

## Emirates Integrated Telecommunications Co PJSC (DU)

Strong customer acquisition strategy and enhanced operational efficiency supported profitability

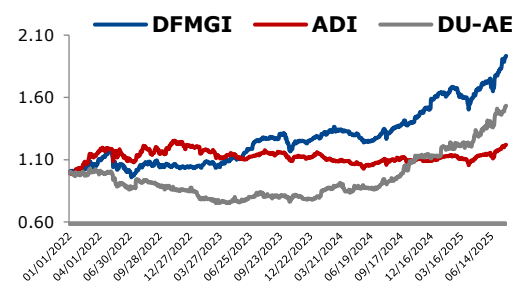
**Current Price**  
AED 10.10

**Target Price**  
AED 10.25

**Upside/Downside (%)**  
**+1.5%**

**Rating**  
**HOLD**

- The Company's mobile subscriber base grew by 10.8% YOY to 9.1 Mn, while the fixed customer base expanded by 12.0% YOY to reach 706K subscribers in 2Q25.
- DU's Capex increased from AED 442 Mn in 2Q24 to AED 545 Mn in 2Q25, supported by the company's strategic focus on expanding data centre capabilities and developing digital infrastructure.
- The Board of Directors declared an interim cash dividend of AED 0.24 per share for the 1H25.
- DU updated 2025 guidance with expected revenue growth of 6-8% YOY with anticipated EBITDA margin of 45-47%.



### Stock Information

Market Cap (AED, Mn)	45,782.35
Paid Up Capital (Mn)	4,532.91
52 Week High	10.15
52 Week Low	5.90
3M Avg. daily value (AED)	753,674.9

### 2Q25 Result Review (AED, Mn)

Total Assets	17,203
Total Liabilities	7,417
Total Equity	9,786
EBITDA	1,826
Net Profit	727

### Financial Ratios

Dividend Yield (12m)	5.3
Dividend Pay-out (%)	98.40
Price-Earnings Ratio(x)	13.65
Price-to-Book Ratio (x)	3.44
Book Value (AED)	2.18
Return-on Equity (%)	26.02

### Stock Performance

5 Days	2.54%
1 Months	5.21%
3 Months	17.99%
6 Months	26.57%
1 Year	63.70%
Month to Date (MTD%)	1.81%
Quarter to Date (QTD%)	1.81%
Year to Date (YTD%)	34.85%

### 2Q25 Net Profit in line with our estimate

Emirates Integrated Telecommunications Co. PJSC (DU/ The Company) net profit rose 25.1% YOY to AED 727 Mn in 2Q25, in line with our estimate of AED 721 Mn. The increase in net profit is primarily driven by growth in revenue across its business segments, coupled with a decrease in expected credit losses, partially offset by an increase in marketing expenses, federal royalty and income tax charges.

### P&L Highlights

DU's revenue grew 8.6% YOY to AED 3,902 Mn in 2Q25, primarily driven by healthy growth across service and non-service revenue. The growth in services revenue is driven by solid growth in subscriber base, and improved product mix. Mobile Services revenue rose 7.7% YOY to AED 1,736 Mn in 2Q25, mainly due to a consistent expansion of prepaid and postpaid customer base, strong growth of tailored service offerings, and the positive impact of focused marketing efforts. Additionally, the strategic use of both digital platforms and retail outlets improved customer onboarding and interaction, contributing further to revenue growth. Fixed revenues rose by 10.1% YOY to AED 1.1 Bn in 2Q25, mainly driven by the sustained growth in the home wireless and fibre customer base, coupled with an increased traction in the SME segment and rising adoption of Office Wireless solutions. Other revenues grew 8.8% YOY to AED 1.1 Bn in 2Q25, driven by increased inbound roaming and interconnection revenues, due to a larger mobile subscriber base, robust tourism activity, higher handset sales, and growth in ICT revenues. DU's cost of revenue, excluding D&A and marketing expenses, rose 3.8% YOY to AED 1,984 Mn in 2Q25. Marketing expenses surged 28.6% YOY to AED 61 Mn in 2Q25, while expected credit losses (ECL) charges declined 19.2% YOY to AED 53 Mn for the same period.

As a result, DU's EBITDA grew 16.4% YOY to AED 1,826 Mn in 2Q25 with an expansion in EBITDA Margin from 43.7% in 2Q24 to 46.8% in 2Q25. D&A charges declined marginally 0.3% YOY to AED 531 Mn in 2Q25. The Company's operating profit increased 23.1% YOY to AED 1,273 Mn in 2Q25. Additionally, operating profit margin expanded from 28.8% in 2Q24 to 32.6% in 2Q25. The Company's net finance expense rose 12.1% YOY to AED 6 Mn in 2Q25. Furthermore, DU's Federal royalty charge expanded 25.0% YOY to AED 490 Mn in 2Q25, whereas the tax charges amounted to AED 72 Mn in 2Q25, compared to 58 Mn in 2Q24.

