Abu Dhabi Ports (ADPORTS)

Key Enabler of Trade & Logistics with Integrated Business Model

Key Investment Highlights:

We initiate coverage on **AD Ports** with a Valuation of **AED 6.31 per share.** AD Ports is the region's premier facilitator of logistics, industry, and trade, contributing 21% to Abu Dhabi's Non-Oil GDP with revenue of AED 3,424 Mn and a net profit of AED 853 Mn in FY2021.
Our investment view is supported by:
Strong future growth with continuous strategic initiatives:

- *An integrated business model with a multi-dimensional product offering*
- *Reliable revenue and steady cash flow generation*
- *Sustaining long-term development with Commercial deals, M&A, EC (economic cities) & FZ (free zones) developments*
- *Strong future growth with continuous strategic initiatives*

An integrated business model with a multi-dimensional product offering:

The AD Ports Group is a fully integrated, dynamic ecosystem with a diverse portfolio of ports, economic cities and free zones, logistics, maritime, and digital solutions that supports global trade growth by connecting global maritime routes and international trading partners. All of the AD Ports clusters are vertically connected. All cluster operations are digitally managed through the MAQTA Gateway, which allows for more efficient procedures, improved customer satisfaction, and cost savings. MICCO Logistics manages the supply chain and is responsible for port accessibility and end-market performance.

Recurring revenue and cash flow generation:

AD Ports' revenue is measured on a recurring basis and for the 14th consecutive year, revenue increased from AED 3,424 Mn in FY2020 to AED 3,910 Mn in FY2021, owing to new strategic partnerships, enhanced services portfolio, and specific COVID-19-related service offerings. In FY2021, the EC&FZ cluster contributed highest to the company's revenue. AD Ports' adjusted EBITDA rose 4% to AED 1,601 Mn in FY2021 from AED 1,547 Mn in FY2020. EC&FZ contributed 50% to the overall EBITDA followed by ports operations, concession and leasing with 27%. The adjusted EBITDA margin decreased to 41% in FY2021 from 45% in FY2020 due to the diversification into some relatively lower-margin businesses and temporary COVID-19 impact. AD Ports' net profit stood at AED 853 Mn in FY2021 from AED 397 Mn in FY2020. This growth is primarily driven by company's impairment on investment property in FY2020, increases in the EC&FZ, Logistics, and Digital Clusters slightly offset by COVID-19-inspired declines in Ports and Maritime Clusters. Furthermore, the company has direct and indirect investments in multiple businesses across various industries, resulting in reliable cash flow generation. The company achieved high volumes in cargo and container businesses due to the leveraged synergies across five core business clusters.

Sustaining long-term development:

AD Ports' long-term development is connected to its integrated business strategy based on long-term customer acquisitions, improved service offerings, and expansion into new businesses. In FY2021 AD Ports signed in FY2021 long-term agreements with vital new partners such as CMA CGM, a worldwide mainline shipping company, and China's Shandong Holdings Group. In 1Q22, Divetech Marine Engineering Services, which provides installation, inspection, repair, and maintenance services for ports and maritime firms, was acquired by AD Ports. Apart from this, AD Ports signed MoU with the Ministry of Transportation of Iraq to look into investments in the logistics infrastructure masterplan; including logistics, industrial zone, and port.

Strong future growth with continuous strategic initiatives:

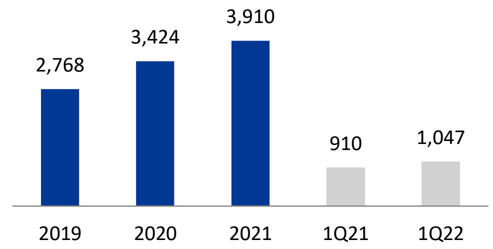
In pursuit of growth potential, AD Ports is not only UAE-focused as it is expanding its operation globally by signing several MoUs in Egypt, Turkey, Jordan, and Iraq to manage and operate new terminals that support Abu Dhabi's growth plans. The recent significant financial initiatives supported AD Ports expansion strategy. In May 2021, the company had its first 10-year bond issue of USD 1 Bn, and in February 2022, AD Ports raised AED 4 Bn in its first equity placement. Various other strategic initiatives include a 35-year CMA CGM concession agreement, inauguration of Fujairah terminal, Aqaba Development Partnership to expand into the Red Sea, signing of 3.2 sq km land leases in 1Q22, and Ghassan Aboud Group partnership to develop a regional food hub and logistic hub in KIZAD.

Initiating Coverage
Sector: Industrials

Analyst Name: Ahmad Banihani

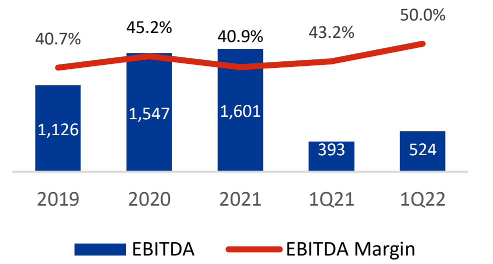
Rating	BUY
CMP (AED)	5.33
Target Price (AED)	6.31
Upside/(Downside)	+18%
Market Cap (AED, Bn)	27.1

AD Ports Revenue (AED, Mn)



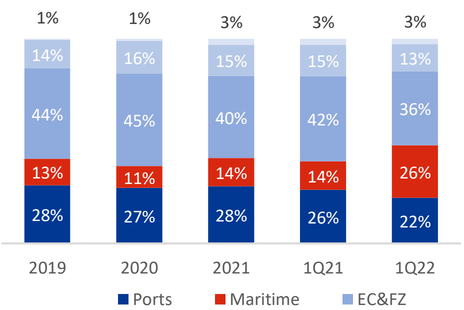
Source: Company Information

AD Ports EBITDA (AED, Mn) & EBITDA margin (%)



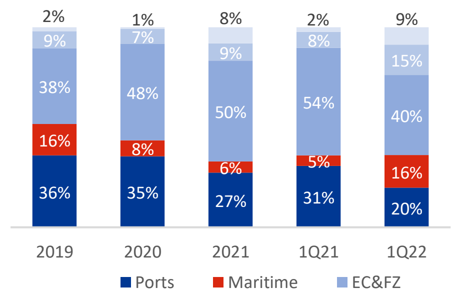
Source: Company Information

AD Ports Revenue (%) by Segment



Source: Company Information

AD Ports EBITDA (%) by Segment



Source: Company Information

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Key Investment View

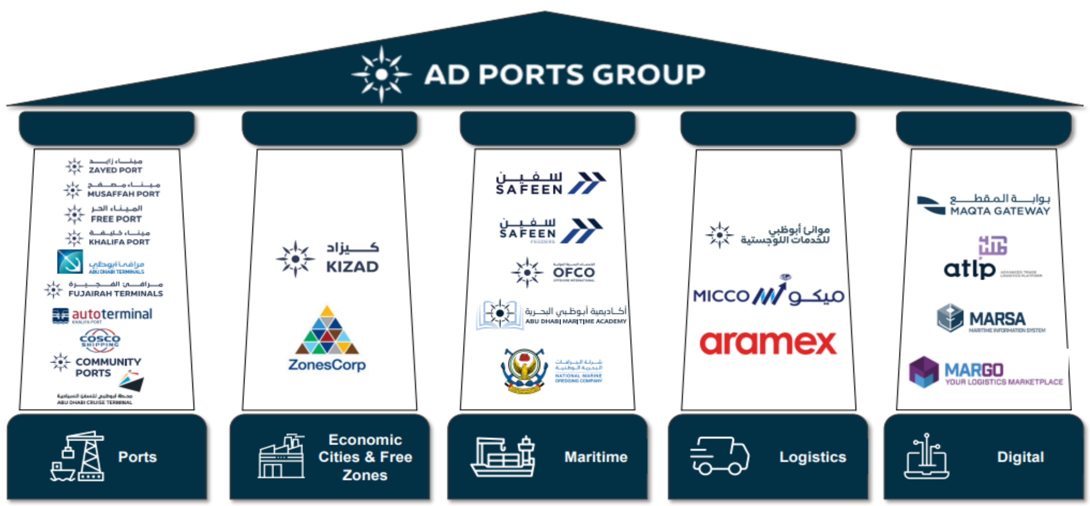
An Integrated Business Model

Clear Synergies & Growth Visibility

Operates 10 ports, 2 industrial zones, and several core maritime entities

AD Ports Group operates a highly synergistic integrated ecosystem, providing strategic access to UAE. The company offers a competitive trading environment with leading business, logistics, technologies, and advanced infrastructure that delivers efficiencies to its customers. The company has a diversified portfolio of ports, economic cities and free zones, logistics, maritime and digital businesses that supports international trade growth. AD Ports enjoys the strategic advantage by operating at the center of global trade and maritime routes through multi-modal connectivity to reach around 4.5 Bn customers.

Figure 1: Portfolio of synergistic businesses enabling trade across the region



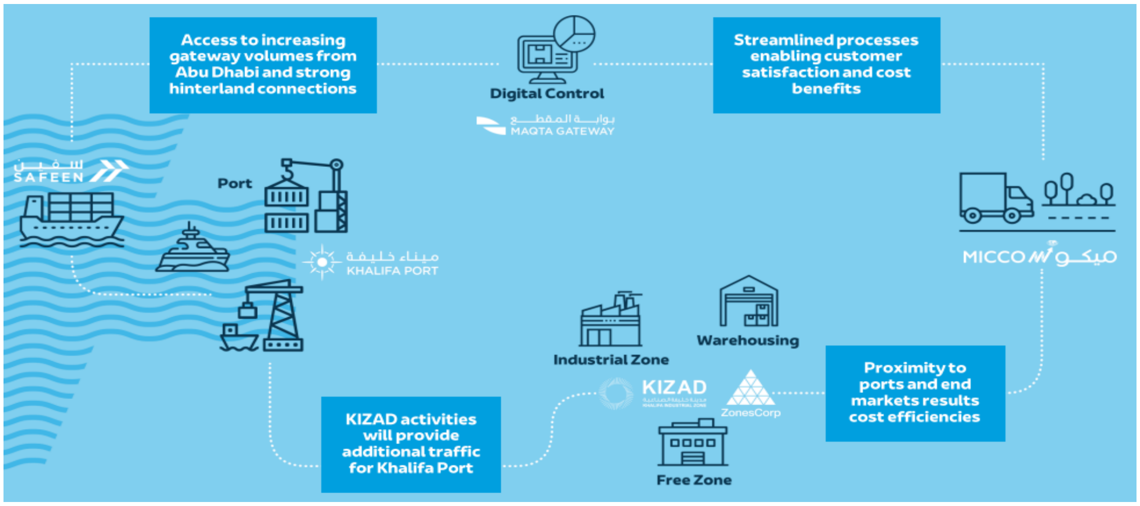
Source: Company Information

Vertically Integrated Business Model

Improved supply chain, and easy monitoring of trade through digital services

All the clusters of AD Ports are vertically integrated. The activities of EC&FZ are administered by KIZAD and ZonesCorp, providing additional traffic for Khalifa Port, the first semi-automated port in the region with more than 25 shipping lines and is a hub for three of the world's top 4 shipping companies. The maritime arm of AD Ports, SAFEEN, provides access to increasing gateway volumes and strong hinterland connections. All these activities are digitally controlled through the MAQTA Gateway, enabling streamlining processes and ensuring customer satisfaction and cost benefits. The supply chain is managed by MICCO Logistics, which expands AD Ports' portfolio into freight forwarding services and provides end-to-end logistics solutions.

Figure 2: AD Ports – Business Model



Source: Company Information

Provides Strong Connectivity to Hinterland across Sea, Roads, Rails & Air

Reimagining trade with great connectivity

AD Ports provides various trade facilities across sea, road, rail and air for easy accessibility

AD Ports provide excellent connectivity through 5 nearby international airports: Abu Dhabi International Airport, Dubai World Central Airport, Dubai International Airport, Sharjah International Airport, and Al Ain International Airport. The company's maritime access includes Khalifa Port, strategically located halfway between Abu Dhabi and Dubai, the first semi-automated container port in the GCC region. The port handles general cargo, container, RoRo, and break-bulk activities with the ability to serve the largest ships at sea and currently allows the handling of all of Abu Dhabi's container traffic with an annual capacity of 7.8 Mn TEUs. Etihad Rail's 1200 km network will connect the Country's major trade and industry hubs. It is a vital part of the proposed GCC railway network, connecting the UAE with Saudi Arabia, Qatar, Kuwait, Bahrain, and Oman. The Etihad Rail facility at Khalifa Port will enhance the efficiency of its infrastructure and increase its capacity more economically and reliably. A single train will be capable of transporting the equivalent of 300 trucks. The EC&FZ is connected through roads of international standard, including dual four-lane highways and dual three-lane arterial roads to enable efficient movement of goods and traffic within the Zone and across the UAE and the wider region. KIZAD is well connected via highways such as E11 and E311, linking it to the GCC, with access to all major cities in the UAE, Oman, Qatar, and KSA.

