

Property Developers - January 2022

Property prices in the UAE are expected to climb in 2022 as a result of government measures

Sector Weighting:

NEUTRAL

Preview Note 4Q 2021

Property market outlook

Property prices in the UAE are expected to continue growing in 2022, owing to favorable economic changes and an enhanced vaccination campaign that has aided in the recovery from last year's coronavirus-induced downturn. Developers are offering appealing payment plans, and mortgage interest rates are low, attracting more overseas investors to purchase property in the coming year. The UAE property market has recovered following a three-year oil price fall that began in 2014 due to oversupply worries and the resulting crisis, as residents migrate to larger houses with outdoor facilities, as well as a rise in remote working and online learning. The effectiveness of Dubai's early COVID-19 reaction, along with the UAE's rapid vaccination distribution, has secured Dubai's status as the only major worldwide metropolis that will stay mostly free of restrictions at least in early 2022. The emirate's general quality of life, along with recent visa reforms, fairly affordable pricing, and the ensuing stability, has continued to attract new inhabitants. International demand is predicted to remain robust next year, with Dubai's economy forecast to develop steadily through 2022. Residential property prices in Dubai increased by 21% in the first ten months of the year, from Dh1,021 per square foot in January to Dh1,235 per square foot (\$336.28) in October. Property is being purchased in large quantities by ultra-high-net-worth people, among others, to support the market. In the year to August, prices in Abu Dhabi increased by 2.2%. As Dubai's worldwide appeal rises, investors are searching for long-term investments.

Apart from government incentives, different developers' incentives are also luring investors to the UAE. Top developers have presented appealing packages to sell their projects, including exemptions of Dubai Land Department registration fees and flexible payment options. Developers are predicted to continue to explore incentives to entice buyers in 2022, as both new unit completions and off-plan sales launches climb. Developers in Dubai and Abu Dhabi have reported an increase in transactions in the second half of 2021, indicating that off-plan buildings would account for a larger percentage of total sales next year. While broad-based demand is predicted to persist until 2022, prime waterfront sites are expected to pique the interest of both end-user purchases and tenants, owing in part to continued work-from-home habits and [the] uptake of the UAE's remote-working visa. Expo 2020 Dubai, which opened on October 1 and will run through March 20, 2022, is also increasing demand. This once-hot property market has been saved by an excess of properties from prior years, which has kept affordability in check. The majority of other big property markets are seeing out-of-control house price inflation. A slowdown is expected due to the quick increase in property values and the decrease in affordable and desirable inventory. If prices continue to rise at their current rate, we may see annual gains of 15% or more, posing a significant danger.

Dubai saw 7,000 property transactions totaling Dh17.96 billion in November, making it the greatest November in terms of overall sales in the last eight years. During the third quarter of 2021, Abu Dhabi recorded property transactions worth Dh16.2 billion. 3,932 property transactions were conducted in the emirate, including Dh11.6 billion in mortgages and Dh4.6 billion in cash sales. In the third quarter of this year, 2,224 mortgage transactions and 1,708 sales transactions were completed. Another element driving residential property demand in the UAE is the country's popularity and attractiveness to digital nomads; the ability to work remotely while yet living in Dubai is a significant draw for many individuals. They see the tax advantages and lifestyle options and want to call this place home.

| Stock | TP | CMP | Gain | Rating | P/B (2021F) | Div. Yld (%) 2021F |
|-------------------------|------|------|-------|-------------|-------------|--------------------|
| Emaar Properties (AED) | 6.20 | 4.87 | 27.3% | BUY | 0.60 | 2.1% |
| Aldar Properties (AED) | 4.50 | 4.12 | 9.2% | HOLD | 1.24 | 3.5% |
| Emaar Development (AED) | 5.70 | 4.31 | 32.3% | BUY | 1.10 | 0 |

Source: FABS Estimate

Content:

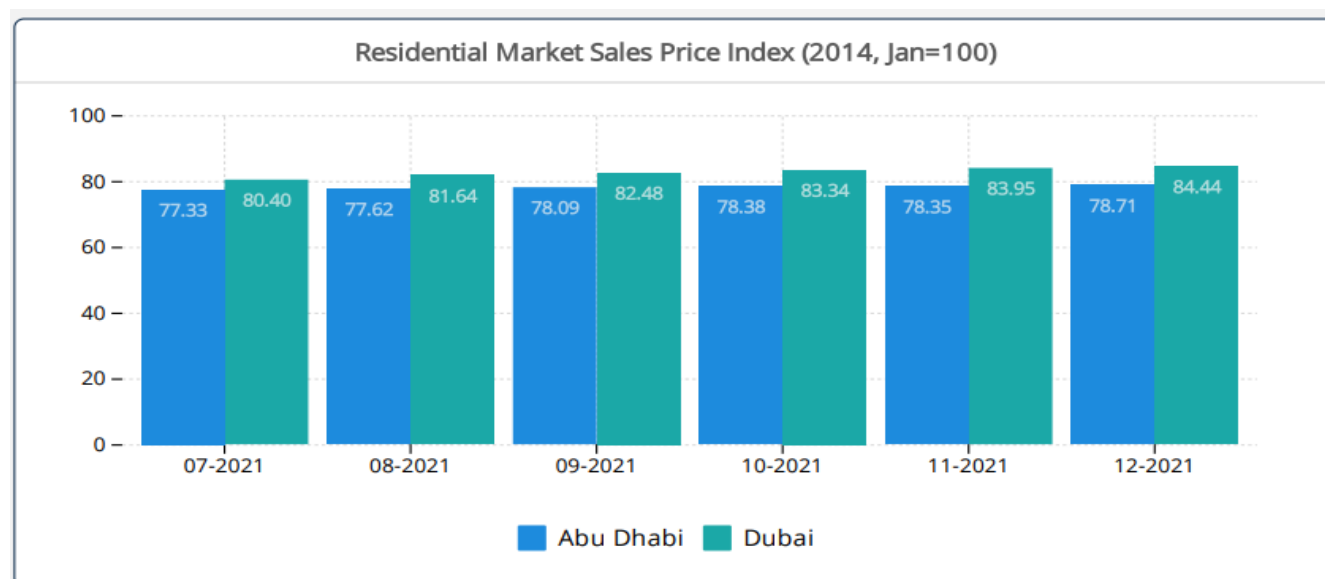
| | |
|---|----|
| Property market outlook..... | 1 |
| Real Estate Overview | 4 |
| Macro backdrop in the UAE | 13 |
| EIBOR..... | 14 |
| Sector stock performance Most of the stocks traded in positive territory..... | 17 |
| 4Q21 preview: Emaar Properties..... | 18 |
| 4Q21 preview: Emaar Development | 22 |
| 4Q21 preview: Aldar Properties | 25 |

Real Estate Overview

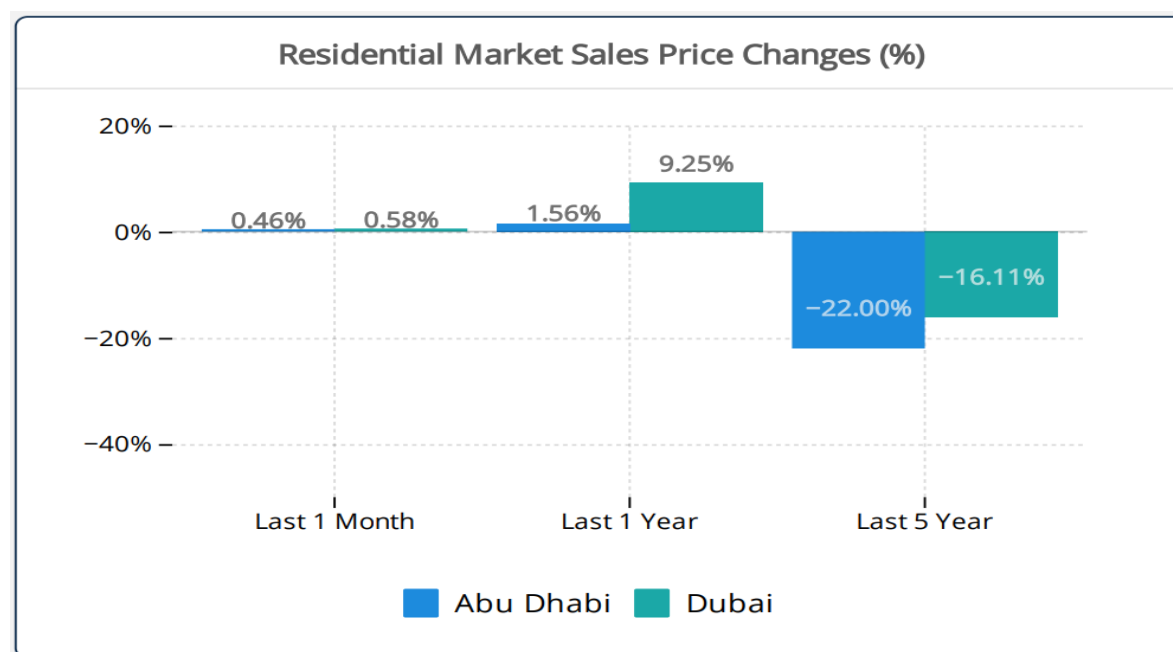
Sales and Rent Price Indices For Residential Property

1. All Residential Market

In December 2021, the Abu Dhabi Residential Property Sales Price Index increased by 0.36 points, from 78.35 to 78.71. Prices climbed by 1.56% year over year. Meanwhile, the Dubai Residential Property Sales Price Index grew by 0.49 points, from 83.95 to 84.44, or a 0.58% gain. Prices climbed by 9.25% year over year.

