

Emaar Properties

Property / United Arab Emirates

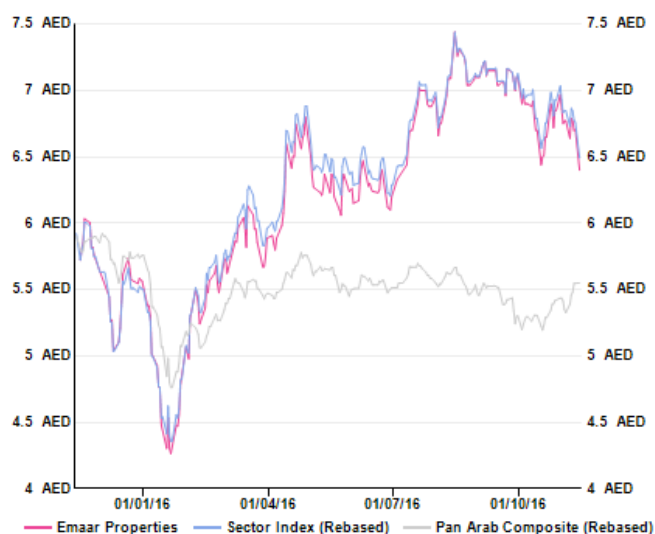
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Middle East North Africa
Independent Equity Research

Eyes in the skies, leveraging off EXPO 2020 Dubai

Buy	Upside potential : 62.6%
Target Price (6 months)	10.4
Share Price	AED 6.4
Market Capitalisation AEDM	45,822
Price Momentum	UNFAVORABLE
Extremes 12Months	4.26 ► 7.44
Bloomberg ticker	EMAAR UH



KEY DATA	12/14A	12/15A	12/16E	12/17E	12/18E
Adjusted P/E (x)	16.9	11.1	9.40	8.53	7.92
Dividend yield (%)	17.7	2.18	3.13	3.91	4.69
EV/EBITDA(R) (x)	11.0	7.49	5.72	4.74	4.57
Adjusted EPS (AED)	0.47	0.62	0.68	0.75	0.81
Growth in EPS (%)	24.2	31.9	9.33	10.2	7.75
Dividend (AED)	1.41	0.15	0.20	0.25	0.30
Sales (AEDM)	9,930	13,661	14,389	15,540	16,784
Pretax Results margin (%)	37.2	33.2	37.2	38.1	38.0
Attributable net profit (AEDM)	3,293	4,082	4,873	5,372	5,789
ROE (after tax) (%)	9.75	11.5	12.4	13.0	13.3
Gearing (%)	-5.45	-14.3	-20.9	-28.4	-28.9

Last forecasts updated on the 01/08/2016

Benchmarks	Values (AED)	Upside	Weight
DCF	10.5	64%	35%
NAV/SOTP per share	10.9	71%	20%
EV/Ebitda	Peers	12.8	100%
P/E	Peers	12.3	92%
Dividend Yield	Peers	4.82	-25%
P/Book	Peers	5.43	-15%
TARGET PRICE	10.4	63%	100%

Conflicts of interest

Corporate broking	NO
Trading in corporate shares	NO
Analyst ownership	NO
Advising of corporate (strategy, marketing, debt, etc)	NO
Research paid for by corporate	NO
Provision of corporate access paid for by corporate	NO
Link between AlphaMena and a banking entity	NO
Brokerage activity at AlphaMena	NO
Client of AlphaValue Research	NO

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Emaar Properties (Buy)

Property Development / United Arab Emirates

Contents

Recent Updates.....	3
Body of research.....	6
Target Price & Opinion.....	7
Businesses & Trends.....	8
Money Making.....	11
Debt.....	13
Valuation.....	14
DCF.....	15
NAV/SOTP.....	16
Worth Knowing.....	17
Financials.....	18
Pension Risks.....	25
Governance & Management.....	27
Graphics.....	29
Sector review.....	32
Property Development Changes and updates.....	33
Property Development Key Data.....	35
<i>Related companies: Addoha, ADI, Emaar Properties, SITS</i>	
Methodology.....	38

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Property Development / United Arab Emirates

Recent Updates

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► Updates

10/11/2016 **Good results coming at a bad time for the markets.**

Earnings/sales releases

Fact

Emaar Properties managed to increase its revenue in 9M-2016 by 13%, yoy, to AED11.1bn (3%, qoq, to AED3.7bn in Q3). The company's gross profit for the quarter also increased 20%, yoy, to AED1.9bn (5% qoq), and reached AED5.7bn in 9 months (12% yoy).

39% of Emaar's revenue during the first 9 months is identified as recurrent revenue from Shopping Malls & Retail, and Hospitality & Leisure businesses while Property sales is behind the rest.

The company's overall international operations recorded a revenue of AED1.696bn during the first nine months of 2016. This accounts for 15% of the total revenue.

As for the bottom line, during the third quarter, Emaar recorded a net profit of AED1.1bn, which is 36% higher than the Q3 2015 net profit of AED843m.

The company launched Rove Hotels, a joint venture with Meraas Holding, and opened its first property – Rove Downtown Dubai – in response to a strong guest demand. In all, 10 Rove Hotels will open in Dubai, adding over 3,700 rooms, in central locations across the city, just in time for Expo 2020 Dubai. The Address Boulevard Dubai, a brand new addition to the portfolio will open soon, while two new Rove Hotels are expected to be unveiled before year end.

Analysis

Emaar Misr's revenue in 9M 2016 increased by 22%, yoy, (+68% yoy in Q3) whilst Emaar Malls' revenue increased by 10%, yoy, to AED2.4bn and recorded a net profit of AED1.4 (a 16% yoy increase).

The hospitality & leisure, commercial leasing and entertainment businesses of Emaar recorded revenues of AED1.9bn during the first nine months of 2016. The average occupancy in the flagship, Address + Resorts in Dubai, during the first nine months of 2016 was 85% (2% higher than last year). The Address Hotels + Resorts and Vida Hotels and Resorts are expanding their footprints to Bahrain, Egypt and Turkey to operate hotels and serviced residences, as well as across the UAE.

The company seems to be on the right track in mastering its margins in a tough context, and the overall news for this quarter is all green. Sadly for the company, the timing was bad as the markets are turning red following Trump's victory, and the dollar's volatility. Another issue to keep an eye on, is the depreciation of the EGP, which will impact the consolidation of Emaar Misr.

Impact

We will update our model in the next few days to account for Q3-2016, and to refine our Peers' valuation.

01/08/2016 **Big fish with serious business**

Initiation cov.

Emaar Properties = World's tallest tower Burj Khalifa + World most visited Mall

Emaar Properties is one of the world's most valuable and admired real estate development companies. With proven competencies in property, shopping malls & retail and hospitality & leisure, Emaar shapes new lifestyles with a focus on design excellence, build quality and timely delivery.

Established in 1997, Emaar Properties is a Public Joint Stock Company listed on the Dubai Financial Market. A pioneering developer of integrated master-planned communities, Emaar Group has transformed the real estate sector in Dubai, with several mega-developments that define the city like the world's tallest tower Burj Khalifa, and the world most visited destination, Dubai Mall.

The company is partially owned by Investment Corporation of Dubai, the principle investment arm of the Government of Dubai making it the "spoiled" real estate company when it comes to contracts for the

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Property Development / United Arab Emirates

► Updates

development of the city.

Learn from the past, dream about the future, and look up to the present

Back in 2007, Dubai had in fact, taken the world's worst hit in terms of property slump, with sale prices falling by more than 50% and project cancellation costs exceeding \$300 billion. Knowing that at that time, 99% and 95% of Emaar's revenue came from Dubai and property development, respectively, the company learned the hard way the necessity of diversification at both segmental level and geographical level. Emaar has since tried to diversify its revenues stream. In which it has been successful to a greater extent, as in 2015 around 42% of the revenues were being generated from hospitality and property lease business, but it still has to work on its exposure to Dubai which accounts for 80% of its revenue.

Expo 2020 Dubai's springboard

Expo 2020 will have a positive impact on Dubai's economy, which will benefit the real estate market. The emirate's authorities say the expo will prompt about AED24bn worth of investment in infrastructure projects. The most direct benefits will be felt in the hospitality and residential market, to which Emaar is highly exposed. Lagacy Park is an example of the strategic location developed by Emaar to attract the 25 million visitors expected to converge on Dubai during the Expo 2020. Emaar is also aiming to build a new USD1bn tower that is higher than Burj Khalifa and a new 'mega-retail district' and will attempt to deliver them both by the time Dubai's Expo 2020 event begins.

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Body of research

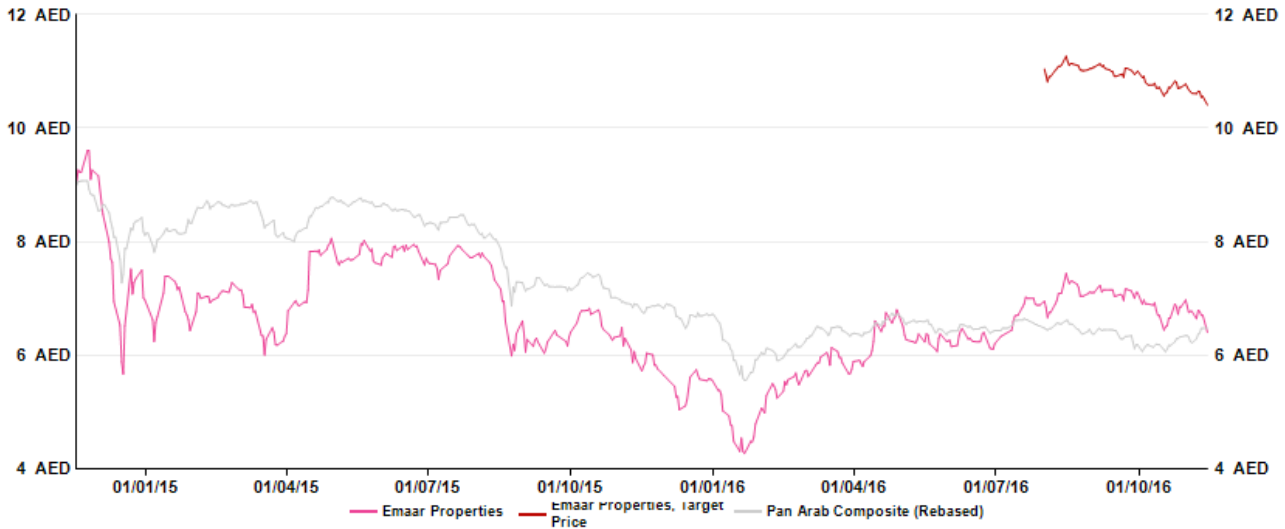
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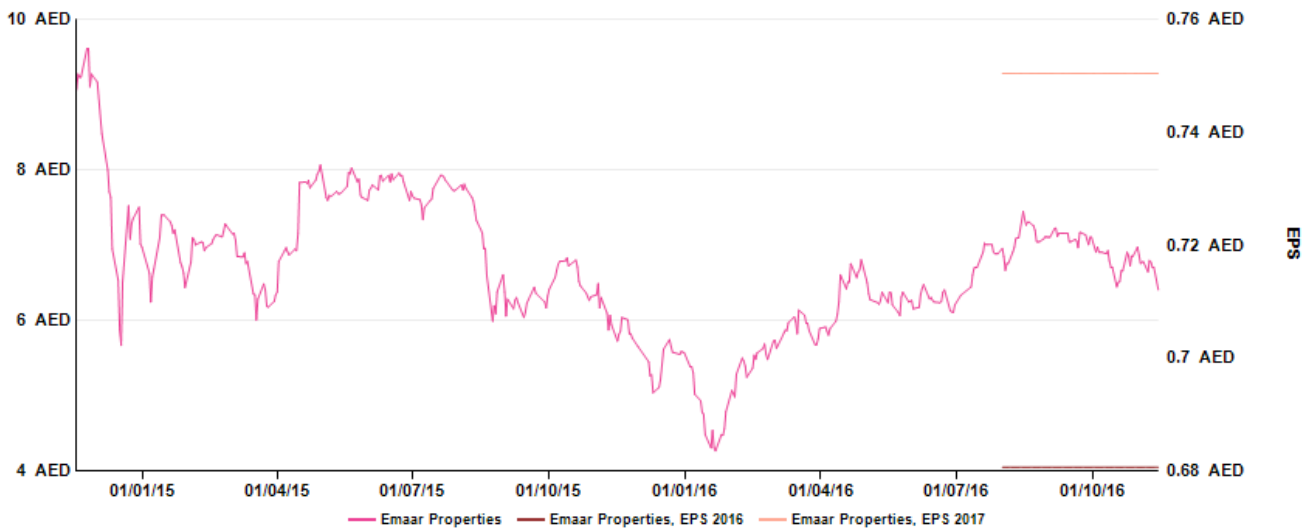


