

Telecom Sector

Digital Transformation to Support Telecom Sector Growth

Sector Weighting:
MARKET WEIGHT

MENA Telecommunication

The MENA telecom sector continues to demonstrate resilient operating fundamentals despite elevated geopolitical uncertainty across the region, supported by sustained demand for mobile connectivity, rising data consumption, and accelerating enterprise digitalisation. Increasing investments in fibre networks, 5G infrastructure, AI-enabled platforms, cloud computing, cybersecurity, and data centres continue to reshape telecom operators into integrated digital infrastructure providers, reducing their dependence on traditional connectivity revenues. At the same time, healthy balance sheets, robust cash generation, and disciplined capital allocation provide operators with the financial flexibility to fund strategic investments while maintaining attractive shareholder returns. Although prolonged regional tensions could weigh on roaming revenue, tourism-related activity, and consumer spending, the operational impact has remained limited to date, with underlying demand across enterprise and consumer segments remaining resilient.

The UAE telecom sector remains highly consolidated, with e& and du collectively accounting for a mobile subscriber base of 24.6 Mn as of 1Q26, highlighting the scale and structural maturity of the market. Despite heightened geopolitical tensions across the region, both operators have demonstrated operational resilience with limited impact on network operations and business continuity. Within this framework, operators are increasingly leveraging core connectivity platforms to diversify revenue streams and enhance long-term growth visibility. e& remains focused on strengthening its position as a global technology and digital investment group by expanding its presence across cloud, fintech, AI, cybersecurity, and enterprise solutions while continuing to grow its international footprint. The integration of e& PPF Telecom is expected to enhance the company's geographic diversification and reinforce its strategy of expanding digital infrastructure capabilities beyond the UAE. In addition, the partial monetisation of its investment in Careem enables e& to sharpen its focus on its core telecom and digital infrastructure businesses while retaining exposure to the long-term growth potential of the super-app ecosystem. After delivering a strong start to 2026, e& maintained its full-year guidance, expecting constant-currency revenue growth of 8-10% and EBITDA growth of 4-5%, supported by resilient demand across its core telecom franchise and continued expansion of its digital and enterprise businesses. Similarly, du continues to execute its strategy of expanding higher-value digital and enterprise businesses alongside its core telecom operations. du's fixed business remained a key growth driver, underpinned by robust enterprise connectivity demand and increasing ARPU from fibre and home wireless offerings. In addition to its core telecom operations, du continues to execute its digital transformation strategy by expanding its data centre footprint, strengthening its ICT capabilities, and scaling adjacent digital services through strategic partnerships. At the same time, the company remains focused on reinforcing its digital-first operating model, enhancing customer experience, and improving operational efficiencies to support long-term value creation and further diversify its revenue base. Following a resilient start to the year, du also maintained its 2026 guidance, targeting revenue growth of 5-7% and an EBITDA margin of 46-47%, reflecting confidence in the sustainability of its operating momentum despite the evolving regional environment.

Similar to the UAE, the KSA telecom sector continues to exhibit resilient performance in core connectivity, supported by steady subscriber growth, sustained network investments, and a favorable regulatory backdrop aligned with Saudi Vision 2030. The KSA telecom sector remains highly consolidated, with Mobily and STC collectively accounting for a mobile subscriber base of 45.7 Mn as of 1Q26. Operators are increasingly leveraging their scale and infrastructure to expand beyond traditional telecom services, with a growing focus on digital ecosystems, enterprise solutions, and next-generation infrastructure. Mobily continues to invest in future-ready infrastructure, with capital expenditure primarily focused on expanding its 5G network and enhancing its fibre infrastructure. The company is

also well positioned to benefit from rising demand for enterprise ICT, cloud, cybersecurity, AI, and data centre services, which should support continued revenue diversification and sustainable earnings growth. Following a solid start to the year, Mobily reaffirmed its 2026 guidance, reflecting confidence in the company's operating momentum despite the evolving regional environment. Similarly, STC continues to strengthen its digital ecosystem through investments in cloud, cybersecurity, AI, fintech, and enterprise solutions while expanding its 5G and fibre infrastructure. The company also remains focused on scaling businesses such as STC Bank and center3, supporting revenue diversification beyond traditional telecom services. Backed by a strong balance sheet and healthy cash generation, STC remains well positioned to support future growth initiatives and shareholder returns. Overall, the KSA telecom sector continues to transition from traditional telecom operators to integrated digital infrastructure providers. Continued investments in enterprise ICT, cloud, AI, data centres, and next-generation connectivity, together with strategic partnerships and healthy capital positions, are expected to support sustainable earnings growth and long-term revenue diversification across the sector.

From a structural perspective, Egypt's telecom sector continues to benefit from rising data consumption, increasing broadband penetration, and growing demand for digital connectivity, supporting a gradual shift toward data-led growth. Despite elevated geopolitical tensions and a challenging macroeconomic environment following the March 2024 FX liberalisation, Telecom Egypt has demonstrated resilient operating performance, supported by the defensive nature of connectivity demand, its diversified revenue base, and USD-linked international wholesale revenues, which provide a natural hedge against currency volatility. The company also continues to invest in fibre infrastructure, 5G deployment, and the expansion of its international cable and wholesale business, leveraging Egypt's strategic position as a key global connectivity hub. Furthermore, the NTRA's approval of a 13–15% tariff increase across fixed broadband and mobile services is expected to support revenue growth over the coming quarters, while continued infrastructure investments should strengthen the company's long-term growth outlook.

Looking ahead to 2Q26, we expect the MENA telecom sector to continue delivering resilient operating performance, supported by sustained demand for mobile and fixed connectivity, healthy enterprise ICT spending, and continued investments in cloud, AI, cybersecurity, data centres, and fibre infrastructure. Operators across the UAE, KSA, and Egypt remain well positioned to benefit from ongoing digital transformation initiatives, while healthy balance sheets and robust cash generation should continue to support strategic investments and attractive shareholder returns. We remain constructive on the sector, although geopolitical developments, roaming demand, and the pace of enterprise spending will remain key factors to monitor during the quarter.

Among the MENA telecom companies in our coverage, our preferred stock is:

1) Mobily (Trades at 12.4x and 6.5x 2026E P/E and EV/EBITDA multiple with a dividend yield of 5.0% and a Target Price (TP) of SAR 75.00): Mobily remains our preferred pick within the MENA telecom sector, underpinned by a compelling combination of healthy subscriber growth, disciplined network investments, and accelerating revenue diversification. The company is well positioned to capitalise on rising demand for enterprise ICT, cloud, cybersecurity, AI, and data centre services, enhancing earnings visibility while reducing its reliance on traditional connectivity revenues. Continued investments in 5G expansion and fibre infrastructure further strengthen Mobily's competitive positioning and support sustainable long-term growth. In addition, the company's consistent dividend growth reflects robust cash flow generation, disciplined capital allocation, and a healthy balance sheet. Mobily also reaffirmed its 2026 guidance, targeting mid-to-high single-digit revenue growth, an EBITDA margin of 37-38%, net debt-to-EBITDA of 0.9x-1.0x, and capex intensity of 18–20%, reinforcing management's confidence in the sustainability of its growth trajectory.

Industry Themes

e& Launches OneWork to Strengthen Sovereign Enterprise Communications

e& UAE introduced OneWork, a sovereign cloud-based unified communications and collaboration platform that is fully developed, hosted, and operated within the UAE. The solution is designed to support organisations in meeting data residency and regulatory compliance requirements while offering secure enterprise communication through integrated voice, video, messaging, file-sharing, and cloud telephony capabilities. Built on e& UAE's sovereign cloud infrastructure, the platform delivers scalable and secure collaboration services for both public and private sector organisations, further strengthening the company's commitment to advancing sovereign digital infrastructure in the UAE.

stc Group Launches Advanced Network Automation Platform with Huawei

stc Group, in collaboration with Huawei, introduced an advanced operations and maintenance (O&M) platform to accelerate the development of its core network towards Autonomous Networks Level 4 (AN L4). Based on 3GPP Management Data Analytics Function (MDAF) standards, the solution strengthens automation, scalability, and operational efficiency through real-time network analytics, intelligent fault detection, and automated operational processes. The platform also incorporates AI-enabled tools to improve fault resolution, enhance network reliability, and increase operational efficiency, reinforcing stc's focus on autonomous network management and next-generation digital infrastructure.

Zain KSA Partners with Dammam Airports to Advance Digital Infrastructure

Zain KSA entered a Memorandum of Understanding (MoU) with Dammam Airports to support the enhancement of digital infrastructure across airports in Saudi Arabia's Eastern Province. The partnership will assess the implementation of an integrated digital ecosystem, supported by Zain's 5G network, cloud capabilities, Wi-Fi solutions, and digital infrastructure, with the objective of improving operational performance and enhancing the traveller experience. The agreement aligns with Saudi Arabia's digital transformation initiatives and supports the continued digitalisation of the aviation and transport sectors.

e& UAE Deploys 5.5G Connectivity at World's Tallest Hotel

e& UAE has deployed 5.5G-Advanced (5.5G) indoor connectivity at Ciel Dubai Marina, the world's tallest hotel, strengthening next-generation digital infrastructure within the UAE's hospitality sector. Implemented in partnership with Ericsson, the solution delivers high-capacity, low-latency wireless coverage to enable enhanced digital services, smart building technologies, and seamless guest connectivity. The deployment supports e& UAE's broader strategy of advancing digital infrastructure and accelerating the adoption of next-generation network technologies across key sectors.

du Launches World's First Commercial 5G-Advanced Network on L-Band Spectrum

du has commercially deployed the world's first 5G-Advanced (5G-A) network using the L-Band (1.4 GHz) spectrum, marking a significant advancement in next-generation network technology. The deployment strengthens network capacity, spectrum utilisation, and coverage quality, while enhancing indoor connectivity and uplink performance. The initiative also supports the expansion of advanced digital applications, including enhanced mobile broadband, fixed wireless access, IoT, and AI-enabled services, further advancing the UAE's digital connectivity ecosystem.

