

Dubai Taxi Company (DTC)

Robust fleet expansion and higher tariffs drove profitability

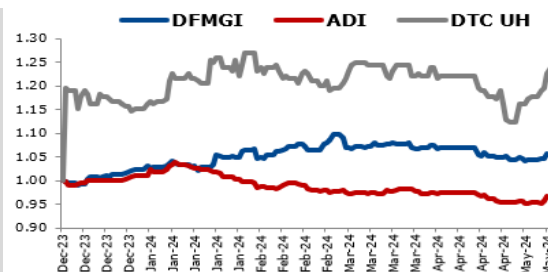
Current Price
AED 2.30

Target Price
AED 2.48

Upside/Downside (%)
+8%

Rating
HOLD

- DTC acquired 94 taxi licenses in the recent RTA auction and added 235 delivery bikes to its fleet in 1Q24.
- DTC recorded robust revenue growth of 16.2% YOY to AED 558 Mn in 1Q24, mainly due to fleet expansion higher tariffs.
- The Company's EBITDA rose 40.4% YOY to AED 170 Mn in 1Q24 with an EBITDA margin of 30.4%.
- The shareholders approved a cash dividend of AED 71 Mn, equivalent to 2.84 fils per share for 4Q23 with a dividend yield of 1.3% and further plans to pay semi-annual dividends in April and October. DTC targets a minimum dividend payout of 85% of its net profit in 2024 and thereafter.



1Q24 Net Profit higher than our estimate

Dubai Taxi Company PJSC (DTC/the Company) net profit rose 14.9% YOY to AED 108 Mn in 1Q24, higher than our estimate of AED 90 Mn. The increase in the net profit is mainly due to a strong growth in revenue driven by a rise in the number of trips partially offset by an increase in operating cost, G&A expenses, and income tax expense.

P&L Highlights

DTC's revenue rose 16.2% YOY to AED 558 Mn in 1Q24 owing to strong growth across all segments attributable to the expansion of the fleet size. DTC benefits from the exclusivity agreement among the high-volume areas in Dubai. Revenue from the Taxi segment rose 14.7% YOY to AED 481 Mn in 4Q23 mainly due to the fleet expansion, increased number of trips and trip length, and higher tariffs. DTC's exclusive pick-up rights at both Dubai Airports resulted in an attractive tariff structure. Limousine segment revenue rose 6.7% YOY to AED 33 Mn in 1Q24. The Taxi and Limousines completed 12 Mn trips in 1Q24 out of which 11.6 Mn trips were done by the taxis. The revenue from the Bus segment significantly increased 28.1% YOY to AED 37 Mn in 1Q24 attributable to an increase in fleet size and new service contracts. Similarly, the Company's delivery bike segment revenue substantially rose from AED 2 Mn in 1Q23 to AED 8 Mn in 1Q24. The robust growth in profitability is attributable to DTC's capitalization on e-commerce penetration and solid demand for on-demand delivery services. The Company increased its fleet to 987 delivery bikes in 1Q24 by adding 235 bikes. On the other hand, operating costs rose 15.7% YOY to AED 328 Mn in 1Q24 whereas the plate and license fees marginally increased 0.5% YOY to AED 78 Mn. Thus, the Company's gross profit increased 27.8% YOY to AED 152 Mn in 1Q24. DTC's G&A expenses rose 63.8% YOY to AED 27 Mn in 1Q24 whereas other income rose 54.8% YOY to AED 8 Mn.

Stock Information

Market Cap (AED, mm)	5,750.00
Paid Up Capital (mm)	100.00
52 Week High	2.38
52 Week Low	2.06
3M Avg. daily value (AED)	6,348,261

1Q24 Result Review (AED, mm)

Total Assets	2,067
Total Liabilities	1,727
Total Equity	341
EBITDA	170
Net Profit	108

Financial Ratios

Dividend Yield (12m)	1.23
Dividend Pay-out (%)	0.00
Est.Price-Earnings Ratio(x)	15.27
Price-to-Book Ratio (x)	16.89
Book Value (AED)	0.14
Return on Common Equity(%)	97.59

Stock Performance

5 Days	5.50%
1 Months	1.77%
3 Months	0.44%
6 Months	N/A
1 Year	N/A
Month to Date (MTD%)	6.98%
Quarter to Date (QTD%)	1.77%
Year to Date (YTD%)	7.98%

