

Financial Review



Aldar produced a strong financial performance in 2019 and achieved progress on a number of strategic initiatives designed to generate further growth in 2020 and beyond.

The Company recorded 17% growth in revenue and solid increases in gross profit and net income, of 5% and 4% respectively.

The Company operates a straight-forward business model, with two major, complementary platforms: development management and asset management. Over several years we have progressively enhanced our disclosure, policies and guidance to underline the distinctive nature of these businesses.

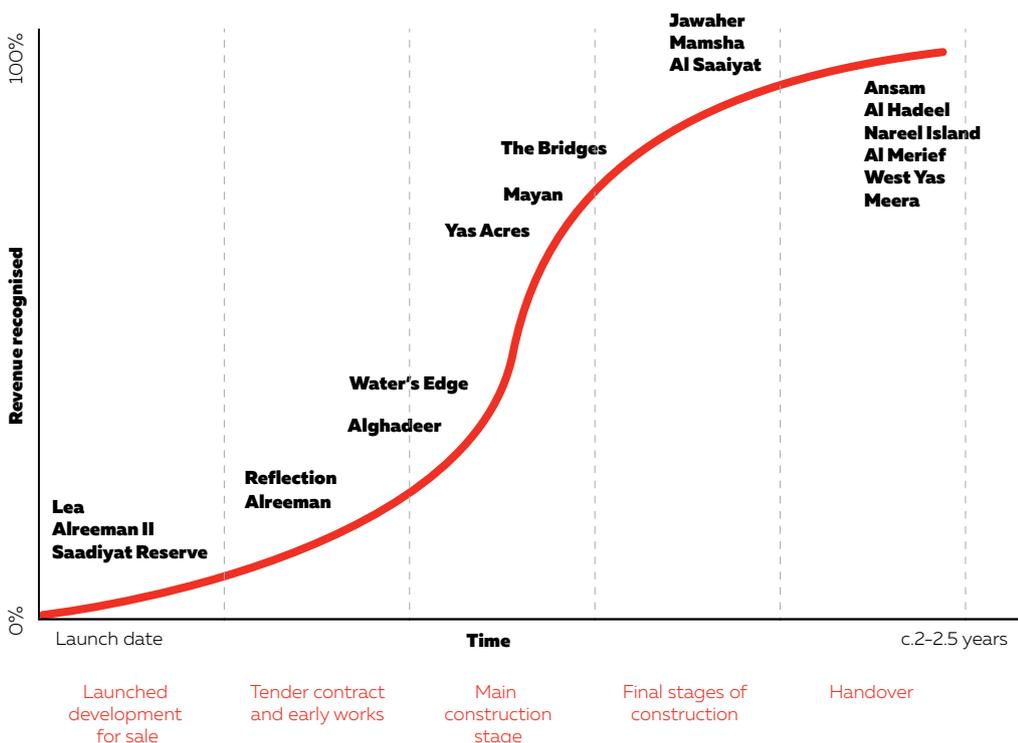
Our development management business continues to deliver a positive performance, posting a fourth consecutive year of over AED 1 billion of gross profit in 2019. Aldar benefits from a diverse development pipeline of projects at various stages of construction

that fuel property development revenue recognition on off-plan sales over the project construction lifecycle with newly launched development projects providing visibility on future revenues over the coming years. This primary revenue driver is supplemented by fee income from managing third-party projects and sales from land and completed inventory. As at 31 December 2019, the contracted revenue backlog stood at AED 4.4 billion, up 5% from a year earlier.

Fourth consecutive year of AED 1 billion or higher DM gross profits delivered

AED 1bn

DM revenue based on progress of completion



Development Management
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This core property development activity drives a high proportion of the profit generated by the development management business. It is complemented by a management franchise, which leverages Aldar's development and procurement capabilities to provide services to third-parties for a fixed management fee or on a fixed-price basis.

