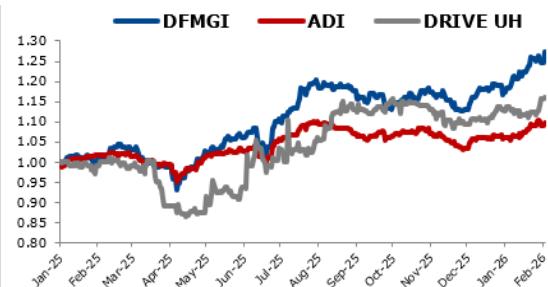


## Emirates Driving Company (EDC)

Strategic Partnerships and Product Expansion Drive EDC's Growth

Current Price AED 3.37	Target Price AED 4.50	Upside/Downside (%) +34%	Rating BUY
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- EDC guided a revenue growth of 62-71% YOY, gross profit to 30-38% YOY, and EBITDA to 23-30% in 2026.
- EDC secured a 10-year public private partnership to develop and operate EV charging stations across three locations in Abu Dhabi with a total capex of AED 58 Mn.
- Total number of enrolled students from Excellence and EDC increased to 59.6K in 4Q25.
- The Company completed the 22.5% stake acquisition of Mwasalat Holdings on 31 October 2025.
- The Board proposed a dividend of 20 fils per share for 2025, reinforcing confidence in cash generation and earnings quality.



### 4Q25 Net Profit lower than our estimate

Emirates Driving Company PJSC (Drive/ EDC/ The Company) Net profit decreased 3.9% YOY to AED 70 Mn in 4Q25, lower than our estimate of AED 86 Mn. The decrease in net profit is primarily driven by higher direct and G&A expenses, lower gain on financial assets, and lower income coupled with increasing finance costs and tax expenses, partially offset by increasing revenue, gain on sale of assets and increasing finance income. Excluding the one-time gain of AED 17 Mn received on the sale of assets, and the loss on remeasurement of contingent assets of AED 10 Mn, the Company's net profit stood at AED 63 Mn in 4Q25, compared to AED 73 Mn in 4Q24.

### P&L Highlights

Drive's revenue grew from AED 175 Mn in 4Q24 to AED 208 Mn in 4Q25, supported by higher student enrollments in both EDC and Excellence. The Company's enrolled students in EDC increased by 24.0% YOY to 48K, while enrollments in Excellence reached 11K in 4Q25 underlining EDC's strong competitive positioning and ability to gain share beyond underlying industry growth. Drive's direct expenses rose 12.1% YOY to AED 72 Mn in 4Q25 due to expansion in operational scale. As a result, gross profit increased 22.2% YOY to AED 135 Mn in 4Q25. Similarly, gross margin increased from 63.2% in 4Q24 to 65.1% in 4Q25, indicating operating leverage. General and administrative expenses increased from AED 44 Mn in 4Q24 to AED 65 Mn in 4Q25. Consequently, operating profit increased 5.1% YOY to AED 70 Mn in 4Q25. However, the operating profit margin declined from 38.2% in 4Q24 to 33.9% in 4Q25, driven by higher G&A expenses. Drive's EBITDA increased marginally from AED 92 Mn in 4Q24 to AED 93 Mn in 4Q25. EBITDA Margin decreased from 52.4% in 4Q24 to 44.7% in 4Q25. Net gain from financial assets at FVTPL stood at AED 1 Mn in 4Q25 compared to AED 5 Mn in 4Q24.

Stock Information	
Market Cap (AED, Mn)	3,630.96
Paid Up Capital (Mn)	538.72
52 Week High	3.58
52 Week Low	2.36
3M Avg. daily value (AED)	711,073

4Q25 Result Review (AED, Mn)	
Total Assets	2,090
Total Liabilities	580
Total Equity	1,509
EBITDA	93
Net Profit	70

Financial Ratios	
Dividend Yield (12m)	5.23
Dividend Pay-out (%)	55.01
Price-Earnings Ratio(x)	11.06
Price-to-Book Ratio (x)	2.62
Book Value (AED)	1.29
Return-on Equity (%)	25.41

Stock Performance	
5 Days	5.64%
1 Months	6.31%
3 Months	8.71%
6 Months	13.85%
1 Year	20.36%
Month to Date (MTD%)	4.01%
Quarter to Date (QTD%)	6.65%
Year to Date (YTD%)	6.65%

