities</b>								
Dividends paid	(232)	(751)	(329)	-	-	-	-	-
Shares issued	-	-	-	2,800	-	-	-	-
Bank borrowings raised	14,331	17,504	3,267	-	-	-	-	-
Borrowings repaid	(4,282)	(2,758)	(3,522)	(14,375)	(2,204)	(4,117)	(2,948)	(1,003)
Others	6,408	(28)	(15)	-	-	-	-	-
<b>Net cash generated from financing activities</b>	<b>16,224</b>	<b>13,967</b>	<b>(599)</b>	<b>(11,575)</b>	<b>(2,204)</b>	<b>(4,117)</b>	<b>(2,948)</b>	<b>(1,003)</b>
<b>Net addition (deduction) in cash</b>	<b>(196)</b>	<b>(543)</b>	<b>(4,585)</b>	<b>(622)</b>	<b>411</b>	<b>(1,647)</b>	<b>(2,671)</b>	<b>1,636</b>
Cash at beginning of fiscal year	5,059	4,863	10,313	5,728	5,106	5,518	3,870	1,200
<b>Cash at end of fiscal year</b>	<b>4,863</b>	<b>10,313</b>	<b>5,728</b>	<b>5,106</b>	<b>5,518</b>	<b>3,870</b>	<b>1,200</b>	<b>2,835</b>

Source: Company data, AlembicHC

## DCF (AEDm)

	2008a	2009a	2010e	2011e	2012e	2013e	...	2027 TY
EBIT	3290	901	(11,833)	2,481	1,641	876		2,473
Tax rate	0%	0%	0%	0%	0%	0%		0%
EBIT*(1-T)	3,290	901	(11,833)	2,481	1,641	876		2,473
Depreciation and amortization	0	0	341	342	232	228		191
Capital expenditure	(13,248)	(15,374)	(2,881)	6,012	(1,544)	(795)		(150)
Revaluation of investment properties	(1,533)	(1,961)	10,930	0	0	0		0
Changes in working capital	0	-693	1,492	2,201	2,426	2,230		0
FCF: Explicit period	-11,937	-16,504	-1,950	11,037	2,756	2,540		2,513
% change y-o-y	229.4%	38.3%	-88.2%	-665.9%	-75.0%	-7.8%		
Terminal growth rate								3.0%
FCF: Terminal								38,421
<b>FCF: Total</b>	<b>(11,937)</b>	<b>(16,504)</b>	<b>(1,950)</b>	<b>11,037</b>	<b>2,756</b>	<b>2,540</b>		<b>40,934</b>

Source: AlembicHC

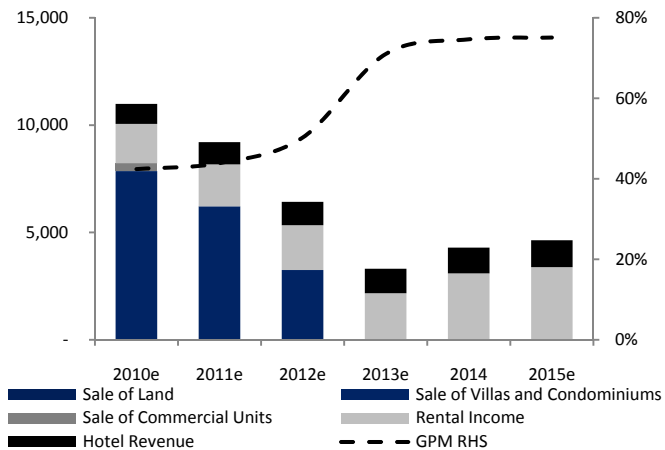
## Valuation and WACC

Terminal growth rate	3.0%	WACC	
NPV: FCF (AEDm)	25,355	Beta	1.5
Net debt (AEDm)	13,285	Risk free rate	4.0%
Equity (AEDm)	12,070	Country risk premium	5.5%
Outstanding shares (m)	4,099		
<b>DCF value (AED/share)</b>	<b>2.9</b>	Cost of equity	12.0%
		Cost of debt	7.5%
		After tax cost of debt	8.0%
		<u>Weights (AEDm)</u>	
		Equity market capitalization	9,305
		Debt	18,391
		<b>Total</b>	<b>27,696</b>
		Tax rate	0%
		<b>WACC</b>	<b>10%</b>

