

## Emirates Integrated Telecommunications Co (du)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 7.90	AED 8.55	+8%	HOLD

### 4Q24 Net Profit in line with our estimate

- DU's revenue grew 8.8% YOY to AED 3.9 Bn in 4Q24 primarily driven by healthy growth across mobile, fixed and other segments. The growth in services revenue is driven by solid growth in subscriber base and improved mix. Other revenue growth is attributed to a growth in wholesale, equipment and ICT services.
- Mobile Services revenue rose 8.0% YOY to AED 1,702 Mn in 4Q24 due to growth in the Postpaid as well as prepaid customer base attributable to rise in tourism activity and a better mix coupled with increased focus on higher ARPU products.
- Fixed service revenue grew 9.8% YOY to AED 1,046 Mn in 4Q24 attributable to a robust performance of Fibre and Home Wireless products as well as expansion of the Fibre network.
- Other revenues increased 9.3% YOY to 1,125 Mn in 4Q24 driven by ICT, visitor roaming, interconnect and handset sale coupled with the successful launch of iPhone16. It also benefitted from growth in cloud and managed services and data centres.
- EBITDA rose 10.6% YOY to AED 1.6 Bn in 4Q24 with an EBITDA Margin of 40.8% in 4Q24 compared to 40.2% in 4Q23.
- Net profit grew significantly by 47.5% YOY to AED 585 Mn in 4Q24 primarily driven by higher revenue and a decline in federal royalty partially offset by higher marketing expense, expected credit losses and tax charges.
- DU's Capex moderated from AED 759 Mn in 4Q23 to AED 729 Mn in 4Q24 with capex intensity of 18.8%.
- DU's mobile subscriber base grew 4.2% YOY to 8.9 Mn in 4Q24 mainly driven by 10.0% YOY growth in postpaid customers to 1.8 Mn owing to dynamic B2B initiatives and attractive consumer offers.
- Prepaid consumers grew 2.9% YOY to 7.1 Mn in 4Q24.
- Operating free cash flow grew 26.8% YOY to AED 852 Mn in 4Q24 due to moderation in capex and EBITDA growth.

### Earnings Call Summary

- DuPay performed favorably by targeting underserved segments with tailored offerings.
- The UAE's stable inflation, growing population, and thriving tourism sector contribute to a positive macroeconomic outlook.
- The government's focus on digital transformation, economic diversification, and infrastructure investment continues to create opportunities for DU.
- The Company expects FY2025 revenue to grow by 5-7% in FY2025.
- DU partnered with Telefonica to explore potential joint business opportunities in areas such as B2B and B2C, digital services, technology, innovation, procurement, and other key strategic sectors to drive growth in business.
- The board of directors recommended a final dividend of 34 fils per share for 2H24 bringing the total dividend for the FY2024 to 54 fils per share.
- DU launched the Emirati Family Plan to cater to the needs of UAE national families, offering improved value and discounts for multiple lines.
- The future dividend policy for FY2025-27 will be presented at the General Assembly meeting on 17<sup>th</sup> March.

- DU's cash position at year-end was AED 2.3 Bn, with significant cash outflows expected, including the final dividend and royalty payments in FY2025.
- DU will continue to normalize its capital expenditure, focusing on core investments in mobile and fixed networks.
- The Company expects FY2025 EBITDA margin to be higher than the 44.2% margin reported in 2024.
- The Company expects to witness strong growth in the fixed segment.
- DU has built its own data centers and is also leasing data center space. The Company is actively offering co-location and cloud services under the ICT umbrella.
- Du holds undrawn revolving credit facility of USD 2.0 Bn.
- Du plans to expand their portfolio of services, particularly those related to AI and cloud offerings
- Du does not intend to expand outside the UAE when it comes to its core connectivity business (telecom Services).

**DU – P&L**

<b>(AED mn)</b>	<b>4Q23</b>	<b>3Q24</b>	<b>4Q24</b>	<b>4Q24F</b>	<b>Var.</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>
Revenue	3,558	3,589	3,873	3,777	2.5%	8.8%	7.9%
Costs	-1,995	-1,729	-2,120	-2,041	3.8%	6.2%	22.6%
Marketing expense	-85	-59	-108	-62	74.7%	26.3%	82.0%
Exp. Credit losses	-47	-67	-65	-66	-0.7%	38.3%	-2.8%
<b>EBITDA</b>	<b>1,430</b>	<b>1,734</b>	<b>1,580</b>	<b>1,609</b>	<b>-1.8%</b>	<b>10.6%</b>	<b>-8.9%</b>
Dep & Amrtz, Impr	-537	-543	-557	-553	0.7%	3.6%	2.5%
<b>Operating profit</b>	<b>893</b>	<b>1,191</b>	<b>1,024</b>	<b>1,056</b>	<b>-3.1%</b>	<b>14.6%</b>	<b>-14.1%</b>
Finance income/exp	1	-7	-1	-11	-92.0%	NM	-86.6%
<b>Pre-royalty profit</b>	<b>892</b>	<b>1,185</b>	<b>1,023</b>	<b>1,045</b>	<b>-2.1%</b>	<b>14.6%</b>	<b>-13.7%</b>
Federal Royalty	-496	-395	-380	-409	-7.3%	-23.4%	-3.8%
Tax	0	-71	-58	-57	2.7%	NM	-18.2%
<b>Net Profit</b>	<b>396</b>	<b>719</b>	<b>585</b>	<b>579</b>	<b>1.1%</b>	<b>47.5%</b>	<b>-18.7%</b>

*FABS estimate & Co Data*

