

IQSTEL

Innovating on a global platform

iQSTEL has built a global telecommunications platform providing international voice and data termination services. The company has yet to achieve profitability and has had to rely on dilutive equity funding. However, the acquisition of Ultranet should help it achieve profitability as well as positive free cash flow (FCF) from Q426. We expect new digital services to further enhance profitability. In our view, this point of inflection to the company's financial outlook is yet to be reflected in the market's valuation.

Year end	Revenue (\$m)	EBITDA (\$m)	PBT (\$m)	EPS (\$)	P/E (x)	EV/sales (x)	EV/EBITDA (x)
12/25	316.9	(1.2)	(3.4)	(0.97)	N/A	0.0	N/A
12/26e	461.5	0.3	(2.0)	(0.16)	N/A	0.0	36.8
12/27e	653.0	12.5	10.2	0.48	2.1	0.0	0.9
12/28e	721.0	15.9	13.3	0.55	1.8	0.0	0.7

Note: EBITDA, PBT and EPS are normalised, excluding amortisation of intangibles, stock-based compensation and other non-recurring or exceptional items.

Component of the global telco ecosystem

Over the last decade, iQSTEL has grown rapidly through acquisitions and organic expansion to its current revenue run rate of over \$0.5bn. Via commercial agreements with more than 600 telecom service providers, it addresses a potential global audience of 2.3bn subscribers.

Innovation through new digital offerings

We expect wholesale services to sustain good organic growth, while at a low gross margin. iQSTEL has thus developed several digital services to be delivered over its platform at much improved levels of profitability. The recently announced partnership with IDILIO TV and imminent launch of video micro-dramas will showcase the platform's reach. Other digital services are expected to follow.

At an inflection point in profitability and cash flow

To date management has focused on building revenue scale in the wholesale service. The inclusion of Ultranet from Q426 will create a business with an annual adjusted EBITDA run rate of \$8m. Entering 2027, we expect iQSTEL to be profitable and cash generative. We expect continued organic growth, further purchases and new digital services to drive higher levels of profitability and operational cash flow. We note management's stated aim of achieving an adjusted EBITDA run rate of \$25m in 2027.

Valuation suggests substantial share price upside

A historical focus on revenue expansion, multiple acquisitions, operating losses and dilutive equity funding have previously not made iQSTEL attractive to long-term investors. Now the business has reached an important inflection point in its financial evolution we expect investor interest should change. Expected profitability and cash generation should mean less equity issuance and more efficient capital allocation. Our valuation reflects these improvements and results in an assessment of \$6/ share. Longer term, further material share upside could be seen if management continues to evolve the business and normalise margins to industry peer levels.

Initiation of coverage

Technology

29 September 2026

Price	\$0.99
Market cap	\$11m
Net cash/(debt) at 30 June	\$(0.8)m
Shares in issue	10.9m
Code	IQST
Primary exchange	NASDAQ
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	4.6	(37.9)	(83.3)
52-week high/low		\$7.2	\$0.9

Business description

iQSTEL provides international wholesale voice and SMS connectivity services to large telecommunications providers globally.

Next events

Q326 10-Q	November 2026
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Investment summary

A global telecom distribution platform

Over the last decade iQSTEL management has built a global business that provides wholesale international voice and messaging interconnection services. The business grew through a combination of organic growth and selective acquisitions. The company now operates in over 24 countries, has commercial relationships with more than 600 telecom service providers and has created a platform that has the potential to reach 2.3bn end users. Although iQSTEL has invested in smart traffic routing technology, structurally these wholesale termination services are at a low gross margin.

Recent strategic developments

The recently announced acquisition of Ultranet (in June 2026) is due to complete by the end of the current quarter. Ultranet will complement the existing business with the addition of African operations, infrastructure as well as exclusive service agreements in six countries. Importantly, Ultranet is profitable and, together with the benefits of some efficiency gains in iQSTEL's existing operations, the combined group is expected to have an annual revenue run rate to over \$0.5bn and generate positive adjusted EBITDA from Q426.

Management has also made a number of strategic developments to launch digital services. For example, iQSTEL recently announced partnership with IDILIO TV, a producer of vertical micro-dramas for Spanish speakers. The market for consumption of micro-dramas on mobile devices is increasing rapidly and globally there are 630m Spanish speakers. IDILIO TV has already proven the concept and seen good early subscriber traction with its productions. iQSTEL's platform and management's technical experience (eg direct carrier billing) is expected to create a friction-less consumer offering from which iQSTEL may generate higher-margin revenue streams. Success with IDILIO TV is expected to lead to other new digital services.

