e&: Vodafone exit unlocks value, sharpens focus

- The disposal of Vodafone stake unlocks value at an attractive premium, strengthens e&'s financial position and sharpens its focus on controlled assets
- The ultimate valuation benefit will depend on how e& allocates the proceeds across debt reduction, shareholder returns and reinvestment
- Estimates unchanged; Maintain Buy rating and AED22.80 fair value

e& (EAND UH)

Maintain BUY

Fair Value (AED)	Previous Fair Value (AED)
22.80	22.80

Current Price (AED)	Upside/(Downside)
20.70	+10.1%

Market Data

Market cap (AED m)	180,023
Market cap (USD m)	49,053
3M ADTV (AED m)	65.5
Free float	40%
BBG Ticker	EAND UH

Priced at close of 10 July 2026

e& to divest its entire stake in Vodafone: On 10 July 2026, e& signed a binding agreement to sell its entire Vodafone holding of 3.945bn shares to Vega, an acquisition vehicle owned by the Niel family group. The stake represents 16.21% of Vodafone's share capital and 17.13% of voting rights. e& will receive a total of GBp112.5/share, comprising c. GBp110.5 in cash and Vodafone's GBp2.02 FY26 final dividend payable on 30 July 2026. The transaction values the stake at c. AED21.8bn, represents a 13% premium to Vodafone's pre-announcement market price and generates a net cash return of c. AED4.7bn for e&. The completion of the transaction is subject to customary conditions, with the shares being initially transferred to three financial institutions pending Vega's regulatory approvals.

From strategic investment to value realisation: e& first invested USD4.4bn in Vodafone in May 2022 for a 9.8% stake, before increasing its ownership through further purchases and benefiting from Vodafone's share buybacks. In 2023, the two companies formed a strategic relationship covering enterprise services, procurement, roaming and technology, with e& gaining board representation. Therefore, the sale closes a four-year investment cycle and ends e&'s influence over Vodafone's board and management. In our view, the 13% premium offers an attractive exit point and reflects a shift toward controlled businesses where e& can capture operating synergies and directly influence capital allocation.

Value creation and next steps: In our view, the transaction is strategically positive and balance-sheet accretive. The key determinant of value will be the way the AED21.8bn proceeds are used. If e& uses the proceeds entirely to repay debt, 1Q26 net debt could decline from AED29.8bn to c. AED8.0bn and leverage from 0.90x to c. 0.23x, materially improving financial flexibility and dividend security. However, on recurring basis, this will be offset by the loss of Vodafone's contribution in associate income, which amounted to AED802m in FY25, or c.9 fils/share to e& (6% of FY25 net income). However, interest savings could offset a meaningful portion of this if proceeds are used to reduce debt. In addition, we think that the transaction should also simplify e&'s equity story and should remain supportive given the premium monetisation and stronger balance sheet. At the same time, sentiments could weaken if proceeds are redeployed into lower-return or less transparent acquisitions.

Maintain Buy rating and AED22.80 fair value: e& offers a compelling combination of defensive UAE cash flows, sector-leading margins and strong free cash flow conversion, complemented by diversified growth exposure across Asia, Africa and CEE. While the international portfolio introduces FX, regulatory and integration risks, Maroc Telecom and PPF provide strong cash-generation profiles, with Pakistan offering consolidation-led upside. We believe e&'s geographic diversification, resilient UAE postpaid base and c.7–9% 2026–28e FCF yield provide sufficient flexibility to support dividend growth and pursue inorganic growth opportunities. e& is scheduled to report 2Q26 results on 30 July 2026, when we expect management to provide further clarity on the transaction. We keep our estimates, fair value, and recommendation unchanged at this stage.

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e& — Key financials and ratios

Year	2025A	2026E	2027E	2028E
Profit & loss summary (AEDm)				
Revenue	72,858	79,409	83,967	88,666
EBITDA	32,022	33,988	35,850	38,180
D&A	10,783	13,386	14,155	14,947
EBIT	21,239	20,602	21,696	23,233
Net interest	3,543	(644)	(355)	(413)
PBT	26,783	21,756	22,941	24,320
Net profit	14,360	11,419	12,117	12,809
Adjusted net profit	14,360	11,419	12,117	12,809
Balance sheet summary AEDm)				
Tangible assets/PPE	50,392	49,634	49,815	52,632
Non-current assets	144,166	142,015	139,203	135,747
Cash	34,308	37,032	44,997	54,438
Current assets	60,893	65,478	76,983	86,311
Total assets	205,059	207,493	216,186	222,058
Current liabilities	88,432	96,948	99,716	99,041
Total debt	67,639	66,574	66,574	66,574
Net debt	33,331	29,542	21,577	12,136
Total liabilities	143,297	145,867	148,863	148,665
Shareholders' equity	51,708	52,256	57,953	64,024
Cash flow summary (AEDm)				
Cash from operations	26,051	25,010	28,142	30,259
Capex	(13,360)	(12,836)	(13,343)	(13,491)
Free cash flow[1]	12,691	12,174	14,799	16,768
Cash from investment	(9,554)	(14,517)	(11,343)	(11,491)
Dividends	(8,092)	(8,245)	(8,479)	(8,914)

