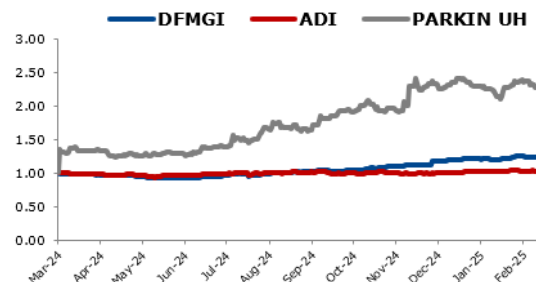


## Parkin Company PJSC

Growing Public parking portfolio and higher utilization supported top-line growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 4.90	AED 4.85	-1%	HOLD

- The Company's total number of parking spaces grew from 196.0K in 4Q23 to 206.4K in 4Q24. The total number of parking transactions grew from 32 Mn in 4Q23 to 37 Mn in 4Q24.
- Utilization rate across the public parking spaces grew from 25.9% in 4Q23 to 28.3% in 4Q24.
- PARKIN's EBITDA grew by a strong 41.7% YOY to AED 158 Mn in 4Q24 with an EBITDA margin of 60.6% in 4Q24.
- The Company's Board approved a final dividend of AED 280.87 Mn, translating to AED 0.09 per share for 2H24.



### Stock Information

Market Cap (AED, mm)	14,700.00
Paid Up Capital (mm)	60.00
52 Week High	5.44
52 Week Low	2.58
3M Avg. daily value (AED)	10,271,770

### 4Q24 Result Review (AED, mm)

Total Assets	2,210
Total Liabilities	1,730
Total Equity	480
EBITDA	158
Net Profit	120

### Financial Ratios

Dividend Yield (12m)	1.35
Dividend Pay-out (%)	113.27
Price-Earnings Ratio(x)	35.87
Price-to-Book Ratio (x)	30.62
Book Value (AED)	0.16
Return-on Equity (%)	N/A

### Stock Performance

5 Days	4.26%
1 Months	4.48%
3 Months	6.29%
6 Months	35.73%
1 Year	#VALUE!
Month to Date (MTD%)	4.26%
Quarter to Date (QTD%)	0.62%
Year to Date (YTD%)	0.62%

### 4Q24 Net Profit higher than our estimate

Parkin Company P.J.S.C. (PARKIN/the Company) net profit grew 13.0% YOY to AED 120 Mn in 4Q24, higher than our estimate of AED 116 Mn. The increase in net profit was primarily driven by strong revenue growth supported by higher transaction volumes and improved utilization rates and two extra chargeable days, along with lower employee benefits expense and a higher reversal of impairment loss on trade receivables partially offset by higher concession fee expenses, commission expenses, and a rise in other expenses.

### P&L Highlights

PARKIN's revenue grew 27.6% YOY to AED 261 Mn in 4Q24, 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-storey Car Parking (MSCP) segment. Revenue from Public parking grew 16.8% YOY to AED 112 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 175.1K space in 4Q23 to 184.0K space in 4Q24. Seasonal cards and permit revenue grew 12% YOY to AED 41 Mn in 4Q24, 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 revenue generated from parking reservations, rental income from shop leases increased 7.0% YOY to AED 5 Mn in 4Q24. The total number of seasonal cards and permits grew 35.7% YOY to 38.4K in 4Q24 primarily due to a strong growth in the issuance of seasonal cards. Developer Parking revenue grew 20.5% YOY to AED 20 Mn in 4Q24, driven by an increase in the number of parking spaces in operation in addition to higher transaction volumes. The Developer Parking space declined 21.6% QOQ to 19.2K in 4Q24 driven by the addition of 0.2K spaces and reduction of 5.6K spaces in the Al Sufouh area. Revenue from fines grew 71.8% YOY to AED

77 Mn in 4Q24 mainly driven by growing parking spaces, increased customer volumes, and enhanced enforcement framework through technology driven initiatives supported by a fleet of smart inspection scan cars. The Company's total number of fines issued grew 60.4% YOY to 509.0K in 4Q24. However, the Company's fine collection rate declined from 97.0% in 4Q23 to 85.0% in 4Q24, mainly due to increased volume and quantum of fines. The Multi-storey Car Parking Segment (MSCP) revenue declined 11.5% YOY to AED 3 Mn in 4Q24, primarily attributable to number of MSCP spaces being flat at 3.2K YOY in 4Q24. MSCP spaces remained flat YOY at 3.2K in 4Q24, 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 set to reopen the Al Rigga site by the end of 2Q25, restoring its access to c.500 MSCP spaces in a new refurbished location. Other income (including revenue generated from parking reservations, rental income from shop leases) & finance income rose substantially from AED 0.1 Mn in 4Q23 to AED 4 Mn in 4Q24. According to the agreement signed with RTA, the Company incurred a concession fee of AED 33 Mn in 4Q24. Commission expense increased from AED 7 Mn in 4Q23 to AED 11 Mn in 4Q24. Maintenance expenses declined from AED 8 Mn in 4Q23 to AED 4 Mn in 4Q24. Employee benefits expenses declined from AED 34 Mn in 4Q23 to AED 29 Mn in 4Q24 as earlier the RTA cost center allocation was based on c.450 employees in 4Q23 compared to the current allocation of only 337 employees in 4Q24. The headcount is anticipated to rise to c.380 employees in 2025 as the Company strengthens its internal capabilities and reduces its dependence on the RTA's support functions. Other expenses increased substantially from AED 6 Mn in 4Q23 to AED 24 Mn in 4Q24. As a result, PARKIN's EBITDA grew 41.7% YOY to AED 158 Mn in 4Q24, supported by strong revenue growth and favorable operating leverage. EBITDA margin grew from 54.6% in 4Q23 to 60.6% in 4Q24. 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 5 Mn in 4Q23 to AED 9 Mn in 4Q24. The Company's finance cost grew from AED 0.2 Mn in 4Q23 to AED 17 Mn in 4Q24. In addition, the Company incurred an income tax charge of AED 12 Mn in 4Q24 owing to the introduction of corporate tax in UAE in 2024.

### Balance sheet highlights

PARKIN's cash and cash equivalent stood at AED 42 Mn in 4Q24. The Company also had AED 360 Mn as short-term deposits in the bank. The Company's gross debt stood at AED 1 Bn in 4Q24, while the net debt position stood at AED 726 Mn in 4Q24. PARKIN generated a free cash flow to equity of AED 480 Mn in 4Q24 with a cash conversion rate of 98.0% 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 totaling the available liquidity at AED 502 Mn as of 4Q24.

### Target Price and Rating

We revise our rating from REDUCE to HOLD on PARKIN Company PJSC. with a revised target price of AED 4.85. The Company's stock price grew 25.4% since our last rating (November 2024). Parkin reported strong profitability growth driven by higher revenue and favorable operating leverage in 4Q24. Total parking spaces grew from 196.0K in 4Q23 to 206.4K in 4Q24. Total parking transactions rose 16.0% from 32 Mn in 4Q23 to 37 Mn in 4Q24, mainly due to the growth in transactions within the public parking segment. In addition, the utilization rate across the public parking spaces increased 240 bps YOY to 28.3% in 4Q24, mainly attributable to an expanding customer base and improved compliance in 4Q24. The weighted average public parking tariff remained stable from AED 2.02 in 4Q23 to AED 2.01 in 4Q24. Parkin's management is in talks with the RTA to finalize key details about a new variable pricing system starting in April 2025. About 65.0% of the Company's 184,000 public parking spaces will be standard. In these areas, the peak-hour charge will be AED 4 per hour in zones A to D. Daily rates will increase to AED 30 in zone B and AED 20 in zone D. The other 35.0% of spaces will be premium parking. Here, the peak-hour charge will be AED 6 per hour, and daily rates will be AED 40 in zone B and AED 30 in zone D. Off-peak rates for both types will stay the same. Management believes this new pricing structure will increase revenue potential going forward. Thus, the Company expect public parking revenues for 2025 to be between AED 520-550 Mn, and enforcement revenues between AED 275-305 Mn. The Company also plans to increase public parking spaces by 3.0% in 2025, with new additions expected in late 2Q25 and 4Q25, including at least 1,500 more developer parking spaces. 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 to equity amounted to AED 479.6 Mn in 4Q24 with a cash conversion rate of 98% in 4Q24. Furthermore, in line with its dividend policy, the Company's Board of Directors has approved a final dividend of AED 0.09 per share for 2H24. 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 HOLD rating on the stock.

#### PARKIN- Relative valuation<sup>1</sup>

(at CMP)	2023	2024	2025F
PE (x)	NA	36.0	27.2
PB (x)	NA	31.8	31.9
EV/EBITDA	NA	28.2	22.6
Dividend yield (%)	NA	3.3%	3.9%

FABS Estimates & Co Data

<sup>1</sup>Note – PARKIN Company was listed on DFM in March 2024. Thus, the financial multiple for the prior period is unavailable

#### PARKIN – P&L

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Revenues	204	235	261	247	5.7%	27.6%	11.0%	779	916	17.5%
Other Income	0.11	0.26	0.44	0	70.6%	NM	70.4%	1	1	90.0%
Finance Income		4	4	7	-50.0%	NM	-8.8%	0	8	NM
Concession fee expense	0	30	33	28	18.3%	NM	8.2%	0	118	NM
Commission expense	7	8	11	10	10.8%	44.2%	40.1%	28	33	15.9%
Maintenance expense	8	8	4	7	-45.5%	-55.8%	-53.1%	28	19	-29.5%
Corporate allocation exp	32	0	0	0	NM	NM	NM	121	0	NM
Employee benefits exp	34	31	29	41	-29.1%	-15.6%	-5.3%	139	104	-25.6%
Variable Lease Payments	4	4	4	4	4.3%	15.1%	14.3%	14	14	0.7%
TSA Expenses	0	0	0	0	NM	NM	NM	0	0	NM
Rev of imp loss/ (imp loss) on trade rec	1	2	3	1	124.6%	108.2%	29.2%	10	12	25.5%
Other Expenses	6	10	24	6	NM	NM	NM	26	48	83.6%
Rent expense	0	0	0	0	NM	NM	NM	0	0	NM
<b>EBITDA</b>	<b>112</b>	<b>147</b>	<b>158</b>	<b>158</b>	<b>-0.1%</b>	<b>41.7%</b>	<b>7.8%</b>	<b>414</b>	<b>577</b>	<b>39.3%</b>
D&A exp	5	13	9	13	-28.7%	NM	-32.6%	19	48	NM
<b>EBIT</b>	<b>106</b>	<b>134</b>	<b>149</b>	<b>146</b>	<b>2.4%</b>	<b>40.3%</b>	<b>11.8%</b>	<b>395</b>	<b>529</b>	<b>34.0%</b>
Finance Cost	0	-18	-17	-19	-7.3%	NM	-5.8%	-1	-64	NM
<b>Earning Before Tax</b>	<b>106</b>	<b>115</b>	<b>132</b>	<b>127</b>	<b>3.8%</b>	<b>24.2%</b>	<b>14.6%</b>	<b>394</b>	<b>465</b>	<b>18.1%</b>
Income Tax Expense	0	10	12	11	3.6%	NM	14.9%	0	42	NM
<b>Net Profit</b>	<b>106</b>	<b>105</b>	<b>120</b>	<b>116</b>	<b>3.8%</b>	<b>13.0%</b>	<b>14.6%</b>	<b>394</b>	<b>423</b>	<b>7.5%</b>

FABS estimate & Co Data

**PARKIN - Margins**

	<b>4Q23</b>	<b>3Q24</b>	<b>4Q24</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>	<b>2023</b>	<b>2024</b>	<b>YOY Ch</b>
EBITDA	54.6%	62.5%	60.6%	600	-183	53.2%	63.0%	987
Operating profit	52.0%	56.8%	57.2%	518	38	50.7%	57.8%	713
Net profit	51.9%	44.6%	46.0%	-595	142	50.6%	46.2%	-432

*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	4.99	75.0%	3.74
DDM Method	4.66	15.0%	0.70
Average of PE & EV/EBITDA	4.01	10.0%	0.40
<b>Weighted Average Valuation (AED)</b>			<b>4.85</b>
Current market price (AED)			4.90
Upside/Downside (%)			-1%

### 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 8.3%. It is arrived after using the cost of equity of 8.8% and after-tax cost of debt of 4.6%. The cost of equity is calculated by using a 10-year government bond yield of 5.7%, a beta of 0.83, and an equity risk premium of 3.7%. 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)	3,284
Terminal value (AED, Mn)	12,419
<b>FV to Common shareholders (AED, Mn)</b>	<b>14,977</b>
No. of share (Mn)	3,000
Current Market Price (AED)	4.90
<b>Fair Value per share (AED)</b>	<b>4.99</b>

### DCF Method

(All Figures in AED, Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	617	725	803	882	968
Depreciation & Amortization	48	48	49	50	49
Capex	-34	-35	-41	-35	-37
Change in Working Capital	-7	3	28	39	50
<b>Free Cash Flow to Firm (FCFF)</b>	<b>624</b>	<b>741</b>	<b>839</b>	<b>935</b>	<b>1,030</b>
Discounting Factor	0.94	0.86	0.80	0.74	0.68
<b>Discounted FCFF</b>	<b>584</b>	<b>641</b>	<b>669</b>	<b>689</b>	<b>700</b>

Source: FAB Securities

## 2) Relative Valuation:

We have used local peers to value Parkin Company P.J.S.C., which uses the average of EV/EBITDA and PE multiple. Parkin is valued based on the multiple of local infrastructure company. 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 35% to the infrastructure peers' median valuation multiple to value Parkin. It is valued at a 2025 EV/EBITDA multiple of 16.1x compared to a peer valuation of 11.9x. In addition, it is valued at a 2025 P/E multiple of 23.6x compared to a peer valuation of 17.5x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
<b><u>Regional Infrastructure Cos</u></b>					
Dubai Taxi Company	1,824	10.5	9.8	15.8	14.6
Salik Co PJSC	10,313	19.7	18.3	23.9	21.6
Dubai Electricity & Water Authority	35,396	9.8	9.1	18.3	16.4
Emirates Central Cooling System	4,520	12.0	11.2	16.5	14.9
Abu Dhabi National Oil Co	11,878	11.9	11.4	17.5	15.9
<b>Average</b>		<b>12.8x</b>	<b>12.0x</b>	<b>18.4x</b>	<b>16.6x</b>
<b>Median</b>		<b>11.9x</b>	<b>11.3x</b>	<b>17.5x</b>	<b>15.9x</b>
<b>Max</b>		<b>12.0x</b>	<b>11.4x</b>	<b>18.3x</b>	<b>16.4x</b>
<b>Min</b>		<b>10.5x</b>	<b>9.8x</b>	<b>16.5x</b>	<b>14.9x</b>

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 8.7%.

Sum of PV (AED, Mn)	2,347
Terminal value (AED, Mn)	7,734
<b>FV to Common shareholders (AED, Mn)</b>	<b>10,081</b>
No. of share (Mn)	3,000
Current Market Price (AED)	4.70
<b>Fair Value per share (AED)</b>	<b>3.36</b>

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
<b>Dividend Paid</b>					
H1	254	276	297	321	349
H2	254	276	297	321	349
<b>Total Dividend</b>	<b>508</b>	<b>552</b>	<b>594</b>	<b>641</b>	<b>699</b>
Discounting Factor	0.93	0.86	0.79	0.73	0.67
<b>Present Value of Dividend</b>	<b>473</b>	<b>473</b>	<b>469</b>	<b>465</b>	<b>466</b>

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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