

Emirates Telecommunications Group Co (e&)

Capital gain on divestment of stake in Khazna boosted profit

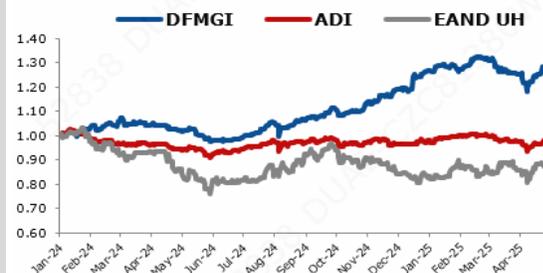
Current Price
AED 17.44

Target Price
AED 22.00

Upside/Downside (%)
+26%

Rating
BUY

- Subscriber base rose 12.9% YOY to 194.8 Mn in 1Q25 due to the acquisition of PPF telecom. e& added over 9.2 Mn net new subscribers on LFL basis in the last 12 months.
- Capex increased 46.4% YOY to AED 2.4 Bn in 1Q25 due to the acquisition of 5G license in Egypt and the consolidation impact of e& PPF telecom.
- Recorded a capital gain of AED 5.1 Bn on divestment of its stake in Khazna.
- e& paid AED 7.0 Bn of debt in April 2025 from the proceeds of the sale of Khazna.
- Maroc Telecom signed a settlement agreement with Inwi, reducing the litigation amount to MAD 4.4 Bn from MAD 6.4 Bn.



1Q25 Net Profit higher than our estimate

Emirates Telecommunications Group Co PJSC (e&/the Company) net profit almost doubled from AED 2,330 Mn in 1Q24 to AED 5,355 Mn in 1Q25, higher than our estimate of AED 2,815 Mn. The decline in net profit is mainly driven by a one-time capital gain on divestment of the stake in Khazna, along with a solid growth in revenue and decline in finance and other costs, partially offset by a rise in operating expenses, federal royalty, and tax charge.

P&L Highlights

e&'s total 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. Consequently, e&'s revenue rose 8.0% YOY on LFL basis in constant currency and 4.4% in reported currency during 1Q25. e& UAE revenue grew 2.7% YOY to AED 8.4 Bn in 1Q25, driven by higher mobile and other revenue. The growth is fueled by expansion in the subscriber base and innovative bundled offers, along with a rise in wholesale revenues due to growing international and visitor roaming income. On the other hand, the e& international revenue grew 42.2% YOY to AED 7.1 Bn in 1Q25, driven by the acquisition of PPF telecom and strong growth in PTCL group, partially offset by a decline in income from Maroc Telecom, e& Egypt, and e& PPF Telecom. Excluding e& PPF telecom, in constant currency, the International segment revenue increased 12.1% YOY in 1Q25. Maroc Telecom Group's revenue moderated 1.2% YOY to AED 3.1 Bn in 1Q25. In local currency, revenue remained flat, primarily driven by robust performance from Moov Africa Subsidiaries due to higher

Stock Information

Market Cap (AED, mn)	152,019.26
Paid Up Capital (mn)	8,696.75
52 Week High	19.00
52 Week Low	14.90
3M Avg. daily value (AED)	45,968,880

1Q25 Result Review (AED, mn)

Total Assets	192,186
Total Liabilities	132,800
Total Equity	59,385
EBITDA	7,355
Net Profit	5,355

Financial Ratios

Dividend Yield (12m)	4.75
Dividend Pay-out (%)	45.02
Price-Earnings Ratio(x)	7.24
Price-to-Book Ratio (x)	2.98
Book Value (AED)	5.86
Return-on Equity (%)	29.15

Stock Performance

5 Days	1.63%
1 Months	5.05%
3 Months	2.22%
6 Months	-1.69%
1 Year	6.98%
Month to Date (MTD%)	0.46%
Quarter to Date (QTD%)	3.43%
Year to Date (YTD%)	7.11%

