First Look Note | 3Q25

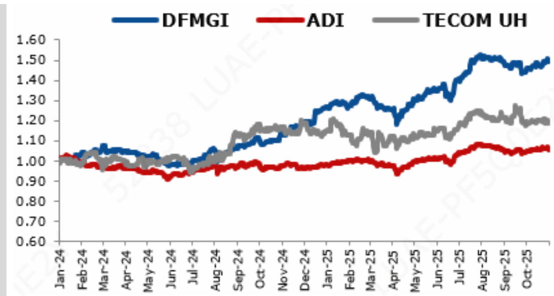
UAE Equity Research   Sector: Real Estate   Market: DFM

Tecom Group PJSC

Growth across all business segments supported by high occupancy boosted topline

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.27	AED 3.90	+19%	BUY

- The Company's revenue grew at a healthy pace in 9M25, owing to a rise in rental rates, high occupancy levels, and income from strategic assets from the previous year.
- Funds from Operations (FFO) experienced a 16.0% YOY growth to AED 1,467 Mn in 9M25 due to improved revenue quality.
- Signed an AED 1.6 Bn acquisition of 33 Mn sqft of industrial land comprising 138 plots in Dubai Industrial City, expanding the total land portfolio to 209 Mn sqft.
- Commercial and Industrial occupancy reached 96%, as of September 2025, up from 94% in September 2024, while the Land lease occupancy increased 8% YOY to 98%.
- The Company distributed a dividend of AED 400 Mn for 1H25, equivalent to AED 0.08 per share.



Stock Information	
Market Cap (AED, Mn)	16,350.00
Shares Outstanding	5,000.00
52 Week High	3.54
52 Week Low	2.82
3M Avg. daily value (AED)	1,757,633

3Q25 Result Review (AED, Mn)	
Total Assets	16,324
Total Liabilities	9,386
Total Equity	6,938
EBITDA	563
Net Profit	373

Financial Ratios	
Dividend Yield (12m)	4.89
Dividend Pay-out (%)	65.12
Price-Earnings Ratio(x)	12.00
Price-to-Book Ratio (x)	2.36
Book Value (AED)	1.39
Return-on Equity (%)	20.95

Stock Performance	
5 Days	0.31%
1 Months	-0.61%
3 Months	-2.68%
6 Months	6.17%
1 Year	3.81%
Month to Date (MTD%)	0.31%
Quarter to Date (QTD%)	1.24%
Year to Date (YTD%)	3.81%

3Q25 Net Profit in line with our estimate

TECOM Group PJSC (TECOM/the Company) net profit grew 9.9% YOY to AED 373 Mn in 3Q25, in line with our estimate of AED 385 Mn. Growth in revenue with higher rental rates along with decline in G&A and tax expenses drove the net profit, which was partially offset by higher finance costs and decline in other income.

P&L Highlights

TECOM's revenue soared 18.5% YOY to AED 724 Mn in 3Q25, attributed to continued capitalization on Dubai's robust economic fundamentals and strong demand for premium Commercial, Industrial, and Land assets. Commercial Leasing segment revenue rose 15.8% YOY to AED 367 Mn in 3Q25, with an occupancy level of 96% in September 2025. On the other hand, the Industrial Leasing segment revenue surged 24.6% YOY to AED 113 Mn in 3Q25, with an occupancy level of 96%. TECOM's revenue from land leasing grew 14.7% YOY to AED 150 Mn in 3Q25, with a healthy occupancy level of 98%. The service revenue rose from AED 73 Mn in 3Q24 to AED 95 Mn in 3Q25. The Company's direct costs increased 12.6% YOY to AED 261 Mn in 3Q25. Thus, the gross profit grew 22.2% YOY to AED 463 Mn in 3Q25 and the gross profit margin also expanded by 192 bps YOY to 63.9% in 3Q25. The Company's G&A expenses declined 12.7% YOY to AED 49 Mn in 3Q25, whereas the selling and marketing expenses remained flat YOY to AED 9 Mn. Moreover, the other income declined significantly from AED 76 Mn in 3Q24 to AED 34 Mn in 3Q25. Other expenses remained steady at nil in 3Q25. Thus, TECOM's total operating expenditure increased to AED 23 Mn in 3Q25, due to a decline in other income. As a result, the operating profit rose 12.5% YOY to AED 440 Mn in 3Q25, while the operating margin declined from 63.9% in 3Q24 to 60.7% in 3Q25. The Commercial leasing segment EBITDA improved significantly to AED 283 Mn in 3Q25, up from AED 199 Mn in 3Q24, while the Industrial Leasing segment EBITDA grew

