

## UAE WEDNESDAY MORNING ROUND-UP

RERA Rental Index made available

Arabtec: Winds of Change?

Emaar sets up USD4 billion borrowing plan

Sama Dubai cancels Bahrain project

Shuaa looking for acquisition opportunities

## AGENDA

Tue 21 Jan >> Emaar FY Results

Mon 26 Jan >> Union Properties FY Results

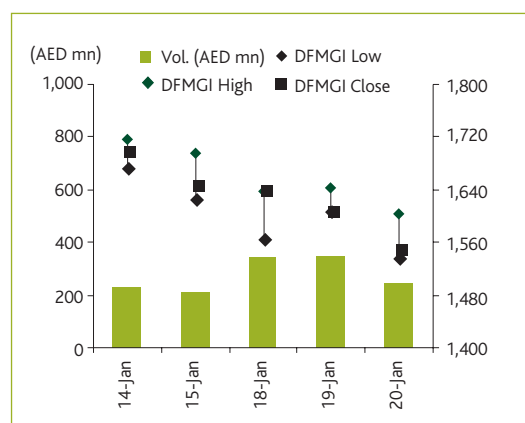
Wed 28 Jan >> Aldar BOD Meeting, FY Results

Thu 29 Jan >> Sorouh, Arabtec FY Results

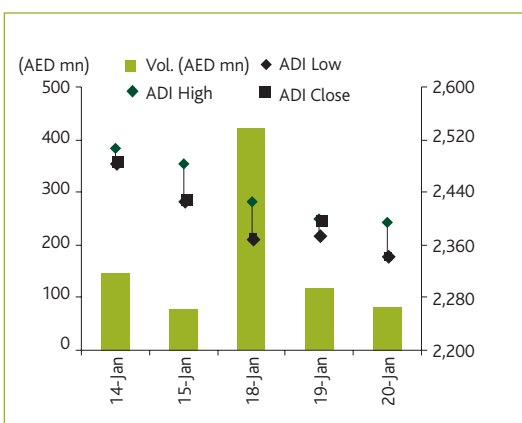
Tue 2 Feb >> NBAD FY Results

## DAILY NOTE

Dubai Index (DFMGI)



Abu Dhabi Index (ADI)



## DUBAI MARKET COMMENTARY

### DUBAI: DFMGI LOSES 3.7%

Hitting its lowest levels since the start of the year, the Dubai Financial Market retreated today as the EFG-Dubai Index weakened 6.5% to 380.1 points and the DFM General Index (DFMGI) 3.7% to 1,546.6. The value of traded shares eased 30.0% to AED244.6 million and volume decreased 16.0% to 213.6 million shares. Some 23 stocks traded, of which two rose, 20 declined and one was unchanged. Local, GCC and Arab investors were net buyers, while foreign investors were net sellers.

Dubai Financial Market (DFM.DU) was the most liquid stock, trading shares worth AED87.0 million. It lost 9.9% to AED1.00. Emaar (EMAR.DU) traded shares worth AED61.9 million and declined 6.8% to AED2.05. Arabtec (ARTC.DU), which traded shares worth AED44.4 million, weakened 10.0% to AED1.26. Of stocks that traded over AED1.0 million, only Shuaa (SHUA.DU) managed to advance. The stock rose 9.5% to AED1.15. Islamic Arab Insurance (IAIC.DU) slipped 8.5% to AED0.65, Aramex (ARMX.DU) 7.7% to AED0.84 and Dubai Islamic Bank (DISB.DU) 7.3% to AED1.66.

## ABU DHABI MARKET COMMENTARY

### ABU DHABI: MARKET WEAKENS 2.9%

The Abu Dhabi Securities Exchange reversed yesterday's positive performance as the EFG-Hermes Abu Dhabi Index declined by 4.1% to 3,689.9 points and the Abu Dhabi Index (ADI) by 2.9% to 2,278.4. Total value traded fell 31.0% to AED82.6 million and volume 20.0% to 40.6 million shares. Some 32 stocks traded, of which just four advanced, 25 declined and three were flat. Local investors were net buyers, while Arab and foreign investors were net sellers.

Aldar Properties (ALDR.AD) was the most liquid stock, turning over shares worth AED31.3 million. The stock weakened 5.8% to AED2.91. First Gulf Bank (FGB.AD) traded shares worth AED10.3 million and the stock declined 7.0% to AED7.39. Union National Bank (UNB.AD) traded shares worth AED6.1 million and decreased 6.7% to AED1.80. Of stocks trading over AED1.0 million, Sudatel (SDTL.AD) strengthened 0.9% to AED5.59. RAK Cement (RKCC.AD) lost 9.1% to AED0.90 and Oasis Capital (WAHA.AD) 5.1% to AED0.56.