Sensitivities

- Dilution risk: our forecasts and modelling assume that profitability and FCF remain positive from Q326 and we assume that management takes advantage to materially reduce the level of equity dilution. Failure to achieve our forecasts raises the risk that the historical heavy reliance on equity funding remains, resulting in increased ownership dilution to current equity holders (compared to our base-case forecasts).
- Execution risk: management has long-term experience in the telecom industry and has fostered industry-wide relationships that have been important for the formation of partnerships and distribution agreements. Any changes in senior management and/or their relationships with other key figures in the telco industry could create challenges.
- Partnerships: iQSTEL will remain reliant upon several key partnerships and commercial agreements with a number of businesses, for example IDILIO TV (for distributable video content) and Cycurion (for cybersecurity solutions).

Forecasts

As a result of recent strategic developments, we expect the enlarged business to achieve an annual adjusted EBITDA run rate of \$8–9m from Q426. Further improvements in adjusted EBITDA profitability over 2027 are expected and will be helped by several factors, including improved operational leverage achieved by a streamlining of operations onto one technical platform and gross margin expansion from new digital services. This is very much in line with management's recently stated priority to shift from simply scaling revenues to now focus on profitability (Letter to shareholders, 25 June 2026). Importantly, we also expect that the improved profitability will allow iQSTEL to have positive FCF in 2027 and beyond. We have not assumed nor modelled further major M&A.

Valuation

iQSTEL's current share price and valuation are understandably affected by a track record of losses and excessive equity dilution. However, now that the business appears to have reached an inflection in profitability and cash generation, we would suggest that the business and valuation be viewed differently. If management is able to achieve our forecast expectations and deliver on its stated financial objectives, future material equity dilution is far less likely. If this were to be reflected in a valuation more in line with peer businesses, we believe a share price of \$6 could be justified.

iQSTEL: A component of the global telco ecosystem

As telecom is a truly global industry, the companies that operate in the market have to be able to originate and terminate voice and data messages (SMS) across the globe. However, it is clearly neither cost-effective nor practical for an operator based in the UK to necessarily own, run and maintain the critical telecom infrastructure in all the overseas markets into which its UK-based customers may wish to make voice calls or send texts. For this reason and with an increasingly open-access regulatory environment in the telecom industry, smaller wholesalers of capacity and services have emerged that serve the larger telecom providers and help them optimise their international traffic routing.

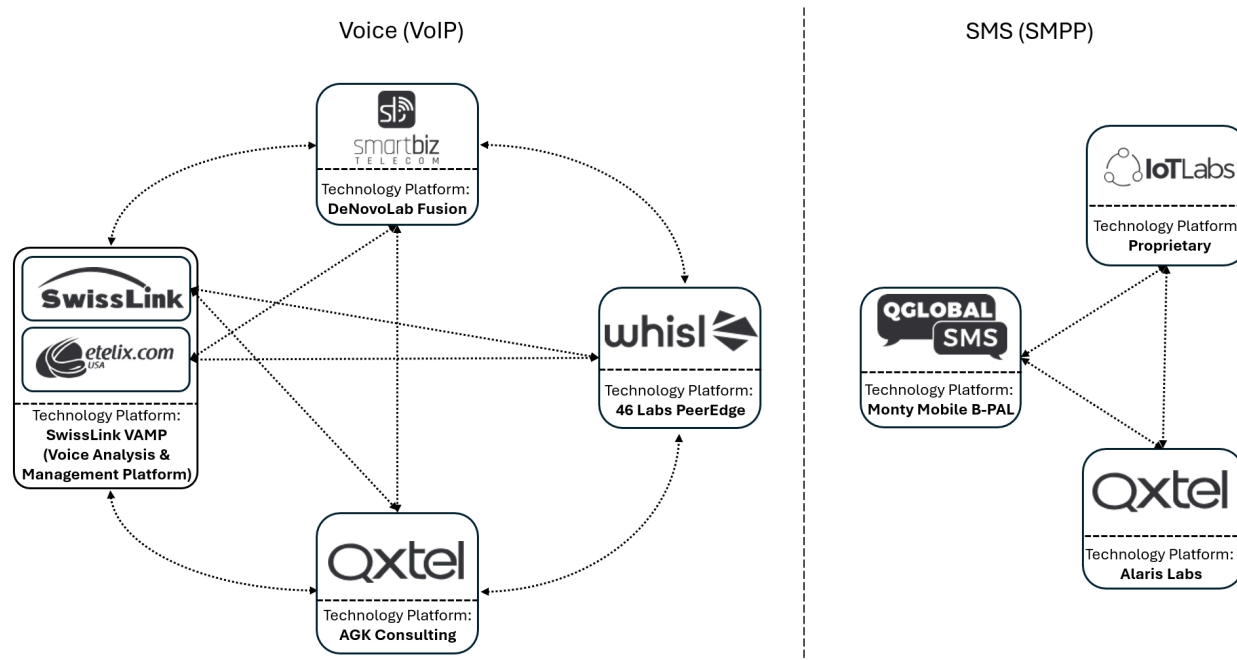
iQSTEL is one such player in this market and operates as a global B2B distribution platform for large telcos. The company operates in over 20 countries and maintains over 600 telco carrier interconnections. This network of interconnections enables the company to provide traffic management services to the operators, handling international voice (VoIP) and SMS termination services that the operators rely on to connect users globally.

