Telecom Sector

Rising 5G adoption coupled with diversification of revenue to support telecom sector growth

Sector Weighting: **Market Weight**

MENA Telecommunication

The UAE's telecom industry is undergoing a dynamic transformation, marked by strategic partnerships and a sharp focus on digital innovation. Operators are embracing technologies such as 5G private networks and Industry 4.0 solutions to drive efficiency and enhance services across sectors. At the same time, there's a growing emphasis on expanding into international markets and diversifying revenue streams to ensure long-term sustainability.

Etisalat (e&), a key player in UAE's evolving landscape, delivered a strong performance in 4Q24. The domestic telecom revenue of Du grew 6.2% YOY, while international telecom revenue surged by 35.5% YOY in 4Q24, largely driven by expanding operations in Pakistan, Egypt, and Morocco. This global push has increased the international segment's contribution to 40.8% of total revenue, supported by AED 3.2 Bn in capital expenditure, representing 47.6% of the segment's revenue during 4Q24. Total capex rose to AED 4.3 Bn in 4Q24, up from AED 2.5 Bn in 4Q23, influenced by license renewals and the consolidation of e& PPF Telecom. However, despite healthy revenue growth, e&'s EBITDA margin declined to 42.6% in 4Q24 due to inflationary pressures, a changing revenue mix, and ongoing investments in digital verticals. Still, Etisalat's non-telecom arm, e& Life, showed encouraging progress with a remarkable 139.1% YOY revenue growth during 4Q24, underscoring e&'s strategy to diversify its revenue sources. Meanwhile, Du is also going through a transformation, with a notable 9.3% YOY increase in revenue from its "other segment," primarily fueled by the growth of its ICT business. The other segment now contributes around 29% to total revenue in 4Q24. Du aims to strengthen core services while expanding into fintech, ICT, and AI-powered solutions. The EBITDA margin of Du also improved slightly in 4Q24, supported by a favorable product mix. Capex of Du is also beginning to normalize, declining to 18.8% of revenue in 4Q24 from 21.3% in 4Q23. Together, e& and Du illustrate the UAE telecom sector's shift toward innovation, digitalization, and global diversification.

Saudi Arabia is currently experiencing a significant digital transformation, driven by various government-led initiatives aligned with Saudi Vision 2030. The Ministry of Communications and Information Technology (MCIT) has taken a pivotal role in this endeavor, focusing on the development of a world-class digital infrastructure that supports the Kingdom's broader economic objectives. The telecommunications industry in the Kingdom is a vital contributor to this digital transformation. Companies within this sector are making substantial investments in cybersecurity and developing innovative solutions to protect against data breaches. Additionally, they are expanding spectrum licenses to enhance the 5G network, with the aim of boosting infrastructure resilience, addressing cyber threats, and meeting the growing demand for high-speed, reliable connectivity. Mobily, one of the prominent telecommunications providers, has reported a notable revenue growth of 8.6% YOY, reaching SAR 18.2 Bn in FY2024. This growth is attributed to strong performance across all segments, as well as an effective customer acquisition strategy. In line with this, Mobily achieved an 8.6% YOY increase in EBITDA, totaling SAR 7.2 Bn, while maintaining steady margins in 2024 compared to 2023, primarily due to enhanced operational efficiency. The company focused its capital expenditures on the deployment of 5G technology, the establishment of Internet of Things (IoT) infrastructure, the development of data centers, and the installation of submarine cables. This strategic approach resulted in a capex-to-revenue ratio of 14.2% in 2024, an increase from 13.8% in 2023. Similarly, Saudi Telecom Company has reported a solid 5.7% YOY increase in revenue to SAR 75.9 Bn in 2024, driven by growth across major market segments. Additionally, its subsidiary, STC Bank, received approval from the Saudi Central Bank (SAMA) to introduce digital banking services within the Kingdom. The capital expenditures of Saudi Telecom Company are primarily focused on government projects and the expansion of data centers, which are bolstered by substantial demand and favorable profit margins. Overall, the digital transformation in Saudi Arabia represents a concerted effort by both the government and the private sector to advance the Kingdom's technological capabilities and economic growth, reflecting the principles outlined in Saudi Vision 2030.

Egypt's Ministry of Communication and Information Technology, under its ICT 2030 Strategy, aims to establish Egypt as a regional and global telecom hub. To support this vision, the National Telecommunication Regulatory Authority is implementing policies to boost industry competition. In response to rising operational costs driven by inflation, energy prices, and import expenses, the authority approved a mobile service price increase in November 2024. Subsequently, Telecom Egypt raised data service prices at the end of 2024, with financial benefits expected from 1Q25. Telecom Egypt also signed major service agreements with Orange Egypt, signaling increased digital and technological investment. The deal is projected to generate EGP 15 Bn in revenue over the next decade, with additional upside potential. However, ongoing currency devaluation poses challenges, potentially increasing capex, as most telecom equipment is sourced internationally.

e& to Offload 40% Stake in Khazna for USD 2.2 Bn

UAE telecom group e& announced it will sell a 40% stake in Khazna Data Center Holdings to AI firm G42 for USD 2.2 Bn. The transaction is expected to generate a pre-tax capital gain of USD 1.4 Bn, which e& plans to use to reduce its debt. Khazna also confirmed that Silver Lake and MGX would join G42 as minority investors. Furthermore, e& will remain a strategic partner and major tenant of Khazna. The deal reflects the UAE's broader push to invest heavily in artificial intelligence and reduce its reliance on oil.

e& Becomes Equity Partner in Aduna

Aduna announced the addition of global technology group e& as an equity partner. This partnership will enable e& to integrate its network Application Programming Interfaces (APIs) into Aduna's international platform. This integration will span e&'s operations across the Middle East, Asia, Africa, and Central and Eastern Europe. Additionally, this inclusion will foster Aduna's footprint in emerging markets and accelerate global adoption and innovation of common network APIs. Furthermore, e& will enable developers to access standardized network capabilities to enhance service quality, fraud prevention, security, and monetization. Aduna will offer network APIs to a diverse ecosystem, including hyperscalers, communications platform as a service (CPaaS) providers, system integrators, and ISVs, leveraging open-source Camara APIs developed by the GSMA and Linux Foundation.

Tata, Mobily to Extend Roaming Signalling Partnership

Tata Communications and Mobily renewed their Roaming Signalling partnership to deliver seamless, high-quality international roaming services to Mobily's customers worldwide. The collaboration aims to strengthen connectivity, improve service quality, and enhance customer experience in the global market. Additionally, Tata Communications will implement its advanced monitoring and troubleshooting platform, RoamPulse, to support Mobily's international roaming operations. This integration will provide Mobily with real-time insights, proactive issue resolution, and automated network troubleshooting, ensuring uninterrupted service and increased efficiency. Furthermore, RoamPulse will also help Mobily reduce operational costs, optimize resources, deliver a superior roaming experience, and uncover new revenue streams through data-driven insights into network traffic and subscriber usage.

STC Group Secures USD 8.7 Bn Saudi Government Contract

Saudi Arabia's STC Group secured a major government contract valued at SAR 32.6 Bn (USD 8.7 Bn) to build, operate, and provide telecommunications infrastructure services. The agreement includes 18 months for preparation and execution, followed by 15 years of operational management. While the government entity's identity was not disclosed, STC stated that the financial impact will be positive, with revenue recognition expected to begin in 4Q26 and continue through the contract's duration.

Mobily allocates SAR 3.4 Bn towards data centres and submarine cable infrastructure
Mobily, Saudi Arabia's leading TMT company, has invested USD 905 Mn (over SAR 3.4 Bn) in data centers and submarine cables. The investment includes building data centers with 39 MW capacity and upgrading submarine cables like Africa 1, SMW6, and AAE1 to boost connectivity with Africa, Europe, and Asia. The move aligns with Saudi Vision 2030, which aims to make Saudi Arabia a global leader in digital innovation and will also help drive the Kingdom's digital transformation, innovation, and economic growth.

Huawei and Telecom Egypt sign a partnership to advance digital technology solutions
Huawei has partnered with Telecom Egypt to enhance technology and help Telecom Egypt prepare for its 5G launch. Telecom Egypt is the first in Egypt and North Africa to deploy advanced solutions such as BladeAAU with high-bandwidth MIMO technology and the DIS 5G Solution, featuring the new pRRU Pico Radio for improved indoor coverage. The partnership will help Huawei strengthen Egypt's ICT infrastructure and support its digital transformation. It will also allow Telecom Egypt to become a leading ICT operator by investing in strong 4G/5G networks.

