

## Al Waha Capital PJSC

Lower Public market income and higher direct cost impacted profitability

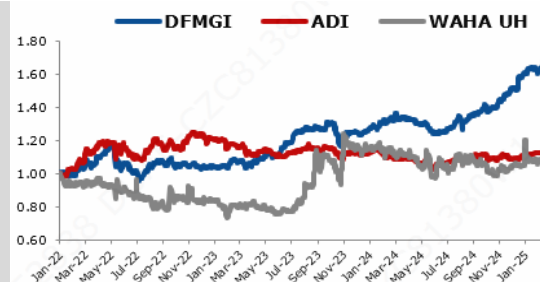
**Current Price**  
AED 1.59

**Target Price**  
AED 1.84

**Upside/Downside (%)**  
+16%

**Rating**  
BUY

- Waha's total AUMs grew from AED 11.4 Bn in 3Q24 to AED 11.9 Bn in 4Q24.
- Public market third-party AUM grew to AED 6.9 Bn in 4Q24, while Private investment AUMs stood at AED 648 Mn.
- Waha successfully secured a new revolving credit line of AED 1.5 Bn, extendable to AED 1.8 Bn, which is expected to enhance its financial flexibility.
- Total borrowings grew from AED 5.3 Bn in 3Q24 to AED 5.4 Bn in 4Q24.
- The Company's ALMARKAZ Stage 2B occupancy stood at c.50%, while it plans to launch Stage 3, expanding its portfolio with new logistics and industrial assets.



### 4Q24 Net Profit higher than our estimate

Al Waha Capital PJSC (the Group/Waha) reported a decline in net profit from AED 221 Mn in 4Q23 to AED 99 Mn in 4Q24, higher than our estimate of AED 42 Mn. This decline in net profit is mainly driven by higher direct costs and lower operating income partially offset by a decline in G&A expenses, finance costs and lower share to NCI.

### P&L Highlights

Waha's net operating income declined significantly from AED 571 Mn in 4Q23 to AED 300 Mn in 4Q24. The decline is mainly attributable to a decline in income from financial investments and other income partially offset by higher income from property investments. Public Market income declined significantly from AED 544 Mn in 4Q23 to AED 184 Mn in 4Q24, primarily due to the challenging market conditions. On the other hand, the Private Investment segment registered an income of AED 56 Mn in 4Q24 compared to a loss of AED 27 Mn in 4Q23. Waha Land reported a net operating income of AED 28 Mn in 4Q24, down from AED 29 Mn in 4Q23. The Group's cost of sales rose 5.1% YOY to AED 30 Mn in 4Q24. Gross profit declined from AED 10 Mn in 4Q23 to AED 9 Mn in 4Q24. Waha's total AUMs increased from AED 11.4 Bn in 3Q24 to AED 11.9 Bn in 4Q24. Income from financial investments declined from AED 488 Mn in 4Q23 to AED 152 Mn in 4Q24, mainly attributable to the challenging market conditions. Income from property investments rose 7.6% YOY to AED 30 Mn in 4Q24. Other income declined 56.6% YOY to AED 7 Mn in 4Q24. G&A expenses declined from AED 81 Mn in 4Q23 to AED 78 Mn in 4Q24, while the finance costs declined from AED 46 Mn in 4Q23 to AED 34 Mn in 4Q24 due to a lower interest rate. The share of profit attributable to non-controlling interest holders substantially declined from AED 195 Mn in 4Q23 to AED 61 Mn in 4Q24.

### Stock Information

Market Cap (AED, Mn)	3,091.78
Paid Up Capital (Mn)	1,944.51
52 Week High	1.75
52 Week Low	1.37
3M Avg. daily value (AED)	3,176,234

### 4Q24 Result Review (AED, Mn)

Total Assets	14,217
Total Liabilities	5,955
Total Equity	8,262
Total Operating Income	300
Net Profit	99

### Financial Ratios

Dividend Yield (12m)	6.29
Dividend Pay-out (%)	42.38
Price-Earnings Ratio(x)	7.79
Price-to-Book Ratio (x)	0.78
Book Value (AED)	2.03
Return-on Equity (%)	13.50

### Stock Performance

5 Days	0.63%
1 Months	1.92%
3 Months	5.30%
6 Months	1.92%
1 Year	-7.02%
Month to Date (MTD%)	1.92%
Quarter to Date (QTD%)	-8.62%
Year to Date (YTD%)	-8.62%

