

Dubai Investments PJSC (DIC)

Lower operating and finance costs supported the bottom line

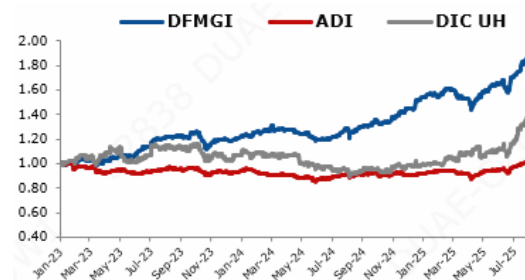
Current Price
AED 2.88

Target Price
AED 2.80

Upside/Downside (%)
-3%

Rating
HOLD

- Income from the Manufacturing and Contracting Segment grew 23.9% YOY to AED 359 Mn in 2Q25, mainly attributable to higher sale of goods and services and contract revenue.
- Income from the Investments segment fell substantially from AED 109 Mn in 2Q24 to AED 51 Mn in 2Q25, due to lower gains on investments.
- Rental income grew 14.1% YOY to AED 295 Mn, representing 27.6% of the total revenue during 2Q25.
- The construction of Violet Tower in Jumeirah Village Circle is progressing on schedule, with 26% completed and handover expected by 2Q26.



2Q25 Net Profit higher than our estimate

Dubai Investment PJSC (DIC/ the Company) net profit grew 14.6% YOY to AED 331 Mn in 2Q25, higher than our estimate of AED 263 Mn. The growth is primarily driven by a decrease in direct costs and operating expenses coupled with lower finance expenses and growth in other income, partially offset by a decline in total revenue, finance income, higher impairment charges and tax expenses.

P&L Highlights

DIC's total income declined 13.9% YOY to AED 1,066 Mn in 2Q25, due to a decline in revenue from the Property and Investment segments, partially offset by strong growth in the income from the Manufacturing & Contracting segments. Revenue from the Manufacturing & Contracting segment increased 23.9% YOY to AED 359 Mn in 2Q25, primarily due to strong growth in the sale of goods & services and contract revenue. Revenue from the Property segment declined 21.8% YOY to AED 657 Mn in 2Q25, mainly due to a substantial decrease in sales of properties, partially offset by an increase in revenue from the sale of goods & services and higher rental income. Income from the Investments segment fell substantially from AED 109 Mn in 2Q24 to AED 51 Mn in 2Q25, due to a broad-based reduction across all its revenue streams and lower gains on investments. On the other hand, DIC's direct cost declined 28.0% YOY to AED 517 Mn in 2Q25. Resultantly, gross profit grew 5.6% YOY to AED 550 Mn in 2Q25. Gross margin also rose significantly from 42.0% in 2Q24 to 51.5% in 2Q25. Operating expenses declined 3.1% YOY to AED 132 Mn in 2Q25, driven by an increase in staff cost and selling & marketing expenses. DIC's EBITDA declined 7.4% YOY to AED 289 Mn in 2Q25, whereas EBITDA margin grew from 25.2% in 2Q24 to 27.1% in 2Q25. Moreover, operating profit increased 8.7% YOY AED 417 Mn in 2Q25, with an increase in operating profit margin from 31.0% in 2Q24 to

Stock Information

Market Cap (AED, Mn)	12,245.82
Paid Up Capital (Mn)	4,252.02
52 Week High	3.03
52 Week Low	1.98
3M Avg. daily value (AED)	10,452,600

2Q25 Result Review (AED, Mn)

Total Assets	22,736
Total Liabilities	8,696
Total Equity	14,040
EBITDA	289
Net Profit	331

Financial Ratios

Dividend Yield (12m)	6.25
Dividend Pay-out (%)	63.50
Price-Earnings Ratio(x)	9.28
Price-to-Book Ratio (x)	0.88
Book Value (AED)	3.26
Return-on Equity (%)	9.55