In 2019, Aldar received tender awards for AED 5 billion worth of projects from the Government of Abu Dhabi to manage the development of infrastructure, national housing and a commercial free-zone on Yas Island. These awards were testament to the capability of Aldar's franchise, and have driven an upward adjustment to this segment's standalone profit guidance to AED 150 million per year from the previous AED 100 million.

% increase in DM segmental profit guidance to AED 150 million per year over 2019-2022

50%

Development sales backlog as at 31 Dec 2019

AED 4.4bn

Development sales during 2019 reached a record AED 4.0 billion, up 53% from 2018. This was driven by four highly successful launches and a proactive sales strategy for existing inventory under development and nearing completion, which included 'The Perfect 10' campaign.

The strategic TDIC asset acquisition, which included Saadiyat Island land plots and several projects under development, was an important driver of 2019 development performance as we advanced these key projects to handover and launched the Saadiyat Reserve development.

Our development pipeline now includes over 6,500 residential units and is 83% sold across all projects currently under development. Over the past two years, this business has shifted from solely launching new projects to having a consistent stream of handovers to customers. In 2019, this was predominantly driven by the Meera, Mamsha Al Saaiyat and Jawaher projects. This development pipeline as illustrated in the chart opposite demonstrates where each project is within its development cycle.

% sold across all developments launched for sale

83%

Consolidation among Abu Dhabi developers over the last decade has resulted in a more constructive supply dynamic within Abu Dhabi, and we see important macro-economic drivers emerging that will create demand for real estate in the coming years. In 2020, we will continue to assess new opportunities for well designed, thoughtful product, that addresses under-served segments of the market. As such, we have maintained our development sales guidance at AED 4 billion.

Our asset management business achieved a resilient performance in 2019, with 6% growth in net operating income, supported by recent asset additions including the Etihad JV assets, the opening of the Al Jimi Mall extension and the full-year impact of the acquired TDIC operating assets. While we saw continued pressure on our like-for-like rates in key segments, such as retail and residential, the quality and diversity of this unique portfolio ensured that our income streams remained robust despite a challenging environment.

This growth and resilience is a credit to the unique scale and sector diversification of our platform, which we believe to be the most efficient platform for real estate ownership in the region. Following the transfer of all long-term real estate assets into our 100% owned subsidiary Aldar Investments in 2018, that business achieved a credit rating of Baa1 from Moody's – the highest for any non-GRE (government-related entity) in the region.

"The Perfect 10 event – a 10-day event that generated AED 0.5 billion in new development sales in Q4 2019."

Financial Review (continued)

Highest net operating income achieved to date

AED 1.7bn

Aldar Investments subsequently successfully raised better priced, longer duration bullet debt, allowing for the generation of strong cash flows to deliver attractive dividends and for reinvestment to drive future growth.

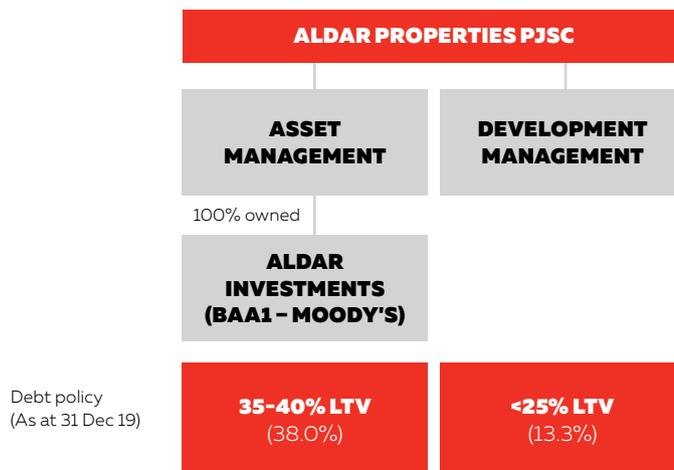
The asset management business now owns close to AED 20 billion in high-quality real estate assets, diversified across the residential, retail, office, hotel and education segments. The portfolio represents a unique portfolio of income-generating real estate in Abu Dhabi, one of the few remaining 'AA' rated economies globally. Abu Dhabi will remain at the core of Aldar's growth strategy and we see attractive opportunities to expand this business through development to hold investment in the portfolio and via acquisitions.

