FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 3Q25

UAE Equity Research | Sector: Industrials | Market: ADX

E7 Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.02	AED 1.30	+27%	BUY

3Q25 Net Profit lower than our estimate

- E7 Group's saw a decline in revenue by 9.0% YOY to AED 174 Mn in 3Q25, primarily due decline in the revenue from the Identity Solution, Commercial Printing and Logistics segment, partially offset by a rise in revenue from Packaging segment.
- Direct cost declined 5.5% YOY to AED 116 Mn in 3Q25, due to decline in raw material costs partially offset by an increase in outsourcing cost, insurance expense and depreciation on rights of use assets.
- Thus, gross profit decreased 15.4% YOY to AED 58 Mn in 3Q25. Gross margin contracted 249 bps YOY to 33.3% in 3Q25, due to higher decline in revenue compared to direct cost.
- EBITDA fell 21.8% YOY to AED 46 Mn in 3Q25, while margins fell from 30.9% in 3Q24 to 26.5% in 3Q25, primarily due to lower revenue, higher G&A expense and negative operating leverage.
- Operating profit fell 25.7% YOY to AED 36 Mn in 3Q25.
- Net profit before tax fell substantially from AED 81 Mn in 3Q24 to AED 31 Mn in 3Q25.
- Net profit declined significantly from AED 73 Mn in 3Q24 to AED 28 Mn in 3Q25, impacted by decline in revenue and rise in finance costs.
- E7's cash balance stood at AED 542 Mn in 3Q25, with no outstanding debt in 3Q25.
- The Company declared a maiden dividend of AED 147.1 Mn in 2Q25 and spent AED 3.1 Mn on warrant buyback, followed special dividend payment of AED 800 Mn in 3Q25. Alongside the Board's approved a multi-year dividend policy of at least 10 fils per share for FY25–FY27.

Earnings Call Summary

- The Company partnered with Shipsy to integrate AI into its last-mile logistics, enhancing route optimization, delivery efficiency, and sustainable distribution across its UAE and regional networks.
- The Shipsy partnership will help in capturing the UAE fast growing last-mile delivery market, which is projected to exceed USD 3.2 Bn by 2030 considering strong growth e-commerce market and sustainability trends.
- E7 partnered with 7I Holding to co-develop secure government solutions, producing up to 6 Bn tax stamps annually, serving 71 Holding's global clients through SICPA Trace solutions.
- The Company's Identity solutions segments continued to be the key growth driver, with long-term government contracts providing strong visibility.
- During the quarter, 14.1 Mn warrants were exercised and converted into 36.8 Mn ordinary shares via a cashless treasury share settlement, reducing treasury shares and increasing outstanding shares.
- The Company repurchased 1.3 Mn warrants at AED 2.40 each under a shareholder-approved voluntary buy-back.
- The company secured AED 530 Mn worth of new contracts during the year, mainly in the long-term Identity Solutions segment and high margin annual banking and telecom contracts, strengthening 2026 revenue visibility, which is further boosted by additional contract win in October.
- The company is focusing more on long-term, recurring contracts for stability and visibility.
- Some long-term contracts expected to start in 2025 have been delayed due to longer materialization timelines, especially for government-to-government deals.
- The company expects the new contracts from recent global customer wins to positively impact the financials within 1H26.
- FY 2025 EBITDA is expected to be slightly lower than last year due to market dynamics and short-term strategic investments, which aim to support future growth and margin recovery.
- The company's contract pipeline expanded to AED 1.5 Bn (majority of it will impact 2026–2028 revenues instead of 2025), up from AED 400 Mn in February, driven mainly by contract win in Identity Solutions

and large Packaging contracts with new international brands. The commercial team is actively engaged in major bids, indicating strong growth prospects over the next 12 months.

- Printing and Packaging are expected to deliver robust YOY growth in 2025, with packaging offering significant capacity and client expansion potential, while printing focuses on high-demand segments such as digital, outdoor, luxury, and religious books.
- The company is exploring profitable M&A opportunities in security, system integration, and digital IT to strengthen in-house capabilities and create revenue synergies across its businesses.
- The USD 11 Mn professional fees recorded in SG&A this year were linked to specific M&A activities and are expected to be non-recurring in nature.
- The Company expects broad-based growth across all segments in 2026, with Security Solutions remaining the largest contributor at around 50% of revenues. The printing and education segment is set to double in size, while logistics will grow moderately with a focus on existing clients and stable margins.
- 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.
- The Company is phasing out low margin contracts to maintain profitability
- The company is focusing on new clients in the security, government, and education sectors that offer high-value, long-term partnerships, allowing it to provide multiple integrated services while maintaining healthy profits and steady growth.
- The company expects to grow its market share in the biometric passport segment, a global market worth USD 40–50 Bn and expanding at 20%–30% CAGR. By March 2026, it plans to increase production capacity to 11 Mn passports annually, preparing to secure contracts from multiple large countries.
- The Company emphasized that its state-of-the-art facility and strong execution capabilities position it to compete with leading international players and drive significant growth beyond 2026.
- E7 noted that 3Q25 revenue softness resulted from slower-than-expected contract ramp-ups, the discontinuation of some low-margin clients, and the absence of one-off 2024 projects, but still expect a strong 4Q25 rebound to support flat full-year revenue.

E7 Group PJSC - P&L

(AED mn)	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ
Revenue	191	178	174	220	-21.2%	-9.0%	-2.4%
Direct Cost	-123	-116	-116	-143	-19.1%	-5.5%	0.1%
Gross Profit	**68**	**62**	**58**	**77**	**-25.0%**	**-15.4%**	**-7.0%**
G&A expenses	-21	-29	-22	-24	-9.2%	3.3%	-24.9%
S&M expenses	-2	-3	-2	-3	-38.4%	-4.6%	-28.0%
Reversal of/ (provision for) impairment loss on financial assets	2	-1	0	0	NM	NM	NM
Other Income	2	1	2	2	8.1%	23.0%	NA
EBIT	**49**	**30**	**36**	**52**	**-29.5%**	**-25.7%**	**20.4%**
EBITDA	**59**	**39**	**46**	**61**	**-24.8%**	**-21.8%**	**19.5%**
Finance Cost	0	-33	-16	-1	NM	NM	-51.8%
Finance Income	32	15	10	15	-31.7%	-67.8%	-33.1%
Profit before tax	**81**	**13**	**31**	**66**	**-53.3%**	**-61.8%**	**142.0%**
Income tax expense	-7	-1	-3	-6	-54.3%	-61.6%	136.8%
Profit/(loss) for the year	**73**	**12**	**28**	**60**	**-53.2%**	**-61.8%**	**142.6%**

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%

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