

## Key Investment Highlights:

We initiate coverage on **Rak Properties** (“**RAKPROP**” or “**The Company**”) with a **Valuation** of AED 1.31 per share. Rak Properties is a real estate development company based in Ras AL Khaimah with operations across Property Sales, Property Leasing, Hotel Operations, and Facility Management Services & Others. Moreover, RAK Properties recently expanded its portfolio to include significant investments in hotel properties. The Company’s revenue stood at AED 1,005 Mn as of FY2023.

**Our investment view** is supported by:

- *Strong growth potential from existing and new projects*
- *Rak Properties benefits from the Emirate's strategic location*
- *Resilient Property sales performance coupled with diversification of revenue base*
- *RAKPROP commenced five-star hotels to support growing international visitors*

### Strong growth potential from existing and new projects

Rak Properties remains committed to identifying opportunities to develop residential properties and villas. RAKPROP integrated residential project portfolio across Abu Dhabi and Ras Al Khaimah. Noteworthy, residential projects are fully sold out as of FY2023 are Julphar Residences, Bay Residences Phase 1 &2, and Gateway Residences and Bayviews. It recorded property sales of AED 2.8 Bn in FY2023 notable increase on the AED 511 Mn in FY2022. In addition, the Company recorded healthy sales in Nasim Lofts, Marbella Phase 2, Cape Hayat and entered into a JV with Ellington to develop a residential property on Hayat Island. In addition, the RAKPROP’s Quattro Del Mar project launched in January 2024 and earned popularity as the released units of the project's first tower sold out within a few hours of the sales launch.

### Rak Properties benefits from the Emirate's strategic location

Rak Properties' diverse development plans spanning across Abu Dhabi and Ras Al Khaimah (RAK) contribute to a well-balanced revenue stream across the Property Sales segment. RAK’s strategic location offers several benefits to businesses and makes it a highly attractive destination for both international trade and investments. RAK is a popular tourist attraction and provides a 45-minute connectivity link from Dubai’s international airport and experiences a progressive real estate market. RAK experienced a consistent growth in apartment rental rate marking a 10.3% rise in 2023 compared to Abu Dhabi’s 4.2% as reported by Reidin. The emirate’s real estate transaction sale value also witnessed a significant uptick, growing 59.5% in FY2023 compared to 25.6% in FY2022. In addition, Ras Al Khaimah pursued a strong economic diversification policy by establishing free zones and industrial areas to attract foreign investment.

### Resilient Property sales performance coupled with diversification of revenue base

Post-pandemic RAKPROP gained traction and recorded healthy topline growth in several project launches amid growing investor interest. Rak Properties reported a strong revenue growth to AED 1,005 Mn in FY2023 from AED 408 Mn in FY2022 mainly due to growth across Property sales and Hotel Operations segments. The Company relied mainly on revenue from the property sales segment until FY2021, which made up 89.4% of the total revenue. The remaining 11.6% of total revenue was generated from Property Leasing and Facility Management Services & Others Segment. Post the launch of the five-star Intercontinental Ras Al Khaimah resort in FY2022, Rak Properties generated 17.1% of its total revenue from other segments excluding property development.

### RAKPROP commenced five-star hotels to support growing international visitors

According to RAKTDA, RAK welcomed a total of 1.22 Mn overnight visitors with c.316K guests in 4Q23. RAKPROP also benefitted from the growing tourist arrival by commencing InterContinental Mina Al Arab Resort marking a total revenue of AED 116 Mn in FY2023 compared to AED 71 Mn in FY2022. Rak Properties further launched Anantara Mina Al Arab Hotel and Resort, a second five-star luxury establishment in the emirate that started its operations in January 2024. Moreover, the company anticipated a 45% occupancy rate for the first six months and then an increase to an average 55% occupancy rate for the rest of the year. To further benefit from the growing tourist arrivals in Ras Al Khaimah, the Company also partnered with Nikki Beach Global to open its first 155-key branded resort in Mina Al Arab.

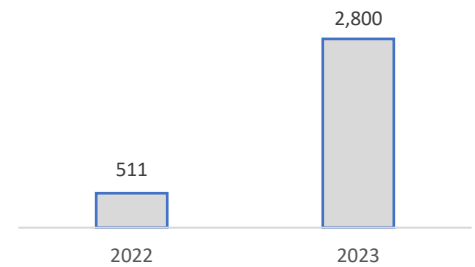
## Initiating Coverage

### Sector: Real Estate

Analyst Name: Ahmad Banihani

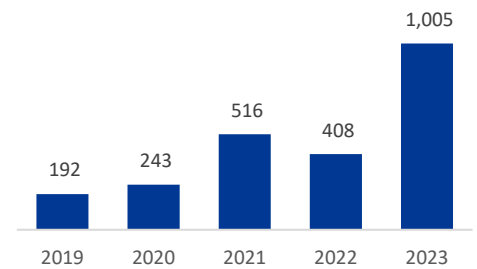
Rating	BUY
Current Market Price (AED)	1.12
Target Price (AED)	1.31
Upside/(Downside)	+17%
Market Cap (AED, Bn)	2.33

### Property Sales (AED, Mn)



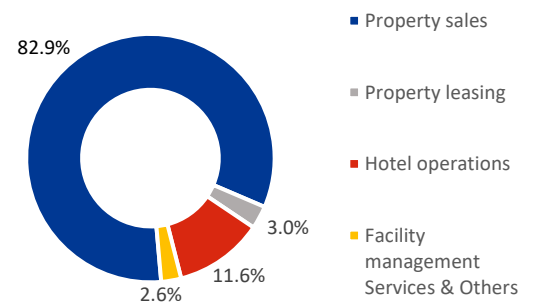
Source: Company Information

### Total Revenue across the period (AED, Mn)



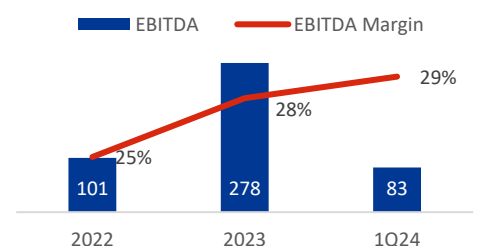
Source: Company Information

### Revenue Mix across Segments as of FY2023 (%)



Source: Company Information

### EBITDA (AED, Mn) and EBITDA Margin (%)



Source: Company Information

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## Introduction to Rak Properties

### RAK Properties Shaping the Future Landscape of Ras Al Khaimah Through Development and Innovation

**A Leading Force in UAE  
Real Estate Development,  
Blending Tradition with  
Modern Excellence**

#### Rak Properties – Company Introduction

RAK Properties is a real estate development company located in Ras Al Khaimah, UAE. Since its establishment in 2005, RAK Properties evolved into a significant player in Ras Al Khaimah's real estate sector. As a publicly listed joint-stock company on the Abu Dhabi Securities Exchange, RAK Properties contributes to Ras Al Khaimah's development while preserving its natural beauty and cultural heritage. The Company's major shareholders include Al Saqr United Group LLC with a shareholding of 10.6% and the Government of Ras Al Khaimah with ownership of 5.1%. The Government of Ras Al Khaimah further plans to increase its shareholding to 34% by 2Q24 and plans to subscribe to 920 Mn shares issued by RAKPROP. In addition, RAK Properties boasts a diverse ownership structure, with Nationals holding the majority share at 73.3%, followed by GCC members at 10.8%, Arabs (excluding GCC) at 5.7%, and others at 10.2%. This inclusive composition enhances the company's resilience and stability in the market. RAK Properties exemplifies a proven track record in diverse real estate developments by delivering 2,500+ villas and apartments, along with 370,000 SQFT of commercial space and 260,000 SQFT of retail space.

Rak Properties generated revenues through four segments including Property sales (82.9%), Property leasing (3.0%), Hotel operations (11.6%), and facility management Services & Others (2.6%) as of FY2023. With a historical focus on residential, commercial, and retail properties, RAK Properties recently expanded its portfolio to include significant investments in hotel properties. This strategic move aligns with the company's vision of generating recurring income and broadening its footprint in the thriving hospitality sector. RAK Properties garnered acclaim for its involvement in expansive projects, notably Julphar Towers, Hayat Island, and Raha Island integral components of the flagship master development, Mina Al Arab.

Key components of RAK Properties' portfolio include Julphar Residence in Reem Island, Abu Dhabi, and various phases and projects under development on Hayat Island in Mina Al Arab, Ras Al Khaimah. These encompass Bay Residence Phase 1 and Phase 2, Nasim Lofts, Gateway Residence 2, Marbella Phase 2, Bayviews, and Cape Hayat. In addition, it also launched an additional development Quattro Del Mar project in the prime location of Hayat Island, Mina Al Arab. The company's entry into the hospitality sector is highlighted by projects such as the Intercontinental Hotel & Resort on Hayat Island and the Anantara Mina Arab Hotel & Resort. The successful delivery of projects such as Julphar Towers, RAK Tower, and Mina Al Arab solidified RAK Properties' standing as a leading real estate developer in the UAE, characterized by a dedication to excellence, sustainability, and forward-thinking vision.

Figure 01: Rak Properties Portfolio Destinations



Source: Company Information

Figure 02: Rak Properties Portfolio Destinations



Source: Company Information

### Rak Properties – Key Business Segments

**Property sales in FY2023 stood at AED 2.8 Bn a marked growth from AED 511 Mn in FY2022 owing to new project launches**

1) **Property Sales:** Rak Properties excelled in its Property Sales segment, contributed 82.9% to total revenues as of FY2023. The segment, spanning residential and commercial properties sales. Rak properties property sales segment is the largest revenue driver for the company with significant 195.4% revenue growth to AED 833 Mn in FY2023 from AED 282 Mn in FY2022. The Company’s revenue is mainly attributed to an increase in development projects, and the healthy demand for this segment. The surge underscores the company's success in capturing market demand and executing effective sales strategies. Rak Properties demonstrated a positive trend in its gross profit margin for the Property Sales segment. In FY2022, the gross profit margin stood at 28.4%, and further improved to 31.6% in FY2023. This upward trend suggests enhanced efficiency and profitability in managing costs associated with property sales.

**Most of the development projects of Rak Properties are sold out with**

Property sales segment demonstrates a robust real estate portfolio with ongoing projects as of FY2023, showcasing its commitment to diversified development. **Julphar Residence on Reem Island** with 266 units, received an overwhelming response and is completely sold

construction progressing according to the timeline

Anantara Mina Al Arab Ras Al Khaimah Resort featuring first Maldivian inspired overwater villas commenced operation in January 2024

out the allocated units for sale. In contrast, **Cape Hayat**, with 678 units, which commenced sales in 3Q23 is 80% sold out by FY2023 and expected to commence construction by the end of FY2023. **Nasim Lofts**, a project launched in 4Q23, exhibits 23% unit sales progress with construction underway. Bay Res Phase 1 and Bay Res Phase 2, contributed 324 units each, with Bay Res Phase 1 achieving full unit sales with 45% completion and Bay Res Phase 2 is also sold out with a completion rate of 24%. Bayviews, boasting 344 units, stands out with 100% unit sales and construction ongoing according to the development plan. Other significant developments include **Gateway Residence, and Marbella Phase 2**, each contributing to Rak Properties' strategic growth. It also launched the sale of Quattro Del Mar projects located at the prime location of Hayat Island in Mina Al Arab, Ras Al Khaimah in 2024.

2) **Property Leasing:** Property Lease segment, contributed 3.0% to total revenues in FY2023. Property leasing segment revenue grew marginally 3.3% to AED 29.8 Mn in FY2023 from AED 28.9 Mn in FY2022. The gross profit margin for the Property leasing segment improved to 93.0% in FY2023 from 89.1% in FY2022. Despite its modest contribution, the year-over-year growth and improved profitability underscore Rak Properties' strategic approach to maximizing returns from its leasing portfolio, contributing to the overall financial strength of the company.

3) **Hotel Operations:** Rak Properties Hotel operations segment, anchored by the Intercontinental Ras Al Khaimah Mina Al Arab Resort and Spa, exhibited remarkable performance. The property, featuring 350 rooms, experienced a notable surge in occupancy rates, increasing from 42% in 2022 to an impressive 70% in 2023, surpassing projections for the year. The hotel's positive momentum is expected to continue with the opening of the Anantara Mina Al Arab Hotel and Resort, which commenced operation in January 2024. It is anticipated to achieve an occupancy rate of 45% in the initial six months, and gradually reach an average occupancy rate of 55%.

