

## Dubai Financial Market PJSC (DFM)

Lower income from clearing settlement & depository fees and investment income impacted profitability

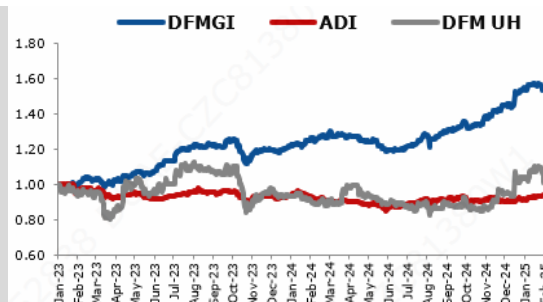
**Current Price**  
AED 1.37

**Target Price**  
AED 1.50

**Upside/Downside (%)**  
+10%

**Rating**  
**ACCUMULATE**

- DFM's revenue from trading commission fees rose 42.3% YOY to AED 94 Mn in 4Q24. In contrast, clearing and depository fees fell from AED 60 Mn in 4Q23 to AED 5 Mn in 4Q24.
- Investment and dividend income reduced 13.1% YOY and 22.2% YOY to AED 43 Mn and AED 3 Mn, respectively in 4Q24.
- The Company average daily traded value (ADTV) rose 5% YOY to AED 423 Mn in FY24.
- Number of trades executed during the year rose 33% YOY to 2.5 Mn in FY24.
- DFM onboarded new investors to 138,262 in FY24 with 85% constituting foreign investors.



### Stock Information

Market Cap (AED, Mn)	11,280.00
Paid Up Capital (Mn)	8,000.00
52 Week High	1.63
52 Week Low	1.18
3M Avg. daily value (AED)	17,875,340

### 4Q24 Result Review (AED, Mn)

Total Assets	10,514
Total Liabilities	1,948
Total Equity	8,566
EBITDA	129
Net Profit	101

### Financial Ratios

Dividend Yield (12m)	2.48
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	30.22
Price-to-Book Ratio (x)	1.32
Book Value (AED)	1.07
Return on Equity (%)	4.51

### Stock Performance

5 Days	-2.76%
1 Months	-10.19%
3 Months	11.02%
6 Months	11.90%
1 Year	6.82%
Month to Date (MTD%)	-4.08%
Quarter to Date (QTD%)	-6.00%
Year to Date (YTD%)	-6.00%

### 4Q24 Net Profit lower than our estimate

Dubai Financial Market PJSC ("DFM/the Company") reported a 21.5% YOY decline in net profit to AED 101 Mn in 4Q24, falling behind our forecast of AED 128 Mn. The decrease in net profit is mainly attributable to a fall in clearing settlement & depository fees, lower investment income and dividend income partially offset by a strong growth in trading commission fees.

### P&L Highlights

Dubai Financial Market (DFM) reported an 18.9% YOY decrease in operating income to AED 108 Mn in 4Q24, primarily driven by a significant decline in clearing settlement & depository fees. Trading commission fees rose 42.3% YOY to AED 94 Mn in 4Q24, up from AED 66 Mn in 4Q23. Revenue from broker fees grew 18.8% YOY to AED 3 Mn in 4Q24. In contrast, clearing and depository fees dropped 91.0% YOY from AED 60 Mn in 4Q23 to AED 5 Mn in 4Q24. Other fees also increased from AED 1 Mn in 4Q23 to AED 2 Mn in 4Q24, and listing & market data fees recorded a growth of 17.6% YOY in 4Q24. Investment income shrank 13.1% YOY, from AED 49 Mn in 4Q23 to AED 43 Mn in 4Q24 due to drop-in interest rates. The Company dividend income fell from 4 Mn in 4Q23 to AED 3 Mn in 4Q24. Reversal on impairment of financial assets rose from AED 9 Mn in 4Q23 to AED 19 Mn in 4Q24. As a result, total income decreased 10.1% YOY from AED 191 Mn in 4Q23 to AED 172 Mn in 4Q24. Operating expenses contracted 1.5% YOY to AED 61 Mn in 4Q24, primarily driven by a marginal reduction in general and administrative (G&A) expenses, decreasing from AED 48 Mn in 4Q23 to AED 47 Mn in 4Q24. With a decrease in total income, DFM's cost-to-income ratio increased from 32.6% in 4Q23 to 35.7% in 4Q24. The Company recorded a tax expense of AED 10 Mn in 4Q24 due to the introduction of the corporate tax in the UAE in 2024.

