

Telecom Sector

New Digital Opportunities to shape Telecom Growth

Sector Weighting:
MARKET WEIGHT

MENA Telecommunication

The MENA telecom sector remained resilient, with core mobile and fixed businesses continuing to perform well despite the regional conflict, while tourism, roaming and customer activations remained under pressure. Enterprise and ICT demand, however, remained relatively stable, with operators reporting limited disruption to project pipelines. The sector is increasingly shifting beyond traditional connectivity towards data centres, cloud, fibre, 5G and broader digital infrastructure, with operators accelerating investments to capture growing demand for enterprise connectivity and digital services. Going forward, the focus is increasingly on monetising these infrastructure investments, expanding enterprise and cloud offerings, integrating AI capabilities and developing next-generation connectivity solutions. Strong cash generation and relatively healthy balance sheets should provide operators with the financial flexibility to fund these investments while maintaining shareholder returns. However, the duration of geopolitical pressures, the pace of monetisation and returns on higher infrastructure spending will remain key factors to monitor.

The UAE telecom sector remained resilient through 2Q26, although regional tensions weighed on tourism-related mobility, roaming and customer additions. Against this backdrop, the sector is entering 3Q26 with a broader strategic focus beyond traditional connectivity, as operators continue to build exposure to digital infrastructure, AI, cloud and next-generation networks. The renewal of the public telecommunications licences of etisalat and du for a further 20 years, effective from August 2026 through August 2046, provides greater regulatory visibility and supports the operators ability to plan long-term investments in network infrastructure and emerging digital capabilities. etisalat's UAE subscriber base reached 16.5 Mn, while its total subscriber base stood at 251.5 Mn as of 2Q26. The company continued to expand its international telecom footprint, with O2 Slovakia completing the acquisition of UPC Slovakia, while the partial divestment of Careem Technologies and disposal of Vodafone reflect a more focused approach to capital allocation. The Vodafone transaction generated total consideration of USD 5.95 Bn, including c. USD 1.3 Bn of net cash proceeds, providing additional flexibility for investment in core telecom and digital infrastructure. etisalat also continued integrating AI into its connectivity offerings, including Agentic AI across mobile and fixed services and UAE-based sovereign AI computing capabilities. The company maintained its 2026 outlook following a strong 1H26. Meanwhile, du sustained growth across its mobile and fixed businesses, with subscribers reaching 9.3 Mn and 744K, respectively during 2Q26, while increasing investments in data centres, networks and IT infrastructure. The company stepped up investments in data centres during the quarter, while continuing to direct capital towards mobile and fixed-line networks as well as IT infrastructure. DU's growth strategy also encompasses adjacent digital verticals, including cloud, AI and data centres, alongside investments in emerging technologies through du Ventures. For 2026, DU maintained its guidance of 4-6% revenue growth and an EBITDA margin of 46-47%. We expect the UAE telecom sector to remain supported by steady demand for core connectivity services, while rising investment in AI, cloud, data centres and next-generation network infrastructure should gradually create additional avenues for growth beyond traditional telecom offerings.

The KSA telecom sector remained resilient in 2Q26, supported by continued growth in mobile and fixed subscribers, continued network investment and healthy demand across consumer, enterprise and wholesale segments, although enterprise growth moderated and consumer activity faced some pressure.

Mobily and STC collectively accounted for around 45.2 Mn mobile subscribers as of 2Q26, with Mobily at 14.9 Mn and STC KSA at 30.3 Mn. Mobily continues to strengthen the position across consumer, enterprise and wholesale markets, with sustained customer growth in FTTH and 5G FWA and an increasing focus on enterprise ICT, hyperscaler connectivity and digital infrastructure. The company continued to invest in 5G, fibre and data centres, with its 2026-30 SHINE strategy placing greater focus on digitalisation, automation and AI. Mobily maintained its 2026 guidance of mid-to-high single-digit revenue growth, 37-38% EBITDA margin, 0.9-1.0x net debt/EBITDA and 18-20% capex intensity. STC also continued to expand beyond core connectivity through STC Cloud, STC Bank, STC TV, centre3 and other digital businesses, while maintaining investment in 5G and fibre. In 1H26, STC invested around SAR 4.8 Bn, with capex intensity at 11.9%, mainly towards 5G, fibre, data centres and its specialised subsidiary. During 2Q26, STC KSA mobile subscribers increased 4.8% YOY and fixed subscribers by 3.0%, while wholesale growth remained supported by higher domestic and international connectivity demand. STC also continued to invest in data centres, with management indicating plans to raise external funding for centre3's expansion, while the centre3-HUMAIN partnership is expected to support the development of AI-focused data-centre capacity in Saudi Arabia. STC's launch of its cloud platform powered by Oracle Alloy further expands its presence in sovereign cloud services, while continued 5G and fibre expansion is anticipated to support rising demand for enterprise connectivity, cloud, AI and data-centre services. Overall, the KSA telecom sector is gradually moving beyond traditional connectivity, with 5G and fibre remaining the core network base while enterprise ICT, cloud, data centres and AI become increasingly important growth areas.

Telecom Egypt continued to execute its five-year strategy, focusing on strengthening its core connectivity business while expanding into digital infrastructure and new revenue streams. The company's customer base remained healthy in 2Q26, reaching 14.3 Mn fixed voice, 11.5 Mn fixed broadband and 15.2 Mn mobile customers. Network investment remains focused on FTTH and 5G, with management targeting FTTH penetration of more than 50-60% by 2030 from c. 17% currently, supporting higher broadband adoption and future digital services. The company is also expanding its subsea network through new infrastructure in Sinai, including the c.200 km Sharm El Sheikh-Taba cable, which will extend the Red Sea Subsea Festoon system and improve route diversity and international traffic capacity. Data centres have also become a key growth area, with Telecom Egypt retaining the business and establishing a separate entity to develop the segment, supported by its national backbone, more than 1,500 central-office locations and international subsea infrastructure. The company further targets a 2026 capex at 23-25% of sales, covering FTTH, 5G, data centres and other infrastructure. Additionally, following strong 1H26 results, company expects 2026 revenue growth to exceed its initial high-single-digit guidance, while maintaining an EBITDA margin of around 45%. The company's net debt/EBITDA improved to 1.2x and FCFF reached EGP 10.0 Bn in 1H26, further highlighting stronger cash generation and providing support for the its investment plans.

Looking ahead, we expect the MENA telecom sector to increasingly move beyond traditional connectivity, with operators seeking to generate greater value from investments in digital infrastructure. Data centres, cloud services, AI, enterprise solutions and subsea connectivity are likely to become increasingly important growth drivers, supported by rising demand for data and digital services. Meanwhile, 5G and fibre networks are expected to continue provide the underlying infrastructure for this shift. With major operators retaining healthy cash generation and balance sheets, effective capital allocation, timely execution of infrastructure projects and the ability to generate attractive returns from these investments will remain important for future growth.

Among the MENA telecom companies in our coverage, our preferred stock is:

1) Mobily (Trades at 13.43x and 7.08x 2026E P/E and EV/EBITDA multiple with a dividend yield of 4.9% and a Target Price (TP) of SAR 75.00): Mobily remains our preferred pick within the MENA telecom sector, supported by resilient core telecom growth, improving profitability and increasing exposure to enterprise and digital infrastructure opportunities. Continued growth in FTTH and 5G, alongside rising demand for enterprise ICT, hyperscaler connectivity and data-centre services, is expected to provide additional growth avenues beyond traditional connectivity. The company's 2026-30 SHINE strategy further strengthens its focus on enterprise digitalisation, digital infrastructure and next-generation capabilities, while continued investments in 5G, fibre and data centres is anticipated to support long-term network monetisation. Mobily's improving profitability, with 2Q26 EBITDA margin at 38.6%, together with a disciplined balance sheet, provides flexibility to fund infrastructure investments while sustaining shareholder returns. The company also maintained its 2026 guidance, targeting mid-to-high single-digit revenue growth, an EBITDA margin of 37-38%, net debt-to-EBITDA of 0.9-1.0x and capex intensity of 18-20%, providing visibility on earnings growth and capital allocation.

Industry Themes

etisalat agreed to divest entire Vodafone stake for USD 5.95 Bn

etisalat entered into an agreement to sell its full 16.21% interest in Vodafone Group to Vega, an acquisition vehicle owned by the French Niel family group, for c. AED 21.8 Bn (USD 5.95 Bn), including Vodafone's final 2026 dividend. The disposal involves 3.94 Bn Vodafone shares at 112.5 pence each, consisting of c. 110.5 pence in cash and 2.02 pence 2026 dividend. The shares will initially be placed with three financial institutions through off-market block trades pending completion of Vega's regulatory requirements. Following the sale, etisalat has ended its relationship agreement with Vodafone and relinquished its board representation as part of its strategic review. The transaction is expected to provide etisalat with a net cash return of c. AED 4.7 Bn and remains subject to customary closing conditions.

TAWAL held talks to acquire over 10,000 Mobily tower sites

TAWAL Co. is reportedly in discussions to acquire more than 10,000 telecommunications tower sites from Etihad Etisalat Co. (Mobily), with the transaction potentially valued at several billion dollars. The deal could be announced later in 2026 if discussions progress, with TAWAL potentially preparing for an IPO in 2027 or 2028 following completion. TAWAL operates a portfolio of more than 30,000 sites following the 2026 merger of TAWAL and Golden Lattice Investment Co. PIF holds a 53.99% stake in the combined entity, while STC owns 43.06%.

etisalat UAE and Core42 partnered to provide sovereign AI infrastructure

etisalat UAE and Core42 entered a partnership to provide Sovereign AI Compute, giving organisations secure access to GPU infrastructure located within the UAE for developing, training, fine-tuning and deploying AI applications. The offering integrates Core42's Sovereign AI Cloud with etisalat UAE's digital infrastructure, secure connectivity and professional services through a unified commercial and operational framework. The platform enables sensitive workloads and data to be hosted within the UAE, supported by dedicated, high-bandwidth connectivity linking enterprise environments with sovereign GPU infrastructure. The partnership also includes collaboration on the resilience of critical AI services and national digital continuity across the UAE.

UAE renewed etisalat and du telecom licences through 2046

The Telecommunications and Digital Government Regulatory Authority (TDRA) renewed the public telecommunications licences of etisalat and du for a further 20 years, effective from August 9, 2026 through August 8, 2046. The updated licences strengthen requirements related to network resilience, backup capacity and international connectivity, alongside service quality, national roaming, interconnection, universal service and subscriber protection. Operators are also required to diversify international connectivity through multiple terrestrial and submarine networks, address single points of failure and maintain tested disaster recovery mechanisms. The renewal replaces the licences granted in 2006 and establishes a long-term regulatory framework to support investment in telecommunications infrastructure and emerging technologies.

