Aldar Properties
First Quarter 2023 Financial Results
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Presenters
Faisal Falaknaz - Acting Group Chief Financial & Sustainability Officer

Q&A Participants
Taher Safieddine – JP Morgan
Mohammed Haider – Arqaam Capital
Harsh Mehta – Goldman Sachs
Ambereen Jiwani - Ajeej Capital
Lea El-Hage - Bloomberg Intelligence
Abdulaziz Alhebaishi - Jadwa
Jagadishwar Pasunoori - NBK Capital
Alok Nawani - Gobash Trading & Investment Company
Nasser Almadi - Hassana Investment Company

Operator
Greetings. Welcome to Aldar Properties' First Quarter 2023 Financial Results Conference Call. At this time, all participants are in listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star-zero from your telephone keypad. Please note this conference is being recorded.

I will now turn the conference over to Faisal Falaknaz, Acting Group Chief Financial and Sustainability Officer. Mr. Falaknaz, you may begin.

Faisal Falaknaz
Good afternoon, everybody. Hope you're well. I see a lot of familiar names that I've met over the past few months since I've taken on the new role. I'm glad to be with you here for my first quarter release and our first quarter results for the year.

I'll kick off with a very short summary of our financial and operational performance accompanied with a few slides, which hopefully you guys can see through the webcast. If you're joining us through the conference call, you can access the full presentation, which is uploaded on the IR section of our website.

So, I'd like to begin with the highlights of the group. We are very pleased to report that Aldar has achieved another quarter of very strong performance on the back of a resilient UAE economy and a growing demand for quality real estate. Despite the global headwinds when it comes to the banking sector and inflation, the UAE has proven to be a pocket of opportunity and growth and stability. And we've been key net beneficiaries of the structural reforms and the commitment and investment that the government is doing into the economy.

Jumping into the number highlights, as you can see, our revenues have gone up by 14%, up to AED 3.1 billion. Our EBITDA is up by 18% to AED 955 million. And our net profit is up by 22% to AED 836 million. This was driven by a record quarter of development sales, which we'll get into very soon, and the continued execution of our development backlog, which has started now getting realized onto the P&L. And then, on the investment side, we've seen sustained rental growth across the recurring income portfolio and rising recurring income from the investment properties on the back of the strong acquisitions that we've done in 2022.

Moving on to the next slide for Aldar Development, we had a record launch for the quarter as well. So, for the first time, we launched seven new projects and phases in one quarter, leading to a record UAE sales of AED 4.2 billion. This is up almost three times year-on-year from the previous quarter, taking up our revenue backlog to AED 14.7 billion.

What's interesting to note is we continue to see the secular trend of the international investors and resident expats further investing into Abu Dhabi. They made up 45% of our sales for the first quarter. I think this is a testament in terms of the appeal of Aldar's offerings to those clients as one of the major developers and leading developers here in Abu Dhabi. And I think more to that, Abu Dhabi continues to prove that it is a premier investment and lifestyle destination.

And then, going on to the group residential sales, we hit AED 4.5 billion, taking our backlog overall to AED 18.8 billion, which we think provides very strong visibility into our future earnings. Our Egyptian subsidiary, SODIC, contributed AED 281 million to development sales during the quarter. Some of that was slightly impacted by the devaluation that has happened. We do, however, remain very positive on the long term prospects of the business, and we are taking a very measured approach when it comes to launching new projects in the near term, given the current inflationary environment there.

Moving on to Aldar Investment, Aldar Investment continues to outperform, driven by higher occupancy across the portfolio, significant contribution from the recent acquisitions, as you can see. We've started to reap the benefits of the acquisitions that we did last year, which are about AED 7.5 billion. Adjusted EBITDA for the division was up 43% year-on-year to AED 536 million dirhams.

What's worthy to note, ADGM, which we acquired back in July for from Mubadala for AED 4.3 billion. The occupancy of that asset was 79% when we acquired it. Today, it's trading at 97% occupancy. So, not only has it over performed in terms of ramp up, we've also seen market rents go up more than 10% since we acquired it. What we are seeing from the market is that GREs are taking on office space, expanding on their existing footprint, and then a lot of international demand is coming due to the structural reforms, where a lot of companies are now taking Abu Dhabi as a base.

