

Dubai Investments PJSC

Reduce in Profit due to Higher Direct costs and lower Other income

3Q21 Net Profit higher than our estimate

Dubai Investments PJSC reported a drop by 27.9% YOY in Net Profit to AED154 Mn in 3Q21, down from AED213 Mn in 3Q20. The Company performed better than our estimate and beat our forecast by 10%. This was mainly due to an increase in Direct costs and a decrease in the Other income.

P&L highlights

The Total Income reported by the Company increased by 10% YOY to AED845 Mn in 3Q21, as compared to AED768 Mn in 3Q20. The Direct Costs increased by 30.2% YOY to AED522 Mn in 3Q21, up from AED401 Mn in 3Q20. Resultantly, the Gross Profit declined by 12.1% YOY to AED323 Mn in 3Q21, up from AED367 Mn in 3Q20. three months of 2021, with a GPM equal to 38.2% from 47.8% in 3Q20. Moreover, Operating expenses increased by 8.3% YOY to AED98 Mn in 3Q21, down from AED90 Mn in 3Q20. Therefore, EBITDA decreased by 18.7% YOY to AED225 Mn in 3Q21, compared to AED277 Mn in 3Q20. Depreciation and amortization declined by 12.6% YOY to AED58 Mn in 3Q21, down from AED66 Mn in 3Q20. Thus, the Operating profit dropped by 20.6% YOY to AED167 Mn in 3Q21, down from AED211 Mn in 3Q20, with an OPM equal to 19.8% in 3Q21. The Finance expenses have strongly reduced by 47.9% YOY to AED48 Mn in 3Q21, down from AED92 Mn in 3Q20. While the Finance income increased by 60.4% YOY to AED15 Mn in 3Q21, compared to AED9 Mn in 3Q20. The Company recorded an increase by 18.2% YOY in Impairments to AED2.34 Mn in 3Q21, compared to AED1.98 Mn in 3Q20. The Other income significantly decreased by 76.8% YOY to AED18 Mn in 3Q21, down from AED79 Mn in 3Q20, reducing the profitability.

Balance sheet highlights

The Total Assets increased by 1.8% YOY to AED21.88 Bn in 3Q21, up from AED21.5 Bn in 3Q20. The Total Liabilities increased by 4% YOY to AED9.75 Bn in 3Q21, as compared to AED9.37 Bn in 3Q20. The Total Equity marginally rose to AED12.131 Bn in 3Q21 from AED12.128 Bn in 3Q20.

Target price and rating

We revised our rating to HOLD on DIC with a target price of AED2.00. Dubai Investments PJSC is the leading diversified investment company listed on The Dubai Financial Market. Its results for the 9M21 have demonstrated strength of the business model and it is the combined result of all sectors of the business while DIC keeps on working hard to maintain the growth and its explosion plans. The Group recently announced its new venture in Ras Al Khaimah worth AED1 Bn with its goal to enhance the portfolio and help delivering consistent returns. The company has reported a Net Profit for AED456 Mn for the 9M21 up from AED418 Mn in 9M20, an increase by 9% YOY. Nevertheless, Total Revenue increased to AED2.6 Bn in 9M21 up from AED1.9 Bn same period last year. In 3Q21, DIC reported Revenues for AED845 Mn up by 10% YOY from AED768 Mn in 3Q20. Nonethe-

Rating : HOLD

First Look Note – 3Q21

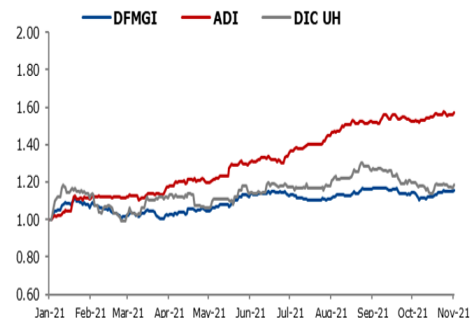
Sector: Industrials

Recommendation

Current Price (25-Nov)	1.94
Target Price	2.00
Upside/Downside (%)	+3.1%

Stock Information

Market Cap (mm)	8,248.92
Paid Up Capital (mm)	4,252.02
52 Week High	2.08
52 Week Low	1.24
3M Avg. daily value (AED)	9,418,755



Financial Ratios

Dividend Yield (12m)	4.12
Dividend Pay-out (%)	122.34
Price-Earnings Ratio (x)	20.99
Price-to-Book Ratio (x)	0.69
Book Value (AED)	2.80
Return-on Equity (%)	3.23
Earning Per Share (AED)	0.09
Beta	0.89

