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Majid Al Futtaim Holding LLC

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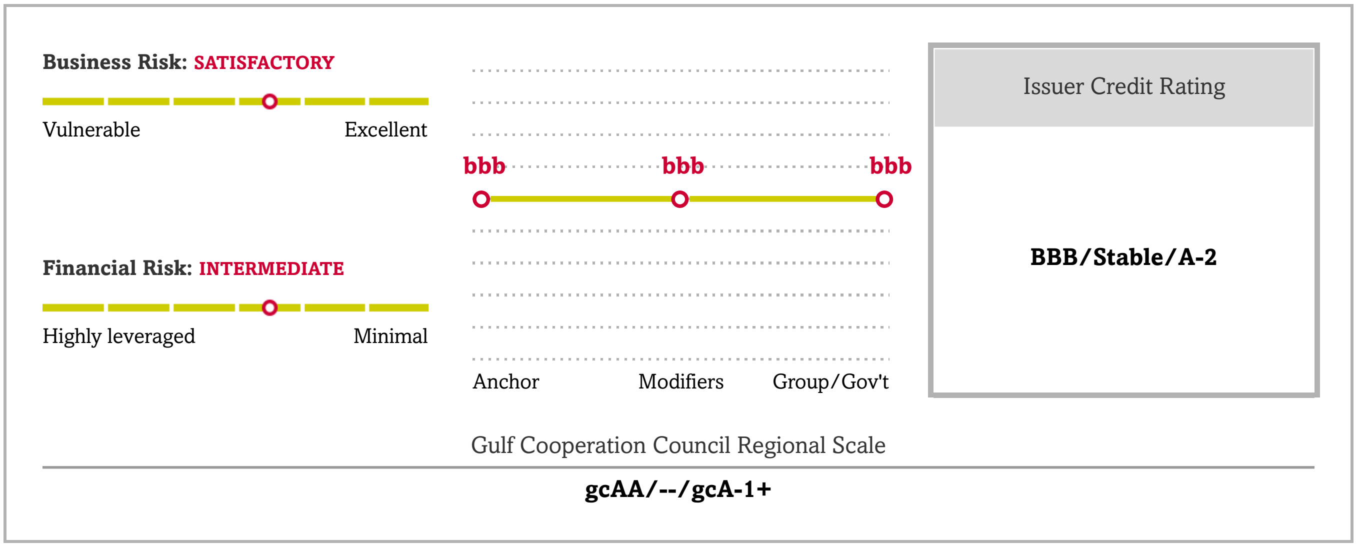


Credit Highlights

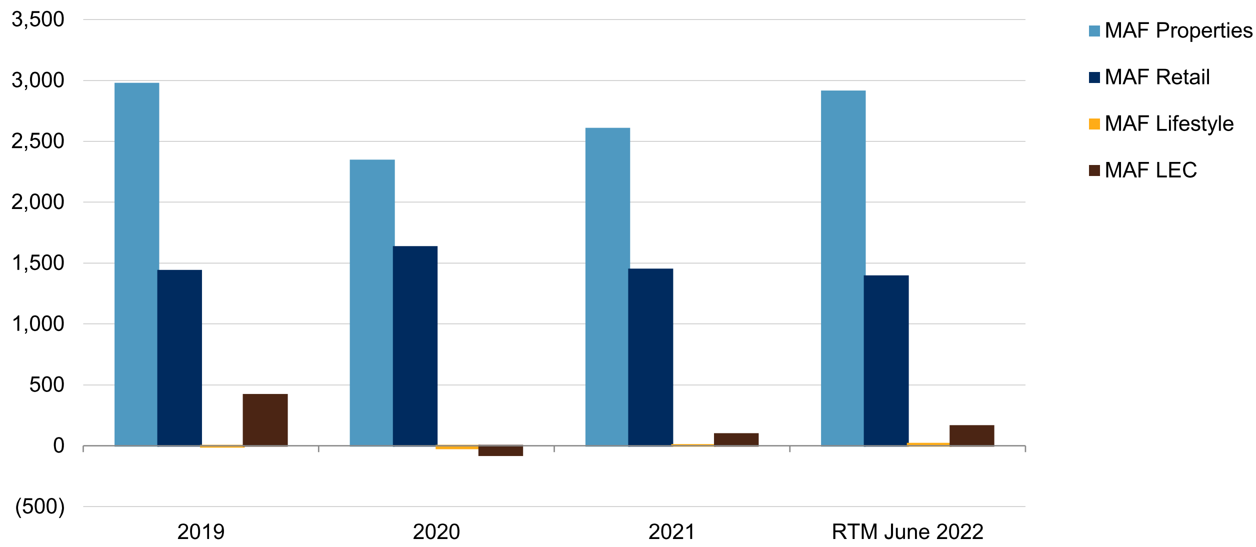
Overview

Key strengths	Key risks
Majid Al Futtaim Holding LLC (MAF) is one of the largest private companies in the United Arab Emirates (UAE), with a diversified business mix (mostly real estate) that generated $8.8 billion in revenue and $1.3 billion in EBITDA in 2021.	Concentration on the domestic market in the UAE, where MAF generates 62% of EBITDA (June 2022), and where the retail real estate suffers from oversupply pressuring the rents, and high reliance on expats and tourists induces volatility in demand.
Track record of strong annual operating cash flow of about $1.3 billion on average in the past five years, supported by limited working capital requirements and business diversification.	Competitive retail segment, exposed to changing consumer behavior and growing share of online sales.
A longstanding and successful regional franchise with French international food retailer Carrefour S.A., operating 441 stores in 16 countries across the Middle East (as of June 2022).	Cyclical and competitive residential real estate development (Tilal Al Ghaf), which we expect to increase funding needs, but at the same time to positively contribute to revenue growth with expected revenue of more than UAE dirham (AED)1.5 billion in 2022 (AED0.5 billion in 2021).
High quality assets in the real-estate portfolio, including malls and hotels, which benefit from economic rebound and tourism recovery in the UAE.	High capital expenditure (capex), a part of which may be delayed at the company's discretion.
Strong management, with currently no greenfield project developments, which reduces operational risks.	Mounting economic pressures globally, which we think will weigh on the demand and discretionary spending in the region in 2023, as inflation ramps up.