In 2020, we expect to see growth from our asset management business, driven by the full year impact of the Etihad asset acquisition and Al Jimi Mall extension that opened in early 2019, as well as growth across our key adjacent businesses, Aldar Academies, Khidmah and Provis. As such we have set our net operating income guidance for 2020 at AED 1.8 billion.

Our financial position as at 31 December 2019 remains solid. The Group continues to generate strong operating cash inflows across both businesses and maintaining gross debt levels well within the debt policy levels for both asset management and development management businesses.

"Aldar Investment has the highest credit rating for a non-GRE corporate in the region at Baa1."

Prudent capital management and governance in place



Gross cash stood at AED 5.7 billion as at 31 December 2019, of which AED 2.6 billion is free cash, AED 2.3 billion restricted cash and AED 0.8 billion in escrow. The Group remains well funded and has strong liquidity through existing undrawn debt facilities of AED 3.4 billion.

Our dividend policy provides transparency and visibility on shareholder returns. This pay-out is based on the underlying performance of both the asset management and development management businesses.

The Board has recommended a 4% increase in dividend for 2019 to 14.5 fils per share, with a proposed total pay-out of AED 1.14 billion. This increase was supported by the resilient performance of our asset management business, which generated approximately 80% of the total proposed dividend, and the realisation of cash profits from development projects moving into handover phase.

The dividend policy is based on a 65-80% pay-out on distributable free cash flow from the asset management business plus a 20-40% pay-out on realised cash profit from the development business upon handover of developments.

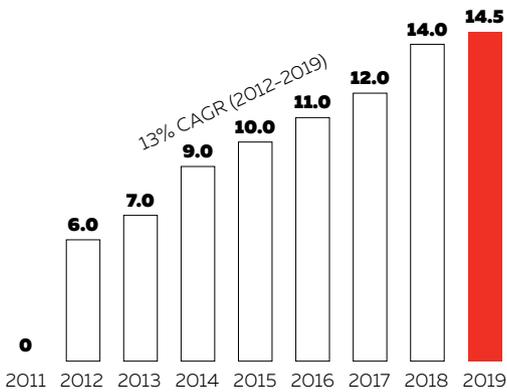
Eighth consecutive progressive dividend declared

8th

Dividend policy

		Asset Management business	Development Management business
POLICY	PAY-OUT FACTOR	Distribute free cash flow	Realised profit
	RANGE	65-80%	20-40%
METHODOLOGY/KEY DRIVERS		Net operating income less: Interest expense Maintenance capex Overheads	+ Upon completion and handover of development
2019 DIVIDEND: 14.5 FILS PER SHARE		~80%	~30%

Dividend policy (fils)



In 2019, we launched our first Sustainability Report. Sustainability is a key priority for Aldar as we seek to improve our performance across our four key sustainability pillars – the economy, people, community and environment. We are committed to driving a strong performance culture because we believe that by conducting ourselves respectfully and creating value for all our shareholders is best achieved by balancing the needs of today with the needs of tomorrow. Launching this report marks a significant step towards greater transparency and constructive engagement with our stakeholders and reaffirms our commitment towards sustainable development.

In the first few months of 2020 we saw Covid-19 quickly escalate to become a global pandemic. Our priority remains the health and safety of our employees, communities and customers. We continue to monitor the situation, closely, guided by UAE authorities and global organisations such as the World Health Organisation.

While it is too soon to assess the impact the virus will have on our business, Aldar is entering this challenging period from a position of strength. We have a robust balance sheet and conservative debt position and we maintain a comfortable liquidity position, with over AED 5 billion unrestricted free cash and undrawn committed credit facilities as well as near term debt maturities.

Greg Fewer
Chief Financial & Sustainability Officer

■ **Sustainability Report**
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