

Emaar Properties

HOLD/ Equal Weight

Company Update

CMP: AED4.75

Target Price: AED6.15

Upside: +29.5%

MCap: AED34.0bn

Free Float: 70.8%

Bloomberg: EMAAR UH Equity

06-May-2019

Emaar Properties: Off-plan sales surges on international demand, while revenues and margin sees YoY decline. Bottom-line helped by sale of Hospitality and other assets (booked in other income). We remain Equal Weight.

- Emaar Properties reported IQ19 net income of AED1.7bn, up 7.2% YoY but down 3% QoQ, broadly in-line with our estimates. Revenues were AED5.89bn in IQ19, down 0.6% YoY and down 29% QoQ, while gross profit margin declined 117bps YoY while improving 190bps QoQ to 50.93%
 - Other income component contributed significantly to the bottom-line as Emaar divested part of its hospitality portfolio as well some of the non-commercial assets during the period
 - Off-plan sales (new sales) remained strong at AED5.98bn (up 53% YoY), leading to a strong backlog build-up of AED50bn to be recognized over the coming years. The surge in off-plan was driven by sales to international customers (AED2.645bn, up 123% YoY)
 - Emaar development recorded revenues of AED3.34bn for IQ19, up 2.3% YoY
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Our take on the results:

Emaar's quarterly performance remained resilient despite the ongoing headwinds witnessed by the broader real estate market in UAE. The YoY drop in margin was due to change in property-mix, as relatively lower villas and land plot revenues were recognised in IQ19 vis-a-vis IQ18. The other income component (AED390m in IQ19 vs. AED62m in IQ18), which included the hotel sales to Abu Dhabi National Hotels along with sale of several non-commercial assets during the period, helped lift the bottom-line during the quarter.

Our view on the stock:

Emaar Properties holds a well-diversified portfolio in UAE, Egypt, KSA and other emerging markets, and also owns & manages 6.7msq of top quality retail assets in Dubai; which acts as a cash cow for the business (annual revenue of ~AED4.5bn from the retail business with ~65% EBITDA margins). The backlog of AED50bn, along with an existing land bank of ~1.6bn sqft puts Emaar in a very comfortable position as a developer. Going forward, expected growth in visitors, tourism, and retail spending is likely to benefit Emaar through its strong presence in Dubai's residential real estate, retail, and hospitality sector. However, despite having a strong business model and top-performing assets; we remain neutral given headwinds such as increasing supply in the Dubai residential marketplace, which has been putting pressure on the real estate price and yields. We maintain HOLD/ Equal Weight on Emaar with TP of AED6.15/ share.

Emaar Properties IQ19 Preliminary Results

AEDm	4Q18	1Q18	1Q19	YoY	QoQ
Revenue	8,304	5,929	5,894	-0.6%	-29%
Cost of Revenue	(4,232)	(2,840)	(2,892)	1.8%	-32%
Gross Profit	4,072	3,089	3,002	-2.8%	-26%
GPM (%)	49.04%	52.10%	50.93%	(1.17)	1.90
SG&A	(1,790)	(922)	(1,037)	12.5%	-42.1%
Other Inc	142	62	390	NM	NM
Share of Result frm Associated	(6)	72	(61)	NM	NM
Income tax	21	(23)	(23)	0.0%	NM
Minority Int	(485)	(653)	(529)	-19.0%	9.1%
Other Non Recurring Item	(163)	-	-	-	-
Net Income	1,791	1,625	1,742	7.2%	-2.7%

Source: Emaar Properties, SHUAA Capital

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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 Properties

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19-Nov-2018

Stock Price (AED)

4.91

Recommendation

Hold/EW

Target Price (AED)

6.15

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