Transcript

Aldar Properties Q1 2025 Financial Results Tuesday, April 29, 2025

Operator Hello and welcome, everyone, to the Aldar Properties Q1 2025 Financial Results. My name is Becky and I'll be your operator today. During the presentation, you can register a question by pressing star followed by one on your keypad. If you've joined us online, you can submit a text question via the Q&A button on your browser. I will now hand over to your host, Faisal Falaknaz, Group Financial and Sustainability Officer, to begin. Please, go ahead.

Faisal Falaknaz Salaam Alaikum. Hi, everybody. Thank you for joining us today to discuss Aldar's performance for the first quarter.

We have achieved strong momentum coming into this year as we embark on our new 2030 strategy to drive further transformative growth.

We continue to deliver cross-platform growth, driven by a number of key factors:

- the successful launch of new projects in the UAE
- strong sales of existing inventory
- ongoing recognition of the development revenue backlog supported by solid progress on key developments
- and increased contributions from our recurring income portfolio supported by organic expansion and recent acquisitions.

In Q1, Group revenue increased 39% year-on-year to AED 7.8 billion, while EBITDA grew 36% to AED 2.5 billion, with a run rate in line with our 2025 guidance.

Net profit after tax for the quarter increased 22% year-on-year to AED 1.9 billion. Please note that in 2024, the UAE introduced a 9% general corporate income tax rate and on the 1st of January 2025, the UAE adopted the 15% Domestic Minimum Top-up Tax. Aldar's effective tax rate for the quarter was 12.6% versus 4.1% in Q1 last year.

Aldar Development has continued to experience strong demand for both new and existing developments in the UAE, particularly from overseas buyers and resident expats. Meanwhile, our strategic investments in Egypt and the United Kingdom are also performing well, with strong sales growth year-on-year. Group Development sales increased 42% year on year to AED 8.9 billion, which is on track to meet our full-year guidance of AED 36-39 billion.

Meanwhile, our total backlog has grown to AED 55.7 billion, providing strong visibility on revenue over the next two to three years.

Aldar Investment, which has grown to AED 46 billion in assets under management, reported a 10% increase in adjusted EBITDA to AED 764 million. It is worth noting that excluding the one-off gains on commercial disposals in Q1 2024 and divestment of residential strata units, adjusted EBITDA rose 20%. Notably, the Masdar assets, jointly owned by Aldar as part of the Mubadala partnership, are already contributing to the bottom line.

We continue to leverage the strengths of both the Development and the Investment platforms to implement our develop-to-hold strategy. The D-Hold pipeline now stands at AED 13.3 billion, with current projects scheduled to be completed from this year through to the end of 2028.

Turning to slide four for a more detailed look at Aldar Development.

The platform continues to deliver robust performance, while broadening its product offerings and customer base supported by an expanded international sales network. Group sales rose 42% to AED 8.9 billion, maintaining a high and sustainable run rate, with growth predominantly driven by sales of existing inventory and new launches in the UAE.

Revenue increased 46% year-on-year to AED 5.7 billion, with EBITDA up 50% to AED 1.8 billion.

We launched two projects in the UAE, Manarat Living III on Saadiyat Island and The Wilds in Dubai, which is the third development under our JV with Dubai Holding.

Both of these launches performed strongly, and we have continued to see strong interest in recent weeks since quarter end, which speaks to the sustained demand for our inventory and product offering as a whole.

We are equally excited about our upcoming Fahid Island, which is due to be launched in phases in the coming months. As a reminder, the full master plan, with a total landbank of 3.4 million sqm, comprises over 6,000 residential units spanning apartments, townhouses, and ultra-luxury beach and mangrove villas.

Meanwhile, in Egypt, SODIC achieved a 135% year-on-year increase in total sales to AED 228 million, and the company's revenue backlog has now reached AED 6.3 billion. This is supported by strong cross-selling into the UAE market.

London Square sales were up 160% to AED 263 million, with the backlog rising to AED 2.6 billion. Furthermore, in Q1, the company acquired one new land plot and launched one new project, Nine Elms, 'Ascenta collection'.

Turning to slide number five, you will see further details on UAE sales specifically.

What I will highlight here is that, during the first quarter, we saw further uptick in the trend of rising demand from resident expatriates and overseas buyers, reflecting the appeal of the UAE as a lifestyle and investment destination. In the first quarter, resident expats accounted for 57% of total sales, with overseas buyers representing 30%, collectively totalling 87% of the UAE sales. To an extent, this is a reflection of the product mix as well as the success of our enhanced international sales network.

Turning to slide number six. Aldar Investment, which has evolved into a diversified platform of significant scale, achieved broad-based growth in the first quarter.

