

Alpha Dhabi Holding 1Q25 analyst call

May 5, 2025

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

Good afternoon, everyone. Thank you for joining our Investor Relations call today. My name is Derek Nicholson and I am the Chief Strategy and Investor Relations officer at Alpha Dhabi Holding. We appreciate your time and interest in our company.

Just before we go into the presentation, I am going to read out a disclaimer. This document may include statements that are or may be deemed to be forward-looking statements with respect to the group's financial position, results of operations and business. Information on the group's plans, intentions, expectations, assumptions, goals and beliefs are for general update only and do not constitute or form any part of any invitation or adjustment to engage in any investment activity. Nor does it constitute an offer or invitation or recommendation to buy or subscribe for any securities in any jurisdictions or an offer invitation or recommendation in respect of buying, holding or selling any securities, Alpha Dhabi Holding PJSC.

Alpha Dhabi had a strong start to the year in Q1 of 2025. On this page, we've got some of the key metrics on the company's financial results and then throughout this presentation, I'll give more detail to each of these, but some of the key highlights that I want to explain in more detail include the revenue of AED17.4 billion achieved in the first quarter, which was an increase of 23% on the same period for last year. Adjusted EBITDA of AED4.4 billion, which is 33% up year on year. A return on equity based on the last 12 months rolling profit was 12.5%.

If we look now into the profit and loss, as I've already highlighted, the revenue increased 23% year on year, showing strong growth across the group's portfolio. Our gross profit was up at AED4.2 billion, which is an increase of 31% year on year. Adjusted EBITDA, which is Alpha Dhabi's preferred measure of profitability to provide comparison on a like for like basis, Increased by 33% to AED4.4 billion. Net profit at AED2.1 billion was down from last year as a result of changes in fair value of listed shares and also consolidation adjustments that were reflected in Q1 of 2024. The main driver of the changes in 1Q 2025 was the movement in the Modon share price.

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It should be noted, however, that since the end of the quarter that has been reported, there has been a recovery in the share price in Modon, which was resulted in an increase in the fair value of approximately AED500 million versus the AED700 million loss that was reported in the Q1 results.

In this slide, we also want to highlight the historical growth that Alpha Dhabi has achieved since its listing in 2021, showing the track record of the leadership team to grow the business substantially over that period. Adjusted EBITDA has grown from 2021, at AED5.9billion to AED13.5billion at the end of 2024. As I've already referenced, the movement year on year is from AED3.3 billion to AED4.4 billion and later on in this presentation we'll give a more detailed reconciliation of what those key movements have been in each of the periods.

Net profit again, we want to highlight the strong growth that has been achieved historically by the group growing from AED5.2 billion up to AED13.5 billion at the end of 2024. And while it has reduced from AED4.6 billion in 1Q24 to AED2.1 billion in 1Q25, the main drivers of this are non-recurring items year on year and the underlying operations of the business remain strong. And as we will show, continue to grow.

In the slides, I highlight the key movements that have impacted on EBITDA. So we take out the non recurring items in both years, to provide the like for like comparison. So if we start with the AED5.5 billion of EBITDA that was reported in Q1 last year, we then remove again on the Derecognition of Modon which is an accounting adjustment which is AED1.4 billion, where we changed our holding and Modon from being counted as an associate to an investment who is now fair value through the P&L. We also had a gain of AED600 million related to pure health in terms of a change in our equity position to that and then there was some other movement across our other listed stocks portfolio, all of which are on the ADX. This created a base position on our Adjusted EBITDA of AED3.3 billion for 1Q2024. Then if we add back the reduction in fair value which we recorded in Q1 of this year, which is AED900 million and then there was various other adjustments including which we've grouped together that are AED200 million and that results in an Adjusted EBITDA at the end of 1Q2025 of AED4.4 billion, which we believe is the real measure of showing the growth in the group's performance year on year.

If I move on to the balance sheet, total equity of the group stands at AED93.4 billion, up from AED92.3 billion at the end of 2024, with the owner's equity now standing at AED53.1 billion at the end of Q1. Despite some increased borrowings, we have maintained a very strong and robust balance sheet. Overall, total asset base has grown to AED185.2 billion.

So, as I've already discussed, the equity position is AED93.5 billion. We've also provided a breakdown of some of the borrowings on the group and despite there being some movement in the borrowing position, we've also maintained a strong cash position overall, so that we result in the net debt of AED5.5 billion, which is a conservative position when measured against other elements of the group's balance sheet.

