Aldar Properties
Full Year 2021 Financial Results
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Presenters
Greg Fewer, CFO and Sustainability Officer
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Q&A Participants
Taher Safidiene, JP Morgan
Thomas Mathew - Kamco Invest
Mohamad Haidar, Arqaam Capital
Indarpreet Singh, SICO
Alok Nawani - Ghobash Trading and Investments

Operator
Greetings. Welcome to Aldar Properties Full Year 2021 Financial Results. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone today should require operator assistance during the conference, please press star-zero from your telephone keypad. Please note this conference is being recorded.

At this time, I'll turn the conference over to Greg Fewer, Chief Financial and Sustainability Officer of Aldar. Mr. Fewer, you may now begin.

Greg Fewer
Thank you very much, and good afternoon, good morning, good evening to everyone. My name is Greg Fewer, and I'm the Chief Financial and Sustainability Officer here at Aldar. We greatly appreciate you joining us for today's call, and we're going to share some key highlights of our financial and operational performance for the full year 2021 and take your questions.

So, overall, Aldar produced an excellent set of results for 2021, a testament to the strength of our diversified business model, our leadership position in the Abu Dhabi market, and our robust balance sheet that has enabled and continues to enable us to fund further growth. Our performance was bolstered by the UAE's world-leading response to the challenges posed by the pandemic and the government's proactive economic and social initiatives that have encouraged an even more open, tolerant, and vibrant environment that has seen Abu Dhabi clearly build on its status as a world-renowned destination to live, work, visit, and invest into.

Revenue for the year increased 2% at Aldar to AED 8.58 billion, driven by a record year for Aldar Development and a steady recurring income growth for Aldar Investment. Gross and net profit both rose 21% to reach AED 3.60 billion and AED 2.33 billion respectively, supported by enhanced operating efficiencies across the group. The board has today recommended a dividend of 15 fils per share for the year 2021, reflecting, in our view, an optimal balance between rewarding shareholders for performance and posturing for transformational growth as we enter a phase of increased capital deployment.

Turning to our two segments, Aldar Development first. Aldar Development's full year revenue increased 1% to a record AED 5.03 billion, and gross profit jumped 30% to reach AED 1.82 billion, reaffirming the strength of Abu Dhabi's real estate market, the appeal of Aldar's offering, and Aldar's ability to deliver high-quality products in prime destinations. Gross profit margin rose to 36% in 2021, up from 28% in 2020, due to significant ramp-up of projects during the year and higher overall development segment margins.

This very strong performance was driven by yet another record year of sales of AED 7.2 billion and solid growth within our project management services business unit. We delivered over AED 1 billion in sales in each of the last six quarters, on the back of continued sales of existing inventory and substantial demand for our new project launches. We ended the period with our highest ever backlog--revenue backlog -- at AED 6 billion, which supports future revenue and profit visibility.

Our current development pipeline is 92% sold, including the multiple phases of Noya and Yas Acres on Yas Island, our Al Gurm development, and the third phase of the Saadiyat Reserve project. Our high-quality and diverse project mix continued to appeal to an increasingly broad customer base, particularly to overseas and resident expatriates which, encouragingly, now represent 44% of our total sales in 2021.

The business also performed strongly with regards to cash collections, with AED 1.5 billion collected in the fourth quarter and AED 4.5 billion collected over the course of 2021, from units handed over and projects under development. Full-year gross profit for the project management services business rose 105% to AED 440 million, on the back of progressive ramp-up in the Aldar Projects fee-based business generated from government projects.

This year, we completed our first entry into the international market by leading a consortium with our partners, ADQ, in the acquisition or majority stake in SODIC, the leading real estate development company in Egypt. The acquisition is part of our overall expansion strategy into other geographical markets. The business continues to perform well, and through the Aldar-led consortium, we are pursuing our objective to advance SODIC's exposition as a leading national developer by scale and reputation in the Egyptian market.