(By Ahmed Hisham)

MARKET STATISTICS

Type	Total Contribution %	Buy %	Sell %	Net %	Net (Value in AED mn)
<b>DFM</b>					
Local	48.6	50.8	46.5	4.3	10.6
GCC	4.5	5.9	3.1	2.8	7.0
Arab	27.3	32.5	22.1	10.4	25.4
Foreign	19.6	10.8	28.4	-17.6	-42.9
<b>ADX</b>					
Local	58.0	59.9	56.1	3.8	3.1
Arab	10.9	10.4	11.4	-0.9	-0.8
Foreign	31.1	29.7	32.6	-2.9	-2.4

Indices								
EFG-Hermes Indices	Close	1 Day %	1 Wk %	1 M %	3 M %	6 M %	1 Yr. %	YTD %
EFG-Hermes Dubai	380.1	-6.5	-15.5	-21.6	-60.5	-77.9	-78.8	-10.8
EFG-Hermes Abu Dhabi	3689.9	-4.1	-9.5	-12.1	-40.9	-60.7	-55.5	-3.7
EFG-Hermes UAE	5975.1	-4.7	-11.1	-14.8	-47.7	-67.4	-65.8	-6.4
Market Indices								
DFM General Index	1546.6	-3.7	-9.5	-14.2	-51.8	-71.6	-72.2	-5.5
Abu Dhabi General Index	2278.4	-2.9	-8.3	-11.6	-36.6	-54.5	-50.7	-4.7

MARKET SUMMARY "DFM"				MARKET SUMMARY "ADX"			
Top Turnover	Close**	%Chg	Vol*	Top Turnover	Close**	%Chg	Vol*
Dubai Financial Market	1.00	-9.9	87.0	Aldar Properties	2.91	-5.8	31.3
Emaar	2.05	-6.8	61.9	First Gulf Bank	7.39	-7.0	10.3
Arabtec	1.26	-10.0	44.4	Union Nat'l Bank	1.80	-6.7	6.1
Air Arabia	0.87	-4.4	12.5	Etisalat	10.55	-2.8	6.0
Dubai Islamic Bank	1.66	-7.3	7.1	Dana Gas	0.57	0.0	4.5
Union Properties	0.62	-4.6	6.3	Sorouh	2.83	-5.0	3.9
Deyaar	0.48	-5.9	4.7	Nat'l Bank of AD	7.70	-4.0	3.3
Gulf Navigation	0.58	-4.9	4.1	Arkan Building Materials	6.17	-1.1	3.1
Dubai Investments	0.96	-5.0	2.9	Taqa	0.94	-5.1	2.0
Ajman Bank	0.80	-4.8	2.4	RAK Properties	0.48	-4.0	1.9
Top Gainers (Value traded > AED1.0m)				Top Gainers (Value traded > AED1.0m)			
Shuaa	1.15	9.5	1.4	Sudatel	5.59	0.9	1.1
Top Losers (Value traded > AED1.0m)				Top Losers (Value traded > AED1.0m)			
Arabtec	1.26	-10.0	44.4	RAK Cement	0.90	-9.1	1.2
Dubai Financial Market	1.00	-9.9	87.0	First Gulf Bank	7.39	-7.0	10.3
Islamic Arab Ins.	0.65	-8.5	2.1	Union Nat'l Bank	1.80	-6.7	6.1
Aramex	0.84	-7.7	1.6	Aldar Properties	2.91	-5.8	31.3
Dubai Islamic Bank	1.66	-7.3	7.1	Oasis Capital Company	0.56	-5.1	1.3

\*in AED million

\*in AED million

\*\* The DFM closing prices are based on last price basis, while ADX closing prices are based on VWAP basis

## NEWS

### ECONOMIC NEWS

#### RERA Rental Index made available

RERA's rental index is now available for public viewing. According to RERA, the rental rates depicted are solely expected to act as a guideline for landlords, with the allowing of an upward adjustment of rents that are more than 25% below the guideline figure in the rental index. Rental rate benchmarks stipulated within the index appear to be priced in line with peak rates observed during 2008 and implies that downward adjustment of rental rates is unlikely. What is strange as well is that rents in some locations are higher than current rental rates being asked, suggesting that while in reality the market may be looking to correct itself in terms of rent inflation, on the back of slower supply and weaker demand dynamics, if all landlords decide to abide by these guidelines, tenants are unlikely to experience lower rents. While, we had always held the view that the rental index was likely to maintain higher rents in newer, more premium locations due to the range of facilities offered, our expectation of some correction in lower-income and older areas of Dubai does not seem to be likely given the range of rental rates outlined in the index. At this stage, it would seem that the only relief available to Dubai residents in 2009, is Decree No 1 of 2009, issued yesterday which dictated that rents for tenants whose contracts were signed in 2008 cannot be raised this year so long as the rent in 2008 is equal to or up to 25% lower than the average market rate, outlined in the index. However, again since this decree is not applicable for new contracts, landlords are likely to be able to charge higher rents on these. (RERA, Arabian Business, Kapadia)

