Operator Hello, everyone, and welcome to today's Aldar Properties nine months 2024 Financial Results Call. My name is Seb, and I'll be the operator for your call today. If you would like to ask a question during the Q&A session, you can press star one on your telephone keypad. Or, if you're listening to the call via the online web presentation, you can type your question using the Q&A box in the top right-hand corner of the screen. I will now hand over to Faisal Falaknaz, Group Chief Financial and Sustainability Officer, to begin the call. Please go ahead.

Faisal Falaknaz Hello, everyone. Thank you for joining us on this call to discuss Aldar's financial performance for the first nine months of the year. Aldar has continued its strong growth trajectory, and the company is now operating at significant scale across our core businesses. We continue to set new records in development sales, while higher recurring income has been driven by organic growth and the contribution of recent acquisitions. Importantly, we are also taking confident steps into a new phase of expansion through the wide-ranging partnership with Mubadala and implementation of our development to hold investment strategy, what we call the D-Hold.

Financially, Aldar has delivered a very strong performance year-to-date, leading to an upward revision of guidance on key metrics, which I will detail at the end of this presentation. Group revenue was up 69% year-on-year, at AED 16.5 billion for the first nine months, with EBITDA rising 55% to AED 5.4 billion. Net profit increased 52% year-on-year to AED 4.6 billion in the nine-month period. This incorporates an overall effective tax rate of 3.9%, following introduction of corporate income tax in January.

Aldar Development has leveraged its market-leading franchise to deliver exceptional growth. The business has successfully launched eight new developments this year, while effectively executing on a sizeable revenue backlog.

Aldar Investment continues to excel as an active asset manager, while expanding and diversifying its high-quality asset base. This, in the context of a robust macroeconomic environment in the UAE. We are also seeing solid demand across all the real estate asset classes, which is driving rental rates higher. Key acquisitions over the last two years are also making a meaningful contribution to the bottom line.

Turning to slide number four and further detail on the performance of Aldar Development. The platform has been operating at an elevated run rate this year as it delivers against a growing development pipeline, which was supplemented by three new launches in the third quarter, in Dubai, Saadiyat Island, and Yas Island. Group sales rose 24% year-on-year to AED 24 billion in the first nine months, with the UAE accounting for just over AED 20 billion of sales, an increase of 19%.

Group development EBITDA increased 72% year-on-year to AED 3.2 billion for the nine-month period.

We have seen continued strong demand from overseas and expatriate buyers, who have accounted for 76% of total UAE sales year-to-date, supported by Aldar's growing international sales network. Acceleration of project delivery resulted in robust cash collection of AED 7.2 billion in the nine months of 2024, and we expect full-year 2024 cash collections to reach between AED 8 to 9 billion.

On the international front, both SODIC and London Square continue to scale up. In Egypt, SODIC significantly ramped up sales activity in the third quarter, achieving record sales of AED 2.3 billion this quarter, up 70% year-on-year. This brought nine months total sales to AED 3 billion, an increase of 28%. And the company's revenue backlog now stands at AED 6.3 billion.

Meanwhile, London Square continues laying solid foundations for future growth, having completed the acquisition of ten land plots since the beginning of 2024 and having announced its first development plan since our acquisition. At the group level, the development backlog now stands at over AED 48 billion, providing strong revenue visibility over the next two to three years, and will continue to grow strongly beyond those levels.

Turning to Aldar Investment on slide five and six. The platform is pursuing a strategy of expansion and diversification, while also benefiting from strong tenant demand across all segments. Nine months 2024 revenue increased 24% year-on-year to just shy of AED 5 billion, with adjusted EBITDA increasing 23% to nearly AED 2 billion.

The D-Hold strategy to develop prime assets for retention and income generating portfolio continues to expand. You will find full details of our expanded AED 9.35 billion D-Hold pipeline on slide number six.

This pipeline to be delivered over the next three years comprises AED 5 billion of commercial, retail, and hospitality assets in Abu Dhabi; AED 1 billion in logistics across Abu Dhabi and Dubai; AED 1.6 billion on the commercial tower adjacent to the DIFC in Dubai. AED 1.75 billion from the recently announced JV with Expo City to develop and own six mixed-use buildings in Dubai. The D-Hold pipeline is additive to Aldar's ongoing acquisition strategy and is expected to significantly boost recurring income streams and long-term capital appreciation.

