

## Abu Dhabi Ports Co PJSC

Strong revenue growth across all segments coupled with recent M&A deals boosted top-line

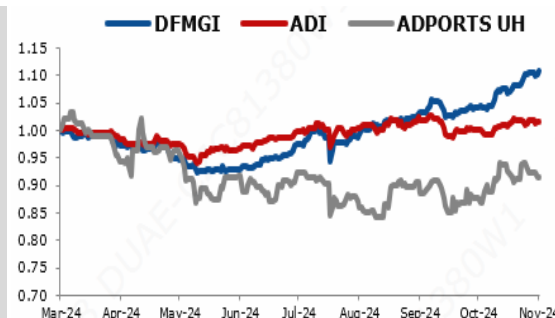
**Current Price**  
AED 5.04

**Target Price**  
AED 7.70

**Upside/Downside (%)**  
+53%

**Rating**  
BUY

- ADPORTS completed several major transactions in 3Q24, including the acquisition of a 60% stake in Tbilisi Dry Port to strengthen its presence in the Middle Trade Corridor and the acquisition of Safina to enter Egypt's Maritime Market.
- The Company refinanced and increased its syndicated loan and Islamic debt facility to AED 10.2 Bn in 3Q24, leading to reduced spreads & extension of maturities until 2026 and beyond.
- ADPORTS signed various 50-year land lease agreements with different UAE-based companies in 3Q24, further expanding its EC & FZ operations.
- The Company reported a positive free cash flow for the first time since going public of AED 307 Mn driven by strong EBITDA growth & higher cash conversion coupled with lower CAPEX in 3Q24.



### 3Q24 Net Profit lower than our estimate

AD Ports Group (ADPORTS /The Company) net profit fell from AED 381 Mn in 3Q23 to AED 301 Mn in 3Q24, lower than our estimate of AED 319 Mn. The decline in net profit is primarily attributable to higher finance costs due to one-off accounting charge pertaining to debt refinancing, partially offset by an increase in EBIT.

### P&L Highlights

ADPORTS net revenue increased 10.0% YOY to AED 4,657 Mn in 3Q24, mainly driven by significant growth across all business segments except Maritime and Shipping. Furthermore, 40% of the revenue recorded in 9M24 is classified as sticky in the long term, providing a stable revenue stream. Revenue from Maritime and Shipping declined from AED 2.4 Bn in 3Q23 to AED 2.1 Bn in 3Q24, primarily because of a one-time item in 3Q23. Nevertheless, on a normalized basis, income from Maritime and Shipping services increased by 96% YOY in 3Q24, fueled by heightened activity across all key business segments. The Maritime & Shipping Cluster accounted for the highest share in revenue and EBITDA, representing 46.5% and 50.5% of the Group's total revenue and EBITDA, respectively, in 3Q24. EC&FZ revenue grew 15.9% YOY to AED 512 Mn in 3Q24, mainly due to an increase in revenue from warehouse leases & KEZAD Communities. The growth in Warehouse and KEZAD Communities is mainly driven by higher utilization despite the increase in capacity. In addition, the Company signed additional land leases of 0.7 sq km in 3Q24, in line with its annual guidance of 3.5 – 4.0 sq km. Ports Cluster revenue grew 23.9% YOY to AED 603 Mn in 3Q24, mainly driven by strong performance in general cargo and Ro-Ro business. Furthermore, container capacity utilization rates rose from 56% in 3Q23 to 68% in 3Q24. The Container volume grew 24.0% YOY and 24% on an LFL (Like for like) basis to 1.7 Mn TEUs in 3Q24.

### Stock Information

Market Cap (AED, mn)	25,653.60
Shares Outstanding(mm)	5,090.00
52 Week High	6.45
52 Week Low	4.73
3M Avg. daily value (AED)	10,646,610

### 3Q24 Result Review (AED, Mn)

Total Assets	63,725
Total Liabilities	35,715
Total Equity	28,011
EBITDA	1,212
Net Profit	301

### Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	24.53
Price-to-Book Ratio (x)	1.10
Book Value (AED)	4.59
Return-on Equity (%)	4.71

### Stock Performance

5 Days	-4.00%
1 Months	-0.20%
3 Months	4.35%
6 Months	-2.70%
1 Year	-19.87%
Month to Date (MTD%)	-5.79%
Quarter to Date (QTD%)	-1.37%
Year to Date (YTD%)	-21.00%

