

## Abu Dhabi Ports Company

Strong M&A contributions and organic growth boosted the top-line

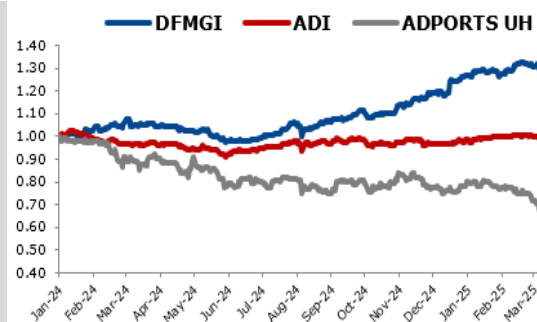
**Current Price**  
AED 4.17

**Target Price**  
AED 7.70

**Upside/Downside (%)**  
+85%

**Rating**  
BUY

- ADPORTS maintained a strong financial position with a net debt/EBITDA of 3.3x and a cash balance of AED 2.8 Bn in 4Q24.
- Spent AED 819 Mn in capex in 4Q24, which is mainly attributed to organic growth.
- ADPORTS reported a positive free cash flow to the firm for the second consecutive quarter of AED 698 Mn, driven by strong EBITDA growth.
- The Company's current capacity is fully leased, with new capacity anticipated to be available in 2H25.
- AD Ports signed essential projects, such as an EV battery processing plant, steel recycling, aluminum components manufacturing, and polymer manufacturing.



### Stock Information

Market Cap (AED, mn)	21,327.10
Paid Up Capital (mn)	5,090.00
52 Week High	5.99
52 Week Low	3.72
3M Avg. daily value (AED)	11,221,070

### 4Q24 Result Review (AED, Mn)

Total Assets	64,154
Total Liabilities	36,420
Total Equity	27,734
EBITDA	1,188
Net Profit	383

### 4Q24 Net Profit lower than our estimate

AD Ports Group (ADPORTS /The Company) net profit rose significantly from AED 74 Mn in 4Q23 to AED 383 Mn in 4Q24, beating our estimate of AED 398 Mn. The strong growth in net profit is primarily driven by higher revenue and EBITDA, supported by the successful contributions from M&A and higher dividend income from NMDC, partially offset by higher direct costs, negative income from deferred income related to digital services, and various prudent year-end provisions, particularly within the Digital and Logistics clusters.

### P&L Highlights

ADPORTS's net revenue increased 27.9% YOY to AED 4,560 Mn in 4Q24, primarily driven by the successful contributions from the M&A activities. Revenue from Maritime and Shipping grew from AED 1.8 Bn in 4Q23 to AED 2.2 Bn in 4Q24. The Maritime & Shipping Cluster accounted for the highest share in revenue and EBITDA, representing 47.3% and 36.5% of the Group's total revenue and EBITDA, respectively, in 4Q24. EC&FZ revenue grew 13.0% YOY to AED 530 Mn in 4Q24, primarily due to higher revenue growth from the Sdeira Group and Warehouses. The Ports Cluster revenue grew 30% YOY to AED 632 Mn in 4Q24, mainly due to increased general cargo volumes and Ro-Ro business. The Container capacity utilization rates rose from 52% in 4Q23 to 64% in 4Q24. The Container volume grew 26.0% YOY to 1.6 Mn TEUs in 4Q24. Cluster Ro-Ro volumes grew 21.0% YOY, and general cargo volumes rose 54% YOY and 24% LFL in 4Q24. Revenue from the Logistics segment grew strongly from AED 817 Mn in 4Q23 to AED 1,255 Mn in 4Q24, mainly attributable to higher ocean freight, air freight, and polymer business. Furthermore, Digital cluster revenue shrank 27.0% YOY to AED 100 Mn in 4Q24.

### Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	15.47
Price-to-Book Ratio (x)	0.91
Book Value (AED)	4.59
Return-on Equity (%)	4.71

### Stock Performance

5 Days	-4.34%
1 Months	-14.31%
3 Months	-13.61%
6 Months	-17.68%
1 Year	-22.69%
Month to Date (MTD%)	-8.32%
Quarter to Date (QTD%)	-17.68%
Year to Date (YTD%)	-17.68%

Direct costs rose 11.5% YOY to AED 3,368 Mn in 4Q24, mainly due to a rise in freight forwarding costs and vessel operating and charter costs. Gross profit rose strongly from AED 547 Mn in 4Q23 to AED 1,192 Mn in 4Q24. Gross margins also expanded from 15.3% in 4Q23 to 26.1% in 4Q24. G&A expenses grew 38.6% YOY to AED 536 Mn in 4Q24. The Company recorded Impairments on trade receivables of AED 63 Mn in 4Q24 compared to an Impairment reversal of AED 7 Mn in 4Q23. Selling and marketing expenses declined from AED 42 Mn in 4Q23 to AED 37 Mn in 4Q24. Other income increased from AED 99 Mn in 4Q23 to AED 232 Mn in 4Q24. Resultantly, the EBIT grew significantly 76.0% YOY to AED 788 Mn in 4Q24. The Company's EBITDA rose from AED 524 Mn in 4Q23 to AED 1,188 Mn in 4Q24, driven by the positive impact of M&A. Maritime EBITDA grew from AED 44 Mn in 4Q23 to AED 434 Mn in 4Q24, owing to the strong contribution from GFS and marine services. The logistics segment's EBITDA grew from AED 36 Mn in 4Q23 to AED 76 Mn in 4Q24. Ports Cluster EBITDA grew 32.5% YOY to AED 289 Mn, while EC & FZ EBITDA declined 10% YOY to AED 326 Mn in 4Q24. Digital Cluster EBITDA fell 88.9% YOY to AED 9 Mn in 4Q24. Finance costs significantly rose from AED 205 Mn in 4Q23 to AED 257 Mn in 4Q24, primarily due higher interest on bank borrowings. Share of profit from joint ventures reached AED 26 Mn in 4Q24 compared to AED 15 Mn in 4Q23. The Company recorded an income tax expense of AED 84 Mn in 4Q24 compared to a tax reversal of AED 12 Mn in 4Q23. Share to NCI declined from AED 211 Mn in 4Q23 to AED 111 Mn in 4Q24.

### Balance Sheet Highlights

ADPORTS's total debt declined from AED 18.0 Bn in 4Q23 to AED 17.8 Bn in 4Q24. Net debt (excluding project payables) grew from AED 15.4 Bn in 3Q24 to AED 15.0 Bn in 4Q24. Net debt to EBITDA marginally declined from 3.5x in 3Q24 to 3.3x in 4Q24. Cash and cash equivalents increased from AED 2.5 Bn in 3Q24 to AED 2.8 Bn in 4Q24, primarily due to refinancing and increased bank facilities. Cash flow from operations reached at AED 1,340 Mn in 4Q24, compared to AED 1,199 Mn in 3Q24. The Company spent AED 819 Mn in capex in 4Q24, mainly attributed to organic growth. Additionally, the Company recorded a positive free cash flow to the firm of AED 698 Mn in 4Q24 compared to negative AED 364 Mn in 4Q23, primarily attributable to strong EBITDA growth.

### Target Price and Rating

We maintain our BUY rating on AD Ports Group with a target price of AED 7.70. ADPORTS delivered significant growth, primarily driven by a rise in revenue and EBITDA in 4Q24. A strong performance was recorded across all segments after adjusting for the inorganic effect of acquisition in the Digital sector. ADPORTS portfolio consists of 34 terminals (28 operational) as of 4Q24, with the highest contribution coming from General Cargo in the ports cluster. The Company recorded strong volume growth across the general cargo, Container volume and Ro-Ro business. The anticipated revenue growth in the Ports segment is attributed to several agreements, such as the port in Safaga which is set to commence operations in 3Q26, the Safaga cruise terminal scheduled to start operating in FY2025, the joint venture with CMA CGM expected to be operational in 3Q27, and Khalifa Port's capacity reaching 1.3 million TEUs by FY2027. In the EC & FZ segment, AD Ports signed important projects like an EV battery processing plant, steel recycling, aluminum components manufacturing, polymer manufacturing, etc. Moreover, the EC&FZ Cluster is experiencing high demand for warehouses, with current capacity fully leased. Additional capacity is expected to be available in the second half of 2025. Additionally, the Company is experiencing strong demand for warehouses, with its current capacity fully leased. It further plans to introduce new capacity in the 2H25, which is anticipated to drive further revenue growth. The Company maintains a well-balanced portfolio across its Maritime sector. The Maritime and Shipping cluster portfolio comprises 247 vessels, with 24 feeder container services connecting to 75 ports in 28 different countries. The Company expects the offshore and subsea market to remain strong for the next five years. In the Logistics segment, air freight volumes increased 50% YOY to 11,795 tons, whereas ocean freight rose 7% to 99 TEUs in 4Q24. ADPORTS expects the Freight rate to remain stable in 1Q25 and 2Q25. The Company inaugurated the CMA terminal at Khalifa Port and integrated Noatum into existing business verticals. Additionally, it signed five new CEPA agreements, ensuring future revenue visibility. ADPORTS also acquired a 30% stake in the joint venture with Adani Ports and East Harbour Terminals to obtain 95% ownership of the firm, holding a 30-year container terminal concession at Dar es Salaam in Tanzania. The Company also recorded strong foreign investment in the economic zone, with two new leases signed in 4Q24. Furthermore, the Company expects

