



MAZAYA

AIM TO LEAD



Credit Rating
Announcement for
Al Mazaya Holding
Nov.22,2016

Al Mazaya Holding Company K.S.C.P. – Initial Corporate Ratings Assigned

Capital Intelligence Ratings (CI Ratings or CI), the international credit rating agency, today announced that it has assigned initial Corporate Ratings of 'BBB-' Long-Term and 'A3' Short-Term to Al Mazaya Holding Company K.S.C.P. The Outlook on the ratings is 'Stable'. The ratings are supported by the Group's well diversified business model, by its good liquidity which is supported by current high cash balances and a significant level of committed but undrawn lines, and by its sound profitability. Also supporting the ratings are the long-term nature of its funding structure and the sound EBIT finance charge coverage ratio. The main constraints on the rating at present are the high leverage and the growing proportion of the asset base that is encumbered. Other constraining factors are the small size of the asset base and the volatility in operational cash flow. The latter stems from the build-to-sell part of the business model but as the proportion of rental activities in the overall earnings mix grows, this volatility should reduce.

The small size of the balance sheet of the Company is mitigated by the diversification that has been achieved within both the asset base and in revenue streams. While revenue streams are real estate-related, they are diversified by geography and between develop-for-sale and rental properties. Even within the rental properties portfolio, there is further diversification by type of property/occupier.

Leverage was on the high side at end Q1, although it has been trending downwards. More important than the level of leverage, however, is the fairly comfortable debt to equity ratio and the fact that this debt has a largely medium-to-long maturity profile. While short-term debt is full covered by cash at present, the restricted nature of some cash balances mean that the importance of the committed but unused financing facilities is increased.

In terms of non-financial factors, the Group has a well developed strategic plan and a very detailed multi-year business plan that is subject to quarterly review and which is then updated if required. There are clear policies and targets in place. These include raising the proportion of income coming from rental activities, further diversifying both by geography and in terms of types or real estate and establishing a family of Al Mazaya Group brands.

Looking ahead, the current year should be a good one for the Group in terms of both net profit and cash generation – both are growing significantly, especially the cash balance from sales of completed units. Moreover, leverage should continue to fall – and is expected to drop below the 1.0 times level by year-end – and remain below this level going forward. Next year will see rising rental income but this will be offset by a probable fall in net income from the build-to-sell side of the business. Despite this, the expectation is for net profit attributable to shareholders to be maintained in 2017 with overall net profit to rise in 2018.

Al Mazaya Holding Company K.S.C.P. (Al Mazaya) was established in November 1998. The Company was listed on the Kuwait Stock Exchange (KSE) in 2005 and on the Dubai Financial Market (DFM) in 2006. The only shareholder with a stake in excess of 5% is Gimbal Holding Company with 23.97%. Al Mazaya is real estate developer that both builds to sell, as well as building and retaining rental properties. Developments have included residential units and commercial/office space, as well as a logistics centre in Bahrain. It operates in its home market Kuwait but in terms of developments for sale, the Company has been more active in recent years in the UAE market (principally in Dubai). There are also rather smaller operations in KSA (rental only), in Qatar and in three other MENA markets. The rental properties are spread between three markets, Kuwait (three properties), KSA (two properties) and the UAE (three properties) plus the Bahrain logistics centre. More recently, Al Mazaya entered into a project in Turkey (Ritim) for a mixed use development in Istanbul and is at an early stage on a development in Oman. The company operates on a Sharia'a compliant basis and all financing is now on an Islamic basis.

CREDIT RATINGS

Corporate Ratings		
Long-Term	Short-Term	Outlook
BBB-	A3	Stable

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The information sources used to prepare the credit ratings are the rated entity and public information. CI considers the quality of information available on the issuer to be satisfactory for the purposes of assigning and maintaining credit ratings. CI does not audit or independently verify information received during the rating process.

The rating has been disclosed to the rated entity and released with no amendment following that disclosure. This is the first rating for this entity.

The principal methodology used in determining the ratings is Corporate Rating Methodology. The methodology, the meaning of each rating category, the time horizon of rating outlooks and the definition of default, as well as information on the attributes and limitations of CI's ratings, can be found at www.ciratings.com. Historical performance data, including default rates, are available from a central repository established by ESMA (CEREP) at <http://cerep.esma.europa.eu>