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- **Robust Q3 2007 results:** Union Properties (UP) reported 9M 2007 net profits of AED 471.7 mn, a 52% increase over 9M 2006 results. The company's 9M 2007 results are inline with our estimate of AED 457.2 mn for the same period. UP's net profits for Q3 2007 are AED 176.8 mn, up 134% from Q3 2006 and almost 15% from Q2 2007. The results for Q3 2007 beat our estimates of AED 162.2 mn for the same period by 9%.
- **Higher operating revenues and profitability:** The higher net profits in Q3 2007 were mainly a result of increased operating revenues and higher gross profit margins (GPM) on the back of likely land sales. Detailed revenue breakdown has not been provided by the company yet. We expect the company to sell land this year and the next to adjust for the lack of revenue recognized from property sales. However, the company's current land bank limits the extent of those sales. Operating revenues reached AED 858.5 mn in Q3 2007, up 50% on Q2 2007 and 42% on Q3 2006. On top of the revenue growth achieved, UP recorded a GPM of 24% in Q3 2007 compared to 19% in Q2 2007 14% in Q3 2006. Most of UP's current developments are planned to be completed in 2009 and 2010 when the company is expected to witness a spike in its top line.
- **No fair value gains in Q3 2007:** The company recorded AED 159.1 mn in fair value gains on investment properties during 9M 2007 compared to AED 56.6 mn in 9M 2006. However, none of these gains were reported in Q3 2007. As a result, the net profit margin declined to around 21% in Q3 2007 compared to 27% in Q2 2007 when gains on investment properties were recorded.
- **Growing assets:** UP's total assets reached AED 9.9 bn in 9M 2007, up 43% compared to 9M 2006. Development and investment properties expanded to AED 5.9 bn, making up 60% of total assets during the same period. This serves to show the property development progress made by the company during the period, which will contribute to revenues in 2009 mainly.
- **Optimistic on performance:** We maintain our positive view on UP and the growth potential of its results, which are expected to peak in 2009 on the back of revenue recognition from ongoing property sales.

Current stock price (AED)	4.33
52-week range (AED)	2.44-4.20
Number of shares ('000)	2,782,526
Free float	51%
Market Cap (AED '000)	12,048,338
Market Cap (USD '000)	3,281,316
Dividend yield 2006	N/A

AED (million)	Q3 2006	Q2 2007	Q3 2007	9M 2006	9M 2007
Revenues	605.9	573.9	858.5	1,773.6	2,024.1
Gross profit	85.0	110.5	208.2	278.9	399.8
Total SG&A	16.3	27.0	32.3	47.5	81.8
Fair value gains on investment properties	-	79.7	-	56.6	159.1
Net profits	75.5	154.3	176.8	309.7	471.7

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