Aldar Properties
H1 2023 Financial Results
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<u>Presenters</u>
Faisal Falaknaz – Group Chief Financial & Sustainability Officer

<u>Q&A Participants</u>
Harsh Mehta - Goldman Sachs
Mohammed Haider - Arqaam Capital
Nikhil Mishra - Al Ramz Capital

Operator
Greetings and welcome to the Aldar Properties' H1 2023 Financial Results Conference Call. At this time, all participants are on a listen-only mode. A brief question and answer session will follow the formal presentation. If you would like to ask a question, you may press star-one on your telephone keypad, or participants using the webcast may use the "Ask a question" box located on the side of the screen. If anyone should require operator assistance during the conference, please press star-zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Faisal Falaknaz, Group Chief Financial and Sustainability Officer. Thank you. Please go ahead.

Faisal Falaknaz
Good afternoon. Thank you all for joining the call today for Aldar's financial results for the first half of 2023. I will start with a short summary of our financial and operational performance, accompanied by a few slides which you can see via the webcast. If you are joining through the conference call, you can access the full presentation on the IR section of our website.

I would like to begin with the key highlights for the first six months of the year on slide number three. Aldar delivered exceptional results, driven by another quarter of record development sales, continued execution on our growing development revenue backlog, and higher contributions from the recurring income portfolio.

In the first half, we achieved revenue growth of 18% year-on-year to 6.3 billion dirhams, with EBITDA rising 34% to 2.4 billion dirhams. Net profit increased 38% to 2.1 billion dirhams. We successfully raised $500 million through an inaugural 10-year green sukuk, which was four times oversubscribed, with total orders of over $2.3 billion. The proceeds of the sukuk will be used in accordance with Aldar's green finance framework.

As part of our transformational growth agenda, we made some key announcements during the first six months of the year. We've entered into a joint venture with Dubai Holding to develop three communities spread across 3.6 million square meters of land located in prime Dubai areas, which is on track to launch by the end of the year. In Abu Dhabi, we acquired Al Fahid Island, which provides prime land to develop a new premier beachfront destination in the emirate. Also in Abu Dhabi, we have entered into a joint venture with Mubadala to develop new commercial assets for Aldar Investments on Al Maryah Island within ADGM. And finally, we acquired Basatin Landscaping, a complementary business to scale up and broaden the Aldar estates platform.

Moving on to Aldar Development on slide number four, we concluded the first six months with record group sales of 11.6 billion dirhams during the period and a development backlog of 24.4 billion dirhams. Notably, demand from overseas and resident expat buyers continues to increase, collectively contributing 49% of UAE development sales during the first six months. This drove record UAE sales of 10.6 billion dirhams in the first half, an increase in our UAE development revenue backlog to 19.9 billion dirhams as of the end of June.

The strong demand highlights the sustained appeal of Aldar's offering and reflects Abu Dhabi's emergence as a premier investment and lifestyle destination. During the first half of the year, we had 10 new project launches in Abu Dhabi, surpassing the total number of launches in 2022.

In Egypt, we saw healthy demand from SODIC's latest launches, which witnessed price appreciation in both U.S. dollars and Egyptian pound terms. Furthermore, SODIC recently announced a land joint venture expanding its land bank by two million square meters. We maintain our long-term commitment to growing our platform in Egypt.

Turning to Aldar Investment on slide number five, the strategic acquisitions in 2022 have proven highly successful. These assets are performing well above our underwriting assumptions. The stabilization of the assets, along with the higher occupancy and increased rental rates across the portfolio, were key drivers for the strong performance of the recurring income portfolio.

Adjusted EBITDA for the first six months was up 39% year-on-year to slightly over 1 billion dirhams. Our commercial portfolio is performing exceptionally well, driven by the high demand for prime grade A office space across Abu Dhabi. This is especially the case on Al Maryah Island, where occupancy of our ADGM towers has increased to 98% and Al Maryah Tower as experienced robust pre-leasing momentum, with 35% of space pre-leased already. ADGM's strong occupancy was the key driver behind fair value gains recognized this quarter.

Beyond Al Maryah Island, we're also seeing solid leasing activity in the HQ and International Towers. Retail also continues to thrive, the occupancy at 92% across the portfolio. Our flagship retail asset, Yas Mall, achieved a 30% increase in tenant sales and a 36% rise in the footfall year-on-year.

