

## E7 Group PJSC

Decline in revenue and negative operating leverage pressured profitability

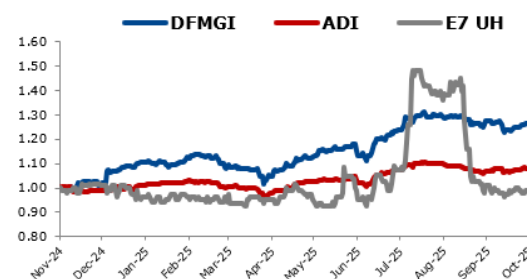
**Current Price**  
AED 1.02

**Target Price**  
AED 1.30

**Upside/Downside (%)**  
+27%

**Rating**  
**BUY**

- Lowered revenue and EBITDA guidance for 2025. Expect revenue to remain stable and EBITDA to decline in 2025 moderately.
- Contract pipeline expanded to AED 1.5 Bn, up from AED 400 Mn in February, driven mainly by contract wins in Identity Solutions and large Packaging contracts.
- E7 focuses on exploring profitable M&A opportunities in security, system integration, and digital IT to strengthen in-house capabilities and create revenue synergies.
- Paid special dividend of AED 800 Mn in 3Q25 and committed to an annual dividend of at least 10 fils per share for 2025-2027.



### Stock Information

Market Cap (AED, Mn)	2,039.24
Paid Up Capital (Mn)	499.81
52 Week High	1.38
52 Week Low	0.70
3M Avg. daily value (AED)	7,668,104

### 3Q25 Net Profit lower than our estimate

E7 Group's (E7/the Company) net profit declined from AED 73 Mn to AED 28 Mn, lower than our estimate of AED 60 Mn. The net profit was impacted due to a decline in revenue, negative operating leverage, a decline in interest earned on fixed deposits and rise in finance costs (a loss on fair value of warrant liabilities compared to a gain on fair value of warrant liabilities in 3Q24).

### P&L Highlights

E7 Group's revenue decreased 9.0% YOY to AED 174 Mn in 3Q25, driven by slower-than-expected contract ramp-ups, the discontinuation of some low-margin clients and the absence of one-off projects recorded in 3Q24. The Company recorded a decline in the revenue from the Identity Solution segment of 19.2% YOY to AED 77 Mn in 3Q25. Revenue from Printing segment decreased 2.2% YOY to AED 67 Mn in 3Q25. Furthermore, Distribution revenue declined from AED 23 Mn in 3Q24 to AED 21 Mn in 3Q25. However, revenue from Packaging segment increased 12.1% YOY to AED 9 Mn in 3Q25. The Company's direct cost decreased 5.5% YOY to AED 116 Mn in 3Q25, primarily due to decline in raw material costs partially offset by an increase in outsourcing cost, insurance expense and depreciation on rights of use assets. Thus, gross profit declined 15.4% YOY to AED 58 Mn in 3Q25. The gross profit margin contracted 249 bps YOY to 33.3% in 3Q25. G&A expenses expanded 3.3% YOY to AED 22 Mn in 3Q25, mainly due to an increase in professional fees linked to specific M&A activities. S&M expenses declined 4.6% YOY to AED 2 Mn in 3Q25. Other income increased 23.0% YOY to AED 2 Mn in 3Q25. As a result, the Company's operating income fell 25.7% YOY to AED 36 Mn in 3Q25, and the operating margin declined 469 bps YOY to 20.9% in 3Q25. Moreover, E7's EBITDA decreased 22.3% YOY to AED 46 Mn in 3Q25, while the EBITDA margin declined from 30.9% in 3Q24 to 26.4% in 3Q25. E7's finance cost boosted substantially from AED 0.2

### 3Q25 Result Review (AED, Mn)

Total Assets	1,529
Total Liabilities	431
Total Equity	1,097
EBITDA	46
Net Profit	28

### Financial Ratios

Dividend Yield (12m)	44.57
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	16.92
Price-to-Book Ratio (x)	1.86
Book Value (AED)	0.55
Return-on Equity (%)	8.59