In addition, the Company recorded an impairment reversal of AED 4 Mn in 1Q24 compared to an impairment charge of AED 11 Mn in 1Q23. As a result, operating profit rose 41.8% YOY to AED 137 Mn in 1Q24. DTC's EBITDA grew 40.4% YOY to AED 170 Mn in 1Q24 with an EBITDA margin of 30.4% in 1Q24 compared to 25.2% in 1Q23. The growth in the EBITDA is mainly attributable to the enhanced operational efficiencies resulting from the adoption of new technologies and fleet expansion. DTC's finance income rose 45.3% YOY to AED 3 Mn in 1Q24 while finance cost increased from nil in 1Q23 to AED 16 Mn in 1Q24. Staff bonus increased 26.2% YOY to AED 6 Mn in 1Q24. In addition, the Company incurred an income tax charge of AED 11 Mn in 1Q24 owing to the introduction of UAE corporate tax which led to a decline in net margin by 23 bps YOY to 19.3%.

Balance Sheet Highlights

DTC's cash and cash equivalent including Wakala deposits stood at AED 412 Mn in 1Q24 compared to AED 338 Mn in 4Q23. DTC's debt stood stable at AED 1.0 Bn in 1Q24 compared to 4Q23 and recorded a net debt of AED 585 Mn in 1Q24 compared to AED 659 Mn in 4Q23. The Company's net debt to LTM EBITDA ratio stood at 1.1x in 1Q24 compared to 1.3x in 4Q23. DTC generated a free cash flow of AED 122.7 Mn in 1Q24.

Target Price and Rating

We revise our rating on Dubai Taxi Company PJSC from BUY to HOLD with an unchanged target price of AED 2.48. The Company's share price increased 9.7% since our previous rating. Robust fleet expansion with attractive tariff rates boosted the Company's top line during 1Q24. The robust performance of Dubai's tourism sector propelled by an increasing number of passengers and visitors along with numerous international events hosted in the emirate elevates the demand for mobility across the city. DTC is positioned as the largest taxi operator in Dubai. The Company's exclusivity agreements with the Dubai government in high-volume areas provide a competitive advantage over other operators. DTC witnessed a solid fleet expansion across all segments and doubled its airport taxi fleet by adding 350 new dedicated vehicles. DTC acquired 94 taxi licenses in the recent RTA auction and added 235 delivery bikes to its fleet in 1Q24. DTC expects a positive economic outlook with an expected growth in tourist visits at a CAGR of 20.5% from 2023 to 2025. The fleet expansion program stands in line with the increasing passenger traffic leading to fulfilling high demand for taxi's. The Company recorded 8% YOY growth with c. 12 Mn trips in the Taxi and the Limousine segment supported by a robust fleet of 5,316 Taxis and 2,522 Limousines. DTC partnered with ENOC group to equip its fleet with mobile, secure, and automated refuelling services. The partnership will enhance DTC's operating efficiency with the help of comprehensive data and improved refuelling operations. DTC also launched new people of determination services on the DTC app for individuals with non-motor disabilities who can avail 50% discount on booking of regular taxi's instead of specialized taxis with wheelchairs. The Company incurred a capex of AED 42 Mn in 1Q24 compared to AED 77 Mn in 4Q23 and further plans to grow its core operations to overcome the rising passenger traffic demand. The shareholders approved a cash dividend of AED 71 Mn equivalent to 2.84 fils per share for 4Q23 generating a dividend yield of 1.3% and further plans to pay semi-annual dividends in April and October. DTC targets a minimum dividend payout of 85% of its net profit in 2024 and thereafter. Thus, considering the abovementioned factors, we assign a HOLD rating on the stock.

DTC- Relative valuation

(at CMP)	2022	2023	2024
PE (x)	NA	16.4	15.3
PB (x)	NA	18.4	12.6
EV/EBITDA	NA	12.9	10.7
Dividend yield (%)	NA	1.3%	5.6%

FABS Estimates & Co Data

Note – Dubai Taxi Company was listed on DFM in 2023. Thus, the financial multiple for the prior period is unavailable

