FAB أبوظبي الأول للأوراق المالية SECURITIES

Parkin Company PJSC

A Key infra-asset to benefit from Dubai's economic growth

Key Investment Highlights

We initiate coverage on Parkin Company PJSC ("Parkin" or "the Company") with a Valuation of **AED 2.60 per share**. Parkin, Dubai's leading parking operator to be listed on the DFM, is owned by the Dubai Investment Fund, a wholly-owned subsidiary of the Government of Dubai. The company signed a 49-year exclusive Concession Agreement with RTA that provides an exclusive right to Parkin to operate RTA's parking facilities. Parkin is the market leader in the paid parking sector in Dubai (on-street and off-street) with a market share of 91% in the paid public parking market and 100% in the public market in Dubai (as per FTI report) as of November 2023.

Our investment view is supported by:

- *Parkin Is the Largest Parking Operator in Dubai with a Dominant Market Share*
- *Parkin is Positioned to Benefit from Strong Macro Tailwinds*
- *Parkin has Multiple Avenues to Scale Up and Diversify Business*
- *Parkin's Digital Infrastructure Provides an Optimized Parking Experience*

Parkin is the largest parking operator in Dubai with a dominant market share

Parkin is the exclusive operator of parking spaces owned by RTA across different locations in Dubai. It holds a 100.0% share of the public parking market in Dubai and c. 91% of the overall Dubai-paid parking market as of November 2023. The company experienced steady growth in parking spaces which grew at a CAGR of 4.3% from c. 141,000 in 2015 to196,563 in 2023. Parkin also diversified its revenue source by earning revenue not only by operating parking spaces of RTA but also by operating private developer parking spaces.

Parkin is Positioned to Benefit from Strong Macro Tailwinds

Parkin stands to gain from Dubai's thriving economy and population growth. The resident population, which surged from 1.9 Mn in 2010 to 3.5 Mn in 2022, is projected to reach 5.8 Mn by 2040. Increased residents and tourists, along with urbanization initiatives like the Dubai 2040 Urban Master Plan, contribute to a growing demand for parking spaces. The government's reforms, such as Golden Visas, further boost population and visitor numbers. With a CAGR of 4.8%, the demand for public parking in Dubai is expected to rise from 2023 to 2033. The city's heavy reliance on private cars, infrastructure development, and a projected 20.0% CAGR in tourism from 2022 to 2025 will drive a higher utilization of parking spaces. The occupancy of existing paid public parking is set to grow at a CAGR of 2.0% due to the escalating demand for paid public parking.

Parkin has Multiple Avenues to Scale Up and Diversify Business

Parkin has consistently grown its paid parking spaces in Dubai from around c. 49,000 in 2006 to 196,563 in 2023, achieving a CAGR of 9%. With Dubai's public parking demand projected to grow at a 4.8% CAGR from 2023 to 2033, Parkin plans to add c. 27,000 new paid parking spaces by 2028. The company aims to convert 4,000 unpaid spaces to paid parking and introduce 23,000 new spaces between 2024 and 2028, resulting in a 2.4% CAGR growth in public parking supply. Parkin is expanding collaborations with private developers, targeting 17 additional communities, and exploring opportunities to manage parking for various assets like malls and commercial buildings. Diversification efforts include commercial activities such as rental services, long-term permits, and advertising initiatives. The company also sees opportunities in the electric vehicle (EV) sector, aligning with Dubai's Green Mobility Strategy 2030. Parkin plans to collaborate with DEWA and RTA to capitalize on the rising demand for EV charging stations and is considering expanding into other regional markets.

Parkin's Digital Infrastructure Provides an Optimized Parking Experience

Parkin is transforming Dubai's parking experience with an advanced digital infrastructure. Utilizing eight integrated IT systems, the company offers tools for locating nearby paid parking, including spaces for electric vehicles and special needs. Payment is convenient through six channels and four methods, supported by a 100% digital fines system with SMS, email, and app notifications. In 2022, almost 89.0% of parking revenue was received through digital channels. Beyond traditional parking, customers can extend spaces online, apply for permits, and use features like Autopay. Digitized surveillance ensures security and operational efficiency. Digital notifications for fines and a Nol Plus loyalty program enhance customer satisfaction by encouraging digital payments and offering rewards. Parkin's commitment to cutting-edge IT infrastructure reflects its dedication to an outstanding customer experience.

Initiating Coverage

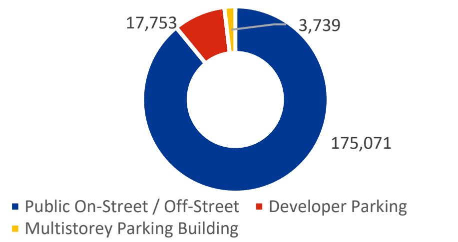
Sector: Transportation

Analyst Name: Ahmad Banihani

Rating: HOLD

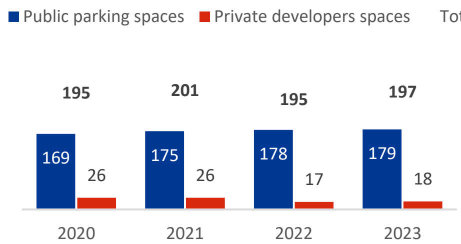
Current Price (AED)	2.66
Target Price (AED)	2.60
Upside/(Downside)	-2.3%
Market Cap (AED, Bn)	7.98

Parkin's paid parking spaces as of 31 Dec 2023



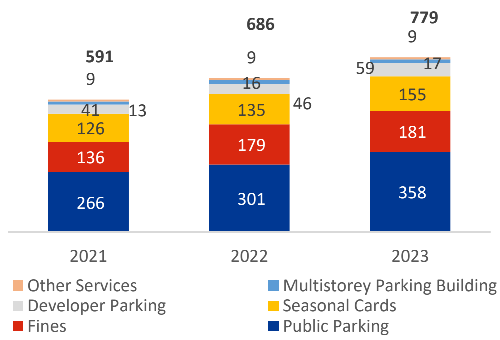
Source: Company Information

Paid Parking Spaces under Parkin's management (in '000)



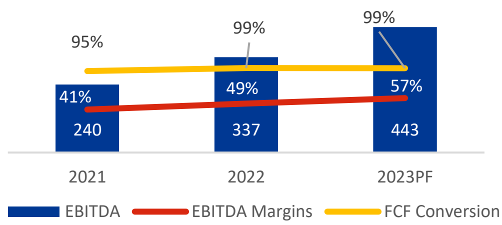
Source: Company Information

Parkin's total revenue by segment (AED, Mn)



Source: Company Information

Parkin's EBITDA (AED, Mn), Margins, and FCF conversion[1] (%)



Source: Company Information, [1]Calculated as Free Cash Flow/EBITDA, FCF is defined as EBITDA less CAPEX

أبـوظبـي الأول للأوراق المالية
FAB SECURITIES

Table of contents

Introduction to Parkin

PARKIN – A Dubai Pioneer in Parking Solutions

Parkin is a carved-out entity from the Roads and Transport Authority (RTA) responsible for enforcing parking regulations and fine collections

Parkin will operate as an independent carved-out entity of the Roads and Transport Authority (RTA) in Dubai. The Company assets have been operational since 1995 and are owned by the Dubai Investment Fund, a wholly-owned subsidiary of the Government of Dubai. The company signed a 49-year Concession Agreement with RTA that provides Parkin with the exclusive right to operate RTA's parking facilities. Its presence is across three parking activities including **Public Parking, Multistorey Car Parking (MSCPs), and Developer Parking,** and it is also responsible for enforcing parking regulations and collection of fines. Parkin operates a capex-light business model, where the majority of the capital expenditure is made by RTA.

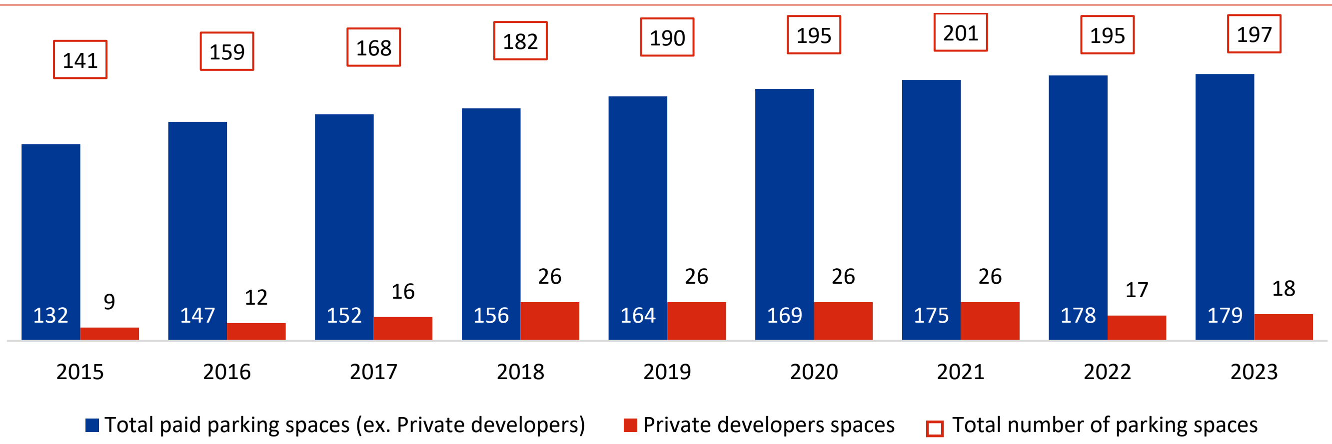
Parkin has a dominant market position with 196,563 parking spaces and a 91.0% share of the overall Dubai paid parking market and 100% share of public parking market in Dubai as of November 2023

Parkin holds a dominant market position, with a **100.0% share of the public parking market in Dubai and 91.0% of Dubai's paid parking market overall** as of November 2023. The company's total number of parking spaces grew at a **CAGR of 4.3% to 196,563 paid parking spaces in 2023** from c. 141,000 parking spaces in 2015. Since 2019, the company added on average more than c. 4,000 spaces per annum. However, parking spaces declined in 2022 to c. 195,000 due to the non-renewal of the AlKhail Gate developer contract which resulted in a decline in private developer spaces to c. 17,000 in 2022 from c. 26,000 in 2021. Out of the total parking spaces of 196,563, private developer spaces accounted for 17,753, while the balance of 178,810 are publicly paid parking spaces as of FY2023. The paid public parking spaces are made up of On-Street Paid Parking, Off-Street Paid Parking and MSCP. Public parking is located across 85 locations and consists of 175,071 parking spaces of which 76.7% are On-Street and the remaining 23.3% are located on Off-Street as of 31 December 2023. The MSCP is located across 9 locations with 3,739 paid parking spaces as of 31 December 2023. In addition, Parkin also manages parking spaces owned by private developers located across seven locations consisting of 17,753 parking spaces as of 31 December 2023.

As a critical infrastructure to Dubai the unique business model enabled the Company to serve 3.6 Mn unique customers in 2023. The company issued around 1.3 Mn fines across the UAE in 2023, this also includes the fines charged from vehicles entering Dubai from other Emirates.

The company revenue rose 13.6% to AED 779 Mn in FY2023 driven by growth across all segments. Additionally, Parkin reported an EBITDA of AED 443 Mn with an EBITDA margin of 56.8% and 99.0% cash conversion in FY2023PF.

Figure 01: Parkin's parking spaces under management ('000)



Source: Company Information

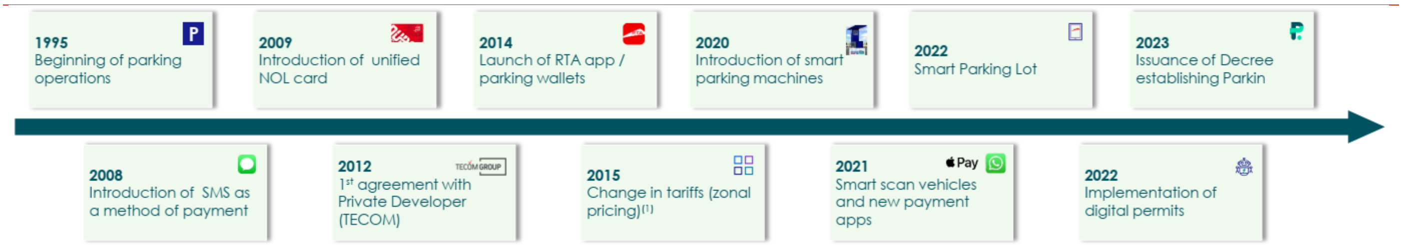
Parkin derives advantages from RTA's technological efficiency and multi-decade presence

As a carved-out entity of RTA, Parkin benefits from RTA's multi-decade experience in parking management

Since 1995, the RTA is responsible for operating public parking activities in Dubai. In 2008, RTA incorporated technological innovation by introducing SMS as a payment method, resulting in a more convenient and efficient customer experience. In the following year, RTA introduced the unified NOL card in 2009 to streamline payment processes and enhance accessibility. The RTA signed its first agreement with a Private Developer (TECOM) in 2012, establishing its footprint in private parking facilities. The launch of the RTA app and parking wallets in 2014 enabled the RTA to further integrate digital solutions into its service offerings. In 2015, the tariff charges were changed according to the zonal pricing.

The RTA introduced smart parking machines during the year 2020. It continued to increase its technological efficiency with the integration of smart scan vehicles and new payment apps, enhancing efficiency and security in 2021. In 2022, the RTA also developed Smart Parking Lots equipped with cameras at the entry and exit points of the lot. In the same year, RTA incorporated the implementation of digital permits, which minimized the customer's requirement to carry permits in the car. RTA issued a decree to establish Parkin as an independent entity to manage its parking activities in 2023.

Figure 02: Parkin track record of achievements



Source: Company Information Notes: 1. No changes in tariffs since implementation

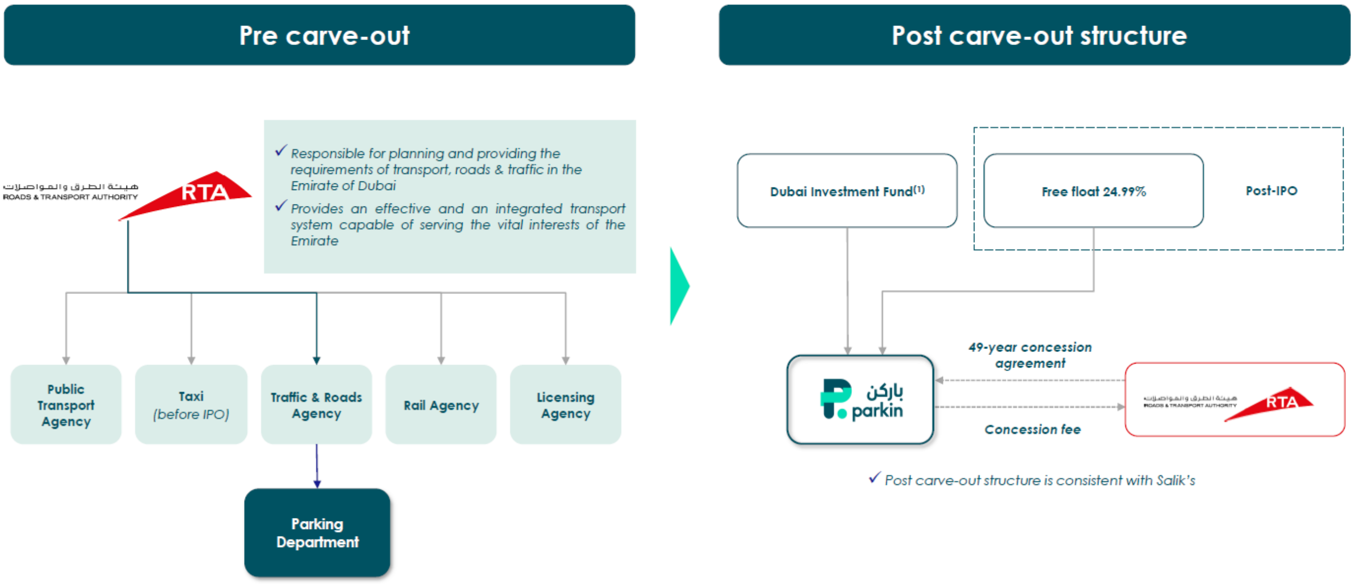
Parkin's post-carve-out structure, consistent with Salik's structure

Dubai Investment Fund will own 75.01% stake in Parkin post IPO

The Road and Transport Authority (RTA) in Dubai is a registered authority, responsible for planning and providing the transport, road, and traffic requirements in Dubai. RTA operates through five agencies, including the Public Transport Agency, Taxi, Traffic & Road Agency, Rail Agency, and Licensing Agency. Parking departments were initially managed by the Traffic and Roads Agency before a carve-out.

Subsequently, RTA carved out Parkin as an independent entity responsible for managing parking activities in Dubai. Following the carve-out, the Dubai Investment Fund will hold 75.01% stake in Parkin. The remaining 24.99% share will be publicly traded as a free float, post IPO. Parkin has entered into a 49-year concession agreement with RTA, granting the company the right to operate RTA's parking facilities. The company pays concession fees to RTA as part of this agreement, aligning with Salik's structure.

Figure 03: Pre and post carve out of Parkin



Source: Company Information Notes: 1. Announced by H.H. Sheikh Mohammed bin Rashid Al Maktoum on 11 December 2023

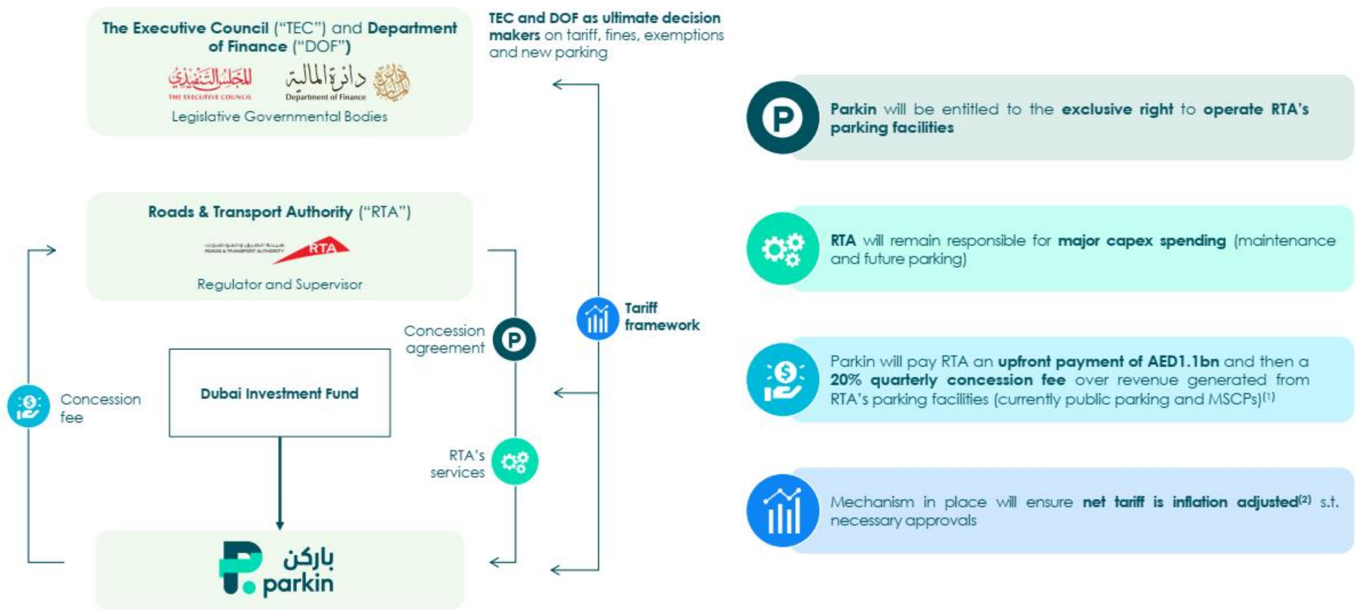
Parkin within Dubai's ecosystem aligned with stakeholders

RTA's tariff framework ensures net tariff is inflation-adjusted with necessary approvals from The Executive Council (TEC) and Department of Finance (DOF)

Parkin signed a concession agreement with RTA, which entitles an exclusive right to the company to operate RTA's parking facilities for 49 years. RTA is responsible for capex related to road and network infrastructure (both expansionary and maintenance), whereas Parkin is responsible for capex related to IT infrastructure, meters, scan cars, cameras, etc. According to the concession agreement, Parkin is entitled to pay an upfront payment of AED 1.1 Bn. In addition, it will pay a quarterly concession fee of 20.0% to RTA on the revenue generated from the parking facilities owned by RTA. The concession is paid based on revenue generated from the On-Street, Off-Street, MSCP, and Permits & Seasonal Cards and Parking Reservations. However, the quarterly concession fee is not paid on the revenue generated from (i) revenue generated from fines, (ii) revenue generated from developer parking, (iii) the portion of revenue generated from other services that is not subject to the concession fee (i.e., portion is mainly related advertisement revenue), and (iv) the portion of revenue generated from permits and seasonal cards, and parking reservations that is not subject to the concession fee (i.e., revenue related to to seasonal cards from developer parking.

The agreement also mentions that Parkin is obligated to recommend a tariff review to the RTA every two years, considering the change in consumer inflation. There has been no change in tariffs since 2015, and it is expected to be placed for consideration in 2026. The tariff will be adjusted based on the consumer price inflation prevailing in the UAE in the last two years. The Executive Council (TEC) and the Department of Finance (DOF) are authorized to decide the change in tariffs, fines, exemptions, and new parking.

Figure 04: Framework of Parkin post carve-out



Source: Company Information, Notes: 1. The 20% quarterly concession fee will not apply to the revenue from Developer parking and Fines, 2. Inflation adjustment implies either an increase in tariff or an increase/decrease (as applicable) in concession percentage rate with a ceiling/floor in place. The Company has an obligation (every two years) to recommend a tariff review to the RTA to account for inflation ion and the TEC has discretion as to whether or not to alter the tariffs

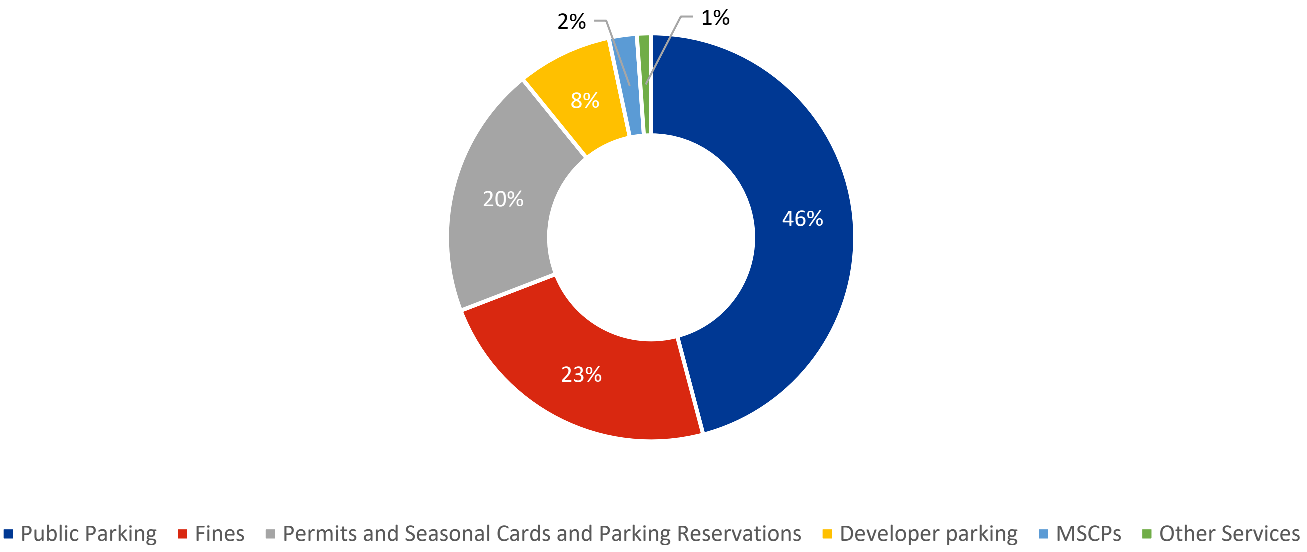
Diversified revenue model with strong growth potential

Parkin generates 55% of its total revenue from sticky revenue sources such as Public Parking, MSCPs and Developer Parking

Parkin generates revenue from multiple diversified sources, the majority of which is sticky in nature. Additionally, the company is also authorized to collect fines for public parking related to the failure to comply with parking policies. The company generates revenue from three major sources, including parking payments, permits and seasonal cards and parking reservations, and fines.