Turning now to Aldar Investment, the business produced a solid net operating income of AED 1.72 billion, representing an 11% increase versus 2020. This was driven by strong performance in the retail portfolio, a substantial recovery in the hospitality and leisure business, and higher contributions from Aldar Education and our property management business, Provis.

Net operating income for our investment properties portfolio held firm at AED 1.3 billion, on account of higher occupancy rates reaching 93% from 88% a year earlier. Residential net operating income decreased 2% for the year to AED 460 million, mainly due to the expiry of a short leasehold in one of our villa developments. And we continue to opportunistically sell strata units into the market. Occupancy improved to 93% in comparison to 87% a year earlier.

Retail net operating income increased 4% year-on-year to AED 439 million in 2021, mainly attributed to higher occupancies across our retail assets. Yas Mall in particular achieved a 97% occupancy with the introduction of new and unique concept stores and offerings as part of our successful AED 500 million redevelopment program that we are just concluding now, and that was designed to improve and transform the retail experience for our customers.

Occupancy in the community retail asset base saw an increase of 17% from last year to reach 95%, mainly due to the ramp-up in Mamsha Al Saadiyat, our community retail offering underpinning our prime destination at Mamsha. The retail segment's weighted average unexpired lease term, or WAULT, increased by 38%, demonstrating the longer-term leases secured during the year and strong commitments from our tenants.

Commercial net operating income declined 7% year-on-year to AED 396 million, due to a reduction in revenue from our Operative Villages unit and a one-off income recognition that took place in 2020. The portfolio registered strong leasing growth, ending the year at 93% occupancy, driven by solid leasing in both the International Towers and our flagship Aldar HQ building.

The hospitality and leisure business continues to recover, thanks to the global easing of travel and event restrictions. The business achieved [Ph] 126% growth in full year EBITDA to AED 77 million, driven by an increased activity, including Formula One events and the holiday season that took place in the fourth quarter.

Aldar Education continued to cement its position as the leading provider of private education in Abu Dhabi, achieving a 42% increase in full year EBITDA to AED 146 million. In the first quarter of 2021, the business committed to over AED 1 billion in investment to diversify its portfolio of schools and increase the number of students to more than 40,000 by the end of 2024-2025 academic year.

And excluding Pivot, the Principal Investments business witnessed 62% like for like increase in EBITDA for the year, reaching AED 58 million in total. This was largely driven by growth in our property management business, Provis. Aldar Investment's strong performance this year has paved the way for our transformational growth phase into 2022.

In February, we continued to build on our growth trajectory through the completion of our first investment in Ras Al Khaimah, with the acquisition of the Al Hamra Mall for just under AED 0.5 billion. This initial transaction in Ras Al Khaimah is in line with our plans to add further scale and diversification to the Aldar Investment portfolio and create significant value for our shareholders.

We also signed a landmark $1.4 billion transaction with Apollo Global Management, one of the largest alternative investment managers in the world. The $1.4 billion investment into Aldar by Apollo marks a significant vote of confidence in our expertise, our business model, and our strategy, and adds considerable momentum to our leadership in the regional real estate sector, whilst also supporting and accelerating our transformational growth agenda.

A few quick words on sustainability. During 2021, we recirculated AED 8.8 billion into the local economy through the National In-Country Value Program. We also signed an agreement with HSBC that saw Aldar become the first MENA real estate company to secure a sustainability linked loan.

We also became the first entity to open a sustainable bank account with Standard Chartered Bank. We became a supporter of the Taskforce for Climate Related Financial Disclosures, the TCFD, and a signatory into the UN Global Compact. And we've also developed a whole portfolio of new ESG policies to support ESG integration into our business.

Overall, these concrete steps in implementing sustainability initiatives across the organization have been recognized by the global ESG rating agencies, who continuously now rank Aldar amongst the highest on a stainability perspective in our region, including both ESG Invest, MSCI, Sustainalytics, and Dow Jones.

