FAB SECURITIES أبوظبي الأول للأوراق المالية

First Look Note | 2Q26

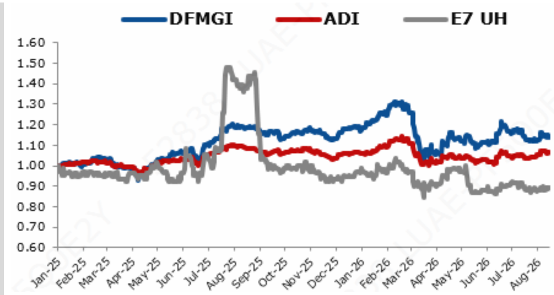
UAE Equity Research Sector: Industrials Market: ADX

E7 Group PJSC

Strong Identity growth supports earnings momentum despite regional uncertainty

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.971	AED 1.30	+34%	BUY

- Cash balance stood at AED 401 Mn in 2Q26, with no outstanding debt, underscoring strong financial discipline and flexibility to fund growth.
- E7 has a resilient and recurring revenue base, with 70%+ of revenue recurring through long-term government contracts and 60%+ generated from high-margin Identity Solutions.
- Expecting 2H26 margins to remain broadly stable as higher conflict-related and supply-chain costs, together with a lower-margin project, offset the benefits of higher revenue.
- E7 has reiterated its commitment to a minimum dividend of 10 fils per share for 2025-2027.



Stock Information	
Market Cap (AED, Mn)	2,038.37
Paid Up Capital (Mn)	524.81
52 Week High	1.38
52 Week Low	0.91
3M Avg. daily value (AED)	890,317

2Q26 Result Review (AED, Mn)	
Total Assets	1,373
Total Liabilities	373
Total Equity	1,000
EBITDA	43
Net Profit	33

Financial Ratios	
Dividend Yield (12m)	49.54
Dividend Pay-out (%)	936.51
Price-Earnings Ratio(x)	15.52
Price-to-Book Ratio (x)	1.98
Book Value (AED)	0.49
Return-on Equity (%)	9.58

Stock Performance	
5 Days	0.73%
1 Months	1.89%
3 Months	3.08%
6 Months	-10.92%
1 Year	-16.58%
Month to Date (MTD%)	2.32%
Quarter to Date (QTD%)	-1.42%
(YTD%) Year to Date	-9.25%

2Q26 Net Profit lower than our estimate

E7 Group's (E7/the Company) reported an increase in net profit attributable to equity shareholders from AED 12 Mn in 2Q25 to AED 33 Mn in 2Q26, lower than our estimate of AED 39 Mn. The increase in net profit is primarily due to higher revenue growth coupled with lower G&A and S&M expenses, and decrease in finance cost, partially offset by higher direct cost, lower finance income and increase in tax charges.

P&L Highlights

E7 Group's revenue increased 6.2% YOY to AED 189 Mn in 2Q26, primarily driven by strong growth in the Identity Solutions segment partially offset by decline in Printing and Education and Logistics segment. The Company's Identity solution recorded strong revenue growth of 30.1% YOY to AED 112 Mn in 2Q26, mainly due to shift toward higher-margin digital identity solutions and continued expansion across key markets in the Middle East and Africa. Whereas, revenue from the Printing segment decreased 15.4% YOY to AED 52 Mn in 2Q26. Distribution segment revenue also declined 21.6% YOY to AED 16 Mn in 2Q26. Revenue from the Packaging segment decreased 11.5% YOY to AED 9 Mn in 2Q26. However, performance driven by new client acquisitions and contract expansions. The decline in Printing and Education and Logistics segment is primarily due to the 1Q26 revenue phasing, lower demand from non-core packaging customers and contract timing. The Company's direct cost increased 8.8% YOY to AED 126 Mn in 2Q26, primarily due to higher outsourcing and distribution costs. As a result, gross profit increased 1.3% YOY to AED 63 Mn in 2Q26. However, gross profit margin contracted by 160 bps YOY to 33.3% in 2Q26, due to a higher increase in direct costs compared to revenue. G&A expenses decreased marginally by 0.8% YOY to AED 29 Mn in 2Q26, mainly due to lower professional fees. S&M expenses declined 6.9% YOY to AED 3 in 2Q26, while other income remained stable at AED 1 Mn in 2Q26, compared to 2Q25. Consequently, operating profit increased 7.1% YOY to AED 32 Mn in 2Q26, with margins increasing from 17.0% in 2Q25 to 17.1% in 2Q26. Moreover, E7's EBITDA increased 10.7% YOY to AED 43 Mn in 2Q26, with EBITDA margins increasing from 21.7% in 2Q25 to 22.6% in 2Q26. Net finance income increased from negative AED 17 Mn in 2Q25 to positive AED 4 Mn in 2Q26. The Company recorded a tax expense of AED 3 Mn in 2Q26, compared to AED 1 Mn in 2Q25.

