First Look Note | 3Q26

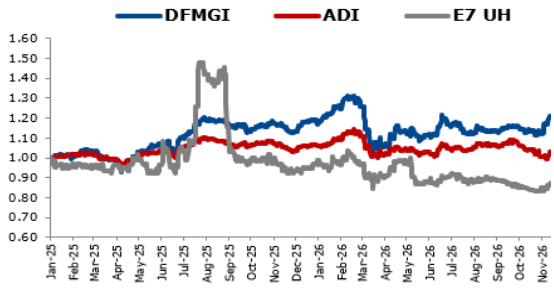
UAE Equity Research | Sector: Industrials | Market: ADX

E7 Group PJSC

Printing & Education supported earnings partially mitigated by higher OPEX

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.93	AED 1.30	+40%	BUY

- Cash balance stood at AED 491 Mn in 3Q26, with no outstanding debt, underscoring strong financial discipline and flexibility to fund growth.
- Printing & Education emerged as the highest revenue contributor accounting for 43.5% of revenue in 3Q26.
- E7 expanded its geographical footprint, entering two new African markets and one South Asian market during 9M26.
- EBITDA declined 12.1% YOY to AED 41 Mn due to higher business and product mix coupled with higher operating expenses.
- E7 has reiterated its commitment to a minimum dividend of 10 fils per share for 2026 and 2027.



Stock Information	
Market Cap (AED, Mn)	1,952.30
Paid Up Capital (Mn)	524.81
52 Week High	1.15
52 Week Low	0.89
3M Avg. daily value (AED)	1,441,051

3Q26 Result Review (AED, Mn)	
Total Assets	1,484
Total Liabilities	453
Total Equity	1,031
EBITDA	41
Net Profit	30

Financial Ratios	
Dividend Yield (12m)	10.75
Dividend Pay-out (%)	936.51
Price-Earnings Ratio(x)	14.86
Price-to-Book Ratio (x)	1.84
Book Value (AED)	0.51
Return-on Equity (%)	12.93

Stock Performance	
5 Days	0.00%
1 Months	3.45%
3 Months	-3.63%
6 Months	-0.96%
1 Year	-7.00%
Month to Date (MTD%)	1.09%
Quarter to Date (QTD%)	-0.21%
(YTD%) Year to Date	-13.08%

3Q26 Net Profit lower than our estimate

E7 Group's (E7/the Company) reported an increase in net profit attributable to equity shareholders by 7.9% YOY to AED 30 Mn in 3Q26, lower than our estimate of AED 48 Mn. The increase in net profit is primarily due to growth in revenue coupled with a decrease in finance cost, partially offset by higher direct cost, G&A expenses, S&M expenses, provision for impairment loss on financial assets and tax charges coupled with lower other income and finance income.

P&L Highlights

E7 Group's revenue increased 2.8% YOY to AED 179 Mn in 3Q26, primarily driven by revenue growth in Printing & Education and Packaging segments, partially offset by a decline in revenue from the Identity Solutions and Logistics segment. The Company's Identity Solutions revenue declined 8.7% YOY to AED 69.3 Mn in 3Q26, primarily due to variations in programme delivery schedules and customer requirements, which affected the timing and mix of deliveries during 3Q26. Whereas, revenue from the Printing & Education segment increased 16.1% YOY to AED 78 Mn in 3Q26, supported by higher education related printing activity and favorable mix of specialized production work. Packaging revenue increased 11.9% YOY to AED 9.8 Mn in 3Q26, supported by improved project execution and higher business activity. Logistics revenue softened marginally by 1.4% YOY to AED 21.7 Mn in 3Q26. The Company's direct cost increased 1.8% YOY to AED 118 Mn in 3Q26. As a result, gross profit increased 4.9% YOY to AED 61 Mn in 3Q26, with gross profit margin expanding by 66 bps YOY to 34.0% in 3Q26. G&A expenses increased 34.7% YOY to AED 30 Mn in 3Q26, mainly due to higher professional fees. S&M expenses increased 27.5% YOY to AED 3 Mn in 3Q26, while other income declined 3.7% YOY to AED 2 Mn in 3Q26. The Company recorded provision for impairment losses on

financial assets of AED 2 Mn in 3Q26, compared to a reversal of AED 0.4 Mn in 3Q25. Consequently, operating profit declined 20.8% YOY to AED 29 Mn in 3Q26, with margins contracting from 20.9% in 3Q25 to 16.1% in 3Q26. Moreover, E7's EBITDA fell 12.1% YOY to AED 41 Mn in 3Q26, with EBITDA margins contracting from 26.5% in 3Q25 to 22.7% in 3Q26. Net finance income increased from negative AED 6 Mn in 3Q25 to positive AED 5 Mn in 3Q26 due to fair value on warrant liabilities compared to a loss in 3Q25, partially offset lower interest income on term deposits. The Company tax expenses increased 8.3% YOY to AED 3 Mn in 3Q26.

