

Emaar Properties

Robust growth in property sales and recurring revenue portfolio supported profitability

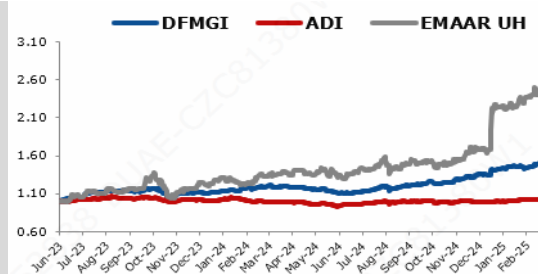
Current Price
AED 13.90

Target Price
AED 15.00

Upside/Downside (%)
+8%

Rating
HOLD

- Property sales backlog increased from AED 93.8 Bn in 3Q24 to AED 102.7 Bn in 4Q24.
- Emaar Malls reported a strong occupancy rate of 98.5% as of 2024, with c.194 Mn visitors in 2024.
- Emaar Properties announced the expansion of Dubai Mall, adding 240 new shops with a capex of AED 1.5 Bn in 2024.
- The Company also secured 141 Mn sq ft of land in a prime location in Dubai, with a total development value of AED 96 Bn in 2024.
- Emaar board has recommended to distribute its highest proposed dividend of AED 1 per share, generating a dividend yield of 7.2% in 2024.



4Q24 Net Profit higher than our estimate

Emaar Properties PJSC (Emaar/the Company) reported a 47.1% YOY increase in net profit to AED 4,991 Mn in 4Q24, surpassing our estimate of AED 3,189 Mn. The increase in net profit is primarily attributable to strong revenue growth, higher other income, lower other operating expenses, and lower finance costs, partially offset by higher direct costs and SG&A expenses.

P&L Highlights

Emaar Properties recorded a 39.8% YOY increase in revenue to AED 11,712 Mn in 4Q24, mainly driven by strong retail sales, new project launches, increased tourism activity, and robust demand in the real estate sector. Revenue from the sale of residential units surged 58.9% YOY to AED 8,600 Mn in 4Q24, supported by the launch of new projects and strong property sales of AED 70 Bn, alongside a revenue backlog exceeding AED 110 Bn in 2024. Revenue from the sale of commercial units rose 18.9% YOY to AED 672 Mn in 4Q24. Additionally, revenue from leasing, retail, and related activities under the Emaar Malls segment declined 1.0% YOY to AED 1,837 Mn in 4Q24. The occupancy across Emaar malls stood robust at 98.5% as of 4Q24. The hospitality segment reported a 10.7% YOY growth in revenue to AED 603 Mn in 4Q24, driven by strong domestic spending and rising tourism activity. The hospitality revenue composition included 41% from room revenue, 26% from F&B, and 33% from other sources in 2024. Occupancy across Emaar's UAE hotels stood strong at 79% in 2024. Cost of revenue grew 70.7% to AED 4,963 Mn in 4Q24 due to higher costs associated with residential and commercial units. As a result, gross profit rose 23.3% YOY to AED 6,749 Mn in 4Q24. Other operating income increased 21.2% YOY to AED 188 Mn in 4Q24, while operating expenses declined 29.8% YOY to AED 63 Mn. SG&A expenses rose 14.1% YOY to AED 979 Mn in

Stock Information	
Market Cap (AED, mn)	122,859.18
Paid Up Capital (mn)	8,838.79
52 Week High	14.45
52 Week Low	7.37
3M Avg. daily value (AED)	192,373,300

4Q24 Result Review (AED, mn)	
Total Assets	160,222
Total Liabilities	64,152
Total Equity	96,070
EBITDA	5,895
Net Profit	4,991

Financial Ratios	
Dividend Yield (12m)	3.60
Dividend Pay-out (%)	65.40
Price-Earnings Ratio(x)	9.12
Price-to-Book Ratio (x)	1.44
Book Value (AED)	9.67
Return-on Equity (%)	16.57

Stock Performance	
5 Days	-2.46%
1 Months	2.96%
3 Months	45.55%
6 Months	64.69%
1 Year	71.18%
Month to Date (MTD%)	2.96%
Quarter to Date (QTD%)	8.17%
Year to Date (YTD%)	8.17%

