

Emirates Integrated Telecommunications Co PJSC (DU)

Current Price AED 10.90	Target Price AED 11.50	Upside/Downside (%) +6%	Rating HOLD
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4Q25 Net Profit in line with our estimate

- DU's revenue grew 10.6% YOY to AED 4.3 Bn in 4Q25, primarily driven by strong growth across Mobile, Fixed and Wholesale businesses.
- Mobile Services revenue rose 8.6% YOY to AED 1.8 Bn in 4Q25, driven by continued expansion of the subscriber base and a favorable mix of prepaid and postpaid subscriber.
- Fixed service revenue grew 8.6% YOY to AED 1.1 Bn in 4Q25, supported by subscriber base growth and improving mix toward high-value packages.
- Other revenues increased 15.5% YOY to AED 1.3 Bn in 4Q25, supported by higher wholesale revenues and higher roaming services due to tourist inflows.
- EBITDA rose 16.3% YOY to AED 1.8 Bn in 4Q25, with an EBITDA Margin of 42.9% in 4Q25, compared to 40.8% in 4Q24. The growth was supported by favorable mix and disciplined cost management.
- Net profit grew 23.8% YOY to AED 724 Mn in 4Q25 in line with our estimate of AED 708 Mn for 4Q25, mainly driven by higher revenue, lower expected credit losses partially offset by higher costs (excluding depreciation and marketing expenses), and an increase in federal royalty and income tax charges.
- DU's Capex amounted to AED 860 Mn with a capex intensity of 20.1% of total revenue in 4Q25.
- DU's mobile subscriber base grew 8.8% YOY to 9.7 Mn in 4Q25, mainly driven by 9.9% YOY growth in postpaid customers to 2.0 Mn owing to healthy increase in the enterprise segment, business roaming propositions and strong device led demand.
- Prepaid consumers grew 1.9% YOY to 7.3 Mn in 4Q25.
- Operating free cash flow grew 14.9% YOY to AED 976 Mn in 4Q25.

Earnings Call Summary

- DU enhanced customer experience through AI and cloud enabled call center transformation with Microsoft, supporting its ranking among the world's top 20 strongest telecom brands, with brand value exceeding USD 3 Bn.
- Digital adjacencies gained traction, with duPay processing AED 1.5 Bn in transactions and ICT expansion driven by a Microsoft hyperscale data center, GPU-as-a-Service, National Hypercloud, and a 13MW AI compute cluster.
- The Company attributed the recent ARPU improvement primarily to a better postpaid-prepaid mix, higher-value plan upgrades and customer value management initiatives, rather than market share gains.
- The Company attributed the increase in other revenues mainly to strong handset sales, led by the iPhone 17 launch, and the initial ramp-up of data center revenues beyond the core business.
- DU highlighted that cost efficiencies are structural and sustainable, as evidenced by four consecutive years of EBITDA margin expansion to 46.1%, with ongoing focus on cost discipline, revenue mix improvement and profitability growth.
- The Company expects higher capex in 2026, largely driven by accelerated data center investments, while core connectivity capex continues to normalize post the 5G cycle.
- Data center investments are expected to deliver returns in line with market benchmarks, with higher margins than the core telecom business as scale increases. While data center profitability is not yet fully visible due to the early ramp-up stage, the Company expects margin accretion over time.

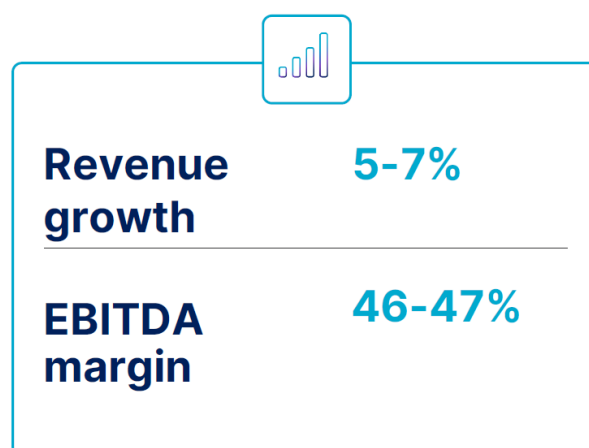
- Strategically, DU continues to prioritize improving customer lifetime value by expanding beyond core connectivity into ICT, fintech and digital services.
- The Company reiterated a disciplined approach to M&A, viewing acquisitions as a selective accelerator to fill ecosystem gaps, while organic execution remains the primary growth driver.
- The Microsoft data center is expected to become operational in early 2027, with capacity coming online in phases rather than all at once.
- The Company clarified that the revised national call termination rate agreement with e& aims to lower industry wide call costs, reducing reported revenue but with no impact on margins.
- Capital allocation remains disciplined, with potential use of debt driven by the pace of data center investments, project returns and opportunistic funding conditions amid easing interest rates.
- Core business capex remains focused on mobile network capacity and densification, ongoing fiber rollout to new urban developments, and IT transformation to enhance digitalization and customer experience.
- DU confirmed that the AED c.70 Mn interconnect revenue impact (c.0.4% of revenue) is already fully embedded within the 2026 revenue growth guidance.
- The Company's board recommended a final dividend of 40 fils per share for 2H25, bringing the total dividend for the year to 64 fils per share. This translates into a total dividend payout of AED 2.9 Bn for 2025, implying a payout ratio of c. 100%.
- The Company expects revenue growth of 5-7% and EBITDA margin to be in the range of 46-47% in 2026.

DU – P&L

(AED Mn)	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch
Revenue	3,873	3,872	4,283	4,173	2.6%	10.6%	10.6%
Costs	-2,119	-1,908	-2,274	-2,191	3.8%	7.3%	19.2%
Marketing expense	-108	-60	-114	-90	26.3%	6.1%	89.6%
Exp. Credit losses	-65	-51	-59	-69	-14.7%	-10.2%	15.1%
EBITDA	1,579	1,852	1,837	1,823	0.7%	16.3%	-0.8%
D&A and Impairment	-557	-539	-549	-567	-3.2%	-1.3%	1.9%
Operating profit	1,025	1,313	1,287	1,256	2.5%	25.6%	-1.9%
Finance income/exps	-2	-14	-6	-2	NM	NM	NM
Pre-royalty profit	1,023	1,298	1,282	1,254	2.2%	25.4%	-1.2%
Federal Royalty	-380	-493	-487	-477	2.2%	28.3%	-1.3%
Tax	-58	-73	-71	-70	2.4%	22.0%	-1.9%
Net Profit	585	732	724	708	2.2%	23.8%	-1.1%

FABS estimate & Co Data

Management Guidance:



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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