

Dubai Financial Market PJSC (DFM)

One-time gain and growth in trading activity boosted the bottom line

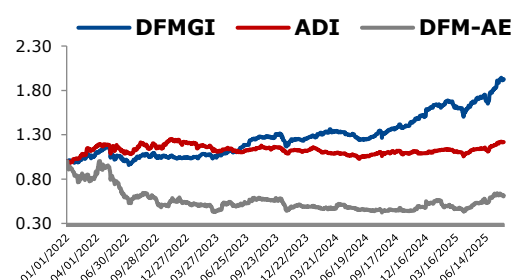
Current Price
AED 1.72

Target Price
AED 1.80

Upside/Downside (%)
+4.7%

Rating
HOLD

- DFM's trading commission fees rose from AED 44 Mn in 2Q24 to AED 124 Mn in 2Q25, driven by strong trading activities and higher trading value.
- The Company saw addition of 53,655 new investors in 1H25, with 84% being from foreign investors.
- The Company's average daily traded value (ADTV) rose 75% YOY to AED 692 Mn in 1H25.
- The average daily trades grew 37% YOY to c. 13,900 trades per day.
- The DFM General Index (DFMGI) rose 10.6% YOY, supported by strong domestic fundamentals and increasing global investor appetite for high-growth markets.



2Q25 Net Profit higher than our estimate

Dubai Financial Market PJSC ("DFM/the Company") experienced a substantial growth in net profit, rising from AED 92 Mn in 2Q24 to AED 585 Mn in 2Q25, higher than our estimate of AED 125 Mn. The rise in net profit is primarily driven by one-off gains from the sale of investment property, strong growth in trading commission fees, and investment income, partially offset by a decline in dividend income, a rise in G&A expenses, and a significant increase in tax expenses. Net profit after adjusting for one-time gain amounted to AED 166 Mn in 2Q25.

P&L Highlights

Dubai Financial Market's operating income almost doubled from AED 91 Mn in 2Q24 to AED 181 Mn in 2Q25, attributed to a substantial growth in trading commission fees, clearing settlement & depository fee and other fees. DFM's trading commission fees rose from AED 44 Mn in 2Q24 to AED 124 Mn in 2Q25, due to strong growth in traded volume. Total trading volume nearly doubled from AED 22.5 Bn in 2Q24 to AED 44.0 Bn in 2Q25. Additionally, income from broker fees marginally declined 1.9% YOY to AED 3 Mn in 2Q25. Furthermore, the Company's clearing and depository fees expanded 14.1% YOY to AED 36 Mn in 2Q25. Similarly, listing & market data fees grew 15.6% YOY to AED 3 Mn in 2Q25, while other fees also increased from AED 11 Mn in 2Q24 to AED 15 Mn in 2Q25. The Company's investment income increased 3.2% YOY to AED 57 Mn in 2Q25, whereas dividend income decreased substantially from AED 11 Mn in 2Q24 to AED 2 Mn in 2Q25. DFM recorded a one-off gain from the sale of investment property of AED 462 Mn in 2Q25. Resultantly, total income rose significantly, from AED 158 Mn in 2Q24 to AED 702 Mn in 2Q25. The Company's G&A expenses increased 5.7% YOY to AED 46 Mn in 2Q25, driven by

Stock Information

Market Cap (AED, Mn)	13,752.71
Paid Up Capital (Mn)	7,995.76
52 Week High	1.84
52 Week Low	1.16
3M Avg. daily value (AED)	7,498,388

2Q25 Result Review (AED, Mn)

Total Assets	11,936
Total Liabilities	2,761
Total Equity	9,157
Total Income	702
Net Profit	585

Financial Ratios

Dividend Yield (12m)	1.9
Dividend Pay-out (%)	67.94
Price-Earnings Ratio(x)	31.85
Price-to-Book Ratio (x)	1.40
Book Value (AED)	1.07
Return on Equity (%)	4.51

Stock Performance

5 Days	-2.82%
1 Months	0.00%
3 Months	20.285
6 Months	22.86%
1 Year	43.33%
Month to Date (MTD%)	-1.71%
Quarter to Date (QTD%)	1.78%
Year to Date (YTD%)	14.67%

continued investments in market infrastructure and technology. Tax expenses rose significantly from AED 8 Mn in 2Q24 to AED 58 Mn in 2Q25.