STC Group and Ooredoo join forces to reshape the regional digital landscape
STC Group and Ooredoo Oman have signed a Head of Terms agreement to establish the SONIC project, an international fiber optic network corridor between Saudi Arabia and Oman. The project is expected to create a reliable and agile network with two redundant paths, connecting submarine cable landing stations and data centers across both countries. The first phase is expected to be completed in 12 months, while the entire project will take 24 months to finish, supporting subsea initiatives and enhancing international routes between Asia and Europe. The collaboration will deliver scalable digital infrastructure, driving regional growth and digital transformation in both nations.

	ETISALAT	MOBILY	STC	Telecom Egypt	DU
Rating	BUY	BUY	HOLD	BUY	HOLD
Local currency	AED	SAR	SAR	EGP	AED
CMP	16.20	57.40	45.55	33.99	8.00
Target Price	22.00	66.50	46.00	48.00	8.55
Potential change (%)	35.8%	15.9%	1.0%	41.2%	6.9%

FABS Estimates & Co data

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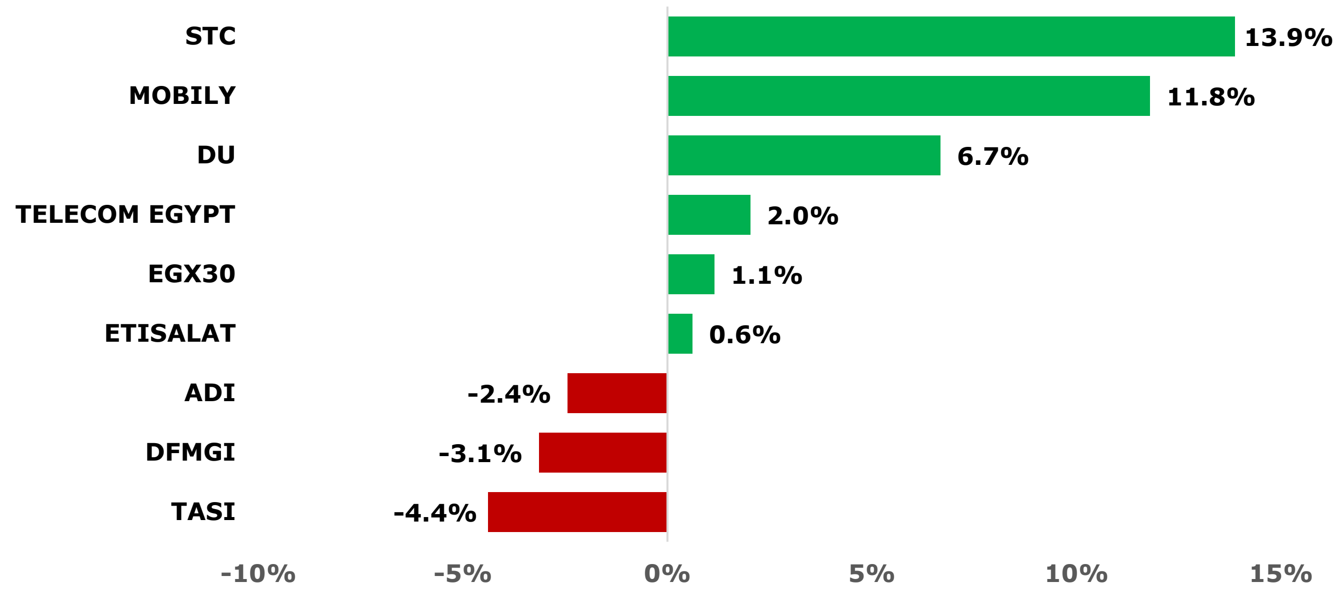
Telecom stock performance in the YTD

STC is the best-performing stock among the peer group on YTD basis since December 2024 followed by Mobily. Etisalat generated the lowest returns among all of them. STC generated 13.9% YTD return, while Etisalat came in last with a 0.6% YTD returns since December 2024.

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



Source: Bloomberg

Relative valuation and rating

Among the telecom stocks we cover, the PE falls between 17.1x (STC) and 5.0x (TELECOM EGYPT). The EV/EBITDA ranges from 8.6x (STC) and 3.4x (TELECOM EGYPT). DU's expected dividend yield for 2025 is the highest at 7.0%. TELECOM EGYPT has the lowest PB multiple of 1.0x. TELECOM EGYPT's Net Debt/EBITDA stood highest at 1.91x followed by ETISALAT at 1.18x and MOBILY at 0.41x.

Relative Valuation

	ETISALAT	MOBILY	STC	TELECOM EGYPT	DU
CMP (LCY)	16.20	57.40	45.55	33.77	8.00
Number of shares (mm)	8,697	770	5,000	1,707	4,533
Market cap (LCY mm)	140,887	44,198	227,750	57,648	36,263
Market cap (US$ mm)	38,389	11,786	60,733	1,866	9,881
Gross debt (LCY mm)	69,195	6,185	15,132	80,726	0
Cash (LCY mm)	33,628	3,186	30,756	8,279	984
Net debt/-cash (LCY mm)	35,567	2,999	-15,624	72,447	-984
Non-controlling interest	8,332	0	3,069	24	0
EV	184,786	47,197	215,194	130,119	35,279
EBITDA (2024)	30,217	7,376	25,151	37,966	6,882
BVPS (2024)	5.70	26.51	16.36	32.18	2.21
EPS (2024)	1.26	4.20	2.67	6.79	0.59
DPS (2024)	0.86	2.45	2.20	1.85	0.56
EV/EBITDA (x)	6.1	6.4	8.6	3.4	5.1
P/BV (x)	2.8	2.2	2.8	1.0	3.6
PER (x)	12.8	13.7	17.1	5.0	13.5
Dividend yield	5.3%	4.3%	4.8%	5.5%	7.0%
Payout ratio	68.0%	58.3%	82.4%	27.3%	95.0%
Net debt/EBITDA (x)	1.18	0.41	-0.62	1.91	-0.14

Source: FABS from Bloomberg

Market Weight:

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

	ETISALAT	MOBILY	STC	Telecom Egypt	DU
Rating	**BUY**	**BUY**	**HOLD**	**BUY**	**HOLD**
Local currency	AED	SAR	SAR	EGP	AED
CMP	16.20	57.40	45.55	33.99	8.00
Target Price	22.00	66.50	46.00	48.00	8.55
Potential change (%)	35.8%	15.9%	1.0%	41.2%	6.9%

FABS Estimates & Co data

1Q25 preview: Etisalat Group

Strong growth in revenue across the segments to drive bottom-line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 16.20	AED 22.00	+35.8%	BUY

1Q25 estimate

Emirates Telecommunications Group Co PJSC (e&/ The Company) is expected to record a 20.8% YOY increase in net profit to AED 2,815 Mn in 1Q25 primarily due to an anticipated increase in revenue, share of results of associates & joint ventures, and net finance and other costs partially offset by increase in operating expenses, impairment loss, federal royalty, income tax expenses and non-controlling interest. e&'s revenue is expected to grow 22.5% YOY to AED 17,408 Mn in 1Q25 driven by its solid expansion plans and a growing customer base. Operating expenses are anticipated to grow 23.5% YOY to AED 11,872 Mn in 1Q25. The share of results of associates and joint ventures is forecasted to increase 15.3% YOY to AED 522 Mn in 1Q25. Moreover, the impairment loss on receivables and contract assets is projected to increase significantly from AED 243 Mn in 1Q24 to AED 383 Mn in 1Q25, owing to higher loss on trade receivables, contract assets, and other assets. Thus, operating profit before federal royalty is expected to rise 18.0% YOY to AED 5,675 Mn in 1Q25. Federal royalty is expected to boost 35.9% YOY to AED 1,828 Mn in 1Q25. As a result, Etisalat's operating profit is anticipated to rise 11.0% YOY to AED 3,847 Mn in 1Q25. e&'s EBITDA is expected to rise 18.4% YOY to AED 7,550 Mn in 1Q25. On the other hand, EBITDA margin is likely to decrease 149 bps YOY to 43.4% in 1Q25. Additionally, finance and other income is estimated to increase 6.3% YOY to AED 679 Mn in 1Q25, whereas finance and other costs are expected to fall 10.1% YOY to AED 1,044 Mn in 1Q25. Income tax expense is projected to grow 0.8% YOY to AED 487 Mn in 1Q25. In addition, the share of profit attributable to non-controlling interest holders is expected to rise 38.6% YOY to AED 180 Mn in 1Q25.

