NAEEM - MENA REAL ESTATE INITIATION

“Renewed Optimism”

December 2013

MENA REAL ESTATE SECTOR

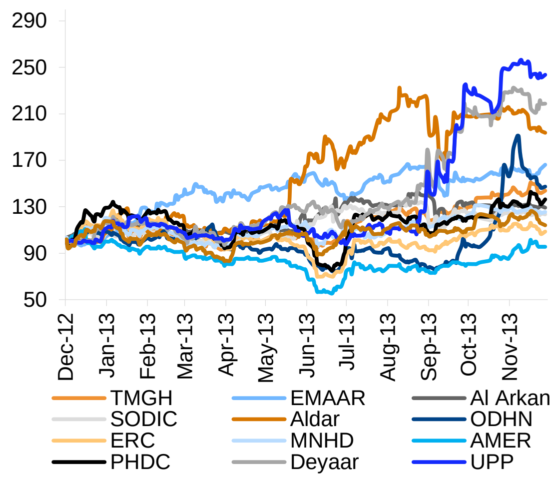
Renewed Optimism

MENA coverage universe

	Recom.	Current price	Target price	Potential (%)
TMGH	Buy	5.85	8.21	+40.3
SODIC	Buy	23.25	30.76	+32.3
MNHD	Buy	23.00	29.93	+30.1
EMAAR	Buy	6.94	8.57	+23.5
ODHN	Buy	13.10	16.16	+23.4
Heliopolis Housing	Buy	24.48	30.06	+22.8
Palm Hills	Accumulate	2.52	3.08	+22.3
Aldar	Accumulate	2.53	2.94	+16.2
Dar Al Arkan	Accumulate	9.35	10.29	+10.1
Amer Group	Accumulate	0.64	0.70	+9.4
Deyaar	Accumulate	0.77	0.83	+7.4
UPP	Accumulate	1.09	1.16	+6.7
ERC	Reduce	1.00	0.83	-17.0
Reacap	NA	3.34	NA	NA

Source: Bloomberg, NAEEM Research
Closing price as of 10 December 2013

MENA real estate companies (Price indexed to 100)



Source: EGX, DFM, NAEEM Research

MENA real estate valuation (2013e)

FY13e	P/E	P/B	P/TB	ROE
TMGH	20.3	0.4	1.1	2.2
SODIC	9.2	0.8	0.8	8.5
MNHD	15.6	4.5	NM	28.9
EMAAR	16.1	1.1	1.1	7.0
ODHN	NM	0.4	8.5	NM
Heliopolis Housing	16.8	5.5	5.5	32.6
Palm Hills	11.4	0.8	0.8	6.6
Aldar	9.4	1.2	1.3	13.2
Dar Al Arkan	11.9	0.6	0.6	4.8
Amer Group	NM	1.0	1.0	1.6
Deyaar	NM	1.1	1.1	NM
UPP	5.9	1.3	1.3	22.4
ERC	NM	1.2	1.2	NM
Reacap	NM	0.8	5.7	NM

Source: Company data , NAEEM Research

We initiate coverage on the MENA real estate sector with top picks as TMGH, SODIC, MNHD, EMAAR, ODHN and HELI. The MENA region depicts opportunities such as favorable demographics, benefit of growing tourism, robust demand for primary housing, an improving mortgage market, and above all, governments' commitment to the real estate sector. Centered round this interesting space, we look at each of the companies in-depth and analyse as to how these are poised to benefit from the growth dynamics.

While developers such as TMGH and SODIC stand to benefit from emerging demand for quality first homes, EMAAR's diversified portfolio reflects clearly an edge above most players in the region. We also take a look at MNHD, and HELI; both having dispute-free land banks and catering to middle-income segments in Egypt where demand clearly outstrips supply by a big margin.

Property prices to remain firm in 2013-15 amidst growing pent-up demand. We expect property price to remain firm at least for the next 2-3 years, due to 1) benefits of a growing young population, urbanisation and, increase in the number marriages 2) government impetus supporting the real estate space (KSA, Abu Dhabi), 3) growing tourism (Dubai, and to an extent, Egypt), as well as 4) expectations of an efficiently implemented mortgage market (Egypt, KSA). Apart from these factors, return of normalcy in Egypt, Syria and Iraq would also have a favorable sentiment impact amongst investors and property buyers.

Bond yields decline; issuance remains firm on high expectations. 2013 has witnessed a strong rally in bond issuances by governments and corporates, taking advantage of lower yields. Apart from attractive financing costs, other fundamental factors driving GCC bond market sales include; a resilient investor appetite, higher capex plans for expansion, and better earnings visibility.

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MENA Real Estate: What is it that drives growth?

Favorable Demographics

Egypt (87m population growing at 2% annually), Saudi Arabia (27m population expected to be 30m by 2017) offer strong demographics backed by population growth, urbanization, a growing youth population and, higher number of marriages. MENA's urban population is expected to grow at a much faster rate than normal population growth, mainly due to increasing urbanisation. According to the UN, MENA urban population is expected to reach 226m by 2020, which would amount to 62% of the total population.

Sovereign Spending Support

We believe that the ongoing fiscal/infrastructure spending spree in MENA, implemented by governments post the Arab spring, as being crucial for business sentiments to continue being positive for MENA real estate.

Tourism Flow

Dubai continues to remain as one of the top tourism hubs in MENA. A recent Master Card retail survey has placed Dubai as No 1 and No 8 among shopping destinations in the region and worldwide, respectively. Also, as normalcy is being restored, we expect a strong inflow of tourists into Egypt. Last, but not the least, Saudi too remains a key destination for religious tourism. Also, events such as World Expo 2020 in Dubai, FIFA World Cup 2022 in Qatar, should further augment growth.

Retail Spending

UAE has been the heaven for retailers, given its large expat population and tourism. Many top retailors have successfully used Dubai as a launchpad to establish presence and then expand further in the region. Saudi Arabia, Qatar, Kuwait, and to an extent, Egypt, are also witnessing growing disposable income levels and better living standards among young consumers (citizens as well as expatriates); presenting strong market prospects for retailers going forward.

Regaining Stability

Following the Arab spring and two years of instability, the sentiment slowly seems to be headed towards normalcy. Barring Syria, stability has been visibly restored in most of MENA.

Affordable Housing

Many developers are eying the affordable housing segment, which has been ignored for quite some time. As high-end market segments get saturated, rising real estate prices and demand continue to lure developers towards this vastly untapped market. According to JLL, there is currently a shortage of 3.5m affordable homes in MENA with Egypt topping the list of countries.

Mortgage Penetration

The long-awaited introduction of the mortgage law is finally seeing positive developments in Saudi Arabia and is expected to take the real estate market in the Kingdom to the next level. The UAE Central Bank recently amended its mortgage law which is likely to have a limited impact on the market, given majority (80%) of the real estate transactions being cash-based. Also, countries such as Egypt which have a growing middle-class and absence of affordable properties, are mulling to expand the highly under-penetrated mortgage market. We expect that an efficiently implemented mortgage market should eventually replace the financing schemes currently provided by property developers.

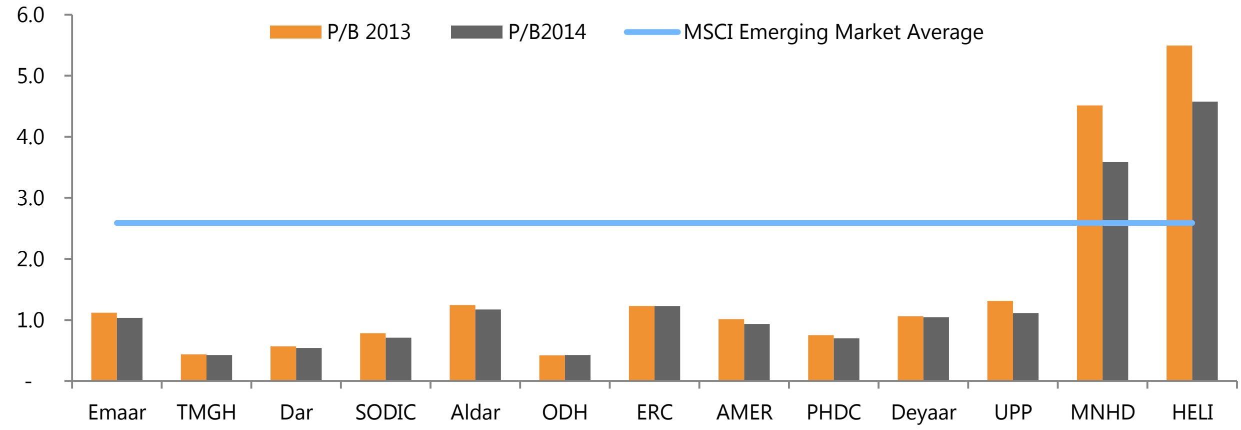
Government Initiatives

Government policies on land allocation and reforms in the banking sector could also provide additional boost to the MENA real estate arena.

MENA Real Estate in a Nutshell

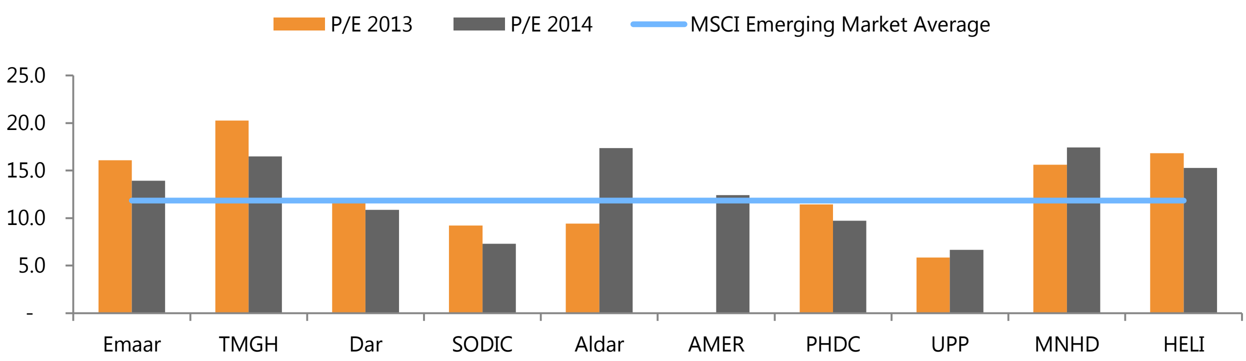
Company	FV	CMP	Upside	Bulls	Bears
TMGH Egypt	8.21	5.85	40.3%	Egypt's largest homebuilder catering to the upper middle class Small but impressive hotel portfolio	Political instability in Egypt Revenues concentrated on Madinaty project
SODIC Egypt	30.76	23.25	32.3%	Successful exection of Eastown could be a key catalyst Improving off-plan sales and collections, lower cancellations Balance sheet remains strong	Holds limited land bank Timely delivery and execution Dispute with Solidere and stalled project in Syria
MNHD Egypt	29.93	23.00	30.1%	Clear land title a big plus Middle income presence yields an attractive position Strong balance sheet with debt-to-equity of 0.08 (FY13e)	Delay in project launch could threaten visibility Dependancy on third party contractors Delay in handover could impact revenues, margins
Emaar UAE	8.57	6.94	23.5%	Retail and hospitality sector in Dubai driving cash flows A key beneficiary of Dubai's real estate recovery International expansion a key to unlock more value	Stock performance is heavily correlated to Dubai Concerns on execution of international projects (Egypt, India) Lower tourist arrivals in Dubai could impact retail, hospitality
ODH Egypt	16.16	13.10	23.4%	Well diversified in hospitality, real estate and construction Holds undisputed land bank of 105.8msqm (72%undeveloped) Impressive hotel portfolio with 29 Hotels	Political instability in Egypt affecting hotel occupancy rates Currency risk (reporting in CHF, revenues in USD, EGP) Execution risks as operations span multiple countries
Heli Housing Egypt	30.06	24.48	22.8%	Clear land title a big plus Recent land sales to improve cash position Higher visibility on land sales, development a catalyst	Lacks execution in real estate development Revenue recognition remains lower on slower land sales Dependency on receivables for working capital, capex
PHDC Egypt	3.08	2.52	22.3%	Attractive valuation Recovery in real estate business visible Financial performance improving with more deliveries	Balance sheet still an issue with bank debt and land liabilities Delayed delivery leading to lower revenues Long term viability still an issue given limited liquidity
Aldar UAE	2.94	2.53	16.2%	Sorouh merger to be accretive operationally Abu Dhabi support to help repay AED14.3bn debt Delivery of 7,000 units by 2014 to help earnings, cash flows	All properties concentrated in Abu Dhabi Operating in oversupplied market Regional instability could impact stock performance
DarAlArkan KSA	10.29	9.35	10.1%	A value player, holds 32m sqm quality land bank in KSA Stands to beefit from the growing real estate market in KSA Holds a small but growing lease portfolio	Delay on land sales could impact performance Decrease in land price is always a risk Revenue concentrated on land sales
Amer Group Egypt	0.70	0.64	9.4%	Holds diversified portfolio of real estate, retail and hotels Strong track record of development and execution Leading second home player in Egypt with a strong brand	Second homes more vulnerable to cyclicality than first homes Concern over Syrian project due to ongoing uncertainty Hotel business still not profitable
Deyaar UAE	0.83	0.77	7.4%	Restructuring done, getting ready for a new phase Expected to benefit from new project launch in Dubai Benefiting from recovery in Dubai real estate	Inability to execute projects on time could impact results A slowdown in Dubai will negatively impact Deyaar Increased competition from other developers
UPP UAE	1.16	1.09	6.7%	Increase in foreign ownership limit a catalyst for the stock New project launch could drive growth Better profitability expected in FY14	High debt exposure could slacken growth Inability to execute projects on time could impact results A slowdown in Dubai will negatively impact Deyaar
ERC Egypt	0.83	1.00	-17.0%	Liquidity still working as backup in absence of business Likely to benefit from recovery in tourism, Egypt Favourable outcome in land case could help resume land sale	Suffers from poor financial performance due to no land sale Revenue from community services not enough to cover cost Delay in land case could act as a headwind for the stock

MENA real estate 2013,2014 P/B (x)



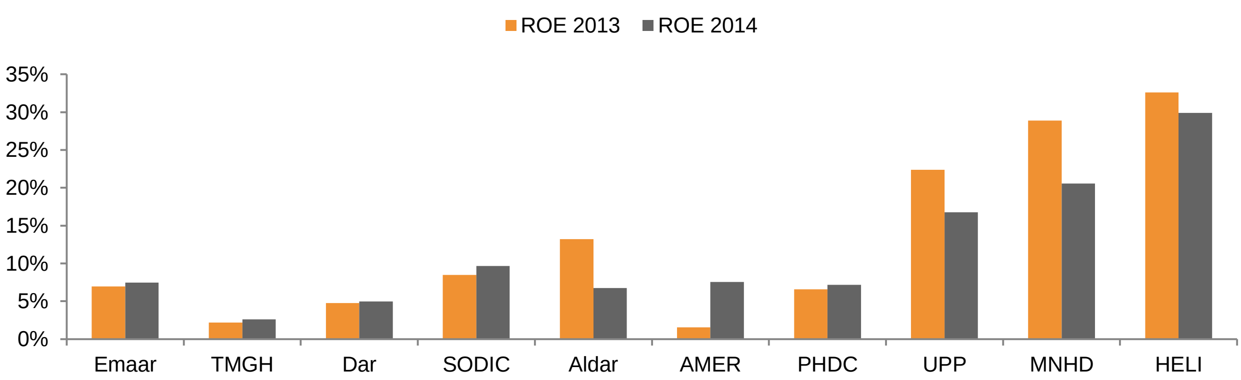
Source: NAEEM Research, note - MNHD, HELI P/B multiple higher than others as they don't report land bank in their balance sheet

MENA real estate 2013,2014 P/E (x)



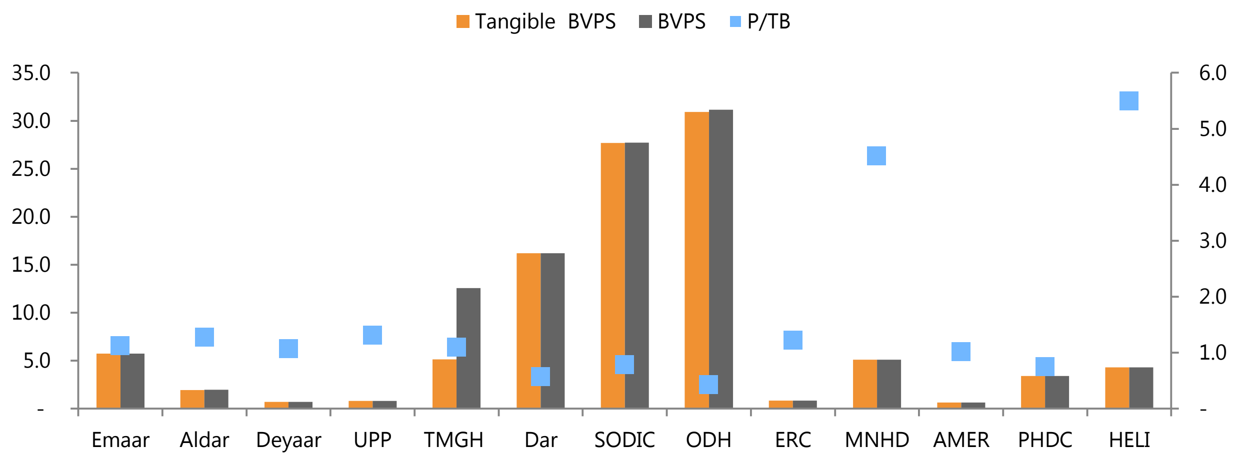
Source: NAEEM Research

MENA real estate 2013,2014 ROE (x)



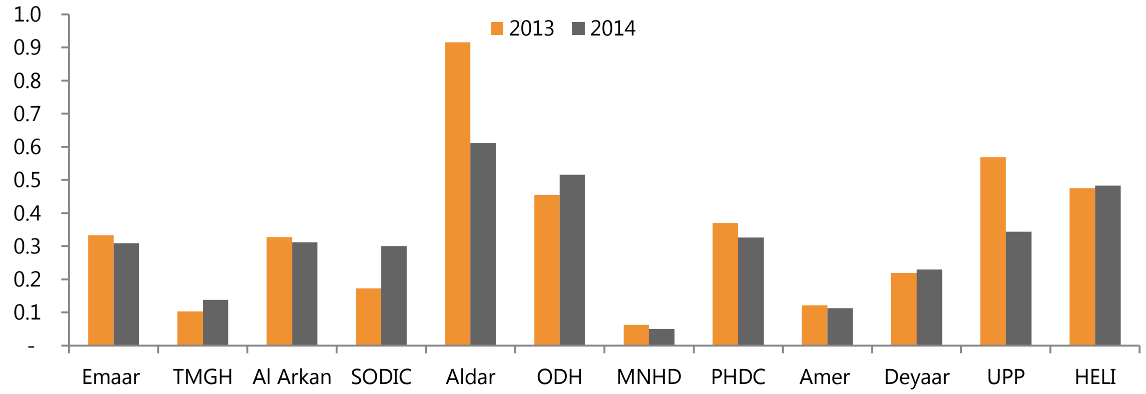
Source: NAEEM Research

MENA real estate: Book Value (BVPS) vs. Tangible Book (TB) Value



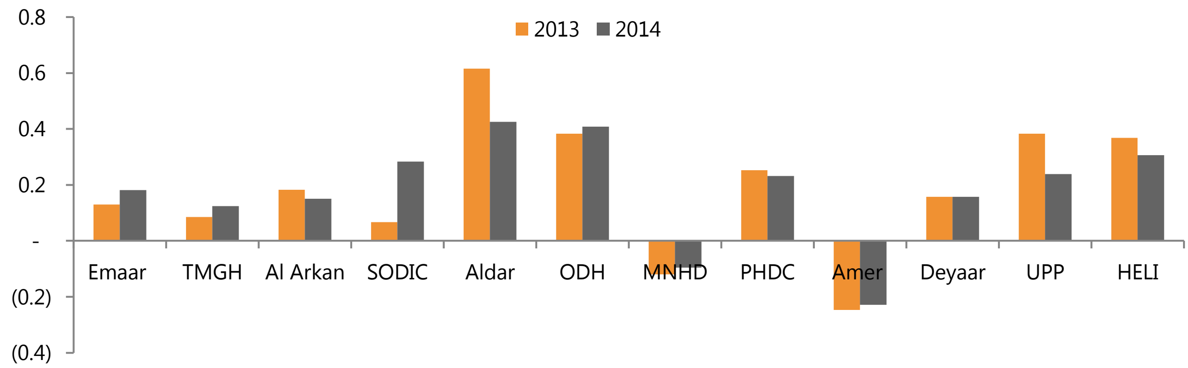
Source: Companies Data, NAEEM Research MNHD, HELI P/B multiple higher than others as they don't report land bank in balance sheet

MENA real estate: Debt-to-Equity



Source: Companies Data, NAEEM Research

MENA real estate: Net debt-to-Equity



Source: Companies Data, NAEEM Research

TALAAT MOUSTAFA GROUP

A bet on domestic real estate demand - BUY

Investment Positives

TMGH is Egypt's largest homebuilder with presence in the upper and middle/upper income housing segment where demand outstrips supply by a big margin. TMGH generates more than 85% of its revenues from the real estate segment, and holds an impressive track record of quality developments and executions in Egypt.

Backlog of cEGP20bn (Sept '13) provides sufficient revenue visibility to build and deliver homes for the next two to three years; a cushion against any slowdown in real estate sales.

Sales continue to grow, inspite of unrest: Despite political instability and unrest in Egypt, TMGH managed to do well in selling homes. It achieved contractual sales of EGP3bn in FY11, EGP4.5bn in FY12 and EGP4.6bn in 9M13. We expect sales numbers to improve further, expecting clarity over the Madinaty land case and an easing political atmosphere in Egypt.

In-kind payment bodes well for cash management: TMGH also benefits from in-kind payment for land price, in other words- payment in the form of built units instead of paying cash for the land. This bodes well for cash management and reduces funding requirements at an earlier stage, resulting in better IRRs. Initial construction and infrastructure costs are generally funded through clients' advance payments and early instalments. We do not expect to see any emergency funding requirements for any of its real estate development projects.

We value TMGH at EGP8.21/share, recommending a Buy.

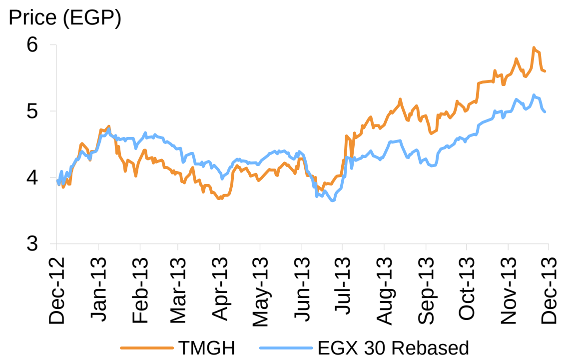
Our sum of the parts (SOTP) valuation yields a fair value of EGP8.21 per share, suggesting a 40% upside. A significant portion of our valuation is generated from TMGH's Madinaty project, which is contested in the court over a land dispute. We value TMGH conservatively, keeping in mind this uncertainty and refrain from speculating any outcome on the case.

About TMGH

Talaat Moustafa Group Holding (TMGH) is Egypt's largest listed real estate developer of primary homes, with a 50msqm land bank, roughly 80% of which is concentrated in greater Cairo. TMGH has a strong track record of nearly 20 years in housing and real estate development. TMGH develops primarily, large-scale integrated cities / gated communities, and builds and manages luxury hotels and resorts in Egypt. It also owns and operates large scale luxury hotels (Four Seasons Sharm El Shaikh, Four Seasons Nile Plaza, Four Seasons San Stefano, Kempinski Nile Hotel) in Egypt.

Recommendation	BUY
Market Price (EGP)	5.85
Fair Value (EGP)	8.21
Upside Potential (%)	+40.3
Reuters Code	TMGH.CA
Bloomberg Code	TMGH EY
Market Cap (EGPm)	11,876
Market Cap (USDm)	1,721
Free Float (%)	43

TMGH vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (EGPm)	5,098	4,636	5,656	6,505	7,057
Net Profit (EGPm)	578	546	561	690	805
EPS (EGP)	0.28	0.27	0.28	0.34	0.40
Net Debt (EGPm)	2,957	2,354	2,208	3,312	3,064
P/B(x)	0.5	0.4	0.4	0.4	0.4
P/E(x)	19.7	20.8	20.3	16.5	14.1
EV/EBIT(x)	20.0	18.0	14.9	13.3	11.5
ROE (%)	2.3	2.2	2.2	2.6	2.9
Total Debt/Equity(x)	0.1	0.1	0.1	0.1	0.1
Net Debt/Equity (x)	0.1	0.1	0.1	0.1	0.1
Int. Cov. (x)	3.9	4.8	5.2	4.6	5.2

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

The real homebuilder

TMGH holds 20 years of a successful track record in real estate developments in Egypt. Majority of its developments are independent urban communities catering to middle and upper-middle income families.

Egypt, with its growing young population, and domestic consumption driven economy, along with having a heavily undersupplied property market, offers vast potential for homebuilders

TMGH adopts a 'sell to construct' business model, in which the company starts constructing 6-8 months following the sale. Construction and infrastructure is primarily funded through customers' advance payments

Madinaty dispute

Madinaty, a mixed-use residential compound, is TMGH's largest project, with an expected population of 600,000 inhabitants. Is one of the largest real estate projects in Egypt, and expected to be a major earnings driver in the coming years.

Madinaty dispute has been a major headwind for the stock, and would continue to be so, given the current political climate in Egypt. We refrain from speculating any possible outcome on the case

However, we believe that given the amount of infrastructure work done on Madinaty, it is highly unlikely that the government demands return of the entire land plot from TMGH.

Key risks

Uncertainty over Madinaty land deal has been the biggest concern, given Madinaty being TMGH's largest project and, highest cash flow generator

Political uncertainty in Egypt: With investor sentiment and confidence centred mainly on changing variables in Egypt's political and macro-economic scene, it is paramount that stability is restored for assets to be fairly priced. Any escalation in the political front could send risk premiums higher and hurting TMGH's valuation

Delay in delivery or collection of receivables could impact TMGH's financial performance and cash position.

