

## Dubai Investments PJSC (DIC)

Robust fair value gain from property segment coupled with lower opex boosted profitability

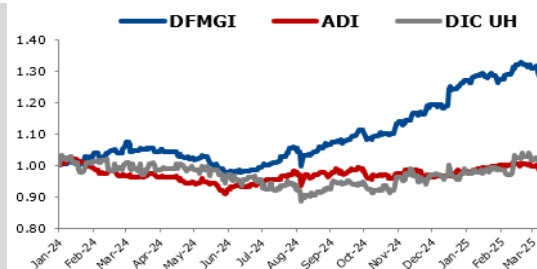
**Current Price**  
AED 2.36

**Target Price**  
AED 2.40

**Upside/Downside (%)**  
+2%

**Rating**  
HOLD

- Income from the Property Segment grew 68.8% YOY to AED 1.3 Bn in 4Q24, mainly attributable to higher gains on fair valuation of investment properties.
- Violet Tower project is steadily progressing with expected completion by 4Q26.
- DIC prioritizes the expansion of its Al Mal Capital REIT portfolio for stable returns.
- Proposed a cash dividend of AED 0.18 per share for FY2024, equivalent to AED 765 Mn, recording a strong dividend yield of 7.6%.



### Stock Information

|                           |           |
|---------------------------|-----------|
| Market Cap (AED, mn)      | 10,034.77 |
| Paid Up Capital (mn)      | 4,252.02  |
| 52 Week High              | 2.40      |
| 52 Week Low               | 1.93      |
| 3M Avg. daily value (AED) | 8,088,538 |

### 4Q24 Net Profit higher than our estimate

Dubai Investment PJSC (DIC) net profit grew 76.8% YOY to AED 555 Mn in 4Q24, much higher than our estimate of AED 224 Mn. The growth is primarily driven by strong performance across the property and manufacturing & contracting segment, resulting in solid growth in total income coupled with decline in operating expenses partially offset by a rise in direct cost, net finance cost, and tax expense.

### P&L Highlights

DIC's total income rose significantly from AED 1,107 Mn in 4Q23 to AED 1,699 Mn in 4Q24, owing to strong growth in income received from the Property Segment and manufacturing and contracting segment, partially offset by a fall in revenue from the Investment segment. Revenue from the Property segment increased 68.8% YOY to AED 1,291 Mn in 4Q24, mainly attributable to a solid growth in gain on fair value of investment properties and rental income partially offset by a decline in revenue from the sale of properties and goods & services. Revenue from the Manufacturing, Contracting, and Services segment rose 32.0% YOY to AED 390 Mn in 4Q24 primarily due to strong growth in contract revenue and sale of goods & services. However, income from the Investments segment fell substantially from AED 46 Mn in 4Q23 to AED 18 Mn in 4Q24, primarily driven by a loss on fair valuation of investment and a decline in other income. On the other hand, DIC's direct cost rose 28.4% YOY to AED 602 Mn in 4Q24. As a result, gross profit increased 72.0% YOY to AED 1,097 Mn in 4Q24, whereas the gross margin increased from 57.6% in 4Q23 to 64.6% in 4Q24. Operating expenses fell 22.8% YOY to AED 161 Mn in 4Q24, driven by a decline in other expenses partially offset by a rise in staff expenses and selling & marketing expenses. Operating profit more than doubled from AED 429 Mn in 4Q23 to AED 936 Mn in 4Q24. D&A expenses rose 21.8% YOY to AED 53 Mn in 4Q24. DIC's EBITDA increased from AED 275 Mn in 4Q23 to AED 1,113 Mn in 4Q24,

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

|                   |        |
|-------------------|--------|
| Total Assets      | 22,099 |
| Total Liabilities | 7,765  |
| Total Equity      | 14,334 |
| EBITDA            | 1,113  |
| Net Profit        | 555    |