2025 forecast

e&'s net profit is expected to grow 2.3% YOY to AED 11,001 Mn in 2025 driven by anticipated growth in revenue and a decline in impairment loss partially offset by increases in operating expenses, decrease in share of results of associates & joint ventures, increase in federal royalty and tax expenses. The Company's revenue is expected to increase 17.7% YOY to AED 69,685 Mn in 2025 driven by growth in subscriber base and a rise in product offerings across all geographies. Operating expenses are anticipated to rise 20.4% YOY to AED 47,525 Mn in 2025. Impairment charges are projected to decline 28.3% YOY to AED 1,533 Mn in 2025. Share of results of associates and JVs is estimated to fall 15.5% YOY to AED 2,091 Mn in 2025. Federal royalty is forecasted to boost 5.0% YOY to AED 5,547 Mn in 2025. As a result, operating profit after federal royalty is expected to surge 16.2% YOY to AED 17,171 Mn in 2025. Moreover, e&'s EBITDA is expected to grow 14.2% YOY to AED 30,217 Mn in 2025. Whereas, EBITDA margin is anticipated to decline 13 bps YOY to 43.4% in 2025. Furthermore, finance and other income is expected to decline 32.7% YOY to AED 1,840 Mn in 2025, whereas finance and other costs are predicted to increase marginally 0.6% YOY to AED 5,242 Mn in 2025. Tax charges are estimated to rise 20.3% YOY to AED 2,065 Mn in 2025. The share of profit attributable to non-controlling interest holders is expected at AED 702 Mn in 2025 compared to a loss of AED 169 Mn in 2024.

4Q24 outturn

e&'s total revenue rose 19.9% YOY to AED 16,473 Mn in 4Q24, driven by strong performance across all the verticals. e& UAE revenue grew 6.2% YOY to AED 8,502 Mn in 4Q24, driven by higher mobile and other revenue. The growth was fuelled by innovative bundle packages, advanced network infrastructure, an exceptional customer experience, and favorable macroeconomic conditions. On the other hand, the e& international revenue grew 35.5% YOY to AED 6,717 Mn in 4Q24, driven by growth across all the geographical segments. Excluding e& PPF telecom, in constant currency, international revenue increased 16.7% YOY in 4Q24, partially offset by the devaluation of the Egyptian Pound and Franc. Marco Telecom

Group's revenue increased 3.4% YOY to AED 3,253 Mn in 4Q24, mainly due to a favorable exchange rate. In local currency, revenue increased by 1.4% YOY, primarily driven by robust performance from Moov Africa Subsidiaries, which grew 6.6% YOY in constant currency. The growth helped offset the decline in revenues from Morocco. Moreover, e& Egypt's revenue rose 4.5% YOY to AED 1,039 Mn in 4Q24 despite the devaluation of the Egyptian Pound. In constant currency, revenues rose by 67.2% YOY, driven by an expanding customer base, increased usage, and price hikes on services. Revenue from PTCL Group surged 18.1% YOY to AED 782 Mn in 4Q24.The growth was primarily driven by higher data and voice revenues, supported by a larger mobile customer base and improved network capabilities. Besides, Etisalat Afghanistan's revenue grew 20.1% YOY to AED 185 Mn in 4Q24. E& PPF telecom's revenue stood at AED 1,458 Mn in 4Q24 as a result of the consolidation of PPF in October 2024. Moreover, revenue from e& Enterprise rose 3.0% YOY to AED 881 Mn in 4Q24 due to a growth in cloud services and cybersecurity. E& Life's revenue grew from AED 238 Mn in 4Q23 to AED 569 Mn in 4Q24 due to the consolidation of Careem Technologies, supported by an increase in the number of active subscribers, Gross Transaction Value (GTV), and the expanded range of services. e&'s operating expenses rose 22.8% YOY to AED 11,284 Mn in 4Q24, owing to the consolidation of e& PPF Telecom and the new acquired digital entities. Total impairment loss on trade receivables and other assets increased from AED 356 Mn in 4Q23 to AED 1,463 Mn in 4Q24 due to a one-off in impairments. The share of profits from associates and joint ventures rose significantly from AED 276 Mn in 4Q23 to AED 880 Mn in 4Q24. e&'s federal royalty declined 30.1% YOY to AED 1,257 Mn in 4Q24, owing to the new royalty regime. As a result, the Company's operating profit increased 25.3% YOY to AED 3,349 Mn in 4Q24. Total EBITDA grew 8.5% YOY to AED 7,016 Mn in 4Q24, whereas the EBITDA margin fell from 47.1% in 4Q23 to 42.6% in 4Q24. Etisalat's UAE EBITDA rose 5.9% YOY to AED 4,324 Mn in 4Q24 due to growth in revenue and cost-control measures. e& International EBITDA increased 34.3% YOY to AED 2,948 Mn in 4Q24 due to exceptional performance in Egypt and Pakistan, coupled with the consolidation of e& PPF Telecom. EBITDA for e& Enterprises fell from AED 109 Mn in 4Q23 to negative AED 45 Mn in 4Q24 attributed to impact of a one-off item, while e& Life reported a negative EBITDA of AED 163 Mn in 4Q24 compared to positive AED 27 Mn in 4Q23, mainly due to the consolidation impact of Careem Technology. Finance and other income fell 33.9% YOY to AED 974 Mn in 4Q24, whereas finance and other costs rose significantly from AED 896 Mn in 4Q23 to AED 1,244 Mn in 4Q24. The Company recorded an income tax expense of AED 712 Mn in 4Q24 compared to AED 471 Mn in 4Q23. Share of NCI fell from AED 163 Mn in 4Q23 to AED 71 Mn in 4Q24.

Target price and recommendation

We maintain our BUY rating on e& with a target price of AED 22.00. The Company's witnessed solid financial performance in FY2024 benefitting from the robust momentum in the telecom sector, supported by improved operational performance and expansion in digital offerings. The subscriber base rose 11.7% YOY to 189.3 Mn in 4Q24 with the addition of over 10 Mn new subscribers across Bulgaria, Hungary, Serbia, and Slovakia attributed to the acquisition of PPF telecom assets. The acquisition enhances the Company's global footprint and unlocks scalable digital solutions. Furthermore, e&'s acquisition of GlassHouse, expanded its cloud, data, and SAP capabilities in Türkiye, South Africa, and Qatar, reinforcing its leadership in enterprise digital transformation. e& PPF Telecom Group signed an agreement to acquire 100% of SBB Serbia for EUR 825 Mn, aiming to create a leading converged operator in Serbia by combining SBB with its mobile subsidiary Yettel. The acquisition supports e&'s strategy to expand in Central Eastern Europe, diversify revenue, and enhance market competitiveness. The Company's recent acquisitions are expected to enhance its service offerings and drive top-line growth. The Company projects the revenue to grow by 17-20% on a YOY basis in FY2025. e& agreed to divest its 40% stake in Khazna for USD 2.2 Bn, unlocking value and generating a capital gain of USD 1.4 Bn. The proceeds will lower e&'s debt and strengthen its financial flexibility, while it remains a strategic partner and major tenant of Khazna. E& incurred higher direct costs in FY2024 due to the consolidation of PPF Telecom assets. Going forward, the Company expects the EBITDA margin to be recorded at c.43% in FY2025. The Board of Directors has approved a final dividend of 41.5 fils per share for 2H24, bringing the total annual dividend to 83 fils per share, in line with the new progressive dividend policy set by the Board for FY2024-26. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

Etisalat - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	15.61	15.12	14.08	13.67	13.10	12.8
P/B (x)	2.87	2.96	3.33	3.30	3.09	2.8
EV / EBITDA	5.59	5.54	6.25	6.51	6.56	6.0
Dividend yield	7.4%	4.9%	4.9%	4.9%	5.1%	5.3%

FABS estimate and Co Data

Etisalat - P&L

AED mm	1Q24	4Q24	1Q25F	YOY	QOQ	2024	2025F	Change
Revenue	14,214	16,473	17,408	22.5%	5.7%	59,203	69,685	17.7%
Operating expenses	-9,614	-11,284	-11,872	23.5%	5.2%	-39,479	-47,525	20.4%
Impairment	-243	-1,463	-383	57.9%	-73.8%	-2,138	-1,533	-28.3%
Share of results of associates and JVs	453	880	522	15.3%	-40.7%	2,475	2,091	-15.5%
Operating profit before federal royalty	**4,810**	**4,606**	**5,675**	**18.0%**	**23.2%**	**20,061**	**22,717**	**13.2%**
Federal royalty	-1,345	-1,257	-1,828	35.9%	45.4%	-5,282	-5,547	5.0%
Operating profit	**3,465**	**3,349**	**3,847**	**11.0%**	**14.9%**	**14,779**	**17,171**	**16.2%**
EBITDA	**6,376**	**7,016**	**7,550**	**18.4%**	**7.6%**	**26,454**	**30,217**	**14.2%**
Finance and other income	639	974	679	6.3%	-30.3%	2,733	1,840	-32.7%
Finance and other costs	-1,162	-1,244	-1,044	-10.1%	-16.1%	-5,212	-5,242	0.6%
Profit before tax	**2,943**	**3,078**	**3,482**	**18.3%**	**13.1%**	**12,300**	**13,769**	**11.9%**
Income tax expenses	-484	-712	-487	0.8%	-31.6%	-1,717	-2,065	20.3%
Profit for the period	**2,459**	**2,366**	**2,994**	**21.8%**	**26.6%**	**10,583**	**11,704**	**10.6%**
Non-controlling interests	130	71	180	38.6%	153.8%	-169	702	NM
Net Profit Attributable to Owners	**2,330**	**2,295**	**2,815**	**20.8%**	**22.6%**	**10,752**	**11,001**	**2.3%**