► Target Price & Opinion

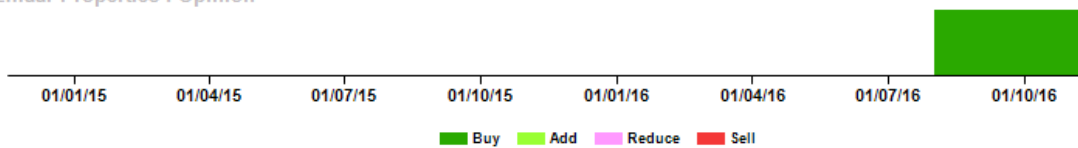
Stock Price and Target Price



Earnings Per Share & Opinion



Emaar Properties : Opinion



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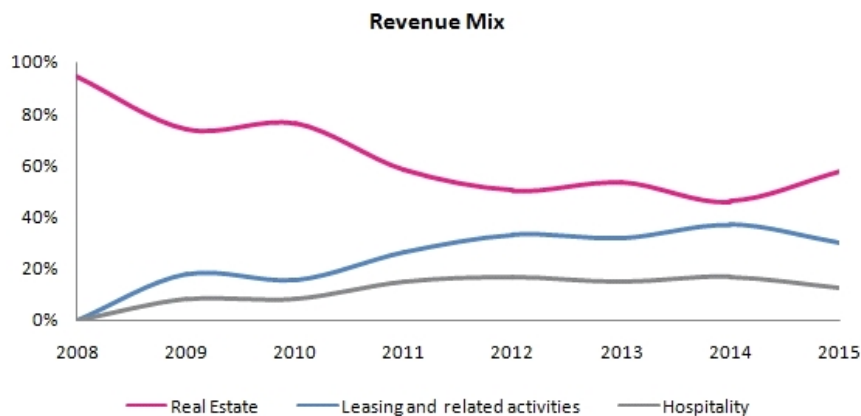
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► Businesses & Trends

Businesses & Trends

Emaar Properties is the largest real estate and property developer in UAE and the MENA region in terms of activity with more than 40 active companies. Besides building residential and commercial properties, the company is also involved in shopping malls and retail shops, hospitality and leisure, education, healthcare and financial services sectors.

Emaar initially was an all property development company and till 2008 around 95% of the revenues were being contributed by the property sales business. Post the 2008 financial crisis which resulted in a sudden drop in housing prices, Emaar has since tried to diversify its revenues stream. In which it has been successful to a greater extent, as in 2015 around 42% of the revenues were being generated from hospitality and property lease business.



Emaar Properties operates is highly exposed to the Middle East (c91% of its revenue in FY-2015) especially the UAE market (80% of its revenue) and more precisely Dubai. Since Dubai won the right to hold the World Expo 2020, Emaar expanded its local activities by adding to its existing portfolio more extravagant projects. To name a few, Emaar developed Burj Khalifa – the world’s tallest building which features the world’s first Armani Hotel Dubai and the world’s highest restaurant; The Dubai Mall – the world’s largest shopping and entertainment destination; The Dubai Fountain, the world’s tallest performing fountain set in a 30 acre lake.

11% of its revenues come from global markets; namely Saudi Arabia, Egypt, and Lebanon while the remaining 9% are generated from other worldwide locations like Pakistan, Turkey, Italy, USA, etc...

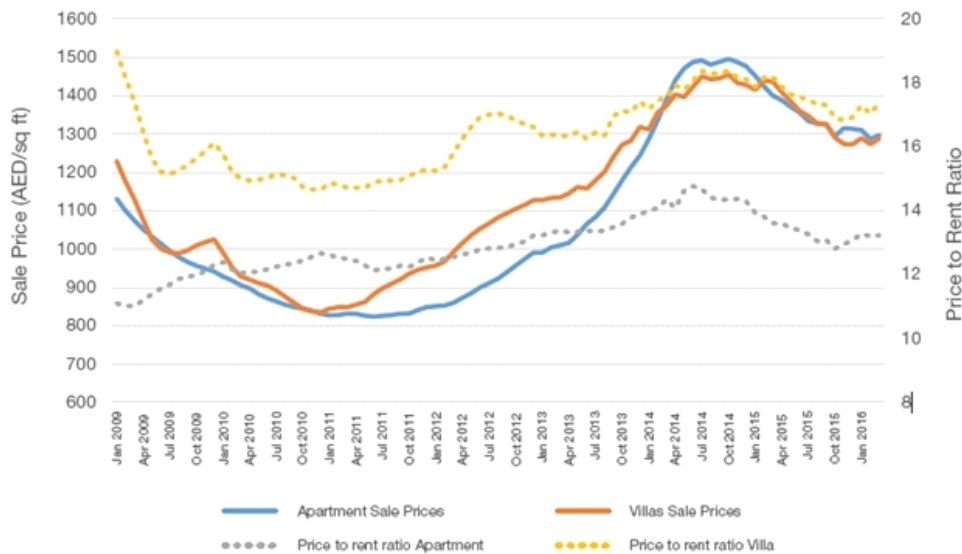
Although oil plays a major role in the availability of credit from banks and many buyers in UAE real estate are from countries solely dependent on oil, the fact that prices have decreased by c8% (Chart below) in the event of nearly 50% drop in oil prices during 2015, suggest that the impact is not that significant. Oil is expected to re-bounce to anything between \$40-\$50 by the end of 2016, and once an upward trend is observed real estate prices in Dubai will recover any loss in capital gains during 2015. Rental market is steady and is expected to remain that way for the foreseeable future, tourism and the labour market by all accounts are growing and this will keep rents relatively stable.

Emaar Properties (Buy)

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Businesses & Trends

Residential Sale Trends in Dubai



Source: REIDIN, Core-UAE associate of Savills Research

On the other hand, the UAE especially Dubai, has been able to benefit the most out the turmoil in the Arab region. The Arab Spring has had a twofold impact especially on Emaar, i) as it has attracted tourist away from Egypt and Bahrain, ii) a number of wealthy individuals from these countries have parked their investments in Dubai, which has also resulted in higher villa sales consequently resulting in rise in villa prices.

As for the competition, while being on the top of “the chain food” in Dubai, Emaar properties is facing strong competition from a couple of Developers operating in the region like Majid Al Futtaim Group (UAE) Nakheel PJSC Company (UAE) Saudi Binladin Group (KSA).

The company is addressing this competition through a multi-axes strategy focusing on location, Funding, and Profitability as presented below.

Dubai	<ul style="list-style-type: none"> Further consolidate Emaar’s position as of the largest developer of iconic projects in Dubai. Enter into joint ventures in Dubai to get access to significant land bank with no immediate cash outflow for land purchases.
International	<ul style="list-style-type: none"> Replicate the Dubai business model in international markets. Increase international contribution to Group revenue.
Funding	<ul style="list-style-type: none"> Limit funding from the parent to land acquisition and initial infrastructure related construction. Additional funding to be raised at the project level through pre-sales, debt financing, IPO, and strategic sales.
Monetize Core Assets	<ul style="list-style-type: none"> Monetize core assets (IPO / REITs) including, Hospitality, Turkey, and India to provide further growth capital and create significant value for shareholders.
Recurring Revenues	<ul style="list-style-type: none"> Increase recurring revenues. Develop mall assets internationally & expand EHG’s hotel brands globally.
IRR	<ul style="list-style-type: none"> Target a minimum equity IRR of 15% on non-property development businesses.

Source: Emaar Presentation Q1-2016

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Businesses & Trends

Divisional Breakdown Of Revenues

	Sector	12/15A	12/16E	12/17E	12/18E	Change 16E/15		Change 17E/16E	
						AEDM	of % total	AEDM	of % total
Real Estate	Property Development	7,873	8,058	8,703	9,399	185	25%	645	56%
Hospitality	Property Development	1,677	1,774	1,916	2,069	97	13%	142	12%
Rental income from leased pr...	Property Development	4,111	4,557	4,922	5,316	446	61%	365	32%
Other		0.00	0.00	0.00	0.00	0	0%	0	0%
Total sales		13,661	14,389	15,540	16,784	728	100%	1,151	100%

Key Exposures

	Revenues	Costs	Equity
Dollar	0.0%	1.0%	0.0%
Emerging currencies	20.0%	20.0%	10.0%
Long-term global warming	0.0%	0.0%	0.0%
Long-term interest rates	0.0%	4.0%	0.0%

Sales By Geography

Middle East	90.8%
Of which United Arab Emirates	79.7%
Of which Egypt	8.6%
Of which Saudi Arabia	1.8%
Of which Lebanon	0.8%
Other	9.2%

We address exposures (eg. how much of the turnover is exposed to the \$) rather than sensitivities (say, how much a 5% move in the \$ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.

Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in \$ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling. In addition, subjects are frequently intertwined. A \$ exposure may encompass all revenues in \$ pegged currencies and an emerging currency exposure is likely to include \$ pegged currencies as well.

Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

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► Money Making

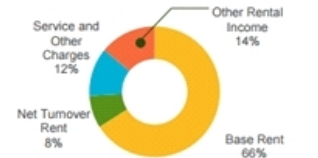
Money Making

With more than 57% of its revenue from property sales in 2015 (46% in 2014), the group aim to further consolidate its position as the one of the largest developers of iconic projects in Dubai and across the globe. The Hospitality and Malls subsidiaries contributed 42% of the group's revenue in 2015.

To be more specific, the growth engine draws its resources from the Property development UAE and the Property Development International divisions (Both under real Estate), the first is a leading master plan developer in Dubai with over 33,800 residential properties delivered in the UAE since 2001, 27 million sqm of land bank, and 79% of total units launched in between 2014 and 2015 have been sold. The second is active in 10 targeted high growth countries and forming JVs with strong local partners to leverage off local expertise, 6,250 residential properties delivered since 2006 with 90% overall sales level, and 169 million sqm of land Bank. Even though this segment is the main contributor to Emaar's revenue, its cyclical nature caused its Pretax Margin to be unstable, and thus, its contribution to pretax result to swing between 36% (2012) and 45% (2014).

On the other hand, the stable and recurring revenue is generated from two divisions; the Malls & Retail (Both under Leasing and related activities) which current retail space of over 690,000 sqm GLA.

