

## Emirates Integrated Telecommunications Co PJSC (DU)

**Current Price**

AED 10.48

**Target Price**

AED 11.50

**Upside/Downside (%)**

+10%

**Rating**

ACCUMULATE

### 1Q26 Net Profit higher than our estimate

- DU's revenue increased 6.9% YOY to AED 4.1 Bn in 1Q26, driven by strong performance across Mobile, Fixed, and ICT services, partially offset by a decline in Wholesale revenues.
- Mobile Services revenue grew 7.2% YOY to AED 1.8 Bn in 1Q26, supported by subscriber base growth and a favourable mix shift toward postpaid.
- Fixed service revenue rose 11.1% YOY to AED 1.2 Bn in 1Q26, driven by strong enterprise connectivity demand, particularly from SMEs, and higher ARPU from fibre and home wireless offerings.
- Other revenues grew 2.3% YOY to AED 1.1 Bn in 1Q26, driven by continued expansion in ICT services and stronger handset sales, partially offset by lower interconnection and roaming revenues.
- EBITDA increased 11.7% YOY to AED 2.0 Bn in 1Q26, with EBITDA Margin expanding to 49.5% in 1Q26 from 47.4% in 1Q25, driven by favorable mobile mix, interconnection cost reductions, cost discipline, and some one-off benefits, partially offset by higher handset sales and increased bad debt provisions.
- Net profit grew 15.5% YOY to AED 834 Mn in 1Q26, primarily driven by higher revenue and lower operating costs (excluding depreciation and marketing expenses), partially offset by higher direct costs, D&A cost, federal royalty and income tax charges.
- Capex amounted to AED 386 Mn, with a capex intensity of 9.4% of total revenue in 1Q26, reflecting the typical backloaded investment profile.
- Mobile subscriber base increased 6.1% YOY to 9.7 Mn in 1Q26.
- Postpaid subscribers grew 9.6% YOY to 2.0 Mn, while prepaid subscribers increased 5.2% YOY to 7.7 Mn in 1Q26.
- Operating free cash flow rose 14.2% YOY to AED 1.7 Bn in 1Q26, supported by EBITDA growth and stable capex.

### Earnings Call Summary

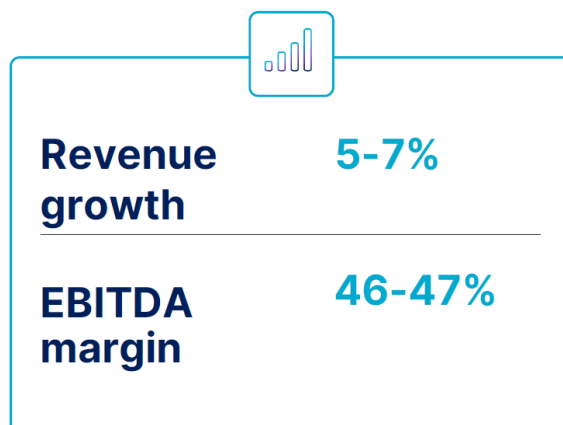
- January and February delivered exceptionally strong growth, trending above full-year guidance levels due to robust demand and commercial momentum, while March saw a clear slowdown in activity driven by geopolitical tensions, seasonality, and lower tourism inflows, creating a visible deceleration in overall quarterly performance.
- The Company highlighted that March performance was impacted by multiple factors including regional geopolitical tensions, Ramadan, Eid, adverse weather conditions, and temporary work-from-home and distance learning protocols, making it difficult to isolate the exact impact of the conflict.
- DU confirmed no operational or network disruptions, with both mobile and fixed networks running normally, supported by activated business continuity plans.
- Management indicated that tourism-related activities were negatively impacted, leading to pressure on gross additions and roaming revenues, although long-term contracts provide partial protection against volatility.
- The Company observed a shift in traffic mix toward fixed connectivity due to increased work-from-home and distance learning, which created some pressure on prepaid mobile revenues as traffic moved to Wi-Fi-based usage.
- DU increased bad debt provisions as a precautionary measure amid macro uncertainty, although no material deterioration in collections has been observed so far.

- The Company successfully refinanced its AED 2 Bn revolving credit facility post quarter-end, reinforcing financial flexibility.
- April trends indicate early signs of stabilization and slight recovery across segments, although management highlighted limited visibility and prefers to wait for more data before drawing firm conclusions.
- The Company emphasized that the primary impact of the current environment is on new customer acquisitions rather than churn, with existing subscriber base remaining stable and resilient.
- Management reiterated its 2026 guidance of 5–7% revenue growth and EBITDA margin of 46–47%, while noting that visibility remains limited due to uncertainty around the duration and severity of the regional conflict.
- The balance sheet remained exceptionally strong, with a net cash position of AED 2.9 Bn and liquidity of AED 4.9 Bn with AED 2.0 Bn in undrawn facility, enabling flexibility to navigate uncertainties and pursue strategic growth opportunities.
- Cost discipline remained a key focus, with management implementing discretionary spending controls and operational efficiencies to offset inflationary pressures and potential supply chain disruptions.
- Handset sales remained strong during the quarter, particularly driven by demand for premium devices such as new iPhone launches, although management flagged potential supply chain risks going forward.
- The Company plans to scale up its adjacent digital services by expanding its data centre footprint, deepening ICT capabilities, and advancing strategic partnerships to diversify revenue.
- Management expects minimal competitive threat from satellite-based services like Starlink in the UAE, given already high network coverage and quality, limiting the use case for alternatives in the market.

**DU – P&L**

(AED Mn)	1Q25	4Q25	1Q26	1Q26F	Var	YOY Ch	QOQ Ch
Revenue	3,848	4,283	4,114	4,143	-0.7%	6.9%	-3.9%
Direct Costs	-1,258	-1,473	-1,322	-1,419	-6.8%	5.2%	-10.2%
<b>Gross Profit</b>	<b>2,590</b>	<b>2,810</b>	<b>2,792</b>	<b>2,724</b>	<b>2.5%</b>	<b>7.8%</b>	<b>-0.7%</b>
Net Operating Expenses excl. D&A	-767	-974	-754	-831	-9.3%	-1.7%	-22.6%
<b>EBITDA</b>	<b>1,824</b>	<b>1,837</b>	<b>2,038</b>	<b>1,893</b>	<b>7.6%</b>	<b>11.7%</b>	<b>11.0%</b>
D&A and Impairment	-549	-549	-560	-544	3.0%	2.0%	1.9%
<b>Operating profit</b>	<b>1,275</b>	<b>1,287</b>	<b>1,478</b>	<b>1,350</b>	<b>9.5%</b>	<b>15.9%</b>	<b>14.8%</b>
Finance income/exps	6	-6	2	-3	NM	-74.2%	NM
<b>Pre-royalty profit</b>	<b>1,281</b>	<b>1,282</b>	<b>1,479</b>	<b>1,347</b>	<b>9.8%</b>	<b>15.5%</b>	<b>15.4%</b>
Federal Royalty	-487	-487	-562	-512	9.8%	15.4%	15.4%
Tax	-72	-71	-83	-75	10.1%	15.5%	16.3%
<b>Net Profit</b>	<b>722</b>	<b>724</b>	<b>834</b>	<b>760</b>	<b>9.8%</b>	<b>15.5%</b>	<b>15.3%</b>

FABS estimate & Co Data

**Management Guidance for 2026:**


## 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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