



1Q25 profit down 29% YoY (-72% QoQ) to AED19mn; in line with estimates

- E7 Group posted 1Q25 profit of AED19mn, down 29% YoY (-72% QoQ), in line with estimates. The YoY decline is mainly due to the delivery schedule of contracts, with pick up expected through the remaining quarters of the year.
- On QoQ basis, profit decline is mainly due to seasonality in the business, particularly in the printing division which runs on reduced utilization in the 1Q, as well as lower number of operations days YoY due to leap year in 1Q24.
- E7 Group is a value stock with cash on books of over 70% of its current market cap, which will be utilized for acquisition in the security/packaging divisions. We believe the stock is undervalued and maintain Buy recommendation with FV AED1.53

1Q25 profit down 29% YoY (-72% QoQ; in line with estimates) to AED19mn: On YoY, the profits decline was led by delivery schedule of contracts with pick-up expected in the remaining quarters of the year. The company has grown its operations YoY resulting in a 28% uptick in general and admin expenses which clocked in at AED23mn in 1Q25. Net finance income came in at AED18mn, just 7% lower YoY, despite lower interest rates, as the company's cash position continues to strengthen. On QoQ basis, 72% decline in earnings was due to seasonality in numbers with 1Q generally considered to be the weakest quarter of the year for the company where the printing segment operates on low utilization. Net finance income also declined by 26% QoQ, mainly due to lower gain on warrants repricing during the quarter. The result was in line with our estimate, and we maintain our FY25 earnings forecast of AED162mn.

1Q25 revenue down 10% YoY (-46% QoQ, in line with estimates) to AED114mn: The revenue decline was led by similar factors described above while we maintain our FY25 revenue estimate of AED724mn, with sizeable pickup expected in the remaining quarters of the year. **1Q25 EBITDA came in at AED13mn, down 78% QoQ and 29% YoY** and in line with our estimates.

Our view on E7 Group: We recommend Buy on E7 Group with FV of AED1.53/share. Our confidence in the stock comes from, i) monopolistic business model with long term Government contracts, ii) cash-rich balance sheet with over cash on books over 70% of E7's market cap, which will be utilized for potential acquisitions in the security/packaging segments, iii) clear vision to grow organically with capacity and efficiency enhancement across all business lines and, iv) high dividend yield with maiden dividend for FY24 beating analyst expectations, and providing a dividend yield of over 7%. We believe the stock has been severely overlooked by the market, mainly due delays in utilization of the hefty cash reserves. However, the company has been continuously considering several acquisition targets which once finalized, will be a sizeable catalyst for the stock. The stock is a mix of value and growth with FY25e P/E of 12.7x and dividend yield of 6.5%.

E7 Group: 1Q25 result summary

AED mn	1Q24	4Q24	1Q25	QoQ	YoY	1Q Est.	Vs. Est	2024	2025e	YoY
Revenue	126	209	114	-46%	-10%	119	-4%	701	724	3%
Gross profit	27	74	26	-65%	-6%	25	3%	230	209	-9%
GP margin	22%	35%	23%	-12%	1%	21%	2%	33%	29%	-4%
General & admin	(18)	(21)	(23)	9%	28%	(20)	13%	(80)	(84)	5%
Net finance income	19	24	18	-26%	-7%	16	11%	104	55	-47%
Profit before tax	29	76	21	-72%	-28%	21	1%	257	178	-31%
Tax	(3)	(7)	(2)	-73%	-27%	(2)	-2%	(23)	(16)	-30%
Profit after tax	27	69	19	-72%	-29%	19	1%	233	162	-31%
EPS (AED)	0.013	0.034	0.010	-72%	-29%	0.009	1%	0.117	0.081	-31%
EBITDA	19	61	13	-78%	-29%	14	-6%	191	175	-8%

Source: Company Data, IS Research.

