Telecom Sector

5G Rollout and Digital Expansion to Power MENA's Telecom Boom

Sector Weighting:
Market Weight

MENA Telecommunication

The UAE's telecom industry is undergoing a dynamic transformation, marked by strategic partnerships and a sharp focus on digital innovation. Operators are embracing technologies such as 5G private networks and Industry 4.0 solutions to drive efficiency and enhance services across sectors. At the same time, there's a growing emphasis on expanding into international markets and diversifying revenue streams to ensure long-term sustainability. Etisalat and DU are the two largest telecom operators in the UAE with a solid mobile subscriber base of 24.4 Mn as of 1Q25. Etisalat's mobile subscriber base in UAE -stood at 15.3 Mn while DU's mobile subscriber base stood at 9.1 Mn as of 1Q25. The tourism sector in UAE witnessed solid growth during 1Q25. According to the Government of Dubai, during January to April 2025, Dubai welcomed 7.2 Mn international visitors, compared to 6.7 Mn visitors in the same period during 2024. Furthermore, Abu Dhabi welcomed 29.7 Mn passengers during 2024, marking a 10% YOY increase in passenger traffic, reflecting the emirate's growing popularity as a key destination for business & leisure travellers. The growth in the tourism sector is likely to benefit the telecom sector. Etisalat (e&), a key player in UAE's evolving landscape, delivered a strong performance in 1Q25. Domestic telecom revenue of e& grew 2.7% YOY, driven by capital gain of AED 5.1 Bn on divestment of its stake in Khazna, while international telecom revenue surged by 42.2% YOY in 1Q25, largely driven by the consolidation of PPF Telecom along with solid growth across Pakistan and Egypt. This global push has increased the international segment's contribution to 42.3% in 1Q25 of total revenue from 35.3% in 1Q24, owing to contribution from acquisitions. Total capex rose to AED 2.4 Bn in 1Q25, up from AED 1.7 Bn in 1Q24, influenced by acquisition of 5G license in Egypt and the consolidation of e& PPF Telecom. However, despite healthy revenue growth, e&'s EBITDA margin declined from 44.9% in 1Q24 to 43.6% in 1Q25 due to change in revenue mix, consolidation of PPF Telecom, and investments in digital assets. Meanwhile, Du is also going through transformation, with a healthy revenue growth of 7.4% YOY primarily driven by solid rise in services segment owing to an increase in subscriber base, higher ARPU and improved mix. Du maintains a robust financial position with no outstanding debt and access to an AED 2 Bn revolving credit facility, providing flexibility for future investments and operations. Additionally, DU remains focused on both its core and non-core sectors through the implementation of a targeted commercial strategy and disciplined cost management in 2025. Du also announced an AED 2 Bn Hyperscale data center project in the Dubai AI Week with Microsoft being the primary tenant. e& and Du together exemplify the UAE telecom sector's transformation, marked by a strong focus on innovation, digitalization, and international expansion.

Saudi Arabia is undergoing a major digital transformation, led by government-led initiatives in line with Saudi Vision 2030 with significant investments in 5G, fiber optics, and submarine cables. The Ministry of Communications and Information Technology is building a robust digital infrastructure to support the Kingdom's long-term economic goals. The telecommunications sector plays a critical role in this transformation, with companies heavily investing in cybersecurity measures and developing advanced technologies to counter data breaches. Furthermore, expanding spectrum licenses is accelerating the rollout of 5G networks, strengthening infrastructure resilience, mitigating cyber risks, and catering to the rising demand for fast and reliable connectivity. Saudi Arabi's subscriber base is increasing at a strong pace as STC's mobile subscribers increased 4.6% YOY to 29.0 Mn in 1Q25 while Mobily's mobile subscribers grew 5.7% YOY to 13.0 Mn during the same period. Meanwhile, Zain KSA accounted for approximately 18% of Zain Group's total customer base, representing around 9.1 Mn subscribers in 1Q25. Mobily, one of the prominent telecommunications providers, has reported a revenue growth of 5.1% YOY to SAR 4.8 Bn in 1Q25. This growth is attributed to strong performance across all segments, along with expansion across its subscriber base. In line with this, Mobily achieved a 7.5% YOY increase in EBITDA, reaching SAR 1.8 Bn in 1Q25, recording a 77 bps YOY expansion in margin to 37.1%, primarily due to enhanced operational efficiency. The company focused its capital expenditures on investment in 5G technology and spectrum frequencies. This strategic approach resulted in a capex-to-revenue ratio increasing significantly from 4.9% in 1Q24 to 44.6% in 1Q25. Additionally, Mobily announced investments of over SAR 3.4 Bn in 1Q25 for submarine cables and data centres, ensuring sustainable future infrastructure. However, Saudi Telecom Company has reported a marginal revenue growth of 1.6% YOY to SAR 19.2 Bn in 1Q25, driven by growth across business and commercial units. STC achieved a global milestone by localizing eSIM software with Thales, becoming the world's first telecom operator to earn GSMA's SAS-UP license, supporting ICT localization in Saudi Arabia. Additionally, STC's total Debt decreased significantly 31.3% YOY to SAR 15.1 Bn in 1Q25, while the company increased its stake in Telefonica. STC announced signing a SAR 32.64 Bn contract with a government entity to build and operate telecom infrastructure over 15 years, with revenues starting in 4Q26. It also it signed an agreement with Ooredoo to establish a high-efficiency, low-latency international ground fibre corridor between Saudi Arabia and Oman. These contracts highlight the Company's strong revenue visibility in the long-term. Saudi Arabia's digital transformation reflects a unified push by the government and private sector to strengthen the Kingdom's technological infrastructure and drive economic growth, aligning closely with the goals of Vision 2030.

Egypt's Ministry of Communication and Information Technology's ICT 2030 Strategy aims to position Egypt as a telecommunications center on both a local and global scale. Egypt is progressing with the 5G rollout throughout the country, along with launching programs such as try-and-buy and software-as-a-service models to increase awareness on 5G network. The country is also encouraging SMEs to adopt 5G network. As per the IMF, Egypt's total population stood at 107.3 Mn in 2024 and is further expected to reach 109.5 Mn in 2025 and 111.6 Mn in 2026. Telecom Egypt witnessed a significant revenue growth of 41.8% YOY to EGP 24,798 Mn in 1Q25, mainly driven by solid growth in the Retail and Wholesale segments owing to planned increase in prices across the retail segment, expanding customer base, and higher data consumption. Fixed Line ARPU rose from EGP 243.56 in 4Q24 to EGP 296.02 in 1Q25 while Fixed Data ARPU increased from EGP 37.45 in 4Q24 to EGP 45.61 in 1Q25. The increase in ARPUs in mainly driven by a planned rise in retail prices. The company's mobile subscriber base rose from 2.1% QOQ to 14.3 Mn in 1Q25. Moreover, EBITDA rose 48.7% YOY to EGP 10.9 Bn in 1Q25 with a 204 bps YOY growth in margin to 43.8%. The growth in EBITDA is primarily due to the strategic cost optimization efforts. Telecom Egypt is expected to launch 5G services across pre-equipped sites upon receiving regulatory approvals. Telecom Egypt incurred an in-service capex of EGP 2.3 Bn in 1Q25 with investment in access network, transmission international cables, and customer care.

e& PPF acquires Serbia's SBB for USD 891 Mn

e& PPF telecom acquired a 100% stake in Serbia Broadband (SBB) business, which offers cable television and broadband internet service in Serbia. The transaction was valued at USD 891 Mn and financed through debt. PPF Telecom Group signed an agreement with United Group and Balkan Telecom to acquire SBB. The acquisition will scale up e&'s operations in Central & Eastern Europe and diversify revenue sources.

Khanza Data Centers gets new minority investors, MGX and Silver Lake

Khazna Data Centres has brought in MGX and Silver Lake as minority shareholders, while G42 remains the majority owner. e& divested its stake in Khazana but will continue to support Khazna as a strategic business partner. This marks a new phase of ownership aimed at scaling Khazna's global reach and AI-focused infrastructure. Khazna plans to meet rising demand for high-density data centres supporting AI and digital economies.

DU signs AED 2 Bn Hyperscale Data Center Deal with Microsoft during AI week

Emirates Integrated Telecommunications Company PJSC (du) announced an AED 2 Bn hyperscale centre deal with Microsoft during the Dubai AI Week. Microsoft will be the primary tenant and du will deliver its capacity in tranches. Hyperscale centres are used to provide data storage and cloud computing services to large businesses.