Mounting economic pressures globally moderate growth expectations for 2023, as inflation rises in the region. S&P Global Ratings now expects that UAE's GDP will expand by 5.8% in 2022 and 3.8% in 2023, while the consumer price index (CPI) will also increase by 4.8% and 2.2%, respectively, over the same period. We think that inflationary pressures, as well as rising interest rates, may affect consumer spending, with non-food spending likely to decline, given its discretionary nature. However, MAF's diversified business mix, will help mitigate external pressures.

Chart 1

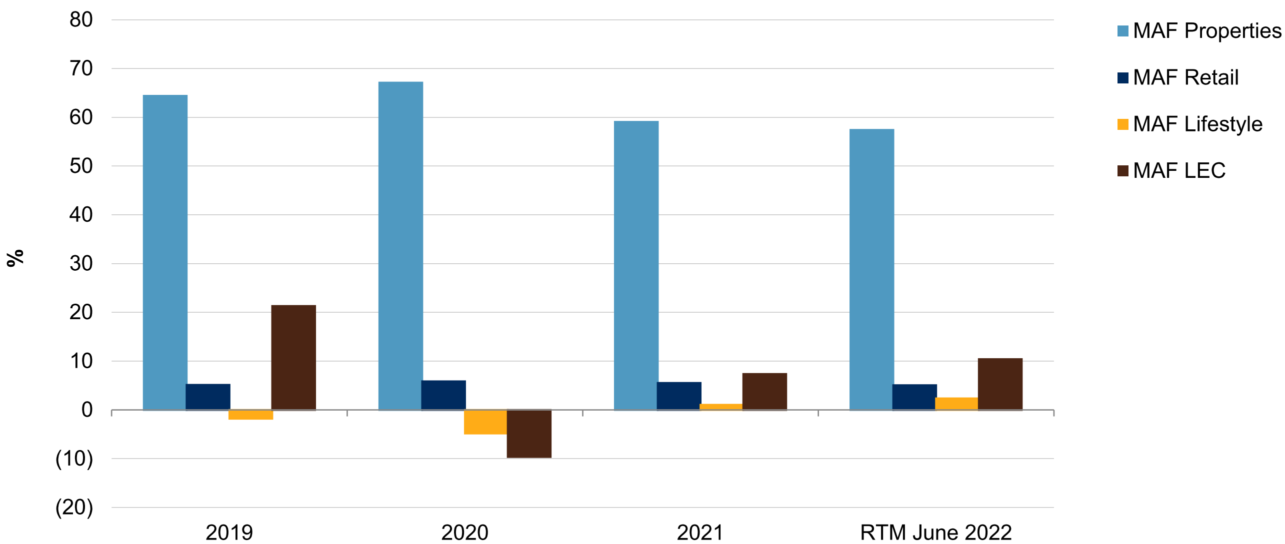
MAF Holding: Reported EBITDA By Segment
As of June 30, 2022



RTM--Rolling 12 months. Source: S&P Global Ratings.

Chart 2

MAF Holding: Reported EBITDA Margin By Segment
As of June 30, 2022



*Margin is based on EBITDA reported by the company. Source: S&P Global Ratings.

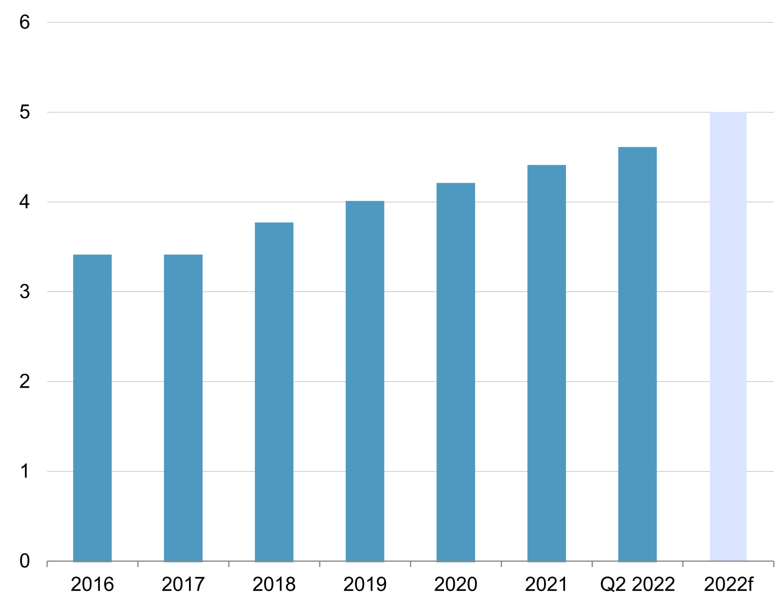
MAF Retail (Carrefour operator; 80% of revenue and 30% of reported EBITDA as of June 2022) expanded by 9% in the first half of 2022 but saw margin pressure. The company continued to open new stores with 18 new additions and its online sales rose by 73%. At the same time, higher costs due to digital investments led to some margin erosion, with reported EBITDA margin reducing to 3.9% from 4.7% a year ago. We think that cost inflation will pressure margins in the second half of 2022 and 2023, as costs are set to increase due to higher energy bills that spill over into the entire economy, and as supply chains remain constrained and freight costs high. However, we also expect that the population in the UAE will grow by 2.8% in 2022 and 2023. This, and growing international visitors, will continue to increase the footfall in MAF's malls (100 million in first-half 2022, a 20% increase) and therefore the traffic in Carrefour stores. In a weaker macro environment, however, lower consumer confidence and reduced purchasing power could lead to a change in consumers' basket mix, with a possible shift toward more affordable products, which could further add to margin pressure.