In Q1, revenue increased 15% to AED 1.9 billion and adjusted EBITDA rose 10% to AED 764 million. As I mentioned earlier, excluding one-off gains on disposals in Q1 24 and divestments of strata units, adjusted EBITDA rose 20% year-on-year.

Our growth this quarter was primarily driven by the strong performance of our Investment Properties portfolio, a series of strategic acquisitions over the past two years, and the addition of Masdar City assets. Consequently, our platform assets under management has increased to AED 46 billion.

We are also very encouraged by the growing earnings contribution from Aldar Estates and Aldar Education, which I will talk about a little bit later.

On slide seven, you will see further details on each asset class within the Investment Properties portfolio.

The portfolio continues to benefit from near full occupancy, at an average of 96% across all asset classes, which is pushing rental rates up. Adjusted EBITDA for the portfolio increased 13% year-on-year to AED 498 million, supported by the addition of Masdar City assets. Comprising commercial and residential properties, these assets contributed revenues totalling AED 69 million, with adjusted EBITDA of AED 58 million in Q1. Commercial adjusted EBITDA increased by 1% to AED 212 million, influenced by disposals and related one-off gains in the first quarter of 2024. Excluding these, the commercial portfolio's adjusted EBITDA increased 36%, driven by the strong contributions from Masdar City assets and overperformance from organic portfolio, while demand for Grade A office space continued to fuel rental growth. Portfolio occupancy held strong at 98%, with ADGM towers now 99% occupied, and Masdar commercial assets at 100%. In light of the tight supply, we remain focused on execution of the D-Hold pipeline to meet sustained demand.

Residential adjusted EBITDA rose by 43% on strong contributions from Masdar City assets and rental rates improvement amid 98% occupancy across the portfolio. When adjusted for the divestment of strata units, both this quarter and in Q1 2024, the portfolio's adjusted EBITDA rose by 49%. Further growth is anticipated through the D-Hold pipeline, including the Expo City JV and the recycling of strata sales income into high-yielding, income-generating assets.

Retail adjusted EBITDA increased 11%, driven by high leasing rates. Total occupancy stands at 90%, amid ongoing redevelopment of Al Jimi Mall expected to complete in the second half of the year. Yas Mall continues to lead, with 98% occupancy, a 14% growth in tenant sales, and a 16% increase in footfall.

We continue to make very good progress on the JV with Mubadala to create a AED 9.0 billion retail platform holding Yas Mall and The Galleria Luxury Collection, with completion expected in the second half of this year.

Logistics adjusted EBITDA rose by 12%. Our portfolio, which is 91% occupied, recently completed an expansion of Abu Dhabi Business Hub last quarter. Excluding that expansion, occupancy stood at 96%. In the near-term, additional scale will be driven by the develop-to-hold pipeline and DP World partnership, while long-term growth will be anchored by Al Falah Logistics Hub through the Mubadala JV.

You will find an update on Hospitality & Leisure, Aldar Education and Aldar Estates on slide number eight.

Hospitality & Leisure, while achieving 71% occupancy in Q1, saw a modest decline in earnings. This reflects the temporary impact of Aldar's AED 1.5 billion transformation programme, which involves several assets being partially or fully offline for upgrades and repositioning. Performance remains robust, with RevPAR stable and average daily rates up 10% year-on-year.

Looking at Aldar Education and Aldar Estates, both platforms have scaled up considerably and are making solid contributions to the Aldar's performance.

Aldar Education EBITDA increased 13%, driven by strong organic growth, with 13% enrolment increase in owned and operated schools, and a 3% fee increase across most operated schools. Total enrolment has reached approximately 37,000 students, with further scale expected from the opening of both Muna British Academy and Yasmina American School in the 2025-2026 academic year.

Meanwhile, Aldar Estates EBITDA increased 27% on a 19% rise in revenue driven by synergies and organic growth in facilities management and integrated community services portfolios. For Aldar Estates, this is the first quarter with a true like-for-like comparison of performance, given the transformational M&A activity that took place at the end of 2023.

Moving to slide number nine and our key balance sheet metrics.

Over the past few months, we have taken a counter-cyclical approach to enhancing our funding and liquidity profile. Our aim was to reinforce our financial resilience and provide a significant capital cushion in support of our growth strategy. This included execution of four landmark transactions at PJSC and AIP level in the first quarter totalling AED 16.3 billion. These include:

1- a AED 9 billion sustainability-linked revolving credit facility, which is the largest sustainability-linked syndicated deal by a real estate company in the Middle East

2- a USD1 billion hybrid capital issuance, which attracted robust demand from a wide range of regional and international investors

3- a USD500 million private hybrid capital note issuance with Apollo, which replaces the land JV as part of Apollo's initial 2022 investment in Aldar

4- a USD500 million senior green sukuk issuance at AIP level, representing Aldar's third issuance as part of its USD2.0 billion trust certificate issuance programme.