The hospitality business has seen a strong recovery during the first six months, benefiting from positive contributions of 2022 acquisitions and a stronger operating performance across our assets. Adjusted EBITDA increased threefold in the first half, reaching 181 million dirhams on the back of higher occupancy, improved average daily rates, and increased revenue per available room.

Turning to slide six, since the end of June, we have made a number of significant announcements. On the development side, Aldar Projects is partnering with the Abu Dhabi Housing Authority to develop Balghaiylam, an integrated sustainable residential neighborhood in the north of Yas area. The project is scheduled to be completed by 2026 and will offer over 1,700 homes for UAE nationals.

For Aldar Investment, we recently announced a 500-million-dirham investment to redevelop the retail experience at Al Jimi Mall in Al Ain and Al Hamra Mall in Ras Al Khaimah. This follows the recent completion of the 500 million dirhams redevelopment plan of Yas Mall in Abu Dhabi.

Also on the investment side, we are expanding our education platform across Abu Dhabi, Dubai, and Bahrain. We have announced a 350 million dirhams investment in Aldar Education to acquire Kent College in Dubai and Virginia Private School in Abu Dhabi, as well as to establish Cranleigh Bahrain.

Moreover, we are significantly increasing the scale and offering of our integrated property and facilities management platform, Aldar Estates. We recently announced a merger of the platform with Eltizam Asset Management Group, integrating an extensive portfolio of well-established brands into Aldar Estates.

Looking at our balance sheet on slide seven, we remain in a very strong financial position, with 4.5 billion dirhams of free cash and 5.9 billion dirhams of committed undrawn facilities. Furthermore, during the first six months, we signed 1 billion dirhams of new credit facilities, of which 500 million dirhams are linked to sustainability targets. This places Aldar in a strong position to pursue further accelerated growth in the coming periods.

I would like to give you an update on our progress on ESG and sustainability starting on slide eight. We have been proactive on energy efficiency and the environment. Aldar completed the LEED gap assessment for our existing portfolio, and our goal is to uplift north of 20 assets to LEED goals and platinum standards.

The company is also introducing green leases, which will become the standard across all leasing agreements. This enables us to access tenants' environmental data, conducting energy audits for tenant spaces with the goal of implementing energy efficiency measures to reduce emissions by up to 5%. We are now in the process of finalizing a tender for on-site solar energy generation projects, which will commence next year and help reduce Scope 2 related emissions for commercial, retail, and hospitality assets.

We have also launched a number of initiatives to deliver positive impact to our communities. These include the launch of Aldar Thrive Scholarship Program for low income families and people of determination, in addition to our Worker Well-Being Program and internships for people for determination here at Aldar Group.

On slide 10, we look forward to the second half of the year. Given the strong performance of the development business driven by the socio-economic reforms enacted by the UAE, we are revising part of our guidance. The strong momentum of development sales gives us comfort to revise our 2023 guidance up to 19 to 21 billion dirhams.

Accordingly, we are also revising guidance for the group revenue backlog to 27 to 29 billion dirhams, which provides strong visibility on future revenue recognition. Meanwhile, our guidance on equity capital deployment, project management, gross profit, and Aldar Investment adjusted EBITDA remains unchanged.

In summary, Aldar recorded a strong performance in the first half, and our operating model continues to successfully execute on our transformational growth strategy. The company continues to benefit from the UAE's robust macroeconomic fundamentals, with business and consumer confidence supporting demand for real estate.

That concludes the summary of our H1 financial performance. Before opening up the call for Q&A, I would like to take this opportunity to give you two recent updates. The first is related to accounting. We are recognizing project related marketing costs which are incurred during the launch of the project within cost of sales rather than in the selling and marketing expenses line of SG&A, as was historically the case. This change took effect from Q1 2023 onwards, and there will be no impact on the results. We view this as purely an accounting measure that better aligns project cost with the revenue in our financial statements, and more accurately reflects actual gross profit margins.

The second update is related to the upcoming introduction of corporate income tax in the UAE. We are in the process of assessing the impact of corporate income tax law on Aldar and subsidiaries. This includes monitoring any new updates from the Ministry of Finance to assess their impact at the group level and to ensure a smooth implementation from first of January 2024.

