

Arabtec Holding PJSC

Touching greater heights

Reuters Code:

ARTC.DU**August, 2007****BUY**

Listing:

Dubai Financial Market

Price:

AED5.65 (As on August 6th, 2007)**Key Data**

CMP# (AED)	5.65
EPS* (AED)	0.55
BVPS* (AED)	1.33
P / E*	10.3
P / BV*	4.2
12M Avg. vol.	5.29mn

52 week Low / Hi 3.42/6.12 (AED)

Source: *Global Research*#As on August 6th, 2007

*2007 Projected

Highlights

- The performance of **Arabtec Holding PJSC (Arabtec)** in 2006 was below our estimates made in our previous report in September'2006. The total revenue of the company in 2006 reached AED2.81bn as against our estimates of AED2.97bn. The company reported net profit of AED216.9mn in FY2006 as compared to AED240.9mn estimated in our previous report.
- The company's revenues were AED2.81bn for the year ended December 2006. Revenue from construction contracting constituted about 94.7 per cent of the total revenue for 2006, down from 97.4 per cent during the

previous period. Net profit during the year was AED216.9mn, with a net profit margin of 7.7 per cent as compared to net profit margin of 6.5 per cent in the previous period. The company declared 15 per cent cash dividend and 15 per cent stock dividend for 2006.

- The company had operational revenues of AED1.77bn in the first six months of 2007, up 25.1 per cent Y-o-Y. The company's net profit of AED173.4mn during the period was 52.7 per cent higher than that in the corresponding period of 2006.
- We believe Arabtec has a healthy business model and the company is riding high on the wave of construction activities in the GCC region. In our opinion, the region will continue to see strong growth in construction activities and Arabtec, with its expertise in the segment, will continue to benefit from this.
- The value of Arabtec's shares derived from the weighted average of the DCF and relative valuation methods is AED6.69 per share. The stock closed at AED5.65 on the DFM on August 6, 2007, which implies that the weighted average value of Arabtec's shares is at a premium of 18.4 per cent to the share's current market price. We, therefore, recommend a 'BUY' on the Arabtec stock at its prevailing price levels with a medium-term perspective.

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Recent Developments

- In July'2007, Arabtec and its joint venture partner Dubai Contracting Company (DCC) won a contract of more than AED1.0bn for work on a hotel located on Shaikh Zayed Road in Dubai. The work includes construction of the main hotel building comprising four basement levels, ground and mezzanine floors and 51 storeys.
- In June'2007, Arabtec received the ISO 14001:2004 and OHSAS 18001:1999, the international environmental, health and safety standards, by Lloyd's Register Quality Assurance (LRQA). The Quality, Environmental, Health and Safety systems certifications were awarded for all Arabtec operations in UAE and are applicable to: Provision of building and civil engineering contracting services, including 'turnkey' projects, electrical works, and architecture design services related to luxury villas in the UAE.
- In April'2007, Arabtec - Max Bögl Joint Venture signed two contracts with Dubai Sports City (DSC) to construct two stadiums at a total value of AED830mn. The work includes the design and construction of a 60,000 seat multipurpose outdoor stadium, and the construction of a 10,000 seat multipurpose indoor stadium at Dubai Sports City.
- In March'2007, Arabtec Holding and AMN Mauritius (a sister company of Abraaj Capital) signed a joint venture agreement to set up Arabtec Construction Mauritius LLC in Pakistan with a shareholding of 60 per cent and 40 per cent respectively. The first project awarded to Arabtec Pakistan was the Karachi Financial Towers. The value of the project is over AED500mn and comprises two 37-floor office towers, which when completed will be the tallest structures in Karachi.
- In February'2007, Arabtec Engineering Services, a wholly-owned unit of Arabtec Holding, was awarded an AED487mn contract by Dubai's Department of Civil Aviation to implement a storm water drainage and sewerage system at the Dubai World Central Jebel Ali International Airport.
- In January'2007, Arabtec Holding completed the acquisition of 55 per cent shares in Emirates Falcon Electromechanical Co (EFECO). EFECO is specialized in electromechanical, air-conditioning and building services contracting. EFECO's projects portfolio covers Commercial Towers at Dubai International Financial Centre (DIFC) and villas at Emirates Hills, Springs, Meadows, Arabian Ranches, Dubai Silicon Oasis and Shaikh Mohamed bin Rashid Housing Programme in Dubai.

