Earnings Call Insight | 3Q26

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

TECOM Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.20	AED 4.60	+44%	BUY

3Q26 Net Profit in-line with our estimate

- Revenue increased 11.7% YOY to AED 809 Mn in 3Q26, driven by strong growth in operating lease income, which increased 13.9% YOY to AED 717 Mn in 3Q26, partially offset by a 3.4% YOY decline in service income to AED 92 Mn in 3Q26.
- Direct costs increased 5.1% YOY to AED 275 Mn in 3Q26.
- Gross profit grew 15.4% YOY to AED 534 Mn in 3Q26, with gross profit margin expanding 211 bps YOY to 66.0% in 3Q26.
- G&A expenses increased 3.4% YOY to AED 50 Mn in 3Q26, while Marketing and selling expenses declined by 43.4% YOY to AED 5 Mn in 3Q26.
- Other income declined to AED 14 Mn in 3Q26 from AED 34 Mn in 3Q25.
- The Company's operating profit increased 12.1% YOY to AED 493 Mn in 3Q26, with the operating margin increasing by 26 bps YOY to 61% in 3Q26.
- Depreciation & amortisation increased 8.9% YOY to AED 134 Mn in 3Q26.
- The Company's EBITDA increased 11.4% YOY to AED 627 Mn in 3Q26. However, EBITDA margin contracted 16 bps YOY to 77.6% in 3Q26.
- Finance income declined from AED 8 Mn in 3Q25 to AED 4 Mn in 3Q26, whereas finance cost increased 3.3% YOY to AED 66 Mn in 3Q26.
- The income tax expenses increased 32.3% YOY to AED 15 Mn in 3Q26.
- The Company's net profit increased 11.6% YOY to AED 417 Mn in 3Q26, in line with our estimate of AED 405 Mn. The increase in net profit was driven by a rise in revenue, coupled with a decline in marketing & selling expenses, partially offset by increases in direct costs, G&A expenses, depreciation & amortization costs 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 95% and 98%, respectively, with tenant retention at 93% and 97% in 9M26.
- Commercial revenue increased by 10% YOY to AED 1,173 Mn in 9M26. Additionally, commercial EBITDA grew 7% YOY to AED 854 Mn, with an EBITDA margin contracting 2pp YOY to 73% in 9M26.
- Industrial segment revenue increased 14% YOY to AED 365 Mn, with EBITDA increasing by 18% YOY to AED 271 Mn and margin expanding by 2pp YOY to 74% in 9M26.
- Industrial demand strengthened with supply-chain localisation and inventory build-up, while Dubai Industrial City's railway connectivity supports logistics resilience.
- Land leasing revenue surged 26% YOY to AED 563 Mn in 9M26, with an EBITDA of AED 524 Mn, up 22% in 9M26, however the EBITDA margin declined to 93% in 9M26 from 96% in 9M25.
- Land-leasing revenue growth was driven by newly acquired land parcels, contractual rental escalations and market-rate resets, with average rates increasing to AED 3.9 per SQFT from AED 3.3 per SQFT at year-end 2025.
- Commercial and land-leasing margins were affected by prior-year one-off reversals in 3Q25.
- Services segment revenue recovered in 3Q26 on QOQ basis, with Access revenue normalising to September 2025 levels, supported by improving visa demand and population growth.

- Tecom's in-place rent remain c. 25-35% below market, while 2026 renewals achieved 8-9% increases and new industrial land leases exceeded AED 6 per SQFT.
- Marketing and selling expenses declined in 3Q26 as selected campaigns and industry fairs were deferred, with spending expected to normalise as promotional activities resume.
- Dubai Industrial City's phased leasing programme progressed ahead of its original execution timeline, reflecting strong demand for industrial land.
- TECOM continues to deploy capital towards demand-led development and expansion, with investment focused on strengthening the business parks and industrial portfolio.
- TECOM increased 2026 dividend distribution policy by 10% to AED 880 Mn, with AED 440 Mn paid in August 2026 for 1H26 and the remaining AED 440 Mn expected to be paid in March 2027, subject to AGM approval.
- Leasing and development activity is expected to sustain growth into 2027, supported by demand and continued execution of phased projects.
- 2026 guidance of EBITDA growth remains unchanged at c.8-11% YOY.

TECOM– P&L

AED Mn	**3Q25**	**2Q26**	**3Q26**	**3Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Sales	724	786	809	798	1.3%	11.7%	2.9%
Direct cost	-261	-247	-275	-262	5.0%	5.1%	11.2%
Gross profit	**463**	**539**	**534**	**537**	**-0.5%**	**15.4%**	**-0.9%**
G&A expenses	-49	-59	-50	-58	-13.1%	3.4%	-14.5%
Marketing & selling exp.	-9	-7	-5	-14	-62.9%	-43.4%	-32.1%
Other income	34	8	14	17	-12.9%	NM	NM
Operating profit	**440**	**480**	**493**	**482**	**2.3%**	**12.1%**	**2.7%**
Depr. & Amort	123	133	134	130	3.3%	8.9%	1.0%
EBITDA	**563**	**613**	**627**	**612**	**2.5%**	**11.4%**	**2.3%**
Finance income	8	3	4	9	-58.4%	NM	16.2%
Finance cost	-63	-66	-66	-69	-4.6%	3.3%	-1.0%
Profit before zakat	**384**	**417**	**431**	**422**	**2.2%**	**12.2%**	**3.4%**
Income Tax	-11	-16	-15	-17	-15.7%	32.3%	-7.2%
Net Profit for the period	**373**	**401**	**417**	**405**	**3.0%**	**11.6%**	**3.8%**

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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