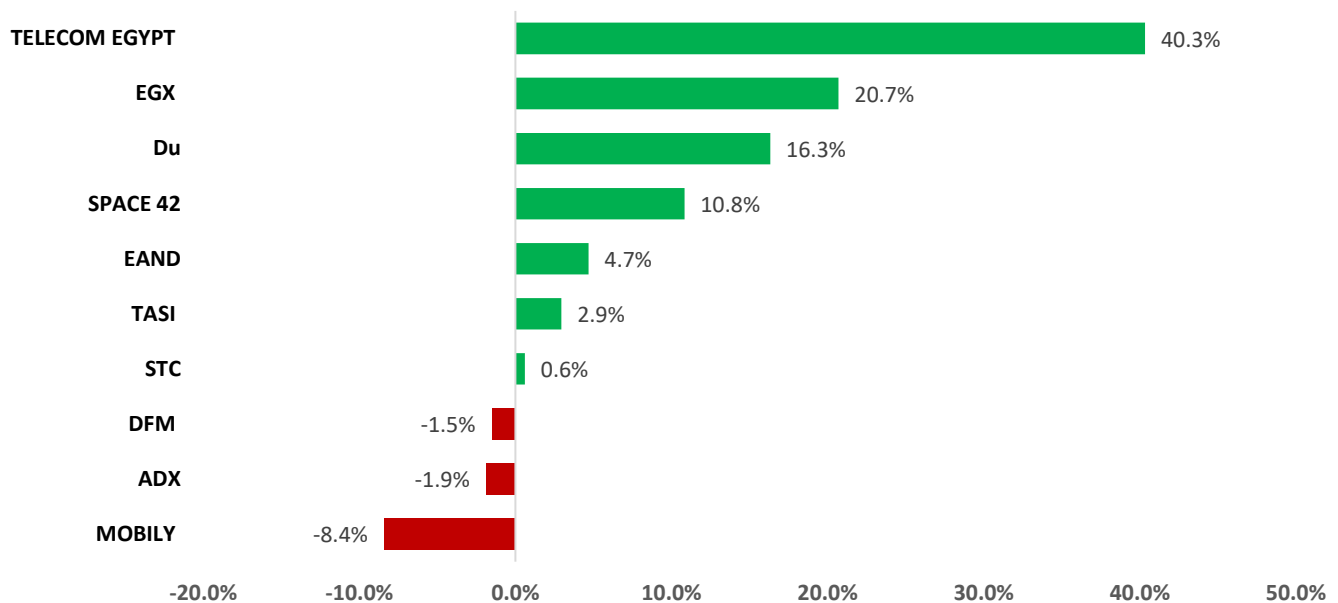
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Telecom stock performance

Almost all stocks delivered positive returns on a YTD basis, with the exception of Mobily. Mobily recorded the weakest performance, generating a negative return of 8.4% since December 2025. In contrast, Telecom Egypt outperformed posting a YTD return of 40.3% since December 2025, followed by Du with a return of 16.3% and Space42 with a return of 10.8% over the same period. Similarly, EAND recorded a YTD return of 4.7%, followed by STC with a YTD return of 0.6% over the same period. In terms of market performance, Egypt’s EGX30 index rose by 20.7%, while the TASI rose by 2.9%, since December 2025. In contrast, the ADX and DFM indices decreased by 1.9% and 1.5%, respectively since December 2025.

MENA Telecom Stock & Market Indices Performance from December 2025 to 30 June 2026, ranked



Source: Factset

Relative valuation and rating

Among the telecom stocks we cover, the PE falls between 16.1x (DU) and 8.6x (TELECOM EGYPT). The EV/EBITDA ranges from 8.5x (STC) to 4.5x (TELECOM EGYPT). DU's expected dividend yield for 2026 is the highest at 5.4%. TELECOM EGYPT has the lowest PB multiple of 2.0x. TELECOM EGYPT's Net Debt/EBITDA stood highest at 1.34x followed by E& at 1.05x and MOBILY at 0.75x.

Relative Valuation

	E&	MOBILY	STC	TELECOM EGYPT	DU
CMP (LCY)	19.20	60.45	43.24	92.30	11.40
Number of shares (mm)	8,697	769	5,000	1,707	4,533
Market cap (LCY mm)	166,978	46,489	216,200	157,563	51,675
Market cap (USD mm)	45,498	12,397	57,653	5,099	14,080
Gross debt (LCY mm)	72,252	9,282	24,771	77,597	1,867
Cash (LCY mm)	36,782	3,235	22,005	10,077	2,945
Net debt/-cash (LCY mm)	35,470	6,048	2,766	67,519	-1,078
Non-controlling interest	9,369	0	2,806	30	0
EV	211,817	52,537	221,773	225,112	50,597
EBITDA (2026)	33,743	8,070	26,227	50,300	7,873
BVPS (2026)	6.35	28.52	17.35	46.53	2.31
EPS (2026)	1.33	4.89	2.87	10.70	0.71
DPS (2026)	0.95	3.10	2.20	1.50	0.64
EV/EBITDA (x)	6.3	6.5	8.5	4.5	6.4
P/BV (x)	3.0	2.1	2.5	2.0	4.9
PE (x)	14.5	12.4	15.1	8.6	16.1
Dividend yield	4.9%	5.0%	5.0%	1.6%	5.4%
Payout ratio	71.6%	63.4%	76.8%	14.0%	90.4%
Net debt/EBITDA (x)	1.05	0.75	0.11	1.34	-0.14

Source: FABS from Bloomberg

Market Weight:

With 3x BUYs, 1x ACCUMULATE and 1x HOLD we remain MARKET WEIGHT on MENA telecoms.

	e&	MOBILY	STC	Telecom Egypt	DU
Rating	ACCUMULATE	BUY	BUY	BUY	HOLD
Local currency	AED	SAR	SAR	EGP	AED
CMP	19.34	62.00	43.60	92.61	11.80
Target Price	22.00	75.00	50.00	110.00	11.50
Potential change (%)	+13.8%	+20.5%	+15.0%	+18.8%	-2.5%

FABS Estimates & Co data

2Q26 preview: Emirates Telecommunications Group (e&)

Profitability pressure due to higher costs and unfavourable macro environment

Current Price AED 19.34	12-m Target Price AED 22.00	Upside/Downside (%) +13.8%	Rating ACCUMULATE
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2Q26 estimate

Emirates Telecommunications Group Co PJSC (e&/the Company) net profit attributable to the equity shareholders is expected to decline by 14.8% YOY to AED 2,958 Mn in 2Q26 with margins expected to decline 406 bps YOY to 15.2% in 2Q26. The decrease in net profit is primarily attributable to increased operating expenses, impairment charges and federal royalty coupled with declining share of profit from associates and finance & other income, partially offset by increase in revenue, lower finance costs, income tax expenses and profit to non-controlling interest shareholders. The company's revenue is expected to increase by 7.9% YOY to AED 19,479 Mn in 2Q26, supported by increase in revenue from all operating segments except e& international. The operating expenses of the company are anticipated to increase by 10.1% YOY to AED 13,520 Mn in 2Q26 while impairment loss on trade receivables & contract assets is anticipated to increase by 2.9% to AED 274 Mn in 2Q26. The share of results of associates and joint ventures is projected to decrease 39.7% YOY to AED 506 Mn in 2Q26. Thus, operating profit before federal royalty is expected to decline by 2.4% YOY to AED 6,192 Mn in 2Q26. Federal royalty is expected to rise by 76.6% YOY to AED 2,101 Mn in 2Q26. As a result, the company's operating profit is anticipated to decline to AED 4,091 Mn in 2Q26, down 20.6% YOY. The operating margin is expected to decline from 28.6% in 2Q25 to 21.0% in 2Q26. EBITDA is expected to increase by 6.0% YOY at AED 8,516 Mn, while margins are expected to decline 80 bps YOY to 43.7% in 2Q26. The finance and other income are expected to decline substantially from AED 1,669 Mn in 2Q25 to AED 727 Mn in 2Q26 due to absence of one-time gain on sale of Khazna in 2Q25, while the finance and other costs are expected to decline 9.9% YOY to AED 1,262 Mn. As a result, the profit before tax declined by 34.4% YOY to AED 3,556 Mn in 2Q26. The tax expenses for quarter is anticipated to decrease from AED 1,116 Mn in 2Q25 to AED 409 Mn in 2Q26. The profit share to non-controlling interest is expected to decrease from AED 832 Mn in 2Q25 to AED 189 Mn in 2Q26.

2026 forecast

e&'s net profit attributable to the equity shareholders is expected to decline 19.7% YOY to AED 11,532 Mn in 2026, driven by an expected increase in operating expenses and higher federal royalty charges coupled with normalisation of finance & other income due to the one-off gain recognised in 2025 from the disposal of the company's 40% stake in Khazna Data Centre Holdings, partially offset by growth in revenue and decrease in tax expenses. Thus, the net margin is expected to drop from 19.7% in 2025 to 14.5% in 2026. The company's revenue is expected to increase 9.0% YOY to AED 79,407 Mn in 2026, driven by anticipated growth across all segments. The operating expenses are expected to increase by 10.8% YOY to AED 55,872 Mn in 2026. Impairment losses are expected to remain stable at AED 1,151 Mn in 2026 compared to 2025. The share of results of associates and joint ventures is projected to increase by 1.9% YOY to AED 1,985 Mn in 2026. The federal royalty charges is expected to increase 5.2% YOY to AED 7,810 Mn in 2026. As a result, operating profit after federal royalty is expected to increase 4.7% YOY to AED 16,559 Mn in 2026 with margins expected to decrease 9 bps YOY to 20.9% in 2026. The EBITDA for the year is forecasted to rise 5.4% YOY to AED 33,743 Mn in 2026 while the margins are expected to decline by 15 bps YOY to 42.5% in 2026. The finance & other income are expected to decline sharply from AED 8,167 Mn in 2025 to AED 2,800 Mn in 2026, primarily due to absence of one-off gain. Finance & other costs are expected to decrease marginally by 0.3% YOY to AED 4,611 Mn in 2026. The profit before tax results into declining 23.8% YOY to AED 14,747 Mn in 2026. The income tax expenses are expected to decrease 30.9% YOY to AED 2,212 Mn in 2026. The share of profit attributable to NCI holders is expected to fall substantially to AED 1,003 Mn in 2026 as compared to AED 1,796 Mn in 2025.