So, in conclusion, our strong results reflect both the robust fundamentals of the Abu Dhabi real estate market and the transformational year we have had across our platform. We've already built on this strong momentum at the outset of 2022, and we will look to accelerate this momentum into the medium and long term. We remain encouraged by the sustained economic recovery in the UAE and the strong fundamentals of the Abu Dhabi real estate market.

However, we also acknowledge the recent geopolitical events, and we are closely monitoring the developments and any potential impacts. Our focus is to accelerate our growth agenda and to build on our market-leading position by offering innovative, customer-centric products that integrate best-in-class technologies, governance, and sustainability practices.

We've maintained a strong cash and liquidity position with AED 5.4 billion of unrestricted cash as at the year-end, in addition to AED 4.7 billion of undrawn committed facilities. This robust balance sheet provides us with significant firepower to execute on our transformational growth plans and create tremendous value for our shareholders.

Our growth agenda is underpinned by several strategiccomparatives. To drive progress in Aldar Development, we plan to bring more new developments to the market, driven by our expanding client base, which includes overseas investors and resident expatriates.

We also plan to grow our fee-based streams as we continue to penetrate deeply into the government of Abu Dhabi infrastructure and build on our highly successful program with Aldar Projects. We also plan on expanding and accelerating the growth of SODIC in Egypt.

As for Aldar Investment, we plan to deploy capital for asset and geographic diversification. In addition, we will also scale our Education and Principal Investments businesses, as well as monetize valuable assets as part of our efficient capital recycling strategy. These ambitious plans are backed by a solid pipeline of investment opportunities, with a focused mandate to build scale and add diversification across our platform.

And with that, I will now open the floor to questions. Thank you.

Operator
Thank you. We'll now be conducting a question-and-answer session. If you'd like to ask a question, please press star-one from your telephone keypad, and a confirmation tone will indicate that your line is in the question queue. You may press star-two if you would like to remove your question from the queue. For participants that are using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. And once again, that is star-one to ask a question. Thank you.

Thank you. Our first question is from the line of Taher Safidiene with JP Morgan. Please proceed with your questions.

Taher Safidiene
Yes, hi. Good afternoon. Thank you, Greg, for the call and taking the questions. This is Taher from JP Morgan. I think my first question is mainly on the growth plans. I mean, again, a very solid performance. It seems you guys are just firing on all cylinders. And then we have this Apollo transaction. So, maybe if you can just help us understand, because the way we look at it today is you have significant firepower on the balance sheet, massive access again to facilities, and over and above that, Apollo is coming in and pulling in $900 million in Aldar Investments alone.

So, can you just help us understand this deployment cycle of this massive firepower, and how should we think about Aldar Investments in terms of a recurring portfolio over the next 12 months? And I think also to that point, AED 1 billion in terms of Education is, again, in terms of capital allocation. So, maybe more disclosures/guidance on this deployment would be extremely helpful. This will be my first question.

Greg Fewer
Sure. I mean, look, Taher, I think the narrative, okay, around our growth plans is remaining very similar to what we've talked about over the last several quarters. So, we see Aldar Investments as the most efficient platform for real estate ownership in our region. We've been very open

around some of the areas in that portfolio we want to expand. And we've called out, you know, logistics, data centers, education, and other jurisdictions. So Ras Al Khaimah, I would see us in Dubai, and we've called out Saudi in the past as well.

So, on that front, you know, that narrative doesn't change. I think what does change is just the scale in which we're signaling. And we'll use that word a couple times, I think, on this call, both in terms of the dividends and, you know, this Apollo transaction that we've announced. Management sees its pipeline. Management sees the opportunity set that we're working on every day of the week, transformational opportunities.

And that is a word that's really been the hallmark that describes how we have grown to date. We've grown through transformational but infrequent transactions, whether it was the merger with Sorouh, whether it was the acquisition of the TDIC assets. They don't come frequently in our region, but when they do come, they're large, they're significant, they're strategic, and they're highly accretive to shareholders.

