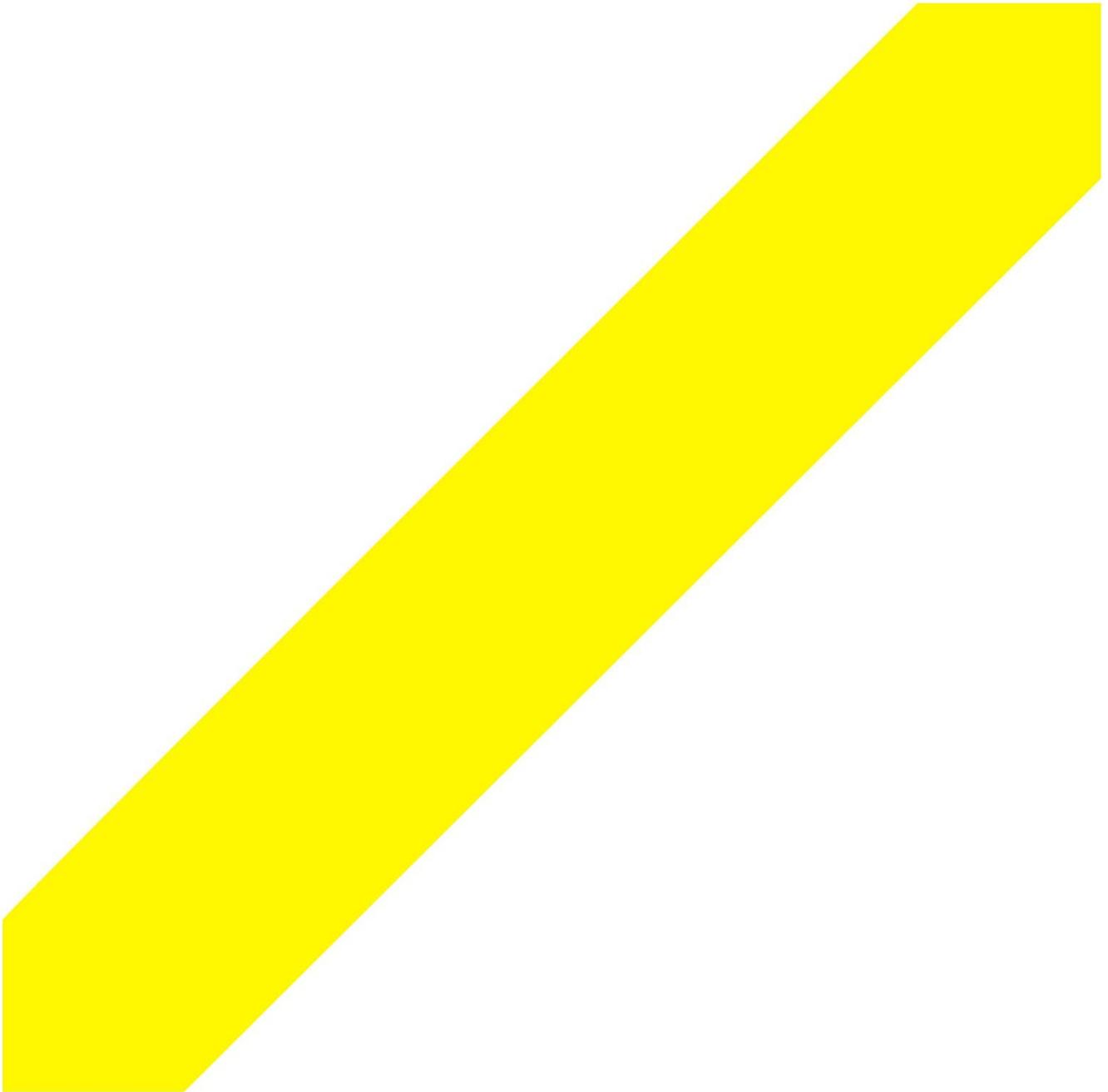


H1 2025

Earnings call transcript



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DFM Participant: Ali Al Hashimi, CFO
Moza Alshafar, AVP Investor Relations
Host: Shahad Hilmy, HSBC
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Shahad Hilmy: Hi everyone. Firstly, thank you for joining. Just a quick introduction from me, I'm Shahad Hilmy. I'm the MENA equity sales at HSBC Dubai. I'd like to welcome you to DFM results earnings call today I'll introduce the management team. First, we have the CFO Ali Al Hashimi and the investor relations Moza Alshafar for this call, they'll walk us through the highlights of the first half, and then they'll go into the details of the outlook moving forward. Just for housekeeping, we'll start off with a summary of the results, and post the summary, we'll open the floor for questions, and you'll be able to unmute yourself and ask the questions directly. And with that, I'll hand over to Ali.