Source: Company data, AlembicHC

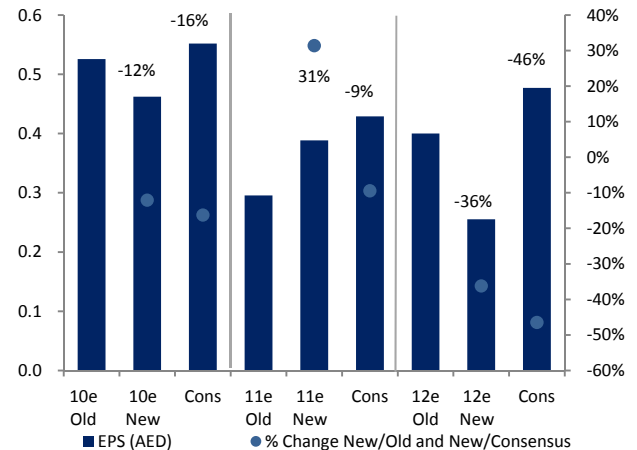
## Emaar: Neutral, TP AED3.8/share

### Revenue breakdown (AEDm)



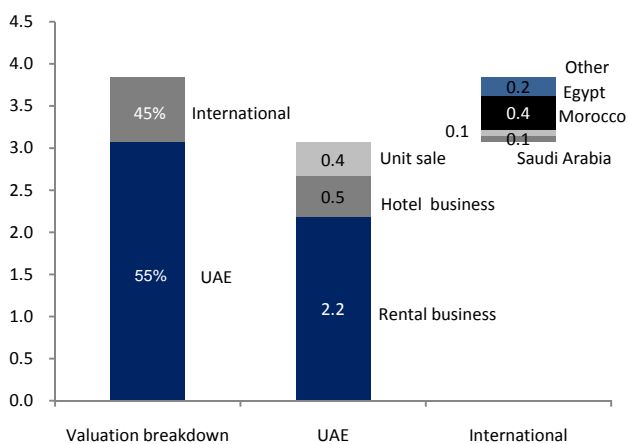
Source: AlembicHC

### EPS (AED/share)



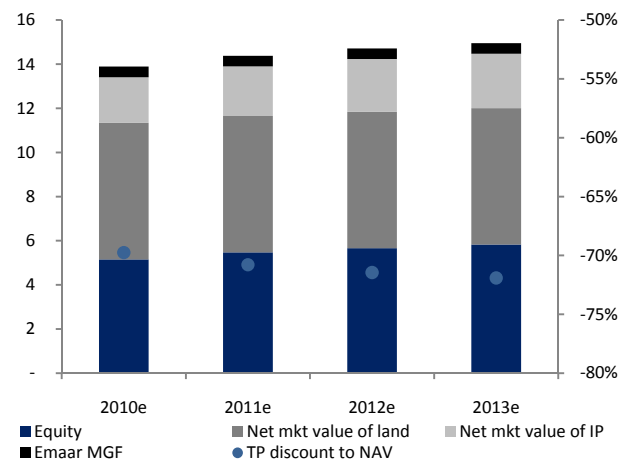
Source: AlembicHC, Reuters

### Valuation breakdown (AED/share)



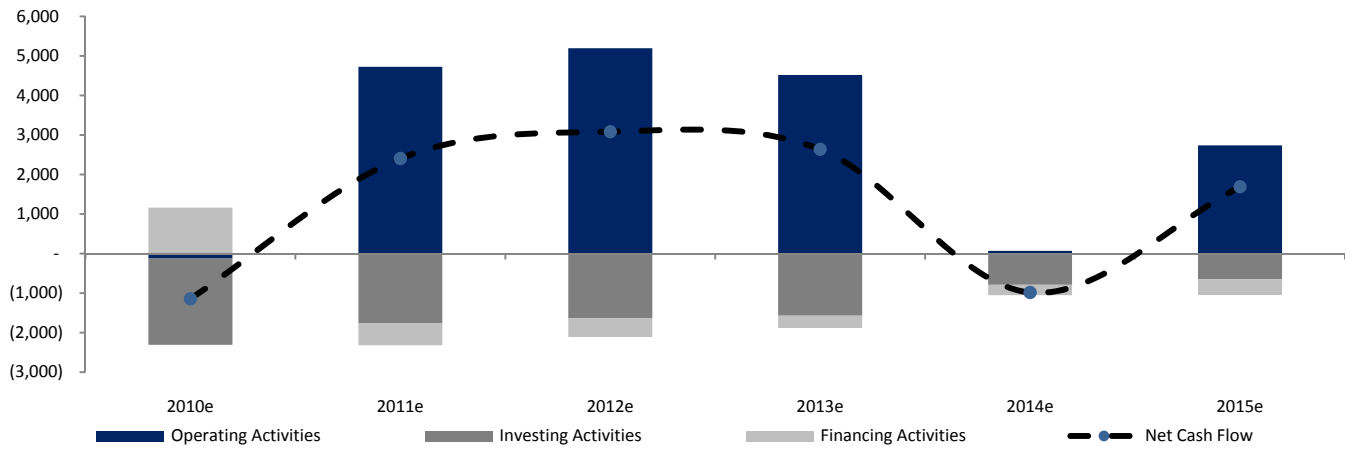
Source: AlembicHC

### NAV breakdown (AED/share)



Source: AlembicHC

## Cash flow (AEDm)



Source: AlembicHC



## Income statement (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
Sale of land	613	135	26	-	-	-	-	-
Sale of villas and condominiums	8,564	6,041	7,832	6,220	3,253	-	-	-
Sale of commercial units	465	60	368	-	-	-	-	-
Rental income	499	1,510	1,834	1,951	2,083	2,166	3,096	3,383
Hotel revenue	577	667	931	1,040	1,090	1,143	1,198	1,256
<b>Revenue</b>	<b>10,717</b>	<b>8,413</b>	<b>10,991</b>	<b>9,211</b>	<b>6,426</b>	<b>3,309</b>	<b>4,294</b>	<b>4,639</b>
Cost of land	(25)	(9)	(9)	-	-	-	-	-
Cost of villas and condominiums	(4,774)	(3,556)	(5,266)	(4,198)	(2,176)	-	-	-
Cost of commercial units	(144)	(33)	(142)	-	-	-	-	-
Direct rental expenses	(178)	(268)	(317)	(293)	(312)	(217)	(310)	(338)
Hotel direct costs	(367)	(448)	(595)	(676)	(709)	(743)	(779)	(816)
<b>Total costs</b>	<b>(5,487)</b>	<b>(4,314)</b>	<b>(6,329)</b>	<b>(5,167)</b>	<b>(3,197)</b>	<b>(960)</b>	<b>(1,088)</b>	<b>(1,155)</b>
<i>% of sales</i>	<i>51%</i>	<i>51%</i>	<i>58%</i>	<i>56%</i>	<i>50%</i>	<i>29%</i>	<i>25%</i>	<i>25%</i>
<b>Gross profit</b>	<b>5,230</b>	<b>4,099</b>	<b>4,662</b>	<b>4,044</b>	<b>3,229</b>	<b>2,350</b>	<b>3,205</b>	<b>3,485</b>
<i>Margin</i>	<i>49%</i>	<i>49%</i>	<i>42%</i>	<i>44%</i>	<i>50%</i>	<i>71%</i>	<i>75%</i>	<i>75%</i>
<b>Operating expenses</b>								
SG&A expenses	(1,905)	(1,912)	(2,052)	(1,995)	(1,995)	(1,324)	(1,288)	(1,160)
Other operating income	531	520	514	501	386	199	258	278
W/off development properties	(1,120)	(1,842)	-	-	-	-	-	-
Other income	240	83	361	92	64	33	43	46
Other operating expenses	(363)	(288)	(286)	(368)	(257)	(132)	(172)	(186)
<b>Operating expenses</b>	<b>(2,616)</b>	<b>(3,438)</b>	<b>(1,464)</b>	<b>(1,771)</b>	<b>(1,802)</b>	<b>(1,224)</b>	<b>(1,159)</b>	<b>(1,021)</b>
<b>EBIT (incl revaluation gain)</b>	<b>2,614</b>	<b>661</b>	<b>3,198</b>	<b>2,273</b>	<b>1,427</b>	<b>1,125</b>	<b>2,046</b>	<b>2,464</b>
<i>Margin</i>	<i>24%</i>	<i>8%</i>	<i>29%</i>	<i>25%</i>	<i>22%</i>	<i>34%</i>	<i>48%</i>	<i>53%</i>
Net financing cost	346	139	(85)	(169)	(88)	20	85	66
Other fin. income (charges)	-	-	-	-	-	-	-	-
Associate income	109	(534)	(208)	408	300	197	93	104
Impairments	(2,948)	-	(53)	-	-	-	-	-
<b>Profit before taxes</b>	<b>121</b>	<b>266</b>	<b>2,853</b>	<b>2,513</b>	<b>1,639</b>	<b>1,342</b>	<b>2,224</b>	<b>2,634</b>
Income taxes	3	24	(10)	(25)	(16)	(13)	(22)	(26)
Minority shareholders' interest	(42)	(38)	28	121	68	4	219	269
<b>Net profit (loss)</b>	<b>166</b>	<b>327</b>	<b>2,815</b>	<b>2,367</b>	<b>1,555</b>	<b>1,324</b>	<b>1,983</b>	<b>2,339</b>
<i>Margin</i>	<i>2%</i>	<i>4%</i>	<i>26%</i>	<i>26%</i>	<i>24%</i>	<i>40%</i>	<i>46%</i>	<i>50%</i>
DPS	-	-	-	0.1	0.1	0.0	0.1	0.1
<i>Payout ratio</i>	<i>-</i>	<i>0%</i>	<i>0%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>
Basic EPS	0.0	0.1	0.5	0.4	0.3	0.2	0.3	0.4
<b>EBITDA excl reval gains</b>	<b>3,734</b>	<b>2,503</b>	<b>3,488</b>	<b>2,873</b>	<b>2,049</b>	<b>1,769</b>	<b>2,703</b>	<b>3,124</b>
<i>Margin</i>	<i>35%</i>	<i>30%</i>	<i>32%</i>	<i>31%</i>	<i>32%</i>	<i>53%</i>	<i>63%</i>	<i>67%</i>