So, as management, what we've been doing is we've now really positioned the company. We've accumulated this surplus cash pile. We've thanked our shareholders for allowing us to build it up, and we've rebalanced that with a progressive dividend policy, which we've increased again this year to 15 fils. But with this Apollo money, we really want people to think big around the opportunity set that we're going to be able to execute on over the next 12 to 18 months across those businesses And across those asset ~~--C~~ classes we described.

Taher Safidiene
Sorry. And to this point, because, I mean, yes, there was a press release on the Apollo transaction. But clearly, this is very significant, right? I mean, you're putting, you know, valuations. There is cash inflows coming into this portfolio. But, I mean--and you said this is transformational, right, couple of times.

So, how would Aldar Investments look, I don't know, maybe from an NOI perspective 12, 18 months down the line? Is there a growth figure that you can give us at this stage, or should we still wait for the deployment? Because I remember you put out a capital plan at the beginning of 2021 to deploy, but you haven't deployed all of it. And I think at the Capital Markets Day, you said that some of these transactions are taking more time. So, maybe along these lines, if you can just, you know, give us some color on the timeline at least in terms of how should we think about the deployment?

Greg Fewer

Yeah. I mean, look, when we say we want to invest into Aldar Investments, whether it's logistics or a datacenter or, you know, just, again, commercial office buildings or--you know, the business model and the economic model is the same. This capital that we've raised from Apollo, all of it, the cash--surplus cash that sits on our balance sheet is equity to deploy into recurring----Revenue assets. So, we buy a building-- For AED 100. There's AED 40 of debt that goes on that, and there's AED 60 of equity. The debt is perpetual. It costs about 2.5% to 3%. And the buildings yield 7%, let's say. That is our model.
And that goes up and down a little bit depending if there's a brownfield opportunity to turn something around. Or if it's a building let to the government of Abu Dhabi, your rent--your yield would be on the south side of that. But to all intents and purposes, the model is very much the same. So, the accretive --you know, the surplus capital that we have on our balance sheet, this Apollo growth capital that we've raised, it goes into that economic model I just described in the Aldar Investments unit.

Taher Safidiene
Okay, all right. Thank you.

Operator
Thank you. Our next question comes from the line of Thomas Mathew with Kamco Investment. Please proceed with your questions.

Thomas Mathew
Hi, good afternoon. Thanks for taking my questions. Hi, Greg. I have two questions. And the first one is sort of like a follow-up on the investment plan, especially in the logistics and warehouses segment. Is there any sort of ballpark figure that--in terms of CapEx that you have sort of allocated for this, or you continue to sort of want to be nimble in terms of the opportunities that come your way? That's one. And, you know, what's the sort of return expectations that you have for these assets or types of assets? That's one.

And the second question is on the education vertical. You mentioned that, you know, you're trying to diversify the portfolio of schools and sort of bring up the number of students' capacity from 26,000 to 40,000. Just so I understand, when you say diversifying portfolio of school, is it just adding similar type of schools? And if it's not similar type of schools, what are the implication for revenue and margins? Thanks.

Greg Fewer
Sure. So, on the first one, so we have not broken down our deployments or invented a deployment guidance that is that specific across those sectors. We have a very large pipeline that includes largest transformational opportunities involving all those asset classes I've just

described. And there's a portfolio in the long tail of smaller ones, too. And, you know, what we'll be doing over the next 12 months is deploying into the most accretive permutation, let's say, of those that plays out for us. So, that's going to define our journey for the next 12 months.

So, I don't know it's been--we've elected not to be that precise, because if we said, okay, we want a third of this going into logistics, and then we end up seeing a very accretive commercial office opportunity, then it would be a little misleading to everybody. But I think we prefer just to, you know, focus on the surplus capital, on the growth capital we're raising from Apollo, you know, and ask people to believe in us; that we will deploy that as equity into recurring revenue investments and others over the course of the next 12 months.