MAF Properties (mall leasing, hospitality, real estate development), will benefit from the very strong demand for the residential real estate in Dubai in the rest of 2022. Its residential real estate development business Tilal Al Ghaf (TAG) will drive revenue growth, offsetting continued pressure in rental rates for malls. We expect MAF Properties to expand at 20%-30% in 2022, with real estate development business exceeding AED1.5 billion in revenue in 2022 (AED0.5 billion in 2021), as we expect strong demand to sustain high prices. TAG's pre-sales amounted to AED2.4 billion in the first six months of 2022, as the group sold 181 more units, while the first deliveries of more than 2,000 units are expected in 2023. We expect, however, the demand for residential real estate to soften slightly in 2023 as inflationary pressures, interest rate hikes, emerging currencies depreciation, and a weakened global economic outlook will pile up and put a strain on consumer confidence, which may lead to delays in property purchase decisions. We expect another revenue boost in 2022-2023 to come from MAF's hotels. In the first six months of 2022, as Dubai welcomed the World Expo visitors and tourist inflows improved, occupancy rates in the emirate reached historically high levels of 74%, and MAF was slightly ahead at 76%. Furthermore, MAF's revenue per available room more than doubled, and we expect this positive momentum to be sustained in the second half of 2022, thanks to an inflow of sports fans who will use UAE as their base for the World Cup to be held in Qatar in November. Steady international tourism and business travel recovery in 2023 will provide further uplift, in our view. In contrast, the performance of mall leasing (more than 90% of MAF Properties' EBITDA) will remain subject to rental pressures, as the competition remains fierce in Dubai, where MAF operates seven of its 29 malls. The supply of new malls, which is expected to bring gross leasable area (GLA) to close to 5 million square meters (sqm) by the end of 2022 (from 4 million sqm in 2019), will sustain pressure on MAF's most profitable operations. This will be partly offset by the continued ramp-up of the new malls: City Centre Al Zahia and Mall of Oman, where a snow park will be open in 2023, further boosting its attractiveness. Still, as the economy rebounds and tourism picks up, the footfall continues to improve and tenants sales so far have exceeded the 2019 level on average.

MAF's other businesses, MAF LEC (leisure, entertainment and cinemas) and MAF Lifestyle (fashion), will continue to grow strongly on the back of the supportive economic outlook for the region. Growth will also be stimulated by the group's initiatives, including new cinema and store openings, an expanding footprint in neighboring countries, and new service offerings.

Chart 3

Retail Space Gross Leasable Area (GLA) Additions In Dubai
As of June 30, 2022



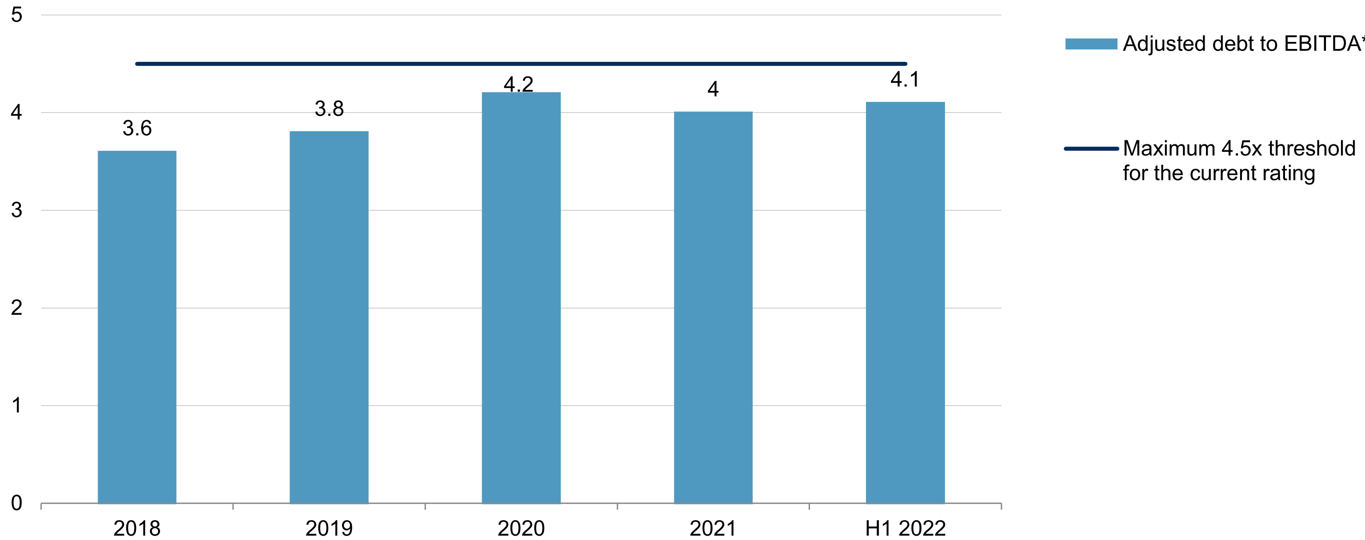
Q2--Second quarter. F--Forecast. Source: JLL reports.