Financial Performance –FY2006

- The performance of Arabtec Holding PJSC (Arabtec) in 2006 was below our estimates made in our previous report in September'2006. The total revenue of the company in 2006 reached AED2.81bn as against our estimates of AED2.97bn. The company reported net profit of AED216.9mn in FY2006 as compared to AED240.9mn estimated in our previous report.
- The company's total revenues were AED2.81bn for the year ended December 2006. On

Y-o-Y basis, the revenue was up by 40.4 per cent during 2006 (*For the year 2005, the company had released its financial statements for the period since the commencement of business on Sep 20, 2004 till Dec 31, 2005*). Revenue from construction contracting constituted about 94.7 per cent of the total revenue for the year, down from 97.4 per cent recorded during the previous period. On Y-o-Y basis, the revenue from construction contracting was up by 36.54 per cent during 2006. Revenue from the drainage division was about 2.8 per cent of the total revenue, whereas model division contributed close to 0.8 per cent of the total revenues for the year.

- Direct costs for the year were AED2.45bn, growing by 34.8 per cent on Y-o-Y basis over the previous period. About 95.1 per cent of this amount pertained to construction contracting, with the balance emanating from the other activities. Gross profit for the year amounted to AED357.0mn, growing significantly by 97.2 per cent on Y-o-Y basis over the previous period. Gross profit margin jumped to 12.7 per cent in 2006, up from 9.0 per cent in the previous period. Gross profit margin of the construction contracting was 12.3 per cent in 2006, up from 8.8 per cent in the previous period.
- Salaries and employees' benefits stood at AED93.4mn in 2006 and constituted 3.3 per cent of revenue, up from 2.0 per cent in the previous period. General & administrative expenses amounted to AED58.0mn and constituted 2.1 per cent of revenue, up from 1.2 per cent in the previous period. Other operating income increased by 170% Y-o-Y to reach AED26.2mn in 2006. Operating profit during the year was AED207.3mn, with an operating profit margin of 7.4 per cent as compared to operating profit margin of 5.6 per cent in the previous period.
- Interest income, earned on other financial assets, including short-term deposits, amounted to AED4.9mn, while profit from sale of fixed assets was AED3.1mn. Interest expenses amounted to AED1.2mn in 2006, a significant decline from the previous period. Net profit during the year was AED216.9mn, with a net profit margin of 7.7 per cent as compared to net profit margin of 6.5 per cent in the previous period.
- The company declared 15 per cent cash dividend and 15 per cent stock dividend for the year.
- The total assets of the company were AED2.34bn at the end of 2006, up from AED1.89bn recorded at the end of the previous year. Out of the current assets of AED1.61bn recorded at the end of the year, trade & other receivables amounted to AED1.07bn. The receivable level has gone down to 126 days in 2006, from 160 days in the previous period. Simultaneously, inventories totaled AED215.1mn at the end of 2006 with the inventory level at 23 days, up from 19 days in the previous period.
- On the liabilities side, the trade & other payable totaled AED921.5mn. The payable level has gone down to 137 days in 2006, from 184 days in the previous period. Advances received amounted to AED304.9mn. The owners' equity, including a 15 per cent stock dividend, added up to AED705.7mn at the end of the year, up from AED574.0mn recorded the previous period.

