

February 13, 2012

DRAKE AND SCULL (DSI.DU)

12-Month Fair Value AED 1.05

Recommendation: Buy – Risk Level: 4

Last Close (12 February 2012): AED 0.959

- **Drake and Scull International (DSI) reported preliminary figures for FY2011 that were in line with our estimates.**
- **FY2011 revenues came in at AED 3.1 billion, 1.7% ahead of our estimate of AED 3.048 billion**, which was also, by coincidence, the median Bloomberg consensus estimate. This implies 4Q2011 revenues of AED 869 million, 6.3% ahead of our estimate of AED 817 million, and 2.7% ahead of 3Q2011 revenues of AED 846 million.
- **FY2011 net profit (which we take to mean before minority interest, as this is the figure the company usually uses) came in at AED 220 million, 1% below our forecast of AED 223 million**, and implying a net profit for 4Q2011 of AED 66 million, 4.5% below our forecast of AED 69 million. There is no consensus figure available for this; however, assuming minority interest is in line with our estimates, this would imply an attributable net profit of AED 205 million, as against a median consensus estimate of AED 209 million.
- **The company has reported a YE2011 backlog of AED 7.1 billion, 6% ahead of the AED 6.7 billion backlog at the end of 3Q2011.** We had expected backlog to be flat, so this is slightly better than anticipated, and represents a decent replacement rate.
- No other figures were released, although the company further announced:
 - a. It has set up a rail division, in line with the expected award of rail projects across the GCC.
 - b. **More relevantly, the board has recommended a 5% cash dividend** (or AED 0.05 per share) for FY2011, whereas we had expected no dividend payment for FY2011. This is likely to be taken well by the market, and results in a yield of 5.2%.
- There will be a conference call to comment these results on Wednesday, 15 February. Full results will be released at a later date (mid to end March, according to the company), allowing for a more precise analysis. Overall, the figures for both 4Q2011 and FY2011 are in line with our forecasts, but we view the backlog and dividend figures as slightly positive surprises.

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Related Research

- Drake & Scull Update - 20 November 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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