First Look Note | 3Q26

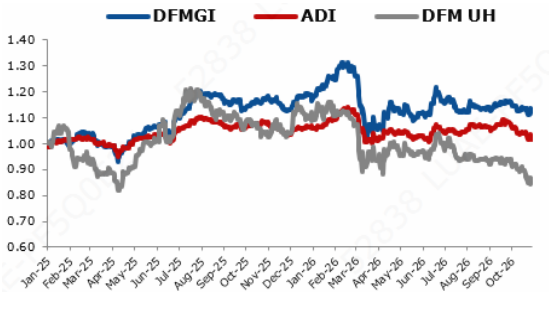
UAE Equity Research | Sector: Financials | Market: DFM

Dubai Financial Market PJSC (DFM)

Lower trading activity and higher operating expenses weighed on earnings

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

- Total traded value decreased 11.5% YOY to AED 42.5 Bn during 3Q26.
- DFM added 55,460 new investors during 9M26, of which 72% were international investors, bringing the total investor base to over 1.3 Mn. It added 12,596 investors during 3Q26 compared to 22,162 investors in 2Q26.
- Average daily traded value (ADTV) increased 25% YOY to AED 883 Mn during 9M26.
- Total number of trades increased 24% YOY to 3.16 Mn during 9M26, while the average daily number of trades rose 26% YOY to c. 17,200 during the same period.



Stock Information	
Market Cap (AED, Mn)	10,120.00
Paid Up Capital (Mn)	8,000.00
52 Week High	1.78
52 Week Low	1.23
3M Avg. daily value (AED)	2,808,865

3Q26 Result Review (AED, Mn)	
Total Assets	12,066
Total Liabilities	2,773
Total Equity	9,292
Total Income	196
Net Profit	130

Financial Ratios	
Dividend Yield (12m)	5.14
Dividend Pay-out (%)	53.81
Price-Earnings Ratio(x)	15.42
Price-to-Book Ratio (x)	1.09
Book Value (AED)	1.16
Return on Equity (%)	7.06

Stock Performance	
5 Days	-1.17%
1 Months	-8.33%
3 Months	-12.15%
6 Months	-11.54%
1 Year	-19.94%
Month to Date (MTD%)	0.40%
Quarter to Date (QTD%)	-8.99%
Year to Date (YTD%)	-23.33%

3Q26 Net Profit is slightly lower than our estimate

Dubai Financial Market PJSC ("DFM/the Company") reported a 4.3% YOY decline in net profit attributable to shareholders to AED 130 Mn in 3Q26, slightly lower than our estimate of AED 137 Mn. The decrease in net profit was primarily driven by lower trading commission fees and clearing, settlement & depository fees, coupled with higher G&A expenses, partially offset by higher brokers fees, listing & market data fees, other fees, investment income and finance income, along with lower tax expenses.

P&L Highlights

Dubai Financial Market's operating income decreased 11.7% YOY to AED 126 Mn in 3Q26. DFM's trading commission fees decreased 10.5% YOY to AED 101 Mn in 3Q26 due to a decline in total traded value, while brokerage fees increased 1.8% YOY to AED 3.2 Mn. Clearing, settlement & depository fees declined 29.3% YOY to AED 15 Mn, while listing & market data fees grew 1.1% YOY to AED 3.1 Mn in 3Q26. Other fees increased 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 other expenses rose from AED 0.03 Mn in 3Q25 to AED 0.11 Mn in 3Q26. Dividend income decreased from AED 1.4 Mn in 3Q25 to AED 0.5 Mn in 3Q26, while finance income grew 5.1% YOY to AED 5 Mn in 3Q26. The Company recorded a gain on sale of investment property of nil in 3Q26, compared to a loss of AED 0.3 Mn in 3Q25. Consequently, total income declined 4.1% YOY to AED 196 Mn in 3Q26. General and administration expenses increased 6.5% YOY to AED 39 Mn in 3Q26, while amortisation of intangible assets remained stable at AED 14 Mn in 3Q26, compared to 3Q25. Interest expenses declined from AED 0.2 Mn in 3Q25 to AED 0.1 Mn in 3Q26. Consequently, total operating expenses increased 4.3% YOY to AED 53 Mn in 3Q26. Tax exp. decreased 5.4% YOY to AED 13 Mn in 3Q26.

