

Alert on 2011 Financials and 2012 Outlook

Sector: Real Estate
Country: Lebanon
Date: June 12, 2012
Recommendation: ACCUMULATE

Share Price (USD): 12.90
Target Price (USD): 14.80
Upside: 14.73%
Fair Value (USD): 18.00
Risk: Medium-to-High

Upgrading to ACCUMULATE with a fair value of USD 18.00 but a lower 6-month target price of USD 14.80 due to instability in Syria

Revenues in 2011 lower than 2010 but exceed our estimates

Solidere's total revenues in 2011 were reported at USD 296 million, 22.5% lower than 2010 revenues but higher than our estimates of USD 273 million. The central reason for this decline is lower land sales which represents a large portion of total revenues. Land sales declined by 28% to USD 242 million in 2011 from USD 337 million in 2010. As for Solidere's rental portfolio, it captured 17% of total revenues in 2011 growing considerably from USD 41 million in 2010 to USD 50 million in 2011. This meets our estimates of USD 51 million and is due to the South Souks operating near its full potential for an entire year.

Net income declines but profit margins considerably improve

Solidere's 2011 Net Income reached USD 163 million, declining by 17% from USD 196 million in 2010 due to less land sales. However, its profit margin for 2011 is 55%, considerably higher than 2010's 51% due to exceptionally low land costs. This is due to the entire land sales being committed in the reclaimed area therefore fetching higher overall profit margins. Gross margin for land sales in 2011 reached an all-time high of 84% compared to the preceding year reported at 77%. As for the rental gross margin, it has improved to 57% in 2011 from 34% during 2010.

Instant recognition of land sales in reclaimed area now possible

No new contracts during 2011 have been reported as backlog; instead most of the deals that were negotiated during the year were closed and immediately recognized as revenues. This is now possible as cadastrals for the majority of the reclaimed area are now available, allowing Solidere to recognize its sale transactions once the sale conditions are met. Of the USD 78 million backlog reported in 2010, USD 38 million were recognized in revenue during 2011 resulting in a USD 40 million ending balance.

Fair value at USD 18.00 but target price more realistic in near-term

We estimate the fair value of Solidere's share at USD 18.00 using a discount rate of 15%, which represents a fair required return for investing in a Lebanese stock under normal circumstances. However, considering the current instability in Syria, we have raised the required return by 5% which led to a 6-month target price of USD 14.80. When comparing Solidere's valuation ratios, we find that it is slightly undervalued when compared to peers. Its stock price is currently trading at a Price-to-Earnings (P/E) of 12.3 compared to 14.7 for the average.

Share Data

Bloomberg Symbol	SOLDA.LB
Reuters Symbol	SOLA.BY
Market Cap	2,009,600,000
Number of Shares	157,000,000
Free Float	95.2%
Price-to-Earnings 2011	12.34
Price-to-Book 2011	1.09

Share Performance



1 Month Return	-4.57%
3 Month Return	-15.97%
6 Month Return	-12.14%
12 Month Return	-30.44%
52 Week Range	12.09 – 18.41

Contact Information:

Head of Equities: Issa Frangieh
issa.frangieh@blominvestbank.com

Head of Research: Marwan Mikhael
marwan.mikhael@blominvestbank.com

Performance and Forecasts

Year	2010	2011	2012e	2013f	2014f	2015f
Revenues (USD millions)	382	296	320	357	397	429
Net Income (USD millions)	196	163	178	201	223	242
EPS (USD)	1.29	1.04	1.14	1.28	1.42	1.54
BVPS (USD)	11.61	11.89	11.04	10.68	10.81	10.69
ROA	8.0%	6.2%	6.9%	8.1%	9.2%	10.1%
ROE	11.0%	9.0%	9.9%	11.8%	13.2%	14.3%