Stock Performance

5 Days	-2.02%
1 Months	12.79%
3 Months	4.30%
6 Months	15.48%
1 Year	55.20%
Month to Date (MTD)	14.79%
Quarter to Date (QTD)	11.49%
Year to Date (YTD)	33.79%

less, the increase in Revenues over 9M21 reflects the increase in Property segment Revenues by 47% to AED1.13 Bn and the increase in Manufacturing segment Revenues by 15% to AED1.31 Bn. In 3Q21, the increase in Revenues was outweighed by the increase in Direct Costs by 30.2% to AED522 Mn in 3Q21 up from AED401 Mn in 3Q20. Thus, the Gross Profit fell in 3Q21 by 12.1% to AED323 Mn from AED367 Mn same period last year while the Gross Profit Margin decreased by 958 Bps to 38.2% compared to 47.8% in 3Q20. EBITDA decreased in 3Q21 down to AED225 Mn compared to AED277 Mn in 3Q20, a decrease by 187% YOY. Operating Profit also decreased YOY by 20.6% to AED167 Mn down from AED211 Mn in 3Q20 with the Operating Margin decreasing by 762 Bps to 19.8% in 3Q21 down from 27.4% in 3Q20. Given all the above, the Net Profit was down by 27.9% YOY reaching AED154 Mn in 3Q21 compared to AED213 Mn in 3Q20 and Net Profit Margin witnessed a decrease by 956 Bps YOY to 18.2% as at end of 3Q21 as compared to 27.7% as at end of 3Q20. DIC maintained a robust Balance Sheet in 3Q21 with Total Assets increasing by 1.8% YOY to AED21.88 Bn up from AED21.5 Bn in 3Q20 while Total Equity remaining stable at AED12.13 Bn while Total Liabilities increased to AED9.75 Bn in 3Q21 up from AED9.37 Bn in 3Q20, an increase by 4% YOY. While Long Term Debt to Equity ratio stood at 38.2% and Total Debt to Equity ratio stood at 62.51%. The Company trades at a P/B of 0.7x with basic Earnings Per Share (EPS) from continuing operations in 3Q21 of AED0.04 down from AED0.05 and the EPS for 9M21 standing at AED0.11 compared to AED0.1 same period last year. Finally, The Board of Directors approved in the general Meeting held in April 2021 an 8% Cash Dividend amounting to AED340.16 Mn which was also paid during the same period, and the Directors' fee which was approved in the same meeting amounting to AED10.5 Mn was also paid in the same period. Therefore, we maintain our HOLD rating.

DIC - Relative Valuation

(at CMP)	2016	2017	2018	2019	2020F
PER (x)	7.8	12.4	12.4	23.3	12.6
P/BV (x)	1.5	1.5	1.5	1.5	1.6
Dividend yield	6.4%	5.3%	5.3%	4.2%	4.2%

FABs Estimate & Co Data

DIC - P&L

AED mm	3Q20	2Q21	3Q21	3Q21F	Var.	YOY Ch	QOQ Ch	2020	2021F	Change
Total Income	768	1,085	845	850	-0.6%	10.0%	-22.1%	2,762	3,472	25.7%
Direct Costs	-401	-710	-522	-518	0.7%	30.2%	-26.5%	-1,351	-2,131	57.8%
Gross profit	367	375	323	331	-2.6%	-12.1%	-14.0%	1,411	1,341	-5.0%
Operating Expenses	-90	-96	-98	-99	-1.4%	8.3%	2.1%	-381	-389	2.1%
EBITDA	277	279	225	232	-3.1%	-18.7%	-19.5%	1,030	951	-7.6%
D&A	-66	-59	-58	-61	-5.6%	-12.6%	-1.7%	-260	-238	-8.5%
Operating profit	211	221	167	171	-2.2%	-20.6%	-24.3%	770	713	-7.4%
Finance expenses	-92	-61	-48	-58	-17.6%	-47.9%	-21.7%	-333	-214	-35.6%
Finance income	9	13	15	13	12.6%	60.4%	18.8%	35	91	NM
Impairments	-1.98	-12	-2.34	-6	-59.6%	18.2%	-79.8%	11	-37	NM
Other income	79	11	18	15	25.1%	-76.8%	75.2%	153	56	-63.7%
Profit before NCI	205	171	150	135	11.4%	-26.8%	-12.2%	636	609	-4.1%
NCI	8	8	4	5	-28.2%	-57.1%	-53.3%	46	17	-62.8%
Profit to shareholders	213	178	154	140	10.0%	-27.9%	-13.9%	682	627	-8.1%

FABs estimate & Co Data

DIC - Margins

AED mm	3Q20	2Q21	3Q21	YOY Ch	QOQ Ch	2020	2021F	Change
GPM	47.8%	34.6%	38.2%	-958	363	51.1%	38.6%	-1,248
OPM	27.4%	20.3%	19.8%	-762	-55	27.9%	20.5%	-734
Net Margin	27.7%	16.4%	18.2%	-956	174	24.7%	18.1%	-665

FABs estimate & Co Data

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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