Balance Sheet Highlights

E7's cash balance stood at AED 491 Mn as of 3Q26, with no outstanding debt, underscoring strong financial discipline and flexibility to fund growth. Net cash generated from operating activities increased to AED 132 Mn in 9M26 from AED 50 Mn in 9M25, supported by improved operating cash generation and favourable working-capital movements. The Company's capex increased to AED 121 Mn in 9M26 from AED 40 Mn in 9M25, primarily driven by investments in production capacity and technology capabilities.

Target Price and Rating

We maintain our BUY rating on E7 with a target price of AED 1.30. E7 delivered a moderate 2.8% YOY increase in revenue to AED 179 Mn in 3Q26, supported by strong performance in Printing & Education and Packaging, partially offset by lower revenue from Identity Solutions and Logistics. Printing & Education remained a key revenue contributor in 3Q26, with its share of total revenue increasing to 43.5% in 3Q26 from 38.5% in 3Q25. In contrast, Identity Solutions contribution declined to 38.8% in 3Q26 from 43.7% in 3Q25, reflecting the timing and mix of programme deliveries, which resulted in lower volumes during 3Q26 rather than pricing pressure. E7's diversified portfolio helped cushion the impact of softness in Identity Solutions revenue, as contributions from Printing & Education and Packaging partly offset the decline in Identity Solutions. Looking ahead, a normalization in programme execution is expected to support a recovery in Identity Solutions, with the company indicating that the segment is expected to return to its normal growth trajectory in 4Q26. On a 9M26 basis, Identity Solutions remained the Company's key growth driver, with revenue increasing 28.6% YOY to AED 291.0 Mn and contribution increasing to 54.2% in 9M26 from 48.6% in 9M25, reinforcing position as the largest business segment within the portfolio. The strong performance reflects sustained activity across the segment's security printing and identity-related programme, alongside the continued expansion into new markets. However, EBITDA declined 12.1% YOY to AED 41 Mn despite the 2.8% YOY increase in revenue and 4.9% YOY increase in gross profit, with the EBITDA margin contracting to 22.7% in 3Q26 from 26.5% in 3Q25 reflecting an unfavorable business & product mix, alongside higher operating expenses in 3Q26. The operating environment remains challenging, with geopolitical disruptions increasing freight and procurement costs and driving greater reliance on expensive alternative sourcing. The timing of the recovery remains dependent on programme execution and the regional operating environment. Furthermore, E7 continues to benefit from a resilient and recurring business model, with over 70% of revenue generated through recurring activities and long-term contracts. The Company is broadening tax-stamp capabilities through the integration of secure printing and digital track-and-trace solutions, while progressing with passport production capacity expansion in the UAE and security-printing capabilities in Africa. The UAE passport expansion is expected to be completed by 1Q27, with part of the additional capacity already operational. During 9M26, E7 entered two new markets in Africa and one in South Asia with Africa remaining a key focus area for further growth in security printing and digital tax stamp solutions. In Africa, Rwanda remains the key regional platform, with the Company working to develop opportunities in neighboring markets and progressing the design of local security-printing facility. E7's balance sheet remains strong, with no outstanding borrowings with cash and bank balances of AED 491 Mn as of 3Q26. Net cash generated from operating activities increased to AED 132 Mn in 9M26 from AED 50 Mn in 9M25. Looking ahead, we expect E7 to benefit from diversified business portfolio, with a recovery in Identity Solutions and continued expansion across core businesses supporting growth, while investments in technology and capacity are expected to strengthen the medium-term growth prospects. Thus, we maintain BUY rating on the stock.

E7 - Relative valuation[1]

(at CMP)	2024	2025	2026F
PE	7.89	17.73	14.44
PB	0.95	1.62	1.78
EV/EBITDA	2.09	7.72	8.23
BVPS	0.971	0.568	0.518
EPS	0.117	0.052	0.064
DPS[1]	0.074	0.100	0.100
Dividend yield	8.0%	10.8%	10.8%

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

[1]E7 was listed on ADX post-acquisition "ADC Acquisition Corporation PJSC" in Nov 2023.