Cluster Ro-Ro volumes grew 2% YOY, and general cargo volumes rose 26% YOY and 5% YOY on an LFL basis in 3Q24. Revenue from the Logistics segment grew strongly from AED 853 Mn in 3Q23 to AED 1,265 Mn in 3Q24, mainly attributable to higher ocean freight, air freight, warehousing, and polymer business coupled with the consolidation of Sese Auto Logistics. Furthermore, Digital cluster revenue rose 62.3% YOY to AED 162 Mn in 3Q24, attributed to growth in services provided to internal stakeholders and Nishan Security Services coupled with the consolidation of Dubai Technologies. Direct costs grew 4.3% to AED 3,263 Mn in 3Q24, mainly due to higher warehousing & handling and manpower costs. Gross profit increased 26.0% YOY to AED 1,394 Mn, whereas gross profit margin significantly rose 382 bps YOY to 29.9% in 3Q24. G&A expenses grew 16.8% YOY to AED 545 Mn in 3Q24. Impairments on trade receivables rose 16.9% YOY to AED 55 Mn in 3Q24. Selling and marketing expenses declined from AED 14 Mn in 3Q23 to AED 9 Mn in 3Q24. Other income grew from AED 1 Mn in 3Q23 to AED 5 Mn in 3Q24. As a result, EBIT grew strongly 36.3% YOY to AED 789 Mn in 3Q24. EBITDA grew from AED 759 Mn in 3Q23 to AED 1,212 Mn in 3Q24, driven by the growth across all the segments and the M&A effect. Maritime EBITDA grew from AED 318 Mn in 3Q23 to AED 614 Mn in 3Q24, driven by favorable shipping market conditions and strong performance across Shipping, Offshore & Subsea, and Marine Services Segments. Logistics segment EBITDA grew 38.1% YOY to AED 92 Mn in 3Q24, mainly attributable to strong revenue growth, partially offset by weak performance from Aramex. Ports Cluster EBITDA grew 6.3% YOY to AED 287 Mn due to revenue growth and increasing contribution from container concession fees, while EC & FZ EBITDA grew 9.5% YOY to AED 304 Mn in 3Q24. Digital Cluster EBITDA remained unchanged at AED 48 Mn in 3Q24. Finance costs significantly grew from AED 199 Mn in 3Q23 to AED 310 Mn in 3Q24, primarily due to increased borrowing and one-off accounting charges related to debt refinancing. Share of profit from joint ventures stood at AED 21 Mn in 3Q24 compared to AED 23 Mn in 3Q23. Income tax expense was recorded at AED 64 Mn in 3Q24. Share to NCI grew significantly from AED 22 Mn in 3Q23 to AED 145 Mn in 3Q24.

### Balance Sheet Highlights

ADPORTS total debt grew from AED 17.1 Bn in 2Q24 to AED 18.0 Bn in 3Q24. Furthermore, including the amount due to project companies, the gross debt grew from AED 19.5 Bn in 2Q24 to AED 20.4 Bn in 3Q24. Net debt (excluding project payables) grew from AED 15.3 Bn in 2Q24 to AED 15.5 Bn in 3Q24. Net debt to EBITDA marginally declined from 3.6x in 2Q24 to 3.5x in 3Q24, mainly due to strong growth in EBITDA, partially offset by an increase in total debt. Cash and cash equivalents increased from AED 1,743 Mn in 2Q24 to AED 2,468 Mn in 3Q24 providing additional flexibility with no upcoming maturities in FY2024. Cash flow from operation stood at AED 2,571 Mn in 9M24, as compared to AED 263 Mn in 9M23. The Company spent AED 808 Mn in capex in 3Q24, mainly attributed to organic growth. Additionally, the free cash flow to the firm stood at AED 307 Mn, mainly attributable to strong growth in Cash flow from operations and lower CAPEX in 3Q24.

### Target Price and Rating

We maintain our BUY rating on AD Ports Group with a target price of AED 7.70. ADPORTS delivered solid growth driven by a significant rise in revenue and EBITDA in 3Q24. A strong performance across all segments drove revenue growth. The Company owns a portfolio of 33 terminals (27 operational) as of 3Q24. The container capacity utilization was recorded at 68% in 3Q24 as compared to 56% in 3Q23. In the EC & FZ segment, the total land bank stood at 550 sq. km. The Company's leasable land stood at 99 sq. km. with a 71% land occupancy rate as of 9M24. Furthermore, the Company plans to add 3.5-4.0 sq. km of additional new leases (net) per year moving forward. The Company operates a total vessel of 257 vessels in Maritime and Shipping Segment including 48 container vessels, 29 dry & liquid bulk, Ro-Ro, and multipurpose vessels, three owned transshipment vessels, and 111 offshore & subsea vessel fleet. The Container vessel fleet nominal capacity stood at 138K TEUs as of 3Q24. Additionally, ADPORTS expects a healthy demand and higher shipping rates for the container market in FY2024. In the Logistics segment, air freight volumes increased 14% YOY to 9,212 tons in 3Q24, whereas ocean freight volumes rose 1% YOY to 99K TEUs in 3Q24. The Company expects additional business from Borouge for polymer cargo. Excluding the effect of M&A and vessel trading activities, the Company's total revenue grew 28% YOY on an LFL basis in 3Q24. The Company recorded c.40% of total revenue from the long-term and sticky business during 9M24. ADPORTS completed several major transactions in 3Q24, including the purchase of a 60% stake in Tbilisi Dry Port in Georgia, and the acquisition of a majority interest in Safina, a leading maritime agency and cargo services provider in Egypt. The Company also recorded