### COMPANY NEWS

#### Arabtec: Winds of Change?

On 6 January 2009, Meydan LLC cancelled its racecourse construction deal with Arabtec and Malaysian firm WCT Engineering Bhd, citing "non-adherence to the agreed time schedule for construction". Arabtec confirmed that as of 9 January 2009, the contract was terminated. While Meydan announced it terminated this contract due to timing delays, we find it difficult to understand why the company would go so far as to cancel the entire contract, especially as this would lead to even further delays on a very time sensitive project. From the contractors' standpoint, construction work was proceeding on a fast-track basis with any timing delays likely being due to design/scope changes. We believe it is also possible that the client wanted to renegotiate the contract terms or could even be experiencing some liquidity constraints. Originally, the contract was for AED4.6 billion, however this had been reduced due to changes in scope and Arabtec's ultimate share was an estimated AED2.03 billion. Up to termination, we estimate that around AED1.13 billion was completed, with the bulk to be recognised in FY2008 numbers. With 10 months left, we estimate AED900 million of the project remained, putting at risk c9% of our estimated 2009e revenue of AED9,878 million.

Management is currently ensuring that all outstanding payments on completed work are received and that the arbitration relating to the case is dealt with swiftly. We feel that Arabtec will be able to eventually mobilise resources to other projects to counter-balance the impact of this cancelled contract. However, at the same time, we cannot ignore the reputational impact implying that other clients could go on to cancel projects as well, suggesting its backlog is in danger of being squeezed. In a doomsday scenario, this cancellation could signify the beginning of a downward spiral with other contracts getting cancelled. Moreover, a weaker real estate market suggesting project scale-backs and prolonged delays also does not bode well. In this case, Arabtec's backlog could more than halve and could result in negative 2008-2011e revenue and earnings CAGRs, with an estimated LTFV of AED2.74 in such a scenario. Moreover, with Dubai based contracts expected to contribute 60-70% of 2009e revenues, further cancellations or delays could very well result in flat or even negative Y-o-Y revenue and earnings figures for 2009e. While the cancellation of this project is unsavoury, we do not believe it is symptomatic of a bleak future. While we recognise the risk of Arabtec of being overly geared into the rapidly weakening Dubai market, we believe its expansionary footprint into Abu Dhabi, Qatar and soon Saudi Arabia, along with more infrastructure work, will enable it to tackle oncoming challenges. For now, we maintain our forecasts and valuation, waiting for greater visibility before adjusting our figures. (Kapadia)

#### **Emaar sets up USD4 billion borrowing plan**

Emaar Properties (EMAR.DU) has set up a USD4 billion borrowing plan that it plans to access once market conditions improve. Amit Jain, Emaar's Chief Financial Officer said yesterday, "The longer term perspective is to have a Euro medium term note (EMTN) programme ready so that once the markets open up we can use it," adding that the total borrowing plan is USD4 billion of which only USD2 billion will be issued. Jain said the funds will be used for future investment in shopping malls and hotels adding however that the company does not need immediate financing. The company plans to issue both Islamic and conventional notes in order to easily access liquidity once it is available. Emaar sent a prospectus for a USD2 billion Euro medium term note programme to the UK Listing Authority and also sent a prospectus for a USD2 billion dollars trust certificate program. It remains to be seen how a sukuk of this size can be put away and what level of interest can be garnered for the offering. (Arabian Business, Kapadia)

#### **Sama Dubai cancels Bahrain project**

Government-owned developer Sama Dubai Tuesday cancelled an AED 3 billion joint venture contract between South Africa's Murray & Roberts and Bahrain's Nass Corp. In a statement on the Bahrain stock exchange, Nass said Sama Dubai had terminated the contract for the Salam resort, a luxury beach-front project close to the Bahrain Formula One track. The real estate developer didn't give a reason for the cancellation in the statement. Officials at the company weren't available to comment when called by Zawya Dow Jones. The contract cancellation is further confirmation that Gulf-based real estate developers are struggling to deal with the global financial crisis and with further weakening of the sales environment, liquidity constraints seem to be plenty. The contract is the second Murray & Roberts has lost in as many months. (Zawya Dow Jones)

#### **Shuaa looking for acquisition opportunities**

Dubai-based investment bank Shuaa Capital (SHUA.DU) said it was looking to make bargain acquisitions as the financial crisis bites in the UAE. Chief Financial Officer Michael Burgess said the company had around USD100 million cash on its balance sheet and that its leverage ratio at the end of 2009 would be below 1. "We're very well positioned to take advantage of what comes up at a good price," Burgess said. "This is a very challenging marketplace for a lot of people. I certainly see signs of distressed assets around but I assure you we are not one of them," he said. "Even in the worst possible scenario we are profitable in 2009," he said. Burgess spoke to reporters after the delay due to a lack of quorum of an emergency shareholders' meeting called to extend the maturity date for AED1.5 billion worth of convertible bonds, which were issued to the government-owned Dubai Banking Group, and convert into 250 million shares (32% of total shares). (Reuters)

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