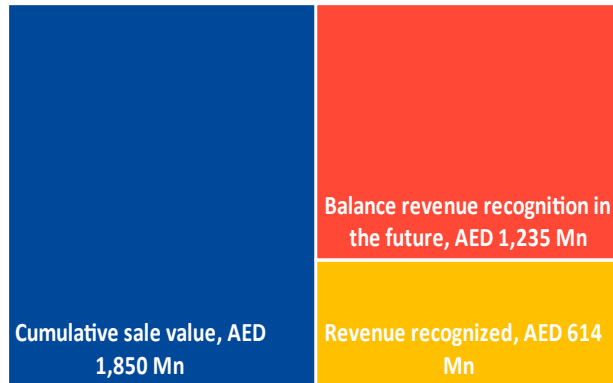
Financially, the Hotel Operations segment reported substantial growth as the revenue rose 62.6% to AED 116.1 Mn in FY2023 from AED 71.4 Mn in FY2022. The gross profit margin also witnessed a significant uptick, rising from 55.8% in FY2022 to 59.5% in FY2023. These positive indicators suggest not only robust revenue expansion but also enhanced operational efficiency within the hotel portfolio. Looking ahead, the addition of the new Anantara property is poised to contribute significantly to revenue growth from 2024 onward. Rak Properties Hotel Operations segment appears well-positioned to capitalize on the growing demand for hospitality services, reflecting a promising outlook for the company's diversified portfolio.

4) **Facility management services and others:** In the FY2023 period, Rak Properties' Facility Management Services and Others segment reported revenue of AED 26.5 Mn, reflecting a modest revenue growth of 1.2% compared to the previous year. Despite the positive revenue growth, the gross loss of the segment increased from negative 20.0% in FY2022 to negative 51.4% in FY2023.

The segment has been working towards a strategic turnaround, with management aiming to generate positive revenue from the Facility Management (FM) business. The upcoming year is expected to see an uptick in FM revenue due to the addition of completed projects. To transform this segment into a profitable venture, management is emphasizing increased focus on operational improvements. This strategic shift suggests a commitment to refining operations and turning the Facility Management Services and Others segment into a more lucrative aspect of Rak Properties' business portfolio.



**Figure 03: Rak Properties Project Sales Revenue Backlog as of 3Q23**



Source: Company Information

## Investment Highlights

### Ras Al Khaimah as a top destination for real estate investments in the UAE

#### Ras Al Khaimah's strategic location emerges as an attractive tourist destination in the UAE

Ras Al Khaimah is a popular tourist attraction with an excellent 45-minute connectivity link from DXB International Airport

Ras Al Khaimah is one of the seven emirates which make up the UAE. It is the fourth-largest emirate, covering an area of 1,684 sq. km, equivalent to 3.16% of the total area of the UAE. The emirate is estimated to have a population of 345,000 including 127,000 UAE nationals in 2015. Ras Al Khaimah is located at the northernmost tip of the UAE and shares its boundaries with other emirates and international boundaries with Oman. The city of Ras Al Khaimah is the capital of the emirate. The emirate also benefits from its strategic location with its shore stretching to the shore of the Arabian Gulf and located adjacent to the Arabian Gulf.

Ras Al Khaimah pursued a strong economic diversification policy by establishing free zones and industrial areas to attract foreign investment. Ras Al Khaimah Economic Zone (RAKEZ) offers solutions to businesses in more than 50 industries related to free and non-free zones. It turned into a manufacturing hub that produced construction materials, petrochemicals, and pharmaceuticals. Some of the prominent manufacturing and well-established companies operating from the emirate are Rak Ceramics and Julphar Pharmaceuticals.

RAK's economic diversification by establishing free zones and industrial areas attracts foreign investments in the region

Ras Al Khaimah is a popular tourist attraction for domestic and international tourists for its unique blend of natural beauty, history, and adventure. The emirate is known for its remarkable landscapes and is home to the highest mountain range in the UAE. RAK is located between the shores of the Arabian Gulf with magnificent Hajar mountains providing a 45-minute connectivity link from Dubai's international airport. Due to its strategic location, RAK offers several benefits to businesses and makes it a highly attractive destination for international trade and investments. Moreover, Rak Properties is also increasing its potential to become a leading extended-stay destination to solidify the Emirates' position as the region's fastest-growing tourist destination.

The monumental USD 3.9 Bn Wynn Ras Al Khaimah resort development drives RAK real estate market

The Emirates focuses on diversifying into the non-oil sector and places higher bets on industries like tourism, real estate, logistics, etc. Thus, the growth in the tourism sector coupled with measures undertaken by the UAE government supports the emirate's real estate and hospitality segment. Ras Al Khaimah is steadily progressing and witnessing several real estate launches that demonstrate the growing attractiveness of the property market. The major development that drives the growth in the demand for real estate properties in RAK is the USD 3.9 Bn Wynn Ras Al Khaimah resort development, a global luxury and leisure project that is set to be a global attraction to visitors worldwide. The project is anticipated to be completed by the end of 2026. Rak Properties Quattro Del Mar Project launched in January 2024 gained popularity as the first tower-released units of the project sold out within a few hours of the sales launch. Thus, the higher demand among the customers for the major development and several upcoming waterfront apartments, and other amenities significantly drive the real estate market of the emirate.

#### Ras Al Khaimah's comparative price differential and affordability attract buyers and investors

According to Reidin, the apartment sale prices in RAK experienced a 38.9%

Ras Al Khaimah experienced a consistent growth in the apartment rental rate marking a 10.3% rise in 2023 compared to Abu Dhabi's 4.2% as reported by Reidin. Other emirates including Dubai and Sharjah witnessed growth rates of 19.3% and 16.6% respectively in FY2023.

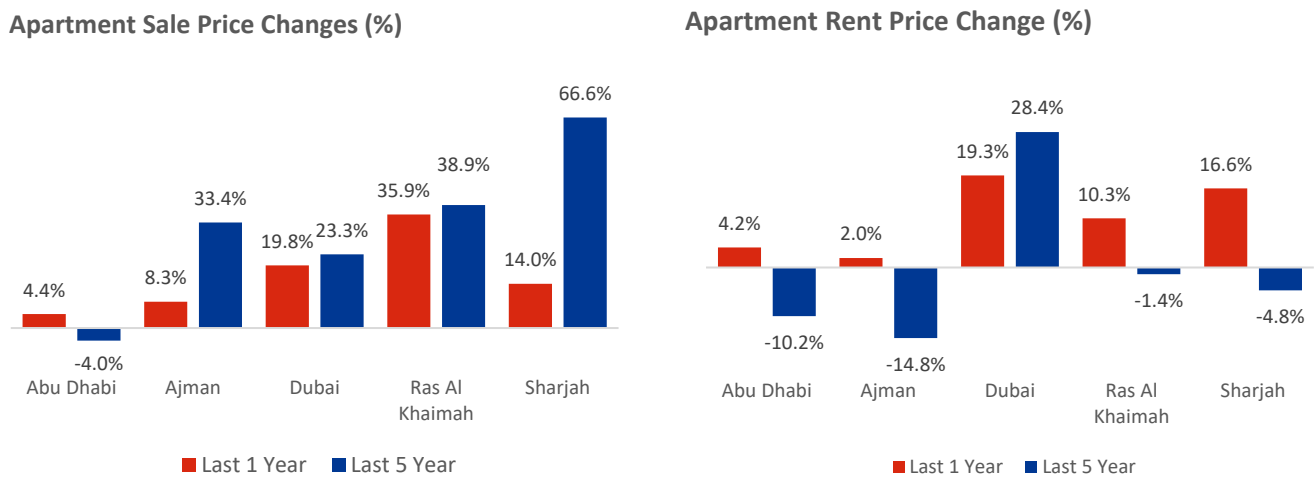
change over the past five years compared to Dubai's 23.3% price change

Additionally, the emirate's real estate transaction sale value saw a significant uptick, growing by 59.5% in FY2023 compared to 25.6% in FY2022. The demand for properties in RAK remained robust throughout 2023, resulting in upward trends in both rental and sale prices.

Over the past five years, apartment sale prices in RAK experienced a 38.9% change, outpacing Dubai's 23.3%. Sharjah recorded a growth rate of 66.6%, while Abu Dhabi observed a 33.4% increase in sale prices. According to Reidin, the gross yield rate for apartments in Ras Al Khaimah stands at 5.4%, with Abu Dhabi recording a 6.7% yield rate in December 2023. Dubai exhibited the highest apartment yield growth at 7.5% during the same period.

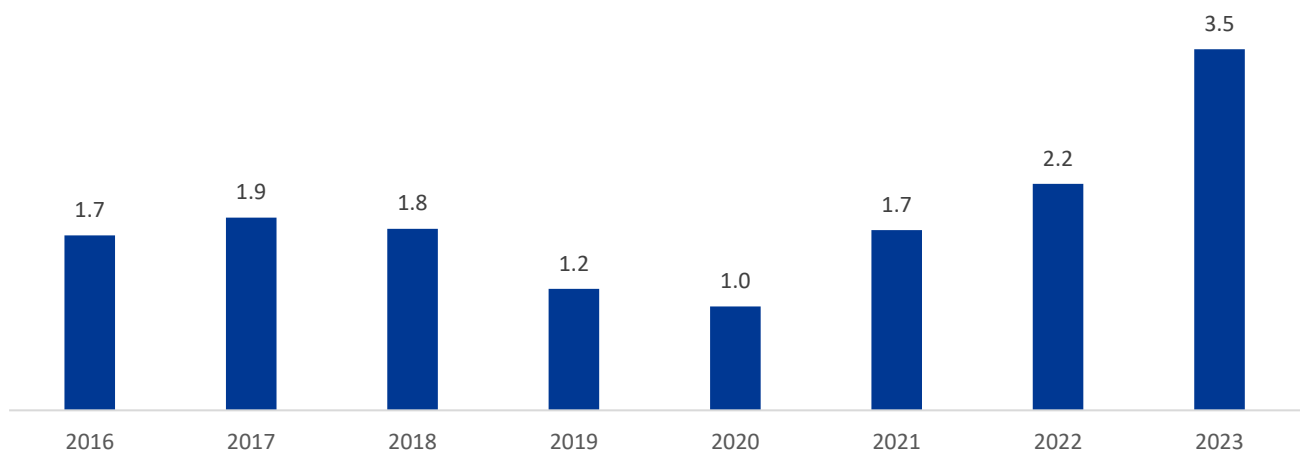
The price differential between RAK and the other emirates is particularly attractive to regional and international property investors. Ras Al Khaimah's increasing demand, substantial yields, growing population, and relatively lower prices and living costs make it a more affordable choice for expatriates compared to other emirates. The emirate's affordability has enticed homebuyers looking for better value, especially amid inflationary pressures in the rest of the UAE.