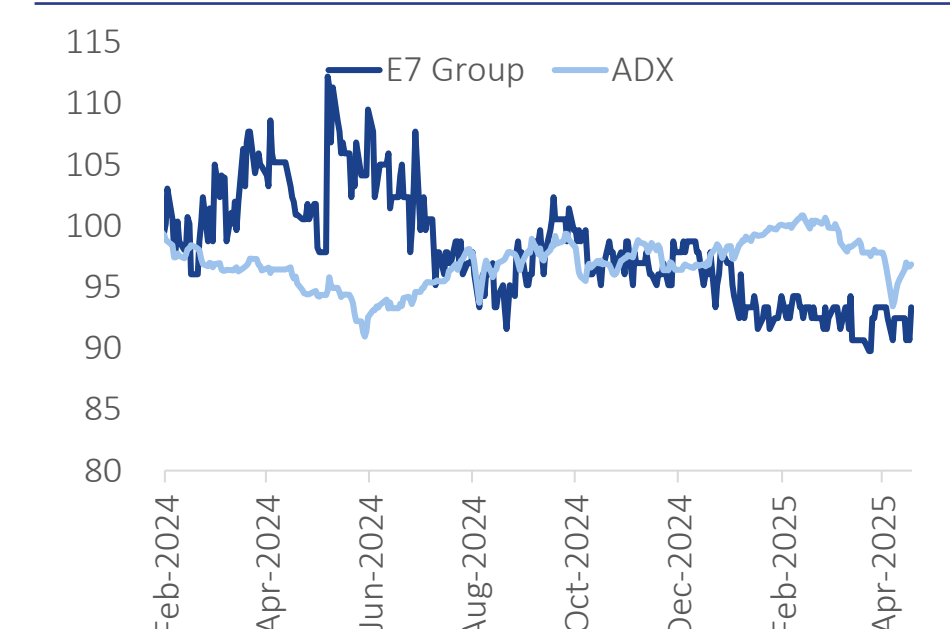
Ticker	E7 UH
Market Cap (AED bln)	2.06
Stock Price (AED)	1.03
Fair Value (AED)	1.53
Upside (%)	48.54
52W High (AED)	1.30
52W Low (AED)	0.93
3M ADTV (AEDmn)	0.50

E7 Group financials

AED mn	2023	2024	2025e
Revenue	632	701	724
Net Profit	(51)	233	162
EBITDA	171	191	175
EPS (AED)	(0.026)	0.117	0.081
DPS (AED)	-	0.0736	0.067
Total Assets	2,018	2,390	2,300
Total Equity	1,618	1,942	1,834
Total Liabilities	400	448	466
EBITDA Margin (%)	27.1	27.2	24.2
P/E (x)	-	8.8	12.7
Div. Yield (%)	-	7.1	6.5

