FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Real Estate | Market: ADX

TECOM Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.39	AED 4.60	+36%	BUY

2Q26 Net Profit in-line with our estimate

- Revenue increased 10.8% YOY to AED 786 Mn in 2Q26, driven by strong growth in operating lease income, which increased 14.8% YOY to AED 708 Mn in 2Q26, partially offset by a 16.5% YOY decline in service income to AED 77 Mn in 2Q26.
- Direct costs increased 5.0% YOY to AED 247 Mn in 2Q26.
- Gross profit improved to 13.6% YOY to AED 539 Mn in 2Q26, with gross profit margin expanding 172 bps YOY to 68.5% in 2Q26.
- G&A expenses increased from AED 40 Mn in 2Q25 to AED 59 Mn in 2Q26.
- The Company's EBITDA increased 7.9% YOY to AED 613 Mn in 2Q26. However, EBITDA margin decreased from 80.0% in 2Q25 to 78.0% in 2Q26.
- The Company's net profit attributable to shareholders increased 6.6% YOY to AED 401 Mn in 2Q26, in-line with our estimate of AED 410 Mn. Increase in net profit was driven by rise in revenue coupled with decline in marketing & selling expenses partially offset by increase in direct cost, G&A expenses, depreciation & amortization cost and income tax charges coupled with decline in other income and finance income.

Earnings Call Summary

- The Company's occupancy rates for the commercial and industrial sectors remained strong at 96% and 98%, respectively, with tenant retention at 94% and 99% in 1H26.
- Commercial revenue boosted by 11% YOY to AED 783 Mn in 1H26, while industrial revenue also improved 15% YOY to AED 239 Mn in 1H26. Additionally, industrial EBITDA has grown 18% YOY to AED 181 Mn, with an EBITDA margin of 76% in 1H26.
- Land leasing revenue increased 22% YoY to AED 361 Mn in 1H26, with an EBITDA of AED 333 Mn and a 92% margin in the same period.
- Land leasing continues to outperform expectations, with leasing rates in the second phase exceeding those achieved in the first phase, and the Company expects similar or better pricing for the next phase.
- Services segment is expected to recover in 2H26, with monthly activity improving after a softer start to the year. Management reiterated that the weakness is attributable to the normalization of visa renewals following the one-off surge in 2025 rather than any structural slowdown.
- The balance sheet demonstrates strong financial health, featuring a net debt-to-EBITDA ratio of 2.1x and an LTV ratio of 13.9%. As of 2Q26, total assets were AED 18 Bn, while investment properties were independently valued at AED 34.5 Bn, reflecting a 23% YOY.
- Commercial rents remain 25-30% below market rates, despite average renewal increases of 6-7%, providing continued room for rental increases across the existing portfolio. Demand remains healthy despite some negotiations taking longer, with occupancy still at 97% across the overall portfolio at 1H26.
- Warehouse and worker accommodation occupancy remained at 98% in 1H26, supported by continued demand from manufacturers and logistics operators amid favourable industrial market conditions.
- Execution of the Dubai Industrial (DI) land programme continues ahead of schedule, with the initial 8 Mn sq ft phase fully leased by January 2026, the subsequent 10 Mn sq ft phase signed during 2Q26, and another 8 Mn sq ft phase currently being finalized.
- The Company stated that 79% of the total 33 Mn sq ft programme has either been signed or has confirmed customer leads, well ahead of the original 36-month leasing plan, with the remaining land expected to be absorbed over the next 12 months.

- Around 20% of the commercial portfolio and 30% of the industrial portfolio are scheduled for lease renewals over the next six months, providing additional opportunity for rental resets as existing leases continue to converge toward market levels.
- Tecom reiterated a positive outlook for Dubai's industrial and logistics market, citing continued demand for warehouses, strong cold-storage fundamentals, proximity to Jebel Ali Port, future Etihad Rail connectivity and ongoing supply-chain localization initiatives.
- Management confirmed a dividend payment of USD 440 Mn for 1H26 expected to be paid in August 2026, while reiterating its commitment to the existing dividend policy.

TECOM– P&L

AED Mn	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Sales	709	755	786	772	1.7%	10.8%	4.1%
Direct cost	-235	-238	-247	-238	4.1%	5.0%	3.9%
Gross profit	**474**	**517**	**539**	**535**	0.7%	**13.6%**	**4.2%**
G&A expenses	-40	-48	-59	-54	8.3%	47.2%	21.2%
Marketing & selling exp.	-12	-12	-7	-15	-52.1%	-38.0%	-36.2%
Other income	24	14	8	22	-65.1%	-67.8%	-44.5%
Operating profit	**446**	**470**	**480**	**487**	-1.4%	**7.6%**	**2.1%**
Depr. & Amort	122	140	133	118	12.4%	9.1%	-4.8%
EBITDA	**568**	**610**	**613**	**605**	1.3%	**7.9%**	**0.5%**
Finance income	9	4	3	9	-64.2%	-65.5%	-19.2%
Finance cost	-66	-59	-66	-68	-2.4%	-0.3%	13.0%
Profit before zakat	**389**	**416**	**417**	**428**	-2.6%	**7.3%**	**0.3%**
Income Tax	-12	-12	-16	-18	-11.3%	30.5%	29.0%
Profit to shareholders	**377**	**403**	**401**	**410**	**-2.2%**	**6.6%**	**-0.5%**

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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