

Emirates Integrated Telecommunications Co PJSC (DU)

Subscriber growth and strategic investments support profitability amid regional and cost headwinds

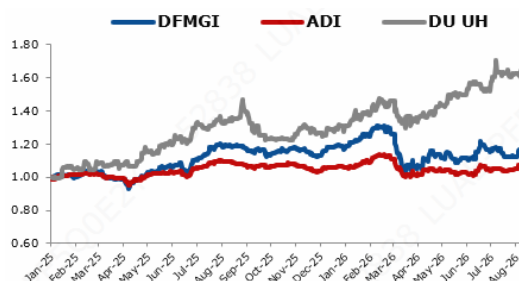
Current Price
AED 12.26

Target Price
AED 12.50

Upside/Downside (%)
+2.0%

Rating
HOLD

- DU's mobile subscriber base increased 3.3% YOY to 9.5 Mn in 3Q26, driven by sustained growth in postpaid and recovery in prepaid subscriber base.
- Fixed subscribers grew 5.2% YOY to 756K in 3Q26, supported by Home Wireless adoption.
- DU's Capex reached AED 647 Mn in 3Q26, with a capital intensity of 15.6% of total revenue.
- DU demonstrated the potential to double network capacity through a 6GHz 5G trial during the quarter to meet rising data demand.
- Maintained its 2026 guidance with revenue growth of 4-6% and EBITDA margin of 46-47%.



Stock Information

Market Cap (AED, Mn)	55,573.43
Paid Up Capital (Mn)	4,532.91
52 Week High	12.80
52 Week Low	9.16
3M Avg. daily value (AED)	60,423,450

3Q26 Result Review (AED, Mn)

Total Assets	17,943
Total Liabilities	8,369
Total Equity	9,574
EBITDA	1,975
Net Profit	786

Financial Ratios

Dividend Yield (12m)	5.43
Dividend Pay-out (%)	99.86
Price-Earnings Ratio(x)	17.66
Price-to-Book Ratio (x)	5.77
Book Value (AED)	2.11
Return-on Equity (%)	33.06

Stock Performance

5 Days	1.16%
1 Months	2.68%
3 Months	0.49%
6 Months	14.58%
1 Year	33.41%
Month to Date (MTD%)	0.33%
Quarter to Date (QTD%)	0.99%
Year to Date (YTD%)	24.29%

3Q26 Net Profit in line with our estimate

Emirates Integrated Telecommunications Co. PJSC (DU/The Company) reported a 7.3% YOY increase in net profit to AED 786 Mn in 3Q26, in line with our estimate of AED 815 Mn. The increase in net profit is primarily driven by higher revenue, partially offset by higher direct costs, operating expenses (excl. D&A), coupled with higher depreciation, amortization and impairment expenses, financing costs, federal royalty and income tax charges.

P&L Highlights

DU's revenue increased 7.1% YOY to AED 4.2 Bn in 3Q26, driven by strong growth in Mobile, Fixed, and Wholesale revenues, alongside higher ICT and handset revenues. Mobile Services revenue rose 3.9% YOY to AED 1.8 Bn in 3Q26, driven by subscriber growth and a favourable customer mix, while ARPU remained stable YOY. The mobile subscriber base increased 3.3% YOY to 9.5 Mn in 3Q26. Postpaid subscribers grew 6.4% YOY to 2.0 Mn in 3Q26, supported by sustained demand for premium consumer offerings, while prepaid subscribers increased 2.5% YOY to 7.4 Mn, driven by attractive offers under easy and Alo plans, partially offsetting the decline in tourist subscribers amid regional headwinds. The fixed service revenue grew 7.1% YOY to AED 1.2 Bn in 3Q26, supported by continued growth in Home Wireless services and enterprise connectivity with Fixed subscribers growing 5.2% YOY to 756K in 3Q26. Other revenues grew 12.6% YOY to AED 1.1 Bn in 3Q26, driven by higher ICT revenues from data centres and cloud services, increased wholesale interconnection demand and stronger handset sales following the iPhone 18 launch. DU's direct costs increased 9.8% YOY to AED 1.4 Bn in 3Q26, mainly due to higher interconnect, commission and device-related costs, with increased handset sales accounting for most of the rise in device-related costs. Consequently, gross profit increased 5.8% YOY to AED 2.8 Bn in 3Q26, however the gross profit

