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First Look Note | 1Q26

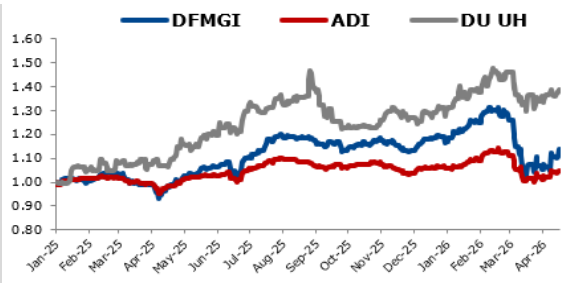
UAE Equity Research | Sector: Telecommunication | Market: DFM

Emirates Integrated Telecommunications Co (DU)

Strong revenue momentum and cost discipline drive earnings growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 10.48	AED 11.50	+10%	ACCUMULATE

- Du's mobile subscriber base grew 6.1% YOY to 9.7 Mn in 1Q26, due to steady growth across both prepaid & postpaid segments.
- January–February recorded strong growth, outperforming full-year guidance, driven by robust demand and strong commercial momentum.
- March witnessed a noticeable slowdown in activity due to geopolitical tensions, seasonality, and weaker tourism inflows, leading to moderation in overall quarterly performance.
- DU's Capex stood at AED 386 Mn in 1Q26, with a capital intensity of 9.4% of total revenue.
- The Company reiterated its 2026 guidance of 5%–7% revenue growth and an EBITDA margin of 46%–47%.



Stock Information	
Market Cap (AED, Mn)	47,867.49
Paid Up Capital (Mn)	4,532.91
52 Week High	11.25
52 Week Low	8.30
3M Avg. daily value (AED)	18,153,580

1Q26 Result Review (AED, Mn)	
Total Assets	20,222
Total Liabilities	11,053
Total Equity	9,169
EBITDA	2,038
Net Profit	834

Financial Ratios	
Dividend Yield (12m)	6.12
Dividend Pay-out (%)	99.86
Price-Earnings Ratio(x)	15.85
Price-to-Book Ratio (x)	4.67
Book Value (AED)	2.24
Return-on Equity (%)	33.10

Stock Performance	
5 Days	0.76%
1 Months	6.34%
3 Months	1.54%
6 Months	15.03%
1 Year	22.93%
Month to Date (MTD%)	4.60%
Quarter to Date (QTD%)	5.60%
Year to Date (YTD%)	6.73%

1Q26 Net Profit higher than our estimate

Emirates Integrated Telecommunications Co. PJSC (DU/The Company) reported a 15.5% YOY increase in net profit to AED 834 Mn in 1Q26, higher than our estimate of AED 760 Mn. The growth in net profit is driven by higher revenue and a decline in operating expenses (excl. D&A), partially offset by higher direct costs, depreciation, amortization and impairment expenses, federal royalty and income tax charges.

P&L Highlights

DU's revenue grew 6.9% YOY to AED 4.1 Bn in 1Q26, primarily driven by strong performance across Mobile, Fixed, and ICT services, partially offset by a decline in Wholesale revenues. The growth was supported by strong performance in January and February across core connectivity businesses, favourable mix effects, and continued expansion in digital and adjacent services, partially offset by the impact of regional conflict and adverse weather conditions in March. Mobile Services revenue grew 7.2% YOY to AED 1.8 Bn in 1Q26, supported by subscriber base growth and a favourable mix shift toward postpaid. The mobile subscriber base increased 6.1% YOY to 9.7 Mn, driven by strong postpaid additions and resilient prepaid growth. Postpaid subscribers grew 9.6% YOY to 2.0 Mn, while prepaid subscribers increased 5.2% YOY to 7.7 Mn in 1Q26. Fixed service revenue rose 11.1% YOY to AED 1.2 Bn in 1Q26, supported by strong performance in Enterprise Connectivity, driven by successful SME offerings and higher ARPU from fibre and home wireless services. The fixed subscriber base grew 6.3% YOY to 745k in 1Q26. Other revenues increased 2.3% YOY to AED 1.1 Bn in 1Q26, driven by continued expansion in ICT services and stronger handset sales, partially offset by lower interconnection and roaming revenues. DU's direct costs rose 5.2% YOY to AED 1.3 Bn in 1Q26, mainly due to higher interconnect, commission, and device-related costs.

Consequently, gross profit increased 7.8% YOY to AED 2.8 Bn in 1Q26, with the gross profit margin expanding by 54 bps YOY to 67.9% in 1Q26. Net operating expenses (excl. D&A) declined 1.7% YOY to AED 754 Mn in 1Q26. EBITDA increased 11.7% YOY to AED 2.0 Bn in 1Q26, with the EBITDA margin improving to 49.5% in 1Q26 from 47.4% in 1Q25. The growth in EBITDA is supported by favorable mobile mix, interconnection cost reductions, cost discipline, and some one-off benefits, partially offset by higher handset sales and increased bad debt provisions. D&A and impairment expenses increased 2.0% YOY to AED 560 Mn in 1Q26. Operating Profit rose 15.9% YOY to AED 1.5 Bn in 1Q26, with the operating profit margin improving to 35.9% in 1Q26 from 33.1% in 1Q25. The Company's net finance income declined from AED 6 Mn in 1Q25 to AED 2 Mn in 1Q26. Furthermore, federal royalty charges increased 15.4% YOY to AED 562 Mn in 1Q26, while tax expenses rose 15.5% YOY to AED 83 Mn in 1Q26.

