

E7 Group PJSC

Current Price
AED 1.47

Target Price
Under Review

2Q25 Net Profit lower than our estimate

- E7 Group's saw a marginal increase in revenue by 1.8% YOY to AED 178 Mn in 2Q25, primarily due to the timing of revenue recognition across its segment. The Company recorded a growth in the revenue from the Printing segment, partially offset by a decline in the Distribution segment.
- Direct cost rose marginally 1.6% YOY to AED 116 Mn in 2Q25, due to an increase in raw material costs, outsourcing costs and repairs & maintenance partially offset by a decline in staff costs.
- Thus, gross profit grew 2.2% YOY to AED 62 Mn in 2Q25. Gross margin expanded 12 bps YOY to 34.9% in 2Q25, due to improvement in operational efficiency, despite stable growth in topline.
- EBITDA fell 25.8% YOY to AED 39 Mn in 2Q25, while margins fell from 29.7% in 2Q24 to 21.7% in 2Q25, primarily due to the phasing of revenue.
- Operating profit fell 28.9% YOY to AED 30 Mn in 2Q25.
- Net profit before tax fell substantially from AED 71 Mn in 2Q24 to AED 13 Mn in 2Q25, mainly attributed to mark-to-market pricing of warrants.
- Net profit declined significantly from AED 65 Mn in 2Q24 to AED 12 Mn in 2Q25. Net profit before fair value adjustment on warrants declined from AED 60 in 2Q24 to AED 43 Mn in 2Q25.
- E7's cash balance stood at AED 1.2 Bn in 2Q25, with no outstanding debt in 2Q25.
- E7 declared a one-time special dividend of AED 800 Mn and committed to pay an annual dividend of at least 10 fils per share from FY2025 to FY2027. In addition, the Group will offer to voluntarily repurchase all outstanding warrants at AED 2.40 per warrant.

Earnings Call Summary

- The company is shifting to a customer-centric, end-to-end solutions model, moving away from a siloed vertical.
- The logistics segment of the company is progressing through enhanced fleet management and data-driven optimization initiatives.
- E7's revenue reached nearly AED 300 Mn in 1H25, in line with expected seasonality and the timing of major contracts, particularly the Ministry of Education's school book printing.
- The Company achieved strong traction across core strategic initiatives and secured contract wins in the Middle East, Central Asia, and East Africa.
- Identity Solutions business introduced digital tax stamps and explored new products, including LED and wood-based cards.
- Packaging Solutions division is expanding through contract extensions, the addition of new customers in the UAE and KSA markets, and the rollout of innovative secure packaging products.
- Packaging business is stabilizing through a strategic focus on value-added, profitable growth instead of commodity packaging.
- Printing Solutions segment sustained its momentum by renewing government and private contracts, while actively pursuing digital and web print partnerships to enable scalable and customizable on-demand services.
- Logistics Solutions segment is focusing on technology-driven efficiencies, including the implementation of an AI-powered call center to enhance customer experience.
- E7 focuses on a dual strategy of organic growth and disciplined mergers and acquisitions.
- The organic growth is fueled by contract wins in passports, tax stamps, banking, and other key markets across Africa, Asia, the Middle East, and the CIS.

- The M&A strategy targets bolt-on acquisitions in digital identity and system integration to drive immediate value creation.
- E7 is investing continuously in digital transformation and customer engagement to provide integrated, high-impact solutions.
- The Company focuses on integrated product and service offerings under a unified brand to enhance efficiencies and accelerate revenue growth.
- Furthermore, E7's inorganic growth strategy primarily targets identity solutions, while remaining open to digital innovation opportunities within packaging and printing.
- The company's warrant holders convert their warrants on a cashless basis, receiving shares issued from the company's treasury stock.
- The Company anticipates a partial reversal of the revenue phasing in the second half of 2025.
- E7 is focusing on securing multi-year contracts in Identity Solutions and other growth areas. It anticipates several large deals to finalize, supporting the FY2025 guidance.
- The Company is expanding its secure solutions factory capacity to add 11 Mn passports per year and 6 Bn tax stamps per year, with operations slated to begin in February 2026.
- The Company's Rwanda project, a regional hub for secure business, is expected to contribute significantly next year, highlighted by its first tax stamps contract win.
- E7 addresses capacity shortfalls by collaborating with third-party partners as needed to fully meet client demands.
- The Company monitors second half revenue concentration and mitigates risk through strong client service with a large contract pipeline to replace any contract delay.
- E7 strengthened its competitive advantage through superior quality, exceptional customer service, and deep client engagement beyond procurement.
- Furthermore, the Company works directly with business owners to deliver tailored solutions, such as customized passports and tax stamps, thereby enhancing differentiation, client retention, and value creation for governments.
- The company secured a three-year contract for regular passports in the Middle East, laying the groundwork for future e-passport developments.
- In 3Q25, no similar phasing issue expected with performance expected to be in line or better than last year
- In the tax stamps segment, the current capacity supports existing orders through a newly installed machine and additional expected to come online in February 2026.

E7 Group PJSC - P&L

(AED mn)	2Q24	1Q25	2Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Revenue	175	114	178	165	8.1%	1.8%	56.5%
Direct Cost	-114	-88	-116	-115	0.5%	1.6%	31.8%
Gross Profit	61	26	62	49	25.8%	2.2%	140.5%
G&A & marketing exp	-20	-23	-29	-25	18.6%	45.3%	29.4%
S&M expenses	-2	-2	-3	-2	14.5%	23.9%	35.3%
Reversal of/ (provision for) impairment loss on financial assets	3	0	-1	0	NA	NM	NM
Other Income	2	2	1	2	-62.7%	-50.9%	-57.9%
EBIT	42	3	30	24	24.8%	-28.9%	NM
EBITDA	52	13	39	33	16.9%	-25.8%	NM
Finance Cost	0	-1	-33	-1	NM	NM	NM
Finance Income	29	19	15	25	-37.9%	-47.0%	-17.4%
Profit before tax	71	21	13	48	-73.5%	-82.1%	-39.1%
Income tax expense	-7	-2	-1	-4	-73.5%	-82.0%	-37.4%
Profit/(loss) for the year	65	19	12	44	-73.5%	-82.1%	-39.2%

FABS estimate & Co Data

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link
+971-2-6161777

Institutional Desk +971-4-4245765

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