

## Emirates Telecommunications Group Co (e&)

Growth in subscriber base supported topline

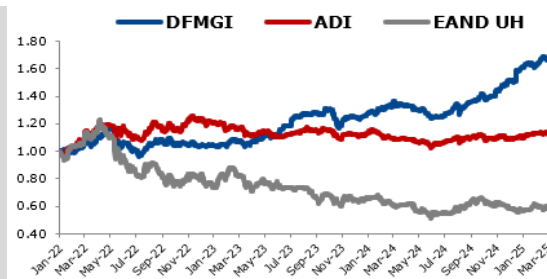
**Current Price**  
AED 16.72

**Target Price**  
AED 22.00

**Upside/Downside (%)**  
+32%

**Rating**  
BUY

- E&'s operating expenses rose 22.8% YOY to AED 11,284 Mn in 4Q24, owing to the consolidation of e& PPF Telecom and the new acquired digital entities.
- The subscriber base rose 11.7% YOY to 189.3 Mn in 4Q24 with the addition of over 10 Mn new subscribers across Bulgaria, Hungary, Serbia, and Slovakia attributed to the acquisition of PPF telecom assets.
- Total EBITDA grew 8.5% YOY to AED 7,016 Mn in 4Q24, whereas the EBITDA margin fell from 47.1% in 4Q23 to 42.6% in 4Q24.
- The Board of Directors has approved a final dividend of 41.5 fils per share for 2H24.



### 4Q24 Net Profit lower than our estimate

Emirates Telecommunications Group Co PJSC (e&/The Company) net profit declined 12.3% YOY to AED 2,295 Mn in 4Q24, lower than our estimate of AED 2,534 Mn. The decline in net profit is mainly driven by an increase in operating expenses, impairment loss on trade receivables, net finance & other cost and tax expense partially offset by a rise in revenue, share of results of associates and JV coupled with decline in federal royalty.

### P&L Highlights

e&'s total revenue rose 19.9% YOY to AED 16,473 Mn in 4Q24, driven by strong performance across all the verticals. e& UAE revenue grew 6.2% YOY to AED 8,502 Mn in 4Q24, driven by higher mobile and other revenue. The growth was fueled by innovative bundle packages, advanced network infrastructure, an exceptional customer experience, and favorable macroeconomic conditions. On the other hand, the e& international revenue grew 35.5% YOY to AED 6,717 Mn in 4Q24, driven by growth across all the geographical segments. Excluding e& PPF telecom, in constant currency, international revenue increased 16.7% YOY in 4Q24, partially offset by the devaluation of the Egyptian Pound and Franc. Marco Telecom Group's revenue increased 3.4% YOY to AED 3,253 Mn in 4Q24, mainly due to a favorable exchange rate. In local currency, revenue increased by 1.4% YOY, primarily driven by robust performance from Moov Africa Subsidiaries, which grew 6.6% YOY in constant currency. The growth helped offset the decline in revenues from Morocco. Moreover, e& Egypt's revenue rose 4.5% YOY to AED 1,039 Mn in 4Q24 despite the devaluation of the Egyptian Pound. In constant currency, revenues rose by 67.2% YOY, driven by an expanding customer base, increased usage, and price hikes on services. Revenue from PTCL Group surged

### Stock Information

Market Cap (AED, mn)	145,409.73
Paid Up Capital (mn)	8,696.75
52 Week High	19.00
52 Week Low	14.90
3M Avg. daily value (AED)	36,060,640

### 4Q24 Result Review (AED, mn)

Total Assets	182,950
Total Liabilities	129,054
Total Equity	53,896
EBITDA	7,016
Net Profit	2,295

### Financial Ratios

Dividend Yield (12m)	4.87
Dividend Pay-out (%)	45.02
Price-Earnings Ratio(x)	9.07
Price-to-Book Ratio (x)	3.19
Book Value (AED)	5.24
Return-on Equity (%)	24.38

### Stock Performance

5 Days	-2.68%
1 Months	-1.30%
3 Months	0.36%
6 Months	-10.01%
1 Year	-7.21%
Month to Date (MTD%)	0.24%
Quarter to Date (QTD%)	2.45%
Year to Date (YTD%)	2.45%