Margin contracted 81 bps YOY to 67.3% in 3Q26, reflecting the impact of the higher direct cost base. Net operating expenses (excluding D&A) increased 3.7% YOY to AED 815 Mn in 3Q26, primarily driven by higher network maintenance and other operating expenses, partially offset by lower marketing, staff expenses, telecommunication expenses, administrative expenses and impairments. EBITDA increased 6.7% YOY to AED 2.0 Bn in 3Q26, while EBITDA margin declined 17 bps YOY to 47.7%, as a favourable revenue mix across Mobile and Fixed segments and continued cost efficiencies partially offset higher direct costs and inflationary pressures. D&A and impairment expenses increased 4.4% YOY to AED 562 Mn in 3Q26. Operating profit rose 7.6% YOY to AED 1.4 Bn in 3Q26, with the operating profit margin improving 18 bps YOY to 34.1% in 3Q26. The Company's net finance expenses increased 30.6% YOY to AED 19 Mn in 3Q26. Furthermore, federal royalty charges increased 7.6% YOY to AED 531 Mn in 3Q26, while tax expenses rose 7.4% YOY to AED 78 Mn in 3Q26.

Balance Sheet Highlights

DU's capex amounted to AED 647 Mn, with a capex intensity of 15.6% of total revenue in 3Q26, reflecting targeted investments in data centre infrastructure and continued enhancements to company's network. DU's operating free cash flow declined 2.3% YOY to AED 1.3 Bn in 3Q26, primarily reflecting higher capital expenditure during the quarter. The Company remains debt-free, with a net cash balance of AED 542 Mn in 3Q26, reflecting its healthy liquidity position.

Target Price and Rating

We maintain our HOLD rating on DU with a target price of AED 12.50. DU reported a stronger 3Q26 performance, with revenue growth accelerating to 7.1% YOY on the back of resilient service revenues, continued expansion in fixed connectivity, and higher contributions from ICT, wholesale and handset sales. While the regional geopolitical uncertainty continued to affect customer acquisition and subscriber behavior, the Company recorded improved mobile subscriber growth, alongside sustained demand for enterprise connectivity and network redundancy solutions. Profitability remained resilient, with EBITDA up 6.7% YOY to AED 1.9 Bn, while the margin stayed broadly stable at 47.7%, as operating-cost discipline offset pressure from the higher contribution of lower-margin products. During the quarter, the regulator renewed DU's telecom license for 20 years and also extended the royalty regime by three years, extending regulatory visibility. Mobile subscriber base rose 3.3% YOY to 9.5 Mn in 3Q26, with prepaid subscribers increasing 2.5% YOY to 7.4 Mn and postpaid subscribers rising 6.4% YOY to approximately 2.0 Mn. However, postpaid additions remained broadly flat sequentially as customers favored more flexible plans. Fixed subscriber base increased 5.2% YOY to 756K in 3Q26, supported by Home Wireless and enterprise connectivity. Higher contributions from lower-ARPU Home Wireless offerings moderated sequential consumer revenue. Overall customer acquisition and spending patterns continued to reflect regional uncertainty. DU continued to expand its digital infrastructure and enterprise technology capabilities. ICT growth benefited from previously commissioned data-centre capacity and stronger cloud demand, while the first Microsoft-related capacity block is expected to become operational towards the end of 4Q26. Data-centre investments are expected to support recurring ICT revenue growth, with capacity being commissioned in phases as demand materializes. DU continued to advance its next-generation network capabilities through the commercial deployment of six-carrier aggregation on its 5G network and U6GHz connectivity, alongside a 6GHz trial that demonstrated the potential to double network capacity compared with its primary 5G spectrum. These developments support higher data-carrying capacity, accommodate growing connectivity demand and strengthen DU's readiness for future 6G services. In enterprise technology, DU Tech expanded its sovereign cloud and cybersecurity capabilities through partnerships focused on AI-driven security and post-quantum encryption, alongside the migration of Dubai Taxi Company's core systems to its National Hypercloud. Meanwhile, DU Pay broadened its digital financial-services offering through a partnership with Talabat to provide wallet and payment services for riders and the launch of Flexi Cash Loan offering eligible customers loans of up to AED 5K. These initiatives support DU's strategy to expand beyond traditional telecom connectivity into enterprise digital infrastructure, cybersecurity and digital financial services, although their incremental financial contribution remains limited. The Company continued to generate healthy free cash with an operating free cash flow of AED 1.3 Bn during 3Q26. It also maintained a healthy liquidity position of AED 542 Mn in cash and AED 2 Bn in undrawn committed credit facilities. During 3Q26, the Company paid a 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. DU maintained its 2026 revenue growth guidance of 4-6% and EBITDA margin guidance of 46-47%, reflecting continued focus on cost discipline despite the uncertain regional operating environment.