Our return on equity was 12.5% on the rolling 12 months basis and our net debt to EBITDA was 0.19 versus EBITDA and is well within the target of 3x net debt to that the board has said that they will want to operate within. Net debt to total equity stood at 6%. Both of these metrics highlight the considerable capacity that the group has to increase its debt position and deploy further capital and support the future growth of the company.

We'll now go into some segment performance across the group's portfolio. You can see here the performance of some of the key segments within the group. The revenue overall is showing a strong increase year on year and most of the divisions were across the portfolio have grown each year and we can demonstrate that we do not rely on any single sector or company to deliver the growth of the company. Key contributors were real estate at AED6.4 billion, driven by Aldar and the industrial AED6.2 billion, which is driven by NMDC Group. If you then go into the segment performance on terms of profitability, the reduction year on year in real estate is a result of the Modon share price change in fair value. It also reflects the change in Pillar 2 tax rate effective from 2025, which is impacted Aldar and NMDC as well as our construction segment. But both the industrial and construction segments experienced an increase in profitability year on year and the services and other section reflects the derecognition of an associate of AED1.4 billion that was achieved in 2024 and also an increase in the gain on equity at AED600 million. So they were the reason why the services and other was higher in 2024.

I would like to highlight that there are some key companies within the group. These include NMDC group, Aldar and Pure Health, all of which are listed on ADX. It should be noted that NMDC, Aldar, and Trojan are all subsidiaries, whereas Pure Health, while I've shown the revenue figure here, is actually an associate, and we only include our share of net profit which is 35%, which is equal to AED175 million in Q1. Trojan is currently a private group and not listed on ADX, but we feel that we want to start to show the contribution of one of the key companies within the group to our overall results.

I just want to give an overview of the company, just to reiterate the group structure and some of the other key companies that are within the portfolio. So Alpha Dhabi is investing in eight different segments. We do have over 250 subsidiaries and of those subsidiaries seven are listed on the ADX. There are over 95,000 employees within those subsidiaries and through M&A and investment, the group now has a presence in over 45 countries. Some of those key companies that are in the group in each of the 8 segments that make up the company's portfolio are shown on this slide and we also have tried to highlight those that are listed on ADX but that are highlighted in the green dotted box and we've used the key here to explain which companies or subsidiaries which are associates, which are investments and those that are a joint venture for the accounting treatment and Alpha Dhabi's consolidated statements.

In February, we started to issue guidance for the first time and in this I wanted to take the opportunity for those that may not have participated on that call to reiterate what that guidance is. So Alpha Dhabi is providing short term and medium term guidance to the market. In this slide, we highlight the key strategic metrics which we focus on to measure the performance of the group and to ensure stable growth.

Adjusted EBITDA includes profits from subsidiaries and associates as well as dividend income. It excludes non-recurring fair value gains and IFRS accounting adjustments for items such as deconsolidation of a subsidiary. Guidance for adjusted EBITDA in 2025 is in the range of AED17 billion to AED17.5 billion versus the AED13.6 billion that was achieved in 2024. Our targeted future growth for EBITDA for the period 2026 to 2029 is 15% to 20% CAGR. Our EBITDA margin target for the period 2025 to 2029 is in the low 20s percentage range, which is in line with the previous years that we report here on 2023 and 2024.

The targeted capital deployment of the group in 2025 at the Alpha Dhabi level, not the subsidiary, is AED6 billion, which is an increase from the actual amount deployed in both 2023 and 2024, reflecting non existing commitments as well as M&A that we're targeting to conclude this year. The actual amount that will be Deployed is of course subject to the actual timing and completion of any M&A that is in the current pipeline. We also plan to deploy between AED25 billion dirhams and AED30 billion dirhams between 2026 to 2029. We do, of course have flexibility to increase capital allocation in any year if we identify suitable M&A or investment opportunities that are in line with our strategy.

A targeted minimum return on equity for the group for M&A and investment is 15% plus and this forms part of our investment screening process when considering new opportunities. We also aim to maintain a net debt to EBITDA ratio of less than 3x, which given the current low level percentage, provides significant headroom to support future growth by increasing our leverage position.

Alpha Dhabi's growth strategy is inspired by Abu Dhabi Economic Vision 2030. Forward-looking strategic initiatives include priority capital allocation for sectors including financial services, hospitality and energy, which are sectors that are already part of our portfolio. We see significant opportunities in each of these sectors to add to our existing portfolio and deliver significant growth for our shareholders. Alpha Dhabi has a proprietary network which provides it with exceptional access to deal flow from across the globe. This allows us to select the best opportunities that meet our strict investment criteria in the eight key sectors that are part of our existing portfolio. We intend to increase our geographic expansion and have a global mindset in terms of country allocation. We do not have any single specific countries that we are targeting. Today across our portfolio, we have a presence in over 45 countries as a result of acquisitions that we've completed today.