The Company's rental income stood at AED 2 Mn in 4Q25, compared to AED 3 Mn in 4Q24. Other income decreased from AED 2 Mn in 4Q24 to negative AED 1 Mn in 4Q25. Additionally, the Company incurred gain on sale of assets held for sale of AED 17 Mn in 4Q25 and a loss on remeasurement of contingent consideration of AED 10 Mn in 4Q25. The Company's finance expense grew from AED 1 Mn in 4Q24 to AED 3 Mn in 4Q25. Similarly, finance income increased 5.9% YOY to AED 9 Mn in 4Q25. The Company also reported share of results from associates of AED 4 Mn contributed by Mwasalat Holdings in 4Q25. The tax charges amounted to AED 12 Mn in 4Q25, compared to AED 7 Mn in 4Q24. The profit attributable to NCI holders grew from AED 3 Mn in 4Q24 to AED 4 Mn in 4Q25.

### **Balance Sheet Highlights**

Drive total cash and bank balance stood at AED 946 Mn in 4Q25, indicating a healthy liquidity position. The Company's total assets stood at AED 2.1 Bn in 4Q25, alongside total liabilities of AED 580 Mn. On 31 October 2025, the Company entered into a Murabaha agreement of AED 160 Mn to partially finance the acquisition of Mwasalat Holding. Total equity increased 5.2% QOQ to AED 1,509 Mn in 4Q25. Cash flow from operations increased from AED 82 Mn in 4Q24 to AED 120 Mn in 4Q25.

### **Target Price and Rating**

We maintain our BUY rating on Drive with a revised target price of AED 4.50. EDC's revenue grew 50.2% YOY in 2025 to AED 770 Mn driven by sustained demand across EDC's core driver training operations and the continued expansion of the Company's broader mobility portfolio. The Company reiterated confidence in the sustainability of growth, supported by continued market share gains in core driving services, ongoing service diversification, and operating leverage, despite a higher tax environment. The acquisition of a 22.5% stake in Mwasalat Holding enhances EDC's exposure to the broader regional mobility value chain, spanning public transportation, vehicle rentals, and mobility services, while unlocking potential synergies in shared fleet procurement, cross-selling opportunities and AI-driven operational efficiencies. In 2025, Mwasalat generated AED 779 Mn in revenue increasing 18% YOY and delivered EBITDA of AED 217 Mn increasing 21% YOY. The Company continues to closely monitor Mwasalat's operational and financial performance against agreed milestones and intends to exercise the call option upon achievement, with consolidation expected in 2026, potentially as early as 2Q26 and no later than 4Q26. The Company expects capex of c. AED 400 Mn for the remaining acquisition. Excellence continued to deliver solid performance, with revenue growing 25% YOY to AED 293 Mn, while maintaining stable net margins of c. 10%. Growth was driven primarily by driving schools, while courier delivery and limousine services offering double digit growth potential. Excellence's growth is supported by 1-3% underlying market growth alongside continued market share gains in Dubai. In addition, EDC secured a 10-year public private partnership to develop and operate EV charging stations across three locations in Abu Dhabi. The ChargePoint initiative entails total capex of AED 58 Mn, with an expected ROI of 110%, payback period of 3-4 years, and commercial operations targeted for June 2026. EDC views this initiative as a strategic long term growth opportunity, rather than a near term earnings contributor. The balance sheet remains a key strength, with cash and bank balances of AED 946 Mn as of 4Q25. The facility covered c. 50% of the purchase consideration. The finance is repayable in 20 equal quarterly instalments, commencing after the drawdown date, with final maturity on 30 October 2030 with interest rate of EIBOR+0.85%. The Company expects excess cash to be deployed toward the second tranche acquisition of Mwasalat, EV ChargePoint capex, while maintaining sustainable dividend payouts. The Board proposed a 20 fils dividend an increase of 17% YOY, reinforcing confidence in cash generation and earnings quality. For FY2026, the Company is leveraging operational excellence, service expansion and AI-driven transformation to accelerate performance and unlock long-term value. Management guided for 2026 with revenue growth of 62-71% YOY, gross profit growth of 30-38% YOY, operating profit growth of 6-12% YOY, EBITDA growth of 23-30% YOY, and ROA of 10-11%. We therefore maintain our BUY rating.

