FAB SECURITIES أبوظبي الأول للأوراق المالية

First Look Note | 4Q25

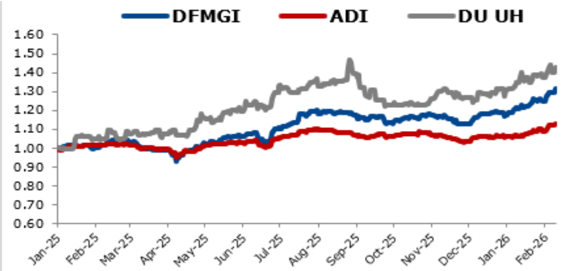
UAE Equity Research | Sector: Telecommunication | Market: DFM

Emirates Integrated Telecommunications Co PJSC (DU)

Solid subscriber growth and operational efficiency drive profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 11.05	AED 11.50	+4%	HOLD

- Prepaid subscribers increased 8.6% YOY to 7.7 Mn, while Postpaid subscribers rose 9.9% YOY to 2.0 Mn in 4Q25.
- The Company's fixed subscriber base expanded 7.8% YOY to 735K in 4Q25.
- DU's Capex stood at AED 860 Mn in 4Q25, with a capital intensity of 20.1% of total revenue.
- For 2026, the Company guides for revenue growth of 5%–7% and an EBITDA margin of 46%–47%.
- DU proposed a final dividend of AED 0.40 per share for 2H25, bringing total 2025 dividends to AED 0.64 per share.



Stock Information	
Market Cap (AED, Mn)	50,088.61
Paid Up Capital (Mn)	4,532.91
52 Week High	11.25
52 Week Low	7.42
3M Avg. daily value (AED)	16,696,280

4Q25 Result Review (AED, Mn)	
Total Assets	19,376
Total Liabilities	9,227
Total Equity	10,148
EBITDA	1,837
Net Profit	724

Financial Ratios	
Dividend Yield (12m)	5.25
Dividend Pay-out (%)	99.86
Price-Earnings Ratio(x)	16.72
Price-to-Book Ratio (x)	4.78
Book Value (AED)	2.24
Return-on Equity (%)	29.01

Stock Performance	
5 Days	2.31%
1 Months	7.28%
3 Months	12.53%
6 Months	8.87%
1 Year	35.42%
Month to Date (MTD%)	7.28%
Quarter to Date (QTD%)	12.76%
Year to Date (YTD%)	12.76%

4Q25 Net Profit in line with our estimate

Emirates Integrated Telecommunications Co. PJSC (DU/The Company) net profit rose 23.8% YOY to AED 724 Mn in 4Q25, in line with our estimate of AED 708 Mn. The improvement in net profit is driven by strong revenue growth across all business segments, a decrease in expected credit loss, partially offset by higher direct costs, marketing expenses, finance expenses, and an increase in federal royalty and income tax charges.

P&L Highlights

DU's revenue grew 10.6% YOY to AED 4.3 Bn in 4Q25, primarily driven by a healthy performance across all major segments supported by demand for connectivity and data services. Mobile Service segment revenue grew 8.6% YOY to AED 1.8 Bn in 4Q25, supported by a customer base expansion and a favorable shift in the mix toward postpaid. Moreover, the mobile subscriber base rose 8.8% YOY to 9.7 Mn, mainly driven by 9.9% YOY growth in postpaid customers to 2.0 Mn in 4Q25. Meanwhile, the prepaid customers rose 8.6% YOY to 7.7 Mn in 4Q25. Fixed Service segment revenue recorded 8.6% YOY growth to AED 1.1 Bn in 4Q25, primarily due to subscriber base growth, an improving mix toward high value packages and the normalization of Home Wireless promotions. The Fixed subscriber base recorded a strong growth of 7.8% YOY to 735k in 4Q25. Other revenues increased 15.5% YOY to AED 1.3 Bn in 4Q25, supported by continued diversification, with growth driven by ICT scaling and the start of recurring revenues from data centre deployments, stronger handset sales following the successful launch of the iPhone 17, and higher wholesale revenues on the back of increased roaming activity from tourist inflows. DU's cost of revenue, excluding D&A and marketing expenses, rose 7.2% YOY to AED 2.3 Bn in 4Q25, primarily driven by an increase in product costs, staff costs, and commission.

Marketing expenses rose 6.1% YOY to AED 114 Mn, while ECL charges declined 10.2% YOY to AED 59 Mn in 4Q25. 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 in EBITDA is supported by strong gross margins, resulting from a favourable revenue mix across the Mobile and Fixed segments and disciplined cost management. D&A and impairment expenses declined 1.3% YOY to AED 549 Mn in 4Q25. The Company's net finance cost increased from AED 2 Mn in 4Q24 to AED 6 Mn in 4Q25. Furthermore, DU's Federal royalty charges grew 28.3% YOY to AED 487 Mn in 4Q25. In addition, tax expense expanded 22.0% YOY to AED 71 Mn in 4Q25.