1Q26 outturn

e&'s net profit attributable to the equity shareholders declined by 46.2% YOY to AED 2,882 Mn, largely due to normalisation of finance and other income in 1Q26 as compared to 1Q25 due to gain on sale of divestment of 40% stake in Khazna Data Centre Holdings. e& group's revenue increased by 15.1% YOY to AED 19,417 Mn in 1Q26, driven by increase in e& UAE, e& international and e& life and lower losses in e& others, partially offset by decrease in e& enterprise. e& UAE revenue increased 5.4% YOY to AED 8,887 in 1Q26, driven by increase growth across all revenue streams along with increase in subscriber base to 16.6 Mn in 1Q26 as compared to 15.3 Mn in 1Q25. The e& international revenue grew 26.2% YOY to AED 9,008 Mn in 1Q26, driven by growth in all regional subsidiaries. The e& international's subscriber base surged 32.7% to 231.4 Mn in 1Q26. Maroc Telecom Group's revenue increased 14.2% YOY to AED 3,564 Mn in 1Q26, while e& Egypt's revenue increased by 24.2% YOY to AED 1,267 Mn in 1Q26 driven by growth in subscriber base. The revenue from PTCL Group surged 58.0% YOY to AED 1,285 Mn in 1Q26 mainly driven by consolidation of Telenor Pakistan. e& PPF telecom's revenue stood at AED 2,702 Mn in 1Q26, up 33.6% underpinned by healthy organic growth, the consolidation of SBB in April 2025, and the appreciation of EUR. The revenue of Etisalat Afghanistan increased by 18.3% YOY to AED 190 Mn. However, revenue from e& Enterprise fell 2.4% YOY to AED 801 Mn in 1Q26 largely due to weak macroeconomic backdrop. e& Life's revenue rose from AED 599 Mn in 1Q25 to AED 737 Mn in 1Q26 largely due to revenue growth of Careem technologies and e& money due to growing base and usage. The company's operating expenses increased by 17.1% YOY to AED 13,497 Mn in 1Q26, largely due to spectrum and business expansion. The impairment loss on trade receivables and other assets decreased by 10.0% YOY to AED 264 Mn in 1Q26. The share of profits from associates and joint ventures surged from AED 19 Mn in 1Q25 to AED 179 Mn in 1Q26, thereby increasing the operating profit before federal royalty by 15.2% YOY to AED 5,834 Mn. The federal royalty decreased from AED 3,277 Mn in 1Q25 to AED 1,508 Mn in 1Q26. As a result, the Company's operating profit increased from 1,788 Mn in 1Q25 to AED 4,326 Mn in 1Q26. The EBITDA grew by 16.5% YOY to AED 8,571 Mn in 1Q26 while the margins increased from 43.6% in 1Q25 to 44.1% in 1Q26. The e& UAE EBITDA stood at AED 4,616 Mn with margin of 51.9% in 1Q25, while e& International EBITDA increased from AED 3,112 Mn in 1Q25 to AED 4,012 Mn in 1Q26 and the margin stood at 44.5% up 20 bps YOY. The EBITDA for e& Enterprises decreased from AED 68 Mn in 1Q25 to AED 53 Mn in 1Q26 with margins at 6.6% in 1Q26. The e& life reported negative EBITDA of AED 222 Mn in 1Q26 as compared to negative EBITDA of 192 Mn in 1Q25. The finance and other income decreased by 88.4% YOY to AED 619 Mn as 1Q25 due to a one-off gain recorded in 1Q25, whereas the finance and other costs increased from AED 702 Mn in 1Q25 to AED 825 Mn in 1Q26. As a result, the profit before tax stood at AED 4,120 Mn down 36.0% YOY. The company incurred 15.7% YOY decrease in income tax of AED 748 Mn in 1Q26. The non-controlling interest increased from AED 199 Mn in 1Q25 to AED 490 Mn in 1Q26.

Target price and recommendation

We maintain our ACCUMULATE rating on e& with a target price of AED 22.00. The company delivered a resilient operational and financial performance in 1Q26 despite heightened geopolitical tensions across the region, highlighting the strength of its diversified business model and broad international footprint. Revenue growth remained healthy across all business verticals, supported by solid performance from the UAE operations, continued expansion of international businesses, and increasing contributions from digital and fintech segments. International operations remained a key growth driver, with strong performances from Maroc Telecom, e& Egypt, PTCL, and e& PPF Telecom, while the subscriber base expanded 30.8% YOY to 248 Mn in 1Q26, driven by robust customer additions across both domestic and international markets. The company also continued to benefit from the growing contribution of its digital ecosystem, supported by the expansion of e& life and fintech operations. Strategic initiatives undertaken during the quarter further strengthen the long-term growth outlook. O2 Slovakia completed the acquisition of UPC Slovakia, enhancing its converged telecom offering and reinforcing e&'s presence in European markets. In Pakistan, Ufone secured 5G spectrum, positioning the business to capitalize on future data growth opportunities. Furthermore, e& money obtained a finance company license from the

UAE Central Bank, enabling the expansion of its financial services offerings beyond payments into lending activities. The announced divestment of a 12.5% stake in Careem to Uber is expected to unlock value while allowing e& to retain meaningful exposure to Careem's growth prospects. The transaction also enables the company to sharpen its focus on its core telecom and digital infrastructure businesses. Although the operating environment remains exposed to inflationary pressures, higher energy costs, elevated financing expenses, and currency depreciation in Egypt, the overall impact on revenues, costs, and capital expenditure has remained manageable. The company maintained disciplined capital allocation of AED 2.0 Bn (excluding licenses and spectrum costs) during 1Q26 while continuing to invest in network resilience and 5G expansion, supporting strong free cash flow generation. While reported earnings may remain affected by the normalization of one-off gains and higher federal royalty charges, the underlying operating momentum remains robust, supported by healthy revenue growth, subscriber expansion, increasing digital contributions, and strong cash generation. Additionally, management reaffirmed its commitment to shareholder returns through the approved 2H25 dividend of 47 fils per share and its intention to distribute 95 fils per share during 2026. Thus, on basis of our analysis we maintain ACCUMULATE rating on stock.

Etisalat - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	17.92	16.69	16.20	15.53	11.63	14.48
P/B (x)	3.51	3.95	3.91	3.66	3.23	3.02
EV/EBITDA	6.62	7.36	7.64	8.14	6.75	6.28
BVPS	5.472	4.860	4.905	5.243	5.946	6.352
EPS	1.071	1.151	1.185	1.236	1.651	1.326
DPS	0.800	0.800	0.800	0.830	0.900	0.950
Dividend Yield (%)	4.1%	4.1%	4.1%	4.3%	4.7%	4.9%

FABS Estimates & Co Data
Etisalat - P&L

AED Mn	2Q25	1Q26	2Q26F	YOY	QOQ	2025	2026F	Change
Revenue	18,046	19,417	19,479	7.9%	0.3%	72,858	79,407	9.0%
Operating expenses	-12,279	-13,497	-13,520	10.1%	0.2%	-50,414	-55,872	10.8%
Impairment	-266	-264	-274	2.9%	3.6%	-1,152	-1,151	0.0%
Share of results of the Associates and JVs	841	179	506	-39.7%	182.7%	1,948	1,985	1.9%
Operating profit before federal royalty	6,342	5,834	6,192	-2.4%	6.1%	23,241	24,369	4.9%
Federal royalty	-1,189	-1,508	-2,101	76.6%	39.3%	-7,424	-7,810	5.2%
Operating profit	5,152	4,326	4,091	-20.6%	-5.4%	15,817	16,559	4.7%
EBITDA	8,034	8,571	8,516	6.0%	-0.6%	32,020	33,743	5.4%
Finance and other income	1,669	619	727	-56.4%	17.5%	8,167	2,800	NM
Finance and other costs	-1,401	-825	-1,262	-9.9%	53.0%	-4,624	-4,611	-0.3%
Profit before tax	5,420	4,120	3,556	-34.4%	-13.7%	19,360	14,747	-23.8%
Income tax expenses	-1,116	-748	-409	-63.4%	-45.3%	-3,203	-2,212	-30.9%
Profit for the period	4,304	3,372	3,147	-26.9%	-6.7%	16,156	12,535	-22.4%
Non-controlling interests	832	490	189	-77.3%	-61.4%	1,796	1,003	NM
Net Profit Attributable	3,472	2,882	2,958	-14.8%	2.6%	14,360	11,532	-19.7%

FABS estimate & Co Data
Etisalat- Margins

	2Q25	1Q26	2Q26F	YOY	QOQ	2025	2026F	Change
EBITDA	44.5%	44.1%	43.7%	-80	-42	43.9%	42.5%	-15
Operating profit	28.6%	22.3%	21.0%	-755	-128	21.7%	20.9%	-9
Net Profit	19.2%	14.8%	15.2%	-406	34	19.7%	14.5%	-52

FABS estimate & Co Data

2Q26 preview: Etihad Etisalat Company (Mobily)

Revenue growth across segments to grow bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 62.00	SAR 75.00	+20.5%	BUY

