4 November 2026
Telecommunications

du: Resilient growth, outlook intact

- Revenue, EBITDA and net profit ahead of our estimates and consensus
- ICT growth recurring rather than one-off; FY26 guidance confirmed
- Maintain Buy; fair value raised to AED14.00 (from AED13.50)

Broad-based beat: du's 3Q26 revenue increased 7.1% YoY and came in 3.0%/1.7% above our estimate and consensus, respectively. Growth picked up sequentially from 4.6% YoY in 2Q26. This was largely driven by the ICT and other revenue (c.11% of total revenue), which was 13.1% ahead of our estimate and up 22.3% YoY. It was supported by data centre capacity added over the past year, higher cloud demand and strong iPhone 18 sales in September. Mobile revenue improved 3.9% YoY and was 3.0% ahead of our estimate. Wholesale revenue rose 6.6% YoY on higher international interconnection volumes, despite a 5% cut in national interconnection rates. Fixed revenue grew 7.1% YoY but fell 2.1% QoQ, as more customers moved to lower-priced home wireless plans. The mobile base grew by 191k QoQ to 9.47m, driven by prepaid additions. Postpaid subscribers fell 7k QoQ but were still up 6.4% YoY. EBITDA increased 6.7% YoY and was 2.1%/2.6% above our and consensus estimates, respectively. EBITDA margin was 47.7%, broadly flat YoY. Net profit grew 7.3% YoY, c.1.5% above our estimate and consensus. Cash capex increased c.30% YoY (16.7% of revenue) as data centre spending increased. Operating FCF (EBITDA minus cash capex) fell 2.7% YoY to AED1.28bn, primarily due to higher capex.

Key takeaways from results conference call: (1) Management reiterated its FY26 guidance of 4-6% revenue growth and a 46-47% EBITDA margin, assuming no further deterioration in the regional situation; (2) du expects slower growth in 4Q26 mainly due to a stronger base. It also expects margins to dip seasonally in 4Q26, as handset sales run for the full quarter and marketing spend rises; (3) ICT growth is recurring rather than one-off since it comes from data centre capacity and cloud services. The first Microsoft data centre block will be delivered at the end of 4Q26, hence, its revenue impact this year will not be material. du targets unlevered returns of 12-15% on its data centre projects in general and is open to borrowing to fund new projects that meet this hurdle; (4) Half of the 1Q26 provision for bad debts was reversed in 3Q26, as cash collections held up; (5) Slight postpaid decline in 3Q26 was due to customers preferring flexible, low-commitment plans; (6) Management expects the mobile base to stay stable rather than fall, with a pickup in net additions depending on population inflows.

Investment thesis: du combines steady UAE telecom growth, market share gains, high margins, and strong cash returns. Its inclusion in the MSCI and FTSE indices has now happened and could broaden its investor base, in our view. We expect growth to come from enterprise demand, fixed broadband, a higher postpaid mix and recurring data centre and cloud revenue. We update our model for the 3Q26 results and raise our FY26-28e estimates. The larger increases in FY27-28e reflect higher margins on lower direct and operating expenses. We expect revenue to grow at a three-year CAGR of 7.3% over FY25-28e, EBITDA at 9.3% and net profit at 9.5%. Our FY26-28e estimates imply a dividend yield of 5.4-6.7%.

Maintain Buy, raise FV to AED14.00 (from AED13.50) as we raise our FY26-28e estimates. Our new FV implies 12% upside. Our Buy rating is supported by du's attractive dividend yield, steady market share gains, and growing data centre revenue.

du (DU UH)

Maintain BUY

Fair Value (AED)	Previous Fair Value (AED)
14.00	13.50
Current Price (AED)	**Upside/(Downside)**
12.50	+12.0%

Market Data

Market cap (AED m)	56,661
Market cap (USD m)	15,439
3M ADTV (AED m)	61.4
Free float	27.7%
BBG Ticker	DU UH

Priced at close of 2 November 2026

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du — Key financials and ratios