Khazna and NVIDIA to develop AI driven mega data centres across MEA
Khazna Data Centres (Khazna) partnered with NVIDIA to develop large-scale, AI-ready data centres across the Middle East and Africa (MEA) region. The project will be designed to fully support NVIDIA's latest GPU-accelerated technologies and workloads. Furthermore, Khazna will construct data halls with capacities of up to 50 megawatts (MW) and develop AI clusters reaching up to 250 MW each, many of which will be integrated into the planned 5-gigawatt (GW) UAE-US AI campus. In addition, Khazna aims to achieve 1 GW of total capacity through data centre projects in France, Italy, Saudi Arabia, Egypt, Türkiye, and Kenya.

Egypt will progress 5G rollout with spectrum allocation and SME adoption
Egypt is progressing with its nationwide 5G rollout through recent licensing and network trials that provide a strong foundation for deployment. The projects will require accelerated allocation of mid and low-band spectrum to ensure reliable indoor coverage and support scalable fixed wireless access for both urban and industrial sectors. Furthermore, Egypt plans to implement a dual-band strategy with low-band spectrum for broad coverage and mid-band spectrum for high-demand areas. Moreover, to encourage adoption among small and medium-sized enterprises, the country is launching programs such as try-and-buy and software-as-a-service models.

e& UAE launched the region's first 5G network slicing technology
e& UAE launched the region's first commercial 5G network slicing product for business customers on its standalone 5G network, to provide customised, ultra-reliable connectivity designed to meet the specific needs of the industries across both public and private sectors. These slices meet specific demands like low latency and strong IoT support, ensuring peak performance. Moreover, the service offers flexible options like bandwidth-based packages that match connectivity speeds with use case needs and dedicated industrial customer premises equipment (CPE) that ensures seamless integration and dependable access, and allows businesses to create multiple virtual networks tailored to specific critical use cases.

	ETISALAT	MOBILY	STC	Telecom Egypt	DU
Rating	BUY	BUY	BUY	BUY	HOLD
Local currency	AED	SAR	SAR	EGP	AED
CMP	16.46	56.30	41.60	36.00	9.00
Target Price	22.00	66.50	50.00	48.00	8.85
Potential change (%)	+34%	+18%	+20%	+33%	-2%

FABS Estimates & Co data

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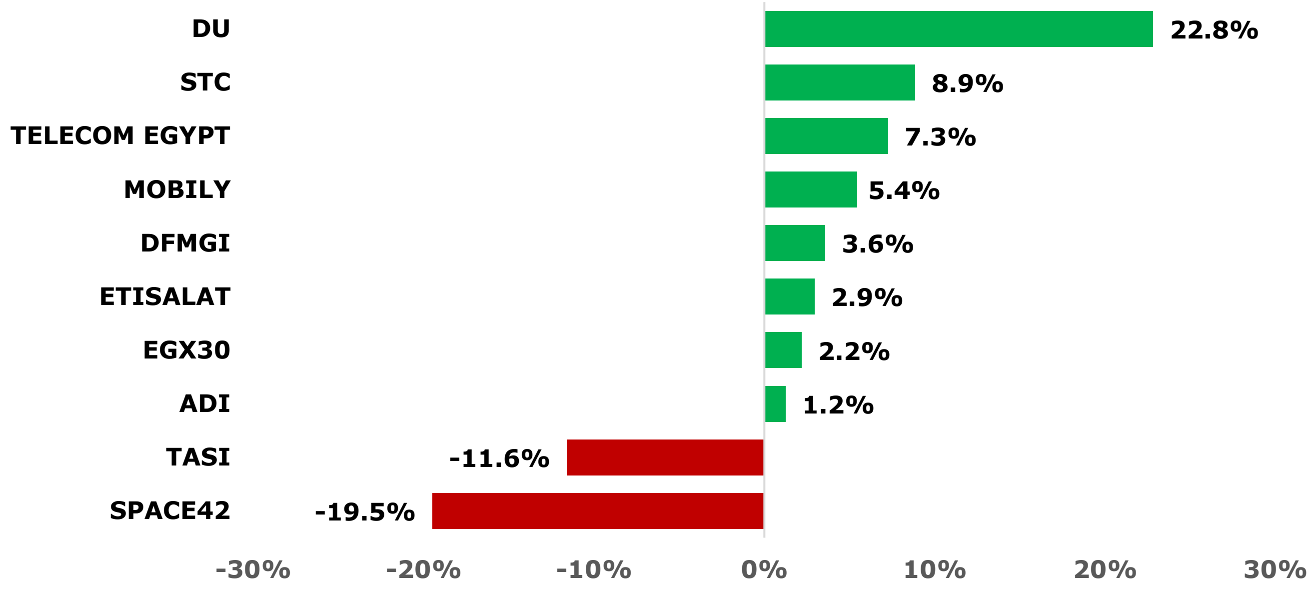
Telecom stock performance in the YTD

Du is the best-performing stock among the peer group on YTD basis since December 2024 followed by STC. Space 42 generated the lowest returns among all of them. Telecom Egypt generated 7.3% YTD return, while Mobily recorded a 5.4% YTD return since December 2024.

MENA Telecom Stock & Market Indices Performance from December 2024 to YTD, ranked



Source: Bloomberg

Relative valuation and rating

Among the telecom stocks we cover, the PE falls between 15.4x (STC) and 5.0x (TELECOM EGYPT). The EV/EBITDA ranges from 8.3x (STC) to 3.4x (TELECOM EGYPT). DU's expected dividend yield for 2025 is the highest at 6.2%. TELECOM EGYPT has the lowest PB multiple of 1.1x. TELECOM EGYPT's Net Debt/EBITDA stood highest at 1.83x followed by ETISALAT at 0.80 and MOBILY at 0.29x.

Relative Valuation

	ETISALAT	MOBILY	STC	TELECOM EGYPT	DU
CMP (LCY)	16.50	55.60	41.75	36.36	9.15
Number of shares (mm)	8,697	770	4,987	1,707	4,533
Market cap (LCY mm)	143,496	42,812	208,204	62,069	41,476
Market cap (US$ mm)	39,100	11,417	55,521	2,009	11,301
Gross debt (LCY mm)	68,641	6,061	15,130	84,116	0
Cash (LCY mm)	44,509	3,920	17,424	12,836	1,586
Net debt/-cash (LCY mm)	24,132	2,141	-2,294	71,280	-1,586
Non-controlling interest	8,427	0	2,872	25	0
EV (LCY mm)	176,055	44,953	208,782	133,375	39,890
EBITDA (2025)	30,246	7,347	25,151	38,878	7,028
BVPS (2025)	6.09	26.48	16.40	32.74	2.21
EPS (2025)	1.65	4.17	2.72	7.34	0.60
DPS (2025)	0.86	2.45	2.20	1.80	0.57
EV/EBITDA (x)	5.8	6.1	8.3	3.4	5.7
P/BV (x)	2.7	2.1	2.5	1.1	4.1
PE (x)	10.0	13.3	15.4	5.0	15.3
Dividend yield (%)	5.2%	4.4%	5.3%	5.0%	6.2%
Payout ratio (%)	52.2%	58.7%	81.0%	24.5%	95.0%
Net debt/EBITDA (x)	0.80	0.29	-0.09	1.83	-0.23

Source: FABS from Bloomberg

Market Weight:

With 4x BUYs and 1x HOLD we remain MARKET WEIGHT on MENA telecoms.