The core IP or value add

Often businesses similar to iQSTEL are described as wholesalers. While this is an accurate description of how a business like iQSTEL purchases or leases its network capacity to create its own infrastructure, the label 'wholesale' somewhat simplifies the value of the technology and services that iQSTEL then provides to the ecosystem.

By having its own communications network linking multiple Tier 1 operators around the world, iQSTEL is essentially able to bid for the right to provide termination services of a particular carriers' traffic in certain overseas markets. For example, iQSTEL could sign an agreement to terminate a UK carriers' voice calls and SMS messages into a European country where the UK telco has no physical assets.

Exhibit 1: iQSTEL existing network assets and architecture



Source: iQSTEL, Edison Investment Research

Routing (rules) engines

A core part of the technology platform is the technology that determines how the voice calls and messages are routed in the most efficient manner. The routing (rules) engines that perform this role are a vital component of the iQSTEL technology. A routing engine is a complex piece of software that oversees the processing of traffic. Data is analysed by the rules engine when received and is then evaluated by or passed through a series of complex algorithms to determine the optimal onward routing of the data.

The successful routing of the data, which takes into consideration many different factors, is ultimately what determines whether a profit can be generated by iQSTEL. In order to achieve this, algorithms embedded in the rules engines take into consideration factors such as:

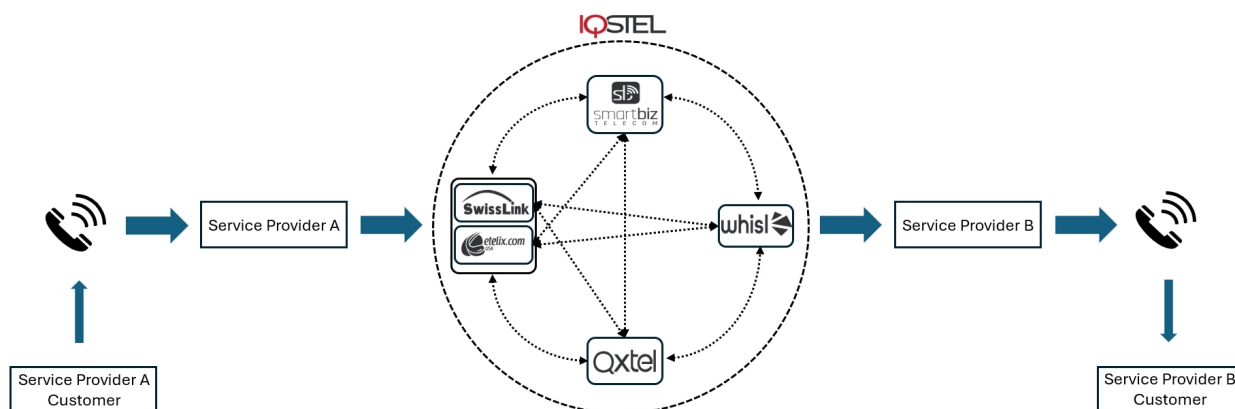
- **Least cost routing (LCR):** automatically ranks and selects carrier routes based on the cheapest per-minute rate while maintaining acceptable quality.
- **Quality and performance-based routing:** uses live network KPIs (eg answer-seizure ratio and average call duration) to ensure traffic can be routed to avoid carriers with unacceptably high dropped-call rates.
- **Failover sequencing:** arranges for carriers in a prioritised hierarchy so that if a primary routing is starting to experience congestion, the rules engine seamlessly redirects the traffic to a secondary or tertiary backup route.
- **Time-of-day/geographic routing:** modifies traffic paths dynamically based on business hours or localised network congestion.