Ali Al Hashimi: Thank you. Let's start with Moza for the introduction.

Moza Alshafar: Thank you. Good afternoon everyone and welcome to the Dubai Financial Market half year 2025 earnings call. Today we'll be going through the overview of H12025 performance and financial results, and following that we'll conclude the session with a Q&A to address your questions. But before we begin I want to underline that the remarks today may include forward-looking statements, please be aware that actual results may differ materially from those covered in the statements. This session will be recorded, and I'll now hand over to Ali to begin proceedings.

Ali Al Hashimi: Thank you. Moza, good afternoon everyone, and thank you for joining our Dubai Financial Market first half 2025 earnings call today. Discussions will be covering market performance, investors participation, IPO activity and financial results.

Starting with market performance and certain key developments. So, index during H1 closed the first half of the year at 5705.76 points, which is a rise of 10.6% year to first half, reflecting global market strength and broader global shift in capital towards resilient and growth-oriented markets. Also market capitalization had grown significantly year to date in H1 9.7%, reaching north of AED 1 trillion, which is exactly AED 995 billion, up from AED 907 billion, end of 2024.

Also on the trading activities, average daily trade value increased by 75% year on year, reached AED 692 million compared to the AED 395 million in the same period last year. Total trade value reached AED 85 billion, that's an increase of 77% year on year. Number of trades also increased 37% that's approximately 13,900 trades per day, versus the 10,000 trades same period last year. Market makers contributed to 14.8% of trading activities, and we have seen no delisting in H1 2025.

Moving into investor participation, we've seen an expanded and diversified investor base. We continue to see an upward trajectory reflecting growing attractiveness of the capital markets that's supported by the market, enabling accessibility through different channels. On the retail side we're working with facilitating onboarding of institutional clients to our partners, the custodians. During first half of the year, we've onboarded the north of 53,655 new investors out of, 84% were foreign investors. Today, we are above a total investor base of 1.2 million. Foreign investors contributed 53% to the trading activities compared to 50% that is up 3% to the same period in H12024. Foreign investors held a market capitalization share of 20% that is up two percent compared to the same period last year. Institutional investors activities had surged with institutions accounting for 71% of the total market trading, versus 66% in H12024.

Moving to the IPO pipeline and market expansion during H12025. We've welcomed a landmark IPO, Dubai Residential REIT, the first REIT of its kind, in terms of the size, is the largest GCC REIT, and the first dedicated residential focused REIT. The IPO raised AED 2.145 billion and was significantly oversubscribed. Subscription reached AED 56 billion. That's almost 26 times the offered units, and was debuted with a market capitalization of AED 14.3 billion making it the largest REIT in the GCC underscoring strong investor confidence in Dubai real estate sector.

In terms of the DFM IPO strategy, it remains aligned with the Dubai GDP mix, aiming to increase sectoral diversity in capital markets, and also reflecting Dubai GDP sectors. The current sector composition of the market capitalization stood at 40% financials, 20% real estate, utilities contributed 17%, industrial 12% and communication service 5% and consumer staples and other sectors comprising of the remainder. The

diverse mix strategy positions DFM to attract listings from emerging and underrepresented sectors, and this is our key focus for the last years.

Index inclusion is one of the main drivers of liquidity, the market continues to monitor its listed companies as potential index inclusion. In H1 we've seen three companies being included: Emaar Development, followed by SALIK and DEWA been included in the MSCI that has contributed in the north of 3 billion dirhams in terms of inflow of liquidity. This is a strong endorsement of Dubai's capital markets meeting the key size and liquidity benchmarks and reinforces growing global investor interests in our stable dividend paying infrastructure and real estate names. We see this reflected in enhanced liquidity in a stronger foreign participation across our market, as we've mentioned that has significantly grown. We've moved from 40% plus institutional participation 10 years back today, it's contributing to above 70%.