In the process, Moody's reaffirmed Aldar's Baa2 credit rating with a stable outlook, while AIP's Baa1 rating was affirmed, also with a stable outlook.

We have maintained a conservative leverage and high interest coverage profile, while enhancing our liquidity position, which stood at AED 29.5 billion at the end of March, comprising AED 10.2 billion in free and unrestricted cash and AED 19.3 billion in committed undrawn facilities.

The average senior debt maturity has been extended to six years, with no substantial refinancing required over the next three years.

Looking ahead, we continue to maintain a disciplined approach to capital deployment to ensure value and strategic alignment.

Turning to sustainability highlights on slide ten and 11.

I would encourage you to view our latest Sustainability Report for 2024, which was published in March. The report includes an updated sustainability framework, as well as detailed commitments and targets, including energy and water usage and construction waste targets. We also outline how Aldar continues to build greener, more sustainable places, meeting global standards, such as LEED, Estidama and Fitwel on new developments.

Our strong progress and commitment to ESG is reflected in industry-leading ratings. We have maintained our “low risk” ESG rating from Sustainalytics, with a score of 15.8, and we hold the top spot in the GCC and top quartile globally in the Dow Jones Sustainability Index.

In line with the UAE's ‘Year of Community’ in 2025, Aldar will be rolling out a number of initiatives to play a key role in the nation's socioeconomic development.

These initiatives will build on Aldar’s existing stream of initiatives across community development, inclusion, education, and humanitarian efforts.

I would like to conclude with slide number 12 and a reminder of our guidance for full-year 2025, which remains unchanged given the strong visibility on development revenue recognition and recurring income streams.

For Aldar Group, we are targeting an EBITDA of between AED 10.4 and 10.8 billion for 2025, representing an uplift of at least 35% versus 2024.

In light of our strong start to the year, we maintain guidance for Group development sales of between AED 36 and 39 billion, with Aldar Development targeting EBITDA of AED 6.6 to 7.0 billion.

For Aldar Investment, our 2025 guidance is for adjusted EBITDA of AED 3.2 to 3.3 billion, driven by strong operational performance and the newly added Masdar assets and further transfer of D-Hold assets.

I would like to conclude by briefly addressing the global uncertainty stemming from external events in recent weeks. So far, we have not experienced any direct impact on our businesses. As ever, we will continue to closely monitor market dynamics and any signs of evolving sentiment.

As a reminder, Aldar has proven extremely resilient through market cycles due to its financial strength, effective management of capital and risk, and a strategy that has driven significant scale and diversification.

Historically, the UAE has proven to be a safe haven for capital and business, and a preferred destination to live and work. The country's strong macroeconomic fundamentals provide a conducive environment for Aldar to continue executing on its growth strategy.

With that, we conclude the presentation and open the floor for questions. Thank you.

Operator Thank you. If you wish to ask a question, please press star followed by one on your telephone keypad now. If, for any reason, you want to remove your question from the queue, please press star followed by two.

When preparing to ask a question, please ensure your devices are muted locally. If you've joined us online, you can submit a text question via the Q&A button on your browser. Our first question comes from Taher Safieddine, from JPMorgan. Your line is now open. Please, go ahead.

Taher Safieddine Hi, Faisal. It is Taher, from JP Morgan. Again, congrats on a solid set of results for the quarter. Just maybe two questions from my side, if I may. The first one is just on the development. Again, a solid off-plan sales print during the quarter. The question is really related to the Dubai portion. This is the third launch within this DH JV and our understanding is that this is the last one. So, are there any plans or visibility on what is next for your Dubai venture? Clearly, it has been a strong success with the three major launches. Maybe if you can just give us some clarity on that. And linking to it, does the guidance of 36-39 billion assume that you acquire further land in Dubai and you launch through the course of the year? That would be my first question.

Faisal Falaknaz On Dubai, Taher, by the way, thank you for the kind thoughts, The Wilds was a very successful launch. We were not only able to sell AED 5.5 billion in a matter of a few days, we were also pushing prices up. And I think, to reiterate what you said, we've been very successful at building a quite successful franchise in the Dubai market, even though we've only been there for the past two to three years. Across those three master plans, we have completely sold-out Haven. We still have some apartment products, which we need to launch on Athlon. So, Verdes, which launched on Haven, is almost completely sold. We have the new apartment product that is going to come on Athlon, the second master plan. And then you have probably seen the ads on the roads. We're launching our mansion product on The Wilds. And we still have apartments there, which we still need to launch as well.

