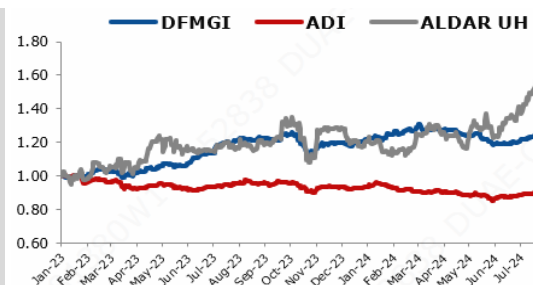


Aldar Properties

Strong domestic and international demand coupled with new launches boosted property sales

Current Price	Target Price	Upside/Downside (%)	Rating
AED 6.70	AED 7.20	+7.5%	HOLD

- Aldar Properties total revenue backlog stood at AED 39.0 Bn in 2Q24 out of which UAE backlog stood at AED 33.2 Bn and the remaining AED 5.8 Bn for the International Business.
- The company launched two new developmental projects in 2Q24 and plans to develop a Grade A office tower at a prime location on Sheikh Zayed Road. It also signed an agreement to acquire '6 Falak', a Grade A office building in Dubai.
- The Company raised real estate prices by 5-10% owing to the strong demand and limited supply and will continue to raise prices in Abu Dhabi with the launch of new projects.
- Signed an agreement with DP World to develop a 144 thousand sqm Grade A logistics park and plans to refurbish its assets across the hospitality business to capitalize on increasing hospitality demand.



2Q24 Net Profit higher than our estimate

Aldar Properties PJSC (Aldar/the Company) net profit increased 29.5% YOY to AED 1,552 Mn in 2Q24 higher than our estimate of AED 1,331 Mn. The increase in the net profit is primarily driven by significant growth in revenue, lower provisions, and an increase in other income partially offset by an increase in direct cost, operating expenses, and net finance cost coupled with higher taxes and profits attributable to non-controlling interest holders.

P&L Highlights

Aldar's revenue increased significantly 63.7% YOY to AED 5,303 Mn in 2Q24 driven by robust growth in both development as well as investment business. Aldar's development revenue doubled from AED 1,969 Mn in 2Q23 to AED 3,634 Mn in 2Q24 supported by the growth in group sales and healthy contributions from the acquisitions. The execution of the revenue backlog new and existing projects primarily drives the growth. Development sales grew 9.6% YOY to AED 7,703 Mn in 2Q24 of which AED 6,832 Mn sales came from UAE and the remaining from Egypt and the UK. UAE sales growth is mainly driven by the strong demand for residential properties from expatriates. In addition, Aldar also launched two new projects in 2Q24. The company's total revenue backlog stood at AED 39.0 Bn in 2Q24 out of which UAE backlog stood at AED 33.2 Bn, along with the remaining AED 5.8 Bn backlog for the international business. Moreover, revenue from project management services grew 49.5% YOY to AED 431 Mn in 2Q24 with a revenue backlog of AED 77.9 Bn wherein AED 32.9 Bn is under construction. The revenue from international segment more than doubled to AED 349 Mn in 2Q24 from AED 158 Mn in 2Q23. On the other hand, Aldar Investments recorded a strong revenue growth of 15.0% YOY to AED 1,669 Mn in 2Q24, mainly attributable to strong operational performance, expansion of Aldar Estates, and solid contributions from acquisitions.

Stock Information

Market Cap (AED, Mn)	53,387.26
Paid Up Capital (Mn)	7,862.63
52 Week High	7.96
52 Week Low	4.76
3M Avg. daily value (AED)	68,089,550

2Q24 Result Review (AED, Mn)

Total Assets	76,188
Total Liabilities	36,347
Total Equity	39,841
EBITDA	2,037
Net Profit	1,552

Financial Ratios

Dividend Yield (12m)	2.50
Dividend Pay-out (%)	35.00
Price-Earnings Ratio(x)	11.21
Price-to-Book Ratio (x)	1.57
Book Value (AED)	4.33
Return-on Equity (%)	14.73

Stock Performance

5 Days	-9.47%
1 Months	7.61%
3 Months	15.28%
6 Months	33.93%
1 Year	29.33%
Month to Date (MTD%)	-8.12%
Quarter to Date (QTD%)	8.47%
Year to Date (YTD%)	26.92%