### Financial Ratios

|                         |       |
|-------------------------|-------|
| Dividend Yield (12m)    | 5.30  |
| Dividend Pay-out (%)    | 63.50 |
| Price-Earnings Ratio(x) | 8.18  |
| Price-to-Book Ratio (x) | 0.71  |
| Book Value (AED)        | 3.32  |
| Return-on Equity (%)    | 8.74  |

### Stock Performance

|                        |        |
|------------------------|--------|
| 5 Days                 | 6.31%  |
| 1 Months               | 4.89%  |
| 3 Months               | 10.28% |
| 6 Months               | 12.92% |
| 1 Year                 | 2.61%  |
| Month to Date (MTD%)   | 5.36%  |
| Quarter to Date (QTD%) | 9.26%  |
| Year to Date (YTD%)    | 9.26%  |

whereas the EBITDA Margin rose from 24.8% in 4Q23 to 65.5% in 4Q24. Furthermore, finance expenses increased 4.7% YOY to AED 114 Mn in 4Q24, whereas finance income fell 9.6% YOY to AED 17 Mn. Moreover, other income grew 47.6% YOY to AED 31 Mn in 4Q24. Dubai Investments incurred a tax expense of AED 64 Mn in 4Q24 compared to AED 20 Mn in 4Q23. The share of profit attributable to non-controlling interest holders decreased 54.6% YOY to AED 11 Mn in 4Q24 boosting profit.

### Balance Sheet Highlights

DIC's total gross debt remained flat at AED 5.4 Bn in 4Q24 compared to the previous quarter. Cash and cash equivalent stood at AED 1,006 Mn in 4Q24, compared to AED 985 Mn in 3Q24. The Company's cash flow from operations declined from AED 1.3 Bn in 2023 to AED 883 Mn in 2024 owing to increased investment in working capital. Total assets stood at AED 22.1 Bn in 4Q24 compared to AED 21.8 Bn in 3Q24.

### Target Price and Rating

We revise our rating on DIC from BUY to HOLD with an unchanged target price of AED 2.40. DIC's Property Segment significantly grew 68.8% YOY to AED 1.3 Bn, mainly attributable to solid gains on fair valuation of investment properties in 4Q24. Dubai Investments reported notable progress in 3Q24, particularly in its real estate and investment sectors. Strong demand for real estate projects and the successful execution of the Danah Bay project coupled with an increase in rental income due to high occupancy rates drove the Company's income in 4Q24. Furthermore, DIC plans to launch multiple mixed-use real estate projects in the UAE ensuring timely execution of ongoing projects. Additionally, the Violet Tower project is steadily progressing with expected completion by 4Q26. Consequently, DIC prioritizes the expansion of its Al Mal Capital REIT portfolio for stable returns. This strategic approach is expected to sustain the Company's robust performance in 2025, solidifying its role as a pivotal player in driving economic growth and enhancing shareholder value. The board of directors proposed a cash dividend of AED 0.18 per share for FY2024, equivalent to AED 765 Mn, recording a strong dividend yield of 7.6%. Therefore, considering these factors, we assign a HOLD rating to the stock.

### DIC - Relative valuation

| (at CMP)       | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F |
|----------------|------|------|------|------|------|-------|
| PE             | 29.1 | 16.3 | 6.3  | 8.9  | 8.4  | 10.8  |
| PB             | 0.9  | 0.8  | 0.8  | 0.8  | 0.8  | 0.7   |
| EV/EBITDA      | 25.2 | 18.4 | 7.3  | 8.5  | 7.3  | 10.5  |
| Dividend yield | 3.4% | 5.0% | 8.4% | 5.3% | 7.6% | 7.6%  |

