23 July 2026
Telecommunications

du: Margin resilience steals the show

- EBITDA and net profit beat despite mixed revenue mix
- Revenue guidance reset, but margin upside and ICT optionality intact
- Maintain Buy rating and AED13.50 fair value

du (DU UH)

Maintain BUY

Fair Value (AED)	Previous Fair Value (AED)
13.50	13.50
Current Price (AED)	**Upside/(Downside)**
12.36	+9.2%

Market Data	
Market cap (AED m)	56,027
Market cap (USD m)	15,266
3M ADTV (AED m)	28.4
Free float	30.2%
BBG Ticker	DU UH

Priced at close of 22 July 2026

Operationally mixed, but financially resilient 2Q26: du's 2Q26 revenue was broadly in line with our estimate and consensus. However, the mix was meaningfully different, with stronger-than-expected fixed and wholesale revenues offset by softer ICT/other. Fixed revenue beat our estimate by 1.6%, supported by enterprise connectivity, home wireless and better ARPU, while wholesale was 6.5% ahead. These positives were offset by ICT/other revenue, which came in c.11% below our estimate on weaker handset sales and the absence of non-recurring ICT revenues. Importantly, postpaid momentum remained intact, with postpaid subscribers up 9.0% YoY and postpaid mix rising to 22.1% of the mobile base, partly cushioning the sharp sequential prepaid decline (-6% QoQ). Profitability was the key positive, with EBITDA beating our estimate by 2.8% and consensus by 3.4%. EBITDA margin expanded by 2pp to 48.8%, driven by a better gross margin, lower device and other direct costs, and continued cost discipline. Net profit came in 2.6% ahead of both our estimate and consensus, led primarily by the EBITDA beat. Capex in 2Q26 was elevated at AED653mn (+20% YoY) and above our estimate/consensus, reflecting accelerated data-centre and network deployment. However, operating FCF (EBITDA - capex) remained healthy at AED1.34bn, taking 1H26 operating FCF to AED3.0bn (+10% YoY).

Management's tone was cautiously constructive: du confirmed EBITDA margin guidance at 46–47% but revised revenue growth guidance to 4–6% on regional geopolitical uncertainty. Notably, 1H26 EBITDA margin of 49.2% sits well above the guided range, suggesting upside risk if mix benefits and cost discipline hold. Conflict-related pressure was visible but contained. Tourism weakness hit prepaid activations, handset demand softened and management flagged continued migration toward lower-commitment products, while postpaid, fixed and ARPU trends remained resilient. The key debate is the pace of revenue re-acceleration versus rising capex as du accelerates data-centre deployment ahead of services under its global hyperscaler agreement. We see FY26 as a transition year, with lower top-line visibility and higher capex weighing on near-term FCF momentum; however, structurally high margins, an AED0.26/share interim DPS in line with our estimate, and medium-term optionality from ICT, cloud, AI and data centres keep the investment case intact, assuming geopolitical conditions normalise.

Investment thesis: du combines resilient UAE telecom fundamentals, share gains, high cash returns and improving liquidity. Growth is supported by postpaid mix uplift, home wireless/fibre and enterprise demand, while profitability remains structurally high despite likely margin plateauing. Data-centre capex weighs on near-term FCF but offers medium-term upside if contracted capacity and recurring ICT revenues scale. We view tourism/roaming pressure from geopolitics as cyclical and not structural. Our estimates imply c.5.3-5.7% FY26–27e dividend yield, backed by strong returns. Higher free float post the September 2025 secondary offering improves liquidity and creates a potential MSCI/FTSE inclusion path - August 2026 MSCI review could be the next catalyst, in our view.

Maintain Buy rating and AED13.50 fair value: Our FY26-28e estimates are largely unchanged. We therefore maintain our Buy rating and AED13.50 fair value.

