

Aldar Properties

Growing development's revenue backlog and new launches boosted profitability

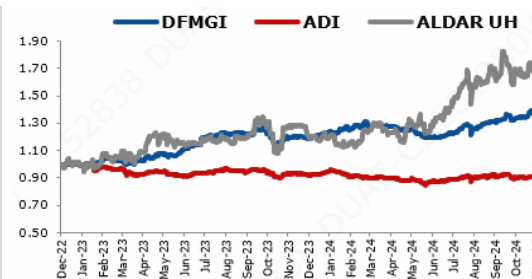
Current Price
AED 7.96

Target Price
AED 8.70

Upside/Downside (%)
+9%

Rating
HOLD

- Aldar's Development revenue backlog grew to AED 48.6 Bn in 3Q24, up from AED 39.0 Bn in 2Q24, providing significant revenue visibility.
- The Company launched three new projects during the quarter—Verdes by Haven in Dubai, The Arthouse on Saadiyat Island, and Yas Riva.
- Aldar entered into a partnership with Mubadala to jointly own and manage assets valued at AED 30 Bn in Abu Dhabi.
- Aldar's hospitality and lead portfolio is also poised for strong growth, supported by the Company's AED 1.5 Bn development plan to transform its assets into luxury resort-focused destinations.



Stock Information

Market Cap (AED, Mn)	62,586.53
Paid Up Capital (Mn)	7,862.63
52 Week High	8.20
52 Week Low	4.97
3M Avg. daily value (AED)	58,808,660

3Q24 Net Profit lower than our estimate

Aldar Properties PJSC (Aldar/the Company) net profit increased 37.0% YOY to AED 1,088 Mn in 3Q24, lower than our estimate of AED 1,358 Mn. The increase in the net profit is primarily driven by significant growth in revenue, lower provisions, and higher finance income, partially offset by an increase in direct cost, operating expenses, and net finance cost coupled with higher taxes and profits attributable to NCI holders.

3Q24 Result Review (AED, Mn)

Total Assets	80,953
Total Liabilities	40,009
Total Equity	40,945
EBITDA	1,547
Net Profit	1,088

P&L Highlights

Aldar's revenue increased significantly by 61.4% YOY to AED 5,582 Mn in 3Q24, driven by significant growth in both development and investment business. Aldar's development revenue almost doubled from AED 1,935 Mn in 3Q23 to AED 3,853 Mn in 3Q24, supported by the growth in group sales and healthy contributions from the acquisitions. In addition, the growth is primarily driven by executing the revenue backlog from new and existing projects. Development sales grew 27.1% YOY to AED 9,938 Mn in 3Q24, of which AED 7,285 Mn sales came from UAE and the remaining from Egypt and the UK. UAE sales growth is mainly driven by the strong demand for new and existing development across Abu Dhabi, Dubai, and Ras Al Khaimah. The Company's total revenue backlog reached AED 48.6 Bn in 3Q24, with AED 40.5 Bn attributed to the UAE market and the remaining AED 8.1 Bn linked to the international business. Additionally, revenue from project management services surged 109.3% YOY, amounting to AED 719 Mn in 3Q24, supported by a robust revenue backlog of AED 76 Bn, of which AED 54 Bn is currently under construction. The international segment saw a notable increase in revenue, rising to AED 348 Mn in 3Q24 from AED 230 Mn in 3Q23. Furthermore, Aldar Investments demonstrated strong performance, posting a 28.7% YOY revenue growth to AED 1.7 Bn in 3Q24, driven by solid operational

Financial Ratios

Dividend Yield (12m)	2.14
Dividend Pay-out (%)	35.00
Price-Earnings Ratio(x)	12.38
Price-to-Book Ratio (x)	1.78
Book Value (AED)	4.47
Return-on Equity (%)	15.14

Stock Performance

5 Days	5.01%
1 Months	8.15%
3 Months	10.71%
6 Months	39.65%
1 Year	39.40%
Month to Date (MTD%)	4.46%
Quarter to Date (QTD%)	5.85%
Year to Date (YTD%)	48.79%

