

Dubai Financial Market PJSC

Strong growth in trading and commission fees boosted profitability

4Q22 Net profit higher than our estimate

Dubai Financial Market PJSC ("DFM/the Company") net profit declined 11.1% YOY to AED 59 Mn in 4Q22, higher than our estimate of AED 37 Mn. The decline in net profit is mainly attributable to a decline in trading commission fees and a rise in operating expenses partially offset by growth in investment income.

P&L Highlights

DFM's operating income declined 14.5% YOY to AED 82 Mn in 4Q22 mainly due to a fall in trading and commission income partially offset by a rise in clearing settlement & depository fees. DFM's trading and commission fees declined 23.0% YOY to AED 65 Mn in 4Q22 driven by a fall in total traded value from AED 33.0 Bn in 4Q21 to AED 20.5 Bn in 4Q22. The Company's brokers fees declined 5.2% YOY to AED 3 Mn in 4Q22 whereas clearing settlement & depository fees rose from AED 5 Mn in 4Q21 to AED 9 Mn in 4Q22. Moreover, listing & market data fees and other fees rose from AED 2.4 Mn and AED 0.3 Mn in 4Q21 to AED 2.6 Mn and AED 1.9 Mn in 4Q22 respectively. The company's investment income rose 66.7% YOY to AED 28 Mn in 4Q22 due to higher income from investment deposits. The company's dividend income stood at AED 4 Mn in 4Q22 as compared to nil income in 4Q21 due to higher dividends from investment in FVTOCI. As a result, DFM's total income rose marginally 1.9% YOY to AED 114 Mn in 4Q22. G&A expenses rose significantly 27.8% YOY to AED 42 Mn in 4Q22. Amortization of intangible assets remained unchanged at AED 14 Mn in 4Q22. Interest expense declined from AED 2 Mn in 4Q21 to AED 0.1 Mn in 4Q22. Resultantly, total operating expenses rose 14.6% YOY to AED 56 Mn in 4Q22. Profit expenses stood at AED 1 Mn in 4Q22 whereas share profit attributable to non-controlling interest holders rose to AED 2 Mn in 4Q22.

Balance Sheet Highlights

Investment deposit declined from AED 3.3 Bn in 2021 to AED 2.5 Bn in 2022 due to decline in short-term investment. Investment in financial assets measured at FVOCI increased from AED 813 Mn in 2021 to AED 969 Mn in 2022. Total liabilities fell 21.7% to AED 1.6 Bn in 2022. DFM's cash and cash equivalents stood at AED 469 Mn in 2022 as compared to AED 259 Mn in 2021. Furthermore, the Company generated a negative cash flow from operation of AED 158.6 Mn in 2022 compared to an inflow of AED 338.3 Mn in 2021.

Target price and recommendation

We maintain our BUY rating on Dubai Financial Market with a revised target price of AED 1.62. DFM recorded a marginal improvement in trading volume in 4Q22 as compared to 3Q22. This is despite the listing of five new securities to the market. The number of bonds & sukuk listed on the DFM rose from 134 in 2021 to 151 in 2022. The market capitalization of listed securities on DFM increased 41.4% to AED 582 Bn in 2022. DFM's total traded value rose from AED 72 Bn in 2021 to AED 90 Bn in 2022 recording an average daily traded value of AED 357 Mn in 2022 against AED 291 Mn in 2021. The company added 167,332 new investors from 212 countries leading to a solid investor base of more than 1 Mn total investors in 2022. Moreover, the Company diversified its asset

Rating : BUY

First Look Note – 4Q22

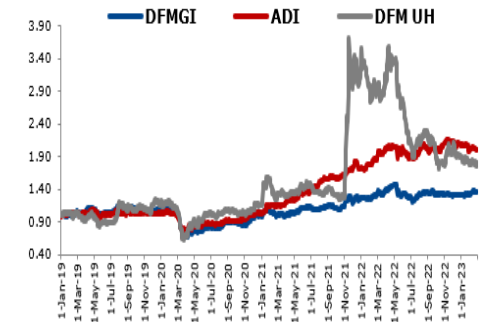
Sector: Financial

Recommendation

Current Price (28-Feb-23)	1.41
Target Price (AED)	1.62
Upside/Downside (%)	+15%

Stock Information

Market Cap (mm)	11,520.00
Paid Up Capital (mm)	8,000.00
52 Week High	2.95
52 Week Low	1.36
3M Avg. daily value (AED)	7,753,781