E7 Group – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Revenue	174	189	179	197	-9.5%	2.8%	-5.5%	676	748	10.7%
Direct Cost	-116	-126	-118	-129	-8.7%	1.8%	-6.3%	-456	-495	8.4%
Gross Profit	**58**	**63**	**61**	**68**	**-11.1%**	**4.9%**	**-3.7%**	**219**	**253**	**15.5%**
G&A expenses	-22	-29	-30	-25	19.1%	34.7%	2.0%	-99	-115	16.0%
S&M expenses	-2	-3	-3	-3	-6.1%	27.5%	-1.3%	-9	-10	22.5%
Reversal/(provision for) impair loss on financial assets	0	0	-2	1	NM	NM	NM	-4	-6	NM
Other Income	2	1	2	2	5.6%	-3.7%	NM	6	6	10.7%
EBIT	**36**	**32**	**29**	**44**	**-34.4%**	**-20.8%**	**-11.1%**	**114**	**128**	**12.9%**
EBITDA	**46**	**43**	**41**	**55**	**-25.8%**	**-12.1%**	**-5.2%**	**154**	**171**	**11.3%**
Finance Cost	-16	0	0	0	NM	NM	NM	-47	-2	NM
Finance Income	10	4	5	9	-44.4%	NM	25.2%	48	19	-60.9%
Profit before tax	**31**	**36**	**34**	**53**	**-35.9%**	**9.4%**	**-6.6%**	**115**	**145**	**26.9%**
Income tax expense	-3	-3	-3	-5	-36.5%	8.3%	-4.6%	-10	-13	25.9%
Non-controlling interest	0	0	0	0	NM	NM	NM	0	0	NM
Profit / (loss) for the year	**28**	**33**	**30**	**48**	**-36.8%**	**7.9%**	**-9.0%**	**105**	**132**	**26.5%**

FABS estimate & Co Data

E7 - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Gross profit	33.3%	33.3%	34.0%	66	63	32.5%	33.9%	142
Operating Profit	20.9%	17.1%	16.1%	-482	-102	16.8%	17.2%	33
EBITDA	26.5%	22.6%	22.7%	-386	7	22.7%	22.9%	12
Net profit	16.1%	17.6%	16.9%	80	-66	15.5%	17.7%	220

FABS estimate & Co Data

Key Developments:

- **23 April 2026:** E7 Group and Dalil signed an MoU for a potential strategic investment in Idenex to create a UAE identity solutions national champion, combining E7's secure manufacturing capabilities with Idenex's digital identity platforms to expand globally, improve capacity utilisation and generate long-term recurring revenue opportunities.

- **26 April 2026:** E7 Group shareholders approved the 2025 final dividend of AED 203.6 Mn, taking total 2025 dividends to over AED 1 Bn. The company remains debt-free with a strong cash position of AED 669.2 Mn and reiterated its policy of paying at least 10 fils per share annually through 2027.

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	1.46	70.0%	1.03
Relative Valuation (RV)	0.93	30.0%	0.28
Weighted Average Valuation (AED)			**1.30**
Current market price (AED)			0.93
Upside/Downside (%)			+40%

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 8.5%. Cost of equity is calculated by using a 10-year government bond yield of 5.4%, a beta of 0.76 and an equity risk premium of 4.0%. 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)	643
Terminal value (AED, Mn)	2,338
FV to Common shareholders (AED, Mn)	**2,981**
No. of shares (Mn)	2,036
Current Market Price (AED)	0.93
Fair Value per share (AED)	**1.46**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net profit	131	158	178	202	225	247
(+/-) Depreciation & amortization	43	58	64	65	70	75
(+/-) CAPEX	-154	-95	-97	-78	-79	-80
(+/-) Working Capital	16	-9	-6	-5	-4	-4
Net change in debt	-5	-6	-7	-8	-11	-13
Free Cash Flow to Equity (FCFE)	**30**	**105**	**133**	**176**	**201**	**226**
Discounting Factor	*0.99*	*0.91*	*0.84*	*0.78*	*0.72*	*0.66*
Discounted FCFE	**7[1]**	**95**	**111**	**136**	**144**	**149**

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 2027 EV/EBITDA multiple of 6.3x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Beijing Shengtong Printing Co., Ltd	479	NA	NA	NA	NA
Cimpress Plc	1,410	9.2x	6.3x	15.1x	14.7x
Dai Nippon Printing Co., Ltd	7,540	6.8x	6.3x	12.6x	11.6x
KOSAIDO Holdings Co., Ltd	450	6.8x	6.3x	15.8x	13.9x
TOPPAN Holdings Inc	7,569	6.5x	6.0x	13.8x	12.2x
Average		**7.3x**	**6.2x**	**14.3x**	**13.1x**
Median		**6.8x**	**6.3x**	**14.5x**	**13.0x**
Max		**7.4x**	**6.3x**	**15.3x**	**14.1x**
Min		**6.7x**	**6.2x**	**13.5x**	**12.0x**

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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