So, we have about, I would say, AED 7.0-8.0 billion of additional products that we can sell across those master plans. And, yes, the Dubai market is a very important market for us in terms of maintaining that diversification and being able to sustain that sales run rate. We are not going to pack our bags and leave Dubai. There is very strong ambition to strategically replenish the land in that market. In terms of whether more land is required to achieve our sales target in Dubai, then probably not, no. We have already sold 5.5 billion on Wilds and we have more product coming throughout the year. And then, obviously, we continue to launch on Saadiyat and Yas, and we have our existing inventory, and we are launching Al Fahid. So, we have a busy launch calendar coming up for the remainder of the year. Any land replenishment in Dubai will probably trickle into next year, not this year.

Taher Safieddine All right. That is clear. And, sorry, just my second question is, again, on the overall guidance. Within the guidance FY 2025, there is a 3.0-4.0 billion M&A deployment and 3.0-4.0 billion D-Hold Capex. In Q1, it has been relatively quiet on the M&A deployment. Can you just maybe give us some more clarity on how should we think about this 3.0-4.0 billion M&A deployment? And my following question is, can you achieve your EBITDA guidance without this M&A deployment? I'm talking about this 10.4-10.8 billion for the year.

Faisal Falaknaz Maybe before I jump to deployment, just to give an update, we are making very good progress with Mubadala on the retail joint venture. Now, that will not be a capital deployment but it's a transaction, nevertheless. It is a merger of Yas Mall and Galleria Luxury, strategically very important for us and the Emirate of Abu Dhabi. And you are right, we still have not had any material transactions happen, and I keep highlighting the discipline that we have. Nevertheless, we have a very good pipeline on hand. There is probably, I would say, in the next quarter, transactions in the range of hopefully 500 million to 1.0 billion that could come through, that we are very close to closing. And then we still need a significant deployment to come in throughout the rest of the year. Whether we need that full deployment to meet our guidance, not necessarily because I think, organically, the portfolio is performing better than what we had expected. So, I think it is a little bit still early to say but what does matter is I think we have very strong conviction about us being able to meet this guidance overall.

Taher Safieddine That is clear. I will leave it to others, and then I will come back in the queue. Thank you.

Operator Thank you. Our next question comes from Mohamad Haidar, from Arqaam Capital. Your line is now open. Please, go ahead.

Mohamad Haidar Hi, Faisal. Mohamad Haidar, from Arqaam Capital. You previously mentioned that you will focus on increasing prices in Abu Dhabi, specifically, and if we look at the average unit price you sold in Q1, it's higher than last year. Is this also still a focus for 2025, and is the market helping? Is it accepting the higher prices across the board? Thank you.

Faisal Falaknaz Yes. I think it is not just us wanting to increase prices. I think there is just very strong pent-up demand for the unique product and destinations that we have. I think Manarat Living III is a very good example, where we immediately sold out a billion even though prices were probably pushed up at least by 10%. And I have always been highlighting that Abu Dhabi is coming from a very different baseline. And so, we really think there is significant upside, both in terms of volume and price.

Mohamad Haidar Understood. Thank you, Faisal.

Faisal Falaknaz Thank you.

Operator Thank you. Our next question comes from Harsh Mehta, from Goldman Sachs. Your line is now open. Please, go ahead.

Harsh Mehta Hi, Faisal. Congratulations on the results and thank you for taking this question. The first question, I just wanted to clarify, you mentioned you had AED 5.5 billion of sales in a matter of few days in Dubai. Is that a part of the AED 8.4 billion of pre-sales in UAE that was reported for the first quarter?

Faisal Falaknaz No. Some of it is carrying forward to Q2. We only book the sales when the SPA has been fully completed. We now do digital SPA signatures. So, all of them have been booked now but some of them have carried forward to Q2. I think you will find it in the back of the deck. Around AED 3.0 billion or so was booked in Q1. So, you already have the additional that is going to come through in Q2.

Harsh Mehta Got it. And then in the financials, we could see the Masdar Green REIT and the Logistics JV is pretty much completed and part of your financials but the other two JVs, with regard to the mall and the luxury development, is there any kind of timeline in terms of when should we expect those to close out?

Faisal Falaknaz Before end of Q2, hopefully.

Harsh Mehta Got it.

Faisal Falaknaz But it's happening.

Harsh Mehta All right. Perfect. And any update on the private credit front? I remember in the full-year financials you disclosed you've invested roughly 0.5 billion of the committed 1.5 billion.

