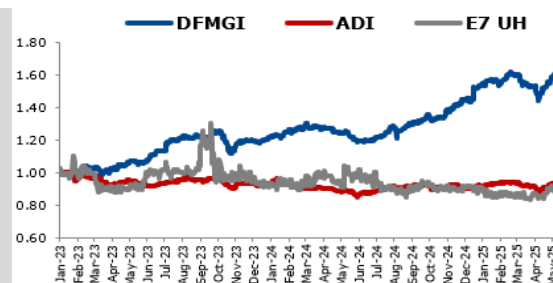


E7 Group PJSC

Contract delivery schedule and Ramadan Holidays impacted profit

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.00	AED 1.50	+50.0%	BUY

- E7 obtained five new contracts across the business segments in 1Q25 and successfully renewed its Visa and Mastercard certifications.
- Additionally, the Company onboarded 17 new clients across its business lines in the Middle East & Africa.
- Gross profit margin expanded 94 bps YOY to 22.7% in 1Q25 due to improvement in operational efficiency and the streamlining of the supply chain.
- Printing Solutions segment focused on expanding digital printing capabilities in educational printing, to provide print-on-demand services that enabled hybrid printing and publishing.



Stock Information

Market Cap (AED, Mn)	1,999.25
Shares Outstanding (Mn)	1,999.25
52 Week High	1.22
52 Week Low	0.93
3M Avg. daily value (AED)	720,065

1Q25 Result Review (AED, Mn)

Total Assets	2,360
Total Liabilities	399
Total Equity	1,961
EBITDA	13
Net Profit	19

Financial Ratios

Dividend Yield (12m)	7.36
Dividend Pay-out (%)	63%
Price-Earnings Ratio(x)	8.3
Price-to-Book Ratio (x)	1.06
Book Value (AED)	0.98
Earning Per Share (AED)	0.01

Stock Performance

5 Days	-3.85%
1 Months	-0.99%
3 Months	-3.85%
6 Months	-6.54%
1 Year	-15.25%
Month to Date (MTD%)	-8.26%
Quarter to Date (QTD%)	-3.85%
Year to Date (YTD%)	-7.41%

1Q25 Net Profit lower than our estimate

E7 Group's (E7/the Company) net profit declined 28.6% YOY to AED 19 Mn in 1Q25, lower than our estimate of AED 34 Mn. The decrease in the net profit is mainly attributable to a fall in revenue owing to the delivery schedule of the contracts and Ramadan Holidays, higher operating expenses, lower net finance income, partially offset by a decrease in direct costs.

P&L Highlights

E7 Group's revenue declined 9.8% YOY from AED 114 Mn in 1Q25, mainly due to the delivery schedule of the contracts and Ramadan holidays. The Company recorded a decline in revenue across all segments except Packaging Solutions. Revenue from Identity Solutions fell 9.5% YOY to AED 64 Mn in 1Q25 owing to the delivery schedule of the contracts. The segment secured a new major passport contract in the Middle East, which is expected to contribute to the topline throughout the remainder of the year. Printing Solutions segment revenue declined 15.5% YOY to AED 29 Mn in 1Q25 attributed to Ramadan holidays, which impacted the delivery schedule of books. Revenue from Logistics Solutions decreased 15.4% YOY to AED 12 Mn in 1Q25 due to the timing of the delivery schedule coupled with lower revenue in other segments, while revenue from Packaging Solutions expanded 23.5% YOY to AED 10 Mn in 1Q25, as the segment secured contracts from several new customers. The Company's direct cost declined 10.9% YOY to AED 88 Mn in 1Q25 due to a decline in raw material costs owing to change in business mix. Thus, gross profit decreased 5.9% YOY to AED 26 Mn in 1Q25. However, the gross profit margin expanded 94 bps YOY to 22.7% mainly due to improvement in operational efficiency and the streamlining of the supply chain. G&A expenses rose 28.5% YOY to AED 23 Mn in 1Q25, mainly due to an increase in staff and maintenance costs. S&M expenses increased 11.4% YOY to AED 2 Mn