Source: Company Data, IS Research

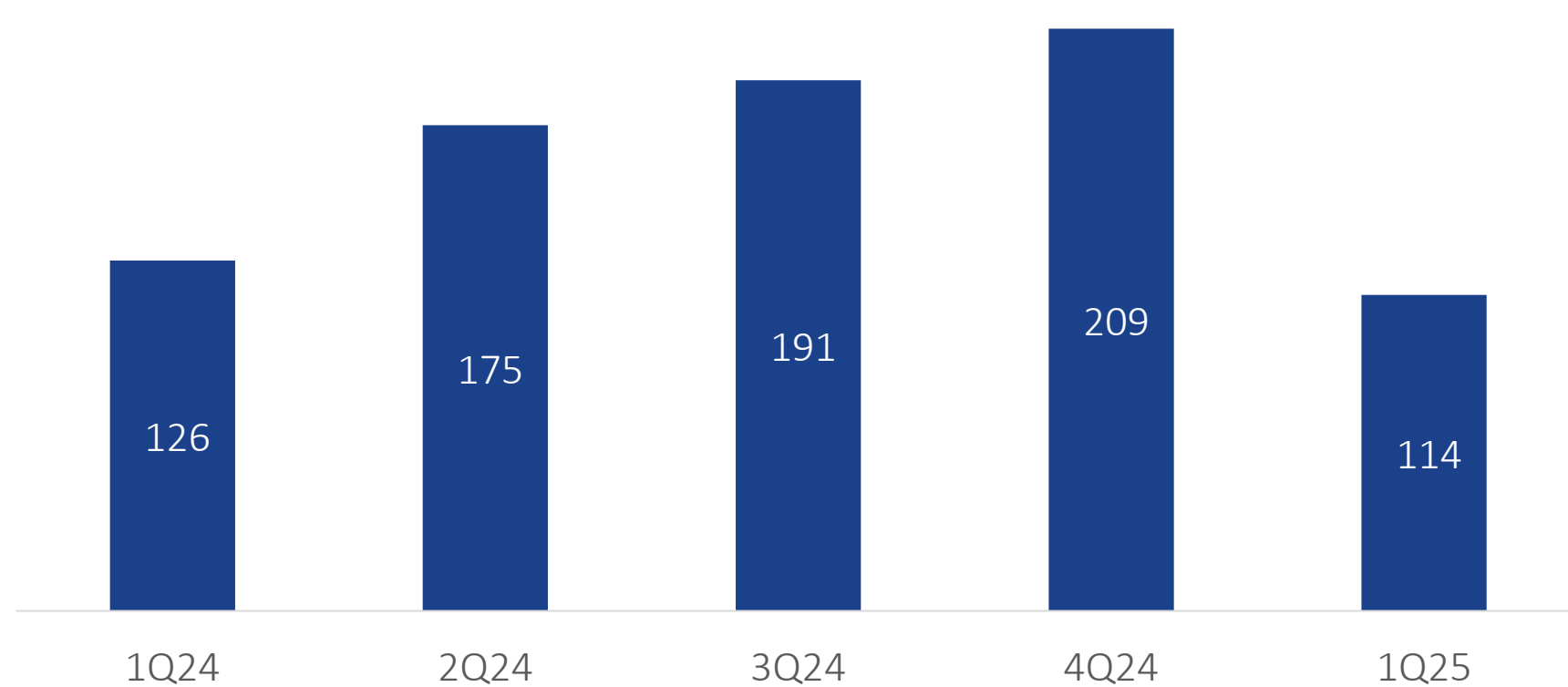
E7 Group vs ADX



Source: Refinitiv, IS Research, *both rebased to 100 as of 01-Jan-2024

