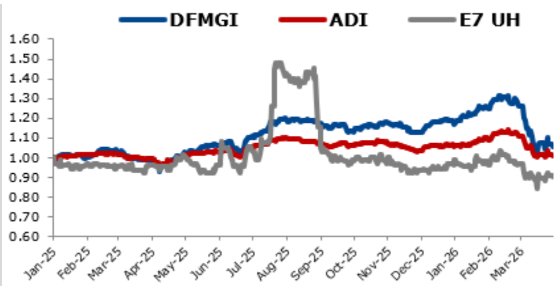
E7 Group

Marginal revenue growth with cost pressures weighing on profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.98	AED 1.30	+33%	BUY

- E7's debt-free balance sheet with USD 669 Mn cash provides significant flexibility for growth investments, M&A, and sustained shareholder returns.
- Secured over AED 650 Mn in long-term contracts (3–10 years) across 2025 and early 2026, providing strong revenue visibility for future years.
- Continued focus on digital transformation and technology integration, including AI-driven logistics, digital identity solutions, and expansion of digital education platforms.
- Proposed final dividend of AED 203.6 Mn (10 fils per share) for 2025, in line with its multi-year dividend policy (2025–2027).



Stock Information	
Market Cap (AED, Mn)	2,057.27
Paid Up Capital (Mn)	524.81
52 Week High	1.38
52 Week Low	0.70
3M Avg. daily value (AED)	2,232,882

4Q25 Result Review (AED, Mn)	
Total Assets	1,571
Total Liabilities	428
Total Equity	1,143
EBITDA	59
Net Profit	46

Financial Ratios	
Dividend Yield (12m)	46.39
Dividend Pay-out (%)	936.51
Price-Earnings Ratio(x)	20.26
Price-to-Book Ratio (x)	1.75
Book Value (AED)	0.56
Return-on Equity (%)	6.78

Stock Performance	
5 Days	-0.20%
1 Months	-6.67%
3 Months	-8.41%
6 Months	-7.55%
1 Year	25.48%
Month to Date (MTD%)	-6.67%
Quarter to Date (QTD%)	-8.41%
Year to Date (YTD%)	-8.41%

4Q25 Net Profit lower than our estimate

E7 Group's (E7/the Company) reported a decline in net profit attributable to equity shareholders from AED 69 Mn in 4Q24 to AED 46 Mn in 4Q25, lower than our estimate of AED 66 Mn, primarily due to lower finance and other income, increased G&A expenses and impairment losses, partially offset by lower S&M expenses, and lower tax charges.

P&L Highlights

E7 Group's revenue increased marginally 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. The Company recorded 11.2% YOY increase in revenue from the Identity Solutions segment to AED 116 Mn in 4Q25, reflecting E7's shift toward higher-margin digital identity solutions and continued expansion across key markets in the Middle East and Africa. Revenue from the Printing segment decreased 13.8% YOY to AED 64 Mn in 4Q25, while distribution revenue declined 1.4% YOY to AED 22 Mn in 4Q25. Revenue from the Packaging segment also decreased 1.1% YOY to AED 9 Mn in 4Q25, with performance driven by new client acquisitions and contract expansions. The Company's direct cost increased 0.9% YOY to AED 137 Mn in 4Q25, primarily due to one-off expenses due to the write-down of inventory, partially offset by lower raw material, staff, outsourcing, repairs & maintenance and provision for slow-moving & obsolete inventories. As a result, gross profit declined marginally 0.3% YOY to AED 73 Mn in 4Q25, with gross profit margin contracting by 27 bps YOY to 34.9% in 4Q25, due to a higher increase in direct costs compared to revenue. G&A expenses increased 21.1% YOY to AED 25 Mn in 4Q25, mainly due to higher professional and Board of directors' fees. S&M expenses declined from AED 4 Mn in 4Q24 to AED 2 Mn in 4Q25, while other income decreased from AED 3 Mn in 4Q24 to AED 1 Mn in 4Q25. Consequently, 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. Moreover, E7's EBITDA declined 2.8% YOY to AED 59 Mn in 4Q25 due to one-off cost related to write down of inventory and higher opex, with EBITDA margins decreasing from 29.0% in 4Q24 to 28.1% in 4Q25. Net finance income decreased from AED 24 Mn in 4Q24 to AED 6 Mn in 4Q25 primarily due to lower interest income following dividend payouts, which reduced the company's cash balance. The Company recorded a tax expense of AED 5 Mn in 4Q25, compared to AED 7 Mn in 4Q24 in line with decline in profit before tax. Loss attributable to NCI stood at AED 0.4 Mn in 4Q25 compared to nil in 4Q24.

Balance Sheet Highlights

E7's cash balance stood at AED 669 Mn in 4Q25, with no outstanding debt, underscoring strong financial discipline and flexibility to fund growth. Net working capital decreased from AED 212 Mn in 3Q25 to AED 89 Mn in 4Q25, owing to lower trade & other receivables, inventories and higher trade payables, partially offset by lower trade payables. Cash generated from operations increased from AED 105 Mn in 3Q25 to AED 183 Mn in 4Q25.

