

E7 Group PJSC

Current Price
AED 0.975

Target Price
AED 1.30

Upside/Downside (%)
+33%

Rating
BUY

4Q25 Net Profit lower than our estimate

- E7 Group saw a marginal increase in revenue by 0.5% YOY to AED 210 Mn in 4Q25, primarily driven by growth in the Identity Solutions segment, partially offset by a decline in the Printing & Education Solutions segment.
- Direct cost increased 0.9% YOY to AED 137 Mn in 4Q25, driven by higher depreciation on PPE, depreciation on rights of use assets, insurance expenses, courier & postage costs, inventory write-downs and other expenses, partially offset by lower raw materials, staff, outsourcing, water and electricity, and provision for slow moving and obsolete inventories costs.
- Gross profit declined marginally by 0.3% YOY to AED 73 Mn in 4Q25. Gross margin contracted by 27 bps YOY to 34.9% in 4Q25, due to a higher increase in direct costs compared to revenue.
- EBITDA declined 2.8% YOY to AED 59 Mn in 4Q25, with margins decreasing from 29.0% in 4Q24 to 28.1% in 4Q25, mainly due to higher direct costs, G&A expenses, impairment losses, and lower other income, partially offset by lower selling & marketing expenses.
- Operating profit fell 14.4% YOY to AED 44 Mn in 4Q25, with margins declining from 24.7% in 4Q24 to 21.0% in 4Q25.
- Profit before tax declined 33.9% from AED 76 Mn in 4Q24 to AED 50 Mn in 4Q25.
- Net profit attributable to equity shareholders declined from AED 69 Mn in 4Q24 to AED 46 Mn in 4Q25, driven by lower finance income and higher G&A expenses.
- E7's cash balance stood at AED 669 Mn in 4Q25, with no outstanding debt in 4Q25.
- The Board has proposed a dividend of AED 203.6 million (10 fils per share) for 2025, to be paid in May 2026.

Earnings Call Summary

- E7 Group benefits from structural demand expansion across identity, packaging, education, and logistics, supported by population growth, rising mobility, digital transformation, and e-commerce penetration, driving sustained demand across its core segments.
- The Company is leveraging digital identity solutions, AI-driven education platforms, logistics automation, and advanced printing/packaging technologies to unlock new revenue streams and drive higher-margin, service-oriented growth.
- The Company is transitioning toward a physical plus digital model, combining traditional printing with digital identity solutions to enhance growth opportunities.
- The Company secured AED 650+ Mn in long-term contracts (3–10 years), providing strong revenue visibility for future years.
- Management highlighted market share gains across multiple segments and geographies, supported by strong execution and competitive positioning.
- The Company is expanding in Africa (Rwanda), with strong contract wins and a manufacturing facility expected by June 2026.
- The Company continues to invest in capacity expansion, technology integration, and new growth initiatives, particularly in identity and secure technology solutions.
- Management confirmed active progress in multiple M&A opportunities, particularly in identity solutions and education, with additional pipeline in packaging.
- The Company is exploring alternative routes via Oman and Saudi Arabia, while maintaining sufficient inventory for medium-term needs, helping mitigate supply chain risks during the current crisis.

- Management confirmed that the negative growth trend seen in 2025 is expected to reverse, with growth anticipated across all segments going forward.
- Management indicated one-off costs of AED 15–20 Mn in 2025 related to organizational changes and transformation programs, along with c. AED 12 Mn inventory-related impact, which weighed on margins, noting that margin recovery will depend on supply chain conditions and contract mix.
- Management expects Identity Solutions to contribute 50% of revenues over the next five years, driven by increasing digital adoption, while maintaining that none of its segments are in structural decline, with commercial printing becoming more specialized and digital, and continued growth opportunities across packaging, education, and integrated digital solutions.
- Management highlighted strong industry tailwinds across key segments, with the global digital identity market estimated at USD 83 Bn, while physical IDs are expected to grow at 5–6% CAGR to USD 6 Bn by 2029. Additionally, the printing segment is growing at 6–8% CAGR in the GCC, alongside education expanding at 6–8% CAGR across emerging markets.
- The packaging market is projected to reach USD 1.4 Tn globally by 2028, growing at 5–6% CAGR across MEA and Asia, while the UAE last-mile logistics market (USD 3.2 Bn) is expected to expand at a 12% CAGR, supporting long-term demand visibility across E7's core business segments.
- Management remains confident of outperforming underlying market growth, supported by strong strategic positioning and backlog, with the Company entering 2026 with solid operational momentum, while maintaining a cautious stance amid geopolitical uncertainties that could impact financial performance.
- On the impact of geopolitical disruptions, the Company experienced delays in shipments and inbound raw materials (especially via ports) but fulfilled all 1Q obligations through alternative logistics arrangements and partner support, albeit with some increase in costs.
- E7 Group has a Multi-year dividend policy of at least 10 fils per share for FY25–FY27, with the proposed final dividend of AED 203.6 million (10 fils per share) for FY 2025 to be paid in May 2026.
- Management stated that it is too early to provide precise guidance due to ongoing geopolitical uncertainties, with greater clarity and formal guidance expected alongside 1Q results.

E7 Group PJSC - P&L

(AED mn)	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ
Revenue	209	174	210	238	-11.5%	0.5%	21.2%
Direct Cost	-136	-116	-137	-150	-8.8%	0.9%	18.3%
Gross Profit	74	58	73	87	-16.1%	-0.3%	26.9%
G&A expenses	-21	-22	-25	-22	16.8%	21.1%	14.4%
S&M expenses	-4	-2	-2	-3	-44.8%	-57.1%	-21.6%
Reversal of/ (provision for) impairment loss on financial assets	0	0	-4	2	NM	NM	NM
Other Income	3	2	1	3	-61.0%	-55.6%	-42.5%
EBIT	52	36	44	68	-34.7%	-14.4%	21.7%
EBITDA	61	46	59	78	-24.5%	-2.8%	28.2%
Finance Cost	-2	-16	1	-2	NM	NM	NM
Finance Income	26	10	5	6	-15.3%	-79.3%	-47.7%
Profit before tax	76	31	50	72	-30.5%	-33.9%	62.8%
Income tax expense	-7	-3	-5	-6	-29.5%	-34.4%	64.5%
Non-controlling interest			0		NM	NM	NM
Net profit attributable to equity shareholders	69	28	46	66	-30.0%	-33.3%	64.1%

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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