- **Parking payment –** Parkin's core revenue vertical which contributes 55.6% to the company's total revenue as of FY2023. Parking payments are charged on an hourly basis for utilizing parking facilities. The segment is segregated into three sub-segments: Public Parking, MSCPs, and Developer Parking. Public parking contributes 45.9% to Parkin's total revenue, followed by developer parking with 7.5% and MSCPs with 2.2% as of FY2023.
- **Permits and Seasonal Cards and Parking Reservations –** Apart from parking services Parkin also diversified its offering with three additional segments, including Permits, Seasonal Cards, and Parking Reservations. The segment contributes 20.0% to the company's total revenue as of FY2023
- **Fines –** The company is also responsible for collecting fines from public parking lots and MSCPs for violating any parking restrictions in Dubai. The segment contributes 23.3% to the company's total revenue as of FY2023.

Figure 05: Segmental revenue as of % of total Revenue 2023



Source: Company Information

Diversified services offering high-growth potential

Parkin generates revenue from payment received for using parking facilities

Parkin operates across three parking activities, including Public Parking, Multistorey Car Parking (MSCP), and Developer parking.

Public Parking stands as Parkin's core vertical, contributing the highest revenue share of c. 46% to the total revenue in FY2023

- **Public Parking:** Public parking constitutes the largest segment for Parkin, contributing c. 46% to the company's total revenue as of FY2023. Currently, the company manages 175,071 paid parking spaces across 85 locations, as of December 2023. These paid parking spaces comprise 77.0% On-street and 23.0% Off-street parking spaces in Dubai. The public parking spaces grew at a CAGR of c. 8.0% from 2006 to 2023, while Parkin held 100.0% market share of the public parking market in Dubai as of 2023.

  The public parking space is categorized into four zones such as Zone A, Zone B, Zone C, and Zone D. Zone C is a standard on-street location with the highest number of parking spaces of c. 108,000, followed by Zone D, a standard off-street with a parking space of c.38,000. Zone A is a premium on-street parking location with a parking space of c. 27,000. Zone B, an off-street premium parking space, comprises the lowest number of parking spaces of c. 3,000. The average occupancy across all zones stood at 24.2% in FY2023, of which zone D holds the highest occupancy of 51.0%, followed by zone B with an occupancy of 37.0%.

  Parkin charges public parking tariffs ranging from AED 2 to AED 4 per hour across four zones, applicable from Monday to Saturday between 8 am to 10 pm. It provides free parking on public holidays according to the Dubai Government guidelines. These charges also vary with the type of location; for example, for the parking space located in a premium location, the tariffs range from AED 3 to AED 4 per hour. Parking spaces located in standard locations charge AED 2 per hour.

  Multistorey Car Parking (MSCP): Parkin offers a multistorey car parking facility spread across nine locations including eight MSCPs owned by RTA and one MSCP operated under Public-Private Partnership (PPP) as of December 2023. MSCPs are located in high-density areas of Dubai including Gubaiba, Rigga, Baniyas, Oud Maitha, Naif, Sabkha, Al Kifaf, Satwa, and Khansaheb. Oud Maitha, Al Kifaf, and Satwa were started in 2021 while Parkin has been operating in other remaining locations since 2005. However, Rigga is currently under

The occupancy rate across MSCPs is relatively higher compared to the Public Parking due to its 24-hour operations except public holidays

maintenance and expected to resume operations in January 2025. While Sabkha is demolished and will be reinstated under Private Public Partnership (PPP). Khansaheb operates under PPP, and its revenue is included in other services.

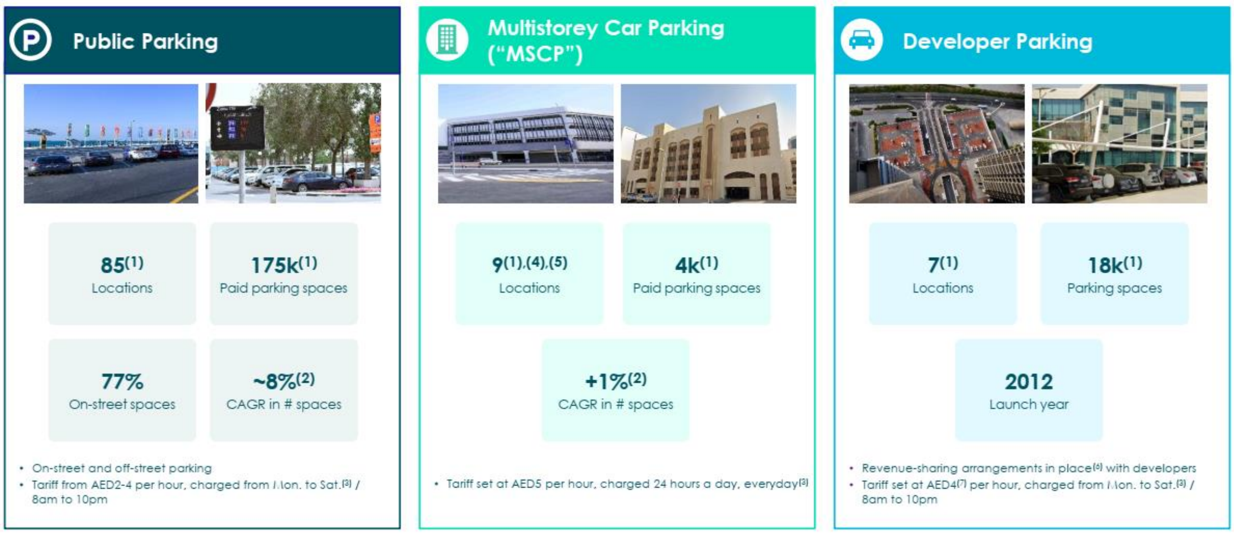
The company operates 3,739 paid parking spaces in MSCP with a CAGR growth rate of c. 1% from 2006 to 2023 in terms of parking spaces. Gubaiba holds the highest number of MSCPs with 1,012, followed by Rigga with 532, Khansaheb and Baniyas with 444 and 437, respectively as of FY2023. Occupancy across MSCPs is relatively higher than the public parking, which stood at 38.0% between January 2023 to November 2023 from 28.0% in FY2022. MSCPs operate 24 hours a day and charge at a tariff rate of AED 5 per hour, except on public holidays as defined by the Government of Dubai. MSCPs contribute 2.2% to Parkin's total revenue as of FY2023.

Developer parking operates under long-term agreements, structured either as revenue-sharing or annual fee agreement

- **Developer Parking:** Developer parking was launched in 2012 across seven locations with a total parking space of 17,753 as of December 2023. The seven communities' parking managed by the company includes Al Sufouh with the highest number of parking spaces at 9,028, followed by JLT (2,545), Silicon Oasis (2,522), Barsha (1,751), Business Bay (1,077), Health. City (534), and Burj Khalifa (296). Al Sufouh agreement will expire in 2024, however upon the renewal, Parkin will only operate 1,300 parking spaces in Al Sufouh while the company will relinquish the remaining 7,728 spaces.

  The developer parking space is operated under revenue-sharing arrangements or at a fixed annual fee. JLT charges a tariff between AED 4 to AED 10 per hour and shares 50.0% of the revenue with the developer. Additionally, in Dubai Healthcare City (DHCC) and Burj Khalifa, Parkin does not share any revenue with the developer and retains 100% of the revenue generated from the parking. Parkin pays a fixed fee of AED 3.0 Mn to Silicon Oasis, AED 1.0 Mn to Barsha and Business Bay each and in exchange recognises 100% of revenue generated from operating parking facilities at these centres The current tariff for the Developer parking is AED 4 per hour which applies from Monday to Saturday between 8 am and 10 pm, except Al Sufouh (AED 2 per hour) and Jumeirah Lake Towers AED 4 and AED 10 per hour. The tariff for the developer parking is ultimately decided between Parkin and the private developer. The occupancy across developer parking stood at c. 26% as of FY2023.

Figure 06: Detail of parking assets operated by Parkin



Source: Company Information, Notes: 1. As of 31 Dec 2023; 2. 2006 to 2023; 3. Free parking on public holidays as defined by the Government; 4. Including 8 MSCPs owned by RTA and 1 MSCP procured under Public-Private Partnership; 5. Sabkha MSCP has been demolished and will be reinstated under a PPP. Rigga MSCP is under maintenance and is expected to resume operations in Jan 2025; 6. Agreements with Developers have revenue sharing (JLT) or annual fees; DHCC and Burj Khalifa do not have any form of sharing structure, i.e. 100% of revenue going to Parkin; 7. Rate at AED4 per hour at the exception of Al Sufouh (AED2 per hour) and Jumeirah Lake Towers (AED4 and AED10 per hour)

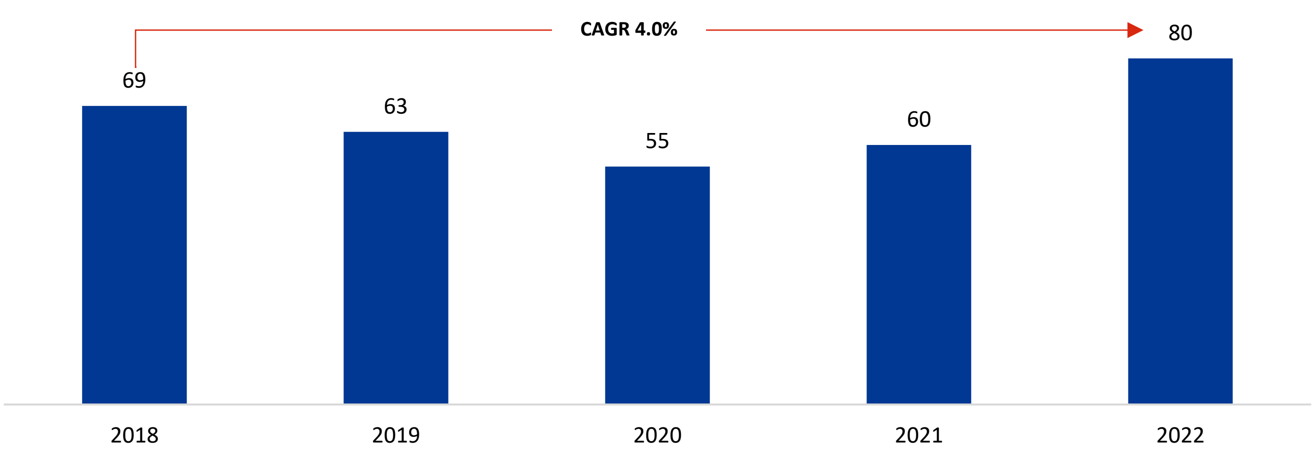
Parkin offers additional services via Permits, Seasonal Cards, Parking Reservations, and Other Services

Parkin also provides permits to third parties for economic activities in its parking area

Parkin generates revenue by providing customers permits, seasonal cards, and parking reservation services. Permits and seasonal cards are issued using the Kiosk or over the RTA's app on a subscription basis and customers can renew the permits and cards as per their requirements. The segment contributes 20.0% to the company's total revenue as of FY2023, of which Permits and Seasonal Cards accounted for 17.4% and Parking Reservations accounted for 2.6% during the same period.

- **Seasonal Cards** – Seasonal cards provide long-term parking for a period of 1,3, 6, and 12 months. The company issues eight types of seasonal cards including General (A, B, C, D), Area (B, C, D), TECOM, Education staff, Silicon Oasis (H), Silicon Oasis (limited areas), Student, and MSCPs. The number of seasonal cards issued grew at a CAGR of 4.0% from c. 69,000 cards in 2018 to c. 80,000 cards in 2022. General seasonal cards received the highest number of applications (45,000) followed by Area (26,000), TECOM (4,000), and Education staff (2,000) in 2022. However, Silicon Oasis, students, and MSCPs received more than 1,000 applications each in 2022.
- **Free Permits** – The company issued a total of 15,100 free permits in 2022, of which 8,100 permits were dedicated to Permits for People of Determination (2022), 6,400 for Senior Emiratis, and the remaining 500 permits were dedicated to others.
- **Parking Reservations –** Apart from purchasing seasonal cards and permits, the company allows customers to reserve a specific parking space in public On-Street, Off-Street parking and MSCPs for a certain period. Customers can reserve a particular parking space for one year. As of FY2023, the parking reservation segment contributes 2.6% to the total revenue.

Figure 07: Number of seasonal sards issued ('000)



Source: Company Information

Parkin is authorized to collect fines for the failure to comply with parking policies

Parkin's utilizes technologies for the enforcement of parking rules with fewer inspectors and with complete digitization allows

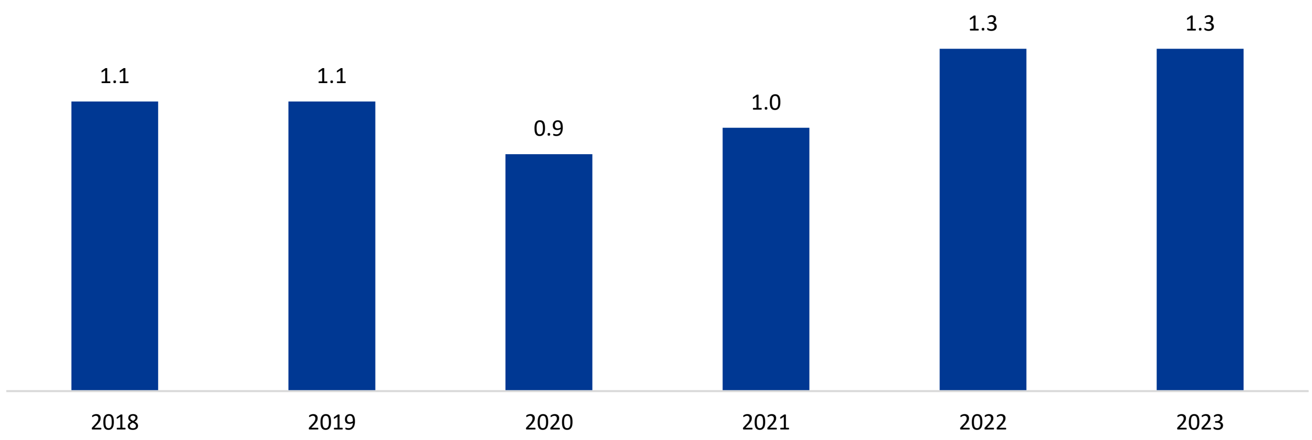
Parkin is responsible for **collecting fines in public parking areas** for a failure to comply with parking policies. Parkin also has enforcement powers on some private developer spaces. The company developed a robust framework including the stationing of 421 inspectors as of FY2023. The company uses scan cars for inspection which are equipped with digital cameras powered by Artificial Intelligence (AI). It owns 19 scan cars of which 10 cars were added in FY2023. Parkin deployed eight cameras in FY2023 at the entry and exit of parking plots spread across various locations. It further plans to deploy additional cameras in the forecasted period.

customers to settle fines online

These robust frameworks allowed the company to issue 1.3 Mn fines each in 2022 and 2023 and enabled it to achieve a collection rate of 92.0% for fines issued to UAE vehicles in 2022. Parkin generated AED 181 Mn revenue from fines, contributing 23.3% to the company's total revenue in FY2023.

The company issued the highest number of fines in 2022, with 54.0% attributed to parking without payment with each fine amounting to AED 150. Parking violations after the ticket expiry constituted 37.0% of total fines with a fine of AED 100. Fines for disruptive parking, parking in no-parking areas, and parking on pavements accounted for 4.0%, 3.0%, and 2.0%, respectively, with a fine of AED 200 for each violation. Other types of violations each contributed to less than 1.0% of the total fines in 2022 with a fine of AED 1,000 for each violation.

Figure 08: Number of fines issued (Mn)



Source: Company Information

Parkin's financial summary

Robust revenue growth is driven by increasing demand for parking in Dubai

Parkin's key segments include Public Parking, Permits and Seasonal Cards, and Developer Parking grew 13%, 7%, and 14%, respectively in 2022

Parkin signed a 49-year concession agreement with RTA, that enables the company to operate RTA's parking facilities. Thus, the company benefits through a large infrastructure with 196,563 paid parking spaces under management as of FY2023. The company generates revenue from diverse segments including Parking Payments, Permits & Seasonal cards, and Fines. The Parking payment is further segregated into three sub-segments: public parking, MSCPs, and developer parking. The company's total revenue grew 16.2% from AED 591 Mn in 2021 to AED 686 Mn in 2022, driven by the increase in parking demand in Dubai, due to the growing daytime population, higher visitor population and pandemic recovery. Dubai's total day-time population grew from 4.5 Mn in 2021 to 4.7 Mn in 2022. At the same time, number of tourists visited in Dubai doubled from 7.3 Mn in 2021 to 14.4 Mn in 2022. The number of registered vehicles in Dubai grew from 1.9 Mn in 2021 to 2.1 Mn in 2022, further supporting the revenue growth. Additionally, revenue from fines rose 31.8% to AED 179 Mn in 2022 from AED 136 Mn in 2021, driven by Parkin's smart inspection initiatives which resulted in the discovery of more violations. On the other hand, Parkin's FY2023 revenue grew 13.6% from AED 686 Mn to AED 779 Mn driven by a robust growth in Public Parking from On-street and Off-street owing to higher utilization. The key segments, including Public Parking, MSCPs, Permits, and Seasonal Cards accounted for 68.1% of the total revenue in FY2023.

The company operates as a capex-light model business model, as the RTA is responsible for capex related to road and network infrastructure (both expansionary and maintenance), whereas Parkin is responsible for capex related to IT infrastructure, meters, scan cars, cameras, etc. In addition, Parkin also benefits from the advantaged cost position due to operating leverage which allows it to scale the business without incurring additional costs. Thus, Parkin generated strong cash flows. Free cash flow increased from AED 228 Mn in 2021 to AED 334 Mn in 2022.

Figure 09: Segmental revenue (AED Mn)

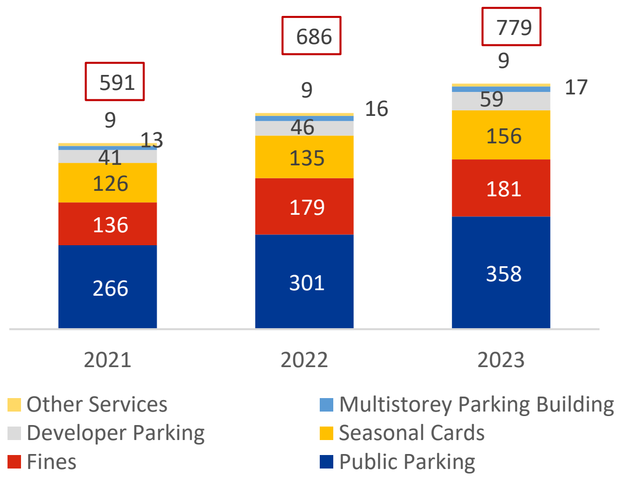
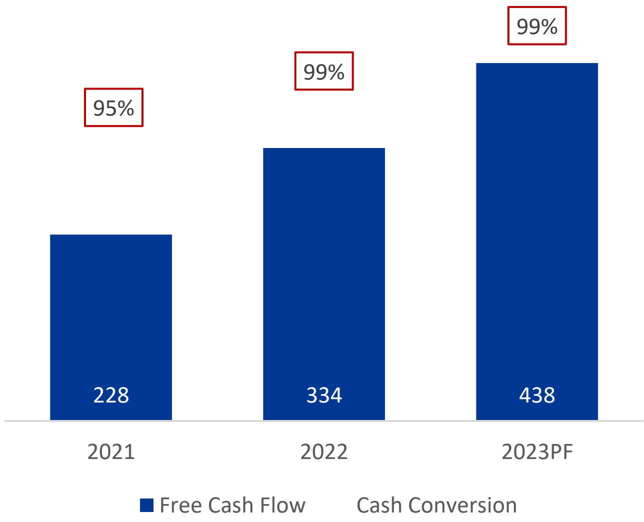


Figure 10: Free cash flow[1] (AED Mn) and cash conversion (%)



Source: Company Information, *Note: [1] Free cash Flow is defined as EBITDA less CAPEX*

Operating leverage enables Parkin to scale without increasing the cost

Parkin cost structure is made up of stable cost base with an ongoing focus on efficiencies

The company's overall operating expenses remained relatively unchanged at AED 350 Mn in 2022, compared to AED 351 Mn in 2021. However, the company's proforma operating expenses fell from AED 350 Mn in FY2022 to AED 337 Mn in FY2023 on proforma basis. This decline is attributed to fall in expense of maintenance and other expense partially offset by addition of TSA expense from FY2023PF. The proforma total cost excluding concession fees, depreciation and amortisation, and finance expense stood at AED 231 Mn, representing 29.7% of total revenue in FY2023PF. Fixed costs include employee benefits expense, maintenance expense, TSA, and other expenses which contributed the majority of the total cost and stood at 77.7% of the total cost, while variable costs accounted for the remaining 23.3% for the period FY2023PF. Operating costs are majorly driven by employee expenses, which contribute 60.3% to the total cost, excluding concession fee expenses, D&A, and finance expenses.

The company's EBITDA increased from AED 240 Mn in 2021 to AED 337 Mn in 2022, with an improved EBITDA margin of 49.0% in 2022 compared to 41% in 2021. On the other hand, FY2023 pro forma EBITDA grew to AED 443 Mn from AED 337 Mn in FY2022. The growth in EBITDA is mainly due to an increase in topline and advantaged cost position.

Figure 11: Operating expenses (AED, Mn) & as % of revenue

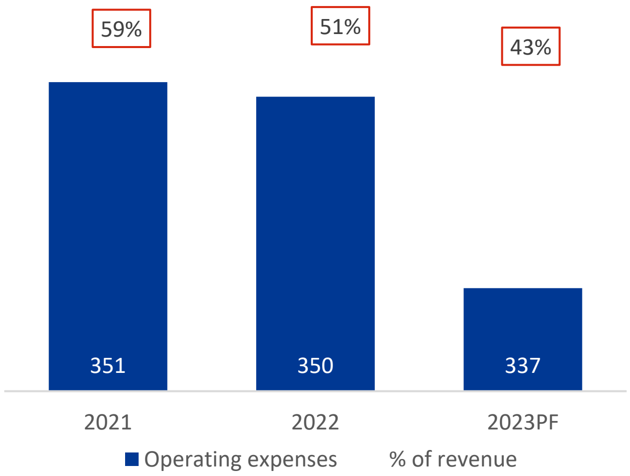
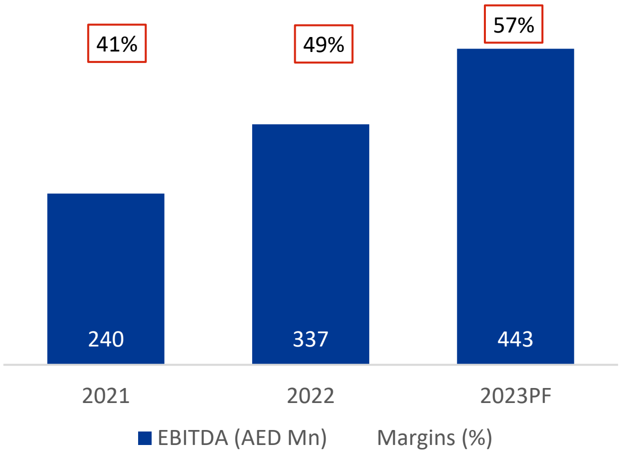


Figure 12: EBITDA (AED, Mn) and EBITDA margins (%)



Source: Company Information

Parkin - Environmental, Social, and Corporate Governance

Parkin's Robust ESG Governance to Oversee Green Mobility Strategy

Dubai's RTA focuses on long-term strategies to migrate net-zero emission public transport by 2050

Dubai's electric mobility plans to represent a key pillar of the strategy to implement the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, to transform Dubai into a global green-economy hub. Dubai's plan for electric mobility consists of two crucial elements: the Clean Energy Strategy for 2050 and the Net-Zero Emission Strategy for 2050. These strategies aim to attain complete reliance on clean energy and seek to generate 100% of its power from clean energy sources by 2050. Furthermore, Dubai's Roads and Transport Authority (RTA) rolled out a long-term strategy to migrate towards net-zero emission public transport by 2050.