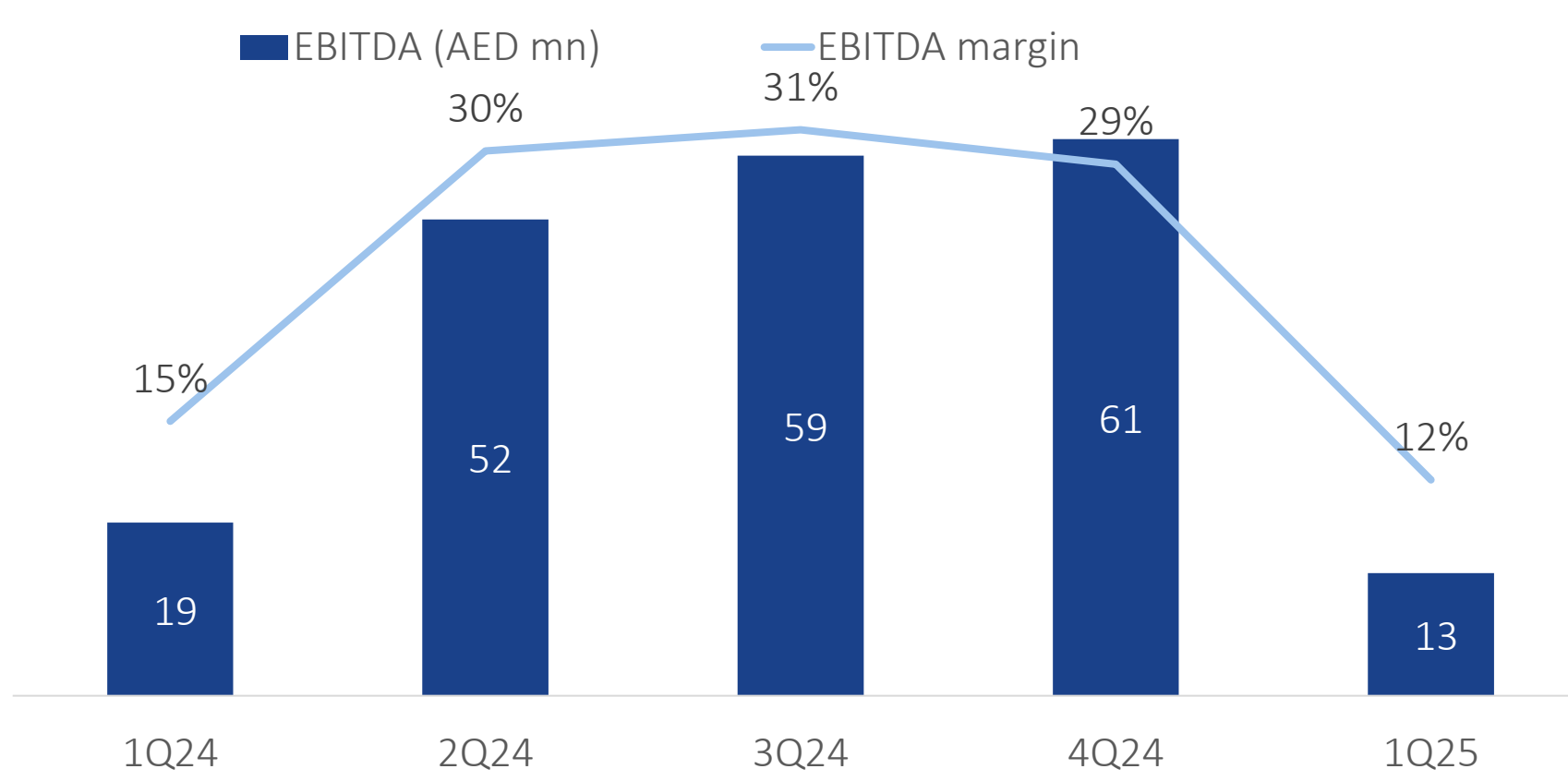
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1Q25: Revenue down 10% YoY and 46% QoQ



