

Property Developers – December 2024

Sector Weighting:
MARKET WEIGHT

Long Lease Terms & Falling Interest Rates to Uphold Momentum in Real Estate

Property Market Outlook

The UAE real estate market maintained its momentum in 3Q24, supported by steady global economic growth and a slowdown in inflation. Robust growth in off-plan sales, residential transactions, and consistent demand for office & residential spaces drove the sector's performance. Meanwhile, increasing rental rates in the retail and residential sectors, driven by the limited supply of quality spaces and growing tenant demand, made the market favourable for property owners. According to DXB, the volume of off-plan sales in Dubai increased significantly 42.8% YOY in 2024. The value of off-plan sales grew from AED 214.0 Bn in 2023 to AED 229.0 Bn in 2024.

As per the data from DXB interact, the number of real estate transactions in Dubai rose 36% YOY to 181 thousand in 2024, while the transaction value surged 27% YOY to AED 522.5 Bn in 2024. Out of the total transactions, the apartment transactions rose significantly 42.2% YOY to 141,397 in 2024, whereas villa transactions grew 21.2% YOY to 30,975. Commercial transactions rose 10.1% YOY to 4,304. On the other hand, as per data from Quanta, Abu Dhabi's residential market witnessed a 40.8% YOY decline in transactions to 1,864 in 3Q24. This decline was mainly driven by a 67.2% YOY decline in off-plan sales, partially offset by a 44.3% YOY increase in secondary market sales. Despite the slowdown, the average villa and apartment sales price rose 8.1% and 8.5% YOY respectively in 3Q24. Residential apartment rents in Abu Dhabi rose 9.3% YOY while villa rental rates increased 3.9% YOY in 3Q24. Meanwhile, rental contracts in Abu Dhabi declined 3.3% YOY to 48,755 in 3Q24. Similarly, the average residential rental rate in Dubai rose 18.3% YOY in 3Q24. Apartment rents in Dubai experienced robust growth, outpacing the growth in villas. Apartment rental rates in Dubai rose 19.1% YOY in 3Q24, while villa rents grew 12.5% YOY in 3Q24. In Abu Dhabi, the apartment rental rates rose 9.3% YOY in 3Q24 compared to villa rentals which rose 3.9% YOY.

The Office rental market in the UAE has seen steady growth, with Dubai experiencing more significant increases compared to Abu Dhabi. Grade A rents in Abu Dhabi rose 9.5% YOY in 3Q24 while the emirate witnessed strong growth in rental registrations that rose 44.4% YOY to 12,957 in 3Q24. Significant demand in Abu Dhabi is arising from government companies while private businesses are also keen on expanding. However, the limited availability of spaces led many businesses to opt for longer lease terms. On the other hand, Grade A rents in Dubai increased 14.7% YOY due to limited availability and uncompromised lease terms by landlords. Rental registrations in Dubai increased 7.8% YOY in 3Q24 recording a moderate growth compared to Abu Dhabi due to lack of new spaces. Vacancy rates in CBD declined to 5.2%. Additionally, the market is showing a new trend with a two-tiered split between regional and international companies where local companies are willing to pay premium office rents compared to international corporates. Additionally, landlords in Dubai are focusing on signing a minimum of five-year lease terms with no breaks capitalizing on the occupier's scruffle to secure long-term contracts. As a result, rental rates are anticipated to maintain a positive growth trajectory in the medium term. Grade A warehousing spaces in Abu Dhabi witnessed a surge in demand resulting in a rise in rental rates. Average rental rates rose 8.6% YOY to AED 380 per square meter per annum in 3Q24 due to limited supply. Average warehouse rental rates in Dubai increased 12.9% YOY to AED 40.3 per square foot per annum.

Moreover, the hospitality segment witnessed strong occupancy in Abu Dhabi during 3Q24 recording a 7.1% YTD growth in September 2024. The Average Daily Rate in Abu Dhabi climbed 12.2% YTD to AED 527 in September 2024. Furthermore, Revenue per available room (RevPAR) in Abu Dhabi rose 23.6% YTD to AED 406 in September 2024. Abu Dhabi's hospitality sector remains strong, attributable to high levels of visitor traffic. Moreover, popular destinations including Yas Island and Saadiyat Island continue to attract a large share of international visitors, owing to their status as leading leisure and entertainment hubs. The occupancy rate in Dubai increased 2.7% YTD in

September 2024. RevPAR in Dubai rose 2.5% YTD in September 2024. Operators in Dubai are adjusting rates and moving towards a volume-based strategy to overcome the decline in high spending demand.

The Central Bank of UAE (CBUAE) projects UAE's real GDP to increase from 3.6% in 2023 to 4.0% in 2024. The forecast was revised up from 3.9% to 4.0% due to solid performance anticipated in the non-oil sector including tourism, transportation, financial and insurance services, construction and real estate, and communications sectors partially offset by a subdued performance expected in the oil sector. In addition, the CBUAE revised down the UAE real GDP growth forecast to 4.5% in 2025, due to OPEC's decision to extend the oil production cut. The Central Bank estimates non-oil GDP growth to remain strong at 4.9% in 2024 and 5.0% in 2025 driven primarily by government strategies and policies aimed at attracting foreign investment and supporting economic diversification.

The US Federal Reserve cut policy rates by 50 bps in September 2024 for the first time in four years. After that, the Fed reduced benchmark interest rates by 25 bps in November 2024 and 25 bps in December 2024 to a range of 4.25% to 4.50%. Additionally, the Fed announced to make fewer rate cuts in 2025. Since the UAE's currency is pegged to the US dollar, the central bank of UAE closely follows the Fed. The CBUAE also reduced its benchmark rates by 100 bps to 4.40% in 2024. The interest rate cut is anticipated to encourage further loan growth in the economy and support the banks' asset quality. We expect the demand for the real estate sector to prop up owing to the decline in interest rate cuts as borrowing rates will get cheaper, attracting more investors.

On the supply front in Dubai, the office stock in Dubai stood c. 9.3 Mn square meters in 3Q24, while an additional 300,000 square meters of office GLA is in the pipeline. Healthy demand and limited supply will further pressure rental rates in Dubai and Abu Dhabi offices. Abu Dhabi witnessed addition of 23,600 square meters of office GLA in 3Q24, increasing the total office stock to 3.97 Mn square meters. The capital is expected to add over 70,100 square meters of office space in 4Q24. On the residential side, Dubai's total stock rose to 744,000 units after the addition of 7,400 new units in 3Q24. Abu Dhabi's total residential stock stood at 2,86,600 units in 3Q24, with the addition of 1,000 units in 3Q24. Dubai is expected to witness delivery of c. 13,500 residential units by the end of 2024, whereas 3,500 residential units are anticipated to be added to Abu Dhabi. The hospitality sector witnessed an addition of 240 keys in Dubai, resulting in a total stock of 155,400 keys in 3Q24, with an additional 4,800 rooms scheduled to be added in 4Q24. Additionally, Abu Dhabi's total stock remained unchanged at 32,800 rooms in 3Q24, with an additional 450 rooms scheduled to be added in 4Q24.

The limited number of new office projects is expected to be a key factor driving the Dubai office market in the near future. Along with strong demand from new businesses, rental rates are projected to keep rising. Over the long term, the introduction of new supply will likely reduce pressure on tenants. Abu Dhabi's office market is projected to see robust growth in activity, owing to Government initiatives, like Abu Dhabi's Industrial Strategy, which aims to double the manufacturing sector by 2031, driving growth in industrial and logistics markets. These efforts attract capital and encourage developers to expand capacity. As a result, demand is expected to stay strong, with institutional-grade industrial stock outperforming the market and rental rates reaching record highs.

Stock	TP	CMP	Gain	Rating	P/B (2024F)	Div. Yld (%) 2024F
Emaar Properties (AED)	15.00	13.00	15.4%	BUY	1.5	7.7%
Emaar Development (AED)	15.00	14.25	9.1%	HOLD	2.1	3.7%
Aldar Properties (AED)	8.70	7.78	11.8%	ACCUMULATE	1.7	2.6%
TECOM GROUP (AED)	3.45	3.15	9.5%	HOLD	1.0	5.1%
RAK PROPERTIES (AED)	1.45	1.17	23.9%	BUY	0.4	2.6%

Source: FABS Estimate

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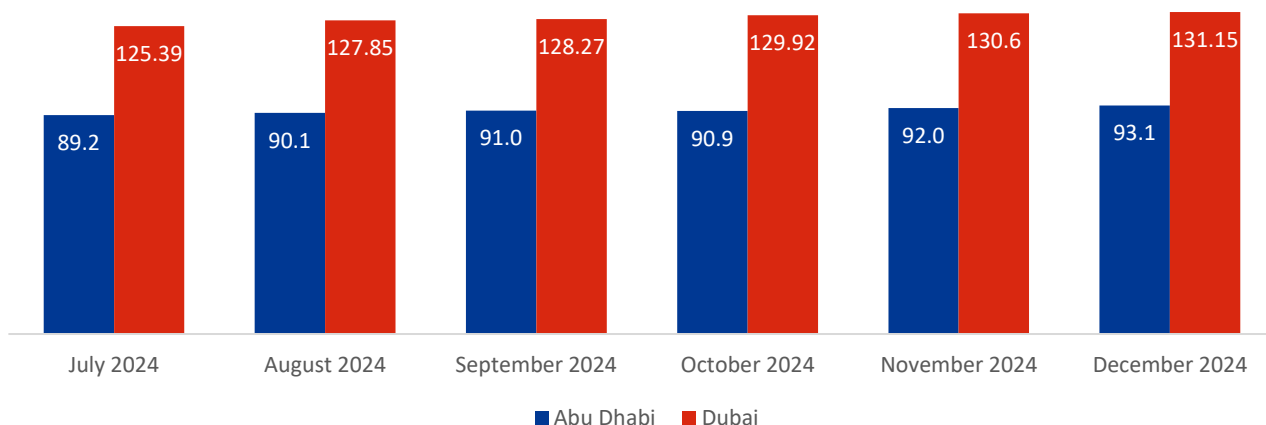
Real Estate Overview

Sales and Rent Price Indices for Residential Property

1. All Residential Market

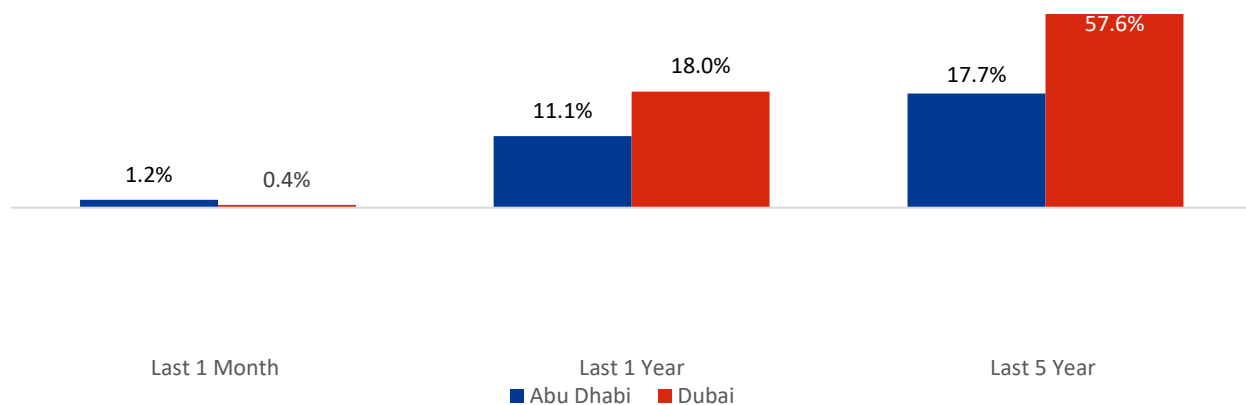
The Abu Dhabi Residential Property Sales Price Index rose from 92.0 in November 2024 to 93.1 in December 2024, while prices rose 11.1% YOY in December 2024. Furthermore, the Dubai Residential Property Sales Price grew from 130.6 in November 2024 to 131.15 in December 2024, while prices rose strongly 18.0% YOY during December 2024.