Balance Sheet Highlights

DU's Capex stood at AED 860 Mn in 4Q25, with a capital intensity of 20.1% of total revenue, spent on digital transformation initiatives, normalization of core connectivity investments, and a ramp-up in data centre infrastructure, supporting improved connectivity and the Company's revenue diversification strategy beyond traditional connectivity services. DU's operating free cash flow rose 14.9% YOY to AED 976 Mn in 4Q25, driven by robust EBITDA growth and capex pick-up. The Company remains debt-free with a net cash balance of AED 2.3 Bn in 4Q25, with an undrawn facility of AED 2.0 Bn reflecting healthy liquidity.

Target Price and Rating

We maintain our HOLD rating on DU with a revised target price of AED 11.50. The Company's stock price grew 7.9% since our last rating (January 2026). DU delivered a strong 4Q25 performance, with profits rising 23.8% YOY on the back of broad-based segment growth and EBITDA expansion supported by disciplined cost control. The Company's 2025 revenue increased by 8.7%, exceeding its full-year guidance of 5%-7%, driven by resilient demand and strong commercial execution. EBITDA remained at the upper end of the guided (45%-47% margin range), aided by operational efficiency and robust cash generation. DU's subscriber base also remained healthy on a quarterly basis across segments. Prepaid subscribers increased 8.6% YOY to 7.7 Mn in 4Q25, driven by customised plans, strong Alo brand traction, wider retail coverage, and tourism activity. Postpaid subscribers rose 9.9% YOY to 2.0 Mn in 4Q25, supported by premium propositions, enterprise momentum, roaming, and device-led demand. The fixed subscriber base expanded 7.8% YOY to 735K in 4Q25, benefiting from net additions, a richer package mix, and normalization of Home Wireless promotions, reinforcing the strength of DU's fixed value proposition and network footprint. Beyond core connectivity, DU continued to advance its digital strategy, enhancing customer experience through an AI- and cloud-enabled call centre transformation in partnership with Microsoft, which supported its ranking among the world's top 20 strongest telecom brands and a brand value exceeding USD 3 Bn. Digital adjacencies gained traction, with duPay processing AED 1.5 Bn in transactions, while ICT growth was supported by initiatives including a Microsoft hyperscale data centre, GPU-as-a-Service, National Hypercloud, and a 13MW AI compute cluster. Although data centre profitability is still in the early ramp-up stage, the Company expects returns to align with market benchmarks and deliver structurally higher margins than core telecom over time. The Microsoft data centre is targeted to go live in early 2027, with capacity ramping up in phases. Strategically, the Company continues to further focus on enhancing customer lifetime value by expanding into ICT, fintech, and digital services. For 2026, the Company guides for revenue growth of 5%-7% and an EBITDA margin of 46%-47%, supported by core monetisation, scaling digital adjacencies, expanding data centre capacity, and strengthening ICT partnerships. Capital allocation remains disciplined, with core capex focused on mobile network densification, fibre rollout, and IT transformation. The Company expects higher capex in 2026, largely driven by accelerated data centre investments, while core connectivity capex continues to normalise following the 5G cycle. Furthermore, DU proposed a final dividend of AED 0.40 per share for 2H25, bringing total 2025 dividends to AED 0.64 per share. Thus, considering the above-mentioned factors, we assign a HOLD rating on the stock.

DU - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	44.89	40.51	29.62	19.86	17.01	15.58
PB	5.79	5.63	5.35	5.00	4.87	4.87
EV/EBITDA	15.45	14.09	12.15	9.86	9.04	8.32
BVPS	1.882	1.935	2.039	2.179	2.239	2.239
EPS	0.243	0.269	0.368	0.549	0.641	0.700
DPS	0.210	0.240	0.340	0.540	0.640	0.699
Dividend Yield	1.9%	2.2%	3.1%	4.9%	5.8%	6.3%