FABS estimate & Co Data

Etisalat - Margins

	1Q24	4Q24	1Q25F	YOY	QOQ	2024	2025F	Change
Operating Profit	24.4%	20.3%	22.1%	-228	177	25.0%	24.6%	-3
EBITDA	44.9%	42.6%	43.4%	-149	78	44.7%	43.4%	-13
Net Profit	16.4%	13.9%	16.2%	-22	223	18.2%	15.8%	-24

FABS estimate & Co Data

1Q25 preview: Etihad Etisalat Company (Mobily)

Growth in revenue to fuel the bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 57.40	SAR 66.50	+15.9%	BUY

1Q25 estimate

Etihad Etisalat (Mobily/the Company) is forecasted to report 11.5% YOY rise in net profit to SAR 711 Mn in 1Q25 owing to the expected increase in services revenue and decrease in finance expenses partially offset by anticipated increase in cost of services, operating expenses, D&A expenses, and impairment loss on accounts receivable coupled with projected increase in zakat expenses. Mobily's services revenue is expected to grow 8.4% YOY to SAR 4,929 Mn in 1Q25 owing to an expected increase in the revenue across all the segments. Cost of services is expected to increase 8.6% YOY to SAR 2,282 Mn in 1Q25. Resultantly, gross profit is anticipated to rise 8.3% YOY to SAR 2,647 Mn in 1Q25. Selling and marketing expense are projected to increase 7.7% YOY to SAR 380 Mn in 1Q25, while G&A expenses are estimated to rise 12.2% YOY to SAR 434 Mn in 1Q25. The Company's D&A expense is predicted to increase 2.9% YOY to SAR 924 Mn and impairments loss on account receivables is anticipated to jump 35.2% YOY to SAR 74 Mn in 1Q25. As a result, operating profit is likely to rise 10.9% YOY to SAR 836 Mn in 1Q25. Mobily's EBITDA is anticipated to grow 6.6% YOY to SAR 1,760 Mn, whereas its EBITDA margin is likely to decline 63 bps YOY to 35.7% in 1Q25. Furthermore, the Company's other income is anticipated to fall 21.2% YOY to SAR 27 Mn in 1Q25. Finance expenses are expected to decline 15.1% YOY to SAR 142 Mn in 1Q25, while finance income is projected to decline from SAR 45 Mn in 1Q24 to SAR 40 Mn in 1Q25. Zakat expense is forecasted to increase substantially from SAR 35 Mn in 1Q24 to SAR 49 Mn in 1Q25.

2025 forecast

Mobily is expected to record a 4.1% YOY growth in net profit to SAR 3,234 Mn in 2025 driven by an expected rise in services revenue, other income, and decline in finance expenses partially offset by rise in cost of services, operating expenses, impairment loss on accounts receivable, decline in finance income and tax expenses. Mobily's revenue is anticipated to grow 6.3% YOY to SAR 19,360 Mn in 2025 attributed to healthy growth in overall business segments. The Company's cost of services is projected to increase 4.8% YOY to SAR 8,712 Mn in 2025. Thus, gross profit is anticipated to grow 7.6% YOY to SAR 10,648 Mn in 2025. Selling and marketing expenses are forecasted to rise 8.0% YOY to SAR 1,452 Mn in 2025, whereas G&A expenses are expected to increase 36.2% YOY to SAR 1,646 Mn in 2025. The Company's depreciation and amortization expense is projected to rise marginally 0.9% YOY to SAR 3,696 Mn and impairments loss on account receivables is anticipated to boost significantly from SAR 146 Mn in 2024 to SAR 174 Mn in 2025. As a result, Mobily's operating profit is likely to increase 4.2% YOY to SAR 3,680 Mn in 2025. Moreover, the Company's EBITDA is expected to grow 2.5% YOY to SAR 7,376 Mn in 2025, whereas EBITDA margin is expected to fall 142 bps YOY to 38.1% in 2025. The Company is expected to record other income of SAR 116 Mn in 2025 compared to SAR 59 Mn in 2024. The Company's finance expense is projected to decline 18.7% YOY to SAR 500 Mn in 2025. Finance income is anticipated to fall 27.9% YOY to SAR 126 Mn in 2025. In addition, zakat expense is predicted to rise significantly from SAR 86 Mn in 2024 to SAR 189 Mn in 2025.

4Q24 outturn

Mobily's service revenue grew 9.1% YOY to SAR 4,697 Mn in 4Q24 attributable to strong expansion across all the revenue segments. Revenue from the Consumer segment increased 5.0% YOY to SAR 2,992 Mn in 4Q24, while the Business segment revenue increased substantially 20.8% YOY to SAR 1,134 Mn. Similarly, the Wholesale segment revenue increased 10.6% YOY to SAR 466 Mn in 4Q24. Outsourcing segment income grew 7.5% YOY to SAR 106 Mn in 4Q24. The Company's cost of services increased 19.0% YOY to SAR 2,192 Mn in 4Q24. Thus, the Company's gross profit rose 1.7% YOY to

SAR 2,505 Mn, while the gross profit margin declined 389 bps to 53.3% in 4Q24. Furthermore, operating expenses declined significantly 19.8% YOY to SAR 461 Mn in 4Q24 owing to a 40.3% YOY fall in selling & marketing expenses to SAR 320 Mn, partially offset by a sharp increase in G&A expenses to SAR 141 Mn. D&A expenses rose 11.9% YOY to SAR 989 Mn in 4Q24. Mobily recorded a reversal from accounts receivable of SAR 3 Mn in 4Q24 compared to an impairment on accounts receivable of SAR 22 Mn in 4Q23. Thus, Mobily's operating profit increased 7.6% YOY to SAR 1,058 Mn in 4Q24, while operating profit margin stood at 22.5%. Furthermore, the Company's EBITDA grew 9.6% YOY to SAR 2,047 Mn in 4Q24, while the EBITDA margin increased from 43.3% in 4Q23 to 43.6% in 4Q24. Mobily's other income grew from negative SAR 44 Mn in 4Q23 to a positive SAR 12 Mn in 4Q24. Finance expenses decreased 15.6% YOY to SAR 152 Mn in 4Q24, whereas finance income fell 20.5% YOY to SAR 45 Mn in 4Q24. Mobily recorded a zakat benefit of SAR 6 Mn in 4Q24 compared to an expense of SAR 95 Mn in 4Q23. Net profit increased 31.3% YOY to SAR 979 Mn in 4Q24.

Target price and recommendation

We revised our rating from ACCUMULATE to BUY on Mobily with an unchanged target price of SAR 66.50. Mobily's revenue grew 8.6% YOY to SAR 18.2 Bn in FY2024 owing to a healthy growth across all segments, especially in Business segment, which benefited from significant contributions from government, large enterprises, and small to medium-sized enterprises (SMEs). The company recorded a 3.9% rise in its mobile subscribers to 12.3 Mn subscribers including 10.3 Mn prepaid subscribers and 2.0 Mn postpaid subscribers as of FY2024. Mobily's FTTH subscribers stood at 0.3 Mn in FY2024. The Company further expects its revenue to grow by mid to high-single digit in 2025. Additionally, the company's EBITDA grew 8.6% YOY to SAR 7.2 Bn in FY2024, primarily supported by robust revenue growth and operational efficiency. Furthermore, Mobily's net profit rose significantly 39.2% YOY to SAR 3.1 Bn in FY2024, mainly attributable to higher EBITDA, cost efficiency, decline in finance expenses and lower zakat expenses. The company secured a 15-year license for the 120 MHz frequency spectrum in FY2024, expanding its technological infrastructure to meet the increasing demand for high-speed data services across retail and business markets. It also accelerated its 5G network expansion growing the total number of sites to more than 6,600 in 61 cities, enabling the company to achieve over 87% 5G coverage in seven major cities across Saudi Arabia. Mobily incurred a capex of SAR 2.6 Bn in FY2024 to expand its IoT infrastructure, data centers, submarine cables, and 5G presence. Additionally, the Company continues to deleverage as the gross debt declined 18.0% YOY to SAR 9.6 Bn in FY2024 resulting in lower finance cost. Mobily also announced a final cash dividend of SAR 1.30 per share for 2H24. Moreover, the Company heavily invested in cutting edge infrastructure, IOT applications and state-of-the-art data center developments which is expected to contribute to the top line growth. Thus, based on our analysis, we assign a BUY rating on the stock.

