

Property Developers - October 2021

Sector Weighting:

NEUTRAL

Preview Note 3Q 2021

UAE property prices are expected to grow but remain reasonable

Property market outlook

The United Arab Emirates' long-term economic trajectory had been slow since the 2014-2015 oil price drop, even before the pandemic. For years, supply has exceeded demand for new houses and flats in a market dominated by foreigners, many of whom left during the outbreak. COVID-19 created substantial disruption across all real estate sectors in 2020, with owners and occupiers being forced to make essential business modifications in response to statutory capacity and mobility limits. With the COVID-19 vaccination now accessible, the upcoming Expo in October, and the 50th National Day in December, there is a chance to promote UAE to tourists and residents in 2021 in a post-COVID-19 world. The resurgence of the UAE real estate market is amazing. The year-to-date sales bounce, particularly in Dubai and Abu Dhabi, has been extraordinary. Despite supply problems and negative population growth, the internationally synched post-pandemic shift to larger houses is also reigniting Dubai's residential housing market.

In the first 12 months of the year, average residential property prices in Dubai increased by 4.4%, the biggest annual rise since February 2015. However, a sustained drop in rents signaled that the long-struggling industry will continue to suffer. Dubai rentals fell by 2.7% on average in the year ended in August, continuing a downward trend. The premium section of Dubai's property market saw a bounce in March after a steep drop caused by COVID-19, but the sector's recovery is still a long way off. Villas continued to outperform flats on the market, with prices remaining considerably below record highs. While apartment prices gained 2.5% and villa prices rose 17.9% in the year to August, they were still 30.4% and 20.5% down from their 2014 highs, respectively. In August, average apartment rentals decreased by 5.1% YoY, while average villa rents climbed by 15.5%, the biggest growth rate on record for the sector. Between January and September 2021, the market saw a total of 43,299 transactions, which is 45% more than the previous year's total. The amount of money exchanged in the last nine months was likewise at its highest level since 2017. Year-to-date, mortgage transactions are at an all-time high, smashing all records, and the year isn't even halfway through. The new data also revealed that most purchasers are still focusing on secondary or ready-to-move-in houses, even though the off-plan market is growing up.

Meanwhile, the occupancy rate in the office market has increased, climbing to 78.8% in the third quarter of this year from 77.1% the previous quarter. In the third quarter, average rents in the prime and Grades A to C categories fell between 4.1% and 6.5% year over year. New entrants, such as foreign and local technology firms, fintech firms, and Chinese firms, have put downward pressure on prices, whereby prime and Grade A offices are in high demand from them.

The average home price in Abu Dhabi climbed for the second quarter in a row when compared to a year earlier. In 2Q21, average Abu Dhabi home prices increased by 2.2% year over year. In contrast to Dubai, rentals in Abu Dhabi fell by 5.7% year over year in the 2Q21. Rents fell by 1.1% quarter over quarter, despite only a 0.5% reduction in sales prices, resulting in a rental yield of 6.5%, down from 6.6% in the 1Q21.

As immigration changes, the successful Covid-19 immunization program, and government initiatives to assist the economy drive demand and limit overstock, the property industry will maintain a positive trend in 2H21. The villa category is outperforming flats, and favorable emotions will boost property values by up to 5% between July and December this year. Depending on the state of COVID-19, the

second half of this year might continue the upward trend that began in 3Q20. This might be attributed to a general uptick in market sentiment due to government initiatives to boost housing demand and limit supply.

Stock	TP	CMP	Gain	Rating	P/B (2021F)	Div. Yld (%) 2021F
Emaar Properties (AED)	5.00	3.93	27.2%	BUY	0.43	2.5%
Aldar Properties (AED)	4.50	4.03	11.7%	ACCUMULATE	1.26	3.6%
Emaar Malls (AED)	2.30	1.95	17.9%	BUY	1.26	0
Emaar Development (AED)	4.50	3.89	15.7%	BUY	1.31	0
Damac Properties (AED)	1.30	1.24	4.8%	HOLD	0.60	0

FABS Estimate

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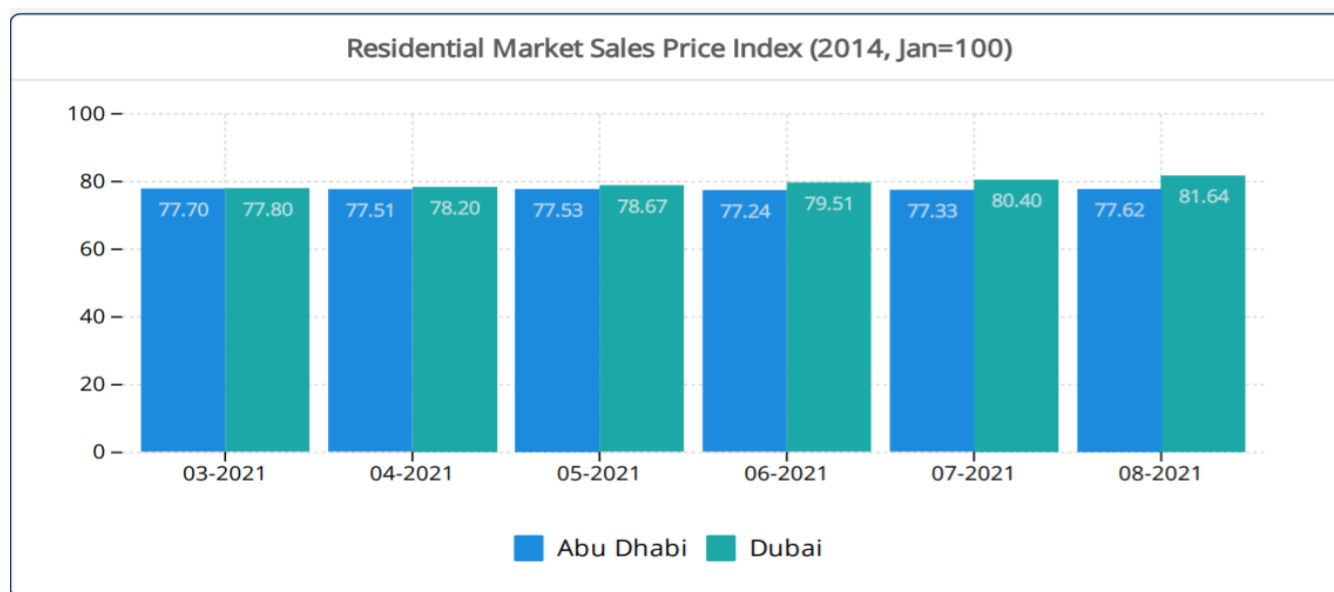
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Real Estate Overview

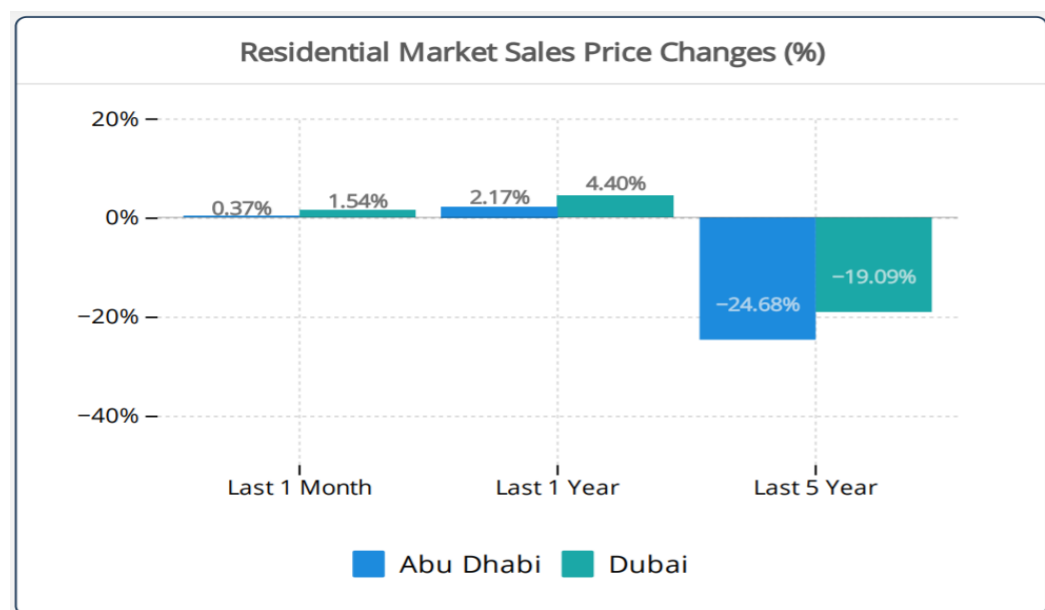
Sales and Rent Price Indices for Residential Property

1. All Residential Market

In August 2021, Abu Dhabi Residential Property Sales Price Index witnessed a growth of 0.29 points, or 0.37% to 77.62, up from 77.33 in July 2021. On a year-on-year basis, the prices increased by 2.17% YOY. Similarly, the Dubai Residential Market Sales Price Index increased by 1.24 points, or 1.54% to 81.64 in August 2021, up from 80.40 in July 2021. On a year-on-year basis, the increase is 4.4% YOY.

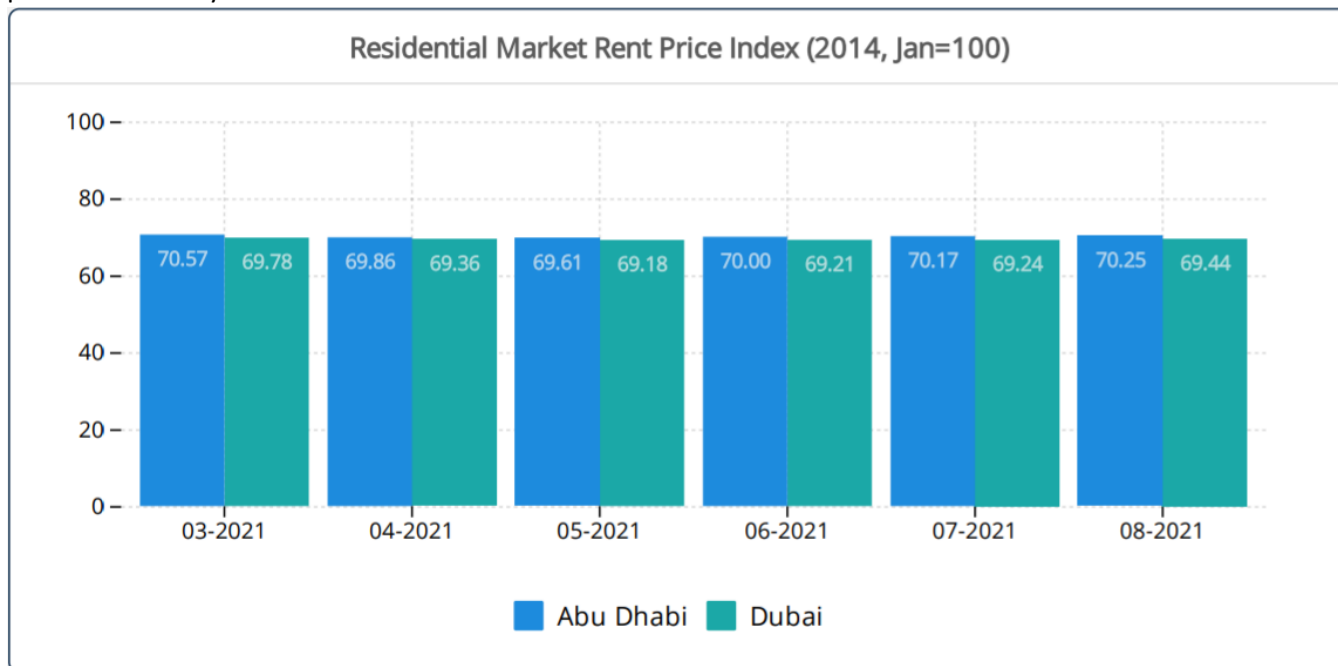


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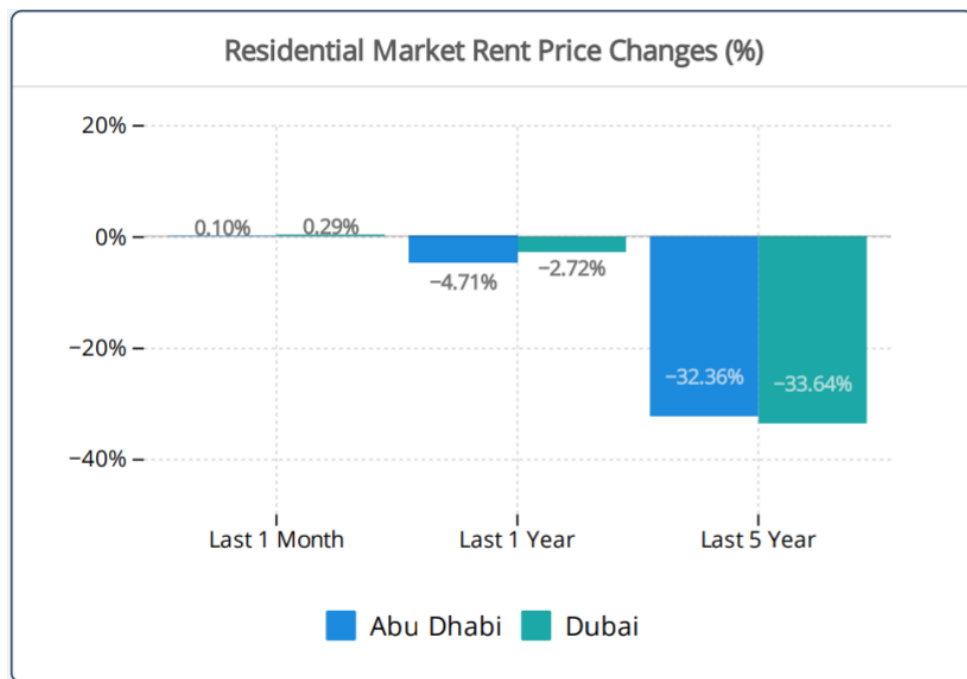


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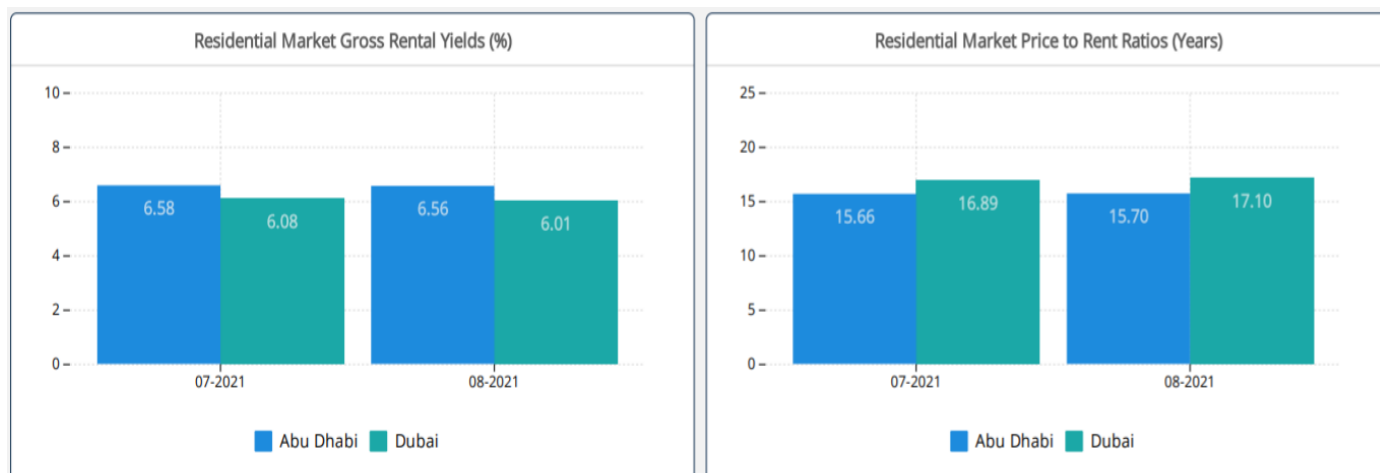
In August 2021, the Residential Market Rent Price Index increased by 0.08 points, or 0.10% to 70.25, up from 70.17 in July 2021. On the other hand, the Prices decreased by 4.71% YOY. Similarly, the Dubai Residential Market Rent Price Index climbed by 0.20 points, or 0.29% to 69.44, up from 69.24 in July 2021. However, the prices declined by 2.72% YOY.