Stock Performance

5 Days	-2.04%
1 Months	2.86%
3 Months	21.52%
6 Months	30.91%
1 Year	44.00%
Month to Date (MTD%)	-2.70%
Quarter to Date (QTD%)	12.50%
Year to Date (YTD%)	33.33%

39.1% in 2Q25. Furthermore, finance expense declined 18.6% YOY to AED 87 Mn in 2Q25, while finance income also declined 24.4% YOY to AED 19 Mn in 2Q25. The Company also recorded impairment charges of AED 8 Mn in 2Q25 compared to AED 2 Mn in 2Q24. Additionally, other income grew from AED 9 Mn in 2Q24 to AED 20 Mn in 2Q25. DIC also incurred a tax expense of AED 32 Mn in 2Q25 compared to AED 20 Mn in 2Q24. The Company's profit attributable to non-controlling interest holders stood at AED 2 Mn in 2Q25 compared to AED 0.1 Mn in 2Q24.

Balance Sheet Highlights

DIC's gross debt increased from AED 5.2 Bn in 1Q25 to AED 5.9 Bn in 2Q25. Cash and cash equivalents grew from AED 776 Mn in 1Q25 to AED 1,074 Mn in 2Q25. The Company's cash flow from operations declined from AED 534 Mn in 2Q24 to AED 365 Mn in 2Q25, owing to increased investment in working capital activities. Total assets grew 4.2% YOY and 2.1% QOQ to AED 22.7 Bn in 2Q25.

Target Price and Rating

We maintain our HOLD rating on DIC with a revised target price of AED 2.80. The Company's stock price increased 22.9% since our last rating (May 2025). DIC's profitability was supported by strong performance from the Manufacturing segment during 2Q25. The Manufacturing and Contracting segment continued to grow to AED 359 Mn, driven by solid growth in contract revenue and the sale of goods and services in 2Q25. However, the investment portfolio declined significantly from AED 109 Mn in 2Q24 to AED 51 Mn in 2Q25, mainly due to lower fair value gains on investments and lower sales of goods and services. The property segment also recorded a decline of 21.8% YOY to AED 657 Mn during 2Q25, primarily due to lower property sales. Despite this, the Company's rental income remained resilient, supported by stable occupancy across the portfolio. The Company's rental income grew 14.1% YOY to AED 295 Mn, representing 27.6% of the total revenue during 2Q25. On the development front, DIC continues to make steady progress across several key projects. Asayel Avenue at Mirdif Hills entered the initial construction phase following its groundbreaking in June 2025. The phased handover of villas at Danah Bay Al Marjan Island, Ras Al Khaimah, is underway, underscoring the Company's focus on timely delivery and execution quality. The construction of Violet Tower in Jumeirah Village Circle is progressing on schedule, with 26% completed and handover expected by 2Q26. With multiple projects advancing as planned and new developments in the pipeline, Dubai Investments is steadily strengthening its presence in the real estate sector. In addition, the continued growth of Al Mal Capital REIT remains a strategic priority, reinforcing DIC's positioning as a consistent source of dividend income for investors. Thus, considering these factors, we maintain our HOLD rating on the stock.

DIC - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	35.48	19.90	7.67	10.90	10.23	12.45
PB	1.04	1.02	0.96	0.92	0.92	0.91
EV/EBITDA	28.69	20.92	8.46	15.70	15.06	12.20
BVPS	2.779	2.839	3.020	3.166	3.137	3.194
EPS	0.082	0.146	0.378	0.266	0.283	0.233
DPS	0.080	0.120	0.200	0.125	0.180	0.150
Dividend yield	2.8%	4.1%	6.9%	4.3%	6.2%	5.2%