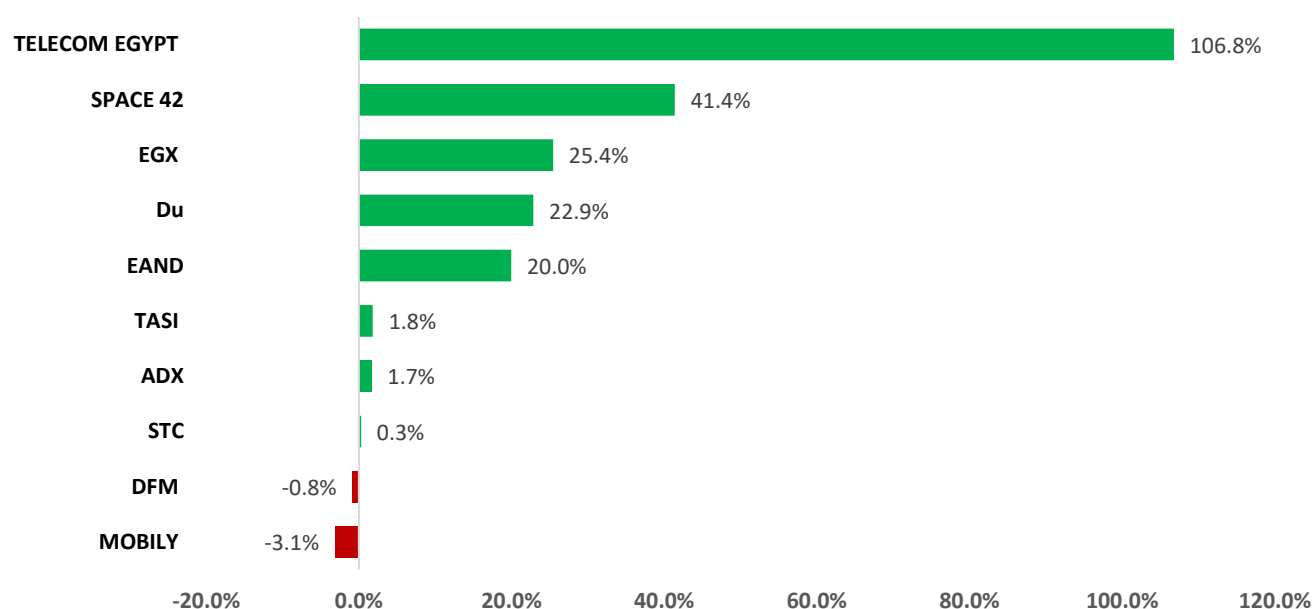
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Telecom stock performance

Almost all stocks delivered positive returns on a YTD basis, with the exception of Mobily. Mobily recorded the weakest performance, generating a negative return of 3.1% since December 2025. In contrast, Telecom Egypt outperformed posting a YTD return of 106.8% since December 2025, followed by Space42 with a return of 41.4% and du with a return of 22.9% over the same period. Similarly, EAND recorded a YTD return of 20.0%, followed by STC with a YTD return of 0.3% over the same period. In terms of market performance, Egypt's EGX30 index rose by 25.4%, while the TASI rose by 1.8%, since December 2025. Similarly, ADX index recorded an increase of 1.7% since December 2025. In contrast, the DFM index decreased by 0.8% since December 2025.

MENA Telecom Stock & Market Indices Performance from December 2025 to 28 September 2026, ranked



Source: Factset

Relative valuation and rating

Among the telecom stocks we cover, the P/E falls between 8.7x (TELECOM EGYPT) and 17.0x (DU). The EV/EBITDA ranges from 5.5x (TELECOM EGYPT) to 8.5x (STC). DU's expected dividend yield for 2026 is the highest at 5.2%. MOBILY has the lowest P/B multiple of 2.2x. ETISALAT's Net Debt/EBITDA stood highest at 1.29x, followed by TELECOM EGYPT at 1.19x and MOBILY at 0.89x.

Relative Valuation

	ETISALAT	MOBILY	STC	TELECOM EGYPT	DU
CMP (LCY)	21.38	63.80	43.00	148.00	12.20
Number of shares (mm)	8,697	770	5,000	1,707	4,533
Market cap (LCY mm)	191,329	49,242	215,500	232,162	54,576
Market cap (USD mm)	52,133	13,131	57,467	7,513	14,871
Gross debt (LCY mm)	73,500	10,320	25,795	72,832	1,735
Cash (LCY mm)	27,481	3,221	20,003	7,973	307
Net debt/-cash (LCY mm)	46,019	7,099	5,793	64,859	1,428
Non-controlling interest	9,765	0	2,726	34	0
EV	247,112	56,340	224,019	297,055	56,004
EBITDA (2026)	35,702	7,965	26,212	54,335	7,945
BVPS (2026)	7.38	28.44	17.40	51.54	2.31
EPS (2026)	2.38	4.76	2.88	15.68	0.71
DPS (2026)	0.975	3.10	2.20	1.60	0.64
EV/EBITDA (x)	6.92	7.08	8.55	5.47	6.99
P/BV (x)	2.98	2.25	2.48	2.64	5.18
P/E (x)	9.26	13.43	14.96	8.68	16.89
Dividend yield	4.6%	4.9%	5.1%	1.1%	5.2%
Payout ratio	41.1%	65.1%	76.3%	10.2%	90.5%
Net debt/EBITDA (x)	1.29	0.89	0.22	1.19	0.18

Source: FABS from Bloomberg

Market Weight:

- We maintain a Market Weight stance on the MENA Telecom sector, with 3 HOLD and 2 BUY recommendations across our 5 covered telecom stocks.
- We have maintained our HOLD ratings on ETISALAT and Telecom Egypt and with a revised target price, we also maintain HOLD rating on DU with no changes in target price.
- We continue to recommend BUY ratings on Mobily and STC with target prices remaining unchanged.

	Etisalat	MOBILY	STC	Telecom Egypt	DU
Rating	HOLD	BUY	BUY	HOLD	HOLD
Local currency	AED	SAR	SAR	EGP	AED
CMP	21.38	63.80	43.00	148.00	12.20
Target Price	23.50	75.00	50.00	143.00	12.50
Potential change (%)	+9.9%	+17.6%	+16.3%	-3.4%	+2.5%

FABS Estimates & Co data

3Q26 preview: **Emirates Telecommunications Group (etisalat)**

Core growth and one-off divestment gain to drive record profit

Current Price	Target Price	Upside/Downside (%)	Rating
AED 21.38	AED 23.50	+9.9%	HOLD

3Q26 estimate

Emirates Telecommunications Group Co PJSC (etisalat/the Company) net profit attributable to equity shareholders is expected to increase from AED 2,986 Mn in 3Q25 to AED 11,670 Mn in 3Q26, with net profit margin expected to rise from 16.0% in 3Q25 to 59.3% in 3Q26. The increase in net profit is primarily attributable to the one-off gain on the sale of the Company's stake in Vodafone, recognised in finance & other income, coupled with a forecasted increase in revenue and share of profit from associates and a projected decline in impairment charges, partially offset by an expected increase in operating expenses, federal royalty, finance & other costs, income tax expenses, and profit attributable to non-controlling interest shareholders. The Company's revenue is projected to increase by 5.7% YOY to AED 19,694 Mn in 3Q26, supported by an expected increase in revenue from all operating segments. The Company's operating expenses are anticipated to increase by 1.7% YOY to AED 13,170 Mn in 3Q26, while impairment loss on trade receivables & contract assets is anticipated to decrease by 22.5% YOY to AED 218 Mn in 3Q26. The share of results of associates and joint ventures is projected to increase 11.0% YOY to AED 551 Mn in 3Q26. Thus, operating profit before federal royalty is likely to rise by 16.4% YOY to AED 6,858 Mn in 3Q26. Federal royalty is expected to rise 14.4% YOY to AED 1,632 Mn in 3Q26. As a result, the Company's operating profit is anticipated to increase 17.0% YOY to AED 5,226 Mn in 3Q26. The operating margin is expected to rise from 24.0% in 3Q25 to 26.5% in 3Q26. EBITDA is forecasted to increase by 8.1% YOY to AED 9,066 Mn in 3Q26, while the EBITDA margin is expected to rise 102 bps YOY to 46.0% in 3Q26. Finance and other income is projected to grow substantially from AED 506 Mn in 3Q25 to AED 8,768 Mn in 3Q26, mainly due to the one-off gain on the Vodafone stake sale, while finance and other costs are expected to rise 3.9% YOY to AED 1,033 Mn in 3Q26. As a result, profit before tax is likely to rise from AED 3,977 Mn in 3Q25 to AED 12,961 Mn in 3Q26. Tax expense is anticipated to increase 11.0% YOY to AED 723 Mn in 3Q26. Profit attributable to non-controlling interest is forecasted to grow from AED 339 Mn in 3Q25 to AED 568 Mn in 3Q26.

2026 forecast

etisalat's net profit attributable to equity shareholders is expected to increase 43.8% YOY to AED 20,655 Mn in 2026, driven by an expected increase in revenue and finance & other income, along with a forecasted decline in impairment charges, federal royalty, finance & other costs and tax expenses, partially offset by anticipated growth in operating expenses and profit attributable to non-controlling interest shareholders, coupled with an expected loss from discontinued business and a projected decline in share of profit from associates. Thus, the net profit margin is likely to rise from 19.7% in 2025 to 26.2% in 2026. The Company's revenue is expected to increase 8.1% YOY to AED 78,764 Mn in 2026, driven by anticipated growth across all segments, except etisalat enterprise. The operating expenses are expected to increase by 5.7% YOY to AED 53,272 Mn in 2026. Impairment losses are projected to decrease marginally by 0.9% YOY to AED 1,142 Mn in 2026. The share of results of associates and joint ventures is projected to decrease 47.5% YOY to AED 1,024 Mn in 2026. Consequently, operating profit before federal royalty is expected to increase 9.2% YOY to AED 25,373 Mn in 2026. Federal royalty charges are forecasted to decrease 15.8% YOY to AED 6,254 Mn in 2026. As a result, operating profit after federal royalty is likely to increase 20.9% YOY to AED 19,120 Mn in 2026, with margins expected to increase 257 bps YOY to 24.3% in 2026. EBITDA is forecasted to rise 11.5% YOY to AED 35,702 Mn in 2026, while the EBITDA margin is expected to grow by 138 bps YOY to 45.3% in 2026. Finance & other income is projected to increase from AED 8,167 Mn in 2025 to AED 10,704 Mn in 2026, mainly due to the one-off gain on the sale of the Vodafone stake, which exceeds the gain on the sale of Khazna recognised in 2025. Finance & other costs are expected to decrease 24.4% YOY to AED 3,496 Mn in

2026. Thus, the profit before tax is likely to rise 36.0% YOY to AED 26,328 Mn in 2026. Income tax expense is projected to decrease 0.6% YOY to AED 3,183 Mn in 2026. The Company is expected to record a loss from discontinued business of AED 452 Mn in 2026, compared to nil in 2025. The share of profit attributable to NCI holders is forecasted to rise 13.4% YOY to AED 2,038 Mn in 2026 from AED 1,796 Mn in 2025.

