

Emirates Integrated Telecommunications Co PJSC (DU)

Broad-based topline growth and cost discipline aided profit

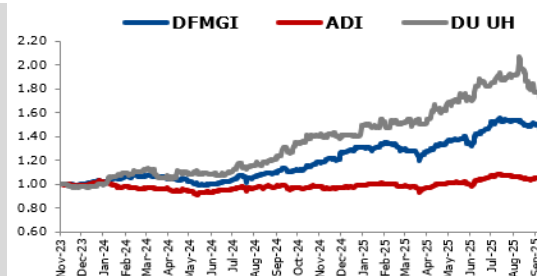
Current Price
AED 9.18

Target Price
AED 10.25

Upside/Downside (%)
+11.7%

Rating
ACCUMULATE

- Strong commercial performance across B2B and B2C segments with an expanded partnership pipeline, including recent agreements announced at GITEK.
- Continued expansion of the ICT business was highlighted by the launch of the AI park ecosystem.
- Revenue rose 7.9% YOY to AED 3,872 Mn in 3Q25, due to robust growth across all segments.
- Continued focus on cost efficiency, resource optimization, disciplined marketing spends, and other initiatives supports margin resilience.
- Completed secondary public offering of 7.55% holding (75% of Mubadala's holding), increasing free float to 27.7%.



3Q25 Net Profit in line with our estimate

Emirates Integrated Telecommunications Co. PJSC (DU/The Company) net profit rose 1.8% YOY to AED 732 Mn in 3Q25, in line with our estimate of AED 715 Mn. The increase in net profit was driven by broad-based revenue expansion across segments, improvement in EBITDA and margin through cost optimization, partially offset by a rise in federal royalty and tax expense.

P&L Highlights

DU's revenue grew 7.9% YOY to AED 3,872 Mn in 3Q25, primarily driven by a healthy performance across Fixed, Mobile and ICT segments. Mobile Service segment revenue grew 8.4% YOY to AED 1.8 Bn in 3Q25, supported by a continued growth in customer base coupled with a healthy mix of prepaid and postpaid plans. Moreover, the mobile subscriber base rose 10.3% YOY to 9.2 Mn, mainly driven by 8.6% YOY growth in postpaid customers to 1.9 Mn. Meanwhile, the prepaid customers rose 10.7% YOY to 7.2 Mn in 3Q25. Fixed Service segment revenue recorded 8.9% YOY growth to AED 1.1 Bn in 3Q25, primarily due to a strong customer base across Fibre and Home Wireless. The Fixed subscriber base recorded a strong growth of 9.7% YOY to 718k in 3Q25. Other revenues increased 5.9% YOY to AED 1.0 Bn in 3Q25, supported by higher inbound roaming and expansion across ICT, interconnection, and handset and accessories revenues, which offset the deliberate slowdown in Hubbing. DU's cost of revenue, excluding D&A and marketing expenses, rose 10.5% YOY to AED 1.9 Bn in 3Q25 primarily owing to a substantial rise in product costs, coupled with a rise in commission, interconnect costs and other expenses. Marketing expenses rose marginally 1.8% YOY to AED 60 Mn in 3Q25, while ECL charges declined by 24.2% YOY to AED 51 Mn. EBITDA rose 6.7% YOY to AED 1.9 Bn in 3Q25 with an EBITDA Margin

Stock Information

Market Cap (AED, Mn)	41,521.42
Paid Up Capital (Mn)	4,532.91
52 Week High	11.25
52 Week Low	7.15
3M Avg. daily value (AED)	15,824,840

3Q25 Result Review (AED, Mn)

Total Assets	17,550
Total Liabilities	8,120
Total Equity	9,429
EBITDA	1,852
Net Profit	732

Financial Ratios

Dividend Yield (12m)	6.33
Dividend Pay-out (%)	98.40
Price-Earnings Ratio(x)	15.03
Price-to-Book Ratio (x)	4.40
Book Value (AED)	2.08
Return-on Equity (%)	29.56

