FAB SECURITIES أبوظبـي الأول للأوراق المالية

First Look Note | 2Q26

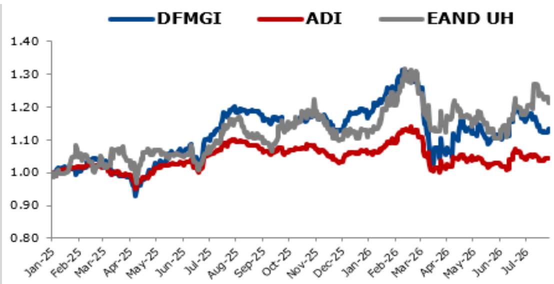
UAE Equity Research Sector: Telecom Market: ADX

Emirates Telecommunications Group Co (e&)

Higher operating expenses weigh on net profit, while core operations remain resilient

Current Price	Target Price	Upside/Downside (%)	Rating
AED 20.62	AED 22.00	+7%	HOLD

- Total subscriber base surged 30.4% YOY to 251.5 Mn in 2Q26, alongside continued organic growth across Egypt and Moov Africa.
- e& completed the divestment of its entire stake in Vodafone Group for a total consideration of c. AED 21.9 Bn, generating a net cash gain of c. AED 4.8 Bn.
- Board approved an interim dividend of 47.5 fils per share for 1H26, in line with its progressive dividend policy.
- Management revised its 2026 constant currency EBITDA growth guidance upward to 6%-7%, while maintaining its revenue growth guidance of 8%-10%, capex-to-revenue guidance of 16%-17%, and EPS guidance of c. AED 1.35.



Stock Information	
Market Cap (AED, mn)	178,805.26
Paid Up Capital (mn)	8,696.75
52 Week High	21.60
52 Week Low	17.40
3M Avg. daily value (AED)	72,121,820

2Q26 Result Review (AED, mn)	
Total Assets	200,867
Total Liabilities	137,307
Total Equity	63,560
EBITDA	8,984
Net Profit	3,121

Financial Ratios	
Dividend Yield (12m)	4.29
Dividend Pay-out (%)	35.93
Price-Earnings Ratio(x)	10.10
Price-to-Book Ratio (x)	3.32
Book Value (AED)	6.19
Return-on Equity (%)	21.85

Stock Performance	
5 Days	0.98%
1 Months	4.26%
3 Months	6.20%
6 Months	-0.29%
1 Year	8.32%
Month to Date (MTD%)	0.98%
Quarter to Date (QTD%)	7.08%
Year to Date (YTD%)	12.10%

2Q26 Net Profit higher than our estimate

Emirates Telecommunications Group Co PJSC (e&/the Company) reported a 10.1% YOY decline in net profit to AED 3,121 Mn in 2Q26, higher than our estimate of AED 2,958 Mn. The decline is attributable to higher operating expenses and federal royalty coupled with lower contribution from associates and joint ventures and decline in finance and other income, partially offset by growth in revenue, coupled with lower impairment charges, finance and other costs, income tax expenses and lower share to NCI holders. However, excluding the one-off compensation recovery from Maroc Telecom recognized in 2Q25, the Company's normalized net profit increased 1.1% YOY in 2Q26.