Contributor to Dubai's mobility plan, the company is also committed to facilitating EV adoption

Parkin created 100 eco-friendly parking spaces with dedicated toll-free parking and pilot EV charging hubs in connection with DEWA and RTA, and the Company aims to increase those as part of its ESG strategy

Parkin's initiatives for environmentally friendly operations and mobility aim for net zero emissions by 2050. This involves a multi-faceted approach, such as minimizing fleet emissions through the transition to a hybrid fleet and implementing smart parking inspection systems. Additionally, the company's adoption of renewable electricity is set as a priority, with a commitment to power 100% meters of solar panels. Parkin limits its resource use by encouraging the implementation of 100% paperless metering and fines, as well as facilitating 100% cashless transactions. According to Dubai's Green Mobility Strategy 2030, the government of Dubai has set a goal to convert 30% of public sector vehicles into electric and hybrid vehicles, and 10% of total vehicle sales will be hybrid and electric vehicles. The rise in demand for electric and hybrid vehicles will lead to a growth in EV charging stations across Dubai. The demand for EV charging stations will grow from 370 in May 2023 to 1,000 by the end of 2025. Thus, to encourage the adoption of electric vehicles (EVs), Parkin created approximately 100 eco-friendly parking spaces with dedicated toll-free parking for such vehicles. Furthermore, the company plans for a pilot EV charging hub, and a dedicated team is actively developing a commercially feasible plan for expanding EV charging infrastructure. These measures collectively contribute to Parkin's commitment to achieving net zero operations by 2050 while promoting sustainable and eco-friendly practices in the realm of mobility.

Figure 13: Parkin's robust ESG approach towards green operations and mobility

Source: Company Information, Notes: (1) Dedicated toll-free parking for eco-friendly vehicles

Parkin's ESG Structure and Sustainability Strategy to Oversight ESG agenda

Parkin incorporates robust policies including sustainability and CSR, human resources, quality, health, safety, and environment (QHSE) to oversee the end-to-end ESG data processes

RTA's net-zero emission 2050 strategy includes achieving 100% environmentally friendly taxis in Dubai by the end of 2027 and transitioning 100% Electric or hydrogen-powered buses across the fleets, with a target to be achieved by 2040-45. Thus, Parkin's well-designed structural space ensures effective oversight of ESG aspects in parking spaces in Dubai. The company's board provides continuous oversight by making ESG a regular agenda item. The Management ESG Committee is responsible for various tasks, including:

- Establishing ESG policies.
- Developing and implementing ESG strategy.
- Managing and tracking essential ESG metrics.
- Publishing ESG disclosures.

ESG champions are individuals or teams within the company who are responsible for implementing and promoting ESG initiatives. Parkin's management plays a crucial role in operationalizing ESG and Corporate Social Responsibility (CSR) considerations. The company also oversees end-to-end ESG data processes for monitoring, reporting, and validating ESG performance. The company's framework also incorporates robust policies covering sustainability and CSR, Human Resources, Quality, Health, Safety, and Environment (QHSE), as well as a Code of Conduct, emphasizing a comprehensive and integrated approach to governance and responsible business practices.

Parkin is impacting the whole community through inclusive mobility factors

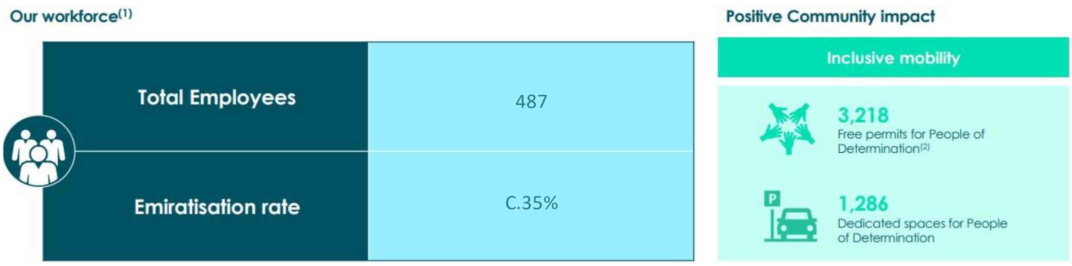
Parkin's total workforce includes 487 individuals with an Emiratization rate of approximately c.35% as of 31 December 2023

Parkin's established approach to ESG is driven by the operational net zero target of 2050 and fully aligns with RTA's strategy. The company is dedicated to creating a positive impact on both the workforce and the broader community. The employee statistics indicate a total workforce of 487 individuals, with an Emiratization rate of approximately 35% as of 31 December 2023. The company also demonstrates its commitment to inclusive mobility and positive community engagement. Parkin issued 3,218 free permits for people of Determination from January 2023 to June 2023, along with providing 1,286 dedicated spaces for their use.

Parkin's key policies play a crucial role in shaping the organizational culture and practices as follows:

The **Company's Talent Acquisition Policy** encompasses candidate screening, selection processes, and offers, with a strong focus on anti-discrimination, equal opportunity, and Emiratization in recruitment and retention. Parkin's **Talent Management Policy** is centered on learning and development, performance management, career progression, and succession planning. Additionally, the **Employee Services Policy** also addresses essential aspects such as onboarding and offboarding processes, employee data management, payroll, leave policies, working hours, and grievance resolution. These company policies collectively underscore the dedication to fostering a positive workplace environment and contributing meaningfully to the community.

Figure 14: Parkin's workforce and inclusive mobility



Source: Company Information, Notes: (1) As of 31-Dec-23 (pre-carve-out), (2) 1-Jan-23 to 30-Jun-23.

Key Investment Highlights

Parkin's Holds a Dominant Position with a Presence Across the Emirate of Dubai and Offering Across Parking Activities

Parkin dominates with a 100% share of the public parking market in Dubai

Parkin owns a dominant market position with 196,563 parking spaces and c. 91% market share of Dubai's paid parking market and 100% of public parking of November 2023

Parkin is the exclusive operator of parking spaces owned by RTA across different locations in Dubai. It holds a 100.0% share of the public parking market in Dubai and c. 91% of the overall Dubai-paid parking market as of November 2023. The company experienced steady growth in parking spaces which grew at a CAGR of 4.3% from c. 141,000 in 2015 to 196,563 in 2023. Parkin also diversified its revenue source by earning revenue by operating RTA parking spaces and private developer parking spaces.

The Company operates a total of 178,810 public parking spaces. These spaces are further divided into On-Street, Off-Steet, and MSCP parking spaces. On-Street and Off-Street parking spaces are categorized into four zones, including Zone A (on-street / premium) with parking space of 15.0%, Zone B (off-street / premium) 2.0%, Zone C (on-street / standard) 61.0%, and Zone D (off-street / standard) 21.0%. Particularly, 77.0% of these public parking spaces are on-street as of December 2023.

In addition, Parkin also operates Multistorey Car Parking (MSCP) across nine locations, including Ghubaiba, Kifaf, Rigga, Baniyas, Sabkha, Naif, Oud Maitha, Satwa and Khansaheb with a total parking space of 3,739 as of December 2023. MSCP parking spaces are strategically developed in high-density locations of Dubai, such as Naif or Satwa, to capitalize on demand. The MSCP parking spaces are located close to key business destinations such as the World Trade Center (WTC), Dubai Frame and Dubai Garden Glow. Furthermore, Parkin issued c. 138,980 seasonal cards, providing long-term parking options for durations of 1, 3, 6, and 12 months. Additionally, Parking Reservations allow users to secure a particular parking space for a period of up to 1 year.

Private developer spaces contribute 17,753 across seven locations: Dubai Healthcare City, Burj Khalifa, Business Bay, Al Sufou, Barsha Heights, JLT, Silicon, and Oasis. Most of the parking locations are prominent, providing a continuous flow of visitors and leading to higher utilization of parking spaces. The Company operates these locations on a revenue-sharing or fixed fee structure. It operates JLT on a revenue-sharing basis, while Parkin is entitled to 100% of revenue from DHCC and Burj Khalifa.

Figure 15: Parkin's MSCP's presence across Dubai

Figure 16: Parkin's developer parking presence

*Source: Company Information, **MSCP's presence**: 1. Gubaiba, 2. Rigga, 3. Baniyas, 4. Oud Maitha, 5. Naif, 6. Sabkha, 7. Al Kifaf 8. Khansaheb*

***Developer Parking presence**: 1. Health. City, 2. Burj Khalifa, 3. Business Bay, 4. Al Sufouh, 5. Barsha Heights, 6. JLT, 7. Silicon Oasis*

Parkin is Positioned to Benefit from Strong Macro Tailwinds, Further Complemented by Favourable Mobility Trends

The growth of Parkin is supported by the growing population and the dominance of private cars in transportation

Parkins' growth boosted by Dubai's population growth and urban transformation

Parkin is positioned to benefit from Dubai's favourable macroeconomic conditions. Dubai's resident population grew at a CAGR of 5.2% from 1.9 Mn in 2010 to 3.5 Mn in 2022, showcasing Dubai as an attractive global destination to conduct business and settle. Dubai's resident population is further expected to grow at a CAGR of 2.8% from 3.5 Mn in 2022 to 5.8 Mn in 2040, indicating Dubai can expand and accommodate more residents. Population growth will generate demand for transportation, which will, in turn, require additional spaces for parking. Dubai also continues attracting tourists as it surpassed the pre-pandemic tourist numbers in 2023. Meanwhile, the daytime population also increased at a CAGR of 3.8% from 3.0 Mn in 2010 to 4.7 Mn in 2022, and it is anticipated to grow at a CAGR of 2.9% to reach 7.8 Mn by 2040. The stronger population growth is mainly attributable to several reforms undertaken by the government of Dubai, including the introduction of Golden Visas, the creation of several visa and residency schemes, the Virtual Working and Retire in Dubai program, and the enactment of several social and legal reforms. As the population and visitors in Dubai increase, the demand for Dubai's public parking is expected to grow at a CAGR of 4.8% for the period 2023 to 2033.

Dubai is undertaking a significant push for urbanization and plans to implement the Dubai 2040 Urban Master Plan. The plan introduces the development of five urban centers, including two new centers. The Government of Dubai spent AED 140 Bn on roads and infrastructure from 2006 to 2020 and held the numero uno position in road infrastructure according to the Global Food Security Index Report in 2021. The residents of Dubai currently rely heavily on private cars as the dominant mode of transportation with 61% of total transportation modes, leading to a high vehicle density of 580 vehicles per 1,000 inhabitants. The development of infrastructure and the increasing trend for private vehicles will lead to a higher demand for vehicles, resulting in higher utilization of parking spaces. The occupancy of existing public parking in Dubai is expected to grow at a CAGR of 2.0% in the next 10 years. Higher occupancy requires an additional supply of public parking, which is anticipated to grow at a CAGR of 2.4% during the 2023 to 2033 period.

Dubai's tourism is booming due to ongoing infrastructure developments and the diversification of the tourism sector. Dubai is expected to host 400 plus global events per annum by 2025, the number of tourists in Dubai is predicted to grow at a CAGR of 20.0% from 14.4 Mn in 2022 to 25.0 Mn in 2025 supporting the growth of the daytime population of Dubai. The population growth coupled with higher tourism presents strong prospects for Parkin's paid public parking market, anticipating a higher occupancy rate in existing facilities and the requirement for additional supply to meet the rising demand.

Figure 17: Dubai residents and daytime population (Mn)

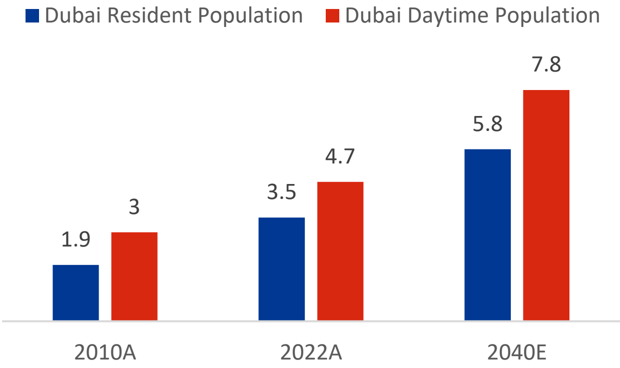
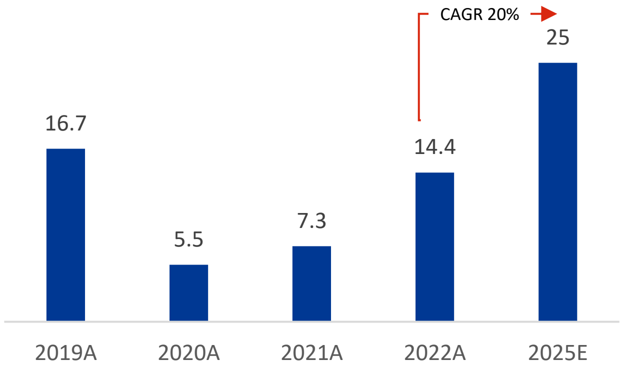


Figure 18: Tourists in Dubai per annum (Mn)



Source: Company Information

Parkin has Multiple Avenues to Scale Up and Diversify Business

Parkin's primary and additional initiatives supports the Company's growth plans

Parkin is transforming the parking landscape with 196,563 spaces and holds the ambitious plans to further augment the capacity growth during 2024-2028

Parkin held a remarkable track record of adding paid parking spaces over the period. The number of parking spaces operated by the company rose from c. 49,000 spaces in 2006 to 196,563 spaces in 2023, reflecting a CAGR growth of 9%. Due to positive macro and industry tailwinds, the public parking demand in Dubai is expected to grow at a CAGR of 4.8% during 2023-33 mainly driven by a growth in population and registered vehicle. The number of registered vehicles in Dubai is expected to grow at a CAGR of 4.5% from 2.1 Mn in 2022 to 3.3 Mn in 2033. Parkin is expecting additional growth in its paid parking spaces in the short to medium term (2024-2028). Parkin aims to convert approximately c. 4,000 spaces from unpaid to paid parking and pave the way for an additional c. 23,000 new parking spaces during the period 2024-2028. Thus, Dubai's public parking spaces supply is projected to grow at a CAGR of 2.4% from 2023 to 2033. The escalation in demand is anticipated to drive an increase in occupancy, as demand outpaces supply. As a result, the overall public parking occupancy is expected to grow from 24.2% in FY2023 to reach 29% occupancy by 2033.

In another initiative, the company seeks to leverage its operational capabilities to establish new agreements with private developers. Parkin currently has agreements with seven private developers however it plans to grow this relationship with more developers as it recognizes the immense growth potential in on-street and off-street parking within private developer areas. Considering population density and business activities, the Company estimates that 17 additional communities could benefit from its services. Additionally, it actively explores opportunities to manage parking for diversified assets like malls and commercial buildings.

Parkin's tariff optimization plan further unlocks additional value to the Company. By reclassifying parking zones to higher tariffs where applicable, Parkin aims to maximize its revenue potential. The parking zones are constantly monitored, with reclassification decisions subject to approval by the Technical Evaluation Committee (TEC). An approach to tariff optimization is expected to result in the reclassification of c. 12,000 parking spaces from Zone C to the more lucrative Zone A over the next five years, with most of the changes expected to take effect in the next two years. This forward-looking strategy positions Parkin for sustained growth and increased value creation in the evolving parking landscape.

Figure 19: Current and potential private developers' parking spaces managed by Parkin

Source: Company Information

Parkin plans to expand commercial activities for revenue diversification and leverage assets for advertising activities

Parkin is diversifying revenue streams and transforming parking spaces into advertising opportunities

Parkin is expanding its commercial activities to diversify revenue streams and capitalize on existing assets through advertising initiatives to enhance its financial stability. The Company's current commercial activities include rental services of shops in multi-story Car Parks and long-term permits that provide car services such as washing and tinting, temporary events like festivals and bazaars, valet parking, food trucks, and trading of used cars through auctions.

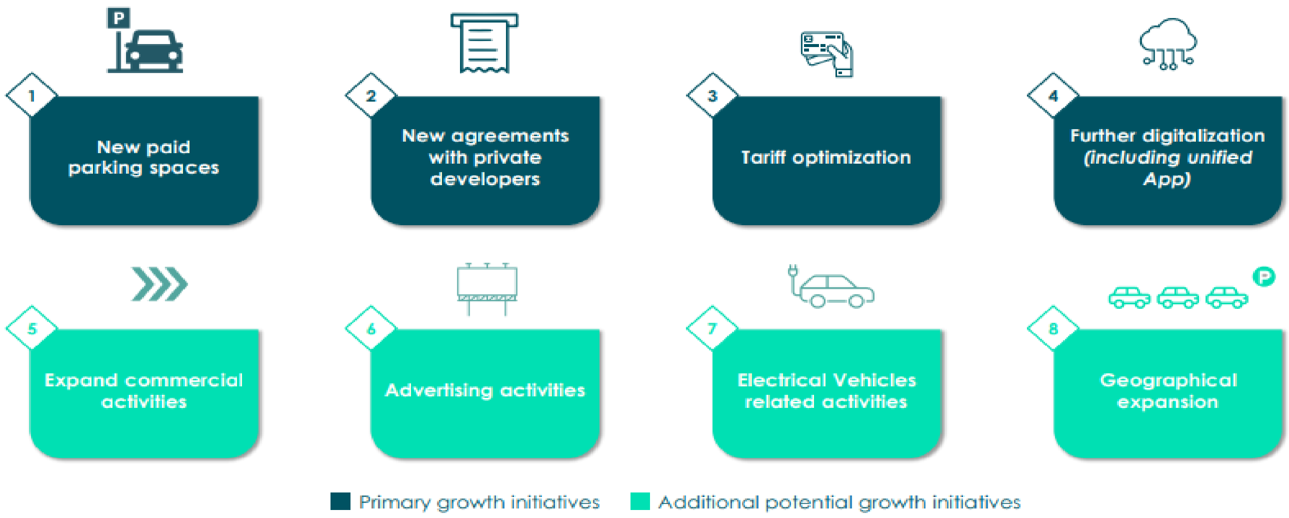
Additionally, Parkin is exploring partnerships with car rental companies to offer long-term parking permits. The Company's is also exploring additional commercial activities in the parking location to boost topline growth revenue, which under-review includes providing premium facilities, such as VIP and premium parking in high-demand areas, as well as a smart parking reservation system with higher tariffs, the expansion of commercial activities will diversify and increase Parkin's revenue base.

Furthermore, Parkin aims to leverage its assets for advertising activities, transforming public parking spaces and MSCPs into advertising spaces. This includes the sale of advertising space on Multiple Urban Panel Installations (MUPIs), landscapes, totem poles, outdoor banners, and entry/exit banners.

Implementing these advertising strategies is easy and correlated with high occupancy rates, ensuring optimal exposure for advertisers. Parkin's management identified potential modes of advertising that align with the diverse portfolio of parking facilities, reinforcing the company's commitment to maximizing revenue through commercial expansion and advertising endeavors.

Furthermore, Parkin also plans to leverage growth opportunities in EV sector to create additional revenue streams. According to the Dubai's Green Mobility Strategy 2030, the Government of Dubai has set a goal to convert 30% of public sector vehicles into electric and hybrid vehicles and 10% of total vehicles sales will be of hybrid and electric. The rise in demand of electric and hybrid vehicles will lead to a growth in EV charging stations across Dubai. The demand for EV charging stations will grow from 370 in May 2023 to 1,000 by the end of 2025. Parkin plans to collaborate with DEWA and RTA to monetize the strong growth in EV industry in Dubai. Nonetheless, the Company also plans to leverage its experience and expand into other regional markets.

Figure 20: Multiple avenues to scale up and diversify Parkin's revenue



Source: Company Information

Parkin's Robust Framework and Protected Concession Agreement Supports Growth Plan

Parkin's robust framework delivers infrastructure-like cash flows

Parkin is securing market dominance, and long-term stability with a 49-year concession agreement, and diverse revenue streams

A favorable regulatory environment provides a solid foundation for Parkin. The Company is enjoying a 100% share of the Dubai public parking market and 91% of the overall paid parking market. This market dominance helps Parkin to leverage its competitive advantage to manage parking for private developers.

The long-term horizon of a 49-year concession agreement with the Roads and Transport Authority (RTA) adds to the Company's stability, offering an advantage for sustained growth. Parkin's business model is also capex-light, with the RTA handling capital expenditures for the maintenance and construction of parking spaces, allowing Parkin to focus on installing and maintaining parking meters and parking IT systems.

Parkin's revenue model is supported by a differentiated tariff system, benefiting from various zones to cater to high-demand areas. This includes on-street premium, off-street premium, on-street standard, off-street standard, and multi-story car park (MSCP), each zone is strategically priced to maximize returns. Also, the incremental revenue from permits and reservations further diversifies the company's income streams.

Parkin has a well-developed enforcement framework, with 421 inspectors and a robust inspection system resulting in an issue of 1.3 Mn fines in FY2023. Parkins collection rate of total fines issued to UAE vehicles stood at 92.0% in FY2022. The revenue generated from fines amounted to AED 181 Mn, equivalent to 23.3% of the FY2023 total revenue, revenue from fines grew at a CAGR of 11.4% from 2021 to 2023. This complete approach to revenue generation positions Parkin as a leader in the Dubai parking landscape, delivering reliable and infrastructure-like cash flows to its stakeholders.

Parkin is protected by a well-defined concession agreement

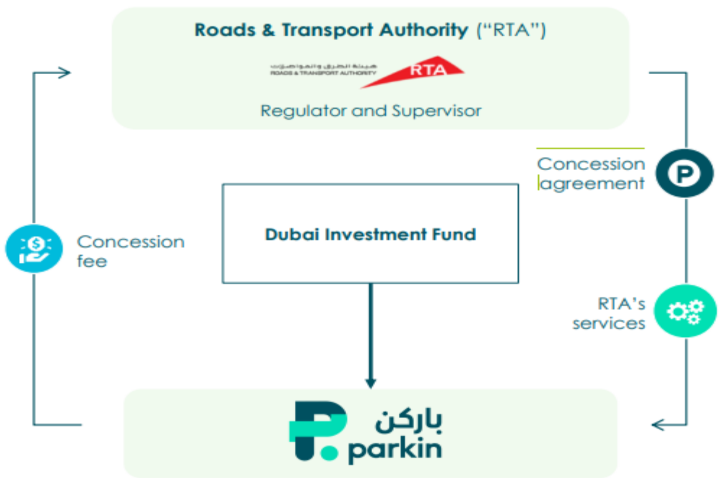
Parkin has one of the longest concession periods among its peers

Parkin is protected by a comprehensive concession agreement that outlines key terms crucial for the Company's operation and management of parking facilities. The duration of this concession agreement is 49 years, granting Parkin the exclusive right to operate existing and new paid parking facilities and collect fines in public parking areas. Additionally, the Roads and Transport Authority (RTA) is responsible for developing and maintaining new parking spaces.

The fees of the concession agreement are outlined by an upfront fee and a 20% concession fee paid to the RTA, applicable to the revenue generated from RTA's parking facilities excluding (i) revenue generated from fines, (ii) revenue generated from developer parking, (iii) the portion of revenue generated from other services that is not subject to the concession fee (i.e., portion is mainly related advertisement revenue), and (iv) the portion of revenue generated from permits and seasonal cards, and parking reservations that is not subject to the concession fee (i.e., revenue related to to seasonal cards from developer parking. Also, Parkin has the right to expand into additional activities, provided they do not compete with the RTA. The non-compete clause with RTA is only limited to Dubai. However, the decision-making process and development costs for future parking projects remain under the prospect of the RTA.

This concession agreement is drafted with protections ensuring that the net tariff is inflation-adjusted, subject to necessary approvals from The Executive Council (TEC) and the Department of Finance (DOF). Additionally, Parkin's interests are safeguarded against early termination or adverse legislative actions. The result of this concession agreement is a covering of protection for investors, alignment with Dubai's social goals, and establishing a fair framework for customers. The agreement represents a mutual relationship between Parkin and the RTA, promoting a secure and favorable environment for sustained growth and mutual benefit.

