Telecom Sector

Telecommunications Demonstrating Defensive Strength Amid Uncertainty	Sector Weighting: **MARKET WEIGHT**

The telecom sector across United Arab Emirates, Saudi Arabia, and Egypt is transitioning into a more resilient and structurally robust growth phase, underpinned by continued expansion in subscriber bases, accelerating data consumption trends, and an increasing focus on enterprise-led digital solutions and infrastructure-driven revenue streams. The UAE telecom sector remains highly consolidated, with e& and du collectively accounting for a mobile subscriber base of 26.0 Mn as of 4Q25, highlighting the scale and structural maturity of the market. Within this framework, operators are increasingly leveraging their core connectivity platforms to diversify revenue streams and enhance long-term growth visibility. e& continues to demonstrate strong execution, with its subscriber base expanding 8.4% YOY to 16.3 Mn in 4Q25, supported by sustained momentum in mobile acquisitions. More notably, e& is accelerating transition toward a digital-led business model through the expansion of its ecosystem across enterprise and consumer verticals. The enterprise segment (e& enterprise) is emerging as a key growth engine, delivering double-digit revenue growth driven by rising demand for integrated digital transformation solutions across cloud, cybersecurity, IoT, and AI. Strategic collaborations, including sovereign cloud initiatives with Amazon Web Services, reinforce its positioning in mission-critical digital infrastructure aligned with national priorities. In parallel, the e& life segment is scaling rapidly, underpinned by the growth of Careem and increasing fintech adoption. Strong growth in user engagement and transaction intensity, alongside continued platform investments, is supporting a structural shift in revenue mix toward higher-margin digital services. Initiatives such as the partnership with PayPal further strengthen e&'s fintech ecosystem, enhancing customer stickiness and monetization potential. Similarly, du is advancing its diversification strategy while maintaining solid subscriber growth, with its base increasing 8.8% YOY to 9.7 Mn. Growth in the postpaid segment, particularly within enterprise, reflects an improving customer mix and higher lifetime value. Beyond traditional telecom services, du is expanding into ICT and digital infrastructure, supported by partnerships with Microsoft expected in early 2027 to enhance AI-enabled customer experience and hyperscale data center capabilities. du is also gaining traction in digital financial services through duPay, alongside investments in next-generation infrastructure, including hyperscale data centers, GPU-as-a-Service, cloud mining as a service, and AI compute clusters. This strategic pivot is expected to drive elevated capex in the near term, primarily linked to data center expansion, while core connectivity investments normalize following the 5G rollout cycle. Overall, both operators are progressively evolving from traditional telecom providers into integrated digital service platforms. Increasing contributions from enterprise solutions, fintech, cloud, and digital ecosystems underscore a structural shift in revenue composition, positioning the sector for more resilient, diversified, and higher-quality earnings growth over the medium term.

Similar to the UAE, the KSA telecom sector continues to exhibit resilient performance in core connectivity, supported by steady subscriber growth, sustained network investments, and a favorable regulatory backdrop aligned with Saudi Vision 2030. Operators are increasingly leveraging their scale and infrastructure to expand beyond traditional telecom services, with a growing focus on digital ecosystems, enterprise solutions, and next-generation infrastructure. Mobily delivered strong operating momentum, with its subscriber base expanding 17.4% YOY to 14.4 Mn in 4Q25, driven by healthy customer acquisition across both prepaid and postpaid segments. In parallel, Mobily continues to invest heavily in future-ready infrastructure, with capex rising to SAR 5.8 Bn, primarily directed toward submarine cable expansion, 5G deployment, cloud infrastructure, data centres, and spectrum-related investments. These initiatives underpin Mobily's strategic pivot toward higher-value digital services. The recently launched SHINE strategy (2025–2030) further reinforces this transition, with a focus on enhancing customer experience, accelerating digital-first consumer offerings, deepening enterprise capabilities, expanding digital infrastructure, and driving operational efficiency. Stc also maintained steady organic growth in its core mobile business, with mobile subscriber base in KSA increasing 5.9%

YOY to 30 Mn in 4Q25, reflecting stable demand within a mature yet structurally attractive market. While core connectivity remains a key earnings anchor, supported by scale advantages and extensive network coverage, stc is increasingly diversifying its business model through strategic investments in digital infrastructure and advanced technologies. Stc, through its data centre arm center3, has entered into a strategic joint venture with HUMAIN to develop large-scale AI data centres in Saudi Arabia, with targeted capacity of up to 1GW. This initiative positions stc at the forefront of enabling AI-driven infrastructure in the region, supporting the development of a sovereign AI ecosystem and high-performance computing capabilities. Additionally, stc has signed a multi-year agreement with Ericsson to accelerate the deployment of advanced digital infrastructure and enhance technology adoption across the Kingdom. Overall, the sector is undergoing a structural shift, with operators progressively transitioning from traditional connectivity providers to integrated digital platforms. Increasing investments in cloud, data centres, AI, and enterprise solutions are expected to drive medium-term revenue diversification and support sustainable growth beyond core telecom services.

From a structural standpoint, Egypt's telecom sector is increasingly anchored in data-led growth and broadband expansion, with rising mobile internet adoption and penetration levels exceeding 70%, reflecting strong and sustained demand for digital services. Government-led initiatives remain pivotal in shaping the sector's trajectory, with continued investments in fiber infrastructure, data centers, and digital government platforms aimed at enhancing service delivery and accelerating enterprise digitization. Egypt's strategic positioning as a regional data hub, underpinned by its extensive submarine cable network, further reinforces its role in global data transit, creating incremental opportunities across wholesale, cloud, and enterprise segments. At the operator level, Telecom Egypt continues to demonstrate steady subscriber growth, with its mobile base expanding 10.4% YOY to 15.5 Mn in 4Q25, highlighting ongoing traction in its wireless segment. However, revenue performance remained mixed across segments, with domestic revenues declining 18.5% YOY to EGP 2,411 Mn, primarily due to weakness in infrastructure and transmission services. In contrast, the International Connectivity & Networks (IC&N) segment delivered strong growth of 22.7% YOY to EGP 5,706 Mn, supported by capacity expansions, submarine cable projects, and data center investments. This divergence underscores a broader shift in revenue mix toward higher-growth, globally linked connectivity and data infrastructure services.

The telecom sector across the GCC continues to transition toward integrated digital infrastructure and solutions, with growth increasingly driven by enterprise ICT, cloud, data centres, and platform-based ecosystems amid saturated mobile markets in the UAE and KSA. At the company level, e& and Du are expanding capabilities across cybersecurity, cloud, and fintech, while stc and Mobily continue to scale 5G, fibre, and AI-enabled infrastructure in line with Vision 2030, positioning themselves to capture rising enterprise and government demand. However, the ongoing Iran-related conflict has introduced a more complex operating backdrop for the sector. Any potential damage to subsea cable infrastructure in key transit corridors such as the Red Sea and Strait of Hormuz can disrupt maintenance activity, delay repairs and elevate risks to international connectivity and data flows. Such events can directly impact operators like e&, du, stc, and Mobily, given their increasing exposure to wholesale connectivity, data centres, and international capacity services. At the same time, a sharp rise in cyber incidents targeting telecom networks and critical infrastructure is driving higher security investments and operational complexity across the region. Additionally, supply chain constraints, particularly around IT hardware and network equipment, alongside restricted maritime logistics, can create execution challenges for ongoing data centre and AI-related capex plans. Multinational enterprises may begin to reassess deployment timelines in the region, which could potentially moderate near-term demand for large-scale digital infrastructure projects. In response, governments are likely to tighten cybersecurity frameworks and digital controls, thereby reinforcing the strategic importance of telecom operators as critical national infrastructure providers.

Overall, while near-term risks related to infrastructure disruption, cybersecurity, and capex execution could increase, these dynamics may also support a faster shift toward investment in more resilient and sovereign digital infrastructure. This reinforces the long-term positioning of GCC operators as integrated digital platforms, supporting sustained growth in higher-value enterprise and infrastructure-led revenue streams.

e& Expands AI Capabilities Through Strategic Collaboration with IBM

e& has entered a strategic partnership with IBM to build advanced AI systems focused on governance, risk, and compliance. The initiative introduces agent-based AI integrated into enterprise workflows, enabling automated decision support and improved policy interpretation. A pilot deployment demonstrated scalability and faster processing of regulatory data within real-world environments. This move reinforces e&'s push toward embedding accountable and scalable AI across core business functions.

Egypt Awards Landmark Spectrum Deal to Boost Telecom Capacity

Egypt has signed a record USD 3.5 Bn agreement to allocate new spectrum to key operators, including Telecom Egypt, Vodafone Egypt, Orange Egypt and e& Egypt. The allocation of 410 MHz effectively doubles available spectrum, significantly enhancing network capacity and readiness for next-generation digital services. This represents the largest spectrum issuance in the country's history, matching the cumulative allocation of the past three decades. The move supports long-term sector growth, underpinned by improving macro conditions and rising investments in digital infrastructure.

Zain Bahrain Moves to Acquire Infonas to Strengthen ICT Portfolio

Zain Bahrain has signed an agreement to acquire 100% stake in Infonas, subject to regulatory approvals. The acquisition supports its strategy to expand into enterprise and government-focused digital infrastructure services. Infonas' capabilities in connectivity and technical solutions will enhance Zain's ICT and platform offerings. The move underscores Zain's shift toward building a diversified digital ecosystem beyond core telecom services.

Beyon Secures USD 2.8 Bn Kuwait Fibre PPP to Expand Regional Infrastructure

Beyon has been awarded a USD 2.8 Bn public-private partnership by Kuwait Authority for Partnership Projects to develop and operate Kuwait's nationwide fibre network over a 50-year period. The project targets c.90% coverage with high-speed connectivity, reinforcing Kuwait's digital infrastructure ambitions. Beyon will hold a 40% stake, with the government retaining majority ownership and potential future IPO participation. The win strengthens Beyon's position in large-scale infrastructure deployment and highlights growing regional demand for fibre-led connectivity solutions.

