FAB SECURITIES أبوظبي الأول للأوراق المالية

First Look Note | 3Q24

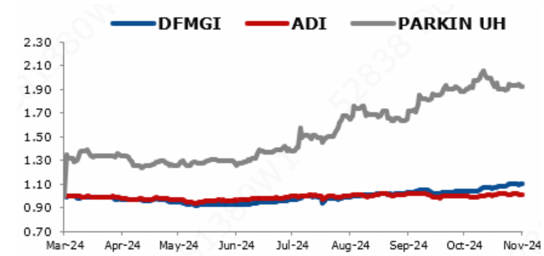
UAE Equity Research | Sector: Transportation | Market: DFM

Parkin Company

Additions in parking spaces coupled with higher utilization rates drove top-line

Current Price	Target Price	Upside/Downside (%)	Rating
AED 4.05	AED 3.50	-14%	REDUCE

- The Company's total number of parking spaces grew from 196.1K in 3Q23 to 207.3K in 3Q24. The total number of parking transactions grew from 29.2 Mn in 3Q23 to 33.8 Mn in 3Q24
- Utilization rate across the public parking spaces grew from 25.7% in 2Q24 to 26.4% in 3Q24 mainly due to an increased customer base, particularly in zones C and D
- PARKIN's EBITDA grew by a strong 40.5% YOY to AED 146.8 Mn in 3Q24 with an EBITDA margin of 62.5% in 3Q24
- Parkin will operate a barrierless parking system at three Majid Al Futtaim malls for a contractual period of five years
- PARKIN declared an interim cash dividend of 6.63 fils per share, which was distributed at the end of October 2024



Stock Information	
Market Cap (AED, mm)	12,150.00
Paid Up Capital (mm)	60.00
52 Week High	4.49
52 Week Low	2.58
3M Avg. daily value (AED)	10,268,400

3Q24 Result Review (AED, mm)	
Total Assets	2,248
Total Liabilities	1,680
Total Equity	568
EBITDA	147
Net Profit	105

Financial Ratios	
Dividend Yield (12m)	1.64
Dividend Pay-out (%)	N/A
Price-Earnings Ratio(x)	N/A
Price-to-Book Ratio (x)	21.38
Book Value (AED)	0.19
Return-on Equity (%)	N/A

Stock Performance	
5 Days	1.25%
1 Months	2.27%
3 Months	16.71%
6 Months	52.83%
1 Year	N/A
Month to Date (MTD%)	-4.93%
Quarter to Date (QTD%)	6.58%
Year to Date (YTD%)	N/A

3Q24 Net Profit higher than our estimate

Parkin Company P.J.S.C. (PARKIN/the Company) net profit grew 4.9% YOY to AED 105 Mn in 3Q24, higher than our estimate of AED 83 Mn. The rise in net profit is primarily attributed to a robust revenue growth driven by increased transaction volumes higher utilization rates and two extra chargeable days, coupled with a reduction in employee benefit expenses, partially offset by an increase in D&A expenses, higher interest and income tax expenses.

