

## Dubai Investments PJSC

Robust growth in the Property segment drove the topline

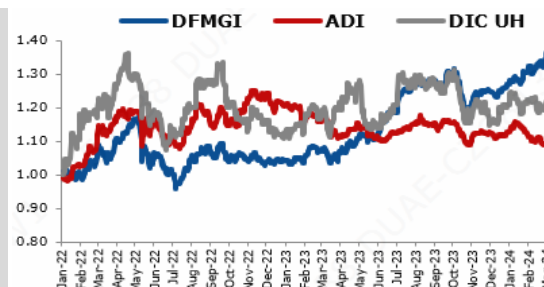
**Current Price**  
AED 2.31

**Target Price**  
AED 2.47

**Upside/Downside (%)**  
+7%

**Rating**  
HOLD

- DIC's revenue grew 12.6% YOY to AED 1,107 Mn in 4Q23 driven by resilient performance of the Property segment.
- DIC's real estate projects Danah Bay, Al Marjan Island and Ras Al Khaimah continue to attract significant interest.
- DIC announced the construction of a mixed-use development in Angola, which is spread across 2,000 hectares.
- DIC acquired 34.3% stake in Global Fertility Partners for a consideration of USD 60 Mn.
- The board members proposed a cash dividend of AED 0.125 per share for 2023, generating a healthy annual yield of 5.4%.



### 4Q23 Net Profit higher than our estimate

Dubai Investment PJSC's (DIC) net profit more than doubled from AED 120 Mn in 4Q22 to AED 333 Mn in 4Q23, higher than our estimate of AED 213 Mn. The Company's net profit increased due to a rise in revenue and finance income coupled with a decline in direct cost and impairments partially offset by higher operating expenses and finance cost.

### P&L Highlights

DIC's total income grew 12.6% YOY to AED 1,107 Mn in 4Q23 mainly due to a strong growth in revenue from the Property segment. DIC's income from the Property segment almost doubled to AED 765 Mn in 4Q23 from AED 396 Mn in 4Q22 driven by strong growth in the sale of properties, rental income, and gain on fair value of investment properties of AED 187 Mn. Moreover, the Manufacturing and Contracting segment revenue declined 15.5% YOY to AED 296 Mn in 4Q23 owing to a decline in the sale of goods and services and lower contracting revenue. Income from the Investments segment grew 10.2% YOY to AED 46 in 4Q23 due to strong growth in dividend income and a higher share of profit from equity investments partially offset by a decline in the sale of goods and services and other income. On the other hand, DIC's direct cost marginally declined 2.2% YOY to AED 469 Mn in 4Q23. Thus, gross profit increased 26.8% YOY to AED 638 Mn in 4Q23. Operating expenses rose 11.7% YOY to AED 209 Mn in 4Q23 driven by a rise in other expenses and director fees partially offset by a decline in staff cost. As a result, operating profit declined 35.7% YOY to AED 429 Mn in 4Q23. D&A expenses rose 19.1% YOY to AED 44 Mn in 4Q23. EBITDA stood at AED 473 Mn in 4Q23 compared to AED 353 Mn in 4Q22 while the EBITDA margin grew 680 bps YOY to 42.8% in 4Q23. Furthermore, finance expenses rose significantly 45.8% YOY to AED 109 Mn in 4Q23. Whereas, finance

### Stock Information

Market Cap (AED, mm)	9,779.65
Paid Up Capital (mm)	4,252.02
52 Week High	2.56
52 Week Low	2.12
3M Avg. daily value (AED)	2,193,843

### 4Q23 Result Review (AED, mm)

Total Assets	21,438
Total Liabilities	7,772
Total Equity	13,461
EBITDA	473
Net Profit	333

### Financial Ratios

Dividend Yield (12m)	5.43
Dividend Pay-out (%)	47.00
Price-Earnings Ratio(x)	8.59
Price-to-Book Ratio (x)	0.73
Book Value (AED)	3.17
Return-on Equity (%)	8.60

### Stock Performance

5 Days	-1.71%
1 Months	0.00%
3 Months	2.68%
6 Months	-4.17%
1 Year	6.98%
Month to Date (MTD%)	-1.71%
Quarter to Date (QTD%)	-1.29%
Year to Date (YTD%)	-1.29%

income stood at AED 19 Mn in 4Q23 compared to negative AED 19 Mn in 4Q22. Moreover, other income rose to AED 21 Mn in 4Q23 from AED 10 Mn in 4Q22. Impairment charges fell from AED 147 Mn in 4Q22 to AED 51 Mn in 4Q23. In addition, the share of profit attributable to non-controlling interest holders declined 28.4% YOY to AED 24 Mn 4Q23.