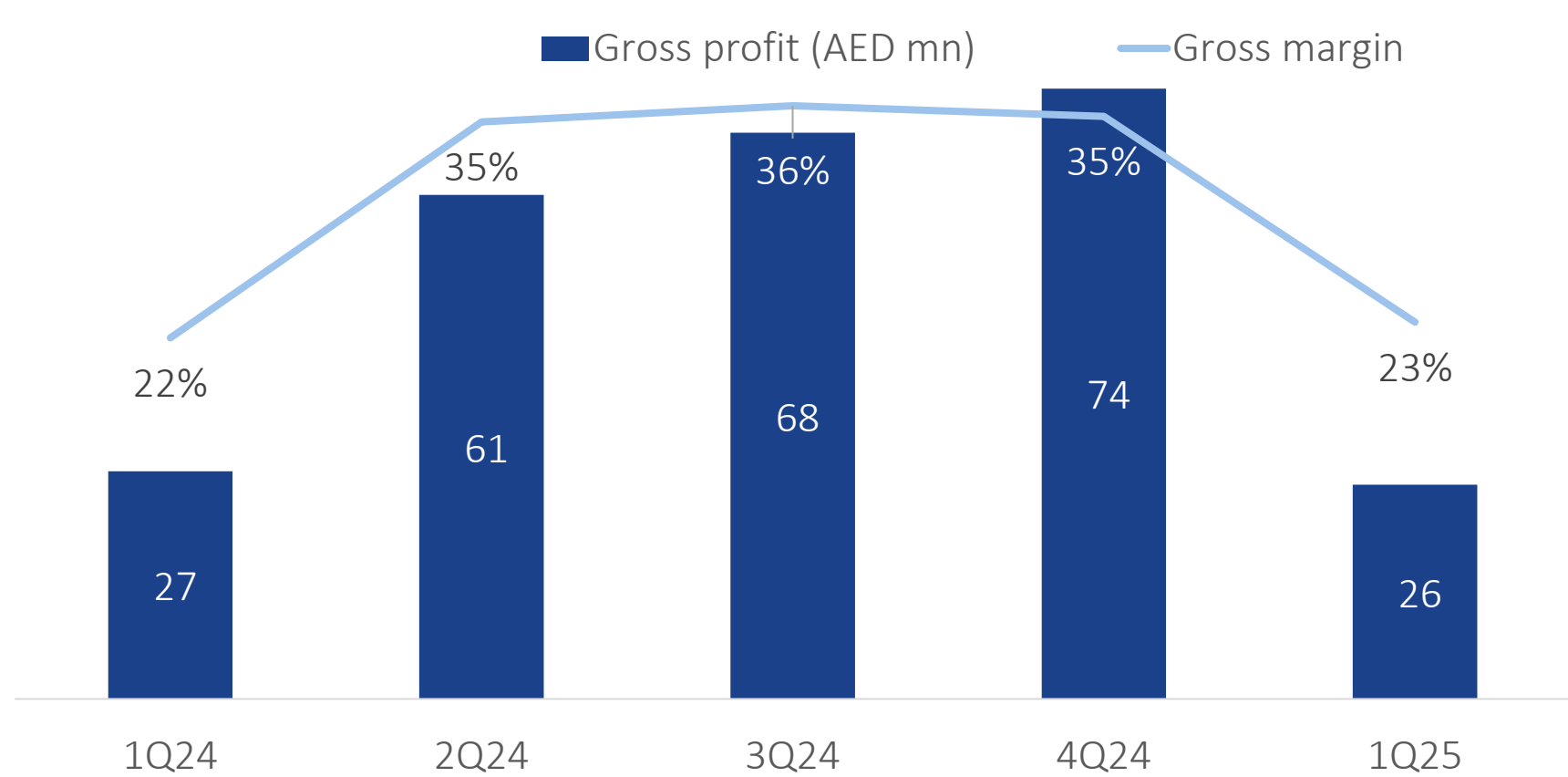
Source: Company data, IS Research

1Q25: EBITDA down 29% YoY and 78% QoQ



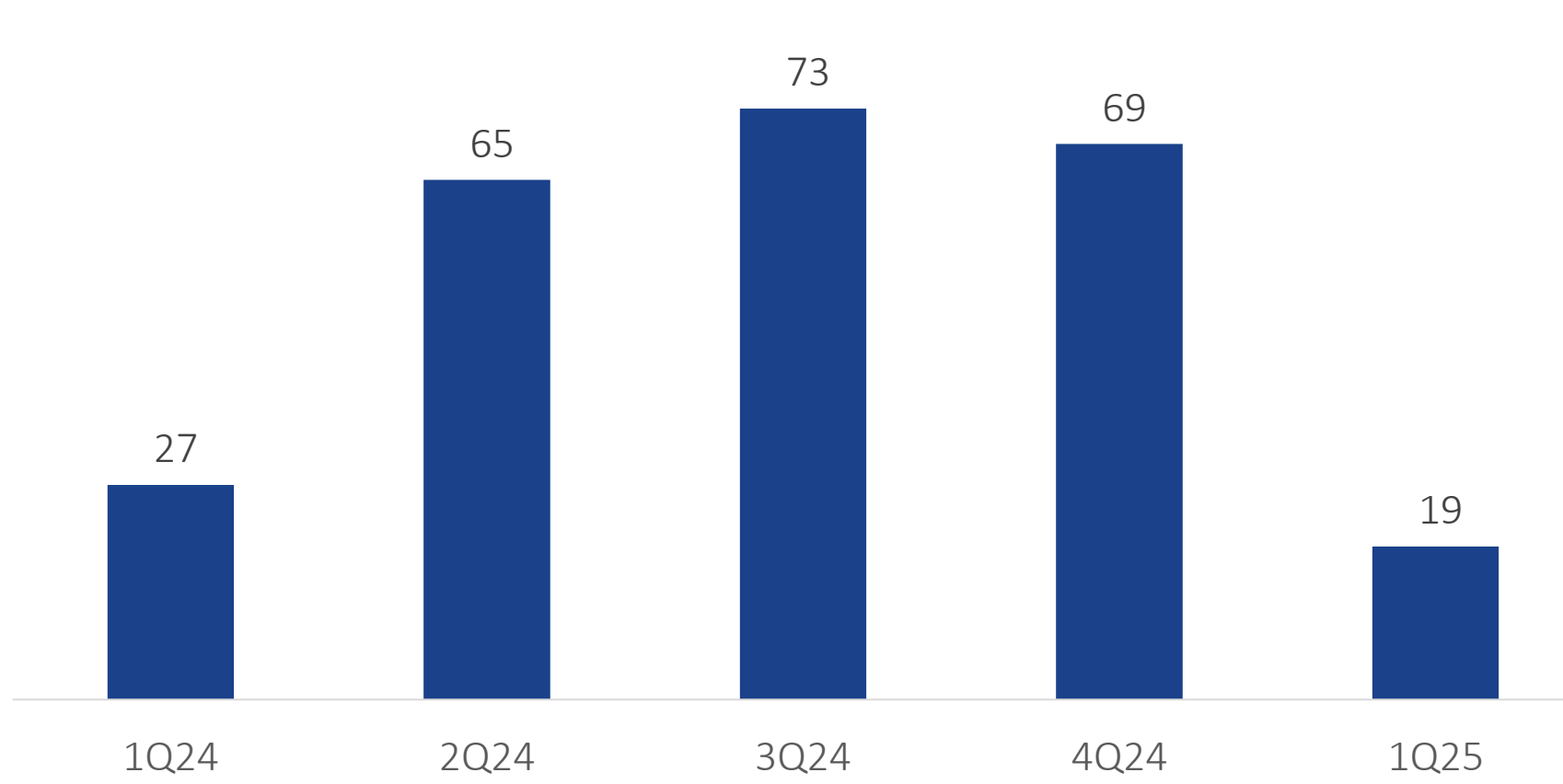
Source: Company data, IS Research

1Q25: Gross profit down 6% YoY and 65% QoQ



