Mabanee – Growth not priced in!

Research Update | **Sector – Real Estate**

Outperform

CMP 07-Jan-2016	KWD 0.900
Target Price	KWD 1.161
Upside/Downside	+29.0%

Investment Thesis

Management meet confirms investment case; maintain 'Outperform' rating: Our revised target price (TP) of KWD 1.161 represents an upside of 29% to current market price (CMP), and reflects our fine-tuned forecasts, post our management meet. We reiterate our 'Outperform' rating on the stock, as our positive investment case is underpinned by the growth derived from the introduction of Phase IV (Avenues -Kuwait), and is supported by the company's growing revenue stream, pricing power and high predictability of cashflows. We believe that the current stock price is at a discount to the value of existing operations, and further the price does not reflect incremental cashflows from Phase IV, which should contribute KWD 0.281/share to the fair value.

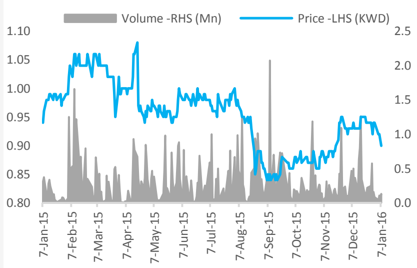
CMP only reflects existing operations; Phase IV to add KWD 0.281/share: Despite the run-up in the stock towards year-end 2015, our model suggests that the CMP is below the value of existing operations -Avenues mall and Al Rai. With its launch in 2018, Phase IV is set to add over 90,000 sq.m of net leasable area (NLA) to the existing mall, an NLA growth of c.34%. The introduction of Phase IV with a capex of KWD 265 Mn should drive full potential mall revenues higher by over 47% as compared to existing mall revenues (2015-20). Key driver for the jump in revenues is ascribed to the positioning of Phase IV, which is slated to be similar to Phase III, and will drive blended rents higher in our view.

KSA and Bahrain earnings impact to be back-end loaded: Post its launch in 2017; Avenues-Bahrain is set to attract footfalls from existing malls, due to its positioning (similar to Phase III – Kuwait). Phase I (45,000 sq.m) is already fully pre-leased. We value Bahrain operations at KWD 0.015/share, based on Mabanee's 35% stake, which is included in our fair value. Avenues-KSA, with its launch in 2019-20 and a combined NLA of c.667, 000 sq.m is set to benefit from the high disposable income in Riyadh and Khobar and the lack of large format malls in KSA. Nevertheless, we do not include KSA forecasts into our fair value, until more visibility on the design and project financing are available. We expect KSA to add another KWD 0.217/share to our group fair value estimate, based on Mabanee's 55% proportionate stake, if consolidated.

Valuation & Risks – DCF based TP of KWD 1.161, upside of 29%: Our TP for Mabanee of KWD 1.161 per share was derived based on a discounted cashflow (DCF) method, driven mainly by the company's current and future leasing cashflows. Our DCF fair value was validated by the direct capitalization method. **Risks include:** Delays in construction of Phase IV and Avenues Bahrain. Significant cost over-runs of development costs. Lower occupancy rates ascribed to a decline in retail activity from economic and geopolitical risks.

Forecasts & Ratios	2013	2014	2015E	2016E	2017E
Revenue (KWD '000)	86,242	85,414	86,921	89,090	91,414
EBITDA (KWD '000)	61,304	61,798	61,894	62,604	64,023
Net profit (KWD '000)	47,920	48,175	46,956	46,162	45,412
Total Debt/Equity (x)	0.56	0.64	0.62	0.70	0.84
PE (x)	16.2	14.5	16.9	16.5	16.8
PB (x)	4.1	3.1	2.6	2.2	2.0
Div. yield (%)	2.3%	1.6%	1.6%	1.7%	1.7%

Sources: KAMCO Research, Bloomberg and Mabanee



Price Perf.	1M	3M	12M
Absolute	-1.1%	5.8%	10.2%
Relative	3.2%	8.5%	23.9%

Stock Data	
Bloomberg Ticker	MABANEE KK
Reuters Ticker	MABK.KW
Last Price (KWD)	0.900
MCap (KWD Mn)	765
MCap (USD Mn)	2,549
EV (KWD Mn)	917
Stock Perfromance - YTD (%)	-4.3%
52 week range (KWD)	1.080 - 0.840

Sources: KAMCO Research & Bloomberg

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Valuation and Risks

Revised price target of KWD 1.161/share -upside of 29%; maintain 'Outperform rating

We arrived at our revised fair value of KWD 1.161 per share for Mabanee, based on discounted cash flow (DCF) method, and reiterate our 'Outperform' rating on the stock. Post meeting with the company and fine-tuning our assumptions, we strongly feel the CMP is below our value of the company's existing operations – Avenues mall & Al-Rai. We further believe that the market is not factoring in future growth from Phase IV operations, despite the run-up in stock price since Nov-15.

Fair Value – Mabanee	Weighted Value (KWD)
Discounted Cash Flow (DCF) Fair Value	**1.161**
Current Market Price	0.900
Upside / Downside	***29.0%***

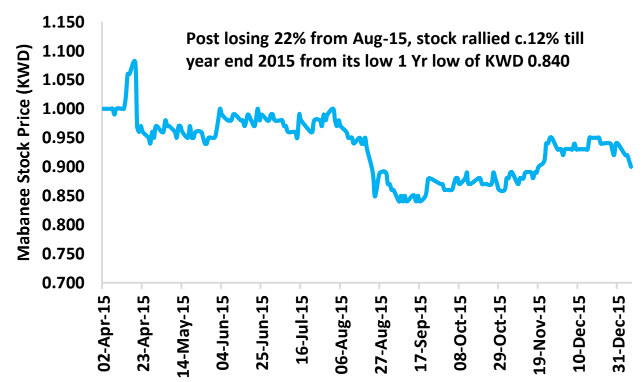
Sources: KAMCO Research and Bloomberg

To corroborate our DCF based fair value, we valued Mabanee's Kuwait operations based on the direct capitalization method (cap-rate method) and arrived at the fair value for the company.

CMP reflects only Phase I-III value despite the run-up in stock price…

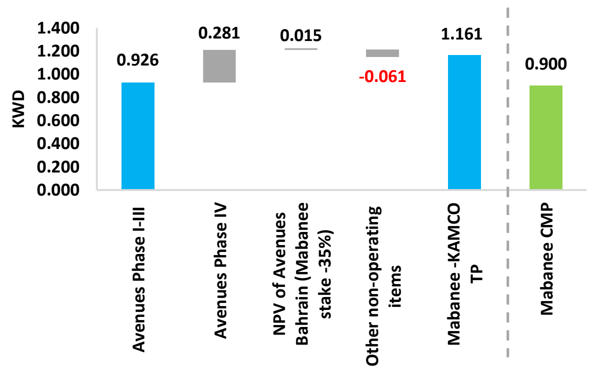
Mabanee' stock price had lost c.22% from the highs of 2015 to reach KWD 0.840 in Sept -15. The stock price however recovered since then and gained c.12% until end Dec-15, and consolidated in early Jan-16 to close at KWD 0.900. However, current stock price levels are lower than our valuation of Mabanee's existing operations, which we estimate at KWD 0.926 standalone.

Mabanee stock price (April'15 –Dec'15)



Sources: KSE, KAMCO Research

KAMCO TP Breakup & Upside to CMP



Sources: KSE, KAMCO Research

We estimate incremental cashflows from Phase IV to contribute KWD 0.281/share to the fair value of Mabanee. We value Bahrain operations at KWD 0.015/share, based on Mabanee's 35% stake, which is included in our fair value. Our fair value does not include Mabanee's KSA expansion plans as of now, as we prefer to gain more visibility into project financing and execution details. Nevertheless, based on management guidance thus far, we have arrived at a standalone fair value for KSA operations, which we expect to add another KWD 0.217/share, based on Mabanee's 55% proportionate stake.

Our DCF based valuation methodology and yield capitalization approach confirm our undervaluation case for Mabanee.

Discounted Cash Flow Method

Our DCF value of KWD 1.161 is based on explicit forecast of free cash flows for the next ten years (2015E-2024E) and terminal value thereafter. We assumed terminal growth rate of 2.5%, which is consistent with the management's internal guidance, cost of equity of 10.4%, and have arrived at a weighted average cost of capital of 7.3% in 2015.

DCF Valuation – Mabanee Group

DCF Valuation	Fair Value of Equity (KWD '000)	Fair Value per Share (KWD)
Present Value of FCF	283,542	0.334
Present Value of Terminal Value	742,072	0.873
Present Value of Cash Flows	**1,025,614**	**1.207**
NPV of Avenues Bahrain (Mabanee stake -35%)	12,726	0.015
Investments & Other non- current assets (9M-15)	217,716	0.256
Cash & cash equivalents (9M-15)	8,544	0.010
Debt (9M-15) & Other liabilities	(277,509)	-0.327
Minority interest	(434)	-0.001
Equity Fair Value	**988,625**	**1.161**

Sources: KAMCO Research and Mabanee

Adjustments to non-operating assets and liabilities

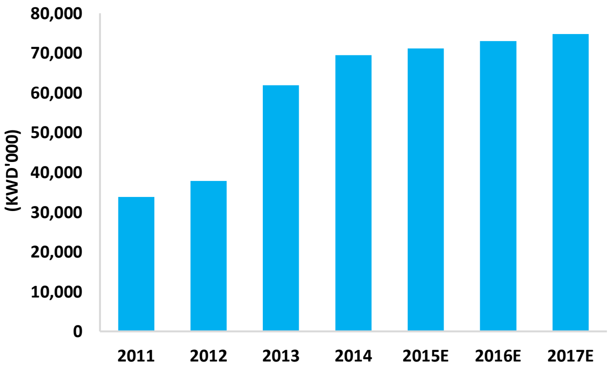
- Investments / other non-current assets as of 9M-15 include: 1) Land in KSA valued at KWD 149 Mn (net of capitalized interest). As we do not include Avenues – KSA in our forecasts or valuation to arrive at the fair value for Mabanee, we treat land in KSA as a non-core asset, and book the related land acquisition at cost. 2) Salmiya land plot of 9,516 sq.m valued at KWD 45 Mn. 3) Investment in associates of KWD 6 Mn, which are non-core operations; and AFS (Available-For-Sale) investments valued at KWD 10.5 Mn
- Cash and cash equivalent balance of KWD 8.5 Mn as of 9M-15
- Other liabilities of KWD 89 Mn, which include, liabilities amount due to related parties (KWD 67 Mn) and non-current liabilities (KWD 22 Mn).