	ETISALAT	MOBILY	STC	Telecom Egypt	DU
Rating	**BUY**	**BUY**	**BUY**	**BUY**	**HOLD**
Local currency	AED	SAR	SAR	EGP	AED
CMP	16.46	56.30	41.60	36.00	9.00
Target Price	22.00	66.50	50.00	48.00	8.85
Potential change (%)	+34%	+18%	+20%	+33%	-2%

FABS Estimates & Co data

2Q25 preview: Etisalat Group

Cost pressure from acquisitions, inflation, and market scaling to impact profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 16.46	AED 22.00	+34%	BUY

2Q25 estimate

Emirates Telecommunications Group Co PJSC (e&/the Company) net profit is expected to decline 7.2% YOY to AED 2,938 Mn in 2Q25 primarily due to an anticipated increase in operating expenses, impairment loss on trade receivable and contract assets, and income tax expenses, partially offset by increased revenue and lower net finance & other cost. e&'s revenue is expected to grow 22.6% YOY to AED 17,279 Mn in 2Q25, driven by its solid growth strategy and growing subscriber base. Operating expenses are anticipated to grow 29.7% YOY to AED 11,725 Mn in 2Q25. The share of results of associates and joint ventures is forecasted to decrease 37.5% YOY to AED 432 Mn in 2Q25. Moreover, the impairment loss on receivables and contract assets is projected to increase significantly from AED 207 Mn in 2Q24 to AED 346 Mn in 2Q25, owing to higher losses on trade receivables, contract assets, and other assets. However, operating profit before federal royalty is expected to rise 1.9% YOY to AED 5,641 Mn in 2Q25. Federal royalty is expected to decline 4.6% YOY to AED 1,339 Mn in 2Q25. As a result, Etisalat's operating profit is anticipated to rise 4.1% YOY to AED 4,301 Mn in 2Q25. e&'s EBITDA is expected to rise 14.9% YOY to AED 7,555 Mn in 2Q25. On the other hand, EBITDA margin is likely to decrease 292 bps YOY to 43.7% in 2Q25. Additionally, finance and other income are estimated to increase 19.7% YOY to AED 669 Mn in 2Q25, whereas finance and other costs are expected to fall 38.6% YOY to AED 1,294 Mn in 2Q25. The Company is expected to incur an income tax expense of AED 551 Mn in 2Q25 compared to tax reversal of AED 71 Mn in 2Q24. In addition, e& is predicted to witness share of profit attributable to non-controlling interest of AED 188 Mn in 2Q25, compared to loss of AED 507 Mn in 2Q24.

2025 forecast

e&'s net profit is expected to grow 33.4% YOY to AED 14,340 Mn in 2025, driven by an anticipated growth in revenue and net finance & other income along with a decline in impairment loss, partially offset by increases in operating expenses, a decrease in share of results of associates & joint ventures, increase in federal royalty and tax expenses. The Company's revenue is expected to increase 17.7% YOY to AED 69,685 Mn in 2025, driven by growth in the subscriber base and a rise in product offerings across all geographies. Operating expenses are anticipated to rise 20.8% YOY to AED 47,705 Mn in 2025. Impairment charges are projected to decline 28.3% YOY to AED 1,533 Mn in 2025. Share of results of associates and JVs is estimated to fall 29.6% YOY to AED 1,742 Mn in 2025. Federal royalty is forecasted to increase 32.9% YOY to AED 7,020 Mn in 2025. As a result, operating profit after federal royalty is expected to surge 2.6% YOY to AED 15,169 Mn in 2025. Moreover, e&'s EBITDA is expected to grow 14.3% YOY to AED 30,246 Mn in 2025, whereas EBITDA margin is anticipated to decline 13 bps YOY to 43.4% in 2025. Furthermore, finance and other income is expected to increase significantly from AED 2,733 Mn in 2024 to AED 7,361 Mn in 2025, whereas finance and other costs are predicted to decline 12.1% YOY to AED 4,583 Mn in 2025. Tax charges are estimated to rise 56.8% YOY to AED 2,692 Mn in 2025. The share of profit attributable to non-controlling interest holders is expected to be AED 915 Mn in 2025, compared to a loss of AED 169 Mn in 2024.

1Q25 outturn

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 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.

Target price and recommendation

We maintain our BUY rating on e& with a target price of AED 22.0. The Company has 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 the domestic and international market. e& recorded net addition of over 9.2 Mn on LFL basis in the 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.

Etisalat - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	15.90	15.40	14.34	13.93	13.35	10.01
P/B (x)	2.93	3.02	3.40	3.36	3.15	2.71
EV / EBITDA	5.69	5.64	6.35	6.61	6.66	5.82
DPS	1.200	0.800	0.800	0.800	0.830	0.860
Dividend yield	7.3%	4.9%	4.9%	4.9%	5.0%	5.2%

FABS estimate and Co Data

Etisalat - P&L

AED mm	2Q24	1Q25	2Q25F	YOY	QOQ	2024	2025F	Change
Revenue	14,092	16,864	17,279	22.6%	2.5%	59,203	69,685	17.7%
Operating expenses	-9,039	-11,526	-11,725	29.7%	1.7%	-39,479	-47,705	20.8%
Impairment	-207	-293	-346	66.9%	17.8%	-2,138	-1,533	-28.3%
Share of results of associates and JVs	691	19	432	-37.5%	NM	2,475	1,742	-29.6%
Operating profit before federal royalty	**5,538**	**5,065**	**5,641**	**1.9%**	**11.4%**	**20,061**	**22,189**	**10.6%**
Federal royalty	-1,404	-3,277	-1,339	-4.6%	-59.1%	-5,282	-7,020	32.9%
Operating profit	**4,133**	**1,788**	**4,301**	**4.1%**	**140.6%**	**14,779**	**15,169**	**2.6%**
EBITDA	**6,573**	**7,355**	**7,555**	**14.9%**	**2.7%**	**26,454**	**30,246**	**14.3%**
Finance and other income	559	5,354	669	19.7%	-87.5%	2,733	7,361	NM
Finance and other costs	-2,106	-702	-1,294	-38.6%	84.3%	-5,212	-4,583	-12.1%
Profit before tax	**2,587**	**6,440**	**3,676**	**42.1%**	**-42.9%**	**12,300**	**17,948**	**45.9%**
Income tax expenses	71	-887	-551	NM	-37.8%	-1,717	-2,692	56.8%
Profit for the period	**2,658**	**5,553**	**3,125**	**17.6%**	**-43.7%**	**10,583**	**15,256**	**44.1%**
Non-controlling interests	-507	199	188	NM	-5.6%	-169	915	NM
Net Profit Attributable to Owners	**3,165**	**5,355**	**2,938**	**-7.2%**	**-45.1%**	**10,752**	**14,340**	**33.4%**

FABS estimate & Co Data

Etisalat - Margins

	2Q24	1Q25	2Q25F	YOY	QOQ	2024	2025F	Change
Operating Profit	29.3%	10.6%	24.9%	-444	1,429	25.0%	21.8%	-32
EBITDA	46.6%	43.6%	43.7%	-292	11	44.7%	43.4%	-13
Net Profit	22.5%	31.8%	17.0%	-546	-1,475	18.2%	20.6%	24

FABS estimate & Co Data

2Q25 preview: Etihad Etisalat Company (Mobily)

Expanding Subscriber Base Expected to Uplift Revenue

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 56.30	SAR 66.50	+18%	BUY

2Q25 estimate

Etihad Etisalat (Mobily/the Company) is forecasted to report 20.0% YOY rise in net profit to SAR 794 Mn in 2Q25, owing to the expected increase in services revenue, other income, finance income and decrease in zakat expenses, partially offset by anticipated rise in cost of services, operating expenses, D&A expenses, impairment loss on accounts receivable and finance expenses. Mobily's services revenue is expected to grow 7.4% YOY to SAR 4,795 Mn in 2Q25, owing to an anticipated increase in revenue across all the segments. Cost of services is projected to grow 6.6% YOY to SAR 2,225 Mn in 2Q25. Resultantly, gross profit is anticipated to rise 8.1% YOY to SAR 2,570 Mn in 2Q25. We expect gross margins to grow by 34 bps YOY to 53.6% in 2Q25. Selling and marketing expense are forecasted to increase 3.6% YOY to SAR 364 Mn in 2Q25, while G&A expenses are estimated to rise 1.9% YOY to SAR 336 Mn in 2Q25. The Company's D&A expense is predicted to grow 3.7% YOY to SAR 924 Mn and impairments loss on account receivables is anticipated to jump 3.3% YOY to SAR 48 Mn in 2Q25. As a result, operating profit is likely to rise 18.3% YOY to SAR 898 Mn in 2Q25. Operating profit margin is expected to expand from 17.0% in 2Q24 to 18.7% in 2Q25. Mobily's EBITDA is anticipated to grow 10.4% YOY to SAR 1,822 Mn, whereas its EBITDA margin is likely to grow by 104 bps YOY to 38.0% in 2Q25. Furthermore, the Company's other income is anticipated to increase from SAR 4 Mn in 2Q24 to SAR 24 Mn in 2Q25. The Company's finance expenses are predicted to increase 24.1% YOY to SAR 161 Mn in 2Q25. While finance income is projected to increase 22.6% YOY to SAR 57 Mn in 2Q25. Zakat expense is forecasted to fall 14.1% YOY to SAR 25 Mn in 2Q25.