**Figure 04: Annual change in Apartments sales and rental Price (%)**



Source: Reidin

**Figure 05: Real Estate Transaction in Ras Al Khaimah (AED, Bn)**



Source: Ras Al Khaimah Statistics Center



Rak Properties has an integrated ongoing projects portfolio, diversified across residential, commercial, retail and partner hotels

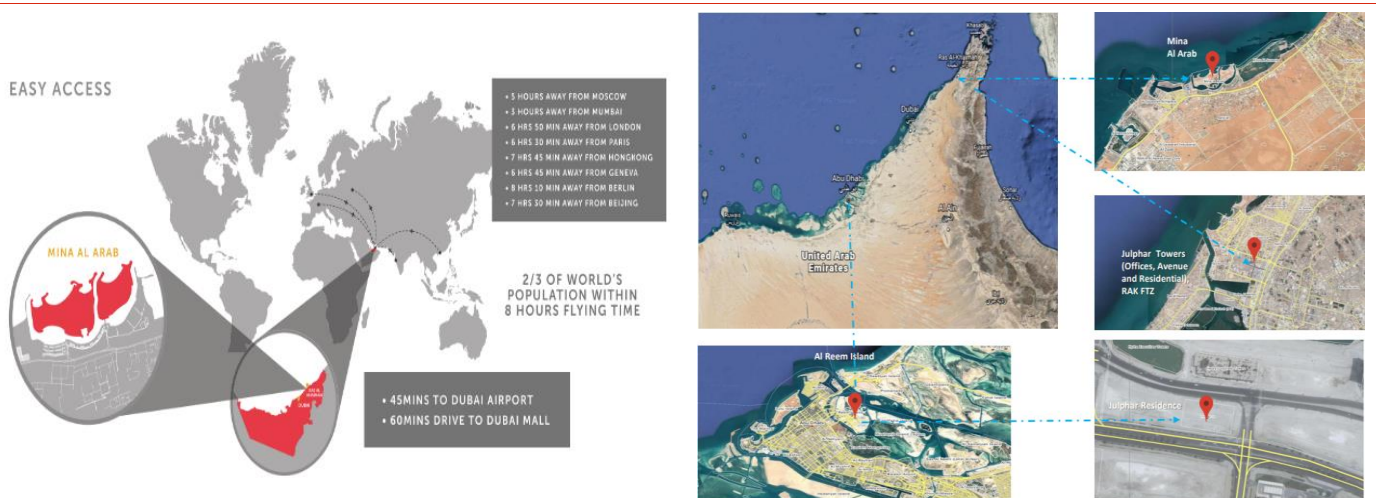
Mina Al Arab possesses an affordable rental growth among the other preferred locations like Al Marjan Island and Hamara Village

**Rak Properties offerings across various destinations**

Property sales is the largest revenue driver, contributing 82.9% of total revenue in FY2023, among the other revenue-generating streams. Rak Properties segmental revenue is derived from residential properties and villas. The Company’s developmental plans are spread across multiple destinations like Mina Al Arab which includes Hayat and Raha Islands in RAK and Al Reem Island in Abu Dhabi. Rak Properties diversified revenue and portfolio mix among various destinations leads to recurring income by developing additional infrastructural projects.

**Mina Al Arab** is established on the waterfront development with over 43 Mn SQFT development projects on the edge of the Persian Gulf. In addition, Hayat Island is a manmade island located in the northern emirate of Ras Al Khaimah, covering an area of around 6.0 Mn SQFT. The island represents a mix of Residential, Commercial, Retail and Hospitality amenities. Several beach front properties by Rak such as Bay Residence Phase 1 and Phase 2, Gateway Residence 2 on Hayat Island, and Cape Hayat on the Hayat Island have been launched and complete inventory has been sold out primarily due to the robust demand, strategic beachfront destination, and a favourable environment for the domestic as well as international buyers. Additionally, Rak Properties' mega hotel projects launched on the Hayat Island of Mina Al Arab boosted the demand for luxurious Hotel operations in 2024. Apart from the strategic location in Ras Al Khaimah, Mina Al Arab possesses affordable rental growth compared to other preferred locations like Al Hamara Village and Al Marjan Island. The rental prices for villas in Mina Al Arab experienced a notable increase of c. 7% in FY2023 compared to FY2022 due to its leading waterfront developments. Meanwhile, the selling prices for villas on the island became more budget-friendly with a 2.56% rise compared to a 3.55% increase in prices in Al Hamra Village. Thus, on the villa front, Mina Al Arab remained the preferred choice with a rising rental rate. The rental rates for the apartments significantly rose by 10.5% in Mina Al Arab in FY2023, Al Hamra Village, and Al Marjan Island. Moreover, the Emirates' liberal restrictions on business policies and zero taxes made it a preferred destination for major domestic and international investors. The major hospitality and residential projects like Wynn Resorts and Cape Hayat Island boost the real estate growth in Mina Al Arab.

**Figure 06: Locational access among the Islands**



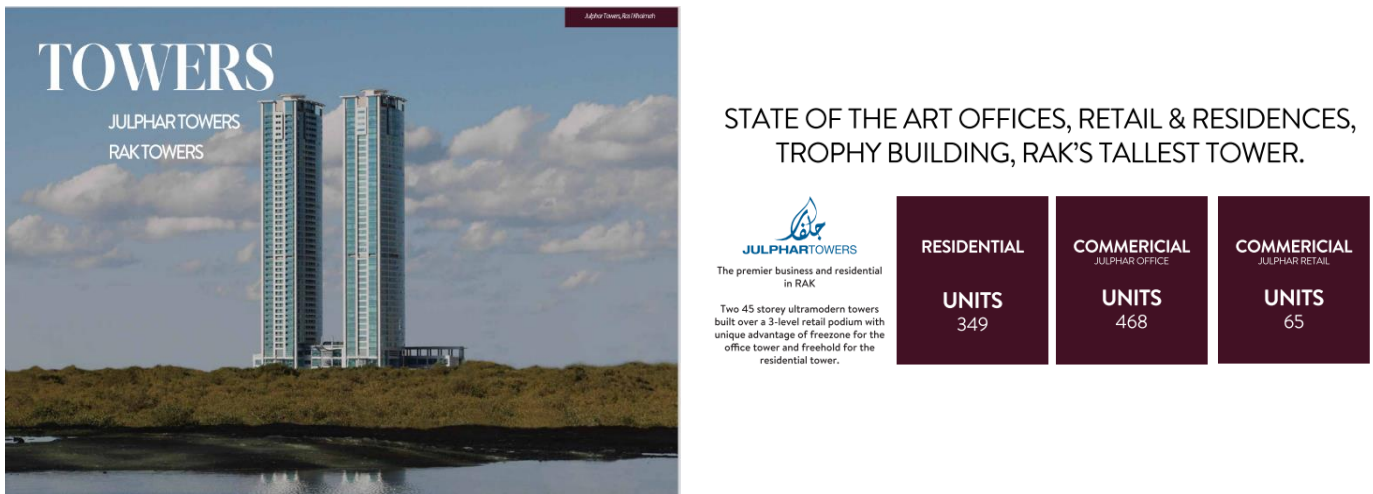
Source: Company Information

Rak Properties' new infrastructural development on the Al Reem island witnessed high levels of investments from overseas

**Julphar offices** at Julphar Towers are developed by Rak Properties with a range of offices, exceptional amenities, and marking an ideal choice for businesses seeking a premium working environment. The office spaces in Julphar Tower are thoughtfully designed to meet the diverse needs of businesses. The tower boasts modern architecture and innovative design concepts that create a professional and inviting atmosphere. The interior spaces are customizable and allow businesses to tailor their unique requirements. The building is equipped with cutting-edge surveillance systems, secure access controls, and round-the-clock security personnel, ensuring the safety and well-being of employees and visitors. The towers provide easy access to Abu Dhabi's centre and the neighbouring local cities.

**Al Reem Island** is one of the most popular and fastest-developing home-buying spots in Abu Dhabi. The island is a master planned district located around 600 meters off the coastline of Abu Dhabi with several residential and retail options in demand. Al Reem Island is one of the first developments in Abu Dhabi that offer property ownership to expats on a leasehold basis. The Island is budget-friendly in terms of rental rates for the apartments which is as low as AED 60K per annum for 1-bed flats in 2023. While the 1-bed flats in the Corniche Area are priced at AED 76K per annum. The island not only possesses a mix of property types ranging from villas, apartments, penthouses and townhouses but also boosts many popular hotels in the city. The island continues to offer a healthy 6.65% return on investment for investors interested in luxury flats for sale in Abu Dhabi in 2023 according to the Buyut report. The real estate market in Al Reem Island experienced positive growth in sale and rental segments driven by increased demand, attractive investment opportunities and a conducive economic environment.

Figure 07: Julphar towers



Source: Company Information

## Rak Properties strong future growth potential from existing and new projects

Rak Properties' commitment and upcoming developmental projects drives growth in the near future

### Rak Properties – Ongoing projects

Rak Properties has an integrated ongoing residential projects portfolio, diversified across three Destinations Mina Al Arab which includes Hayat and Raha Islands in RAK, Julphar Towers in RAK and Julphar Residence in Al Reem Island Abu Dhabi.

- 1) **Julphar Residence:** Julphar Residence, situated at the heart of Al Reem Island, Abu Dhabi, stands as a modern and elegant G23+ residential tower. Launched in the first quarter of 2023, this striking development offers 266 units, embodying a total net sales value of AED 234 Mn. The project is completed and allocated units for sales entirely sold out as of FY2023. Julphar Residence has successfully created a sanctuary from the stresses of city life, providing easy access to Abu Dhabi's center and the vibrant local neighborhood.
- 2) **Bay Residence Phase 1 & 2:** Bay Residences project on the esteemed Hayat Island in Mina Al Arab, Ras Al Khaimah, stands as a luxurious beachfront residential development. Launched in the third quarter of 2017, Bay Residence Phase 1 comprises 324 units with a net sales value of AED 359 Mn, the project has successfully launched all units and completely sold out, with 45% of the construction progress completed as of 3Q23.

In addition to Bay Res Phase 1, the development includes Bay Residence Phase 2, launched in the first quarter of 2023. This phase, featuring 324 units with a net sales value of AED 391 Mn, is currently under construction. As of 3Q23, 100% of the units have been sold and the construction progress stands at 24%, indicating the development's advancement towards completion.

The Bay Res Phase 1 and Phase 2, collectively presents an exceptional living experience with superb beach views and a breathtaking expanse of the Arabian Gulf. The development offers a diverse range of residential options, including spacious Studios, 1, 2, 3-bedroom, and Duplex Seafront Apartments. As construction continues on both phases, the Bay Residences project exemplifies Rak Properties' commitment to delivering outstanding residential spaces that seamlessly blend luxury living with the tranquility of their natural surroundings.

- 3) **Nasim Lofts:** Nasim Lofts, an exquisite addition to the offerings of RAK Properties, introduces a new standard of luxury living on Hayat Island in Mina Al Arab, Ras Al Khaimah. Launched in the fourth quarter of 2023, Nasim Lofts features a limited collection of two and three-bedroom residences, totaling 13 units with a net sales value of AED 88 Mn. Currently under construction, 23% of the units have been sold.

These exclusive Lofts redefine seaside living with direct beach access, presenting an unparalleled blend of natural beauty and modern luxury. The residences boast two and three bedrooms, each with a maids/driver's room, and feature double-height ceilings for a spacious and airy ambiance. As construction progresses, Nasim Lofts promises to be a distinctive addition to the evolving landscape of Mina Al Arab, aligning with RAK Properties' commitment to delivering homes that harmonize with their surroundings. The project is currently in the under-construction phase.

- 4) **Gateway Residence:** Gateway Residence, an integral part of RAK Properties' portfolio, is a residential haven located on the serene main island at the heart of Mina Al Arab in Ras Al Khaimah. Launched in the first quarter of 2022, this development comprises a total of 146 units with a net sales value of AED 122 Mn as of 3Q23. Currently under construction, the project is completely sold out, the completion stands at 39%, marking significant progress in its construction phase.

Gateway Residences offers residents easy access to the vibrant adjacent island, featuring renowned resorts like InterContinental and Anantara, a state-of-the-art mall, souk, and a beach clubhouse. Each apartment within Gateway Residence is meticulously designed to optimize space, creating flowing, open living spaces accentuated by large floor-to-ceiling windows. The inclusion of spacious balconies enhances the living experience, providing exceptional views of the tranquil waterways surrounding the development.

- 5) **Marbella Phase 2:** Marbella Villas II, the second phase of the Marbella residential development by RAK Properties, is a noteworthy addition to the Mina Al Arab community in Ras Al Khaimah. Launched in the first quarter of 2023, this phase introduces 89 townhouses with a net sales value of AED 163 Mn. The project is currently under construction and is 90% sold out as of FY2023. The construction is progressing steadily, with the completion standing at 52%, marking significant advancement.

Marbella Villas II offers a range of 2, 3, and 4-bedroom townhouses, allowing residents to wake up surrounded by nature in the best waterfront community in Ras Al Khaimah. The development seamlessly integrates with the surrounding environment, where parks, running tracks, playgrounds, and pools become an extension of home life. This family-friendly master community is meticulously designed for growth, offering a vibrant lifestyle.

- 6) **Bayviews:** Bayviews, situated in the heart of Mina Al Arab in Ras Al Khaimah, represents an urban island residential complex that embodies luxury living with spectacular views. Launched in the second quarter of 2023, this project comprises 344 apartments with a net sales value of AED 421 Mn as of 3Q23. The development has successfully sold all its units, achieving a 100% sales rate. While currently under construction, the project is in the early stages of development, indicating the initial phase of progress.

