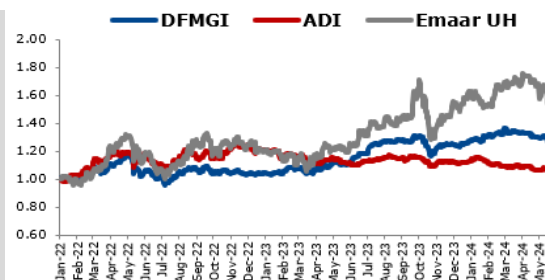


## Emaar Properties

Lower other income and rising operating expenses impacted the bottom line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 7.50	AED 9.75	+30%	BUY

- Emaar's property's sales backlog grew from AED 71.8 Bn in 1Q23 to AED 78.3 Bn in 1Q24, indicating strong revenue visibility.
- Emaar's total EBITDA grew from AED 2,875 Mn in 1Q23 to AED 3,466 Mn in 1Q24.
- The Company's recurring revenue, which represents c.34.3% of total revenue, generated revenue of AED 2.3 Bn during 1Q24.
- The Company boasts strong recurring revenue assets, with c.1.4 Mn sq mt of properties generating leasing revenue and 34 hotels and resorts offering more than 8,700 rooms.
- The Mall and Commercial leasing business benefitted positively due to robust tenant sales, which grew 9% YOY and a strong average occupancy rate of c.98% in 1Q24.



### 1Q24 Net Profit higher than our estimate

Emaar Properties PJSC (Emaar/the Company) net profit declined from AED 3,206 Mn in 1Q23 to AED 2,921 Mn in 1Q24, higher than our estimate of AED 2,645 Mn. The decline in net profit is mainly attributable to higher share to NCI, lower other income along with growth in other operating expenses and income tax expense partially offset by an increase in revenue, lower direct cost and strong growth in finance income.

### P&L Highlights

Emaar's revenue grew 6.9% YOY to AED 6,723 Mn in 1Q24, driven by higher retail sales, a strong rise in tourism, retail sales and healthy real estate demand. Revenue from the sale of residential units grew 11.0% YOY to AED 4,167 Mn in 1Q24. Whereas, revenue from the sale of commercial units rose 2.6% YOY to AED 289 Mn in 1Q24. Moreover, revenue from leasing, retail, and related activities under the Emaar Malls segment declined 2.3% YOY to AED 1,745 Mn in 1Q24. Hospitality business revenue grew 11.9% YOY to AED 522 Mn in 1Q24, owing to strong domestic spending and a rise in tourism activity in the region. Emaar's cost of revenue declined 3.0% YOY to AED 2,702 Mn in 1Q24 due to a decline in the cost of commercial units, plots of land and others and leased properties, retail and related activities operating costs. Thus, gross profit grew from AED 3,503 Mn in 1Q23 to AED 4,021 Mn in 1Q24. Other operating income rose 38.9% YOY to AED 131 Mn in 1Q24, while other operating expenses grew from AED 29 Mn in 1Q23 to AED 35 Mn in 1Q24. However, the Company's selling and G&A expenses fell 6.1% YOY to AED 652 Mn in 1Q24 owing to the company's efforts to increase operational efficiencies. Emaar's total EBITDA grew from AED 2,875 Mn in 1Q23 to AED 3,466 Mn in 1Q24. EBITDA margins rose 585 bps YOY to 51.6% in 1Q24. Depreciation on PPE grew 3.6% YOY to AED 151 Mn in 1Q24,

### Stock Information

Market Cap (AED, mn)	66,290.92
Paid Up Capital (mn)	8,838.79
52 Week High	8.64
52 Week Low	5.81
3M Avg. daily value (AED)	89,734,340

### 1Q24 Result Review (AED, mn)

Total Assets	142,835
Total Liabilities	53,902
Total Equity	88,933
EBITDA	3,466
Net Profit	2,921

### Financial Ratios

Dividend Yield (12m)	6.67
Dividend Pay-out (%)	38.00
Price-Earnings Ratio(x)	5.85
Price-to-Book Ratio (x)	0.84
Book Value (AED)	8.96
Return-on Equity (%)	15.06

### Stock Performance

5 Days	-6.72%
1 Months	-8.65%
3 Months	-7.64%
6 Months	-1.19%
1 Year	25.21%
Month to Date (MTD%)	-8.65%
Quarter to Date (QTD%)	-8.20%
Year to Date (YTD%)	-5.30%

whereas depreciation on investment properties rose 5.8% YOY to AED 188 Mn in 1Q24. As a result, total operating profit grew 22.6% YOY to AED 3,127 Mn in 1Q24. Operating profit margin grew from 40.6% in 1Q23 to 46.5% in 1Q24. Finance income rose strongly from AED 263 Mn in 1Q23 to AED 495 Mn in 1Q24 due to an increase in income from bank deposits and securities. Finance cost rose marginally 0.5% YOY to AED 233 Mn in 1Q24. Furthermore, the Company recorded a profit from the share of associates of AED 36 Mn in 1Q24 compared to a loss of AED 53 Mn in 1Q23. Other income declined from AED 1,151 Mn in 1Q23 to AED 840 Mn in 1Q24. Income tax expense increased from AED 65 Mn in 1Q23 to AED 566 Mn in 1Q24 owing to the introduction of corporate tax in the UAE. Additionally, the share of profit attributable to non-controlling interest holders grew from AED 408 Mn in 1Q23 to AED 778 Mn in 1Q24, impacting profitability.

