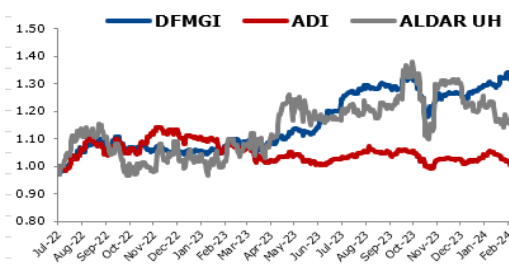


Aldar Properties

Strategic international expansion and substantial revenue backlog to boost profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 5.03	AED 6.00	+19%	BUY

- Aldar Properties total revenue backlog stood at AED 36.8 Bn in 4Q23 out of which UAE backlog stood at AED 29.1 Bn and the remaining AED 7.6 Bn for the International Business.
- The company launched 14 new developmental projects in 4Q23 along with international expansion in Dubai, Ras Al Khaimah, and the United Kingdom.
- Aldar Investment aims to grow its recurring income portfolio further through a 'Develop-to-Hold' strategy and strengthen further investments in the industrial and logistics segment.
- Aldar Development initiated its international expansion strategy by acquiring the UK developer London Square and further penetrates new markets such as KSA through various partnership.



4Q23 Net Profit higher than our estimate

Aldar Properties PJSC (Aldar/the Company) net profit increased 31.5% YOY to AED 1,204 Mn in 4Q23 higher than our estimate of AED 783 Mn. The increase in the net profit is primarily driven by the robust profitability recorded across the Development and Investment Segments in 4Q23. The growth in profitability is further driven by the one-time gain of AED 374 Mn in 4Q23 compared to AED 366 Mn in 4Q22 from the revaluation of investment properties partially offset by the growth in finance cost, taxes and higher profits attributable to non-controlling interests.

P&L Highlights

Aldar's revenue rose 40.3% YOY to AED 4,398 Mn in 4Q23 driven by robust growth in the development as well as investment business. Aldar's development revenue rose 37.0% YOY to AED 2,440 Mn in 4Q23 supported by the growth in UAE, Project Management & Services, Egypt, and the UK. The growth is primarily driven by the execution of the sales backlog and project completions. Development sales grew to AED 8,536 Mn in 4Q23 from AED 7,819 Mn in 3Q23 of which AED 7,241 Mn sales came from UAE and the remaining from Egypt. The company's total revenue backlog stood at AED 36.8 Bn in 4Q23 out of which UAE backlog stood at AED 29.1 Bn, along with the remaining AED 7.6 Bn backlog for the international business. UAE sales are mainly supported by robust growth from overseas and expat buyers for the launch of new properties along with Aldar's strategic expansion in Dubai and, the United Kingdom. Moreover, revenue from project management services rose 20.8% YOY to AED 287 in 4Q23 with a revenue backlog of AED 82 Bn wherein AED 32 Bn is under construction. Aldar Development's sub-segment 'Egypt Subsidiary' is reported as a part of 'International' from 4Q23 which comprises operations in Egypt and England & Wales. In addition, Principal Investments is now reorganized as 'Estates' with the exclusion of construction business, and cloud spaces which are now recorded in

Stock Information

Market Cap (AED, Mn)	39,549.03
Paid Up Capital (Mn)	7,862.63
52 Week High	6.01
52 Week Low	4.39
3M Avg. daily value (AED)	44,973,310

4Q23 Result Review (AED, Mn)

Total Assets	72,858
Total Liabilities	34,675
Total Equity	38,183
EBITDA	1,620
Net Profit	1,204

Financial Ratios

Dividend Yield (12m)	3.20
Dividend Pay-out (%)	35.00
Price-Earnings Ratio(x)	10.43
Price-to-Book Ratio (x)	1.20
Book Value (AED)	4.18
Return-on Equity (%)	11.95

Stock Performance

5 Days	-1.95%
1 Months	-5.09%
3 Months	-11.60%
6 Months	-2.33%
1 Year	7.48%
Month to Date (MTD%)	-1.37%
Quarter to Date (QTD%)	-5.98%
Year to Date (YTD%)	-5.98%

