

## Telecom Sector

Telecom Operators Build New Growth Engines amid Core Markets Saturation

Sector Weighting:  
**MARKET WEIGHT**

### MENA Telecommunication

The telecom sector across the UAE, Saudi Arabia, and Egypt is entering a structurally stronger phase, supported by sustained subscriber growth, rising data consumption, and a strategic shift toward enterprise digital services and infrastructure-led monetisation. In the UAE, Etisalat (e&) and du remain the two largest telecom operators, with a combined mobile subscriber base of 24.9 Mn as of 3Q25, reflecting the scale and maturity of the market. e& continued to deliver solid organic growth, with its subscriber base rising 6.9% YOY to 15.7 Mn, supported by steady mobile net additions and an expansion of 1.4 Mn fixed broadband subscribers during the quarter. Beyond core connectivity, e& is actively diversifying its revenue base through the rapid scaling of its digital businesses. e& enterprise, which provides end-to-end digital transformation solutions across cloud and digital infrastructure, cybersecurity, IoT and AI, delivered double-digit revenue growth, with revenues increasing to AED 836 Mn in 3Q25 from AED 686 Mn in 3Q24. Strategic initiatives, including a partnership with Serbia's Office for IT and eGovernment to support sovereign cloud and data centre expansion, further strengthen its positioning in regional digital infrastructure. In parallel, the e& life segment continues to scale, with revenues rising 33.7% YOY to AED 647 Mn, driven by Careem Technologies and growing fintech activity supported by a larger user base and higher transaction volumes. Continued platform investments across e& life's verticals support growth visibility, while the rising contribution from enterprise and life segments highlights e&'s successful transition beyond traditional telecom services. Similarly, Du's subscriber base grew 10.3% YOY to 9.2 Mn in 3Q25, supported by an 8.6% YOY increase in postpaid customers to 1.9 Mn, reflecting continued strength in the enterprise segment and an improving subscriber mix. Beyond core connectivity, du is also scaling financial services and data center platform, highlighted by a partnership with AI PARK Dubai to develop a 500,000 sqm AI hub comprising multi-liquid-cooled hyperscale data centers with potential capacity of up to 1 GW, alongside multiple MOUs aimed at expanding liquid-cooled data center capabilities. The Company expects the ramp-up of data center operations to enhance ICT profitability over the medium term and partially offset margin pressure from other ICT verticals. Accordingly, Du has guided for higher CAPEX in the coming year, driven mainly by data center projects, including Hub and Merkley deployments, as well as continued investment in ICT infrastructure. Overall, the Company aims to sustain healthy margins through ongoing market share gains, improved customer retention via AI-driven analytics and CVM initiatives, and incremental contributions from beyond core segments such as financial services and data centers.

Similar to the UAE, telecom operators in KSA continue to demonstrate solid performance in core connectivity businesses, underpinned by steady subscriber growth, sustained network investments and a supportive policy environment aligned with Vision 2030. Mobily delivered strong momentum in its core market during 3Q25, with its subscriber base expanding 14.8% YOY to 13.4 Mn, driven by healthy customer acquisition across both prepaid and postpaid segments. To support rising data demand and maintain network quality, Mobily increased capex to SAR 932 Mn, largely directed toward network upgrades, 5G rollout and spectrum-related investments. While revenue growth is expected to moderate from FY2026 following the strong expansion recorded over the past two years, the consumer segment is likely to remain resilient, supported by ongoing mobile subscriber additions and continued FTTH expansion. In parallel, stc also continued to deliver steady organic growth in its core mobile business, with its subscriber base increasing 5.9% YOY to 29 Mn in 3Q25, reflecting stable demand in a mature yet

structurally attractive market. Core connectivity remains a key earnings anchor for stc, supported by scale advantages, broad network coverage and a diversified customer base spanning consumer, enterprise and government segments. Beyond traditional telecom services, Saudi operators are increasingly focused on diversifying revenue streams and expanding into digital and infrastructure-led segments. Mobily is strengthening B2B and wholesale businesses, leveraging execution capabilities in enterprise digitalisation, cloud and data centre services. B2B revenues are expected to benefit from transparent government procurement processes, robust SME and private sector demand, and rising digital adoption across the economy. In addition, wholesale revenues are set to gain support from the Red Bull Mobile MVNO contract from 4Q25, alongside improved international connectivity through strategic investments in subsea cable systems such as MRSC, Africa-1, AAE-1 and SMW6, enhancing Mobily's position in regional and international data traffic. Similarly, stc is accelerating its diversification strategy through selective investments across banking, cybersecurity, advanced technology and digital infrastructure. Growth in STC Bank and the Sirar cybersecurity and advanced technology segment highlights increasing demand for digital financial services and security-led solutions. At the infrastructure level, stc continues to scale digital platform through center3, which has announced SAR 37.5 Bn of planned investments to expand and upgrade digital infrastructure across Saudi Arabia and the wider region, targeting 1 GW of data centre capacity by 2030. Strategic partnerships, including agreements linked to AI development and giga-projects, position stc as a long-term digital enabler of the Kingdom's transformation agenda. Collectively, these initiatives support stronger revenue diversification, improved earnings visibility and enhanced long-term growth prospects beyond core connectivity.

Egypt's telecommunications and ICT sector has been significantly transformed through strong government support and the "Digital Egypt" strategy. The sector has evolved beyond traditional telecom services into digital government, innovation, and technology-led growth. Extensive digital initiatives and major investments in fiber and 4G/5G infrastructure have strengthened Egypt's position as a regional digital hub. Telecom Egypt's customer base continued to expand in 3Q25, with mobile subscribers increasing 8.8% YOY to 14.8 Mn, reflecting steady growth in its wireless operations. Segmentally, Domestic revenues surged 44.3% YOY to EGP 2,838 Mn, driven primarily by higher infrastructure-related revenues, while International Connectivity & Networks (IC&N) revenues grew 19.5% YOY to EGP 3,936 Mn, supported by capacity expansions and stronger demand from international customers. The Company expects a robust IC&N pipeline, with additional revenue recognition expected in 4Q25, providing near-term visibility. In addition, income from associates rose materially, underpinned by a strong contribution from Vodafone Egypt, benefiting from improved operational performance, organic subscriber growth, and tariff adjustments.

GCC telecom operators are increasingly repositioning themselves beyond traditional connectivity towards integrated digital infrastructure and solutions providers, as core mobile markets are near-mature with already very high mobile penetration, limiting incremental growth from basic services. Future planning is therefore centred on diversification into enterprise ICT, cloud computing, hyperscale and carrier-neutral data centres, fintech and digital platforms, enabling operators to capture higher-value, recurring revenues with longer contract tenures. In the UAE, e& and du are scaling cybersecurity, cloud, IoT, data centre and fintech platforms, supported by elevated capex and selective international expansion, strengthening revenue visibility and operating leverage. In Saudi Arabia, operators such as stc and Mobily are aligning investment strategies with Vision 2030, accelerating spending on 5G, fibre, AI-ready data centres and digital infrastructure to support government, enterprise and giga-projects. While these initiatives are capex-intensive, many investments are expected to turn cash-flow positive over time as utilisation

improves and scale benefits emerge, allowing companies to monetise these businesses or unlock value through partnerships or stake sales once they reach maturity. Overall, these strategies are expected to enhance ARPU, customer retention and margin resilience, while reducing reliance on cyclical consumer revenues. The sector outlook remains constructive, with operators evolving into long-term B2B and B2G digital partners, supporting sustainable growth and higher-quality earnings over the medium to long term.

### **e& Expands CEE Footprint with EUR 95 Mn Acquisition of UPC Broadband Slovakia**

e&, through its subsidiary O2 Slovakia (e& PPF Telecom Group), has agreed to acquire 100% of UPC Broadband Slovakia from Liberty Global for EUR 95 Mn on a cash-free, debt-free basis. The deal strengthens O2 Slovakia's market position and enhances e& PPF Telecom's competitive standing, while supporting e&’s strategy to expand in Central and Eastern Europe and diversify revenues in euro-linked markets. The transaction will be financed through a mix of cash and debt at the e& PPF Telecom level and is subject to customary closing adjustments.

### **Space42 and Telkom Satelit Indonesia in Talks to Expand 5g D2d Services**

Space42 has signed a Memorandum of Understanding with PT Telkom Satelit Indonesia (Telkomsat) to explore collaboration in 5G Direct-to-Device connectivity. The partnership will leverage Equatys, Space42’s D2D venture with Viasat, to enable seamless integration between satellite and terrestrial networks. The MoU covers technical integration, regulatory alignment, joint R&D, and future infrastructure and product roadmap initiatives under a 3GPP Release 17+ NTN framework. This collaboration aims to extend reliable 5G connectivity to underserved areas and support inclusive digital growth across Telkomsat’s markets.

### **STC Partnered with AST Spacemobile For Space-Based Telecom Services**

Saudi Telecom Company (STC) entered into a 10-year strategic partnership with AST & Science, LLC (AST SpaceMobile) to broaden the reach of its communications services beyond terrestrial network coverage. The agreement establishes a commercial framework to deliver satellite-based connectivity across the Kingdom of Saudi Arabia and select markets in the Middle East and Africa.

### **Ooredoo Planned USD 500 Mn Investment in Cable Projects**

Qatari telecom operator Ooredoo plans to invest over USD 500 Mn in new international cable projects, according to state news agency QNA, citing the company’s CEO. The projects aim to redesign connectivity routes linking Oman, Turkey, Iraq and Europe through land-based corridors, thereby reducing connection times. Management highlighted that the new system will enhance global network flexibility and provide alternative routes bypassing disruptions in the Red Sea and the Strait of Hormuz.

### **ADIA to Divest 5% Stake in Qatar Based Telecom Operator Ooredoo**

The Abu Dhabi Investment Authority plans to sell 160.5 Mn shares, representing around half of its stake, in Qatar’s Ooredoo through a secondary offering. The offer price range is set between QAR 12.4 and QAR 13.0 per share, implying a deal size of QAR 1.99–2.09 Bn, with no proceeds accruing to Ooredoo. The transaction aims to broaden Ooredoo’s shareholder base and enhance share liquidity on the Qatar Stock Exchange, while ADIA reduces its holding from 10%.

