

Aldar Properties

Acquisition of recurring portfolio to bolster earnings

2Q22 Net profit higher than our estimate

Aldar Properties PJSC (Aldar/the Company) net profit rose significantly 54.7% YOY to AED 804 Mn in 2Q22. While adjusted net profit expanded 27.7% YOY to AED 664 Mn in 2Q22. The adjusted profit is calculated after adjusting the bottom line for revaluation gain, gain on investment property and bargain purchase. The growth in profit is primarily driven by a double-digit growth in the development and investments segment, also led by a contribution from SODIC Egypt.

P&L highlights

Revenue grew 21.8% YOY to AED 2,669 Mn in 2Q22 mainly due to growth across development and investment business. Development business top line rose 30.6% YOY to AED 1,761 Mn in 2Q22. due to growth in UAE development, new property launches and strong sales from SODIC. Aldar Investment revenue grew 11.6% YOY to AED 972 Mn in 2Q22 mainly driven by strong performance across the hospitality and leisure business and further supported by continued growth in performance from retail and new acquisitions. The Company recorded developmental sales of AED 3.1 Bn, up 33% YOY during 2Q22. It recorded a sale of AED 2.5 Bn in UAE and the remaining 622 Mn from Egypt. UAE sales rose 6% YOY to AED 2.5 Bn in 2Q22 driven by strong demand for property from local and international investors coupled with new launches. Direct costs increased 7.9% YOY to AED 1,476 Mn in 2Q22. Resultantly, gross profit rose 44.9% YOY to AED 1,194 Mn in 2Q22, with a margin of 44.7% in 2Q22 compared to 37.6% in 2Q21. G&A expenses rose significantly to AED 304 Mn in 2Q22 from AED 163 Mn in 2Q21. EBITDA rose 27.2% YOY to AED 881 Mn in 2Q22 with an EBITDA margin of 33.0% in 2Q22 compared to 31.6% in 2Q21. The Development Segment recorded an EBITDA of AED 501 Mn with an EBITDA margin of 28.5% and Investment Segment recorded an EBITDA of AED 369 Mn with an EBITDA margin of 41.3% in 2Q22. Whereas, EBIT increased 26.9% YOY to AED 797 Mn, with an EBIT margin of 29.9% in 2Q22 compared to 28.7% in 2Q21. Provision charges in 2Q22 rose to AED 43 Mn from AED 12 Mn in 2Q21. Finance income increased from AED 11 Mn in 2Q21 to AED 37 Mn in 2Q22. Finance cost rose 24.6% YOY to AED 85 Mn in 2Q22 due to an increase in benchmark rates. Moreover, the share of profit attributable to non-controlling interest holders rose significantly from AED 1 Mn in 2Q21 to AED 37 Mn in 2Q22 mainly due to the share of profit allocated to other shareholders in SODIC.

Balance sheet and Sales Backlog highlights

Aldar maintained a robust liquidity profile with a cash balance of AED 6.0 bn with committed undrawn bank facilities of AED 4.9 bn in 2Q22. Total debt stood at AED 8.1 bn in 2Q22 with a debt-to-equity ratio of 0.3x. The company revenue backlog stood at AED 11.38 bn in 2Q22 providing strong visibility to revenue growth in the forecasted UAE and Egypt operations.

Rating : BUY

First Look Note – 2Q22

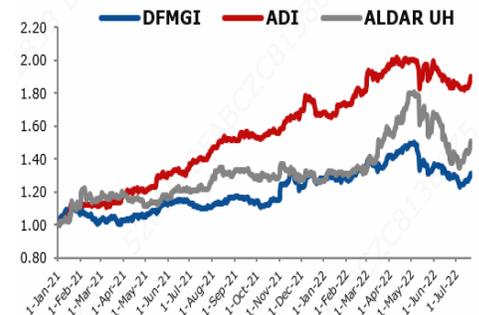
Sector: Real Estate

Recommendation

Current Price (29-Jul-22)	4.90
Target Price (AED)	6.00
Upside/Downside (%)	+22%

Stock Information

Market Cap (mm)	38,212.38
Paid Up Capital (mm)	7,862.63
52 Week High	5.79
52 Week Low	3.92
3M Avg. daily value (AED)	130,994,900



Financial Ratios

Dividend Yield (12m)	3.09
Dividend Pay-out (%)	50.93
Price-Earnings Ratio (x)	14.16
Price-to-Book Ratio (x)	1.33
Book Value (AED)	3.69
Return-on Equity (%)	9.98
Earning Per Share (AED)	0.35
Beta	1.02

Stock Performance

5 Days	1.04%
1 Months	9.21%
3 Months	-13.98%
6 Months	17.96%
1 Year	19.70%
Month to Date (MTD)	-0.82%
Quarter to Date (QTD)	9.21%
Year to Date (YTD)	21.80%