**Drive - Relative valuation**

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	1.82	1.21	13.75	13.25	11.03	10.51
PB	0.38	0.32	3.20	2.97	2.65	2.44
EV/EBITDA	0.18	-0.63	12.56	11.68	6.72	7.58
EPS	1.871	2.822	0.248	0.257	0.309	0.325
BVPS	8.972	10.823	1.067	1.147	1.286	1.397
DPS	0.042	0.121	0.170	0.170	0.200	0.20
Dividend Yield	1.2%	3.6%	5.0%	5.0%	5.9%	5.9%

FABS Estimates & Co Data

**Drive - P&L**

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch.	QOQ Ch.	2024	2025	Change
Revenue	175	209	208	210	-1.1%	18.5%	-0.7%	513	770	50.2%
Direct expenses	-65	-71	-72	-74	-2.0%	12.1%	2.3%	-153	-269	75.4%
<b>Gross profit</b>	<b>111</b>	<b>138</b>	<b>135</b>	<b>136</b>	<b>-0.6%</b>	<b>22.2%</b>	<b>-2.3%</b>	<b>359</b>	<b>501</b>	<b>39.4%</b>
G&A expenses	-44	-44	-65	-47	37.6%	48.3%	48.7%	-110	-182	65.5%
<b>Operating profit</b>	<b>67</b>	<b>95</b>	<b>70</b>	<b>89</b>	<b>-20.8%</b>	<b>5.1%</b>	<b>-25.7%</b>	<b>250</b>	<b>320</b>	<b>28.0%</b>
<b>EBITDA</b>	<b>92</b>	<b>138</b>	<b>93</b>	<b>101</b>	<b>-8.3%</b>	<b>1.0%</b>	<b>-32.8%</b>	<b>315</b>	<b>425</b>	<b>34.8%</b>
gain from financial assets at FVTPL	5	1	1	2	-71.4%	-88.6%	NM	16	7	-55.8%
Change in fair value of investment property	-1	0	-1	0	NM	NM	NM	0	0	NM
Rental income	3	1	2	3	-26.6%	-34.0%	NM	6	4	-23.9%
Gain on sale of assets held for sale	0	25	17	0	NM	0	0	0	41	NM
Loss on remeasurement of contingent consideration	0	0	-10	0	NM	0	0	0	-10	NM
Share of results from associates	0	0	4	0	NM	0	0	0	4	NM
Other Income	2	5	-1	5	NM	NM	NM	9	13	50.8%
Finance income	8	9	9	13	-31.3%	5.9%	-6.5%	35	33	-3.3%
Finance costs	-1	-3	-3	-1	NM	NM	8.9%	-4	-10	NM
<b>Profit before tax</b>	<b>83</b>	<b>133</b>	<b>86</b>	<b>110</b>	<b>-22.1%</b>	<b>3.6%</b>	<b>-35.4%</b>	<b>310</b>	<b>403</b>	<b>30.0%</b>
Tax	-7	-20	-12	-19	-35.4%	NM	-40.3%	-28	-58	NM
<b>Profit for the year before NCI</b>	<b>76</b>	<b>113</b>	<b>74</b>	<b>92</b>	<b>-19.4%</b>	<b>-2.1%</b>	<b>-34.5%</b>	<b>282</b>	<b>346</b>	<b>22.5%</b>
Non-controlling interest	-3	-4	-4	-6	-28.5%	NM	12.1%	-5	-13	NM
<b>Net Profit to equity holders</b>	<b>73</b>	<b>109</b>	<b>70</b>	<b>86</b>	<b>-18.8%</b>	<b>-3.9%</b>	<b>-36.1%</b>	<b>277</b>	<b>333</b>	<b>20.1%</b>

FABS estimate & Co Data

**Drive - Margins**

	4Q24	3Q25	4Q25	YOY Ch.	QOQ Ch.	2024	2025	Change
Gross Profit	63.2%	66.2%	65.1%	198	-102	70.1%	65.1%	-502
Operating Profit	38.2%	45.3%	33.9%	-431	-1,141	48.7%	41.5%	-721
EBITDA	52.4%	66.0%	44.7%	-775	-2,134	61.4%	55.1%	-630
Net Profit	41.4%	52.2%	33.6%	-782	-1862	54.0%	43.2%	-1083

