

Emirates Telecommunications Group Co (e&)

Rise in Revenue across all segments coupled with lower federal royalty fueled the net profit

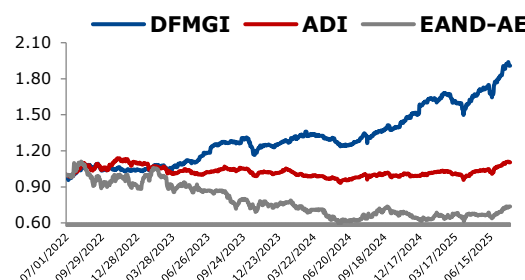
Current Price
AED 19.00

Target Price
AED 22.00

Upside/Downside (%)
+15.8%

Rating
BUY

- The subscriber base rose 13.1% YOY to 198.1 Mn in 2Q25 including 14.9 Mn contributing from consolidation of e& PPF Telecom.
- Capex grew 52.1% YOY to AED 2.7 Bn in 2Q25, due to the consolidation of e& PPF Telecom, increased capital expenditure in the UAE, and the renewal/acquisition of licenses in Mauritania and Afghanistan.
- Strategic disinvestment in Khazna and partial divestment of Airalo in 1H25 is expected to improve financial flexibility.
- strategic partnership with Microsoft to co-develop and deploy next-generation artificial intelligence solutions, accelerating AI adoption across priority markets in the MENAT region, including the UAE, Saudi Arabia, Egypt, Turkey, and Qatar.
- The Company announced a dividend of AED 0.43 per share with a dividend payout ratio of 59.9% in 1H25.



Stock Information

Market Cap (AED, Mn)	165,238.33
Paid Up Capital (Mn)	8,696.80
52 Week High	19.18
52 Week Low	15.60
3M Avg. daily value (AED)	3,303,893

2Q25 Result Review (AED, Mn)

Total Assets	190,389
Total Liabilities	129,268
Total Equity	61,121
EBITDA	8,034
Net Profit	3,472

Financial Ratios

Dividend Yield (12m)	4.4
Dividend Pay-out (%)	67.13
Price-Earnings Ratio(x)	13.20
Price-to-Book Ratio (x)	3.11
Book Value (AED)	5.24
Return-on Equity (%)	24.38

Stock Performance

5 Days	1.06%
1 Months	8.94%
3 Months	8.94%
6 Months	11.11%
1 Year	14.46%
Month to Date (MTD%)	0.32%
Quarter to Date (QTD%)	7.95%
Year to Date (YTD%)	16.42%

2Q25 Net Profit higher than our estimate

Emirates Telecommunications Group Co PJSC (e&/the Company) net profit grew 9.7% YOY to AED 3,472 Mn in 2Q25, higher than our estimate of AED 2,938 Mn. The rise in net profit is driven by strong revenue growth across all segments and increase in finance and other income coupled with decline in federal royalty and finance and other costs, partially offset by a rise in operating expenses, impairment charges, tax expense, and NCI.

P&L Highlights

e&'s total Revenue surged 28.1% YOY to AED 18.0 Bn in 2Q25, owing to solid growth in all verticals, along with acquisition of PPF telecom. Additionally, the revenue expanded 10.4% YOY on LFL basis in reported currency and 9.0% in constant currency during 2Q25. The revenue growth is driven by robust performance across both domestic and international telecom operations, along with the expanded scale of the company's digital verticals. e& UAE revenue increased 5.0% YOY to AED 8.6 Bn in 2Q25, driven by higher mobile and other revenue. The increase is driven by an expanding subscriber base and an emphasis on the postpaid segment with attractive product options, supplemented by an increase in wholesale revenues, stronger contributions from international and visitor roaming. Moreover, the e& international revenue rose from AED 5.0 Bn in 2Q24 to AED 8.0 Bn in 2Q25, driven by the acquisition of PPF telecom, strong growth performance in Egypt & Pakistan and appreciation of the Moroccan Dirham. Excluding e& PPF telecom, in constant currency, the International segment revenue increased 8.3% YOY in 2Q25. Maroc Telecom Group's revenue increased 7.7% YOY to AED 3.5 Bn in 2Q25.