4Q24, reflecting the Company's initiatives to enhance operational efficiencies. Emaar's total EBITDA grew 26.0% YOY to AED 5,895 Mn in 4Q24. However, EBITDA margins contracted 551 bps YOY to 50.3% in 4Q24. Depreciation on PPE declined 1.6% YOY to AED 163 Mn, while depreciation on investment properties grew 16.5% YOY to AED 238 Mn in 4Q24. Total operating profit increased 32.0% YOY to AED 5,494 Mn in 4Q24. Operating profit margin declined from 49.7% in 4Q23 to 46.9% in 4Q24. Moreover, finance income declined 1.6% YOY to AED 523 Mn in 4Q24 due to higher returns from bank deposits and securities, whereas finance costs declined 9.1% YOY to AED 271 Mn in 4Q24. Furthermore, the Company reported a profit from associates of AED 43 Mn in 4Q24 compared to a profit of AED 120 Mn in 4Q23. Other income grew 27.7% YOY to AED 683 Mn in 4Q24. Income tax expenses marginally declined from AED 71 Mn in 4Q23 to AED 70 Mn in 4Q24. Additionally, the share of profit attributable to non-controlling interest holders declined 11.1% YOY to AED 1,412 Mn in 4Q24.

Balance Sheet Highlights

The Company's cash and bank balance increased to AED 50 Bn in 4Q24, up from AED 43 Bn in 3Q24. Emaar's total debt, including advances from customers, rose from AED 40 Bn in 3Q24 to AED 42 Bn in 4Q24. Additionally, the Company generated AED 7.3 Bn in cash flow from operations in 4Q24, compared to AED 7.6 Bn in 3Q24. Meanwhile, receivable days fell from 148 days in 3Q24 to 119 days in 4Q24.

Target Price and Rating

We revise our rating on Emaar Properties from BUY to HOLD with an unchanged target price of AED 15.00. The Company's stock price grew 7.3% since our last rating. Emaar witnessed robust growth in revenue driven by strong demand in Dubai's real estate market, consistent project execution, and sustained investor confidence. Besides, the continued expansion of Dubai's tourism sector also supported Emaar's top-line growth. The Company's property sales surged from AED 40.3 Bn in 2023 to AED 70.0 Bn in 2024 owing to the launch of 62 projects across various masterclasses. Additionally, the property sales backlog exceeded AED 110.0 Bn in 2024, providing strong revenue visibility that is expected to be recognized over coming years. Emaar's diverse recurring revenue portfolio, which includes malls, hospitality, leisure, entertainment, and commercial leasing, reached AED 9.3 Bn, reflecting an increase of more than 8% YOY in 2024. The average occupancy rate in Emaar's UAE hotels stood strong at 79% in 2024. Additionally, Emaar's international operations, particularly in Egypt and India, saw strong revenue growth, with international property sales reaching AED 4.1 Bn in 2024. The Company's subsidiary, Emaar Developments, recorded property sales of AED 65.4 Bn in 2024, with a revenue backlog of AED 102.7 Bn and a very low customer default rate of c. 0.5% of sales value. Furthermore, in 2024, Emaar Properties announced the expansion of Dubai Mall, adding 240 new shops with a capex of AED 1.5 Bn. Post expansion, the mall will attract more visitors and various domestic and international luxury retail and F&B brands. The Company also secured 141 Mn sq ft of land in a prime location in Dubai, with a total development value of AED 96 Bn in 2024. Emaar is also expected to distribute its highest proposed dividend of AED 1 per share, generating a dividend yield of 7.2% in 2024. Thus, based on our analysis, we assign a HOLD rating on the stock.

Emaar Properties - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	47.35	30.02	18.05	10.60	9.12	8.50
PB	1.80	1.85	1.89	1.59	1.44	1.26
EV/EBITDA	39.14	16.61	14.87	9.02	7.07	6.27
Dividend yield	0.7%	1.1%	1.8%	3.6%	7.2%	7.2%