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in EGPm unless otherwise indicated					
Revenues	5,098	4,636	5,656	6,505	7,057
Gross Profit	1,187	1,228	1,557	1,823	2,038
GPM (%)	23.3	26.5	27.5	28.0	28.9
EBIT	716	764	913	1,101	*1,254*
EBIT Margin (%)	14.0	16.5	16.1	16.9	*17.8*
Net Income	578	546	561	690	805

Source: Company data, NAEEM Research

Quarterly results snapshot

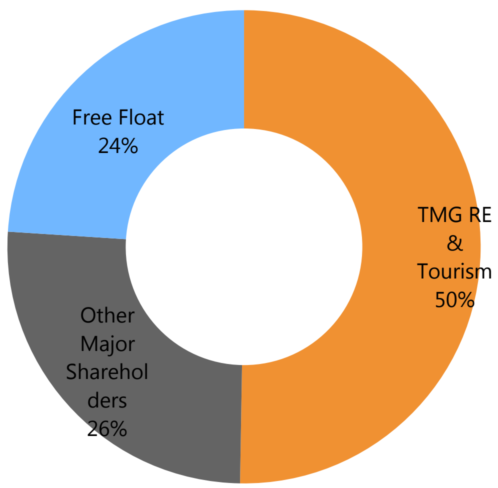
	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in EGPm unless otherwise indicated					
Revenue	819	1,427	1,522	897	837
GPM (%)	*30.6*	*20.5*	*23.4*	*39.0*	*30.4*
EBIT Margin (%)	*17.0*	*13.7*	*14.8*	*26.2*	*16.1*
Net Profit	104	113	139	173	105

Source: Company data, NAEEM Research

TMGH SOTP valuation

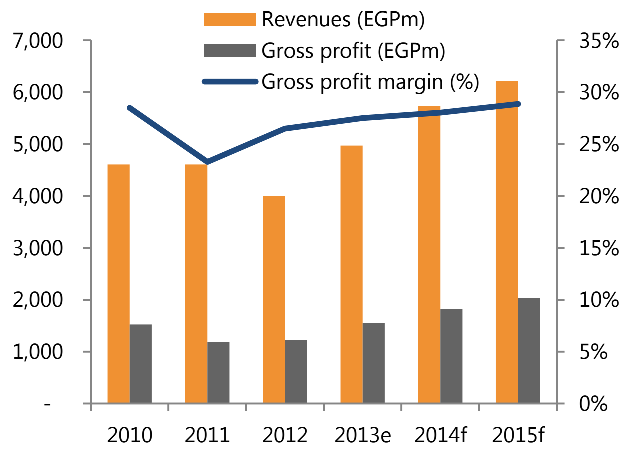
	EGPm	EGP/share
Madinaty	15,797	7.66
Other Real Estate Projects	1,707	0.83
Hotels and Investment Property	1,421	0.69
Other Assets	1,022	0.50
Net Debt, Other Liabilities	(3,006)	(1.46)
NAV/ Fair Value/ TP	**16,491**	**8.21**

TMGH Shareholder structure

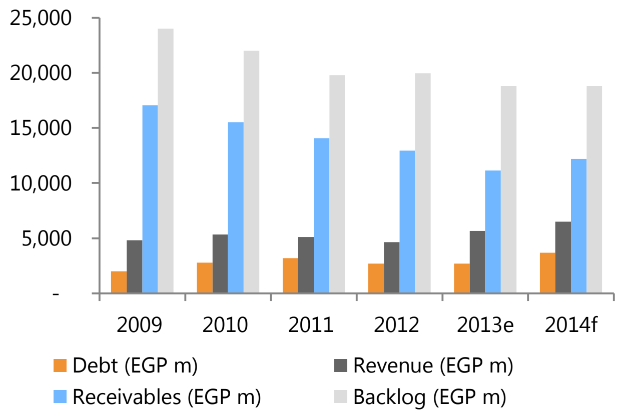


Source: Company Data, NAEEM Research

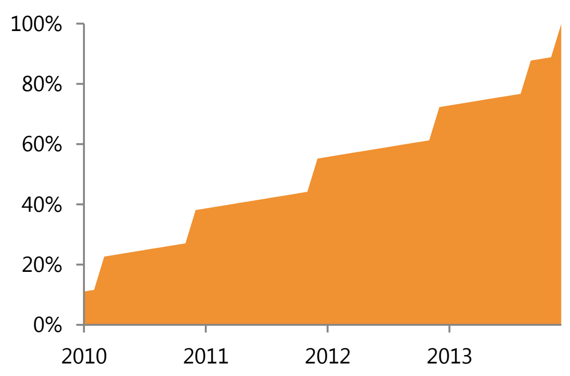
Revenues, Gross Profit and Margins



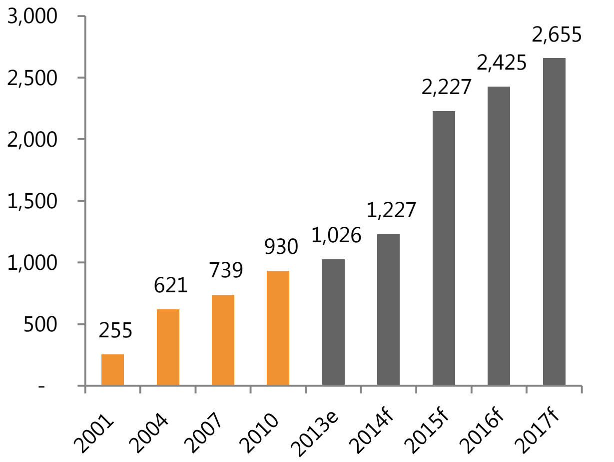
Sales, backlog, receivables and debt pattern



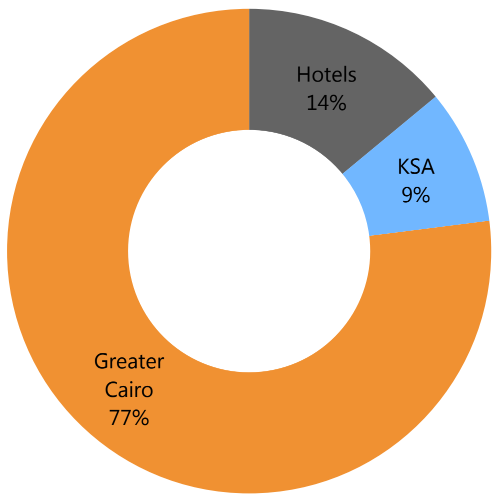
Four year payment scheme chart (sample)



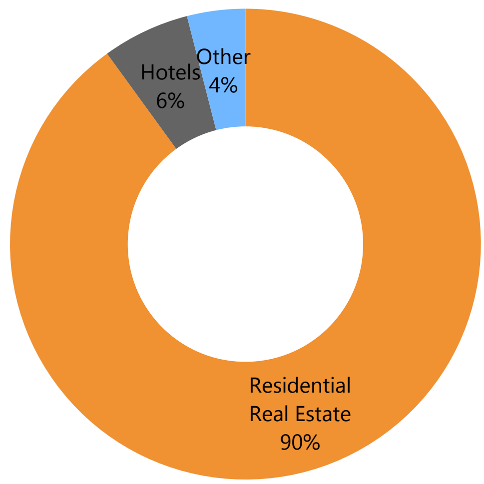
Current and expected No. of hotel rooms



TMGH land bank distribution



2012 Revenue break-down



Source: Company data, NAEEM Research

Source: Company data, NAEEM Research

NAEEM

SODIC

Execution is key - BUY

Investment Positives

Eastown residence a key driver - SODIC has awarded construction contracts worth EGP100m, post having received building permits for the first phase. The recent order by the state council (on 9th November) suspended NUCA's fresh claim to regain Eastown land from SODIC and reaffirmed SODIC's ownership rights. Eastown Residences Project- which constitutes around 70% of Eastown land, was launched in May 2013 and is scheduled to deliver its first phase by 2016. Since the launch of the project in May 2013, SODIC has booked contractual sales worth EGP1.1bn from the project, representing about 50% of contracted sales achieved till 9M13. With SODIC being fairly out of the Eastown dispute, we believe that successful execution of Eastown Residence could turn out to be a key driver for the stock

Sales momentum improving: Despite the ongoing uncertainty in Egypt, SODIC has been successfully launching new residential projects, albeit at a smaller scale. Demand has remained solid as investments into real estate have provided a shield against inflation and the EGP depreciation. After having booked over EGP2bn in new sales in 3Q13, 4Q13 contracted sales have improved on the back of a new launch in Westown Residences (Westown Residences phase IX).

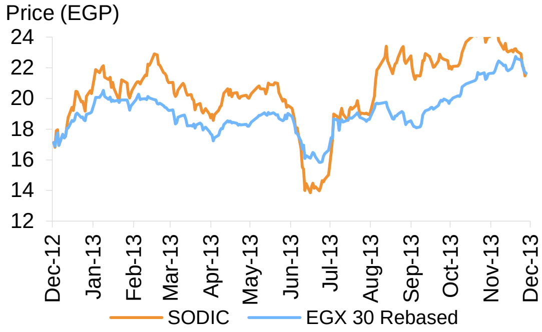
Need to bolster land bank portfolio: SODIC has stated that it needs to replenish its land bank for the longer term. At present, SODIC has sufficient land to plan and execute real estate developments in Egypt for the next two to three years. However, the company is yet to figure out replenishing its land bank for the long term. Management is expected to acquire additional land bank or sign a JV with other developers (by end-2013) to secure more land

Expect a stronger 4Q13: We expect SODIC's performance for 4Q13 to be better both in terms of sales and profitability. Deliveries during 2Q13 and 3Q13 were hampered by political and economic instability weighing on investor sentiments. Given the changed political landscape in Egypt since the 30 June revolt and, with sentiments having turned around since then, SODIC should be well placed to perform better in the months ahead. Moreover, SODIC has commenced delivery in several projects during 4Q13, namely Westown Residences which is a year ahead of schedule, Polygon, Forty West and Casa

We value SODIC at EGP30.76/share and recommend a BUY. Our valuation is derived from expected cash flows from Allegria, Eastown and Westown developments as well as from the unutilised land bank.

Recommendation	BUY
Market Price (EGP)	23.25
Fair Value (EGP)	30.76
Upside Potential (%)	+32.3
Reuters Code	OCDI.CA
Bloomberg Code	OCDI EY
Market Cap (EGPm)	2,116
Market Cap (USDm)	307
Free Float (%)	56

SODIC vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (EGPm)	542	1,426	1,403	1,800	1,879
Net Profit (EGPm)	(189)	262	213	269	282
EPS (EGP)	(2.1)	2.9	2.3	3.0	3.1
Net Debt(EGPm)	(119)	115	169	789	835
P/B(x)	1.0	0.9	0.8	0.7	0.6
P/E(x)	NM	7.5	9.2	7.3	7.0
EV/EBIT(x)	NM	7.2	7.7	7.7	6.4
ROE (%)	NM	12.4	8.5	9.7	9.2
Total Debt/Equity(x)	0.2	0.2	0.2	0.3	0.3
Net Debt/Equity (x)	(0.1)	0.1	0.1	0.3	0.3
Int. Cov. (x)	(4.4)	4.8	6.4	7.1	4.8

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

Declining cancellation rates exhibit clients' confidence, better sentiments. Highlight of 3Q13 results was a sequential decline in cancellation rates – EGP21.5m in 3Q13 vs. EGP41m in 2Q13 and EGP133m in 1Q13. This clearly suggests clients' confidence in SODIC despite dispute over Eastown land which we believe has ended. SODIC managed to achieve new contracted sales worth EGP346m in 3Q13, a decline of 70% QoQ. The decline was expected given 2Q13 sales having benefited from the launch of Eastown project. Since the launch of the project in May 2013, SODIC has booked contractual sales worth EGP1.1bn, representing about 50% of contracted sales achieved in 9M13.

Eastown, Westown to boost earnings and cash flows: SODIC's planned developments in Eastown and Westown are mixed-use developments offering a modern lifestyle with residential, office and, retail spaces. Both locations are emerging as Cairo's prominent suburbs with access to fresh air, greenery and parking space, which is hard to comeby and seen at other residential areas of Cairo

Balance sheet remains solid: SODIC'S net-debt-to-equity ratio of 2% (as of 3Q13) is amongst the lowest with more room for growth through leverage. The management is aiming to increase debt position by EGP900m which will be used to execute its current projects within SODIC West.

SODIC's SOTP valuation

	EGPm	EGP/share
Real Estate Portfolio	1,391	15.3
Investment Properties	371	4.1
Remaining Land Bank / Other Assets	1,260	13.9
Net debt, Minority, Land Liabilities	(233)	(2.6)
NAV/ Fair value/ TP	**2,789**	**30.76**

About the company: Six of October Development and Investment Company, or SODIC, is amongst Egypt's leading real estate companies with a significant presence in high-end and upper-middle primary housing segment in Greater Cairo. The company owns land bank of 9.43msqm out of which almost 55% or 4.29msqm is not utilised.

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in EGPm unless otherwise indicated					
Revenues	542	1,426	1,403	1,800	1,879
Gross Profit	(19)	497	422	546	632
GPM (%)	NM	34.9	30.1	30.3	33.6
EBIT	*(189)*	*288*	*277*	*359*	*437*
EBIT Margin (%)	*NM*	*20.2*	*19.7*	*20.0*	*23.3*
Net Income	(189)	262	213	269	282

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in EGPm unless otherwise indicated					
Revenue	222	556	130	327	300
GPM (%)	*42.8*	*37.7*	*32.8*	*30.2*	*31.2*
EBIT Margin (%)	*23.8*	*25.6*	*8.8*	*14.4*	*29.6*
Net Profit	40	126	7	45	29

Source: Company data, NAEEM Research

Key risks

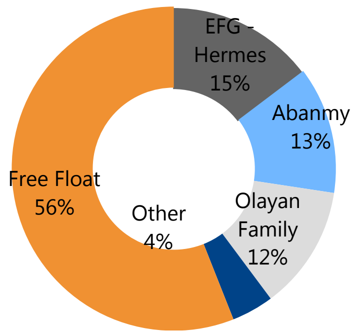
Limited land bank. Unlike other listed developers, SODIC holds limited land bank and needs to secure additional land in order to operate in the long run

SODIC lacks presence in the middle income housing segment. The premium housing segment has been targeted by many developers, including SODIC, and the segment in our view is now headed towards saturation.

Eastown land dispute: The legal overhang over the Eastown land dispute could be a concern for SODIC, and we expect the stock's performance to be volatile given such uncertainties adding to lack of clarity over land titles.

Delay in hand over could impact margins and, revenue recognition. Further delay in delivery of units could result in additional costs and, impact margins and revenue recognition.

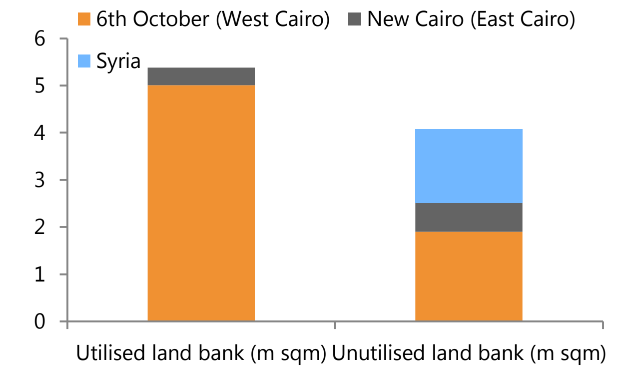
Shareholder structure



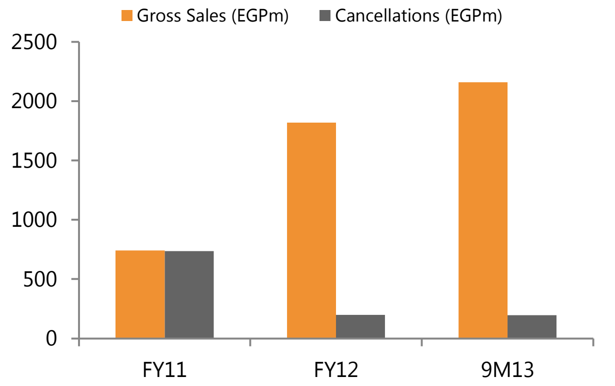
Source: Companies Data, NAEEM Research

SODIC in a nutshell

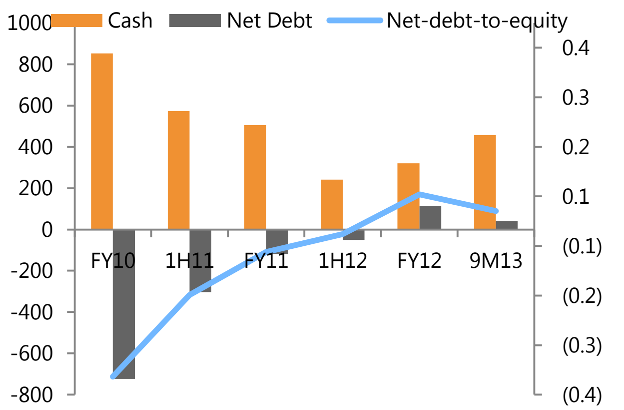
SODIC land bank



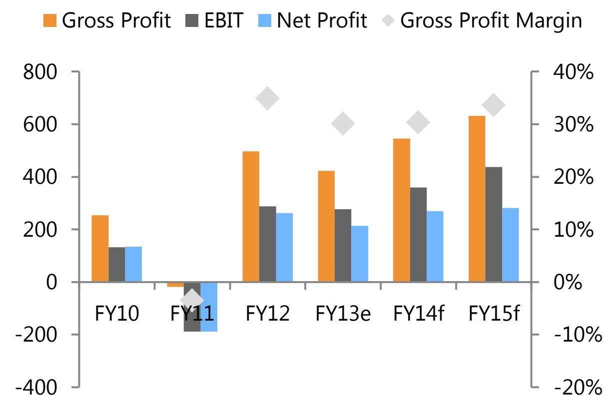
SODIC gross sales and cancellations



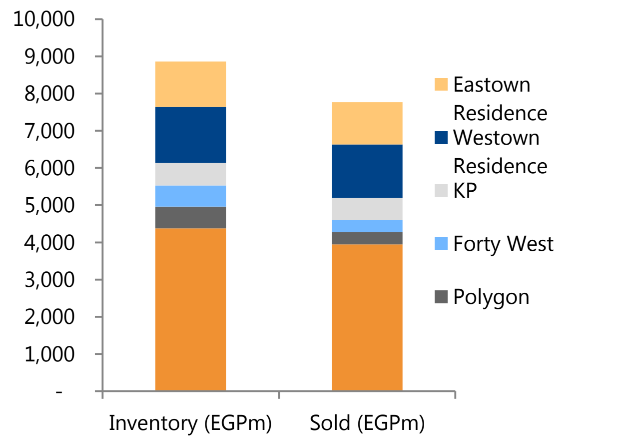
Cash (EGPm), debt(EGPm) and net-debt-to-equity



Gross and operating and net profit (EGPm)

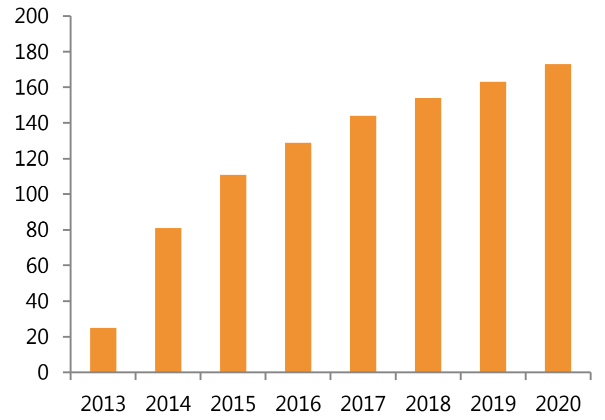


Sales and Total Inventory^ till date



Source: Company data, NAEEM Research, ^Total Inventory includes sold units

Recurring revenues expectation (EGPm)



Source: Company data, NAEEM Research

Madinet Nasr Housing

Unlocking land bank to add value - BUY

Investment Positives

Clear land title a big plus: In times when major real estate developers such as TMGH and SODIC struggle to have clarity over land bank, MNHD stands out with clear land title over a 10msqm land bank at Madinet Nasr City, a well-established suburb of greater Cairo, and home to City Stars, Africa's largest shopping mall.

Middle income presence makes an attractive proposition for the stock. Most of MNHD's target clients are middle and upper middle housing families, with a combined family income between EGP100k-500k annually. The young middle income population segment is the biggest contributor for real estate demand in Cairo, supported by favorable demographics and growing urbanization. We expect MNHD to benefit maximum from this growing segment.

Expected benefit from new project launch: MNHD has booked off-plan sales worth EGP600m from the launch of Tag Sultan (first phase of Teegan) since November 2012. We expect MNHD to continue with the strong sales momentum. We have factored into our assumptions, additional EGP500m of-plan sales for the years 2014 and 2015. Also, due to the relatively cheaper cost of land, we expect MNHD to achieve better margins compared to its peers.

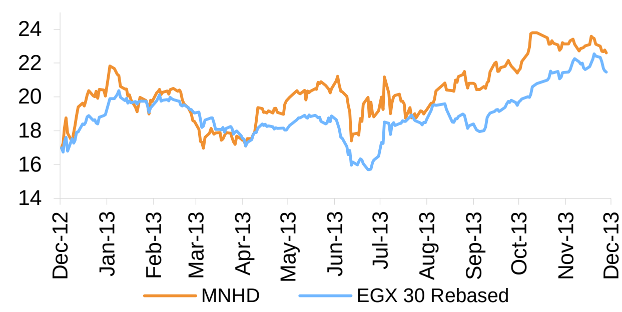
Low risk balance-sheet a big plus: MNHD sits on cash worth EGP107m, as against borrowings of EGP37m as of 3Q13. It also holds receivables amounting to EGP820m with a collection record of 97%. We expect further improvement in the balance sheet, given recent off-plan sales from the new project and cash generated from receivables collection.

We value MNHD at EGP29.93/share with a BUY rating. We value MNHD's operating assets using book value and then add the land bank value which is absent in its balance sheet. We then apply a discount on account of slower executions and lack of clear visibility over future projects.

About the company: MNHD is one of the leading first-home real estate companies in Egypt, founded by the government in 1959 and later partially privatized in 1996; and then in 2007 was fully transitioned as private via a tender offer. MNHD has developed a major portion of Madinet Nasr district which is spread across 40msqm of land. It holds an undisputed land bank of 10msqm still waiting to be monetised.

Recommendation	BUY
Market Price (EGP)	23.00
Fair Value (EGP)	29.93
Upside Potential (%)	+30.1
Reuters Code	MNHD.CA
Bloomberg Code	MNHD EY
Market Cap (EGPm)	2,645
Market Cap (USDm)	384
Free Float (%)	47

MNHD vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (EGPm)	459	537	666	732	804
Net Profit (EGPm)	60	86	163	187	190
EPS (EGP)	0.5	0.7	1.4	1.6	1.6
Net Debt(EGPm)	(51)	(51)	(70)	(58)	(62)
P/B(x)	7.7	6.3	4.5	3.5	2.8
P/E(x)	NM	NM	15.6	14.2	13.9
EV/EBIT(x)	NM	NM	12.1	11.8	11.5
ROE (%)	17.5	20.6	28.9	24.4	19.8
Total Debt/Equity(x)	0.0	0.1	0.1	0.1	0.1
Net Debt/Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Int. Cov. (x)	20.7	21.1	30.7	31.7	32.5

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

MNHD's valuation

	EGPm	EGP/share
Inventories, WIP, Receivables	1,223	10.72
Outstanding Land Bank	5,030	43.74
Other Liabilities	(982)	8.54
Fair Value (before discount)	5,281	45.92
Discount	(1,839)	(15.99)
NAV/ Fair Value/ TP	**3,442**	**29.93**

Key risks

Execution risks: Delay in project launches and executions could lead to poor earnings visibility.

Dependency on third party contractors. Dependency on third party contractors exposes the company to risks, should any of the contractors be unable to honour commitments.

Delay in hand overs could impact margins, revenue recognition. Delay in construction, collection of receivables or delivery of units could result in additional costs, and impact margins and revenue recognition.

