Emaar Properties PJSC

Initiation of Coverage | **Sector – Real Estate**

Hedonic pricing prowess; Initiate with Outperform

Agile RE master developer managing exposure idiosyncrasies admirably

We initiate coverage on Emaar Properties (EP) with an Outperform rating as the company benefits from superior pricing power and advantageous flexibility achieved by maneuvering through Dubai's current real estate cycle as a master developer. Further, EP has executed a series of corporate M&A transactions and divestments since the onset of this cycle in 2020, which has reinforced its ability to focus on core businesses. These transactions should complement organic growth of EP's Dubai based development business, and the company's strong recurring revenue assets portfolio that is set to grow its footprint. Moreover, it should solidify EP's market leading position during the current uptrend, by enabling topline growth, achieving operational synergies, preserving capex, and improving cash flows, while providing resilience against future market-wide downturns in our view.

Emaar Dev judiciously playing the current RE cycle & uptrend to its merits

We expect Emaar Development (ED) to be the key beneficiary of Dubai's current cyclical uptrend of transaction activity momentum and the strong pricing environment. Lower sales launches in 2020-21 allowed significant inventory of build-to-sell (BTS) units to be monetized (Q1-2023 inventory: ~AED 600 Mn). As a result, we forecast new project launches momentum to sustain and average c8.5k units over 2023E-25E, while maintaining market share (~20%), and off-plan sales ratio run-rate of +95% on superior brand equity of its single-family and multi-family products. Moreover, the company should leverage its masterplan model to raise product prices for its portfolio by a minimum of ~15% in our view. Based on our assumptions, we estimate ED to generate free cash of AED 25.2 Bn from its total portfolio of both under development and completed projects, after adjusting for construction costs, SG&A expenses, and cash from post-handover payments. Further, additional recurring revenue streams and cashflows should get unlocked from DC assets and BTL portfolios of certain masterplans going forward.

Pro-growth recurring revenues portfolio provides defensive anchor

Emaar's recurring businesses are benefiting from strong discretionary consumer spending and utilize superior asset quality to derive higher recurring EBITDA that should contribute ~52% of group EBITDA over 2023E-25E, as per our forecasts. Within the recurring portfolio, Emaar Malls Management (EMM) should grow rental revenues via mall extensions, the addition of new community centers in EP's master developments, and superior monitoring of tenant KPIs supporting tenant sales and footfalls. Moreover, the GLA dominance of Dubai Mall should drive the retail portfolio's tenancy contracts to be renewed at 5%-7% higher lease rates over the medium term. For Emaar Hospitality, 2/3rd of pipeline of 27 hotels (~5,500 keys) are under management agreements which should drive leaner scale for its brands that have dominant market share in Dubai, without excessive capital allocation.

Valuation & Risks –TP of AED 7.85/share

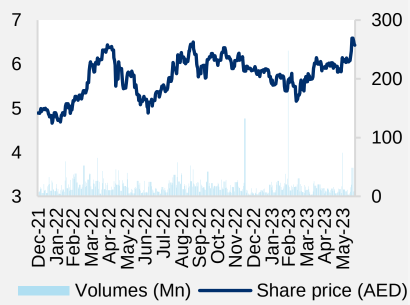
Our TP represents a 20.2% upside to the current share price of Emaar Properties and is based on SotP valuation. Key downside risks: 1) Weaker demand and lower pricing for ED's build-to-sell units 2) Lower discretionary consumer spending impacting EMM rents, Hospitality ADRs and occupancy rates.

Key Financials	2021	2022	2023E	2024E	2025E
Revenue (AED Bn)	27.9	24.9	23.9	27.8	28.9
Adjusted EBITDA (AED Bn)	7.79	9.33	10.27	11.56	12.05
Adjusted EPS (AED)	0.46	0.77	0.93	0.98	1.05
P/E (x)	10.5	7.6	7.0	6.6	6.2
EV/EBITDA (x)	6.7	5.6	5.0	3.7	2.9
Div. yield (%)	3.1%	4.3%	3.8%	3.8%	3.8%

Source: Kamco Invest Research, and Emaar Properties

Outperform

CMP 21-Jun-23:	**AED 6.53**
Target Price:	**AED 7.85**
Upside:	**+20.2%**



Price Perf.	1M	3M	12M
Absolute	9.8%	17.7%	23.7%
Relative	3.0%	5.8%	7.8%

Stock Data	
Bloomberg Ticker	EMAAR UH
Tadawul Ticker	EMAAR
Last Price (AED)	6.53
MCap (AED Mn)	57,717
MCap (USD Mn)	15,727
EV (AED Mn)	51,651
Stock Performance - YTD (%)	11.4%
PE - 2023E (x)	7.0
EV/EBITDA - 2023E (x)	5.0
Dividend yield - 2023E (%)	3.8%
52-Week Range (AED)	4.89/6.59

Sources: KAMCO Invest Research & Bloomberg

Report Sections:

Thomas Mathew

+ (965) 2233 6741

tmathew@kamcoinvest.com

Valuation and Risks

Initiate with a TP of AED 7.85/share and an 'Outperform' rating

We initiate coverage on Emaar Properties with an Outperform rating, and a target price (TP) of AED 7.85/share. We expect Emaar Properties (EP) to benefit from superior pricing power and advantageous flexibility that the company achieves by maneuvering through Dubai's current real estate cycle as a master developer. Further, EP has executed a series of corporate M&A transactions and divestments since the onset of this cycle in 2020, which has reinforced its ability to focus on core businesses. These transactions should complement organic growth of EP's Dubai based development business, and the company's strong recurring revenue assets portfolio that is set to grow its footprint. Moreover, it also should solidify EP's market leading position during the current uptrend, by enabling topline growth, achieving operational synergies, preserving capex, and improving cash flows, while providing resilience against future market-wide downturns in our view.

Emaar Properties PJSC SotP Valuation

Valuation Entity	Valuation (AED Mn)	EP's share	EP Value (AED Mn)	Contribution to EV (%)	Methodology
Development	31,402.9		25,335.9	31%	
Emaar Development	28,566.6	80.2%	22,899.0	28%	DCF based on handover + completion (%) of units
International Development	2,836.3		2,436.9	3%	
Emaar Misr	2,154.0	88.7%	1,911.5	2%	50% discount to BV
Emaar India	682.3	77.0%	525.4	1%	50% discount to BV
Emaar Malls		100.0%	35,660.7	43%	DCF with exit yield
Entertainment & Leasing		100.0%	12,319.5	15%	DCF with exit yield
Hospitality		100.0%	9,543.3	12%	DCF with exit yield
Total EV of consolidated operations			**82,859.5**		
IAs & JVs			3,950.5		
Emaar, The Economic City			1,512.5		Reported BV
Amlak Finance			700.5		Reported BV
Other associates & joint ventures			1,737.6		50% discount to BV
Loans to associates			1,043.3		Reported BV
Investment in securities			1,796.0		Reported BV
Unallocated SG&A			(4,396.9)		DCF
Net debt (excluding cash in escrow & including lease liabilities)			(3,632.4)		Reported BV
Equity value prior to holding discount			**81,620.0**		
Holding discount			15%		
Emaar Properties equity value (AED Mn)			**69,377.0**		
Emaar Properties equity value per share (AED)			**7.85**		
Current Price (as on 21 June 2023)			6.53		
Upside (%)			***20.2%***		

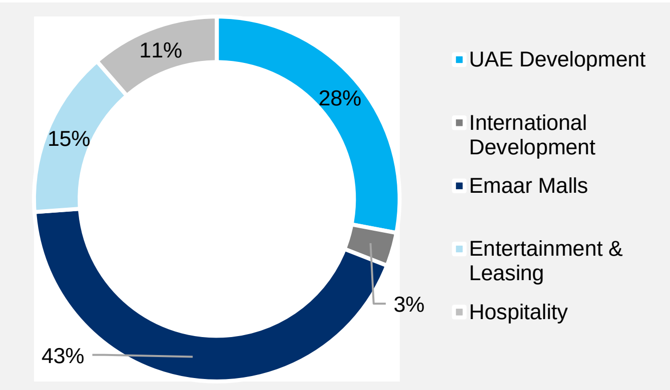
Source: Kamco Invest Research

Our TP represents a 20.2% upside to EP's current share price and is based on sum-of-the-parts (SotP) valuation. We apply a 15% holding discount to the aggregate equity value, as EP operates its businesses as distinct entities within its overall portfolio. Our valuation methodology and inputs for each segment include:

- *Emaar Development (ED):* We value Emaar Development using a DCF based on handover and percentage completion of units in the under-development portfolio and incorporate net cash collections from sales of remaining inventory. A WACC of 11.5% was utilized for our 10-year DCF, which includes an additional risk premium of 100 bps for the cyclicality of the real estate development business. Fair values of the land bank were not included, as we capture its monetization achieved through completion (%) of sold units over 10 years for each of the masterplans. We model cash collections of ED's under development projects and completed projects, based on 100% owned and JV/JDAs participations, and adjust for construction capex, master-plan infrastructure capex and SG&A.

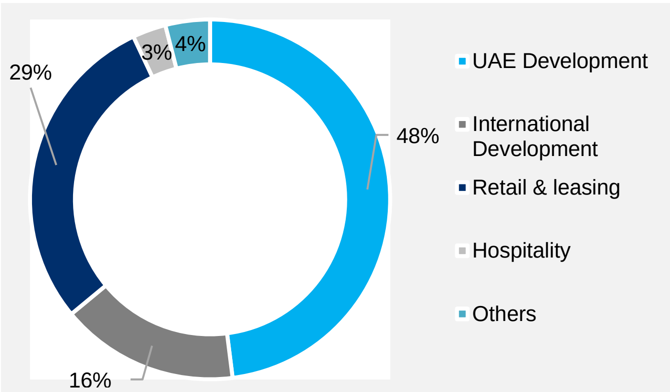
- *Emaar Malls Management (EMM):* For Emaar Malls, we model GLA increases and tenant contract renewals at 5%-7% higher lease rates based on the percentage of expiring leases. We assume average occupancy rates of 95%-96% over our 10-year DCF and apply an average WACC of 10.25% along with an exit yield of 10%.
- *Emaar Hospitality:* In our cashflow forecasts, the upcoming pipeline of 27 hotels (~5,500 keys) with 2/3rd of the supply to be under management contracts are captured. We apply an average WACC of 10.75% and an exit yield of 11.5% to remain on the conservative side.
- *Entertainment & Leasing:* The segment's cashflows were based on a full normalization of footfalls, and an increase in footprint from newer malls such as Dubai Hills Mall, Dubai Expo Mall, and normalized Reel Cinema revenues. We utilize a WACC of 10.5% and an exit yield of 11.5%.
- *International Development:* We apply a 50% discount to book values of Emaar Misr and Emaar India until we gain better visibility of FX stability and normalized operations, and we exclude all other geographies until operational scalability is more evident.
- *Associates & JVs:* For EP's listed associates Emaar, The Economic City and Amlak Finance we utilize latest book values and apply a 50% discount to all other associates & JVs.
- *Others:* The unallocated SG&A expenses were valued by a DCF, while operational EV was further fine-tuned by adjusting for loans to associates, investment in securities and net debt (excluding cash in escrow & including lease liabilities).

Emaar Properties EV split – Kamco Invest Research



Source: Kamco Invest Research

Emaar Properties Assets Fair value split -2022



Source: Emaar Properties

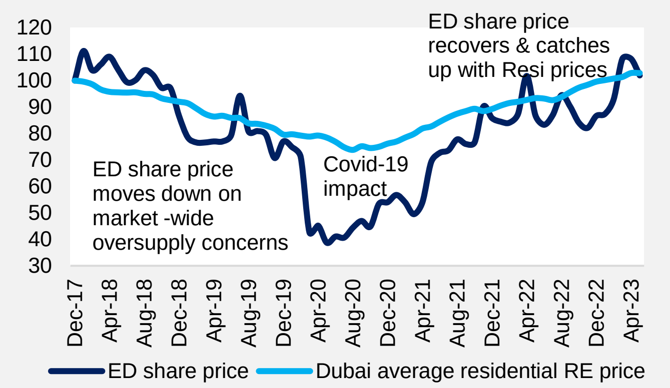
Ingredients for EP's future share price outperformance are in place

Although EP's share price has rallied 11.4% YTD, the stock is still underperforming the DFM index which is up over 13.4% over the same period. We still feel there are two catalysts that are not fully priced in:

ED's strong market positioning is still underappreciated: We believe EP's share price gains do not fully incorporate the company's strong market positioning as a master developer. We see Emaar development (ED) as the key beneficiary of Dubai's current cyclical uptrend of strong transaction activity and higher pricing environment. The company should capitalize with sustained project launches and achieve significant sell-through of new launches build-to-sell (BTS) portfolio on attractive pricing, product mix, and market sensitive payment plans in our view. If sales momentum for its project launches persists in H2-2023E, we expect the share price and valuation gap to close quickly.