2025 forecast

Mobily is expected to record a 3.4% YOY growth in net profit to SAR 3,211 Mn in 2025, driven by an expected rise in services revenue, other income, and a decline in finance expenses, partially offset by a rise in cost of services, operating expenses, D&A expenses, impairment loss on accounts receivable, decline in finance income and rise in zakat expenses. Mobily's service revenue is anticipated to grow 6.3% YOY to SAR 19,360 Mn in 2025, attributed to healthy growth across all the business segments. The Company's cost of services is projected to increase 4.8% YOY to SAR 8,712 Mn in 2025. Thus, gross profit is likely to expand 7.6% YOY to SAR 10,648 Mn in 2025. Selling and marketing expenses are forecasted to rise 10.2% YOY to SAR 1,481 Mn in 2025, whereas G&A expenses are expected to increase 36.2% YOY to SAR 1,646 Mn in 2025. The Company's depreciation and amortization expense is projected to rise marginally 0.9% YOY to SAR 3,696 Mn, and impairment losses on accounts receivable is anticipated to grow from SAR 146 Mn in 2024 to SAR 174 Mn in 2025. As a result, Mobily's operating profit is likely to rise 3.4% YOY to SAR 3,651 Mn in 2025. However, operating profit margin is expected to decline 53 bps YOY to 18.9% in 2025. Moreover, the Company's EBITDA is expected to grow 2.1% YOY to SAR 7,347 Mn in 2025, whereas EBITDA margin is expected to fall 157 bps YOY to 38.0% in 2025. The Company is expected to record other income of SAR 116 Mn in 2025 compared to SAR 59 Mn in 2024. The Company's finance expense is projected to decline 12.4% YOY to SAR 539 Mn in 2025. Finance income is anticipated to fall 27.9% YOY to SAR 126 Mn in 2025. In addition, zakat expense is predicted to rise significantly from SAR 86 Mn in 2024 to SAR 188 Mn in 2025.

1Q25 outturn

Mobily's service revenue rose 5.1% YOY to SAR 4,777 Mn in 1Q25, driven by growth in all revenue segments along with expansion of the overall subscriber base. The Company's growth in the Business segment is driven by continued business from government, small and medium-sized, and enterprise businesses. Revenue growth across the Consumer segment is mainly attributable to an increase in 5G subscriptions and a rise in roaming services due to the Ramadan season. Moreover, the revenue growth across the Wholesale segment is driven by new agreements with international clients and partnerships with hyperscalers. The Company's cost of services increased 5.8% YOY to SAR 2,223 Mn in 1Q25. As a result, Mobily's gross profit rose 4.5% YOY to SAR 2,554 Mn, while the gross profit margin declined 32 bps YOY to 53.5% in 1Q25. Mobily's operating profit increased 12.8% YOY to SAR 850 Mn in 1Q25, while operating profit margin rose 122 bps YOY to 17.8% in 1Q25. The Company's EBITDA grew from SAR 1,651 Mn in 1Q24 to SAR 1,775 Mn in 1Q25 and the EBITDA margin increased from 36.3% in 1Q24 to 37.1% in 1Q25. Mobily's finance expenses marginally decreased 0.5% YOY to SAR 166 Mn in 1Q25 due to a a decline in interest rate. Furthermore, the Company's zakat charges fell from SAR 35 Mn in 1Q24 to SAR 21 Mn in 1Q25.

Target price and recommendation

We revised our rating from HOLD to BUY on Mobily with an unchanged target price of SAR 66.50. Mobily's stock price has declined 4.8%, since our last rating (April 2025). Mobily's revenue grew 5.1% YOY in 1Q25, driven by the expansion of the overall customer base, Ramadan seasonality, and the signing of new agreements. The mobile subscriber base experienced 5.7% YOY growth to 13.0 Mn subscribers in 1Q25, consisting of 11.0 Mn prepaid and 2.0 Mn postpaid subscribers. However, the FTTH subscriber base reduced from 298K in 1Q24 to 290K Mn in 1Q25. Furthermore, the Company remains committed to executing its long-term vision of becoming a leading TMT player. In 2025, Mobily plans to accelerate growth in its B2B segment by strengthening partnerships with giga projects, expanding its data center footprint, and deepening collaborations with hyperscalers. These strategic initiatives are expected to enhance service quality, broaden the customer base, and support revenue growth going forward. Mobily expects the revenue to grow by mid to high-single digits in 2025 and the EBITDA margin to range between 37.0% to 38.0%. The Company also aims to increase its network quality by expanding its 5G network and IoT infrastructure, improving frequency spectrums, resulting in a rise in capex from SAR 223 Mn in 1Q24 to SAR 2.1 Bn in 1Q25. The Company distributed a cash dividend of SAR 1.30 per share for 2H24, accounting to a total dividend of SAR 2.2 per share for 2024 with a dividend yield of 3.9%. Thus, based on our analysis, we revise our rating from HOLD to BUY on the stock.

Mobily – Relative Valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	54.66	39.95	25.84	19.18	13.78	13.33
P/B (x)	2.96	2.82	2.62	2.43	2.27	2.10
EV / EBITDA	9.96	9.25	8.03	7.15	6.37	6.24
DPS	0.500	0.850	1.150	1.450	2.200	2.450
Dividend yield	0.9%	1.5%	2.0%	2.6%	3.9%	4.4%

FABS Estimates & Co Data

Mobily - P&L

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Services revenues	4,465	4,777	4,795	7.4%	0.4%	18,206	19,360	6.3%
Cost of services	-2,087	-2,223	-2,225	6.6%	0.1%	-8,312	-8,712	4.8%
Gross profit	**2,378**	**2,554**	**2,570**	**8.1%**	**0.6%**	**9,894**	**10,648**	**7.6%**
Selling and marketing expenses	-352	-380	-364	3.6%	-4.1%	-1,344	-1,481	10.2%
General & administrative expenses	-329	-393	-336	1.9%	-14.7%	-1,209	-1,646	36.2%
Operating expenses	**-681**	**-773**	**-700**	**2.7%**	**-9.5%**	**-2,553**	**-3,127**	**22.5%**
Depreciation and amortisation	-891	-925	-924	3.7%	-0.1%	-3,664	-3,696	0.9%
Impairment loss on acc receivable	-46	-6	-48	3.3%	640.5%	-146	-174	19.1%
Operating Profit	**759**	**850**	**898**	**18.3%**	**5.7%**	**3,530**	**3,651**	**3.4%**
EBITDA	**1,650**	**1,775**	**1,822**	**10.4%**	**2.7%**	**7,195**	**7,347**	**2.1%**
Other income	4	5	24	NM	NM	59	116	95.4%
Company's share in loss of an asso.	10	45	0	NM	NM	44	45	NM
Finance expenses	-130	-166	-161	24.1%	-3.1%	-615	-539	-12.4%
Finance income	46	54	57	22.6%	5.9%	175	126	-27.9%
Profit before zakat	**690**	**787**	**818**	**18.6%**	**3.9%**	**3,193**	**3,399**	**6.5%**
Zakat	-29	-21	-25	-14.1%	18.1%	-86	-188	NM
Profit attributable	**661**	**767**	**794**	**20.0%**	**3.5%**	**3,107**	**3,211**	**3.4%**

FABS estimate & Co Data

Mobily - Margins

	2Q24	1Q25	2Q25F	YOY	QOQ Ch	2024	2025F	Change
Gross profit	53.3%	53.5%	53.6%	34	13	54.3%	55.0%	66
EBITDA	37.0%	37.1%	38.0%	104	86	39.5%	38.0%	-157
Operating profit	17.0%	17.8%	18.7%	173	94	19.4%	18.9%	-53
Net profit	14.8%	16.0%	16.6%	174	50	17.1%	16.6%	-48

FABS estimate & Co Data

2Q25 preview: Saudi Telecom Company (STC)