In terms of local currency, revenue declined marginally, owing to slowed down in mobile business, partially offset by solid performance from Moov Africa Subsidiaries due to higher mobile data, mobile money, and fixed data revenue. Furthermore, e& Egypt's revenue surged 33.5% YOY to AED 1.1 Bn and 40.4% in constant currency terms for 2Q25 fueled by new additions in subscribers, increased consumption and elevated prices. Reported revenue from PTCL Group increased 11.5% YOY to AED 0.8 Bn in 2Q25. The growth is primarily driven by an increased mobile customer base. Additionally, Etisalat Afghanistan's revenue remained flat to AED 187 Mn in 2Q25. e& PPF telecom's revenue stood at AED 2.5 Bn in 2Q25. Moving ahead, the revenue from e& Enterprise expanded 38.9% YOY to AED 899 Mn in 2Q25 due to an increase in cybersecurity, cloud services and IoT. E& Life's revenue grew from AED 510 Mn in 2Q24 to AED 623 Mn in 2Q25 mainly by expansion of Careem Technologies operating activity and increased fintech revenue. The Company's operating expenses grew 35.8% YOY to AED 12.3 Bn in 2Q25, primarily through the consolidation of e& PPF Telecom, rising interconnection costs due to higher wholesale revenues and higher costs associated with inflation across various expense categories. Total impairment loss on trade receivables and other assets increased 28.4% YOY to AED 266 Mn in 2Q25. The share of profits from associates and joint ventures rose from AED 691 Mn in 2Q24 to AED 841 Mn in 2Q25. e&'s federal royalty declined 15.3% YOY to AED 1.2 Bn in 2Q25. Thus, the Company's operating profit increased 24.6% YOY to AED 5.2 Bn in 2Q25. Total EBITDA surged 22.2% YOY to AED 8.0 Bn in 2Q25, while the EBITDA margin shrank 212 bps YOY to 44.5% in 2Q25. Etisalat's UAE EBITDA increased marginally by 1.5% YOY to AED 4.3 Bn in 2Q25, while e& International EBITDA rose from AED 2.3 Bn in 2Q24 to AED 3.7 Bn in 2Q25 due to the acquisition of e& PPF Telecom. EBITDA for e& Enterprises grew 38.1% YOY to AED 63 Mn in 2Q25, while the e& Life reported a negative EBITDA of AED 182 Mn in 2Q25 compared to negative AED 210 Mn in 2Q24, driven by expansion of Careem Technologies & fintech operations. Finance and other income increased from AED 559 Mn in 2Q24 to AED 1.7 Bn in 2Q25. Conversely, finance and other costs declined 33.5% YOY to AED 1.4 Bn in 2Q25. The Company recorded an income tax expense of AED 1.1 Bn in 2Q25 compared to tax reversal of AED 71 Mn in 2Q24. Share of NCI stood at AED 832 Mn in 2Q25 compared to contribution in loss of AED 507 Mn in 2Q24.

Balance Sheet Highlights

e&'s consolidated capex grew 52.1% YOY to AED 2.7 Bn in 2Q25, primarily due to the acquisition of e& PPF Telecom, increased capital expenditure in the UAE, and the renewal/acquisition of licenses in Mauritania and Afghanistan. The capital intensity ratio rose from 12.7% in 2Q24 to 15.1% in 2Q25. e&'s total debt declined from AED 68.6 Bn in 1Q24 to AED 65.4 Mn in 2Q25. The company repaid approximately AED 7.0 Bn in short-term obligations using the proceeds from the divestment of Khazna. The Company reported net debt to EBITDA ratio of 1.19x in 2Q25 compared to 0.88x in 1Q25. Cash balance reached at AED 30.9 Bn in 2Q25, down from AED 44.5 Bn in 1Q25.

