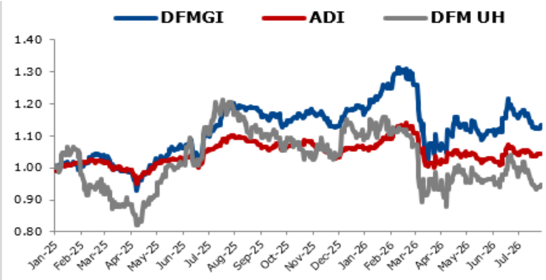
Dubai Financial Market PJSC (DFM)

Higher trading activity and investment income supported operating earnings

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.44	AED 2.00	+39%	BUY

- DFM's earnings from Clearing, Settlement & Depository fees rose from AED 36 Mn in 2Q25 to AED 54 Mn in 2Q26, reflecting higher trading activity.
- Added 42,864 new investors in 1H26, with 71.4% comprising international investors, reflecting strong international participation.
- DFM's trading commission fees increased 15.9% YOY to AED 143 Mn in 2Q26, supported by higher trading activity.
- DFM's operating income increased 17.9% YOY to AED 213 Mn in 2Q26, supported by higher trading-related and clearing, settlement and depository fees.



Stock Information	
Market Cap (AED, Mn)	11,680.00
Paid Up Capital (Mn)	8,000.00
52 Week High	1.78
52 Week Low	1.31
3M Avg. daily value (AED)	3,423,857

2Q26 Result Review (AED, Mn)	
Total Assets	12,370
Total Liabilities	3,181
Total Equity	9,189
Total Income	304
Net Profit	230

Financial Ratios	
Dividend Yield (12m)	4.48
Dividend Pay-out (%)	53.81
Price-Earnings Ratio(x)	17.63
Price-to-Book Ratio (x)	1.27
Book Value (AED)	1.15
Return on Equity (%)	7.22

Stock Performance	
5 Days	1.39%
1 Months	-2.01%
3 Months	2.10%
6 Months	-13.10%
1 Year	-16.57%
Month to Date (MTD%)	3.55%
Quarter to Date (QTD%)	0.00%
Year to Date (YTD%)	-11.52%

2Q26 Net Profit higher than our estimate

Dubai Financial Market PJSC ("DFM/the Company") reported net profit of AED 230 Mn in 2Q26 with a sharp decline of 60.7% on a YOY basis, higher than our estimate of AED 144 Mn. The decline in net profit is mainly due to absence of one-off gain on sale of investment property which was AED 462 Mn in 2Q25, partially offset by higher trading & commission fees, dividend income along with higher clearing, settlement & depository fees, coupled with lower G&A expenses and Tax expenses.

P&L Highlights

Dubai Financial Market's operating income increased 17.9% YOY to AED 213 Mn in 2Q26. DFM recorded strong growth in trading commission fees, which increased from AED 124 Mn in 2Q25 to AED 143 Mn in 2Q26, and clearing, settlement & depository fees, which increased from AED 36 Mn in 2Q25 to AED 54 Mn in 2Q26. Broker fees and listing & market data fees remained broadly stable at around AED 3 Mn each in 2Q26, while other fees declined significantly by 35.1% YOY to AED 10 Mn. Total traded value increased by 40.4% YOY to AED 119.5 Bn in 1H26 supported by sustained institutional participation and continued international investor activity. Investment income also increased by 5.6% YOY to AED 60 Mn in 2Q26, while dividend income grew from AED 2 Mn in 2Q25 to AED 26 Mn in 2Q26. Similarly, finance income increased from AED 1 Mn in 2Q25 to AED 5 Mn in 2Q26. However, the absence of the gain on sale of investment property recognised in 2Q25 resulted in total income declining from AED 702 Mn in 2Q25 to AED 304 Mn in 2Q26, a decrease of 56.7% YOY. General and administration expenses declined by 13.3% YOY from AED 46 Mn in 2Q25 to AED 40 Mn in 2Q26, while amortisation of intangible assets remained stable at AED 14 Mn. Consequently, total operating expenses decreased from AED 60 Mn in 2Q25 to AED 54 Mn in 2Q26, representing a decline of 10.3% YOY. Tax expense also decreased significantly from AED 58 Mn in 2Q25 to AED 20 Mn in 2Q26, declining by 65.0% YOY.