We expect tightening cost and capex control, as we anticipate margin pressures toward the end of 2022 and into 2023, and higher working capital requirements due to real estate development ramp-up. The uncertain economic outlook will increase the company's attention on cost efficiencies and investment control, in our view. We expect that MAF's consolidated EBITDA margin will decline to about 13.0%-13.5% in 2022, down from 14.6% in 2021 (including our standard adjustments). We anticipate that MAF Properties' reported EBITDA margin will contract to about 50% in 2022, down from 59% a year ago, as the rising contribution from real estate development business will dilute historically high leasing margins (over 70%). Furthermore, higher costs related to MAF Retail's investments in digital transformation to adapt to changing consumer behavior, as well as lingering competitive pressures and costs inflation, will lead to a lower EBITDA margin of 4.0%-4.5% in 2022, versus 5.5% reported in 2021 (and 3.9% in the first half of 2022). The group's profitability will also be supported by the return to positive profits in its LEC and Lifestyle divisions, albeit with still minimal contribution to consolidated EBITDA (less than 5% of EBITDA). Overall, we expect MAF to generate about AED4.5 billion in S&P Global Ratings-adjusted EBITDA in 2022 and AED5 billion–AED5.5 billion in 2023. Having said that, we also expect that MAF's operating cash flow generation will come under pressure in 2022, as real estate development ramps-up and its funding needs increase, which will lead to a high working capital outflow exceeding AED1 billion under our base case (AED1.5 billion in the first half of 2022). This will decline over the coming years (in the absence of significant new launches), as the construction nears completion with the bulk of handovers planned for 2024-2025, and the company's historically high cash conversion will be restored. At the same time, we anticipate close to AED2.4 billion in capex in 2022 (AED981 million in first-half 2022), rising to AED3.5 billion-AED3.8 billion in 2023. However, we think that MAF has the ability to curtail its capex, or postpone a part of it, given its prudent financial policy, and a supportive track record of capex reduction in cyclical troughs.

Adjusted debt to EBITDA will remain well within the thresholds for the rating (below 4.5x), despite higher working capital outflows for real estate development business and some margin pressure. At the end of June 2022, MAF's adjusted debt to EBITDA improved to 3.7x on a rolling-12-month basis (including a strong second half of 2021). On an annualized basis, the ratio would be 4.1x. We think for full-year 2022 it will stay at 4.0x-4.3x but will improve to about 4.0x in 2023, as EBITDA will expand on higher profits from real estate development business, and some recovery in MAF Retail, set to benefit from its digital initiatives. This also assumes that significant cash balances will remain in escrow accounts due to real estate development activities, and therefore not available for net debt calculation under our methodology. We think that gross debt will increase to about AED15 billion by end of 2022 (AED14 billion at June 2022), and close to AED17 billion in 2023, as working capital outflows and higher capex will increase funding needs, offset by higher EBITDA of about AED5 billion-AED5.5 billion in 2023. MAF's capital structure benefits from limited short-term debt maturities, after the group replaced its $500 million hybrid (first call date in September 2022) with a new hybrid instrument (reported as equity, but considered "intermediate" equity content by S&P Global Ratings). Interest rate risk is limited to the extent that about two thirds of the debt is exposed to fixed rates (including via utilization of hedges), and a one third to floating interest rates. Assuming interest rate hikes in line with the U.S. Federal Reserve's decisions, we still expect that MAF will have comfortable headroom in terms of EBITDA interest coverage, which we expect to remain at 4.5x-5.0x in 2022-2023, compared with our guidance for the rating of above 3.8x. MAF's ample availability under various revolving lines maturing over 2024-2026 provides additional comfort and liquidity cushion amid rising interest rate risk.

Chart 4

MAF Holding Adjusted Debt/EBITDA Evolution
As of June 30, 2022



H1--First half. *All metrics S&P Global Ratings-adjusted. Source: S&P Global Ratings.

Outlook: Stable

The stable outlook reflects our expectation that MAF Holding's revenue will continue to grow in the second half of 2022 and 2023, despite rising economic pressures, while its EBITDA margin will remain within 13%-14.5% over the next 12-24 months. Temporary pressure on operating cash flows due to rising construction costs as real estate development business ramps-up its projects will be offset by higher EBITDA contribution, keeping adjusted debt to EBITDA at 4.0x-4.3x in 2022-2023, within our rating threshold, albeit with limited headroom.

Despite rising interest rates, we anticipate that EBITDA interest coverage will remain at 4.5x-5.0x in 2022-2023. We also believe that the credit quality at MAF Holding's parent, MAF Capital LLC, does not constrain the rating, because we consider it to be similar to that of MAF Holding.

The property rentals business can, in our opinion, tolerate higher financial leverage than retail and other businesses. We would likely adjust our target ratios in the event that the property rental activities ceased to account for a substantial majority of the company's EBITDA.

Downside scenario

We could consider a downgrade if:

- MAF Holding's performance deteriorated and if its debt-to-EBITDA ratio exceeded 4.5x without near-term prospects of recovery, and it was unable to maintain EBITDA interest coverage above 3.8x; these ratios were 3.7x and 5.8x as of June 30, 2022 on a rolling-12-month basis;
- The credit profile of its controlling parent became materially weaker;
- The company's corporate governance practices changed and this led to more aggressive financial policy that could weaken its commitment to the current rating level and leverage targets.

Upside scenario

We see limited upside rating potential at present, given a relatively uncertain global economic outlook, which we think precludes significant deleveraging in the next 24 months. We would consider rating upside if the company's leverage reduced below 2.5x on a sustainable basis.