And then, the second the strongest contributor was our hospitality segment. We did about AED 1.8 billion in acquisitions last year, three hotels, two hotels in Ras Al-Khaimah, which was our first entry for about AED 1.5 billion followed with Nurai Island. Those assets are also performing better than underwriting and are contributing significantly our P&L today.

And then lastly, on the hotel portfolio, Abu Dhabi for the first half last year was still under somewhat COVID restrictions with PCR testings and whatnot,those were removed around May or June. And so, we are seeing that significant recovery happened in Abu Dhabi hotels this quarter, with both occupancies and ADRs significantly up.

The retail portfolio continues to benefit from the robust consumer confidence, which supported occupancy and all our leasing activity. Yas Mall, for example, our flagship asset, which has undergone a major transformation, we have seen 30% increase in tenant sales and 48% increase in footfall.

Our logistics portfolio, which was a new addition to our portfolio last year, continues to make a solid contribution to performance. And we continue to explore opportunities in the space to scale this further.

And then lastly, our education business also continues to perform very well, with enrollment having gone up 25% year-on-year to about 33,000 students from 26,000 students last year.

Moving on to the next slide, we had a busy quarter when it came to deals. The most notable ones was Fahid, which was our acquisition of a unique beachfront offering in Abu Dhabi. This island is between Al Jubail and Saadiyat, which really complements the offering that Aldar has. We're looking at about 4,000 units in that development, with a GDV of over AED 26 billion. That's going to be a mix of luxury villas, townhouses, apartments, and the master planned community, which we're going to complement with the offering that we have through our retail and hospitality and education business.

The second very exciting thing, obviously, is our announcement of our entry into Dubai. This is the JV with Dubai Holding. That JV is progressing extremely well. The team are working very hard in terms of getting all the design approvals in place to get that project launched before the end of the year. We are looking at about 9,000 units across the life cycle of that project, which has three master communities across various locations in Dubai, with more than AED 20 billion GDV.

And then lastly, given the significant demand we've seen on Al Maryah Island in terms of commercial space from tenants, we've also announced a new JV with Mubadala, where we are going to jointly develop a new commercial office tower with a net leasable area of over 60,000 square meters. That's expected to be completed by the end of 2026.

Moving on, which slide are we on? Sorry, I just can't see the slides. One second. Sorry, slide number seven. So, just on our debt, we continue to maintain a very responsible debt policy in line with our debt policy. So, our LTV on the recurring income side of the business is about 35%. We don't have any major refinancings coming over the next two years. We've been renegotiating a number of our facilities with the banks, our RCFs and term loans, where we've been able to get very competitive terms. When it comes to spreads, we're looking at spreads below 1%, in addition to being able to take security out of those facilities. So, a lot of those facilities used to be secured. The majority today on the balance sheet are unsecured.

And again, going back to the comment that I made earlier, despite the global challenges on the banking sector, the banking sector here in the UAE is very strong, is very liquid. And that liquidity is coming into strong credit names such as ourselves, which has recently been iterated by Moody's. So, Moody's further iterated our investment grade credit rating, I believe just the last week.

Last point, we have 6 billion worth of free cash sitting on the balance sheet and another 4.4 billion of committed undrawn facilities that we can tap into.

Moving on to sustainability, which obviously Aldar has taken a leadership role on not only in the UAE but as a regional champion here, we published our 2022 Sustainability Report, which you can check out, which outlines the progress we've been making. We've also launched a very ambitious Net Zero plan aligned with our near and long term targets, where we want to achieve net zero, in Scope 1, 2, and 3 by 2050. We believe this is one of the most comprehensive plans to decarbonize a company of such scale in the region. We've also seen a lot of our ratings improve.

And then, one major announcement we had in the quarter was, alongside the Ministry of Climate Change and Environment, Aldar announced a pledge where 28 other real estate companies and construction companies committed to publishing their decarbonization plans before COP28, which is going to be held in the UAE in November.

Lastly, I just want to reiterate the guidance that we have previously provided to you. We remain very upbeat and optimistic on the outlook going forward. We expect to maintain the same level momentum of growth, and I'm confident that we're going to be able to deliver on the guidance that we have provided to you.

Thank you. And I'll hand back the call now to the operator to open the floor for questions.

Operator
Thank you. At this time, we'll be conducting a question and answer session. If you'd like to ask a question today, please press star-one from your telephone keypad, and a confirmation tone will indicate 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 using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. We also ask that participants joining via the webcast can use the Ask a Question box to send your questions. One moment, please, while we poll for questions. Thank you.