FABS Estimates & Co Data

Emaar Properties – P&L

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Revenue	8,380	9,385	11,712	9,715	20.6%	39.8%	24.8%	26,750	35,505	32.7%
Cost of revenue	-2,908	-4,133	-4,963	-4,245	16.9%	70.7%	20.1%	-9,884	-15,124	53.0%
Gross profit	5,472	5,253	6,749	5,470	23.4%	23.3%	28.5%	16,865	20,381	20.8%
Other operating income	155	185	188	171	10.3%	21.2%	1.8%	553	654	18.2%
Other operating expenses	-90	-95	-63	-109	-41.7%	-29.8%	-32.9%	-228	-239	5.0%
Selling, G&A expenses	-858	-799	-979	-846	15.7%	14.1%	22.5%	-2,786	-3,232	16.0%
EBITDA	4,679	4,544	5,895	4,686	25.8%	26.0%	29.7%	14,405	17,563	21.9%
EBIT	4,163	4,201	5,494	3,775	45.6%	32.0%	30.8%	11,752	16,136	37.3%
Depreciation of PPE	-166	-149	-163	-168	-3.0%	-1.6%	9.4%	-616	-625	1.4%
Depreciation of IP	-204	-194	-238	-207	15.0%	16.5%	22.4%	-780	-802	2.7%
Finance income	532	553	523	632	-17.3%	-1.6%	-5.4%	1,604	2,102	31.1%
Finance cost	-298	-179	-271	-197	37.2%	-9.1%	51.4%	-1,039	-941	-9.5%
Other income	535	111	683	159	NM	27.7%	NM	2,508	1,596	-36.4%
Share of assoc. profits/(-loss)	120	-13	43	37	14.9%	-64.0%	NM	237	6	NM
Profit before tax	5,051	4,673	6,473	4,406	46.9%	28.1%	38.5%	15,062	18,900	25.5%
Income tax	-71	-461	-70	-437	-84.0%	NM	-84.8%	-232	-1,451	NM
Profit for the period	4,980	4,212	6,403	3,968	61.3%	28.6%	52.0%	14,829	17,449	17.7%
Non-controlling interests	-1,588	-1,029	-1,412	-780	NM	-11.1%	37.2%	-3,200	-3,935	23.0%
Net Profit	3,392	3,183	4,991	3,189	56.5%	47.1%	56.8%	11,629	13,514	16.2%

FABS estimate & Co Data

Emaar Properties - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross margin	65.3%	56.0%	57.6%	-768	166	63.0%	57.4%	-565
EBITDA margin	55.8%	48.4%	50.3%	-551	191	53.8%	49.5%	-438
Operating margin	49.7%	44.8%	46.9%	-277	215	43.9%	45.4%	151
Net profit margin	40.5%	33.9%	42.6%	213	870	43.5%	38.1%	-541

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	16.21	70.0%	11.35
Relative Valuation (RV)	12.16	30.0%	3.65
Weighted Average Valuation (AED)			15.00
Current market price (AED)			13.90
Upside/Downside (%)			+8%

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 9.5%. It is arrived after using cost of equity of 9.6% and cost of debt of 8.0%. 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 8.0% is calculated after adjusting a tax rate of 7.7%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	43,467
Terminal value (AED, Mn)	100,612
FV to Common shareholders (AED, Mn)	143,293
No. of share (Mn)	8,839
Current Market Price (AED)	13.90
Fair Value per share (AED)	16.21

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	15,928	16,605	17,476	18,281	19,038
D&A	1,650	1,679	1,744	1,791	1,846
Change in working capital	-7,913	-3,918	-6,210	-6,563	-7,586
(-) Capex	-1,269	-1,324	-1,448	-1,682	-1,860
Free Cash Flow to Firm (FCFF)	8,396	13,042	11,562	11,827	11,438
Discounting Factor	0.93	0.85	0.77	0.71	0.64
Discounted FCFF	7,776	11,034	8,935	8,348	7,375

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 PB multiple. It is valued at 2025 PB multiple of 1.1x in line with its peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/B (x)	
		2024F	2025F	2024F	2025F
Aldar Properties	19,607	8.6	7.7	1.6	1.5
Tecom Group	4,261	10.2	9.8	2.2	2.0
China Resources Land Limited	23,404	10.0	9.7	0.6	0.6
Arabian Centers	2,674	15.5	13.0	0.7	0.7
Mitsubishi Estate	18,116	15.0	14.1	1.1	1.0
Average		11.9x	10.9x	1.2x	1.2x
Median		10.2x	9.8x	1.1x	1.0x
Max		15.0x	13.0x	1.6x	1.5x
Min		10.0x	9.7x	0.7x	0.7x

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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