Our Base-Case Scenario

Assumptions

- Under our base case, we estimate that UAE's GDP growth will be 5.8% in 2022 and 3.8% in 2023. We also expect gradual GDP recovery in other key economies where MAF Holding owns malls or operates Carrefour stores, such as Qatar, Oman, Saudi Arabia, and Egypt.
- At the same time, we expect higher inflationary pressure to weigh on both consumers and MAF itself, with CPI forecast to reach 4.8% in 2022 and 2.2% in 2023.
- We expect MAF Holding's consolidated revenue to increase by close to 10% in 2022 and another 3%-5% in 2023. The rising contribution from the real estate development (TAG) will be the main revenue driver, along with a steady double-digit revenue expansion for hotels. Malls leasing should expand at a low single digit rate, as two new malls continue to ramp-up (City Centre Al Zahia and Mall of Oman), mitigating rental pressures in the existing malls. We expect that MAF Retail, the largest revenue contributor, will expand by 5%-7% in 2022, with some softening in the second half of 2022 and into 2023 due to economic headwinds, offset by continued new store openings, albeit lower than historically as the company is expected to focus on online channels.
- MAF LEC and MAF Lifestyle will grow at double digit rates in 2022-2023. Expansion in Saudi Arabia, new cinema openings, new movie releases, and the development of food and beverage offering in cinemas, will drive higher revenues for MAF LEC. As for MAF Lifestyle, new store opening and success of some key brands will continue to support growth.
- We expect relatively stable profitability in 2022-2023, with EBITDA margin in the 13.0%-14.5% range (14.6% in 2021). We anticipate that MAF Properties will see gradual margin erosion due to pressures on rental rates and a rising share of lower-margin real estate development contribution to earnings. Also, we anticipate margin pressure for MAF Retail, due to cost inflation, competitive pressures, and additional costs related to digital platforms. MAF LEC and MAF Lifestyle will contribute less than 5% of the group's EBITDA. We think that the company will continue to offset competitive pressures across its businesses with cost efficiencies.
- Capex of about AED2 billion-AED2.3 billion in 2022 and AED3.5 billion-AED3.8 billion in 2023 to be spent on redevelopment of malls, digital initiatives, store and cinema openings.
- Dividend payments to the parent MAF Capital and hybrid note holders of AED1.2 billion per year.

Key metrics

Majid Al Futtaim Holding LLC--Key Metrics

	--Fiscal year ended Dec. 31--			
	2019	**2020**	**2021e**	**2022e**
Debt/EBITDA (x)*	3.8	4.2	4.2-4.3	4.0-4.3
EBITDA interest coverage (x)*	4.7	4.6	4.5-5.0	4.5-5.0

e--Estimate. *S&P adjusted metrics.

Company Description

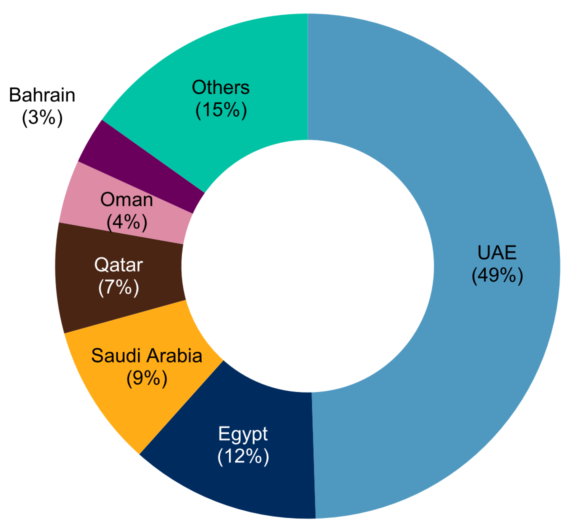
MAF Holding owns and operates 29 shopping malls across the UAE and four other countries in the Middle East and North Africa, with over 1.7 million square meters of gross leasable area, including eight superregional malls, across the

Middle East. Additionally, it owns 11 hotel properties in Dubai and two hotels in Bahrain's capital, Manama. It operates 441 Carrefour hypermarkets and supermarkets across 16 countries in the Middle East, through an exclusive franchise agreement with France-based international food retailer Carrefour, the world's second-largest food retailer.

MAF is owned by nine shareholders, the family of its deceased founder Mr. Majid Al Futtaim. The company's governance is based on the delegation of authority from the shareholders to the board, characterized by experienced and reputable independent members at both the holding and operating company levels.

Chart 5

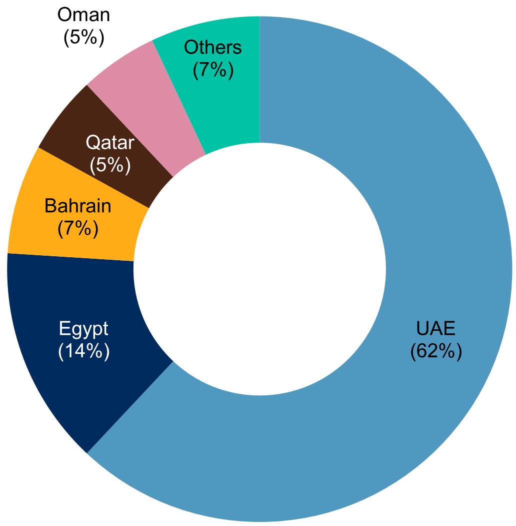
MAF Holding: Geographical Split By Revenue
As of 30 June, 2022



Source: S&P Global Ratings.

Chart 6

MAF Holding: Geographical Split By EBITDA
As of 30 June, 2022



Source: S&P Global Ratings.

Peer Comparison

Table 1

Majid Al Futtaim Holding LLC--Peer Comparison

Industry sector: Real estate investment trust or company

	Majid Al Futtaim Holding LLC	**Emaar Malls Management LLC**	**Unibail-Rodamco-Westfield SE**	**Mercialys**	**Klepierre S.A.**
Ratings as of Oct. 5, 2022	BBB/Stable/A-2	BBB-/Stable/--	BBB+/Stable/A-2	BBB/Stable/A-2	BBB+/Stable/A-2
	--Fiscal year ended Dec. 31, 2021--				
(Mil. AED)					
Revenue	32,291.0	4,988.3	8,614.0	680.2	4,515.2
EBITDA	4,700.0	2,539.6	6,301.9	606.5	3,462.1
Funds from operations (FFO)	3,859.5	2,322.9	3,149.1	414.9	2,834.3
Interest expense	885.5	218.8	1,989.0	132.7	551.4
Cash interest paid	697.5	216.8	3,038.8	190.0	501.3
Cash flow from operations	4,651.5	2,618.2	5,003.4	445.4	3,206.5

Table 1

Majid Al Futtaim Holding LLC--Peer Comparison (cont.)