Faisal Falaknaz 1.5 billion, I think, and I need to refresh my memory, is the total commitment from all three partners. We represent 30% of that commitment, assuming it was 1.5, for one. And we initially bought into an existing portfolio, which was about USD100 million, and then we probably invested, up to date, no more than USD50 million. That portfolio, honestly, is doing extremely well. And if I remind you, it is focused on top quality, top locations, senior lending, with returns somewhere between 12 and 15%. The WALs on those loans are no more than two years, so you have a quick recycling that happens. It is mainly managed by Ares, which is the GP, so it does not really take significant time from us. We just sit on the investment committee, and we learn how they underwrite those credit investments, and we have a vote as well. But no major updates on that front, to be honest. And it does not represent a significant portion of the business. And you will see that income trickling into other income on the P&L line.

Harsh Mehta Got it. That 'is it. Thank you so much.

Operator Thank you. As a reminder, if you wish to ask a question, please press star followed by one on your telephone keypad now, or you can submit a text question via the Q&A button on your browser. Our next question comes from Rawan Shaker, from SICO, and says, what percentage of 2025 UAE sales are expected from Dubai?

Faisal Falaknaz I would say probably 20-25%.

Operator Thank you. The next question reads, with increasing proportion of expats in the sales mix, is there any change in the payment plans? What is the current down payment instalment percentage? What are the projects in pipeline in Abu Dhabi and Dubai? Which segment is the current focus?

Faisal Falaknaz I would say, our average payment plans today are somewhere between 60-70% during construction, with the remaining at handover. We don't do any post-handover payment plans. I think we are generally happy where our payment plans are. If there continues to be strength in the market, then maybe we push them up slightly. But I would say we are at a very good, sweet spot and those payment plans are frontloaded. So, the buyer typically pays at least 20-30% during the first year, which is very important for us. Again, it is all about disciplined growth. We can reduce our payment plans and sell faster but, for us, it is about having a backlog that can sustain any downturn in the cycle. And so, we will maintain that discipline going forward. And then, sorry, the second leg of the question was? What is the mix?

Operator What are the projects in the pipeline in Abu Dhabi and Dubai?

Faisal Falaknaz What are the projects in the pipeline? I already spoke about the projects in Dubai when I answered the question from Taher, I think. And then, in Abu Dhabi, we will continue launching on Saadiyat and Yas. Saadiyat, we just launched our final building on Mamsha Gardens, which is just behind Mamsha Beach. And then, again, the most exciting one is Fahid, which we have started doing a lot of destination building all around both Abu Dhabi and Dubai.

Operator Thank you. The next question, it comes from Boudewijn Schoon, from Aegon, and reads, can you say more on the origin and objective/motivation of the overseas development of resi developments? Which companies? Are these pure investors or do they use the resi units? Is there rental yield? Do they buy multiple units? Could you also elaborate on the residential expats? Why is that growing more sharply?

Faisal Falaknaz Why is it an easy question to answer. Because the UAE is one of the best places to live and work in. Despite all the global turmoil, I think, as usual, the UAE will continue benefiting from the continuous migration of population here and capital. You have the best-in-class infrastructure. You have the best living standards. You have the best healthcare. You have the best education. And I can continue going on. It is difficult to say if those investors, the overseas investors, are buying to live or to invest because we still haven't handed over those properties. But we do ask them when they buy and I would say probably 40-50% say they are actually going to live in it, but we will just have to wait and see.

And then on the resident expat side, the point I always highlight is, every time we launch, 80% of our sales are coming from new customers. We continue to acquire new customers year-on-year, either overseas or resident expats, resident expats who are becoming first home buyers for the first time, because those people are very settled in this country and they decide, you know what, I need to buy a house. And that trend will continue happening going forward. And then maybe one important note to highlight on the overseas. Chinese, for example, it took us a full year last year to cross AED 1.0 billion in sales to Chinese. This first quarter only, we have already crossed a billion for China. So, demand is coming from all across the globe.

Operator Thank you. Our next question reads. This is split into two questions. So, number one is development management projects. What is causing the substantial gross margin decline in this segment to 23.9% in Q1 25 versus 42.4% in Q1 24 and 31.1 in FY 24? Is management still comfortable with their FY 25 EBITDA guidance of AED 800-900 million? What is a more sustainable growth/EBITDA margin profile for this business moving forward?

Faisal Falaknaz It is important to understand the difference in the mix. We have the cost-plus, which is where we spent 100 million on behalf of the government and then we take a fee. So, it's pre-funded by them. And then on that fee we make an 80% margin. And then you have the fixed-price projects, which is the Balghaiylam. On the fixed price we recognise, so this is an accounting difference, we recognise the revenue. From an absolute basis, we make almost twice in profit. So, if I was making five million of profit on the 100 million, I am saying, back of the envelope, we almost make ten million on the 100 million in the case of the fixed priced projects. So, while it has a 10% margin, in theory, it is actually more profitable from an absolute basis. So, you should not look at margins in the case of project management. You should look at the absolute project growth. What is a sustainable margin? Again, if you have the split, then I would say 80% for the cost-plus and then maybe somewhere between 10-15% on the fixed price. Are we changing guidance? No. We are a little bit slower in terms of value of work done for the first quarter of the year, but we expect to significantly catch up in the remaining quarters.