Balance Sheet Highlights

DFM's total assets increased from AED 11.0 Bn in 1Q25 to AED 11.9 Bn in 2Q25, primarily due to an increase in receivables from investment property and financial investments. Meanwhile, total financial assets and investments accounted largest portion of the total assets, increased 18.3% QOQ to AED 5.8 Bn in 2Q25. The receivable from investment property stood at AED 625.2 Mn in Q25. Furthermore, the Company's total liabilities increased 17.0% QOQ to AED 2.8 Bn in 2Q25, attributed to a rise in payables & accrued expenses, due to related parties, coupled with a substantial growth in corporate tax liability. The Company's net cash generated from operations rose from negative AED 125 Mn in 2Q24 to AED 299 Mn in 2Q25 due to higher cash generated from operations and working capital.

Target Price and Rating

We maintained our HOLD rating with a revised target price of AED 1.80. The Company reported a robust growth in net profit, increasing from AED 92 Mn in 2Q24 to AED 585 Mn in 2Q25, primarily driven by a one-off gain from the sale of investment property, robust trading activities, and a diversified income base. This strong performance indicated the continued momentum and investor confidence in the market. Furthermore, the Company added 53,655 new investors in 1H25, of which 84% were foreign investors, thereby expanding its total investor base to 1.2 Mn. Moreover, the institutional investors contributed 71% of trading activity, while foreign investors contributed 53% of trading and held 20% of market capitalization. These indicated rising international interest and confidence in the market's performance and long-term outlook. DFMGI recorded a strong performance during 1H25, climbing 10.6% YOY, driven by solid domestic fundamentals and growing global investor interest in high-growth markets. The Company's total market capitalization increased 9.7% YOY to AED 995 Bn in 1H25. Additionally, trading activity also strengthened, with ADTV rising 75% YOY to AED 692 Mn in 1H25. Furthermore, total traded value surged 77% YOY to AED 85 Bn in 1H25, supported by a 37% YOY increase in the average number of daily trades, which reached c. 13,900 trades per day. This indicates stronger market participation and enhanced liquidity. Furthermore, to enhance investor decision-making, the Company launched two AI-powered applications designed to streamline information access and address the rising demand for intuitive and digital-first investment solutions. Additionally, DFM continued to enhance its Arena platform, aimed to expand capital access and diversify investment opportunities across multiple asset classes, thereby strengthening market depth and boosting investor engagement. DFM diversifies sectors to strategically attract listings from emerging and underrepresented industries, strengthening market depth and growth potential. We also anticipate the DFM to pay higher dividend in 2025 as it is expected to realize proceeds from sale of land. Thus, based on our analysis, we maintain a HOLD rating on the stock.

DFM - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	102.0	135.5	95.7	42.7	37.4	15.1
PB (x)	1.8	1.8	1.8	1.7	1.6	1.5
EV/EBITDA	60.7	76.3	61.2	34.2	30.6	13.7
BVPS	0.976	0.996	0.994	1.025	1.071	1.168
EPS	0.017	0.013	0.018	0.041	0.047	0.117
DPS	0.000	0.030	0.017	0.035	0.032	0.053
Dividend yield (%)	0.0%	1.7%	1.0%	2.0%	1.9%	3.1%

