



Initiation Coverage E7 Group PJSC



Key Investment Highlights:

We initiate coverage on **E7 Group PJSC** ("E7" or "The Company") with a **Valuation** of AED 1.50 per share. E7 Group is a national industrial leader, offering extensive solutions in the Printing and Distribution segment to domestic and international clients. The Company was established in 2006 as UPP (United Printing & Publishing) and renamed to E7 Group PJSC post-acquisition by ADC Acquisition Corporation PJSC. The Company's revenue stood at AED 632 Mn in FY2023.

Our investment view is supported by:

- *Integrated 'One-Stop' Provider of Comprehensive Solutions*
- *Leveraging Organic and Inorganic Growth Strategies to Support Profitability*
- *Strong Financial Position and Healthy Liquidity to Support Future Growth*
- *Rising Sustainable Packaging Industry to Strengthen Product Portfolio*

Integrated 'One-Stop' Provider of Comprehensive Solutions in Printing, Packaging, and Logistics

E7 is a leading provider of security printing, identity management, sustainable packaging, commercial printing, publishing, and logistics services, serving over 25+ countries. In FY2023, E7 (formerly known as UPP) was acquired by ADC Acquisition Corporation PJSC from ADQ Developmental Holding LLC. It became the first de-SPAC entity listed on the Abu Dhabi Securities Exchange. E7 boasts a robust client base, predominantly from government sectors, ensuring 65% recurring revenue. E7 expanded into digital and physical school textbooks, strengthening ties with the UAE Ministry of Education. The Company aims to become a global leader in security solutions, transitioning from printing to full system integration. E7 Packaging focuses on sustainable solutions for the food, beverage, and pharmaceutical sectors, supported by long-term contracts for continued growth.

Leveraging Organic and Inorganic Growth Strategies to Support Profitability

E7 aims to be Abu Dhabi's leading industrial player by leveraging organic and inorganic growth strategies. It focuses on long-term client relationships and operational efficiencies for organic growth, while for its inorganic expansion, it is exploring joint ventures and value accelerative M&A deals. E7 is investing in technology to broaden its product portfolio. In Security printing, E7 targets global leadership, driven by demand for anti-fraud solutions. It secured AED 38 Mn in new contracts and plans AED 182 Mn in investment to enhance passport manufacturing and enter the digital tax stamps market. In Sustainable packaging, E7 aims to expand regionally and globally by increasing market share in paperboard and flexible labels. E7 Printing focuses on long-term government contracts and expanding within the GCC and Africa.

Strong Financial Position and Healthy Liquidity to Support Future Growth

E7 delivered strong revenue growth primarily due to large, long-term recurring revenue contracts. The Company's 65% of total revenue is recurring from long-term contracts. Printing segment accounted for the majority, 87%, of the total revenue in FY2023. The Printing segment continued to grow, primarily due to the new contract win in the Security solution and Sustainable packaging segments. E7's long-term government contracts in the Commercial and Security printing segments provide strong revenue visibility. Its EBITDA grew strongly at a CAGR of 43.4% from AED 58 Mn in FY2020 to AED 171 Mn in FY2023. It also maintains a strong balance sheet with a robust cash and debt-free position, providing significant financial flexibility to fund the operation and support its inorganic growth.

Rising Sustainable Packaging Industry to Strengthen Product Portfolio

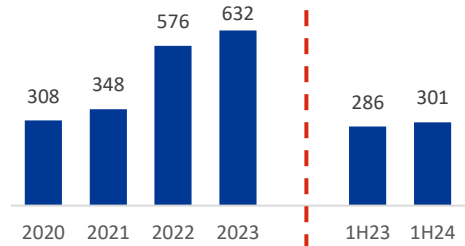
E7 is rapidly becoming a preferred partner in the Sustainable packaging sector by leveraging advanced machinery to produce foldable boxes, disposable food packaging, frozen food packaging, and paper cups. The Company serves major food and retail brands across the UAE, Netherlands, Saudi Arabia, Oman, and Jordan, including Agthia, Alokozay, IFFCO, etc. In FY2023, it increased its production capacity to 19,000 tons annually, focusing on sustainable options for the food, beverage, and pharma sectors. It aims to accelerate its expansion through strategic joint ventures and targeted M&A deals across the Middle East, GCC, and Europe. These initiatives align with global sustainability trends, driving revenue growth and reinforcing E7's leadership in sustainable packaging.

Initiating Coverage Sector: Industrials

Analyst Name: Ahmad Banihani

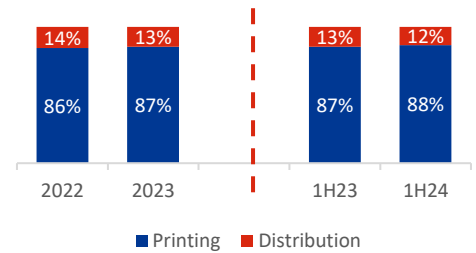
Rating	BUY
Current Market Price (AED)	1.12
Target Price (AED)	1.50
Upside/(Downside)	+34%
Market Cap (AED, Bn)	2.24

Total Revenue (AED, Mn)



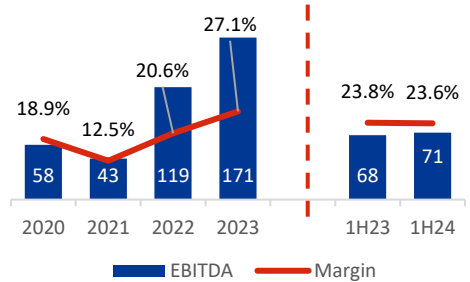
Source: Company Information

Revenue by Segment (%)



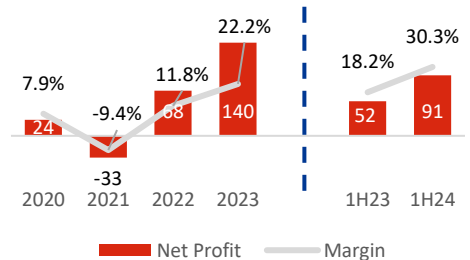
Source: Company Information

EBITDA (AED, Mn) and EBITDA Margin (%)



Source: Company Information

Net Profit (AED, Mn) and Net Profit Margin (%)



Source: Company Information, FY2023 net profit is before non-cash listing expense

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Introduction to E7

E7: Leading Industrial Champion in Security Printing and Identity Management Solutions

E7 is the UAE's leading provider of commercial printing, security printing, identity management solutions, sustainable packaging, and distribution services to domestic and international clients

E7 Group – Company Introduction

E7 Group is a national industrial leader, offering extensive security printing and identity management solutions, sustainable packaging, commercial printing and publishing, and logistics services to domestic and international clients.

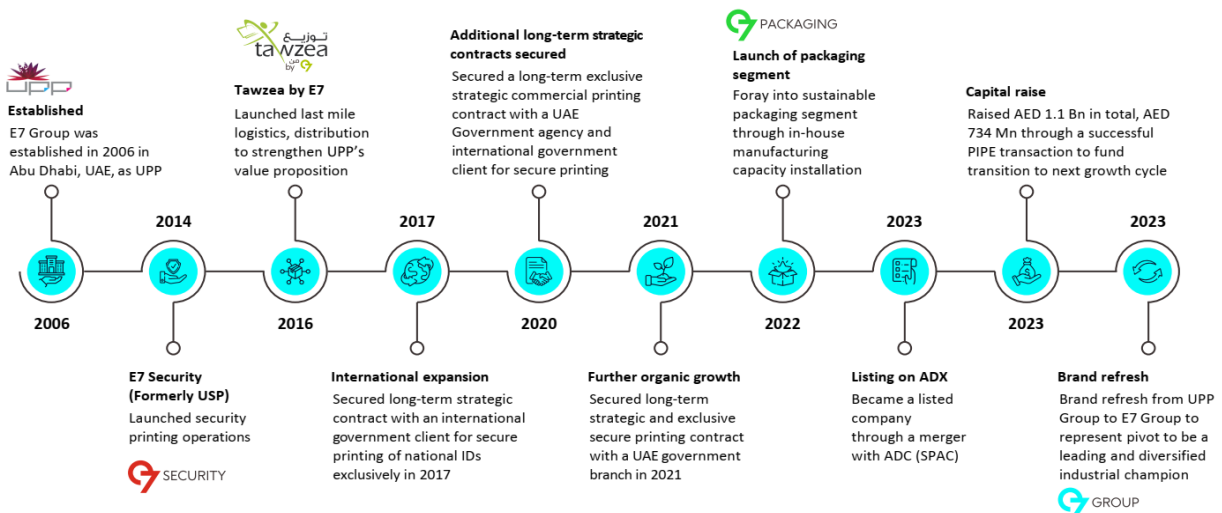
The Company was established in 2006 as UPP (United Printing & Publishing) and renamed to E7 Group PJSC post-acquisition by ADC Acquisition Corporation PJSC. E7 became the first company in the UAE to list on the Abu Dhabi Securities Exchange as a de-SPAC entity (Special Purpose Acquisition Company) through a transaction between ADC Acquisition Corporation PJSC (ADC) and United Printing and Publishing (UPP) in 2023.

ADQ and Chimera Investment launched the SPAC entity ADC Acquisition Corporation PJSC (ADC) in April 2022 and listed it on the Abu Dhabi Securities Exchange (ADX). ADC was a SPAC mandated to identify a scalable, high-growth business with attractive valuations. Thus, ADC entered into an agreement with ADQ Developmental Holding LLC to provide for a business combination with United Printing & Publishing Sole Proprietorship LLC (UPP or the Company). After the business combination, UPP became the first publicly listed company in Abu Dhabi to list on the exchange through the SPAC process. ADQ Holding Development Holding LLC (ADQ) received 62.3 Mn new class A shares in a new entity with each share valued at AED 10.0 in exchange for the purchase consideration of UPP's entire share capital. The transaction valued UPP at AED 623 Mn. ADQ remained the largest shareholder of the combined entity after the business transaction.

After the SPAC transaction, ADC raised the funds of AED 734 Mn by issuing 73.4 Mn new class A shares, each valued at AED 10.0 through the PIPE (Private Investment in Public Equity) book building. The new entity was named E7 Group after the transaction and received the proceeds of AED 1.1 Bn in cash from SPAC and PIPE fundraising. This cash reserve will provide E7 Group with vast organic and inorganic growth opportunities.

The Company was established in 2006 as UPP (United Printing & Publishing). The E7 (formerly UPP) group launched security printing operations under the division of E7 Securities in 2014 (formerly USP-United Security Printing).

Figure 01: E7 Timeline



Source: Company Information

E7 has a workforce of 1,300+ employees, a fleet of 450+ vehicles, an installed capacity of 19,000 tons per annum for sustainable packaging, 40+ customized products & solutions, and serves 1,200 schools in UAE

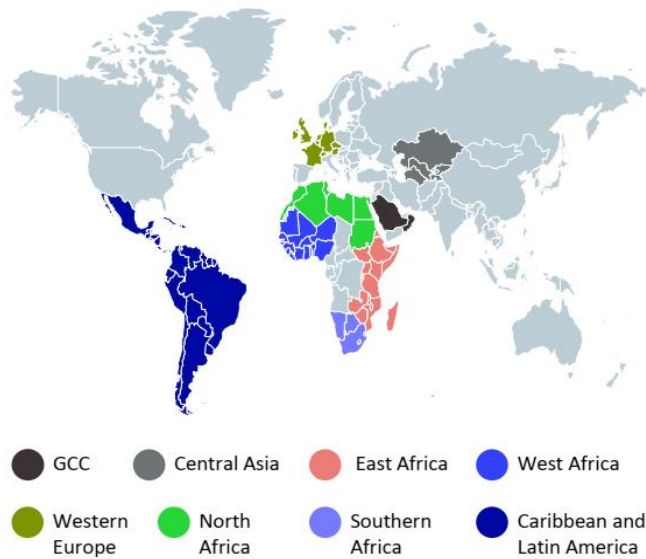
UPP launched its last-mile logistics and distribution division in 2016 to strengthen the company's value proposition under the brand Tawzea. The Company secured a long-term strategic contract with an international government client for the secure printing of national IDs with enhanced security features in 2017. E7 signed an additional long-term strategic contract with the UAE government agency and international government client for secure printing in 2020 and 2021. It launched its packaging division with in-house installed manufacturing capacity in 2022. Also, the UPP group rebranded as E7 Group in FY2023 to represent its ambition to be a diversified and leading industrial champion.