We have built our assumptions for cost of debt around Mabanee's favorable position with lenders and the liquidity available in the market, which translates into a lower cost of borrowing. This is evident from the company's effective cost of long-term borrowing in 2014, which ranged from 2.25% to 3.25% in 2014. Nevertheless, over our forecast period, we expect the cost of borrowing to increase as borrowing rates should follow the rate tightening cycle in policy rates from the Fed. As a result, we have assumed an average effective cost of borrowing of 4.5% through our forecast period. Furthermore, we forecast 60%-70% of Phase IV capex to be funded by debt financing. This should result in the increase of debt-to-equity ratio of Mabanee from 0.65x to over 0.8x times in 2017 & 2018. Nevertheless, we expect the ratio to fall gradually over 2019-24 to 0.47x, driven by the strong internal cashflow accruals of the company.

Phase I-III standalone value of KWD 0.926……

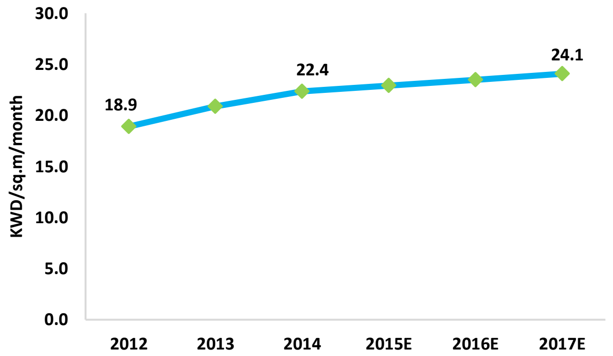
To understand what the market has priced in to the CMP of KWD 0.900/share, we valued Avenues Phase I -III and Phase IV on a standalone basis.

Investment Properties rental revenue trends



Sources: Mabanee, KAMCO Research

Phase I-III Blended Rents (2012-17)



Sources: KAMCO Research

For arriving at the value of existing mall, we analyzed past trends and modeled forecasts for mall - level rental revenue in detail. With the launch of Phase III in Q4-2012, the incremental rents accrued from the addition of NLA of 95,000 sq.m drove an 84% increase in full potential rental revenues over 2012-14. Key driver for the increase in rental revenues from KWD 37,813 ('000) in 2012 to KWD 69,472 ('000) in 2014 was the jump in the average rents per sq.m of Phase III, which led to over 36% of NLA being placed at significantly higher rents. The average rents achieved for Phase III was significantly higher than Phase I & II, owing to the positioning of Phase III, which includes luxury brands, and since Phase III did not include anchor tenants. As a result, we estimate that blended rents on a per sq.m basis moved from KWD 18.9 in 2012 to KWD 22.4 in 2014 for the Phase I-III combined. For our forecasts of the existing mall, we assumed a rental inflation of 2%-3%, and we expect per sq.m blended rents to reach KWD 24.1 in 2017 prior to the addition of Phase IV.

DCF Valuation – Mabanee existing operations

DCF Valuation	Fair Value of Equity (KWD '000)	Fair Value per Share (KWD)
Present Value of FCF	354,719	0.417
Present Value of Terminal Value	432,314	0.509
Present Value of Cash Flows	**787,033**	**0.926**

Sources: KAMCO Research

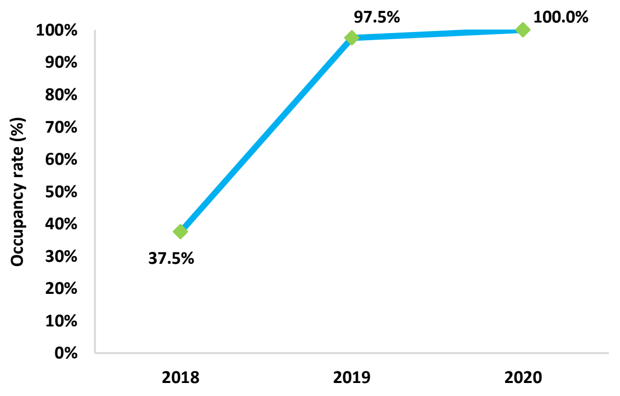
Based on our forecasts, we arrived at a standalone value of operations for Mabanee's existing operations of KWD 0.926/share, based on DCF valuation. Currently, the stock is trading at a discount to our estimate of value of existing operations, which underpins our strong case of undervaluation of the stock.

……..with Phase IV to add another KWD 0.281

We model Phase IV independently post its launch in 2018 and derive our explicit forecasts for 2018-24. Phase IV is set to add 90,000 sq.m to the NLA of Avenues – Kuwait, an increase of 34% of leasable area. The company guided that per sq.m rents for Phase IV would be KWD 26/sq.m, which is factored into our model. Though the company guides for a Q1-18 launch, we factor in a delay of one quarter, to account for any unforeseen postponement. Our occupancy forecast for 2018 & 19 reflects the full year consolidation of occupancy progression of the phase, which we expect to reach 100% by 2020.

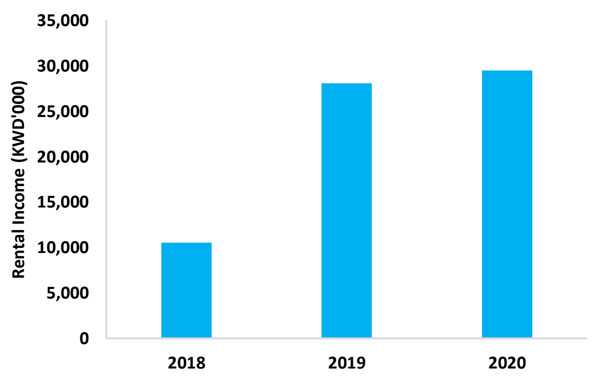
We assume a rental inflation of 2%-3% for our forecast period, which is in line with company guidance. Other revenue components for the mall such as placement fees, advertising income etc. are modeled based on trends from Phase III, as the NLA build up and positioning of the mall remain more or less similar. We forecast rental income from Phase IV alone to reach around KWD 29.5 Mn in 2020, as the phase reaches 100% occupancy rate for the full year.

Phase IV occupancy rates (2018-2020)



Sources: KAMCO Research

Phase IV Rental Income (2018-20)



Sources: KAMCO Research

Cost elements were modeled based on management guidance, and are mostly variable costs linked to leasable area and income generated from rental revenue. Mall level margins should expand with Phase IV coming on-stream, albeit marginally, as most mall level cost components remain variable in nature. Based on our explicit forecasts of revenues and costs for Phase –IV over 2018-24, we forecast mall level margins to remain above 76% through the period. For detailed assumptions and forecasts for Phase IV, refer our financial forecasts section on page 15.

Phase IV also include two hotels – a 4-Star hotel of 250 keys and a 5-Star hotel of 170 keys, which are not included in the leasable area of mall, apart from various F&B options within the hotels. The hotels are due for launch in 2019, and we assume an average daily rate (ADR) of KWD 100 per night for the 5-Star component, while 4-Star ADRs are modeled at KWD 70 per night. We assume an average occupancy rate of 50%-52% over our explicit forecast period of 2019-24, and an average gross profit margin of c.44% over the period. The premise for our assumptions revolve around our analysis and industry outlook for the Kuwait Hotels segment (See page 14).

Our DCF valuation for Avenues Phase –IV suggests that the mall's Phase IV expansion would add another KWD 0.281/share to the existing mall value. Based on our analysis above, we strongly feel that the upside potential of the company ascribed to Phase IV operations is overlooked, which forms the cornerstone for our investment case and rating for the stock.

Direct Capitalization Method – Validates DCF fair value

We validated our DCF based fair value for Mabanee, by arriving at the mall level value for the existing mall and Phase IV independently, based on the direct capitalization method.

To arrive at the appropriate yield for the direct capitalization approach, we analyzed the full potential gross yields and net yields of Avenues mall historically over 2008-14. We used fair value estimates provided by the company and deducted KSA land costs to arrive at the fair value for Avenues mall. For net yield estimates, we arrived at our estimates of Net Operating Income (NOI), by deducting operating expenses from rental revenue. The net yields over 2008-12 were affected by timing differences of frequent additions to the mall's leasable area, occupancy build-up and fair value estimation by independent valuators. We therefore rely on 2013 & 14 estimates of our net yield calculations for our basis, as this represents full potential NOI and fair values for the existing mall. Based on our analysis, achieved net yields for Avenues mall was 7.4% for 2013 & 7.1% for 2014.

Mall level Yields -2013 & 14

Mall level yields – Avenues I-III	2013	2014
Fair Value - Avenues Phase I-IV (KWD '000)	636,332	770,247
Rental Revenue - Investment Properties (KWD '000)	61,955	69,472
Gross Yield - Avenues (Phase I-IV)	9.7%	9.0%
NOI - (Rental Revenue minus expenses)	47,271	54,740
Net Yield (%)	**7.4%**	**7.1%**

Sources: KAMCO Research and Mabanee

For the mall level value, which includes Phase IV apart from the existing mall, we chose 2020-24 as the forecast period to derive full potential NOI, which was discounted back to 2016. We further ran a sensitivity analysis for various net yields to reach yield based mall level values, with a net yield of 7% as our base case. Our base case scenario derives a value of mall operations of KWD 1.258/share for Avenues Phase (I-IV).

Phase (I-IV) Valuation – Direct Capitalization Method

Avenues Phase (I-IV) – KWD ('000)	Net Yields				
	6.0%	6.5%	7.0%	7.5%	8.0%
Average NOI Phase I-IV (2020-24)	92,285	92,285	92,285	92,285	92,285
PV of NOI - 2016	74,845	74,845	74,845	74,845	74,845
Value of Avenues Phase -III based on net yields	1,247,423	1,151,467	1,069,220	997,938	935,567
Avenues Phase (I-III) - Per share value (KWD)	**1.468**	**1.355**	**1.258**	**1.175**	**1.101**

Sources: KAMCO Research

Phase (I-III) Valuation – Direct Capitalization Method

Furthermore, we validated our DCF based equity value of KWD 0.926 for the company based on Phase I-III. We ran a similar sensitivity analysis as mentioned above for various net yields to reach yield based Phase I-III mall level values, with a net yield of 7% as our base case.

