

Aldar Properties

Healthy recognition of revenue backlogs and record development sales boosted top line

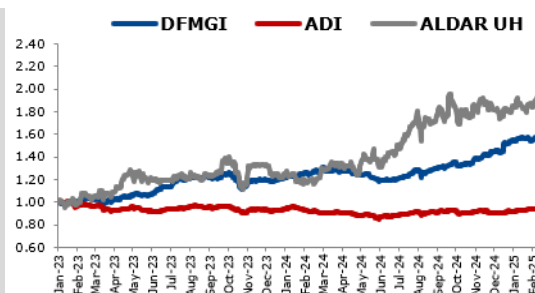
Current Price
AED 9.02

Target Price
AED 10.0

Upside/Downside (%)
+11%

Rating
ACCUMULATE

- Twelve projects were launched in 2024, with four of them in 4Q24, including Mamsha Palm, Faya Al Saadiyat, Mandarin Oriental Residences, and Mamsha Gardens.
- The Company launched three new projects during the quarter—Verdes by Haven in Dubai, The Arthouse on Saadiyat Island, and Yas Riva.
- The UAE revenue backlog increased 57% YOY to AED 45.9 in 2024 against AED 29.1 Bn in 2023.
- The strategic partnership with Mubadala successfully completed three joint ventures, involving assets at Masdar City, land at Al Falah, and an island near Saadiyat Island.



Stock Information

Market Cap (AED, Mn)	70,842.29
Paid Up Capital (Mn)	7,862.63
52 Week High	9.28
52 Week Low	5.08
3M Avg. daily value (AED)	82,792,380

4Q24 Net Profit higher than our estimate

Aldar Properties PJSC (Aldar/the Company) net profit increased 36.3% YOY to AED 1,640 Mn in 4Q24, higher than our estimate of AED 1,437 Mn. The increase in the net profit is primarily driven by significant growth in revenue, higher finance and other income, partially offset by a substantial increase in direct cost, higher operating expenses, substantial rise in provision, increase in finance cost coupled with significant increase in taxes and profits attributable to NCI holders.

4Q24 Result Review (AED, Mn)

Total Assets	85,736
Total Liabilities	42,940
Total Equity	42,736
EBITDA	2,312
Net Profit	1,640

P&L Highlights

Aldar's revenue increased significantly by 47.8% YOY to AED 6,498 Mn in 4Q24, driven by strong growth in both development and investment business, supported by demand for new and existing projects, a rising appeal among international buyers, and a successful execution of revenue backlog coupled with record development sales. Additionally, the Company's revenue backlog stood at AED 54.6 Bn as of 2024, compared to AED 36.8 Bn in 2023. Aldar's development revenue almost doubled from AED 2,440 Mn in 4Q23 to AED 4,336 Mn in 4Q24, supported by the successful execution of the revenue backlog from newly launched and existing projects, whereas Aldar Investment revenue grew 9.9% YOY to AED 2,341 Mn in 4Q24. The Elimination of inter-segment transactions accounted for negative AED 179 Mn in 4Q24. The Company's direct costs surged 46.5% YOY to AED 4,129 Mn in 4Q24 mainly due to a sharp increase in Property Development & Sales costs, substantial rise in project management and significant increase in Estates (Principal Investment) cost. Thus, gross profit increased from AED 1,580 Mn in 4Q23 to AED 2,369 Mn in 4Q24, whereas gross margin increased 54 bps YOY to 36.5% in 4Q24. G&A expenses increased 25.1% YOY to AED 549 Mn in 4Q24. Additionally, S&M expenses rose 35.5% YOY to AED 45 Mn in 4Q24.

Financial Ratios

Dividend Yield (12m)	1.89
Dividend Pay-out (%)	35.00
Price-Earnings Ratio(x)	12.26
Price-to-Book Ratio (x)	2.02
Book Value (AED)	4.47
Return-on Equity (%)	15.14

Stock Performance

5 Days	-1.96%
1 Months	20.78%
3 Months	16.71%
6 Months	26.72%
1 Year	74.27%
Month to Date (MTD%)	17.78%
Quarter to Date (QTD%)	17.32%
Year to Date (YTD%)	17.32%