Source:Reidin



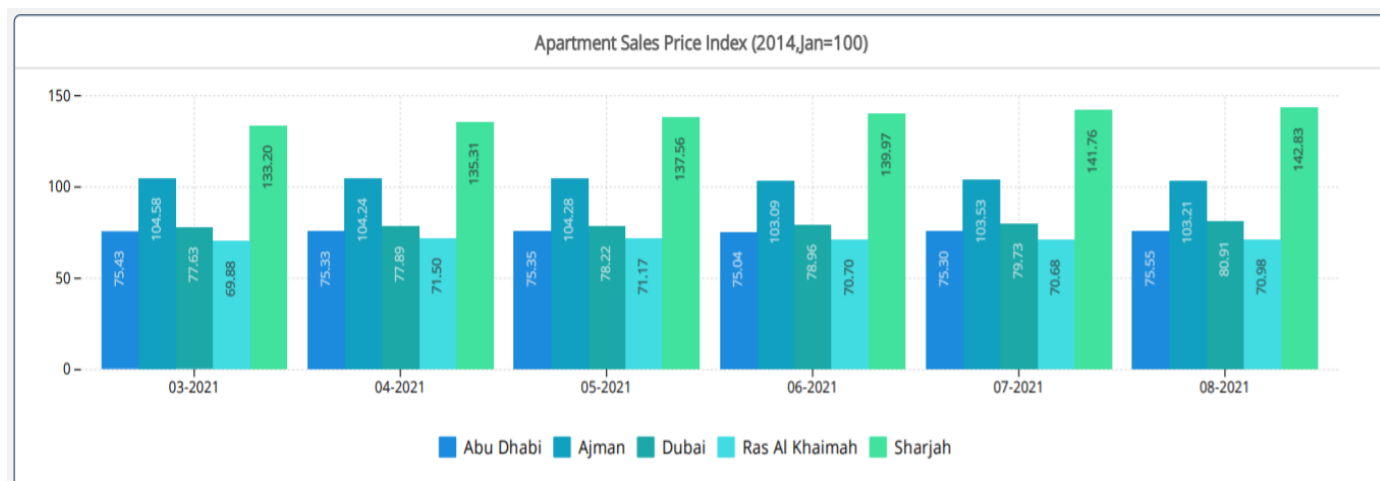
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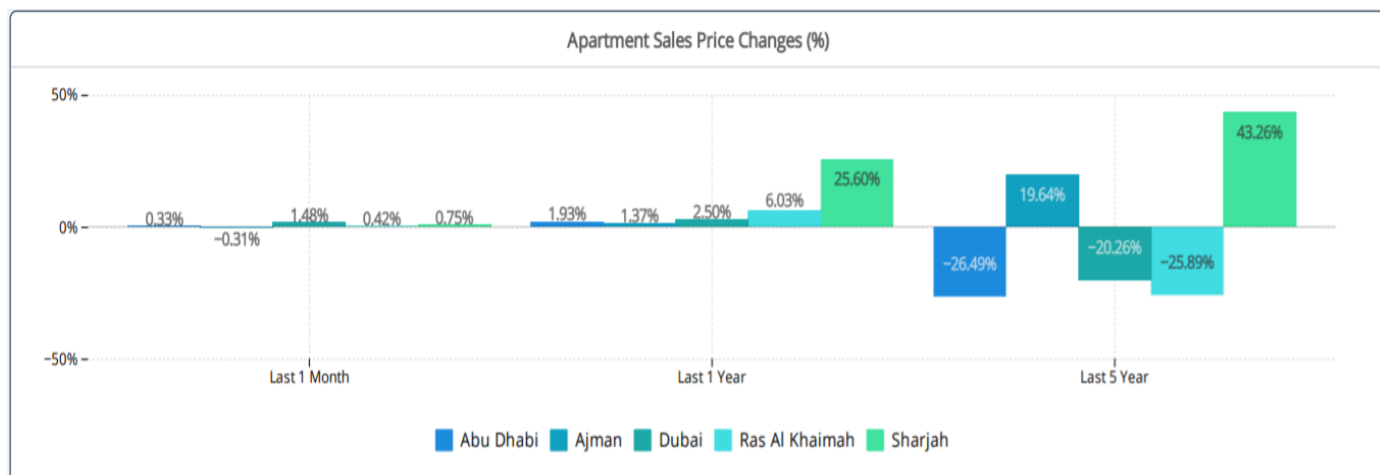
Source:Reidin

2. Apartments

In August 2021, the Apartment Sales Price Index for Abu Dhabi witnessed an increase of 0.25 points, or 0.33% to 75.55, up from 75.30 in July 2021. The Prices increased by 1.93% YOY. The Ajman Apartment Sales Price Index witnessed a drop of 0.32 points, or 0.31% to 103.21, down from 103.53 in July 2021. However, the prices increased by 1.37% YOY. The Dubai Apartment Sales Price Index climbed by 1.18 points, or 1.48%, to 80.91, up from 79.73 in July 2021. Similarly, the prices increased by 2.5% YOY. The Ras Al Khaimah Apartment Sales Price Index climbed by 0.30 points, or 0.42% to 70.98, up from 70.68 in July 2021. The Prices increased by 6.03% YOY. Lastly, the Sharjah Apartment Sales Price Index increased by 1.07 points, or 0.75% to 142.83, up from 141.76 in July 2021. The prices increased strongly by 25.60% YOY.

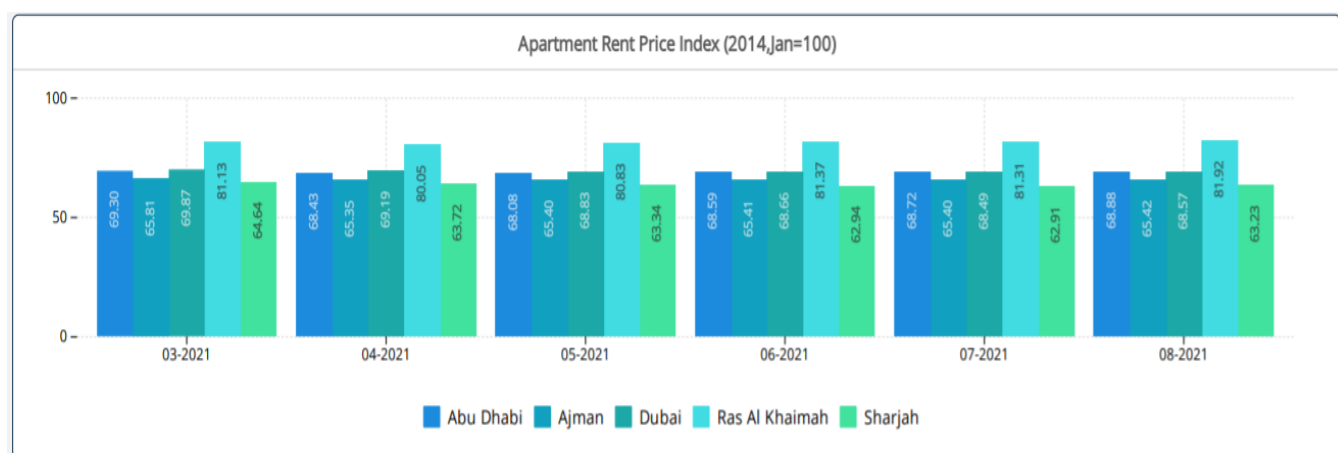


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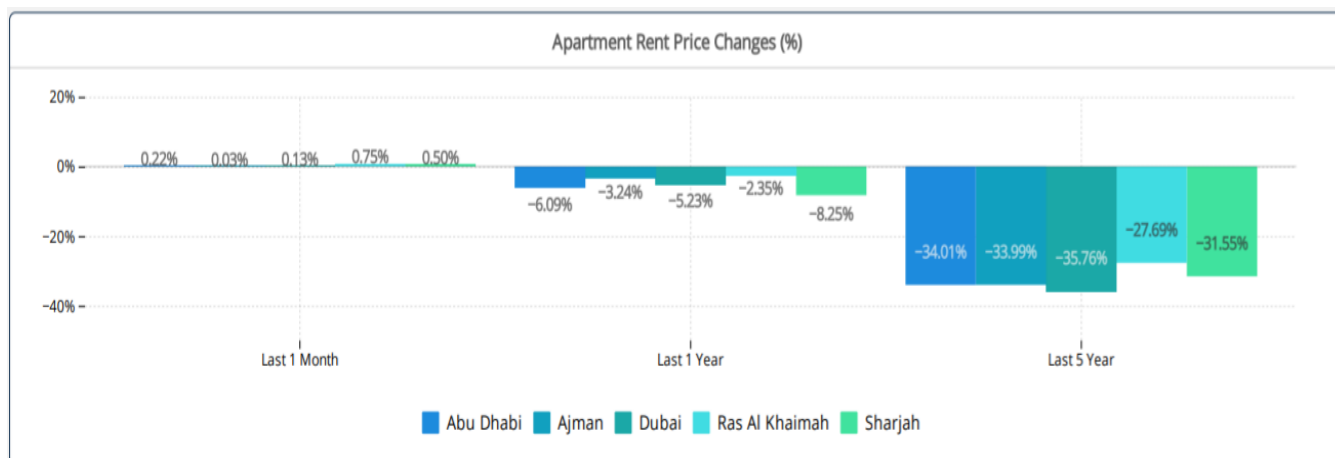


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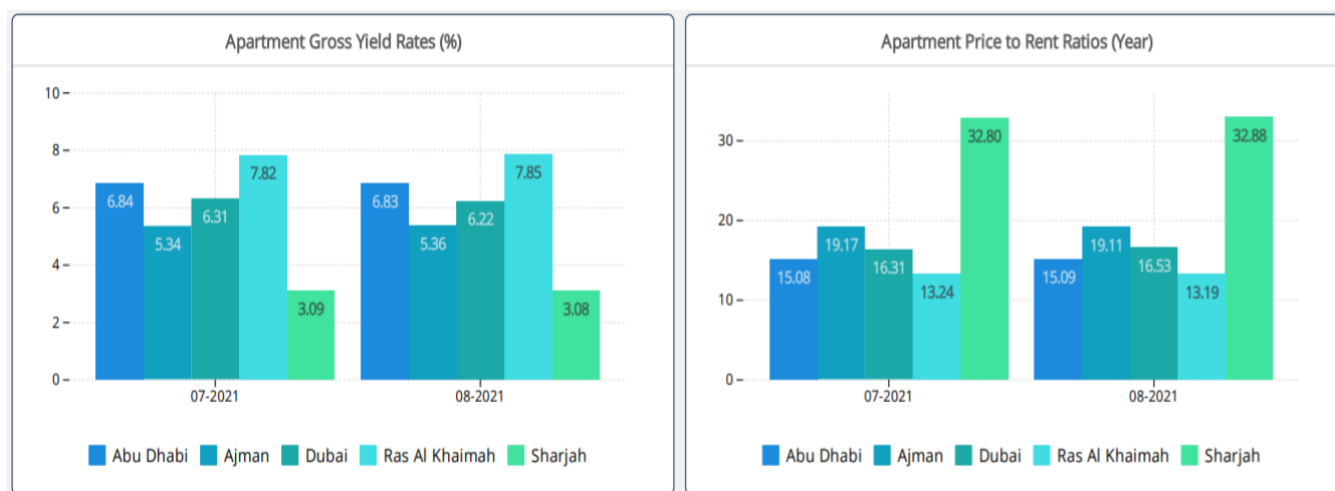
In August 2021, the Abu Dhabi Residential Property Rent Price Index witnessed a growth of 0.16 points, or 0.22% to 68.88, up from 68.72 in July 2021. However, the prices declined by 6.09% YOY. The Ajman Residential Property Rent Price Index climbed by 0.02 points, or 0.03% to 65.42, up from 65.40 in July 2021. The Prices declined by 3.24% YOY. The Dubai Residential Property Rent Price Index increased by 0.08 points, or 0.13% to 68.57, up from 68.49 in July 2021. The Prices declined by 5.23% YOY. The Ras Al Khaimah Residential Property Rent Price Index increased by 0.61 points, or 0.75% to 81.92, up from 81.31 in July 2021. The Prices increased by 2.35% YOY. The Sharjah Residential Property Rent Price Index increased by 0.32 points, or 0.50% to 63.23, up from 62.91 in July 2021. The Prices decreased by 8.25% YOY.