Figure 21: Parkin's concession agreement with RTA



Source: Company Information

Parkin's Digital Infrastructure Provides an Optimized Parking Experience for Customers

Parkin's digitized parking experience with smart apps and SMS

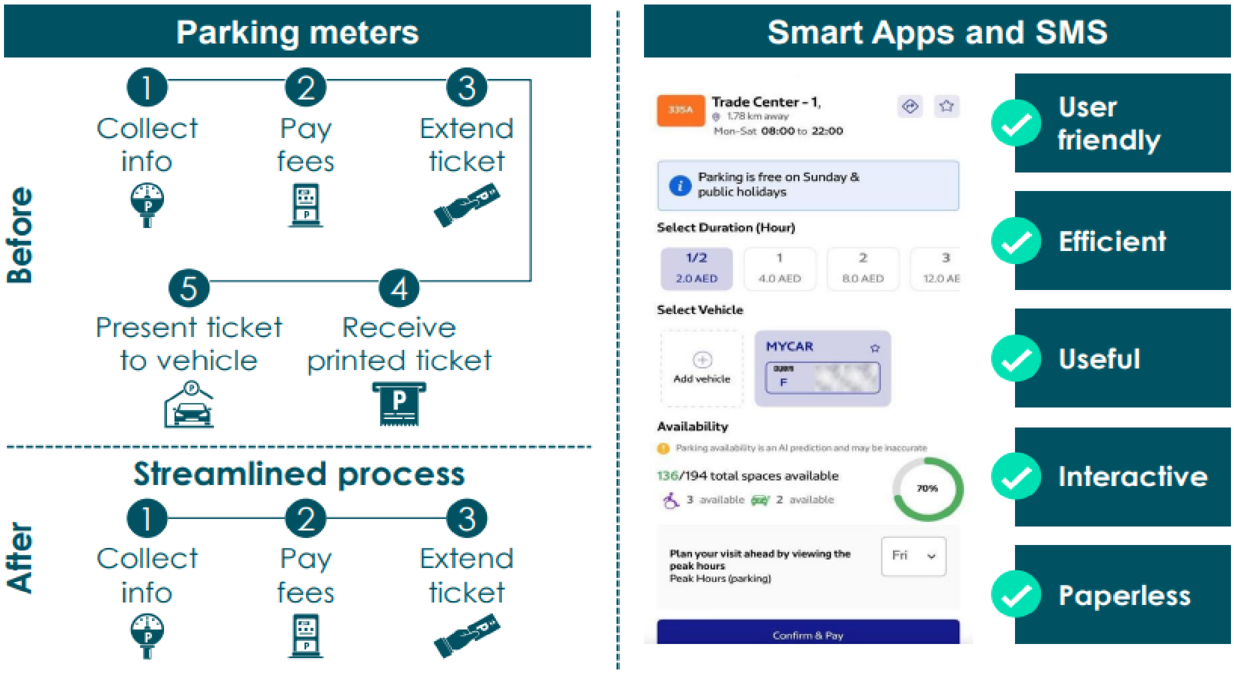
Parkin's smart apps provide the Seamless parking experience for customers

Parkin is reforming the parking landscape with a digital infrastructure that provides customers with an optimized parking experience. The Company uses its eight fully integrated IT systems, to digitalize the parking value chain, enhancing the customer experience. Parkin offers tools to locate the nearest paid parking spot across any Dubai location, including special slots for electric vehicles and special needs. Parkin's payment convenience is easy, with six channels and four methods, supported by a 100% digital and paperless fines system, with notifications viaSMS, email, and a smart app. During 2022, the Company received c. 89% of the parking revenue through digital channels.

Beyond traditional parking, customers can extend their parking space online, apply for permits, and enjoy features like Autopay in connected cars. The Company's digitized surveillance, encompassing Smart Parking Inspection, Smart Parking Iot, and Multistorey Car Parks, ensures the security and operational efficiency of the Parkin's parking spaces. Digital experience also facilitates the customer to receive digital notification of fines received through SMS, email and smart App on parking rules and regulations violations.

The customers who regularly use Parkin facilities can also avail purchase Permits and Seasonal Cards. These cards can be easily obtained at kiosks or through the RTA App, with notifications for timely renewals. The Company also runs a Nol Plus loyalty program, which encourages customers to make digital payments and earn points for a more rewarding experience. The Company's approach shows a commitment to world-class IT infrastructure, digitizing the entire parking value chain, and continually enhancing customer satisfaction through cutting-edge solutions.

Figure 22: Parkin's digital customer journey



Source: Company Information

Parkin facilitates seamless operations management through Integrated systems and efficient parking enforcement

Parkin's transformed its enforcement from manual to smart parking systems

Parkin shifted from traditional parking enforcement methods that required inspectors to be physically close to cars for ticket verification to a more efficient system where inspectors could simply check the car plate for ticket verification. The introduction of smart initiatives such as Smart Parking Inspection and Smart parking lots played a key role in enhancing parking enforcement. With a workforce of 421 inspectors and multiple smart initiatives, Parkins has significantly improved the parking enforcement landscape. The Company owned nine scan cars in 2022 which covered 34% of parking spaces, and this is expected to grow to approximately 70% with the incorporation of 10 more scan cars as of December 2023. The procurement process is also underway for 200 cameras to implement the smart parking lots project, covering 50 off-street parking lots out of Parkin's total of 281 parking lots.

Parkins ensures seamless operations through integrated systems, including the Multistorey Car Parks System, Parking Services System, Parking Fines System, Parking Control Management System, Mpark, Parking Nol System, Smart Parking System, and Smart Parking Inspection. These cutting-edge IT systems adhere to high standards of quality and accuracy. The integration with third parties ensures smooth operations and has resulted in an integrated platform that could potentially be extended globally and to other emirates.

The company's emphasis on optimal customer experience is evident in the reduction of parking meter touchpoints from 5 in 2019 to 3 in 3Q22, leading to a decrease in the average customer walking time from 4 minutes to 2 minutes during the same period. The turnaround time for the Company's permit issuance also reduced from five days in 2019 to just one day in 2022. Moreover, there has been a 30% reduction in fine disputes over the period from 2019 to 2023.

Aligned with sustainable goals, Parkins achieved 100% digital adoption as of 3Q22, eliminating paper fines and embracing cashless payment methods, reaching 91.5% by 2023. These initiatives not only contribute to efficient operations but also reflect a commitment to environmentally friendly and sustainable practices.

Figure 23: Parkin's eight fully integrated IT systems

Source: Company Information, note: (1) Mpark is outsourced, and Phase I of Smart Parking Inspection was outsourced

Parkin's Consistent Profitable Growth Coupled with Robust Financials

Parkin's pro forma EBITDA margin and cash conversion are above average compared to the listed peers[1]

Parkins's EBITDA margin is in line with its UAE-listed peers while cash conversion is in line with Salik but higher than local and international peers

Parkin generated above-average financial performance compared to its listed peers, with a pro forma EBITDA margin of 53.0% and 100.0% cash conversion in 1H23, surpassing the international peer average of 62.0% and 85.0%, respectively. While Parkin's EBITDA margin is slightly lower than its international peers, the robust cash conversion compensates, ensuring substantial cash reserves. The Company has additional levers in place to further improve its EBITDA margin by offering to expand commercial activities at parking spaces such as offering advertising activities, facilitating charging for electric vehicle, tariff optimization, addition of new parking spaces from RTA and agreement with private developers. Parkin outperforms competitors like DEWA (44.0% cash conversion) and EMPOWER (70.0% cash conversion).

Parkin's EBITDA margin is in line with its UAE-listed peers except the Salik's 67.0% EBITDA margin which is marginally higher than Parkin's EBITDA margin of 53.0% as of 1H23PF.

Furthermore, Parkin's extended concession period of 49 years exceeds the international median of 33 years, positioning the company favorably within the industry. This extended period even exceeds Salik, which shares a 49-year concession with RTA but 48 years remaining as of the first 1H23, highlighting Parkin's advantageous position in terms of concession length.

Figure 24: Parkin's total revenue (AED, Mn)

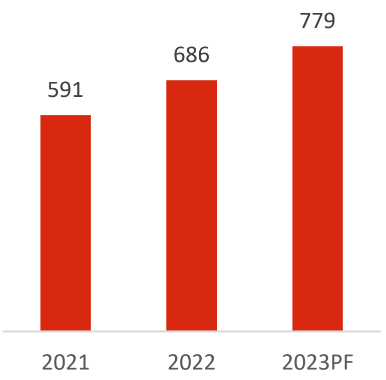


Figure 25: Parkin's EBITDA (AED, Mn) and margin

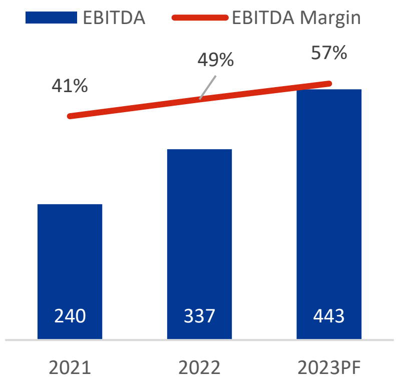
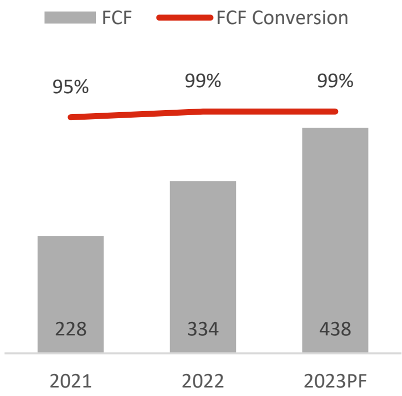


Figure 26: FCF conversion[2] (%)



Source: Company Information, Note: [1] Salik, DEWA, Empower, and International peers include Atlas Arteria, BEM, Getlink, and Transurban for EBITDA margin and concession length, and BEM and Getlink for cash conversion. [2]Cash Conversion = FCF/EBITDA, FCF defined as EBITDA less Capital Expenditure/EBITDA.

Highly Experienced Management Team

Experienced Management Team with a Long Track Record in the Business

Highly experienced with decades of experience in business

The Management team of Parkin comprises of Chief Executive Officer (CEO), Chief Operating Officer (COO), and Chief Financial Officer (CFO). The management team at Parkin is highly experienced with significant years of professional experience in the industry.

Figure 27: Parkin's management team

Source: Company Information

Parkin - Management

Chief Executive Officer – Eng. Mohamed Abdulla Al Ali

Engineer Mohamed Al Ali is the Chief Executive Officer at Parkin and brings over 21 years of experience in project management in the public transport and infrastructure sectors and across sustainability initiatives. He joined the Dubai Roads and Transport Authority in 2007 holding several senior positions during that time, including Director of Building Facilities and Management; Director of the Planning and Business Development Department; Director of the Strategic Planning Department; and Director of Knowledge and Innovation. Eng. Mohamed is also a member of the Crisis and Emergency Team at the RTA and headed the operational team for transport and traffic management during Dubai's recent EXPO 2020 event. Eng. Mohamed holds a Master's Degree in Engineering Management and a Bachelor's Degree in Civil Engineering from the American University of Sharjah.

Chief Operating Officer – Eng. Osama Hashim Alsafi

Engineer Osama Hashim Alsafi is the Chief Operating Officer at Parkin; with more than 24 years of experience, he brings a wealth of knowledge and a proven track record of driving operational excellence, fostering innovation, and achieving sustainable growth. He will play a pivotal role in streamlining Parkin's internal processes, enhancing cross-functional collaboration, and ensuring the seamless execution of the company's strategic initiatives. He has held several senior positions during his career, including eight years as Director of the Parking Department at Dubai's Roads and Transport Authority having previously worked on Right of Way and Rail Projects at the organization. Before that, Eng. Osama was the Head of Planning for the Legislations and Statistics Section Planning Department at Dubai Municipality. He previously worked as the Head of the Qualification and Building Studies Section and formerly Head of the Structural Checking Unit at the organization. Eng. Osama holds an Executive Diploma in Digital Leadership (MBRU), a Master's Degree in Urban Design, and a Bachelor's Degree in Architecture.

Chief Financial Officer – Khattab Abu Qaoud

Khattab Abu Qaoud is the Chief Financial Officer at Parkin. He has a proven track record in financial leadership with over 20 years of experience, bringing a unique blend of financial acumen, strategic insight, and a commitment to fostering fiscal responsibility. Khattab worked in the Dubai Roads and Transport Authority since 2013 and took a leading finance role in several key projects, including rail expansion projects in Dubai; the IPO of Salik; and establishing and monitoring RTA's financial strategy in line with the RTA's own ambitions to ensure financial viability and sustainability of the organization. Khattab holds an MBA from Chifley Business School (with a concentration in finance); a BA in Banking and Finance from the Applied Science University, is a Certified Management Accountant (CMA); and holds a Diploma in IFRS from the Association of Chartered Certified Accountants (ACCA).

Director of Technology, – Eng. Ahmed Abdullah Al Zaabi

Engineer Ahmed Abdullah Al Zaabi brings more than 20 years of experience in the field of Information Traffic Systems and Parking Systems Operations within RTA. In his role as Director of Technology at Parkin, he spearheads the strategic planning, development, and implementation of innovative IT solutions to optimize parking operations and enhance user experience. Since joining the Roads and Transport Authority in 2005, he held several positions, including Senior Traffic System Engineer and Manager of Parking Systems Operations. He holds a bachelor's degree in electrical engineering from the California State University of the United States of America. He has completed a certification course on Global Business School Course from Harvard Business School (2023) and on the Leadership Program from Ashridge Business School (2013). Eng. Ahmed received significant recognition for his achievements at the RTA, including the Best Technical Project Award 2012 (Marking project), the Best Technical Project Award 2011 (NOL project) and the Best Manager Award in 2010.

Highly capable and experienced Board Members

Corporate governance at Parkin will be fully aligned with the SCA Corporate Governance Guide

The Board of Directors of Parkin comprises one Chairman and six independent board members The Board members are highly experienced with significant years of professional experience.

Figure 28: Parkin's board of directors

Source: Company Information

Parkin – Board of Directors

Chairman – Ahmed Bahrozyan

Ahmed Bahrozyan is the Chief Executive Officer of The Public Transport Agency. Bahrozyan is an RTA board member since 2008. In December 2017, Ahmed Bahrozyan was appointed as Chief Executive Officer of the Public Transport Agency. In 2008, Ahmed Bahrozyan was appointed as the Chief Executive Officer of the Licensing Agency, where he mainly focused on building a strong team, simplifying services, and improving processes and services. Ahmed Bahrozyan joined the RTA in December 2005, one month after the organization was established, as Deputy Director of the Information Technology Department. He progressed to become the Director of the IT Department and then moved on to hold the position of Director of the Development and Corporate Performance Department, where he was responsible for working with all RTA agencies. Before joining RTA, Ahmed Bahrozyan was the Manager of e-government Services at Dubai Municipality, overseeing the development of hundreds of online services focused on improving services. Bahrozyan holds an undergraduate degree in Management Information Systems (MIS) from the University of Colorado, USA, in 1991.

Independent Board Member – Ahmed H. Mahboub

Ahmed H. Mahboub is an Emirati leader with more than (20) years of experience in senior executive management in both government and private sectors. He has been the Executive Director of the Roads and Transport Authority (RTA) since 2012. He led the charge to overhaul challenges, achieving sustained growth in strategic KPIs and a prolonged list of awards and achievements. He also worked at Nakheel as a Development / Customer Service Director – Commercial Division in 2011-2016. Mahboub managed customer service operations within the commercial division, ensured smooth transactions, set policies, and coordinated with various departments and authorities. Mahboub holds a master's degree in Quality Management from the University of Wollongong in Dubai and a Bachelor's Degree in civil engineering from the Higher Colleges of Technology. He also completed certification in Government Leaders Program, Executive Leasers Program, Happiness Diploma, and Chief Happiness and Positivity Officers (CHPOs). Award-winning background includes recognitions from Dubai Government Leaders in the field of Service Excellence, Smart Apps, Call Centres, Smart Centres, Self Service Centres, and Digital Transformation.

Independent Board member – Muna Abdulrahman Al Osaimi

Muna Al Osaimi is a seasoned leader specializing in strategic planning, particularly in the formulation of business strategies and policies for organizations, with a strong emphasis on transportation planning. She is an engaged member of the Dubai Urban Planning Coordination Committee. Boasting over 18 years of extensive experience, Muna excels in strategic planning, urban planning, transportation planning, policy development, project portfolio management, statistical analysis, future foresight, and guideline formulation, and was a key member in the design development and delivery of multi-billion projects such as Dubai Metro, and Dubai Tram.

Independent Board member – Nasser Hamad Abu Shehab

Nasser Abu Shehab, a seasoned professional with a degree in Architectural Engineering and Urban Planning, has over 27 years of experience in the Dubai Municipality and RTA. He started his career as Head of Planning Studies Section and later moved to the Strategy and Corporate Governance Sector. Abu Shehab's role includes developing and following up on transportation strategies, policies, and long-term plans for roads and transport systems. He also oversees RTA's commercial and investment activities. Abu Shehab has also held positions as Chairman of the Board of Hala Taxi and chaired several committees within RTA, including the Best Government

Entity Supporting Expo 2020 Committee, Supreme Committee for Sustainability, and the Executive Committee for Strategic Planning and Corporate Development.

Independent Board member – Dr. Alawi Alsheikh

Dr. Alawi Alsheikh-Ali is an Emirati physician-scientist and Professor of Cardiovascular Medicine. He is the Deputy CEO and Chief Academic Officer of the Dubai Academic Health Corporation and Provost of the Mohammed Bin Rashid University of Medicine and Health Sciences. Alsheikh-Ali has a Bachelor of Science in biology, a Master of Science in applied physiology, a Master of Science in clinical research, and a Doctor of Medicine from Tufts University. He has completed residency and fellowship training in internal medicine, cardiovascular disease, and clinical cardiac electrophysiology at Tufts Medical Center, earning triple certification from the American Board of Medical Specialties. His research has led to over 200 peer-reviewed publications in leading journals.

Independent Board member – Mona Bajman

Mona Bajman is the director of the Government of Dubai – Department of Finance Subsidies Budget Division. She is involved in managing the annual budget preparation for Dubai Government Subsidies, reducing subsidies, preparing consolidation budget execution reports, analyzing budgets, and developing automation for budget preparation. She holds a Bachelor's Degree in Business Administration from Dubai Women's College, and Higher Diploma-Accounting, Business Section from Dubai Women's College.

Independent Board member – Al Anood Al Ameri

Al Anood Al Ameri is a distinguished legal expert currently leading the Public Security, Health, and Public Safety Legislation Department at The General Secretariat of the Supreme Legislation Committee in the Emirate of Dubai, with a Bachelor's Degree in Law from the University of Sharjah (2005), she built a career as a Legal Researcher and then Head of Legislation and Laws at the Ministry of Social Affairs (2010). Progressing to a major legal role at Dubai Roads and Transport Authority (2015), and now holding a pivotal position in the Supreme Legislation Committee. She also brings a wealth of knowledge from numerous law, leadership, and strategic planning training courses.

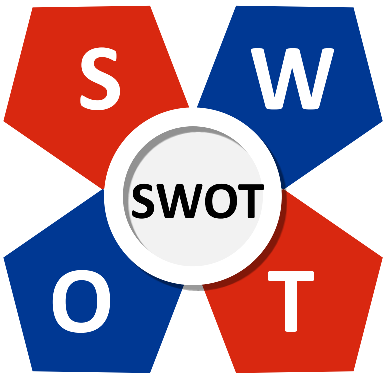
SWOT Analysis

STRENGTHS

- Parkin dominates Dubai's Parking market with a 100% share in the Public Parking Market and 91% of the overall Dubai Paid Parking market as of November 2023.
- Parkin operates a capex-light model where RTA is responsible for major capital expenditure. This leads the Company to convert almost all its EBITDA into free cash flow in a given year.
- According to Dubai's Economy & Tourism, Dubai welcomed 15.37 Mn tourists in Jan-Nov 2023 compared to 12.82 Mn in Jan-Nov 2022. It surpassed the pre-pandemic level of 15.00 Mn recorded in Jan-Nov 2019. The number of tourists is also expected to grow at a CAGR of 20% to 25 Mn in 2025. This will drive the daytime population to drive demand for parking spaces in Dubai.
- The number of registered vehicles in Dubai is expected to grow at a CAGR of 4% to 3.3 Mn in 2033, creating demand for additional parking spaces.
- Parkin benefits from operating leverage as c. 74% of the total cost is fixed, and the balance c. 26% is variable. This will drive Parkin's margins as revenue grows without much increase in costs.

WEAKNESSES

- The Department of Finance and The Executive Council are the key decision-makers for change in tariffs. Parkin is dependent upon tariff hikes on these entities even if the Company faces inflationary pressure. This might pressure margins in case cost escalates at a faster pace.
- Parkin's agreement mandates the company to pay an quarterly concession fee to RTA. It mandates Parkin to pay a base concession fee of 20% of total revenue excluding (i) revenue generated from fines, (ii) revenue generated from developer parking, (iii) the portion of revenue generated from other services that is not subject to the concession fee (i.e., portion is mainly related advertisement revenue), and (iv) the portion of revenue generated from permits and seasonal cards, and parking reservations that is not subject to the concession fee (i.e., revenue related to seasonal cards from developer parking. The concession fees are adjusted bi-annually based on cumulative consumer inflation. The tariff is adjusted downward in case RTA approves no tariff hike; however, Parkin is still subject to paying a concession fee of 12.5% of the total revenue after adjustment. The margin will be pressurized if the downward revision doesn't completely offset inflationary pressure



OPPORTUNITIES

- Conversion of parking spaces from Zone C to Zone A will lead Parkin to earn higher revenue and enhance margins. It plans to leverage operational capabilities to bid for additional developer parking spaces.
- Technological advancements create opportunities to introduce innovative solutions such as eco-friendly parking solutions, automation of dispute resolutions, and launch of EV-related activities.
- Parkin may collaborate with Airports, Malls, Hotels, and office buildings to offer parking spaces.
- Parkin's MSCPs tariff is lowered compared to the private MSCPs in operating in Dubai. A hike in MSCPs tariff will lead to higher revenue and margin.

THREATS

- Regulatory changes pose a threat to the company's operations
- Economic downturn events like the pandemic will result in a decline in revenue due to stoppage in daily operations and reduced demand for parking spaces in business areas.
- Parkin's contract with Al Sufouh will expire in 2024. However, renewal of the contract Parkin will only operate 1,300 parking spaces out of 9,028 spaces in Al Sufouh. The reduction in parking spaces poses a threat to decline in revenue in 2024.

Industry Overview

Robust Population Growth Coupled with a Rising Vehicle Population Bodes Favourably for the Parking Industry

Dubai's parking sector poised for robust growth….

Dubai's resident population is projected to grow at a CAGR of 2.8% from 2023 to 2040

Dubai's robust population growth, combined with a growth in number of vehicles, is poised to fuel the expansion of the parking space in the city. The resident population in Dubai grew at a CAGR of 5.2% from 1.9 Mn in 2010 to 3.5 Mn in 2022 and it is further expected to grow at a CAGR of 2.8% to 5.8 Mn by 2040. This population surge is attributed to the government's push for urbanization, infrastructure developments, job opportunities and multiple visa and residency schemes. In addition, Dubai remains one of the most popular cities among expats driving population growth in Dubai. Dubai's daytime population also showed substantial growth, rising from 3.0 Mn in 2010 to 4.7 Mn in 2022, and is anticipated to increase further to 7.8 Mn by 2040 at a CAGR of 2.9% supported by Dubai's expat-friendly policies, and a thriving tourism sector.

Dubai's growing population is anticipated to drive demand for vehicles and transportation, necessitating additional parking spaces which will support the growth of the parking industry. The number of registered vehicles in Dubai grew more than 8.0% in 2021-22 and is expected to grow at a CAGR of 4.5% from 2.1 Mn in 2022 to 3.3 Mn by 2033. This will result in a higher vehicle density, creating a demand for parking space. Dubai is renowned as one of the UAE's rapidly advancing cities, and attributes its growth to a resurgence in tourism, population expansion, increased per capita disposable income, and enhanced transportation. The city's 2040 Urban Master Plan, encompassing the expansion of green spaces and recreational areas, envision a population of 5.8 Mn by 2040.

Dubai's commitment to enhancing tourism and expanding logistical connectivity, coupled with rising urbanization, remains pivotal in driving the continued development of Dubai's transportation sector leading to growth in the parking industry. As the population and visitors in Dubai increase, the demand for public parking is expected to grow at a CAGR of 4.8% from 2023 to 2033. This public parking demand will support the parking industry in growing with an additional supply of parking spaces as a result of higher demand.

Figure 29: Dubai resident and daytime population[1] (Mn)

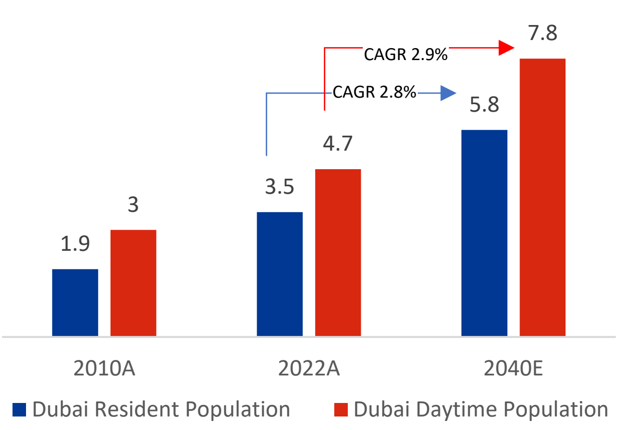
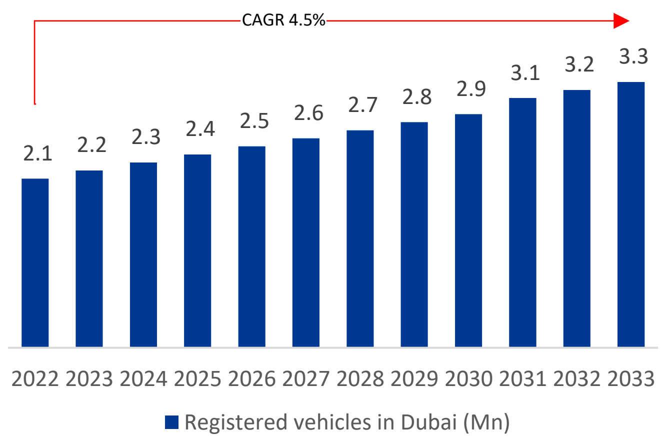


Figure 30: Registered vehicles in Dubai (Mn)



Source: Company Information, *Note: [1]Daytime population includes a total of population permanently residing in Dubai and workers residing outside the Emirate of Dubai, as well as temporary residents (tourists, sailors, and other visitors)*

… owing to supportive macro tailwinds

The tourism sector in Dubai remains one of the pillars of the city's diversification strategy and aims to host more than 400 global events annually by 2025

According to the UAE Ministry of Economy, the travel and tourism sector significantly boosted the UAE's GDP by contributing nearly AED 167 Bn, equivalent to 9% of the total GDP in FY2022. The UAE Tourism Strategy 2031 outlines a comprehensive approach with 25 initiatives and policies to foster the development of the country's tourism sector.