E7 exhibits a diverse ownership structure, with Q Industrial Holdings LTD owning the majority share at 41.8%, followed by Chimera Investments LLC at 6.9%, United Eastern General Trading at 6.6%, International Aviation Holding - Single Person Company at 5.9%, and other shareholders (floating) at 38.8% as of 30 June 2024.

E7 Group is headquartered in Abu Dhabi and operated since 2006 through its different divisions. The Company is currently providing services to 25+ countries in the Middle East, Central Asia, Northwestern Europe, Western & Eastern Africa, and South America. The Company has a workforce of 1,300+ employees. Also prints & distributes 20+ Mn textbooks annually and owns a fleet of 450+ vehicles covering the entire UAE. E7 has an installed capacity of 19,000 tons per annum for sustainable packaging.

The company performs its manufacturing operations exclusively at Al Shahama in Abu Dhabi and maintains warehouse centers throughout the UAE to support distribution activities. Additionally, E7 announced a significant investment of AED 182 Mn to facilitate entry into digital tax stamp production while substantially expanding its passport manufacturing capacity in June 2024. The planned production of tax stamps is expected to commence in 2026 as it continues to secure new contracts and increase the market reach of the Company. The announcement of investment in the manufacturing capacity of tax stamps follows the signing of strategic collaboration with Diletta, a prominent German manufacturer of identity and security systems for government and national institutions.

Figure 02: Geographical presence of E7



Source: Company Information

E7 provides printing services to Government Entities, Financial Institutions, Education & Healthcare, Food & Beverage, Transportation, Pharmaceuticals, Media, and Retailers

E7 Group is a multifaceted company comprising four interconnected verticals, offering customers one-stop-shop solutions for security printing and identity management, sustainable packaging, commercial printing and publishing, and logistics services. The Company provides services like passport solutions, identity solutions, certificates & stickers, ballot papers, banking cards & solutions, transportation cards, and telecom cards through its Security division. E7 offers 40+ customized products for 10 industrial sectors such as Government Entities, Financial Institutions, Education & Healthcare, Food & Beverage, Transportation, Pharmaceuticals, Media, and Retailers.

E7 generated revenue of AED 632 Mn in FY2023 compared to AED 576 Mn in FY2022, a growth of 9.7% owing to the addition of new customers in Security Solutions and Sustainable Packaging Product Segments. The top line also benefitted from the large and long-term recurring revenue contracts and earned nearly 65% was recurring in nature from long-term contracts. In addition, E7 added new markets to its portfolio such as the Middle East, Northwestern Europe, Central Asia, and Western & Eastern Africa.

The operating profit of the Company more than doubled to AED 133 Mn in FY2023 compared to AED 66 Mn in FY2022. Also, the EBITDA rose 42.9% to AED 170 Mn in FY2023 from AED 119 Mn in FY2022 with an improved margin of 26.8% compared to 20.4%. The margins improved in FY2023 due to the restructuring of the Logistics segment, raw material cost saving, operational efficiency and focus on the high-margin product segment. Operational net profit more than doubled in FY2023 to AED 140 Mn from AED 68 Mn in FY2022, attributed to revenue growth, increased operational efficiency, and better cost management. The profit margin also improved to 22.6% in FY2023 compared to 11.8% in FY2022. However, the Company reported a net loss of AED 51 Mn due to a one-off non-cash listing expense of AED 191 Mn FY2023.

Through strategic investments, the company is well-positioned to capitalize on the growing demand for highly secure printing solutions, driven by the UAE's aspirations to become a smart, digitally connected nation and Abu Dhabi's aim to emerge as a global industrial hub. The Company holds cash reserves of AED 1,285 Mn in FY2023 compared to AED 220 Mn in FY2022 due to SPAC and PIPE fundraising, providing vast growth opportunities for E7. The Company generates majority of the revenue from card printing and commercial printing, followed by the distribution business.

The Company holds cash reserves of AED 1,285 Mn in FY2023 compared to AED 220 Mn in FY2022 due to SPAC and PIPE fundraising, providing abundant growth opportunities

Figure 03: Revenue (AED, Mn)

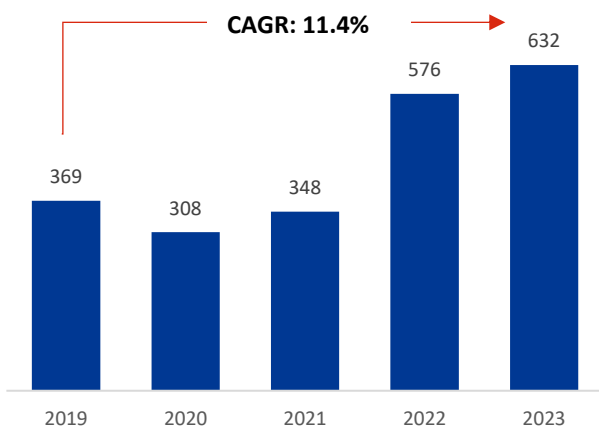
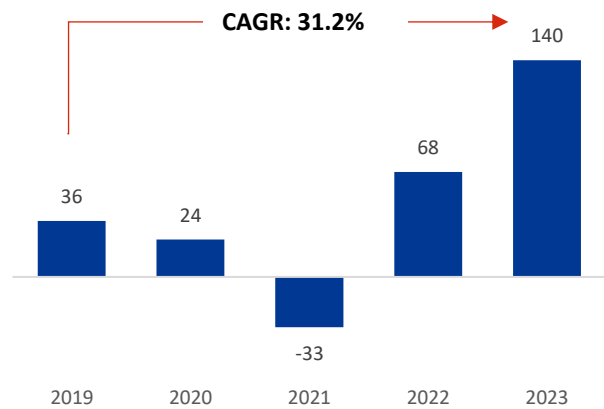


Figure 04: Net Profit¹ (AED, Mn)



Source: Company Information

Source: Company Information, ¹Profit for the year FY2023 is before non-cash listing expense

Unveiling the Key Business Divisions of E7 Group

1. E7 Security

E7 Security is a market leader in security printing solutions, addressing clients in sectors such as banking, government, telecom, retail, hospitality, and transport

E7 Security is recognized for its market-leading total security printing solutions, which are customized to meet the evolving requirements of customers across multiple sectors including banking, government, telecom, retail, hospitality, and transport. The company prioritizes flexibility, reliability, and state-of-the-art security systems in delivering essential products such as banking cards, telecom cards, national ID cards, ballot papers, transportation cards, certificates & stickers, and passport solutions, ensuring to meet the diverse demands of its vast client base. The segment is a regional leader and a key partner to the UAE Government and other government entities to offer secure printing solutions.

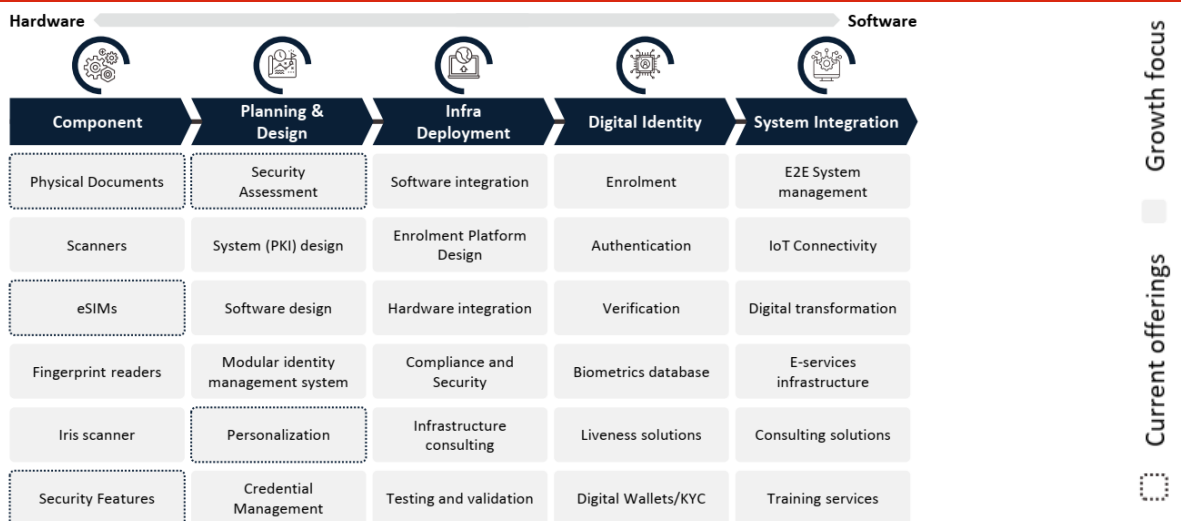
The majority of the E7 security clients are government entities with long-term contracts and high margins providing a stable revenue stream for the Company. The Company signed three one-year security solution contracts with a combined value of AED 13 Mn in March 2024 with three African and Latin American countries to provide security services such as the manufacture and supply of state-of-the-art electronic identification (eID) and driving license ID solutions. The contract expanded the global reach of the Company beyond the Middle East and increased the network of government and private clients.

E7 group also signed the Memorandum of Understanding (MoU) with German-based Diletta Maschinenteknik GmbH (Diletta), a prominent manufacturer and supplier of identity and security systems for government and national institutions. According to the agreement, E7 will be a key strategic partner of Diletta and is expected to manufacture identity documents and high-security travel for Diletta's clients.

E7 also received multiple new client contracts worth AED 37 Mn to supply identification and security solutions to African, Latin American, and Middle Eastern countries in FY2024. The Company also secured two printing contracts for e-passports and exam papers worth AED 25 Mn in April 2024.

The security solution segment is the largest revenue generator for the E7 with a revenue contribution of AED 294 Mn in FY2023 and AED 265 Mn in FY2022. The Company expects the revenue from the security segment to grow at high single digits in the short term.

Figure 05: Industry Landscape of Security Solutions



Source: Company Information

2. E7 Printing

E7 Printing provides services to newspapers, magazines, educational institutions, and many more

E7 Printing specializes in commercial printing, including newspapers, magazines, books, outdoor printing collaterals, and educational publishing solutions. As one of the largest commercial printers in the region, E7 Printing operates a fleet of a dozen machines and is dedicated to delivering products of the highest quality standards to its customers consistently.

The Printing segment provides services such as printing of school textbooks, digital printing, outdoor printing, marketing collaterals, educational solutions, custom books, and newspapers & publications. E7 Printing holds a substantial 14% market share of the AED 1.1 Bn commercial printing market in the UAE. It leads as the top provider in the UAE education sector and holds an exclusive contract to print school textbooks associated with the UAE Ministry of Education, utilizing 100% recycled paper in its production processes. E7 printed and distributed 20+ Mn school textbooks annually in FY2023 and provided services to more than 1,200 schools in the region.