FINANCIALS & VALUATION

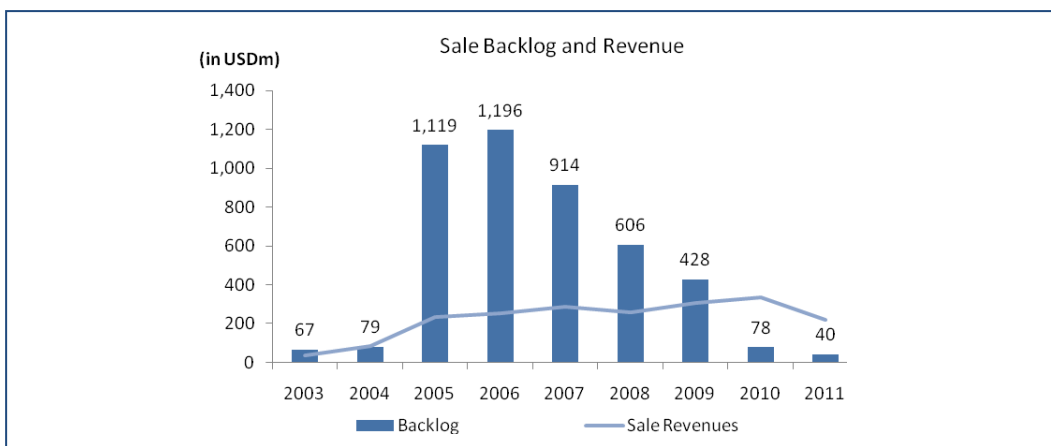
Year	2010	2011	2012e	2013f	2014f	2015f		
Profit & Loss Summary								
Revenue (USDm)	382	296	320	357	397	429		
Revenue Growth (%)	13.7	-22.4	8.2	11.5	11.1	7.9		
Gross Profit (USDm)	272	231	248	277	305	329		
Gross Margin (%)	71.2	77.8	77.3	77.5	76.8	76.7		
Net Profit (USDm)	196	163	178	201	223	242		
Profit Margin (%)	51.3	54.9	55.7	56.2	56.1	56.4		
Net Profit Growth (%)	3.7	-17.0	9.7	12.5	10.9	8.6		
Earnings Per Share (USD)	1.29	1.04	1.14	1.28	1.42	1.54		
Price-to-Earnings (Forward P/E)	10.02	12.47	11.37	10.11	9.11	8.39		
Balance Sheet Summary (USDm)								
Cash & Cash Balances	162	165	161	169	168	181		
Accounts & Notes Receivables	487	551	449	411	457	493		
Inventory of Land & Real Estate	1,055	1,132	1,015	898	841	727		
Investment Properties	443	445	508	570	570	570		
Other Assets	380	391	379	383	389	392		
Total Assets	2,527	2,684	2,511	2,431	2,424	2,363		
Total Liabilities	762	818	778	754	727	685		
Book Value Per Share (USD)	11.61	11.89	11.04	10.68	10.81	10.69		
Profitability								
ROA (%)	8.0	6.2	6.9	8.1	9.2	10.1		
ROE (%)	11.0	9.0	9.9	11.8	13.2	14.3		
Liquidity								
Cash / Current Liabilities	0.21	0.22	0.22	0.24	0.25	0.29		
Current Assets / Current Liabilities	0.92	1.00	0.89	0.87	0.99	1.14		
Net Working Capital / Current Assets	(0.09)	(0.00)	(0.13)	(0.13)	(0.01)	0.12		
Comparables (using FY 2010)								
	Valuation			Margin Analysis (%)		Profitability (%)		
	P/E	P/Rev	P/BV	Gross	Operat.	Net	ROE	ROA
Solidere	12.3	6.7	1.1	77.8	64.4	54.9	9.0	6.2
Average of Peers	14.7	7.1	1.1	58.4	42.1	35.8	12.0	6.0
Valuation								
	USDm		USD/shr		FV %			
Value from Sales of Traditional Land	478		3.1		16			
Value from Sales of Reclaimed Land	2,361		15.0		85			
Value from Rentals	284		1.8		10			
Book Value of Solidere International	293		1.9		10			
Book Value of Non-Operating Assets	815		5.2		29			
Total Liabilities	(818)		(5.2)		-29			
Value Loss from General & Admin.	(248)		(1.6)		-9			
Tax Effect	(339)		(2.2)		-12			
Fair Value	2,826		18.00		100%			

Backlog Update and Outlook for 2012

Backlog continues to decline but major shift in Solidere's financial model comes into play

Of the USD 78 million backlog reported in 2010, USD 38 million were recognized in revenue during 2011 resulting in a USD 40 million ending balance. No new contracts during 2011 have been reported as backlog, instead most of the deals that were negotiated during the year were closed and immediately recognized as revenues. This presents a major shift in evaluating Solidere's performance as the majority of the company's annual revenues were historically (since 2006) recognized from backlog. The balance offered guidance as to what to expect the following year, which is no longer the case as new contracts worth USD 204 million were immediately recognized during 2011.

Deals negotiated during the year were immediately recognized as revenues



Source: Solidere, Blominvest

Finalization of lot cadastral numbers allows instant recognition of sales in the reclaimed area

With the reclaimed area being "new" land that didn't exist before, cadastral numbers that are needed to finalize the sale contract had not yet been issued by the government. This is no longer the case as cadastrals for the majority of the reclaimed area are now available, allowing Solidere to recognize its sale transactions once the sale contract is signed and 25% of the purchase price is received.

For the first time, Solidere's entire revenues are based on sales in the reclaimed area

As a result, Solidere's USD 204 million in new sales were all reported from the reclaimed area. Actually, the company's entire revenues during 2011 were from the reclaimed area including the USD 38 million recognized from backlog.

Sales in the reclaimed area to dominate Solidere's revenues going forward

The company's shifting reliance from sales in the traditional area to those in the reclaimed area has been anticipated and we expect it to continue as only 400,000 sqm of land in the traditional area remain. Solidere has historically sold and/or developed 1.9 million sqm of land in the traditional area versus only 250,000 sqm in the reclaimed area.

Type of Land	Size (million sqm)	Remaining (million sqm)	Estimated Price/sqm in USD
Traditional	2.3	0.4	3,000
Reclaimed	1.7	1.45	4,400
Total	4.0	1.85	

Source: Solidere, Blominvest

Deal sizes in 2012 are expected to be larger than 2011

Revenues from land sales in 2012 expected to exceed 2011

According to company sources, negotiations for new deals are already taking place with indications that land plots under consideration are considerably larger than the previous year. Furthermore, negotiations include a mix of land from both the traditional area and the reclaimed area.