Operator Thank you. And the second part.

Faisal Falaknaz And then there is a tax question. Oh, you can read it. Sorry, go ahead.

Operator Sorry. Does management see its Q1 25 effective tax rate of 12.6% to be sustainable moving forward? What is management's guidance on the same?

Faisal Falaknaz We have done a full tax impact assessment, and maybe this is a good opportunity to explain why the effective tax rate has gone up. The first, biggest contributor to the tax expense going up is we no longer benefit from the transitional tax rules, which is called MD 120, where we could previously expense our cost of land at fair value. We now have to expense the land at book value, which in our case is sitting at a significantly low-cost basis. So, that has caused an increase in the tax expense. The other one, which is not as material, is previously we were not required to pay taxes on our real estate that sits in the Free Zones, in ADGM, for example. This also goes away under the DMTT Rules or Pillar 2. And then the last thing is the statutory tax rate obviously changes from 9% to 15%. However, with the DMTT Rules, there are some substance-based exemptions that are allowed based on how much PP&E and SG&A you have in your home country, which is allowing our effective tax rate to go down. So, I would say we are still working through it and there are still some clarifications that need to be done in the future. And the UAE generally, again, takes a very pro-business approach. So, we will have to see how this evolves but, for the time being, I would say this is pretty much close to where it has to be.

Operator Thank you. Our next question comes from Nikhil Mishra, from Al Ramz. You line is now open. Please, go ahead.

Nikhil Mishra Oh, yes. Congratulations on a good set of numbers and having this presentation. Just a quick question on Al Fahid Island. How much of your projected sales for this year are likely to come from this particular project and when should we expect the first launch of this particular project? Thank you.

Faisal Falaknaz A very good question but we don't usually give that kind of guidance. So, I will skip that, but the plan is to launch in the second half of the year, and that is progressing quite well.

Nikhil Mishra All right. Thank you.

Operator Thank you. As a reminder, to ask a question, please press star followed by one on your telephone keypad, or you can submit a text question via the Q&A button on your browser. Our next question comes from Harsh Mehta, from Goldman Sachs. Your line is now open. Please, go ahead.

Harsh Mehta Thank you. Hi, Faisal. Maybe one follow-up question. When we compare most of the line items that have been reported for the first quarter vis-à-vis the full-year guidance that you had shared earlier this year, it seems you are pretty much at the lower end of the guidance. In fact, in case of Property Development, business is towards the high end of the guidance on EBITDA.

Faisal Falaknaz You will have to show me your math. I don’t know how you are getting to that with just one quarter earnings.

Harsh Mehta Sure. I just wanted to add to it. What I was going to ask you is that last year, what we noticed was every subsequent quarter was very strong and eventually we did also see that you'd upgraded the full-year guidance on certain line items. And so, my question was more so that you are already at the lower end of the guidance and hoping that the subsequent quarters are stronger.

Faisal Falaknaz How am I at the lower side of the guidance? I don't understand.

Harsh Mehta Right. For example, when I look at, not the capex number but, for example, the EBITDA number on Aldar Properties at 2.5 billion for the first quarter, and if I were to just kind of annualise it, it would be around 10 billion. I know annualisation doesn't work and that was my question.

Faisal Falaknaz Yes. This is the first flag. You can't annualise, right? If you look at the development business, the run rate of the value of work done is going to build up throughout the year, right? It is not going to be annualised because we are going to continue working, construction progress is going to continue picking up. You are going to have new assets coming online like Yas Place. You are going to have new acquisitions. You are going to have Al Jimi Mall open up at the end of the year. So, I think that is where you are missing it because you are annualising. The first quarter does not include fair value gains. We do fair value assessments half year, end of year. So, there are a lot of factors that annualisation misses.

Harsh Mehta Correct. And so that was my point, that we have noticed historically that subsequent quarters are generally stronger, and we have also seen Aldar upgrading its full-year guidance, probably towards the first half. And so, is it fair to assume that the given guidance is probably conservative, and you would probably be beating the guidance or even on the top end of the range? That was pretty much my question, honestly. I agree with what you just mentioned and that is how we view it as well.

Faisal Falaknaz I would have said we are updating our guidance, if we were going to beat the guidance, right? So, we are maintaining our guidance and saying we are confident that we will deliver on this guidance. And if anything changes throughout the year, then we will come back and revert. But there is full confidence around this guidance.

Harsh Mehta Got it. Thank you.

Operator Thank you. Our next question comes from Taher Safieddine, from JP Morgan. Your line is now open. Please, go ahead.