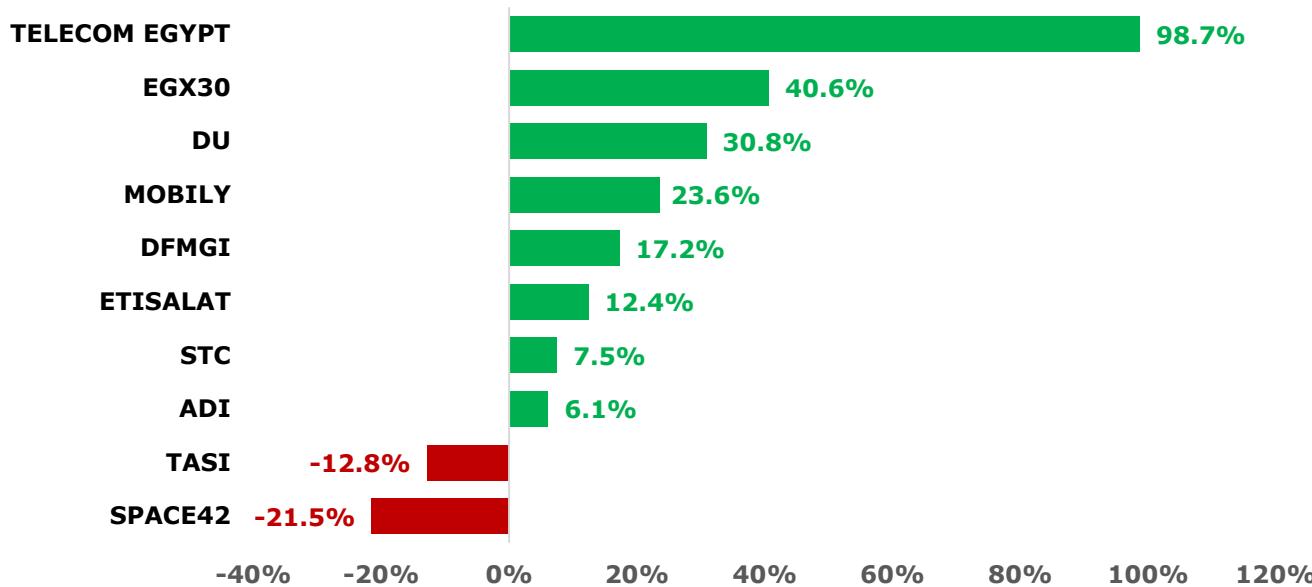
### **STC Signed Mou with HUMAIN to Establish AI Joint Venture Via Center3**

Saudi Telecom Company (STC) has signed a memorandum of understanding with Future Artificial Intelligence Company (HUMAIN) to establish an AI-focused data center joint venture through its subsidiary, center3. The proposed JV will develop and operate advanced data center infrastructure in Saudi Arabia with a targeted capacity of up to 1 GW, starting with an initial 250 MW subject to customer commitments. The initiative supports Vision 2030 by localizing advanced digital infrastructure, strengthening AI capabilities, and positioning the Kingdom as a regional digital hub.

## Telecom stock performance in the YTD

Almost all stocks delivered positive YTD returns, with the exception of Space42. Space42 recorded the weakest performance, generating a negative return of 21.5% since December 2024. In contrast, Telecom Egypt outperformed posting a YTD return of 98.7% since December 2024, followed by DU with a return of 30.8% and Mobily with a return of 23.6% over the same period. In terms of market performance, Egypt's EGX30 index rose by 40.6%, while the DFM and ADX indices increased by 17.2% and 6.1%, respectively since December 2024. In contrast, the Tadawul stock exchange declined by 12.8% since December 2024.

### MENA Telecom Stock & Market Indices Performance from December 2024 to 31 Dec 2025, ranked



Source: Bloomberg

## Relative valuation and rating

Among the telecom stocks we cover, the PE falls between 15.2x (STC) and 5.7x (TELECOM EGYPT). The EV/EBITDA ranges from 8.3x (STC) to 3.9x (TELECOM EGYPT). DU's expected dividend yield for 2026 is the highest at 6.6%. TELECOM EGYPT has the lowest PB multiple of 1.4x. TELECOM EGYPT's Net Debt/EBITDA stood highest at 1.48x followed by ETISALAT at 1.04 and MOBILY at 0.35x.

## Relative Valuation

	<b>E&amp;</b>	<b>MOBILY</b>	<b>STC</b>	<b>TELECOM EGYPT</b>	<b>DU</b>
CMP (LCY)	18.52	66.55	43.00	69.60	10.10
Number of shares (mm)	8,697	770	4,990	1,707	4,533
Market cap (LCY mm)	159,151	50,589	213,164	111,489	44,558
Market cap (US\$ mm)	43,365	13,490	56,844	3,608	12,141
Gross debt (LCY mm)	65,635	5,839	15,144	76,421	0
Cash (LCY mm)	31,489	3,036	16,616	7,383	957
Net debt/-cash (LCY mm)	34,146	2,804	-1,472	69,038	-957
Non-controlling interest	9,757	0	2,902	36	0
EV	203,054	53,393	214,595	180,563	43,601
EBITDA (2026)	32,719	7,927	25,732	46,715	5,782
BVPS (2026)	6.71	29.18	17.33	47.04	2.24
EPS (2026)	1.54	4.91	2.81	11.53	0.70
DPS (2026)	0.89	2.80	2.20	1.50	0.65
EV/EBITDA (x)	6.2	6.7	8.3	3.9	7.5
P/BV (x)	2.7	2.3	2.5	1.4	4.4
PE (x)	11.9	13.4	15.2	5.7	14.0
Dividend yield	4.9%	4.3%	5.1%	2.3%	6.6%
Payout ratio	57.8%	57.0%	78.3%	13.0%	93.0%
Net debt/EBITDA (x)	1.04	0.35	-0.06	1.48	-0.17

Source: FABS from Bloomberg

## Market Weight:

With 3x BUYS, and 2x HOLD we remain MARKET WEIGHT on MENA telecoms.

	<b>e&amp;</b>	<b>MOBILY</b>	<b>STC</b>	<b>Telecom Egypt</b>	<b>DU</b>
Rating	<b>BUY</b>	<b>HOLD</b>	<b>BUY</b>	<b>BUY</b>	<b>HOLD</b>
Local currency	AED	SAR	SAR	EGP	AED
CMP	18.52	66.55	43.00	69.60	10.10
Target Price	22.00	72.00	50.00	80.00	10.25
Potential change (%)	+19%	+8%	+16%	+15%	+1.5%

FABS Estimates & Co data

## 4Q25 preview: Emirates Telecommunications Group (e&)

Subscriber growth and lower impairment charges to increase profits

Current Price AED 18.52	12-m Target Price AED 22.00	Upside/Downside (%) +18.8%	Rating BUY
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### 4Q25 estimate

Emirates Telecommunications Group Co PJSC (e&/the Company) net profit is expected to increase 7.9% YOY to AED 2,476 Mn in 4Q25, primarily due to an anticipated increase in revenue owing to full consolidation of PPF Telecom, decline in impairments and lower tax expenses, partially offset by higher operating expenses, decline in share of results of associates & joint ventures, and rise in share of non-controlling shareholders. e&'s revenue is expected to grow 17.8% YOY to AED 19,404 Mn in 4Q25, driven by anticipated solid growth across all segments along with the consolidation of e& PPF Telecom. In 4Q24, PPF Telecom's revenue was consolidated from November 1, 2024. Operating expenses are anticipated to grow 28.2% YOY to AED 14,466 Mn in 4Q25. Impairment loss on trade receivables and contract assets is expected to improve substantially from AED 1,463 Mn in 4Q24 to AED 334 Mn in 4Q25. Impairment loss in 4Q24 was higher due to the impairment of goodwill of Maroc Telecom and Playco Holdings Ltd. The share of results of associates and joint ventures is forecasted to decrease 38.7% YOY to AED 540 Mn in 4Q25. Operating profit before federal royalty is expected to increase 11.7% YOY to AED 5,143 Mn in 4Q25. Federal royalty is expected to increase 9.0% YOY to AED 1,371 Mn in 4Q25. As a result, e&'s operating profit is anticipated to rise 12.6% YOY to AED 3,773 Mn in 4Q25. e&'s EBITDA is expected to rise 9.4% YOY to AED 7,676 Mn in 4Q25. We expect the EBITDA margin to decrease 303 bps YOY to 39.6% in 4Q25. Additionally, finance and other income are estimated to fall from AED 974 Mn in 4Q24 to AED 482 Mn in 4Q25, whereas finance and other costs are projected to decline 12.8% YOY to AED 1,085 Mn in 4Q25. The Company tax expense is expected to decrease 45.8% YOY to AED 386 Mn in 4Q25. In addition, e&'s profit attributable to non-controlling shareholders is forecasted to rise substantially from AED 71 Mn in 4Q24 to AED 307 Mn in 4Q25 owing to consolidation of PPF Telecom.

### 2025 forecast

e&'s net profit is expected to grow 32.9% YOY to AED 14,289 Mn in 2025, driven by an anticipated growth in revenue owing to consolidation of PPF Telecom and gain from sale of Khazna coupled with lower finance & other costs and lower impairment loss on trade receivable & contract assets, partially offset by increase in operating expenses, coupled with lower share of results from associates & joint venture and higher federal royalty and tax expenses. The Company's revenue is expected to increase 23.2% YOY to AED 72,943 Mn in 2025, driven by anticipated growth across all segments along with the consolidation of e& PPF Telecom. Operating expenses are anticipated to rise 29.7% YOY to AED 51,224 Mn in 2025. Impairment losses are projected to decrease from AED 2,138 Mn in 2024 to AED 1,174 Mn in 2025 due to the impairment of goodwill of Maroc Telecom and Playco Holdings Ltd recorded in 2024. Share of results of associates & JVs is estimated to fall 23.4% YOY to AED 1,897 Mn in 2025. Federal royalty is forecasted to increase 37.5% YOY to AED 7,263 Mn in 2025. As a result, operating profit after federal royalty is expected to grow 2.7% YOY to AED 15,178 Mn in 2025. Moreover, e&'s EBITDA is expected to grow 18.9% YOY to AED 31,450 Mn in 2025. However, we expect the EBITDA margin to decline 16 bps YOY to 43.1% in 2025. Furthermore, finance and other income are expected to increase significantly from AED 2,733 Mn in 2024 to AED 8,010 Mn in 2025, whereas finance and other costs are projected to decline 19.8% YOY to AED 4,182 Mn in 2025. Tax charges are estimated to rise from AED 1,717 Mn in 2024 to AED 3,041 Mn in 2025. The share of profit attributable to non-controlling interest holders is expected to stand at AED 1,676 Mn in 2025, compared to a share in loss of AED 169 Mn in 2024.