Thank you. And our first question is coming from Taher Safieddine with JP Morgan. Please proceed with your question.

Taher Safieddine
Yes. Hi. Good afternoon, Faisal. Hope all is well. Thank you for taking the time. This is Taher from JP Morgan. A few questions, if I may. The first one is on the UAE development. I mean, clearly the trend has been very supportive in terms of planned sales and where the backlog is today. I've noticed that you say the average duration of the UAE backlog is around 29 months.

So, if I just do a rough back of the envelope calculation, we could see UAE development revenue is going closer to AED 6 billion into next year. Is that fair, I mean, given, you know, 2022 was around AED 4.4 billion? So, I mean, just correct me if I'm wrong, but the expectation is to see a significant growth or ramp up in the UAE development phase from a revenue perspective. So, maybe this is my first question.

Faisal Falaknaz
So, just on guidance on the revenue, Taher, so we generally don't provide guidance on development revenue, because, you know, it's a bit complicated in terms of the project progressing, milestones, etc., but yes. So, that backlog of 18 billion, to your point, will be recognized over the next 28, 29 months, and you will see a significant uplift from what we have provided over the past year. And then, we are seeing very strong trends when it comes to our current sales, so that will only further add to that development backlog.

Taher Safieddine
Okay. And just another question, maybe on the recurring side. The first one is the equity deployment. I mean, I can still see the guidance at 5 billion in equity deployment. So, maybe if there's any update there on, you know, what kind of timeline. Is this still a 2023 target? So, I mean, how should we think about it, you know, in terms of the sectors?

Because, I mean, you've clearly transformed, you know, the way -- the structure, if you want, in terms of sector exposure, right? Today it seems to be very well balanced, but logistics is still a small portion, at 3% maybe. So, if you can just share some color on that. And along the same lines, why is retail flat year over year, despite, you know, Yas Mall being redeveloped? I'm just referring here to slide 20. So, maybe if you can just comment on that, that would be very helpful.

Faisal Falaknaz
Okay, just deployment. So, I'll reiterate again we have a very disciplined approach when it comes to capital deployment. 2021, we didn't deploy much, even though -- or nothing, even though we had the cash. But then 2022, we deployed a lot. And we are proving today that that deployment is creating long term shareholder value.

As management, we are not incentivized just to get a quarter or two quarters of income. We are incentivized to create long term value. So, we want to make sure that, when we put that capital out, that capital creates long term value. We have a very detailed and comprehensive pipeline across the sectors. Our M&A team has proven that they can close deals and extract value out of those deals. So, we're very confident that we will deploy that capital, but it is very difficult to give a timing in terms of when that capital will be deployed.

Taher Safieddine
Okay. All right. Okay.

Faisal Falaknaz
--And then, moving on to the second question, so just on retail.

So, I think we are reporting adjusted EBITDA. I think the guys can--I'll ask my team, Taher, to connect with you. We'll provide you with the--.

Taher Safieddine
--Okay--.

Faisal Falaknaz
--NOI numbers. So, the NOI numbers on a like for like basis are actually up. But once you go down into adjusted EBITDA, then you have a little bit of dilution there. But the assets at the portfolio level are actually growing.

Taher Safieddine
Okay. All right. Okay, and that's very clear. Thank you.

Operator
Thank you. The next question is from the line of Mohammed Haider with Arqaam Capital. Please proceed with your questions.

Mohammed Haider
Hi, Faisal. This is Mohammed Haider from Arqaam. Thank you for the detailed presentation. I have three questions, please, the first on developments. And since we don't hear a lot about this in the media when it comes to Abu Dhabi, so what--what's the nature of the new buyers in Abu Dhabi, and specifically the overseas buyers?

So, are these, like, investors or second home buyers or vacation home buyers in Abu Dhabi, similar to what we're seeing in Abu Dhabi and in Dubai? And are these really wealthy, high net worth individuals also moving to Abu Dhabi? Could you please shed some light on that? And other than the UAE nationals, which is the top buyer still for Aldar, what are the top two international nationalities, please? So, that's my first question.

My second is on rental, specifically investing properties. And given that Q1, granted, were pretty much in line with Q4 rentals, does that mean this is the steady benchmark for 2023, what we are seeing in Q1, assuming no other addition in the existing portfolio? The third question is on the--on Egypt, so I'll leave it probably after I hear the answers, please.

