

Dubai Taxi Company (DTC)

Fleet expansion boosted topline

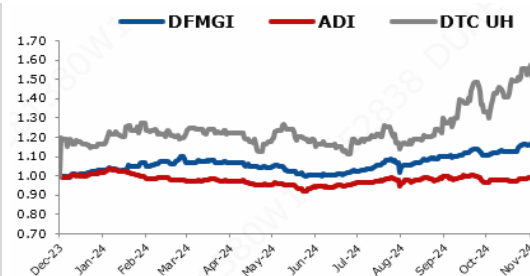
Current Price
AED 2.64

Target Price
AED 3.00

Upside/Downside (%)
+14%

Rating
ACCUMULATE

- DTC recorded a 5.0% YOY increase in the Taxi and Limousines segment trips to 12.2 Mn during 3Q24, out of which the taxi segment accounted for 12.0 Mn trips.
- Signed a strategic partnership with Bolt with exclusive operational rights to offer e-hailing services for 20 years in the UAE.
- Taxi and limousine fleet is now more efficient as it comprises either hybrid or electric vehicles.
- DTC won 300 new license plates at the RTA auction in 3Q24 expanding the taxi market share to 46%.



Stock Information

Market Cap (AED, Mn)	6,600.00
Paid Up Capital (Mn)	100.00
52 Week High	2.96
52 Week Low	2.06
3M Avg. daily value (AED)	8,702,914

3Q24 Net Profit lower than our estimate

Dubai Taxi Company P.J.S.C. (DTC/the Company) net profit declined 26.1% YOY to AED 60 Mn in 3Q24, lower than our estimate of AED 77 Mn. The decline in the net profit is mainly due to a significant increase in finance costs and tax expense coupled with a rise in operating cost and G&A expenses partially offset by a healthy growth in revenue.

3Q24 Result Review (AED, Mn)

Total Assets	2,099
Total Liabilities	1,772
Total Equity	326
EBITDA	123
Net Profit	60

P&L Highlights

DTC's revenue rose 11.0% YOY to AED 507 Mn in 3Q24 owing to growth across taxi, buses, and delivery bikes segments partially offset by a decline in revenue from the Limousine segment. Revenue from the Taxi segment rose 10.2% YOY to AED 453 Mn in 3Q24 mainly due to the increased number of trips and trip length, expansion in the fleet, higher tariffs, and rise in utilization rate. Limousine segment revenue fell 3.6% YOY to AED 27 Mn in 3Q24. DTC recorded a 5.0% YOY increase in the Taxi and Limousines segment trips that reached 12.2 Mn during 3Q24, out of which the taxi segment accounted for 12.0 Mn trips. The revenue from the Bus segment rose significantly 31.0% YOY to AED 16 Mn in 3Q24 owing to an increase in fleet size and the signing of new service contracts. Similarly, the Company's delivery bike segment revenue almost doubled from AED 6 Mn in 3Q23 to AED 12 Mn in 3Q24 mainly due to an increase in fleet size and signing of new commercial agreements. DTC's delivery bike fleet increased substantially to 1,544 in 3Q24 from 1,168 in the previous quarter. On the other hand, operating costs rose 14.4% YOY to AED 319 Mn in 3Q24 mainly due to a substantial rise in staff costs, insurance expenses, and vehicle surveillance hosting charges. Thus, the Company's gross profit increased 5.9% YOY to AED 107 Mn in 3Q24. DTC's G&A expenses rose 67.8% YOY to AED 29 Mn in 3Q24 while other income rose from AED 4 Mn in 3Q23 to AED 8 Mn in 3Q24. In addition, the Company recorded an impairment charge of AED 3

Financial Ratios

Dividend Yield (12m)	4.83
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	20.28
Price-to-Book Ratio (x)	20.22
Book Value (AED)	0.13
Return-on Equity (%)	80.60

Stock Performance

5 Days	-5.38%
1 Months	-1.49%
3 Months	21.10%
6 Months	12.82%
1 Year	N/A
Month to Date (MTD%)	-8.33%
Quarter to Date (QTD%)	-2.58%
Year to Date (YTD%)	23.94%

Mn in 3Q24 compared to AED 4 Mn in 3Q23. The operating profit fell 1.7% YOY to AED 82 Mn in 3Q24 due to higher depreciation and G&A expense owing to the addition of new vehicles. DTC's EBITDA grew 6.4% YOY to AED 123 Mn in 3Q24. The EBITDA margin stood at 24.2% in 3Q24 compared to 25.3% in 3Q23. Furthermore, DTC's finance income rose from AED 2 Mn in 3Q23 to AED 4 Mn in 3Q24, while finance cost recorded a sharp rise from AED 1 Mn in 3Q23 to AED 16 Mn in 3Q24. Staff bonus fell 3.5% YOY to AED 4 Mn in 3Q24. In addition, the Company incurred an income tax charge of AED 6 Mn in 3Q24 owing to the introduction of UAE corporate tax.