18.1% YOY to AED 782 Mn in 4Q24. The growth was primarily driven by higher data and voice revenues, supported by a larger mobile customer base and improved network capabilities. Besides, Etisalat Afghanistan's revenue grew 20.1% YOY to AED 185 Mn in 4Q24. E& PPF telecom's revenue stood at AED 1,458 Mn in 4Q24 as a result of the consolidation of PPF in October 2024. Moreover, revenue from e& Enterprise rose 3.0% YOY to AED 881 Mn in 4Q24 due to a growth in cloud services and cybersecurity. E& Life's revenue grew from AED 238 Mn in 4Q23 to AED 569 Mn in 4Q24 due to the consolidation of Careem Technologies, supported by an increase in the number of active subscribers, Gross Transaction Value (GTV), and the expanded range of services. e&'s operating expenses rose 22.8% YOY to AED 11,284 Mn in 4Q24, owing to the consolidation of e& PPF Telecom and the new acquired digital entities. Total impairment loss on trade receivables and other assets increased from AED 356 Mn in 4Q23 to AED 1,463 Mn in 4Q24 due to a one-off in impairments. The share of profits from associates and joint ventures rose significantly from AED 276 Mn in 4Q23 to AED 880 Mn in 4Q24. e&'s federal royalty declined 30.1% YOY to AED 1,257 Mn in 4Q24, owing to the new royalty regime. As a result, the Company's operating profit increased 25.3% YOY to AED 3,349 Mn in 4Q24. Total EBITDA grew 8.5% YOY to AED 7,016 Mn in 4Q24 whereas the EBITDA margin fell from 47.1% in 4Q23 to 42.6% in 4Q24. Etisalat's UAE EBITDA rose 5.9% YOY to AED 4,324 Mn in 4Q24 due to growth in revenue and cost-control measures. e& International EBITDA increased 34.3% YOY to AED 2,948 Mn in 4Q24 due to exceptional performance in Egypt and Pakistan, coupled with the consolidation of e& PPF Telecom. EBITDA for e& Enterprises fell from AED 109 Mn in 4Q23 to negative AED 45 Mn in 4Q24 attributed to impact of a one-off item, while e& Life reported a negative EBITDA of AED 163 Mn in 4Q24 compared to positive AED 27 Mn in 4Q23, mainly due to the consolidation impact of Careem Technology. Finance and other income fell 33.9% YOY to AED 974 Mn in 4Q24, whereas finance and other costs rose significantly from AED 896 Mn in 4Q23 to AED 1,244 Mn in 4Q24. The Company recorded an income tax expense of AED 712 Mn in 4Q24 compared to AED 471 Mn in 4Q23. Share of NCI fell from AED 163 Mn in 4Q23 to AED 71 Mn in 4Q24.

### Balance Sheet Highlights

e&'s consolidated capex rose from AED 2.5 Bn in 4Q23 to AED 4.3 Bn in 4Q24, owing to renewal of licenses and consolidation impact of PPF Telecom. The capital intensity ratio rose from 18% in 4Q23 to 26% in 4Q24. The Company's domestic capex fell 8.5% YOY to AED 964 Mn in 4Q24, while the capex in international markets stood at AED 3.2 Bn in 4Q24. e&'s total debt increased to AED 69.2 Bn in 4Q24, compared to AED 49.0 Bn in 4Q23. The net debt to EBITDA ratio stood at 1.3x in 4Q24. Cash balance stood at AED 33.6 Bn in 4Q24, up from AED 25.7 Bn in 4Q24. Free cash flow stood at AED 14.1 Bn in FY2024, up from AED 13.8 Bn in FY2023.