in 1Q25. Other income increased marginally to AED 2 Mn in 1Q25. E7's operating income fell from AED 10 Mn in 1Q24 to AED 3 Mn in 1Q25, and the operating margin declined from 7.7% in 1Q24 to 2.5% in 1Q25. Moreover, the Company's EBITDA decreased 29.0% YOY to AED 13 Mn, while the EBITDA margin declined from 15.0% in 1Q24 to 11.8% in 1Q25. E7's finance income decreased 5.5% YOY to AED 19 Mn in 1Q25. The Company recorded a tax expense of AED 2 Mn in 1Q25, compared to AED 3 Mn in 1Q24 in line with a decline in profit before tax.

Balance Sheet Highlights

E7's cash balance stood at AED 1.4 Bn in 1Q25, offering a strong financial base to support future strategic initiatives and expansion opportunities. The Company generated net cash from operating activities of AED 4 Mn in 1Q25 against a negative net cash from operations of AED 17 Mn in 1Q24, primarily due to lower investment in working capital. The Company generated a free cash flow of AED 4 Mn in 1Q25 compared to a negative free cash flow of AED 16 Mn in 1Q24.

Target Price and Rating

We maintain our BUY rating on E7 with a target price of AED 1.50. E7 recorded a decline in profit in 1Q25, mainly due to the timing of contracts delivered during the period, however, it expects topline to improve over the remaining quarters of the year. The Company's gross profit margin expanded by 94 bps in 1Q25, driven by improvement in operational efficiency and the streamlining of the supply chain. E7 secured five new contracts across the business segments in 1Q25 and successfully renewed its Visa and Mastercard certifications. The Company also onboarded 17 new clients across the business lines. Furthermore, E7 focused on accelerating organic growth and, at the same time, exploring inorganic opportunities supported by its strong cash position. The Company aims to deliver long-term shareholder value by expanding solutions, entering new markets, and building trusted client relationships. E7's Identity Solutions segment is among the few globally to receive industry-grade certification for security printing. Furthermore, its advanced Abu Dhabi facility can annually produce 50 Mn ID cards, 14 Mn passports (including 2026 capacity), 25 Mn banking cards, and 6 Bn tax stamps. The Company's Printing Solutions segment focused on expanding digital printing capabilities in educational printing to provide print-on-demand services that enabled hybrid printing and publishing. E7 aims to drive robust revenue growth across its key sectors (identity solutions, education, printing, packaging, logistics) by leveraging industry partnerships, expanding integrated solutions to new clients and regions, pursuing M&A opportunities, and delivering innovative & sustainable solutions. The Company entered into a strategic secure and unified documents (SUD) framework agreement with the government of Rwanda, with the initial contract expected to be finalized within the next one to two months of 2025. E7 began work on the AED 200 Mn expansion for passport capacity and digital tax stamps. Additionally, the company expects the passport capacity expansion machines to arrive by September 2025, with preparations already in progress to ensure immediate utilization of the new capacity once the machines are operational. The strategy also includes leveraging UAE's G2G relationships, especially in African markets, for market access. E7 shareholders approved a dividend of 7.36 fils per share for 2024, amounting to AED 147.1 Mn, which represented 70% of the company's net profit for the year, resulting in a dividend yield of 7.4% in 2024. Thus, considering all these factors, we assign a BUY rating on the stock.