EBITDA of Aldar Development increased from AED 612 Mn in 4Q23 to AED 1,123 Mn in 4Q24 and EBITDA of Aldar Investment rose 12.3%YOY to AED 713 Mn in 4Q24 due to strong performance from the investment properties portfolio marked by high occupancy and favourable rental rates, coupled with higher contributions from Aldar Estates and Aldar Education. Performance was further fuelled by strategic acquisitions during the last two years, which have driven the growth in the platform's AUM to AED 42 Bn. Hence, Aldar's adjusted EBITDA grew 42.7% YOY to AED 2,312 Mn in 4Q24. However, the EBITDA margin declined 126 bps YOY to 35.6% in 4Q24. The Company's operating profit increased from AED 1,107 Mn in 4Q23 to AED 1,775 Mn in 4Q24, while the operating profit margin expanded 214 bps YOY to 27.3% in 4Q24. Aldar's provision increased significantly from AED 57 Mn in 4Q23 to AED 173 Mn in 4Q24. The Company's finance income boosted 24.9% YOY to AED 190 Mn in 4Q24, and finance cost surged 30.1% YOY to AED 246 Mn in 4Q24. On the other hand, total other income increased 22.4% to AED 533 Mn in 4Q24. Aldar's income tax surged significantly from AED 37 Mn in 4Q23 to AED 150 Mn in 4Q24 due to the introduction of corporate tax in the UAE. Furthermore, profit attributable to non-controlling interest increased 39.2% YOY to AED 289 Mn in 4Q24.

Balance Sheet Highlights

Aldar Properties maintained a strong liquidity position with free cash of AED 10.5 Bn and AED 8.1 Bn of undrawn credit facilities as of 4Q24. The project management service segment backlog stood at AED 91.1 Bn in 4Q24, with AED 50 Bn under construction. The Company's capital deployment continues to support its develop-to-hold asset pipeline, which totals AED 13.3 Bn across the UAE. The Company's total debt increased from AED 15.4 Bn in 3Q24, to AED 16.4 Bn in 4Q24. Additionally, the cash balance grew from AED 13.3 Bn in 3Q24 to AED 15.1 Bn in 4Q24.

Target Price and Rating

We maintain Accumulate rating on Aldar stock with a revised target price of AED 10.0. Aldar demonstrated strong profitability growth, mainly due to robust revenue expansion driven by strong demand for new developments and existing inventory and an increase in EBITDA during 4Q24. Aldar successfully initiated twelve new developments as of 2024, including four in 4Q24. Additionally, international buyers and expats have increased their purchasing activity in the UAE, with their share of total sales rising from 66% in 2023 to 78% in 2024. The Company's project backlog has grown to AED 54.6 Bn, with AED 45.9 Bn in the UAE. This backlog is expected to drive significant revenue recognition over the next 2-3 years. Additionally, By the end of December 2024, the project management services backlog stood at AED 91.1 Bn, with AED 50 Bn currently under construction. Furthermore, the UAE revenue backlog for Aldar Development reached AED 45.9 Bn in FY2024, reflecting a 57% YOY increase from AED 29.1 Bn in FY2023, SODIC's revenue backlog reached AED 6.3 Bn by the end of December 2024, with an average duration of 36 months, driven by the successful launch of Ogami in 3Q24 and strong demand from cross-selling into the UAE market. On the other hand, London Square's revenue backlog increased to AED 2.4 Bn (GBP 524.8 Mn), with an average duration of 27 months, offering strong revenue visibility over the next 2-3 years. In FY2024, London Square completed 13 land acquisitions and launched four developments. Aldar Investment's adjusted EBITDA grew 20.2% YOY to AED 2.7 Bn in FY2024, with 4Q24 EBITDA grew 12.3% YOY to AED 713 Mn. This growth was driven by strong performance in the investment properties portfolio, high occupancy, and contributions from Aldar Estates and Aldar Education. Additionally, strategic acquisitions over the past two years increased the platform's assets under management to AED 42 Bn. In FY2024, activity increased in Egypt with SODIC's successful Ogami launch and in the UK with London Square launching four developments and acquiring 13 land sites. The strategic partnership with Mubadala progressed with the closure of three joint ventures involving assets at Masdar City, land at Al Falah, and an island near Saadiyat Island. The Residential portfolio saw strong renewals and higher rental rates, with occupancy at 99%, and longer-duration residential bulk leases now making up 63% of total leases. The Hospitality portfolio, occupancy exceeding 73%, and average daily rates and revenue per available room increasing by 5% and 9% YoY in 2024. This growth was supported by an AED 1.5 Bn transformation program across key assets. Aldar's digital platforms received 4.2 Mn visits in 2024, with 45% of the traffic coming from international markets, demonstrating strong global engagement.

The board recommended dividend of 18.5 fils per share for FY2024. Thus, based on the above-mentioned factors, we assigned ACCUMULATE rating on the stock.

