

Dubai Taxi Company (DTC)

Current Price

AED 2.72

Target Price

AED 3.00

Upside/Downside (%)

+10%

Rating

ACCUMULATE

3Q24 Net Profit lower than our estimate

- DTC's revenue grew 11.0% YOY to AED 507 Mn in 3Q24 owing to growth across taxi, buses, and delivery bikes segments partially offset by a decline in Limousine revenue
- DTC recorded a 5.0% YOY increase in the Taxi and Limousines segment trips that reached 12.2 Mn during 3Q24, out of which the taxi segment accounted for 12.0 Mn trips
- Total fleet comprises 8,793 vehicles as of 9M24 out of which 5,660 vehicles belong to the Taxi segment
- Direct cost rose 12.2% YOY to AED 319 Mn in 3Q24 and amounted to 78.9% of total revenue in 3Q24 compared to 20.9% in 3Q23
- Gross profit increased 12.1% YOY to AED 107 Mn in 3Q24 with a 20 bps YOY rise in gross margin to 21.1% owing to expansion in the margin of Limousine, Bus and Delivery Bike Segment partially offset by a decline in the margin of Taxi Segment
- DTC's EBITDA rose 6.3% YOY to AED 123 Mn in 3Q24 with an EBITDA margin of 24.2% in 3Q24 compared to 25.3% in 3Q23
- The Company's operating profit fell 1.7% YOY to AED 82 Mn in 3Q24 due to higher depreciation expenses owing to the addition of new vehicles across segments and higher G&A expenses.
- DTC's net profit fell 26.1% YOY to AED 60 Mn in 3Q24 due to higher finance costs and introduction of tax expenses in UAE from FY2024

Earnings Call Summary

- DTC's driver population rose 17% YOY to 18,000 drivers during 9M24.
- In 3Q24, the Company was awarded 300 new plates at the RTA auction.
- During 9M24, it was awarded school bus contracts.
- It expanded the Delivery bike fleet by adding over 800 vehicles during 9M24 owing to partnerships with leading aggregators.
- DTC recently entered into a strategic partnership with Bolt with an aim to launch an international e-hailing platform in the UAE, aligned with the Company's growth strategy. The Company will hold an exclusive license to operate in the UAE for 20 years. The platform will be operated by a fully owned subsidiary of DTC.
- DTC holds a 46% market share as of September 2024.
- It is expanding the bus service for large corporates.
- DTC is focusing on expanding its taxi and limousine fleet coupled with enhancing operational efficiency.
- It signed commercial agreements with e-commerce and delivery aggregators like Talabat, Noon, and Careem.
- Gross Profit of bus segment improved during 9M24 owing to stable costs as a result of the shift towards owned buses from leased buses.
- Fuel costs rose during 9M24 was driven by higher number of trips partially offset by lower fuel prices.
- DTC revolving credit facility of AED 200 Mn remains unutilized.
- The consultancy cost incurred in 3Q24 is related to the negotiation of BOLT agreement.
- Audit fees witnessed a rise in 9M24 compared to the same period last year due to the listing of DTC during FY2024. As a result, the 9M25 costs are not expected to witness a significant growth.
- The impairment charged is related to the recruitment and onboarding of drivers. The expense is recorded as advanced receivables and the provisions created for these receivables are created to comply with IFRS.

- The Company replaced its 1,000 vehicles in FY2024 at a higher cost compared to FY2019-20, resulting in a higher depreciation expense and also, expects the depreciation charge to remain higher.
- It also expects the insurance cost to rise due to expansion in fleet size as well as the higher cost of newly acquired vehicles.
- DTC management targets a gross profit margin of 25%.

DTC – P&L

AED Mn	3Q23	2Q24	3Q24	3Q24F	VAR	YOY Ch	QOQ Ch
Revenue	457	531	507	523	-2.9%	11.0%	-4.5%
Operating cost	-279	-335	-319	-329	-3.0%	14.4%	-4.6%
Plate & license fee	-77	-83	-81	-78	3.0%	5.3%	-2.5%
Gross profit	101	114	107	115	-6.8%	5.9%	-5.6%
G&A expenses	-18	-26	-29	-26	12.8%	67.8%	14.2%
EBITDA	116	139	123	137	-10.1%	6.3%	-11.8%
EBIT	83	103	82	102	-19.5%	-1.7%	-20.4%
Profit before tax	81	87	66	85	-22.6%	-18.5%	-24.5%
Tax	0	-8	-6	-8	-20.2%	NM	-22.0%
Profit for the period	81	79	60	77	-22.8%	-26.1%	-24.7%

FABS estimate & Co Data

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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