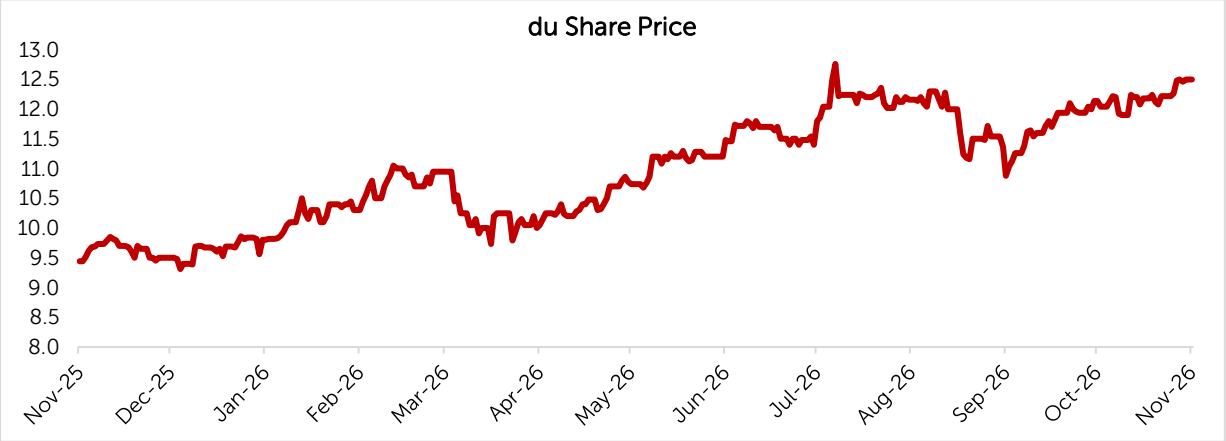
Year	2025A	2026E	2027E	2028E
Profit & loss summary (AEDm)				
Revenue	15,905	16,812	18,156	19,654
EBITDA	7,338	7,970	8,804	9,570
D&A	2,168	2,269	2,449	2,784
EBIT	5,170	5,701	6,355	6,786
Net interest	(20)	(30)	(20)	(20)
PBT	5,149	5,671	6,335	6,766
Net profit	2,905	3,199	3,574	3,817
Adjusted net profit	2,905	3,199	3,574	3,817
Balance sheet summary (AEDm)				
Tangible assets/PPE	10,289	10,682	11,591	12,352
Non-current assets	13,822	14,124	15,033	15,794
Cash	2,250	2,243	2,169	1,819
Current assets	5,554	5,823	6,012	5,699
Total assets	19,376	19,948	21,045	21,493
Current liabilities	7,223	7,666	8,237	8,415
Total debt	1,939	1,670	1,670	1,670
Net debt	(311)	(573)	(500)	(150)
Total liabilities	9,227	9,592	10,163	10,340
Shareholders' equity	10,148	10,355	10,881	11,153
Cash flow summary (AEDm)				
Cash from operations	5,230	6,038	6,393	6,802
Capex	(2,353)	(2,554)	(2,976)	(3,102)
Free cash flow[1]	2,877	3,484	3,417	3,700
Cash from investment	(2,765)	(715)	(2,996)	(3,122)
Dividends	(2,629)	(2,992)	(3,048)	(3,546)

Year	2025A	2026E	2027E	2028E
Growth				
Revenue	8.7%	5.7%	8.0%	8.2%
EBITDA	13.4%	8.6%	10.5%	8.7%
EBIT	19.8%	10.3%	11.5%	6.8%
Net profit	16.8%	10.1%	11.7%	6.8%
Adjusted net profit	16.8%	10.1%	11.7%	6.8%
Margin				
EBITDA	46.1%	47.4%	48.5%	48.7%
EBIT	32.5%	33.9%	35.0%	34.5%
Net profit	18.3%	19.0%	19.7%	19.4%
Adjusted net profit	18.3%	19.0%	19.7%	19.4%
Return metrics				
ROIC[2]	30.0%	32.8%	35.6%	35.8%
ROCE[3]	24.2%	26.3%	28.6%	29.6%
ROE	29.0%	31.2%	33.7%	34.6%
ROA	15.2%	16.3%	17.4%	17.9%
Leverage ratio				
Net debt/EBITDA	(0.0)	(0.1)	(0.1)	(0.0)
Interest coverage ratio[4]	360.0	264.8	440.2	478.5
Per share data				
EPS, AED	0.64	0.71	0.79	0.84
DPS, AED	0.64	0.67	0.75	0.84
BVPS, AED	2.2	2.3	2.4	2.5