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in EGPm unless otherwise indicated					
Revenues	459	537	666	732	804
Gross Profit	141	202	248	280	314
GPM (%)	30.7	37.7	37.2	38.3	39.0
EBIT	*85*	*121*	*213*	*220*	*225*
EBIT Margin (%)	*18.5*	*22.5*	*32.0*	*30.0*	*28.0*
Net Income	60	86	163	187	190

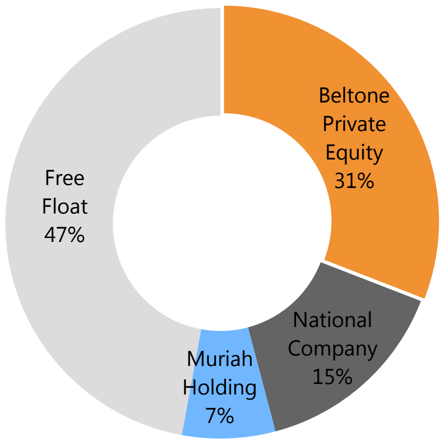
Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in EGPm unless otherwise indicated					
Revenue	95	262	190	191	119
GPM (%)	*27.5*	*38.7*	*45.1*	*43.1*	*35.9*
EBIT Margin (%)	*13.8*	*22.9*	*36.3*	*33.2*	*25.6*
Net Profit	9	35	54	47	23

Source: Company data, NAEEM Research

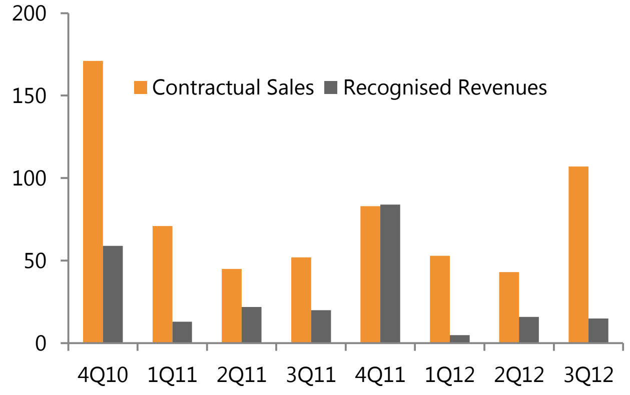
MNHD Shareholder structure



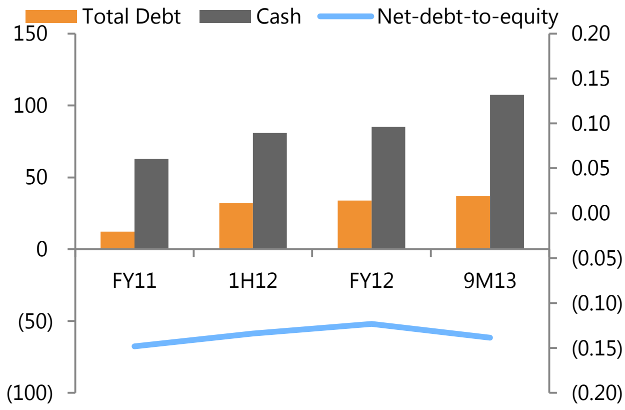
Source: Company data, Naeem Research

MNHD in a nutshell

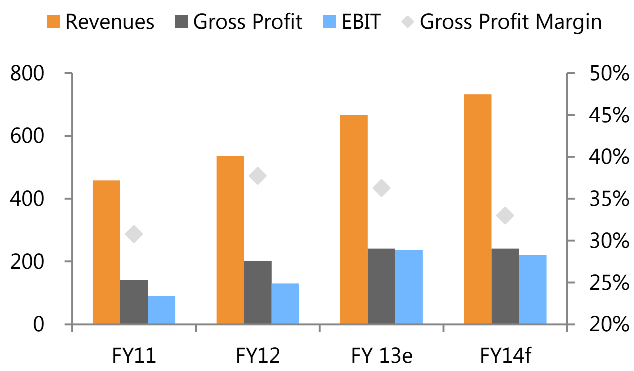
Contractual sales and recognised revenues



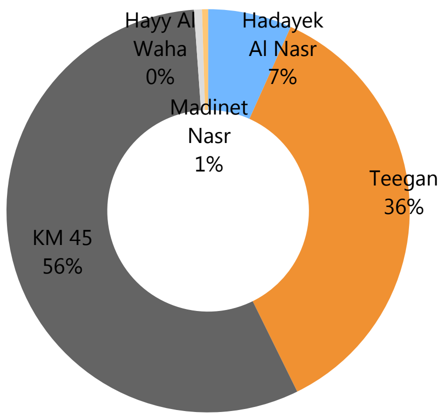
Cash, debt and net-debt-to-equity pattern



Revenues, Gross Profit and Margins



Landbank Distribution (9.8m sqm)



Source: Company data, Naeem Research

EMAAR PROPERTIES

With Dubai driving growth, the story remains intact – BUY

Investment Positives

Dubai continues to remain the key catalyst for Emaar's success. Emaar witnessed a surge in real estate sales in 2013 with AED9bn of new sales booked from Dubai launches. Going forward, its upcoming developments in Dubai are likely to improve its already strong footprint in the city.

We expect higher recurring income, growth in international presence. We expect Emaar's recurring income contribution to increase further due to thriving tourism and retail spending in Dubai. We also Expect Emaar to ramp up its international portfolio (currently ~10%), and diversify its revenue stream from Dubai (90%). This change in revenue mix should add stability to underlying earnings and improved profitability; in-turn, commanding higher multiples from investors.

Retail & hospitality a star performer: Its retail & hospitality portfolio which contributes almost half of the revenues continues to generate cash, helped by influx of tourists and, better retail spending in the Emirate. Emaar's growing recurring income base, along with improved margins, continues to remain a key catalyst and cash flow driver. Between 2010 and 2013, Emaar managed to grow its revenues from the retail and hospitality segments from AED1.3bn and AED0.7bn to AED2.3bn and AED1.1bn, respectively during 9M13.

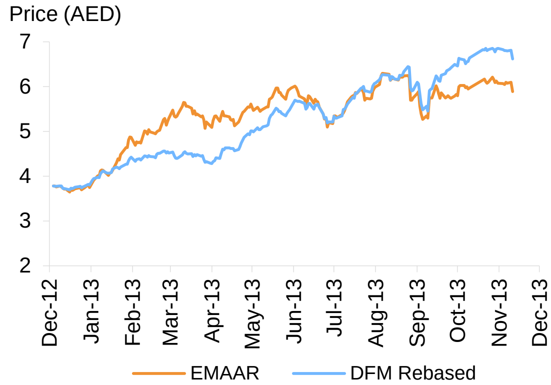
International portfolio could unlock additional value: Whilst Emaar's Dubai real estate portfolio continues to grow amidst selective recovery seen lately in the UAE, its international portfolio could unlock significant value if executed successfully in a timely manner, and providing much needed diversification to the company's revenue base. Emaar holds a land bank of 232m outside of the UAE including KSA (74%), India (19%) and Egypt (6%).

Retail spin-off could bode well for the stock. Recently, Emaar's chairman has indicated that it appears to be a good time to consider the retail spin-off. Given the strong performance of retail business, we believe this could unlock additional value for Emaar's shareholders.

We value Emaar at AED8.57/ share and recommend a BUY. Our sum of the parts (SOTP) valuation yields a fair value of AED8.57/ share, suggesting a 23.5% upside. A significant portion of our valuation is derived from Emaar's flagship retail portfolio, which we believe would be the main driver behind future FCF-generation.

Recommendation	BUY
Market Price (AED)	6.94
Fair Value (AED)	8.57
Upside Potential (%)	+23.5
Reuters Code	EMAR.DU
Bloomberg Code	EMAAR EY
Market Cap (AEDm)	42,272
Market Cap (USDm)	11,413
Free Float (%)	69

EMAAR vs. DFM (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (AEDm)	8,112	8,240	9,506	9,708	10,065
Net Profit (AEDm)	1,794	2,119	2,433	2,813	2,881
EPS (AED)	0.29	0.35	0.40	0.46	0.46
Net Debt (AEDm)	8,256	7,936	4,530	6,861	5,963
P/B (x)	1.3	1.2	1.1	1.0	1.0
P/E (x)	21.8	18.5	16.1	13.9	14.1
EV/EBIT (x)	20.0	20.5	16.0	15.4	13.6
ROE (%)	5.7	6.5	7.0	7.4	6.9
Total Debt/Equity(x)	0.4	0.4	0.3	0.3	0.3
Net Debt/Equity (x)	0.3	0.2	0.1	0.2	0.1
Int. Cov. (x)	4.2	3.3	4.3	4.6	4.6

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

About Emaar: Emaar is a leading diversified regional real estate developer. It holds a strong presence in Dubai with a well-diversified asset portfolio of residential, retail, commercial and hotels. It has also established its presence in Egypt, Saudi Arabia, India and Turkey.

Earnings quality seen improving: Emaar stands out amongst peers in MENA owing to its 'cash cow' retail portfolio, as well as presence in hospitality, and the real estate residential segments. The recurring income business which includes mall and hotels, has been growing steadily; being the main driver behind cash flow generation. As long as Dubai continues to see more tourists, Emaar's retail and hospitality business should continue to please investors. Emaar also holds a strong footprint in the international market, which could improve its earnings quality and unlock additional value. However, its current revenue share is too low to be a catalyst for the stock.

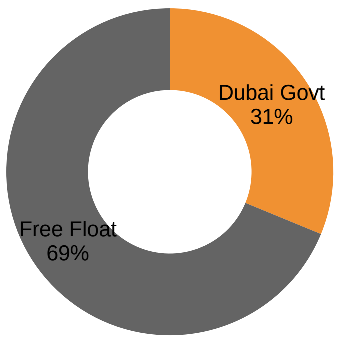
No need for immediate financing. Emaar sits on a cash balance of AED7.7bn as of 9M13 with a comfortable net-debt-to-equity ratio of 0.12.

Selective recovery in Dubai Real Estate to continue, Emaar a key beneficiary. Since 2012, the Dubai real estate market has witnessed recovery in prices and volumes at key locations such as Downtown Dubai which has been developed by Emaar. Both prices and volumes continue to grow in Dubai in 2013 due to increased interest for its strategically located properties from cash-rich buyers. Emaar booked sales worth AED9.0bn in 9M13 in Dubai, almost three times the sales generated in 2012.

Emaar SOTP valuation

	AEDm	AED/share
UAE Property	10,892	1.78
Hospitality	5,858	0.96
Retail	25,812	4.23
International Operations	6,993	1.15
Associates, Other Assets	6,767	1.11
Net Debt, Other Liabilities	(4,013)	(0.66)
NAV/ Fair Value/ TP	**52,310**	**8.57**

Emaar's shareholder profile



Source: Companies Data, NAEEM Research

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in AEDm unless otherwise indicated					
Revenues	8,112	8,240	9,506	9,708	10,065
Gross Profit	4,236	4,179	4,908	5,050	5,329
GPM (%)	52.2	50.7	51.6	52.0	52.9
EBIT	2,368	2,294	2,759	3,003	3,064
EBIT Margin (%)	29.2	27.8	29.0	30.9	30.4
Net Income	1,794	2,119	2,433	2,813	2,881

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures in AEDm unless otherwise indicated					
Revenue	1,640	2,680	2,110	3,109	2,347
GPM (%)	50.7	42.9	52.9	44.0	49.0
EBIT Margin (%)	20.7	20.4	30.6	26.6	24.8
Net Profit	614	374	556	675	581

Source: Company data, NAEEM Research

Key risks

Concerns over international project executions: Ongoing political uncertainty in Egypt and Syria, as well as legal overhangs at Emaar MGF (Emaar's Indian arm) continue to be of concern.

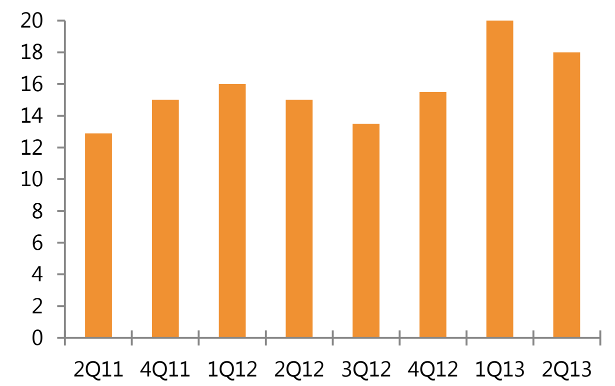
Emaar's performance is heavily exposed to Dubai. Despite having a notable international presence, Emaar depends a lot on Dubai, mainly for its retail and hospitality business which generates significant cash for the company. Any slowdown in Dubai, especially on tourism arrivals or retail spending, would have a drastic impact on Emaar's retail and hospitality business which contributes to almost half of revenues.

Falling crude oil prices could put pressure on GCC fiscal budgets. Any slowdown in sovereign spending could reduce demand significantly, bringing back tough times for developers such as Emaar.

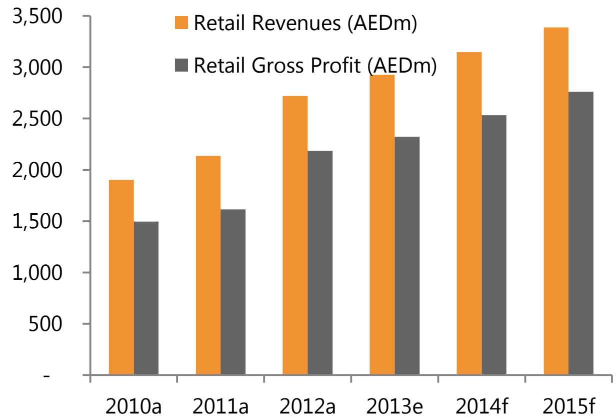
Lower occupancy rates, ADRs could impact performance of retail, hospitality businesses. The performance of Emaar's hospitality portfolio would depend on higher occupancy rates, as well as Average Daily Room Rates (ADR). Any slowdown in tourism activity may lead Emaar to lower its ADRs in order to maintain occupancy rates.

EMAAR in a nutshell

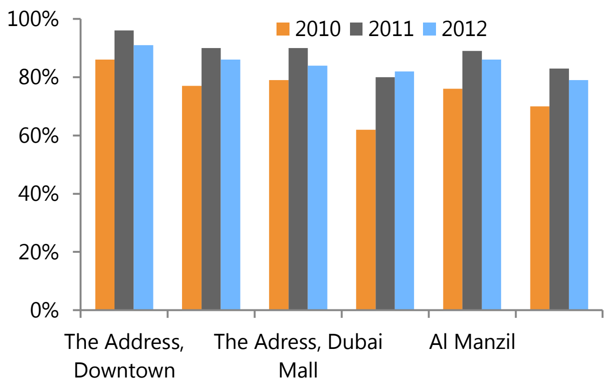
Dubai Retail footfall each quarter(m)



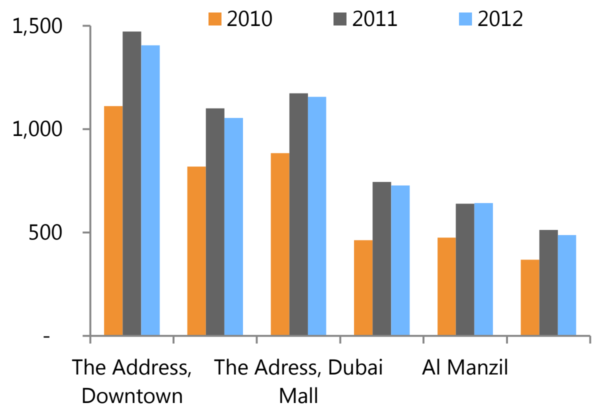
Revenue and Gross Profit from Retail business



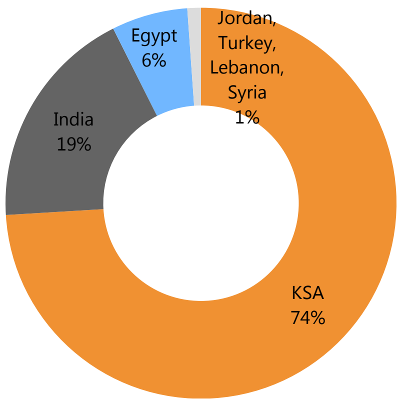
Hotel Occupancy (%)



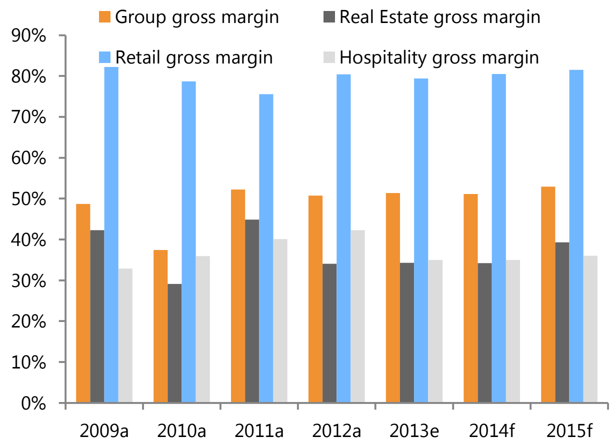
Hotel RevPar (in AED)



Land bank outside UAE (232m sqm)



Emaar Gross Profit Margin (%)



Source: Company data, NAEEM Research

Source: Company data, NAEEM Research

ORASCOM DEVELOPMENT HOLDING

A bet on tourism recovery - BUY

Investment Positives

Recovery in Egypt tourism crucial for the stock. Egypt is the biggest market for ODHN as ~90% of its completed and current projects (as per the land bank) are located in Egypt, and most of them being touristic destinations. Hence, slowdown in tourism activities in Egypt owing to the current political uncertainty and lack of stability, is a concern for ODHN. With recent lifting of travel ban restrictions, as well as efforts by the interim government to restore confidence and economic growth, these concern to an extent should subside in 2014. The smooth transition to the newly elected government, following the drafting of the new constitution and parliamentary and presidential elections will help a lot to stabilise the overall tourism industry, and in-turn, help ODHN to bounce back.

ODH is a diversified property player with a strong presence in Egypt's hospitality business, coupled with operations in property development, construction and destination management business. It also owns **undisputed land bank of 105.8msqm** (of which 76.5msqm undeveloped) located in Egypt, UAE, Oman, Switzerland, Morocco, Montenegro, UK and Romania.

Impressive hotel portfolio with 29 Hotels + Nile cruise ships with 6,654 rooms in Egypt, Oman, Jordan and UAE. ODH's hotels also serve as an anchor for real estate sales (located in proximity). ODHN has recently established a JV called '**Orascom Hotels Management'** with a local tourism entrepreneur who owns about 1,600 hotel rooms throughout Egypt. The JV is expected to ensure efficient utilisation of resources and inventory under the hotels segment. Going forward, we expect improvement in occupancy rates of hotels (in 4Q13, 1Q14) due to ease in security concerns and lifting of travel ban by many European countries.

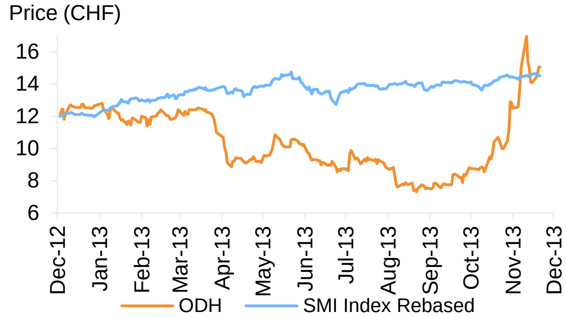
Deconsolidation of non-core assets, restructuring to help the stock: ODHN is currently deconsolidating some of its assets (ASA, MNHD, Tamweel) which is expected to improve its balance sheet and reduce working capital requirements. Moreover, as a part of its restructuring initiative, management expects savings of about CHF50m during 2014 out of which it has identified CHF38.5m that are reflected in the FY14 budget.

We value ODHN at CHF16.16/share with a BUY rating.

We value ODHN hotels using a 10 year DCF, 15% discount rate and 4% terminal growth rate. We value ODHN's real estate business and land bank, mostly at cost, given the performance of the sector in 2012, 2013 and lack of new investment opportunities seen by us. As far as its other business are concerned, we apply 10x multiple to the forward EBITDA (cash profit).

Recommendation	BUY
Market Price (CHF)	13.10
Fair Value (CHF)	16.16
Upside Potential (%)	+23.4
Reuters Code	ODHN.S
Bloomberg Code	ODHN SW
Market Cap (CHFm)	373
Market Cap (USDm)	413
Free Float (%)	32

ODH vs. SMI (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (CHFm)	254	272	301	343	365
Net Profit (CHFm)	(70)	(97)	(88)	(8)	24
EPS (CHF)	(2.4)	(3.4)	(3.1)	(0.3)	0.8
Net Debt(CHFm)	457	502	340	359	387
P/B(x)	0.3	0.4	0.4	0.4	0.4
P/E(x)	NM	NM	NM	NM	NM
EV/EBIT(x)	NM	NM	NM	NM	NM
ROE (%)	NM	NM	NM	NM	NM
Total Debt/Equity(x)	0.5	0.6	0.5	0.5	0.6
Net Debt/Equity (x)	0.4	0.5	0.4	0.4	0.4
Int. Cov. (x)	NM	NM	NM	1.2	3.1

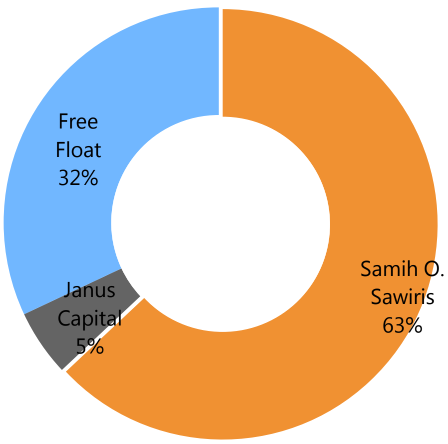
Source: Company data, NAEEM Research
Closing price as of 10 December 2013

9M13 performance not impressive; ODHN announced a net loss of CHF76m in 9M13 inclusive of a loss of CHF28m for 3Q13. This is compares to net loss of CHF59m in 9M12 and CHF of 32m in 3Q12. The poor performance was depicted by weakness in real estate and construction business, lower tourist amidst political uncertainty in Egypt, foreign exchange losses due to USD denominated loans, and losses related to associates. Occupancy rates declined, as expected, due to travel restrictions on Egypt which was somewhat offset by better occupancy witnessed in Jordan. Revenues declined 7.6% YoY to CHF96.5m, while EBITDA improved 14.8% YoY to CHF25.5m; owing to the ongoing cost saving initiatives implemented by the company. Real estate business continues to suffer to slower deliveries and a higher fixed cost base, resulting in a loss of CHF2.4m in 9M13 (9M12 loss of CHF4.2m).

ODH SOTP valuation

	CHFm	CHF/share
Hotel	430	15.07
Real Estate, and construction	89	3.11
Land held for development	103	3.60
Other Assets	572	20.06
Net Debt, Liabilities	(732)	(25.69)
NAV/ Fair Value/ TP	**461**	**16.16**

Shareholder structure



Source: Company Data, NAEEM Research

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in CHFm unless otherwise indicated					
Revenues	254	272	301	343	365
Gross Profit	20	21	18	51	73
GPM (%)	7.7	7.8	6.0	15.0	20.0
EBIT	(63)	(83)	(47)	20	*51*
EBIT Margin (%)	NM	NM	NM	5.7	14.1
Net Income	(70)	(97)	(88)	(8)	24

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in CHFm unless otherwise indicated					
Revenue	58	82	58	60	46
GPM (%)	*9.0*	*4.7*	*4.8*	*3.7*	*5.8*
EBIT Margin (%)	*NM*	*NM*	*NM*	*NM*	*NM*
Net Profit	(32)	(38)	(19)	(29)	(28)

Source: Company data, NAEEM Research

Key risks

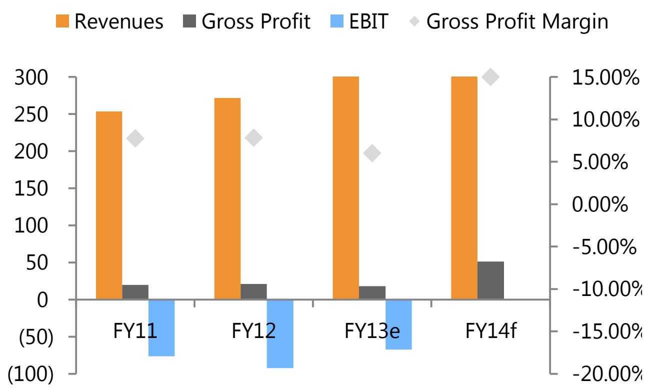
Lower than expected recovery in tourist arrivals in Egypt may impact hotel business performance.

Inability to execute and delivery real estate projects on time may impact the segment's performance given high fixed cost.

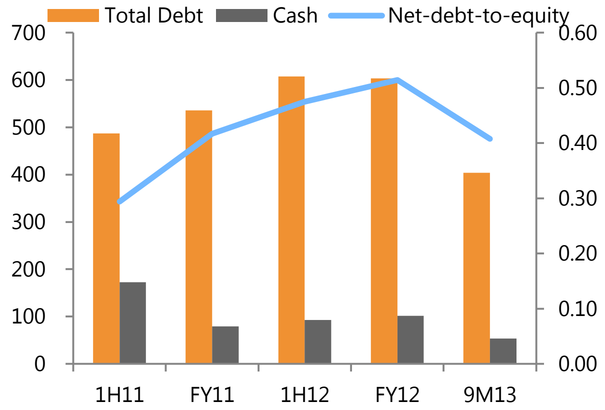
A strengthening of CHF as against USD and EGP could lower the reported profitability for the company.

ODHN in a nutshell

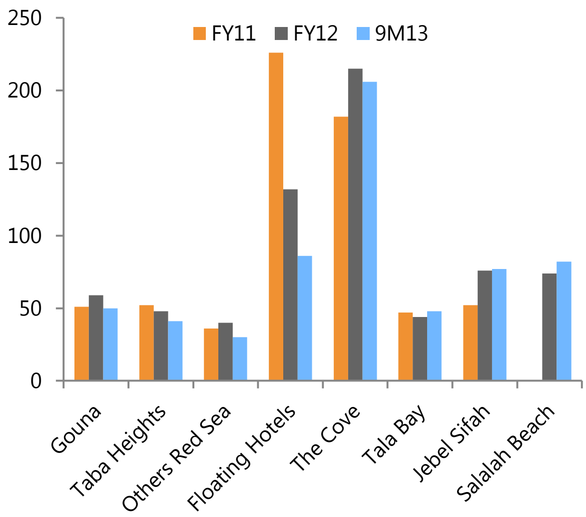
Revenues(CHFm), Gross Profit(CHFm) and Margins (%)



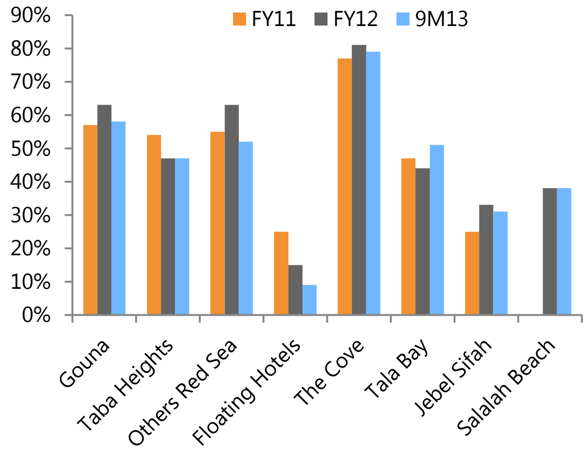
Cash(CHFm), deb(CHFm)t and net-debt-to-equity



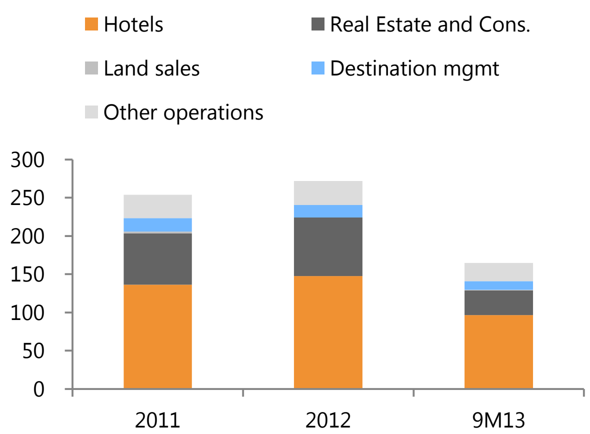
ODHN Hotels RevPar (CHF)



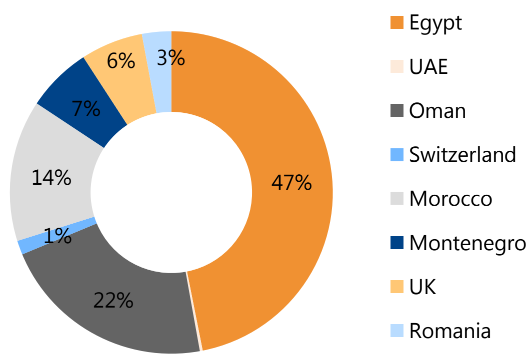
ODHN Hotels Occupancy Rates (%)



ODHN revenues by segment(CHFm)



Land Bank Locations



Source: Company data, NAEEM Research

Source: Company data, NAEEM Research

Heliopolis Housing

Brighter future ahead - BUY

Investment Positives

Undisputed land bank a big plus. Heliopolis housing (HELI) holds an undisputed land bank of approximately 29msqm at prime locations in Cairo. We believe this to be a key differentiating factor for HELI as against larger peers like TMGH and SODIC who are currently fighting legal battles to have a clear land bank title.