### **Balance Sheet Highlights**

DU's Capex grew from AED 442 Mn in 2Q24 to AED 545 Mn in 2Q25, with a capex intensity of 14.0% driven by the company's strategic focus on expanding data centre capabilities and developing digital infrastructure. Operating free cash flow grew 13.8% YOY to AED 1.3 Bn in 2Q25 primarily due to growth in EBITDA. DU remains debt-free with a total cash balance of AED 578 Mn in 2Q25, indicating a healthy liquidity position and unleveraged balance sheet. Total assets of DU stood at AED 17.2 Bn in 2Q25, along with total liabilities of AED 7.4 Bn and shareholders' equity of AED 9.8 Bn.

### **Target Price and Rating**

We maintain our HOLD rating on DU with a revised target price of AED 10.25. The stock price increased 11.2% since our last rating in June 2025. The Company recorded a robust financial performance in 2Q25, supported by a strategic focus on value-added offerings and disciplined cost control. DU's mobile subscriber base increased 10.8% YOY to 9.1 Mn subscribers in 2Q25, reflecting the net-additions of 893K, indicating strong customer acquisition and favorable market dynamics. Moreover, its postpaid subscriber rose 9.8% YOY to 1.9 Mn in 2Q25, supported by strong traction in the enterprise segment, whereas its prepaid subscribers expanded 11.1% to 7.3 Mn in 2Q25, driven by the continued success of the Alo brand among blue-collar workers, the expansion of retail reach in underserved regions, and strong tourism activity coupled with increasing population. Similarly, Fixed customer base subscriber, boosted 12.0% YOY to 706K, with net addition of 76K customers, driven by driven by the continued success of our Home Wireless offering and steady demand for fibre broadband services, indicating robust demand for reliable and high-capacity internet services and the effectiveness of the company's broadband strategy. DU has made significant strides in advancing its strategic investments across adjacent business areas to drive long-term growth and innovation. A notable milestone was the deployment of a hyperscale data centre in collaboration with Microsoft, alongside the launch of the National Hypercloud platform. These initiatives aim to strengthen DU's position in the digital ecosystem by enabling secure, scalable, and sovereign cloud and AI services hosted within UAE-based data centres. By partnering with global technology leaders, DU is enhancing its capabilities to support enterprise transformation and meet the evolving needs of public and private sector clients. Simultaneously, DU has reinforced its commitment to infrastructure development by expanding its fibre network and commercially rolling out 5G Advanced services. These efforts have significantly boosted network coverage, performance, and capacity, positioning the Company to meet rising demand for high-speed and reliable connectivity across the UAE. From a strategic perspective, DU remains focused on driving profitable growth across both core telecom operations and non-core digital and ICT segments. The Company continues to manage operations efficiently to protect and grow margins. As a result of ongoing efforts, EBITDA margins expanded in 1H25 supported by elevated gross margin, postpaid plan mix, and increased subscription for unlimited data plans. In line with its digital-first vision, DU is also executing a robust IT transformation program to deliver enhanced customer experiences through industry-leading digital platforms and next-generation technologies. The Company provided an upgraded 2025 guidance, projecting revenue growth of 6-8% YOY and an EBITDA margin of 45-47%, driven by the strong performance in the 1H25 and management's confidence in sustaining DU's growth trajectory. Moreover, the board approved an interim cash dividend of AED 0.24 per share for the period of 1H25 amount to AED 1,088 Mn, marked a 20% YOY increase. The Company also paid a final cash dividend of AED 0.34 per share for 2024, with total dividend amounting to AED 0.54 per share. Thus, based on the above analysis, we assign HOLD rating on DU.

**DU - Relative valuation**

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	31.73	41.59	37.54	27.45	18.40	15.7
PB	5.34	5.37	5.22	4.95	4.63	4.6
EV/EBITDA	14.61	14.28	13.02	11.22	9.12	8.0
EPS	0.318	0.243	0.269	0.368	0.549	0.643
BVPS	1.890	1.882	1.935	2.039	2.179	2.211
DPS	0.280	0.210	0.240	0.340	0.540	0.610
Dividend Yield	2.8%	2.1%	2.4%	3.4%	5.3%	6.0%