### Target Price and Rating

We maintain our BUY rating on e& with a revised target price of AED 22.0. The Company's witnessed solid financial performance in FY2024 benefitting from the robust momentum in the telecom sector, supported by improved operational performance and expansion in digital offerings. The subscriber base rose 11.7% YOY to 189.3 Mn in 4Q24 with the addition of over 10 Mn new subscribers across Bulgaria, Hungary, Serbia, and Slovakia attributed to the acquisition of PPF telecom assets. The acquisition enhances the Company's global footprint and unlocks scalable digital solutions. Furthermore, e&'s acquisition of GlassHouse, expanded its cloud, data, and SAP capabilities in Türkiye, South Africa, and Qatar, reinforcing its leadership in enterprise digital transformation. e& PPF Telecom Group signed an agreement to acquire 100% of SBB Serbia for EUR 825 Mn, aiming to create a leading converged operator in Serbia by combining SBB with its mobile subsidiary Yettel. The acquisition supports e&'s strategy to expand in Central Eastern Europe, diversify revenue, and enhance market competitiveness. The Company's recent acquisitions are expected to enhance its service offerings and drive top-line growth. The Company projects the revenue to grow by 17-20% on a YOY basis in FY2025. e& agreed to divest its 40% stake in Khazna for USD 2.2 Bn, unlocking value and generating a capital gain of USD 1.4 Bn. The proceeds will lower e&'s debt and strengthen its financial flexibility, while it remains a strategic partner and major tenant of Khazna. E& incurred higher direct costs in FY2024 due to the consolidation of PPF Telecom assets. Going forward, the Company expects the EBITDA margin to be recorded at c.43% in FY2025. The Board of Directors has approved a final dividend of 41.5 fils per share for 2H24, bringing the total annual dividend to 83 fils per share, in line with the new progressive dividend policy of an incremental increase of AED 0.03 set by the Board for FY2024-26 and bringing the DPS to AED 0.89 per share for FY2026. e& also maintained

a strong balance sheet, with a net debt to EBITDA ratio of 1.3x, providing substantial room for financing opportunities through leverage. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

**e& - Relative valuation**

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	16.11	15.61	14.53	14.11	13.52	13.2
PB	2.97	3.06	3.44	3.41	3.19	2.9
EV/EBITDA	5.76	5.71	6.42	6.68	6.73	6.2
Dividend yield	7.2%	4.8%	4.8%	4.8%	5.0%	5.1%

*FABS Estimates & Co Data*
**e& - P&L**

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY	QOQ	2023	2024	Change
Revenues	13,738	14,424	16,473	15,456	6.6%	19.9%	14.2%	53,752	59,203	10.1%
Operating expenses	-9,186	-9,542	-11,284	-10,324	9.3%	22.8%	18.3%	-34,372	-39,479	14.9%
Imp loss on trade recv.	-356	-225	-1,463	-314	NM	NM	NM	-981	-2,138	NM
Share of results of assoc.	276	451	880	441	99.4%	NM	95.4%	761	2,475	NM
<b>Operating profit before federal royalty</b>	<b>4,472</b>	<b>5,107</b>	<b>4,606</b>	<b>5,259</b>	<b>-12.4%</b>	<b>3.0%</b>	<b>-9.8%</b>	<b>19,161</b>	<b>20,061</b>	<b>4.7%</b>
Federal royalty	-1,799	-1,276	-1,257	-1,386	-9.3%	-30.1%	-1.5%	-6,329	-5,282	-16.5%
<b>Operating profit</b>	<b>2,673</b>	<b>3,831</b>	<b>3,349</b>	<b>3,873</b>	<b>-13.5%</b>	<b>25.3%</b>	<b>-12.6%</b>	<b>12,832</b>	<b>14,779</b>	<b>15.2%</b>
<b>EBITDA</b>	<b>6,469</b>	<b>6,488</b>	<b>7,016</b>	<b>7,720</b>	<b>-9.1%</b>	<b>8.5%</b>	<b>8.1%</b>	<b>26,117</b>	<b>26,454</b>	<b>1.3%</b>
Finance and other inc.	1,474	561	974	569	71.2%	-33.9%	73.5%	3,795	2,733	-28.0%
Finance and other costs	-896	-700	-1,244	-1,047	18.9%	38.8%	77.7%	-3,928	-5,212	32.7%
<b>Profit before tax</b>	<b>3,250</b>	<b>3,692</b>	<b>3,078</b>	<b>3,395</b>	<b>-9.3%</b>	<b>-5.3%</b>	<b>-16.6%</b>	<b>12,698</b>	<b>12,300</b>	<b>-3.1%</b>
Income tax expense	-471	-592	-712	-510	39.7%	51.1%	20.4%	-1,554	-1,717	10.4%
<b>Profit for the period</b>	<b>2,779</b>	<b>3,100</b>	<b>2,366</b>	<b>2,885</b>	<b>-18.0%</b>	<b>-14.9%</b>	<b>-23.7%</b>	<b>11,144</b>	<b>10,583</b>	<b>-5.0%</b>
Non-controlling interest	163	138	71	351	-79.8%	-56.6%	-48.6%	840	-169	120.1%
<b>Net Profit</b>	<b>2,616</b>	<b>2,963</b>	<b>2,295</b>	<b>2,534</b>	<b>-9.4%</b>	<b>-12.3%</b>	<b>-22.5%</b>	<b>10,305</b>	<b>10,752</b>	<b>4.3%</b>