strong demand for land and warehouses, with new agreements signed, including a 50-year land lease with Azizi Developments, Abundance Solar Panel Industries, and Apex Engineering Industries in 3Q24. Additionally, the Current Red Sea and Gulf of Aden situation positively impacted volumes and freight rates in the Company's shipping business, benefiting its operations. As a result, ADPORTS expects strong demand and higher prices for its shipping operations in the Red Sea in 2024. Furthermore, the Company expects revenue to grow by 15-20% CAGR and EBITDA by 20-25% CAGR from 2023 to 2028 with margins beginning to normalize to 25-30% in the medium term. ADPORTS also plans a capex of AED 12-15 Bn over the next five years, with spending of AED 3.3 Bn as of 9M24 in line with the target of AED 4.5 Bn during 2024. The Company incurred capex on infrastructure work at KEZAD, purchase of vessels & barges, and infrastructure development and international port expansion project at Khalifa Port during 3Q24. Additionally, AD Ports plans to spend the planned capex on ports, EC&FZ, and the Maritime & shipping segment. The Company plans to multiple greenfield projects and upgrade brownfield international ports and terminals including Safaga Port (Egypt), Pointe Noire Terminal (Republic of the Congo), KGTL & KGTML (Pakistan), and Luanda Terminal (Angola). ADPORTS also targets the expansion of BTS assets and infrastructure in industrial clusters such as metal parks, food hubs, and auto hubs coupled with the unlocking of land parcels. The Company reported a positive free cash flow for the first time since listing, primarily due to continued EBITDA growth and higher cash conversion coupled with lower CAPEX spending in 3Q24. The Company also refinanced and increased its syndicated loan and Islamic debt facility from AED 8.2 Bn to AED 10.2 Bn, leading to reduced spreads and an extension of maturities until 2026 and beyond. Furthermore, ADPORTS maintained a robust financial position with a net debt/EBITDA of 3.5x and a cash balance of AED 2.5 Bn in 3Q24 which offers flexibility to drive both organic and inorganic growth going forward. Additionally, according to Drewry, ADPORTS holds the position of the 19th largest container port operator in the world, benefiting from its acquisitions of Noatum and KGTL. The Company is also included in the Drewry Port Index, a global benchmark stock index of 10 largely publicly traded port operators. Considering all these factors, we maintain our BUY rating on the stock.