FABS Estimates & Co Data

DFM – P&L

(AED Mn)	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Trading commission fees	44	73	124	88	40.4%	181.6%	68.4%	232	353	52.1%
Brokers fees	3	3	3	3	-5.2%	-1.9%	2.4%	12	13	5.0%
Clearing settlement & depository fee	31	4	36	25	44.1%	14.1%	NM	82	86	5.0%
Listing & market data fees	3	3	3	3	-15.4%	15.6%	5.7%	11	11	-1.9%
Other fees	11	2	15	3	NM	43.9%	NM	16	24	50.0%
Operating income	91	86	181	123	47.0%	97.4%	NM	353	486	37.8%
Investment income	55	53	57	59	-3.6%	3.2%	8.0%	216	220	1.8%
Other income	0	0	0	0	NM	NM	NM	1	0	NM
Dividend Income	11	48	2	7	-73.8%	-82.1%	-96.0%	44	74	69.0%
Finance income	-	-	1	0	NA	NA	NA	-	1	NA
Gain on sale of investment property	-	-	462	0	NA	NA	NA	-	462	NA
Total Income	158	186	702	189	NM	NM	NM	632	1,243	96.5%
General & administration expenses	-43	-37	-46	-38	21.0%	5.7%	23.1%	-165	-162	-2.2%
Amortisation of intangible assets	-14	-14	-14	-14	0.0%	0.0%	0.0%	-56	-56	0.0%
Interest Expense	0	0	0	0	NA	NA	NA	-1	0	NM
Total Operating Expenses	-58	-52	-60	-52	15.8%	4.1%	16.6%	-223	-218	-2.3%
Tax	-8	-8	-58	-12	NM	NM	NM	-33	-92	179.8%
NCI	0	0	0	0	NM	NM	NM	0	0	NM
Net Profit	92	127	585	125	NM	NM	NM	377	932	NM

FABS estimate & Co Data

Margins

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch.
Operating Margin	58.0%	46.1%	25.7%	-3,233	-2,038	55.8%	39.1%	-1668
Net Profit	100.4%	147.8%	323.9%	22,348	17,606	106.7%	191.6%	8487

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value DFM. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.75	70.0%	1.22
Relative Valuation (RV)	1.92	30.0%	0.58
Weighted Average Valuation (AED)			1.80
Current market price (AED)			1.72
Upside/Downside (%)			+4.7%

1) DCF Method:

DFM is valued using free cash flow to equity since the Company is debt-free. We have discounted the cash flow using the cost of equity of 8.5%. The cost of equity is calculated using a 10-year government bond yield of 5.6%, a beta of 0.75, and an equity risk premium of 3.9%. Government bond yield is calculated after adding Dubai's 10-year spread over a 10-year US risk-free rate. During 2Q25, DFM completed the sale of a land parcel located on Sheikh Zayed Road in Business Bay, Dubai, UAE, for a total consideration of AED 827 million. The land parcel was earlier reserved for DFM's headquarters. The proceeds from the land parcel will be received in a staggered payment structure with AED 165 Mn received on the transaction date, AED 248 Mn after 12 months, and the remaining AED 413 Mn after 24 months. We have included the present value of investment property receivable in the DCF valuation.

Sum of PV (AED, Mn)	3,101
Terminal value (AED, Mn)	10,229
FV to Common shareholders (AED, Mn)	13,955
No. of share (Mn)	7,996
Current Market Price (AED)	1.72
Fair Value per share (AED)	1.75

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	512	554	603	661	704
(+) D&A	65	65	66	67	67
Working Capital	-451	369	554	106	105
(-) Capex	-15	-16	-18	-19	-21
Free Cash Flow to Equity (FCFE)	111	973	1,206	815	855
Discounting Factor	0.97	0.89	0.82	0.76	0.70
Discounted FCFE	54	866	989	616	596

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used regional as well as global peers to value DFM, which is valued using the PE multiple. It is valued at a PE multiple of 28.8x, close to its regional peer. Adjusted net profit is used to value DFM using PE multiple. We have excluded one-time gains when arriving at the value using PE multiple.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
BSE Ltd	11,427	53.7	40.1	71.3	53.1
NASDAQ Inc	55,211	21.4	20.0	28.8	25.9
Singapore Exchange Limited	13,178	19.9	19.2	27.4	26.2
Hong Kong Exchanges	68,750	15.2	14.9	35.6	34.5
Deutsche Borse	53,271	14.6	13.9	22.9	21.5
London Stock exchange	64,454	13.0	12.0	23.5	21.0
Saudi Tadawul Group Holdings	5,237	35.4	27.5	43.0	33.7
Average		24.7x	21.1x	36.1x	30.9x
Median		19.9x	19.2x	28.8x	26.2x
Max (Quartile 3)		28.4x	23.7x	39.3x	34.1x
Min (Quartile 1)		14.9x	14.4x	25.5x	23.7x

Source: FAB Securities

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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