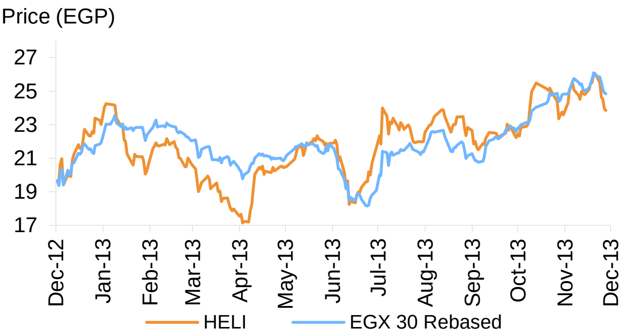
Recent land sale to boost financial performance. Heliopolis Housing sold three land plots for EGP52m in September 2013. The company said that it received a down payment of EGP35.8m with remainder of the amounts to be received in seven instalments at a 7% interest rate.

We value HELI at EGP30.06/share and recommend a BUY: We value HELI's operating assets using book value and then add the land bank value which is absent in the balance sheet. We then apply a discount of 50% on account of slower executions and a lack of clear visibility over future projects. We value HELI at EGP30.06/share and recommend a BUY.

About Heliopolis Housing: Heliopolis Company for Housing and Construction is an affiliate of National Company for Construction and Development. It is an Egypt-based public shareholding company engaged in construction and housing projects. The company's operations include land reclamation & subdivision, residential real estate development and management, real estate property purchase & sale, real estate project planning and supervision, as well as constructing of houses, hotels, holiday resorts, and hospitals properties. The company benefits from having one of the largest dispute-free land bank in Cairo of 29msqm. The developer's land bank is primarily situated in the new urban areas catering to Egypt's primary residential market; 70% in New Heliopolis City, 21.6% in New Cairo, 8% in Heliopolis Suburb and 0.5% in Obour City.

Recommendation	BUY
Market Price (EGP)	24.48
Fair Value (EGP)	30.06
Upside Potential (%)	+22.8
Reuters Code	HELI.CA
Bloomberg Code	HELI.EY
Market Cap (EGPm)	2,724
Market Cap (USDm)	395
Free Float (%)	26.0

HELI vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

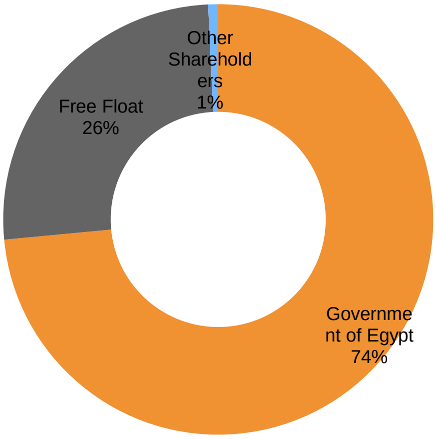
Year to 31 June.	11/12a	12/13a	13/14e	14/15f	15/16f
Revenue (EGPm)	248	338	372	409	450
Net Profit (EGPm)	108	136	155	171	190
EPS (AED)	1.0	1.2	1.4	1.5	1.7
Net Debt (EGPm)	180	175	175	175	175
P/B(x)	10.5	6.8	5.5	4.6	3.9
P/E(x)	24.1	19.3	16.8	15.3	13.8
EV/EBIT(x)	26.9	20.2	18.8	17.0	15.3
ROE (%)	43.3	35.2	32.6	29.9	28.2
Total Debt/Equity(x)	0.8	0.5	0.5	0.5	0.5
Net Debt/Equity (x)	0.7	0.5	0.4	0.3	0.3
Int. Cov. (x)	NM	NM	NM	NM	NM

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

Heliopolis Housing valuation

	EGPm	EGP/share
FY14e Equity / NAV (as per books)	477	4.28
Estimated Market value of land	6,525	58.65
Total value of assets less liabilities	7,002	62.93
Discount	3,657	32.87
NAV/ Fair value/ TP	**3,345**	**30.06**

Shareholder structure



Source: Company data, Naeem Research

Key performance indicators

Year to June	FY11/12a	FY12/13a	FY13/14e	FY14/15f	FY15/16f
Figures in EGPm unless otherwise indicated					
Revenues	248	338	372	409	450
Gross Profit	140	198	216	237	261
GPM (%)	56.6	58.5	58.0	58.0	58.0
EBIT	*104*	*138*	*148*	*164*	*182*
EBIT Margin (%)	*41.9*	*41.0*	*39.9*	*40.1*	*40.6*
Net Income	108	136	155	171	190

Source: Company data, NAEEM Research

Quarterly results snapshot

	1QFY 12/13	2QFY 12/13	3QFY 12/13	4QFY 12/13	1QFY 13/14
Figures are in EGPm unless otherwise indicated					
Revenue	66	44	99	128	99
GPM (%)	*67.5*	*33.6*	*62.7*	*59.3*	*79.8*
EBIT Margin (%)	*52.1*	*0.6*	*51.6*	*40.9*	*67.9*
Net Profit	41	(2)	50	46	66

Source: Company data, NAEEM Research

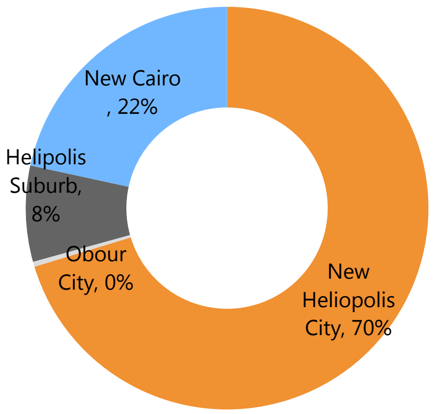
Key risks

Management is known to be over-cautious when it comes to selling land plots and booking revenues, and therefore, despite having quality land bank, sales (execution speed) and revenue recognition (from sale) remain slow.

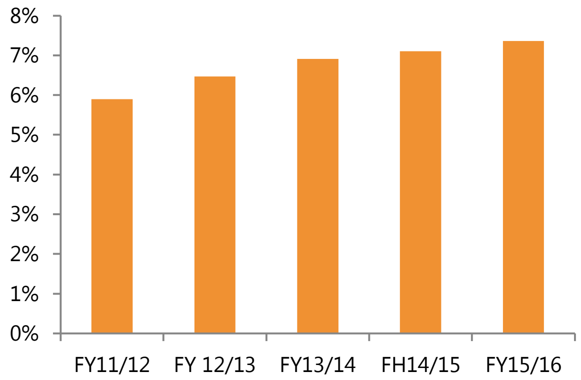
HELI's current cash balance is weak amounting to just EGP1.02m. Moreover, the company has to pay EGP3.340m as interest and fines for delay in payment of taxes as it has no cash on hand. Additionally, the company has outstanding tax dues of EGP50m for the current year.

HELI in a nutshell

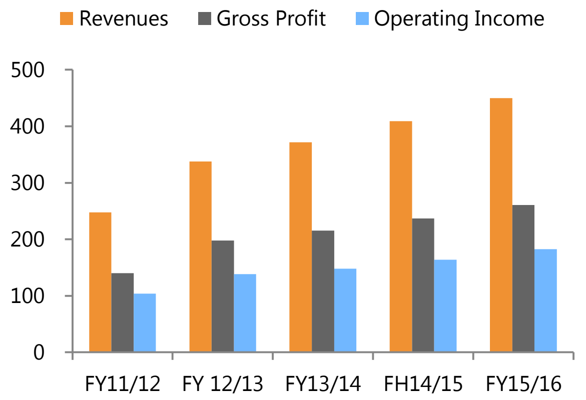
Heliopolis Housing land bank (29m sqm)



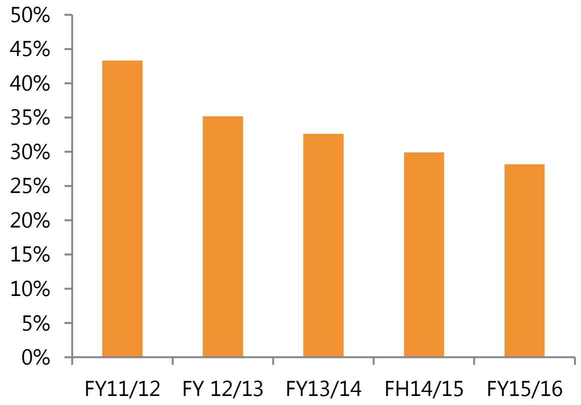
Return on Assets (%)



Revenue, Gross Profit and operating Income (EGPm)



Return on Equity (%)



Source: Company data, NAEEM Research

Source: Company data, NAEEM Research

PALM HILLS DEVELOPMENTS

Rights issue to improve liquidity - ACCUMULATE

Investment Positives

Funding Gap still looms, but medium term concerns over-priced: We are of the opinion that PHDC would need to secure additional funding for 2014. However, we also believe that the recent rights issue of EGP600m should act as a cushion for PHDC in tackling its near term financing needs. Proceeds from the rights issue will be used for construction of current projects. Also, with the recent recovery in sales, lower cancellation rates and, improving deliveries (coupled with receivable collections); PHDC should depend on internally generated cash flows for partial funding requirements. With improving construction and handovers seen during 9M13, PHDC is likely to fare well in 2014 in terms of new sales, handovers and collections – clearly a positive catalyst for stock performance.

1H13 results clearly reflect recovery in new sales, deliveries and operating margins. However, we believe that these initial numbers are still not sufficient to overcome balance sheet woos which the company has been facing since 2011.

The biggest challenge facing PHDC is liquidity, with the group needing to tackle its enormous bank debt and land liabilities; a major concern for investors. As of June 2013, PHDC had a cash balance at EGP102m, versus land liabilities of c.EGP2.1bn (c.EGP729m short term), and an outstanding debt of c.EGP1bn (c.EGP278m short term); depicting the urgent need for funding.

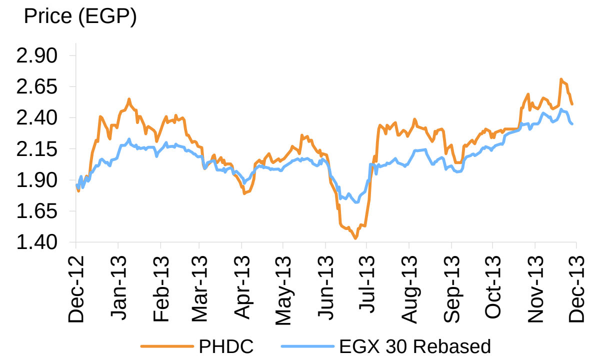
We value PHDC at EGP3.08/share with an ACCUMULATE rating.

We value Palm Hills' development properties using discounted cash flows (DCF) over the expected life of each project. We value PHDC's other assets at book value. We then apply a discount on the arrived value based on visibility and execution risks. We feel that the worst is behind, but still remain prudent in our valuation until balance sheet concerns are mitigated. We value PHDC conservatively at EGP3.08/ share with an Accumulate recommendation. We observe improvement in sales momentum, better margins and a gradual recovery in the balance sheet.

About the company: Palm Hills developments is one of the leading real estate developers in Egypt, having land bank of 29msqm in Egypt, KSA out of which almost 35% is not utilised. PHD is the most diversified developer in Egypt, with its developments in East and West Cairo, as well as in the North Coast operating in both primary and secondary homes.

Recommendation	ACCUMULATE
Market Price (EGP)	2.52
Fair Value (EGP)	3.08
Upside Potential (%)	+22.3
Reuters Code	PHDC.CA
Bloomberg Code	PHDC EY
Market Cap (EGPm)	2,641
Market Cap (USDm)	383
Free Float (%)	36

PHDC vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

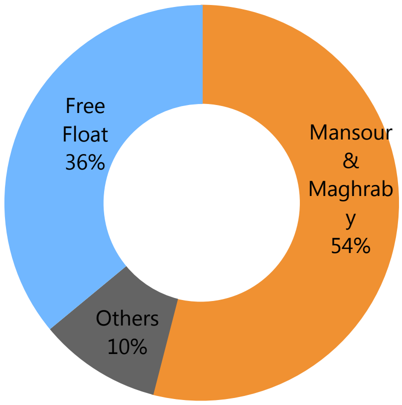
Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (EGPm)	572	403	1,230	1,473	1,524
Net Profit (EGPm)	(82)	(135)	234	276	291
EPS (EGP)	(0.1)	(0.1)	0.2	0.3	0.3
Net Debt(EGPm)	1,247	1,263	902	889	877
P/B(x)	0.7	0.8	0.8	0.7	0.6
P/E(x)	NM	NM	11.4	9.7	9.2
EV/EBIT(x)	NM	NM	12.2	9.4	8.9
ROE (%)	NM	NM	6.6	7.2	7.0
Total Debt/Equity(x)	0.4	0.4	0.4	0.3	0.3
Net Debt/Equity (x)	0.3	0.4	0.3	0.2	0.2
Int. Cov. (x)	NM	NM	2.4	3.1	3.2

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

PHDC SOTP Valuation

	EGPm	EGP/share
Real Estate Portfolio	2,654	2.53
Remaining Land Bank	1,205	1.15
Net Debt, Other Liabilities	(630)	(0.60)
NAV/ Fair Value/ TP	3,228	3.08

PHDC Shareholder structure



Source: Company Data, Naeem Research

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in EGPm unless otherwise indicated					
Revenues	572	403	1,230	1,473	1,524
Gross Profit	(47)	(27)	393	491	520
GPM (%)	NM	NM	32.0	33.4	34.2
EBIT	(97)	(184)	293	381	399
EBIT Margin (%)	*NM*	*NM*	*23.8*	*25.9*	*26.2*
Net Income	(82)	(135)	234	276	291

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in EGPm unless otherwise indicated					
Revenue	68	203	142	574	104
GPM (%)	*49.7*	*NM*	*47.1*	*18.7*	*36.1*
EBIT Margin (%)	*89.1*	*NM*	*24.1*	*15.7*	*14.6*
Net Profit	(3)	(51)	45	92	51

Source: Company data, NAEEM Research

Key risks

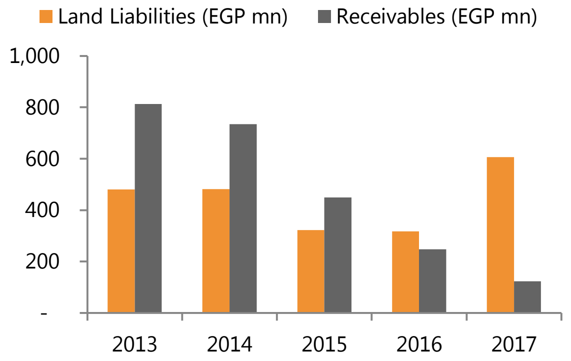
Default of short term funding requirements in 2014 and inability to bring down leverage.

Weaker than expected recovery in new sales and liquidity.

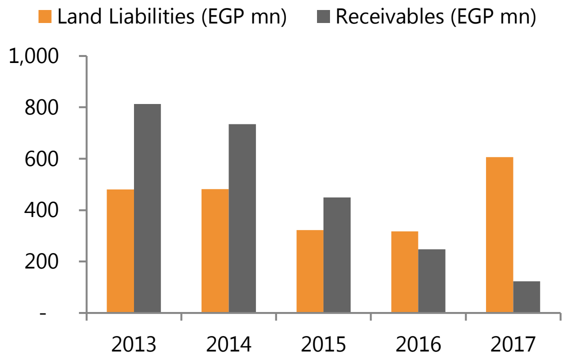
A slower recovery in handovers, execution and collection of receivables.

PHDC in a nutshell

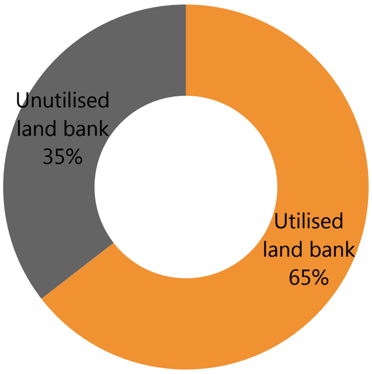
Receivables and land Liabilities



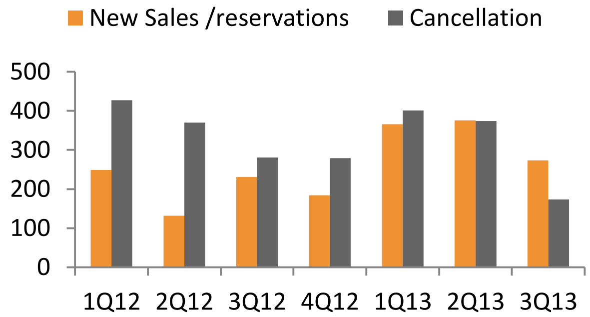
Local sales, market share, and exports



PHDC land bank (total 29mn sqm)



New sales and cancellations (EGPm)



Source: Company data, NAEEM Research

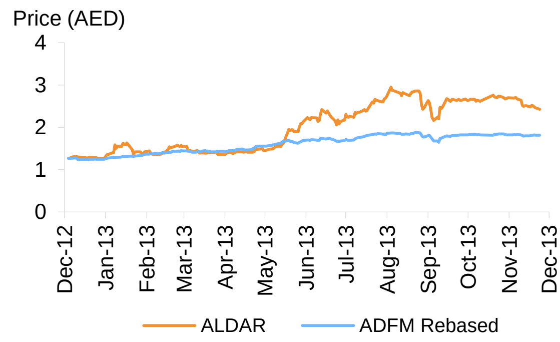
Source: Company data, NAEEM Research

ALDAR PROPERTIES

Good vibes from the merger, but Abu Dhabi support is crucial – ACCUMULATE

Recommendation	ACCUMULATE
Market Price (AED)	2.53
Fair Value (AED)	2.94
Upside Potential (%)	+16.2
Reuters Code	ALDR.AD
Bloomberg Code	ALDAR.UH
Market Cap (AEDm)	19,892
Market Cap (USDm)	5,371
Free Float (%)	48

ALDAR vs. ADFM (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (AEDm)	NM	NM	8,560	5,564	6,120
Net Profit (AEDm)	NM	NM	2,054	1,113	1,224
EPS (AED)	NM	NM	0.26	0.14	0.16
Net Debt(AEDm)	NM	NM	9,559	7,020	6,068
P/B(x)	NM	NM	1.2	1.2	1.1
P/E(x)	NM	NM	9.4	17.4	15.8
EV/EBIT(x)	NM	NM	13.5	19.0	16.6
ROE (%)	NM	NM	13.2	6.7	7.0
Total Debt/Equity(x)	NM	NM	0.9	0.6	0.5
Net Debt/Equity (x)	NM	NM	0.6	0.4	0.3
Int. Cov. (x)	NM	NM	3.1	2.7	2.4

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

Investment Positives

Merger to benefit: Aldar Sorouh merger is likely to benefit the combined entity in terms of operational synergies, and having better hold over a broader Abu Dhabi property market. The combined portfolio will also have a more balanced property mix.

Abu Dhabi support is crucial: We believe that the combined benefits of the merger with Sorouh, as well as the AED8.1bn of guaranteed flow from Abu Dhabi, is likely to act as a buffer, at least for the near term. However, we also note that unlike Emaar, its presence outside UAE is nil, as all of Aldar's project are located in Abu Dhabi. Given such limitation, we believe that support from Abu Dhabi will be crucial. The Abu Dhabi government and government related entities are the largest shareholder in Aldar with a 40% stake.

Balance Sheet portrays a stronger picture: The merger of Aldar and Sorouh has led to a stronger balance sheet for the combined entity. Almost 100% growth in net worth (now AED16.2bn as of 3Q13), marginal increase in long term debt (AED14.3bn as of 3Q13) and, a higher cash balance (now AED5.5bn) have led to net-debt-to-equity ratio improving to 55% in 3Q13, compared to 144% at the beginning of 2013. Aldar still has borrowings worth AED14.3bn, out of which AED11.3bn is short term debt. The group managed to secure two bank financing facilities amounting to AED4bn, at a blended margin of 1.3% over the base rate; as well as issuance of a 5-year 4.348% sukuk amounting to USD750m. This is mainly to refinance existing borrowings, and in-turn, reduce the cost of debt. Aldar aims to bring down its borrowings further to AED4bn - 5bn, which will further strengthen its balance sheet

Better earnings visibility. Aldar aims to deliver at least 7,400 units by 2014, which should secure a stable revenue stream for the coming quarters. Also, the growing recurring income portfolio is likely to benefit the stock.

We value Aldar at AED2.94/share with an ACCUMULATE rating. Our NAV has been arrived at by combining projects of both Aldar and Sorouh, which are currently recorded in the balance sheet at carrying value. Also, our estimates do not currently incorporate any future developments (not announced by the company).

Key takeaways from Aldar, Sorouh merger

The combined entity is the second largest real estate player in the UAE after Emaar, with total assets worth above AED45bn. It enjoys market leadership in Abu Dhabi with a land bank of 77msqm out of which 90% is located within investment zones.

Abu Dhabi has agreed to purchase infrastructure and real estate assets worth AED3.2bn from Sorouh of which AED2.6bn has been paid and AED600m remains outstanding

The consolidated entity will be able to operate efficiently given similarities in the portfolio, as well as location of properties. Management expects cost savings of AED110m/ year by 2015.

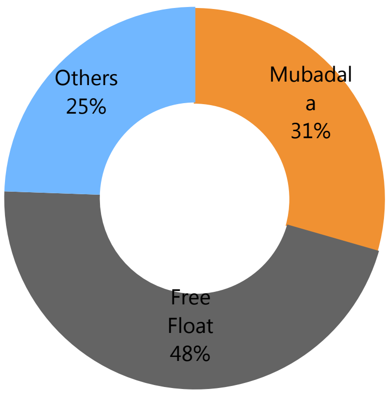
Aldar expects to receive a total of AED8.1bn in cash from Abu Dhabi on asset sales between July 2013 and December 2017, which will be used to repay borrowings (total debt AED14.3bn, net debt AED8.8bn).

The Abu Dhabi Government and government related entities are key shareholders in the merged entity with a 40% stake.

Aldar Valuation post-Merger

	AEDm	AED/share
Sorouh Net Asset Value	7,324	
Aldar Net Asset Value	15,800	
Combined Entity NAV	23,124	2.94
Investment Property Portfolio	10,317	1.31
Development Property	3,612	0.46
Land Bank and other business	9,753	1.24
Other Liabilities, Net of Assets	(559)	(0.07)
NAV/ Fair Value/ TP	**23,124**	**2.94**

Aldar Shareholder structure



Source: Companies Data, NAEEM Research

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in AEDm unless otherwise indicated					
Revenues	NM	NM	8,560	5,564	6,120
Gross Profit	NM	NM	2,586	1,669	1,836
GPM (%)	NM	NM	30.0	30.0	30.0
EBIT	NM	NM	2, ,140	1,391	1,530
EBIT Margin (%)	NM	NM	25.0	25.0	25.0
Net Income	NM	NM	2,054	1,113	1,224

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures in AEDm unless otherwise indicated					
Revenue	NM	NM	NM	1,262	1,168
GPM (%)	NM	NM	NM	38.5	44.3
EBIT Margin (%)	NM	NM	NM	27.4	31.3
Net Profit	NM	NM	NM	1,252	407

Source: Company data, NAEEM Research

Key risks

Our biggest concern for Aldar is the company's lack of presence beyond Abu Dhabi. All of Aldar's land bank remains in Abu Dhabi where the property market remains oversupplied.

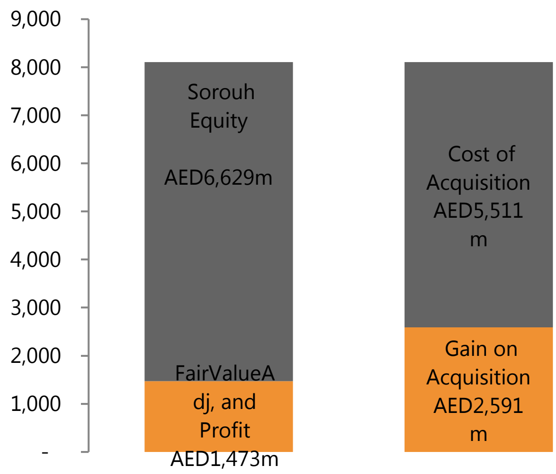
Post-merger, it remains to be seen as to how the combined entity would efficiently monetize the 77msqm land bank and, operate in a market which faces challenges such as oversupply, lack of affordability, and dependency on hydrocarbon revenues.

Further slowdown in the Abu Dhabi property market.