Target Price and Rating

We maintain our BUY rating on E7 with a target price of AED 1.30. E7 reported a modest improvement in revenue in 4Q25, supported by strong momentum in the Identity Solutions segment. However, overall profitability remained under pressure due to higher operating costs, lower finance income following significant dividend distributions, and warrant-related expenses. The Company secured over AED 650 Mn in long-term contracts (3–10 years) across 2025 and early 2026, providing strong revenue visibility and underpinning future growth prospects. It expanded its Identity Solutions segment by entering the tax stamps category, integrating digital track-and-trace capabilities, thereby strengthening its end-to-end digital identity offering. This is further supported by an expanding global footprint, including entry into new markets such as Africa through a partnership with the Rwanda Development Board to establish a security printing facility. E7 continues to benefit from structural demand drivers across its core segments, including rising adoption of digital identity solutions, increasing e-commerce penetration supporting logistics demand, growth in packaging driven by anti-counterfeit solutions, and expansion in digital education platforms. E7 has launched Minhaji, an AI-powered digital e-learning platform for schools in the UAE, which has already onboarded over 850,000 students. The Company is actively transitioning towards a "physical plus digital" model, integrating secure printing with digital identity solutions to enhance growth opportunities. Strategic partnerships with Shipsy and 7I Holding are expected to further strengthen capabilities in AI-driven logistics, last-mile logistics optimization, thereby enhancing operational efficiency and supporting long-term value creation. Logistics disruptions, particularly at ports, have impacted the movement of key inputs such as paper. However, the Company is actively mitigating these challenges by collaborating with local partners within the UAE and exploring alternative land transport routes via Oman and Saudi Arabia to ensure continuity. Importantly, the Company remains well-positioned in the near to medium term, supported by a healthy inventory buffer to meet operational requirements. E7 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 a 6–8% CAGR in the GCC, alongside education expanding at a 6–8% CAGR across emerging markets. The packaging market is projected to reach USD 1.4 Tn globally by 2028, growing at a 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. E7 remains confident of achieving broad-based growth across all segments going forward, with Identity Solutions expected to contribute 50% of revenues over the next five years, supported by increasing digital adoption. A debt-free balance sheet with USD 669 Mn cash provides significant flexibility for growth investments, M&A, and sustained shareholder returns. While core operations remain largely unaffected, prolonged geopolitical tensions in the region could pose risks to the Company's near-term financial performance. The Company continues to demonstrate a strong commitment to shareholder returns, supported by a defined multi-year dividend policy of a minimum of 10 fils per share over 2025–2027. For 2025, it has proposed a final dividend of AED 203.6 Mn, implying an attractive dividend yield of 10.2%. Thus, considering all these factors, we assign a BUY rating on the stock.

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E7 - Relative valuation

(at CMP)	2024	2025	2026F
PE	8.35	18.77	14.34
PB	1.00	1.72	1.87
EV/EBITDA	2.66	8.42	7.76
BVPS	0.971	0.568	0.522
EPS	0.117	0.052	0.068
DPS[1]	0.074	0.100	0.100
Dividend yield	7.6%	10.2%	10.2%

FABS Estimates & Co Data, [1]Excluding special dividend of AED 800 Mn

*E7 was listed on ADX post-acquisition “ADC Acquisition Corporation PJSC” in Nov 2023.

E7 – P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	YOY Ch
Revenue	209	174	210	238	-11.5%	0.5%	21.2%	701	676	-3.6%
Direct Cost	-136	-116	-137	-150	-8.8%	0.9%	18.3%	-471	-456	-3.1%
Gross Profit	**74**	**58**	**73**	**87**	**-16.1%**	**-0.3%**	**26.9%**	**230**	**219**	**-4.7%**
G&A expenses	-21	-22	-25	-22	16.8%	21.1%	14.4%	-80	-99	24.1%
S&M expenses	-4	-2	-2	-3	-44.8%	-57.1%	-21.6%	-10	-9	-14.6%
Reversal/(provision for) impair loss on financial assets	0	0	-4	2	NM	NM	NM	5	-4	NM
Other Income	3	2	1	3	-61.0%	-55.6%	-42.5%	8	6	-26.3%
EBIT	**52**	**36**	**44**	**68**	**-34.7%**	**-14.4%**	**21.7%**	**153**	**114**	**-25.6%**
EBITDA	**61**	**46**	**59**	**78**	**-24.5%**	**-2.8%**	**28.2%**	**191**	**154**	**-19.4%**
Finance Cost	-2	-16	1	-2	NM	NM	NM	-3	-47	NM
Finance Income	26	10	5	6	-15.3%	-79.3%	-47.7%	106	48	-54.9%
Profit before tax	**76**	**31**	**50**	**72**	**-30.5%**	**-33.9%**	**62.8%**	**257**	**115**	**-55.4%**
Income tax expense	-7	-3	-5	-6	-29.5%	-34.4%	64.5%	-23	-10	-55.3%
Non-controlling interest			0		NM	NM	NM	0	0	NM
Profit / (loss) for the year	**69**	**28**	**46**	**66**	**-30.0%**	**-33.3%**	**64.1%**	**233**	**105**	**-55.2%**

