

Emaar Development (EMAARDEV)

Robust growth in sales driven by the launch of new projects drove the top-line

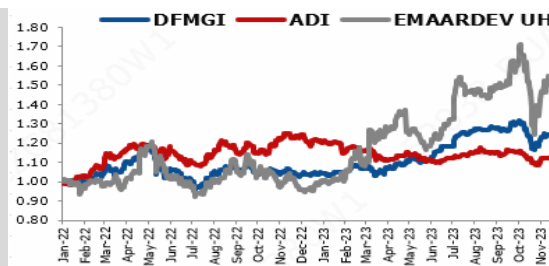
Current Price
AED 11.10

Target Price
AED 11.00

Upside/Downside (%)
-0.9%

Rating
HOLD

- EMAARDEV recorded property sales of AED 18.3 Bn in 3Q24 compared to AED 9.9 Bn in 3Q23.
- The Company's sales backlog stood at AED 83.7 Bn in 3Q24, indicating strong revenue visibility in the upcoming period.
- EMAARDEV introduced "Lavita" at The Oasis, its first community of luxury mansions in 3Q24.
- In 9M24, Emaar Development reported a Revenue of AED 12.5 Bn (USD 3.4 Bn) and an EBITDA of AED 6 Bn (USD 1.6 Bn), 69% and 35% higher than 9M23.



3Q24 Net Profit higher than our estimate

Emaar Development PJSC (EMAARDEV/The Company) reported a 9.9% YOY increase in net profit to AED 2,069 Mn in 3Q24, surpassing our estimate of AED 1,378 Mn. The growth in net profit is primarily driven by a substantial rise in revenue and finance income partially offset by a rise in costs of revenue, selling and general expenses, non-controlling interest, and tax charges.

P&L Highlights

Emaar Development's revenue surged 76.4% YOY to AED 5,140 Mn in 3Q24, primarily driven by a significant increase in the sale of residential units, as well as the sale of commercial units, plots of land, and development services. Revenue from sale of residential unit rose substantially from AED 2,588 Mn in 3Q23 to AED 4,651 Mn in 3Q24, while revenue from commercial unit sales grew 50.2% YOY to AED 489 Mn in 3Q24. EMAARDEV's total property sales increased from AED 9.9 Bn in 3Q23 to AED 18.3 Bn in 3Q24. The Company's cost of revenue recorded a sharp rise from AED 534 Mn in 3Q23 to AED 2,202 Mn in 3Q24. Gross profit increased 23.5% YOY to AED 2,938 Mn in 3Q24, though gross margins contracted by 2,450 bps YOY to 57.2%. Selling and general expenses rose 31.8% YOY to AED 403 Mn in 3Q24. Operating profit grew from AED 2,074 Mn in 3Q23 to AED 2,535 Mn in 3Q24, while EBITDA rose 21.8% YOY to AED 2,618 Mn in 3Q24. EBITDA margin declined from 73.8% in 3Q23 to 50.9% 3Q24. Finance income saw a notable increase of 60.8% YOY to AED 355 Mn in 3Q24, while finance costs decreased 8.2% YOY to AED 86 Mn. Other income increased 8.3% YOY to AED 38 Mn in 3Q24. The share of results from JVs rose 20.6% YOY to AED 43 Mn in 3Q24. Meanwhile, the share of profit attributable to non-controlling interest holders increased from AED 390 Mn in 3Q23 to AED 561 Mn in 3Q24. Additionally, the Company recorded a tax expense of AED 255 Mn in 3Q24 due to the due to the introduction of the UAE corporate tax.

Stock Information

Market Cap (AED, mn)	44,400.00
Paid Up Capital (mn)	4,000.00
52 Week High	11.60
52 Week Low	6.42
3M Avg. daily value (AED)	22,399,510

3Q24 Result Review (AED, mn)

Total Assets	62,558
Total Liabilities	32,201
Total Equity	30,357
EBITDA	2,618
Net Profit	2,069

Financial Ratios

Dividend Yield (12m)	4.68
Dividend Pay-out (%)	31.38
Price-Earnings Ratio(x)	6.22
Price-to-Book Ratio (x)	1.75
Book Value (AED)	6.33
Return on Equity (%)	31.32

Stock Performance

5 Days	3.74%
1 Months	27.00%
3 Months	30.59%
6 Months	47.02%
1 Year	63.72%
Month to Date (MTD%)	19.61%
Quarter to Date (QTD%)	27.15%
Year to Date (YTD%)	55.24%

Balance Sheet Highlights

Emaar Development's total debt remained unchanged at AED 3.7 Bn in 3Q24, compared to 2Q24. Cash and cash equivalents increased from AED 23.7 Bn in 2Q24 to AED 27.3 Bn in 3Q24, with AED 22.3 Bn of this amount held in escrow accounts against advances received from customers for the sale of development properties. The value of development properties marginally increased to AED 16.8 Bn in 3Q24 from AED 16.5 Bn in 2Q24.