Residential Market Sales Price Index (2014, Jan=100)



Source: Reidin

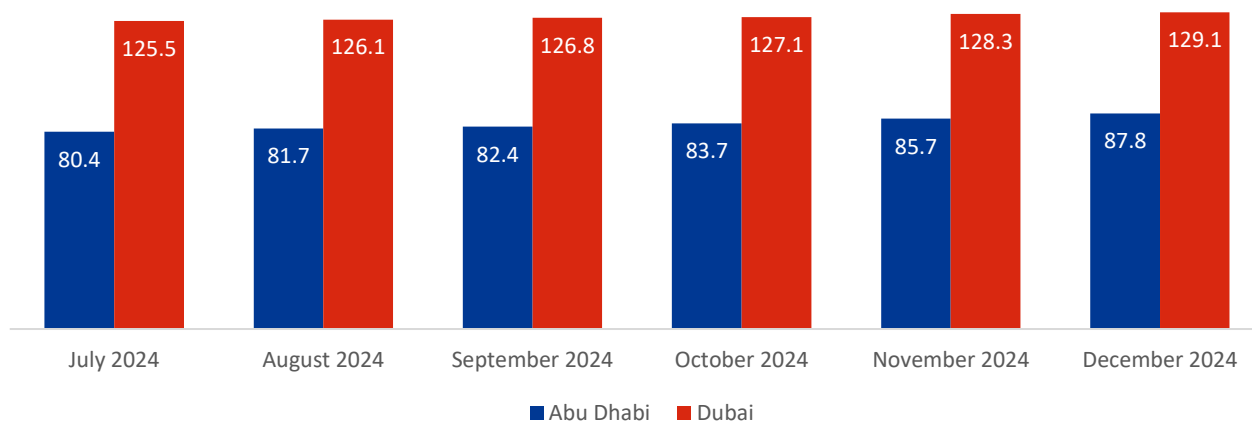
Residential Market Sales Price Changes (%)



Source: Reidin

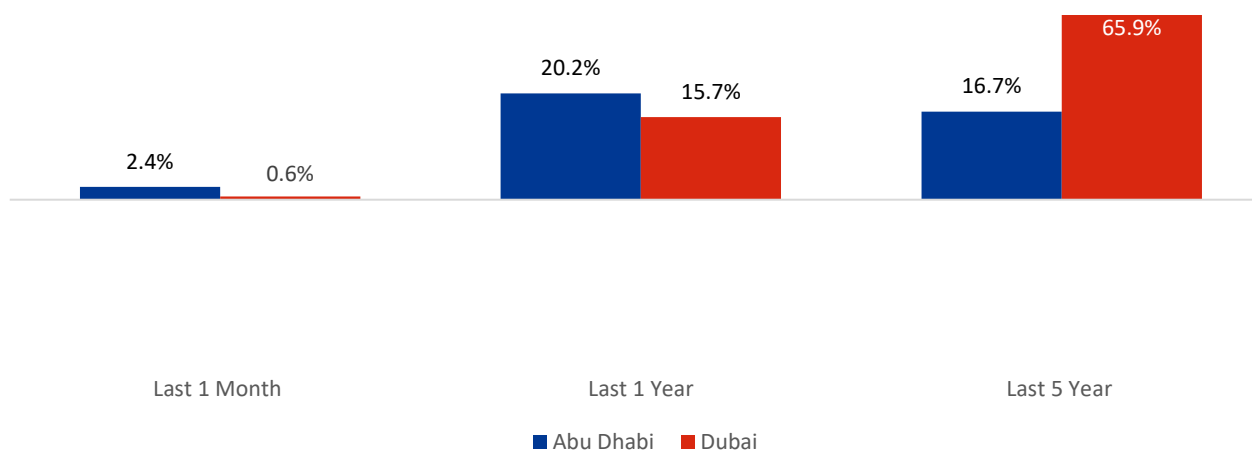
Both Abu Dhabi and Dubai experienced growth in rental rates on a YOY and MOM basis. The Abu Dhabi Residential Property Rent Price Index grew 2.4% MOM to 87.8 in December 2024, while prices rose 20.2% YOY during the same period. Likewise, the Dubai Residential Property Rent Price Index grew marginally 0.6% MOM to 129.1, along with a strong price growth of 15.7% YOY during Decembers 2024.

Residential Market Rent Price Index (2014, Jan=100)



Source: Reidin

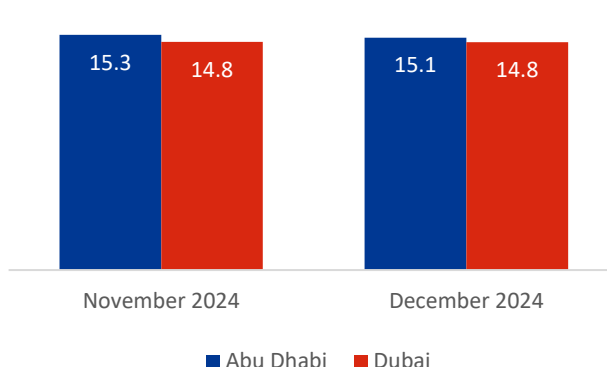
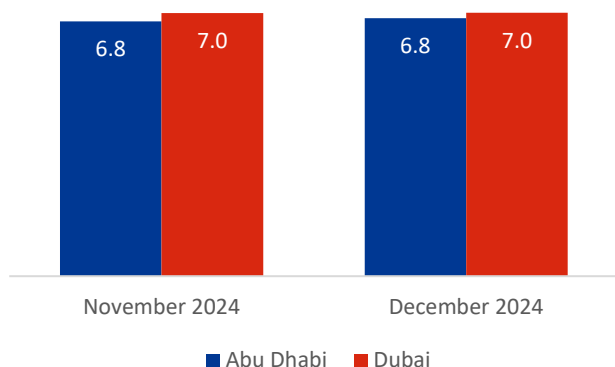
Residential Market Rent Price Changes (%)



Source: Reidin

Residential Gross Rental Yield (%)

Residential Price to Rent Ratio (Years)

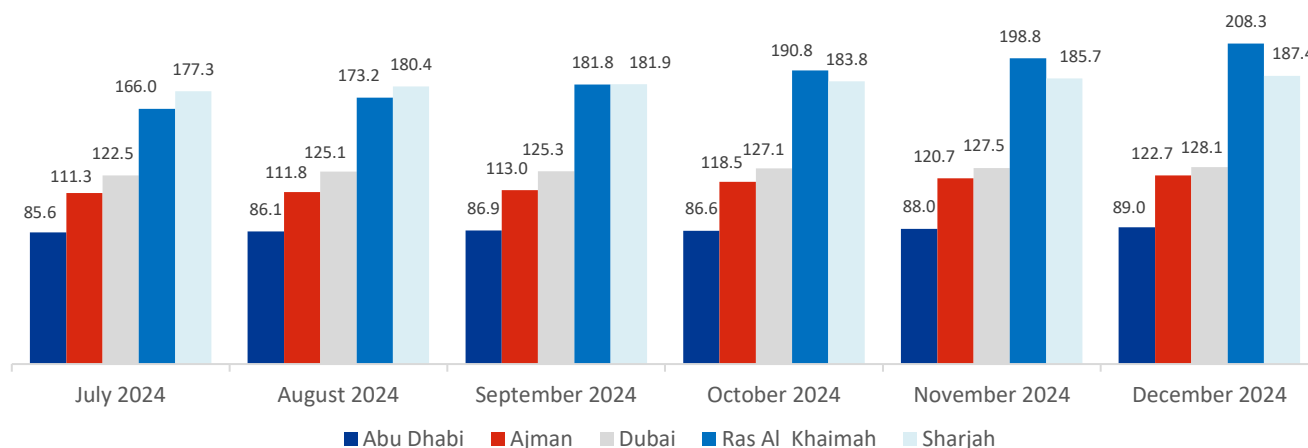


Source: Reidin

2. Apartments

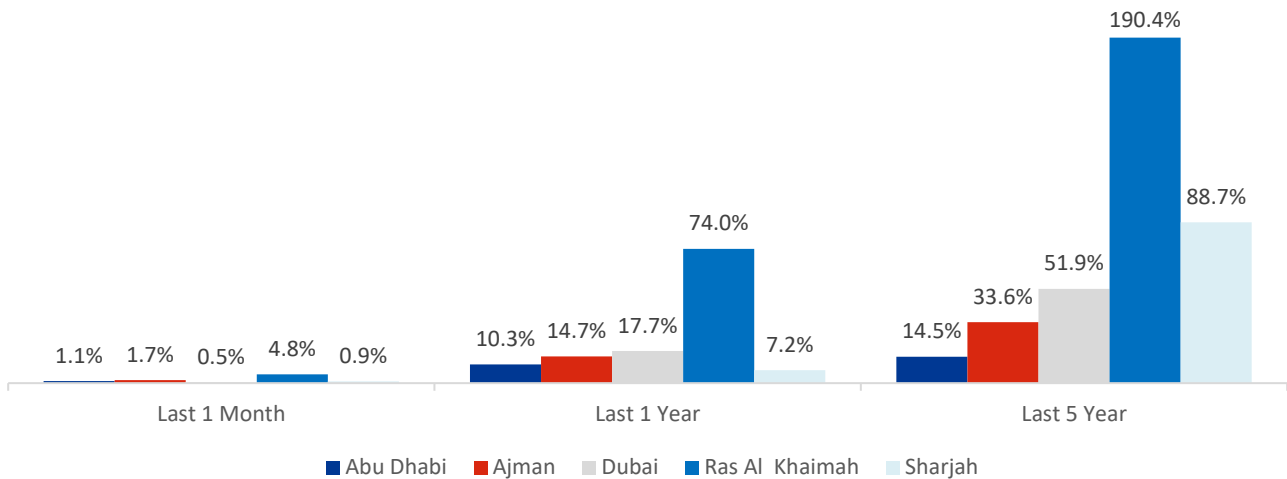
The Apartment sales price index in the UAE grew in all the regions on a MOM and YOY basis in December 2024. Sharjah's Sales Price Index for apartments grew 0.9% MOM to 187.4 in December 2024. Abu Dhabi Sales Price Index for apartments rose 1.1% MOM to 89.0 in September 2024. In Ajman, the index grew 1.7% MOM, reaching 122.7 in December 2024. Dubai's Apartments Sales Price Index rose 0.5% MOM, reaching 128.1 in December 2024. In Ras Al Khaimah, the Sales Price Index climbed 4.8% MOM to 208.3 in December 2024. Moreover, Apartment sales prices grew on a YOY basis in all the regions in the UAE. Ras Al Khaimah had the most significant growth in price of 74.0% YOY, followed by Dubai of 17.7% YOY, and Ajman at 14.7% YOY in December 2024. Abu Dhabi and Sharjah also recorded a growth in prices of 10.3% YOY and 7.2% YOY, respectively, in December 2024.

Apartment Sales Price Index (2014, Jan=100)



Source: Reidin

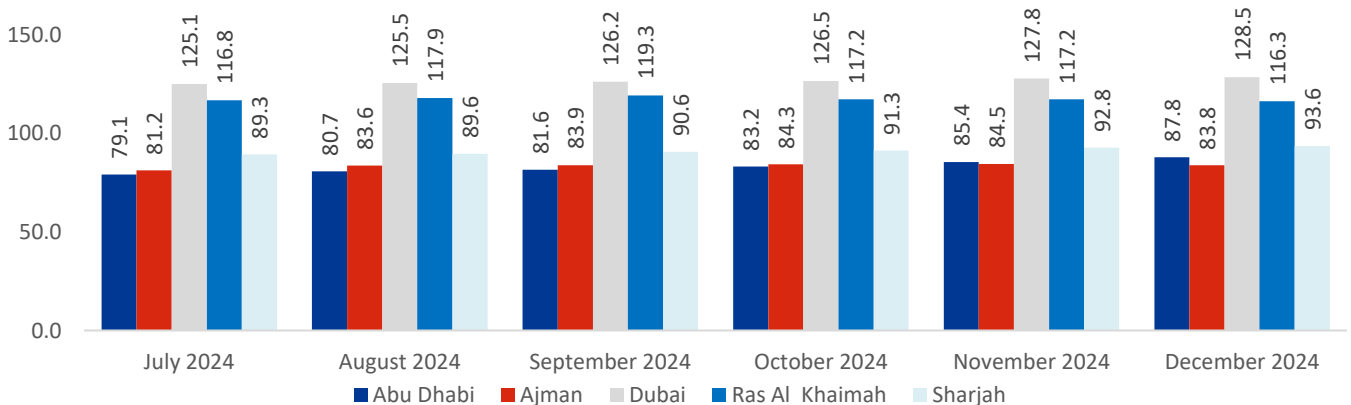
Apartment Sales Price Changes



Source:Reidin

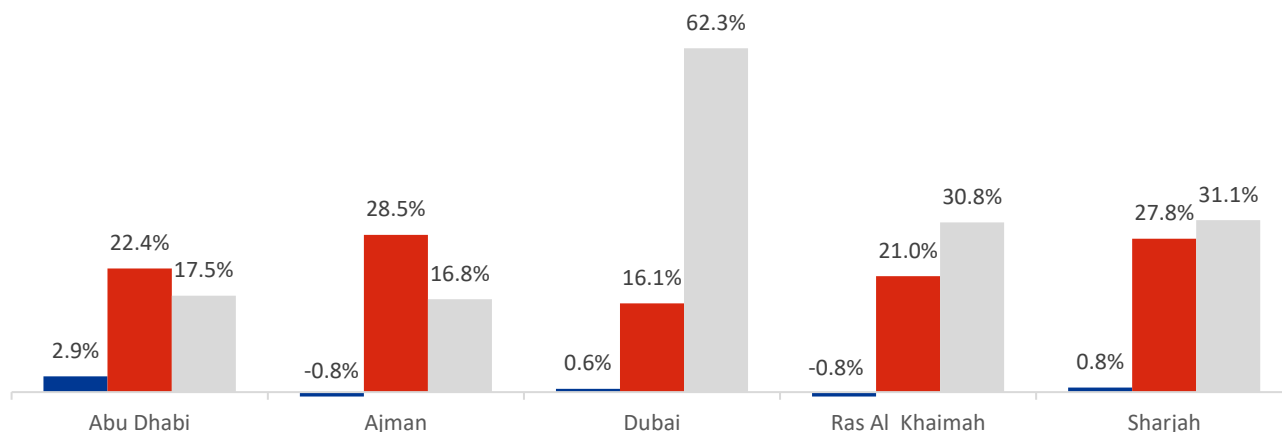
The apartment rent price index grew in all the regions in UAE on a MOM and YOY basis in December 2024. Abu Dhabi recorded the highest MOM growth in the apartment rental price index rising 2.9% MOM to 87.8 in December 2024, prices also recorded a growth of 22.4% YOY during December 2024. The Ras Al Khaimah Residential Property Rent Price Index for Apartments declined 0.8% MOM to 116.3 in December 2024 and rents also grew 21.0% on a YOY basis in December 2024. Sharjah Residential Property Rent Price Index for apartments grew 0.8% MOM to 93.6 in December 2024, while prices recorded a significant growth of 27.8% on YOY basis. The Dubai Residential Property Rent Price Index for apartments grew 0.6% MOM to 128.5, prices also rose strongly 16.1% YOY in December 2024. Ajman Residential Property Rent Price Index for apartments also declined 0.8% MOM to 83.8 in December 2024, while prices rose 28.5% on YOY basis.