Year	2025A	2026E	2027E	2028E
Valuation ratio				
EV/Sales	3.5	3.3	3.1	2.9
EV/EBITDA	7.7	7.0	6.4	5.9
P/E	19.5	17.7	15.9	14.8
P/B	5.6	5.5	5.2	5.1
FCF yield	5.1%	6.1%	6.0%	6.5%
Dividend Yield	5.1%	5.4%	6.0%	6.7%

Market data	
Company name	du
Bloomberg ticker	DU UH
Share price (AED)	12.50
Fair value (AED)	14.00
Upside/(Downside)	12.0%
Rating	Buy
Market value (AED m)	56,661

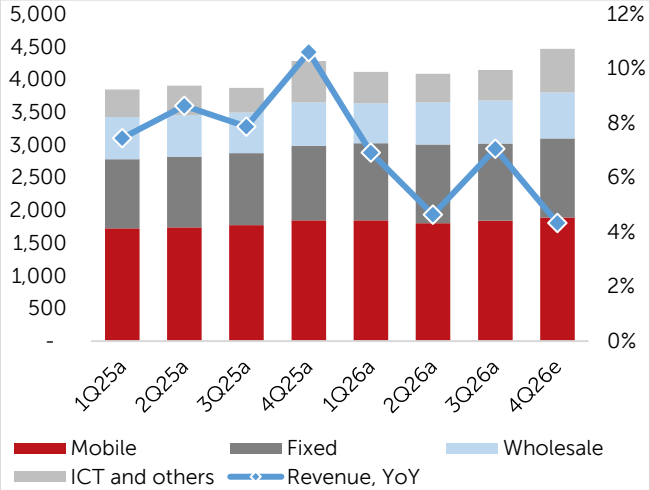
Source: Company data, ADCB estimates, priced at close of 2 November 2026
Note: 1. FCF = CFO – Capex; 2. ROIC: EBIT (1 – tax)/ avg. (Debt + Shareholders equity – cash); 3. EBIT (1-tax)/ avg. (Total assets – current liabilities); 4. EBITDA/net interest