Target price and rating

We assign a BUY rating on ALDAR with a target price of AED 6.00. The Company continued to report strong development sales both from UAE and Egypt operations. Development sales stood at AED 3.1 Bn in 2Q22 driven by high demand from overseas and expat customer segments. Revenue backlog stood at AED 11.38 Bn giving strong visibility to revenue from UAE and Egypt operations. Aldar diversified its sources of funding and scaled up operational capabilities in preparation for further growth opportunities. Recently, Aldar acquired Abu Dhabi Global Market (ADGM) office towers for AED 4.3 Bn one of the largest real estate deals ever completed in the UAE with a total net leasable area of 180,000 sqm. The deal exposes Aldar Properties to the commercial real estate market in Abu Dhabi and boosts recurring income portfolio. So far in 1H2022, it announced transactions worth AED 11 Bn across logistics, commercial, retail, and hospitality sectors. These investments ramp up Aldar fee income business with a total backlog of AED 57.6 Bn in 2Q22. Aldar intends to invest an additional AED 5 Bn in equity capital in the upcoming 12 months. A considerable amount of liquidity is provided through a historic USD 1.4 Bn deal with Apollo Global Management to enhance and accelerate long-term growth. Aldar acquired 6.2 million square plots of land on Saadiyat Island which will be used for future development. Aldar is expected to capitalize on a robust deal pipeline to further broaden its asset base. With demand for quality Abu Dhabi property remaining strong among investors and end users, the Company will also ramp up development activity and new project launches, particularly on the acquired strategic land bank on Saadiyat Island. Considering all these factors, we assign a BUY rating on the stock.

Aldar Properties - Relative valuation

(at CMP)	2018	2019	2020	2021	2022F
P/E (x)	20.4	19.1	19.6	16.4	14.1
P/B (x)	1.6	1.5	1.5	1.4	1.3
EV/EBITDA	18.3	17.6	16.4	13.9	11.2
Dividend Yield (%)	2.9%	3.0%	3.0%	3.1%	3.1%

FABS Estimates & Co Data
Aldar Properties - P&L

AED mm	2Q21	1Q22	2Q22	2Q22F	Var	YOY Ch	QOQ Ch	2021	2022F	Change
Revenue	2,192	2,683	2,669	2,588	3%	21.8%	-0.5%	8,576	10,227	19.3%
Direct costs	-1,368	-1,565	-1,476	-1,393	6%	7.9%	-5.7%	-4,976	-5,906	18.7%
Gross profit	824	1,118	1,194	1,195	0%	44.9%	6.8%	3,600	4,321	20.0%
General expenses	-163	-256	-304	-311	-2%	86.4%	19.1%	-934	-1,125	20.5%
S&G expenses	-32	-83	-92	-104	-11%	184.4%	11.7%	-183	-225	23.2%
EBITDA	692	851	881	829	6%	27.2%	3.5%	2,734	3,273	19.7%
EBIT	628	780	797	781	2%	26.9%	2.2%	2,484	2,971	19.6%
Share of assoc.	-3	-2	-2	-3	-18%	-19.9%	19.3%	-8	12	-245.9%
Provision/(reversal)	-12	-31	-43	-60	-28%	263.9%	38.6%	-247	-307	24.2%
Finance income	11	39	37	26	42%	228.2%	-4.8%	48	97	101.1%
Finance cost	-68	-75	-85	-91	-6%	24.6%	13.4%	-266	-327	23.2%
Total other income	-36	-1	140	26	441%	492.9%	12333.0%	322	348	8.0%
Profit after tax	521	688	842	656	28%	61.6%	22.4%	2,333	2,724	16.7%
NCI	-1	-20	-37	-20	83%	4856.5%	87.8%	-18	-28	56.6%
Net Profit	520	668	804	635	26.6%	54.7%	20.4%	2,316	2,696	16.4%

FABS Estimates & Co Data

Aldar Properties - Margins

	2Q21	1Q22	2Q22	YOY Ch	QOQ Ch	2021	2022F	Change
GPM	37.6%	41.7%	44.7%	713	304	42.0%	42.3%	27
EBITDA Margin	31.6%	31.7%	33.0%	141	128	31.9%	32.0%	12
OPM	28.7%	29.1%	29.9%	120	79	29.0%	29.1%	9
Net margin	23.7%	24.9%	30.1%	640	524	27.0%	26.4%	-64

FABS estimate & Co Data

FAB Securities Awards



Best Brokerage House in UAE 2016 & 2017 by "Banker Middle East"



Best Brokerage House in UAE 2016, 2017, 2019 and 2020 by "IFA"



Best Brokerage in the UAE 2016 By "Global Investor/ ISF ME Awards"



Best Research House in UAE 2016 and 2020 by "IFA"



Best New Mobile Application in UAE 2016 by "IFA"



Best Equity Finance Company in UAE 2016 by "IFA"