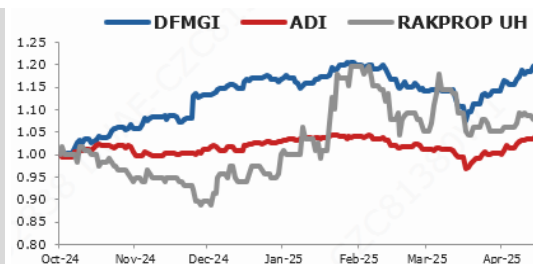


## RAK Properties

Solid performance across all segments drove profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.27	AED 1.65	+30%	BUY

- RAKPROP boast a strong revenue backlog of AED 2.3 Bn as of 1Q25.
- Recurring revenue accounted for 20% of the total revenue from hospitality, retail, and leasing assets, reflecting strong demand across its income-generating portfolio.
- Boasts a total of 1 Mn sq. ft. GLA under its commercial, retail, and residential portfolio.
- Launched the Mina masterplan in 2025 with a development pipeline of AED 5 Bn, reflecting the Emirate's emerging luxury living and tourism hub.
- Launched a waterfront development "SKAI", featuring 272 waterfront apartments and penthouses.



### 1Q25 Net Profit in line with our estimate

RAK Properties (RAKPROP/the Company) net profit grew significantly from AED 41 Mn in 1Q24 to AED 68 Mn in 1Q25, in line with our estimate of AED 66 Mn. The strong growth in net profit is primarily driven by a solid revenue growth across all the segments, along with a decline in finance cost, partially offset by a substantial rise in the cost of sales, SG&A expenses, and tax charges.

### P&L Highlights

RAK Properties revenue grew 27.8% YOY to AED 370 Mn in 1Q25, driven by solid growth across all segments. Revenue from the sale of properties rose 30.6% YOY to AED 298 Mn in 1Q25. RAKPROP's revenue from the hospitality business grew 15.1% YOY to AED 55 Mn in 1Q25 due to high occupancy rates. Occupancy rate across the Intercontinental hotel stood at 62% in 1Q25, while at the Antara resort it stood at 72%. Furthermore, asset management segment revenue grew 25.4% YOY to AED 18 Mn in 1Q25. RAKPROP's cost of sales rose 26.3% YOY to AED 224 Mn in 1Q25. However, gross profit grew 30.1% YOY to AED 147 Mn in 1Q25. Gross margins rose 71 bps YOY to 39.6% in 1Q25. SG&A expenses increased 22.3% YOY to AED 61 Mn in 1Q25. Other income grew from AED 2 Mn in 1Q24 to AED 4 Mn in 1Q25. Thus, the Company's operating profit rose 38.7% YOY to AED 89 Mn in 1Q25. RAKPROP's EBITDA grew 28.4% YOY to AED 107 Mn in 1Q25. Furthermore, finance cost declined 16.2% YOY to AED 19 Mn in 1Q25. Finance income grew 5.5% YOY to AED 5 Mn in 1Q25. The Company's tax expense rose 60.3% YOY to AED 7 Mn in 1Q25.

### Stock Information

Market Cap (AED, mn)	3,810.00
Paid Up Capital (mn)	3,000.00
52 Week High	1.43
52 Week Low	0.99
3M Avg. daily value (AED)	11,592,560

### 1Q25 Result Review (AED, mn)

Total Assets	8,152
Total Liabilities	2,565
Total Equity	5,587
EBITDA	107
Net Profit	68

### Financial Ratios

Dividend Yield (12m)	N/A
Dividend Pay-out (%)	32.04
Price-Earnings Ratio(x)	5.01
Price-to-Book Ratio (x)	0.68
Book Value (AED)	1.86
Return-on Equity (%)	6.24

### Stock Performance

5 Days	-3.15%
1 Months	4.10%
3 Months	7.63%
6 Months	10.43%
1 Year	4.10%
Month to Date (MTD%)	0.00%
Quarter to Date (QTD%)	-5.22%
Year to Date (YTD%)	11.40%

## Balance Sheet Highlights

RAKPROP's total debt declined 13.0% YOY and 5.5% QOQ to AED 1.19 Bn in 1Q25. The Company's total assets grew 21.9% YOY and 1.7% QOQ to AED 8.15 Bn in 1Q25. RAKPROP's investment properties grew 2.4% YOY but marginally declined 0.5% QOQ to AED 1.57 Bn in 1Q25. The Company's trading properties under development marginally reduced from AED 2.40 Bn in 4Q24 to AED 2.39 Bn in 1Q25.

