

Emerging Markets Region-

MENA Desk (ICG)

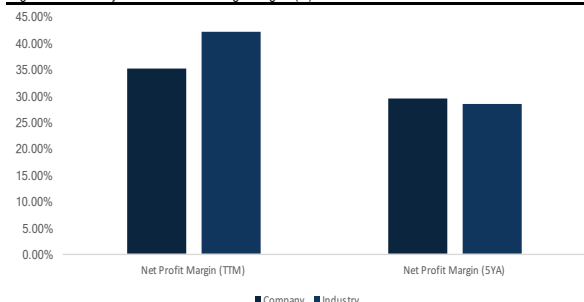
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Written by

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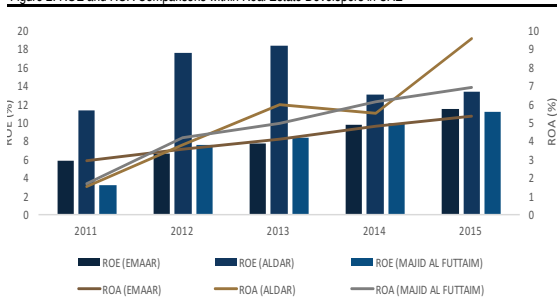
Analyst

Figure 1: Profitability TTM vs 5 Year Average Margins (%)



Source: Investing.com

Figure 2: ROE and ROA Comparisons within Real Estate Developers in UAE



Source: Bloomberg

UAE's Real Estate Industry Emaar Properties

Emaar Properties is one of the world's top companies, with a ranking of 893 on Forbes' Global 2000 of the world's biggest public listed companies⁵. It is also a public joint stock company on the Dubai financial market and a pioneer of the development of integrated master-planned communities in Dubai's real estate. It has its portfolio of competencies in property, shopping malls and retail, as well as in hospitality and leisure². In Dubai, it has been ranked as one of the top nine builders of properties. With 11 years of experience, and the 35 projects that are currently underway, Emaar properties has aspirations to dominate the market and these aspirations have been met by profit growth over the past year. With a strong presence within the Emirates, Emaar Properties has expanded its operations in several global markets, spanning Middle East, North Africa, Pan-Asia, Europe and North America.

Robust portfolio solidifies Emaar's market position

Emaar properties' comparative advantage lies in being the pioneer of master-planned communities that has allowed it to have a robust portfolio of real estate developments in Dubai. The results of its integration of lifestyle destinations is its 500-acre, US\$ 20 billion flagship development: Downtown Dubai, which is also being described as the "The Centre of Now". It features iconic skyscrapers and tourist hotspots such as the Dubai Mall, the world's largest shopping and entertainment destination; The Dubai Fountain, the tallest performing fountain; as well as the Burj Khalifa, the world's tallest building. Downtown Dubai has become a thriving lifestyle community with state-of-the-art residences, commercial offices, hotels and shopping and leisure destinations¹. An attraction for millions of tourists, Emaar Properties iconic developments has significantly contributed to the economy in more than one way.

Constant Improvements and Innovative Developments

Emaar Properties' repertoire of developments was further expanded in 2013. Apart from strong investor response in its expansion of its residences within the District, it has also decided to launch its newest creative project: The Opera District in Downtown Dubai. Primed to be the landmark of the region's cultural destination, this district is set to include Dubai Opera, the country's first dedicated opera house and even the premium and first residential tower¹.

Reputation continually grows with its successes

Emaar's successes have not gone unrecorded as it continues to win a number of international, regional and local awards for its strict commitment to operational excellence and standards. Amongst the collection of awards gained by its developments, its most significant award derives from the balance in its business model that has allowed it to thrive. The Emaar Community Management was announced the winner in Customer Service and in the Overall Discipline Specific category at the International Business Excellence (IBX) Awards 2016⁴. This recognises its quality efforts in maintaining strong client relationship; corporate social responsibility; successful entry into emerging markets; effective implementation of an Ecommerce strategy as well as its ability to effectuate strategic change⁶. These awards indicate the world-class reputation Emaar Properties holds as a real estate developer within the Emirates.