### Stock Performance

5 Days	-2.86%
1 Months	-5.56%
3 Months	-8.84%
6 Months	34.48%
1 Year	26.94%
Month to Date (MTD%)	-5.56%
Quarter to Date (QTD%)	-3.77%
Year to Date (YTD%)	25.76%

Mn in 3Q24 to AED 15.8 Mn in 3Q25, due to loss on warrant liabilities at fair value and foreign exchange loss. Finance income declined from AED 32 Mn in 3Q24 to AED 10 Mn in 3Q25, driven by a lower interest income earned on fixed deposits and the absence of gain on warrant liabilities at fair value compared to 3Q24. The Company recorded a tax expense of AED 3 Mn in 3Q25, compared to AED 7 Mn in 3Q24, in line with a decline in profit before tax.

### Balance Sheet Highlights

E7's cash balance stood at AED 542 Mn in 3Q25, with no outstanding debt, reflecting a strong financial position and a strategy to fund future growth. Net working Capital decreased from AED 297 Mn in 2Q25 to AED 212 Mn in 3Q25, owing to higher deferred revenue partially offset by an increase in trade receivables. Cash generated from operations declined from AED 154 Mn in 3Q24 to AED 105 Mn in 3Q25 due to lower profit before tax, lower cash generated from working capital, coupled with tax payments in 3Q25.

### Target Price and Rating

We have revise our rating on E7 from HOLD to BUY with a revised target price of AED 1.30. The Company's share price fell post the last entitlement date of the special dividend on 27 August 2025. E7 paid a special dividend of AED 800 Mn, equivalent to 38.1 fils per share based on the total outstanding shares. E7 recorded a substantial decline in net profit in 3Q25 owing to revenue softness resulting from slower-than-expected contract ramp-ups, the discontinuation of some low-margin clients, and the absence of one-off 2024 projects, coupled with negative operating leverage and loss on fair value of warrant liabilities. However, the Company expects a strong 4Q25 rebound to support flat full-year revenue in 2025. The company secured AED 530 Mn worth of new contracts during the year, mainly in the long-term Identity Solutions segment and high-margin annual banking and telecom contracts, strengthening 2026 revenue visibility, which is further boosted by additional contract wins in October. The Company's Identity solutions segments continued to be the key growth driver, with long-term government contracts providing strong visibility. E7's contract pipeline expanded to AED 1.5 Bn, up from AED 400 Mn in February, driven mainly by contract wins in Identity Solutions and large Packaging contracts with new international brands. Additionally, the Company partnered with Shipy to integrate AI into its last-mile logistics, enhancing route optimization, delivery efficiency, and sustainable distribution across its UAE and regional networks. This partnership will help in capturing the UAE fast fast-growing last-mile delivery market, which is projected to exceed USD 3.2 Bn by 2030, considering the strong growth of the e-commerce market and sustainability trends, benefitting the Distribution segments. E7 also partnered with 71 Holding to co-develop secure government solutions, producing up to 6 Bn tax stamps annually, serving 71 Holding's global clients through SICPA Trace solutions. E7 secured a three-year contract for regular passports in the Middle East, laying the groundwork for future e-passport developments. Furthermore, the Company works directly with business owners to deliver tailored solutions, such as customized passports and tax stamps, thereby enhancing differentiation, client retention, and value creation for governments. The Company expects broad-based growth across all segments in 2026, with Security Solutions remaining the largest contributor at around 50% of revenues. The printing and education segment is set to double in size, while logistics will grow moderately with a focus on existing clients and stable margins. The Company expects to grow its market share in the biometric passport segment, a global market worth USD 40–50 Bn and expanding at 20%–30% CAGR. By March 2026, it plans to increase production capacity to 11 Mn passports annually, preparing to secure contracts from multiple large countries. E7 focuses on exploring profitable M&A opportunities in security, system integration, and digital IT to strengthen in-house capabilities and create revenue synergies across its businesses. E7 is committed to pay an annual dividend of at least 10 fils per share for 2025-2027. Thus, considering all these factors, we assign a BUY rating on the stock.