'Others' since 4Q23. The revenue from the international segment rose 42.2% YOY to AED 698 Mn whereas SODIC contributed AED 616 Mn in 4Q23. On the other hand, Aldar Investments recorded a robust revenue growth of 32.9% YOY to AED 1,754 Mn in 4Q23, mainly attributable to solid contributions from FY2022 and FY2023 acquisitions, robust growth among all segments as well as strong operational performance across the real estate portfolio. Occupancy levels across the investment properties stood at 93% across the Commercial, Retail, Logistics, and Residential properties resulting from proactive asset management in 4Q23. Aldar Development's EBITDA rose 251% YOY to AED 612 Mn in 4Q23 mainly driven by the profitability across all segments. In addition, Property Development and Sales (UAE) rebounded from a loss of AED 6 Mn in 4Q22 to a profit of AED 319 Mn in 4Q23 followed by SODIC's EBITDA contribution of AED 152 Mn in 4Q23. The Project Management Services also recorded an EBITDA of AED 139 Mn in 4Q23. Aldar Investments EBITDA declined 6% YOY from AED 1,076 Mn in 4Q22 to AED 1,009 in 4Q23, while the adjusted EBITDA rose 43.0% YOY to AED 635 Mn in 4Q23 which excludes pivot and adjusted for fair value movements (excluding amortization of leasehold assets), reversal of impairments, and one-off gains/losses on acquisition. Aldar Investment Properties adj. EBITDA grew 22% YOY to AED 343 Mn in 4Q23 driven by higher occupancy levels across the portfolio. Aldar Hospitality and leisure business segment EBITDA rose 19% YOY to AED 159 Mn in 4Q23 mainly due to affirmative contributions from recent acquisitions and high day rates. Moreover, the Aldar Education segment witnessed 28% YOY EBITDA growth to AED 54 Mn in 4Q23 supported by an increase in the number of student enrolments and schools. Aldar Estate segment adj. EBITDA grew 150% YOY to AED 85 Mn in 4Q23 primarily attributed to significant transformation achieved through strategic mergers and acquisitions. Thus, the Company's consolidated EBITDA grew 42.0% YOY to AED 1,620 Mn in 4Q23 with an EBITDA margin of 36.8% in 4Q23. As a result, total operating profit substantially rose 84.5% YOY to AED 1,107 in 4Q23. The company recorded provisions of AED 57 Mn in 4Q23 compared to a reversal of AED 26 Mn in 4Q22. Moreover, finance income significantly rose from AED 85 Mn in 4Q22 to AED 152 Mn in 4Q23, while finance cost grew 52.5% YOY to AED 189 Mn in 4Q23 due to higher interest rates. Total other income marginally grew from AED 431 Mn in 4Q22 to AED 437 Mn in 4Q23. In addition, income tax expense grew from AED 3 Mn in 4Q22 to AED 37 Mn in 4Q23 mainly due to the company's growth in profitability. In addition, the share of profit attributable to non-controlling interest holders more than doubled from AED 97 Mn in 4Q22 to AED 208 Mn in 4Q23.

Balance Sheet Highlights

Aldar Properties' liquidity stood strong with free cash of AED 2.9 Bn with an AED 7.5 Bn of undrawn credit facilities as of 4Q23. The project management service segment backlog stood at AED 81.9 Bn in 4Q23 compared to AED 59 Bn in 3Q23. Aldar Properties maintained AED 5 Bn of develop-to-hold properties across various assets in core segments. Additionally, the company retained AED 1 Bn in logistics investments to generate recurring income streams coupled with long-term capital appreciation. The company's debt stood at AED 12.1 Bn in 4Q23 as against AED 11.0 Bn in 3Q23. The Board of Directors proposed a cash dividend of AED 0.17 per share for the year ended 31 December 2023.