FABS Estimates & Co Data

**DIC – P&L**

| AED mn                   | 4Q23       | 3Q24       | 4Q24         | 4Q24F      | Var.      | YOY Ch       | QOQ Ch        | 2023         | 2024         | Change       |
|--------------------------|------------|------------|--------------|------------|-----------|--------------|---------------|--------------|--------------|--------------|
| Total Income             | 1,107      | 932        | 1,699        | 1,015      | 67.3%     | 53.5%        | 82.3%         | 4,106        | 4,661        | 13.5%        |
| Direct Costs             | -469       | -518       | -602         | -580       | 3.7%      | 28.4%        | 16.2%         | -2,045       | -2,309       | 12.9%        |
| <b>Gross profit</b>      | <b>638</b> | <b>414</b> | <b>1,097</b> | <b>435</b> | <b>NM</b> | <b>72.0%</b> | <b>NM</b>     | <b>2,061</b> | <b>2,353</b> | <b>14.2%</b> |
| Operating Expenses       | -209       | -97        | -161         | -154       | 4.7%      | -22.8%       | 66.9%         | -524         | -506         | -3.5%        |
| <b>EBITDA</b>            | <b>275</b> | <b>351</b> | <b>1,113</b> | <b>257</b> | <b>NM</b> | <b>NM</b>    | <b>NM</b>     | <b>1,702</b> | <b>2,017</b> | <b>18.5%</b> |
| <b>Operating profit</b>  | <b>429</b> | <b>318</b> | <b>936</b>   | <b>281</b> | <b>NM</b> | <b>NM</b>    | <b>NM</b>     | <b>1,537</b> | <b>1,847</b> | <b>20.2%</b> |
| Finance expenses         | -109       | -92        | -114         | -90        | 26.5%     | 4.7%         | 23.7%         | -428         | -420         | -1.9%        |
| Finance income           | 19         | 20         | 17           | 18         | -7.3%     | -9.6%        | -14.7%        | 59           | 78           | 33.3%        |
| Impairments              | -51        | -6         | -262         | 1          | NM        | NM           | NM            | -140         | -272         | 94.2%        |
| Other income             | 21         | 17         | 31           | 9          | NM        | 47.6%        | 87.5%         | 41           | 63           | 51.2%        |
| <b>Profit before NCI</b> | <b>309</b> | <b>256</b> | <b>608</b>   | <b>219</b> | <b>NM</b> | <b>96.7%</b> | <b>137.5%</b> | <b>1,069</b> | <b>1,296</b> | <b>21.2%</b> |
| Tax/zakat                | -20        | -20        | -64          | -31        | NM        | NM           | NM            | -20          | -115         | NM           |
| NCI                      | -24        | -6         | -11          | -36        | -69.3%    | -54.6%       | 94.1%         | -82          | -25          | -70.0%       |
| <b>Net Profit</b>        | <b>314</b> | <b>241</b> | <b>555</b>   | <b>224</b> | <b>NM</b> | <b>76.8%</b> | <b>129.9%</b> | <b>1,131</b> | <b>1,205</b> | <b>6.6%</b>  |

FABS estimate & Co Data

**DIC - Margins**

|                  | 4Q23  | 3Q24  | 4Q24  | YOY Ch | QOQ Ch | 2023  | 2024  | Change |
|------------------|-------|-------|-------|--------|--------|-------|-------|--------|
| Gross Profit     | 57.6% | 44.4% | 64.6% | 694    | 2,016  | 50.2% | 50.5% | 28     |
| EBITDA           | 24.8% | 37.7% | 65.5% | 4,066  | 2,783  | 41.5% | 43.3% | 181    |
| Operating Profit | 38.8% | 34.1% | 55.1% | 1,631  | 2,103  | 37.4% | 39.6% | 219    |
| Net Profit       | 28.4% | 25.9% | 32.7% | 429    | 677    | 27.5% | 25.9% | -169   |

FABS estimate & Co Data

## Valuation:

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

| Valuation Method                        | Target | Weight | Weighted Value |
|---|--------|--------|----------------|
| DCF Method                              | 2.23   | 70.0%  | 1.56           |
| Relative Valuation (RV)                 | 2.78   | 30.0%  | 0.83           |
| <b>Weighted Average Valuation (AED)</b> |        |        | <b>2.40</b>    |
| Current market price (AED)              |        |        | 2.36           |
| Upside/Downside (%)                     |        |        | +2%            |