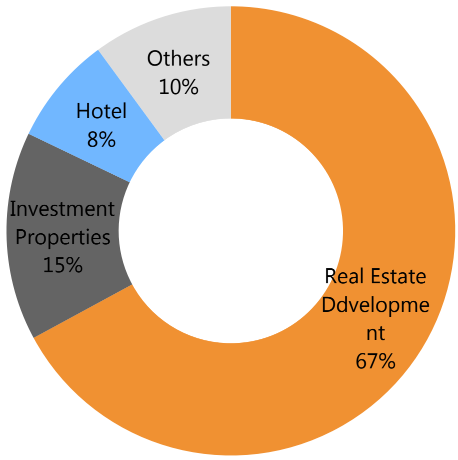
Decline in oil price/demand could impact Abu Dhabi's financial performance and, in turn, impact government's spending patterns on real estate and infrastructure.

Aldar in a nutshell

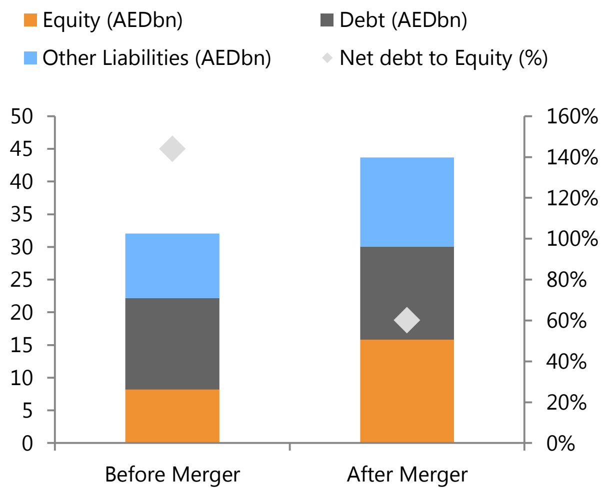
Aldar Sorouh merger: price allocation



Aldar 9M13 revenues break up (AED4.1bn)

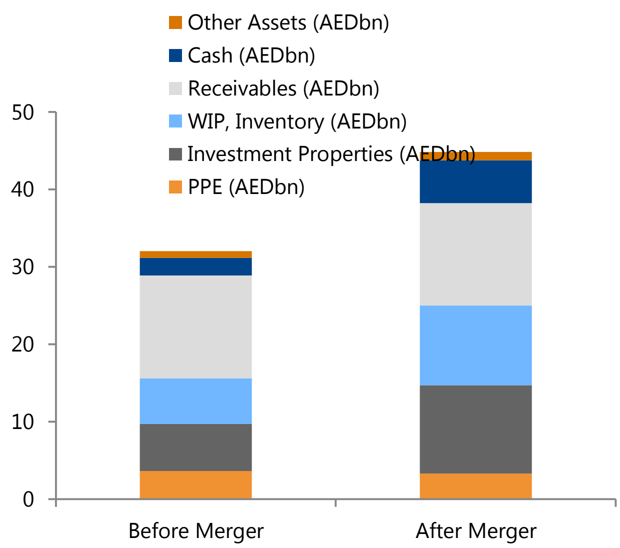


Aldar Balance sheet(liabilities) pre and post Merger



Source: Aldar, NAEEM Research

Aldar Balance sheet(Assets) pre and post Merger



Source: Aldar, NAEEM Research

Dar Al Arkan: A land bank story for now - ACCUMULATE

Investment Positives

We currently view DAAR purely as a value player. The company has a land bank of c.32msqm, waiting to be either sold as developed/ semi developed land at a good value, or be developed by the company.

DAAR stands to benefit from the growing real estate market in KSA driven by favorable demographics, government support to real estate and infrastructure, an undersupplied property market, and, most importantly, introduction of the new mortgage law.

It currently holds a small but growing lease portfolio which according to our projections should generate a rental run-rate of at least SAR120m. The leasing portfolio continues to grow with its long term potential depending a lot on DAAR's efficiency to manage and monetise its land plots and, re-invest the cash flows into its investment property portfolio.

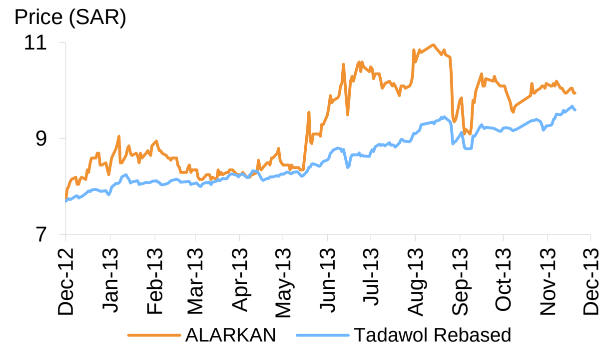
Landbank valuation a key for upside/downside. Dar Al Arkan generates almost 90% of its revenues from sale of developed land plots. We believe that a significant portion of future earnings and valuation would depend a lot on land valuation. However, the group has ambitious plans to improve earnings quality by expanding its recurring income portfolio and property development businesses; still contributing less than 10% of consolidated revenues.

We value DAAR at SAR10.29/share and recommend an ACCUMULATE. In absence of detailed information on land bank location and prices, we arrive at the land bank value using book. DAAR's management believes land valuation to be higher than the book value. For forecasts, we assume land bank sales of SAR3bn annually for the next three years. We value investment properties using a capitalization rate of 7.5% on free cash flows generated. Adjusted with cash, debt and other liabilities, this leads us to our sum of the parts (SOTP) valuation of SAR10.29/ share and implying an ACCUMULATE recommendation.

About the company: DAAR features as one of the leading residential real estate developers in KSA, having presence in Makkah, Madina, Jeddah, Riyadh and Dammam, with a land bank of c.32msqm. The company generates most of its revenues from developing land plots and selling them to retail buyers/developers. Lately, the company has also been focusing on strengthening its recurring revenue portfolio.

Recommendation	ACCUMULATE
Market Price (SAR)	9.35
Fair Value (SAR)	10.29
Upside Potential (%)	+10.1
Reuters Code	4300.SE
Bloomberg Code	ALARKAN.AB
Market Cap (SARm)	10,098
Market Cap (USDm)	2,726
Free Float (%)	84

ALARKAN vs. Tadawol (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (SARm)	3,313	3,557	3,378	3,537	3,712
Net profit (SARm)	1,088	989	835	913	1,042
EPS (SAR)	1.0	0.9	0.8	0.8	1.0
Net debt (SARm)	4,886	3,849	3,203	2,765	2,198
P/B(x)	0.6	0.6	0.6	0.5	0.5
P/E(x)	9.1	10.1	11.9	10.9	9.5
EV/EBIT(x)	11.8	11.6	12.0	11.1	9.7
ROE (%)	7.1	6.1	4.8	5.0	5.4
Total Debt/Equity(x)	0.5	0.3	0.3	0.3	0.3
Net Debt/Equity (x)	0.3	0.2	0.2	0.2	0.1
Int. Cov. (x)	5.9	4.5	4.4	5.1	6.4

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

DAR is a land bank story for now. Sale of developed land plots continues to remain as core business and cash flow driver for DAAR. DAAR holds a land bank of c.32msqm. located in Makkah, Madina Jeddah, Riyadh and Dammam; which it intends to develop and sell. Land is considered to be a key commodity in KSA with DAAR likely to benefit from growing demand for quality developed land plots.

Leasing portfolio is interesting, but currently too small to act as a catalyst. Management has ambitious plans to boost its recurring income base; targeting a 50% revenue proportion (after seven years), from the current rate of 3.6% (as of 9M13). Margin from the leasing business is also expected to improve from current levels of 57.7% (9M13). We believe that given the relatively small size of the leasing portfolio, the stock is likely to be driven mainly by performance from the land development business.

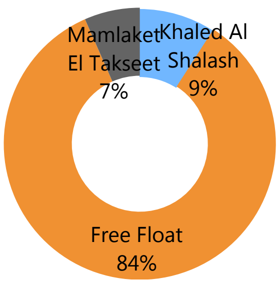
No immediate financing needed. DAAR improved its balance sheet during 9M13, with net debt-to-equity ratio improving to 23% from 24% as of end- 2012; mainly due to increasing cash flows. This low-leverage should help Dar's future needs, should there be strategy to expand on its investment property portfolio.

Likely to benefit from the growing real estate market in KSA. The outlook for the real estate sector in KSA looks promising on the back of KSA's favourable demographics, current housing gap of 500,000 units, growing urbanization, increasing access to financing due to easy mortgages, and above all, the lack of speculative demand.

DAAR's SOTP valuation

	SARm	SAR/share
KSA land Bank	9,326	8.55
Development Property	2,705	2.50
Investment Property	1,670	1.55
Other Assets	1,047	0.97
Net Debt	(3,545)	(3.28)
NAV/ Fair Value/ TP	**11,113**	**10.29**

Shareholder structure



Source: Companies Data, NAEEM Research

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in SARm unless otherwise indicated					
Revenues	3,313	3,557	3,378	3,537	3,712
Gross profit	1,370	1,394	1,274	1,335	1,442
GPM (%)	41.3	39.2	37.7	37.8	38.8
EBIT	1,251	1,184	1,091	1,146	1,245
EBIT margin (%)	37.8	33.3	32.3	32.4	33.6
Net income	1,088	989	835	913	1,042

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in SARm unless otherwise indicated					
Revenue	729	1,605	836	681	722
GPM (%)	45.2	49.8	44.9	30.6	42.5
EBIT margin (%)	37.1	35.6	38.1	25.5	35.7
Net profit	221	384	238	104	183

Source: Company data, NAEEM Research

Key risks

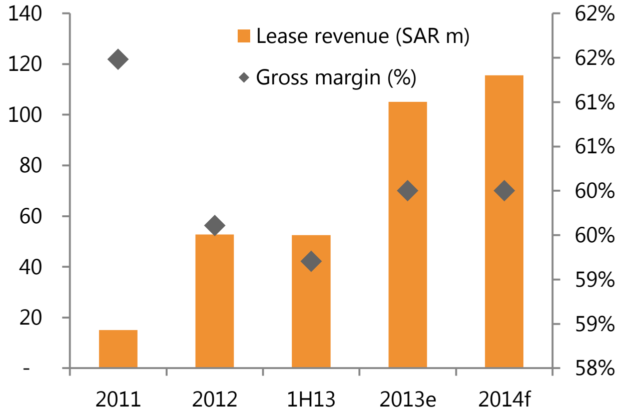
Delay in sale of land: As Dar currently depends a lot on sale of developed land plots, any delay in land sales will have a significant impact on earnings, and cash flows.

Decline in land prices could result in lower sale: A decline in land price also could have an impact on land sale, as the company may hold on to its inventory of land in anticipation of realisation of higher prices in the future.

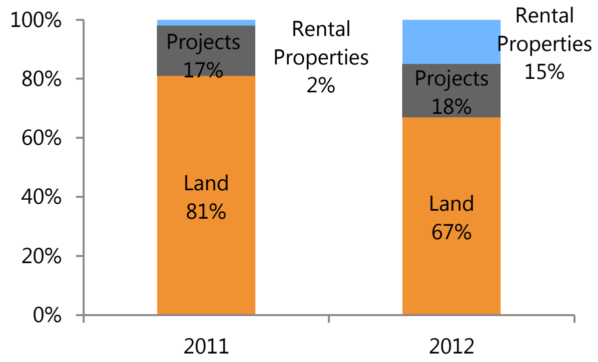
Falling crude oil prices could put pressure on GCC fiscal budgets. Any slowdown in sovereign spending could reduce demand significantly, bringing back tough times for developers such as DAAR.

DAAR in a nutshell

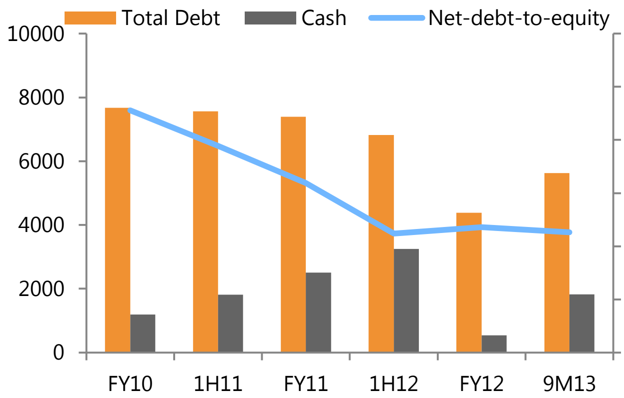
Leasing revenues(SARm) and gross profit margins



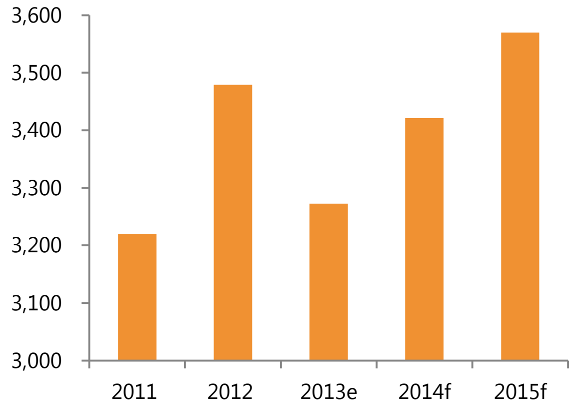
Revenue distribution



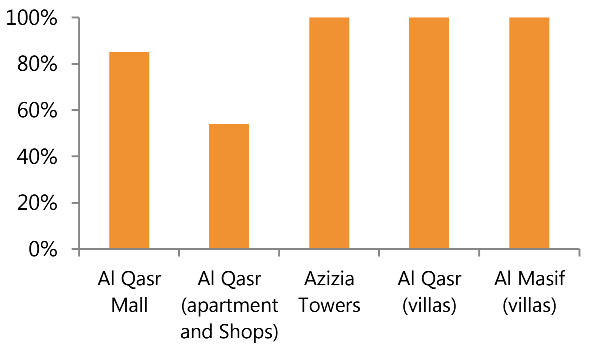
Debt (SARm), Cash (SARm) and leverage



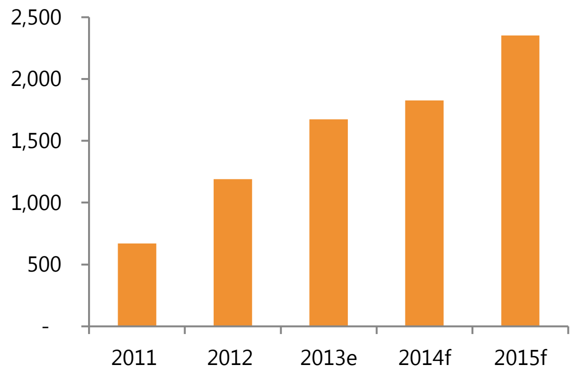
Revenues from land sale (SARm)



Occupancy rates at DAAR's investment property (%)



Working Capital requirement (SARm)



Source: Company data, NAEEM Research

Source: Company data, NAEEM Research

AMER GROUP

Likely to rebound in 2014 - Accumulate

Investment Positives

Family-oriented real estate and hospitality developer: Amer is a leading family-oriented destination developer in Egypt. The group differentiates itself from other developers with the brand "Porto" which has helped the company in creating a unique client perception within its target market in Egypt. Apart from developing real estate destinations, it also operates in retail through shopping malls, hospitality through hotels, and a restaurant chain.

Poor 9M13 performance, but new sales stood well. Amer witnessed a significant YoY drop in the 9M13 net income; falling to EGP18.6m compared to EGP191.3m in 9M12. The drop was attributed to higher operating costs and weak performance across all segments (real estate, restaurants, hotels and malls). For 3Q13, net income came in at EGP1.5m, down 90% YoY and 2% QoQ, while revenues amounted to EGP213m, down 42% YoY and 4.9% QoQ. However, new sales during 9M13 stood at EGP2.8bn, up 55.6% YoY compared to EGP1.8bn in 9M13. During 3Q13, the company achieved new sales worth EGP600m. However, this number is subject to risk of cancellations and collection of receivables. We expect Amer to perform better in 2014, foreseeing new project launches and higher deliveries compared to 2013.

Hotel and shopping mall businesses continue to struggle with lower revenues and higher operating costs. Revenues were hurt mainly by low occupancy rates at its destinations that are mostly seasonal. The fact that Amer operates mostly in the second homes market and, with most of its hotel and mall destinations being seasonal, the company's performance is vulnerable to cyclicality unlike other home developers. The group also has ambitious plans to become an equally strong player in the first home market, and has already announced several projects (including Porto October, Porto New Cairo etc.)

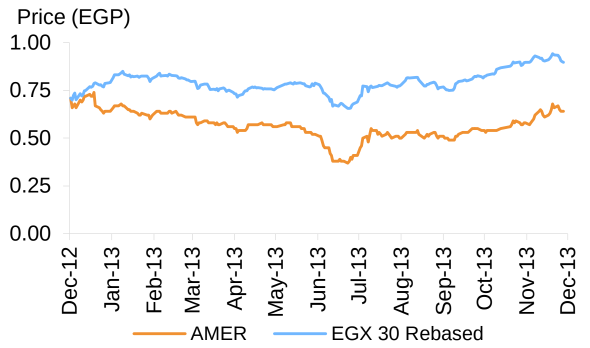
Amer maintains a healthy cash position. The group's cash balance as of 9M13 stood at EGP707m, as against total borrowings of EGP234m. Amer also aims to issue new securitised debt amounting EGP400m–500m using its existing receivables from current projects. The company aims for the issuance early 2014 and intends to use the proceeds for existing projects, helping deliver more units during 2014.

We value AMER at EGP0.70/share with an ACCUMULATE rating.

We value Amer Group using sum-of-the-parts methodology at EGP0.70/share with an ACCUMULATE recommendation. A significant portion of our valuation is derived from the real estate business which has been the core cash generator for the stock. We have also separately valued Amer's other businesses such as restaurants, shopping malls, hotels and the Porto Vacation club

Recommendation	ACCUMULATE
Market Price (EGP)	0.64
Fair Value (EGP)	0.70
Upside Potential (%)	+9.4
Reuters Code	AMER.CA
Bloomberg Code	AMER.EY
Market Cap (EGPm)	1.945
Market Cap (USDm)	282
Free Float (%)	19

AMER vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (EGPm)	1,048	1,156	880	1,023	1,125
Net Profit (EGPm)	247	163	30	157	175
EPS (EGP)	0.1	0.1	0.1	0.15	0.1
Net Debt (EGPm)	13	(96)	(474)	(349)	(254)
P/B(x)	1.0	1.0	1.0	1.0	0.9
P/E(x)	8.0	12.1	NM	12.6	11.3
EV/EBIT(x)	8.5	7.5	NM	7.9	7.7
ROE (%)	11.9	8.6	1.6	7.5	7.8
Total Debt/Equity(x)	0.2	0.1	0.1	0.1	0.1
Net Debt/Equity (x)	0.0	(0.1)	(0.2)	(0.2)	(0.1)
Int. Cov. (x)	15.9	6.3	6.0	13.6	15.0

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

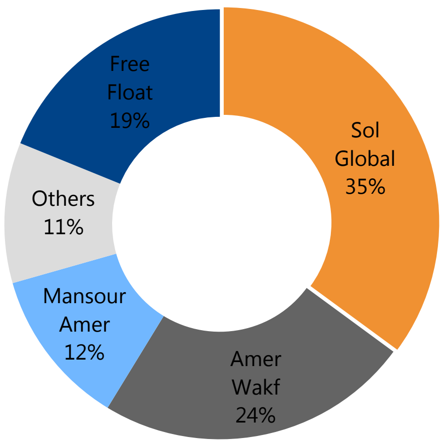
Syria project outlook remains questionable: The outlook for the group's project in Syria remains questionable; an amount of EGP261m has already been invested as of June 2013. The project is still under development, with the Hotel currently operational and real estate construction ongoing.

4Q13 likely to remain subdued. We expect 4Q13 to be subdued amidst lower turnout at touristic destinations, as well as slower deliveries in the real estate business. While we expect Amer's performance to improve in 2014, we await to see the 4Q13 results to gather more visibility on new project launches and deliveries.

Amer Group SOTP valuation

	EGPm	EGP/share
Real Estate	734	0.24
Hotels and Restaurants	405	0.13
Other Assets (incl. Syria)	501	0.16
Net Debt/ Cash, Other Liabilities	474	0.16
NAV/ Fair Value/ TP	2,114	0.70

Shareholder structure



Source: Company Data, NAEEM Research

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in EGPm unless otherwise indicated					
Revenues	1048	1,156	880	1,023	1,125
Gross Profit	409	540	311	418	506
GPM (%)	39.1	46.7	35.4	40.9	45.0
EBIT	*235*	249	60	205	225
EBIT Margin (%)	*22.4*	21.6	6.8	20.0	20.0
Net Income	247	163	30	157	175

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in EGPm unless otherwise indicated					
Revenue	369	278	215	224	213
GPM (%)	*49.1*	*48.8*	*35.9*	*32.8*	*37.0*
EBIT Margin (%)	*30.3*	*1.2*	*12.1*	*1.3*	*6.5*
Net Profit	67	(40)	16	2	3

Source: Company data, NAEEM Research

Key risks

Lack of investor appetite for second homes market.

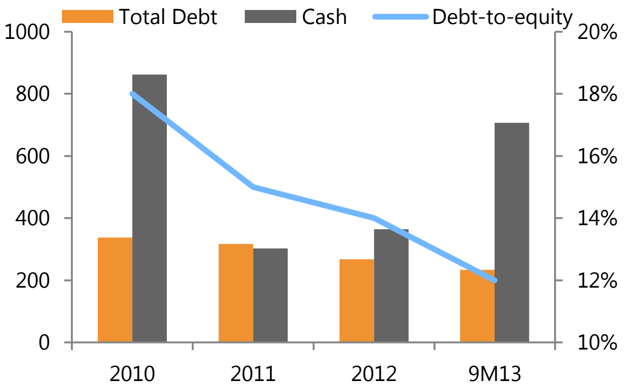
Hotel business currently incurring operational losses could continue to see weakness for the near term.

Further delays in deliveries and execution could impact margins much more than expected.

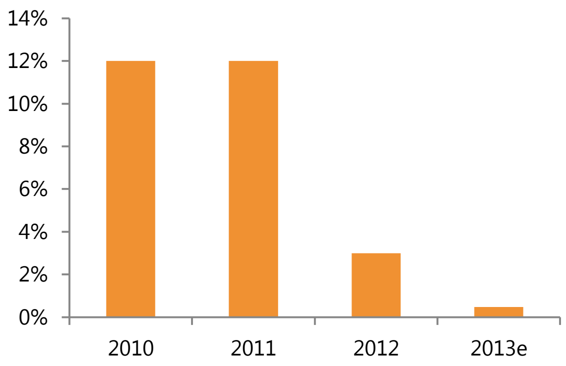
Project in Syria lacks visibility amidst the on-going political impasse.

Amer in a nutshell

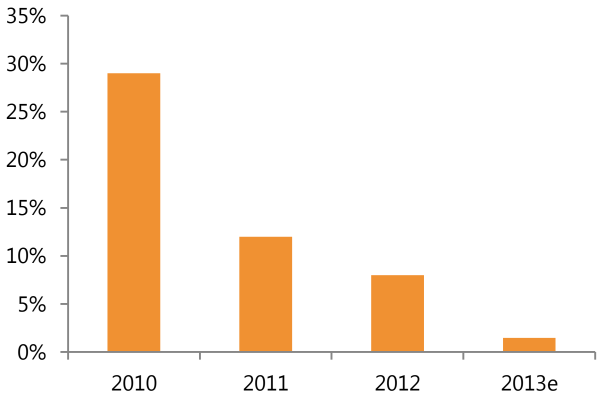
Cash, debt and net-debt-to-equity pattern



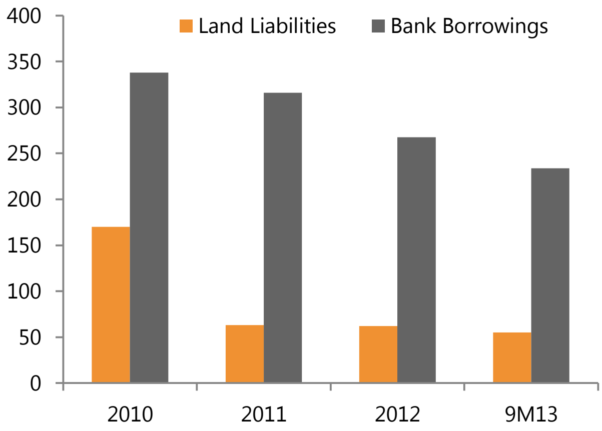
Amer's Return on Assets (%)



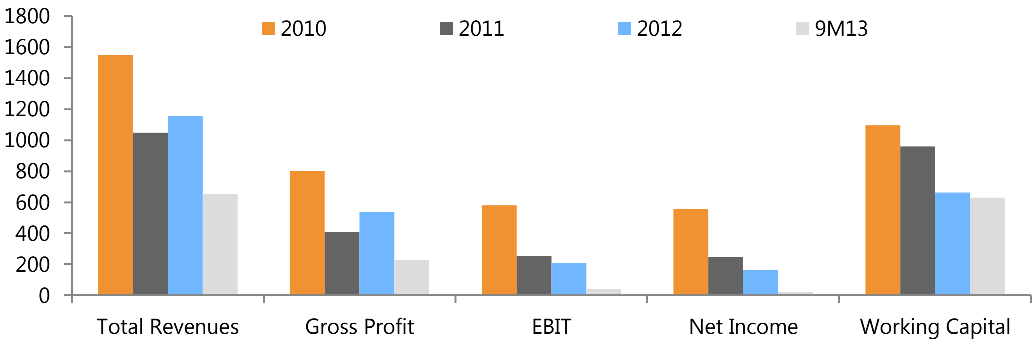
Amer's Return on Equity (%)



Amer's Bank and Land Liabilities (EGPm)



Amer's Financial Performance 2010-9M13 (EGPm)



Source: Company data, NAEEM Research

DEYAAR DEVELOPMENT

Restructuring done, getting ready for a new phase - ACCUMULATE

Investment Positives

Looking forward to a new phase: Like most UAE property developers, Deyaar's financial performance was impacted, post the 2008 financial crisis which hit the property market in Dubai. Deyaar has completed its restructuring plans and is now looking forward to a new growth phase. Post the crisis, Deyaar's financial performance in 2011, 2012 and YTD2013, has reflected steady improvements; after reporting a record AED2.87bn loss for 2010. In 9M13, it reported a bottom-line of AED87m compared to AED33m in 9M12.