Source:Reidin



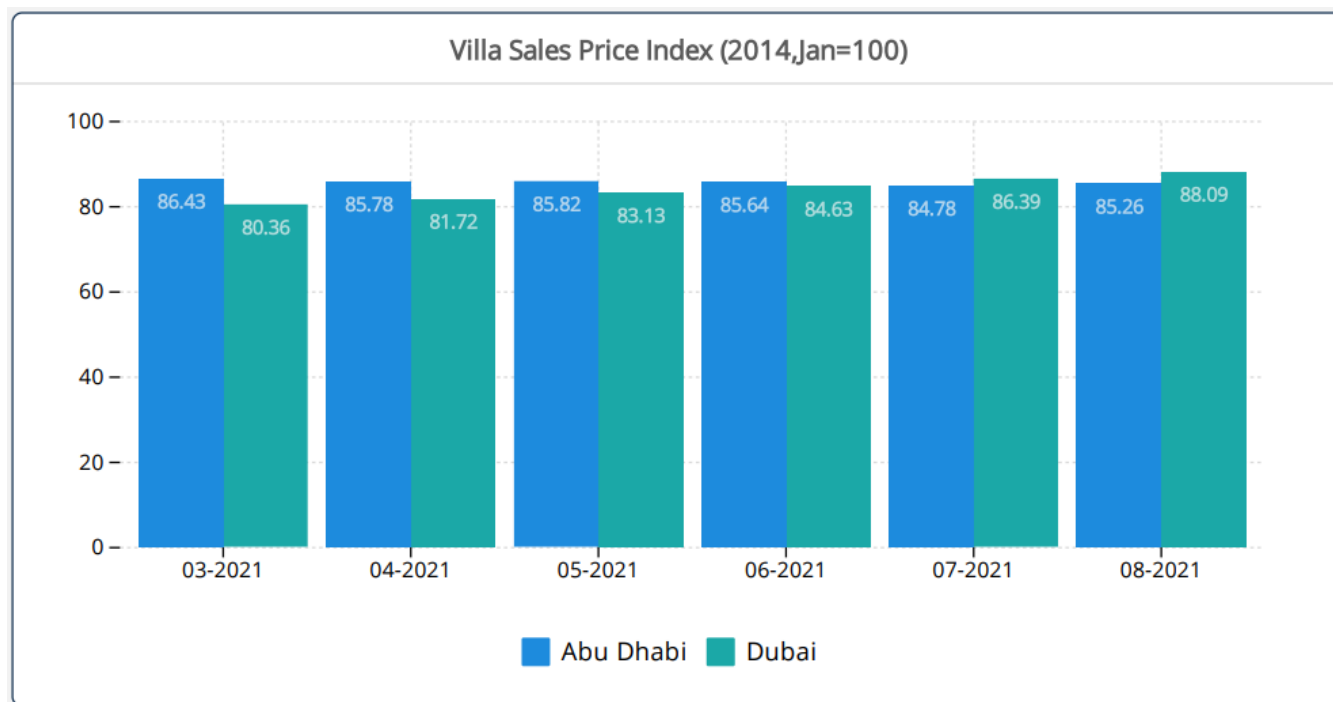
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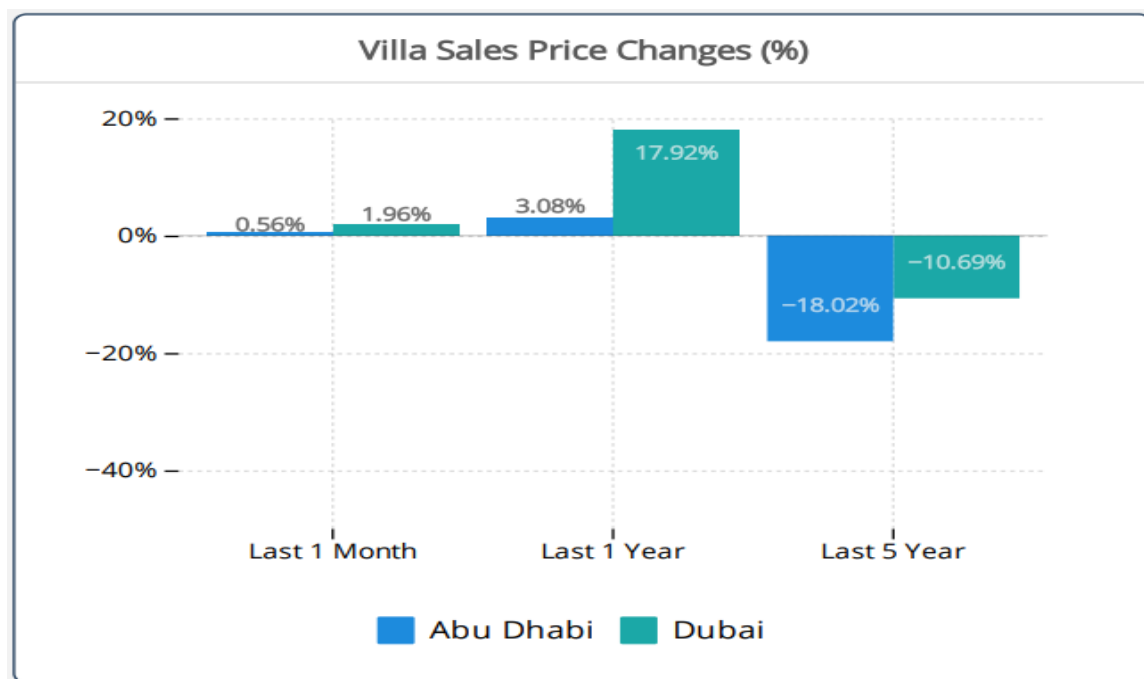
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3. Villas

In August 2021, the Abu Dhabi Residential Property Sales Price Index for villas increased by 0.48 points, from 84.78 to 85.26, representing a 0.56% rise. Prices grew by 3.08% YOY. In August 2021, the Dubai Residential Property Sales Price Index for villas rose 1.70 points, from 86.39 to 88.09, or a 1.96% increase. In addition, prices climbed 17.92% YOY.

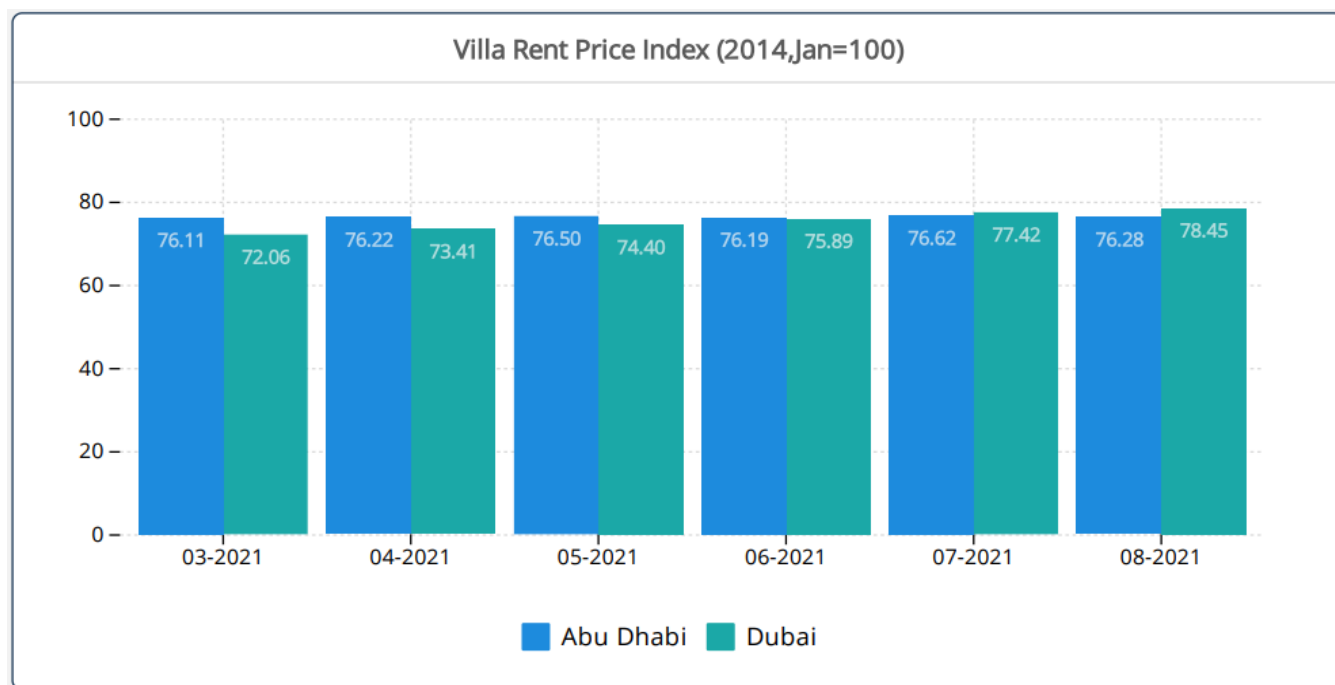


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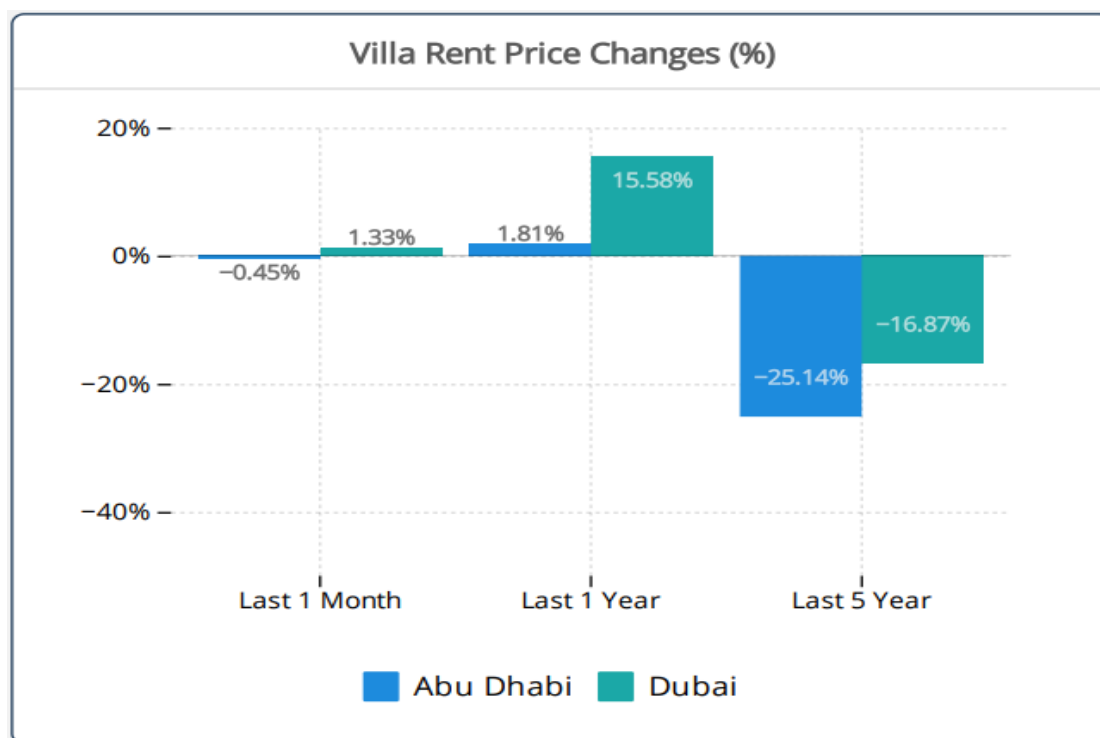


Source:Reidin

In August 2021, the Abu Dhabi Residential Property Rent Price Index for villas fell by 0.34 points, from 76.62 to 76.28, or a 0.45% decrease. Prices rose 1.84% YOY. In August 2021, the Dubai Residential Property Rent Price Index for villas climbed by 1.03 points, from 77.42 to 78.45, representing a 1.33% rise. In addition, prices climbed 15.58% YOY.



Source:Reidin

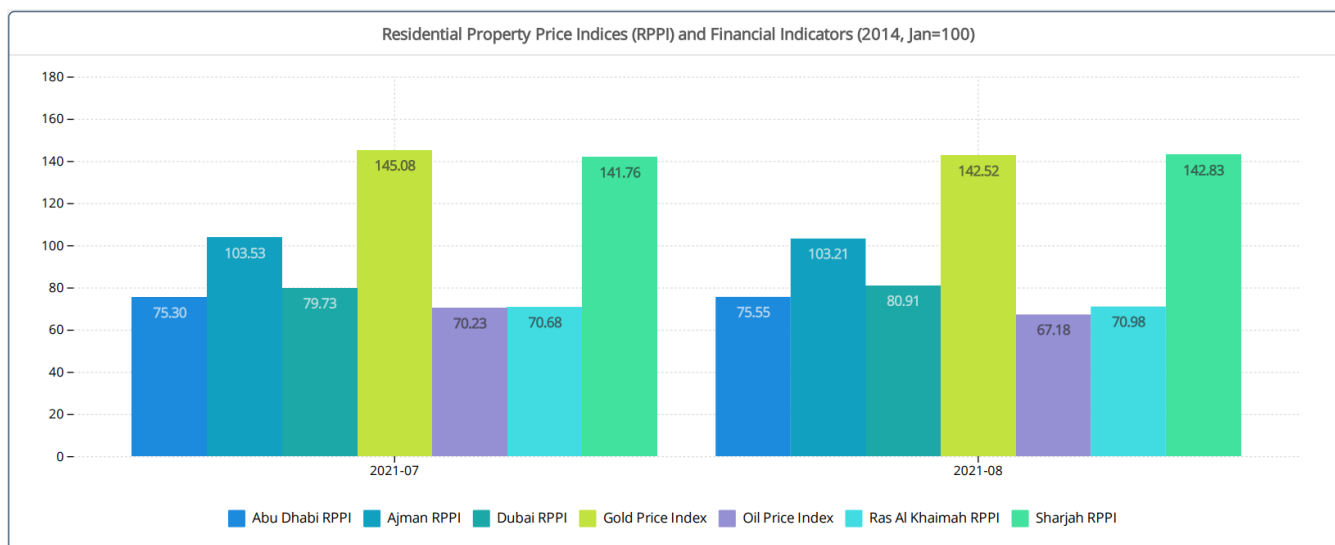


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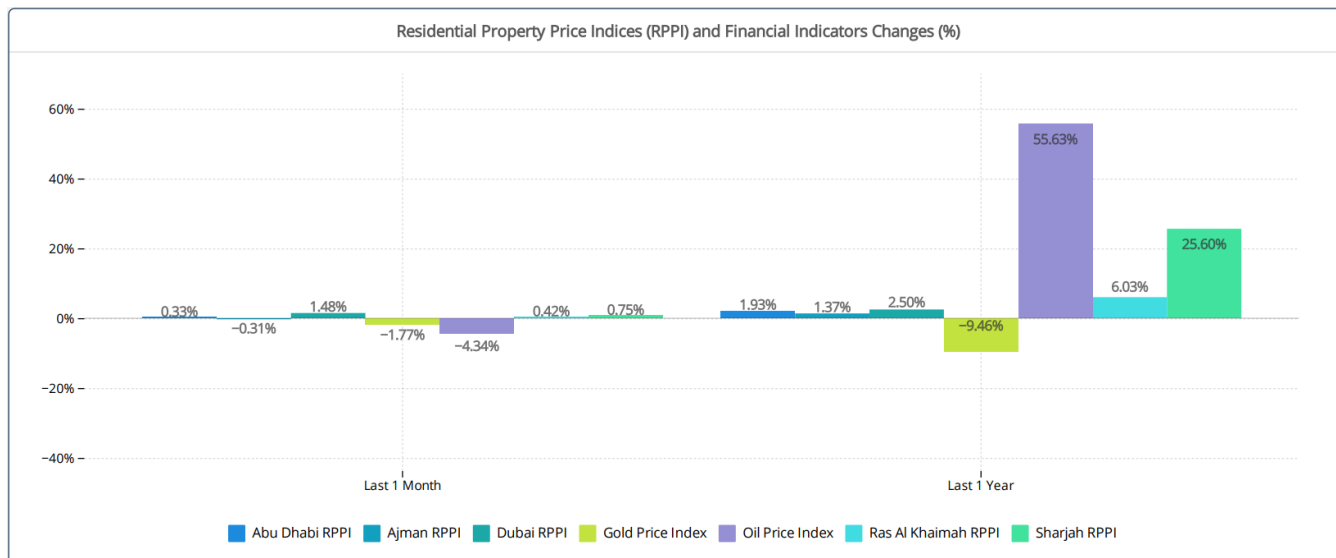
Source:Reidin