The UAE government is adopting best practices to maintain a highly competitive tax system and a business friendly environment. We welcome the government's recent decision to offer certain transitional tax relief from corporate income tax for companies with immovable property such as land and real estate assets recorded on a historical cost basis, which will be favorable to Aldar given our large legacy land bank and other real estate assets.

Furthermore, just a few days ago the Ministry of Finance clarified that REITs and other qualifying investment funds may benefit from an exemption from corporate tax, provided that the relevant conditions are met. With that, we will now be assessing the impact of this decision on our business.

Thank you. I will now hand back the call to the operator to open the floor for questions.

Operator
Thank you. Ladies and gentlemen, the floor is now open for questions. For participants connected via the phone, you may press star-one on your telephone keypad at this time. 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 the handset before pressing the star keys.

For participants connected via the webcast, you may use the "Ask a question" box located on the right side of your screen. Simply type your question in and click "Submit," and your question will be read out for the audience. Once again, for phone participants, that's star-one to register a question, and Web participants please use the "Ask a question" box. One moment, please, while we poll for questions. Once again, that's star-one to register a question at this time, or you may use the "Ask a question" box if you're connected on the webcast.

Today's first question is going to be coming from Harsh Mehta of Goldman Sachs. Please go ahead.

Harsh Mehta
Hi. Thank you very much for the presentation, and congratulations on the results. I have a few questions. So, the first one is on the refurbishment plans on Al Hamra Mall and Jimi Mall that you announced. I remember back in 2016 there was already a refurbishment and expansion that was done on Al Jimi Mall, about a 3 billion dirham investment plan. So, I'm keen to understand, you know, what is the new spending that's being done for Jimi Mall in less than an eight year period. Would it lead to some increase in space, and how should we think about that?

And likewise, for Al Hamra Mall, I'm just curious to understand if the spending was already planned - part of the plan - when you acquired the mall last year, and how does it impact the business in the interim? I have a few more questions. I can pause here, or if you want, I can list down all my questions.

Faisal Falaknaz
Go ahead, Harsh. I'm taking notes, and then I can answer them all at once.

Harsh Mehta
Perfect. Thank you. So, the second question is on the land, or the JV in Dubai. So, in the latest financials, you mentioned the total land cost is pegged at 4.58 billion dirhams. When I compare this with the GDV that was announced, you know, when the project was announced back in February, that was close to around 20 billion dirhams. So, the land cost amounts almost close to 20 or 22% of the total GDV. And normally, among the large developers in Dubai, we have generally heard that land cost is close to 10%, and that's why the margins--gross margins are

very high. So, it is something where the GDV probably might be higher, or should we assume that in Dubai, Dubai projects might have slightly lower margins?

And the third question is on the refundable cost. So, that still remains very high at 2 billion dirhams, even if one is reduced. I remember in the last earnings call, you'd mentioned that there was some recovery, close to 1.2 billion dirhams, post the quarter. But that, again, seems, you know, going up to 2 billion dirhams. Should we assume that is a sustainable level of recovery from the government while you keep on working on the infrastructure projects? So, those are the three questions. Thank you very much.

Faisal Falaknaz
Thank you, Harsh. Okay. So, let's start with the refurbishment plans which we announced. So, 500 million dirhams of new capital, more than 80% of that is going into Al Jimi, and the remaining is going to Al Hamra. You referred back to the plans that were in 2016. I wasn't here at the time, but those were the plans to expand Al Jimi, those are retail shops that are outside the vicinity of the main mall where they have some of the big boxes.

The new plan is to do something very similar to what we did at Yas Mall, which is upgrading the customer experience, bringing very strong anchor tenants, and then upgrading the tenant mix in terms of the line shops and making sure that the mix is very appealing to what consumers want today, so getting all the best F&B brands, which is what typically drives a lot of the footfall.

And the way we underwrite those investments is we typically look at incremental return. So, we have it as-is case for what the mall is generating today, and then we look at the repositioning and how much incremental NOI is that going to generate on the CapEx that we are deploying. And we target at least 2, 3% yield on cost that is higher than what the cap rate of the mall is today so that we can recognize capital appreciation when that project is completed and stabilized. So, that's on Al Jimi. You'd see a very similar story play out over the next 18 months, similar to Yas Mall.