New project launch: Deyaar has recently sold an office tower in the business bay district for USD38m and is currently working on plans to build two additional towers in the same neighbourhood. Given the recent surge in property prices and continuous flow of investor petite for Dubai real estate, we believe that the new developments should help Deyaar generate additional cash flows.

Deyaar is a relatively small but an important player in the UAE: Deyaar is a relatively smaller player within the UAE real estate space, but stands out because of its unique property portfolio (Business Bay in Dubai) and with its footprint in property management, facilities management and owners association. Deyaar is one of the largest property management companies in the UAE with 17,000 residential, commercial and retail units in its books.

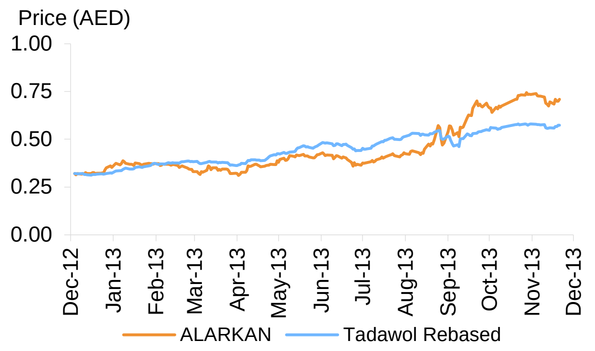
Likely to benefit from Dubai's real estate recovery: We view Deyaar as a key beneficiary from Dubai's growing real estate market.

We value Deyaar at AED0.83/share and recommend an Accumulate. We calculate Deyaar's NAV by valuing its existing assets and liabilities at carrying value (as per balance sheet) and apply necessary premiums and discounts depending on the prevailing land prices and property prices in Dubai. Our valuation yields an NAV of AED0.83/share and implies an ACCUMULATE recommendation on the stock.

About the company: Deyaar is a Dubai based real estate developer with its asset portfolio including prime location properties in Dubai including Dubai Marina, Al Barsha, DIFC and Jumeirah Lake Towers. Deyaar's operations are divided across four business segments namely; property development, property management, facilities management and owners association management

Recommendation	ACCUMULATE
Market Price (AED)	0.77
Fair Value (AED)	0.83
Upside Potential (%)	+7.4
Reuters Code	DEYR.DU
Bloomberg Code	DEYAAR.UH
Market Cap (AEDm)	4,449
Market Cap (USDm)	1,216
Free Float (%)	59.02

DEYAAR vs. DFM (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

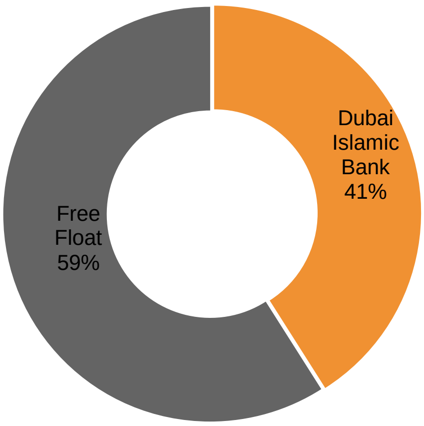
Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (AEDm)	806	552	557	631	690
Net Profit (AEDm)	38	39	119	115	136
EPS (AED)	0.0	0.0	0.0	0.0	0.0
Net Debt (AEDm)	576	619	624	634	648
P/B(x)	1.1	1.1	1.1	1.0	1.0
P/E(x)	NM	NM	NM	NM	NM
EV/EBIT(x)	NM	NM	NM	NM	NM
ROE (%)	NM	NM	NM	NM	NM
Total Debt/Equity(x)	0.2	0.2	0.2	0.2	0.3
Net Debt/Equity (x)	0.1	0.2	0.2	0.2	0.2
Int. Cov. (x)	NM	1.5	5.8	4.2	4.7

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

Deyaar valuation

	AEDm	AED/share
Value of land	2,373	0.43
Development Properties	2,383	0.28
Other Assets including JV	1,217	0.25
Net Debt, Other Liabilities	(1,185)	(0.21)
NAV/ Fair Value/ TP	**4,787**	**0.83**

Deyaar Shareholder structure



Source: Company data, NAEEM Research

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in AEDm unless otherwise indicated					
Revenues	806	552	557	631	690
Gross Profit	99	199	254	264	295
GPM (%)	12.3	36.0	45.5	41.8	42.7
EBIT	*(99)*	*94*	*224*	*162*	*183*
EBIT Margin (%)	*NM*	*17.0*	*40.2*	*25.7*	*26.5*
Net Income	38	39	119	115	136

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in AEDm unless otherwise indicated					
Revenue	137	121	204	94	104
GPM (%)	*33.0*	*37.0*	*23.9*	*97.7*	*52.6*
EBIT Margin (%)	*14.1*	*17.0*	*12.2*	*110.2*	*52.6*
Net Profit	5	5	19	27	40

Source: Company data, NAEEM Research

Key risks

Inability to execute projects on time could impact results.

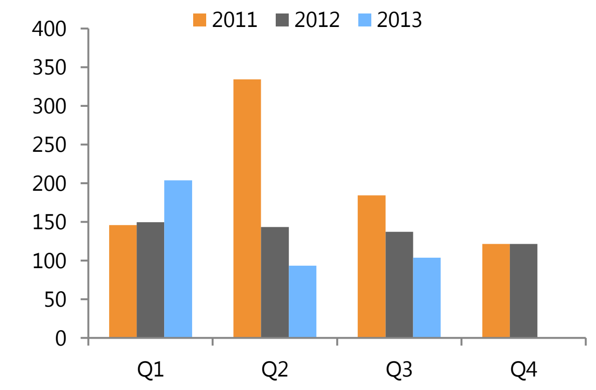
A slowdown in Dubai Real estate will negatively affect Deyaar.

Abu Dhabi's spending spree/support to Dubai is crucial for Deyaar, like in the case of other property developers in the UAE.

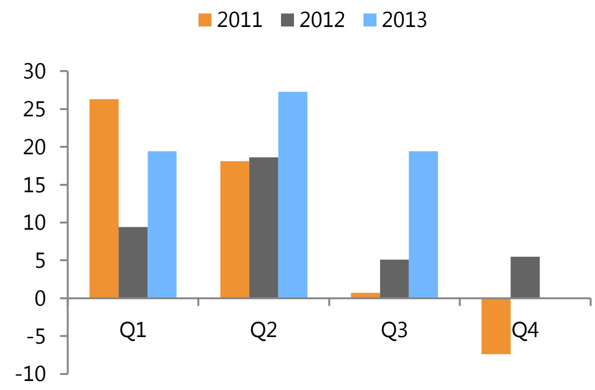
Stiff competition from other larger developers for unit sales.

Deyaar in a nutshell

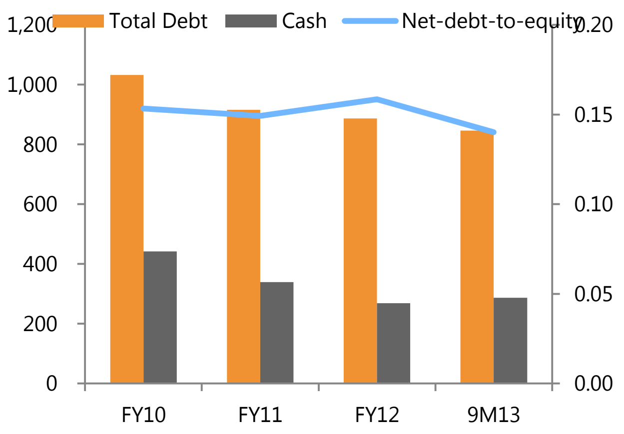
Deyaar: Quarterly revenues (AED mn)



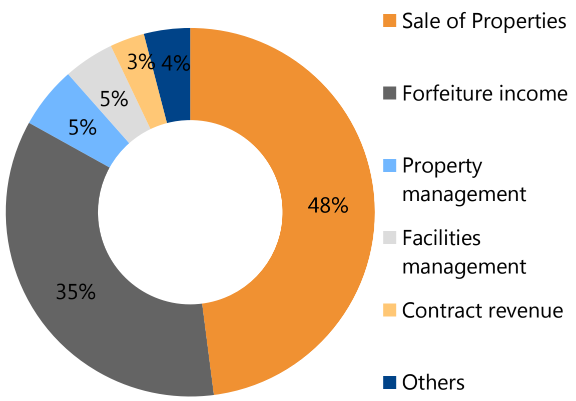
Deyaar: Quarterly net income (AED mn)



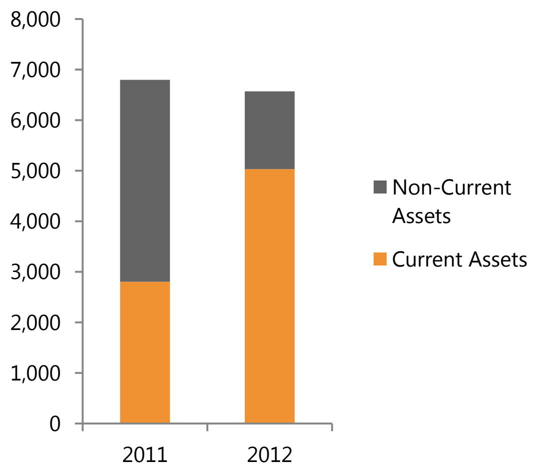
Revenue, EBITDA, and net profit (YoYΔ)



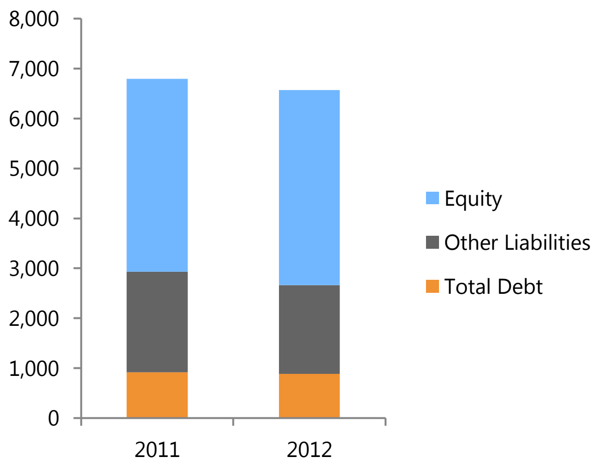
Breakdown 2012 revenues



Deyaar Assets break up



Deyaar liabilities break up



Source: Company data, NAEEM Research

Source: Company data, NAEEM Research

Union Properties

An underpenetrated story - ACCUMULATE

Investment Case, Valuation and Risks

New projects, better earnings visibility expected. UPP is expected to launch six new projects, amounting to AED1.5bn, with major part of the funding to come from off plan sales. It is also mulling to secure AED800m of additional funding for its upcoming projects. We expect more visibility over UPP's property portfolio after the launch of these projects, as the group has already delivered a significant portion of its existing backlog (units sold earlier but not delivered). On the earnings front, we expect 2014 to be a better year as against 2013 due to higher sales coming from new projects, as well as better earnings visibility (following the launch of new projects). The chairman indicated the possibility of a dividend in 2014, given the recovery in UPP's financial performance.

3Q13 performance solid: UPP's 3Q13 net came in at AED172m, up 52% QoQ and more than double YoY. Revenues jumped significantly to AED1.16bn compared to AED427m in 2Q13 and AED328m in 3Q12. This was mainly due to higher revenues coming from property management and hand-overs. Gross profit margin stood at 14% in 3Q13, compared to 16% in 3Q12 and 9% in 2Q13. UPP still has total debt of AED1.6bn (AED496m short term) as against a cash balance of AED361m. We believe that cash received from property/land sales as well as collection of receivables, should take care of UPP's near term debt obligations. In our opinion, the company does not need to raise additional debt or restructure its existing debt

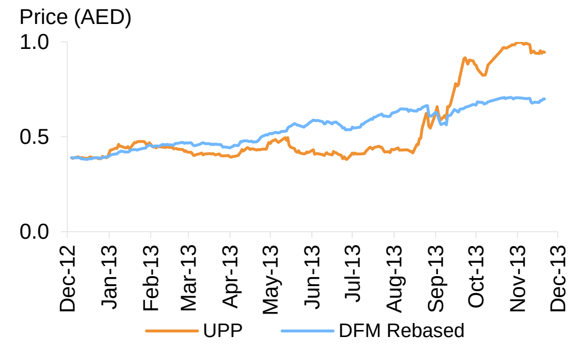
Increase in foreign ownership limits, a catalyst for the stock. UPP has earlier announced of increasing foreign ownership limits in the company (subject to the shareholders' approval). The management is expected to submit a proposal to the board by December 2013, stating the extent for the cap on the amended foreign ownership limit and to be put across for shareholders' approval. The increase in foreign shareholder limit should be an added boost to the stock, given the underlying recovery in the real estate market, as well as UAE being part of the MSCI emerging market universe

We value UPP at AED1.16/share and recommend an ACCUMULATE. We calculate UPP's NAV by valuing its assets and liabilities at carrying value and apply necessary premiums and discounts based on prevailing land price as well as property prices in Dubai. Our valuation yields an NAV of AED1.16/share and implies an Accumulate

About the company: Union Properties, together with its subsidiaries, engages in the investment, development, management, construction, and sale of real estate properties in Dubai.

Recommendation	ACCUMULATE
Market Price (AED)	1.09
Fair Value (AED)	1.16
Upside Potential (%)	+6.7
Reuters Code	UPP.DU
Bloomberg Code	UPP.UH
Market Cap (AEDm)	3,670
Market Cap (USDm)	1,002
Free Float (%)	65

UPP vs. DFM (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

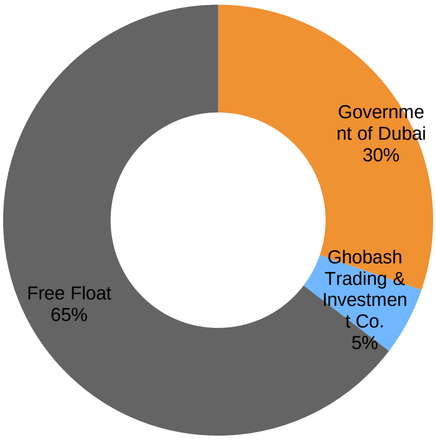
Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (AEDm)	4,925	1,642	2,528	2,780	3,058
Net Profit (AEDm)	(1,570)	176	604	531	565
EPS (AED)	(0.5)	0.0	0.2	0.2	0.2
Net Debt (AEDm)	3,654	3,415	1,034	759	656
P/B (x)	1.5	1.4	1.3	1.1	1.0
P/E (x)	NM	36.0	5.9	6.7	6.3
EV/EBIT (x)	12.7	NM	22.0	10.0	8.8
ROE (%)	NM	6.9	22.4	16.8	15.4
Total Debt/Equity(x)	1.6	1.4	0.6	0.3	0.2
Net Debt/Equity (x)	1.5	1.3	0.4	0.2	0.2
Int. Cov. (x)	NM	NM	1.7	1.5	1.3

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

UPP valuation

	AEDm	AED/share
Value of IP	3,145	0.93
Development Properties	157	0.05
Other Assets	1,919	0.57
Net Debt, Other liabilities	1,301	0.39
NAV/Equity value	**3,921**	**1.16**

UPP Shareholder structure



Source: Company data, Naeem Research

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in AEDm unless otherwise indicated					
Revenues	4,925	1,642	2,528	2,780	3,058
Gross Profit	741	243	309	626	688
GPM (%)	15.0	14.8	12.2	22.5	22.5
EBIT	565	98	207	431	474
EBIT Margin (%)	*11.5*	*6.0*	*8.2*	*15.5*	*15.5*
Net Income	(1,570)	176	604	531	565

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in AEDm unless otherwise indicated					
Revenue	328	310	308	427	1160
GPM (%)	*16.2*	*9.7*	*10.2*	*7.7*	*14.4*
EBIT Margin (%)	*5.9*	*NM*	*2.3*	*1.7*	*12.2*
Net Profit	50	20	22	113	172

Source: Company data, NAEEM Research

Key risks

Inability to execute projects on time could impact results.

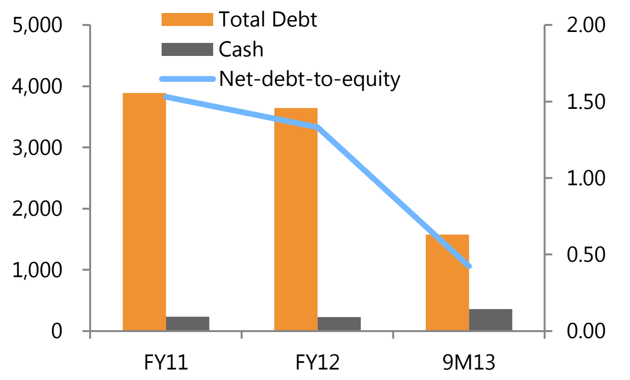
A slowdown in Dubai Real estate will negatively affect UPP.

Abu Dhabi's spending spree/support to Dubai is crucial for UPP, like in the case of other property developers in the UAE.

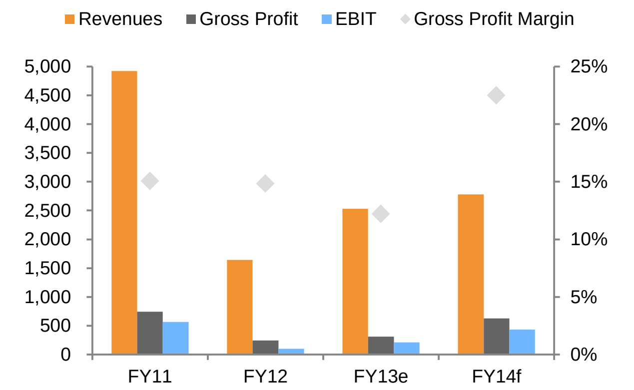
Higher competition from other developers.

UPP in a nutshell

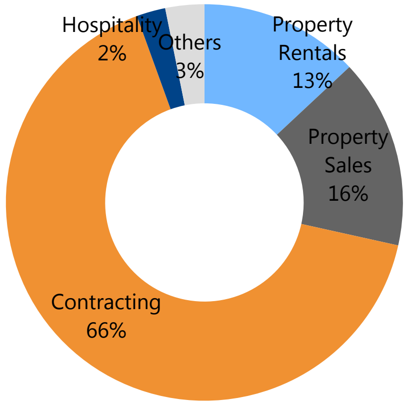
UPP Debt and Cash position



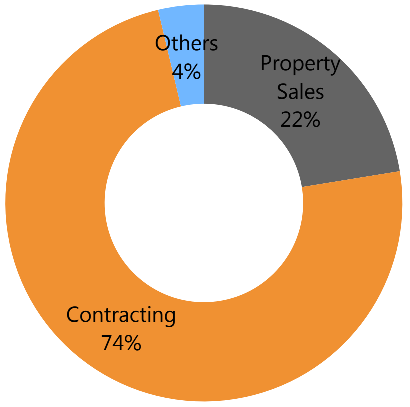
Income Statement indicators



FY12 Revenues break up (AED1.6bn)



1H13 Revenues break up (AED0.7bn)



Source: Company data, NAEEM Research

Source: Company data, NAEEM Research

NAEEM

EGYPTIAN RESORTS GROUP

Wait for land sales to resume - REDUCE

Investment Positives

We wait for land sales to resume. We believe that the legal outcome of Sahl Hasheesh could provide a breather to the stock. However, from a longer term perspective, ERC needs to provide more visibility with respect to its capacity to achieve revenues by selling land plots. Additionally, as ERC 's land bank is concentrated on a single location (Sahl hasheesh which is about 20kms away from the Hurghada International Airport), it still needs to be established and fully developed as a destination in order for ERC to reap full benefits of its upcoming developments

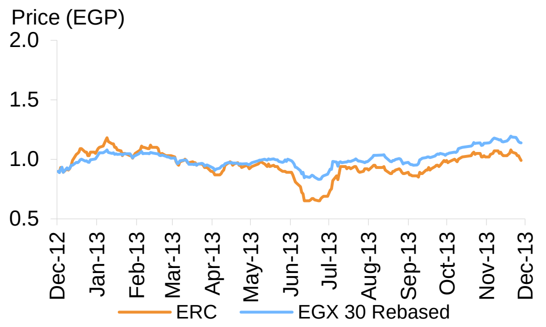
Clarity over disputed Phase-3 Sahl Hasheesh could be a turning point. Sahl Hasheesh is ERC's biggest project with the ongoing land dispute evidently impeding new sales by delaying commencement of infrastructure work on the project. The current state of political uncertainty in Egypt only adds as another drag to the land bank allocation issues which have been impacting sentiments since 2011. ERC has already paid USD7.5m for Phase-3 (roughly 20% of the total amount), with the company being eligible for refund in the case of an unfavorable outcome. Interestingly, ERC has already prepared a backup plan, adding bandwidth to shift its focus towards retail consumers instead of targeting sub-developers for its remaining land bank. Another option could be of purchasing additional land near Phase-2 from the refund, and commencing on projects at Phase-1 and 2. The strategy clearly suggests management's aim to be back in the business of land sales as soon as feasible, given the background of the company not having done any sizeable land sales since 2008. ERC blames the current political situation as being the main reason behind delays in the land dispute outcome, and slowdown in demand for land plots (both by retail investors as well as sub-developers)

We value ERC at EGP0.83/share with a REDUCE rating. ERC has been fairly inactive in its operations. Hence, we value the company based on its book and then apply a discount on account of the ongoing dispute over Sahl Hashesh, as well as lack of clarity over future revenues. We arrive at a fair value of EGP0.83/share after applying a 30% discount on Equity valuation. Any clarity over Sahl Hashesh and future revenue visibility should trigger re-rating of the stock.

About ERC: Egyptian Resorts Group (ERC) is a developer of fully integrated communities in Egypt. ERC acquires raw land, and then invests in infrastructure to develop the place as a community. It then tries to sell the land plots to sub-developers as well as individuals. While doing so, it also offers community management services such as utilities, maintenance etc. ERC holds land bank of 40msqm

Recommendation	Reduce
Market Price (EGP)	1.00
Fair Value (EGP)	0.83
Potential (%)	-17.0
Reuters Code	EGTS.CA
Bloomberg Code	EGTS EY
Market Cap (EGPm)	1,050
Market Cap (USDm)	152
Free Float (%)	32

ERC vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Financial indicators and valuation multiples

Year to 31 Dec.	2011a	2012a	2013e	2014f	2015f
Revenue (EGPm)	31	40	50	87	160
Net Profit (EGPm)	(0)	(99)	(7)	(1)	20
EPS (EGP)	(0.0)	(0.1)	(0.0)	(0.0)	0.0
Net Debt (EGPm)	(101)	(88)	(66)	(63)	(68)
P/B(x)	1.1	1.2	1.2	1.2	1.2
P/E(x)	NM	NM	NM	NM	NM
EV/EBIT(x)	NM	NM	NM	NM	NM
ROE (%)	NM	NM	NM	NM	NM
Total Debt/Equity(x)	NM	NM	NM	NM	NM
Net Debt/Equity (x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Int. Cov. (x)	NM	NM	NM	NM	NM

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

Business activity remains subdued amidst lack of land sales and uncertainty over land title clearance. ERC continues to suffer from poor financial performance, as the company fails to make any significant sale of land plots. Land sale has been the principal revenue generating activity for the company in the past. ERC also generates revenues from utilities and community services; however the cash generated from this business is not enough to cover costs. Whilst the business model has potential to generate stable cash flows in the long run, the prevailing low occupancy rates and slower growth in development, act as a major headwind towards sustained profitability.

Liquidity still working as a backup in absence of business. ERC still holds cash worth EGP139.4m and receivables worth EGP378.9m as of June 2013. We believe existing liquidity as being sufficient to take care of short term financing and capex requirements (mainly in utilities and infrastructure segment). However, ERC needs to monetize its land bank and start generating revenues in order to be in better financial shape in the long term.

ERC's valuation

	EGPm	EGP/share
Investment Properties	360	0.34
WIP and Receivables	930	0.89
Liabilities and Dues	(260)	(0.25)
Net Cash	66	0.06
Equity Value	1,096	1.04
Discount on land Dispute	(219)	(0.21)
NAV/ Fair Value / TP	**877**	**0.83**

Key performance indicators

	2011a	2012a	2013e	2014f	2015f
Figures in EGPm unless otherwise indicated					
Revenues	31	40	50	87	160
Gross Profit	2	(11)	(11)	(4)	16
GPM (%)	6.4	NM	NM	NM	NM
EBIT	*(30)*	*(136)*	*(61)*	*(54)*	*(34)*
EBIT Margin (%)	*NM*	*NM*	*NM*	*NM*	*NM*
Net Income	(0)	(99)	(7)	(1)	20

Source: Company data, NAEEM Research

Quarterly results snapshot

	3Q12	4Q12	1Q13	2Q13	3Q13
Figures are in EGPm unless otherwise indicated					
Revenue	7	41	14	6	5
GPM (%)	*NM*	*NM*	*NM*	*NM*	*NM*
EBIT Margin (%)	*NM*	*NM*	*NM*	*NM*	*NM*
Net Profit	(8)	(110)	(2)	(94)	(10)

Source: Company data, NAEEM Research

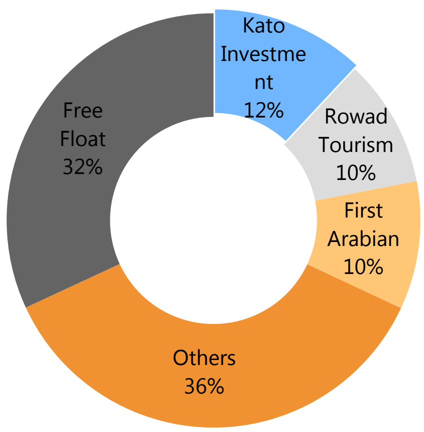
Upside Potential

Better than expected land sales: Higher than expected revenue from land sales, and better visibility of revenues from land sale could help ERC's financial performance.

A favourable outcome on Sahl hashesh land dispute case before 1Q2014 is also an upside risk to our Reduce rating.

An improvement in overall investor sentiment and higher tourist arrivals will have a favourable impact on ERC's stock performance, going forward.