*FABS estimate & Co Data*
**e& - Margins**

	4Q23	3Q24	4Q24	YOY	QOQ	2023	2024	Change
Operating profit	19.5%	26.6%	20.3%	88	-623	23.9%	25.0%	11
EBITDA	47.1%	45.0%	42.6%	-450	-239	48.6%	44.7%	-39
Net profit	19.0%	20.5%	13.9%	-511	-661	19.2%	18.2%	-10

*FABS estimate & Co Data*

## Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	21.99	70.0%	15.40
EV/EBITDA	22.02	30.0%	6.61
<b>Weighted Average Valuation (AED)</b>			<b>22.0</b>
Current market price (AED)			16.72
Upside/Downside (%)			+32%

### 1) DCF Method:

e& is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.6%. It is arrived after using cost of equity of 10.0% and after-tax cost of debt of 4.9% with debt-to-equity ratio of 47.6%. Cost of equity is calculated by using 10-year government bond yield of 4.5%, beta of 1.0 and equity risk premium of 4.8%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Cost of debt is calculated using cost of 4.9% after adjusting a tax rate of 14.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	53,262
Terminal value (AED, Mn)	143,421
<b>FV to Common shareholders (AED, Mn)</b>	<b>196,683</b>
No. of share (Mn)	8,697
Current Market Price (AED)	16.72
Net debt as of December 2024	-30,304
Minority Interest (AED, mn)	-8,332
Mobily share included in E&	12,871
Vodafone share included in E&	12,365
<b>Total Equity Value</b>	<b>191,284</b>
<b>Fair Value per share (AED)</b>	<b>21.99</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
EBIT * (1-tax rate)	14,595	15,373	16,089	16,731	17,284
Depreciation & Amortization	8,057	8,708	9,359	9,380	10,062
(-) Changes in Working Capital	2,222	-717	526	853	388
(-) Capex	-11,150	-11,753	-12,300	-12,781	-13,876
<b>Free Cash Flow to Firm (FCFF)</b>	<b>13,725</b>	<b>11,611</b>	<b>13,674</b>	<b>14,183</b>	<b>13,858</b>
Discounting Factor	0.93	0.86	0.79	0.73	0.67
<b>Discounted FCFF</b>	<b>12,818</b>	<b>9,983</b>	<b>10,825</b>	<b>10,337</b>	<b>9,299</b>

Source: FAB Securities, <sup>1</sup>FCFF adjusted for partial year

## 2) Relative Valuation:

We have used international peers to value e&, which is valued using the EV/EBITDA multiple. It is valued at a 2024 EV/EBITDA multiple of 6.9x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Saudi Telecom	60,925	9.2	8.1	10.2	15.1
Mobile Telecommunication Company	6,714	6.0	5.6	9.6	8.6
Verizon Communication	184,680	7.1	6.9	9.4	9.0
SAFARICOM PLC	5,604	4.5	3.8	11.1	9.2
Deutsche Telekom AG	184,138	7.5	7.1	16.8	15.0
Telstra Group Limited	30,274	7.9	7.6	21.8	20.2
Mobily	12,611	7.3	6.9	14.2	13.2
Ooredoo Q.P.S.C	10,884	4.5	4.5	10.0	10.1
Emirates Integrated Telecommunications Co.	10,000	5.4	5.4	14.2	14.3
Oman Telecommunications Company	1,587	4.9	4.8	8.7	8.0
<b>Average</b>		<b>6.4x</b>	<b>6.0x</b>	<b>12.6x</b>	<b>12.3x</b>
<b>Median</b>		<b>6.5x</b>	<b>6.2x</b>	<b>10.7x</b>	<b>11.7x</b>
<b>Max</b>		<b>7.4x</b>	<b>7.0x</b>	<b>14.2x</b>	<b>14.9x</b>
<b>Min</b>		<b>5.0x</b>	<b>4.9x</b>	<b>9.7x</b>	<b>9.0x</b>

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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