Just on Al Jimi, we're adding an additional 20,000 square meters, yeah? So, there's going to be additional GLA that generates additional rent that was not previously there.

And then going to Al Hamra, it's a less complicated project in terms of size. But the plan there is exactly the same thing; improve the customer experience, improve the facade, improve the tenant mix, get the right anchor tenants. The leasing on both projects has already been undergoing for the past few months and is really progressing well, and we're seeing very strong demand from the tenants.

Al Jimi was always our asset, but with Al Hamra, the moment we came in and we became the landlords of the mall, we were able to capitalize on a lot of the tenant relationships that we had. And given the reinvestment program that we have into the asset, there's a lot of interest from tenants to come in there. So, that's on your first question.

On the second question, I guess you're coming with the 4.58 billion by looking at how much our land held for sale on the balance sheet has gone up by. That includes both Al Fahid and Dubai Holding. Let me just refer to my team. So, Al Fahid is 2.5 billion, and the remaining is for Dubai Holding. Both of them are through a back-ended payment plan. In terms of the GDV, we announced to the market that the GDV is 20 billion. That was earlier in the year.

We have hit the ground running in terms of getting ready to launch this project. So, the plan is to launch it towards Q4, by the end of the year. Things are progressing extremely well. Now, we'll be updating the market in terms of the pricing, and that's going to happen when the launch has happened. But as you know, the market in Dubai continues to be very strong.

And then lastly, on the refundable cost, so this is mostly related to Aldar Projects, which is undertaking a lot of the social infrastructure on behalf of the government. Today, given the way the agreements are structured, those contracts end up consolidating to our balance sheet and cash flow statement, which is a little bit distorting for investors. We're currently looking into a way to carve that out, and so we'll keep you posted on that.

But I think don't pay too much attention to this refundable cost, as it doesn't really have any economic meaning to Aldar. This is just work that we are undertaking on behalf of the government, and it is all funded in advance. We are not taking any risk on our own balance sheet and capital.

Harsh Mehta
Understand. There's no working capital investment, like you mentioned before?

Faisal Falaknaz
Other than the salaries to run the business with Aldar Projects, there is no working capital from a CapEx perspective from our side.

Harsh Mehta
Got it. Thank you very much for all the answers.

Operator
Thank you. The next question is coming from Mohammed Haider of Arqaam Capital. Please go ahead.

Mohammed Haider
Hi, Faisal. Congratulations on the results. So, very impressive Q2 sales in the UAE and in Abu Dhabi in Q2. Given that all the property prices across the UAE are going up, should we expect also gross margins to be improving on all these specific sales in 2023? That's my first question.

The second is on the fair value gains on investment properties. What triggered this 200 million plus gain in Q2, given that rentals were more or less flattish on a quarterly basis? Thank you.

Faisal Falaknaz
Gross margins, so we've seen a slight uptick in terms of costs when it comes to contracting out projects. But to your point, given that prices are generally going up, so we've been increasingly upping our prices every time we do a launch, given there's a lot of pent-up demand that is in the market there. So, we do not expect any impact on the margins.

There's one update which I mentioned, which is we are now recording direct marketing costs above the line. So, that's going to probably have somewhere between a 1 to 2% impact on margin. Again, it doesn't change the bottom line, but we believe that this is a more transparent and accurate reflection of gross margins, given those marketing costs are directly attributable to those projects.

So, that being said, we are typically guiding margins of 30 to 35%. I would say with those recent changes, yeah, you should model something toward the lower end.

Mohammed Haider
Thank you.

Faisal Falaknaz
And moving on to your second question, fair value gains, when we acquired ADGM back in July, it was 79% occupied. Today, it is 98% occupied. That asset is generating a yield north of 7%, which, for a trophy asset of that positioning, is a very great outcome for us. And therefore, the biggest driver for that fair value gain came from ADGM. The other movements across the other assets were not that significant.

Mohammed Haider
And Faisal, is the assessment done on a semiannual basis or a quarterly basis?

Faisal Falaknaz
We do it on a semiannual basis.

Mohammed Haider
Okay.