The Company maintains strong customer relationships in commercial printing, supported by extensive partnerships with the UAE’s Ministry of Education, one of its largest clients. E7’s commercial printing segment relies on stable, long-term contracts from government entities and commercial agreements, ensuring continuous business growth and reliability.

The printing segment is the second largest contributor to the Company revenue after the security segment. The segment generated revenue of AED 220 Mn from commercial printing and AED 16 Mn from newspaper printing in FY2023. The revenue from newspaper printing is on the decline and earned AED 16 Mn in FY2023 compared to AED 42 Mn in FY2019 owing to the drawback of COVID-19 when newspaper printing declined due to logistical difficulties in delivery and weakened demand. Even after the pandemic, the recovery of the newspaper printing business was slow due to reduced demand for physical newspapers. However, E7 provides services to some of the biggest newspaper brands in the UAE with healthy circulation and the Company does not expect further decline from the newspaper printing segment.

The majority of the printing segment revenue is from the UAE, however, the Company is actively increasing its presence in Latin America and Africa with substantial growth opportunities. E7 Group expects a mid-single digit growth in the medium term for commercial printing operations.

The Company is currently focusing on clients from the education sector, indoor and outdoor advertising, events and exhibitions, media, and publishing.

Figure 06: Key Customers in Printing Segment



Source: Company Information

3. E7 Packaging

E7 Packaging segment key product offerings include flexible and sustainable packaging products such as foldable boxes, disposable food packaging, frozen food packaging, and paper cups

E7 Group launched its sustainable packaging business in FY2022 to open new opportunities in new geographies and sectors. The Company is now a sustainable packaging solutions provider to multiple businesses across the UAE, Netherlands, Saudi Arabia, Oman, and Jordan.

The Company also invested in additional production capacity, increased annual capacity by 13,000 tons, and created an annual capacity of 19,000 tons during FY2023. The increased capacity also includes two new folding carton lines and one additional paper cup line to enable the growth of sustainable packaging solutions. E7 offers paper cups, folding cartons, and flexible labels in mass volumes and special food packaging in the premium markets. The Company also provides luxury and pharma packaging in the niche market segment. E7 Packaging also offers an eco-friendly barrier coating material for paper cup products.

E7 is also focusing on future growth via product diversification and plans to expand its product range with offerings such as paper bags, films, caps and closures, and general flexible in the mass production segment coupled with Litho laminate corrugated boxes, laminate food-grade pouches, and capsules in premium packaging segment. It is also focusing on digital corrugation boxes, aseptic, food-based, biodegradables, and mono-materials in the niche segment. E7 currently provides sustainable packaging services to well-known food product manufacturers and retailers such as IFFCO, Agthia, Alokozay, and Al Kabeer in the UAE. The Company generated revenue of AED 18 Mn in FY2023 from the Packaging segment compared to AED 0.5 Mn in FY2022, reporting an exponential growth from the segment. E7 expects the exponential revenue growth will continue for the short to medium term and anticipates a high single-digit growth rate in the medium to long term.

Figure 07: Industry Landscape of Packaging Segment

Paper	<ul style="list-style-type: none"> Paper cups Paper bags Folding cartons 	<ul style="list-style-type: none"> Litho Laminate corrugated boxes Special food packaging 	<ul style="list-style-type: none"> Luxury packaging Pharma packaging Digital corrugation boxes
	<ul style="list-style-type: none"> Films Caps and closures Labels General Flexible 	<ul style="list-style-type: none"> Laminate food grade pouches Capsules 	<ul style="list-style-type: none"> Aseptic Food based Biodegradables Mono-materials

Source: Company Information

4. Tawzea

Tawzea is a distribution brand that provides distribution and logistics services internally to E7 Group segments and commercial clients

Tawzea was transferred from Abu Dhabi Media Group to E7 (earlier known as UPP) and became the part of E7 group in 2016. The segment offers a range of services including fulfilment, logistics, mailing room services, distributions, and dedicated customer service teams. The segment primarily supports customers who procure products from E7 and additionally offers distribution-only services to other customers. Tawzea plays an important role in delivering complete tailored solutions to meet the diverse requirements of E7 clients across different industries, ensuring their operations receive efficient and dependable support for distribution purposes.

Tawzea allows E7 to engage in end-to-end services such as production and delivery for customers, offering certainty to its customers. The segment offers services such as mailroom, publications distribution, reverse logistics, shipment distribution, and e-commerce. The distribution segment also plans to expand the customer base in the banking, government, and healthcare sectors with support from existing operational capabilities. TAWZEA provides distribution services to government entities such as the Federal Authority for Identity (Citizenship, Customs, and Port Security), the Ministry of Education of the UAE, and Abu Dhabi Police coupled with Abu Dhabi Media, Watania, and SEHA (Abu Dhabi Health Services Co.).

The Distribution Segment optimized its operational efficiency and network footprint with more customer offerings with door-to-door services and point-of-sale locations with consolidated distribution points to reduce the carbon footprint of the Company. The revenue from Tawzea rose 3.9% from AED 81 Mn in FY2022 to AED 84 Mn in FY2023. E7 reported a segmental profit of AED 6 Mn in FY2023 compared to a loss of AED 16 Mn in FY2022.

Figure 08: Key Customers in the TAWZEA Division



Source: Company Information

Highly Experienced Management Team

Experienced Management Team with a Long Track Record in the Business



Chairman of the Board – Ahmed AL Shamsi

Appointed to the E7 Board on December 21, 2023, Al Shamsi brings 23 years of experience. Holding a Bachelor's Degree in Chemical Engineering from the University of Tulsa, USA, and a Master's Degree in Quality Management from the University of Wollongong, Dubai, UAE, he has executive education from INSEAD, Singapore, and IMD, Switzerland. Al Shamsi serves as Vice Chairman of Al Khaznah Tannery and holds positions of Managing Director and CEO at SWS Holding and the Abu Dhabi Sustainable Water Solutions Company, emphasizing ethical and business conduct standards.



Chief Executive Officer – Mr. Ali Alnuaimi

Ali has 18 years of experience at E7 (previously UPP) of which 16 years as the CEO, bringing in a wealth of leadership and strategic expertise to the Company. Before joining E7 Ali has worked at Emirates Media for 5 years and Ali & Sons Co. for 9 years in senior management levels. Ali holds a business major from Higher Colleges of Technology.



Chief Financial Officer – Mr. Faizal Amod

Faizal brings financial expertise to E7, having served as CFO of Arkan Building Materials, a publicly listed company on the ADX, for 13 years. Before joining Arkan, he accumulated 8 years of experience across diverse finance positions at Senaat and other notable companies. He has a BSc in Commerce and Accounting from the University of Witwatersrand in South Africa.



GM Security & Printing – Mr. Charanjit Singh

Charanjit has been an integral part of E7 for the past 15 years. With a career spanning over two decades, he brings a wealth of experience from various positions within the printing industry.



Chief Strategy Officer – Mr. Moulik Kumar

Moulik brings a wealth of strategic expertise to E7. Prior to joining E7, he served as a restructuring manager at ADQ, for a 2-year period. Before his tenure at ADQ, Moulik spent 8 years with McKinsey, working across the United States and India.

Investment Highlights

Integrated 'One-Stop' Provider of Comprehensive Solutions in Printing, Packaging, and Logistics

E7's printing segment is poised to benefit from the rising demand for secure printing solutions, fueled by the UAE's goal of becoming a smart, digitally connected nation and Abu Dhabi's aim to be a global industrial hub

E7 is anticipated to deliver sustained top and bottom-line growth in FY2024, driven by its security solutions and sustainable packaging segments

Leading regional provider offering diverse solutions across domestic and international clients

E7 Group is a leading national industrial leader, offering comprehensive services in security printing and identity management solutions, sustainable packaging, commercial printing and publishing, and logistics services across domestic and international clients. The Company built a distinguished legacy by utilizing best-in-class technology to provide customized solutions for clients. It currently serves over 25 countries across the Middle East, Central Asia, Northwestern Europe, Western & Eastern Africa, and South America. As part of ADQ, one of the region's largest holding companies with a broad portfolio spanning key sectors of Abu Dhabi's diversified economy helped E7 strengthen its market presence. Following a transaction between ADC Acquisition Corporation PJSC (ADC) and United Printing and Publishing (UPP), it became the first company in the UAE to list on the Abu Dhabi Securities Exchange as a de-SPAC entity in FY2023. E7 boasts a portfolio of prominent clients from various government sectors, spanning multiple geographic regions. The diverse client base helps to secure long-term recurring business, thereby playing a pivotal role in driving segment expansion. The Company derives 65% of its revenue from recurring sources, predominantly through long-term contracts with anchor government clients, ensuring robust revenue visibility.

E7 printing emerges as one of the largest commercial printers in the region, with a fleet of a dozen machines that consistently deliver high-quality products. The Company's printing segment encompasses printing, security, and packaging divisions. Its printing segment accounts for the majority portion of the revenue, representing 86.7% of the total revenue in FY2023. E7 expanded into digital and physical textbooks for schools in the UAE through education services and Learning Management System platforms in FY2023. It maintains strong customer relationships, including prominent partnerships with the UAE Ministry of Education, which solidifies its commercial printing industry position. Stable, long-term contracts with government entities and commercial clients provide strong revenue visibility. The Company's printing segment is well-positioned to benefit from the growing demand for highly secure printing solutions, driven by the UAE's ambition to become a smart, digitally connected nation and Abu Dhabi's objective of establishing itself as a global industrial hub.

E7 Security Printing is a leading provider of comprehensive security printing solutions, meeting the evolving needs of its customers. With a strong understanding of international security protocols and standards, the company serves as a consultant and product provider. The Company has long-standing relationships with government clients across the banking, telecom, retail, hospitality, and transport sectors. These long-term sticky contracts provide a high margin, which supports stability and long-term growth. Furthermore, the company aims to become a global leader in diversified security solutions by transitioning from solely security printing to a full system integrator, solidifying its position in the security printing segment.

E7 Packaging Segment entered sustainable packaging in FY2022, opening new opportunities in various sectors and regions. The Company now offers solutions to customers in the UAE, Netherlands, Saudi Arabia, Oman, and Jordan. It has enhanced its sustainable packaging capacity by incorporating two additional folding carton lines and one paper cup line. With a total annual capacity of 19,000 tons, it is positioned to serve key customers in the food, beverage and pharmaceutical sectors, providing them with sustainable packaging alternatives to plastic. E7's

continued focus on sustainable packaging solutions and services, along with new customer wins in sustainable packaging, is anticipated to drive top-line growth.

Figure 09: Overview of E7's Printing segment



Source: Company Information

Leveraging Organic and Inorganic Growth Strategies to Support Profitability

E7 Security plans to invest AED 182 Mn to enhance passport manufacturing capacity and enter the high-growth digital tax stamps market, supporting governments in combating illicit trade and boosting revenue

E7 aims to become Abu Dhabi's leading industrial player by driving sustainable and profitable growth, providing exceptional customer service, and offering comprehensive customized solutions. To support this, the Company leverages organic and inorganic growth strategies for long-term success. It focuses on strengthening long-term client relationships and enhancing operational efficiencies for organic growth. This emphasis will enhance the revenue streams and will strengthen its position. In addition, E7 strategically aims for inorganic growth by venturing into new geographies and markets through potential joint ventures or M&A activities. By leveraging these initiatives, E7 seeks to capitalize on emerging opportunities and solidify its presence. The Company is strategically investing in cutting-edge technological capabilities to broaden its portfolio of products and solutions.