Source: Company data, AlembicHC

## Balance sheet (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Assets</b>								
Cash and cash equivalents	5,393	2,267	1,671	4,076	7,161	9,799	8,816	10,507
Trade and other receivables	1,058	981	939	730	522	313	104	-
Development properties	26,799	26,555	24,263	17,950	11,213	6,229	6,229	6,229
Short-term investments	867	937	711	498	355	213	71	-
Receivables, deposits, and prepayments	3,511	3,211	3,211	2,456	1,474	671	221	50
<b>Current assets</b>	<b>37,629</b>	<b>33,951</b>	<b>30,794</b>	<b>25,710</b>	<b>20,725</b>	<b>17,225</b>	<b>15,442</b>	<b>16,786</b>
Investments in associates	8,314	7,861	7,831	8,239	8,539	8,735	8,828	8,933
Loans to associates	1,636	2,005	2,627	2,627	2,627	2,627	2,627	2,627
Raw land	-	4,521	4,521	4,521	4,521	4,521	4,521	4,521
<b>Noncurrent assets</b>	<b>9,950</b>	<b>14,387</b>	<b>14,978</b>	<b>15,386</b>	<b>15,686</b>	<b>15,883</b>	<b>15,976</b>	<b>16,080</b>
Intangible asset	439	439	46	46	46	46	46	46
Hotels	-	-	40	38	36	35	33	31
Property, plant, and equipment	5,414	6,822	7,186	7,360	7,526	7,683	7,833	7,975
Investment properties	13,248	8,546	8,574	9,151	9,701	10,277	10,166	9,914
<b>Permanent assets</b>	<b>19,102</b>	<b>15,807</b>	<b>15,847</b>	<b>16,596</b>	<b>17,310</b>	<b>18,041</b>	<b>18,078</b>	<b>17,966</b>
<b>Total assets</b>	<b>66,680</b>	<b>64,145</b>	<b>61,619</b>	<b>57,692</b>	<b>53,720</b>	<b>51,149</b>	<b>49,496</b>	<b>50,832</b>
<b>Liabilities</b>								
Trade and other payables	9,680	9,545	8,172	5,034	2,627	1,751	876	0
Borrowings – short term	4,564	4,500	4,776	4,776	4,776	4,776	4,776	4,776
Advances from customers	18,109	15,888	10,855	8,141	5,427	2,714	0	-
<b>Current liabilities</b>	<b>32,354</b>	<b>29,933</b>	<b>23,803</b>	<b>17,951</b>	<b>12,830</b>	<b>9,241</b>	<b>5,651</b>	<b>4,776</b>
Borrowing and long-term debt	4,610	4,125	5,157	5,157	5,157	5,157	5,157	5,157
Retentions	1,079	1,160	1,209	1,209	1,209	1,209	1,209	1,209
Provision for employee services	37	47	54	54	54	54	54	54
<b>Long-term liabilities – noncurrent</b>	<b>5,726</b>	<b>5,333</b>	<b>6,419</b>	<b>6,419</b>	<b>6,419</b>	<b>6,419</b>	<b>6,419</b>	<b>6,419</b>
<b>Minority interest in subsidiaries</b>	<b>494</b>	<b>202</b>	<b>227</b>	<b>348</b>	<b>416</b>	<b>420</b>	<b>639</b>	<b>908</b>
Paid up capital	6,091	6,091	6,091	6,091	6,091	6,091	6,091	6,091
Statutory and other reserves	14,431	14,710	14,388	14,388	14,388	14,388	14,388	14,388
Retained earnings	7,586	7,878	10,693	12,496	13,578	14,591	16,309	18,252
Employee performance share program	(2)	(2)	(3)	(3)	(3)	(3)	(3)	(3)
<b>Shareholders' equity</b>	<b>28,601</b>	<b>28,879</b>	<b>31,397</b>	<b>33,322</b>	<b>34,470</b>	<b>35,488</b>	<b>37,425</b>	<b>39,637</b>
<b>Total liabilities and equity</b>	<b>66,680</b>	<b>64,145</b>	<b>61,619</b>	<b>57,692</b>	<b>53,720</b>	<b>51,149</b>	<b>49,496</b>	<b>50,832</b>

Source: Company data, AlembicHC

## Cash flow (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Net profit before minorities</b>	<b>3,068</b>	<b>2,028</b>	<b>2,840</b>	<b>2,488</b>	<b>1,622</b>	<b>1,329</b>	<b>2,202</b>	<b>2,608</b>
Depreciation and amortization	111	636	641	599	622	644	657	660
Change in working capital	(1,152)	(5,015)	(3,596)	1,638	2,949	2,548	(2,789)	(529)
Share of associates	(265)	534	140	-	-	-	-	-
Interest income (expense)	341	-	57	169	88	(20)	(85)	(66)
Interest received	(341)	-	(36)	129	210	318	383	364
Interest paid	-	-	6	(298)	(298)	(298)	(298)	(298)
Fair value gain on investment property	1,120	-	-	-	-	-	-	-
Impairment of goodwill	2,948	-	-	-	-	-	-	-
Provision for employee end of service benefits	19	10	7	-	-	-	-	-
Others (net)	(26)	174	(184)	-	-	-	-	-
<b>CF generated from operating activities</b>	<b>5,823</b>	<b>(1,633)</b>	<b>(124)</b>	<b>4,725</b>	<b>5,193</b>	<b>4,521</b>	<b>70</b>	<b>2,739</b>
<b>Investments activities</b>								
CAPEX (excl hotel properties)	(5,845)	(1,727)	(1,104)	(1,348)	(1,336)	(1,375)	(694)	(548)
Additions to hotels properties	-	-	(41)	-	-	-	-	-
Additions to investment properties	(149)	(132)	-	-	-	-	-	-
Associates	(1,530)	(635)	(864)	(408)	(300)	(197)	(93)	(104)
Acquisition (sale) of financial assets	2,342	(13)	(4)	-	-	-	-	-
Movement in >3 months bank deposits	2,377	(283)	(169)	-	-	-	-	-
Others	(1)	-	-	-	-	-	-	-
<b>CF generated from investment activities</b>	<b>(2,807)</b>	<b>(2,790)</b>	<b>(2,182)</b>	<b>(1,756)</b>	<b>(1,636)</b>	<b>(1,572)</b>	<b>(788)</b>	<b>(652)</b>
<b>Financing activities</b>								
Dividends paid	(1,199)	(4)	-	(563)	(473)	(311)	(265)	(397)
Bank borrowings raised	3,448	2,005	1,467	-	-	-	-	-
Net share issuance fee	-	-	-	-	-	-	-	-
Borrowings repaid	(1,978)	(809)	(307)	-	-	-	-	-
Others	58	17	5	-	-	-	-	-
<b>CF generated from financing activities</b>	<b>329</b>	<b>1,210</b>	<b>1,164</b>	<b>(563)</b>	<b>(473)</b>	<b>(311)</b>	<b>(265)</b>	<b>(397)</b>
<b>Net addition (deduction) in cash</b>	<b>3,346</b>	<b>(3,214)</b>	<b>(1,142)</b>	<b>2,406</b>	<b>3,084</b>	<b>2,638</b>	<b>(983)</b>	<b>1,690</b>
Cash at beginning of fiscal year	2,132	5,393	2,267	1,125	3,531	6,615	9,253	8,271
Net forex difference/others	(30)	11	-	-	-	-	-	-
Cash at end of fiscal year	<b>5,393</b>	<b>2,267</b>	<b>1,125</b>	<b>3,531</b>	<b>6,615</b>	<b>9,253</b>	<b>8,271</b>	<b>9,961</b>

Source: Company data, AlembicHC

## DCF (AEDm)

	2008a	2009a	2010e	2011e	2012e	2013e	...	2027 TY
EBIT*(1-T)	2,322	588	2,842	2,020	1,268	1,000		3,905
Depreciation and amortization	0	0	290	599	622	644		659
Capital expenditure	(5,994)	(1,860)	(1,145)	(1,348)	(1,336)	(1,375)		(548)
Revaluation of investment properties	1,120	1,842	0	0	0	0		0
Cash flow for minorities	42	38	(28)	(121)	(68)	(4)		(439)
Cash flow from associates	(293)	(234)	(65)	0	0	0		0
Changes in working capital	(1,152)	(5,015)	(3,596)	1,638	2,949	2,548		0
Net change in debt (other than Sukuk)	-26	174	-184	0	0	0		0
Free cash flow: Explicit period	-3,980	-4,468	-1,884	2,788	3,436	2,812		3,577
Terminal growth rate								3.0%
FCF: Terminal								45,797
<b>FCF: Total</b>	<b>(3,980)</b>	<b>(4,468)</b>	<b>(1,884)</b>	<b>2,788</b>	<b>3,436</b>	<b>2,812</b>		<b>49,375</b>