On slide number seven, you will see further detail on the performance of each segment within Aldar Investment so far this year. The investment properties portfolio continues to perform very well, supported by increased scale, proactive asset management, and a successful leasing strategy. Adjusted EBITDA for investment properties increased 8% year-on-year to AED 1.3 billion in the first nine months, while occupancy at 95% across the portfolio.

The commercial portfolio is now 97% occupied, with strong demand for great Grade-A space, driving increased rental rates. Adjusted EBITDA for the segment was up 26% year-on-year to AED 549 million in the nine-month period. Excluding the gain on a commercial asset disposal recognised earlier in the year, adjusted EBITDA rose 15%.

The ADGM towers, International Tower, Aldar HQ and 6 Falak are now essentially fully occupied, while Al Maryah has reached 88% occupancy, up from 83% at the end of Q2.

In retail, Yas Mall continues to perform very well, with occupancy at 96%, tenant sales up 8% year-on-year, and footfall 16% higher.

Logistics, which is becoming a key focus of growth and diversification, achieved a 25% year-on-year rise in adjusted EBITDA to 45 million, driven by positive contributions from the acquisition of 7 Central in Dubai.

Aldar continues to pursue growth through its partnerships with DP World and the expansion of Abu Dhabi Business Hub, which is set to be completed by the end of 2024.

The hospitality and leisure portfolio experienced a 4% year-on-year decrease in adjusted EBITDA, due to a one-off income recognised a year earlier. Excluding this, adjusted EBITDA was up 4% year-on-year, with occupancy at 73% and RevPAR up 9% year-on-year.

Performance was supported by key assets in Ras Al Khaimah, which are continuing to exceed expectations, while the portfolio is set for further growth as Aldar pursues a AED 1.5 billion redevelopment plan to reposition a number of assets into luxury resort-focussed destinations. Therefore, further excluding the impact of assets under development, adjusted EBITDA was up 20% year-on-year.

Aldar Education recorded a 49% year-on-year increase in adjusted EBITDA to AED 210 million for the first nine months of the year. Excluding the reversal of a provision taken in Q3 2024, nine months 2024 adjusted EBITDA rose by 40% year-on-year. The student body now exceeds 36,000 students with recent acquisitions, higher enrolment in operated schools, and tuition fee increases all providing solid contributions to the bottom line.

In addition, the education portfolio saw the opening of two new greenfield schools in September 2024, with construction of another underway on Saadiyat, which is expected to open in time for the next academic year.

Meanwhile, Aldar Estates adjusted EBITDA increased 120% year-on-year to AED 251 million, primarily due to the series of strategic mergers and acquisitions completed last year, leading to the creation of the region's leading integrated property and facility management platform.

On slide eight and nine, you will see details on the recent announcements we had made in the third quarter.

Most notably, Aldar announced an expansion of our long-standing strategic partnership with Mubadala.

Through a series of joint ventures, we are bringing together AED 30 billion of prime Abu Dhabi real estate, leveraging our expertise in real estate development and asset management. And Mubadala has institutional strength and prime landmarks to unlock opportunities for significant value creation.

The partnership brings together Abu Dhabi's premier shopping destinations, Yas Mall and Galleria Luxury, into a new platform where there is a considerable opportunity to drive value through consolidating ADGM’s real estate ownership under one platform, unlocking efficiencies and synergies across the enlarged portfolio. Controlling Abu Dhabi's luxury retail segment, particularly in the context of the Saadiyat Grove coming online next year.

The combined EBITDA of these two assets is just shy of AED 500 million, with meaningful potential arising from costs and revenue synergies. This is, of course, still subject to due diligence and closing, which we expect to happen in early next year. Moreover, Aldar is also acquiring sustainable, mature, residential and commercial income generating assets in Masdar City, which is expected to close by the end of this year. Worth noting that we are underwriting these Masdar assets in line with our over 7% threshold. Considering the initial cost of AED 3 billion, this JV should contribute north of AED 220 million EBITDA, out of which we receive 60%, and grow over time, and to an even more meaningful yield on cost.

The partnership will also open up the opportunity to develop strategically located islands adjacent to Saadiyat Island and Yas Island. We are also expecting these deals to close by the end of this year.

And finally, we are also creating a new logistics park close to Zayed International Airport. This will be launched in phases over the next ten years, with the first phase coming online in 2028.

We have also announced a AED 1.5 billion in investment programme to transition, our Abu Dhabi hospitality portfolio into the luxury bracket. This includes transforming the six Yas Plaza hotels into an integrated resort and upgrading the Eastern Mangroves, Nurai Island, W Hotel, and Tilal Liwa assets.