STC Wins Syria Silklink Project

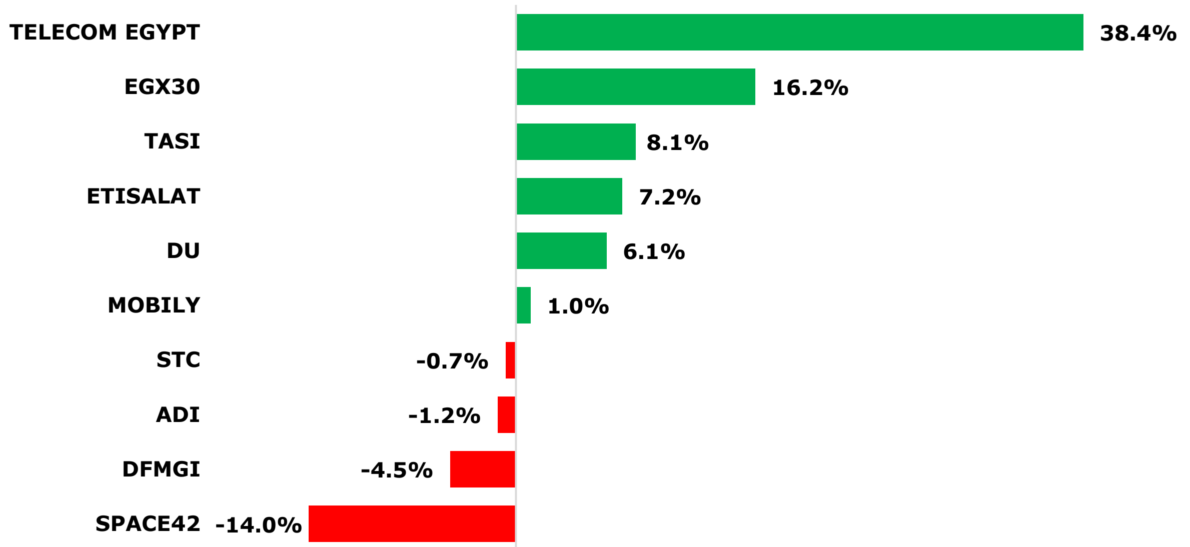
STC Group secured a SAR 3 Bn contract to deploy a 4,500 km fibre network, data centres, and subsea cable landing stations across Syria. The initiative aims to enhance connectivity, boost data capacity, and support digital services including cloud and IoT. The project aligns with stc's strategy to expand cross-border infrastructure and strengthen regional links across Asia, Europe, and the Arab world.

Contents:

Telecom stock performance in the YTD

Almost all stocks delivered positive YTD returns, with the exception of Space42 and STC. Space42 recorded the weakest performance, generating a negative return of 14.0% since December 2025, followed by STC with a negative return of 0.7% over the same period. In contrast, Telecom Egypt outperformed posting a YTD return of 38.4% since December 2025, followed by Etisalat with a return of 7.2% and Du with a return of 6.1% over the same period. Similarly, Mobily recorded a YTD return of 1.0%. In terms of market performance, Egypt's EGX30 index rose by 16.2%, while the TASI rose by 8.1%, since December 2025. In contrast, the DFM and ADX indices decreased by 4.5% and 1.2%, respectively since December 2025.

MENA Telecom Stock & Market Indices Performance from December 2025 to 8 April 2026, ranked



Source: Bloomberg

Relative valuation and rating

Among the telecom stocks we cover, the PE falls between 14.7x (STC and DU) and 6.7x (TELECOM EGYPT). The EV/EBITDA ranges from 8.2x (STC) to 4.6x (TELECOM EGYPT). DU's expected dividend yield for 2026 is the highest at 6.7%. TELECOM EGYPT has the lowest PB multiple of 1.8x. TELECOM EGYPT's Net Debt/EBITDA stood highest at 1.32x followed by E& at 0.99x.

Relative Valuation

	E&	MOBILY	STC	TELECOM EGYPT	DU
CMP (LCY)	19.16	65.00	41.98	88.44	10.28
Number of shares (mm)	8,697	769	5,000	1,707	4,533
Market cap (LCY mm)	166,630	49,988	209,900	150,973	46,598
Market cap (USD mm)	45,403	13,330	55,973	4,886	12,697
Gross debt (LCY mm)	67,639	5,725	15,191	73,759	0
Cash (LCY mm)	34,308	3,776	15,080	8,312	2,250
Net debt/-cash (LCY mm)	33,331	1,949	111	65,446	-2,250
Non-controlling interest	10,055	0	2,973	41	0
EV	210,015	51,937	212,984	216,461	44,349
EBITDA (2026)	33,629	8,112	26,023	49,604	7,791
BVPS (2026)	6.362	28.579	17.345	49.059	2.240
EPS (2026)	1.336	4.947	2.857	13.274	0.698
DPS (2026)	0.950	3.000	2.200	1.500	0.697
EV/EBITDA (x)	6.81	6.75	8.18	4.55	5.69
P/BV (x)	3.36	2.27	2.42	1.80	4.59
PE (x)	15.98	13.14	14.69	6.66	14.74
Dividend yield	4.8%	4.5%	5.2%	1.6%	6.7%
Payout ratio	71.1%	60.6%	77.0%	11.3%	99.9%
Net debt/EBITDA (x)	0.99	0.24	0.00	1.32	-0.29

Source: FABS from Bloomberg

Market Weight:

With 2x ACCUMULATEs, 2x HOLD and 1x BUY we remain MARKET WEIGHT on MENA telecoms.

	e&	MOBILY	STC	Telecom Egypt	DU
Rating	**ACCUMULATE**	**HOLD**	**BUY**	**HOLD**	**ACCUMULATE**
Local currency	AED	SAR	SAR	EGP	AED
CMP	19.94	67.1	42.42	92.35	10.24
Target Price	22.00	72.00	50.00	95.00	11.50
Potential change (%)	10.3%	7.3%	17.9%	2.9%	12.3%

FABS Estimates & Co data

1Q26 preview: Emirates Telecommunications Group (e&)

Revenue diversification and international expansion to support topline

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 19.94	AED 22.00	+10.3%	ACCUMULATE

1Q26 estimate

Emirates Telecommunications Group Co PJSC (e&/the Company) net profit is expected to decline 46.6% YOY to AED 2,860 Mn in 1Q26, primarily due to an anticipated increase in operating expenses and impairment loss, along with a sharp decline in finance and other income due to the one-off gain recognised in 1Q25 from the disposal of the Company's 40% stake in Khazna Data Center Holdings, coupled with higher finance and other cost, partially offset by an anticipated increase in revenue and share of result of JVs, lower federal royalty, and a decline in income tax expenses. e&'s revenue is expected to grow 14.5% YOY to AED 19,309 Mn in 1Q26, driven by anticipated solid growth across all segments except the other segment. Operating expenses are anticipated to grow 15.7% YOY to AED 13,334 Mn in 1Q26. Impairment loss on trade receivables and contract assets is anticipated to increase from AED 293 Mn in 1Q25 to AED 349 Mn in 1Q26. The share of results of associates and joint ventures is forecasted to increase significantly to AED 483 Mn in 1Q26, compared to AED 19 Mn in 1Q25. Operating profit before federal royalty is expected to rise 20.6% YOY to AED 6,109 Mn in 1Q26. Federal royalty is expected to decrease 40.4% YOY to AED 1,953 Mn in 1Q26. As a result, e&'s operating profit is anticipated to increase substantially from AED 1,788 Mn in 1Q25 to AED 4,155 Mn in 1Q26. e&'s EBITDA is expected to rise 13.9% YOY to AED 8,380 Mn in 1Q26. We expect the EBITDA margin to decrease around 21 bps YOY to 43.4% in 1Q26. Additionally, finance and other income are estimated to fall significantly from AED 5,354 Mn in 1Q25 to AED 700 Mn in 1Q26 due to the one-off gain recognised in 1Q25 from the disposal of the Company's 40% stake in Khazna Data Center Holdings, whereas finance and other costs are projected to increase to AED 1,237 Mn in 1Q26, compared to AED 702 Mn in 1Q25. The Company tax expense is expected to decrease 38.8% YOY to AED 543 Mn in 1Q26. In addition, e&'s profit share to NCI is forecasted to increase 8.4% YOY to AED 215 Mn in 1Q26.

2026 forecast

e&'s net profit is expected to decline 19.1% YOY to AED 11,622 Mn in 2026, driven by an anticipated increase in operating expenses, higher impairment loss on trade receivables and contract assets, and higher finance & other costs, coupled with a sharp decline in finance & other income due to the one-off gain recognised in 1Q25 from the disposal of the Company's 40% stake in Khazna Data Center Holdings partially offset by growth in revenue and lower tax expenses, along with higher federal royalty charges. The Company's revenue is expected to increase 8.3% YOY to AED 78,885 Mn in 2026, driven by anticipated growth across its operating segments except the other segment. Operating expenses are anticipated to rise 9.0% YOY to AED 54,928 Mn in 2026. Impairment losses are projected to increase 23.3% YOY to AED 1,420 Mn in 2026. Share of results of associates & JVs is estimated to increase 1.2% YOY to AED 1,972 Mn in 2026. Federal royalty is forecasted to increase 5.2% YOY to AED 7,814 Mn in 2026. As a result, operating profit after federal royalty is expected to grow 5.6% YOY to AED 16,696 Mn in 2026. Moreover, e&'s EBITDA is expected to grow 5.0% YOY to AED 33,629 Mn in 2026. However, we expect the EBITDA margin to decline 13 bps YOY to 42.6% in 2026. Furthermore, finance and other income are expected to decline significantly from AED 8,167 Mn in 2025 to AED 2,800 Mn in 2026, primarily as 2025 included a one-off gain from the disposal of the Company's stake in Khazna Data Center Holdings, whereas finance and other costs are projected to increase 7.0% YOY to AED 4,949 Mn in 2026. Tax charges are estimated to decrease 31.9% YOY to AED 2,182 Mn in 2026, compared to AED 3,203 Mn in 2025. The share of profit attributable to non-controlling interest holders is expected to decline substantially to AED 742 Mn in 2026, compared to AED 1,796 Mn in 2025.

