

9 May 2011

Aldar Properties

Swing to profitability not surprising

Hold

Target price
Dh1.40

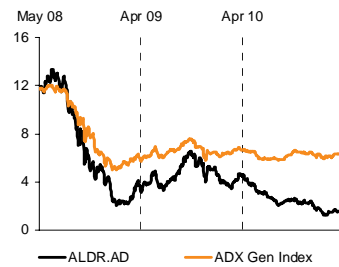
Price
Dh1.55

Short term (0-60 days)
n/a

Market view
No Weighting

Price performance

	(1M)	(3M)	(12M)
Price (Dh)	1.47	1.76	3.82
Absolute (%)	5.4	-11.9	-59.4
Rel market (%)	1.2	-13.6	-58.2
Rel sector (%)	-2.8	-17.3	-62.3



Market capitalisation
Dh4.47bn (€837.47m)

Average (12M) daily turnover
Dh36.77m (US\$10.02m)

Sector: ADX Bank & Fin Index
RIC: ALDR.AD, ALDAR UH
Priced Dh1.55 at close 5 May 2011.
Source: Bloomberg

Analysts

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Recognition of the asset sale to the government boosted Aldar Properties' bottom line and balance sheet liquidity, but we remain concerned about significant debt repayments to be made over the next three years (2011-13).

Key forecasts

	FY09A	FY10A	FY11F	FY12F	FY13F
Total property income (Dhm)	1,979	1,791	6,903	5,773	2,889
Net rental income (Dhm)	200.5	481.7	402.2	625.8	713.0
Normalised PTP (Dhm)	837.4	-12,658	1,206	719.2	201.9
Normalised EPS (Dh)	0.23	-4.39	0.29	0.18	0.05
Normalised PE (x)	6.74	n/m	5.27	8.83	31.50
Dividend per share (Dh)	0.05	0.00	0.00	0.00	0.00
Dividend yield (%)	3.23	0.00	0.00	0.00	0.00
Adj NAV per share (Dh)	4.61	1.47	1.33	1.51	1.55
NNNAV per share (Dh)	4.61	1.47	1.33	1.51	1.55
Disc/(prm) to adj NAV (%)	66.40	-5.24	-16.5	-2.95	0.31
Net debt to tot ass (%)	54.30	67.40	53.50	40.90	47.20

Accounting standard: IFRS
Source: Company data, Rasmala forecasts

year to Dec, fully diluted

Bottom line turned positive primarily on the back of asset sale to the government

Aldar reported 1Q11 net profit of Dh189m compared to our expectation of Dh206m. Net profit moved back into positive territory after a string of losses over the past five quarters, but it didn't come as a surprise because the company was expected to recognise a portion of profit from its asset sale to the government as a part of the bailout plan announced during the last quarter. Total revenue was Dh785m, up significantly from Dh227m a year ago but down from Dh859m in the last quarter. The company booked a major portion of its revenue, nearly 55% of the total, from the handover of units at Al Gurm and Al Bandar developments. The company also announced the handover of IKEA store and delivery time lines for Al Zeina (to begin in 2Q11) and Al Muneera (to begin in 2H11).

Asset sale and convertible issue boosted liquidity, but high debt still a concern

Cash and bank balances jumped to Dh6.2bn from Dh2.4bn in 2010, as the company collected cash from the asset sale and issued planned mandatory convertible bonds worth Dh2.8bn to Mubadala. In total, Aldar expects to collect Dh24.3bn in 2011-13 from the asset sale, the convertible and customers, and use it to fund capex (Dh12bn) and debt repayments (Dh12bn). However, given debt maturities of Dh21.4bn over the next three years and refinancing potential of Dh4bn-5bn, we believe Aldar runs a risk of downsizing capex plans.

We reiterate our concern regarding falling prices and upcoming supply

We remain concerned about falling prices, upcoming supply and muted demand in Abu Dhabi's property market. We believe developers including Aldar may remain challenged on market demand and ability to sell unsold inventory as well as timely collection of existing payment terms. However, we have already factored this into our forecasts.

We expect profitability to remain in the black during the remaining quarters of 2011

Aldar would continue to recognise profit from the asset sale to the government over the remaining quarters of 2011. Based on our estimates, this combined with realisation of profit from the handover of units at Al Raha beach would keep the company profitable during 2011. We maintain our Hold rating and SOTP-based price target of Dh1.40 per share.

Important disclosures can be found in the Disclosures Appendix.