Target Price and Rating

We maintain our BUY rating with an unchanged target price of AED 6.00. Aldar Development property recorded the highest-ever quarterly sales of AED 8.5 Bn in 4Q23 owing to the new property launches supported by robust demand from foreign and expat buyers. Aldar Development's revenue backlog rose to AED 36.8 Bn in 4Q23 compared to AED 29.1 Bn in 3Q23 with an expectation to realize for the upcoming two to three years providing strong revenue visibility. Aldar Developments anticipates property sales of AED 29-31 Bn in FY2024 compared to AED 28 Bn in FY2023 supported by the expected strong demand in the UAE and International real estate sector. Aldar Development initiated its international expansion strategy by acquiring the UK developer London Square, investing in European real estate private credit, and making direct investments in European logistics and self-storage assets. The company's strong execution of the growth strategy through disciplined capital deployment and geographic expansion continued to penetrate new markets such as KSA through various partnerships. Thus, the cross-platform growth is propelled by the continued execution of the development revenue backlog, achieving record development sales, and contributions from the recurring income portfolio. Aldar's landbank is strategically distributed across significant investment zones in Abu Dhabi, Dubai, and Ras Al Khaimah, with a total owned and controlled land area of 65 Mn Sqm. The landbank is substantial and highly

accretive, being monetized through destination master planning and ongoing investment activities. In Abu Dhabi, the land area spans 63.0 Mn Sqm, with a gross floor area (GFA) of 9.6 Mn Sqm. Meanwhile, in Dubai the land area encompasses 2.6 Mn Sqm. The company broadened its investment portfolio by procuring seven Logistics and Industrial Central acquisitions in Dubai amounting to AED 92 Mn in FY2023. Additionally, an acquisition of Al Maryah Island land in Abu Dhabi for AED 98 Mn during the same period. Aldar Education is a leading private education provider in Abu Dhabi with 31 owned and managed schools primarily across UAE by further acquiring Kent College Dubai and Virginia International Private School by injecting AED 350 Mn in FY2023. The company's financials strongly benefited from acquisitions in hospitality, investments, and development business. The company is unveiling strategic expansion initiatives capitalizing on a strong cash inflow due to the growing demand for real estate in the market. A substantial revenue backlog ensures the company's long-term revenue visibility. In addition, the board recommended a dividend of AED 0.17 per share for FY2023. Thus, considering the abovementioned factors, we maintain our BUY rating on the stock.

Aldar - Relative valuation

(at CMP)	2018	2019	2020	2021	2022	2024F
PE	21.1	19.7	20.2	16.9	13.5	10.2
PB	1.6	1.6	1.5	1.5	1.4	1.26
EV/EBITDA	18.9	18.1	16.9	14.0	11.7	8.8
Dividend yield	2.8%	2.9%	2.9%	3.0%	3.2%	3.3%

FABS Estimates & Co Data

Aldar - P&L

AED Mn	4Q22	3Q23	4Q23	4Q23F	Var.	YOY Ch	QOQ Ch	2022	2023	Change
Revenue	3,134	3,458	4,398	3,734	17.8%	40.3%	27.2%	11,200	14,161	26.4%
Direct costs	-1,952	-2,151	-2,818	-2,212	27.4%	44.4%	31.0%	-6,689	-8,588	28.4%
Gross profit	1,182	1,307	1,580	1,522	3.8%	33.6%	20.9%	4,512	5,573	23.5%
General expenses	-519	-332	-439	-448	-2.0%	-15.4%	32.2%	-1,435	-1,482	3.3%
Selling & Marketing exp.	-63	-29	-33	-149	NM	NM	NM	-220	-115	-47.9%
EBITDA	1,141	1,100	1,620	1,053	53.8%	42.0%	47.3%	3,684	5,113	38.8%
Adjusted EBITDA	438	1,100	1,218	1,100	10.7%	178.1%	10.7%	2,822	4,455	57.9%
EBIT	600	945	1,107	924	19.8%	84.5%	17.2%	2,856	3,977	39.2%
Share of assoc.	-1	-2	-2	0	NM	2.2%	-27.1%	-8	-7	-4.5%
Provision/(reversal)	26	-31	-57	-37	53.0%	NM	86.0%	-64	-226	NM
Finance income	85	133	152	140	8.6%	79.3%	14.7%	218	499	NM
Finance cost	-124	-162	-189	-164	14.8%	52.5%	16.7%	-397	-621	56.3%
Total other income	431	66	437	69	NM	1.4%	NM	578	907	57.0%
Profit before Income tax	1,017	949	1,449	932	55.6%	42.5%	52.7%	3,183	4,528	42.3%
Income tax	-3	-62	-37	-61	-39.3%	NM	-40.4%	-39	-112	NM
Profit after tax	1,013	887	1,412	870	62.2%	39.3%	59.2%	3,144	4,416	40.5%
Non-controlling interest	97	93	208	87	NM	NM	NM	199	494	NM
Net Profit	916	794	1,204	783	53.7%	31.5%	51.6%	2,944	3,922	33.2%