The number of tourists visiting Dubai has also seen an increase which has resulted in higher footfall in major tourist attractions, and one of those major attractions, and the largest contributor of this division is Emaar Malls.

Emaar Malls Group							
	Q4 2015	Q4 2014	% Change	FY 2015	FY 2014	% Change	
Footfall (MM)	34	33	3%	124	114	9%	Key Highlights <ul style="list-style-type: none"> 9% increase in footfall across the EMG portfolio in 2015. Achieved a 9% Base Rent renewal increase for leases renewed in Q4 2015; 25% in FY 2015. Tenant Sales remain flat in 2015, compared with the previous year, despite an overall softening in retail market conditions. The Dubai Mall's Fashion Avenue expansion is on track, scheduled for completion in Q4 2016.
GLA (MM SQFT)	5,920	5,852	-	5,920	5,852	-	
Occupancy Rate (%)	96%	95%	1%	96%	95%	1%	
Tenant Sales (AED MM)	4,505	4,788	(6)%	18,052	18,120	-	FY 2015 Revenue Split 
Base Rent (AED MM)	510	452	13%	1,974	1,691	17%	
Turnover Rent (AED MM)	93	166	(44)%	237	329	(28)%	
Revenue (AED MM)	821	797	3%	2,992	2,694	11%	
EBITDA (AED MM)	585	554	6%	2,250	2,018	11%	
Margin (%)	71%	70%	3%	75%	75%	-	

Although it is the 2nd in terms of revenue generation, this segment is Emaar's Cash Cow due to its high and stable margins, which make it the company's main contributor to pretax result.

The Hospitality division under which, 13 hotels and over 1950 keys are being managed has a historical occupancy rate fluctuating around 81%-82%. Even though this division has been a laggard in term of cash generation, we remain bullish with the higher influx of tourist due to the Arab spring and Dubai 2020 in sight. The data released by Dubai Airports, is confirming this trend as 78mn passengers arrived in 2015 depicting an increase of 10.7% YoY.

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Property Development / United Arab Emirates

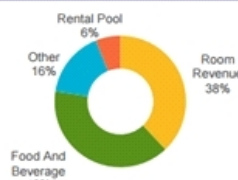
► Money Making

Emaar Hospitality Group						
	Q4 2015	Q4 2014	% Change	FY 2015	FY 2014	% Change
Occupancy Rate (%) ⁽¹⁾	89%	87%	2%	82%	83%	(2)%
RevPar (AED) ⁽¹⁾	1,191	1,354	(12)%	1,072	1,183	(9)%
Room Revenue (AED MM)	189	190	(1)%	679	698	(3)%
F&B & Other Revenue (AED MM)	289	294	(2)%	998	983	1%
Total Revenue (AED MM)	478	485	(1)%	1,677	1,681	-
EBITDA (AED MM)	122	136	(10)%	332	394	(16)%
Margin (%)	26%	28%	(9)%	20%	23%	(14)%

Key Highlights

- The Address Hotels continue to outperform Dubai's hospitality market, achieving an 86% Occupancy Rate in 2015 vs. the Dubai average of 77% in the same period⁽²⁾.
- EHG signed a hotel management agreement with Nshama for 'Vida Town Square Dubai'.
- The Address Downtown Dubai closed following a fire incident on December 31, 2015; as per IFRS, the carrying value of the asset must be written-off in the year of the loss event and the claim amount should be recognized as income in the subsequent periods (the hotel is insured and the company will recover the loss from the insurance).

FY 2015 Revenue Split⁽¹⁾



Sadly there is opacity around the proportion of Emaar's EBITDA that is effectively controlled by the company in the past. But with Emaar Malls and Misr being expected to distribute dividend in the near future years, we believe that the proportion of EBITDA that is effectively controlled by the company will not exceed 95%-97% in the next 3 years.

Divisional PRETAX RESULTS

	12/15A	12/16E	12/17E	12/18E	Change 16E/15		Change 17E/16E	
					AEDM	of % total	AEDM	of % total
Real Estate	2,515	2,820	3,220	3,478	305	37%	400	70%
Hospitality	13.6	302	345	352	288	35%	43	8%
Rental income from leased properties and related income	2,478	2,734	2,953	3,189	256	31%	219	38%
Other/cancellations	-471	-503	-594	-640	-32	-4%	-91	-16%
Total	4,535	5,353	5,924	6,379	818	100%	571	100%

Divisional PRETAX RESULTS margin

	12/15A	12/16E	12/17E	12/18E
Real Estate	31.9%	35.0%	37.0%	37.0%
Hospitality	0.81%	17.0%	18.0%	17.0%
Rental income from leased properties and relate...	60.3%	60.0%	60.0%	60.0%
Total	33.2%	37.2%	38.1%	38.0%

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Debt

Debt

As mentioned in its strategy, Emaar usually limits funding from the parent to land acquisition and initial infrastructure related construction. The additional funding is raised at the project level through pre-sales, debt financing, strategic sales, and IPOs. Through Emaar Malls IPO in 2014, the company raised AED5.8bn, and allowing it to distribute special dividend the same year. As for Emaar Misr IPO in 2015 the company raised AED1.1bn.

This strategy allowed the company to keep low indebtedness level in the past, having its Gross debt to gross assets moving around 17% on average. Recently (starting from 2014), with the successful IPOs, and the improvement of its working capital, Emaar started to have more cash than its outstanding debt which resulted in a negative gearing level that is expected to persist in the next couple of years.

Funding - Liquidity

		12/15A	12/16E	12/17E	12/18E	
EBITDA	AEDM	5,584	5,953	6,618	7,030	
Funds from operations (FFO)	AEDM	5,559	6,237	6,983	7,495	
Ordinary shareholders' equity	AEDM	38,114	40,446	42,306	45,057	
Gross debt	AEDM	13,274	12,943	9,777	8,556	
o/w Less than 1 year - Gross debt	AEDM	331	2,165	222	147	
o/w 1 to 5 year - Gross debt	AEDM	5,636	8,042	7,820	7,673	
of which Y+2	AEDM	222	147	2,981	121	
of which Y+3	AEDM	147	2,981	121	4,571	
of which Y+4	AEDM	2,981	121	4,571	0.00	
of which Y+5	AEDM	121	4,571	0.00	0.00	
o/w Beyond 5 years - Gross debt	AEDM	7,307	2,736	1,736	736	
+ Gross Cash	AEDM	19,571	23,584	23,188	21,214	
= Net debt / (cash)	AEDM	-6,297	-10,641	-13,411	-12,659	
Bank borrowings	AEDM	5,004	4,785	3,675	2,640	
Issued bonds	AEDM	6,399 ⁽¹⁾	4,565 ⁽¹⁾	4,565 ⁽¹⁾	4,565 ⁽¹⁾	
Financial leases liabilities	AEDM	0.00	0.00	0.00	0.00	
Mortgages	AEDM	1,540	1,428	1,315	1,203	
Other financing	AEDM	331	2,165	222	147	
of which commercial paper	AEDM	0.00	0.00	0.00	0.00	
Gearing (at book value)	%	-14.3	-20.9	-28.4	-28.9	
Adj. Net debt/EBITDA(R)	x	-1.07	-1.73	-1.97	-1.75	
Adjusted Gross Debt/EBITDA(R)	x	2.43	2.22	1.53	1.27	
Adj. gross debt/(Adj. gross debt+Equity)	%	26.4	24.8	19.4	16.6	
Ebit cover	x	79.2	-151	-86.7	-53.6	
FFO/Gross Debt	%	40.7	46.7	68.5	83.4	
FFO/Net debt	%	-88.3	-58.6	-52.1	-59.2	
FCF/Adj. gross debt (%)	%	26.1	56.3	61.8	34.9	
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	69.9	14.4	133	166	
"Cash" FCF/ST debt	x	9.98	3.43	27.9	20.4	

1. Sukuk

Credit Risk

Date	Agency	Rate
16/06/2016	Moody's	Baa3
02/03/2016	S&P	BBB-

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Valuation

Valuation

Our DCF model combines both Emaar's recurring revenue (from Leasing and Hospitality) and non-recurring one (essentially from properties development). Thus, the DCF is built in accordance with the expected modest growth in the real estate market especially in Dubai (Emaar's home-field) booked with its all three main divisions, which will drive the 2016-2018 sales. The company's strong fundamentals and good brand imagine can shield it from any turbulence that might occur with the cyclicity of the sector.

NAV reflects the value of the portfolio of its listed subsidiaries (Emaars Malls and Emaar Misr) and associates (Amlak Finance, and Emaar The Economic City), but also its 3 business units valued at 13x PE, 10x PE, and 15x PE for Real estate, Leasing, and Hospitality, respectively.

For the peer-ratio-based valuation, our sample consists of real estate companies in the MENA region but also due to the size of Emaar, we included other companies from Europe

Valuation Summary

Benchmarks		Values (AED)	Upside	Weight
DCF		10.5	64%	35%
NAV/SOTP per share		10.9	71%	20%
EV/Ebitda	Peers	12.8	100%	20%
P/E	Peers	12.3	92%	10%
Dividend Yield	Peers	4.82	-25%	10%
P/Book	Peers	5.43	-15%	5%
Target Price		10.4	63%	



Calculate your Target Price

Edit and modify weightings to match your valuation principles

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	16.6	22.3	0.92	5.07
Emaar Properties's ratios	8.63	4.92	1.09	3.82
Premium	0.00%	0.00%	0.00%	0.00%
Default comparison based valuation (AED)	12.3	12.8	5.43	4.82
Unibail-Rodamco	17.1	26.8	1.14	5.18
Klépierre	14.7	24.8	2.09	5.29
Land Securities Group	20.9	19.4	0.74	3.82
Gecina	22.3	26.2	1.04	4.19
British Land Co	16.3	19.3	0.61	5.17
Foncière des Régions	14.0	21.2	1.02	6.30
lcade	14.3	18.7	1.38	6.50
Hammerson	18.4	22.0	0.62	4.55
Intu Properties	18.0	21.3	0.61	5.28
Segro	20.3	22.5	0.72	4.04
Nexity	15.0	8.68	1.32	5.25
Inmobiliaria Colonial	9.62	34.7	0.77	4.15
Immofinanz	12.5	17.6	0.53	7.18
Addoha	10.1	11.1	0.97	8.40
ADI	-11.8	38.1	10.2	0.00
SIMPAR	7.49	11.3	0.47	3.55
SITS	ns	42.8	0.91	4.65
Essoukna	7.75	8.21	0.40	6.41

Emaar Properties (Buy)

Property Development / United Arab Emirates

DCF



Fine tune DCFs
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DCF Valuation Per Share

WACC	%	6.53	Avg net debt (cash) at book value	AEDM	-12,026
PV of cashflow FY1-FY11	AEDM	24,403	Provisions	AEDM	151
FY11CF	AEDM	3,219	Unrecognised actuarial losses (gains)	AEDM	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	AEDM	8,914
Terminal value	AEDM	71,117	Minorities interests (fair value)	AEDM	7,673
PV terminal value	AEDM	37,794	Equity value	AEDM	75,313
<i>PV terminal value in % of total value</i>	%	60.8	Number of shares	Mio	7,160
Total PV	AEDM	62,197	Implied equity value per share	AED	10.5

