FAB أبوظبـي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Industrials | Market: ADX

E7 Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.968	AED 1.30	+34%	BUY

2Q26 Net Profit lower than our estimate

- E7 Group's revenue increased 6.2% YOY to AED 189 Mn in 2Q26, primarily driven by growth in the Identity Solutions segment, partially offset by revenue in Printing and Education and Logistics, which reflected 1Q26 revenue phasing, lower demand from non-core packaging customers and contract timing.
- The Company's direct cost increased 8.8% YOY to AED 126 Mn in 2Q26, primarily due to higher outsourcing, repairs and maintenance, and water and electricity cost.
- Gross profit increased 1.3% YOY to AED 63 Mn in 2Q26, with gross profit margin contracting by 160 bps YOY to 33.3% in 2Q26, due to a higher increase in direct costs compared to revenue.
- EBITDA increased 10.7% YOY to AED 43 Mn in 2Q26, with EBITDA margins increasing from 21.7% in 2Q25 to 22.6% in 2Q26.
- Operating profit increased 7.1% YOY to AED 32 Mn in 2Q26, with operating margins increasing from 17.0% in 2Q25 to 17.1% in 2Q26.
- Net finance income increased from negative AED 17 Mn in 2Q25 to positive AED 4 Mn in 2Q26.
- Net profit attributable to equity shareholders increased from AED 12 Mn in 2Q25 to AED 33 Mn in 2Q26, lower than our estimate of AED 39 Mn. The increase in net profit is primarily due to higher revenue, lower G&A and S&M expenses, higher other income and higher net finance income, partially offset by higher direct cost and increase in tax expense.
- E7's cash balance stood at AED 401 Mn in 2Q26, with no outstanding debt, underscoring strong financial discipline and flexibility to fund growth.

Earnings Call Summary

- E7 Group maintained a resilient revenue base in 1H26, with recurring contracts accounting for around 70% of revenue, while Identity Solutions contributed 60% of total revenue and remained the Group's key growth segment.
- The company maintained strong cash levels despite dividend payments, supporting future M&A and investments. However, the Company warned that ongoing supply-chain challenges could make 2H26 difficult.
- The Company has a diversified international presence, serving clients across 25 countries and 8 regions through 5 business units and more than 50 customised solutions.
- E7 Group expects physical travel and identity documents to remain relevant for the next 10–15 years, as digital ID adoption is still developing, while population growth and rising travel support demand for identity solutions.
- E7 Group is using AI to complement physical textbooks, with growing international orders and publisher partnerships, while Packaging delivered two strong months despite ongoing raw-material supply constraints.
- E7 Group expanded its Identity Solutions portfolio into tax stamps by combining secure printing with digital track-and-trace capabilities, while progressing the establishment of a secure-printing manufacturing facility in Rwanda.
- E7 Group currently manufactures products for its live Rwanda contracts in the UAE and ships them to Rwanda through its local entity for sale.
- E7 Group's Rwanda facility is progressing well, with the building secured and design work underway, while significant contracts have been signed and 2H26 remains focused on completing the UAE passport and tax-stamp lines and maximizing production capacity.

- E7's Education business expanded its AI-enabled digital learning platform to over 850,000 students, alongside digitally printed, serialised and trackable examination papers.
- The Company is focusing Packaging Solutions on higher-value, specification-driven customers, with greater emphasis on revenue quality, margin resilience and scalable growth.
- E7 remains focused on value-accretive M&A, primarily in Identity Solutions, and signed an MoU with Dalil for a strategic investment in Idenex to create a UAE identity-solutions champion with global potential.
- E7 Group expects 2H26 margins to remain broadly stable, as higher supply-chain and conflict-related costs, along with a lower-margin project, are expected to offset the benefits of higher revenue.
- E7 Group expects 2026 to be significantly better than 2025, although management remains cautious on providing specific guidance given the current environment.
- E7 Group invested AED 64.1 Mn in capex during 1H26, with total 2026 capex of AED 100 Mn planned for ongoing projects and the completion of new production lines.
- E7 dividend policy targets at least 10 fils per share for 2025–2027, with an annual payout of around 50% of net profit and additional special dividends when appropriate.

E7 Group PJSC - P&L

(AED Mn)	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**VAR**	**YOY Ch**	**QOQ Ch**
Revenue	178	169	189	187	1.2%	6.2%	11.5%
Direct Cost	-116	-114	-126	-122	2.9%	8.8%	10.4%
Gross Profit	**62**	**55**	**63**	**64**	**-2.1%**	**1.3%**	**13.9%**
G&A expenses	-29	-26	-29	-28	2.0%	-0.8%	11.4%
S&M expenses	-3	-2	-3	-3	0.7%	-6.9%	6.5%
Reversal of/ (provision for) impairment loss on financial assets	-1	-2	0	1	NM	NM	NM
Other Income	1	1	1	2	NM	49.7%	4.8%
EBIT	**30**	**26**	**32**	**36**	**-10.9%**	**7.1%**	**23.6%**
EBITDA	**39**	**36**	**43**	**49**	**-13.0%**	**10.7%**	**17.6%**
Finance Cost	-33	-1	0	0	-13.9%	NM	NM
Finance Income	15	6	4	7	-42.4%	NM	-27.2%
Profit before tax	**13**	**31**	**36**	**43**	**-16.0%**	**NM**	**16.6%**
Income tax expense	-1	-3	-3	-4	-18.5%	NM	9.7%
Non-controlling interest	0	0	0	0	NA	NA	NA
Net profit attributable to equity shareholders	**12**	**28**	**33**	**39**	**-14.9%**	**NM**	**18.3%**

FABS estimate & Co Data

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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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