4Q25 outturn

e&'s total revenue grew 17.3% YOY to AED 19.3 Bn in 4Q25, driven by the continued growth across all verticals, supported by strong performance in both telecom and digital segments supported by operational excellence. Additionally, revenue expanded 10.1% YOY on an LFL basis, excluding e& PPF Telecom in 4Q25. e& UAE revenue increased 5.2% YOY to AED 8.9 Bn in 4Q25, driven by expansion across all revenue streams, reflecting continued improvement in operational KPIs. Moreover, e& international revenue rose from AED 6.7 Bn in 4Q24 to AED 8.8 Bn in 4Q25, primarily attributed to the consolidation of e& PPF Telecom, organic growth in Egypt & Pakistan, and appreciation of the Moroccan Dirham against the AED. Excluding e& PPF telecom and in constant currency terms, international segment revenue increased 8.0% YOY in 4Q25, reflecting solid growth across key markets. Maroc Telecom Group's revenue increased 8.1% YOY to AED 3.5 Bn in 4Q25. Furthermore, e& Egypt's revenue surged 38.1% YOY to AED 1.4 Bn in 4Q25, driven by growth in data and voice revenues supported by an expanding subscriber base. Revenue from PTCL Group increased 4.8% YOY to AED 820 Mn in 4Q25, supported by higher mobile data and fixed broadband revenues. Additionally, Etisalat Afghanistan's revenue increased 7.1% YOY to AED 198 Mn in 4Q25, while e& PPF telecom's revenue increased from AED 1.5 Bn in 4Q24 to AED 2.8 Bn in 4Q25. Revenue from e& Enterprise grew 12.9% YOY to AED 999 Mn in 4Q25, driven by strong performance in cybersecurity, cloud, and IoT segments, with a solid contribution from international markets. E& Life's revenue grew from AED 569 Mn in 4Q24 to AED 754 Mn in 4Q25, primarily driven by higher Careem Technologies and fintech revenues on growing base and usage. The Company's operating expenses increased 21.0% YOY to AED 13.7 Bn in 4Q25, mainly driven by higher depreciation and amortisation costs related to ongoing network investments and recently acquired licenses and spectrum in international markets, supporting telecom business expansion. Total impairment loss on trade receivables and other assets declined significantly from AED 1.5 Bn in 4Q24 to AED 312 Mn in 4Q25. The share of profits from associates and joint ventures fell 32.8% YOY to AED 592 Mn in 4Q25. e&'s federal royalty increased 21.8% YOY to AED 1.5 Bn in 4Q25. However, operating profit increased 31.7% YOY to AED 4.4 Bn in 4Q25. Total EBITDA rose 17.6% YOY to AED 8.2 Bn in 4Q25, while EBITDA margin remained broadly stable at 42.7% in 4Q25 compared to 42.6% in 4Q24. Etisalat's UAE EBITDA increased 5.9% YOY to AED 4.6 Bn in 4Q25. Meanwhile, e& International EBITDA rose from AED 2.9 Bn in 4Q24 to AED 3.7 Bn in 4Q25, reflecting strong momentum in Egypt and Pakistan, along with favorable FX impact from the appreciation of the Moroccan dirham against the AED. e& Enterprises reported negative EBITDA of AED 12 Mn in 4Q25, compared to negative AED 45 Mn in 4Q24. Similarly, e& Life also reported negative EBITDA of AED 148 Mn in 4Q25 versus negative AED 162 Mn in 4Q24, mainly due to continued investments by Careem Technologies to scale its service lines. Finance and other income decreased 34.5% YOY to AED 638 Mn in 4Q25. Conversely, finance and other costs increased 22.8% YOY to AED 1.5 Bn in 4Q25. The Company's income tax expense declined 23.1% YOY to AED 548 Mn in 4Q25. Share of NCI increased significantly from AED 71 Mn in 4Q24 to AED 427 Mn in 4Q25.

Target price and recommendation

We revise our rating on e& from HOLD to ACCUMULATE with an unchanged target price of AED 22.0. The Company delivered solid performance in 4Q25, with revenue increasing 17.3% YOY to AED 19.3 Bn, supported by sustained growth across telecom and digital verticals, along with the continued consolidation of e& PPF Telecom. On a LFL basis and in constant currency terms, revenue grew 10.1% YOY in 4Q25, reflecting healthy operational momentum across key markets. e& subscribers increased 31.3% YOY to 244.7 Mn in 4Q25, supported by strong subscriber acquisition strategies across all markets. UAE recorded 16.3 Mn subscribers while international business reported 228.5 Mn subscribers. e& group welcomed c. 43.0 Mn new subscribers following PTCL Group completion of the acquisition of Telenor Pakistan in December 2025. The mobile customer base in UAE reached 14.6 Mn during 4Q25, supported by attractive offerings, world-class networks quality, and leading customer experience. Postpaid customers increased 12.0% YOY, while prepaid customers rose 9.0% YOY, adding approximately 1.2 Mn new customers during 2025 in the UAE. Additionally, the fixed broadband customer base increased 2.0% YOY to reach 1.4 Mn subscribers during 4Q25 in the UAE. International subscribers rose significantly by 33.3% YOY to 228.5 Mn, driven by the consolidation of Telenor Pakistan, along with growth in Egypt, Moov Africa, Pakistan and e& PPF telecom operations. Pakistan Telecommunication Company Limited (PTCL), a subsidiary of e& with an effective economic ownership of 23.4%, successfully completed the acquisition of 100% of Telenor Pakistan for an enterprise value of PKR 108 Bn on a cash-free, debt-free basis. O2 Slovakia, part of e& PPF Telecom Group BV, signed a binding agreement with Liberty Global to acquire 100% of UPC Broadband Slovakia for EUR 95 Mn on a cash-free, debt-free basis. e&'s stake in Vodafone Group plc increased to 16.6% in December 2025 due to Vodafone's share buyback programme, while e&'s total number of shares held remained unchanged at 3,944.7 Mn. The Company's capex excluding licenses and spectrum reached AED 4.0 Bn in 4Q25, with a capital intensity of 20.7%. Gross debt declined from AED 69.2 Bn in 4Q24 to AED 67.6 Bn in 4Q25, with approximately 55% of outstanding debt maturing beyond the next 12 months. The net debt-to-EBITDA ratio stood at 1.04x in 4Q25, supported by the AED 34.3 Bn cash balance and strong cash generation. Management reiterated focus on extracting synergies from recent international acquisitions (PPF Telecom, Telenor Pakistan, Serbia Broadband), strengthening the UAE's role as a cash-generative engine, scaling profitable digital verticals, and maintaining leverage around current levels. Management guided for 2026 revenue growth of 8–10% in constant currency terms and EBITDA growth of 4–5%, reflecting revenue mix impact. Capex intensity is expected at 16-17% in 2026, while maintaining disciplined capital allocation and a strong balance sheet. Management also indicated that EBITDA margins may face moderate pressure in 2026, as EBITDA growth is guided below revenue growth, primarily due to revenue mix changes and continued investments, rather than structural weakness in the core telecom business. The management announced the dividend of 47 fils for the period of 2H25 (90 fils for 2025) and guided for dividend of 95 fils for 2026. Thus, considering the abovementioned factors, we assign ACCUMULATE rating on the stock.

Etisalat - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	19.94	18.56	18.03	17.28	12.94	15.98
P/B (x)	3.90	4.40	4.35	4.07	3.59	3.36
EV/EBITDA	7.22	7.96	8.23	8.68	7.16	6.81
BVPS	5.472	4.860	4.905	5.243	5.946	6.362
EPS	1.071	1.151	1.185	1.236	1.651	1.336
DPS	0.800	0.800	0.800	0.830	0.900	0.950
Dividend Yield (%)	4.1%	4.1%	4.1%	4.2%	4.6%	4.8%

FABS Estimates & Co Data

Etisalat - P&L

AED Mn	1Q25	4Q25	1Q26F	YOY	QOQ	2025	2026F	Change
Revenue	16,864	19,319	19,309	14.5%	-0.1%	72,858	78,885	8.3%
Operating expenses	-11,526	-13,657	-13,334	15.7%	-2.4%	-50,414	-54,928	9.0%
Impairment	-293	-312	-349	18.8%	11.8%	-1,152	-1,420	23.3%
Share of results of the Associates and JVs	19	592	483	NM	-18.4%	1,948	1,972	1.2%
Operating profit before federal royalty	**5,065**	**5,942**	**6,109**	**20.6%**	**2.8%**	**23,241**	**24,509**	**5.5%**
Federal royalty	-3,277	-1,531	-1,953	-40.4%	27.6%	-7,424	-7,814	5.2%
Operating profit	**1,788**	**4,411**	**4,155**	**NM**	**-5.8%**	**15,817**	**16,696**	**5.6%**
EBITDA	**7,355**	**8,248**	**8,380**	**13.9%**	**1.6%**	**32,020**	**33,629**	**5.0%**
Finance and other income	5,354	638	700	-86.9%	9.7%	8,167	2,800	NM
Finance and other costs	-702	-1,528	-1,237	76.3%	-19.0%	-4,624	-4,949	7.0%
Profit before tax	**6,440**	**3,521**	**3,618**	**-43.8%**	**2.7%**	**19,360**	**14,546**	**-24.9%**
Income tax expenses	-887	-548	-543	-38.8%	-1.0%	-3,203	-2,182	-31.9%
Profit for the period	**5,553**	**2,973**	**3,075**	**-44.6%**	**3.4%**	**16,156**	**12,364**	**-23.5%**
Non-controlling interests	199	427	215	8.4%	-49.5%	1,796	742	NM
Net Profit Attributable	**5,355**	**2,547**	**2,860**	**-46.6%**	**12.3%**	**14,360**	**11,622**	**-19.1%**

FABS estimate & Co Data

Etisalat- Margins

	1Q25	4Q25	1Q26F	YOY	QOQ	2025	2026F	Change
EBITDA	43.6%	42.7%	43.4%	-21	-232	43.9%	42.6%	-13
Operating profit	10.6%	22.8%	21.5%	NM	-114	21.7%	21.2%	-5
Net Profit	31.8%	13.2%	14.8%	NM	-285	19.7%	14.7%	-50

FABS estimate & Co Data

1Q26 preview: Etihad Etisalat Company (Mobily)