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	100
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	4.50
Tax advantage of debt finance (normalised)	%	30.0	Company beta (leveraged)	x	0.51
Average debt maturity	Year	5	Company gearing at market value	%	-23.2
Sector asset beta	x	0.61	Company market gearing	%	-30.2
Debt beta	x	0.20	Required return on geared equity	%	6.03
Market capitalisation	AEDM	45,822	Cost of debt	%	3.15
Net debt (cash) at book value	AEDM	-10,641	Cost of ungeared equity	%	6.53
Net debt (cash) at market value	AEDM	-10,641	WACC	%	6.53

DCF Calculation

		12/15A	12/16E	12/17E	12/18E	Growth	12/19E	12/26E
Sales	AEDM	13,661	14,389	15,540	16,784	3.00%	17,287	21,261
EBITDA	AEDM	5,584	5,953	6,618	7,030	3.00%	7,241	8,905
<i>EBITDA Margin</i>	%	40.9	41.4	42.6	41.9		41.9	41.9
Change in WCR	AEDM	-29.8	2,855	1,020	-2,520	3.00%	-2,596	-3,193
Total operating cash flows (pre tax)	AEDM	5,668	8,997	7,849	4,742		4,645	5,712
Corporate tax	AEDM	54.0	48.0	75.2	107	1.00%	108	116
Net tax shield	AEDM	-13.6	14.2	23.6	37.7	1.00%	38.1	40.8
Capital expenditure	AEDM	-2,110	-1,575	-1,700	-1,837	5.00%	-1,928	-2,713
<i>Capex/Sales</i>	%	-15.4	-10.9	-10.9	-10.9		-11.2	-12.8
Pre financing costs FCF (for DCF purposes)	AEDM	3,598	7,484	6,247	3,050		2,862	3,156
Various add backs (incl. R&D, etc.) for DCF purposes	AEDM	-114 ⁽²⁾	-88.1 ⁽²⁾	-111 ⁽²⁾	-132 ⁽²⁾			
Free cash flow adjusted	AEDM	3,484	7,396	6,136	2,918		2,862	3,156
Discounted free cash flows	AEDM	3,484	7,396	5,760	2,571		2,368	1,677
Invested capital	AED	32,986	31,319	30,831	34,719		36,455	51,295

2. Dividend received from Equity Associates and JVs

Emaar Properties (Buy)

Property Development / United Arab Emirates

NAV/SOTP (edit)



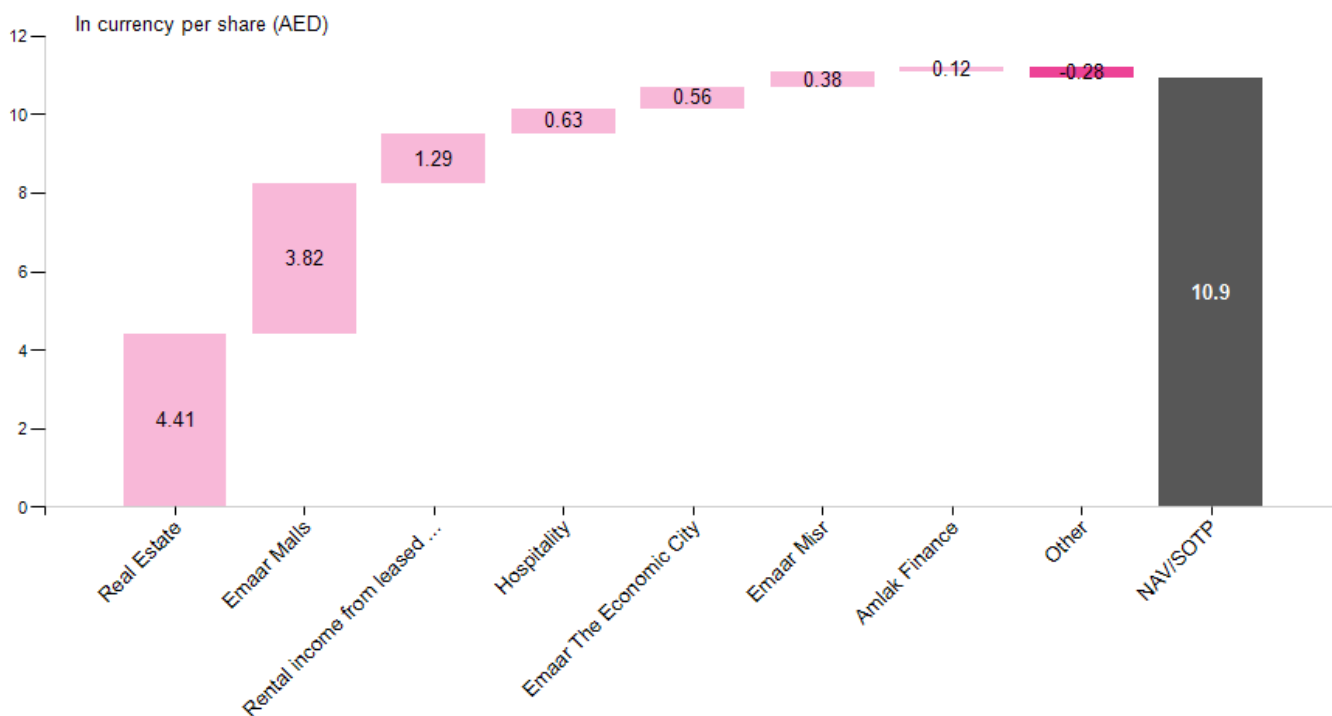
NAV/SOTP fine tuning


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NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (AEDM)	Stake valuation (AEDM)	In currency per share (AED)	% of gross assets
Real Estate	100%	PE	13	31,583	31,583	4.41	40.4%
Emaar Malls	84.6%	- Listed -		32,275	27,315	3.82	34.9%
Rental income from le...	100%	PE	10	9,234	9,234	1.29	11.8%
Hospitality	100%	PE	15	4,524	4,524	0.63	5.79%
Emaar The Economic...	30.6%	- Listed -		13,000	3,977	0.56	5.09%
Emaar Misr	89.0%	- Listed -		3,020	2,687	0.38	3.44%
Amlak Finance	48.1%	- Listed -		1,755	844	0.12	1.08%
Other					-2,005 ⁽¹⁾	-0.28	-2.57%
Total gross assets					78,158	10.9	100%
Net cash/(debt) by year end							
Commitments to pay							
Commitments received							
NAV/SOTP					78,158	10.9	100%
Number of shares net of treasury shares - year end (Mio)					7,160		
NAV/SOTP per share (AED)						10.9	
Current discount to NAV/SOTP (%)							41.4

1. (-) Minority Interest other than Misr and Malls(+) Financial Assets (Other than listed) x P/BV
(+) Other (Pretax) x P/E



Emaar Properties (Buy)

Property Development / United Arab Emirates

► Worth Knowing

Worth Knowing

Emaar Properties is one of the world's most valuable and admired real estate development companies. With proven competencies in property, shopping malls & retail and hospitality & leisure, Emaar shapes new lifestyles with a focus on design excellence, build quality and timely delivery.

Established in 1997, Emaar Properties is a Public Joint Stock Company listed on the Dubai Financial Market. A pioneering developer of integrated master-planned communities, Emaar Group has transformed the real estate sector in Dubai. The company is extending its expertise in developing master-planned communities internationally, and today, has a significant presence in several key global markets. Simultaneously, it has developed competencies in hospitality & leisure, and shopping malls & retail.

Emaar's world-class project development competencies are underlined by its iconic assets like the world's most visited lifestyle destination, the 500-acre neighborhood is home to the iconic Burj Khalifa, the world's most visited destination Dubai Mall, and the world's largest choreographed fountain Dubai Fountain. Emaar also established communities like Arabian Ranches, Emirates Living, and Dubai Marina.

Back in 2007, Dubai had in fact, taken the world's worst hit in terms of property slump, with sale prices falling by more than 50% and project cancellation costs exceeding \$300 billion. Knowing that at that time, 99% and 95% of Emaar's revenue came from Dubai and property development, respectively, the company learned the hard way the necessity of diversification at both sentimental level and geographical level. By the end of 2015, Emaar managed to reduce its Property development exposure to 58% but it still has to work on its exposure to Dubai which accounts for 80% of its revenue.

The company is partially owned by Investment Corp. of Dubai, the principle investment arm of the Government of Dubai making it the "spoiled" real estate company when it comes to contracts for the development of the city.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Investment Corporation of Dubai	29.2%	29.2%	0.00%
The Vanguard Group Inc	1.70%	1.70%	1.70%
Schroder Investment Management Ltd	1.08%	1.08%	1.08%
Norges Bank Investment Management	0.58%	0.58%	0.58%
BlackRock Fund Advisors	0.50%	0.50%	0.50%
Carmignac Gestion SA	0.48%	0.48%	0.48%
Fidelity Management & research Co	0.44%	0.44%	0.44%
T. Rowe Price International Ltd.	0.38%	0.38%	0.38%
Blackrock Advisors Ltd.	0.22%	0.22%	0.22%
APG Asset Management	0.22%	0.22%	0.22%
Apparent free float			70.8%

Emaar Properties (Buy)

Property Development / United Arab Emirates

Financials

Valuation Key Data

		12/15A	12/16E	12/17E	12/18E
Adjusted P/E	x	11.1	9.40	8.53	7.92
Reported P/E	x	12.1	9.40	8.53	7.92
EV/EBITDA(R)	x	7.49	5.72	4.74	4.57
P/Book	x	1.29	1.13	1.08	1.02
Dividend yield	%	2.18	3.13	3.91	4.69
Free cash flow yield	%	7.23	16.4	13.8	6.85
Average stock price	AED	6.89	6.40	6.40	6.40

Consolidated P&L

		12/15A	12/16E	12/17E	12/18E
Sales	AEDM	13,661	14,389	15,540	16,784
Sales growth	%	37.6	5.33	8.00	8.00
Sales per employee	AEDTh	2,070	2,180	2,355	2,543
Purchases and external costs (incl. IT)	AEDM				
Staff costs	AEDM	-621	-654	-706	-763
Operating lease payments	AEDM	-45.1	-47.5	-51.3	-55.4
Cost of sales/COGS (indicative)	AEDM	-6,398	-6,674	-7,037	-7,709
EBITDA	AEDM	5,584	5,953	6,618	7,030
EBITDA(R)	AEDM	5,630	6,001	6,669	7,085
EBITDA(R) margin	%	41.2	41.7	42.9	42.2
EBITDA(R) per employee	AEDTh	853	909	1,010	1,074
Depreciation	AEDM	-901	-966	-1,146	-1,203
Depreciations/Sales	%	6.60	6.72	7.38	7.17
Amortisation	AEDM				
Additions to provisions	AEDM	-39.4	0.00	0.00	0.00
Underlying operating profit	AEDM	4,644	4,987	5,472	5,827
Underlying operating margin	%	34.0	34.7	35.2	34.7
Other income/expense (cash)	AEDM	149	144	155	168
Other inc./ exp. (non cash; incl. assets revaluation)	AEDM	7.46	0.00	0.00	0.00
Earnings from joint venture(s)	AEDM	104	93.7	119	141
Actual dividends from Jvs	AEDM	103	77.6	98.2	117
Impairment charges/goodwill amortisation	AEDM	-301	0.00	0.00	0.00
Operating profit (EBIT)	AEDM	4,603	5,225	5,745	6,136
Interest expenses	AEDM	-478	-382	-375	-367
of which effectively paid cash interest expenses	AEDM	-193			
Financial income	AEDM	152	133	141	153
Other financial income (expense)	AEDM	281	296	313	340
Net financial expenses	AEDM	-45.2	47.4	78.7	126
of which related to pensions	AEDM		0.00	0.00	0.00
Pre-tax profit before exceptional items	AEDM	4,558	5,272	5,824	6,262
Exceptional items and other (before taxes)	AEDM	-107 ⁽³⁾	0.00	0.00	0.00
of which cash (cost) from exceptionals	AEDM				
Current tax	AEDM	-11.0	-17.0	-23.5	-30.3
Impact of tax loss carry forward	AEDM				
Deferred tax	AEDM	65.0	65.0	98.7	137
Corporate tax	AEDM	54.0	48.0	75.2	107
Tax rate	%	-1.11	-0.91	-1.29	-1.71
Net margin	%	33.8	37.0	38.0	37.9
Equity associates	AEDM	84.8	81.3	99.4	117
Actual dividends received from equity holdings	AEDM	11.0	10.5	12.9	15.2
Minority interests	AEDM	-507	-528	-627	-697
Actual dividends paid out to minorities	AEDM				
Income from discontinued operations	AEDM	0.00	0.00	0.00	0.00
Attributable net profit	AEDM	4,082	4,873	5,372	5,789
Impairment charges/goodwill amortisation	AEDM	301	0.00	0.00	0.00
Other adjustments	AEDM				
Adjusted attributable net profit	AEDM	4,383	4,873	5,372	5,789