#### AD PORTS - Relative valuation

(at CMP)	2021	2022	2023	2024F
PE	NA	21.0	24.5	20.6
PB	NA	1.4	1.3	1.1
EV/EBITDA	NA	20.2	15.1	13.1

FABS Estimates & Co Data

**AD PORTS – P&L**

AED Mn	3Q23	2Q24	3Q24	3Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	4,235	4,181	4,657	4,348	7.1%	10.0%	11.4%	11,679	17,442	49.4%
Direct costs	-3,129	-2,950	-3,263	-3,065	6.5%	4.3%	10.6%	-8,574	-12,228	42.6%
<b>Gross profit</b>	<b>1,106</b>	<b>1,231</b>	<b>1,230</b>	<b>1,230</b>	<b>0.0%</b>	<b>11.2%</b>	<b>-0.1%</b>	<b>3,105</b>	<b>5,215</b>	<b>68.0%</b>
G&A expenses	-467	-491	-545	-565	-3.6%	16.8%	11.0%	-1,408	-2,180	54.9%
Impairment of Trade Rec	-47	-58	-55	-23	144.0%	16.9%	-4.1%	-80	-192	139.5%
Selling & mkt expenses	-14	-15	-9	-17	-46.0%	-32.6%	-37.8%	-77	-105	36.5%
Impairment of invest prop	0	0	0	0	NM	NM	NM	364	210	-42.3%
Impairment of inv in eq acc	0	0	0	-36	NM	NM	NM	-139	-137	-1.6%
Other income	1	22	5	0	NM	NM	-78.7%	103	18	-4.4%
<b>EBITDA</b>	<b>759</b>	<b>1,070</b>	<b>1,212</b>	<b>1,114</b>	<b>8.8%</b>	<b>59.7%</b>	<b>13.3%</b>	<b>2,668</b>	<b>4,592</b>	<b>72.1%</b>
<b>EBIT</b>	<b>579</b>	<b>689</b>	<b>626</b>	<b>625</b>	<b>0.0%</b>	<b>8.0%</b>	<b>-9.3%</b>	<b>1,867</b>	<b>2,828</b>	<b>51.5%</b>
Finance cost	-199	-236	-310	-283	9.7%	55.8%	31.7%	-667	-1,058	58.7%
Financial income	11	19	15	16	-9.5%	34.4%	-22.1%	31	66	NM
Share of profit from assoc	9	12	-6	14	NM	NM	NM	26	56	NM
Share of profit from JV	23	18	21	34	-38.6%	-10.1%	18.2%	118	89	-25.0%
<b>Profit before tax</b>	<b>464</b>	<b>503</b>	<b>566</b>	<b>566</b>	<b>0.0%</b>	<b>21.9%</b>	<b>12.5%</b>	<b>1,411</b>	<b>1,963</b>	<b>39.2%</b>
Income tax	-62	-55	-64	-60	6.2%	3.2%	16.2%	-50	-236	NM
<b>Profit after Tax</b>	<b>403</b>	<b>439</b>	<b>445</b>	<b>419</b>	<b>6.2%</b>	<b>10.6%</b>	<b>1.5%</b>	<b>1,360</b>	<b>1,727</b>	<b>27.0%</b>
Non-controlling int.	22	106	145	101	43.8%	NM	36.4%	288	451	56.6%
<b>Net Profit</b>	<b>381</b>	<b>333</b>	<b>301</b>	<b>319</b>	<b>-5.7%</b>	<b>-21.1%</b>	<b>-9.6%</b>	<b>1,072</b>	<b>1,276</b>	<b>19.0%</b>

FABS estimate & Co Data

**AD PORTS - Margins**

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross Profit	26.1%	29.5%	26.4%	30	-303	26.6%	29.9%	331
EBITDA	17.9%	25.6%	26.0%	811	44	22.8%	26.3%	348
Operating Profit	13.7%	16.5%	13.4%	-24	-306	16.0%	16.2%	23
Net Profit	9.0%	8.0%	6.5%	-254	-150	9.2%	7.3%	-186

FABS estimate & Co Data

## Valuation:

We assigned a 100% weight to DCF valuation as the company is working on multiple projects which are still under development and these projects will be completed over a period of time. The Company also plans to incur a capex of approx. AED 12-15 Bn during FY2024-28 to complete these projects. Thus, we believe DCF valuation will be able to capture the valuation more precisely as compared to the other valuation methods.

Valuation Method	Target	Weight	Weighted Value
DCF Method	7.70	100.0%	7.70
<b>Weighted Average Valuation (AED)</b>			<b>7.70</b>
Current market price (AED)			5.04
Upside/Downside (%)			53%

### 1) ADPORTS DCF

#### Method:

ADPORTS is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.8%. It is arrived after using the cost of equity of 9.6% and the after-tax cost of debt of 5.6%. Cost of equity is calculated by using a 10-year government bond yield of 5.0%, beta of 1.05, 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. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	10,791
Terminal value (AED, Mn)	49,281
<b>Firm Value</b>	<b>60,072</b>
Net Debt as of Sept 2024	19,022
Non-controlling Interest	4,678
Valuation of ownership of Aramex & NMDC	2,732
<b>FV to Common shareholders (AED, Mn)</b>	<b>39,103</b>
No. of share (Mn)	5,078
Current Market Price (AED)	5.04
<b>Fair Value per share (AED)</b>	<b>7.70</b>

#### DCF Method

(All Figures in AED Mn)	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
EBIT	2,489	2,991	3,538	3,808	4,046	3,794	3,981
D&A	1,764	1,892	1,960	2,052	2,117	2,167	2,209
(-) Capex	-6,000	-4,700	-3,300	-2,400	-1,850	-1,640	-1,430
(-) Change in working capital	-1,396	-664	-188	-466	-1,011	-358	-318
<b>Free Cash Flow to Firm (FCFF)</b>	<b>-3,143</b>	<b>-480</b>	<b>2,009</b>	<b>2,994</b>	<b>3,302</b>	<b>3,963</b>	<b>4,442</b>
Discounting Factor	0.99	0.92	0.85	0.79	0.73	0.68	0.63
<b>Discounted FCFF</b>	<b>-779<sup>1</sup></b>	<b>-442</b>	<b>1,715</b>	<b>2,370</b>	<b>2,424</b>	<b>2,698</b>	<b>2,806</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

### 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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