27.8% YOY to AED 75 Mn in 3Q25. However, TECOM's Land leasing EBITDA decreased 27.6% YOY to AED 133 Mn in 3Q25, while the Service segment EBITDA grew 25.7% YOY to AED 72 Mn in 3Q25. As a result, the Company's EBITDA surged 12.7% YOY to AED 563 Mn in 3Q25, with an EBITDA margin declined to 77.7% in 3Q25 compared to 81.8% in 3Q24. TECOM's finance income fell from AED 16 Mn in 3Q24 to AED 8 Mn in 3Q25, whereas the finance cost grew 17.4% YOY to AED 63 Mn in 3Q25. The Company recorded an income tax charge of AED 11 Mn in 3Q25.

Balance Sheet Highlights

TECOM's debt remained steady at AED 5.2 Bn in 3Q25 compared with 2Q25. Additionally, TECOM's investment property increased marginally to AED 14.2 Bn in 3Q25 from AED 13.9 Bn in 2Q25. Funds from Operations (FFO) experienced a 16.0% YOY growth to AED 1.5 Bn in 9M25. The Company's capital expenditure increased from AED 317 Mn in 2Q25 to AED 571 Mn in 3Q25, while the cash and bank balances decreased from AED 1.0 Bn in 2Q25 to AED 545 Mn in 3Q25.

Target Price and Rating

We maintain our BUY rating on TECOM with a target price of AED 3.90. The Company's top line grew at a healthy rate in 9M25, driven by increased occupancy, higher rental rates, and portfolio expansion, coupled with ongoing economic development across all economic sectors in Dubai and the UAE. EBITDA grew 20% YOY, reaching AED 1.7 Bn in 9M25 amid continued operational efficiencies across the portfolio. Funds from operations also improved to 16.0% YOY to AED 1,467 Mn in 9M25. In August 2025, TECOM Group invested AED 1.6 Bn to acquire 138 land plots spanning 33 Mn sqft in Dubai Industrial City. This investment addresses the strong and growing demand in the industrial sector. With this strategic expansion, TECOM's land lease portfolio now exceeds 209 Mn sqft, further solidifying Dubai Industrial City's status as a preferred destination for manufacturing and logistics companies. The expansion enhances the hub's capacity to cater to both existing and new clients, aligning with the UAE's industrial growth initiatives under Operation 300bn, "Make it in the Emirates," and the Dubai Economic Agenda 'D33'. Furthermore, the acquisition of Dubai Industrial City in 3Q25 brings TECOM Group's total strategic investments to AED 4.3 Bn since 2024, highlighting the effectiveness of the roadmap focused on long-term shareholder value creation and sustainable business growth. The Company maintained strong occupancy levels in 2025, with Commercial and Industrial occupancy rising to 96%, as of September 2025 from 94% in September 2024, and Land lease occupancy increasing by 8% YOY to 98% for the similar period. This reflects robust demand for the Group's high-quality assets, including Grade-A offices, logistics and storage facilities, and industrial land, supported by growing global investor interest in Dubai. TECOM Group maintains a diversified and high-quality portfolio spanning commercial, industrial, and land leasing assets across Dubai, supported by strong occupancy and consistent rental growth. The commercial leasing segment, with a total GLA of 10.9 Mn sqft and average rental rates of AED 164 per sqft in the CBD and AED 104 per sqft in non-CBD areas during 3Q25, driven by rent escalations, new leases, and strong tenant retention. The industrial leasing portfolio, comprising 11.9 Mn sqft of GLA with average rental rates rising to AED 29 per sqft for warehouses and AED 414 per bed for worker accommodation during 3Q25, supported by continued demand from logistics and manufacturing tenants. Meanwhile, the land leasing segment, with 186 Mn sqft of industrial land, saw rental rates increase to AED 3.1 per sqft in 3Q25. The current portfolio of Tecom includes 1,177 warehouses, 155 commercial buildings, and 92 worker accommodation buildings. The management expects 15-17% YOY revenue growth during 2025, along with 18-20% YOY EBITDA expansion. The Company also distributed a dividend of AED 400 Mn (AED 8 fils per share) for the period of 1H25. Additionally, Tecom is expected to pay AED 440 Mn (10% higher) in dividends for 2H25, as per the revised policy. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

TECOM - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	28.49	21.93	17.19	15.30	13.43	11.40
PB	2.67	2.22	2.09	2.61	2.46	2.24
EV/EBITDA	17.59	14.20	12.91	12.78	12.14	9.98
BVPS	1.234	1.485	1.579	1.266	1.342	1.471
EPS	0.116	0.150	0.192	0.216	0.246	0.289
DPS	0.130	0.370	0.345	0.160	0.160	0.168
Dividend yield	3.9%	11.2%	10.5%	4.8%	4.8%	5.1%