Stock Performance

5 Days	-0.87%
1 Months	-0.43%
3 Months	-9.31%
6 Months	7.01%
1 Year	27.58%
Month to Date (MTD%)	-0.43%
Quarter to Date (QTD%)	-0.43%
Year to Date (YTD%)	22.30%

of 47.8% in 3Q25 compared to 48.4% in 3Q24. Excluding the one-off impact from the authentication fees renegotiation recorded in 3Q24, EBITDA grew 16.8% YOY on a normalized basis, with a margin of 47.8% in 3Q25 compared to normalized EBITDA margin of 44.2% in 3Q24. The growth in EBITDA was supported by strong gross margins, resulting from a favourable revenue mix across the Mobile and Fixed segments, alongside a continued focus on cost efficiency and operational discipline. D&A and impairments expenses declined 0.7% YOY to AED 539 Mn in 3Q25. The Company's finance cost increased from AED 8 Mn in 3Q24 to AED 14 Mn in 3Q25. Furthermore, DU's Federal royalty charge grew 25.0% YOY to AED 493 Mn in 3Q25 Mn. In addition, tax expense expanded marginally 1.8% YOY to AED 73 Mn in 3Q25.

Balance Sheet Highlights

DU's Capex stood at AED 492 Mn in 3Q25, with a capacity intensity of 12.7% of total revenue, spent on modernization and expansion of its mobile and fixed networks, along with continued investments to scale up the ICT business. DU's operating free cash flow rose 11.0% YOY to AED 1.4 Bn in 3Q25, driven by robust EBITDA growth and lower capex. The Company remains debt-free with a net cash balance of AED 1.0 Bn in 3Q25, with an undrawn facility of AED 2.0 Bn; the liquidity position remains healthy.

Target Price and Rating

We revised our rating from HOLD to ACCUMULATE on DU with an unchanged target price of AED 10.25. The stock price of DU fell marginally 1.8% since our last rating. DU profitability grew marginally 1.8% YOY in 3Q25 primarily due to broad-based growth across all segments, and strong EBITDA expansion through disciplined cost control. However, excluding the one-off impact from the authentication fees renegotiation recorded in 3Q24, the net income expanded 25.8% YOY on a normalized basis with the margin of 18.9% in 3Q25. It also maintained its FY2025 guidance for topline growth and EBITDA margin. DU expects the topline to grow at the top end of the guidance range. To further drive topline growth and reinforce its market leadership, the company is advancing a robust pipeline of partnerships, including several recent agreements announced at GITEX. DU prepaid mobile subscribers increased 10.7% YOY to 7.2 Mn in 3Q25, reflecting the sustained strength of the Alo brand, successful seasonal campaigns, and wider retail channel reach. Similarly, postpaid mobile subscribers grew 8.6% YOY to 1.9 Mn in 3Q25, supported by sustained enterprise momentum, the successful iPhone 17 launch, and improved customer retention. It expects further growth in the postpaid segment, since DU has a lower market share compared to competitors. Likewise, the fixed subscriber base expanded 9.7% YOY to 718k in 3Q25, indicating strong demand for reliable high-speed connectivity and a reinforced market position. This reinforces the Company's ability to consistently capture market opportunities, strengthen customer engagement, and sustain growth across all core segments. DU expects growth momentum in the fixed segment is likely to continue due to a lower market share, which offers headroom for market expansion. The subscriber in the fixed segment is likely to grow by high single digits going forward. The company completed a secondary public offering of 7.55% of its share capital. This increased DU's free float to 27.7%, enhancing liquidity, diversifying the investor base, and strengthening its capital market profile, indicating growing investor confidence and market recognition. To strengthen its market position, it secured an exclusive agreement with Dubai Airport to deliver high-performance Wi-Fi solutions and collaborated with Sharjah Airport to deploy advanced 5G private networks aimed at driving digital transformation and improving operational efficiency. Furthermore, the company signed an MoU with Dubai Taxi Corporation to boost operational efficiency through DU's National HyperCloud platform. Additionally, DU signed an agreement with the Municipality of Ajman to provide digitized Internet of Business (IOB) services, representing another step forward in advancing public-sector digital transformation. The company partnered with ELCOME to enhance maritime and offshore connectivity through Starlink technology. In addition, it collaborated with AI Park Dubai to develop a 500,000 sqm AI hub featuring multi-liquid-cooled hyperscale data centers with a total capacity of up to 1 GW. Thereby, indicating the company's commitment to advancing digital infrastructure, fostering innovation, and positioning itself as a key enabler of the UAE's AI and connectivity ecosystem. Thus, considering the above-mentioned factors, we assign an ACCUMULATE rating on the stock.