Source: AlembicHC

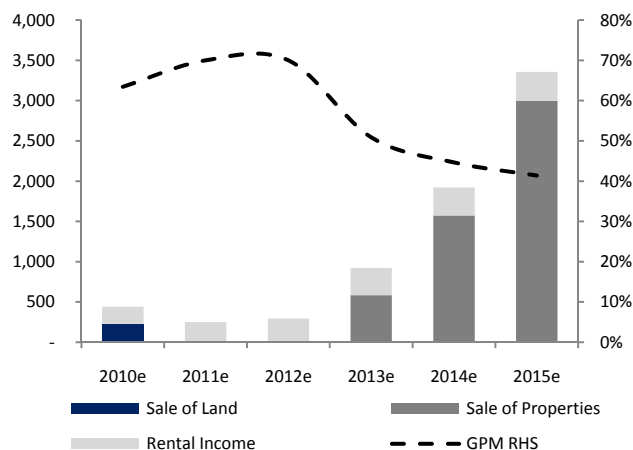
## Valuation and WACC

Terminal growth rate	3.0%	WACC	
NPV: FCF (AEDm)	28,719	Beta	1.2
Net debt (AEDm)	5,856	Risk free rate	4.0%
Equity (AEDm)	22,862	Country risk premium	5.5%
Outstanding shares (m)	6,091		
<b>DCF value (AED/share)</b>	<b>3.8</b>	Cost of equity	12.1%
		Cost of debt	6.0%
		After tax cost of debt	5.7%
		<u>Weights (AEDm)</u>	
		Equity market capitalization	21,015
		Debt	4,125
		<b>Total</b>	<b>25,140</b>
		Tax rate	5%
		<b>WACC</b>	<b>11.0%</b>