Figure 3: AD Ports – Hinterland & Logistics Connections

Source: Company Information

Growing Customer Acquisitions and Strong Business Volume

Facilitate Industrial Diversification with Strategic Acquisitions

AD Ports intends to provide diversification and infrastructure support in a cost-efficient manner

AD Ports’ EC&FZ segment contributed 55% of the UAE's total industrial areas. Around 1,500 businesses operate in the industrial zones. With modification and adaptation of the products and service offering, KIZAD is targeting to become one of the world's largest economic and industrial free trade zones. Both KIZAD and ZonesCorp have 440 sq km and 110 sq km land banks, respectively. The company intends to facilitate industrial diversification and provide infrastructure support cost-efficiently to increase the contribution of industrial activities to the emirate's GDP. The company completed the bolt-on strategic acquisitions of Divetech Marine Engineering and Alligator Shipping Container Lines under the Maritime Cluster during 1Q22. MICCO Logistics, a subsidiary of AD Ports Group, enter the construction logistics market through the acquisition of 31 new tipper trucks. The trucks will join MICCO's existing ground fleet of 400 plus vehicles that currently service several industry sectors, including the pharmaceutical, healthcare, fresh, and general cargo. The new tipper fleet has a combined transport capacity of over 2,300 metric tonnes and can move material and supplies between ports, factories, and different development sites across Abu Dhabi and the rest of the UAE. The latest acquisition aims to diversify the range of services offered by AD Ports Group and enables MICCO to support increased customer demand.

Robust Financial and Operational Performance

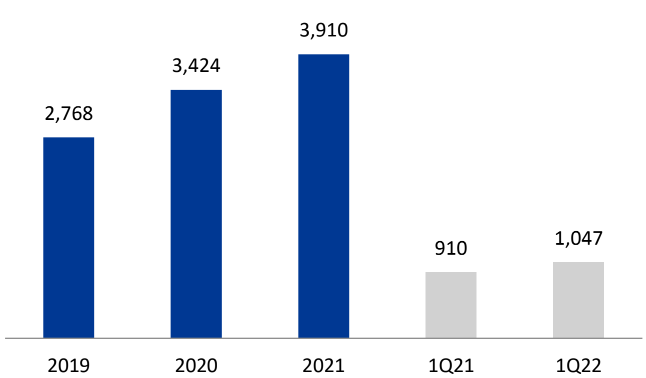
Reliable Revenue and Adjusted EBITDA

Significant growth in revenue is supported by new partnerships, an enhanced service portfolio, and specific COVID-19 related service offerings

AD Ports’ is the region's premier facilitator of logistics, industry, and trade, contributing 21% to Abu Dhabi's Non-Oil GDP. For the 14th consecutive year, company's revenue increased from AED 3,424 Mn in FY2020 to AED 3,910 Mn in FY2021. This significant growth in revenue is supported by new partnerships, an enhanced service portfolio, and specific COVID-19 related service offerings. AD Ports’ revenue rose 15.0% YOY in 1Q22 to record levels of AED 1,047 Mn compared with 1Q21.

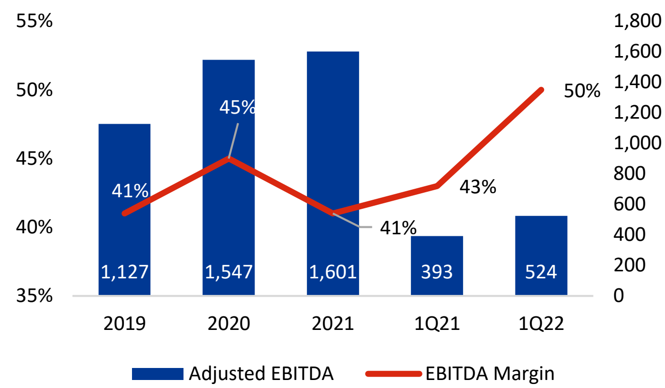
In FY2021, AD Ports' adjusted EBITDA rose 3.4% to AED 1,601 Mn from AED 1,547 Mn in FY2020. In FY2021, EC&FZ contributed 50.3% to the overall EBITDA followed by ports operations, contributing 27% to overall revenue. EC&FZ contribution rose 48% in FY2020 to 50% in FY2021 mainly due to ZonesCorp integration. Adjusted EBITDA margin decreased from 45% in FY2020 to 41% in FY2021 due to the diversification into some relatively lower-margin businesses and temporary COVID-19 impact. AD Ports' net profit stood at AED 853 Mn in FY2021 from AED 397 Mn in FY2020. Adjusted EBITDA rose 34% YOY to AED 524 Mn driven by growth in all segments except for Ports Cluster, which was affected by the lower revenue margin and the high upfront digitization cost. EBITDA also benefitted from one-time gain of AED 73 Mn in 1Q22 due to sale of a warehouse to a strategic customer as part of a new long-term contract. Thus, margin rose from 43.2% in 1Q21 to 50.1% in 1Q22 led by a high margin integrated business model and one-time gain.

Figure 4: AD Ports - Revenue (In AED Mn)



Source: Company Information

Figure 5: AD Ports - Adjusted EBITDA (AED, Mn) & Margin (%)



Source: Company Information

Strong Operating Performance and Steady Cash Flow Generation

AD Ports has an investment in multiple entities leading to steady cash flow generation

The company has direct and indirect investments in multiple entities across a number of sectors which leads to steady cash flow generation. AD Ports' net profit stood at AED 853 Mn in FY2021 from AED 397 Mn in FY2020. This growth is primarily driven by increase in the EC&FZ, Logistics and Digital Clusters slightly offset by COVID-19 related decline in Ports and Maritime Clusters. AD Ports also recorded impairment charge of AED 459 Mn in FY2020 compared to a minor reversal in FY2021. Net profit rose 41% YOY to AED 306 Mn in 1Q22. Furthermore, the company achieved high volumes in cargo and container businesses, due to the leveraged synergies across five core business clusters. General cargo volume increased from 30 Mn tonnes in FY2020 to 45 Mn tonnes in FY2021. Container volumes rose from 3.2 Mn twenty-foot equivalent units in FY2020 to 3.4 Mn twenty-foot equivalent units in FY2021, inspite of acute shortage of empty containers during COVID-19.

Long-term business development through Commercial deals, M&A, and EC&FZ partnerships

Strategic agreements paving the way to achieve AD Ports Group goals

Commercial deals, EC&FZ development, MoUs and

AD Ports recent commercial deals include a strategic agreement with Saudi Arabia based Arabian Chemical Terminals (ACT), highlighting the development of the Emirate's first greenfield commercial bulk liquid storage terminal developed on a 50,000 square meter land plot. The

Joint ventures contributing to long term development

company has also signed a 35-year concession agreement with CMA CGM, in which the state-of-the-art terminal will open in FY2024 with an initial capacity of 1.8 Mn twenty-foot equivalent units. Similarly, EC&FZ development and partnership on local and international levels are attracting significant investments to achieve strategic goals. AD Ports have a global alliance with Jordan for the long-term development of existing multipurpose terminal and logistics platforms through joint ventures. The company has developed and started developing a new cruise terminal in Aqaba. Apart from this, AD Ports signed MoU with the Ministry of Transportation of Iraq to look into investments in the logistics infrastructure masterplan; including logistics, industrial zone, and port. In May 2022, AD Ports Group and Alexander Global Logistics GmbH signed an agreement to establish a world-class pulp and paper products hub in Abu Dhabi. AD Ports Group signed a record 3.2 km^2 of new land leases during 1Q22, which was more than the annual land leases signed in FY2021 and FY2020.

Continued Strategic Initiatives to Support Future Growth

Inauguration of Fujairah terminal

Fujairah terminal will give direct access to the UAE

The company operates Fujairah Terminals within the emirate of Fujairah on a 35-year concession agreement with Fujairah Port. The terminal is outside the Strait of Hormuz, which will give direct access to the UAE. Inauguration of Fujairah Terminal leads to an increase in terminal capacity to 1.3 Mn tonnes for cargo and 720,000 twenty-foot equivalent units for containers. Other developments from the terminal include deepening approach waters from 12 to 15 meters to accommodate larger vessels and extending four berths from 760 to 1000 meters.

Expanding into Red Sea by partnering with Aqaba Development

AD Ports expanded its international footprints by signing new, long-term partners

AD Ports has signed five agreements to develop key infrastructure in Aqaba through its partnership with Aqaba Development Corporation. This partnership will allow the company to expand its footprints in the Red Sea area and will support its international growth strategy and also to develop tourism, logistics, transport and digital infrastructure in Jordan. AD Ports signed term sheet and head of terms agreements for port projects in Egypt. The agreement includes developing, operating, and managing a multipurpose terminal in Safaga seaport and cruise ship berths and terminals at Sharm El Sheikh, Hurghada to provide support services to help extend cruise tourism in Egypt.

AD Ports Group listed in ADX

AD Ports listed in ADX to accelerate Abu Dhabi's strategic plan

AD Ports completed listing of its share on the Abu Dhabi Securities Exchange (ADX) on Feb 8, 2022. The company raised AED 4 Bn through a pre-listing primary equity placement, and ADQ continues to hold a 75.44% stake in AD Ports. The listing aimed to accelerate Abu Dhabi's strategic plan to become a global maritime and logistics leader. Also, it provides investors with exposure to AD Ports’ solid growth potential supported by investment-grade credit ratings and a well-balanced capital structure.

CMA CGM Concession Agreement

AD Ports is now home to three leading global shipping lines by volume

AD Ports has a 35-year concession agreement with CMA CGM, a world leader in shipping and logistics that serves over 420 ports worldwide. This agreement strengthened AD Ports' position across global markets and enhanced its shipping connectivity. Due to this, AD Ports is now home to three leading global shipping lines by volume.

Capital Rising-inaugural USD 1 Bn, 10-year notes

AD Ports bond issuance optimizes capital structure

AD Ports recently issued a USD 1 Bn bond which achieved the lowest coupon by an Abu Dhabi government-owned entity for a 10-year tenor at the time of issuance. With a primary listing on the London Stock Exchange, following A+ credit ratings, the bonds were 4.5 times over-subscribed with a coupon of 2.5% per annum. The bond is performing very strongly and is trading closer to higher-rated Abu Dhabi GREs, providing investors with high-quality access to one of the region's most attractive investment opportunities.

Several Hub Development in KIZAD

AD Ports partnered with several companies for economic development in KIZAD

AD Ports has partnered with UAE-based, multi-business conglomerate Ghassan Aboud Group to establish an automotive export and distribution hub in KIZAD. The hub will be spread over 3.3 square kilometers in KIZAD. Similarly, this partnership will establish the regional food trading and logistics hub in collaboration with Rungis. AD Ports signed an agreement with Metal Park Investment ME LTD to establish an integrated metal hub in KIZAD that will cater to all industry verticals and offer scale flexibilities to metal vendors, processors, and fabricators in the UAE. Furthermore, Al Rawabi will set up AED 650 Mn dairy production facility in KIZAD across a two square kilometers area.

Lead Partner in Hope Consortium

AD Ports is facilitating the movement of vaccines across the globe through Hope Consortium

AD Ports is facilitating the movement of vaccines across the globe through Hope Consortium, unique public-private collaboration between Abu Dhabi Government and several global organizations. Hope Consortium team has handled over 220 Mn doses across over 60 countries, including countries in the MENA region, Asia, Africa, Europe, and the CIS. With this partnership, AD Ports offers extended service to its healthcare sector partners.

Signed Numerous MoUs to Complement Growth Plans

AD Ports signed several MoUs to support its expansion plans

AD Ports has signed several MoUs in Egypt, Turkey, Jordan and Iraq to manage and operate new terminals that support the company's expansion plans. AD Ports and Hayat Biotech signed a MoU to improve the logistics and distribution network to serve globally. Another MoU was signed with SEG to support the development of an integrated food infrastructure to improve Uzbekistan's food trading on international markets and promote food security in Central Asia.