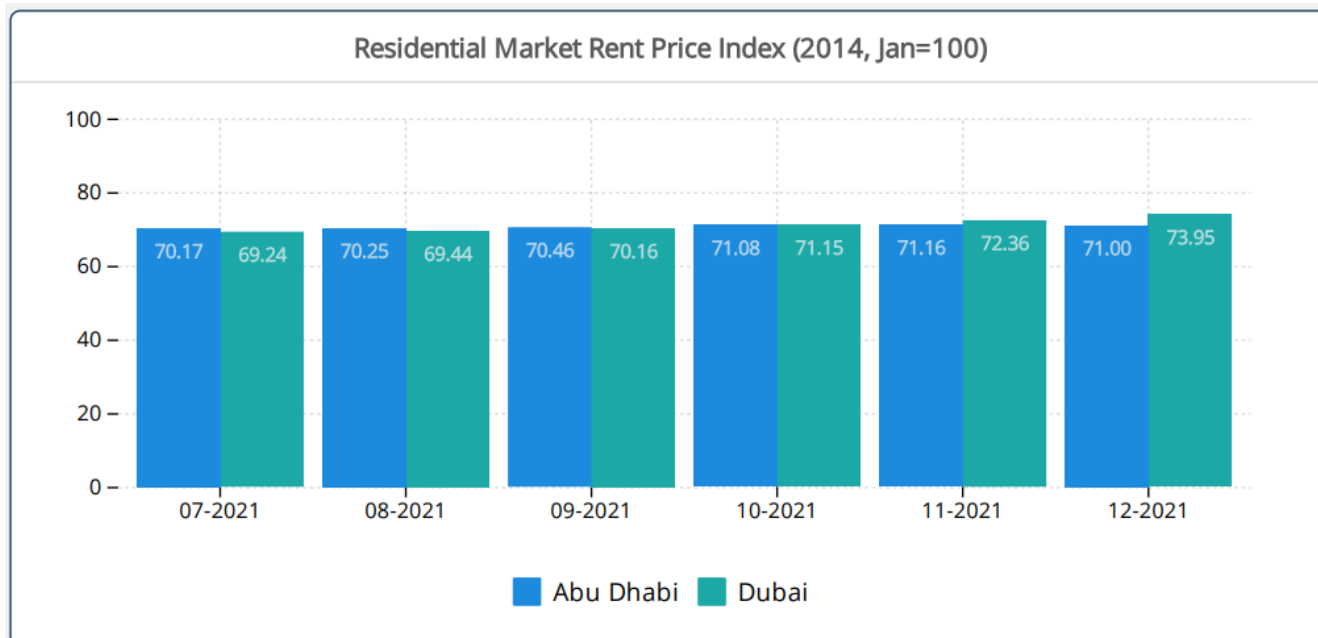


Source:Reidin

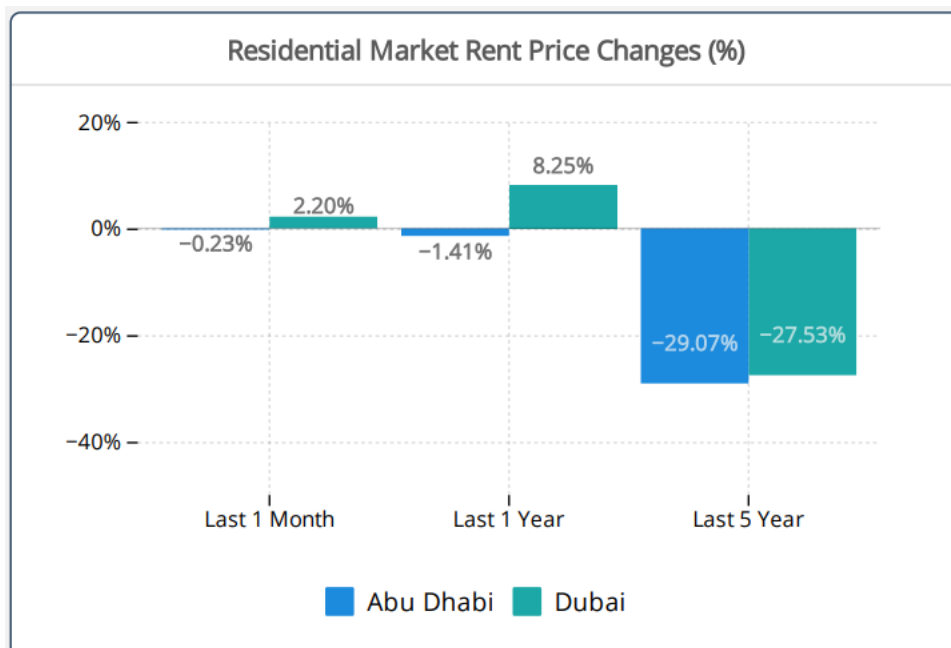


Source:Reidin

In December 2021, the Abu Dhabi Residential Property Rent Price Index decreased by 0.16 points, from 71.16 to 71. However, prices fell by 1.41% year over year. In December 2021, the Dubai Residential Property Rent Price Index grew by 1.59 points, from 72.36 to 73.95 Prices rose 8.25% year over year.



Source:Reidin



Source:Reidin



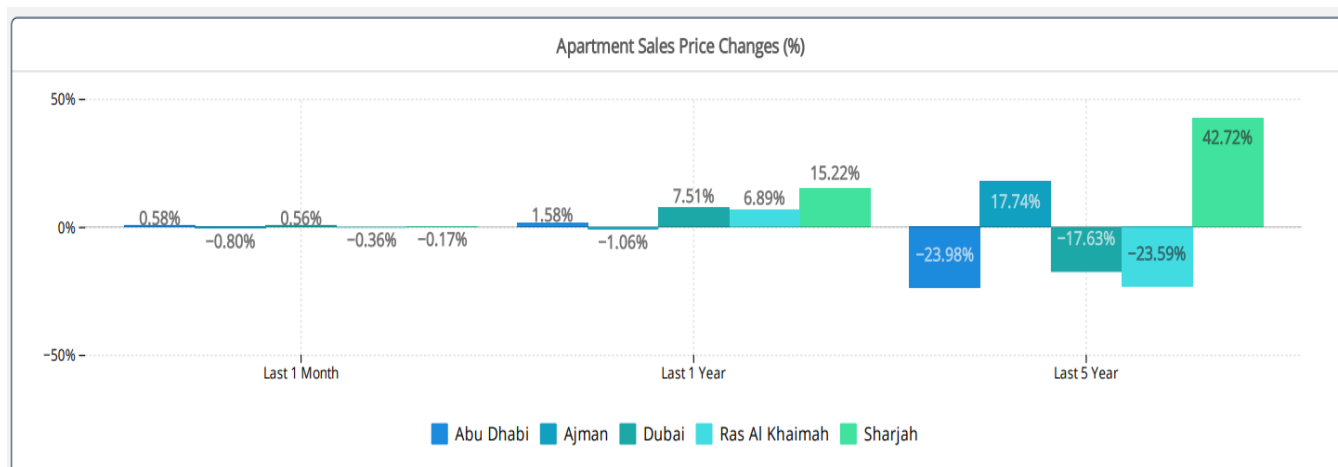
Source:Reidin

2. Apartments

In December 2021, the Abu Dhabi Residential Property Sales Price Index for apartments surged by 0.44 points, from 76.09 to 76.53, or a 0.58% increase. Prices climbed by 1.58% year over year. The Ajman Residential Property Sales Price Index for apartments declined by 0.82 points, from 102.69 to 101.87. Therefore, the prices fell 1.06% year over year. The Dubai Residential Property Sales Price Index for apartments climbed by 0.47 points, from 82.87 to 83.34, or a 0.56 % gain. Prices rose by 7.51 percent year over year. From 72.10 to 71.85, the Ras Al Khaimah Residential Property Sales Price Index declined by 0.25 points. Prices decreased by 6.89 percent year over year. Lastly, from 144.21 to 143.96, the Sharjah Residential Property Sales Price Index for apartments declined by 0.25 points. In addition, prices grew by 15.22% year over year.

