

Parkin Company PJSC

All-around performance drove profitability

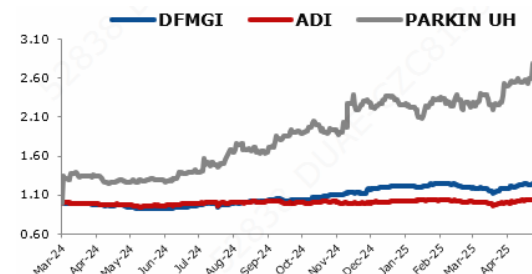
Current Price
AED 5.85

Target Price
AED 5.60

Upside/Downside (%)
-4%

Rating
HOLD

- Parkin added 11.7k YOY parking spaces across in 1Q25.
- It further expects to add c.5.5k public parking spaces and at least 1.5k spaces in developer parking portfolio in 2025.
- Total parking transactions grew 12% YOY to 36.5 Mn in 1Q25.
- Average utilization of public parking space grew from 26.0% in 1Q24 to 28.9% in 1Q25.
- PARKIN's EBITDA rose 27.4% YOY to AED 176 Mn with an EBITDA margin of 64.5%, 31 bps higher YOY in 1Q25.
- Headcount increased from 337 in 4Q24 to 346 in 1Q25, with a target headcount of 380 by 2025 end.
- The Company generated a free cash to equity of AED 340.1 Mn in 1Q25, with a free cash conversion ratio of 96.3%.



Stock Information

Market Cap (AED, mm)	17,550.00
Paid Up Capital (mm)	60.00
52 Week High	6.19
52 Week Low	2.60
3M Avg. daily value (AED)	10,564,740

1Q25 Result Review (AED, mm)

Total Assets	2,417
Total Liabilities	2,083
Total Equity	334
EBITDA	176
Net Profit	137

Financial Ratios

Dividend Yield (12m)	2.73
Dividend Pay-out (%)	113.27
Price-Earnings Ratio(x)	37.36
Price-to-Book Ratio (x)	52.50
Book Value (AED)	0.11
Return-on Equity (%)	129.61

Stock Performance

5 Days	7.73%
1 Months	23.42%
3 Months	19.39%
6 Months	43.03%
1 Year	117.47%
Month to Date (MTD%)	8.74%
Quarter to Date (QTD%)	17.00%
Year to Date (YTD%)	20.12%

1Q25 Net Profit higher than our estimate

Parkin Company P.J.S.C. (PARKIN/the Company) net profit grew 31.6% YOY to AED 137 Mn in 1Q25, higher than our estimate of AED 123 Mn. The increase in net profit was primarily driven by strong revenue growth due to higher transaction volumes and improved utilization rates, improved enforcement proceeds, partially offset by higher concession fees, commission, employee benefits and a rise in other expenses.

P&L Highlights

PARKIN's revenue grew 25.0% YOY to AED 269 Mn in 1Q25, driven by strong double-digit growth across all segments. Revenue from Public parking grew 13.6% YOY to AED 113 Mn, mainly driven by higher volume of parking tickets sold across zone C and D, growth in average revenue per parking spot and higher utilization rates. The Company's public parking spaces grew 6% YOY to 187.1K spaces in 1Q25. In 1Q25, a total of 10.9k public parking spaces were added, including 7.8k in zone C and 3.0k spaces in zone D. Seasonal cards and permit revenue grew 15.6% YOY to AED 43 Mn in 1Q25, mainly due to a higher volume of permits and seasonal cards sold during the period. The total number of seasonal cards and permits grew 41% YOY to 45.8k in 1Q25, primarily due to a strong growth in the issuance of short-term seasonal cards of 1- and 3-month duration. Revenue generated from other services, which includes parking reservations, rentals from the store, and finance income generated from cash deposits, increased 75% YOY to AED 13 Mn in 1Q25. Developer Parking revenue grew 21.8% YOY to AED 20 Mn in 1Q25, driven by an increase in the number of parking spaces in operation in addition to higher transaction volumes. Developer Parking transaction increased from 3.3 Mn in 1Q24 to 3.8 Mn in 1Q25. In addition, average revenue per developer parking space rose from AED 926 in 1Q24 to AED 1,079 in 1Q25. Revenue from fines grew 55.6% YOY to AED 82 Mn in 1Q25 mainly driven by