Faisal Falaknaz
And it depends on the type of assets, but by both JLL and CBRE.

Mohammed Haider
Okay, it makes sense. Thank you very much.

Faisal Falaknaz
And it's then validated by our external auditors.

Mohammed Haider
Perfect.

Operator
Thank you. Once again, ladies and gentlemen, that is star-one if you would like to register a question via the phone, or you may use the "Ask a question" box located on the right side of your screen if you're participating via the webcast.

We do have some questions that were submitted via the Web. The first one is, what is the nature of the other income provisions that were reversed during the quarter?

Faisal Falaknaz
So, we had a few cost accruals on some old projects that were sitting on the balance sheet. So, this is very typical, to keep some provisions in case some costs come up. But then we made the determination that we no longer need to keep those provisions, so we released them.

Operator
Thank you. The next question is, you have high amount of cash and very liquid assets in the balance sheet. Is loan repayment or increasing dividend still a consideration?

Faisal Falaknaz
So, number one, with the cash, so we've earmarked the majority of that cash for our strategic capital deployment program, which, again, we do in a very disciplined manner on a value accretive basis to shareholders.

This is not a dividend story--Aldar is not a dividend story. Aldar is a growth story, yet we have very disciplined debt policy. So, if you look at our balance sheet, we are below our 40% LTV threshold on our investment business, and we are barely activating our debt policy on our development business, which is very cash flow positive.

Nevertheless, we understand how dividends are important for investors, and therefore we maintain a very progressive dividend policy. For 2021, we announced 15 fils per share, and then for 2022, we announced 16 cents per share which was a 7% growth in terms of dividend per share.

Do expect us to maintain a progressive dividend policy. But given we are growth story and we have a lot of opportunity to deploy capital and grow this company further, you should model dividend payouts at the lower end of the dividend policy range.

Operator
Thank you. The next question is, can you talk about the Apollo investment in 2022? There are some subsidiaries involved as well.

Faisal Falaknaz

Okay. So, Apollo was three tranches. The first one was a $500 million land JV that was done at the Aldar Group level. The idea there was that we would monetize some of our long-term land bank that we wouldn't activate today and use that money to activate shorter-term land bank, which we are doing.

The second tranche was a hybrid which was issued at the AIP level, which is a Baa1 rated entity by Moody's. That was issued at the 5.625% percent coupon, which, if you look at rates today, it was a very good outcome for us in hindsight.

And then lastly, the third leg was the $400 million equity investment. So, this was Apollo's first private investment into the region, and they invested that $400 million at NAV, which was a testament to the quality of the assets, the defensibility of the portfolio, the strength of the management team, and Abu Dhabi as a destination for that international capital.

They own 11% of the company. They are a minority shareholder, and they have just typical reserved rights matters like any other minority shareholder would. We were never out for just raising financial capital. This was more validation for the platform and having a like-minded investor be part of our growth journey going forward.

Operator
Thank you. The next question is, can you please discuss operating cash flows for the quarter? It seems that you paid a significant amount for land purchase up front. I would think it is related to Al Fahid mainly.

Faisal Falaknaz
We can break it up; So, Aldar Investment is a very strong cash flow generating business. The proxy to look at cash generation, probably that is adjusted EBITDA that we report to the market, which takes out fair value gains. Aldar Projects, which, again, is a fee-based business, is also very cash flow positive.

Aldar Development today is on a very strong growth mode. So, we used to be a business that sold $1 billion in residential product every year. Last year, we sold $3 billion. This year--and sorry, I'll just switch to dirhams, we announced about 11 billion dirhams, or 10.6 billion dirhams of sales in the UAE for the first half, which is close to what we sold in a single year last year.

So, yes, to answer your question, that cash flow from operations includes some land payment. It's not significant, however, because, again, those land payments are on a back-ended payment plan. The second thing is the current rules here in Abu Dhabi is you cannot access the first 20% of escrow money until you finish 20% completion on the project.

So, given we are launching a number of projects across our master plans, we are putting that initial investment today to fund that initial 20%. However, beyond that, we can then release that and start funding it completely from escrow accounts, and we have strongly been pushing on our payment plans. So, today, given how strong the market is, not only are we increasing prices across the various products we are putting out in the market, we are also pushing payment plans to have 60, 70, 80% during construction.