DTC- P&L

AED mm	1Q23	4Q23	1Q24	1Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	480	540	558	534	4.6%	16.2%	3.4%	1,954	2,144	9.8%
Operating cost	-284	-335	-328	-331	-0.8%	15.7%	-2.0%	-1,205	-1,328	10.2%
Plate & license fee	-78	-77	-78	-78	0.2%	0.5%	0.9%	-310	-299	-3.4%
Gross profit	119	127	152	125	21.6%	27.8%	19.3%	439	517	17.8%
Other Income	5	16	8	13	-38.6%	54.8%	-49.6%	51	51	0.6%
G&A Expenses	-16	-20	-27	-20	31.4%	63.8%	33.2%	-73	-84	14.1%
Impairments	-11	-25	4	0	NM	NM	NM	-44	0	NM
Operating profit	97	99	137	118	16.4%	41.8%	38.7%	372	485	30.2%
EBITDA	121	132	170	143	19.0%	40.4%	28.7%	491	584	19.0%
Finance Income	2	-3	3	1	NM	45.3%	NM	7	4	-41.0%
Finance Cost	0	-14	-16	-15	4.2%	NM	14.9%	-16	-60	NM
Staff Bonus	-5	-4	-6	-5	32.0%	26.2%	54.1%	-18	-20	7.8%
Profit Before Tax	94	78	119	99	19.5%	26.2%	51.8%	345	410	18.7%
Tax	0	0	-11	-9	14.1%	NM	NM	0	-39	NM
Net Profit	94	78	108	90	20.1%	14.9%	38.2%	345	371	7.5%

FABS estimate & Co Data

DTC - Margins

	1Q23	4Q23	1Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross margin	24.7%	23.6%	27.2%	247	361	22.5%	24.1%	164
EBITDA margin	25.2%	24.5%	30.4%	525	598	25.1%	27.2%	210
Operating margin	20.1%	18.3%	24.6%	444	625	19.1%	22.6%	355
Net profit margin	19.6%	14.5%	19.3%	-23	486	17.7%	17.3%	-37

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value Dubai Taxi Company P.J.S.C. We have assigned 70% weight to DCF, 15% to DDM, and 15% to EV/EBITDA.

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	2.56	70.0%	1.79
DDM Method	2.46	15.0%	0.37
EV/EBITDA	2.11	15.0%	0.32
Weighted Average Valuation (AED)			2.48
Current market price (AED)			2.30
Upside/Downside (%)			+8%

1) DCF Method:

Dubai Taxi Company P.J.S.C. is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 8.4%. It is arrived after using the cost of equity of 8.9% and after tax cost of debt of 5.5%. Cost of equity is calculated by using a 10-year government bond yield of 5.7%, beta of 0.90 and equity risk premium of 3.5%. 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 2.0%.

Sum of PV (AED, Mn)	1,743
Terminal value (AED, Mn)	5,183
FV to Common shareholders (AED, Mn)	6,409
No. of share (Mn)	2,500
Current Market Price (AED)	2.30
Fair Value per share (AED)	2.56

DCF Method

(All Figures in AED, Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	441	486	517	561	610
Depreciation & Amortization	118	121	148	149	153
Capex	-90	-155	-288	-286	-300
Change in Working Capital	-32	89	74	-25	-3
Free Cash Flow to Firm (FCFF)	283	543	451	399	460
Discounting Factor	0.96	0.89	0.82	0.76	0.70
Discounted FCFF	272	481	369	301	320

Source: FAB Securities

2) Relative Valuation:

We have used local as well as international peers to value Dubai Taxi Corporation P.J.S.C. and it is valued using the EV/EBITDA multiple of 9.9x in line with peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2024F	2025F	2024F	2025F
<u>Regional Infrastructure and Taxi Cos</u>					
Salik	7,110	19.7	17.2	23.6	20.1
Empower	4,250	11.6	11.3	15.6	15.4
Dewa	31,990	9.5	8.9	17.2	16.1
ADNOC Drilling	16,680	10.4	9.2	15.0	13.3
ADNOC Distribution	11,840	12.5	11.7	17.3	15.6
Budget	1,650	8.1	7.4	20.1	16.5
Theeb	767	6.5	6.2	19.4	14.8
Lumi	1,320	8.2	7.5	21.5	14.4
Average		10.8x	9.9x	18.7x	15.8x
Median		9.9x	9.1x	18.4x	15.5x
Max		11.8x	11.4x	20.5x	16.2x
Min		8.2x	7.4x	16.8x	14.7x

Source: FAB Securities

3) DDM Method:

The company maintains a policy to declare regular dividend to shareholders in the forecasted period. DTC is expected to pay a regular dividend of at least 85% of annual net profit in the forecasted period. The dividend is discounted at the cost of equity of 8.9%.

Sum of PV (AED, Mn)	1,537
Terminal value (AED, Mn)	4,665
FV to Common shareholders (AED, Mn)	6,202
No. of share (Mn)	2,500
Current Market Price (AED)	2.27
Fair Value per share (AED)	2.46

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Dividend Paid					
H1	158	178	192	212	231
H2	158	178	192	212	231
Total Dividend	316	356	384	424	463
Discounting Factor	0.95	0.87	0.80	0.73	0.67
Present Value of Dividend	299	309	307	311	312

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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