

## Tecom Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 4.15	AED 4.90	+18%	BUY

### 4Q25 Adjusted Net Profit in line with our estimate

- Tecom's revenue grew 15.7% YOY to AED 745 Mn in 4Q25 due to higher occupancy, healthy rent escalation and additional revenue from new acquisitions & developments.
- Direct cost increased 4.4% YOY to AED 252 Mn in 4Q25.
- Gross profit rose 22.5% YOY to AED 493 Mn in 4Q25, as revenue growth outpaced the rise in direct costs due to positive operating leverage. Additionally, gross profit margin expanded 366 bps YOY to 66.2% in 4Q25.
- G&A expenses fell 4.6% YOY to AED 51 Mn, whereas marketing & selling expenses declined 9.2% YOY to AED 23 Mn in 4Q25.
- Tecom's total EBITDA increased 21.9% YOY to AED 559 Mn in 4Q25. Similarly, EBITDA margin expanded from 71.3% in 4Q24 to 75.0% in 4Q25.
- Operating profit expanded significantly from AED 346 Mn in 4Q24 to AED 1,088 Mn in 4Q25 due to positive operating leverage and impairment reversals on investment property recorded during 4Q25.
- Tecom's net profit attributable to shareholders rose sharply from AED 286 Mn in 4Q24 to AED 975 Mn in 4Q25, supported by strong revenue growth, positive operating leverage, driven by sustained portfolio expansion, and a continued focus on operational efficiency. Net profit adjusted for impairment reversal (net of tax) rose from AED 286 Mn in 4Q24 to AED 367 Mn in 4Q25 in line with our estimate of AED 366 Mn for 4Q25 (*Excluding one-off Impairment Reversal of AED 608 Mn related to higher asset valuation*).
- Tecom reached a high occupancy level of 97% across Commercial and Industrial leasing, while Land Leasing occupancy improved to 97% in 2025.

### Earnings Call Summary

- TECOM invested over AED 2.5 Bn in 2025 in strategic acquisitions and project development to fuel its long-term growth. The investment included land acquisitions in Dubai Industrial City, high-value commercial developments (D3 Phase 2 and Innovation Hub Phases 3 & 4), alongside the handover of completed projects.
- TECOM's portfolio recorded an 18.3% like-for-like growth uplifting the total portfolio value to AED 34.5 Bn in 2025.
- TECOM proposed a dividend of AED 440 Mn (8.8 fils per share) for 2H25, reflecting a 10% YOY increase, which is payable in March 2026. Additionally, the company announced a new 2026 dividend policy of AED 880 Mn, to be distributed in two equal tranches of AED 440 Mn in August 2026 and March 2027.
- The Company's 2026 strategy focuses on delivering outsized returns in line with its post-IPO objectives, driven by new leases, rental rate increases, high occupancy and retention, and selective acquisitions and developments.
- Impairment reversal is related to investment properties impaired before and during COVID. The value of assets was not written off; only impairment loss was recorded under the accounting standard. Reversal was owing to the recovery of previously impaired value, leading to a reversal recorded in 4Q25. In addition, the reversal is capped at historical cost despite the fact that the fair value significantly exceeds the historical cost.
- TECOM will transition from its previous three-year dividend policy to an annual dividend framework, enabling regular updates over time and aligning the company with standard market practice.

- Furthermore, the revised dividend policy reflects significant expansion opportunities across development, land acquisitions, and operating assets amid favorable market conditions, while balancing reinvestment into high-return growth opportunities with continued attractive returns to shareholders.
- The company's recently signed land lease rates exceed AED 5/sq ft, with rental rates rising amid strong industrial land demand and limited supply.
- TECOM clarified that the accounting adjustment for a pre-IPO land transfer to the parent company by correcting the records from net book value to gross historical cost, reversing the previously recorded impairment.
- TECOM has made an investment commitment of AED 5.5 Bn IPO. Out of which, AED 3.0 Bn was already invested, while the remaining will be executed in 2026 and some projects extending into 2027, to be funded through undrawn credit facilities.
- TECOM's rents, capped by RERA regulations, remain below market levels for some assets, creating substantial catch-up potential over time.
- TECOM's growth in 2025 was evenly split between new acquisitions and the existing portfolio. Furthermore, the growth in the existing portfolio was driven by both higher occupancy and a rental growth rate. Rental growth for renewals averaged 5–7%, while new leases were signed closer to full market rents.
- The Company expects maintenance and enhancement capex to stay in line with previous years, with gradual increases as the portfolio expands, but no sharp spikes are anticipated.
- The Company's LTV may exceed 13%, but it will remain conservative, with cash flows prioritized for development projects and reinvestment in high-return opportunities.
- Land lease contracts include escalation clauses, enabling rents to gradually align with market rates through partnership with tenants.
- The Company's lease portfolio has a WALE of c.2.2 years, with c.50% of rents up for renewal at any time, yet a 93% tenant retention rate allows TECOM to adjust rents under RERA rules while maintaining high occupancy and stable cash flows.
- TECOM evaluates all opportunities in Dubai, including DIFC 2.0, and will invest if the asset meets strategic and commercial criteria, with DIFC 2.0 considered a key strategic project for the city.
- The Company expects solid growth for 2026, consistent with recent performance. Furthermore, the formal guidance to be provided in 2Q26 or 3Q26.

#### TECOM – P&L

AED mm	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch
Revenue	643	724	745	734	1.4%	15.7%	2.8%
Direct costs	-241	-261	-252	-252	-0.2%	4.4%	-3.7%
<b>Gross profit</b>	<b>402</b>	<b>463</b>	<b>493</b>	<b>482</b>	<b>2.3%</b>	<b>22.5%</b>	<b>6.5%</b>
Operating expenses	-57	-23	-57	-51	12.6%	0.7%	NM
Impairment reversal on investment property	-	-	652	0	NA	NA	NA
<b>Operating profit</b>	<b>346</b>	<b>440</b>	<b>1,088</b>	<b>431</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>
<b>EBITDA</b>	<b>458</b>	<b>563</b>	<b>559</b>	<b>554</b>	<b>0.9%</b>	<b>21.9%</b>	<b>-0.7%</b>
<b>Profit before zakat</b>	<b>293</b>	<b>384</b>	<b>1,031</b>	<b>379</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>
Income Tax	-7	-11	-55	-12	NM	NA	NA
<b>Profit to shareholders</b>	<b>286</b>	<b>373</b>	<b>975</b>	<b>366</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>

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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