P&L Highlights

e&'s total revenue grew 8.7% YOY to AED 19,204 Mn in 2Q26, driven by robust organic growth across the core telecom business along with recent acquisitions. e& UAE revenue increased 3.3% YOY to AED 8,908 Mn in 2Q26, driven by growth across all revenue streams, despite the geopolitical uncertainty. Moreover, e& international revenue grew 15.7% YOY to AED 9,313 Mn in 2Q26, accounting for 48.5% of total group's revenue, compared to 45.6% in 2Q25, driven by strong organic growth across international markets and the consolidation of Telenor Pakistan and UPC Slovakia. Foreign exchange movements had a limited impact on revenue, as the weaker Egyptian Pound was largely offset by the appreciation of the Euro and Pakistani Rupee. Maroc Telecom Group's revenue increased 5.8% YOY to AED 3,654 Mn in 2Q26, driven by higher revenues in Morocco and other African subsidiaries, partially offset by weaker voice and international incoming traffic revenues. Furthermore, e& Egypt's revenue grew 16.2% YOY to AED 1,281 Mn in 2Q26, driven by continued network upgrades, an expanding customer base, and higher data and voice revenues. The PTCL Group's revenue grew from AED 817 Mn in 2Q25 to AED 1,365 Mn in 2Q26, largely due to consolidation of Telenor Pakistan operations. On a like-for-like (LFL) basis, revenue increased by 11.2% YOY, driven by strong growth in data usage and the continued expansion of the FTTH network, supported by a growing customer base. The e& PPF Telecom revenue increased 12.7% YOY to AED 2,809 Mn in 2Q26, largely due to consolidation of UPC Slovakia and Euro appreciation. Additionally, e&'s Afghanistan's revenue increased 9.3% YOY to AED 204 Mn in 2Q26. e& Enterprise revenue declined 4.7% YOY to AED 857 Mn in 2Q26, mainly due to geopolitical conflict. The Company's operating expenses increased 9.3% YOY to AED 12,808 Mn in 2Q26, owing to an increase in interconnections costs and the impact of consolidation of Telenor Pakistan and UPC Slovakia, along with higher depreciation and amortisation expenses following continued network investments and spectrum acquisitions across international markets. Total impairment loss on trade receivables and other contract assets declined 21.1% YOY to AED 207 Mn in 2Q26. The share of profits from associates and joint ventures declined sharply from AED 841 Mn in 2Q25 to AED 30 Mn in 2Q26. e&'s federal royalty increased 24.6% YOY to AED 1,482 Mn in 2Q26. The Company's operating profit decreased 11.1% YOY to AED 4,737 Mn in 2Q26, primarily due to higher growth in operating expenses and federal royalty. Total calculated EBITDA rose 9.7% YOY to AED 8,984 Mn in 2Q26, while EBITDA margin expanded 43 bps to 46.8% in 2Q26. Etisalat's UAE EBITDA increased 5.1% YOY to AED 4,584 Mn in 2Q26. Meanwhile, e& International EBITDA rose 13.0% YOY to AED 4,214 Mn in 2Q26. e& Enterprises remained stable at AED 49 Mn in 2Q26, in comparison to 2Q25. Finance and other income decreased from AED 1,661 Mn in 2Q25 to AED 690 Mn in 2Q26. Also, finance and other costs declined from AED 1,400 Mn in 2Q25 to AED 607 Mn in 2Q26. The Company's income tax expense declined 14.3% YOY to AED 958 Mn in 2Q26. e& recorded the loss from discontinued business of AED 227 Mn in 2Q26, compared to AED 167 Mn in 2Q25, following the partial divestment of its stake in Careem Technologies. The profit share to non-controlling interest decreased 38.3% YOY to AED 513 Mn in 2Q26.

Balance Sheet Highlights

e&'s consolidated capex increased from AED 2,716 Mn in 2Q25 to AED 3,633 Mn in 2Q26, primarily driven by the acquisition of 5G spectrum in Egypt, amounting to c. AED 0.8 Bn. Excluding this one-off investment, the Company's capex stood at AED 2.9 Bn on a LFL basis in 2Q26, translating into a capex intensity of 15.0%. e&'s gross debt increased from AED 66.6 Bn in 1Q26 to AED 67.9 Bn in 2Q26. The Company reported a net debt-to-EBITDA ratio of 1.17x in 2Q26, as compared to 0.88x in 1Q26. Cash and Bank balance decreased to AED 27.5 Bn in 2Q26, compared to AED 36.8 Bn in 1Q26.

