

**Solidere's Analyst Day Event:**

November 10, 2014

Management declares the sale of 36,000 sqm in the Waterfront area**Contact Information**

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Estimated profits for 2014 to bypass \$90 million and fair value increased to USD 13.58

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Share Price:	USD 11.36
Target Price:	USD 13.58
Bloomberg / Reuters Symbol:	SOLDA.LB/ SOLA.BY

Estimated revenues for Solidere rise to \$221 million on the back of declared land sales

During the analyst's day held by Solidere on October 30, 2014, the management disclosed the company's success in closing a deal over 3 plots in the waterfront area to local investors. The sale of 36,000 sqm beat our estimates for the year, which was around 20,000 sqm. This means the company secured revenues from sales of at least \$158 million in addition to revenues from rentals and other sources of income, which will lead to total revenues of \$221 million. We accordingly raise our estimates of Solidere's profits in 2014 to around \$90 million, with a higher fair value of \$13.58 for the company's share.

Due to the economic slowdown in the country, the sale price per sqm of BUA became more flexible and ranged between \$4200 and \$4600 in the waterfront area. The financial terms also slightly relaxed, with a down payment of 25% and a financing duration up to 5 or 6 years with a grace period, at the same previous interest rate of Libor+2% and a floor of 5%.

Solidere's General Manager Mr. Mounir Douaidy and the investor relations' team discussed the company's efforts in targeting new investors, and adapting the company's land sales to smaller parcels in order to cater to current demand and new profiles of investors interested in Solidere's lands

Solidere's officials also explained the company's recent efforts in redefining its rental policy. With 250 tenants inside the souks and 100 tenants outside the souks going through slower economic activity and considerable drop of sales, Solidere revaluated the rental prices for near-ending contracts. Solidere revised the rental rates by assigning different prices to shops with more than one floor (mezzanine, warehouse...) as opposed to the previous unified price. They also took into account ground floor tenants' utilization patterns of their rented space and the shops' location. The ending result was a slight decrease of less than 5% in rental revenues but a sustainable occupancy rate.

SOLIDERE

Solidere to continue to focus on cash preservation and earnings retention

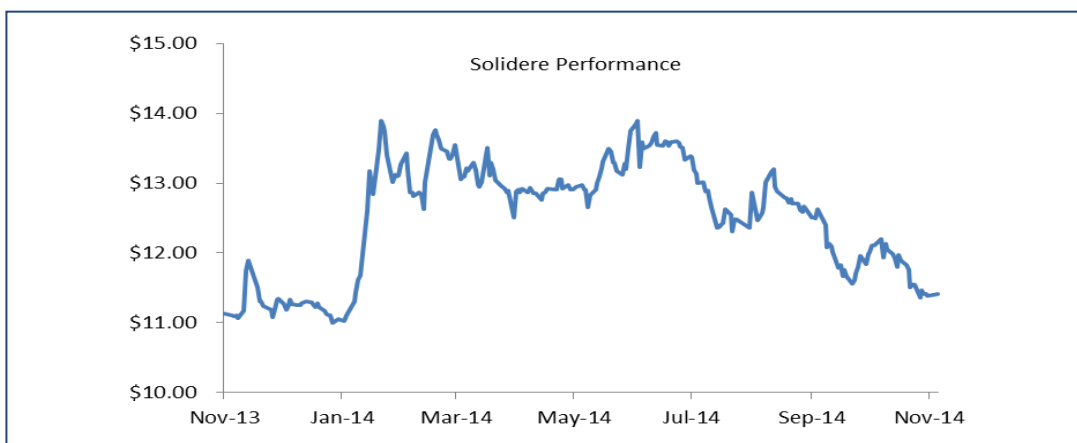
Cash preservation remains Solidere's main priority, meaning earnings will be retained and no dividends will be distributed this year. In parallel to focusing on land sales and increasing revenues from leasing, Solidere's capital expenditures will be limited to 3 major areas: the network of utilities in the waterfront area, expected to be done in 2016, the eastern Marina and the park. The Marina design works are already done and development may start in 2015 and the park will follow towards 2017 or 2018.

All other projects remain on hold except for the ones underway such as the department store next to the cinemas. The hospitality business of Solidere is winding up and replacement operators are gradually taking over.

Solidere International back on track

Solidere international generated net profits of around \$40 million, (according to the management as we have no hold of its financials) with many of its projects well underway in the Gulf region. Solidere international is expected to contribute to the group's results in the coming years, noting that it has basically ended all involvement in Egypt.

In a quick reminder, Solidere had posted last month its unaudited results for the first half of 2014 with losses of \$1.7 million when no land sales were yet recorded. The group had declared profits of \$628k thanks to its profits share from Solidere international.



Source: Beirut Stock Exchange

PROJECTED INCOME STATEMENT

<i>In USD million</i>	2011	2012	2013	2014e	2015f	2016f
Revenues from Land & Real Estate Sales	242	50	95	158	160	161
Revenues from Rented Properties	50	54	52	56	58	71
Revenues from Rendered Services	5	7	8	7	8	8
Cost of Land & Real Estate Sales	(39)	(7)	(19)	(24)	(34)	(32)
Charges on Rented Properties	(22)	(25)	(21)	(25)	(26)	(31)
Cost of Rendered Services	(6)	(8)	(7)	(7)	(7)	(7)
Gain/(Loss) on Sale of Invest. Properties	1	4	4	3	-	-
Net Revenues from Operations	231	75	112	168	159	170
General & Admin. Expenses	(35)	(34)	(28)	(32)	(29)	(30)
Depreciation of Fixed Assets	(5)	(5)	(4)	(5)	(6)	(6)
Other Income (Expense)	(7)	(3)	(22)	(15)	(3)	(4)
Interest Income	24	29	19	20	26	20
Interest Expense	(21)	(26)	(31)	(32)	(35)	(32)
Profit Before Tax	187	18	46	106	111	118
Income Tax Expense	(25)	(2)	(6)	(14)	(14)	(15)
Profit for the Year	162	16	40	92	97	103

Source: Solidere Financials, Blominvest Estimates

Balance Sheet Summary

<i>In USD million</i>	2011	2012	2013	H1 2014
Cash & Cash Balances	165	149	165	148
Accounts & Notes Receivables	551	546	435	438
Inventory of Land & Real Estate	1,132	1,208	1,143	1,153
Investment Properties	445	437	565	563
Other Assets	392	405	476	468
Total Assets	2,685	2,745	2,784	2,770
Total Liabilities	819	908	905	893
Book Value Per Share (USD)	11.96	11.48	11.74	11.73
Price-to-Book Value	1.07	1.11	1.09	1.02

Source: Solidere Financials

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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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