Market initiatives, we've recently seen in May, our capital market summit, the third edition of our annual capital market summit, which further highlights DFM's global standing, attracting more than 1,500 leading international and regional market participants, and setting the stage for continuing innovation and growth. During the event we've announced our Arena platform, which we continue enhancing, which is designed to facilitate broader capital access and diversify investment opportunities across various asset classes, reinforcing market depth and investor engagement that is positioned as a private market and growth market platform. Our other initiatives announced this year, which is the upgraded iVestor platform, which is mainly allowing investors to subscribe to IPOs, access to private offerings via Arena managed portfolios, transfer funds in and out, receive dividends. And also recently, we've introduced order execution through the platform. We've connected this year two main brokers, which we help them to generate leads and drive traffic for them, and also facilitate accessibility to clients to execute trades immediately, without the need to move funds from the iVestor wallet to the brokers,

Moving into the first half financial results. We reported net profit before tax at AED 777.1 million, up 298% compared to the same period in 2024 that is including a one off transaction, which is the sale of the land. Total consolidated revenues increased by 191% to AED 888.9 million for the first half of 2025 driven by strong trading activity and diversified income streams, and including also the one-off transaction, which is investment in property. Net profit margin, that's 74% in H12025 compared to 64% in H12024 on like for like basis, our EBITDA margin is 82% in H12025 compared to 77% in H12024.

Investment income, 92% of investment made within UAE that is supported by our diversified portfolio from deposits, Sukuk and equities. Our financial assets remain conservatively positioned with the 64% investment deposits and 17.8% investment in equity securities and 12% in Sukuk, and the remaining is Cash and Cash equivalents. In summary, our investment deposits rates carries a profit rates ranging from 4.4% to 5.6%. Our Sukuk portfolio is also mainly within UAE, a small exposure to outside to the wider GCC, which is ranging from 2.6% to 5.5% coupon rates. On investment property, we've completed this transaction in May this year, the plot is located in Business Bay for a total consideration of AED 827 million. The payment structure comprised of AED 165 million received in cash on the transaction date, AED 248 million receivable after 12 months, and AED 413 receivable after 24 months.

Expenses excluding tax were AED 111.8 million compared to AED 110.3 million, just a slight increase at less than 1% compared to H12024.

In terms of quarterly numbers, Q2 2025 reported a total revenue of AED 702.5 million compared to Q2 2024, AED 157.6 million. Net profit before tax during Q2 reported AED 642.2 million, compared to AED 99.8 million. That's including the one-off transaction.

Earning per share on like for like basis, excluding the one-off transaction reached 0.031 fils compared to the same period last year of 0.023 fils, including the one-off it would arrive at a 0.089 fils.

With that said, I conclude my review to the performance and financials and open the session for questions. Thank you. Shahad, do we have any questions here?

Questions and Answers

Shahad Hilmy: Thank you for that summary. Any questions? Not seeing anything in the Q&A, and if you can just unmute yourself, do a quick introduction and go into your question.

Mikhail Butkov: Hello, good day. Can you hear me?

Shahad Hilmy: Yes. Hear you perfectly.

Mikhail Butkov: Good. Thank you very much for the presentation. I just had one question, so apologies if I didn't hear it during the call. But do you expect to make this one-off related to the sale of the investment property, the profit on that eligible for the dividend in the end, like next year when it comes to make a decision, or you cannot comment on that yet, or so any comments? Thank you very much.

Ali Al Hashimi: Generally speaking, this should not be translated into a one-off dividend distribution by any means. We have a dividend policy established last year in January 2024, which is the minimum of 50% of the net profit after deducting tax and other deductibles as required by law. So as the one-off, no, there will be no one-off distribution for that. And it follows the same practice, and it is left to the general assembly meeting at that time to decide on the percentage of distribution. It should not be related to the land in specific but as the company's overall net profit and distribution percentage related to that.

Mikhail Butkov: Okay so basically, when it will come the time to pay the dividend, the payout ratio will be applied to the net income, including the benefit of this sale next year. Do I understand it correct?

Ali Al Hashimi: Yes, so, we will not treat it as a separate transaction. So it's a minimum of 50% applied, if decided other than this then it is to be decided during the AGM.

Mikhail Butkov: Alright. Yeah. Very helpful. Thank you.

Shahad Hilmy: Perfect. Thank you. I can see Rahul, you've raised your hand as well. Madhawi, if you can allow Rahul to speak. Rahul, can you hear us? No, still on mute. Let's check with the team. Just in the meantime, I'll just ask a question while we sort that one out, just something to ask in terms of the retail investor participation, it accounted for quite a high number of trading activity in 2024 so what measures are being undertaken to enhance that even further?