### Balance Sheet Highlights

The Company's unrestricted cash balance stood at AED 15.9 Bn in 1Q24. Emaar's total debt increased from AED 35.1 Bn in 4Q23 to AED 36.8 Bn in 1Q24. Furthermore, the Company generated AED 2.7 Bn in cash flow from operations in 1Q24 compared to AED 5.5 Bn in 1Q23.

### Target Price and Rating

We maintain our BUY rating on Emaar Properties with an unchanged target price of AED 9.75. The Company reported strong growth in profitability in 1Q24, driven by an increase in tourism activity, higher retail sales and strong real estate demand. Emaar's property sales grew from AED 9.2 Bn in 1Q23 to AED 13.5 Bn in 1Q24. In addition, the property's sales backlog grew from AED 71.8 Bn in 1Q23 to AED 78.3 Bn in 1Q24, indicating strong revenue visibility. Emaar's diverse recurring revenue portfolio consisting of malls, hospitality, leisure, entertainment, and commercial leasing stood at AED 2.3 Bn in 1Q24, representing c.34.3% of the group's total revenue owing to the strong rise in tourism and increased retail sales. Furthermore, the Mall and Commercial leasing business positively benefitted due to robust tenant sales, which grew 9% YOY, coupled with a strong average occupancy rate of c.98% in 1Q24. Likewise, the average occupancy rate in Emaar's UAE hotels stood strong at 82% in 1Q24 due to a strong recovery in the tourism sector. Emaar's international business also recorded a growth in profitability, primarily driven by strong sales in Egypt and India. The Company successfully launched ten new projects in 1Q24. Moreover, Emaar launched two new projects in Dubai worth AED 96 Bn spread across 140 Mn sq. ft. of land. The Company is expected to benefit from the growth in demand in the real estate sector of UAE, a robust influx of tourists and a steady rise in occupancy rates. Furthermore, the Company boasts strong recurring revenue assets, with c.1.4 Mn sq mt of properties generating leasing revenue and 34 hotels and resorts offering more than 8,700 rooms. Moreover, the Company's board of directors approved a dividend of 0.50 per share, generating a dividend yield of 6.7% in 2023. Thus, based on our analysis, we maintain our BUY rating on the stock.

### Emaar Properties - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	8.9	26.3	16.7	10.0	5.9	6.2
PB	1.0	1.0	1.0	1.1	0.9	0.8
EV/EBITDA	9.4	25.1	10.1	9.0	5.2	4.9
Dividend yield	NM	1.5%	2.1%	3.4%	6.7%	6.7%

FABS Estimates & Co Data

**Emaar Properties – P&L**

AED mn	1Q23	4Q23	1Q24	1Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	6,290	8,380	6,723	6,821	-1.4%	6.9%	-19.8%	26,750	30,267	13.1%
Cost of revenue	-2,787	-2,908	-2,702	-2,335	15.7%	-3.0%	-7.1%	-9,884	-12,208	23.5%
<b>Gross profit</b>	<b>3,503</b>	<b>5,472</b>	<b>4,021</b>	<b>4,486</b>	<b>-10.4%</b>	<b>14.8%</b>	<b>-26.5%</b>	<b>16,865</b>	<b>18,059</b>	<b>7.1%</b>
Other operating income	95	155	131	136	-3.6%	38.9%	-15.4%	553	605	9.4%
Other operating expenses	-29	-90	-35	-34	2.3%	19.2%	-61.4%	-228	-272	19.4%
Selling, G&A expenses	-694	-858	-652	-955	-31.8%	-6.1%	-24.1%	-2,786	-3,178	14.1%
<b>EBITDA</b>	<b>2,875</b>	<b>4,679</b>	<b>3,466</b>	<b>3,634</b>	<b>-4.6%</b>	<b>20.6%</b>	<b>-25.9%</b>	<b>14,405</b>	<b>15,214</b>	<b>5.6%</b>
<b>EBIT</b>	<b>2,551</b>	<b>4,163</b>	<b>3,127</b>	<b>3,097</b>	<b>1.0%</b>	<b>22.6%</b>	<b>-24.9%</b>	<b>11,752</b>	<b>13,601</b>	<b>15.7%</b>
Depreciation of PPE	-146	-166	-151	-161	-6.3%	3.6%	-9.1%	-616	-645	4.6%
Depreciation of IP	-178	-204	-188	-239	-21.2%	5.8%	-7.8%	-780	-969	24.1%
Finance income	263	532	495	409	20.9%	88.3%	-6.9%	1,604	1,513	-5.6%
Finance cost	-232	-298	-233	-194	20.4%	0.5%	-21.7%	-1,039	-775	-25.5%
Other income	1,151	535	840	136	NM	-27.0%	57.1%	2,508	1,059	-57.8%
Share of assoc. profits/(-loss)	-53	120	36	126	-71.3%	NM	-69.9%	237	239	1.0%
Provisions and impairment	0	-146	0	-136	NM	NM	NM	-1,255	-605	-51.8%
<b>Profit before tax</b>	<b>3,679</b>	<b>5,051</b>	<b>4,265</b>	<b>3,575</b>	<b>19.3%</b>	<b>15.9%</b>	<b>-15.6%</b>	<b>15,062</b>	<b>15,033</b>	<b>-0.2%</b>
Income tax	-65	-71	-566	-322	75.8%	NM	NM	-232	-1,353	NM
<b>Profit from contd operation</b>	<b>3,614</b>	<b>4,980</b>	<b>3,699</b>	<b>3,253</b>	<b>13.7%</b>	<b>2.3%</b>	<b>-25.7%</b>	<b>14,829</b>	<b>13,680</b>	<b>-7.7%</b>
Profit from discontd operation	0	0	0	0	NM	NM	NM	0	0	NM
<b>Profit for the period</b>	<b>3,614</b>	<b>4,980</b>	<b>3,699</b>	<b>3,253</b>	<b>13.7%</b>	<b>2.3%</b>	<b>-25.7%</b>	<b>14,829</b>	<b>13,680</b>	<b>-7.7%</b>
Non-controlling interests	-408	-1,588	-778	-608	27.9%	90.6%	-51.0%	-3,200	-2,462	-23.0%
<b>Net Profit</b>	<b>3,206</b>	<b>3,392</b>	<b>2,921</b>	<b>2,645</b>	<b>10.4%</b>	<b>-8.9%</b>	<b>-13.9%</b>	<b>11,629</b>	<b>11,218</b>	<b>-3.5%</b>