Balance Sheet Highlights

E7's cash balance stood at AED 401 Mn in 2Q26, with no outstanding debt, underscoring strong financial discipline and flexibility to fund growth. Cash generated from operations increased from negative AED 59 Mn in 2Q25 to positive AED 83 Mn in 2Q26. The Company's capex increased from AED 21 Mn in 2Q25 to AED 33 Mn in 2Q26, driven by growth investments and passport capacity expansion.

Target Price and Rating

We maintain our BUY rating on E7 with a target price of AED 1.30. E7 delivered 6.2% YOY revenue growth in 2Q26, supported by a 30.1% YOY increase in Identity Solutions, which more than offset softer performance across Printing and Education, Packaging and Logistics due to revenue phasing, weaker non-core demand and contract timing. Despite this, the Company has a resilient and recurring revenue base, with 70%+ of revenue recurring through long-term government contracts and 60%+ generated from high-margin Identity Solutions, providing strong revenue visibility. The Company operates across 25 countries and 8 regions through 5 business units, offering more than 50 customised solutions to meet diverse client needs. E7's focus on higher-value, technology-enabled solutions is also strengthening its growth profile, with the Company expanding into digital tax stamps, increasing passport production capacity and progressing its security-printing facility in Rwanda. Products under existing Rwanda contracts are currently manufactured in the UAE and supplied through the local entity, while the new facility is advancing through the design stage following the securing of a building and signing of major contracts. E7's Education business expanded its AI-enabled digital learning platform to over 850,000 students, alongside digitally printed, serialised and trackable examination papers, strengthening its technology-driven education offering and improving exam security. During 2H26, the Company plans to prioritise the completion of its new UAE passport and tax-stamp production lines and improve utilisation of existing capacity. E7's longer-term growth prospects remain supported by continued demand for physical identity documents, population growth and international mobility, alongside opportunities across digital identity, AI-enabled education, logistics technology and higher-value packaging solutions. However, the near-term performance remains exposed to geopolitical uncertainty, supply-chain constraints and project phasing, with the Company expecting 2H26 margins to remain broadly stable as higher conflict-related and supply-chain costs, together with a lower-margin project, offset the benefits of higher revenue. The Company expects 2026 growth to be driven by Identity Solutions and international expansion, with disciplined cost management supporting margins. E7 continues to pursue selective M&A, with iDINX remaining under due diligence and other opportunities being evaluated based on strategic fit, particularly in Identity Solutions and other high-margin businesses. The Company remains debt-free, with AED 401 Mn of cash as of 2Q26, despite AED 204 Mn of dividends and AED 64 Mn of capex during 1H26, providing financial flexibility to fund growth initiatives while maintaining shareholder distributions. E7 has reiterated its commitment to a minimum dividend of 10 fils per share for 2025-2027. Although the Company remains cautious on providing specific financial guidance, it expects 2026 to be materially stronger than 2025, with Identity Solutions remaining the primary growth driver. Thus, considering the Group's strong growth trajectory, healthy balance sheet, expanding international footprint and attractive shareholder returns, we maintain our BUY rating on the stock.

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E7 - Relative valuation

(at CMP)	2024	2025	2026F
PE	8.22	18.48	13.85
PB	0.99	1.69	1.83
EV/EBITDA	2.50	8.23	8.17
BVPS	0.971	0.568	0.524
EPS	0.117	0.052	0.069
DPS[1]	0.074	0.100	0.100
Dividend yield	7.6%	10.2%	10.2%

FABS Estimates & Co Data, [1]Excluding special dividend of AED 800 Mn

Note: E7 was listed on ADX post-acquisition "ADC Acquisition Corporation PJSC" in Nov 2023.

E7 – P&L

AED Mn	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Revenue	178	169	189	187	1.2%	6.2%	11.5%	676	750	10.9%
Direct Cost	-116	-114	-126	-122	2.9%	8.8%	10.4%	-456	-506	10.9%
Gross Profit	**62**	**55**	**63**	**64**	**-2.1%**	**1.3%**	**13.9%**	**219**	**244**	**11.1%**
G&A expenses	-29	-26	-29	-28	2.0%	-0.8%	11.4%	-99	-109	9.8%
S&M expenses	-3	-2	-3	-3	0.7%	-6.9%	6.5%	-9	-10	22.8%
Reversal/(provision for) impair loss on financial assets	-1	-2	0	1	NM	NM	NM	-4	1	NM
Other Income	1	1	1	2	NM	49.7%	4.8%	6	6	10.9%
EBIT	**30**	**26**	**32**	**36**	**-10.9%**	**7.1%**	**23.6%**	**114**	**132**	**16.1%**
EBITDA	**39**	**36**	**43**	**49**	**-13.0%**	**10.7%**	**17.6%**	**154**	**175**	**13.6%**
Finance Cost	-33	-1	0	0	-13.9%	NM	NM	-47	-2	NM
Finance Income	15	6	4	7	-42.4%	NM	-27.2%	48	28	-41.3%
Profit before tax	**13**	**31**	**36**	**43**	**-16.0%**	**NM**	**16.6%**	**115**	**158**	**37.9%**
Income tax expense	-1	-3	-3	-4	-18.5%	NM	9.7%	-10	-14	37.9%
Non-controlling interest		0	0	0	NA	NM	NM	0	0	NM
Net profit attributable to equity shareholders	**12**	**28**	**33**	**39**	**-14.9%**	**NM**	**18.3%**	**105**	**144**	**37.4%**