### Balance Sheet Highlights

DFM's total investment deposits fell from AED 3.5 Bn in 3Q24 to AED 3.4 Bn in 4Q24 as the deposit greater than one year matured. Meanwhile, financial assets measured at fair value through other comprehensive income (FVOCI) saw a modest growth from AED 1,119 Mn in 3Q24 to AED 1,230 Mn in 4Q24. Total liabilities declined 9.7% QOQ to AED 1.9 Bn in 4Q24, mainly due to lower payables, accrued expenses, and a reduction in lease liabilities. The Company's net cash from operations fell from positive AED 7 Mn in 4Q24 to negative AED 185 Mn in 4Q24 due to increase in payables and accrued expenses.

### Target Price and Rating

We maintain our ACCUMULATE rating on DFM with a target price of AED 1.50. The Company's profitability fell primarily due to lower clearing settlement & depository fees and investment income in 4Q24. However, the strong growth in the core trading commission income partially offset this decline in profit. Total traded value rose from c. AED 29 Bn in 4Q23 to c. AED 34 Bn in 4Q24 due to increased market activity owing to absolute growth in the DFM market index and the listing of Talabat. The Company expects a few more listings in 2025 which will drive the market momentum. DFM's total market capitalization grew from AED 757 bn in 3Q24 to AED 907 Bn in 4Q24. Additionally, DFM onboarded 138,262 new investors in FY24, with 85% constituting foreign investors. The foreign investors accounted for 50% of the total traded value in FY2024. DFM expects its earnings from clearing & settlement fees which is expected to amount to the average of the last three years lower than FY2024. In addition, income from investment income is expected to drop in 2025 as the deposits mature and will be renewed at a lower rate. The Company declared a dividend of AED 256 Mn in FY2024 amounting to a payout ratio of 97% of the retained earnings available for distribution. The dividend is subject to the Company's Annual General Assembly approval and will amount to a dividend yield of 2.3% in FY2024. Thus, based on our analysis, we recommend a Accumulate rating on the stock.

#### DFM - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025E
PE (x)	79.4	105.5	74.5	33.3	29.1	30.4
PB (x)	1.4	1.4	1.4	1.3	1.3	1.3
EV/EBITDA	46.9	59.1	47.2	26.6	23.7	24.3
Dividend yield (%)	0.0%	2.3%	1.3%	2.7%	2.4%	2.6%

FABS Estimates & Co Data

**DFM – P&L**

(AED MM)	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Trading commission fees	66	46	94	81	15.9%	42.3%	105.0%	226	232	2.7%
Brokers fees	3	3	3	4	-26.0%	18.8%	-1.8%	12	12	1.3%
Clearing settlement & depository fee	60	37	5	41	-86.8%	-91.0%	-85.5%	89	82	-8.0%
Listing & market data fees	3	3	3	4	-19.6%	17.6%	20.6%	11	11	-1.9%
Other fees	1	3	2	2	-9.8%	46.1%	-21.6%	11	16	48.0%
<b>Operating income</b>	<b>133</b>	<b>92</b>	<b>108</b>	<b>132</b>	<b>-18.7%</b>	<b>-18.9%</b>	<b>17.5%</b>	<b>349</b>	<b>353</b>	<b>1.2%</b>
Investment income	49	62	43	65	-34.3%	-13.1%	-31.6%	169	216	27.8%
Other income	-2	0	1	0	NM	NM	NM	0	1	NM
Dividend Income	4	1	3	2	73.5%	-22.2%	238.1%	20	44	115.7%
Provision expense	0	0	0	0	NM	NM	NM	0	0	NM
Profit Income	0	0	0	0	NM	NM	NM	0	0	NM
Reversal of impairments on financial assets	9	0	19	0	NM	114.3%	NM	9	19	NM
<b>Total Income</b>	<b>191</b>	<b>155</b>	<b>172</b>	<b>199</b>	<b>-13.5%</b>	<b>-10.1%</b>	<b>11.2%</b>	<b>547</b>	<b>632</b>	<b>15.5%</b>
General & administration expenses	-48	-37	-47	-47	0.8%	-2.5%	27.6%	-161	-165	2.6%
Amortisation of intangible assets	-14	-14	-14	-14	0.0%	0.0%	0.0%	-56	-56	0.0%
Interest Expense	0	0	0	1	NM	NM	-4.5%	0	-1	NM
<b>Total Operating Expenses</b>	<b>-62</b>	<b>-51</b>	<b>-61</b>	<b>-60</b>	<b>2.6%</b>	<b>-1.5%</b>	<b>19.8%</b>	<b>-218</b>	<b>-223</b>	<b>2.5%</b>
Profit Expenses	0	0	0	0	NM	NM	NM	0	0	NM
Tax	0	-9	-10	-11	-14.3%	NM	5.7%	0	-33	NM
NCI	0	0	0	0	NM	NM	NM	0	0	NM
<b>Net Profit</b>	<b>129</b>	<b>94</b>	<b>101</b>	<b>128</b>	<b>-20.6%</b>	<b>-21.5%</b>	<b>7.6%</b>	<b>329</b>	<b>377</b>	<b>14.4%</b>