2Q26 estimate

Etihad Etisalat (Mobily/the Company) is expected to report an 11.5% YOY increase in net profit to SAR 925 Mn in 2Q26, driven by anticipated growth in service revenue and lower finance expenses, partially offset by projected rise in cost of services, depreciation & amortisation expenses, and zakat expenses, coupled with anticipated fall in other income, finance income and share in profit of an associate. Mobily's services revenue is expected to grow 6.7% YOY to SAR 5,152 Mn in 2Q26, supported by forecasted strong revenue growth across its segments. Consumer segment is projected to increase 4.0% YOY to SAR 3,133 Mn in 2Q26. Business segment is expected to rise 10.0% YOY to SAR 1,243 Mn in 2Q26. Wholesale segment is anticipated to rise 15.0% YOY to SAR 651 Mn in 2Q26. Meanwhile, the Outsourcing segment is forecast to grow 4.0% YOY to SAR 125 Mn in 2Q26. The Company's cost of services is projected to increase 3.9% YOY to SAR 2,292 Mn in 2Q26. As a result, gross profit is expected to rise 9.0% YOY to SAR 2,859 Mn in 2Q26. Gross margin is expected to improve by 119 bps YOY to 55.5% in 2Q26. Selling and marketing expenses are expected to increase 7.0% YOY to SAR 386 Mn, whereas G&A expenses are projected to rise 5.6% YOY to SAR 448 Mn in 2Q26. The Company's depreciation and amortisation expense is forecasted to increase 6.5% YOY to SAR 992 Mn in 2Q26. However, Mobily is expected to record an impairment loss on accounts receivable of SAR 27 Mn in 2Q26 compared to SAR 14 Mn in 2Q25. However, Mobily's operating profit is anticipated to grow 12.8% YOY to SAR 1,006 Mn in 2Q26, with operating profit margin expected to rise from 18.5% in 2Q25 to 19.5% in 2Q26. Moreover, the Company's EBITDA is projected to increase 9.6% YOY to SAR 1,998 Mn, while the EBITDA margin is expected to expand from 37.8% in 2Q25 to 38.8% in 2Q26. Other income is forecasted to decline from SAR 22 Mn in 2Q25 to SAR 21 Mn in 2Q26. The Company's share in profit of an associate is expected to decline to SAR 20 Mn in 2Q26, compared to SAR 61 Mn in 2Q25. Finance expenses are expected to decline 17.2% YOY to SAR 142 Mn, while finance income is likely to decrease 4.6% YOY to SAR 47 Mn in 2Q26. Additionally, the Company is expected to incur zakat expense of SAR 26 Mn in 2Q26, compared to SAR 23 Mn in 2Q25.

2026 forecast

Mobily is expected to report an 8.4% YOY growth in net profit to SAR 3,758 Mn in 2026 driven by expected growth in service revenue, higher other income, and lower finance expenses, partially offset by forecasted rise in cost of services, selling and marketing expenses, general & administrative expenses, depreciation & amortisation expenses, impairment loss on accounts receivable, zakat expenses and decline in finance income. Mobily's service revenue is anticipated to grow 7.3% YOY to SAR 21,070 Mn in 2026, attributed to forecasted healthy growth across all business segments. Consumer segment is projected to increase 5.0% YOY to SAR 12,979 Mn in 2026. Business segment is expected to rise 10.0% YOY to SAR 5,126 Mn in 2026. Wholesale segment is anticipated to rise 15.0% YOY to SAR 2,505 Mn in 2026. Meanwhile, the Outsourcing segment is forecast to grow 4.0% YOY to SAR 460 Mn in 2026. The Company's cost of services is projected to increase 6.5% YOY to SAR 9,482 Mn in 2026. Thus, gross profit is expected to increase 7.9% YOY to SAR 11,589 Mn in 2026. Gross margin is expected to rise 31 bps YOY to 55.0% in 2026. Selling and marketing expenses are forecasted to rise 12.2% YOY to SAR 1,686 Mn in 2026, whereas G&A expenses are expected to increase 9.0% YOY to SAR 1,749 Mn in 2026. The Company's depreciation and amortization expense is projected to rise 4.7% YOY to SAR 3,960 Mn in 2026, while impairment losses on accounts receivable are anticipated to increase significantly from SAR 8 Mn in 2025 to SAR 84 Mn in 2026. As a result, Mobily's operating profit is likely to increase 6.8% YOY to SAR 4,110 Mn in 2026. Operating profit margin is expected to decline marginally to 19.5% in 2026, compared to 19.6% in 2025. Moreover, the Company's EBITDA is expected to grow

5.8% YOY to SAR 8,070 Mn in 2026, whereas EBITDA margin is expected to decline from 38.8% in 2025 to 38.3% in 2026. Other income is expected to increase to SAR 67 Mn in 2026 from SAR 64 Mn in 2025. The Company's share in profit of an associate is projected to decline 32.2% YOY to SAR 80 Mn in 2026. The Company's finance expense is projected to decline 13.9% YOY to SAR 581 Mn in 2026. Finance income is anticipated to decrease 6.8% YOY to SAR 189 Mn in 2026. In addition, zakat expense is forecasted to rise 19.1% YOY to SAR 107 Mn in 2026.

1Q26 outturn

Mobily's service revenue increased 5.5% YOY to SAR 5,040 Mn in 1Q26, driven by growth across all revenue streams and supported by continued expansion in the subscriber base. Revenue from the consumer segment rose 2.4% YOY to SAR 3,101 Mn in 1Q26, supported by growth in the customer base and enhanced service offerings. Meanwhile, revenue from the business segment expanded 10.7% YOY to SAR 1,241 Mn in 1Q26, while revenue from the wholesale segment increased 17.7% YOY to SAR 604 Mn in 1Q26, driven by higher connectivity demand and continued infrastructure investments. In contrast, revenue from the outsourcing segment declined 18.1% YOY to SAR 95 Mn in 1Q26. The Company's cost of services declined marginally by 0.3% YOY to SAR 2,216 Mn in 1Q26. As a result, Mobily's gross profit increased 10.6% YOY to SAR 2,824 Mn in 1Q26, with gross margin improving by 257 bps YOY to 56.0% in 1Q26. EBITDA rose 11.1% YOY to SAR 1,971 Mn in 1Q26, while EBITDA margin expanded by 196 bps YOY to 39.1% in 1Q26, supported by strong revenue growth and improved operational efficiency. Depreciation and amortization increased 6.3% YOY to SAR 983 Mn in 1Q26. Mobily reported operating profit growth of 16.2% YOY to SAR 988 Mn in 1Q26, with operating profit margin improving by 181 bps YOY to 19.6% in 1Q26. Net other expenses increased to SAR 83 Mn in 1Q26, compared to SAR 63 Mn in 1Q25, mainly due to a decline in the Company's share of profits from joint ventures, along with lower financing income. Additionally, zakat charges rose 20.2% YOY to SAR 25 Mn in 1Q26.

Target price and recommendation

We revise our rating on Mobily from ACCUMULATE to BUY with an unchanged target price of SAR 75.00. The Company reported a strong financial performance in 1Q26, with revenue increasing by 5.5% YOY to SAR 5.0 Bn in 1Q26, supported by expansion across all revenue streams and sustained growth in the subscriber base. Meanwhile, the EBITDA margin improved to 39.1% in 1Q26 from 37.1% in 1Q25. The company's strong operational performance underscores its ongoing focus on delivering advanced solutions that drive innovation and digital transformation, in line with its SHINE strategy. In 1Q26, Mobily was recognized as the fastest growing telecom brand in the Middle East for the sixth consecutive year, with its brand value reaching USD 3.5 Bn, highlighting its accelerated innovation journey and strengthening its position within the regional TMT sector. The Consumer segment delivered steady performance in 1Q26, driven by enhanced customer experience through seamless digital integration and strong demand during the Ramadan period. The Business segment recorded solid growth in 1Q26, supported by an expanded ICT portfolio and a strengthened service ecosystem catering to evolving enterprise needs. Similarly, the Wholesale segment witnessed robust growth, with revenue increasing 17.7% YOY to SAR 604 Mn in 1Q26, driven by deeper engagement with hyperscalers and rising demand for cloud, artificial intelligence, and data-driven connectivity solutions, supported by ongoing infrastructure investments. The mobile subscriber base increased 16.2% YOY to 15.1 Mn in 1Q26, while the FTTH subscriber base rising 7.1% YOY to 311K, with the mobile base comprising 13.0 Mn prepaid subscribers and 2.1 Mn postpaid subscribers. The Company continued to strengthen its balance sheet, with shareholders equity increasing 7.1% YOY to SAR 20.0 Bn in 1Q26. Mobily's capex reached SAR 404 Mn in 1Q26, reflecting the Company's ongoing investments in fiber network development and 5G network expansion. Looking ahead, the Company reiterated its 2026 guidance, expecting revenue growth in the mid-to-high single digits, EBITDA margin in the range of 37–38%, and net debt to EBITDA between 0.9x–1.0x, with capex intensity projected at 18–20%. Mobily distributed interim cash dividends of SAR 1.60 per share for 2H25, totaling SAR 1.23 Bn, representing 16% of the share's par value and

payable on 767.5 Mn eligible shares. As a result, we revise our rating to BUY on the stock.

Mobily – Relative Valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	43.44	28.09	20.85	14.98	13.43	12.37
P/B (x)	3.06	2.85	2.64	2.47	2.29	2.12
EV / EBITDA	10.47	9.15	8.20	7.34	6.83	6.51
BVPS	19.735	21.245	22.887	24.514	26.432	28.518
EPS	1.392	2.152	2.899	4.035	4.502	4.886
DPS	0.850	1.150	1.450	2.200	2.800	3.100
Dividend yield	1.4%	1.9%	2.3%	3.5%	4.5%	5.0%

FABS Estimates & Co Data

Mobily - P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Services revenues	4,828	5,040	5,152	6.7%	2.2%	19,642	21,070	7.3%
Cost of services	-2,206	-2,216	-2,292	3.9%	3.5%	-8,900	-9,482	6.5%
Gross profit	2,623	2,824	2,859	9.0%	1.2%	10,742	11,589	7.9%
Selling and marketing expenses	-361	-450	-386	7.0%	-14.1%	-1,502	-1,686	12.2%
General & administrative expenses	-425	-399	-448	5.6%	12.2%	-1,604	-1,749	9.0%
Operating expenses	-786	-849	-835	6.2%	-1.7%	-3,106	-3,434	10.6%
Depreciation and amortisation	-932	-983	-992	6.5%	1.0%	-3,780	-3,960	4.7%
Impairment loss on acc receivable	-14	-4	-27	91.7%	503.7%	-8	-84	NM
Operating Profit	891	988	1,006	12.8%	1.8%	3,847	4,110	6.8%
EBITDA	1,823	1,971	1,998	9.6%	1.4%	7,627	8,070	5.8%
Other income	22	-2	21	-5.0%	-942.1%	64	67	5.7%
Company's share in loss of an asso.	61	30	20	-67.5%	-32.5%	118	80	-32.2%
Finance expenses	-171	-155	-142	-17.2%	-8.6%	-675	-581	-13.9%
Finance income	49	45	47	-4.6%	4.8%	203	189	-6.8%
Profit before zakat	853	905	951	11.6%	5.2%	3,556	3,865	8.7%
Zakat	-23	-25	-26	16.2%	5.2%	-90	-107	19.1%
Profit attributable	830	880	925	11.5%	5.2%	3,466	3,758	8.4%

