FAB SECURITIES أبوظبي الأول للأوراق المالية

Earnings Call Insight | 1Q25

UAE Equity Research   Sector: Telecommunications   Market: ADX

Etisalat (e&)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 17.40	AED 22.00	+26.4%	BUY

1Q25 Net Profit higher than our estimate

- Revenue grew 18.7% YOY to AED 16.9 Bn in 1Q25, driven by robust growth across the International segment attributable to the acquisition of PPF telecom. e&'s revenue rose 8.0% YOY on LFL basis in constant currency and 4.4% in reported currency during 1Q25.
- Total subscribers increased 12.9% YOY to 194.8 Mn in 1Q25 supported by strong acquisition activities across domestic and international market. On LFL basis, e& subscriber base increased 5.4% YOY in 1Q25.
- Operating expenses increased 19.9% YOY to AED 11.5 Bn in 1Q25 due to the consolidation of PPF Telecom and newly acquired entities under the digital verticals, along with inflationary pressures, including higher staff and network costs. Additionally, marketing spends rose to sustain revenue growth momentum.
- Federal royalty increased significantly from AED 1.3 Bn in 1Q24 to AED 3.3 Bn in 1Q25.
- EBITDA rose 15.4% YOY to AED 7.4 Bn in 1Q25, while EBITDA margin increased 125 bps YOY to 43.6%.
- Finance and other income increased from AED 639 Mn in 1Q24 to AED 5.4 Bn in 1Q25, owing to the divestment of a 40% stake in Khazna, which generated a one-off capital gain of AED 5.1 Bn.
- Net profit increased significantly from AED 2.3 Bn in 1Q24 to AED 5.4 Bn in 1Q25 driven by capital gain.
- Capex rose 46.4% YOY to AED 2.4 Bn in 1Q25, primarily due to a rise in the International segment capex which almost doubled from AED 840 Mn in 1Q24 to AED 1.7 Bn in 1Q25.
- Total assets grew 30.2% YOY and 5.1% QOQ to AED 192.2 Bn in 1Q25, mainly driven by an increase in goodwill & intangible assets, investments in associates and JVs, and cash & bank balance.

Earnings Call Summary

- e& PPF Telecom acquired 100% of SBBs in Serbia for EUR 825 Mn on a cash and debt-free basis. SBBs is the second-largest player in the Serbian market for fibre growth bands.
- Divested 40% stake in Khazna for AED 8.0 Bn, realizing a capital gain of AED 5.1 Bn before royalty and corporate tax and the proceeds will be used to reduce the Company's debt, enhancing financial flexibility and strengthening its credit profile.
- The aggregate subscriber base reached 194.8 Mn, up 12.9% YOY. e& UAE, representing 7.8% of total subscribers, grew 5.3% YOY to 15.3 Mn, while e& International, accounting for the remainder, grew 13.6% YOY to 179.5 Mn, mainly due to outstanding performance in Egypt and Pakistan.
- Maroc Telecom will pay MAD 4.38 Bn to Inwi, settling a competition dispute originally set at MAD 6.38 Bn. Both companies also agreed to form two joint ventures for fiber infrastructure and telecom towers, which will eliminate all anti-competitive practices.
- e& recorded double-digit revenue growth in Pakistan and Asia. The subscriber base of Pakistan increased 3.7% YOY to 28.8 Mn subscribers due to strong demand for data and corporate solution services.
- In the UAE, capex expenditure declined 7.0% YOY to AED 664 Mn in 1Q25, with a capex intensity of 7.9%, which is mainly used for network modernization, 5G network expansion and fiber deployment.
- Investment focus on expansion of TTH enhancement to support business growth and partnered with PayPal to advance digital resilience for corporate clients.
- Life is shaping the future of digital experience, especially in FinTech, LifeSpy, and entertainment. e& life revenue rose 33.9% YOY to AED 0.6 Bn in 1Q25.
- e& money reached a major milestone as the number of cards issued surpassed 1 Mn, with registered users of 1.68 Mn in 1Q25. STARZ reached more than 8 Mn installations in 1Q25, growing more than 2.1 Mn on QOQ basis.

- UAE revenue in 1Q25 was impacted due to seasonality and Ramadan falling during this quarter. The management anticipates strong growth from UAE in the remaining quarters of 2025 despite a slowdown in non-core revenue
- Launch of new digital brand in Morocco will lead to a positive impact
- Decline in interest cost is mainly due to gain in hedge accounting
- e& repaid debt of AED 1.9 Bn before maturity, to replace high-cost debt with lower interest
- GTV of Careem declined on QOQ basis due to Ramadan falling in 1Q25
- EBITDA margin is expected to improve due to product mix and efficiency gain throughout the year
- The ongoing product mix change in cloud and VX is both a short-term and structural shift. It is growing the share of services in cloud resale to benefit from both product and service sales
- The management is hopeful about the growth in Morocco, owing to the sports events happening in 2025 and the regulatory approval of restricted price plans

Etisalat – P&L

AED mm	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Revenue	14,214	16,473	16,864	17,408	-3.1%	18.7%	2.4%
Operating expenses	-9,614	-11,284	-11,526	-11,872	-2.9%	19.9%	2.1%
Op. profit before federal royalty	**4,810**	**4,606**	**5,065**	**5,675**	**-10.8%**	**5.3%**	**10.0%**
Federal royalty	-1,345	-1,257	-3,277	-1,828	79.3%	NM	NM
Operating profit	**3,465**	**3,349**	**1,788**	**3,847**	**-53.5%**	**-48.4%**	**-46.6%**
EBITDA	**6,376**	**7,016**	**7,355**	**7,550**	**-2.6%**	**15.4%**	**4.8%**
Profit before tax	**2,943**	**3,078**	**6,440**	**3,482**	**85.0%**	**NM**	**NM**
Income tax expenses	-484	-712	-887	-487	82.1%	83.4%	24.5%
Net Profit	**2,330**	**2,295**	**5,355***	**2,815**	**90.2%**	**NM**	**NM**

*FABS estimate & Co Data, * Divested 40% stake in Khazna for AED 8.0 Bn, realizing a capital gain of AED 5.1 Bn before royalty and corporate tax.*

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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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