Company Description

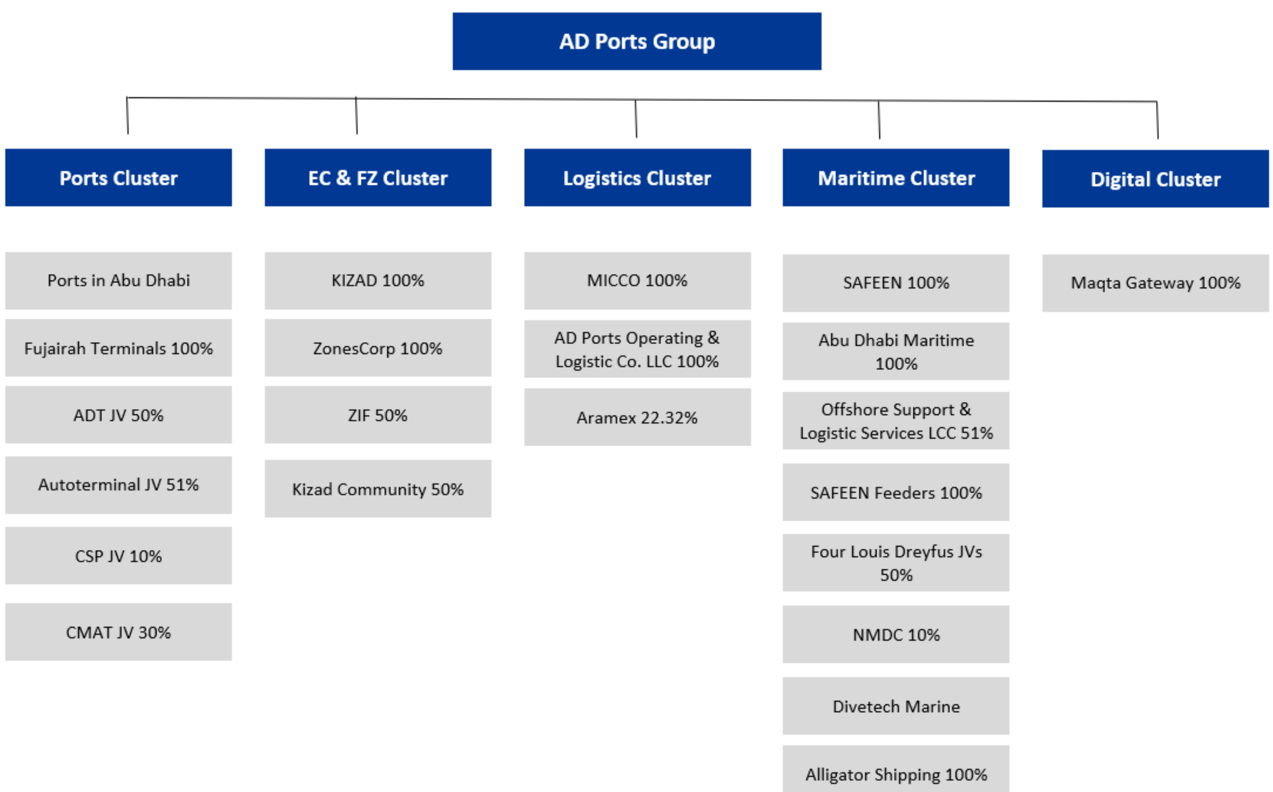
A premier enabler of trade

Strong backing by the government through ADQ

AD Ports is an important enabler of trade, industrialization, and economic diversification in the region, as well as an essential contributor between Abu Dhabi and the rest of the globe. The government owns 75.44% of AD Ports through ADQ, and the company provides around 21% of Abu Dhabi's non-oil GDP and 12% of the UAE's non-oil GDP. AD Ports is a key employer in Abu Dhabi and currently employs more than 200,000 people in the UAE, and the government views it as national security and strategic asset. Since FY2022, the company has been listed on the Abu Dhabi Securities Exchange as ‘ADPORTS’.

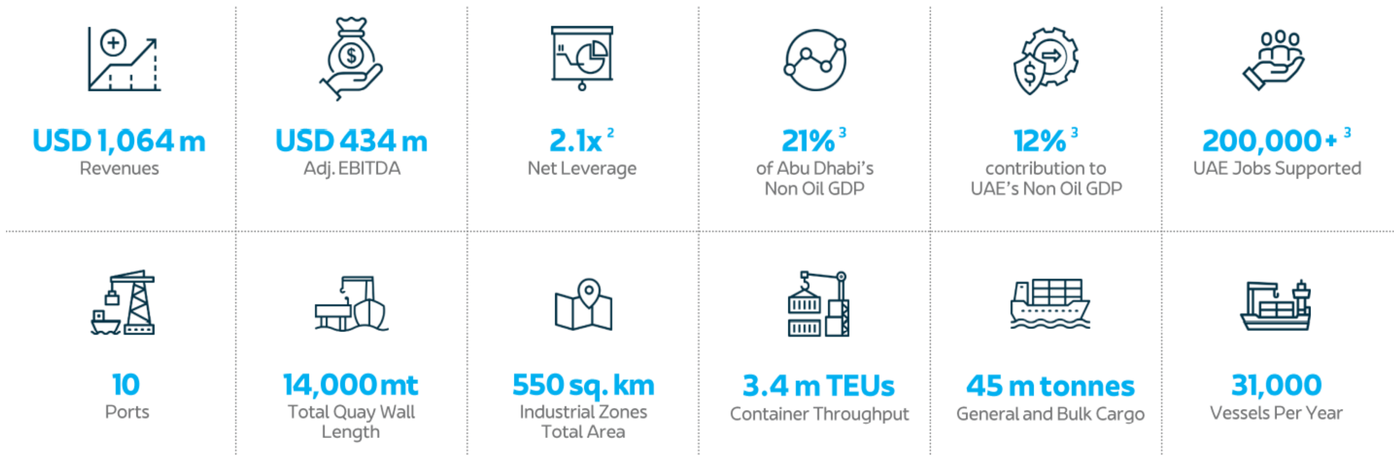
AD Ports is a vertically integrated company that connects global marine routes and international trading partners through five clusters: Economic Cities & Free Zones, Ports, Maritime, Logistics, and Digital. AD Ports has terminals and ports in the UAE and over 550 square kilometers of industrial zones across KIZAD and ZonesCorp.

Figure 6: Five business clusters of AD Ports Group



Source: Company Information

Figure 7: AD Ports group at a glance



Source: Company Information

Ports Clusters: Ports serve as the gateway to the region

10 Ports provides differentiated services and has a large scale of operations

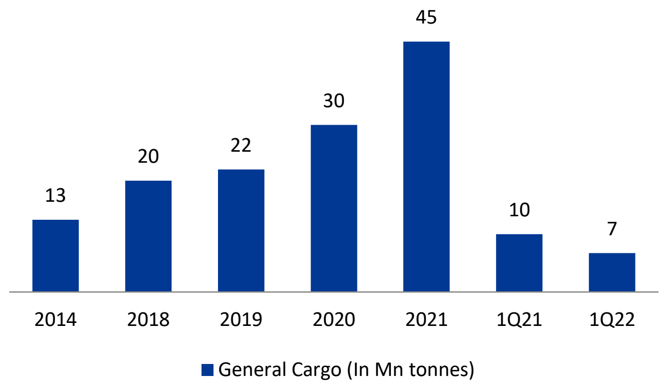
The AD Ports Group's Ports Cluster owns and operates ten ports, including Zayed Port, Khalifa Port, Free Port, Musaffah Port, and Community Ports, as well as trade terminals such as Fujairah Terminals, CSP Terminal, Abu Dhabi Terminal, and Auto Terminal. Transportation, distribution, freight forwarding, and contract logistics are all services provided by the ports, which are high-growth elements of the industry. The company is investing in infrastructure, enhanced freight handling services, dry cold storage automation, and technology. From FY2017 to FY2021, major expansion and concession agreements were signed, including a 35-year concession for Fujairah Terminal and the extension of Khalifa Ports' South Quay and North Quay. General cargo volumes reached the record level of 45 Mn metric tonnes in FY2021, while Ro-Ro services handled 77 thousand units in FY2021. By FY2030, AD Ports wants to grow its TEU (Twenty Equipment Unit) capacity to 15 Mn. Currently, AD Ports owns 50 % of the share in the joint venture with ADT, 51% share in the joint venture with Auto terminal, and 10% of the share in the joint venture with CSP.

Figure 8: AD Ports Infrastructure Expansion

Year	Expansion Plans
2016	Five-year Khalifa Port expansion
2017	Fujairah Terminals 35-year concession
2019	Khalifa Port & South Quay expansion
2020	ACT building bulk of liquid and gas terminal
2021	North Quay expansion

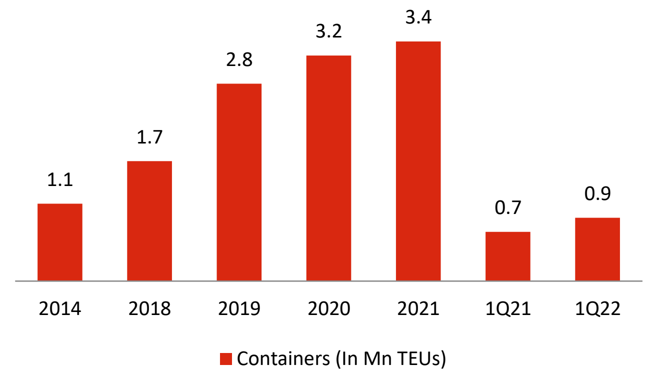
Source: Company Information

Figure 9: Volume of General Cargo Handled (Mn, tons)



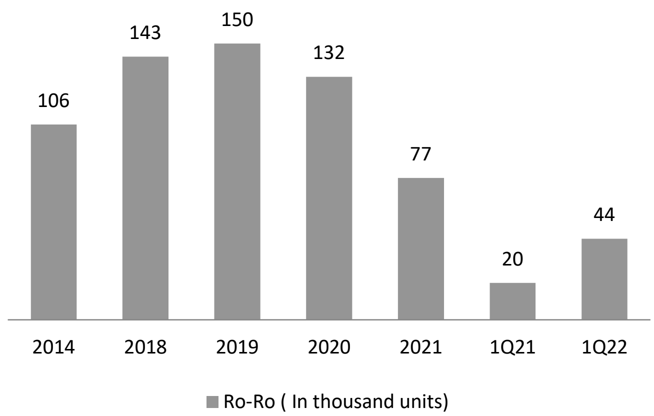
Source: Company Information

Figure 10: Volume of Container Traffic (Mn, TEUs)



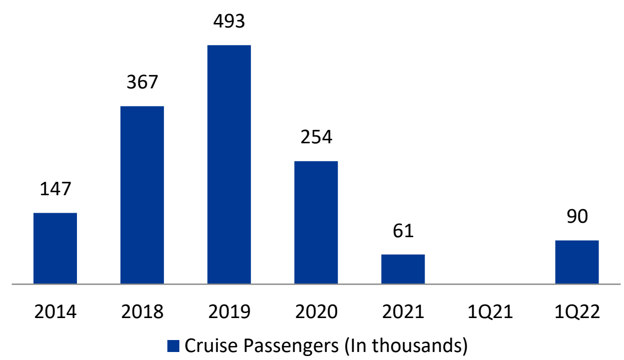
Source: Company Information

Figure 11: Volume of Ro-Ro Units (‘000)



Source: Company Information

Figure 12: Volume of Cruise Passengers (‘000)



Source: Company Information

Economic Cities & Free Zones Cluster: Vertical integration of client services

Industrial zones contributing to long-term revenue

AD Ports' industrial zones include ZonesCorp and KIZAD. The two segments of the business vertical are Industrial Zone leasing (which includes land leasing, warehousing, and other built assets within KIZAD and ZonesCorp) and Other Industrial Zone services (which includes supplying gas to Industrial Zone customers, providing foreign labor services, and other miscellaneous services). The EC&FZ is the keystone for AD Ports’ strategy of becoming the best services provider of ports, logistics, and industrial services. AD Ports’ long-term customers include ADNOC, EGA, RNZ, Amazon, Madar Farms, Emirates Steel, Agility, and Roadboat. With 94% occupancy, Abu Dhabi Ports has 258,000 square meters of warehouse space in Kizad and ZonesCorp, 410 square kilometers of Kizad land bank, 140 square kilometers of ZonesCorp land bank, 71.5 square kilometers of developed leasable land with 77% occupancy, and 2.5 square kilometers of integrated food production land. The company leased 3 square kilometers of land during FY2021.

AD Ports Group EC&FZ Cluster volume and occupancy				
EC&FZ Cluster has a total land area of 550km²				
KIZAD	2018	2019	2020	2021
Leasable Land (Sqkm²)	33	33.3	33.7	34
Leasable warehouse area (Sqm²)	167,533	167,533	184,988	229,084
Leased Land (Sqkm²)	21.1	22.3	23.9	25.1
Lease warehouse area (Sqm²)	87,241	139,021	182,682	220,728
ZonesCorp				
Leasable Land (Sqkm²)	NA	41	41	41
Leasable warehouse area (Sqm²)	NA	73,211	73,211	73,211
Leased Land (Sqkm²)	NA	26.4	30.3	32
Lease warehouse area (Sqm²)	NA	50,112	59,176	59,462
Average Occupancy Rate				
KIZAD (Land)	63.9%	67.0%	70.9%	73.8%
KIZAD (Warehouse)	52.1%	83.0%	98.8%	96.4%
ZonesCorp (Land)	NA	64.4%	73.9%	77.6%
ZonesCorp (Warehouse)	NA	68.4%	80.8%	81.2%

Source: Company Information

Maritime Cluster: Provides prominent maritime services

SAFEEN and Abu Dhabi Maritime are two core entities providing maritime services

SAFEEN Group, Abu Dhabi Maritime Academy, Abu Dhabi Maritime, and SAFEEN Feeders are all part of the AD Ports Group Maritime Cluster. To promote Abu Dhabi as an important port and logistics center in the Middle East, the company's two major entities, SAFEEN, and Abu Dhabi Maritime provide tug and towing services, vessel traffic services, bunkering, and traditional maritime services. For offshore support services, the company has a partnership with OFCO. Abu Dhabi Maritime cluster diversified immensely in FY2021, the group's maritime cluster also provides feedering service, transshipment, offshore, and onshore logistics and support. The AD Port maritime has also established Abu Dhabi Maritime Academy in FY2018 to provide education and training for the growth of the maritime industry in UAE and Abu Dhabi. In January 2022, The Company received a 10% stake in National Marine Dredging Company (NMDC).