E7 aims to become the leading global provider of diversified end-to-end security printing solutions. The increasing number of fraud and identity theft incidents drives substantial investment in security solutions worldwide, creating diverse growth opportunities for E7 Security. With extensive experience in international security protocols and adapting to evolving regulations, E7 is well-positioned in a high-barrier sector. Additionally, the Company is rapidly expanding in the high-margin security solutions segment and is actively exploring organic and inorganic expansions. To drive organic growth, it is focusing on expanding its core offerings, including IDs, passports, and banking solutions, through the acquisition of new contracts and by entering adjacent security product categories. In addition, it plans to partner with system integrators and other security firms and acquire digital identity management and system integration capabilities. E7 Security secured two new customer contracts totalling c.AED 38 Mn in FY2024. These contracts involve supplying e-passports, examination papers, electronic identification (eID) solutions, and driving license ID solutions to clients in Africa, Latin America, and the Middle East. The Company also signed an MOU with Diletta Maschinenteknik to provide high-security travel and identity documents. Additionally, it plans to invest AED 182 Mn to drive organic growth in the segment. The planned investment will enhance passport manufacturing capacity and enable entry into the high-growth digital tax stamps market. Tax

stamps serve various purposes, including combating illicit trade in tobacco products. E7's upcoming launch of digital tax stamps in FY2026 aligns with its strategy to expand into the high-margin security solutions market. This sector is experiencing significant global growth, and the Company aims to assist governments globally in combating the illegal trade of taxable goods and boosting revenue. Moreover, it plans to expand its passport production capacity fivefold by FY2026, reinforcing its commitment to securing new contracts and expanding its market footprint while leveraging its established client base and technical expertise in passport and identity solutions. Furthermore, E7 Packaging aims to become the top regional player in sustainable packaging solutions. The Company plans to expand organically by increasing its market share in paperboard products and flexible labels while also exploring adjacent packaging segments to meet diverse client needs. Additionally, E7 intends to pursue inorganic growth by partnering with system integrators and industry leaders, expanding into premium and niche markets, and entering new geographic regions across the Middle East, Europe, and Asia. These initiatives are anticipated to drive revenue growth, enhance competitive advantage, and solidify E7's leadership in both the Security and Packaging sectors.

E7 Printing aims to retain its status as the preferred printing partner by cultivating long-term, resilient relationships with key customers and maintaining its market share. It plans to selectively pursue growth by expanding its reach within the GCC and Africa, strategically focusing on acquiring large government and institutional contracts. Additionally, E7 Printing benefits from long-term, UAE-wide educational printing contracts driven by population growth and an expanding school network, ensuring revenue stability in the Commercial printing segment. Tawzea, on the other hand, continues to emphasize customer retention while maximizing operational utilization and selectively expanding into the banking, health, and government sectors to ensure profitable growth. Additionally, it aims to support by expanding into value-added services like enhanced logistics and distribution capabilities. This initiative is expected to increase competitiveness, improve customer satisfaction, and potentially drive higher revenues.

Figure 10: Organic and Inorganic growth plans



Source: Company Information

Strong Financial Performance with Steady Growth in Topline and Bottomline

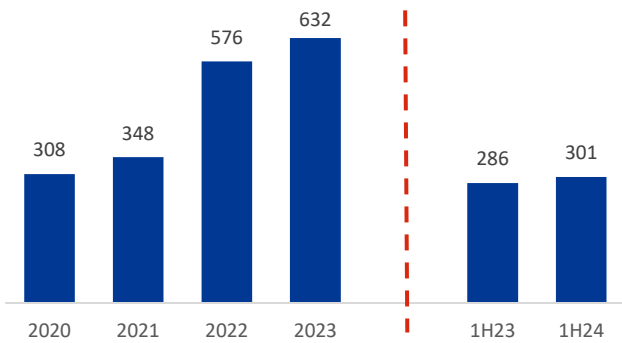
Long-term contracts underpin strong revenue visibility

Revenue is expected to grow at a CAGR of 6.7% from AED 632 Mn in FY2023 to AED 872 Mn in FY2028

E7 recorded strong revenue growth, with a CAGR of 26.8% from AED 308 Mn in FY2020 to AED 632 Mn in FY2023. The Company’s revenue grew 9.7% to AED 632 Mn in FY2023. The revenue growth is primarily underpinned by long-term recurring revenue contracts. The Company now serves its customers in 25+ countries across different sectors. Additionally, it started to offer the Printing segment in the Middle East, Northwestern Europe, Central Asia, and Western & Eastern Africa region. The Company’s Printing and Distribution segments accounted for 87% and 13% of the total revenue, respectively in FY2023. Printing segment revenue recorded a strong growth of 10.6% to AED 548 Mn in FY2023, primarily due to the new contract win in the Security solution and sustainable Packaging segments. The Distribution segment rose 3.9% to AED 84 Mn in FY2023. E7’s 65% of total revenue is recurring from long-term contracts. E7 secured new contracts worth AED 285 Mn in 1H24, further diversifying revenue sources and geographies including multiple contracts within the Security printing segment with a combined value of c. AED 139 Mn in FY2024. E7 also received annual education contracts from a federal government entity worth AED 79 Mn. The Company’s long-term government contracts in the Commercial printing and Security printing segment provide strong revenue visibility. In addition, the Company’s revenue increased from AED 286 Mn in 1H23 to AED 301 Mn in 1H24, mainly due to a growth in revenue from the Commercial Printing and Packaging revenue coupled with the successful execution of new contracts domestically and internationally.

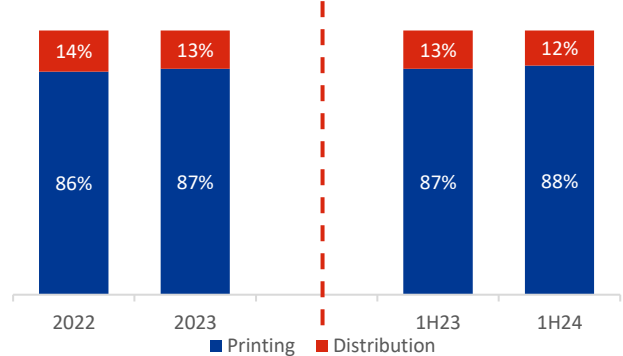
E7’s revenue is expected to grow at a CAGR of 6.7% from AED 632 Mn in FY2023 to AED 872 Mn in FY2028, supported by solid growth in revenue from the Printing and Distribution segment driven by new contract wins from the local and international markets.

Figure 11: Revenue (AED, Mn)



Source: Company Information

Figure 12: Revenue by Segment (%)



Source: Company Information

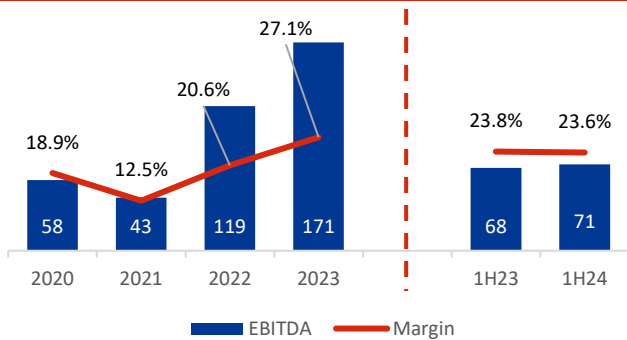
Solid financial position and healthy liquidity to support future growth

E7's EBITDA grew strongly at a CAGR of 42.9% from AED 58 Mn in FY2020 to AED 171 Mn in FY2023. The Company's EBITDA grew 44.2% to AED 171 Mn in FY2023. The improvement in EBITDA is primarily driven by favorable raw material prices, reduced waste, and efficient use of machinery and human resources. EBITDA margins improved from 20.6% in FY2022 to 27.1% in FY2023. The margin improvement was mainly due to the restructuring of E7's logistics business, raw material cost savings, strict management of operational expenses, and an emphasis on high-margin product segments. Furthermore, the Company's EBITDA grew 4.2% YOY to AED 71 Mn in 1H24 with an EBITDA margin of 23.6% compared to 23.8% in 1H22. In 2Q24, the Company margin improved from 25.1% in 1H23 to 29.7% in 1H24 due to focus on enhancing operational efficiencies, optimization of raw material cost, and focus on high margin products. We expect the EBITDA to grow at a CAGR of 7.2% from AED 171 Mn in FY2023 to AED 242 Mn in FY2028. E7's net profit, excluding the non-cash listing expense, grew at a CAGR of 78.2% from AED 24 Mn in FY2020 to AED 140 Mn in FY2023. The Company's net profit, before the impact of non-cash listing expense, grew strongly from AED 68 Mn in FY2022 to AED 140 Mn in FY2023. However, after including the impact of non-cash listing expenses, it reported a net loss of AED 51 Mn in FY2023 compared to a net profit of AED 68 Mn in FY2022. Additionally, E7's net profit grew from AED 52 Mn in 1H23 to AED 91 Mn in 1H24, primarily due to higher finance income and revenue growth. We expect the Company's net profit to recover from a net loss of AED 51 Mn in FY2023 to a net profit of AED 202 Mn in FY2028. E7's free cash flow declined from positive AED 2 Mn in FY2022 to negative AED 45 Mn in FY2023, primarily due to higher investment in working capital activities. The Company's free cash flow is expected to recover from negative AED 45 Mn in FY2023 to positive AED 163 Mn in FY2028. It is expected to generate a cumulative free cash flow of AED 664 Bn during FY2024-28.

EBITDA and net profit are expected to grow at a CAGR of 7.2% and 7.6%, respectively, during FY2023-28

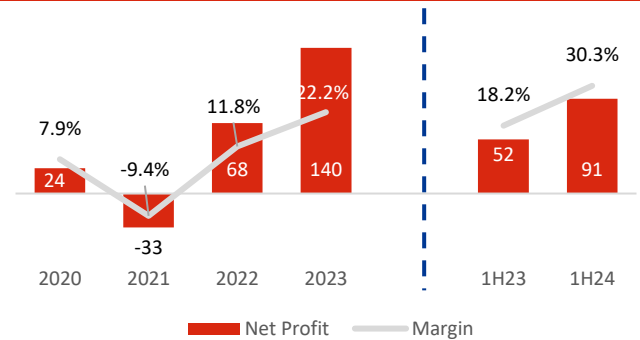
E7 also maintains a strong balance sheet with a robust cash balance and debt-free position. In addition, the Company's cash and bank balance stood strong at AED 1,281 Mn in 1H24, providing significant financial flexibility to fund the operation and support its inorganic growth.

Figure 13: EBITDA (AED, Mn) and Margin (%)



Source: Company Information

Figure 14: Net Profit (AED, Mn) and Margin (%)



Source: Company Information, FY2023 net profit is before non-cash listing expense

Rising Sustainable Packaging Industry to Strengthen Product Portfolio

E7 is rapidly transforming and expanding its market share in sustainable packaging by leveraging advanced machinery and strategic growth initiatives

E7's strategic growth in sustainable packaging drives revenue and market leadership

E7 is rapidly transforming to become the preferred partner for national and global clients by offering comprehensive packaging solutions. The Company is consistently expanding its market share in the sustainable packaging sector. Leveraging advanced machinery, E7 produces foldable boxes, disposable food packaging, frozen food packaging, and paper cups, with plans to diversify its product offerings further. Emphasizing sustainability, E7 entered the sustainable packaging market in FY2022 and continues to explore new sectors and geographies. The Company now provides sustainable packaging solutions to businesses across the UAE, Netherlands, Saudi Arabia, Oman, and Jordan, serving many of the largest food product manufacturers in the UAE and food retail brands in Europe, including Agthia, Alokozay tea, IFFCO, etc.