Dubai consolidated its position as the international destination to host business events and won the bid to host a record 349 events (according to the Emirates New Agency) in 2023. This is 49% higher than 2022, surpassing the previous record of 295 events in 2019. According to the Emirates New Agency, the event is expected to attract 191,000 delegates. The hosted events will align with the Dubai Economic Agenda D33 and will be vital in driving trade investment and attracting global talent. The popular events hosted in Dubai such as COP 28 attracted 83,884 attendances in person and the Dubai Air Show attracted more than 100,000 visitors. It also won the bid to host multiple events in 2024 prominent among them are Critical Communications World 2024, the WCA Worldwide Annual Conference 2024, the Million Dollar Round Table Global Conference 2024 and others.

With ongoing infrastructure developments and a goal to host more than 400 global events annually by 2025, the number of tourists in Dubai is anticipated to grow at a CAGR of 20.0% from 14.4 Mn in 2022 to 25.0 Mn in 2025. The city successfully hosted the Expo2020 Mega Event by attracting over 24 Mn visitors from around the globe. The growth in tourism presents strong prospects for the parking industry, tourism growth is expected to drive increased traffic and parking demands anticipating the requirement for additional parking spaces supply to meet the rising demand.

Figure 31: Tourists in Dubai per annum (Mn)

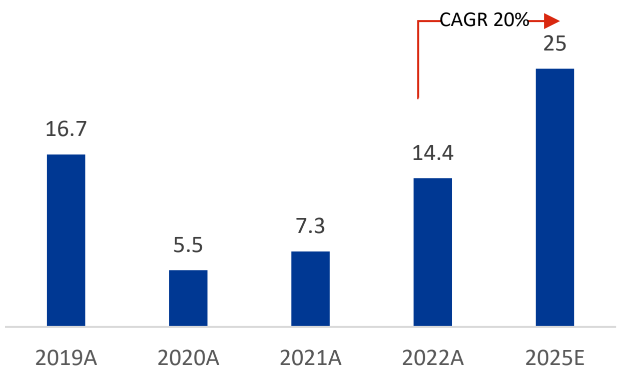


Figure 32: Dubai's global recurring events

Source: Company Information

Private car is the dominant mode of transport in Dubai

Private cars dominate the different modes of transportation in Dubai attributable to high quality infrastructure and favorable economics to own a car

Private cars dominate among the different modes of transportation in Dubai, contributing 61% to the overall transportation system, followed by public transport at 14%, Walking and Cycling at 13%, and other modes at 12%, in 2023. The prevalence of private cars results in a high vehicle density in Dubai, reaching 580 vehicles per 1,000 inhabitants as of 2022, the highest among the major prominent cities globally. This is attributed to the exceptional quality of roads, well-managed traffic during rush hours, and a swift travel time of only 12.2 minutes to cover 10km in Dubai during peak hours. Additionally, the affordability of vehicle ownership, coupled with low gasoline prices, further supports the popularity of private cars.

The vehicle density in Dubai is expected to grow to 633 vehicles per 1,000 inhabitants by 2033, driven by population growth and the continuing trend of private car transportation. No other city globally has a vehicle density exceeding 500, underscoring Dubai's vehicle dominance and the resulting demand for increased parking spaces, which supports the growth of Dubai's parking industry.

Gasoline prices in Dubai stand at AED 2.9 per Liter as of 2023, contributing to the affordability of private car travel. The number of vehicles in Dubai is projected to grow at a CAGR of 4.5%, from 2.1 Mn in 2022 to 3.3 Mn by 2033. Considering the prevailing dominance of private cars, the average paid parking hours per vehicle per year is anticipated to increase at a CAGR of 4.0%, rising from 2.2 hours per vehicle per year to 3.3 hours per vehicle per year by 2033. This expected growth in paid parking hours signals a growing demand for parking spaces within the parking industry in the years to come.

Figure 33: Mode of transportation in Dubai 2023 (%)

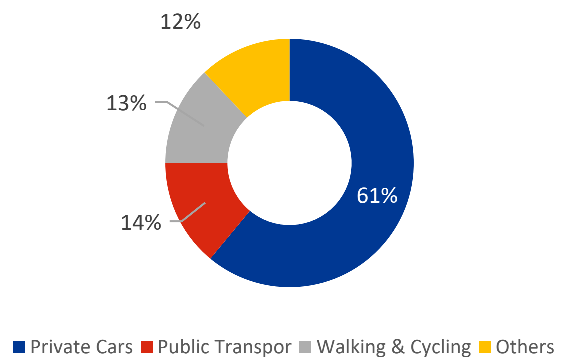
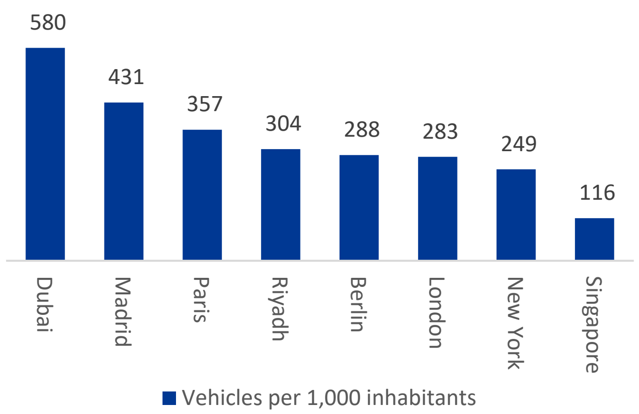


Figure 34: Vehicle density in 2020 (Dubai and New York as of 2022)



Source: Company Information

Dubai paid parking market overview

Parkin dominates Dubai's parking landscape with a 91% market share

Dubai parking spaces are classified into four distinct categories: public parking, private parking in public areas, developer parking, and alternative options. The market leader, Parkin, holds an impressive 91% market share in Dubai's paid parking market, capturing a full 100% of the market share in Dubai's public parking sector. Within public parking market, there are 175,071 parking spaces. Out of the total, 134,211 are designated as on-street paid public parking spaces and an additional 40,860 as off-street paid public parking spaces. Parkin fully manages all public parking spaces.

Dubai's off-street paid private parking spaces in public areas, authorized by the RTA, amount to 16,509. This segment is fragmented across 194 private land plots with different owners and operators. Developer parking includes both on-street and off-street private areas designated for developers. Dubai has numerous private developer communities, with Parkin emerging as a major player, overseeing 17,753 parking spaces across seven communities as of 2023.

Private developers can select any parking operator to operate the parking spaces, but Parkin has the exclusivity over enforcement for fines in public parking and existing developer contracts. Parkin doesn't have exclusivity for the future or new developer contracts including off-street and on-street. Further, for Parkin the enforcement for new developer areas is to be negotiated with RTA on case-by-case basis. Other parking alternatives encompass services provided by airports, malls, hotels, and office buildings, collectively contributing to the diverse parking landscape in Dubai.

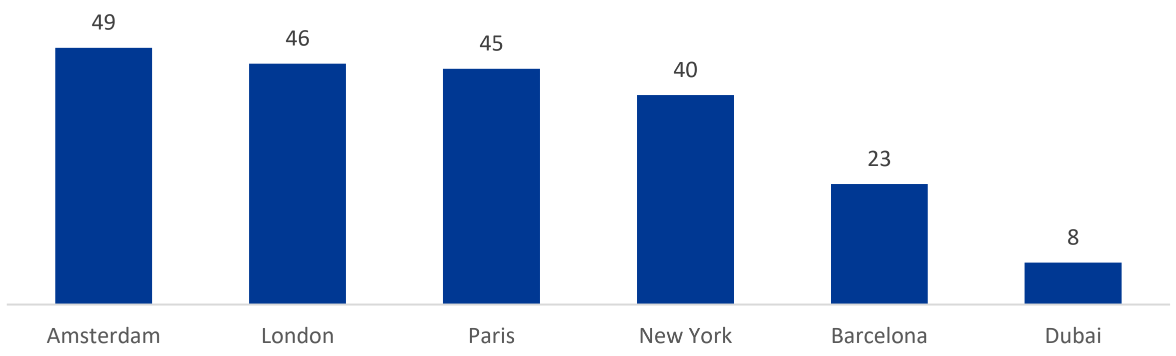
Parking fees in Dubai are significantly less expensive compared to key global cities

Dubai offers affordable parking rates with the opportunity for further tariff adjustments

Dubai boasts parking fees that are more budget-friendly compared to major global cities. For instance, the average cost for a two-hour Zone A on-street parking session in Dubai stands at AED 8, a figure significantly lower than key global cities—Amsterdam at AED 49, London at AED 46, Paris at AED 45, and New York at AED 40.

Dubai presents a considerable opportunity to escalate parking tariffs, surpassing inflation rates, given that its current fees are substantially lower than those in major global cities. While cities like London, New York, and Paris have consistently raised their two-hour stay tariff rates over the past decade, Dubai's parking charges have remained unchanged since 2015. Two-hour tariff rate in London for other vehicles excluding EV/Diesel grew at a CAGR of 11.1% from AED 43 in 2016 to AED 90 in 2023, mid-range tariff rate in New York rose at a CAGR of 10.6% from AED 11 in 2013 to AED 30 in 2023 and mid-range tariff rates in Paris also expanded at a CAGR of 4.5% from AED 18 In 2009 to AED 32 in 2023. This fact underscores the ample room for Dubai to increase its parking tariff, indicating a potential adjustment that aligns more closely with global trends. The upward adjustment in the parking rate will drive the industry's overall size.

Figure 35: Tariff of 2-hour on-street parking across different countries – 2022 (AED)



Source: Company Information, Note: Dubai tariff refers to Zone A

Favorable trends supporting the transport and parking sector growth

Dubai's parking sector is getting better with new technology, rules, and improved transportation

Dubai's parking sector is currently undergoing significant growth, sustained by favorable trends across technology, regulations, and transportation. Dubai is witnessing sustained investments in public transport alternatives, with a focus on integrating different modes of transportation. This strategy aims to reduce transfer times and enhance overall accessibility, contributing to a more efficient and interconnected transport network.

Additionally, technology is playing a pivotal role in shaping the future of parking management. The adoption of data-driven and automated systems is not only driving cost efficiencies but also improving traffic management and compliance through increased automation. Digital payment solutions are gaining traction, reducing reliance on traditional parking meters and streamlining financial processes by lowering both capital expenditure and cash collection costs. Real-time occupancy tracking and automatic plate recognition further contribute to enhanced space utilization, security, and operational effectiveness.

The rising trend of public-private partnerships and concessions is proving instrumental in achieving higher service levels and operational efficiency. By leveraging private capital, a greater number of cities like Dubai can construct and operate comprehensive on-street and off-street parking systems, meeting the growing demand for efficient and accessible parking services. These trends position Dubai's parking sector for sustained growth, promising improved efficiency, convenience, and an enhanced overall parking experience for residents and visitors.

Macroeconomic Environment

The Global Economy Stabilizes Despite Challenges to Support Parkin

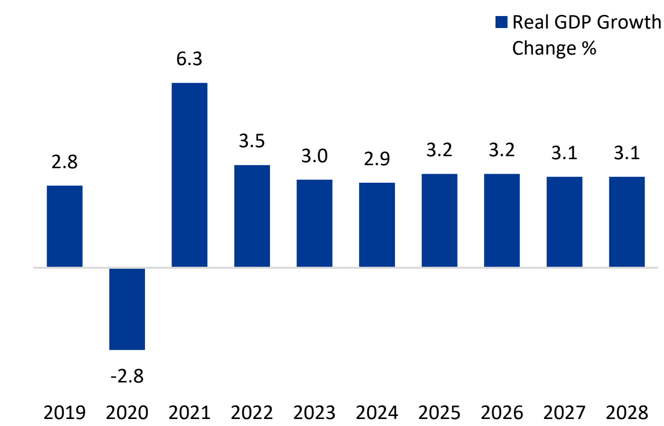
As per the IMF estimates, the global economy grew 3.5% in FY2022 and is expected to grow 3.0% in FY2023 and 2.9% in FY2024

The global economy continued to face challenges in FY2022-23 due to factors such as the fight against inflation, the war in Ukraine, and the resurgence of COVID-19 in China. However, despite the disruption in energy and food markets caused by the war in Ukraine and the unprecedented tightening of global monetary conditions to combat decades-high-inflation, real GDP growth remained strong in FY2022 due to stronger-than-expected private consumption and investment and greater-than-anticipated fiscal support. According to the IMF (World Economic Outlook, October 2023), the worldwide economy expanded by 3.5% during the fiscal year 2022. Projections indicate a lower growth of 3.0% in FY2023 and 2.9% in FY2024. This moderation in growth is primarily attributed to higher interest rates and the adverse effects of the war on the economy.

Increased energy prices played a larger role in driving core inflation upward

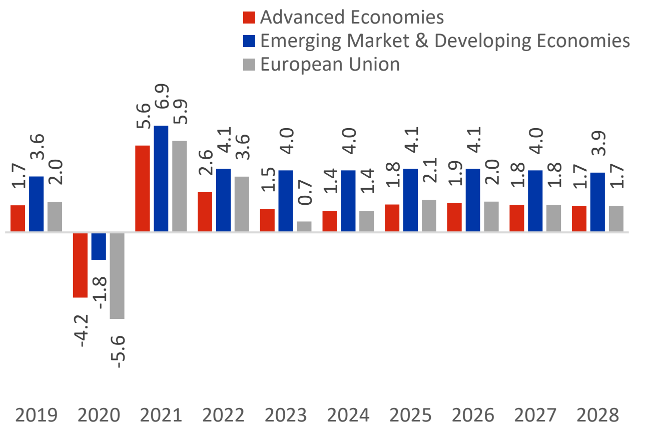
The IMF maintains a positive outlook with a bias towards downward risk marked with uncertainties around factors such as a severe health outcome in China, escalation of Russia's war in Ukraine, worsening debt distress due to tighter global financing conditions, and sudden market repricing in response to inflation news. There is a noticeable economic slowdown in advanced economies, particularly in the euro area and the United Kingdom, with projections of declining growth in FY2023. Inflation has been more persistent than anticipated, although global inflation has declined. This persistence can be attributed to the reversal in energy and food prices. Economies heavily dependent on Russian energy imports experienced a steeper increase in energy prices, which played a larger role in driving core inflation upward. Furthermore, according to the IMF, the priority in most economies remains disinflation, with the deployment of macroprudential tools and stronger debt restructuring frameworks necessary to maintain financial and debt stability.

Figure 36: Change in world real GDP – FY2019 – 2028 (%)



Source: IMF, World Economic Outlook, October 2023

Figure 37: Change in real GDP growth by region – FY2019 – 2028 (%)



Source: IMF, World Economic Outlook, October 2023

Global headline average inflation is projected to decline from a peak of 8.7% in 2022 to 6.9% in FY2023 and further to 5.8% in FY2024

Global inflation is expected to decrease from 8.7% in FY2022 to 6.9% in FY2023 and to 5.8% in FY2024, which is still above the pre-pandemic levels. Before the pandemic, inflation averaged 3.5% during 2017-19.

The expected decline in inflation during FY 2023-24 is mainly attributable to the tightening of monetary policy, normalization of the supply chain, and fall in international commodity prices. Central banks worldwide raised interest rates to dampen demand and reduce core inflation. According to the IMF estimate, approximately two-thirds of the countries are expected to experience a slowdown in inflation in 2023; however, the trend of disinflation is higher in developed economies as compared to emerging and developing economies due to strong monetary policy framework and lower exposure to shock from commodity prices and exchange rates.

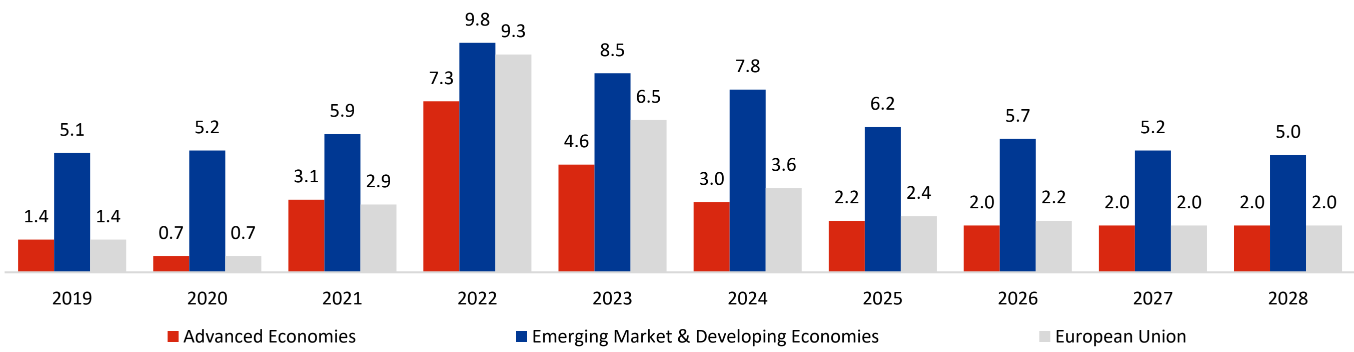
Growth in advanced economies is forecasted to decelerate from 2.6% in FY2022 to 1.5% in FY2023 and 1.4% in FY2024

Advanced economies are expected to see a sharp decline in growth from 2.6% in FY2022 to 1.5% in FY2023 and 1.4% in FY2024 amid stronger-than-expected US momentum but weaker-than-expected growth in the euro area. In the **US**, growth is expected to remain constant at 2.1% in FY2023 as compared to FY2022 and further decline to 1.5% in 2024. In the **euro area**, economic growth is projected to decrease from 3.6% in 2022 and bottom out at 0.7% in FY2023 before rising to 1.2% in FY2024. Economic growth in Japan is projected to be 2.0% in FY2023, with continued monetary and fiscal policy support from a depreciated yen and earlier delays in implementing projects.

As per the IMF, GDP for emerging markets and developing economies are projected to grow 4.0% in FY2023 and FY2024

As per the IMF, emerging markets and developing economies are expected to lead global economic growth over the next few years. Growth in emerging and developing economies is expected to be 4.1% in FY2022 to 4.0% in FY2023 and FY2024. Yet, the Chinese property market crisis is likely to remain a drag. China's real GDP is projected to rise to 5.0% in FY2023 and then moderate down to 4.2% in FY2024, as business dynamism and progress on structural reforms slow over the medium term.

Figure 38: Inflation by world economies – FY 2019 –2028 (%)



Source: IMF, World Economic Outlook, October 2023

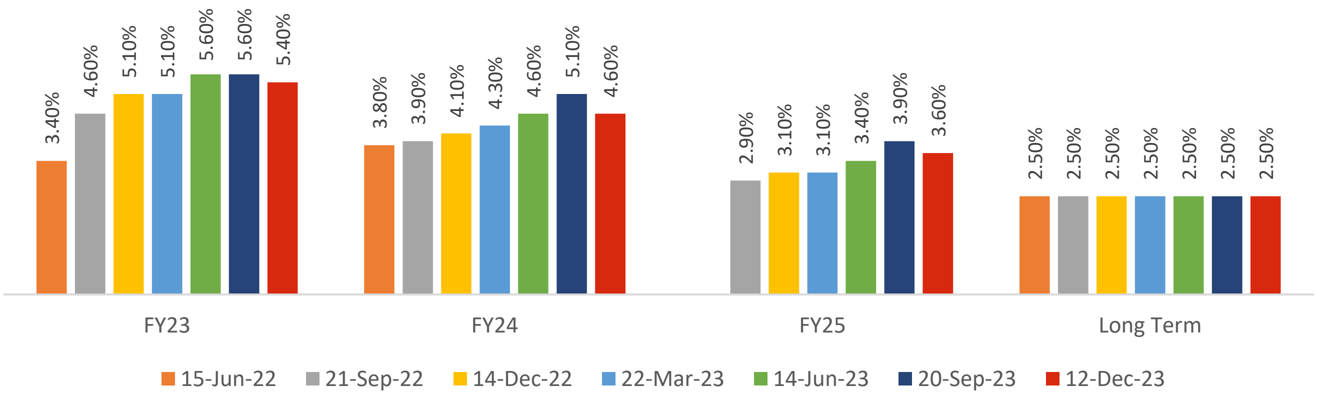
The End of Unprecedented Interest Rates Hikes

Fed left the interest rates unchanged for the third consecutive time in 2023

US Federal Reserve left the interest rates unchanged for the third consecutive time in its December 2023 meeting. Earlier, the US Federal Reserve hiked the interest rates by seven times in 2022 and four times in 2023 to curb elevated inflation levels. The US Federal Reserve did the last hike in July 2023 to maintain a target range for the federal funds rate between 5.25% and 5.50%, the highest levels in 16 years. However, due to the softening of inflation, the Fed left the interest rates unchanged for the third time in December 2023.

During the FOMC meeting on 13th December 2023, the median projected rates indicated that the fed fund rates are expected to peak at 5.4% in FY2023, and gradually decline to 4.6% in FY2024. Despite this, the inflation levels are expected to remain above the Fed's target, leading central banks to maintain a hawkish stance in FY2023.

Figure 39: Historic fed fund rates & forecasts (%)



Source: US Federal Reserve, New York Fed, IMF WEO December-23

The UAE economy is projected to show moderate growth and steady fiscal position

UAE's economy is expected to grow faster than the global economy in FY2023, supported by continuous expansion in the non-oil sector, ensuring strong and sustained growth in the medium and long run

The UAE economy distinguishes itself as one of the rapidly advancing economies globally, driven by a robust resurgence in tourism, real estate, and construction sector, partially offset by a decline in oil production aligning with the OPEC+ production agreements. The UAE experienced an economic boost in FY2022 with a real GDP growth of 7.9%, supported by 7.2% growth in the non-oil GDP. The growth is primarily driven by strong performance, especially in construction and tourism. According to the IMF World Economic Outlook October 2023, the UAE economy is expected to grow at a moderate pace of 3.4% in FY2023, and the growth is further expected to rise to 4.0% in FY2024. The moderation in FY2023 growth is mainly attributed to the OPEC+ production cut announcement and the prevailing global economic slowdown.

The economic slowdown is majorly driven by the OPEC+ oil production cut and global economic slowdown

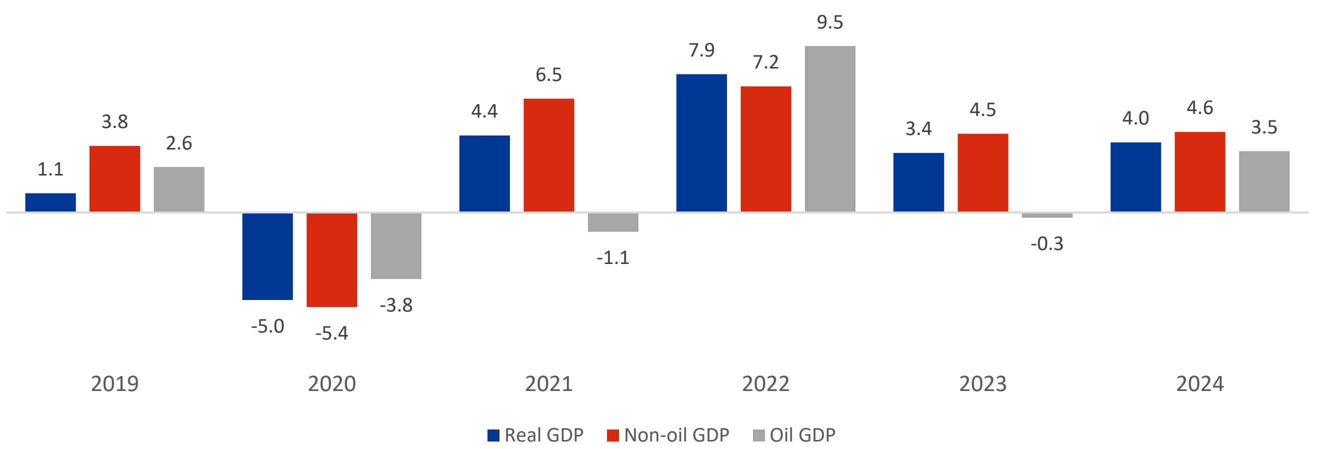
OPEC+ further plans to extend the production cut to starting from 2024 to provide stability to oil prices. On the other hand, according to the Central Bank of UAE, the non-oil GDP is expected to grow by 5.9% in FY2023 and by 4.7% in FY2024. In the non-oil sector, the most substantial expansions are observed in financial and insurance services, construction, real estate, wholesale, and retail. Meanwhile, the UAE's oil economy recorded a decline of 5.1% YOY in 2Q23 compared to a growth of 1.5% YOY in 1Q23. The decline is influenced by a reduction in average oil production to 2.9 Mn barrels per day during 2Q23, in line with the OPEC+ agreements. However, the decrease in oil production in 2023 was offset by the production of other hydrocarbon products, such as natural gas liquids (NGL), which are not subject to regulation by the OPEC+ agreements.

