

**ENBD REIT**  
ADD  
# Company Update

CMP: USD0.520  
Target Price: USD0.76  
Upside: 46%

MCap: USD131m  
Free Float: 100%  
Bloomberg: ENBDREIT DU

03-Jul-2019

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**ENBD REIT secures USD177mn financing facility, to be used for acquisitions, and refinancing USD135mn from existing debt at 0.35% lower rate at EIBOR plus 2.65%. We maintain ADD.**

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- ENBD REIT secures USD177.0mn Islamic financing facility at EIBOR + 2.65% from Mashreq Bank. The facility will primarily be used to refinance existing debt of USD134.5mn. Remaining USD42.5mn will be used for expansion and other corporate purposes. The facility is for 12 years with only profit for first 4 years, amortising 80% during the following 8 years with a 20% balloon payment at the end of its term.
- The facility will be used to refinance debt bearing profit rate of EIBOR + 3.0%, saving 0.35% profit margin - equating to USD0.5mn per annum. The company has disclosed its intentions of diversifying further into alternative class investment utilising the remaining facility (USD42.5mn). The full utilisation of the facility will increase the loan to value ratio to 45% from 40% as of Mar-19 – which we believe is acceptable level for REITs.
- The new debt facility saves on interest front and allows further margin for expansion – boding positively for the company. The one-time financing charges of restructuring will be amortised over the term, however there will be one-off cost with respect to existing facility (which has not been fully amortised yet), hence the full impact of USD0.5mn saving will be visible from 2020-21 (ending March). We also expect overall financing cost to be lower due to expected cut in the interest rates by US Fed in the upcoming months.

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**Our take on the event:** The stock has remained under pressure on the back unrealised losses and higher financing costs led loss of USD9.3mn in FY18, resulting in lower dividend payments (DPS USD 0.0485 in 2018 vs DPS USD0.511 in 2017). The refinancing bodes positively as it will save USD0.5mn in costs and also allows further room for expansion. Any new expansion by the company will reflect positively on the financials depending on the yield of new properties. The stock has corrected by 20%YTD, and trades at 10.7x P/FFO (2018 FFO) and 9.3% Div Yield (2018 div). We maintain our ADD recommendation with target price USD0.76/sh (upside 46%). Having said that, we flag caution on the residential portfolio of the company amidst broader Dubai real estate markets softness.

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.

#### Emirates REIT

Date Published	Stock Price (USD)	Recommendation	Target Price (AED)
30-May-2019	0.500	ADD	0.76
31-Jan-2019	0.639	ADD	0.97
30-Nov-2018	0.690	ADD	0.97
28-Aug 2018	0.760	ADD	0.97

**Disclosure:** SHUAA Capital psc is regulated by the United Arab Emirates Securities and Commodities Authority under license number 703036. SHUAA Capital International Limited, a wholly owned subsidiary by SHUAA Capital psc has provided Liquidity Provision activities in the past 12 months to the entity mentioned in this report.

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