Revenue growth to be supported by telecom demand amid rising costs

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 67.10	SAR 72.00	+7.3%	HOLD

1Q26 estimate

Etihad Etisalat (Mobily/the Company) is expected to record a 16.1% YOY increase in net profit to SAR 890 Mn in 1Q26, driven by anticipated rise in service revenues, other income and lower finance expenses, partially offset by increase in cost of services, operating expenses, depreciation & amortisation, impairment loss on accounts receivable and zakat charges, coupled with lower share in profit of an associate and finance income. Mobily's services revenue is expected to grow 8.7% YOY to SAR 5,193 Mn in 1Q26, supported by continued demand for telecom services and steady growth in the Company's core operations. The Company's cost of services is projected to increase 7.4% YOY to SAR 2,389 Mn in 1Q26. As a result, gross profit is expected to rise 9.8% YOY to SAR 2,804 Mn in 1Q26. Gross margin is forecasted to expand from 53.5% in 1Q25 to 54.0% in 1Q26. Selling and marketing expenses are expected to increase 3.9% YOY to SAR 395 Mn, whereas G&A expenses are projected to rise 8.2% YOY to SAR 426 Mn in 1Q26. The Company's depreciation and amortisation expense is forecasted to increase 7.1% YOY to SAR 990 Mn in 1Q26. However, Mobily is expected to record an impairment loss on accounts receivable of SAR 21 Mn in 1Q26 compared to SAR 6 Mn in 1Q25. Consequently, Mobily's operating profit is anticipated to rise 14.4% YOY to SAR 972 Mn in 1Q26, with operating profit margin expected to increase from 17.8% in 1Q25 to 18.7% in 1Q26. Moreover, the Company's EBITDA is projected to increase 10.6% YOY to SAR 1,962 Mn, while the EBITDA margin is expected to increase 65 bps YOY to 37.8% in 1Q26. Other income is forecasted to increase from SAR 5 Mn in 1Q25 to SAR 21 Mn in 1Q26. The Company's share in profit of an associate is expected to decline to SAR 18 Mn in 1Q26, compared to SAR 45 Mn in 1Q25. Finance expenses are expected to decline 12.5% YOY to SAR 145 Mn, while finance income is likely to decrease 12.1% YOY to SAR 47 Mn in 1Q26. Additionally, the Company zakat expense is expected to increase 9.8% YOY to SAR 23 Mn in 1Q26.

2026 forecast

Mobily is expected to record a 9.8% YOY growth in net profit to SAR 3,804 Mn in 2026, driven by an expected rise in services revenue, higher other income, and lower finance expenses, partially offset by an anticipated rise in cost of services, coupled with higher operating expenses, increased depreciation & amortisation and impairment charges, along with lower finance income & company share in profit of associate and higher zakat expenses. Mobily's service revenue is anticipated to grow 7.6% YOY to SAR 21,125 Mn in 2026, attributed to forecasted healthy growth across all business segments. The Company's cost of services is projected to increase 7.5% YOY to SAR 9,569 Mn in 2026. Thus, gross profit is likely to expand 7.6% YOY to SAR 11,555 Mn in 2026. Gross margin is expected to remain broadly stable at 54.7% in 2026. Selling and marketing expenses are forecasted to rise 8.3% YOY to SAR 1,627 Mn in 2026, whereas G&A expenses are expected to increase 8.0% YOY to SAR 1,732 Mn in 2026. The Company's depreciation and amortization expense is projected to rise 4.8% YOY to SAR 3,961 Mn in 2026, while impairment losses on accounts receivable are anticipated to increase significantly from SAR 8 Mn in 2025 to SAR 84 Mn in 2026. As a result, Mobily's operating profit is likely to increase 7.9% YOY to SAR 4,151 Mn in 2026. Operating profit margin is expected to increase marginally 7 bps YOY to 19.7% in 2026. Moreover, the Company's EBITDA is expected to grow 6.4% YOY to SAR 8,112 Mn in 2026, whereas EBITDA margin is expected to decline 43 bps YOY to 38.4% in 2026. The Company other income is expected to increase 15.9% YOY to SAR 74 Mn in 2026. Share in profit of an associate is projected to decline 32.2% YOY to SAR 80 Mn in 2026. The Company's finance expense is projected to decline 13.9% YOY to SAR 581 Mn in 2026. Finance income is anticipated to decrease 6.8% YOY to SAR 189 Mn in 2026. In addition, zakat expense is forecasted to rise 20.5% YOY to SAR 108 Mn in 2026.

4Q25 outturn

Mobily's service revenue rose 10.4% YOY to SAR 5,186 Mn in 4Q25, driven by growth across all revenue segments, and rise in subscriber base. Revenue from consumer segment grew 11.9% YOY to SAR 3,347 Mn in 4Q25, driven by expansion of the customer base supported by competitive offerings. While, Business segment revenue expanded 6.0% YOY to SAR 1,202 Mn in 4Q25. Revenue from wholesale segment increased 13.8% YOY to SAR 531 Mn in 4Q25, due to expansion of international connectivity, continued investments in submarine cable infrastructure, and strategic partnerships enhancing next-generation digital solutions. Outsourcing segment revenue rose marginally 1.2% YOY to SAR 107 Mn in 4Q25. The Company's cost of services increased 5.5% YOY to SAR 2,312 Mn in 4Q25. As a result, Mobily's gross profit rose 14.7% YOY to SAR 2,874 Mn in 4Q25. Additionally, the gross profit margin increased 209 bps YOY to 55.4% in 4Q25. Selling and marketing expenses expanded 27.8% YOY to SAR 409 Mn in 4Q25, while general & administrative expenses grew substantially from SAR 141 Mn in 4Q24 to SAR 367 Mn in 4Q25. As a result, total operating expenses rose 68.3% YOY to SAR 776 Mn in 4Q25, substantially higher than growth in topline. Depreciation and amortization marginally increased from SAR 989 Mn in 4Q24 to SAR 993 Mn in 4Q25. Mobily recorded impairment loss of SAR 38 Mn in 4Q25 compared to reversal of SAR 3 Mn in 4Q24. As a result, operating profit grew marginally 0.9% YOY to SAR 1,068 Mn in 4Q25, while operating profit margin declined 193 bps YOY to 20.6% in 4Q25. Mobily's EBITDA grew from SAR 2,047 Mn in 4Q24 to SAR 2,060 Mn in 4Q25, whereas the EBITDA margin contracted 385 bps YOY to 39.7% in 4Q25. Other income increased significantly from SAR 12 Mn in 4Q24 to SAR 24 Mn in 4Q25. On the other hand, share in associate declined from SAR 10 Mn in 4Q24 to SAR 2 Mn in 4Q25. Finance expenses increased 12.6% YOY to SAR 171 Mn in 4Q25. While finance income grew 14.1% YOY to SAR 51 Mn in 4Q25. Furthermore, the Company recorded zakat charges of SAR 20 Mn in 4Q25, compared to reversal of SAR 6 Mn in 4Q24.

Target price and recommendation

We maintain our HOLD rating on Mobily with a target price of SAR 72.00. The Company met its 2025 guidance and exceeded certain targets during 2025. Revenue grew by 7.9%, in line with its mid-to-high single-digit growth guidance. Meanwhile, the EBITDA margin reached 38.8% in 2025, surpassing the guided range of 37– 38%. Additionally, net Debt/EBITDA stood at 0.92x in 2025, outperforming the guidance level of 1.0x. The Consumer segment delivered strong performance in 2025, driven by customer base expansion supported by competitive offerings. Furthermore, Mobily increased its 5G site coverage by 133% in 2025, leading to a 122% YOY rise in data traffic along with significant growth in overall data consumption, enabling strong growth in the customer base, which subsequently contributed to higher segmental revenue. Additionally, the segment strengthened its ecosystem by onboarding new partners across various sectors, enhancing customer engagement and interaction frequency, further strengthening the segment. Similarly, the Business segment delivered a solid performance in 2025, reinforcing its position as a leading enabler to government entities, large corporations, and SMEs by providing innovative solutions and advanced digital infrastructure to support giga projects, enabling company to secure higher contract wins going forward, which should support growth in segment revenue. Mobily's wholesale segment also witnessed robust growth in 2025. The segment focusing on large-scale international connectivity infrastructure and sells bandwidth and connectivity solutions to global and domestic telecom operators, carriers, and large institutions, such as including submarine cable capacity such as the Mobily Red Sea Cable (MRSC). Additionally, the segment strengthened its digital infrastructure by entering into strategic partnerships to provide next-generation connectivity solutions to both international and domestic partners, thereby strengthening global operations and expanding the customer base worldwide to support segment growth. The mobile subscriber base increased 17.4% YOY to 14.4 Mn in 2025, comprising 12.3 Mn prepaid and 2.1 Mn postpaid subscribers, while the FTTH subscriber base rose 6.8% YOY to 305K in 2025. Mobily's Capex reached SAR 5.8 Bn in 2025, driven by continued investments in spectrum development licenses, fiber infrastructure, data centers, 5G expansion, and submarine cables. The Company expects Capex intensity to range between 18-20% in 2026, indicating its continued commitment to long-term growth and infrastructure development. The robust performance is further evidenced by the expansion of its infrastructure, including the commissioning of two new data centers to address rising data demand, increasing total 5G sites to more than 7,600 across 61 cities, and delivering high-speed connectivity to over 96% of residents in the Kingdom's seven main cities. Based on this strong performance in 2025, the Company expects revenue to grow at a mid to high single digit rate, while the EBITDA margin projected to range between 37% to 38% and Net Debt/ EBITDA between 0.9-1.0x for 2026. The Company distributed SAR 1,228 Mn in interim cash dividends (SAR 1.60 per share, 16% of par value) for the 2H25, taking total dividend to SAR 2.8 per share (SAR 2,152 Mn) for the period of 2025 with a payout ratio of 62.1%. As a result, we maintain HOLD rating on the stock.