Financial Performance in the First Half of 2007

- The company had operational revenues of AED1.77bn in the first six months of 2007, up 25.1 per cent Y-o-Y. The total direct costs of AED1.50bn were up 21.2 per cent y-o-y. The lower growth in the direct costs caused a significant improvement in the gross profit, which was AED265.6mn, up 52.5 per cent y-o-y, for a gross profit margin of 15.0 per cent, against 12.3 per cent a year ago. Net operating costs of AED78.6mn were up 23.7 per cent y-o-y, leading to an operating profit margin of 10.6 per cent, against 7.8 per cent a year ago. The interest expenses during the period jumped manifold compared to the corresponding period in the previous year. This was mainly due to significant increase in bank borrowings by the company to finance its projects. The company's net profit during the period of AED173.4mn was 52.7 per cent higher than that in the corresponding period of 2006.

Table 1: Performance in 1H-2007

Amounts In AED	1H2006	1H2007	% Change
Sales Revenue	1,413,539,920	1,767,761,562	25.1%
Cost of Production	(1,239,370,574)	(1,502,209,615)	21.2%
Gross Profit	174,169,346	265,551,947	52.5%
General & Administrative Expenses	(81,572,469)	(114,044,245)	39.8%
Other Operating Income	18,023,871	35,407,272	96.4%
Operating Profit	110,620,748	186,914,974	69.0%
Change in fair value of non-current retentions	2,899,028	(2,210,524)	-
Interest expenses	(24,213)	(2,474,872)	10121.3%
Minority interest	116,186	(8,786,374)	-
Net Profit	113,611,749	173,443,204	52.7%

Source: Company Financials

- Total assets of the company stood at AED2.88bn at the end of June 2007. The growth in the assets during 1H-2007 was mainly due to increase in current assets, notably cash and cash equivalents. While the current assets were AED2.08bn at the end of the period, trade & other receivables amounted to AED1.15bn (121 receivable-days). Simultaneously, inventories totaled AED179.5mn (24 inventory-days). Intangible assets amounted to AED92.7mn, while goodwill was AED97.9mn. Net fixed assets amounted to AED497.6mn at the end of the period. On the liabilities side, the trade & other payable totaled AED1.75bn (181 payable-days). Owners' equity was AED885.7mn at the end of the period.

Outlook and Valuation

- Subsequent to our earlier report on Arabtec in September 2006, where we recommended a "Buy" based on a price target of AED5.00 (adjusted for the stock dividends), at the prevailing market price (adjusted) of AED3.81, Arabtec's stock has gained significantly and is currently trading at AED5.65.
- The company has a strong pipeline of projects with over AED11bn worth of projects in hand which it expects to complete over the next few years.

- Arabtec has entered into new partnerships/joint ventures with established players for venturing into new projects or geographies.
- The company has entered into new emerging markets like Pakistan. Arabtec Holding and AMN Mauritius LLC (a sister company of Abraaj Capital) signed a joint venture agreement in March'2007 to set up Arabtec Construction Mauritius in Pakistan.
- The company is aiming at diversifying its projects portfolio. A step in this direction was setting up of Arabtec Engineering Services LLC, a wholly owned subsidiary, to carry out infrastructure projects related to drainage and water works.
- The company is also open to inorganic growth. In 2007, the company has acquired stakes in companies like Nasir Bin Khalid Factory Ready Concrete Company LLC- Qatar (a company specialized in providing ready concrete) and Emirates Falcon Electromechanical Company LLC (EFECO).
- We believe Arabtec has a healthy business model and the company is riding high on the wave of construction activities in the GCC region. In our opinion, the region will continue to see strong growth in construction activities and Arabtec, with its expertise in the segment, will continue to benefit from this.
- We expect the revenues of the company to grow at a CAGR of 18 per cent over the next four year period 2007-10 to reach AED5.4bn by 2010. As per our assumptions, construction contracting will remain the main business of the company contributing over 90 per cent of total revenues over the forecast period. We also believe that the company's profitability will improve from its current level. Gross profit margin of the company is expected to reach around 15 per cent in the next few years.
- The value of Arabtec's shares derived from the weighted average of the DCF and relative valuation methods is AED6.69 per share. The stock closed at AED5.65 on the DFM on August 6, 2007, which implies that the weighted average value of Arabtec's shares is at a premium of 18.4 per cent to the share's current market price. At their current price, Arabtec's shares are trading at a P/E multiple of 12.7x the 2006 earnings, and forward multiples of 10.3x and 8.3x the projected 2007 and 2008 earnings respectively. We, therefore, recommend a '**BUY**' on the Arabtec stock at its prevailing price levels with a medium-term perspective.