Logistics Cluster: Entry into the regional logistics business

Improvement in logistics infrastructure and acquisitions offering end-to-end logistics solutions

The AD Ports Group's Logistics Cluster serves domestic and international customers with supply chain and freight transportation solutions. With a ground fleet of more than 400 vehicles serving a variety of industry sectors, the acquisition of MICCO provided AD Ports with a foundation to join the construction logistics market and expanded group logistic portfolio into freight forwarding. The integration of MICCO Logistics as part of the AD Ports Group Logistics Cluster takes advantage of MICCO's experience and skills as Abu Dhabi's first end-to-end logistics provider. In January 2022, the company also received a 22.32% stake in Aramex. This will boost the expansion of the company's logistic segment, especially in e-commerce logistics, which is currently the company's priority sector. In 1Q22, AD Ports quadraple its cold storage capacity from 19,000 square meters to 91,000 square meters, as well as added multi-cargo capacity.

Digital Cluster: Increasing competitiveness through technology

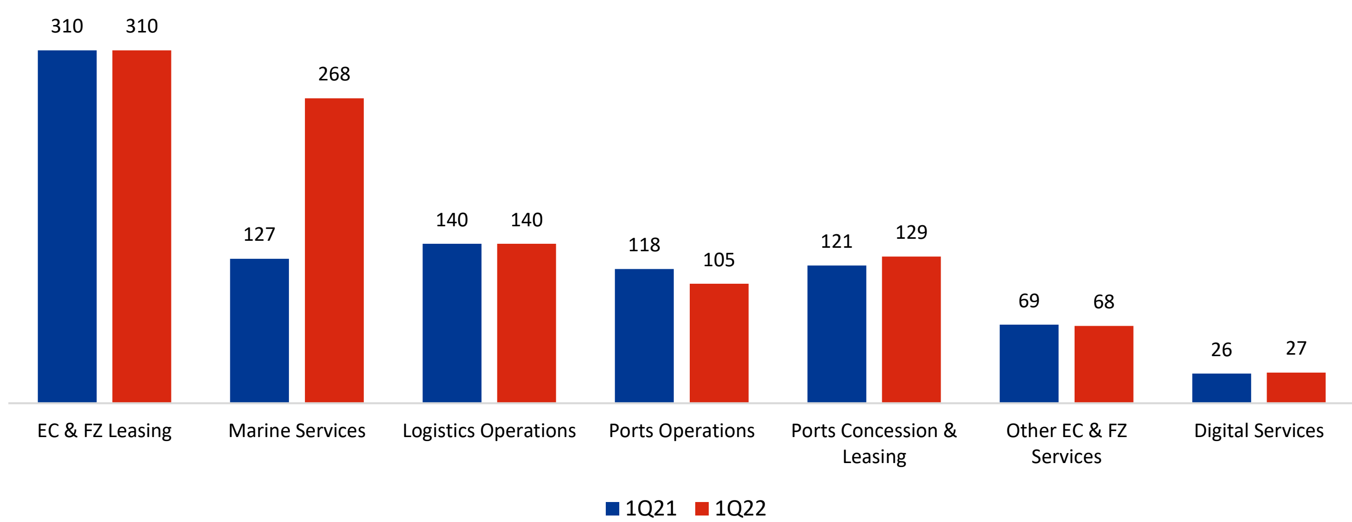
Technology drives vertical integration, lowers costs,

AD Ports supports the processing, planning, implementation, and transfer of commodities and freight across business verticals for around 40 government clients in the UAE. MAQTA Gateway is the first of its kind in the UAE and the region, offering a PCS single window internet solution, a

and increases competitiveness

mobile app, and cargo customs processing. AD Ports aims to become a technological market leader in global logistics and global trade to develop a competitive leadership position and minimize costs. AD Ports have over 50 Mn digital transactions and 140 digitized services until now. The switch to ATPL network from PCS network led to 268% spike in digital cluster revenue.

Figure 13: Revenue breakdown, Growth in segments (in AED Mn)



Source: Company Information

Risk and Mitigation

Change in Economic and Political environment

AD Ports may encounter trade disruptions if the UAE's economic growth slows

AD Ports has emerged as an integrated leading enabler of trade, industrialization, and economic diversification in the UAE throughout the years. The UAE's rapid economic growth has benefited AD Ports, which generated 21% of Abu Dhabi's non-oil GDP in FY2020. AD Ports may encounter trade disruptions if the UAE's economic growth slows or other adverse economic or political developments occur (including the recent Russia-Ukraine conflict). In addition, changes in the economic and political environment in Asia, Africa, and Europe may have a significant adverse effect on AD Ports' business, financial condition, and operating performance as it is the key supplier to more than 60 countries in Asia, Africa, and Europe. AD Ports' new venture, Offshore Support and Logistics Services Company (OFCO), is serving the oil and gas industry; any fluctuations in energy prices can impact the OFCO's operating performance and cash flow generation.

Supply Chain Disruption Risk

Supply chain disruption may affect the AD Ports Logistic Cluster

Any adverse circumstances or supply chain disruption may affect the AD Ports Logistic Cluster. During FY2021, due to the pandemic, global supply chains came under pressure worldwide, leading container ships to idle off the coast of the United States, trade to halt in the Suez Canal, and industries in China to shut down. With the pandemic, the US-China trade war also revealed the risks of heavy dependence on limited supply chain logistics. AD Ports Logistics is implementing the latest technologies to improve supply chain resilience and efficiency through digital integrated logistics solutions to mitigate this risk. Consequently, AD Ports has acquired MICCO Logistics, a freight management company, to expand its logistics portfolio and provide fully integrated and comprehensive logistics solutions in the UAE and globally. With this acquisition, AD Ports will be able to manage all consumer connectivity, from contract procuring and purchase order management to order completion and handling solutions, to serve its customers across the supply chain.

Vessel Operation and Climate Change Risk

Disruption in vessel operations and climate change can impact the operations of AD Ports' vessels and offshore plants

AD Ports operates numerous vessels, including the UAE's biggest flagged cargo ship, the HAFEET. Ship collisions, ships striking aground, fires, other incidents, and environmental pollution from cargo and bunker oil leaks can substantially impact the operations of AD Ports' vessels and offshore plants. As a result, In FY2021 Abu Dhabi Maritime started Abu Dhabi's first fully integrated digital safety maps, which cover all the Emirate's waterways, with the responsibility of watercraft licensing, managing public marine facilities and navigation systems, and also introduced an online portal for service digitization. Furthermore, climate change, such as global warming, can also affect safe ship operations by causing more extreme weather and sea events. The effort to reduce carbon emissions to address climate change has the potential to change AD Ports' business environment significantly. The company is developing autonomous vehicles and vessels, like tugboats, and designing ships that can then be modified to run on clean-burning hydrogen, which will be generated in KIZAD shortly.

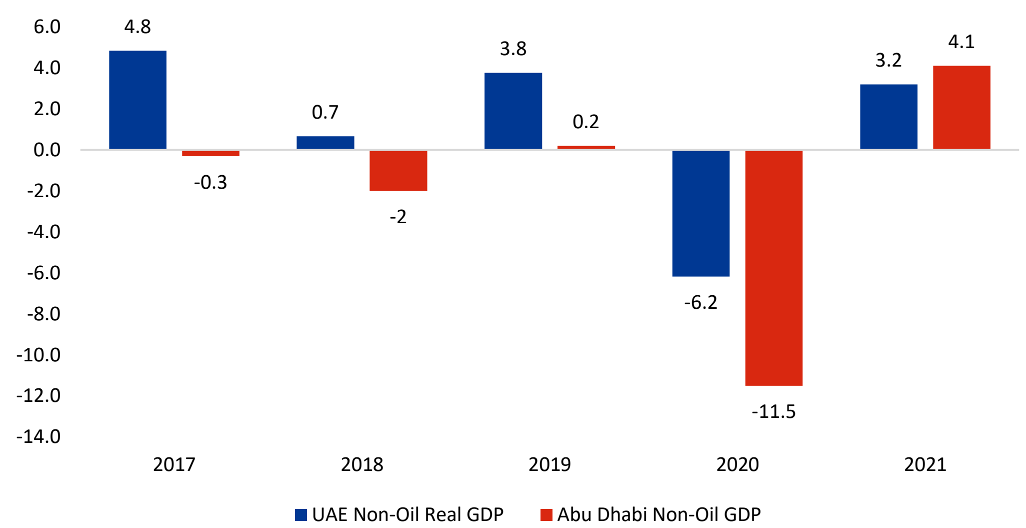
Industry Analysis

Non-oil GDP growth in Abu Dhabi & UAE to support AD Ports

Surge in the non-oil activities will benefit AD Ports

Abu Dhabi's non-oil GDP at constant prices, increased by 4.1%, while the UAE's non-oil real GDP at constant prices increased by 3.2%. Agriculture, forestry, and fishing were among the non-oil activities that saw growth. Since its foundation, AD Ports had played a critical role in the emirate's development, accounting for 21% of Abu Dhabi's non-oil GDP growth and also contributing 12% of the UAE's non-oil GDP. Until now, AD Ports has supported over 141,700 jobs in Abu Dhabi and over 200,000 jobs in the UAE.

Figure 14: Non-Oil GDP Growth in Abu Dhabi & Non-Oil Real GDP Growth in UAE (in %)



Source: SCAD, CBUAE

Logistics industry to evolve owing to infrastructure development

Implementation of free trade zones and rising infrastructure development to support growth

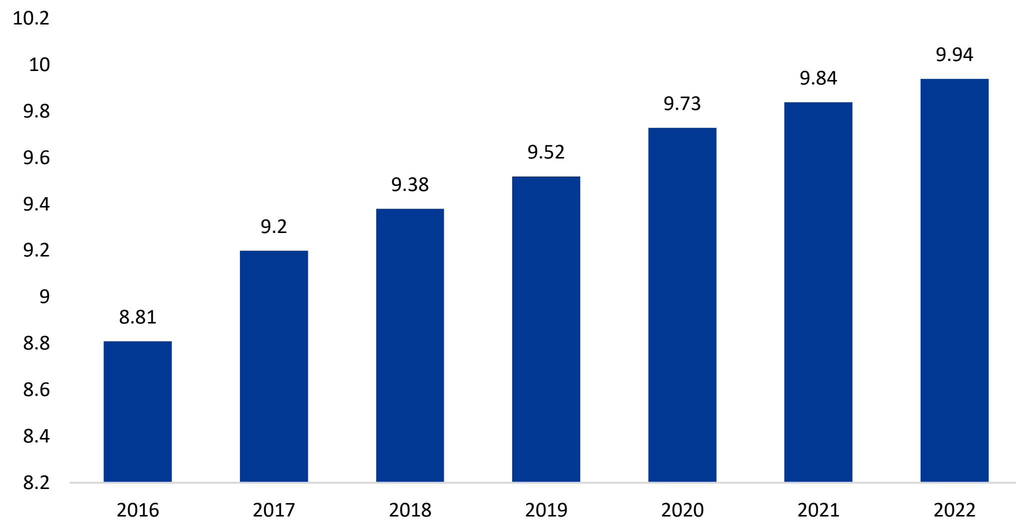
The UAE freight and logistics industry has been growing as a result of the region's steady and rapid expansion of e-commerce as well as increased international trade. The growth in the real estate is also impacting the GCC logistics industry to evolve rapidly, owing to the growing non-oil sector's contribution to GDP, infrastructure development, the implementation of free trade zones, industrial parks, and enhanced regional trade cooperation. According to the UAE Real Estate Market Report by JLL, there was an 11% YOY increase in the average sales price and average rental rates in Dubai in 1Q22. Similarly, Abu Dhabi also saw an increase of 5% YOY and 3% YOY in the average sales price and average rental rates, respectively in 1Q22.

Rising e-commerce and advanced technologies to support logistics industry

Growth of the e-commerce and pharmaceutical industry is driving investments in logistics

The e-commerce industry in UAE is on the rise and one of the key driving factors of growth is high internet usage, which is supported by high smartphone penetration. Customers adjusted their buying behavior to shop online rather than in physical locations during the pandemic, which benefited suppliers in providing logistics services to e-commerce enterprises. The UAE has also established many free zones across the country which serves as hubs for the pharmaceutical industry and supports the growth of the logistics business.