2Q26 outturn

etisalat's total revenue grew 8.7% YOY to AED 19,204 Mn in 2Q26, driven by robust organic growth across the core telecom business along with recent acquisitions. etisalat UAE revenue increased 3.3% YOY to AED 8,908 Mn in 2Q26, driven by growth across all revenue streams, despite the geopolitical uncertainty. Moreover, etisalat international revenue grew 15.7% YOY to AED 9,313 Mn in 2Q26, accounting for 48.5% of total group's revenue, compared to 45.6% in 2Q25, driven by strong organic growth across international markets and the consolidation of Telenor Pakistan and UPC Slovakia. Foreign exchange movements had a limited impact on revenue, as the weaker Egyptian Pound was largely offset by the appreciation of the Euro and Pakistani Rupee. Maroc Telecom Group's revenue increased 5.8% YOY to AED 3,654 Mn in 2Q26, driven by higher revenues in Morocco and other African subsidiaries, partially offset by weaker voice and international incoming traffic revenues. Furthermore, etisalat Egypt's revenue grew 16.2% YOY to AED 1,281 Mn in 2Q26, driven by continued network upgrades, an expanding customer base, and higher data and voice revenues. The PTCL Group's revenue grew from AED 817 Mn in 2Q25 to AED 1,365 Mn in 2Q26, largely due to consolidation of Telenor Pakistan operations. On a like-for-like (LFL) basis, revenue increased by 11.2% YOY, driven by strong growth in data usage and the continued expansion of the FTTH network, supported by a growing customer base. The etisalat PPF Telecom revenue increased 12.7% YOY to AED 2,809 Mn in 2Q26, largely due to consolidation of UPC Slovakia and Euro appreciation. Additionally, etisalat's Afghanistan's revenue increased 9.3% YOY to AED 204 Mn in 2Q26. etisalat Enterprise revenue declined 4.7% YOY to AED 857 Mn in 2Q26, mainly due to geopolitical conflict. The Company's operating expenses increased 9.3% YOY to AED 12,808 Mn in 2Q26, owing to an increase in interconnections costs and the impact of consolidation of Telenor Pakistan and UPC Slovakia, along with higher depreciation and amortisation expenses following continued network investments and spectrum acquisitions across international markets. Total impairment loss on trade receivables and other contract assets declined 21.1% YOY to AED 207 Mn in 2Q26. The share of profits from associates and joint ventures declined sharply from AED 841 Mn in 2Q25 to AED 30 Mn in 2Q26. etisalat's federal royalty increased 24.6% YOY to AED 1,482 Mn in 2Q26. The Company's operating profit decreased 11.1% YOY to AED 4,737 Mn in 2Q26, primarily due to higher growth in operating expenses and federal royalty. Total calculated EBITDA rose 9.7% YOY to AED 8,984 Mn in 2Q26, while EBITDA margin expanded 43 bps to 46.8% in 2Q26. Etisalat's UAE EBITDA increased 5.1% YOY to AED 4,584 Mn in 2Q26. Meanwhile, etisalat International EBITDA rose 13.0% YOY to AED 4,214 Mn in 2Q26. etisalat Enterprises remained stable at AED 49 Mn in 2Q26, in comparison to 2Q25. Finance and other income decreased from AED 1,661 Mn in 2Q25 to AED 690 Mn in 2Q26. Also, finance and other costs declined from AED 1,400 Mn in 2Q25 to AED 607 Mn in 2Q26. The Company's income tax expense declined 14.3% YOY to AED 958 Mn in 2Q26. etisalat recorded the loss from discontinued business of AED 227 Mn in 2Q26, compared to AED 167 Mn in 2Q25, following the partial divestment of its stake in Careem Technologies. The profit share to non-controlling interest decreased 38.3% YOY to AED 513 Mn in 2Q26.

Target price and recommendation

We maintain HOLD rating on etisalat with a revised target price of AED 23.50. etisalat recorded a decline in net profit of 10.1% YOY to AED 3.1 Bn in 2Q26, mainly due to higher operating expenses and federal royalty charges. However, on a normalized basis, the Company net profit increased 1.1% YOY during 2Q26. Despite the extension of regional geopolitical unrest, the Company's revenue grew 8.7% YOY to AED 19.2 Bn and EBITDA increasing 9.7% YOY to AED 9.0 Bn in 2Q26, supported by organic growth across its markets and contributions from the Pakistan and Slovakia acquisitions. etisalat's total

subscriber base increased 30.4% YOY to 251.5 Mn in 2Q26, driven by growth across both segments. etisalat UAE's subscriber base rose 6.5% YOY to 16.5 Mn, while etisalat International subscribers increased 32.5% YOY to 235.0 Mn. The increase in international customer base is driven by the consolidation of Telenor Pakistan and UPC Slovakia alongside organic growth in Egypt and Moov Africa. etisalat UAE's mobile revenue increased 2.2% YOY to AED 3,215 Mn in 2Q26, supported by higher postpaid revenues driven by an expanding postpaid customer base. The mobile subscriber base reached to 14.8 Mn in 2Q26 from 13.9 Mn in 2Q25, however the blended ARPU declined from AED 77 in 2Q25 to AED 72 in 2Q26. etisalat UAE's Fixed broadband revenue increased 2.5% YOY to AED 2,932 Mn in 2Q26, with the subscriber base remaining stable at c.1.41 Mn in 2Q26, with blended ARPU of AED 475, supported by an improved revenue mix. On the product side, etisalat money launched a digital gold buy/sell offering in partnership with SafeGold, the first fintech-led offering of its kind in the UAE, while etisalat UAE, the UAE Cyber Security Council, and Open Innovation AI launched the UAE Sovereign AI Platform for national-scale infrastructure. Furthermore, etisalat PPF completed the acquisition of UPC Slovakia for EUR 95 Mn on a cash-free, debt-free basis, strengthening O2 Slovakia's market position through an expanded service portfolio, fully converged offerings, and expected operational synergies from the integration. Also, during 2Q26, etisalat signed a binding agreement with Uber to divest a 12.5% stake in Careem Technologies for a total cash consideration of USD 100 Mn. Upon completion of the transaction, etisalat's ownership will reduce to 37.53% from 50.03%, and Careem will be accounted for under the equity method. The transaction aligns with the Company's disciplined capital allocation strategy while retaining meaningful exposure to Careem's long-term growth. Following the transaction, Careem has been deconsolidated and presented as a discontinued operation, while etisalat life is now reported under the Others segment. Additionally, in July 2026, etisalat completed the divestment of its entire 16.21% stake in Vodafone Group for 112.5 GBp (Great British pence) per share, comprising 110.5 GBp in cash and a final FY2026 dividend of 2.02 GBp per share, for a total consideration of c. AED 21.9 Bn and a net cash return of c. AED 4.8 Bn. The transaction further strengthens the Company's balance sheet and enhances financial flexibility for future capital allocation. Furthermore, etisalat's capex excluding licenses and spectrum reached AED 2.9 Bn in 2Q26, with a capital intensity ratio of 15.0%. Gross debt increased from AED 66.6 Bn in 1Q26 to AED 67.9 Bn in 2Q26. The net debt-to-EBITDA ratio stood at 1.17x in 2Q26, while the cash balance declined to AED 27.5 Bn in 2Q26 from AED 36.8 Bn in 1Q26 following the payment of 2025 federal royalty, corporate tax and final dividends. Following a stronger 1H26 performance, etisalat revised its 2026 constant currency EBITDA growth guidance upward from 4%- 5% to 6%-7%, reflecting continued operational efficiencies and stronger profitability. The Company maintained its constant 2026 currency revenue growth guidance at 8%-10%, EPS guidance at c. AED 1.35, and capex-to-revenue guidance (excluding spectrum and licenses) at 16%-17%. The Board distributed an interim dividend of 47.5 fils per share for 1H26, in line with its progressive dividend policy. etisalat remains well positioned to benefit from its diversified telecom franchise, continued digital transformation initiatives, strategic portfolio optimization, and a strong balance sheet, which should support sustainable earnings growth. Thus, considering the above-mentioned factors, we maintain HOLD rating on the stock.

Etisalat - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	20.54	19.12	18.57	17.79	13.32	9.26
P/B (x)	4.02	4.53	4.49	4.20	3.70	2.98
EV/EBITDA	7.53	8.29	8.57	9.06	7.51	6.92
BVPS (AED)	5.472	4.860	4.905	5.243	5.946	7.376
EPS (AED)	1.071	1.151	1.185	1.236	1.651	2.375
DPS (AED)	0.800	0.800	0.800	0.830	0.900	0.975
Dividend Yield	3.7%	3.7%	3.7%	3.9%	4.2%	4.6%

FABS Estimates & Co Data

Etisalat - P&L

AED Mn	3Q25	2Q26	3Q26F	YOY	QOQ	2025	2026F	Change
Revenue	18,629	19,204	19,694	5.7%	2.6%	72,858	78,764	8.1%
Operating expenses	-12,953	-12,808	-13,170	1.7%	2.8%	-50,414	-53,272	5.7%
Impairment	-281	-207	-218	-22.5%	5.1%	-1,152	-1,142	-0.9%
Share of results of the Associates and JVs	497	30	551	11.0%	1764.4%	1,948	1,024	-47.5%
Operating profit before federal royalty	5,892	6,219	6,858	16.4%	10.3%	23,241	25,373	9.2%
Federal royalty	-1,426	-1,482	-1,632	14.4%	10.1%	-7,424	-6,254	-15.8%
Operating profit	4,466	4,737	5,226	17.0%	10.3%	15,817	19,120	20.9%
EBITDA	8,385	8,984	9,066	8.1%	0.9%	32,020	35,702	11.5%
Finance and other income	506	690	8,768	NM	NM	8,167	10,704	31.1%
Finance and other costs	-994	-607	-1,033	3.9%	70.2%	-4,624	-3,496	-24.4%
Profit before tax	3,977	4,820	12,961	NM	NM	19,360	26,328	36.0%
Income tax expenses	-652	-958	-723	11.0%	-24.5%	-3,203	-3,183	-0.6%
Profit before discontinued operations	3,325	3,861	12,237	NM	NM	16,156	23,144	43.3%
Profit/(Loss) from discontinued operations	0	-227	0	NM	NM	0	-452	NM
Profit after discontinued operations	3,325	3,634	12,237	NM	NM	16,156	22,693	40.5%
Non-controlling interests	339	513	568	67.4%	10.6%	1,796	2,038	13.4%
Net Profit Attributable	2,986	3,121	11,670	NM	NM	14,360	20,655	43.8%

FABS estimate & Co Data
Etisalat- Margins

	3Q25	2Q26	3Q26F	YOY	QOQ	2025	2026F	Change
EBITDA	45.0%	46.8%	46.0%	102	-75	43.9%	45.3%	138
Operating profit	24.0%	24.7%	26.5%	256	187	21.7%	24.3%	257
Net Profit	16.0%	16.3%	59.3%	NM	NM	19.7%	26.2%	651