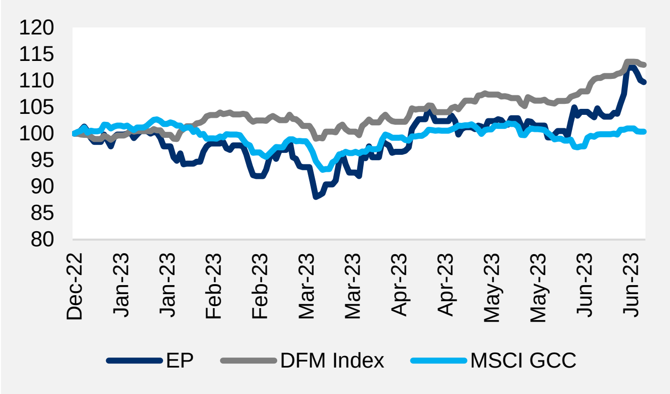
Potential for special dividends: EP' Board of Directors approved a new dividend policy, and the board can propose special dividends on a discretionary basis after considering Emaar's long-term strategy. This is above the 20% payout as percentage of share capital that is applicable based on an annual consolidated net profit to equity shareholders equal to or > AED 7 Bn. We do not rule out special dividends for 2023E, as we believe better revenue visibility of operating segments can be achieved from 1) Potential launch and sales momentum from Emaar Development continuing for the full year; and 2) Recurring business KPIs and NOI generation continuing their strong uptrend from 2022, helping in de-risking other segmental operations that are more susceptible to cyclicality.

ED share price vs Dubai Resi RE prices (rebased -Dec 2017)



Source: Kamco Invest Research, Bloomberg, Property Monitor

EP share price vs DFM & MSCI GCC indices (rebased-Dec 2022)



Source: Kamco Invest Research, Bloomberg

Downside risks to our valuation & forecasts include:

- Declines in Dubai's non-oil GDP growth and/or global macro slowdown delaying implementation of Dubai 2040 Urban Master Plan and D33 agenda initiatives
- Lower real estate demand from slower population growth and lower number of tourists impacting EP's segments, and failing to keep pace with supply additions
- Higher speculative activity in Dubai's residential market combined with increasing leverage and debt servicing needs from high interest rates
- Weaker off-plan demand and lower pricing for ED's build-to-sell units
- Lower discretionary consumer spending impacting footfalls, tenant sales, and tenants OCRs, contributing to lower rental lease renewals in Emaar Malls
- Entertainment business being impacted by general slowdown in leisure and entertainment spending allocation from tourists and residents
- Lower tourist activity impacting occupancy rates, ADRs, and impacting lower management agreement fees for Emaar Hospitality
- Continued devaluation of local currencies in EP's most active international markets (Egypt and India) contributing to FX translation reserve losses in OCI
- Higher working capital and capex needs driving debt issuance or unplanned refinancing of debt at unfavorable market interest rates.

Investment Thesis

We chose to embed relevant real estate sector analysis within our Emaar Properties investment thesis for more contextual relevance to our outlook for each of the company's segments. We believe that this enables the operating environment to be better understood, and further showcases how the company derives pricing power through its corporate strategies.

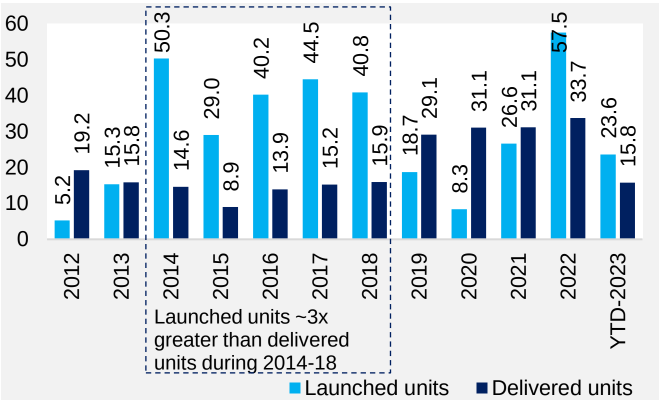
Emaar Dev judiciously playing current cyclical uptrend to its strengths

Our positive investment thesis on Emaar Properties (EP) is primarily derived from superior pricing power and advantageous flexibility that the company achieves by maneuvering through Dubai's current real estate cycle as a master developer. Further, EP has executed a series of corporate M&A transactions and divestments since the onset of this cycle in 2020 which has strengthened its focus on core businesses of real estate development and recurring revenues segments. This should solidify EP's market leading position during the current uptrend, by enabling topline growth, achieving operational synergies, preserving capex, and improving cash flows, while providing resilience against future market-wide downturns.

Emaar Development - the company's Dubai based development business should be the key beneficiary of Dubai's current cyclical uptrend of transaction activity momentum and the strong pricing environment. We expect the company to monetize market trends with sustained project launches and achieve majority sell-through of its new launches build-to-sell (BTS) portfolio on attractive pricing, dominant brand equity, product mix, and market sensitive payment plans. Further, the company's masterplan developer operating model provides portfolio optionality along with a progressive pricing feedback loop that helps the company achieve higher pricing for its products. This should drive strong revenue growth, higher GP margins and solid free cash generation going forward, in our view.

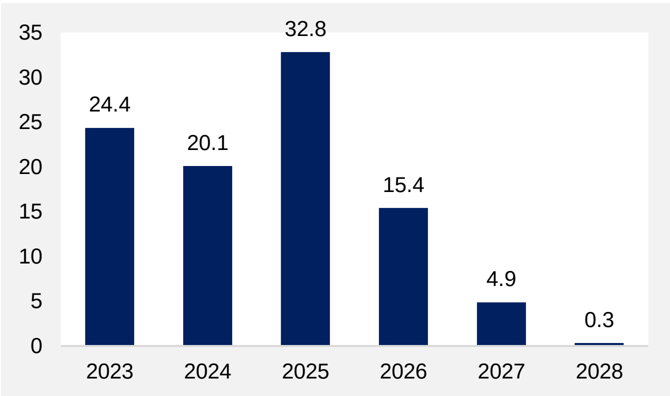
Building blocks of the current uptrend differ from cycles that peaked in 2008 or 2014: Dubai's current real estate uptrend represents the third cycle on record in the last 20 years, with previous cycles peaking in 2008 and 2014. While the recalibration as a response to the downturn in both previous cycles involved typical supply-side adjustments in terms of launches and deliveries along with erosion of sentiment via market-wide price and rental transmission, demand fundamentals differed for both cycles. In 2008, speculators were unable to service their mortgage obligations as property prices came under pressure, which led banks to take possession of properties that were eventually valued less than their outstanding loans. Banks reduced lending to new borrowers impacting liquidity to the sector, while developers were unable to sell projects off-plan, all of which increased developer cost and scarcity of capital, thereby leading to delays and cancellation of several existing and new projects.

Dubai's RE unit launches vs. unit deliveries ('000)



Source: DXBinteract.com

Dubai's future supply of RE launched units – estimates of only announced units by developers ('000)



Source: DXBinteract.com

In the second cycle, the UAE central bank in late 2013 imposed limits on mortgage loans and the government of Dubai doubled its transaction fees to 4% to discourage quick flips of properties, on fears of a repeat of excessive speculation in the market. This coincided with oil prices plunging by over 70% initially from mid-2014 to early 2015, driven by supply-side factors such booming U.S shale oil production, and later slower demand prospects driving oil prices lower from mid-2015 to early 2016.

These events led demand and investor sentiment towards real estate to deteriorate in Dubai after Sept-2014, as prices continued to decline until the end of 2019.

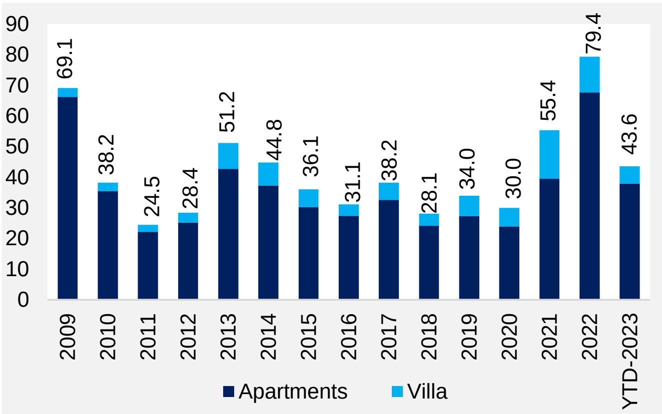
The next uptrend and Dubai's third real estate cycle started in Q3-2020 and continues into 2023. *However, we find stark dissimilarities in the current operating environment, real estate demand and developer strategies in this cycle as compared to the previous two editions:*

1) *Covid-19 provides non-typical unwinding of inventory units & start of the new RE cycle:* After witnessing a glut in inventory caused by a 3x higher number of launched units when compared to delivered units over 2014-18 (based on data from DXBinteract.com), developers in Dubai stalled project launches in 2020 with the onset of Covid-19. The deliveries which had picked up in 2019 continued to outpace launches in 2020 & 2021, absorbing significant completed inventory of developers, that would have otherwise taken years of annual demand in a normal cycle. This cautious stance by developers in 2020 inadvertently led to the onset of the start of the third real estate cycle and secular uptrend in Dubai's apartment and villa market.

2) *Launches & unit deliveries to keep new cadence into the medium term:* The delivery of residential units averaged over 31k over 2020-2022, and a similar run-rate is expected in 2023E, which is almost 2x the average of the previous 8 years. For 2024E, we expect unit deliveries to decline y-o-y from lower project launches in 2020, however the sustained launch momentum in 2021& 2022 is visible in the unit deliveries estimate of 32.8k for 2025 from DXBinteract.com. Further the residential market should start witnessing a translation of strong sales conversion of project launches in late 2022 and 2023E into supply estimates for 2026E-2028E going forward, in our view.

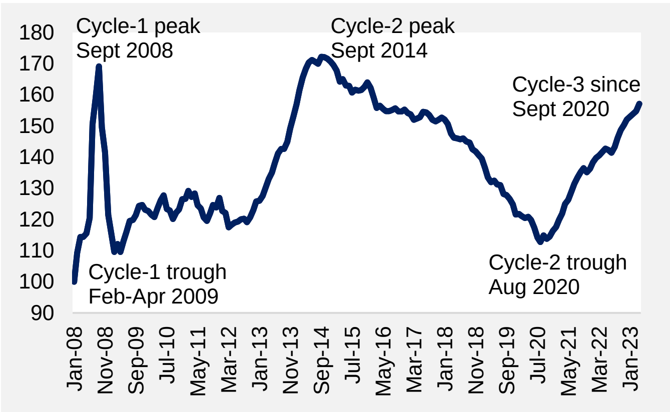
3) *Transactions have new catalysts, while developers gear up for low duration backlog:* The turnaround in residential transactions was driven by opportunistic buying of bargain-priced properties post the onset of Covid-19, which has sustained. Further, UAE government initiatives such as issuances of golden visas, coupled with real estate investors availing access to such visas drove an increase in investors and end-users. Villa and apartment transactions combined jumped over 84% y-o-y in 2021 to 55.4k transactions as a result. In 2022, Russian investors drove Dubai's real estate transactions after the onset of the Russia–Ukraine war, leading residential transactions to rise over 43% y-o-y to 79.4k transactions. Going forward, we believe that the pick-up in unit deliveries and healthy balance sheets of developers should enable them to realize backlogs quicker to capitalize on future demand, keeping transaction activity strong.

Dubai villa and apartment transactions ('000)



Source: DXBinteract.com

Price index of Dubai's real estate cycles to date



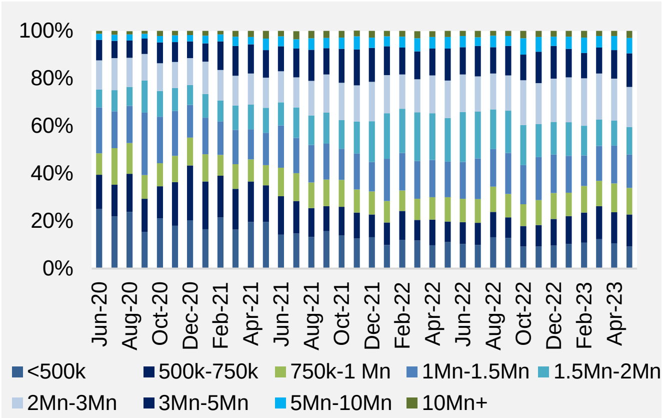
Source: Property Monitor Dynamic Price Index

4) *Slowest rate of change in pricing compared to previous cycles:* Despite strong transaction trends, the rise in average residential prices in the current cycle has been the slowest amongst all three cycles on record. Moreover, our analysis based on Property Monitor's Dynamic Price Index shows that average prices as of Apr-2023 are still ~9% and ~7% lower than the previous peaks from Sept-2014 and Sept-2008. Investors remain interested in

buying properties, as rents jumped by 27% in 2022 (Source: REIDIN, JLL), and that has kept gross yields rewarding at 6.6%-6.7%.

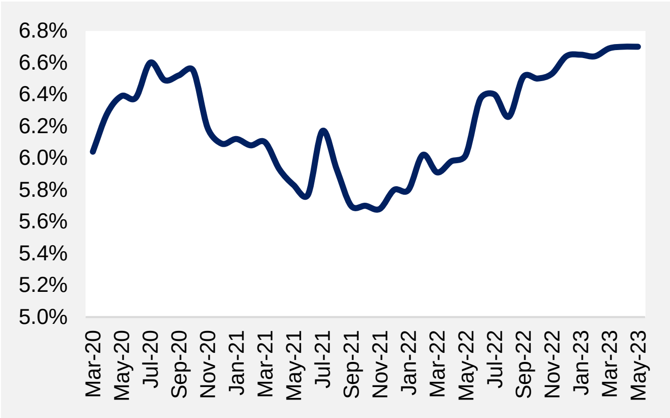
5) *Villas/townhouses and luxury properties most in demand:* The migration of high net-worth individuals, new longer term visa options for residents and hybrid workplace strategies created exceptional demand for single-family homes such as villas and townhouses, especially in 2021 and 2022, while supply remained limited. Villa deals broke the 10k transactions barrier mark for the first time since data was available (2009) and jumped to 15.9k transactions in 2021. Villa transactions reached 11.7k units in 2022, due to limited supply and YTD May-2023 figures of 5.7k point towards a similar run-rate being achieved. Separately, luxury properties also witnessed similar trends of strong demand and limited supply, as the contribution of transaction price tiers of AED +10 Mn and AED 5 Mn -10 Mn is significantly more than at the start of the current cycle.