Figure 15: Internet users in UAE (in Mn)



Source: Datareportal

Government focus on digitization and collaboration with private sectors

The government is partnering with the private sector to ease supply chain operations

The UAE government is working with the private sector to streamline supply chain processes throughout the world in order to increase the global trade. The introduction of drones for last-mile delivery, the UAE National AI program, Smart Dubai 2021, and the National Innovation Strategy are few of the initiatives aimed at transforming the UAE's logistics business. Aside from that, the UAE government is building a 1200 km rail network to link seaports, important transportation hubs, distribution centers, free zone zones, and significant warehousing facilities.

Economy Analysis

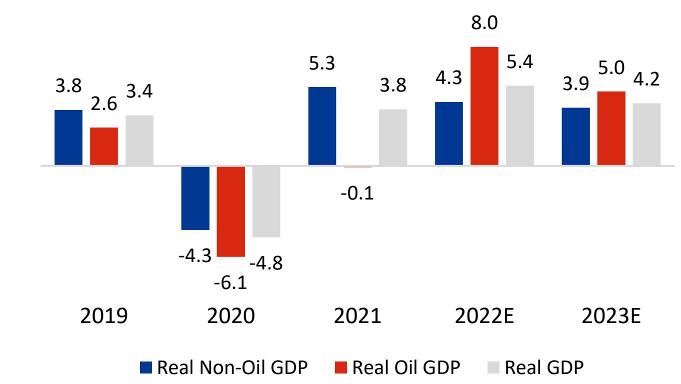
UAE's Real Economic Growth Revival

The UAE real GDP grew 3.8% YoY, according to CBUAE forecasts, and it is predicted to grow 5.4% in FY2022

As per the Central Bank of UAE (CBUAE) estimates, UAE's real GDP grew 3.8% YOY in FY2021 compared to a decline of 4.8% in FY2020. The growth in GDP was driven by a robust increase in the non-oil sector. In FY2022, CBUAE expects the UAE's real GDP to expand at a stronger pace of 5.4%, mainly led by strong growth in both oil and non-oil GDP.

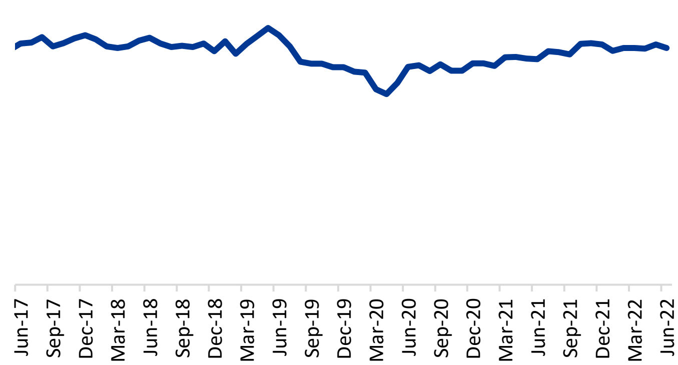
UAE's non-oil real GDP is expected to grow by 4.3% in FY2022 benefiting from continued public spending, a strong credit growth, growing employment, improved business sentiment, and Expo 2020. Oil GDP will expand 8.0% in FY2022 driven by higher output and increased energy prices. UAE's PMI decreased from 55.6 to 54.8 in June 2022, its lowest level since April as inflationary pressure increases on the non-oil economy.

Figure 16: UAE GDP Growth



Source: CBUAE

Figure 17: UAE PMI



Source: IMF

IMF revises the UAE's real GDP growth to 4.2% in FY2022

IMF revises the UAE's real GDP growth to 4.2% in FY2022, compared to the previous forecast of 3.5%

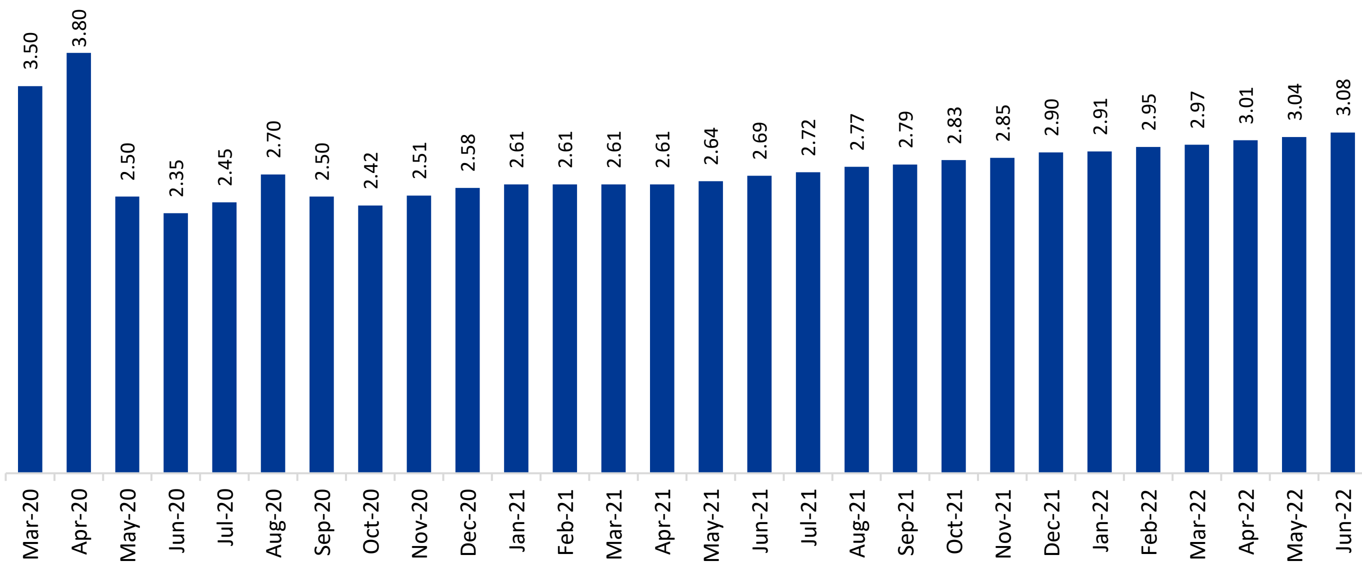
The IMF in its World Economic Outlook 2022, raised its UAE real GDP growth forecast from 3.5% to 4.2% in FY2022. As the economy recovered from the pandemic, the UAE's non-oil sector generated roughly 72% of GDP in FY2021. Early and strong health responses, ongoing supportive macroeconomic policies, recovery in tourist and domestic activity, and solid performance in sectors such as hotels, restaurants, wholesale, and retail are all predicted to help the UAE economy grow.

Average UAE Crude Oil Production is picking up likely to remain strong in FY2022

Average UAE Crude Oil Production is picking up, likely to remain strong in FY2022

The UAE gradually increased its oil output in FY2021, in line with the OPEC+ relaxation of oil output limitations imposed in FY2020 in response to the COVID-19 pandemic. Furthermore, a rise in oil prices is likely to support strong economic growth. Brent prices are predicted to average USD 114 per barrel in 2Q22, according to the EIA's July 2022 'Short-Term Energy Outlook, and USD 101 per barrel in 2H22. Furthermore, EIA expects the average price to fall to USD 94 per barrel in FY2023

Figure 18: UAE Oil Production (Mn barrels per day)



Source: EIA

Valuation Methodology

Target Fair Value Analysis

DCF AND RELATIVE VALUATION

We arrive at a fair value of AED 6.31 per share based on a mix of valuation methods

We have used a mix of **Discounted Cash Flow** (**DCF)** and **Comparable Company Method (CCM)** valuation methods to arrive at the fair value of AD Ports. The company operates through five business segments which include Economic Cities & Free Zones, Ports, Maritime, Logistics, and Digital segments. We assigned a higher weight to DCF valuation as the company is working on multiple projects which are still under development and these projects will be completed over a period of time. It plans to incur a capex of approx. AED 15 Bn during FY2022-26 to complete these projects. Thus, we believe DCF valuation will be able to capture the valuation more precisely as compared to the relative valuation method. In relative valuation, we have used the EV/EBITDA multiple to value the company. The company is operating into multiple business segments and each business is valued separately using business specific peers. EV/EBITDA valuation metric allows to compare peers irrespective of their capital structure. In addition to this, AD Ports also acquired an equity stake in listed entities such as Aramex PJSC and National Marine Dredging Company PJSC. Aramex is a well-established logistics headquartered in UAE in which AD Ports acquired a 22.32% stake in January 2022. The current market value of the company stake is included in both companies.

CONSOLIDATED VALUATION

Name of Entity	Valuation (AED, Mn)	Weight (%)	Total Valuation (AED, Mn)	Value Per Share (AED)
Value of the firm based on -				
Discounted Cash Flow	30,922	75.0%	23,192	6.08
Relative Valuation (EV/EBITDA)	35,652	25.0%	8,913	7.00
Total Equity Value			**32,105**	**6.31**

We have analyzed the company's performance in detail to fully understand AD Ports' valuation. We have taken a fair estimate across the income statement and financial position throughout our valuation. The valuation analysis suggests a target value of AED 6.31 per share.

The weightage assigned to DCF and relative valuation (CCM) of the business stands at 75%, and 25%, respectively.

1) Discounted Cash Flow Valuation

Based on DCF valuation, we arrive at a fair value of AED 6.08 per share

For the DCF valuation, we relied upon the company development plans, economic growth rate, external environment and guidance provided by management to conduct a detailed financial analysis. The financial and cash flow analysis is conducted until FY2030 as AD Ports will be completing major development by FY2026. We believe the completed projects would take some more time to stabilize and then, should be able to reach their true potential in the next couple of years. Thus, the DCF valuation is extended by additional years. AD Ports plans to incur approximately AED 15 Bn during FY2022-26 and capex will peak in FY2022-23. We have applied the Gordan Growth model to calculate Terminal Value and extrapolate the adjusted free cash flows for last year at a terminal growth rate of 3% to perpetuity. To arrive at Ke (Cost of Equity), we have considered the Average Rf (Risk-Free) rate of 4.4%, Average Equity Risk Premium of 4.9%, and the Beta of 0.95. We arrived at the cost of equity of 9.0%. To calculate risk free rate, we have used 10-Year US Government Yield and further added 10-year CDS spread to arrive at appropriate risk-free rate. In order to calculate the weighted average cost of capital, we have used the current market value of equity and outstanding debt to compute required return ratio.

I. DCF Valuation

	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
All figures in USD Mn, unless stated									
Cash flow from operation	1,746	1,705	1,946	2,236	2,499	3,726	3,315	3,833	3,993
(+/-) Capex	-3,600	-3,600	-3,100	-2,400	-2,200	-500	-500	-500	-500
Free Cash flow to Firm	**-1,854**	**-1,895**	**-1,154**	**-164**	**299**	**3,226**	**2,815**	**3,333**	**3,493**
Discount factor	*0.96*	*0.89*	*0.82*	*0.76*	*0.70*	*0.64*	*0.59*	*0.55*	*0.51*
Present Value of FCFF	**-1,786**	**-1,684**	**-946**	**-124**	**208**	**2,077**	**1,672**	**1,827**	**1,766**
Total Present value of FCFF									**3,010**
Terminal Value									28,186
Terminal growth rate									2.0%
Weighted Average Cost of Capital (WACC)									8.4%
Firm Value									**31,197**
(+/-) Net Debt									**-3,802**
Equity value attributable to AD Ports									**27,395**
Valuation of ownership in Aramex and NMDC (at market Value)									3,528
Equity Value									**30,922**

Source: FAB Securities Research

a) Sensitivity of DCF to Key Assumptions

Sensitivity may generate the highest valuation of AED 9.47 per share and the lowest valuation of AED 4.33 per share

Our DCF valuation is based on a weighted average cost of capital (WACC) of 8.4% and terminal growth rate of 2.0%. The derived weighted average cost of capital is based on a cost of equity of 9.0% and a cost of debt of 5.6%. For our valuation, we calculated WACC assuming an equity-to-debt ratio of 81.0% as per the latest market value of Equity and Debt.

A sensitivity analysis shows that a change of +/- 0.5% in the weighted average cost of capital and terminal growth rate yields a valuation of AED 4.33 per share to AED 9.47 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

		WACC (%)				
		7.4%	7.9%	8.4%	8.9%	9.4%
Terminal Growth Rate (%)	1.0%	33,469	29,961	26,949	24,340	22,060
	1.5%	36,209	32,222	28,838	25,933	23,416
	2.0%	39,458	34,868	31,022	27,758	24,956
	2.5%	43,373	38,006	33,579	29,869	26,719
	3.0%	48,182	41,788	36,610	32,339	28,759

We are using the EV/EBITDA multiple to value the firm multiple segments using business specific peers

Relative Valuation – EV/EBITDA

AD Ports is valued using FY2023 EBITDA by segments. We believe EV/EBITDA as an appropriate multiple to value each segment. The peer by each segment is used to value the firm. We have considered similar companies operating in ports, logistics, warehouse, industrial and digital cluster business to value the firm. Since the company is operating into multiple segments, as a result we have considered peers from different business segment to arrive at consolidated enterprise value of the company. Net debt outstanding is arrived after adding all liabilities such as outstanding payables to project companies, borrowings, lease liabilities, bank overdraft and later deducted cash and cash equivalent. Value of corporate elimination is also computed using the median multiple of business segments.