FABS estimate & Co Data

3Q26 preview: Etihad Etisalat Company (Mobily)

Broad-based segment growth to drive top-line expansion

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 63.80	SAR 75.00	+17.6%	BUY

3Q26 estimate

Etihad Etisalat (Mobily/the Company) is expected to report a 0.6% YOY decline in net profit to SAR 911 Mn in 3Q26, driven by projected increases in cost of services, selling & marketing expenses, depreciation & amortisation expenses and impairment loss on accounts receivable, partially offset by anticipated growth in services revenue, other income, share in profit of joint venture, and finance income, coupled with a forecasted decline in general & administrative expenses, finance expenses and zakat expenses. Mobily's services revenue is expected to grow 5.4% YOY to SAR 5,111 Mn in 3Q26, supported by forecasted growth in revenue across its segments. Consumer segment is projected to increase 3.0% YOY to SAR 3,063 Mn in 3Q26. Business segment is expected to rise 7.0% YOY to SAR 1,293 Mn in 3Q26. Wholesale segment is anticipated to rise 11.5% YOY to SAR 633 Mn in 3Q26. Meanwhile, the Outsourcing segment is forecast to grow 23.0% YOY to SAR 122 Mn in 3Q26. The Company's cost of services is projected to increase 4.2% YOY to SAR 2,249 Mn in 3Q26. As a result, gross profit is expected to rise 6.4% YOY to SAR 2,862 Mn in 3Q26, while gross margin is likely to improve 52 bps YOY to 56.0% in 3Q26. Selling and marketing expenses are expected to increase 23.6% YOY to SAR 434 Mn in 3Q26, whereas general & administrative expenses are projected to decline 2.5% YOY to SAR 409 Mn in 3Q26. The Company's depreciation and amortisation expense is forecasted to increase 6.9% YOY to SAR 996 Mn in 3Q26. In addition, Mobily is expected to record an impairment loss on accounts receivable of SAR 38 Mn in 3Q26 compared to impairment reversals of SAR 50 Mn in 3Q25. Consequently, Mobily's operating profit is anticipated to decline 5.1% YOY to SAR 985 Mn in 3Q26, with the operating profit margin likely to fall 214 bps YOY to 19.3% in 3Q26. Moreover, the Company's EBITDA is projected to increase 0.6% YOY to SAR 1,981 Mn in 3Q26, while the EBITDA margin is expected to decline from 40.6% in 3Q25 to 38.8% in 3Q26. Other income is forecasted to grow from SAR 13 Mn in 3Q25 to SAR 22 Mn in 3Q26. The Company's share in profit of joint venture is expected to rise 8.9% YOY to SAR 11 Mn in 3Q26. Finance expenses are expected to decline 18.4% YOY to SAR 136 Mn, while finance income is likely to increase 6.6% YOY to SAR 52 Mn in 3Q26. As a result, profit before zakat is expected to decline 0.9% YOY to SAR 934 Mn in 3Q26. Additionally, zakat expense is projected to fall 12.2% YOY to SAR 23 Mn in 3Q26.

2026 forecast

Mobily is expected to report a 5.4% YOY growth in net profit to SAR 3,655 Mn in 2026, driven by expected growth in services revenue, higher other income, and lower finance expenses, partially offset by forecasted increases in cost of services, selling & marketing expenses, general & administrative expenses, depreciation & amortisation expenses, impairment loss on accounts receivable and zakat expenses, coupled with a projected decline in share in profit of joint venture and finance income. Mobily's services revenue is anticipated to grow 7.3% YOY to SAR 21,070 Mn in 2026, driven by forecasted healthy growth across all business segments. Consumer segment is projected to increase 5.0% YOY to SAR 12,979 Mn in 2026. Business segment is expected to rise 10.0% YOY to SAR 5,126 Mn in 2026. Wholesale segment is anticipated to rise 15.0% YOY to SAR 2,505 Mn in 2026. Meanwhile, the Outsourcing segment is forecast to grow 4.0% YOY to SAR 460 Mn in 2026. The Company's cost of services is projected to increase 6.5% YOY to SAR 9,482 Mn in 2026. Thus, gross profit is expected to increase 7.9% YOY to SAR 11,589 Mn in 2026. Gross margin is expected to rise 31 bps YOY to 55.0% in 2026. Selling & marketing expenses are forecasted to rise 22.1% YOY to SAR 1,833 Mn in 2026, whereas G&A expenses are expected to increase 6.4% YOY to SAR 1,707 Mn in 2026. The Company's depreciation and amortization expense is projected to rise 4.7% YOY to SAR 3,960 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 4.1% YOY to SAR 4,005 Mn in 2026. The operating profit margin is expected to decline 58 bps YOY to 19.0% in 2026, compared to 19.6% in 2025. Moreover, the Company's EBITDA is expected to grow 4.4% YOY to SAR 7,965 Mn in 2026, whereas the EBITDA margin is expected to decline from 38.8% in 2025 to 37.8% in 2026. Other income is expected to increase 5.7% YOY to SAR 67 Mn in 2026. The Company's share in profit of joint venture 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. As a result, profit before zakat is expected to increase 5.7% YOY to SAR 3,760 Mn in 2026. In addition, zakat expense is projected to rise 16.2% YOY to SAR 105 Mn in 2026.

2Q26 outturn

Mobily's service revenue increased 5.2% YOY to SAR 5,080 Mn in 2Q26, driven by growth across all revenue streams (except other segment) and supported by continued expansion in the subscriber base. Revenue from the consumer segment rose 3.2% YOY to SAR 3,109 Mn in 2Q26, supported by growth in the customer base and enhanced service offerings. Meanwhile, revenue from the Business segment expanded 9.7% YOY to SAR 1,239 Mn in 2Q26, while revenue from the Wholesale segment increased 10.9% YOY to SAR 628 Mn in 2Q26, driven by higher connectivity demand and continued infrastructure investments. In contrast, revenue from the other segment declined 13.2% YOY to SAR 104 Mn in 2Q26. The Company's cost of services increased 1.3% YOY to SAR 2,235 Mn in 2Q26. As a result, Mobily's gross profit increased 8.5% YOY to SAR 2,845 Mn in 2Q26, with gross margin improving by 169 bps YOY to 56.0% in 2Q26. Selling and marketing expenses rose 25.2% YOY to SAR 452 Mn in 2Q26, while G&A expenses grew marginally by 0.3% YOY to SAR 426 Mn in 2Q26. EBITDA rose 7.7% YOY to SAR 1,963 Mn in 2Q26, while EBITDA margin expanded by 89 bps YOY to 38.6% in 2Q26, supported by revenue growth and an improved revenue mix. Depreciation and amortisation increased 5.7% YOY to SAR 985 Mn in 2Q26. Mobily reported operating profit growth of 9.8% YOY to SAR 978 Mn in 2Q26, with operating profit margin improving by 80 bps YOY to 19.3% in 2Q26. Other income increased 40.3% YOY to SAR 30 Mn in 2Q26. The Company's share of profit of joint venture fell from SAR 61 Mn in 2Q25 to SAR 29 Mn in 2Q26. Finance expenses declined 10.1% YOY to SAR 154 Mn in 2Q26, while finance income fell 18.5% YOY to SAR 40 Mn in 2Q26. Additionally, zakat charges rose marginally by 0.6% YOY to SAR 23 Mn in 2Q26.

Target price and recommendation

We maintain our BUY rating on Mobily with a target price of SAR 75.00. The Company reported a solid financial performance in 2Q26, with revenue increasing 5.2% YOY to SAR 5.1 Bn, supported by expansion across all revenue streams and sustained growth in the subscriber base. The EBITDA margin stood at 38.6% in 2Q26, up from 37.8% in 2Q25, reflecting revenue growth and an improved revenue mix. During the 2026, Mobily concluded the Hajj season with 100% 5G coverage across the Holy Sites and more than 1,750 network expansions across its 4G and 5G networks. By segment, the Consumer segment concluded the Hajj season with strong execution while sustaining growth in home connectivity, supported by enhanced FTTH offerings and expanded 5G Fixed Wireless Access capabilities, with revenue rising 3.2% YOY to SAR 3,109 Mn in 2Q26. The Business segment continued to broaden its advanced ICT solutions and digital ecosystem for enterprise and government clients, with revenue increasing 9.7% YOY to SAR 1,239 Mn in 2Q26. The Wholesale segment strengthened its capabilities through strategic partnerships with regional and global players while maintaining robust international connectivity and roaming performance, with revenue increasing 10.9% YOY to SAR 628 Mn in 2Q26. The mobile subscriber base increased 16.9% YOY to 14.9 Mn in 2Q26, comprising 12.8 Mn prepaid and 2.1 Mn postpaid subscribers, while the FTTH subscriber base reached 315K. The Company continued to invest across its infrastructure, with capex of SAR 883 Mn in 2Q26 directed towards fiber network development, data centres and 5G expansion, while maintaining a net debt to EBITDA ratio of 0.89x in 2Q26. Mobily distributed a cash dividend of SAR 1.4 per share for the period of 1H26, up from SAR 1.2 in 1H25,

implying a payout ratio of 60.3%. Looking ahead, the Company reiterated its 2026 guidance, expecting revenue growth in the mid-to-high single digit, an EBITDA margin of 37–38%, net debt to EBITDA of 0.9x–1.0x, and capex intensity of 18–20%. As a result, we maintain our BUY rating on the stock.