FABS estimate & Co Data

Mobily - Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross profit	54.3%	56.0%	55.5%	119	-54	54.7%	55.0%	31
EBITDA	37.8%	39.1%	38.8%	103	-32	38.8%	38.3%	-53
Operating profit	18.5%	19.6%	19.5%	106	-8	19.6%	19.5%	-8
Net profit	17.2%	17.5%	18.0%	77	50	17.6%	17.8%	19

FABS estimate & Co Data

2Q26 preview: **Saudi Telecom Company (STC)**

Subscriber growth and digital expansion to support growth

Current Price SAR 43.60	12-m Target Price SAR 50.00	Upside/Downside (%) +15.0%	Rating BUY
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2Q26 Estimate

Saudi telecom company's (STC/the company) net profit attributable to the equity holders is expected to decline by 12.7% YOY to SAR 3,336 Mn in 2Q26, primarily due to anticipated rise in direct cost, general & administrative expenses, financial charges, and zakat expenses, partially offset by expected increase in revenue, expected decline in selling and overhead expenses and higher finance income. The company's revenue is expected to increase by 3.9% YOY to SAR 20,214 Mn in 2Q26, supported by expected increase in revenue across majority of its segments. Direct cost is expected to outpace the revenue growth and increase by 4.2% YOY to SAR 10,309 Mn in 2Q26. Thus, gross profit is projected to grow by 3.6% YOY to SAR 9,905 Mn in 2Q26. However, we expect the gross margin to remain almost stable at 49.0% in 2Q26, compared to 2Q25. Selling and overhead expenses is expected to decline 2.7% YOY to SAR 1,658 Mn in 2Q26. G&A expenses are anticipated to grow 13.8% YOY to SAR 1,920 Mn in 2Q26. Thus, total operating expenses are expected to rise by 5.5% YOY to SAR 3,578 Mn in 2Q26. EBITDA is projected to increase by 2.6% YOY to SAR 6,327 Mn in 2Q26 and EBITDA margin is expected to decline 41 bps YOY to 31.3% in 2Q26, largely due to increase in operating expenses. Depreciation and amortisation is expected to increase 4.4% YOY to SAR 2,655 Mn in 2Q26. Resultantly the operating profit is expected to increase by 1.3% YOY to SAR 3,672 Mn in 2Q26. The Company is expected to record other income of SAR 30 Mn in 2Q26, compared to other expense of SAR 4 Mn in 2Q25. Finance income is expected to increase by 4.2% YOY to SAR 345 Mn and financial charges is anticipated to increase by 24.9% to SAR 326 Mn in 2Q26. Zakat expenses are anticipated to increase to SAR 316 Mn in 2Q26, compared to Zakat reversal of SAR 216 Mn in 2Q25. Share of profit to non-controlling interest holders is expected to decline from SAR 82 Mn in 2Q25 to SAR 68 Mn in 2Q26.

2026 Forecast

STC net profit is expected to decrease by 3.4% YOY to SAR 14,327 Mn in 2026, primarily due to projected increase in direct costs, general and administrative expenses, depreciation & amortisation and financial charges, partially offset by expected increase in revenue and other income coupled with decline in selling and overhead expenses. The Company's revenue is anticipated to increase by 4.3% YOY to SAR 81,197 Mn in 2026. Direct cost is expected to increase by 3.6% YOY to SAR 41,573 Mn in 2026. Thus, gross profit is anticipated to increase by 5.1% YOY to SAR 39,624 Mn in 2026, with gross margin expected to improve by 35 bps YOY to 48.8% in 2026. Selling and overhead expenses are expected to decline by 1.9% YOY to SAR 6,252 Mn, while the general and administrative expenses are expected to increase by 4.2% YOY to SAR 7,145 Mn in 2026. Thus, the total operating expense are projected to increase by 1.3% YOY to SAR 13,398 Mn in 2026. STC's EBITDA is expected to increase 7.2% YOY to SAR 26,227 Mn in 2026, with EBITDA margin also anticipated to improve by 86 bps YOY to 32.3% in 2026. Depreciation and amortisation charges are expected to grow by 5.1% YOY to SAR 10,545 Mn in 2026. As a result, the operating profit is anticipated to grow by 8.6% YOY to SAR 15,682 Mn in 2026. Finance income is expected to remain flat at SAR 1,277 Mn in 2026, compared to 2025. Financial charges is anticipated to grow 16.4% YOY to SAR 1,310 Mn in 2026. Other income is expected rise from SAR 133 Mn in 2025 to SAR 245 Mn in 2026. The Company is expected to incur zakat charges of SAR 1,272 Mn in 2026, compared to zakat reversal of SAR 466 Mn in 2025. The share of profit to non-controlling interest holders is expected to decline 3.7% YOY to SAR 295 Mn in 2026.

1Q26 Outturn

STC's revenue grew by 3.8% YOY to SAR 19,939 Mn in 1Q26, mainly driven by increase in revenue from KSA region, solution and specialised segments, partially offset by decline in revenue from Kuwait and

Bahrain region. The Company's KSA revenue grew by 2.8% YOY to SAR 13,001 Mn, mainly due to an 5.3% YOY increase in mobile subscribers to 30.6 Mn, and fixed subscribers increased by 3.1% YOY to 6.1 Mn in 1Q26. Within STC KSA, the commercial segment's revenue grew by 5.2% YOY to 8,283 Mn in 1Q26, driven by an increase in both mobility and fixed units. Carrier and wholesale revenue increased by 6.2% YOY to SAR 1,235 Mn in 1Q26, supported by both national and international segments. However, the business unit revenue decrease by 3.6% YOY to SAR 3,483 Mn in 1Q26. Furthermore, STC Kuwait revenue decreased by 2.3% YOY to SAR 3,524 Mn in 1Q26, despite the mobile subscribers increasing from 2.2 Mn in 1Q25 to 2.3 Mn in 1Q26. STC Bahrain revenue also declined 2.7% YOY to SAR 491 Mn in 1Q26. Additionally, STC Bahrain's mobile subscribers also decline by 0.3% YOY to 916.5K during 1Q26. STC channel revenue fell 13.0% YOY to SAR 3,524 Mn in 2Q26. Solution segment revenue grew by 6.3% YOY to SAR 3,002 Mn in 2Q26. In addition, Sirar segment revenue grew by 80.6% YOY to SAR 263 Mn, specialised segment grew to SAR 432 Mn, and Iot segment rose to 84 Mn during 1Q26. The Company's direct cost increased 0.5% YOY to SAR 10,166 Mn in 1Q26. Thus, gross profit grew 7.4% YOY to SAR 9,772 Mn in 1Q26, with gross margin also improving by 165 bps YOY to 49.0% in 1Q26. Selling and overhead expenses increased by 16.9% YOY to SAR 1,559 Mn, whereas the general & administrative expenses saw a marginal rise of 0.8% YOY to SAR 1,657 Mn in 1Q26. Thus, the total operating expenses increased by 8.0% YOY to SAR 3,216 Mn in 1Q26. EBITDA rose 7.1% YOY to SAR 6,557 Mn in 1Q26, with an increase in EBITDA margin of 102 bps YOY to 32.9% in 1Q26. Depreciation and amortization grew by 1.6% to SAR 2,579 Mn in 1Q26. Thus, operating profit grew 11.0% YOY to SAR 3,978 Mn in 1Q26. The Company recorded other income of SAR 30 Mn in 1Q26, compared to other expenses of SAR 365 Mn in 1Q25. Finance income decreased from SAR 479 Mn in 1Q25 to SAR 242 Mn in 1Q26. Whereas, finance charges increased 12.9% YOY to SAR 331 Mn in 1Q26. The Company recorded an Zakat charges of SAR 152 Mn in 1Q26, in comparison to zakat reversal of SAR 311 Mn in 1Q25. The profit share to the non-controlling interest increased by 7.1% to SAR 71 Mn in 1Q26.

Target price and recommendation

We maintain our BUY rating on STC with a target price of SAR 50.00. STC continues to strengthen its leadership position in the Saudi telecommunications sector through increasing its subscribers growth, expansion across digital ecosystem, continuing capital expenditure in network infrastructure and strategic initiatives aimed to achieve long-term growth. The Company's mobile subscriber base in KSA increased by 5.3% YOY to 30.6 Mn in 1Q26, supported by growth across prepaid, postpaid and M2M segments. Fixed subscribers in KSA increased by 3.1% YOY to 6.1 Mn in 1Q26, reflecting continued demand for broadband and fibre-based services in the Kingdom. STC continues to strengthen its digital ecosystem through its expansion in the digital platforms and services portfolio as digital payment's arm STC Bank surpassed 8 Mn customers since its launch in January 2025, highlighting strong adoption of digital banking services. The Company's continued investment in network infrastructure reinforces its leadership in digital connectivity. During 1Q26, STC expanded its 5G footprint to 11.1K sites, increasing population coverage to 63.3% from 55.4% a year earlier. In addition, fibre connectivity continued to expand, with connected households reaching 3.8 Mn and the total fibre network extending to 259.8K km, positioning the Company to capture growing demand for high-speed broadband, enterprise connectivity, and rising data consumption. Beyond its core telecom operations, STC continues to diversify its revenue base through strategic investments in higher-growth digital businesses. During the quarter, the Company signed several strategic agreements at the PIF Private Sector Forum 2026 while also launching the second phase of its AI-powered "New Calling" platform, introducing real-time Arabic-English voice translation capabilities. We expect continued expansion across businesses such as STC Bank, center3, cybersecurity, cloud, and ICT services to enhance earnings diversification and support sustainable long-term growth. Financially, STC remains well positioned, supported by a healthy cash balance of SAR 19.6 Bn as of 1Q26, providing ample flexibility to fund future growth initiatives while maintaining balance sheet strength. The successful issuance of USD 2.0 Bn of sukuk during the quarter further diversified the Company's funding sources and enhances financial flexibility to support its long-term investment pipeline. In addition, STC continues to demonstrate its commitment to shareholder

returns through a quarterly dividend of SAR 0.55 per share for 1Q26. Thus, based on our analysis we give BUY rating on stock.