As to your second question on education, so it's a good question. I should elaborate a bit more on diversity--diversification. So, we see more opportunities in middle-income schools. So, that's the one area in our AED 1 billion, you know, capital allocation, of which we've already spent AED 100 million. We announced the acquisition of our first school in Khalifa City here in Abu Dhabi. It's penetrating more deeply into the middle-income segment. So, it would be fee incomes in the dirham space, let's say, between AED 20,000, AED 25,000, which is underrepresented in our portfolio.

Thomas Mathew
Very clear, Greg. Thank you.

Greg Fewer
And, sorry, you're following--the return profile actually are excellent on those schools. So, it's a slightly different economic. I mean, when you have your premium schools, as we have right now, the student-teacher ratios are generally lower. Your fees are generally higher. So, your cost base is high, but the premium you charge, you generate your 30% EBITDAR profit margins.

In the middle-income schools, it's more of an efficiency play. Your--the size of the campuses generally are larger. They'll be larger schools, like 2,000, 3,000. And so your ability to generate efficiencies across and scale economics across larger campuses becomes very clear, and then you actually drive similar profit margins in those schools. So, they're very attractive financial investments when you operate and design your schools effectively.

Thomas Mathew
Sure, thanks. Good luck.

Operator
Our next question comes from the line of Mohamad Haidar with Arqaam Capital. Please proceed with your question.

Mohamad Haidar

Hi. This is from Mohamad Haidar from Arqaam Capital. On Apollo, one of the investments is going be through a minority stake and to ongoing investments. How much exactly are you selling of AIP to Apollo? Can you share a certain percentage-- --or a stake?

Greg Fewer
So, what we've fixed right now is the dollar investment. So, that's $400 of the overall portfolio is going to go into the equity investment into AIP. There's just some details being spun right now around our passing the actual asset perimeter. And, you know, that'll dictate whether it's, you know, 10%, 11%, 12%. But it's going to be in that sort of--in that zip code in terms of overall percent.

Mohamad Haidar
Okay. And generally speaking, is it going to be at par with the book NAV of AIP, or is it going to be at a discount or premium?

Greg Fewer
No, it's going be at book, which is an excellent entry price for realizing new money.

Mohamad Haidar
Understood. And then--and this $1.4 billion investment, can it be leveraged, or the $500 million subordinated, that is already the leverage that Aldar can take?

Greg Fewer
No, no, it can be leveraged. So, all this capital, the $1.4 billion, every fil of it is equity that's going to go into growth investments.

Mohamad Haidar
Understood. Thank you very much.

Greg Fewer
So, the balance of the $1.4 billion, there's a hybrid, a perpetual, non-call 15 hybrid, which is a very flexible--you know, it's an off-balance sheet financing. On our joint venture, the $500 million land JV is--well, we're going to agree to buy a lot, and then we have an option to buy the land back and develop it, and develop profitably in our development franchise. It is also very long-term patient capital. And it's also ~~----O~~off balance sheet, growth-oriented, and will be used with leverage in accordance with our leverage policies to acquire assets.

Mohamad Haidar

Greg, one last question. So, we're looking at more than AED 10 billion of available cash, including Apollo. Should we expect similar M&As to what we saw with Alhambra Mall deal ranging between--or below AED 1 billion, or are we looking at larger size M&A within Abu Dhabi in the coming months?

Greg Fewer
Yeah, I mean, clearly, there needs to be a component of large M&A to move that kind of capital. So, I would see a portfolio of both, though. I think we really like these Hamra transactions. They--they're good opportunities. Generally, you get good valuations, especially when you've got a, you know, idea of what you want to do with the asset.

But that's counterbalanced with heavy lifting to get all--to deploy the amount of capital that we have to deploy. So, the large transactions are going to play a very important role in turning this cash into economically productive assets, and of which we clearly have a few in the pipeline we're working on.

Mohamad Haidar
Thank you very much.

Greg Fewer
Thank you, Mohamad.

Operator
Thank you. As a reminder, to ask a question, you may press star-one.