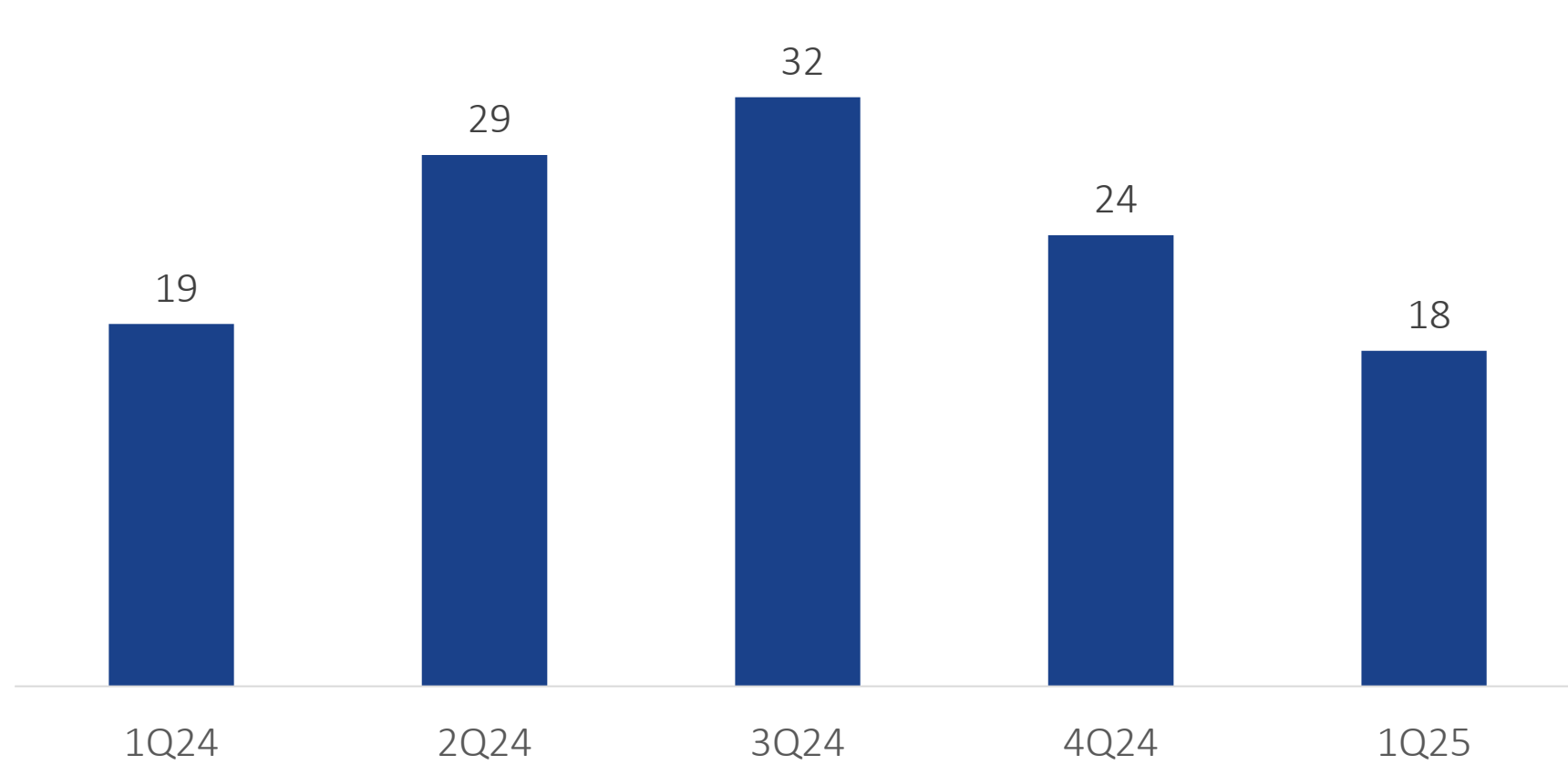
Source: Company data, IS Research

1Q25: Net income down 29% YoY and 72% QoQ



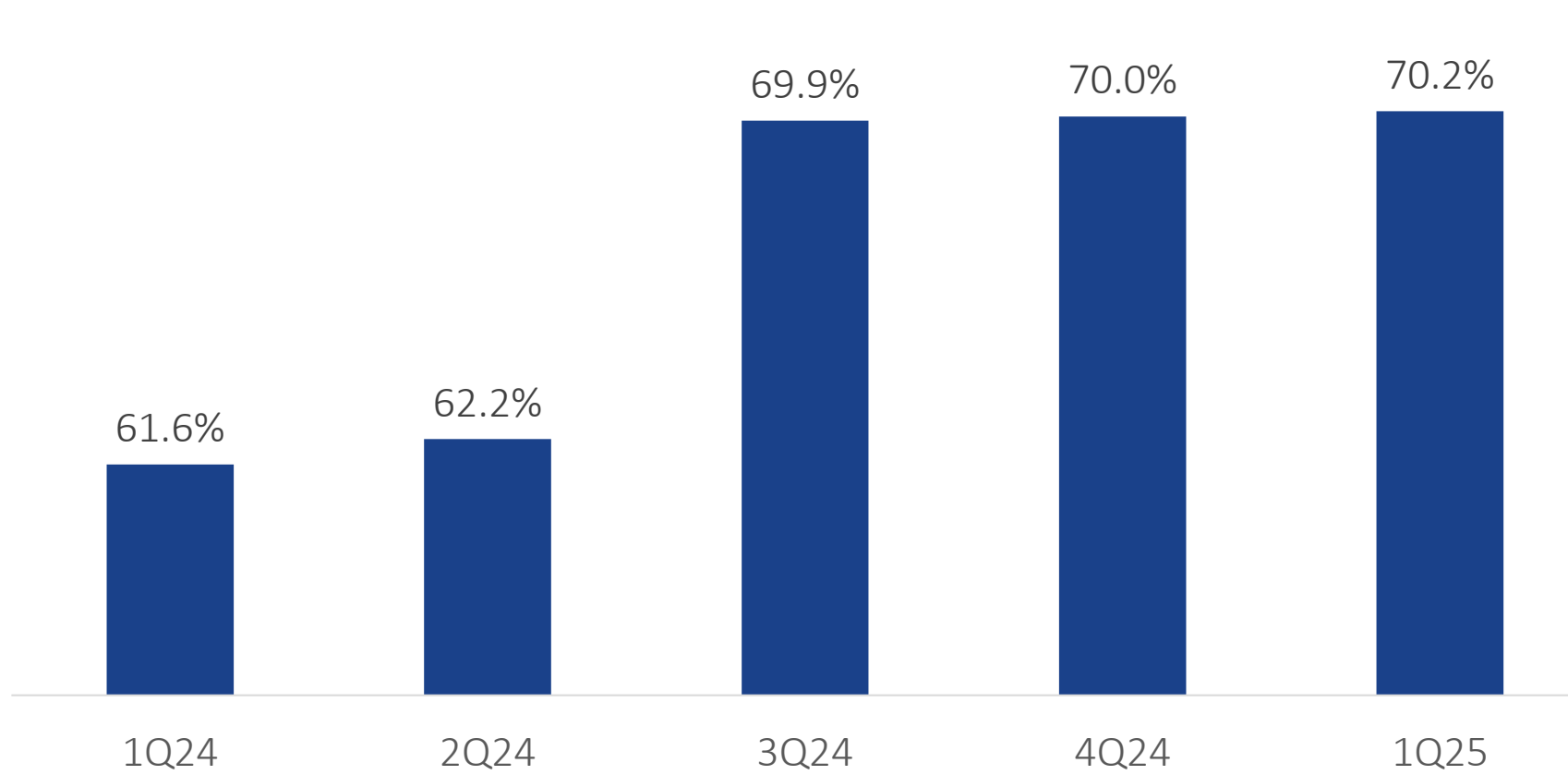
Source: Company data, IS Research

1Q25: Net finance income of AED18mn versus AED19mn in 1Q24



Source: Company data, IS Research

1Q25: Cash as percentage of market capitalization



Source: Company data, IS Research.

Recommendation History

Date	Recommendation	Target Price - AED
16 Oct 2024	BUY	1.53

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