

Emirates Driving Company PJSC

Acquisition of subsidiary and higher enrollment of students boosted top line

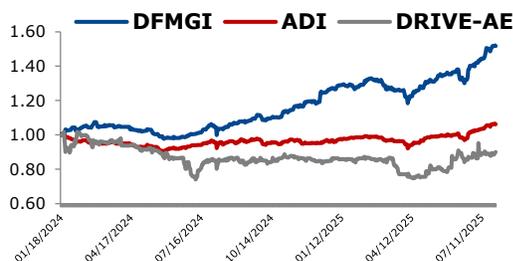
Current Price
AED 2.90

Target Price
AED 4.10

Upside/Downside (%)
+41.4%

Rating
BUY

- The Company maintains a debt free balance sheet with a cash balance of AED 738 Mn in 2Q25.
- Drive's net profit attributable to shareholders increased from AED 55 Mn in 2Q24 to AED 87 Mn in 2Q25, supported by revenue growth.
- The Company distributed total cash dividend of AED 0.17 per share for 2024, equivalent to AED 0.17 per share.
- EDC acquired 51% stake in Excellence Premier Investment in 2024, based in Dubai, expanding geographical presence and revenue sources.



Stock Information

Market Cap (AED, Mn)	3,124.57
Paid Up Capital (Mn)	1,077.44
52 Week High	3.15
52 Week Low	2.36
3M Avg. daily value (AED)	281,077.8

2Q25 Net Profit higher than our estimate

Emirates Driving Company PJSC (Drive/ EDC/ The Company) net profit rose 57.7% YOY to AED 87 Mn in 2Q25, higher than our estimate of AED 69 Mn. The increase in net profit is primarily driven by growth in revenue due to the acquisition of excellence premier, partially offset by an increase in direct expenses, G&A costs, and income tax charges.

P&L Highlights

Drive's revenue grew from AED 86 Mn in 2Q24 to AED 186 Mn in 2Q25, primarily driven by the acquisition of subsidiaries, geographic expansion, a higher number of enrolled students, and operational efficiency improvements. Drive's direct expenses rose from AED 18 Mn in 2Q24 to AED 65 Mn in 2Q25 due to operational scale and acquisition of Excellence Premier. As a result, gross profit increased from AED 68 Mn in 2Q24 to AED 122 Mn in 2Q25. However, gross margin declined from 79.6% in 2Q24 to 65.3% in 2Q25 due to low margins of the acquired subsidiary. General and administrative expenses also doubled from AED 19 Mn in 2Q24 to AED 38 Mn in 2Q25. Consequently, operating profit increased from AED 49 Mn in 2Q24 to AED 83 Mn in 2Q25. However, the operating profit margin declined from 57.5% in 2Q24 to 44.7% in 2Q25 due to low gross profit margins. As a result, Drive's calculated EBITDA grew from AED 57 Mn in 2Q24 to AED 112 Mn in 2Q25 with a contraction in EBITDA Margin from 67.0% in 2Q24 to 60.1% in 2Q25. Net gain from financial assets at fair value through profit recorded at AED 7 Mn in 2Q25 compared to loss of AED 0.3 Mn in 2Q24. The Company also reported the rental income of AED 2 Mn in 2Q25 compared to AED 1 Mn in 2Q24. Other income including gain on sale of assets held for sale also increased from AED 3 Mn in 2Q24 to AED 7 Mn in 2Q25. The Company's finance expense stood at AED 1 Mn in 2Q25. However, finance income declined 16.0% YOY to AED 7 Mn in 2Q25. The tax charges amounted to AED 15 Mn in 2Q25, compared to AED 5 Mn in 2Q24. NCI stood at AED 3 Mn in 2Q25, compared to nil in 2Q24.

2Q25 Result Review (AED, Mn)

Total Assets	1,655
Total Liabilities	332
Total Equity	1,323
EBITDA	112
Net Profit	87

Financial Ratios

Dividend Yield (12m)	5.9
Dividend Pay-out (%)	66.07
Price-Earnings Ratio(x)	10.88
Price-to-Book Ratio (x)	2.44
Book Value (AED)	1.15
Return-on Equity (%)	23.25

Stock Performance

5 Days	1.75%
1 Months	3.20%
3 Months	18.37%
6 Months	5.45%
1 Year	5.45%
Month to Date (MTD%)	0.00%
Quarter to Date (QTD%)	0.00%
Year to Date (YTD%)	3.57%

Balance Sheet Highlights

Drive remains debt-free with a total cash balance of AED 738 Mn in 2Q25, indicating a healthy liquidity position and unleveraged balance sheet. Total assets of Drive stood at AED 1,655 Mn in 2Q25, along with total liabilities of AED 332 Mn. Total equity declined 2.1% YTD to AED 1,323 Mn in 2Q25. Cash flow from operations increased from AED 70 Mn in 2Q24 to AED 108 Mn in 2Q25.