higher volume of enforcement notices issued attributed to higher overall customer activity, the expansion of the parking portfolio and enhanced enforcement framework through technology-driven initiatives supported by a fleet of smart inspection scan cars. However, the Company's fine collection rate declined from 87% in 1Q24 to 85% in 1Q25. The Multi-storey Car Parking Segment (MSCP) revenue increased 9.7% YOY to AED 3 Mn in 1Q25. Other income & finance income rose substantially from AED 0.2 Mn in 1Q24 to AED 4 Mn in 1Q25. Concession fee expense rose 16.1% YOY to AED 33 Mn in 1Q25 due to higher revenue generated from public parking, MSCP and seasonal cards. Commission expense increased from AED 8 Mn in 1Q24 to AED 9 Mn in 1Q25. Maintenance expenses expanded 19.5% YOY to AED 4 Mn in 1Q25. Employee benefit expenses grew significantly from AED 18 Mn in 1Q24 to AED 35 Mn in 1Q25, due to increase in headcount from 282 employees in 1Q24 to 346 employees in 1Q25. Other expenses increased substantially from AED 7 Mn in 1Q24 to AED 11 Mn in 1Q25. As a result, PARKIN's EBITDA grew 27.4% YOY to AED 176 Mn in 1Q25. EBITDA margin rose marginally 31 bps YOY to 64.5% in 1Q25. The growth in the EBITDA margin is mainly attributable to a strong growth in the Company's revenue driven by additions in parking spaces, increased transaction volumes, and higher utilization rates coupled with favorable operating leverage. D&A expenses declined from AED 13 Mn in 1Q24 to AED 11 Mn in 1Q25. The Company's finance cost grew from AED 12 Mn in 1Q24 to AED 15 Mn in 1Q25. In addition, the Company incurred an income tax charge of AED 13 Mn in 1Q25.

Balance sheet highlights

PARKIN's cash and cash equivalents stood at AED 39 Mn in 1Q25. In addition, it also held AED 423 Mn as short-term deposits. Gross debt stood at AED 1 Bn in 1Q25, while the net debt position stood at AED 666 Mn in 1Q25. PARKIN generated a free cash flow to equity of AED 334 Mn in 1Q25. Free cash flow conversion ratio stood at 96.3% in 1Q25 driven by the Company's capex light business model. At the end of 1Q25, Parkin total available liquidity stood at AED 561.6 Mn including undrawn RCF of AED 100 Mn. The debt of AED 1.1 Bn will mature in 2029.