Different Asset Classes' Return on Investment



Source:Reidin

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



Source:Reidin

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

Macro backdrop in the UAE

Real estate and UAE macroeconomic outlook

In Dubai, Real Estate Sales Totalled \$2.55 Billion Over the Course of a Week

During the week ending September 2, 2021, a total of 1,667 real estate and property transactions totaling AED 9.4 billion were completed. The top three deals included a land sale in Marsa Dubai for AED 658.5 million, followed by a property sale in Al Murqabat for AED 325 million. Jabal Ali First had the most transactions, with 40 sales totaling AED 89.57 million. With 30 sales transactions for AED 688.63 million, Ras Al Khor came in second. The top three transfers for apartments and villas were a 230 million AED flat in Marsa Dubai and a 165 million AED apartment in Business Bay. The total value of mortgaged properties for the week was AED 4 billion, with the highest value being AED 2 billion for a plot of land in Al Kheeran.

In the First Half of 2021, Dubai Reported \$16.89 Billion in Transactions

The Dubai property market had strong transaction volumes in the first half of the year, with a total of 27,373 sales worth AED 61.97 billion (\$16.89 billion) recorded. The number of transactions grew by 40.2% over the previous six months of 2020. As a result, the average sale value of both secondary and off-plan properties has risen. In the second half of 2020, the average transaction price for secondary/ready homes climbed from AED 2.48 million to AED 3.69 million in the first half of 2021. Secondary houses have increased by 8.53%, while off-plans have increased by 15.36%. When compared to the previous half-year, off-plan transactions exhibited a somewhat lower growth, with an overall volume increase of 34.02%. When compared to flats and townhouses, villas are witnessing a substantial increase in demand, with prices being around 17% lower than the previous market peak six years ago. Dubai registered 128 sales of AED 20 million or more between January and June 2021, the most since 2015, when 137 transactions in this price range were reported.

In Abu-Dhabi, the best areas to invest in real estate are...

Aldar's Al Ghadeer project, which is located on the border of Dubai and Abu Dhabi, has the greatest rental profitability in the UAE capital, at about 8%. A one-room apartment in Al-Ghadir costs AED 22,000 per month while a two-room flat costs AED 43,000 per month. The second-highest rental profitability is found in the outskirts of Abu-Dhabi, at 7.5%. There are one-bedroom apartments ranging in price from AED 48,000 to AED 90,000, and three-bedroom villas ranging in price from AED 80,000 to AED 165,000. With average rental profitability of 6.8%, Al Rim Island is the third most profitable island in Abu Dhabi. With rental profitability of 6.2% and 6%, Al Raha Beach and Yas Island round out the top five areas to rent in Abu Dhabi. Owners may rent a one-bedroom flat for AED 65,000 or a luxury four-bedroom property for AED 260,000 at Al Raha Beach. A four-bedroom townhouse for rent, on the other hand, will cost between AED 190,000 and 310,000. A one-bedroom property on Yas Island costs 70,000 AED a month, while a three-bedroom unit costs around 190,000. A two-bedroom villa in the neighbourhood costs AED 160,000, while a five-bedroom villa costs AED 240,000 to 300,000.

Buying a rental property has never been more affordable, and loan rates have never been lower. A low-interest rate allows investors to buy a decent property with less money and rapidly return their investment.

Dubai's best real estate investment locations

Discovery Gardens has the greatest gross rental profitability in Dubai, with apartments on average returning more than 8% per year to investors. In this neighborhood, the average rent for a two-bedroom apartment is AED 38,000, with an average house sale price of AED 417,000. Renting out apartments in International City generates annual revenue of more than 8% on average. A two-bedroom apartment costs on average AED 25,000 to rent, with an average selling price of AED 300,000. Rentals in this neighborhood have risen by 6% in the previous six months. Apartments in Dubai Marina rank third in terms of profitability, with 6% profit each year. A Dubai Marina apartment may be rented for AED 60,000 or purchased for AED 830,000. The Damac Hills neighborhood has a profit margin of more than 6% per year, while Nshama's real estate return on UNA is more than 5% per year.

In the First Half of 2021, Dubai's Real Estate Maintained its Rising Trend

The real estate industry in the emirate had an outstanding first half of the year, with significant increases in sales and rental prices in the most popular regions. In the first half of 2021, prices for houses for sale in Dubai have increased by 6% to 20%. Purchasers have resorted to Jumeirah Village Circle, Akoya Oxygen, and Dubai land for affordable apartments and villas. Established neighborhoods like Dubai Marina, Downtown Dubai, and Arabian Ranches have attracted HNW investors, while newer gated suburbs like Dubai Hills Estate have risen in appeal. High-income tenants looking for luxury flats and villas have flocked to Dubai Marina, Downtown Dubai, and Jumeirah. In the first half of 2021, ready-to-move-in homes led the way, accounting for 59% of all residential sales. This might be due to an increase in demand from end-users wanting to upgrade or move to homeownership. The United Arab Emirates has been named the world's second safest country and the most COVID-19-vaccinated nation. This has not only aided the country's economic recovery following the shutdown but has also underlined the country's appeal as a worldwide investment destination. Property sales have soared with the introduction of the Golden Visa and 100% foreign business ownership. In the first five months of 2021, Emaar Properties recorded a 250% increase in home sales over the same time last year. In May 2021, the Dubai Land Department saw a 221% increase in the value of sales transactions compared to May 2020.

With Low Pricing and High Rental Returns, Sharjah and Ajman Continue to Draw Renters and Investors

The Northern Emirates' real estate market sees increased demand due to low costs, family-friendly facilities, and strong rental returns. In most of the prominent areas in Sharjah and Ajman, sales prices have climbed or stayed stable, while rental costs have remained affordable. According to Ajman's Department of Land and Real Estate Regulation, the emirate's real estate transactions totaled AED 2.7 billion in the first quarter of 2021. Sharjah also reported AED 6.7 billion in transactions in the first quarter of 2021, up 84.9% from the same time in 2020. In H1 2021, Sharjah and Ajman continued to provide high returns on investment for villas and flats of up to 10%, while the rental market in both emirates remained competitively priced.

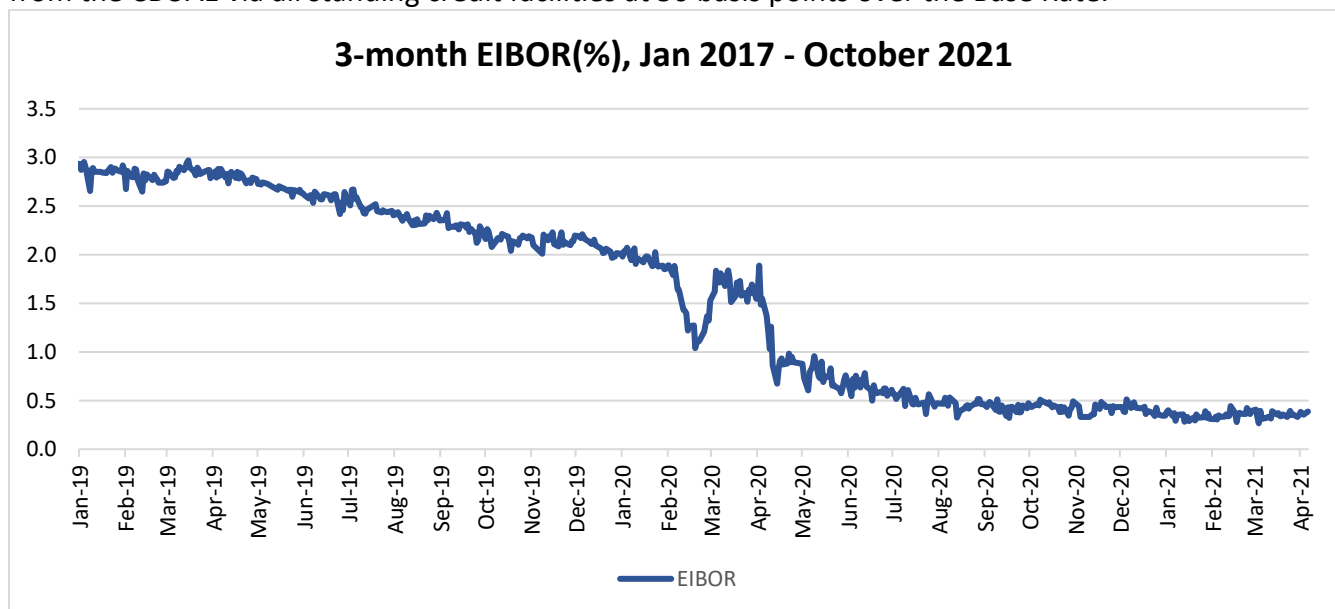
Property Sales in Dubai Increased in H1 2021 as the Economy Improves

The Dubai property market had its greatest transaction volumes in over a decade in the first half of 2021. Low loan rates and increasing employment optimism in the United States, along with the pandemic's focus on the house, have resulted in a boom in demand among residents. Dubai's COVID-19 reaction and business-friendly attitude have gained many fans across the world. With the US Federal Reserve stating that interest rates would continue at present low levels long into 2022 and the supply of new units reaching a nadir, it's difficult not to anticipate prices rising over the next several years. Investor margins are being stretched, especially in periphery towns with lots of new apartment supply, as rental prices trail purchase prices in many places.

In comparison to the same period the previous year, the number of units sold grew by 70%, and by 52% compared to 2019. In the first half of 2021, the number of transactions and prices in villa communities increased dramatically. With a 26% rise in sales, four-bedroom villas proved to be popular in this category. The number of buyer leads for villas/townhouses increased by 123%.

EIBOR

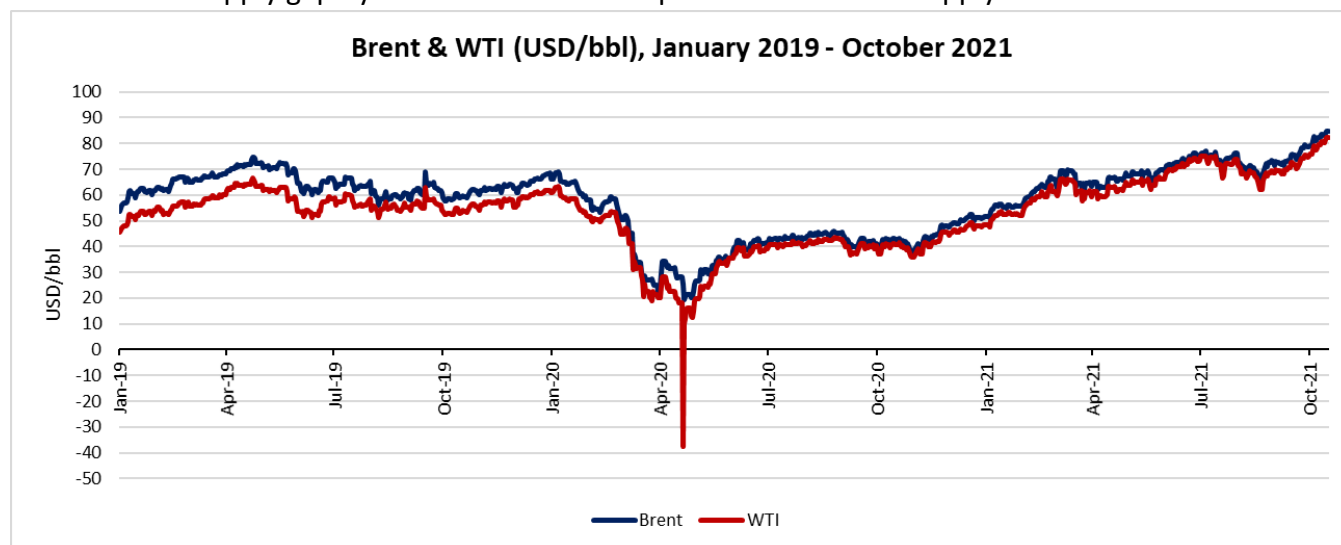
UAE's 3-month EIBOR was reported at 0.3775% in July 2021, decreasing from the closing of December 2020 of 0.425%. The federal reserve announced that they will keep the interest rates steady between 0 and 0.25% until a noticeable recovery from COVID-19. The decline in EIBOR began in January 2020 and has been low since then. This is predicted to enhance liquidity in the UAE banking sector and allow cheaper borrowing for investors. The Central Bank of the UAE (CBUAE) has decided to raise the Overnight Deposit Facility (ODF) Base Rate by 5 basis points to 15 basis points with effect from Thursday, June 17th. This decision was made in response to the US Federal Reserve Board's statement that it will raise the interest rate on excess reserves (IOER). The CBUAE's monetary policy is signaled by the Base Rate, which is tied to the IOER of the US Federal Reserve, which also gives overnight money market rates an effective interest rate floor. In addition, the CBUAE has decided to keep the cost for borrowing short-term liquidity from the CBUAE via all standing credit facilities at 50 basis points over the Base Rate.