Mobily – Relative Valuation

(At CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	56.43	41.25	26.67	19.80	14.23	13.67
P/B (x)	3.06	2.91	2.70	2.51	2.34	2.16
EV / EBITDA	10.22	9.49	8.25	7.36	6.56	6.40
Dividend yield	0.9%	1.5%	2.0%	2.5%	3.8%	4.3%

FABS Estimates & Co Data

Mobily - P&L

SAR mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Services revenues	4,545	4,697	4,929	8.4%	4.9%	18,206	19,360	6.3%
Cost of services	-2,101	-2,192	-2,282	8.6%	4.1%	-8,312	-8,712	4.8%
Gross profit	**2,445**	**2,505**	**2,647**	**8.3%**	**5.7%**	**9,894**	**10,648**	**7.6%**
Selling and marketing expenses	-353	-320	-380	7.7%	18.4%	-1,344	-1,452	8.0%
General & administrative expenses	-386	-141	-434	12.2%	208.4%	-1,209	-1,646	36.2%
Operating expenses	**-739**	**-461**	**-813**	**10.1%**	**76.4%**	**-2,553**	**-3,098**	**21.3%**
Depreciation and amortisation	-898	-989	-924	2.9%	-6.6%	-3,664	-3,696	0.9%
Impairment loss on acc receivable	-55	3	-74	35.2%	NM	-146	-174	19.1%
Operating Profit	**753**	**1,058**	**836**	**10.9%**	**-21.0%**	**3,530**	**3,680**	**4.2%**
EBITDA	**1,651**	**2,047**	**1,760**	**6.6%**	**-14.0%**	**7,195**	**7,376**	**2.5%**
Other income	34	12	27	-21.2%	118.8%	59	116	95.4%
Finance expenses	-167	-152	-142	-15.1%	-6.7%	-615	-500	-18.7%
Finance income	45	45	40	-12.0%	-10.8%	175	126	-27.9%
Profit before zakat	**672**	**973**	**761**	**13.2%**	**-21.8%**	**3,193**	**3,422**	**7.2%**
Zakat	-35	6	-49	43.0%	NM	-86	-189	118.9%
Profit attributable	**638**	**979**	**711**	**11.5%**	**-27.4%**	**3,107**	**3,234**	**4.1%**

FABS estimate & Co Data

Mobily - Margins

	1Q24	4Q24	1Q25F	YOY	QOQ Ch	2024	2025F	Change
Gross profit	53.8%	53.3%	53.7%	-9	37	54.3%	55.0%	66
EBITDA	36.3%	43.6%	35.7%	-63	-788	39.5%	38.1%	-142
Operating profit	16.6%	22.5%	17.0%	38	-556	19.4%	19.0%	-38
Net profit	14.0%	20.9%	14.4%	40	-642	17.1%	16.7%	-36

FABS estimate & Co Data

1Q25 preview: Saudi Telecom Company (STC)

Improving gross margins to support bottom line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
SAR 45.55	SAR 46.00	+1.0%	HOLD

1Q25 Estimate

Saudi Telecom Company (STC) is expected to report a 5.1% YOY rise in net profit to SAR 3,454 Mn in 1Q25. The growth in net profit will be primarily driven by an anticipated increase in revenue coupled with lower depreciation charges, finance charges and other expenses partially offset by a predicted rise in selling & overhead expenses, general & administration expense, and zakat. STC's revenue is expected to grow 5.4% YOY to SAR 19,996 Mn in 1Q25. The Company's direct cost is likely to decline 1.2% YOY to SAR 10,178 Mn in 1Q25. Thus, gross profit is estimated to increase 13.3% YOY to SAR 9,818 Mn in 1Q25. We expect the gross margins to rise 341 bps YOY to 49.1% in 1Q25. STC's selling and overhead expenses are anticipated to grow 37.9% YOY to SAR 1,700 Mn in 1Q25, and G&A expenses are predicted to rise 7.1% YOY to SAR 1,800 Mn in 1Q25. EBITDA is anticipated to rise 8.7% YOY to SAR 6,319 Mn in 1Q25. Depreciation and amortisation expenses are expected to decline 8.7% YOY to SAR 2,391 Mn in 1Q25. Moreover, operating profit is likely to increase 1.9% YOY to SAR 3,928 Mn in 1Q25. Other expenses are expected to decline 16.4% YOY to SAR 256 Mn in 1Q25. Moreover, finance income is anticipated to fall 2.5% YOY to SAR 431 Mn in 1Q25. Finance charges are forecasted to decrease from SAR 415 Mn in 1Q24 to SAR 306 Mn in 1Q25. Zakat expense is anticipated to increase 18.1% YOY to SAR 291 Mn in 1Q25.

2025 Forecast

Saudi Telecom Company's net profit is expected to decline 41.9% YOY to SAR 14,339 Mn in 2025, due to one-off net gain on Tawal divestment in FY2024, unlikely occur in FY2025 coupled with an increase in direct cost, selling & overhead expenses, G&A expenses, operating expenses and zakat, partially offset by an increase in revenue and lower other expenses. STC's revenue is estimated to grow 5.6% YOY to SAR 80,156 Mn in 2025. On the other hand, direct cost is anticipated to increase 3.4% YOY to SAR 39,918 Mn in 2025. As a result, gross profit is likely to grow 7.9% YOY to SAR 40,238 Mn in 2025. STC's selling and overhead expenses are expected to grow 5.6% YOY to SAR 6,930 Mn in 2025, while G&A expenses are anticipated to increase 3.3% YOY to SAR 7,035 Mn in 2025. Thus, EBITDA is estimated to grow 9.8% YOY to SAR 26,273 Mn in 2025. D&A expense are expected to marginally rise 0.7% YOY to SAR 9,562 Mn in 2025. Meanwhile, operating profit is anticipated to increase 15.8% YOY to SAR 16,710 Mn in 2025. Furthermore, other expenses are anticipated to decline and reach SAR 1,026 Mn in 2025 compared to SAR 2,775 Mn in 2025. Finance income is estimated to decline 2.0% YOY to SAR 1,683 Mn in 2025, whereas finance charges are expected to decline marginally by 0.8% YOY to SAR 1,224 Mn in 2025. Zakat expenses are anticipated to increase 33.0% YOY to SAR 1,585 Mn in 2025. The profit share attributable to non-controlling interest holders is expected to decline from SAR 228 Mn in 2024 to SAR 218 Mn in 2025.

4Q24 Outturn

STC's revenue grew 9.6% YOY to SAR 19,266 Mn in 4Q24 owing to a rise in revenue from Solutions, STC Bank, and Sirar segment. STC's KSA revenue increased 1.7% YOY to SAR 12,408 Mn in 4Q24, driven by a rise in its subscriber base. STC's KSA fixed subscribers rose 2.7% YOY to 5.7 Mn, and mobile subscribers increased 7.1 % YOY to 28.3 Mn in FY2024. STC's Channel's revenue expanded 2.5% YOY to 3,529 Mn in 4Q24. STC Kuwait's revenue increased 7.8% YOY to SAR 890 Mn in 4Q24, however, its mobile-based subscribers reduced 0.4% YOY to 2.3 Mn in 4Q24. STC's Bank revenue grew 14.6% YOY to SAR 338 Mn in 4Q24. Solutions segment revenue rose 30.1% YOY to SAR 3,731 Mn in 4Q24. STC Bahrain revenue rose marginally 0.8% YOY to SAR 484 Mn in 4Q24 weighed down by a 1.7% YOY decline in subscriber base to 866 thousand. Sirar segment revenue grew from SAR 169 Mn in 4Q23 to

SAR 322 Mn in 4Q24. The Company's direct costs increased 4.5% YOY to SAR 9,850 Mn in 4Q24. Thus, gross profit increased 15.4% YOY to SAR 9,416 Mn in 4Q24. Gross profit margin rose 247 bps YOY to 48.9% in 4Q24. Total Operating expenses increased 18.2% YOY to SAR 3,846 Mn in 4Q24. Hence, EBITDA expanded 13.6% YOY to SAR 5,570 Mn in 4Q24. EBITDA margin of the Company expanded by 102 bps YOY to 28.9% and the depreciation and amortization expenses grew 9.6% YOY to SAR 2,600 Mn in 4Q24. Hence, the Company's operating profit was boosted by 17.3% YOY to SAR 2,970 Mn in 4Q24 and the operating profit margin grew 101 bps YOY to 15.4% in 4Q24.