Together, we see the Mubadala transaction and the hospitality programme driving the next phase of real estate market development in Abu Dhabi, enhancing the Emirates’ appeal as a business and lifestyle destination.

Furthermore, our Dubai footprint also continues to grow. We have recently announced a 50/50 JV with Expo City to develop and own six mixed-use buildings as part of the Dubai South masterplan. In terms of the asset composition, this is expected to be 48% commercial, 28% retail, and 25% residential. We have been highly active in Dubai and now benefit from meaningful and diversified footprint across real estate assets, which comprises one, our Dubai Holding residential development portfolio partnership. Two, a sizeable logistics portfolio across three locations between Abu Dhabi and Dubai. Three, our entry into the Dubai commercial market with construction of an office tower adjacent to the DIC. And acquisition of 6 Falak in Dubai Internet City.

Moving to slide number ten and our key balance sheet metrics. Aldar maintains a conservative leverage and high interest coverage profile, along with strong liquidity. As of the end of September 2024, the company had AED 18 billion in free and unrestricted cash and undrawn committed bank facilities. We continue to actively manage our liabilities to achieve strategic and financial objectives. As at the end of September 2024, we have repaid and cleaned up all our senior secured facilities in the UAE and the UK. We are 100% senior unsecured in the UAE and the UK, providing significant balance sheet flexibility, while we continue to have AED 200 million in secured debt in our SODIC business.

Year-to-date, Aldar has raised AED 3 billion in senior unsecured financing. The five-year revolving credit facilities have improved liquidity and extended the average debt maturity to 5.2 years. Looking ahead, we continue to maintain a disciplined approach to capital deployment to ensure value and strategic alignment. I also want to highlight that we were affirmed Baa2 stable for Aldar properties, and Baa1 stable for AIP by Moody's in August. We target these rating levels or better, and we continue to prudently manage our liquidity, capital structure, financing, and investment policies to at least maintain these levels.

Lastly, on slide 11, I wanted to note that we have made a change to our LTV calculation methodology in Q3 2024, without changing the thresholds for our two business segments. We continue to manage our investment business at less than 40% LTV and our Development business at less than 25% LTV, which is consistent with the target credit ratings. Our previous policy was implemented a long time ago. Since then, Aldar has evolved in terms of scale, presence, and size of operations across investment, development and project management platforms. This change, which encompasses our total asset base and foreign operations, gives a better reflection of leverage across the group.

Turning to sustainability highlights on slide 11, Aldar continues to make solid progress on sustainability and, in particular, our commitment to achieve net-zero by 2050. This involves building greener, more sustainable places, meeting global standards, such as LEED, Estidama, and Fitwell on new developments. In that context, our Athlon development in Dubai was awarded UAE's first LEED Platinum Certification for community planning, due to its focus on sustainability, including energy efficiency and water conservation.

Moreover, we achieved LEED certification for 11 assets within our portfolio, and we aim to complete certification for 900,000 square metres of our portfolio by the end of 2024. From a community perspective, Aldar contributed AED 1 million to a partnership with Dubai Cares, which provided 10,000 children from low-income families in the UAE with essential school kits in August.

I would like to conclude on slide 13, where we set out revisions to our full-year 2024 guidance in light of the strong performance so far this year. We are revising guidance for the group's adjusted EBITDA to a range of AED 6.8 to AED 7 billion from the previous range of AED 6.2 to AED 6.5 billion. For development, our guidance for sales remains unchanged between AED 29 and AED 31 billion. However, Aldara Development's EBITDA is expected in the range of AED 4.3 to AED 4.5 billion times, above previous guidance of AED 4.1 to AED 4.3 billion. For Aldar Investment, we are updating our guidance for adjusted EBITDA to a range of AED 2.5 to AED 2.7 billion from the previous 2.3 to 2.5 billion.

Just a final note on guidance, backed by the strong market conditions and backdrop, which we expect to continue in 2025, we have garnered significant momentum over the year and have clear visibility on not only what the final quarter of 2024 is shaping up like, but also on the momentum and the activity that we are taking into 2025. With that being said, over and above these revised numbers, we expect to see an uplift of over 35% on the group adjusted EBITDA guidance for FY 2025. We will be back at full-year results with further refined and granular guidance.

In conclusion, Aldar's core businesses remain well-positioned for sustainable growth. On the development side, we are delivering effectively against the AED 50 billion backlog, while carefully calibrating new launches to target customer segments and replenishing our landbank.

Aldar Investment plans to invest further into income-generating assets and new growth sectors, while maintaining a disciplined approach to capital deployment to ensure value and strategic alignment.