revenue to grow by 10-15% CAGR and EBITDA by 10-15% CAGR from 2024 to 2029. It also plans a capex of AED 3.5-4.0 Bn p.a in 2025 and 2026, with a shift towards infrastructure assets in the medium term. Additionally, the Company aims to spend the planned capex on EC&FZ, ports, and the Maritime & shipping segment. Moreover, it expects the profit before tax to grow at a CAGR of c.15% for the next five years due to the leverage from capacity and utilization of debt. Furthermore, ADPORTS maintained a strong financial position with a net debt/EBITDA of 3.3x with a cash balance of AED 2.8 Bn in 4Q24, offering liquidity and growth. The Company also reported a positive free cash flow to the firm of AED 698 Mn in 4Q24 and aims to continue generating positive free cash flow starting from 2026, positioning itself for potential dividend payments. Considering all these factors, we maintain our BUY rating on the stock.

#### AD PORTS - Relative valuation

(at CMP)	2022	2023	2024	2025F
PE	17.5	19.9	15.6	14.2
PB	1.1	1.0	0.9	0.9
EV/EBITDA	12.8	10.4	7.4	6.0

FABS Estimates & Co Data

Note: AD Ports Group was publicly listed in ADX on 8th February 2022.

#### AD PORTS – P&L

AED Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Revenues	3,566	4,657	4,560	4,716	-3.3%	27.9%	-2.1%	11,679	17,286	48.0%
Direct Cost	-3,019	-3,263	-3,368	-3,292	2.3%	11.5%	3.2%	-8,574	-12,344	44.0%
<b>Gross Profit</b>	<b>547</b>	<b>1,394</b>	<b>1,192</b>	<b>1,423</b>	<b>-16.2%</b>	<b>117.9%</b>	<b>-14.5%</b>	<b>3,105</b>	<b>4,942</b>	<b>59.2%</b>
General and administrative expenses	-387	-545	-536	-608	-11.8%	38.6%	-1.6%	-1,408	-2,109	49.8%
Impairment of trade receivables	7	-55	-63	-69	-8.5%	NM	13.8%	-80	-186	132.3%
Selling and marketing expenses	-42	-9	-37	-61	-38.5%	-11.5%	NM	-77	-73	-5.3%
Impairment of investment properties	364	0	0	165	NM	NM	NM	364	0	NM
Impairment of investment in equity accounted investee	-139	0	0	0	NM	NM	NM	-139	0	NM
Other (expense)/income	99	5	232	13	NM	NM	NM	103	315	NM
<b>EBITDA</b>	<b>524</b>	<b>1,212</b>	<b>1,188</b>	<b>1,409</b>	<b>-15.7%</b>	<b>126.6%</b>	<b>-2.0%</b>	<b>2,668</b>	<b>4,509</b>	<b>69.0%</b>
<b>EBIT</b>	<b>448</b>	<b>789</b>	<b>788</b>	<b>864</b>	<b>-8.8%</b>	<b>76.0%</b>	<b>-0.2%</b>	<b>1,867</b>	<b>2,889</b>	<b>54.8%</b>
Finance cost	-205	-310	-257	-319	-19.6%	25.1%	-17.3%	-667	-1,010	51.4%
Financial income	12	15	4	16	-72.6%	-63.5%	-71.2%	31	54	NM
Share of profit from associate	6	-6	3	9	-69.2%	-51.2%	NM	26	25	NM
Share of profit from joint ventures	15	21	26	35	-25.4%	79.5%	25.8%	118	86	-27.5%
<b>Profit Before Tax</b>	<b>273</b>	<b>509</b>	<b>578</b>	<b>605</b>	<b>-4.5%</b>	<b>111.6%</b>	<b>13.5%</b>	<b>1,411</b>	<b>2,042</b>	<b>44.8%</b>
Income Tax	12	-64	-84	-48	76.4%	NM	32.2%	-50	-264	NM
<b>Profit After Tax</b>	<b>285</b>	<b>445</b>	<b>494</b>	<b>557</b>	<b>-11.4%</b>	<b>73.3%</b>	<b>10.8%</b>	<b>1,360</b>	<b>1,778</b>	<b>30.7%</b>
Non-controlling interest	211	145	111	159	-30.6%	-47.5%	-23.6%	288	448	55.4%
<b>Net profit</b>	<b>74</b>	<b>301</b>	<b>383</b>	<b>398</b>	<b>-3.8%</b>	<b>NM</b>	<b>27.4%</b>	<b>1,072</b>	<b>1,330</b>	<b>24.1%</b>