### 3Q25 outturn

e&’s total revenue surged 29.2% YOY to AED 18.6 Bn in 3Q25, driven by sustained strong growth across all verticals along with the consolidation of e& PPF Telecom. Additionally, the revenue expanded 10.8% YOY on an LFL basis in reported currency in 3Q25. Revenue growth is driven by robust performance across both domestic and international telecom operations, as well as by the expanded scale of the Company’s digital verticals. e& UAE revenue increased 6.5% YOY to AED 8.7 Bn in 3Q25, driven by higher mobile revenue. New high-value customers drove the revenue increase in the mobile segment, higher wholesale traffic, and growth in handset and ICT revenues. Moreover, e& international revenue rose from AED 5.1 Bn in 3Q24 to AED 8.5 Bn in 3Q25, driven by the consolidation of e& PPF Telecom, organic growth in Pakistan and Egypt, and the appreciation of the Moroccan currency against AED. Excluding e& PPF telecom, in constant currency, the international segment revenue increased 9.4% YOY in 3Q25, portraying the growth witnessed across key international markets. Maroc Telecom Group’s revenue increased 10.2% YOY to AED 3.6 Bn in 3Q25. In terms of local currency, revenue increased marginally, as the strong organic growth of Moov Africa’s Subsidiaries offset the decline in revenues from Morocco, which remained affected by the restrictive regulatory framework and competitive landscape. Furthermore, e& Egypt’s revenue surged 35.4% YOY to AED 1.2 Bn and 35.8% YOY in constant currency terms for 3Q25, driven by growth in data and voice revenues, supported by an expanding base and service price increases. Reported revenue from PTCL Group increased 11.8% YOY to AED 824 Mn in 3Q25, supported by the growth in mobile & fixed broadband along with corporate revenues. Additionally, Etisalat Afghanistan’s revenue declined marginally to AED 194 Mn in 3Q25, while e& PPF telecom’s revenue stood at AED 2.7 Bn in 3Q25. Furthermore, the revenue from e& Enterprise grew 21.9% YOY to AED 836 Mn in 3Q25, driven by strong performance in the cloud, cybersecurity, and IoT segments, with a healthy contribution from international markets. E& Life’s revenue grew from AED 484 Mn in 3Q24 to AED 647 Mn in 3Q25, primarily driven by growth across all revenue streams, with Careem Technologies leading, followed by fintech, which is experiencing increased usage. The Company’s operating expenses grew 35.7% YOY to AED 13.0 Bn in 3Q25, primarily driven by the consolidation of e& PPF Telecom and supporting the growth of the new revenue streams along with higher interconnection and devices costs associated with growing wholesale and handsets revenues. Total impairment loss on trade receivables and other assets increased 24.7% YOY to AED 281 Mn in 3Q25. The share of profits from associates and joint ventures rose 10.3% YOY to AED 497 Mn in 3Q25. e&’s federal royalty increased 11.8% YOY to AED 1.4 Bn in 3Q25. However, the Company’s operating profit increased 16.6% YOY to AED 4.5 Bn in 3Q25. Total EBITDA surged 29.2% YOY to AED 8.4 Bn in 3Q25, while the EBITDA margin remained flat at 45.0% in 3Q25 compared to 3Q24. Etisalat’s UAE EBITDA increased 8.3% YOY to AED 4.6 Bn in 3Q25. At the same time, e& International EBITDA rose sharply from AED 2.3 Bn in 3Q24 to AED 3.9 Bn in 3Q25, driven by the consolidation of e& PPF Telecom and improved profitability in Egypt & Pakistan. EBITDA for e& Enterprises grew 56.3% YOY to AED 72 Mn in 3Q25. In contrast, e& Life reported negative EBITDA of AED 195 Mn in 3Q25, compared to negative AED 185 Mn in 3Q24, due to continued investment in scaling up its various segments, which remain in growth mode. Finance and other income decreased 9.8% YOY to AED 506 Mn in 3Q25. Conversely, finance and other costs increased 42.0% YOY to AED 994 Mn in 3Q25. The Company recorded an income tax expense of AED 652 Mn in 3Q25. Share of NCI increased drastically from AED 138 Mn in 3Q24 to AED 339 Mn in 3Q25.

### Target price and recommendation

We revise our rating on e& from ACCUMULATE to BUY with an unchanged target price of AED 22.0. The Company share price declined c. 5% since our last rating. The Company’s top line surged in 3Q25, supported by strong growth across all verticals and the consolidation of e& PPF Telecom. In constant currency terms, the revenue rose 6.6% YOY on LFL basis for 9M25. e& reported robust subscriber growth in 3Q25, with the total base rising 14.0% YOY to 202.2 Mn, supported by the strong customer acquisition strategies across all markets and the recent consolidation of e& PPF Telecom. e& UAE subscribers grew 6.9% YOY to 15.7 Mn, supported by the strong acquisition activities in the Mobile segment and the growth in the Fixed Broadband segment. The mobile customer base has surpassed 14 Mn, supported by fast and

reliable 5G connectivity and appealing offerings. Postpaid customers have increased by 10.5% YOY, while prepaid customers have risen by 6.9%, resulting in over 1 Mn new customers in the past one year. Additionally, the fixed broadband customer base has continued to grow, increasing by 1.0% YOY to reach 1.4 Mn subscribers. International subscribers rose 14.7% YOY to 186.4 Mn, driven by strong customer acquisition activity in Egypt, Moov Africa subsidiaries, and Pakistan. Maroc Telecom obtained a 5G license in Morocco and is set to roll out the service in 2025. e& money has partnered with PayPal and MOHRE to advance the UAE's transition to a cashless economy. e& enterprise signed a landmark agreement with Serbia's Office for IT and eGovernment to enhance regional digital infrastructure, including data center expansion and sovereign cloud development. The Company's capex excluding licenses and spectrum reached AED 3.0 Bn in 3Q25, with a capital intensity of 16.3%. Furthermore, the Company's gross debt reduced from AED 69.2 Bn in 4Q24 to AED 65.6 Bn in 3Q25, with c. 70% of the outstanding debt due beyond the next 12 months. Moreover, the net debt-to-EBITDA ratio stood at 1.11x in 3Q25, primarily due to the AED 31.5 Bn cash balance. Investments focused on 5G rollout, network expansion, and digital infrastructure, reinforcing e&’s commitment to long-term growth and technology leadership. The company reported strong results driven by solid telecom operations. The Company's 9M25 performance exceeded management's full-year guidance, prompting an upward revision in the 2025 outlook. Revenue is now expected to grow by 23-24% YOY in 2025, compared to the previous guidance of 17-20%, while the EBITDA margin is projected at 43-44% versus the earlier 43% in 2025. The expected 2025 EPS has been revised to c. AED 1.62 per share, or c. AED 1.30 per share excluding the impact of the Khazna sale transaction and MT settlement. Thus, considering the above-mentioned factors, we assign BUY rating on the stock.

#### Etisalat - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	17.63	17.08	15.90	15.44	14.80	11.14
P/B (x)	3.25	3.34	3.77	3.73	3.49	3.03
EV/EBITDA	6.28	6.22	6.95	7.21	7.25	6.46
BVPS	5.638	5.472	4.860	4.905	5.243	6.042
EPS	1.038	1.071	1.151	1.185	1.236	1.643
DPS	1.200	0.800	0.800	0.800	0.830	0.860
Dividend Yield (%)	6.5%	4.3%	4.3%	4.3%	4.5%	4.6%

FABS Estimates & Co Data

#### Etisalat - P&L

AED Mn	4Q24	3Q25	4Q25F	YOY	QOQ	2024	2025F	Change
Revenue	16,473	18,629	19,404	17.8%	4.2%	59,203	72,943	23.2%
Operating expenses	-11,284	-12,953	-14,466	28.2%	11.7%	-39,479	-51,224	29.7%
Impairment	-1,463	-281	-334	-77.2%	NM	-2,138	-1,174	-45.1%
Share of results of the Associates and JVs	880	497	540	-38.7%	8.6%	2,475	1,897	-23.4%
<b>Operating profit before federal royalty</b>	<b>4,606</b>	<b>5,892</b>	<b>5,143</b>	<b>11.7%</b>	<b>-12.7%</b>	<b>20,061</b>	<b>22,442</b>	<b>11.9%</b>
Federal royalty	-1,257	-1,426	-1,371	9.0%	-3.9%	-5,282	-7,263	37.5%
<b>Operating profit</b>	<b>3,349</b>	<b>4,466</b>	<b>3,773</b>	<b>12.6%</b>	<b>-15.5%</b>	<b>14,779</b>	<b>15,178</b>	<b>2.7%</b>
<b>EBITDA</b>	<b>7,016</b>	<b>8,385</b>	<b>7,676</b>	<b>9.4%</b>	<b>-8.5%</b>	<b>26,454</b>	<b>31,450</b>	<b>18.9%</b>
Finance and other income	974	506	482	-50.5%	-4.8%	2,733	8,010	NM
Finance and other costs	-1,244	-994	-1,085	-12.8%	9.1%	-5,212	-4,182	-19.8%
<b>Profit before tax</b>	<b>3,078</b>	<b>3,977</b>	<b>3,169</b>	<b>2.9%</b>	<b>-20.3%</b>	<b>12,300</b>	<b>19,007</b>	<b>54.5%</b>
Income tax expenses	-712	-652	-386	-45.8%	-40.8%	-1,717	-3,041	77.2%
<b>Profit for the period</b>	<b>2,366</b>	<b>3,325</b>	<b>2,783</b>	<b>17.6%</b>	<b>-16.3%</b>	<b>10,583</b>	<b>15,966</b>	<b>50.9%</b>
Non-controlling interests	71	339	307	NM	-9.5%	-169	1,676	NM
<b>Net Profit Attributable</b>	<b>2,295</b>	<b>2,986</b>	<b>2,476</b>	<b>7.9%</b>	<b>-17.1%</b>	<b>10,752</b>	<b>14,289</b>	<b>32.9%</b>

#### Etisalat- Margins

	4Q24	3Q25	4Q25F	YOY	QOQ	2024	2025F	Change
EBITDA	42.6%	45.0%	39.6%	-303	-545	44.7%	43.1%	-16
Operating profit	20.3%	24.0%	19.4%	-89	-453	25.0%	20.8%	-42
Net Profit	13.9%	16.0%	12.8%	-117	-327	18.2%	19.6%	14

