

Dubai Investments PJSC (DIC)

Gain from investments coupled with lower direct costs supported profitability

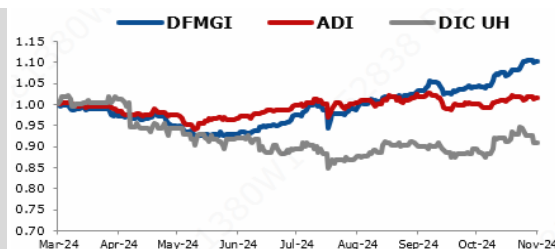
Current Price
AED 2.09

Target Price
AED 2.40

Upside/Downside (%)
+15%

Rating
BUY

- Income from the Investment Segment grew 224.1% YOY to AED 112 Mn in 3Q24, mainly attributable to higher gains on fair valuation of investments.
- Development of Phase 1 of the Danah Bay project progressed as planned in 3Q24 and is anticipated to be completed by 1Q25.
- Dubai Investments noted strong off-plan sales activity for its Violet Tower Project in 3Q24, with construction anticipated to be finished by 4Q26.
- Dubai Investments also commenced the construction of DIP Angola, a mixed-use economic zone in Africa in 3Q24, emphasizing its efforts to expand geographically.



3Q24 Net Profit higher than our estimate

Dubai Investment PJSC (DIC) net profit grew from AED 237 Mn in 3Q23 to AED 241 Mn in 3Q24, higher than our estimate of AED 176 Mn. This growth was primarily driven by higher profit generated from the Investments and Manufacturing, Contracting & Services Segment, partially offset by a decline in profit from Property Segment.

P&L Highlights

DIC's total income declined from AED 968 Mn in 3Q23 to AED 932 Mn in 3Q24, owing to a fall in income received from the Property Segment, partially offset by a growth in income received from Investments and Manufacturing, Contracting & Services segment. Revenue from the Property segment declined 25.5% YOY to AED 458 Mn in 3Q24, mainly attributable to a 30.5% YOY decline in revenue from sale of properties. Revenue from the Manufacturing, Contracting, and Services segment revenue rose 24.8% YOY to AED 362 Mn in 3Q24 primarily due to a 68.3% YOY rise in contract revenue. Income from the Investments segment increased substantially from AED 35 Mn in 3Q23 to AED 112 Mn in 3Q24, primarily driven by higher gains on fair valuation of investment and sale of investment. On the other hand, DIC's direct cost decreased 8.8% YOY to AED 518 Mn in 3Q24. As a result, DIC's gross profit increased 3.7% YOY to AED 414 Mn in 3Q24, whereas margins increased from 41.3% in 3Q23 to 44.4% in 3Q24. Operating expenses increased 3.1% YOY to AED 97 Mn in 3Q24, driven by higher staff expenses and selling & marketing expenses. Operating profit rose 3.9% YOY to AED 318 Mn in 3Q24. D&A expenses declined 19.7% YOY to AED 34 Mn in 3Q24. DIC's EBITDA remained unchanged at AED 351 Mn, whereas the EBITDA Margin rose from 35.9% in 3Q23 to 37.7% in 3Q24. Furthermore, finance expenses decreased 17.8% YOY to AED 92 Mn in 3Q24, whereas finance income stood at AED 20 Mn in 3Q24 compared to AED 14 Mn in 3Q23. Moreover, other income grew from AED 10 Mn in 3Q23 to

Stock Information

Market Cap (AED, mn)	8,886.72
Paid Up Capital (mn)	4,252.02
52 Week High	2.45
52 Week Low	1.93
3M Avg. daily value (AED)	3,387,305

3Q24 Result Review (AED, mn)

Total Assets	21,807
Total Liabilities	7,996
Total Equity	13,812
EBITDA	351
Net Profit	241

Financial Ratios

Dividend Yield (12m)	5.98
Dividend Pay-out (%)	47.00
Price-Earnings Ratio(x)	9.02
Price-to-Book Ratio (x)	0.65
Book Value (AED)	3.19
Return-on Equity (%)	7.22

Stock Performance

5 Days	-3.69%
1 Months	1.46%
3 Months	3.47%
6 Months	-3.69%
1 Year	-11.06%
Month to Date (MTD%)	-1.42%
Quarter to Date (QTD%)	0.00%
Year to Date (YTD%)	-10.30%

AED 17 Mn in 3Q24 and impairment charges dropped from AED 9 Mn in 3Q23 to AED 6 Mn in 3Q24. Dubai Investments incurred a tax expense of AED 20 Mn in 3Q24, mainly due to the introduction of UAE corporate tax. Share of profit attributable to non-controlling interest holders decreased from AED 27 Mn in 3Q23 to AED 6 Mn in 3Q24 boosting profit.

Balance Sheet Highlights

DIC's total gross debt decreased from AED 5.7 Bn in 2Q24 to AED 5.4 Bn in 3Q24. Cash and cash equivalent stood at AED 985 Mn in 3Q24, compared to AED 1.2 Bn in 2Q24. The Company's cash flow from operations declined from AED 1.0 Bn in 9M23 to AED 817 Mn in 9M24 owing to investment in working capital in 9M24 compared to 9M23. Total assets stood at AED 21.8 Bn in 3Q24 compared to AED 21.0 Bn in 3Q23.