Dubai is a prominent commercial and tourist destination in transforming UAE into a logistics hub in the region

The UAE serves as a focal point for trade activities in the Middle East, and Dubai, a prominent commercial and tourist destination, plays a pivotal role in transforming into a logistics hub, thereby contributing to and improving the overall quality of life in the region. Dubai's GDP grew 3.6% YOY in 2Q23 to AED 112.5 Bn.

The growth in Dubai's GDP is mainly attributed to the double-digit growth in wholesale & retail trade, transportation & storage, and financial & insurance activities outperforming all sectors in Dubai with a significant growth of 24.9%, 14.0% and 11.1%, respectively in 2Q23 compared to the same period last year. The tourism industry experienced a resurgence, with the number of international visitors grew 19.9% YOY to 15.37 Mn in Jan-Nov 2023. This marked a significant increase from the 14.4 Mn visitors recorded in FY2022. Furthermore, Dubai witnessed a flourishing influx of visitors in 2023, driven by an exceptional array of events such as the Dubai Shopping Festival, DP World Tour Championship, and the Dubai World Cup. A noteworthy one-time event the Dubai Cop28 also boosted the tourism activity in the city.

Figure 40: UAE's real GDP & non-oil GDP (Annual growth %)



Source: CBUAE

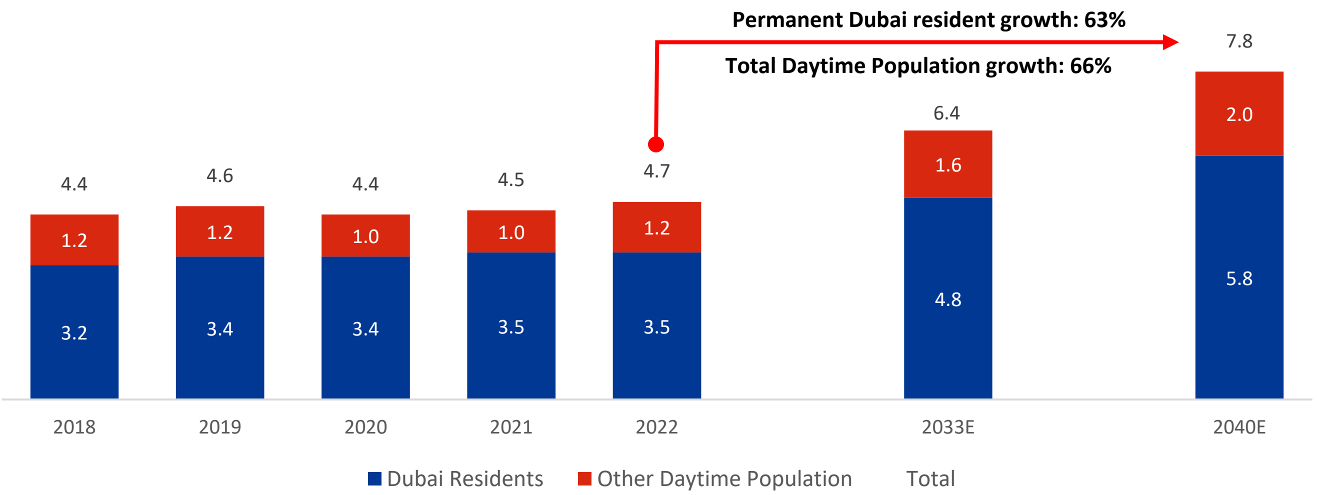
Dubai's individual wealth provides strong support for a healthy economy

Dubai's dynamic growth, fueled by a thriving economy, rising population, and vibrant tourism positioned it as a global hub with strategic urban planning for the upcoming years

Dubai distinguishes itself as one of the rapidly advancing cities in the UAE, driven by a robust resurgence in tourism, population growth, per capita disposable income, and improved transportation. The tourism industry plays a vital role in molding Dubai into a logistical centre, contributing to and enhancing livability across the region. This transformation is reinforced by the country's strategic geographical location, providing access to local, regional, and global centres. Its diverse and fast-growing economy led to incredible growth over the decades. In 1H23, Dubai's population rose 2.9% YOY to 3.6 Mn, according to the FTI report.

Dubai's 2040 Urban Master Plan, which includes expanding green spaces, parks, and other recreational areas in the emirate, envisions the population to grow to 5.8 Mn by 2040. Dubai's disposable income per household reached USD 88,600 in 2022, significantly higher than other GCC countries. According to the FTI report, the UAE's per capita disposable income is expected to exhibit a CAGR growth of 5.2% compared to the global CAGR growth of 1.9% from 2022 to 2027.

Figure 41: Dubai's total daytime population[1] (Mn)



Source: Company Information, Note: [1]Daytime population includes a total of population permanently residing in Dubai and workers residing outside the Emirate of Dubai, as well as temporary residents (tourists, sailors, and other visitors)

Dubai’s growth fuelled by various economic initiatives and visionary urban plans for sustainability and global business expansion

Dubai's economic advancement is propelled by a comprehensive strategy that includes boosting foreign trade, fostering foreign direct investments, increasing government expenditures, and encouraging private-sector investments

Dubai International Airport (DXB) solidified its status as the busiest international airport, welcoming 32.7 Mn passengers in 2022, excluding transit passengers. Dubai demonstrated robust growth in 2022, adapting to the dynamic global tourism landscape as evidenced by welcoming 15.37 Mn overnight visitors in Jan-Nov 2023, showcasing an impressive 20% growth compared to Jan-Nov 2022. The number of tourist arrivals during 2023 surpassed Jan-Nov 2019 levels of 15.00 Mn tourists.

Dubai's economic expansion is propelled by a series of strategic initiatives outlined in **the Dubai Economic Agenda D33**, which targets a substantial foreign trade value of AED 25.6 Tn by 2033. The city aims to secure an annual contribution of AED 100 Bn from digital transformation, attracting targeted foreign direct investments exceeding AED 177 Bn over the next decade. Launched in 2023, the 10-year economic plan is geared towards doubling the size of Dubai's economy by 2033 and positioning it among the top three global cities. The comprehensive strategy involves increasing foreign trade, fostering foreign direct investments, boosting government expenditures, and encouraging private sector investments, collectively driving the city's economic advancement.

The **Dubai 2040 Urban Master Plan** outlines a future blueprint for the sustainable urban development of the city with key objectives. These objectives encompass:

- The enhancement of urban areas,
- Increased efficiency in resource utilization, and
- The provision of sustainable and flexible modes of mobility.

Dubai’s visionary plan is to attract global investments and add new markets to global business lines

Simultaneously, the Dubai Global initiative aims to position the city as a premier global business hub. This involves establishing 50 commercial representative offices across five continents, thereby expanding Dubai's reach on a global scale. Thus, Dubai residents are expected to grow from 3.5 Mn to 5.8 Mn by 2040. The initiative seeks to attract international investments and integrate new markets into the city's global business lines, further solidifying Dubai's standing in the international business landscape. In addition, the 2040 Master Plan is transforming the Emirate into five interconnected Urban Centres and boosting the resident population.

Figure 42: Economic initiatives in Dubai

Source: Company Information

Valuation Methodology

Target Fair Value Analysis

DCF, RELATIVE VALUATION, and DDM

We arrive at Parkin's fair value of AED 2.60 per share based on a mix of valuation methods

We have used a mix of Discounted Cash Flow (DCF), Comparable Company Method (CCM), and Dividend Discount Model (DDM) valuation methods to arrive at the fair value of Parkin. Parkin is an independent carved-out entity of the Roads and Transport Authority (RTA) in Dubai. The Company assets have been operational since 1995 and are owned by the Dubai Investment Fund, a wholly-owned subsidiary of the Government of Dubai. Parkin holds a dominant market position, with a 100.0% share of the public parking market in Dubai and 91.0% of Dubai's paid parking market overall as of November 2023. Its presence is across three parking activities including Public Parking, Multistorey Car Parking (MSCPs), and Developer Parking, and it is also responsible for enforcing parking regulations and collecting fines. Parkin operates a capex-light business model, where the majority of the capital expenditure is made by RTA. We have assigned a higher weight to DCF valuation as it strengthens its reliability in capturing future cash flow projections over multiple periods as opposed to other valuation methods. In CCM valuation, an Average of EV/EBITDA and P/E multiple is used to value the Company as the P/E multiple allows for easy comparison with similar companies within the industry or sector, and EV/EBITDA multiple allows us to compare companies of various sizes with different capital structures. Parkin is expected to pay a minimum dividend payout of the higher of 100.0% of net income or free cash flow to equity after deducting the statutory reserve requirement (FCFE) thus, it considered valuing it using the DDM valuation method. In DDM valuation, the dividend paid to shareholders is used to value the Company.

CONSOLIDATED VALUATION PARKIN

Name of Entity	Valuation (AED, Mn)	Weight (%)	Total Valuation (AED, Mn)
Valuation of the PARKIN based on -			
Discounted Cash Flow (DCF)	8,005	75.0%	6,004
Dividend Discount Model (DDM)	7,424	15.0%	1,114
Relative Valuation (Average of P/E and EV/EBITDA)	6,829	10.0%	683
Total Valuation (AED, Mn)			**7,800**
Total Valuation (USD, Mn)			**2,124**
Valuation AED per share			**2.60**

The performance of Parkin is analyzed in detail to arrive at fair value estimates. We took a fair estimate across the respective companies' income statements and financial positions to arrive at their valuation. The valuation brought forward a target value of AED 2.60 per share.

The weightage assigned to the DCF, DDM and RV valuation methods stood at 75%, 15%, and 10%, respectively.

We arrived at a value of AED 2.67 per share using DCF valuation

1) Discounted Cash Flow Valuation

We relied upon the guidance provided by the Company management for the next five financial years starting from FY2024 and ending FY2028 to arrive at the valuation through DCF methodology. We derived the Company's Terminal Value using the Gordon Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.0% to perpetuity. To arrive at Ke (Cost of Equity), we have used the 10-year government bond yield of 4.5%, Country risk premium of 3.1%, and average Beta of 0.83 for the infrastructure sector. After applying all these, we arrived at the cost of equity of 8.3%. We have used a 10-year US Government Yield and further added a 10-year Dubai Government CDS spread to arrive at an appropriate risk-free rate. Parkin plans to borrow funds through a term facility to pay RTA payables. The debt is borrowed at 3-Month EIBOR plus a margin of 0.80% basis point. Therefore, we have used free cash flow to a firm to arrive at the valuation using the DCF methodology. The same is used to arrive at a weighted average cost of capital. We assume the cost of debt of 5.6% and adjusted for the tax rate to arrive after the tax cost of debt of 5.1%. We used an debt-to-equity ratio of the company to compute the weighted average cost of capital.

I. DCF Valuation of PARKIN

	FY2024	FY2025	FY2026	FY2027	FY2028
All figures in AED Mn, unless stated					
NOPAT	397	431	439	472	492
(+/-) Depreciation & amortization	49	54	64	65	73
(+/-) CAPEX	-19	-34	-35	-40	-34
(+/-) Working Capital	76	0	4	1	4
Free Cash flow to Firm	**503**	**452**	**472**	**498**	**535**
Discount factor	*0.96*	*0.90*	*0.83*	*0.77*	*0.72*
Present Value of FCFF	**485**	**405**	**393**	**385**	**384**
Total Present value of FCFF					2,052
Terminal Value					7,050
Terminal growth rate					2.0%
Weighted average cost of capital					7.6%
Enterprise Value					**9,102**
Cash/ (Net Debt)					-1,097
Equity Value					**8,005**

Source: FAB Securities Research

a) Sensitivity of DCF to Key Assumptions

Sensitivity analysis generates the highest valuation of AED 4.20 per share and the lowest valuation of AED 1.95 per share

Our DCF valuation is based on a weighted average cost of capital (WACC) of 7.6%. A sensitivity analysis shows that a change of +/- 0.5% in the weighted average cost of capital and terminal growth rate will provide a valuation range of AED 1.95 per share to AED 4.20 per share. The table below shows the sensitivity between the change in terminal growth rate and the weighted average cost of capital.

1. DCF Sensitivity to Terminal Growth Rate and WACC

		Terminal growth				
	3	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**
WACC	**6.6%**	2.76	3.01	3.32	3.71	4.20
	7.1%	2.51	2.71	2.96	3.27	3.64
	7.6%	2.29	2.46	2.67	2.91	3.21
	8.1%	2.11	2.25	2.42	2.62	2.86
	8.6%	1.95	2.07	2.21	2.38	2.58

2) Relative Valuation

We are using EV/EBITDA and P/E multiple in CCM valuation to value the firm

In the CCM valuation, we have used an average EV/EBITDA and P/E multiple to value Parkin. We have used regional infrastructure companies to value Parkin. Although we also took out multiple of global companies offering parking services and related parking infrastructure to value Parkin. Parkin is valued based on multiple of local infrastructure companies because these companies are market leaders in UAE and enjoy certain benefits which global peers lack. In addition, Parkin's business is comparable to Salik as both are operating at a concession agreement with RTA. Salik is trading at a premium multiple to other infrastructure peers, thus we applied a premium of 25% to the infrastructure peers' median valuation multiple to value Parkin. The Company is an important part of Dubai's infrastructure and exhibits similar characteristics to other infrastructure players, like Salik, Empower, Dewa, and ADNOC. These companies possess similar KPIs as compared to Parkin. Further, the Infrastructure operating company growth is linked to Dubai's economic expansion and population growth. In addition, the business model is inflation-linked with high barriers to entry, leading to strong market share resulting in generating favorable margins with attractive cash conversion.

II. Relative Valuation of Parkin

(All Figures in Million AED, unless stated)	
Based on EV/EBITDA Multiple	
EBITDA (FY2024)	479
Applicable Multiple	15.8x
Premium/(Discount to Median Multiple)	25.0%
Peer Median Valuation	12.6x
Enterprise Value	**7,553**
Net (Debt)/Cash	-1,097
Equity Value	**6,456**

Source: Company Information, FAB Securities Research

(All Figures in Million AED, unless stated)	
Based on P/E Multiple	
Net Income (FY2024)	332
Applicable Multiple	21.7x
Premium/ (Discount to Median Multiple)	25.0%
Peer Median Valuation	17.4x
Equity Value	**7,202**

Source: Company Information, FAB Securities Research

III. Peers Valuation

Company. Name	Market Cap (USD, mn)	EV/EBITDA (x) 2024	EV/EBITDA (x) 2025	PE (x) 2024	PE (x) 2025	Dividend Yield (%) 2024	Dividend Yield (%) 2025
Regional Infrastructure Companies							
Dubai Taxi Company	1,538	10.1	9.3	15.8	14.1	5.4	6.2
SALIK CO PJSC	6,861	18.7	17.2	22.5	19.7	4.5	5.0
DUBAI ELECTRICITY & WATER AU	33,353	9.8	9.3	17.4	16.6	5.0	5.3
EMIRATES CENTRAL COOLING SYS	4,465	12.5	11.9	17.2	16.3	5.3	5.7
ABU DHABI NATIONAL OIL CO FO	12,559	13.5	12.4	18.7	17.3	5.6	5.6
Average		**12.9**	**12.0**	**18.3**	**16.8**	**5.2**	**5.5**
Median		**12.6**	**11.9**	**17.4**	**16.6**	**5.3**	**5.6**
Max[1] (Quartile 3)		**13.5**	**12.4**	**18.7**	**17.3**	**5.4**	**5.7**
Min[2] (Quartile 1)		**10.1**	**9.3**	**17.2**	**16.3**	**5.0**	**5.3**

Source: Bloomberg, [1] Values correspond to Quartile 3, [2] Values correspond to Quartile 1

Company. Name	Market Cap (USD, mn)	EV/EBITDA (x) 2024	EV/EBITDA (x) 2025	PE (x) 2024	PE (x) 2025	Dividend Yield (%) 2024	Dividend Yield (%) 2025
Parking Companies							
SP PLUS CORP	1,019	10.1	9.2	14.6	12.4	NA	NA
PARK24 CO LTD	2,095	5.9	5.4	15.3	13.2	0.3	0.8
SMART PARKING LTD	99	10.0	7.7	17.0	13.5	NA	NA
ALLPARK EMPREENDIMENTOS PART	192	4.8	4.5	NA	19.2	NA	NA
JENKONGKLAI PCL	85	10.7	6.4	32.4	23.8	0.9	1.2
NIPPON PARKING DEVELOPMENT Co.	413	7.1	6.2	11.7	10.5	3.1	3.2
Average		**8.1**	**6.6**	**18.3**	**16.8**	**1.4**	**1.7**
Median		**8.5**	**6.3**	**17.4**	**16.6**	**0.9**	**1.2**
Max[1] (Quartile 3)		**10.1**	**7.4**	**18.7**	**17.3**	**2.0**	**2.2**
Min[2] (Quartile 1)		**6.2**	**5.6**	**17.2**	**16.3**	**0.6**	**1.0**

Source: Bloomberg, [1] Values correspond to Quartile 3, [2] Values correspond to Quartile 1

3) Dividend Discount Valuation (DDM)

Using the DDM approach, we arrive at a fair value of AED 2.47 per share

The company maintains a policy to declare regular dividends to shareholders in the forecasted period. Parkin is expected to pay a minimum dividend payment of the higher of 100.0% of net income or free cash flow to equity (FCFE) after deducting the statutory reserve requirement in the forecasted period. The dividend is in line management estimate. All forecasted dividend is discounted to present value using the cost of equity. Details related to the cost of equity calculation is provided above. We have also calculated our terminal growth rate assuming the Company business will continue to operate until perpetuity using the terminal growth rate of 2%.

IV. Dividend Discount Valuation

	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
All figures in AED million, unless stated					
Total Dividend	**406**	**392**	**418**	**449**	**491**
Discount factor	*0.96*	*0.89*	*0.82*	*0.76*	*0.70*
Present value of Dividend	**390**	**348**	**343**	**341**	**344**
Total Present Value of Dividend					**1,766**
Terminal Value					5,658
Terminal growth rate					2.0%
Cost of Equity					8.3%
Equity Value					**7,424**

Source: Company Information, FAB Securities Research

Key Financial Metrics

Financial Performance at a Glance

Growth Dynamics

Parkin leads the market with 196,563 parking spaces and holds a market share of 91% of Dubai's paid parking market and 100% in the public market parking as of November 2023

Parkin will operate as an independent carved-out entity of the Roads and Transport Authority (RTA) in Dubai. The Company assets have been operational since 1995 and will be owned by the Dubai Investment Fund, a wholly-owned subsidiary of the Government of Dubai. The company signed a 49-year exclusive Concession Agreement with RTA that provides Parkin with the exclusive right to operate RTA's parking facilities. Its presence is across three parking activities including Public Parking, Multistorey Car Parking (MSCPs), and Developer Parking, and it is also responsible for enforcing parking regulations and collection of fines. Parkin operates as a capex-light business model, where RTA makes the majority of the capital expenditure.

Parkin holds a dominant market position, with a 100.0% market share of the public parking market in Dubai and 91.0% of Dubai's paid parking market overall as of November 2023. The company's total number of parking spaces grew at a CAGR of 4.2% to 196,563 in FY2023 from c. 141,000 in FY2015.

Parkin derived most of its revenue from public On-street / Off-street parking, contributing to 45.9% of the total revenue in FY2023 followed by 23.3% from the Fines, 20.0% from Permits and Seasonal Cards and Parking Reservations, 7.5% from Developer Parking, 2.2% from the MSCPs and the remaining 1.1% from Other Services in FY2023.

We expect Parkin to add on an average of 4,980 new parking spaces in Public Parking On-street and Off-street segments per year between FY2024-28. As a result of this addition, the total parking space will grow to 199,900 public parking spaces by FY2028. It also plans to add 1,000 parking spaces per year in the Developer Parking Segment between FY2025-28, resulting in a total Developer Parking space of 14,025 by FY2028.

Revenue growth is attributed to the growth in parking demand in Dubai owing to the increase in daytime population, higher tourist arrivals, and pandemic recovery

Parkin's revenue is expected to grow at a CAGR of 4.6% from AED 779 Mn in FY2023 to AED 976 Mn in FY2028. The topline growth is driven by the increase in parking demand in Dubai, owing to the growth in daytime population, higher tourist arrivals, and pandemic recovery. Dubai's total day-time population grew from 4.5 Mn in FY2021 to 4.7 Mn in FY2022. While number of tourist arrivals in Dubai almost doubled from 7.3 Mn in FY2021 to 14.4 Mn in FY2022. The number of registered vehicles in Dubai grew from 1.9 Mn in FY2021 to 2.1 Mn in FY2022, further supporting the revenue growth.

The company steadily enhanced its cost profile by optimizing operations and reducing operational costs in proportion to its revenue-generating capabilities. Operating expenses declined to AED 337 Mn in FY2023PF, compared to AED 350 Mn in FY2022. This decline is attributed to lower maintenance and other expenses. The proforma total cost excluding concession fees stood at AED 231 Mn, representing 29.7% of total revenue in FY2023PF. Fixed costs contributed the majority of the total cost and stood at c. 78% of the total cost, while variable costs accounted for the remaining c. 22%. Operating costs are majorly driven by employee expenses, contributing c. 60% to the total cost excluding concession fee in FY2023PF.

In addition, Parkin's EBITDA recorded higher growth than revenue mainly benefitted from operating leverage. The Company also benefitted from substantial margin expansion, driven by strong top-line performance and ongoing improvements in operational efficiency. Parkin's EBITDA margin expanded 774 bps from 49.0% in FY2022 to 56.8% in FY2023 on a proforma basis. We expect EBITDA to grow at a CAGR of 6.6% from AED 443 Mn in FY2023PF to AED 610 Mn in FY2028, with margins expansion of 569 bps to 62.5% by FY2028.

Parkin incurred a cumulative net capex of AED 18.8 Mn during FY2021-23. We expect the Company to incur a net capex of AED 163 Mn during FY2024-28. The company operates as a capex-light model business model, as the RTA is responsible for the major capex, and Parkin is only liable for maintenance capex. In addition, Parkin also benefits from the advantaged cost position due to operating leverage which allows it to scale the business without incurring additional costs. Thus, Parkin generated strong cash flows. Free cash flow rose from AED 334 Mn in FY2022 to AED 438 Mn in FY2023PF.

Figure 43: Summary financials (AED, Mn)

	2021	2022	2023PF	2024E	2025E	2026E	2027E	2028E
Revenue	591	686	779	820	875	907	940	976
EBITDA	240	337	414	479	522	541	579	610
EBIT	220	316	395	430	468	477	514	537
Net profit	220	316	394	332	373	387	425	451
EBITDA Margin	*40.7%*	*49.0%*	*53.2%*	*58.4%*	*59.6%*	*59.7%*	*61.6%*	*62.5%*
EBIT Margin	*37.2%*	*46.0%*	*50.7%*	*52.5%*	*53.5%*	*52.6%*	*54.7%*	*55.0%*
Net Profit Margin	*37.2%*	*46.0%*	*50.6%*	*40.5%*	*42.7%*	*42.6%*	*45.2%*	*46.2%*
Net Debt/EBITDA	*NA*	*NA*	*NA*	*1.8x*	*1.7x*	*1.6x*	*1.5x*	*1.3x*

Source: Company Information, FAB Securities research 2024-28

Financials

Revenue

Parkin's key segments include Public Parking, Permits and Seasonal Cards, and Developer Parking and revenue from these segments grew c.19%, c.16%, and c.27%, respectively in FY2023

The company generates revenue from diverse segments including Parking Payments, Permits, Reservation and Other Services, and Fines. The Parking payment is further segregated into three sub-segments, Public Parking, MSCPs, and Developer Parking. The company's total revenue grew 13.6% from AED 686 Mn in FY2022 to AED 779 Mn in FY2023, driven by the increase in parking demand in Dubai, owing to growth in daytime population, higher tourist arrivals and pandemic recovery. The Company's revenue is further expected to grow at a CAGR of 4.6% from AED 779 Mn in FY2023 to AED 976 Mn in FY2028 driven by the addition of the new parking spaces, increase in utilization, growth in revenue from Permits and Seasonal Cards, and Parking Reservations from the customers of government entities and Other Services revenue grew due to introduction of advertising revenue as well as expansion in rental services in the Segment. This is partially offset by a decline in revenue of MSCP and Developer Parking Fee.