Target price and recommendation

We maintain our HOLD rating on Saudi Telecom Company with a target price of SAR 46.00. STC witnessed robust financial performance in FY2024. In 4Q24, STC's KSA fixed subscribers rose 2.7% YOY to 5.7 Mn, and mobile subscribers increased 7.1 % YOY to 28.3 Mn. The mobile subscriber base in Kuwait and Bahrain stood at 2.3 Mn and 866 thousand respectively as of 4Q24. The Company secured a landmark contract with a government entity for developing and providing communication infrastructure services. The project will span 15 years, with an 18-month preparation and execution period. The revenue will be recognized after the initial operations phase, starting in 4Q26. STC Group partnered with Cohere to enhance AI-driven operations and customer engagement in the Middle East. The collaboration will focus on AI-powered solutions like a customized language model and virtual assistants to boost productivity. This partnership reinforces stc's commitment to driving innovation and digital transformation. STC Group is expanding its data center and submarine cable development. The key projects include the development of a cutting-edge Data Center Park in Bahrain, as part of the "Africa 2 Pearls" submarine cable system. The project, spanning across 45,000 kilometers, is a USD 300 Mn investment. The Company anticipates a modest increase in the capex owing to the recently announced government projects and data center expansion. STC Group acquired a 9.9% stake in Telefónica, valued at EUR 2.1 Bn (SAR 8.5 Bn). On December 31st, 2024, STC Group completed the sale of a 51% stake in TAWAL to PIF, following all necessary approvals. The transfer of Golden Lattice Investment Company (GLIC) to a new entity was also finalized. This collaboration consolidates TAWAL and GLIC, making PIF the majority shareholder with 54.38%, while stc retains 43.06%. The acquisition, partnerships, and government contract are poised to benefit the topline. The Company announced a special dividend of SAR 2 per share for FY2024, in addition to SAR 0.55 per share cash dividends for 4Q24. Thus, based on our analysis, we assign a HOLD rating on the stock.

STC – Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	20.71	20.13	18.71	17.13	9.22	15.9
P/B (x)	3.56	3.29	3.10	2.88	2.55	2.8
EV/EBITDA	9.90	9.76	8.57	9.98	9.25	8.2
Dividend yield	4.4%	3.5%	3.5%	5.7%	3.8%	4.8%

FABS Estimates & Co Data

STC - P&L

SAR mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Sales	18,963	19,266	19,996	5.4%	3.8%	75,893	80,156	5.6%
Direct costs	-10,299	-9,850	-10,178	-1.2%	3.3%	-38,593	-39,918	3.4%
Gross profit	**8,664**	**9,416**	**9,818**	**13.3%**	**4.3%**	**37,300**	**40,238**	**7.9%**
Selling & overhead exp	-1,232	-1,896	-1,700	37.9%	-10.4%	-6,562	-6,930	5.6%
General & Admin Exp.	-1,680	-1,950	-1,800	7.1%	-7.7%	-6,813	-7,035	3.3%
EBITDA	**5,815**	**5,570**	**6,319**	**8.7%**	**13.4%**	**23,926**	**26,273**	**9.8%**
Depreciation & Amortization	-2,618	-2,600	-2,391	-8.7%	-8.0%	-9,500	-9,562	0.7%
EBIT	**3,856**	**2,970**	**3,928**	**1.9%**	**32.3%**	**14,426**	**16,710**	**15.8%**
Other inc./(exp.)	-306	-2,297	-256	-16.4%	-88.9%	-2,775	-1,026	-63.0%
Finance Income	442	436	431	-2.5%	-1.2%	1,718	1,683	-2.0%
Financial charges	-415	-290	-306	-26.2%	5.6%	-1,234	-1,224	-0.8%
Profit before zakat	**3,577**	**819**	**3,797**	**6.2%**	**363.6%**	**12,135**	**16,143**	**33.0%**
Zakat	-246	-507	-291	18.1%	-42.7%	-1,192	-1,585	33.0%
Profit before NCI	**3,331**	**312**	**3,506**	**5.3%**	**NM**	**10,943**	**14,558**	**33.0%**
Profit from disc oper	0	13,174	0	NM	NM	13,973	0	NM
NCI	45	31	53	16.9%	72.4%	228	218	-4.1%
Profit attributable	**3,286**	**13,456**	**3,454**	**5.1%**	**-74.3%**	**24,689**	**14,339**	**-41.9%**

FABS estimate & Co Data

STC- Margins

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	YOY Ch
Gross profit	45.7%	48.9%	49.1%	341	23	49.1%	50.2%	105
EBITDA	30.7%	28.9%	31.6%	94	269	31.5%	32.8%	125
Operating profit	20.3%	15.4%	19.6%	-69	423	19.0%	20.8%	184
Net profit	17.3%	69.8%	17.3%	-6	-5257	32.5%	17.9%	-1464

FABS estimate & Co Data

1Q25 preview: Telecom Egypt (ETEL)

Rise in International Carrier and Home Services to boost operating revenue

Current Price	12-m Target Price	Upside/Downside (%)	Rating
EGP 33.99	EGP 48.00	+41.2%	BUY

1Q25 Estimate

Telecom Egypt (ETEL/the Company) is expected to report a 6.5% YOY increase in net profit to EGP 4,135 Mn in 1Q25, driven by an expected rise in operating revenue and income from associates partially offset by an anticipated increase in operating cost, selling & overhead expenses, and net finance cost. Telecom Egypt's revenue is expected to surge 29.0% YOY to EGP 22,559 Mn in 1Q25 due to growth across the retail and Wholesale segments. On the other hand, the Company's operating cost is estimated to increase 35.0% to EGP 14,212 Mn. The gross profit is anticipated to grow 19.9% YOY to EGP 8,347 Mn in 1Q25. Telecom Egypt's selling and overhead expenses are expected to increase 37.3% YOY to EGP 3,948 Mn in 1Q25. The Company is expected to incur a loss in net operating revenue of EGP 153 Mn in 1Q25 compared to a loss of EGP 471 Mn in 1Q24. Thus, operating profit is estimated to grow from EGP 3,616 Mn in 1Q24 to EGP 4,246 Mn in 1Q25, while the operating profit margin is projected to fall 185 bps to 18.8% in 1Q25. The Company's EBITDA is expected to increase 23.0% YOY to EGP 8,409 Mn in 1Q25. Additionally, the income from associates is expected to increase from EGP 899 Mn in 1Q24 to EGP 3,490 Mn in 1Q25. However, the Company's net finance cost is projected to increase, rising from EGP 1,666 Mn in 1Q24 to EGP 3,063 Mn in 1Q25. The tax expense is estimated to reach EGP 532 Mn in 1Q25.

2025 Forecast

We forecast Telecom Egypt's net profit to increase 34.0% YOY to EGP 13,532 Mn in 2025, owing to an expected increase in operating revenue and income from associates and an anticipated decrease in net finance cost, partially offset by expected growth in operating cost, selling & overhead expenses and an increase in income tax. The Company's revenue is expected to grow 21.0% YOY to EGP 99,268 Mn in 2025, driven by strong growth in the Retail and Wholesale segments. On the other hand, operating cost is estimated to increase 20.1% YOY to EGP 61,546 Mn in 2025. Thus, gross profit is projected to grow 22.5% YOY to EGP 37,722 Mn in 2025. Selling and overhead expenses are estimated to grow 25.3% YOY to EGP 16,081 Mn in 2025. Moreover, Telecom Egypt's operating profit is expected to grow 20.7% YOY to EGP 21,315 Mn in 2025. The Company's EBITDA is anticipated to increase 15.2% YOY to EGP 37,966 Mn in 2025. Furthermore, income from associates is predicted to increase 4.0% YOY to EGP 9,009 Mn in 2025. However, the Company's net finance cost is expected to decrease from EGP 15,758 Mn in 2024 to EGP 12,254 Mn in 2025. Income tax is assumed to increase significantly from EGP 451 Mn in 2024 to EGP 4,518 Mn in 2025.