Balance Sheet Highlights

DTC's cash and cash equivalent including Wakala deposits stood at AED 272 Mn in 3Q24 compared to AED 374 Mn in 2Q24. DTC's debt remained unchanged at AED 997 Mn in 3Q24 compared to 2Q24 while the unutilized credit facility stood at AED 200 Mn in 3Q24. The Company's net debt to LTM EBITDA ratio increased from 1.1x in 2Q24 to 1.3x in 3Q24. DTC's cash generated from operating activities increased from AED 154 Mn in 2Q24 to AED 163 in 3Q24. Capex declined from AED 113 Mn in 3Q23 to AED 104 Mn in 3Q24.

Target Price and Rating

We revise our rating on Dubai Taxi Company to ACCUMULATE with a revised target price of AED 3.00. DTC's added 44 taxis' in 9M24 reaching a fleet of 5,660 vehicles in while the Limousine fleet increased to 437 vehicles. Similarly, the Company's bus fleet rose to 1,152 vehicles including 20 leased busses. Rising student population in Dubai led to higher volumes in the Bus segment in 3Q24. The delivery bike fleet expanded by 800 vehicles in 9M24 to 1,544 vehicles owing to partnerships with leading aggregators. Consequently, DTC's driver population rose 17% YOY to 18,000 drivers during 9M24. Moreover, the Company won 300 new licence plates at the RTA auction in 3Q24 expanding the taxi market share to 46%. The additional taxis bagged in the recent RTA auction will add AED 100 Mn in annual revenue while 25% of the new licences will be allocated to electric taxis. The fleet expansion ensures robust revenue visibility. Furthermore, DTC recently entered into a strategic partnership with Bolt, a global shared mobility platform. Bolt is launching its e-hailing platform in Dubai, while DTC will exclusively offer e-hailing services for 20 years in the UAE. Additionally, DTC also signed commercial agreements with e-commerce and delivery aggregators like Talabat, Noon, and Careem. The Company is expanding the bus service for large corporates. DTC is also exploring inorganic growth opportunities to expand its footprint and leverage on the positive macro-economic factors in the country. The Company's taxi and limousine fleet is now more efficient as it comprises either hybrid or electric vehicles coupled with the shift towards owned buses from leased buses. Thus, considering the abovementioned factors, we assign an ACCUMULATE rating on the stock.

DTC- Relative valuation

(at CMP)	2022	2023	2024
PE (x)	NA	19.4	18.8
PB (x)	NA	21.8	15.4
EV/EBITDA	NA	15.0	12.3
Dividend yield (%)	NA	1.1%	4.8%

FABS Estimates & Co Data

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

DTC- P&L

AED mm	3Q23	2Q24	3Q24	3Q24F	Var.	YOY Ch	QOQ Ch	2023	2024F	Change
Revenue	457	531	507	523	-2.9%	11.0%	-4.5%	1,954	2,247	15.0%
Operating cost	-279	-335	-319	-329	-3.0%	14.4%	-4.6%	-1,205	-1,385	15.0%
Plate & license fee	-77	-83	-81	-78	3.0%	5.3%	-2.5%	-310	-324	4.7%
Gross profit	101	114	107	115	-6.8%	5.9%	-5.6%	439	538	22.4%
Other Income	4	12	8	13	-41.8%	93.3%	-38.9%	51	41	-19.7%
G&A Expenses	-18	-26	-29	-26	12.8%	67.8%	14.2%	-73	-112	53.2%
Impairments	-4	3	-3	0	NM	-21.3%	NM	-44	-2	-94.9%
Operating profit	83	103	82	102	-19.5%	-1.7%	-20.4%	372	464	24.6%
EBITDA	116	139	123	137	-10.1%	6.4%	-11.8%	491	603	23.0%
Finance Income	2	5	4	3	11.4%	64.4%	-27.0%	7	15	98.4%
Finance Cost	-1	-16	-16	-15	5.5%	NM	-2.2%	-16	-63	NM
Staff Bonus	-4	-5	-4	-5	-21.4%	-3.5%	-14.1%	-18	-21	14.8%
Profit Before Tax	81	87	66	85	-22.6%	-18.5%	-24.5%	345	395	14.3%
Tax	0	-8	-6	-8	-20.2%	NM	-22.0%	0	-37	NM
Net Profit	81	79	60	77	-22.8%	-26.1%	-24.7%	345	357	3.4%