Balance Sheet Highlights

DFM's 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 & accrued expenses from AED 3.0 Bn to AED 2.6 Bn during the same period. The Company's net cash from operating activities turned to an outflow of AED 302 Mn in 3Q26 from an inflow of AED 21 Mn in 3Q25, due to repayment of trade payables & accrued expenses and higher income tax paid.

Target Price and Rating

We maintain our BUY rating with a target price of AED 2.00. DFM recorded a decline in net profit in 3Q26, reflecting lower trading commission fees and clearing, settlement & depository fees, coupled with higher G&A expenses and lower dividend income, partially offset by higher investment income and finance income, along with lower tax expenses and a lower share of profit attributable to non-controlling interest. Total traded value declined by c. 11% YOY to c. AED 42.5 Bn in 3Q26. Average daily traded value increased 25% YOY to AED 883 Mn during 9M26. Total trades rose 24% YOY to 3.16 Mn, while average daily trades rose 26% YOY to c. 17,200 during 9M26. Market capitalisation stood at AED 993 Bn at the end of September 2026, while the DFM General Index declined 1.4% YTD. DFM welcomed 55,460 new investors in 9M26, 72% of whom were international, bringing the total investor base to over 1.3 Mn by September 2026. Institutional investors accounted for 73% of total traded value in 9M26, compared to 70% in 9M25, while foreign investors contributed 51% of trading activity. Foreign ownership stood at 19% of market capitalisation, while institutional ownership reached 86.5% as of September 2026. DFM maintained investment deposits of AED 4.7 Bn and cash and cash equivalents of AED 182 Mn as of September 2026, while financial assets measured at FVOCI stood at AED 1.2 Bn and investments at amortised cost reached AED 662 Mn. DFM paid a dividend of AED 520 Mn (AED 0.065 per share) for 2025 during 2026 and reiterated a dividend policy of a minimum payout of 50% of distributable profits, with the gain from the 2025 land sale to be distributed over a minimum of three years to maintain consistent payouts. In September 2026, DFM expanded digital market access through integration with the baraka investment app, enabling eligible investors to buy DFM-listed securities directly in AED. EFG Hermes also introduced fully digital investor onboarding through the EFG Hermes ONE app in collaboration with DFM and Dubai CSD. Over 18,000 investors subscribed through DFM channels to the UAE Ministry of Finance's inaugural government-backed, Shari'a-compliant Retail Sukuk, as part of DFM's efforts to widen market access and broaden investment opportunities. The Company highlighted the return of institutional investors since late September 2026 and expects one deferred IPO to list in early October 2026, while remaining optimistic about the 2027 IPO pipeline and the upcoming launch of the ARENA growth market platform. Looking ahead, DFM continues to prioritise enhancing market liquidity, expanding investor access and strengthening market infrastructure and product offerings to support the continued development of Dubai's capital markets. Thus, considering the above factors, we maintain our BUY rating on the stock.

DFM - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (x)	95.48	67.40	30.10	26.32	10.27	15.05
PB (x)	1.25	1.25	1.21	1.16	1.05	1.03
EV/EBITDA	53.43	42.54	24.02	19.99	8.72	12.46
BVPS	0.996	0.994	1.025	1.071	1.183	1.200
EPS	0.013	0.018	0.041	0.047	0.121	0.082
DPS	0.030	0.017	0.035	0.032	0.065	0.070
Dividend yield (%)	2.4%	1.3%	2.8%	2.5%	5.1%	5.5%