P&L Highlights

PARKIN's revenue grew 22.4% YOY to AED 235 Mn in 3Q24, driven by a strong growth in Public Parking, Developer Parking, Fines, and the Seasonal Cards & Permits Segment partially offset by a decline in the Public Multi-story Car Parking (MSCP) segment. Revenue from Public parking grew 16.3% YOY to AED 103.7 Mn, mainly driven by additions in parking spaces and higher utilization rates mainly in zone C and zone D. The Company's Public parking spaces grew from 174.7K space in 3Q23 to 179.6K space in 3Q24. Seasonal cards and permit revenue grew 8.5% YOY to AED 38.3 Mn in 3Q24, mainly due to a higher volume of permits and seasonal cards sold during the period, particularly those with validity periods ranging from 0 to 3 months. The total number of seasonal cards and permits grew 34% YOY to 37.4K in 3Q24 primarily due to a strong growth in the issuance of seasonal cards. Developer Parking revenue grew 31.7% YOY to AED 18.3 Mn in 3Q24, driven by an increase in number of parking spaces in operation in addition to higher ticket volumes. The Developer Parking space rose 21.3% QOQ to 24.5K in 3Q24 driven by the addition of 7.0K spaces across six key locations in Dubai and 1.1K spaces in the Dubai Hills area. Revenue from fines grew 56.0% YOY to AED 64.9 Mn in 3Q24 mainly, driven by growing parking spaces, increased transactions, higher number of customers, and enhanced enforcement framework supported by a fleet of smart inspection vehicles. The Company's total number of fines issued grew 48% YOY to 418.1K in 3Q24. However, the company's fine collection rate declined from 103% in 3Q23 to 85% in 3Q24, mainly due to increased volume and quantum of fines in September. The Multi-story Car Parking Segment (MSCP) revenue declined 33.3% YOY to AED 2.8 Mn in 3Q24, primarily attributable to a decline in MSCP spaces. MSCP spaces declined from 4.1K spaces in 2Q23 to 3.2K spaces in 3Q24, mainly due to the demolition of the Sabkha car park and the temporary closure of the Al Rigga site for maintenance and repairs. However, the company is on track to reopen the Al Rigga site by the end of 2024, restoring its access to c.500 MSCP spaces in a new refurbished location. Other income & finance income rose substantially from AED 0.1 Mn in 3Q23 to AED 4.2 Mn in 3Q24. According to the agreement signed with RTA, the Company incurred a concession fee of AED 30 Mn in 3Q24. Commission expense increased from AED 6.8 Mn in 3Q23 to AED 7.5 Mn in 3Q24. Maintenance expenses expanded from AED 5.8 Mn in 3Q23 to AED 7.9 Mn in 3Q24. Employee benefits expenses declined from AED 33.4 Mn in 3Q23 to AED 30.7 Mn in 3Q24 as earlier the RTA cost center allocation was based on c.450 employees in 3Q23 compared to the current allocation of only 326 employees in 3Q24. The headcount is anticipated to rise in 2024 as the Company strengthens its internal capabilities and reduces its dependence on the RTA's support functions. Other expenses increased from AED 6.6 in 3Q23 to AED 10.4 in 3Q24. As a result, PARKIN's EBITDA grew 40.5% YOY to AED 146.8 Mn in 3Q24, supported by strong revenue growth and favorable operating leverage. EBITDA margin grew from 54.4% in 3Q23 to 62.5% in 3Q24. The growth in the EBITDA margin is mainly attributable to a strong growth in the company's revenue driven by additions in parking spaces, increased transaction volumes, and higher utilization rates coupled with favorable operating leverage. Depreciation and amortization expenses grew from AED 4.5 Mn in 3Q23 to AED 13.3 Mn in 3Q24. The Company's finance cost grew from AED 0.2 Mn in 3Q23 to AED 18.5 Mn in 3Q24. In addition, it incurred an income tax charge of AED 10.3 Mn in 3Q24 owing to the introduction of corporate tax in UAE in FY2024.

Balance sheet highlights

PARKIN's cash and cash equivalent stood at AED 52 Mn in 3Q24. The company also had AED 417 Mn as short-term deposits in the bank. The Company's gross debt stood at AED 1.1 Bn in 3Q24, while the net debt position stood at AED 660.1 Mn in 3Q24. The net debt to EBITDA ratio stood at 1.2x. PARKIN generated a free cash flow of AED 211.6 Mn in 3Q24 with a cash conversion of 94% driven by the Company's capex light model coupled with strong revenue growth and a stable cost base. The company also has an AED 100 Mn Murabaha revolving credit facility, thus totalling the available liquidity at AED 569 Mn as of 3Q24. This increase in liquidity is attributable to the company's collection of AED 307.9 Mn trade receivables in 3Q24.

Target Price and Rating

We maintain our REDUCE rating on PARKIN Company with a revised target price of AED 3.50. The Company reported growth in profitability primarily driven by robust revenue growth and favorable operating leverage in 3Q24. Total parking spaces grew from 196.1K in 3Q23 to 207.3K in 3Q24. Total parking transactions rose from 29.2 Mn in 3Q23 to 33.8 Mn in 3Q24 mainly due to the growth in transactions within the public parking segment. In addition, the utilization rate across the public parking spaces increased 270 bps YOY to 26.4% in 3Q24, mainly attributable to an expanding customer base and improved compliance in 3Q24. The weighted average public parking tariff remained stable from AED 2.02 in 3Q23 to AED 2.01 in 3Q24. Furthermore, PARKIN is expanding collaborations with private developers, targeting 17 additional communities, and exploring opportunities to manage parking for various assets like malls and commercial buildings. The Company collaborated with Majid Al Futtaim Properties LLC to implement a barrierless parking system in three of its most frequented malls in Dubai, aiming to facilitate easy access for over 20 million vehicles each year at the three locations. Additionally, PARKIN signed a memorandum of understanding with Skyports Infrastructure, which allows the company to earn income by managing parking facilities at designated Skyports vertiports. PARKIN's EBITDA grew strongly 40.5% YOY to AED 146.8 Mn in 3Q24 with strong growth in EBITDA margin from 54.4% in 3Q23 to 62.5% in 3Q24 primarily due to strong revenue growth and favorable operational leverage. Moreover, the Company operates as a capex-light model business model, as the RTA is responsible for the major capex, and PARKIN is only liable for maintenance capex. In addition, the Company also benefits from the advantaged cost position due to operating leverage which allows it to scale the business without incurring additional costs leading Parkin to generate strong cash flows. Free cash flow amounted to AED 211.6 Mn in