Financial Ratios

Dividend Yield (12m)	2.13
Dividend Pay-out (%)	0.00
Price-Earnings Ratio (x)	76.34
Price-to-Book Ratio (x)	1.42
Book Value (AED)	0.99
Return-on Equity (%)	1.85
Earning Per Share (AED)	0.02
Beta	2.24

Stock Performance

5 Days	0.70%
1 Months	-1.37%
3 Months	-11.66%
6 Months	-17.24%
1 Year	-39.24%
Month to Date (MTD)	0.00%
Quarter to Date (QTD)	-4.64%
Year to Date (YTD)	-4.64%

class by introducing trading in crude oil and new equity futures which will lead to an increase in commission income and allow investors to hedge their risk. The government of Dubai plans to list 10 government-related companies on the DFM in line with its objective to boost the total market capitalization to AED 3 Tn which will provide a significant opportunity for the Company in the near term. Furthermore, the board of directors propose a cash dividend of AED 134.7 Mn for the year 2022 and also proposed a new dividend policy that includes a minimum dividend payment of 50% of the profits every year. Thus, based on our analysis, we maintain our BUY rating on the stock.

DFM PJSC - Relative Valuation

(at CMP)	2018	2019	2020	2021	2022	2023F
PE	91.8	95.5	83.5	110.9	78.3	74.9
PB	1.5	1.5	1.5	1.4	1.4	1.4
EV/EBITDA	38.5	35.7	31.4	38.2	32.9	32.3
Dividend Yield	0.0%	1.7%	0.0%	2.1%	1.2%	1.2%

FABS estimate & Co data
DFM PJSC - P&L

(AED Mn)	4Q21	3Q22	4Q22	4Q22F	Var.	YOY Ch	QOQ Ch	2021	2022	Change
Trading commission fees	84	41	65	60	9.1%	-23.0%	58.2%	168	200	19.3%
Brokers fees	4	3	3	3	6.3%	-5.2%	0.9%	15	14	-6.3%
Clearing & depositary fee	5	4	9	5	94.5%	82.0%	133.4%	18	26	41.1%
Listing & market data fees	2	2	3	3	4.5%	8.1%	7.1%	10	10	1.7%
Other fees	0	2	2	1	84.3%	478.7%	10.6%	5	7	38.3%
Operating income	96	52	82	71	15.4%	-14.5%	56.0%	216	257	19.0%
Investment income	17	21	28	21	34.5%	66.7%	29.1%	72	80	10.8%
Other income	0	0	0	0	NM	NM	NM	3	0	-90.0%
Dividend Income	0	0	4	0	NM	NM	NM	7	14	101.0%
Profit Income	0	1	1	1	-28.7%	NM	-28.7%	0	4	NM
Total Income	112	75	114	92	24.2%	1.9%	53.1%	298	355	19.0%
G&A expenses	-33	-35	-42	-37	12.8%	27.8%	21.2%	-140	-150	7.2%
Amort. of intangible assets	-14	-14	-14	-14	-2.6%	0.0%	0.0%	-56	-56	0.0%
Interest Expense	-2	0	0	-3	-104.6%	-106.7%	NM	-3	-1	-64.4%
Total Operating Exp.	-49	-49	-56	-55	2.9%	14.6%	15.2%	-199	-207	4.1%
Profit Expenses	0	-1	-1	-1	-28.7%	NM	-28.7%	0	-4	NM
NCI	0	0	-2	0	NM	NM	NM	-5	-3	-31.5%
Net profit	67	26	59	37	59.2%	-11.1%	130.9%	104	147	41.7%

FABS estimate & Co data

DFM PJSC - P&L Margins

	4Q21	3Q22	4Q22	YOY Ch	QOQ Ch	2021	2022	Change
EBITDA Margin	88.6%	83.9%	53.2%	-3531	-3070	61.0%	62.9%	192
NPM	69.6%	48.9%	72.4%	279	2351	34.8%	41.5%	665

FABS estimate & Co Data

FAB Securities Awards



Best Brokerage House in UAE 2016 & 2017 by "Banker Middle East"



Best Brokerage House in UAE 2016, 2017, 2019 and 2020 by "IFA"



Best Brokerage in the UAE 2016 By "Global Investor/ ISF ME Awards"



Best Research House in UAE 2016 and 2020 by "IFA"



Best New Mobile Application in UAE 2016 by "IFA"



Best Equity Finance Company in UAE 2016 by "IFA"