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du — Key financials and ratios

Year	2025A	2026E	2027E	2028E
Profit & loss summary (AEDm)				
Revenue	15,905	16,673	17,991	19,355
EBITDA	7,338	7,826	8,430	9,054
D&A	2,168	2,264	2,442	2,627
EBIT	5,170	5,562	5,988	6,426
Net interest	(95)	(90)	(80)	(80)
PBT	5,149	5,546	5,968	6,406
Net profit	2,899	3,129	3,367	3,615
Adjusted net profit	2,899	3,129	3,367	3,615
Balance sheet summary (AEDm)				
Tangible assets/PPE	10,289	10,633	11,375	12,113
Non-current assets	13,822	14,143	14,885	15,623
Cash	2,250	3,692	3,861	4,044
Current assets	5,554	7,349	7,774	7,415
Total assets	19,376	21,492	22,659	23,038
Current liabilities	7,223	9,291	10,030	10,152
Total debt	-	-	-	-
Net debt	(2,250)	(3,692)	(3,861)	(4,044)
Total liabilities	9,227	11,207	11,946	12,068
Shareholders' equity	10,148	10,285	10,713	10,971
Cash flow summary (AEDm)				
Cash from operations	5,230	7,345	6,313	6,926
Capex	(2,353)	(2,450)	(2,787)	(2,947)
Free cash flow[1]	2,877	4,895	3,525	3,979
Cash from investment	(2,765)	(615)	(2,807)	(2,967)
Dividends	(2,629)	(2,992)	(2,940)	(3,357)

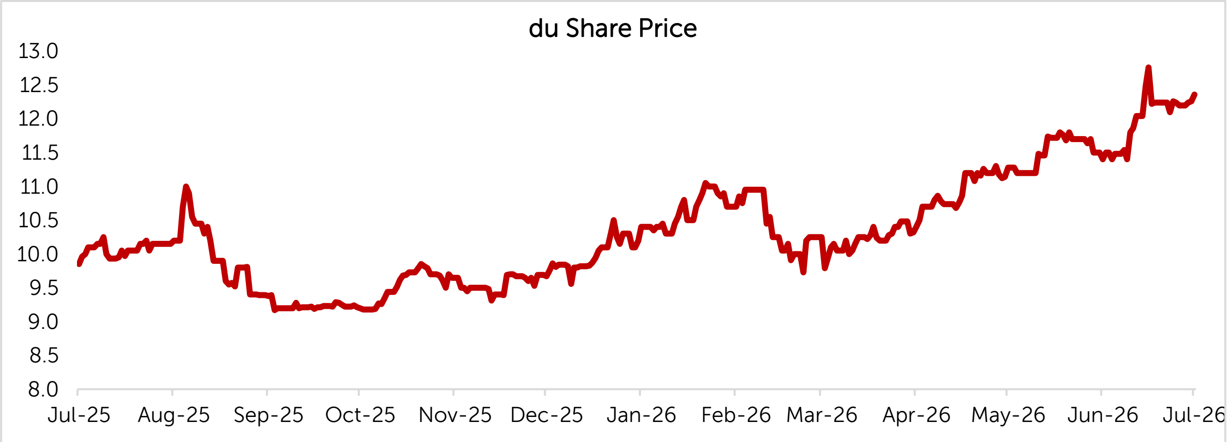
Year	2025A	2026E	2027E	2028E
Growth				
Revenue	8.7%	4.8%	7.9%	7.6%
EBITDA	13.4%	6.6%	7.7%	7.4%
EBIT	19.8%	7.6%	7.7%	7.3%
Net profit	16.2%	7.9%	7.6%	7.3%
Adjusted net profit	16.2%	7.9%	7.6%	7.3%
Margin				
EBITDA	46.1%	46.9%	46.9%	46.8%
EBIT	32.5%	33.4%	33.3%	33.2%
Net profit	18.2%	18.7%	18.7%	18.7%
Adjusted net profit	18.2%	18.8%	18.7%	18.7%
Return metrics				
ROIC[2]	28.2%	32.5%	37.5%	39.5%
ROCE[3]	22.7%	24.2%	25.6%	26.7%
ROE	29.0%	30.6%	32.1%	33.3%
ROA	15.2%	15.3%	15.3%	15.8%
Leverage ratio				
Net debt/EBITDA	(0.3)	(0.5)	(0.5)	(0.4)
Interest coverage ratio[4]	77.2	87.2	105.4	113.2
Per share data				
EPS, AED	0.64	0.69	0.75	0.80
DPS, AED	0.64	0.66	0.71	0.80
BVPS, AED	2.2	2.3	2.4	2.4

Year	2025A	2026E	2027E	2028E
Valuation ratio				
EV/Sales	3.5	3.2	3.0	2.8
EV/EBITDA	7.6	6.9	6.4	5.9
P/E	19.3	18.0	16.6	15.5
P/B	5.5	5.4	5.2	5.1
FCF yield	5.1%	8.7%	6.3%	7.1%
Dividend Yield	5.2%	5.3%	5.7%	6.5%