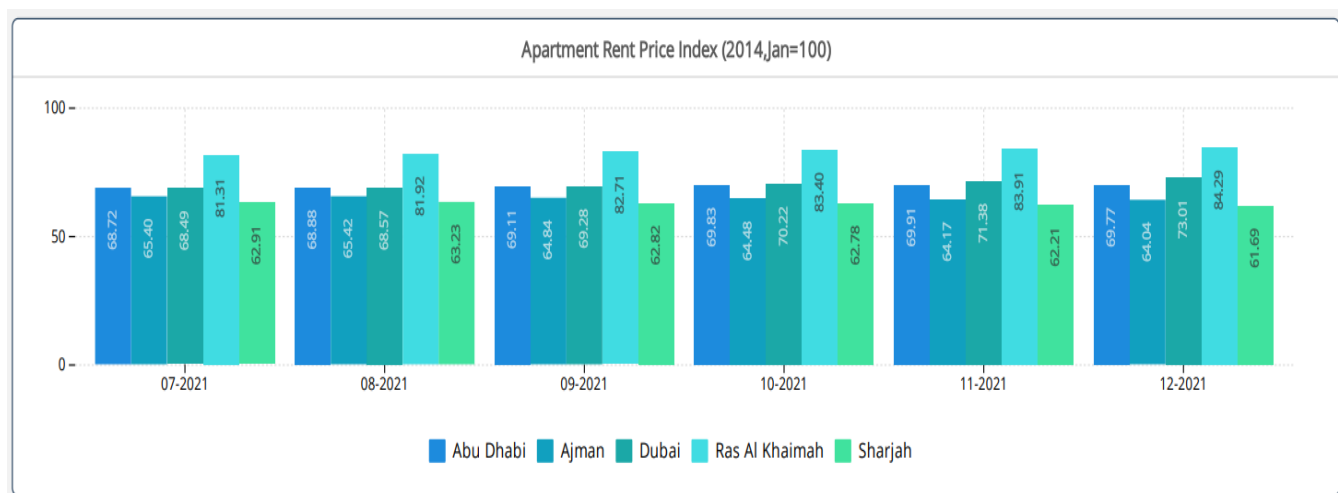


Source:Reidin

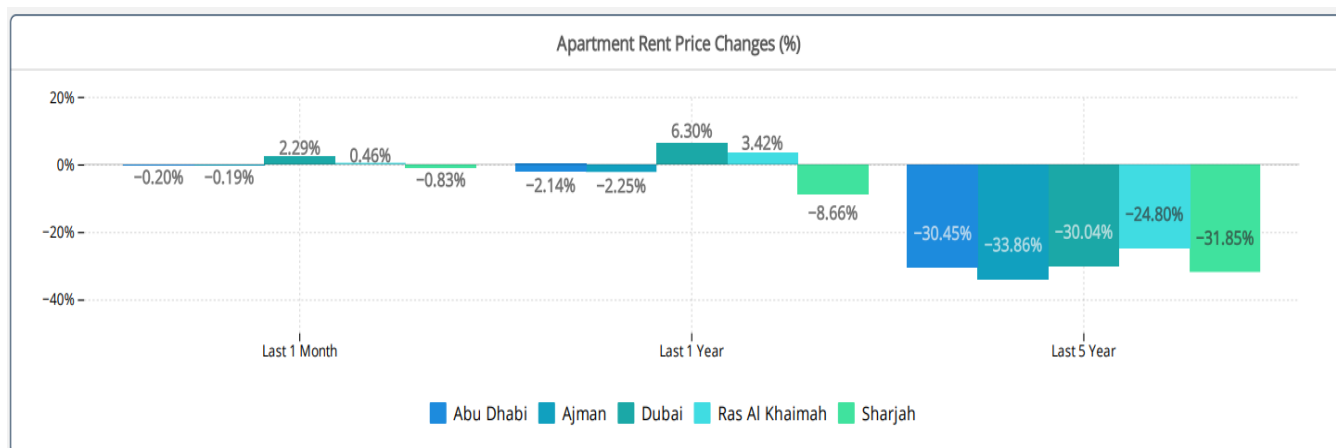


Source:Reidin

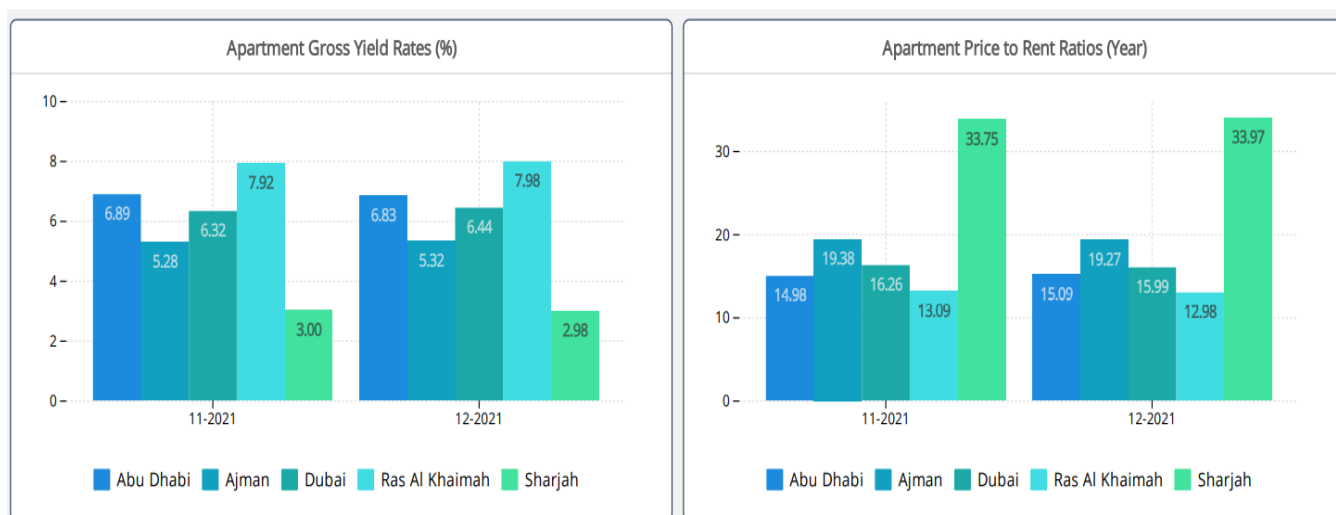
In December 2021, the Abu Dhabi Residential Property Rent Price Index for apartments decreased by 0.14 points, from 69.91 to 69.77. Prices, on the other hand, fell 2.14% year over year. From 64.17 to 64.04, the Ajman Residential Property Rent Price Index for flats declined by 0.13 points. Prices fell 2.25% year over year. The Dubai Residential Property Rent Price Index for apartments rose 1.63 points, from 71.38 to 73.01, representing a 2.29% rise. Prices climbed by 6.30% year over year. The Ras Al Khaimah Residential Property Rent Price Index grew by 0.46 percent, from 83.91 to 84.29. Prices rose 3.42% year over year. Lastly, from 62.21 to 61.69, the Sharjah Residential Property Rent Price Index fell by 0.52 points. Prices fell 8.66% year over year.



Source:Reidin



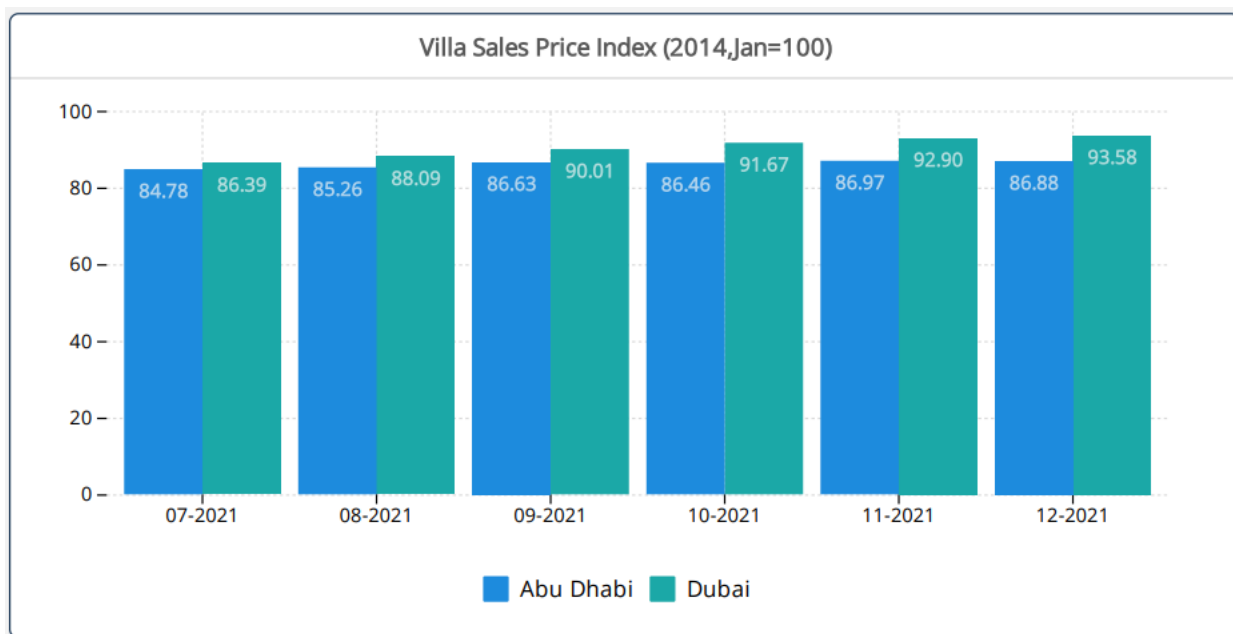
Source:Reidin



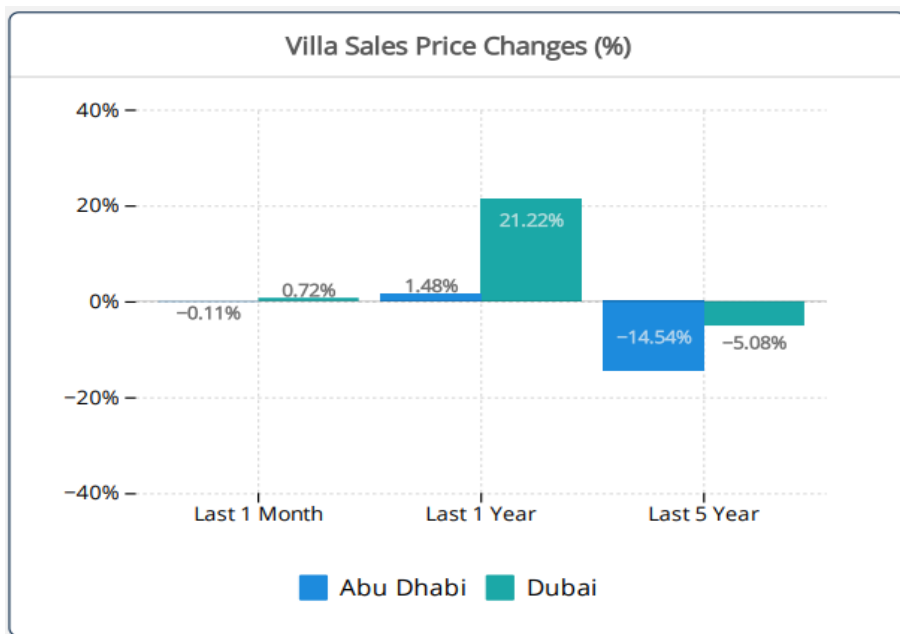
Source:Reidin

3. Villas

In December 2021, the Abu Dhabi Residential Property Sales Price Index for villas decreased by 0.09 points, from 86.97 to 86.88, or a 0.11% gain. Prices climbed by 1.48% year over year. Meanwhile, the Dubai Residential Property Sales Price Index for villas grew by 0.68 points, from 92.90 to 93.58, or a 0.72% gain. Prices grew by 21.22% year over year.