### Balance Sheet Highlights

Total debt of the company marginally rose 2.1% to AED 5.3 Bn in 2023. Cash and cash equivalent increased from AED 963 Mn in 2022 to AED 1,236 Mn in 2023. DIC's cash flow from operations increased from AED 765 Mn in 2022 to AED 1,282 Mn in 2023.

### Target Price and Rating

We maintain our HOLD rating on DIC with an unchanged target price of AED 2.47. DIC's property segment continues to show resilient performance driving the top line growth in 2023. The Company continues to prioritize the real estate sector as one of its primary business areas and remains dedicated to efficiently investing capital in opportunities that enhance value. The Company is actively expanding into new geographies. DIC announced the construction of a mixed-use commercial, residential, and industrial hub in Angola, which is spread across 2,000 hectares. In addition, DIC invested a 24.3% stake in Global Fertility Partners for a consideration of USD 60 Mn making a pivotal move in the diversification. In addition, the Company's Danah Bay project's construction of phase 1 is expected to be completed by 1Q25. On the other hand, Danah Bay Phase 2 features the exclusive first-ever breakwater villas in Ras Al Khaima. The phase 2 construction is expected to be completed by 2Q25. Meanwhile, phase 3 will comprise of residential apartments and a resort with 300 rooms. We further expect that the Danah Bay development will generate a robust cash flow in the long-term given the increase in tourism activity in UAE. The Company targets to divest stakes in mature businesses earning solid returns over the investment. DIC also continued to generate significant gains in the fair value of investment property, and it will continue with strong growth in the real estate sector. DIC's board of directors proposed a cash dividend of AED 0.125 per share for 2023 generating a healthy annual yield of 5.4%. Considering the above-mentioned factors, we assign a HOLD rating on the stock.

#### DIC - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	14.9	28.3	15.9	6.1	8.7	18.2
PB	0.8	0.8	0.8	0.8	0.7	0.7
EV/EBITDA	16.5	24.8	18.1	7.2	8.3	14.5
Dividend yield	4.3%	3.5%	5.2%	8.7%	5.4%	5.6%

FABS Estimates & Co Data

**DIC – P&L**

AED mm	4Q22	3Q23	4Q23	4Q23F	Var.	YOY Ch	QOQ Ch	2022	2023	Change
Total Income	983	968	1,107	884	25.2%	12.6%	14.4%	4,255	4,106	-3.5%
Direct Costs	-480	-568	-469	-482	-2.7%	-2.2%	-17.5%	-1,959	-2,045	4.4%
<b>Gross profit</b>	<b>503</b>	<b>399</b>	<b>638</b>	<b>402</b>	<b>58.6%</b>	<b>26.8%</b>	<b>59.7%</b>	<b>2,296</b>	<b>2,061</b>	<b>-10.2%</b>
Operating Expenses	-187	-94	-209	-136	53.3%	11.7%	122.9%	-506	-524	3.6%
<b>EBITDA</b>	<b>353</b>	<b>348</b>	<b>473</b>	<b>305</b>	<b>55.1%</b>	<b>33.9%</b>	<b>36.1%</b>	<b>1,984</b>	<b>1,702</b>	<b>-14.2%</b>
D&A	37	42	44	39	12.3%	19.1%	4.6%	194	166	-14.7%
<b>Operating profit</b>	<b>316</b>	<b>306</b>	<b>429</b>	<b>266</b>	<b>61.4%</b>	<b>35.7%</b>	<b>40.4%</b>	<b>1,790</b>	<b>1,537</b>	<b>-14.2%</b>
Finance expenses	-75	-112	-109	-106	2.9%	45.8%	-2.9%	-250	-428	71.4%
Finance income	-19	14	19	14	30.6%	NM	32.1%	152	59	-61.3%
Impairments	-147	-9	-51	0	NM	-65.3%	NM	-161	-140	NM
Other income	10	10	21	11	95.8%	NM	NM	34	41	20.5%
<b>Profit before NCI</b>	<b>86</b>	<b>209</b>	<b>309</b>	<b>185</b>	<b>67.1%</b>	<b>NM</b>	<b>47.8%</b>	<b>1,565</b>	<b>1,069</b>	<b>-31.7%</b>
NCI	-34	-27	-24	-28	-11.6%	-28.4%	-11.2%	-44	-82	87.9%
<b>Net Profit</b>	<b>120</b>	<b>237</b>	<b>333</b>	<b>213</b>	<b>57%</b>	<b>178.5%</b>	<b>41.0%</b>	<b>1,609</b>	<b>1,131</b>	<b>-29.7%</b>