Balance Sheet Highlights

DU's capex stood at AED 386 Mn in 1Q26, with a capex intensity of 9.4% of total revenue, reflecting a typical backloaded investment profile. DU's operating free cash flow rose 14.2% YOY to AED 1.7 Bn in 1Q26, supported by EBITDA growth and stable capex. The Company remains debt-free, with a net cash balance of AED 2.9 Bn in 1Q26 and an undrawn facility of AED 2.0 Bn, reflecting healthy liquidity.

Target Price and Rating

We maintain our ACCUMULATE rating with a target price of AED 11.50. The regional conflict in the Middle East has had a limited immediate impact on du, with the situation to date remaining stable, as no network or operational disruptions have been reported and business continuity plans have been successfully activated. However, areas of potential exposure persist, primarily on the revenue side, including softer roaming and tourism activity, pressure on gross subscriber additions if mobility weakens, and possible ARPU moderation amid cautious consumer spending. Additionally, a shift in traffic mix toward fixed broadband reflects evolving usage patterns. On the cost front, inflation and supply chain disruptions may create procurement challenges, while bad debt risk could rise in SME-linked sectors. Despite these headwinds, du remains well positioned, supported by strong liquidity, an unleveraged balance sheet, and disciplined cost management, enabling it to maintain investment plans and benefit from structurally resilient connectivity demand. Du delivered a solid 1Q26 performance, with net profit rising 15.5% YOY, supported by revenue growth of 6.9% and strong EBITDA expansion. The Company maintained robust profitability, with EBITDA margin reaching 49.5% in 1Q26, driven by favorable mobile mix, interconnection cost reductions, higher fixed ARPU, disciplined cost control, and some one-off benefits. The quarter reflected strong underlying performance in January–February, while March performance was adversely impacted by multiple factors including regional geopolitical tensions, Ramadan, Eid, adverse weather conditions, and temporary work-from-home and distance learning protocols, making it difficult to isolate the exact impact of the conflict. DU's subscriber base remained healthy, with total mobile subscribers increasing 6.1% YOY to 9.7 Mn in 1Q26. Postpaid subscribers grew 9.6% YOY to 2.0 Mn, supported by premium offerings and enterprise demand, while prepaid subscribers rose 5.2% YOY to 7.7 Mn, reflecting continued resilience despite softer tourism activity in March. The fixed segment continued to outperform, with revenue increasing 11.1% YOY, driven by strong enterprise connectivity demand and higher ARPU from fibre and home wireless offerings, reinforcing DU's position in the fixed broadband market. Du remains focused on strengthening and monetising its core business, while reinforcing its digital-first approach and enhancing customer experience. The Company continues to scale up adjacent digital services, expand its data centre footprint, deepen ICT capabilities, and advance strategic partnerships to further diversify its revenue streams. DU is also prioritizing efficient business management by adapting to a complex and evolving operating environment, maintaining cost efficiencies while continuing to create long-term value for shareholders. Du refinanced its AED 2 Bn revolving credit facility with a 7-year tenor, enhancing financial flexibility and supporting future strategic investments, while the facility remains fully undrawn, reflecting strong confidence from lenders. The Company reiterated its 2026 guidance of 5–7% revenue growth and EBITDA margin of 46–47%, while noting that visibility remains limited due to uncertainty around the duration and severity of the regional conflict. Thus, considering the above-mentioned factors, we maintain our ACCUMULATE rating on the stock.

DU - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	43.24	39.03	28.54	19.13	16.38	15.05
PB	5.58	5.43	5.15	4.82	4.69	4.69
EV/EBITDA	14.86	13.55	11.68	7.00	6.18	5.73
BVPS	1.882	1.935	2.039	2.179	2.239	2.240
EPS	0.243	0.269	0.368	0.549	0.641	0.698
DPS	0.210	0.240	0.340	0.540	0.640	0.697
Dividend Yield	2.0%	2.3%	3.2%	5.2%	6.1%	6.7%