Mobily – Relative Valuation

(At CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	45.95	29.72	22.06	15.85	14.21	13.43
P/B (x)	3.24	3.01	2.79	2.61	2.42	2.25
EV / EBITDA	10.96	9.59	8.60	7.72	7.19	7.08
BVPS (SAR)	19.735	21.245	22.887	24.514	26.432	28.442
EPS (SAR)	1.392	2.152	2.899	4.035	4.502	4.762
DPS (SAR)	0.850	1.150	1.450	2.200	2.800	3.100
Dividend yield	1.3%	1.8%	2.3%	3.4%	4.4%	4.9%

FABS Estimates & Co Data

Mobily – P&L

SAR Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Services revenues	4,849	5,080	5,111	5.4%	0.6%	19,642	21,070	7.3%
Cost of services	-2,159	-2,235	-2,249	4.2%	0.6%	-8,900	-9,482	6.5%
Gross profit	2,691	2,845	2,862	6.4%	0.6%	10,742	11,589	7.9%
Selling and marketing expenses	-352	-452	-434	23.6%	-3.9%	-1,502	-1,833	22.1%
General & administrative expenses	-420	-426	-409	-2.5%	-4.0%	-1,604	-1,707	6.4%
Operating expenses	-771	-878	-843	9.4%	-3.9%	-3,106	-3,540	14.0%
Depreciation and amortisation	-931	-985	-996	6.9%	1.1%	-3,780	-3,960	4.7%
Impairment loss on acc receivable	50	-4	-38	NM	NM	-8	-84	NM
Operating Profit	1,038	978	985	-5.1%	0.7%	3,847	4,005	4.1%
EBITDA	1,970	1,963	1,981	0.6%	0.9%	7,627	7,965	4.4%
Other income	13	30	22	NM	-26.0%	64	67	5.7%
Company's share in profit of JV	10	29	11	8.9%	-62.1%	118	80	-32.2%
Finance expenses	-167	-154	-136	-18.4%	-11.8%	-675	-581	-13.9%
Finance income	49	40	52	6.6%	28.3%	203	189	-6.8%
Profit before zakat	943	924	934	-0.9%	1.1%	3,556	3,760	5.7%
Zakat	-26	-23	-23	-12.2%	1.1%	-90	-105	16.2%
Profit attributable	916	901	911	-0.6%	1.1%	3,466	3,655	5.4%

FABS estimate & Co Data

Mobily – Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross profit	55.5%	56.0%	56.0%	52	-1	54.7%	55.0%	31
EBITDA	40.6%	38.6%	38.8%	-186	11	38.8%	37.8%	-103
Operating profit	21.4%	19.3%	19.3%	-214	1	19.6%	19.0%	-58
Net profit	18.9%	17.7%	17.8%	-107	9	17.6%	17.3%	-30

FABS estimate & Co Data

3Q26 preview: **Saudi Telecom Company (STC)**

Higher expenses and zakat charges to weigh on earnings

Current Price	Target Price	Upside/Downside (%)	Rating
SAR 43.00	SAR 50.00	+16.3%	BUY

3Q26 estimate

Saudi telecom company's (STC/the company) net profit attributable to the equity holders is expected to decline by 12.6% YOY to SAR 3,590 Mn in 3Q26, primarily due to anticipated increases in direct costs, selling and overhead expenses, general & administrative expenses, depreciation and amortisation expenses, financial charges, and zakat expenses, along with a projected decline in other income, partially offset by an expected increase in revenue and finance income. The company's revenue is expected to increase by 4.2% YOY to SAR 20,070 Mn in 3Q26, supported by a forecasted increase in revenue across the majority of its segments. Direct cost is anticipated to grow by 3.0% YOY to SAR 10,316 Mn in 3Q26. Thus, gross profit is projected to rise by 5.4% YOY to SAR 9,754 Mn in 3Q26, with the gross margin likely to rise 58 bps YOY but decline 30 bps QOQ to 48.6% in 3Q26. Selling and overhead expenses are expected to increase 9.8% YOY to SAR 1,606 Mn in 3Q26. G&A expenses are anticipated to grow 5.4% YOY to SAR 1,666 Mn in 3Q26. Thus, total operating expenses are expected to rise by 7.5% YOY to SAR 3,271 Mn in 3Q26. EBIDTA is projected to increase by 4.4% YOY to 6,483 Mn in 3Q26, while the EBITDA margin is expected to increase marginally to 32.3% in 3Q26, compared to 32.2% in 3Q25. Depreciation and amortisation are forecasted to increase 3.5% YOY to SAR 2,673 Mn in 3Q26. Consequently, operating profit is expected to increase by 5.0% YOY to SAR 3,809 Mn in 3Q26. Other income is anticipated to decline from SAR 425 Mn in 3Q25 to SAR 30 Mn in 3Q26. Finance income is expected to increase from SAR 246 Mn in 3Q25 to SAR 387 Mn in 3Q26 and financial charges are projected to increase by 22.7% YOY to SAR 328 Mn in 3Q26. Zakat expenses are anticipated to increase to SAR 234 Mn in 3Q26, compared to a zakat reversal of SAR 157 Mn in 3Q25. Share of profit attributable to non-controlling interest holders is expected to decline 9.1% YOY to SAR 73 Mn in 3Q26.

2026 Forecast

STC net profit attributable to equity shareholders is expected to decrease by 2.8% YOY to SAR 14,418 Mn in 2026, primarily due to projected increases in direct costs, selling and overhead expenses, general and administrative expenses, depreciation & amortisation, financial charges, and zakat expenses, partially offset by expected increases in revenue, other income and finance income. The Company's revenue is anticipated to increase by 4.3% YOY to SAR 81,152 Mn in 2026. Direct cost is expected to rise by 2.8% YOY to SAR 41,225 Mn in 2026. Thus, gross profit is anticipated to grow by 5.9% YOY to SAR 39,927 Mn in 2026, with gross margin expected to improve by 75 bps YOY to 49.2% in 2026. Selling and overhead expenses are expected to increase by 5.7% YOY to SAR 6,736 Mn, while general and administrative expenses are projected to grow by 1.8% YOY to SAR 6,979 Mn in 2026. Thus, total operating expenses are projected to increase by 3.7% YOY to SAR 13,715 Mn in 2026. STC's EBITDA is expected to increase by 7.1% YOY to SAR 26,212 Mn in 2026, with the EBITDA margin is also anticipated to improve by 86 bps YOY to 32.3% in 2026. Depreciation and amortisation charges are expected to increase by 5.1% YOY to 10,544 Mn in 2026. As a result, operating profit is anticipated to grow by 8.5% YOY to SAR 15,668 Mn in 2026. Finance income is projected to rise marginally by 0.1% YOY to SAR 1,277 Mn in 2026. Financial charges are anticipated to grow 21.5% YOY to SAR 1,367 Mn in 2026. Other income is expected to rise from SAR 133 Mn in 2025 to SAR 245 Mn in 2026. The Company is expected to incur zakat charges of SAR 1,108 Mn in 2026, compared to a zakat reversal of SAR 466 Mn in 2025. The share of profit attributable to non-controlling interest holders is expected to decline 3.1% YOY to SAR 297 Mn in 2026.

2Q26 Outturn

STC's total revenue grew 3.7% YOY to SAR 20,171 Mn in 2Q26, driven by broad-based growth across the group, with positive contributions from both STC KSA and subsidiaries. STC KSA revenue grew 3.8% YOY to SAR 13,150 Mn in 2Q26, driven by an increase in subscriber's base. STC KSA's mobile subscribers grew 4.8% YOY to 30.3 Mn, while fixed subscribers also increased by 3.0% YOY to 6.1 Mn in 1H26. STC Kuwait revenue declined 5.9% YOY to SAR 1,010 Mn in 2Q26. However, mobile subscribers in Kuwait increased 5.0% YOY to 2.3 Mn in 1H26. STC Bahrain witnessed a marginal decline of 0.4% YOY in revenue to SAR 501 Mn in 2Q26. Despite the revenue decline, STC Bahrain's subscribers also rose 2.0% YOY to 953.2k in 1H26. STC channel revenue declined 4.2% YOY to SAR 3,531 Mn in 2Q26. Solution segment revenue grew 11.7% YOY to SAR 3,240 Mn in 2Q26. STC Bank's revenue grew 5.1% YOY to SAR 396 Mn in 2Q26. Sirar segment increased 43.1% YOY to SAR 253 Mn in 2Q26. The Company's specialized segment revenue increased substantially from SAR 103 Mn in 2Q25 to SAR 489 Mn in 2Q26. Center 3 segment revenue increased 23.1% YOY to SAR 608 Mn in 2Q26. Iot segment revenue increased from SAR 74 Mn in 2Q25 to SAR 124 Mn in 2Q26. Additionally, the Company's SCCC segment revenue increased from SAR 49 Mn in 2Q25 to SAR 79 Mn in 2Q26. STC's direct costs increased 4.2% YOY to SAR 10,307 Mn in 2Q26. As a result, gross profit grew 3.2% YOY to SAR 9,865 Mn in 2Q26, as growth in revenue surpassed the rise in direct costs. Gross profit margin declined 24 bps YOY and 11 bps QOQ to 48.9% in 2Q26. Selling and overhead expenses declined 3.4% YOY to SAR 1,646 Mn, while general and administrative expenses grew 7.1% YOY to SAR 1,807 Mn in 2Q26. Thus, the Company's total operating expenses increased from SAR 3,391 Mn in 2Q25 to SAR 3,453 Mn in 2Q26. Despite the increase in operating expenses, the Company's EBITDA grew 3.9% YOY to SAR 6,411 Mn in 2Q26, while the EBITDA margin edged up from 31.7% in 2Q25 to 31.8% in 2Q26. Depreciation & amortization decreased 2.9% YOY to SAR 2,619 Mn in 2Q26. Thus, STC's operating profit grew 4.7% YOY to SAR 3,793 Mn in 2Q26. Moreover, operating profit margin increased from 18.6% in 2Q25 to 18.8% in 2Q26. STC's recorded an other income of SAR 102 Mn in 2Q26, compared to other expenses of SAR 4 Mn in 2Q25. Finance income declined 20.9% YOY to SAR 262 Mn in 2Q26, while financial charges rose 45.4% YOY to SAR 380 Mn in 2Q26. STC also recorded zakat charge of 49 Mn in 2Q26, compared to zakat reversal of SAR 216 Mn in 2Q25.

Target price and recommendation

We maintain our BUY rating on STC with a target price of SAR 50.0 per share. STC reported a 5.2% YOY decline in net income in 2Q26, primarily driven by higher direct costs, increased operating expenses, and zakat charges compared to zakat reversals recorded in the prior-year period. Despite this, the Company's revenue and EBITDA grew 3.7% YOY and 3.9% YOY to SAR 20.2 Bn and SAR 6.4 Bn, respectively during 2Q26. Operational momentum remained healthy across STC's core markets. STC's mobile subscribers in KSA rose 4.8% YOY to 30.3 Mn, while fixed subscribers expanded 3.0% YOY to 6.1 Mn in 1H26, reflecting continued customer acquisition and deeper market penetration. Additionally, the Company's subscribers in Kuwait and Bahrain grew 5.0% YOY and 2.0% YOY to 2.3 Mn and 953.2K, respectively during 1H26. The Company continued to strengthen its digital infrastructure to support rising data demand and long-term growth. During the period, STC expanded its 5G tower footprint to 12.12K sites, while fiber-connected households increased 5.2% YOY to 3.87 Mn. STC continued to strengthen its strategic partnerships during the quarter, supporting infrastructure expansion, next-generation connectivity, and long-term digital transformation initiatives. STC also partnered with ROSHN Group to develop a neutral fiber-optic network for the upcoming phases of the Sedra community in Riyadh, enabling all telecom operators to access shared infrastructure while strengthening STC's presence in large-scale residential developments. The Company also progressed its collaboration with AST SpaceMobile to advance direct-to-device (D2D) satellite connectivity, expanding the potential for seamless mobile coverage. In addition, the Company extended its MoU with HUMAIN through its subsidiary, center3, providing additional time to complete the regulatory approvals and operational requirements needed to establish the planned joint venture. STC reiterated its commitment to long-term infrastructure and digital investments. The Company plans to invest c. USD 1.0 Bn in data center

capacity over the next five years, with deployment aligned to customer demand and utilization. Meanwhile, STC Bank remains in its investment phase, with the Company expecting further capital injections over the next 3-5 years to support customer acquisition and product expansion. The Company's financial position remains robust as of 2Q26. STC ended the quarter with a healthy cash balance of SAR 14.0 Bn, while maintaining a conservative Net Debt/EBITDA ratio of 0.4x, consistent with its capital structure strategy following recent sukuk issuances to support strategic investments. Free cash flow improved significantly to SAR 3.6 Bn in 1H26, compared to SAR 1.0 Bn in 1H25, reflecting stronger cash generation and disciplined working capital management. Moreover, STC declared a 2Q26 dividend of SAR 0.55 per share and reaffirmed its quarterly dividend policy of SAR 0.55 per share through 3Q27, with any special dividend remaining subject to annual review. The Company expects profitability to improve further as its Group Efficiency Program continues to deliver cost savings and operational efficiencies across the business. Thus, based on our analysis we maintain our BUY rating on the stock.