FABS Estimates & Co Data

DU – P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Revenue	3,873	3,872	4,283	4,173	2.6%	10.6%	10.6%	14,636	15,905	8.7%
Costs	-2,122	-1,908	-2,274	-2,191	3.8%	7.2%	19.2%	-7,644	-8,085	5.8%
Marketing expense	-108	-60	-114	-90	26.3%	6.1%	NM	-264	-292	10.7%
Expected Credit Loss	-65	-51	-59	-69	-14.7%	-10.2%	15.1%	-261	-211	-19.2%
Other income/(expense)	1	-1	0	0	NM	NM	NM	3	22	NM
EBITDA	**1,579**	**1,852**	**1,837**	**1,823**	**0.7%**	**16.3%**	**-0.8%**	**6,470**	**7,338**	**13.4%**
D&A and Impairment	-557	-539	-549	-567	-3.2%	-1.3%	1.9%	-2,154	-2,168	0.7%
Operating profit	**1,022**	**1,313**	**1,287**	**1,256**	**2.5%**	**25.9%**	**-1.9%**	**4,316**	**5,170**	**19.8%**
Finance inc/exp	1	-14	-6	-2	NM	NM	NM	-8	-20	NM
Pre-royalty profit	**1,023**	**1,298**	**1,282**	**1,254**	**2.2%**	**25.3%**	**-1.2%**	**4,306**	**5,149**	**19.6%**
Federal Royalty	-380	-493	-487	-477	2.2%	28.3%	-1.3%	-1,572	-1,957	24.5%
Tax	-58	-73	-71	-70	2.4%	22.0%	-1.9%	-247	-287	16.4%
Net Profit	**585**	**732**	**724**	**708**	**2.2%**	**23.8%**	**-1.1%**	**2,488**	**2,905**	**16.8%**

FABS estimate & Co Data

DU - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025F	Change
EBITDA	40.8%	47.8%	42.9%	211	-494	44.2%	46.1%	193
Operating Profit	26.4%	33.9%	30.1%	366	-385	29.5%	32.5%	302
Net Profit	15.1%	18.9%	16.9%	180	-201	17.0%	18.3%	127

FABS estimate & Co Data

Key Developments:

- **15 September 2025** – DU successfully completed a secondary public offering of 342 Mn shares (7.55% of share capital) at AED 9.20 per share, generating c. AED 3.15 Bn in gross proceeds for Mamoura, a Mubadala subsidiary. The offering was multiple times oversubscribed across retail and institutional investors, increasing du's free float to 27.7% and enhancing liquidity with potential eligibility for MSCI and FTSE index inclusion.

- **12 June 2025** - Du announced the deployment of Oracle Alloy to launch hyperscale cloud and sovereign AI services for UAE government and public sector entities, becoming the first local provider to offer over 100 Oracle Cloud Infrastructure services. The services, powered by Oracle, NVIDIA, and du's GPU-as-a-Service, will be hosted in du's UAE data centre to ensure data sovereignty and support the country's digital transformation.

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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	12.74	70.0%	8.92
Relative Valuation (RV)	8.61	30.0%	2.58
Weighted Average Valuation (AED)			**11.50**
Current market price (AED)			11.05
Upside/Downside (%)			+4.1%

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 8.6%. Cost of equity is calculated by using a 10-year government bond yield of 4.9%, beta of 0.9 and an equity risk premium of 4.1%. 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)	13,290
Terminal value (AED, Mn)	44,458
FV to Common shareholders (AED, Mn)	**57,748**
No. of share (Mn)	4,533
Current Market Price (AED)	11.05
Fair Value per share (AED)	**12.74**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net Income	3,171	3,423	3,673	3,935	4,314
D&A	2,174	2,337	2,448	2,510	2,581
Change in working capital	172	580	477	433	396
(-) Capex	-3,086	-3,047	-2,460	-2,491	-2,641
Net change in debt	-326	-328	-334	-342	-353
Free Cash Flow to Equity (FCFE)	**2,105**	**2,964**	**3,804**	**4,045**	**4,296**
Discounting Factor	0.93	0.86	0.79	0.72	0.67
Discounted FCFE	**1,957**	**2,536**	**2,996**	**2,933**	**2,868**

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 2026 EV/ EBITDA multiple of 6.8x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Telstra Group limited	38,807	8.3	8.1	24.0	22.5
Verizon Communication	1,98,283	6.8	6.6	9.6	9.0
SAFARICOM PLC	9,953	6.7	5.9	13.7	11.8
Deutsche Telekom AG	1,72,377	6.8	6.4	13.8	12.3
Saudi Telecom	59,339	8.5	8.0	15.3	14.3
Emirates Telecommunications Group	49,624	6.7	6.4	14.4	13.1
Etihad Etisalat	14,084	7.4	7.0	14.0	12.8
Average		**7.3x**	**6.9x**	**15.0x**	**13.7x**
Median		**6.8x**	**6.6x**	**14.0x**	**12.8x**
Max		**7.9x**	**7.5x**	**14.9x**	**13.7x**
Min		**6.8x**	**6.4x**	**13.8x**	**12.0x**

Source: FAB Securities

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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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