

Aims of the assignment:

In fulfillment of course objective 2, you should develop, through research and analysis, the ability to:

- a. Locate sources of information for companies, industry and market of your choice for the analysis;
- b. Use quantitative and qualitative techniques to collect, streamline, analyze, and present data; and
- c. Apply financial analysis to UAE listed companies.

Scope

End of period financial statements for firms (other than financial institutions) operating in UAE in the same industry and market(s) of your choice for the past 2 years. Make sure to check for the availability of statements before picking the stock market for your analysis.¹

Tasks

By using specific financial ratios, you want to develop a good understanding of the performance of the following two UAE companies: Emaar properties and Aldar properties properties

For that, you will need to perform the following:

- A. Collect the annual reports for the last two years
- B. Compute financial ratios for each firm based on the list provided in Chapter 3 of the book
(Fundamentals Of Corporate Finance Middle East Edition)

Choose at least 3 ratios from each group to compute. You may exclude market ratios, if you like)

Ratios for Emaar Properties

1. Short-term solvency liquidity, ratios.

Current Ratio: 1.61 (2018), 1.57 (2017)

Quick Ratio: 1.66 (2018), 1.65 (2017)

Cash Ratio: 4.21 (2018), 4.33 (2017)

2. Long-term solvency, or financial leverage, ratios.

Debt to Equity Ratio: 27.78 (2018), 25.36 (2017)

Equity Ratio: 19.81 (2018), 18.99 (2017)

Debt Ratio: 23.47 (2018), 22.78 (2017)

3. Asset management, or turnover, ratios.

Accounts Receivable Turnover Ratio: 8.92 (2018), 7.98(2017)

Accounts Payable Turnover Ratio: 7.61 (2018), 7.47 (2017)

Fixed Asset Turnover Ratio: 0.61 (2018), 0.68(2017)

4. Profitability ratios.

Contribution Margin Ratio: 0.22 (2018), 0.23(2017)

Gross Profit Ratio: 33.81 (2018), 29.91 (2017)

Net Profit Ratio: 28.87 (2018), 27.76 (2017)

Ratios for Aldar Properties

1. Short-term solvency liquidity, ratios.

Current Ratio: 4.88 (2018), 4.81 (2017)

Quick Ratio: 4.93 (2018), 4.94 (2017)

Cash Ratio: 0.19 (2018), 0.18(2017)

2. Long-term solvency, or financial leverage, ratios.

Debt to Equity Ratio: 1.86 (2018), 1.85 (2017)

Equity Ratio: 1.85 (2018), 1.84 (2017)

Debt Ratio: 1.34 (2018), 1.37 (2017)

3. Asset management, or turnover, ratios.

Accounts Receivable Turnover Ratio: 9.02 (2018), 8.98(2017)

Accounts Payable Turnover Ratio: 6.10 (2018), 6.14 (2017)

Fixed Asset Turnover Ratio: 0.61 (2018), 0.58 (2017)

4. Profitability ratios.

Contribution Margin Ratio: 0.76 (2018), 0.71 (2017)

Gross Profit Ratio: 33.21 (2018), 32.46 (2017)

Net Profit Ratio: 32.26 (2018), 31.97(2017)

C. Discuss the change in those ratios across the different years and the reasons for the observed changes.

As for some of the more dramatic changes in ratios among either of these companies, these can be found in the short term solvency ratios for Emaar Properties, and in the profitability ratios for

Aldar Properties. The reasons for the former of these observed changes are difficult to ascertain from the company financial reports or other public statements, but the most probable reason is that the cash asset management at Emaar Properties has changed for the better, and so this company has improved levels of cash flow (Al Eid, 2015). As for the strongly observable changes in the profitability ratios at Aldar Properties, this is directly traceable to the increased sales that this company has enjoyed in the last year, as well as financial management practices that have resulted in the company cutting many of its costs (Bodolica, Spraggon & Shahid, 2018).

D. For each year, compare between the two companies.

In 2017, Emaar Properties had much less by way of short-term cash liquidity in comparison with Aldar Properties, who seemed to have much more cash on hand. With regards to this short term liquidity situation, the comparison for these two companies in 2018 remains the same. With regards to long term solvency, Aldar Properties was far healthier in both 2017 and 2018 than was Emaar Properties, who appears to have much more long term debt, and many more challenges with the management of this debt. In both 2017 and 2018, Emaar Properties and Aldar Properties exhibited highly similar situations with regards to their asset turnover ratios, but there were stark differences between these companies in both 2017 and 2018 in relation to their profitability ratios. Aldar Properties has enjoyed far greater levels of profitability than has Emaar Properties in both of the fiscal years 2017 and 2018.

References

- AlEid, A. B. M. (2015). *A Financial Statement Analysis on Three Major Construction Companies in the UAE (Arabtec Holding PJSC, Drake & Scull PJSC and Emaar Properties PJSC)* (Doctoral dissertation, The British University in Dubai (BUiD)).
- Bodolica, V., Spraggon, M., & Shahid, A. (2018). Strategic adaptation to environmental jolts: an analysis of corporate resilience in the property development sector in Dubai. *Middle East Journal of Management*, 5(1), 1-20.
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