Market data	
Company name	du
Bloomberg ticker	DU UH
Share price (AED)	12.36
Fair value (AED)	13.50
Upside/(Downside)	9.2%
Rating	Buy
Market value (AED m)	56,027

Source: Company data, ADCB estimates, priced at close of 22 July 2026

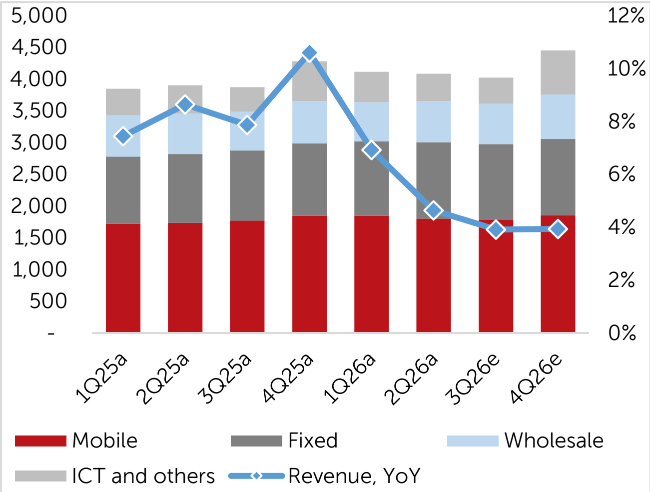
Note: 1. FCF = CFO – Capex; 2. ROIC: EBIT (1 – tax)/ (Debt + Shareholders equity – cash); 3. EBIT (1-tax)/ (Total assets – current liabilities); 4. EBITDA/net interest