IPOs of existing assets also form a part of our strategy. The company's on timing of any such IPOs will be announced at the relevant time, and subject to multiple factors before deciding to proceed. As an active investor, we actively work with our portfolio companies to identify and implement synergies across our portfolio companies that are value creative to the group. We are committed to driving growth and creating

long term shareholder value as confirmed in the previous slide on the guidance that we we've issued, I would like to thank you for your attention.

We are excited about the future outlook of Alpha Dhabi holding and look forward to continue our journey of growth and success. We are now open to any questions that you may have.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you, Derek, and good afternoon everyone. My name is Afaq Nathani, senior research analyst at International Securities.

We will now open the floor for Q&A. In order to ask a question, Please tap the raise hand button. Once it is your turn, your name will be announced and your mic will be enabled. You will then be able to unmute locally and speak directly with Derek.

Before you ask your question, we request you to please mention the name of the organization you are representing. We have received some questions via e-mail, but we will give a moment here for any questions online to come in.

While we wait for questions to come in, maybe we can start with the questions we've received via e-mail. The first question is on the fair value losses. It reads, the group has recognized losses of approximately AED920 million due to fair value through profit or loss adjustments. Could you please provide further insight into the nature and composition of these investments?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

Thank you for the question. The group owns 8.5% of Modon, which is listed on ADX, and this is the main driver of the movement. In Q1, there was a reduction in the fair value of our shareholding in Modon of over AED700million. However, I do know that as of earlier today, the share price has recovered since the end of Q1, and there has been an increase in the fair value of our shareholding of over AED500 million so far.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you, Derek. We have a question online from the line of Nikhil Mishra. Nikhil, I've enabled your mic now you can unmute locally and speak to Derek directly.

Nikhil Mishra, Al Ramz

Thank you for the presentation and taking the questions. Just one question, so on your guidance, both for 2025 and going forward, just wanted to understand the EBITDA guidance that you provide just to get a sense of you know, how much of that is it going to be organic in nature and how much is it going to be driven by the capital deployment, especially towards M&A or inorganic growth. So just some color on that in terms of the difference between organic and inorganic growth going forward. Thank you.

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

Yeah. So in 2025, I think there'll be minimum impact from the M&A given that we haven't announced any major transactions that were new to the group. The only transaction that concluded this year was one in our joint venture with ADNOC Drilling called Enersol. which was just the final closing of the transaction that we did announce in 2024.

And you will see an increase in the contribution from M&A going forward and it's obviously subject to how much capital we deploy and then any individual year we have the ability to upsize what we've put in our plan in any year given the capacity that we have versus our balance sheet, but one of the key elements is that we continue to see strong organic growth from existing portfolio companies. And if you look at the size of them today in terms of the revenue and the profitability and the level of maturity that they have, they will still continue to be a large contributor to our portfolio, so we will see an increase but we are privileged in that we have an existing portfolio that is very strong today.

Nikhil Mishra, Al Ramz

Alright. And just to confirm once again, so this 15 to 20% CAGR over 26-29, does it include any impact of that potential M&A or is it all organic? Just to clarify that?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

No. When we do our planning, we do financial modelling to project what would be the impact of that capital that we would allocate the sectors that we are targeting to allocate the capital to the potential returns and the timing of that M&A and as well as our targeted growth rates for investments that we want to do. And obviously we

have the business plans, they come from the subsidiary companies within the group where we get insight and analysis on what their future growth looks like as well. So there is sensitivity analysis, stress testing that we do on the model. And I think the growth that we are projecting there, I think we are confident that we can achieve that.

Nikhil Mishra, Al Ramz

Thank you. And just one more question, if I may, on the dividend. So what's your you know, how should we look at the dividends going forward for this year for 2025 and beyond?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

Yeah. So at this time we recognize that we have not formally published a dividend policy. At the time of Alpha Dhabi's IPO and the period since then, we were focused on the growth. But we do recognise the importance of capital returns to our shareholders. We continuously evaluate our approach based on the financial performance, market conditions and strategic priorities, as well as the cash flow position of the group. We did distribute our first dividend of AED2 billion in 2024, which was the first dividend since the IPO of the group. We have not announced at present any additional dividends that would be plans for 2025 but given the fact that we have started to distribute dividends, I think it's fair to say that the company will look to continue to distribute dividends in the future and will announce the amount that it would distribute when the decision is taken by the board.