Target Price and Rating

We maintain our HOLD rating on PARKIN with a revised target price of AED 5.60. Parkin reported strong profitability growth driven by higher revenue and favorable operating leverage in 1Q25. The Company added 11.7k parking spaces across the entire portfolio on YOY basis in 1Q25. This addition took the total number of parking spaces to 209k in 1Q25. Parkin further plans to add c. 5,500 spaces across the public parking portfolio in end of 2Q25 and towards the end of 4Q25. It is also estimated to add at least 1,500 spaces to the developer parking portfolio in 2025. All these additions are further expected to boost revenue growth. The company implemented the variable pricing policy starting from 4 April 2025. The variable pricing policy will apply to public parking spaces and some developer parking spaces. Based on Parkin's observation of the last twenty days' data, the customers in zones B and D prefer to use seasonal cards instead of the daily tariff. The current cost of these seasonal cards presents a strong value proposition to the frequent customers. The adjustment of the pricing of the seasonal card to the new tariff structure will bring parity and boost revenue. Despite the temporary closure of the Sabkha and Al Rigga, MSCPs parking transactions grew 11% YOY to 0.2 Mn parking transactions in 1Q25. Al Rigga is scheduled to reopen by the end of 2Q25, restoring approximately 500 parking spaces at the newly refurbished facility, featuring Parkin's advanced barrierless, ticketless access technology to ensure a seamless and convenient experience for customers. The Company estimates revenue from public parking to reach AED 520-550 Mn and anticipates generating AED 275-305 Mn revenue from fines in 2025. In 1Q25, Parkin issued 569K enforcement notices, an increase of 50% YOY, driven by higher customer activity, expanded parking facilities, technological enhancements, and the deployment of 25 smart scan inspection vehicles and 25 contracted drivers. The company plans to continue hiring throughout 2025, aiming for a headcount of c. 380 employees by FY25, reflecting a strategic focus on building internal capabilities leading to higher employee benefit expense. Moreover, the company operates as a capex-light business model, as the RTA is responsible for major capex, and PARKIN is only liable for maintenance capex. In addition, the company benefits from an advantaged cost position due to operating leverage, which allows it to scale the business without incurring additional costs, leading Parkin to generate strong cash flows. Furthermore, the cash conversion ratio stood at 96% in 1Q25. Despite all the positives, PARKIN share price incorporates most of these positives, leading us to assign a HOLD rating on the stock.

PARKIN- Relative valuation¹

(at CMP)	2023	2024	2025F
PE (x)	NA	41.4	30.2
PB (x)	NA	36.6	36.1
EV/EBITDA	NA	32.2	25.0
DPS	NA	0.16	0.20
Dividend yield (%)	NA	2.7%	3.4%

FABS Estimates & Co Data

¹Note – PARKIN Company was listed on DFM in March 2024. Thus, the financial multiple for the prior period is unavailable

PARKIN – P&L

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Revenues	215	261	269	245	10.0%	25.0%	3.1%	916	1,162	26.9%
Other Income	0	0	0	0	-6.8%	15.7%	-47.9%	1	1	26.9%
Finance Income	NA	4	4	3	30.3%	NA	10.2%	8	16	94.5%
Concession fee expense	29	33	33	27	25.1%	16.1%	1.9%	118	154	29.8%
Commission expense	8	11	9	9	7.0%	20.8%	-13.1%	33	41	24.8%
Maintenance expense	4	4	4	5	-14.2%	19.5%	13.3%	19	22	13.6%
Employee benefits exp	18	29	35	31	12.5%	88.7%	19.7%	104	140	35.1%
Variable Lease Payments	4	4	4	4	12.5%	11.9%	0.9%	14	15	10.3%
Rev of imp loss/ (imp loss) on trade rec	8	3	1	0	NM	-90.9%	-72.1%	12	12	NM
Other Expenses	7	24	11	12	-12.3%	52.6%	-55.2%	48	53	11.7%
EBITDA	138	158	176	161	9.4%	27.4%	11.4%	577	743	28.8%
D&A exp	13	9	11	12	-6.7%	-12.1%	24.9%	48	48	-0.1%
EBIT	126	149	165	149	10.7%	31.4%	10.6%	529	695	31.4%
Finance Cost	-12	-17	-15	-14	5.6%	29.3%	-13.8%	-64	-57	-11.3%
Earning Before Tax	114	132	150	135	11.3%	31.7%	13.8%	465	639	37.2%
Income Tax Expense	10	12	13	12	11.2%	31.7%	13.5%	42	57	37.3%
Net Profit	104	120	137	123	11.3%	31.6%	13.8%	423	581	37.2%

FABS estimate & Co Data

PARKIN - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
EBITDA	64.2%	59.7%	64.5%	31	477	62.4%	63.0%	60
Operating profit	58.3%	56.3%	60.4%	212	406	57.2%	58.9%	172
Net profit	48.1%	45.3%	50.0%	183	469	45.8%	49.3%	348

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value Parkin Company P.J.S.C. We have assigned 75% weight to DCF, 15% to DDM, and 10% to the average of P/E & EV/EBITDA.