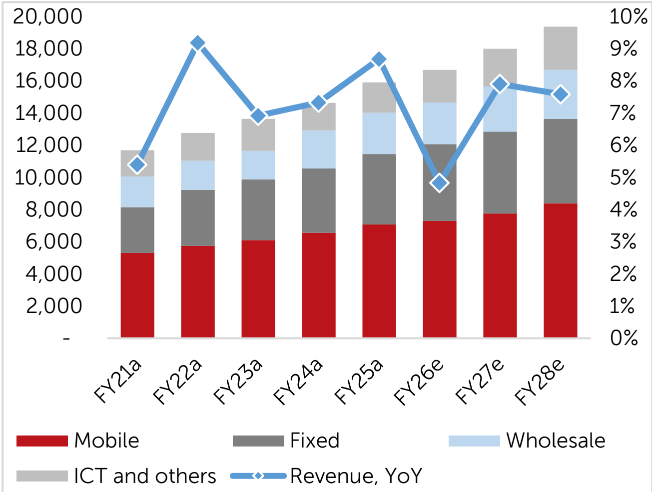
Source: Bloomberg

du in charts

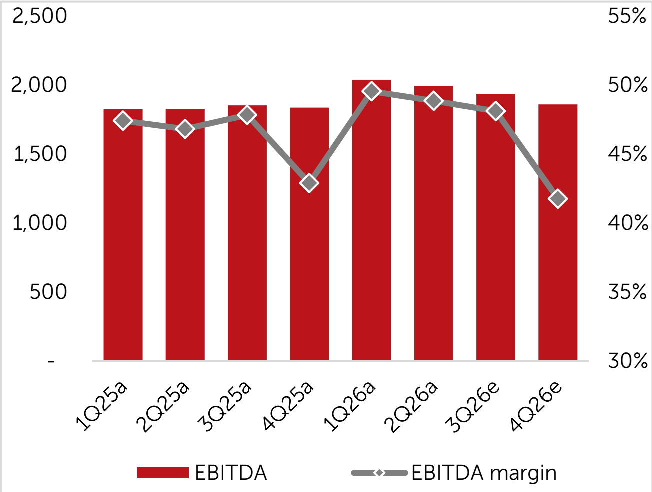
Quarterly revenue by segment, AEDm



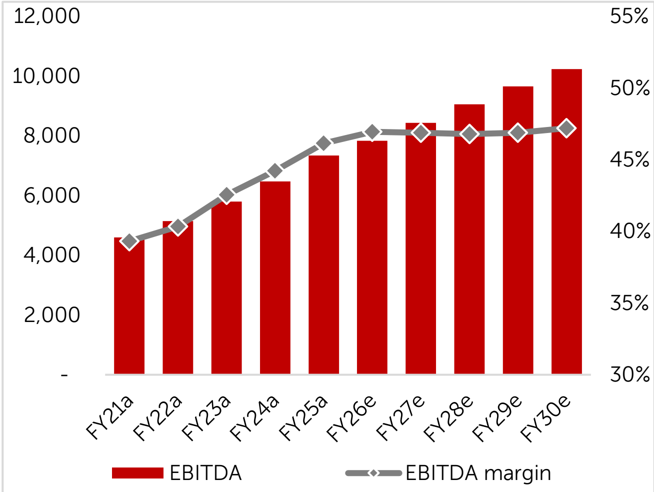
Annual revenue by segment, AED



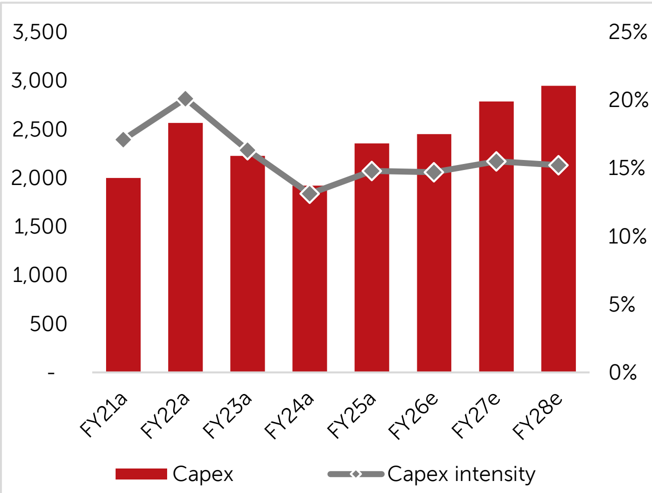
Quarterly EBITDA (AEDm) and EBITDA margin



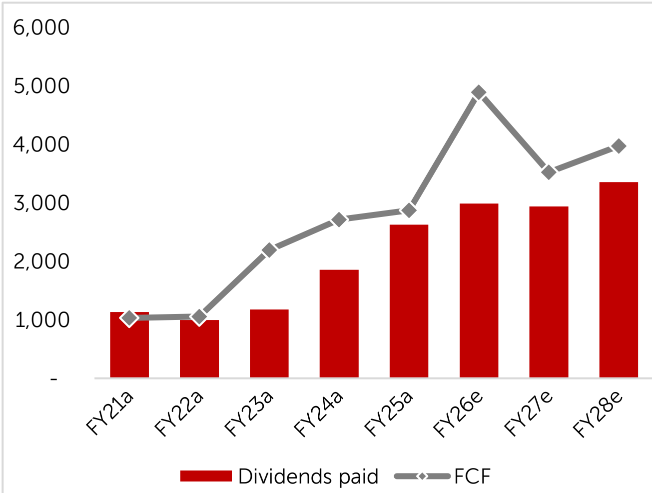
Annual EBITDA (AEDm) and EBITDA margin



Capex (AEDm) and capex intensity (%)