FABS Estimates & Co Data

TECOM – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Sales	611	709	724	703	3.0%	18.5%	2.1%	2,402	2,816	17.2%
Direct cost	-232	-235	-261	-214	22.0%	12.6%	11.0%	-850	-964	13.5%
Gross profit	**379**	**474**	**463**	**489**	**-5.3%**	**22.2%**	**-2.4%**	**1,552**	**1,852**	**19.3%**
G&A expenses	-56	-40	-49	-46	4.8%	-12.7%	21.8%	-205	-177	-13.5%
Marketing & selling exp.	-9	-12	-9	-13	-29.8%	2.1%	-25.6%	-54	-54	-0.6%
Other income	76	24	34	21	67.4%	-55.0%	44.6%	138	96	-30.2%
Other expenses	0	0	0	0	NM	NM	NM	-6	-7	13.7%
Operating profit	**391**	**446**	**440**	**450**	**-2.3%**	**12.5%**	**-1.4%**	**1,424**	**1,710**	**20.0%**
Depr. & Amort	109	122	123	112	9.9%	13.2%	1.2%	429	484	12.8%
EBITDA	**500**	**568**	**563**	**562**	**0.1%**	**12.7%**	**-0.9%**	**1,854**	**2,194**	**18.4%**
Finance income	16	9	8	13	-36.7%	-50.7%	-11.2%	66	38	-42.4%
Finance cost	-54	-66	-63	-63	0.4%	17.4%	-4.5%	-224	-255	14.2%
Profit before zakat	**353**	**389**	**384**	**400**	**-3.9%**	**8.9%**	**-1.1%**	**1,267**	**1,492**	**17.8%**
Income Tax	-13	-12	-11	-15	-27.7%	-17.2%	-8.5%	-38	-45	17.1%
Profit to shareholders	**340**	**377**	**373**	**385**	**-2.9%**	**9.9%**	**-0.9%**	**1,228**	**1,447**	**17.8%**

FABS estimate & Co Data

TECOM - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross margin	62.0%	66.8%	63.9%	192	-291	64.6%	65.8%	114
EBITDA margin	81.8%	80.0%	77.7%	-405	-230	77.2%	77.9%	74
Operating margin	63.9%	62.9%	60.7%	-324	-215	59.3%	60.7%	141
Net profit margin	55.6%	53.1%	51.5%	-406	-154	51.1%	51.4%	26

FABS estimate & Co Data

Key Developments:

- **28 August 2025** – In August 2025, TECOM Group approved the acquisition of 138 land plots in Dubai Industrial City for AED 1.6 Bn, raising its total investments to AED 4.3 Bn since 2024. This expansion increases TECOM's land portfolio to over 209 Mn sqft, supporting the UAE's industrial sector in line with major economic initiatives. With Dubai Industrial City operating at 99% occupancy, the demand from manufacturing and logistics companies remains strong. The acquisition, financed through existing resources, is expected to generate revenue within 12 to 24 months.

- **21 October 2024** - In October 2024, TECOM Group, via TECOM Investments FZ LLC, acquired Office Park in Dubai Internet City for AED 720 Mn from Emirates REIT, solidifying its leadership in Dubai's commercial real estate market. This Grade-A property spans 370,761 sqft, boasts an 88% occupancy rate, and is home to global tenants such as Coca-Cola, Uber, and Red Hat. With this deal, TECOM's total investments in 2024 surpass AED 2.7 Bn, supporting its strategy to expand high-quality assets.

Valuation:

We use Discounted Free Cash flow (DCF), Dividend Discount Method (DDM), and Price/Funds From Operations (FFO) method to value TECOM. We have assigned 70% weight to DCF, and 15% each to DDM and Price/FFO method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	3.94	70.0%	2.76
Dividend Discount Method (RV)	2.53	15.0%	0.38
Price/ FFO	5.04	15.0%	0.76
Weighted Average Valuation (AED)			**3.90**
Current market price (AED)			3.27
Upside/Downside (%)			+19%

1) DCF Method:

TECOM is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.6%. It is arrived after using the cost of equity of 9.5% and after-tax cost of debt of 6.0% with a debt-to-equity ratio of 36.6%. The cost of equity is calculated by using a 10-year government bond yield of 5.1%, beta of 1.00 and equity risk premium of 4.5%. Government bond yield is calculated after adding Dubai 10-year spread over a 10-year US risk-free rate. The cost of debt is calculated using the cost of 6.2% after adjusting a tax rate arriving at after-tax cost of debt of 6.0%. Also, it assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	7,273
Terminal value (AED, Mn)	17,915
Net debt as of Sept. 2025 (AED Mn)	5,491
FV to Common shareholders (AED, Mn)	**19,697**
No. of share (Mn)	5,000
Current Market Price (AED)	3.27
Fair Value per share (AED)	**3.94**