BALANCE SHEET

	ARABTEC HOLDING PJSC				
	2005	2006	2007 (F)	2008 (F)	2009 (F)
					2010 (F)
Assets:					
Bank & cash equivalents	44,676,166	245,396,705	97,834,417	115,821,916	128,069,989
Trade & other receivables	874,693,919	1,070,540,039	1,275,884,500	1,472,174,423	1,598,192,554
Advances paid	61,500,738	127,001,432	147,217,442	176,660,931	203,160,070
Inventories	95,405,616	215,105,833	251,121,123	305,526,515	345,377,419
Financial assets	76,996,226	84,292,921	109,292,921	113,292,921	114,292,921
Due from related parties	29,576,492	24,982,583	40,412,631	44,165,233	50,053,930
Other current assets	32,012,789	44,610,204	66,915,306	70,261,071	73,774,125
Total Current Assets	1,214,922,543	1,611,209,178	2,136,240,629	2,274,915,510	2,500,672,936
Available for sale investments	11,659,723	13,705,473	18,705,473	23,705,473	26,705,473
Intangible assets	101,040,097	89,828,097	93,616,097	82,404,097	71,192,097
Goodwill	88,896,366	88,896,366	97,982,199	97,982,199	97,982,199
Retentions receivable (Non-current)	128,629,676	105,957,186	84,674,085	78,515,969	70,664,372
Other non-current assets	13,140,145	9,523,556	11,428,267	13,713,921	16,456,705
Gross fixed assets	440,889,284	599,377,731	899,377,731	1,149,377,731	1,449,377,731
Less: Accumulated depreciation	109,405,119	183,428,798	286,453,564	415,872,669	579,142,396
Net fixed assets	331,484,165	415,948,933	612,924,167	733,505,062	870,235,335
Total Assets	1,889,772,715	2,335,068,789	3,055,570,917	3,304,742,231	3,653,909,117
Liabilities:					
Trade & other payables	919,391,410	921,537,759	1,171,898,573	1,202,106,059	1,323,946,774
Advances received	298,235,973	304,875,151	560,837,174	550,965,277	518,066,129
Bank borrowings (Current)	-	156,795,947	54,878,582	57,622,511	60,503,636
Due to related parties	9,066,453	8,044,354	60,332,655	63,349,288	66,516,752
Proposed cash dividends	-	78,000,000	239,200,000	269,100,000	299,000,000
Total Current Liabilities	1,226,693,836	1,469,253,211	2,087,146,984	2,143,143,134	2,268,033,292
Bank borrowings (Non-current)	-	763,261	11,448,915	12,021,361	12,622,429
Retentions payable (Non-current)	57,080,473	85,223,674	33,482,816	40,070,202	40,294,032
Employee Indemnity Provision	32,041,556	47,758,972	69,343,924	93,821,259	121,064,534
Minority interest	-	26,397,526	58,706,907	80,233,802	104,988,725
Total Liabilities	573,956,850	705,672,145	795,441,370	935,452,473	1,106,906,105
Bank borrowings (Non-current)	-	-	-	-	-
Retentions payable (Non-current)	-	-	-	-	-
Employee Indemnity Provision	-	-	-	-	-
Minority interest	-	-	-	-	-
Owners' Equity:					
Paid-up equity capital	400,000,000	520,000,000	598,000,000	598,000,000	598,000,000
Proposed bonus shares	120,000,000	78,000,000	-	-	-
Statutory reserve	16,585,671	38,276,226	71,164,050	112,065,151	159,099,505
Fair value adjustment reserve	8,100,140	909,887	1,000,876	1,100,963	1,211,060
Retained earnings	29,271,039	68,486,032	125,276,445	224,286,359	348,595,541
Total Shareholder's Equity	573,956,850	705,672,145	795,441,370	935,452,473	1,106,906,105
Total Liabilities & Owners' Equity	1,889,772,715	2,335,068,789	3,055,570,917	3,304,742,231	3,653,909,117
					4,052,846,906