Faisal Falaknaz
Okay. So, let's talk about the buyers. So, if you go to slide four, you see the sales demographic, which, for this quarter, is broken up 55% UAE nationals, 31% resident expats, and 14% overseas. That overseas and resident expats last quarter was 30%.

And when I was meeting a lot of you guys, I was saying that we will continue seeing the secular trends play out where, one, expats, resident expats living in Abu Dhabi are becoming first home buyers, and we're seeing that conversion play out. And then we're seeing that trend of Abu Dhabi becoming appealing to international investors. We talk about nationalities. The top nationalities we're seeing are Russian, Indian, Jordanian, UK, Canada. So, it's quite diverse. One pocket of opportunity that we have yet to see play is the Chinese.

And then, you also have to break it down by product, like for example the Grove, which is a luxury offering on Saadiyat, which is our luxury district. We generally see very high international buyers on that offering. So, for example, we launched the Source this quarter. That got almost 80% sold out to international buyers before we even went out to the market here domestically.

And the prices that we were able to achieve from that offering was more than AED 30,000 dirhams per square meter, which is really a record for Abu Dhabi. And we expect those prices to be sustainable and grow in the long term, because you're going to have all the museums open up on Saadiyat and the infrastructure be ready.

And we are building the Saadiyat Grove, which is the retail heart in that district. So, we see prices go up in the future, and we think a lot of the investors that are buying today are going to benefit. And we're doing it ourselves. So, every time we launch a new product, we are gradually increasing our prices to capture some of that upside.

Lastly, the most important thing to note, which we've discussed in the past, is payment plans. So, we've been progressively improving our payment plans in our favor. Products such as the Grove, which is in high demand, you have a lot more inelasticity there. We are more aggressive on the payment plans. And then on Yas, we've also pushed the payment plans there to minimize our equity contribution and maximize our IRRs.

Moving on to the second question, which is renters, on the existing portfolio you're going to see somewhere around single digit growth across the various segments, but where you will see higher growth is where we do redevelopment or repositioning. So, for example, the project that we did on Yas Mall, we are now planning on Al Jimi, which is one of the super regional shopping centers we have in Al Ain. We are planning a project of very similar scale, which we'll pay off over the next two years, which will allow us not only to increase rents, but to significantly increase the value of that asset, similar on Al Hamra.

And then growth will also come from D-hold. So, we have a very healthy pipeline of development projects for these which we will be announcing to the market over the next couple of quarters, but those are still in cooking. And once they are ready, we'll be ready to share it with you.

Mohammed Haider
That's very clear, Faisal. Thank you very much. My question on Egypt is, so why the postponements in the new projects? Is it because of the complexity in the relationship with the contractors, or is it more on the end user or the affordability with the buyers and the embedded interest rates and the selling price?

Faisal Falaknaz
So, there's truly demand from the end users. We are managing the inflation risk. So, the strategy with Egypt is we don't want to launch and sell too quickly and then get caught in a devaluation scenario. So, we're taking a very cautious approach when it comes to launching those projects.

But yes, you have seen the devaluation and some impairment that we have taken in the previous quarter flow through both the P&L and other comprehensive income. But the most important thing is that Egypt makes a very small part of our business, and it's probably going to be even smaller, given how fast the UAE business is growing. So, the impact is really not going to be significant on the group overall.

Mohammed Haider
That's very clear, Faisal. Thank you very much.

Operator
Thank you. We have another question coming from the line of Harsh Mehta with Goldman Sachs. Please proceed with your questions.

Harsh Mehta
Hi, Faisal and team. Thank you very much for the opportunity to ask the questions. So, my first question is regarding your net income. So, obviously the net income that you have shown, AED 836 million, is up 22% year on year. But once we adjust for the minorities, it's up 11%.

And when I look at the financials, there is a coupon payment that's done on the hybrid, which is AED 51 million. So, I understand it's adjusted against equity. But if I were to adjust it against the residual income, you know, the net income is pretty much flat year-on-year. So, I wanted to understand, when do we start seeing an uplift on the net income, you know, after all the transactions that have happened over the last 12 months? I can ask the next question now or, if you want, I can pause and, you know, ask it after the answer.