Apartment Rent Price Index (2014, Jan=100)



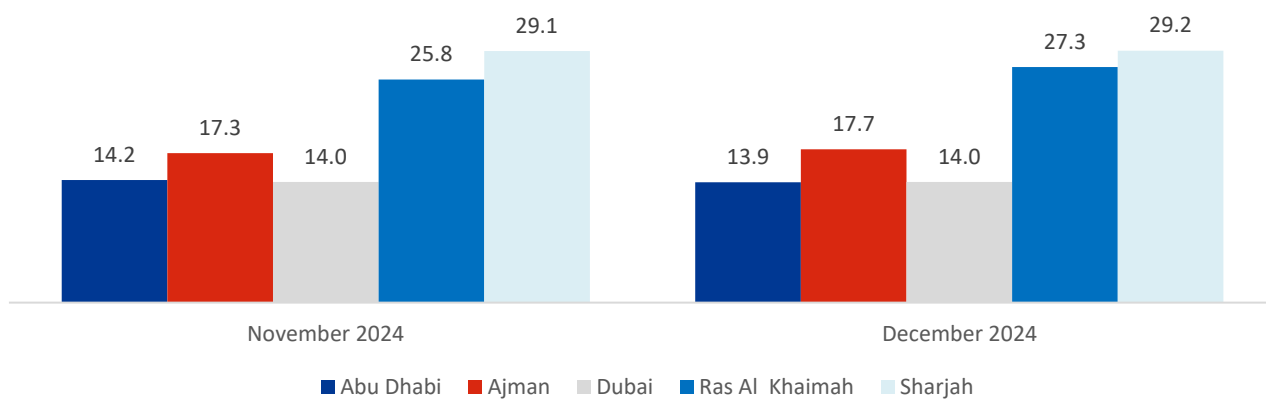
Source:Reidin

Apartment Rent Price Changes (%)



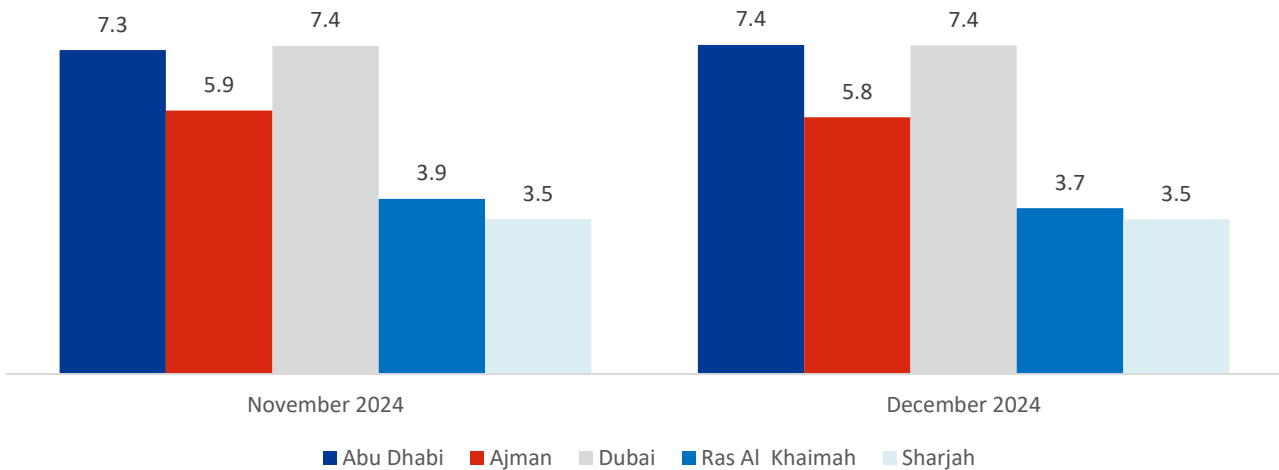
Source: Reidin

Apartment Price to Rent Ratios (Year)



Source: Reidin

Apartment Gross Yield Rates (%)

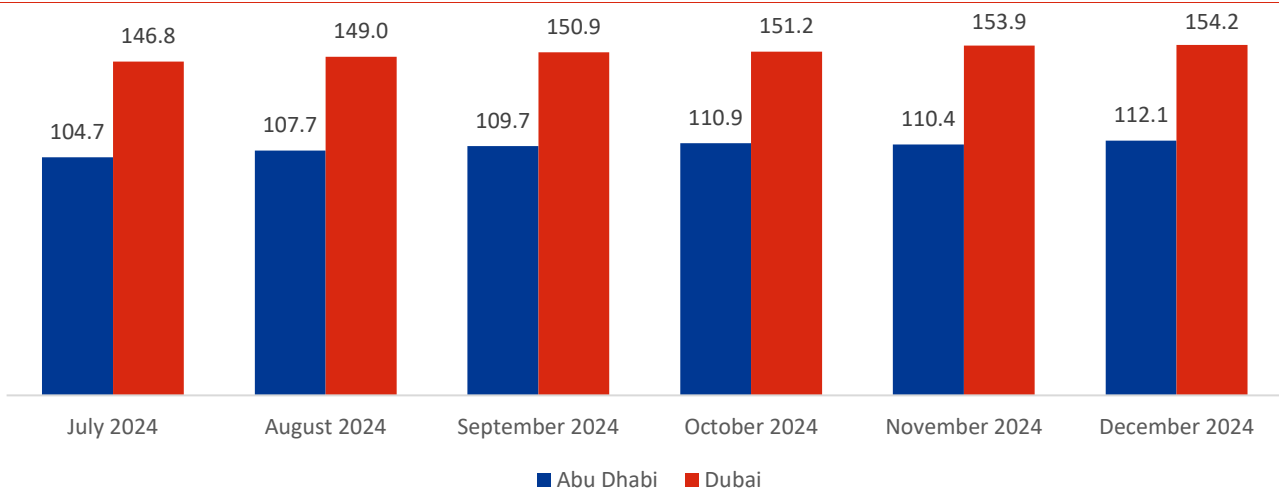


Source: Reidin

3. Villas

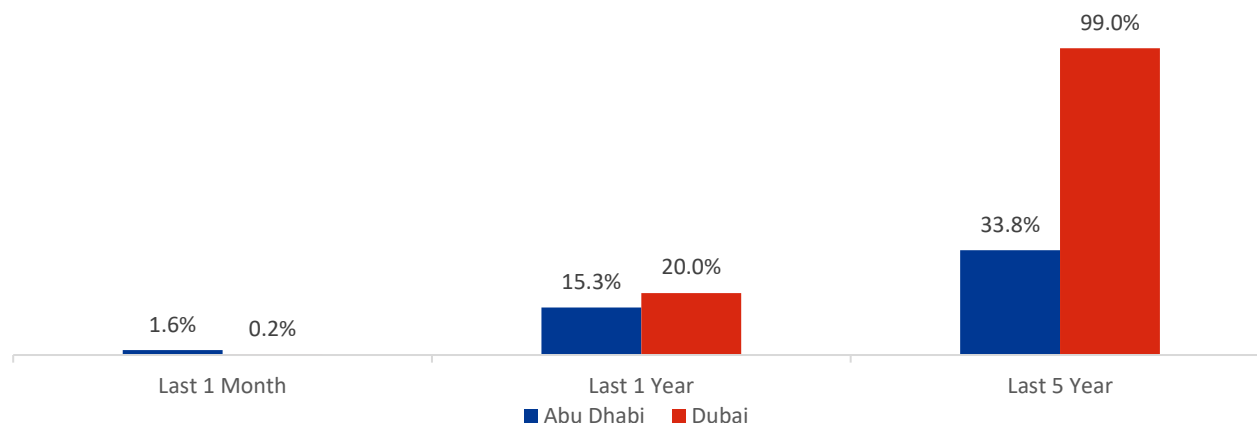
The Villa Sales price index grew in both Dubai and Abu Dhabi on a MOM and YOY basis in September 2024. The Abu Dhabi Sales Price Index for Villa rose 1.6% MOM to 112.1 in December 2024, moreover the prices grew 15.3% YOY during the same period. Whereas, Dubai Sales Price Index for Villa grew marginally 0.2% MOM to 154.2 in December 2024. Prices also rose strongly 20.0% on YOY basis.

Villa Sales Price Index (2014, Jan=100)



Source: Reidin

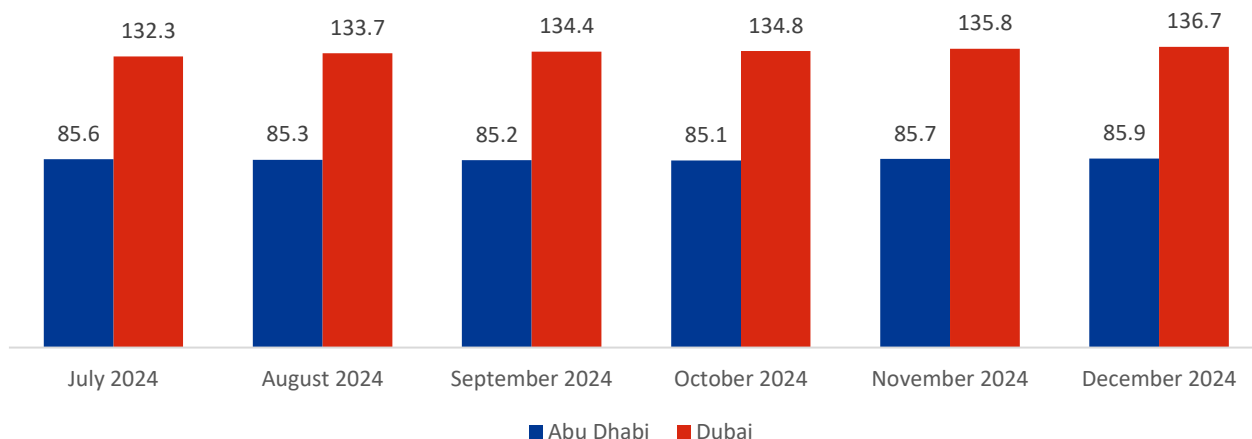
Villa Sales Price Changes



Source: Reidin

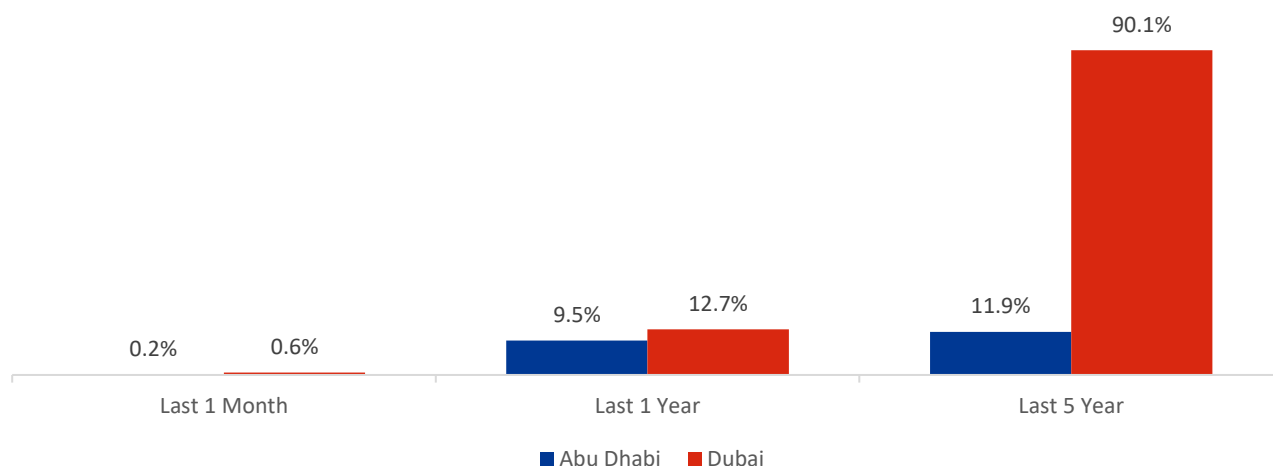
Dubai and Abu Dhabi witnessed growth rate in Villa rents on a MOM basis and YOY basis. The Abu Dhabi Rent Price Index for Villa grew marginally 0.2% MOM to 85.9 in December 2024. The prices also rose 9.5% on a YOY basis in December 2024. Moreover, the Dubai Residential Property Rent Price Index for Villa increased marginally 0.6% MOM to 136.7 in December 2024. The Prices also rose strongly 12.7% on a YOY basis during the same period.