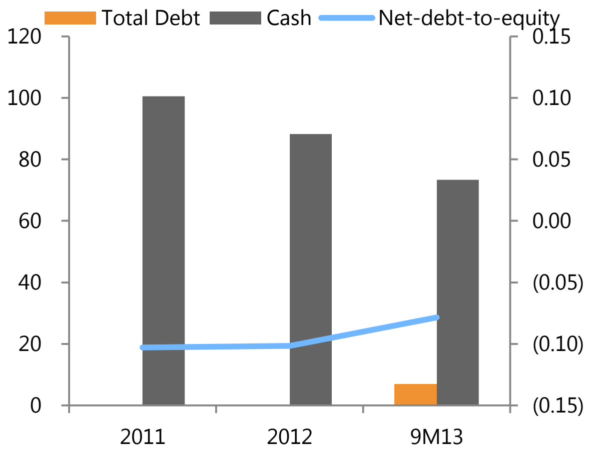
Shareholder structure



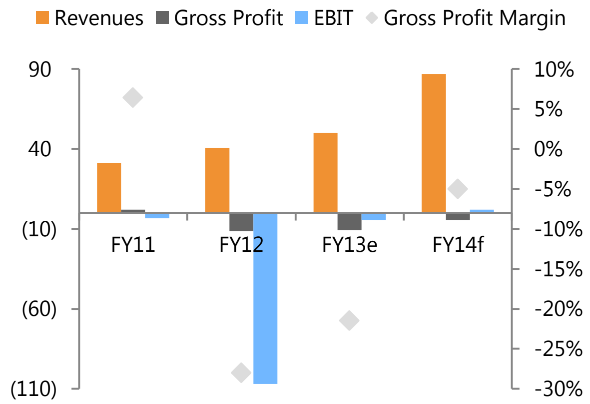
Source: Company Date, Naeem Research

ERC in a nutshell

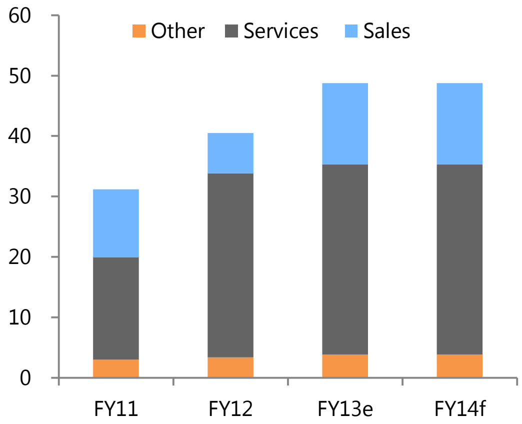
Cash (EGPm), debt(EGPm), net-debt-to-equity pattern



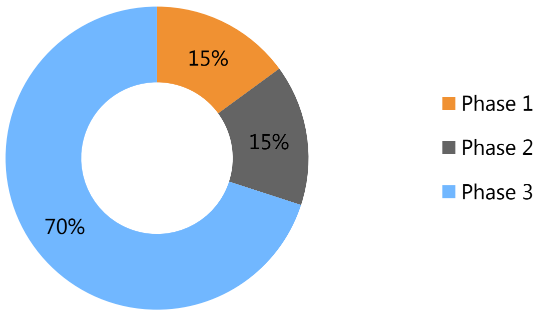
Revenues(EGPm), Gross Profit(EGPm) and Margins



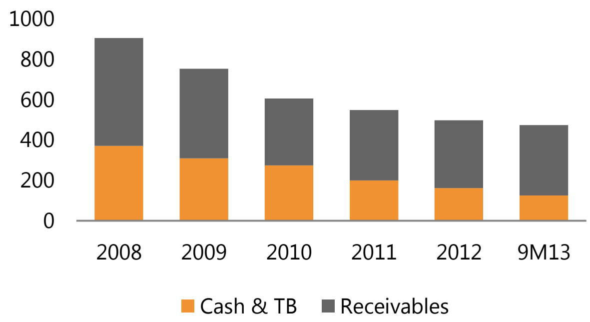
Revenue Segmentation(EGPm)



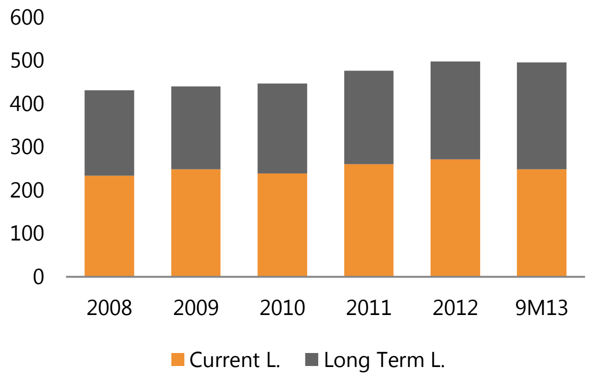
Land Bank Breakup(40m sqm in Sahl Hashesh)



Consolidated Liquid Assets (EGPm)



Consolidated Liquid Liabilities (EGPm)



Source: Company data, NAEEM Research

Source: Company data, NAEEM Research

Reacap Financial Investments

Company Background

REACAP is a real estate company based in Egypt, having total assets of EGP820m as of September 2013. The company's assets mainly consist of residential and administrative developments located in Greater Cairo. It also owns 13,452 sqm of land on a prime location in Alexandria, and 504,988 sqm of land in Marsa Allam.

Property portfolio

Greater Cairo/ Smart Village: Svreico Real Estate Investment (68% owned by Reacap), one of Reacap's subsidiaries, possesses 600 acres of land in the potential business hub of Egypt located in the western suburb of Cairo. The company owns 12 land plots and properties with a total land area of 25,185 sqm

Greater Cairo/ 6th October: Reacap owns 169 residential units in two of the most luxurious residential complexes in 6th of October. Its portfolio consists of 100 fully finished units in Palm Park Compound along with their private gardens and roofs. This compound is located close to the Media Production City, Smart Village and 6th of October airport. Moreover, it owns 28 fully residential units and 41 semi-furnished units in Casa Royale Compound, a luxurious complex next to SODIC's Allegria and Westown, with more than 1,800 residential units.

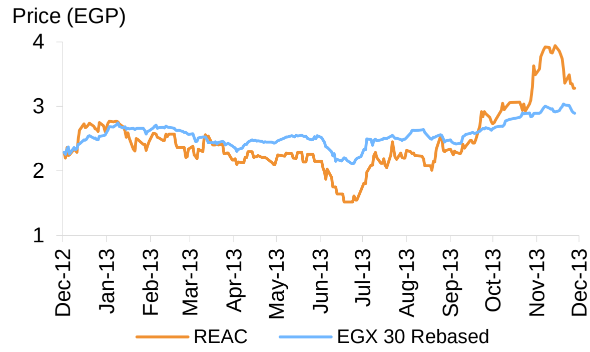
Marsa Allam, Red Sea: The company owns a 504,988 sqm land plot in one of the distinctive areas in Marsa Allam. The land is allocated for establishing an integrated tourism resort that directly overlooks the Red Sea coast comprising more than 400 meters. The coast will be transformed into a private beach with all the tourism attractions as well as diving facilities. The land plot is located 15km from the heart of Marsa Allam.

Alexandria: Nail Palm Naeem (49% owned by Reacap) owns 13,452 sqm of land in Mostafa Kamel, Alexandria. The land is located in a distinct area overlooking the Corniche and is anticipated to be converted into one of the best residential, commercial and administrative centers in Alexandria.

^Important Disclaimer: NAEEM Holding and its management together own 83,994,956 shares or 76% of REACAP. NAEEM Holding refrains from issuing any recommendation or valuation for the company.

Recommendation^	**NA**
Market Price (EGP)	3.34
Fair Value (EGP)^	NA
Upside Potential (%)^	NA
Reuters Code	REAC.CA
Bloomberg Code	REAC. EY
Market Cap (EGPm)	354
Market Cap (USDm)	51
Free Float (%)	23.08

REAC vs. EGX30 (rebased)



Source: Bloomberg, NAEEM Research

Historical Financial indicators

Year to 31 Dec.	2010a	2011a	2012a	9M13
Revenues	3	29	1	1
Net Income	(22)	(4)	(5)	(28)
Work in progress	640	611	375	382
Investment in Associates	0	109	120	120
Inventory	0	0	214	182
Total Assets	900	927	866	820
Equity/ Book Value	NM	522	475	447
Outstanding shares	109.2	109.2	109.2	109.2
Book Value per share	(0.04)	4.78	4.35	4.10

Source: Company data, NAEEM Research
Closing price as of 10 December 2013

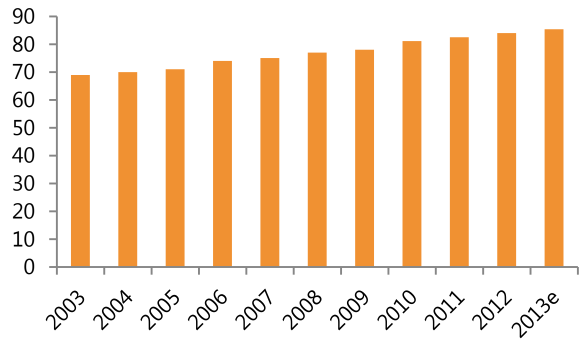
Egypt's Real Estate Sector

Favorable demographics with a growing young population continues to act as a driver

48% of the population is between the ages of 15-45, marking Egypt as a young country

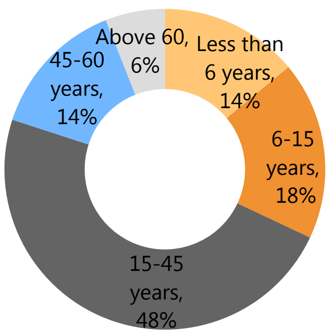
Egypt offers an attractive demographic profile. Strong pent-up demand for primary homes comes from a growing population (c.87m, growing 2% yearly with almost 50% between 15 and 45 years of age). In contrast to this growing demand, the country has a shortage in supply of quality homes. Unlike most other MENA countries, Egypt relies more on tourism, manufacturing and agricultural sectors, rather than just oil and gas. These factors make up for a significant portion of GDP, acting as key drivers for economic growth.

Egypt's population in m (2003-13)



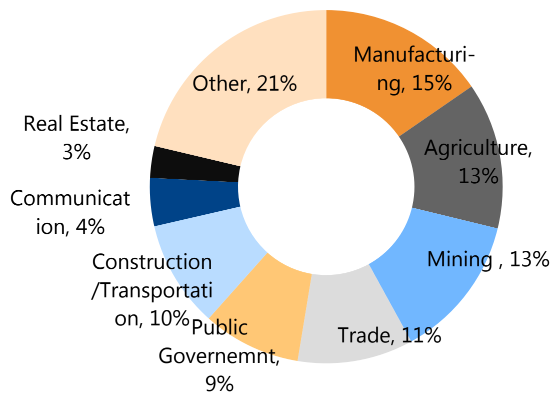
Source: eg.gov

Egypt's population distribution



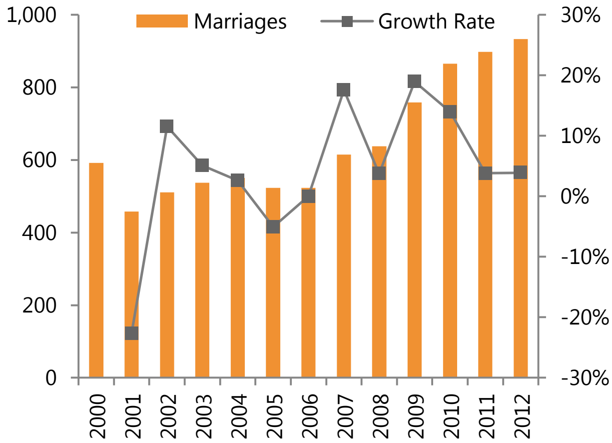
Source: eg.gov

GDP sectorial breakdown - 2012



Source: eg.gov

Number of marriages per year (in 000s)



Source: CAPMAS

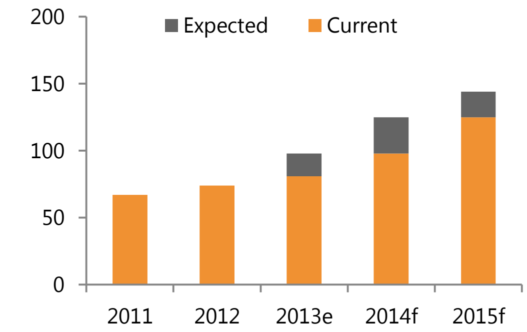
Residential Real Estate: Active as underlying demand remains firm

The number of marriages in 2012 reached 933,400. Also, real estate has proved to be a shield against inflation and a weakening EGP

Despite ongoing political instability, the demand for quality real estate continues to grow. This was evident in the new projects launched in Greater Cairo by leading developers, as well as off-plan sales numbers announced by them. The new emerging suburbs of Cairo, called New Cairo (East of Cairo) and 6th October (West of Cairo) offer not only quality housing for Egyptian families, but also with a variety of services including education, business centers, shopping malls, leisure and sports facilities.

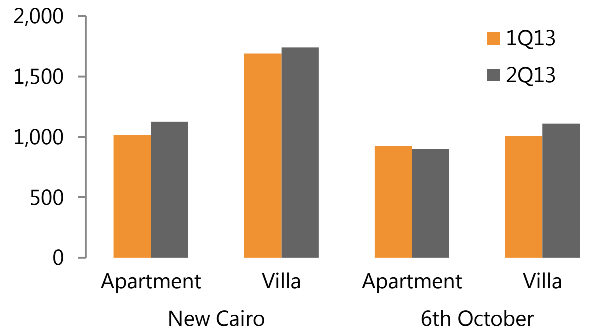
Overall, the buoyancy in demand for primary-homes is fueled mainly by demographic factors. Not to forget that investments into the property market has also provided a shield to Egyptians against inflation and currency depreciation.

Egypt's residential unit stock (in 000s)



Source: Jones Lang LaSalle

Egypt's residential sales price 1Q and 2Q13 (USD/Sqm)



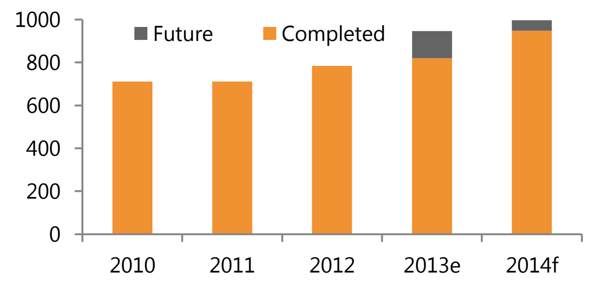
Source: Jones Lang LaSalle

Commercial Real Estate: Rents expected to consolidate as new supply comes in

There is more supply to come

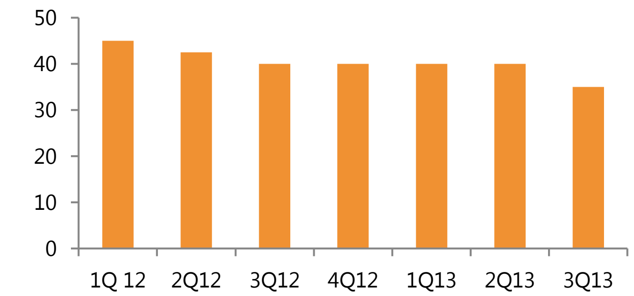
With the continuing protests, general congestion and parking shortages, most companies, especially multinationals, decided to relocate to the new urban settlements to benefit from better security and accessibility. Therefore, majority of the recent office developments have been focused in the new urban settlements such as New Cairo and 6th of October, with both of these areas witnessing an influx of new office buildings totaling an office space of 819,000 sqm in 3Q13. With more commercial space to be made available in the near term, we expect commercial rent rates to consolidate.

Egypt's Offices total stock (in 000 Sqm)



Source: Jones Lang LaSalle

Greater Cairo prime office Rents (USD/Sqm)



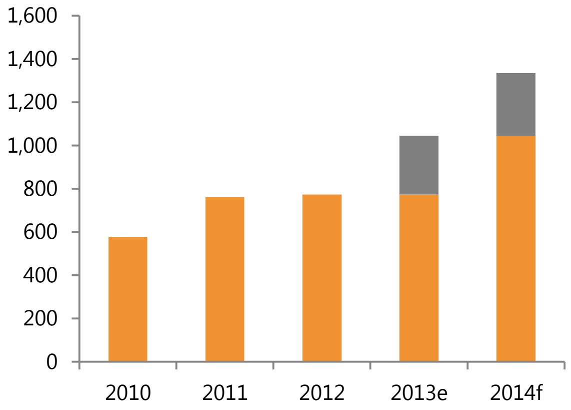
Source: : Jones Lang LaSalle

Retail: Still underpenetrated, more supply to be added

International brands increasing bandwidth

Compared to other cities in the region, Cairo's retail market remains undersupplied. We expect additional investments into this space going forward. Importantly, we observe that international brand names are increasing their presence more and more. The Cairo Festival City, a 168,000sqm retail project, was finally launched in November 2013 after a delay of three years.

Egypt's retail total stock (in 000 Sqm)



Source: Jones Lang LaSalle

Greater Cairo's major retail centers

Name of retail centers	GLA (sqm m)
Cairo Festival City	168,000
City Stars	150,000
Mall of Arabia	180,000
Maadi City Centre	33,500
Dandy Mall	65,000
Golf City Mall	40,000
Sun City Mall	60,000
Katameya Downtown	30,000

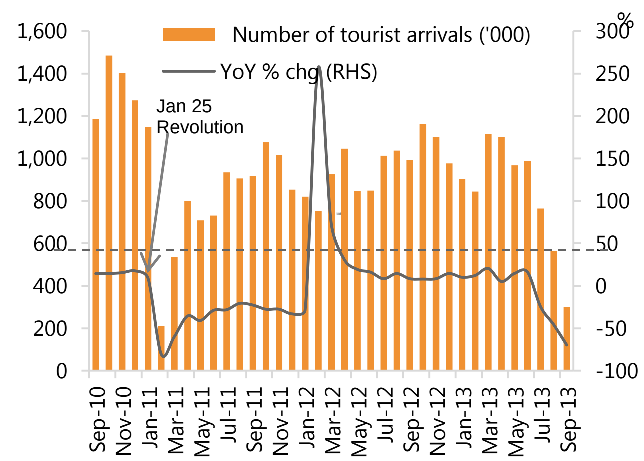
Source: Jones Lang LaSalle

Hospitality sector expected to recover in 2014

Tourism in Egypt has been hit hard post Jan 2011, but is right now in recovery mode

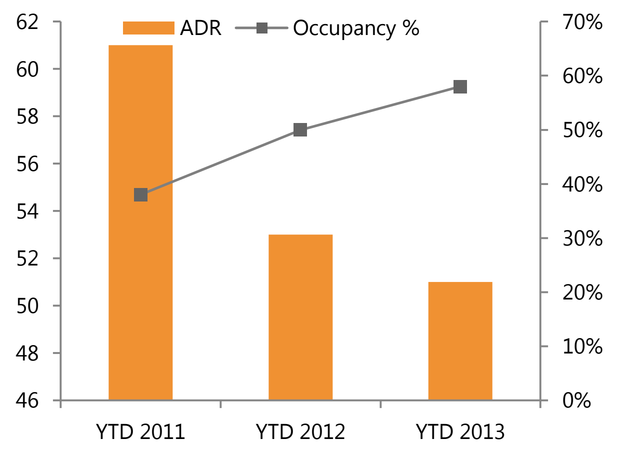
Political and civil unrest in Egypt has erased new hotel room additions coming into the market, resulting in the supply of quality rooms to remain at 27,000 from 59 properties. However, there are 29 new hotels under construction in Cairo, offering 7,995 rooms. Although the demand for hotels hasn't gone back to pre-revolution levels, we see early signs of a recovery; reflected mainly in the number of tourist arrivals (barring June/July 2013 due to renewed protests). YTD13, there has been a surge in occupancy rates as well. The Ministry of Tourism is also adapting a number of support strategies to boost tourism and consequently, hotel demand.

Monthly tourist arrival in Egypt



Source: CBE

YTD hotel performance



Source: CAPMAS, Jones Lang LaSalle

Dubai Real Estate

Retail: Benefits from increasing tourist inflow and higher disposable income among expats

3Q13 supply unchanged

Supply of mall based retail space in Dubai remains unchanged at 2.8msqm as of the end of September 2013. Initiation over the much awaited project, The Avenue by Meraas, has been postponed to open by the end of 2013. A couple more expansions and new malls are expected to enter the market during the next two years. It is estimated that by 2016, around 840,000sqm of new retail space will enter the Dubai market. Expansion plans seem to be on the top-end of priority lists of some of the existing super regional centres such as the Dubai Mall, Al Ghurair Centre, Dubai Outlet Mall, Ibn Battouta Mall and Festival City.

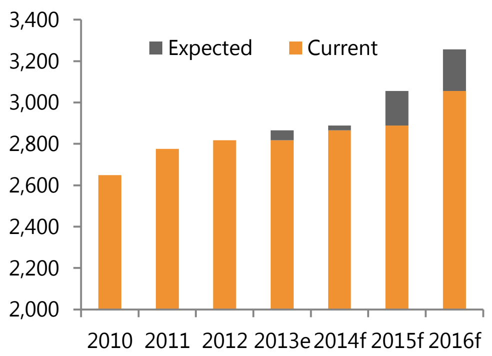
Dubai ranked as the seventh in the World's Top Destination Cities

MasterCard's Global Destination Cities Report ranked Dubai as the seventh in the World's top destination cities as well as the strongest city with growth in its arrival number of visitors indicating Dubai as the Safe Haven in MENA. This reflects increase in tourism that has generated higher cash inflows to retail outlets and hotels. Moreover, festival events like "Dubai Shopping Festival" and "Dubai Summer Surprises" play vital roles in capturing retail sales and spending.

Dubai Expo a longer term catalyst

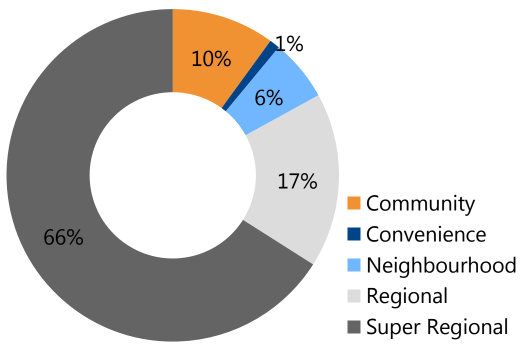
With Dubai having successfully bid for the Expo2020, billions in investments and revenues are expected to be spent and generated in the coming years. The increase in spending (estimated at USD8bn) should provide an additional boost to Dubai's underlying business activity. While GDP growth is certainly bound to surge on account of the Expo, benefits of this trickling down to retail is yet to be ascertained.

Dubai Retail: Current and expected stock (in Sqm)



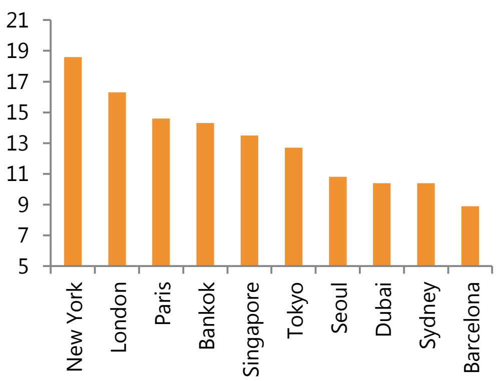
Source: Jones Lang LaSalle

Breakdown of GLA retail space in Dubai



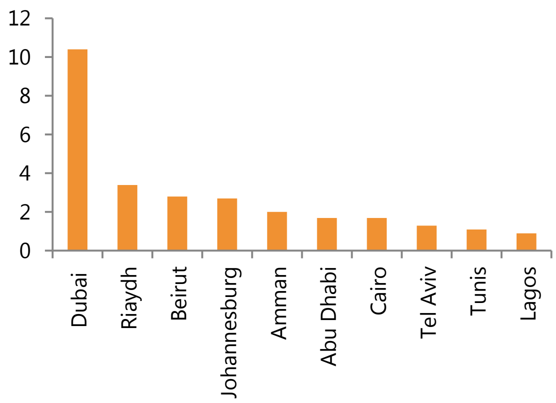
Source: Jones Lang LaSalle

Global Top 10 destinations by spending (in USD bn)



Source: MasterCard Global Destination Cities Index

Regional Top 10 destinations by spending (USD bn)



Source: MasterCard Global Destination Cities Index

Hotels: Increase in Hotel RevPAR on higher number of visitors and better occupancy rates

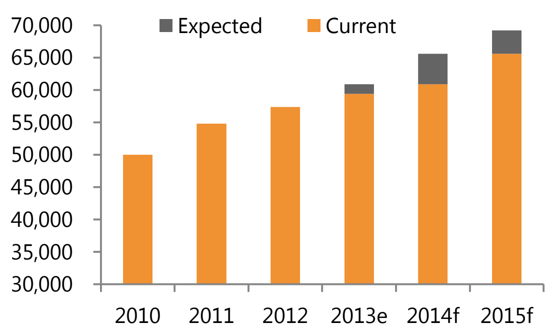
Latest trends suggest growth in occupancy, ADR and RevPar

Dubai's hotel supply as of 3Q13 reached 59,380 rooms, with 1,520 more rooms expected to be finished by end-2013; bringing the total hotel rooms to 60,900. As for the occupancy rates, 3Q13 witnessed a 2pps YoY growth, bringing the city-wide occupancy rate to 79%. Average Daily Rate (ADR) also increased, up YoY 5% reaching USD235 in August 2013. As a result, RevPAR levels have showed a striking 7.5% YoY growth, reaching USD185 in August 2013.

Dubai remains the top tourist destination in the region

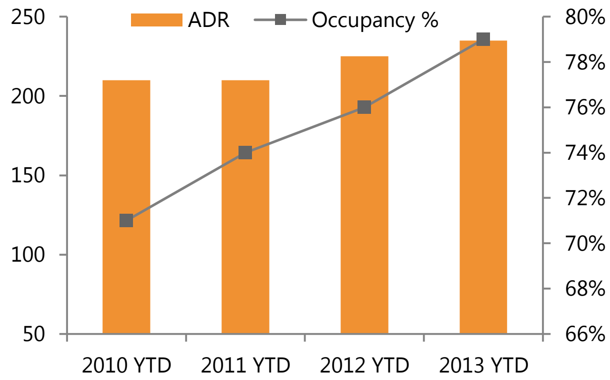
The recent research conducted by MasterCard also indicated Dubai as being amongst the top ten World Destination cities; as well as the strongest city with growth in arrival number of visitors and their spending within the country. Dubai's arrival numbers have increased by 10.9% reaching 9.89m YTD2013. Arrival numbers are expected to increase further during the coming quarters, due to new attractions being developed in the country. The main differentiating factors between Dubai and other regional tourist destinations is, stability (political and economic) and security; which is right now mostly absent in neighbouring Egypt, Syria, Libya, Tunisia and Lebanon.

