

Dubai Financial Market PJSC (DFM)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.40	AED 1.50	+7%	HOLD

4Q24 Net Profit lower than our estimate

- Dubai Financial Market (DFM) reported an 18.9% YOY decline in operating income, reaching AED 108 Mn in 4Q24 attributable to a fall in the clearing, settlement & depository fees partially offset by a strong growth in trading commission fees. While brokers fees, listing & market data fees, and other fees remained at remained largely unchanged in 4Q24 compared to 4Q23.
- Investment income fell 13.1% YOY to AED 43 Mn in 4Q24 owing to decline in interest rates impacting the yield on deposits and investments.
- Reversal of impairment rose significantly from AED 9 Mn in 4Q23 to AED 19 Mn in 4Q24 attributable to a provision taken against an old investment in a fund managed by one of the GREs that performed adversely post-2008. The investment was liquidated in 4Q24 resulting in a positive impact on the bottom line.
- As a result, total income declined 10.1% YOY to AED 172 Mn in 4Q24.
- The net profit fell 21.5% YOY to AED 101 Mn in 4Q24 with a net profit margin of 94.1% in 4Q24 compared to 97.3% in 4Q23.
- DFM witnessed a significant growth in the retail investor base which grew 120% to 138,000 investors.
- Investment deposits remained at the same level as 3Q24 at AED 3.4 Bn in 4Q24.
- The net cash from operating activities stood negative at AED 186 Mn in 4Q24 compared to AED 7 Mn in 4Q23.

Earnings Call Summary

- Dubai Financial Market (DFM) declared a dividend of AED 256 Mn equivalent to 3.2 fils per share in FY2024.
- DFM reversed the provision for a legacy investment by AED 9 Mn in 4Q24.
- The company does not foresee any future risks or unexpected exposures from its investment holdings
- DFM is reclassifying a plot of land, initially planned as its headquarters, into investment property due to a shift in strategy. The asset, with a book value of AED 231 Mn, was last valued in September 2024 and is now worth over twice its book value.
- DFM holds AED 1.2 Bn in investments and AED 3.4 Bn in deposits as of 4Q24. A part of this worth AED 1.7 Bn is tied to investor funds, which are not available for use by DFM. The remaining AED 1.7 Bn of the company's own liquidity will be allocated to asset classes like Sukuk, with an increasing focus on this sector.
- The company is also exploring other alternative investments, though there are no immediate plans for significant changes in the short term.
- DFM anticipates a slight reduction in interest rates from 5.5% to around 4.5% as rates continue to decline in 2025.
- The fee structure for DFM, established in 2006, remains unchanged. The market continues to operate with a 12.5% fee rate for certain transactions, which brokers may adjust based on trading volumes.
- Most of the increase in expenses in 2024 was attributed to technology investments and the launch of new initiatives, such as the wallet platform, the Amina platform (focused on private markets), and the Capital Market Summit. For 2025, DFM expects these investments to continue, with no significant surprises in general and administrative (G&A) expenses.
- DFM maintains dividend payout ratio of 50% to be distributed to shareholders.

- The vast majority of DFM's investment in equity portfolio is listed on the Dubai Financial Market. The recent increase in equity holdings is primarily attributed to participation in new IPOs.
- DFM's IPO pipeline is strong, with three to four potential transactions expected over the next year. The company is optimistic about market activity.
- DFM is also focused on enhancing liquidity through improved engagement between issuers and institutional investors, particularly via its international presence in Miami and New York. This helps improve visibility and engagement with investors, further promoting Dubai as a key financial hub.
- Additionally, the company is committed to the development of its private market platform and is working on increasing sustainability in its product offerings.

DFM PJSC – P&L

AED Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch
Operating income	133	92	108	132	-18.7%	-18.9%	17.5%
Total income	191	155	172	199	-13.5%	-10.1%	11.2%
Operating expenses	-62	-51	-61	-60	2.6%	-1.5%	19.8%
Tax	0	-9	-10	-11	-14.3%	NM	5.7%
Profit for the period	129	94	101	128	-20.6%	-21.5%	7.6%

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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