Dubai Resi RE transaction price tiers



Source: Property Monitor

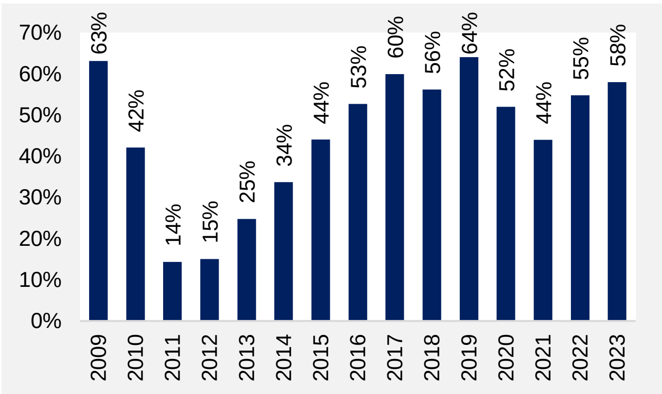
Dubai Resi RE gross yields



Source: Property Monitor

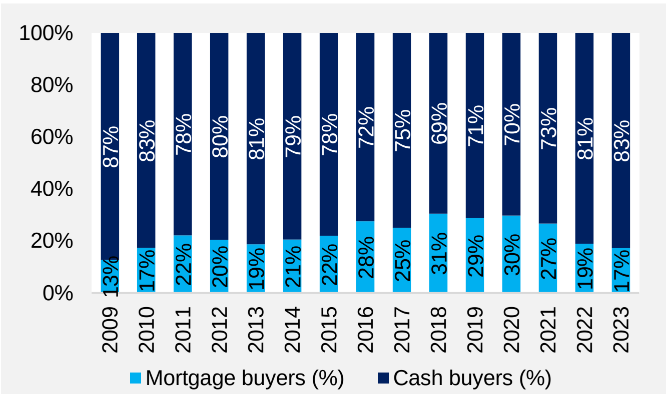
6) *Master developers are likely winners with flexibility of supply and preference for D&B contracts:* Demand evolution continues to be dynamic with demand drivers and supply preference changing from the start of the current cycle in late-2020 to now. Master developers have an advantage over standalone developers in our view, as they can adjust their phasing, product portfolios and pricing to achieve sales momentum within the long-term overarching vision for their master plans. Therefore, supply estimates of 2026E-28E (see chart on page 5) will depend on how master developers capitalize on market demand for their launches in 2023E-24E. Further, master developers are shifting towards Design & Build (D&B) contracts with construction contractors as compared to the traditional FIDIC Redbook based contracts for faster execution. D&B contracts allow for more delineated control for design and quality for the contractor to execute efficiently, and contractors are likely to perform better for bagging future contracts within the master plan.

Off-plan volumes contribution for villa & apartments



Source: DXBinteract.com, 2023 represents YTD

Cash & mortgage buyer trends in Dubai Resi RE

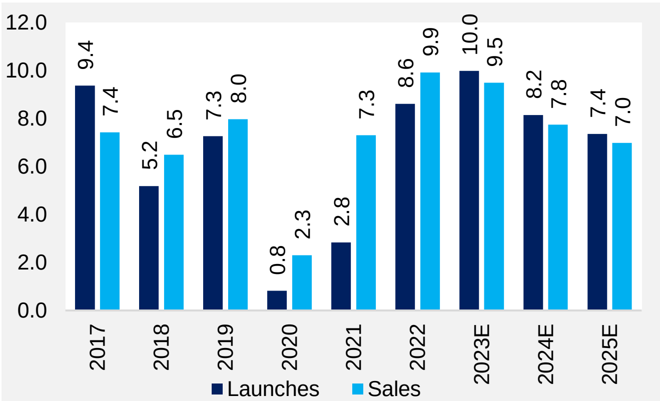


Source: DXBinteract.com, Kamco Invest Research

7) ***Off-plan and cash transactions continue to dominate, but RERA oversight is stronger:*** Off-plan transactions should continue to contribute significantly to overall transactions over the medium term, on the back of the launch momentum, as witnessed in in 2022 (55% contribution). Cash buyers will remain major participants in the transactions market dominating mortgage buyers, as investment demand still exceeds end-user demand. While a higher concentration of off-plan transactions could create more risk in the operating environment, RERA oversight and legislation progressively continue to be tighter. RERA continues to monitor construction initiation, progress and cancellation with the tools required to streamline the process for dealing with distressed projects.

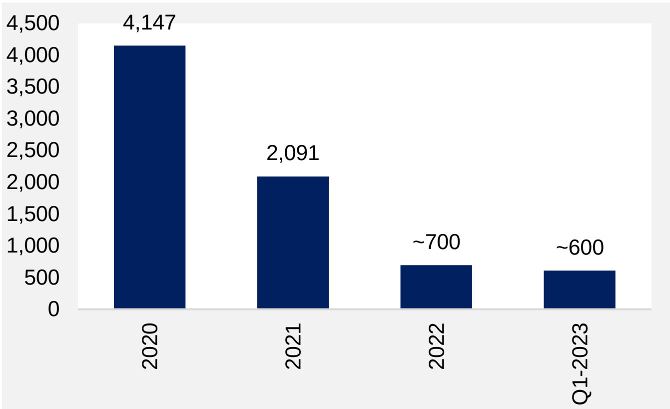
Emaar Dev moves into overdrive maintaining market share of launches & sales momentum: We see Emaar development (ED) as the key beneficiary of Dubai's current cyclical uptrend of strong transaction activity and higher pricing environment. The company should capitalize with sustained project launches and achieve significant sell-through of new launches build-to-sell (BTS) portfolio on attractive pricing, product mix, and market sensitive payment plans in our view. We forecast ED's new launches to sustain its momentum from 2022 (8.6k) and average c8.5k units over 2023E-25E, as the company: 1) Maintains its market share of ~20% of total launches in the market; 2) Realizes an off-plan sales ratio run-rate of 95%-98% on superior brand equity and diversified single-family and multi-family product offering.

ED launches and sales forecasts ('000 units)



Source: Kamco Invest Research, Company data

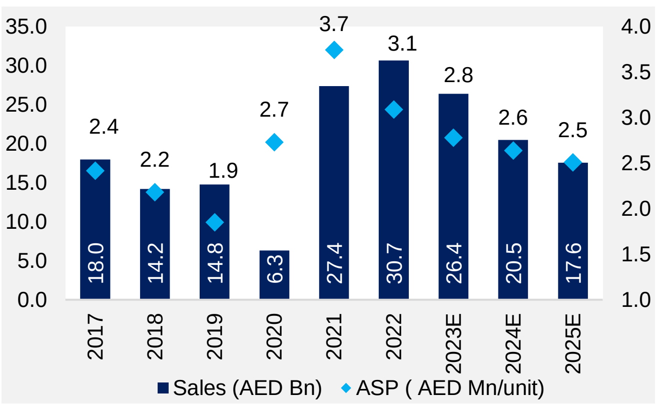
Completed inventory of BTS portfolio (AED Mn)



Source: Company data, excludes rent-to-own properties

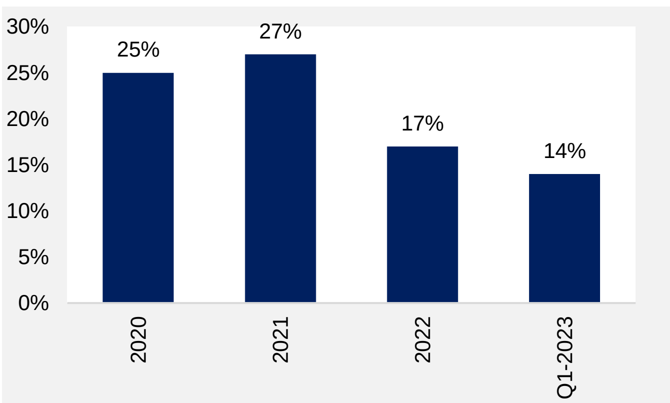
Inventory monetization provides clearer compass for underwriting future demand: Unit sales exceeded launches over 2018-20 with the company launching only 823 units in 2020, in-line with the muted supply from overall market, as Dubai developers stalled project launches with the onset of Covid-19. Nevertheless, while overall supply picked up in 2021, ED continued to remain conservative with project launches, and preferred to execute inventory sales until the company was able to ascertain the stability of the market.

ED sales and ASP/unit forecasts



Source: Kamco Invest Research, Company data

Post-handover payment plans for underdevelopment portfolio (%)



Source: Company data

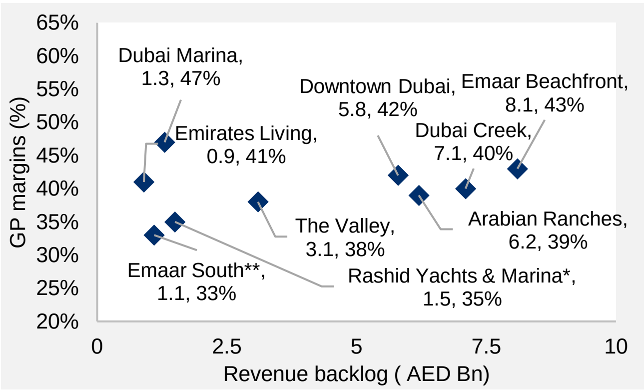
The company continued to unwind their inventory downwards in 2022 and achieve sales of 9.9k units while launches remained lower at 8.6k units. This moved overall inventory down from AED 4.15 Bn in 2020, to ~AED 0.60 Bn in Q1-2023. With low inventory levels, we forecast unit sales to largely consist of new project launches over 2023E-25E and expect ED to achieve sales of c8.1k units average over the period. Further, we believe that the lower inventory along with ED's more cautious underwriting of project demand by commencing construction when 60%-70% of units are pre-sold and 20%-30% cash collection is achieved enables the company to judge the future trajectory of demand more precisely.

Emaar possesses multiple levers in our view to respond to market demand based on our primary research with RE consultants, brokers, project management consultants and contractors. These include revealed payment plans, product phasing etc., and a robust agent network that helps with ascertaining product market fit, buyer profiles and allows them to be opportunistic. During 2020 & 2021, Emaar sold products with higher post-handover plans that pushed their total under development portfolio's post-handover payment contribution to 25% and 27%, which helped in attracting strong investor appetite. As structural market demand was evident, the company lowered its post-handover payments % for its project launches, which drove total under development portfolio's post-handover payment contribution to 17% in 2022 and 14% at the end of Q1-2023. The company's strong broker network relationships enable it to keep a pulse of the type of products the market needs – single family or multi-family homes, and price points for product-types specific to masterplan locations. We forecast average selling prices (ASPs) of units to normalize from AED 3.1 Mn/unit in 2022 to AED 2.8 Mn/unit in 2023E, eventually reaching ~AED 2.5 Mn/ unit in 2025E, as sales activity should be dominated by off-plan sales of new launches. Based on our forecasts of unit sales and ASPs, off-plan sales should reach AED 26.6 Bn & AED 20.5 Bn respectively in 2023E & 2024E respectively, and further normalize to AED 17.6 Bn by 2025E. Buyer mix would continue to remain predominantly cash buyers (85%-90% average) as new launches typically have lower LTV of ~50% from banks.

Masterplan development model renders progressive pricing feedback loop & portfolio optionality: We believe Emaar's master developer operating model and strong brand equity allows the company to capitalize on the current market dynamics through two main catalysts:

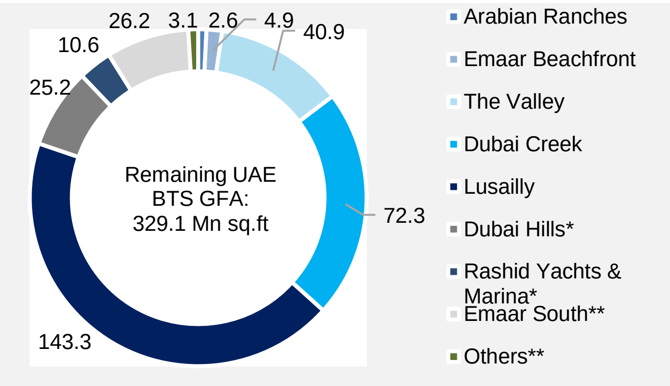
1. *Multi-layered pricing feedback loop:* The masterplan model will allow Emaar to increase product prices for its portfolio by at least 15% going forward, which is the lower end of the range they have been able to achieve over 2021-22. This is realized as Emaar progressively improves the attractiveness of the masterplan by continuously investing in infrastructure upgrades and introducing a range of community facilities for recreation, retail etc. Early buyers of units into a masterplan therefore realize significant appreciation on handover, which are captured in broker feedback to the company as well. Emaar also allows homeowners in mature master plans (10+ years) to modify internal villa layout changes, internal upgrades, and refurbishments as long as they comply with Emaar Community Management and on approval from regulatory authorities enabling higher price discovery for otherwise older units.