The D-Hold strategy is key to leveraging the strengths of the entire organisation to create substantial shareholder value.

With that, we would like to conclude the presentation and open the floor for questions. Thank you very much.

Operator Thank you. If you would like to ask a question, please press star one on your telephone keypad. Alternatively, if you're listening to the call via the web presentation, you can type your question using the Q&A chat box in the top right-hand corner of the screen.

Our first question comes from Mohamad Haydar from Arkham Capital. Please go ahead.

Mohamad Haydar Thank you. Salam alaykum, Faisal, Mohamad Haydar from Arkham. Remarkable performance across all businesses. I'm trying to aggregate all the CapEx programme that you have committed to between develop to hold Mubadala, expo, redevelopment of hotels. You would get to above AED 20 billion in CapEx over the next years. Should we expect an equal deployment of CapEx over the next three, four years? Or will certain years be heavier than the others? And what would be a typical target of CapEx spending in any given year in the future? That's my first question. I have a second question, if you want, after you answer.

Faisal Falaknaz I'll start with the first one. We don't usually give explicit guidance on CapEx, but we share a lot of detailed information in terms of the capital commitments, which you should look in line with our debt policy. The other thing I think is our backlog is growing significantly. Between 25, 26, 27, there's going to be a significant windfall of profits that's going to be released from that backlog, which we are going to take and then recycle into our Aldar Investment business, which is obviously a little bit more capital intensive versus Development, which is typically mostly funded through the off-plan sale mechanism.

Mohamad Haydar Excellent. It's clear. And given that the LTV is adjusted now, and it looks low for Aldar Investment, 23%. Should we expect it to gradually ramp up towards where it was before, 35, 40%?

Faisal Falaknaz We will not increase LTV for the sake of increasing LTV. I think the strategy that we want to follow going forward is a deflated balance sheet. Whenever we have cash, we will pay down debt, which should save us a lot of money in terms of interest costs. And whenever the opportunities come up, if you look at our debt facilities that we have raised, we have a lot of optionality there through the RCFs that we have secured. We can pay down, draw back as needed to fund the business plan. That's going to be the strategy.

Mohamad Haydar That's clear. For future CapEx deployment, should we now expect 25% of the CapEx to be debt funded, or 40%? Is it going to be in line with the guidance or in line with the actual one?

Faisal Falaknaz For the investment side, we can fund up to 40% in aggregate. And then for the development side, we can fund up to 25% in aggregate. Obviously, on a project by project, it varies. It depends on the level of cash we have every quarter. You'll see that LTV going up and down, but it's not going to be constant. If we have a lot of cash, we're going to pay down debt.

Mohamad Haydar That's very clear. Thank you, Faisal.

Operator Our next question comes from Taher Safieddine from JP Morgan. Please go ahead.

Taher Safieddine Hi, Faisal. Congrats again on an excellent set of results. Just two questions from my side. Specifically, I'm interested on the Q3 numbers, just on the development front. Is there anything to be concerned about, given that there is a significant drop in the property development and sales margins in this quarter? Or is this just a function of lower land sales? This will be the first part of my question on the development.

And the second part is just in terms of outlook for new launches, we know that there is Al Fahid Island, you still have a master plan in Dubai. Where are we in terms of timeline on new launches within these projects? Is it still on track for something before year end? That would be my first question on the development.

Faisal Falaknaz Let's take the first one. I assume you're referring to the drop in PDS from Q2 to Q3. That's a function of a few things. We have a lot of handovers that have been happening this year. I think we've handed over somewhere around 800 units, I think. And as you get closer to the completion of those developments, then obviously the progress slows down, and then they get replaced by new awards of new projects. That's one component.

The second component is usually when you have handovers, and we've seen that more prominently last year, is we sometimes have cost provisions that get released at the end of the project, because those are no longer needed, so they end up giving you a higher margin.

And then the last thing is the point you noted as well, which is the land. I think last year, if memory serves me correctly, we sold somewhere around AED 700 to 800 million of land plots. Year-to-date, I think we've done 150 or 200. We have significantly lesser land sales today. But, no, the answer is, there should be no concern over PDS. As you've seen, we have revised the guidance for development. And I think we said for this year, the average run rate for the whole development business is around AED 1 billion, which we've more than exceeded.

And the most important note, which was the point I made during the script, which is next year is going to be even significantly stronger than this year. The message I always give you guys is, don't focus too much on a period itself, you should look at the trend. And the trend is trending very positively upwards.