And last point is the point I made earlier, which is the CFO includes the cash flows from the government contracts, which, to be honest, is distorting the balance sheet and the cash flow statement. But we are looking into solving that.

Operator
Thank you. The next question is, there is a gap between the reported EBITDA and reported operating cash flows. Do you expect this to continue?

Faisal Falaknaz
So, I think the earlier question answered this question.

Operator
Thank you. What portion of your development sales collections are to be received at handover? How much additional CapEx will be needed for the units sold today? And what is the outlook for operating cash flows for the development business over the next two to three years?

Faisal Falaknaz
So, that's the reverse of what I just said. So, we said we are moving towards 60, 70, 80% during completion. One minus that is what you get, what we receive at handover. We provide no post handover payment plan, so everything has to be paid at handover.

We don't give guidance on the CapEx. But on the outlook, you take the current backlog and then you model the revenue recognition over the next three years at the margin of around, you know, that 30-ish percent level, and then you should get very close to what the EBITDA should be.

Operator
Thank you. How does management think of the housing projects that are done through government initiatives? Would these nationals fit in your existing target market that you have sold to directly and made a higher margin?

Faisal Falaknaz
So, first thing, this doesn't compete with us, because those projects are in a very different vicinity to where we develop for the private sector. The second thing, those projects are done within the Aldar Projects franchise, and they were typically done on a cost-plus basis. So, the government tenders it out to us, and then we build it out and we charge a margin on top of that to the government. And that's our fee. We take no risk whatsoever.

The interesting project that was announced recently is Balghaiylam, which is an 8 billion dirham project. This is really one of the new initiatives that the government has been taking where we are running the sales process for the government. Again, we're not taking commercial risk here. The only risk we're taking is tendering out the cost.

So, the way this works, this is not a cost-plus project. This is what we call a fixed price contract. So, we agree the prices in advance with the government, and then it is with us to go and tender those costs out. This is all pre-funded by the government, pre-funded by the housing loans that is given to the Emiratis that are eligible for those national houses, pre-funded by the bank loans from the private sector that are also finding those national houses. However, we make a 1 or 2% margin higher than what we typically make on the cost-plus model, given we are taking, in theory, some commercial risk when it comes to cost.

Operator
Thank you. What is the expected upfront CapEx needed on these land parcels acquired before installments start funding construction?

Faisal Falaknaz
So, most of the land is primary infrastructure enabled. But, again, we don't provide guidance on CapEx.

Operator
Thank you. Can you please discuss the tax treatment for qualifying assets again?

Faisal Falaknaz
Okay, two major announcements. So, the first one was the transitional tax announcement when it comes to land. So, a lot of the land bank that sits on our balance sheet is sitting on a relatively low cost basis, given it was either granted land or acquired back in the days. So, what the government has announced is basically you get to re-baseline your cost basis so that you are not taxed on the profits that were there on a historical basis.

So, let's say for example your land today is sitting on the books for 10. However, the fair value of the land is actually 70 or 80. Then you get to use the 70 or 80 in your COGS, which basically reduces your overall tax bill. Now, the implementation of that is still to be determined, but that's the rationale of the rule.

The second thing is REITs. So, the legislation is out. We are still studying the impact of this. But where this is mostly relevant, and it might be relevant to other sides of the business, but AIP will be considered to be converted to a REIT if it is tax beneficial for us.

Operator
Thank you. What has been the trend of real estate prices and rents on Abu Dhabi land? Has there been a decline in FV of old residential compounds owned by the company?

Faisal Falaknaz

Okay. So, I assume that's referring to the investment portfolio. The majority of the investment portfolio is apartments. It's not villas. So, you're seeing the strong growth come across villas, which we're sellers of, not renters of.

On the apartment side, given the strong macroeconomic environment here in Abu Dhabi, the growing population, our residential portfolio is trading at very high occupancies, but it's steady-state growth. So, we're not seeing the very, very strong growth in rents. We are seeing low digit rental growth, but it's a very stable and defensive portfolio.

Operator
Thank you. The next question is, what kind of returns that should we expect from the recent school acquisitions?