Faisal Falaknaz
Yeah, let me take that on. So, you -- so, you probably shouldn't look at it in one quarter, but we will surely see EPS accretion in this year. This will come through as the acquisition income flows through the P&L. You're going to have the fair value gains that are going to come through the

P&L through the value creation that we have made across the portfolio. And then, obviously the development business is also going to continue growing. So, yes, you will see that EPS accretion happening this year.

Harsh Mehta
And so, it's pretty much -- as you pointed out, it's kind of a timing difference. And probably over the next few quarters we should start seeing that coming through?

Faisal Falaknaz
Absolutely.

Harsh Mehta
Understood. The second question I have is regarding the refundable costs, which I believe is largely with regard to the recovery from the government on the management--.

Faisal Falaknaz
--What's the--sorry. I didn't catch it. Forgive me. Can you repeat that again? What costs?

Harsh Mehta
The refundable costs.

Faisal Falaknaz
Ah, okay, the projects. Okay.

Harsh Mehta
Yeah. So, it shows it's up to AED 2.6 billion versus around 800 million at the end of last year.

Faisal Falaknaz
Yeah. So, because we act as an agent for the government, yes -- we act, sorry, as a principal for the government, the balance sheet of the project that we undertake is consolidated on ours. So, it creates a distortion, which is really not what the economic reality is. And so, do we provide the adjusted cash flows to the market? Yeah. So, if you adjust for that, we are actually very positive. So, it's just that those projects, the inflows and the timing of those inflows and outflows just distort both the balance sheet and the cash flow statement.

Harsh Mehta
And as we--I was just trying to understand does Aldar then end up investing in the working capital over there, or it's more of an accounting impact while the cash flows are all--.

Faisal Falaknaz
--No, no. It's more of an accounting impact--.

Harsh Mehta
--You know, provided by the government.

Faisal Falaknaz
It's more of an accounting impact. So, we invoice the government, so that's recorded as a receivable, but then they haven't paid us the cash yet. So, that cash for that receivable was received in April, exactly. So, it hasn't appeared in that--in the current quarter, but it will appear in Q2.

Harsh Mehta
Understood. And then one last question. So, you know, one of the slides in the presentation gives a lot of granular details about the project. And what was striking was there's a project, Alreeman, which was launched in 2019 with 923 units. Now, that was showing 93% sold as of FY '22. But in the latest presentation, it showed as 40% sold and the total value then changed. So, I was just trying to understand, you know, did you have some reversal or cancellations over there?

Faisal Falaknaz
No, we didn't have reversals. But I'll have Omar from my IR team reach out to you and clarify that. It might be because we have a few Reemans. So, we might be mixing up the remands.

Harsh Mehta
Yeah, I looked into that. Those all looked fine. This is -- the oldest one kind of suddenly had a significant drop, and so the total sales value went down from AED 1.5 billion to AED 740 million in one quarter. So, I just want to understand really what--.

Faisal Falaknaz
--No, no. There's truly no reversal. I think it's probably just a categorization thing. Again, there's a bunch of Reeman phases. But I'll have Omar reach out to you and clarify that.

Harsh Mehta
Sure. Perfect. Sure. Thank you. Thank you very much for all the answers. Wish you best of luck for the coming quarters.

Faisal Falaknaz
Thank you, Harsh.

Operator
Thank you. Gentlemen, we have some questions coming in from the Web. Our first question is from Ambereen Jiwani with Ajeej Capital.

Hello and thank you. Please could you discuss why your EPS is nearly flat despite spending so much on acquisitions? And second question, are the acquisitions loss-making or are the organic businesses having lower profits? Thank you.

Faisal Falaknaz

So, I think I addressed the EPS question. It's not appropriate just to look at it in one quarter. So, we will have EPS accretion this year.

Are the acquisitions profitable? They are quite profitable. So, if -- I'll give you the number. So, I think we were guiding last year -- about AED 250 million of EBITDA was recognized in 2022, and then we were guiding another AED 250 million in 2023. We are exceeding that. We are making north of 7% yield on the acquisitions that we have made. So, they are actually very profitable.

And the most significant one, which made up more than half of the acquisitions, was ADGM. When we bought ADGM, it was 79% occupied. Today it is 97% occupied. It is the flagship Grade A commercial office building in Abu Dhabi. And the rents that we underwrote, again, are achieving significantly higher on the actuals.