E7 - Relative valuation

(at CMP)	2024	2025F
PE	3.0	2.7
PB	8.7	9.9
EV/EBITDA	1.0	1.0
DPS	0.07	0.07
Dividend yield	7.4%	7.4%

FABS Estimates & Co Data

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

E7 – P&L

AED Mn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	126	209	114	175	-35.0%	-9.8%	-45.7%	701	775	10.6%
Direct Cost	-99	-136	-88	-131	-33.1%	-10.9%	-35.3%	-471	-522	10.8%
Gross Profit	27	74	26	44	-41.0%	-5.9%	-64.9%	230	254	10.1%
G&A expenses	-18	-21	-23	-21	7.8%	28.5%	8.9%	-80	-84	4.6%
S&M expenses	-2	-4	-2	-3	-17.7%	11.4%	-43.8%	-10	-10	4.6%
Reversal/ (provision for) impair loss on financial assets	0	0	0	0	NA	NA	NM	5	2	-66.6%
Other Income	2	3	2	2	-7.9%	0.2%	-36.7%	8	9	10.6%
EBIT	10	52	3	22	-87.0%	-70.4%	-94.4%	153	170	11.1%
EBITDA	19	61	13	33	-59.4%	-29.0%	-78.0%	191	209	9.6%
Finance Cost	0	-2	-1	-1	-30.8%	NM	-67.0%	-3	-3	26.6%
Finance Income	20	26	19	16	14.4%	-5.5%	-28.3%	106	58	-45.8%
Profit before tax	29	76	21	38	-44.4%	-28.4%	-72.5%	257	224	-12.6%
Income tax expense	-3	-7	-2	-3	-44.6%	-26.7%	-73.1%	-23	-20	-13.2%
Profit / (loss) for the year	27	69	19	34	-44.4%	-28.6%	-72.4%	233	204	-12.6%

FABS estimate & Co Data

E7 - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross profit	21.8%	35.2%	22.7%	94	-1,243	32.8%	32.7%	-13
Operating Profit	7.7%	24.7%	2.5%	-519	-2,215	21.8%	21.9%	10
EBITDA	15.0%	29.2%	11.8%	-319	-1,737	27.2%	27.0%	-25
Net profit	21.1%	32.9%	16.7%	-440	-1,620	33.3%	26.3%	-697

FABS estimate & Co Data

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	1.51	70.0%	1.06
Relative Valuation (RV)	1.49	30.0%	0.45
Weighted Average Valuation (AED)			1.50
Current market price (AED)			1.00
Upside/Downside (%)			+50.0%

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 8.8%. Cost of equity is calculated by using a 10-year government bond yield of 5.2%, a beta of 0.76 and an equity risk premium of 4.7%. 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)	809
Terminal value (AED, Mn)	2,209
FV to Common shareholders (AED, Mn)	3,018
No. of shares (Mn)	1,999
Current Market Price (AED)	1.00
Fair Value per share (AED)	1.51

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	204	196	193	208	216
(+/-) Depreciation & amortization	39	43	66	68	71
(+/-) CAPEX	-94	-74	-55	-56	-57
(+/-) Working Capital	30	105	-5	-4	-2
Net change in debt	-4	-6	-7	-9	-10
Free Cash Flow to Equity (FCFE)	176	264	191	207	218
Discounting Factor	0.95	0.87	0.80	0.74	0.68
Discounted FCFE	125	230	153	153	148

Source: FAB Securities

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 2025 EV/EBITDA multiple of 7.4x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Beijing Shengtong Printing Co., Ltd	537	33.4x	22.5x	NM	114.4x
Raksul Inc.	465	13.6x	11.2x	35.4x	25.2x
Cimpress Plc	1,992	6.8x	6.5x	20.5x	14.6x
Dai Nippon Printing Co., Ltd	7,905	7.3x	7.6x	12.6x	13.6x
KOSAIDO Holdings Co., Ltd	457	7.5x	6.9x	13.1x	11.6x
TOPPAN Holdings Inc	9,242	7.2x	6.5x	20.1x	18.0x
Average		12.6x	10.2x	20.3x	32.9x
Median		7.4x	7.3x	20.1x	16.3x
Max		12.1x	10.3x	20.5x	23.4x
Min		7.2x	6.6x	13.1x	13.8x

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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