Faisal Falaknaz
So, those acquisitions are part of our strategy to have both a mix of greenfield and brownfield. So, we've announced a number of greenfield here in Abu Dhabi on Saadiyat, on Yas. And with greenfield, other than taking two or more years to build the school, it takes five, six, seven years for that school to become cash flow positive.

And therefore, what we are trying to do is focus on brownfield acquisitions, which are immediately income accretive, similar to the acquisition we did here in Abu Dhabi, which is Virginia. That was for about 200 million dirhams, similar to the acquisition that we did in Dubai, which is our first entry in Dubai for about, I believe, 140 million dirhams.

And then on the returns, we don't usually disclose those. But the way we look at this is that this is an operating business. So, it requires a return that is higher than your typical real estate, but I'd say that's probably in the mid teens level.

Operator
Thank you. When will you start launching and selling projects in Dubai? And what led to significant growth in presales? Can it reoccur--or recur?

Faisal Falaknaz
We are on the ground running to get ready for our Q4 launch in Dubai, which we are very excited about and confident about us being able to capitalize on the strength of the brand and the comprehensive offering that we offer, not only as a developer but as a community builder, and bring in a lot of the synergies that we have across the group, which is our schools, our retail, our hotels, our offices, etc.

Significant growth in presales, I've been talking about this while meeting you guys for the past six months since I took over. The trend is the following. Number one, resident expats are converting into first home buyers, and we're seeing a lot of new customers come into our database. We expect that trend to continue playing out, and this is because of the structural reforms that have happened from the government, the golden visas, the 100% legal ownership.

So, this is a very different cycle than the cycle 10 years ago. The population is here to stay. I think Abu Dhabi is proving to be a very attractive destination not only for investment but also for people to live, work, and play in terms of quality of life.

And then the second side which, again, I continue--I was emphasizing, is we are expecting to see a lot more international buying coming to Abu Dhabi. Today, two out of every 10 sales we make is coming from the international markets. We have a very diverse mix in terms of nationalities, and we've been able to achieve that by growing our international brokerage network.

One interesting thing that we're seeing is we've started seeing the Chinese come in. Now, it's not large in terms of a relative basis. But given the amount of time the team has been spending in terms of maturing and growing that network, we're expecting to see a lot more to come from that side of the world.

Operator
Thank you. Can you elaborate a bit on your plans to expand your land bank in Egypt, which locations for which sectors and with which return outlook? Is--what is your main motivation to diversify into Egypt?

Faisal Falaknaz
So, our strategy is to have geographic and sector diversification across both development and investment. Speaking about Egypt, this is a platform that we acquired almost a year and a half ago. We did it by acquiring one of the largest notable developers in Egypt, and we did it with a very strategic partner through consortium, which is ADQ.

And the idea was that we would have a platform that we can inject with strategic land and be able to extract more value out of that company. Immediately after the acquisition, we were able to more than double or triple, I believe, the development sales of that business. And then obviously, the Egyptian economy has been undergoing some economic challenges, especially on the currency devaluation side.

But on a positive note, we're seeing things stabilize. You can see that this quarter we doubled our sales to 600 million versus 300 million in the first quarter. There's a lot of pent-up demand in the market for good quality real estate, be it in the east side or west side of Cairo or the north coast, and prices are not only going up in Egyptian terms, on some of the products that we have launched, prices have even gone up in dollar terms.

The strategy in Egypt generally in terms of expanding the land bank is to do it through revenue share agreements so we don't have to put cash up front. So, there's a revenue share agreement with the government where you develop this project over a specified period and share revenue with the government. And the announcements you saw this year were on two plots, one small plot in the north coast and another larger plot also on the north coast, which has the potential of about 80 billion plus development GDV.

Operator
Thank you. The next question has a few parts. In terms of revenue recognition, does an average project take four years? Looking at historical numbers, is the revenue more equally distributed, that is two--25% each year, or more frontloaded? What about cash collections per year?

Faisal Falaknaz
So, cash collections follow our payment plan structures, which starts with a deposit, and then it follows the construction period followed by handover. So, it varies across the project. But again, we are moving north of 60, 70, 80% during construction.

And then in terms of recognition, the way it works usually is, when we launch a project for presale, we have to award it within six months. And then the construction period from there typically takes about 2.5 to 3 years. However, based on the current backlog that we have, I think it's fair to assume that the majority that backlog will be recognized on average over a three-year period over the next few years.