This residential gem within the Mina Al Arab Project offers residents breathtaking views of the Arabian Gulf and the Hajar Mountains, creating an idyllic living environment. The apartment buildings within Bayviews are meticulously designed to provide a luxurious living experience, seamlessly complementing the natural beauty of the surrounding landscape. As construction advances, Bayviews exemplifies RAK Properties' commitment to delivering residences that not only offer a high standard of living but also harmonize with the picturesque surroundings of Ras Al Khaimah.

- 7) **Cape Hayat:** Cape Hayat, situated on Hayat Island in Mina Al Arab, Ras Al Khaimah, is a beacon of modern design and natural beauty. Launched in the third quarter of 2023, this residential development comprises a total of 678 units. Currently under construction, the project has successfully launched all its units, achieving sales of 80% as of FY2023. While the project is in the early stages of construction, it holds promise for a vibrant and upscale living experience.

Cape Hayat stands as a curated collection of apartments, ranging from chic studio, 1- and 2-bedroom apartments to lavish 4-bedroom penthouses. Every window within this development opens to enchanting views, whether it be serene mangroves, the expansive ocean, tranquil canals, or majestic mountains. The design philosophy of Cape Hayat revolves around seamlessly combining aesthetics and functionality to provide residents with state-of-the-art amenities and select retail options. Designed for those who desire a lifestyle that blends everyday living with a holiday atmosphere, Cape Hayat promises to be a landmark in luxury coastal residences.

- 8) **Quattro Del Mar:** Quattro Del Mar, situated on Hayat Island in Mina Al Arab, Ras Al Khaimah, the development offers investment opportunity across multiple configuration such as studio apartment, one bed room apartment, sky duplex and garden townhouses. The residents are expected to benefit from multiple amenities including easy access to

newly developed Nikki beach Resort. The development comprises of four towers with integrated lifestyle hub including world class facilities. It released first list of development for sale which received healthy response and was sold out quickly.

**Figure 08: Detail of Rak Properties projects as of 31 March 2024**

Project Name	Location	Launch Year	Units Launched	Units Sold	Net Sales Value (AED, Mn)	Revenue Backlog (AED, Mn)	% Sold	% Complete
Gateway Residence	Mina Al Arab	Jan-2022	146	146	164	57	100%	65%
Bay Residences	Mina Al Arab	2022-23	674	656	773	345	97%	71% & 44%
Bay Views	Mina Al Arab	May-23	344	344	421	325	100%	23%
Cape Hayat	Mina Al Arab	Sep-23	678	568	769	686	84%	10%
Marbella Extension	Mina Al Arab	Feb-23	89	83	214	38	93%	82%
Quattro Del Mar	Mina Al Arab	Jan-24	409	242	317	317	59%	NA
Porto Playa <sup>1</sup>	Mina Al Arab	Sep-23	141	133	335	335	94%	NA

Source: Company Information, <sup>1</sup> 50% Share as per JV Equity Accounting

### Rak Properties commenced its second five-star hotel in the emirate to support growing international visitors to the emirate

**Rak properties Intercontinental Hotel and Anantara Resort generated increasing popularity across the growing hospitality segment in Ras Al Khaimah**

Ras Al Khaimah experienced a substantial growth in tourism, welcoming a total of 1.22 Mn overnight visitors, as reported by the Ras Al Khaimah Tourism Development Authority (RAKTDA). The tourist arrival increased 8% YOY with a significant 24% YOY growth in the international visitors in FY2023. According to the Ras Al Khaimah Statistics Center’s data, the emirate’s hotel welcomed c. 316K guests in 4Q23. The hotels in the emirate recorded an occupancy rate of 74% and guests stayed an average of 3.6 nights during the same period. Ras Al Khaimah reported 63% of the international visitors and the remaining 37% are the UAE nationals in the 4Q23. To support the continuous growth in overnight arrivals, several new hospitality projects were announced in Ras Al Khaimah in 2023 including Nobu, Le Méridien, W Hotels, JW Marriott & Hilton on Al Marjan Island in addition to Nikki Beach on Mina Al Arab, representing an additional 1,800 keys. Meanwhile, RAKPROP also benefitted from the growing tourist arrival by commencing InterContinental Mina Al Arab Resort on Hayat Island in FY2022. The property completed the first full year of its operations and marked a total revenue of AED 116 Mn in FY2023 compared to AED 71 Mn in FY2022. The resort is at the shoreline of Hayat Island and offers the locational advantage, which is situated at a 45-minute drive from Dubai International Airport. RAKPROP further partnered with IHG hotels for a 14-storey tower with a total of 156-keys Staybridge Suites in Mina Al Arab. Post-pandemic, hybrid work arrangements generated stronger demand for longer hotel stays, and the increasing popularity of cost-effective extended-stay hotels helped Rak properties become one of the fastest-growing segments in hospitality.

Rak Properties further launched Anantara Mina Al Arab Hotel and Resort, a second five-star luxury establishment in the emirate that started its operations in January 2024. The resort, inspired by Maldivian aesthetics, boasts a total of 174 rooms, suites, and villas. Moreover, the company anticipated a 45% occupancy rate for the first six months and then increase to an average 55% occupancy rate for the upcoming years. The property features a private beach spanning 9,000 SQM, offering various water sports and leisure facilities. Additionally, the resort benefits from its strategic location, as it is just a 30-minute drive from the Ras Al Khaimah International Airport. To further benefit from the growing tourist arrivals in Ras Al Khaimah, the Company also partnered with Nikki Beach Global to open its first 155-key storey branded resort in Mina Al Arab.



Figure 09: Rak Properties IHG Hotel



Figure 10: Rak properties Anantara Resort and Spa



Source: Company Information

### Rak Properties strategic partnership and introduction of the new properties boost the existing landbank

**Rak Properties and Ellington Properties Development LLC entered into a JV to develop a plot of land on Hayat Island**

In addition to the properties already under development, Rak Properties plans to monetize its existing land bank to further launch new properties in Abu Dhabi and Ras Al Khaimah. It has also entered into a joint venture with Ellington Properties Development LLC to develop a plot of land on Hayat Island in Ras Al Khaimah. The company plans to build residential apartments on Hayat Island in the coming years due to its tourist attractions and strategic location. The new developments by Rak Properties offer a mix of apartments and villas that are in line with the current market demand.

Quattro Del Mar is the latest residential waterfront development by Rak Properties in Hayat Island that caters to the demand of customers looking for iconic architecture in prime locations. The strategic location of the Quattro Del Mar residents is only a 35-minute drive to reach Ras Al Khaimah International Airport. The launch of the first tower in Quattro Del Mar received a healthy response and the inventory was sold within a few hours of launch. Moreover, the handover of the residential property is expected to be in 4Q26. The project will have 840 units with an estimated sales value of AED 1.2 Bn. Thus, the company's developmental pipeline will remain healthy in the next couple of years.

### Rak Properties Resilient and Strong Financial Performance

**Rak Properties a top-line of AED 1,005 Mn in FY2023 across its business segment. The revenue crossed the AED 1 Bn mark for the first time in history**

#### Rak Properties' recurring growth is coupled with property sales performance

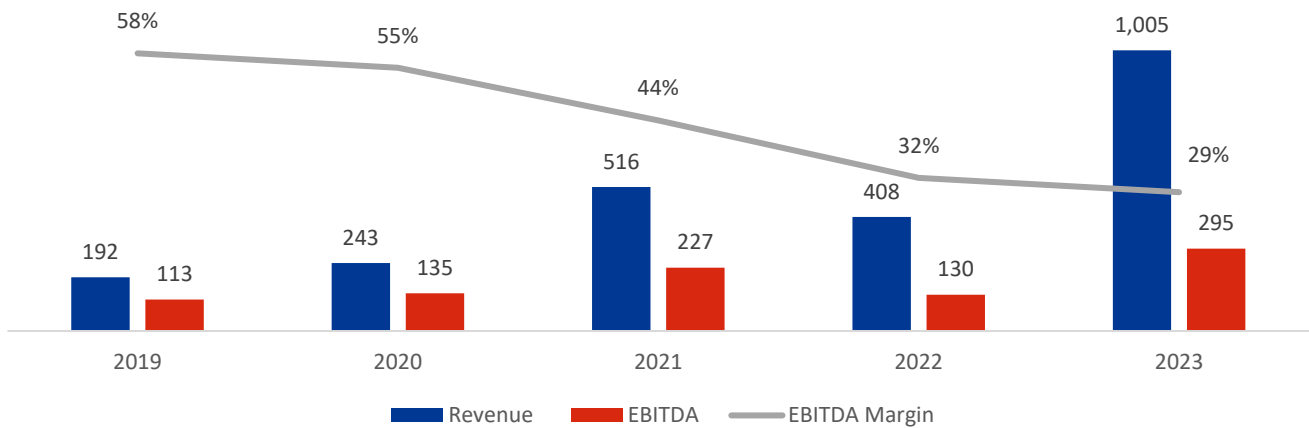
Rak Properties' revenue growth started to gain traction post-pandemic. Before that, it recorded an average revenue below AED 200 Mn between FY2018-20. As the project launched by the Company started to showcase healthy investor interest, it recorded strong revenue growth. Its revenue for the first time crossed the AED 1 bn mark in FY2023. Rak properties reported a strong topline growth in FY2023 supported by robust performance across various segments. The Company's revenue grew to AED 1,005 Mn in FY2023 from AED 408 Mn in FY2022 mainly due to revenue growth across Property sales and Hotel Operations segments. Properties sales reached AED 2.8 Bn at the end of FY2023 compared to a marked increase from the figure of AED 511 Mn figure in FY2022. Moreover, the Company also recorded the first full year of operation of Intercontinental Ras Al Khaimah Mina Al Arab Resort and SPA. Thus, the topline from Hotel Operations rose from AED 71 Mn in FY2022 to AED 116 Mn in FY2023. In addition, it recorded steady revenue growth across Property Leasing and Facility Management Services



and Other Segment. The Company's gross profit more than doubled from AED 141 Mn in FY2022 to AED 346 Mn in FY2023 with a stable gross margin of 34.5%. Thus, net profit significantly rose from AED 31 Mn in FY2022 to AED 202 Mn in FY2023. The profit is primarily propelled by the launch of new projects and the off-plans sales. The robust property sales in the historical period will further lead to strategic growth plans for the upcoming years.

As a result of strong revenue and profit growth, the company generated strong cash flow from operation which rose from AED 256 Mn in FY2022 to AED 437 Mn in FY2023. The healthy cash flow generation also resulted in the company repaying AED 120 Mn debt in FY2023. Thus, total outstanding debt declined from AED 1.4 Bn in FY2022 to AED 1.2 Bn in FY2023. Net leverage ratio also declined from 6.6x in FY2022 to 2.6x in FY2023 due to healthy growth in profitability and a marginal decline in debt. It also benefits from the availability of a large land bank which plans to monetize over the next two years.

**Figure 11: Rak Properties robust financials (AED, Mn)**



Source: Company Information

### **Emphasis on diversifying the revenue base from property development to other segments will provide stability to the Company's performance**

Until FY2021, the Company relied mainly on revenue from the property sales segment, which made up 89.4% of the total revenue. The remaining 11.6% of total revenue was generated from Property Leasing and Facility Management Services & Others Segment. Rak Properties launched its first hotel Intercontinental Ras Al Khaimah Mina Al Arab Resort and SPA at the beginning of FY2022. The launch of this property segment further diversified the revenue base. The hotel completed its first full year of operation in FY2023. Thus, Rak Properties generated 17.1% of its total revenue from other segments excluding property development. Post-launch of the operation of Anantara Mina Al Arab Hotel and Resort in Ras Al Khaimah, the reliance on property development is further expected to reduce which is beneficial for the Company. Moreover, property development revenue is generally not smooth as realization depends upon on completion of projects and higher revenue contribution from recurring will provide stability to the revenue base. This will also allow investors to view the Company positively.