Balance Sheet Highlights

DFM's total assets increased from AED 11.8 Bn in 4Q25 to AED 12.4 Bn in 2Q26. Meanwhile, total financial assets and investments accounted for the largest portion of total assets, increasing from AED 6.1 Bn in 4Q25 to AED 6.7 Bn in 2Q26. Furthermore, the Company's total liabilities increased 35.4% YTD to AED 3.2 Bn in 2Q26, majorly due to increase in payables & accrued expenses and corporate tax liability. DFM's total equity post NCI stood at AED 9.2 Bn in 2Q26. The Company's net cash generated from operations improved from negative AED 53 Mn in 4Q25 to positive AED 212 Mn in 2Q26 due to higher cash generated from operations.

Target Price and Rating

We maintain our BUY rating on DFM with a revised target price of AED 2.00. DFM reported a net profit of AED 230 Mn in 2Q26, supported by higher trading commission fees and stronger clearing, settlement & depository fee income, which drove operating income up 17.9% YOY to AED 213 Mn. However, net profit declined from AED 585 Mn in 2Q25 to AED 230 Mn in 2Q26, primarily due to the absence of the one-off gain on sale of an investment property of AED 462 Mn recognized in 2Q25, resulting in total income declining from AED 702 Mn in 2Q25 to AED 304 Mn in 2Q26. Despite the earnings decline, DFM's core operating performance remained robust, with total traded value increasing 40.4% YOY to AED 119.5 Bn in 1H26 and average daily traded value rising 45.1% YOY to AED 1 Bn in 1H26, supported by sustained institutional participation and continued international investor activity. During 1H26, DFM attracted 42,864 new investors, of which 71.4% were international investors. Institutional investors accounted for 71.2% of total traded value, while foreign investors contributed 51% of trading activity, highlighting the exchange's growing international appeal. For 1H26, total consolidated revenue stood at AED 557 Mn compared with AED 889 Mn in 1H25, mainly due to the one-off investment property sale in the prior-year period. Excluding this non-recurring item, the underlying business continued to demonstrate strong momentum, with operating revenue increasing 44.4% YOY to AED 385 Mn in 1H26, reflecting higher market activity. Net profit before tax stood at AED 443 Mn in 1H26, while expenses excluding tax increased marginally to AED 114 Mn as DFM continued investing in market infrastructure and technology while maintaining spending discipline. Supported by resilient trading activity, strong liquidity, growing participation from institutional and international investors, and continued initiatives to strengthen Dubai's capital markets. Thus, we maintain our BUY rating on the stock.

DFM - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	110.9	78.3	35.0	30.6	11.9	16.1
PB (x)	1.4	1.4	1.4	1.3	1.2	1.2
EV/EBITDA	62.2	49.7	28.0	23.3	10.1	13.3
BVPS	0.996	0.994	1.025	1.071	1.183	1.207
EPS	0.013	0.018	0.041	0.047	0.121	0.089
DPS	0.030	0.017	0.035	0.032	0.065	0.070
Dividend yield (%)	2.1%	1.2%	2.4%	2.2%	4.5%	4.9%

FABS Estimates & Co Data

FAB SECURITIES أبوظبي الأول للأوراق المالية

DFM – P&L

(AED MM)	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Trading commission fees	124	147	143	135	6%	15.9%	-2.9%	403	552	37.0%
Brokers fees	3	3	3	3	-5%	-0.8%	-2.3%	12	13	5.0%
Clearing settlement & depository fee	36	16	54	30	77%	50.6%	NM	81	105	30.0%
Listing & market data fees	3	3	3	3	-6%	1.7%	-5.4%	12	12	6.0%
Other fees	15	2	10	16	-39%	-35.1%	NM	23	24	3.0%
Operating income	**181**	**172**	**213**	**188**	**13.4%**	**17.9%**	**23.8%**	**531**	**706**	**33.0%**
Investment income	57	55	60	57	6.4%	5.6%	8.8%	221	238	7.7%
Other income	0	1	0	0	NM	NM	NM	0	1	NM
Dividend Income	2	20	26	15	NM	NM	28.8%	55	51	-5.8%
Finance income	1	5	5	2	NM	NM	2.4%	10	11	NM
Gain on sale of investment property	462	0	0	0	NM	NM	NM	462	0	NM
Reversal of impairts. on fin. assets	0	0	0	0	NM	NM	NM	1	0	NM
Total Income	**702**	**253**	**304**	**261**	**16.4%**	**-56.7%**	**20.1%**	**1,279**	**1,008**	**-21.2%**
General & administration expenses	-46	-46	-40	-91	-56.1%	-13.3%	-12.8%	-167	-166	-0.5%
Amortisation of intangible assets	-14	-14	-14	-14	NM	NM	0.0%	-56	-56	0.0%
Interest Expense	0	0	0	0	NM	-39.9%	18.6%	-1	0	NM
Total Operating Expenses	**-60**	**-60**	**-54**	**-105**	**-48.5%**	**-10.3%**	**-9.7%**	**-224**	**-222**	**-0.7%**
Tax	-58	-16	-20	-13	59.9%	-65.0%	29.3%	-86	-71	-17.9%
NCI	0	0	0	0	NM	7.1%	NM	3	0	NM
Net Profit	**585**	**178**	**230**	**144**	**60.0%**	**-60.7%**	**29.3%**	**966**	**714**	**-26.0%**