Operator
Thank you. Can you please provide more details on your plans to expand education vertical outside of the UAE?

Faisal Falaknaz
So, very excited about our first entry into Bahrain. So, not only does that give us geographic diversification, but it expands our brand. This is going to be the first premium branded school in Bahrain, which has gotten a lot of interest in the market there. There's a lot of demand for good quality education in Bahrain.

There's a continued focus in terms of expanding education outside Abu Dhabi. We've already done that with Dubai through the acquisition of Kent. There are opportunities that will come up through our master planned communities with Dubai Holding. And then we're assessing. Saudi, obviously, is a very interesting market, so we are continuously assessing how to expand Aldar Education into that market.

Operator
Thank you. Once again, that star-one to register a question. Actually, we do have a phone question coming through. Our next question is coming from Nikhil Mishra with Al Ramz Capital. Please go ahead.

Nikhil Mishra
Yeah, thank you for the presentation. Just coming from the last question, it seemed that on the development side. You have presence in Egypt, but are there any plans to move to other

countries within the GCC perhaps from the development perspective, or from the investment or asset management perspective? Thank you.

Faisal Falaknaz
So, our focus will always be our home market, which is the UAE between Abu Dhabi, Dubai, and Ras al Khaimah today, and Egypt, which obviously we have a strong presence. As a proactive asset management company, investor, developer, there are a lot of deals that come on our desk. So, we are constantly assessing those opportunities, and we will come back to the market when there is something, you know, that is close to being crystallized that we are ready to announce. But for the time being, this is our focus.

Operator
Thank you. The next question is, if the old land is revalued higher for taxation, how will it impact P&L and/or margins?

Faisal Falaknaz
So, I don't understand the question. But basically, the land is at fair value, yeah? So, that's the way it is assessed. So, I'm not sure if you are saying if the land is overvalued what happens. In that case, it would have been impaired in the first place, so I don't think we would run into that scenario.

Operator
Is there any particular reason to drop in like for the adjusted EBITDA at Aldar Investment from AED 671M to AED 667M?

Faisal Falaknaz
Drop in adjusted EBITDA? So, where is that come--number coming from? So that's the organic like-for-like.

Okay, so a number of things. We've been investing into the platform, so there's the annualization of impact of the G&A, which would come in this year and then go away in future years. On retail, given the repositioning that we have happening on Al Jimi, so that has had somewhat of a drop on the asset. I think that's pretty much it. But in general, the portfolio is growing. On an NOI basis, it's growing at healthy levels.

Operator
Thank you. The next question is, do you think affordability will be an issue in Dubai due to price increases in the last few quarters?

Faisal Falaknaz
I don't think so. Dubai has proven to cater to a wide range of consumer segments between affordable, mid, high, and luxury. So, as long as you have the right product, the customer demand will always be there.

One argument has been increasing interest rates, which is going to affect demand. Interest rates have been going up for the past year or so, but we haven't seen that impact demand whatsoever. Perhaps the reason is that most of the buyers are cash buyers, and we provide payment plans. So, no, I don't think we're going to have an issue.

Operator
Thank you. When do you expect transactions on education segment to be complete, and what's the expected number of seats to be added?

Faisal Falaknaz
So, the ones we announced are going to be completed very soon, eminently. And then any future transactions obviously will be announced at the time.

Between those two assets, about 6,000 seats to be added, yes, across those schools that we announced, the three. So, Cranleigh, Kent, and Virginia.

Operator
Okay. We are taking the last question. Aldar was not offering payment plan earlier as a strategy. When did this strategy change and why?

Faisal Falaknaz
No, we were always offering payment plans. I think the change is we can be a lot more aggressive on those payment plans and have more developer friendly payment plans. And we've never provided post handover payment plans as well, and we continue to maintain that policy.

Operator
Thank you. Those are all the questions that we're showing for today. Did you have any closing comments?

Faisal Falaknaz
No. Thank you, guys, and I look forward to seeing you in person.

Operator
Thank you. Ladies and gentlemen, this concludes today's event. You may disconnect your lines or log off the webcast at this time and enjoy the rest of your day.