Industry sector: Real estate investment trust or company

	Majid Al Futtaim Holding LLC	Emaar Malls Management LLC	Unibail-Rodamco-Westfield SE	Mercialys	Klepierre S.A.
Capital expenditure	2,438.0	379.5	3,541.1	66.5	693.4
Free operating cash flow (FOCF)	2,213.5	2,238.7	1,462.3	378.9	2,513.1
Discretionary cash flow (DCF)	1,441.0	(165.8)	1,049.8	247.5	955.8
Cash and short-term investments	1,601.0	329.6	9,424.4	1,074.3	2,673.5
Debt	18,761.0	3,676.5	103,778.1	4,759.8	35,325.6
Equity	27,404.0	18,319.6	89,332.5	8,022.6	44,251.8
Adjusted ratios					
EBITDA margin (%)	14.6	50.9	73.2	89.2	76.7
Return on capital (%)	5.2	9.3	1.5	3.4	4.5
EBITDA interest coverage (x)	5.3	11.6	3.2	4.6	6.3
FFO cash interest coverage (x)	6.5	11.7	2.0	3.2	6.7
Debt/EBITDA (x)	4.0	1.4	16.5	7.8	10.2
FFO/debt (%)	20.6	63.2	3.0	8.7	8.0
Cash flow from operations/debt (%)	24.8	71.2	4.8	9.4	9.1
FOCF/debt (%)	11.8	60.9	1.4	8.0	7.1
DCF/debt (%)	7.7	(4.5)	1.0	5.2	2.7

AED--UAE dirham.

Business Risk: Satisfactory

Our view of MAF's business risk profile is chiefly supported by favorable business diversification, with more than half of its profits stemming from stable mall leasing (MAF Properties), while close to 80% of revenue is generated by lower margin, but relatively resilient retail operations (MAF Retail).

MAF Properties' business strengths include its very good asset quality in its mall leasing business, with high occupancy rates of 93% at end-June 2022 (like for like; or 90% including City Centre Al Zahia and Mall of Oman) and strong footfall of 175 million visitors for the year ended Dec. 31, 2021. The group operates the Mall of the Emirates, famous for its ski slope, and also runs several City Centres. MAF Retail is a leading food retailer in the Middle East, operating under a longstanding and successful regional exclusive franchise agreement with Carrefour, which extends until 2025 and is regularly renewed.

While MAF derives 62% of its EBITDA from the UAE, its significant presence in other Gulf Cooperation Council (GCC) countries and North Africa via its Carrefour stores--most importantly in Saudi Arabia, Qatar, and Egypt--mitigates geographic concentration risks. Furthermore, continued opening of Carrefour stores in the region will help expand the footprint outside the UAE. MAF Retail has opened 248 new stores in the last five years (69 in 2021), nearly doubling its outlets in a short period of time. We think that the store expansions will moderate in 2022 as the company moves its focus to digital channels, following shifting consumer preferences, particularly in the aftermath of COVID-19 related restrictions. MAF Retail is present in countries with higher country risk that we view as politically unstable, such as Egypt, Bahrain, Georgia, and a few African nations. Overall, we assess MAF's country risk as moderately high (4 out of 6).

Competitive pressures across all business segments, as well as economic headwinds mounting globally will continue to challenge the operations and bring management's focus on cost controls and cash generation. Retail real estate is characterized by oversupply in Dubai, where new GLA is added regularly, pressuring rental rates and occupancy, as mall operators compete to retain their tenants. We think that the pressure will remain in 2022-2023, but MAF's asset quality, as well as good asset location, will help mitigate these risks. Despite a recent rebound in the hospitality sector in Dubai, with record-high occupancy and daily rates, we think that inventory build-up over the past years, as well as new hotel openings, will contain the extent of further improvement. Still, the World Cup in Qatar scheduled for November 2022 will help sustain the positive momentum as many visitors will likely use UAE as their base since it is less than an hour's flight away from Qatar. MAF's venture into residential real estate will provide a revenue boost for its MAF Properties division but comes with higher funding needs. Supportive sector trends will sustain strong performance for real estate development business in 2022. While we expect some softening in 2023 due to higher economic uncertainties, we think that TAG's mid- to high-end positioning will allow the company to capitalize on strong demand for this type of property.

MAF's current investment plans include redevelopment of Mall of the Emirates and some improvements in City Centre Mirdif and Bahrain, while the ski park in Mall of Oman is to open in 2023. We expect the company to demonstrate a prudent approach when it starts the construction of its greenfield project of Mall of Saudi in Riyadh. Given the capital intensity of such greenfield projects and challenging retail market in Riyadh, we expect that MAF will execute this project cautiously, in light of its commitment to the 'BBB' rating.

Financial Risk: Intermediate

We expect that MAF will sustain adjusted debt to EBITDA below 4.5x in 2022-2023, in line with our threshold for the rating, albeit with limited headroom. At the same time, despite a rising interest-rate environment, we expect the EBITDA interest coverage ratio to remain at 4.5x-5.0x, well above 3.8x we see as commensurate with the current rating.

MAF boasts a supportive track record with regards to its strong operating cash flow generation, and leverage discipline, with adjusted debt to EBITDA remaining within our expectation despite the setbacks in profits following COVID-19 outbreak in 2020. However, we expect that operating cash flow will weaken to about AED2.5 billion-AED2.7 billion in 2022 on our adjusted basis, i.e. after cash interest and working capital (AED4.7 billion in 2021), as we expect a material working capital outflow that could exceed AED1 billion in 2022 and AED0.7 billion in 2023. The ramp-up of real estate development business will increase MAF's funding needs, both working capital and capex, before it reverses as the company starts delivering its properties, starting 2023, but mostly in 2024-2025. High cash balances in escrow accounts (AED2 billion at end-June 2022) are available to fund construction, but not for debt repayment, so we exclude them from our net debt calculations.