Target Price and Rating

We maintain our BUY rating on e& with a target price of AED 22.00. The Company's top line surged in 2Q25, driven by the strong performance of the telecom and digital verticals, along with the consolidation of e& PPF Telecom. In constant currency terms, the revenue rose 8.5% YOY on LFL basis for 1H25. e& reported robust subscriber growth in 2Q25, with the total base rising 13.1% YOY to 198.1 Mn, supported by strong additions across both UAE and international markets. e& UAE subscribers grew 6.3% YOY to 15.5 Mn, driven by a 7.2% YOY rise in mobile customers. Within mobile, postpaid subscribers increased 8.9%, while prepaid rose 6.6%, supported by targeted offerings and value-driven plans. Blended mobile ARPU in the UAE was stable at AED 76. International subscribers rose 13.7% YOY to 182.5 Mn. Growth was led by Egypt, where the base exceeded 40 Mn (11.8% YOY growth), and Pakistan, which reached 28.8 Mn (2.6% YOY growth). The consistent subscriber gains and steady ARPU underline e&'s ability to drive scale while maintaining monetization across its diversified footprint. e& introduced its 5G network slicing product for business customers to fulfill the current and future industry demands across the public and private sector. e& enterprise has expanded its strategic partnership with Microsoft to co-develop and deploy next-generation artificial intelligence solutions, accelerating AI adoption across priority markets in the MENAT region, including the UAE, Saudi Arabia, Egypt, Turkey, and Qatar. The partnership is expected to deliver sector-specific AI and data-driven tools that address the unique needs of each market. Furthermore, the Company announced a partnership with Infobip to improve its customer relationship

and experience with the launch of the new Customer Engagement Hub. The Company's capex excluding licenses and spectrum reached AED 2.5 Bn in 2Q25, with a capital intensity of 13.8%. The strategic disinvestment in Khazna and partial divestment of Airalo in 1H25 is expected to improve financial flexibility. Furthermore, the Company net debt reduced from AED 69.2 Mn in 4Q24 to AED 65.4 Mn in 2Q25 with c. 63% of the outstanding debt due beyond the next 12 months. Moreover, the net debt to EBITDA ratio stood at 1.19x in 2Q25 primarily due to cash balance of AED 30.9 Bn due to payment of dividend and federal royalty for 2024. e& reported a 52.1% YOY increase in CAPEX to AED 2.7 Bn in 2Q25, driven by higher spending in the UAE, consolidation of e& PPF Telecom, and license renewals in key markets. Excluding spectrum and licenses, CAPEX stood at AED 2.5 Bn, with a 13.8% intensity ratio in 2Q25, below 2025 guidance. Investments focused on 5G rollout, network expansion, and digital infrastructure, reinforcing e&'s commitment to long-term growth and technology leadership. e& announced a dividend of AED 0.43 per share with a dividend payout ratio of 59.9% in 1H25. The company guided Revenue growth of 17-20%, EBITDA margin of 43% and Capex/Intensity (excl. spectrum and license fee) of ~16% for FY2025. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

e& - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	18.25	17.68	16.46	15.98	15.32	11.61
PB	3.36	3.46	3.90	3.86	3.62	3.12
EV/EBITDA	6.49	6.43	7.16	7.42	7.46	6.87
EPS	1.038	1.071	1.151	1.185	1.236	1.631
BVPS	5.638	5.472	4.860	4.905	5.239	6.070
DPS	1.200	0.800	0.800	0.800	0.830	0.860
Dividend yield	6.3%	4.2%	4.2%	4.2%	4.4%	4.5%

FABS Estimates & Co Data

e& - P&L

AED mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY	QOQ	2024	2025F	Change
Revenues	14,092	16,864	18,046	17,279	4.4%	28.1%	7.0%	59,203	70,509	19.1%
Operating expenses	-9,039	-11,526	-12,279	-11,725	4.7%	35.8%	6.5%	-39,479	-48,791	23.6%
Imp loss on trade recv.	-207	-293	-266	-346	-23.1%	28.4%	-9.4%	-2,138	-1,551	-27.4%
Share of results of assoc.	691	19	841	432	94.6%	21.6%	NM	2,475	1,763	-28.8%
Operating profit before federal royalty	5,538	5,065	6,342	5,641	12.4%	14.5%	25.2%	20,061	21,930	9.3%
Federal royalty	-1,404	-3,277	-1,189	-1,339	-11.2%	-15.3%	-63.7%	-5,282	-6,953	31.6%
Operating profit	4,133	1,788	5,152	4,301	19.8%	24.6%	NM	14,779	14,976	1.3%
EBITDA	6,573	7,355	8,034	7,555	6.3%	22.2%	9.2%	26,454	30,344	14.7%
Finance and other inc.	559	5,354	1,669	669	NM	NM	-68.8%	2,733	7,361	NM
Finance and other costs	-2,106	-702	-1,401	-1,294	8.3%	-33.5%	99.5%	-5,212	-4,583	-12.1%
Profit before tax	2,587	6,440	5,420	3,676	47.4%	NM	-15.8%	12,300	17,755	44.4%
Income tax expense	71	-887	-1,116	-551	NM	NM	25.9%	-1,717	-2,663	55.2%
Profit for the period	2,658	5,553	4,304	3,125	37.7%	62.0%	-22.5%	10,583	15,092	42.6%
Non-controlling interest	-507	199	832	188	NM	NM	NM	-169	906	NM
Net Profit	3,165	5,355	3,472	2,938	18.2%	9.7%	-35.2%	10,752	14,186	31.9%

