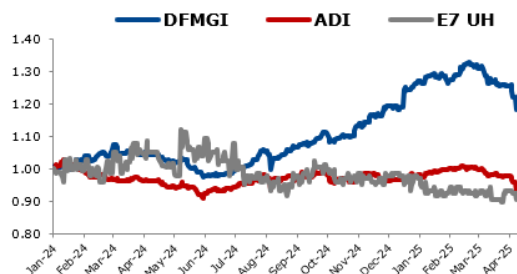


E7 Group PJSC

New contract win coupled with strategic partnerships boosted the top-line growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.02	AED 1.50	+47.1%	BUY

- E7 revenues rose 24.4% YOY to AED 209 Mn in 4Q24, driven by a strong growth performance across the Security Solutions and Packaging segments.
- The Company expects double-digit revenue growth and single-digit EBITDA growth in 2025.
- E7 maintains a strong cash position of AED 1.4 Bn in 2024, which is expected to support its inorganic growth.
- The Company proposed a maiden dividend of 7.36 fils per share for 2024, resulting in a dividend yield of 7.2% in 2024.



Stock Information

Market Cap (AED, mn)	2,039.24
Paid Up Capital (mn)	499.81
52 Week High	1.30
52 Week Low	0.93
3M Avg. daily value (AED)	437,186

4Q24 Result Review (AED, mn)

Total Assets	2,390
Total Liabilities	448
Total Equity	1,942
EBITDA	61
Net Profit	69

Financial Ratios

Dividend Yield (12m)	7.20%
Dividend Pay-out (%)	63%
Price-Earnings Ratio(x)	8.7
Price-to-Book Ratio (x)	1.1
Book Value (AED)	0.97
Return-on Equity (%)	12.0

Stock Performance

5 Days	-0.97%
1 Months	0.99%
3 Months	0.00%
6 Months	-5.56%
1 Year	-10.21%
Month to Date (MTD%)	-1.92%
Quarter to Date (QTD%)	-1.92%
Year to Date (YTD%)	-5.56%

4Q24 Net Profit higher than our estimate

E7 Group's (E7/the Company) net profit increased significantly from AED 40 Mn in 4Q23 to AED 69 Mn in 4Q24, higher than our estimate of AED 57 Mn. The rise in the net profit is mainly attributable to significant growth in revenue and lower finance cost, partially offset by an increase in direct cost, selling and marketing expenses and tax charges.

P&L Highlights

E7's revenue rose 24.4% YOY to AED 209 Mn in 4Q24, primarily driven by a strong performance across the Security Solutions and Packaging segments. Revenue from Printing Segment rose 31.3% YOY to AED 184 Mn, whereas the revenue from Distribution Segment shrank 10.7% YOY to AED 22 Mn in 4Q24. The Company's direct cost grew 20.5% YOY to AED 136 Mn in 4Q24. Resultantly, the gross profit rose 32.4% YOY to AED 74 Mn, with an increase in gross margins of 213 bps YOY to 35.2% in 4Q24. G&A expenses rose 2.9% YOY to AED 21 Mn in 4Q24, mainly due to a rise in staff costs and professional fees. Selling & distribution expenses surged from AED 2 Mn in 4Q23 to AED 4 Mn in 4Q24. The Company recorded a provision of impairment loss on financial assets of AED 0.2 Mn compared to a nil provision/reversal in 4Q23. Other income increased from AED 2 Mn in 4Q23 to AED 3 Mn in 4Q24. Thus, E7's operating income grew 49.3% YOY to AED 52 Mn and the operating margin expanded 412 bps YOY to 24.7% in 4Q24. Moreover, the Company's EBITDA increased 28.9% YOY to AED 61 Mn, while the EBITDA margin grew 101 bps YOY to 29.0% in 4Q24. E7's finance income grew significantly from AED 8 Mn in 4Q23 to AED 26 Mn in 4Q24, driven by interest in fixed deposits and fair value gain adjustments on warrant liabilities. The Company recorded a tax expense of AED 7 Mn in 4Q24, mainly due to the introduction of corporate tax in UAE from 2024.

Balance Sheet Highlights

E7's cash and cash equivalents stood at the same level at AED 1.44 Bn in 4Q24 compared to 3Q24. The Company's net cash generated from operating activities declined from AED 52 Mn in 4Q23 to negative AED 8 Mn in 4Q24, primarily due to investment in working capital. Free cash flow declined from positive AED 43 Mn in 4Q23 to negative AED 32 Mn in 4Q24.

Target Price and Rating

We maintain our BUY rating on E7 with a target price of AED 1.50. The Company recorded strong profitability growth driven by higher revenue and EBITDA in 4Q24. The Company's revenue and EBITDA grew 24.4% YOY and 28.9% YOY, respectively, during 4Q24. E7 has long-term contracts with more than 70% of recurring revenues, providing strong revenue visibility. Moreover, the Company obtained a new contract worth AED 120 Mn for security printing related to passports and ID cards. Alongside, E7 also collaborated with Diletta GmbH to print high-security travel and identity documents, which is expected to boost revenue. The Company also added industry certifications, which enabled it to become a unique player and create a significant barrier for new entrants. Revenue from the Security Solutions Segment rose 17.0% YOY during 2024, attributed to growth in government and international contracts. For packaging, the Company launched a new flexo label line and obtained BRCGS gluten-free certification to enhance its capabilities and offerings. In the Printing segment, the Company's literacy platform included English, French, and Arabic to cater to all public and private institutions in 2024. In addition, E7 has secured two new partnerships with Kutubee and SchoolVoice to deliver innovative and secure digital educational solutions. Additionally, E7's Tawzea division continued to grow its client portfolio through new contract acquisitions across both retail and government sectors. The Company's strong focus across all the business segments is expected to drive revenue going forward. The Company also expects double-digit revenue growth and single-digit EBITDA growth in 2025. Moreover, E7 has allocated AED 182 Mn in capex to expand its passport production capacity and initiate digital tax stamp production. The Company is also actively exploring M&A opportunities to support inorganic growth, particularly in the digital ID and sustainable packaging segments. E7 maintains a strong cash position of AED 1.4 Bn, which is expected to support its inorganic growth. Furthermore, E7 adopted a dividend policy to distribute at least 50% of annual net profit as dividends. In line with its dividend policy, the Company proposed a maiden dividend of 7.36 fils per share for 2024, resulting in a dividend yield of 7.2% in 2024. Thus, considering all these factors, we assign a BUY rating on the stock.