We view positively the company's commitment to a conservative financial policy and a 'BBB' rating, its solid track record of greenfield project development, and its ability to timely curtail capex and dividends, as demonstrated during the pandemic. We also believe that if the company were to undertake any opportunistic acquisitions (not part of our base case), it would be able to curtail capex at short notice (two months) to stay within budget.

In addition, MAF Holding has a prudent liquidity management, as the company carries significant buffers versus its funding requirements. The company's available committed credit lines of about AED9.5 billion (at the end of June 2022), with medium- to long-term maturity schedule, provide additional ratings support.

We classify MAF Holding's cash flow as volatile, relative to that of other real estate rental companies, because about 40% of its EBITDA stems from the less stable retail business (relative to real estate leasing). We therefore adjust downward our initial financial risk assessment of modest to intermediate.

Financial summary

Table 2

Majid Al Futtaim Holding LLC--Financial Summary

Industry sector: Real estate investment trust or company

		--Fiscal year ended Dec. 31--				
	June 2022	**2021**	**2020**	**2019**	**2018**	**2017**
(Mil. AED)						
Revenue	17,998.0	32,291.0	32,575.0	35,156.0	34,655.0	32,274.0
EBITDA	2,289.0	4,700.0	4,623.0	5,363.0	5,339.0	4,800.8
Funds from operations (FFO)	1,886.5	3,859.5	3,840.5	4,505.5	4,234.9	3,738.1
Interest expense	419.5	885.5	997.5	1,130.5	1,064.1	993.7
Cash interest paid	320.5	697.5	688.5	775.5	1,034.1	977.7
Cash flow from operations	431.5	4,651.5	3,913.5	5,674.5	4,532.9	4,312.1
Capital expenditure	981.0	2,438.0	2,092.0	3,924.0	4,759.0	4,255.0
Free operating cash flow (FOCF)	(549.5)	2,213.5	1,821.5	1,750.5	(226.1)	57.1
Discretionary cash flow (DCF)	(598.0)	1,441.0	1,071.0	734.0	(1,710.1)	(416.4)
Cash and short-term investments	2,941.0	1,601.0	3,699.0	1,406.0	1,516.0	1,131.0
Gross available cash	2,941.0	1,601.0	3,699.0	1,406.0	1,516.0	1,131.0
Debt	18,712.5	18,761.0	19,331.0	20,268.9	19,275.3	17,611.4
Equity	28,632.5	27,404.0	25,533.0	30,428.0	33,594.0	35,142.0
Adjusted ratios						
EBITDA margin (%)	14.5	14.6	14.2	15.3	15.4	14.9
Return on capital (%)	5.6	5.2	5.1	6.3	6.8	6.4
EBITDA interest coverage (x)	5.8	5.3	4.6	4.7	5.0	4.8
FFO cash interest coverage (x)	7.0	6.5	6.6	6.8	5.1	4.8
Debt/EBITDA (x)	3.7	4.0	4.2	3.8	3.6	3.7

Table 2

Majid Al Futtaim Holding LLC--Financial Summary (cont.)						
Industry sector: Real estate investment trust or company						
		--Fiscal year ended Dec. 31--				
	June 2022	**2021**	**2020**	**2019**	**2018**	**2017**
FFO/debt (%)	22.3	20.6	19.9	22.2	22.0	21.2
Cash flow from operations/debt (%)	20.7	24.8	20.2	28.0	23.5	24.5
FOCF/debt (%)	9.5	11.8	9.4	8.6	(1.2)	0.3
DCF/debt (%)	5.3	7.7	5.5	3.6	(8.9)	(2.4)

AED--UAE dirham.

Reconciliation

Table 3

Majid Al Futtaim Holding LLC--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. AED)										
	--Rolling 12 months ended June 30, 2022--									
Majid Al Futtaim Holding LLC reported amounts										
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Dividends**	**Capex**
Reported	14,018.0	30,768.0	34,660.0	4,988.0	3,775.0	673.0	5,015.0	4,515.0	195.0	2,103.0
S&P Global Ratings' adjustments										
Cash taxes paid	--	--	--	--	--	--	(138.0)	--	--	--
Cash interest paid	--	--	--	--	--	--	(604.0)	--	--	--
Reported lease liabilities	3,996.0	--	--	--	--	--	--	--	--	--
Intermediate hybrids reported as equity	2,555.5	(2,555.5)	--	--	--	97.5	(97.5)	(97.5)	(97.5)	--
Postretirement benefit obligations/deferred compensation	775.0	--	--	--	--	--	--	--	--	--
Accessible cash and liquid investments	(2,691.0)	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	20.0	--	--	--	--
Dividends received from equity investments	--	--	--	27.0	--	--	--	--	--	--
Nonoperating income (expense)	--	--	--	--	60.0	--	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	--	(542.0)	--	--
Noncontrolling interest/minority interest	--	420.0	--	--	--	--	--	--	--	--

Table 3

Majid Al Futtaim Holding LLC--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. AED) (cont.)										
Debt: Contingent considerations	59.0	--	--	--	--	--	--	--	--	--
Depreciation and amortization: Asset valuation gains/(losses)	--	--	--	--	(1,063.0)	--	--	--	--	--
Depreciation and amortization: Impairment charges/(reversals)	--	--	--	--	(172.0)	--	--	--	--	--
Interest expense: Derivatives	--	--	--	--	--	68.0	--	--	--	--
Dividends: Other	--	--	--	--	--	--	--	--	675.0	--
Total adjustments	4,694.5	(2,135.5)	0.0	27.0	(1,175.0)	185.5	(839.5)	(639.5)	577.5	0.0
S&P Global Ratings' adjusted amounts										
	Debt	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Dividends**	**Capex**
Adjusted	18,712.5	28,632.5	34,660.0	5,015.0	2,600.0	858.5	4,175.5	3,875.5	772.5	2,103.0

AED--UAE dirham.