During 2011, Solidere sold and recognized approximately 50,000 sqm of land at USD 4,400 per sqm resulting in around USD 220 million of revenues. Note however that USD 18 million are attributable to financing facilities that will be shown in the receivables balance as incoming cash-flows in the following years, leading to revenue recognition of USD 202 million for 2011.

Land sold in 2011	Type of Land	Price per sqm	2011 Sales	Recognition during 2011	Recognized Revenues
50,000 sqm	Reclaimed	USD 4,400	USD 220 million	91.8%	USD 202 million

The company further recognized USD 38 million from its existing backlog which led to the USD 240 million (actual 241.7) reported on its 2011 income statement.

Estimating 2012 Revenues

During 2012, assuming that the plots sold are 40% larger than those in 2011 leads us to around 70,000 sqm of land expected to be sold. We also know that Solidere is negotiating in both types of land. Since the reclaimed area is currently considered more attractive, consists of larger plots, and fetches a higher price than land in the traditional area, we assume that 80% of land sold during the year is from the reclaimed area resulting in the sale of 56,000 sqm in the reclaimed area versus only 14,000 sqm in the traditional section. This would result in total sales estimated at USD 288.4 million. However, as with 2011, we will assume that Solidere continues to offer financing facilities to its clients leading to around instant recognition of USD 264.7 million, or 91.8% of 2012 sales.

Land sold in 2012	Type of Land	Price per sqm	2012 Sales	Recognition during 2012	Recognized Revenues
56,000 sqm	Reclaimed	USD 4,400	USD 246.4	91.8%	USD 226.2
14,000 sqm	Traditional	USD 3,000	USD 42.0	91.8%	USD 38.5

As for Solidere's backlog, we do not expect any revenue recognition to occur from backlog during the year as the conditions needed for recognition are not expected to be satisfied by year-end.

Taking all the above into consideration results in USD 264.7 million of estimated revenues for 2012. This results in a 9.4% increase in sales revenues, which is reasonable considering the current political climate in the region.

Rental portfolio to hold steady in 2012 after considerable growth in 2010 and 2011

We estimate Solidere's rental revenue in 2012 to be around USD 50 million, close to 2011 levels after having increased from USD 27 million in 2009 to USD 50 million in 2011. Most of the increase is attributed to the opening of the south section of the Beirut Souks which yields around USD 25 million annually. Previously we had anticipated the Cineplex to open in mid-2012 thus further boosting rental revenues. However, it appears this may occur near end-2012 and will therefore have minimal impact on rental revenues for the year.

Cineplex to boost 2013 rental revenues

VALUATION

Fair value declines slightly over our 2011 valuation due to sale of land and dividend payments

We estimate the fair value of Solidere's share at USD 18.00 valuing the company's operating assets at market value using a discounted cash flow model (DCF) and the non-operating assets at Book Value. This results in a 7.2% decline over our valuation last year of USD 19.40 representing the sale of land during 2011 along with the cash and stock dividend paid. We note that the discount rate used for this valuation remains at 15% which represents a fair required return for investing in a Lebanese stock under normal circumstances.

Key assumptions used in our valuation are as follows:

- Solidere's entire land bank is depleted over a 10 year period
- Sale prices at both the traditional and reclaimed areas remain at current levels throughout 2013 (USD 3,000 per sqm in the traditional area and USD 4,400 per sqm in the reclaimed land)
- Sale prices following 2013 grow at a constant rate of 3%.
- Rental prices grow at a constant rate of 3% annually with gross margins estimated around 65%.

Target price reflects additional risk premium associated with Syrian conflict

We estimate Solidere's 6-month target price at USD 14.80, which represents a 14.73% premium over the recent closing price of USD 12.90 per share. All the valuation assumptions are the same as those used in determining the stock's fair value with the exception of the discount rate. We increased the discount rate by 5% to capture the additional risk premium required by investors for gaining exposure to a Lebanese stock during the current instability in Syria. While the fair value represents an extremely attractive opportunity, we do not expect the stock to reach the USD 18.00 in the near term until the unrest in Syria calms. We therefore issue an ACCUMULATE recommendation based on the more realistic 6-month target price of USD 14.80.

Valuation Component	Fair Value		6-month Target Price	
	USD million	USD per share	USD million	USD per share
Market Value of Operating Assets in Beirut				
Value from Sales of Traditional Land	478	3.1	393	2.5
Value from Sales of Reclaimed Land	2,361	15.0	1,868	11.9
Value from Rental	284	1.8	204	1.3
Book Value of Solidere International				
Investment in Associates	293	1.9	293	1.9
Book Value of Non Operating Assets				
Cash & Cash Balances	165	1.1	165	1.1
Prepayments & Other Debit Balances	49	0.3	49	0.3
Accounts & Notes Receivables	551	3.5	551	3.5
Fixed Assets	49	0.3	49	0.3
Total Liabilities	(818)	(5.2)	(818)	(5.2)
General & Administrative Value Loss	(248)	(1.6)	(188)	(1.2)
Tax Effect	(339)	(2.2)	(267)	(1.7)
Fair Value	2,826	18.00	2,323	14.80