FABS estimate & Co Data

Aldar - Margins

	4Q22	3Q23	4Q23	YOY Ch	QOQ Ch	2022	2023	Change
Gross margin	37.7%	37.8%	35.9%	-181	-187	40.3%	39.4%	-92
EBITDA margin	36.4%	31.8%	36.8%	43	502	32.9%	36.1%	321
Adj. EBITDA Margin	14.0%	31.8%	27.7%	1,372	-412	25.2%	31.5%	626
Operating margin	19.1%	27.3%	-39.3%	-5,844	-6,663	25.5%	28.1%	258
Net profit margin	29.2%	23.0%	-0.1%	-2,932	-2,306	26.3%	27.7%	141

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value Aldar. We have assigned 70% weight to DCF, and 30% to RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	6.50	70.0%	4.55
Relative Valuation (RV)	4.84	30.0%	1.45
Weighted Average Valuation (AED)			6.00
Current market price (AED)			5.03
Upside/Downside (%)			+19%

1) DCF Method:

Aldar is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.9%. It is arrived after using the cost of equity of 8.8% and after-tax cost of debt of 5.4% with a debt-to-equity ratio of 35.6%. The cost of equity is calculated by using a 10-year government bond yield of 4.7%, beta of 1.00 and equity risk premium of 4.1%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over a 10-year US risk-free rate. The cost of debt is calculated using the cost of 5.5% after adjusting a tax rate arriving at after-tax cost of debt of 5.4%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	13,864
Terminal value (AED, Mn)	50,339
FV to Common shareholders (AED, Mn)	51,097
No. of share (Mn)	7,863
Current Market Price (AED)	5.03
Fair Value per share (AED)	6.50

DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Net Income	3,811	4,216	4,582	5,142	5,434
D&A	602	636	667	701	736
Change in working capital	77	-188	348	-299	-461
(-) Capex	-1,854	-1,711	-1,288	-1,480	-1,508
Free Cash Flow to Firm (FCFF)	2,321	2,953	4,310	4,063	4,202
Discounting Factor	0.94	0.87	0.80	0.75	0.69
Discounted FCFF	1,912	2,560	3,464	3,027	2,902

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value Aldar and it is valued using the EV/EBITDA multiple. It is valued at EV/EBITDA multiple of 11.4x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2024F	2025F	2024F	2025F	2024F	2025F
Emaar Properties	19,250	3.4	2.5	7.8	7.4	0.8	0.8
Dar Al Arkan Real Estate	3,690	15.1	11.8	16.2	12.5	0.7	0.6
Sobha Ltd	1,550	27.2	16.6	86.2	27.4	4.8	4.0
Arabian Centres	2,620	11.4	9.5	11.4	9.8	0.7	0.6
Deyaar Development	854	11.3	NA	NA	NA	NA	NA
TECOM Group	3,870	9.9	9.7	11.5	11.1	2.0	1.9
Average		13.0x	10.0x	26.6x	13.6x	1.8x	1.6x
Median		11.4x	9.7x	11.5x	11.1x	0.8x	0.8x
Max		14.2x	11.8x	16.2x	12.5x	2.0x	1.9x
Min		10.2x	9.5x	11.4x	9.8x	0.7x	0.6x

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
 +971-2-6161777

Institutional Desk +971-4-4245765

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.