Phase (I-III) Valuation – Direct Capitalization Method

Avenues Phase (I-III) - KWD ('000)	Net Yields				
	6.0%	6.5%	7.0%	7.5%	8.0%
Average NOI Phase I-III (2015-17)	58,511	58,511	58,511	58,511	58,511
Value of Avenues Phase -III based on net yields	975,175	900,162	835,865	780,140	731,382
Avenues Phase (I-III) - Per share value (KWD)	**1.148**	**1.060**	**0.984**	**0.918**	**0.861**

Sources: KAMCO Research

Our base case scenario derives a value of operations estimate of KWD 0.984/share for existing mall operations (Phase I-III). Our direct capitalization based value for the mall further confirms our DCF based values for existing operations and operations including Phase IV, which reinforces our recommendation for the stock.

We do not use relative valuation as one of our valuation techniques to arrive at our target price, due to Mabanee's distinct business model as compared to its GCC RE peers. Nevertheless, we have done a property level comparison between Mabanee's Avenues in Kuwait & Emaar Malls' The Dubai Mall on page 23.

Risks to our rating & forecasts include:

- Delays in construction and development of Avenues Phase IV and Avenues Bahrain
- Significant cost over-runs in terms of development costs for projects.
- Lower occupancy rates ascribed to a decline in retail industry activity from economic & geopolitical risks affecting consumer sentiment adversely and curbing discretionary spending, which would lead to lower footfalls in malls and lower profitability for retailers.

As Mabanee's KSA projects are not part of our target price, forecasts; and since the projects are in their initial feasibility & design stages, we do not include their risks until we gain further visibility into the projects.

Avenues Bahrain – Fair Value per share of KWD 0.015

Mabanee through its 35% stake in the King Fahad Corniche Development Company will be developing the Avenues-Bahrain mall. Our assumptions for our model and valuation are below:

- Phase I of the project has a total leasable area of 45,000 sq.m, and the project capex for the phase is estimated at KWD 40 Mn. Project includes only development costs as there are no land costs for the project, owing to the Build Operate Transfer (BOT) status of the project.
- Mabanee guided that Phase I is already fully pre-leased. The full leasing of Phase I is against the backdrop of 8%-10% vacancy rates prevalent in mall spaces in Bahrain currently.
- The mall positioning is set to be similar to Phase III as per Mabanee, and industry sources expect Avenues Bahrain to attract footfalls from existing malls with it's launch.
- We model for a launch date of end Q4-17, and value Avenues-Bahrain on a standalone basis, using a mall level EBITDA margin of 65% for our forecast period.
- Rental inflation is forecasted at 2.5% per annum, and rents at the launch of mall are assumed as KWD 16/sq.m/month (BD 20/sq.m/month) in 2017.
- Project financing is assumed to finance of 100% of the capex of project, with a cost of debt of 5.0%.
- We valued Mabanee 35% stake in Avenues - Bahrain based on DCF valuation approach, with 2024 as our terminal year, project-financing costs of 5%, and using terminal year yield-capitalization rate of 7.5%.

Avenues Bahrain – Valuation & Assumptions	
Land Plot - sq.m	2,65,000
Land permitted to use -sq.m	40,000
NLA (Phase I) - sq.m	45,000
Start Date - Phase I	Q4-15
End Date - Phase I	Q2-17
Total Capex (KWD '000) - Phase I	40,000
Expected Delay - Phase I (KAMCO)	6 months
Expected Launch Date -Phase I (KAMCO)	End of Q4-17
Mabanee stake (At-Equity)	35%
Debt Financing	100%
Project financing rate	5.00%
Debt Financing Tenure	10 Years
Average Rental Guidance - BD/sq.m/month	20
Implied rents - KWD/sq.m/month	16
Rental Inflation assumption	2.5%
EBITDA margin (%)	65%
NPV - KWD'000	**36,361**
Mabanee stake at 35%	**12,726**
Per Share Value (KWD)	**0.015**

Sources: Mabanee, KAMCO Research

We forecast revenues from the mall to reach over KWD 9.05 Mn per annum by the terminal year and to achieve an EBITDA of over KWD 5.6 Mn for Phase I. Our estimates for revenues and profitability is likely to be revised upwards, as we model only rental revenues from the mall and do not include other income sources such as advertising income, placement fees etc. Nevertheless, based on all the above inputs, our DCF values Mabanee's stake in Avenues - Bahrain at KWD 0.015 per share.

Avenues KSA – awaiting finer details

Mabanee's expansion plans in KSA include - Avenues Riyadh, Noura Centre & Avenues Khobar. Avenues-Riyadh is set to have leasable area of 400,000 sq.m, and is set to be amongst the largest malls in the GCC. Project capex including land acquisition costs is expected to be in excess of KWD 1 Bn.

Avenues KSA – Valuation & Assumptions	
Avenues Riyadh Mall - Assumptions	
NLA	4,00,000
Start Date	Q1-16
End Date	Q1-20
Expected Delay (KAMCO)	6 months
Expected Launch Date (KAMCO)	End of Q3-20
Capex (SAR '000)	65,00,000
Land acquisition price	1,06,028
Rents (SAR/sq.m/year)	2,900
Rents (KWD/sq.m/month)	19.5
Noura Centre - Assumptions	
NLA	87,000
Start Date	Q1-16
End Date	Q2-19
Expected Delay (KAMCO)	6 months
Expected Launch Date (KAMCO)	End of Q4-19
Capex (SAR '000)	14,00,000
Land acquisition price	Nil - as project is BOT
Rents (SAR/sq.m/year)	2,745
Rents (KWD/sq.m/month)	18.4
Khobar - Assumptions	
NLA	1,80,000
Start Date	Q1-16
End Date	Q2-19
Expected Delay (KAMCO)	6 months
Expected Launch Date (KAMCO)	End of Q4-19
Capex (SAR '000)	27,00,000
Land acquisition price	45,504
Rents (SAR/sq.m/year)	2,745
Rents (KWD/sq.m/month)	17.2
Land Costs Excluding Noura (KWD'000)	**152,289**
Total Capex (KWD '000)	**1006,649**
Debt Financing	100.0%
Project financing rates	5.0%
Debt Financing Tenure (Years)	12
Rental Inflation assumption	2.5%
NPV	**3,35,362**
Mabanee stake at 55% participation	**1,84,449**
Per Share Value (KWD)	**0.217**

Sources: Mabanee, KAMCO Research

Mabanee guided that the positioning of Avenues Riyadh is likely to be similar to Phase III of Avenues Kuwait, given the high disposable income available in Riyadh. Tentative plans also include two hotels – one 5-Star and one 4-Star similar to Avenues Kuwait –Phase IV, residential apartments, offices and parking for 14,000 vehicles. Noura Centre, geared more towards the low to mid-end segment will have a leasable area of 87,000 sq.m and will look to attract students from Princess Nora Bint Abdulrahman University as well. The mall should also benefit from footfalls from passengers traveling via the King Khalid International Airport. Mabanee's third project in KSA is The Avenues

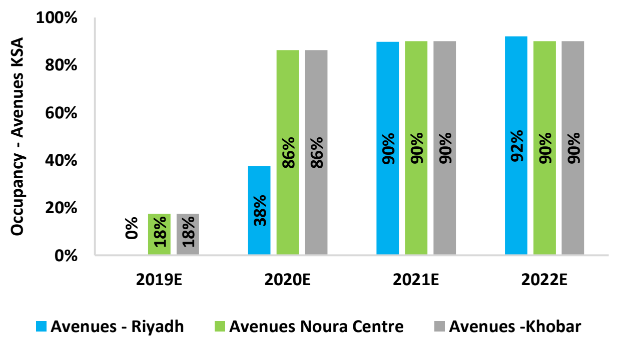
Khobar, which is likely to be similar to Avenues Kuwait in terms of design, components and mall positioning. Footfalls should be mainly driven by high-income expats who work in multinational companies with a base in Khobar. The project with a leasable area of 180,000 sq.m will tentatively include commercial and entertainment areas, residential apartments, hotels, offices and medical facilities apart from the mall. It is noteworthy to highlight that Noura Centre is a BOT project and therefore there are no related land acquisition costs. Mabanee expects to fund the total capex of Avenues KSA of approximately KWD 1 Bn related to development costs by project financing.

Avenues - KSA not included in our Mabanee Group Valuation

For our project financing assumptions, we use a cost of debt of 5% and a debt repayment period of 12 years. Our DCF valuation derived a value of KWD 0.217 per share, based on aforementioned valuation inputs. However, as mentioned earlier, we do not include Avenues KSA in our valuation for Mabanee, mainly due to the following reasons:

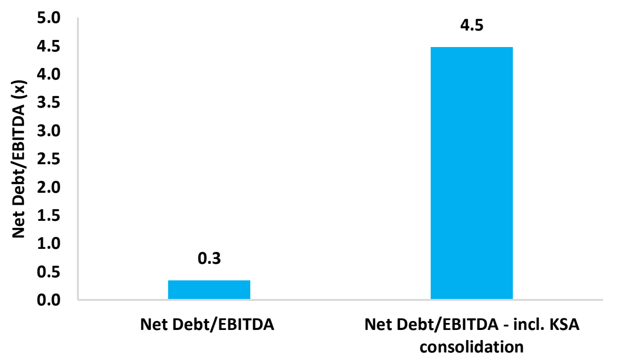
- The project is in the design and feasibility stage, and Mabanee mentioned that they have hired an international consultant for the project feasibility. The outcome of the feasibility study could determine project components and we prefer to value the company, once we attain better visibility into each of the individual projects.
- In addition, Mabanee mentioned that they were still working out project financing options such as project syndication etc. Since the project entails consolidation of 100% debt onto the Mabanee's balance sheet if project financed, this would affect Mabanee's balance sheet and coverage ratios in particular. Our back-of-the-envelope calculation suggests that Mabanee's Net Debt/EBITDA could reach an average of 4.5x over 2021-23, if Avenues –KSA debt is consolidated.