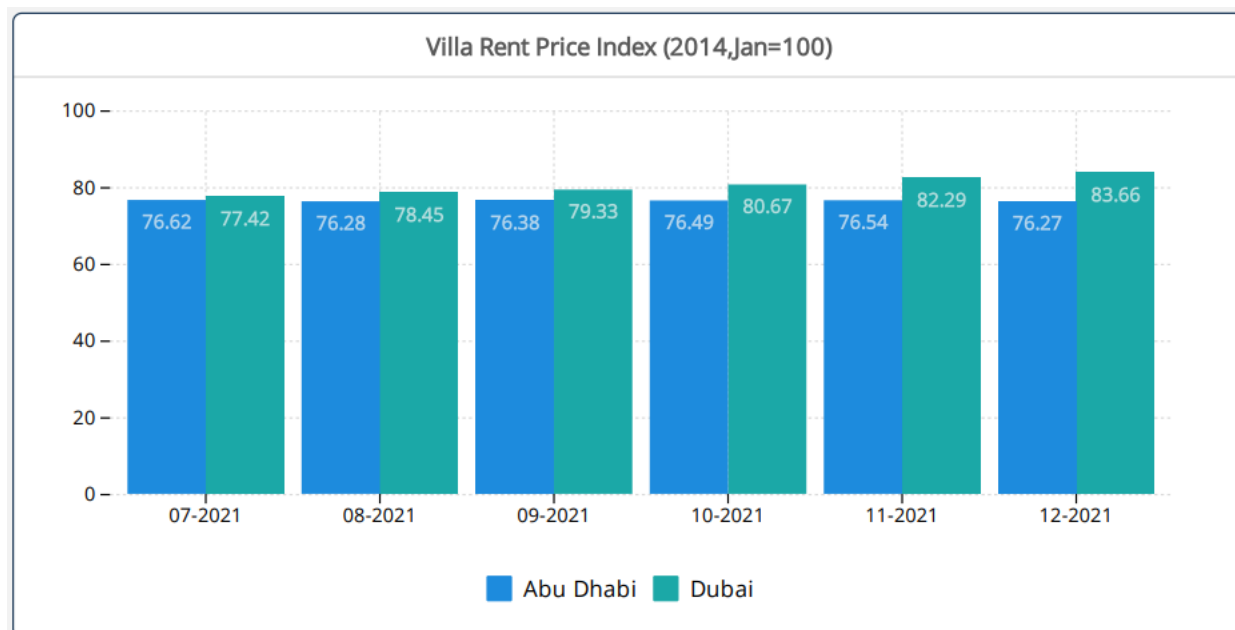


Source:Reidin

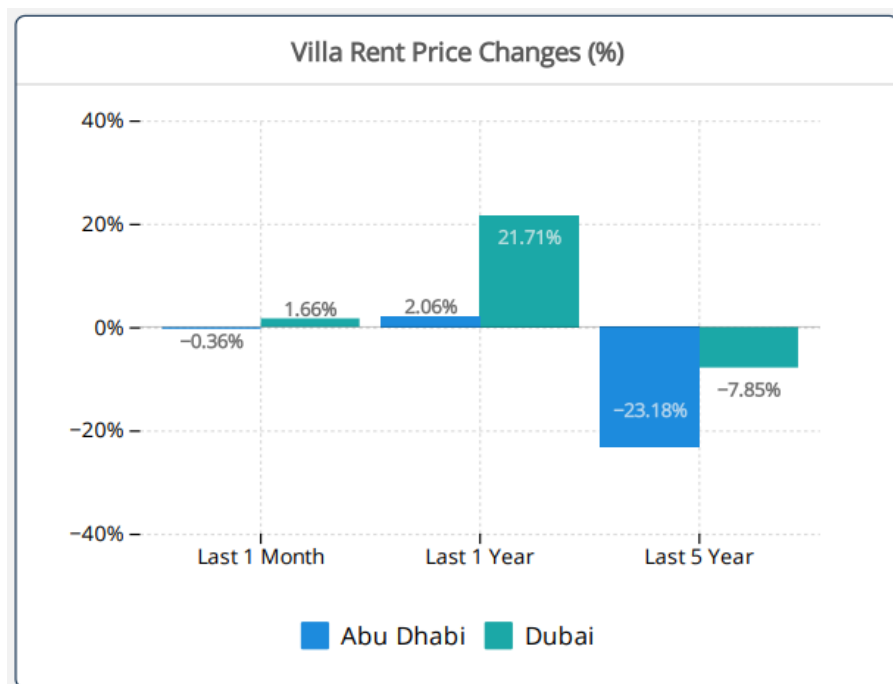


Source:Reidin

In December 2021, the Abu Dhabi Residential Property Rent Price Index for villas declined by 0.27 points, from 76.54 to 76.27. Prices climbed by 2.06% year over year. The Rent Price Index for villas in Dubai grew by 1.37 points, from 82.29 to 83.66. Prices climbed by 21.71% year over year.



Source:Reidin

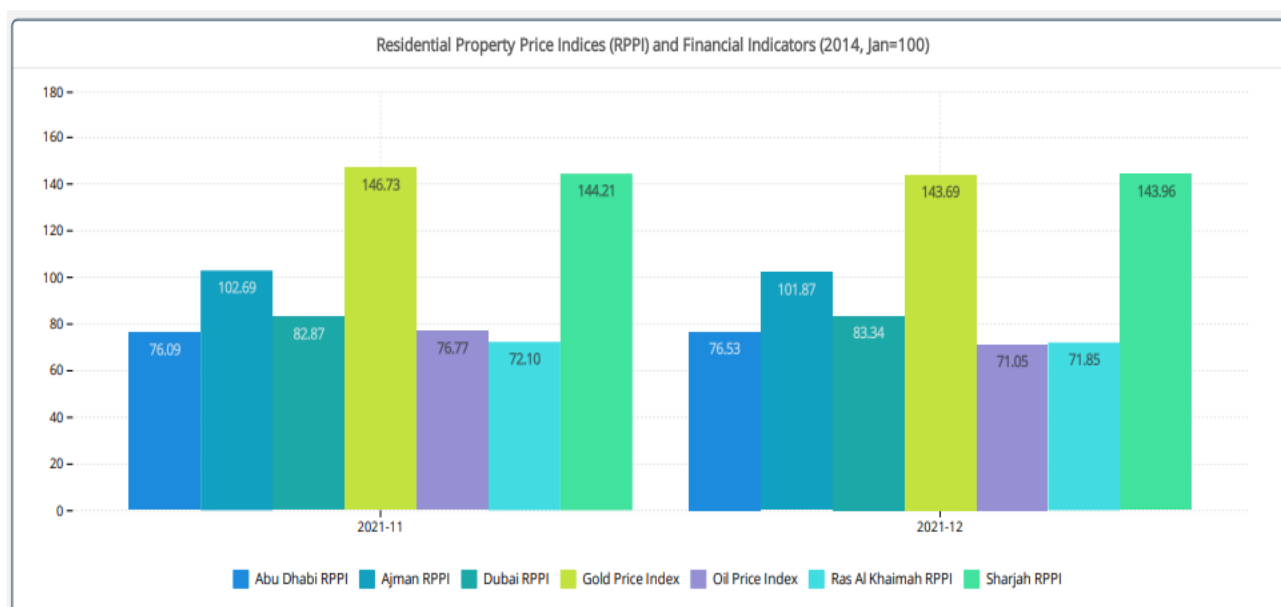


Source:Reidin



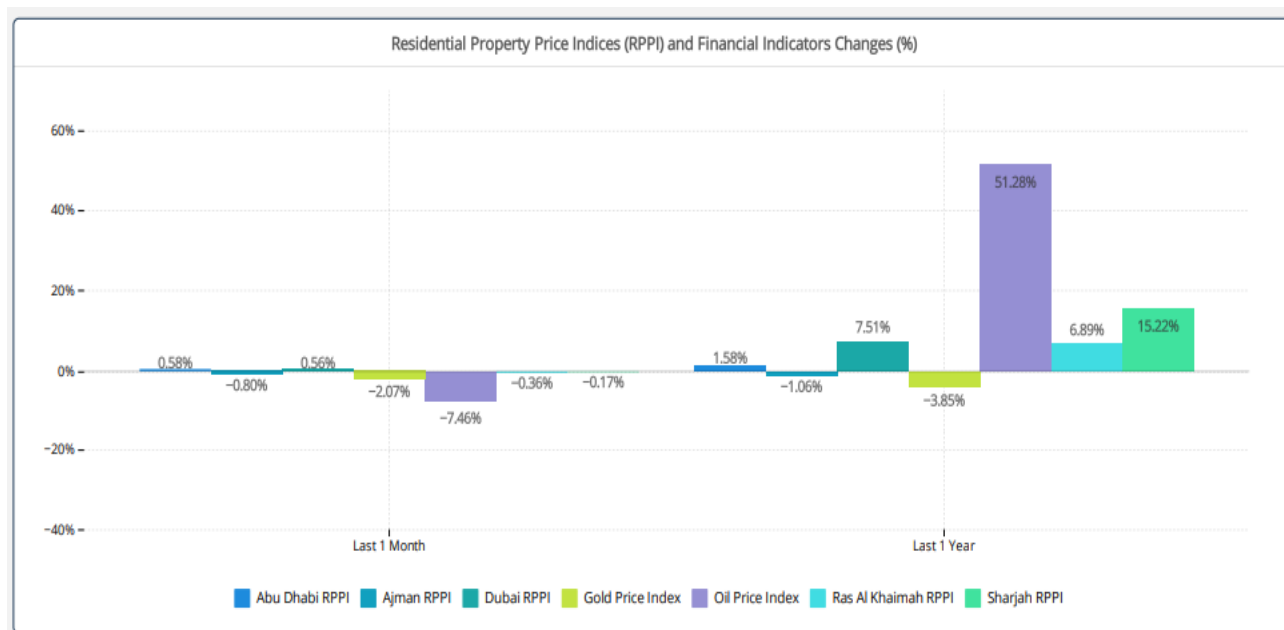
Source:Reidin

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

For the third quarter of 2021, Sharjah real estate recorded \$1.5 billion in transactions

By the end of September 2021, the real estate industry had seen substantial growth, with 16,781 transactions totaling AED5.7 billion. These figures represented a 22.7% increase over the same time last year, with a total volume of 16.5 million square feet exchanged in sales transactions. After recovering from the COVID-19 pandemic and the devastation it brought to many economic sectors throughout the world, life in Sharjah is returning to normal. Thanks to a series of steps and incentives enacted by a smart administration to stimulate investment, the emirate's real estate industry have recovered to pre-pandemic levels.

The property market in Dubai is recovering slowly but steadily

The recovery of the Dubai property market continues a year after it bottomed out, with prices rising by slightly under 1% in October to AED977 per sq ft. After a whopping 2.51% spike in June, monthly price growth has slowed to a more manageable month-on-month growth of less than 1% for the first time in eleven months. The outstanding performance of the villa and townhouse sectors, particularly in traditionally sought-after locales, has fueled the rebound. However, as availability has dried up in the face of what appears to be an insatiable need for this area, a growing buyer-seller expectation gap has arisen. After months of record sales, aggressive pricing by sellers and their brokers has resulted in expensive houses being on the market as purchasers seek value and explore alternative possibilities rather than give in to property owners' inflated expectations.

Dubai real estate hasn't lost its appeal

Global investors are flocking to Dubai's real estate market because of its strong infrastructure, tax-free status, new visa possibilities, and 100% foreign ownership opportunities. According to recent statistics, Israeli investors will enter the market this year and may reach the top-10 club with major investments, whilst subcontinent businesspeople will continue to pour money into Dubai real estate to maintain top rankings. With a significant rebound in the cards in 2021, the third quarter of the year had 15,926 sales transactions worth Dh42.35 billion, the most since 2009. Around 43,299 transactions totaling Dh104.3 billion have been registered by the conclusion of the July-September 2021 quarter. Due to the positive response to Expo 2020 Dubai, the fourth quarter is likely to yield even greater earnings.

Indian and Pakistani investors account for 20% to 30% of overall investors in Dubai's real estate market, while Israeli investors have also made major investments this year. Visa liberalization, successful pandemic management, and a vaccination program, according to analysts and real estate specialists, are among the main reasons for foreign investors returning in 2021.

The new supply of almost 9,000 houses in Dubai might help to keep rents down

The rental market in Dubai continues to rise in the third quarter of 2021, but the boom may be short-lived. Before the end of the year, tens of thousands of additional residential units are projected to be completed. Between January and September, a total of 12,175 new apartments and 1,600 villas were finished. Since the COVID-19 limitations were lifted in 2020, demand for residential apartments in Dubai has increased, with purchasers buying up homes to take advantage of low prices and low loan rates. Demand from renters and investors has increased as a result of the Expo 2020 event. The launch of Expo 2020 has boosted real estate demand and rental rates, as projected. However, given the substantial quantity of impending supply, the present apparent favorable market attitude is

thought to be short-term. According to current building progress and developer announcements, additional 9,300 apartments and villas will be delivered by the end of the year, with the Azizi Riviera development accounting for the majority of this supply.