On the second part of your question, on the launches, we were planning to launch Al Fahid at the end of the year. We are now looking at Q1 end launch for Al Fahid. And then for Dubai, I can't remember what we told you guys, but the plan for the third master plan in Dubai is also to be launched towards the end of Q1 of next year. We do, however, have a number of very big launches happening before the end of the year, predominantly focussed on the Saadiyat Cultural District. The most notable one probably is the Mandarin branded residences that we announced, I think, a week or two weeks ago. And we feel very confident about hitting our sales guidance this year.

Taher Safieddine Very clear. Just maybe a follow up question on the recurring portfolio. I just want to understand, I know that you have a guidance, and you've also upgraded your EBITDA guidance on the recurring portfolio, but maybe two questions. How should we think about growth moving into 2025? There's a lot of M&A that has been serving you well, there's also like-for-like growth, but now you're moving into a heavy CapEx pipeline, right? There's a significant amount of projects in the D-Hold pipeline, and there's also the Mubadala JV. Maybe just help us understand, how should we think about the growth trajectory in terms of the recurring portfolio, assuming no new deployments? Just in terms of what we have, should 2025 be a similar year to 2024? And then we pick up significantly in 26 and 27 as the new project comes through, or am I missing something here?

Faisal Falaknaz I think you have to be a little bit more granular about it. Like, if you look at the existing residential portfolio, that's going to be steady state. Now, last year, we had the termination of Al Rayyana bulk lease, which impacted the performance of resi in Q1 and Q2. Now, those units under the bulk were around 420 units, I think, of which more than 90% are now leased again. It's taken us almost less than a year to fully lease that up, which is why you see the performance of resi in Q3 considerably catching up, and then you see steady state going forward. You're not going to see double-digit growth on the resi portfolio.

On the commercial portfolio, upside is going to come from two areas. You have the assets that are still not fully leased, for example, AMT tower is still 88% leased. But then the most important thing is, as the leases rollover, we are pushing rents up. And I think that will give us still a good room for growth on the commercial side of the portfolio.

Retail has been going transformation. Other than the leases renewing and you being able to capture higher ERVs through the better sales that we've been delivering, Al Jimi is going to start kicking in next year and hopefully contributing back again to that portfolio. The portfolio’s performance today has been dragged probably by Al Jimi mainly.

Hospitality, again, transformation there. We've been taking some rooms offline, but the impact on the portfolio, as you've seen, has not been that significant because of the higher ADR and the occupancies that we've been able to achieve. But on that, AED 1.5 billion of repositioning capital, we expect to make IRRs at least north of 13 to 15%, I would say, and this is an incremental IRR on the additional EBITDA that those capital investments will generate.

Now, logistics is going to grow significantly, but that's going to be of a much smaller base compared to the other assets. And then we have the acquisitions on top that we are closing with Mubadala between the end of the year and next year, which are really going to start contributing to the bottom line. I said more predominantly on the Masdar side, because that's the fully stabilised, recurring portfolio that we are acquiring.

Taher Safieddine Just on this topic, a final question, is there any more details you can give us on the Mubadala JV, in terms of economics, NOI yields on the different parts, at least for the retail and the Masdar assets?

Faisal Falaknaz I will give you any detail you want, but you have to be specific with your question. What is your question on retail?

Taher Safieddine How should we think about this new retail? Because you're merging assets, it's not a simple math in terms of acquiring. You're contributing some assets, there is also the premium destination being contributed by Mubadala. How should we think about the NOI yield for this new retail merged entity? How should we think about it?

Faisal Falaknaz Let me start macro. Macro, it's a strategic partnership. The whole four legs of this transaction combined is going to be very profitable for Aldar. And the strategic angle from that, is we have been pushing for consolidating real estate. The pitch to Mubadala has been you provide institutional strength; you have a lot of assets that are key for the growth of Abu Dhabi as a leading destination globally. And we are the real estate expert that can extract the value out of that. And we've seen more alignment happen on that over the past few years, starting with the acquisition of ADGM, AMT, etc. That's the big picture.

Now, going macro on retail. Strategically, we have no luxury footprint in our portfolio, and we will have luxury footprint coming into our portfolio with the launch of the growth. It does not make sense to compete. It makes sense to consolidate the market, because what we have seen historically is if all the big mall operators start competing against each other, it becomes a game of giving very generous CapEx to all the tenants. A lot of rent concessions, and the assets don't end up being that profitable in the end. There's a very strategic angle about consolidation.