### Balance Sheet Highlights

The Group's financial investments grew from AED 9.9 Bn in 3Q24 to AED 10.3 Bn in 4Q24, mainly attributable to an increase in listed public market funds partially offset by a decline in private markets funds. Cash and cash equivalents declined from AED 1.2 Bn in 3Q24 to AED 0.9 Bn in 4Q24. Trade and other receivables grew from AED 1.7 Bn in 3Q24 to AED 1.9 Bn in 4Q24. Waha's total borrowings grew from AED 5.3 Bn in 3Q24 to AED 5.4 Bn in 4Q24. Trade and other liabilities declined from AED 587 Mn in 3Q24 to AED 284 Mn in 4Q24.

### Target Price and Rating

We maintain our BUY rating on Waha Capital with a revised target price of AED 1.84. The Group's share price grew 6.8% since our last rating (November 2024). The Group's total AUMs rose from AED 10.5 Bn in 2023 to AED 11.9 Bn in 2024. This strong growth is primarily driven by robust third-party net inflows. The Group's third-party total assets under management (AUM) stood at AED 6.9 Bn, accounting 58% of the total AUM. Waha Emerging Markets Credit Fund recorded a net return of 18.4% in 2024, compared to a 6.5% return by its benchmark (JP Morgan EMBI Global Diversified Index). Consequently, the Waha Mena Equity Fund SP recorded a net return of 1.2% in 2024 with a total fund size of AED 3.6 Bn. Additionally, Waha Islamic Income Fund posted gross returns of 6.0% in 2024 compared to a 3.4% increase in the benchmark (Dow Jones Sukuk Index). The Group's Private investments business generated AED 294 Mn from mature assets, demonstrating the effectiveness of its strategy and enhancing its ability to reinvest in new opportunities. In addition, the portfolio further aims to acquire controlling or significant minority stakes in established businesses across the MENA region. Waha Land's Stages 1 and 2A of the ALMARKAZ project consist of 182,400 industrial and logistics units and recorded a strong occupancy of 98% in 2024. Additionally, the Group completed the expansion of Stage 2B in 1Q24, adding approximately 76,000 sqm of premium leasable space. The current occupancy in the Stage 2B project stood at c.50%. The Group plans to launch Stage 3, expanding its portfolio with new logistics and industrial assets to capitalize on the rising demand for high-quality logistics facilities. This strategic expansion, coupled with the Group's ongoing efforts to enhance its leasable portfolio, is expected to drive strong income growth for its Land business. Additionally, the group has successfully obtained a new revolving credit line of AED 1.5 Bn, backed by four regional banks. This improves Waha Capital's financial agility, enabling it to seize new growth opportunities while carefully managing its balance sheet. Moreover, the Company's board of directors also proposed a dividend of AED 0.10 per share generating a dividend yield of 6.3% in 2024. Thus, based on our analysis, we assign a BUY rating on the stock.

### Waha Capital - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	NA	6.5	7.4	8.6	6.7	7.8
PB	1.0	1.0	0.9	0.8	0.8	0.8
Dividend yield	NM	3.8%	4.8%	5.1%	6.3%	6.3%