Strong balance sheet with healthy cash balance to support growth

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 41.60	SAR 50.00	+20%	BUY

2Q25 Estimate

Saudi Telecom Company (STC) is expected to report a 4.8% YOY rise in net profit to SAR 3,464 Mn in 2Q25. The growth in net profit is expected to be primarily driven by higher revenue and finance income, along with lower depreciation, finance charges, zakat expenses and lower share to NCI. However, this is expected to be partially offset by increased direct costs, selling and overhead expenses, general and administrative expenses, operating costs, and other expenses. STC's revenue is expected to grow 1.6% YOY to SAR 19,458 Mn in 2Q25. Moreover, the Company's direct cost is expected to increase 2.5% YOY to SAR 9,826 Mn in 2Q25. Thus, gross profit is estimated to marginally increase 0.6% YOY to SAR 9,632 Mn in 2Q25. We expect the gross margins to decline 47 bps YOY to 49.5% in 2Q25. STC's selling and overhead expenses are anticipated to grow 2.6% YOY to SAR 1,557 Mn in 2Q25, and G&A expenses are anticipated to rise 2.1% YOY to SAR 1,673 Mn in 2Q25. Operating expenses are expected to increase from SAR 3,157 Mn in 2Q24 to SAR 3,230 Mn in 2Q25. STC's EBITDA is anticipated to decline marginally 0.2% YOY to SAR 6,402 Mn in 2Q25, primarily due to muted growth expected in gross profit. Depreciation and amortisation expenses are expected to decrease 1.6% YOY to SAR 2,490 Mn in 2Q25. Moreover, operating profit is likely to increase marginally 0.7% YOY to SAR 3,912 Mn in 2Q25. Other expenses are expected to increase from SAR 121 Mn in 2Q24 to SAR 346 Mn in 2Q25. Finance income is anticipated to increase 10.7% YOY to SAR 482 Mn in 2Q25. Finance charges are forecasted to decrease from SAR 505 Mn in 2Q24 to SAR 306 Mn in 2Q25. Zakat expense is anticipated to decrease 27.0% YOY to SAR 224 Mn in 2Q25. Share to NCI is also expected to decline from SAR 82 Mn in 2Q24 to SAR 53 Mn in 2Q25.

2025 Forecast

Saudi Telecom Company's net profit is expected to decline 45.2% YOY to SAR 13,539 Mn in 2025, due to an increase in direct cost, selling & overhead expenses, G&A expenses, operating expenses, depreciation expenses, and lower finance income, partially offset by an increase in revenue, lower Zakat and other expenses. STC's revenue is estimated to grow 5.6% YOY to SAR 80,156 Mn in 2025. On the other hand, direct cost is anticipated to increase 5.9% YOY to SAR 40,880 Mn in 2025. As a result, gross profit is likely to grow 5.3% YOY to SAR 39,277 Mn in 2025. STC's selling and overhead expenses are expected to grow 5.6% YOY to SAR 6,930 Mn in 2025. G&A expenses are anticipated to increase 5.6% YOY to SAR 7,196 Mn in 2025. Operating expenses are estimated to grow 5.6% YOY to SAR 14,126 Mn in 2025. Thus, EBITDA is estimated to grow 5.1% YOY to SAR 25,151 Mn in 2025. EBITDA margins is expected to decline 15 bps YOY to 31.4% in 2025. D&A expenses are expected to rise 4.8% YOY to SAR 9,960 Mn in 2025. Operating profit is anticipated to increase 5.3% YOY to SAR 15,190 Mn in 2025. Furthermore, other expenses are expected to decline from SAR 2,775 Mn in 2024 to SAR 1,026 Mn in 2025. Finance income is estimated to decline 2.0% YOY to SAR 1,683 Mn in 2025, whereas finance cost is expected to decline marginally by 0.8% YOY to SAR 1,224 Mn in 2025. Zakat expenses are anticipated to decrease 26.4% YOY to SAR 877 Mn in 2025. The profit share attributable to non-controlling interest holders is expected to decline from SAR 228 Mn in 2024 to SAR 206 Mn in 2025.

1Q25 Outturn

STC's revenue grew 1.6% YOY to SAR 19,210 Mn in 1Q25, mainly due to increased revenue of business and commercial units. STC's business unit revenue grew 9.7% YOY, while the commercial unit revenue increased 1.7% YOY in 1Q25 due to an increase in subscriber base and Ramadan seasonality. STC KSA revenue grew 2.6% YOY to SAR 12,652 Mn in 1Q25 with a 7.6% YOY growth in mobile subscribers to SAR 28.97 Mn and 4.6% YOY growth in fixed subscribers to SAR 5.89 Mn. STC Kuwait's revenue rose

5.3% YOY to SAR 1,063 Mn in 1Q25. However, mobile subscribers in Kuwait declined 2.8% YOY to 2.22 Mn in 1Q25. Similarly, STC Bahrain witnessed a 2.6% YOY growth in revenue to SAR 504 Mn in 1Q25 with a 1.0% YOY decline in mobile subscribers to 891.3K. The Company's direct costs decreased 1.3% YOY to SAR 10,111 Mn in 1Q25, which led to an increase in gross profit by 5.0% YOY to SAR 9,098 Mn in 1Q25. Gross profit margin rose 154 bps YOY to 47.4% in 1Q25. Selling and overhead expenses grew 9.2% YOY to SAR 1,334 Mn in 1Q25. G&A expense grew 1.1% YOY to SAR 1,644 Mn in 1Q25. Operating expenses grew 4.6% YOY to SAR 2,978 Mn in 1Q25. Depreciation and amortization expenses grew 10.2% YOY to SAR 2,537 Mn in 1Q25. Operating profit increased 2.0% YOY to SAR 3,584 Mn in 1Q25, partially offset by a one-time loss of SAR 219 Mn from changes in financial instruments after increasing stake in Telefónica to 9.97%. EBITDA rose 5.2% YOY to SAR 6,120 Mn in 1Q25, while the EBITDA margin grew 110 bps YOY to 31.9% in 1Q25. Other expense grew 21.6% YOY to SAR 365 Mn in 1Q25. Finance income grew 10.8% YOY to SAR 479 Mn, while finance cost declined 4.7% YOY to SAR 293 Mn in 1Q25. The Company recorded zakat and income tax reversal of SAR 311 Mn in 1Q25, compared to an expense of SAR 230 Mn in 1Q24. As a result, STC's net margin grew 162 bps YOY to 19.0% in 1Q25.

Target price and recommendation

We revise our rating from HOLD to BUY on Saudi Telecom Company with an unchanged target price of SAR 50.0. STC's share price declined 13.9% since our last rating (May 2025). STC witnessed strong growth in net profit driven by higher revenue and EBITDA during 1Q25. The Company achieved a global milestone by localising eSIM software with Thales, becoming the world's first telecom operator to earn GSMA's SAS-UP license, supporting ICT localisation in Saudi Arabia. Additionally, STC signed a SAR 32.64 Bn contract with a government entity to develop and operate telecom infrastructure over a 15-year period, with revenue generation expected to commence in 4Q26. STC also signed an agreement with Ooredoo to establish a high-efficiency, low-latency international ground fibre corridor between Saudi Arabia and Oman, enhancing regional and intercontinental connectivity through the SONIC project. STC Bank officially launched as a digital bank in Saudi Arabia after receiving SAMA's approval, marking a key milestone in the Kingdom's digital transformation and building on the success of STC Pay. STC Group enhanced connectivity speed in the two Holy Mosques by more than 120% during Ramadan, expanding its 5G network to ensure seamless, high-speed service for millions of pilgrims and visitors. As a result, the Company witnessed a 37% rise in data usage and an 18% increase in voice services. Sirar by STC has been granted a Tier 1 license by the National Cybersecurity Authority to provide Managed Security Operations Centre services in Saudi Arabia. This will allow Sirar to provide services to different organisations, private sector companies, and government entities. Furthermore, the Company's capex stood at SAR 1.66 Bn in 1Q25, with a capex intensity of 8.64%. STC anticipates a modest increase in the capex owing to the recently announced government projects and data centre expansion. STC Group also increased its stake in Telefónica from 4.97% to 9.9%, funded through its own resources and bank debt. The Company also maintains a strong balance sheet, with a healthy cash balance of SAR 16 Bn as of 1Q25, which positions it well to support inorganic growth. Moreover, in line with its new dividend policy, STC is expected to distribute an interim dividend of SAR 0.55 per share for 1Q25, resulting in a dividend yield of 5.3% for 2025. Thus, based on the factors mentioned above, we revise our rating from HOLD to BUY on the stock.

STC – Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	18.99	18.45	17.15	15.70	8.46	15.42
P/B (x)	3.26	3.01	2.84	2.64	2.33	2.55
EV/EBITDA	9.04	8.93	7.81	9.14	8.46	7.9
DPS	2.000	1.600	1.600	2.600[1]	3.750[2]	2.200
Dividend yield	4.8%	3.8%	3.8%	6.3%	9.0%	5.3%

FABS Estimates & Co Data, [1]DPS for 2023 includes special dividend of SAR 1 per share, [2]DPS for 2024 includes special dividend of SAR 2 per share.