Avenues KSA occupancy rates (2019-2020)



Sources: KAMCO Research

Group Average Net Debt/EBITDA (2021-23)



Sources: KAMCO Research

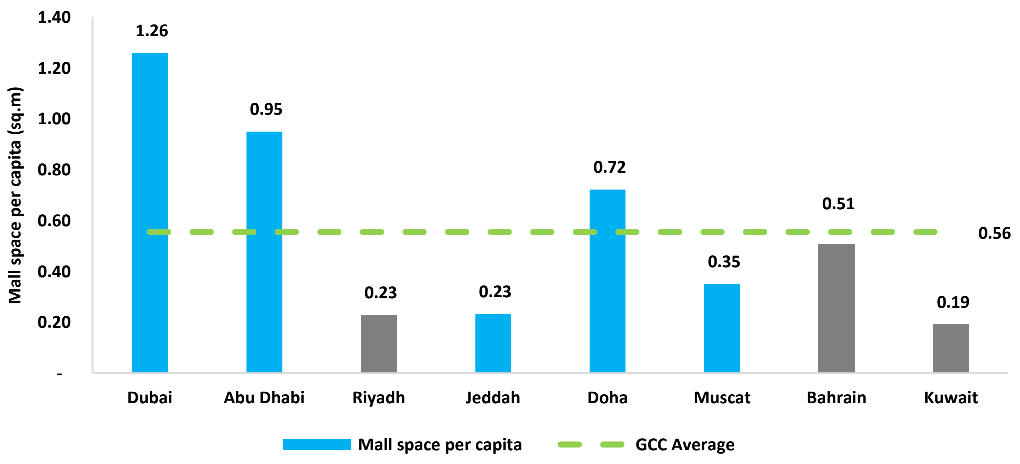
Nevertheless, we remain confident in Mabanee's ability to access project financing at the most cost-effective rates available in the market, similar to current trends, given its strong operational background and cashflow generation history. Due to the aforementioned reasons, we prefer to remain on the sidelines in terms of including the valuation of Avenues KSA (KWD 0.217) into Mabanee's group equity value, until we receive further visibility into their project financing strategy and the outcome of the design and feasibility studies.

Retail Real Estate Sector Outlook

Kuwait continues to remain top market with demand potential

We analyzed the demand potential for mall space retail in markets Mabanee operates in, and will foray into, by benchmarking and comparing retail mall space per capita across the region as of H1-15. The retail mall space per capita for Kuwait – the main market in which Mabanee operates in, is the lowest in the region (GCC average: 0.56) as of H1-15 at 0.19, indicating potential for significant growth. Retail mall space per capita in Kuwait remained 58% lower than its GCC peers (ex-UAE) as of H1-15, and indicates that the sector is not likely to face an oversupply scenario in the near term.

Mall space per capita comparison of GCC markets -2015



Source: Various Industry Sources, National Statistics Authorities, IMF, KAMCO Research

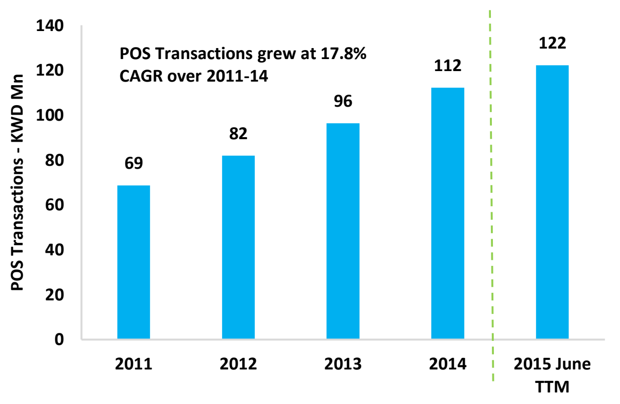
Furthermore, retail mall space per capita in Riyadh & Bahrain - new expansion markets for Mabanee, stands at 0.23 and 0.51 respectively, both below the GCC average, pointing towards positive demand potential for retail mall space in the aforementioned markets.

Kuwait Retail RE Sector Outlook

Retail demand trends in Kuwait remain strong

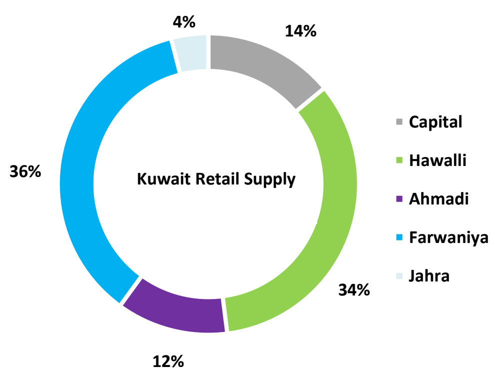
Consumer spending is the core driver for the retail sector and consequently retail space demand. Trends in consumer spending can be inferred from the trends in Point of Sale (POS) transactions, which are transactions registered for the purchase of a product or service.

Kuwait POS Transaction Data (2011- Jun' 2015)



Sources: Central Bank of Kuwait & KAMCO Research

Kuwait Retail RE Supply Break-up: Q2-15



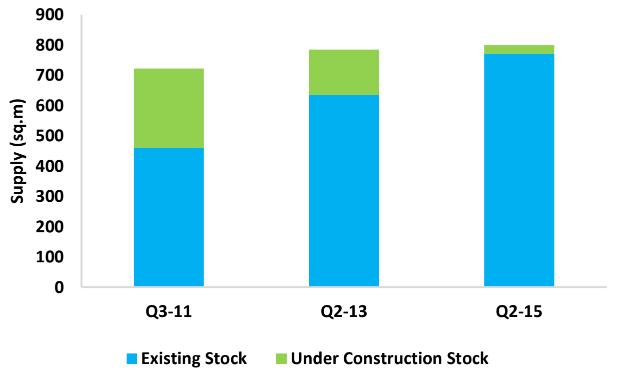
Sources: REMI Global & KAMCO Research

POS transactions in Kuwait continued to grow from 2011 until Jun-2015. The POS transactions grew at a CAGR of 17.8% over 2011-14, and growth is expected to have continued in 2015, as can be seen from H1-15 trends.

Retail supply to see limited growth

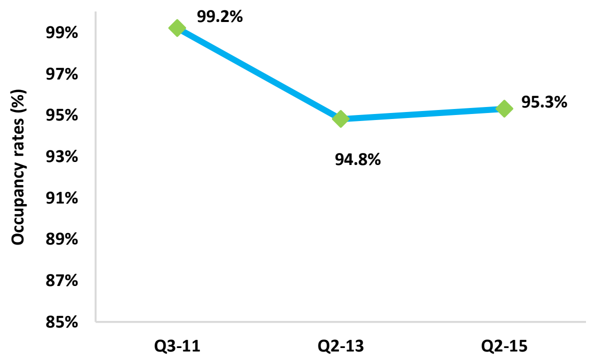
Retail mall space in Kuwait as of Q2-15 stood at 770,196 sq.m, as per REMI Global. Mall space grew by 10.2% CAGR between Q2-13 & Q2-15, as several malls came on-stream during the period. REMI Global's forecasts for forthcoming supply were 28,945 sq.m as of Q2-15. Farwaniya Governorate (36%) remains the dominant location for retail mall space, almost fully attributed to Mabanee's Avenues, followed by Hawalli (34%). Occupancy rates in Kuwait's retail space continue to remain strong, as mall spaces remained 95.3% occupied as of Q2-15. Vacant spaces only constituted of natural vacancy rates of as 4%-5%. With no significant forthcoming supply trends in the near term, we expect demand trends to push these vacancy rates lower in 2016 & 2017.

Kuwait Retail RE Supply (Q3-11 to Q2-15)



Sources: REMI Global & KAMCO Research

Kuwait Retail RE Occupancy (Q3-11 to Q2-15)



Sources: REMI Global & KAMCO Research

Retail rents rebound as strong demand kicks in

The strong growth in demand for retail space in Kuwait also reflected in the growth in rental rates across floors for malls over the last two years. Sub-prime retail floors such as basements, higher floors above the ground level had witnessed a dip in rents (-27% avg.) from Q3-11 to Q2-13. Nevertheless, since then rents have recovered until Q2-15, as rents grew 14% on average in these floors across Kuwait. Average ground floor rents which stood at KWD 25/sq.m per month as of Q2-15, continued to remain strong, growing by 10% since Q2-13. We expect rental rates to sustain and grow by 2.5%- 3.0% per annum during 2016 & 17, in line with the growth in population, rental inflation and the overall economy in the longer run.

Rents - Kuwait Retail Mall Space (KWD/sq.m/month)

Floor	Q3-11	Q2-13	Q2-15
Basement	19.9	16.0	18.0
Ground Floor	22.5	23.4	25.7
1st Floor	15.4	12.4	14.4
2nd Floor	14.9	8.6	9.8

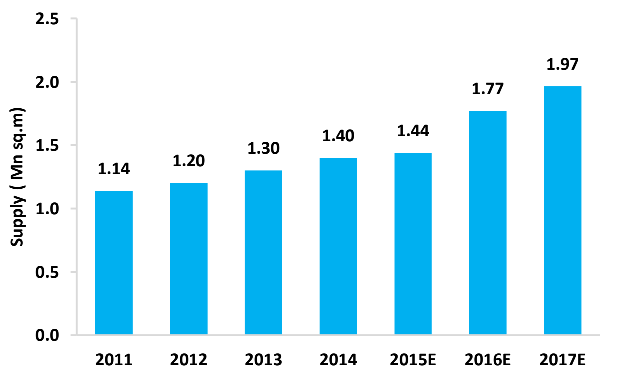
Source: Sources: REMI Global & KAMCO Research

KSA & Bahrain Retail

Immense potential for Retail RE exists in Riyadh

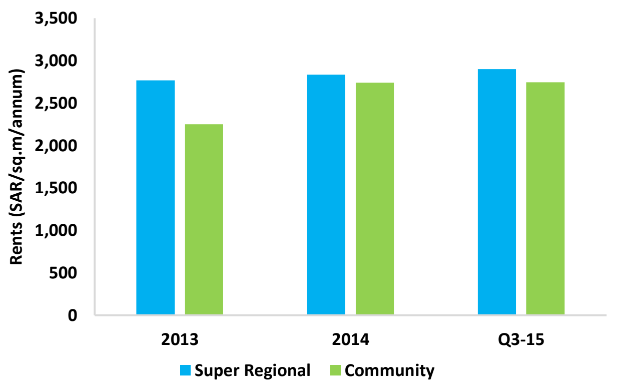
The aggregate supply of retail mall space in Riyadh as of Q3-15 amounted to c. 1.4 Mn sq.m as per JLL. Forthcoming supply of mall space for the rest of 2015 is forecasted at 44,000 sq.m, followed by another 525,000 sq.m that is expected to come on-stream in 2016 & 17 combined. Demand trends for mall spaces improved y-o-y, as vacancy rates dropped from 11% in Q3-14 to 8% in Q3-15, as supply remained more or less stable over the period.