Villa Rent Price Index (2014, Jan=100)



Source: Reidin

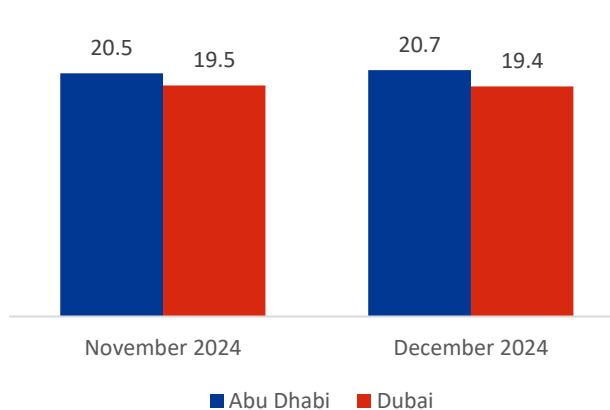
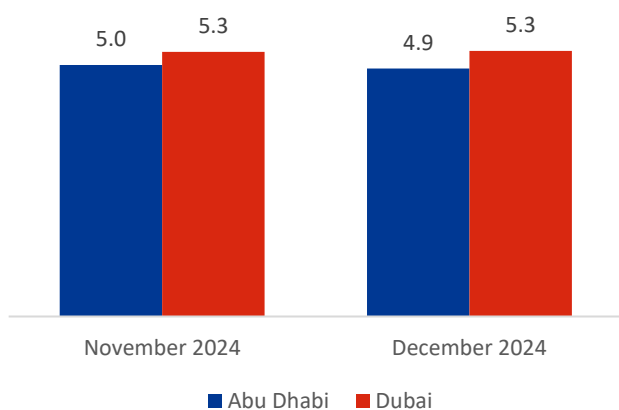
Villa Rent Price Changes



Source: Reidin

Villa Gross Rental Yield (%)

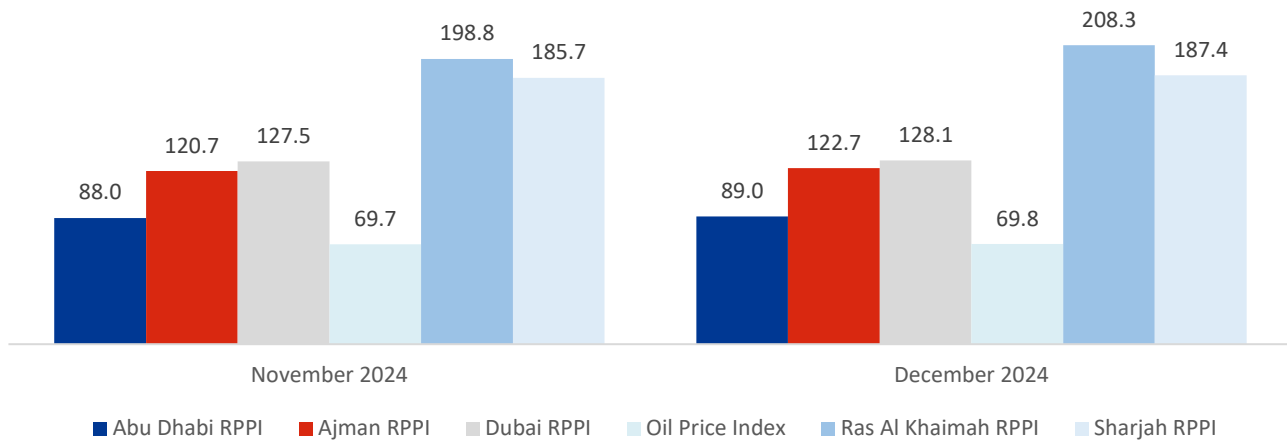
Villa Price to Rent Ratio (Year)



Source: Reidin

Different Asset Classes' Return on Investment

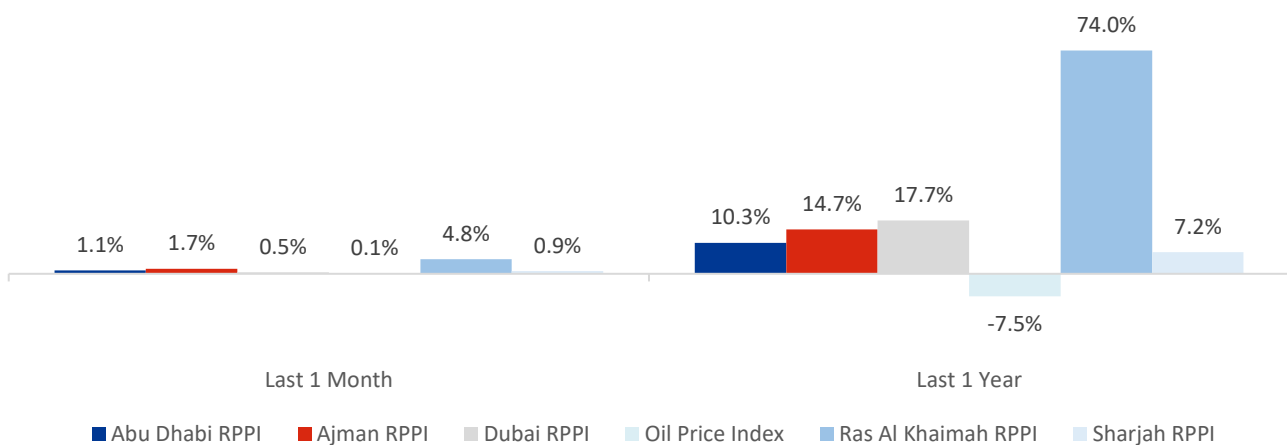
Residential Property Price Indices (RPPI) and Financial Indicators



Source: Reidin

Note: Oil price index based on OPEC basket price and Gold price index based on gold price dollar per ounce

Residential Property Price Indices (RPPI) and Financial Indicators Changes (%)



Source: Reidin

Note: Oil price index based on OPEC basket price and Gold price index based on gold price dollar per ounce.

Macro Backdrop in the UAE

Real Estate and UAE Macroeconomic Outlook

RAK Properties unveils final phase of 'Quattro Del Mar

RAK Properties has reported the final phase of Quattro Del Mar, a waterfront development in Mina Al Arab, following its 2024 launch and the quick sale of earlier units. The development includes a range of residences, such as studios, one-bedroom apartments, Sky Duplexes, and Garden Townhouses.

Saadiyat Island welcomes Aldar's Mamsha Gardens

Aldar has launched Mamsha Gardens near Mamsha Al Saadiyat and the Saadiyat Cultural District. The project includes seven residential buildings with 493 units and amenities like restaurants, shops, a community theatre, and dedicated underground retail parking.

Sharjah recorded the highest real estate transaction volume of USD 1.19 Bn in October

Sharjah real estate market achieved its highest monthly transaction volume of 4,883 transactions valued at AED 4.4 Bn spanning across 14 Mn square feet. Sales transactions accounted for 29% of total transaction while mortgages represented 9.1% while and other transactions stood at 61.9% of total transactions. Properties traded included residential, commercial, industrial, and agricultural lands across 126 areas in Sharjah. The highest single real estate deal occurred in "Al Mamzar," with a land transaction valued at AED 62 Mn, and the largest mortgage deal was AED 386 Mn for vacant land in the same area.

Aldar invested USD 626 Mn in Dubai DIFC Real Estate

Aldar Properties has acquired a commercial tower in Dubai's financial district from Dubai developer H&H Development for AED 2.3 Bn (USD 626 Mn). The project, consisting of 40 floors dedicated to commercial and retail space which is scheduled for completion in 2028.

Dubai property prices to increase 8% in 2025 due to short supply of homes

The Dubai property market is projected to see an 8% increase in house prices in 2025, mainly due to an ongoing supply shortage. House prices rose by 19.9% in 2024, with transaction volumes reaching record levels. Property listings fell 30% in 2024 compared to 2023, and luxury home sales tripled over the past 18 months. Nearly 1 in 5 homes sold in Dubai is priced over USD 1 Mn, up from just 6.3% in 2020. The rise in off-plan home costs is driven by limited availability in prime locations and increased demand for refurbished homes in the secondary market. While supply issues may continue to drive price increases, potential risks such as global economic slowdowns and competition from cities like Riyadh could impact the market's long-term trajectory.

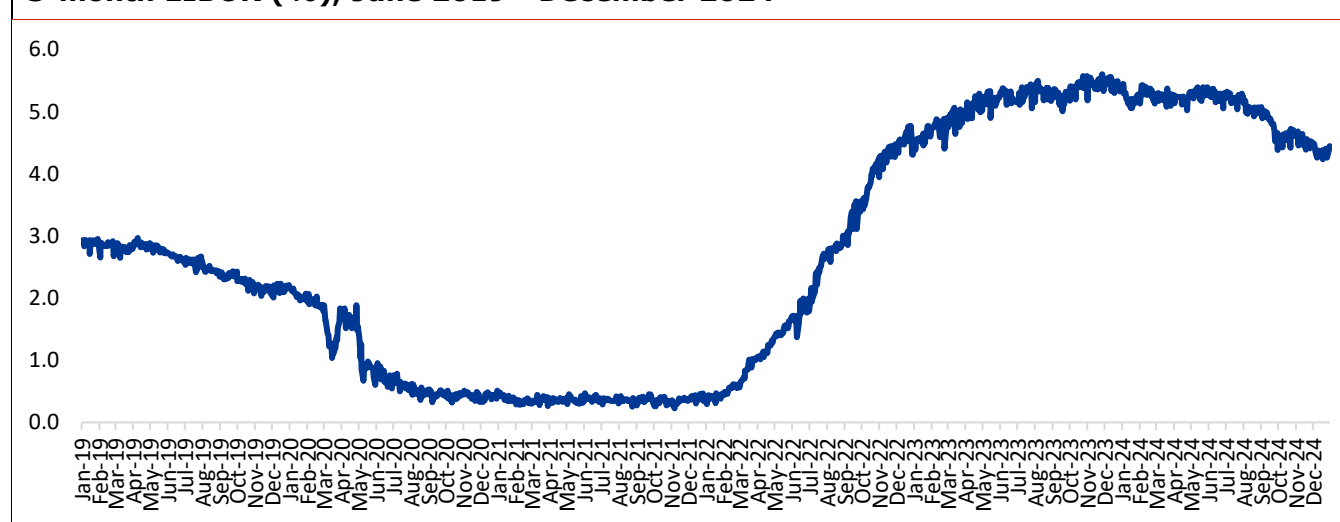
Sharjah real estate value soars to USD 1.08 Bn in November 2024

Sharjah's real estate market recorded 4,606 transactions spanning 20.4 Mn square feet with a value of AED 4 Bn. A total of 1,522 sale transactions were recorded making up 33% of the total transactions while 339 mortgage transactions valued at AED 668 Mn, and remaining transactions stood at 2,745. The Muwailih Commercial area recorded the highest land deal at AED 180 Mn and the largest mortgage transaction for built-in land at AED 51 Mn. It also had the most transactions, with 161 deals and a total trading value of AED 470.7 Mn. Khorfakkan and Kalba cities also saw increased transactions, with key deals in the Hay Al-Harai Industrial and Sur Kalba Commercial areas.

EIBOR

The US Federal Reserve cut policy rates by 50 bps in September 2024 for the first time in four years. After that, the Fed reduced benchmark interest rates by 25 bps in November 2024 and 25 bps in December 2024 to a range of 4.25% to 4.50%. Additionally, the Fed announced to make fewer rate cuts in 2025. Since the UAE's currency is pegged to the US dollar, the central bank of UAE closely follows the Fed. The CBUAE also reduced its benchmark rates by 100 bps to 4.40% in 2024, which aligns with the US Federal Reserve's move. The 3-month EIBOR rates declined 8 bps MOM and 21 bps QOQ to 4.44% on 31 December 2024. The decline in rates will lead to a rise in demand for the real estate sector due to cheaper borrowings.