*FABS Estimates & Co Data*
**DU - P&L**

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	3,592	3,848	3,902	3,896	0.2%	8.6%	1.4%	14,636	15,750	7.6%
Costs	-1,912	-1,919	-1,984	-1,937	2.4%	3.8%	3.4%	-7,642	-7,993	4.6%
Marketing expense	-47	-57	-61	-58	3.7%	28.6%	5.7%	-264	-263	-0.4%
Expected Credit Loss	-66	-48	-53	-58	-8.8%	-19.2%	11.4%	-261	-220	-15.6%
<b>EBITDA</b>	<b>1,569</b>	<b>1,824</b>	<b>1,826</b>	<b>1,842</b>	<b>-0.9%</b>	<b>16.4%</b>	<b>0.1%</b>	<b>6,472</b>	<b>7,295</b>	<b>12.7%</b>
D&A and Impairment	-533	-549	-531	-557	-4.6%	-0.3%	-3.2%	-2,154	-2,244	4.2%
<b>Operating profit</b>	<b>1,035</b>	<b>1,275</b>	<b>1,273</b>	<b>1,286</b>	<b>-1.0%</b>	<b>23.1%</b>	<b>-0.1%</b>	<b>4,315</b>	<b>5,029</b>	<b>16.5%</b>
Finance inc/exp	-6	6	-6	-7	-12.7%	12.1%	NM	-10	-10	-5.1%
<b>Pre-royalty profit</b>	<b>1,030</b>	<b>1,281</b>	<b>1,288</b>	<b>1,278</b>	<b>0.8%</b>	<b>25.0%</b>	<b>0.6%</b>	<b>4,306</b>	<b>5,041</b>	<b>17.1%</b>
Federal Royalty	-392	-487	-490	-486	0.8%	25.0%	0.6%	-1,572	-1,840	17.1%
Tax	-58	-72	-72	-71	1.0%	24.5%	0.5%	-247	-288	16.7%
<b>Net Profit</b>	<b>581</b>	<b>722</b>	<b>727</b>	<b>721</b>	<b>0.8%</b>	<b>25.1%</b>	<b>0.6%</b>	<b>2,488</b>	<b>2,913</b>	<b>17.1%</b>

*FABS estimate & Co Data*
**DU - Margins**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	46.8%	50.1%	49.2%	238	-97	47.8%	49.3%	146
EBITDA	43.7%	47.4%	46.8%	313	-59	44.2%	46.3%	210
Operating Profit	28.8%	33.1%	32.6%	383	-51	29.5%	31.9%	245
Net Profit	16.2%	18.8%	18.6%	245	-15	17.0%	18.5%	150

*FABS estimate & Co Data*

## Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value DU. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	11.18	70.0%	7.82
Relative Valuation (RV)	8.09	30.0%	2.43
<b>Weighted Average Valuation (AED)</b>			<b>10.25</b>
Current market price (AED)			10.10
Upside/Downside (%)			+1.5%

### 1) DCF Method:

DU 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 8.9%. Cost of equity is calculated by using a 10-year government bond yield of 5.6%, beta of 0.9 and an equity risk premium of 3.7%. Government bond yield is calculated after adding Dubai's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	11,790
Terminal value (AED, Mn)	38,877
<b>FV to Common shareholders (AED, Mn)</b>	<b>50,667</b>
No. of share (Mn)	4,533
Current Market Price (AED)	10.10
<b>Fair Value per share (AED)</b>	<b>11.18</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net Income	2,913	3,044	3,209	3,370	3,535
D&A	2,244	2,306	2,346	2,369	2,374
Change in working capital	225	130	292	205	186
(-) Capex	-2,205	-2,091	-1,998	-1,887	-1,764
Net change in debt	-536	-519	-511	-511	-516
<b>Free Cash Flow to Equity (FCFE)</b>	<b>2,642</b>	<b>2,870</b>	<b>3,338</b>	<b>3,545</b>	<b>3,815</b>
Discounting Factor	0.96	0.89	0.81	0.75	0.69
<b>Discounted FCFE</b>	<b>1,274<sup>1</sup></b>	<b>2,541</b>	<b>2,714</b>	<b>2,646</b>	<b>2,615</b>

Source: FAB Securities,<sup>1</sup>Adjusted for the partial year

## 2) Relative Valuation:

We have used international peers to value DU and it is valued using the EV/EBITDA multiple. It is valued at 2025 EV/ EBITDA multiple of 7.0x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Telstra Group limited	36,893	8.8	8.4	25.3	23.2
Verizon Communication	181,636	6.9	6.8	9.2	8.9
SAFARICOM PLC	8,342	5.3	5.9	11.7	12.2
Deutsche Telekom AG	183,463	7.0	6.7	16.1	14.3
Saudi Telecom	55,805	7.8	7.5	15.2	14.3
Emirates Telecommunications group	44,561	6.6	6.2	13.3	12.7
Etihad Etisalat	12,366	7.0	6.6	13.6	12.6
<b>Average</b>		<b>7.1x</b>	<b>6.9x</b>	<b>14.9x</b>	<b>14.0x</b>
<b>Median</b>		<b>7.0x</b>	<b>6.7x</b>	<b>13.6x</b>	<b>12.7x</b>
<b>Max (Quartile 3)</b>		<b>7.4x</b>	<b>7.1x</b>	<b>15.6x</b>	<b>14.3x</b>
<b>Min (Quartile 1)</b>		<b>6.8x</b>	<b>6.4x</b>	<b>12.5x</b>	<b>12.4x</b>

Source: FAB Securities