Riyadh Retail RE Supply (2011 to 2017)



Sources: JLL

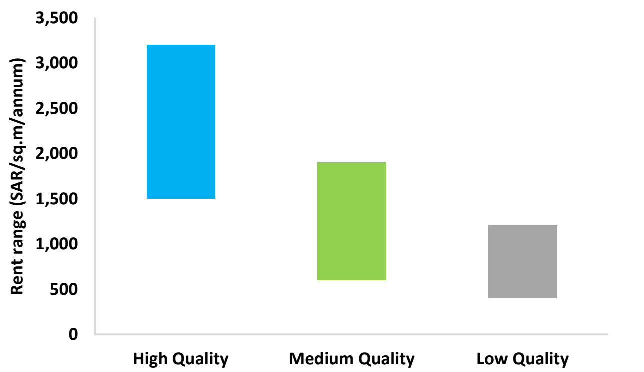
Riyadh Retail RE Rents (2013 to Q3-15)



Sources: JLL

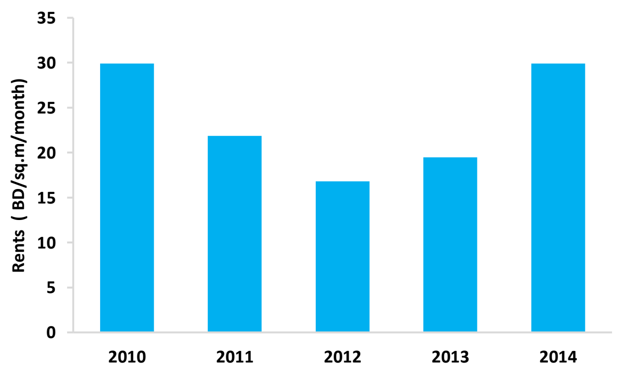
Rents in higher quality spaces in malls with GLA of over 90,000 sq.m reportedly grew by a CAGR of 2.4% over 2013 to Q3-15. As per JLL, spaces over 90,000 sq.m categorized as Super Regional mall spaces, commanded average rents of around SAR 2,900/sq.m per annum. We expect the high disposal income available in Riyadh and lack of large supply of high quality mall spaces to help sustain these rents over the medium term. Indicative rents for high quality mall spaces in Khobar- part of Dammam metropolitan area was between SAR 3,000-3,200 per sq.m per month as of 2014, as per JLL. Rents should remain stable and reflect inflation trends, driven by retail demand from expats. Expats employed in multi- national companies such as Aramco with high disposable income and limited entertainment options are likely to drive footfalls for malls.

2014 Indicative Rents for Khobar (DMA)



Sources: JLL

Highest Achieved Retail RE Rents -Bahrain



Sources: Cushman Wakefield & KAMCO Research

Quality Retail RE rents in Bahrain rents recover in 2014

As per REMI Global, the total retail mall space (including retail plazas) in Bahrain (Manama) amounted to over 700,000 sq.m as of Q3-15. The supply estimate includes the retail space of Dragon

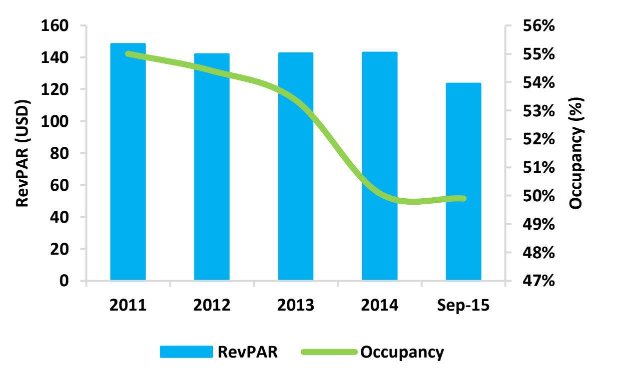
Mall - a retail project with other RE components such as residential and commercial office. Demand for retail mall space in Bahrain lags behind other GCC economies such as UAE, KSA and Kuwait, in spite of an average occupancy rate of 92.4% as of Q2-15, as per REMI Global. They further estimate large retail malls to have an occupancy rate of around 85% - 90%, and guide that owners/developers are careful about expansion, due to the limited absorption capacity.

Rents for retail spaces in Bahrain declined from 2010 to 2012, as highest achieved rents for retail spaces declined by c.44% from 2010 to 2012 to reach BD 17/sq.m per month. Nevertheless these rents recovered in 2013 & 2014 to reach their 2010 levels of BD 30/sq.m per month. However, growth in rents for secondary mall spaces remain a challenge due to the aforementioned limited absorption capacity, a trend that is widely expected to continue. We expect rents for new & forthcoming retail spaces such as Dragon Mall and Avenues Bahrain to exhibit largely stable trends from now over the near term, as demand for such spaces would increase from higher footfalls to such spaces.

Kuwait Hospitality Industry – Hotels Segment Outlook

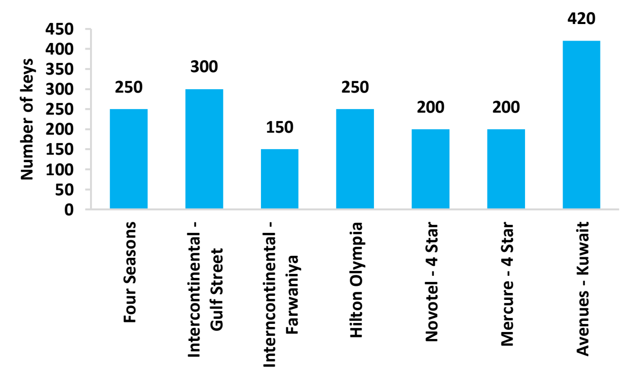
The hotels segment within Kuwait's hospitality industry continued to lag behind its GCC peers in 2014 and Jan – Sept'2015, in terms of occupancy rates. Our analysis of data for Kuwait from various industry sources suggests an average occupancy rate of 50% for 2014 (average) & Jan-Sept'2015. Other GCC peers achieved average occupancy rates of c.64% based on industry sources. RevPAR from Jan-Sept'2015 dipped around 11% to reach USD 127 from an average of USD 142 achieved over 2012-14.

Kuwait Hotel RevPAR & Occupancy trends



Sources: Various Industry Sources, KAMCO Research

Notable Forthcoming Hotel Supply - Kuwait



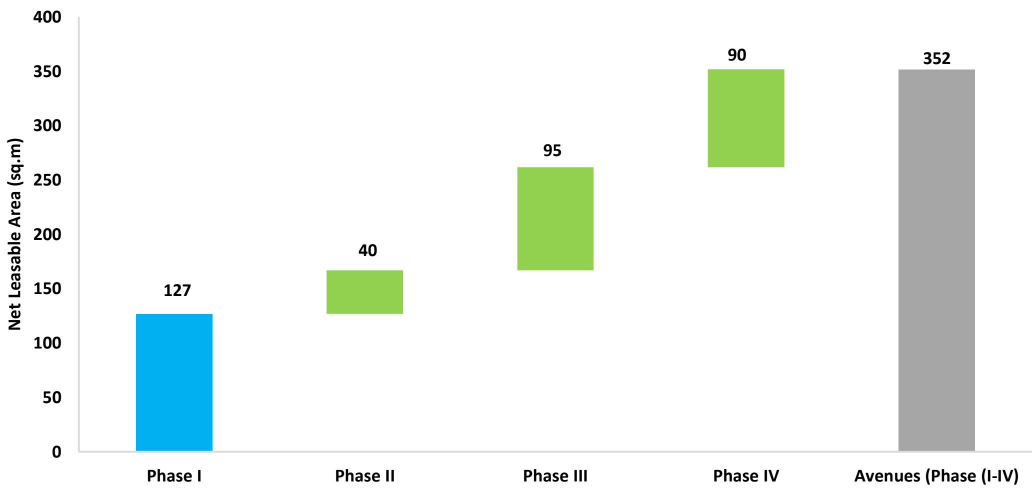
Sources: KHOA, Mabanee

Hotel supply in Kuwait as of Q2-15 stood at 7,000 rooms across all segments, as per Kuwait Hotel Owners Association (KHOA). KHOA estimates average occupancy rate to be in the range of 50%-55%. They further guided for a rack rate of KWD 90/night for 5-star hotels and KWD 70/night for 4-star hotels. The forthcoming supply is likely to in the region of 2,500-3,000 rooms over the next 3-4 years as per their estimates. Future supply should reign in increases in hotels industry occupancy rates, in our view and keep rack rates competitively priced over the near term. We use the industry's outlook as the premise for our estimates for the proposed 4-Star & 5-Star hotels planned in Mabanee's Phase IV.

Financial Forecasts

The addition of Phase IV to the existing mall would bring the Net Leasable Area (NLA) of Avenues – Kuwait to 352,000 sq.m, as Phase IV would add 90,000 sq.m to the existing mall space. Total project capex is estimated at KWD 265 Mn.

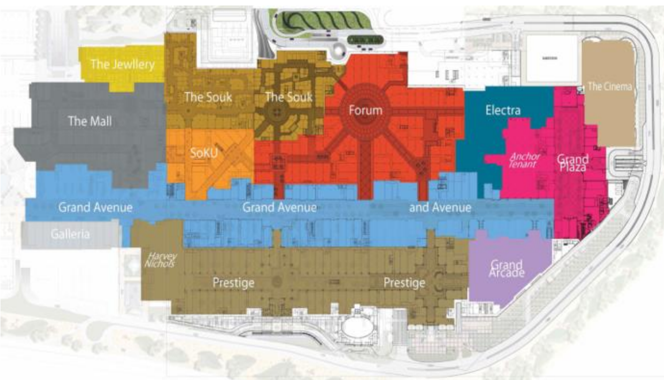
Avenues NLA build-up (Phase I-IV)



Source: Mabanee, KAMCO Research

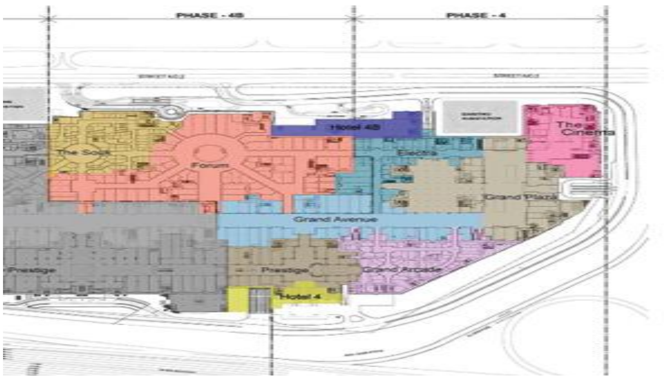
Phase IV would mainly include new high-end retail districts such as The Forum, Electra along with Grand Plaza, Grand Arcade and an extension of The Souk from Phase III. The leasable area would comprise space of an anchor tenant in Phase IV, over and above The Cinema.