4Q24 Outturn

Telecom Egypt's revenue grew 60.4% YOY to EGP 23,606 Mn in 4Q24, mainly driven by solid growth in the Retail and Wholesale segments. The Retail segment boosted 40.9% YOY to EGP 11,767 Mn in 4Q24 due to growth in Home Services and Enterprise Solutions revenue. Revenue from Home Services expanded 49.2% YOY to EGP 9,771 Mn in 4Q24, driven by a growth in data revenue, which was fueled by an increased customer base and higher ARPU. On the other hand, Enterprise Solution increased 10.8% YOY to EGP 1,996 Mn in 4Q24, attributed to Managed Data Services. The Wholesale segment revenues recorded robust growth of 85.9% YOY to EGP 11,840 Mn in 4Q24, due to strong growth across Domestic Wholesale, International Carrier, and International Cable and Network revenues. Domestic Wholesale revenue boosted 50.5% YOY to EGP 2,963 in 4Q24, due to growth in infrastructure revenue, whereas International Carrier revenue surged significantly from EGP 2,079 Mn in 4Q23 to EGP 4,184 in 4Q24, driven by strong growth in IDD revenue, which rose 88%, fueled by foreign currency appreciation and increased international call traffic. Additionally, International Cable and Network revenue increased

82.8% YOY to EGP 4,693 Mn in 4Q24, primarily attributed to cable projects, which boosted 168 % YOY in 4Q24. Furthermore, Operating costs rose 56.5% YOY to EGP 15,294 Mn in 4Q24, mainly due to an increase in call costs and other operating costs owing to currency devaluation. Thus, gross profit grew by 68.0% YOY to EGP 8,312 Mn in 4Q24, whereas Gross profit margin rose 160 bps YOY to 35.2% in 4Q24. Selling and overhead expenses increased 25.9% YOY to EGP 3,434 Mn in 4Q24. Telecom Egypt recorded net operating expenses of EGP 53 Mn in 4Q24 compared to an expense of EGP 172 Mn in 4Q23. Hence, Operating profit expanded from EGP 2,047 Mn in 4Q23 to EGP 4,825 Mn in 4Q24, coupled with an increase in operating profit margin by 653 bps YOY to 20.4% in 4Q24. The Company's EBITDA rose 86.6% YOY to EGP 9,468 Mn in 4Q24, whereas EBITDA margin surged 564 bps YOY to 40.1% in 4Q24. This growth in EBITDA is due to the Company's strategic cost optimization efforts. Income from associates rose significantly from EGP 1,851 Mn in 4Q23 to EGP 3,324 Mn in 4Q24. Net finance cost increased significantly from EGP 750 Mn in 4Q23 to EGP 6,395 Mn in 4Q24, mainly due to the appreciation of the FX-denominated debt and a rise in the effective interest in 4Q24. In addition, income tax expense stood at EGP 289 Mn in 4Q24 compared to EGP 580 Mn in 4Q23.

Target price and recommendation

We maintain our BUY rating on Telecom Egypt with a target price of EGP 48.00. The Company reported a notable decline in profitability in 4Q24 due to higher operating costs from the Egyptian currency's devaluation and increased finance costs driven by the appreciation of foreign currency-denominated debt and higher effective rate of borrowing, partially offset by an impressive revenue growth of 60.4% YOY to EGP 23,606 in the Retail and Wholesale Segments. This growth is fuelled by growth in data revenue and cable projects, followed by growth in infrastructure and IDD revenue. The Company also introduced a data services price hike at the end of FY2024, which is expected to contribute to its financials from 1Q25. Furthermore, Telecom Egypt expects its Enterprise Business Segment to experience continued growth, driven by the increasing demand for Managed Data services. Additionally, Telecom Egypt has completed preparations to sell 2,500 communication towers, expecting purchase offers in early 2025 valued between USD 200-250 Mn. Telecom Egypt secures an EGP 18 Bn syndicated loan from 13 banks to refinance short-term facilities, to improve cash flow balance, and enhance financial flexibility. The Company's customer base expanded across both fixed line and mobile segments in 4Q24. Fixed-line Voice customers grew 5.9% YOY to 13.2 Mn, while Data customers increased 7.7% YOY to 10.3 Mn in 4Q24. Meanwhile, mobile customers boosted 12.6% YOY to 14.0 Mn in 4Q24. Similarly, Fixed Data ARPU surged to EGP 243.6 in 4Q24 compared to EGP 232.7 in 3Q24 and EGP 168.1 in 4Q23. Additionally, Fixed Line ARPU increased to EGP 37.45 in 4Q24 from EGP 29.22 in 4Q23. Telecom Egypt and Alcatel Submarine Networks announce the successful landing of the Africa 1 subsea cable system in Egypt at the Ras Ghareb station on the Red Sea. Telecom Egypt has also signed several landmark service agreements with Orange Egypt, with a total cumulative value of c. EGP 15.0 Bn, highlighting the company's effort in solidifying its position in the telecommunications market. Additionally, the Company expects these agreements to expand further in the future to accommodate additional requirements and increase capacity. The finance expenses of the Company increased more than twofold during 4Q24 due to the appreciation of foreign exchange-denominated debt, which raised the effective interest rate to c. 16% during 4Q24. However, Telecom Egypt expects low-twenties annual growth in revenue with a high-thirties EBITDA margin in FY2025. Additionally, the Company expects its free cash flow to increase in 2025, targeting a 40% free cash flow to EBITDA. This is mainly attributable to the normalization of capital expenditures. Thus, based on our analysis, we assign a BUY rating on the stock.

Telecom Egypt –Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	14.62	7.78	6.28	4.92	5.71	4.3
P/B (x)	1.49	1.30	1.24	1.13	1.26	1.0
EV / EBITDA	6.82	4.96	4.78	4.24	3.97	3.4
Dividend yield	2.2%	3.0%	3.7%	4.4%	4.4%	5.5%

FABS estimate & Co Data

Telecom Egypt-P&L

EGP mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Operating Revenue	17,487	23,606	22,559	29.0%	-4.4%	82,037	99,268	21.0%
Operating costs	-10,526	-15,294	-14,212	35.0%	-7.1%	-51,242	-61,546	20.1%
Gross profit	**6,961**	**8,312**	**8,347**	**19.9%**	**0.4%**	**30,795**	**37,722**	**22.5%**
Selling & overhead expenses	-2,874	-3,434	-3,948	37.3%	15.0%	-12,836	-16,081	25.3%
Net operating revenue (others)	-471	-53	-153	-67.6%	187.4%	-301	-326	8.2%
Operating profit	**3,616**	**4,825**	**4,246**	**17.4%**	**-12.0%**	**17,658**	**21,315**	**20.7%**
EBITDA	**6,838**	**9,468**	**8,409**	**23.0%**	**-11.2%**	**32,953**	**37,966**	**15.2%**
Income from Associates	899	3,324	3,490	NM	5.0%	8,663	9,009	4.0%
Net Finance income/(cost)	-1,666	-6,395	-3,063	83.8%	-52.1%	-15,758	-12,254	-22.2%
Profit before zakat	**2,848**	**1,754**	**4,673**	**64.1%**	**166.5%**	**10,562**	**18,070**	**71.1%**
Zakat	1,036	-289	-532	-151.4%	84.3%	-451	-4,518	Nm
Profit before N-C interests	**3,884**	**1,465**	**4,140**	**6.6%**	**182.7%**	**10,111**	**13,553**	**34.0%**
Non-controlling interests	-2	-4	-5	163.6%	37.0%	-13	-20	54.1%
Profit attributable	**3,882**	**1,461**	**4,135**	**6.5%**	**183.0%**	**10,098**	**13,532**	**34.0%**

FABS estimate & Co Data

Telecom Egypt - Margins

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross profit	39.8%	35.2%	37.0%	-281	179	37.5%	38.0%	46
EBITDA	39.1%	40.1%	37.3%	-183	-283	40.2%	38.2%	-192
Operating profit	20.7%	20.4%	18.8%	-185	-161	21.5%	21.5%	-5
Net profit	22.2%	6.2%	18.3%	-387	1,214	12.3%	13.6%	132

FABS estimate & Co Data

1Q25 preview: Emirates Integrated Telecommunications (du)

Rise in subscribers coupled with diversification of revenue to boost top line

Current Price	12-m Target Price	Upside/Downside (%)	Rating
AED 8.00	AED 8.55	+6.9%	HOLD

1Q25 Estimate

Emirates Integrated Telecommunications (DU/The Company) net profit is expected to grow 3.1% YOY to AED 622 Mn in 1Q25, driven by anticipated growth in revenue, partially offset by forecasted increase in costs, marketing expenses, expected credit loss, D&A expenses, net finance expenses, and tax expenses. DU's revenue is expected to grow 4.4% YOY to AED 3,740 Mn in 1Q25, supported by an anticipated increase in revenue across all its segments. Mobile segment revenue is forecasted to increase 3.0% YOY to AED 1,650 Mn, and the Fixed revenue segment is expected to surge 2.7% YOY to AED 988 Mn in 1Q25. Similarly, Wholesale segment revenue is projected to increase 2.9% YOY to AED 466 Mn in 1Q25, while Other segment revenue is expected to boost significantly by 12.4% YOY to AED 636 Mn in 1Q25. The Company's cost of sales, excluding depreciation & amortization and marketing expenses, is anticipated to rise 4.5% YOY to AED 1,967 Mn in 1Q25, while marketing expenses are estimated to rise 19.1% YOY to AED 60 Mn in 1Q25. Additionally, expected credit losses (ECL) are projected to increase 19.8% YOY to AED 75 Mn in 1Q25. Thus, DU's EBITDA is projected to rise 3.2% YOY to AED 1,638 Mn in 1Q25, whereas the EBITDA margin is expected to decline 50 bps YOY to 43.8% in 1Q25 compared to 44.3% in 1Q24. D&A and impairment charges are anticipated to grow 6.9% YOY to AED 557 Mn in 1Q25. As a result, operating profit will likely grow 1.5% YOY to AED 1,081 Mn in 1Q25. Operating profit margin is expected decline 84 bps YOY to 28.9% in 1Q25. The Company is expected to record a net finance expense of AED 5 Mn in 1Q25 compared to a net finance income of AED 4 Mn in 1Q24. In addition, federal royalty is expected to decline by 3.3% YOY to AED 393 Mn in 1Q25. The Company's tax expense is anticipated to rise 3.4% YOY to AED 61 Mn in 1Q25.