Nikhil Mishra, Al Ramz

Thank you, Derek. Thank you very much.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you, Nikhil. That was Nikhil Mishra from Alramz. We have another question from the line of Divyal Santosh from Falcon Investments. Divyal, I have enabled your mic. You can unmute locally and proceed with your question please.

Divyal Santosh, Falcon Investments

Thanks, Derek. Just on the cash, which is available of around AED28.8 billion, so can you just give us an understanding how it will be used along with the leverage over

the next coming years? As in, are you planning to deploy the available cash on a ongoing basis and later on use the leverage?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

So I think we we want to optimise our capital structure in terms of deployment. I want to highlight that AED28 billion is on a consolidated basis, which also includes key subsidiaries such as Aldar, NMDC , and Trojan and some of the cash within Aldar itself as it reports in its own accounts is restricted in terms of its own commitments. But yes, we have a cash flow that is developed for looking at the outlook of the company and our capital deployment plans, any dividend plans that we may have in the future and any debt that we want to raise. We triangulate all of that in terms of money coming in money to be deployed, financial covenants that we may have in terms of debt, cash flow, so that we balance out the optimization of use of cash to the benefit of the long term returns of our shareholders.

Divyal Santosh, Falcon Investments

So this AED28.8 billion includes subsidiaries. So can you just give some color on the available cash excluding the subsidiaries?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

Yeah. So as at the end of 1Q, Alpha Dhabi had AED3.1 billion of cash at the standalone basis.

Divyal Santosh, Falcon Investments

Got it. Thank you, Derek. Thank you.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you Divyal.

We'll wait for a few questions to come in online participants. Just a reminder, if you would like to ask a question, please tap the raise hand button and we'll announce your name in the mic.

Meanwhile, we can go back to the questions we received via e-mail. All right, we've received a question online. This is from the line of Ahmed Bani Hani. Ahmed, I've

enabled your mic. You can proceed with your question after unmuting locally please.

Ahmad Banihani, Fint Abu Dhabi Bank

Thank you for taking my question. I have two questions.

The first one is related to the Alpha Dhabi and Mubadala Credit JV reached around AED3.7 billion portfolio. What types of credit opportunity are you targeting and how close are you to achieve the around 9 billion goal by 2028?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

So the joint venture that we have with Mubadala, Alpha Dhabi has 20% share in the economic rights, but it has 50% share in governance rights. So we're able to approve or reject any of the credit opportunities that are submitted to the investment committee. Those transactions are sourced by Apollo in the USA and they will take those transactions and bring them to the investment committee. Alpha Dhabi has representation for CIO and our head of Treasury, who sit on that credit committee and will approve or reject transactions as they see fit in terms of meeting the criteria. We still remain on track to deploy the capital, the USD2.5 billion that was announced at the time of the transaction, but obviously its subject to transactions being sourced by Apollo that meet the investment criteria and then them subject being approved at the time. But I think so far the fact that we've achieved the major milestone in terms of capital deployment, shows that there is the ability to source the transactions and approve them and deploy capital. So we'll continue to target to, to meet the deployment rate, but ensure that we invest in the right transactions.

Ahmad Banihani, Fint Abu Dhabi Bank

Yeah. My second question related to the acquisition of 74% stake in NCTH because it was a significant move. What synergies do you expect from this acquisition and are there other major acquisition plan for 2025? Thank you.

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

Yeah. So I think that transaction was a good opportunity for Alpha Dhabi to combine its public and private investments in the hospitality sector. As I highlighted earlier in the presentation, hospitality is a priority sector for the group. We want to deploy more capital. For us, as the shareholder, NCTH was an associate for us in 2024, we did not consolidate, but by merging these two assets and the shareholders

approving the transaction, we took the Saint Regis Saadiyat, two Chevo Blanc hotels, one in the Seychelles and one in the Maldives that are super prime luxury and the Al Wathba luxury collection resort in Abu Dhabi. So we were able to take private assets and transfer them to a public listed entity. We've increased the scale and size and depth of the combined group and we are confident that this newly combined group will be able to grow further in the future.

I think any strategy in terms of what the leadership want to do with that organization, I think it's only fair that they would be the ones that are best placed to comment on that to the market but obviously we took our private assets into public listed entity because we saw that it was going to be supported in terms of the growth of that group going forward. So, we're happy with the transaction so far and hopefully in the near future there will be some announcements from NCTH in terms of how they wish to grow thereafter.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you, Ahmed.

That was Ahmed Banihani from First Abu Dhabi bank.

Participants, if there are any questions, you may tap the raise hand button and we'll come back to you.