FABS estimate & Co Data

## 4Q25 preview: Etihad Etisalat Company (Mobily)

Profitability supported by growth in business segments

Current Price SAR 66.55	12-m Target Price SAR 72.00	Upside/Downside (%) +8.2%	Rating HOLD
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### 4Q25 estimate

Etihad Etisalat (Mobily/the Company) is expected to record a 2.1% YOY decline in net profit to SAR 959 Mn in 4Q25, driven by the anticipated rise in cost of service, operating expenses, and finance cost & zakat expenses coupled with higher impairment charge, partially offset by expected growth in services revenue, and other income, along with rise in share in profit of associates. Mobily's services revenue is expected to grow 8.6% YOY to SAR 5,103 Mn in 4Q25, supported by strong growth across Business and Wholesale segment coupled with moderate growth in Consumer Segment. The Company's cost of services is projected to increase 7.7% YOY to SAR 2,360 Mn in 4Q25. As a result, gross profit is expected to rise 9.5% YOY to SAR 2,743 Mn in 4Q25. Gross margin is forecasted to expand modestly from 53.3% in 4Q24 to 53.8% in 4Q25. Selling and marketing expenses are expected to increase 16.9% YOY to SAR 374 Mn, whereas G&A expenses are projected to rise sharply from SAR 141 Mn in 4Q24 to SAR 317 Mn in 4Q25. The Company's depreciation and amortisation expense is forecasted to decline 5.9% YOY to SAR 931 Mn in 4Q25. However, Mobily is expected to record impairment loss on accounts receivable of SAR 69 Mn in 4Q25 compared to impairment reversal of SAR 3 Mn in 4Q24. Consequently, Mobily's operating profit is anticipated to decline marginally by 0.6% YOY to SAR 1,052 Mn in 4Q25, with operating profit margin expected to soften from 22.5% in 4Q24 to 20.6% in 4Q25. Moreover, the Company's EBITDA is projected to decline 3.1% YOY to SAR 1,983 Mn, while the EBITDA margin is expected to contract from 43.6% in 4Q24 to 38.8% in 4Q25. Other income is forecasted to rise from SAR 12 Mn in 4Q24 to SAR 29 Mn in 4Q25. Finance expenses are expected to grow 12.0% YOY to SAR 170 Mn, while finance income is likely to decline slightly by 0.9% YOY to SAR 44 Mn in 4Q25. Additionally, the Company is expected to incur zakat expense of SAR 29 Mn in 4Q25, compared to zakat reversal of SAR 6 Mn in 4Q24.

### 2025 forecast

Mobily is expected to record an 11.8% YOY growth in net profit to SAR 3,472 Mn in 2025, driven by an expected rise in services revenue, higher other income, a substantial increase in share in profit of an associate, and growth in finance income, partially offset by an anticipated rise in cost of services, coupled with rise in operating expenses, finance cost, and zakat expenses. Mobily's service revenue is anticipated to grow 7.4% YOY to SAR 19,559 Mn in 2025, attributed to forecasted healthy growth across all business segments. The Company's cost of services is projected to increase 7.6% YOY to SAR 8,948 Mn in 2025. Thus, gross profit is likely to expand 7.2% YOY to SAR 10,611 Mn in 2025. Gross margin is expected to remain broadly stable at 54.3% in 2025. Selling and marketing expenses are forecasted to rise 9.1% YOY to SAR 1,467 Mn in 2025, whereas G&A expenses are expected to increase 28.6% YOY to SAR 1,555 Mn in 2025. The Company's depreciation and amortization expense is projected to rise marginally 1.5% YOY to SAR 3,719 Mn, while impairment losses on accounts receivable are anticipated to decrease from SAR 146 Mn in 2024 to SAR 39 Mn in 2025. As a result, Mobily's operating profit is likely to rise 8.5% YOY to SAR 3,831 Mn in 2025. Operating profit margin is expected to increase moderately to 19.6% in 2025. Moreover, the Company's EBITDA is expected to grow 4.9% YOY to SAR 7,550 Mn in 2025, whereas EBITDA margin is expected to decline from 39.5% in 2024 to 38.6% in 2025. The Company is expected to record other income of SAR 68 Mn in 2025 compared to SAR 59 Mn in 2024. Share in profit of an associate is projected to increase significantly from SAR 44 Mn in 2024 to SAR 150 Mn in 2025. The Company's finance expense is projected to grow 9.5% YOY to SAR 674 Mn in 2025. Finance income is anticipated to expand 12.1% YOY to SAR 196 Mn in 2025. In addition, zakat expense is predicted to rise 14.9% YOY to SAR 99 Mn in 2025.

### 3Q25 outturn

Mobily's service revenue rose 7.8% YOY to SAR 4,849 Mn in 3Q25, 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 the efforts to expand the geographic presence and increase service operations within the small and medium-sized enterprises (SME) market, while simultaneously improving its digital infrastructure solutions for the aviation sector. The Company's cost of services increased 11.7% YOY to SAR 2,159 Mn in 3Q25. As a result, Mobily's gross profit rose 4.9% YOY to SAR 2,691 Mn in 3Q25. Additionally, the gross profit margin shrank 154 bps YOY to 55.5% in 3Q25. The Company operating expenses rose 14.8% YOY to SAR 771 Mn in 3Q25. Mobily's operating profit grew 8.1% YOY to SAR 1,038 Mn in 3Q25, while operating profit margin marginally rose 6 bps YOY to 21.4% in 3Q25. Depreciation and amortization increased from SAR 886 Mn in 3Q24 to SAR 931 Mn in 3Q25. Resultantly, the EBITDA grew from SAR 1,846 Mn in 3Q24 to SAR 1,970 Mn in 3Q25, whereas the EBITDA margin contracted 43 bps YOY to 40.6% in 3Q25. Mobily's net other expenses (includes net finance costs and the Company's share in loss of an associate, along with other income) declined from SAR 102 Mn in 3Q24 to SAR 95 Mn in 3Q25. Furthermore, the Company's zakat charges decreased from SAR 29 Mn in 3Q24 to SAR 26 Mn in 3Q25 supporting bottom line.

### Target price and recommendation

We maintain our HOLD rating on Mobily with a target price of SAR 72.00. Mobily's revenue grew 7.8% YOY to SAR 4,849 Mn in 3Q25, driven by an increase in revenue across all segments coupled with a growth in mobile and FTTH subscriber base. The Company reports revenue under these segments including, Consumer, Business, Wholesale and Outsourcing Segment. Consumer segment is expected to provide stability while Business and Wholesale is expected to provide growth. The growth in Business segment is attributed to the expansion of service operations within the SME market and the enhancement of digital infrastructure in the aviation sector. The Consumer segment further improved its fiber-to-the-home (FTTH) coverage, enhancing service reliability and user experience, while the Wholesale segment strengthened the Company's position as a digital enabler through strategic partnerships with leading players in 3Q25. The mobile subscriber base increased 14.8% YOY to 13.4 Mn in 3Q25, comprising 11.4 Mn prepaid and 2.0 Mn postpaid subscribers, while the FTTH subscriber base rose 5.2% YOY to 0.3 Mn in 3Q25. Furthermore, the Company maintained its guidance and expects revenue to grow mid-to-high single digits, while the EBITDA margin is expected to range between 37-38% in 2025. Mobily's Capex reached SAR 932 Mn in 3Q25, driven by ongoing investments in network enhancements, 5G expansion and spectrum licenses and anticipates the Capex/Revenue to be in the range of 16% to 18% in 2025. Furthermore, the Company's business growth was driven by continued efforts in forming strategic partnerships to advance digital infrastructure and strengthen collaboration with the public sector. Additionally, the Company distributed a cash dividend of SAR 1.20 per share for 1H25, accounting for a total dividend of SAR 924 Mn. The Company demonstrated healthy performance and strategic progress, supported by digital transformation initiatives, an expanding customer base, and a focus towards innovation. Thus, based on our analysis, we maintain our HOLD rating on the stock.

### Mobily – Relative Valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	64.59	47.21	30.53	22.67	16.28	14.57
P/B (x)	3.50	3.33	3.09	2.87	2.68	2.45
EV / EBITDA	11.91	11.20	9.81	8.81	7.90	7.51
BVPS	18.760	19.735	21.245	22.887	24.514	26.823
EPS	1.017	1.392	2.152	2.899	4.035	4.509
DPS	0.500	0.850	1.150	1.450	2.200	2.550
Dividend yield	0.8%	1.3%	1.7%	2.2%	3.3%	3.8%

FABS Estimates & Co Data

**Mobily - P&L**

	<b>4Q24</b>	<b>3Q25</b>	<b>4Q25F</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>	<b>2024</b>	<b>2025F</b>	<b>Change</b>
SAR Mn								
Services revenues	4,697	4,849	5,103	8.6%	5.2%	18,206	19,559	7.4%
Cost of services	-2,192	-2,159	-2,360	7.7%	9.3%	-8,312	-8,948	7.6%
<b>Gross profit</b>	<b>2,505</b>	<b>2,691</b>	<b>2,743</b>	<b>9.5%</b>	<b>2.0%</b>	<b>9,894</b>	<b>10,611</b>	<b>7.2%</b>
Selling and marketing expenses	-320	-352	-374	16.9%	6.5%	-1,344	-1,467	9.1%
General & administrative expenses	-141	-420	-317	NM	-24.4%	-1,209	-1,555	28.6%
<b>Operating expenses</b>	<b>-461</b>	<b>-771</b>	<b>-692</b>	<b>50.0%</b>	<b>-10.3%</b>	<b>-2,553</b>	<b>-3,022</b>	<b>18.4%</b>
Depreciation and amortisation	-989	-931	-931	-5.9%	-0.1%	-3,664	-3,719	1.5%
Impairment loss on acc receivable	3	50	-69	NM	NM	-146	-39	-73.3%
<b>Operating Profit</b>	<b>1,058</b>	<b>1,038</b>	<b>1,052</b>	<b>-0.6%</b>	<b>1.3%</b>	<b>3,530</b>	<b>3,831</b>	<b>8.5%</b>
<b>EBITDA</b>	<b>2,047</b>	<b>1,970</b>	<b>1,983</b>	<b>-3.1%</b>	<b>0.7%</b>	<b>7,195</b>	<b>7,550</b>	<b>4.9%</b>
Other income	12	13	29	NM	NM	59	68	15.2%
Company's share in loss of an asso.	10	10	34	NM	NM	44	150	NM
Finance expenses	-152	-167	-170	12.0%	2.1%	-615	-674	9.5%
Finance income	45	49	44	-0.9%	-8.8%	175	196	12.1%
<b>Profit before zakat</b>	<b>973</b>	<b>943</b>	<b>989</b>	<b>1.6%</b>	<b>4.9%</b>	<b>3,193</b>	<b>3,571</b>	<b>11.8%</b>
Zakat	6	-26	-29	NM	11.4%	-86	-99	14.9%
<b>Profit attributable</b>	<b>979</b>	<b>916</b>	<b>959</b>	<b>-2.1%</b>	<b>4.7%</b>	<b>3,107</b>	<b>3,472</b>	<b>11.8%</b>