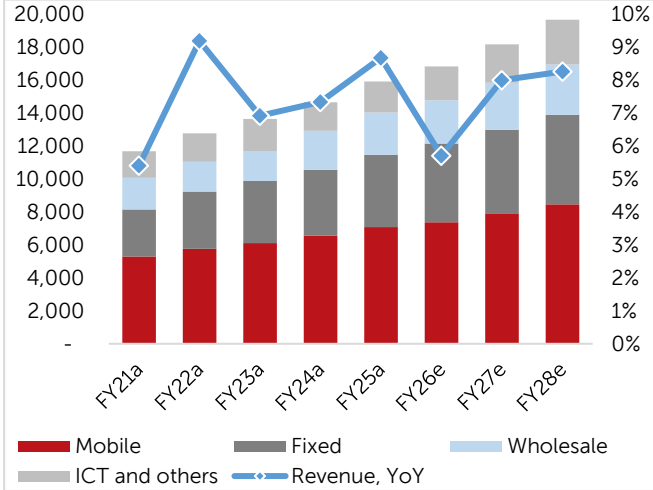
Source: Bloomberg

du in charts

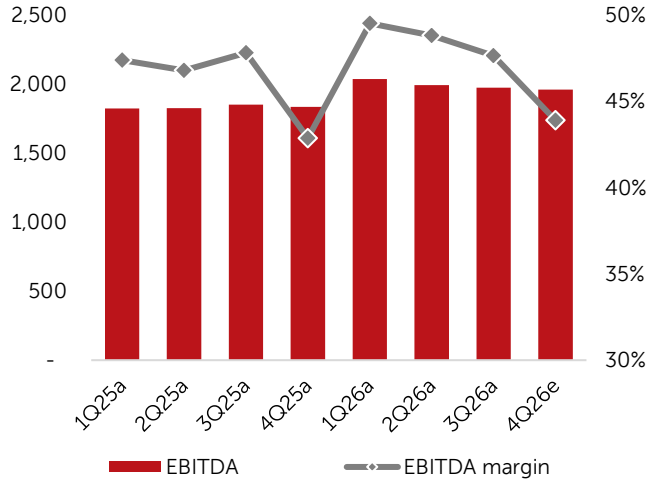
Quarterly revenue by segment, AEDm



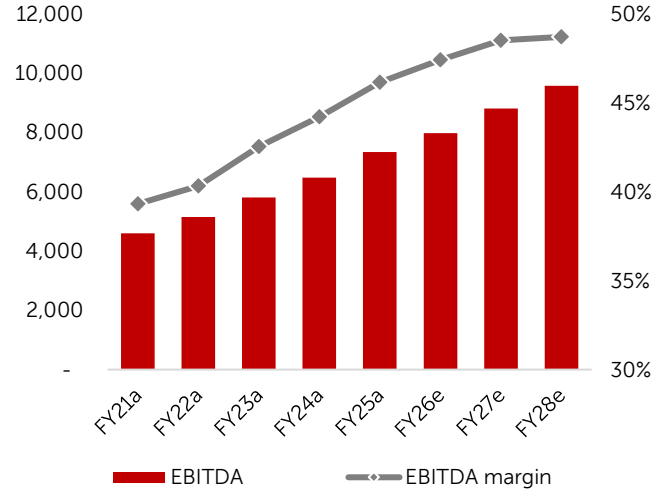
Annual revenue by segment, AEDm



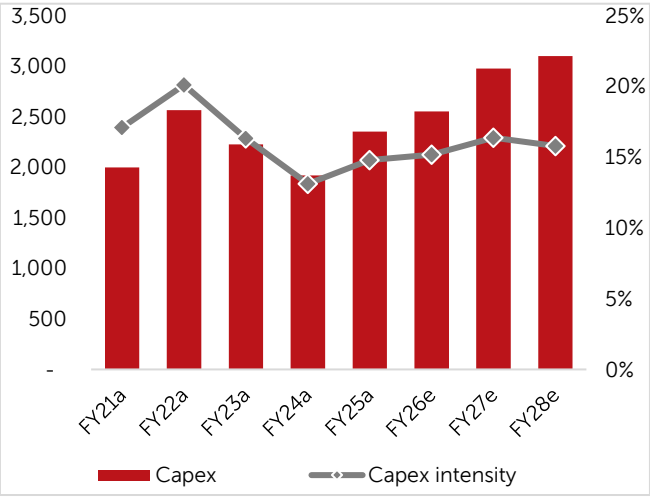
Quarterly EBITDA (AEDm) and EBITDA margin



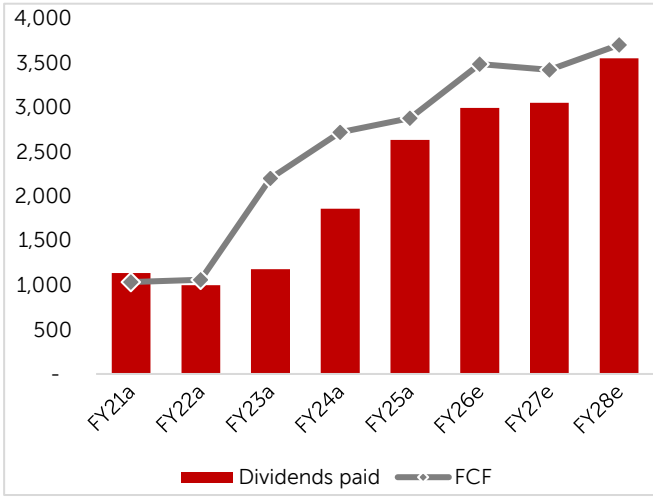
Annual EBITDA (AEDm) and EBITDA margin



Capex (AEDm) and capex intensity (%)



