

Dubai focus hands Sunland \$99m profit windfall

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SUNLAND Group's bold foray into Dubai has shielded the development giant from a souring domestic market, helping it post a 12 per cent surge in net profit to \$99 million in 2008.

Lower taxes and a near doubling of Sunland's development portfolio in the past year have underpinned the record result, despite a 22 per cent slide in group revenue to \$497 million.

The profit result, for the year to the end of June, is up from \$88 million in 2007 and \$4 million above target.

The company is forecasting another record for the current financial year, setting its sights on another double-digit rise to \$109 million.

Higher margins from Sunland's Dubai projects, including the D1 tower and the world's second Palazzo Versace hotel, have been credited for the improved performance.

Pre-sales from Dubai have hit \$1.1 billion.

Sunland is also enjoying the low tax regime of the emirate, with its tax liability down 36.7 per cent to \$22.7 million, bolstering an otherwise lower pre-tax result.

While revenue in 2007 was boosted by settlements from Surfers Paradise projects Q1 and Circle on Cavill, this year's slide in group sales reflected the company's increased focus on Dubai.

Sunland managing director Sahba Abedian said international operations now accounted for 55 per cent of earnings, contributing \$54 million to the latest result.

"That's a strategy we set in place over three years ago and it's coming to fruition now.

"We have focused on capital management by way of debt reduction and recycling capital through the group's expansion of key joint venture relationships in both Australia and Dubai."

While the company would remain weighted towards Dubai for now, Mr Abedian last week said the company was waiting 'patiently' for a pullback in prices before restocking its Australian development portfolio.

Sunland has a positive cash balance, with \$113.4 million in cash at the end of June offsetting bank debt of \$79.8 million. Its gearing sits at 15 per cent of equity.

"Our gearing levels are amongst the lowest in our sector and our strong cash reserves have strongly positioned Sunland to capitalise upon counter-cyclical opportunities in Australia," said Mr Abedian.

"Our position is one of strength and we're going to utilise our balance sheet to build a portfolio of assets over the next five years."

Mr Abedian said despite the slowdown in the domestic market, demand for Sunland's 'design-driven' products in Australia remained strong.

Sunland has about 30 projects under way domestically, three of them on the Gold Coast, including a 114-home

project at Sanctuary Cove.

Its domestic development portfolio is valued at \$2.2 billion, up 15 per cent, while Dubai's portfolio has more than doubled over the year to \$5.2 billion.

The company said it was expanding its project management operations, particularly in Dubai, where it employs 100 staff.

Sunland has lifted net tangible asset backing to \$1.69 from \$1.57, while earnings per share are up from 29.7c to 30.8c.

The final dividend is 7c, franked, up from 6.75c the same time last year. This brings the full-year payout to 14c.

Sunland is targeting a 15c dividend for 2009.

Sunland's shares rose 6c to \$2.32 yesterday.