

## E7 Group PJSC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.01	AED 1.50	+49%	BUY

### 1Q25 Net Profit lower than our estimate

- E7 Group's revenue declined 9.8% YOY from AED 114 Mn in 1Q25, mainly due to the delivery schedule of the contracts. The Company recorded a decline in the majority of the segments, Printing, and Consumer Solutions, partially offset by a growth in Packaging Solutions.
- Direct cost declined 10.9% YOY to AED 88 Mn in 1Q25 due to a decline in raw material costs.
- Thus, gross profit decreased 5.9% YOY to AED 26 Mn in 1Q25. However, the gross profit margin expanded 94 bps YOY to 22.7%. The margin expansion is mainly due to improvement in operational efficiency and the streamlining of the supply chain.
- EBITDA fell 29.0% YOY to AED 13 Mn in 1Q25, while margins fell from 15.0% in 1Q24 to 11.8% in 1Q25.
- Operating profit fell from AED 10 Mn in 1Q24 to AED 3 Mn in 1Q25.
- Net profit declined 28.6% YOY to AED 19 Mn in 1Q25.
- E7's cash balance stayed at AED 1.4 Bn in 1Q25, offering a strong financial base to support future strategic initiatives and expansion opportunities.
- E7 shareholders approved a dividend of 7.36 fils per share for 2024, amounting to AED 147.1 Mn, which represented 70% of the company's net profit for the year.

### Earnings Call Summary

- The ongoing expansion of passport and tax stamp capacity is expected to be completed by the end of 2025.
- E7 secured a passport contract from a third country.
- Furthermore, the Company entered into a strategic secure and unified documents (SUD) framework agreement with the government of Rwanda, with the initial contract expected to be finalized within the next one to two months of 2025.
- The Packaging Solutions segment maintained strong momentum through new client acquisitions in 1Q25 and secured multiple certifications in food and pharmaceutical packaging, strengthening E7's positioning in these segments.
- The Printing Solutions segment focused on education and digital printing, offering customized services for corporate and educational events. The Company secured and renewed several key contracts, aligning with its strategy to shift away from declining mass printing toward higher-value, solution-oriented offerings across the GCC and Africa.
- E7 is dedicated to driving growth through both organic and inorganic strategies. The company is also thoroughly reviewing all commercial channels and capitalizing on a strong pipeline of opportunities. Additionally, several M&A prospects in the Identity and Packaging sectors are currently under evaluation.
- The company remains confident in its full-year guidance despite a weak EBITDA in 1Q25, similar to 1Q24. Furthermore, the seasonality of the business is primarily influenced by sectors such as education, where revenues typically begin to materialize in 2Q25.
- The company has begun work on the AED 200 Mn expansion for passport capacity and digital tax stamps. Additionally, the company expects the expansion machines to arrive by September 2025, with preparations already in progress to ensure immediate utilization of the new capacity once the machines are operational. The strategy also includes leveraging UAE's G2G relationships, especially in African markets, for market access.
- The new passport contract secured by the Company in 1Q25 is valued at just under USD 10 Mn.
- The Company's cost of sales declined faster than revenue due to variations in the product mix, with each sale having unique margins. This trend may continue or change based on future product mix.

- E7 faces barriers to entering new markets, primarily due to incumbent players. The Company addresses these challenges by forming partnerships when specific in-house capabilities are lacking, and leverages the UAE's strong G2G presence to ease market entry and secure projects.
- The company secured five new contracts and 17 clients, mainly in packaging, with engagements starting small and expanding as products are qualified.
- The improvement in gross profit margin is expected to be sustainable through 2H25, driven by continued process optimization, workforce streamlining, and enhanced technology utilization.

**E7 Group PJSC - P&L**

(AED mm)	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch
Revenue	126	209	114	175	-35.0%	-9.8%	-45.7%
Direct Cost	-99	-136	-88	-131	-33.1%	-10.9%	-35.3%
<b>Gross Profit</b>	<b>27</b>	<b>74</b>	<b>26</b>	<b>44</b>	<b>-41.0%</b>	<b>-5.9%</b>	<b>-64.9%</b>
G&A & marketing exp	-18	-21	-23	-21	7.8%	28.5%	8.9%
S&M expenses	-2	-4	-2	-3	-17.7%	11.4%	-43.8%
Reversal of/ (provision for) impairment loss on financial assets	0	0	0	0	NA	NA	NM
Other Income	2	3	2	2	-7.9%	0.2%	-36.7%
<b>EBIT</b>	<b>10</b>	<b>52</b>	<b>3</b>	<b>22</b>	<b>-87.0%</b>	<b>-70.4%</b>	<b>-94.4%</b>
<b>EBITDA</b>	<b>19</b>	<b>61</b>	<b>13</b>	<b>33</b>	<b>-59.4%</b>	<b>-29.0%</b>	<b>-78.0%</b>
Finance Cost	0	-2	-1	-1	-30.8%	NM	-67.0%
Finance Income	20	26	19	16	14.4%	-5.5%	-28.3%
<b>Profit before tax</b>	<b>29</b>	<b>76</b>	<b>21</b>	<b>38</b>	<b>-44.4%</b>	<b>-28.4%</b>	<b>-72.5%</b>
Income tax expense	-3	-7	-2	-3	-44.6%	-26.7%	-73.1%
<b>Profit/(loss) for the year</b>	<b>27</b>	<b>69</b>	<b>19</b>	<b>34</b>	<b>-44.4%</b>	<b>-28.6%</b>	<b>-72.4%</b>

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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