3-month EIBOR (%), June 2019 - December 2024

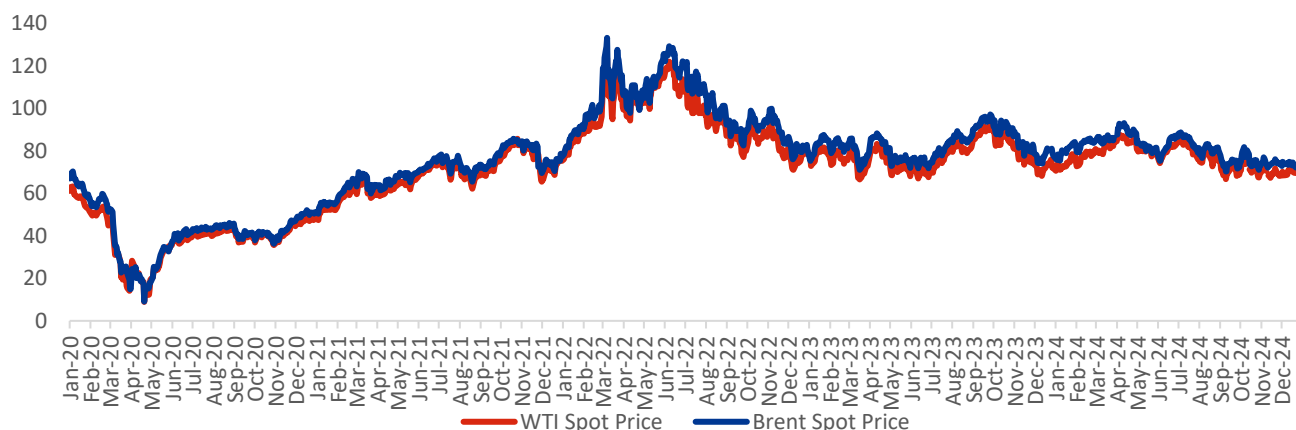


Source: CBUAE

Rise in oil prices to dent margins in the transportation sector

Brent crude oil prices displayed notable fluctuations in 4Q24, ultimately closing at USD 74.64 per barrel on December 31, reflecting a 4.0% QOQ increase. The quarter began with the Brent Crude oil prices increasing 1.9% MOM in October 2024 on the back of fears of supply disruption owing to the escalation of war in the Middle East and solid US economic data partially offset by Israel's retaliation to Iran's strike bypassed Tehran's oil and nuclear facilities and relieved geopolitical tension in the Middle East. However, oil prices declined 1.8% MOM in the following month primarily driven by anticipation of an increase in global production, weaker demand, and a strong US dollar coupled with the ceasefire agreement between Israel and Hezbollah which resulted in a sell-off and an increase in the US gasoline stocks. The increase in oil prices was partially offset by OPEC+'s decision to delay an output increase and extend production cuts due to weak Chinese demand and rising non-OPEC supply. Entering December, oil prices initially declined due to extension of output cuts by OPEC. Nevertheless, oil prices rebounded due to geopolitical tensions in Syria and optimism surrounding fiscal stimulus measures in China. Furthermore, increasing oil demand in India, expectations of falling U.S. crude inventories, and positive developments in China's manufacturing sector supported the oil prices. The transportation sector can anticipate a dynamic fuel pricing environment influenced by geopolitical developments, economic stimulants, and global supply-demand balances as we move into 2025.

Brent & WTI (USD/bbl), June 2020 – December 2024



Source: IEA

Relative valuation and rating

We maintain MARKET WEIGHT on the real-estate companies under our coverage with 2x BUY, 1x ACCUMULATE, and 2x HOLD rating. The 2024F P/B multiples for the below stocks range between RAK Properties (0.4x) and Emaar Development (2.1x). Emaar Properties 2024F dividend yield is the highest at 7.7%, followed by Tecom Group at 5.1%, Emaar Development at 3.7%, and both Aldar Properties and Emaar Properties at 2.6%

Stock	TP	CMP	Gain	Rating	P/B (2024F)	Div. Yld (%) 2024F
Emaar Properties (AED)	15.00	13.00	15.4%	BUY	1.5	7.7%
Emaar Development (AED)	15.00	14.25	9.1%	HOLD	2.1	3.7%
Aldar Properties (AED)	8.70	7.78	11.8%	ACCUMULATE	1.7	2.6%
TECOM GROUP (AED)	3.45	3.15	9.5%	HOLD	1.0	5.1%
RAK PROPERTIES (AED)	1.45	1.17	23.9%	BUY	0.4	2.6%

Source: FABS Estimate

4Q24 preview: Emaar properties

Higher cost of revenue to impact profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 13.00	AED 15.00	+15.4%	BUY

4Q24 estimate

Emaar Properties (EMAAR/the company) net profit is expected to decline 6.0% YOY to AED 3,189 Mn in 4Q24, mainly due to a significant increase expected in the cost of revenue, other operating expenses, tax expense, coupled with lower higher impairments partially offset by increase in revenue, and expected decline in finance cost and NCI. EMAAR's revenue is projected to increase 15.9% YOY to AED 9,715 Mn in 4Q24 due to solid projected growth in 4Q24. Revenue from sale of residential units is expected to grow 28.1% YOY to AED 6,934 Mn while Revenue from Sale of commercial units, plots of land and others is anticipated to decline 37.4% YOY to AED 354 Mn in 4Q24. Revenue from hospitality is forecasted to witness a marginal growth of 3.2% YOY to AED 562 Mn in 4Q24. Revenue from leased properties, retail and related income inched up 0.5% YOY to AED 1,865 Mn in 4Q24. Cost of revenue is estimated to boost 46.0% YOY to AED 4,245 Mn in 4Q24. However, gross profit is expected to remain unchanged at 5,470 Mn in 4Q24 compared to 4Q23. The Company's other operating income is anticipated to surge 9.9% YOY to AED 171 Mn in 4Q24, whereas, other operating expenses is projected to boost 20.5% YOY to AED 109 Mn in 4Q24. Selling, G&A expenses are assumed to decline 1.4% YOY to AED 846 in 4Q24. Thus, EBITDA is expected to inch up by 0.1% YOY to AED 4,686 Mn in 4Q24. Additionally, EBITDA margin is assumed to decline from 55.8% in 4Q23 to 48.2% in 4Q24. The Company's operating profit is anticipated to decline 9.3% YOY to AED 3,775 Mn in 4Q24. Operating profit margin is expected to decrease 49.7% in 4Q23 to 38.9% in 4Q24. Emaar's depreciation on PPE is expected to rise 1.5% YOY to AED 168 Mn in 4Q24 and depreciation on IP is assumed to increase 1.3% YOY to AED 207 Mn in 4Q24. On the other hand, finance income is projected to boost 18.9% YOY to AED 632 Mn, whereas finance cost is anticipated to decline 33.8% YOY to AED 197 Mn in 4Q24. The Company's other income is projected to decrease from AED 535 Mn in 4Q23 to AED 159 Mn in 4Q24. The Company's share of associate is forecasted to decrease from AED 120 Mn in 4Q23 to AED 37 Mn in 4Q24. Additionally, provisions & impairment is assumed to grow significantly from AED 146 Mn in 4Q23 to AED 536 Mn in 4Q24. The Company's income tax expenses are estimated to surge from AED 71 Mn in 4Q23 to AED 437 Mn in 4Q24. NCI is projected to decline significantly from AED 1,588 Mn 4Q23 to AED 780 Mn in 4Q24.

2024 forecast

Emaar's net profit is expected to increase marginally by 0.7% YOY to AED 11,712 Mn in 2024, mainly due to a projected rise in revenue, other operating income, finance income, coupled with decrease in finance cost, partially offset by anticipated rise in cost of revenue, operating expenses coupled with lower other income, and substantial rise in income tax expenses. Revenue is projected to increase 25.3% YOY to AED 33,508 Mn in 2024, mainly due to increase in sale of residential units in 2024. Revenue from sale of residential units is expected to grow 41.0% YOY to AED 23,302 Mn in 2024. The Company's cost of revenue is estimated to surge significantly by 45.7% YOY to AED 14,406 in 2024. Thus, gross profit will likely to increase 13.3% YOY to AED 19,101 Mn in 2024. EMAAR's other operating income is assumed to surge 15.1% YOY to AED 637 Mn in 2024, whereas other operating expenses is anticipated to surge 24.9% YOY to AED 285 Mn in 2024. Selling, G&A expenses is expected to rise 11.3% YOY to AED 3,099 Mn in 2024. Thus, EBITDA is anticipated to increase 13.5% YOY to AED 16,354 Mn in 2024, whereas EBITDA margin will likely to decrease from 53.8% in 2023 to 48.8% in 2024. The Company's operating profit is projected to increase 27.2% YOY to AED 14,953 Mn in 2024 and operating profit margin is anticipated to increase 69 bps to 44.6% in 2024. Emaar's depreciation of PPE is projected to increase 2.2% YOY to AED 630 Mn and depreciation of IP is assumed to decline 1.2% YOY to AED 771 Mn in 2024. On the other hand, the Company's finance income is assumed to increase 37.9% YOY to AED 2,212 Mn in 4Q24. However, finance cost is anticipated to decline 16.5% YOY to AED 868 Mn in 2024. Other income is projected to fall 57.3% YOY to AED 1,072 Mn in 2024. Additionally, Provisions & impairment is forecasted to decline 57.3% YOY to AED 536 Mn in 2024. Furthermore, Income tax expenses is assumed to rise significantly from

AED 232 Mn in 2023 to AED 1,818 Mn in 2024. NCI is projected to grow 3.2% YOY to AED 3,303 Mn in 2024.

3Q24 outturn

Emaar Properties recorded a 53.8% YOY increase in revenue to AED 9,385 Mn in 3Q24 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 79.4% YOY to AED 6,928 Mn in 3Q24, supported by the launch of new projects and strong property sales of AED 50 Bn in 9M24, alongside a revenue backlog exceeding AED 100 Bn. Revenue from the Sale of Commercial units rose 11.5% YOY to AED 363 Mn in 3Q24. Additionally, revenue from leasing, retail, and related activities under the Emaar Malls segment grew 8.2% YOY to AED 1,637 Mn in 3Q24. The occupancy across Emaar malls stood robust at 98% as of 9M24. The hospitality segment reported a 13.4% YOY growth in revenue to AED 458 Mn in 3Q24, driven by strong domestic spending and rising tourism activity. The hospitality revenue composition included 40% from room revenue, 26% from F&B, and 34% from other sources in 9M24. Occupancy across Emaar's UAE hotels stood strong at 77% in 9M24. The cost of revenue more than doubled from AED 1,477 Mn in 3Q23 to AED 4,133 Mn in 3Q24 due to higher costs associated with residential units and retail-related activities. As a result, gross profit rose 13.6% YOY to AED 5,253 Mn in 3Q24. Other operating income increased 21.9% YOY to AED 185 Mn in 3Q24, while operating expenses grew 56.5% YOY to AED 95 Mn. SG&A expenses rose 38.3% YOY to AED 799 Mn in 3Q24, reflecting the Company's initiatives to enhance operational efficiencies. Emaar's total EBITDA grew 9.8% YOY to AED 4,544 Mn in 3Q24, with EBITDA margins contracting by 1,940 bps YOY to 48.4%. Depreciation on PPE decreased 7.1% YOY to AED 149 Mn in 3Q24 while depreciation on investment properties fell 3.9% YOY to AED 194 Mn. The total operating profit increased 11.3% YOY to AED 4,201 Mn in 3Q24, though the operating profit margin declined from 61.9% in 3Q23 to 44.8% in 3Q24. Moreover, finance income grew 30.3% YOY to AED 553 Mn in 3Q24 due to higher returns from bank deposits and securities, whereas finance costs decreased 31.5% YOY to AED 179 Mn due to lower other finance costs. Furthermore, the Company reported a loss from associates of AED 13 Mn in 3Q24 compared to a profit of AED 113 Mn in 3Q23. Other income slightly declined 3.3% YOY to AED 111 Mn in 3Q24. Income tax expenses substantially rose from AED 65 Mn in 3Q23 to AED 461 Mn in 3Q24 due to the introduction of corporate tax in the UAE and increased profitability. Additionally, the share of profit attributable to non-controlling interest holders increased from 27.0% YOY to AED 1,029 Mn in 3Q24.

Target price and recommendation

We maintain our Buy rating on Emaar Properties with a revised target price of AED 15.00. The Company 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. The Company's property sales surged from AED 11.0 Bn in 3Q23 to AED 18.5 Bn in 3Q24 owing to the launch of 50 projects across various masterclasses. Additionally, the property sales backlog increased to more than AED 100.0 Bn in 3Q24, providing strong revenue visibility that is expected to be recognized over the next 4-5 years. Emaar's diverse recurring revenue portfolio, which includes malls, hospitality, leisure, entertainment, and commercial leasing, reached AED 6.8 Bn in 9M24, accounting for approximately 29% of the group's total revenue in 9M24. The average occupancy rate in Emaar's UAE hotels stood strong at 77% in 9M24. Additionally, Emaar's international operations, particularly in Egypt and India, saw strong profitability growth, with international property sales reaching AED 1.9 Bn in 9M24. The Company's subsidiary, Emaar Developments, recorded property sales of AED 48.0 Bn in 9M24, with a revenue backlog of AED 93.8 Bn and a very low customer default rate c. 0.5% of sales value. Furthermore, Emaar Malls 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. Emaar is poised to benefit from sustained demand in the UAE's real estate market, an influx of tourists, and improved occupancy rates. Emaar Properties declared its decision to distribute dividends equivalent to 100% of its share capital amounting to AED 8.8 Bn for 2024, marking a 100% increase from the AED 4.4 Bn paid in 2023. Based on our analysis, we assign a Buy rating on the stock.