FABS estimate & Co Data

**DIC - Margins**

	4Q22	3Q23	4Q23	YOY Ch	QOQ Ch	2022	2023	Change
Gross Profit	51.2%	41.3%	57.6%	644	1,637	54.0%	50.2%	-377
EBITDA	35.9%	35.9%	42.8%	680	682	46.6%	41.5%	-517
Operating Profit	32.2%	31.6%	38.8%	659	719	42.1%	37.4%	-464
Net Profit	12.2%	24.4%	30.1%	1,795	569	37.8%	27.5%	-1,026

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	2.60	70.0%	1.82
Relative Valuation (RV)	2.17	30.0%	0.65
<b>Weighted Average Valuation (AED)</b>			<b>2.47</b>
Current market price (AED)			2.31
Upside/Downside (%)			+7%

### 1) DCF Method:

Dubai Investments is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 8.3%. It is arrived after using cost of equity of 8.8% and cost of debt of 7.4% with a debt-to-equity ratio of 54.3%. Cost of equity is calculated by using 10-year government bond yield of 5.2%, beta of 0.90, and equity risk premium of 4.0%. Government bond yield is calculated after adding Dubai 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	3,129
Terminal value (AED, Mn)	8,404
<b>FV to Common shareholders (AED, Mn)</b>	<b>11,052</b>
No. of share (Mn)	4,252
Current Market Price (AED)	2.31
<b>Fair Value per share (AED)</b>	<b>2.60</b>

### DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	762	816	851	892	916
D&A	160	155	150	147	142
Change in working capital	438	-52	-49	-48	-48
Capex	-290	-282	-284	-286	-249
<b>Free Cash Flow to Equity (FCFF)</b>	<b>1,070</b>	<b>636</b>	<b>668</b>	<b>704</b>	<b>761</b>
Discounting Factor	0.94	0.87	0.80	0.74	0.68
<b>Discounted FCFF</b>	<b>1,004</b>	<b>551</b>	<b>535</b>	<b>520</b>	<b>519</b>

Source: FAB Securities

## 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 2024 EV/EBITDA multiple of 10.0x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Emaar Properties	19,760	3.4	2.4	0.1	6.3
Dar AlArkan Real Estate	4,180	16.6	13.0	18.4	14.1
Sobha Ltd	1,600	17.1	12.1	29.3	19.4
Arabian Centres	2,870	11.9	10.0	12.5	10.7
Deyaar Development	890	8.5	6.9	8.3	6.8
TECOM Group	3,730	10.0	9.5	11.8	11.1
Aldar Properties	11,990	6.0	5.2	9.8	8.6
<b>Average</b>		<b>10.5x</b>	<b>8.4x</b>	<b>12.9x</b>	<b>11.0x</b>
<b>Median</b>		<b>10.0x</b>	<b>9.5x</b>	<b>11.8x</b>	<b>10.7x</b>
<b>Max</b>		<b>14.3x</b>	<b>11.0x</b>	<b>15.5x</b>	<b>12.6x</b>
<b>Min</b>		<b>7.3x</b>	<b>6.1x</b>	<b>9.0x</b>	<b>7.7x</b>

Source: FAB Securities