Source: FABS from Bloomberg data

Oil Priced surged to an all-time three-year high

Oil prices increased to a three-year high on October 15 to USD85 a barrel. Expected supply deficits mainly drove it as economies are easing restrictions related to the COVID-19 pandemic. As a result, the demand has increased. The power generators industry is likely to use expensive oil instead of coal and gas, further boosting demand. A significant decline in stockpiles in the United States and member countries of the Organization of Economic Co-operation and Development is expected to keep the supply deficit narrow. USA firms added oil & gas rigs as the demand has increased due to the increase in oil prices. Furthermore, energy crunch is likely to support the oil demand majorly and increase it by 500,000 barrels per day. It will boost the supply gap by the end of 2021 until producers increase supply



Source: FABS from Bloomberg data

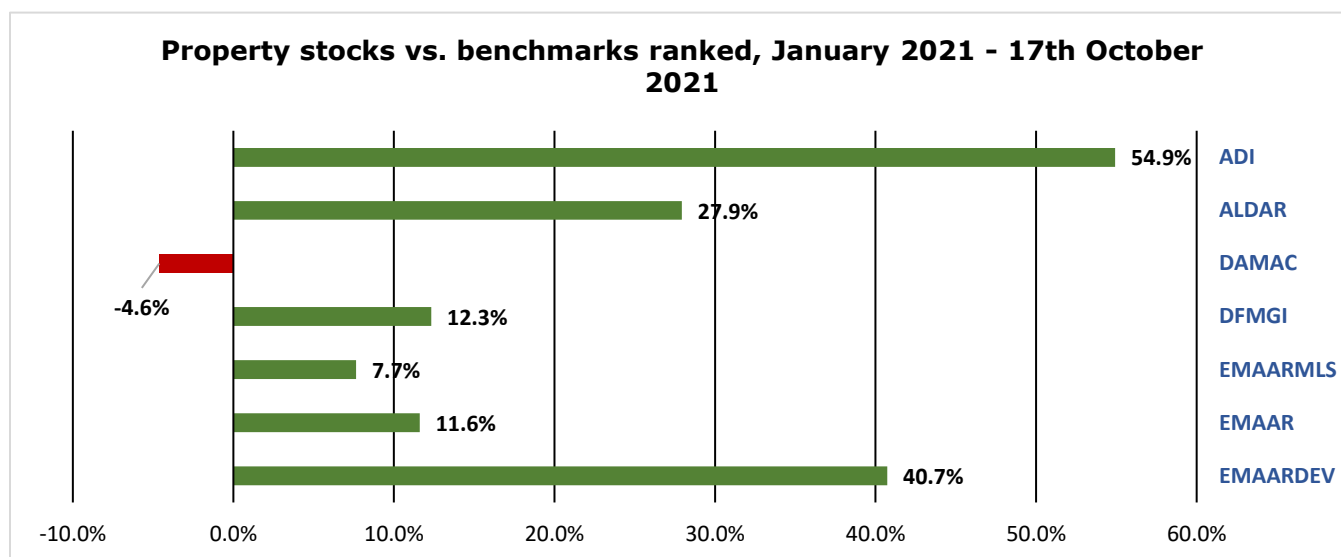
The oil production levels for US stood at 11.3 Mn as of July 2021. The Hurricane Ida is expected to have impacted the production levels of September. Hence a decline in levels is expected. As a result, the October and December production levels are expected to be slightly higher than the September level. Furthermore, the production levels are expected to increase mainly due to producers increasing the rig count that is expected to outweigh the production decline rates.

Brent Crude Oil spot prices stood at USD74 per barrel in September 2021. It increased by USD4 per barrel as compared to August 2021, and up by USD34 per barrel as compared to September 2020. Oil prices surged over 2021 mainly due to sustained inventory levels. Furthermore, on October 4, OPEC+ announced not changing the current production targets, which positively impacted the oil prices. However, global oil inventories are expected to decline mainly due to lower 2021 supply levels. The growth in production levels from OPEC+, U.S tight oil, and non-OPEC countries are likely to outweigh the global consumption and reduce the Brent Crude Oil prices per barrel. The U.S West Texas Intermediate (WTI) crude futures increased to USD82.28 per barrel, up by 1.2% or 97 cents, as of October 15. The increase accounts for eight consecutive increases in the week.

Sector stock performance

Most of the stocks traded in positive territory

On a YTD basis, 1 out of 7 stocks under our coverage traded in the negative territory. Aldar, Emaar Malls, Emaar Properties, Emaar Development gained a positive figure in January 2021 to October 2021. Emaar Development amongst all gained the highest at 40.7% YTD basis. On the other side, Damac had a decrease of -4.6% YTD in the same period.



Source: FABS from Bloomberg data

Relative valuation and rating

We maintain MARKET WEIGHT on the real-estate companies under our coverage led by 3x BUYs, 1x ACCUMULATE and 1xHOLD. The 2021 P/B multiples for the below stocks ranges between EMAAR (0.43x) and EMAARDEV (1.31x). Among the stocks, only Emaar Properties (1.21x) and Damac Properties (1.04x) are trading at a 2021 PB multiple lower than one. ALDAR's 2021F dividend yield is the highest at 3.6%. Despite EMAAR Properties distributed AED 0.10 in 2020 its dividend yield is below of Aldar Properties.

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Emaar Development (AED)	4.50	3.89	15.7%	BUY	1.31	0
Damac Properties (AED)	1.30	1.24	4.8%	HOLD	0.60	0

FABS Estimate

3Q21 preview: Emaar Properties

Increase in Revenue likely to offset Increase in Costs

CMP (AED): 3.93

Potential upside (%): **+27.2%**

12-m target price:
AED 5.00

Stock rating:
BUY

3Q21 Estimate

The Net Profit is forecasted to increase significantly to AED913 Mn in 3Q21, up from AED430 Mn in 3Q20. The Revenue is likely to increase by 52.8% YOY to AED6,636 Mn in 3Q21, up from AED4,342 Mn in 3Q20. Subsequently, the Cost of Revenue is likely to increase by 41.5% YOY to AED3,803 Mn in 3Q21, up from AED2,687 Mn in 3Q20. Therefore, the Gross Profit is forecasted to increase by 71.3% YOY to AED2,834 Mn in 3Q21, up from AED1,654 Mn in 3Q20. The General & Administrative Expenses are forecasted to increase by 50.8% YOY to AED1,022 Mn in 3Q21, up from AED678 Mn in 3Q20. The Net Operating Income is expected to surge by 72.1% YOY to AED65 Mn in 3Q21, up from AED38 Mn in 3Q20. The EBIT is forecasted to increase by 85% YOY to AED1,876 Mn in 3Q21, up from AED1,014 Mn in 3Q20. The Loss of Share of results is expected to decline by 37.4% YOY to AED56 Mn in 3Q21, down from AED90 Mn in 3Q20. The Finance Income is expected to decline by 16.5% YOY to AED98 Mn in 3Q21, down from AED118 Mn in 3Q20. The Finance Cost is forecasted to increase by 23.6% YOY to AED266 Mn in 3Q21, up from AED215 Mn in 3Q20. The Other Income is forecasted to decrease by 1.4% YOY to AED109 Mn in 3Q21, down from AED111 Mn in 3Q20. The Depreciation is expected to decline by 1.3% YOY to AED315 Mn in 3Q21, down from AED320 Mn in 3Q20. The Profit before Tax is forecasted to increase significantly to AED1,447 Mn in 3Q21, up from AED618 Mn in 3Q20. The NCI is forecasted to surge to AED492 Mn in 3Q21, up from AED244 Mn in 3Q20.

2021 Forecast

The Gross Profit is expected to increase by 58.7% YOY to AED11,113 Mn in 2021, up from AED7,000 Mn in 2020. It is likely to be driven by AED25,839 Mn in 2021, up from AED19,710 Mn in 2020. The Cost of Revenue is projected to increase by 15.9% YOY to AED14,726 Mn in 2021, up from AED12,710 Mn in 2020. However, the increase in Revenue outweighed the increase in Cost of Revenue. The EBIT is expected to increase significantly by 91% YOY to AED7,330 Mn in 2021, up from AED3,838 Mn in 2020. The General and Administrative expenses are expected to increase by 20.9% YOY to AED4,025 Mn in 2021, up from AED3,328 Mn in 2020. The Net Other Operating Income is expected to increase by 46.4% YOY to AED242 Mn in 2021, up from AED165 Mn in 2020. The Share of associates is expected to fall by 78.9% YOY to AED123 Mn in 2021, down from AED582 Mn in 2020. The Provisions are forecasted to fall significantly to AED0, down from AED551 Mn in 2021. The Finance Income is expected to decline by 22% YOY to AED378 Mn in 2021, down from AED485 Mn in 2020. The Finance Cost is expected to decline by 5.3% YOY to AED1,037 Mn in 2021, down from AED1,096 Mn in 2020. The Other Income is estimated to decline strongly by 86% YOY to AED345 Mn in 2021, down from AED1,259 Mn in 2020. The Profit before Tax is expected to increase robustly, by 71.3% YOY to AED5,641 Mn in 2021, up from AED3,384 Mn in 2020. The NCI contribution is expected to increase significantly to AED2,208 Mn in 2021, up from AED767 Mn in 2020. As a result, the Net Profit is expected to increase by 30.3% YOY to AED3,409 Mn in 2021, up from AED2,617 Mn in 2020.

2Q21 Outturn

The Gross Profit surged significantly to AED2,737 Mn in 2Q21, up from AED433 Mn in 2Q20. It was mainly due to 125% YOY increase in Revenue to AED6,506 Mn in 2Q21, up from AED2,892 Mn in 2Q20. The Cost of Revenue increased by 53.3% YOY to AED3,769 Mn in 2Q21, as compared to AED2,459 Mn in 2Q20. The EBIT level surged to profitability in 2Q21, as compared to a loss in 2Q20, and stood at AED1,799 Mn in 2Q21. The General and Administrative expenses increased by 30.6% YOY to AED1,003 Mn in 2Q21, up from AED768 Mn in 2Q20. The Net Operating Income increased by drastically to AED64 Mn in 2Q21, up from AED31 Mn in 2Q20. The Share of results of associates and joint ventures impacted positively and reported a profit of AED93 Mn in 2Q21, as compared to a loss of AED68 Mn in 2Q20. The company reported no Impairment charges in 2Q21, as compared to AED551 Mn in 2Q20. Both the Finance charges and Finance Income declined by 4.2% YOY & 29.1% YOY, respectively. The Other Income declined significantly by 99.4% YOY to AED13 Mn in 2Q21, as compared to AED2,238 Mn in 2Q20. As a result, the Profit before tax increased by 66.1% YOY to AED1,429 Mn in 2Q21, up from AED860 Mn in 2Q20. The company reported an Income tax expense in 2Q21, as compared to an Income tax credit in 2Q20. The NCI impacted positively and reported a AED488 Mn Profit in 2Q21, as compared to loss of AED57 Mn in 2Q20. As a result, the Net Profit declined by 17% YOY to AED904 Mn in 2Q21, down from AED1,089 Mn in 2Q20. The Total Assets increased slightly by 0.3% YOY to AED122.9 Bn in 2Q21. The Total Liabilities declined slightly by 0.4% YOY to AED57.5 Bn in 2Q21. The Total Equity increased by 0.8% YOY to AED65.4 Bn in 2Q21, as compared to AED64.9 Bn in 2Q20.

Target price and rating

We maintain our BUY rating on Emaar Properties with a target price of AED5.00. The Global property developer - Emaar Properties, reported robust growth in Revenue to AED6,506 Mn in 2Q21, up from AED2,892 Mn in 2Q20. It was mainly due to the company's strategic focus on sales of under-construction projects and several real-estate launches in key markets such as UAE & International. The Cost of Revenue increase proportionately by 53.3% YOY, because of the increase in top-line. The company has a robust Revenue backlog of AED45.12 Bn that will be recorded in coming years. The company reports Revenue mainly via four segments – Real Estate, Leasing, retail & related activities, Hospitality and Others. The Revenue from Real Estate is the highest contributor at 75.4% in 2Q21, followed by Leasing and Hospitality. The Revenue generated from Real Estate increased robustly by 127% YOY to AED4,908 Mn in 2Q21, up from AED2,162 Mn in 2Q20. The increase is mainly due to a robust increase in property launches and sales. The Revenue generated from Leasing surged by 93% YOY to AED1,313.3 Mn in 2Q21, as compared to AED681.9 Mn in 2Q20. It was mainly due to an increase in activity and ease of restrictions. The Hospitality segment significantly increased to AED284.8 Mn in 2Q21, as compared to AED48 Mn in 2Q20. The segment recovered strongly as the tourism activities showed signs of slow recovery. The Net Profit declined by 17% YOY, to AED904 Mn in 2Q21, as compared to AED1,089 Mn in 2Q20. It was mainly due to significant decline in Other Income to AED13 Mn in 2Q21, as compared to AED2,238 Mn in 2Q20. The company mainly generates Revenue from its domestic operations, and it contributes up to 79.3% of the total Revenue. The Revenue from Domestic Operations surged by 133.1% YOY to AED5,162 Mn in 2Q21, up from AED2,214.1 Mn in 2Q20. The company's focus is the domestic region, and all the profitable projects are a part of UAE. The International segments, which mainly comprise of Emaar Misr and Projects in India, increased significantly by 98.4% YOY to AED1,344 Mn in 2Q21, as compared to AED677.6 Mn in 2Q20. The Revenue from Property sales which comprises of Sale of Condominiums,

Sale of Villas & Sale of commercial units, plots of land and others increased significantly in 2Q21. The Sale of Condominiums is the highest contributor to 46% in 2Q21. It increased significantly by 95% YOY to AED3,008 Mn in 2Q21. The Sale of Villas robustly increased by 186% YOY, as the country witnessed a surge in demand related to Villas. The Revenue generated from this segment majorly contributed to the top-line of the company. Sale from commercial units surged to AED701 Mn in 2Q21, due to increase in demand and rebound in business activity. The Cost of Revenue increased by 53.3% YOY to AED3,769 Mn in 2Q21, as compared to AED2,459 Mn in 2Q20. However, compared to growth in Revenue generated, the increase in Cost of Revenue is minimal. As a result, the company improved its Gross Profit Margin by 271 bps and stood at 42% in 2Q21, as compared to 15% in 2Q20. The main increase was attributable to increase in Operating Cost for Villas, due to increase in demand. However, due to slight increase in tourism activity, ease of lockdowns around the world, the Hospitality sector demonstrated growth. As a result, the Operating expenses increased significantly to AED160 Mn in 2Q21, as compared to AED42 Mn in 2Q20. The Operating cost for Sale of Condominiums increased drastically to AED2,138 Mn in 2Q21, as compared to AED996.8 Mn in 2Q20. The growth is in line with the increase in Sales and more projects announced. The company's 1H21 Net Profit stood at AED1.56 Bn in 2Q21, as compared to AED1.698 Bn in 2Q21. The decline is mainly due to one-time exceptional Income generated from the sale of Emaar's District Cooling Business in 1H20. Since 2002, the company has handed over 77,000 residential units in Domestic and International Markets. Around 25,700 units are under construction in UAE and 11,000 units in the international markets. The company's four major subsidiaries Emaar Development, Emaar International, Emaar Malls & Emaar Hospitality, Leisure & Entertainment contribute significantly to the company's growth and future expansions. The Emaar Development reported the highest quarterly sales to AED7.942 Bn in 2Q21, recording a 21x increase from 2Q20 level. The robust property sales supported the 61% YOY and 46% YOY increase in 1H21 Revenue and 1H21 Net Profit. Emaar International reported a 59% YOY increase in property sales of AED2.993 Bn in 1H21. It was mainly contributed due to operations in Egypt and India. The subsidiary's Revenue contributes around 14% to the Emaar's Total Revenue. The Emaar Malls reported a 23% YOY growth in Revenue to AED2.048 Bn in 1H21, as the tenant's retail sales robustly rebounded. The Net Profit surged to 80% YOY to AED622 Mn in 1H21, as compared to AED345 Mn in 1H20. It significantly contributed to the Emaar Group's profitability levels. The subsidiary's e-commerce fashion and lifestyle segment-Namshi reported 65% increase in sales from 1Q21. The platform added 240 brands in 1H21 and witnessed exceptional level of Sales during Eid & Ramadan. The platform experienced persistent growth from its key markets - Saudi Arabia, Kuwait, other GCC countries & recently Qatar that launched in 1H21. Emaar Hospitality, Leisure & Entertainment witnessed a 14% YOY increase in Revenue to AED948 Mn in 1H21, as compared to 1H20. The Hotels under the Group demonstrated resilience with 63% occupancy rates after slight improvement in market conditions. The diversified Revenue streams contributed AED2.996 Bn to the Group and comprised of 24% of the top-line. The company approved a cash dividend of AED0.10 per share for 2020, in 1H21. Based on our analysis, we maintain our BUY rating on the stock.