Dubai's hotel total stock



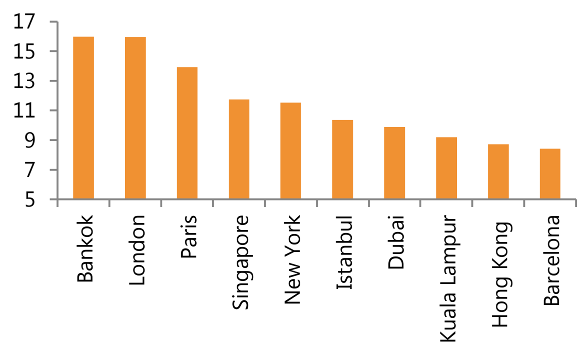
Source: Jones Lang LaSalle

Dubai's hotel performance



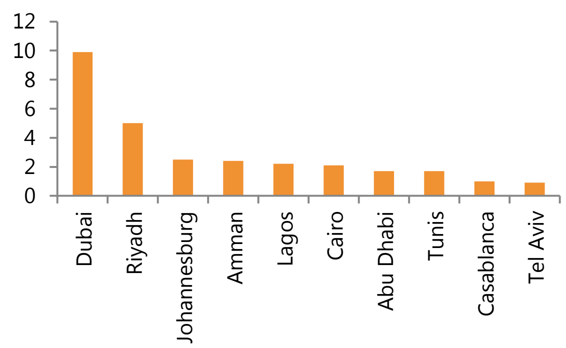
Source: Jones Lang LaSalle

Top 10 destinations by visitors (m)



Source: MasterCard Global Destination Cities Index

ME and Africa destinations by visitors (m)



Source: MasterCard Global Destination Cities Index

Residential: Positive market sentiment helping the growth

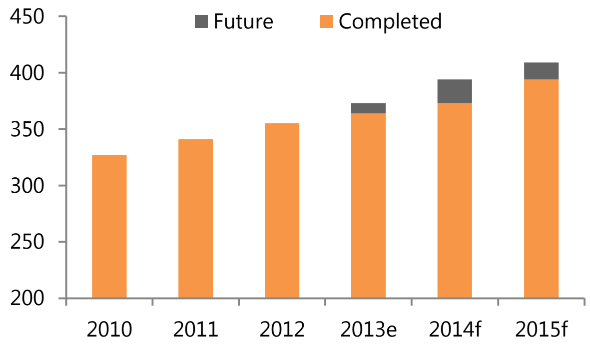
45,000 additional residential units expected to be finished by 2015

Dubai's residential market total stock stands at 364,000 units as of 3Q13, with around 3,400 units (mostly apartments) handed over in 4Q13. Prominent additions during last quarter were that of Nakheel Villas Compound, the Villa-stage 3 in Dubailand, Burjside Boulevard and Suburbia in Downtown. An increasing number of residential projects are being delivered as developers continue to capitalise from the positive market sentiments. We observe that new deliveries are flowing from both resumed stalled developments, as well as new projects. More than 9,000 residential units have entered the market during 9M13, a 50% YoY jump. By 2015, around 45,000 residential units are expected to enter the market. The residential sector in Dubai continues to see healthy broad-based growth, supported by positive sentiments and renewed confidence in the market.

Residential sales rose 18% YoY

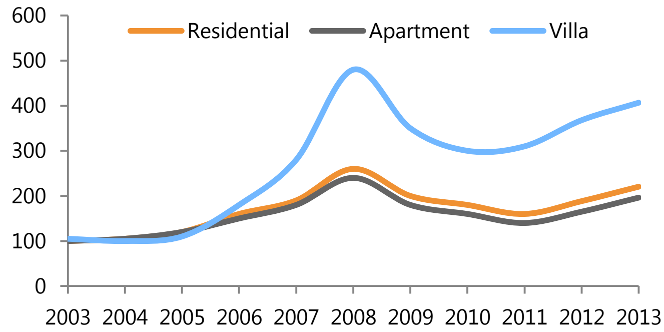
According to REIDN Residential Index of 3Q13, sales grew 18% YoY and 6% QoQ, yet remained 15% below the peak value. Villa prices increased 14% YoY while apartment sale prices rose 15%. We expect real estate prices to continue to grow amidst positive sentiment and growing demand from domestic/ foreign investors.

Dubai's Current residential supply (in 000s)



Source: Jones Lang LaSalle

Dubai's residential pricing trend



Source: REIDIN, Colliers, JLL

Abu Dhabi Real Estate

Residential: Increased supply and demand

Total Supply of residential units to reach 254,000 units by 2015

Nearly 2,700 residential units were delivered in 3Q13, bringing the total stock of residential units to 213,000. During QTD 4Q13, 4,000 additional units are scheduled to be delivered. Although a large portion of the residential pipeline announced pre-2008 has been delayed, the total supply of residential units may still reach 254,000 as planned by end-2015. The majority of this anticipated supply will be allocated within master planned areas such as Reem Island, Saadiyat Island, Danet, Saraya, and Rawdhat.

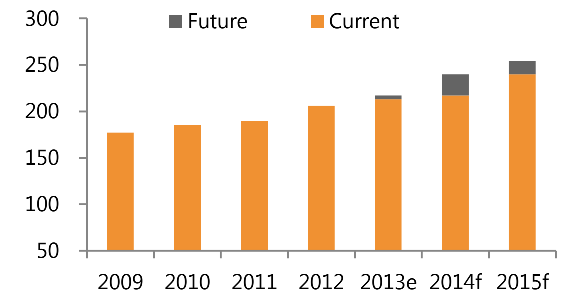
Increasing investor interest in Abu Dhabi due to regional unrest

Average residential prices witnessed a 5% QoQ increase in 3Q13, reaching AED12,100/Sqm. The increase in prices and transaction volumes is attributed to; a) benefits from political unrest taking place in the region, resulting in Abu Dhabi and Dubai turning safe havens in the Middle East, b) government spending initiatives, and job security returns resulting in residents deciding to purchase units instead of renting and, c) investors increasing exposure towards UAE markets, foreseeing benefits from a potential growth upswing.

Residential rents increased, but prices stable in 2013

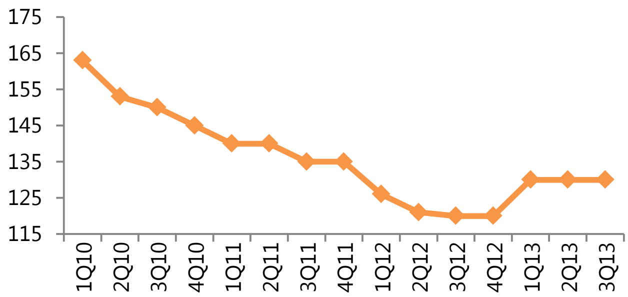
Consequently, the demand for residential rents also started increasing since the beginning of 2013. However, rental prices remained stable at AED130,000 since beginning of the year. Rents were affected by the expansion of many companies in UAE as well as the new rules set by the government entailing employees to reallocate from Dubai to Abu Dhabi.

Abu Dhabi residential current & expected stock (in Sqm)



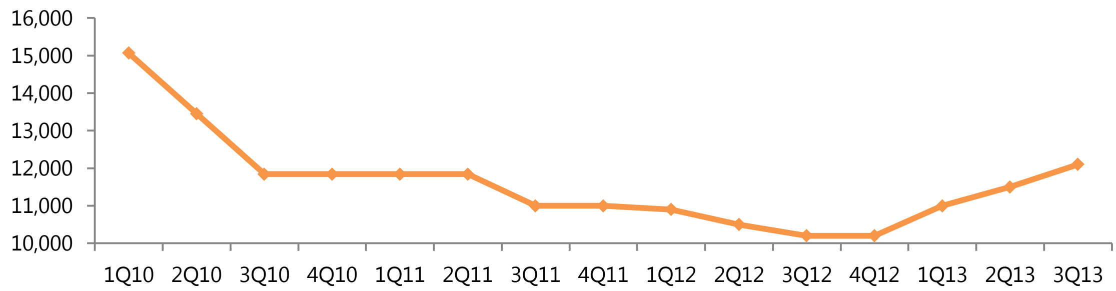
Source: Jones Lang LaSalle

Average two-bedroom rents ('000 AED/annum)



Source: : Jones Lang LaSalle

Sales price of residential units (in'000 AED/ Sqm m)



Source: Jones Lang LaSalle

Retail: High quality retail growing through new Super Regional malls entering the market

Second largest mall in UAE to be launched in Abu Dhabi in April 2014

As of 3Q13, total retail space across the Abu Dhabi metropolitan area stood at approximately 1.89msqm; growing 6% QoQ. A further 143,000sqm is expected to enter the market by end-2013 as a number of new malls are expected to be completed including Deerfields Town Square in Bahia, Emporium Mall at Central Market and Capital Mall in Building Materials City. Additionally, Al Dar Properties announced that it will open its Yas Mall on Yas Island in April 2014; the mall is expected to be the second largest in the UAE after Dubai Mall. By end-2015, total retail space in Abu Dhabi is expected to be 2.6msqm.

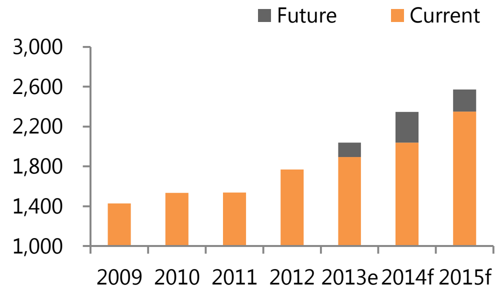
Retail Demand continues to grow

The continuous growth in retail spending derived by the resident population as well as higher tourist levels, is supporting the increase in demand for retail space in Abu Dhabi. As a result of the increase in retail spending, many retail centers have increased their asking rents for selected units. Average rent for all retail centers has increased YoY by 5% reaching AED2, 887/sqm annually.

Rents are expected to soften in the medium term

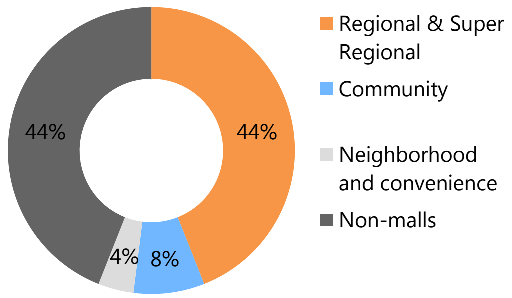
While there are many large malls in the supply pipeline, the majority are expected to be completed between 2014-2018. Although these additions might not have an effect on the level of rents in the short term, softening in rents should happen in the medium term as developers compete to attain highest occupancies of rented units.

Abu Dhabi's retail total Stock (in Sqm 000s)



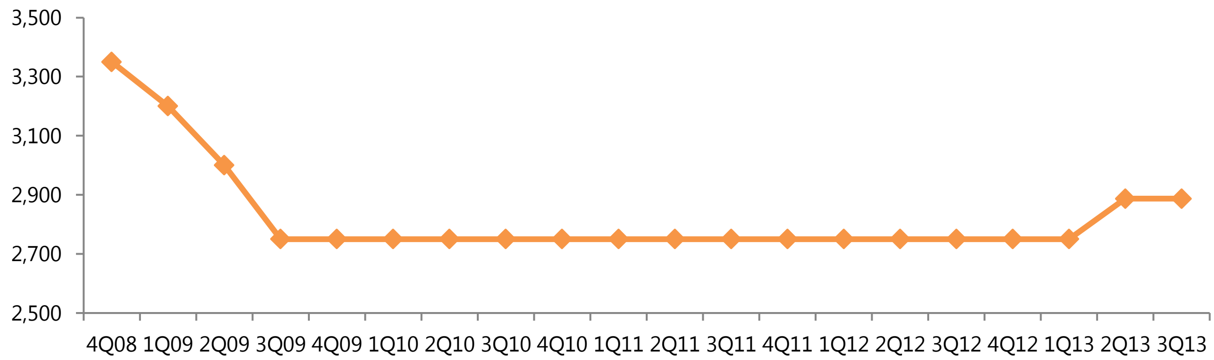
Source: Jones Lang LaSalle

Abu Dhabi's retail supply for 2013



Source: : Jones Lang LaSalle

Abu Dhabi's retail rental performance (AED/sqm)



Source: Jones Lang LaSalle

Hotels: Occupancy levels increased notably in 2013

St. Regis Abu Dhabi just launched during 3Q13

The hotel market in Abu Dhabi witnessed the launching of St. Regis Abu Dhabi on the Corniche, providing almost 300 additional rooms. This hotel, along with a couple more have resulted in a total of 1,700 new rooms during 2013. Two major projects, Novotel and Premier Inn Abu Dhabi Airport are still expected to open by end-2013.

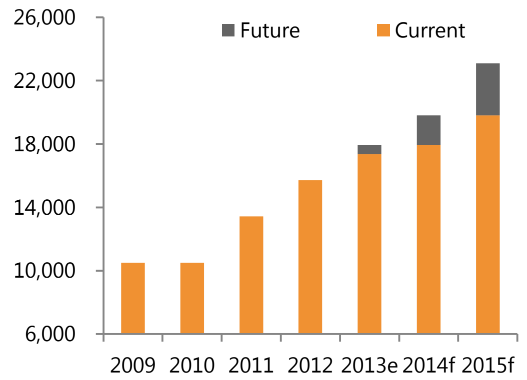
23,100 is expected to be the total supply of hotel rooms by 2015

Many of the planned projects have experienced delays and the recent over supply has resulted in no new major hotels (apart from the ones already underway) being planned to enter the market. Overall, the total supply of hotels by 2015 is expected to reach 23,100 rooms.

RevPAR increased by 9% YoY

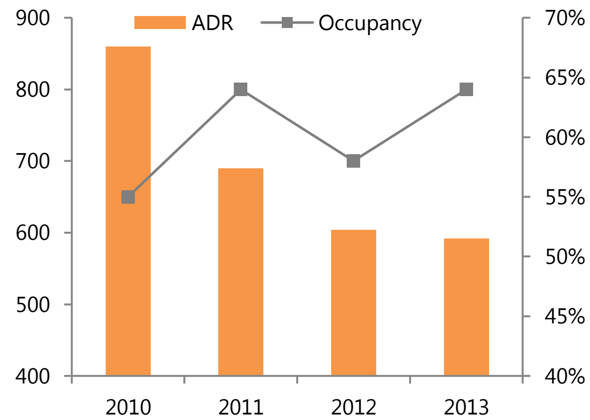
Abu Dhabi received more than one-million hotel guests in 5M13, continuing from the growth seen in arrival numbers in 2012. Within the past couple years, hotels have been resorting to heavy discounts in order to push occupancy levels across the city, but lately, the market now seems stabilising with occupancy levels increasing by 6pps to 64% in the year to August 2013. On the other hand, Average daily rates have continued to remain under pressure, declining by 2%. Consequently, RevPAR levels have grown YoY by 9%.

Abu Dhabi's current hotel supply



Source: Jones Lang LaSalle

Abu Dhabi's hotel performance (AED)



Source: Colliers

Commercial: Continues to witness expansion in supply, adding more pressure on rentals

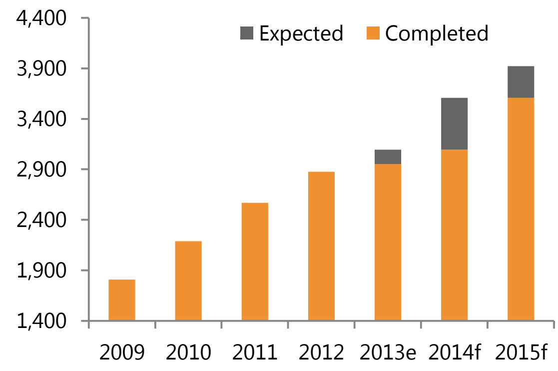
143,000 sqm of office GLA to be delivered during 2013

Abu Dhabi's total office stock remained unchanged with no major deliveries in 3Q13. But, an additional 143,000sqm of office gross leasable area (GLA) is expected to enter the market by end-2013.

Rent for secondary office buildings is expected to decline

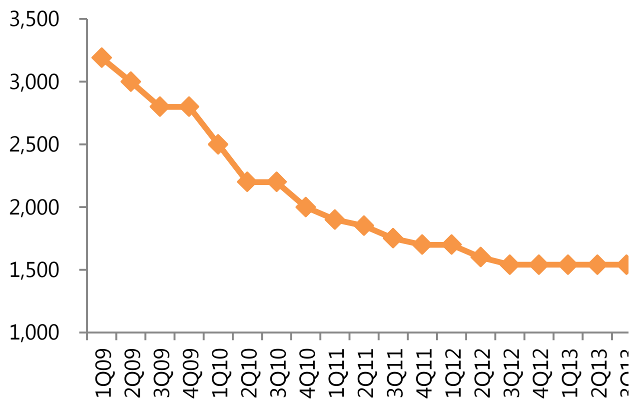
Demand for offices in Abu Dhabi is composed mainly of government-owned entities. Many companies in Abu Dhabi are relocating to newer buildings in a flight to quality. This contains many of the big names such as Aafaaq, Abu Dhabi Tourism Authority, Ernest and Young and many more. This flight for quality should add more pressure on secondary office buildings that will struggle with oversupply of new office buildings and, consequently resulting in a drop in rentals.

Abu Dhabi office current and expected stock (in '000)



Source: Jones Lang LaSalle

Average Grade A office rental price (AED/ sqm)



Source: : Jones Lang LaSalle

Riyadh Market Overview

Residential: Continues to be undersupplied and straining unit prices

Government trying to provide affordable housing

The residential market in Riyadh, the capital city of the largest GCC country has historically been undersupplied. While the government is seen taking some serious measures in order to provide affordable housing for citizens, the supply-demand gap is expected to remain at least for the medium term.

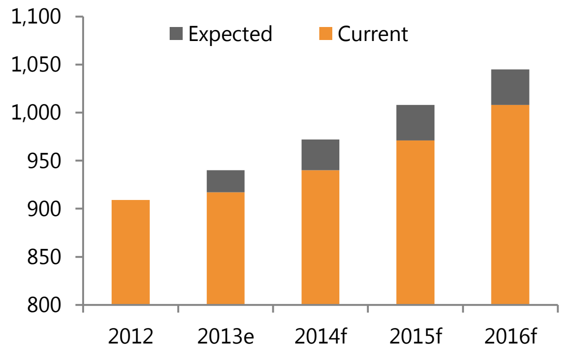
A gap between supply and demand still exists

Supply has failed to keep pace with demand with the housing shortfall widening every year. Only 14,500 units were delivered during 1H13, bringing the total inventory to 900,000 units. The residential sector is comprised mainly of small & medium size developers accounting for roughly 80% of the supply.

Prices continue to mount for residential units

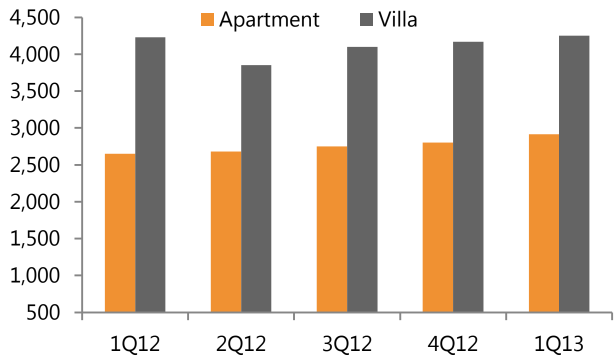
Riyadh's residential market witnessed solid growth during 1H13. Unit prices and median rents of both apartments and villas saw a steady rise as demand outpaces supply. This trend is expected to continue for the medium term.

Riyadh's residential total stock (in 000s)



Source:, Jones Lang LaSalle

Riyadh's average villa and apartment sales price (SAR/sqm)



Source:, Jones Lang LaSalle

Commercial: Endures additional oversupply

Despite the surplus of office units, many more units are expected to be completed by end-2013

Riyadh's historically oversupplied office market continues to be the case as of 1H13. The oversupply in office units comes on the back of the completion of many more buildings in the city. As supply continues to increase, many of the offices have been unable to attract significant numbers of tenants. Vacancy rates have continued to increase from 15% during end-2012, to 18% in 1H13. Several more units are expected to be completed during 2013, adding more pressure to the already oversupplied market.

Public and banking sectors have executed the top 5 deals in the office market

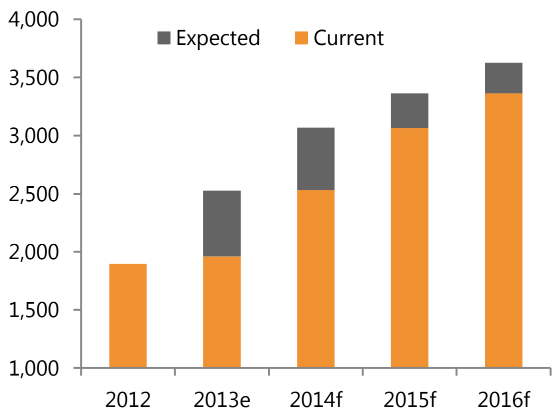
1H13 revealed that the prime demand generators of the Riyadh office market are the public and banking sectors. Five of the top lease transactions that contributed to the office space occupancy belonged to these sectors. Along with them, demand from local trading companies and multinationals is also increasing as they try to relocate offices to new locations as a result of more availability, lower rental rates and increased options.

Rental rates decline and vacancy levels increase

Average rental rates for completed units in Riyadh declined marginally in 2013 and is yet to witness more decline due to the expected supply inflow in the coming years. Rental rates for both Grade A and Grade B offices have continued to decline, while vacancy levels rose.

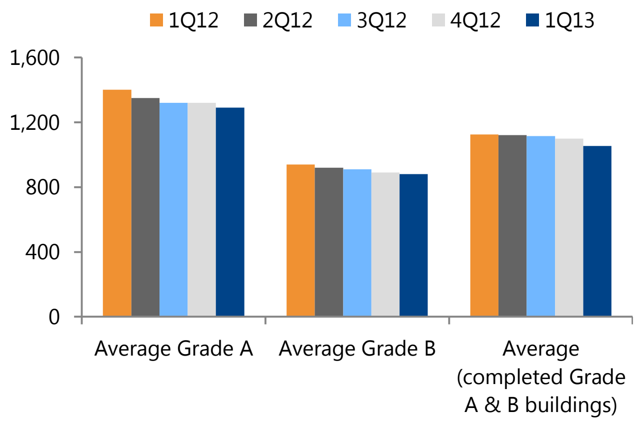
It is expected that vacancy rates would continue to increase with greater number of choices for tenants, and therefore, adding more pressure on rental prices, causing them to decrease.

Riyadh's Total office stock (in 000s)



Source: Jones Lang LaSalle

Riyadh's average rental prices (SAR/sqm)



Source: Jones Lang LaSalle

Hotels: Trying to stabilise, post years of weakness

More hotel rooms to be delivered during 2013

The total number of hotel rooms in Riyadh as of 1Q13 was around 8,500 units, rising by 100 units. It is likely that a number of projects scheduled to be completed by 2013 will be delayed until 2014, adding to the significant number of completions already anticipated for 2014. Overall, the hotel sector is expected to continue increasing supply.

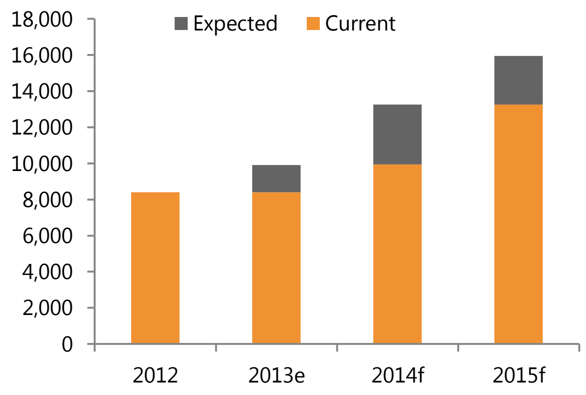
Stability in the pace of increase in supply

The hotel sector is showing signs of stability, following the period of decline in performance due to the pace of increased supply during 2011 and 2012, resulting in a gap between supply and demand.

Occupancy rates stabilise in 2013

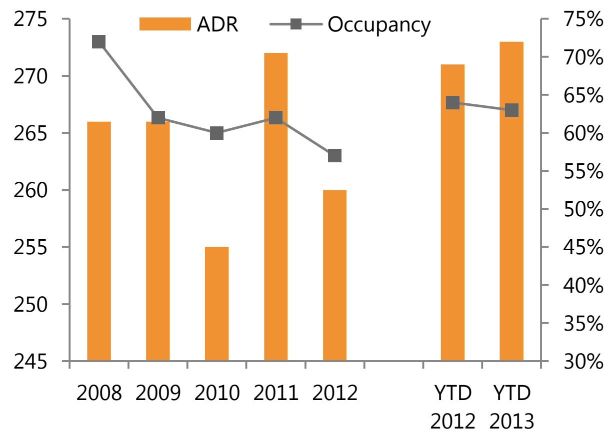
Occupancy levels hit a peak in 2008 (72%) and then declined to 57% in 2012. The market since then has shown signs of stability, with average occupancy rates remaining stable depicting just a 1pps change between the first two quarters of 2013. A similar trend was also seen with the ADRs.

Riyadh's Total number of rooms



Source: Jones Lang LaSalle

Riyadh's hotel performance (in USD)



Source: : Jones Lang LaSalle

Disclosure Appendix

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Rating	Upside/Downside potential	Rating distribution as of 12 December 2013
BUY	>20%	42%
ACCUMULATE	>10% to 20%	13%
HOLD	+10% to -10%	39%
REDUCE	<-10% to -20%	3%
SELL	< -20%	3%

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