

Tecom Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.35	AED 3.90	+16.4%	BUY

2Q25 Net Profit higher than our estimate

- Tecom's revenue grew 21.5% YOY to AED 709 Mn in 2Q25, while direct cost increased 23.2% YOY to AED 235 Mn in 2Q25.
- Gross profit rose 20.7% YOY to AED 474 Mn in 2Q25 with a 46 bps YOY decline in gross profit margin to 66.8% due to higher direct costs.
- G&A expenses reduced 22.2% YOY to AED 40 Mn, whereas marketing & selling expenses increased 9.0% YOY to AED 12 Mn in 2Q25.
- Tecom's EBITDA rose 24.3% YOY to AED 568 Mn in 2Q25, with the EBITDA margin standing at 80.0% in 2Q25 compared to 78.2% in 2Q24.
- Operating profit grew 26.1% YOY to AED 446 Mn in 2Q25 due to higher gross profit and lower operating expense. Operating profit margin rose from 60.6% in 2Q24 to 62.9% in 2Q25.
- Tecom's net profit increased 21.3% YOY to AED 377 Mn in 2Q25, driven by strong top-line performance, operational efficiencies, and a favourable business environment across TECOM's commercial, industrial, and land segments in Dubai.
- Tecom reached a high occupancy level of 95% across Commercial and Industrial leasing as of 30 June 2025 showcasing strong tenant demand and limited vacancy in both commercial office spaces and industrial properties, while Land Leasing occupancy marginally improved to 99% as of 30 June 2025.
- Number of customers increased 5% YOY to more than 12,200 in 2Q25.

Earnings Call Summary

- Tecom witnessed high rental rates due to robust occupancy levels. Moreover, strong demand for quality stock with lower supply benefited the Company's top line.
- Funds from operations (FFO) increased 17% YOY to USD 984 Mn in 1H25, supported by improved collections, high-quality revenues, and efficient cost management, enabling strong and predictable cash flow generation.
- Achieved a 99% collection rate in 1H25, demonstrating the stability of its tenant base, effective credit risk management, and the resilience of its recurring income model even amid ongoing macroeconomic challenges.
- The Board declared an interim dividend of USD 400 Mn for 1H25 (equivalent to 8 fils per share) in line with TECOM's policy, with management also guiding for a 10% increase in 2H25, pending shareholder approval.
- Tecom has 11.9 Mn square feet of GLA within the industrial leasing segment and 177 Mn square feet of GLA within the land lease segment alongside a range of support services.
- TECOM emphasized strict cost control measures across all business units, which helped improve operating efficiency and preserve margins, despite inflationary pressures and higher enhancement capex. These efforts included vendor contract optimization, centralized procurement, and energy-saving initiatives, all contributing to enhanced profitability in 1H25.
- Dividend policy is under review, and TECOM plans to propose a revised framework in March 2026 General Assembly that balances long-term shareholder returns with strategic reinvestment priorities.
- The commercial segment recorded a 20% YOY increase in revenue, supported by an 8% increase in average rental rates in central business districts and improved occupancy rates, which climbed to 94% in 2Q25.

- The industrial segment saw revenue growth of 25% YOY, supported by a 97% occupancy rate in warehouses and 99% in labor accommodations, along with a 10–12% uplift in rental rates in 2Q25.
- Overall tax rate for 1H25 stood c. 3% due to operations in the free zone.
- TECOM highlighted strong liquidity with access to over USD 3 Bn in funding, including USD 2.3 Bn in undrawn committed credit facilities and c. USD 1 Bn in cash in hand.
- TECOM reaffirmed 2025 guidance of 15–17% revenue growth and 18–20% EBITDA growth, supported by a strong lease renewal pipeline, rising rental rates, high retention, and strategic investment in Dubai's thriving business ecosystem.
- The occupancy for CBD assets stood at 94% and for non-CBD at 91% as of 2Q25.
- Overall retention rate improved 3% YTD to 95% in 2Q25.

TECOM – P&L

AED mm	2Q24	1Q25	2Q25	2Q25F	Var	YOY Ch	QOQ Ch
Revenue	584	680	709	677	4.8%	21.5%	4.4%
Direct costs	-191	-215	-235	-223	5.3%	23.2%	9.5%
Gross profit	393	465	474	453	4.5%	20.7%	2.0%
Operating expenses	-39	-41	-28	-53	-46.5%	-28.2%	-32.0%
Operating profit	354	423	446	401	11.2%	26.1%	5.3%
EBITDA	457	540	568	516	10.0%	24.3%	5.1%
Profit before zakat	316	371	389	353	10.0%	22.8%	4.7%
Income Tax	-6	-10	-12	-13	-10.5%	NM	15.0%
Profit to shareholders	311	361	377	340	10.8%	21.3%	4.4%

FABS estimate & Co Data

Guidance:



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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