

Emaar Properties

Stellar Performance Across Segment Drove Earnings

1Q22 Net Profit higher than our estimate

Emaar Properties net profit rose more doubled to AED 2,239 Mn in 1Q22 from AED 657 Mn in 1Q21, higher than our estimate of AED 1,319 Mn. The increase was mainly driven by the strong growth in property sales and significant improvement in performance of recurring revenue business, further supported by steady recovery in Dubai and international real estate market.

P&L Highlights

Emaar Properties revenues rose by 10.7% YoY to AED 6.6 Bn in 1Q22. This increase is primarily owing to the increase in group property sales of AED 8.3 Bn, up from AED 7.1 Bn in 1Q21. The increase in the group property sales is mainly driven by increase in property sales at Emaar Development and Emaar International real estate operations. Emaar Development property sales catering to at UAE market rose 16% YOY to AED 6.8 Bn in 1Q22. Emaar International property sales rose 22% YOY to AED 1.5 Bn in 1Q22. Combined revenue of Emaar Development and Emaar International real estate business stood at AED 4.6 Bn in 1Q22. Alongside, Emaar Malls recorded revenue growth of 36% YOY to AED 1.2 Bn in 1Q22 due to rise in leasing occupancy rate to 93% and further supported by strong response to Dubai Hills Mall on the launch. The hospitality, leisure, entertainment, and commercial leasing business segment of Emaar recorded a revenue of AED 843 Mn in 1Q22, a growth of 120% YOY. The increase in segment revenue is supported by average occupancy level of 80% attributed to strong recovery in tourism sector in UAE. Recurring revenue generating business of malls, hospitality, leisure, entertainment, and commercial leasing, together achieved a revenue of AED 2.1 Bn in 1Q22, a growth of 62% YOY, representing 31% of the total revenue. All segments of the business also generated strong profitability during the period. Cost of sales declined 2.2% YoY to AED 3.2 Bn in 1Q22, resulting in 26.7% YOY increase in the gross profit to AED 3.4 Bn in 1Q22. Other operating expenses rose 41.5% YOY to AED 33 Mn in 1Q22, which is overshadowed by a 23.9% YOY decrease in SG&A expenses to AED 757 Mn in 1Q22. Thus, EBITDA rose 36.4% YOY to AED 2.7 Bn in 1Q22, with a margin of 40.6% in 1Q22 compared to 33.0% in 1Q21. Meanwhile, EBIT rose 42.6% YOY to AED 2.4 Bn in 1Q22. Net finance cost declined from AED 151 Mn in 1Q21 to AED 126 Mn in 1Q22 due to increase in finance income. Other income rose from AED 109 Mn in 1Q21 to AED 344 Mn in 1Q22 and share of income from associate and JVs rose from a negative AED 102 Mn in 1Q21 to AED 38 Mn in 1Q22 supporting profitability. Income tax expense dropped from AED 80 Mn in 1Q21 to AED 48 Mn in 1Q22 and share of profit attributable to non-controlling interest holders declined from AED 544 Mn in 1Q21 to AED 415 Mn in 1Q22 too supported net income during the quarter.

Rating : BUY

First Look Note – 1Q22

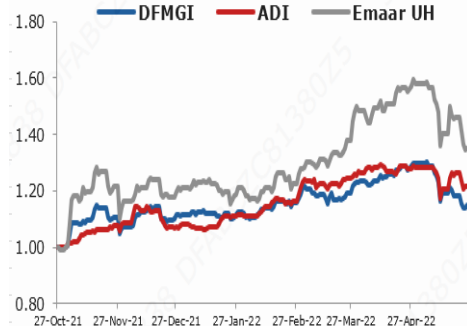
Sector: Real Estate

Recommendation

Current Price (27- May)	AED 5.46
Target Price	AED 7.00
Upside/Downside (%)	+28%

Stock Information

Market Cap (mm)	45,806.54
Paid Up Capital (mm)	8,179.74
52 Week High	6.47
52 Week Low	3.89
3M Avg. daily value (AED)	136,477,500



Financial Ratios

Dividend Yield (12m)	2.68
Dividend Pay-out (%)	32.29
Price-Earnings Ratio (x)	8.00
Price-to-Book Ratio (x)	0.72
Book Value (AED)	7.75
Return-on Equity (%)	9.04
Earning Per Share (AED)	0.70
Beta	1.34

Stock Performance

5 Days	-1.75%
1 Months	-12.23%
3 Months	10.24%
6 Months	19.40%
1 Year	39.30%
Month to Date (MTD)	-12.23%
Quarter to Date (QTD)	-6.67%
Year to Date (YTD)	14.52%

Balance Sheet Highlights

Unrestricted cash balance at the end of the year stood at AED 8.4 Bn in 1Q22, when compared to AED 7.7 Bn in 1Q21. Total debt reduced from AED 18.6 Bn in 4Q21 to AED 15.6 Bn in 1Q22. The company repaid approximately reduced leverage by AED 3.0 Bn in 1Q22 from internal cash generation. Cash flow generated from operation stood at AED 3.8 Bn in 1Q22 from AED 2.4 Bn in 1Q21. The improvement in generation is led by increase in profit and decline in investment in working capital.