E7 invested in additional production capacity, increasing its annual installed capacity to 19,000 tons per annum in FY2023, enabling it to better serve key customers in the food, beverage, and pharma sectors with more sustainable packaging options than plastic packaging. E7 is poised to capitalize on high-growth, structurally attractive markets supported by its strategic plans for expanding its sustainable packaging business. The Company aims to expand its product portfolio in the Middle East, GCC, and Europe through potential joint ventures or M&A activities. It also aims to expand its product offering in the premium and niche segments and utilize opportunities to grow in adjacent markets to provide a complete range of product offerings to customers. The focus remains on advancing various business lines while leveraging its strong brand and customer base to seize new growth opportunities. These initiatives align with global and local sustainability movements and demonstrate E7's adaptability in meeting market needs and regulatory requirements, thereby driving revenue growth and solidifying its position as a leader in sustainable packaging.

Stable Population Growth will Drive the Demand for Security Printing and Strengthen the Revenue Base

High barriers for new entrants in the security printing business puts E7 in a unique position to benefit from the rising demand for security printing

Enhanced business stickiness due to leverage from government contracts and security expertise

E7 Group stands at a significant advantage in the segment of security solutions, supported by a substantial portion of its revenue sourced from long-term contracts with government entities. This strategic positioning not only ensures a predictable revenue stream but also creates a high degree of business stickiness due to the complex nature of security protocols and regulatory compliance. With a strong experience in international security standards and an in-depth understanding of the evolving regulatory landscape, E7 Group enjoys formidable barriers to entry in its sector, supported by a reputation built on prior credentials.

The company's ambitious growth strategy includes both organic and inorganic opportunities, aiming to expand its footprint across the security solutions value chain. This includes advancement in digital identity management, which is increasingly vital in today's interconnected world, as well as creating strategic partnerships with system integrators and other synergistic players in the security domain. These initiatives not only increase E7 Group's service offerings but also enhance its market reach and operational capabilities, positioning it favourably to capture emerging opportunities in the security sector.

Moreover, E7 Group's involvement in passport printing aligns perfectly with the demographic trends observed in the UAE. The UAE's population, including residents and non-residents, continues to grow at a stable rate, thus driving demand for essential government services such as passports and visas. This demographic expansion increases the requirement for secure and reliable passport printing services, a niche market that E7 Group excels due to its specialization and established contracts with government entities.

The Company is also investing AED 182 Mn in an operating facility to produce tax stamps and increase passport printing capacity, highlighting the ambition to increase the government and security printing revenue. Government contracts typically offer stable revenue streams over extended periods, providing the company with financial predictability and visibility even during economic uncertainties. As the Company continues to secure and expand government contracts, it strengthens its market position and broadens its revenue base, thus providing sustained growth and profitability in the medium to long term.

The Company's ability to operate in complex regulatory environments, coupled with its commitment to innovation and strategic partnerships, ensures that it remains the leader in the security solutions industry in the UAE and globally. By utilizing demographic trends and expanding its service range, E7 Group not only enhances its revenue potential but also solidifies its reputation as a trusted partner in the security printing market.

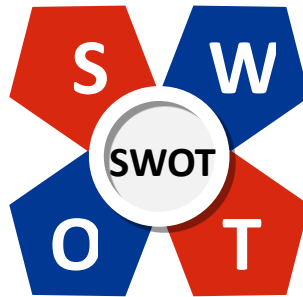
SWOT Analysis

STRENGTHS

- **Expertise in Security Printing:** Specialized skills in security printing and experience of more than a decade provide the Company with competitive flexibility
- **Strong Market Position in UAE:** Established presence in the UAE market with strong local market share and leader in Educational Printing sector in the region
- **Long-term Government Contracts:** Significant long-term contracts with anchor government bodies ensure steady revenue visibility and enhance credibility in the market
- **Strong Financial Position:** A strong financial position with healthy cash reserves and a debt-free balance sheet provides E7 Group with stability and opportunities for expansion and maintaining smooth operations
- **High Entry Barriers:** The security printing industry typically requires specialized equipment and expertise, creating barriers to entry for new competitors and strengthening the position of E7

WEAKNESSES

- **Dependency on UAE Market:** Over-reliance on the UAE market for revenue may expose E7 to risks associated with economic downturns within the region. The Company generated the majority of revenue from the UAE region in FY2023
- **Decline in Revenue and Demand for Newspaper Printing:** Declining revenue from traditional newspaper printing due to weak demand affects overall revenue generation
- **Low International Revenue:** Limited revenue from international markets constrains growth opportunities beyond the UAE



OPPORTUNITIES

- **Organic and Inorganic Expansions:** Opportunities for organic growth through expanding market share in existing segments and potential acquisitions or partnerships using healthy cash reserves of the Company
- **New Product Lines:** Diversifying into new product lines, such as digital identity management, biometrics, and system integration
- **Investment in Tax Stamp Printing Capacity:** Recently announced investment in tax stamp printing capacity positions the Company to capitalize on increasing regulatory requirements and demand for tax stamps domestically and globally
- **International Government Clients:** Expanding client base beyond the UAE through targeted marketing and sales efforts by offering advanced security printing services to government clients
- **Demand for Sustainable Packaging:** Utilizing expertise in sustainable packaging to address the rising global demand for environmentally friendly solutions provides an opportunity in the sustainable packaging market

THREATS

- **Digitization Impacting Traditional Printing Demand:** Shifts towards digital alternatives for newspapers, magazines, and academic books will possibly impact the demand for traditional printing solutions
- **Regulatory Changes:** Shifts in security regulations affect operations and will require adaptation and compliance, possibly increasing operational costs for the Company
- **Volatile Raw Material Costs:** Volatility in raw material costs, such as ink and paper may impact profit margins and operational efficiency
- **Technological Obsolescence:** Rapid technological advancements in Security printing may risk existing products becoming outdated, requiring constant innovation and research
- **Intense Competition:** Intense competition in the distribution business segment squeezes profit margins and challenges market share

Valuation Methodology

Target Fair Value Analysis

We arrive at E7's fair value of AED 1.50 per share based on a mix of valuation methods

DCF AND RELATIVE VALUATION

We have used a mix of Discounted Cash Flow (DCF) and comparable Company Method (CCM) valuation methods to arrive at E7's fair value. E7 Group is a national industrial leader, offering extensive security printing and identity management solutions, sustainable packaging, commercial printing and publishing, and logistics services to domestic and international clients. The Company generates most of the revenue from card printing and commercial printing, followed by the distribution business. The Company provides services like passport solutions, identity solutions, certificates & stickers, ballot papers, banking cards & solutions, transportation cards, and telecom cards through its Security division. E7 offers 40+ customized products for 10 industrial sectors such as Government Entities, Financial Institutions, Education & Healthcare, Food & Beverage, Transportation, Pharmaceuticals, Media, and Retailers. The Company is well-positioned to capitalize on the growing demand for highly secure printing solutions, driven by the UAE's aspirations to become a smart, digitally connected nation and Abu Dhabi's aim to emerge as a global industrial hub.

We have assigned a higher weight to DCF valuation as it strengthens its reliability in capturing future cash flow projections over multiple periods as opposed to other valuation methods. In CCM valuation, the EV/EBITDA multiple is used to value the Company, as the multiple allows us to compare companies of various sizes with different capital structures.

CONSOLIDATED VALUATION E7 Group

Name of Entity	Valuation (AED, Mn)	Weight (%)	Total Valuation (AED, Mn)
Valuation of the E7 Group based on -			
Discounted Cash Flow	3,100	70.0%	2,170
Relative Valuation (EV/EBITDA)	2,746	30.0%	824
Total Valuation (AED, Mn)			2,994
Total Valuation (USD, Mn)			815
No. of Shares outstanding (Mn)			1,999
Equity Value per Share (AED)			1.50

The performance of E7 is analyzed in detail to arrive at fair value estimates. We took a fair estimate across the respective companies' income statements and financial positions to arrive at their valuation. The valuation brought forward a target value of AED 1.50 per share.

The weightage assigned to the DCF and Relative valuation methods stood at 70% and 30%, respectively.

We arrived at a value of AED 3.1 Bn/AED 1.55 per share using DCF valuation

1) Discounted Cash Flow Valuation

We relied upon the historical performance, recent contract award, business expansion plans and recent guidance provided by the Company management to arrive at the valuation through DCF methodology. We derived the Company's Terminal Value using the Gordon Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.5% to perpetuity. To arrive at Ke (Cost of Equity), we have used the 10-year government bond yield

of 4.3%, Equity risk premium of 5.5%, and average Beta of 0.76 for the Company. After applying all these, we arrived at the cost of equity of 8.5%. We have used a 10-year US Government Yield and further added a 10-year UAE Government CDS spread to arrive at an appropriate risk-free rate. E7 boasts a debt-free balance sheet, thus the cost of equity is used as the cost of capital. Therefore, we have used free cash flow to the equity to arrive at the valuation using the DCF methodology.

I. DCF Valuation of E7 Group

	FY2024	FY2025	FY2026	FY2027	FY2028
All figures in AED Mn, unless stated					
Net Profit	186	188	185	185	202
(+/-) Depreciation & amortization	42	44	43	65	67
(+/-) CAPEX	-53	-91	-72	-53	-54
(+/-) Working Capital	-51	45	36	-7	-7
Net change in debt	-4	-6	-8	-9	-10
Free Cash Flow to Equity	120	180	185	181	199
Discount factor	0.98	0.90	0.83	0.77	0.71
Present Value of FCFE	60	162	154	139	141
Total Present value of FCFE					654
Terminal Value					2,445
Terminal growth rate					2.5%
Weighted average cost of capital					8.5%
Equity Value					3,100

Source: FAB Securities Research

a) Sensitivity of DCF to Key Assumptions

Sensitivity analysis generates the highest valuation of AED 4.6 Bn and the lowest valuation of AED 2.4 Bn

Our DCF valuation is based on a weighted average cost of capital (WACC) of 8.5%. A sensitivity analysis shows that a change of +/- 0.5% in the weighted average cost of capital and terminal growth rate will provide a valuation range of AED 2.4 Bn to AED 4.6 Bn. The table below shows the sensitivity between the change in terminal growth rate and the weighted average cost of capital.

1. DCF Sensitivity to Terminal Growth Rate and WACC

		WACC					
		3.066	7.5%	8.0%	8.5%	9.0%	9.5%
Terminal Growth	1.5%		3,189	2,939	2,725	2,540	2,378
	2.0%		3,436	3,144	2,898	2,687	2,505
	2.5%		3,733	3,387	3,100	2,857	2,650
	3.0%		4,098	3,680	3,339	3,056	2,818
	3.5%		4,556	4,039	3,627	3,292	3,014

2) Relative Valuation

We are using EV/EBITDA valuation to value the firm

In the CCM valuation, the EV/EBITDA multiple is used to value the Company as the multiple allows us to compare companies of various sizes with different capital structures. E7 is a printing company with characteristics similar to those of other international printing players, like Tungkong Inc, ANY Biztonsági Nyomda Nyrt., Raksul Inc, Cimpres PLC, Dai Nippon Printing Co. Ltd, Kosaido Holdings Co. Ltd, and TOPPAN Holdings Inc to value the firm.