Operator
Thank you. Our next question is from Lea El-Hage with Bloomberg Intelligence. Do you think that Singapore's newly imposed 60% property tax will attract Chinese buyers into the UAE? If yes, into which segment do you think they will buy into, prime property or mid-tier property, or etc.? Thank you.

Faisal Falaknaz
I think, regardless of the tax, the Chinese are always going to come to the UAE. Soft and hard infrastructure is one of the most competitive in the region. Dubai has proven so, and you've seen a lot of the Chinese go into Dubai. Abu Dhabi is proving to be an alternative when it comes to getting value for money. Both Dubai and Abu Dhabi today are very competitive when it comes to pricing when compared to global peers, so I think yes.

And where will we attract the Chinese? I think you get both. China is a very big country with a very large population so you'll get both on the luxury, which we are seeing come across on products such as the Grove, and we think you will get a lot more as well on the mid-tier offerings that we have on places such as Yas.

And then don't forget we're launching in Dubai end of the year. So, we're gonna get access to a lot of clients that we didn't have access to before. The -- Dubai offers a much more international breadth when it comes to clients.

Operator
Thank you. We have another question coming from the line of Abdulaziz Alhebaishi from Jadwa. Can you please comment on the competitive landscape of Abu Dhabi's development market, especially with more big developers coming to the market, such as Aabar? Thank you.

Faisal Falaknaz
Number one, competition is good. As management team, I want my team to have competition because I don't want them to slack. But at the same time, we have more than 80% of the

development market here. So, we are the major player. We will continue to be the major player, given the strategic land bank that we own in Abu Dhabi.

The corridor that we own that goes all the way from Yas to Al Fahid to Saadiyat is one of the most appealing corridors, where you see a lot of the population migrating into. So, again, we're very optimistic in terms of where we stand within the market. And given the strength of the brands that we have and the quality of the offering, both in terms of quality of builds and the master communities that we build that are very human centric, we think will always give us a competitive advantage against our peers.

Operator
Thank you. As a reminder, you may press star-one from your telephone keypad to ask a question over the phone, or you may use the Ask a Question box on the webcast to type in your question. We'll pause a moment to assemble the queue. Thank you.

Thank you. And we do have a question from -- over the web from Jagadishwar Pasunoori with NBK Capital.

Hello. How are you? First question, when are you planning to start selling and recognizing revenue from the Dubai JV? And second question, what percent of turnover rent contribution as a percent overall retail revenue? How will you get benefited from high tenant sales from Yas Mall? And third question, can you please provide the latest update on the plans to deploy AED 5 BN this year? Thanks.

Faisal Falaknaz
So, we're planning to launch in Dubai at the end of the year. Now, when it comes to revenue recognition, obviously revenue recognition is driven by the progress of the project, so you're not going to see that come in this year. Just as a reminder, in the JV we are the controlling partner. We will consolidate and then we will take out the minority.

Moving on to the second question, percentage of turnover, I don't want to quote the number so I'll have my Investor Relations team reach out to you. But what I do want to say is, on Yas Mall, it's not just you completed the repositioning and that's it. So, you have to go through a number of leasing cycles. So, we completed the repositioning. We're starting to see the sales come in, which is gonna kick in turnover. But then, when the next leasing cycle comes, those tenants in theory can provide -- can afford, sorry, higher OCR. So, I can actually increase my base rents, which gets more credit from a valuation point of view than COR does.

Last question on deployment, I think I already answered that about the disciplined approach and having a much more long term view. But what I will say is last year we entered into logistics, so logistics continues to be an area of significant interest. Education is also an area of significant interest. So, we're hopeful there's going to be a couple of these coming this year. And then the basic food groups, residential, commercial, retail, we are opportunistic. You know, it's not easy to be that selective in the market here. You know, you have to be very careful when it comes to crafting a portfolio and what deals you get in. But again, we are very confident that all this capital will be deployed as very accretive results.

Operator
Thank you. We do have a follow up question from Abdulaziz Alhebaishi from Jadwa. What is the utilization rate for schools on the portfolio? Are seeing wait lists building up? If yes, since when? Thank you.

Faisal Falaknaz
So, we have 85% in our existing schools. It's a mix. So, we have some schools that are still maturing, so that ramp up takes, you know, somewhere between four to six years. And then you have schools that have already matured and that do have a waitlist, obviously, such as Cranleigh, such as Yasmina. Those are very large schools that are rated as outstanding.