FABS estimate & Co Data

## 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	4.59	70.0%	3.21
Relative Valuation (RV)	5.21	15.0%	0.78
DDM Method	3.34	15.0%	0.50
<b>Weighted Average Valuation (AED)</b>			<b>4.50</b>
Current market price (AED)			3.37
Upside/Downside (%)			<b>+34%</b>

### 1) DCF Method:

Drive is valued using free cash flow to firm since the Company has Murabaha financing for funding of inorganic growth. We have discounted the cash flow using the weighted average cost of capital of 9.3%. It arrived after using a cost of equity of 9.7%, and after-tax cost of debt of 4.0%. Cost of equity is calculated by using the 10-year government bond yield of 4.9%, beta of 1.00 and equity risk premium of 4.8%. Government bond yield is calculated after adding the Abu Dhabi 10-year CDS spread over the 10-year US risk-free rate. The cost of debt of 4.0% is calculated after adjusting for a tax rate of 15%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,078
Terminal value (AED, Mn)	3,840
Net Debt <sup>1</sup>	30
<b>FV to Common shareholders (AED, Mn)</b>	<b>4,947</b>
No. of shares (Mn)	1,077
Current Market Price (AED)	3.37
<b>Fair Value per share (AED)</b>	<b>4.59</b>

### DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	321	415	435	450	463
(+/-) Depreciation & amortization	52	79	82	84	86
(+/-) CAPEX	-510	-173	-107	-110	-113
(+/-) Working Capital	44	10	-3	-6	-7
<b>Free Cash Flow to FIRM (FCFF)</b>	<b>(94)</b>	<b>330</b>	<b>408</b>	<b>418</b>	<b>428</b>
Discounting Factor	0.92	0.84	0.77	0.71	0.64
<b>Discounted FCFF</b>	<b>(86)</b>	<b>279</b>	<b>315</b>	<b>295</b>	<b>276</b>

Source: FAB Securities,<sup>1</sup>Net debt assumes AED 500 Mn related to the planned acquisition of Mwasalat and capex on EV charging stations

## 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 11.9x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Salik Company	13,272	22.5	20.9	28.3	25.8
Dubai Taxi Company	1,925	10.5	9.5	16.6	15.2
Parkin Company	5,029	21.6	19.4	26.0	23.4
ADNOC Drilling Company	23,594	11.1	10.6	NA	NA
Dubai Electricity and Water Authority	41,653	10.2	9.8	18.7	17.4
ADNOC for Distribution	14,055	12.6	12.0	17.6	16.3
Eastern Pioneer Driving School Co	388	NA	NA	NA	NA
<b>Average</b>		<b>14.8x</b>	<b>13.7x</b>	<b>21.4x</b>	<b>19.6x</b>
<b>Median</b>		<b>11.9x</b>	<b>11.3x</b>	<b>18.7x</b>	<b>17.4x</b>
<b>Max (Quartile 3)</b>		<b>19.4x</b>	<b>17.6x</b>	<b>26.0x</b>	<b>23.4x</b>
<b>Min (Quartile 1)</b>		<b>10.6x</b>	<b>10.0x</b>	<b>17.6x</b>	<b>16.3x</b>

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 64.7% of annual net profit over the forecast period. The dividend is discounted at the cost of equity of 9.3%.

Sum of PV (AED, Mn)	1,003
Terminal value (AED, Mn)	2,596
<b>FV to Common shareholders (AED, Mn)</b>	<b>3,599</b>
No. of share (Mn)	1,077
Current Market Price (AED)	3.37
<b>Fair Value per share (AED)</b>	<b>3.34</b>

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
<b>Dividend Paid</b>					
<b>Total Dividend</b>	<b>217</b>	<b>255</b>	<b>267</b>	<b>278</b>	<b>288</b>
Discounting Factor	0.92	0.84	0.77	0.71	0.64
<b>Present Value of Dividend</b>	<b>200</b>	<b>215</b>	<b>206</b>	<b>196</b>	<b>186</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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