FABS Estimates & Co Data

**Waha Capital – P&L**

AED Mn	4Q23	3Q24	4Q24	4Q24F	VAR	YOY Ch	QOQ Ch	2023	2024	Change
Revenue	39	33	39	39	-0.4%	0.6%	17.5%	140	150	6.9%
Cost of sales	-28	-27	-30	-29	2.2%	5.1%	11.9%	-107	-113	5.5%
<b>Gross Profit</b>	<b>10</b>	<b>7</b>	<b>9</b>	<b>10</b>	<b>-7.9%</b>	<b>-11.7%</b>	<b>40.5%</b>	<b>33</b>	<b>37</b>	<b>11.5%</b>
Profit/(loss) from fin. Inv	488	341	152	306	-50.2%	-68.8%	-55.3%	1,089	941	-13.6%
Inc. from Property Inv	28	13	30	13	132.0%	7.6%	126.9%	60	69	16.0%
Other Income, net	15	12	7	8	-17.3%	-56.6%	-47.2%	30	39	30.2%
<b>Total operating income</b>	<b>571</b>	<b>403</b>	<b>300</b>	<b>362</b>	<b>-17.2%</b>	<b>-47.4%</b>	<b>-25.4%</b>	<b>1,330</b>	<b>1,289</b>	<b>-3.1%</b>
<b>Net operating profit / (loss)</b>	<b>543</b>	<b>376</b>	<b>270</b>	<b>333</b>	<b>-18.9%</b>	<b>-50.2%</b>	<b>-28.1%</b>	<b>1,222</b>	<b>1,176</b>	<b>-3.8%</b>
G&A expenses	-81	-62	-78	-87	-9.7%	-2.8%	26.5%	-260	-264	1.5%
Finance cost, net	-46	-64	-34	-74	-54.0%	-25.7%	-46.1%	-139	-232	66.8%
<b>Profit before Tax</b>	<b>416</b>	<b>250</b>	<b>158</b>	<b>172</b>	<b>-8.2%</b>	<b>-62.1%</b>	<b>-37.0%</b>	<b>823</b>	<b>680</b>	<b>-17.4%</b>
Tax expense	0	-1	3	0	NM	NM	NM	0	0	NM
NCI	195	172	61	129	-52.5%	NM	NM	380	298	-21.5%
<b>Net Profit</b>	<b>221</b>	<b>78</b>	<b>99</b>	<b>42</b>	<b>134.3%</b>	<b>-55.2%</b>	<b>27.7%</b>	<b>443</b>	<b>381</b>	<b>-14.0%</b>

FABS estimate & Co Data

**Waha Capital - Margins**

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross margin	27.0%	19.8%	23.7%	-331	387	23.5%	24.5%	101
Operating margin	80.9%	78.0%	63.9%	-1,698	-1,404	72.4%	70.8%	-163
Net profit margin	38.7%	19.3%	33.0%	-568	1,372	33.3%	29.6%	-376

FABS estimate & Co Data

## Valuation:

We use Discounted Free Cash Flow (DCF) and Dividend Discount Method (DDM) to value Waha Capital. We have assigned equal weight to DCF and DDM valuation methods.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.16	60.0%	1.30
DDM Method	1.34	40.0%	0.54
<b>Weighted Average Valuation (AED)</b>			<b>1.84</b>
Current market price (AED)			1.59
Upside/Downside (%)			+16%

### 1) DCF Method:

Waha Capital is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 6.8%. It is arrived after using cost of equity of 9.3% and after tax cost of debt of 5.4% with a debt-to-equity ratio of 1.81x. Cost of equity is calculated by using 10-year government bond yield of 5.3%, beta of 1.00 and equity risk premium of 4.0%. Government bond yield is calculated after adding Abu Dhabi 10-year CDS spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	2,923
Terminal value (AED, Mn)	9,932
<b>FV to Common shareholders (AED, Mn)</b>	<b>4,076</b>
No. of share (Mn)	1,884
Current Market Price (AED)	1.59
<b>Fair Value per share (AED)</b>	<b>2.16</b>

### DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	806	795	775	750	712
D&A	16	16	17	18	19
Changes in working capital	106	-14	8	20	26
(-) Capex	-99	-124	-123	-122	-121
<b>Free Cash Flow to Firm (FCFF)</b>	<b>829</b>	<b>673</b>	<b>676</b>	<b>665</b>	<b>637</b>
Discounting Factor	0.95	0.89	0.83	0.78	0.73
<b>Discounted FCFF</b>	<b>785</b>	<b>596</b>	<b>561</b>	<b>517</b>	<b>464</b>

Source: FAB Securities

## 2) DDM Method:

Waha Capital has distributed dividends in four of the past five years. It didn't paid any dividends for 2019. During the last three years, the payout ratio stood at 46%, and we expect the payout ratio to average 48% during the next five years. The dividend is discounted at the cost of equity of 9.3%.

Sum of PV (AED, Mn)	761
Terminal value (AED, Mn)	1,769
FV to Common shareholders (AED, Mn)	<b>2,530</b>
No. of share (Mn)	1,884
Current Market Price (AED)	1.59
<b>Fair Value per share (AED)</b>	<b>1.34</b>

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
<b>Dividend Paid</b>					
12 months	194	194	194	194	194
<b>Total Dividend</b>	<b>194</b>	<b>194</b>	<b>194</b>	<b>194</b>	<b>194</b>
Discounting Factor	0.93	0.85	0.78	0.71	0.65
<b>Present Value of Dividend</b>	<b>180</b>	<b>165</b>	<b>151</b>	<b>138</b>	<b>126</b>

Source: FAB Securities

**Research Rating Methodology:**

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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