I. Relative Valuation

(All Figures in Mn AED, unless stated)					
Name of the segment	**Valuation Method**	**Peer Multiple**	**EBITDA (FY2023)**	**Valuation**	**Contribution (%)**
Ports	EV/EBITDA	7.2	857	6,203	17.3%
Logistics	EV/EBITDA	8.7	228	1,981	5.5%
Industrial leasing	EV/EBITDA	22.4	1,374	30,785	85.7%
Maritime	EV/EBITDA	3.5	243	860	2.4%
Digital	EV/EBITDA	7.0	131	917	2.6%
Corporate Elimination	EV/EBITDA	7.2	-666	-4,820	-13.4%
Enterprise Value				**35,926**	
Net Debt outstanding (as of 31 March 2022)				-3,802	
Equity value attributable to AD Ports				**32,124**	
Valuation of ownership in Aramex and NMDC				3,528	
Equity Value attributable to AD Ports				**35,652**	

Source: Company Information, FAB Securities Research

Peers Valuation

Co. Name	M Cap [1] (USD, Mn)	EV/Sales 2022	EV/Sales 2023	EV/Sales 2024	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	P/E 2022	P/E 2023	P/E 2024	P/B 2022	P/B 2023	P/B 2024
Ports Segment													
Adani Ports	19,418	12.6	9.7	8.1	**15.3**	**12.6**	**11.3**	22.5	18.2	15.5	3.5	3.0	2.6
Port of Tauranga	2,746	13.6	12.9	12.3	**25.7**	**24.1**	**22.4**	41.1	37.2	34.3	3.2	3.1	3.0
China Merchants Port Holding	7,592	6.0	5.5	4.8	**11.1**	**10.3**	**9.2**	5.9	5.8	5.2	0.5	0.5	0.4
Cosco Shipping Ports	308	3.6	3.3	3.2	**9.4**	**8.2**	**8.1**	6.1	5.6	5.2	0.4	0.4	0.4
Westports Holdings berhad	11,935	6.2	5.8	5.5	**9.9**	**9.4**	**8.9**	18.4	15.9	14.9	3.6	3.4	3.1
Santos Brasil	992	2.5	2.3	2.1	**6.4**	**5.5**	**4.6**	13.3	12.1	10.3	2.2	2.1	2.2
Shanghai International Port	19,634	3.9	3.7	3.5	**6.9**	**6.3**	**6.2**	8.4	8.8	9.1	1.2	1.1	1.0
Piraeus Port	383	2.3	2.2	2.0	**5.1**	**4.5**	**3.9**	9.7	8.6	NA	1.3	1.2	NA
Hutchison Port Holdings	16,412	2.4	2.2	1.9	**4.0**	**3.7**	**3.2**	11.5	12.6	11.8	0.6	0.6	0.6
Ningbo Zhoushan Port Co. Ltd	9,194	2.5	NA	NA	**6.8**	**NA**	**NA**	14.0	NA	NA	1.1	NA	NA
Gujarat Pipavav Port Ltd	464	3.9	3.3	2.8	**7.0**	**5.7**	**4.8**	19.1	13.7	11.4	1.8	1.8	1.8
Average		5.4	5.1	4.6	**9.8**	**9.0**	**8.3**	15.4	13.8	13.1	1.8	1.7	1.7
Median		3.9	3.5	3.4	**7.0**	**7.2**	**7.2**	13.3	12.4	11.4	1.3	1.5	1.8
Max [2]		6.1	5.7	5.4	**10.5**	**10.1**	**9.1**	18.8	15.4	14.9	2.7	2.8	2.6
Min [3]		2.5	2.6	2.3	**6.6**	**5.6**	**4.7**	9.0	8.6	9.1	0.8	0.7	0.6

Source: Market Screener, [1] Market Capitalization, [2] Values correspond to Quartile 3, [3] Values correspond to Quartile 1

Co. Name	M Cap [1] (USD, Mn)	EV/Sales 2022	EV/Sales 2023	EV/Sales 2024	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	P/E 2022	P/E 2023	P/E 2024	P/B 2022	P/B 2023	P/B 2024
Logistics													
DSV Panalpina A/S	32,010	1.2	1.4	1.4	**9.4**	**11.1**	**11.6**	14.9	16.8	17.1	3.2	3.2	3.2
Kuehne + Nagel International	28,722	0.7	0.8	0.8	**5.7**	**7.9**	**9.0**	10.8	16.9	21.0	6.4	6.0	5.7
Expeditors Int. of Washington	16,161	0.8	0.9	0.9	**7.5**	**9.3**	**9.3**	12.0	15.9	15.8	3.9	3.6	3.5
Sinotrans Limited	3,046	0.2	0.2	0.2	**3.9**	**3.9**	**3.9**	3.6	3.7	3.1	0.4	0.4	0.3
Guangdong Great River Smarter	1,280	6.6	5.4	4.6	**9.7**	**8.1**	**6.9**	27.4	20.6	16.5	3.4	3.1	2.8
Jiayou International Logistics	1,338	1.9	1.5	1.3	**14.5**	**10.2**	**10.3**	16.5	12.1	11.2	2.6	2.3	2.0
Public storage	53,952	15.4	14.7	14.6	**21.1**	**19.7**	**19.3**	29.6	27.7	27.0	6.9	6.5	8.2
Konoike Transport Co., Ltd.	10,175	0.3	0.3	0.3	**4.8**	**4.4**	**3.6**	10.4	9.0	7.0	0.6	0.6	0.5
Average		3.4	3.1	3.0	**9.6**	**9.3**	**9.2**	15.7	15.3	14.8	3.4	3.2	3.3
Median		1.0	1.1	1.1	**8.4**	**8.7**	**9.1**	13.5	16.4	16.2	3.3	3.1	3.0
Max [2]		3.1	2.5	2.2	**10.9**	**10.4**	**10.6**	19.2	17.8	18.1	4.5	4.2	4.1
Min [3]		0.6	0.7	0.7	**5.5**	**7.0**	**6.2**	10.7	11.3	10.2	2.1	1.9	1.7

Source: Market Screener, [1] Market Capitalization, [2] Values correspond to Quartile 3, [3] Values correspond to Quartile 1

Co. Name	M Cap [1] (USD, Mn)	EV/Sales 2022	EV/Sales 2023	EV/Sales 2024	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	P/E 2022	P/E 2023	P/E 2024	P/B 2022	P/B 2023	P/B 2024
Industrial leasing													
SEGRO Plc	14,654	31.3	27.7	25.1	**35.4**	**31.3**	**30.7**	5.5	6.1	7.5	0.8	0.8	0.7
CTP N.V.	4,755	17.2	15.4	14.4	**23.7**	**20.8**	**19.0**	7.6	6.4	5.8	0.9	0.8	0.7
Warehouses De Pauw NV	5,594	26.7	24.9	23.9	**28.6**	**26.7**	**24.7**	6.8	7.1	8.0	1.3	1.1	1.0
Tritax Big Box REIT plc	4,097	24.7	23.1	21.5	**27.4**	**25.3**	**23.2**	4.7	5.4	6.9	0.7	0.7	0.7
LondonMetric Property Plc	3,196	27.4	23.2	22.3	**30.0**	**25.6**	**24.9**	3.5	7.7	10.3	1.1	0.8	0.8
Argan SA	2,107	22.7	22.2	21.1	**24.3**	**24.0**	**22.7**	7.8	7.9	9.4	NA	NA	NA
Montea Comm. VA	1,491	26.7	23.9	17.6	**26.7**	**25.9**	**18.8**	7.6	9.0	10.1	1.3	1.2	1.1
Sirius Real Estate Limited	1,475	12.9	12.2	11.6	**18.0**	**16.9**	**15.3**	7.5	8.9	7.7	0.9	0.9	0.9
WHA Corp. Public Co., Ltd	1,237	7.1	6.3	6.7	**17.9**	**15.6**	**17.0**	13.3	11.3	11.4	1.4	1.4	1.3
VIB Vermögen AG	696	12.6	12.7	12.3	**17.3**	**16.2**	**15.5**	2.9	6.7	6.4	0.7	0.7	0.7
FIBRA Macquarie México	45	8.1	7.6	7.1	**10.1**	**9.5**	**9.0**	9.0	7.9	6.5	0.6	0.6	0.5
IDICO Corporation – JSC	801	2.6	2.2	NA	**6.3**	**5.5**	**NA**	10.0	8.4	NA	0.7	0.7	0.7
Average		18.3	16.8	16.7	**22.1**	**20.3**	**20.1**	7.2	7.7	8.2	0.9	0.9	0.8
Median		20.0	16.8	16.7	**24.0**	**20.3**	**20.1**	7.5	7.7	8.2	0.9	0.9	0.8
Max [2]		26.7	23.4	21.9	**27.7**	**25.7**	**24.0**	8.1	8.5	9.7	1.2	1.0	0.9
Min [3]		11.5	11.1	12.0	**17.8**	**16.1**	**16.3**	5.3	6.6	6.7	0.7	0.7	0.7

Source: Market Screener, [1] Market Capitalization, [2] Values correspond to Quartile 3, [3] Values correspond to Quartile 1

Co. Name	M Cap [1] (USD, Mn)	EV/Sales 2022	EV/Sales 2023	EV/Sales 2024	EV/EBITDA 2022	EV/EBITDA 2023	EV/EBITDA 2024	P/E 2022	P/E 2023	P/E 2024	P/B 2022	P/B 2023	P/B 2024
Maritime													
Danaos Corp.	1,207	2.2	1.4	1.2	**2.8**	**1.8**	**1.6**	2.7	2.3	NA	0.5	0.4	NA
Navios Maritime Partners LP	627	0.8	0.4	0.5	**1.2**	**0.6**	**0.8**	0.8	1.0	NA	0.3	0.2	NA
Inter Container Term Serv Inc.	117	4.7	4.4	4.1	**7.7**	**7.1**	**6.6**	13.4	12.4	11.7	10.7	6.8	6.0
Star Bulk Carriers	2,278	2.5	3.0	2.7	**3.3**	**4.4**	**3.9**	3.1	4.3	3.8	1.0	1.0	1.0
Scorpio Tankers	1,803	4.3	3.9	3.2	**6.1**	**6.8**	**5.3**	13.2	8.6	6.2	0.9	0.8	0.7
Frontline LTD	1,830	6.7	4.5	3.6	**9.9**	**6.1**	**5.1**	7.1	5.1	2.6	1.1	NA	NA
Genco Shipping & Trading	682	1.8	1.7	NA	**2.8**	**2.7**	**2.5**	3.4	3.7	4.0	2.7	2.7	2.6
Costamare	1,333	1.2	1.2	1.3	**1.7**	**1.7**	**1.9**	2.5	2.4	NA	NA	NA	NA
Seanergy maritime holdings	123	1.3	1.0	NA	**2.1**	**2.2**	**NA**	2.5	2.1	NA	0.5	0.5	NA
SFL	1,163	5.7	5.4	4.5	**8.6**	**7.8**	**7.1**	8.4	9.8	6.6	1.1	1.1	1.1
Average		3.1	2.7	2.6	**4.6**	**4.1**	**3.9**	5.7	5.2	5.8	2.1	1.7	2.3
Median		2.4	2.4	2.9	**3.0**	**3.5**	**3.9**	3.2	4.0	5.1	1.0	0.9	1.1
Max [2]		4.6	4.3	3.7	**7.3**	**6.6**	**5.3**	8.1	7.7	6.5	1.1	1.5	2.6
Min [3]		1.4	1.2	1.3	**2.3**	**1.9**	**1.9**	2.5	2.3	3.8	0.5	0.5	1.0

Source: Market Screener, 1 Market Capitalization, 2 Values correspond to Quartile 3, 3 Values correspond to Quartile 1

		EV/Sales			EV/EBITDA			P/E			P/B		
Co. Name	**M Cap [1] (USD, Mn)**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**	**2022**	**2023**	**2024**
Digital													
Resources connection	653	0.8	0.8	0.8	**6.9**	**6.1**	**5.9**	11.0	11.9	10.4	1.8	1.6	1.5
Inspired PLC	151	2.1	1.9	1.7	**7.5**	**6.6**	**5.9**	NA	NA	NA	1.8	1.6	NA
BellSystem24 holding	736	0.7	0.7	0.7	**4.6**	**4.5**	**4.3**	11.0	10.6	10.1	1.6	1.5	1.3
RWS Holding	1,648	1.8	1.6	1.5	**7.9**	**7.4**	**6.4**	21.4	19.8	17.0	1.3	1.3	1.2
Teleperform	18,376	2.5	2.3	2.0	**12.2**	**10.8**	**9.7**	26.1	23.0	20.5	5.1	4.4	3.8
Marlowe PLC	901	2.0	1.8	1.7	**10.9**	**9.8**	**8.9**	54.5	31.5	30.0	1.7	1.7	1.6
Average		1.6	1.5	1.4	**8.3**	**7.5**	**6.9**	24.8	19.4	17.6	2.2	2.0	1.9
Median		1.9	1.7	1.6	**7.7**	**7.0**	**6.2**	21.4	19.8	17.0	1.7	1.6	1.5
Max [2]		2.1	1.9	1.7	**10.1**	**9.2**	**8.3**	26.1	23.0	20.5	1.8	1.7	1.6
Min [3]		1.0	1.0	0.9	**7.0**	**6.2**	**5.9**	11.0	11.9	10.4	1.6	1.5	1.3