3Q24 with a cash conversion of 94% in 3Q24. PARKIN also declared an interim cash dividend of AED 198.7 Mn, translating to 6.6 fils per share, which was distributed in October 2024. Furthermore, the company intends to maintain a semi-annual dividend policy with a dividend payment in April and October of each year to its shareholders. The Company also aims to distribute either 100% of the annual net profit or the free cash flow to equity, after providing for necessary reserves. The Company's contract with Al Sufouh is set to expire in 2024 resulting in a reduction of c. 7.7k spaces. However, PARKIN signed an agreement to add c.7.5K spaces across six key locations in Dubai under the developer parking segment. Furthermore, Parkin also added c.1.1k new spaces in the Dubai Hills area in 3Q24. Hence, due to this netting-out effect, the top line of the company is expected to remain stable, as the number of spaces reduced is equal to the number of spaces added, thus keeping the total number of developer parking spaces unchanged. Despite all the positives, PARKIN trades at an expensive valuation compared to the industry average, which renders it expensive. Thus, based on our analysis, we assign a REDUCE rating on the stock.

PARKIN- Relative valuation[1]

(at CMP)	**2023**	**2024**
PE (x)	NA	27.8
PB (x)	NA	27.4
EV/EBITDA	NA	22.1
Dividend yield (%)	NA	3.6%

FABS Estimates & Co Data

[1]Note – PARKIN Company was listed on DFM in March 2024. Thus, the financial multiple for the prior period is unavailable

PARKIN – P&L

AED mm	**3Q23**	**2Q24**	**3Q24**	**3Q24F**	**Var.**	**YOY Ch**	**QOQ Ch**	**2023**	**2024F**	**YOY Ch**
Revenues	192	204	235	192	22.6%	22.4%	14.9%	779	933	19.7%
Other Income	0	0	0	0	NA	142.5%	34.6%	1	1	63.6%
Finance Income		1	4	0	NM	NA	396.3%	0	12	NA
Concession fee expense	0	27	30	25	19.0%	NA	13.4%	0	118	NM
Commission expense	7	7	8	7	3.4%	10.3%	8.8%	28	33	16.1%
Maintenance expense	6	4	8	4	106.3%	36.5%	83.5%	28	23	-15.5%
Corporate allocation exp	32	0	0	0	NA	NM	NM	121	0	NM
Employee benefits exp	33	26	31	27	13.5%	-8.1%	20.3%	139	116	-17.0%
Variable Lease Payments	3	2	4	3	24.5%	5.8%	53.5%	14	14	2.9%
TSA Expenses	0	0	0	0	NA	NA	NM	0	0	NM
Rev of imp loss/ (imp loss) on trade rec	-1	-1	2	0	NM	NM	NM	10	11	14.0%
Other Expenses	7	6	10	6	80.7%	56.9%	60.7%	26	31	18.1%
Rent expense	0	0	0	0	NA	NA	NM	0	0	NM
EBITDA	**105**	**134**	**147**	**120**	22.4%	**40.5%**	9.6%	**414**	**600**	**44.9%**
D&A exp	4	13	13	12	9.3%	194.8%	2.0%	19	52	165.8%
EBIT	**100**	**121**	**134**	**108**	23.8%	**33.5%**	10.4%	**395**	**549**	**38.9%**
Finance Cost	0	-17	-18	-16	13.5%	NM	11.9%	-1	-65	NM
Earning Before Tax	**100**	**104**	**115**	**92**	25.7%	**15.3%**	10.2%	**394**	**483**	**22.7%**
Income Tax Expense	0	9	10	8	25.5%	NA	10.2%	0	44	NM
Net Profit	**100**	**95**	**105**	**83**	**25.7%**	**4.9%**	**10.2%**	**394**	**440**	**11.6%**

FABS estimate & Co Data

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PARKIN - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	YOY Ch
EBITDA	54.4%	65.5%	62.5%	804	-305	53.2%	64.4%	1,120
Operating profit	52.1%	59.2%	56.8%	474	-233	50.7%	58.8%	817
Net profit	52.0%	46.5%	44.6%	-743	-192	50.6%	47.2%	-339

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value Parkin Company P.J.S.C. We have assigned 75% weight to DCF, 15% to DDM, and 10% to the average of P/E & EV/EBITDA.

