

Emirates Integrated Telecommunications Co (DU)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 8.52	AED 8.55	+0.4%	HOLD

1Q25 Net Profit in higher than our estimate

- DU's revenue grew 7.4% YOY to AED 3.8 Bn in 1Q25, primarily driven by a growth in service and non-service revenue. The growth in services revenue is due to the addition of new customers, growth in ARPU and improved mix.
- Mobile Services revenue rose 7.4% YOY to AED 1.7 Bn due to growth in the Postpaid as well as prepaid customer base attributable to a rise in tourism activity and a better mix coupled with increased focus on higher ARPU.
- Fixed service revenue grew 10.2% YOY to AED 1.1 Bn, attributable to a healthy penetration of fiber, and the success of Home Wireless product & enterprise connectivity.
- Other revenues increased 4.8% YOY to 1,067 Mn in 1Q25 driven by growth in ICT, visitor roaming, and interconnect, partially offset by lower handset sales.
- EBITDA rose 15.0% YOY to AED 1.8 Bn in 1Q25 with an EBITDA Margin of 47.4% in 1Q25 compared to 44.3% in 1Q24. The growth and margin expansion of EBITDA is attributable to revenue growth, business mix, higher mobile ARPU and lower handset sales.
- Net profit grew significantly by 19.8% YOY to AED 722 Mn in 1Q25.
- DU's Capex amounted to AED 377 Mn in 1Q25 with a capex intensity of 9.8%.
- DU's mobile subscriber base grew 5.5% YOY to 9.1 Mn in 1Q25, mainly driven by 9.6% YOY growth in postpaid customers to 1.8 Mn owing to dynamic B2B initiatives and attractive consumer offers.
- Prepaid consumers grew 4.5% YOY to 7.3 Mn in 1Q25.
- Operating free cash flow grew 17.9% YOY to AED 1.4 Bn in 1Q25.

Earnings Call Summary

- DuPay surpassed 500,000 app downloads and processed c. AED 500 Mn in financial transactions.
- The current tariffs implemented by the United States have had no material impact on DU's business and operations.
- Microsoft achieved a significant milestone in its data center expansion, underscoring the company's strategic focus on growth beyond its core business operations.
- The company reported a 47.4% EBITDA margin, which includes one-off gains: one related to a commercial initiative linked to non-current revenue, and another from a resolved dispute.
- The UAE population is projected to grow by 3% in 2025, coupled with strong growth from the tourism sector.
- The company will have to make significant payments, including a dividend of approximately AED 1.5 Bn and royalty payments in 2Q25.
- The company raised the offering price for home wireless services from AED 199 to AED 299. This new pricing applies only to new customers and will not impact existing customers, likely having a positive impact on fixed startup metrics.
- In 2025, the company will continue its focus on both core and non-core sectors through the execution of a commercial strategy and rigorous cost management.
- The company remains committed to digitalization and maintaining high-quality infrastructure to pioneer a digital-first, outstanding customer experience.
- The mobile market share declined marginally from 40.4% in 1Q24 to 40.2% in 1Q25, whereas the fixed market share increased from 30.9% in 1Q24 to 33.6% in 1Q25.

- The company reported an EBITDA margin of 46.0% in 1Q25, which excludes one-off gains and is higher than the company guidance of an EBITDA margin of 44.2%.
- Total capex and opex of data center over 15-year period will amount to AED 2.1 Bn. No revenue contribution from data center in 2025.
- The company is experiencing positive momentum in its ICT segment, contributing to revenue growth and customer acquisition. Notably, du has secured deals with hyperscalers like Microsoft, enhancing its position in the enterprise market.
- The management expects normalization of capex in the core business.
- Du maintains a robust financial position, with no outstanding debt. The company has access to a revolving credit facility of AED 2 Bn, providing flexibility for future investments and operations.
- The growth in commission expense is due to the change in customer mix. Postpaid customer incur higher commission expense while prepaid customers incur lower commission expense.
- Healthy mix of growth between home wireless and fiber.
- No impact of Ramadan in 1Q25.

DU – P&L

(AED Mn)	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Revenue	3,581	3,873	3,848	3,740	2.9%	7.4%	-0.6%
Costs	-1,883	-2,120	-1,919	-1,967	-2.4%	1.9%	-9.5%
Marketing expense	-50	-108	-57	-60	-4.1%	14.2%	-46.7%
Exp. Credit losses	-62	-65	-48	-75	-36.0%	-23.4%	-26.9%
EBITDA	1,586	1,581	1,824	1,638	11.3%	15.0%	15.4%
Dep, Amrtz, Impr	-521	-557	-549	-557	-1.5%	5.3%	-1.4%
Operating profit	1,064	1,024	1,275	1,081	18.0%	19.8%	24.5%
Finance income/exp	5	-1	6	-5	NM	15.3%	NM
Pre-royalty profit	1,068	1,023	1,281	1,076	19.1%	19.9%	25.3%
Federal Royalty	-406	-380	-487	-393	24.0%	19.9%	28.3%
Tax	-59	-58	-72	-61	16.5%	20.6%	22.9%
Net Profit	603	585	722	622	16.2%	19.8%	23.6%

FABS estimate & Co Data

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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