Given that iQSTEL has rapidly evolved through a combination of organic and acquired growth, the current platform is powered by solutions (routing engines) from a combination of in-house and third-party providers, as indicated in Exhibit 1.

SwissLink had developed its own Voice Analysis and Management Platform (VAMP), and, when acquired, management had anticipated that this could serve as the underlying technology for the group. However, subsequent to the purchase of QXTEL, whose platform was based on a third-party product from supplier AGK Consulting, the decision has been made to standardise on AGK's technology.

AGK is a small software development firm, based in Florida, specialising in designing and coding high-performance transactional solutions for the telecom industry. At present the subsidiary businesses SwissLink, Etelix and QXTEL have been migrated over to the AGK platform. Whisl and Smartbiz will also migrate over to the AGK platform, with that project expected to be complete by the middle of 2027. Once the voice traffic businesses have migrated, we expect that the messaging operations (IoT Labs and QGlobal) will also move to the AGK technology, though, as yet, we are not aware of a time frame for that migration.

Exhibit 2: iQSTEL's position in the global telecom market



Source: Company, Edison Investment Research

Historical development

Etelix was founded in 2008 by Leandro Jose Iglesias (current iQSTEL CEO), who formerly served as the international business manager at Verizon's Venezuelan subsidiary. The business operated as a wholesaler of telecom services, focusing on international VoIP traffic. Based in Miami, Florida, Etelix operated globally but had a particular regional focus on connectivity between the US and certain Latin American markets, including Costa Rica and Venezuela. In 2018, through a reverse take-over of a business involved in unrelated activities (health snack distribution), Etelix obtained a listing and changed its name to **iQSTEL**. The listing provided a currency to help drive its acquisitive growth strategy. We describe the key purchases and formation of the business below.

SwissLink

In April 2019, iQSTEL made its first significant consolidation move with the purchase of 51% of SwissLink Carrier, based in Horgen, Switzerland. SwissLink had been founded in 2017 (by the vendor Ralf Köhler) after a subsidiary unit of Swissphone Wireless was spun out as a separate business unit. The initial 51% purchase was at a cost of \$0.5m. In November 2024, iQSTEL agreed to acquire the outstanding 49% from Mr Köhler, with a valuation of \$750,000 and to be paid in shares over five years. The company focuses on the provision of European and global carrier traffic routing and termination services for VoIP and traditional TDM (time-division multiplexing) traffic. SwissLink has shown strong revenue expansion in recent years, with a CAGR of c 50% over 2022–25 and represented 7% of group revenues in 2025.

QGlobal

In February 2020, iQSTEL acquired an initial 51% of QGlobal SMS (for \$1.8m), with the remaining 49% acquired in October 2021. With headquarters in Florida, QGlobal operates SMS connectivity and termination services across multiple international markets but post the purchase of SMSDirectos (Colombia) in mid-2020 and together with existing QGlobal interconnection agreements, revenues are largely based on SMS connectivity services between the US and Latin American markets. At this point, QGlobal's revenue contribution to the group is very modest, contributing less than 1% of group revenues in each of the last few years.

IoT Labs

In April 2020, iQSTEL purchased an initial 51% of IoT Labs, a provider of SMS routing services with offices in Houston Texas and Mexico City, Mexico. Including the initial purchase costs and some funding commitments from iQSTEL (for the development of the IoT platforms), the initial cost was \$0.7m. While the business was, in its earlier years, developing its own custom range of hardware and firmware for industrial IoT applications, it has more recently focused on SMS routing services. IoT Labs is the largest of the iQSTEL SMS routing businesses and since the original purchase has exhibited consistent strong revenue growth. We assume that iQSTEL will wish to acquire the remaining 49% of IoT Labs, but as yet there has been no public announcement of any attempt to do so. IoT Labs accounts for the vast majority of the group revenues generated from SMS services and represented 37% of group revenues in 2025.

Whisl

iQSTEL acquired a 51% holding in Whisl Telecom in May 2022 for a consideration of \$1.8m (an initial cash payment of \$1.25m followed by a deferred share payment valued at \$550,000). Based in Houston, Texas, Whisl operates as a voice and SMS services provider. We believe that revenues are primarily generated from within the US, with Whisl operating as a corporate B2B services provider. Revenues generated from Whisl are modest compared to other businesses in the group and have shown greater volatility since purchase, declining in both 2023 and 2025, but showed exceptional growth in 2024.

SmartBiz Telecom

In June 2022 iQSTEL acquired a 51% holding in SmartBiz Telecom for a total consideration of \$1.8m, satisfied through cash of \$800,000 and shares issued to the value of \$1m. