

Emirates Driving Company (EDC)

Higher student enrollment and one-off gains aided profitability

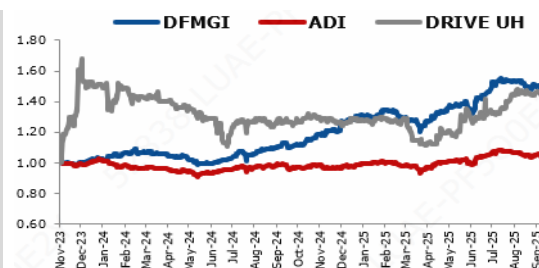
Current Price
AED 3.19

Target Price
AED 4.10

Upside/Downside (%)
+29%

Rating
BUY

- EDC revised the guidance upward, with revenue growth to 31% to 38% YOY, gross profit to 21-27% YOY, and EBITDA to 8-14% in FY2025.
- EDC maintains a debt-free balance sheet with a cash balance of AED 941 Mn in 3Q25.
- The Company recently secured a strategic tender from Abu Dhabi's Integrated Transport Centre to develop and operate next-generation EV charging stations.
- EDC is also seeking opportunities in KSA by participating in a tender with the Ministry of Interior to regulate 70 driving schools.



Stock Information

Market Cap (AED, Mn)	3,426.25
Paid Up Capital (Mn)	538.72
52 Week High	3.28
52 Week Low	2.36
3M Avg. daily value (AED)	547,837

3Q25 Net Profit in line with our estimate

Emirates Driving Company PJSC (Drive/ EDC/ The Company) Net profit rose 28.2% YOY to AED 109 Mn in 3Q25, in line with our estimate of AED 107 Mn. The increase in net profit is primarily driven by strong revenue growth from rising student enrollment and higher other income, partially offset by higher direct and G&A expenses and higher income tax charges. Excluding the one-time gain of AED 25 Mn received on the sale of assets, the Company's net profit remained stable at AED 84 Mn in 3Q25, compared to 3Q24.

3Q25 Result Review (AED, Mn)

Total Assets	1,804
Total Liabilities	369
Total Equity	1,436
EBITDA	113
Net Profit	109

P&L Highlights

Drive's revenue grew from AED 162 Mn in 3Q24 to AED 209 Mn in 3Q25, supported by higher student enrollments in both EDC and Excellence. The Company's enrolled students in EDC increased by 30.0% YOY to 52K, while enrollments in Excellence reached 13K in 3Q25. Drive's direct expenses rose from AED 52 Mn in 3Q24 to AED 71 Mn in 3Q25 due to expansion in operational scale and the acquisition of an Excellence Driving Centre cost base. As a result, gross profit increased from AED 109 Mn in 3Q24 to AED 138 Mn in 3Q25. However, gross margin declined from 67.6% in 3Q24 to 66.2% in 3Q25, driven by lower margins at the acquired subsidiary. General and administrative expenses increased significantly from AED 30 Mn in 3Q24 to AED 44 Mn in 3Q25. Consequently, operating profit increased from AED 79 Mn in 3Q24 to AED 95 Mn in 3Q25. However, the operating profit margin declined from 49.0% in 3Q24 to 45.3% in 3Q25, driven by lower gross profit margins and higher G&A expenses. Drive's calculated EBITDA grew from AED 99 Mn in 3Q24 to AED 113 Mn in 3Q25. However, EBITDA Margin declined from 61.1% in 3Q24 to 54.1% in 3Q25. Net gain from financial assets at fair value through profit recorded stood at AED 1 Mn in 3Q25 compared to AED 7 Mn in 3Q24. The Company's rental income stood at AED 1 Mn in 3Q25, similar to 3Q24. Other income significantly increased from AED 2 Mn in 3Q24 to AED 30 Mn in 3Q25, primarily due to gains recorded on

Financial Ratios

Dividend Yield (12m)	5.35
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	10.34
Price-to-Book Ratio (x)	2.60
Book Value (AED)	1.22
Return-on Equity (%)	27.10

Stock Performance

5 Days	-0.63%
1 Months	-0.63%
3 Months	9.66%
6 Months	29.80%
1 Year	13.17%
Month to Date (MTD%)	-1.55%
Quarter to Date (QTD%)	-1.55%
Year to Date (YTD%)	13.57%

the sale of assets of AED 25 Mn in 3Q25. The Company's finance expense grew from AED 1 Mn in 3Q24 to AED 3 Mn in 3Q25. Similarly, finance income increased 17.0% YOY to AED 9 Mn in 3Q25. The tax charges amounted to AED 20 Mn in 3Q25, compared to AED 9 Mn in 3Q24. The profit attributable to NCI holders grew from AED 2 Mn in 3Q24 to AED 4 Mn in 3Q25.

Balance Sheet Highlights

Drive remains debt-free with a total cash balance of AED 941 Mn in 3Q25, indicating a healthy liquidity position and an unleveraged balance sheet. Drive's total assets stood at AED 1,804 Mn in 3Q25, alongside total liabilities of AED 369 Mn. Total equity increased 8.5% QOQ to AED 1,436 Mn in 3Q25. Cash flow from operations remained almost flat from AED 88 Mn in 3Q24 to AED 89 Mn in 3Q25.

Target Price and Rating

We maintain our BUY rating on EDC with a target price of AED 4.10. The Company reported strong growth in net profit, driven by increased enrollment and one-off gains from the sale of assets in 3Q25. EDC's growing presence beyond Abu Dhabi, supported by the integration of Excellence Driving Centre in Dubai and the planned Jebel Ali flagship branch, reinforces its market leadership and expands its reach within the UAE mobility ecosystem. The Company's ongoing diversification into high-value verticals, including delivery and limousine services, fleet management, and workshop operations, positions it for sustained growth. The acquisition of a 22.5% stake in Mwasalat Holdings further enhances its exposure to the broader regional mobility value chain across public transport, car rentals, and vehicle services, unlocking synergistic opportunities in shared fleet procurement, cross-selling, and AI-driven operational efficiency. These synergies are expected to contribute incremental EBITDA of over AED 50 Mn in the medium term. Additionally, the Company recently secured a strategic tender from Abu Dhabi's Integrated Transport Centre to develop and operate next-generation EV charging stations, marking its entry into sustainable mobility infrastructure. This project, with an estimated capex of AED 58 Mn and an expected ROI of 110%, is expected to enhance long-term earnings visibility and strengthen EDC's position in the region's evolving clean transport ecosystem. EDC is also seeking opportunities in KSA by participating in a tender with the Ministry of Interior to regulate 70 driving schools. This opportunity could mark EDC's entry into the Saudi market and support its regional expansion strategy. Collectively, these initiatives are expected to strengthen the Company's financial performance by enhancing revenue visibility, improving profitability, and supporting long-term growth. EDC also recently revised its annual guidance upward with revenue growth of 31-38% YOY, gross profit of 21-27% YOY and EBITDA of 8-14% for FY2025. The Company revised its expected student growth upward to 13-19% YOY in Abu Dhabi and 6-12% YOY in Dubai, which is anticipated to drive revenue growth from its core operations. EDC also boasts a healthy, debt-free balance sheet, with cash of AED 941 Mn in 3Q25, which will support its future organic and inorganic growth. We therefore maintain our BUY recommendation, reflecting confidence in the Company's execution capabilities and potential upside from strategic investments in mobility and sustainability-driven projects.

EDC - Relative valuation

(at CMP)	2021	2022	2023	2024	2025F
P/E	1.70	1.13	12.87	12.40	9.83
P/B	0.36	0.29	2.99	2.78	2.48
EV/EBITDA	0.07	-0.71	11.64	10.93	6.60
EPS	1.871	2.822	0.248	0.257	0.325
BVPS	8.972	10.823	1.067	1.147	1.288
DPS	0.042	0.121	0.170	0.170	0.218
Dividend Yield	1.3%	3.8%	5.3%	5.3%	6.8%

FABS Estimates & Co Data

EDC – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var	YOY Ch.	QOQ Ch.	2024	2025F	Change
Revenue	162	186	209	205	1.9%	29.5%	12.4%	513	755	47.2%
Direct expenses	-52	-65	-71	-68	4.5%	35.1%	9.6%	-153	-270	75.7%
Gross profit	109	122	138	138	0.7%	26.8%	13.9%	359	485	35.1%
G&A expenses	-30	-38	-44	-41	6.3%	45.4%	13.6%	-110	-164	49.3%
Operating profit	79	83	95	97	-1.7%	19.7%	14.0%	250	322	28.8%
EBITDA¹	99	115	113	133	-14.6%	14.6%	-1.1%	315	396	25.8%
gain from financial assets at FVTPL	7	7	1	8	NM	NM	-84.5%	16	9	-46.0%
Change in fair value of investment property	0	0	0	0	NM	NM	NM	0	1	NM
Rental income	1	2	1	0	NM	NM	NM	6	5	NM
Other Income	2	7	30	14	112.2%	NM	NM	9	45	NM
Finance income	8	7	9	13	-28.6%	17.0%	29.7%	35	37	8.3%
Finance costs	-1	-1	-3	-2	45.0%	116.7%	118.4%	-4	-7	67.5%
Profit before tax	96	105	133	130	2.6%	38.1%	27.1%	310	411	32.6%
Tax	-9	-15	-20	-19	3.4%	126.9%	37.6%	-28	-62	120.9%
Profit for the year before NCI	87	90	113	110	2.5%	29.1%	25.4%	282	350	23.8%
Non-controlling interest	-2	-3	-4	-3	12.0%	65.5%	28.4%	-5	-14	NM
Net Profit to equity holders	85	87	109	107	2.2%	28.2%	25.3%	277	336	21.1%

FABS estimate & Co Data, ¹Calculated EBITDA

EDC - Margins

	3Q24	2Q25	3Q25	YOY Ch.	QOQ Ch.	2024	2025F	Change
Gross Profit	67.6%	65.3%	66.2%	-140	87	70.1%	64.3%	-579
EBITDA	49.0%	44.7%	45.3%	-369	65	48.7%	42.6%	-610
Operating Profit	61.1%	61.5%	54.1%	-701	-741	61.4%	52.5%	-895
Net Profit	52.7%	46.8%	52.2%	-52	537	54.0%	44.5%	-959

FABS estimate & Co Data, ¹Based on calculated EBITDA

Key Developments:

- **19 July 2024** – EDC completed the acquisition of a 51% equity stake in **Excellence Premier Investment LLC** for a cash consideration of AED 153 Mn and a contingent consideration of AED 41.4 Mn. Based in Dubai, Excellence Premier Investment LLC provides specialized driving training, courier services, premium auto repair, and limousine services across the UAE.
- **20 October 2025** – EDC finalized the acquisition of a 22.5% stake in **Mwasalat Holding LLC**, following its earlier announcement on 7 July 2025. All necessary conditions and regulatory approvals have been fulfilled, and the Company holds an option to increase its ownership to 50.6% at a later stage.

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Dividend Discount Model (DDM) to value Drive. We have assigned 70% weight to DCF, 15% to RV, and 15% to DDM.

Valuation Method	Target	Weight	Weighted Value
DCF Method	4.11	70.0%	2.87
Relative Valuation (RV)	5.09	15.0%	0.76
DDM Method	3.10	15.0%	0.46
Weighted Average Valuation (AED)			4.10
Current market price (AED)			3.19
Upside/Downside (%)			+29%

1) DCF Method:

Drive is valued using free cash flow to equity since the Company is debt-free. We have discounted the cash flow using the cost of equity of 9.7%. Cost of equity is calculated by using a 10-year government bond yield of 4.8%, beta of 1.0 and an equity risk premium of 4.9%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,388
Terminal value (AED, Mn)	3,036
FV to Common shareholders (AED, Mn)	4,424
No. of shares (Mn)	1,077
Current Market Price (AED)	3.19
Fair Value per share (AED)	4.11

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	336	342	341	350	366	379
D&A	46	45	45	46	46	47
Change in working capital	-49	-40	-42	-44	-46	-47
(-) Capex	49	-12	-14	5	4	5
Net change in debt	-7	-7	-7	-8	-8	-8
Free Cash Flow to Equity (FCFE)	375	328	323	348	363	375
Discounting Factor	0.98	0.90	0.82	0.74	0.68	0.62
Discounted FCFE	92¹	294	264	259	246	232

Source: FAB Securities,¹Adjusted for the partial year

2) Relative Valuation:

We have used regional and international peers to value Drive, and it is valued using the EV/EBITDA multiple. EDC operates in a regulated industry with limited flexibility to alter fees; hence, the regional companies with similar characteristics of regulation are used to value the firm. In addition, international companies operating in a similar industry are also included for valuation. It is valued at a 2026 EV/ EBITDA multiple of 11.7x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Salik Company	12,679	23.4	21.5	29.8	26.6
Dubai Taxi Company	1,674	10.6	9.4	17.2	15.0
Parkin Company	5,013	25.6	23.1	31.4	28.3
ADNOC Drilling Company	24,817	12.3	11.4	NA	NA
Dubai Electricity and Water Authority	38,249	10.2	9.7	18.9	17.6
ADNOC for Distribution	12,557	12.5	11.9	17.5	16.9
Eastern Pioneer Driving School Co	294	7.0	NA	11.5	NA
Average		14.5x	14.5x	21.1x	20.9x
Median		12.3x	11.7x	18.2x	17.6x
Max (Quartile 3)		17.9x	19.1x	27.1x	26.6x
Min (Quartile 1)		10.4x	10.1x	17.3x	16.9x

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividends to shareholders in the forecasted period. We expect Drive to pay a regular dividend equal to 70% of annual net profit over the forecast period. The dividend is discounted at the cost of equity of 9.7%.

Sum of PV (AED, Mn)	1,161
Terminal value (AED, Mn)	2,177
FV to Common shareholders (AED, Mn)	3,338
No. of share (Mn)	1,077
Current Market Price (AED)	3.19
Fair Value per share (AED)	3.10

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid						
Total Dividend	235	239	239	245	256	265
Discounting Factor	0.98	0.90	0.82	0.74	0.68	0.62
Present Value of Dividend	231	215	195	182	174	164

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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