Aldar - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	35.97	30.02	24.03	18.20	12.65	9.74
PB	2.71	2.58	2.45	2.24	1.99	1.71
EV/EBITDA	29.26	24.90	19.94	15.06	10.20	8.45
Dividend yield	1.6%	1.7%	1.8%	1.9%	2.1%	2.1%

FABS Estimates & Co Data

Aldar - P&L

AED Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Revenue	4,398	5,582	6,498	5,895	10.2%	47.8%	16.4%	14,161	22,998	62.4%
Direct costs	-2,818	-3,756	-4,129	-3,978	3.8%	46.5%	9.9%	-8,588	-14,953	74.1%
Gross profit	1,580	1,826	2,369	1,917	23.6%	50.0%	29.8%	5,573	8,045	44.3%
General expenses	-439	-431	-549	-441	24.5%	25.1%	27.4%	-1,482	-1,799	21.4%
Selling & Marketing exp.	-33	-30	-45	-50	-10.0%	35.5%	51.7%	-115	-129	12.6%
EBITDA	1,620	1,547	2,312	1,631	41.7%	42.7%	49.5%	5,113	7,709	50.8%
EBIT	1,107	1,365	1,775	1,426	24.5%	60.3%	30.1%	3,977	6,117	53.8%
Share of assoc.	-2	-2	-1	0	NM	NM	NM	-7	-2	NM
Provision/(reversal)	-57	-10	-173	-18	NM	NM	NM	-226	-199	-11.8%
Finance income	152	175	190	214	-11.1%	24.9%	8.3%	499	715	43.4%
Finance cost	-189	-253	-246	-279	-11.8%	30.1%	-3.0%	-621	-943	51.9%
Total other income	436	41	533	437	22.1%	22.4%	NM	907	1,171	29.1%
Profit before Income tax	1,448	1,317	2,079	1,780	16.8%	43.6%	57.9%	4,528	6,859	51.5%
Income tax	-37	-64	-150	-83	79.9%	NM	NM	-112	-355	NM
Profit after tax	1,411	1,253	1,929	1,697	13.7%	36.8%	53.9%	4,416	6,504	47.3%
Non-controlling interest	208	166	289	259	11.5%	39.2%	74.6%	494	908	83.7%
Net Profit	1,203	1,088	1,640	1,437	14.1%	36.3%	50.8%	3,922	5,596	42.7%

FABS estimate & Co Data

Aldar - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross margin	35.9%	32.7%	36.5%	54	376	39.4%	35.0%	-438
EBITDA margin	36.8%	27.7%	35.6%	-126	786	36.1%	33.5%	-259
Operating margin	25.2%	24.5%	27.3%	214	287	28.1%	26.6%	-149
Net profit margin	27.4%	19.5%	25.2%	-212	575	27.7%	24.3%	-336

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	9.97	70.0%	6.98
Relative Valuation (RV)	10.08	30.0%	3.02
Weighted Average Valuation (AED)			10.0
Current market price (AED)			9.02
Upside/Downside (%)			+11%

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 8.9%. It is arrived after using the cost of equity of 9.8% and after-tax cost of debt of 5.3% with a debt-to-equity ratio of 24.8%. The cost of equity is calculated by using a 10-year government bond yield of 5.2%, beta of 1.00 and equity risk premium of 4.6%. 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 5.3%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	19,325
Terminal value (AED, Mn)	71,557
FV to Common shareholders (AED, Mn)	90,881
No. of share (Mn)	7,863
Current Market Price (AED)	9.02
Fair Value per share (AED)	9.97

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	7,927	8,780	9,783	10,265	10,762
D&A	622	739	859	979	1,097
Change in working capital	2,307	83	-698	-1,838	-690
(-) Capex	-6,080	-6,080	-5,648	-4,312	-3,788
Free Cash Flow to Firm (FCFF)	4,777	3,522	4,296	5,095	7,382
Discounting Factor	0.93	0.85	0.78	0.72	0.66
Discounted FCFF	4,435	3,002	3,361	3,659	4,867

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value Aldar and it is valued using the EV/EBITDA multiple. It is valued at EV/EBITDA multiple of 10.2x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2025F	2026F	2025F	2026F	2025F	2026F
Emaar Properties	34,048	6.3	5.8	8.7	8.7	1.3	1.2
Dar Al Arkan Real Estate	4,876	19.2	16.1	29.8	15.1	0.9	0.8
Arabian Centres	2,699	15.5	13.1	10.9	8.9	0.7	0.7
Deyaar Development	1,113	7.9	NA	8.5	6.2	NA	NA
TECOM Group	4,233	10.2	9.8	12.1	11.2	2.2	2.0
Average		11.8x	11.2x	14.0x	10.0x	1.3x	1.2x
Median		10.2x	11.4x	10.9x	8.9x	1.1x	1.0x
Max		15.5x	13.8x	12.1x	11.2x	1.5x	1.4x
Min		7.9x	8.8x	8.7x	8.7x	0.8x	0.8x

Source: FAB Securities