Taher Safieddine Hi, Faisal. Just maybe one more, a bit more, maybe, detailed question, if I may. Just looking at the investment properties, commercial, residential, and retail, clearly occupancy is at a very healthy level. So, just speaking organically without any new M&A or contribution from acquisitions, but just organically, is it fair to assume that the upside in commercial and resi should come through from rental rate revisions, given that both assets are today at around 98% occupancy? This is the first part of the question, just trying to think how we should look at organic growth for these two segments.

Faisal Falaknaz Taher, yes, absolutely, a reversion to ERV is absolutely a theme. I think rents in the last quarter were up 7% year-on-year on the new leases that we have done and that will continue. We still have some vacancies we need to fill but predominantly, yes, I would say rental reversion will be a main theme into the organic growth for the commercial and the residential portfolio. On the residential portfolio, we have been pushing rents up by almost 5%, which is the rental cap here, in Abu Dhabi, as well.

Taher Safieddine All right. And then just moving, maybe, quickly to the two other interesting assets, which we don't talk about a lot, which is Aldar Education and Aldar Estates. These continue to outperform, if that's the right way to look at it, in terms of revenue generation and in terms of EBITDA. Just maybe help me understand, is Aldar Education now fair to assume this is a more mature asset or you still see room for further growth when it comes to EBITDA margins? And the reason I'm asking this is because the capacity utilisation is still at 70%. So, clearly, there is room for that. So, maybe, just help me understand, how should we think about Aldar Education over the next two years. Is it still going to be a high growth asset or do you think it's coming closer to maturity as a business?

Faisal Falaknaz Super high growth asset. I think our utilisation today is in the low 70s. We added 1,750 students, I think, in the last academic year, 13% year-on-year growth in enrolment. 6% was excluding the new school that we opened in Noya. We are opening up two new schools, as I noted. I would say this is not the margin play. I think we are trading at quite healthy margins. As you add more enrolments, your costs will have to go up slightly as well. So maybe there i s a little bit, 1-3%, margin accretion, but I would not say significantly. But there is surely very good growth potential on the top line, both organically on the existing capacity and especially on the greenfield capacity going forward. And we ha ve given the market an indication of around how many students we are targeting to reach in the next two to three years, and that is more than 60,000.

Taher Safieddine Ah, okay.

Faisal Falaknaz Yes. There is significant room for growth going forward. Absolutely.

Taher Safieddine All right. And just, sorry, the final question is Aldar Estates. Again, this business has been in a super hypergrowth phase. There has been a lot of M&A, as you mentioned, in 2023 and now we arre moving into a like-for-like picture. Can you just, maybe, also share with us similarly on that? Is that the run rate we should be happy with in terms of high teens on the revenues? And do you see any room for margin expansion? And the reason I am asking is because it has a quite different subsegment. Property management looks like a high margin business compared to, maybe, facilities management and community services. So, maybe just a bit of colour from your side would be helpful on that.

Faisal Falaknaz Margin expansion is a little bit difficult to answer. It depends on which business grows faster than the other but I would say this business will also grow at double digits on the back of a lot of captive business that they get from the Group, either from the development business when it comes to owner associations, with all the new residential communities that are coming up. They are doing a lot of district management work across Abu Dhabi. They are managing the commercial and residential portfolio of AIP. Landscaping, security, all that captive business, FM, the majority is going to Aldar Estates. And then those guys have a decent business to third parties, including the government, again, which continues to invest in both capex and opex programs across the ecosystem. So, no, I would say this is still not stabilised. There is still room for further growth.

Taher Safieddine Very clear. Thank you.

Operator Thank you. Our next question comes from Alistair Huff, from Investco. Your line is now open. Please, go ahead.

Alistair Huff Hi, there. Alistair, here, from Investco. Thanks for the presentation today and the great results. I am very impressed with the continuation of the pre-sales growth and momentum in the UAE, but just a quick question with regards to the market. It is probably more so in Dubai than, necessarily, in Abu Dhabi, but typically, when pre-sales get to a certain level of GDP, they normally peak out. And I understand the dynamics in terms of people moving to Dubai, it could be an exceptional situation, but I think total pre-sales values as percentage of GDP is close to 300% or 400% now of Dubai, which is quite high. I am just wondering what your thoughts are around that, if that is maybe a cause for concern that it is an overheating market, or do you think it can carry on? Thank you.

Faisal Falaknaz I don't have the numbers of the top of my head but I would be very surprised, Alistair, about that statement, that sales are 300-400% of GDP in Dubai, because Dubai's GDP, to my recollection, is at least USD200 or USD250 and prime off-plan sales, excluding secondary transactions, were around USD50-70. I have never seen that comparison.