**E7 - Relative valuation**

(at CMP)	2024	2025F
PE	8.821	15.689
PB	1.060	1.771
EV/EBITDA	3.232	8.628
BVPS	0.971	0.582
EPS	0.117	0.066
DPS <sup>1</sup>	0.074	0.100
Dividend yield	7.3%	9.8%

FABS Estimates & Co Data

\* E7 was listed on ADX post-acquisition "ADC Acquisition Corporation PJSC" in Nov 2023. <sup>1</sup>Excluding special dividend of AED 800 Mn (DPS of AED 0.381)

**E7 - P&L**

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Revenue	191	178	174	220	-21.2%	-9.0%	-2.4%	701	703	0.2%
Direct Cost	-123	-116	-116	-143	-19.1%	-5.5%	0.1%	-471	-468	-0.6%
<b>Gross Profit</b>	<b>68</b>	<b>62</b>	<b>58</b>	<b>77</b>	<b>-25.0%</b>	<b>-15.4%</b>	<b>-7.0%</b>	<b>230</b>	<b>235</b>	<b>1.9%</b>
G&A expenses	-21	-29	-22	-24	-9.2%	3.3%	-24.9%	-80	-95	19.5%
S&M expenses	-2	-3	-2	-3	-38.4%	-4.6%	-28.0%	-10	-10	-1.7%
Reversal/(provision for) impair loss on financial assets	2	-1	0	0	NM	NM	NM	5	1	-69.7%
Other Income	2	1	2	2	8.1%	23.0%	NA	8	8	0.2%
<b>EBIT</b>	<b>49</b>	<b>30</b>	<b>36</b>	<b>52</b>	<b>-29.5%</b>	<b>-25.7%</b>	<b>20.4%</b>	<b>153</b>	<b>139</b>	<b>-9.3%</b>
<b>EBITDA</b>	<b>59</b>	<b>39</b>	<b>46</b>	<b>61</b>	<b>-25.2%</b>	<b>-22.3%</b>	<b>18.8%</b>	<b>191</b>	<b>178</b>	<b>-7.0%</b>
Finance Cost	0	-33	-16	-1	NM	NM	-51.8%	-3	-51	NM
Finance Income	32	15	10	15	-31.7%	-67.8%	-33.1%	106	58	-45.8%
<b>Profit before tax</b>	<b>81</b>	<b>13</b>	<b>31</b>	<b>66</b>	<b>-53.3%</b>	<b>-61.8%</b>	<b>NA</b>	<b>257</b>	<b>145</b>	<b>-43.4%</b>
Income tax expense	-7	-1	-3	-6	-54.3%	-61.6%	NA	-23	-13	-43.8%
<b>Profit / (loss) for the year</b>	<b>73</b>	<b>12</b>	<b>28</b>	<b>60</b>	<b>-53.2%</b>	<b>-61.8%</b>	<b>NA</b>	<b>233</b>	<b>132</b>	<b>-43.4%</b>

FABS estimate & Co Data

**E7 - Margins**

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross profit	35.8%	34.9%	33.3%	-249	-163	32.8%	33.4%	55
Operating Profit	25.6%	17.0%	20.9%	-469	396	21.8%	19.7%	-208
EBITDA	30.9%	21.7%	26.4%	-450	471	27.2%	25.3%	-198
Net profit	38.4%	6.5%	16.1%	-2,228	964	33.3%	18.8%	-1,449