Figure 12: Rak Properties revenue mix - FY2021

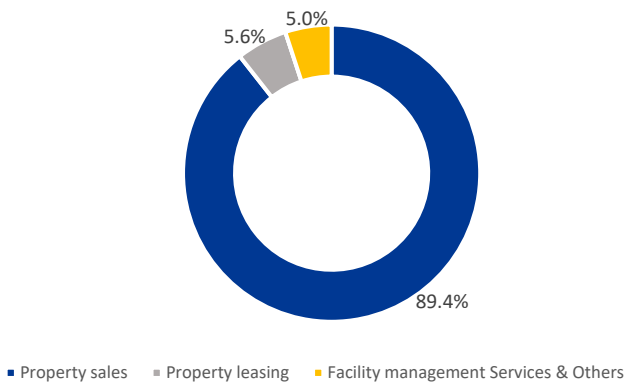
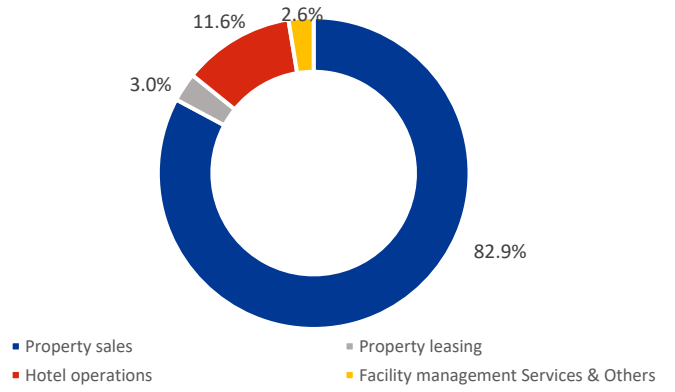


Figure 13: Rak Properties revenue mix - FY2023



Source: Company Information

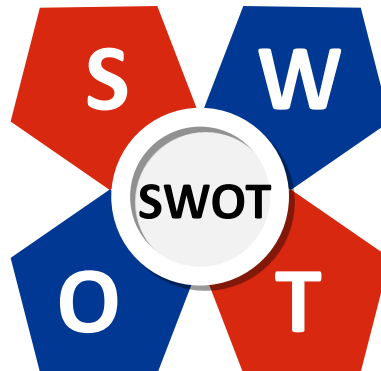
## SWOT Analysis

### STRENGTHS

- **Ownership** – The Government of Ras Al Khaimah plans to increase ownership in RAKPROP from 5% to 34%. The increase in government ownership will provide access to strategic land bank, which could be utilized for development.
- **Strategic location and huge development** - RAK Properties benefits from its strategic location in Ras Al Khaimah, an emirate known for its natural beauty and increasing tourism. Their projects like Mina Al Arab offer vast developments, including residential, commercial, and leisure facilities, catering to diverse market segments.
- **Diversified business** – RAKPROP boasts a diversified business with a land bank of 50 Mn sq ft across key strategic locations in UAE, c. 1 Mn sq ft of gross leasable area and hotels with 525 keys in operation.
- **Diversification of revenue base** - The Company relied mainly on revenue from the property sales segment until FY2021, which made up 89.4% of the total revenue. The remaining 11.6% of total revenue was generated from Property Leasing and Facility Management Services & Others Segment. Post the launch of the five-star Intercontinental Ras Al Khaimah resort in FY2022, Rak Properties generated 17.1% of its total revenue from other segments excluding property development.

### WEAKNESSES

- **Market dependency** – RAKPROP remains mainly reliant on the UAE market for its real estate development business makes it vulnerable to market fluctuation.
- **Slowdown in tourist flow** – Any slowdown in tourist flow might affect the occupancy of the hotel business and, in turn, impact the revenue and profitability of the business.
- **Project Delays:** The Delay in delivery of any project could potentially strain relationships with investors and customers.



### OPPORTUNITIES

- **Acquisition of additional land bank** - The Company plans to acquire an additional land bank of 2 Mn sq ft. In addition, it will receive land from the Government of Ras Al Khaimah in exchange for the issue of shares.
- **New partnership** - The Company partnered with Nikki Beach Global to open its first 160-key storey branded resort in Mina Al Arab.
- **Tourists growth** - The surge in tourism in Ras Al Khaimah presents significant opportunities for RAK Properties, particularly in developing hospitality projects like beach hotels, which are in high demand.
- **Geographic expansion** - Since the Company only has development in Abu Dhabi and Ras Al Khaimah, it might consider to expand its operation into Dubai and other regional markets such as KSA, Qatar, Bahrain, Oman and Egypt.
- **Population Growth.**

### THREATS

- **Global events** – The reoccurrence of pandemic-like situations might impact the demand for hotels.
- **Economic volatility** - The demand for real estate is vulnerable to economic cycles as an economic downturn could significantly impact real estate demand.
- **Intense competition** - The heated competition among regional and international developers could affect the profitability of RAKPROP.

## Valuation Methodology

### Target Fair Value Analysis

We arrive at RAKPROP's fair value of AED 1.31 per share based on a mix of valuation methods

#### DCF AND RELATIVE VALUATION

We have used a mix of **Discounted Cash Flow (DCF)** and **Comparable Company Method (CCM)** valuation methods to arrive at the fair value of RAKPROP. Rak Properties is a real estate development company based in Ras AL Khaimah with operations across Property Sales, Property Leasing, Hotel Operations, and Facility Management Services & Others. Moreover, RAK Properties recently expanded its portfolio to include significant investments in hotel properties. The Company's revenue stood at AED 1,005 Mn as of FY2023. RAK Properties exemplifies a proven track record in diverse real estate developments by delivering 2,500+ villas and apartments, along with 370,000 SQFT of commercial space and 260,000 SQFT of retail space. We have assigned a higher weight to DCF valuation as it strengthens its reliability in capturing future cash flow projections over multiple periods as opposed to other valuation methods. In CCM valuation, the EV/EBITDA multiple is used for valuation as this multiple excludes the impact of the difference in capital structure over the peers. The current valuation incorporates the **capital increase** in which RAKPROP plans to issue 920 Mn shares at AED 1 per share for the Government of Ras Al Khaimah. After the capital increase shareholding of the Government of Ras Al Khaimah will grow from 5% to 34%. The offering will be issued in exchange for an in-kind contribution of land from the RAK Government.

### CONSOLIDATED VALUATION RAK PROPERTIES

Name of Entity	Valuation (AED)	Weight (%)	Total Valuation (AED, Mn)
<b>Valuation of the RAKPROP based on -</b>			
Discounted Cash Flow	1.39	70.0%	0.98
Relative Valuation	1.11	30.0%	0.33
<b>Total Valuation (AED Per Share)</b>			<b>1.31</b>

The performance of RAKPROP is analysed in detail to arrive at fair value estimates. We took a fair estimate across the respective companies' income statements and financial positions to arrive at their valuation. The valuation brought forward a target value of AED 1.31 Per share. The weightage assigned to the DCF and EV/EBITDA methods stood at 70% and 30%, respectively.

We arrived at a value of AED 1.39 per share using DCF valuation

#### 1) Discounted Cash Flow Valuation

We relied upon the guidance provided by the Company management on new launches over the next few years to arrive at the valuation through the DCF methodology. We derived the Company's Terminal Value using the Gordon Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.0% to perpetuity. To arrive at Ke (Cost of Equity), we have used the 10-year government bond yield of 5.2%, Country risk premium of 4.6%, and adjusted Beta of 0.93 for the Company. After applying all these, we arrived at the cost of equity of 9.5%. We have used a 10-year US Government Yield and further added a 10-year Abu Dhabi Government CDS spread to arrive at an appropriate risk-free rate. RAKPROP borrowed funds through term loans and an overdraft facility. Most of the term loans are amortized over their term. The term loan is borrowed at a 3-month EIBOR, 1-month EIBOR and SOFR rate plus margin while the overdraft facility is borrowed at the rate of term deposit plus margin of 25-50 basis points. Therefore, we have used free cash flow to a firm to arrive at the valuation using

the DCF methodology. The same is used to arrive at a weighted average cost of capital. We assume the cost of debt of 6.3% and adjusted for the tax rate to arrive after the tax cost of debt of 5.8%. We used the debt-to-equity ratio of RAKPROP to compute the weighted average cost of capital.

## I. DCF Valuation of RAK PROPERTIES

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
<b>All figures in AED Mn, unless stated</b>							
NOPAT	272	348	366	383	405	417	439
(+/-) Depreciation & amortization	64	66	66	68	70	72	75
(+/-) CAPEX	-150	-125	-120	-120	-110	-110	-110
(+/-) Working Capital	-269	-140	-4	2	-27	0	-28
<b>Free Cash flow to Firm</b>	<b>-83</b>	<b>149</b>	<b>308</b>	<b>333</b>	<b>338</b>	<b>380</b>	<b>376</b>
Discount factor	0.96	0.89	0.82	0.76	0.70	0.65	0.60
<b>Present Value of FCF</b>	<b>-80</b>	<b>133</b>	<b>253</b>	<b>253</b>	<b>238</b>	<b>248</b>	<b>227</b>
<b>Total Present value of FCF</b>							<b>1,272</b>
Terminal Value							3,818
Terminal growth rate							2.0%
Weighted average cost of capital							8.1%
<b>Enterprise Value</b>							<b>5,090</b>
Net (Debt)/Cash as of 1Q24							-911
<b>Equity Value (AED Mn)</b>							<b>4,179</b>
<b>Equity Value Per Share (AED)</b>							<b>1.39</b>

Source: FAB Securities Research

### a) Sensitivity of DCF to Key Assumptions

**Sensitivity analysis generates the highest valuation of AED 6.5 Bn and the lowest valuation of AED 3.0 Bn for the company**

Our DCF valuation is based on a weighted average cost of capital (WACC) of 8.1%. A sensitivity analysis shows that a change of +/- 0.5% in the weighted average cost of capital and terminal growth rate will provide a valuation range of AED 3.0 Bn to AED 6.5 Bn for the company. The table below shows the sensitivity between the change in terminal growth rate and the weighted average cost of capital.

#### 1. DCF Sensitivity to Terminal Growth Rate and WACC

		WACC					
		3.544	7.1%	7.6%	8.1%	8.6%	9.1%
Terminal Growth Rate	1.0%		4,430	3,986	3,606	3,276	2,988
	1.5%		4,813	4,303	3,870	3,500	3,179
	2.0%		5,272	4,676	4,179	3,758	3,397
	2.5%		5,832	5,123	4,543	4,059	3,649
	3.0%		6,529	5,669	4,979	4,414	3,942

## 2) Relative Valuation

We are using EV/EBITDA in CCM valuation to value the firm

In the CCM valuation, we used the EV/EBITDA multiple for the relative valuation as it allows us to compare companies of various sizes with different capital structures. We choose most of the comparable peers from the region to value Rak Properties. We also considered companies that operate in the development business as well as generate revenue from recurring business. RAKPROP operates in the development and generates revenue from hotel operations.

## II. Relative Valuation of RAK PROPERTIES

(All Figures in Million AED, unless stated)

### Based on EV/EBITDA Multiple

EBITDA (FY2024)	356
Applicable Multiple	12.0x
Premium/(Discount to Median Multiple)	0.0%
Peer Median Valuation	12.0x
<b>Enterprise Value</b>	<b>4,254</b>
Net (Debt)/Cash as of 1Q24	-911

### Equity Value

3,343

### Equity Value Per Share (AED)

1.11

Source: Company Information, FAB Securities Research

## III. Peers Valuation

Company. Name	Market Cap (USD, mn)	EV/EBITDA (x)	
		2024	2025
<b>Real Estate Peers</b>			
Arabian Centres	2,600	13.2x	10.5x
TECOM Group	3,840	9.7x	9.3x
Poly Developments and Holdings Group Co	17,060	10.7x	9.4x
Aldar Properties	12,138	8.0x	7.2x
Emaar Properties PJSC	17,904	3.7x	3.2x
Union Properties PJSC	432	39.2x	29.0x
Retal	1,229	18.2x	15.8x
Dar Al Arkan Real Estate Development Co.	310	15.7x	13.3x
<b>Average</b>		<b>14.8x</b>	<b>12.2x</b>
<b>Median</b>		<b>12.0x</b>	<b>9.9x</b>
<b>Max<sup>1</sup> (Quartile 3)</b>		<b>16.3x</b>	<b>13.9x</b>
<b>Min<sup>2</sup> (Quartile 1)</b>		<b>9.3x</b>	<b>8.8x</b>

Source: Bloomberg, <sup>1</sup> Values correspond to Quartile 3, <sup>2</sup> Values correspond to Quartile 1



## Key Financial Metrics

### Financials

#### Revenue

**We expect consolidated revenue to grow at a CAGR of 13.1% from AED 1,005 Mn in FY2023 to AED 1,856 Mn in FY2028**

Rak Properties derives revenue from four segments including Property Sales, Property Lease, Hotel Operations and Facility Management Services & Other segments in Ras Al Khaimah. The Company property sales reached AED 2.8 Bn in FY2023 from AED 511 in FY2022 owing to new project launches. During FY2023, it launched new developments such as Bay Residence Phase 2, Nasim Lofts, Marbella Villa Phase 2, Bayviews and Cape Hayat. The new projects received a healthy response and completely sold Bay Residence Phase 2 and Bayviews. While it sold 90% Marbella Phase 2 and 80% Cape Hayat. It also commenced the operation of Intercontinental Ras Al Khaimah Mina Al Arab Resort and SPA in February 2022. The Company's consolidated revenue grew significantly at a CAGR of 50.7% from AED 195 Mn in FY2019 to AED 1,005 Mn in FY2023 primarily driven by the completion of projects such as Marbella Villas, Julphar Residence in addition to recognition of revenue from existing development. It is also supported by the commencement of operation of the first hotel in Ras Al Khaimah and steady revenue growth from the Property Leasing and Facility Management Services & Others Segment. We anticipate Rak Properties consolidated revenue to grow at a CAGR of 13.1% from AED 1,005 Mn in FY2023 to AED 1,856 Mn in FY2028 primarily propelled by the recognition of revenue from ongoing projects and the launch of new projects in Abu Dhabi and Ras Al Khaimah. It is further driven by the completion of Anantara Mina Al Arab Hotel and Resort and steady revenue growth from the remaining segments.