Emaar Properties – RV

(at CMP)	2019	2020	2021	2022	2023	2024F
PE (X)	15.01	44.13	27.98	16.82	9.88	9.81
PB (X)	1.74	1.68	1.72	1.76	1.48	1.43
EV / EBITDA	13.76	37.00	15.62	13.97	8.44	7.48
Dividend yield (%)	NM	0.8%	1.2%	1.9%	3.8%	7.7%

FABS estimate & Co data

Emaar Properties - P&L

AED mn	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	8,380	9,385	9,715	15.9%	3.5%	26,750	33,508	25.3%
Cost of revenue	-2,908	-4,133	-4,245	46.0%	2.7%	-9,884	-14,406	45.7%
Gross profit	5,472	5,253	5,470	0.0%	4.1%	16,865	19,101	13.3%
Other operating income	155	185	171	9.9%	-7.7%	553	637	15.1%
Other operating expenses	-90	-95	-109	20.5%	15.1%	-228	-285	24.9%
SG&A expenses	-858	-799	-846	-1.4%	5.9%	-2,786	-3,099	11.3%
EBITDA	4,679	4,544	4,686	0.1%	3.1%	14,405	16,354	13.5%
EBIT	4,163	4,201	3,775	-9.3%	-10.1%	11,752	14,953	27.2%
Depreciation of PPE	-166	-149	-168	1.5%	12.7%	-616	-630	2.2%
Depreciation of IP	-204	-194	-207	1.3%	6.5%	-780	-771	-1.2%
Finance income	532	553	632	18.9%	14.3%	1,604	2,212	37.9%
Finance cost	-298	-179	-197	-33.8%	10.3%	-1,039	-868	-16.5%
Other income	535	111	159	-70.3%	43.5%	2,508	1,072	-57.3%
Share of assoc. profits/(-loss)	120	-13	37	-68.7%	NM	237	0	NM
Profit before tax	5,051	4,673	4,406	-12.8%	-5.7%	15,062	16,833	11.8%
Income tax	-71	-461	-437	NM	-5.2%	-232	-1,818	NM
Profit for the period	4,980	4,212	3,968	-20.3%	-5.8%	14,829	15,015	1.3%
Non-controlling interests	-1,588	-1,029	-780	-50.9%	-24.2%	-3,200	-3,303	3.2%
Profit to shareholders	3,392	3,183	3,189	-6.0%	0.2%	11,629	11,712	0.7%

FABS estimate & Co Data

Emaar Properties - Margins

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	65.3%	56.0%	56.3%	-900	34	63.0%	57.0%	-604
EBITDA	55.8%	48.4%	48.2%	-761	-19	53.8%	48.8%	-504
Operating Profit	49.7%	44.8%	38.9%	-1,083	-591	43.9%	44.6%	69
Net Profit	40.5%	33.9%	32.8%	-766	-109	43.5%	35.0%	-852

FABS estimate & Co Data

4Q24 preview: Emaar Development

Higher cost of revenue to impact profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 14.25	AED 15.00	+9.1%	HOLD

4Q24 Estimate

Emaar Development's (EMAARDEV/the Company) net profit is estimated to decline 18.7% YOY to AED 2,090 Mn in 4Q24. The decline in net profit is mainly attributable to substantial expected increase in the cost of revenue and tax expense coupled with decline in other income, partially offset by an estimated increase in revenue and decline in NCI. The Company's revenue is expected to grow 13.8% YOY to AED 5,180 Mn in 4Q24, mainly due to an expected growth in the sale of residential unit's segment. Revenue from sale of residential units is projected to grow 9.1% YOY to AED 4,814 Mn in 4Q24. The Company's Cost of revenue is anticipated to grow significantly from AED 826 Mn in 4Q23 YOY to AED 2,235 Mn in 4Q24. Thus, gross profit is forecasted to decline 20.9% YOY to AED 2,946 Mn in 4Q24. The Company's S&G expenses is forecasted to decline marginally by 1.1% YOY to AED 416 Mn in 4Q24. As a result, operating profit is expected to fall 23.5% YOY to AED 2,530 Mn 4Q24. The operating profit margin is anticipated to fall from 72.6% in 4Q23 to 48.8% in 4Q24. The company's EBITDA is forecasted to decline 24.8% YOY to AED 2,659 Mn in 4Q24. EBITDA margin is anticipated to decline from 77.6% in 4Q23 to 51.3% in 4Q24. EMAARDEV's finance income is anticipated to surge 36.7% YOY to AED 369 Mn in 4Q24. Additionally, finance cost is expected to increase 9.0% YOY to AED 78 Mn in 4Q24. The Company's other income is forecasted to decline significantly by 62.0% YOY to AED 69 Mn in 4Q24. Share of results of Joint Ventures is anticipated to increase 25.5% YOY to AED 57 Mn in 4Q24. The Company sees a tax expenses of AED 263 Mn in 4Q24, due to the introduction of corporate tax in 2024. EMAARDEV's NCI declined 48.8% YOY to AED 594 Mn in 4Q24.

2024 Forecast

Emaar Development's net profit is expected to rise marginally by 0.5% YOY to AED 6,660 Mn in 2024, mainly driven by an increase in revenue and finance income, partially offset by an estimated higher cost of revenue, S&G Expenses, and finance cost. The Company's revenue is forecasted to increase 48.1% YOY to AED 17,658 Mn in 2024, supported by anticipated increase in sale of residential units. Revenue from residential units is projected to increase 49.5% YOY to AED 16,241 Mn in 2024. On the other hand, cost of revenue is forecasted to grow from AED 3,513 Mn in 2023 to AED 7,867 Mn in 2024. Thus, Gross profit is anticipated to increase 16.5% YOY to AED 9,792 Mn in 2024. The Company's S&G expenses is assumed to rise 26.8% YOY to AED 1,501 Mn in 2024. Thus, operating profit is expected to surge 14.8% YOY to AED 8,291 Mn in 2024. The operating profit margin is anticipated to decline from 60.6% in 2023 to 47.0% in 2024. EMAARDEV's EBITDA is projected to grow 8.4% YOY to AED 8,661 Mn in 2024. EBITDA margin is assumed to fall from 67.0% in 2023 to 49.0% in 2024. The Company's finance income is anticipated to boost 48.7% YOY to AED 1,253 Mn in 2024, whereas finance cost is projected to grow 21.5% YOY to AED 405 Mn in 2024. EMAARDEV's other income is expected to decline 64.7% YOY to AED 221 Mn in 2024. Share of results of joint ventures is anticipated to surge 14.0% YOY to AED 141 Mn in 2024. The Company exhibited corporate tax amounting to AED 846 Mn in 2024. NCI is expected to increase 7.6% YOY to AED 1,995 Mn in 2024.

3Q24 Outturn

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.

Target price and rating

We maintain our HOLD rating on Emaar Development with a revised target price of AED 15.00. 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 HOLD rating on the stock.

Emaar Development - RV

(at CMP)	2019	2020	2021	2022	2023	2024F
PE (X)	21.04	34.27	17.51	14.91	8.57	8.53
PB (X)	5.9	5.0	3.9	3.3	2.5	2.07
EV / EBITDA	15.99	25.63	12.83	11.39	5.26	6.56
Dividend Yield (%)	NM	NM	NM	3.7%	3.7%	3.7%

FABS estimate

Emaar Development - P&L

AED mn	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	4,552	5,140	5,180	13.8%	0.8%	11,921	17,658	48.1%
Cost of Revenue	-826	-2,202	-2,235	NM	1.5%	-3,513	-7,867	NM
Gross Profit	3,726	2,938	2,946	-20.9%	0.2%	8,408	9,792	16.5%
S&G Expenses	-420	-403	-416	-1.1%	3.1%	-1,183	-1,501	26.8%
Operating Profit	3,306	2,535	2,530	-23.5%	-0.2%	7,225	8,291	14.8%
EBITDA	3,533	2,618	2,659	-24.8%	1.6%	7,987	8,661	8.4%
Finance Income	270	355	369	36.7%	3.7%	843	1,253	48.7%
Finance Cost	-71	-86	-78	9.0%	-9.2%	-333	-405	21.5%
Other Income	180	38	69	-62.0%	81.6%	626	221	-64.7%
Share of results of Joint Ventures	46	43	57	25.5%	34.5%	124	141	14.0%
Profit before tax	3,730	2,885	2,947	-21.0%	2.1%	8,484	9,501	12.0%
Tax	0	-255	-263	NM	3.2%	0	-846	NM
NCI	1,160	561	594	-48.8%	5.8%	1,855	1,995	7.6%
Net profit to equity holders	2,570	2,069	2,090	-18.7%	1.0%	6,629	6,660	0.5%

FABS estimate& Co Data

Emaar Development-Margins

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	81.9%	57.2%	56.9%	-2,499	-30	70.5%	55.5%	-1,508
EBITDA	77.6%	50.9%	51.3%	-2,630	40	67.0%	49.0%	-1,795
Operating Profit	72.6%	49.3%	48.8%	-2,377	-48	60.6%	47.0%	-1,365
Net Profit	56.4%	40.3%	40.3%	-1,611	8	55.6%	37.7%	-1,789

FABS estimate& Co Data

4Q24 preview: Aldar Properties

New property launches to boost top-line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 7.78	AED 8.70	+11.8%	ACCUMULATE

4Q24 Estimate

Aldar Properties (Aldar/the Company) is expected to report a 19.5% YOY growth in net profit to AED 1,437 Mn in 4Q24. The increase in net profit is mainly attributable to an expected rise in revenue and finance income partially offset by an estimated increase in direct costs and selling & marketing expenses coupled with an increase in tax expenses and NCI. Aldar's revenue is forecasted to increase 34.1% YOY to AED 5,895 Mn in 4Q24 mainly driven by strong revenue growth expected across the the development business segment. The Company's direct cost is estimated to increase 41.2% YOY to AED 3,978 Mn in 4Q24. Thus, gross profit will likely rise 21.4% YOY to AED 1,917 Mn in 4Q24. General expenses are anticipated to increase marginally 0.5% YOY to AED 441 Mn in 4Q24, whereas selling and marketing expenses are estimated to grow significantly from AED 33 Mn in 4Q23 to AED 50 Mn in 4Q24. Hence, the Company's EBITDA will likely to increase 0.7% YOY to AED 1,631 Mn in 4Q24. As a result, operating income is likely to grow 28.8% YOY to AED 1,426 Mn in 4Q24. The Company's provisions are expected to decline 68.1% YOY to AED 18 Mn in 4Q24. Meanwhile, Aldar's finance income is forecasted to increase 40.4% YOY to AED 214 Mn in 4Q24. Finance cost is estimated to grow 47.6% YOY to AED 279 Mn in 4Q24. Moreover, total other income is anticipated to increase marginally 0.3% YOY to AED 437 Mn in 4Q24. The Company's tax expense is expected to increase significantly, from AED 37 Mn in 4Q23 to AED 83 Mn in 4Q24 due to the introduction of corporate tax in the UAE. Furthermore, non-controlling interest is projected to boost 24.9% YOY to AED 259 Mn in 4Q24.

2024 Forecast

Aldar Properties' net profit is expected to rise 37.5% YOY to AED 5,393 Mn in 2024 owing to an expected increase in revenue, finance income, other income, and a decline in provisions partially offset by an expected rise in direct cost, general expenses, selling & marketing expenses and finance cost coupled with higher taxes and NCI. Aldar's revenue is expected to grow 58.1% YOY to AED 22,395 Mn in 2024 due solid demand across the real estate sector and new product launches. The company's direct cost is estimated to grow from AED 8,588 Mn in 2023 to AED 14,802 Mn in 2024. Thus, gross profit will likely to increase 36.2% YOY to AED 7,593 Mn in 2024. The Company's general expenses are projected to increase 14.1% YOY to AED 1,691 in 2024, whereas selling & marketing expenses are estimated to surge 17.0% YOY to AED 134 Mn in 2024. Thus, EBITDA is forecasted to grow 25.0% to AED 6,391 Mn in 2024. Moreover, operating profit is expected to grow 45.0% YOY to AED 5,768 Mn in 2024. The Company's share of associate is forecasted to decline from AED 7 Mn in 2023 to 1 Mn in 2024. Provisions are projected to decline substantially from AED 226 Mn in 2023 to AED 45 Mn in 2024. Aldar's finance income is anticipated to increase from AED 499 Mn in 2023 to AED 739 Mn in 2024, coupled with an expected increase in finance costs from AED 621 Mn in 2023 to AED 976 Mn in 2024. The Company's other income is estimated to rise 18.5% YOY to AED 1,075 Mn in 2024. Aldar's tax expenses are projected to grow significantly from AED 112 Mn in 2023 to AED 289 Mn in 2024. Similarly, NCI is estimated to increase 77.7% YOY to AED 878 Mn in 2024.