Avenues Kuwait – Phase IV components



Sources: Mabanee -2014 AGM

Avenues Kuwait – Phase (I-IV) Layout

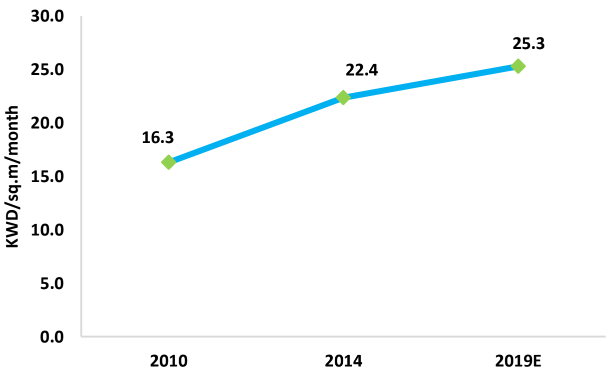


Sources: Mabanee -2014 AGM

The positioning of the brands in Phase -IV would be similar to Phase III, with mostly high-end luxury retail brands targeting such spaces, as per Mabanee. The company confirmed that they have received soft confirmations for take up of most of the retail spaces, much in advance of the launch of Phase IV, and that they are in talks with various retailers for the leasing of the anchor tenant space.

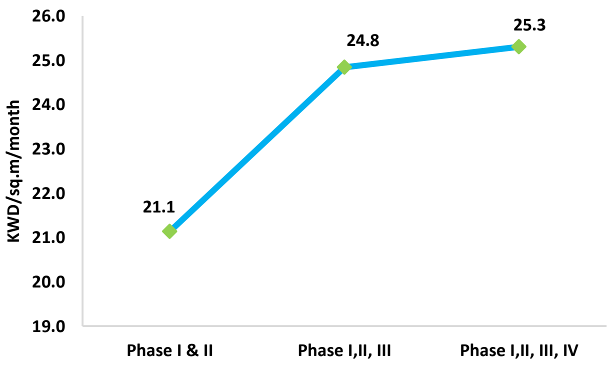
We have modeled Phase -IV based on rental guidance of KWD 26/sq.m/month at launch in 2018. This compares to current achieved Phase III rents of KWD 28/sq.m/month, as per our model. The decline in rents from Phase III to Phase IV, is due to the presence of the anchor tenant and The Cinema in Phase IV, as against Phase III where there are no anchor tenants.

Avenues Kuwait – Blended rents (2010 -19)



Sources: KAMCO Research

Avenues Kuwait – Full potential rents (2019)



Sources: KAMCO Research

Blended rents for Avenues Kuwait post the addition of Phase III increased from monthly rents of KWD 16.3/sq.m in 2010 to KWD 22.4/sq.m in 2014, according to KAMCO estimates. We also derived full potential rents for Avenues - Kuwait in 2019, post the completion of Phase IV, and after it has been fully occupied on an annualized basis. Based on our forecast assumption of 2.5% rental inflation per annum, we forecast average full potential rents of KWD 25.3/sq.m/month for Phase I-IV in 2019. Furthermore, full potential rents in 2019 should improve moderately from KWD 24.8 to KWD 25.3 on a per sq.m basis, as the presence of anchor tenants are reflected in the increase in full potential rents.

We factor in a delay of 3 months from the company guided launch date of Q1-2018 to remain on the conservative side, though the company remains confident of its launch date. We expect Phase IV to achieve 100% occupancy by the end of Q1-2019. Our rental inflation assumption remains constant at 2.5% per annum until the end of our forecast period (2024).

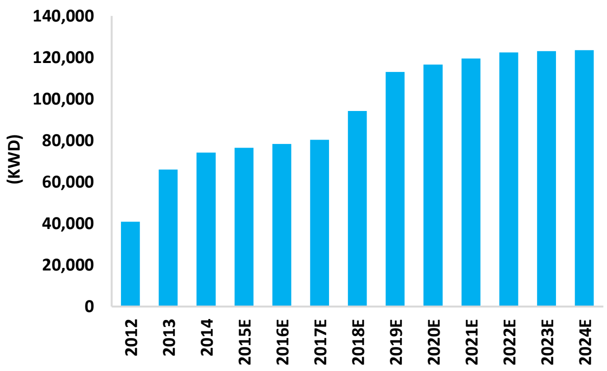
Phase IV - Occupancy Progression & Full year occupancy rates

NLA - Phase IV as per company (sq.m)	**90,000**
Expected completion and launch of Phase IV - Mabanee	Q1-2018
Expected delays assumption for completion and launch of Phase IV	3 months
Expected completion and launch of Phase IV - Kamco	**End Q2-18/Beginning Q3-18**
Occupancy rates assumption at the launch of Phase IV Q3-18	70.0%
Occupancy rates assumption at the start of Q4-18	80.0%
Implied Phase IV annualized occupancy rates -2018	**37.5%**
Occupancy rates at the start of Q1-19	90.0%
Occupancy rates at the start of Q2-19	100.0%
Implied Phase IV annualized occupancy rates -2019	**97.5%**

Sources: KAMCO Research & Mabanee

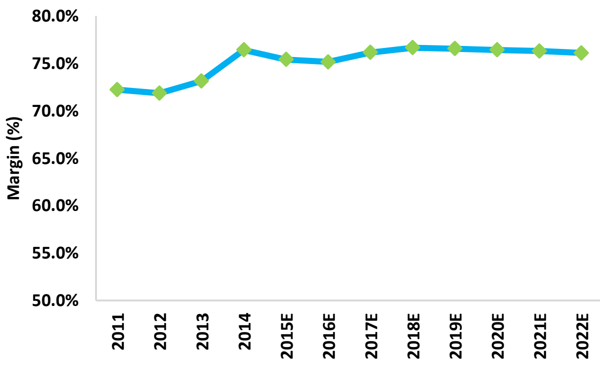
For the mall, we model recurrent income such as rental income, advertising income separately to non-recurrent income such as placement fees etc. Forecasts for mall level recurrent income are mainly driven by our forecasts of net leasable area, mall rents by phase and occupancy rates. With the addition of Phase IV, we expect recurrent full year income from the mall alone to grow by over 40% as compared to the existing mall and reach approximately KWD 113 Mn in 2019. Advertising income will grow based on increase in net leasable from the new phase. We expect mall level EBITDA to improve with the addition of Phase IV, albeit marginally, and stay above 76% through our forecast period.

Avenues Kuwait – Recurrent Mall Income



Sources: Mabanee, KAMCO Research

Mall level – Recurrent EBITDA margins (%)



Sources: Mabanee, KAMCO Research

Placement Fees: Non-recurrent revenues sources would include placement fees, which are mostly generated towards the lead-up of the launch of each phase. We forecast total placement fees for Phase IV similar to Phase III driven by NLA. However, we apportion placement fees for the new phase over 5 years from 2018-22, based on IFRS requirement and company guidance. We forecast average annual placement fees of close to KWD 3.6 Mn per annum over 2018-22, post which placement fees would only account for churn in tenants taking up leasable area.

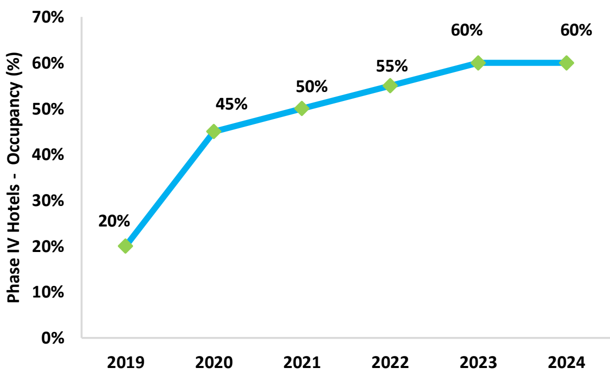
Hotels – Phase IV: Phase IV would also consist of two hotels, one 4-Star and a 5–Star hotel. The 5-Star hotel would comprise of 170 keys once operational, while the number of keys in the 4 Star hotel would be higher at 250 keys. We model for a launch date of Q3-2019, based on company's guidance that, hotels would be launched one year post the launch of the retail components of Phase IV.

Phase IV – Hotel assumptions

General Assumptions	
Hotels - Operation Start Date	Q3-2019
Starting Occupancy Rate	40.0%
Full Year Occupancy Rate -2019	20.0%
Inflation per year	2.5%
5-Star component assumptions	
Number of keys	170
Average Daily Rate (ADR) -KWD	100
4-Star component assumptions	
Number of keys	250
Average Daily Rate (ADR) -KWD	70

Sources: KAMCO Research

Phase IV - Hotel Blended Occupancy (%)



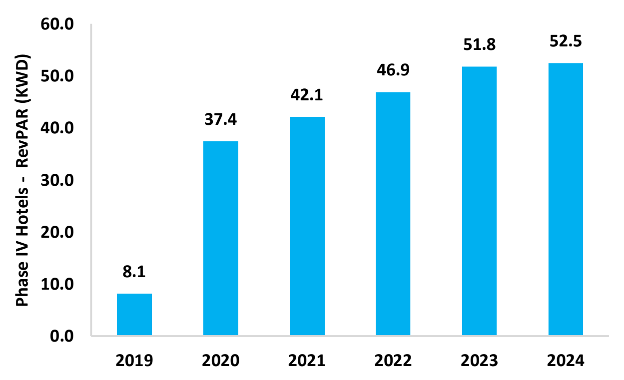
Sources: KAMCO Research

The hotels segment will aid in increasing the attractiveness of Avenues-Kuwait, in our view. The concept of hotels attached to mall is similar to 'The Address' in 'The Dubai Mall'. For our hotel segment forecasts, we build our assumptions around our industry outlook and forecasts for Kuwait's hotel industry. We forecast an Average Daily Rate (ADR) of KWD 100/night for the 5-Star hotel and an ADR of KWD 70/night for the 4-Star component in 2019. This should be achievable, given that Kuwait Hotel Owners Association (KHOA) estimates that current rack rates for 5-Star hotels are 4-Star hotels are KWD 90/night and KWD 70/night respectively.