In November, Dubai property sales totaled over \$5 billion

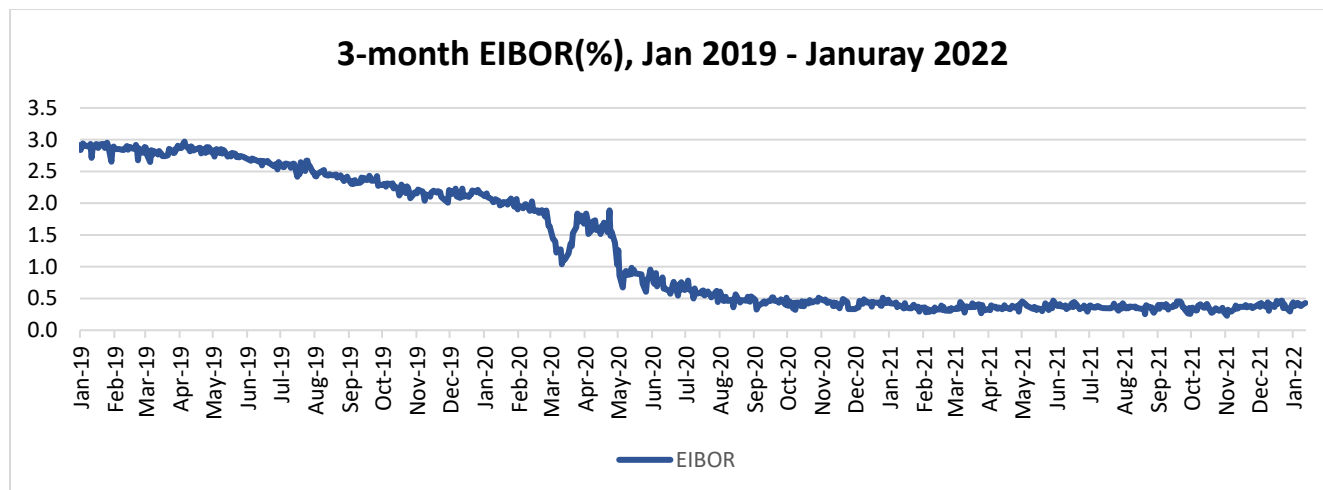
The strongest monthly sales results in eight years were recorded in November 2021. Transactions in Dubai were up 58.79% and values were up 88.37% compared to the same month in 2020. In November 2021, 6,989 sales transactions were totaling 17.95 billion dirhams (\$4.89 billion). No doubt that the Dubai property market is benefiting from Expo 2020, with transaction volumes nearing \$5 billion in November. According to the Land Department, statistics show that Expo 2020 Dubai has a beneficial impact on Dubai's real estate market. This activity was reflected in the market's performance, which is now on an upward trend that is expected to continue in the following year. The overall number of transactions so far this year, including November, has reached 55,640, worth 135.4 billion dirhams, already the best annual sales figure since 2014. Total sales transaction value climbed by 36.82% and volume increased by 30.59% month over month from October to November. Meanwhile, November 2021 had 45.2% more sales transactions than November 2019, with a value of 104.1% more.

Alpha Dhabi Holding has increased its holdings in Aldar Properties to 30%

Alpha Dhabi Holding (ADH) has announced the purchase of a further 17% of Aldar Properties' stock. Alpha Dhabi Holding's stake in Aldar Properties will rise to 29.8%, making it one of the company's top shareholders. The purchase is in line with Alpha Dhabi Holding's recently announced development plan and future strategy, which includes investments in real estate, hotels, healthcare, petrochemicals, and other potential industries both inside and beyond the UAE, with a target of AED8 billion. As a consequence of the country's post-pandemic strategy's durability and adaptability, demand for residential, commercial, hotel, and logistical units has continued to expand in 2021. Aldar's quick expansion, strategic expansion plan, and pipeline projects are the appropriate fit for ADH. Aldar's numerous initiatives span local, regional, and worldwide markets, and they all match with ADH's goal of expanding into new markets.

EIBOR

UAE's 3-month EIBOR was reported at 0.295% on 3 January 2021, decreasing from the closing of July 2021 of 0.3775%. The federal reserve announced that they will keep the interest rates steady between 0% and 0.25% until 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 signalled 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.

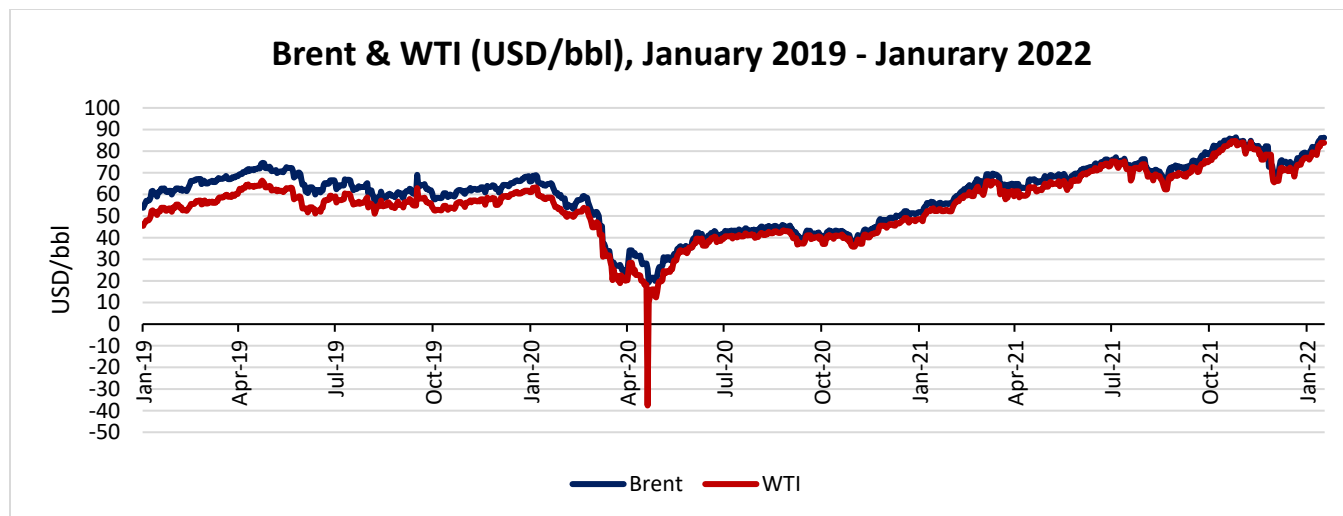


Source: FABS from Bloomberg data

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

On Monday, January 3rd, oil prices increased as the market began 2022 on a strong note, while fears about falling demand due to the quickly expanding COVID-19 outbreak restricted gains. Brent crude rose 67 cents to \$78.45 a barrel on Monday, meanwhile, U.S. West Texas Intermediate crude futures gained 77 cents, or 1.02%, to \$75.98 a barrel. Even as infections hit record highs throughout the world, oil prices surged nearly 50% in 2021, fueled by the global economic recovery from the COVID-19 pandemic downturn and production restraint. Infection rates are projected to climb in the coming weeks as a result of increased holiday travel, New Year's celebrations, and school reopenings after the winter holidays. Oil analysts have cut their 2022 price projections, citing the Omicron coronavirus strain as an obstacle to recovering fuel consumption, as well as the potential of a supply glut as producers pump more oil. In 2022, the average price of US crude is expected to be \$71.38 a barrel. For the 17th month in a straight, US energy companies added oil and natural gas rigs, as better prices enticed some drillers back to the good pad after last year's coronavirus-driven drop in demand.

On Tuesday, January 4th, OPEC+ voted to increase its output target by 400,000 barrels per day starting next month. Given US pressure to increase supply and no substantial new Covid limits, the action was widely expected. The energy alliance, led by OPEC Saudi Arabia and non-OPEC leader Russia, is undoing historic production cuts of nearly 10 million barrels per day. After the coronavirus pandemic slashed demand for petroleum, the historic production reduction was implemented in April 2020 to support the energy market.

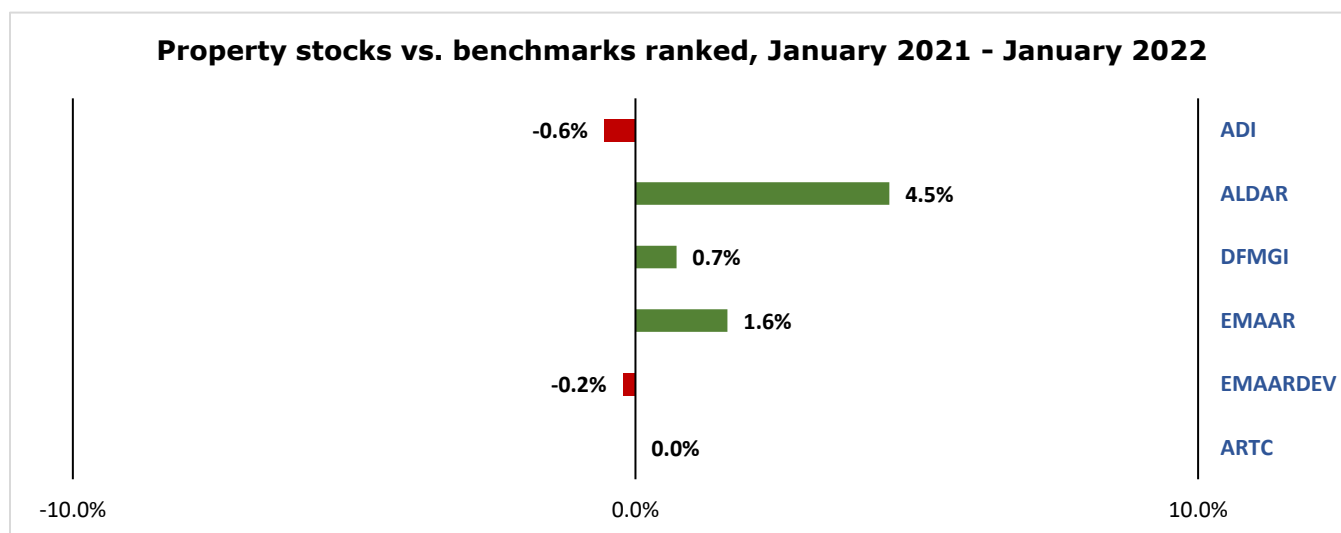


Source: FABS from Bloomberg data

Sector stock performance

Most of the stocks traded in positive territory

On a YTD basis, 1 out of 6 stocks under our coverage traded in the negative territory. Aldar and Emaar Properties gained a positive figure in January 2021 to January 2022. Aldar amongst all gained the highest at 4.5% YTD basis. On the other side, Emaar Development had a decrease of -0.2% 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 2x BUYs and 1x HOLD. The 2021 P/B multiples for the below stocks ranges between EMAAR (0.60x) and EMAARDEV (1.10x). Among the stocks, only Emaar Properties (0.60x) was trading at a 2021 PB multiple lower than one. ALDAR's 2021F dividend yield is the highest at 3.5%. Despite EMAAR Properties distributed AED 0.10 in 2020 its dividend yield is below of Aldar Properties.