Target Price and Rating

We maintain our BUY rating on Drive with an unchanged target price of AED 4.10. The Company reported strong growth in net profit from AED 55 Mn in 2Q24 to AED 87 Mn in 2Q25 due to the acquisition of Dubai based Excellence Premier driving school, expanding the geographical presence outside of Abu Dhabi and boosting the revenue from AED 86 Mn in 2Q24 to AED 186 Mn in 2Q25. The Company also boosts a healthy debt free balance sheet with a cash balance of AED 738 Mn in 2Q25. EDC is the leading authorized provider of pre-licensing driver education in Abu Dhabi, holding a market leadership position supported by high regulatory and infrastructure barriers. Its fleet of 399 vehicles (as of 2024) enables high-capacity training across all vehicle categories including cars (279), heavy buses (19), motorcycles (55), heavy trucks (26), heavy machinery (9), and light buses (11). EDC, in collaboration with Abu Dhabi Mobility, is launching a joint strategy aligned with the UAE plan to enhance road safety. The strategy focuses on AI-driven training, sustainable education practices, modern techniques, competency standards, traffic awareness, behavioural insights from traffic engineering, and promoting soft mobility solutions for safer transport. Drive agreed to acquire a 22.5% stake in Mwasalat Holdings, with an option to increase to 50.6% pending conditions and approvals. This strategic move supports EDC's growth, strengthens its leadership in mobility, and advances innovation, safety, and sustainable transport across the UAE and the broader region. Headquartered in Abu Dhabi, Mwasalat recorded revenues exceeding AED 650 Mn in 2024 and manages a diverse fleet that includes public buses, taxis, school transportation, and corporate hire vehicles. The Company distributed the dividend of AED 183 Mn with payout ratio of 66.1% for the period of 2024, equivalent to AED 0.17 per share dividend. Thus, based on the above analysis, we assign BUY rating on Drive.

Drive - Relative valuation

(at CMP)	2021	2022	2023	2024	2025F
PE	1.54	1.02	11.66	11.23	9.98
PB	0.32	0.27	2.71	2.52	2.30
EV/EBITDA	-0.07	-0.81	10.39	9.91	8.26
EPS	1.871	2.822	0.248	0.257	0.290
BVPS	8.972	10.823	1.067	1.147	1.255
DPS	NA	NA	0.170	0.170	0.195
Dividend Yield	NA	NA	5.9%	5.9%	6.7%

FABS Estimates & Co Data

Drive – P&L

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	86	167	186	164	13.5%	NM	11.4%	513	678	32.2%
Direct expenses	-18	-61	-65	-60	7.6%	NM	5.4%	-153	-243	58.6%
Gross profit	68	106	122	104	16.9%	78.4%	14.9%	359	435	20.9%
G&A expenses	-19	-35	-38	-30	27.9%	NM	10.9%	-110	-131	19.4%
Operating profit	49	71	83	74	12.4%	69.0%	16.9%	250	304	21.6%
EBITDA¹	57	82	112	87	28.6%	95.1%	35.8%	315	355	12.8%
gain from financial assets at FVTPL	0	-2	7	1	NM	NM	NM	16	4	-73.0%
Change in fair value of investment property	0	1	0	0	NM	NM	NM	0	0	NM
Rental income	1	0	2	0	NM	17.2%	NM	6	0	NM
Dividend income	0	0	0	0	NM	NM	NM	0	0	NM
Other Income & gain on sale of assets	3	2	7	3	NM	NM	NM	9	29	NM
Finance income	9	8	7	8	-13.0%	-16.0%	-8.2%	35	37	8.3%
Finance costs	-1	-1	-1	-2	-20.3%	85.0%	-0.9%	-4	-7	67.2%
Profit before tax	61	80	105	85	23.7%	72.3%	31.5%	310	367	18.3%
Tax	-5	-11	-15	-13	15.2%	NM	34.7%	-28	-55	97.1%
Profit for the year before NCI	55	69	90	72	25.2%	62.9%	31.0%	282	312	10.5%
Non-controlling interest	0	-2	-3	-3	0.2%	NM	33.9%	-5	-12	NM
Net Profit to equity holders	55	67	87	69	26.3%	57.7%	30.9%	277	300	8.1%

FABS estimate & Co Data, ¹Calculated EBITDA

Drive - Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	79.6%	63.3%	65.3%	-1,427	198	70.1%	64.1%	-598
EBITDA	67.0%	49.3%	60.1%	-689	1,080	61.4%	52.4%	-900
Operating Profit	57.5%	42.6%	44.7%	-1,279	209	48.7%	44.8%	-390
Net Profit	64.6%	39.9%	46.8%	-1,775	695	54.0%	44.2%	-985

FABS estimate & Co Data, ¹Based on calculated EBITDA

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	4.23	70.0%	2.96
Relative Valuation (RV)	4.57	15.0%	0.68
DDM Method	3.08	15.0%	0.46
Weighted Average Valuation (AED)			4.10
Current market price (AED)			2.90
Upside/Downside (%)			+41.4%

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 5.0%, beta of 1.0 and an equity risk premium of 4.6%. 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)	1,437
Terminal value (AED, Mn)	3,117
FV to Common shareholders (AED, Mn)	4,553
No. of share (Mn)	1,077
Current Market Price (AED)	2.90
Fair Value per share (AED)	4.23

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	300	324	333	347	368	390
D&A	36	35	35	35	35	35
Change in working capital	-18	-25	-27	-28	-30	-31
(-) Capex	37	-12	-14	5	4	4
Net change in debt	-7	-7	-7	-8	-8	-8
Free Cash Flow to Equity (FCFE)	348	315	320	350	370	389
Discounting Factor	0.96	0.88	0.80	0.73	0.66	0.61
Discounted FCFE	167¹	276	256	255	246	236

Source: FAB Securities,¹Adjusted for the partial year

2) Relative Valuation:

We have used regional international peers to value Drive and it is valued using the EV/EBITDA multiple. We have used local as well as international peers to value EDC. 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 2025 EV/ EBITDA multiple of 12.3x 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 of 70% of annual net profit in the forecasted period. The dividend is discounted at the cost of equity of 9.7%.

Sum of PV (AED, Mn)	1,100
Terminal value (AED, Mn)	2,213
FV to Common shareholders (AED, Mn)	3,313
No. of share (Mn)	1,077
Current Market Price (AED)	2.90
Fair Value per share (AED)	3.08

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid						
Total Dividend	210	227	233	243	258	273
Discounting Factor	0.96	0.88	0.80	0.73	0.66	0.61
Present Value of Dividend	202	199	186	177	171	165

Source: FAB Securities