Source: Company data, AlembicHC

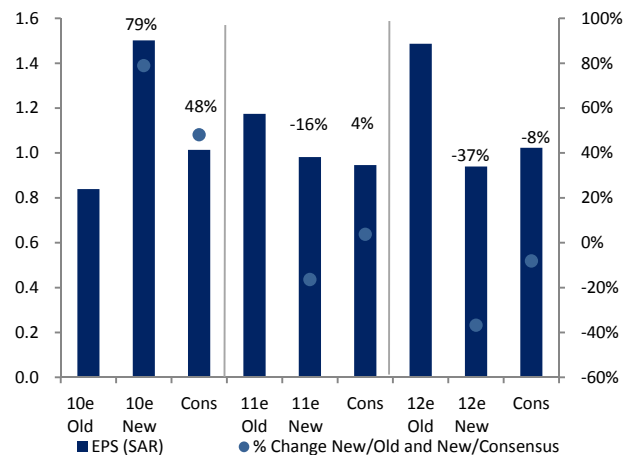
## Al Akaria: Neutral, TP SAR27.8/share

### Revenue breakdown (SARm)



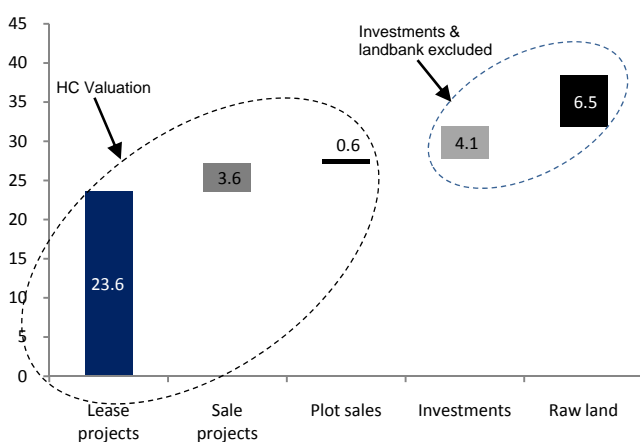
Source: AlembicHC

### EPS (SAR/share)



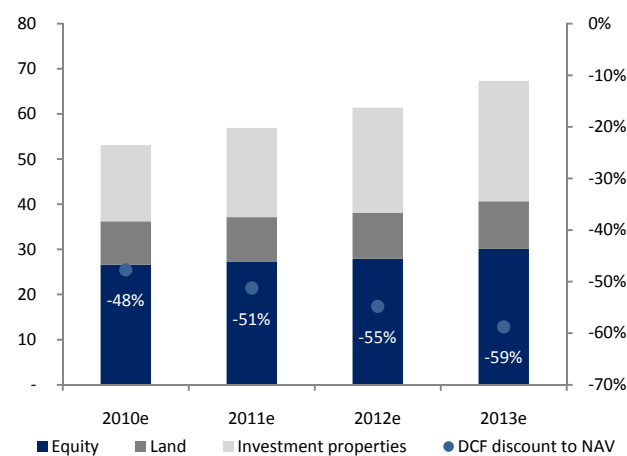
Source: AlembicHC, Reuters

### Valuation breakdown (SAR/share)



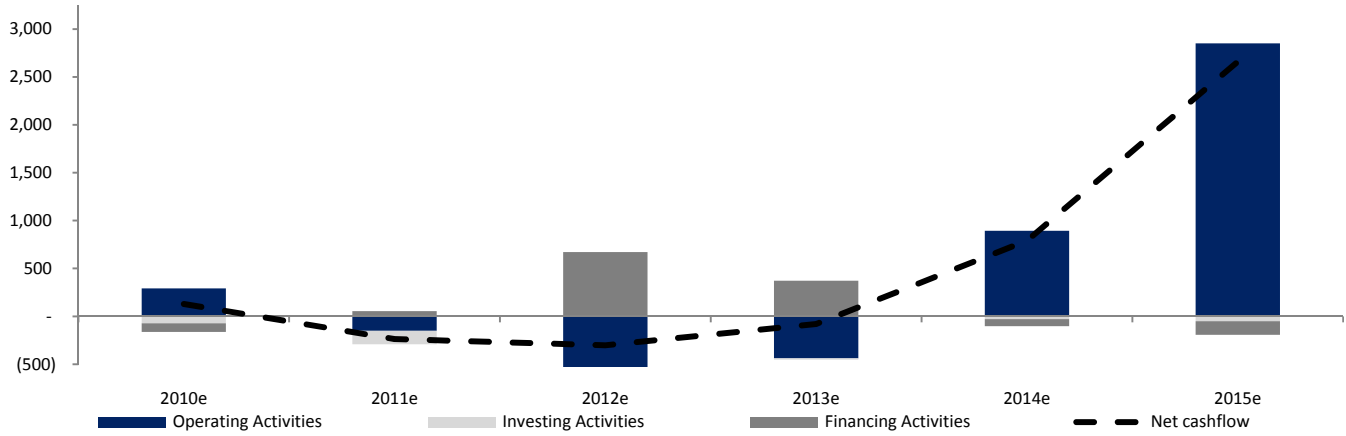
Source: AlembicHC

### NAV breakdown (SAR/share)



Source: AlembicHC

## Cash flow (SARm)



Source: AlembicHC

## Income statement (SARm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
Sale of land	57	-	229	-	-	-	-	-
Sale of properties	-	-	-	-	-	585	1,575	2,999
Rental income	162	171	213	250	294	337	347	357
Other income	6	-	-	-	-	-	-	-
<b>Revenue</b>	<b>225</b>	<b>171</b>	<b>442</b>	<b>250</b>	<b>294</b>	<b>922</b>	<b>1,922</b>	<b>3,356</b>
Cost of land infrastructure	(34)	-	(98)	-	-	-	-	-
Cost of properties	-	-	-	-	-	(352)	(960)	(1,860)
Direct rental expenses	(46)	(43)	(64)	(75)	(88)	(101)	(104)	(107)
<b>Total cost</b>	<b>(80)</b>	<b>(43)</b>	<b>(162)</b>	<b>(75)</b>	<b>(88)</b>	<b>(453)</b>	<b>(1,064)</b>	<b>(1,968)</b>
% of sales	36%	25%	37%	30%	30%	49%	55%	59%
<b>Gross profit</b>	<b>145</b>	<b>128</b>	<b>281</b>	<b>175</b>	<b>206</b>	<b>469</b>	<b>858</b>	<b>1,389</b>
Margin	64%	75%	63%	70%	70%	51%	45%	41%
<b>Operating expenses</b>								
Depreciation	(18)	(20)	(29)	(33)	(37)	(37)	(36)	(37)
SG&A expenses (excl depreciation)	(17)	(17)	(44)	(25)	(29)	(92)	(192)	(336)
<b>Operating expenses</b>	<b>(34)</b>	<b>(36)</b>	<b>(73)</b>	<b>(58)</b>	<b>(66)</b>	<b>(129)</b>	<b>(228)</b>	<b>(372)</b>
<b>EBIT (incl revaluation gain)</b>	<b>110</b>	<b>92</b>	<b>208</b>	<b>117</b>	<b>139</b>	<b>340</b>	<b>629</b>	<b>1,017</b>
Margin	49%	54%	47%	47%	47%	37%	33%	30%
Net financing cost	-	6	-	10	(20)	(38)	(46)	(37)
Other income (expense)	27	17	14	10	12	13	14	14
Fair value gain (loss) on investments	-	-	(23)	-	-	-	-	-
<b>Profit before taxes</b>	<b>137</b>	<b>115</b>	<b>198</b>	<b>136</b>	<b>131</b>	<b>316</b>	<b>597</b>	<b>994</b>
Income tax	(20)	(20)	(18)	(18)	(18)	(21)	(28)	(40)
Minority shareholders' interest	-	-	-	-	-	-	-	-
<b>Net profit (loss)</b>	<b>117</b>	<b>95</b>	<b>180</b>	<b>118</b>	<b>113</b>	<b>295</b>	<b>569</b>	<b>954</b>
Margin	52%	56%	41%	47%	38%	32%	30%	28%
<b>Basic EPS</b>	<b>1.0</b>	<b>0.8</b>	<b>1.5</b>	<b>1.0</b>	<b>0.9</b>	<b>2.5</b>	<b>4.7</b>	<b>8.0</b>
DPS	0.7	0.7	1.4	0.2	0.2	0.6	1.2	2.0
Payout ratio	71%	87%	92%	25%	25%	25%	25%	25%
<b>EBITDA</b>	<b>124</b>	<b>101</b>	<b>223</b>	<b>150</b>	<b>176</b>	<b>377</b>	<b>666</b>	<b>1,053</b>
Margin	55%	59%	50%	60%	60%	41%	35%	31%

Source: Company data, AlembicHC

## Balance sheet (SARm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Assets</b>								
Cash and cash equivalents	749	644	769	533	231	150	941	3,600
Trade and other receivables	13	13	12	12	12	12	12	12
Other current assets	5	6	8	8	8	8	8	8
Land held for sale	91	98	-	-	-	-	-	-
Development property WIP	125	125	127	399	1,394	2,155	1,860	-
Inventory	2	2	2	2	2	2	2	2
<b>Current assets</b>	<b>986</b>	<b>887</b>	<b>919</b>	<b>955</b>	<b>1,648</b>	<b>2,328</b>	<b>2,824</b>	<b>3,622</b>
Long-term investments	477	491	476	476	476	476	476	476
Land	750	785	827	827	827	827	827	827
Property, plant, and equipment	6	5	10	14	18	31	58	106
Investment properties	663	641	1,043	1,146	1,212	1,176	1,141	1,107
Investment properties WIP	309	354	-	-	-	-	-	-
<b>Noncurrent assets</b>	<b>2,205</b>	<b>2,275</b>	<b>2,356</b>	<b>2,463</b>	<b>2,533</b>	<b>2,510</b>	<b>2,502</b>	<b>2,516</b>
<b>Total assets</b>	<b>3,191</b>	<b>3,163</b>	<b>3,275</b>	<b>3,418</b>	<b>4,181</b>	<b>4,837</b>	<b>5,326</b>	<b>6,138</b>
<b>Liabilities</b>								
Trade and other payables	33	36	27	20	13	7	-	-
Advances from customers	43	40	40	17	3	0	-	-
Provision for tax	29	17	3	3	3	3	3	3
<b>Current liabilities</b>	<b>105</b>	<b>93</b>	<b>70</b>	<b>40</b>	<b>20</b>	<b>10</b>	<b>3</b>	<b>3</b>
Borrowing and long-term debt	-	-	-	100	800	1,200	1,200	1,200
Provision for employee services	11	12	12	12	12	12	12	12
<b>Noncurrent liabilities</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>112</b>	<b>812</b>	<b>1,212</b>	<b>1,212</b>	<b>1,212</b>
Minority interest in subsidiaries	-	-	-	-	-	-	-	-
Paid up capital	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Statutory and other reserves	1,790	1,799	1,799	1,799	1,799	1,799	1,799	1,799
Retained earnings	137	98	200	273	356	623	1,118	1,930
Unrealized losses on investments	(53)	(39)	(5)	(5)	(5)	(5)	(5)	(5)
<b>Shareholders' equity</b>	<b>3,074</b>	<b>3,058</b>	<b>3,194</b>	<b>3,266</b>	<b>3,350</b>	<b>3,616</b>	<b>4,112</b>	<b>4,924</b>
<b>Total liabilities and equity</b>	<b>3,191</b>	<b>3,163</b>	<b>3,275</b>	<b>3,418</b>	<b>4,181</b>	<b>4,838</b>	<b>5,326</b>	<b>6,138</b>

Source: Company data, AlembicHC



## Cash flow (SARm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Net profit before minorities</b>	<b>137</b>	<b>60</b>	<b>180</b>	<b>118</b>	<b>113</b>	<b>295</b>	<b>569</b>	<b>954</b>
Depreciation and amortization	20	9	29	33	37	37	36	37
Change in working capital	(43)	(4)	84	(303)	(1,015)	(770)	287	1,860
Change in provisions	5	1	-	-	-	-	-	-
Net financing cost	-	6	-	10	(20)	(38)	(46)	(37)
Interest income (expense)	-	(6)	-	(10)	20	38	46	37
<b>Net cash generated from operating activities</b>	<b>119</b>	<b>66</b>	<b>292</b>	<b>(151)</b>	<b>(866)</b>	<b>(439)</b>	<b>893</b>	<b>2,851</b>
<b>Investment activities</b>								
CAPEX (PPE)	(3)	(15)	(5)	(4)	(4)	(14)	(29)	(50)
CAPEX (investment properties)	(184)	659	(68)	(136)	(102)	-	-	-
Others	(367)	3	-	-	-	-	-	-
<b>Net cash generated from investment activities</b>	<b>(554)</b>	<b>647</b>	<b>(73)</b>	<b>(140)</b>	<b>(107)</b>	<b>(14)</b>	<b>(29)</b>	<b>(50)</b>
<b>Financing activities</b>								
Dividends paid	(122)	(122)	(90)	(45)	(29)	(28)	(74)	(142)
Bank borrowings raised	-	-	-	100	700	400	-	-
<b>Net cash generated from financing activities</b>	<b>(122)</b>	<b>(122)</b>	<b>(90)</b>	<b>55</b>	<b>671</b>	<b>372</b>	<b>(74)</b>	<b>(142)</b>
<b>Net addition (deduction) in cash</b>	<b>(558)</b>	<b>591</b>	<b>129</b>	<b>(236)</b>	<b>(302)</b>	<b>(81)</b>	<b>791</b>	<b>2,659</b>
Cash at beginning	619	61	644	773	536	235	154	944
<b>Cash at end of fiscal year</b>	<b>61</b>	<b>652</b>	<b>773</b>	<b>536</b>	<b>235</b>	<b>154</b>	<b>944</b>	<b>3,603</b>