The next question is from the line of Indarpreet Singh with SICO. Please proceed with your questions.

Indarpreet Singh
Yeah, hi. Thanks for the opportunity. So, my first question was on Aldar Investments. I believe in the past, you have spoken about potential spin-off and IPO of the unit. So, after the Apollo transactions, would any of those plans be back on the agenda? That will be a first question.

Greg Fewer
Sure. I mean, look, we've been very open, and I think that narrative has not changed. In fact, it would have accelerated. You bring third-party capital in to a story that we already were very open about, which is an opportunity to crystallize value for our shareholders by doing an IPO or some kind of a capital markets event to monetize. And so, I think that's still very much part of the narrative, and especially now that that Apollo has joined.

So, you know, they do things like, you know, if you bring third-party capital into a company that you own 100% of, you improve governance, you create more independence, you bring more perspectives in. They're very financially driven, and they also are very strategic because they also bring a large portfolio of investors themselves into our market now. And so, you know, that --the consistency with the IPO journey and pathway that we have been describing in the past is definitely still there with Apollo, if not enhanced.

Indarpreet Singh
Got it. Thanks a lot for that. My second question was on the development side of the business. In the context of all the inflation now, you know, just wanted to understand the nature of the contracts with contractors. Like, would they be lump sum in nature, or like would there be pass-through elements to it?

Greg Fewer
Yeah. So, our operating model currently is that all of our construction contracts are on a lump-sum, fixed-price basis. So, in our model, we take the revenue risk per se when we sell our villas to our -- to our customers. But the costs we lock in at the beginning of the project, and it's up to the contractor to manage the supply chain such that, you know, they're delivering at a fixed-price date certain--on a fixed-price date certain base. And that model I don't see changing.

Indarpreet Singh
Got it. Thanks. That's all from my side.

Operator
Mr. Fewer, at this time, we have no additional questions. Mr. Fewer--

Greg Fewer
Okay.

Operator
We just--we had some additional questions come in. Your next one will be coming from Taher Safidiene with JP Morgan for a follow-up.

Taher Safidiene
Yeah. Hi, Greg. It's Taher again. Just maybe a couple of questions. Just first on the recurring portfolio, can you just help us understand, you know, how should we think about, you know, the recurring NOI on a like-for-like basis? You know, it seems that retail has turned around the corner. Should we be worried about this softness in the residential and commercial portfolios in terms of NOI? So, maybe if you can just give us some color on how should we think about this NOI into 2022. This is the first part of the question.

And the second part, can you disclose more on this Al Hamra Mall? I mean, what's the nature of the asset? Is it, you know, underutilized? You see opportunity to put in more CapEx, you know, drive better efficiencies, and so on. So, I think this is my first question on the recurring portfolio. And then, I'll follow up with one on the development side, if I may.

Greg Fewer
Sure. No problem, Taher. So, on AM NOI, I mean, across the portfolio we see single-digit growth still going into 2022. You know, like--you know, and the good thing about this is that it's a big portfolio. So, some things are a bit soft, some things are doing really well, and this has sort of carried us through--even through COVID. And indeed, we see this happening into 2022.

So, on retail, that's turned the corner. I mean, our investment into Yas Mall has been very successful, 97% leased. And importantly, what you need to read into that is that the tenants, the--you know, the franchise companies, have all really doubled down on Yas Mall. And they didn't need to. They had options, they have choices.

They're--people are being very careful in this retail environment about where they invest and where they invest their time and their capital. And they have all asked and answered the question about Abu Dhabi real estate retail, and Yas Mall has come out on top. So, we're very happy with that. And you're going to see continued gains into 2022 in that space.

Education and Hospitality, and, you know, I was apologizing for hospitality this time last year, and now it's driving growth again because of the very strong post-pandemic recovery that we're seeing. Residential, I mean, we lost a--we had a short lease that rolled off, and we're selling units. So, we've monetized maybe AED 180 million worth of real estate in the residential space, so there's an active strategy to lower our exposure in the strata units.