II. Relative Valuation of E7

(All Figures in Million AED, unless stated)

Based on EV/EBITDA Multiple

EBITDA (FY2024)	181
Applicable Multiple	8.2x
Premium/(Discount to Median Multiple)	0.0%
Peer Median Valuation	8.2x
Enterprise Value	1,482
Net (Debt)/Cash	1,264
Equity Value	2,746

Source: Company Information, FAB Securities Research

III. Peers Valuation

Company. Name	Market Cap (USD, Mn)	EV/EBITDA (x)	
		2024	2025
Global Printing Companies			
Tungkong Inc.	466	11.0x	9.2x
Beijing Shengtong Printing Co., Ltd	347	21.8x	13.6x
Raksul Inc.	495	13.0x	11.1x
Cimpres Plc	2,155	7.4x	6.7x
Dai Nippon Printing Co., Ltd	8,229	8.2x	7.3x
KOSAIDO Holdings Co., Ltd	534	7.3x	6.5x
TOPPAN Holdings Inc	9,335	6.7x	6.0x
Average		10.8x	8.6x
Median		8.2x	7.3x
Max¹ (Quartile 3)		12.0x	10.2x
Min² (Quartile 1)		7.3x	6.6x

Source: S&P Capital IQ Pro, ¹ Values correspond to Quartile 3, ² Values correspond to Quartile 1

Key Financial Metrics

Financials

Revenue

E7's key revenue segments include Security/Cards Printing, Commercial Printing, Packaging, and Tawzea (Distribution segment)

We anticipate steady growth in E7's top and bottom lines. The Company has envisaged a growth plan based on providing high-quality, sustainable printing and distribution services with one-stop shop custom solutions.

The Company's primary source of revenue is contracts with clients across multiple industries. These contracts involve diverse printing services, distribution services, and packaging materials.

E7's total revenue grew 9.7% from AED 576 Mn in FY2022 to AED 632 Mn in FY2023 due to the addition of new long-term and large recurring revenue contracts, especially in Security Solutions, Commercial Printing, and Sustainable Packaging segments. Additionally, the Company's revenue grew 5.2% YOY to AED 301 Mn in 1H24, mainly driven by growth across the E7 Printing and E7 Packaging and the successful execution of the Company's new contract in the UAE and internationally. The Company's revenue is further expected to grow at a CAGR of 6.7% from AED 632 in FY2023 to AED 872 Mn in FY2028, driven by the organic and inorganic expansion into new business verticals and planned introduction of new product lines.

The Security segment revenue grew 11.0% from AED 265 Mn in FY2022 to AED 294 Mn in FY2023 due to the continuous winning of major long-term contracts from diverse customers. A vast majority of the Security Solutions revenue is derived from both domestic and international government customers.

Total revenue grew 9.7% to AED 632 Mn, supported by 10.6% growth in the Printing business to AED 548 Mn and 3.9% growth in the Distribution business to AED 84 Mn in FY2023

The Company expects a high single-digit growth in the revenue from Security printing in the medium term. The Security printing services revenue contributed 46.6% of total revenue and is expected to be the largest contributor in the forthcoming period. We expect the Security segment to contribute 47.8% of total revenue by FY2028. Security Segment revenue is expected to grow at a CAGR of 7.2% from AED 294 Mn in FY2023 to AED 416 Mn in FY2028.

The Commercial Printing segment, including newspaper printing, which is involved in traditional printing, revenue rose 3.7% from AED 229 Mn in FY2022 to AED 238 Mn in FY2023. The revenue is further anticipated to grow at a CAGR of 4.4% to AED 295 Mn in FY2028. The Commercial printing segment, including the Newspaper printing, contributed 37.6% of total revenue and is expected to generate 33.9% of total revenue in FY2028.

Newspaper Printing revenue declined during the COVID-19 crisis due to logistics difficulties and weak demand. The recovery of Newspaper printing was also slow due to the declining demand for physical newspapers. The revenue from newspaper printing rose 25.6% from AED 14 Mn in FY2022 to AED 18 Mn in FY2023. However, it is still below the pre-pandemic level of AED 41 Mn in FY2019.

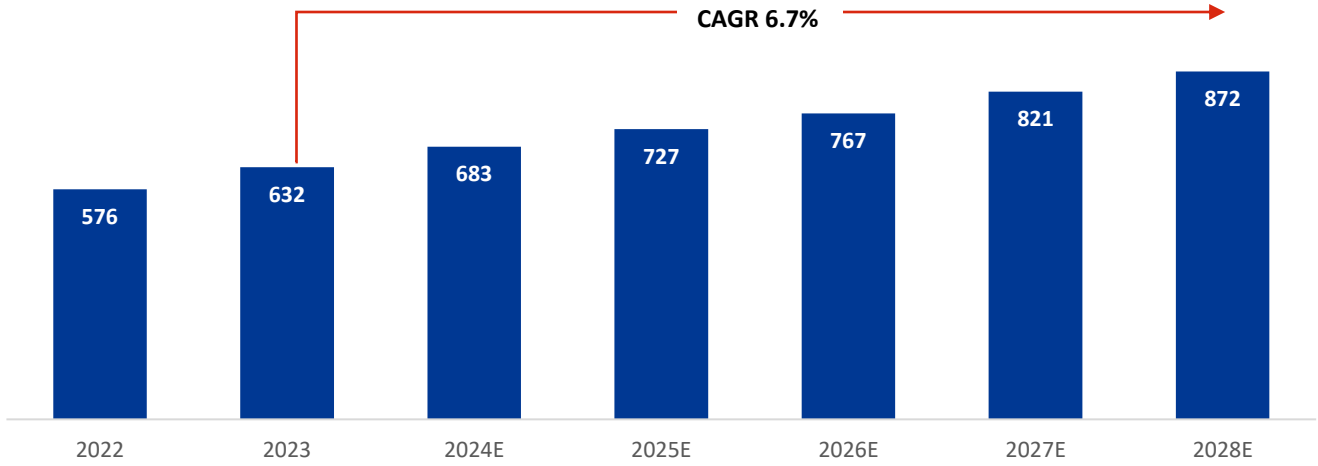
Revenue is expected to grow at a CAGR of 6.7% from AED 632 Mn in FY2023 to AED 872 Mn in FY2028

The E7 Packaging segment was launched in FY2022, offering sustainable packaging material to customers. Revenue from the segment significantly grew from AED 0.5 Mn in FY2022 to AED 16 Mn in FY2023. The revenue from the Packaging segment is projected to grow at a CAGR of 28.6% from AED 16 Mn in FY2023 to AED 55 Mn in FY2028. The E7 Packaging business contributed 2.5% of the total revenue and is anticipated to contribute 6.3% of total revenue in FY2028.

Tawzea segment offers distribution and logistics services to E7 verticals and third-party customers. Revenue from the Distribution segment rose 3.9% from AED 81 Mn in FY2022 to AED 84 Mn in FY2023 and is anticipated to grow at a CAGR of 4.6% to AED 105 Mn in FY2028.

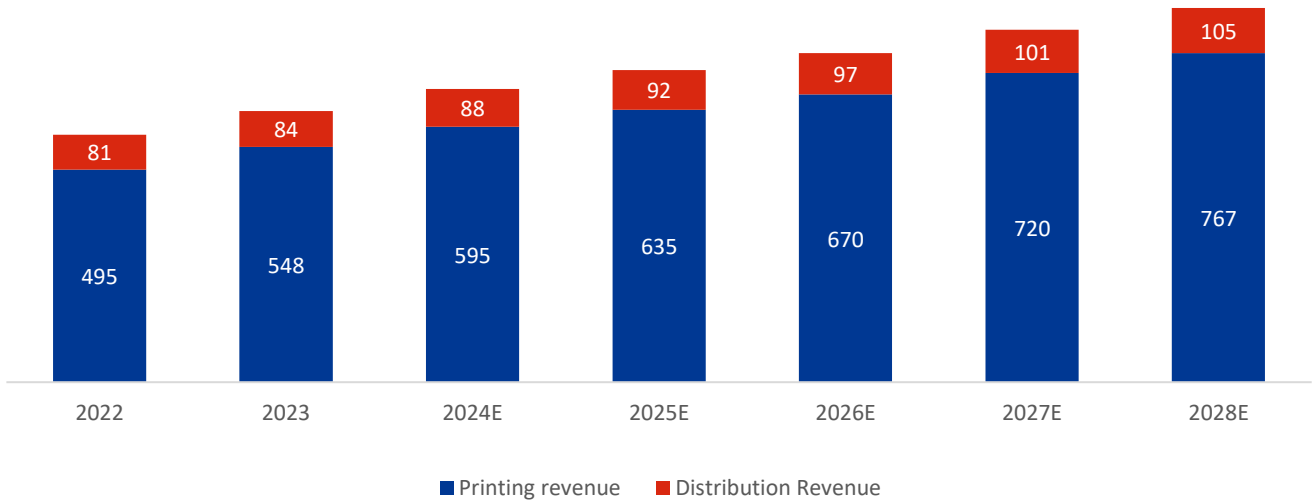
Tawzea (Distribution segment) contributed 13.3% of the total revenue in FY2023 and is expected to contribute 12.1% of total revenue in FY2028.

Figure 15: Total Revenue (AED, Mn)



Source: Company Information, FAB Securities research (2024E-28E)

Figure 16: Revenue Breakdown by Segment (AED, Mn)



Source: Company Information, FAB Securities research (2024E-28E)

EBITDA

EBITDA is expected to grow at a CAGR of 7.2% from AED 171 Mn in FY2023 to AED 242 Mn in FY2028

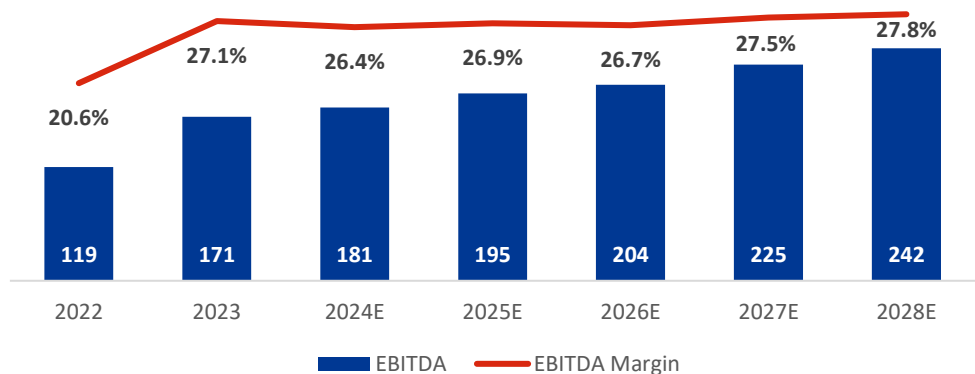
E7's EBITDA substantially grew 44.2% from AED 119 Mn in FY2022 to AED 171 Mn in FY2023, and the EBITDA margin also inclined 648 bps from 20.6% in FY2022 to 27.1% in FY2023. The growth in EBITDA and margins is owing to revenue growth and improved operational efficiency, including the restructuring of E7's logistics business, raw material savings, and strict management of operational expenditure while also focusing on high-margin product segments. Also, the Company was able to secure favorable pricing for important raw materials required for commercial and security printing boasting the EBITDA margin in FY2023. In addition, the Company's EBITDA grew 4.2% YOY to AED 71 Mn in 1H24, primarily driven by the optimization of raw material costs and a focus on high-margin product segments. However, EBITDA margins marginally declined from 23.8% in 1H23 to 23.6% in 1H24.

