Earnings Call Insight | 3Q26

UAE Equity Research | Sector: Financials | Market: ADX

Dubai Financial Market (DFM)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.27	AED 2.00	+58%	BUY

3Q26 Net Profit is slightly lower than our estimate

- Dubai Financial Market's operating income decreased 11.7% YOY to AED 126 Mn in 3Q26, primarily reflecting a decline in trading commission fees and clearing, settlement & depository fees, partially offset by growth in brokerage fees, listing & market data fees and other fees.
- The Company's trading commission fees declined 10.5% YOY to AED 101 Mn in 3Q26, while clearing, settlement & depository fees decreased 29.3% YOY to AED 15 Mn. Brokerage fees increased 1.8% YOY to AED 3.2 Mn, while listing and market data fees grew 1.1% YOY to AED 3.1 Mn in 3Q26. Other fees rose from AED 2 Mn in 3Q25 to AED 3.3 Mn in 3Q26.
- Investment income increased 16.2% YOY to AED 64 Mn in 3Q26, while dividend income decreased from AED 1.4 Mn in 3Q25 to AED 0.5 Mn in 3Q26. Finance income increased 5.1% YOY to AED 5 Mn in 3Q26. Overall, total income declined 4.1% YOY to AED 196 Mn in 3Q26.
- G&A expenses increased 6.5% YOY to AED 39 Mn in 3Q26, while amortization of intangible assets remained stable at AED 14 Mn, compared to 3Q25. Total operating expenses increased 4.3% YOY to AED 53 Mn in 3Q26, while the cost-to-income ratio increased from 24.8% in 3Q25 to 27.0% in 3Q26.
- Net profit attributable to shareholders declined 4.3% YOY to AED 130 Mn in 3Q26, due to higher G&A expenses and lower trading commission fees, partially offset by rise in Investment Income and lower corporate tax expense.
- Total assets decreased from AED 12.4 Bn in 2Q26 to AED 12.1 Bn in 3Q26. Investment deposits decreased from AED 4.9 Bn in 2Q26 to AED 4.7 Bn in 3Q26, while financial assets measured at FVOCI edged down from AED 1.3 Bn to AED 1.2 Bn during the same period.
- Total liabilities decreased from AED 3.2 Bn in 2Q26 to AED 2.8 Bn in 3Q26, primarily reflecting a decrease in payables and accrued expenses from AED 3.0 Bn to AED 2.6 Bn during the same period. Total equity increased from AED 9.2 Bn in 2Q26 to AED 9.3 Bn in 3Q26.
- Net cash from operating activities turned to an outflow of AED 302 Mn in 3Q26 from an inflow of AED 21 Mn in 3Q25.

Earnings Call Summary

- DFM attributed the moderation in 3Q26 trading activity to geopolitical uncertainty and weaker market sentiment, while highlighting the return of institutional investors since late September 2026 and early October 2026. The Company also noted that investment banks and international institutions are relocating staff to the region and expanding their local teams.
- The Company's average daily traded value increased 25.0% YOY to AED 883 Mn in 9M26, supported by improved market liquidity, new listings, market-making initiatives and increased investor participation.
- DFM attributed the 29.3% YOY decline in 3Q26 clearing, settlement & depository fees to the irregular nature of collateral registrations, which arise when banks extend credit lines against clients equity holdings and show no seasonality. The Company now budgets this line on a three-year average, compared to a five-year average previously.
- DFM indicated potential annual growth of 10.0–15.0% in clearing, settlement and depository income over the medium term, although the Company cautioned that revenue remains highly dependent on large transactions and could fluctuate significantly, with a single large transaction capable of lifting growth to c. 50.0%.

- DFM indicated that trading commission yields are influenced by fee thresholds and rebate programmes for market makers and other stakeholders, resulting in variations between traded value and commission revenue.
- DFM expects to increase the sukuk allocation over the coming months to secure attractive fixed-income yields over the next five years, while deposits will remain the largest component of the investment portfolio, accounting for c. 69.0% of the Company's AED 6.7 Bn main financial assets at an average profit rate of c. 4.5%, compared to an average fixed profit rate of c. 5.0% on sukuk.
- DFM reiterated its dividend policy of a minimum payout of 50.0% of distributable profits after statutory reserve, tax and other deductions, with additional payouts subject to AGM approval. The Company is distributing the gain from its 2025 land sale over a minimum of three years to maintain consistent payouts. DFM also clarified that the negative FVOCI reserve reflects mark-to-market valuation on the balance sheet and has no impact on the P&L.
- DFM remains optimistic about its 2027 IPO pipeline, noting that planned IPOs in 2026 were deferred rather than cancelled. One deferred IPO is expected to list in November 2026, while no further listings are expected during the remainder of 2026.
- DFM continues to support market liquidity through engagement with listed companies, initiatives to increase free float and investor outreach, highlighting previous MSCI index inclusions resulting from these efforts.
- DFM has onboarded c. 100,000 new investors annually over the past five years, compared to an average of c. 4,500 per year before 2021. The Company highlighted the UAE Ministry of Finance Retail Sukuk as a new asset class for retail investors and is building a retail yield curve for the instrument.
- DFM's ARENA platform aims to help growth-stage companies (Series C and beyond) raise capital from DFM's c. 1.3 Mn investors and support future listings, with revenue contributions expected over the medium to long term. The Company expects the CMA to announce the platform's go-live date during 2026.
- DFM continues to attract listings from underrepresented sectors, targeting the gap between Dubai's GDP mix and the sectors represented on the exchange, while expanding retail investment products and improving market access.

DFM – P&L

AED Mn	**3Q25**	**2Q26**	**3Q26**	**3Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Operating income	143	213	126	130	-2.6%	-11.7%	-40.6%
Total Income	**204**	**304**	**196**	**205**	**-4.1%**	**-4.1%**	**-35.4%**
Operating expenses	-51	-54	-53	-54	-1.9%	4.3%	-1.9%
Tax	-14	-20	-13	-13	-3.9%	-5.4%	-36.2%
Profit for the period	**136**	**230**	**130**	**137**	**-4.9%**	**-4.3%**	**-43.2%**

FABS estimate & Co Data

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%

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