Emaar Properties – Relative Valuation

(at CMP)	2017	2018	2019	2020	2021
PE (X)	5.0	4.6	4.5	10.6	8.3
PB (X)	0.6	0.6	0.5	0.5	0.4
Dividend yield (%)	3.6%	3.8%	0.0%	2.5%	2.5%

FABS estimate & Co Data

Emaar Properties - P&L

AED (MN)	2Q20	3Q20	2Q21	3Q21F	YY Ch	QoQ Ch	2020	2021F	Change
Revenue	2892	4342	6506	6636	52.8%	2.0%	19710	25839	31.1%
Cost of revenue	-2459	-2687	-3769	-3803	41.5%	0.9%	-12710	-14726	15.9%
Gross profit	433	1654	2737	2834	71.3%	3.5%	7000	11113	58.7%
General and admin expenses	-768	-678	-1003	-1022	50.8%	1.9%	-3328	-4025	20.9%
Net other operating	31	38	64	65	72.1%	0.5%	165	242	46.4%
EBIT	-304	1014	1799	1876	85.0%	4.3%	3838	7330	91.0%
Share of assoc. profits/(-loss)	-68	-90	93	-56	-37.4%	NM	-582	-123	-78.9%
Provisions and impairment	-551	0	0	0	NA	NA	-551	0	NM
Finance income	135	118	95	98	-16.5%	3.0%	485	378	-22.0%
Finance cost	-272	-215	-261	-266	23.6%	2.0%	-1096	-1037	-5.3%
Other income	2238	111	13	109	-1.4%	NM	2457	345	-86.0%
Depreciation	-317	-320	-311	-315	-1.3%	1.5%	-1259	-1252	-0.5%
Profit before tax	860	618	1429	1447	NM	1.2%	3293	5641	71.3%
Income tax	172	55	-38	-42	NM	11.8%	91	-204	NM
Profit for the period	1032	674	1392	1405	NM	0.9%	3384	5437	60.6%
NCI	57	-244	-488	-492	NM	0.7%	-767	-2028	NM
Net Profit	1089	430	904	913	NM	1.0%	2617	3409	30.3%

FABS estimate & Co Data

Emaar Properties - Margins

(%)	2Q20	3Q20	2Q21	3Q21F	YoY Ch	QoQ Ch	2020	2021F	Change
GPM	15%	38%	42%	43%	46	64	36%	43%	749
OPM	-10.5%	23.4%	27.6%	28.3%	49	63	19%	28%	890
NPM	37.7%	9.9%	13.9%	13.8%	39	-13	13%	13%	-8

FABS estimate & Co Data

3Q21 preview: Emaar Development

Strong Growth in Revenue due to favourable outlook

CMP (AED): 3.89

Potential upside (%): **+15.7%**

12-m target price:
AED 4.50

Stock rating:
BUY

3Q21 Estimate

EMAAR DEVELOPMENT's Gross Profit is forecasted to grow significantly to AED1,475 Mn in 3Q21, up from AED737 Mn in 3Q20. It will be mainly driven by 72.1% YOY increase in Revenue to AED3,985 Mn in 3Q21, up from AED2,315 Mn in 3Q20. The Cost of Revenue is forecasted to increase by 59.1% YOY to AED2,511 Mn in 3Q21, up from AED1,578 Mn in 3Q20. The Selling & Administrative Expenses are expected to increase by 39.6% YOY to AED410 Mn in 3Q21, up from AED294 Mn in 3Q20. The Operating Profit is expected to increase significantly to AED1,064 Mn in 3Q21, up from AED443 Mn in 3Q20. The Finance Income is expected to increase by 44.2% YOY to AED11 Mn in 3Q21, up from AED7 Mn in 3Q20. The Finance Cost is forecasted to surge to AED91 Mn in 3Q21, up from AED29 Mn in 3Q20. The Other Income is forecasted to increase by 56.7% YOY to AED12 Mn in 3Q21, up from AED8 Mn in 3Q20. The Share of Results of Associates is expected to increase significantly to AED42 Mn in 3Q21, up from AED2 Mn in 3Q20. The Profit for the year is expected to increase significantly to AED1,038 Mn in 3Q21 up from AED431 Mn in 3Q20. The NCI is forecasted to rise significantly to AED287 Mn in 3Q21, up from AED108 Mn in 3Q20.

2021 Forecast

The Gross Profit is expected to increase by 70% YOY to AED5,915 Mn in 2021, up from AED3,478 Mn in 2020. It is likely to be driven by 61.6% YOY increase in Revenue to AED15,765 Mn in 2021, up from AED9,758 Mn in 2020. The Cost of Revenue is forecasted to increase by 56.9% YOY to AED9,850 Mn in 2021, up from AED6,280 Mn in 2020. The Selling & Administrative Expenses is forecasted to increase by 28% YOY to AED1,670 Mn in 2021, up from AED1,305 Mn in 2020. The Finance Income is likely to decrease by 30% YOY to AED40 Mn in 2021, down from AED57 Mn in 2020. The Finance Cost is forecasted to increase by 9.1% YOY to AED328 Mn in 2021, up from AED300 Mn in 2020. The Other Income is likely to increase by 43.7% YOY to AED40 Mn in 2021, up from AED28 Mn in 2020. The Share of Results in Associates is expected to surge by 90.8% YOY to AED187 Mn in 2021, up from AED98 Mn in 2020. The Profit for the year is forecasted to increase significantly to AED4,183 Mn in 2021, up from AED2,056 Mn in 2020. The NCI is likely to increase significantly to AED1,156 Mn in 2021, up from AED398 Mn in 2020. As a result, the Net Profit is forecasted to increase by 82.6% YOY to AED3,027 Mn in 2021, up from AED1,657 Mn in 2020.

2Q21 Outturn

The Gross Profit has significantly rebounded significantly to AED1,438 Mn in 2Q21, as compared to AED658 Mn in 2Q20. It was mainly due to 120.3% YOY increase in Revenue to AED3,907 Mn in 2Q21, up from AED1,773 Mn in 2Q20. The Cost of Revenue increased drastically YOY to AED2,469 Mn in 2Q21, as compared to AED1,115 Mn in 2Q20. Therefore, the Gross Margin slightly contracted by 30 bps to 36.8% in 2Q21, down from 37.1% in 2Q20. The Operating Profit surged to AED1,028 Mn in 2Q21. It was despite the significant increase in Administrative Expenses. However, the increase is justified due to increase in business activity and Revenue levels. As a result, the Operating Profit Margin improved slightly by 17 bps to 26.3% in 2Q21, as compared to 26.1% in 2Q20. The Finance cost surged to AED88 Mn in 2Q21, up from AED43 Mn in 2Q20. The Share of results from associates and Joint ventures improved significantly to AED41 Mn in 2Q21, as compared to AED1 Mn in 2Q20.

The Profit for the year rebounded significantly to AED1,003 Mn in 2Q21, as compared to AED431 Mn in 2Q20. The NCI significantly improved and contributed AED271 Mn in 2Q21 to the company's profitability, as compared to AED44 Mn in 2Q20. As a result, the Net Profit improved by 89.2% YOY to AED732 Mn in 2Q21, up from AED387 Mn in 2Q20. The Total Assets increased by 9.4% YOY to AED36.5 Bn in 2Q21, as compared to AED33.4 Bn in 2Q20. The Total Liabilities increased by 7.2% YOY to AED21.8 Bn in 2Q21, as compared to AED20.3 Bn in 2Q20. The Total Equity increased by 12.9% YOY to AED14.8 Bn in 2Q21, as compared to AED13.1 Bn in 2Q20.

Target price and recommendation

We assign a BUY recommendation on Emaar Development with a revised target price of AED 4.5. Emaar Development PJSC, the build-to-sell property development business, is majorly owned by the parent company Emaar Properties PJSC. The company performed robustly in 2Q21, with strong rebound in Revenue & Net Profit by 120.3% YOY and 89.2% YOY, respectively. It was supported by strong inventory sales and recent successful development launches. The company mainly operates in UAE and generates revenue via three segments – Sale of Condominiums, Sale of Villas and Sale of commercial units, plots of land and others. The Revenue generated from Sale of Condominiums contributes around 65% to the Total Revenue, followed by Sale of Villas and Commercial units. The Sale of Condominiums increased by 73% YOY to AED2,520 Mn in 2Q21, as compared to AED1,458 Mn in 2Q20, because of several successful launches in 2Q21. The Sale of Villas increased robustly by 3.15x YOY to AED899 Mn in 2Q21, as compared to AED216.8 Mn in 2Q20. It was mainly due to increase in demand for Villa units. The Sale of commercial plots surged by 4x YOY to AED486.7 Mn in 2Q21, as compared to AED98.2 Mn in 2Q20. As a result, the Total Revenue increased by 120.3% YOY to AED3,907 Mn in 2Q21, as compared to AED1,773 Mn in 2Q20. The company reported highest quarterly sales in 2Q21, to AED7.942 Bn and AED13.825 Bn in 1H21, a significant rebound from 1H20. The Net Profit for 1H21 increased by 46% YOY to AED1.512 Bn in 2Q21, as compared to 1H20. The sales backlog stood at AED27.577 Bn as of 2Q21 and will be recognized as Revenue in the coming years. In 1H21, the developer successfully launched Golf Place Terrace, Palm Hills with Elie Saab, Majestic Villas that were high in demand, Palace Beach residence in Emaar Beachfront and Caya and Bliss in Arabian Ranches III. The company has delivered 2,300 residential units in 1H21 across Dubai Hills Estate, Dubai Creek Harbour, Downtown Dubai and Emaar South. As of 2021, the company has successfully delivered 49,500 residential units and currently have 25,700 units under development. The Cost of Revenue increased robustly, in line with the increase in Revenue. The Cost of revenue increased drastically to AED2,468.6 Mn in 2Q21, as compared to AED1,115.2 Mn in 2Q20. The Costs related to Sale of Condominiums increased by 83% YOY increase and comprise of the largest portion of the total Costs. The increase is in line with the robust increase in activity in the segment and high demand. Similarly, the Cost of Villas increased by 3.1x YOY to AED589 Mn in 2Q21, as compared to AED144 Mn in 2Q20. However, the Costs related to Sale of Commercial plots surged by 10.7x YOY to AED124.1 Mn in 2Q21, as compared to AED10.6 Mn in 2Q20. As a result, the Gross Profit increased significantly to AED1,438 Mn in 2Q21, up from AED658 Mn in 2Q20. The Administrative expenses increased significantly to AED411 Mn in 2Q21, as compared to AED195 Mn in 2Q20, mainly attributed to Marketing & Other expenses. The Cash from core operations surged significantly to AED2,048 Mn in 2Q21, as compared to AED117.2 Mn in 2Q20. It was mainly supported by favorable Working Capital changes and increase in Revenue in 2Q21, as compared to 2Q20. The company paid dividends amounting to AED810 Mn in 2Q21, to the Non-Controlling Interests. Based on our analysis, we assign a BUY rating on the stock.

Emaar Development – Relative Valuation

(at CMP)	2017	2018	2019	2020	2021
PE (X)	1.2	4.0	5.7	9.5	7.1
PB (X)	3.1	2.0	1.6	1.4	1.3
Dividend yield (%)	0.0%	13.4%	0.0%	0.0%	0.0%

FABS estimate & Co Data
Emaar Development - P&L

AED (MN)	2Q20	3Q20	2Q21	3Q21F	YoY Ch	QoQ Ch	2020	2021F	Change
Revenue	1773	2315	3907	3985	72.1%	2.0%	9758	15765	61.6%
Cost of Revenue	-1115	-1578	-2469	-2511	59.1%	1.7%	-6280	-9850	56.9%
Gross Profit	658	737	1438	1475	NM	2.5%	3478	5915	70.0%
Selling, General & Administrative exp.	-195	-294	-411	-410	39.6%	0.0%	-1305	-1670	28.0%
Operating Profit	464	443	1028	1064	NM	3.5%	2174	4244	95.3%
Finance Income	7	7	10	11	44.2%	5.0%	57	40	-30.0%
Finance Cost	-43	-29	-88	-91	NM	3.0%	-300	-328	9.1%
Other Income	2	8	12	12	56.7%	3.0%	28	40	43.7%
Share of results of Joint Ventures	1	2	41	42	NM	1.0%	98	187	90.8%
Profit of the year	431	431	1003	1038	NM	3.5%	2056	4183	NM
NCI	44	108	271	287	NM	5.7%	398	1156	NM
Net Profit	387	323	732	751	NM	2.6%	1657	3027	82.6%

FABS estimate & Co Data
Emaar Development - Margins

(%)	2Q20	3Q20	2Q21	3Q21F	YoY Ch	QoQ Ch	2020	2021F	Change
GPM	37.1%	31.8%	36.8%	37.0%	517	18	35.6%	37.5%	187
OPM	26.1%	19.1%	26.3%	26.7%	757	39	22.3%	26.9%	465
NPM	21.8%	14.0%	18.7%	18.8%	488	12	17.0%	19.2%	222

FABS estimate & Co Data

3Q21 preview: Emaar Malls

Revenue is Expected to Rebound

CMP (AED): 1.95

Potential upside (%): **17.9%**

12-m target price:
AED 2.30

Stock rating:
BUY

3Q21 Estimate

EMAAR MALLS's Gross Profit is expected to increase by 54.1% YOY to AED820 Mn in 3Q21, up from AED532 Mn in 3Q20. It is likely to be driven by 50.9% YOY increase in Revenue to AED1,262 Mn in 3Q21, up from AED836 Mn in 3Q20. The Cost of Revenue is forecasted to increase by 45.3% YOY to AED442 Mn in 3Q21, up from AED304 Mn in 3Q20. The Sales & Marketing expenses are forecasted to increase significantly to AED177 Mn in 3Q21, up from AED54 Mn in 3Q20. The General & Administrative Expenses are likely to increase by 13.8% YOY to AED88 Mn in 3Q21, up from AED78 Mn in 3Q20. The Depreciation & Amortization is likely to increase by 32.6% YOY to AED151 Mn in 3Q21, up from AED114 Mn in 3Q20. The Operating Profit is expected to increase by 40.8% YOY to AED404 Mn in 3Q21, up from AED287 Mn in 3Q20. The Finance Income is forecasted to decline by 45.6% YOY to AED3 Mn in 3Q21, down from AED5 Mn in 3Q20. The Finance Costs forecasted to increase by 32.8% YOY to AED68 Mn in 3Q21, up from AED51 Mn in 3Q20. As a result, the Net Profit is expected to increase to by 40.8% YOY to AED339 Mn in 3Q21, up from AED241 Mn in 3Q20.