3. Donations

Emaar Properties (Buy)

Property Development / United Arab Emirates

Financials

Interest expense savings	AEDM				
Fully diluted adjusted attr. net profit	AEDM	4,383	4,873	5,372	5,789
NOPAT	AEDM	3,414	3,638	4,012	4,295

Cashflow Statement

		12/15A	12/16E	12/17E	12/18E
EBITDA	AEDM	5,584	5,953	6,618	7,030
Change in WCR	AEDM	-29.8	2,855	1,020	-2,520
<i>of which (increases)/decr. in receivables</i>	AEDM	-2,023	1,260	365	-1,135
<i>of which (increases)/decr. in inventories</i>	AEDM	78.0	978	-1,533	-2,251
<i>of which increases/(decr.) in payables</i>	AEDM	1,916	617	2,188	866
<i>of which increases/(decr.) in other curr. liab.</i>	AEDM		0.00	0.00	0.00
Actual dividends received from equity holdings	AEDM	114	88.1	111	132
Paid taxes	AEDM	1.83	48.0	75.2	107
Exceptional items	AEDM				
Other operating cash flows	AEDM	51.5	100	100	100
Total operating cash flows	AEDM	5,722	9,045	7,924	4,849
Capital expenditure	AEDM	-2,110	-1,575	-1,700	-1,837
<i>Capex as a % of depreciation & amort.</i>	%	234	163	148	153
Net investments in shares	AEDM	927 ⁽⁴⁾	-100	-100	-100
Other investment flows	AEDM	-1,600	-2,000	-2,000	-2,000
Total investment flows	AEDM	-2,783	-3,675	-3,800	-3,937
Net interest expense	AEDM	-45.2	47.4	78.7	126
<i>of which cash interest expense</i>	AEDM	-193	47.4	78.7	126
Dividends (parent company)	AEDM	-2,378	-1,074	-1,432	-1,790
Dividends to minorities interests	AEDM	0.00	0.00	0.00	0.00
New shareholders' equity	AEDM	-23.0			
<i>of which (acquisition) release of treasury shares</i>	AEDM	0.00			
(Increase)/decrease in net debt position	AEDM	908	-331	-3,165	-1,222
Other financial flows	AEDM	0.00			
Total financial flows	AEDM	-1,686	-1,358	-4,519	-2,886
Change in scope of consolidation, exchange rates & other	AEDM	-46.8			
Change in cash position	AEDM	1,206	4,013	-395	-1,974
Change in net debt position	AEDM	298	4,344	2,770	-752
Free cash flow (pre div.)	AEDM	3,566	7,518	6,302	3,138
Operating cash flow (clean)	AEDM	5,722	9,045	7,924	4,849
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	7.81	5.50	5.63	5.76

4. Including AED1.1bn proceeds from Emaar Misr IPO net of a share buy back of AEDM 164.633 executed to stabilize the share price.

Emaar Properties (Buy)

Property Development / United Arab Emirates

Financials

Balance Sheet

		12/15A	12/16E	12/17E	12/18E
Goodwill	AEDM	46.1	46.1	46.1	46.1
Total intangible	AEDM	46.1	46.1	46.1	46.1
Tangible fixed assets	AEDM	21,432 ⁽⁵⁾	22,479 ⁽⁵⁾	23,579 ⁽⁵⁾	24,757 ⁽⁵⁾
Financial fixed assets (part of group strategy)	AEDM	6,697 ⁽⁶⁾	6,838 ⁽⁶⁾	6,271 ⁽⁶⁾	6,459 ⁽⁶⁾
Other financial assets (investment purpose mainly)	AEDM	3,022 ⁽⁷⁾	3,022 ⁽⁷⁾	3,022 ⁽⁷⁾	3,022 ⁽⁷⁾
WCR	AEDM	4,562	1,707	688	3,208
of which trade & receivables (+)	AEDM	7,431 ⁽⁸⁾	6,172 ⁽⁸⁾	5,807 ⁽⁸⁾	6,942 ⁽⁸⁾
of which inventories (+)	AEDM	21,357 ⁽⁹⁾	20,379 ⁽⁹⁾	21,912 ⁽⁹⁾	24,163 ⁽⁹⁾
of which payables (+)	AEDM	24,226 ⁽¹⁰⁾	24,843 ⁽¹⁰⁾	27,031 ⁽¹⁰⁾	27,897 ⁽¹⁰⁾
of which other current liabilities (+)	AEDM				
Other current assets	AEDM				
of which tax assets (+)	AEDM				
Total assets (net of short term liabilities)	AEDM	35,760	34,093	33,605	37,493
Ordinary shareholders' equity (group share)	AEDM	38,114	40,446	42,306	45,057
Minority interests	AEDM	3,807	4,136	4,544	4,913
Provisions for pensions	AEDM	136	151	166	181
Other provisions for risks and liabilities	AEDM				
Deferred tax liabilities	AEDM				
Other liabilities	AEDM				
Net debt / (cash)	AEDM	-6,297	-10,641	-13,411	-12,659
Total liabilities and shareholders' equity	AEDM	35,760	34,093	33,605	37,493
Average net debt / (cash)	AEDM	-5,448	-8,469	-12,026	-13,035
Operating leases and rental agreement contingent obligations	AEDM	248	248	248	248
Off B/S business guarantees given	AEDM	2,633	2,633	2,633	2,633

5. Including Investment Properties
6. Investment in associates and joint ventures
7. Loans to associates and joint ventures
8. Trade and unbilled receivables, deposits and prepayments
9. Development properties
10. Trade and other payable's Advances from customers Retention payable

EV Calculations

		12/15A	12/16E	12/17E	12/18E
EV/EBITDA(R)	x	7.49	5.72	4.74	4.57
EV/EBIT (underlying profit)	x	9.08	6.89	5.77	5.55
EV/Sales	x	3.09	2.39	2.03	1.93
EV/Invested capital	x	1.28	1.10	1.02	0.93
Market cap	AEDM	49,296	45,822	45,822	45,822
+ Provisions (including pensions)	AEDM	136	151	166	181
+ Unrecognised actuarial losses/(gains)	AEDM	0.00	0.00	0.00	0.00
+ Net debt at year end	AEDM	-6,297	-10,641	-13,411	-12,659
+ Leases debt equivalent	AEDM	248	248	248	248
- Financial fixed assets (fair value) & Others	AEDM	8,689	8,914	8,914	8,914
+ Minority interests (fair value)	AEDM	7,490	7,673	7,673	7,673
= Enterprise Value	AEDM	42,184	34,339	31,584	32,352

Emaar Properties (Buy)

Property Development / United Arab Emirates

Financials

Per Share Data

		12/15A	12/16E	12/17E	12/18E
Adjusted EPS (bfr goodwill amort. & dil.)	AED	0.62	0.68	0.75	0.81
<i>Growth in EPS</i>	%	31.9	9.33	10.2	7.75
Reported EPS	AED	0.57	0.68	0.75	0.81
Net dividend per share	AED	0.15	0.20	0.25	0.30
Free cash flow per share	AED	0.51	1.05	0.88	0.44
Operating cash flow per share	AED	0.81	1.26	1.11	0.68
Book value per share	AED	5.32	5.65	5.91	6.29
Number of ordinary shares	Mio	7,160	7,160	7,160	7,160
Number of equivalent ordinary shares (year end)	Mio	7,160	7,160	7,160	7,160
Number of shares market cap.	Mio	7,160	7,160	7,160	7,160
Treasury stock (year end)	Mio	0.00			
Number of shares net of treasury stock (year end)	Mio	7,160	7,160	7,160	7,160
Number of common shares (average)	Mio	7,041	7,160	7,160	7,160
Conversion of debt instruments into equity	Mio	0.00			
Settlement of cashable stock options	Mio				
Probable settlement of non mature stock options	Mio				
Other commitments to issue new shares	Mio				
Increase in shares outstanding (average)	Mio	0.00	0.00	0.00	0.00
Number of diluted shares (average)	Mio	7,041	7,160	7,160	7,160
Goodwill per share (diluted)	AED	0.04	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	AED	0.58	0.68	0.75	0.81
EPS before goodwill amortisation (non-diluted)	AED	0.58	0.68	0.75	0.81
Actual payment	AED				
Payout ratio	%	26.3	29.4	33.3	37.1
Capital payout ratio (div +share buy back/net income)	%	24.5	29.4	33.3	

Emaar Properties (Buy)

Property Development / United Arab Emirates

Financials

Funding - Liquidity

		12/15A	12/16E	12/17E	12/18E
EBITDA	AEDM	5,584	5,953	6,618	7,030
Funds from operations (FFO)	AEDM	5,559	6,237	6,983	7,495
Ordinary shareholders' equity	AEDM	38,114	40,446	42,306	45,057
Gross debt	AEDM	13,274	12,943	9,777	8,556
o/w Less than 1 year - Gross debt	AEDM	331	2,165	222	147
o/w 1 to 5 year - Gross debt	AEDM	5,636	8,042	7,820	7,673
of which Y+2	AEDM	222	147	2,981	121
of which Y+3	AEDM	147	2,981	121	4,571
of which Y+4	AEDM	2,981	121	4,571	0.00
of which Y+5	AEDM	121	4,571	0.00	0.00
o/w Beyond 5 years - Gross debt	AEDM	7,307	2,736	1,736	736
+ Gross Cash	AEDM	19,571	23,584	23,188	21,214
= Net debt / (cash)	AEDM	-6,297	-10,641	-13,411	-12,659
Bank borrowings	AEDM	5,004	4,785	3,675	2,640
Issued bonds	AEDM	6,399 ⁽¹⁾	4,565 ⁽¹⁾	4,565 ⁽¹⁾	4,565 ⁽¹⁾
Financial leases liabilities	AEDM	0.00	0.00	0.00	0.00
Mortgages	AEDM	1,540	1,428	1,315	1,203
Other financing	AEDM	331	2,165	222	147
of which commercial paper	AEDM	0.00	0.00	0.00	0.00
Gearing (at book value)	%	-14.3	-20.9	-28.4	-28.9
Adj. Net debt/EBITDA(R)	x	-1.07	-1.73	-1.97	-1.75
Adjusted Gross Debt/EBITDA(R)	x	2.43	2.22	1.53	1.27
Adj. gross debt/(Adj. gross debt+Equity)	%	26.4	24.8	19.4	16.6
Ebit cover	x	79.2	-151	-86.7	-53.6
FFO/Gross Debt	%	40.7	46.7	68.5	83.4
FFO/Net debt	%	-88.3	-58.6	-52.1	-59.2
FCF/Adj. gross debt (%)	%	26.1	56.3	61.8	34.9
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	69.9	14.4	133	166
"Cash" FCF/ST debt	x	9.98	3.43	27.9	20.4