FABS estimate & Co Data

**Margins**

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	YOY Ch.
Operating Margin	69.3%	59.2%	62.5%	-675	333	63.8%	55.8%	-792
Net Profit	97.3%	102.8%	94.1%	-317	-867	94.4%	106.7%	1232

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	1.48	70.0%	1.04
Relative Valuation (RV)	1.54	30.0%	0.46
<b>Weighted Average Valuation (AED)</b>			<b>1.50</b>
Current market price (AED)			1.37
Upside/Downside (%)			+10%

### 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 8.1%. The cost of equity is calculated using a 10-year government bond yield of 5.5%, a beta of 0.75, and an equity risk premium of 3.5%. Government bond yield is calculated after adding Dubai's 10-year spread over a 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.5%. DFM earlier reserved a parcel of land in Dubai for headquarters while in 4Q24 it changed its intention to hold the land for an undetermined future use. Upon valuation, the fair value of the land was estimated at AED 413 Mn. We have included the excess value of land over the book value of AED 182 Mn in valuation.

Sum of PV (AED, Mn)	2,630
Terminal value (AED, Mn)	9,028
<b>FV to Common shareholders (AED, Mn)</b>	<b>11,839</b>
No. of share (Mn)	7,996
Current Market Price (AED)	1.37
<b>Fair Value per share (AED)</b>	<b>1.48</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	360	413	456	505	561
(+) D&A	75	76	76	77	77
Working Capital	276	105	103	101	97
(-) Capex	-11	-13	-15	-17	-19
<b>Free Cash Flow to Equity (FCFE)</b>	<b>700</b>	<b>580</b>	<b>621</b>	<b>666</b>	<b>717</b>
Discounting Factor	0.93	0.86	0.80	0.74	0.68
<b>Discounted FCFE</b>	<b>652</b>	<b>501</b>	<b>496</b>	<b>491</b>	<b>489</b>

Source: FAB Securities

## 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 PE multiple of 33.7x close to its regional peer.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
BSE Ltd	8,730	49.2	37.1	59.1	45.4
NASDAQ Inc	48,140	20.0	17.5	33.7	28.8
Singapore Exchange Limited	10,070	15.4	15.1	21.9	21.1
Hong Kong Exchanges	50,180	20.8	19.8	32.1	30.8
Deutsche Borse	45,840	13.7	12.6	22.3	20.7
London Stock exchange	77,600	15.1	13.4	53.2	41.5
Saudi Tadawul Group Holdings	6,880	31.1	26.1	36.9	32.0
<b>Average</b>		<b>23.6</b>	<b>20.2</b>	<b>37.0</b>	<b>31.5</b>
<b>Median</b>		<b>20.0</b>	<b>17.5</b>	<b>33.7</b>	<b>30.8</b>
<b>Max (Quartile 3)</b>		<b>26.0</b>	<b>23.0</b>	<b>45.1</b>	<b>36.8</b>
<b>Min (Quartile 1)</b>		<b>15.3</b>	<b>14.3</b>	<b>27.2</b>	<b>25.0</b>

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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