OPERATING STATEMENT

		ARABTEC HOLDING PJSC					
		From Sep 20, 2004 to Dec 31, 2005	2006	2007 (F)	2008 (F)	2009 (F)	2010 (F)
Amounts in AED							
Sales Revenue	2,565,510,644	2,809,640,076	3,582,291,097	4,298,749,316	4,943,561,714	5,437,917,885	
Cost of Production	(2,333,341,612)	(2,452,622,007)	(3,055,306,995)	(3,656,405,928)	(4,202,091,936)	(4,623,602,807)	
Gross Profit	232,169,032	357,018,069	526,984,102	642,343,388	741,469,778	814,315,078	
General & Administrative Expenses	(30,597,678)	(57,966,564)	(71,645,822)	(85,974,986)	(98,871,234)	(108,758,358)	
Staff Costs	(50,975,172)	(93,441,350)	(129,509,711)	(146,864,012)	(163,459,646)	(180,214,260)	
Marketing Expenses	(311,715)	(453,134)	(716,458)	(859,750)	(988,712)	(1,087,584)	
Other Operating Income	12,438,901	26,197,666	44,778,639	53,734,367	61,794,521	67,973,974	
Depreciation & Amortisation	(18,981,680)	(24,041,847)	(29,975,109)	(40,975,109)	(51,975,109)	(64,975,109)	
Operating Profit	143,741,688	207,312,840	339,915,640	421,403,897	487,969,597	527,253,742	
Interest income	5,882,323	4,898,634	7,254,881	8,487,255	6,618,633	7,537,166	
Profit from sale of equity investments	20,390,086	1,387,831	-	-	-	-	
Change in fair value of non-current retentions	(1,558,007)	(962,053)	(2,320,033)	(2,071,502)	(2,008,515)	(2,010,631)	
Interest expenses	(5,828,593)	(1,211,403)	(5,597,168)	(4,079,141)	(4,640,023)	(5,246,795)	
Gain on sale of PPE	656,003	3,121,721	1,560,861	1,638,904	1,720,849	1,806,891	
Miscellaneous income	2,573,210	4,280,768	5,373,437	5,158,499	5,437,918	5,981,710	
Minority interest	-	(1,922,790)	(17,309,381)	(21,526,896)	(24,754,923)	(26,766,104)	
Net Profit	165,856,710	216,905,548	328,878,236	409,011,015	470,343,536	508,555,979	
P&L Appropriation Account:							
Opening Balance of Retained Earnings	-	29,271,039	68,486,032	125,276,445	224,286,359	348,595,541	
Net Profit for the year	165,856,710	216,905,548	328,878,236	409,011,015	470,343,536	508,555,979	
Transfer to Statutory Reserve	(16,585,671)	(21,690,555)	(32,887,824)	(40,901,102)	(47,034,354)	(50,855,598)	
Proposed Cash Dividend	-	(78,000,000)	(239,200,000)	(269,100,000)	(299,000,000)	(358,800,000)	
Proposed Stock Dividend	(120,000,000)	(78,000,000)	-	-	-	-	
Closing Balance of Retained Earnings	29,271,039	68,486,032	125,276,445	224,286,359	348,595,541	447,495,922	