3Q24 Outturn

Aldar's revenue increased significantly by 61.4% YOY to AED 5,582 Mn in 3Q24, driven by significant growth in both development and investment business. Aldar's development revenue almost doubled from AED 1,935 Mn in 3Q23 to AED 3,853 Mn in 3Q24, supported by the growth in group sales and healthy contributions from the acquisitions. In addition, the growth is primarily driven by executing the revenue backlog from new and existing projects. Development sales grew 27.1% YOY to AED 9,938 Mn in 3Q24, of which AED 7,285 Mn sales came from UAE and the remaining from Egypt and the UK. UAE sales growth is mainly driven by the strong demand for new and existing development across Abu Dhabi, Dubai, and Ras Al Khaimah. The Company's total revenue backlog reached AED 48.6 Bn in 3Q24, with AED 40.5 Bn attributed to the UAE market and the remaining AED 8.1 Bn

linked to the international business. Additionally, revenue from project management services surged 109.3% YOY, amounting to AED 719 Mn in 3Q24, supported by a robust revenue backlog of AED 76 Bn, of which AED 54 Bn is currently under construction. The international segment saw a notable increase in revenue, rising to AED 348 Mn in 3Q24 from AED 230 Mn in 3Q23. Furthermore, Aldar Investments demonstrated strong performance, posting a 28.7% YOY revenue growth to AED 1.7 Bn in 3Q24, driven by solid operational results, the expansion of Aldar Estates, Education business and significant contributions from recent acquisitions. Occupancy level in the investment properties segment stood strong at 95%. Aldar Development's EBITDA increased substantially from AED 593 Mn in 3Q23 to AED 948 Mn in 3Q24 predominately driven by the successful execution of the revenue backlog from new and existing projects. In addition, Property Development and Sales EBITDA increased significantly from AED 466 Mn in 3Q23 to AED 764 Mn in 3Q24. The Project Management Services EBITDA grew 43.9% YOY to AED 177 Mn in 3Q24, whereas the international segment EBITDA inclined 75.0% YOY to AED 7 Mn. Aldar Investments EBITDA grew 16.2% YOY to AED 674 Mn in 3Q24, driven by robust organic operational performance supported by strategic acquisitions in 2022 & 2023. Investment Properties EBITDA decreased by 9.6% YOY to AED 405 Mn in 3Q24, primarily due to a one-off gain from the termination of a bulk lease in the residential portfolio in the prior year. Aldar Hospitality and leisure business segment EBITDA decreased 11.9% YOY to AED 37 Mn in 3Q24. Moreover, the Aldar Education segment witnessed 93.8% YOY growth in EBITDA to AED 93 Mn in 3Q24, supported by a growth in the number of student enrolments along with increased tuition fees. Aldar Estate segment EBITDA grew significantly from AED 55 Mn in 3Q23 to AED 96 Mn in 3Q24. Thus, the Company's consolidated EBITDA increased 40.6% YOY to AED 1,547 Mn in 3Q24, with an EBITDA margin of 27.7% in 3Q24 compared to 31.8% in 3Q23. Impairments declined from AED 31 Mn in 3Q23 to AED 10 Mn in 3Q24. Moreover, finance income rose significantly 32.2% YOY to AED 175 Mn, while finance costs grew 56.6% YOY to AED 253 Mn in 3Q24. In addition, income tax expense increased 1.9% YOY to AED 64 Mn in 3Q24, mainly due to the introduction of UAE corporate tax. In addition, the share of profit attributable to non-controlling interest holders increased from AED 93 Mn in 3Q23 to AED 166 Mn in 3Q24.

Target price and rating

We revise our rating on Aldar Properties from HOLD to ACCUMULATE with an unchanged target price of AED 8.70. Aldar demonstrated strong profitability growth, mainly due to robust sales growth driven by solid demand for new developments and existing inventory coupled with an increase in EBITDA during 3Q24. Aldar successfully launched eight new developments in 9M24 and completed three new launches in 3Q24 in Dubai, Saadiyat, and Yas Island. The Company's Development revenue backlog grew to AED 48.6 Bn in 3Q24, up from AED 39.0 Bn in 2Q24, providing significant revenue visibility from both UAE and international operations over the next 2-3 years. Furthermore, the Company boasts a robust pipeline valued at AED 9.35 Bn, scheduled for delivery over the next three years. This includes AED 5 Bn in commercial, retail, and hospitality projects in Abu Dhabi, AED 1 Bn in logistics in Dubai, AED 1.6 Bn in commercial developments, and AED 1.75 Bn in commercial, retail, and residential projects in Dubai. Recently, the Company also revised its guidance for Adjusted EBITDA from AED 6.2-6.5 Bn to AED 6.8-7.0 Bn. Additionally, it also revised Development's EBITDA guidance from AED 4.1-4.3 Bn to AED 4.3-4.5 Bn, Investment business EBITDA is revised to AED 2.5-2.7 Bn from AED 2.3-2.5 Bn. Aldar's hospitality and lead portfolio is also poised for strong growth, supported by the Company's AED 1.5 Bn development plan to transform its assets into luxury resort-focused destinations. Furthermore, Aldar partnered with Mubadala to bring AED 30 Bn into prime Abu Dhabi real estate by leveraging its expertise in real estate development, asset management, institutional strength, and prime land bank to unlock substantial value creation opportunities. The Company's planned launches for Yas Island are on track for year-end, while the Fahed project and Dubai's third master development are set for 1Q25, signalling a solid pipeline ahead. Aldar expects its EBITDA to grow at least 35% YOY in 2025, backed by solid backlog and organic growth. It also expects 2025 to be stronger than 2024 regarding the outlook for new launches. Thus, based on the above-mentioned factors, we assign an ACCUMULATE rating on the stock.

Aldar- Relative Valuation

(At CMP)	2019	2020	2021	2022	2023	2024F
PE	30.71	31.54	26.32	21.06	15.96	11.30
PB	2.45	2.38	2.26	2.15	1.96	1.73
EV/EBITDA	27.66	25.78	21.84	17.61	13.38	10.96
Dividend Yield	1.9%	1.9%	1.9%	2.1%	2.2%	2.6%

FABS estimate & Co Data
Aldar - P&L

AED mn	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	4,398	5,582	5,895	34.1%	5.6%	14,161	22,395	58.1%
Direct costs	-2,818	-3,756	-3,978	41.2%	5.9%	-8,588	-14,802	72.4%
Gross profit	1,580	1,826	1,917	21.4%	5.0%	5,573	7,593	36.2%
General expenses	-439	-431	-441	0.5%	2.3%	-1,482	-1,691	14.1%
Sell & Mktg Exp	-33	-30	-50	50.6%	68.5%	-115	-134	17.0%
EBITDA	1,620	1,547	1,631	0.7%	5.5%	5,113	6,391	25.0%
EBIT	1,107	1,365	1,426	28.8%	4.5%	3,977	5,768	45.0%
Share of assoc.	-2	-2	0	NM	NM	-7	-1	NM
Provision/(reversal)	-57	-10	-18	-68.1%	84.0%	-226	-45	-80.2%
Finance income	152	175	214	40.4%	21.8%	499	739	48.2%
Finance cost	-189	-253	-279	47.6%	10.0%	-621	-976	57.2%
Total other income	436	41	437	0.3%	NM	907	1,075	18.5%
Profit before tax	1,448	1,317	1,780	22.9%	35.2%	4,528	6,560	44.9%
Income tax	-37	-64	-83	124.4%	31.1%	-112	-289	NM
Profit after tax	1,411	1,253	1,697	20.3%	35.4%	4,416	6,271	42.0%
Non-controlling interest	208	166	259	24.9%	56.6%	494	878	77.7%
Net profit	1,203	1,088	1,437	19.5%	32.1%	3,922	5,393	37.5%

FABS estimate & Co Data
Aldar - Margins

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	35.9%	32.7%	32.5%	-340	-18	39.4%	33.9%	-545
EBITDA	36.8%	27.7%	27.7%	-916	-4	36.1%	28.5%	-757
Operating Profit	25.2%	24.5%	24.2%	-99	-26	28.1%	25.8%	-233
Net Profit	27.4%	19.5%	24.4%	-298	489	27.7%	24.1%	-362

FABS estimate & Co Data

4Q24 preview: Tecom Group

High rental rates to boost drive profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 3.15	AED 3.45	+9.5%	HOLD

4Q24 estimate

Tecom Group's (TECOM/the Company) net profit is expected to grow marginally 0.1% YOY to AED 302 Mn in 4Q24, mainly driven by an expected increase in sales, other income, and decline in operating expenses partially offset by anticipated growth in direct costs and net finance costs. TECOM's sales is expected to increase 6.9% YOY to AED 616 Mn in 4Q24 due to healthy performance expected in the commercial leasing revenue segment, and industrial leasing segment. The cost of revenue is anticipated to increase 2.3% YOY to AED 203 Mn in 4Q24. Thus, gross profit is likely to grow 9.3% YOY to AED 413 Mn in 4Q24. G&A expenses are estimated to reduce 5.3% YOY to AED 53 Mn in 4Q24, whereas marketing and selling expenses are forecasted to decline 49.7% YOY to AED 11 Mn in 4Q24. On the other hand, other income is estimated to increase 24.2% YOY to AED 12 Mn in 4Q24. TECOM's operating profit is forecasted to grow 15.7% YOY to AED 357 Mn in 4Q24. Operating profit margin will likely increase from 53.6% in 4Q23 to 58.0% in 4Q24. Depreciation & amortization is expected to decline 1.3% YOY to AED 100 Mn in 4Q24. Thus, EBITDA is anticipated to increase 11.5% YOY to AED 458 Mn in 4Q24. TECOM's tax expense is estimated at AED 13 Mn in 4Q24 compared to nil in 4Q23.

2024 forecast

TECOM's net profit is expected to increase 15.4% YOY to AED 1,244 Mn in 2024, mainly due to an anticipated increase in revenue, other income, decrease in marketing & selling expenses, and finance cost partially offset by an estimated increase in direct cost, G&A expenses, and finance income. The Company's sales are expected to increase 9.5% YOY to AED 2,375 Mn in 2024 due to the strong performance estimated across all revenue segments. Direct cost is anticipated to rise 6.8% YOY to AED 812 Mn in 2024. Thus, gross profit is likely to increase 10.9% YOY to AED 1,563 Mn in 2024. G&A expenses are expected to grow 32.8% YOY to AED 205 Mn in 2024. Marketing and selling expenses are anticipated to decline 6.4% YOY to AED 40 Mn in 2024. Other income is predicted to more than double from AED 47 Mn in 2023 to AED 125 Mn in 2024. Thus, operating profit is anticipated to increase 14.1% YOY to AED 1,436 Mn in 2024. Depreciation & amortization expenses are assumed to increase 5.6% YOY to AED 417 Mn in 2024. Consequently, EBITDA is expected to grow 12.1% YOY to AED 1,853 Mn in 2024, coupled with an increase in EBITDA margin from 76.2% in 2023 to 78.0% in 2024. Furthermore, the Company's finance income is estimated to decline 11.8% YOY to AED 72 Mn in 2024, whereas finance cost is expected to decrease 16.2% YOY to AED 220 Mn in 2024. The Company is expected to incur income tax expenses of AED 44 Mn in 2024 compared to nil in 2023.

3Q24 outturn

TECOM's revenue increased 12.3% YOY to AED 611 Mn in 3Q24, led by new customers, solid occupancy levels, rental rates, and a healthy retention rate coupled with strong demand across all segments. Commercial Leasing segment revenue increased 12.9% YOY to AED 317 Mn in 3Q24, primarily due to new leases, rise in rental rates, and higher retention. Similarly, the Industrial Leasing segment revenue grew 19.3% YOY to AED 91 Mn in 3Q24, owing to increased leasing across warehouses and workers accommodation which pushed the occupancy rates higher. Furthermore, revenue from land leasing rose 6.2% YOY to AED 130 Mn in 3Q24, primarily from new leases, healthy retention, and higher rental rates. The overall occupancy of the land leasing segment grew 9% YOY excluding new additions. Services income increased 13.0% YOY to AED 73 Mn in 3Q24, mainly due to high AXS sales attributable to new visas from increasing demand for co-working spaces. However, direct costs increased 13.2% YOY to AED 232 Mn in 3Q24. As a result, the Company's gross profit rose 11.8% YOY to AED 379 Mn in 3Q24. TECOM's G&A expenses nearly doubled from AED 28 Mn in 3Q23 to AED 56 Mn in 3Q24, while selling and marketing expenses increased 33.3% YOY to AED 9 Mn. Furthermore, other income grew from AED 8 Mn in 3Q23 to AED 76 Mn in 3Q24 due to the

repossession of partially constructed structures because of lease termination and reflects value adjustment according to the Company's accounting policy. Resultantly, operating profit increased 25.0% YOY to AED 391 Mn in 3Q24. Moreover, the Commercial leasing segment EBITDA grew 10.7% YOY to AED 199 Mn in 3Q24, while the Industrial leasing segment EBITDA rose 17.1% YOY to AED 59 Mn. Similarly, Service segment EBITDA improved by 2.3% YOY to AED 57 Mn in 3Q24. Besides, EBITDA from Land Leasing grew 49.0% YOY to AED 184 Mn in 3Q24. The company's overall EBITDA increased by 21.9% YOY to AED 500 Mn, with an EBITDA margin of 81.8% in 3Q24 compared to 75.3% in 3Q23. TECOM's finance income increased 3.8% YOY to AED 16 Mn in 3Q24, while finance cost rose 19.6% YOY to AED 54 Mn. The Company recorded income tax expense of AED 13 Mn in 3Q24. TECOM's net profit grew 20.0% YOY to AED 340 Mn in 3Q24.