FABS estimate & Co Data

**Mobily - Margins**

	<b>4Q24</b>	<b>3Q25F</b>	<b>4Q25F</b>	<b>YOY</b>	<b>QOQ Ch</b>	<b>2024</b>	<b>2025F</b>	<b>Change</b>
Gross profit	53.3%	55.5%	53.8%	42	-173	54.3%	54.3%	-9
EBITDA	43.6%	40.6%	38.8%	-473	-176	39.5%	38.6%	-92
Operating profit	22.5%	21.4%	20.6%	-191	-80	19.4%	19.6%	20
Net profit	20.9%	18.9%	18.8%	-205	-10	17.1%	17.8%	69

FABS estimate & Co Data

## 4Q25 preview: Saudi Telecom Company (STC)

Decline in selling & marketing cost growth and rise in subscriber to increase operating profit

Current Price SAR 43.00	12-m Target Price SAR 50.00	Upside/Downside (%) +16.3%	Rating BUY
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### 4Q25 Estimate

Saudi Telecom Company (STC) is expected to report a 74.8% YOY decline in net profit to SAR 3,392 Mn in 4Q25, primarily due to the absence of profit from discontinued operations and lower finance income, coupled with an expected increase in direct costs, G&A expense, financial charges, and NCI, partially offset by expected increase in revenue, decline in selling & overhead expenses, D&A expenses, and lower other expenses. STC's revenue is expected to grow 5.4% YOY to SAR 20,313 Mn in 4Q25, driven by expected rise in revenue in almost all of its segments. Direct cost is anticipated to increase marginally 0.4% YOY to SAR 9,885 Mn in 4Q25. However, we expect gross profit to increase 10.7% YOY to SAR 10,428 Mn in 4Q25. Gross margins are expected to rise from 48.9% in 4Q24 to 51.3% in 4Q25. STC's selling and overhead expenses are anticipated to fall 7.2% YOY to SAR 1,759 Mn, while G&A expenses are anticipated to rise 5.2% YOY to SAR 2,052 Mn in 4Q25. Thus, operating expenses are expected to decline 0.9% YOY to SAR 3,811 Mn in 4Q25. STC's EBITDA is anticipated to rise 18.8% YOY to SAR 6,617 Mn in 4Q25, primarily due to growth expected in gross profit. Similarly, EBITDA margin is expected to boost from 28.9% in 4Q24 to 32.6% in 4Q25. Depreciation and amortisation expenses are expected to decline marginally 0.4% YOY to SAR 2,588 Mn in 4Q25. As a result, operating profit is likely to grow 35.6% YOY to SAR 4,029 Mn in 4Q25. Operating profit margin is anticipated to increase from 15.4% in 4Q24 to 19.8% in 4Q25. The Company is expected to report other expenses of SAR 150 Mn in 4Q25 compared to SAR 2,297 Mn in 4Q24, which was high due to increased cost of early retirement program. Finance income is anticipated to decrease 34.8% YOY to SAR 284 Mn in 4Q25. Finance charges are forecasted to grow 17.7% YOY to SAR 341 Mn in 4Q25. Zakat expense is anticipated to fall from SAR 507 Mn in 4Q24 to SAR 384 Mn in 4Q25. Share to NCI is also expected to grow 48.8% YOY to SAR 45 Mn in 4Q25. However, the Company is not expected to record any profit from discontinued operation in 4Q25 compared to SAR 13,174 in 4Q24.

### 2025 Forecast

STC's net profit is expected to decline by 39.4% YoY to SAR 14,971 Mn in 2025, primarily due to the absence of profit from discontinued operations, alongside a forecasted increase in direct costs, G&A expenses, depreciation, lower finance income. These pressures are expected to be partially offset by revenue growth, lower selling & overhead expenses, finance costs, and a decline in other expenses. STC's revenue is estimated to grow 3.1% YOY to SAR 78,237 Mn in 2025, driven by expected increase in revenue in across almost all the segments. On the other hand, direct cost is anticipated to increase 3.4% YOY to SAR 39,901 Mn in 2025. As a result, gross profit is likely to grow 2.8% YOY to SAR 38,336 Mn in 2025. We expect the gross profit margins to decline 15 bps YOY to 49.0% in 2025, owing to higher growth in direct costs. STC's selling and overhead expenses are expected to decline 4.6% YOY to SAR 6,259 Mn in 2025. G&A expenses are anticipated to increase 2.2% YOY to SAR 6,963 Mn in 2025. As a result, operating expenses are estimated to decline 1.1% YOY to SAR 13,222 Mn in 2025. Thus, EBITDA is forecasted to grow 5.0% YOY to SAR 25,114 Mn in 2025. EBITDA margins are expected to rise 57 bps YOY to 32.1% in 2025. D&A expenses are projected to rise 7.9% YOY to SAR 10,252 Mn in 2025. Operating profit is anticipated to increase 3.0% YOY to SAR 14,862 Mn in 2025. Whereas operating profit margin is expected to remain flat at 19.0% in 2025, compared to 2024. Furthermore, other expenses are projected to decline significantly from SAR 2,775 Mn in 2024 to SAR 94 Mn in 2025, primarily reflecting a normalization in retirement benefit plan costs following the elevated expenses recorded in 2024. Finance income is anticipated to decline 21.9% YOY to SAR 1,341 Mn, whereas finance cost is projected to fall 5.8% YOY to SAR 1,163 Mn in 2025. We expect, the Company to record Zakat reversal of SAR 299 Mn in 2025 compared to Zakat expenses of SAR 1,192 in 2024. The profit share attributable to non-

controlling interest holders is expected to rise 20.6% YOY to SAR 274 Mn in 2025. The Company is not expected to record any profit from discontinued operation in 2025 compared to SAR 13,973 Mn in 2024.

### 3Q25 Outturn

STC's total revenue grew 3.6% YOY to SAR 19,264 Mn in 3Q25, driven by a rise in revenue from Carriers & Wholesale units, Business units and Commercial units due to an increase in the subscriber base. Revenue from Carriers and Wholesale units rose 17.5% YOY, revenue from business units 5.3% YOY, and revenue from Commercial units increased 3.1% YOY in 3Q25. STC KSA revenue grew 4.8% YOY to SAR 13,045 Mn in 3Q25, with a 5.9% YOY growth in mobile subscribers to 29.24 Mn and 6.4% YOY growth in fixed subscribers to 6.05 Mn in 3Q25. STC Kuwait reported a 2.4% YOY decline in revenue to SAR 1,001 Mn in 3Q25, alongside a 3.2% YOY decrease in mobile subscribers to 2.25 Mn during the same period. STC Bahrain recorded a 3.6% YOY increase in revenue to SAR 496 Mn in 3Q25, while its subscriber base grew modestly by 0.4% YOY to 936K over the same period. The Company's direct costs increased 22.2% YOY to SAR 10,013 Mn in 3Q25, which led to a decrease in gross profit by 11.1% YOY to SAR 9,251 Mn in 3Q25. Gross profit margin fell from 55.9% in 3Q24 to 48.0% in 3Q25. The Company's selling and overhead expenses declined 24.5% YOY to SAR 1,462 Mn in 3Q25. G&A expenses also declined 5.5% YOY to SAR 1,580 Mn in 3Q25. Thus, operating expenses decreased 15.6% YOY to SAR 3,042 Mn in 3Q25. EBITDA fell 8.7% YOY to SAR 6,209 Mn in 3Q25, while the EBITDA margin fell from 36.5% in 3Q24 to 32.2% in 3Q25. Thus, operating profit decreased 17.8% YOY to SAR 3,627 Mn in 3Q25. Moreover, operating profit margin also fell from 23.7% in 3Q24 to 18.8% in 3Q25. STC's reported an other income of SAR 425 Mn in 3Q25, compared to other expenses of SAR 47 Mn in 3Q25. Finance income declined from SAR 417 Mn in 3Q24 to SAR 246 Mn in 3Q25. The Company's finance charges declined from SAR 276 Mn in 3Q24 to SAR 267 Mn in 3Q25. The Company recorded a zakat reversal of SAR 157 Mn in 3Q25, compared to tax expenses of SAR 177 Mn in 3Q24, due to the release of zakat provisions from previous years that were no longer required following the conclusion of historical tax assessments.

### Target price and recommendation

We revised our rating from ACCUMULATE to BUY on Saudi Telecom Company with an unchanged target price of SAR 50.0 per share. The Company's stock price decreased 4.3% since our last rating (November 2025). STC reported an 11.5% YOY decline in net income in 3Q25, primarily driven by the impact of a non-recurring item. Excluding one-off items in both 3Q24 and 3Q25, net profit increased by 19.2% YOY 3Q25, highlighting strong underlying earnings performance. STC delivered strong growth in its mobile and fixed subscriber base in KSA, along with a positive impact from zakat reversals during 3Q25. Mobile subscribers in KSA increased 5.9% YOY to 29.24 Mn, whereas fixed subscribers grew 6.4% YOY to 6.05 Mn in 3Q25. This demonstrates the continued expansion of both mobile and fixed-line penetration in the Kingdom. STC incurred total capex of SAR 6.1 Bn during 9M25, compared to SAR 7.2 Bn in 9M24. For the Channel business, the Company is prioritizing high-margin business areas over volume-driven growth and expects additional margin expansion through 2026-2027 as optimization efforts progress. The Company's subsidiary, center3, announced to invest SAR 37.5 Bn to enhance digital infrastructure across the Kingdom and the region, with the goal of expanding and developing its data center network to achieve a total capacity of 1 gigawatt by 2030. Furthermore, to strengthen and diversify the Kingdom's digital economy, center3 signed a strategic agreement with HUMAIN, a subsidiary of the Public Investment Fund, to provide secure and high-efficiency connectivity across domestic and international networks, supporting HUMAIN's AI ecosystem. STC Group's venture capital arm, tali ventures, led a strategic investment in Tarmeez Capital to drive fintech growth in sukuk and debt instruments, strengthening the Kingdom's financial ecosystem. The group signed a strategic partnership with Red Sea Global to develop advanced digital infrastructure and deliver cutting-edge connectivity services, with an investment of SAR 1.2 Bn, supporting the digital transformation of the Kingdom's Giga projects. STC group launched the Business-Critical Network to enhance secure, high-speed, and resilient connectivity for Saudi Arabia's key sectors, including government, healthcare, and oil and gas. The Company plans to increase capital intensity in the next 2-3 years for data center expansion, to boost margins and achieve long-term profitability.

