

October 27, 2011

DEPA (DEPA.DI)

12-Month Fair Value: USD 0.72 (AED 2.64)

Recommendation: Buy – Risk Level: 4

Last Close (October 26, 2011): USD 0.445 (AED 1.63)

- The company issued a trading statement which made for good reading. The main news was that the backlog at end 3Q2011 stands at AED 3.9 billion, as against AED 2.3 billion at end 2Q2011 (and AED 2.72 billion in August 2011, when the company published its 1H2011 results). Awards remain strong mainly in Qatar and also for Singapore-based subsidiary Design Studio.
- The company signed a mammoth contract of AED 929 million to fit 27 airport lounges at the new Doha International Airport in Qatar.
- Depa reiterated its guidance for FY2011 results (which is reflected in our estimates, although consensus is a bit higher), as those new awards will not start benefitting the bottom line before next year (2H2012 in our view).
- Our estimates for FY2011 remain unchanged. Beyond this, the level reached by the backlog at end 3Q2011 probably means our estimates are too conservative, at least for FY2013 and beyond. However, in the absence of full financials, and with question marks still existing on the UAE market, and especially recent developments in Abu Dhabi (where the cancellation of the Guggenheim Museum tender, which we expected Depa to win), we would rather wait until we have more visibility on margins before upgrading our forecasts.
- The share remains extremely cheap, even on our ultra-conservative estimates, whilst Depa has by far the strongest performance when it comes to new awards, and margins have held up very well up to 1H2011. However, a severe lack of liquidity (52-week average daily value traded USD 205k according to Bloomberg) means the shares do not reflect this, and we feel this may unfortunately continue holding the share back.

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Related Research

- Analyst Comment - 25 August 2011
- Analyst Comment - 17 July 2011
- Analyst Comment - 05 May 2011
- DEPA Update - 14 April 2011

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK		HIGH RISK		
1	2	3	4	5

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