Target price and recommendation

We maintain our HOLD rating on TECOM with an unchanged target price of AED 3.45. TECOM's performance is being driven by strong demand and increasing rental rates in both commercial and residential properties. Dubai is emerging as a global business hub, with companies worldwide setting up production units and offices in the emirate, drawn by supportive government policies. As a result, the Company anticipates increased demand for office spaces in the near future, driven by limited supply and a growing number of businesses. Such a positive outlook for commercial real estate underpins strong growth momentum. Favourable market conditions are expected to maintain demand and high occupancy levels across the Company's portfolio. Additionally, strong property price growth and high rental rates have contributed to significant appreciation in TECOM's portfolio. TECOM's customer base increased 9% YOY to more than 11,800 in 9M24, with addition of more than 1,000 new customers including global industry leaders such as OZON Pharmaceuticals and Hisense. TECOM Investment FZ LLC, a TECOM Group subsidiary, acquired a Grade A office building with a GLA of c. 371K square feet in the Dubai Internet City for AED 720 Mn to capitalize on the positive business environment and increasing demand. The acquisition will have an immediate impact on revenue in 4Q24. Besides, TECOM also plans to develop Innovation Hub Phase 3 with a GLA of c. 167K square feet in Dubai Internet City and a capex of AED 283 Mn, since Phase 1 is fully occupied and Phase 2 will be completed in the short term which is expected to be 100% leased after handover. Additionally, the Company has started the development of a new warehouse with a GLA of c. 200k square feet in Dubai Science Park with a capex of AED 75 Mn, since existing warehouses are fully occupied. TECOM Investment FZ LLC, a TECOM Group subsidiary, also acquired two Grade A office buildings with GLA of c. 334K square feet in the Dubai Internet City for a consideration of AED 420 Mn. Moreover, the Company also acquired 73 plots across Dubai Industrial City spanning 13.9 Mn square feet for a consideration of AED 410 Mn. The acquisitions are expected to positively benefit the Group's financial performance and strengthen its commercial asset portfolio. TECOM also announced Phase 2 of Dubai Design District (d3, Design Quarter) with commercial and residential components. For the d3 project, the Company acquired the volumetric GFA for commercial components for AED 136 Mn and plans to invest AED 690 Mn in the d3 project, which is estimated to be completed in FY2027. The Company distributed an interim cash dividend of AED 400 Mn for 1H24. Thus, considering the abovementioned factors, we assign HOLD rating on the stock.

Tecom Group – Relative Valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE (X)	24.86	27.20	20.94	16.41	14.61	12.66
PB (X)	0.96	1.08	0.80	0.78	1.00	1.03
EV / EBITDA	16.37	16.97	13.71	12.48	12.32	10.94
Dividend yield (%)	9.3%	4.1%	11.8%	10.9%	5.1%	5.1%

FABS estimate & Co Data

Tecom Group - P&L

AED mn	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Sales	576	611	616	6.9%	0.9%	2,169	2,375	9.5%
Direct cost	-199	-232	-203	2.3%	-12.4%	-760	-812	6.8%
Gross profit	378	379	413	9.3%	9.0%	1,409	1,563	10.9%
G&A expenses	-56	-56	-53	-5.3%	-4.6%	-154	-205	32.8%
Marketing & Selling exp.	-23	-9	-11	-49.7%	31.6%	-43	-40	-6.4%
Other income	10	76	12	24.2%	-83.8%	47	125	164.9%
Other expenses	0	0	-3	NM	NM	0	-7	NM
Operating profit	309	391	357	15.7%	-8.6%	1,259	1,436	14.1%
Depreciation & Amortization	102	109	100	-1.3%	-7.9%	395	417	5.6%
EBITDA	410	500	458	11.5%	-8.4%	1,654	1,853	12.1%
Finance income	41	16	17	-57.3%	6.9%	82	72	-11.8%
Finance cost	-48	-54	-60	25.9%	11.0%	-262	-220	-16.2%
Profit before zakat	302	353	315	4.2%	-10.8%	1,078	1,288	19.5%
Income tax	0	-13	-13	NM	-2.5%	0	-44	NM
Profit to shareholders	302	340	302	-0.1%	-11.2%	1,078	1,244	15.4%

FABS estimate & Co Data

Tecom group - Margins

	4Q23	3Q24	4Q24F	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	65.5%	62.0%	67.0%	148	500	64.9%	65.8%	86
EBITDA	71.2%	81.8%	74.2%	305	-752	76.2%	78.0%	179
Operating Profit	53.6%	63.9%	58.0%	440	-598	58.0%	60.5%	243
Net Profit	52.4%	55.6%	49.0%	-343	-663	49.7%	52.4%	269

FABS estimate & Co Data

4Q24 preview: **RAK Properties**

Solid growth in tourism and high domestic demand to drive profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 1.17	AED 1.45	+23.9%	BUY

4Q24 estimate

RAK Property's ("RAKPROP", "the Company") net profit is expected to 51.8% YOY to AED 46 Mn in 4Q24, mainly driven by an anticipated decrease in revenue, other income, and higher SG&A expenses partially offset by an estimated reduction in the cost of sales and net finance cost. The Company's revenue decreased 5.9% YOY to AED 300 Mn in 4Q24, driven by an expected increase in revenue from Property leasing & Facility Management segment and Hotel Operations segment. Cost of sales is estimated to reduce marginally 1.0% YOY to AED 191 Mn in 4Q24. Thus, gross profit is estimated to decline 13.4% YOY to AED 109 Mn in 4Q24. SG&A expenses are assumed to grow 12.5% YOY to AED 46 Mn in 4Q24, whereas other income is forecasted to decline from AED 33 Mn in 4Q23 to AED 6 Mn in 4Q24. Moreover, EBITDA will likely decrease 32.7% YOY to AED 87 Mn in 4Q24. The Company's EBIT is forecasted to decline 41.2% YOY to AED 69 Mn. RAK Property's finance cost is assumed to reduce 3.8% YOY to AED 23 Mn in 4Q24, whereas finance income is forecasted to grow 6.4% YOY to AED 5 Mn in 4Q24. Tax charge is estimated at AED 5 Mn in 4Q24 compared to nil in 4Q23.

2024 forecast

RAK Property is expected to report a 17.0% YOY decline in net profit to AED 168 Mn in 2024, mainly due to an anticipated increase in cost of sales, SG&A expenses, finance costs, and decline in other income partially offset by an anticipated rise in revenue and finance income. Revenue is assumed to increase 18.6% to AED 1,192 Mn in 2024, whereas cost of sales is forecasted to grow 14.4% YOY to AED 753 Mn in 2024. Thus, gross profit is predicted to rise 26.6% YOY to AED 439 Mn in 2024. SG&A expenses are expected to increase 45.3% YOY to AED 203 Mn in 2024. Additionally, other income is expected to fall 50.2% YOY to AED 25 Mn in 2024. Therefore, EBITDA is estimated to grow 18.3% YOY to AED 329 Mn in 2024, while EBITDA margin is assumed to decline 5 bps YOY to 27.6% in 2024. EBIT is anticipated to increase 1.6% YOY to AED 261 Mn in 2024. The Company's finance cost is expected to increase 38.5% YOY to AED 92 Mn in 2024, while finance income is anticipated to boost 34.5% YOY to AED 18 Mn in 2024. Additionally, other non-operating expense is estimated to fall 47.8% YOY to AED 3 Mn in 2024. Tax expenses is expected to amount to AED 17 Mn in 2024, due to the introduction of corporate tax in UAE over the same period.

3Q24 outturn

RAK Properties' revenue grew 61.5% YOY to AED 281 Mn in 3Q24, mainly due to a substantial across the property sales and hospitality segments. Revenue from the sale of properties grew 68.5% YOY to AED 232 Mn in 3Q24. The Company sold 144 units in 3Q24, compared to 230 units in 2Q24. RAKPROP's revenue from the hospitality business grew substantially 52.7% YOY to AED 33 Mn in 3Q24. The Company's occupancy rate in the intercontinental hotel stood at 68%, while at the Antara resort stood at 47% during 3Q24. Furthermore, the Company's asset management segment revenue grew 9.4% YOY to AED 16 Mn in 3Q24. RAKPROP's cost of sales rose 56.9% YOY to AED 179 Mn in 3Q24. Meanwhile, gross profit grew strongly from AED 60 Mn in 3Q23 to AED 101 Mn in 3Q24 due to higher revenue. Gross margins grew 188 bps YOY to 36.1% in 3Q24. SG&A expenses recorded a sharp rise of 47.9% YOY to AED 51 Mn in 3Q24. Other income grew 9.0% YOY to AED 3 Mn in 3Q24. Thus, the Company's operating profit grew from AED 28 Mn in 3Q23 to AED 53 Mn in 3Q24. RAKPROP's EBITDA stood AED 65 Mn in 3Q24, compared to AED 92 Mn in 2Q24. Furthermore, finance cost grew 56.8% YOY to AED 22 Mn in 3Q24. Finance income grew 28.7% YOY to AED 5 Mn in 3Q24. The Company incurred a tax expense of AED 3 Mn in 3Q24, owing to the introduction of UAE corporate tax.

Target price and recommendation

We maintain our BUY rating on RAK Properties with an unchanged target price of AED 1.45. The Company demonstrated strong profitability growth driven by higher revenue across all the segments in 3Q24. RAK Properties continued to progress across its residential, commercial and hospitality portfolios. The Company witnessed high demand and performance across its hospitality and residential portfolio, with AED 925 Mn in sales value as of September 2024. It continued to expand its hospitality segment by capitalizing on the strong tourism growth. The Company's occupancy rate at Intercontinental Hotel reached 68%, while the newly opened Antara Resort, which commenced operations in 2024, achieved an occupancy rate of 47% during 3Q24. Additionally, RAK Properties launched two key projects, Staybridge Suites and Nikki Beach Resort & Spa in Mina Al Arab, with estimated completion by 2027, further enhancing revenue potential in the hospitality segment. Furthermore, the Company holds approximately 50 million sq. ft. land bank in Mina Al Arab for residential property sales while it has 1 Mn sq. ft. GLA under asset management. RAK Properties acquired an additional 2 Mn sq. ft. of land along with the completion of two residential projects in Abu Dhabi. It has multiple residential projects in the pipeline, such as Gateway 2, Bayviews, Bay Residence, Marbella Extension, etc. The Company also has a strong revenue backlog of AED 1.8 Bn as of September 2024. The extensive land bank, coupled with robust demand, promises revenue visibility. Moreover, the demand for real estate is surpassing supply, leading to a growth in real estate prices. The number of real estate transactions in Ras Al Khaimah also reached AED 5,174 Mn as of September 2024. RAK Properties is poised to benefit from the robust demand and rising prices. The Company caters to a wider market by developing branded as well as affordable properties. Recently the Company also entered into a strategic partnership with the Commercial Bank of Dubai, securing a financing facility of AED 2 Bn to support its ambitious growth initiatives in Mina Al Arab. The government of Ras Al Khaimah also increased its stake in RAK Properties to 34%, reflecting the investor confidence in the various development projects. Thus, considering the abovementioned factors, we maintain our BUY rating on the stock.

RAK Properties – Relative Valuation

(at CMP)	2019	2020	2021	2,022	2023	2024F
PE (X)	26.13	21.44	12.08	79.04	12.06	17.68
PB (X)	0.62	0.62	0.59	0.59	0.56	0.45
EV / EBITDA	25.64	22.67	14.51	32.53	11.51	10.01
Dividend yield (%)	3.3%	0.0%	0.0%	0.0%	2.5%	2.6%

FABS estimate & Co Data

RAK Properties- P&L

AED mn	4Q23	3Q24	4Q24F	YOY Ch.	QOQ Ch.	2023	2024F	YOY ch.
Sales	319	281	300	-5.9%	6.9%	1,005	1,192	18.6%
Direct cost	-193	-179	-191	-1.0%	6.6%	-658	-753	14.4%
Gross profit	126	101	109	-13.4%	7.3%	346	439	26.6%
G&A expenses	-41	-51	-46	12.5%	-10.5%	-139	-203	45.3%
Other income/(expenses)	33	3	6	-80.9%	117.9%	50	25	-50.2%
EBITDA	129	70	87	-32.7%	24.0%	278	329	18.3%
EBIT	118	53	69	-41.2%	30.4%	257	261	1.6%
Finance cost	-24	-22	-23	-3.8%	1.5%	-66	-92	38.5%
Finance income	4	5	5	6.4%	-5.8%	14	18	34.5%
Other non-operating income/(exp)	-2	0	0	NM	NM	-2	-3	47.8%
Profit before tax	96	36	51	-47.0%	43.8%	202	184	-8.8%
Income tax	0	3	5	NM	NM	0	17	NM
Profit to shareholders	96	32	46	-51.8%	43.5%	202	168	-17.0%

FABS estimate & Co Data

RAK Properties- Margins

	4Q23	3Q24	4Q24F	YOY Ch.	QOQ Ch.	2023	2024F	YOY ch.
Gross Profit	39.4%	36.1%	36.3%	-316	14	34.5%	36.8%	233
EBITDA	40.5%	25.0%	29.0%	NM	399	27.7%	27.6%	-5
Operating Profit	37.0%	18.9%	23.1%	-1,388	417	25.5%	21.9%	-366
Net Profit	30.2%	11.5%	15.5%	-1,473	395	20.1%	14.1%	-602

FABS estimate & Co Data

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