

Dubai Financial Market PJSC (DFM)

Higher trading volume coupled with addition of new investors supported operating income

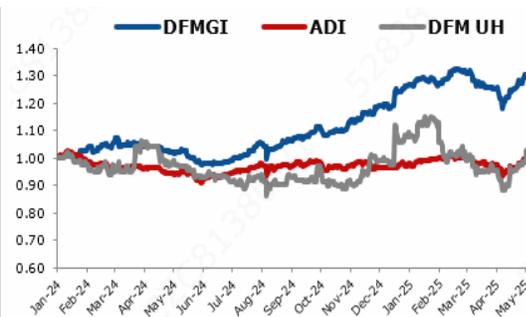
Current Price
AED 1.44

Target Price
AED 1.50

Upside/Downside (%)
+4.20%

Rating
HOLD

- DFM's trading commission fees rose 51.3% YOY to AED 73 Mn in 1Q25, and the dividend income grew significantly from AED 29 Mn in 1Q24 to AED 48 Mn in 1Q25.
- DFM's cost-to-income ratio improved from 35.5% in 1Q24 to 27.7% in 1Q25.
- The Company's average daily traded value (ADTV) rose 67% YOY to AED 663 Mn in 1Q25.
- The average daily trades grew 33% YOY to 13,400 trades per day.
- DFM onboarded 19,366 new investors in 1Q25, with 86% being from foreign countries



1Q25 Net Profit higher than our estimate

Dubai Financial Market PJSC ("DFM/the Company") experienced a 41.8% YOY surge in net profit to AED 127 Mn in 1Q25, higher than our estimate of AED 91 Mn. The rise in net profit is driven by an increase in trading commission fees and dividend income, coupled with lower G&A expenses, partially offset by a decline in clearing settlement & depository fees and investment income, along with the rise in tax charges.

P&L Highlights

Dubai Financial Market witnessed a 37.6% YOY increase in operating income to AED 86 Mn in 1Q25, attributed to a substantial rise in trading commission fees. DFM's trading commission fees rose from AED 48 Mn in 1Q24 to AED 73 Mn in 1Q25 due to growth in total trades and higher trading value. Income from broker fees marginally declined 1.6% YOY to AED 3 Mn in 1Q25. The Company's clearing and depository fees fell from AED 8 Mn in 1Q24 to AED 4 Mn in 1Q25. Listing & market data fees grew 7.3% YOY to AED 3 Mn in 1Q25, while other fees also increased from AED 1 Mn in 1Q24 to AED 2 Mn in 1Q25. Investment income declined 4.5% YOY to AED 53 Mn in 1Q25. DFM's dividend income grew significantly from AED 29 Mn in 1Q24 to AED 48 Mn in 1Q25. As a result, the total income rose 25.9% YOY to AED 186 Mn in 1Q25. Total operating expenses shrank 1.7% YOY to AED 52 Mn in 1Q25, owing to a 2.1% YOY fall in general and administrative (G&A) expenses, to AED 37 Mn in 1Q25. As a result, DFM's cost to income ratio improved from 35.5% in 1Q24 to 27.7% in 1Q25. The Company's tax expense rose from AED 6 Mn in 1Q24 to AED 8 Mn in 1Q25.

Stock Information

Market Cap (AED, Mn)	11,520.00
Paid Up Capital (Mn)	8,000.00
52 Week High	1.63
52 Week Low	1.16
3M Avg. daily value (AED)	6,991,610

1Q25 Result Review (AED, Mn)

Total Assets	11,048
Total Liabilities	2,360
Total Equity	8,688
Total income	186
Net Profit	127

Financial Ratios

Dividend Yield (12m)	2.22
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	27.98
Price-to-Book Ratio (x)	1.33
Book Value (AED)	1.08
Return on Equity (%)	4.97

Stock Performance

5 Days	5.11%
1 Months	17.07%
3 Months	5.11%
6 Months	13.39%
1 Year	6.67%
Month to Date (MTD%)	5.11%
Quarter to Date (QTD%)	8.27%
Year to Date (YTD%)	-4.00%

Balance Sheet Highlights

DFM's total investment deposits remained steady at AED 3.4 Bn in 1Q25, compared to 4Q24. Meanwhile, financial assets measured at fair value through other comprehensive income (FVOCI) grew from AED 1,231 Mn in 4Q24 to AED 1,276 Mn in 1Q25. Total liabilities increased 21.1% QOQ to AED 2.4 Bn in 1Q25, attributed to higher long-term payables and accrued expenses, coupled with increased lease liabilities. The Company's net cash from operations declined from AED 603 Mn in 1Q24 to AED 437 Mn in 1Q25 owing to a reduction in cash generation from working capital.