1. Sukuk

ROE Analysis (Dupont's Breakdown)

		12/15A	12/16E	12/17E	12/18E
Tax burden (Net income/pretax pre excp income)	x	0.90	0.92	0.92	0.92
EBIT margin (EBIT/sales)	%	33.7	36.3	37.0	36.6
Assets rotation (Sales/Avg assets)	%	40.8	41.2	45.9	47.2
Financial leverage (Avg assets /Avg equity)	x	0.94	0.89	0.82	0.81
ROE	%	11.5	12.4	13.0	13.3
ROA	%	17.7	21.6	23.6	21.9

Shareholder's Equity Review (Group Share)

		12/15A	12/16E	12/17E	12/18E
Y-1 shareholders' equity	AEDM	33,011	38,114	40,446	42,306
+ Net profit of year	AEDM	4,082	4,873	5,372	5,789
- Dividends (parent cy)	AEDM	-2,378	-1,074	-1,432	-1,790
+ Additions to equity	AEDM	-23.0	0.00	0.00	0.00
o/w reduction (addition) to treasury shares	AEDM	0.00	0.00	0.00	0.00
- Unrecognised actuarial gains/(losses)	AEDM	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	AEDM	3,423	-1,467	-2,080	-1,248
= Year end shareholders' equity	AEDM	38,114	40,446	42,306	45,057

Emaar Properties (Buy)

Property Development / United Arab Emirates

Financials

Staffing Analytics

		12/15A	12/16E	12/17E	12/18E
Sales per staff	AEDTh	2,070	2,180	2,355	2,543
Staff costs per employee	AEDTh	-94.1	-99.1	-107	-116
Change in staff costs	%	16.5	5.33	8.00	8.00
Change in unit cost of staff	%	16.5	5.33	8.00	8.00
Staff costs/(EBITDA+Staff costs)	%	10.0	9.90	9.64	9.79

Average workforce	unit	6,600	6,600	6,600	6,600
Europe	unit	0.00	0.00	0.00	0.00
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	6,600	6,600	6,600	6,600
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	AEDM	-621	-654	-706	-763
Wages and salaries	AEDM	-621	-654	-706	-763
of which social security contributions	AEDM				
Equity linked payments	AEDM				
Pension related costs	AEDM		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		12/15A	12/16E	12/17E	12/18E
Real Estate	AEDM	7,873	8,058	8,703	9,399
Hospitality	AEDM	1,677	1,774	1,916	2,069
Rental income from leased properties and related income	AEDM	4,111	4,557	4,922	5,316
Other	AEDM	0.00	0.00	0.00	0.00
Total sales	AEDM	13,661	14,389	15,540	16,784

Divisional Breakdown Of Earnings

		12/15A	12/16E	12/17E	12/18E
PRETAX RESULTS Analysis					
Real Estate	AEDM	2,515	2,820	3,220	3,478
Hospitality	AEDM	13.6	302	345	352
Rental income from leased properties and related income	AEDM	2,478	2,734	2,953	3,189
Other/cancellations	AEDM	-471	-503	-594	-640
Total	AEDM	4,535	5,353	5,924	6,379
PRETAX RESULTS margin	%	33.2	37.2	38.1	38.0

Revenue Breakdown By Country

		12/15A	12/16E	12/17E	12/18E
Middle East	%	97.6	90.8		
Of Which United Arab Emirates	%	79.7	79.7		
Of Which Egypt	%	15.4	8.59		
Of Which Saudi Arabia	%	1.80	1.80		
Of Which Lebanon	%	0.76	0.76		
Other	%	2.37	9.19		

Emaar Properties (Buy)

Property Development / United Arab Emirates

Financials

ROCE/CFROIC/Capital Invested

		12/15A	12/16E	12/17E	12/18E
ROCE (NOPAT+lease exp.*(1-tax))/(net) cap employed adjusted	%	10.4	11.7	13.1	12.5
CFROIC	%	10.8	24.0	20.4	9.04
Goodwill	AEDM	46.1	46.1	46.1	46.1
Accumulated goodwill amortisation	AEDM	0.00	0.00	0.00	0.00
All intangible assets	AEDM	0.00	0.00	0.00	0.00
Accumulated intangible amortisation	AEDM	0.00	0.00	0.00	0.00
Financial hedges (LT derivatives)	AEDM	0.00	0.00	0.00	0.00
Capitalised R&D	AEDM	0.00	0.00	0.00	0.00
PV of non-capitalised lease obligations	AEDM	248	248	248	248
Other fixed assets	AEDM	21,432	22,479	23,579	24,757
Accumulated depreciation	AEDM	5,599	6,126	6,616	7,153
WCR	AEDM	4,562	1,707	688	3,208
Other assets	AEDM	6,697	6,838	6,271	6,459
Unrecognised actuarial losses/(gains)	AEDM	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	AEDM	32,986	31,319	30,831	34,719
Capital employed before depreciation	AEDM	38,585	37,445	37,447	41,872

Divisional Breakdown Of Capital

		12/15A	12/16E	12/17E	12/18E
Real Estate	AEDM				
Hospitality	AEDM				
Rental income from leased properties and related income	AEDM				
Other	AEDM	32,986	31,319	30,831	34,719
Total capital employed	AEDM	32,986	31,319	30,831	34,719

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Pension Risks

Pension matters

Sadly we cannot provide a reasonable assessment as Emaar does not publish any information about its workforce.

Summary Of Pension Risks

		12/15A	12/16E	12/17E	12/18E
Pension ratio	%	0.36	0.37	0.39	0.40
Ordinary shareholders' equity	AEDM	38,114	40,446	42,306	45,057
Total benefits provisions	AEDM	136	151	166	181
<i>of which funded pensions</i>	<i>AEDM</i>	<i>136</i>	<i>151</i>	<i>166</i>	<i>181</i>
<i>of which unfunded pensions</i>	<i>AEDM</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>of which benefits / health care</i>	<i>AEDM</i>		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Unrecognised actuarial (gains)/losses	AEDM	0.00	0.00	0.00	0.00
<i>Company discount rate</i>	%	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Normalised recomputed discount rate	%		3.50		
<i>Company future salary increase</i>	%	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Normalised recomputed future salary increase	%		3.00		
<i>Company expected rate of return on plan assets</i>	%	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Normalised recomputed expd rate of return on plan assets	%		0.50		
Funded : Impact of actuarial assumptions	AEDM		0.00		
Unfunded : Impact of actuarial assumptions	AEDM		0.00		

Geographic Breakdown Of Pension Liabilities

		12/15A	12/16E	12/17E	12/18E
US exposure	%				
UK exposure	%				
Euro exposure	%				
Nordic countries	%				
Switzerland	%				
Other	%	100	100	100	100
Total	%	100	100	100	100

Balance Sheet Implications

		12/15A	12/16E	12/17E	12/18E
Funded status surplus / (deficit)	AEDM	0.00	0.00	0.00	0.00
Unfunded status surplus / (deficit)	AEDM	0.00	0.00	0.00	0.00
Total surplus / (deficit)	AEDM	0.00	0.00	0.00	0.00
Total unrecognised actuarial (gains)/losses	AEDM	0.00	0.00	0.00	0.00
Provision (B/S) on funded pension	AEDM	136	151	166	181
Provision (B/S) on unfunded pension	AEDM	0.00	0.00	0.00	0.00
Other benefits (health care) provision	AEDM		0.00	0.00	0.00
Total benefit provisions	AEDM	136	151	166	181

P&L Implications

		12/15A	12/16E	12/17E	12/18E
Funded obligations periodic costs	AEDM	0.00	0.00	0.00	0.00
Unfunded obligations periodic costs	AEDM	0.00	0.00	0.00	0.00
Total periodic costs	AEDM	0.00	0.00	0.00	0.00
<i>of which incl. in labour costs</i>	<i>AEDM</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>of which incl. in interest expenses</i>	<i>AEDM</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Pension Risks

Funded Obligations

		12/15A	12/16E	12/17E	12/18E
Balance beginning of period	AEDM	0.00	0.00	0.00	0.00
Current service cost	AEDM		0.00	0.00	0.00
Interest expense	AEDM		0.00	0.00	0.00
Employees' contributions	AEDM				
Impact of change in actuarial assumptions	AEDM		0.00	0.00	0.00
<i>of which impact of change in discount rate</i>	<i>AEDM</i>		<i>0.00</i>		
<i>of which impact of change in salary increase</i>	<i>AEDM</i>		<i>0.00</i>		
Changes to scope of consolidation	AEDM				
Currency translation effects	AEDM				
Pension payments	AEDM				
Other	AEDM				
Year end obligation	AEDM	0.00	0.00	0.00	0.00

Plan Assets

		12/15A	12/16E	12/17E	12/18E
Value at beginning	AEDM		0.00	0.00	0.00
Company expected return on plan assets	AEDM		0.00	0.00	0.00
Actuarial gain/(loss)	AEDM		0.00	0.00	0.00
Employer's contribution	AEDM	0.00	0.00	0.00	0.00
Employees' contributions	AEDM	0.00	0.00	0.00	0.00
Changes to scope of consolidation	AEDM				
Currency translation effects	AEDM				
Pension payments	AEDM	0.00	0.00	0.00	0.00
Other	AEDM				
Value end of period	AEDM	0.00	0.00	0.00	0.00
Actual and normalised future return on plan assets	AEDM	0.00	0.00	0.00	0.00

Unfunded Obligations

		12/15A	12/16E	12/17E	12/18E
Balance beginning of period	AEDM	0.00	0.00	0.00	0.00
Current service cost	AEDM		0.00	0.00	0.00
Interest expense	AEDM		0.00	0.00	0.00
Employees' contributions	AEDM				
Impact of change in actuarial assumptions	AEDM		0.00	0.00	0.00
<i>of which Impact of change in discount rate</i>	<i>AEDM</i>		<i>0.00</i>		
<i>of which Impact of change in salary increase</i>	<i>AEDM</i>		<i>0.00</i>		
Changes to scope of consolidation	AEDM				
Currency translation effects	AEDM				
Pension payments	AEDM				
Other	AEDM				
Year end obligation	AEDM	0.00	0.00	0.00	0.00

Emaar Properties (Buy)

Property Development / United Arab Emirates

Governance & Management

Governance & Management











Although being with pretty good CVs, we do have reservations about the board members' link to the Government and/or ruling family which compromise their independence (As defined by AlphaMena), and make us question their commitment to defend the minority shareholders.

The top management is being monitored by the chairman and one other member of the board of director which gives the board in-depth sight about what's going on in the company.






The unstable CEO position in Emaar Properties and its Pass-Pass between AL MULLA and LAHEJ in such a big company with long-term projects raises some questions about the rationale behind it, the role of the nomination committee, and ultimately point finger to the chairman of the board Mr. ALABBAR as the real captain of the boat which make him judge and jury.

With his recent acquisitions in Americana and Aramex, Mr. ALABBAR is proving his influence in the GCC's investment scene, but also is making us wondering where his focus lies.