results, the expansion of Aldar Estates, Education business and significant contributions from recent acquisitions. Occupancy level in the investment properties segment stood strong at 95%. Aldar Development's EBITDA increased substantially from AED 593 Mn in 3Q23 to AED 948 Mn in 3Q24, predominately driven by the successful execution of the revenue backlog from new and existing projects. In addition, Property Development and Sales EBITDA increased significantly from AED 466 Mn in 3Q23 to AED 764 Mn in 3Q24. The Project Management Services EBITDA grew 43.9% YOY to AED 177 Mn in 3Q24, whereas the international segment EBITDA inclined 75.0% YOY to AED 7 Mn. Aldar Investments EBITDA grew 16.2% YOY to AED 674 Mn in 3Q24, driven by robust organic operational performance supported by strategic acquisitions in 2022 & 2023. Investment Properties EBITDA decreased by 9.6% YOY to AED 405 Mn in 3Q24, primarily due to a one-off gain from the termination of a bulk lease in the residential portfolio in the prior year. Aldar Hospitality and leisure business segment EBITDA decreased 11.9% YOY to AED 37 Mn in 3Q24. Moreover, the Aldar Education segment witnessed 93.8% YOY growth in EBITDA to AED 93 Mn in 3Q24, supported by a growth in the number of student enrolments along with increased tuition fees. Aldar Estate segment EBITDA grew significantly from AED 55 Mn in 3Q23 to AED 96 Mn in 3Q24. Thus, the Company's consolidated EBITDA increased 40.6% YOY to AED 1,547 Mn in 3Q24, with an EBITDA margin of 27.7% in 3Q24 compared to 31.8% in 3Q23. Impairments declined from AED 31 Mn in 3Q23 to AED 10 Mn in 3Q24. Moreover, finance income rose significantly 32.2% YOY to AED 175 Mn, while finance costs grew 56.6% YOY to AED 253 Mn in 3Q24. In addition, income tax expense increased from AED 62 Mn in 3Q23 to AED 64 Mn in 3Q24, mainly due to the introduction of UAE corporate tax. In addition, the share of profit attributable to non-controlling interest holders increased from AED 93 Mn in 3Q23 to AED 166 Mn in 3Q24.

Balance Sheet Highlights

Aldar Properties maintained a strong liquidity position with free cash of AED 9.5 Bn and AED 8.4 Bn of undrawn credit facilities as of 3Q24. The project management service segment backlog stood at AED 76 Bn in 3Q24, compared to AED 77.9 Bn in 2Q24. The Company's capital deployment continues to support its develop-to-hold asset pipeline, which totals AED 9.35 Bn across the UAE. The Company's debt increased to AED 15.4 Bn in 3Q24, up from AED 14.2 Bn in 2Q24. Additionally, the cash balance grew to a robust AED 13.3 Bn in 3Q24, up from AED 12.7 Bn in 2Q24.

Target Price and Rating

We maintain our HOLD rating on Aldar properties with a revised target price of AED 8.70. Aldar's stock price grew 8.2% since our last rating. Aldar demonstrated strong profitability growth, mainly due to robust sales growth driven by strong demand for new developments and existing inventory and an increase in EBITDA during 3Q24. Aldar successfully launched eight new developments as of 9M24. Aldar development completed three new launches in 3Q24 in Dubai, Saadiyat, and Yas Island. The Company's Development revenue backlog grew to AED 48.6 Bn in 3Q24, up from AED 39.0 Bn in 2Q24, providing significant revenue visibility from both UAE and international operations over the next 2-3 years. Furthermore, the Company boasts a robust pipeline valued at AED 9.35 Bn, scheduled for delivery over the next three years. This includes AED 5 Bn in commercial, retail, and hospitality projects in Abu Dhabi, AED 1 Bn in logistics in Dubai, AED 1.6 Bn in commercial developments, and AED 1.75 Bn in commercial, retail, and residential projects in Dubai. Recently, the Company also revised its guidance for Adjusted EBITDA from AED 6.2-6.5 Bn to AED 6.8-7.0 Bn. Additionally, it also revised Development's EBITDA guidance from AED 4.1-4.3 Bn to AED 4.3-4.5 Bn, Investment business EBITDA also revised to AED 2.5-2.7 Bn from AED 2.3-2.5 Bn. Aldar's hospitality and lead portfolio is also poised for strong growth, supported by the Company's AED 1.5 Bn development plan to transform its assets into luxury resort-focused destinations. Aldar also partnered with Mubadala to bring AED 30 Bn into prime Abu Dhabi real estate by leveraging its expertise in real estate development, asset management, institutional strength, and prime land bank to unlock substantial value creation opportunities. The Company's planned launches for Yas Island are on track for year-end, while the Fahed project and Dubai's third master development are set for 1Q25, signalling a solid pipeline ahead. Aldar expects its EBITDA to grow at least 35% YOY in 2025, backed by solid backlog and organic growth. It also expects 2025 to be stronger than 2024 regarding the outlook for new launches. Thus, based on the above-mentioned factors, we revised our rating to HOLD on the stock.

