

Aldar Properties

Regional real estate play benefiting from market tailwinds

1Q22 Net profit lower than our estimate

Aldar Properties net profit rose 23.1% YOY to AED 668 Mn in 1Q22, missing our estimate by 13.0%. This was primarily due to growth in UAE operations and inclusion of SODIC.

P&L highlights

Revenue grew 31.5% YOY to AED 2,683 Mn in 1Q22 mainly due to growth across development and investment business. Development business top line rose 50% YOY to AED 1,777 Mn in 1Q22 due to growth in UAE development and project management business and inclusion of SODIC. Aldar completed acquisition of SODIC on 16 December 2021 and this is the first full quarter when SODIC's contribution was included in Aldar's results. Aldar Investment revenue grew 9% YOY to AED 859 Mn in 1Q22 due to strong performance across retail, hospitality and leisure and education. The group recorded higher even first quarter development sales of AED 2.2 Bn (1.5 Bn in UAE and AED 678 Mn sales in Egypt) in 1Q22. Also, this is the seven consecutive quarter when quarterly sales in UAE exceeded AED 1.0 Bn and Aldar recorded development sales of AED 1.5 Bn in 1Q22. Direct costs increased 23.8% YOY to AED 1,565 Mn in 1Q22. Resultantly, gross profit rose 44.0% YOY to AED 1,118 Mn in 1Q22, with a margin of 41.7% in 1Q22 compared to 38.0% in 1Q21. General expenses increased 52.9% YOY to AED 256 Mn in 1Q22. Adjusted EBITDA rose 45% YOY to AED 821 Mn in 1Q22. Adjusted EBITDA is reported after excluding one-off items. Whereas, EBIT increased 36.5% YOY to AED 780 Mn, with EBIT margin of 29.1% in 1Q22 compared to 28.0% in 1Q21. Provision charges in 1Q22 decreased 34.6% YOY to AED 31 Mn. Finance income increased 214.9% YOY to AED 39 Mn in 1Q22. Similarly, Finance costs increased by 16.5% YOY to AED 75 Mn in 1Q22 due to increase in benchmark rates. Moreover, share of profit attributable to non-controlling interest holders rose significantly from AED 1 Mn in 1Q21 to AED 20 Mn in 1Q22 mainly due to share of profit allocated to remaining shareholder in SODIC.

Balance sheet and Sales Backlog highlights

Aldar maintained a robust liquidity profile with a cash balance of AED 5.6 bn with committed undrawn bank facilities of AED 4.9 bn in 1Q22. Total debt stood at AED 8.0 bn in 1Q22 with a debt-to-equity ratio of 0.3x and EBITDA/Interest coverage ratio of 11.7x in 1Q22. Aldar maintained its investment rating of Baa 2 in 1Q22 and is expected to maintain a similar in the near future. The company revenue backlog stood at AED 10.4 bn in 1Q22, providing strong visibility to revenue growth in the forecasted from UAE and Egypt operations.

Rating : ACCUMULATE

First Look Note – 1Q22

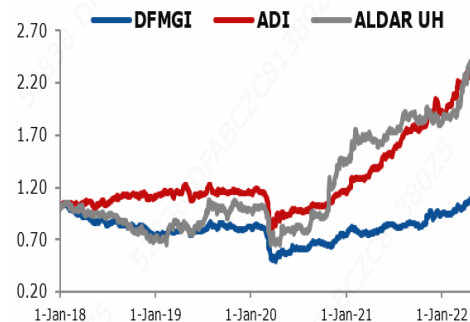
Sector: Real Estate

Recommendation

Current Price (12-May-22)	5.43
Target Price	6.00
Upside/Downside (%)	+11%

Stock Information

Market Cap (mm)	42,694.08
Paid Up Capital (mm)	7,862.63
52 Week High	5.79
52 Week Low	3.51
3M Avg. daily value (AED)	294,481,500



Financial Ratios

Dividend Yield (12m)	2.76
Dividend Pay-out (%)	50.93
Price-Earnings Ratio (x)	17.51
Price-to-Book Ratio (x)	1.49
Book Value (AED)	3.64
Return-on Equity (%)	9.10
Earning Per Share (AED)	0.31
Beta	0.88

Stock Performance

5 Days	-4.57%
1 Months	5.85%
3 Months	30.22%
6 Months	29.59%
1 Year	52.10%
Month to Date (MTD)	-3.72%
Quarter to Date (QTD)	10.34%
Year to Date (YTD)	36.34%