A. Public on-street/off-street parking:

Revenue from Public On-street/Off-street parking segment grew 19.0% from AED 301 Mn in FY2022 to AED 358 Mn in FY2023 driven by an increase in implied utilization rate from 20.6% in FY2022 to 24.2% in FY2023 owing to growth in daytime population, higher tourist arrivals and growth in registered vehicles in Dubai. Currently, the company manages 175,071 paid parking spaces across 85 locations, as of 31 December 2023. It is a market leader in the public as well as paid parking market segment in Dubai with a complete market share in the Public Parking segment. These paid parking spaces comprise 77.0% On-street and 23.0% Off-street parking spaces in Dubai. Parkin charges tariffs for public parking spaces ranging from AED 2 to AED 4 per hour across four zones, applicable from Monday to Saturday between 8 am to 10 pm. It provides free parking on public holidays according to the Dubai Government guidelines. These charges also vary with the type of location, such as for the parking space located in a premium location the tariffs range from AED 3 to AED 4 per hour. Parking spaces located in standard locations charge AED 2 per hour. Public on-street/off-street parking segment contributed 45.9% of total revenue in FY2023.

Parkin's public on-street/off-street parking segment achieved an average implied utilization rate of 20.1% during FY2019-23. We expect revenue from Public On-street/Off-street parking Segment to grow at a CAGR of 6.0% from AED 358 Mn in FY2023 to AED 479 Mn in FY2028, primarily driven by factors, including reclassification of c. 12,000 parking spaces from Zone C to Zone A, higher utilization rate and the addition of new parking spaces. Additionally, the digitalization of operation and enforcement contributes to this growth. We expect Public On-Street/Off-Street Parking segment to maintain an average implied utilization rate of 25.7% from FY2024-28.

Public on and off-street	2021A	2022A	2023PF	2024E	2025E	2026E	2027E	2028E
Parking Spots ('000)	171	173	175	183	187	192	196	200
Implied Utilization	18.5%	20.6%	24.2%	24.7%	25.2%	25.7%	26.2%	26.7%
Occupied Spot Hours per Registered Vehicle	69	73	80	82	82	82	82	82
Implied Total Spot Hours (Mn)	714	723	730	766	781	799	816	837
Weighted Average Hourly Tariff (AED)	2.01	2.02	2.02	2.08	2.14	2.14	2.14	2.14
Chargeable Hours per Day	14	14	14	14	14	14	14	14
Revenue (AED, Mn)	266	301	358	394	422	440	458	479

Source: Company Information, FAB Securities Estimates 2024-28

B. Multistorey Car Parking (MSCP):

Revenue from the multistorey car parking segment grew 7.8% from AED 16 Mn in FY2022 to AED 17 Mn in FY2023, owing to higher occupancy of the parking spaces. Currently, the Company operates 3,739 paid parking spaces across nine locations, as of December 2023. It charges a tariff of AED 5 per hour for multistorey car parking. The segment contributed 2.2% of total revenue in FY2023.

Parkin's multistorey car parking segment achieved an occupancy rate of 28.0% in FY2022. We expect revenue from MSCP Segment to decline to AED 15.9 Mn in FY2028 from AED 17.2 Mn in FY2023. This is mainly due to a decrease in the parking spaces in this segment as a result of the conversion of Sabkha MSCP to PPP basis.

MSCP	2021A	2022A	2023PF	2024E	2025E	2026E	2027E	2028E
Year-End Parking Spots	3,295	3,295	3,295	2,763	3,295	3,295	3,295	3,295
Chargeable Hours per Day	24	24	24	24	24	24	24	24
MSCP Tariff (AED)	5	5	5	5	5	5	5	5
Revenue (AED Mn)	13	16	17	11	15	16	16	16

Source: Company Information, FAB Securities Estimates 2024-28

C. Developer Parking:

Revenue from the developer parking segment grew 26.6% from AED 46 Mn in FY2022 to AED 59 Mn in FY2023, driven by an increase in the number of parking spaces in this segment and higher utilization of the parking spaces. Currently, the company operates 17,753 paid parking spaces across seven locations, as of 31 December 2023, Parkin charges tariffs of AED 2 to 10 per hour for different locations. The developer car parking segment contributed 7.5% of total revenue in FY2023.

Developer parking	2021A	2022A	2023PF	2024E	2025E	2026E	2027E	2028E
Year-End Parking Spots	26,000	17,200	17,753	10,025	11,025	12,025	13,025	14,025
Chargeable Hours per Day	14	14	14	14	14	14	14	14
Developer Parking Tariff (AED) [1]	4	4	4	4	4	4	4	4
Occupancy across Developer Parking	16.0%	23.0%	26.0%	24.5%	25.0%	25.0%	25.0%	25.0%
Revenue (AED Mn)	41	46	59	46	51	55	60	64

Source: Company Information, FAB Securities Estimates 2024-28
Note: [1] Rate at AED4 per hour at the exception of Al Sufouh (AED2 per hour) and Jumeirah Lake Towers (AED4 and AED10 /hour)

Parkin's Developer Parking segment achieved an average utilization rate of 20.0% during FY2019-23. We expect revenue from the Developer Parking Segment to grow at a CAGR of 1.8% from AED 59 Mn in FY2023 to AED 64 Mn in FY2028 due to the addition of 1,000 parking spaces every year from FY2025-28 with an expected average utilization of c. 25% during the forecasted period between FY2024-28. The forecasted segment's growth is offset by relinquishing 7,728 parking spaces upon renewal at Al Sufouh in FY2024.

D. Fines:

Revenue from the Fines segment grew 1.3% from AED 179 Mn in FY2022 to AED 181 Mn in FY2023. The segment contributed 23.3% of total revenue in FY2023. We expect the collection rate from fines to average 90.0% during the forecasted period between FY2024-28. We expect revenue from the Fines to grow at a CAGR of 3.0% from AED 181 Mn in FY2023 to AED 210 Mn in FY2028 due to the growth in number of fines issued as an effect of increased efficiency of the enforcement from the digitization of enforcement using scan cars and cameras.

Fines	2021A	2022A	2023PF	2024E	2025E	2026E	2027E	2028E
Collection rate	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
As % of Revenue (excl. Fines and Other Services)	30.5%	36.0%	31.0%	31.0%	30.2%	29.4%	28.6%	27.8%
Revenue (AED Mn)	136	179	181	192	200	203	207	210

Source: Company Information, FAB Securities Estimates 2024-28

E. Permits and Seasonal Cards, and Parking Reservations:

Revenue from the Permits, Seasonal Cards, and Parking Reservations segment grew 15.5% from AED 135 Mn in FY2022 to AED 156 Mn in FY2023. Permits and Seasonal Cards, and Parking Reservations Segment contributed 20.0% of total revenue in FY2023. The segment revenue is expected to grow at a CAGR of 4.7% from AED 156 Mn in FY2023 to AED 196 Mn in FY2028. The revenue of this segment is anticipated to grow 7.5% to AED 167 Mn in FY2024 due to revenue growth from government entities' customers. Earlier, this category of customers was exempted from parking fees; however, after the carve-out of Parkin from RTA the exemption provided to government entities will be withdrawn. The revenue from the Permits, Seasonal Cards, and Parking Reservations segment is expected to grow at a CAGR of 4.0% between 2025-28 marginally higher than the growth of 2.8% in daytime population per annum in Dubai.

Permits and Seasonal Cards, and Parking Reservations	2021A	2022A	2023PF	2024E	2025E	2026E	2027E	2028E
Revenue (AED Mn)	126	135	156	167	174	181	188	196

Source: Company Information, FAB Securities Estimates 2024-28

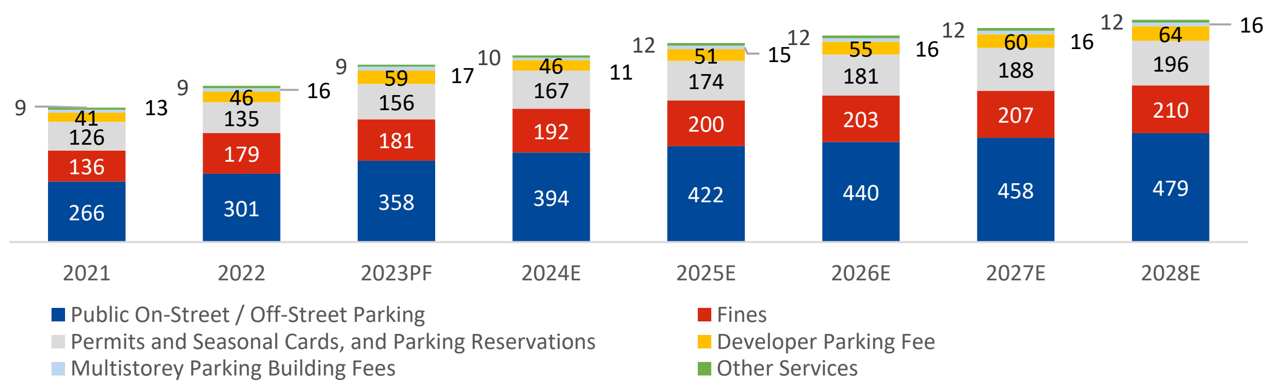
F. Other Services:

Revenue from Other Services declined 6.7% from AED 9.4 Mn in FY2022 to AED 8.7 Mn in FY2023. We expect revenue from this segment to grow 15.0% per annum each in 2024 and 2025, primarily driven by a growth in advertisement revenue and rental services. After that, we anticipate the segment revenue to grow 1.3% annually over the medium term due to the offering of additional services and the start of the Sabkha MSCP on a PPP basis.

Other Services	2021A	2022A	2023PF	2024E	2025E	2026E	2027E	2028E
Revenue (AED Mn)	9	9	9	10	12	12	12	12

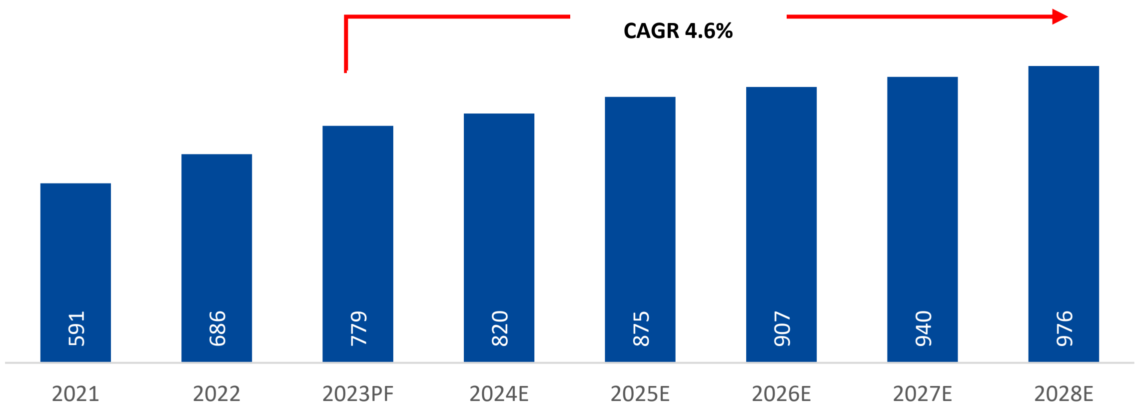
Source: Company Information, FAB Securities Estimates 2024-28

Figure 44: Revenue by segment (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

Figure 45: Total revenue (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

Operating Expenses

Parkin's cost structure is made up of a stable cost base with an ongoing focus on efficiencies

The Company's operating cost is made up of fixed and variable expenses. In FY2023, fixed cost made up 77.7% of the total operating cost excluding concession fee. The presence of high fixed cost allows it to scale operations without much increase in costs and benefits from operating leverage. The company's total operating expenses declined to AED 337 Mn in FY2023PF, compared to AED 350 Mn in FY2022. This decline is attributed to decline in fixed cost partially offset by an increase in variable cost. The proforma total operating cost excluding concession fees stood at AED 231 Mn, representing 29.6% of total revenue in FY2023PF. Fixed costs contributed the majority of the total cost and stood at 77.7%, while variable costs accounted for the remaining 22.3% in FY2023PF.

Fixed expense is expected to grow from AED 179 Mn in FY2023PF to AED 190 Mn by FY2028

The Company's fixed expenses include employee benefits expenses, other expenses, maintenance expenses, and TSA expenses. Employee benefits expenses grew 2.5% to AED 139 Mn in FY2023PF from AED 136 Mn in FY2022 due to higher FTE cost partially offset by a decline in number of employees. Further, the employee benefit expense is expected to grow at a CAGR of 0.5% from AED 139 Mn in FY2023PF to AED 143 Mn in FY2028 due to an increase in the FTEs cost from c. AED 286,000 in FY2023PF to AED 337,632 by FY2028 partially offset by a decline in number of employees. Maintenance expenses declined from AED 34 Mn in FY2022 to AED 16 Mn in FY2023PF. Further, the maintenance expense is expected to decline from AED 16.4 Mn in FY2023PF to AED 10.7 Mn in FY2028. TSA expense is expected to grow at a CAGR of 12.1% from AED 12.4 Mn in FY2023PF to AED 22.0 Mn in FY2028 due to growth in expense in line with the revenue growth. Other expenses declined from AED 36.1 Mn in FY2022 to AED 11.4 Mn in FY2023PF. Other expenses are expected to grow from AED 11.4 Mn in FY2023PF to AED 14.2 Mn by FY2028. The company's total fixed cost is expected to grow from AED 179 Mn in FY2023PF to AED 190 Mn by FY2028, due to an increase in employee benefit expense, other and TSA expenses. Overall, the fixed expense is expected to contribute an average 73.4% of the total operating expense excluding the concession fees for the period FY2024-28. The major component of the fixed cost is employee benefit expense which is expected to contribute an average of 77.1% of the total fixed cost during FY2024-28.

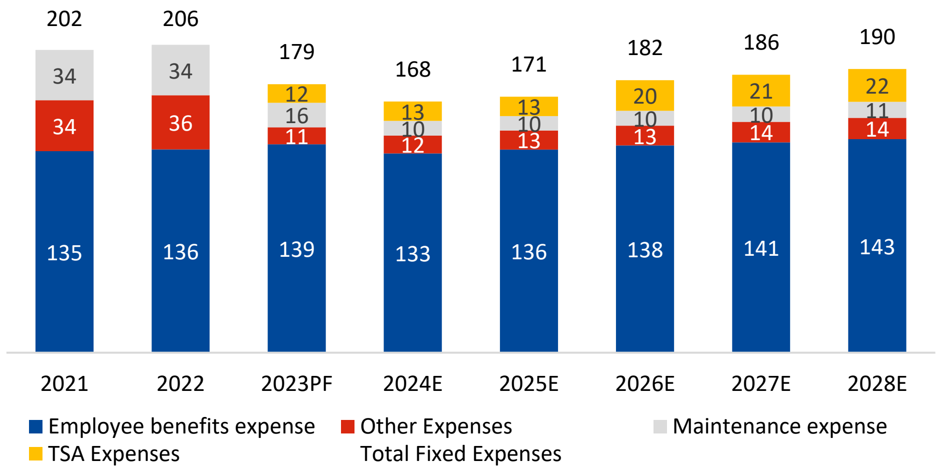
Variable expense is expected to grow at a CAGR of 6.1% from AED 52

The Company's variable expenses include Commission expenses, Variable Lease Payments, and Impairment/Reversal on trade receivables. Commission expenses grew 12.4% to AED 28 Mn in FY2023PF from AED 25 Mn in FY2022 due to an increase in telecom operators' service charges. Further, the commission expense is expected to grow at a CAGR of 5.4% from AED 28 Mn in FY2023PF to AED 37 Mn in FY2028 due to an increase in service charges paid to the telecom operators in line with the revenue growth. Variable lease payment is expected to grow at a

Mn in FY2023PF to AED 69 Mn by FY2028

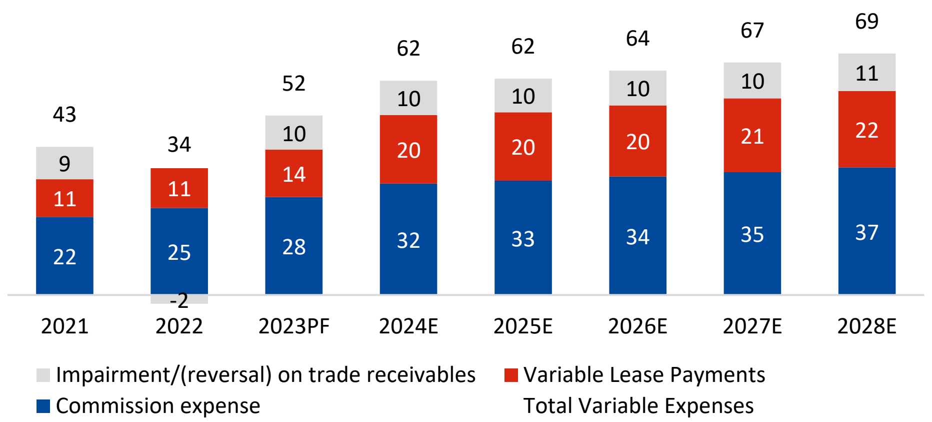
CAGR of 10.1% from AED 13.6 Mn in FY2023PF to AED 22.0 Mn in FY2028, this is mainly driven by the addition of new parking opportunities identified by Parkin. Impairment loss/reversals on trade receivables grew from negative AED 2.5 Mn in FY2022 to AED 9.8 Mn in FY2023PF. Further, it is expected to grow from AED 9.8 Mn in FY2023PF to AED 10.7 Mn in FY2028 due to an increase in receivables. Total variable expenses to grow at a CAGR of 6.1% from AED 52 Mn in FY2023PF to AED 69 Mn in FY2028 mainly due to the higher variable lease payments, the commission expenses and impairment on receivables. The variable expense is expected to contribute an average of 26.6% of the total operating expenses excluding the concession fees during FY2024-28.

Figure 46: Fixed expenses (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

Figure 47: Variable expenses (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

Concession Fee Expenses

Concession fees are expected to grow at CAGR 0.5% from AED 106 Mn in FY2023 to AED 108 Mn in FY2028

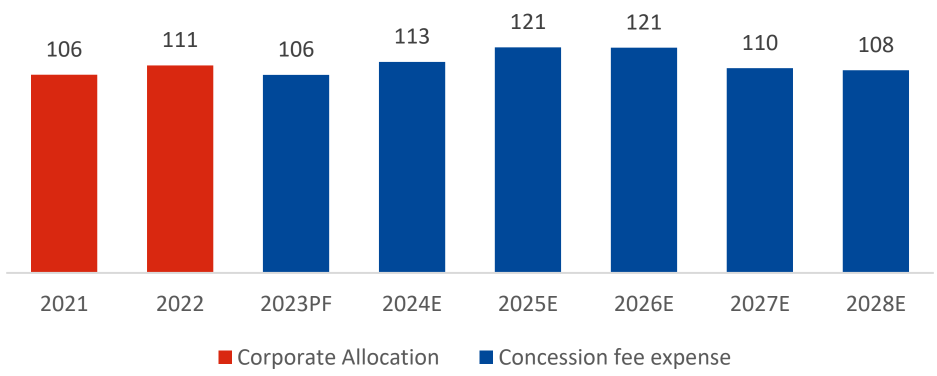
RTA plans to carve out its parking activities into a separate standalone entity Parkin. Parkin will operate through an exclusive 49-year concession agreement with RTA. The concession fee will start from 01 January 2024. The Company is expected to pay a base concession fee of 20% of total revenue excluding revenue generated from fines, revenue generated from developer parking, the portion of revenue generated from other services that is not subject to the concession fee (i.e., portion is mainly related advertisement revenue), and (the portion of revenue generated from permits and seasonal cards, and parking reservations that is not subject to the concession fee (i.e., revenue related to seasonal cards from developer parking.

We anticipate a concession fee of AED 106 Mn on a proforma basis in FY2023. After that, the concession will be paid at the base rate of 20% until 3Q26. The consumer inflation in UAE will average c. 2% in the forecasted period. RTA will maintain the status quo on the tariff going forward as a result we expect the tariff will remain unchanged in 4Q26. In case the tariff is not adjusted for cumulative inflation, the Company has the option to adjust the concession downward. The downward revision in concession fee will partially compensate for non-revision in tariff rates. Thus, the base concession fee will be revised to 16.8% based on total revenue excluding revenue from Developer Parking Fees, Fines, and Other Services in 4Q26.

We don’t expect any revision in concession even after 4Q26 and anticipate the tariff rate to remain unchanged. We have considered the cumulative inflation rate to calculate the adjusted concession fee rate for the years 2026 and 2028. Further, we expect the concession fees to decline to 13.4% in the year 2028 subject to if there is no hike approval by TEC and DOF in 2028.

The concession fees are expected to grow at a CAGR of 0.5% from AED 106 Mn in FY2023PF to AED 108 in FY2028, mainly attributed to growth in the top line.

Figure 48: Concession fee expenses (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

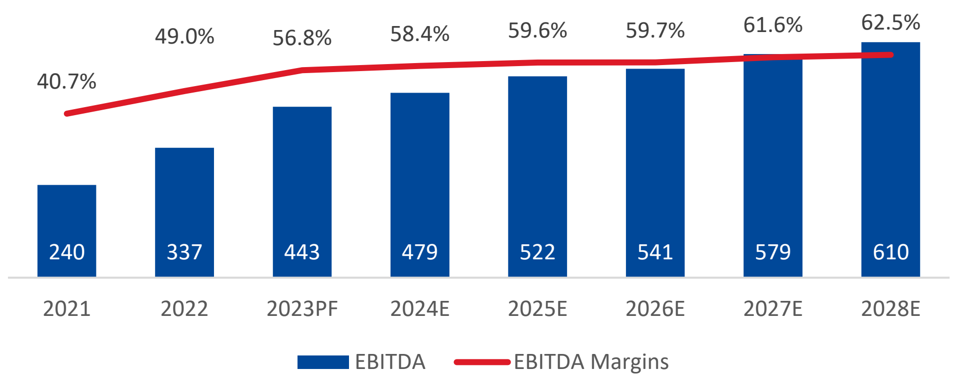
EBITDA

EBITDA margin is anticipated to expand 569 bps from 56.8% in FY2023PF to 62.5% in FY2028

Parkin's EBITDA registered a growth rate higher than the topline mainly due to the benefits of operating leverage. EBITDA grew significantly by 31.5% from AED 337 Mn in FY2022 to AED 443 Mn in FY2023PF due to an increase in revenue alongside benefitted from operating leverage. Thus, EBITDA margin expanded from 49.0% in FY2022 to 56.8% in FY2023PF. Further, the EBITDA will grow at a CAGR of 6.6% from AED 443 Mn in FY2023PF to AED 610 Mn in FY2028 due to growth in the revenue, benefit of operating leverage and downward adjustment in concession fee owing to unchanged tariff rate in the forecasted period.

The Company's EBITDA margin expanded 774 bps from 49.0% in FY2022 to 56.8% in FY2023PF. We expect EBITDA margin to grow from 56.8% in FY2023PF to 62.5% in FY2028, mainly expected to benefit from operating leverage.

Figure 49: Parkin's EBITDA (AED, Mn) and margin



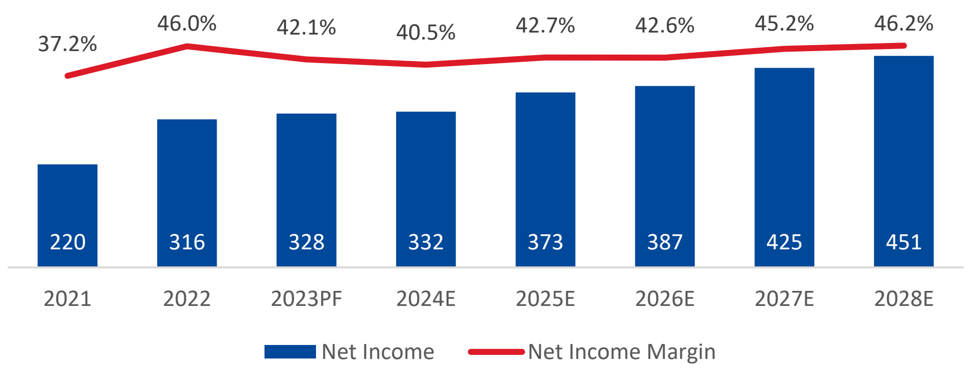
Source: Company Information, FAB Securities research 2024-28

Net Profit

Net profit is expected to grow at a CAGR of 6.6% during FY2023PF-2028

The Company's net profit is expected to grow at CAGR 6.6% from AED 328 Mn in FY2023PF to AED 451 Mn in FY2028. The company maintained an average net profit margin of 41.7% over the last three years FY2021-2023PF. The net profit margin declined from 46.0% in FY2022 to 42.1% in FY2023PF mainly due to an increase in interest expense. We forecast this margin to grow from 42.1% in FY2023PF to 46.2% in FY2028. The margin will benefit from topline growth, operating leverage, and a decline in interest rates partially offset by the incorporation of tax expense from FY2024. We forecast the finance cost of AED 65 Mn in FY2024, majorly due to a new term loan borrowed by Parkin, which is expected to decline to AED 41 Mn by FY2028 as a result of a decline in interest rate.