Furthermore, the Company has secured a major project currently under deployment, with revenues expected from late 2026; strong revenue growth is expected to be generated from 2027. STC secured a major government infrastructure contract with ministry of defence valued at c. SAR 33 Bn with project execution set to begin in 2026 and revenue recognition anticipated thereafter. The Company announced the dividends of SAR 0.55 per share, totalling SAR 2,744 Mn for the period of 3Q25. Thus, based on these factors, we assigned a BUY rating on the stock.

**STC – Relative Valuation**

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	19.43	18.88	17.55	16.07	8.65	14.27
P/B (x)	3.34	3.08	2.91	2.70	2.39	2.56
EV/EBITDA	9.25	9.14	8.01	9.35	8.40	8.56
BVPS	12.789	13.854	14.700	15.797	17.883	16.689
EPS	2.199	2.262	2.434	2.659	4.938	2.994
DPS	2.000	1.600	1.600	2.600 <sup>1</sup>	3.750 <sup>2</sup>	2.200
Dividend yield	4.7%	3.7%	3.7%	6.0%	8.7%	5.1%

FABS Estimates & Co Data, <sup>1</sup>DPS for 2023 includes a special dividend of SAR 1 per share, <sup>2</sup>DPS for 2024 consists of a special dividend of SAR 2 per share

**STC - P&L**

SAR Mn	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Sales	19,266	19,264	20,313	5.4%	5.4%	75,893	78,237	3.1%
Direct costs	-9,850	-10,013	-9,885	0.4%	-1.3%	-38,593	-39,901	3.4%
<b>Gross profit</b>	<b>9,416</b>	<b>9,251</b>	<b>10,428</b>	<b>10.7%</b>	<b>12.7%</b>	<b>37,300</b>	<b>38,336</b>	<b>2.8%</b>
Selling & overhead exp	-1,896	-1,462	-1,759	-7.2%	20.3%	-6,562	-6,259	-4.6%
General & Admin Exp.	-1,950	-1,580	-2,052	5.2%	29.9%	-6,813	-6,963	2.2%
Operating expenses	-3,847	-3,042	-3,811	-0.9%	25.3%	-13,375	-13,222	-1.1%
<b>EBITDA</b>	<b>5,570</b>	<b>6,209</b>	<b>6,617</b>	<b>18.8%</b>	<b>6.6%</b>	<b>23,926</b>	<b>25,114</b>	<b>5.0%</b>
Depreciation & Amortization	-2,600	-2,582	-2,588	-0.4%	0.2%	-9,500	-10,252	7.9%
<b>EBIT</b>	<b>2,970</b>	<b>3,627</b>	<b>4,029</b>	<b>35.6%</b>	<b>11.1%</b>	<b>14,426</b>	<b>14,862</b>	<b>3.0%</b>
Other inc./exp.)	-2,297	425	-150	-93.5%	NM	-2,775	-94	-96.6%
Finance Income	436	246	284	-34.8%	15.3%	1,718	1,341	-21.9%
Financial charges	-290	-267	-341	17.7%	27.5%	-1,234	-1,163	-5.8%
<b>Profit before zakat</b>	<b>819</b>	<b>4,031</b>	<b>3,821</b>	NM	<b>-5.2%</b>	<b>12,134</b>	<b>14,947</b>	<b>23.2%</b>
Zakat	-507	157	-384	-24.3%	NM	-1,192	299	NM
<b>Profit before NCI</b>	<b>312</b>	<b>4,188</b>	<b>3,437</b>	<b>NM</b>	<b>-17.9%</b>	<b>10,943</b>	<b>15,246</b>	<b>39.3%</b>
Profit from disc oper	13,174			NA	NA	13,973	0	NA
NCI	31	81	45	48.8%	-43.7%	228	274	20.6%
<b>Profit attributable</b>	<b>13,456</b>	<b>4,107</b>	<b>3,392</b>	<b>-74.8%</b>	<b>-17.4%</b>	<b>24,689</b>	<b>14,971</b>	<b>-39.4%</b>

FABS estimate & Co Data

**STC- Margins**

	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross profit	48.9%	48.0%	51.3%	246	332	49.1%	49.0%	-15
EBITDA	28.9%	32.2%	32.6%	366	34	31.5%	32.1%	57
Operating profit	15.4%	18.8%	19.8%	442	101	19.0%	19.0%	-1
Net profit	69.8%	21.3%	16.7%	NM	-462	32.5%	19.1%	NM

FABS estimate & Co Data

## 4Q25 preview: Telecom Egypt (ETEL)

Higher ARPU, subscriber growth and wholesale traffic to drive topline growth

Current Price EGP 69.60	12-m Target Price EGP 80.00	Upside/Downside (%) +15.0%	Rating BUY
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### 4Q25 estimate

Telecom Egypt (ETEL/the Company) net profit is expected to quadruple from EGP 1,506 Mn in 4Q24 to EGP 6,178 Mn in 4Q25, 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 other expenses. Telecom Egypt's revenue is expected to surge 15.9% YOY to EGP 27,433 Mn in 4Q25 due to strong growth anticipated across retail and Wholesale segments. On the other hand, the Company's operating cost is estimated to increase 8.7% YOY to EGP 16,633 Mn in 4Q25. Thus, the gross profit is likely to grow 29.0% YOY to EGP 10,800 Mn in 4Q25. Telecom Egypt's selling and overhead expenses are expected to increase 17.4% YOY to EGP 4,034 Mn in 4Q25. Other expense is expected to grow from EGP 53 Mn in 4Q24 to EGP 138 Mn in 4Q25. As a result, operating profit is estimated to grow 35.8% YOY to EGP 6,628 Mn in 4Q25. At the same time, operating profit margin is expected to increase by 354 bps YOY to 24.2% in 4Q25. Telecom Egypt's EBITDA is expected to decrease 6.8% YOY to EGP 8,820 Mn in 4Q25. While EBITDA margin is anticipated to fall from 40.0% in 4Q24 to 32.1% in 4Q25. Additionally, the income from associates is expected to increase from EGP 3,324 Mn in 4Q24 to EGP 4,271 Mn in 4Q25. The Company's net finance cost is projected to decline from EGP 6,395 Mn in 4Q24 to EGP 3,120 Mn in 4Q25. Finance costs for 4Q24 were higher on account of the appreciation of the foreign exchange related debt, raising the effective interest rate. Additionally, ETEL's tax expense is estimated to grow significantly to EGP 1,586 Mn in 4Q25 from EGP 302 Mn in 4Q24. Furthermore, profit attributable to non-controlling interest is predicted to grow from EGP 4 Mn in 4Q24 to EGP 16 Mn 4Q25.

### 2025 forecast

We forecast Telecom Egypt's net profit to increase from EGP 10,098 Mn in 2024 to EGP 23,146 Mn in 2025, owing to an expected increase in operating revenue, higher profit contribution from associates, and decrease in net finance cost, partially offset by anticipated growth in operating cost, selling & overhead expenses, income tax expenses and growth in other operating expense. The Company's revenue is expected to grow 28.8% YOY to EGP 105,665 Mn in 2025, driven by strong growth in the Retail and Wholesale segments. On the other hand, operating cost is estimated to increase 20.6% YOY to EGP 61,814 Mn in 2025. Thus, gross profit is projected to grow 42.4% YOY to EGP 43,851 Mn in 2025. Gross margin is also expected to expand 396 bps YOY to 41.5% in 2025. Selling and overhead expenses are estimated to rise 13.6% YOY to EGP 14,582 Mn in 2025. Other expense is expected to grow from EGP 301 Mn in 2024 to EGP 1,796 Mn in 2025. As a result, Telecom Egypt's operating profit is expected to grow 55.6% YOY to EGP 27,473 Mn in 2025. Moreover, operating profit margin is expected to increase 448 bps to 26.0% in 2025. The Company's EBITDA is anticipated to increase 31.6% YOY to EGP 43,354 Mn in 2025. Whereas EBITDA margin is predicted to rise 86 bps YOY to 41.0% in 2025. Furthermore, income from associates is predicted to increase 75.0% YOY to EGP 15,159 Mn in 2025. Moreover, the Company's net finance cost is expected to decrease from EGP 15,758 Mn in 2024 to EGP 12,223 Mn in 2025. Income tax is predicted to increase significantly from EGP 451 Mn in 2024 to EGP 7,298 Mn in 2025. Additionally, profit attributable to non-controlling interest is expected to rise from EGP 13 Mn in 2024 to EGP 35 Mn in 2025. It is expected to report a profit from discontinued operations of EGP 70 Mn in 2025.