We forecast occupancy rates to move from 40% in 2019 (annualized occupancy rate) to 60% 2024, as we expect the concept of hotels attached to malls to become more popular, due to the additional retail and entertainment attractions offered. We expect the relative attractiveness of 5-Star and 4-

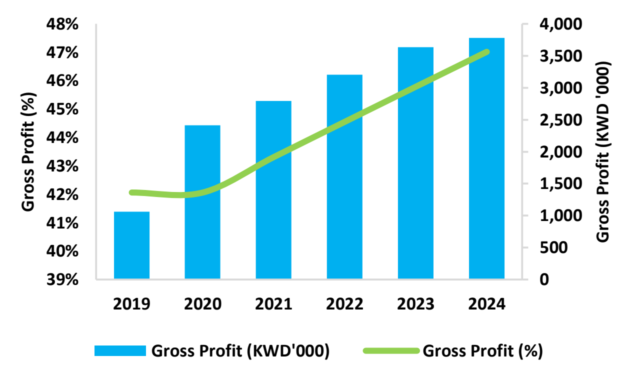
Star hotels within Avenues -Kuwait to translate into above market occupancy rates and higher RevPAR (Revenue per available room).

Phase IV – Hotels RevPAR (2019-24)



Sources: KAMCO Research

Phase IV - Hotels Gross Profit & Margin (%)

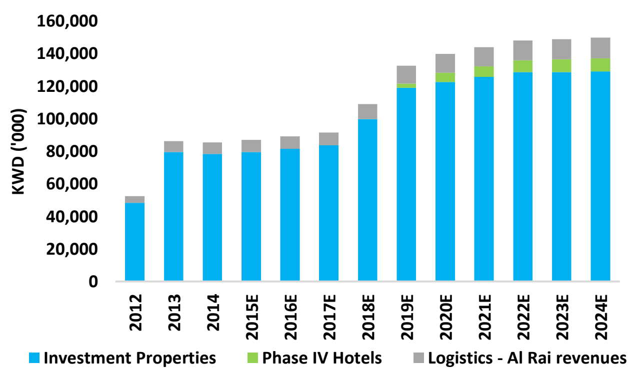


Sources: KAMCO Research

We modeled forecasts of gross profit for the Hotels segment based on the average GOPPAR (Gross operating profit per available room) prevalent in Kuwait. GOPPAR for hotels in Kuwait stood at USD 100.02 (KWD 30.5 approximately) as of Sept-15, as per data from Hotstats. We expect the gross profit of the hotels segment to grow at a CAGR of 12% from 2020 (first fully operational year) to reach c. KWD 3.8 Mn in 2024.

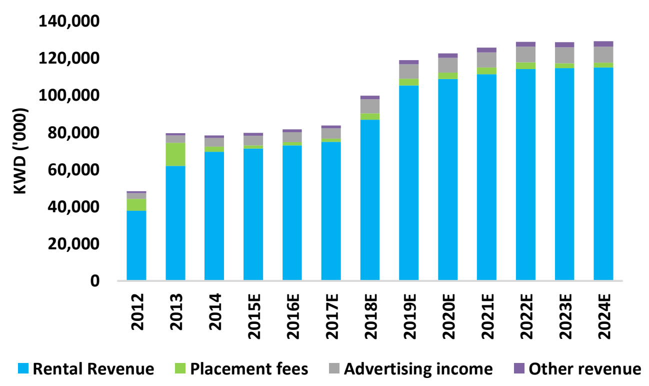
Based on our forecasts for individual components, we forecast annual group revenues to grow at a CAGR of 5.8% per annum over 2014-24. We forecast Group revenues to grow by an average of 2.1% over FY 2015 & FY 2016 to reach KWD 87 Mn and KWD 89 Mn respectively. Our group forecasts also include Al Rai Logistics, which contributes to roughly 8% of our revenue forecasts for the period. Within Investment Properties revenues, we expect advertising income to contribute around 6%-7% of the overall revenues.

Group Revenue & Revenue Split



Sources: Mabanee, KAMCO Research

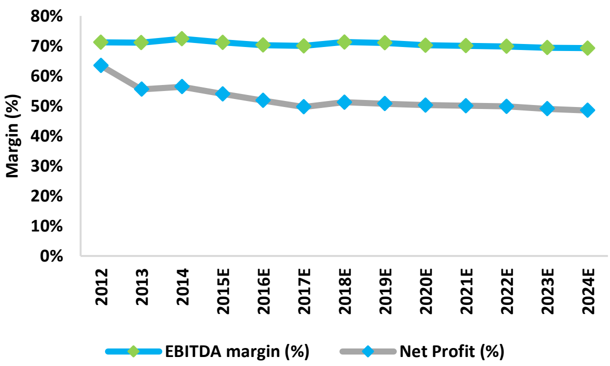
Investment Properties - Revenue Split



Sources: Mabanee, KAMCO Research

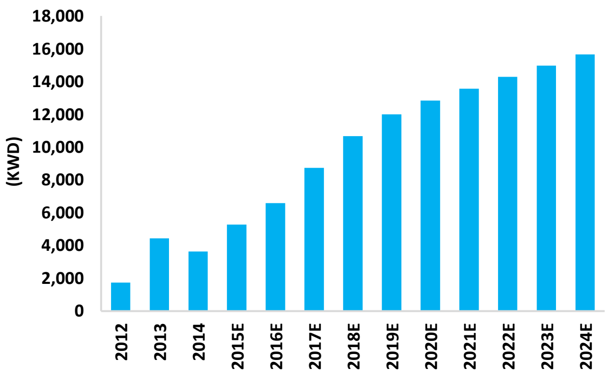
We expect profitability to remain strong over our forecast period driven mainly by mall level margins of over 76% until our terminal year. We forecast average Group EBITDA margins of over 70% and net profit margins of over 50% over the explicit forecast period. EBITDA margins are lower at the group level as compared to the mall level, due to the lower margins of Al-Rai Logistics and Phase IV hotels. Net profit and EPS growth for our forecast period are expected to grow at a CAGR of only 2.6% until 2024, as higher interest expenses from Phase IV debt financing, and an increase in cost of borrowing are likely to prevent higher growth in bottom line estimates.

Group EBITDA & Net Profit Margins (2012-24)



Sources: Mabanee, KAMCO Research

Interest expenses (2012-24)

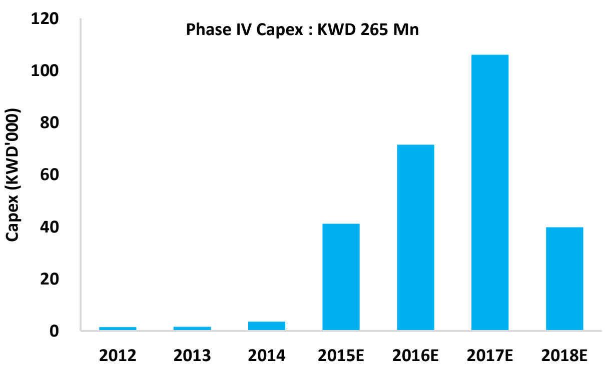


Sources: Mabanee, KAMCO Research

Owing to the higher interest expenses accrued and muted top line growth, we forecast net profit of approximately KWD 46.9 Mn and KWD 46.2 Mn over 2015 & 2016.

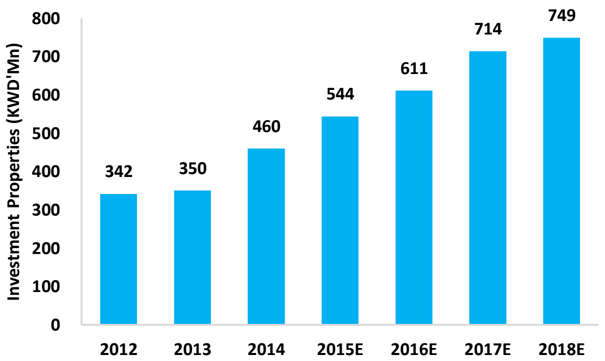
Phase IV Capex & Investment Properties: Mabanee guided that total Phase IV capex would be in the region of KWD 265 Mn, out of which KWD 200-210 Mn is estimated to be capex for the Phase – IV retail mall space, while KWD 55-65 Mn of capex would be incurred for hotels.

Phase –IV Capex progression (2012-18)



Sources: Mabanee, KAMCO Research

Investment Properties (2012 -18)

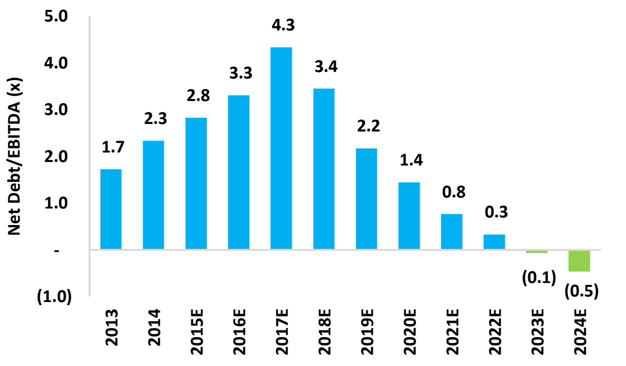


Sources: Mabanee, KAMCO Research

Driven by the increase in capex related to Phase IV, we forecast Investment Properties to increase from KWD 460 Mn in 2014 to KWD 749 Mn in 2018.

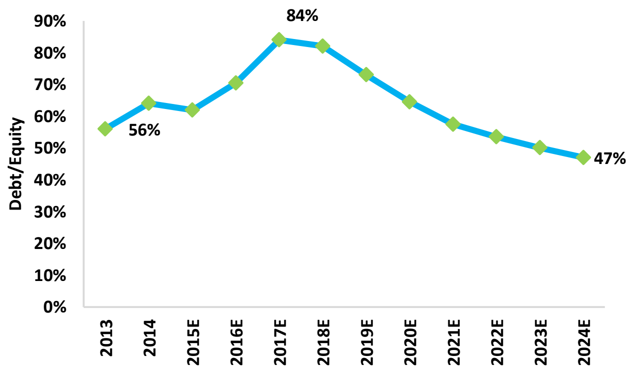
Net Debt: Mabanee recently signed an agreement to obtain bank financing worth KWD 100 Mn for Phase IV capex, which would be repaid on a quarterly basis over a period of five years starting 2019. We expect Mabanee to fund 60% -70% of their Phase –IV capex by debt, and have factored the expensing effect of the overall funding into our model, based on the completion of the newly added phase. This should result in the Net debt /EBITDA ratio increasing to 4.3 times in 2017 in our view, from 2.3 times in 2014. Nevertheless, post 2017, we expect the ratio to drop progressively over our forecast period, due to Mabanee's strong forecasted cash flows.

