

Emaar Malls

CMP: AED1.68

MCap: AED21.8bn

ADD/ Overweight

Target Price: AED2.26

Free Float: 15.4%

# Company Update

Upside: +34.5%

Bloomberg: EMAARMLS UH Equity

02-May-2019

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## Emaar Malls 1Q19: Earnings miss estimates; amidst lower occupancy and declining e-commerce sales.

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- Emaar Malls 1Q19 results missed our estimates. Net income at AED584m, up 6.6% YoY but down 1.1% QoQ
- Revenues increased 3.6% YoY but decreased 11.4% QoQ to AED1.075bn
- EBITDA margins declined 19bps YoY while improved 533bps QoQ due better top-line and lower operating cost
- Visitor footfall grew 3% YoY to 36m visitors, supported by Tourists Arrivals and increased visit frequency by local visitors
- Mall occupancy drops to 92% in 1Q19 as against 95% in 1Q18 and 93% in 4Q18
- Ecommerce business sales stood at AED167m, down 5% YoY and 31% QoQ

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### Our take on the Results:

Emaar Malls top-line and bottom-line came lower than estimates, while there was improvement in margins (QoQ basis) which supported the profitability. We also note that there was a drop in occupancy to 92% (1Q18 - 95%, 4Q18 - 93%) which we believe was due to the ongoing redevelopment and renovation at Dubai Mall. With respect to e-commerce business, the sales have taken a hit QoQ, and could be a factor in QoQ margin improvement (Emaar Malls Group) as the e-commerce business yet to reach the full-scale profitability. Lower finance cost, due to repayments also helped earnings during the quarter. As these are preliminary numbers, we await full financials to get a better picture of the 1Q19 performance.

### Emaar Malls IQ19 Preliminary Results

AEDm	IQ18a	4Q18a	IQ19a	YoY	QoQ	IQ19e
Revenues	1,038	1,214	1,075	3.6%	-11.4%	1,130
Cost of Revenues	(225)	(304)	(225)			(246)
Gross Profit	813	910	850			884
Sales, Marketing, Gen & Adm	(111)	(156)	(125)	12.6%	-19.9%	(130)
EBITDA	702	754	725	3.3%	-3.8%	754
Depreciation	(104)	(113)	(109)	4.8%	-3.5%	(110)
EBIT	598	641	616	3.0%	-3.9%	644
Finance Cost- Net	(55)	(61)	(38)	-30.9%	-37.7%	(42)
Minority Interest	5	11	6			10
Net Income	548	591	584	6.6%	-1.2%	612
Gross Margin (%)	78%	75%	79%	0.75	4.11	78%
EBITDA Margin (%)	68%	62%	67%	(0.19)	5.33	66%
EBIT Margin (%)	58%	53%	57%	(0.31)	4.50	55%
Net Margin (%)	53%	49%	54%	1.53	5.64	52%
Mall Occupancy (%)	95%	93%	92%	(3.00)	(1.00)	-
Namshi Sales	176	242	167	-5.1%	-31.0%	-

Source: Company Data, SHUAA Research

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#### SHUAA Capital Rating Methodology

Buy / Add/ Overweight: The stock is expected to outperform relative to the benchmark index.

Hold/ Neutral/ Equalweight: The stock is expected to perform in-line relative to the benchmark index.

Reduce/ Sell/ Underweight: The stock is expected to underperform relative to the benchmark index.

#### Emaar Malls

Date Published	Stock Price (AED)	Recommendation	Target Price (AED)
30-July-2019	2.07	ADD	2.62
07-Nov-2018	1.92	ADD	2.62
30-Aug 2018	1.63	ADD	2.62

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