STC – Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	19.11	17.76	16.26	8.76	14.58	15.09
P/B (x)	3.12	2.94	2.74	2.42	2.59	2.49
EV/EBITDA	9.40	8.24	9.66	8.59	9.05	8.46
BVPS	13.854	14.700	15.797	17.883	16.683	17.353
EPS	2.262	2.434	2.659	4.938	2.966	2.865
DPS	1.600	1.600	2.600 ¹	3.750 ²	2.200	2.200
Dividend yield	3.7%	3.7%	6.0%	8.6%	5.0%	5.0%

FABS Estimates & Co Data, ¹DPS for 2023 includes a special dividend of SAR 1 per share, ²DPS for 2024 consists of a special dividend of SAR 2 per share

STC - P&L

SAR Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Sales	19,451	19,939	20,214	3.9%	1.4%	77,819	81,197	4.3%
Direct costs	-9,891	-10,166	-10,309	4.2%	1.4%	-40,119	-41,573	3.6%
Gross profit	9,560	9,772	9,905	3.6%	1.4%	37,700	39,624	5.1%
Selling & overhead exp	-1,704	-1,559	-1,658	-2.7%	6.3%	-6,372	-6,252	-1.9%
General & Admin Exp.	-1,687	-1,657	-1,920	13.8%	15.9%	-6,859	-7,145	4.2%
Operating expenses	-3,391	-3,216	-3,578	5.5%	11.3%	-13,230	-13,398	1.3%
EBITDA	6,168	6,557	6,327	2.6%	-3.5%	24,469	26,227	7.2%
Depreciation & Amortization	-2,545	-2,579	-2,655	4.4%	3.0%	-10,031	-10,545	5.1%
EBIT	3,624	3,978	3,672	1.3%	-7.7%	14,438	15,682	8.6%
Other inc./(exp.)	-4	30	30	NM	0.6%	133	245	NM
Finance Income	331	242	345	4.2%	42.4%	1,276	1,277	0.1%
Financial charges	-261	-331	-326	24.9%	-1.3%	-1,125	-1,310	16.4%
Profit before zakat	3,690	3,920	3,721	0.8%	-5.1%	14,723	15,895	8.0%
Zakat	216	-152	-316	NM	NM	466	-1,272	NM
Profit before NCI	3,905	3,768	3,404	-12.8%	-9.6%	15,189	14,623	-3.7%
Profit from disc oper	0	0	0	NM	NM	-54	0	NM
NCI	82	71	68	-16.9%	-4.4%	307	295	-3.7%
Profit attributable	3,823	3,696	3,336	-12.7%	-9.7%	14,828	14,327	-3.4%

FABS estimate & Co Data

STC- Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Gross profit	49.1%	49.0%	49.0%	-15	-1	48.4%	48.8%	35
EBITDA	31.7%	32.9%	31.3%	-41	-158	31.4%	32.3%	86
Operating profit	18.6%	20.0%	18.2%	-47	-179	18.6%	19.3%	76
Net profit	19.7%	18.5%	16.5%	-315	-203	19.1%	17.6%	-141

FABS estimate & Co Data

2Q26 preview: Telecom Egypt (ETEL)

Higher foreign exchange losses expected to impact profits

Current Price EGP 92.61	12-m Target Price EGP 110.00	Upside/Downside (%) +18.8%	Rating BUY
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2Q26 estimate

Telecom Egypt (ETEL/the Company) net profit is expected to decline marginally from EGP 5,861 Mn in 2Q25 to EGP 5,826 Mn in 2Q26, driven by increase in operating costs, Selling & overhead expenses, finance costs and tax expenses coupled with lower net operating revenue, absence of profit from discontinued operations and increased share of profit to NCI, partially offset by increase in revenues, finance income and increased contribution from income from associates. ETEL's revenue is expected to grow 13.8% YOY to EGP 29,256 Mn in 2Q26, driven by anticipated rise in Retail revenue and Wholesale revenue. Retail revenue is forecasted to grow 15.5% YOY to EGP 17,543 Mn in 2Q26, supported by anticipated rise in home services and Enterprise Solutions. Wholesale revenue is projected to grow 11.4% YOY to EGP 11,714 Mn in 2Q26, supported by expected increase in Domestic Wholesale, International Carrier, and International Cable & Network. On the other hand, the Company's operating cost is anticipated to increase 13.7% YOY to EGP 17,261 Mn in 2Q26. Thus, gross profit is expected to grow 14.0% YOY to EGP 11,995 Mn in 2Q26, while gross margins are expected to improve 6 bps YOY to 41.0% in 2Q26. ETEL's selling and overhead expenses are expected to increase 10.1% YOY to EGP 3,862 Mn in 2Q26. Meanwhile, the Company is expected to record net operating cost of EGP 161 Mn in 2Q26, compared to EGP 211 Mn in 2Q25. However, operating profit is forecasted to increase 17.2% YOY to EGP 7,972 Mn in 2Q26. ETEL's EBITDA is expected to grow 10.0% YOY to EGP 12,278 Mn in 2Q26 while margins are likely to decline 146 bps YOY to 42.0% in 2Q26. Additionally, income from associates is projected to increase from EGP 3,544 Mn in 2Q25 to EGP 3,772 Mn in 2Q26. The Company's finance income is anticipated to rise from EGP 374 Mn in 2Q25 to EGP 503 Mn in 2Q26, while finance cost is expected to increase from EGP 3,023 Mn in 2Q25 to EGP 3,912 Mn in 2Q26. Consequently, profit before zakat is estimated to increase 8.3% YOY to EGP 8,336 Mn in 2Q26. Additionally, ETEL's tax expense is expected to increase from EGP 1,889 Mn in 2Q25 to EGP 2,501 Mn in 2Q26. Furthermore, profit share attributable to non-controlling interest is anticipated to increase from EGP 5 Mn in 2Q25, to EGP 9 Mn in 2Q26.

2026 forecast

ETEL's net profit is expected to decline from EGP 22,555 Mn in 2025 to EGP 21,397 Mn in 2026, owing to an expected increase in operating costs, selling & overhead expenses, higher finance costs and income tax expenses coupled with higher contribution to non-controlling shareholders, partially offset by increase in revenue, income from associates, finance income and lower net operating losses. The Company's revenue is expected to grow 9.4% YOY to EGP 116,741 Mn in 2026, driven by anticipated rise in Retail revenue and Wholesale revenue. Retail revenue is projected to rise 11.7% YOY to EGP 69,104 Mn in 2Q26 due to increase in home services and Enterprise Solutions. Additionally, Wholesale revenue is forecasted to rise 6.3% YOY to EGP 47,637 Mn in 2026, supported by rise in Domestic Wholesale and International Carrier partially offset by decline in revenue from International Cable & Network. On the other hand, operating costs is estimated to increase 9.1% YOY to EGP 67,436 Mn in 2026. Thus, gross profit is projected to grow 10.0% YOY to EGP 49,304 Mn in 2026 while margins are expected to improve 20 bps YOY to 42.2% in 2026. Selling and overhead expenses are expected to rise 9.4% YOY to EGP 16,110 Mn in 2026. Meanwhile, net operating losses are expected to narrow to EGP 117 Mn in 2026 from EGP 2,076 Mn in 2025. As a result, ETEL's operating profit is expected to grow 18.0% YOY to EGP 33,078 Mn in 2026 with margins expected to expand from 26.3% in 2025 to 28.3% in 2026. The Company's EBITDA is anticipated to increase 5.9% YOY to EGP 50,300 Mn in 2026 with margins likely to fall from 44.5% in 2025 to 43.1% in 2026. Furthermore, income from associates is expected to increase 4.0% YOY to EGP 15,421 Mn in 2026. Finance income is anticipated to increase

1.0% YOY to EGP 1,812 Mn in 2026. Whereas, the Company's finance cost is expected to increase from EGP 13,753 Mn in 2025 to EGP 19,796 Mn in 2026 due to higher foreign exchange losses. Income tax is expected to increase from EGP 8,569 Mn in 2025 to EGP 9,154 Mn in 2026. Profit attributable to NCI is expected to increase 36.7% YOY to EGP 32 Mn in 2026 while profit from discontinued operations is expected to decline from EGP 237 Mn in 2025 to EGP 69 Mn in 2026.