STC – Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	19.10	17.76	16.25	8.75	5.20	14.96
P/B (x)	3.12	2.94	2.74	2.42	2.59	2.48
EV/EBITDA	9.39	8.24	9.66	8.59	9.05	8.55
BVPS (SAR)	13.854	14.700	15.797	17.883	16.683	17.396
EPS (SAR)	2.262	2.434	2.659	4.938	2.966	2.884
DPS (SAR)	1.600	1.600	2.600 ¹	3.750 ²	2.200	2.200
Dividend yield	3.7%	3.7%	6.0%	8.7%	5.1%	5.1%

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

STC - P&L

SAR Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Sales	19,264	20,171	20,070	4.2%	-0.5%	77,819	81,152	4.3%
Direct costs	-10,013	-10,307	-10,316	3.0%	0.1%	-40,119	-41,225	2.8%
Gross profit	9,251	9,865	9,754	5.4%	-1.1%	37,700	39,927	5.9%
Selling & overhead exp	-1,462	-1,646	-1,606	9.8%	-2.5%	-6,372	-6,736	5.7%
General & Admin Exp.	-1,580	-1,807	-1,666	5.4%	-7.8%	-6,859	-6,979	1.8%
Operating expenses	-3,042	-3,453	-3,271	7.5%	-5.3%	-13,230	-13,715	3.7%
EBITDA	6,209	6,411	6,483	4.4%	1.1%	24,469	26,212	7.1%
Depreciation & Amortization	-2,582	-2,619	-2,673	3.5%	2.1%	-10,031	-10,544	5.1%
EBIT	3,627	3,793	3,809	5.0%	0.4%	14,438	15,668	8.5%
Other inc./(exp.)	425	102	30	-92.9%	-70.4%	133	245	NM
Finance Income	246	262	387	56.8%	47.5%	1,276	1,277	0.1%
Financial charges	-267	-380	-328	22.7%	-13.6%	-1,125	-1,367	21.5%
Profit before zakat	4,031	3,777	3,897	-3.3%	3.2%	14,723	15,823	7.5%
Zakat	157	-49	-234	-249.1%	378.1%	466	-1,108	-337.5%
Profit before NCI	4,188	3,728	3,664	-12.5%	-1.7%	15,189	14,715	-3.1%
Profit from disc oper	0	0	0	NM	NM	-54	0	NM
NCI	81	105	73	-9.1%	-30.1%	307	297	-3.1%
Profit attributable	4,107	3,623	3,590	-12.6%	-0.9%	14,828	14,418	-2.8%

FABS estimate & Co Data

STC- Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Gross profit	48.0%	48.9%	48.6%	58	-30	48.4%	49.2%	75
EBITDA	32.2%	31.8%	32.3%	7	51	31.4%	32.3%	86
Operating profit	18.8%	18.8%	19.0%	15	18	18.6%	19.3%	75
Net profit	21.3%	18.0%	17.9%	-343	-7	19.1%	17.8%	-129

FABS estimate & Co Data

3Q26 preview: Telecom Egypt (ETEL)

Higher operating leverage to boost bottomline

Current Price EGP 148.00	Target Price EGP 143.00	Upside/Downside (%) -3.4%	Rating HOLD
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3Q26 estimate

Telecom Egypt (ETEL/the Company) net profit attributable to equity shareholders is expected to increase by 26.6% YOY to EGP 8,182 Mn in 3Q26, driven by an increase in operating revenue, increase in income from associates and lower other expenses, partially offset by an increase in operating costs, selling & overhead expenses, finance costs, other revenue and tax expenses coupled with a decline in finance income, the absence of profit from discontinued operations, and an increased share of profit attributable to NCI. ETEL's revenue is expected to grow 19.1% YOY to EGP 32,907 Mn in 3Q26, driven by anticipated rise in Retail revenue and Wholesale revenue. Retail revenue is forecasted to grow 24.3% YOY to EGP 19,661 Mn in 3Q26, supported by anticipated rise in home services and Enterprise Solutions. Wholesale revenue is projected to grow 12.1% YOY to EGP 13,245 Mn in 3Q26, supported by expected increase in Domestic Wholesale and International Cable & Network. On the other hand, the Company's operating cost is anticipated to increase 18.9% YOY to EGP 18,658 Mn in 3Q26. Thus, gross profit is expected to grow 19.3% YOY to EGP 14,249 Mn in 3Q26, while gross margins are expected to improve 8 bps YOY to 43.3% in 3Q26. Other operating revenue is expected to decline 5.7% YOY to EGP 296 Mn in 3Q26. ETEL's selling and overhead expenses are expected to increase 22.1% YOY to EGP 4,475 Mn in 3Q26. Meanwhile, The Company is expected to record other operating expenses of EGP 99 Mn in 3Q26, compared to EGP 1,463 Mn in 3Q25. Provision of expected credit losses are expected to increase from EGP 157 Mn in 3Q25 to EGP 250 Mn in 3Q26. However, operating profit is forecasted to increase 39.4% YOY to EGP 9,721 Mn in 3Q26. ETEL's EBITDA is expected to grow 12.3% YOY to EGP 14,040 Mn in 3Q26 while margins are likely to decline 256 bps YOY to 42.7% in 3Q26. Additionally, income from associates is projected to increase from EGP 4,157 Mn in 3Q25 to EGP 5,385 Mn in 3Q26. The Company's finance income is anticipated to decline 62.6% YOY to EGP 379 Mn in 3Q26, while finance cost is expected to increase 4.8% YOY to EGP 3,609 Mn in 3Q26. Consequently, profit before zakat is estimated to increase 36.5% YOY to EGP 11,876 Mn in 3Q26. Additionally, ETEL's tax expense is expected to increase from EGP 2,303 Mn in 3Q25 to EGP 3,681 Mn in 3Q26. Furthermore, profit share attributable to non-controlling interest is anticipated to increase from EGP 6 Mn in 3Q25, to EGP 12 Mn in 3Q26.

2026 forecast

ETEL's net profit is expected to increase from EGP 22,555 Mn in 2025 to EGP 31,386 Mn in 2026, driven by an increase in revenue, income from associates, higher other income and lower other expenses, partially offset by an increase in operating costs, selling & overhead expenses, finance costs, and income tax expenses, a decline in finance income, a decline in profit from discontinued operations, and a higher contribution to non-controlling shareholders. The Company's revenue is expected to grow 19.0% YOY to EGP 126,904 Mn in 2026, driven by anticipated rise in Retail revenue and Wholesale revenue. Retail revenue is projected to rise 23.2% YOY to EGP 76,139 Mn in 2026 due to increase in home services and Enterprise Solutions. Additionally, Wholesale revenue is forecasted to rise 13.3% YOY to EGP 50,765 Mn in 2026, supported by rise in Domestic Wholesale and International Carrier partially offset by decline in revenue from International Cable & Network. On the other hand, operating costs is estimated to increase 17.6% YOY to EGP 72,716 Mn in 2026. Thus, gross profit is projected to grow 20.8% YOY to EGP 54,188 Mn in 2026 while margins are expected to improve 67 bps YOY to 42.7% in 2026. Other income is expected to increase 31.6% YOY to EGP 1,269 Mn in 2026. Selling and overhead expenses are expected to rise 17.7% YOY to EGP 17,322 Mn in 2026. Meanwhile, the Company is expected to report other expenses of EGP 444 Mn in 2026 compared to EGP 2,315 Mn in 2025. Provision of expected credit losses are projected to decrease 12.6% YOY to EGP 635 Mn in 2026. As a result, ETEL's operating profit is expected to grow 32.1% YOY to EGP 37,056 Mn in 2026 with margins expected to expand from

26.3% in 2025 to 29.2% in 2026. The Company's EBITDA is anticipated to increase 14.4% YOY to EGP 54,335 Mn in 2026 with margins likely to fall from 44.5% in 2025 to 42.8% in 2026. Furthermore, income from associates is expected to increase 33.0% YOY to EGP 19,721 Mn in 2026. Finance income is anticipated to decrease 30.5% YOY to EGP 1,247 Mn in 2026. Whereas, the Company's finance cost is expected to increase 5.8% YOY to EGP 14,557 Mn in 2026. Income tax is expected to increase from EGP 8,569 Mn in 2025 to EGP 12,171 Mn in 2026. Profit attributable to NCI is expected to increase from EGP 23 Mn in 2025 to EGP 47 Mn in 2026. while profit from discontinued operations is expected to decline from EGP 237 Mn in 2025 to EGP 136 Mn in 2026.

2Q26 outturn

Telecom Egypt's revenue grew 20.6% YOY to EGP 31,005 Mn in 2Q26, mainly driven by strong growth across the Retail, Domestic Wholesale and International Carriers businesses, partially offset by lower revenue across the International Customers & Networks segment. Retail segment remained the key growth driver as revenue rose 25.3% YOY to EGP 19,043 Mn in 2Q26. Revenue from Home Services grew 27.2% YOY to EGP 16,337 Mn in 2Q26, supported by a growth in Data and Voice revenue, coupled with expansion in consumer base and tariff hikes. Enterprise Solution revenue grew 15.1% YOY to EGP 2,706 Mn in 2Q26, supported by growth in data, voice and connectivity services. Wholesale segment revenue grew 13.8% YOY to EGP 11,964 Mn in 2Q26. Domestic Wholesale revenue grew 23.7% YOY to EGP 2,900 Mn, primarily driven by higher infrastructure and transmission revenue. International Carriers revenue increased 28.1% YOY to EGP 6,215 Mn in 2Q26, benefiting from stronger international carrier activity, particularly incoming international traffic. International Customers & Networks revenue declined 14.2% YOY to EGP 2,849 Mn in 2Q26, mainly due to lower revenue from cable projects. Furthermore, operating costs rose 16.7% YOY to EGP 17,715 Mn in 2Q26. Thus, gross profit grew 26.2% YOY to EGP 13,290 Mn in 2Q26 with gross profit margin expanding by 191 bps YOY to 42.9% in 2Q26. Selling and overhead expenses increased 20.7% YOY to EGP 4,236 Mn in 2Q26, mainly due to increase in employee cost, agents commission and others S&D and G&A expenses. ETEL's net other operating revenue increased from AED 104 Mn in 2Q25 to EGP 232 Mn in 2Q26, while the provisions for expected credit loss increased 2.0% YOY to AED 321 Mn in 2Q26. Resultantly, operating profit rose 31.6% YOY to EGP 8,964 Mn in 2Q26. Operating margins increased 243 bps YOY to 28.9% in 2Q26. Similarly, the Company's EBITDA increased 23.7% YOY to EGP 13,815 Mn in 2Q26, whereas EBITDA margin expanded 111 bps to 44.6% in 2Q26, demonstrating strong revenue growth coupled with operational efficiency. Income from associates rose from EGP 3,544 Mn in 2Q25 to EGP 5,374 Mn in 2Q26, owing to the strong contribution from Vodafone Egypt driven by price hikes. Finance income declined from EGP 374 Mn in 2Q25 to EGP 186 Mn in 2Q26. Finance cost improved significantly in 2Q26, moving from a finance expense of EGP 3,023 Mn in 2Q25 to positive EGP 722 Mn in 2Q26, driven by higher foreign exchange gain and decline in borrowings. Income tax increased from EGP 1,890 Mn in 2Q25 to EGP 3,479 Mn in 2Q26. Additionally, profit from discontinued operations grew from EGP 53 Mn in 2Q25 to EGP 67 Mn in 2Q26. Non-controlling interest decreased 18.9% YOY to EGP 4 Mn in 2Q26.