Target Price and Rating

We revise our rating on DFM from ACCUMULATE to HOLD with an unchanged target price of AED 1.50. In the 1Q25, the Company reported a robust YOY net profit increase of 41.8%, primarily driven by higher trading commission fees and increased dividend income. This strong performance underscores the continued momentum and investor confidence in the market. The average daily traded value reached a record high, rising by 67% YOY to AED 663 Mn, a reflection of heightened trading volumes and solid capital inflows. The total traded value during 1Q25 amounted to AED 41 Bn, with institutional investors accounting for a significant 72% share, highlighting their growing confidence and the market's appeal to sophisticated investors. Notably, DFM onboarded 19,366 new investors in 1Q25, with 86% of them being foreign nationals. These international investors contributed 53% of the total traded value during 1Q25, signaling increased global interest in the market and improving the depth and diversity of the investor base. Average daily trades surged by 33% YOY to 13,400, indicating enhanced market liquidity. Although total market capitalization of companies listed on DFM slightly declined to AED 897 Bn in 1Q25 from AED 907 Bn in 4Q24, overall investor participation and engagement continued to improve. In 2024, the Company distributed AED 256 Mn in dividends, translating to 3.2 fils per share and a dividend yield of 2.2%, reflecting its solid financial position and commitment to shareholder returns. Looking ahead, DFM is focused on cementing its role as a global financial hub by supporting dual listings, expanding its network of fintech solution providers and general clearing members, and enhancing investor onboarding through digital channels to further improve accessibility and participation in the market. Thus, based on our analysis, we recommend a HOLD rating on the stock.

DFM - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (x)	83.5	110.9	78.3	35.0	30.6	28.3
PB (x)	1.5	1.4	1.4	1.4	1.3	1.3
EV/EBITDA	49.4	62.2	49.7	28.0	25.0	23.0
DPS	0.00	0.03	0.02	0.04	0.03	0.04
Dividend yield (%)	0.0%	2.1%	1.2%	2.4%	2.2%	2.8%

FABS Estimates & Co Data

DFM – P&L

(AED MM)	1Q24	4Q24	1Q25	1Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Trading commission fees	48	94	73	63	16.0%	51.3%	-21.9%	232	294	26.8%
Brokers fees	3	3	3	3	3.6%	-1.6%	1.3%	12	13	5.0%
Clearing settlement & depository fee	8	5	4	5	-10.0%	-40.8%	-17.1%	82	65	-20.0%
Listing & market data fees	3	3	3	3	2.2%	7.3%	-12.9%	11	11	-1.9%
Other fees	1	2	2	1	NM	NM	12.8%	16	22	40.0%
Operating income	62	108	86	75	14.6%	37.6%	-20.1%	353	406	14.9%
Investment income	55	43	53	45	17.5%	-4.5%	23.8%	216	204	-5.6%
Other income	1	1	0	0	NM	NM	NM	1	0	NM
Dividend Income	29	3	48	30	60.6%	64.0%	NM	44	74	69.0%
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	0	19	0	0	NM	NM	NM	19	0	NM
Total Income	148	172	186	150	24.4%	25.9%	8.4%	632	683	8.0%
General & administration expenses	-38	-47	-37	-45	-17.2%	-2.1%	-20.7%	-165	-178	8.0%
Amortisation of intangible assets	-14	-14	-14	-14	0.0%	0.0%	0.0%	-56	-56	0.0%
Interest Expense	0	0	0	0	NM	-31.8%	-25.6%	-1	0	NM
Total Operating Expenses	-53	-61	-52	-59	-12.7%	-1.7%	-16.0%	-223	-235	5.4%
Profit Expenses	0	0	0	0	NM	NM	NM	0	0	NM
Tax	-6	-10	-8	0	NM	30.9%	-20.0%	-33	-40	22.4%
NCI	0	0	0	0	NM	NM	NM	0	0	NM
Net Profit	90	101	127	91	39.8%	41.8%	25.5%	377	408	8.2%

FABS estimate & Co Data

Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch.
Operating Margin	42.2%	62.5%	46.1%	390	NM	55.8%	59.4%	355
Net Profit	143.4%	94.1%	147.8%	439	NM	106.7%	100.5%	-623

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	1.58	70.0%	1.11
Relative Valuation (RV)	1.30	30.0%	0.39
Weighted Average Valuation (AED)			1.50
Current market price (AED)			1.44
Upside/Downside (%)			+4.2%

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 8.4%. 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 3.8%. 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 125 Mn in valuation.

Sum of PV (AED, Mn)	2,770
Terminal value (AED, Mn)	9,756
FV to Common shareholders (AED, Mn)	12,651
No. of share (Mn)	7,996
Current Market Price (AED)	1.44
Fair Value per share (AED)	1.58

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	408	475	534	593	659
(+) D&A	75	76	76	77	78
Working Capital	268	98	116	100	97
(-) Capex	-12	-14	-17	-19	-22
Free Cash Flow to Equity (FCFE)	738	634	710	751	812
Discounting Factor	0.95	0.87	0.81	0.74	0.69
Discounted FCFE	525¹	555	573	559	558

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 PE multiple of 25.3x close to its regional peer.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
BSE Ltd	10,232	37.6	30.5	51.1	41.3
NASDAQ Inc	43,714	17.1	15.8	21.4	19.1
Singapore Exchange Limited	11,693	17.5	16.8	24.0	22.8
Hong Kong Exchanges	57,225	10.4	10.1	30.0	28.3
Deutsche Borse	59,112	16.0	14.9	23.6	21.6
London Stock exchange	79,698	14.1	13.0	25.3	23.2
Saudi Tadawul Group Holdings	5,939	26.4	24.0	32.6	28.9
Average		19.9	17.9	29.7	26.5
Median		17.1	15.8	25.3	23.2
Max (Quartile 3)		21.9	20.4	31.3	28.6
Min (Quartile 1)		15.0	13.9	23.8	22.2

Source: FAB Securities