### 1) DCF Method:

Dubai Investments 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 cost of equity of 9.8% and cost of debt of 7.1% with a debt-to-equity ratio of 53.4%. Cost of equity is calculated by using a 10-year government bond yield of 5.7%, beta of 1.00, and equity risk premium of 4.1%. Government bond yield is calculated after adding Dubai's 10-year CDS spread over a 10-year US risk-free rate. Cost of debt of 7.1% is calculated after adjusting a tax rate of 9.0%. Also, assumed a terminal growth rate of 2.0%.

|  |              |
|--|--------------|
| Sum of PV (AED, Mn)                        | 3,318        |
| Terminal value (AED, Mn)                   | 7,102        |
| <b>FV to Common shareholders (AED, Mn)</b> | <b>9,483</b> |
| No. of share (Mn)                          | 4,252        |
| Current Market Price (AED)                 | 2.36         |
| <b>Fair Value per share (AED)</b>          | <b>2.40</b>  |

### DCF Method

| (All Figures in AED Mn)                | FY 2025E     | FY 2026E   | FY 2027E   | FY 2028E   | FY 2029E   |
|--|--------------|------------|------------|------------|------------|
| NOPAT                                  | 1,130        | 1,185      | 1,236      | 1,272      | 1,311      |
| D&A                                    | 155          | 153        | 153        | 154        | 155        |
| Change in working capital              | 380          | -205       | -368       | -235       | -380       |
| Capex                                  | -287         | -333       | -349       | -357       | -366       |
| <b>Free Cash Flow to Equity (FCFF)</b> | <b>1,378</b> | <b>800</b> | <b>672</b> | <b>833</b> | <b>721</b> |
| Discounting Factor                     | 0.94         | 0.86       | 0.79       | 0.72       | 0.67       |
| <b>Discounted FCFF</b>                 | <b>1,016</b> | <b>687</b> | <b>530</b> | <b>604</b> | <b>480</b> |

Source: FAB Securities

## 2) Relative Valuation:

We have used local as well as international peers to value Dubai Investments and it is valued using the EV/EBITDA multiple. It is valued at a 2025 EV/EBITDA multiple of 9.1x in line with peer median multiple.

| Company                 | Market<br>(USD Mn) | EV/EBITDA (x) |             | P/E (x)      |              |
|-------------------------|--------------------|---------------|-------------|--------------|--------------|
|                         |                    | 2025F         | 2026F       | 2025F        | 2026F        |
| Emaar Properties        | 31,527             | 5.8           | 5.4         | 8.1          | 7.9          |
| Dar AlArkan Real Estate | 5,560              | 21.3          | 17.9        | 34.0         | 17.2         |
| Arabian Centres         | 2,572              | 12.8          | 9.8         | 8.4          | 5.7          |
| Deyaar Development      | 1,096              | 6.3           | 5.5         | 7.7          | 6.6          |
| TECOM Group             | 4,220              | 10.2          | 9.7         | 12.1         | 11.1         |
| Aldar Properties        | 18,433             | 8.1           | 7.3         | 9.0          | 8.5          |
| <b>Average</b>          |                    | <b>10.7x</b>  | <b>9.3x</b> | <b>13.2x</b> | <b>9.5x</b>  |
| <b>Median</b>           |                    | <b>9.1x</b>   | <b>8.5x</b> | <b>8.7x</b>  | <b>8.2x</b>  |
| <b>Max</b>              |                    | <b>12.2x</b>  | <b>9.8x</b> | <b>11.3x</b> | <b>10.5x</b> |
| <b>Min</b>              |                    | <b>6.8x</b>   | <b>6.0x</b> | <b>8.2x</b>  | <b>6.9x</b>  |

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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