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Income statement

Dhm	FY09A	FY10A	FY11F	FY12F	FY13F
Net rental income	200.5	481.7	402.2	625.8	713.0
Prop development income	1663	818.4	6068	4637	1504
Other revenue	115.6	491.0	432.8	509.9	672.1
Total property income	1979	1791	6903	5773	2889
Other costs	-3065	-2773	-4732	-4392	-2146
EBITDA	-1086	-981.9	2171	1381	743.2
DDA & Impairment (ex gw)	-93.8	-514.1	-191.7	-192.3	-176.3
EBITA	-1180	-1496	1979	1189	566.9
Goodwill (amort/impaird)	0.00	0.00	0.00	0.00	0.00
EBIT	-1180	-1496	1979	1189	566.9
Associates (pre-tax)	-88.4	-27.6	0.00	0.00	0.00
Net interest	193.9	-455.0	-833.5	-529.9	-425.0
Other pre-tax items	1911	-10680	60.0	60.0	60.0
Reported PTP	837.4	-12658	1206	719.2	201.9
Taxation	0.00	0.00	0.00	0.00	0.00
Minority interests	0.00	0.00	0.00	0.00	0.00
Other post-tax items	0.00	0.00	0.00	0.00	0.00
Reported net profit	837.4	-12658	1206	719.2	201.9
Dividends declared	-144.4	0.00	0.00	0.00	0.00
Tot normalised items	0.00	0.00	0.00	0.00	0.00
Normalised EBITDA	-1086	-981.9	2171	1381	743.2
Normalised PTP	837.4	-12658	1206	719.2	201.9
Normalised net profit	837.4	-12658	1206	719.2	201.9

Source: Company data, Rasmala forecasts

year to Dec

Balance sheet

Dhm	FY09A	FY10A	FY11F	FY12F	FY13F
Cash & market secs (1)	2663	648.2	1270	4638	1933
Props under dev	10909	13878	9121	5813	5332
Other current assets	22349	13590	10310	6858	6458
Investment prop	14741	8294	10487	11577	12531
Other non-current assets	15683	10935	8348	7193	7617
Total assets	66345	47344	39535	36079	33871
Short term debt (2)	4696	14811	4473	1473	1223
Long term debt (3)	34001	17761	17934	17934	16684
Other liabilities	10847	10525	11676	10501	9591
Total liabilities	49544	43097	34082	29907	27497
Total equity (incl min)	16801	4247	5453	6172	6374
Total liab & sh equity	66345	47344	39535	36079	33871
Net debt	36034	31924	21136	14768	15973

Source: Company data, Rasmala forecasts

year ended Dec

Cash flow statement

Dhm	FY09A	FY10A	FY11F	FY12F	FY13F
EBITDA	-1086	-981.9	2171	1381	743.2
Change in working capital	-698.5	-2361	9188	5584	-29.3
Net interest (pd) / rec	0.00	0.00	0.00	0.00	0.00
Taxes paid	0.00	0.00	0.00	0.00	0.00
Other oper cash items	727.7	627.8	-1221	1117	-365.0
Cash flow from ops (1)	-1056	-2715	10139	8083	348.9
Capex (2)	0.00	0.00	0.00	0.00	0.00
Disposals/(acquisitions)	0.00	0.00	0.00	0.00	0.00
Other investing cash flow	-13485	1975	649.4	-1715	-1555
Cash flow from invest (3)	-13485	1975	649.4	-1715	-1555
Incr / (decr) in equity	0.00	4795	0.00	0.00	0.00
Incr / (decr) in debt	15653	502.5	-10166	-3000	-1500
Ordinary dividend paid	-322.2	0.00	0.00	0.00	0.00
Preferred dividends (4)	0.00	0.00	0.00	0.00	0.00
Other financing cash flow	-1352	-6573	0.00	0.00	0.00
Cash flow from fin (5)	13978	-1275	-10166	-3000	-1500
Forex & disc ops (6)	0.00	0.00	0.00	0.00	0.00
Inc/(decr) cash (1+3+5+6)	-562.7	-2015	622.3	3368	-2706
Equity FCF (1+2+4)	-1056	-2715	10139	8083	348.9

Source: Company data, Rasmala forecasts

year to Dec

Recommendation structure

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price and only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Market or sector view: This view is the responsibility of the strategy team and a relative call on the performance of the market/sector relative to the region. Overweight/Underweight implies upside/downside of 10% or more and Neutral implies less than 10% upside/downside.

Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

Valuation and risks to target price

Aldar Properties (RIC: ALDR.AD, Rec: Hold, CP: Dh1.55, TP: Dh1.40): We value Aldar Properties using a sum-of-the-parts method implying a fair value of Dh1.40 a share. Main risks include refinancing risk and ability to fund near-term projects. Should population surpass our conservative estimates we would likely witness better fundamentals, liquidity and property demand leading to upside risk to our estimates.

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