Target Price and Rating

We revise our rating on e& from ACCUMULATE to HOLD with an unchanged target price of AED 22.0. e& recorded a decline in net profit of 10.1% YOY to AED 3.1 Bn in 2Q26, mainly due to higher operating expenses and federal royalty charges. However, on a normalized basis, the Company net profit increased 1.1% YOY during 2Q26. Despite the extension of regional geopolitical unrest, the Company's revenue grew 8.7% YOY to AED 19.2 Bn and EBITDA increasing 9.7% YOY to AED 9.0 Bn in 2Q26, supported by organic growth across its markets and contributions from the Pakistan and Slovakia acquisitions. e&'s total subscriber base increased 30.4% YOY to 251.5 Mn in 2Q26, driven by growth across both segments. e& UAE's subscriber base rose 6.5% YOY to 16.5 Mn, while e& International subscribers increased 32.5% YOY to 235.0 Mn. The increase in international customer base is driven by the consolidation of Telenor Pakistan and UPC Slovakia alongside organic growth in Egypt and Moov Africa. e& UAE's mobile revenue increased 2.2% YOY to AED 3,215 Mn in 2Q26, supported by higher postpaid revenues driven by an expanding postpaid customer base. The mobile subscriber base reached to 14.8 Mn in 2Q26 from 13.9 Mn in 2Q25, however the blended ARPU declined from AED 77 in 2Q25 to AED 72 in 2Q26. e& UAE's Fixed broadband revenue increased 2.5% YOY to AED 2,932 Mn in 2Q26, with the subscriber base remaining stable at c.1.41 Mn in 2Q26, with blended ARPU of AED 475, supported by an improved revenue mix. On the product side, e& money launched a digital gold buy/sell offering in partnership with SafeGold, the first fintech-led offering of its kind in the UAE, while e& UAE, the UAE Cyber Security Council, and Open Innovation AI launched the UAE Sovereign AI Platform for national-scale infrastructure. Furthermore, e& PPF completed the acquisition of UPC Slovakia for EUR 95 Mn on a cash-free, debt-free basis, strengthening O2 Slovakia's market position through an expanded service portfolio, fully converged offerings, and expected operational synergies from the integration. Also, during the quarter, e& completed divestment of 12.5% stake in Careem Technologies to Uber for USD 100 Mn in cash, reducing its ownership to 37.53%. The transaction aligns with the Company's disciplined capital allocation strategy while retaining meaningful exposure to Careem's long-term growth. Following the transaction, Careem has now been classified as a discontinued operation, while e& Life has been reclassified under the Others segment. Additionally, during July 2026 e& completed the divestment of its entire 16.21% stake in Vodafone Group for a total consideration of c. AED 21.9 Bn, generating a net cash gain of c. AED 4.8 Bn. The transaction further strengthens the Company's balance sheet and enhances financial flexibility for future capital allocation. Furthermore, e&'s capex excluding licenses and spectrum reached AED 2.9 Bn in 2Q26, with a capital intensity ratio of 15.0%. Gross debt increased from AED 66.6 Bn in 1Q26 to AED 67.9 Bn in 2Q26. The net debt-to-EBITDA ratio stood at 1.17x in 2Q26, while the cash balance declined to AED 27.5 Bn in 2Q26 from AED 36.8 Bn in 1Q26 following the payment of 2025 federal royalty, corporate tax and final dividends. Following a stronger 1H26 performance, e& revised its 2026 constant currency EBITDA growth guidance upward from 4%-5% to 6%-7%, reflecting continued operational efficiencies and stronger profitability. The Company maintained its constant 2026 currency revenue growth guidance at 8%-10%, EPS guidance at c. AED 1.35, and capex-to-revenue guidance (excluding spectrum and licenses) at 16%-17%. The Board approved an interim dividend of 47.5 fils per share for 1H26, in line with its progressive dividend policy. e& remains well positioned to benefit from its diversified telecom franchise, continued digital transformation initiatives, strategic portfolio optimization, and a strong balance sheet, which should support sustainable earnings growth. Thus, we revise our rating from ACCUMULATE to HOLD on the stock.