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,665	1,632	1,688	1,745	1,834	1,841
D&A	484	504	512	522	530	540
(-) Capex	-731	-377	-438	-464	-588	-606
Change in working capital	-88	15	14	14	25	2
Free Cash Flow to Firm (FCFF)	**1,331**	**1,774**	**1,777**	**1,817**	**1,800**	**1,778**
Discounting Factor	*0.99*	*0.91*	*0.84*	*0.77*	*0.71*	*0.65*
Discounted FCFF	**328**[1]	**1,613**	**1,488**	**1,401**	**1,279**	**1,163**

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

2) DDM Method:

TECOM dividend grew in line with its policy and pays regular dividend to its shareholders. Strong cash flow generation of the Company enables continuous dividend payments. Thus, we have valued TECOM using DDM method. The dividend is discounted at the cost of equity of 9.5%

Sum of PV (AED, Mn)	4,112
Terminal value (AED, Mn)	8,518
FV to Common shareholders (AED, Mn)	**12,630**
No. of share (Mn)	5,000
Current Market Price (AED)	3.27
Fair Value per share (AED)	**2.53**

DDM Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend paid -						
H1		440	500	500	500	500
H2	440	440	500	500	500	500
Total dividend	**440**	**880**	**1,000**	**1,000**	**1,000**	**1,000**
Discounting Factor	*0.99*	*0.90*	*0.82*	*0.75*	*0.69*	*0.63*
Present Value of dividend	**434**	**792**	**822**	**751**	**686**	**626**

Source: FAB Securities

3) Price/FFO:

We have used average of local as well as international peers to value TECOM and it is valued using the Price/FFO multiple. It is valued at Price/FFO multiple of 13.6x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x) Current	PE (x) Current	Price/FFO (x)[1]
Regional Peers				
Jadwa REIT Saudi Fund	536	15.8	36.0	18.6
Riyad REIT Fund	238	22.7	NA	NM
Al Rajhi REIT	604	14.3	12.1	15.5
Bonyan REIT	400	13.5	17.4	11.3
Alahli REIT Fund 1	233	15.9	40.7	17.7
Derayah REIT	158	16.8	60.5	28.2
Mulkia Gulf Real Estate REIT	131	19.8	NA	NM
Taleem REIT	140	14.3	15.4	14.4
Al Maather REIT Fund	147	14.3	14.4	12.8
Average		**16.4x**	**28.1x**	**16.9x**
Median		**15.8x**	**17.4x**	**15.5x**
Max		**16.8x**	**38.4x**	**18.2x**
Min		**14.3x**	**14.9x**	**13.6x**

Source: FAB Securities

Company	Market (USD Mn)	EV/EBITDA (x) Current	PE (x) Current	Price/FFO (x)
International Peers				
Broadstone Net Lease Inc	3,412	15.9	42.6	11.5
Prologis Inc	117,570	23.4	45.6	20.7
Stag Industrial Inc	7,366	18.0	41.7	14.7
Lxp Industrial Trust	2,863	17.7	78.3	15.1
Alexandria Real Estate Equit	9,414	15.9	25.2	6.9
Boston Properties Inc	10,988	15.4	NA	9.9
Vornado Realty Trust	6,828	26.7	8.7	15.2
Douglas Emmett Inc	2,048	16.5	NA	8.5
Allied Properties Real Estat	1,290	19.2	4.9	7.5
Sl Green Realty Corp	3,627	39.5	NA	9.9
Easterly Government Properti	991	16.6	59.0	6.9
Brookfield India Real Estate	2,485	16.0	81.4	NA
Covivio	7,039	20.8	14.5	11.8
Dexus/Au	5,005	28.7	48.9	NA
Mapletree Logistics Trust	5,109	23.4	31.5	32.8
Yuexiu Real Estate Investmen	602	20.7	NA	NA
Americold Realty Trust INC	3,637	16.2	48.7	12.7
Average		**20.6x**	**40.9x**	**13.1x**
Median		**18.0x**	**42.6x**	**11.7x**
Max		**23.4x**	**48.9x**	**15.0x**
Min		**16.2x**	**25.2x**	**8.9x**

Source: FAB Securities, [1]Based on 9M24 Results

FAB SECURITIES أبوظبي الأول للأوراق المالية

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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