## Target Price and Rating

We maintain our BUY rating on RAK Properties with an unchanged target price of AED 1.65. RAKPROP delivered strong growth in profitability driven by solid revenue growth across all the segments in 1Q25. RAKPROP continued to progress across its residential, commercial and hospitality portfolios. The Company witnessed high demand and performance across its residential portfolio, with AED 839 Mn in sales value during 1Q25. The Company completed 3,265 units as of 1Q25 while 3,034 units are under construction. Furthermore, RAKPROP has a total of 1 Mn sq. ft. GLA under its commercial, retail, and residential portfolio. RAKPROP recorded a solid occupancy rate in the hospitality segment with 62% at the Intercontinental Resort and 72% at Anantara Hotel. The Company launched the Mina masterplan in 2025 with a development pipeline of AED 5 Bn, reflecting the Emirate's emerging luxury living and tourism hub. The Mina masterplan features waterfront villas, luxury residences, and branded apartments. Additionally, RAK Properties launched a new resort style living project "Mirasol", featuring apartments, duplexes, and studios which is scheduled to be completed in 1H28. Similarly, the Company launched a waterfront development "SKAI", featuring 272 waterfront apartments and penthouses. Furthermore, RAKPROP boast a strong revenue backlog of AED 2.3 Bn as of 1Q25. A large leasable area coupled with a significant revenue backlog ensures solid revenue visibility in the long-term. Thus, considering the abovementioned factors, we maintain our BUY rating on the stock.

### RAK Properties - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	23.27	13.11	85.80	13.09	11.45	13.49
PB	0.67	0.64	0.64	0.61	0.58	0.65
EV/EBITDA	24.21	15.42	34.58	12.26	10.68	11.03
DPS	0.00	0.00	0.00	0.03	0.00	0.03
Dividend yield	NA	NA	NA	2.3%	NA	2.4%

FABS Estimates & Co Data

### RAK Properties - P&L

AED mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch.	QOQ Ch.	2024	2025F	YOY ch.
Revenue	290	515	370	384	-3.6%	27.8%	-28.1%	1,406	1,594	13.3%
Cost of sales	-177	-315	-224	-241	-7.0%	26.3%	-28.9%	-863	-985	14.1%
<b>Gross Profit</b>	<b>113</b>	<b>200</b>	<b>147</b>	<b>143</b>	<b>2.2%</b>	<b>30.1%</b>	<b>-26.8%</b>	<b>543</b>	<b>609</b>	<b>12.1%</b>
SG&A Expenses	-50	-92	-61	-60	2.4%	22.3%	-34.1%	-249	-255	2.3%
Other income/ (exp)	2	74	4	2	69.6%	NM	-95.0%	80	9	-89.0%
<b>EBITDA</b>	<b>83</b>	<b>139</b>	<b>107</b>	<b>98</b>	<b>8.8%</b>	<b>28.4%</b>	<b>-22.8%</b>	<b>376</b>	<b>411</b>	<b>9.4%</b>
<b>EBIT</b>	<b>64</b>	<b>182</b>	<b>89</b>	<b>86</b>	<b>3.7%</b>	<b>38.7%</b>	<b>-50.9%</b>	<b>373</b>	<b>363</b>	<b>-2.9%</b>
Finance cost	-23	-21	-19	-20	-3.8%	-16.2%	-6.4%	-90	-81	-9.8%
Finance income	4	14	5	7	-33.8%	5.5%	-66.7%	28	28	0.5%
Other non-opera inc/(exp)	0	0	0	0	NM	NM	NM	-3	0	NM
<b>Profit before tax</b>	<b>46</b>	<b>175</b>	<b>74</b>	<b>73</b>	<b>2.2%</b>	<b>63.5%</b>	<b>-57.4%</b>	<b>308</b>	<b>310</b>	<b>0.4%</b>
Tax	4	15	7	7	0.0%	60.3%	-57.1%	27	28	2.3%
<b>Net Profit</b>	<b>41</b>	<b>160</b>	<b>68</b>	<b>66</b>	<b>2.4%</b>	<b>63.8%</b>	<b>-57.4%</b>	<b>281</b>	<b>282</b>	<b>0.3%</b>