FABS estimate & Co Data

E7 - Margins

	2Q25	1Q26	2Q26	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Gross profit	34.9%	32.6%	33.3%	-160	70	32.5%	32.5%	5
Operating Profit	17.0%	15.5%	17.1%	16	167	16.8%	17.6%	78
EBITDA	21.7%	21.4%	22.6%	92	117	22.7%	23.3%	55
Net profit	6.5%	16.6%	17.6%	NM	100	15.5%	19.2%	369

FABS estimate & Co Data

Key Developments:

- **24 September 2025:** The Company has entered a strategic partnership with 7I Holding to jointly develop and expand secure, sovereign technology solutions globally under Government-to-Government frameworks. The collaboration combines strengths across identity, authentication, revenue mobilization, and secure printing—including securing offtake for e7's upcoming six Bn stamp annual tax stamp capacity—while supporting joint R&D and market expansion.

- **01 October 2025:** E7 has partnered with Shipsy to integrate AI-powered, autonomous logistics capabilities into its last-mile delivery operations, strengthening scalability, efficiency, and reliability. The collaboration accelerates e7's digital transformation and supports its leadership in intelligent, sustainable delivery solutions, leveraging advanced AI tools for route optimization, dynamic order allocation, incident management, and fleet analytics.

- **23 April 2026:** E7 Group and Dalil signed an MoU for a potential strategic investment in Idenex to create a UAE identity solutions national champion, combining E7's secure manufacturing capabilities with Idenex's digital identity platforms to expand globally, improve capacity utilisation and generate long-term recurring revenue opportunities.

- **26 April 2026:** E7 Group shareholders approved the 2025 final dividend of AED 203.6 Mn, taking total 2025 dividends to over AED 1 Bn. The company reiterated its policy of paying at least 10 fils per share annually through 2027.

Valuation:

We use Discounted Free Cash flow (DCF) and Relative Valuation (RV) to value E7. We have assigned 70% weight to DCF and 30% to RV. In the relative valuation, we have used EV/EBITDA to value the Company.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.31	70.0%	0.92
Relative Valuation (RV)	1.28	30.0%	0.38
Weighted Average Valuation (AED)			**1.30**
Current market price (AED)			0.971
Upside/Downside (%)			+34%

1) DCF Method:

E7 is valued using free cash flow to equity since the Company is debt-free. We have discounted the cash flow using the cost of equity of 8.4%. Cost of equity is calculated by using a 10-year government bond yield of 5.1%, a beta of 0.76 and an equity risk premium of 4.4%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	520
Terminal value (AED, Mn)	2,151
FV to Common shareholders (AED, Mn)	**2,671**
No. of shares (Mn)	2,036
Current Market Price (AED)	0.971
Fair Value per share (AED)	**1.31**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Net profit	142	157	177	203	214
(+/-) Depreciation & amortization	43	54	60	61	66
(+/-) CAPEX	-104	-95	-86	-78	-78
(+/-) Working Capital	15	-6	-4	-3	0
Net change in debt	-5	-6	-7	-8	-11
Free Cash Flow to Equity (FCFE)	**91**	**104**	**139**	**175**	**192**
Discounting Factor	0.97	0.89	0.83	0.76	0.70
Discounted FCFE	**44**[1]	**93**	**115**	**133**	**135**

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

2) Relative Valuation:

We have used international peers to value E7, and it is valued using the EV/EBITDA multiple. It is valued at a 2026 EV/EBITDA multiple of 11.2x in line with peers.

Company	Market	EV/EBITDA (x)		P/E (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
Beijing Shengtong Printing Co., Ltd	492	15.0x	10.9x	60.2x	29.1x
Raksul Inc.	708	14.9x	11.8x	38.3x	26.3x
Cimpress Plc	2,322	8.7x	7.5x	25.5x	19.1x
Dai Nippon Printing Co., Ltd	8,734	9.2x	8.2x	14.6x	14.4x
KOSAIDO Holdings Co., Ltd	504	11.8x	7.6x	20.0x	16.4x
TOPPAN Holdings Inc	8,661	10.5x	8.9x	23.3x	20.0x
Average		**11.7x**	**9.2x**	**30.3x**	**20.9x**
Median		**11.2x**	**8.5x**	**24.4x**	**19.6x**
Max		**14.2x**	**10.4x**	**35.1x**	**24.8x**
Min		**9.5x**	**7.7x**	**20.8x**	**17.1x**

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%

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