Free cashflows and dividends, AEDm



Source: Company reports, ADCB estimates

2Q26 Financial results review table

		2Q26a	ADCBe	Cons.	vs. ADCBe	vs. Cons.	2Q25a	YoY	1Q26a	QoQ	1H26a	1H25a	1H26 YoY
Mobile	AEDm	1,801	1,807		-0.4%		1,736	3.7%	1,845	-2.4%	3,646	3,457	5.5%
Fixed	AEDm	1,206	1,187		1.6%		1,081	11.6%	1,177	2.4%	2,383	2,140	11.3%
Wholesale	AEDm	644	605		6.5%		637	1.2%	613	5.1%	1,258	1,283	-2.0%
ICT and others	AEDm	433	485		-10.7%		449	-3.5%	478	-9.5%	911	870	4.8%
Total revenue	**AEDm**	**4,083**	**4,083**	**4,083**	**0.0%**	**0.0%**	**3,902**	**4.6%**	**4,114**	**-0.7%**	**8,198**	**7,750**	**5.8%**
EBITDA	**AEDm**	**1,994**	**1,939**	**1,929**	**2.8%**	**3.4%**	**1,826**	**9.2%**	**2,038**	**-2.1%**	**4,032**	**3,650**	**10.5%**
EBITDA margin		*48.8%*	*47.5%*	*47.2%*			*46.8%*		*49.5%*		*49.2%*	*47.1%*	
Net Profit	**AEDm**	**798**	**778**	**778**	**2.6%**	**2.6%**	**726**	**9.9%**	**834**	**-4.3%**	**1,632**	**1,448**	**12.7%**
Cash flows													
Capex	AEDm	653	595	592	9.7%	10.3%	545	19.8%	385	69.6%	1,038	921	12.7%
Capex Intensity		*16.0%*	*14.6%*	*14.3%*			*14.0%*		*9.4%*				
Operating FCF*	AEDm	1,341	1,344		-0.2%		1,281	4.6%	1,653	-18.9%	2,994	2,729	9.7%
Operating data													
Mobile subs.													
Prepaid	#k	7,227	7,470		-3.3%		7,254	-0.4%	7,670	-5.8%	7,227	7,254	-0.4%
Postpaid	#k	2,053	2,063		-0.5%		1,884	9.0%	2,023	1.5%	2,053	1,884	9.0%
Total	**#k**	**9,280**	**9,533**		**-2.7%**		**9,138**	**1.6%**	**9,693**	**-4.3%**	9,280	9,138	1.6%
Mobile ARPU	AED	63.4	62.7		0.5%		63.3	-0.5%	63.4	-0.6%			
Fixed													
Subscribers	#k	744	755		-1.5%		706	5.4%	745	-0.1%	1,489	1,407	5.8%
Fixed ARPU	AED	539.7	527.4		2.3%		512.0	5.4%	533.8	1.1%			

Source: Company reports, ADCB estimates; * Operating FCF = EBITDA - capex

Changes to estimates

We update our model with 2Q26 quarterly financial results, which came in line with our estimates at top-line but were c.3% ahead at operating and bottom-line levels. We keep our FY26-28e assumptions largely unchanged. This results in only minor changes in our FY26-28e estimates. We expect du to increase its revenue at a three-year CAGR of 6.8% over FY2025-28e, EBITDA at 7.3% and net income at 7.6%.

du estimates changes table, AEDm

	FY26e			FY27e			FY28e		
	New	Old	change	New	Old	change	New	Old	change
Revenue	16,673	16,805	-0.8%	17,991	18,173	-1.0%	19,355	19,468	-0.6%
EBITDA	7,826	7,852	-0.3%	8,430	8,504	-0.9%	9,054	9,088	-0.4%
EBITDA margin	*46.9%*	*46.7%*	-	*46.9%*	*46.8%*	-	*46.8%*	*46.7%*	-
Net Profit	3,129	3,144	-0.5%	3,367	3,406	-1.1%	3,615	3,636	-0.6%
Capex	2,450	2,475	-1.0%	2,787	2,795	-0.3%	2,947	2,960	-0.4%
Capex Intensity	*14.7%*	*14.7%*	-	*15.5%*	*15.4%*	-	*15.2%*	*15.2%*	-
DPS, AED	0.66	0.66	0.0%	0.71	0.71	0.0%	0.80	0.80	0.0%

Source: ADCB estimates

Valuation and risks

We value du using a DCF-based valuation methodology. Our DCF is based on a WACC of 8.2% and a terminal growth rate of 2%. Our WACC is based on the following assumptions: a beta of 0.68, a market risk premium of 5.0%, a country risk premium of 0.5% and a risk-free rate of 4.5% (all unchanged). This results in a cost of equity of 8.2% for du. These assumptions result in our FY26-27e time weighted target price of AED13.5 per share (rounded to the first decimal). Our target price implies an upside of 9.2% vs. the last closing price. We maintain our Buy rating on du given its attractive dividend yield, improving market share and margin expansion. We also expect the potential inclusion of du in the MSCI index to provide share price tailwinds in the near-term.

Downside risks include growth slowdown in the UAE; lower-than-expected margin; execution risks associated with data centre buildout and conversion of investments into recurring contracted revenue; unfavorable regulatory changes, e.g., introduction of higher royalty rates post 2026; geopolitical risk associated with regional conflict resulting in lower tourist inflow resulting in weaker subscriber additions.

Disclaimer