Target Price and Rating

We revise our rating on Emaar Development from BUY to HOLD with an unchanged target price of AED 11.00. The Company's share price rose significantly 28.6% from our previous rating (October 2024). EMAARDEV reported a significant increase in profitability, driven by robust growth in property sales and strong demand in the UAE's real estate sector. Property sales grew from AED 9.9 Bn in 3Q23 to AED 18.3 Bn in 3Q24, driven by new project launches within existing masterplans. This Company launched 50 development projects during 9M24. The Company's sales backlog rose to AED 83.7 Bn in 3Q24, indicating a strong revenue recognition outlook in the coming period. In 3Q24, EMAARDEV launched 'Lavita' at the Oasis, its first community of luxury mansions comprising 43 six and seven-bedroom units. Additionally, the Company has handed over approximately 73,000 residential units since its inception, with around 39,000 residential units currently under development. The continued project launches and strong revenue backlog ensure the Company's revenue stability in the years ahead. Given these factors, we assign a HOLD rating on the stock.

Emaar Development - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	16.89	27.51	14.06	11.97	6.88	7.03
PB	4.8	4.1	3.1	2.6	2.0	1.67
EV/EBITDA	12.96	20.80	10.27	8.74	3.86	5.39
Dividend yield	NM	NM	NM	4.6%	4.6%	4.6%

FABS Estimates & Co Data

Emaar Development - P&L

AED mn	3Q23	2Q24	3Q24	3Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	2,914	3,831	5,140	4,035	27.4%	76.4%	34.2%	11,921	17,562	47.3%
Cost of Revenue	-534	-1,812	-2,202	-2,017	9.1%	312.2%	21.5%	-3,513	-7,903	125.0%
Gross Profit	2,380	2,019	2,938	2,017	45.6%	23.5%	45.5%	8,408	9,659	14.9%
S&G Expenses	-306	-372	-403	-408	-1.1%	31.8%	8.5%	-1,183	-1,598	35.0%
Operating Profit	2,074	1,648	2,535	1,610	57.5%	22.2%	53.9%	7,225	8,061	11.6%
EBITDA	2,150	1,692	2,618	1,668	57.0%	21.8%	54.7%	7,987	8,459	5.9%
Finance Income	221	270	355	277	28.4%	60.8%	31.7%	843	1,215	44.2%
Finance Cost	-93	-150	-86	-117	-27.0%	-8.2%	-43.1%	-333	-405	21.7%
Other Income	35	26	38	40	-6.5%	8.3%	44.8%	626	263	-57.9%
Share of results of JVs	35	17	43	15	182.9%	20.6%	154.6%	124	126	2.0%
Profit for the year	2,272	1,810	2,885	1,825	58.1%	27.0%	59.4%	8,484	9,260	9.1%
Tax	0	-162	-255	-164	55.4%	NM	57.5%	0	-833	NM
NCI	390	440	561	282	98.7%	44.0%	27.5%	1,855	1,945	4.8%
Net Profit	1,882	1,208	2,069	1,378	50.1%	9.9%	71.3%	6,629	6,482	-2.2%

FABS estimate & Co Data

Emaar Development - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	81.7%	52.7%	57.2%	-2,450	447	70.5%	55.0%	-1,553
EBITDA	73.8%	44.2%	50.9%	-2,284	676	67.0%	48.2%	-1,883
Operating Profit	71.2%	43.0%	49.3%	-2,185	632	60.6%	45.9%	-1,470
Net Profit	64.6%	31.5%	40.3%	-2,434	873	55.6%	36.9%	-1,869

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	11.56	70.0%	8.09
Relative Valuation (RV)	9.67	30.0%	2.90
Weighted Average Valuation (AED)			11.00
Current market price (AED)			11.10
Upside/Downside (%)			-0.9%

1) DCF Method:

Emaar Development is valued using free cash flow to Equity since there is negligible debt in the company. We have discounted the cash flow using the cost of equity of 9.5%. The cost of equity is calculated by using a 10-year government bond yield of 5.4%, beta of 1.00 and equity risk premium of 4.1%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	12,633
Terminal value (AED, Mn)	33,617
FV to Common shareholders (AED, Mn)	46,252
No. of share (Mn)	4,000
Current Market Price (AED)	11.10
Fair Value per share (AED)	11.56

DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Cash flow from operations	6,532	4,941	2,686	3,762	3,601
(-) Capex	-11	-12	-13	-14	-15
Free Cash Flow to Equity (FCFE)	6,521	4,929	2,673	3,748	3,587
Discounting Factor	0.99	0.90	0.83	0.75	0.69
Discounted FCFE	664¹	4,460	2,209	2,828	2,472

Source: FAB Securities,¹Partial Year Adjustment

2) Relative Valuation:

We have considered the domestic as well as international peers to value Emaar Development. The Company is valued at a 2024 PB multiple of 1.5x, in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/B (x)	
		2024F	2025F	2024F	2025F
Peers					
Dar Al Arkan	4,954	21.9	21.8	0.9	0.8
Aldar Properties	16,119	9.8	8.6	1.5	1.4
Palm Hills Developments	316	3.6	2.4	1.2	0.8
Sixth of October for Development Company	421	NA	4.3	1.5	1.2
Saudi Real Estate Company	2,537	NA	NA	2.0	1.8
Tecom	4,261	10.4	10.1	2.3	2.1
Average		11.4x	9.4x	1.6x	1.4x
Median		10.1x	8.6x	1.5x	1.3x
Max		13.3x	10.1x	1.9x	1.7x
Min		8.3x	4.3x	1.3x	0.9x

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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