Then there's a synergy point of view. Why have two teams operate two different assets? Let's combine them, and there are a lot of synergies that are going to come out of it. I spoke about the revenue synergies, but there' are considerable cost synergies that are going to come out of this. Now, on NOIs, combined between those assets, you're probably looking at AED 500 million of NOI. We are still early stages in terms of closing this retail deal. The first leg we're going to close is the Masdar deal. The second leg we're probably going to close is the retail deal towards the beginning of next year because, like you said, that's a little bit more complicated. And I think the point that we clarified on the last call is we said headlines 60/40 JV, but this JV is not going to be 60/40 because, as you previously noted correctly, Yas Mall is significantly larger in value compared to Galleria. Therefore, we will be the majority owner of this JV, we will be the assets manager of this JV, we will consolidate this JV, and there will be upside through repositioning those assets.

I would say that those assets today are not generating 7% yield on the valuations that they have today, because with retail, it takes time for the rent to stabilise. When a valuer looks at the value of an asset, he looks at the future rent, and he sees the upside, the under rental that is in the leases based on the sales capacity of that mall. We will come with further details in terms of what you guys should model on a forward-looking basis. But I would say those are the high-level details that I can share today.

Taher Safieddine All right. This is very clear. Thank you very much.

Operator As a reminder, if you would like to ask a question, you can press star one on your keypad. Or, if you are listening to the call via the web presentation, you can type your question in the Q&A box at the top right-hand corner of the screen. Just another question here from Mohamad Haydar at Arkham Capital. Please go ahead.

Mohamad Haydar Thank you. Faisal, just a quick clarification. For 2025, we're expecting 35% growth to the group EBITDA or the development EBITDA?

Faisal Falaknaz Group. We don't want to jump the gun. We usually provide guidance at full-year results, but we did want to give you guys a little bit of indication, because we are very confident with the potential of the platform. Directionally, we are telling you that the guidance for this year will be at least 35% higher than the guidance that we have provided for this year.

Mohamad Haydar Excellent. Thank you.

Faisal Falaknaz And then Taher complains and says, we don't give enough information. I'm teasing you, Taher..

Operator And just one further reminder, please press star one if you'd like to ask a question, or you can submit your question using the chat box on the web presentation. And then we just have a follow-up here from Taher Safieddine at JP Morgan. Please go ahead.

Taher Safieddine It's me again. Just to be clear on Mohamad's questions. Next year, we're talking about 35% growth in group EBITDA, yes, year-on-year?

Faisal Falaknaz Yes, at least. You forgot that piece.

Taher Safieddine At least, okay, I'll keep that in mind. And in terms of clearly, this now new focus on deleveraging the balance sheet as cash flow comes through. Just to think about it and try to put it in perspective, this doesn't change anything about the progressive dividend policy that you have in place, right?

Faisal Falaknaz Sorry, Taher, I missed that question. You said the debt policy?

Taher Safieddine No, the dividend, the progressive dividend policy, that doesn't change, right? Even if you're looking at deleveraging the balance sheet as cash flows comes through.

Faisal Falaknaz No, that does not change. No, absolutely not.

Taher Safieddine And is there any expectation, because I know that your dividend policy is also being driven by profits from the Development portfolio, and also distributable cash flows from the recurring business. Given now the Development portfolio is in a high execution phase, and naturally, this is going to improve in 2025, is it fair to assume that there will be more generous dividends coming out from the Development portfolio at least, or is that wishful thinking at this stage?

Faisal Falaknaz Early to say. Again, we will always be at the lower end of the dividend range. We have a lot of opportunities for growth. I don't think there's going to be a significant dividend uplift, for example, next year, because that development backlog profit would have still not yet paid off. Come the following year, and then let's have that discussion again.

Taher Safieddine Thank you.

Operator And our next question comes from Steve Bramley at HSBC. Please go ahead.

Steve Bramley Thank you very much. Sorry, my phone keeps cancelling out. I'm not too sure it's my end or your end. A few questions. Number one, peak year residential delivery, which two years are we thinking about here for your backlog delivering?

Faisal Falaknaz Steve, let me just look up the number very quickly. One second, Steve, let me look it up. I want to give you the exact number.

Steve Bramley Second question, while someone's looking at that. London Square, what's the criteria for these sites? Are you buying from distressed sellers? Are you buying open market? Are you buying zones one, two, or three? Can you just give us some sense about the strategy behind what London Squares doing?