Target price and rating

We upgraded our rating to ACCUMULATE on ALDAR with a revised 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 2.2 Bn in 1Q22 driven by high demand from overseas and expat customer segment. Revenue backlog stood at AED 10.4 Bn giving strong visibility to revenue from UAE and Egypt operations. Cash collection also remains robust at AED 1.6 Bn in 1Q22. Aldar diversified its sources of funding and scaled up operational capabilities in preparation for further growth opportunities. Aldar Investment Properties (AIP) issued AED 1,836 Mn (USD 500 Mn) subordinated perpetual notes to Apollo Global Management. The subordinated perpetual notes are part of Apollo's AED 5.14 Bn (USD1.4 Bn) strategic investment into Aldar's transformational growth initiatives representing one of the largest ever foreign direct investments into Abu Dhabi's private sector. As a result, Aldar is able to maintain robust and liquid balance sheet with available cash balance of AED 5.6 Bn with undrawn bank facilities of AED 4.9 Bn in 1Q22. Aldar also maintained its strong relationship with the Government of Abu Dhabi with a social infrastructure project backlog of AED 41.2 Bn in 1Q22. The Company is also expanding into new geographies with a majority shareholding in SODIC, a leading Egyptian real estate player. In the last 18 months, the Company deployed or committed AED 7 Bn across existing and new markets. It also plans to invest an additional AED 9-10 Bn over 12-18 months. Aldar holds 69 million square meters of landbank across prime locations in Abu Dhabi positions it favorably. Considering all these factors, we assign an ACCUMULATE rating on the stock.

Aldar Properties - Relative valuation

(at CMP)	2018	2019	2020	2021	2022F
P/E (x)	23.9	22.4	23.0	19.2	14.5
P/B (x)	1.8	1.8	1.7	1.7	1.5
Dividend Yield (%)	2.5%	2.6%	2.6%	2.7%	2.7%

FABS Estimates & Co Data
Aldar Properties - P&L

AED mm	1Q21	4Q21	1Q22A	1Q22F	Var.	YOY Ch	QOQ Ch	2021	2022F	Change
Revenue	2,041	2,256	2,683	2,369	13.3%	31.5%	18.9%	8,576	9,739	13.6%
Direct costs	-1,265	-1,090	-1,565	-1,255	24.7%	23.8%	43.6%	-4,976	-5,259	5.7%
Gross profit	776	1,166	1,118	1,113	0.5%	44.0%	-4.1%	3,600	4,480	24.4%
General expenses	-167	-388	-256	-232	10.2%	52.9%	-34.0%	-934	-995	6.6%
S&M expense	-38	-85	-83	-46	79.6%	118.1%	-3.1%	-183	-191	4.6%
EBIT	571	693	780	836	-6.7%	36.5%	12.5%	2,484	3,294	32.6%
Share of assoc.	-2	-2	-2	-2	-10.9%	-8.9%	3.3%	-8	-7	-14.8%
Provision/(reversal)	-47	-157	-31	-62	-49.9%	-34.6%	-80.2%	-247	-212	-14.2%
Finance income	12	14	39	12	222.0%	214.9%	173.5%	48	49	1.1%
Finance cost	-64	-66	-75	-67	11.9%	16.5%	13.6%	-266	-273	2.8%
Total other income	74	312	-1	57	-102.0%	-101.5%	-100.4%	322	64	-80.1%
Profit after tax	544	795	688	774	-11.1%	26.5%	-13.4%	2,333	3,090	32.4%
Non-controlling int.	-1	-15	-20	-6	221.0%	1694.4%	31.7%	-18	-26	45.7%
Net profit	543	780	668	768	-13.0%	23.1%	-14%	2,316	3,063	32.3%

FABS estimate & Co Data
Aldar Properties - Margins

	1Q21	4Q21	1Q22	YOY Ch	QOQ Ch	2021	2022F	Change
GPM	38.0%	51.7%	41.7%	364	-1001	42.0%	46.0%	402
OPM	28.0%	30.7%	29.1%	108	-165	29.0%	33.8%	486
Net margin	26.6%	34.6%	24.9%	-170	-966	27.0%	31.5%	445

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%

FAB Securities Contacts:**Research Analysts**

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 [Online Trading Link](#)
+971-2-6161777

Institutional Desk +971-4-4245765

Sales and Marketing +971-2-6161703

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