

## Dubai Investment PJSC

All Round Performance Boosted Profitability

### 1Q22 Net Profit higher than our estimate

Dubai Investment PJSC (DIC) reported a significant increase in net profit to AED 203 Mn in 1Q22 from AED 124 Mn in 1Q21, missing our estimate of AED 193 Mn. This increase was mainly due to strong performance in the Property Segment largely on account of sale of properties worth AED 66.6 Mn in 1Q22 and rise in rental income, strong performance from Manufacturing, contracting and services segment partially offset by lower gain on investment portfolio. It is further supported by significant reduction in the impairments .

### P&L highlights

Total Income increased 19.4% YOY to AED 761 Mn in 1Q22 mainly supported by strong performance across all segments. Income from Property Segment rose from AED 224.4 Mn in 1Q21 to AED 280.9 Mn in 1Q22 due to increase in rental income and sale of properties of worth AED 66.6 Mn in 1Q22. Manufacturing, contracting and services Segment income grew from AED 380.0 Mn in 1Q21 to AED 438.3 Mn in 1Q22 segment. Income from Investments Segment rose from AED 33.3 Mn in 1Q21 to AED 41.9 Mn in 1Q22 despite lower gain on investment portfolio. On the other hand, direct cost increased 18.2% YOY to AED 465 Mn in 1Q22. Resultantly, gross profit strongly rose 21.2% YOY to AED 296 Mn in 1Q22. Moreover, operating expenses declined 1.7% YOY to AED 107 Mn in 1Q22. D&A expense declined 4.5% YOY to AED 58 Mn in 1Q22. Thus, the operating profit of the company increased significantly 39.6% YOY to AED 190 Mn in 1Q22. Finance expense also declined 10.4% YOY to AED 48 Mn in 1Q22. While, the finance income increased 13.0 % YOY to AED 53 Mn in 1Q22. Impairment reduced significantly from AED 21 Mn in 1Q21 to AED 2 Mn in 1Q22. Other income decreased to AED 9 Mn in 1Q22 from AED 17 Mn in 1Q21 .

### Balance sheet & cash flow highlights

Total debt of the company reduced to AED 5.7 Bn in 1Q22 from AED 7 Bn in 4Q21 due to sale of 50% stake in district cooling business, Emicool, to Actis. Cash and cash equivalent stood at AED 822 Mn in 1Q22. DIC cash from operations declined from AED 306.7 Mn in 1Q21 to AED 207.2 Mn in 1Q22 due to investment in working capital. Free cash flow too declined from AED 289 Mn in 1Q21 to AED 180 Mn in 1Q22 .

### Target price and rating

We maintain our HOLD rating on DIC with a revised target price of AED 2.15. We anticipate the company real estate business is expected to benefit from positive sentiment towards Dubai Real Estate Sector. Al Taif Business Center in Fujairah is nearly complete and expected to receive hand over in 1Q22 further boosting profitability. It continues to earn sustainable rental income from infrastructure

**Rating : HOLD**

### First Look Note – 1Q22

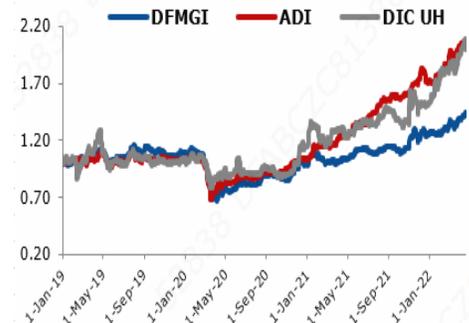
Sector: Invest. & Fin. Services

#### Recommendation

Current Price (24-May-22)	2.21
Target Price	2.15
Upside/Downside (%)	-2.7%

#### Stock Information

Market Cap (mm)	9,396.96
Paid Up Capital (mm)	4,252.02
52 Week High	2.64
52 Week Low	1.62
3M Avg. daily value (AED)	18,019,630



#### Financial Ratios

Dividend Yield (12m)	5.43
Dividend Pay-out (%)	82.37
Price-Earnings Ratio (x)	13.27
Price-to-Book Ratio (x)	0.77
Book Value (AED)	2.89
Return-on Equity (%)	5.77
Earning Per Share (AED)	0.17
Beta	1.07