### 3Q25 outturn

Telecom Egypt's revenue grew 35.4% YOY to EGP 27,634 Mn in 3Q25, mainly driven by strong growth in the Retail and Wholesale segments. The retail segment was the primary growth driver with revenue rising 38.3% YOY to EGP 15,822 Mn in 3Q25, with data revenue growing 45% YOY supported by price adjustments implemented across the retail portfolio in late 2024. Revenue from Home Services grew 44.1% YOY to EGP 13,265 Mn in 3Q25, supported by a surge in Data and Voice revenue, coupled with higher ARPU and an increasing customer base. On the other hand, Enterprise Solution revenue grew 14.6% YOY to EGP 2,557 Mn in 3Q25, mainly driven by in-voice, data and other services. The Wholesale segment revenues grew 31.7% YOY to EGP 11,812 Mn in 3Q25, driven by a 32% YOY increase in International incoming call revenue and FX appreciation, coupled with a 45% increase in Domestic Infrastructure services revenue. Domestic Wholesale revenue increased significantly 44.3% YOY to EGP 2,838 Mn in 3Q25 supported by an increase in infrastructure revenue. Similarly, revenue from International Carriers surged 35.9% YOY to EGP 5,038 Mn in 3Q25 owing to an increase in international calls traffic and foreign currency appreciation, while IC&N revenue increased 19.5% YOY to EGP 3,936 Mn due to healthy contribution from capacity increase and international customer support. Furthermore, operating costs rose 21.9% YOY to EGP 15,691 Mn in 3Q25 due to an increase in call cost driven by currency devaluation, higher staff cost, D&A and other operating costs, partially offset by a marginal decline in maintenance cost and cost of merchandise available for sale. Thus, gross profit grew significantly from EGP 7,533 Mn in 3Q24 to EGP 11,944 Mn in 3Q25, with a gross margin of 43.2% compared to 36.9% in 3Q24. Selling and overhead expenses increased 11.2% YOY to EGP 3,664 Mn in 3Q25 due to higher expenditure on salaries & wages, commissions of agents and collection organizations, organizations services costs & consultants and other selling & distribution expenses, partially offset by a decline in advertising and marketing costs. Telecom Egypt recorded other operating expenses of EGP 1,306 Mn in 3Q25 compared to an income of EGP 120 Mn in 3Q24 due to higher capital losses owing to fire accident at Ramses Central Building. However, operating profit rose from EGP 4,358 Mn in 3Q24 to EGP 6,974 Mn in 3Q25 driven by strong operational performance and ongoing cost optimization initiatives offsetting the increase in D&A expenses. Similarly, the Company's EBITDA increased from EGP 7,967 Mn in 3Q24 to EGP 12,499 Mn in 3Q25, whereas EBITDA margin surged from 39.0% in 3Q24 to 45.2% in 3Q25 demonstrating strong top line growth coupled with operational efficiency. Income from associates rose significantly from EGP 2,354 Mn in 3Q24 to EGP 4,157 Mn in 3Q25, owing to the strong contribution from Vodafone Egypt caused by organic growth coupled with price hike of telecom services. Net finance cost fell 41.4% YOY to EGP 2,431 Mn in 3Q25, mainly due forex gain compared to a loss in 3Q24. In addition, income tax expense rose from EGP 476 Mn in 3Q24 to EGP 2,303 Mn in 3Q25.

### Target price and recommendation

We maintain our BUY rating on Telecom Egypt with a revised target price of EGP 80.00. Telecom Egypt reported strong financial results in the 3Q25, driven by increased ARPU, a growing subscriber base, rising call traffic, and enhanced pricing across all segments. In 3Q25, the company's customer base expanded, with mobile customers increasing by 8.8% YOY to 14.8 Mn. Fixed broadband subscribers rose by 8.3% YOY to 10.9 Mn, while fixed line users grew by 6.8% YOY to 13.8 Mn. Notably, the ARPU for fixed line and fixed data services increased by 27.2% and 35.1% YOY, respectively, primarily due to a price hike implemented in late 2024. Telecom's net cash from operating activities rose 50.9% YOY to EGP 22.7 Bn in 9M25, along with FCF of EGP 12.1 Bn in 9M25. It expects to recognize additional revenue from Indefeasible Right of Use in the upcoming quarters. In addition, Telecom Egypt expects additional revenue to recognize from the ICN segment in 4Q25 owing to a strong pipeline. The company also experienced significant growth in income from associates, driven by strong performance from Vodafone, which benefited from improved operational performance, organic growth, and price increases. Additionally, Telecom Egypt continues to benefit from the agreement to receive 60% of VFE's free cash flow as annual dividends, thereby benefiting from higher cash flows. It also managed to control its expense on salary & wages on a QOQ basis by providing increases based on merit. Telecom Egypt is also expected to benefit from the declining interest rate environment, as the Egyptian Central Bank cut rates four times in 2025

amid easing inflation. These rate reductions help lower the Company's financing costs and support profitability. Additionally, Telecom Egypt, in collaboration with NaiTel/ADH, successfully laid the Coral Bridge, a new 15 km express subsea cable connecting Taba, Egypt, and Aqaba, Jordan. This marks the establishment of the first direct link in over 25 years and provides more than 1 petabit of capacity with ultra-low latency. This system enhances regional resilience, facilitates onward connectivity across Asia, Africa, and Europe, and supports cloud, artificial intelligence, and hyperscale needs through ADH's Tier III carrier-neutral facility and Telecom Egypt's new landing point in Taba. Following this development, the company launched a new Point of Presence at the Aqaba Digital Hub in Jordan and activated the Coral Bridge subsea cable with NaiTel. This expansion supports regional connectivity through a high-capacity, resilient link between Egypt and Jordan. These initiatives collectively enhance the Middle East's digital infrastructure, enabling seamless data exchange, diversified routes, and better support for cloud services, AI, and international traffic. Furthermore, Telecom Egypt's board has given preliminary approval for Helios Investments to acquire a 75% to 80% stake in a new subsidiary that will own the Regional Data Hub (RDH), with the business valued between USD 230 Mn and USD 260 Mn, contingent on performance indicators. Telecom Egypt will retain a 20% to 25% stake, pending final agreements, restructuring, regulatory approvals, and an independent fair value assessment. These investments will help sustain Telecom Egypt's ability to generate long-term revenues. The Company is expecting revenue growth to be in the lower range of 20% and EBITDA Margin in the higher range of 30%. The Company also expects In-Service Capex in the lower 20% range, with FCFF/EBITDA in the lower 40% range. Thus, we assign a BUY rating on the stock.

**Telecom Egypt –Relative Valuation**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>
(at CMP)						
P/E (x)	28.23	15.04	14.15	11.17	13.65	5.65
P/B (x)	2.88	2.52	2.40	2.19	2.43	1.76
EV / EBITDA	11.66	8.72	7.92	6.61	5.58	4.16
EPS (EGP)	2.313	4.343	4.614	5.847	4.786	11.566
BVPS (EGP)	22.697	25.960	27.168	29.798	26.897	37.006
DPS (EGP)	0.750	1.000	1.250	1.497	1.497	1.500
Dividend yield	1.1%	1.4%	1.8%	2.2%	2.2%	2.2%

FABS estimate & Co Data

**Telecom Egypt-P&L**

	<b>4Q24</b>	<b>3Q25</b>	<b>4Q25F</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>	<b>2024</b>	<b>2025F</b>	<b>Change</b>
Operating Revenue	23,678	27,634	27,433	15.9%	-0.7%	82,037	105,665	28.8%
Operating costs	-15,308	-15,691	-16,633	8.7%	6.0%	-51,242	-61,814	20.6%
<b>Gross profit</b>	<b>8,370</b>	<b>11,944</b>	<b>10,800</b>	<b>29.0%</b>	<b>-9.6%</b>	<b>30,795</b>	<b>43,851</b>	<b>42.4%</b>
Selling & overhead exp	-3,435	-3,664	-4,034	17.4%	10.1%	-12,836	-14,582	13.6%
Net operating revenue	-53	-1,306	-138	NM	-89.4%	-301	-1,796	NM
<b>Operating profit</b>	<b>4,882</b>	<b>6,974</b>	<b>6,628</b>	<b>35.8%</b>	<b>-5.0%</b>	<b>17,658</b>	<b>27,473</b>	<b>55.6%</b>
<b>EBITDA</b>	<b>9,468</b>	<b>12,499</b>	<b>8,820</b>	<b>-6.8%</b>	<b>-29.4%</b>	<b>32,953</b>	<b>43,354</b>	<b>31.6%</b>
Inc from Associates	3,324	4,157	4,271	28.5%	2.8%	8,663	15,159	75.0%
Finance Income	111	1,013	289	NM	-71.5%	590	1,904	NM
Finance Cost	-6,506	-3,444	-3,408	-47.6%	-1.0%	-16,348	-14,127	-13.6%
<b>Profit before zakat</b>	<b>1,811</b>	<b>8,700</b>	<b>7,780</b>	<b>NM</b>	<b>-10.6%</b>	<b>10,562</b>	<b>30,409</b>	<b>NM</b>
Tax	-302	-2,303	-1,586	NM	-31.1%	-451	-7,298	NM
<b>Profit before NCI</b>	<b>1,510</b>	<b>6,397</b>	<b>6,194</b>	<b>NM</b>	<b>-3.2%</b>	<b>10,111</b>	<b>23,111</b>	<b>NM</b>
NCI	-4	-6	-16	NM	NM	-13	-35	NM
Profit from discontinued operations	0	70	0	NM	NM	0	70	NM
<b>Profit attributable</b>	<b>1,506</b>	<b>6,461</b>	<b>6,178</b>	<b>NM</b>	<b>-4.4%</b>	<b>10,098</b>	<b>23,146</b>	<b>NM</b>

FABS estimate & Co Data

**Telecom Egypt - Margins**

	<b>4Q24</b>	<b>3Q25</b>	<b>4Q25F</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>	<b>2024</b>	<b>2025F</b>	<b>Change</b>
Gross profit	35.3%	43.2%	39.4%	402	-385	37.5%	41.5%	396
EBITDA	40.0%	45.2%	32.1%	-784	-1,308	40.2%	41.0%	86
Operating profit	20.6%	25.2%	24.2%	354	-108	21.5%	26.0%	448
Net profit	6.4%	23.4%	22.5%	1616	-86	12.3%	21.9%	960

FABS estimate & Co Data

## 4Q25 preview: Emirates Integrated Telecommunications (du)

Overall profitability supported by operational leverage

Current Price AED 10.10	12-m Target Price AED 10.25	Upside/Downside (%) +1.5%	Rating HOLD
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### 4Q25 Estimate

Emirates Integrated Telecommunications (DU/The Company) net profit is expected to increase 21.3% YOY to AED 708 Mn in 4Q25, driven by anticipated growth in revenue coupled with lower marketing expenses, partially offset by an increase in direct costs, ECL and federal royalty along with increase in D&A and tax expenses. DU's revenue is expected to grow 7.8% YOY to AED 4,173 Mn in 4Q25, mainly due to an anticipated increase in revenue across all its segments. Mobile segment revenue is forecasted to increase 6.8% YOY to AED 1,818 Mn due to the expected rise in mobile subscribers, while the Fixed revenue segment is expected to increase 10.3% YOY to AED 1,154 Mn in 4Q25. Similarly, the Wholesale segment revenue is projected to increase 16.1% YOY to AED 85 Mn in 4Q25. The Company's cost of sales, excluding depreciation & amortization and marketing expenses, is anticipated to rise 3.4% YOY to AED 2,191 Mn in 4Q25, while marketing expenses are estimated to decline 16.0% YOY to AED 90 Mn in 4Q25. Additionally, expected credit losses (ECL) are projected to increase 5.2% YOY to AED 69 Mn in 4Q25. Thus, DU's EBITDA is projected to grow 15.3% YOY to AED 1,823 Mn in 4Q25 with EBITDA Margins expected to increase from 40.8% in 4Q24 to 43.7% in 4Q25. Depreciation and amortization expense is anticipated to grow 1.9% YOY to AED 567 Mn in 4Q25. As a result, operating profit is likely to increase 22.6% YOY to AED 1,256 Mn in 4Q25. The Company is expected to record flat financing expense of AED 2 Mn in 4Q25, compared to 4Q24. In addition, federal royalty is expected to increase 25.6% YOY to AED 477 Mn in 4Q25. The Company tax expense is anticipated to increase 19.2% YOY to AED 70 Mn in 4Q25.