Target Price and Rating

We maintain our BUY rating on DIC with a target price of AED 2.40. DIC's Investment Segment significantly grew 224.1% YOY to AED 112 Mn, mainly attributable to higher gains on fair valuation of investments in 3Q24. Dubai Investments reported notable progress in 3Q24, particularly in its real estate and investment sectors. The development of the Danah Bay project in Ras Al Khaimah is progressing, with the villas anticipated to be completed by the end of 1Q25, followed by Beachfront Villas in 3Q25, followed by the Danah Bay Tower in 4Q26. Additionally, the off-plan sales for Violet Tower in Jumeirah Village Circle have been strong, with construction proceeding according to schedule. Furthermore, the construction is expected to be completed by 4Q26. Moreover, DIC, as demonstrated by Al Mal Capital REIT, currently possesses five income-generating assets. These significant advancements are crucial in strengthening the company's real estate portfolio and improving its ability to provide sustainable income streams and upstream dividends. DIC also commenced the construction of DIP Angola, a mixed-use economic zone in Africa, highlighting its goal of creating integrated centers that promote economic and social development. Looking ahead, Dubai Investments remains focused on advancing key projects and expanding its investment footprint across regional and international markets. This strategic approach is expected to sustain the company's robust performance throughout 2024, solidifying its role as a pivotal player in driving economic growth and enhancing shareholder value. Therefore, considering these factors, we assign a BUY rating to the stock.

DIC - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	13.5	25.6	14.3	5.5	7.9	10.2
PB	0.7	0.8	0.7	0.7	0.7	0.7
EV/EBITDA	15.5	23.3	17.1	6.7	7.7	11.7
Dividend yield	4.8%	3.8%	5.7%	9.6%	6.0%	6.2%

FABS Estimates & Co Data

DIC – P&L

AED mn	3Q23	2Q24	3Q24	3Q24F	Var	YOY Ch	QOQ Ch	2023	2024F	Change
Total Income	968	1,238	932	929	0.3%	-3.7%	-24.7%	4,106	3,978	-3.1%
Direct Costs	-568	-718	-518	-557	-7.0%	-8.8%	-27.8%	-2,045	-2,287	11.8%
Gross profit	399	520	414	372	11.4%	3.7%	-20.4%	2,061	1,690	-18.0%
Operating Expenses	-94	-137	-97	-112	-13.5%	3.1%	-29.3%	-524	-499	-4.9%
EBITDA	348	429	351	300	17.0%	1.0%	-18.1%	1,702	1,161	-31.8%
Operating profit	306	384	318	260	22.1%	3.9%	-17.2%	1,537	1,192	-22.4%
Finance expenses	-112	-106	-92	-108	-14.6%	-17.8%	-13.1%	-428	-396	-7.5%
Finance income	14	25	20	19	5.7%	39.9%	-20.1%	59	80	35.5%
Impairments	-9	-2	-6	0	NM	-36.0%	229.4%	-140	-9	NM
Other income	10	9	17	9	80.4%	60.9%	82.6%	41	40	-3.1%
Profit before NCI	209	309	256	180	42.5%	22.5%	-17.2%	1,069	906	-15.2%
Tax/zakat	-	-20	-20	-13	51.4%	NM	0.8%	-20	-82	NM
NCI	-27	0	-6	-10	-42.8%	-79.3%	NM	-82	-49	-39.5%
Net Profit	237	289	241	176	37.0%	2.0%	-16.6%	1,131	874	-22.7%

FABS estimate & Co Data

DIC - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2,023	2024F	Change
Gross Profit	41.3%	42.0%	44.4%	315	240	50.2%	42.5%	-769
EBITDA	35.9%	34.6%	37.7%	175	305	41.5%	29.2%	-1,227
Operating Profit	31.6%	31.0%	34.1%	247	308	37.4%	30.0%	-746
Net Profit	24.4%	23.4%	25.9%	144	252	27.5%	22.0%	-556

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	2.36	70.0%	1.65
Relative Valuation (RV)	2.51	30.0%	0.75
Weighted Average Valuation (AED)			2.40
Current market price (AED)			2.09
Upside/Downside (%)			+15%

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 8.4%. It is arrived after using cost of equity of 9.6% and cost of debt of 7.0% with a debt-to-equity ratio of 61.1%. Cost of equity is calculated by using a 10-year government bond yield of 5.3%, beta of 1.00, and equity risk premium of 4.3%. Government bond yield is calculated after adding Dubai's 10-year CDS spread over a 10-year US risk-free rate. Cost of debt of 7.0% is calculated after adjusting a tax rate of 9.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	2,996
Terminal value (AED, Mn)	7,994
FV to Common shareholders (AED, Mn)	10,023
No. of share (Mn)	4,252
Current Market Price (AED)	2.09
Fair Value per share (AED)	2.36

DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	1,085	922	946	955	967
D&A	160	156	153	152	152
Change in working capital	-64	531	86	-234	-76
Capex	-730	-285	-326	-338	-341
Free Cash Flow to Equity (FCFF)	451	1,324	860	536	702
Discounting Factor	0.99	0.91	0.84	0.78	0.72
Discounted FCFF	112	1,210	725	417	503

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 median multiple.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Emaar Properties	22,283	5.9	5.3	7.0	6.6
Dar AlArkan Real Estate	4,900	21.7	21.6	27.9	17.1
Arabian Centres	2,531	14.6	12.5	9.9	8.3
Deyaar Development	1,072	9.4	7.5	10.0	8.2
TECOM Group	4,274	10.2	10.1	12.5	12.3
Aldar Properties	16,568	9.8	8.8	11.7	9.7
Average		11.9x	11.0x	13.2x	10.4x
Median		10.0x	9.4x	10.8x	9.0x
Max		13.5x	11.9x	12.3x	11.7x
Min		9.5x	7.8x	10.0x	8.2x

Source: FAB Securities

