



Overview:

FY15 profits jumped 29% YoY to AED195mn, following a stable topline as well as on reaping the benefits of the restructuring strategy put in place in 2014. The firm is adopting the IFRS 15 early and with that—revenues from property development and sales are likely to be smoother looking forward. Price multiples at 7.16x Earnings and at 0.54x Book Value look attractive, especially compared to similar-sized listed peers (ie, with market capitalization of ca. AED3bn and below). Manazel last traded at AED0.56, 1.82% higher from the prior session.

Results Summary:

- The restructuring strategy set in place in 2014 is starting to pay off for Manazel. Its topline has remained stable despite the challenges that the industry, as a whole, is facing.
- Healthy appetite for mid-income housing developments, such as Manazel’s Al Reef 2 Villas ensures stability of the core business. Meanwhile, diversification into non-cyclical revenue streams such as leasing (mall and other retail areas), districting cooling, and ancillary services such as property and facilities management, lends support to the core business of property sales and development.
- In 2015, Manazel focused on the development of Al Reef 2. This project consists of 860 villas located in Samha, near Kizad and Khalifa Port in Abu Dhabi. The location is strategic between Dubai and Abu Dhabi, and in light of all the potential opportunities to be brought on by the Expo 2020, the project’s attractiveness is enhanced. As of end-2015, Manazel had sold most of the units in Reef 2.
- Manazel’s district cooling assets serve the firm two-ways: (1) Expand the Recurring Revenue Base and (2) Improve Cost Efficiency. As the district cooling plant’s capacity is utilized more (through increased usage most likely brought on by more retail and commercial spaces leased and more residential units occupied), revenues from the service consequently improved. Meanwhile, the energy-efficient plants have reduced maintenance and operational costs for the company. As such EBITDA Margin improved by more than 430bps to end 2015 at ca. 35.67%.
- The company also disclosed that the acquisition of non-controlling interest of two of its subsidiaries in 2014 allowed Manazel to strengthen cash flows, improve profitability and management control, in preparation for expansion. More details on these and further analysis should be available once the firm’s Audited Financial Statements become available.

(AEDmn, except ratios)	2014	2015	Change (%)
Revenue	738.61	739.93	0.18
Gross Profit	231.48	243.91	5.37
EBITDA	231.26	263.93	14.13
Net Profit	151.65	195.47	28.89
Total Assets	3,626.84	4,191.06	15.56
Shareholders' Equity	2,015.58	2,601.67	29.08
EPS	0.05	0.08	42.55
BVPS	0.81	1.04	29.08
Price to Earnings (x)			7.16
Price to Book Value (x)			0.54

*Market data are courtesy of Thomson Reuters. Prices, as of 15 February 2016 (AED0.56)
Source: Manazel*

Company	MCAP (AEDmn)	FY15 Profits	YoY Growth (%)	PE (x)	PB (x)
MANAZEL	1,400.00	195.47	28.89	7.16	0.54
DEYAAR	2,802.33	291.35	3.37	9.62	0.60
ESHRAQ	1,395.00	-11.44	-97.87	NEG	0.71
RAKPROP	1,120.00	160.10	2.79	7.00	0.30
UPP	2,524.13	434.61	-49.76	5.67	0.47
Average	1,848.29	214.02	-22.51	7.36	0.52

Market data are courtesy of Thomson Reuters. Prices, as of 15 February 2016

Important Notice and Disclaimer

Notice: (1) Al Ramz Research and Advisory has an existing Financial Advisory Coverage Agreement with Manazel. (2) In the interest of timeliness, this report has not been edited.

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