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	3.55	75.0%	2.66
DDM Method	3.41	15.0%	0.51
Average of PE & EV/EBITDA	3.28	10.0%	0.33
Weighted Average Valuation (AED)			**3.50**
Current market price (AED)			4.05
Upside/Downside (%)			-14%

1) DCF Method:

Parkin Company P.J.S.C. is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.0%. It is arrived after using the cost of equity of 8.3% and after-tax cost of debt of 5.1%. The cost of equity is calculated by using a 10-year government bond yield of 5.3%, a beta of 0.83, and an equity risk premium of 3.6%. Government bond yield is calculated after adding Dubai's Government spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (AED, Mn)	2,127
Terminal value (AED, Mn)	9,185
FV to Common shareholders (AED, Mn)	**10,652**
No. of share (Mn)	3,000
Current Market Price (AED)	4.05
Fair Value per share (AED)	**3.55**

DCF Method

(All Figures in AED, Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	505	537	559	598	621
Depreciation & Amortization	52	57	67	69	77
Capex	-19	-34	-35	-41	-35
Change in Working Capital	-27	4	4	1	3
Free Cash Flow to Firm (FCFF)	**511**	**564**	**594**	**627**	**666**
Discounting Factor	*0.99*	*0.92*	*0.85*	*0.79*	*0.73*
Discounted FCFF	**126**	**517**	**505**	**493**	**485**

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value Parkin Company P.J.S.C., and it is valued using the average of EV/EBITDA and PE multiple. Parkin is valued based on local infrastructure companies multiple. In addition, Parkin's business is comparable to Salik's as both are operating at a concession agreement with RTA. Salik is trading at a premium multiple to other infrastructure peers; thus we applied a premium of 30% to the infrastructure peers' median valuation multiple to value Parkin. It is valued at a 2025 EV/EBITDA multiple of 15.7x compared to a peer valuation of 12.1x. In addition, it is valued at a 2025 P/E multiple of 21.4x compared to a peer valuation of 16.5x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2024F	2025F	2024F	2025F
Regional Infrastructure Cos					
Dubai taxi company	1,831	12.0	10.4	18.8	15.1
Salik Co PJSC	10,722	27.9	21.8	35.6	26.7
Dubai Electricity & Water au	33,628	9.7	9.2	17.3	16.5
Emirates Central Cooling sys	5,010	13.6	13.1	19.2	18.4
Abu Dhabi National Oil Co	12,151	12.8	12.0	17.6	16.4
Average		**15.2x**	**13.3x**	**21.7x**	**18.6x**
Median		**12.8x**	**12.1x**	**18.8x**	**16.5x**
Max		**13.6x**	**13.1x**	**19.2x**	**18.4x**
Min		**12.0x**	**10.4x**	**17.6x**	**16.4x**

Source: FAB Securities

3) DDM Method:

The company maintains a policy to declare regular dividends to shareholders in the forecasted period. Parkin is expected to pay a minimum dividend payment of the higher of 100.0% of net income or free cash flow to equity (FCFE) after deducting the statutory reserve requirement in the forecasted period. The Company will distribute dividends semi-annually to reflect its strong cash flow generation profile. The dividend will be paid twice each fiscal year, the first half in October and the second half in April of the following year. The dividend is discounted at the cost of equity of 8.3%.

Sum of PV (AED, Mn)	2,251
Terminal value (AED, Mn)	7,995
FV to Common shareholders (AED, Mn)	**10,246**
No. of share (Mn)	3,000
Current Market Price (AED)	4.05
Fair Value per share (AED)	**3.42**

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Dividend Paid					
H1	199	252	270	289	311
H2	241	252	270	289	311
Total Dividend	**440**	**504**	**540**	**578**	**623**
Discounting Factor	*0.99*	*0.91*	*0.84*	*0.78*	*0.72*
Present Value of Dividend	**436**	**461**	**456**	**450**	**448**

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%

FAB Securities Contacts:

Research Analyst		
Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Sales & Execution		
Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

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