ED masterplans profile (revenue backlog, GP margins)



*Source: Kamco Invest Research, Company data, * consolidated JVs, **JVs/JDA with 50% share*

EP's UAE remaining build-to-sell GFA



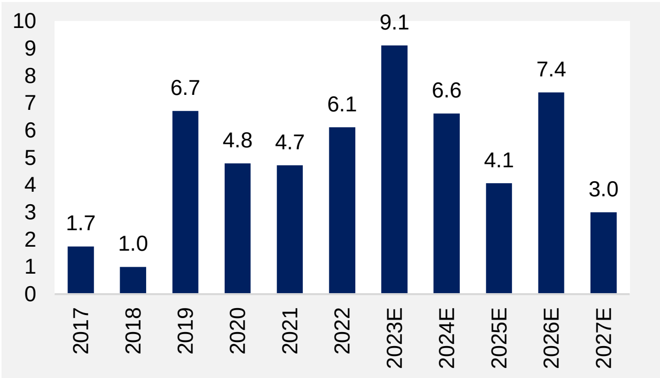
*Source: Company data, * consolidated JVs,**JVs/JDA with 50% share*

This multi-layered pricing feedback from appreciation achieved from early buyers into the masterplan, upgraded homes of older communities in the masterplan and broker feedback allow Emaar to dynamically price their products to capture market share of project launches.

2. *Increased portfolio optionality by doubling down on exposure + executing opportunistic land bank additions as baton moves from older masterplans like Downtown Dubai, Dubai Marina etc:* Emaar Properties in H2-2022 acquired the remaining 50% of its JV in Dubai Creek Harbour from Dubai Holding for AED 7.5 Bn via 50% payment in cash which included an AED 2.5 Bn outflow on deal closing, AED 1.25 Bn of deferred cash consideration over 3 years, and 50% in a convertible bond that was converted into shares of Emaar Properties. The acquisition enables Emaar Properties to expedite development of the masterplan without JV accounting and decision-making delays. The masterplan currently has 6,568 units under development as Q1-2023 and has generated sales of above AED 13 Bn and with a revenue backlog of AED 7.1 Bn. Separately, Emaar Development added to its landbank with the purchase of 47 Mn sq.ft of Lusaily extension taking overall master plan BTS GLA to ~100 Mn sq.ft. Both transactions executed by Emaar are quite opportunistic in our view, since older master plans such as Downtown Dubai, Dubai Marina are mostly monetized and at the tail end of development post their current backlog with no significant remaining GLA left in their BTS portfolio. Dubai Creek and Lusaily represent the next masterplans with sizeable GLA left to develop and ~53 Mn sq.ft and ~100 Mn sq.ft (GLA) respectively, which should provide a runway for Emaar's upcoming project launches. Further, locationally we feel projects from Dubai Creek and Lusaily (close to Tilal Al Ghaf area) could enable Emaar to push diversified product offerings to the market and provide optionality for launches in the future.

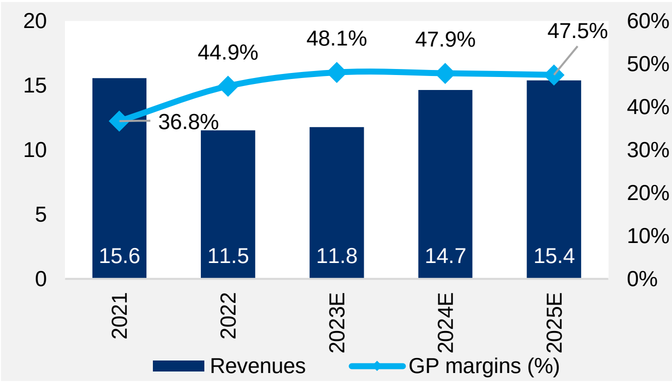
Higher pricing and construction commencement of 2022-23 sales units to be visible in ED revenues & GP margins (%): ED expects to deliver 9.1k units in 2023E after which it forecasts significant deliveries only in 2026E, as lower project launches during Covid-19 come to the market in 2024E and 2025E. The company hopes to deliver 7.4k units in 2026E, most of which should be project launches from 2022 which go into construction by Q4-2023/Q1-2024, given the typical cycle of 15-18 months from project launch to commencement of construction and around 36 months to start delivering units. We forecast ED revenues of AED 11.8 Bn in 2023E (2022: AED 11.5 Bn) and expect revenues to grow to AED 14.7 Bn, AED 15.4 Bn in 2024E and 2025E respectively. Key drivers for our forecasts are higher sales momentum, the commencement of construction from Q4-2023/Q1-2024E and higher pricing Emaar was able to achieve for its project launches.

ED unit deliveries forecasts ('000)



Source: Company data

ED revenues (AED Bn) and GP margins (%)



Source: Kamco Invest Research, Company data

Our forecasts also estimate higher GP margins averaging +47% over 2023E-25E vs 44.9% in 2022 on higher pricing, lower percentage of post-handover plans apportioning revenues more evenly over the construction period, and more stringent cost controls. Cost rationalization is also ascribed to lower sales commissions which have come down ~5% pre-Covid to ~3% currently. We expect higher pricing and disciplined costs to push GP margins for masterplans higher than the average achieved for projects under development till date as of Q1-2023.

Cash surplus from total portfolio of at least AED 25.2 Bn: We model cash collections of ED's under development projects and completed projects, based on 100% owned and JV/JDAs participations against a total revenue backlog of AED 45.7 Bn. Our calculations estimate free cash of AED 18.5 Bn from the company's under development portfolio after adjusting for construction costs, SG&A expenses, and cash from post-handover payments. We additionally expect completed projects inventory to generate AED 6.6 Bn to arrive at our total cash forecast of AED 25.2 Bn from all projects.

We do see a potential for upward adjustment to our free cash estimate from structurally lower all-in costs going forward, as mentioned in our GP margin commentary. Nevertheless, we left cash construction costs at the average achieved for projects under development till Q1-2023 to remain conservative with mid-cycle estimates.

ED's cash surplus from all projects (100% owned +JV/JDAs) – AED Bn	
Gross pre-handover collections - under development projects	29.4
Construction costs - under development projects	-16.7
Cash (surplus/deficit) - under development projects	**12.6**
Cash from post-handover collections	9.7
Cash (surplus/deficit) including post-handover collections	**22.3**
SG&A	-3.8
Total cash from under development properties	**18.5**
Additional cash from completed projects inventory	6.6
Total cash from under development & completed properties	**25.2**

Source: Kamco Invest Research

Ancillary revenues with BTL and DC to get unlocked with capacity additions etc: EP's UAE development business is expected to unlock additional recurring revenues in future, which are not factored into our current forecasts. Emaar has designated 42.8 Mn sq. ft of GFA for build-to-lease (BTL)/build-to-operate (BTO) purposes within some of its masterplans with the majority in Dubai Creek (24.3 Mn sq. ft) and Dubai Hills (13.7 Mn sq. ft). We believe that average gross yields of around ~6% average should encourage the company to exploit the BTL market and provide optionality to capitalize on income generating opportunities from its unsold under development and completed units. Separately, Emaar has a portfolio of district cooling (DC) assets across Dubai Creek, Dubai Hills, Emaar Beachfront, Nshama and Bahrain. As most of the mentioned masterplans are increasing their GFA, DC connected capacity and total capacity additions should continue increasing and achieve higher recurring revenues, project IRRs until these developments become more mature. While EP's UAE development business and cashflows are cyclical, the company's masterplan model provides additional revenue streams and cashflows from its DC assets and BTL portfolio due to the inherent high margins of both businesses, de-risking the segment further.

Emaar Malls – pro-growth recurring revenues champion & defensive anchor

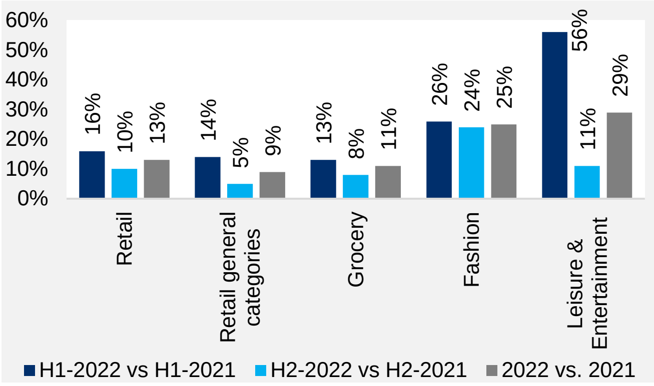
While Emaar takes advantage of the cyclical uptrend that's available in development business, we believe Emaar Malls Management (EMM) really anchors our long-term thesis and provides a valuation floor for the group with its pure rental income play on retail spaces. Our positive thesis on EMM is underpinned by 1) Growing recurring revenues and cashflows with additional footprint to be unlocked via extensions to key malls in their portfolio, and new retail assets via fully owned or JV participations; 2) Addition of new community centers in EP's master developments; 3) Superior monitoring of tenant KPIs combined with re-zoning and resizing which supports tenant sales and footfalls. Further we expect EMM to be the centerpiece of the EP's recurring business contributing ~65% to total recurring EBITDA over 2022. Moreover, Emaar's retail portfolio in Dubai holds defensive attributes due to the unique market positioning of its individual assets, that de-risks the segment against any significant market-wide declines of occupancy rates and rents.

Retail KPIs measurably firing: Tenant metrics of EMM's owned assets have surpassed normalized 2019 figures, as its well-located retail spaces have benefitted from tourism, consumer confidence and a need for brick-and-mortar shopping experiences. Further, portfolio metrics also reveal that EMM has been successful in achieving the benefits of cross-shopping relationships and its impact on footfalls and consumer spending when re-zoning and resizing its footprint.

- *Tenant sales soaring:* Emaar mentioned that EMM tenant sales in 2022 grew by + 40% compared to 2019, and +30% y-o-y in Q1-2023, with all retail categories achieving growth. The continued growth in tenant sales in our view is encouraging and should provide tenants with expiring lease terms with sufficient room to absorb higher rents on renewal.
- *Footfalls recovering to pre-Covid 19 levels:* After plunging to 76 Mn annual visits in 2020, footfall in EMM owned retail spaces reached 137 Mn in 2022 exceeding the previous high of 136 Mn reached in 2018 & 2019. The higher tourist and local footfalls contributed to the strong footfall conversion to sales, aiding tenant sales and retailer profitability metrics.

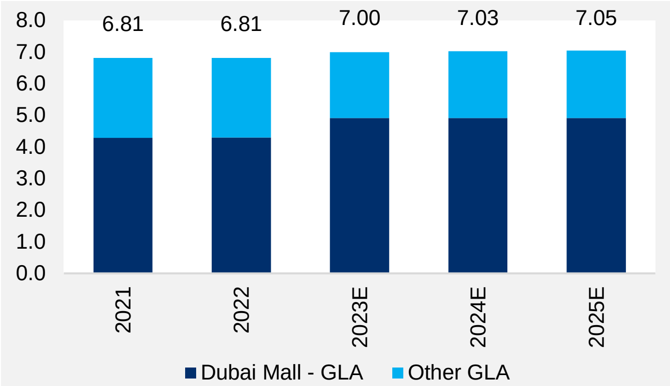
- *OCRs running at 13%:* The portfolio's average occupancy cost ratio (OCR) is running at ~13% as of Q1-2023, which is acceptable for the EMM's portfolio of higher footprint of Grade-A super-regional, regional and specialty retail spaces. Further, this gives room for EMM for achieving desire renegotiation of rental terms, while clients have enough flexibility to withstand seasonal sales volatility.

UAE retail category growth



Source: MAF State of the UAE Retail Economy based on POS data

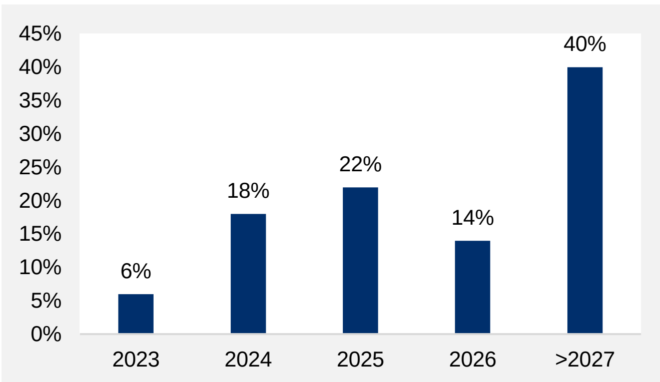
EMM owned GLA split (Mn sq. ft)



Source: Kamco Invest Research, Company data

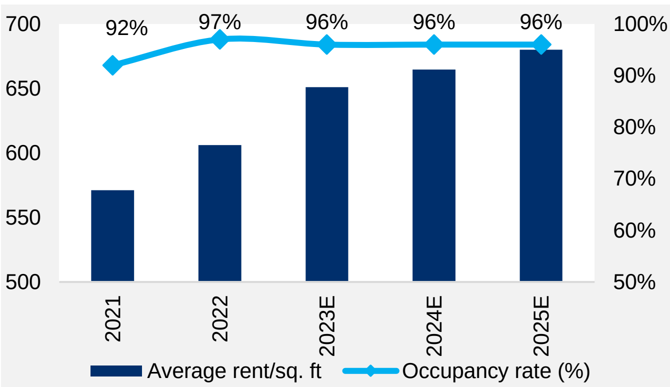
Grade-A GLA dominance allows active management with shorter WAULT, keeps occupancy rates high: Total GLA of EMM owned retail assets stood at 7.0 Mn sq.ft as of Q1-2023, with Dubai Mall contributing ~4.9 Mn sq.ft. The aggregate GLA is expected to grow with additional footprint to be unlocked with extensions to key malls in their portfolio, and new retail assets via fully owned or JV participations, and addition of new community centers in EP's master developments such as Dubai Creek and Arabian Ranches 3. Further, the company management mentioned that the current weighted average lease expiry term was 3.52 years, as they actively manage tenants and prefer to employ short lease terms of 3-5 years to provide flexibility. We believe EMM's active management strategy with shorter term lease terms works on several accounts: 1) The GLA dominance of trophy asset - Dubai Mall with newer extensions ensures the mall keeps its dominant market share with tenant rotation; 2) Portfolio risk can be mitigated as KPIs such as footfalls, tenant sales and OCRs are healthy; 3) Significant waitlist allows tenancy contracts to be renewed higher by the company guided 5%-7% which has been achieved either way through lease or tenant rollover.

