

Dubai Investments PJSC (DIC)

Strong sales across Manufacturing & Contracting segment along with high rental income drove profitability

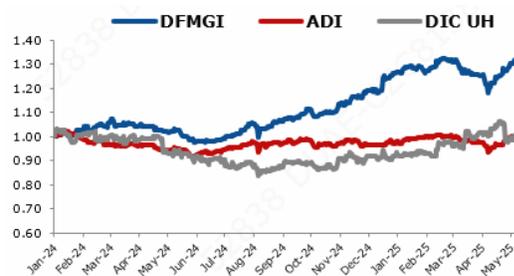
Current Price
AED 2.35

Target Price
AED 2.40

Upside/Downside (%)
+2%

Rating
HOLD

- Income from the Manufacturing and Contracting Segment grew 21.7% YOY to AED 352 Mn in 1Q25, mainly attributable to higher sale of goods and services and contract revenue.
- The construction of Violet Tower in Dubai's Jumeirah Village Circle is currently in progress, with an expected completion in 4Q26.
- Recently unveiled Asayel Avenue, a new project within the Mirdif Hills development in Dubai.
- Approved a cash dividend of AED 0.18 per share for FY2024, equivalent to AED 765 Mn, recording a strong dividend yield of 7.6%.



1Q25 Net Profit in line with our estimate

Dubai Investment PJSC (DIC) net profit grew 42.5% YOY to AED 171 Mn in 1Q25, in line with our estimate of AED 176 Mn. The growth is primarily driven by an increase in revenue and other income, coupled with a decline in direct cost and net finance cost, partially offset by higher operating expenses.

P&L Highlights

DIC's total income rose 3.9% YOY to AED 823 Mn in 1Q25, due to strong growth in income from the Manufacturing and Contracting segment, partially offset by a decline in revenue from the Investment segment. Revenue from the Property segment decreased marginally 0.5% YOY to AED 437 Mn in 1Q25, mainly due to decrease in sale of properties partially offset by an increase in revenue from rental income and gain on fair value of investment properties. Revenue from the Manufacturing, Contracting, and Services segment increased 21.7% YOY to AED 352 Mn in 1Q25 primarily due to strong growth in contract revenue and sale of goods & services. However, income from the Investments segment fell substantially from AED 63 Mn in 1Q24 to AED 33 Mn in 1Q25, due to a loss on fair value of investments. On the other hand, DIC's direct cost decreased 6.3% YOY to AED 441 Mn in 1Q25. As a result, gross profit increased 18.9% YOY to AED 382 Mn in 1Q25, whereas the gross margin rose 585 bps YOY to 46.4% in 1Q25. Operating expenses increased 27.1% YOY to AED 142 Mn in 1Q25, driven by an increase in staff cost and selling & marketing expenses. Moreover, operating profit increased 14.5% YOY AED 240 Mn in 1Q25, while operating profit margin rose 270 bps YOY to 29.1% in 1Q25. Furthermore, finance expenses decreased 24.4% YOY to AED 81 Mn in 1Q25, whereas finance income increased 44.2% YOY to AED 25 Mn. Additionally, other income grew from AED 5 Mn in 1Q24 to AED 15 Mn in 1Q25. Dubai Investments incurred a tax expense of AED

Stock Information

Market Cap (AED, mn)	9,992.25
Paid Up Capital (mn)	4,252.02
52 Week High	2.50
52 Week Low	1.93
3M Avg. daily value (AED)	11,538,290

1Q25 Result Review (AED, Mn)

Total Assets	22,275
Total Liabilities	7,790
Total Equity	14,485
EBITDA	283
Net Profit	171

Financial Ratios

Dividend Yield (12m)	7.66
Dividend Pay-out (%)	63.50
Price-Earnings Ratio(x)	7.82
Price-to-Book Ratio (x)	0.70
Book Value (AED)	3.36
Return-on Equity (%)	9.01

Stock Performance

5 Days	0.00%
1 Months	-2.49%
3 Months	3.07%
6 Months	8.80%
1 Year	6.82%
Month to Date (MTD%)	1.29%
Quarter to Date (QTD%)	-0.84%
Year to Date (YTD%)	8.80%

18 Mn in 1Q25 compared to AED 10 Mn in 1Q24. The share of profit attributable to non-controlling interest holders decreased 51.2% YOY to AED 4 Mn in 1Q25.

Balance Sheet Highlights

DIC's gross debt increased 3.1% YOY but declined 2.9% QOQ to AED 5.2 Bn in 1Q25. Cash and cash equivalent fell 12.2% YOY and 16.5% QOQ to AED 840 Mn in 1Q25. The Company's cash flow from operations declined from AED 141 Mn in 1Q24 to AED 107 Mn in 1Q25, owing to increased investment in working capital partially offset by an improvement in profitability. Total assets grew 3.8% YOY and 0.8% QOQ to AED 22.3 Bn in 1Q25.