Mobily – Relative Valuation

(At CMP)	**2021**	**2022**	**2023**	**2024**	**2025**	**2026F**
P/E (x)	46.71	30.21	22.42	16.11	14.44	13.14
P/B (x)	3.29	3.06	2.84	2.65	2.46	2.27
EV / EBITDA	11.10	9.72	8.73	7.83	7.29	6.75
BVPS	19.735	21.245	22.887	24.514	26.432	28.579
EPS	1.392	2.152	2.899	4.035	4.502	4.947
DPS	0.850	1.150	1.450	2.200	2.800	3.000
Dividend yield	1.3%	1.7%	2.2%	3.3%	4.2%	4.5%

FABS Estimates & Co Data

Mobily - P&L

SAR Mn	**1Q25**	**4Q25**	**1Q26F**	**YOY Ch**	**QOQ Ch**	**2025**	**2026F**	**Change**
Services revenues	4,777	5,186	5,193	8.7%	0.1%	19,642	21,125	7.6%
Cost of services	-2,223	-2,312	-2,389	7.4%	3.3%	-8,900	-9,569	7.5%
Gross profit	**2,554**	**2,874**	**2,804**	**9.8%**	**-2.4%**	**10,742**	**11,555**	**7.6%**
Selling and marketing expenses	-380	-409	-395	3.9%	-3.6%	-1,502	-1,627	8.3%
General & administrative expenses	-393	-367	-426	8.2%	16.1%	-1,604	-1,732	8.0%
Operating expenses	**-773**	**-776**	**-820**	**6.1%**	**5.7%**	**-3,106**	**-3,359**	**8.1%**
Depreciation and amortisation	-925	-993	-990	7.1%	-0.3%	-3,780	-3,961	4.8%
Impairment loss on acc receivable	-6	-38	-21	NM	-43.8%	-8	-84	NM
Operating Profit	**850**	**1,068**	**972**	**14.4%**	**-8.9%**	**3,847**	**4,151**	**7.9%**
EBITDA	**1,775**	**2,060**	**1,962**	**10.6%**	**-4.8%**	**7,627**	**8,112**	**6.4%**
Other income	5	24	21	NM	-14.8%	64	74	15.9%
Company's share in loss of an asso.	45	2	18	NM	NM	118	80	-32.2%
Finance expenses	-166	-171	-145	-12.5%	-15.0%	-675	-581	-13.9%
Finance income	54	51	47	-12.1%	-7.3%	203	189	-6.8%
Profit before zakat	**787**	**974**	**913**	**15.9%**	**-6.2%**	**3,556**	**3,913**	**10.0%**
Zakat	-21	-20	-23	9.8%	13.0%	-90	-108	20.5%
Profit attributable	**767**	**953**	**890**	**16.1%**	**-6.6%**	**3,466**	**3,804**	**9.8%**

FABS estimate & Co Data

Mobily - Margins

	1Q25	**4Q25**	**1Q26F**	**YOY**	**QOQ Ch**	**2025**	**2026F**	**Change**
Gross profit	53.5%	55.4%	54.0%	53	-142	54.7%	54.7%	1
EBITDA	37.1%	39.7%	37.8%	65	-193	38.8%	38.4%	-43
Operating profit	17.8%	20.6%	18.7%	93	-186	19.6%	19.7%	7
Net profit	16.0%	18.4%	17.1%	110	-124	17.6%	18.0%	36

FABS estimate & Co Data

1Q26 preview: Saudi Telecom Company (STC)

Growth in the subscribers base to offset near-term profit pressures

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 42.42	SAR 50.00	+17.9%	BUY

1Q26 Estimate

Saudi Telecom Company (STC) is expected to report a 9.1% YOY decline in net profit to SAR 3,318 Mn in 1Q26, primarily due to an anticipated increase in operating expenses, depreciation & amortisation charges, along with higher finance charges and lower finance income, partially offset by an expected increase in revenue and lower other expenses. STC's revenue is projected to increase by 3.8% YOY to SAR 19,945 Mn in 1Q26, supported by broad-based growth across almost all of its business segments, reflecting continued operational momentum. Direct cost is anticipated to increase marginally 0.6% YOY to SAR 10,172 Mn in 1Q26. However, we expect gross profit to increase 7.4% YOY to SAR 9,773 Mn in 1Q26. Gross margins are expected to rise from 47.4% in 1Q25 to 49.0% in 1Q26. STC's selling and overhead expenses are anticipated to rise 19.6% YOY to SAR 1,596 Mn, while G&A expenses are anticipated to increase 9.2% YOY to SAR 1,795 Mn in 1Q26. Thus, operating expenses are expected to increase 13.9% YOY to SAR 3,391 Mn in 1Q26. STC's EBITDA is anticipated to rise 4.3% YOY to SAR 6,383 Mn in 1Q26, primarily due to growth expected in gross profit, partially offset by higher operating expenses. Similarly, EBITDA margin is expected to improve from 31.9% in 1Q25 to 32.0% in 1Q26. Depreciation and amortisation expenses are expected to increase 3.9% YOY to SAR 2,636 Mn in 1Q26. As a result, operating profit is likely to grow 4.6% YOY to SAR 3,747 Mn in 1Q26. Operating profit margin is anticipated to increase from 18.7% in 1Q25 to 18.8% in 1Q26. The Company is expected to report lower other expenses of SAR 70 Mn in 1Q26, compared to SAR 365 Mn in 1Q25. Finance income is anticipated to decrease 33.4% YOY to SAR 319 Mn in 1Q26. Finance charges are forecasted to grow 1.2% YOY to SAR 296 Mn in 1Q26. The Company is expected to incur Zakat charges of SAR 314 Mn in 1Q26, compared to a reversal of SAR 311 Mn in 1Q25. The profit share attributable to NCI is also expected to grow 1.8% YOY to SAR 68 Mn in 1Q26.

2026 Forecast

STC's net profit is expected to decline by 3.7% YOY to SAR 14,287 Mn in 2026, primarily driven by anticipated increases in direct costs, G&A expenses, depreciation and amortisation, as well as higher financial charges and zakat expenses. This decline is expected to be partially offset by revenue growth, higher other income, and a marginal decline in selling & overhead expenses. STC's revenue is estimated to grow 4.2% YOY to SAR 81,079 Mn in 2026. On the other hand, direct cost is anticipated to increase 4.1% YOY to SAR 41,759 Mn in 2026. As a result, we expect gross profit to grow 4.3% YOY to SAR 39,319 Mn and gross margins to remain almost flat 5 bps YOY to 48.5% in 2026. STC's selling and overhead expenses are expected to decline marginally 0.7% YOY to SAR 6,324 Mn in 2026. G&A expenses are anticipated to increase 1.7% YOY to SAR 6,973 Mn in 2026. As a result, operating expenses are estimated to increase 0.5% YOY to SAR 13,297 Mn in 2026. Thus, EBITDA is forecasted to grow 6.3% YOY to SAR 26,023 Mn in 2026. EBITDA margins are expected to rise 65 bps YOY to 32.1% in 2026. D&A expenses are expected to rise 5.1% YOY to SAR 10,543 Mn in 2026. Operating profit is anticipated to increase 7.2% YOY to SAR 15,480 Mn in 2026. Operating profit margin is also expected to rise 54 bps YOY to 19.1% in 2026. Furthermore, other income is forecasted to increase from SAR 133 Mn in 2025 to SAR 278 Mn in 2026. Finance income is anticipated to increase marginally 0.1% YOY to SAR 1,277 Mn, whereas finance cost is projected to increase 5.4% YOY to SAR 1,186 Mn in 2026. We expect the Company to record an increase in zakat expense to SAR 1,268 Mn in 2026, compared to SAR 466 Mn in 2025. The profit share attributable to non-controlling interest holders is expected to decline 4.0% YOY to SAR 295 Mn in 2026.

4Q25 Outturn

STC's total revenue grew 2.4% YOY to SAR 19,894 Mn in 4Q25, driven by a rise in revenue in KSA region, partially offset by decline in revenue from Kuwait and Brahin region. STC KSA revenue grew 2.8% YOY to SAR 12,755 Mn in 4Q25, with a 5.9% YOY growth in mobile subscribers to 30.0 Mn and 5.0% YOY growth in fixed subscribers to 6.0 Mn in 4Q25. STC Kuwait revenue declined 1.9% YOY to SAR 1,043 Mn in 4Q25. Mobile subscribers in Kuwait declined 2.3% YOY to 2.3 Mn in 4Q25. STC Bahrain witnessed a 3.9% YOY decreased in revenue to SAR 465 Mn in 4Q25. However, STC Bahrain subscribers rose 2.8% YOY to 950k in 4Q25. STC channel revenue declined 17.7% YOY to SAR 2,905 Mn in 4Q25. Whereas Solution segment revenue grew 4.7% YOY to SAR 3,907 Mn in 4Q25. STC Bank's revenue expanded 9.1% YOY to SAR 368 Mn in 4Q25. Sirar revenue segment declined 7.3% YOY to SAR 299 Mn in 4Q25. The Company's specialized segment revenue declined 2.7% YOY to SAR 113 Mn in 4Q25. Center 3 segment revenue declined 2.6% YOY to SAR 514 Mn in 4Q25. Iot segment revenue increased 14.3% YOY to SAR 138 Mn in 4Q25. While SCCC segment revenue increased from SAR 66 Mn in 4Q24 to SAR 142 Mn in 4Q25. The Company's direct costs increased 1.0% YOY to SAR 10,103 Mn in 4Q25. As a result, gross profit grew 3.9% YOY to SAR 9,791 Mn in 4Q25, as growth in revenue surpassed the rise in direct costs. Gross profit margin rose 72 bps YOY to 49.2% in 4Q25. Selling & overhead expenses declined 1.3% YOY to SAR 1,872 Mn in 4Q25. G&A expenses fell marginally 0.1% YOY to SAR 1,948 in 4Q25. Thus, operating expenses declined 0.7% YOY to SAR 3,819 in 4Q25. STC's EBITDA grew 7.1% YOY to SAR 5,972 Mn in 4Q25, while the EBITDA margin expanded from 28.7% in 4Q24 to 30.0% in 4Q25. Depreciation & amortization decreased 9.2% YOY to SAR 2,368 Mn in 4Q25. Thus, operating profit grew 21.4% YOY to SAR 3,605 Mn in 4Q25. Moreover, operating profit margin increased from 15.3% in 4Q24 to 18.1% in 4Q25. STC's recorded other income of SAR 77 Mn in 4Q25, compared to other expenses of SAR 2,297 Mn in 4Q24. Finance income declined 49.7% YOY to SAR 220 Mn in 4Q25. Whereas, finance charges rose 4.9% YOY to SAR 304 Mn in 4Q25. The Company's zakat expenses declined from SAR 507 Mn in 4Q24 to SAR 216 Mn in 4Q25. STC recorded the loss from discontinued operations of SAR 54 Mn in 4Q25, compared to profit of SAR 13,174 Mn in 4Q25, due to one-off transaction-related accounting gains recognized in December 2024. The Company's NCI grew from SAR 31 Mn in 4Q24 to SAR 78 Mn in 4Q25.