Mabanee Group Net Debt/EBITDA (x)



Sources: Mabanee, KAMCO Research

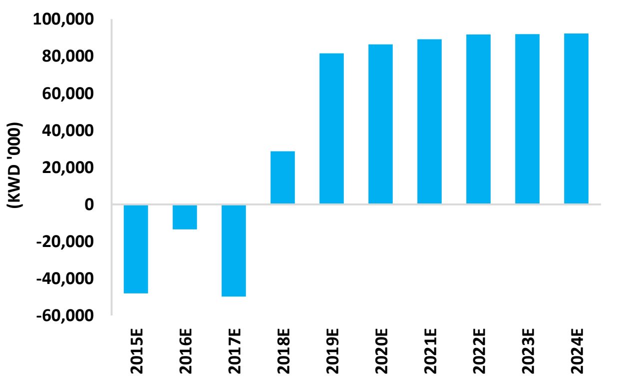
Mabanee Group Debt/Equity (%)



Sources: Mabanee, KAMCO Research

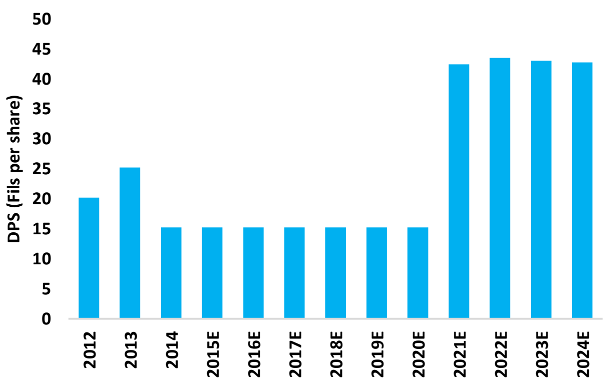
Free Cashflow & Dividends: We expect the company to generate significant free cash flows post its capex outlay period for Phase IV, which would be until 2018. Moreover, we expect the free cashflows to be sustainable as well, driven by strong recurring rental income. We expect the management to stick to its current dividend policy of paying KWD 0.015 until Phase IV is operational. Post the mall reaching 100% occupancy on an annualized basis in 2020, we expect the management to start following a dividend payout policy of at least 50% for the following years. We expect the company to follow a REIT like structure in distributing its steady cashflows, barring any additional expansion plans.

FCF progression (2015-24)



Sources: Mabanee, KAMCO Research

Dividends trends & forecasts (2012-24)



Sources: Mabanee, KAMCO Research

Financial Indicators

Balance Sheet (KWD '000)	2012	2013	2014	2015E	2016E	2017E	2018E
Assets							
Cash and cash equivalents	12,047	23,233	24,447	18,275	36,210	39,934	77,846
Receivables	5,744	6,567	7,922	19,257	17,551	17,826	21,005
Total current assets	17,791	29,800	32,369	37,532	53,761	57,760	98,851
Net property, plant and equipment	1,604	2,095	2,263	2,068	1,911	2,484	2,949
Other assets	364,846	374,383	484,207	567,343	635,072	737,258	772,411
Total assets	**384,241**	**406,278**	**518,839**	**606,944**	**690,743**	**797,502**	**874,211**
Liabilities							
Long-term debt	104,165	87,467	128,690	193,054	243,099	317,299	345,124
Accounts payable and other liabilities	61,024	47,623	87,746	102,186	102,694	102,757	108,766
Short-term debt	25,183	41,318	39,685	0	0	0	0
Total liabilities	**190,372**	**176,408**	**256,120**	**295,240**	**345,794**	**420,057**	**453,890**
Shareholders' Equity							
Share capital	80,470	86,866	90,385	101,466	101,466	101,466	101,466
Retained earnings	76,683	95,443	112,491	148,419	181,664	214,160	257,036
Other equity	36,716	47,561	59,843	61,819	61,819	61,819	61,819
Total Shareholders Equity	**193,869**	**229,870**	**262,719**	**311,704**	**344,950**	**377,445**	**420,321**
Total liabilities and equity	**384,241**	**406,278**	**518,839**	**606,944**	**690,743**	**797,502**	**874,211**

Income Statement (KWD '000)	2012	2013	2014	2015E	2016E	2017E	2018E
Revenue	52,465	86,242	85,414	86,921	89,090	91,414	108,833
Cost of goods sold	(12,641)	(21,810)	(22,208)	(23,176)	(24,589)	(25,446)	(28,980)
Gross profit	**39,824**	**64,432**	**63,206**	**63,745**	**64,501**	**65,968**	**79,854**
General and administrative expenses	(2,435)	(3,128)	(1,408)	(1,851)	(1,898)	(1,945)	(2,254)
EBITDA	**37,389**	**61,304**	**61,798**	**61,894**	**62,604**	**64,023**	**77,600**
Depreciation and amortization	(3,316)	(6,651)	(6,993)	(6,884)	(7,115)	(7,163)	(7,948)
EBIT	**34,073**	**54,653**	**54,805**	**55,010**	**55,488**	**56,859**	**69,653**
Finance costs	(1,737.2)	(4,435.4)	(3,633.9)	(5,725.3)	(7,034.3)	(9,190.5)	(11,113.3)
Interest/investment income	2,682.7	(20.3)	(605.2)	51.4	51.4	51.4	51.4
Other Income/Loss	5.2	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before taxes	**35,024**	**50,197**	**50,566**	**49,336**	**48,505**	**47,720**	**58,591**
Provision for Income Taxes	(1,610)	(2,270)	(2,385)	(2,380)	(2,343)	(2,308)	(2,797)
Net profit after taxes	**33,415**	**47,927**	**48,181**	**46,956**	**46,162**	**45,412**	**55,794**
Minority interest	(137)	(7)	(5)	(5)	(5)	(5)	(6)
Net profit attributable to parent	**33,278**	**47,920**	**48,175**	**46,951**	**46,157**	**45,408**	**55,788**
EPS (KWD)	**0.04**	**0.06**	**0.06**	**0.06**	**0.05**	**0.05**	**0.07**

Cash Flow (KWD '000)	2012	2013	2014	2015E	2016E	2017E	2018E
Net cash from operating activities	49,859	45,297	62,615	59,871.8	61,312.5	60,192.3	73,077.6
Net cash (used in) from investing activities	(49,931)	(15,922)	(116,192)	(87,660.5)	(74,244.3)	(109,437.2)	(39,922.8)
Net cash from (used in) financing activities	2,374.0	(18,189.4)	52,623.8	21,616.9	30,866.3	52,969.1	4,757.7
Change in cash and cash equivalents	2,302.5	11,185.6	1,214.2	(6,171.8)	17,934.5	3,724	37,912.5
Cash at the end of the year	**12,047**	**23,233**	**24,447**	**18,275**	**36,210**	**39,934**	**77,846**

Source : KAMCO Research and Mabanee

Key Financial Ratios

Key Ratios	2012	2013	2014	2015E	2016E	2017E	2018E
Asset Structure and Leverage Ratios							
Total Liabilities / Total Assets (%)	49.5%	43.4%	49.4%	48.6%	50.1%	52.7%	51.9%
Total Debt / Total Assets (x)	0.34	0.32	0.32	0.32	0.35	0.40	0.39
Total Debt / Equity (x)	0.67	0.56	0.64	0.62	0.70	0.84	0.82
Interest Coverage Ratio (x)	20	12	15	10	8	7	7
Liquidity Ratios							
Current Ratio (x)	0.3	0.5	0.5	2.8	4.2	4.8	7.0
Quick Ratio (x)	0.3	0.5	0.5	2.8	4.2	4.8	7.0
Receivables Turnover (x)	10.9	14.0	11.8	6.4	4.8	5.2	5.6
Accounts Payable Turnover (x)	0.5	1.0	1.3	1.4	1.9	2.0	2.2
Total Assets Turnover Ratio (x)	0.15	0.22	0.18	0.16	0.15	0.13	0.14
Profitability Ratios							
Return on Average Assets (%)	9.6%	12.1%	10.4%	8.3%	7.1%	6.1%	6.7%
Return on Average Equity (%)	19.5%	22.6%	19.6%	16.3%	14.1%	12.6%	14.0%
ROIC (%)	12.6%	17.4%	15.2%	11.7%	10.2%	9.0%	9.9%
Margins							
Gross profit margin (%)	75.9%	74.7%	74.0%	73.3%	72.4%	72.2%	73.4%
EBITDA margin (%)	71.3%	71.1%	72.4%	71.2%	70.3%	70.0%	71.3%
EBIT margin (%)	64.9%	63.4%	64.2%	63.3%	62.3%	62.2%	64.0%
Net profit margin (%)	63.4%	55.6%	56.4%	54.0%	51.8%	49.7%	51.3%
Market Data and Valuation Ratios							
Closing Share Price (KWD)	1.180	1.120	0.960	0.940	0.900	0.900	0.900
Number of Shares (Mn)	850	850	850	850	850	850	850
Market Capitalization (KWD Mn)	1,003	952	816	799	765	765	765
Earnings Per Share (KWD)	0.05	0.07	0.07	0.06	0.05	0.05	0.07
Book Value Per Share (KWD)	0.23	0.27	0.31	0.37	0.41	0.44	0.49
Dividend Per Share (KWD)	0.02	0.03	0.02	0.02	0.02	0.02	0.02
PE (x)	22.4	16.2	14.5	16.9	16.5	16.8	13.6
PB (x)	5.2	4.1	3.1	2.6	2.2	2.0	1.8
Dividend Yield (%)	1.7%	2.3%	1.6%	1.6%	1.7%	1.7%	1.7%

Source : KAMCO Research and Mabanee

Note : Forward Valuation ratios are based on current market prices

Property level comparison - Avenues Kuwait - Mabanee vs. Dubai mall – Emaar

Comparison between Mabanee's Avenues Mall – Kuwait & Emaar's Dubai Mall

Avenues Kuwait vs. Dubai Mall	Avenues - Kuwait	Dubai Mall
	Space -NLA & Income -NOI	Space -GLA & Income -Gross Rents
Leasable area (sq.m)	261,697	340,648
Leasable area post expansion (sq.m)	351,697	393,064
Occupancy - existing mall space	98.9%	99.0%
Annual footfall - 2014 figure (Mn)	48	80
Annual income - existing mall (KWD) -2015	58,144	165,476
Average rent (KWD/sq.m/month) -2015	22.8	40.5
Hotel Segment	**Phase IV**	**The Address**
5 Star Rooms (No.s)	170	244
4 Star Rooms (No.s)	250	-
Serviced Residences (No.s)	-	449
Initial Rental Yield - mall	**7%**	**6%**

Source: KAMCO Research, JLL, Emaar Malls, Mabanee

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