Source: Market Screener, 1 Market Capitalization, 2 Values correspond to Quartile 3, 3 Values correspond to Quartile 1

Valuation of Equity Investment

(All Figures in Mn AED, unless stated)		
Valuation of Public Listed Companies	**Aramex**	**NMDC**
CMP (as of 15 June 2022)	4.0	27.0
No. of Shares (Mn)	1,464	825
Market Cap (AED, Mn)	**5,842**	**22,275**
AD Ports Ownership	22.3%	10.0%
Value attributable to AD Ports (AED, Mn)	**1,304**	**2,228**

Financials

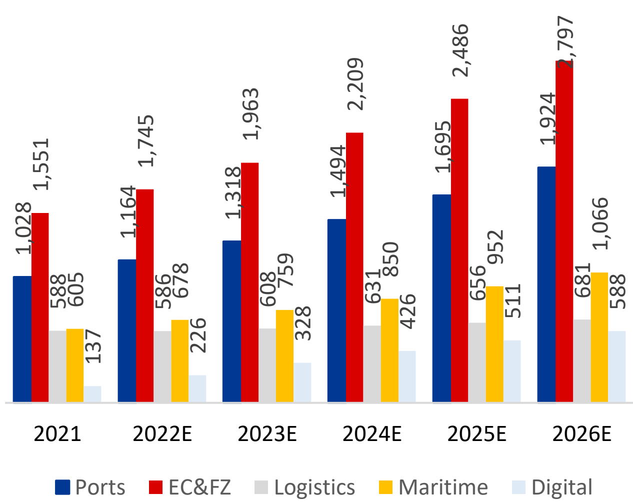
Revenue

We expect consolidated revenue to grow from AED 3,910 Mn in FY2021 to AED 7,057 Mn over FY2026

AD Ports revenue grew significantly at a CAGR of 18.9% from AED 2,768 Mn in FY2019 to AED 3,910 Mn in FY2021. Ports segment contributed 26.3% of total revenue of the Group in FY2021. Revenue from Ports segment such as RO-RO, general cargo, cruise and container were highly impacted by COVID-19 pandemic, however the overall revenue increased 10.8% to AED 1,028 Mn, mainly due to increase in general cargo volumes of 45 Mn tons handled in FY2021. EC&FZ segment contributed highest at 39.7% in FY2021. Revenue from EC&FZ segment grew at a CAGR 12.5% during FY2019-21 to AED 1,551 Mn. The merger of KIZAD and ZonesCorp attracted top-tier tenants such as Amazon, Emirates Global Aluminum, Abu Dhabi National Oil Company, Borouge and Al Futtain Motors. During FY2021, EC&FZ segment leased 3 square kilometers of land. Logistics segment revenue grew at a CAGR of 24.2% during FY2019-21 to AED 588 Mn, contributing 15.0% to total revenue. During pandemic, the company constructed 19,000 square meters of new cold storage facilities. Maritime segment grew at CAGR of 30.2% to AED 605 Mn during FY2019-21. The Digital cluster contributed 3.5% to total revenue and grew at a CAGR of 202.1% to AED 137 Mn during FY2019-21. This was mainly due to switch from PCS network to ATLP network.

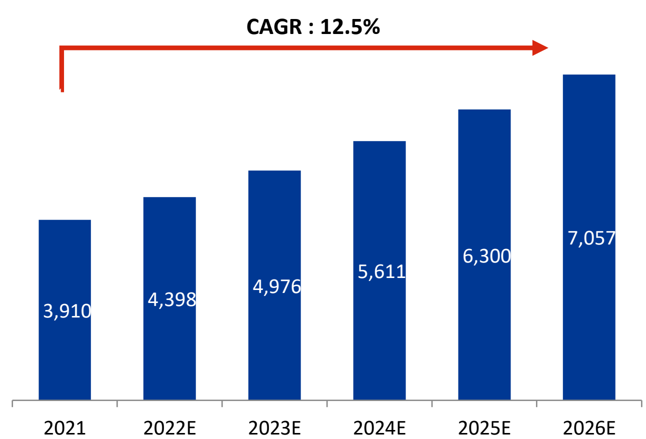
We anticipate AD Ports consolidated revenue to grow at a CAGR 12.5% from AED 3,910 Mn in FY 2021 to AED 7,057 Mn in FY2026. The growth is mainly driven by new infrastructure projects such as expansion of Khalifa Port, addition of new warehouses, long-term contracts, growth in global and regional trade, with EC&FZ segment remaining the largest contributor.

Figure 19: Segmental Revenue Forecast (AED, Mn)



Source: Company information, FAB Securities research 2022-2026

Figure 20: Total Revenue (AED, Mn)



Source: Company information, FAB Securities research 2022-2026

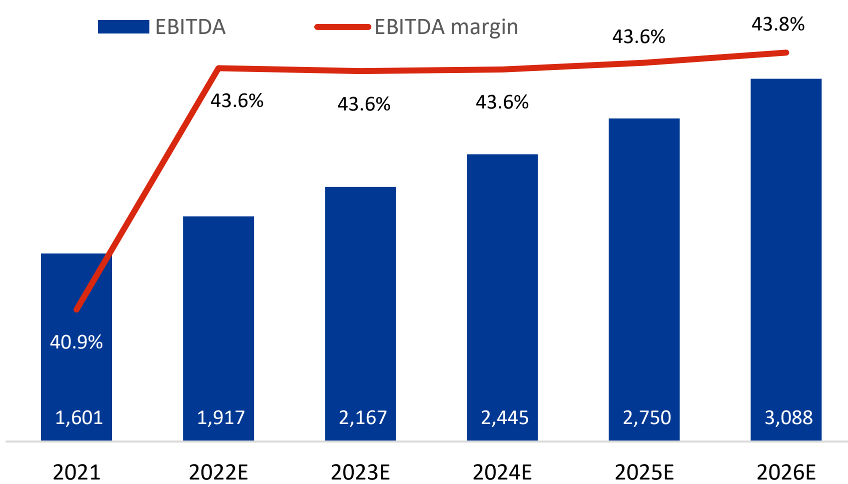
EBITDA

EBITDA would grow at a CAGR of 14.0% to AED 3,088 Mn in FY2026

AD Ports EBITDA is expected to grow at a steady rate during FY2022-26. Consolidated EBITDA is expected to grow at a CAGR 14.0% from AED 1,601 Mn in FY2021 to AED 3,088 Mn in FY2026. Consequently, EBITDA margin is expected to increase from 40.9%% in FY2021 to 43.8% in FY2026. EBITDA stood at AED 523 Mn in 1Q22 with an EBITDA margin of 50.0%.

The EC&FZ remain the leading contributor to EBITDA followed by Ports, Maritime, Logistics and Digital.

Figure 21: AD Port's EBITDA (AED Mn)



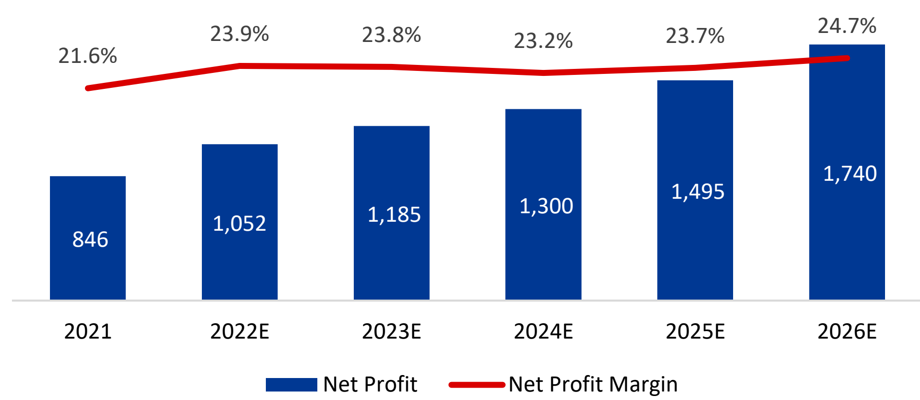
Source: Company information, FAB Securities research 2022-2026

Net Profit

Net profit is expected to grow significantly at a CAGR of 15.5% during FY2021-26

The company's net profit is expected to grow at a CAGR of 15.5% from AED 846 Mn in FY2021 to AED 1,740 Mn in FY2026 higher than growth in top line. The rise is mainly supported by lower increase in operating expenses as compared to revenue partially offset by increase in finance cost which is expected to increase from AED 342 Mn in FY2021 to AED 498 Mn in FY2026. Net Profit Margin stood at 21.6% in FY2021 and 29.1 % in 1Q22. We forecast this margin to steadily grow to 24.7% in FY2026.

Figure 22: AD Ports – Net profit (AED Mn)



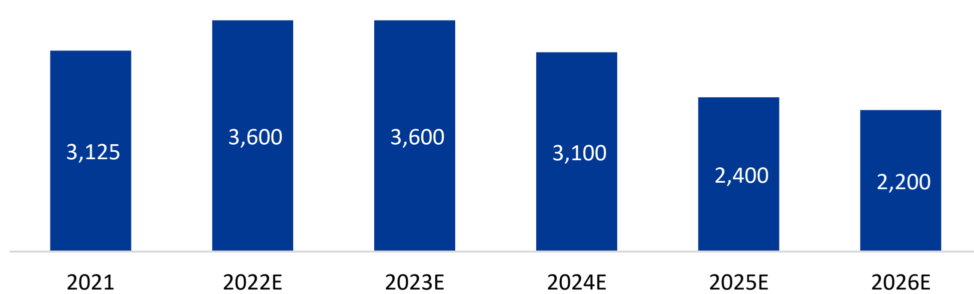
Source: Company information, FAB Securities research 2022-2026

Capital Expenditure

We anticipate AD Ports to spend approx. AED 14.9 Bn on Capex during FY2022-26

The company incurred consolidated capital expenditure of AED 3.1 Bn primarily in the Ports and EC&FZ Clusters in FY2021. The CAPEX was mainly incurred on Khalifa Port South Quay, Khalifa Logistics Port, warehouses, cold stores and expansion of the vessel fleet. We anticipate AD Ports to spend approximately AED 15 Bn during FY2022- 26 across segments to expand Khalifa Port, maritime fleet, economic cities and several other projects. CAPEX would peak in FY2022-23 and gradually slowdown from FY2024 onwards. The company planned capex of AED 4.1 Bn for Khalifa Port expansion, AED 3.4 Bn towards EC&FZ infrastructure development and AED 2.4 Bn toward building assets such as warehouse, staff accommodation, hotel and headquarters.

Figure 23: AD Ports- Capex (AED, Mn)



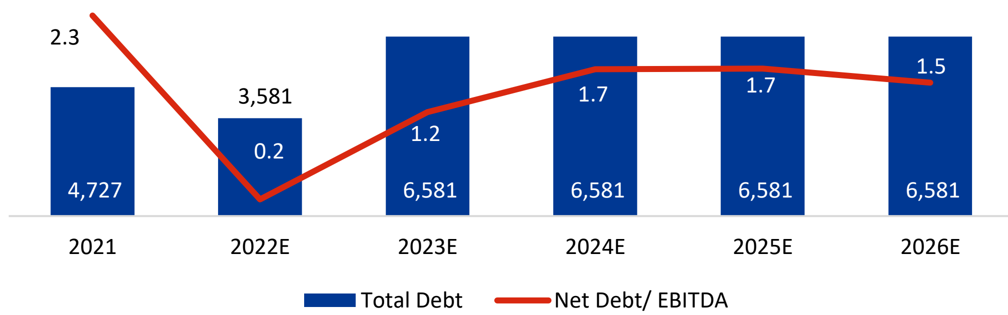
Source: Company information, FAB Securities research 2022-2026

Financial Leverage

Consolidated net leverage will decrease from 2.30x in FY2021 to 1.47x in FY2026 mainly due to an increase in EBITDA and flat net debt levels

The company plans to spend approximately AED 15 Bn on capex. It issued unsecured 10-year bond worth USD 1 Bn under a EURO Medium term Note Program, this issue was priced at coupon rate of 2.5%. Thus, net leverage ratio rose from 0.58x in FY2019 to 2.30x in FY2021. In order to maintain sufficient liquidity levels, AD Ports raised a revolving credit facility with a consortium of local and international banks with a term of 3-years with an expansion option of 2-years, carrying an effective interest rate of 0.85% - 1.00% above LIBOR. We anticipate the company to raise AED 3,000 Mn to support capex in FY2023. The debt is expected to remain steady and the company is expected to refinance debt. Net leverage is expected to fall from 2.30x in FY2021 to 1.47x in FY2026.