**Rak Properties entered into a JV with Ellington Properties to launch a premium waterfront residential project on Hayat Island**

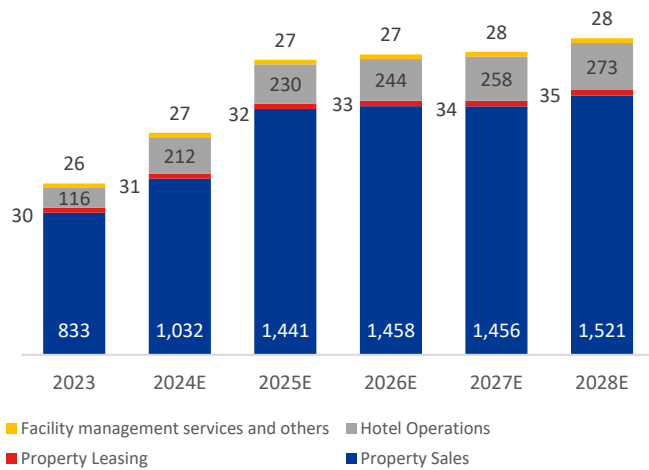
The Property Sales segment revenue constitutes the highest around 82.9% of the total revenue in FY2023. The revenue from the property sales segment grew at a CAGR of 56.1% during FY2019-23 driven by the completion of projects such as Marbella Villas and Julphar Residence development coupled with recognition of revenue from existing developments. It further introduced new developments in Ras Al Khaimah which received a healthy response from the investors. The property sales topline growth grew to AED 833 Mn in FY2023 from AED 282 Mn in FY2022. The Company's infrastructural development across the strategic locations of Mina Al Arab Hayat and Raha Islands, Julphar Towers in RAK and Al Reem Island Abu Dhabi is driving its demand for residential, commercial, and retail properties. RAKPROP sold several residential apartment units across these islands and launched an additional Quattro Del Mar Project comprising four towers in Hayat Island, Min Al Arab in FY2024. It launched for sale its first tower in January 2024 which was sold within a few hours of launch. Rak Properties and Ellington Properties entered into a JV to develop a plot of land on Hayat Island. It will be a premium waterfront residential project and the Company will contribute through the initial value of land of AED 68 Mn while Ellington will contribute to the funding of the project. The Company's robust pipeline of upcoming projects such as Granada Extension, Raha Beach Apartments, and many more branded villas, and apartments totaling 2,223 units will be further launched for sale in the upcoming years. The development further enhances the revenue visibility of the property sales segment in the coming years. Going forward, we anticipate the Property Sales segment's revenue to grow at a CAGR of 12.8% from AED 833 in FY2023 to AED 1,521 Mn in FY2028 primarily driven by the planned and ongoing project pipeline in the residential property segment.

The revenue from the Hotel segment rose 62.6% YOY to AED 116 Mn in FY2023 from AED 71 Mn in FY2022 as the hotel completed the first full year of operation in FY2023. During FY2023, room revenue rose 56.1% YOY to AED 67 Mn and Food & Restaurant revenue by 72.3% YOY to

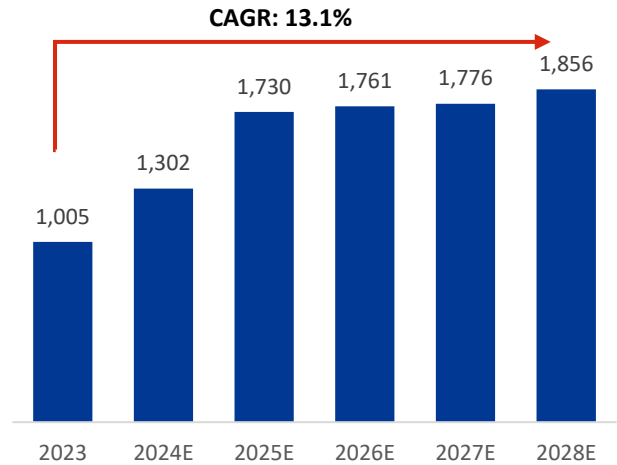
AED 49 Mn. The Company commenced the operation of its first hotel, Intercontinental Ras Al Khaimah Mina Al Arab Resort and Spa in FY2022. Rak Properties further commenced the operations of its second five-star luxury development of Anantara Mina Al Arab in January 2024. It aims to focus on the recurring revenues earned from the two luxury hotels located in Ras Al Khaimah. Moreover, the Hotel segment revenue is expected to grow at a CAGR of 18.6% from AED 116 Mn in FY2023 to AED 273 Mn in FY2028 due to solid growth in hotel operations. Rak Properties further entered into a new partnership with Nikki Beach Global to open the first branded resort in Mina Al Arab.

Rak Properties also recorded marginal revenue growth across its Property Leasing and Facility Management Services & Other segments in FY2023. The revenue of the Property Leasing segment grew 3.3% YOY to AED 29.8 Mn in FY2023. We project the revenue growth for the Property Leasing segment to grow at a steady CAGR of 3.0% from AED 29.8 Mn in FY2023 to AED 34.5 Mn in FY2028 while the Facility Management Services and Other segment revenue is expected to grow at a CAGR of 1.0% during FY2024-2028.

**Figure 14: Segmented Revenue Forecast (AED, Mn)**



**Figure 15: Total Revenue (AED, Mn)**



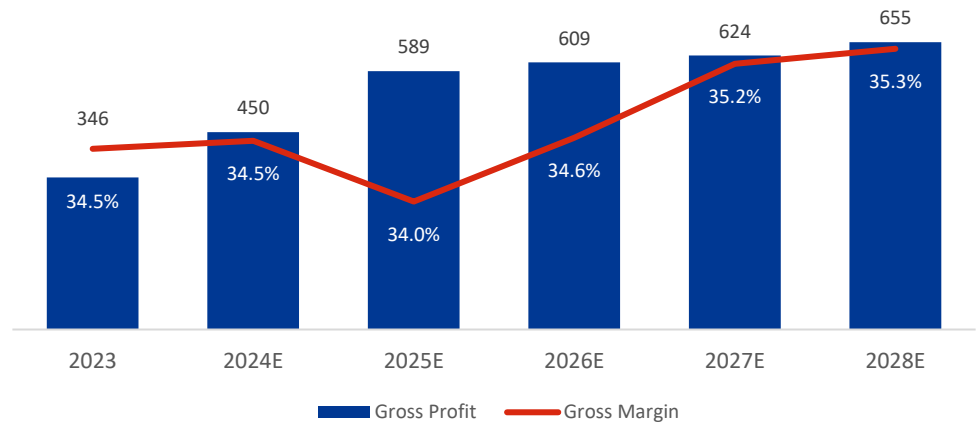
Source: Company Information, FAB Securities research (FY2024-28)

## Gross Profit

**We anticipate the gross profit to grow at a CAGR of 13.6% from AED 346 Mn in FY2023 to AED 655 Mn in FY2028**

RAKPROP gross profit rose from AED 141 Mn in FY2022 to AED 346 Mn in FY2023 mainly driven by the growth in topline. The gross margin rose marginally from 34.4% in FY2022 to 34.5% in FY2023 due to a change in business mix. We anticipate gross profit to grow at a CAGR of 13.6% from AED 346 Mn in FY2023 to AED 655 Mn in FY2028 in line with revenue growth and expect margins to improve to 35.3% in FY2028. Among all the segments Property Leasing generates the highest gross margin due to the nature of its business. The Property Sales Segment generated an average gross margin of 30.1% in the last five years and we expect the segment to generate an average gross margin of 30% in the forecasted period. Hotel operations margin improved in FY2023 due to the first full year of operation and is anticipated to generate an average margin of 58.2% during the forecasted period (FY2024-28). RAKPROP started the operation of the second hotel in FY2024 hence we expect the margin to be lower in the initial period and improve as the operation stabilizes. Facility Management Services & Others continue to generate losses and widen from 20.0% in FY2022 to 51.4% in FY2023. We anticipate the segment to break even by FY2027 with increased management focus.

**Figure 16: Gross Profit (AED, Mn) and Margins (%)**



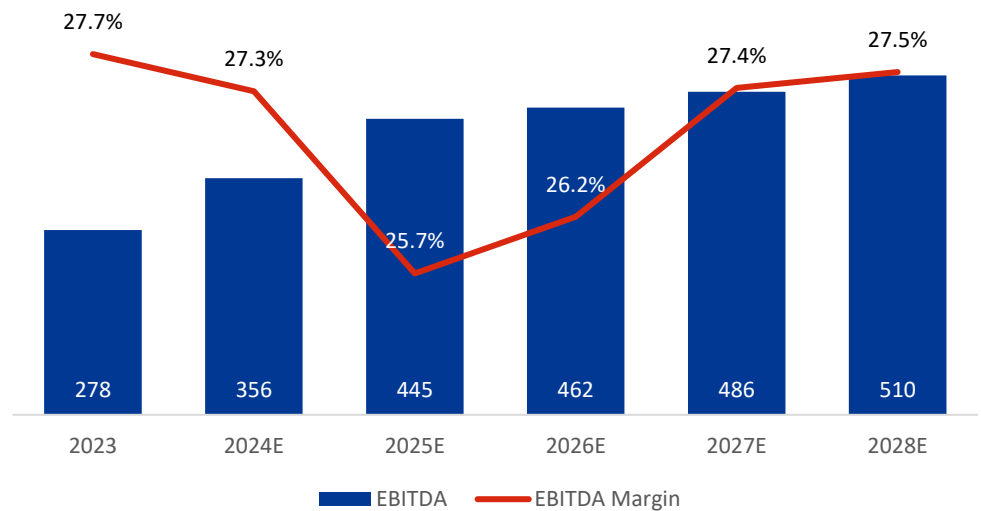
Source: Company Information, FAB Securities research (FY2024-28)

### EBITDA

**RAKPROP EBITDA is expected to grow at a CAGR of 12.9% from AED 278 Mn in FY2023 to AED 510 Mn in FY2028**

RAKPROP EBITDA grew from AED 101 Mn in FY2022 to AED 278 Mn with an EBITDA margin of 27.7% in FY2023 primarily propelled by solid growth in the revenue across Property Sales and Hotel Operations segment coupled with a decline in the operating expenses as the proportion of total revenue. The Company recorded lower impairment on trading properties under development in FY2023 compared to FY2022. Meanwhile, the Company's total operating profit rose from AED 66 Mn in FY2022 to AED 257 Mn in FY2023. Furthermore, Rak Properties EBITDA is projected to grow at a steady rate during FY2024-28. Looking ahead, we expect the consolidated EBITDA to grow at a CAGR of 12.9% from AED 278 Mn in FY2023 to AED 510 Mn in FY2028 mainly due to the pipeline of the new infrastructural developments in the Mina Al Arab. Consequently, the EBITDA margin will marginally decline from 27.7% in FY2023 to 27.5% in FY2028.