FABS estimate & Co Data

e& - Margins

	2Q24	1Q25	2Q25	YOY	QOQ	2024	2025F	Change
Operating profit	29.3%	10.6%	28.6%	-78	1,795	25.0%	21.2%	-37
EBITDA	46.6%	43.6%	44.5%	-212	91	44.7%	43.0%	-16
Net profit	22.5%	31.8%	19.2%	-322	-1,251	18.2%	20.1%	20

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value e&. We have assigned 70% weight to DCF, and 30% to RV method. We have also included the value of interest owned by E& in Vodafone Plc and Etihad Etisalat Co. e&'s value of ownership in both entities is included in DCF and RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	22.04	70.0%	15.43
EV/EBITDA	21.91	30.0%	6.57
Weighted Average Valuation (AED)			22.00
Current market price (AED)			19.00
Upside/Downside (%)			+15.8%

1) DCF Method:

e& is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.3%. It is arrived after using cost of equity of 9.4% and after-tax cost of debt of 4.8% with debt-to-equity ratio of 41.7%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 1.0 and equity risk premium of 4.3%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Cost of debt is calculated using cost of 4.8% after adjusting a tax rate of 15.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	45,997
Terminal value (AED, Mn)	157,250
FV to Common shareholders (AED, Mn)	203,247
Net debt as of June 2025	-30,087
Minority Interest (AED, mn)	-9,302
Mobily share included in E&	12,913
Vodafone share included in E&	14,866
Total Equity Value	191,637
No. of share (Mn)	8,697
Current Market Price (AED)	19.00
Fair Value per share (AED)	22.04

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
EBIT * (1-tax rate)	12,730	14,533	14,899	15,398	15,272
Depreciation & Amortization	8,415	8,654	9,231	9,203	9,766
(-) Changes in Working Capital	2,415	-1,680	1,212	380	1,004
(-) Capex	-11,634	-11,157	-11,638	-11,920	-12,153
Free Cash Flow to Firm (FCFF)	11,926	10,349	13,704	13,062	13,888
Discounting Factor	0.97	0.89	0.82	0.76	0.70
Discounted FCFF¹	5,768¹	9,241	11,295	9,939	9,755

Source: FAB Securities, ¹FCFF adjusted for partial year

2) Relative Valuation:

We have used international peers to value e&, which is valued using the EV/EBITDA multiple. It is valued at a 2025 EV/EBITDA multiple of 6.7x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Saudi Telecom	55,889	8.0	7.5	15.2	14.3
Mobile Telecommunication Company	7,530	6.3	6.0	10.9	9.6
Verizon Communication	179,615	7.0	6.8	9.1	8.8
SAFARICOM PLC	8,151	5.3	5.8	11.7	11.9
Deutsche Telekom AG	177,863	7.0	6.7	16.0	14.2
Telstra Group Limited	36,483	8.9	8.4	25.8	23.6
Mobily	12,562	7.2	6.7	13.9	12.8
Ooredoo Q.P.S.C	11,843	4.9	4.9	10.4	10.7
Emirates Integrated Telecommunications Co.	12,340	6.3	6.0	15.7	15.0
Oman Telecommunications Company	1,733	5.2	5.1	8.9	8.1
Average		6.6x	6.4x	13.8x	12.9x
Median		6.7x	6.4x	12.8x	12.3x
Max		7.1x	6.8x	15.6x	14.3x
Min		5.6x	5.9x	10.5x	9.8x

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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