FABS Estimates & Co Data

DFM – P&L

(AED MM)	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Trading commission fees	113	143	101	99	2.5%	-10.5%	-29.2%	403	489	21.2%
Brokers fees	3	3	3	3	-5.7%	1.8%	2.8%	12	13	3.0%
Clearing settlement & depository fee	22	54	15	22	-30.0%	-29.3%	NM	81	109	35.0%
Listing & market data fees	3	3	3	3	-5.5%	1.1%	4.2%	12	12	6.0%
Other fees	2	10	3	2	NM	NM	NM	23	18	-20.0%
Operating income	**143**	**213**	**126**	**130**	**-2.6%**	**-11.7%**	**-40.6%**	**531**	**641**	**20.8%**
Investment income	55	60	64	67	-3.8%	16.2%	6.9%	221	241	8.7%
Other income	0	0	0	0	NM	NM	NM	0	1	NM
Dividend Income	1	26	1	3	NM	NM	NM	55	51	-5.8%
Finance income	5	5	5	5	-3.7%	5.1%	2.4%	10	20	NM
Gain on sale of investment property	0	0	0	0	NM	NM	NM	462	0	NM
Total Income	**204**	**304**	**196**	**205**	**-4.1%**	**-4.1%**	**-35.4%**	**1,279**	**954**	**-25.4%**
General & administration expenses	-36	-40	-39	-40	-2.7%	6.5%	-2.3%	-167	-173	3.8%
Amortisation of intangible assets	-14	-14	-14	-14	0.0%	0.0%	0.0%	-56	-56	0.0%
Interest Expense	0	0	0	0	NM	NM	NM	-1	0	NM
Total Operating Expenses	**-51**	**-54**	**-53**	**-54**	**-1.9%**	**4.3%**	**-1.9%**	**-224**	**-230**	**2.5%**
Tax	-14	-20	-13	-13	-3.9%	-5.4%	-36.2%	-86	-65	-24.2%
NCI	4	0	0	0	NM	NM	-16.1%	3	0	NM
Net Profit	**136**	**230**	**130**	**137**	**-4.9%**	**-4.3%**	**-43.2%**	**966**	**659**	**-31.8%**

FABS estimate & Co Data

Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	YOY Ch.
Operating Margin	70.0%	70.0%	64.4%	-560	-564	41.5%	67.2%	NM
Net Profit	95.2%	108.0%	103.2%	800	-476	182.0%	102.8%	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 a 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.96	70.0%	1.37
Relative Valuation (RV)	2.09	30.0%	0.63
Weighted Average Valuation (AED)			**2.00**
Current market price (AED)			1.27
Upside/Downside (%)			+58%

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 5.9%, a beta of 0.90, and an equity risk premium of 3.7%. 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)	4,479
Terminal value (AED, Mn)	11,187
FV to Common shareholders (AED, Mn)	**15,667**
No. of shares (Mn)	7,996
Current Market Price (AED)	1.27
Fair Value per share (AED)	**1.96**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY2031E
Net Income	641	722	802	853	912	974
(+) D&A	74	75	76	78	79	81
Working Capital	269	576	88	98	100	98
(-) Capex	-13	-14	-16	-21	-23	-24
Free Cash Flow to Equity (FCFE)	**971**	**1,359**	**951**	**1,007**	**1,068**	**1,130**
Discounting Factor	*0.99*	*0.90*	*0.83*	*0.76*	*0.69*	*0.64*
Discounted FCFE	**239**[1]	**1,227**	**787**	**764**	**742**	**720**

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

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 2027 P/E multiple of 22.9x, close to its regional peer.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
BSE Ltd	14,974	31.7	27.2	44.1	37.7
NASDAQ Inc	58,604	19.3	17.4	25.5	22.3
Singapore Exchange Limited	17,202	25.3	19.0	28.5	26.7
Hong Kong Exchanges	58,781	5.6	5.5	23.4	22.9
Deutsche Borse	64,771	16.0	15.1	24.3	22.6
London Stock exchange	60,707	11.8	10.9	19.6	17.2
Saudi Tadawul Group Holdings	3,463	24.3	21.0	41.6	34.7
Average		**19.1x**	**16.6x**	**29.6x**	**26.3x**
Median		**19.3x**	**17.4x**	**25.5x**	**22.9x**
Max (Quartile 3)		**24.8x**	**20.0x**	**35.0x**	**30.7x**
Min (Quartile 1)		**13.9x**	**13.0x**	**23.9x**	**22.4x**

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%

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