Source: Blominvest

INCOME STATEMENT HIGHLIGHTS

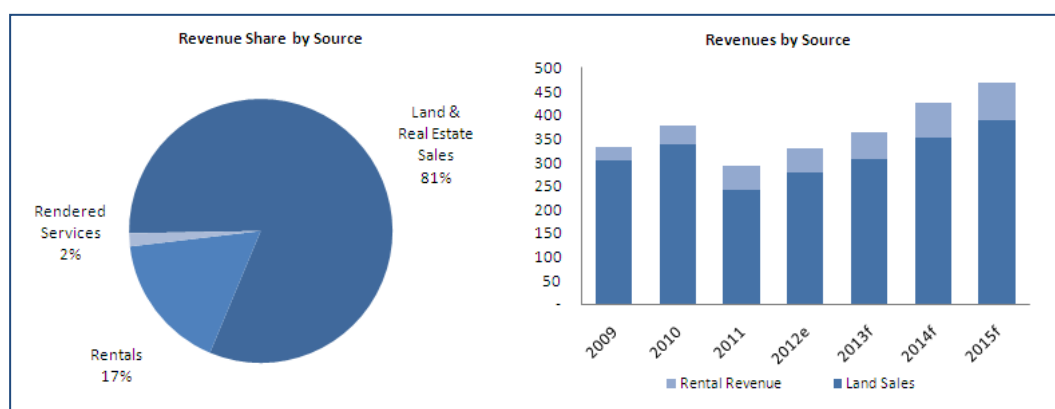
Revenues exceed expectations but well below previous year

Solidere's total revenues in 2011 were reported at USD 296 million, 22.5% lower than 2010 revenues but higher than our estimates of USD 273 million. The central reason for this decline is lower land sales which represents a large portion of total revenues. Land sales declined by 28% to USD 242 million in 2011 from USD 337 million in 2010.

	Solidere's 2011 Reported Financials (in USDm)	Blominvest Estimates in June 2011 (in USDm)
Revenues from Land Sales	242	219
Rental Revenues	50	51
Rendered Services	5	4
Total Revenues	296	273

Source: Solidere Financials, Blominvest Estimates

As for Solidere's rental portfolio, it captured 17% of total revenues in 2011 growing considerably from USD 41 million in 2010 to USD 50 million in 2011. This meets our estimates of USD 51 million and is due to the South Souks operating near its full potential for an entire year.



Source: Blominvest

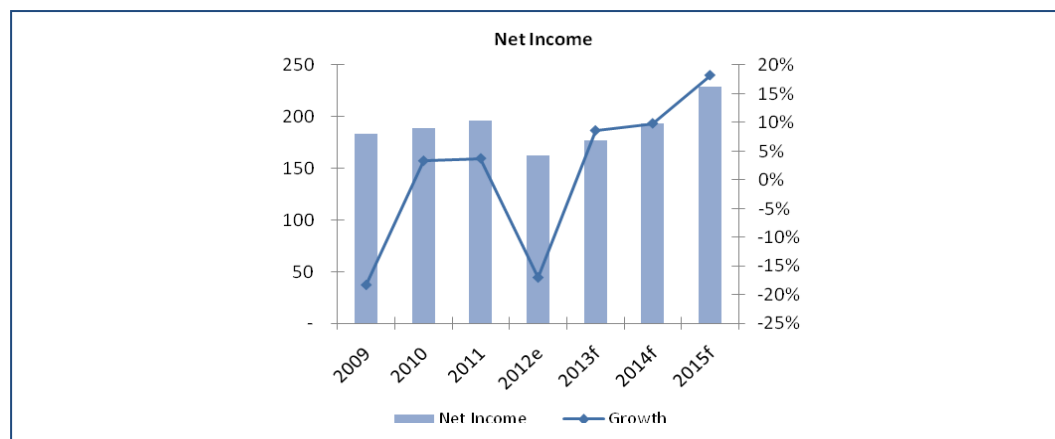
Costs associated with land sales are split in half while rental costs near estimates

While land sales dropped by 28%, Solidere's cost of land sold fell by 50% to USD 39 million in 2011, compared to USD 79 million during the previous year. We had anticipated a considerable drop since lower sales were expected during the year. However, the sharp drop is attributable to sales being committed only in the reclaimed area, which fetches a higher price than the traditional area. In addition, only a small portion of revenues (USD 38 million) was recognized from backlog in which sales occurred at 2006 prices. This improves Solidere's gross margin as its costs are constant across the different areas, estimated at USD 587 per sqm.

As for costs associated with rental properties, Solidere reported USD 22 million in 2011, which is almost 18% lower than USD 27 million in 2010 even though it reported higher rental revenues. This was expected as the company endured especially high costs during 2010 associated with the launching of its flagship project, the Beirut Souks.