Target price and recommendation

We maintain our BUY rating on Telecom Egypt with a revised target price of EGP 143.0. ETEL delivered a strong quarter, supported by sustained revenue growth across the Retail and Wholesale segments alongside higher data revenue, tariff adjustments and resilient international carrier activity. In 2Q26, the Company's customer base continued to expand, with net addition of c. 230K subscribers to the customer base in 2Q26. The Fixed Voice base grew 5.6% YOY and 0.5% QOQ to 14.3 Mn in 2Q26, while the Fixed Broadband base grew 8.6% YOY and 2.1% QOQ to 11.5 Mn in 2Q26. The Mobile subscriber base increased 3.9% YOY but fell marginally by 0.5% QOQ to 15.2 Mn in 2Q26. This growth was supported by continued data adoption, higher ARPU and sustained investments in network capacity and quality. Data remained a key growth driver within the consumer business, supported by continued growth in the fixed broadband customer base and higher usage. The Company's Fixed Broadband ARPU increased 16% YOY and 6.0% QOQ to EGP 354 and Fixed Voice ARPU increased 6% YOY and QOQ to

EGP 49 in 1H26. Furthermore, Telecom Egypt continued to advance its network roadmap, including the ongoing 5G rollout and expansion of long-term network capacity supporting the Company's next-generation service offerings. On the strategic front, ETEL is advancing its data-center strategy by transferring the existing data-center assets and operations into a 100% wholly owned subsidiary. The dedicated subsidiary will be supported by a specialized team, enabling greater focus on developing the data-center business, expanding its operations and accelerating growth. The move positions the Company to capitalize on rising demand for data-center services in Egypt and globally, while supporting its broader strategy of expanding beyond traditional connectivity services. The Company is evaluating multiple data-center opportunities based on expected returns and expansion potential, with the aim of scaling the business while creating value. The data center strategy is expected to leverage the Company's extensive domestic connectivity infrastructure and international subsea cable network, providing a platform to expand into broader digital infrastructure services. ETEL maintained elevated investment levels in 2Q26, with cash capex increasing to EGP 9.8 Bn in 2Q26 from EGP 8.8 Bn in 1Q26, while in-service capex rose to EGP 3.6 Bn from EGP 1.3 Bn over the same period. Going forward, the Company's plans to invest on FTTH migration, 5G deployment and data-center development within the Company's overall 23-25% of sales guidance. ETEL is also assessing several data-center projects, with one additional project expected to commence operations within the next couple of months. The Company expects the cable-project business to improve in 2H26 and 2027, following cyclical weakness. Furthermore, ETEL is expanding its Sinai infrastructure with new subsea cables, including the 200km Sharm El Sheikh-Taba link, creating alternative routes to the Gulf and reducing disruption risks, which should support international traffic growth and revenue recovery. The strong 1H26 performance also supports a positive dividend outlook, with 2026 dividend expected to be higher than the distributions made over the past two to three years. ETEL maintained 2026 guidance across all key KPI at high single-digit revenue growth, EBITDA margins in the low 40% range with management targeting around 45% for 2026, In service capex-to-sales in the low 20% range and FCFF to EBITDA in the mid 30% range. However, the revenue growth has already exceeded the high-single digit guidance in 1H26 with 17.4% YOY benefitting from tariff hike. Overall, strong revenue momentum, improving customer monetisation and continued capex execution across network and digital infrastructure initiatives position the Company well for sustained earnings growth in 2026. Despite the strong operating momentum and positive outlook, we maintain our HOLD rating as the stock's current valuation largely reflects the improved earnings outlook, limiting the potential for further upside.

Telecom Egypt –Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	31.32	29.47	23.26	28.42	11.40	8.68
P/B (x)	5.24	5.01	4.56	5.06	3.65	2.64
EV / EBITDA	17.15	14.98	11.94	9.36	6.27	5.47
EPS (EGP)	25.960	27.168	29.798	26.897	37.284	51.541
BVPS (EGP)	4.343	4.614	5.847	4.786	11.933	15.677
DPS (EGP)	1.000	1.250	1.500	1.500	1.500	1.600
Dividend yield	0.7%	0.8%	1.0%	1.0%	1.0%	1.1%

FABS estimate & Co Data

Telecom Egypt-P&L

EGP Mn	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Operating Revenue	27,634	31,005	32,907	19.1%	6.1%	1,06,673	1,26,904	19.0%
Operating costs	-15,691	-17,715	-18,658	18.9%	5.3%	-61,834	-72,716	17.6%
Gross profit	11,944	13,290	14,249	19.3%	7.2%	44,839	54,188	20.8%
Other income	314	289	296	-5.7%	2.4%	965	1,269	31.6%
Selling & overhead exp	-3,664	-4,236	-4,475	22.1%	5.6%	-14,720	-17,322	17.7%
Other expense	-1,463	-57	-99	-93.3%	72.2%	-2,315	-444	-80.8%
(Provision)/Reversal of expected credit losses	-157	-321	-250	59.4%	-22.1%	-726	-635	-12.6%
Operating profit	6,974	8,964	9,721	39.4%	8.4%	28,042	37,056	32.1%
EBITDA	12,499	13,815	14,040	12.3%	1.6%	47,495	54,335	14.4%
Inc from Associates	4,157	5,374	5,385	29.5%	0.2%	14,828	19,721	33.0%
Finance Income	1,013	186	379	-62.6%	103.7%	1,794	1,247	-30.5%
Finance Cost	-3,444	722	-3,609	4.8%	-599.9%	-13,753	-14,557	5.8%
Profit before zakat	8,700	15,246	11,876	36.5%	-22.1%	30,911	43,468	40.6%
Tax	-2,303	-3,479	-3,681	59.9%	5.8%	-8,569	-12,171	42.0%
Profit before NCI	6,397	11,767	8,194	28.1%	-30.4%	22,342	31,297	40.1%
NCI	-6	-4	-12	121.2%	192.6%	-23	-47	100.4%
Profit from discontinued operations	70	67	0	NM	-100.0%	237	136	-42.6%
Profit attributable	6,461	11,830	8,182	26.6%	-30.8%	22,555	31,386	39.2%

FABS estimate & Co Data
Telecom Egypt - Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross profit	43.2%	42.9%	43.3%	8	44	42.0%	42.7%	67
EBITDA	45.2%	44.6%	42.7%	-256	-189	44.5%	42.8%	-171
Operating profit	25.2%	28.9%	29.5%	430	63	26.3%	29.2%	291
Net profit	23.4%	38.2%	24.9%	148	NM	21.1%	24.7%	359

FABS estimate & Co Data

3Q26 preview: **Emirates Integrated Telecommunications (du)**

Revenue growth across all segments to boost topline

Current Price	Target Price	Upside/Downside (%)	Rating
AED 12.20	AED 12.50	+2.5%	HOLD

3Q26 Estimate

Emirates Integrated Telecommunications (DU/The Company) net profit is expected to increase 11.4% YOY to AED 815 Mn in 3Q26, driven by anticipated growth in revenue and projected decline in net financing expense, partially offset by a projected increase in direct costs, depreciation, net operating expenses (excluding depreciation & amortization), federal royalty and tax charges. DU's revenue is expected to grow 5.9% YOY to AED 4,099 Mn in 3Q26, primarily supported by anticipated growth across all business segments. Mobile segment revenue is forecasted to increase 3.4% YOY to AED 1,830 Mn in 3Q26, driven by an expected rise in mobile subscribers and mobile ARPU. Fixed revenue segment is expected to increase 11.3% YOY to AED 1,228 Mn in 3Q26, supported by an anticipated increase in broadband subscribers and broadband ARPU. Wholesale segment revenue is projected to expand 0.8% YOY to AED 624 Mn in 3Q26. Similarly, Other segment revenue is expected to rise 10.0% YOY to AED 418 Mn in 3Q26. The Company's total direct costs are forecasted to grow 1.0% YOY to AED 1,246 Mn in 3Q26, primarily driven by anticipated increases in interconnect costs, commission expenses, and devices & other direct service costs. Thus, gross profit is expected to rise 8.2% YOY to AED 2,853 Mn in 3Q26, while gross profit margin is likely to increase 148 bps YOY to 69.6% in 3Q26. Meanwhile, net operating expenses (excl. D&A) are expected to increase 7.4% YOY to AED 844 Mn in 3Q26, mainly due to expected higher network & other maintenance expenses, marketing expenses, staff expense, administrative expense, telecommunication license & related fees, other operating expenses, and impairment, partially offset by the lower other operating expenses in 3Q26. As a result, EBITDA is likely to increase 8.5% YOY to AED 2,009 Mn in 3Q26, with the EBITDA margin expected to grow from 47.8% in 3Q25 to 49.0% in 3Q26. Depreciation and amortization expense is anticipated to increase 3.5% YOY to AED 558 Mn in 3Q26. As a result, operating profit is likely to increase 10.5% YOY to AED 1,451 Mn in 3Q26. Operating profit margin is expected to rise 149 bps YOY to 35.4% in 3Q26. The Company is expected to record financing expenses of AED 6 Mn in 3Q26, compared with AED 14 Mn in 3Q25. In addition, federal royalty is expected to increase 11.4% YOY to AED 549 Mn in 3Q26. The Company's tax expense is anticipated to grow 11.1% YOY to AED 81 Mn in 3Q26.