Figure 50: Net income (AED, Mn) and margin



Source: Company Information, FAB Securities research 2024-28

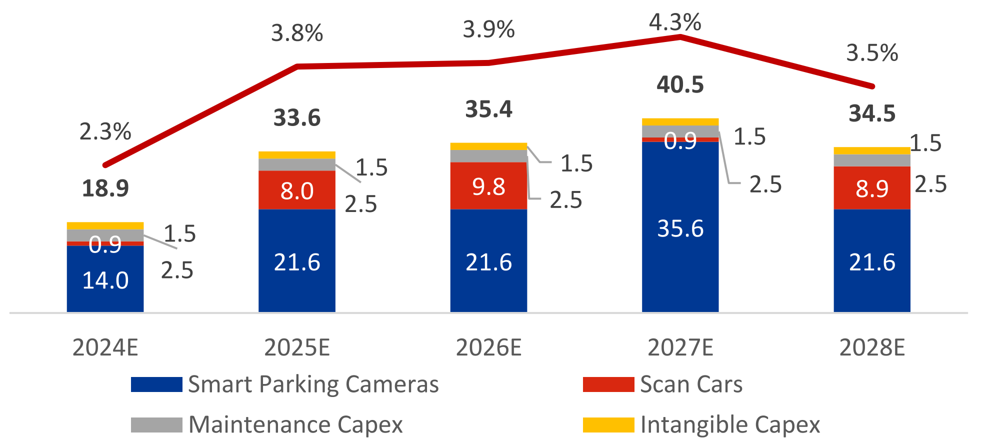
Capital Expenditure

We anticipate Parkin to spend an average of 3.6% of the total revenue on capex during FY2024-28

Parkin operates with a capex light model, where RTA is responsible for capex related to road and network infrastructure (both expansionary and maintenance), whereas Parkin is responsible for capex related to IT infrastructure, meters, scan cars, cameras, etc. During FY2021-23, the company incurred an average capex of AED 6 Mn. The company currently owns 19 scan cars as of December 2023, of which 10 cars were added in FY2023. Parkin deployed eight cameras in FY2023 at the entry and exit of parking plots spread across various locations. It further plans to deploy additional cameras in the forecasted period.

We expect Parkin to spend an average of AED 33 Mn on capital expenditure during FY2024-28. Parkin is expected to install 200 new cameras in 2024 and 308 new cameras to be installed each year during 2025-27 to reach a total smart parking cameras of 1,100 by 2033. Each camera is expected to cost c. AED 70,000 with a useful life of 3-years. All cameras are expected to be replaced at the end of their useful life. Parkin purchased nine scan cars in 2022, and 10 cars in 2023 and is expected to add one new car in each of 2024, 2026, 2028, 2031, and 2033. This will increase the number of total scan cars to 24 cars by 2033. Additionally, the company is expected to incur a recurring maintenance capex of c. AED 2.5 Mn per annum. The recurring maintenance capex is primarily related to the replacement of hardware used by inspectors for the scanning of plate numbers, in addition to other hardware such as computers. Parkin is also expected to incur an intangible capex of c. AED 1.5 Mn per annum from 2024 for software and IT systems maintenance. Thus, we expect the company to spend a cumulative capex of AED 163 Mn during FY2024 -28.

Figure 51: Parkin total capex (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

Working Capital

We anticipate Parkin to generate an average net working capital of AED 86 Mn during FY2024-28

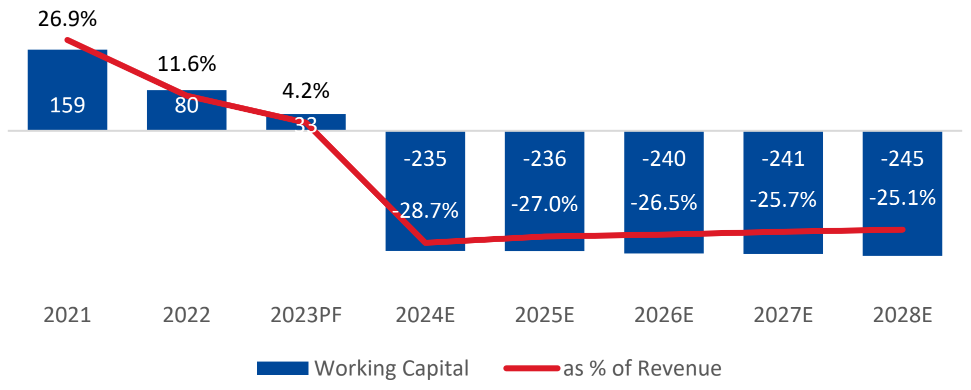
Parkin's working capital comprises receivables from related party, trade and other receivables, VAT receivable, trade and other payables, payable to related party, concession payable and contract liabilities. The company's net working capital stood at AED 159 Mn, AED 80 Mn and AED 33 Mn in FY2021-2023, respectively. The majority of net receivables consist of fines receivables and receivables from telecom operators. The company's receivable days stood at 229 days, 158 days and 117 days from FY2021-23, respectively. Parkin's trade payables include trade payables, payables to employees, and others. The payable days averaged 67 days during FY2021-23. It is expected to increase from 41 days in FY2023 to 63 days in FY2024 and further increase on an average by 2.0-2.5 days in the medium-term. Contract liabilities comprise collection from permits and seasonal cards and wallet applications.

We anticipate receivables days to average 95 days, payable days to average 68 days and contract liabilities average of 45 days during FY2024-28. We further project the net working capital to generate an average cash flow of AED 86 Mn during FY2024-28.

We assumed the concession fees to be paid in 90 days once it falls according to the concession agreement. We expect concession fees payable of AED 28 Mn in FY2024 and expected to decline to AED 27 Mn in FY2028 due to decline in concession fee.

We expect receivable to related party and VAT receivable expected to remain flat over the near and medium-term. In addition, payable to related party which comprises deferred portion of concession fee and VAT receivable is expected to remain flat over the near and medium-term.

Figure 52: Net working capital (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

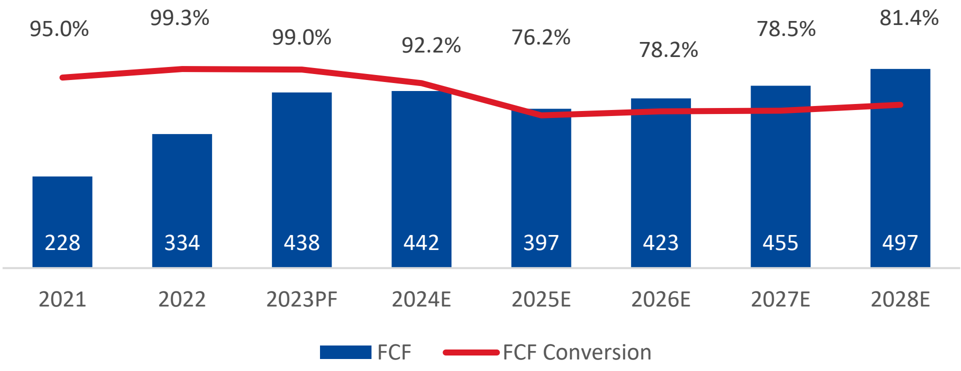
Cash Flow Generation

Parkin is expected to generate a cumulative cash flow of AED 2.6 Bn from operations during FY2024-2028 with a cumulative free cash flow of AED 2.2 Bn (adjusted for interest expense and taxes from FY2024-28) during the same period

Parkin generated AED 334 Mn and AED 438 Mn, in free cash flow (FCF) with an FCF conversion ratio of 99.3%, and 99.0% in FY2022 and FY2023PF, respectively. The high free cash flow conversion rate is attributed to growth in revenue coupled with a fixed cost base. The cash flow generation enables the company to pay a stable dividend with an average dividend payout ratio exceeding 100%. We expect Parkin to generate robust free cash flow and generate a cumulative free cash flow of AED 2,214 Mn during FY2024-28. Free cash flow is calculated in the forecasted period as cash flow from working capital minus Capex and interest expense.

Parkin is also expected to generate an average operating cash flow of AED 528 Mn in FY2024 - 28. The company operates with a capex light model where major capital expenditure is paid by RTA. The company is expected to spend capex for expenses associated with the maintenance of the parking system. Thus, we expect the company to incur a cumulative capex of AED 163 Mn during FY2023 -28. Cash flows from financing activities include a combined outflow of AED 993 Mn during FY2021-23, due to the distribution of profit to Parent company. Going forward, Parkin is expected to secure a long-term debt of AED 1,100 Mn and a revolving credit facility (RCF) of AED 100 Mn in January 2024. The proceeds from long-term debt are likely to be utilized to pay an upfront concession fee payment of AED 1,100 Mn to RTA. It is also expected to pay dividend in the forecasted period.

Figure 53: Free cash flows (AED, Mn)



Source: Company Information, FAB Securities research 2024-28

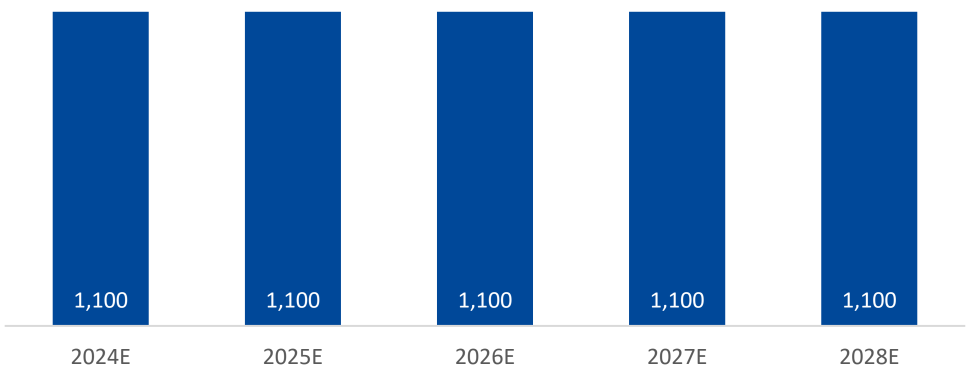
Debt Balance

Parkin expected to secure a term loan facility of AED 1.1 Bn at an interest rate of 3M EIBOR plus 80bps margin and also an AED 100 Mn revolving credit facility to ensure substantial liquidity

Parkin expected to secure a new debt package, which includes an AED 1.1 Bn term loan facility from Emirates NBD by January 2024. This loan features a non-amortizing structure and will be repaid in a single bullet payment at the end of a five-year term. The loan comes with an attractive cost of funding, with an interest rate of 3M EIBOR + 80 bps margin. Additionally, the company is expected to obtain an AED 100 Mn revolving credit facility (RCF) to ensure sufficient liquidity. The RCF carries an annual commitment fee of 25 bps with a tenor of five years. Parkin maintains ample debt headroom under maintenance covenants, with a net leverage ratio of approximately 2.3x as of 31 December 2023 on proforma basis. This newly acquired debt facility will boost shareholder returns with a conservative leverage level with attractive financing terms protecting cash flow generation and distributions.

We expect the company to incur a consolidated cumulative interest expense of AED 262 Mn and AED 1.3 Mn in commitment fee during FY2024-28.

Figure 54: Debt (AED, Mn)



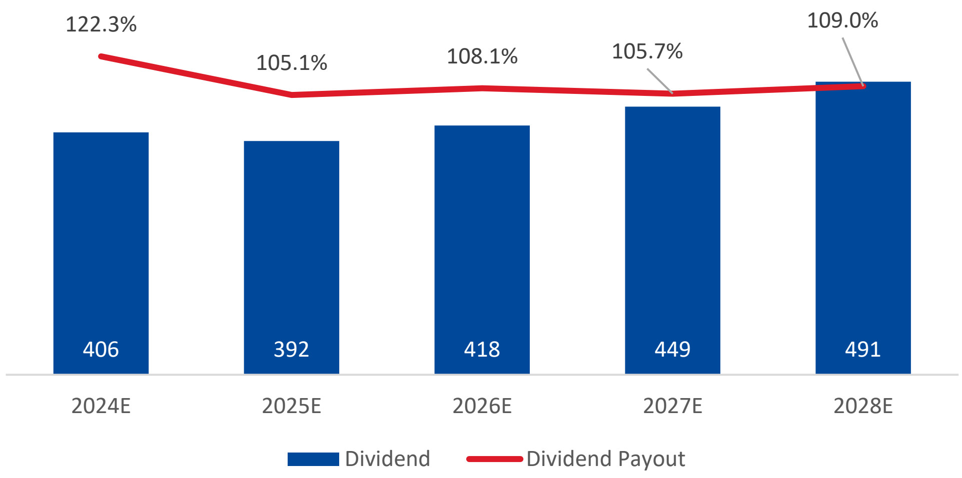
Source: Company Information, FAB Securities research 2024-28

Dividend

Parkin is expected to declare a dividend of AED 406 Mn in FY2024 and a cumulative dividend of AED 2.2 Bn during FY2024-28

Parkin's dividend policy is based on a minimum dividend payout of the **higher of 100.0% of net income** or **free cash flow to equity** after providing for statutory reserve. (FCFE). Since FCFE is higher than net income in the forecasted period as a result dividend is calculated based on the FCFE. Free cash flow to equity is calculated as net cash flows generated from/used in operating activities plus net cash generated from / used in investing activities plus net cash flows from financing activities (before any dividend payments). The company will distribute dividends semi-annually to reflect its strong cash flow generation profile. The dividend will be paid twice each fiscal year, the first half in October and the second half in April of the following year. We expect Parkin to pay a dividend of AED 202 Mn in 1H24 and AED 205 Mn in 2H24. The company's capex Light model enables it to generate strong cash flow which further supports stable payment. We anticipate Parkin to declare a cumulative dividend of AED 2.2 bn from FY2024-28. It is expected to pay a cumulative dividend of AED 2.0 Bn from FY2024-28.

Figure 55: Divided declared (AED, Mn) and payout ratio (%)



Source: Company Information, FAB Securities research 2024-28

FAB أبوظبي الأول للأوراق المالية SECURITIES

Financial Statements:

Income Statement, (AED, Mn)

	2021A	2022A	2023A	2023PF	2024E	2025E	2026E	2027E	2028E
Revenues	**591**	**686**	**779**	**779**	**820**	**875**	**907**	**940**	**976**
Other Income	0	1	1	1	1	1	1	1	1
Concession fee expense	0	0	0	-106	-113	-121	-121	-110	-108
Commission expense	-22	-25	-28	-28	-32	-33	-34	-35	-37
Maintenance expense	-34	-34	-28	-16	-10	-10	-10	-10	-11
Corporate allocation expenses	-106	-111	-121	0	0	0	0	0	0
Employee benefits expense	-135	-136	-139	-139	-133	-136	-138	-141	-143
Variable Lease Payments	-11	-11	-14	-14	-20	-20	-20	-21	-22
TSA Expenses	0	0	0	-12	-13	-13	-20	-21	-22
Impair/Reversal of on-trade receivables	-9	2	-10	-10	-10	-10	-10	-10	-11
Other Expenses	-34	-36	-26	-11	-12	-13	-13	-14	-14
Rent expense				-1					
EBITDA	**240**	**337**	**414**	**443**	**479**	**522**	**541**	**579**	**610**
Depreciation and amortization	-20	-21	-19	-48	-49	-54	-64	-65	-73
EBIT	**220**	**316**	**395**	**395**	**430**	**468**	**477**	**514**	**537**
Finance Cost	0	0	-1	-67	-65	-58	-52	-47	-41
Earning Before Tax	**220**	**316**	**394**	**328**	**365**	**410**	**425**	**467**	**495**
Income Tax Expense	0	0	0	0	-33	-37	-38	-42	-45
Net Profit/(Loss) for the Year	**220**	**316**	**394**	**328**	**332**	**373**	**387**	**425**	**451**

Source: Company Information, FAB Securities research (2024E-28E)

Key Ratios:

	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
YoY % Change								
Revenue		16.2%	13.6%	5.2%	6.6%	3.7%	3.7%	3.8%
EBITDA		40.1%	23.1%	15.6%	8.9%	3.8%	7.0%	5.3%
EBIT		43.7%	25.0%	8.9%	8.7%	2.0%	7.8%	4.4%
Net profit		43.8%	24.9%	-15.7%	12.3%	3.6%	10.0%	6.0%
% Margin								
EBITDA margin	40.7%	49.0%	53.2%	58.4%	59.6%	59.7%	61.6%	62.5%
EBIT margin	37.2%	46.0%	50.7%	52.5%	53.5%	52.6%	54.7%	55.0%
Net profit margin	37.2%	46.0%	50.6%	40.5%	42.7%	42.6%	45.2%	46.2%
Leverage								
Net Debt/EBITDA	NA	NA	NA	1.8x	1.7x	1.6x	1.5x	1.3x
Debt/Equity	NA	NA	NA	4.0x	4.5x	4.8x	5.0x	5.5x
Return ratios								
ROE	133.1%	500.8%	3125.7%	121.6%	152.0%	170.3%	194.6%	226.5%
ROA	60.3%	109.0%	156.2%	17.2%	19.5%	20.3%	22.4%	23.8%
ROCE	91.7%	229.2%	445.8%	30.1%	33.3%	34.4%	37.3%	39.4%
Free Cash Flow								
Free cash flow (FCF)	228	334	410	442	397	423	455	497
FCF conversion[1]	95.0%	99.3%	98.9%	92.2%	76.2%	78.2%	78.5%	81.4%
Free cash flow to equity (FCFE)[2]	0	-6	0	406	392	418	449	491

Source: Company Information, FAB Securities research (2023E-28E), [1]***Free Cash Flow (FCF)*** *= cash flow from operations – Capex – Finance Expense.*

[2]***FCFE*** *= Net cash flows generated from/used in operating activities plus net cash generated from / used in investing activities plus net cashflows from financing activities (before any dividend payments)*

Balance Sheet (AED, Mn)

	2021A	2022A	2023A	2023PF	2024E	2025E	2026E	2027E	2028E
Assets									
Property, Plant, and Equipment	53	34	27	27	33	49	56	69	67
Intangible Assets	11	11	9	1,409	1,380	1,351	1,322	1,293	1,264
Right-to-Use Assets	22	16	25	25	21	17	13	8	2
Total non-current assets	**86**	**62**	**61**	**1,461**	**1,435**	**1,417**	**1,391**	**1,369**	**1,333**
Current Assets									
Inventories				37	37	37	37	37	37
Trade and Other Receivables	278	228	191	191	168	177	181	185	190
VAT receivable			0	55	55	55	55	55	55
Cash and Cash Equivalents			0	118	235	226	239	255	276
Total Current assets	**278**	**228**	**191**	**402**	**495**	**495**	**512**	**532**	**558**
Total assets	**364**	**290**	**252**	**1,863**	**1,930**	**1,912**	**1,904**	**1,902**	**1,891**
Equities and liabilities									
Equity									
Share Capital	0	0	0	60	60	60	60	60	60
Statutory reserve					30	30	30	30	30
Accumulated net contributions (to)/from Parent	165	63	13	201	183	155	137	129	109
Total equity	**165**	**63**	**13**	**261**	**273**	**245**	**227**	**219**	**199**
Liabilities									
Employees' end-of-service benefits	57	61	54	35	39	42	46	49	52
Lease liabilities	17	14	22	22	20	18	16	14	12
Debt	0	0	0	1,097	1,097	1,097	1,097	1,097	1,097
Total non-current Liabilities	**75**	**75**	**76**	**1,154**	**1,156**	**1,158**	**1,159**	**1,161**	**1,162**
Current Liabilities									
Trade and Other Payables	64	90	97	26	45	48	53	56	60
Payables to related party	0	0	0	355	355	355	355	355	355
Concession Payable	0	0	0	0	28	30	30	27	27
Contract liabilities	53	55	61	61	68	72	76	81	85
Lease Liability	5	4	6	6	5	4	4	4	3
Provision for taxes	2	3	0	0	0	0	0	0	0
Total current liabilities	**124**	**152**	**164**	**448**	**501**	**509**	**518**	**522**	**530**
Total Liabilities	**199**	**227**	**240**	**1,602**	**1,657**	**1,667**	**1,677**	**1,683**	**1,692**
Total equity and liabilities	**364**	**290**	**252**	**1,863**	**1,930**	**1,912**	**1,904**	**1,902**	**1,891**

Source: Company Information, FAB Securities research (2024E-28E)

Cash Flow Statement (AED, Mn)

	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Cash flow from operating activities								
Profit for the year	**220**	**316**	**394**	**332**	**373**	**387**	**425**	**451**
Depreciation of property and equipment, and right of use asset	19	19	17	18	23	34	35	43
Amortization of intangible assets	2	2	2	31	31	31	31	31
Finance expense (interest on lease liabilities)	0	0	1	65	58	52	47	41
Provision for employees' end-of-service benefits	6	6	5	0	0	0	0	0
Impairment (reversal)/loss on financial assets	9	-2	10	0	0	0	0	0
Income tax expense								
Operating cash flow before movement in working capital and employees' end-of-service benefits paid:	**256**	**340**	**429**	**446**	**485**	**503**	**537**	**565**
Decrease/(increase) in trade and other receivables	-132	53	27	23	-9	-4	-4	-5
Decrease/(increase) in Trade and other payables[1]	23	26	4	47	5	4	1	3
Decrease/(increase) in Provision	1	1	0	0	0	0	0	0
Decrease/(increase) in Contract liabilities	3	2	6	6	4	4	4	5
Cash Generated from Operations	**150**	**422**	**466**	**522**	**485**	**507**	**539**	**569**
Employees' end-of-service benefits paid	-2	-3	-12	4	3	3	3	3
Taxes paid	0	0	0	0	0	0	0	0
Net Cash Inflows from Operating Activities	**148**	**419**	**454**	**526**	**489**	**511**	**542**	**572**
Cash Flows from Investing Activities								
Purchase of property, equipment and intangible assets	-12	-2	-4	-19	-34	-35	-40	-34
Proceeds from the sale of property and equipment	0	6	0	0	0	0	0	0
Net Cash Outflow from Investing Activities	**-12**	**3**	**-4**	**-19**	**-34**	**-35**	**-40**	**-34**
Cash Flow from Financing Activities								
Share Capital Issued	0	0	0	0	0	0	0	0
Proceeds from borrowings	0	0	0	0	0	0	0	0
Debt repayment	0	0	0	0	0	0	0	0
Principal element of lease payments	-5	-5	-4	-5	-5	-5	-5	-5
Interest element of lease payment/debt	0	0	-1	-65	-58	-52	-47	-41
Dividend paid to shareholders	0	0	0	-202	-401	-405	-434	-470
Distributions to Parent	-131	-418	-445	0	0	0	0	0
Payables to RTA	0	0	0	0	0	0	0	0
Net Cash Inflow/ Outflow from Financing Activities	**-136**	**-423**	**-450**	**-272**	**-464**	**-462**	**-486**	**-517**
Net Increase/(Decrease) in Cash and Cash Equivalents	0	0	0	235	-9	13	16	21
Cash and Cash Equivalents at the Beginning of the Year	0	0	0	0	235	226	239	255
Cash and Cash Equivalents at the End of the Year	**0**	**0**	**0**	**235**	**226**	**239**	**255**	**276**

Source: Company Information, FAB Securities research (2024E-28E), Note:

[1]Decrease / (increase) in trade and other payables also includes change in concession payable.

أبـوظبـي الأول للأوراق المالية
FAB SECURITIES

FAB Securities Contacts

Research Analysts

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

Sales & Execution

Trading Desk Abu Dhabi Head Office	+971-2-6161777	Online Trading Link
Trading Desk Dubai DFM Branch	+971-4-5659593	
Institutional Desk	+971-4-5658395	
Sales and Marketing	+971-2-6161622	

Customer Service

Abu Dhabi Office	+971-2-6161600

DISCLAIMER