Alistair Huff It could be total sales. It could be total sales value, maybe not just pre-sales.

Faisal Falaknaz That is a little bit too sophisticated for me, to be honest. The way we look at it is you have existing supply, and you have future demand, and we project how much the population is going to grow for the next two years, which many market analysts estimate to be at least 2-3%. And on that basis and, again, Dubai is very different to Abu Dhabi. Abu Dhabi has a much bigger GDP, if that is the benchmark to look at, and has one-sixth of the sales that Dubai has. So, I am not sure how to comment about this metric.

Alistair Huff Thank you. I will keep looking into it because it is normally quite a good metric for looking at overheating markets but definitely Dubai is more overheating, probably, than in Abu Dhabi. So, that is definitely a good tip. And maybe just a bit more on the cash rates that you use for your valuations, which obviously different parts of the world have different systems and methods, and some are more aggressive lowering them and increasing them. Yours tend to be reasonably stable. Certainly, on the residential leasing part, those cap rates are pretty attractive. Do you see they are going to continue to trend down, because they are materially higher than other parts of the world for such quality assets? Thank you.

Faisal Falaknaz We are conflicted about this because we love buying assets at 7-8% yield and having a cost of debt that is sub-five today and expected to go down. And you are right, for an AA economy, having cap rates that have this much credit spreads to sovereigns just doesn't make sense. And that has been our thesis for quite some time. Eventually, they have to compress, which means capital values will go up. But until they do compress, I hope we can buy as much assets as we can before that happens.

Alistair Huff Good luck with that. Itis definitely a good spread. And maybe just one quick last question. A lot of real estate companies are looking at data centres. Is that something you have looked at or explored or are there already established players in the market that you can't compete with? What is the situation with data centres and your company?

Faisal Falaknaz It is not an easy one for us. We have looked at it, especially with data centres. It is not only about the real estate, it is about the OpCo, about the operating and technical experience that comes with it. And then in the UAE, you have the likes of the Telcos, the G42s. You have some private players that have been successful, like Gulf Data Hub, which was partially acquired by KKR, but very niche operators, tightly controlled. So, it's not something that we are actively focusing on today. Is it something we would consider in the future? If available, without those barriers to entry then yes, probably, but nothing in the immediate timeline.

Alistair Huff Thank you very much. Thank you.

Faisal Falaknaz Thank you.

Operator Thank you. Our next question reads, how should we expect leverage to evolve moving forward?

Faisal Falaknaz Leverage should evolve in line with our debt policy, and the number one priority for us is to maintain our investment-grade credit rating, and that is something that we will never compromise. And maybe a good time to highlight the benefits of that credit rating. We issued, lately, our Sukuks, which had a spread of 110 basis points to Treasuries, and maybe you have seen in the markets today some issuers that issued more than 400 basis points to Treasuries. Now, not comparing like-for-like because it is a slightly different business but, nevertheless, the investment-grade status pays off. And on the hybrids that we issued, it was also a testament and a benchmark that we set in the market. Our hybrids were just over 200 basis points over Treasuries and that spread between senior and subordinated is unprecedented for us. So, other than you guys, the equity investors being, hopefully, behind us and supportive about the equity story, I think the credit investors are also voting in favour of Aldar, and we appreciate that acknowledgement and we will continue maintaining the discipline to maintain this going forward.

Operator Thank you. Our next question comes from Neha Tuli, from Alpha Dhabi Holding and reads, what is your view on rental yields and capital appreciation trends for the next six to twelve months?

Faisal Falaknaz If I had a crystal ball, I would tell you but, unfortunately, I don't. I would say, in general, we are very optimistic about the fundamentals of the business. We expect strong growth. What that growth is going to be, only God knows.

Operator Thank you. Our next question comes from Indarpreet Singh, from SICO, and reads, would there be some seasonality in Aldar Estates earnings? Trying to understand the sequential drop in revenues and gross profits.

Faisal Falaknaz Very good question. I assume you are referring to the drop from Q4 to Q1. There is some seasonality in the sense that there are some capital projects that dropped off from Q4 into Q1. There is a lot of spending, especially from the government side, that happens towards the end of the year because they want to consume those budgets before the new calendar year starts. So, from Q1 onwards, you are going to see the run rates starting to go up. But if you compare it like-for-like, Q1 to Q1, then you will see there is good year-on-year growth.

Operator Thank you. We currently have no further questions, so I will hand back to Faisal for closing remarks.

Faisal Falaknaz Thank you, everybody, for your support and for taking the time with us today, and we look forward to seeing you again in the next quarter with another set of positive results, Insha'Allah.

Operator This concludes today's call.

Faisal Falaknaz Thank you.

Operator Thank you for joining us. You may now disconnect your lines.