Alliances and partnerships are key

Emaar's successes are not always founded solely based on its own capabilities and resources. It has formed several strategic partnerships and alliances with other developers and state government that have greatly expand its hold on the market and further boost its position in the growing Dubai property sector. Emaar properties has signed a memorandum of understanding (MoU) to

develop an integrated urban centre and golf destination in a prime location at Dubai World Central¹. This support for the Emirate's bid to host the best World Expo ever would undoubtedly foster better relationships with the state upon its success. It also further indicates Emaar's commitment to the state in their operations which would boost their reputation within the Emirates.

Its strategic alliances also highlights Emaar's continual strive to look towards the future to unlock greater opportunities. It has signed a joint venture agreement with Dubai Holding to embark on a magnificent waterfront city that will be the new iconic face of Dubai's future. This development would take place within Mohammed Bin Rashid City (MBR City) which aims to boost the standard and quality of living at an affordable price would be a statement of confidence in the future of Dubai and is highly regarded by the state⁷. The master-planned city uses state-of-the-art technology networks and spans over an area of 6 million square metres. The undertaking of such an impressive task not only highlights Emaar's ability in quality developing, but also, its ability to be future-oriented in seizing opportunities.

Globally renowned and respected

Its international presence has also been growing. Emaar has established operations abroad in Saudi Arabia, Syria, Jordan, Lebanon, Egypt, Morocco, India, Turkey, Italy, Pakistan, USA and Canada². Its portfolio of development is diversified and spreads over the various countries. For instance, in Egypt, it has plans to develop an upmarket tourism resort and a master-planned residential project in Marassi and Uptown Cairo respectively. In Hyderabad, Southern India, it is also currently developing a world-class leisure and residential community, called Boulder Hills¹. This signifies its presence on a global scale.

Potential for peripheral business growth

Apart from being a developer, Emaar properties also owns and manages a diversified portfolio of hospitality assets. This includes hotels, serviced residences, lifestyle dining outlets and clubs. The hospitality industry is facing a fast-growing segment of value-conscious leisure and business travellers. Emaar has come up with its new collection of hotels- provides authentic, innovative styles, which are completely functional, comfortable- to target this segment of the market. Furthermore, with the worldwide luxury market growing to US\$850 billion mainly due to greater demand in the luxury hospitality sector⁸, Emaar Hospitality Group has formed an alliance with Giorgio Armani S.p.A. to build and manage Armani Hotels & Resorts across the world¹. By tapping on the luxurious reputation of their partnerships, Emaar can penetrate the high-end market of travellers with greater ease. Its revenues of US\$1.307 billion from leisure and hospitality accounts for 46% of its total revenue in 2013 and this is poised to grow in the coming years³.

Fundamentals are strong and steady

Emaar's financial ratios indicate it is performing above industry standards. With its long-term debt to equity ratio at 37.11%, it is able to weather the downturns in the property market. Its current ratio of 1.92 indicates it would be able to pay off its short term debts quickly. Its unchanged dividend per share of 0.15 (AED) is steady and attracts more investors to ensure greater resilience in enduring tough times. Despite its twelve-month-trailing net profit margin being 7% lower than industry standards, but its 5 year average net profit remains above industry standards (Fig. 1). Moreover, it can be seen that the return on equity of Emaar Properties is increasing steadily compared to its competitor, Aldar Properties (Fig. 2). Its return on assets is also increasing. This is in line with the company's aim to become more efficient in managing their assets and overall running of their business.

Headlines

- Robust portfolio solidifies Emaar's market position
- Constant improvements and innovative developments drive growth
- Reputation continually grows with its successes
- Alliances and partnerships remain key in Emaar's continued success
- Emaar remains respected on a local, regional and global stage
- Peripheral business are diversified and have the potential for growth
- Fundamentals look strong to weather downturns as Emaar continues to improve operational efficiency

Contacts

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