DU - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E	28.84	37.80	34.12	24.95	16.73	14.44
P/B	4.86	4.88	4.74	4.50	4.21	4.18
EV/EBITDA	13.21	12.92	11.79	10.15	8.27	7.57
BVPS	1.890	1.882	1.935	2.039	2.179	2.195
EPS	0.318	0.243	0.269	0.368	0.549	0.636
DPS	0.280	0.210	0.240	0.340	0.540	0.620
Dividend Yield	3.1%	2.3%	2.6%	3.7%	5.9%	6.8%

FABS Estimates & Co Data

DU - P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	3,589	3,902	3,872	3,934	-1.6%	7.9%	-0.8%	14,636	15,779	7.8%
Costs	-1,727	-1,984	-1,908	-1,969	-3.1%	10.5%	-3.8%	-7,642	-7,961	4.2%
Marketing expense	-59	-61	-60	-65	-7.3%	1.8%	-0.7%	-264	-268	1.6%
Expected Credit Loss	-67	-53	-51	-59	-13.4%	-24.2%	-4.1%	-261	-237	-9.4%
Other income/(expense)	0	22	-1	0	NM	NM	NM	3	21	512.7%
EBITDA	1,736	1,826	1,852	1,841	0.6%	6.7%	1.4%	6,472	7,334	13.3%
D&A and Impairment	-543	-531	-539	-568	-5.1%	-0.7%	1.4%	-2,154	-2,216	2.9%
Operating profit	1,193	1,295	1,313	1,273	3.2%	10.0%	1.4%	4,319	5,118	18.5%
Finance inc/exp	-8	-6	-14	-5	206.4%	83.8%	128.1%	-10	-10	-5.1%
Pre-royalty profit	1,185	1,288	1,298	1,268	2.4%	9.5%	0.7%	4,306	5,107	18.6%
Federal Royalty	-395	-490	-493	-482	2.4%	25.0%	0.7%	-1,572	-1,941	23.5%
Tax	-71	-72	-73	-71	2.6%	1.8%	0.7%	-247	-285	15.4%
Net Profit	719	727	732	715	2.3%	1.8%	0.7%	2,488	2,881	15.8%

FABS estimate & Co Data

DU - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	51.9%	49.2%	50.7%	-116	156	47.8%	49.5%	171
EBITDA	48.4%	46.8%	47.8%	-54	102	44.2%	46.4%	221
Operating Profit	33.2%	33.2%	33.9%	67	72	29.5%	32.4%	293
Net Profit	20.0%	18.6%	18.9%	-113	28	17.0%	18.3%	127

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	11.24	70.0%	7.87
Relative Valuation (RV)	7.93	30.0%	2.38
Weighted Average Valuation (AED)			10.25
Current market price (AED)			9.18
Upside/Downside (%)			+11.7%

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 5.0%, beta of 0.9 and an equity risk premium of 4.3%. 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)	13,769
Terminal value (AED, Mn)	37,179
FV to Common shareholders (AED, Mn)	50,948
No. of share (Mn)	4,533
Current Market Price (AED)	9.18
Fair Value per share (AED)	11.24

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	2,881	3,031	3,203	3,363	3,475	3,585
D&A	2,216	2,291	2,345	2,375	2,388	2,388
Change in working capital	24	172	306	213	261	262
(-) Capex	-2,198	-2,137	-2,036	-1,933	-1,803	-1,754
Net change in debt	-536	-519	-513	-514	-520	-530
Free Cash Flow to Equity (FCFE)	2,387	2,837	3,305	3,504	3,800	3,951
Discounting Factor	0.98	0.90	0.83	0.76	0.70	0.64
Discounted FCFE	588	2,566	2,744	2,672	2,660	2,539

Source: FAB Securities

2) Relative Valuation:

We have used international peers to value DU and it is valued using the EV/EBITDA multiple. It is valued at EV/ EBITDA multiple of 6.6x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Mobile telecommunication company	36,114	8.9	8.4	25.8	24.0
Verizon Communication	161,907	6.7	6.5	8.2	7.9
SAFARICOM PLC	8,712	5.3	6.0	11.7	12.3
Deutsche Telekom AG	162,244	6.5	6.2	14.7	13.1
Saudi Telecom	59,821	9.0	8.5	16.1	15.3
Emirates Telecommunications Group	45,979	6.9	6.6	13.7	13.0
Etihad Etisalat	13,818	7.74	7.3	15.2	13.8
Average		7.3x	7.1x	15.1x	14.2x
Median		6.9x	6.6x	14.7x	13.1x
Max		8.3x	7.9x	15.6x	14.5x
Min		6.6x	6.3x	12.7x	12.7x

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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