Source: Company data, AlembicHC

## DCF (SARm)

	2008a	2009a	2010e	2011e	2012e	2013e	...	2027 TY
EBIT	110	92	208	117	139	340		278
Tax rate		(20)	(18)	(18)	(18)	(21)		(60)
EBIT*(1-T)		72	190	98	121	319		218
Depreciation and amortization	14	9	15	33	37	37		29
Capital expenditure	(554)	647	(73)	(140)	(107)	(14)		(10)
Cash flow from associates								
Changes in working capital	(43)	(4)	84	(303)	(1,015)	(770)		-
Free cash flow: Explicit period	(583)	724	215	(311)	(964)	(428)		236
Terminal growth rate								3.0%
FCF: Terminal								3,309
<b>FCF: Total</b>	<b>(583)</b>	<b>724</b>	<b>215</b>	<b>(311)</b>	<b>(964)</b>	<b>(428)</b>		<b>3,545</b>

Source: AlembicHC

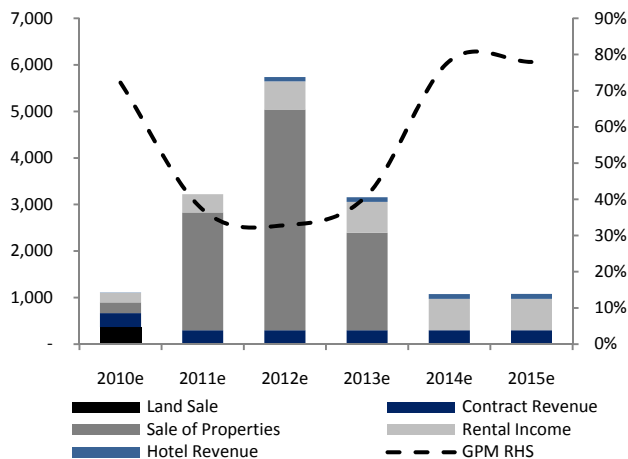
## Valuation and WACC

Terminal growth rate	3.0%	WACC	
NPV: FCF (SARm)	<b>2,897</b>	Beta	0.9
Net debt (SARm)	(433)	Risk free rate	4.5%
Equity (SARm)	3,330	Country risk premium	6.5%
Outstanding shares (m)	120		
<b>DCF value (SAR/share)</b>	<b>27.8</b>	Cost of equity	10.4%
		After tax cost of debt	5.0%
		<u>Weights (SARm)</u>	4.3%
		Equity market capitalization	3,180
		Debt	0.0
		<b>Total</b>	<b>3,180</b>
		Tax rate	15.0%
		<b>WACC</b>	<b>10.4%</b>