Net income declines but profit margin improves

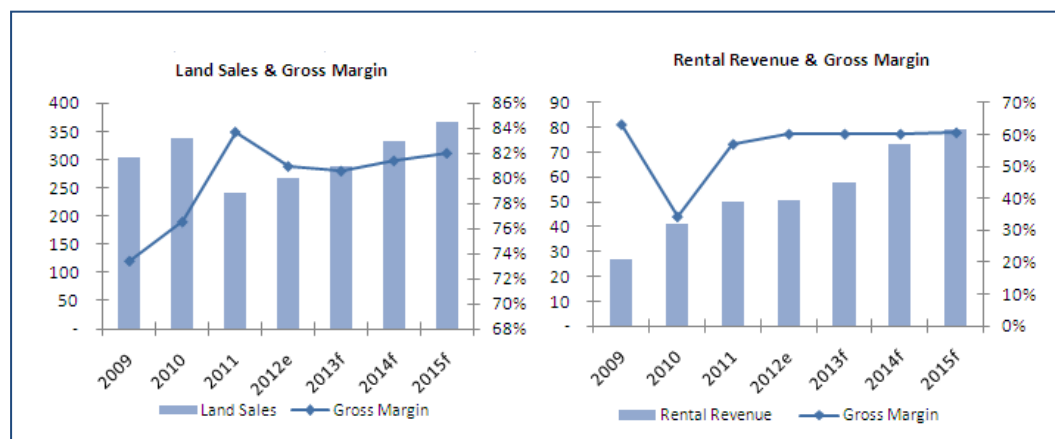
Solidere's 2011 Net Income reached USD 163 million, declining by 17% from USD 196 million in 2010 due to less land sales. However, its profit margin for 2011 is 55%, considerably higher than 2010's 51% due to exceptionally low land costs in 2011. As previously disclosed, the entire land sales were committed in the reclaimed area therefore fetching higher overall profit margins than previous years.



Source: Blominvest

Gross margin for land sales reaches an all-time high while rentals margin leaves more to desire

Gross margin for land sales in 2011 reached an all-time high of 84%, significantly higher than the preceding year reported at 77%. As for the rental gross margin, it has improved to 57% in 2011 from 34% during 2010. While this may seem as a significant improvement, 2010 was a special year with exceptionally high costs associated with the launching of the Beirut Souks. The rental gross margin was never below 64% prior to 2010 so there still remains an opportunity to improve this profitability measure.



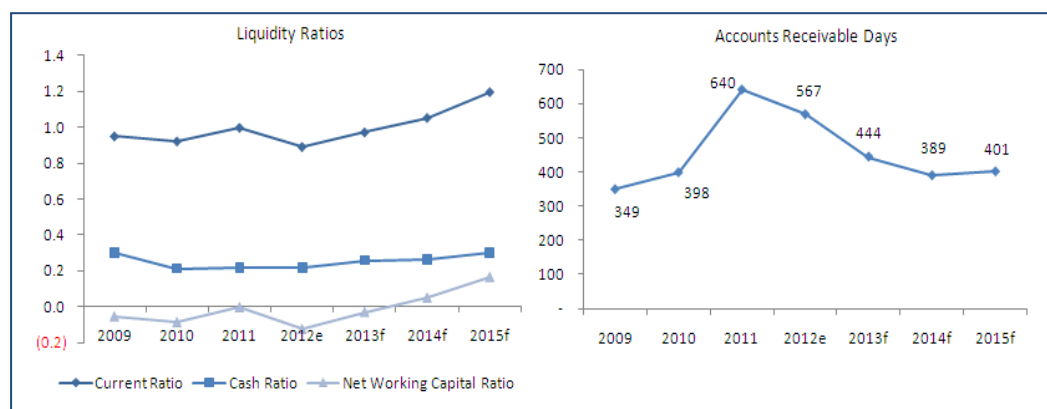
Source: Blominvest

BALANCE SHEET HIGHLIGHTS

Accounts Receivables in 2011 bulges to almost double revenues

No noticeable change in Solidere's cash balance occurred in 2011 as the company still carries around USD 165 million in cash, almost 6.1% of total assets. However, its accounts receivable have increased to USD 551 million, almost twice the company's revenues during 2011. Its Accounts Receivable Days, an indication of how many days Solidere needs to collect its receivables, has increased from 398 days in 2010 to 640 days in 2011.

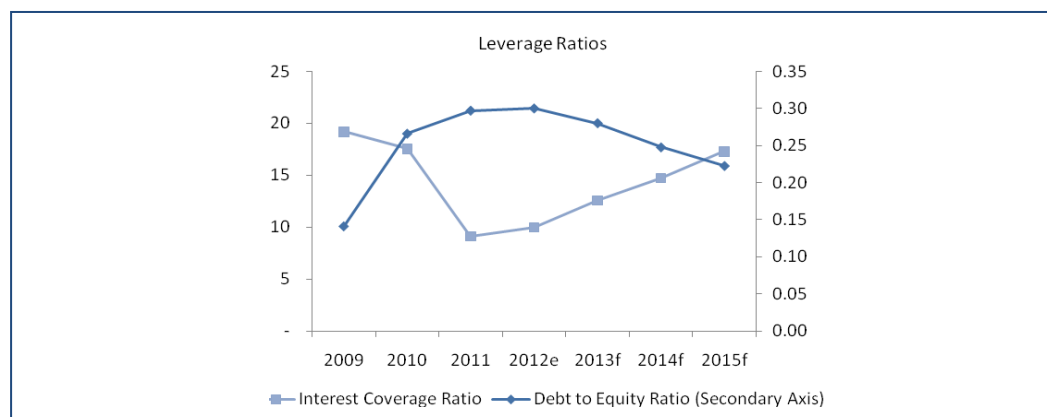
While most of Solidere's business is with a handful of established customers that have excellent credit history, this significant growth in Accounts Receivables adds an additional layer of risk in regards to the certainty of collectibles. As Solidere avoids negotiating on pricing terms to maximize shareholder value with its land, it may be offering more relaxed payment terms with its established customers in order to close deals at its set pricing point.