STC - P&L

SAR mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Sales	19,155	19,210	19,458	1.6%	1.3%	75,893	80,156	5.6%
Direct costs	-9,584	-10,111	-9,826	2.5%	-2.8%	-38,593	-40,880	5.9%
Gross profit	**9,571**	**9,098**	**9,632**	**0.6%**	**5.9%**	**37,300**	**39,277**	**5.3%**
Selling & overhead exp	-1,517	-1,334	-1,557	2.6%	16.7%	-6,562	-6,930	5.6%
General & Admin Exp.	-1,639	-1,644	-1,673	2.1%	1.8%	-6,813	-7,196	5.6%
Operating expenses	-3,157	-2,978	-3,230	2.3%	8.5%	-13,375	-14,126	5.6%
EBITDA	**6,415**	**6,120**	**6,402**	**-0.2%**	**4.6%**	**23,926**	**25,151**	**5.1%**
Depreciation & Amortization	-2,530	-2,537	-2,490	-1.6%	-1.8%	-9,500	-9,960	4.8%
EBIT	**3,885**	**3,584**	**3,912**	**0.7%**	**9.2%**	**14,426**	**15,190**	**5.3%**
Other inc./(exp.)	-121	-365	-346	185.8%	-5.1%	-2,775	-1,026	-63.0%
Finance Income	436	479	482	10.7%	0.6%	1,718	1,683	-2.0%
Financial charges	-505	-293	-306	-39.4%	4.5%	-1,234	-1,224	-0.8%
Profit before zakat	**3,694**	**3,405**	**3,742**	**1.3%**	**9.9%**	**12,134**	**14,623**	**20.5%**
Zakat	-307	311	-224	-27.0%	-172.3%	-1,192	-877	-26.4%
Profit before NCI	**3,387**	**3,715**	**3,517**	**3.8%**	**-5.3%**	**10,943**	**13,745**	**25.6%**
Profit from disc oper	0	0	0	NM	NM	13,973	0	NM
NCI	82	67	53	-36.0%	-20.7%	228	206	-9.4%
Profit attributable	**3,304**	**3,649**	**3,464**	**4.8%**	**-5.1%**	**24,689**	**13,539**	**-45.2%**

FABS estimate & Co Data

STC- Margins

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross profit	50.0%	47.4%	49.5%	-47	214	49.1%	49.0%	-15
EBITDA	33.5%	31.9%	32.9%	-59	104	31.5%	31.4%	-15
Operating profit	20.3%	18.7%	20.1%	-18	145	19.0%	19.0%	-6
Net profit	17.3%	19.0%	17.8%	55	-119	32.5%	16.9%	-1,564

FABS estimate & Co Data

2Q25 preview: Telecom Egypt (ETEL)

Growth in international call traffic and customer base to drive profit

Current Price	12-m Target Price	Upside/Downside (%)	Rating
EGP 36.00	EGP 48.00	+33%	BUY

2Q25 Estimate

Telecom Egypt (ETEL/the Company) is expected to report a 41.5% YOY increase in net profit to EGP 3,722 Mn in 2Q25, driven by an expected rise in operating revenue, income from associates and decline in net finance costs partially offset by an anticipated increase in operating cost, selling & overhead expenses, income tax charge and non-controlling interests. Telecom Egypt's revenue is expected to surge 20.2% YOY to EGP 24,605 Mn in 2Q25 due to strong growth anticipated across retail and Wholesale segments. On the other hand, the Company's operating cost is estimated to increase 22.4% YOY to EGP 15,341 Mn in 2Q25. Thus, the gross profit is likely to grow 16.8% YOY to EGP 9,265 Mn in 2Q25. Telecom Egypt's selling and overhead expenses are expected to increase 2.7% YOY to EGP 3,322 Mn in 2Q25. The Company is expected to incur a loss in net operating revenue of EGP 135 Mn in 2Q25 compared to a profit of EGP 103 Mn in 2Q24. As a result, operating profit is estimated to grow 21.0% YOY to EGP 5,808 Mn in 2Q25, with 14 bps YOY rise in operating profit margin to 23.6% in 2Q25. Telecom Egypt 's EBITDA is expected to increase 19.2% YOY to EGP 9,830 Mn in 2Q25. While EBITDA margin is anticipated to fall 34 bps YOY to 40.0% in 2Q25. Additionally, the income from associates is expected to increase 34.4% YOY to EGP 2,805 Mn in 2Q25. The Company's net finance cost is projected to decline 7.5% YOY to EGP 3,282 Mn in 2Q25. Additionally, ETEL's tax expense is estimated to grow significantly to EGP 1,599 Mn in 2Q25 from EGP 710 Mn in 2Q24. Furthermore, non-controlling interest is predicted to rise from EGP 2 Mn in 2Q24 to EGP 10 Mn 2Q25.

2025 Forecast

We forecast Telecom Egypt's net profit to increase 45.0% YOY to EGP 14,645 Mn in 2025, owing to an expected increase in operating revenue, income from associates, and decrease in net finance cost, partially offset by anticipated growth in operating cost, selling & overhead expenses, income tax expenses and non-controlling interest. The Company's revenue is expected to grow 21.5% YOY to EGP 99,679 Mn in 2025, driven by strong growth in the Retail and Wholesale segments. On the other hand, operating cost is estimated to increase 18.7% YOY to EGP 60,804 Mn in 2025. Thus, gross profit is projected to grow 26.2% YOY to EGP 38,875 Mn in 2025. Selling and overhead expenses are estimated to rise 16.5% YOY to EGP 14,952 Mn in 2025. The Company is expected to incur other operating expense of EGP 775 Mn in 2025 compared to EGP 301 Mn in 2024. As a result, Telecom Egypt's operating profit is expected to grow 31.1% YOY to EGP 23,147 Mn in 2025. Moreover, operating profit margin is expected to increase 170 bps to 23.2% in 2025. The Company's EBITDA is anticipated to increase 18.0% YOY to EGP 38,878 Mn in 2025, whereas EBITDA margin is predicted to fall 117 bps YOY to 39.0% in 2025. Furthermore, income from associates is predicted to increase 35.0% YOY to EGP 11,694 Mn in 2025. However, the Company's net finance cost is expected to decrease from EGP 15,758 Mn in 2024 to EGP 13,868 Mn in 2025. Income tax is predicted to increase significantly from EGP 451 Mn in 2024 to EGP 6,292 Mn in 2025. Additionally, non-controlling interest is expected to rise from EGP 13 Mn in 2024 to EGP 37 Mn in 2025.

1Q25 Outturn

Telecom Egypt's revenue grew 41.8% YOY to EGP 24,798 Mn in 1Q25, mainly driven by solid growth in the Retail and Wholesale segments. The retail segment boosted 40.3% YOY to EGP 14,258 Mn in 1Q25 due to revenue growth in the Home Services and Enterprise solutions. Revenue from Home Services grew 45.1% YOY to EGP 11,857 Mn in 1Q25, supported by strong growth across the Data revenue. This strong performance was supported by a 38% YoY rise in ARPU, which was fueled by direct price adjustments implemented in 2024 and a consistently growing customer base. On the other hand, Enterprise Solution grew 20.4% YOY to EGP 2,401 Mn in 1Q25, mainly driven by growth in Fixed data service. The Wholesale segment revenues recorded robust growth of 44.0% YOY to EGP 10,540 Mn in 1Q25, due to strong growth across Domestic Wholesale, International Carrier Affairs (ICA) and International Cable and Network (IC&N) revenues. Domestic Wholesale revenue rose 55.8% YOY to EGP 2,703 Mn in 1Q25, due to strong growth in infrastructure revenue supported by revised agreements with VFE and Orange Egypt. ICA revenue surged significantly from EGP 2,711 Mn in 1Q24 to EGP 4,449 Mn in 1Q25, primarily due to 72.0% YOY increase in IDD revenue driven by foreign currency appreciation and rise in international incoming call traffic. Additionally, IC&N revenue increased 17.8% YOY to EGP 3,388 Mn in 1Q25. Furthermore, Operating costs rose 35.8% YOY to EGP 14,289 Mn in 1Q25 is mainly due to increased call costs and other operating costs due to currency devaluation. Thus, gross profit grew by 51.0% YOY to EGP 10,509 Mn in 1Q25, with an increase in gross margins of 257 bps YOY to 42.4% in 1Q25. Selling and overhead expenses increased 17.4% YOY to EGP 3,375 Mn in 1Q25. Telecom Egypt recorded net operating expenses of EGP 141 Mn in 1Q25 compared to an expense of EGP 471 Mn in 1Q24. Hence, Operating profit expanded from EGP 3,616 Mn in 1Q24 to EGP 6,993 Mn in 1Q25, coupled with an increase in operating profit margin by 752 bps YOY to 28.2% in 1Q25. The Company's EBITDA rose 48.7% YOY to EGP 10,870 Mn in 1Q25, whereas EBITDA margin surged 204 bps YOY to 43.8% in 1Q25. The growth in EBITDA is primarily due to the Company's strategic cost optimization efforts. Income from associates rose significantly from EGP 899 Mn in 1Q24 to EGP 3,187 Mn in 1Q25, owing to the strong contribution from Vodafone Egypt. Net finance cost increased significantly from EGP 1,666 Mn in 1Q24 to EGP 4,023 Mn in 1Q25, mainly due to the appreciation of the FX-denominated debt and a rise in the effective interest to 16.0% in 1Q25. In addition, income tax expense stood at EGP 1,504 Mn in 1Q25 compared to EGP 1,036 Mn in 1Q24.