So, we love owning full buildings. And we'd like to get out or just reduce our exposure in the strata title buildings where there's a large, let's say, tower of which we--maybe we own 42% of the units or something. So, we'd like to manage down that kind of an exposure and continue more--so, I think some of the decline you're seeing is mostly because we've been--you know, we've reduced exposure, let's say. And the overall rate environment I would describe as flat, if not slightly increasing, on the apartment stock.

And then, commercial office, I think I would also describe the commercial office as broadly positive. We're down revenue year-on-year. And in 2022, we also have a short lease coming off midway through the year, which will impact overall gross profit. But I think you're seeing the stickiest and also low-digit rental rate increases in commercial office, oddly enough. You know, we're finding that, as people come back to the office, our tenant base is looking, in Abu Dhabi, for grade-A office space. And we actually see a shortage of grade-A office space emerging in our market, as opposed to ~~--to~~ B-grade office space, of which there's a lot.

So, tenants generally are forming the view that their employees are their most important resource. And whilst they're re-imaging the commercial space that they use, they're not reducing it. That is not a trend at all that we have seen in Abu Dhabi, particularly amongst the government clients and the higher end international tenants that are here.

Then, your second question was on Hamra Mall. So Hamra Mall, if anyone's familiar with Ras Al Khaimah, it's sort of in the Marjan area, which is their tourist sort of destination. It was one of the original malls that was developed just adjacent to the Waldorf Astoria Hotel and golf course complex. I mean, brownfield is not the right way to describe it. It's an excellent producing mall right now.

But, you know, there's a--you know, the retail team has a very specific redevelopment plan that they want to execute there. And it's--you know, it's a real smart transaction for Aldar. I mean, we have a great retail network, and our retail team is great at managing that network and steering optimal tenant mixes into retail assets. And that's exactly what they have in mind for Al Hamra Mall. So, we've spent about AED 410 million. We're going to spend another AED 50 million to AED 60 million and remix the tenanting there to accrete--create a much more accretive return than what that's producing right now.

Taher Safidiene
Okay, perfect. And just the second part is just on Aldar Development. I mean, again, coming off a very solid year in terms of cash collection, in terms of sales, how should we think about the property development and sales business? I mean, is the focus still are going to be Yas and Saadiyat in terms of new project launches? And how much inventory on hand do you still have from existing launch projects? I mean, I'm just trying to understand the way forward is definitely going to be maybe new launches, given that 92% of your portfolio is already sold.

Greg Fewer
Yeah. So, look, in 2022, we definitely see, you know, this higher new norm, and this--the positive sentiments that have come out from--that have come out post-COVID are absolutely still there. So, we see more--you know, we see the same sort of sales levels in 2022 that we saw in 2021. Yas, Saadiyat, that's going to be our focus. Middle income, you're going to see more middle income coming from us as well. And so, not necessarily on Yas and Saadiyat, but in the Reeman area, where we've had a very successful, you know, middle-income product that we've been launching out to date.

I mean, we really don't have a lot of inventory left. Like, we're about AED 1 billion of inventory. We're 92% sold. So, I'd expect to see that -- so it's 1.6, including some of the DWIP that we have on. But clearly, to get to AED 7 billion, you know, we're going to be launching a lot of new projects on Saadiyat and Yas to get there.

Taher Safidiene
Okay. All right, perfect. Thank you very much.

Greg Fewer
Thank you, Taher.

Operator

The next question is from the line of Alok Nawani with Ghobash Trading and Investments. Please proceed with your questions.

Alok Nawani
Good afternoon, gents, and thanks very much for the call. My first question is on your dividend, if you can just indicate how much of the dividend is coming from your development business vis-a-vis your recurring revenue business. That's one.

And the second portion, also kind of related to dividends, but Apollo has made a direct investment in AIP, which is an Aldar subsidiary. Now, AIP is a yield-generating asset. And accordingly, us as minority investors, at least in the first year or so until AIP deploys its new capital; can we expect a little less by way of dividends, or do you expect things to kind of even out as you progress with your deployment plan?