Source: Blominvest

Debt-to-Equity acceptable while interest coverage plunges on higher financing expenses

As for leverage, we find that Solidere's short-term debt remains elevated increasing from USD 470 in 2010 to USD 505 in 2011 with an additional bank loan issued for USD 50 million. This is understandable as the company uses additional credit facilities to fund the building of its rental properties and the finishing of its infrastructure needs. The North Souks, which consists of a Cineplex and a Department Store, is under construction with the Cineplex expected to be complete near year-end. Solidere's Debt-to-Equity remains at 0.30, which is an acceptable ratio considering the projects it is undertaking and compared to the regional peer average of 0.33.



Source: Blominvest

COMPARABLE ANALYSIS

When studying a company, we find it necessary to see how it compares to its peers from three standpoints:

1. Relative Valuation: Shows how the market perceives the company (overvalued, undervalued, or fairly valued)
2. Profitability Analysis: Shows how well the company is managing its expenses through different margin analysis (Gross Margin, Operating Margin, Net Income)
3. Management Effectiveness: Shows how efficient management is at utilizing its assets and equity to generate earnings.

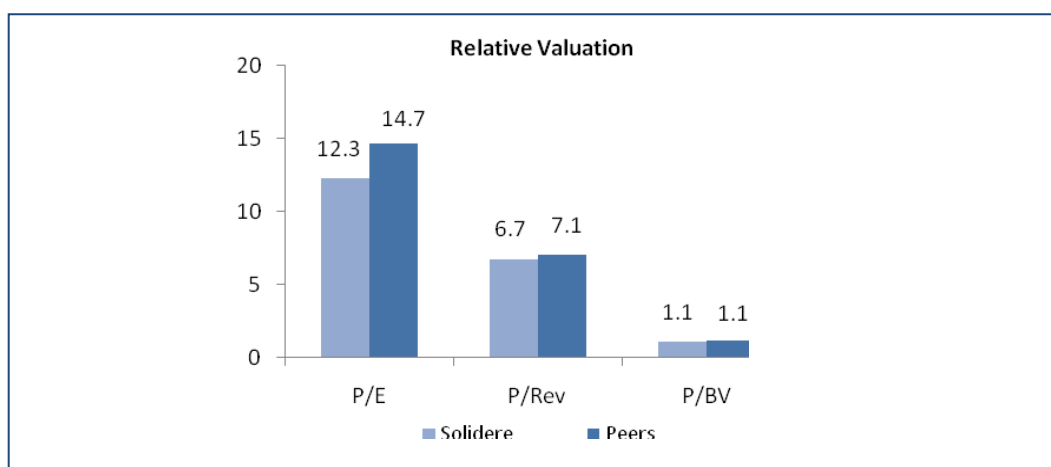
Comparable Firms

The list we compiled consists of 15 Real Estate companies that operate in the Middle East. The largest has a market cap of USD 4.7 billion while the smallest has USD 517 million and the average is USD 1.6 billion. On the other hand, Solidere's market cap is approximately USD 2.2 billion.

The complete list of comparables is available in the appendix.

Relative Valuation

When comparing Solidere's valuation ratios, we find that it is slightly undervalued when compared to peers. Its stock price is currently trading at a Price-to-Earnings (P/E) of 12.3 compared to 14.7 for the average, an understandable discount considering the current instability in neighboring Syria. It is worth noting that 14 out of the 15 companies we used in our comparable analysis operate in the Gulf, which benefits from more stability therefore further clarifying the discount Solidere currently trades at.



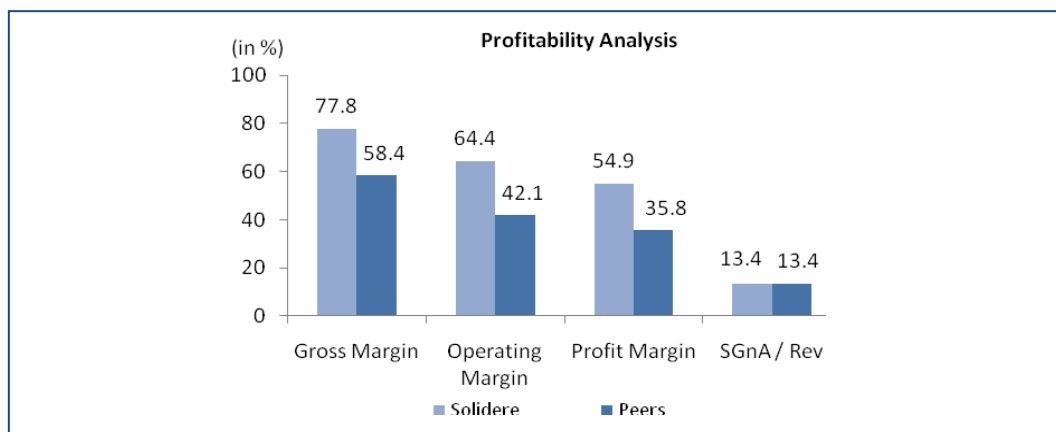
Source: Reuters, Blominvest

While the Price-to-Revenue (P/Rev) at 6.7 is also lower for Solidere, we believe it should command a premium on this valuation metric when compared to peers that average 7.1. The company has significantly higher profit margins than the average which should induce investors to be willing to pay more for every dollar of revenues generated by Solidere as they can retain more earnings. The company's profit margin at 54.9% considerably outperforms the average 35.8% due to the ultra-high gross margins at Solidere.