Liquidity: Strong

We consider MAF Group's liquidity position as strong, and we calculate that the group's liquidity sources should exceed liquidity needs by more than 1.5x over the next 12 months and more than 1.0x over the following 12 months. As of June 30, 2022, this ratio was about 2.5x.

In our view, MAF Holding's current liquidity profile provides a sufficient buffer to face rising interest rate risk and growing funding needs for real estate development business.

Principal liquidity sources	Principal liquidity uses
• Cash and deposits of AED4.9 billion, as of June 30, 2022, including AED2 billion of cash held in escrow, but that we consider available to fund construction based on advancement. • Committed unused credit lines of about AED9.5 billion, with the earliest maturity in 2024. • Expected group operating cash flow of AED3.5 billion-AED4.0 billion in the next 12 months.	• Short-term debt maturities of AED216 million. • Material working capital outflows of over AED1 billion in 2022 and about AED700 million in 2023. • Capex at around AED3.0 billion-AED3.5 billion. • AED1.2 billion-AED1.3 billion of dividends and hybrid-related payments (we consider 50% of hybrid coupons to be dividends).

Debt maturities

As of June 30,2022:

- Next 12 months: AED216 million.
- Thereafter: AED13 billion.

Covenant Analysis

Compliance expectations

MAF Holding has to comply with three covenants, stipulating a minimum net worth of $4.1 billion, minimum interest coverage of 2.0x, and maximum debt to equity of 0.7x.

Requirements

Headroom under the covenants is adequate, with MAF Holding's net worth in excess of $7 billion, interest coverage at 8x, and net debt to equity a 0.5x on June 30, 2022.

Environmental, Social, And Governance

ESG Credit Indicators

Environmental	Social	Governance
E-1 **E-2** E-3 E-4 E-5	S-1 **S-2** S-3 S-4 S-5	**G-1** G-2 G-3 G-4 G-5
- N/A	- N/A	- Risk management, culture, and oversight; - Transparency and reporting

N/A--Not applicable. ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Governance factors are a moderately positive consideration in our analysis of MAF. Ambitious sustainability targets, above-average transparency, clear and comprehensive investment strategies, and financial policies enhance our view of solid governance principles. Despite recent changes in the group's ownership, with nine new shareholders following the passing of MAF's founder in December 2021, we think that the governance framework has remained broadly unaffected, as the company remains governed by the same comprehensive set of enterprise risk policies, which we understand the new shareholders do not wish to change, at least at this point. MAF's experienced top management team remained unchanged, and the board's composition is still the same and provides the group the necessary independent oversight from reputable board members.

Although the pandemic accelerated the adoption of e-commerce, we view e-commerce as a secular change that affected the retail sector well before the pandemic, and we do not view this as a health and safety risk but rather a general industry trend of changing consumer preferences. MAF is adapting its sales channels in line with rising e-commerce penetration and is investing in digital initiatives, particularly in its Retail segment, where consumer preferences are shifting. Given challenging climate conditions in the GCC region, we think brick-and-mortar commerce will remain an important lifestyle attraction that will sustain demand from tenants.

Issue Ratings - Subordination Risk Analysis

Capital structure

As of June 30, 2022, MAF Holding's capital structure comprises an $800 million bond due in May 2024, a $500 million sukuk due in November 2025, a $600 million green sukuk due in May 2029, a $600 million green sukuk due in February 2030, and a $100 million sukuk maturing in November 2028.

The capital structure also includes two hybrid capital securities totaling $900 million.

Analytical conclusions

We rate MAF Holding's senior unsecured instruments 'BBB', in line with the issuer credit rating (ICR). This is because the proportion of the company's priority debt at subsidiaries that could create structural subordination for the senior unsecured debtholders is 38%, while our threshold for notching issue ratings downward from issuer credit ratings is 50%.

We consider the hybrid capital securities to have intermediate equity content until the first call dates in 2026 ($400 million) and 2027 ($500 million), because they meet our hybrid capital criteria in terms of their subordination, permanence, and optional deferability during this period.

We arrive at our 'BB+' issue rating on the hybrid capital securities by notching down from our 'BBB' long-term ICR on MAF Holding. The notching reflects our view that there is a relatively low likelihood that MAF Holding would defer interest payment on the hybrid capital securities. If our view changes, however, we could significantly increase the number of notches deducted from the ICR to derive the issue rating. In addition, we would apply a two-notch deduction for subordination if we lowered the ICR on MAF Holding to speculative-grade ('BB+' or below).

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/A-2

Business risk: Satisfactory

- **Country risk:** Moderately high
- **Industry risk:** Low
- **Competitive position:** Satisfactory

Financial risk: Intermediate

- **Cash flow/leverage:** Intermediate

Anchor: bbb

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Strong (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Methodology For Rating Sukuk, Jan. 19, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of October 13, 2022)*		
Majid Al Futtaim Holding LLC		
Issuer Credit Rating		BBB/Stable/A-2
Gulf Cooperation Council Regional Scale		gcAA/--/gcA-1+
Issuer Credit Ratings History		
05-Apr-2011		BBB/Stable/A-2
24-Dec-2018	*Gulf Cooperation Council Regional Scale*	gcAA/--/gcA-1+
30-Sep-2014		gcAA/--/gcA-1
05-Apr-2011		gcA+/--/gcA-1

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.