Earnings Call Insight | 3Q26

UAE Equity Research | Sector: Industrials | Market: ADX

E7 Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.94	AED 1.30	+38%	BUY

3Q26 Net Profit lower than our estimate

- E7 Group's revenue increased 2.8% YOY to AED 179 Mn in 3Q26, growth in Printing & Education and Packaging segment, partially offset by decline in revenue from Identity Solutions and Logistics segment.
- The Company's direct cost increased 1.8% YOY to AED 118 Mn in 3Q26, primarily due to higher staff costs, repairs and maintenance, and distribution cost, partially offset by decline in outsourcing costs.
- Gross profit increased 4.9% YOY to AED 61 Mn in 3Q26, with gross profit margin expanding 66 bps YOY to 34.0% in 3Q26.
- EBITDA declined 12.1% YOY to AED 41 Mn in 3Q26, with EBITDA margins contracting from 26.5% in 3Q25 to 22.7% in 3Q26.
- Operating profit decreased 20.8% YOY to AED 29 Mn in 3Q26, with operating margins declining from 20.9% in 3Q25 to 16.1% in 3Q26.
- Finance cost declined to AED 0.2 Mn in 3Q26 from AED 16 Mn in 3Q25, primarily due to the absence of the warrant-related fair-value loss recognized in 3Q25.
- Finance income declined from AED 10 Mn in 3Q25 to AED 5 Mn in 3Q26.
- Net profit attributable to equity shareholders increased 7.9% YOY to AED 30 Mn in 3Q26, lower than our estimate of AED 48 Mn. The increase in net profit is primarily due to higher revenue coupled with sharp decrease in finance cost, partially offset by higher direct cost, increase in G&A expenses, S&M expenses, provision for impairment loss on financial assets and tax charges coupled with lower other income and finance income.
- E7's cash balance stood at AED 491 Mn in 3Q26, with no outstanding debt, underscoring strong financial discipline and flexibility to fund growth.

Earnings Call Summary

- Revenue growth is supported by a combination of newly secured contracts and recurring customer engagements across the group's businesses.
- Long-term customer contracts and recurring revenue streams are expected to provide earnings visibility, with Security contributing c. 55% of group revenue.
- Identity Solutions segment performance weakened in 3Q26 primarily due to delayed programme execution and lower volumes, with a recovery expected in 4Q26.
- Commercial Printing is positioned for recovery, supported by two new strategic partnerships and growing engagement with large UAE customers.
- Geographic diversification strengthened through entry into two African markets and one South Asian market during 9M26, broadening the group's customer base.
- Africa remains the primary growth market for Identity Solutions, with Rwanda serving as a regional hub for security contracts and digital tax stamp opportunities.
- The Rwanda business is leveraging government relationships to generate demand from neighboring African markets, supporting the development of a regional manufacturing and security printing hub.
- Rwanda's Identity Solutions pipeline continues to expand, with additional contracts progressing across multiple solutions alongside two additional Solutions are expected to advance in 1Q27.
- New security-related product innovations are expected to strengthen the group's solutions portfolio, with commercial launches targeted before the end of 2026.

- Higher professional fees within SG&A reflect multiple ongoing business activities rather than being driven solely by M&A related expenses.
- EBITDA declined 12.1% YOY to AED 41 Mn in 3Q26, affected by an unfavourable programme mix, delivery timing, accounting differences and higher SG&A expenses.
- Supply chain disruptions, longer procurement lead times and increased reliance on air freight are raising raw material costs, with pressure expected to continue in 2027.
- Capital expenditure is expected to moderate as UAE passport and tax stamp capacity expansions approach completion, shifting the focus towards capacity utilisation and returns.
- UAE passport capacity expansion accounted for the majority of 9M26 capex, with project completion expected by 1Q27 despite equipment delivery disruptions.
- Working capital performance benefited from lower inventory levels and higher deferred revenue during 9M26, supporting operating cash flow generation.
- The proposed IDONEX transaction remains strategically attractive, with established banking relationships providing financing flexibility without putting pressure on balance sheet.
- Outstanding warrants are scheduled to expire on 6 December 2026, with a potential positive finance cost impact in 4Q26 from liability reversals.
- The company remains committed to a minimum dividend of 10 fils per share through FY27, with a minimum distribution of 50% planned thereafter, subject to profitability and investment requirements.

E7 Group PJSC - P&L

(AED Mn)	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch
Revenue	174	189	179	197	-9.5%	2.8%	-5.5%
Direct Cost	-116	-126	-118	-129	-8.7%	1.8%	-6.3%
Gross Profit	**58**	**63**	**61**	**68**	**-11.1%**	**4.9%**	**-3.7%**
G&A expenses	-22	-29	-30	-25	19.1%	34.7%	2.0%
S&M expenses	-2	-3	-3	-3	-6.1%	27.5%	-1.3%
Reversal of/ (provision for) impairment loss on financial assets	0	0	-2	1	NM	NM	NM
Other Income	2	1	2	2	5.6%	-3.7%	NM
EBIT	**36**	**32**	**29**	**44**	**-34.4%**	**-20.8%**	**-11.1%**
EBITDA	**46**	**43**	**41**	**55**	**-25.8%**	**-12.1%**	**-5.2%**
Finance Cost	-16	0	0	0	NM	NM	NM
Finance Income	10	4	5	9	-44.4%	NM	25.2%
Profit before tax	**31**	**36**	**34**	**53**	**-35.9%**	**9.4%**	**-6.6%**
Income tax expense	-3	-3	-3	-5	-36.5%	8.3%	-4.6%
Non controlling interest	0	0	0	0	NM	NM	NM
Net profit attributable to equity shareholders	**28**	**33**	**30**	**48**	**-36.8%**	**7.9%**	**-9.0%**

FABS estimate & Co Data

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 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

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