Etisalat - Relative valuation

(at CMP)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
PE	19.02	17.71	17.20	16.48	12.34	10.03
PB	3.72	4.19	4.15	3.89	3.43	2.90
EV/EBITDA	7.00	7.76	8.03	8.53	7.07	6.22
EPS	5.472	4.860	4.905	5.243	5.946	7.033
BVPS	1.071	1.151	1.185	1.236	1.651	2.033
DPS	0.800	0.800	0.800	0.830	0.900	0.975
Dividend yield	3.8%	3.8%	3.8%	4.0%	4.3%	4.6%

FABS Estimates & Co Data

Etisalat – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY	QOQ	2025	2026F	Change
Revenues	17,659	18,939	19,204	19,479	-1.4%	8.7%	1.4%	72,858	78,764	8.1%
Operating expenses	-11,720	-12,796	-12,808	-13,520	-5.3%	9.3%	0.1%	-50,414	-53,272	5.7%
Imp loss on trade recv.	-262	-261	-207	-274	-24.4%	-21.1%	-20.8%	-1,152	-1,142	-0.9%
Share of results of assoc.	841	179	30	506	-94.2%	-96.5%	-83.5%	1,948	1,024	-47.5%
Operating profit before federal royalty	**6,517**	**6,061**	**6,219**	**6,192**	**0.4%**	**-4.6%**	**2.6%**	**23,241**	**25,373**	**9.2%**
Federal royalty	-1,189	-1,508	-1,482	-2,101	-29.5%	24.6%	-1.7%	-7,424	-7,869	6.0%
Operating profit	**5,328**	**4,553**	**4,737**	**4,091**	**15.8%**	**-11.1%**	**4.0%**	**15,817**	**17,504**	**10.7%**
EBITDA	**8,187**	**8,756**	**8,984**	**8,516**	**5.5%**	**9.7%**	**2.6%**	**32,020**	**35,702**	**11.5%**
Finance and other inc.	1,661	616	690	727	-5.1%	-58.5%	12.0%	8,167	10,704	NM
Finance and other costs	-1,400	-823	-607	-1,262	-51.9%	-56.6%	-26.2%	-4,624	-3,496	-24.4%
Profit before tax	**5,589**	**4,346**	**4,820**	**3,556**	**35.5%**	**-13.8%**	**10.9%**	**19,360**	**24,712**	**27.6%**
Income tax expense	-1,118	-749	-958	-409	134.3%	-14.3%	27.9%	-3,203	-3,707	15.7%
Profit after tax	**4,471**	**3,597**	**3,861**	**3,147**	**22.7%**	**-13.6%**	**7.4%**	**16,156**	**21,005**	**30.0%**
Loss from disc business	-167	-225	-227	0	NM	NM	NM	**NM**	**-452**	**NM**
Profit for the period	**4,304**	**3,372**	**3,634**	**3,147**	**15.5%**	**-15.6%**	**7.8%**	**16,156**	**20,554**	**27.2%**
Non-controlling interest	832	490	513	189	171.9%	-38.3%	4.8%	1,796	2,878	NM
Net Profit	**3,472**	**2,882**	**3,121**	**2,958**	**5.5%**	**-10.1%**	**8.3%**	**14,360**	**18,128**	**26.2%**

FABS estimate & Co Data

Etisalat - Margins

	2Q25	1Q26	2Q26	YOY	QOQ	2025	2026F	Change
EBITDA	46.4%	46.2%	46.8%	43	55	43.9%	45.3%	14
Operating Profit	30.2%	24.0%	24.7%	-550	63	21.7%	22.2%	5
Net profit	19.7%	15.2%	16.3%	-341	103	19.7%	23.0%	33

FABS estimate & Co Data

Key Developments:

- **17 July 2026:** e& sold its entire stake in Vodafone Group for a total consideration of USD 5.95 Bn (AED 21.9 Bn), generating a net cash gain of approximately AED 4.8 Bn.
- **01 June 2026:** e& divested 12.5% stake in Careem Technologies to Uber for USD 100 Mn in cash, reducing its ownership to 37.53%. The transaction supports e&'s disciplined capital allocation strategy while retaining meaningful exposure to Careem's long-term growth, with Uber's technology expertise expected to support the next phase of the platform's expansion.
- **30 April 2026:** e& completed the acquisition of 100% of UPC Slovakia through its subsidiary O2 Slovakia for EUR 95 Mn on a cash-free, debt-free basis. The acquisition strengthens O2 Slovakia's competitive position by expanding its service portfolio.

Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value e&. We have assigned 70% weight to DCF, and 30% to RV method. We have also included the value of interest owned by E& in Vodafone Plc and Etihad Etisalat Co. e&'s value of ownership in both entities is included in DCF and RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	20.71	70.0%	14.50
EV/EBITDA	25.00	30.0%	7.50
Weighted Average Valuation (AED)			**22.00**
Current market price (AED)			20.62
Upside/Downside (%)			+7%

1) DCF Method:

e& is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.4%. It arrived after using cost of equity of 9.5% and after-tax cost of debt of 4.8% with debt-to-equity ratio of 27.7%. Cost of equity is calculated by using 10-year government bond yield of 5.2%, beta of 1.0 and equity risk premium of 4.3%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Cost of debt is calculated using cost of 5.7% after adjusting a tax rate of 16.5%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	49,242
Terminal value (AED, Mn)	151,636
FV to Common shareholders (AED, Mn)	**200,878**
Net debt (inc. lease) as of June 2026	-46,019
Minority Interest (AED, Mn)	-9,765
Mobily share included in E&	13,114
Vodafone share included in E&	21,900
Total Equity Value	**180,108**
No of shares	8,697
Current market price (AED)	20.62
Fair Value per share (AED)	**20.71**

Source: FAB Securities

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
EBIT*(1-tax)	14,878	16,139	17,322	17,652	17,967
D&A	11,313	11,468	11,277	11,735	12,163
Change in working capital	-1,513	-485	-460	-1,013	-1,858
(-) Capex	-13,390	-13,674	-14,228	-14,192	-14,569
Free Cash Flow to Firm (FCFF)	**11,289**	**13,448**	**13,911**	**14,182**	**13,703**
Discounting Factor	*0.97*	*0.89*	*0.82*	*0.76*	*0.70*
Discounted FCFF	**5,461**[1]	**11,997**	**11,443**	**10,757**	**9,584**

Source: FAB Securities, [1]Adjusted for partial year

FAB SECURITIES أبوظبي الأول للأوراق المالية

2) Relative Valuation:

We have used international peers to value e&, which is valued using the EV/EBITDA multiple. It is valued at a 2026 EV/EBITDA multiple of 6.7x.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Saudi Telecom	57,322	8.3	7.8	15.2	14.3
Mobile Telecommunication Company	8,341	6.0	5.6	9.5	8.2
Verizon Communication	191,587	7.1	6.9	9.2	8.7
SAFARICOM PLC	11,215	6.7	6.4	13.7	12.5
Deutsche Telekom AG	149,697	6.3	6.0	12.1	10.7
Telstra Group Limited	39,072	8.5	8.2	24.6	23.1
Mobily	12,702	6.7	6.3	12.9	11.6
Ooredoo Q.P.S.C	10,998	4.3	4.1	9.7	9.1
Emirates Integrated Telecommunications Co.	15,056	7.2	6.8	17.6	16.7
Oman Telecommunications Company	2,619	5.0	4.6	10.6	9.5
Average		**6.6x**	**6.3x**	**13.5x**	**12.5x**
Median		**6.7x**	**6.3x**	**12.5x**	**11.1x**
Max		**7.2x**	**6.9x**	**14.8x**	**13.9x**
Min		**6.1x**	**5.7x**	**9.9x**	**9.2x**

Source: FAB Securities

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	

DISCLAIMER