| Stock | TP | CMP | Gain | Rating | P/B (2021F) | Div. Yld (%) 2021F |
|-------------------------|------|------|-------|-------------|-------------|--------------------|
| Emaar Properties (AED) | 6.20 | 4.87 | 27.3% | BUY | 0.60 | 2.1% |
| Aldar Properties (AED) | 4.50 | 4.12 | 9.2% | HOLD | 1.24 | 3.5% |
| Emaar Development (AED) | 5.70 | 4.31 | 32.3% | BUY | 1.10 | 0 |

FABS Estimate

4Q21 preview: Emaar Properties

Expected decline in the Loss of Share of results to increase Profit

CMP (AED): 4.87

Potential upside (%): **+27.3%**

12-m target price:
AED 6.20

Stock rating:
BUY

4Q21 Estimate

The Net Profit is forecasted to increase significantly to AED936 Mn in 4Q21, up from AED181 Mn in 4Q20. The Revenue is likely to increase by 5.8% YOY to AED6,703 Mn in 4Q21, up from AED6,336 Mn in 4Q20. While the Cost of Revenue is likely to decrease by 6.1% YOY to AED3,841 Mn in 4Q21, down from AED4,089 Mn in 4Q20. Therefore, the Gross Profit is forecasted to increase by 27.4% YOY to AED2,862 Mn in 4Q21, up from AED2,247 Mn in 4Q20. The General & Administrative Expenses are forecasted to decrease by 17.4% YOY to AED1,005 Mn in 4Q21, down from AED1,217 Mn in 4Q20. The Net Other Operating Income is expected to strongly increase YOY to AED66 Mn in 4Q21, up from AED29 Mn in 4Q20. The EBIT is forecasted to increase by 81.4% YOY to AED1,923 Mn in 4Q21, up from AED1,060 Mn in 4Q20. The Loss of Share of results is expected to decline by 71.8% YOY to AED58 Mn in 4Q21, down from AED205 Mn in 4Q20. The Finance Income is expected to decline by 1.3% YOY to AED100 Mn in 4Q21, down from AED101 Mn in 4Q20. The Finance Cost is forecasted to decrease by 21.9% YOY to AED274 Mn in 4Q21, down from AED351 Mn in 4Q20. The Other Income is forecasted to decrease by 51% YOY to AED114 Mn in 4Q21, down from AED232 Mn in 4Q20. The Depreciation is expected to decline by 2% YOY to AED320 Mn in 4Q21, down from AED326 Mn in 4Q20. The Profit before Tax is forecasted to increase significantly to AED1,484 Mn in 4Q21, up from AED510 Mn in 4Q20. The NCI is forecasted to surge to AED504 Mn in 4Q21, up from AED223 Mn in 4Q20.

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 31.1% YOY increase in Revenue to AED25,839 Mn in 2021, up from AED19,710 Mn in 2020. The Cost of Revenue is expected 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 expected 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 expected 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.

3Q21 Outturn

The Gross Profit surged by 62.8% YOY to AED2,591 Mn in 3Q21, up from AED1,592 Mn in 3Q20. It was mainly due to an increase by 65.4% YOY in Revenue to AED6,832 Mn in 3Q21, up from AED4,131 Mn in 3Q20. The Cost of Revenue increased by 67% YOY to AED4.242 Mn in 3Q21, as compared to AED2,540 Mn in 3Q20. General and Administrative expenses increased by 46.1% YOY to AED1,049 Mn in 3Q21, up from AED718 Mn in 3Q20. Similarly, the Other operating income increased by 86.4% YOY to AED70 Mn in 3Q21, up from AED38 Mn in 3Q20. As a result, the EBIT rose by 76.9% YOY to AED1,612 Mn in 3Q21, up from AED911 Mn in 3Q20. The Share of results of associates and joint ventures impacted positively and reported a profit of AED464 Mn in 3Q21, as compared to a loss of AED90 Mn in 3Q20. Impairment charges reached AED114 Mn in 3Q21. Finance charges increased by 19.7% YOY to AED258 Mn in 3Q21, up from AED215 Mn in 3Q20. While the Finance Income declined by 13.4% YOY to AED102 Mn in 3Q21, down from AED118 Mn in 3Q20. The Other Income declined by 67% YOY to AED36 Mn in 3Q21, as compared to AED109 Mn in 3Q20. Therefore, the Profit before tax strongly increased to AED1,534 Mn in 3Q21, up from AED514 Mn in 3Q20. The Company reported an Income tax expense in 3Q21, as compared to an Income tax credit in 3Q20. The NCI significantly increased by 78.4% YOY to AED419 Mn in 3Q21, up from AED235 in 3Q20. Total assets increased by 7.2% YOY to AED124.65 Bn in 3Q21, up from AED116.25 Bn in 3Q20. Similarly, the Total liabilities rose by 14.5% YOY to AED58.12 Bn in 3Q21, as compared to AED50.78 Bn in 3Q20. Whereas the Total equity increased by 1.6% YOY to AED66.54 Bn in 3Q21.

Target price and rating

We maintain our BUY rating on Emaar Properties with a target price of AED6.20. Emaar properties one of the world's most valuable real estate development companies. Emaar has been focusing on design excellence and on building quality and timely delivery to its customers after it earned a decent spot in the properties, shopping malls, retail, hospitality, and leisure fields worldwide due to its continuous innovation in the sector. Over the first nine months of 2021, Emaar properties has achieved its highest ever property sales amounting to AED26.15 Bn, almost 3 times the sales achieved for the same period last year, increasing by more than 236% YOY and reflecting clients' trust in Emaar Group. This increase was mainly driven by the UAE development business and supported by the international operations. Revenues for 9M21 stood at AED19.33 Bn up from AED12.35 Bn in 9M20, reporting an increase by 57% YOY mainly driven by higher property sales. Domestic property Sales for 9M21 increased by almost 5 times as compared to the Domestic Sales in 2020, reaching AED20.99 Bn, this is mainly driven by Dubai's continuous lead as an international hub for trade, financial services, travel, and hospitality sectors among others, which attract professionals and investors from all over the world who invest in the region and boost the properties' sales. Nevertheless, Emaar Sales Backlog reached AED46.93 Bn to be reported as future Revenues in the coming three to four years, highlighting the robust financial position of Emaar and its ability to generate high Revenues and profitability while maintaining the continuity of its Shareholders' returns. Net Profit in the first nine months of 2021 increase by 25% YOY to AED2.57 Bn as compared to AED2.05 Bn over the same period last year. Nevertheless, in 3Q21, Emaar reported Net Profit for AED1.01 Bn up from AED359 Mn in 3Q20, a significant increase by 184% YOY backed up by an increase in Revenues from AED4.13 Bn in 3Q20 to AED6.83 Bn in 3Q21, an increase by 65% YOY. The increase in Revenues offsetting the increase in Cost of Revenues by 67% YOY to AED4.24 Bn in 3Q21 up from AED2.54 Bn in 3Q20. Thus, Gross Profit increased in 3Q21 to AED2.59 Bn as compared to AED1.59 Bn in 3Q20, an increase by 63% YOY, while Gross Profit Margin decreased slightly to 37.9% as compared to 38.53%. It is worth noting that Shares of Results from Associated Companies reported a profit of AED465 Mn in 3Q21 up from a loss of AED90 Mn in 3Q20. Emaar delivered more than 79,800 residential units with 25,000 more units under construction in UAE and 11,000 units

internationally. Emaar Group has four main subsidiaries: Emaar Development, Emaar International, Emaar Malls & Emaar Hospitality, Leisure & Entertainment, contributing significantly to the Company's growth and future expansions. The Emaar Development reported the highest quarterly property sales reaching AED7.118 Bn in 3Q21, an increase by more than 6 times compared to 3Q20. The robust property sales supported the 66% YOY and 170% YOY increase in 3Q21 Revenue and 3Q21 Net Profit, respectively. Emaar International reported a 50% YOY increase in property sales of AED5.15 Bn in 9M21 compared to AED3.43 Bn in 9M20. It was mainly contributed due to the company's international expansions. The subsidiary's Revenue contributes around 15% to Emaar's Total Revenue. The Emaar Malls reported a Revenue of AED3.19 Bn in 9M21 while the Net Profit surged to AED1.07 Bn in 9M21. It significantly contributed to the Emaar Group's profitability levels. The subsidiary's e-commerce fashion and lifestyle segment, Namshi reported sales for AED1 Bn in 9M21. The platform experienced persistent growth from its key markets - Saudi Arabia, Kuwait, other GCC countries & recently Qatar that launched in early 2021. Emaar Hospitality, Leisure & Entertainment witnessed a 39% YOY increase in Revenue to AED1.54 Bn in 9M21, as compared to 9M20. The Hotels under the Group demonstrated resilience with 62% occupancy rates, higher than the average occupancy rate of the industry. The diversified Revenue streams contributed AED4.74 Bn to the Group and comprised of 24% of the top-line. The Shareholders of the Company approved a Cash Dividend of AED0.10 per share for 2020, in April 2021. Based on our analysis, we assign a BUY rating on the stock.

Emaar Properties – Relative Valuation

| (at CMP) | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------|------|------|------|------|------|
| PE (X) | 6.2 | 5.6 | 5.6 | 13.1 | 13.5 |
| PB (X) | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 |
| Dividend yield (%) | 2.9% | 3.1% | 0.0% | 2.1% | 2.1% |

FABS estimate & Co Data

Emaar Properties - P&L

| AED mm | 4Q20 | 3Q21 | 4Q21F | YOY Ch | QOQ Ch | 2020 | 2021F | Change |
|---------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|---------------|--------------|
| Revenue | 6,336 | 6,636 | 6,703 | 5.8% | 1.0% | 19,710 | 25,839 | 31.1% |
| Cost of revenue | -4,089 | -3,803 | -3,841 | -6.1% | 1.0% | -12,710 | -14,726 | 15.9% |
| Gross profit | 2,247 | 2,834 | 2,862 | 27.4% | 1.0% | 7,000 | 11,113 | 58.7% |
| General and admin expenses | -1,217 | -1,022 | -1,005 | -17.4% | -1.6% | -3,328 | -4,025 | 20.9% |
| Net other operating Income | 29 | 65 | 66 | NM | 2.0% | 165 | 242 | 46.4% |
| EBIT | 1,060 | 1,876 | 1,923 | 81.4% | 2.5% | 3,838 | 7,330 | 91.0% |
| Share of assoc. profits/(-loss) | -205 | -56 | -58 | -71.8% | 3.0% | -582 | -123 | -78.9% |
| Provisions and impairment | 0 | 0 | 0 | NA | NA | -551 | 0 | NM |
| Finance income | 101 | 98 | 100 | -1.3% | 1.3% | 485 | 378 | -22.0% |
| Finance cost | -351 | -266 | -274 | -21.9% | 3.0% | -1,096 | -1,037 | -5.3% |
| Other income | 232 | 109 | 114 | -51.0% | 4.0% | 2,457 | 345 | -86.0% |
| Depreciation | -326 | -315 | -320 | -2.0% | 1.5% | -1,259 | -1,252 | -0.5% |
| Profit before tax | 510 | 1,447 | 1,484 | NM | 2.6% | 3,293 | 5,641 | 71.3% |
| Income tax | -106 | -42 | -45 | -58.0% | 6.1% | 91 | -204 | NM |
| Profit for the period | 404 | 1,405 | 1,439 | NM | 2.5% | 3,384 | 5,437 | 60.6% |
| NCI | -223 | -492 | -504 | NM | 2.5% | -767 | -2028 | NM |
| Profit to shareholders | 181 | 913 | 936 | NM | 2.5% | 2,617 | 3,409 | 30.3% |