Governance parameters

	Yes  / No 	Weighting
One share, one vote		25%
Chairman vs. Executive split		15%
Chairman not ex executive		5%
Independent directors equals or above 50% of total directors		10%
Full disclosure on mgt pay (performance related bonuses, pensions and non financial benefits)		10%
Disclosure of performance anchor for bonus trigger		10%
Compensation committee reporting to board of directors		10%
Straightforward, clean by-laws		15%
Governance score	40	100%



















Existing committees

	Audit / Governance Committee
	Compensation committee
	Financial Statements Committee
	Litigation Committee
	Nomination Committee
	Safety committee
	SRI / Environment

Management

Name		Function	Birth date	Date in	Date out	Compensation, in kAED (year)	
						Cash	Equity linked
Abdulla LAHEJ	M	 CEO		2016			
MOHAMED ALABBAR	M	 Chairman	1963	1997		12,000 (2015)	
Ahmad AL MATROOSHI	M	 Chief Executive (not Chairman)		2005		2,197 (2015)	
Amit JAIN	M	 COO		2006		3,232 (2015)	
Ayman HAMDY	M	 Executive Officer		2006		1,144 (2015)	
MAITHA AL DOSSARI	F	 Executive Officer	1976	2000		1,720 (2015)	
RASHA HASSAN	F	 Executive Officer		2004		3,980 (2015)	
AHMAD AL FALASI	M	 Executive Officer	1963	2002		2,455 (2015)	
James DUNCAN	M	 Executive Officer	1951	2015		358 (2015)	

Board of Directors

Name		Indep. Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in kAED (year)	Value of holding, in kAED (year)
HUSSEIN AL QEMZI	M	  Deputy Chairman	2018	1957	2006	1,250 (2015)		
Ahmad AL MATROOSHI	M	  Member	2017		2005	0.00 (2015)		
Ahmed JAWA	M	  Member	2018	1956	2006	7,783 (2015)		
Marwan ABEDIN	M	  Member	2018		2012	7,333 (2015)		
Abdulrahman AL HAREB	M	  Member	2018		2012	7,433 (2015)		
Jamal ALMARRI	M	  Member	2019		2013	7,133 (2015)		
Abdullah BELYOAHAH	M	  Member	2018		2012	7,333 (2015)		
Jamal BIN THANIAH	M	  Member	2019	1958	2007	7,383 (2015)		
Arif AL DEHAIL	M	  Member	2018	1967	2012	7,333 (2015)		

Emaar Properties (Buy)

Property Development / United Arab Emirates

Governance & Management

Human Resources

Accidents at work 25% Of H.R. Score ■■■■■■■	Human resources development 35% Of H.R. Score ■■■■■■■■■	Pay 20% Of H.R. Score ■■■■■■■	Job satisfaction 10% Of H.R. Score ■■■	Internal communication 10% Of H.R. Score ■■■
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HR Breakdown

		Yes ✓ / No ✗	Rating
Accidents at work	25%		0/100
Set targets for work safety on all group sites?	40%	✗	0/100
Are accidents at work declining?	60%	✗	0/100
Human resources development	35%		0/100
Are competences required to meet medium term targets identified?	10%	✗	0/100
Is there a medium term (2 to 5 years) recruitment plan?	10%	✗	0/100
Is there a training strategy tuned to the company objectives?	10%	✗	0/100
Are employees trained for tomorrow's objectives?	10%	✗	0/100
Can all employees have access to training?	10%	✗	0/100
Has the corporate avoided large restructuring lay-offs over the last year to date?	10%	✗	0/100
Have key competences stayed?	10%	✗	0/100
Are managers given managerial objectives?	10%	✗	0/100
If yes, are managerial results a deciding factor when assessing compensation level?	10%	✗	0/100
Is mobility encouraged between operating units of the group?	10%	✗	0/100
Pay	20%		0/100
Is there a compensation committee?	30%	✗	0/100
Is employees' performance combining group performance AND individual performance?	70%	✗	0/100
Job satisfaction	10%		0/100
Is there a measure of job satisfaction?	33%	✗	0/100
Can anyone participate ?	34%	✗	0/100
Are there action plans to prop up employees' morale?	33%	✗	0/100
Internal communication	10%		0/100
Are strategy and objectives made available to every employee?	100%	✗	0/100
Human Ressources score:			0/100

HR Score

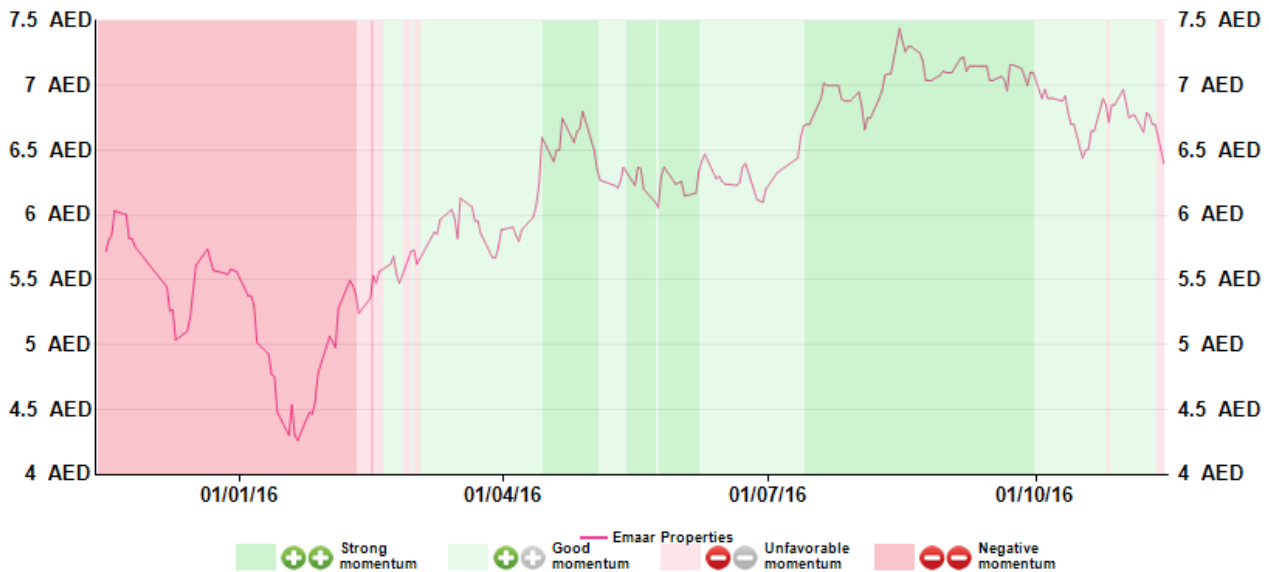


Emaar Properties (Buy)

Property Development / United Arab Emirates

► Graphics

Momentum



++ : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

+ : Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

- : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

-- : Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.

The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.

For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.

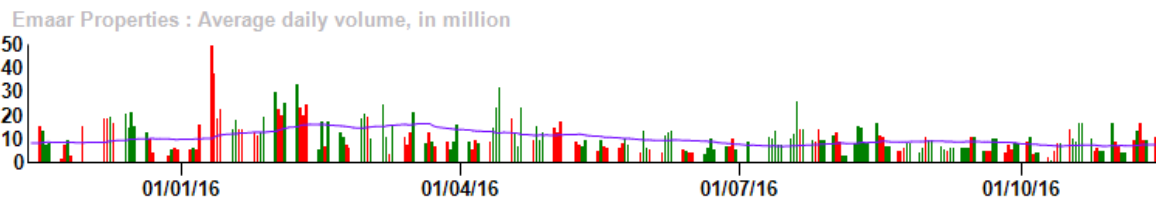
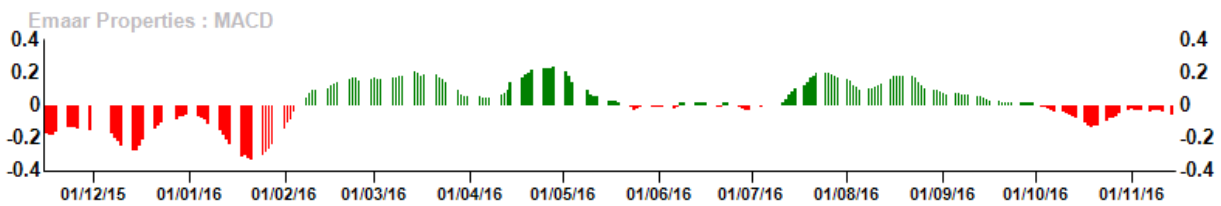
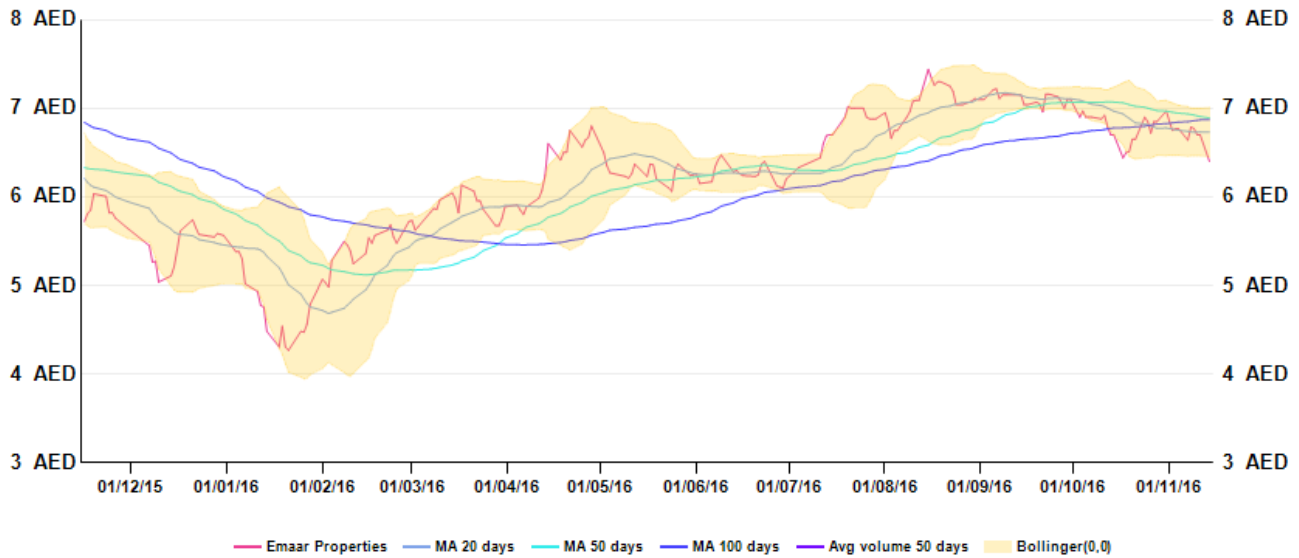
The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Graphics

Moving Average MACD & Volume



Emaar Properties (Buy)

Property Development / United Arab Emirates

► Graphics

Sector Property



Emaar Properties (Buy)

Property Development / United Arab Emirates

Sector review

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Property Development Changes and updates

Research Team

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Aymen SOUFI



Kais KRIAA

Opinion Change

UPGRADES	Reco	Old Reco	Target	Upside
17/03 Addoha	Buy	Add	MAD 68.5	87.7%
DOWNGRADES	Reco	Old Reco	Target	Upside
11/10 ADI	Sell	Reduce	MAD 75.8	-15.8%
23/08 SITS	Sell	Reduce	TND 1.40	-35.1%

Eps Change

UPGRADES	New	Old	Var.	Reco
24/06 ADI	-MAD 12.2	-MAD 47.5	-74.4%	Sell
DOWNGRADES	New	Old	Var.	Reco
23/08 SITS	TND 0.01	TND 0.10	-94.9%	Sell
23/05 Addoha	MAD 2.87	MAD 3.80	-24.3%	Buy

Sector Overview

MARKET BASICS	SECTOR	AM UNIVERSE
COMPANIES	4	154
MARKET CAP	€M 12,826	€M 432,631
UPSIDE	64.0%	3.39%
PRICE MOMENTUM	Good	GOOD
PERF. YTD	18.01%	4.84%
PE 2016	9.97 x	16.8 x
DIV. YIELD 2016	3.41%	4.05%
EARN GROWTH 2016/2015	22.2%	-9.59%

Recent publications & Updates

EMAAR PROPERTIES - Nov 10

Good results coming at a bad time for the markets.