FABS estimate & Co Data

**AD PORTS - Margins**

	<b>4Q23</b>	<b>3Q24</b>	<b>4Q24</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>	<b>2023</b>	<b>2024</b>	<b>Change</b>
Gross Profit	15.3%	29.9%	26.1%	1,081	-380	26.6%	28.6%	200
EBITDA	14.7%	26.0%	26.0%	1,135	2	22.8%	26.1%	324
Operating Profit	12.6%	16.9%	17.3%	472	33	16.0%	16.7%	73
Net Profit	2.1%	6.5%	8.4%	632	195	9.2%	7.7%	-148

*FABS estimate & Co Data*

## Valuation:

We assigned a 100% 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. The Company also plans to incur a capex of approx. AED 3.5-4.0 Bn annually during FY2025 and FY2026 to complete these projects. Thus, we believe DCF valuation will be able to capture the valuation more precisely as compared to the other valuation methods.

Valuation Method	Target	Weight	Weighted Value
DCF Method	7.70	100.0%	7.70
<b>Weighted Average Valuation (AED)</b>			<b>7.70</b>
Current market price (AED)			4.17
Upside/Downside (%)			+85%

### 1) ADPORTS DCF Method:

ADPORTS is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.5%. It is arrived after using the cost of equity of 9.3% and the after-tax cost of debt of 5.1%. Cost of equity is calculated by using a 10-year government bond yield of 5.3%, beta of 1.05, and equity risk premium of 3.8%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	9,740
Terminal value (AED, Mn)	49,996
<b>Firm Value</b>	<b>59,737</b>
Net Debt as of Dec 2024	18,649
Non-controlling Interest	4,802
Valuation of ownership of Aramex & NMDC	2,820
<b>FV to Common shareholders (AED, Mn)</b>	<b>39,105</b>
No. of share (Mn)	5,078
Current Market Price (AED)	4.17
<b>Fair Value per share (AED)</b>	<b>7.70</b>

### DCF Method

(All Figures in AED Mn)	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
EBIT * (1-tax rate)	2,887	3,307	3,715	3,945	4,368	4,774
D&A	1,955	2,056	2,138	2,197	2,241	2,282
(-) Capex	-3,900	-3,850	-2,800	-2,150	-1,940	-1,630
(-) Change in working capital	-1,410	-621	-728	-1,403	-658	-1,292
<b>Free Cash Flow to Firm (FCFF)</b>	<b>-468</b>	<b>892</b>	<b>2,324</b>	<b>2,589</b>	<b>4,010</b>	<b>4,133</b>
Discounting Factor	0.94	0.88	0.82	0.76	0.71	0.66
<b>Discounted FCFF</b>	<b>-442</b>	<b>782</b>	<b>1,896</b>	<b>1,964</b>	<b>2,829</b>	<b>2,711</b>

## 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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