Ali Al Hashimi: So for retail, retail had increased significantly over the last three years, and that is on the back of the digital transformation strategy that we have adopted in 2021-2022. We've moved from an online retail onboarding to a digital retail onboarding. And we've moved from an average 4,500 new investors a year to today we're averaging 120,000 a year, consistently for the last three years. And that includes reducing the time for onboarding from few days to a seven minutes the journey includes opening an account with the broker. So what we're doing, we're integrating the wider ecosystem including brokers and allowing also investors to onboard, open an account, select their brokers and execute trades within the

exchange app by building that order-routing platform without cannibalizing the role of the brokers but we're generating leads for those brokers. We started 17th of April this year and onboarded now two brokers, and we've been generating significant number of investors in terms of retail participants.

And if you see the number of trades as mentioned to you, we had an increase this year, 37% we've moved from 10,000 trades per day to 13,000 trades per day. That's on the back of the increased activity of the retail participation beside the institutional definitely that's one part. But retail activity increased significantly. And if you compare it to three years back, we've moved from the average of 2,500 trades day to where we are today, 13,900. I hope I answered your question.

Shahad Hilmy: That was perfect. Thank you so much. With that, Rahul, if we can try again, are you able to unmute yourself? If it doesn't work, you can put the put it through the Q and A. Oh, there we go.

Rahul Shah: Does it work now? Sorry about that before. So a few questions related to the property, the one-off property transaction, could you give us a sense of the process that that you went through. Like was it an auction process, did you have advisors? Can you give us some metrics to help us understand – good price for this asset, and in terms of the transaction structure, it's a bit unusual with this deferred component, so I don't know if you can give any sort of sense of who the buyer is and why you've gone for that transaction structure, and whether there's any restrictions on the buyer until the final payment has been made. And if you could give us a sense of those things. I think that would be quite helpful. Oh, sorry, there was one other thing, given the materiality of the of this transaction, it's a bit unusual that you didn't disclose it when it was completed? I don't know if you can give a sense of why you didn't do that, and particularly given that the stock price has been quite positive during the period that this transaction has happened, so maybe there was some leakage of information that perhaps could have been avoided. Thank you.

Ali Al Hashimi: Sure. Thank you. I'll answer your second question first, and then move to the first question. So in terms of the disclosure, we've disclosed this in end of May, there's a full disclosure in that, with the payment plan, with the details, very, very detailed statement in terms of that, and it's published on our website, and you can find that in the disclosure. And in terms of the process, how we followed the sell of the transaction. This is part of the corporate governance, we need to tender this. So we've circulated, we've tendered this in a way to major developers in town. We've been doing this for the last one year. Initially it started that we will develop that plot, but then we've decided we do not want to enter into a real estate development business, the board decided to sell that plot. We went through the bidding process. invited

major developers, senior developers in town. An extensive list of major developers in town, and we started receiving the bid over time. Our ask at the start was probably not really realistic for the developers, certain developers. But I think we've seen how the demand had ramped up in the in the real estate in Dubai in the last one year. So, we put a targeted price, and it took us a while to reach that, and hit the jackpot. The deferred payment structure, impacts the price per square feet. And this is pretty much obvious thing in the real estate transactions, so you factor in the present value of the funds that you're receiving. This is on deferred payment contractual, the title deed is based also on a deferred title deed in agreement with the Land Department and with the master developer. So the plot is not transferred 100% to the buyer, but it is a deferred registration. So that is part of the agreement with the Dubai Land Department and master developer. And this is a common thing. It's a common thing in Dubai. And upon the final payment, the full transfer will take place. So this is the structure in summary, but definitely it was a very lengthy process.

Rahul Shah: Thanks very much. That's very helpful.

Shahad Hilmy: Yeah, thank you. We have a question on the chat system. I'll read it out just now. So the total traded value increased 7% sequentially, while trading fees commission revenue line increased much higher, implying a higher take rate. Could you explain why the take rate increased?

Ali Al Hashimi: So part of that trading fee is because you have a market maker participation. The market maker participation varies from last year to this year. When you translate those fees, the market makers have a rebate program. So if market maker activities decreases, the normal market fees increases and vice versa. So last year, we witnessed high market maker participation. It reaches approximately in the north of 19%, this year H1 is 14.8% so that that difference is translated to the rebate, less rebate this year versus last year.

Shahad Hilmy: Perfect. Thank you so much. Is there anyone that has any questions? If so, just raise your hand for the live question, or just use the chat system. I'll just give it a few seconds for final questions. Okay, thank you very much everyone. I'll pass over to Ali and Moza just to kind of do the final comments, and then we can close the call. Thank you so much.

Ali Al Hashimi: Thank you everyone. And if you have any questions, please direct it to our investor relations Moza will attend to that. Thank you everyone, thanks for hosting.

End

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