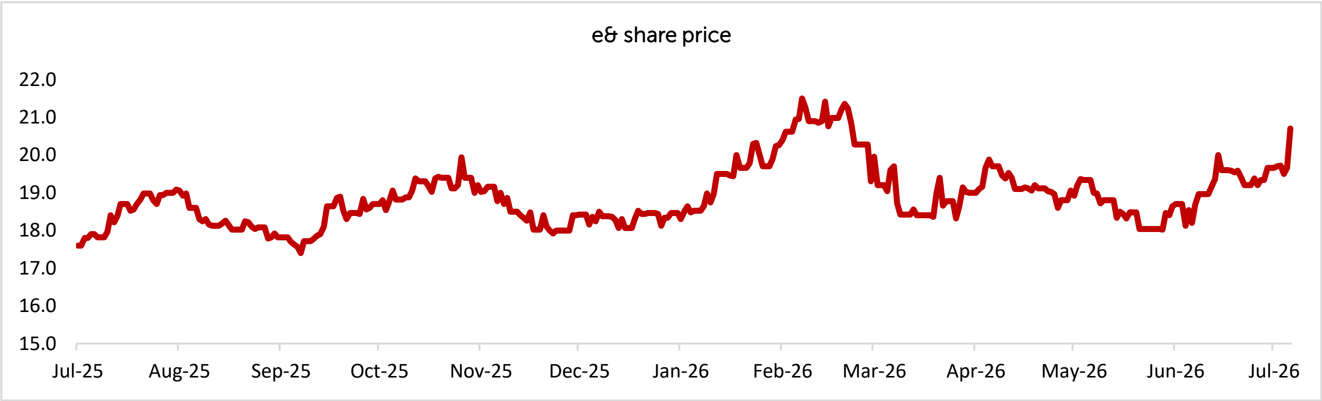
Year	2025A	2026E	2027E	2028E
Growth				
Revenue	23.1%	9.0%	5.7%	5.6%
EBITDA	21.1%	6.1%	5.5%	6.5%
EBIT	11.3%	-3.0%	5.3%	7.1%
Net profit	33.6%	-20.5%	6.1%	5.7%
Adjusted net profit	33.6%	-20.5%	6.1%	5.7%
Margin				
EBITDA	44.0%	42.8%	42.7%	43.1%
EBIT	29.2%	25.9%	25.8%	26.2%
Net profit	19.7%	14.4%	14.4%	14.4%
Adjusted net profit	19.7%	14.4%	14.4%	14.4%
Return metrics				
ROIC[2]	15.1%	14.7%	16.3%	17.7%
ROCE[3]	11.4%	10.9%	11.5%	11.6%
ROE	29.5%	22.0%	22.0%	21.0%
ROA	7.4%	5.5%	5.7%	5.9%
Leverage ratio				
Net debt/EBITDA	1.04	0.87	0.60	0.32
Interest coverage ratio[4]	(9.0)	52.8	101.0	92.4
Per share data				
EPS, AED	1.65	1.31	1.39	1.47
DPS, AED	0.90	0.95	1.00	1.05
BVPS, AED	5.2	5.9	6.0	6.7

Year	2025A	2026E	2027E	2028E
Valuation ratio				
EV/Sales	3.1	2.8	2.6	2.3
EV/EBITDA	7.2	6.6	6.0	5.4
P/E	12.5	15.8	14.9	14.1
P/B	3.5	3.4	3.1	2.8
FCF yield	7.0%	6.8%	8.2%	9.3%
Dividend Yield	4.3%	4.6%	4.8%	5.1%

Market data	
Company name	e&
Bloomberg ticker	EAND UH
Share price (AED)	20.70
Fair value (AED)	22.80
Upside/(Downside)	10.1%
Rating	Buy
Market value (AEDm)	180,023

Source: Company data, ADCB estimates, priced at close of 10 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

Valuation and risks

We value e& using a DCF-based valuation methodology. Our DCF is based on a WACC of 9.2% and a terminal growth rate of 2%. Our WACC of 9.2% is based on the following assumptions: a beta of 1.42 (in line with five-year Bloomberg adjusted beta), a market risk premium of 5.0%, a country risk premium of 1% and a risk-free rate of 4.5% (all unchanged). This results in a cost of equity of 13.0%. We assume an effective tax rate of 40%, which effectively reflects a combination of the UAE royalty rate of 38% and tax rate in various countries of operation. We apply these assumptions to our FY26-27e time weighted estimates. This results in our fair value of AED22.80 per share (rounded to the first decimal, unchanged). Our fair value implies an upside of c. 10% vs. last closing price. We maintain our Buy rating on the stock.

Downside risks include moderation in growth in the UAE; higher capex resulting in pressure on free cash flows; execution risk associated with the recent acquisitions in CEE and Pakistan; FX and macro volatility risks in international markets, potential regulatory and litigation risks in Maroc Telecom, and geopolitical and frontier-market exposure risks.

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