أبوظبي الأول للأوراق المالية
FAB SECURITIES

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Telecommunication | Market: DFM

Emirates Integrated Telecommunications Co PJSC (DU)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 12.10	AED 12.50	+3.3%	HOLD

2Q26 Net Profit slightly higher than our estimate

- DU's revenue increased 4.6% YOY to AED 4.1 Bn in 2Q26, driven by continued growth in Mobile, Fixed, and Wholesale revenues, partially offset by lower ICT revenues.
- Mobile Services revenue rose 3.7% YOY to AED 1.8 Bn in 2Q26, driven by healthy growth in the postpaid subscriber base and an improved customer mix, supporting ARPU.
- Fixed service revenue grew 11.6% YOY to AED 1.2 Bn in 2Q26, supported by strong enterprise connectivity demand and continued growth in Home Wireless services.
- Other revenues declined 0.8% YOY to AED 1.1 Bn in 2Q26, primarily due to lower handset sales and lower non-recurring ICT revenues booked in the prior year.
- EBITDA increased 9.2% YOY to AED 2.0 Bn in 2Q26, with EBITDA Margin expanding by 203 bps YOY to 48.8% in 2Q26, driven by a favourable product mix, stronger gross margin, and continued cost optimisation.
- Net profit increased 9.8% YOY to AED 798 Mn in 2Q26, driven by higher revenue and lower direct costs, partially offset by higher operating costs (excluding depreciation and marketing expenses), D&A cost, financing expenses, federal royalty and income tax charges.
- Capex amounted to AED 653 Mn, with a capex intensity of 16.0% of total revenue in 2Q26, reflecting continued investment in network infrastructure and accelerated capital deployment in data centres.
- Mobile subscriber base increased 1.6% YOY to 9.3 Mn in 2Q26 driven by rise in postpaid subscribers.
- Postpaid subscribers grew 9.0% YOY to 2.1 Mn, reflecting strong demand for premium consumer offerings and enterprise services, while prepaid subscribers declined 0.4% YOY to 7.2 Mn in 2Q26 due to lower tourism activity during the quarter, partially offset by growth from enhanced prepaid offerings.
- Fixed subscriber base increased 5.5% YOY to 744K in 2Q26, supported by continued demand for Home Wireless and fibre broadband services.
- Operating free cash flow increased 4.6% YOY to AED 1.3 Bn in 2Q26, supported by EBITDA growth despite higher capital expenditure.
- The Board approved an interim cash dividend of AED 0.26 per share for 1H26, up 8.3% YOY, reflecting the Company's strong financial performance and commitment to shareholder returns.

Earnings Call Summary

- The Company indicated that the financial impact of the regional conflict remained concentrated in demand-sensitive activities, particularly tourism, inbound roaming and gross subscriber additions, while core operations, network performance, Enterprise and ICT operations remained resilient. Tourism continued to be impacted, although long-term roaming contracts continued to mitigate near-term exposure.
- DU noted that the work-from-home and distance learning protocols observed during 1Q26 had ceased, resulting in normalised traffic patterns, while inflationary cost pressures remained manageable with no significant supply chain disruptions.
- The Company highlighted that lower customer activations and migration towards lower-commitment products continued during 2Q26 amid the uncertain operating environment. However, ARPU remained stable, supported by a favourable shift towards higher-value postpaid subscribers.

- The Company stated that Enterprise and ICT operations remained stable, with only limited project delays or postponements and no material impact on the project pipeline.
- DU continued to accelerate investments in digital infrastructure, including data centres, while maintaining network expansion. The Company expects the first Microsoft data centre to become operational in 4Q26, with an immaterial earnings contribution in 2026 and a more meaningful contribution from 2027 onwards.
- DU continued to strengthen its "beyond the core" strategy through the launch of du Ventures in partnership with Shorooq, supporting emerging technology companies. The Company also deployed next-generation 5G technology, expanded its retail footprint, and introduced AI-driven SME solutions.
- The Company highlighted that the improvement in EBITDA margin was largely structural, supported by a favourable revenue mix, higher fixed ARPU, and disciplined cost management. Excluding one-off items, EBITDA margin would have remained around 48.0%, indicating sustainable profitability improvements.
- Du revised its 2026 revenue growth guidance to 4%-6% from the previous 5%-7%, to reflect heightened regional geopolitical uncertainty and market volatility, while reaffirming its EBITDA margin guidance of 46%-47%, assuming no further deterioration in the operating environment.
- The Company expects EBITDA margins to moderate in 2H26, mainly due to seasonally higher handset sales, increased marketing and commercial spending, and the typically weaker third quarter, while remaining confident in its ability to protect profitability through cost management.
- DU believes growth in the Fixed business remains sustainable, supported by strong enterprise connectivity demand, continued adoption of Home Wireless, higher fibre ARPU and ongoing improvement in the customer mix.
- The Company maintained a strong liquidity position, supported by robust operating cash generation, an unlevered balance sheet, and AED 2.0 Bn of undrawn committed credit facilities.
- Management reiterated that it does not expect satellite-based services such as Starlink to have a material impact on its UAE business, given the country's extensive fibre coverage and near-universal 5G network coverage.
- Management remains focused on maintaining cost discipline and operational efficiency while adapting to the evolving operating environment to support sustainable long-term shareholder value creation.

DU – P&L

(AED Mn)	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Revenue	3,902	4,114	4,083	4,110	-0.6%	4.6%	-0.7%
Direct Costs	-1,295	-1,322	-1,263	-1,385	-8.8%	-2.4%	-4.5%
Gross Profit	**2,608**	**2,792**	**2,820**	**2,725**	**3.5%**	**8.2%**	**1.0%**
Net Operating Expenses excl. D&A	**-781**	**-754**	**-826**	**-828**	**-0.2%**	**5.8%**	**9.6%**
EBITDA	**1,826**	**2,038**	**1,994**	**1,896**	**5.2%**	**9.2%**	**-2.1%**
D&A and Impairment	-531	-560	-573	-543	5.5%	8.0%	2.4%
Operating profit	**1,295**	**1,478**	**1,421**	**1,353**	**5.0%**	**9.7%**	**-3.9%**
Finance income/exps	-6	2	-7	-3	NM	9.4%	NM
Pre-royalty profit	**1,288**	**1,479**	**1,414**	**1,350**	**4.7%**	**9.7%**	**-4.4%**
Federal Royalty	-490	-562	-537	-513	4.7%	9.7%	-4.4%
Tax	-72	-83	-79	-75	4.5%	9.3%	-4.9%
Net Profit	**727**	**834**	**798**	**762**	**4.8%**	**9.8%**	**-4.4%**

FABS estimate & Co Data

Management Guidance for 2026:

Revenue growth	4% – 6%
EBITDA margin	46% – 47%

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161612	Shahrukh.Nawaz@bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

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