FABS Estimates & Co Data

DU – P&L

AED Mn	1Q25	4Q25	1Q26	1Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	3,848	4,283	4,114	4,143	-0.7%	6.9%	-3.9%	15,905	16,865	6.0%
Direct Costs	-1,258	-1,473	-1,322	-1,419	-6.8%	5.2%	-10.2%	-5,259	-5,692	8.2%
Gross Profit	**2,590**	**2,810**	**2,792**	**2,724**	2.5%	**7.8%**	**-0.7%**	**10,646**	**11,173**	5.0%
Net Operating Expenses excl. D&A	-767	-974	-754	-831	-9.3%	-1.7%	-22.6%	-3,308	-3,383	2.3%
EBITDA	**1,824**	**1,837**	**2,038**	**1,893**	7.6%	**11.7%**	**11.0%**	**7,338**	**7,791**	**6.2%**
D&A and Impairment	-549	-549	-560	-544	3.0%	2.0%	1.9%	-2,168	-2,174	0.3%
Operating profit	**1,275**	**1,287**	**1,478**	**1,350**	9.5%	**15.9%**	**14.8%**	**5,170**	**5,616**	**8.6%**
Finance income/exps	6	-6	2	-3	NM	NM	NM	-20	-12	-39.0%
Pre-royalty profit	**1,281**	**1,282**	**1,479**	**1,347**	9.8%	**15.5%**	**15.4%**	**5,149**	**5,604**	**8.8%**
Federal Royalty	-487	-487	-562	-512	9.8%	15.4%	15.4%	-1,957	-2,129	8.8%
Tax	-72	-71	-83	-75	10.1%	15.5%	16.3%	-287	-313	8.8%
Net Profit	**722**	**724**	**834**	**760**	**9.8%**	**15.5%**	**15.3%**	**2,905**	**3,162**	**8.9%**

FABS estimate & Co Data

DU - Margins

	1Q25	4Q25	1Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit Margin	67.3%	65.6%	67.9%	54	224	66.9%	66.3%	-68
EBITDA	47.4%	42.9%	49.5%	214	665	46.1%	46.2%	6
Operating Profit	33.1%	30.1%	35.9%	279	587	32.5%	33.3%	79
Net Profit	18.8%	16.9%	20.3%	150	338	18.3%	18.8%	49

FABS estimate & Co Data

Key Developments:

- **9 April 2026** – Du refinanced its AED 2 billion revolving credit facility with a 7-year tenor, enhancing liquidity flexibility and supporting future strategic investments; the facility remains undrawn and reflects strong lender confidence.
- **15 September 2025** – DU successfully completed a secondary public offering of 342 Mn shares (7.55% of share capital) at AED 9.20 per share, generating c. AED 3.15 Bn in gross proceeds for Mamoura, a Mubadala subsidiary. The offering was multiple times oversubscribed across retail and institutional investors, increasing du's free float to 27.7% and enhancing liquidity with potential eligibility for MSCI and FTSE index inclusion.
- **12 June 2025** - Du announced the deployment of Oracle Alloy to launch hyperscale cloud and sovereign AI services for UAE government and public sector entities, becoming the first local provider to offer over 100 Oracle Cloud Infrastructure services. The services, powered by Oracle, NVIDIA, and du's GPU-as-a-Service, will be hosted in du's UAE data centre to ensure data sovereignty and support the country's digital transformation.

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	12.70	70.0%	8.89
Relative Valuation (RV)	8.71	30.0%	2.61
Weighted Average Valuation (AED)			**11.50**
Current market price (AED)			10.48
Upside/Downside (%)			+10%

1) DCF Method:

DU 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 8.9%. Cost of equity is calculated by using a 10-year government bond yield of 5.4%, beta of 0.9 and an equity risk premium of 3.9%. Government bond yield is calculated after adding Dubai's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	14,016
Terminal value (AED, Mn)	43,547
FV to Common shareholders (AED, Mn)	57,562
No. of share (Mn)	4,533
Current Market Price (AED)	10.48
Fair Value per share (AED)	**12.70**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	3,162	3,575	3,890	4,219	4,654
D&A	2,174	2,260	2,365	2,475	2,590
Change in working capital	165	689	520	479	424
(-) Capex	-2,412	-2,557	-2,671	-2,777	-2,901
Net change in debt	-326	-328	-334	-342	-353
Free Cash Flow to Equity (FCFE)	**2,764**	**3,640**	**3,770**	**4,054**	**4,415**
Discounting Factor	0.94	0.87	0.79	0.73	0.67
Discounted FCFE	**1,955[1]**	**3,151**	**2,996**	**2,958**	**2,957**

Source: FAB Securities, [1]Adjusted for partial year

2) Relative Valuation:

We have used international peers to value DU and it is valued using the EV/EBITDA multiple. It is valued at 2026 EV/ EBITDA multiple of 6.8x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Telstra Group limited	42,724	8.9	8.6	26.0	24.2
Verizon Communication	1,92,196	6.8	6.6	9.4	8.8
SAFARICOM PLC	9,263	6.3	5.5	12.7	10.9
Deutsche Telekom AG	1,54,922	6.4	6.0	12.5	11.0
Saudi Telecom	57,074	8.4	7.9	15.2	14.2
Emirates Telecommunications Group	45,123	6.3	6.0	13.9	12.2
Etihad Etisalat	13,403	6.9	6.6	13.5	12.1
Average		**7.1x**	**6.7x**	**14.7x**	**13.3x**
Median		**6.8x**	**6.6x**	**13.5x**	**12.1x**
Max		**7.7x**	**7.3x**	**14.5x**	**13.2x**
Min		**6.4x**	**6.0x**	**12.6x**	**11.0x**

Source: FAB Securities

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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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