2025 Forecast

DU's net profit is anticipated to rise 7.6% YOY to AED 2,678 Mn in 2025 due to anticipated growth in revenue, and decline in marketing expenses, partially offset by expected rise in Costs (ex D&A, marketing exp), D&A expenses, net finance costs, federal royalty and tax expenses. Revenue is expected to grow 5.5% YOY to AED 15,444 Mn in 2025 due to projected growth in revenue across all its segments. Mobile segment revenue is forecasted to increase 7.3% YOY to AED 7,029 Mn, and the Fixed revenue segment is expected to surge marginally by 1.2% YOY to AED 4,050 Mn in 2025. Similarly, Wholesale segment revenue is projected to increase 3.0% YOY to AED 1,886 Mn in 2025, while Other segment revenue is expected to boost significantly by 10.0% YOY to AED 2,479 Mn in 2025. Cost of sales excluding depreciation & amortization and marketing expenses is expected to grow 5.2% YOY to AED 8,042 Mn in 2025. Marketing expenses are anticipated to decline 2.3% YOY to AED 258 Mn in 2025, while ECL is estimated to surge marginally by 0.5% YOY to AED 263 Mn in 2025. Thus, EBITDA is expected to rise 6.3% YOY to AED 6,882 Mn in 2025. EBITDA margin is likely to rise 34 bps YOY to 44.6% in 2025. Depreciation and amortization expense is anticipated to grow 3.5% YOY to AED 2,229 Mn in 2025. As a result, operating profit is predicted to grow 7.8% YOY to AED 4,653 Mn in 2025. Operating profit margin is anticipated to grow 62 bps YOY to 30.1% in 2025. Moreover, net finance expense is expected to increase significantly from AED 10 Mn in 2024 to AED 20 Mn in 2025. Federal royalty is expected to increase 7.6% YOY to AED 1,691 Mn in 2025. The Company's tax expenses are forecasted to rise 7.2% YOY to AED 265 Mn in 2025.

4Q24 Outturn

DU's revenue grew 8.8% YOY to AED 3,873 Mn in 4Q24 primarily driven by healthy growth across mobile, fixed and others segments. The growth in services revenue is driven by solid growth in subscriber base and improved mix. Other revenue growth is attributed to a growth in wholesale, equipment and ICT services. Mobile Services revenue rose 8.0% YOY to AED 1,702 Mn due to growth in the Postpaid as well as prepaid customer base attributable to rise in tourism activity and a better mix coupled with increased focus on higher ARPU products. Moreover, the mobile subscriber base rose 4.2% YOY to 8.9 Mn mainly driven by 10.0% YOY growth in postpaid customers to 1.8 Mn. Meanwhile, the prepaid customers rose by 2.9% YOY to 7.1 Mn in 4Q24. Fixed service revenue grew 9.8% YOY to AED 1,046 Mn attributable to a robust performance of Fibre and Home Wireless products as well as expansion of the Fibre network. Broadband subscribers recorded a strong growth of 12.8% YOY to 682k in 4Q24. Other revenues increased 9.3% YOY to 1,125 Mn in 4Q24 driven by ICT, visitor roaming, interconnect and handset sale coupled with the successful launch of iPhone16. It also benefitted from growth in cloud and managed services and data centres. DU's cost of revenue, excluding D&A and marketing expenses, rose 6.2% YOY to AED 2,120 Mn in 4Q24. Marketing expenses increased by 26.3% YOY to AED 108 Mn in 4Q24, while ECL charges also rose 38.3% YOY to AED 65 Mn in 4Q24. The Company's EBITDA rose 10.6% YOY to AED 1,581 Bn in 4Q24 with an EBITDA Margin of 40.8% in 4Q24 compared to 40.2% in 4Q23. The Company recorded a finance cost of AED 1 Mn in 4Q24 compared to a finance income of AED 1 Mn in 4Q23. Furthermore, DU's Federal royalty charge fell 23.4% YOY to AED 380 Mn due to the implementation of the new royalty regime. In addition, tax expense amounted to AED 58 Mn in 4Q24 compared to nil in 4Q23 owing to the introduction of UAE corporate tax in FY2024.

Target price and rating

We maintain our HOLD rating on DU with a target price of AED 8.55. The Company recorded robust financial performance in 4Q24. Apart from recording growth in the subscribers, it is focusing on diversifying revenue streams by offering other technology related services, forging partnerships, launching new brands and expanding its product portfolio. DuPay performed favorably by targeting underserved segments with tailored offerings. The government's focus on digital transformation, economic diversification, and infrastructure investment continues to create opportunities for DU. It expects to witness strong growth in the fixed segment. The Company expects revenue to grow by 5-7% in FY2025. Du partnered with Telefonica to explore potential joint business opportunities in areas such as B2B and B2C, digital services, technology, innovation, procurement, and other key strategic sectors to drive growth in business. DU became the first telecom operator in the UAE to commercially launch 5G Voice over New Radio (VoNR) service and receive full certification for compatibility with its 5G Standalone Access (5G SA) network. The Company expects FY2025 EBITDA margin to be higher than the 44.2% margin reported in FY2024. DU partnered with PEACE Cable International Network to extend the PEACE Cable System into the UAE and Gulf region. The partnership includes the construction of a new branch, the PEACE Gulf Extension, which will link the UAE to a global network spanning over 22,000 km across three continents. It is anticipated to be launched by 2H26. DU announced an exclusive partnership with Cyberspace Technologies to launch Tairra, an all-in-one business management platform designed to optimize workflow, boost productivity, and improve team coordination. The board of directors recommended a final dividend of 34 fils per share for 2H24 bringing the total dividend for the FY2024 to 54 fils per share. Thus, considering the above-mentioned factors, we assign a HOLD rating on the stock.

DU – Relative Valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
P/E (x)	25.13	32.94	29.73	21.74	14.58	13.5
P/B (x)	4.23	4.25	4.13	3.92	3.67	3.6
EV/EBITDA	11.41	11.19	10.22	8.78	7.18	6.5
Dividend yield	3.5%	2.6%	3.0%	4.3%	6.8%	7.0%

FABS Estimates & Co Data

DU - P&L

AED mm	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	3,581	3,873	3,740	4.4%	-3.4%	14,636	15,444	5.5%
Costs (ex D&A, marketing exp)	-1,882	-2,120	-1,967	4.5%	-7.2%	-7,642	-8,042	5.2%
Marketing expense	-50	-108	-60	19.1%	-44.4%	-264	-258	-2.3%
Expected Credit Loss	-62	-65	-75	19.8%	14.2%	-261	-263	0.5%
EBITDA	**1,587**	**1,581**	**1,638**	**3.2%**	**3.6%**	**6,472**	**6,882**	**6.3%**
D&A & Impairment	-521	-557	-557	6.9%	0.1%	-2,154	-2,229	3.5%
Operating profit	**1,065**	**1,024**	**1,081**	**1.5%**	**5.5%**	**4,319**	**4,653**	**7.8%**
Financing income/expense	4	-1	-5	NM	NM	-10	-20	94.7%
Pre-royalty profit	**1,068**	**1,023**	**1,076**	**0.7%**	**5.2%**	**4,306**	**4,634**	**7.6%**
Federal Royalty	-406	-380	-393	-3.3%	3.5%	-1,572	-1,691	7.6%
Tax	-59	-58	-61	3.4%	5.4%	-247	-265	7.2%
Net profit	**603**	**585**	**622**	**3.1%**	**6.3%**	**2,488**	**2,678**	**7.6%**

FABS estimate & Co Data

DU - Margins

	1Q24	4Q24	1Q25F	YOY Ch	QOQ Ch	2024	2025F	Change
Gross profit	47.4%	45.3%	47.4%	-5	213	47.8%	47.9%	14
EBITDA	44.3%	40.8%	43.8%	-50	298	44.2%	44.6%	34
Operating profit	29.7%	26.4%	28.9%	-84	245	29.5%	30.1%	62
Net Profit	16.8%	15.1%	16.6%	-21	153	17.0%	17.3%	34

FABS estimate & Co Data

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