Overall, DU remains focused on sustaining revenue growth, expanding its digital infrastructure and data-centre capabilities, and maintaining profitability through cost discipline, while navigating regional uncertainty. Accordingly, we maintain our HOLD rating on the stock.

DU - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE	50.32	45.42	33.21	22.27	19.07	17.44
PB	6.49	6.32	5.99	5.61	5.46	5.46
EV/EBITDA	18.12	16.45	14.22	8.52	7.51	7.16
BVPS	1.882	1.935	2.039	2.179	2.239	2.240
EPS	0.243	0.269	0.368	0.549	0.641	0.701
DPS	0.210	0.240	0.340	0.540	0.640	0.700
Dividend Yield	1.7%	2.0%	2.8%	4.4%	5.2%	5.7%

FABS Estimates & Co Data

DU - P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	3,872	4,083	4,145	4,099	1.1%	7.1%	1.5%	15,905	16,821	5.8%
Direct Costs	-1,234	-1,263	-1,355	-1,246	8.7%	9.8%	7.3%	-5,259	-5,509	4.7%
Gross Profit	2,638	2,820	2,790	2,853	-2.2%	5.8%	-1.1%	10,646	11,312	6.3%
Net Operating Expenses excl. D&A	-786	-826	-815	-844	-3.5%	3.7%	-1.4%	-3,308	-3,380	2.2%
EBITDA	1,852	1,994	1,975	2,009	-1.7%	6.7%	-0.9%	7,338	7,932	8.1%
D&A and Impairment	-539	-573	-562	-558	0.8%	4.4%	-1.9%	-2,168	-2,283	5.3%
Operating profit	1,313	1,421	1,413	1,451	-2.6%	7.6%	-0.5%	5,170	5,649	9.3%
Finance income/expense	-14	-7	-19	-6	NM	30.6%	NM	-20	-20	-3.8%
Pre-royalty profit	1,298	1,414	1,394	1,445	-3.5%	7.4%	-1.4%	5,149	5,630	9.3%
Federal Royalty	-493	-537	-531	-549	-3.4%	7.6%	-1.2%	-1,957	-2,139	9.3%
Tax	-73	-79	-78	-81	-3.3%	7.4%	-1.0%	-287	-314	9.3%
Net Profit	732	798	786	815	-3.6%	7.3%	-1.5%	2,905	3,177	9.3%

FABS estimate & Co Data

DU - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit Margin	68.1%	69.1%	67.3%	-81	-176	66.9%	67.3%	32
EBITDA	47.8%	48.8%	47.7%	-17	-118	46.1%	47.2%	102
Operating Profit	33.9%	34.8%	34.1%	18	-70	32.5%	33.6%	108
Net Profit	18.9%	19.5%	19.0%	5	-58	18.3%	18.9%	62

FABS estimate & Co Data

Key Developments:

- **13 August 2026** – DU was included in the MSCI UAE Standard Index, which forms part of the MSCI Emerging Markets Index, with implementation effective from 1 September 2026. The inclusion is expected to improve the Company's visibility among international institutional investors and support trading liquidity
- **12 August 2026** – DU received a 20-year renewal of its public telecommunications license from the UAE's Telecommunications and Digital Government Regulatory Authority (TDRA), extending its validity to 8 August 2046. The renewal provides long-term regulatory continuity for DU's telecommunications operations and supports its continued investment in advanced technologies and the UAE's digital infrastructure.
- **27 July 2026** – DU completed the migration of Dubai Taxi Company's core systems to its Oracle Alloy-powered National Hypercloud, marking the UAE transport sector's first full-scale modernisation on a sovereign cloud platform. The deployment provides locally hosted computing, database and AI-ready infrastructure, enhancing system reliability and operational efficiency while reinforcing du Tech's opportunity to extend sovereign cloud services to government-linked entities and large enterprises.
- **24 July 2026** – DU announced that the UAE's federal royalty and corporate tax framework for the telecommunications sector had been extended for a further three years, covering 2027–2029. Under the renewed arrangement, a 38% federal royalty applies to UAE-generated net profits, followed by 9% corporate tax on profits after deducting the royalty, subject to a combined annual minimum payment of AED 1.8 Bn. The extension provides regulatory clarity on du's tax obligations over the period.
- **9 July 2026** – du, Nokia and MediaTek completed the Middle East and Africa region's first live-network 6GHz 5G field test, using a 200MHz channel in the upper 6GHz band. The trial demonstrated the potential to deliver up to twice the network capacity of the 3.5GHz band, enabling du to evaluate additional spectrum for future network expansion and accommodate rising data consumption while leveraging existing infrastructure.
- **11 June 2026** – DU joined the Department of Economy and Tourism's 'SME in a Box' initiative as the telecom partner, offering tailored connectivity and digital solutions to support startups and SMEs while advancing Dubai's D33 vision.
- **4 June 2026** – DU signed an MoU with Open Innovation AI, in collaboration with the UAE Cyber Security Council, to accelerate sovereign Agentic AI adoption by integrating du Tech's CSC-certified National Hypercloud with Open Innovation AI's GPU orchestration platform. The partnership aims to enable secure, in-country AI deployment for government entities and enterprises while strengthening the UAE's sovereign AI ecosystem.
- **3 June 2026** – DU launched du Ventures, a USD 50 million corporate venture fund in partnership with Shorooq to invest in startups across fintech, AI, cybersecurity, cloud, gaming, and enterprise solutions. The fund aims to accelerate digital innovation, with a significant share of investments focused on UAE-based ventures, while supporting du's expansion into a broader digital ecosystem.
- **9 April 2026** – DU refinanced its AED 2 Bn revolving credit facility with a 7-year tenor, enhancing liquidity flexibility and supporting future strategic investments; the facility remains undrawn and reflects strong lender confidence.

Valuation:

We use Discounted Free Cash Flow (DCF) and Relative Valuation (RV) to value DU. We have assigned 70% weight to DCF and 30% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	12.70	70.0%	8.89
Relative Valuation (RV)	12.03	30.0%	3.61
Weighted Average Valuation (AED)			12.50
Current market price (AED)			12.26
Upside/Downside (%)			+2.0%

1) DCF Method:

DU is valued using free cash flow to equity since the Company is debt-free. We discounted the cash flows using a cost of equity of 9.1%. Cost of equity is calculated by using a 10-year government bond yield of 5.4%, a beta of 0.9 and an equity risk premium of 4.1%. The government bond yield is calculated after adding Dubai's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	15,429
Terminal value (AED, Mn)	42,159
FV to Common shareholders (AED, Mn)	57,588
No. of shares (Mn)	4,533
Current Market Price (AED)	12.26
Fair Value per share (AED)	12.70

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Income	3,177	3,424	3,643	3,888	4,207	4,481
D&A	2,283	2,293	2,356	2,413	2,469	2,519
Change in working capital	4	270	118	159	97	132
(-) Capex	-2,313	-2,395	-2,416	-2,391	-2,478	-2,364
Net change in debt	-508	-205	-163	-137	-152	-166
Free Cash Flow to Equity (FCFE)	2,642	3,387	3,539	3,932	4,144	4,602
Discounting Factor	0.98	0.90	0.83	0.76	0.70	0.64
Discounted FCFE	650¹	3,056	2,927	2,982	2,881	2,933

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We used regional and international peers to value DU, using the EV/EBITDA multiple. It is valued at 2027 EV/EBITDA multiple of 6.6x, in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Telstra Group limited	40,192	8.3	8.1	24.0	22.5
Verizon Communication	196,544	6.8	6.6	9.6	9.0
SAFARICOM PLC	9,830	6.7	5.9	13.7	11.8
Deutsche Telekom AG	155,584	7.1	6.7	15.4	13.7
Saudi Telecom	58,638	8.5	8.0	15.3	14.3
Emirates Telecommunications Group	44,891	6.7	6.4	14.4	13.1
Etihad Etisalat	12,956	7.0	6.6	13.2	12.1
Average		7.3x	6.9x	15.1x	13.8x
Median		7.0x	6.6x	14.4x	13.1x
Max		7.7x	7.4x	15.4x	14.0x
Min		6.8x	6.5x	13.5x	11.9x

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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