CASH FLOW STATEMENT

		ARABTEC HOLDING PJSC				
		From Sep 20, 2004 to Dec 31, 2005	2006	2007 (F)	2008 (F)	2009 (F)
Operating						
Operating Activities						
Net Profit	236,979,799	317,836,387	465,862,488	578,018,599	681,001,343	762,126,918
Depreciation	165,856,710	216,905,548	328,878,236	409,011,015	470,343,536	508,555,979
Amortization of intangible assets	50,972,755	80,524,766	103,024,766	129,419,105	163,269,727	202,295,661
Interest income	11,000,000	11,212,000	(4,898,634)	(7,254,881)	(8,487,255)	-
Change in fair value of non-current retentions	1,558,007	962,053	(3,121,721)	2,320,033	2,071,502	(7,537,166)
Gain on sale of property, plant and eqpt	(656,003)	1,922,790	17,309,381	-	-	2,010,631
Minority interest	-	(2,770,442)	-	-	-	-
End of service indemnity paid	(1,901,180)	18,487,858	21,584,952	24,477,335	24,754,923	26,766,104
Increase in Employee Indemnity Provisions	10,149,510	(1,387,831)	-	-	27,243,274	30,035,710
Gain on sale of investments	-	-	-	-	-	-
Working Capital						
Dec/(inc.) in receivables	(75,022,313)	(327,978,854)	259,300,227	(258,884,950)	(114,660,894)	(86,317,681)
Dec / (inc) in Inventories	(489,419,613)	(235,042,469)	(205,344,61)	(196,289,923)	(126,018,131)	(144,920,850)
Inc/(dec) in accounts payable	26,398,645	(119,702,417)	(36,015,290)	(49,405,392)	(44,850,903)	(34,644,729)
Dec/(inc.) in other assets	401,253,816	35,906,629	250,360,814	30,207,485	121,840,716	69,467,770
Inc/(dec) in other liabilities	(13,255,161)	(8,980,826)	(57,951,161)	(36,541,855)	(35,900,891)	(31,512,803)
	(161,957,486)	(10,142,467)	725,162,715	319,133,649	566,340,449	675,809,237
Investing						
CapEx	(106,589,564)	(165,707,265)	(300,000,000)	(250,000,000)	(300,000,000)	(350,000,000)
Proceeds from disposal of property	8,654,885	3,839,452	-	-	-	-
Proceeds from disposal of available for sale investments	-	2,676,433	-	-	-	-
Loan to a related party	(6,185,459)	-	-	-	-	-
Interest income	-	4,898,634	7,254,881	8,487,255	6,618,633	7,537,166
Increase in Other Assets	-	(7,134,724)	(25,000,000)	3,872,462	5,108,813	(7,118,995)
Increase in Other Financial Assets	(49,170,806)	-	(3,788,000)	(4,000,000)	(1,000,000)	(30,000,000)
Purchase of Intangible Assets	-	-	(51,740,858)	11,212,000	11,212,000	11,212,000
Increase in Other Liabilities	-	-	-	6,587,386	223,830	4,041,885
Changes in Goodwill	-	-	(9,085,833)	-	-	-
Sale / (Purchase) of investments available for sale	29,521,883	(4,339,144)	(5,000,000)	(5,000,000)	(3,000,000)	(2,000,000)
Change in fair value of non-current retentions	-	-	(2,320,033)	(2,071,502)	(2,008,515)	(2,010,631)
Investment in subsidiaries	(288,104,391)	-	-	90,989	100,088	-
Fair value adjustment reserve	-	-	-	-	110,096	121,106
	(405,687,993)	(171,952,073)	(370,210,464)	(230,812,313)	(282,735,143)	(368,217,468)
Total Investing						
Financing						
Loan	(39,418,659)	157,559,207	(91,231,712)	3,316,375	3,482,194	3,656,303
Settlement of current accounts	(72,114,071)	-	-	-	-	-
Increase in Capital & premium	400,000,000	-	-	-	-	-
Dividend Paid	-	-	(78,000,000)	(239,200,000)	(269,100,000)	(299,000,000)
Minority interests	-	24,474,736	15,000,000	-	-	-
	288,467,270	182,033,943	(154,231,712)	(235,883,625)	(265,617,806)	(295,343,697)
Total Financing						
Net Change in Cash	44,736,763	(60,597)	200,720,539	(147,562,289)	17,987,499	12,248,073
Net Cash at beginning	44,736,763	44,736,763	44,676,166	245,396,705	97,834,417	115,821,916
Net Cash at end		44,676,166	245,396,705	97,834,417	115,821,916	128,069,989