Target price and recommendation

We maintain our 'BUY' rating on Emaar Properties with a target price of AED 7.00. The company is building nine significant projects totaling more than 25,000 residential units, including Downtown Dubai, Dubai Creek, and Emaar Beachfront, of which 90% is already sold, allowing restricted funds to be released from escrow accounts, which will subsequently be used to pay on-going projects and related working capital, thereby reducing debt requirement. Hospitality business revenue almost doubled during 1Q22 due to the robust recovery in the tourism sector which is anticipated to continue. Emaar Properties reported a significant property sales backlog of AED 45.2 Bn provides strong revenue visibility. The company now buys land on a flexible payment schedule or through joint venture partners, reducing the upfront cash payment which could be utilized for purchasing prime land. Emaar Properties increased the markets share in key markets of Egypt and India capturing increased demand in these economies. It also maintained healthy liquidity position with unrestricted cash of AED 8.4 Bn and reduced debt from AED 18.6 Bn in 4Q21 to AED 15.6 Bn in 1Q22. Debt was repaid from internal cash generation. The board has agreed to distribute 15% cash dividends. Based on the above factors, we maintain our 'BUY' rating on the stock.

Emaar Properties- Relative valuation

(at CMP)	2018	2019	2020	2021	2022F
P/E	6.3	6.3	18.8	10.5	8.8
P/B	0.8	0.6	0.6	0.7	0.7
EV/EBITDA	5.5	6.7	11.9	6.5	5.8
Dividend Yield	2.7%	0.0%	1.8%	2.7%	2.7%

FABS Estimates & Co Data

Emaar Properties- P&L

AED mm	1Q21	4Q21	1Q22A	1Q22F	Var	YOY Ch	QOQ Ch	2021	2022F	Ch
Revenue	5,993	8,938	6,635	8,050	21.3%	10.7%	-25.8%	28,270	32,500	15.0%
Cost of revenue	-3,313	-5,194	-3,241	-4,658	43.7%	-2.2%	-37.6%	-16,518	-18,850	14.1%
Gross profit	2,680	3,743	3,395	3,392	-0.1%	26.7%	-9.3%	11,751	13,650	16.2%
Other operating income	70	110	92	71	-22.8%	30.8%	-16.6%	394	306	-22.2%
Other operating exps.	-23	-40	-33	-8	-75.6%	41.5%	-16.5%	-142	-32	-77.1%
SG&A Expenses	-994	-1,026	-757	-995	31.4%	-23.9%	-26.2%	-4,072	-4,043	-0.7%
EBITDA	1,977	2,852	2,696	2,460	-8.8%	36.4%	-5.5%	9,343	9,881	5.8%
Depreciation of PPE	-157	-203	-148	-165	11.1%	-5.3%	-26.8%	-658	-672	2.1%
Depreciation of IP	-150	-154	-166	-139	-16.5%	11.0%	7.8%	-625	-560	-10.3%
EBIT	1,671	2,495	2,382	2,156	-9.5%	42.6%	-4.6%	8,061	8,649	7.3%
Finance income	85	148	107	104	-2.6%	25.7%	-27.9%	430	420	-2.3%
Finance cost	-236	-540	-233	-515	121.1%	-1.4%	-56.9%	-1,295	-2,100	62.1%
Other income	109	58	344	62	-82.0%	216.3%	490.6%	216	262	20.9%
Share of assoc & JV's	-102	-141	38	90	134.6%	-137.5%	-127.2%	315	360	14.4%
Provisions and impair.	0	-77	64	-49	-176.1%	NM	-184.1%	-191	-282	47.9%
Loss on disposal of subs.	0	0	0	0	NM	NM	NM	0	0	NM
Profit before tax	1,281	1,879	2,702	1,848	-31.6%	110.9%	43.8%	6,124	7,309	19.3%
Income tax	-80	-192	-48	-111	131.0%	-40.4%	-75.0%	-407	-512	25.8%
Profit for the period	1,201	1,687	2,654	1,737	-34.5%	121.0%	57.3%	5,717	6,796	18.9%
Non-controlling interests	-544	-465	-415	-419	0.9%	-23.8%	-10.8%	-1,916	-1,699	-11.4%
Profit to shareholders	657	1,222	2,239	1,319	-41.1%	241.1%	83.2%	3,800	5,097	34.1%

FABS Estimates & Co Data

Emaar Properties- Margins

Margins	1Q21	4Q21	1Q22A	1Q22F	Var	YOY	QOQ	2021	2022F	YOY
Gross Profit Margin	44.7%	41.9%	51.2%	42.1%	902	644	928	41.6%	42.0%	5
EBITDA Margin	33.0%	31.9%	40.6%	30.6%	1,007	765	872	33.0%	30.4%	-28
Operating Margin	27.9%	27.9%	35.9%	26.8%	911	802	798	28.5%	26.6%	-20
Net Profit Margin	11.0%	13.7%	33.7%	16.4%	1,737	2,279	2,007	13.4%	15.7%	24

FABS estimate & Co Data

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:
Research Analysts

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office
Trading Desk +971-2-6161700/1 [Online Trading Link](#)
 +971-2-6161777
Institutional Desk +971-4-4245765
Sales and Marketing +971-2-6161703

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.

FAB Securities Awards



Best Brokerage House
in UAE 2016 & 2017
by "Banker Middle East"



Best Brokerage House in UAE
2016, 2017, 2019 and 2020
by "IFA"



Best Brokerage in the UAE
2016 By "Global Investor/
ISF ME Awards"



Best Research House
in UAE 2016 and 2020
by "IFA"



Best New Mobile Application
in UAE 2016
by "IFA"



Best Equity Finance Company
in UAE 2016
by "IFA"