

Rating Action: Moody's assigns definitive Baa2 rating to Emaar Malls Group and (P)Baa2 rating to EMG Sukuk Limited certificates

Global Credit Research - 05 Jun 2014

EMG Sukuk Limited a special purpose vehicle of Emaar Malls Group LLC

London, 05 June 2014 -- Moody's Investors Service has today assigned a definitive Baa2 long term issuer rating to Emaar Malls Group LLC ("EMG"). Concurrently, Moody's has assigned a provisional (P)Baa2 rating to the proposed issuance of trust certificates (or "sukuk") by EMG Sukuk Limited ("EMG Sukuk"), a special purpose vehicle of EMG. The outlook on the rating is stable.

Moody's will remove the rating's provisional status upon the satisfactory review of the final documentation.

RATINGS RATIONALE

Moody's considers the sukuk, which follows the structure of a "Wakala" transaction, to be a senior unsecured obligation. The rating agency's assignment of a provisional (P)Baa2 rating to the sukuk is in line with EMG's issuer rating and reflects (1) the ultimate obligation of EMG to ensure that the periodic distribution amount is always maintained; and (2) the existence of a purchase undertaking, which implies that certificate, or sukuk, holders ultimately rely on the creditworthiness of EMG for repayment when the trust is dissolved. Certificate holders have no security, lien or pledge over any of the purchased assets. Under the structure, Emaar Malls Group LLC acts as obligor, servicing agent and seller.

According to the terms of the sukuk, EMG will issue the securities through EMG Sukuk. Upon issuance, the sukuk holders will pay the proceeds of the transaction to EMG Sukuk, which will in turn pay an equivalent amount to EMG under the purchase agreement for the purchased Wakala assets. Sukuk holders will periodically earn an amount that reflects the returns generated by the Wakala Portfolio.

Payment obligations under the various documents -- including the Service Agency Agreement -- will be direct, unconditional, unsecured and general obligations of EMG and rank at least pari passu with all other unsecured, unsubordinated and general obligations of the company. At maturity or upon a dissolution event, EMG is required, by means of the purchase undertaking, to fully repay -- including any unpaid and accrued periodic distribution amount -- the aggregate face value of the certificates/sukuk.

The purchase undertaking contains a change-of-control clause in the event of an investor other than Emaar Properties PJSC owning, either directly or indirectly, 50% or more of EMG's share capital. Other dissolution events include total loss, default on payment, and insolvency among other contractual obligations. The terms and conditions of the sukuk include a negative pledge and a cross acceleration clause that captures material subsidiaries with certain carve-outs.

The sale and purchase agreement and the sale/transfer agreement will be governed by the laws of the emirate of Dubai and the federal laws of the UAE where applicable, whereas the following will be subject to the jurisdiction of the English courts: the purchase undertaking, the sale undertaking and the service agency agreement. All obligations are assumed to be legally valid, binding and enforceable. The provisional rating of the proposed certificates assumes that the final transaction documents will not be materially different from the draft legal documentation reviewed by Moody's.

While Moody's does not opine on the transaction's compliance with Shari'ah law, it would expect a recognised Shari'ah Board to examine the structure and pronounce that the structure and the mechanism of the transaction are acceptable within the principles of Shari'ah prior to closing.

EMG's Baa2 rating reflects (i) the company's well-established position in the retail leasing business; (ii) the high quality of the assets such as Dubai Mall; and (iii) the stable recurring cash flows. The assigned rating also takes into account EMG's concentration risks towards the Emirate of Dubai and Dubai Mall, who contributes in excess of 80% of total revenues.

The stable outlook on the rating reflects Moody's view that (i) EMG will maintain a strong business profile by

limiting development risk and refraining from entering markets where the operating environment is potentially more volatile; (ii) occupancy rates will remain healthy and lease revenues will display an upward trend, as a result of economic growth and increased tourism in Dubai; and (iii) EMG will maintain a conservative financial policy and preserve a strong liquidity profile at all times.

WHAT COULD CHANGE THE RATING UP / DOWN

The ratings would face upward pressure should the company (1) establish a track record of adhering to conservative financial policies under an independent corporate governance structure and demonstrate its ability to access multiple sources of capital; (2) decrease its concentration risk to Dubai Mall; and (3) maintain debt/EBITDA near or below 3.0x on a sustainable basis.

Conversely, EMG would face negative rating pressure if the company's business risk profile and credit strength were to deteriorate substantially, resulting in debt/EBITDA trending towards 4.5x. This could be as a result of aggressive debt-funded investments, exposure to significant development risk and high shareholder payouts during periods of growth. Failure to maintain an adequate liquidity profile would also put pressure on the ratings.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was the Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Other factors used in this rating are described in the Special Comment: Understanding Moody's Approach to Unsecured Corporate Sukuk, published in August 2007.

EMG is a wholly owned subsidiary of Emaar Properties PJSC (Emaar Group, Ba1 stable) and was established in 2005 in order to develop and operate Emaar Group's retail business. The company manages a total gross leasable area (GLA) of approximately 548,000 sqm in Dubai, United Arab Emirates, with a total GLA occupancy of 93% as of 31 December 2013.

EMG Sukuk Limited, incorporated in the Cayman Islands, is a special purpose vehicle set up for the sole purpose of issuing sukuk under the above described structure.

The Local Market analyst for these ratings is Rehan Akbar, 971.4.237.9565.

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