mobile data, mobile money, and fixed data revenue, partially offset by a fall in local mobile revenues. Moreover, e& Egypt's revenue fell 1.4% YOY to AED 1.0 Bn in 1Q25 due to the devaluation of the Egyptian Pound. In constant currency, revenues rose 49.4% YOY, driven by an expanding customer base, increased demand for voice & data, and price hikes on services. Revenue from PTCL Group surged 25.2% YOY to AED 813 Mn in 1Q25. The growth is primarily driven by a rise in data, voice, and corporate solutions. Besides, Etisalat Afghanistan's revenue declined 7.6% YOY to AED 161 Mn in 1Q25. e& PPF telecom's revenue stood at AED 2.0 Bn in 1Q25 as a result of the consolidation of PPF in October 2024. Moreover, revenue from e& Enterprise rose 16.9% YOY to AED 821 Mn in 1Q25 due to a growth in cloud services and CX. E& Life's revenue grew from AED 447 Mn in 1Q24 to AED 599 Mn in 1Q25 due to the consolidation of Careem Technologies and a rise in active subscribers and Gross Transaction Value (GTV). e&'s operating expenses rose 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. Total impairment loss on trade receivables and other assets increased 21.0% YOY to AED 293 Mn in 1Q25. The share of profits from associates and joint ventures declined significantly from AED 453 Mn in 1Q24 to AED 19 Mn in 1Q25. e&'s federal royalty increased from AED 1.3 Bn in 1Q24 to AED 3.3 Bn in 1Q25. As a result, the Company's operating profit fell 48.4% YOY to AED 1.8 Bn in 1Q25. Total EBITDA grew 15.4% YOY to AED 7.4 Bn in 1Q25, whereas the EBITDA margin fell 125 bps YOY to 43.6% in 1Q25. Etisalat's UAE EBITDA rose 1.4% YOY to AED 4.3 Bn in 1Q25, while e& International EBITDA increased 39.6% YOY to AED 3.1 Bn due to the consolidation of e& PPF Telecom. EBITDA for e& Enterprises increased 9.7% YOY to AED 88 Mn in 1Q25, whereas e& Life reported a negative EBITDA of AED 189 Mn in 1Q25 compared to negative AED 153 Mn in 1Q24, mainly due to the continuous expansion of Careem Everything App service. 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. On the other hand, finance and other costs fell 39.6% YOY to AED 702 Mn in 1Q25. The Company recorded an income tax expense of AED 887 Mn in 1Q25 compared to AED 484 Mn in 1Q24. Share of NCI increased 53.2% YOY to AED 199 Mn in 1Q25.

Balance Sheet Highlights

e&'s consolidated capex rose from AED 1.7 Bn in 1Q24 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. The capital intensity ratio rose from 11.6% in 1Q24 to 14.4% in 4Q24. e&'s total debt declined from AED 69.2 Bn in 4Q24 to AED 68.6 Mn in 1Q25. The Company paid AED 7.0 Bn in debt, utilizing the proceeds from sale of Khazna. The net debt to EBITDA ratio stood 0.88x in 1Q25 compared to 1.3x in 4Q24. Cash balance stood at AED 44.5 Bn in 1Q25, up from AED 33.6 Bn in 4Q24.

Target Price and Rating

We maintain our BUY rating on e& with an unchanged target price of AED 22.0. The Company's witnessed a significant growth in net profit in 1Q25 driven by capital gain of AED 5.1 Bn on divestment of its stake in Khazna. The subscriber base rose 12.9% YOY to 194.8 Mn in 1Q25 supported by strong acquisition activities across domestic and international market. e& recorded net addition of over 9.2 Mn on LFL basis in last 12 months. Maroc Telecom signed a settlement agreement with Inwi, reducing the litigation amount to MAD 4.4 Bn from MAD 6.4 Bn, and signed new JV agreements off which one focuses on the development of fiber-optic infrastructure and the other on the launch of new telecommunication towers. Furthermore, e& Carrier & Wholesale (e& C&WS) established strategic hubs in Johannesburg and Miami, along with strengthening its presence in Singapore and London. The expansion of integrated AI solutions, e& C&WS is opening up new business opportunities that will enhance revenue growth. Simultaneously, e& enterprise signed a three-year agreement with PayPal to offer digital payment solutions. The Company's capex increased 46.4% YOY to AED 2.4 Bn in 1Q25, mainly driven by the acquisition of 5G license in Egypt and the consolidation impact of e& PPF telecom. Furthermore, the Company paid AED 7.0 Bn of debt from the proceeds of the sale of Khazna. 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. e& also maintained a strong balance sheet, with a

net debt to EBITDA ratio of 0.88x in 1Q25, 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	16.80	16.28	15.16	14.72	14.11	10.47
PB	3.09	3.19	3.59	3.56	3.33	2.86
EV/EBITDA	6.00	5.94	6.66	6.92	6.97	6.10
DPS	1.20	0.80	0.80	0.80	0.83	0.86
Dividend yield	6.9%	4.6%	4.6%	4.6%	4.8%	4.9%