Free cashflows and dividends, AEDm



Source: Company reports, ADCB estimates

3Q26 Financial results review table

		3Q26a	ADCBe	Cons.	vs. ADCBe	vs. Cons.	3Q25a	YoY	2Q26a	QoQ	9M26a	9M25a	9M26 YoY
Mobile	AEDm	1,840	1,786		3.0%		1,770	3.9%	1,801	2.2%	5,486	5,227	5.0%
Fixed	AEDm	1,181	1,189		-0.7%		1,103	7.1%	1,206	-2.1%	3,563	3,243	9.9%
Wholesale	AEDm	660	637		3.6%		619	6.6%	644	2.4%	1,917	1,902	0.8%
ICT and others	AEDm	465	411		13.1%		380	22.3%	433	7.4%	1,376	1,250	10.1%
Total revenue	**AEDm**	**4,145**	**4,023**	**4,075**	**3.0%**	**1.7%**	**3,872**	**7.1%**	**4,083**	**1.5%**	**12,343**	**11,622**	**6.2%**
EBITDA	**AEDm**	1,975	1,935	1,925	2.1%	2.6%	1,852	6.7%	1,994	-0.9%	6,007	5,502	9.2%
EBITDA margin		47.7%	48.1%	47.2%			47.8%		48.8%		48.7%	47.3%	
Net Profit	**AEDm**	**786**	**773**	**774**	**1.6%**	**1.5%**	**732**	**7.3%**	**798**	**-1.5%**	**2,418**	**2,181**	**10.8%**
Cash flows													
Capex**	AEDm	691	589	589	17.3%	17.4%	532	29.9%	589	17.3%	1,902	1,848	2.9%
Capex Intensity		16.7%	14.6%	14.4%			13.7%		14.4%		15.4%	15.9%	
Operating FCF*	AEDm	1,285	1,346		-4.6%		1,320	-2.7%	1,405	-8.6%	4,106	3,654	12.4%
Operating data													
Mobile subs.													
Prepaid	#k	7,425	7,277		2.0%		7,248	2.4%	7,227	2.7%	7,425	7,248	2.4%
Postpaid	#k	2,046	2,093		-2.2%		1,922	6.4%	2,053	-0.3%	2,046	1,922	6.5%
Total	**#k**	**9,471**	**9,370**		**1.1%**		**9,170**	**3.3%**	**9,280**	**2.1%**	**9,471**	**9,170**	**3.3%**
Mobile ARPU	AED	65.4	63.9		2.3%		64.5	1.4%	63.4	3.2%	64.1	63.8	
Fixed													
Subscribers	#k	756	754		0.3%		718	5.3%	744	1.6%	756	718	5.3%

Source: Company reports, ADCB estimates; * Operating FCF = EBITDA – capex; ** cash spent on PPE and intangibles

Changes to estimates

We update our model with the 3Q26 results, which came in ahead of our estimates. We also raise our forecasts on stronger operating trends, better cost efficiency and higher data centre investment. As a result, we raise our FY26-28e revenue estimates by 0.8-1.5%, EBITDA by 1.8-5.7% and net profit by 2.2-6.1%. We now expect EBITDA margins of 48.5% in FY27e and 48.7% in FY28e, up 1.6-1.9pp vs. our earlier estimates. We also raise our capex estimates by 4.3-6.8%. We expect du to grow its revenue at a three-year CAGR of 7.3% over FY25-28e, EBITDA at 9.3% and net income at 9.5%.

du estimates changes table, AEDm

	FY26e			FY27e			FY28e		
	New	Old	change	New	Old	change	New	Old	change
Revenue	16,812	16,673	0.8%	18,156	17,991	0.9%	19,654	19,355	1.5%
EBITDA	7,970	7,826	1.8%	8,804	8,430	4.4%	9,570	9,054	5.7%
EBITDA margin	47.4%	46.9%		48.5%	46.9%		48.7%	46.8%	
Net Profit	3,199	3,129	2.2%	3,574	3,367	6.1%	3,817	3,615	5.6%
Capex	2,554	2,450	4.3%	2,976	2,787	6.8%	3,102	2,947	5.3%
Capex Intensity	15.2%	14.7%		16.4%	15.5%		15.8%	15.2%	
DPS, AED	0.67	0.66	1.5%	0.75	0.71	5.6%	0.84	0.80	5.0%

Source: ADCB estimates

Valuation and risks

We value du using a DCF. Our DCF is based on a WACC of 8.4% and a terminal growth rate of 2.0%. Our cost of equity is 8.6%, based on 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 4.75%. We use a target gearing of 4%. Together with our higher estimates, this gives an FY26-27e time-weighted target price of AED14.00 per share (rounded, up from AED13.50). Our target price implies 12.0% upside. We maintain our Buy rating, supported by du's attractive dividend yield, steady market share gains, high margins and growing data centre revenue. We expect du's recent inclusion in the MSCI and FTSE indices to widen its investor base and improve trading liquidity.

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; unfavourable regulatory changes, e.g., introduction of higher royalty rates; geopolitical risk associated with regional conflict resulting in lower tourist inflow and weaker subscriber additions.

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