The Company's direct costs rose 4.9% from AED 412 Mn in FY2022 to AED 432 Mn in FY2023 due to higher raw material and outsourcing costs partially offset by a lower impairment loss on property plant & equipment and lower provision on inventories. Direct cost is expected to grow at a CAGR of 6.9% from AED 432 Mn in FY2023 to AED 604 Mn in FY2028. Direct costs include raw materials, staff costs, outsourcing costs, depreciation of property, plant & equipment, repairs and maintenance, distribution cost, water and electricity, depreciation on right-of-use assets, impairment loss on property plant and equipment, insurance expense, courier and postage, provision for slow-moving & obsolete inventories, and others.

General and administrative expenses (G&A) rose 4.2% from AED 65 Mn in FY2022 to AED 67 Mn in FY2023. G&A expenses are expected to grow at a CAGR of 6.7% from AED 67 Mn in FY2023 to AED 93 Mn in FY2028. Selling and marketing expenses rose from AED 8 Mn in FY2022 to AED 9 Mn in FY2023. Selling and marketing expenses are anticipated to grow at a CAGR of 6.5% from AED 9 Mn in FY2023 to AED 12 Mn in FY2028.

We expect EBITDA to grow at a CAGR of 7.2% from AED 171 Mn in FY2023 to AED 242 Mn in FY2028. In addition, the EBITDA margin is expected to marginally grow from 27.1% in FY2023 to 27.8% in FY2028.

Figure 17: EBITDA (AED, Mn) and Margin (%)



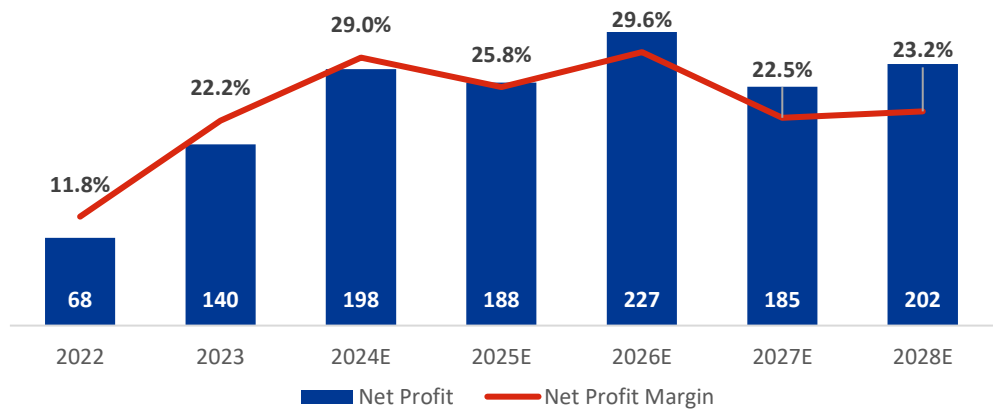
Source: Company Information, FAB Securities research (2024E-28E)

Net profit attributable to equity holders is anticipated to grow at a CAGR of 7.6% from AED 140 Mn in FY2023 to AED 202 Mn in FY2028 (excluding the non-cash listing expense incurred in FY2023)

Net Profit

The Company's net profit is expected to grow at a CAGR of 7.6% from AED 140 Mn in FY2023 to AED 202 Mn in FY2028, excluding the non-cash listing expenses incurred in FY2023. Moreover, the net profit margin of E7, excluding the listing expenses, is expected to increase from 22.2% in FY2023 to 23.2% in FY2028 despite the introduction of corporate tax in the UAE from FY2024. The Company reported a net loss of AED 51 Mn in FY2023 compared to the reported net profit of AED 68 Mn in FY2022. The decline in net profit is attributed to the reporting of non-cash listing expenses of AED 191 Mn in FY2023. Additionally, the Company's net profit grew significantly from AED 52 Mn in 1H23 to AED 91 Mn in 1H24, mainly attributable to higher revenue and finance income.

Figure 18: Net Profit¹ (AED, Mn) and Margin (%)



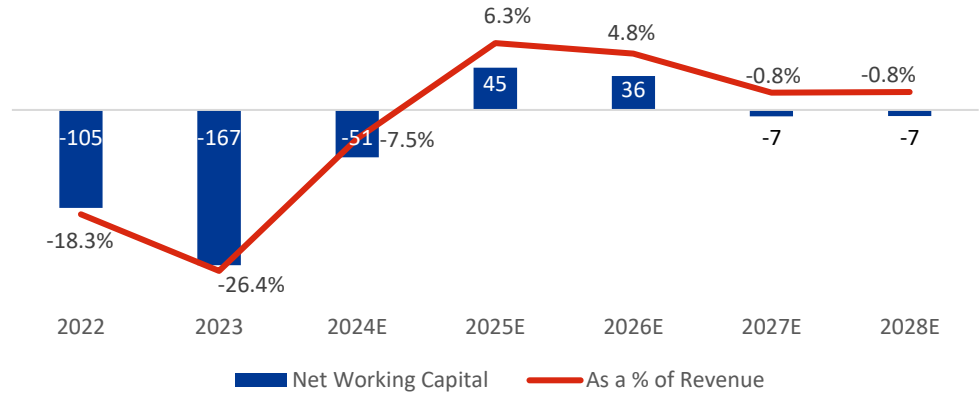
Source: Company Information, FAB Securities research (2024E-28E), ¹Net Profit of FY2023 excluding the non-cash listing expense of AED 191 Mn

Working Capital

We anticipate E7 to generate a cumulative working capital inflow of AED 17 Mn during FY2024-28

E7's working capital comprises inventories, trade and other receivables, trade and other payables due from related parties, due to related parties, and deferred revenues. It invested AED 132 Mn in working capital during FY2023. The Company's receivable days stood at 84 days and 107 days in FY2022 and FY2023, respectively. Its most of the trade receivables are from government entities, so they are highly credit-worthy. The payable days stood at 134 and 125 days during FY2022 and FY2023, respectively. We anticipate receivables days to average 102 days and payable days to average 97 days during FY2024-28. E7's inventory days stood at 164 days and 223 days in FY2022 and FY2023, respectively. We further expect inventory days to average 243 days during FY2024-28. We further project the Company to generate a cumulative inflow of AED 17 Mn in working capital during FY2024-28.

Figure 19: Net Working Capital (AED, Mn) and % of revenue



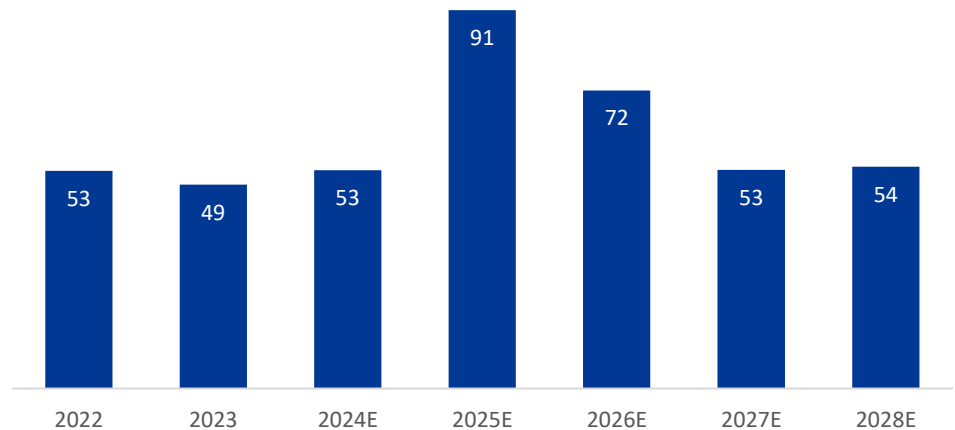
Source: Company Information, FAB Securities research (2024E-28E)

Capital Expenditure

The Company holds healthy cash reserves intending to utilize for organic and inorganic expansion. E7 announced an investment of AED 182 Mn in June 2024 in the ambitious organic expansion of its Security Solutions Segment, E7 Security. The investment is expected to boast passport manufacturing capacity and enable the entry of E7 into the digital tax stamps segment. The investment will incur in the next three years and the facility is anticipated to start operating in FY2026. The Company incurred capex of AED 53 Mn and AED 49 Mn in FY2022 and FY2023, respectively. E7 is planning to expand its reach in diverse geographies and enter into new product segments. Thus, we expect the company to incur a cumulative capex of AED 323 Mn during FY2024-28.

The Company announced an investment of AED 182 Mn in June 2024 for organic expansion into a manufacturing facility to produce tax stamps and increase passport printing capacity

Figure 20: Capital Expenditure (AED, Mn)



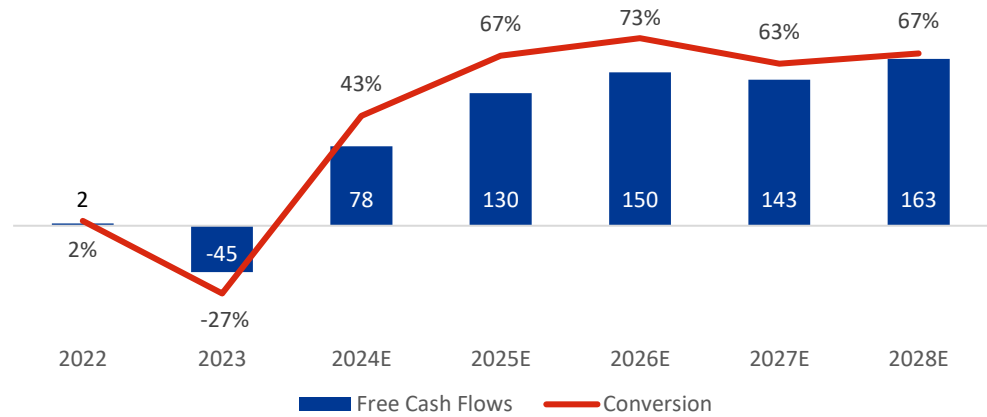
Source: Company Information, FAB Securities Research 2024-28, Capex= (Investment into PPE and Intangible Assets)

E7 is expected to generate a cumulative free cash flow of AED 664 Mn during FY2024-2028

Cash Flow Generation

E7 generated a positive AED 2 Mn and a negative AED 45 Mn free cash flow (FCF) in FY2022 and FY2023, respectively. The lower free cash flow conversion rate in FY2022 and FY2023 is attributed to investment in capex and working capital. We expect E7 to generate robust free cash flow during the forecasted period owing to anticipated healthy operating cash flow. It is expected to generate a cumulative free cash flow of AED 664 Mn during FY2024-28. E7 is also expected to generate an average operating cash flow of AED 197 Mn in FY2024 -28. We expect the FCF conversion ratio to average 63% during FY2024-28.

Figure 21: Free Cash Flows¹ & Conversion² (AED, Mn)



Source: Source: Company Information, FAB Securities Research 2024-28, ¹Free cash flow = Cash flow from operations – Capex on PPE & Intangibles, ²FCF conversion ratio = FCF / EBITDA

Share Warrants

E7 issued public and private warrants during public issue in May 2022. The Public warrant is issued to the common shareholders while the private warrant is issued to sponsors (ADQ, through its Alpha Oryx special purpose vehicle in ADGM, and Chimera Investments). Currently, 18.35 Mn public warrants and 4.59 Mn private warrants are outstanding. These warrants were issued at nil consideration, with one warrant issued for every two Class A shares held. Each warrant enables the warrant holder to purchase one Class A share for AED 1.15 per share. If warrant holders decide to exercise their warrants, the Company may choose to mandate that all holders who want to exercise their public warrants must do so on a "cashless basis". E7 will assess factors such as its cash reserves, outstanding warrants, and potential dilution to shareholders before making this decision. In this scenario, warrant holders would pay the exercise price by surrendering warrants for Class A shares based on the fair market value of those shares at the time of exercise. The exercise price will be paid directly to the Company upon warrant exercise.

