

Emirates Driving Company (EDC)

Current Price AED 3.37	Target Price AED 4.50	Upside/Downside (%) 34%	Rating BUY
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4Q25 Net Profit lower than our estimate

- EDC's revenue grew 18.5% YOY to AED 208 Mn in 4Q25, owing to contribution from excellence coupled with an increase in number of students in EDC and Excellence.
- Total number of enrolled students of EDC rose 24.0% YOY to 48,139 and total number of Excellence students rose 6.0% YOY to 11,451 in 4Q25.
- Direct expenses rose 12.1% YOY to AED 72 Mn in 4Q25 with gross profit increasing 22.2% YOY to AED 135 Mn in 4Q25 with a 198 bps YOY expansion in gross margin to 65.1%.
- General and administrative expenses increased from AED 44 Mn in 4Q24 to AED 65 Mn in 4Q25.
- EDC's EBITDA increased marginally 1.0% YOY to AED 93 Mn in 4Q25 with an EBITDA margin of 44.7% in 4Q25 compared to 52.4% in 4Q24, supported by growth in revenue and operating leverage.
- The Company's operating profit increased 5.1% YOY to AED 70 Mn in 4Q25.
- EDC's net profit attributable to shareholders decreased 3.9% YOY to AED 70 Mn in 4Q25 due to a one-off loss on remeasurement of contingent consideration with a contraction in margin to 33.6% in 4Q25 compared to 41.4% in 4Q24.

Earnings Call Summary

- As of 31 December 2025, 67 units of Tabieah sale are sold with 100% units reserved with a realized gain of AED 41 Mn in 2025.
- The Board proposed a dividend of 20 fils per share, an increase of 17% YOY, implying a c. 6.2% dividend yield, reflecting confidence in cash generation and earnings quality.
- Cash and bank balances amounted to AED 946 Mn in 4Q25 with management expected to use excess cash for tranche 2 acquisition of Mwasalat holding, fund Capex for EV Chargepoint while maintaining sustained dividend payouts.
- The company aims to drive long-term growth through operational efficiency, innovation, partnerships, sustainability, and market expansion, with a strong focus on customer experience.
- On 23 October 2025, EDC acquired 22.50% equity interest in Mwasalat Holdings with an option to increase the shareholding to 50.6%. The consolidation is expected as early as 2Q26 and latest by 4Q26 with capex of AED 400 Mn for the remaining acquisition.
- In 2025, Mwasalat generated AED 779 Mn in total revenue, which was up 18% and delivered an EBITDA of AED 217 Mn up by 21% YOY. However, Mwasalat contributed AED 4 Mn due to acquisition at later stage of 2025 and minority ownership.
- Mwasalat's portfolio spans four operating segments, public transportation, rental vehicles, rental and vehicle services, as well as car insurance.
- Excellence revenue grew 25% YOY to AED 293 Mn for FY2025, with stable c.10% net margins. Growth was driven by driving schools, while courier delivery services and limousine businesses remain early stage with double digit growth potential.
- Emirates Driving Company secured through the integrated transport center a tender to develop an operating electric vehicle charging station across three locations in Abu Dhabi under a 10-year public private partnership model, with expected return on investment of 110% and a total estimated capital expenditure of AED 58 Mn.
- Management views EV ChargePoint as a strategic growth avenue rather than a near-term earnings contributor with a 3-4 years payback and commercial operations targeted for June 2026.

- For 2026, the Company is leveraging operational excellence, service growth and Artificial Intelligence, driven transformation to accelerate performance and unlock long-term value.
- Additionally, the company plans to drive organic growth through digitalization, geographic expansion, new training offerings, and strategic partnerships, supported by continued technology investments.
- The Company is targeting revenue growth of 62%-71% YOY driven by training volume increases and business expansions in 2026. Gross profit growth of 30%-38% YOY, operating profit growth of 6%-12% YOY, EBITDA growth of 23%-30% YOY, and an expected return on asset of 10%-11% in 2026.
- Excellence's growth is supported by expected 1%-3% underlying market growth and continued market share gains in Dubai.
- In 4Q25, the Company financed a portion of the tranche 1 acquisition of Mwasalat Holdings through a Murabaha financing while actively optimizing the capital structure by deploying a portion of the excess cash and introducing prudent leverage, and keeping balance sheet risk within healthy industry thresholds.

Drive – P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch.	QOQ Ch.
Revenue	175	209	208	210	-1.1%	18.5%	-0.7%
Direct expenses	-65	-71	-72	-74	-2.0%	12.1%	2.3%
Gross profit	111	138	135	136	-0.6%	22.2%	-2.3%
G&A expenses	-44	-44	-65	-47	37.6%	48.3%	48.7%
EBIT	67	95	70	89	-20.8%	5.1%	-25.7%
EBITDA	92	138	93	101	-8.3%	1.0%	-32.8%
Finance income	8	9	9	13	-31.3%	5.9%	-6.5%
Finance costs	-1	-3	-3	-1	NM	NM	8.9%
Profit / (loss) before tax	83	133	86	110	-22.1%	3.6%	-35.4%
Income tax expense	-7	-20	-12	-19	-35.4%	NM	-40.3%
Profit / (loss) after tax	76	113	74	92	-19.4%	-2.1%	-34.5%
Non-controlling interest	-3	-4	-4	-6	-28.5%	NM	12.1%
Profit for the period	73	109	70	86	-18.8%	-3.9%	-36.1%

FABS estimate & Co Data

Management Guidance:

2026 Full-Year Outlook: Driving Growth, Expanding Value

We are leveraging operational excellence, service growth, and AI-driven transformation to accelerate performance and unlock long-term value.

Key Guidance Metrics

Driven by training volume increased and business expansion

Revenue Growth 62% - 71% YoY	EBITDA 23% - 30% YoY
Gross Profit 30% - 38% YoY	Return on Assets (ROA) 10% - 11%
Operating profit 6% - 12% YoY	Market Growth 1 - 3% YoY

Strategic Drivers

-  Operational Excellence
-  Digital Enablement
-  Service Diversification
-  Sustainability Goals

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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