EMM WAULT of 3.52 years as of Q1-2023



Source: Company data

EMM average rent/sq.ft and occupancy rate

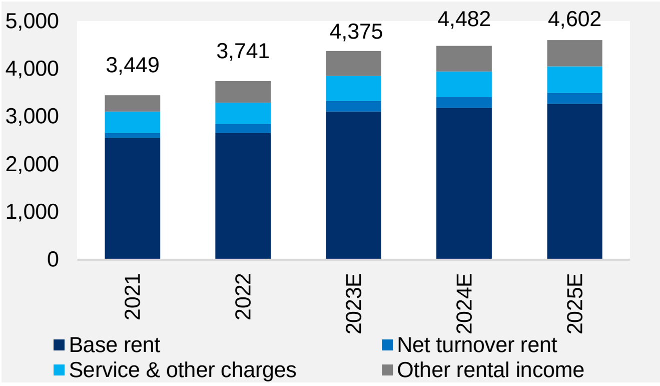


Source: Kamco Invest Research, Company data

Considering the percentage of leases that are slated to be annually renewed, and contract renewal rates of 5%-7%, we expect average rents of EMM's total portfolio to increase at a CAGR of 3.9% from around AED 606/ sq.ft in 2022 to AED 680/sq.ft per annum. We assume natural vacancy rates at 4% over our forecast period, but we do see potential for higher occupancy rates. Based on the organic growth of GLA, full year impact of the extensions to mall spaces and aforementioned rental growth, we forecast EMM's revenues to grow to AED 4.38 Bn in 2023E, and further growing to AED 4.48 Bn and

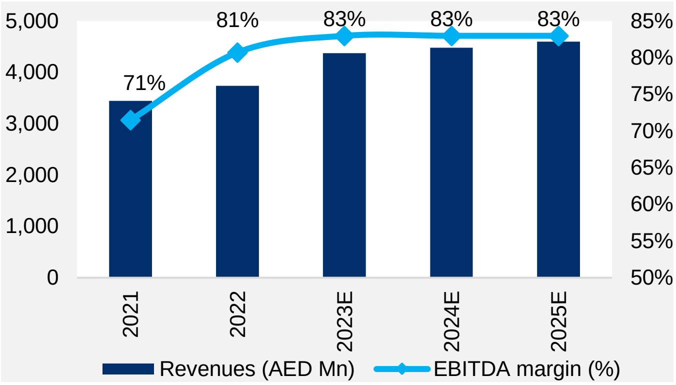
AED 4.60 Bn in 2024E and 2025E. The pure rental model of the segment should translate into average EBITDA margins of ~83%, as higher margins from Dubai Mall GLA additions starts getting recognized.

EMM revenue split (AED Mn)



Source: Kamco Invest Research, Company data

EMM revenues and EBITDA margin (%)



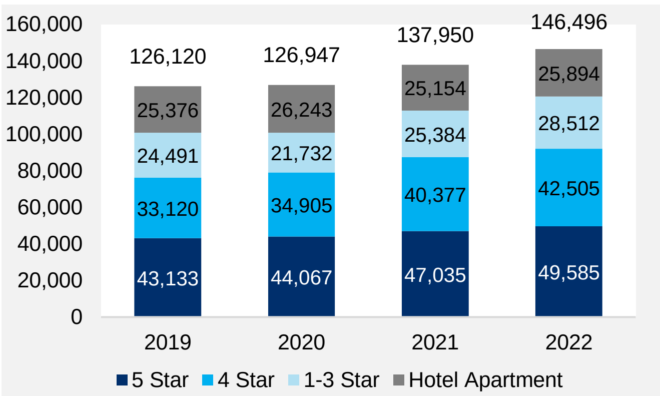
Source: Kamco Invest Research, Company data

Namshi exit positive on timing as online rebase continues: Emaar sold its e-commerce fashion and apparel platform subsidiary Namshi through EMM for USD 335.2 Mn (AED 1.23 Bn) in Feb-2023. The company recorded a gain on sale of interest in Namshi of AED 699.9 Mn as of Q1-2023, based on net assets transferred of AED 531.3 Mn. Emaar mentioned that transaction proceeds will be invested in the company's core real estate development business. Emaar Malls earlier bought a 51% stake in Namshi for USD 151 Mn in 2017, and further bought the 49% for USD 129.5 Mn in 2019. We believe that the exit was sensible, given that stiff competition from other similar ecommerce marketplaces really would make the road to sustainable profitability hard. Further, from a valuation standpoint, the achieved P/S deal multiple of 0.78x (based on 2022 financials) could have potentially seen further negative revisions on account of the impact of higher interest rates on private equity valuations. Moreover, we believe the business model of retail ecommerce largely pinned hopes of continuous market share gains from brick-and-mortar retail, which peaked with Covid-19 restrictions and has considerably receded since then. Therefore, the exit of a non-core loss-making business was prudent in our view, and further achieves the objectives of reinvesting transaction proceeds into the company's core real estate businesses which are in a cyclical uptrend.

Leaner scale for Emaar Hospitality with higher management agreements share

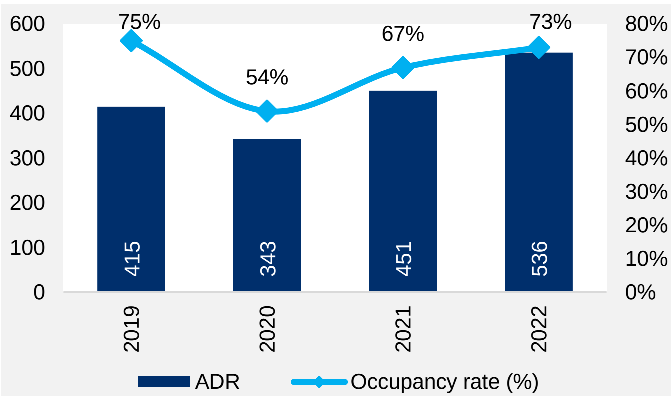
Emaar's Hospitality (EH) segment generates the lowest IRR amongst its portfolio of assets but consists of owned brands with strong market reputation in Dubai such as Address, Vida, Armani, Palace, and Rove which is JV with Meraas. Emaar hence decided to leverage their brand equity to drive expansion without excessive capital allocation to the segment by moving to an asset light model in 2018. The segment now drives most of its expansion via hotel management contracts where the operator runs the hotel, on behalf of the owner for a fee, according to specified terms negotiated with the owner.

Dubai hotel inventory by category



Source: Dubai Economy and Tourism data

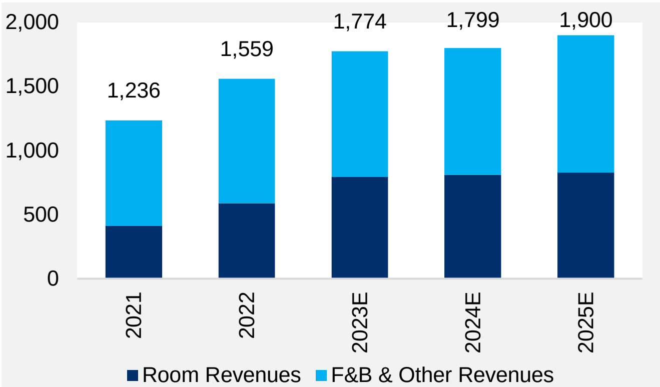
Dubai aggregate hotel ADR and occupancy rate (%)



Source: Dubai Economy and Tourism data

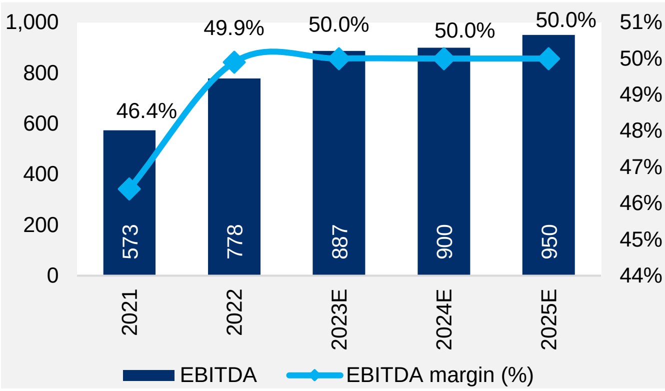
Dubai's hospitality sector was the key beneficiary of Expo and the FIFA Qatar World Cup with ADRs and occupancy rates recovering swiftly in 2021 and 2022 from the impact of Covid-19. Average ADRs improved to AED 451 and AED 536 in 2021 and 2022, surpassing the 2019 average ADR of AED 415 according to data from Dubai Economy and Tourism data. Further, Dubai Economy and Tourism's performance report highlighted that average occupancy rates for 2022 reached 73%, almost recovering to the 75% achieved in 2019 based on a stock of 146,496 rooms. Nevertheless, having said that the number of international tourists reportedly reached 14.36 Mn, and is yet to recover from 2019 (16.73 Mn tourists).

Emaar Hospitality revenues (AED Mn)



Source: Kamco Invest Research, Company data

Emaar Hospitality EBITDA & EBITDA margins (%)



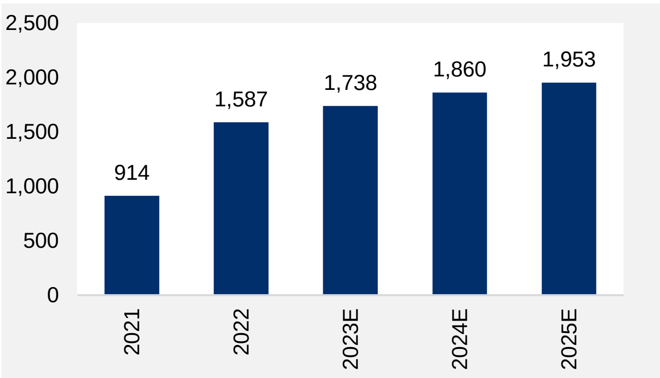
Source: Kamco Invest Research, Company data

EH gained from being the hospitality partner for Expo and from other events held in Dubai, with total hotel revenues reaching AED 1.56 Bn in 2023E, with an average occupancy rate for hotels in the UAE of 69%. Emaar highlighted that it has a pipeline of 27 hotels of around ~5,500 keys with more than 2/3rd of pipeline under management contracts. We expect Emaar's owned and managed keys to achieve market occupancy rates with a lag, from full year consolidation of the proposed pipeline. We forecast revenues to reach AED 1.77 Bn in 2023E (2022: AED 1.56 Bn), and further grow to AED 1.80 Bn and AED 1.90 Bn in 2024E and 2025E respectively, driven by above-market average ADRs of around AED 950 from the strong market presence of Emaar's hospitality brands. We further expect EBITDA margins to remain ~50% over 2023E-25E from higher contribution of the management agreement revenues, as Emaar continues to ramp up revenues from its asset light model and post factoring in seasonality for summer months.

Emaar Entertainment drives complementary footfalls at high margins

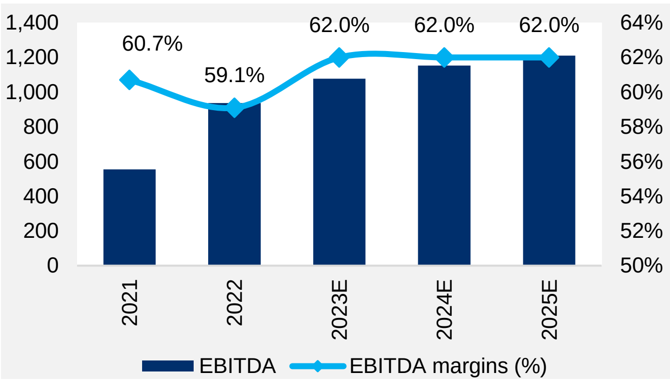
Emaar's Entertainment segment acts as an adjacency for its EMM and EH portfolios by generating complementary footfalls. The management mentioned that the entertainment business KPIs are at 2019 levels, barring Reel Cinemas which requires content addition to reach back to normalized levels.

Entertainment & Commercial Leasing revenues (AED Mn)



Source: Kamco Invest Research, Company data

Entertainment & Commercial Leasing EBITDA (AED Mn) and EBITDA margins (%)



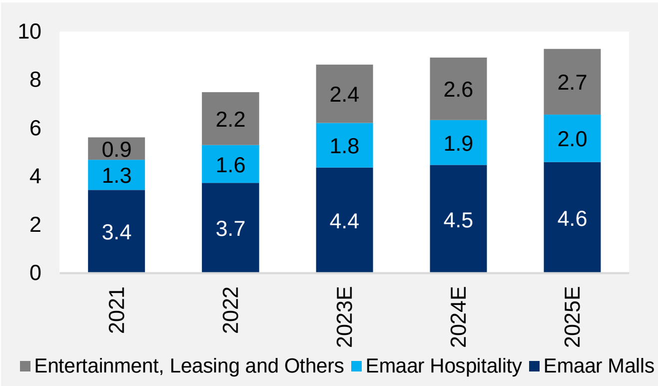
Source: Kamco Invest Research, Company data

Factoring in more normalized Reel Cinemas revenues, we forecast combined Entertainment & Commercial Leasing revenues of AED 1.74 Bn for 2023E, and thereafter expect AED 1.86 Bn and AED 1.95 Bn for 2024E and 2025E.