FABS estimate & Co Data

#### RAK Properties - Margins

	1Q24	4Q24	1Q25	YOY Ch.	QOQ Ch.	2024	2025F	YOY ch.
Gross Profit	38.9%	38.9%	39.6%	71	68	38.6%	38.2%	-41
EBITDA	28.7%	26.9%	28.9%	14	198	26.7%	25.8%	-93
Operating Profit	22.2%	35.3%	24.1%	191	-1,117	26.6%	22.7%	-380
Net Profit	14.3%	31.0%	18.3%	404	-1,263	20.0%	17.7%	-230

FABS estimate & Co Data

## Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.80	70.0%	1.26
Relative Valuation (RV)	1.31	30.0%	0.39
<b>Weighted Average Valuation (AED)</b>			<b>1.65</b>
Current market price (AED)			1.27
Upside/Downside (%)			+30%

### 1) DCF Method:

RAK Properties is valued using free cash flow to Firm. We have discounted the cash flow using the weighted average cost of capital of 7.9%. The cost of equity is calculated by using a 10-year government bond yield of 5.1%, beta of 0.93 and equity risk premium of 4.2%. Government bond yield is calculated after adding UAE's 10-year spread over 10-year US risk-free rate. The cost of debt is calculated using the cost of 6.3% after adjusting a tax rate arriving at after-tax cost of debt of 5.8%. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (AED, Mn)	1,853
Terminal value (AED, Mn)	4,275
<b>FV to Common shareholders (AED, Mn)</b>	<b>6,128</b>
No. of share (Mn)	3,000
Current Market Price (AED)	1.27
<b>Fair Value per share (AED)</b>	<b>1.80</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	335	268	307	330	333	358
(+/-) Depreciation & amortization	44	43	44	46	47	49
(+/-) CAPEX	-70	-70	-70	-70	-70	-70
(+/-) Working Capital	399	85	-45	27	68	18
<b>Free Cash Flow to Firm (FCFF)</b>	<b>707</b>	<b>326</b>	<b>237</b>	<b>333</b>	<b>378</b>	<b>355</b>
Discounting Factor	0.93	0.86	0.80	0.74	0.68	0.63
<b>Discounted FCFF</b>	<b>655</b>	<b>280</b>	<b>188</b>	<b>245</b>	<b>259</b>	<b>225</b>

Source: FAB Securities

## 2) Relative Valuation:

We have considered the local and international peers to value Rak Properties. It is valued at a 2025 EV/EBITDA multiple of 11.3x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Arabian Centres	2,527	12.7x	10.0x	9.0x	7.1x
TECOM Group	4,193	10.0x	9.4x	12.4x	10.8x
Poly Developments and Holdings Group Co., Ltd.	13,861	20.3x	19.4x	18.6x	11.2x
Aldar Properties	17,767	8.3x	7.0x	9.9x	8.4x
Emaar Properties PJSC	32,727	6.1x	5.4x	8.9x	8.1x
Union Properties PJSC	668	7.5x	5.4x	7.2x	5.2x
Retal	2,276	18.6x	16.0x	21.6x	17.6x
Dar Al Arkan Real Estate Development Co.	6,161	18.8x	16.9x	21.3x	16.4x
<b>Average</b>		<b>12.8x</b>	<b>11.2x</b>	<b>13.6x</b>	<b>10.6x</b>
<b>Median</b>		<b>11.3x</b>	<b>9.7x</b>	<b>11.2x</b>	<b>9.6x</b>
<b>Max</b>		<b>18.7x</b>	<b>16.2x</b>	<b>19.3x</b>	<b>12.5x</b>
<b>Min</b>		<b>8.1x</b>	<b>6.6x</b>	<b>8.9x</b>	<b>7.8x</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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