The Warrants will become exercisable on the later of (i) 30 days after the completion of the Company's business combination; and (ii) 12 months from the closing of the Offering. The Warrants will expire at 5:00 p.m., UAE time, on 26 December 2026, three years after the completion of the Company's business combination or earlier upon redemption or liquidation. On the exercise of any Warrant, the exercise price for that Warrant will be paid directly to the Company and not placed in the escrow account.

E7 has the right to fully redeem all outstanding Warrants for AED 0.01 each, provided they give at least 30 days written notice before the redemption date. The warrants would be redeemed in whole and not in part. The redemption is conditional upon the shares closing at or above AED 1.8 per share for at least 20 trading days within a specified 30-day period before the notice. As of 31 March 2024, none of these warrants had been exercised.

On 21 December 2023, the Company increased its issued share capital from AED 499.8 Mn to AED 524.8 Mn by issuing unsecured mandatory convertible 25 Mn bonds with a nominal value of AED 1 each amounting to AED 25 Mn to Q Industrial Holdings Limited and these bonds were converted into 10 Mn class A shares of the Company, with a nominal value of AED 2.5 per share. On the same day, these new shares were sold to the E7 through ADX and were classified as treasury shares, to cover the conversion of warrants issued by the Company into shares. The transactions of issuing convertible bonds and treasury shares did not involve any cash inflows and outflows hence, considered as a non-cash transaction. This transaction will prevent the further dilution of E7 shares on warrant exercise.

Financial Statements:

Income Statement, (AED, Mn)

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Revenue	576	632	683	727	767	821	872
Direct costs	-412	-432	-465	-496	-521	-572	-604
Gross Profit	164	200	218	232	245	249	268
G&A expenses	-65	-67	-77	-81	-84	-89	-93
Selling and distribution expenses	-8	-9	-9	-10	-10	-11	-12
Reversal of/ (provision for) impairment loss on financial assets	-35	1	-1	1	1	1	1
Other income	9	7	8	9	9	10	10
Operating profit	66	133	139	151	161	160	175
EBITDA	119	171	181	195	204	225	242
Finance cost	-1	-4	-1	-2	-2	-2	-3
Finance income	3	12	80	57	91	45	50
Profit before non-cash listing expense and tax	68	140	218	206	249	203	222
Non-cash listing expense	0	-191	0	0	0	0	0
Income tax expense	0	0	-20	-19	-22	-18	-20
(Loss)/ Profit for the year	68	-51	198	188	227	185	202
EPS							
Basic	0.10	-0.06	0.10	0.09	0.11	0.09	0.10
Diluted	0.10	-0.06	0.10	0.09	0.11	0.09	0.10
Shares outstanding							
Basic	677	827	1,999	1,999	1,999	1,999	1,999
Diluted	677	827	1,999	1,999	1,999	1,999	1,999

Source: Company Information, FAB Securities research (2024E-28E)

Key Ratios:

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
YoY % Change							
Revenue	65.6%	9.7%	8.1%	6.4%	5.4%	7.1%	6.2%
Gross Profit	453.6%	21.8%	9.1%	6.2%	6.0%	1.4%	7.8%
EBITDA	173.3%	44.2%	4.8%	8.7%	6.7%	-0.6%	9.3%
Net profit ²	NM	106.4%	41.4%	-5.3%	20.8%	-18.6%	9.5%
% Margin							
Gross Profit	28.5%	31.6%	31.6%	31.9%	31.8%	32.0%	30.3%
EBITDA	20.6%	27.1%	26.4%	26.9%	26.7%	27.5%	27.8%
EBIT	11.4%	21.0%	21.0%	20.3%	20.8%	21.0%	19.5%
Net profit margin	11.8%	22.2%	29.0%	25.8%	29.6%	22.5%	23.2%
Return ratios							
ROE	15.9%	8.7%	10.4%	9.0%	9.8%	7.4%	7.5%
ROA	8.8%	7.0%	8.6%	7.5%	8.3%	6.3%	6.4%
ROCE	14.4%	8.0%	7.1%	7.1%	6.8%	6.3%	6.3%
Free Cash Flow							
Free cash flow (FCF)	2	-45	78	130	150	143	163
FCF conversion ¹	1.9%	-26.5%	43.0%	66.5%	73.4%	63.4%	67.4%

Source: Company Information, FAB Securities research (2024E-28E), ¹Free cash flow = Cash flow from operations – Capex on PPE & Intangibles, ² Considered net profit of FY2023 before non-cash listing expense for computation

Balance Sheet (AED, Mn)

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Assets							
Non-current assets							
Property, plant and equipment	266	279	385	437	472	469	466
Right-of-use assets	8	7	16	22	26	30	31
Intangible assets	3	3	3	3	3	3	3
Total non-current assets	277	289	403	461	501	501	501
Current assets							
Inventories	118	176	226	195	168	179	190
Due from related parties	3	6	7	7	8	8	9
Trade and other receivables	157	263	240	236	248	266	282
Cash and bank balances	220	1,285	1,427	1,608	1,799	1,979	2,182
Total current assets	497	1,729	1,900	2,047	2,223	2,432	2,663
Total assets	774	2,018	2,304	2,508	2,725	2,933	3,163
Equity and liabilities							
Equity							
Share capital	156	525	525	525	525	525	525
Share premium	127	1,025	1,025	1,025	1,025	1,025	1,025
Treasury shares	0	-25	-25	-25	-25	-25	-25
Shareholder's contribution	51	51	51	51	51	51	51
Statutory reserve	32	39	39	39	39	39	39
Other reserve	0	0	90	90	90	90	90
Retained earnings	61	3	202	389	616	801	1,003
Total Equity	426	1,618	1,906	2,094	2,321	2,506	2,708
Non-current liabilities							
Provision for employees' end of service benefits	26	28	30	32	34	36	38
Lease liabilities	3	5	12	15	18	20	22
Total non-current liabilities	29	32	41	47	51	56	60
Current liabilities							
Public warrants	0	44	34	34	0	0	0
Private warrants	0	11	8	8	0	0	0
Trade and other payables	258	260	253	275	296	317	337
Current tax payable	0	0	20	19	22	18	20
Due to related parties	8	7	19	9	9	9	10
Deferred revenues	48	44	18	16	17	18	19
Lease liabilities	5	2	5	6	8	9	9
Loan from shareholder	0	0	0	0	0	0	0
Total current liabilities	318	368	357	367	352	372	395
Total liabilities	348	400	398	414	404	428	455
Total equity and liabilities	774	2,018	2,304	2,508	2,725	2,933	3,163

Source: Company Information, FAB Securities research (2024E-28E)

Cash Flow Statement (AED, Mn)

	2022A	2023A	2024E	2025E	2026E	2027E	2028E
Cash flows from operating activities							
(Loss)/ profit for the year	68	-51	218	206	249	203	222
Adjustments for:							
Depreciation of property, plant and equipment	31	33	37	39	36	56	55
Depreciation of right-of-use assets	6	3	5	5	7	9	11
Amortisation of intangible assets	0	0	0	0	0	0	0
Impairment loss on property, plant and equipment	15	2	0	0	0	0	0
Gain on sale of property, plant and equipment	-1	0	0	0	0	0	0
Gain on derecognition of lease liabilities and right-of-use of assets	0	0	0	0	0	0	0
(Reversal of)/ provision for allowance for expected credit losses of trade and other receivables	35	-1	0	0	0	0	0
Non-cash listing expense	0	191	0	0	0	0	0
Provision for slow moving and obsolete inventories	7	1	0	0	0	0	0
Provision for employees' end of service benefits	4	5	5	5	6	6	6
Loss on write-off property, plant and equipment	0	0	0	0	0	0	0
Finance income - net	0	0	-80	-57	-91	-45	-50
Fair value adjustments on warrant liabilities measured at fair value through profit or loss	0	0	0	0	0	0	0
Finance cost on lease liabilities	0	0	0	0	0	0	0
Finance cost on finance asset lease	0	0	0	0	0	0	0
Net loss on warrant liabilities at fair value through profit or loss	0	2	0	0	0	0	0
Interest received on fixed deposits	-2	-12	0	0	0	0	0
Foreign currency exchange (loss)/ gain	-1	0	0	0	0	0	0
Operating cash flows before changes in operating assets and liabilities	163	174	185	199	208	229	246
Working capital changes:							
Inventories	-50	-59	-51	31	28	-11	-11
Due from related parties	9	-3	-1	0	0	-1	-1
Trade and other receivables	-37	-103	22	5	-13	-18	-16
Trade and other payables	-34	3	-7	22	21	21	20
Due to related parties	-2	-1	12	-10	0	1	0
Deferred revenues	8	-3	-26	-2	1	1	1
Cash generated from operations	58	7	134	244	244	222	239
Employees' end of service benefits paid	-3	-3	-3	-3	-4	-4	-4
Taxes paid	0	0	0	-20	-19	-22	-18
Net cash flow from operating activities	55	4	130	221	222	196	217
Cash flow from investing activities							
Payments for property, plant and equipment	-52	-49	-52	-91	-71	-52	-53
Payments for intangible assets	-1	0	-1	-1	-1	-1	-1
Finance income received	2	12	68	57	49	45	50
Proceeds from disposal of property, plant and equipment sale	2	1	0	0	0	0	0
Net cash used in investing activities	-49	-37	15	-34	-23	-7	-4
Cash flow from financing activities							
Principal elements of lease payments	-6	-3	-4	-6	-8	-9	-10
Dividend Paid	0	0	0	0	0	0	0

Total Finance Cost on Lease liabilities	0	0	0	0	0	0	0
Payment of interest on lease liabilities	0	0	0	0	0	0	0
Payment of finance cost on finance asset lease	0	0	0	0	0	0	0
Proceeds from issue of share capital	0	734	0	0	0	0	0
Reduction in Warrant Liabilities	0	0	0	0	0	0	0
Proceeds on acquisition of subsidiary assets	0	368	0	0	0	0	0
Proceeds from shareholder's contribution	51	0	0	0	0	0	0
Net cash generated from financing activities	44	1,099	-4	-6	-8	-9	-10
Net increase in cash and cash equivalents	50	1,066	142	181	191	179	203
Cash and cash equivalent at the beginning of the period	170	220	1,285	1,427	1,608	1,799	1,979
Cash and bank balances at the end of the year	220	1,285	1,427	1,608	1,799	1,979	2,182
Term deposit with original maturity more than 3 months	0	-958	0	0	0	0	0
Cash and cash equivalents at the end of the year	220	328	1,427	1,608	1,799	1,979	2,182

Source: Company Information, FAB Securities research (2024E-28E)

FAB Securities Contacts:

Research Analysts

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com
[Research Website](#)

Sales & Execution

Trading Desk Abu Dhabi Head Office +971-2-6161777 Online Trading Link
Trading Desk Dubai DFM Branch +971-4-5659593
Institutional Desk +971-4-5658595
Sales and Marketing +971-2-6161641

Customer Service

Abu Dhabi Office +971-2-6161600

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