2021 Forecast

The Gross Profit is forecasted to increase by 48% YOY to AED3,109 Mn in 2021, up from AED2,102 Mn in 2020. It is likely to be driven by 33.6% YOY increase in Revenue to AED4,685 Mn in 2021, up from AED3,508 Mn in 2020. The Cost of Revenue is forecasted to increase 12.1% YOY to AED1,576 Mn in 2021, up from AED1,406 Mn in 2020. The Sales and Marketing Expenses are likely to increase significantly to AED635 Mn in 2021, up from AED250 Mn in 2020. The General & Administrative Expenses are likely to decrease by 32.6% YOY to AED325 Mn in 2021, down from AED482 Mn in 2020. The Depreciation and Amortization Expense is likely to increase by 21.8% YOY to AED576 Mn in 2021, up from AED472 Mn in 2020. The Operating Profit is likely to increase by 75.4% YOY to AED1,573 Mn in 2021, up from AED897 Mn in 2020. The Finance Income is likely to decrease by 36.8% YOY to AED9 Mn in 2021, down from AED15 Mn in 2020. The Finance Cost is expected to increase by 19.8% YOY to AED250 Mn in 2021, up from AED208 Mn in 2020. As a result, the Net Profit is expected to increase by 89.5% YOY to AED1,333 Mn in 2021, up from AED704 Mn in 2020.

2Q21 Outturn

Revenue increased by 74.4% YOY to AED1,147 Mn in 2Q21 from AED658 Mn in 2Q20. Whereas the Cost of Revenue marginally increased by 3.8% YOY to AED401 Mn from AED387 Mn in 2Q20. As a result, the Gross profit increased tremendously YOY to AED746 Mn in 2Q21 from AED271 Mn in 2Q20. Sales & marketing expenses increased significantly YOY to AED163 Mn in 2Q21 from AED70 Mn in 2Q20. While G&A expenses increased by 6.2% YOY to AED78 Mn in 2Q21 from AED73 Mn in 2Q20. Depreciation & Amortization increased by 30.1% YOY to AED140 Mn in 2Q21 from AED108 Mn in 2Q20. Operating profit increased substantially YOY to AED366 Mn in 2Q21 from AED21 Mn in 2Q20. Finance income decreased by 69% YOY. While the Finance costs increased by 3.6% YOY to AED65 Mn in 2Q21 from AED63 Mn in 2Q20. Total Assets increased by 0.2% YOY to AED26.84 Bn in 2Q21 from AED26.78 Bn in 2Q20. Total Equity increased by 5.22% YOY to AED19.67 Bn in 1Q21 from AED18.7 Bn in 2Q20. On the other hand, Total Liabilities decreased by 11.4% YOY to AED7.16 Bn in 2Q21 compared to AED8.08 Bn in 2Q20.

Target price and recommendation

We assign a BUY recommendation on Emaar Malls with a revised target price of AED 2.30. Emaar Mall's properties is a Public Joint Stock Company and a subsidiary of Emaar Properties PJSC. The Group holds 84.63% of Emaar Malls and it will be reconstituted in a wholly owned subsidiary of the company. Emaar Malls in 2Q21 continues to record steady recovery from COVID-19 global pandemic's impact on the global retail market. Emaar Malls delivered higher than expected growth and profitability and records 80% growth in Profit to AED622 Mn during the first six months of 2021 compared to AED345 Mn during the same period of 2020. Revenue for 2Q21 increased by 74% to AED1,147 Mn compared to AED658 Mn in 2Q20 and an increase of 27% QOQ from AED901 Mn in 1Q21. Occupancy levels across Emaar Malls remained resilient in 2Q21 at more than 90% with Retail Tenant Sales increasing in 2Q21 above pre-pandemic levels of 2019 by 15% thus was due to higher average spending per visitor by 59% during 1H21 compared to 1H20. It is worth noting that the restaurants witnessed an increase of occupancy as well during Ramadan and Eid periods. Emaar Malls opened the largest digital arts center in July 2021 "Infinity Des Lumieres", which will attract tourists to international arts and more exhibitions will take place to showcase works of international artists. Emaar Malls is also planning the launching of Emaar's Dubai Hills Mall over 2 Mn sq. ft. which will contain more than 600 outlets along with retail stores and coffee shops and restaurants, this will attract all members of the family and will boost sales and profits even further for the periods to come. It is worth noting that Cost of Revenue increased by 3.8%, reaching AED401 Mn in 2Q21 from AED387 Mn in 2Q20 with Gross Profit significantly increasing to AED746 Mn from AED271 Mn in 2Q20. Gross Profit Margin increased to 65% in 2Q21 up from 41.2% in 2Q20 while Operating Profit Margin increased to 31.9% in 2Q21 from 3.2% in 2Q20, a tremendous increase by 2869 bps with Operating profit reaching AED366 Mn in 2Q21 compared to AED21 Mn in 2Q20. Net Profit of Emaar Malls increased significantly to AED303 Mn in 2Q21 compared to a loss of AED33 Mn in 2Q20. Total Assets of Emaar Malls slightly increased in 2Q21 as compared to 2Q20 reaching AED26.841 Bn from AED 26.78 Bn. Total Equity also increased in 2Q21 reaching AED19.67 Bn from AED 18.70 Bn in 2Q20, an increase by 5.22% while Total Liabilities decreased by 11.4% to AED7.16 Bn in 2Q21 from AED8.08 Bn in 2Q20. Therefore, we assign a BUY recommendation on the stock.

Emaar Malls - Relative Valuation

(at CMP)	2017	2018	2019	2020	2021
PE (x)	11.9	11.2	10.6	38.2	17.4
P/B (x)	1.5	1.4	1.4	1.3	1.2
Dividend yield	5.2%	5.2%	0.0%	0.0%	0.0%

FABS estimate & Co Data

Emaar Malls - P&L

AED (MN)	2Q20	3Q20	2Q21	3Q21F	YoY Ch	QoQ Ch	2020	2021F	Change
Revenue	658	836	1147	1262	50.9%	10.0%	3508	4685	33.6%
Cost of Revenue	-387	-304	-401	-442	45.3%	10.1%	-1406	-1576	12.1%
Gross Profit	271	532	746	820	54.1%	10.0%	2102	3109	48.0%
Sales and marketing expenses	-70	-54	-163	-177	NM	8.6%	-250	-635	NM
General and administrative expenses	-73	-78	-78	-88	13.8%	13.9%	-482	-325	-32.6%
Depreciation and amortization	-108	-114	-140	-151	32.6%	8.2%	-472	-576	21.8%
Operating Profit	21	287	366	404	40.8%	10.4%	897	1573	75.4%
Finance income	8	5	3	3	-45.6%	3.0%	15	9	-36.8%
Finance costs	-63	-51	-65	-68	32.8%	4.0%	-208	-250	19.8%
Net Profit	-33	241	303	339	40.8%	11.7%	704	1333	89.5%

FABS estimate & Co Data

Emaar Malls- Margins

(%)	2Q20	3Q20	2Q21	3Q21F	YoY Ch	QoQ Ch	2020	2021F	Change
GPM	41.2%	63.7%	65.0%	65.0%	134	-3	59.9%	66.4%	645
OPM	3.2%	34.3%	31.9%	32.0%	-229	11	25.6%	33.6%	801
Net margin	-5.0%	28.8%	26.5%	26.9%	-194	41	20.1%	28.5%	839

FABS estimate& Co Data

3Q21 preview: Aldar Properties

Decrease in Finance Cost and Provision support the bottom-line

CMP (AED): 4.01

Potential upside (%): 12.2%

12-m target price:
AED4.50

Stock rating:
ACCUMULATE

3Q21 Estimate

Aldar properties is expected to report a 25.8% YOY rise in Net Profit to AED536 Mn in 3Q21 from AED426 Mn in 3Q20. This is mainly due to an expected increase in Revenue and a significant decrease in Provisions. Revenue is forecasted to increase by 6.2% YOY to AED2.22 Bn in 3Q21 from AED2.09 Bn in 3Q20. Direct Costs are projected to decrease by 0.9% YOY to AED1.38 Bn in 3Q21 from AED1.39 Bn in 3Q20 slightly. Resultantly, Gross profit is expected to increase by 20.5% YOY to AED839 Mn in 3Q21 from AED696 Mn in 3Q20, with GPM standing at 37.7% from 33.2% in 3Q20. General Expenses are expected to increase by 13.9% YOY to AED166 Mn in 3Q21 from AED145 Mn in 3Q20. EBIT is expected to increase by 22.2% YOY to AED641 Mn in 3Q21 from AED525 Mn in 3Q20. Finance Income is expected to decrease by 41.5% YOY to AED12 Mn in 3Q21 from AED21 Mn in 3Q20. Finance Cost is expected to slightly increase by 0.8% YOY to AED72 Mn in 3Q21 from AED71 Mn in 3Q20. Other income is estimated to decrease by 69.5% YOY to AED11 Mn in 3Q21 from AED37 Mn in 3Q20.

2021 Forecast

Aldar properties is expected to report a Net Profit of AED2.18 Bn in 2021, which is a 13% YOY rise compared to AED1.93 Bn in 2020. This is mainly due to a rise in Revenue and a decline in Finance Cost and Provisions. Revenue is expected to increase by 3.9% YOY to AED8.72 Bn in 2021 from AED8.39 Bn in 2020. Direct Costs are expected to insignificantly increase by 0.4% YOY to AED5.43 Bn in 2021 from AED5.4 Bn in 2020. Thus, Gross Profit is expected to increase by 10.2% YOY to AED3.28 Bn in 2021 from AED2.98 Bn in 2020, with a GPM at 37.7 % from 35.5% in 2020. General Expenses are expected to slightly increase by 1.5% YOY to AED672 Mn in 2021 from AED662 Mn in 2020. EBIT is expected to increase by 12.9% YOY to AED2.48 Bn in 2021 from AED2.19 Bn in 2020. Finance Income is expected to decrease by 29.5% YOY to AED47 Mn in 2021 compared to AED67 Mn in 2020. Similarly, the Finance Cost is expected to decrease by 8.7% YOY to AED284 Mn from AED311 Mn in 2020. Other Income is expected to drastically decrease by 76.7% YOY to AED44 Mn in 2021 from AED190 Mn in 2020. Provision is expected to decrease by 70.1% YOY to AED89 Mn in 2021 from AED296 Mn in 2020, helping Profit to advance.

2Q21 Outturn

Revenue has increased by 9.2% YOY to AED2,192 Mn compared to AED2,007 Mn in 2Q20. Direct Costs increased by 5.9% YOY to AED1,368 Mn in 2Q21. Resultantly, Gross Profit increased by 15.1% YOY to AED824 Mn in 2Q21 compared to AED716 Mn in 2Q20, with GPM equal to 37.6% from 35.7% in 2Q20. General Expenses have increased by 19.2% YOY to AED163 Mn in 2Q21. EBIT in 2Q21 increased by 13.4% YOY to AED628 Mn compared to AED554 Mn in 2Q20, with OPM margin equal to 28.7% in 2Q21. Provision Charges in 2Q21 increased by 15.9% YOY to AED12 Mn compared to AED10 Mn 2Q20. The Finance Income has decreased by 22.6% YOY to AED11 Mn in 2Q21 from AED14 Mn in 2Q20. Whereas the Finance Costs decreased by 16.4% YOY to AED68 Mn from AED82 Mn in 2Q20. While Other Income fell to Zero in 2Q21, as compared to AED50 Mn in 2Q20. Moreover, Non-controlling Interest has decreased by 13% YOY to AED0.8 Mn from to AED0.9 Mn in 2Q20. Total Assets increased by 3.7% YOY to AED40.6 Bn in 2Q21 from AED39.2 Bn in 2Q20. Total Equity

increased by 4.2% YOY to AED25.6 Bn in 2Q21 from AED24.6 bn in 2Q20. Total Liabilities increased by 2.9% YOY to AED15.03 Bn from AED14.6 Bn in 2Q20.