FABS estimate & Co Data

## Key Developments:

- **12 December 2024:** E7 Group has appointed Esteban Gómez Nadal as Interim Group CEO and COO, bringing extensive regional experience and a strong track record in strategy execution. He will lead operational performance, sales execution, and growth initiatives, including the Group's recent AED 182m investment in passport capacity and entry into tax stamps. Former CEO Ali Al Nuaimi has retired after 18 years and will continue supporting E7 as a Strategic Advisor.
- **24 July 2025:** The Company announced capital restructuring that includes a one-off AED 800 Mn special dividend and a commitment to pay at least 10 fils per share annually from FY25–FY27, along with a voluntary buyback of outstanding warrants at AED 2.40 each.
- **19 August 2025:** E7 offered to buy all its warrants at AED 2.40 each, with the offer starting on 20 August 2025 and remain open for 60 days. This gives warrant holders a guaranteed cash value and removes the risk of the warrants expiring worthless in December 2026.
- **24 September 2025:** The Company has entered a strategic partnership with 7I Holding to jointly develop and expand secure, sovereign technology solutions globally under Government-to-Government frameworks. The collaboration combines strengths across identity, authentication, revenue mobilization, and secure printing—including securing offtake for e7's upcoming six Bn stamp annual tax stamp capacity—while supporting joint R&D and market expansion.
- **01 October 2025:** E7 has partnered with Shipy to integrate AI-powered, autonomous logistics capabilities into its last-mile delivery operations, strengthening scalability, efficiency, and reliability. The collaboration accelerates e7's digital transformation and supports its leadership in intelligent, sustainable delivery solutions, leveraging advanced AI tools for route optimization, dynamic order allocation, incident management, and fleet analytics.
- **20 October 2025:** The Company has appointed Mark Paver as CFO effective from 21 October 2025. He brings extensive financial leadership experience across public markets and multiple sectors, joining from Modon Group.

## 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	1.43	70.0%	1.00
Relative Valuation (RV)	0.98	30.0%	0.29
<b>Weighted Average Valuation (AED)</b>			<b>1.30</b>
Current market price (AED)			1.02
Upside/Downside (%)			+27%

### 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 4.8%, a beta of 0.76 and an equity risk premium of 5.0%. 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)	765
Terminal value (AED, Mn)	2,149
<b>FV to Common shareholders (AED, Mn)</b>	<b>2,914</b>
No. of shares (Mn)	2,036
Current Market Price (AED)	1.02
<b>Fair Value per share (AED)</b>	<b>1.43</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net profit	132	168	173	182	191	201
(+/-) Depreciation & amortization	39	41	57	66	70	74
(+/-) CAPEX	-46	-111	-54	-55	-56	-57
(+/-) Working Capital	53	91	-4	-3	-1	-1
Net change in debt	-4	-6	-7	-8	-10	-11
<b>Free Cash Flow to Equity (FCFE)</b>	<b>174</b>	<b>183</b>	<b>165</b>	<b>182</b>	<b>194</b>	<b>207</b>
Discounting Factor	0.99	0.91	0.84	0.77	0.71	0.66
<b>Discounted FCFE</b>	<b>43<sup>1</sup></b>	<b>167</b>	<b>138</b>	<b>141</b>	<b>139</b>	<b>136</b>

Source: FAB Securities, <sup>1</sup>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 2026 EV/EBITDA multiple of 7.2x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Beijing Shengtong Printing Co., Ltd	615	25.5x	14.6x	91.3x	58.7x
Raksul Inc.	402	8.0x	6.8x	20.9x	14.5x
Cimpress Plc	1,607	6.8x	6.3x	19.4x	14.8x
Dai Nippon Printing Co., Ltd	7,512	7.7x	7.2x	12.5x	11.8x
KOSAIDO Holdings Co., Ltd	406	5.2x	4.9x	12.1x	11.6x
TOPPAN Holdings Inc	6,822	6.5x	5.7x	14.0x	10.9x
<b>Average</b>		<b>25.5x</b>	<b>14.6x</b>	<b>91.3x</b>	<b>58.7x</b>
<b>Median</b>		<b>8.0x</b>	<b>7.2x</b>	<b>14.3x</b>	<b>12.6x</b>
<b>Max</b>		<b>5.0x</b>	<b>4.8x</b>	<b>8.5x</b>	<b>6.9x</b>
<b>Min</b>		<b>9.1x</b>	<b>7.7x</b>	<b>21.4x</b>	<b>16.7x</b>

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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