As for the Price-to-Book Value (P/BV), the stock seems fairly valued at 1.1 when compared to peers. However, again we believe it should trade at a premium due to Solidere booking its entire land bank in 1994 at extremely low prices. Additionally, the company owns what may be the most attractive land bank in the region which is Beirut's Central District and Waterfront in its entirety further requiring a pricing premium.

Profitability Analysis

We compared the Gross Margin, Operating Margin, and Profit Margin as a percentage of revenues to better understand how Solidere is managing its expenses in comparison to its peers. All three ratios show that Solidere has considerably higher margins. We attribute this to the fact that Solidere booked a very attractive land bank very early on (in 1994) which allows it to enjoy higher profitability as land prices appreciate while its land costs remain constant. The company is on par with the average when looking at its selling, general, and administrative (SG&A) expenses as a percentage of revenues, estimated at 13.4%.



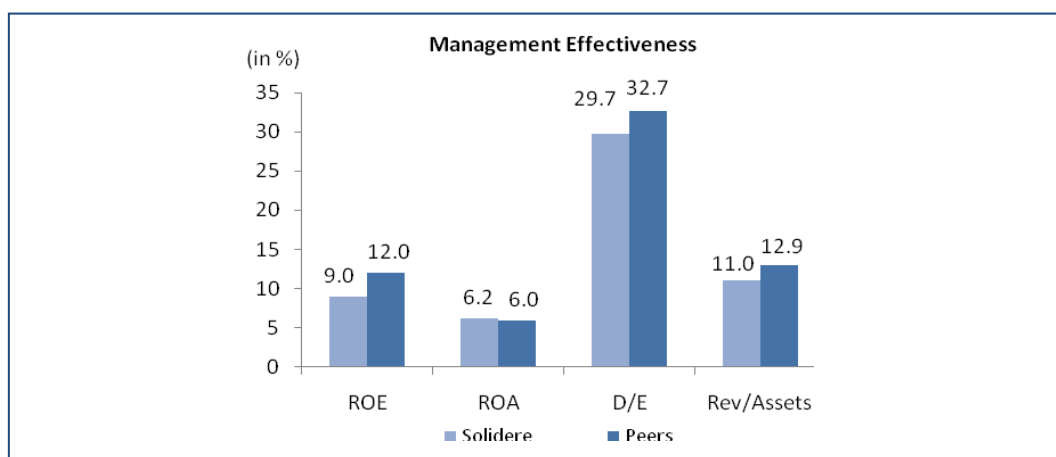
Source: Reuters, Blominvest

Management Effectiveness

During 2011, Solidere's revenues dropped by 22% due to the unstable political environment on both the local and regional fronts. This had led its Revenue/Assets ratio to decline to 11.0%, thus underperforming its peers with an average ratio of 12.9%. However, due to higher profitability ratios, Solidere's Return-On-Assets (ROA) at 6.2% slightly outperformed the peer average estimated at 6.0%.

On the other hand, its Return-On-Equity (ROE), which is the most critical of the effectiveness ratios, is considerably lower at 9.0% against 12.0% for the average. We attribute this to the capital structure at Solidere where it has less overall liabilities than peers.

Regarding the company's leverage, we find that it is slightly less leveraged compared to peers even as it takes on new debt to boost its cash flows and invest in its own real estate projects. Debt-to-Equity (D/E) at Solidere stands at 29.7% compared to 32.7% for the average.



Source: Reuters, Blominvest

PROJECTED INCOME STATEMENT

<i>In USD million</i>	2010	2011	2012e	2013f	2014f	2015f
Revenues from Land & Real Estate Sales	337	242	265	294	318	343
Revenues from Rented Properties	41	50	51	58	73	79
Revenues from Rendered Services	4	5	5	6	6	6
Cost of Land & Real Estate Sales	(79)	(39)	(44)	(49)	(55)	(60)
Charges on Rented Properties	(27)	(22)	(20)	(23)	(29)	(31)
Cost of Rendered Services	(4)	(6)	(8)	(8)	(8)	(8)
Net Revenues from Operations	272	231	248	277	305	329
Share Result from an Associate	3	-	-	-	-	-
General & Admin. Expenses	(43)	(35)	(37)	(40)	(44)	(47)
Depreciation of Fixed Assets	(4)	(5)	(5)	(5)	(5)	(5)
Other Income (Expense)	(7)	(4)	-	-	-	-
Interest Income	21	24	24	23	24	24
Interest Expense	(13)	(21)	(20)	(18)	(18)	(16)
Profit Before Tax	231	187	210	236	262	284
Income Tax Expense	(35)	(25)	(31)	(35)	(39)	(42)
Profit for the Year	196	163	178	201	223	242