Aldar - Relative valuation

(at CMP)	2019	2020	2021	2022	2023	2024F
PE	31.23	32.07	26.76	21.42	16.22	11.43
PB	2.49	2.42	2.30	2.19	1.99	1.76
EV/EBITDA	28.10	26.20	22.20	17.89	13.58	10.81
Dividend yield	1.8%	1.8%	1.9%	2.0%	2.2%	2.9%

FABS Estimates & Co Data
Aldar - P&L

AED Mn	3Q23	2Q24	3Q24A	3Q24F	VAR	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	3,458	5,303	5,582	5,486	1.7%	61.4%	5.3%	14,161	22,323	57.6%
Direct costs	-2,151	-3,478	-3,756	-3,576	5.0%	74.6%	8.0%	-8,588	-14,656	70.7%
Gross profit	1,307	1,825	1,826	1,910	-4.4%	39.7%	0.0%	5,573	7,668	37.6%
General expenses	-332	-387	-431	-400	7.7%	29.7%	11.4%	-1,482	-1,674	13.0%
Selling & Marketing exp.	-29	-32	-30	-38	-23.2%	1.8%	-6.7%	-115	-112	-2.8%
EBITDA	1,100	2,037	1,547	1,611	-4.0%	40.6%	-24.1%	5,113	6,572	28.5%
EBIT	945	1,406	1,365	1,471	-7.2%	44.4%	-2.9%	3,977	5,882	47.9%
Share of assoc.	-2	2	-2	0	NM	-26.3%	NM	-7	0	NM
Provision/(reversal)	-31	-8	-10	-11	-9.6%	-67.7%	27.7%	-226	-45	-80.2%
Finance income	133	171	175	179	-2.2%	32.2%	2.6%	499	692	38.7%
Finance cost	-162	-236	-253	-232	9.3%	56.6%	7.4%	-621	-989	59.2%
Total other income	66	491	41	219	-81.1%	-37.0%	-91.6%	907	1,005	10.7%
Profit before Income tax	949	1,826	1,317	1,627	-19.1%	38.8%	-27.9%	4,528	6,545	44.5%
Income tax	-62	-75	-64	-67	-4.8%	1.9%	-15.6%	-112	-314	NM
Profit after tax	887	1,751	1,253	1,561	-19.7%	41.3%	-28.4%	4,416	6,231	41.1%
Non-controlling interest	93	199	166	203	-18.4%	78.9%	-16.8%	494	810	63.9%
Net Profit	794	1,552	1,088	1,358	-19.9%	37.0%	-29.9%	3,922	5,421	38.2%

FABS estimate & Co Data
Aldar - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross margin	37.8%	34.4%	32.7%	-508	-171	39.4%	34.3%	-501
EBITDA margin	31.8%	38.4%	27.7%	-410	-1,070	36.1%	29.4%	-667
Operating margin	27.3%	26.5%	24.5%	-288	-207	28.1%	26.3%	-173
Net profit margin	23.0%	29.3%	19.5%	-348	-977	27.7%	24.3%	-342

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	9.35	70.0%	6.55
Relative Valuation (RV)	7.17	30.0%	2.15
Weighted Average Valuation (AED)			8.70
Current market price (AED)			7.96
Upside/Downside (%)			+9%

1) DCF Method:

Aldar is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.8%. It is arrived after using the cost of equity of 9.8% and after-tax cost of debt of 5.4% with a debt-to-equity ratio of 27.8%. The cost of equity is calculated by using a 10-year government bond yield of 5.5%, beta of 1.00 and equity risk premium of 4.3%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over a 10-year US risk-free rate. The cost of debt is calculated using the cost of 5.6% after adjusting a tax rate arriving at after-tax cost of debt of 5.4%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	19,331
Terminal value (AED, Mn)	66,851
FV to Common shareholders (AED, Mn)	73,541
No. of share (Mn)	7,863
Current Market Price (AED)	7.96
Fair Value per share (AED)	9.35

DCF Method

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Net Income	5,568	6,963	7,979	8,619	8,920
D&A	690	755	826	902	980
Change in working capital	-225	-533	-1,183	-1,070	-1,428
(-) Capex	-2,407	-2,213	-2,132	-2,112	-2,103
Free Cash Flow to Firm (FCFF)	3,626	4,972	5,491	6,338	6,369
Discounting Factor	0.99	0.91	0.83	0.77	0.70
Discounted FCFF	896¹	4,514	4,580	4,857	4,484

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used local peers to value Aldar and it is valued using the EV/EBITDA multiple. It is valued at EV/EBITDA multiple of 10.5x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2024F	2025F	2024F	2025F	2024F	2025F
Emaar Properties	21,176	5.7	5.0	6.8	6.2	0.9	0.8
Dar Al Arkan Real Estate	4,940	20.9	20.2	21.8	19.8	0.9	0.8
Arabian Centres	2,642	14.9	12.7	10.4	8.8	0.7	0.7
Deyaar Development	901	5.2	4.4	8.4	6.9	NA	NA
TECOM Group	4,288	10.5	10.2	12.6	12.4	2.3	2.1
Average		11.4x	10.5x	12.0x	10.8x	1.2x	1.1x
Median		10.5x	10.2x	10.4x	8.8x	0.9x	0.8x
Max		14.9x	12.7x	12.6x	12.4x	1.3x	1.2x
Min		5.7x	5.0x	8.4x	6.9x	0.8x	0.8x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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