Source: Company data, AlembicHC

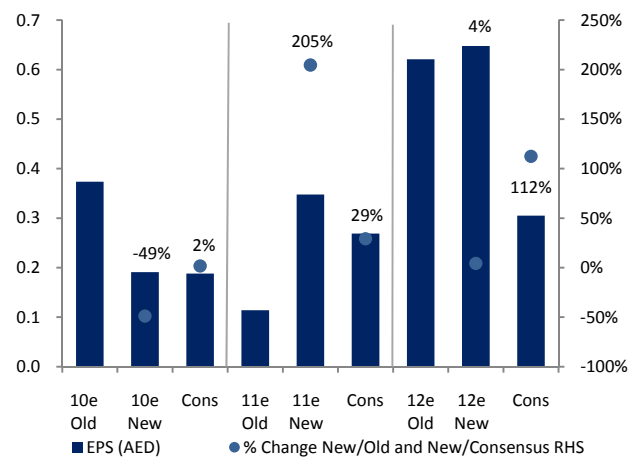
## Sorouh: Neutral, TP AED1.6/share

### Revenue breakdown (AEDm)



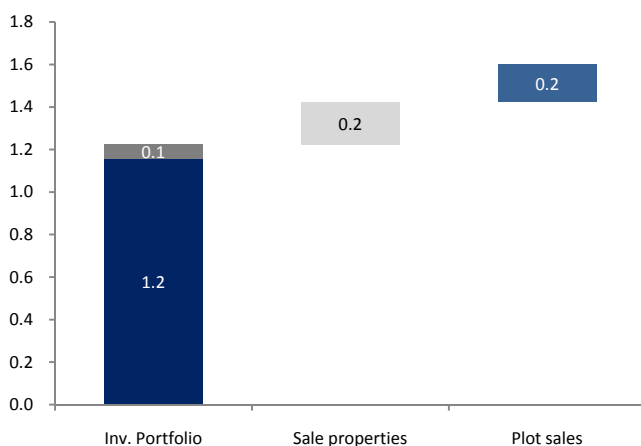
Source: AlembicHC

### EPS (AED/share)



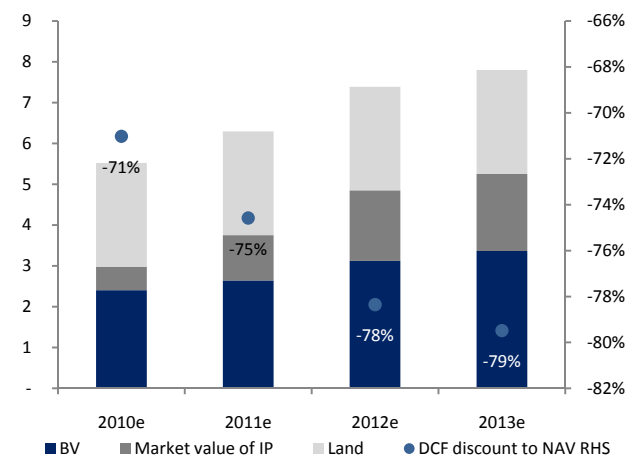
Source: AlembicHC, Reuters

### Valuation breakdown (AED/share)



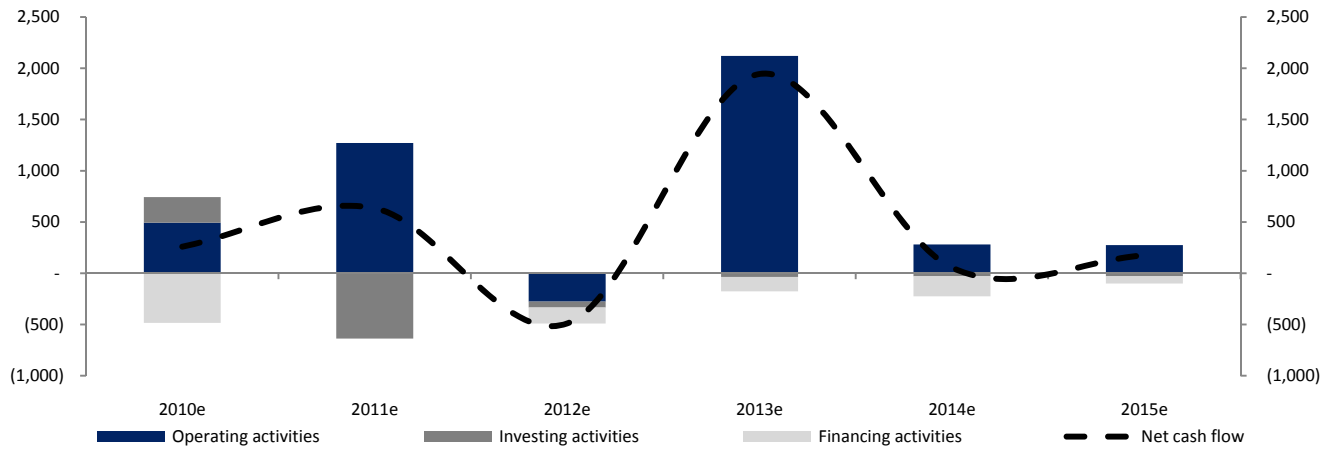
Source: AlembicHC

### NAV breakdown (AED/share)



Source: AlembicHC

## Cash flow (AEDm)



Source: AlembicHC

## Income statement (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
Land sale	3,532	1,586	368	-	-	-	-	-
Contract revenue	127	202	300	300	300	300	300	300
Sale of properties	-	1,177	230	2,531	4,741	2,094	-	-
Rental income	64	139	202	389	605	663	671	671
Hotel revenue	-	-	7	-	92	98	103	109
<b>Revenue</b>	<b>3,723</b>	<b>3,102</b>	<b>1,106</b>	<b>3,220</b>	<b>5,738</b>	<b>3,156</b>	<b>1,075</b>	<b>1,080</b>
Land development cost	(1,290)	(978)	(106)	-	-	-	-	-
Construction cost	(118)	(989)	(166)	(1,926)	(3,643)	(1,629)	-	-
Direct rental expenses	(19)	(30)	(34)	(97)	(151)	(166)	(168)	(168)
Hotel direct costs	-	-	(1)	-	(60)	(64)	(67)	(71)
<b>Total costs</b>	<b>(1,427)</b>	<b>(1,997)</b>	<b>(307)</b>	<b>(2,024)</b>	<b>(3,854)</b>	<b>(1,859)</b>	<b>(235)</b>	<b>(238)</b>
<i>% of sales</i>	<i>38%</i>	<i>64%</i>	<i>28%</i>	<i>63%</i>	<i>67%</i>	<i>59%</i>	<i>22%</i>	<i>22%</i>
<b>Gross profit</b>	<b>2,297</b>	<b>1,105</b>	<b>799</b>	<b>1,196</b>	<b>1,884</b>	<b>1,297</b>	<b>840</b>	<b>842</b>
<i>Margin</i>	<i>62%</i>	<i>36%</i>	<i>72%</i>	<i>37%</i>	<i>33%</i>	<i>41%</i>	<i>78%</i>	<i>78%</i>
<b>Operating expenses</b>								
Selling and marketing expenses	(312)	(50)	(52)	(74)	(90)	(63)	(54)	(54)
General and administrative expenses	(340)	(259)	(302)	(291)	(226)	(237)	(249)	(261)
Fair value gain on financial investments	-	91	(18)	-	-	-	-	-
Other income	-	-	123	115	116	109	-	-
<b>Operating expenses</b>	<b>(652)</b>	<b>(217)</b>	<b>(248)</b>	<b>(250)</b>	<b>(200)</b>	<b>(191)</b>	<b>(303)</b>	<b>(315)</b>
<b>EBIT (incl revaluation gain)</b>	<b>1,645</b>	<b>888</b>	<b>550</b>	<b>947</b>	<b>1,684</b>	<b>1,106</b>	<b>537</b>	<b>526</b>
<i>Margin</i>	<i>44%</i>	<i>29%</i>	<i>50%</i>	<i>29%</i>	<i>29%</i>	<i>35%</i>	<i>50%</i>	<i>49%</i>
Net financing cost	40	(42)	(53)	(34)	(35)	(38)	28	33
Income from associates	51	(51)	(7)	-	52	-	-	-
Other fin. income (charges)	79	143	-	-	-	-	-	-
Gain (loss) on financial assets	(31)	11	3	-	-	-	-	-
<b>Profit before taxes</b>	<b>1,784</b>	<b>949</b>	<b>493</b>	<b>913</b>	<b>1,700</b>	<b>1,067</b>	<b>566</b>	<b>559</b>
Income taxes	-	-	-	-	-	-	-	-
Minority shareholders' interest	(74)	12	(9)	-	-	-	-	-
<b>Net profit (loss)</b>	<b>1,858</b>	<b>937</b>	<b>502</b>	<b>913</b>	<b>1,700</b>	<b>1,067</b>	<b>566</b>	<b>559</b>
<i>Margin</i>	<i>50%</i>	<i>30%</i>	<i>45%</i>	<i>28%</i>	<i>30%</i>	<i>34%</i>	<i>53%</i>	<i>52%</i>
Basic EPS	0.7	0.4	0.2	0.3	0.6	0.4	0.2	0.2
DPS	0.1	0.1	-	-	0.1	0.1	0.1	0.0
<i>Payout ratio</i>	<i>24%</i>	<i>15%</i>	<i>0%</i>	<i>0%</i>	<i>17%</i>	<i>8%</i>	<i>18%</i>	<i>12%</i>
<b>EBITDA excl reval gains</b>	<b>1,645</b>	<b>797</b>	<b>568</b>	<b>947</b>	<b>1,684</b>	<b>1,106</b>	<b>537</b>	<b>526</b>
<i>Margin</i>	<i>44%</i>	<i>26%</i>	<i>51%</i>	<i>29%</i>	<i>29%</i>	<i>35%</i>	<i>50%</i>	<i>49%</i>