Valuation Method	Valuation	Weight	Weighted Value
DCF Method	5.79	75.0%	4.34
DDM Method	5.49	15.0%	0.82
Average of PE & EV/EBITDA	4.34	10.0%	0.43
Weighted Average Valuation (AED)			5.62
Current market price (AED)			5.85
Upside/Downside (%)			-4%

1) DCF Method:

Parkin Company P.J.S.C. is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.5%. It is arrived after using the cost of equity of 8.7% and after-tax cost of debt of 4.6%. The cost of equity is calculated by using a 10-year government bond yield of 5.7%, a beta of 0.83, and an equity risk premium of 3.7%. 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 3.5%.

Sum of PV (AED, Mn)	3,349
Terminal value (AED, Mn)	14,674
FV to Common shareholders (AED, Mn)	17,357
No. of share (Mn)	3,000
Current Market Price (AED)	5.85
Fair Value per share (AED)	5.79

DCF Method

(All Figures in AED, Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	638	728	803	880	966
Depreciation & Amortization	48	48	49	50	49
Capex	-34	-35	-41	-35	-37
Change in Working Capital	-3	7	29	39	51
Free Cash Flow to Firm (FCFF)	649	748	840	934	1,028
Discounting Factor	0.95	0.88	0.81	0.74	0.69
Discounted FCFF	616	654	678	695	705

Source: FAB Securities

2) Relative Valuation:

We have used local peers to value Parkin Company P.J.S.C., which uses the average of EV/EBITDA and PE multiple. Parkin is valued based on the multiple of local infrastructure company. In addition, Parkin's business is comparable to Salik's as both operate under a concession agreement with RTA. Salik is trading at a premium multiple to other infrastructure peers; thus, we applied a premium of 40% to the infrastructure peers' median valuation multiple to value Parkin. It is valued at a 2025 EV/EBITDA multiple of 16.6x compared to a peer valuation of 11.9x. In addition, it is valued at a 2025 P/E multiple of 24.7x compared to a peer valuation of 17.6x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
<u>Regional Infrastructure Cos</u>					
Dubai Taxi Company	1,763	10.9	9.7	17.6	14.7
Salik Co PJSC	10,659	20.2	18.9	24.8	22.5
Dubai Electricity & Water Authority	36,074	9.6	9.2	17.8	16.6
Emirates Central Cooling System	4,492	11.9	11.2	16.5	14.9
Abu Dhabi National Oil Co	11,707	11.9	11.2	16.7	16.0
Average		12.9x	12.0x	18.7x	16.9x
Median		11.9x	11.2x	17.6x	16.0x
Max		11.9x	11.2x	17.8x	16.6x
Min		10.9x	9.7x	16.7x	14.9x

Source: FAB Securities

3) DDM Method:

The Company maintains a policy to declare regular dividends to shareholders in the forecasted period. Parkin is expected to pay a minimum dividend payment of the higher of 100.0% of net income or free cash flow to equity (FCFE) after deducting the statutory reserve requirement in the forecasted period. The Company will distribute dividends semi-annually to reflect its strong cash flow generation profile. The dividend will be paid twice each fiscal year, the first half in October and the second half in April of the following year. The dividend is discounted at the cost of equity of 8.7%.

Sum of PV (AED, Mn)	3,129
Terminal value (AED, Mn)	13,337
FV to Common shareholders (AED, Mn)	16,466
No. of share (Mn)	3,000
Current Market Price (AED)	5.85
Fair Value per share (AED)	5.49

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend Paid					
H1	295	347	396	446	495
H2	295	347	396	446	495
Total Dividend	589	693	792	892	991
Discounting Factor	0.95	0.87	0.80	0.74	0.68
Present Value of Dividend	559	605	635	657	672

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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