1Q26 outturn

ETEL's revenue grew 14.1% YOY to EGP 28,211 Mn in 1Q26, mainly driven by strong growth in the Retail and Wholesale segments. Retail segment revenue expanded 20.5% YOY to EGP 17,145 Mn in 1Q26, due to growth in home services and Enterprise Solutions. Revenue from Home Services grew 21.4% YOY to EGP 14,395 Mn in 1Q26, driven by growth in Data and Voice revenue, alongside a 13% YOY increase in ARPU and an 8% YOY expansion in the customer base. Additionally, Enterprise Solution revenue grew 15.9% YOY to EGP 2,750 Mn in 1Q26, supported by an increase in Connectivity Services revenue. Wholesale segment revenue grew 5.5% YOY to EGP 11,066 Mn in 1Q26, primarily driven by rise in revenue from Domestic Wholesale and International Carrier, partially offset by decline in International Cable and Network. Domestic Wholesale revenue rose 16.7% YOY to EGP 3,151 Mn in 1Q26, driven by an increase in Domestic Infrastructure Services revenue. Similarly, revenue from International Carriers increased 23.9% YOY to EGP 5,514 Mn in 1Q26, driven by growth in International Incoming Calls revenue, which rose 27% YOY to EGP 4.1 Bn, supported by favourable USD-denominated revenue translation and a 22% YOY increase in international incoming call traffic. IC&N revenue fell 28.1% YOY to EGP 2,401 Mn primarily due to project delivery timing, reflecting the cyclical nature of cable projects, which are expected to recover later in the year as pipeline projects are delivered. Furthermore, operating costs rose 12.2% YOY to EGP 16,015 Mn in 1Q26. Thus, gross profit grew 16.7% YOY to EGP 12,196 Mn in 1Q26, with a gross margin of 43.2% in 1Q26 compared to 42.3% in 1Q25. Selling and overhead expenses increased 15.0% YOY to EGP 3,880 Mn in 1Q26, mainly due to higher salaries and wages. ETEL reported other operating income of EGP 302 Mn in 1Q26, compared with an operating loss of EGP 141 Mn in 1Q25, primarily supported by higher fines, earned delay interest and sundry revenues. Operating profit rose from EGP 6,933 Mn in 1Q25 to EGP 8,618 Mn in 1Q26. Operating margins increased from 28.0% in 1Q25 to 30.5% in 1Q26. Similarly, the Company's EBITDA increased 18.1% YOY to EGP 12,841 Mn in 1Q26, supported by healthy organic growth. Whereas EBITDA margin expanded from 44.0% in 1Q25 to 45.5% in 1Q26. Income from associates rose 17.1% YOY to EGP 3,731 Mn in 1Q26, owing to the strong contribution from Vodafone Egypt. Net finance cost increased substantially from EGP 4,023 Mn in 1Q25 to EGP 7,758 Mn in 1Q26 mainly driven by non-cash foreign exchange losses related to the revaluation of USD-denominated debt amid EGP volatility. The impact was partially mitigated by lower interest expenses resulting from debt repayments and lower borrowing costs. In addition, income tax declined from EGP 1,490 Mn in 1Q25 to EGP 1,084 Mn in 1Q26. Additionally, the Company recorded profit from discontinued operations of EGP 69 Mn in 1Q26 compared to EGP 46 Mn in 1Q25. Non-controlling interest declined 51.0% YOY to EGP 4 Mn in 1Q26.

Target price and recommendation

We revise our rating from HOLD to BUY on Telecom Egypt with a revised target price of EGP 110.00. Telecom Egypt delivered a strong operational performance in 1Q26, with operating profit increasing 24.3% YOY, supported by continued demand for connectivity services, customer base expansion, and improving ARPU trends across key segments. While reported net profit declined 23.1% YOY, primarily due to a non-cash foreign exchange loss of EGP 5.3 Bn arising from the revaluation of foreign currency liabilities, the underlying business performance remained robust. Excluding the FX impact, adjusted net profit increased c.27.0% YOY to c. EGP 5.9 Bn in 1Q26, highlighting the resilience of the Company's core operations despite ongoing macroeconomic and geopolitical uncertainties. Subscriber growth remained healthy across mobile, fixed broadband, and fixed voice segments, while higher ARPUs and continued growth in data consumption supported retail performance. The recently approved 15% mobile tariff increase and 13–15% fixed broadband price increases are expected to provide an additional uplift

to revenues beginning in 2Q26, with the Company indicating that 2Q26 performance should exceed 1Q26 levels. In addition, the Company continues to expand its enterprise, SME, SOHO, fixed-mobile convergence, and digital service offerings, which are expected to support medium-term growth. Although IC&N revenues declined during the quarter due to project timing, ETEL expects project deliveries to accelerate in 2Q26 and 4Q26, supporting a recovery in the segment. Telecom Egypt continues to benefit from Egypt's strategic position as a major global connectivity hub linking Europe, Asia, and Africa, supporting long-term demand for international connectivity and cable infrastructure services. The Company is also progressing its long-term network strategy through investments in 5G deployment, fiber expansion, data centers, and cloud infrastructure. The Company indicated that 2026 revenue growth could exceed the current high-single-digit guidance and approach mid-double-digit growth, while EBITDA margins are expected to remain around 45%. Overall, the combination of strong underlying operating momentum, improving pricing dynamics, healthy cash generation, favorable regulatory developments, and continued investment in growth initiatives supports a positive medium-term outlook for the Company. Thus, based on our analysis, we revise our rating to BUY on the stock.

Telecom Egypt –Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	21.25	20.00	15.79	19.29	7.73	8.62
P/B (x)	3.56	3.40	3.10	3.43	2.48	1.98
EV / EBITDA	11.94	10.62	8.65	7.07	4.70	4.48
EPS (EGP)	25.960	27.168	29.798	26.897	37.284	46.526
BVPS (EGP)	4.343	4.614	5.847	4.786	11.933	10.702
DPS (EGP)	1.000	1.250	1.500	1.500	1.500	1.500
Dividend yield	1.1%	1.3%	1.6%	1.6%	1.6%	1.6%

FABS estimate & Co Data
Telecom Egypt-P&L

EGP Mn	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Operating Revenue	25,710	28,211	29,256	13.8%	3.7%	106,673	116,741	9.4%
Operating costs	-15,185	-16,015	-17,261	13.7%	7.8%	-61,834	-67,436	9.1%
Gross profit	10,525	12,196	11,995	14.0%	-1.6%	44,839	49,304	10.0%
Selling & overhead exp	-3,509	-3,880	-3,862	10.1%	-0.5%	-14,720	-16,110	9.4%
Net operating revenue	-211	302	-161	-23.7%	-153.2%	-2,076	-117	-94.4%
Operating profit	6,805	8,618	7,972	17.2%	-7.5%	28,042	33,078	18.0%
EBITDA	11,165	12,841	12,278	10.0%	-4.4%	47,495	50,300	5.9%
Inc from Associates	3,544	3,731	3,772	6.4%	1.1%	14,828	15,421	4.0%
Finance Income	374	303	503	34.7%	66.3%	1,794	1,812	1.0%
Finance Cost	-3,023	-8,061	-3,912	29.4%	-51.5%	-13,753	-19,796	43.9%
Profit before zakat	7,700	4,591	8,336	8.3%	81.6%	30,911	30,515	-1.3%
Tax	-1,889	-1,084	-2,501	32.4%	130.6%	-8,569	-9,154	6.8%
Profit before NCI	5,810	3,507	5,835	0.4%	66.4%	22,342	21,360	-4.4%
NCI	-5	-4	-9	69.0%	124.6%	-23	-32	36.7%
Profit from discontinued operations	56	69	0	-100.0%	-100.0%	237	69	NM
Profit attributable	5,861	3,572	5,826	-0.6%	63.1%	22,555	21,397	-5.1%

FABS estimate & Co Data
Telecom Egypt - Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross profit	40.9%	43.2%	41.0%	6	-223	42.0%	42.2%	20
EBITDA	43.4%	45.5%	42.0%	-146	-355	44.5%	43.1%	-144
Operating profit	26.5%	30.5%	27.3%	78	-330	26.3%	28.3%	205
Net profit	22.8%	12.7%	19.9%	-288	725	21.1%	18.3%	-281

FABS estimate & Co Data

2Q26 preview: **Emirates Integrated Telecommunications (du)**

Steady revenue growth expected to support earnings

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 11.80	AED 11.50	-2.5%	HOLD

2Q26 Estimate

Emirates Integrated Telecommunications (DU/The Company) net profit is expected to increase 4.8% YOY to AED 762 Mn in 2Q26, driven by anticipated growth in revenue and decrease in net financing expense, partially offset by a projected increase in direct costs, net operating expenses (excluding depreciation & amortization), depreciation & amortization expenses, federal royalty and tax charges. DU's revenue is expected to grow 5.3% YOY to AED 4,110 Mn in 2Q26, primarily supported by anticipated growth across all the business segments. Mobile segment revenue is forecasted to increase 6.0% YOY to AED 1,841 Mn in 2Q26, driven by expected rise in mobile subscribers, partially offset by projected decline in mobile ARPU. Fixed revenue segment is expected to increase 7.5% YOY to AED 1,161 Mn in 2Q26, supported by an anticipated increase in broadband subscribers and broadband ARPU. Wholesale segment revenue is projected to expand 2.0% YOY to AED 650 Mn in 2Q26. Similarly, Other segment revenue is expected to rise 2.0% YOY to AED 458 Mn in 2Q26. The Company's total direct costs are forecasted to grow 7.0% YOY to AED 1,385 Mn in 2Q26, primarily driven by anticipated increase in interconnect costs, commission expenses, and devices & other direct service costs. Thus, gross profit is expected to rise 4.5% YOY to AED 2,725 Mn in 2Q26. While gross profit margin is likely to fall 52 bps YOY to 66.3% in 2Q26. Meanwhile, net operating expenses (excl. D&A) are expected to increase 6.0% YOY to AED 828 Mn in 2Q26, mainly due to expected higher network & other maintenance expenses, marketing expenses, telecommunication license & related fees, other operating expenses, and impairment, partially offset by forecasted decrease in staff expense, administrative expense, and absence of other operating income compared to AED 22 Mn in 2Q25. As a result, EBITDA is likely to increase 3.8% YOY to AED 1,896 Mn in 2Q26, with EBITDA margins expected to decline from 46.8% in 2Q25 to 46.1% in 2Q26. Depreciation and amortization expense is anticipated to rise 2.3% YOY to AED 543 Mn in 2Q26. As a result, operating profit is likely to increase 4.4% YOY to AED 1,353 Mn in 2Q26. Operating profit margin is expected to decline 27 bps YOY to 32.9% in 2Q26. The Company is expected to record financing expenses of AED 3 Mn in 2Q26, compared with AED 6 Mn in 2Q25. In addition, federal royalty is expected to increase 4.8% YOY to AED 513 Mn in 2Q26. The Company's tax expense is anticipated to increase 4.5% YOY to AED 75 Mn in 2Q26.