Target price and recommendation

We maintain our BUY rating on Telecom Egypt with a target price of EGP 48.00. Telecom Egypt recorded a robust financial performance in 1Q25 due to strong growth in revenue attributable to strong performance across the Retail and Wholesale segments. The Company's Retail segment grew strongly 40.3% YOY to EGP 14.3 Bn in 1Q25, primarily driven by a 45% YOY increase in the Home and Consumer unit, supported by a 30% price adjustment implemented in December 2024. The Company also reported growth across its customer base in 1Q25, with Mobile customers increasing by 10.0% YOY, Fixed Broadband subscribers up by 7.6% YOY, and Fixed Voice users rising by 4.3% YOY in 1Q25. Furthermore, the Wholesale segment recorded a strong growth of 44.0% YOY to EGP 10.5 Bn in 1Q25, driven by higher Domestic and ICA business growth. In addition, Telecom Egypt's income from associates rose to EGP 3.2 Bn in 1Q25, reflecting strong contributions from Vodafone Egypt. The Company anticipates further upside from associate income supported by Vodafone's newly signed dividend policy, with expected dividends of EGP 2.5 Bn in 2025. The Company is also technically prepared for 5G deployment and has already activated its 5G license. Upon receiving regulatory approval, it is expected to promptly launch 5G services across pre-equipped sites in commercially strategic locations, specifically targeting areas with a high concentration of value-driven customers and strong adoption of 5G compatible devices. This is expected to support Telecom Egypt's long-term growth by unlocking new revenue streams and attracting high-value customers. The Company expects revenue growth in the low 20% range, with total cash Capex projected between EGP 20-22 Bn for 2025. Additionally, it aims to reduce Capex by at least EGP 2 Bn annually in the coming years. Telecom Egypt also plans to achieve a net cash position within four years by driving strong cash flow generation, maintaining disciplined Capex, and allocating all available cash to debt repayment. Thus, based on our analysis, we assign a BUY rating on the stock.

Telecom Egypt –Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	14.57	7.76	7.30	5.76	7.04	4.6
P/B (x)	1.48	1.30	1.24	1.13	1.25	1.0
EV / EBITDA	6.81	4.95	4.77	4.23	3.97	3.4
DPS (EGP)	0.750	1.000	1.250	1.497	1.497	1.800
Dividend yield	2.1%	2.8%	3.5%	4.2%	4.2%	5.0%

FABS estimate & Co Data

Telecom Egypt-P&L

EGP mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Operating Revenue	20,466	24,798	24,605	20.2%	-0.8%	82,037	99,679	21.5%
Operating costs	-12,535	-14,289	-15,341	22.4%	7.4%	-51,242	-60,804	18.7%
Gross profit	**7,931**	**10,509**	**9,265**	**16.8%**	**-11.8%**	**30,795**	**38,875**	**26.2%**
Selling & overhead expenses	-3,233	-3,375	-3,322	2.7%	-1.6%	-12,836	-14,952	16.5%
Net operating revenue (others)	103	-141	-135	NM	-4.2%	-301	-775	NM
Operating profit	**4,801**	**6,993**	**5,808**	**21.0%**	**-16.9%**	**17,658**	**23,147**	**31.1%**
EBITDA	**8,247**	**10,870**	**9,830**	**19.2%**	**-9.6%**	**32,953**	**38,878**	**18.0%**
Income from Associates	2,086	3,187	2,805	34.4%	-12.0%	8,663	11,694	35.0%
Net Finance income/(cost)	-3,547	-4,023	-3,282	-7.5%	-18.4%	-15,758	-13,868	-12.0%
Profit before zakat	**3,341**	**6,158**	**5,331**	**59.6%**	**-13.4%**	**10,562**	**20,973**	**98.6%**
Zakat	-710	-1,504	-1,599	NM	6.3%	-451	-6,292	NM
Profit before N-C interests	**2,631**	**4,654**	**3,731**	**41.8%**	**-19.8%**	**10,111**	**14,681**	**45.2%**
Non-controlling interests	-2	-8	-10	NM	20.5%	-13	-37	NM
Profit attributable	**2,629**	**4,646**	**3,722**	**41.5%**	**-19.9%**	**10,098**	**14,645**	**45.0%**

FABS estimate & Co Data

Telecom Egypt - Margins

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross profit	38.8%	42.4%	37.7%	-110	-473	37.5%	39.0%	146
EBITDA	40.3%	43.8%	40.0%	-34	-388	40.2%	39.0%	-117
Operating profit	23.5%	28.2%	23.6%	14	-460	21.5%	23.2%	170
Net profit	12.8%	18.7%	15.1%	228	-361	12.3%	14.7%	238

FABS estimate & Co Data

2Q25 preview: Emirates Integrated Telecommunications (du)

Higher revenue and lower ECL to support profitability

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 9.00	AED 8.85	-2%	HOLD

2Q25 Estimate

Emirates Integrated Telecommunications (DU/The Company) net profit is expected to grow 24.3% YOY to AED 721 Mn in 2Q25, driven by anticipated growth in revenue, lower expected credit loss and financing expense, partially offset by forecasted increase in costs (ex D&A, marketing exp), marketing expenses, D&A expenses, coupled with higher federal royalty and tax expenses. DU's revenue is expected to grow 8.5% YOY to AED 3,896 Mn in 2Q25, mainly due to an anticipated increase in revenue across all its segments except the other segment. Mobile segment revenue is forecasted to increase 12.0% YOY to AED 1,806 Mn, and the Fixed revenue segment is expected to surge 9.7% YOY to AED 1,077 Mn in 2Q25. Similarly, Wholesale segment revenue is projected to increase from AED 327 Mn in 2Q24 to AED 549 Mn in 2Q25. In contrast, other segment revenue is expected to decline 31.0% YOY to AED 463 Mn in 2Q25. The Company's cost of sales, excluding depreciation & amortization and marketing expenses, is anticipated to rise 1.4% YOY to AED 1,937 Mn in 2Q25, while marketing expenses are estimated to rise 23.9% YOY to AED 58 Mn in 2Q25. Additionally, expected credit losses (ECL) are projected to decline 11.4% YOY to AED 58 Mn in 2Q25. Thus, DU's EBITDA is projected to rise 17.3% YOY to AED 1,842 Mn in 2Q25. We also expect the EBITDA margins to rise from 43.7% in 2Q24 to 47.3% in 2Q25. Depreciation and amortization expense is anticipated to grow 4.5% YOY to AED 557 Mn in 2Q25. As a result, operating profit is likely to grow 24.0% YOY to AED 1,286 Mn in 2Q25. Operating profit margin is expected to increase from 28.9% in 2Q24 to 33.0% in 2Q25. The Company is expected to record a net finance expense of AED 7 Mn in 2Q25 compared to a net finance expense of AED 8 Mn in 2Q24. In addition, federal royalty is expected to increase 24.0% YOY to AED 486 Mn in 2Q25. The Company tax expense is anticipated to rise 23.2% YOY to AED 71 Mn in 2Q25.

