

Arqaam Capital Confirms Al Mazaya Holding's Fair Value per share at KWD 160 Fils

Arqaam Capital has confirmed Al Mazaya Holding's fair value per share at KWD 160 Fils, 50 per cent higher than its current trading price at the Kuwaiti Stock Exchange.

According to a report issued by ARQAAM Capital, the new valuation is justified by the robust growth incentives of Al Mazaya Holding's investments, which are centered in Kuwait, UAE, Saudi Arabia, Oman, Bahrain and Turkey. In addition, the profit mix generated by the company's real estate sales and rental returns earned the company the high valuation.

The report indicated that the Earnings Multiplier of Mazaya Holding's share at the current prices proves the resilience and attractiveness boasted by the company as compared to other firms, with its 2014's Earnings Multiplier placed at 8.6 times and 2015's at 7.4 times. The report forecasts that the multiplier will reach up to 6.1 times during this year, attributing the share's resilience to the company's ability to increase its total profit value over the coming 5 years.

According to the report, Al Mazaya Holding has managed to deliver up to 10,000 real estate units through the 25 projects it has been developing since 2004 until now, a fact that reflects the company's operating resilience.

The report shed light on the profits achieved and those anticipated until 2019, 70 per cent of which will be rental returns due to the approaching final delivery dates, a fact that confirms the company's high operating returns and cash flows at the regional level.

The share valuation mechanism is mainly based on discounting cash flows of ready investment properties as well as those under development and the available for sale ones. When affirming the fair value of share at 160 Fils, 50 per cent is deducted from the value of the land portfolio owned by the company. Any anticipated growth in sale or rental prices of the existing or available for sale properties is ruled out as well when affirming the fair value of share. The surplus cash has not been utilised in any new projects over the coming years, and therefore, the report depends only on existing projects and those whose

development has already started, which means that no profit has been reaped from the available or cumulative cash all through the valuation period.

In the meantime, the report, while evaluating the company's investment properties, conservatively increased the capitalization rate 47 per cent, higher than the company's used rate and thus discounting the investment properties considerably. In addition, the company's debt service risks are very low given that the interest coverage multiplier equals 3.5.

The report highlighted Al Mazaya Holding's strengths at present and over the coming five years. The company's geographical investment diversity is likely to mitigate any operating risks, and rather keeps real estate returns at a stable growth level. In addition, according to the report, future earning quality is high, given that more than 60% of the incoming BUA is pre-sold.

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