Target price and rating

We assign an ACCUMULATE rating on Aldar with a revised target price of AED4.5. Aldar Properties PJSC is the leading real estate developer in Abu Dhabi, and it is one of the most well known in the United Arab Emirates, and wider Middle East region, with a mission to place their customers first by embedding sustainability, quality, technology, and innovation in everything they do. The Group has shown a very strong financial performance in 2Q21 with Revenues increasing by 9.2% YOY to AED2.19 Bn in 2Q21 up from AED2 Bn in 2Q20, while the Revenues in 1H21 increasing by 12% as compared to 1H20 reaching AED4.23 Bn. As a result, Aldar's Gross Profit increased by 15% YOY to AED0.82 Bn compared to AED0.72 Bn in 2Q20. Aldar recorded AED0.52 Bn Net Profit in 2Q21 up from AED0.48 Bn in 2Q20, an increase by almost 8% YOY. Moreover, Aldar has shown a solid quarter for Development, through a substantial increase in the inventory sales at AED 2.35 Bn in 2Q21. Whereas the Revenue for Development was higher by 7% YOY to AED 1.35 Bn in 2Q21, driven by an increase in Project management services segment by 58% YOY outweighing the 5% decrease in Property development & sales segment after the one-time plot sale for AED150 Mn in 2Q20. The Project management gross profit has significantly increased to AED 0.11 Bn in 2Q21, due to strong progress on Al Falah and the sharp increase of governmental projects granted in 2020. Therefore, the Gross profit for Development has increased by 10% YOY to AED 0.44 Bn from AED 0.4 Bn in 2Q20. Furthermore, the gross profit margins increased by 4% YOY. Revenue backlog has increased to AED 4.25 Bn in 2Q21 compared to AED3.32 Bn in 2Q20 given the successful launching of several projects. Aldar has shown an improving NOI figures by investment properties segment backed up by the healthy performances of Aldar Education, performing strongly due to increased student enrolments, operating 4 ADNOC schools and 7 charter schools in addition to 8 Aldar academic schools and a nursery, and cost saving procedures leading to expansion. Provis also contributed With NOI increasing due to Asteco support among service lines. The Retail and Residential sectors have increased in terms of portfolio occupancy whereas the commercial sector have significantly decrease in comparison to 1Q21 with NOI margin for the three sectors ranging between 70% and 84%. Nevertheless, Aldar has shown a strong Balance Sheet for 2Q21 with substantial potential for growth given the lower debt in 2Q21 at AED7.77 Bn compared to AED8 Bn in 2Q20 and lower receivables at AED6.37 Bn from AED6.78 Bn in 2Q20. The Group has improved its liquidity with free and subsidiary cash standing at AED4 Bn and AED4.5 Bn committed undrawn bank facilities. Aldar's average Cost of debt stood at 2.87% with an average debt maturity of 4.25 yrs. The group is rated Baa1 stable by Moody's. Finally, the group has distributed 14.5% as cash dividends amounting to 14.5 fils per share for the financial year ending 31 December 2020. Therefore, we assign an ACCUMULATE rating on the stock.

Aldar – Relative Valuation

(at CMP)	2017	2018	2019	2020	2021
PE (X)	15.8	17.0	15.9	16.3	14.5
PB (X)	1.4	1.3	1.3	1.2	1.2
Dividend yield (%)	3.0%	3.5%	3.6%	3.6%	3.6%

FABS estimate and Co data

Aldar - P&L

AED (MN)	2Q20	3Q20	2Q21	3Q21F	YOY Ch	QOQ Ch	2020	2021F	Change
Revenue	2007	2094	2192	2225	6.2%	1.5%	8392	8721	3.9%
Direct costs	-1291	-1398	-1368	-1386	-0.9%	1.3%	-5409	-5433	0.4%
Gross profit	716	696	824	839	20.5%	1.8%	2983	3288	10.2%
General expenses	-137	-145	-163	-166	13.9%	1.4%	-662	-672	1.5%
Selling & Marketing exp.	-25	-26	-32	-32	24.9%	-1.0%	-125	-136	8.8%
EBIT	554	525	628	641	22.2%	2.1%	2196	2480	12.9%
Share of assoc.	-6	0	-3	-2	NM	-11.0%	-10	-10	-1.0%
Provision/(reversal)	-10	-55	-12	-14	-75.5%	15.0%	-296	-89	-70.1%
Finance income	14	21	11	12	-41.5%	8.2%	67	47	-29.5%
Finance cost	-82	-71	-68	-72	0.8%	5.5%	-311	-284	-8.7%
Other income	50	37	0	11	-69.5%	NM	190	44	-76.7%
Profit for the period	484	416	521	537	29.0%	3.1%	1932	2187	13.2%
Non-controlling interest	-0.9	9.9	-0.8	-1.0	-109.8%	29.1%	0	-4	NM
Net profit	483	426	520	536	25.8%	3.1%	1932	2183	13.0%

FABS estimate & Co Data
Aldar - Margins

(%)	2Q20	3Q20	2Q21	3Q21F	YOY Ch	QOQ Ch	2020	2021F	Change
GPM	35.7%	33.2%	37.6%	37.7%	192	-45	35.5%	37.7%	215
OPM	27.6%	25.0%	28.7%	28.8%	105	66	26.2%	28.4%	227
Net margin	24.1%	20.4%	23.7%	24.1%	-36	-286	23.0%	25.0%	201

FABS estimate & Co Data

3Q21 preview: DAMAC Properties

Decrease in Provisions to improve the bottom-line

CMP (AED): 1.24

Potential upside (%): 4.8%

12-m target price:
AED 1.30

Stock rating:
HOLD

3Q21 Estimate

Net loss is expected to decrease to AED27 Mn in 3Q21 from Losses of AED545 Mn in 3Q20. The decrease is due to a significant decline in Provisions. Gross Profit is expected to decline by 1.1% YOY to AED262 Mn in 3Q21 from AED265 Mn in 3Q20. The decrease is due to an expected decline in Revenue by 40.8% YOY to AED757 Mn in 3Q21 from AED1.28 Bn in 3Q20, despite a decline in Cost of Sales by 51.2% YOY to AED495 Mn in 3Q21 from AED1 Bn in 3Q20. Operating Profit is expected to decline significantly from AED72 Mn in 3Q20 to Losses of AED25 Mn in 3Q21. The decrease in Operating Profit is due to an expected increase in SG&A expenses by 56.2% YOY to AED290 in 3Q21 from AED186 Mn in 3Q20, outweighing the expected increase in Other Operating Income by 22.8% to AED10 Mn in 3Q21 from AED8 Mn in 3Q20. While the Depreciation & Amortization is expected to decrease by 54.6% YOY to AED7 Mn in 3Q21 from AED15 Mn in 3Q20. Other Income is expected to increase significantly by 79.7% YOY to AED26 Mn in 3Q21 from AED14 Mn in 3Q20. Provisions are expected to decrease drastically to AED30 Mn in 3Q21 from AED580 Mn in 3Q20. The Financial Charges are estimated to decrease slightly by 3.7% YOY to AED47 Mn in 3Q21 compared to AED49 Mn in 3Q20.

2021 Forecast

Net Loss is expected to significantly decrease by 82.7% YOY to AED188 Mn in 2021 from AED1.08 Bn of Losses in 2020. The decrease is mainly due to a significant decrease in Provisions and the increase in Gain on Sale of Financial Investments at Fair Value. Gross Profit is expected to decrease by 16.1% YOY to AED899 Mn in 2021 from AED1.07 Bn in 2020, led by an expected decrease in Revenue by 38% YOY to AED2.89 Bn in 2021 from AED4.67 Bn in 2020. While Cost of Revenue is expected to decrease by 44.6% YOY to AED1.99 Bn in 2021 from AED3.59 Bn in 2020. Operating Profit is expected to significantly decrease to Loss of AED384 Mn in 2021 from Profit of AED374 Mn in 2020. This is due to an expected increase in SG&A Expenses by 66.6% YOY to AED1.32 Bn in 2021 from AED794 Mn in 2020, and an expected decline in Other Operating Income by 57% YOY to AED68 Mn in 2021 from AED159 Mn in 2020. Depreciation & Amortization is expected to decline by 54.2% YOY to AED28 Mn in 2021 compared to AED62 Mn in 2020. Other Income is expected to advance by 41.7% YOY to AED107 Mn in 2021 from AED76 Mn in 2020. Provisions are expected to decline drastically by 92.6% YOY to AED112 Mn in 2021 from AED1.52 Bn in 2020. Whereas Financial Charges increase slightly by 4.1% YOY to AED198 Mn in 2021 compared to AED190 Mn in 2020. Gains on Sale of Financial Investments are forecasted to increase significantly to AED325 Mn in 2021 from AED116 Mn in 2020.

2Q21 Outturn

Revenue has decreased by 35.6% YOY to AED736 Mn in 2Q21 compared to AED1.14 Bn in 2Q20, Whereas the Cost of Sales decreased by 42.5% YOY to AED513 Mn in 2Q21 from AED892 Mn in 2Q20. Resultantly, the Gross Profit has decreased by 11.2% YOY to AED223 Mn from AED251 Mn in 2Q20, with a Gross profit margin equal to 30.3%. The SG&A Expenses have increased significantly YOY to AED384 Mn in 2Q21 from AED134 Mn in 2Q20, and the other Operating Income have also increased by 52.7% YOY to AED32 Mn in 2Q21 from AED21 Mn in 2Q20. Moreover, Depreciation and

Amortization has decreased to AED6 Mn in 2Q21 from AED16 Mn in 2Q20, a decrease by 59.3%. EBITDA has significantly decreased to a negative of AED129 Mn in 2Q21 from AED138 Mn in 2Q20. Therefore, the Operating Profit has significantly decreased to a loss of AED136 Mn in 2Q21 compared to a Profit of AED123 Mn in 2Q20. While the Other Income has shown a growth by 91% YOY to AED28 Mn from AED15 Mn in 2Q20. On the other hand, Financial Charges has decreased by 11.7% YOY to AED44 Mn in 2Q21 from AED50 Mn in 2Q20. Total Provisions dropped to almost 0 in 2Q21 from AED430 Mn in 2Q20, pushing the profit up. DAMAC's Total Assets declined by 4.51% YOY to AED21.53 Bn in 2Q21 from AED22.55 Bn in 2Q20. Whereas the Total Liabilities decreased by 5.15% YOY to AED12.94 Bn in 2Q21 from AED13.64 Bn in 2Q20. Total Equity has also decreased by 3.54% YOY to AED8.59 Bn in 2Q21 from AED8.9 Bn in 2Q20.

Target price and recommendation

We revise our rating on DAMAC to HOLD with a revised target price of 1.30. DAMAC Properties has been shaping the Middle East's luxury real estate market for almost 19 years, offering iconic residential, commercial, and leisure properties for sale in Dubai, across the region and beyond. The company has reported an increase in the Booked Sales to AED2.6 Bn in 1H21 compared to AED1.1 Bn in 1H20. The company has also delivered c.2,700 units in Dubai during the first half of the year in DAMAC Hills 2 master development, double the units delivered in the first quarter of 2021 amounting to c.1,350. Despite the boost in Sales and units delivered, the Revenue decreased to AED1.4 Bn 1H21 as compared to AED2.4 Bn in the same period last year. Thus, the Gross Profit was affected negatively by 12% decrease YOY reaching AED223 Mn in 2Q21 compared to AED251 Mn in 2Q20 due to lower Revenue recognition and product mix with Gross Profit Margin increasing to 30.3% in 2Q21 from 21.9% in 2Q20. Operating Profit witnessed a significant decrease to incur Losses reaching AED136 Mn in 2Q21 from Profits of AED123 Mn in 2Q20. DAMAC's Losses amounted for AED101 Mn in 2Q21, as compared to Losses of AED310 Mn over the same period last year. DAMAC reported a decrease to AED 3.07 Bn on Cash & Bank balances in 2Q21 from AED4.43 Bn in 2Q20, while 63% of the total Cash & Cash balances goes for the Cash held in Escrow and the other 37% goes for the Non-Escrow Cash. Gross Debt, including Sukuk Certificates, has shown a decrease to AED 3.03 Bn from AED3.46 Bn in 2Q20, with a Debt to Total Assets Ratio equal to 14% as compared to 15.3% in 2Q20. Development properties consisting of the Completed Properties, Properties under development, and a Land held for future development have slightly decreased to AED 7.97 Bn in 2Q21 from AED 7.78 Bn as at the end of 2020. In 2Q21, AED2.9 Bn of Trade and Other Payables were divided into Retentions Payable (AED990 Mn), Accruals (AED793 Mn), Trade Payables (AED792 Mn), Other Payables (AED281 Mn), and Employees' end of service indemnity (AED43 Mn) while increasing from AED2.81 Bn as at end of 2020. We assign HOLD recommendation.

Damac Properties - Relative Value

AED MN	2017	2018	2019	2020	2021
P/E	2.7	6.5	-203.3	-7.2	-40.0
P/B (x)	0.5	0.5	0.5	0.6	0.6
Dividend yield	12.1%	0.0%	0.0%	0.0%	0.0%

FABS estimate and Co data

Damac Properties - P&L

AED (MN)	2Q20	3Q20	2Q21	3Q21F	YOY Ch	QOQ Ch	2020	2021F	Change
Revenue	1,143	1,280	736	757	-40.8%	2.9%	4,671	2,894	-38.0%
Cost of sales	-892	-1,015	-513	-495	-51.2%	-3.5%	-3,599	-1,995	-44.6%
Gross Profit	251	265	223	262	-1.1%	17.7%	1,071	899	-16.1%
SG&A expenses	-134	-186	-384	-290	56.2%	-24.5%	-794	-1,323	66.6%
Other op. (exp)/ inc.	21	8	32	10	22.8%	-69.1%	159	68	-57.0%
EBITDA	138	87	-129	-18	NM	-86.1%	436	-355	NM
D & A	-16	-15	-6	-7	-54.6%	10.6%	-62	-28	-54.2%
Operating profit	123	72	-136	-25	NM	-81.6%	374	-384	NM
Other income	15	14	28	26	79.7%	-8.0%	76	107	41.7%
Provision	-430	-580	-1	-30	-94.8%	NM	-1,522	-112	-92.6%
Financial charges	-50	-49	-44	-47	-3.7%	5.9%	-190	-198	4.1%
Prov for value added tax	0	0	0	0	NM	NM	73	0	-100.0%
Profit from continuing operations	-343	-542	-153	-76	-86.0%	-50.3%	-1,189	-586	-50.7%
G/L on sale of financial investments at FVTPL	65	-4	102	72	NM	-29.4%	116	325	NM
Income Tax Expense	0	0	-48	0	NM	-100.0%	0	-48	NM
Loss on fair value of financial Inv. at FVTPL	-3	1	-2	-3	NM	78.8%	34	-12	NM
Comprehensive Inc/Loss	-30	0	0	-20	NM	NM	-43	134	NM
Net Profit	-310	-545	-101	-27	-95.0%	-73.3%	-1,083	-188	-82.7%

FABS estimate & Co Data

Damac Properties - Margins

(%)	2Q20	3Q20	2Q21	3Q21F	YOY Ch	QOQ Ch	2020	2021F	Change
GPM	21.9%	20.7%	30.3%	34.6%	1390	436	22.9%	31.1%	813
OPM	10.7%	5.6%	-18.4%	-3.3%	-893	1513	8.0%	-13.3%	-2128
Net margin	-27.1%	-42.6%	-13.7%	-3.6%	3900	1016	-23.2%	-6.5%	1670

FABS estimate & Co Data

FAB Securities Contacts:

Research Analysts

Ahmad Banihani	+971-2 -6161629	ahmad.banihani@Bankfab.com
Shiv Prakash	+971-2 -6161628	shiv.prakash@Bankfab.com

Sales & Execution

Trading Desk Abu Dhabi Head Office	+971-2 -6161777
	+971-2 -6161700/1
Institutional Desk	+971-4 -5658395
Sales and Marketing	+971-2 -6161703

Customer Service

Abu Dhabi Office	+971-2 -6161600	Online Trading Link
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