EP's high quality recurring revenue stream can weather cyclicality

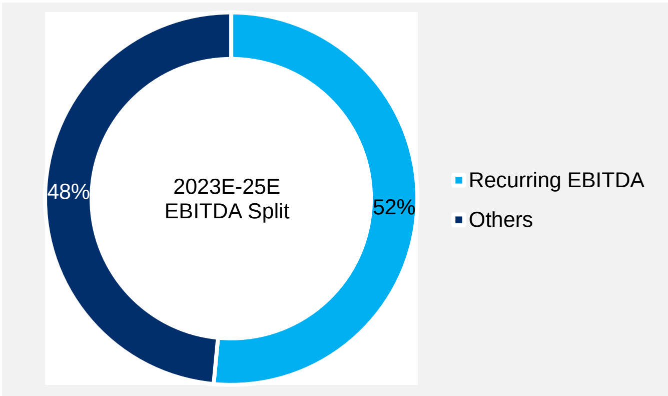
The company's recurring businesses are benefiting from the current higher discretionary consumer spending. Nevertheless, we believe the company possesses a portfolio of high-quality assets that are category leaders, which should alleviate significant impact of future concerns of market-wide weakness, if they emerge. EP focusses on an asset mix that mostly consists of either Core or Core Plus investments which should improve revenue visibility and the NOIs of assets should include a full pass-through of inflation in our view. Asset quality and revenue visibility should help in de-risking other segmental operations such as the development businesses that are more susceptible to cyclicality.

EP's recurring revenues (AED Bn)



Source: Kamco Invest Research, Company data, Emaar Malls excluding Namshi revenues

Recurring EBITDA contribution forecast (2023E-25E)



Source: Kamco Invest Research

Further the company mentioned that it aims to strengthen its recurring assets base by pursuing value-accretive acquisitions. While we expect the strong uptrend in the ED over the medium term to be reflected in the total revenue contribution split over 2023E-25E, we forecast recurring revenues contribution to average +33% over the period reaching AED 8.64 Bn in 2023E and thereafter growing to in AED 8.93 Bn and AED 9.28 Bn in 2024E and 2025E respectively. Further, we expect recurring EBITDA to average 52% of total EBITDA over 2023E-25E.

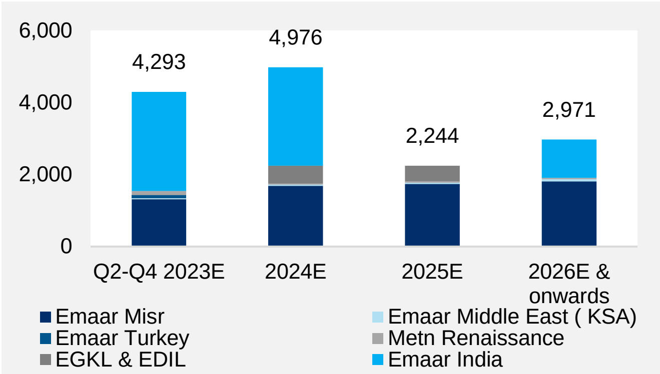
International Ops have opportunity sets, but yet to contribute meaningfully

EP drives its international development through its subsidiaries and has developed 38,924 units till date. Emaar Misr and Emaar India are the key subsidiaries going forward with 90% of the future supply from Egypt and India respectively from Q2-2023 onwards.

We believe each of the two key international markets represents unique opportunity sets for EP. Emaar mentioned in their Q1-2023 call that developers in Egypt have seen a negative impact on sales due to a more cautious stance towards booking sales only after as ascertaining the effect of inflation and EGP devaluation on development costs. Real estate consultant JLL mentioned the supply side disruption as many property developers have put sales activities and new project launches on hold. Further they highlighted that projects which were previously launched but have not seen construction onsite have also been paused. Investors on the other hand look at gold and real estate as safe havens, which has kept demand in the market reportedly strong. To keep pushing products Emaar linked selling prices to USD and later prices of products were adjusted upwards, as per the management. The +36% devaluation of the EGP vs the AED in 2022 contributed to a decrease in FX translation reserve of AED 2.44 Bn in the OCI.

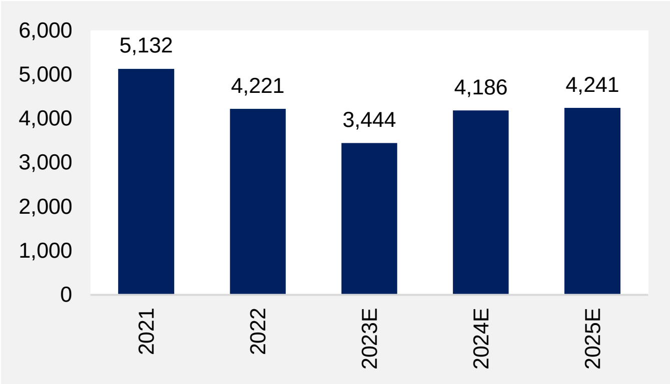
For its India operations, Emaar mentioned that the legacy projects are completed and handed over, and that litigation is not impacting operations. Our primary research suggests that there is demand for Emaar's newer project launches, while the market continues to operate via the broker lobby as they remain the lifeline of developers. Brokers are able to achieve significant sales for developers while the RERA Act has made home ownership more transparent and addresses the concerns of homeowners, developers, and brokers. The sector outlook for residential real estate in Emaar's key Indian markets such as Gurugram based on our primary research, with off-plan projects typically achieving 15%-20% and investors holding their units until completion even able to achieve 30%-40% from initial buying prices. However, it is worth mentioning that each market in India is unique with stiff competition from local developers that dominate specific markets they operate in, therefore, we will closely monitor Emaar's market entry strategy for new markets in India, beyond its familiar markets.

International development delivery schedule - units



Source: Company data

International Development Revenues (AED Mn)



Source: Kamco Invest Research, Company data

We forecast EP's International Development revenues to decline over 18% y-o-y in 2023E (AED 3.44 Bn) largely on account of the EGP devaluation as the currency has depreciated over 19% YTD vs. AED and based on lower number the deliveries in 2023 compared to the previous year. We have penciled in sequential growth for 2024E (AED 4.19 Bn) and 2025E (AED 4.24 Bn), assuming better developer confidence in bringing supply to the market, and the potential for project launches in India.

Tighter focus on core operations, deleveraging balance sheet fortifies EP

Emaar executed corporate transactions and altered strategies for certain segments which have reinforced its focus on core operations in Dubai in our view. These include: 1) EMM's sale of Namshi; 2) Acquisition of the remaining 50% stake of Dubai Creek Harbour; 3) EP exiting 80% of Downtown DCP; 4) De-risking the hospitality segment through sale and achieving future growth mainly via management agreements. We expect these transactions to achieve operational synergies, capex prudence, and improve cash flows for EP as the company looks to fortify its portfolio assets and balance sheet against future market-wide downturns. Moreover, these transactions should complement EP's organic growth from its Dubai based development business, and strong recurring revenue assets portfolio that is set to grow its footprint, which underpins Outperform rating on the stock. EP's deleveraging balance sheet in an environment of rising interest rates also strengthens its investment case with net debt/EBITDA at an extremely manageable 0.16x based on TTM Q1-2023 figures after our adjustments for escrow cash. Further, the company has undrawn RCF facilities in the UAE of AED 12.85 Bn to capitalize on any growth opportunities available, and has a manageable debt maturity profile, which are reflected in the company's investment grade ratings by credit rating agencies S&P, Fitch and Moody's.

Emaar Properties PJSC – Company Overview

Dubai's iconic built environment pioneer with diversified global RE exposure

Emaar Properties (EP) is one of GCC's largest real estate companies established in 1997 and is the master developer credited for transforming Dubai's built environment landscape into a hub for commerce, trading, tourism, and entertainment. EP essentially operates through its conglomerate structure, with some correlated activities, which includes real estate development locally and internationally, along with a portfolio of high-quality recurring assets of retail, entertainment and hospitality assets. The company was listed on the DFM in 2000, while its build-to-sell (BTS) property subsidiary – Emaar Development was listed in 2017. International operations started in 2004-05 with forays into Egypt, India, Pakistan and KSA, and further the company's Egypt business – Emaar Misr's was listed on the EGX in 2015. EP's mall business – Emaar Malls debuted on the DFM in 2014, but was later delisted in Nov-2021 and the business was transferred to the company's 100% owned subsidiary called Emaar Mall Management, in a move to strengthen EP's balance sheet and profitability. As of 2022, EP generated total revenues of AED 24.925 Bn, and an EBITDA of AED 9.816 Bn, with recurring businesses accounting for 36% of revenues and 53% of EBITDA.

EP corporate timeline

Source: Emaar Properties

Consolidated operations are mainly conducted under the following business segments:

1) **Emaar Development (ED)**: Emaar is the largest master developer of integrated communities in Dubai such as Downtown Dubai and Dubai Marina. ED conducts its build-to-sell business with access to prime land banks, that are either owned by ED, its parent or via partnership (JVs/JDAs) with GREs, government and large owners of land banks, totaling ~284 Mn sq.ft of GLA. ED has delivered 59,500+ residential units delivered since 2002, with close to c.28,500 residential units under construction. EP holds an 80.16% stake in ED, and the segment contributed around 46% (AED 11.54 Bn) to EP's group revenues. Property sales reached AED 30.7 Bn in 2022, while revenue backlog reached c.AED 45.7 Bn by Q1-2023.

2) **International Development:** Group revenues of 17% were delivered by EP's international development arm in 2022 (AED 4,221 Mn). The segment develops integrated masterplans across MENA and South Asia mainly in countries such as Egypt, India, Pakistan and Turkey across its key land banks of +200 Mn sq.ft (excluding 1.32 Bn including Emaar Economic City – Saudi Arabia). The segment has sold 45,800+ units and delivered 34,500+ units (Q1-2023) since inception with a revenue backlog of AED 9.9 Bn.

3) **Emaar Malls Management (EMM):** EMM is a wholly owned subsidiary of EP that develops and owns a portfolio of premium malls and retail assets with a portfolio GLA of over 9.9 Mn sq. ft. in Dubai. EMM owns Dubai Mall (GLA: 4.296 Mn sq.ft) – the mall with one of the highest annual footfalls globally at +80 Mn visitors per annum. The mall contributes +80% of the segment's retail revenues, and has an occupancy rate of 96%, with the opening of Zabeel and Fountain Views Expansion. EMM anchors EP's recurring revenue generating portfolio contributing 22% of revenues and 29% of EBITDA as of 2022.

4) **Entertainment, Leasing and Others:** The Entertainment, Leasing & Others segment contributed AED 2.195 Bn (9%) to EP's group revenues as of 2022. The Entertainment business (100% owned) acts as an apt adjacency to Emaar's retail and hospitality segments pushing additional footfall into those segments. The segment offers experiential entertainment and includes options such as the 'Storm Coaster' at Dubai Hills Mall - the world's fastest vertical-launch roller coaster, Sky Views Observatory and Edge Walk at Hotel Address Sky Views, At The Top along with the Aquarium & Underwater Zoo at Dubai Mall. The premium offering also results in strong margins with EBITDA margins of 59.1% registered in 2022.

5) Emaar Hospitality: Emaar Hospitality owns and manages a portfolio of hospitality assets and brands which includes Address Hotels + Resorts, Vida Hotels and Resorts, Armani Hotels, Rove Hotels (JV with Meraas) in addition to serviced residences. The segment owns and operates 37 hotels with 8,100 + keys, which includes owned as well as managed assets with an average occupancy rate of 69% as of 2022. The hospitality portfolio also operates a suite of leisure sports clubs and these are the Dubai Polo and Equestrian Club, Dubai Marina Yacht Club, Montgomerie Golf Club, Arabian Ranches Golf Club and Dubai Hills Golf Club (JV). EP's group revenues derived from the segment were around 6% in 2022 at AED 1.559 Bn.