Target price and recommendation

We maintain our BUY rating on STC with a target price of SAR 50.0. STC delivered strong growth in its mobile and fixed subscriber base in KSA. Mobile subscribers in KSA increased 5.9% YOY to 30.0 Mn in 4Q25, whereas fixed subscribers grew 5.0% YOY to 6.0 Mn, reflecting deeper market penetration across the region, which supports overall revenue growth. The Company's mobile subscriber base in Kuwait declined by 2.3% YOY to 2.3 Mn in 4Q25. In contrast, despite a contraction in revenue in Bahrain, the mobile subscriber base continued to expand, growing 2.8% YOY to 950K in 4Q25. In 4Q25, STC entered into a strategic partnership with AST SpaceMobile to deliver space-based telecommunications services, expanding its customer reach and supporting long-term revenue diversification. The Company also continued to strengthen its subsidiaries, its "Specialized" unit signed an Islamic Murabaha financing facility with Saudi banks, while center3 signed a MOU with HUMAIN to establish a joint venture focused on developing AI data centres in the Kingdom of Saudi Arabia. Additionally, STC Bank subsidiary recorded strong momentum in digital banking adoption, surpassing 8 Mn customers since its launch at the beginning of the 2025. On the infrastructure front, the Company expanded its 5G footprint to over 10,800 network sites, while cumulative fiber-optic connections reached 3.75 Mn households by the end of 2025. Furthermore, the Company conducted the region's first 7 GHz frequency band trial for 6G in partnership with the Communications, Space and Technology Commission and Nokia, strengthening its position in technological innovation in 2025. The Company also signed key strategic agreements, including a SAR 32.64 Bn telecom infrastructure contract, a SAR 2 Bn collaboration with Oracle, and a SAR 1.2 Bn partnership with Red Sea Global in 2025, thereby reinforcing its position as a leading digital infrastructure enabler in KSA. Recently in February 2026, the Company announced the award of a telecommunications infrastructure project, Silklink in partnership with the Syrian Sovereign Fund. The project aims to strengthen Syria's telecom infrastructure and enhance regional and international connectivity through the development of a fiber optic network spanning over 4,500 kilometers, alongside the establishment of data centers and international submarine cable landing stations. The project will be executed through a joint venture, with STC holding a 75% stake and the Syrian Sovereign Fund holding the remaining 25%, with a total project value of SAR 3.0 Bn. Moreover, in line with its dividend policy, STC distributed a dividend of SAR 0.55 per share (5.5% of par value), totaling SAR 2,744.4 Mn, for 4Q25, in line with its approved three-year dividend policy. Thus, based on these factors, we maintain our BUY rating on the stock.

STC – Relative Valuation

(at CMP)	2021	2022	2023	2024	2025F	2026F
P/E (x)	18.56	17.25	15.79	8.50	14.16	14.69
P/B (x)	3.03	2.86	2.66	2.35	2.52	2.42
EV/EBITDA	8.98	7.86	9.19	8.24	8.70	8.18
BVPS	13.854	14.700	15.797	17.883	16.683	17.345
EPS	2.262	2.434	2.659	4.938	2.966	2.857
DPS	1.600	1.600	2.600[1]	3.750[2]	2.200	2.200
Dividend yield	3.7%	3.7%	6.1%	8.8%	5.2%	5.2%

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

STC - P&L

SAR Mn	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Sales	19,210	19,894	19,945	3.8%	0.3%	77,819	81,079	4.2%
Direct costs	-10,111	-10,103	-10,172	0.6%	0.7%	-40,119	-41,759	4.1%
Gross profit	**9,098**	**9,791**	**9,773**	**7.4%**	**-0.2%**	**37,700**	**39,319**	**4.3%**
Selling & overhead exp	-1,334	-1,872	-1,596	19.6%	-14.7%	-6,372	-6,324	-0.7%
General & Admin Exp.	-1,644	-1,948	-1,795	9.2%	-7.8%	-6,859	-6,973	1.7%
Operating expenses	**-2,978**	**-3,819**	**-3,391**	**13.9%**	**-11.2%**	**-13,230**	**-13,297**	**0.5%**
EBITDA	**6,120**	**5,972**	**6,383**	**4.3%**	**6.9%**	**24,469**	**26,023**	**6.3%**
Depreciation & Amortization	-2,537	-2,368	-2,636	3.9%	11.3%	-10,031	-10,543	5.1%
EBIT	**3,584**	**3,605**	**3,747**	**4.6%**	**3.9%**	**14,438**	**15,480**	**7.2%**
Other inc./(exp.)	-365	77	-70	NM	-190.8%	133	278	NM
Finance Income	479	220	319	-33.4%	45.5%	1,276	1,277	0.1%
Financial charges	-293	-304	-296	1.2%	-2.5%	-1,125	-1,186	5.4%
Profit before zakat	**3,405**	**3,597**	**3,700**	**8.7%**	**2.9%**	**14,723**	**15,849**	**7.7%**
Zakat	311	-216	-314	NM	45.3%	466	-1,268	NM
Profit before NCI	**3,715**	**3,381**	**3,385**	**-8.9%**	**0.1%**	**15,189**	**14,581**	**-4.0%**
Profit from disc oper	0	-54	0	NM	NM	-54	0	NM
NCI	67	78	68	1.8%	-13.1%	307	295	-4.0%
Profit attributable	**3,649**	**3,249**	**3,318**	**-9.1%**	**2.1%**	**14,828**	**14,287**	**-3.7%**

FABS estimate & Co Data

STC- Margins

	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Gross profit	47.4%	49.2%	49.0%	164	-22	48.4%	48.5%	5
EBITDA	31.9%	30.0%	32.0%	14	198	31.4%	32.1%	65
Operating profit	18.7%	18.1%	18.8%	13	67	18.6%	19.1%	54
Net profit	19.0%	16.3%	16.6%	-236	30	19.1%	17.6%	-143

FABS estimate & Co Data

1Q26 preview: Telecom Egypt (ETEL)

Steady customer growth and ARPU expansion to support the top-line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
EGP 92.35	EGP 95.00	+2.9%	HOLD

1Q26 estimate

Telecom Egypt (ETEL/the Company) net profit is expected to increase from EGP 4,646 Mn in 1Q25 to EGP 6,394 Mn in 1Q26, driven by an anticipated rise in revenue, income from associates, and higher finance income coupled with lower finance costs and higher other operating revenue, partially offset by expected increases in operating costs, selling and overhead expenses, other operating expenses and higher tax charges. ETEL's revenue is expected to grow 13.9% YOY to EGP 28,147 Mn in 1Q26. On the other hand, the Company's operating cost is projected to increase 15.0% YOY to EGP 16,409 Mn in 1Q26. Thus, we expect gross profit to grow by 12.4% YOY to EGP 11,738 Mn, while gross margins are projected to decline by 55 bps YOY to 41.7% in 1Q26. ETEL's selling and overhead expenses are expected to increase 16.8% YOY to EGP 3,941 Mn in 1Q26. Meanwhile, the Company is expected to record lower net operating cost of EGP 99 Mn in 1Q26, compared to a loss of EGP 141 Mn in 1Q25. As a result, operating profit is estimated to increase 11.1% YOY to EGP 7,699 Mn in 1Q26. ETEL's EBITDA is expected to grow 10.4% YOY to EGP 12,005 Mn in 1Q26. Additionally, income from associates is projected to increase from EGP 3,187 Mn in 1Q25 to EGP 3,942 Mn in 1Q26. The Company's finance income is projected to rise from EGP 229 Mn in 1Q25 to EGP 457 Mn in 1Q26, while finance cost is expected to decline from EGP 4,252 Mn in 1Q25 to EGP 2,950 Mn in 1Q26. Consequently, profit before zakat is estimated to increase 50.1% YOY to EGP 9,148 Mn in 1Q26. Additionally, ETEL's tax expense is expected to increase from EGP 1,489 Mn in 1Q25 to EGP 2,744 Mn in 1Q26. Furthermore, profit share attributable to non-controlling interest is anticipated to increase from EGP 8 Mn in 1Q25, to EGP 10 Mn in 1Q26.

2026 forecast

We forecast ETEL's net profit to increase from EGP 22,555 Mn in 2025 to EGP 26,441 Mn in 2026, owing to an expected increase in revenue, higher income from associates, and lower net finance costs, partially offset by anticipated growth in operating costs, selling & overhead expenses, coupled with lower other operating expenses and higher income tax expenses. The Company's revenue is expected to grow 9.5% YOY to EGP 116,756 Mn in 2026. On the other hand, operating cost is estimated to increase 9.3% YOY to EGP 67,562 Mn in 2026. Thus, gross profit is projected to grow 9.7% YOY to EGP 49,194 Mn in 2026. Selling and overhead expenses are expected to rise 11.8% YOY to EGP 16,463 Mn in 2026. Meanwhile, the Company is expected to record a lower net operating costs of EGP 350 Mn in 2026, compared to a loss of EGP 2,076 Mn in 2025. As a result, ETEL's operating profit is expected to grow 15.5% YOY to EGP 32,381 Mn in 2026. The Company's EBITDA is anticipated to increase 4.4% YOY to EGP 49,604 Mn in 2026. Furthermore, income from associates is expected to increase 4.0% YOY to EGP 15,421 Mn in 2026. Finance income is anticipated to increase 1.9% YOY to EGP 1,829 Mn in 2026. Whereas, the Company's net finance cost is expected to decrease from EGP 13,753 Mn in 2025 to EGP 11,801 Mn in 2026. Income tax is expected to increase significantly from EGP 8,569 Mn in 2025 to EGP 11,349 Mn in 2026. Additionally, profit share attributable to the non-controlling interest holders is expected to increase from EGP 23 Mn in 2025 to EGP 40 Mn in 2026.