E7 - Relative valuation

(at CMP)	2023	2024	2025F
PE	NM	8.7	9.9
PB	1.3	1.1	1.0
EV/EBITDA	4.4	3.1	2.5
Dividend yield	NA	7.2%	5.0%

FABS Estimates & Co Data

* E7 was listed on ADX post-merger between ADC (Acquisition Corporation PJSC) and United Printing & Publishing (UPP) as a result previous financial won't be comparable.

E7 – P&L

AED mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Revenue	168	191	209	192	9.3%	24.4%	9.7%	632	701	11.0%
Direct Cost	-113	-123	-136	-129	5.6%	20.5%	10.8%	-432	-471	9.0%
Gross Profit	56	68	74	63	16.9%	32.4%	7.8%	200	230	15.2%
G&A expenses	-20	-21	-21	-21	1.2%	2.9%	-2.4%	-67	-80	18.8%
S&M expenses	-2	-2	-4	-3	26.7%	50.4%	74.3%	-9	-10	16.6%
Reversal/ (provision for) impair loss on financial assets	0	2	0	2	NM	NM	NM	1	5	NM
Other Income	2	2	3	3	-11.2%	64.6%	59.3%	7	8	7.7%
EBIT	35	49	52	45	16.1%	49.3%	5.6%	133	153	15.3%
EBITDA	47	59	61	54	13.3%	28.9%	3.1%	171	191	11.6%
Finance Cost	-3	0	-2	-1	NM	-43.6%	NM	-4	-3	-38.9%
Finance Income	8	32	26	18	40.1%	NM	-18.7%	12	106	NM
Profit before tax	40	81	76	62	21.5%	91.4%	-5.8%	140	257	83.0%
Income tax expense	0	-7	-7	-6	24.3%	NM	-3.7%	0	-23	NM
Profit / (loss) for the year	40	73	69	57	21.2%	73.8%	-6.0%	140*	233	66.4%

FABS estimate & Co Data,

*Net Profit for FY2023 is excluding the non-cash listing expenses, including the non-cash listing expenses of AED 191.3 Mn, the company recorded a net loss of AED 51.1 Mn in FY2023.

E7 - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	YOY Ch
Gross profit	33.0%	35.8%	35.2%	213	-63	31.6%	32.8%	120
Operating Profit	20.6%	25.6%	24.7%	412	-96	21.0%	21.8%	82
EBITDA	28.0%	30.9%	29.0%	101	-187	27.0%	27.2%	16
Net profit	23.6%	38.4%	32.9%	936	-550	22.2%	33.3%	1,110

FABS estimate & Co Data

Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.53	70.0%	1.07
Relative Valuation (RV)	1.43	30.0%	0.43
Weighted Average Valuation (AED)			1.50
Current market price (AED)			1.02
Upside/Downside (%)			+47.1%

1) DCF Method:

E7 is valued using free cash flow to equity since the Company is debt-free. We have discounted the cash flow using the cost of equity of 8.7%. Cost of equity is calculated by using a 10-year government bond yield of 5.2%, beta of 0.76 and an equity risk premium of 4.6%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	773
Terminal value (AED, Mn)	2,295
FV to Common shareholders (AED, Mn)	3,068
No. of share (Mn)	1,999
Current Market Price (AED)	1.02
Fair Value per share (AED)	1.53

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Net profit	205	197	195	212	222
(+/-) Depreciation & amortization	38	44	66	68	71
(+/-) CAPEX	-94	-74	-55	-56	-57
(+/-) Working Capital	30	104	-5	-4	-2
Net change in debt	-4	-6	-7	-9	-10
Free Cash Flow to Equity (FCFE)	175	264	194	212	224
Discounting Factor	0.94	0.87	0.80	0.73	0.67
Discounted FCFE	82	229	154	155	151

Source: FAB Securities

2) Relative Valuation:

We have used international peers to value E7 and it is valued using the EV/EBITDA multiple. It is valued at a 2025 EV/EBITDA multiple of 6.9x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Beijing Shengtong Printing Co., Ltd	591	37.2x	25.0x	NM	118.4x
Raksul Inc.	421	10.7x	8.7x	23.2x	20.2x
Cimpress Plc	1,065	5.8x	5.0x	12.0x	10.7x
Dai Nippon Printing Co., Ltd	6,235	6.0x	6.0x	8.2x	9.5x
KOSAIDO Holdings Co., Ltd	490	7.8x	7.5x	13.4x	12.7x
TOPPAN Holdings Inc	7,982	5.9x	5.0x	13.7x	14.3x
Average		12.2x	9.5x	14.1x	31.0x
Median		6.9x	6.7x	13.4x	13.5x
Max		10.0x	8.4x	13.7x	18.7x
Min		5.9x	5.3x	12.0x	11.2x

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

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