EP segmental highlights

UAE Development	International Operations	Malls*	Hospitality	Entertainment & Leasing
• Leading master plan developer in Dubai • JVs with GREs • 59,500+ residential units delivered since 2002 • Projects under construction substantially sold (~98%) • c. 340 Mn sq. ft. of Land Bank in the UAE • UAE build-to-sell business is led by Emaar Development PJSC, listed on DFM since November 2017	• Active in targeted high growth countries • 34,500+ residential units delivered since 2006 • Achieved overall sales level of 93% of units released • ~ 1.32 Bn sq. ft. of Land Bank in key countries • Emaar Misr is listed on the Egyptian Exchange since July 2015 • Operates Emaar Square Mall at Turkey with 1.6 Mn sq. ft. GLA • Portfolio of Address and Vida branded hotels in Egypt and Turkey	• Owner and operator of one of the most visited mall in the world, "Dubai Mall" with annual footfall of +80Mn • Portfolio of over 9.9 Mn sq. ft. of GLA in retail properties in Dubai • Added Dubai Hills Mall to its portfolio in 2022, an Iconic lifestyle destination, with +1.8 Mn sq. ft. GLA.	• Hotel owner and operator (37 hotels with 8,100 + keys, includes owned as well as managed assets) • The Address, Vida, Armani and Palace brands. • Upscale affordable segment under Rove Hotels (JV with Meraas) • Marked historic milestone of over 60 hotel projects in its portfolio (includes both in operation and under development hotels)	• Provider of premium entertainment and manager of leisure assets • Operator of the At The Top, Dubai Aquarium, Underwater Zoo, Reel Cinemas, KidZania, Play DXB, Dubai Ice Rink, Storm Coaster and Sky Views Observatory. • Owner and operator of Dubai's iconic cultural destination "Dubai Opera" • Portfolio of over 2.4 Mn sq. ft. of GLA in commercial properties in Dubai

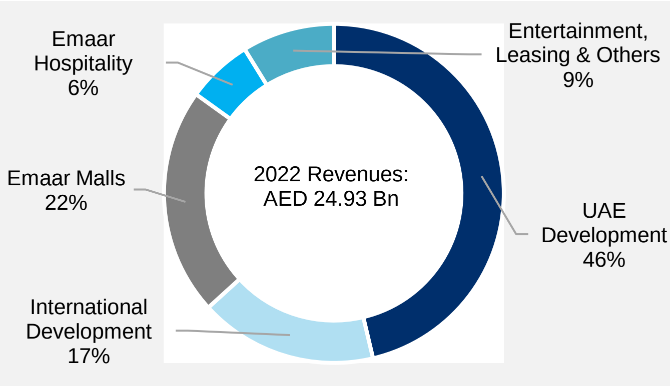
*Sources: Emaar Properties, *After merger with Emaar Properties in November 2021, Emaar Malls PJSC got delisted from DFM*

Dubai 2040 Urban Master Plan + D33 agenda should drive EP's future portfolio

EP's portfolio of assets as of 2022 stood at a book value of AED 132 Bn with UAE Development contributing 57% of the total assets. UAE Development (48%) followed by Retail & leasing (29%) dominated the fair value of the company's asset mix. Apart from ongoing expansion plans for each of EP's segments, we believe that the portfolio mix going forward should be supported by the strategic roadmaps set by the Government Dubai through initiatives such as the Dubai 2040 Urban Master Plan and D33 agenda.

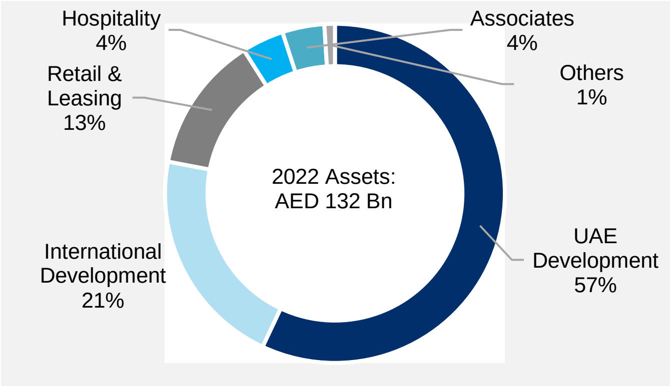
Specific to real estate and infrastructure, the original Dubai 2040 Urban Master Plan aims to drive population growth from 3.3 Mn to 7.8 Mn by 2040. Further the updated plan involves modernizing infrastructure amongst major urban centers designated for residential, business & financial activities, tourism and entertainment, logistics & exhibitions, along with technology and knowledge. The designated land area for hotels and tourist areas is targeted to increase by 134% to 168 sq. km, while the length of public beaches is slated to jump by 400%. Further, the Dubai Land Department launched its new strategic plan for 2026 under five main pillars and aims to enhance the contributions of the real estate sector to Dubai's GDP. In 2023, The Dubai Economic Agenda D33 was approved that includes 100 transformative projects, with economic targets of AED 32 trillion, doubling foreign trade to reach AED25.6 trillion and adding 400 cities as key trading partners over the next period.

EP revenue split -2022



Source: Company data

EP BV of assets split -2022



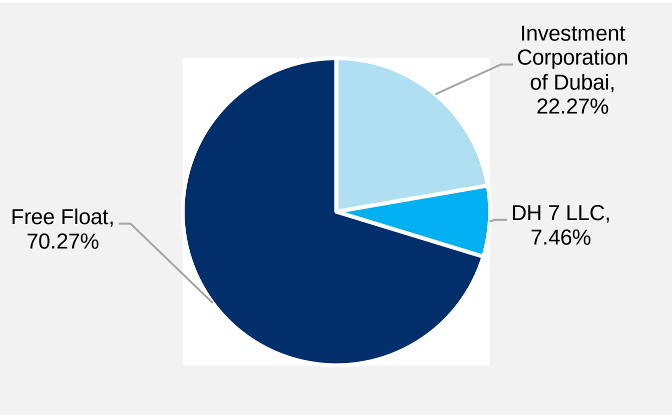
Source: Company data

Emaar's product portfolio across its business segments stand to benefit from these strategic plans of the Government of Dubai, given its master developer status and conglomerate structure of doing business. Further, the management will have the flexibility in remaining opportunistic when it comes to increasing exposure to specific segments.

ICD is EP's top shareholder

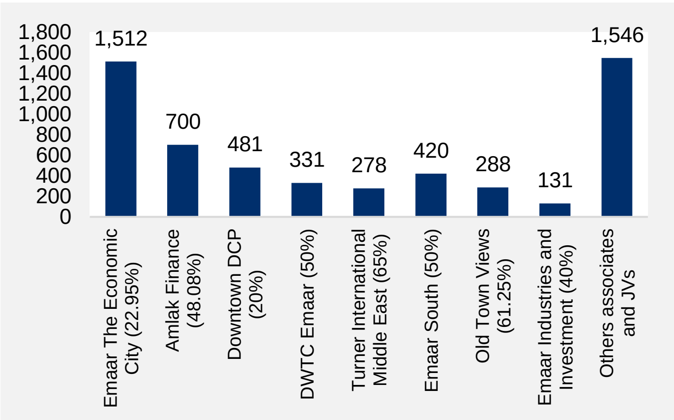
The key strategic shareholder in Emaar Properties is Investment Corporation of Dubai (ICD) with a holding of 22.27%. ICD was established in 2006 as the principal investment arm of the Government of Dubai and provides strategic oversight for Dubai's investment strategy. DH 7 LLC follows with a stake of 7.46%, which was acquired as part of Dubai Holding's sale of 50% share in Dubai Creek Harbour (DCH) to Emaar Properties. In Oct 2022, Emaar's Board and regulators approved the increase of foreign ownership limit (FOL) from 49% to 100%.

EP shareholding pattern



Source: DFM as on 21 Jun 2023

EP associates & JVs carrying value (AED Mn)



Source: Company data - Q1-2023 financials

EP's associates and JV portfolio largely includes real estate and infrastructure related investments. The company's listed investments include Emaar The Economic City (22.95%) – the master developer of King Abdullah Economic City in Saudi Arabia, and Amlak Finance (48.08%) – the Shariah compliant real estate financier based out of Dubai. Other investments include Downtown DCP with a 20% stake in the district cooling facility of Downtown, EP's equity accounted JV in the Emaar South project (50%), and Turner International Middle East (65%) – a project management and construction management consultancy.

Board of Directors & Management Team

Board of Directors	Title
Mr. Jamal Bin Theniyah	Chairman
Mr. Ahmed Jawa	Vice-Chairman
Mr. Mohamed Ali Alabbar	Managing Director
Mr. Ahmad Al Matrooshi	Executive Board Member
Mr. Jassim Al Ali	Board Member
H.E. Eng. Sultan Al Mansoori	Board Member
Mr. Helal Al Marri	Board Member
Mr. Buti Al Mulla	Board Member
Ms. Eman Abdulrazzaq	Board Member
Management	Title
Mr. Mohamed Ali Alabbar	Managing Director
Mr. Ahmad Thani Rashed Al Matrooshi	Executive Board Member
Mr. Amit Jain	Group CEO
Mr. Hesham Heikal	Group CFO
Mr. Ahmed Wassim Al Arabi	Group CEO, Malls
Mr. Ahmad Al Falasi	Executive Director, Group Operations
Ms. Maitha Al Dossari	Head of Central Functions
Mr. Ayman Elnaggar	Group General Counsel
Mr. Bhaskara Santosh	Head of Sales
Ms. Alma Au Yeung	Head of Marketing
Mr. Richard Nigel Shirley	Head of Projects, Emaar Development
Mr. Mark Kirby	COO, Emaar Hospitality

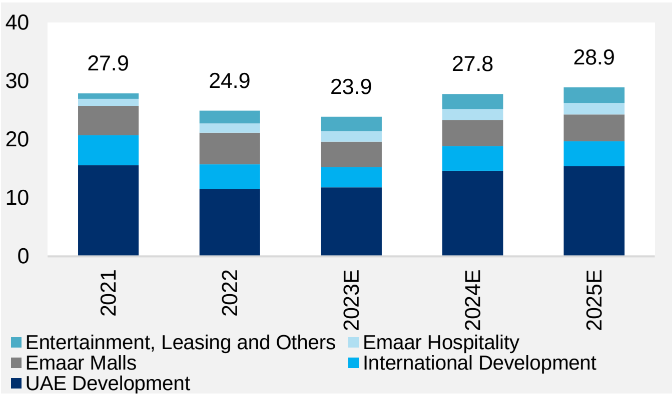
Source: Emaar Properties Annual Report - 2022

Running the numbers – Group financial forecasts

Revenues and adjusted EBITDA

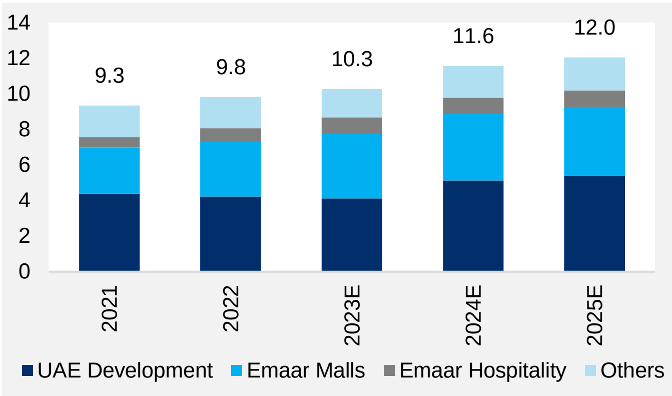
We forecast EP group revenues of AED 23.9 Bn in 2023E, down 4.3% y-o-y from AED 27.9 Bn in 2022E, on lower International Development revenues ascribed to EGP devaluation, and lower sequential Emaar Malls revenue recognition in 2023E from the sale of Namshi. Normalizing for the sale of Namshi, we expect group revenues to grow by 2.6% y-o-y. We expect revenues to grow at CAGR of 10.1% over 2023E-25E, on higher ED revenues from the full year recognition of construction commencement of sales achieved in 2022 & early-2023. Other drivers include organic growth in Emaar Malls footprint and higher average rents on tenancy renewals.

Revenues by segment (AED Bn)



Source: Kamco Invest Research, Company data

Adjusted EBITDA (AED Bn)



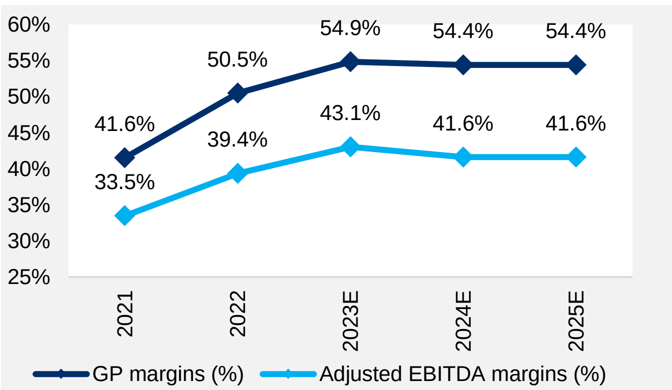
Source: Kamco Invest Research, Company data

Adjusted EBITDA should come in at AED 10.3 Bn as per our model forecasts, and grow to AED 12 Bn by 2025E, driven by a higher recurring business EBITDA contribution (51%-52%). In 2024E and 2025E, ED EBITDA should also pick up on higher revenue recognition of construction progress from the sales achieved within various masterplans.

Group margins, adjusted net income & dividends

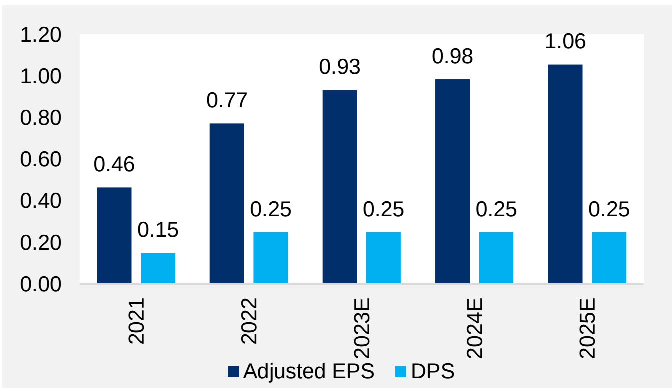
Group margins (Adjusted EBITDA and NI) should improve by +350bps-450bps on better revenue mix tilt towards recurring businesses, and exclusion of lower margin businesses such as Namshi sequentially post its sale. Group Adjusted EBITDA margins (+54%) and group net margins (+41%) should normalize slightly in 2024E and 2025E, from higher ED revenues contribution.

