

29 March 2011

## Buy

**Target price**  
Dh3.10

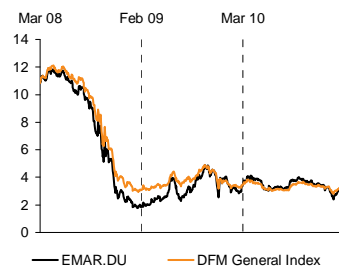
**Price**  
Dh3.18

**Short term (0-60 days)**  
n/a

**Market view**  
No Weighting

### Price performance

	(1M)	(3M)	(12M)
Price (Dh)	2.67	3.39	4.12
Absolute (%)	19.1	-6.2	-22.8
Rel market (%)	7.9	-3.4	-8.6
Rel sector (%)	17.2	-5.0	-20.2



**Market capitalisation**  
Dh19.39bn (€3.74bn)

**Average (12M) daily turnover**  
Dh79.09m (US\$20.34m)

Sector: ADX Bank & Fin Index  
RIC: EMAR.DU, EMAAR UH  
Priced Dh3.18 at close 28 Mar 2011.  
Source: Bloomberg

### Analysts

**Saud Masud**  
United Arab Emirates  
+971 55 725 8596  
saud.masud@rasmala.com

**Divya Arora**  
United Arab Emirates  
+971 4 424 2784  
divya.arora@rasmala.com

Dubai International Financial Centre,  
The Gate Village, Building 10, Level 1,  
P.O. Box 31145, Dubai, United Arab  
Emirates

www.rasmala.com

# Emaar Properties

## Dividend surprise

**Emaar announced a 10% cash dividend at its AGM. The news came as somewhat of a surprise to us and could have a favourable impact on the stock's performance in the near term, in our view.**

### Key forecasts

	FY09A	FY10A	FY11F	FY12F	FY13F
Total property income (Dhm)	8,413	12,150	8,278	7,207	5,449
Net rental income (Dhm)	1,510	1,960	1,771	1,665	1,665
Normalised PTP (Dhm)	2,028	3,006	2,305	2,218	1,998
Normalised EPS (Dh)	0.05	0.40	0.38	0.36	0.33
Normalised PE (x)	59.20	7.94	8.41	8.74	9.70
Dividend per share (Dh)	0.00	0.00	0.00	0.00	0.00
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Adj NAV per share (Dh)	4.70	5.10	5.47	5.84	6.17
NNNAV per share (Dh)	4.70	5.10	5.47	5.84	6.17
Disc/(prm) to adj NAV (%)	32.40	37.60	41.90	45.50	48.40
Net debt to tot ass (%)	9.09	10.60	6.09	0.71	-4.38

Accounting standard: IFRS  
Source: Company data, Rasmala forecasts

year to Dec, fully diluted

### Company announces 10% cash dividend

Surprisingly, in our view, Emaar announced a 10% cash dividend, which translates into Dh0.10 per share. This implies a Dh600m cash payout, a 25% dividend payout on 2010 earnings and a 3.1% dividend yield. As a side note, Investment Corporation of Dubai (ICD) is Emaar's largest shareholder, with a 31% stake.

### Apparently a positive signal, but questions remain

Paying a dividend may boost investor sentiment, especially given the company has paid none since 2007. However, we remain uncertain about the rationale for dividend issuance at this point, ie, it is not clear to us if it is resulting from shareholder activism or management's view of a fundamental improvement in the outlook for the company. Note that Emaar took an asset impairment charge of Dh192m in 4Q10 and recorded net debt of Dh6.1bn at end-2010 (vs Dh6.4bn in 2009).

### We delay revisiting our target price and rating until management gives more detail

We believe Emaar's share price could see upside given the positive signal. However, for us to change our estimates and view on the stock, we would need further insights into the potential impact from the dividend strategy on international expansion plans, MGF debt repayments (given that the IPO announced has yet to take place), working capital needs and associated project activity, near-term debt repayment, etc.

### Valuation

Using a SOTP approach, we estimate a one-year target price of Dh3.10 per share for Emaar. We value the Tier-1 rental and hospitality portfolio at Dh2.32 per share, 75% of our target price, and the portfolio of projects for sale at Dh0.73 per share, 24% of our target price.

**Important disclosures can be found in the Disclosures Appendix.**

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## 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

**Emaar Properties (RIC: EMAR.DU, Rec: Buy, CP: Dh3.18, TP: Dh3.10):** We value Emaar Properties using a sum-of-the-parts method implying a fair value of Dh3.10 a share. Main risks include potential delays in raising domestic and international capital as core market stresses still prevail and we expect a continued decline in house prices in the foreseeable future.

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