FABS estimate & Co Data

DTC - Margins

	3Q23	2Q24	3Q24	YOY Ch	QOQ Ch	2023	2024F	Change
Gross margin	22.1%	21.4%	21.1%	-103	-25	22.5%	23.9%	145
EBITDA margin	25.3%	26.2%	24.2%	-105	-200	25.1%	26.9%	174
Operating margin	18.2%	19.4%	16.2%	-209	-323	19.1%	20.6%	159
Net profit margin	17.7%	14.9%	11.8%	-591	-317	0.0%	15.4%	1,538

FABS estimate & Co Data

Valuation:

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

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	3.18	70.0%	2.23
DDM Method	2.74	15.0%	0.41
EV/EBITDA	2.41	15.0%	0.36
Weighted Average Valuation (AED)			3.00
Current market price (AED)			2.64
Upside/Downside (%)			+14%

1) DCF Method:

Dubai Taxi Company P.J.S.C. is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 8.1%. It is arrived after using the cost of equity of 8.5% and after tax cost of debt of 5.7%. Cost of equity is calculated by using a 10-year government bond yield of 5.4%, beta of 0.90 and equity risk premium of 3.4%. Government bond yield is calculated after adding Dubai's Government spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	1,750
Terminal value (AED, Mn)	6,846
FV to Common shareholders (AED, Mn)	7,949
No. of share (Mn)	2,500
Current Market Price (AED)	2.64
Fair Value per share (AED)	3.18

DCF Method

(All Figures in AED, Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
NOPAT	422	484	517	563	613
Depreciation & Amortization	160	133	163	154	146
Capex	-299	-240	-304	-138	-208
Change in Working Capital	11	118	85	29	10
Free Cash Flow to Firm (FCFF)	295	495	460	608	560
Discounting Factor	0.98	0.91	0.84	0.78	0.72
Discounted FCFF	39	449	387	472	403

Source: FAB Securities

2) Relative Valuation:

We have used local as well as international peers to value Dubai Taxi Corporation P.J.S.C. and it is valued using the EV/EBITDA multiple of 11.0x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2024F	2025F	2024F	2025F
Regional Infrastructure and Taxi Cos					
Salik	10,048	25.8	20.1	32.2	24.8
Empower	4,956	13.2	13.0	18.6	18.1
Dewa	34,173	10.0	9.4	17.3	16.5
ADNOC Drilling	19,810	12.1	10.7	16.3	14.3
ADNOC Distribution	11,980	12.8	11.8	17.8	15.7
Budget	1,900	10.0	8.1	22.5	16.5
Theeb	908	7.2	5.9	19.9	16.8
Lumi	1,088	9.2	6.7	22.7	17.6
Average		12.5x	10.7x	20.9x	17.5x
Median		11.0x	10.1x	19.3x	16.7x
Max		12.9x	12.1x	22.6x	17.7x
Min		9.8x	7.7x	17.7x	16.3x

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividend to shareholders in the forecasted period. DTC is expected to pay a regular dividend of at least 85% of annual net profit in the forecasted period. The dividend is discounted at the cost of equity of 8.5%.

Sum of PV (AED, Mn)	1,613
Terminal value (AED, Mn)	5,239
FV to Common shareholders (AED, Mn)	6,853
No. of share (Mn)	2,500
Current Market Price (AED)	2.64
Fair Value per share (AED)	2.74

(All Figures in AED Mn)	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Dividend Paid					
H1	159	175	191	211	231
H2	159	175	191	211	231
Total Dividend	319	351	381	422	463
Discounting Factor	0.99	0.91	0.84	0.77	0.71
Present Value of Dividend	315	320	321	327	331

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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