FABS estimate & Co Data

E7 - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	YOY Ch
Gross profit	35.2%	33.3%	34.9%	-27	158	32.8%	32.5%	-37
Operating Profit	24.7%	20.9%	21.0%	-365	8	21.8%	16.8%	-497
EBITDA	29.0%	26.5%	28.1%	-94	155	27.2%	22.7%	-445
Net profit	32.9%	16.1%	21.9%	NM	571	33.3%	15.5%	NM

FABS estimate & Co Data

Key Developments:

- **12 December 2024:** E7 Group has appointed Esteban Gómez Nadal as Interim Group CEO and COO, bringing extensive regional experience and a strong track record in strategy execution. He will lead operational performance, sales execution, and growth initiatives, including the Group’s recent AED 182m investment in passport capacity and entry into tax stamps. Former CEO Ali Al Nuaimi has retired after 18 years and will continue supporting E7 as a Strategic Advisor.
- **24 July 2025:** The Company announced capital restructuring that includes a one-off AED 800 Mn special dividend and a commitment to pay at least 10 fils per share annually from FY25–FY27, along with a voluntary buyback of outstanding warrants at AED 2.40 each.
- **19 August 2025:** E7 offered to buy all its warrants at AED 2.40 each, with the offer starting on 20 August 2025 and remain open for 60 days. This gives warrant holders a guaranteed cash value and removes the risk of the warrants expiring worthless in December 2026.

- **24 September 2025:** The Company has entered a strategic partnership with 7I Holding to jointly develop and expand secure, sovereign technology solutions globally under Government-to-Government frameworks. The collaboration combines strengths across identity, authentication, revenue mobilization, and secure printing—including securing offtake for e7's upcoming six Bn stamp annual tax stamp capacity—while supporting joint R&D and market expansion.
- **01 October 2025:** E7 has partnered with Shipsy to integrate AI-powered, autonomous logistics capabilities into its last-mile delivery operations, strengthening scalability, efficiency, and reliability. The collaboration accelerates e7's digital transformation and supports its leadership in intelligent, sustainable delivery solutions, leveraging advanced AI tools for route optimization, dynamic order allocation, incident management, and fleet analytics.
- **20 October 2025:** The Company has appointed Mark Paver as CFO effective from 21 October 2025. He brings extensive financial leadership experience across public markets and multiple sectors, joining from Modon Group.

Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value E7. We have assigned 70% weight to DCF and 30% to RV. In the relative valuation, we have used EV/EBITDA to value the Company.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.39	70.0%	0.97
Relative Valuation (RV)	1.09	30.0%	0.33
Weighted Average Valuation (AED)			**1.30**
Current market price (AED)			0.98
Upside/Downside (%)			+33%

1) DCF Method:

E7 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 8.4%. Cost of equity is calculated by using a 10-year government bond yield of 5.1%, a beta of 0.76 and an equity risk premium of 4.4%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	672
Terminal value (AED, Mn)	2,157
FV to Common shareholders (AED, Mn)	**2,829**
No. of shares (Mn)	2,036
Current Market Price (AED)	0.98
Fair Value per share (AED)	**1.39**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net profit	140	152	173	192	204
(+/-) Depreciation & amortization	51	56	60	58	62
(+/-) CAPEX	-54	-54	-55	-56	-57
(+/-) Working Capital	20	-4	-4	-3	0
Net change in debt	-5	-6	-7	-7	-10
Free Cash Flow to Equity (FCFE)	**152**	**143**	**166**	**184**	**199**
Discounting Factor	*0.94*	*0.87*	*0.80*	*0.74*	*0.68*
Discounted FCFE	**143**	**124**	**133**	**136**	**136**

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

2) Relative Valuation:

We have used international peers to value E7, and it is valued using the EV/EBITDA multiple. It is valued at a 2026 EV/EBITDA multiple of 8.6x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x) 2026F	EV/EBITDA (x) 2027F	P/E (x) 2026F	P/E (x) 2027F
Beijing Shengtong Printing Co., Ltd	549	15.0x	10.9x	60.2x	29.1x
Raksul Inc.	707	15.0x	12.1x	35.4x	26.4x
Cimpress Plc	1,788	7.1x	6.5x	22.4x	16.5x
Dai Nippon Printing Co., Ltd	7,854	8.5x	8.1x	13.3x	13.2x
KOSAIDO Holdings Co., Ltd	385	6.7x	6.4x	13.1x	12.6x
TOPPAN Holdings Inc	8,045	8.8x	7.8x	19.1x	16.2x
Average		**10.2x**	**8.6x**	**27.2x**	**19.0x**
Median		**8.6x**	**7.9x**	**20.8x**	**16.3x**
Max		**13.4x**	**10.2x**	**32.1x**	**24.0x**
Min		**7.5x**	**6.8x**	**14.8x**	**14.0x**

Source: FAB Securities

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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