And then we have a very healthy pipeline when it comes to greenfield. So, we've announced last year AED 1 billion in greenfield across three schools that are going to come in a number of our master communities here in Abu Dhabi. And then obviously, with the entry into Dubai with Dubai Holding, that gives us an opportunity to also expand Aldar education into Dubai as a second market.

Operator
Thank you. As a reminder, if you'd like to ask a question by the phone, you will press star-one from your telephone keypad, or you may use the Ask a Question box on the webcast to type in your questions. Thank you. And we'll pause a moment to assemble the queue. Once again, that's star-one to ask a question by phone, or you may use the Ask a Question box on the webcast. Thank you.

And we do have a question over the phone from to Taher Safieddine with JP Morgan. Please proceed with your question.

Taher Safieddine
Yes. Hi, Faisal. So, just two follow ups. Just on the project -- on the development management, I mean, we're still comfortable guiding towards AED 500, AED 550 million NOI per year. So, I would just want to get maybe a bit of update there. And then the other question is on the hospitality margins. I mean, I've seen EBITDA--.

Faisal Falaknaz
--Yeah. You answered the first question.

Taher Safieddine
Yes. Okay.

Faisal Falaknaz
It will continue.

Taher Safieddine
All right. Okay. And will this have some distortion on the revenues versus GP? Because I know that you had some fixed contracts from before. So, is the legacy projects all completed and now we're just, you know, depleting backlog with ADQ onwards?

Faisal Falaknaz
Yeah. So, the way I look at the business is I wouldn't focus too much on the gross profit margin. I'd look at the GP on an absolute basis. Then it really depends on the mix between cost-plus and fixed. So, I'd urge you to just focus mostly on the GP in absolute terms. Going into margins and stuff is not going to be very helpful or meaningful -- meaningful, sorry.

Taher Safieddine
All right. Yeah. Okay. And the second question is just on hospitality. I mean, clearly this massive ADR growth is flowing direct into profitability, right? I mean, for you guys to generate these high EBITDA margins, I think it's around 40% plus. I mean, my question is, do you think this is the sustainable level into 2023, or you think at one point we shall, I mean, go back to more normalized EBITDA margins?

Faisal Falaknaz
Our hospitality is a seasonal market, but I think overall, yes. Like, the good seasons for hospitality are generally Q1 and Q2. But for the full year, we expect, yes, this to sustain. And we expect to do better than last year, given last year we had half a year when we didn't have, you know, full operations given the restrictions that were there.

Taher Safieddine
Okay, all right. Perfect. Thank you.

Operator
Thank you. Our final question today is from the Web, and it's from Alok Nawani with Gobash Trading & Investment Company.

What is driving the year-over-year increase in minority interest in the first quarter of '23? Thank you.

Faisal Falaknaz
So we did the Apollo transaction. So, the first leg was the $400 million of equity into AIP. That was done back in August last year, I believe. And then, the second leg was the land JV that we did, which is also reflected on NCI. That was done towards the latter end of the year. So, that was about maybe November last year.

Operator
Thank you. We did receive an additional question--.

Faisal Falaknaz
--I'm sorry. And then we have Abu Dhabi business NCI.

Operator
My apologies. So, we did receive a final question from Nasser Almadi with Hassana Investment Company. It's via the Web.

Expansion in the education sector, is it going to be based on acquisitions or organic growth? Thank you.

Faisal Falaknaz
So, three legs. So, we have capacity in our existing portfolio, which is going to continue to mature and stabilize. We have greenfield, which we are building ourselves within our community. And then the third leg is acquisitions, which makes up part of the 5 billion deployment that we have earmarked.

Last year, for example, we did Shohub, which was a AED 70, AED 80 million acquisition, I believe, into mid-class schools, which is a segment that we didn't have exposure to. So, yes, do expect further acquisitions into this segment.

Operator
Thank you. At this time, we've reached the end of our allotted time for a question and answer session today. Now I'll turn the floor back to management for closing comments.

Faisal Falaknaz
Thank you, guys, for joining the call. I look forward to seeing you guys over the next couple of months and catching up with you all. Thank you.

Operator
Thank you. This will conclude today's conference and webcast. Thank you for your participation. You may now disconnect your lines at this time. Have a wonderful day.