2026 Forecast

DU's net profit is expected to rise 10.5% YOY to AED 3,209 Mn in 2026, mainly due to expected growth in revenue, decline in net operating expenses excl. D&A, and lower net finance expenses, partially offset by forecasted increase in direct costs, federal royalty and tax charges. Revenue is expected to grow 5.8% YOY to AED 16,834 Mn in 2026, supported by anticipated growth across all business segments. Mobile segment revenue is forecasted to increase 5.2% YOY to AED 7,446 Mn in 2026, supported by forecasted growth in mobile subscribers and mobile ARPU. Similarly, Fixed segment revenue is projected to rise 7.2% YOY to AED 4,695 Mn in 2026. Likewise, Wholesale segment and others services revenue is projected to expand 5.0% YOY and 6.0% YOY to AED 2,697 Mn and AED 1,996 Mn, respectively in 2026. Direct costs are expected to increase 8.0% YOY to AED 5,681 Mn in 2026, primarily driven by an increase in interconnect costs, commission expenses, and devices & other direct service costs. Thus, gross profit is expected to rise 4.8% YOY to AED 11,152 Mn in 2026. Gross profit margin is anticipated to decline 68 bps YOY to 66.3% in 2026. Meanwhile, net operating expenses excl. D&A are expected to decline marginally 0.9% YOY to AED 3,279 Mn in 2026, mainly due to anticipated fall in marketing expenses, staff expenses, and impairment charges, partially offset by forecasted increase in network and other maintenance expense, administrative expense, other operating expenses, and absence of other operating income compared to AED 22 Mn in 2025. As a result, EBITDA is expected to increase

7.3% YOY to AED 7,873 Mn in 2026, with EBITDA margins likely to increase from 46.1% in 2025 to 46.8% in 2026. Depreciation, amortization and impairment expense is anticipated to increase marginally 0.3% YOY to AED 2,174 Mn in 2026. As a result, operating profit is likely to increase 10.2% YOY to AED 5,700 Mn in 2026. Operating profit margin is likely to grow 135 bps YOY to 33.9% in 2026. The Company is expected to record financing expenses of AED 12 Mn in 2026, compared to AED 20 Mn in 2025. In addition, federal royalty is expected to increase 10.4% YOY to AED 2,161 Mn in 2026. The Company's tax expense is anticipated to increase 10.4% YOY to AED 317 Mn in 2026.

1Q26 Outturn

DU's revenue grew 6.9% YOY to AED 4.1 Bn in 1Q26, primarily driven by strong performance across Mobile, Fixed, and ICT services, partially offset by a decline in Wholesale revenues. The growth was supported by strong performance in January and February across core connectivity businesses, favourable mix effects, and continued expansion in digital and adjacent services, partially offset by the impact of regional conflict and adverse weather conditions in March. 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. The mobile subscriber base increased 6.1% YOY to 9.7 Mn in 1Q26, driven by strong postpaid additions and resilient prepaid growth. Postpaid subscribers grew 9.6% YOY to 2.0 Mn, while prepaid subscribers increased 5.2% YOY to 7.7 Mn in 1Q26. Fixed service revenue rose 11.1% YOY to AED 1.2 Bn in 1Q26, supported by strong performance in Enterprise Connectivity, driven by successful SME offerings and higher ARPU from fibre and home wireless services. The fixed subscriber base grew 6.3% YOY to 745k in 1Q26. Other revenues increased 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. DU's direct costs rose 5.2% YOY to AED 1.3 Bn in 1Q26, mainly due to higher interconnect, commission, and device-related costs. Consequently, gross profit increased 7.8% YOY to AED 2.8 Bn in 1Q26, with the gross profit margin expanding by 54 bps YOY to 67.9% in 1Q26. Net operating expenses (excl. D&A) declined 1.7% YOY to AED 754 Mn in 1Q26, mainly due to a decline in network and other maintenance expense, marketing expense, staff expense and other operating expense partially offset by an increase in administrative expense, telecommunication license and related fees. EBITDA increased 11.7% YOY to AED 2.0 Bn in 1Q26, with the EBITDA margin improving to 49.5% in 1Q26 from 47.4% in 1Q25. The growth in EBITDA is supported 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. D&A and impairment expenses increased 2.0% YOY to AED 560 Mn in 1Q26. Operating profit rose 15.9% YOY to AED 1.5 Bn in 1Q26, with the operating profit margin improving to 35.9% in 1Q26 from 33.1% in 1Q25. The Company's net finance income declined from AED 6 Mn in 1Q25 to AED 2 Mn in 1Q26. Furthermore, federal royalty charges increased 15.4% YOY to AED 562 Mn in 1Q26, while tax expenses rose 15.5% YOY to AED 83 Mn in 1Q26.

Target price and rating

We revise our rating from ACCUMULATE to HOLD with an unchanged target price of AED 11.50. The regional conflict in the Middle East has had a limited immediate impact on du, with the situation to date remaining stable, as no network or operational disruptions have been reported and business continuity plans have been successfully activated. However, areas of potential exposure persist, primarily on the revenue side, including softer roaming and tourism activity, pressure on gross subscriber additions if mobility weakens, and possible ARPU moderation amid cautious consumer spending. Additionally, a shift in traffic mix toward fixed broadband reflects evolving usage patterns. On the cost front, inflation and supply chain disruptions may create procurement challenges, while bad debt risk could rise in SME-linked sectors. Despite these headwinds, du remains well positioned, supported by strong liquidity, an unleveraged balance sheet, and disciplined cost management, enabling it to maintain investment plans and benefit from structurally resilient connectivity demand. Du delivered a solid 1Q26 performance, with net profit rising 15.5% YOY, supported by revenue growth of 6.9% and strong EBITDA expansion. The Company maintained robust profitability, with EBITDA margin reaching 49.5% in 1Q26, driven by

favorable mobile mix, interconnection cost reductions, higher fixed ARPU, disciplined cost control, and some one-off benefits. The quarter reflected strong underlying performance in January–February, while March performance was adversely 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’s subscriber base remained healthy, with total mobile subscribers increasing 6.1% YOY to 9.7 Mn in 1Q26. Postpaid subscribers grew 9.6% YOY to 2.0 Mn, supported by premium offerings and enterprise demand, while prepaid subscribers rose 5.2% YOY to 7.7 Mn, reflecting continued resilience despite softer tourism activity in March. The fixed segment continued to outperform, with revenue increasing 11.1% YOY to AED 1.2 Bn in 1Q26, driven by strong enterprise connectivity demand and higher ARPU from fibre and home wireless offerings, reinforcing DU’s position in the fixed broadband market. Du remains focused on strengthening and monetising its core business, while reinforcing its digital-first approach and enhancing customer experience. The Company continues to scale up adjacent digital services, expand its data centre footprint, deepen ICT capabilities, and advance strategic partnerships to further diversify its revenue streams. DU is also prioritizing efficient business management by adapting to a complex and evolving operating environment, maintaining cost efficiencies while continuing to create long-term value for shareholders. Du refinanced its AED 2 Bn revolving credit facility with a 7-year tenor, enhancing financial flexibility and supporting future strategic investments, while the facility remains fully undrawn, reflecting strong confidence from lenders. The Company 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 Company distributed a dividend of AED 0.40 per share for 2H25, bringing the total 2025 dividend to AED 0.64 per share, equivalent to 64% of the share's nominal value. Thus, considering the above-mentioned factors, we revise our rating to HOLD on the stock.

DU – Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	46.95	42.37	30.98	20.77	17.79	16.10
P/B (x)	6.06	5.89	5.59	5.23	5.09	4.94
EV/EBITDA	16.91	15.36	13.27	7.94	7.00	6.43
BVPS	1.882	1.935	2.039	2.179	2.239	2.307
EPS	0.243	0.269	0.368	0.549	0.641	0.708
DPS	0.210	0.240	0.340	0.540	0.640	0.640
Dividend yield	1.8%	2.0%	2.9%	4.6%	5.4%	5.4%

FABS Estimates & Co Data

DU - P&L

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
AED Mn								
Revenue	3,902	4,114	4,110	5.3%	-0.1%	15,905	16,834	5.8%
Direct Costs	-1,295	-1,322	-1,385	7.0%	4.7%	-5,259	-5,681	8.0%
Gross Profit	2,608	2,792	2,725	4.5%	-2.4%	10,646	11,152	4.8%
Network & other maintenance expense	-225	-229	-242	7.7%	6.1%	-964	-976	1.3%
Marketing expense	-61	-54	-66	8.5%	22.5%	-292	-286	-2.1%
Staff expense	-274	-208	-271	-0.9%	30.4%	-1,105	-1,044	-5.6%
Administrative expense	-52	-46	-45	-13.8%	-0.8%	-190	-190	0.3%
Telecommunication license & related fees	-107	-109	-115	7.1%	5.3%	-434	-446	2.8%
Other operating expense	-31	-34	-31	1.0%	-7.3%	-133	-134	0.8%
Impairment (net of recoveries)	-53	-75	-58	7.9%	-23.7%	-211	-202	-4.3%
Other operating income	22	0	0	NM	NM	22	0	NM
Net Operating Expenses excl. D&A	-781	-754	-828	6.0%	9.9%	-3,308	-3,279	-0.9%
EBITDA	1,826	2,038	1,896	3.8%	-6.9%	7,338	7,873	7.3%
D&A & Impairment	-531	-560	-543	2.3%	-2.9%	-2,168	-2,174	0.3%
Operating profit	1,295	1,478	1,353	4.4%	-8.5%	5,170	5,700	10.2%
Financing income/expense	-6	2	-3	NM	NM	-20	-12	-39.0%
Pre-royalty profit	1,288	1,479	1,350	4.8%	-8.7%	5,149	5,687	10.5%
Federal Royalty	-490	-562	-513	4.8%	-8.7%	-1,957	-2,161	10.4%
Tax	-72	-83	-75	4.5%	-9.0%	-287	-317	10.4%
Net profit	727	834	762	4.8%	-8.7%	2,905	3,209	10.5%

FABS estimate & Co Data

DU - Margins

	2Q25	1Q26	2Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit Margin	66.8%	67.9%	66.3%	-52	-156	66.9%	66.3%	-68
EBITDA	46.8%	49.5%	46.1%	-66	-339	46.1%	46.8%	63
Operating Profit	33.2%	35.9%	32.9%	-27	-301	32.5%	33.9%	135
Net Profit	18.6%	20.3%	18.5%	-9	-175	18.3%	19.1%	80

FABS estimate & Co Data

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