Greg Fewer
Okay. So, first on the--and then, sorry, I just got a little distracted. If you can repeat the second part of your question again on the AIP bit.

So, yes, we are--Apollo's coming in. They're going to be, you know, let's say 11%, give or take a percent, in AIP. Further acquisitions--and so a lot of the capital will actually be procured at the AIP level. And then deployments, those are equity that will fund investments into real estate that will actually emanate directly from AIP itself.

Some of the capital, $500 million of the capital, dollars, is going to be raised at the Aldar Properties level. We still have the opportunity to invest into recurring revenue properties and contribute them into AIP at that point in time as well.

Alok Nawani
Okay. My question relating to dividends from AIP that we see as minority investors in Aldar, I'm just wondering, since there is a new shareholder directly at the level of AIP, in the short-term can we expect smaller dividends flowing through to us from AIP, as obviously you'll be sharing that dividend with AIP before that comes to us? And then also, I just wanted to know--. How much of the 15 fils this year is coming from your development business? Yeah

~~**Alok Nawani**~~

Greg Fewer
Okay. So, the dividend policy that we have, very transparent one around Aldar Investment, that doesn't really change. That all emanates from AIP directly. So, the 65% to 80% of the free cash flow that we pay out of AIP, that will continue. That policy does not change. We just now have a

minority shareholder that gets 12% of that as it comes out of AIP. I mean, that's the best way to think about it.

Now, of course, we're going to take those proceeds, we're going to invest in new projects, and we're going to grow accretively. So, our promise to our Aldar shareholders is that we're going to--you know, we're going to create accretive investment opportunities. Having sold, let's say, 10%, 11% of AIP for $400 million, we were going to generate more than that value for you with the redeployment of that.

And then just on your question in terms of the 15 fils, which equates to roughly AED 1.18 billion, about two-thirds of that comes from asset management, and about a third of that comes from the development management.

Alok Nawani
Brilliant. Thanks a lot.

Operator
Thank you. The next question is a follow-up from Indarpreet Singh with SICO. Please proceed with your questions.

Indarpreet Singh
Thanks again. Just if you could help us understand the jump in staff costs in 4Q, like would there be any one-off elements to it? How should we think about it? Thank you.

Greg Fewer
Yeah, so just--it's a good question on staff costs. So, the--in 2021, you might recall we've changed our operating model. We moved from a conglomerate into a group structure. So, in keeping with that group operating model change, there's been some changes in the way that we manage some of the expenses of the company. So, when we were conglomerate, we had education business, for example. You know, the general manager of education, you know, the--call that a head office cost -- was just a segment cost, which is gross profit was almost equivalent to net income, let's say, for a segment.

As we shift to the group model, we now have a subsidiary. We now own 100% of the company called Aldar Education. They have blind costs like their executive team, rent they pay, not the schools but just rent and, you know, logistics and just other sort of head office costs. So, those sort of head office costs we have now moved from above the line down to below the line.

So, there was a slight rejigging of the way that we recorded some of those costs over the course of 2021, because of the operating model shift that was affected during the course of the year. And that explains almost all of the--

Indarpreet Singh

Sorry. So, if I understand correctly, your staff costs below the gross profit level should remain at this level only going forward. Would that be the right understanding?

Greg Fewer
Correct, correct. There are no one-offs in that. That should be the new projection base going forward.

Indarpreet Singh
Got it. Thank you.

Operator
Thank you. As a reminder, to ask a question today, you may press star-one. Thank you. At this time, I'll turn the floor back to Mr. Fewer for further remarks.

Greg Fewer
Okay. Thank you, everybody, for dialing in. We look forward to following up with you in the future, and we'll hear you in Q1. Thank you very much.

Operator
Thank you. This will conclude today's conference. You may disconnect your lines at this time and log off the web. And thank you for participation and have a wonderful day.