Occupancy levels in the investment properties segment stood strong at 94% across the overall portfolio resulting from proactive asset management in 2Q24. Aldar Development's EBITDA increased substantially from AED 821 Mn in 2Q23 to AED 1,146 Mn in 2Q24 mainly driven by the growth in profitability across all segments. In addition, Property Development and Sales EBITDA increased significantly from AED 566 Mn in 2Q23 to AED 1,072 Mn in 2Q24. The Project Management Services EBITDA grew 32% YOY to AED 131 Mn in 1Q24, whereas the International segment EBITDA declined 78% YOY to AED 11 Mn. Aldar Investments EBITDA grew 39% YOY to AED 1,046 Mn in 2Q24. Investment Properties EBITDA rose 36% YOY to AED 832 Mn in 2Q24 driven by higher occupancy levels across the portfolio and a rise in leasing rates. The EBITDA of Aldar Hospitality and leisure business segment increased 8% YOY to AED 71 Mn in 2Q24. Moreover, the Aldar Education segment witnessed 19% YOY growth in EBITDA to AED 61 Mn in 2Q24 supported by an increase in the number of student enrolments and schools along with enhanced operational performance. Aldar Estate segment EBITDA grew significantly from AED 31 Mn in 2Q23 to AED 84 Mn in 2Q24, which was primarily attributed to the significant transformation achieved through strategic mergers and acquisitions. Thus, the Company's consolidated EBITDA increased 41.8% YOY to AED 2,037 Mn in 2Q24 with an EBITDA margin of 38.4%. Moreover, Aldar's total operating profit rose 30.2% YOY to AED 1,406 Mn in 2Q24. The company recorded provisions of AED 8 Mn in 2Q24 compared to AED 123 Mn in 2Q23. Moreover, finance income rose significantly 63.9% YOY to AED 171 Mn in 2Q24, while finance cost grew 66.8% YOY to AED 236 Mn due to higher interest rates. The total other income grew 32.6% YOY to AED 491 Mn in 2Q24, primarily due to gains in the revaluation of investment properties. In addition, income tax expense increased from AED 6 Mn in 2Q24 to AED 75 Mn in 2Q24 mainly due to the introduction of UAE corporate tax. In addition, the share of profit attributable to non-controlling interest holders more than doubled from AED 84 Mn in 2Q23 to AED 199 Mn in 2Q24.

Balance Sheet Highlights

Aldar Properties' liquidity stood strong with free cash of AED 3.6 Bn with an AED 7.6 Bn of undrawn credit facilities as of 2Q24. The project management service segment backlog stood at AED 77.9 Bn in 2Q24 compared to AED 79.4 Bn in 1Q24. Aldar Properties maintained AED 7.9 Bn of develop-to-hold properties across various assets in core segments. The company's debt stood at AED 14.2 Bn in 2Q24 as against AED 12.8 Bn in 1Q24. Aldar optimized its debt structure and issued a 10-year green sukuk of USD 500 Mn and initiated an offer to buy back its sukuk maturing in 2025. The Company also refinanced London Square's existing debt with an unsecured loan.

Target Price and Rating

We maintain our HOLD rating on Aldar Properties with an unchanged target price of AED 7.20. The Company recorded solid development sales of AED 7.7 Bn in 2Q24 due to two new property launches and strong demand for new and existing properties from domestic as well as international buyers. Aldar Development's revenue backlog rose to AED 39.0 Bn in 2Q24 compared to AED 38.1 Bn in 1Q24 with an expectation to realize revenue over the next two to three years providing strong revenue visibility. Aldar launched two new projects, Source Terraces in Abu Dhabi and Athlon in Dubai. The Company received an excellent response on its launch and sold out the first two phases of Athlon on its very first day generating AED 4.1 Bn of sales. The strong project pipeline is expected to boost the revenue backlog to AED 50 Bn in the upcoming period. Aldar plans to develop a Grade A office tower at a prime location on Sheikh Zayed Road. In addition, the Company also signed an agreement to acquire '6 Falak', a Grade A office building in Dubai. Furthermore, Aldar signed an agreement with DP World to develop a 144 thousand square meter Grade A logistics park in Dubai. This investment is a part of the Company's commitment to invest AED 1 Bn in logistics assets. Aldar Estates platform now manages 158 thousand units across a GLA of 2 Mn square meters with contracts worth AED 1.9 Bn. The Company further plans to refurbish its assets across the hospitality business to capitalize on increasing hospitality demand. Aldar expects its land sales to grow in 2H24 which will boost its gross margins, whereas the Company also raised real estate prices by 5-10% owing to the strong demand and limited supply. Aldar will continue to raise prices in Abu Dhabi with the launch of new projects. The Company's master plans in Dubai will generate a gross development value of AED 25 Bn of which it has already generated AED 7-8 Bn. Besides, Aldar has sufficient land in Dubai to meet its needs for the next two years and plans to compete for additional land acquisitions.

thereafter. In addition, Aldar plans to add 3,000-4,000 residential units to the recurring portfolio. The Company plans to maintain LTV lower than 25% in the development business and looks for alternate sources to fund the business. Thus, considering the abovementioned factors, we assign a HOLD rating on the stock.