FABS Estimates & Co Data

DIC – P&L

AED Mn	2Q24	1Q25	2Q25A	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Total Income	1,238	823	1,066	1,074	-0.7%	-13.9%	29.6%	4,661	3,801	-18.5%
Direct Costs	-718	-441	-517	-580	-10.9%	-28.0%	17.2%	-2,309	-2,014	-12.7%
Gross profit	520	382	550	494	11.2%	5.6%	43.9%	2,353	1,786	-24.1%
Operating Expenses	-137	-142	-132	-149	-11.1%	-3.1%	-6.9%	-506	-558	10.3%
EBITDA	312	284	289	384	-24.7%	-7.4%	1.8%	2,017	1,383	-31.4%
Operating profit	384	240	417	345	20.9%	8.7%	74.1%	1,847	1,228	-33.5%
Finance expenses	-106	-81	-87	-106	-18.3%	-18.6%	7.2%	-420	-356	-15.3%
Finance income	25	25	19	24	-21.3%	-24.4%	-25.4%	78	95	21.4%
Impairments	-2	-14	-8	0	NM	NM	NM	-272	-21	-92.1%
Other income	9	15	20	19	3.3%	NM	34.3%	63	76	21.2%
Profit before NCI	309	185	361	282	28.1%	16.8%	95.5%	1,296	1,022	-21.1%
Tax/zakat	-20	-18	-32	-25	26.0%	58.0%	NM	-115	-92	-19.8%
NCI	0	-4	-2	-6	NM	NM	-48.0%	-25	-28	13.9%
Net Profit	289	171	331	263	25.9%	14.6%	93.9%	1,205	958	-20.5%

FABS estimate & Co Data

DIC - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	42.0%	46.4%	51.5%	952	514	50.5%	47.0%	-347
EBITDA	25.2%	34.5%	27.1%	190	-741	43.3%	36.4%	-688
Operating Profit	31.0%	29.1%	39.1%	813	1,000	39.6%	32.3%	-730
Net Profit	23.4%	20.8%	31.1%	771	1,031	25.9%	25.2%	-65

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value Dubai Investments. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.79	70.0%	1.96
Relative Valuation (RV)	2.80	30.0%	0.84
Weighted Average Valuation (AED)			2.80
Current market price (AED)			2.88
Upside/Downside (%)			-3%

1) DCF Method:

Dubai Investments is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.7%. It is arrived after using cost of equity of 9.4% and after-tax cost of debt of 7.1% with a debt-to-equity ratio of 48.1%. Cost of equity is calculated by using a 10-year government bond yield of 5.6%, beta of 1.00, and equity risk premium of 3.8%. Government bond yield is calculated after adding Dubai's 10-year CDS spread over a 10-year US risk-free rate. The cost of debt of 7.1% is calculated after adjusting for a tax rate of 8.9%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	3,214
Terminal value (AED, Mn)	9,819
FV to Common shareholders (AED, Mn)	11,879
No. of share (Mn)	4,252
Current Market Price (AED)	2.88
Fair Value per share (AED)	2.79

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	1,118	1,152	1,259	1,381	1,510
D&A	155	153	152	153	155
Change in working capital	176	-151	-352	-266	-367
Capex	-286	-327	-347	-358	-371
Free Cash Flow to Firm (FCFF)	1,163	826	713	910	926
Discounting Factor	0.97	0.89	0.82	0.75	0.69
Discounted FCFF	563¹	736	585	687	643

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local as well as international peers to value Dubai Investments and it is valued using the EV/EBITDA multiple. It is valued at a 2025 EV/EBITDA multiple of 9.4x in line with peer median multiple.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Emaar Properties	36,936	6.1	5.2	9.2	8.0
Dar AlArkan Real Estate	5,277	15.1	14.7	19.4	17.1
Arabian Centres	2,620	13.8	10.6	9.8	7.4
Deyaar Development	1,215	7.9	5.7	9.3	7.3
TECOM Group	4,574	10.1	9.7	12.3	11.5
Aldar Properties	20,420	8.7	7.3	10.4	8.9
Average		10.3x	8.9x	11.7x	10.0x
Median		9.4x	8.5x	10.1x	8.5x
Max		12.9x	10.4x	11.8x	10.9x
Min		8.1x	6.1x	9.4x	7.6x

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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