Target Price and Rating

We maintain HOLD rating on DIC with an unchanged target price of AED 2.40. DIC's Manufacturing and Contracting Segment significantly grew 21.7% YOY to AED 352 Mn, mainly attributable to solid growth in contract revenue and sale of goods and services in 1Q25. High rental income owing to stable occupancy in the property segment also supported the growth in top line. However, the Company's property sales declined significantly in 1Q25. Dubai Investments is steadily advancing on numerous important real estate developments. The initial phase of Danah Bay located on Al Marjan Island in Ras Al Khaimah is anticipated to be delivered shortly. The construction of Violet Tower in Dubai's Jumeirah Village Circle is currently in progress, with an expected completion in 4Q26. Furthermore, the launch of Asayel Avenue, a new project within the Mirdif Hills development in Dubai reflects the Company's ability to deliver high-quality, mixed-use developments. Also, the continued growth of Al Mal Capital REIT remains a key focus, supporting its position as a reliable source of dividend income for investors. With ongoing projects progressing on time and new developments planned, Dubai Investments is steadily strengthening its position in the real estate sector. The board of directors approved a cash dividend of AED 0.18 per share for FY2024, equivalent to AED 765 Mn, recording a strong dividend yield of 7.6%. Therefore, considering these factors, we maintain our HOLD rating to the stock.

DIC - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	28.87	16.20	6.24	8.87	8.33	11.41
PB	0.85	0.83	0.78	0.75	0.75	0.74
EV/EBITDA	25.12	18.35	7.30	13.54	13.02	10.74
DPS	0.08	0.12	0.20	0.13	0.18	0.15
Dividend yield	3.4%	5.1%	8.5%	5.3%	7.6%	6.4%

FABS Estimates & Co Data

DIC – P&L

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Total Income	792	1,699	823	860	-4.3%	3.9%	-51.6%	4,661	3,846	-17.5%
Direct Costs	-471	-602	-441	-473	-6.7%	-6.3%	-26.7%	-2,309	-2,116	-8.4%
Gross profit	321	1,097	382	387	-1.3%	18.9%	-65.2%	2,353	1,731	-26.4%
Operating Expenses	-112	-161	-142	-129	10.1%	27.1%	-11.7%	-506	-522	3.2%
EBITDA	241	267	283	296	-4.5%	17.5%	6.1%	2,017	1,364	-32.4%
Operating profit	209	936	240	258	-7.0%	14.5%	-74.4%	1,847	1,209	-34.5%
Finance expenses	-107	-114	-81	-100	-19.0%	-24.4%	-29.3%	-420	-399	-5.0%
Finance income	17	17	25	18	38.0%	44.2%	48.7%	78	77	-1.7%
Impairments	-3	-262	-14	0	NM	NM	NM	-272	0	NM
Other income	5	31	15	5	NM	NM	-52.7%	63	52	-17.5%
Profit before NCI	122	608	185	181	2.1%	51.1%	-69.6%	1,296	939	-27.5%
Tax/zakat	-10	-64	-18	-15	15.0%	77.4%	-72.4%	-115	-84	-26.4%
NCI	-8	-11	-4	-10	-62.7%	-51.2%	-66.5%	-25	-26	NM
Net Profit	120	555	171	176	-2.7%	42.5%	-69.2%	1,205	880	-27.0%

FABS estimate & Co Data

DIC - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	40.5%	64.6%	46.4%	585	-1,818	50.5%	45.0%	-547
EBITDA	30.4%	15.7%	34.4%	398	1,870	43.3%	35.5%	-782
Operating Profit	26.4%	55.1%	29.1%	270	-2,598	39.6%	31.4%	-819
Net Profit	15.1%	32.7%	20.8%	562	-1,189	25.9%	22.9%	-298

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	2.23	70.0%	1.56
Relative Valuation (RV)	2.80	30.0%	0.84
Weighted Average Valuation (AED)			2.40
Current market price (AED)			2.35
Upside/Downside (%)			+2%

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 8.9%. It is arrived after using cost of equity of 9.8% and cost of debt of 7.1% with a debt-to-equity ratio of 52.3%. 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 4.2%. 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 7.1% is calculated after adjusting a tax rate of 8.9%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	3,140
Terminal value (AED, Mn)	7,123
FV to Common shareholders (AED, Mn)	9,494
No. of share (Mn)	4,252
Current Market Price (AED)	2.35
Fair Value per share (AED)	2.23

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	1,100	1,179	1,229	1,264	1,304
D&A	155	153	153	154	155
Change in working capital	384	-204	-366	-233	-377
Capex	-287	-332	-348	-356	-365
Free Cash Flow to Equity (FCFF)	1,352	796	668	828	716
Discounting Factor	0.95	0.87	0.80	0.73	0.67
Discounted FCFF	825	692	534	607	482

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 2025 EV/EBITDA multiple of 9.3x in line with peer median multiple.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Emaar Properties	32,366	6.1	5.3	8.8	7.9
Dar AlArkan Real Estate	6,081	18.6	16.7	21.1	16.2
Arabian Centres	2,540	12.7	10.1	9.0	7.1
Deyaar Development	1,084	6.2	5.4	7.6	6.5
TECOM Group	4,274	10.1	9.6	12.7	11.1
Aldar Properties	18,260	8.5	7.2	10.2	8.6
Average		10.4x	9.0x	11.6x	9.6x
Median		9.3x	8.4x	9.6x	8.3x
Max		12.1x	9.9x	12.1x	10.5x
Min		6.8x	5.9x	8.9x	7.3x

Source: FAB Securities