Faisal Falaknaz We are buying all across, Steve. I'd say zone one, two, three, and four. We do not want to be positioned only as a luxury developer in London, which is very focussed on zone one, we want to cater to all zones. I'd say the best example to give in terms of the success of our strategy to date has been the launch of Twickenham Square. Now, we launched this in collaboration with the UAE sales team here. We always spoke about the synergies in terms of bringing the sales machine that Aldar has to the London Square platform and. Almost 50% of the sales that were done on Twickenham, which were quite successful, were driven by our customer base here. And Twickenham Square was not zone one or zone two, I think it's like 45 minutes to one hour outside of London. And again, I really think it speaks to the strength of the platform and the synergies that we can get out of capitalising on the customer base that we have here.

I'll give you a personal example, like family members and friends, Emiratis who frequent London during the summer, a lot of people called me and said we heard Aldar is selling real estate in London. We're interested, can you guys put us in touch with the sales team to look at the properties?

Going back to your first question, Steve, sorry, I just want to give you the exact numbers. For 2024, we're looking at a handover of about 1,100 units. 2025, that almost doubles to 2,100 units. And the peak you were talking about happens in 2026, so we're looking at 5,800 units almost for 2026. So, 1,100, 2,100, 5,800, approximately. Now, those numbers will change up and down, but I'd say we are 80, 90% on mark.

Operator Thank you. We will just now move on to some of the text questions we've received. This first one here says, clarify if the plus 35% year-on-year EBITDA growth is for the whole group and also for 2025? I ask because consensus estimates are much lower. If we grow 35%, that would mean a significant upgrade.

Faisal Falaknaz I think that's the whole point, that consensus estimates don't make sense.

Operator The next question then is, do you need to close the hotel/resorts, which will undergo AED 1.5 billion hospitality portfolio transformation programme, resulting in lower revenue/EBITDA? How much will be the impact and how long will it be, if that is the situation?

Faisal Falaknaz On the Yas Plaza hotels, we have not closed, and we have been upgrading rooms at the same time. And a lot of them has been completed, which minimises, again, to my previous point, the impact on the financials has not been that significant. We have, however, closed down Nurai as of the beginning of April of this year, and we have closed down Eastern Mangroves as of the beginning of June, and we have closed Tilal Liwa as of the beginning of June. I'd say Nurai was probably contributing around 30 million to 40 million EBITDA. Tilal Liwa is a much smaller asset, so the impact on that wouldn't have been significant. Eastern Mangroves, I don't have the number off the top of my head. I think the upside we're going to get from a lot of those rooms coming back online is more than going to offset the drop that we have on the closed hotels. I think, on a stabilised basis, we are probably looking at an EBITDA north of 500 million in the next couple of years.

Operator Thank you. Next question is, at the current state, what would be the indication of 2025 residential presales outlook?

Faisal Falaknaz Let's not jump the gun. Let's get done with 2024, and then we come back with guidance at full-year results.

Operator Thank you. I'll just move on to the next question. Further to the London Square discussion, can you discuss how we should think about the EBITDA expectations for London Square/UK? The EBITDA line appears to have suffered a small loss for the first nine months of this year, whilst the gross profit is positive. Is it fair to assume that this is a project timing issue?

Faisal Falaknaz London Square and SODIC, difference in accounting. They do not have revenue recognition through progress, they have revenue recognition at handover. With London Square specifically, you will end up having a hockey stick in terms of increase in profits, which will start coming in the next, I'd say, three to four years in a material way. We probably need to give you guys better guidance in terms of that, so leave that with us, we'll think about it. And I would say the same for SODIC.

Operator Thank you. Moving on to the next question. 2025 EBITDA of at least 35% year-on-year growth, can you break down roughly the levers for this growth?

Faisal Falaknaz Mainly development, number one, on the back of very strong backlog. We're going to cross the 50 billion mark probably next month or so. Assuming we maintain the same velocity of sales, which we continue to be optimistic about. That backlog should continue growing and the progress of that backlog should grow, which should contribute to the P&L next year. Again, the number one contributor. And then the second driver of growth is going to be organic growth of the business itself. Other than the IP drivers, which I already spoke about, I think education and estates have really been growing at very high double-digit rates and will continue doing so, ended by the acquisitions that we have announced as of year-to-date.

And then the D-Hold will trickle in, in phases, as we continue delivering on that. But you're not going to have major D-Holds being delivered next year. I think the majority of D-Holds is handed over towards the end of 26 and 27. We have that scheduled in the investor presentation for you to look at.

Operator Thank you. Next question is, due to the higher launches versus deliveries, which impacted margins in the third quarter, as mentioned, do you expect the EBITDA to remain at these levels until the lumpy delivery in 2026?