**Figure 17: EBITDA (AED, Mn) and Margin (%)**



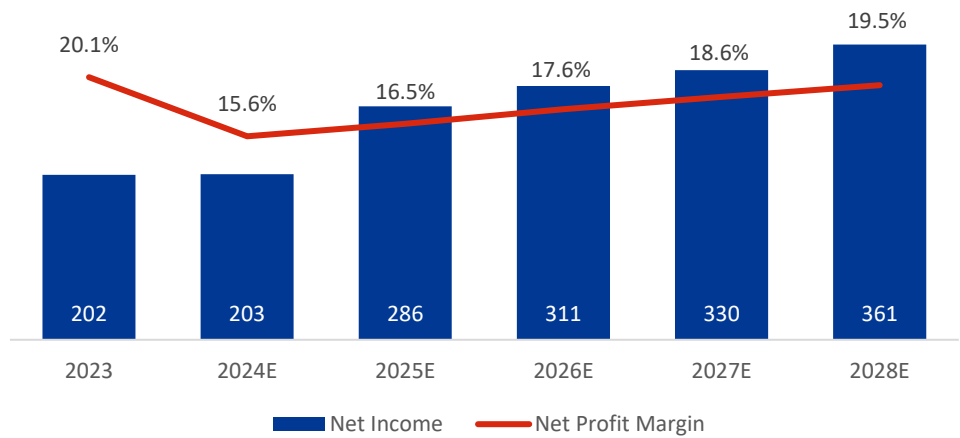
Source: Company Information, FAB Securities research (FY2024-28)

Net profit is expected to grow at a CAGR of 12.4% during FY2023-28

### Net Profit

RAKPROP net profit rose from AED 31 Mn in FY2022 to AED 202 Mn in FY2023 mainly due to strong growth in topline owing to healthy growth in the Property Sales and Hotel Segment. The net profit margin rose from 7.5% in FY2022 to 20.1% in FY2023. Furthermore, the Company's net profit is expected to grow at a CAGR of 12.4% from AED 202 Mn in FY2023 to AED 361 Mn in FY2028. The growth is mainly driven by a healthy growth in topline across Property Sales and Hotel Operation segment coupled with an improvement in gross margin and decline in the net finance cost which is expected to decline from AED 66.1 Mn in FY2023 to AED 55.3 Mn in FY2028 due to the expected decline in interest rates. The net profit margin stood at 20.1% in FY2023 and we forecast the margins to marginally decline to 19.5% in FY2028 owing to the implementation of corporate tax starting from FY2024 onwards.

**Figure 18: Net Income (AED, Mn) and Margin**



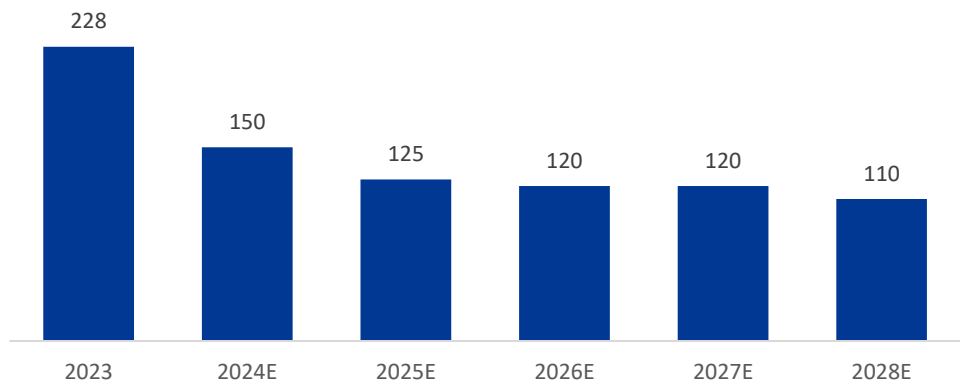
Source: Company Information, FAB Securities research (FY2024-28)

### Capital expenditure (CAPEX)

We anticipate Rak Properties to incur a cumulative capex of AED 625 Mn equivalent to an average of AED 125 Mn during FY2024-28

The company incurred a cumulative capital expenditure of AED 1.1 Bn in the last five years (FY2019-23) primarily due to the expansion of developmental projects in Ras Al Khaimah and the establishment of two five-star hotels which are *Intercontinental Ras Al Khaimah Resort* and *Anantara Mina Al Arab Hotel and Resort*. We anticipate Rak Properties to incur a cumulative capex of AED 625 Mn equivalent to an average capex of AED 125 Mn during FY2024-28.

**Figure 19: Capex (AED, Mn)**

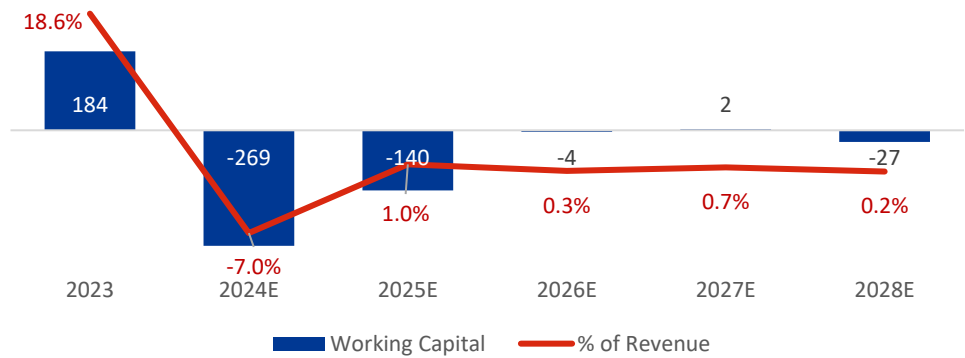


Source: Company Information, FAB Securities research 2024-28

## Working Capital

The Company's working capital comprises trading properties, trading properties under development, trade & other receivables, inventories and trade & other payables. The company's change in net working capital stood at negative AED 120 Mn in FY2021, positive AED 170 Mn and AED 184 Mn in FY2022 and FY2023, respectively. The generation of positive working capital mainly stems from a decline in trading properties under development due to higher recognition of revenue in FY2022 and FY2023. Receivable days declined from 701 days in FY2022 to 399 days in FY2023 and payable days from 610 days in FY2022 to 303 days in FY2023 due to accelerated project progress. We anticipate an average receivable day of 388 days and payable of 300 days during FY2024-28. Trading properties under development will generate a cumulative negative cash flow of AED 14 during FY2024-28 due to project progress. RAKPROP will generate a cumulative negative working capital of AED 437 Mn during FY2024-28 due to the progress of multiple projects.

**Figure 20: Change in Working Capital (AED, Mn)**



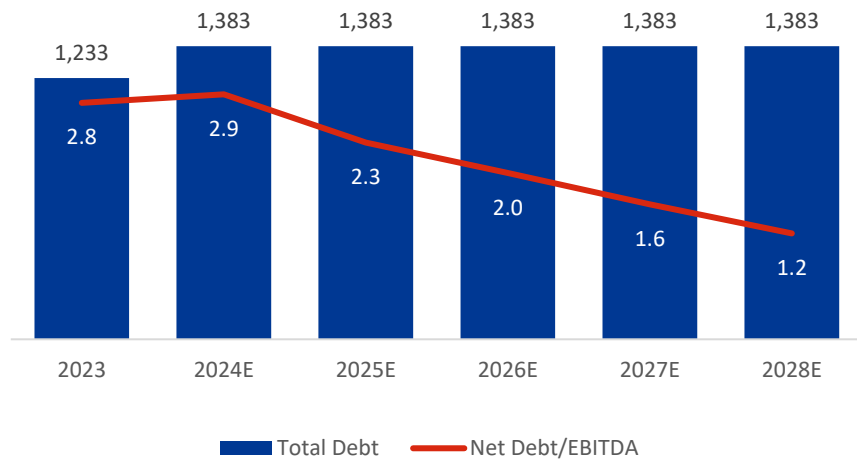
Source: Company Information, FAB Securities research 2024-28

## Financial Leverage

**We anticipate Rak Properties net debt to EBITDA to reduce from 2.8x in FY2023 to 1.2x in FY2028**

Rak Properties total debt rose from AED 876 Mn in FY2019 to AED 1,233 Mn in FY2023. The company borrowed debt to make strategic investments for developmental projects, maintenance, and growth capex of AED 1.1 Bn during the last five years. The Company's current debt comprises a term loan of AED 866 Mn and AED 504 Mn of overdraft facility as of 1Q24. Multiple-term loans are outstanding with various maturities and interest rates. The interest rate on the overdraft facility is paid based on term deposit including a margin of 0.25% to 0.5% p.a. RAKPROP debt reduced from AED 1,353 Mn in FY2022 to AED 1,233 Mn in FY2023, while it further rose to AED 1,370 Mn in 1Q24 owing to investment on PPE, dividend payment and acquisition of treasury shares. Net debt to EBITDA stood at 2.8x in FY2023 and further expected to decline to 1.2x in FY2028 due to healthy cash generated from operations owing to strong property demand. We expect the Company to meet its debt obligation during the forecasted period.

**Figure 21: Total Debt (AED, Mn)**



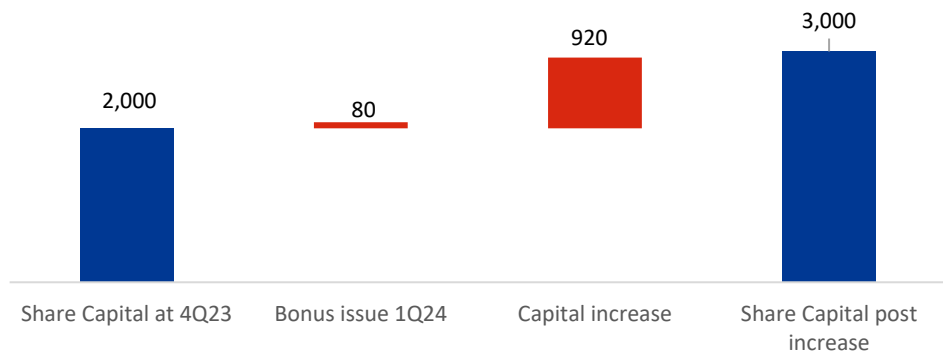
Source: Company Information, FAB Securities research (FY2024-28)

### Capital Increase

**RAKPROP plans to increase share capital by offering 920 Mn shares to strategic investor**

RAKPROP board recommended to increase the Company’s capital through the entry of a strategic partner in February 2024. The Company RAKPROP plans to issue 920 Mn shares at AED 1 per share for the Government of Ras Al Khaimah. After the capital increase the shareholding of the Government of Ras Al Khaimah will grow from 5% to 34%. The offering will be issued in exchange for an in-kind contribution of land from the RAK Government. Post the capital increase, the total share capital of RAKPROP will increase from AED 2.1 Bn in 1Q24 to AED 3.0 Bn. This will increase the outstanding shares from 2.08 Bn in 1Q24 to 3.0 Bn.

**Figure 22: Share Capital (AED, Mn)**



Source: Company Information, FAB Securities research (FY2024-28)

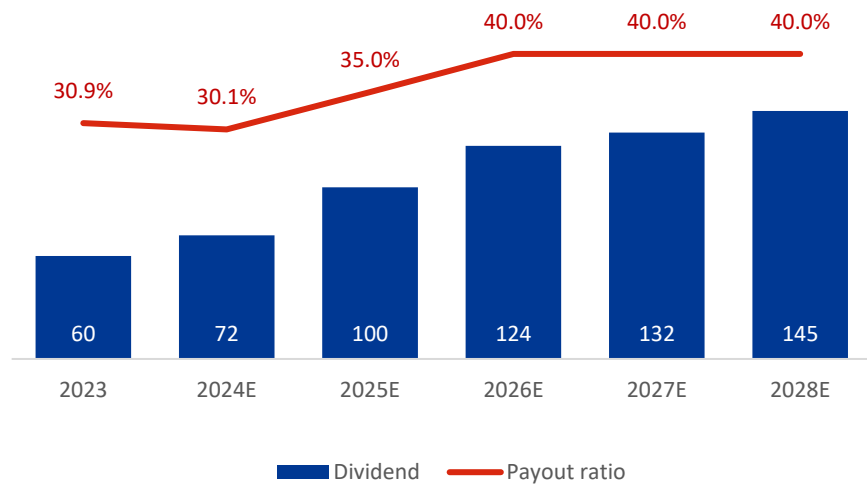


## Dividend

**RAKPROP declared a cash dividend of AED 60 Mn in FY2023. We anticipated RAKPROP to maintain a dividend payout ratio of 25% - 50% in the forecasted period**

The Company does not have a formal dividend policy in place until now. RAKPROP last paid a dividend of 4 fils per share in FY 2019. After that, it declared a dividend of 3 fils per share in FY2023. Before that, it used to pay regular dividends except no dividend was paid in FY2018. The Company didn't declare dividends owing to low cash flow generation and capex investment. The Property Sales Segment started to gain traction and generated healthy sales in FY2023. We anticipate a steady flow of revenue from Property Sales and Hotel Operations and anticipate the Company to maintain a dividend payout ratio of 25% - 50% in the forecasted period. We believe the newly opened hotel will be running smoothly and revenue recognition of new development will gain traction amid construction progress. In addition, we anticipate the Company to declare a cumulative dividend of AED 573 during FY2024-28.