Aldar - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	25.36	26.04	21.73	17.40	13.18	8.65
PB	2.03	1.96	1.87	1.78	1.62	1.41
EV/EBITDA	23.04	21.47	18.05	14.73	11.30	8.72
Dividend yield	2.3%	2.3%	2.3%	2.5%	2.7%	3.8%

FABS Estimates & Co Data

Aldar - P&L

AED Mn	2Q23	1Q24	2Q24	2Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	3,240	5,616	5,303	5,366	-1.2%	63.7%	-5.6%	14,161	22,143	56.4%
Direct costs	-1,807	-3,590	-3,478	-3,300	5.4%	92.5%	-3.1%	-8,588	-14,113	64.3%
Gross profit	1,433	2,026	1,825	2,066	-11.7%	27.4%	-9.9%	5,573	8,030	44.1%
General expenses	-342	-431	-387	-429	-9.8%	13.0%	-10.2%	-1,482	-1,661	12.1%
Selling & Marketing exp.	-10	-24	-32	-16	96.4%	NM	34.4%	-115	-111	NM
EBITDA	1,437	1,814	2,037	1,759	15.8%	41.8%	12.3%	5,113	6,814	33.3%
EBIT	1,080	1,571	1,406	1,621	-13.2%	30.2%	-10.5%	3,977	6,258	57.4%
Share of assoc.	-2	-1	2	0	NM	NM	NM	-7	0	NM
Provision/(reversal)	-123	-9	-8	-80	-90.3%	-93.7%	NM	-226	-221	-2.0%
Finance income	104	179	171	161	6.1%	63.9%	-4.8%	499	709	42.1%
Finance cost	-141	-209	-236	-192	22.9%	66.8%	12.7%	-621	-882	42.0%
Total other income	370	106	491	172	NM	32.6%	NM	907	1,107	22.0%
Profit before Income tax	1,288	1,637	1,826	1,681	8.6%	41.8%	11.5%	4,528	6,971	53.9%
Income tax	-6	-66	-75	-151	-50.2%	NM	NM	-112	-286	NM
Profit after tax	1,282	1,571	1,751	1,530	14.4%	36.6%	11.5%	4,416	6,685	51.4%
Non-controlling interest	84	254	199	199	0.1%	NM	-21.7%	494	869	75.9%
Net Profit	1,198	1,317	1,552	1,331	16.6%	29.5%	17.8%	3,922	5,816	48.3%

FABS estimate & Co Data

Aldar - Margins

	2Q23	1Q24	2Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross margin	44.2%	36.1%	34.4%	-981	-166	39.4%	36.3%	-309
EBITDA margin	44.4%	32.3%	38.4%	-594	611	36.1%	30.8%	-534
Operating margin	33.3%	28.0%	26.5%	-683	-146	28.1%	28.3%	18
Net profit margin	37.0%	23.4%	29.3%	-772	581	27.7%	26.3%	-143

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	7.31	70.0%	5.12
Relative Valuation (RV)	6.93	30.0%	2.08
Weighted Average Valuation (AED)			7.20
Current market price (AED)			6.70
Upside/Downside (%)			+7.5%

1) DCF Method:

Aldar is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.5%. It is arrived after using the cost of equity of 9.4% and after-tax cost of debt of 5.6% with a debt-to-equity ratio of 31.9%. The cost of equity is calculated by using a 10-year government bond yield of 5.0%, beta of 1.00 and equity risk premium of 4.4%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over a 10-year US risk-free rate. The cost of debt is calculated using the cost of 5.6% after adjusting a tax rate arriving at after-tax cost of debt of 5.6%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	14,749
Terminal value (AED, Mn)	54,733
FV to Common shareholders (AED, Mn)	57,486
No. of share (Mn)	7,863
Current Market Price (AED)	6.70
Fair Value per share (AED)	7.31

DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	5,973	6,266	6,642	7,151	7,485
D&A	555	600	645	695	747
Change in working capital	-1,455	-1,350	-1,305	-1,433	-1,341
(-) Capex	-2,185	-1,977	-1,939	-1,933	-1,906
Free Cash Flow to Firm (FCFF)	2,888	3,538	4,043	4,480	4,984
Discounting Factor	0.97	0.89	0.82	0.76	0.70
Discounted FCFF	1,397	3,155	3,323	3,394	3,481

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value Aldar and it is valued using the EV/EBITDA multiple. It is valued at EV/EBITDA multiple of 9.8x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2024F	2025F	2024F	2025F	2024F	2025F
Emaar Properties	20,190	2.7	1.9	6.5	6.1	0.9	0.8
Dar Al Arkan Real Estate	3,890	19.0	16.8	23.7	15.5	0.7	0.7
Arabian Centres	2,490	12.8	10.5	8.9	7.9	0.6	0.6
Deyaar Development	828	5.5	4.2	NA	7.0	NA	NA
TECOM Group	3,850	9.8	9.0	12.6	11.6	2.1	2.0
Average		10.0x	8.5x	12.9x	9.6x	1.1x	1.0x
Median		9.8x	9.0x	10.7x	7.9x	0.8x	0.7x
Max		12.8x	10.5x	15.4x	11.6x	1.2x	1.1x
Min		5.5x	4.2x	8.3x	7.0x	0.7x	0.7x

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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