

Buy

TP Dh3.00

RBS Refiner

Price (close 14 Feb)	Dh2.98
3M high/low	Dh3.02/2.39
Market cap	Dh18.17bn
Av (12M) turnover	Dh37.28m
Freefloat	68.78%
Reuters	EMAR.DU
Bloomberg	EMAAR UH
Net debt (cash) FY10	Dh8700.87m
3yr EPS CAGR 11-13F	(9.1)%
Income (2012F div yield)	3.4%

Source: Rasmala forecasts, Bloomberg

RBS vs consensus

EPS (Dh)	RBS	Cons	% diff
2012F	0.31	0.31	0%
2013F	0.30	0.30	0%
2014F	0.33	NA	NA

Source: Rasmala forecasts, Reuters

Price performance

	(1M)	(3M)	(12M)
Price (Dh)	2.50	2.67	3.25
Absolute (%)	19.2	11.6	-8.3
Rel to mkt*(%)	4.0	1.4	-3.7

*DFM General Index

Source: Bloomberg

Key events

Date	Event
Apr-12	1Q12 results

Source: Company

Emaar Properties

Solid 4Q11 results

Revenue was in line with our expectation, but net income was significantly higher than our forecast, by 22%, mainly on a better-than-expected gross margin. At its AGM, we expect Emaar Properties to announce a 10% cash dividend for the year, which translates to Dh0.10 per share, in line with the dividend announced for FY10.

Event: Solid 4Q11 bottom line beat mainly on higher-than-expected gross margin

Emaar reported 4Q11 revenue of Dh2.24bn (up 20% qoq and down 42% yoy), almost in line with our forecast of Dh2.20bn and the Bloomberg consensus estimate of Dh2.19bn. At Dh933m, revenue from the recurring income portfolio (up 24% qoq and 7% yoy), was in line with our forecast of Dh920m. We expected a seasonally strong quarter for recurring income. Revenue from property sales, at Dh1.3bn, was up 18% qoq and down 56% yoy. However, net profit, at Dh716m (up 76% qoq and up 162% yoy), was 22% higher than our forecast of Dh586m and 56% higher than consensus of Dh460m. The earnings beat was mainly due to the gross margin exceeding our forecast of about 50% by 670bp. Our gross margin forecast was almost in line with the average gross margin of the past three quarters. The company also recognised impairments of Dh92m during the quarter. Net profit ex-impairments was Dh808m.

Forecasts: No change for now

The company closed the year with total revenue of Dh8.11bn (down 33% yoy) and net profit of Dh1.79bn (down 27% yoy). For the full-year 2011, recurring income from hospitality and retail assets contributed 41% of the total income, compared with 24% in 2010, mainly due to a significant 49% yoy decline in revenue from property sales and partly due to a 17% yoy increase in recurring income. In 2011, Emaar handed over 350 residential units and 800,000 sq ft of commercial space in Dubai, and 604 units in other international markets. Although the contribution of local operations to total revenue dropped yoy, the contribution from international operations rose to 22% from 8% in 2010. We expect this trend to consolidate further in 2012-13 as the pace of delivery of international units, especially in Saudi, picks up steam.

Valuation: We maintain a Buy and a target price of Dh3.00

At its upcoming annual general meeting, we expect the company to announce a 10% cash dividend for the year, which translates to Dh0.10 per share (dividend yield of 3.4%), in line with the dividend announced for FY10. We have a Buy rating on the stock with a TP of Dh3.00 per share. We expect the stock to see positive action on strong earnings in today's opening trade. We will revisit our forecasts and price target after the availability of detailed financials.

Key forecasts

year to Dec	FY09A	FY10A	FY11F	FY12F	FY13F
Gross rental income (Dhm)	1,510	1,901	2,133	2,175	2,199
Normalised PTP (Dhm)	2,028	2,478	1,899	2,085	2,037
Norm fully diluted EPS (Dh)	0.05	0.40	0.27	0.31	0.30
Dividend per share (Dh)	0.00	0.00	0.10	0.10	0.10
Dividend yield (%)	0.00	0.00	3.36	3.36	3.36
Adj NAV per share (Dh)	4.70	5.10	5.27	5.58	5.88
Disc/(prm) to adj NAV (%)	36.70	41.50	43.40	46.60	49.30

Accounting standard: IFRS

Source: Company data, Rasmala forecasts

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Important disclosures can be found in the Disclosures Appendix.