FABS Estimates & Co Data

e& - P&L

AED mn	1Q24	4Q24	1Q25	1Q25F	Var	YOY	QOQ	2024	2025F	Change
Revenues	14,214	16,473	16,864	17,408	-3.1%	18.7%	2.4%	59,203	69,685	17.7%
Operating expenses	-9,614	-11,284	-11,526	-11,872	-2.9%	19.9%	2.1%	-39,479	-47,525	20.4%
Imp loss on trade recv.	-243	-1,463	-293	-383	-23.4%	21.0%	-79.9%	-2,138	-1,533	-28.3%
Share of results of assoc.	453	880	19	522	-96.3%	-95.7%	-97.8%	2,475	1,742	-29.6%
Operating profit before federal royalty	4,810	4,606	5,065	5,675	-10.8%	5.3%	10.0%	20,061	22,369	11.5%
Federal royalty	-1,345	-1,257	-3,277	-1,828	79.3%	NM	NM	-5,282	-7,020	32.9%
Operating profit	3,465	3,349	1,788	3,847	-53.5%	-48.4%	-46.6%	14,779	15,349	3.9%
EBITDA	6,376	7,016	7,355	7,550	-2.6%	15.4%	4.8%	26,454	30,217	14.2%
Finance and other inc.	639	974	5,354	679	NM	NM	NM	2,733	7,361	NM
Finance and other costs	-1,162	-1,244	-702	-1,044	-32.8%	-39.6%	-43.6%	-5,212	-4,583	-12.1%
Profit before tax	2,943	3,078	6,440	3,482	85.0%	NM	NM	12,300	18,127	47.4%
Income tax expense	-484	-712	-887	-487	82.1%	83.4%	24.5%	-1,717	-2,719	58.4%
Profit for the period	2,459	2,366	5,553	2,994	85.5%	NM	NM	10,583	15,408	45.6%
Non-controlling interest	130	71	199	180	10.4%	53.2%	NM	-169	924	NM
Net Profit	2,330	2,295	5,355	2,815	90.2%	NM	NM	10,752	14,484	34.7%

FABS estimate & Co Data

e& - Margins

	1Q24	4Q24	1Q25	YOY	QOQ	2024	2025F	Change
Operating profit	24.4%	20.3%	10.6%	-1,378	-973	25.0%	22.0%	-29
EBITDA	44.9%	42.6%	43.6%	-125	102	44.7%	43.4%	-13
Net profit	16.4%	13.9%	31.8%	1,536	1,782	18.2%	20.8%	26

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	22.53	70.0%	15.77
EV/EBITDA	20.76	30.0%	6.23
Weighted Average Valuation (AED)			22.00
Current market price (AED)			17.44
Upside/Downside (%)			+26%

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 8.3%. It is arrived after using cost of equity of 9.5% and after-tax cost of debt of 4.9% with debt-to-equity ratio of 45.3%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 1.0 and equity risk premium of 4.4%. 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)	50,890
Terminal value (AED, Mn)	144,095
FV to Common shareholders (AED, Mn)	194,985
No. of share (Mn)	8,697
Current Market Price (AED)	17.44
Net debt as of March 2025	-20,878
Minority Interest (AED, mn)	-8,427
Mobily share included in e&	13,251
Vodafone share included in e&	13,005
Total Equity Value	191,935
Fair Value per share (AED)	22.53

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
EBIT * (1-tax rate)	13,047	14,739	15,347	15,748	16,065
Depreciation & Amortization	8,057	8,708	9,356	9,361	10,008
(-) Changes in Working Capital	3,696	-1,811	534	691	287
(-) Capex	-11,150	-11,753	-12,254	-12,541	-13,451
Free Cash Flow to Firm (FCFF)	13,650	9,882	12,984	13,260	12,909
Discounting Factor	0.95	0.88	0.81	0.75	0.69
Discounted FCFF¹	12,943	8,653	10,497	9,899	8,898

Source: FAB Securities, ¹FCFF 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 2025 EV/EBITDA multiple of 6.4x.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Saudi Telecom	60,925	9.4	8.3	17.1	16.1
Mobile Telecommunication Company	6,714	5.7	5.4	10.1	9.3
Verizon Communication	184,680	7.0	6.9	9.2	8.9
SAFARICOM PLC	5,604	4.4	3.6	11.0	8.5
Deutsche Telekom AG	184,138	7.4	7.0	15.3	13.5
Telstra Group Limited	30,274	8.3	7.9	23.3	21.5
Mobily	12,611	7.2	6.8	14.3	13.2
Ooredoo Q.P.S.C	10,884	4.7	4.6	10.6	10.4
Emirates Integrated Telecommunications Co.	10,000	5.7	5.7	15.2	15.0
Oman Telecommunications Company	1,587	4.9	4.7	8.3	7.8
Average		6.5x	6.1x	13.4x	12.4x
Median		6.4x	6.2x	12.6x	11.8x
Max		7.3x	7.0x	15.2x	14.7x
Min		5.1x	4.9x	10.2x	9.0x

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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