4Q25 outturn

ETEL's revenue grew 21.6% YOY to EGP 28,610 Mn in 4Q25, mainly driven by strong growth in the Retail and Wholesale segments. Retail segment was the primary growth driver with revenue rising 41.8% YOY to EGP 16,630 Mn in 4Q25, with growing data revenue, supported by two price adjustments implemented across the retail portfolio in late 2024 coupled with expanding customer base. Revenue from Home Services grew 44.5% YOY to EGP 14,121 Mn in 4Q25, 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 28.0% YOY to EGP 2,509 Mn in 4Q25, mainly driven by in-voice, data and other services. Wholesale segment revenue grew 1.6% YOY to EGP 11,981 Mn in 4Q25, primarily driven by an increase in Cable projects offsetting weaker performance in Domestic and International Carriers. Domestic Wholesale revenue decreased 18.5% YOY to EGP 2,411 Mn in 4Q25, due to a decrease in infrastructure & transmission revenue. Similarly, revenue from International Carriers declined 7.7% YOY to EGP 3,863 Mn in 4Q25, owing to a decrease in international calls traffic, while IC&N revenue increased 22.7% YOY to EGP 5,706 Mn due to healthy contribution from cable projects, capacity sales and data center, partially offset by decline in cables O&M and international customer support. Furthermore, operating costs rose 9.2% YOY to EGP 16,684 Mn in 4Q25. Thus, gross profit grew significantly from EGP 8,243 Mn in 4Q24 to EGP 11,926 Mn in 4Q25, with a gross margin of 41.7% in 4Q25 compared to 35.0% in 4Q24. Selling and overhead expenses increased 21.5% YOY to EGP 4,173 Mn in 4Q25, mainly due to increasing marketing costs reflecting the timing of seasonal campaign. ETEL recorded other operating expenses of EGP 418 Mn in 4Q25, compared to EGP 53 Mn in 4Q24. However, operating profit rose from EGP 4,756 Mn in 4Q24 to EGP 7,334 Mn in 4Q25. Operating margins increased 542 bps YOY to 25.6% in 4Q25, reflecting solid operating momentum and a more favorable mix, supporting margin expansion. Similarly, the Company's EBITDA increased 38.8% YOY to EGP 13,033 Mn in 4Q25, whereas EBITDA margin surged from 39.9% in 4Q24 to 45.6% in 4Q25, demonstrating strong top line growth coupled with operational efficiency. Income from associates rose 18.5% YOY to EGP 3,940 in 4Q25, owing to the strong contribution from Vodafone Egypt caused by the price hike of telecom services. Net finance costs fell from EGP 6,395 in 4Q24 to EGP 2,856 in 4Q25, mainly due to partial debt repayment coupled with decrease in effective interest rate YOY. In addition, income tax rose from EGP 273 Mn in 4Q24 to EGP 2,888 Mn in 4Q25, owing to increased deferred tax expenses. Additionally, the Company recorded profit from discontinued operations grew from EGP 53 Mn in 4Q24 to EGP 61 Mn in 4Q25. Non-controlling interest increased 27.8% YOY to EGP 5 Mn in 4Q25.

Target price and recommendation

We maintain our HOLD rating on Telecom Egypt with a target price of EGP 95.00. ETEL's total customer base expanded meaningfully in 4Q25, with mobile subscribers increasing 10.4% YOY to 15.5 Mn. Fixed broadband subscribers grew 8.5% YOY to 11.1 Mn, while fixed-line users rose 6.9% YOY to 14.1 Mn. This growth was supported by ongoing enhancements in network quality and a customer-centric commercial strategy aimed at improving service delivery and retention. Data continued to serve as the primary growth engine, reflecting increasing consumption trends and highlighting the strategic importance of the Company's sustained network investments in supporting Egypt's digital transformation agenda. Notably, the Company's ARPU for fixed voice and fixed broadband services increased 35.2% YOY to EGP 329.30 and 30.1% YOY to EGP 48.74, respectively, largely driven by the price adjustments implemented in late 2024. On the strategic front, Telecom Egypt announced the completion of the 2Africa subsea cable system, developed in partnership with global consortium members including China Mobile International, Meta, Orange and Vodafone Group. This project reinforces its position as a strategic connectivity hub linking Africa, Asia and Europe, strengthening long-term prospects for revenue diversification, infrastructure monetization and sustained growth in data transit services. The Company also introduced the 2026–2030 National Spectrum Strategy, which aligns with its plans to roll out next generation services, expand long-term network capacity and enhance execution capabilities. Looking ahead, the Company remains focused on sustainable value creation in 2026, with disciplined capital allocation to maximize returns and continued efforts to enhance customer experience across its integrated service offerings. On the cash flow front, the Company recorded a significant improvement in liquidity generation, with net cash from operating activities rising to EGP 15.0 Bn in 4Q25, compared to EGP 5.9 Bn in 3Q25. Free cash flow to the firm (FCFF) reached EGP 21.1 Bn in 2025, reflecting stronger operating performance and improved working capital management. The Company's Board of Directors proposed a dividend distribution of EGP 1.50 per share for 2025, subject to approval by the General Assembly. For 2026, Telecom Egypt guides for high single digit revenue growth, EBITDA margins in the low-40% range, Capex-to-sales in the low-20% range (in-service), and FCFF-to-EBITDA in the mid-30% range, reflecting confidence in sustained operational and financial performance. Thus, based on our analysis, we maintain a HOLD rating on the stock.

Telecom Egypt –Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	20.37	19.17	15.13	18.48	7.41	6.66
P/B (x)	3.41	3.26	2.97	3.29	2.37	1.80
EV / EBITDA	11.48	10.23	8.36	6.87	4.63	4.55
EPS (EGP)	25.960	27.168	29.798	26.897	37.284	49.059
BVPS (EGP)	4.343	4.614	5.847	4.786	11.933	13.274
DPS (EGP)	1.000	1.250	1.500	1.500	1.500	1.500
Dividend yield	1.1%	1.4%	1.6%	1.6%	1.6%	1.6%

FABS estimate & Co Data

Telecom Egypt-P&L

EGP Mn	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Operating Revenue	24,718	28,610	28,147	13.9%	-1.6%	106,673	116,756	9.5%
Operating costs	-14,274	-16,684	-16,409	15.0%	-1.7%	-61,834	-67,562	9.3%
Gross profit	**10,445**	**11,926**	**11,738**	**12.4%**	**-1.6%**	**44,839**	**49,194**	**9.7%**
Selling & overhead exp	-3,375	-4,173	-3,941	16.8%	-5.6%	-14,720	-16,463	11.8%
Net operating revenue	-141	-418	-99	-30.3%	NM	-2,076	-350	-83.1%
Operating profit	**6,929**	**7,334**	**7,699**	**11.1%**	**5.0%**	**28,042**	**32,381**	**15.5%**
EBITDA	**10,870**	**13,033**	**12,005**	**10.4%**	**-7.9%**	**47,495**	**49,604**	**4.4%**
Inc from Associates	3,187	3,940	3,942	23.7%	0.0%	14,828	15,421	4.0%
Finance Income	229	178	457	NM	NM	1,794	1,829	1.9%
Finance Cost	-4,252	-3,034	-2,950	-30.6%	-2.8%	-13,753	-11,801	-14.2%
Profit before zakat	**6,093**	**8,418**	**9,148**	**50.1%**	**8.7%**	**30,911**	**37,830**	**22.4%**
Tax	-1,489	-2,888	-2,744	NM	-5.0%	-8,569	-11,349	32.4%
Profit before NCI	**4,604**	**5,530**	**6,403**	**39.1%**	**15.8%**	**22,342**	**26,481**	**18.5%**
NCI	-8	-5	-10	20.7%	NM	-23	-40	69.5%
Profit from discontinued operations	50	61	0	NM	NM	237	0	NM
Profit attributable	**4,646**	**5,586**	**6,394**	**37.6%**	**14.5%**	**22,555**	**26,441**	**17.2%**

FABS estimate & Co Data

Telecom Egypt - Margins

	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross profit	42.3%	41.7%	41.7%	-55	2	42.0%	42.1%	10
EBITDA	44.0%	45.6%	42.7%	-133	-290	44.5%	42.5%	-204
Operating profit	28.0%	25.6%	27.4%	-68	172	26.3%	27.7%	145
Net profit	18.8%	19.5%	22.7%	392	319	21.1%	22.6%	150

FABS estimate & Co Data

1Q26 preview: Emirates Integrated Telecommunications (du)

Profit growth supported by demand momentum despite rising cost pressures

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 10.24	AED 11.50	+12.3%	ACCUMULATE

1Q26 Estimate

Emirates Integrated Telecommunications (DU/The Company) net profit is expected to increase 5.1% YOY to AED 760 Mn in 1Q26, driven by an anticipated growth in revenue, and marginal decline in depreciation and amortization, partially offset by a projected increase in direct costs, net operating expenses excluding depreciation & amortization, higher federal royalty and tax charges. DU's revenue is expected to grow 7.7% YOY to AED 4,143 Mn in 1Q26, mainly due to an anticipated growth across all the business segments. Mobile segment revenue is forecasted to increase 7.3% YOY to AED 1,846 Mn in 1Q26, driven by expected rise in mobile subscribers. Fixed revenue segment is expected to increase 8.2% YOY to AED 1,147 Mn in 1Q26. Similarly, the Wholesale segment revenue is projected to expand 8.0% YOY to AED 698 Mn in 1Q26. While the Other segment revenue is expected to rise 7.5% YOY to AED 453 Mn in 1Q26. The Company's total direct costs increased 12.8% YOY to AED 1,419 Mn in 1Q26, primarily driven by higher growth across interconnect cost, commission cost, and devices and other direct services cost. Thus, gross profit is expected to rise 5.2% YOY to AED 2,724 Mn in 1Q26. Meanwhile, net operating expenses excl. D&A are expected to increase 8.4% YOY to AED 831 Mn in 1Q26, mainly due to higher network & other maintenance expenses, marketing expenses, staff expenses, administrative expenses, telecommunication license-related costs, and other operating expenses. As a result, EBITDA is likely to increase 3.8% YOY to AED 1,893 Mn in 1Q26, with EBITDA margins expected to decline from 47.4% in 1Q25 to 45.7% in 1Q26. Depreciation and amortization expense is anticipated to fall 1.0% YOY to AED 544 Mn in 1Q26. As a result, operating profit is likely to increase 5.9% YOY to AED 1,350 Mn in 1Q26. The Company is expected to record financing expense of AED 3 Mn in 1Q26, compared to financing income of AED 6 Mn in 1Q25. In addition, federal royalty is expected to increase 5.1% YOY to AED 512 Mn in 1Q26. The Company's tax expense is anticipated to increase 4.9% YOY to AED 75 Mn in 1Q26.