FABS estimate & Co Data

Emaar Properties - Margins

| AED mm | 4Q20 | 3Q21 | 4Q21F | YOY Ch | QOQ Ch | 2020 | 2021F | Change |
|--------|-------|-------|-------|--------|--------|-------|-------|--------|
| GPM | 35.5% | 42.7% | 42.7% | 723 | 0 | 35.5% | 43.0% | 749 |
| OPM | 16.7% | 28.3% | 28.7% | 1196 | 41 | 19.5% | 28.4% | 890 |
| NPM | 2.9% | 13.8% | 14.0% | 1110 | 20 | 13.3% | 13.2% | -8 |

FABS estimate & Co Data

4Q21 preview: Emaar Development

Strong Growth in Revenue would support profitability

CMP (AED): 4.31

Potential upside (%): **+32.3%**

12-m target price:
AED5.70

Stock rating:
BUY

4Q21 Estimate

We estimate EMAAR DEVELOPMENT to report a strong increase in Net Profit to AED764 Mn in 4Q21, as compared to AED299 Mn in 4Q20, mainly due to higher Revenue. Gross Profit is forecasted to grow by 56% YOY to AED1,489 Mn in 4Q21, up from AED955 Mn in 4Q20. It will be mainly driven by 53.3% YOY increase in Revenue to AED4,025 Mn in 4Q21, up from AED2,625 Mn in 4Q20. The Cost of Revenue is forecasted to increase by 51.8% YOY to AED2,536 Mn in 4Q21, up from AED1,671 Mn in 4Q20. The Selling & Administrative Expenses are expected to decrease by 11.3% YOY to AED407 Mn in 4Q21, down from AED458 Mn in 4Q20. The Operating Profit is expected to increase significantly to AED1,083 Mn in 4Q21, up from AED497 Mn in 4Q20. The Finance Income is expected to decrease by 42.2% YOY to AED11 Mn in 4Q21, down from AED20 Mn in 4Q20. The Finance Cost is forecasted to decline by 46.3% YOY to AED94 Mn in 4Q21, down from AED174 Mn in 4Q20. The Other Income is forecasted to increase by 41.7% YOY to AED13 Mn in 4Q21, up from AED9 Mn in 4Q20. The Share of Results of Associates is expected to decrease by 49.8% YOY to AED42 Mn in 4Q21, down from AED84 Mn in 4Q20. The Profit for the year is expected to increase significantly to AED1,055 Mn in 4Q21, up from AED435 Mn in 4Q20. The NCI is forecasted to rise significantly to AED292 Mn in 4Q21, up from AED136 Mn in 4Q20.

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.

3Q21 Outturn

Revenue strongly increased by 66.3% YOY to AED3,849 Mn in 3Q21, up from AED2,315 Mn in 3Q20. The Cost of Revenue increased by 53.4% YOY to AED2,421 Mn in 3Q21, as compared to AED1,578 Mn in 3Q20. Therefore, the Gross profit increased by 93.8% YOY to AED1,428 Mn in 3Q21, up from AED737 Mn in 3Q20, with a Gross Margin equal to 37.1% in 3Q20. The Operating Profit surged to AED1,035 Mn in 3Q21. It was despite the 33.7% YOY increase in General & 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 777 bps to 26.9% in 3Q21, as compared to 19.1% in 3Q20. The Finance cost strongly increased to AED64 Mn in 3Q21, up from AED29 Mn in 3Q20. The Share of results from associates and Joint ventures improved significantly to AED80 Mn in 3Q21, as

compared to AED2 Mn in 3Q20. The Profit for the year rebounded to AED1,075 Mn in 3Q21, as compared to AED431 Mn in 3Q20. The NCI increased to AED204 Mn in 3Q21. The Total Assets increased by 16.2% YOY to AED37.82 Bn in 3Q21, as compared to AED32.54 Bn in 3Q20. The Total Liabilities increased by 15.3% YOY to AED22.26 Bn in 3Q21, up from AED19.31 Bn in 3Q20. Whereas the Total Equity increased by 17.7% YOY to AED15.57 Bn in 3Q21, up from AED13.23 Bn in 3Q20.

Target price and recommendation

We maintain our BUY rating on Emaar development with a target price of AED5.70. Emaar Development PJSC, the top build-to-sell property development business is majorly owned by the parent company Emaar Properties PJSC. The Company performed robustly in 9M21, mainly driven by exceptional sales, and supported by recent launches. Emaar Development reported its highest ever Sales of AED20.94 Bn in 9M21 increasing substantially by 382% YOY as compared to sales in 9M20. Throughout these nine months, Emaar Development launched Golf Place Terraces, Palm Hills with Elie Saab and Majestic Vistas inspired by Automobili Lamborghini in Dubai Hills Estate, Palace Beach Residence and Beach Mansion in Emaar Beachfront, Caya and Bliss in Arabian Ranches III and Nara in the Valley. The Company has also delivered 3,700 residential units in 9M21 in prime locations such as Dubai Hills Estate, Dubai Creek Harbour, Downtown Dubai, Dubai Marina and Emaar South. As of September 2021, the Company has successfully delivered 51,000 residential units and currently have over 25,000 units under development in the UAE. Emaar Development reported an increase in 9M21 by 75% and in 3Q21 by 170% in Net Profit to AED2.38 Bn and AED872 Mn, respectively. This increase was mainly driven by the increase in Revenues to AED 11.6 Bn and AED3.85 Bn in 9M21 and 3Q21, increasing by 63% and 66%, respectively. Despite the increase in Cost of Revenues robustly, in line with the increase in Revenues, the Gross Profit witnessed an increase both in 9M21 by 74% to AED4.38 Bn up from AED2.52 Bn and in 3Q21 by 94% reaching AED1.43 Bn up from AED737 Mn in 3Q20. Gross Profit Margins stood at 37.74% in 9M21 and 37.12% in 3Q21 up from 35.38% in 9M20 and 31.83% in 3Q20. The sales backlog stood at AED28.47 Bn as of 3Q21, implying that the company is a high generating business, which will be recognized as Revenue for the business in the coming years. The strong performance achieved by Emaar Development and Emaar Group in general reflects the strength of Dubai's property sector mainly driven by the strong economic fundamentals of the UAE. 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 65.17% to the Total Revenue, followed by Sale of Villas at 21.4% and Commercial units at 13.43%. The Sale of Condominiums increased by 40.31% YOY to AED7.56 Bn in 9M21, as compared to AED5.38 Bn in 9M20, because of several successful launches in 1H21. The Sale of Villas increased robustly by 89% YOY to AED2.48 Bn in 9M21, as compared to AED1.31 Bn in 9M20. It was mainly due to increase in demand for Villa units. The Sale of commercial plots surged by 2.63x YOY to AED1.56 Bn in 9M21, as compared to AED429 Mn in 9M20. The Costs of Revenues of the segments increased in line with Sales as follows: Cost of Sales of Condominiums increased by 40% YOY during 9M21, being the largest portion of the total Costs. Similarly, the Cost of Villas increased by 1.14x YOY to AED1.57 Bn in 9M21, as compared to AED736 Mn in 9M20. Nevertheless, the Costs related to Sale of Commercial plots surged by 2.76x YOY to AED358.43 Mn in 9M21, as compared to AED95.33 Mn in 9M20. The Selling & Administrative Expenses increased significantly to AED1.25 Bn in 9M21, as compared to AED847 Mn in 9M20, mainly attributed to Marketing & Other expenses. The Cash from Operating Activities stood at AED2.61 Bn at the end of September 2021 as compared to losses of AED473 Mn same period last year. The Company paid Dividends amounting to AED1.095 Bn in 3Q21, 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) | 1.3 | 4.4 | 6.3 | 10.5 | 7.2 |
| PB (X) | 3.4 | 2.2 | 1.8 | 1.5 | 1.1 |
| Dividend yield (%) | 0.0% | 12.1% | 0.0% | 0.0% | 0.0% |

FABS estimate & Co Data

Emaar Development - P&L

| AED mm | 4Q20 | 3Q21 | 4Q21F | YOY Ch | QOQ Ch | 2020 | 2021F | Change |
|--|------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|
| Revenue | 2,625 | 3,985 | 4,025 | 53.3% | 1.0% | 9,758 | 15,765 | 61.6% |
| Cost of Revenue | -1,671 | -2,511 | -2,536 | 51.8% | 1.0% | -6,280 | -9,850 | 56.9% |
| Gross Profit | 955 | 1,475 | 1,489 | 56.0% | 1.0% | 3,478 | 5,915 | 70.0% |
| Selling, General & Administrative expenses | -458 | -410 | -407 | -11.3% | -1.0% | -1,305 | -1,670 | 28.0% |
| Operating Profit | 497 | 1,064 | 1,083 | NM | 1.8% | 2,174 | 4,244 | 95.3% |
| Finance Income | 20 | 11 | 11 | -42.2% | 8.0% | 57 | 40 | -30.0% |
| Finance Cost | -174 | -91 | -94 | -46.3% | 3.0% | -300 | -328 | 9.1% |
| Other Income | 9 | 12 | 13 | 41.7% | 3.0% | 28 | 40 | 43.7% |
| Share of results of Joint Ventures | 84 | 42 | 42 | -49.8% | 1.0% | 98 | 187 | 90.8% |
| Profit for the year | 435 | 1,038 | 1,055 | NM | 1.7% | 2,056 | 4,183 | NM |
| NCI | 136 | 287 | 292 | NM | 1.7% | 398 | 1,156 | NM |
| Net profit to equity holders | 299 | 751 | 764 | NM | 1.7% | 1,657 | 3,027 | 82.6% |

FABS estimate & Co Data

Emaar Development-Margins

| AED mm | 4Q20 | 3Q21 | 4Q21F | YOY Ch | QOQ Ch | 2020 | 2021F | Change |
|--------|-------|-------|-------|--------|--------|-------|-------|--------|
| GPM | 36.4% | 37.0% | 37.0% | 63 | 0 | 35.6% | 37.5% | 187 |
| OPM | 18.9% | 26.7% | 26.9% | 799 | 20 | 22.3% | 26.9% | 465 |
| NPM | 11.4% | 18.8% | 19.0% | 760 | 13 | 17.0% | 19.2% | 222 |