Figure 24: AD Ports - Total Debt (AED, Mn)



Source: Company information, FAB Securities research 2022-2026

Dividend

AD Ports aims to pay AED 950 Mn during FY2026. After that it expects to reach dividend payout ratio of 75.0% by FY2030

AD Ports didn't pay any dividend historically also, does not intend to pay any dividend until FY2026. The company aims to expand operation both organically and inorganically during FY2022-26. It is undertaking expansion of Khalifa Port, maritime fleet, economic cities and several other projects with an investment of AED 15 Bn during FY2022-26. These investments will be financed using internal cash generation from operations and debt. AD Ports won't have enough spare free cash flow to distribute dividends after investing into operations.

Thus, according to management estimate AD Ports is expected to pay its first dividend of AED 950 Mn in FY2026. Thereafter, the company expects to maintain robust dividend policy. Dividend payout ratio will stand at 75.0% by FY2030. Currently, AD Ports does not have any formal dividend policy.

Financial Statement

Income Statement

Year to Dec (AED, Mn)	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Revenue	3,424	3,910	4,398	4,976	5,611	6,300	7,057
Government Grant	107	0	0	0	0	0	0
Direct Cost	-1,750	-2,011	-2,262	-2,568	-2,916	-3,294	-3,671
Gross Profit	**1,781**	**1,899**	**2,136**	**2,409**	**2,695**	**3,006**	**3,386**
G&A expense	-564	-684	-682	-771	-870	-976	-1,094
Impairment of trade receivable	-92	-21	-	-	-	-	-
Marketing and selling	-30	-65	-44	-55	-67	-76	-92
Impairment of investment properties	-459	26	-	-	-	-	-
Other Income	32	10	6	6	6	6	6
EBITDA	**1,547**	**1,601**	**1,917**	**2,167**	**2,445**	**2,750**	**3,088**
D&A	476	546	531	608	709	817	907
EBIT	**668**	**1,165**	**1,417**	**1,589**	**1,764**	**1,960**	**2,207**
Finance costs	-327	-342	-398	-438	-498	-498	-498
Finance income	5	1	0	0	0	0	0
Share of profit from JVs	51	29	44	45	46	47	48
Profit for the year	**397**	**853**	**1,062**	**1,196**	**1,312**	**1,509**	**1,757**
Non-controlling interest	3	8	10	11	12	14	17
Profit Attributable to owners	**394**	**846**	**1,052**	**1,185**	**1,300**	**1,495**	**1,740**
EPS	0.10	0.22	0.21	0.23	0.26	0.29	0.34

Source: Company Information, FAB Securities research

Key Ratios:

	2020A	2021A	2022E	2023E	2024E	2025E	2026E
YoY % Change							
Revenue	23.7%	40.1%	12.5%	13.1%	12.7%	12.3%	12.0%
Gross Profit	11.4%	45.5%	12.5%	12.8%	11.9%	11.5%	12.7%
EBITDA	37.3%	23.5%	19.8%	13.1%	12.8%	12.5%	12.3%
Net profit	-20.6%	43.3%	24.4%	12.6%	9.7%	15.0%	16.4%
% Margin							
Gross profit	52.0%	48.6%	48.6%	48.4%	48.0%	47.7%	48.0%
EBITDA	45.2%	40.9%	43.6%	43.6%	43.6%	43.6%	43.8%
EBIT	19.5%	29.8%	32.2%	31.9%	31.4%	31.1%	31.3%
Net Profit margin	11.5%	21.6%	23.9%	23.8%	23.2%	23.7%	24.7%
Leverage							
Debt/Adjusted EBITDA	2.6	3.0	1.9	3.1	4.2	3.7	3.3
Net Debt/Adjusted EBITDA	2.4	2.3	0.1	1.4	2.2	2.6	2.6
Debt/Equity	0.5	0.4	0.2	0.3	0.5	0.4	0.4
Return ratios							
ROA	1.7%	3.1%	3.3%	3.2%	3.3%	3.6%	4.0%
ROE	5.2%	8.3%	7.2%	6.2%	6.4%	6.9%	7.5%
ROCE	3.8%	4.9%	4.5%	4.4%	4.8%	5.1%	5.5%

Source: Company Information, FAB Securities research

FAB أبوظبي الأول للأوراق المالية SECURITIES

Balance Sheet

Year to Dec (AED, Mn)	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Assets							
Non-Current Assets							
Property, Plant and Equipment	15,375	17,152	19,657	22,095	24,049	25,355	26,427
Trade and other receivables	1,448	1,779	1,839	2,081	2,346	2,634	2,951
Right of use assets	665	635	604	575	547	520	495
Intangible assets and Goodwill	235	224	213	203	192	181	171
Investment Properties	3,458	3,638	4,243	4,837	5,313	5,628	5,885
Investment in joint ventures	429	455	484	485	486	488	491
Prepayments and advances	-	46	46	46	46	46	46
Financial asset at fair value through	59	59	1,367	1,367	1,367	1,367	1,367
Investment in an associate			1,453	1,453	1,453	1,453	1,453
Total Non-Current Assets	**21,668**	**23,988**	**28,455**	**31,688**	**34,346**	**36,220**	**37,833**
Current Assets							
Inventories	16	25	21	27	30	34	37
Trade receivables and other receivables	1,817	2,395	2,540	2,874	3,240	3,638	4,075
Short-term loan to a related party	700	-	-	-	-	-	-
Prepayments and advances	379	451	335	379	428	480	538
Property held for sale	-	237	-	-	-	-	-
Cash and cash equivalents	271	1,051	3,386	4,137	2,569	1,991	1,875
Total Current Assets	**3,185**	**4,160**	**6,283**	**7,417**	**6,267**	**6,143**	**6,526**
Total Assets	**24,853**	**28,149**	**34,737**	**39,106**	**40,614**	**42,363**	**44,359**
Equities and liabilities							
Equity							
Share capital	3,840	3,840	5,090	5,090	5,090	5,090	5,090
Share Premium	0	0	2,750	2,750	2,750	2,750	2,750
Statutory reserve	295	380	485	604	734	883	1,057
Assets distribution reserve	-22	-22	-22	-22	-22	-22	-22
Cash flow hedge reserve	-134	-97	-97	-97	-97	-97	-97
Investment revaluation reserve	0	0	218	218	218	218	218
Foreign Currency translation Reserve	0	0	-8	-8	-8	-8	-8
Merger reserve	1,319	1,319	1,319	1,319	1,319	1,319	1,319
Owner's contribution	33	2,070	4,610	4,610	4,610	4,610	4,610
Retained earnings	2,388	3,149	4,096	5,162	6,332	7,677	9,243
Equity attributable to owners of the Company	**7,719**	**10,638**	**18,441**	**19,626**	**20,926**	**22,420**	**24,160**
Non-controlling interest	37	53	63	74	86	101	117
Total equity	**7,756**	**10,691**	**18,504**	**19,700**	**21,012**	**22,521**	**24,278**
Liabilities							
Non-current liabilities							
Provisions for employees' end of services benefits	97	120	106	93	82	72	63
Deferred government grants	6,354	6,271	6,145	6,021	5,900	5,781	5,665
Payable to the project companies	2,164	2,151	2,424	2,424	2,424	2,424	2,424
Borrowings	0	0	0	3,000	3,000	3,000	3,000
Lease liabilities	738	713	713	713	713	713	713
Trade and other payables	416	344	344	344	344	344	344
Bonds Payable	0	3,581	3,581	3,581	3,581	3,581	3,581

Total non-current liabilities	**9,770**	**13,180**	**13,313**	**16,177**	**16,044**	**15,916**	**15,791**
Current Liabilities							
Bank Overdraft	0	0	0	0	0	0	0
Borrowings	4,050	1,146	0	0	0	0	0
Trade and other payables	2,813	2,635	2,700	3,011	3,342	3,713	4,080
Lease liabilities	92	92	92	92	92	92	92
Deferred government grants	107	132	129	126	124	121	119
Payable to the project companies	265	274	0	0	0	0	0
Total Current Liabilities	**7,327**	**4,278**	**2,921**	**3,229**	**3,557**	**3,926**	**4,290**
Total Liabilities	**17,097**	**17,458**	**16,234**	**19,406**	**19,602**	**19,842**	**20,081**
Total Equity and liabilities	**24,853**	**28,149**	**34,737**	**39,106**	**40,614**	**42,363**	**44,359**

Source: Company Information, FAB Securities research

Cash Flows

Year to Dec (AED, Mn)	2020A	2021A	2022E	2023E	2024E	2025E	2026E
Cash flow from operating activities							
Profit for the year	**397**	**853**	**1,062**	**1,196**	**1,310**	**1,506**	**1,753**
Adjustments for:							
Depreciation on PPE and investment properties	432	502	490	568	670	779	871
Amortization of right-to-use assets	33	33	31	29	28	27	25
Amortization of intangible assets	11	11	11	11	11	11	11
Share of profit from joint ventures	-51	-29	-44	-45	-46	-47	-48
Impairment of trade receivables	92	21	0	0	0	0	0
Provision for slow moving inventories	1	1	0	0	0	0	0
Amortization of government grants	-107	-132	-129	-126	-124	-121	-119
Gain on disposal of property, plant and equipment	0	7	0	0	0	0	0
Provision for employees' end of service benefits	28	29	0	0	0	0	0
Financial Income	-5	-1	0	0	0	0	0
Impairment loss on investment properties	459	-26	0	0	0	0	0
Bank borrowing cost	0	0	110	150	210	210	210
Other finance cost	327	342	250	250	250	250	250
Operating cash flows before changes in operating assets and liabilities	**1,618**	**1,612**	**1,780**	**2,032**	**2,310**	**2,616**	**2,956**
Changes in operating assets and liabilities -							
Trade and other receivables	-968	-521	-205	-575	-632	-686	-754
Prepayments and advances	-314	-2	116	-44	-48	-53	-58
Inventories	-5	-10	4	-6	-3	-4	-3
Trade and other payables	124	-267	65	311	331	371	367
Net operating cash flows	**455**	**812**	**1,761**	**1,718**	**1,957**	**2,246**	**2,507**
Employees' end of service benefits paid	-16	-7	-14	-13	-11	-10	-9
Net Cash inflows from operating activities	**421**	**787**	**1,746**	**1,705**	**1,946**	**2,236**	**2,499**
Cash flows from investing activities							
Proceeds from sale of property, plant and equipment	14	1	0	0	0	0	0
Additions to property, plant and equipment	-2,639	-2,856	-2,880	-2,880	-2,480	-1,920	-1,760
Additions to investment properties	-240	-269	-720	-720	-620	-480	-440
Additions to joint venture	-56	-21	0	0	0	0	0
Proceed from property held for sales	0	0	237	0	0	0	0
Dividend received from equity accounted investees	46	61	15	45	45	45	45
Movement in Deposits	-9	-15	0	0	0	0	0
Loan/(repayment) to a related party	-700	700	0	0	0	0	0
Other income received		0	-1,308	0	0	0	0
Finance income received	5	1	0	0	0	0	0
Investment in Associates			-1,453	0	0	0	0
Short term deposit	10	9	0	0	0	0	0
Net cash outflow from investing activities	**-3,571**	**-2,390**	**-4,656**	**-3,555**	**-3,055**	**-2,355**	**-2,155**
Cash flow from financing activities							
Proceeds from Equity Raising		0	4,000	0	0	0	0

Proceeds from borrowings	2,370	2,601	0	3,000	0	0	0
Repayments of borrowings	-40	-5,505	-1,146	0	0	0	0
Proceeds from bonds	0	3,597	0	0	0	0	0
Transaction cost for bond issuance	0	-22	0	0	0	0	0
Government grand received	368	95	0	0	0	0	0
Contribution from partners	0	2,036	2,750	0	0	0	0
Payment of lease liabilities	-15	-28	0	0	0	0	0
Payment of lease liabilities - interest	-12	-38	0	0	0	0	0
Dividend paid to non-controlling interests in subsidiaries	0	-1	0	0	0	0	0
Capital contribution from non- controlling interest	1	0	0	0	0	0	0
Short-term loan to a related party		0	0	0	0	0	0
Borrowing cost paid	-52	-103	-110	-150	-210	-210	-210
Finance cost paid to project companies	-265	-255	-250	-250	-250	-250	-250
Net Cash inflow/ outflow from financing activities	**2,355**	**2,377**	**5,245**	**2,601**	**-459**	**-459**	**-459**
Net (decrease)/ increase in cash and cash equivalents	**-795**	**774**	**2,335**	**751**	**-1,568**	**-578**	**-115**
Cash and cash equivalents at the beginning of the year	1,057	262	1,051	3,386	4,137	2,569	1,991
Cash and cash equivalents at the end of the year	**262**	**1,036**	**3,386**	**4,137**	**2,569**	**1,991**	**1,875**

Source: Company Information, FAB Securities research

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