#### Stock Performance

5 Days	-6.75%
1 Months	-10.89%
3 Months	-2.64%
6 Months	13.92%
1 Year	31.55%
Month to Date (MTD)	-11.95%
Quarter to Date (QTD)	-9.05%
Year to Date (YTD)	14.51%

and ancillary facilities located in Dubai Investment Park (DIP) with an occupancy rate of 98%. DIC recently sold 50% stake in its district cooling business at the enterprise valuation of USD 1 Bn to Actis. Transaction will help in bringing down debt levels which declined from AED 7.0 Bn in 4Q21 to AED 5.7 Bn in 1Q22. It further plans to use the proceed for new investments and special pay dividend to shareholders. Despite all these positives, the company remain highly leveraged with net leverage ratio of 5.1x in 1Q22 with no clear roadmap to reduce debt in the near-term leading us to maintain our HOLD rating on the stock.

**DIC- Relative valuation**

(at CMP)	2018	2019	2020	2021	2022F
PE(X)	14.4	14.3	27.0	15.2	14.3
PB(X)	0.8	0.8	0.8	0.8	0.8
EV/EBITDA	27.8	23.0	23.3	17.4	16.0
Dividend yield	4.5%	4.5%	3.6%	5.4%	5.4%

*FABS Estimates & Co Data*
**DIC - P&L**

AED mm	1Q21	4Q21	1Q22A	1Q22F	Var.	YOY Ch	QOQ Ch	2021	2022F	YOY
Total Income	638	847	761	949	-19.8%	19.4%	-10.2%	3,415	3,734	9.3%
Direct Costs	-393	-542	-465	-588	-20.9%	18.2%	-14.3%	-2,269	-2,511	10.6%
<b>Gross profit</b>	<b>244</b>	<b>305</b>	<b>296</b>	<b>361</b>	<b>-18.0%</b>	<b>21.2%</b>	<b>-2.8%</b>	<b>1,146</b>	<b>1,223</b>	<b>6.7%</b>
Operating Expenses	-109	-129	-107	-167	-36.2%	-1.7%	-17.0%	-446	-519	16.2%
<b>EBITDA</b>	<b>197</b>	<b>232</b>	<b>248</b>	<b>247</b>	<b>0.6%</b>	<b>25.9%</b>	<b>7.1%</b>	<b>933</b>	<b>935</b>	<b>0.2%</b>
D&A	-61	-55	-58	-53	11.3%	-4.5%	5.7%	-233	-231	-1.0%
<b>Operating profit</b>	<b>136</b>	<b>176</b>	<b>190</b>	<b>194</b>	<b>-2.3%</b>	<b>39.6%</b>	<b>7.5%</b>	<b>700</b>	<b>704</b>	<b>0.6%</b>
Finance expenses	-53	-44	-48	-45	6.6%	-10.4%	7.6%	-207	-211	2.0%
Finance income	47	23	53	25	116.6%	13.0%	131.8%	98	100	2.0%
Impairments	-21	-7	-2	0	NM	-92.5%	-77.2%	-42	0	NM
Other income	17	19	9	19	-52.8%	-45.7%	-51.4%	64	67	4.0%
<b>Profit before NCI</b>	<b>125</b>	<b>166</b>	<b>203</b>	<b>193</b>	<b>4.9%</b>	<b>62.2%</b>	<b>21.7%</b>	<b>612</b>	<b>659</b>	<b>7.7%</b>
NCI	1	3	0	0	NM	NM	NM	-7	0	NM
<b>Profit to shareholders</b>	<b>124</b>	<b>164</b>	<b>203</b>	<b>193</b>	<b>4.9%</b>	<b>63.6%</b>	<b>23.6%</b>	<b>619</b>	<b>659</b>	<b>6.4%</b>

*FABS Estimates & Co Data*
**DIC - Margins**

	1Q21	4Q21	1Q22A	YOY ch	QOQ ch	2021	2022F	Change
Gross profit margin	38.3%	36.0%	38.9%	60	294	33.6%	32.7%	-81
EBITDA margin	30.9%	27.3%	32.6%	169	525	27.3%	25.0%	-228
Operating profit margin	21.3%	20.8%	24.9%	361	410	20.5%	18.9%	-163
Net Margin	19.4%	19.3%	26.6%	720	727	18.1%	17.7%	-48

*FABS estimate & Co Data*



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2016 By "Global Investor/  
ISF ME Awards"



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in UAE 2016 and 2020  
by "IFA"



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