**Figure 23: Total Dividend Declared (AED, Mn)**



Source: Company Information, FAB Securities research (FY2024-28)

## Financial Statements:

### Income Statement, (AED, Mn)

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>Revenues</b>	408	1,005	1,302	1,730	1,761	1,776	1,856
Cost of sales	-268	-658	-852	-1,141	-1,153	-1,151	-1,201
<b>Gross Profit</b>	<b>141</b>	<b>346</b>	<b>450</b>	<b>589</b>	<b>609</b>	<b>624</b>	<b>655</b>
SG&A expenses	-100	-139	-182	-238	-238	-235	-241
Other income	27	27	25	25	26	26	27
Net change in fair value of invest properties	29	29	0	0	0	0	0
Share of profit in joint venture	0	0	0	0	0	0	0
Provision for expected credit losses	0	-4	0	0	0	0	0
Loss on impair of trading properties under development	-26	-3	0	0	0	0	0
<b>EBIT</b>	<b>71</b>	<b>257</b>	<b>292</b>	<b>376</b>	<b>397</b>	<b>415</b>	<b>440</b>
<b>EBITDA</b>	<b>101</b>	<b>278</b>	<b>356</b>	<b>445</b>	<b>462</b>	<b>486</b>	<b>510</b>
Finance costs	-42	-66	-78	-69	-62	-62	-55
Finance income	7	14	9	7	7	10	12
Net change in fair value of investments through profit or loss	-1	-2	0	0	0	0	0
Provision for expected credit losses	-5	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0
<b>Profit before tax</b>	<b>31</b>	<b>202</b>	<b>223</b>	<b>314</b>	<b>341</b>	<b>363</b>	<b>397</b>
Taxes	0	0	-20	-28	-31	-33	-36
<b>Net profit</b>	<b>31</b>	<b>202</b>	<b>203</b>	<b>286</b>	<b>311</b>	<b>330</b>	<b>361</b>

### Key Ratios:

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>YoY % Change</b>							
Revenue	79.2%	146.2%	29.6%	32.8%	1.8%	0.8%	4.5%
Gross Margin	-27.9%	146.5%	29.8%	30.9%	3.4%	2.6%	4.9%
EBITDA	-55.5%	175.2%	28.0%	25.1%	3.8%	5.2%	5.0%
Net profit	-84.7%	555.5%	0.4%	41.0%	8.7%	6.2%	9.5%
<b>% Margin</b>							
Gross Margin	34.4%	34.5%	34.5%	34.0%	34.6%	35.2%	35.3%
EBITDA margin	24.7%	27.7%	27.3%	25.7%	26.2%	27.4%	27.5%
EBIT margin	17.4%	25.5%	22.4%	21.7%	22.5%	23.4%	23.7%
Net profit margin	7.5%	20.1%	15.6%	16.5%	17.6%	18.6%	19.5%
<b>Leverage</b>							
Net Debt/EBITDA	8.5	2.8	2.9	2.3	2.0	1.6	1.2
Debt/Equity	0.3	0.3	0.3	0.3	0.2	0.2	0.2
<b>Return ratios</b>							
ROE	0.7%	4.7%	3.8%	5.1%	5.4%	5.5%	5.8%
ROA	0.5%	3.1%	2.6%	3.5%	3.7%	3.8%	4.1%
ROCE	1.3%	4.6%	4.4%	5.5%	5.7%	5.8%	6.0%
<b>Free Cash Flow</b>							
Free cash flow (FCF) <sup>1</sup>	10	197	-173	68	227	257	268

Source: Company Information, FAB Securities research (2024-28E), <sup>1</sup>Free cash flow = cash flow from operations – Capex

## Balance Sheet (AED, Mn)

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>Assets</b>							
Property and equipment	1,649	1,868	2,874	2,933	2,988	3,040	3,079
Investment properties	1,559	1,533	1,533	1,533	1,538	1,538	1,542
Investment properties under development	44	28	28	28	17	17	10
Trading properties under development	1,501	1,342	1,433	1,409	1,394	1,373	1,359
Investments	40	20	20	20	20	20	20
Investment in a joint venture	0	68	68	68	68	68	68
Advances to suppliers and contractors	0	0	0	0	0	0	0
Trade and other receivables	492	549	642	821	836	843	881
<b>Total non-current assets</b>	<b>5,285</b>	<b>5,408</b>	<b>6,599</b>	<b>6,812</b>	<b>6,861</b>	<b>6,899</b>	<b>6,959</b>
<b>Current assets</b>							
Trading properties under development	195	0	0	0	0	0	0
Inventories	1	2	5	6	6	6	7
Investments	5	3	3	3	3	3	3
Advances to suppliers and contractors	0	0	0	0	0	0	0
Trading properties	42	39	39	39	39	39	39
Trade and other receivables	293	550	785	1,003	1,022	1,030	1,077
Bank Balances and cash	493	458	354	350	477	609	745
<b>Total Current assets</b>	<b>1,030</b>	<b>1,051</b>	<b>1,186</b>	<b>1,401</b>	<b>1,547</b>	<b>1,687</b>	<b>1,871</b>
<b>Total assets</b>	<b>6,315</b>	<b>6,459</b>	<b>7,785</b>	<b>8,213</b>	<b>8,408</b>	<b>8,586</b>	<b>8,830</b>
<b>Equities and liabilities</b>							
<b>Equity</b>							
Share Capital	2,000	2,000	3,000	3,000	3,000	3,000	3,000
Statutory reserves	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Treasury shares	0	0	-20	-20	-20	-20	-20
Retained earnings	409	590	652	866	1,077	1,282	1,512
Other reserves	713	715	715	715	715	715	715
<b>Total equity</b>	<b>4,122</b>	<b>4,304</b>	<b>5,347</b>	<b>5,561</b>	<b>5,771</b>	<b>5,977</b>	<b>6,206</b>
<b>Non-current liabilities</b>							
Provisions for employees' end-of-service benefits	4	6	9	12	12	12	12
Borrowings	806	781	830	830	830	830	830
Deferred government grants	388	370	345	320	294	268	241
Trade and other payables	141	155	70	94	95	95	99
<b>Total non-current liabilities</b>	<b>1,339</b>	<b>1,311</b>	<b>1,254</b>	<b>1,255</b>	<b>1,231</b>	<b>1,204</b>	<b>1,182</b>
<b>Current liabilities</b>							
Contract liabilities	0	0	0	0	0	0	0
Borrowings	547	452	553	553	553	553	553
Trade and other payables	306	391	631	844	853	852	888
<b>Total Current Liabilities</b>	<b>853</b>	<b>843</b>	<b>1,184</b>	<b>1,397</b>	<b>1,406</b>	<b>1,405</b>	<b>1,442</b>
<b>Total Liabilities</b>	<b>2,193</b>	<b>2,155</b>	<b>2,438</b>	<b>2,653</b>	<b>2,637</b>	<b>2,609</b>	<b>2,624</b>
<b>Total Equity and liabilities</b>	<b>6,315</b>	<b>6,459</b>	<b>7,785</b>	<b>8,213</b>	<b>8,408</b>	<b>8,586</b>	<b>8,830</b>

Source: Company Information, FAB Securities research (2024-28E)

**Cash Flow Statement (AED, Mn)**

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
<b>Cash flow from operating activities</b>							
<b>Profit for the period</b>	31	202	203	286	311	330	361
Adjustments for:							
Depreciation	33	36	64	66	66	68	70
Provision for employees end of service benefits	1	2	3	3	0	0	0
Amortization of government grant	-14	-19	0	0	0	0	0
Net change in fair value of investments at fair value through profit or loss	1	2	0	0	0	0	0
Net change in fair value of investment properties	-29	-29	0	0	0	0	0
Expected credit losses on trade, contract and other receivables	5	4	0	0	0	0	0
Loss on impairment of trading properties under development	26	2	0	3	0	3	0
Write down of trading properties	0	1	0	0	0	0	0
Share of joint venture income	0	0	0	0	0	0	0
Loss on disposal of property and equipment	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0
Profit on disposal of investments	-1	0	0	0	0	0	0
Finance income	-7	-14	0	0	0	0	0
Finance costs	42	66	0	0	0	0	0
Government grants	0	0	-25	-25	-26	-26	-27
<b>Cash from operations before working capital changes</b>	<b>86</b>	<b>254</b>	<b>245</b>	<b>333</b>	<b>350</b>	<b>374</b>	<b>405</b>
Trading properties	6	-2	0	0	0	0	0
Trading properties under development	144	346	-92	22	20	19	17
Trade and other receivables	-47	-325	-328	-397	-33	-15	-85
Advances to suppliers and contractors	0	0	0	0	0	0	0
Trade and other payables	67	166	154	237	10	-1	41
Inventories	0	0	-3	-2	0	0	0
Advance from customers	0	0	0	0	0	0	0
<b>Net cash flow from operations</b>	<b>256</b>	<b>437</b>	<b>-23</b>	<b>193</b>	<b>347</b>	<b>377</b>	<b>378</b>
Employees end of service benefits indemnity paid	0	0	0	0	0	0	0
<b>Net cash flow from operating activities</b>	<b>256</b>	<b>437</b>	<b>-23</b>	<b>193</b>	<b>347</b>	<b>377</b>	<b>378</b>
<b>Cash flows from investing activities</b>							
Additions to property and equipment	-238	-228	-150	-125	-120	-120	-110
Additions to investment properties under development	-7	-12	0	0	0	0	0
Increase in term deposits	0	0	0	0	0	0	0
Additions to investments	0	0	0	0	0	0	0
Interest received	6	11	0	0	0	0	0
Dividend received	0	0	0	0	0	0	0
Proceeds from disposal of property and equipment	0	0	0	0	0	0	0
Proceeds from disposal of investments	45	0	0	0	0	0	0
Additions to investment properties	0	0	0	0	0	0	0
<b>Net cash used in investing activities</b>	<b>-195</b>	<b>-229</b>	<b>-150</b>	<b>-125</b>	<b>-120</b>	<b>-120</b>	<b>-110</b>

<b>Cash flow from financing activities</b>							
Dividend paid	-4	-33	-60	-72	-100	-124	-132
Borrowings availed	424	96	287	137	150	150	150
Borrowings repaid	-361	-111	-137	-137	-150	-150	-150
Acquisition of treasury shares	0	0	-20	0	0	0	0
Change in bill discounting	0	0	0	0	0	0	0
Change in bank overdraft	0	0	0	0	0	0	0
Interest paid	-38	-56	0	0	0	0	0
Board of directors remuneration paid	-6	0	0	0	0	0	0
<b>Net cash used in financing activities</b>	<b>15</b>	<b>-104</b>	<b>70</b>	<b>-72</b>	<b>-100</b>	<b>-124</b>	<b>-132</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>76</b>	<b>103</b>	<b>-103</b>	<b>-5</b>	<b>127</b>	<b>132</b>	<b>136</b>
Cash and cash equivalents at the beginning of the year	-77	-1	458	354	350	477	609
<b>Cash and cash equivalents at the end of the year</b>	<b>-1</b>	<b>102</b>	<b>354</b>	<b>350</b>	<b>477</b>	<b>609</b>	<b>745</b>

Source: Company Information, FAB Securities research (2024-28E)

## FAB Securities Contacts:

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### Research Analysts

Ahmad Banihani +971-2-6161629 [ahmad.banihani@Bankfab.com](mailto:ahmad.banihani@Bankfab.com)

### Sales & Execution

Trading Desk Abu Dhabi Head Office +971-2-6161777 Online Trading Link  
Trading Desk Dubai DFM Branch +971-4-5659593  
Institutional Desk +971-4-5658395  
Sales and Marketing +971-2-6161622

### Customer Service

Abu Dhabi Office +971-2-6161600

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