### 2025 Forecast

DU's net profit is anticipated to rise 16.2% YOY to AED 2,890 Mn in 2025, mainly due to expected growth in revenue, and other income and lower ECL, partially offset by projected increases in direct costs, D&A expense, along with federal royalty and tax charges. Revenue is expected to grow 7.9% YOY to AED 15,796 Mn in 2025, mainly due to projected growth across all the operating segments. Mobile segment revenue is projected to increase 7.6% YOY to AED 7,045 Mn, and the Fixed revenue segment is expected to grow by 9.8% YOY to AED 4,397 Mn in 2025. Similarly, Wholesale segment revenue is projected to increase 8.5% YOY to AED 1,987 Mn, while other segment revenue is expected to increase 5.0% YOY to AED 2,367 Mn in 2025. Cost of sales, excluding depreciation & amortization and marketing expenses, is expected to rise 4.7% YOY to AED 8,002 Mn in 2025. Marketing expenses are anticipated to increase 1.7% YOY to AED 269 Mn in 2025. In addition, ECL is estimated to decline 15.4% YOY to AED 221 Mn in 2025. Thus, EBITDA is expected to grow 13.2% YOY to AED 7,325 Mn in 2025. EBITDA margin is likely to rise 215 bps YOY to 46.4% in 2025. Depreciation and amortization expense is anticipated to increase 1.5% YOY to AED 2,186 Mn in 2025. As a result, operating profit is predicted to rise 19.0% YOY to AED 5,139 Mn in 2025. Whereas Operating profit margin is anticipated to grow from 29.5% in 2024 to 32.5% 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 increase 23.8% YOY to AED 1,946 Mn in 2025. The Company's tax expenses are projected to increase 15.7% YOY to AED 286 Mn in 2025.

### 3Q25 Outturn

DU's revenue grew 7.9% YOY to AED 3,872 Mn in 3Q25, primarily driven by a healthy performance across Fixed, Mobile and ICT segments. Mobile Service segment revenue grew 8.4% YOY to AED 1.8 Bn in 3Q25, supported by a continued growth in customer base coupled with a healthy mix in prepaid and postpaid plans. Moreover, the mobile subscriber base rose 10.3% YOY to 9.2 Mn, mainly driven by 8.6% YOY growth in postpaid customers to 1.9 Mn during 3Q25. Meanwhile, the prepaid customers rose 10.7% YOY to 7.2 Mn in 3Q25. Fixed Service segment revenue recorded 8.9% YOY growth to AED 1.1 Bn in 3Q25,

primarily due to a strong customer base across Fibre and Home Wireless. The Fixed subscriber base recorded a strong growth of 9.7% YOY to 718k in 3Q25. Other revenues increased 5.9% YOY to AED 1.0 Bn in 3Q25, supported by higher inbound roaming and expansion across ICT, interconnection, and handset and accessories revenues, which offset the deliberate slowdown in Hubbing. DU's cost of revenue, excluding D&A and marketing expenses, rose 10.5% YOY to AED 1.9 Bn in 3Q25 primarily owing to a substantial rise in product costs, coupled with a rise in commission, interconnect costs and other expenses. Marketing expenses rose 1.8% YOY to AED 60 Mn, while ECL charges declined 24.2% YOY to AED 51 Mn in 3Q25. EBITDA rose 6.7% YOY to AED 1.9 Bn in 3Q25 with an EBITDA margin of 47.8% in 3Q25, compared to 48.4% in 3Q24. Excluding the one-off impact from the authentication fees renegotiation recorded in 3Q24, EBITDA grew 16.8% YOY on a normalized basis, with a margin of 47.8% in 3Q25 compared to normalized EBITDA margin of 44.2% in 3Q24. The growth in EBITDA was supported by strong gross margins, resulting from a favourable revenue mix across the Mobile and Fixed segments, alongside a continued focus on cost efficiency and operational discipline. D&A and impairment expenses declined 0.7% YOY to AED 539 Mn in 3Q25. The Company's finance cost increased from AED 8 Mn in 3Q24 to AED 14 Mn in 3Q25. Furthermore, DU's Federal royalty charge grew 25.0% YOY to AED 493 Mn in 3Q25 Mn. In addition, tax expense expanded marginally 1.8% YOY to AED 73 Mn in 3Q25.

### Target price and rating

We revise our rating from ACCUMULATE to HOLD on DU with an unchanged target price of AED 10.25. The Company's stock price increased 7.1% since our last rating (October 2025). DU profitability grew marginally 1.8% YOY in 3Q25 primarily due to broad-based growth across all segments, and strong EBITDA expansion through disciplined cost control. However, excluding the one-off impact from the authentication fees renegotiation recorded in 3Q24, the net income expanded 25.8% YOY on a normalized basis with the margin of 18.9% in 3Q25. The Company also maintained its 2025 guidance for topline growth of 6-8% and EBITDA margin of 45-47%. DU expects the topline to grow at the top end of the guidance range. To further drive topline growth and reinforce its market leadership, the company is advancing a robust pipeline of partnerships, including several recent agreements announced at GITEX. DU prepaid mobile subscribers increased 10.7% YOY to 7.2 Mn in 3Q25, reflecting the sustained strength of the Alo brand, successful seasonal campaigns, and wider retail channel reach. Similarly, postpaid mobile subscribers grew 8.6% YOY to 1.9 Mn in 3Q25, supported by sustained enterprise momentum, the successful iPhone 17 launch, and improved customer retention. It expects further growth in the postpaid segment, since DU has a lower market share compared to competitors. Likewise, the fixed subscriber base expanded 9.7% YOY to 718k in 3Q25, indicating strong demand for reliable high-speed connectivity and a reinforced market position. This reinforces the Company's ability to consistently capture market opportunities, strengthen customer engagement, and sustain growth across all core segments. DU expects growth momentum in the fixed segment likely to continue due to a lower market share, which offers headroom for market expansion. The subscriber in the fixed segment is likely to grow by high single digits going forward. The company completed a secondary public offering of 7.55% of its share capital. This increased DU's free float to 27.7%, enhancing liquidity, diversifying the investor base, and strengthening its capital market profile, indicating growing investor confidence and market recognition. To strengthen its market position, it secured an exclusive agreement with Dubai Airport to deliver high-performance Wi-Fi solutions and collaborated with Sharjah Airport to deploy advanced 5G private networks aimed at driving digital transformation and improving operational efficiency. Furthermore, the Company signed an MoU with Dubai Taxi Corporation to boost operational efficiency through DU's National HyperCloud platform. Additionally, DU signed an agreement with the Municipality of Ajman to provide digitized Internet of Business (IOB) services, representing another step forward in advancing public-sector digital transformation. The company partnered with ELCOME to enhance maritime and offshore connectivity through Starlink technology. In addition, it collaborated with AI Park Dubai to develop a 500,000 sqm AI hub featuring multi-liquid-cooled hyperscale data centers with a total capacity of up to 1 GW. Thereby, indicating the company's commitment to advancing digital infrastructure, fostering innovation, and positioning itself as a key enabler of the UAE's AI and connectivity

ecosystem. Overall, while DU's operational performance and growth outlook remain solid, the recent share price appreciation limits near-term upside, leading us to assign a HOLD rating on the stock.

**DU – Relative Valuation**

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	30.88	40.48	36.54	26.72	17.91	15.42
P/B (x)	5.20	5.22	5.08	4.82	4.51	4.48
EV/EBITDA	14.19	13.88	12.66	10.91	8.87	8.14
BVPS	1.890	1.882	1.935	2.039	2.179	2.195
EPS	0.318	0.243	0.269	0.368	0.549	0.637
DPS	0.280	0.210	0.240	0.340	0.540	0.622
Dividend yield	2.8%	2.1%	2.4%	3.4%	5.3%	6.2%

FABS Estimates & Co Data

**DU - P&L**

	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
AED mm								
Revenue	3,873	3,872	4,173	7.8%	7.8%	14,636	15,796	7.9%
Costs (ex D&A, marketing exp)	-2,119	-1,908	-2,191	3.4%	14.8%	-7,642	-8,002	4.7%
Marketing expense	-108	-60	-90	-16.0%	50.1%	-264	-269	1.7%
Expected Credit Loss	-65	-51	-69	5.2%	34.9%	-261	-221	-15.4%
Other income/expense	1	-1	0	NM	NM	3	21	NM
<b>EBITDA</b>	<b>1,581</b>	<b>1,852</b>	<b>1,823</b>	<b>15.3%</b>	<b>-1.5%</b>	<b>6,472</b>	<b>7,325</b>	<b>13.2%</b>
D&A & Impairment	-557	-539	-567	1.9%	5.3%	-2,154	-2,186	1.5%
<b>Operating profit</b>	<b>1,025</b>	<b>1,313</b>	<b>1,256</b>	<b>22.6%</b>	<b>-4.3%</b>	<b>4,319</b>	<b>5,139</b>	<b>19.0%</b>
Financing income/expense	-2	-14	-2	NM	NM	-10	-16	62.3%
<b>Pre-royalty profit</b>	<b>1,022</b>	<b>1,298</b>	<b>1,254</b>	<b>22.7%</b>	<b>-3.4%</b>	<b>4,306</b>	<b>5,122</b>	<b>18.9%</b>
Federal Royalty	-380	-493	-477	25.6%	-3.4%	-1,572	-1,946	23.8%
Tax	-58	-73	-70	19.2%	-4.2%	-247	-286	15.7%
<b>Net profit</b>	<b>584</b>	<b>732</b>	<b>708</b>	<b>21.3%</b>	<b>-3.3%</b>	<b>2,488</b>	<b>2,890</b>	<b>16.2%</b>

FABS estimate & Co Data

**DU - Margins**

	4Q24	3Q25	4Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
EBITDA	40.8%	47.8%	43.7%	286	-413	44.2%	46.4%	215
Operating profit	26.5%	33.9%	30.1%	364	-381	29.5%	32.5%	303
Net Profit	15.1%	18.9%	17.0%	189	-194	17.0%	18.3%	130

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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