2025 Forecast

DU's net profit is anticipated to rise 8.7% YOY to AED 2,705 Mn in 2025, mainly due to anticipated growth in revenue, lower marketing expenses and ECL, partially offset by an increase in direct cost, D&A expense, along with an expected increase in federal royalty, financing expense and tax charges. Revenue is expected to grow 6.2% YOY to AED 15,548 Mn in 2025, mainly due to projected growth in revenue across all its segments except the Other segment. Mobile segment revenue is forecasted to increase 10.0% YOY to AED 7,205 Mn, and the Fixed revenue segment is expected to grow by 8.4% YOY to AED 4,340 Mn in 2025. Similarly, Wholesale segment revenue is projected to increase 14.0% YOY to AED 2,087 Mn in 2025, while Other segment revenue is expected to decrease 15.0% YOY to AED 1,916 Mn in 2025. Cost of sales, excluding depreciation & amortization and marketing expenses, is expected to grow 5.3% YOY to AED 8,043 Mn in 2025. Marketing expenses are anticipated to decline 1.7% YOY to AED 260 Mn in 2025. In addition, ECL is also estimated to decrease 16.7% YOY to AED 218 Mn in 2025. Thus, EBITDA is expected to rise 8.6% YOY to AED 7,028 Mn in 2025. EBITDA margin is likely to rise 98 bps YOY to 45.2% in 2025. Depreciation and amortization expense is anticipated to grow 3.0% YOY to AED 2,219 Mn in 2025. As a result, operating profit is predicted to grow 11.4% YOY to AED 4,809 Mn in 2025. Operating profit margin is anticipated to grow 142 bps YOY to 30.9% in 2025. Moreover, net finance expense is expected to increase from AED 10 Mn in 2024 to AED 16 Mn in 2025. Federal royalty is expected to grow 15.9% YOY to AED 1,822 Mn in 2025. The Company's tax expenses are forecasted to rise 8.3% YOY to AED 267 Mn in 2025.

1Q25 Outturn

DU's revenue grew 7.4% YOY to AED 3,848 Mn in 1Q25, primarily driven by healthy growth across service and non-service revenue. The growth in services revenue is driven by solid growth in the subscriber base, higher ARPU and improved mix. Mobile Services revenue rose 7.4% YOY to AED 1,721 Mn in 1Q25, mainly 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. Moreover, the mobile subscriber base rose 5.5% YOY to 9.1 Mn, mainly driven by 9.6% YOY growth in postpaid customers to 1.8 Mn in 1Q25. Meanwhile, the prepaid customers rose 4.5% YOY to 7.3 Mn in 1Q25. Fixed service revenue grew 10.2% YOY to AED 1,060 Mn in 1Q25, attributable to a robust performance of Fibre and Home Wireless products as well as expansion of the Fibre network. Broadband subscribers recorded a strong growth of 13.8% YOY to 701K in 1Q25. Other revenues increased 4.8% YOY to AED 1,067 Mn in 1Q25, driven by growth in ICT, visitor roaming, and interconnect, partially offset by lower handset sales. DU's cost of revenue, excluding D&A and marketing expenses, rose 1.9% YOY to AED 1,919 Mn in 1Q25. Marketing expenses increased 14.2% YOY to AED 57 Mn in 1Q25, while expected credit losses (ECL) charges declined 23.4% YOY to AED 48 Mn in 1Q25. The Company's EBITDA rose 15.0% YOY to AED 1,824 Mn in 1Q25 with an increase in EBITDA Margin from 44.3% in 1Q24 to 47.4% in 1Q25 (which includes one-off gains: one related to a commercial initiative linked to non-current revenue, and another from a resolved dispute). The Company recorded a net finance income of AED 6 Mn in 1Q25 compared to AED 5 Mn in 1Q24. Furthermore, DU's Federal royalty charge rose 19.9% YOY to AED 487 Mn in 1Q25, mainly due to the implementation of the new royalty regime. In addition, tax expense amounted to AED 72 Mn in 1Q25 compared to AED 59 Mn in 1Q24.

Target price and rating

We maintain our HOLD rating on DU with a target price of AED 8.85. The Company recorded robust financial performance in 1Q25, driven by strong growth in revenue and EBITDA. DU is focusing on diversifying revenue streams by offering other technology-related services, forging partnerships, launching new brands, and expanding its product portfolio. The Company announced the development of a new hyperscale data centre in the UAE. This initiative, marked by a strategic partnership with Microsoft, represents a significant milestone in DU's data centre expansion and underscores its commitment to growth beyond its traditional core operations. Moreover, DuPay surpassed 500K app downloads and processed c. AED 500 Mn in financial transactions as of 1Q25. Additionally, the ongoing development of du Pay is expected to unlock new financial service offerings, while customised solutions for SMEs, such as integrated connectivity and payment bundles, are expected to drive further business diversification. The Company's 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, indicating a growth in the fixed market segment. Recently, DU raised the offering prices for home wireless services from AED 199 to AED 299. These new rates apply only to new customers and will not impact existing customers. The increase in home wireless service pricing for new customers is expected to support DU's revenue growth and margin expansion going forward. The Company is also experiencing positive momentum in its ICT segment, contributing to revenue growth and customer acquisition. DU remains focused on both its core and non-core sectors through the implementation of a targeted commercial strategy and disciplined cost management in 2025. As part of its long-term growth strategy, the Company is accelerating digital infrastructure deployment and expanding enterprise service offerings. Supported by its 5G Advanced network and extensive fibre infrastructure, DU aims to accelerate the rollout and expand the reach of indoor 5 G-Advanced connectivity and rural fixed wireless access. As a result, it anticipates revenue growth of 5–7% in 2025, with EBITDA margins expected to exceed the 44.2% recorded in 2024. As of 1Q25, DU maintains a robust financial position of AED 2.7 Bn, with no outstanding debt and access to an AED 2 Bn revolving credit facility, providing flexibility for future investments and operations. Moreover, the Company's shareholders approved a final cash dividend of 34 fils per share for 2H24, bringing the total dividend for 2024 to 54 fils per share. This represents the highest dividend in DU's history, marking a 59% YOY increase. Thus, considering the factors mentioned above, we maintain our HOLD rating on the stock.

DU – Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	28.74	37.68	34.01	24.87	16.67	15.3
P/B (x)	4.84	4.86	4.73	4.49	4.20	4.1
EV/EBITDA	13.16	12.88	11.75	10.12	8.24	7.5
DPS (AED)	0.280	0.210	0.240	0.340	0.540	0.567
Dividend yield	3.1%	2.3%	2.7%	3.8%	6.0%	6.3%

FABS Estimates & Co Data

DU - P&L

AED mm	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	3,592	3,848	3,896	8.5%	1.2%	14,636	15,548	6.2%
Costs (ex D&A, marketing exp)	-1,910	-1,919	-1,937	1.4%	0.9%	-7,642	-8,043	5.3%
Marketing expense	-47	-57	-58	23.9%	1.9%	-264	-260	-1.7%
Expected Credit Loss	-66	-48	-58	-11.4%	22.1%	-261	-218	-16.7%
EBITDA	**1,571**	**1,824**	**1,842**	**17.3%**	**1.0%**	**6,472**	**7,028**	**8.6%**
D&A & Impairment	-533	-549	-557	4.5%	1.4%	-2,154	-2,219	3.0%
Operating profit	**1,037**	**1,275**	**1,286**	**24.0%**	**0.8%**	**4,319**	**4,809**	**11.4%**
Financing income/expense	-8	6	-7	-9.2%	NM	-10	-16	54.8%
Pre-royalty profit	**1,030**	**1,281**	**1,278**	**24.1%**	**-0.2%**	**4,306**	**4,794**	**11.3%**
Federal Royalty	-392	-487	-486	24.0%	-0.2%	-1,572	-1,822	15.9%
Tax	-58	-72	-71	23.2%	-0.5%	-247	-267	8.3%
Net profit	**580**	**722**	**721**	**24.3%**	**-0.2%**	**2,488**	**2,705**	**8.7%**

FABS estimate & Co Data

DU - Margins

	2Q24	1Q25	2Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross profit	46.8%	50.1%	50.3%	346	16	47.8%	48.3%	48
EBITDA	43.7%	47.4%	47.3%	356	-11	44.2%	45.2%	98
Operating profit	28.9%	33.1%	33.0%	415	-13	29.5%	30.9%	142
Net Profit	16.2%	18.8%	18.5%	235	-26	17.0%	17.4%	40

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