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RBS Equities Forecasts: Emaar Properties

Income statement

Dhm, year to December	FY09A	FY10A	FY11F	FY12F	FY13F
Net rental income	1510	1901	2133	2175	2199
Prop development income	6236	9270	4721	3749	1841
Other revenue	667.2	979.6	1226	1230	1245
Total property income	8413	12150	8081	7153	5285
Other costs	-5358	-8715	-5129	-4427	-2818
EBITDA	3056	3436	2952	2726	2467
DDA & Impairment (ex gw)	-635.7	-804.6	-729.6	-702.9	-674.0
EBITA	2420	2631	2223	2024	1793
Goodwill (amort/impaired)	0.00	0.00	0.00	0.00	0.00
EBIT	2420	2631	2223	2024	1793
Associates (pre-tax)	-534.5	-430.5	-267.5	-80.0	-20.0
Net interest	139.0	-90.0	-107.2	-165.7	-49.0
Other pre-tax items	3.35	367.8	50.7	306.8	313.5
Reported PTP	2028	2478	1899	2085	2037
Taxation	23.5	-1.44	-30.4	0.00	0.00
Minority interests	37.9	-28.8	-205.2	-200.5	-200.5
Other post-tax items	-1762	0.00	0.00	0.00	-0.00
Reported net profit	327.3	2448	1663	1884	1837
Dividends declared	0.00	0.00	-609.6	-609.6	-609.6
Tot normalised items	0.00	0.00	0.00	0.00	0.00
Normalised EBITDA	3056	3436	2952	2726	2467
Normalised PTP	2028	2478	1899	2085	2037
Normalised net profit	327.3	2448	1663	1884	1837

Balance sheet

Dhm, year ended December	FY09A	FY10A	FY11F	FY12F	FY13F
Cash & market secs (1)	2797	2468	1682	1577	2771
Props under dev	31076	26492	25300	24472	24031
Other current assets	1388	4170	3904	3824	3744
Investment prop	8546	8110	7955	7642	7341
Other non-current assets	20338	21264	20963	20394	19801
Total assets	64145	62504	59804	57909	57688
Short term debt (2)	4500	4455	3309	1709	909.4
Long term debt (3)	4125	6714	7171	6671	6071
Other liabilities	26641	21794	18544	16664	15806
Total liabilities	35266	31204	27260	23280	21022
Total equity (incl min)	28879	31300	32544	34629	36666
Total liab & sh equity	64145	62504	59804	57909	57688
Net debt	5828	8701	8799	6803	4209

Cash flow statement

Dhm, year to December	FY09A	FY10A	FY11F	FY12F	FY13F
EBITDA	3056	3436	2952	2726	2467
Change in working capital	-5012	-3320	-1892	-772.0	-137.4
Net interest (pd) / rec	0.00	90.0	107.2	165.7	49.0
Taxes paid	-3.00	3.13	-2.57	0.00	0.00
Other oper cash items	327.4	255.7	120.3	141.2	264.5
Cash flow from ops (1)	-1632	464.3	1285	2261	2643
Capex (2)	-1866	-778.8	-227.6	-100.0	0.00
Disposals/(acquisitions)	6.42	606.5	40.8	0.00	0.00
Other investing cash flow	-930.7	-2626	-30.9	219.3	221.3
Cash flow from invest (3)	-2790	-2798	-217.6	119.3	221.3
Incr / (decr) in equity	0.00	0.00	0.00	0.00	0.00
Incr / (decr) in debt	1196	816.5	-2515	-2100	-1400
Ordinary dividend paid	-3.57	-1.21	-582.3	0.00	0.00
Preferred dividends (4)	0.00	0.00	0.00	0.00	0.00
Other financing cash flow	17.2	1444	1351	-385.0	-270.3
Cash flow from fin (5)	1210	2259	-1746	-2485	-1670
Forex & disc ops (6)	-102.2	-11.9	-15.2	0.00	0.00
Inc/(decr) cash (1+3+5+6)	-3315	-86.7	-693.9	-104.4	1194
Equity FCF (1+2+4)	-3498	-314.5	1057	2161	2643

Source: Company data, Rasmala forecasts

Disclosure Appendix

Recommendation structure

Absolute performance, long term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price and only reflects capital appreciation. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%.

Performance parameters and horizon: Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

Target price: The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon. In this way, therefore, the target price abstracts from the need to take a view on the market or sector. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value, the target price will differ from 'fair' value.

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