

April 01, 2010

SULTAN CENTER (SCFK.KW)

12-Month Fair Value: Under Review

Last Close (31 March 2010): KD 0.202

Recommendation: Under Review - Risk Level: Under Review

- The delayed release of Agility's financial statements had a ripple effect on Sultan Center. National Real Estate Company (NREC), which owns 22.4% of Agility, postponed its Board of Directors meeting, awaiting the approval Agility's financial statements. In turn, Sultan Center, which owns 31% of NREC, has not released FY2009 financial statements pending the approval of NREC financials.
- Accordingly, trading of Sultan Center's shares on the KSE is halted starting April 1, 2010 as per KSE regulations that stipulate that companies should release full year financial statements within a three-month period.
- On November 16, 2009, the U.S. Department of Justice issued two press releases related to two separate lawsuits that charge Agility with defrauding the United States. The lawsuits allege Sultan Center's involvement in overcharging the U.S. Army for local market ready items. We do not have enough information to make an assessment regarding any liability that Sultan Center may face, if any, and we have not reflected any potential impact from these lawsuits in our forecasts.
- In addition, Sultan Center exposure to the Agility debacle is limited to the value of its investment in NREC, which represents 35% of our previously published fair value for Sultan Center of KD 0.320.
- Moreover, any loss of business with the U.S. Army (through Agility) should not have a material impact on our forecast cash flows for Sultan Center, as our forecasts for the trade segment already attempt to reflect the complete withdrawal of the U.S. Armed Forces from Iraq by the end of 2011, to the best of our knowledge.
- Due to the delay in the release of the FY2009 financial statements, we are putting Sultan Center "Under Review."

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Related Research

- Sultan Center Update - 17 December 2009
- Sultan Center Initiation of Coverage - 21 July 2009

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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