Faisal Falaknaz I did not understand that question. Let me read it again. The high launches versus deliveries, which impacted margins, has nothing to do with the margins. I don't understand that question. Do you expect the EBITDA to remain at these levels until the lumpy delivery in 2026? No, not at all, it has nothing to do with it. The run rate of the development business will continue to grow quarter-on-quarter, year-on-year, as the revenue recognition on the backlog continues picking up speed.

Operator As a final reminder, for any further questions, please press star one on your telephone keypad, or you can use the Q&A chat box in the top right-hand corner of the web presentation. A follow-up question here from to Taher Safieddine at JP Morgan. Please go ahead.

Taher Safieddine Hello. It's me again. Just one final question from my side, just on estate and education. Again, these two, as you rightly mentioned, have been massively outperforming in terms of growth rates, right? It has been quite impressive, the traction on both. How should we think about these over the medium term? I know there is a very clear plan, if I'm not mistaken, on the education side, to reach, I think, to cross more than 55,000 in terms of enrolments. Maybe just help us refresh that in terms of the timeline on education.

And also, is there any type of medium-term strategy for Aldar Estates? I know this year has been dominated by mergers and acquisitions and the others, but how should we think about Aldar Estates on a on a clean basis moving into 2025?

Faisal Falaknaz On a clean basis, I would say, number one, this is a very captive business between the stuff they do for Aldar Investment and Aldar Development, which is going to continue seeing them grow at double digits. As the backlog grows and the handovers grow, they have more business on the OA front, they have more business on the SME front. As Aldar Investment grows, they have more PM business on the AIP side of things. They have more business on the security side of things. Aldar Estates will grow significantly as Aldar Group grows, so that's the number one driver.

Number two, as Abu Dhabi continues to have a very strong economy, Aldar Estates services a lot of the private and government clients here, so that's another avenue of growth for that platform as well. Education, you've seen a very strong pickup in Q3 on the back of the new academic year, which kicked in, in September. Very strong enrolment on the existing portfolio and very strong enrolment on the new schools that we have opened, which included Noya, which saw almost a thousand students at opening, which is something that we internally did not expect. We expected enrolments to be half of that. And that was our first proper mid-priced school that we did on a greenfield basis, and it's really paying off.

And then next year, we're going to have another school open up and then the greenfield, again. Aldar Education, unlike some of its competitors, is a fully integrated operator. Meaning, as Eldar builds out new masterplan communities, Aldar Education gets to grow. You will see Aldar Education continuing to have a very strong greenfield going forward between education and the state. I would say the growth rate should be at very high double digits going forward.

Taher Safieddine Very clear. Thank you.

Operator Thank you. Moving on to the next written question. When will the Mubadala JV start contributing to earnings, and how much accretion can we expect to EBITDA in 25/26?

Faisal Falaknaz The Mubadala portfolio should start contributing as of Q1 next year. I think the guidance we've given is that that has a 220 million EBITDA run rate, not taking into account any synergies that's going to come out of it, not taking into account the asset management fees that we're going to be making out of it. And we own 60% of that JV, so that's going to be contributing to the bottom line. Retail, as noted, is a merger. In theory, you should have a net-net zero impact today. And we'll come with further details in terms of the accretion from both revenue and synergy point of view going forward.

Logistics is going to take a little bit of time, we need to figure out exactly how we want the master plan to look. And this is something that we're going to be coming back to you guys next year on. But I wouldn't say earnings contribution on that should not be any time before the end of 2026. It typically takes 12 to 18 months to build out a logistics facility. If you add the planning before that, you're talking at least two years before anything comes online. We've already started looking at that, and we'll be coming to you guys with a launch calendar for that. I hope at the end of next year, but let's see how things go. And if we launch and we award, then should start contributing earliest in H1 of 2026.

Next question, will the margins go up? I have my CFOs here, and that's the direction they've been given for next year, they need to grow their margins. I have you here witness to that, so no pressure to them.

Operator We have no further questions on the call. I will now hand the floor back to Faisal for any closing remarks.

Faisal Falaknaz Thank you, guys, for the usual support. Again, we look forward to seeing you guys again in Q4, where we're confident we're going to come back with results that are going to impress you even further. And then hopefully for the guidance next year, which is going to look really, really strong, I think some people really underestimate the potential of this platform. And we are very, very confident that we're going to be able to deliver a lot of great results over the next few years. Thank you, guys.

Operator Thank you. This concludes today's conference call, and you may now disconnect your lines.