Margins (%) – GP & Adjusted EBITDA



Source: Kamco Invest Research, Company data

EPS & DPS (AED)



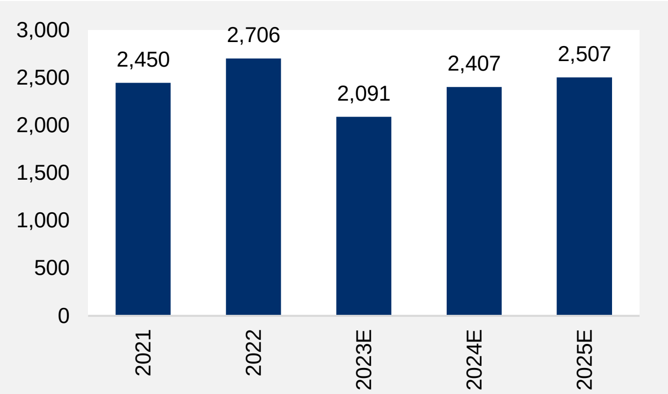
Source: Kamco Invest Research, Company data

Adjusted EPS for the group is expected to come in at AED 0.93/share in 2023E and grow to AED 0.98/share and AED 1.06/share by 2024E & 2025E respectively, from economies of scale of EP's different business, and higher margins. EP' Board of Directors recently approved a new dividend policy aimed at raising dividend levels as the profitability of the company improves. Further the board can also propose special dividends on a discretionary basis after considering Emaar's long-term strategy. According to the policy, a 20% payout as percentage of share capital is applicable based on an annual consolidated net profit to equity shareholders equal to or > AED 7 Bn. We leave EP's DPS unchanged at AED 0.25/share as Emaar Development moves into construction of sales achieved in 2022 & early-2023, however we do not rule out a dividend upside surprise with special dividends.

Capex and core productive assets

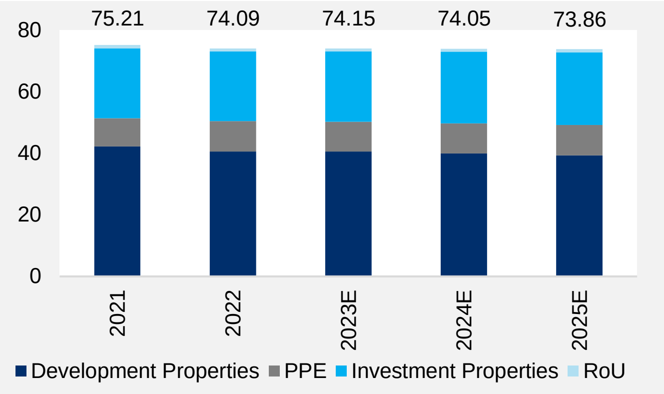
EP's management provided capex guidance of AED 12 Bn-15Bn over the next five years, which are reflected in our forecasts. Majority of the capex is earmarked to go to DCH on plans for construction of a centerpiece and a mall similar to Dubai Hills mall and a recurring revenue portfolio in Emaar Misr of retail, hotel and entertainment assets.

Group capex (AED Mn)



Source: Kamco Invest Research, Company data

EP core productive assets profile (AED Mn)



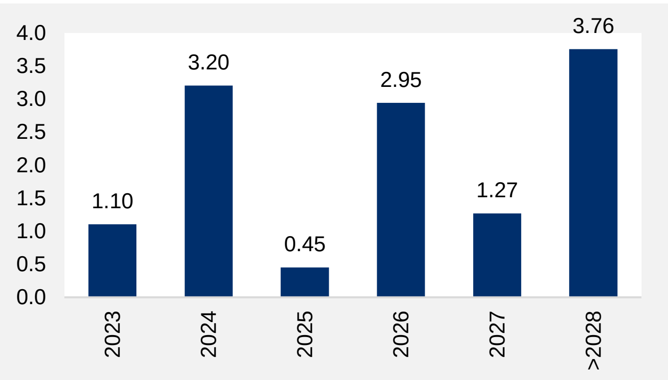
Source: Kamco Invest Research, Company data

The core operating productive assets of EP are dominated by development properties from ED and investment properties from recurring assets. We model sales and construction progress of development properties and recognize revenue based on completion and handover, while property development costs are booked under COGS. For investment properties, we model organic additions across the company's recurring portfolio assets. Both development properties and investment properties should contribute over 85% of the EP's core productive assets at around AED 63 Bn according to our 2023E-25E forecasts.

Debt profile and net debt/cash

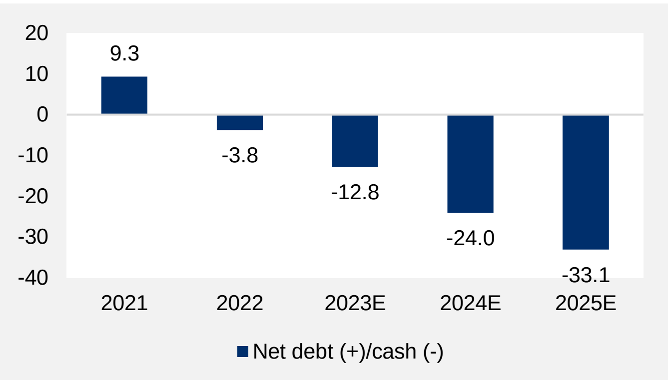
Nearer term debt maturity includes Emaar International's AED 1.10 Bn for 2023E, and AED 3.20 for 2024E which mainly includes Emaar Malls Sukuk 2024E. The total debt outstanding at the end of Q1-2023 stood at AED 12.73 Bn.

EP debt maturity profile (AED Bn) – Mar 2023



Source: Kamco Invest Research, Company data

Net debt forecasts (AED Bn)



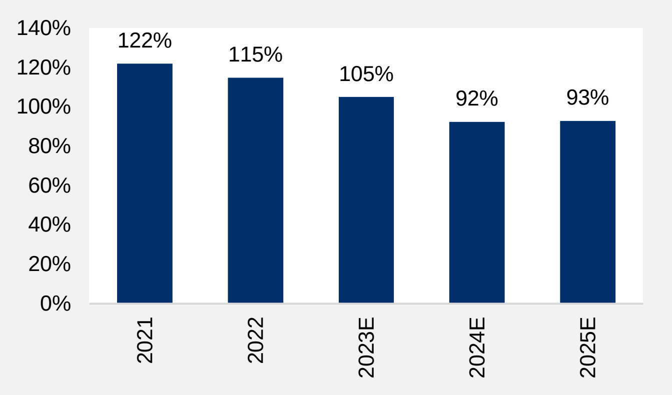
*Source: Kamco Invest Research, Company data, * before escrow cash adjustments*

Strong cashflows from Emaar's UAE development business and recurring businesses should translate into higher cash generation for the company, further strengthening the net cash position from 2022 (AED 3.8 Bn prior to escrow adjustments) that should reach AED 12.8 Mn of net cash by 2023E.

OCF/EBITDA conversion and ROE

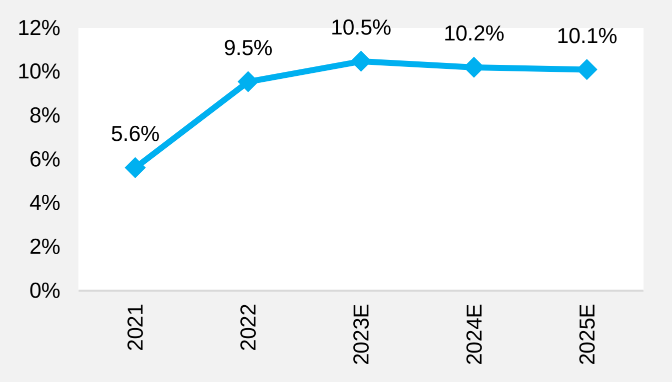
We forecast OCF (excluding NCW) /adjusted EBITDA conversion to be extremely strong at ~97% average over 2023E-25E on streamlined operations and revenue visibility for EP's main business segments.

OCF (excluding NCW) /adjusted EBITDA conversion



Source: Kamco Invest Research, Company data

ROE (%)



Source: Kamco Invest Research, Company data

In terms of returns on capital, the return on equity is expected to continue to recover by almost 100 bps to 10.5% in 2023E, and should remain above 10% over 2024E and 2025E, as operational revenues stabilize fully and achieve the benefits of higher pricing of products and organic growth.

Emaar Properties Financials

Balance Sheet (AED Mn)	2021	2022	2023E	2024E	2025E
Assets					
Cash & cash equivalents	8,539	18,289	25,411	33,948	42,447
Receivables	16,586	22,218	22,218	22,218	22,218
Other assets	17,431	8,003	7,472	7,974	8,265
Total current assets	**42,556**	**48,511**	**55,101**	**64,140**	**72,930**
Net property, plant and equipment	9,157	9,884	9,657	9,832	9,881
Intangibles	745	212	209	206	202
Other assets	68,156	73,757	71,464	71,403	71,397
Total assets	**120,614**	**132,364**	**136,431**	**145,581**	**154,410**
Liabilities					
Liabilities	35,000	42,440	41,823	44,480	46,383
Total debt	17,872	14,498	12,649	12,417	11,997
Total liabilities	**52,872**	**56,938**	**54,472**	**56,897**	**58,380**
Shareholders' Equity					
Share capital	8,180	8,839	8,839	8,839	8,839
Retained earnings	33,490	38,162	44,194	50,670	57,766
Minority Interest	6,027	6,428	6,928	7,178	7,428
Other Equity	20,045	21,998	21,998	21,998	21,998
Total Equity	**67,742**	**75,426**	**81,958**	**88,684**	**96,031**
Total liabilities and equity	**120,614**	**132,364**	**136,431**	**145,581**	**154,410**

Income Statement (AED Mn)	2021	2022	2023E	2024E	2025E
Revenue	27,896	24,926	23,862	27,778	28,941
Cost of goods sold	-16,304	-12,338	-10,773	-12,657	-13,190
Gross profit	**11,592**	**12,587**	**13,088**	**15,120**	**15,751**
SG&A	-4,052	-3,522	-3,102	-3,889	-4,052
Other operating adjustments	253	260	286	333	347
Adjusted EBITDA	**7,792**	**9,325**	**10,273**	**11,565**	**12,047**
Depreciation and amortization	-1,239	-1,269	-1,310	-1,341	-1,373
Adjusted EBIT	**6,554**	**8,056**	**8,962**	**10,224**	**10,674**
Finance costs	-1,280	-981	-927	-861	-778
Finance income	430	1,057	1,102	1,364	1,542
Share associates and other income	382	345	1,034	394	421
Adjusted net income before taxes	**6,085**	**8,477**	**10,171**	**11,122**	**11,859**
Provision for Income Taxes	-407	-338	-544	-1,001	-1,067
Adjusted net income after taxes	**5,678**	**8,139**	**9,628**	**10,121**	**10,792**
Minority interest	-1,877	-1,307	-1,386	-1,436	-1,486
Adjusted net income attributable to parent	**3,801**	**6,832**	**8,242**	**8,685**	**9,306**
Adjusted EPS (AED)	**0.46**	**0.77**	**0.93**	**0.98**	**1.05**

Source: Kamco Invest Research and Emaar Properties PJSC

Cash Flow (AED Mn)	2021	2022	2023E	2024E	2025E
Net cash from operating activities	10,561	18,942	11,235	12,818	12,723
Net cash (used in) from investing activities	(2,756)	(2,532)	1,697	108	331
Net cash from (used in) financing activities	(6,041)	(5,970)	(5,810)	(4,389)	(4,554)
Change in cash and cash equivalents	1,763	10,440	7,121	8,537	8,499
FX and other adjustments	1,072	(689)			
Cash and cash equivalents at the end of the year	**8,539**	**18,289**	**25,411**	**33,948**	**42,447**

Valuation & Financial Ratios	2021	2022	2023E	2024E	2025E
Asset Structure and Leverage Ratios					
Total Debt / Total Assets (x)	0.15	0.11	0.09	0.09	0.08
Total Debt / Equity (x)	0.26	0.19	0.15	0.14	0.12
Total Liabilities/Equity (x)	0.78	0.75	0.66	0.64	0.61
Profitability Ratios					
Return on Average Equity (%)	5.6%	9.5%	10.5%	10.2%	10.1%
ROIC (%)	7.2%	8.6%	8.9%	9.1%	8.9%
Margins					
Gross profit margin (%)	41.6%	50.5%	54.9%	54.4%	54.4%
EBITDA margin (%)	27.9%	37.4%	43.1%	41.6%	41.6%
EBIT margin (%)	23.5%	32.3%	37.6%	36.8%	36.9%
Net profit margin (%)	13.6%	27.4%	34.5%	31.3%	32.2%
Per Share Data and Valuation Ratios					
Earnings Per Share (AED)	0.46	0.77	0.93	0.98	1.05
Book Value Per Share (AED)	8.3	8.5	9.3	10.0	10.9
Dividend Per Share (AED)	0.15	0.25	0.25	0.25	0.25
PE (x)	10.5	7.6	7.0	6.6	6.2
EV/EBITDA (x)	6.7	5.6	5.0	3.7	2.9
PB (x)	0.6	0.7	0.7	0.7	0.6
Dividend Yield (%)	3.1%	4.3%	3.8%	3.8%	3.8%

Source: Kamco Invest Research and Emaar Properties PJSC

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Kamco Investment Company - K.S.C. (Public)
Al-Shaheed Tower, Khalid Bin Al-Waleed Street- Sharq
P.O. BOX : 28873, Safat 13149, State of Kuwait
Tel: (+965) 2233 6600   Fax: (+965) 2249 2395
Email : kamcoird@kamcoinvest.com
Website : www.kamcoinvest.com