FABS estimate & Co Data

**Emaar Properties - Margins**

	1Q23	4Q23	1Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross margin	55.7%	65.3%	59.8%	412	-549	63.0%	59.7%	-338
EBITDA margin	45.7%	55.8%	51.6%	585	-428	53.8%	50.3%	-358
Operating margin	40.6%	49.7%	46.5%	595	-317	43.9%	44.9%	100
Net profit margin	51.0%	40.5%	43.4%	-752	296	43.5%	37.1%	-641

FABS estimate & Co Data

## Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value Emaar Properties. We have assigned 70% weight to DCF and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	9.71	70.0%	6.80
Relative Valuation (RV)	9.84	30.0%	2.95
<b>Weighted Average Valuation (AED)</b>			<b>9.75</b>
Current market price (AED)			7.50
Upside/Downside (%)			+30%

### 1) DCF Method:

Emaar Properties is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 9.4%. It is arrived after using cost of equity of 9.7% and cost of debt of 7.9%. Cost of equity is calculated by using 10-year government bond yield of 5.7%, beta of 1.00 and equity risk premium of 3.9%. Government bond yield is calculated after adding Dubai 10-year spread over 10-year US risk free rate. Cost of debt of 7.9% is calculated after adjusting a tax rate of 9.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	28,795
Terminal value (AED, Mn)	67,446
<b>FV to Common shareholders (AED, Mn)</b>	<b>85,841</b>
No. of share (Mn)	8,839
Current Market Price (AED)	7.50
<b>Fair Value per share (AED)</b>	<b>9.71</b>

### DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	11,826	9,723	10,137	10,478	11,004
D&A	1,618	1,703	1,742	1,817	1,867
Change in working capital	-8,011	176	-2,892	-3,017	-3,881
(-) Capex	-1,507	-1,565	-1,539	-1,581	-1,605
<b>Free Cash Flow to Firm (FCFF)</b>	<b>3,925</b>	<b>10,037</b>	<b>7,447</b>	<b>7,697</b>	<b>7,384</b>
Discounting Factor	0.95	0.87	0.79	0.72	0.66
<b>Discounted FCFF</b>	<b>3,723</b>	<b>8,703</b>	<b>5,902</b>	<b>5,576</b>	<b>4,890</b>

Source: FAB Securities

## 2) Relative Valuation:

We have used local as well as international peers to value Emaar Properties and it is valued using the EV/EBITDA multiple. It is valued at 2024 EV/EBITDA multiple of 6.4x in line with its peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
China Overseas Land & Investment	22,230	8.7	8.5	6.4	6.1
China Resources Land Limited	27,910	6.0	5.7	6.8	6.4
Aldar Properties	12,270	6.6	5.2	10.6	8.1
Deyaar Development	858	6.3	5.3	NA	6.6
CK Asset Holding Limited	16,700	6.4	5.8	7.6	6.7
<b>Average</b>		<b>6.8x</b>	<b>6.1x</b>	<b>7.8x</b>	<b>6.8x</b>
<b>Median</b>		<b>6.4x</b>	<b>5.7x</b>	<b>7.2x</b>	<b>6.6x</b>
<b>Max</b>		<b>6.6x</b>	<b>5.8x</b>	<b>8.4x</b>	<b>6.7x</b>
<b>Min</b>		<b>6.3x</b>	<b>5.3x</b>	<b>6.7x</b>	<b>6.4x</b>

Source: FAB Securities

## Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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