We can take another question we received via e-mail. This one reads, is there a plan to list any of the groups private portfolio companies? If so, could you please provide clarity on the expected timeline or strategic considerations surrounding the potential IPOs of these unlisted assets?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

Yes, we do want to IPO the private assets at some point in the future as I have written on the slide that's on the screen here. We do continuously evaluate the strategic options for our portfolio companies and including IPOs, which is part of our value creation strategy. But any decision about doing an IPO will be subject to the market conditions, the company readiness and alignment with our long-term investment objectives. We do have a disciplined approach to monetization strategies, ensuring that any public listing when pursued will maximize the value for both our shareholders and their respective portfolio companies themselves. We do remain open to IPO opportunities, we will assess them on a case by case basis and at the

appropriate time, we would announce any of those companies that we do want to pursue an IPO for. Rest assured IPO of private assets does form part of our strategy and we will announce at the right time.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you, Derek. That's very clear.

Another question that we received reads, out of the 8 verticals the group operates in, which industry does the group believe will be the key growth avenue for the group's profits?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

So if you look at the company's portfolio today, the larger sectors being real estate industry and construction. They will continue to be key drivers of the growth of the group, especially when you consider the current size that they have in terms of their financial position and where they are within the portfolio and their organic growth plans that they have and then in some circumstances any M&A that they also wish to do outside of the Alpha Dhabi Holding entity.

However, the leadership within Alpha Dhabi is focused on growing the contribution of the other sectors within the group that today may be smaller, but in the future we want them to have a larger contribution to our portfolio. Again, as is listed on the slide on screen just now, energy, hospitality and financial services, which financial services today sits within our investment pillar with our shareholding and we are the digital bank. We do already have some existing capital commitments to these sectors, such as our joint venture with ADNOC Drilling, which is called Enersol. Last year that concluded 4 transactions on the M&A which were resulted in deploying USD800 million of USD1.5 billion that the JV announced. So we still have a USD700 million that we were looking to deploy on the announced JV with Enersol. And as we were saying within the presentation, our guidance is that these are going to be priority sectors for capital allocation going forward. Our aim is to maintain a disciplined approach to our capital allocation that meet our investment criteria KPIs and we believe will deliver sustainable returns for our shareholders going forward.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you, Derek. We have one more question we received via e-mail.

This is on tax rates. It reads, the group has recognized an additional top up tax expense to align with 15% global effective tax requirements. Could you provide further insight into how the group's tax profile will evolve going forward?

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi

OK. So obviously some of the companies within the group meet the criteria where they're subject to the Pillar 2 tax rate that was effective from 1st of January this year where the rate changed from 9% to 15%. However, not all of the companies are subject, and have reached that threshold in terms of the revenue. However, as those entities grow their revenue in the future, some of them may transition from the 9% rate to 15% rate and will obviously have to account for that change to the tax position as and when they meet that.

Given that Alpha Dhabi is a holding company, the taxation for those subsidiaries, especially those that are listed, they have their own individual teams that manage the taxation affairs and they're the ones responsible and all Alpha Dhabi will do is look at some of those other subsidiaries within the group and ensuring that as much as possible, we will optimize tax structures to protect the interests of the group going forward, particularly when we are going to do a lot of cross-border M&A in the future as part of our capital deployment. Any of those transactions that we do, we appoint tax advisors to ensure that we implement efficient tax structures at the time of doing those M&A on the weigh in and to protect our interest, should we wish to exit them in the future.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you, Derek. One final call, participants, if you have any questions, please feel free to raise your hand at this point. We will give a moment here for any further questions to come in.

All right, Derek, we have no further questions at this point. I'll pass on back to you for any closing remarks that you may have.

Derek Nicholson, Chief Strategy & Investor Relations, Alpha Dhabi OK, everyone.

Thank you for your time today and insightful questions. I want to reiterate that the Alpha Dhabi leadership team and the Board are committing to executing our strategy, driving sustainable growth and delivering long term value to our shareholders. We obviously review the dynamic market conditions and we are confident in our strong fundamentals, disciplined capital allocation and the resilience of growth of our portfolio. We appreciate your continued support and interest in Alpha Dhabi and we look forward to providing further updates in the coming quarters. Thank you.

Afaq Nathani, CFA, Senior Research Analyst, International Securities

Thank you, Derek and Alpha Dhabi, for comprehensive review and taking the questions. Participants, thank you for joining the call today. A recording of the call will be available. You may get in touch with either International Securities or Alpha Dhabi for access to the recording. Have a nice day everyone. You may now disconnect. Goodbye.