2026 Forecast

DU's net profit is expected to rise 10.3% YOY to AED 3,205 Mn in 2026, mainly due to expected growth in revenue and a decline in net finance expenses, partially offset by forecasted increases in direct costs, net operating expenses excl. D&A, federal royalty and tax charges. Revenue is expected to grow 5.5% YOY to AED 16,784 Mn in 2026, supported by anticipated growth across business segments. Mobile segment revenue is forecasted to increase 5.1% YOY to AED 7,434 Mn in 2026, supported by forecasted growth in mobile subscribers and mobile ARPU. Similarly, Fixed segment revenue is projected to rise 11.7% YOY to AED 4,891 Mn in 2026. Wholesale segment revenue is expected to remain stable at AED 2,568 Mn in 2026 compared to 2025, while Others services revenue is projected to rise marginally by 0.5% YOY to AED 1,892 Mn in 2026. Direct costs are expected to increase 3.7% YOY to AED 5,455 Mn in 2026, primarily driven by an expected increase in interconnect costs, commission expenses, and devices & other direct service costs. Thus, gross profit is expected to rise 6.4% YOY to AED 11,329 Mn in 2026. Gross profit margin is anticipated to increase 57 bps YOY to 67.5% in 2026. Meanwhile, net operating expenses excl. D&A are expected to rise 2.3% YOY to AED 3,385 Mn in 2026, mainly due to anticipated increases in network and other maintenance expenses, marketing expenses, telecommunication license and related fees, other operating expenses, impairment charges, and the absence of other operating income, compared to AED 22 Mn in 2025, partially offset by forecasted fall in staff expenses and administrative expenses. As a result, EBITDA is expected to increase 8.3% YOY

to AED 7,945 Mn in 2026, with the EBITDA margin likely to increase from 46.1% in 2025 to 47.3% in 2026. Depreciation, amortization and impairment expense is anticipated to increase by 3.7% YOY to AED 2,249 Mn in 2026. As a result, operating profit is likely to increase 10.2% YOY to AED 5,696 Mn in 2026. Operating profit margin is likely to increase by 143 bps YOY to 33.9% in 2026. The Company is expected to record financing expenses of AED 16 Mn in 2026, compared to AED 20 Mn in 2025. In addition, federal royalty is expected to increase 10.3% YOY to AED 2,158 Mn in 2026. The Company's tax expense is anticipated to rise 10.3% YOY to AED 317 Mn in 2026.

2Q26 Outturn

DU's revenue increased 4.6% YOY to AED 4.1 Bn in 2Q26, driven by continued growth in Mobile, Fixed, and Wholesale revenues, partially offset by lower ICT revenues. Mobile Services revenue rose 3.7% YOY to AED 1.8 Bn in 2Q26, supported by healthy growth in the postpaid subscriber base and an improved customer mix, supporting ARPU. The mobile subscriber base increased 1.6% YOY to 9.3 Mn in 2Q26. Postpaid subscribers grew 9.0% YOY to 2.1 Mn in 2Q26, reflecting strong demand for premium consumer offerings and enterprise services, while prepaid subscribers declined 0.4% YOY to 7.2 Mn in 2Q26, due to lower tourism activity during the quarter, partially offset by growth from enhanced prepaid offerings. Fixed service revenue grew 11.6% YOY to AED 1.2 Bn in 2Q26, supported by strong enterprise connectivity demand and continued growth in Home Wireless services. The fixed subscriber base increased 5.5% YOY to 744K in 2Q26, supported by continued demand for Home Wireless and fibre broadband services. Other revenues declined 0.8% YOY to AED 1.1 Bn in 2Q26, primarily due to lower handset sales and lower nonrecurring ICT revenues booked in the prior year. DU's direct costs declined 2.4% YOY to AED 1.3 Bn in 2Q26, mainly due to lower device-related costs, partially offset by higher interconnect, and commission costs. Consequently, gross profit increased 8.2% YOY to AED 2.8 Bn in 2Q26, with the gross profit margin expanding 225 bps YOY to 69.1% in 2Q26. Net operating expenses (excluding D&A) increased 5.8% YOY to AED 826 Mn in 2Q26, primarily driven by higher network and other maintenance expenses, telecommunication fees, other operating expenses and impairment charges, partially offset by lower staff and administrative expenses. EBITDA increased 9.2% YOY to AED 2.0 Bn in 2Q26, with the EBITDA Margin expanding 203 bps YOY to 48.8% in 2Q26, supported by a favourable product mix, stronger gross margin, and continued cost optimisation. D&A and impairment expenses increased 8.0% YOY to AED 573 Mn in 2Q26. Operating Profit rose 9.7% YOY to AED 1.4 Bn in 2Q26, with the operating profit margin improving 160 bps YOY to 34.8% in 2Q26. The Company's net finance expenses increased 9.4% YOY to AED 7 Mn in 2Q26. Furthermore, federal royalty charges increased 9.7% YOY to AED 537 Mn in 2Q26, while tax expenses rose 9.3% YOY to AED 79 Mn in 2Q26.

Target price and rating

We maintain our HOLD rating on DU with a target price of AED 12.50. DU delivered a strong 2Q26 performance, despite the challenging operating environment, supported by healthy growth in core service revenues, continued strength in postpaid and fixed operations, and disciplined cost management. While the regional conflict continued to weigh on tourism, roaming activity, and gross subscriber additions, the Company maintained disciplined cost management, and continued executing its strategic investment plans. The Company noted that the financial impact remained largely confined to demand-sensitive areas, while the core mobile, fixed, enterprise and ICT businesses remained resilient, with traffic patterns normalizing following the end of temporary work-from-home and distance-learning measures. DU's mobile subscribers increased 1.6% YOY to 9.3 Mn in 2Q26. Postpaid subscribers grew 9.0% YOY to 2.1 Mn in 2Q26, reflecting strong demand for premium consumer offerings and enterprise services, while prepaid subscribers declined 0.4% YOY to 7.2 Mn in 2Q26, due to lower tourism activity during the quarter. Meanwhile, the fixed subscribers base increased 5.5% YOY to 744K in 2Q26, supported by continued demand for Home Wireless and fibre broadband services. DU continued to accelerate investments in digital infrastructure, including data centres, while maintaining network expansion. The Company expects the first Microsoft data centre to become operational in 4Q26, with an immaterial earnings contribution in 2026 and a more meaningful contribution from 2027 onwards. DU

also entered into an MoU with Open Innovation AI, in collaboration with the UAE Cyber Security Council, to support sovereign Agentic AI adoption through the integration of du Tech's CSC-certified National Hypercloud with Open Innovation AI's GPU orchestration platform, enabling secure, in-country AI deployment for government and enterprise customers. DU continued to strengthen its "beyond the core" strategy through the launch of du Ventures, a USD 50 Mn corporate venture fund established in partnership with Shorooq to invest in startups across AI, fintech, cybersecurity, cloud, gaming, and enterprise solutions, supporting digital innovation and the Company's expansion into a broader digital ecosystem. The Company also deployed next-generation 5G technology, expanded its retail footprint, and introduced AI-driven SME solutions. DU also joined the Department of Economy and Tourism's 'SME in a Box' initiative as the telecom partner, providing tailored connectivity and digital solutions to support the digitalisation and growth of startups, freelancers, and SMEs. DU remains focused on strengthening and monetising its core business through a digital-first approach while enhancing customer experience. The Company maintained a strong liquidity position, supported by robust operating cash generation, an unlevered balance sheet, and AED 2.0 Bn of undrawn committed credit facilities. DU revised its 2026 revenue growth guidance to 4-6% from 5-7% reflecting the uncertain regional operating environment, while maintaining its EBITDA margin guidance at 46-47%, highlighting continued confidence in cost discipline and underlying profitability. The Board also approved an interim cash dividend of AED 0.26 per share for 1H26, up 8.3% YOY, reflecting the Company's strong financial performance and commitment to shareholder returns. Overall, we remain positive on DU's resilient core operations, improving revenue mix and longer-term digital growth opportunities. However, near-term uncertainty around tourism, roaming and subscriber additions, alongside elevated capital deployment, warrants a cautious outlook. Thus, considering the above-mentioned factors, we maintain our HOLD rating on the stock.

DU – Relative Valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
P/E (x)	49.17	44.38	32.45	21.76	18.63	16.89
P/B (x)	6.34	6.17	5.86	5.48	5.33	5.18
EV/EBITDA	17.71	16.08	13.89	8.32	7.33	6.99
BVPS (AED)	1.882	1.935	2.039	2.179	2.239	2.306
EPS (AED)	0.243	0.269	0.368	0.549	0.641	0.707
DPS (AED)	0.210	0.240	0.340	0.540	0.640	0.640
Dividend yield	1.7%	2.0%	2.8%	4.4%	5.2%	5.2%

FABS Estimates & Co Data

DU - P&L

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
AED Mn								
Revenue	3,872	4,083	4,099	5.9%	0.4%	15,905	16,784	5.5%
Direct Costs	-1,234	-1,263	-1,246	1.0%	-1.3%	-5,259	-5,455	3.7%
Gross Profit	2,638	2,820	2,853	8.2%	1.2%	10,646	11,329	6.4%
Network & other maintenance expense	-224	-256	-246	9.6%	-4.1%	-964	-999	3.6%
Marketing expense	-60	-65	-70	15.8%	7.8%	-292	-302	3.4%
Staff expense	-273	-263	-283	3.4%	7.4%	-1,105	-1,074	-2.8%
Administrative expense	-45	-45	-45	1.0%	0.0%	-190	-185	-2.7%
Telecommunication license & related fees	-109	-108	-111	1.9%	2.5%	-434	-445	2.5%
Other operating expense	-23	-36	-33	43.6%	-8.4%	-133	-134	0.8%
Impairment (net of recoveries)	-51	-59	-57	12.3%	-2.3%	-211	-252	19.3%
Other operating income	-1	6	0	-100.0%	-100.0%	22	6	NM
Net Operating Expenses excl. D&A	-786	-826	-844	7.4%	2.2%	-3,308	-3,385	2.3%
EBITDA	1,852	1,994	2,009	8.5%	0.7%	7,338	7,945	8.3%
D&A & Impairment	-539	-573	-558	3.5%	-2.7%	-2,168	-2,249	3.7%
Operating profit	1,313	1,421	1,451	10.5%	2.1%	5,170	5,696	10.2%
Financing income/expense	-14	-7	-6	-61.8%	-20.4%	-20	-16	-19.9%
Pre-royalty profit	1,298	1,414	1,445	11.4%	2.2%	5,149	5,679	10.3%
Federal Royalty	-493	-537	-549	11.4%	2.2%	-1,957	-2,158	10.3%
Tax	-73	-79	-81	11.1%	2.4%	-287	-317	10.3%
Net profit	732	798	815	11.4%	2.2%	2,905	3,205	10.3%

FABS estimate & Co Data
DU - Margins

	3Q25	2Q26	3Q26F	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit Margin	68.1%	69.1%	69.6%	148	53	66.9%	67.5%	57
EBITDA	47.8%	48.8%	49.0%	118	17	46.1%	47.3%	120
Operating Profit	33.9%	34.8%	35.4%	149	60	32.5%	33.9%	143
Net Profit	18.9%	19.5%	19.9%	98	36	18.3%	19.1%	83

FABS estimate & Co Data

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