FABS estimate & Co Data

4Q21 preview: Aldar Properties

Decrease in Finance Cost and Provision support bottom line

CMP (AED): 4.12

Potential upside (%): +9.2%

12-m target price:
AED4.50

Stock rating:
HOLD

4Q21 Estimate

Aldar properties is expected to report a 24.7% YOY decline in Net Profit to AED544 Mn in 4Q21, from AED723 Mn in 4Q20. This is mainly due to an expected significant decrease in Other Income. Revenue is expected to decrease by 13.5% YOY to AED2,192 Mn in 4Q21, down from AED2,534 Mn in 4Q20. Direct Costs are expected to drop by 17.6% YOY to AED1,370 Mn in 4Q21, down from AED1,662 Mn in 4Q20. Resultantly, Gross profit is expected to decline by 5.8% YOY to AED822 Mn in 4Q21, down from AED873 Mn in 4Q20, with GPM standing at 37.5% from 34.4% in 4Q20. General Expenses are expected to decrease by 17.9% YOY to AED192 Mn in 4Q21, down from AED234 Mn in 4Q20. Selling & marketing expenses are estimated to decline by 35.6% YOY to AED37 Mn in 4Q21, compared to AED57 Mn in 4Q20. As a result, EBIT is expected to increase by 1.9% YOY to AED593 Mn in 4Q21, up from AED582 Mn in 4Q20. Finance Income is expected to increase by 13.4% YOY to AED12 Mn in 4Q21, up from AED10 Mn in 4Q20. Finance Cost is expected to decrease by 4.3% YOY to AED64 Mn in 4Q21, down from AED67 Mn in 4Q20. Other income is expected to strongly decline by 90.3% YOY to AED39 Mn in 4Q21, down from AED402 Mn in 4Q20.

2021 Forecast

Aldar properties is expected to report a Net Profit of AED2,080 Mn in 2021, which is a 7.7% YOY rise compared to AED1,932 Mn in 2020. This is mainly due to an expected decline in Provisions. Revenue is expected to increase by 1.4% YOY to AED8,512 Mn in 2021 from AED8,392 Mn in 2020. Direct Costs are expected to decrease by 2.8% YOY to AED5,256 Mn in 2021 from AED5,409 Mn in 2020. Thus, Gross Profit is expected to increase by 9.2% YOY to AED3,256 Mn in 2021 from AED2,983 Mn in 2020, with a GPM at 38.3% from 35.5% in 2020. General Expenses are expected to increase by 11.5% YOY to AED738 Mn in 2021 from AED662 Mn in 2020. EBIT is expected to increase by 8.6% YOY to AED2,384 Mn in 2021 from AED2,196 Mn in 2020. Finance Income is expected to decrease by 31.4% YOY to AED46 Mn in 2021 compared to AED67 Mn in 2020. Similarly, the Finance Cost is expected to decline by 15.3% YOY to AED263 Mn, down from AED311 Mn in 2020. Other Income is expected to drastically decrease by 80.1% YOY to AED38 Mn in 2021, down from AED190 Mn in 2020. Provisions are expected to decrease by 58.6% YOY to AED122 Mn in 2021 from AED296 Mn in 2020, helping Profit to advance.

3Q21 Outturn

Revenue has marginally decreased by 0.3% YOY to AED2.087 Bn, as compared to AED2.094 Bn in 3Q20. Whereas the Direct costs decreased by 10.4% YOY to AED1.253 Bn in 3Q21. Resultantly, Gross Profit increased by 20% YOY to AED834 Mn in 3Q21, up from AED696 Mn in 3Q20, with GPM equal to 40% from 33.2% in 3Q20. General expenses have increased by 48.2% YOY to AED216 Mn in 3Q21. EBIT in 3Q21 increased by 12.7% YOY to AED591 Mn, up from AED525 Mn in 3Q20, with an OPM margin equal to 28.3% in 3Q21. Provision charges in 3Q21 decreased by 44.3% YOY to AED31 Mn compared to AED55 Mn in 3Q20. The Finance income has decreased by 47.7% YOY to AED11 Mn in 3Q21 from AED21 Mn in 3Q20. Similarly, the Finance costs decreased by 6.2% YOY to AED67 Mn in 3Q21, down from AED71 Mn in 3Q20. Moreover, the Non-controlling interest has significantly decreased to AED0.9 Mn, down from AED9.9 Mn in 3Q20. Total assets increased by 5.3%

YOY to AED41.6 Bn in 3Q21, up from AED39.5 Bn in 3Q20. Total equity increased by 4.5% YOY to AED26.13 Bn in 3Q21 from AED22.01 Bn in 3Q20. Total liabilities increased by 6.8% YOY to AED15.47 Bn, as compared to AED14.5 Bn in 3Q20.

Target price and rating

We maintain our HOLD rating on Aldar with a target price of AED4.50. 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 3Q21 with a continuous growth across the Group's entities supported by an improved operating environment with the UAE successful vaccination program and the post-Covid global pandemic growth. Revenues remained stable YOY at AED2.09 Bn in 3Q21 while Direct Costs decreased to AED1.25 Bn in 3Q21 compared to AED1.40 Bn in 3Q20, a decrease by 10.37% YOY. As a result, Aldar's Gross Profit increased by 20% YOY to AED834 Mn compared to AED696 Mn in 3Q20. Aldar recorded AED474 Mn Net Profit in 3Q21 up from 416 Mn in 3Q20, an increase by almost 14% YOY. Moreover, Aldar has recorded its highest-ever quarterly Development Sales, reaching AED2.69 Bn in 3Q21 with Total Sales in 9M21 reaching AED6.14 Bn. The Revenue backlog also reached a record of AED5.86 Bn supporting the Revenue outlook. Thus, Aldar Development recorded 44% increase YOY in 3Q21 Gross Profit reaching AED450 Mn mainly driven by better macroeconomic conditions with the confidence of customers increasing again along a preference for high-quality, spacious, and lifestyle-oriented properties. Aldar has shown a slight increase by 1% YOY in NOI figures by investment properties segment to AED392 Mn in 3Q21 up from AED387 Mn in 3Q20, reflecting good business portfolio quality along expertise in managing the assets. The Retail portfolio rebounded significantly with an increase by 9% in the first 9 months 2021 in footfall and Sales reaching almost 2019 pre-Covid levels at AED332 Mn, while the Residential and the Commercial sectors both witnessed decrease by 1% and 4% respectively due to the expiry of the leasehold in Khalidiya village and the decrease in revenue in Operating Villages. Aldar Education kept its increasing trend reporting 27% increase in 9 months 2021 to AED124 Mn in NOI mainly driven by the 3% increase in student numbers to 26.37 K compared to 25.63 K same period last year. The Hospitality and Leisure businesses also witnessed a significant increase YTD given the easing of the border's restrictions in Abu Dhabi and the exemption from quarantine requirements. Aldar maintains a strong liquidity position with AED3.6 Bn in unrestricted cash and AED 4 Bn of undrawn committed facilities to support the long-term growth opportunities. Nevertheless, Aldar has shown a strong Balance Sheet for 3Q21 with Total Assets increasing to AED41.6 Bn in 3Q21 up from AED40.23 Bn in 3Q20 while maintaining a strong liquidity position with AED3.6 Bn in unrestricted cash and AED 4 Bn of undrawn committed facilities to support the long-term growth opportunities. Finally, the shareholders approved in March 2021 the distribution of cash dividends for AED1.1 Bn for the FY20, being 14.5 fils per share, and it was paid during the same period. Therefore, we assign a HOLD rating on the stock.

Aldar – Relative Valuation

| (at CMP) | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------|------|------|------|------|------|
| PE (X) | 16.2 | 17.4 | 16.3 | 16.7 | 21.1 |
| PB (X) | 1.4 | 1.3 | 1.3 | 1.3 | 1.2 |
| Dividend yield (%) | 2.9% | 3.4% | 3.5% | 3.5% | 3.5% |

FABS estimate and Co data

Aldar - P&L

| | 4Q20 | 3Q21 | 4Q21F | YOY Ch | QOQ Ch | 2020 | 2021F | Change |
|------------------------------|-------------|-------------|--------------|---------------|---------------|-------------|--------------|---------------|
| AED mm | | | | | | | | |
| Revenue | 2534 | 2087 | 2192 | -13.5% | 5.0% | 8392 | 8512 | 1.4% |
| Direct costs | -1662 | -1253 | -1370 | -17.6% | 9.3% | -5409 | -5256 | -2.8% |
| Gross profit | 873 | 834 | 822 | -5.8% | -1.5% | 2983 | 3256 | 9.2% |
| General expenses | -234 | -216 | -192 | -17.9% | -11.0% | -662 | -738 | 11.5% |
| Selling & Marketing exp. | -57 | -27 | -37 | -35.6% | 35.0% | -125 | -134 | 6.8% |
| EBIT | 582 | 591 | 593 | 1.9% | 0.4% | 2196 | 2384 | 8.6% |
| Share of assoc. | -3 | -2 | -3 | 7.8% | 49.2% | -10 | -9 | -6.0% |
| Provision/(reversal) | -197 | -31 | -32 | -83.7% | 4.0% | -296 | -122 | -58.6% |
| Finance income | 10 | 11 | 12 | 13.4% | 8.8% | 67 | 46 | -31.4% |
| Finance cost | -67 | -67 | -64 | -4.3% | -5.0% | -311 | -263 | -15.3% |
| Other income | 402 | -28 | 39 | -90.3% | NM | 190 | 38 | -80.1% |
| Profit for the period | 729 | 474 | 546 | -25.2% | 15.1% | 1932 | 2084 | 7.9% |
| Non-controlling interest | -7 | -0.9 | -1.3 | -80.3% | 52.1% | 0 | -4 | NM |
| Net profit | 723 | 473 | 544 | -24.7% | 15.0% | 1932 | 2080 | 7.7% |

FABS estimate & Co Data

Aldar - Margins

| | 4Q20 | 3Q21 | 4Q21F | YOY Ch | QOQ Ch | 2020 | 2021F | Change |
|------------|-------------|-------------|--------------|---------------|---------------|-------------|--------------|---------------|
| AED mm | | | | | | | | |
| GPM | 34.4% | 40.0% | 37.5% | 306 | -246 | 35.5% | 38.3% | 271 |
| OPM | 23.0% | 28.3% | 27.1% | 410 | -125 | 26.2% | 28.0% | 184 |
| Net margin | 28.5% | 22.7% | 24.8% | -368 | 216 | 23.0% | 24.4% | 142 |

FABS estimate & Co Data

FAB Securities Contacts:

Research Analysts

| | | |
|----------------|-----------------|--|
| Ahmad Banihani | +971-2 -6161629 | ahmad.banihani@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 |
|------------------|-----------------|-------------------------------------|

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorized 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"