SITS - Aug 23

Growing uncertainties coupled with sluggish demand

EMAAR PROPERTIES - Aug 01

Big fish with serious business

EMAAR PROPERTIES - Aug 01

Eyes in the skies, leveraging off EXPO 2020 Dubai

ADI - Jun 24

The effect of a high level of debts

ADDOHA - May 23

The improvement of the results depend largely on the improvement of the demand

Emaar Properties (Buy)

Property Development / United Arab Emirates

Property Development Charts

Sector Price



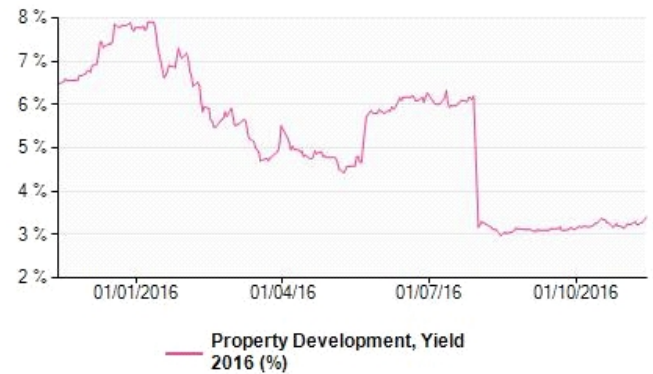
Sector Earning Growth 2016/2015



Sector PE 2016



Sector Yield 2016



Sector PBook 2016



Emaar Properties (Buy)

Property Development / United Arab Emirates

► Property Development Key Data

Aggregated sector data

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating revenues	€M	3,226	2,909	4,037	3,335	3,347	3,902	3,455	4,217	4,416	4,795	5,194
Sales growth	%		-9.80	38.8	-17.4	0.36	16.6	-11.5	22.1	4.72	8.57	8.33
Ebitda	€M	1,183	1,023	1,308	1,175	1,187	1,307	1,206	1,447	1,645	1,847	1,990
Ebitda margin	%	36.7	35.2	32.4	35.2	35.5	33.9	39.5	37.4	37.5	38.8	38.6
Operating profit	€M	1,167	832	1,092	940	1,034	1,106	1,075	1,152	1,447	1,611	1,747
Operating margin	%	34.1	28.1	26.2	27.9	29.1	27.2	28.0	27.9	31.5	32.3	32.2
Adj. Attrib. Net profit	€M	1,205	670	869	750	799	866	852	1,040	1,289	1,450	1,596
Free cash flow	€M	-721	-842	-32.3	-226	18.5	1,526	1,831	1,265	2,195	1,836	975
Roe (return on equity) %	%	30.9	8.19	9.62	7.72	8.41	8.67	8.43	9.16	11.5	12.4	13.0
Shareholders funds (group share)	€M	7,791	7,994	9,013	9,205	9,699	10,183	9,737	10,858	11,409	11,866	12,608
Net debt	€M	1,536	2,338	2,357	3,230	3,399	2,040	658	-71.4	-1,364	-2,208	-2,100
Capex	€M	-1,525	-468	-52.5	-157	-165	-151	-371	-552	-415	-448	-483
ROCE	%	8.55	4.27	4.92	4.85	5.16	6.17	6.24	7.78	9.64	11.0	11.0

Office space for rent

		2008	2009	2010	2011	2013
Addoha	sqm (,000)	0	0	-5	-5	9,257

Emaar Properties (Buy)

Property Development / United Arab Emirates

Property Development Fundamentals

Companies

Company	Sector	Performances (%)				Mom.	Opinion	Upside	Market Cap (€M)	Country
		1W	1M	3M	YTD					
Emaar Properties	Property Development	-3.61	-4.48	-9.73	15.0	🔴🟡	Buy 🟢	62.6%	11,609	🇦🇪
Addoha	Property Development	-2.69	-3.47	-1.38	53.8	🟢🟢	Buy 🟢	87.7%	1,097	🇸🇦
ADI	Property Development	0.00	-1.10	40.6	120	🟢🟢	Sell 🔴	-15.8%	106	🇸🇦
SITS	Property Development	-10.0	-3.59	2.38	-6.52	🟢🟢	Sell 🔴	-35.1%	13.6	🇸🇦

Sector	Performances (%)				Mom.	Opinion	Upside	Market Cap (€M)
	1W	1M	3M	YTD				
Weighted average	-3.51	-4.36	-8.79	18.0	🟢🟡	Buy 🟢	64.0%	
Median	-3.15	-3.53	0.50	34.4		Buy 🟢	23.4%	
Total								12,826
AM universe weighted avg	2.99	2.40	1.25	4.10	🟢🟡		3.39%	432,631

Valuation ratios

Company	Sector	P/E		Earnings growth		P/Book		Yield		Market Cap (€M)
		2016	2017	2016/2015	2017/2016	2016	2017	2016	2017	
Emaar Properties	Property Development	9.40 x	8.53 x	9.33%	10.2%	1.13 x	1.08 x	3.13%	3.91%	11,609
Addoha	Property Development	12.7 x	9.89 x	8.66%	28.4%	1.01 x	0.97 x	6.70%	8.61%	1,097
ADI	Property Development	-7.40 x	-12.2 x	n/a	n/a	1.60 x	-104 x	0.00%	0.00%	106
SITS	Property Development	ns	ns	-8.09%	n/a	0.92 x	0.90 x	4.65%	4.65%	13.6

Sector	P/E		Earnings growth		P/Book		Yield		Market Cap (€M)
	2016	2017	2016/2015	2017/2016	2016	2017	2016	2017	
Weighted average	9.97 x	8.86 x	22.2%	12.4%	1.12 x	1.08 x	3.41%	4.28%	
Median	ns	ns	8.66%	19.3%	1.07 x	1.03 x	3.89%	4.28%	
AM universe weighted avg	16.8 x	15.1 x	-9.59%	10.7%	1.77 x	1.68 x	4.05%	4.39%	432,631

Earnings

Company	Sector	Adjusted attributable net profit (€M)					Market Cap (€M)
		2015	2016	2017	Chg. 16/15	Chg. 17/16	
Emaar Properties	Property Development	1,111	1,235	1,361	124	126	11,609
Addoha	Property Development	79.5	86.4	111	6.89	24.5	1,097
ADI	Property Development	-150	-32.0	-22.0	118	10.0	106
SITS	Property Development	0.04	0.03	-0.03	0.00	-0.06	13.6

Sector	Adjusted attributable net profit (€M)					Market Cap (€M)
	2015	2016	2017	Chg. 16/15	Chg. 17/16	
Total	1,040	1,289	1,450	249	161	12,826

Risk ratios

Company	Sector	Gearing		Goodwill / Equity		Net Debt / Ebitda		Market Cap (€M)
		2016	2017	2016	2017	2016	2017	
Emaar Properties	Property Development	-20.9%	-28.4%	0.11%	0.11%	-1.73 x	-1.97 x	11,609
Addoha	Property Development	58.3%	44.1%	0.00%	0.00%	4.57 x	3.07 x	1,097
ADI	Property Development	1,175%	n/a	31.0%	-1,651%	56.8 x	27.5 x	106
SITS	Property Development	139%	139%	0.00%	0.00%	21.2 x	25.0 x	13.6

Sector	Gearing		Goodwill / Equity		Net Debt / Ebitda		Market Cap (€M)
	2016	2017	2016	2017	2016	2017	
Weighted average	-6.29%	-15.1%	0.28%	0.24%	-0.79 x	-1.15 x	
Median	139%	91.6%	0.06%	0.00%	21.2 x	25.0 x	

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Property Development Fundamentals

B/S data

Company	Sector	Equity (€M)		Net Debt (€M)		Goodwill (€M)		Market Cap (€M)
		2016	2017	2016	2017	2016	2017	
Emaar Properties	Property Development	10,247	10,718	-2,696	-3,398	11.7	11.7	11,609
Addoha	Property Development	1,081	1,133	561	439	0.00	0.00	1,097
ADI	Property Development	66.2	-1.02	750	729	20.5	16.8	106
SITS	Property Development	14.7	15.1	20.9	21.1	0.00	0.00	13.6
Sector		Equity (€M)		Net Debt (€M)		Goodwill (€M)		Market Cap (€M)
		2016	2017	2016	2017	2016	2017	
Total		11,409	11,866	-1,364	-2,208	32.2	28.5	12,826

EV ratios

Company	Sector	Upside	Mom.	Ev/Ebit		Ev/Ebitda(R)		Market Cap (€M)
				2016	2017	2016	2017	
SITS	Property Development	-35.1%	🟢🟢	37.7 x	44.3 x	37.1 x	43.4 x	13.6
ADI	Property Development	-15.8%	🟢🟢	99.8 x	44.7 x	72.9 x	35.8 x	106
Addoha	Property Development	87.7%	🟢🟡	14.2 x	11.3 x	13.7 x	10.9 x	1,097
Emaar Properties	Property Development	62.6%	🔴🟡	6.89 x	5.77 x	5.72 x	4.74 x	11,609
Sector				Ev/Ebit		Ev/Ebitda(R)		Market Cap (€M)
				2016	2017	2016	2017	
Weighted average				8.17 x	6.82 x	6.87 x	5.67 x	
Median				26.0 x	27.8 x	25.4 x	23.3 x	
AM universe weighted avg				11.6 x	11.3 x	8.83 x	8.13 x	432,631

Risk/Reward

Company	Sector	Value	Equity Risk	Gov. Mgt	Upside
Emaar Properties	Property Development	■■■■■■■■■■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■■■■■■■■■■	62.6%
Addoha	Property Development	■■■■■■■■■■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■■■■■■■■■■	87.7%
ADI	Property Development	■■■■■■■■■■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■■■■■■■■■■	-15.8%
SITS	Property Development	■■■■■■■■■■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■■■■■■■■■■	-35.1%

Emaar Properties (Buy)

Property Development / United Arab Emirates

Methodology

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Methodology

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a “value” approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency**, all underlying figures are accessible, and **consistency**, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility (10-30)	Normal Volatility (15-35)	High Volatility (above 35)
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ■	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ■	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no “neutral” recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaMena intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

Emaar Properties (Buy)

Property Development / United Arab Emirates

► Methodology

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	25%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	15%	15%
P/Book	5%	5%	5%	5%	15%	10%
Banks' intrinsic method	0%	0%	0%	0%	25%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%

Important Warning

Above comments are solely aimed at institutional and other professional investors. They are designed to complement services made available by subscription only to AlphaMena via www.alphamena.net Above comments may only make sense in connection with an access to AlphaMena on line equity research