FACT SHEET

	ARABTEC HOLDING PJSC					
	2005 - Annualized	2006	2007 (F)	2008 (F)	2009 (F)	2010 (F)
Liquidity Ratios						
- Current Ratio (x)	1.0	1.1	1.0	1.1	1.1	1.1
- Quick Ratio (x)	0.9	1.0	0.9	0.9	1.0	1.0
- Inventory stock (days)	19	23	28	28	28	29
- Receivables outstanding (days)	160	126	120	117	113	112
- Length of operating cycle (days)	179	150	147	144	141	141
- Payables outstanding (days)	184	137	125	119	110	107
- Length of cash cycle (days)	(6)	13	22	26	32	34
Profitability Ratios						
- Total Assets Turnover (x)	1.1	1.3	1.3	1.4	1.4	1.4
- Total Net Fixed Assets Turnover (x)	6.0	7.5	7.0	6.4	6.2	5.8
- Equity Turnover (x)	3.5	4.4	4.8	5.0	4.8	4.6
- Gross Profit Margin (%)	9.1	12.7	14.7	14.9	15.0	15.0
- Operating Margin (%)	5.6	7.4	9.5	9.8	9.9	9.7
- Net Profit Margin (%)	6.5	7.7	9.2	9.5	9.5	9.4
- Return on Average Assets (%)	6.8	10.3	12.2	12.9	13.5	13.2
- Return on Average Equity (%)	22.5	33.9	43.8	47.3	46.1	43.0
- Return on Common Capital (%)	32.3	47.2	58.8	68.4	78.7	85.0
Activity Ratios						
- Inventory Turnover Ratio (x)	19.1	15.8	13.1	13.3	13.0	12.7
- Debtor turnover Ratio (x)	2.3	2.9	3.1	3.1	3.2	3.3
- Creditors Turnover Ratio (x)	2.0	2.7	2.9	3.1	3.3	3.4
Leverage Ratios						
- Current Liability / Equity (x)	2.1	2.1	2.6	2.3	2.1	2.0
- Debt / Equity (x)	0.0	0.2	0.1	0.1	0.1	0.1
Ratios Used for Valuation						
- EPS (AED)	0.22	0.36	0.55	0.68	0.79	0.85
- Book Value Per Share (AED)	0.96	1.18	1.33	1.56	1.85	2.10
- Dividend Payout Ratio (%)	0.0	36.0	72.7	65.8	63.6	70.6
- Market Price (AED) *	4.13	4.61	5.65	5.65	5.65	5.65
- P/E Ratio (x)	19.1	12.7	10.3	8.3	7.2	6.6
- P/BV (x)	4.3	3.9	4.2	3.6	3.1	2.7
- Dividend Yield (%)	0.0	2.8	7.1	8.0	8.9	10.6

* Market price for 2007 and subsequent years on DFM as on August 6, 2007.

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Company	Recommendation	Ticker	Price	Disclosure
Arabtec Holding PJSC	BUY	ARTC.DU	AED5.65	1,10

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Global rating Definition

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Hold	Fair value of the stock is between +10% and -10% from the current market price
Reduce	Fair value of the stock is between -10% and -20% from the current market price
Sell	Fair value of the stock is < -20% from the current market price

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