2026 Forecast

DU's net profit is expected to rise 8.8% YOY to AED 3,162 Mn in 2026, mainly due to expected growth in revenue and lower net finance cost, partially offset by projected increases in direct costs, coupled with higher net operating expenses excl. D&A, expected increase in depreciation, amortization and impairment, and increase in federal royalty and tax charges. Revenue is expected to grow 6.0% YOY to AED 16,865 Mn in 2026. Mobile segment revenue is projected to increase 5.3% YOY to AED 7,450 Mn, and the Fixed revenue segment is expected to grow by 6.7% YOY to AED 4,672 Mn in 2026. Similarly, the Wholesale segment revenue is projected to increase 7.0% YOY to AED 2,748 Mn, while the ICT and associated telecom services segment revenue is expected to increase 6.0% YOY to AED 1,996 Mn in 2026. Direct costs are expected to increase 8.2% YOY to AED 5,692 Mn in 2026, primarily driven by higher growth across interconnect cost, commission cost, and devices and other direct services cost. Thus, gross profit is expected to rise 5.0% YOY to AED 11,173 Mn in 2026. Meanwhile, net operating expenses excl. D&A are expected to increase 2.3% YOY to AED 3,383 Mn in 2026, mainly due to higher staff expenses, telecommunication license and related fees, marketing and network-related expenses, coupled with a marginal increase in administrative and other operating expenses, partially offset by the absence of other operating income compared to AED 22 Mn in 2025. As a result, EBITDA is expected to increase 6.2% YOY to AED 7,791 Mn in 2026, with EBITDA margins expected to increase from 46.1% in 2025 to 46.2% in 2026. Depreciation, amortization and impairment expense is anticipated to increase 0.3% YOY to AED 2,174 Mn in 2026. As a result, operating profit is likely to increase 8.6% YOY to AED 5,616 Mn in 2026. The Company is expected to record financing expense of AED 12 Mn in 2026, compared to AED 20 Mn in 2025. In addition, federal royalty is expected to increase 8.8% YOY to AED

2,129 Mn in 2026. The Company's tax expense is anticipated to increase 8.8% YOY to AED 313 Mn in 2026.

4Q25 Outturn

DU's revenue grew 10.6% YOY to AED 4.3 Bn in 4Q25, primarily driven by a healthy performance across all major segments supported by demand for connectivity and data services. Mobile Service segment revenue grew 8.6% YOY to AED 1.8 Bn in 4Q25, supported by a customer base expansion and a favorable shift in the mix toward postpaid. Moreover, the mobile subscriber base rose 8.8% YOY to 9.7 Mn, mainly driven by 9.9% YOY growth in postpaid customers to 2.0 Mn in 4Q25. Meanwhile, the prepaid customers rose 8.6% YOY to 7.7 Mn in 4Q25. Fixed Service segment revenue recorded 8.6% YOY growth to AED 1.1 Bn in 4Q25, primarily due to subscriber base growth, an improving mix toward high value packages and the normalization of Home Wireless promotions. Fixed subscriber base recorded a strong growth of 7.8% YOY to 735k in 4Q25. Other revenues increased 15.5% YOY to AED 1.3 Bn in 4Q25, supported by continued diversification, with growth driven by ICT scaling and the start of recurring revenues from data centre deployments, stronger handset sales following the successful launch of the iPhone 17, and higher wholesale revenues on the back of increased roaming activity from tourist inflows. DU's cost of revenue, excluding D&A and marketing expenses, rose 11.2% YOY to AED 1.5 Bn in 4Q25. Interconnect cost grew 6.4% YOY to AED 761 Mn in 4Q25. Whereas, Commission cost and devices & other services cost grew 12.7% YOY and 18.4% YOY to AED 183 Mn and AED 529 Mn, respectively during 4Q25. The Company's gross profit grew 10.3% YOY to AED 2,810 Mn in 4Q25. The Company's net operating expenses excl. D&A grew marginally 0.4% YOY to AED 974 Mn in 4Q25, mainly due to higher network & other maintenance expenses, marketing expenses, staff expenses, telecommunication license-related costs, partially offset by decline in administrative expenses, other operating expenses, and lower impairment charges. EBITDA rose 3.8% YOY to AED 1.8 Bn in 4Q25, with an EBITDA margin of 42.9% in 4Q25, compared to 40.8% in 4Q24. The growth in EBITDA is supported by strong gross margins, resulting from a favourable revenue mix across the Mobile and Fixed segments and disciplined cost management. D&A and impairment expenses declined 1.3% YOY to AED 549 Mn in 4Q25. Furthermore, DU's Federal royalty charges grew 28.3% YOY to AED 487 Mn in 4Q25. In addition, tax expense expanded 22.0% YOY to AED 71 Mn in 4Q25.

Target price and rating

We revise our rating from HOLD to ACCUMULATE rating on DU with an unchanged target price of AED 11.50. Du's 2025 revenue increased by 8.7%, exceeding its full-year guidance of 5%-7%, driven by resilient demand and strong commercial execution. EBITDA remained at the upper end of the guided (45%-47% margin range), aided by operational efficiency and robust cash generation. DU's subscriber base also remained healthy on a quarterly basis across segments. Prepaid subscribers increased 8.6% YOY to 7.7 Mn in 4Q25, driven by customised plans, strong Alo brand traction, wider retail coverage, and tourism activity. Postpaid subscribers rose 9.9% YOY to 2.0 Mn in 4Q25, supported by premium propositions, enterprise momentum, roaming, and device-led demand. The fixed subscriber base expanded 7.8% YOY to 735K in 4Q25, benefiting from net additions, a richer package mix, and normalization of Home Wireless promotions, reinforcing the strength of DU's fixed value proposition and network footprint. Beyond core connectivity, DU continued to advance its digital strategy, enhancing customer experience through an AI- and cloud-enabled call centre transformation in partnership with Microsoft, which supported its ranking among the world's top 20 strongest telecom brands and a brand value exceeding USD 3 Bn. Digital adjacencies gained traction, with duPay processing AED 1.5 Bn in transactions, while ICT growth was supported by initiatives including a Microsoft hyperscale data centre, GPU-as-a-Service, National Hypercloud, and a 13MW AI compute cluster. Although data centre profitability is still in the early ramp-up stage, the Company expects returns to align with market benchmarks and deliver structurally higher margins than core telecom over time. The Microsoft data centre is targeted to go live in early 2027, with capacity ramping up in phases. Strategically, the Company continues to further focus on enhancing customer lifetime value by expanding into ICT, fintech, and digital services. For 2026, the Company guides for revenue growth of 5%-7% and an EBITDA margin of 46%-47%, supported by core monetisation, scaling digital adjacencies, expanding data centre capacity, and strengthening ICT partnerships. Capital allocation remains disciplined, with core capex focused on mobile network densification, fibre rollout, and IT transformation. The Company expects higher capex in 2026, largely driven by accelerated data centre investments, while core connectivity capex continues to normalise following the 5G cycle. Furthermore, DU proposed a final dividend of AED 0.40 per share for 2H25, bringing total 2025 dividends to AED 0.64 per share. Thus, considering the abovementioned factors, we assign ACCUMULATE rating on the stock.

DU – Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	42.33	38.21	27.94	18.73	16.04	14.74
P/B (x)	5.46	5.31	5.04	4.72	4.59	4.59
EV/EBITDA	14.54	13.26	11.43	7.03	6.22	5.69
BVPS	1.882	1.935	2.039	2.179	2.239	2.240
EPS	0.243	0.269	0.368	0.549	0.641	0.698
DPS	0.210	0.240	0.340	0.540	0.640	0.697
Dividend yield	2.0%	2.3%	3.3%	5.2%	6.2%	6.7%

FABS Estimates & Co Data

DU - P&L

AED mm	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	3,848	4,283	4,143	7.7%	-3.3%	15,905	16,865	6.0%
Direct Costs	-1,258	-1,473	-1,419	12.8%	-3.7%	-5,259	-5,692	8.2%
Gross Profit	**2,590**	**2,810**	**2,724**	**5.2%**	**-3.1%**	**10,646**	**11,173**	**5.0%**
Network & other maintenance expense	-239	-276	-273	14.6%	-0.8%	-964	-978	1.5%
Marketing expense	-57	-114	-60	4.7%	-47.4%	-292	-295	1.0%
Staff expense	-230	-329	-253	10.0%	-23.1%	-1,105	-1,127	1.9%
Administrative expense	-45	-47	-46	1.1%	-4.0%	-190	-191	0.5%
Telecommunication license & related fees	-106	-112	-109	2.8%	-2.7%	-434	-447	3.0%
Other operating expense	-42	-38	-42	1.1%	12.7%	-133	-134	0.8%
Impairment (net of recoveries)	-48	-59	-48	-0.4%	-19.0%	-211	-211	-0.1%
Other operating income	0	0	0	NM	NM	22	0	NM
Net Operating Expenses excl. D&A	**-767**	**-974**	**-831**	**8.4%**	**-14.7%**	**-3,308**	**-3,383**	**2.3%**
EBITDA	**1,824**	**1,837**	**1,893**	**3.8%**	**3.1%**	**7,338**	**7,791**	**6.2%**
D&A & Impairment	-549	-549	-544	-1.0%	-1.0%	-2,168	-2,174	0.3%
Operating profit	**1,275**	**1,287**	**1,350**	**5.9%**	**4.8%**	**5,170**	**5,616**	**8.6%**
Financing income/expense	6	-6	-3	NM	-47.0%	-20	-12	-39.0%
Pre-royalty profit	**1,281**	**1,282**	**1,347**	**5.1%**	**5.0%**	**5,149**	**5,604**	**8.8%**
Federal Royalty	-487	-487	-512	5.1%	5.1%	-1,957	-2,129	8.8%
Tax	-72	-71	-75	4.9%	5.6%	-287	-313	8.8%
Net profit	**722**	**724**	**760**	**5.1%**	**5.0%**	**2,905**	**3,162**	**8.8%**

FABS estimate & Co Data

DU - Margins

	1Q25	4Q25	1Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit Margin	67.3%	65.6%	65.8%	-157	14	66.9%	66.3%	-68
EBITDA	47.4%	42.9%	45.7%	-170	282	46.1%	46.2%	6
Operating Profit	33.1%	30.1%	32.6%	-56	252	32.5%	33.3%	79
Net Profit	18.8%	16.9%	18.3%	-44	144	18.3%	18.7%	48

FABS estimate & Co Data

FAB Securities Contacts:

Research Analysts			
Ahmad Banihani	+971-2	-6161629	Ahmad.banihani@Bankfab.com
Shahrukh Nawaz	+971-2	-6161612	Shahrukh.Nawaz@Bankfab.com
			FAB Securities Research Portal
Sales & Execution			
Trading Desk Abu Dhabi Head Office	+971-2	-6161777	
	+971-4	-5659593	
Institutional Desk	+971-4	-5658395	
Sales and Marketing	+971-2	-6161703	
Customer Service			
Abu Dhabi Office	+971-2	-6161600	