FABS estimate & Co Data

Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	YOY Ch.
Operating Margin	25.7%	67.9%	70.0%	NM	213	41.5%	70.1%	NM
Net Profit	323.9%	103.4%	108.0%	NM	462	182.0%	101.2%	NM

FABS estimate & Co Data

Key Developments:

- **7 January 2026:** Dubai Clear and Nasdaq Dubai received European Securities and Markets Authority (ESMA) Tier 1 recognition, making them the first MENA CCPs recognized under EU market infrastructure standards.
- **9 June 2026:** DFM received recognition from the Swiss Financial Market Supervisory Authority (FINMA) as a foreign trading venue, enabling FINMA-supervised Swiss financial institutions to access DFM directly and allowing trading of Swiss-incorporated equities on the exchange.

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value DFM. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.80	70.0%	1.26
Relative Valuation (RV)	2.48	30.0%	0.74
Weighted Average Valuation (AED)			**2.00**
Current market price (AED)			1.44
Upside/Downside (%)			+39%

1) DCF Method:

DFM is valued using free cash flow to equity since the Company is debt-free. We have discounted the cash flow using the cost of equity of 9.1%. The cost of equity is calculated using a 10-year government bond yield of 5.6%, a beta of 0.90, and an equity risk premium of 3.9%. Government bond yield is calculated after adding Dubai's 10-year spread over a 10-year US risk-free rate.

Sum of PV (AED, Mn)	3,916
Terminal value (AED, Mn)	10,458
FV to Common shareholders (AED,Mn)	**14,374**
No. of share (Mn)	7,996
Current Market Price (AED)	1.44
Fair Value per share (AED)	**1.80**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	705	737	775	798	821
(+) D&A	74	75	76	77	79
Working Capital	170	679	110	110	110
(-) Capex	-14	-14	-14	-19	-20
Free Cash Flow to Equity (FCFE)	**934**	**1,477**	**946**	**966**	**991**
Discounting Factor	0.96	0.88	0.81	0.74	0.68
Discounted FCFE	**451**	**1,306**	**767**	**718**	**674**

Source: FAB Securities, [1]Adjusted for partial year

FAB أبوظبي الأول للأوراق المالية SECURITIES

2) Relative Valuation:

We have used regional as well as global peers to value DFM, which is valued using the PE multiple. It is valued at a 2026 PE multiple of 27.8x, close to its regional peer.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
BSE Ltd	11,353	38.2	32.5	52.0	44.7
NASDAQ Inc	48,911	19.6	18.1	25.6	23.0
Singapore Exchange Limited	13,862	20.3	19.0	27.8	25.7
Hong Kong Exchanges	70,343	11.2	10.4	31.8	29.6
Deutsche Borse	46,708	12.1	11.4	17.9	16.6
London Stock exchange	64,184	10.4	9.6	18.2	16.5
Saudi Tadawul Group Holdings	6,367	28.0	24.3	35.8	28.5
Average		**20.0x**	**17.9x**	**29.9x**	**26.4x**
Median		**19.6x**	**18.1x**	**27.8x**	**25.7x**
Max (Quartile 3)		**24.2x**	**21.7x**	**33.8x**	**29.1x**
Min (Quartile 1)		**11.6x**	**10.9x**	**21.9x**	**19.8x**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst		
Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@bankfab.com
Sales & Execution		
Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

DISCLAIMER