Source: Solidere Financials, Blominvest Estimates

PROJECTED BALANCE SHEET

<i>In USD million</i>	2010	2011	2012e	2013f	2014f	2015f
Assets						
Cash & Cash Balances	162	165	161	169	168	181
Prepayments & Other Debit	53	49	36	40	46	50
Accounts & Notes Receivables	487	551	449	411	457	493
Inventory of Land & Projects	1,055	1,132	1,015	898	841	727
Investment Properties	443	445	508	570	570	570
Investments in Associates	281	293	293	293	293	293
Fixed Assets	46	49	50	50	50	50
Total Assets	2,527	2,684	2,511	2,431	2,424	2,363
Liabilities						
Bank Overdraft & Short Term	470	505	479	429	379	324
Accounts Payable	138	129	102	108	120	125
Dividends Payable	86	84	90	98	107	118
Deferred Revenue & Credit Balances	68	50	58	68	71	69
Bank Loans		50	50	50	50	50
Total Liabilities	762	818	778	754	727	685
Total Equity	1,765	1,866	1,733	1,677	1,697	1,678
Total Liabilities & Equity	2,527	2,684	2,511	2,431	2,424	2,363

Source: Solidere Financials, Blominvest Estimates

APPENDIX – LIST OF COMPARABLE COMPANIES

Company	Ticker	Country	Mkt Cap USD (m)	Valuation Ratios			Profitability Ratios				Management Effectiveness			
				P/E	P/Rev	P/BV	Gross Margin	Oper. Margin	Profit Margin	SGnA / Rev	ROE	ROA	D/E	Rev / Assets
Emaar Properties PJSC	EMAAR	UAE	4,694	8.91	2.12	0.55	52.21	27.05	23.64	14.33	5.75	3.13	29.86	13
Barwa Real Estate Company QSC	BRES	Qatar	2,849	10.51	2.34	0.86	64.82	26.82	18.84	17.91	10.67	1.83	235.3	6
Dar Al Arkan Real Estate Dev.	4300	Saudi Arabia	2,837	9.61	3.21	0.69	41.33	37.75	32.84	2.74	7.36	4.59	48.81	14
Emaar The Economic City	4220	Saudi Arabia	2,119	56.22	19.49	1.08	76.43	30.62	20.26	40.99	1.13	0.73	68.58	4
Mabanee Co SAK Closed	MABANEE	Kuwait	2,115	28.04	15.74	4.02	81.06	65.7	55.17	5.25	15.18	7.37	78.23	13
Makkah Construction & Dev.	4100	Saudi Arabia	1,705	19.83	16.42	1.71	88.01	84.17	82.82	3.43	8.97	7.9	0	10
United Development Company P.S.C.	UDCD	Qatar	1,647	1.08	3.14	0.49	41.1	28.87	14.23	11.81	54.97	25.2	75.33	13
Talaat Mostafa Group Holding Co SAE	TMGH	Egypt	1,330	13.9	1.57	0.32	23.27	14.03	10.41	6.38	2.34	0.98	19.02	9
Aldar Properties PJSC	ALDAR	UAE	1,224	4.79	0.67	0.63	24.4	16.78	9.53	43.07	11.33	1.47	257.3	15
Taiba Holding Co.	4090	Saudi Arabia	826	6.65	7.87	1.02	72.68	55.46	64.14	10.58	8.01	6.92	0.04	11
Saudi Real Estate Company	4020	Saudi Arabia	822	19.55	11.65	0.97	67.94	60.6	56.57	7.14	4.7	4.35	0	8
Sorouh Real Estate PJSC	SOROUH	UAE	729	7.56	0.71	0.42	18.31	8.27	7.4	5.33	5.38	2.91	42.15	27
Arriyadh Development Co	4150	Saudi Arabia	587	11.31	11.2	1.47	72.06	65.78	61.1	6.11	8.78	7.86	0	12
The Commercial Real Estate Co.	ALTIJARIA	Kuwait	550	15.58	6.58	0.58	86.7	68.1	44.93	18	4.26	2.63	43.5	6
National Leasing Holding Company	NLCS	Qatar	517	6.62	3.04	1.95	65.70	41.3	34.84	8.12	30.54	11.56	19.53	33
Average			1,637	14.68	7.05	1.12	58.40	42.09	35.78	13.41	11.96	5.96	32.70	12.93
Solidere	SOLA	Lebanon	2,193	12.34	6.73	1.09	77.82	64.40	54.90	13.42	8.96	6.24	29.73	11

Source: Reuters, Blominvest

*Note that numbers in red indicate outliers that were excluded from the average

BLOMINVEST BANK s.a.l.

Research Department
Bab Idriss, Beirut Central District
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Tel: +961 1 991 784/7

Fax: +961 1 991 732

research@blominvestbank.com

For your Queries:

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 991 784/7 Ext: 360

Issa Frangieh, Head of Equities
issa.frangieh@blominvestbank.com
+961 1 991 784/7 Ext: 361

Equity Rating Key

Recommendations are based on the upside (downside) between our 12-month Fair Value estimate and the current Market Price.

Buy: Fair Value higher than Market Price by at least 20%

Accumulate: Fair Value higher than Market Price by 10% to 20%

Hold: Fair Value ranges between -5% to +10% in relation to Market Price

Reduce: Fair Value lower than Market Price by 5% to 15%

Sell: Fair Value lower than Market Price by at least 15%

Risks are based on share price volatility along with qualitative factors such as the nature of the business, the country risk and sensitivity to a single event, single product or single buyer. We've arranged the risk factor into 5 trenches:

- High Risk
- Medium-to-High Risk
- Medium Risk (similar to Market Risk)
- Medium-to-Low Risk
- Low Risk

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