Source: Company data, AlembicHC

## Balance sheet (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Assets</b>								
Cash and cash equivalents	6,842	2,763	2,007	2,640	2,150	4,094	4,149	4,323
Land held for sale	257	639	625	625	625	625	625	625
Trade and other receivables	4,331	3,983	3,592	2,670	2,115	1,854	1,854	1,854
Development properties	2,475	3,778	4,502	4,064	1,629	(0)	(0)	(0)
Inventory	30	16	38	38	38	38	38	38
Short-term investment	29	20	2	2	2	2	2	2
<b>Current assets</b>	<b>13,964</b>	<b>11,200</b>	<b>10,766</b>	<b>10,039</b>	<b>6,559</b>	<b>6,613</b>	<b>6,668</b>	<b>6,842</b>
Investments in associates and long-term investments	608	301	293	293	293	293	293	293
Other noncurrent assets	198	174	162	162	162	162	162	162
<b>Noncurrent assets</b>	<b>805</b>	<b>475</b>	<b>455</b>	<b>455</b>	<b>455</b>	<b>455</b>	<b>455</b>	<b>455</b>
Intangible asset	652	613	610	610	610	610	610	610
Hotels	-	-	57	172	172	172	172	172
Property, plant, and equipment	88	172	182	212	242	272	302	332
Investment properties	857	983	983	3,325	3,993	4,044	4,044	4,044
Investment properties under development	574	257	975	(873)	(1,514)	(1,559)	(1,559)	(1,559)
<b>Permanent assets</b>	<b>2,170</b>	<b>2,026</b>	<b>2,809</b>	<b>3,446</b>	<b>3,504</b>	<b>3,539</b>	<b>3,569</b>	<b>3,599</b>
<b>Total assets</b>	<b>16,939</b>	<b>13,701</b>	<b>14,029</b>	<b>13,940</b>	<b>10,518</b>	<b>10,607</b>	<b>10,692</b>	<b>10,896</b>
<b>Liabilities</b>								
Trade and other payables	6,783	5,298	5,946	5,234	552	-	-	-
Borrowings – short term	105	19	22	22	22	22	22	22
Notes payable – short term	275	140	40	40	40	40	40	40
Nonconvertible Sukuk	1,736	971	-	-	-	-	-	-
<b>Current liabilities</b>	<b>8,899</b>	<b>6,427</b>	<b>6,008</b>	<b>5,296</b>	<b>614</b>	<b>62</b>	<b>62</b>	<b>62</b>
Borrowing and long-term debt	175	113	1,642	1,642	1,642	1,642	1,642	1,642
Nonconvertible Sukuk	1,490	970	-	-	-	-	-	-
Notes payable – long term	-	37	36	36	36	36	36	36
Provision for employee services	20	26	28	28	28	28	28	28
<b>Noncurrent liabilities</b>	<b>1,685</b>	<b>1,146</b>	<b>1,706</b>	<b>1,706</b>	<b>1,706</b>	<b>1,706</b>	<b>1,706</b>	<b>1,706</b>
<b>Minority interest in subsidiaries</b>	<b>9</b>	<b>98</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>89</b>
Paid up capital	2,500	2,500	2,625	2,625	2,625	2,625	2,625	2,625
Statutory and other reserves	364	424	428	428	428	428	428	428
Retained earnings	3,086	3,103	3,173	3,796	5,056	5,697	5,782	5,986
<b>Shareholders' equity</b>	<b>5,958</b>	<b>6,125</b>	<b>6,315</b>	<b>6,938</b>	<b>8,198</b>	<b>8,839</b>	<b>8,924</b>	<b>9,128</b>
<b>Total liabilities and equity</b>	<b>16,543</b>	<b>13,698</b>	<b>14,029</b>	<b>13,940</b>	<b>10,518</b>	<b>10,607</b>	<b>10,692</b>	<b>10,896</b>

Source: Company data, AlembicHC

## Cash flow (AEDm)

Year to December	2008a	2009a	2010e	2011e	2012e	2013e	2014e	2015e
<b>Net profit before minorities</b>	<b>1,784</b>	<b>495</b>	<b>44</b>	<b>623</b>	<b>1,415</b>	<b>782</b>	<b>281</b>	<b>274</b>
Depreciation and amortization	-	35	-	-	-	-	-	-
Change in working capital	-	(3,215)	552	647	(1,692)	1,339	-	-
Interest income (expense)	(40)	-	34	34	35	38	(28)	(33)
Interest received	121	(81)	33	99	98	95	161	166
Interest paid	(80)	123	(67)	(133)	(133)	(133)	(133)	(133)
Fair value gain on investment property	-	(83)	-	-	-	-	-	-
Impairment of goodwill	-	30	-	-	-	-	-	-
Provision for employee end of service benefits	-	6	-	-	-	-	-	-
Others (net)	-	1,104	-	-	-	-	-	-
<b>Net cash generated from operating activities</b>	<b>1,784</b>	<b>(1,586)</b>	<b>494</b>	<b>1,271</b>	<b>(277)</b>	<b>2,121</b>	<b>281</b>	<b>274</b>
<b>Investments activities</b>								
CAPEX (excl hotel properties)	(6)	(200)	(28)	(30)	(30)	(30)	(30)	(30)
Additions to hotel properties	-	-	(57)	(114)	-	-	-	-
Additions to investment properties	(122)	(198)	(719)	(493)	(28)	(6)	-	-
Associates	-	(3)	-	-	-	-	-	-
Subsidiaries	0	(66)	-	-	-	-	-	-
Additions to development WIP	-	-	-	-	-	-	-	-
Acquisition (sale) of financial assets	(16)	118	22	-	-	-	-	-
Movement in >3 months bank deposits	(571)	164	1,015	-	-	-	-	-
Others	-	167	-	-	-	-	-	-
<b>Net cash generated from investment activities</b>	<b>(716)</b>	<b>(17)</b>	<b>250</b>	<b>(637)</b>	<b>(58)</b>	<b>(36)</b>	<b>(30)</b>	<b>(30)</b>
<b>Financing activities</b>								
Dividends paid	(308)	(330)	-	-	(156)	(142)	(196)	(70)
Share issue	-	-	-	-	-	-	-	-
Net bank borrowings raised	63	1	(429)	-	-	-	-	-
Net share issuance fee	-	-	-	-	-	-	-	-
Borrowings repaid	-	(1,814)	-	-	-	-	-	-
Others	-	(166)	(50)	-	-	-	-	-
<b>Net cash generated from financing activities</b>	<b>(245)</b>	<b>(2,309)</b>	<b>(485)</b>	<b>-</b>	<b>(156)</b>	<b>(142)</b>	<b>(196)</b>	<b>(70)</b>
<b>Net addition (deduction) in cash</b>	<b>823</b>	<b>(3,912)</b>	<b>259</b>	<b>633</b>	<b>(490)</b>	<b>1,944</b>	<b>55</b>	<b>174</b>
Cash at beginning of fiscal year	1,402	5,517	2,763	3,022	3,656	3,165	5,109	5,164
Net forex difference/others	-	-	-	-	-	-	-	-
<b>Cash at end of fiscal year</b>	<b>2,226</b>	<b>2,763</b>	<b>3,022</b>	<b>3,656</b>	<b>3,165</b>	<b>5,109</b>	<b>5,164</b>	<b>5,338</b>

Source: Company data, AlembicHC

## DCF (AEDm)

	2008a	2009a	2010e	2011e	2012e	2013e	...	2027 TY
EBIT	1,645	888	550	947	1,684	1,106		59
Tax rate	-	-	-	-	-	-		-
EBIT*(1-T)	1,645	888	550	947	1,684	1,106		59
Capital expenditure	(128)	(397)	(804)	(637)	(58)	(36)		(30)
Revaluation of investment properties	-	(91)	18	-	-	-		-
Cash flow for minorities	74	(12)	9	-	-	-		-
Changes in working capital	-	(3,215)	552	647	(1,692)	1,339		-
Net change in debt (other than Sukuk)	-	1,104	-	-	-	-		-
Free cash flow: Explicit period	1,590	(1,723)	324	957	(66)	2,409		29
Terminal growth rate								3.0%
FCF: Terminal								408
<b>FCF: Total</b>	<b>1,590</b>	<b>(1,723)</b>	<b>324</b>	<b>957</b>	<b>(66)</b>	<b>2,409</b>		<b>437</b>

Source: AlembicHC

## Valuation and WACC

Terminal growth rate	3.0%	WACC	
NPV: FCF (AEDm)	3,337	Beta	1.5
Net debt (AEDm)	(976)	Risk free rate	4.0%
Equity (AEDm)	4,313	Country risk premium	5.5%
Outstanding shares (m)	2,625		
<b>DCF value (AED/share)</b>	<b>1.6</b>	Cost of equity	12.0%
		Cost of debt	6.5%
		After tax cost of debt	6.5%
		<u>Weights (AEDm)</u>	
		Equity market capitalization	3,990
		Debt	1,664
		<b>Total</b>	<b>5,654</b>
		Tax rate	0%
		<b>WACC</b>	<b>10.4%</b>

Source: Company data, AlembicHC



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## Rating scale

Recommendation	Potential return
Overweight	Greater than 20%
Neutral	0% to 20%
Underweight	Less than 0%

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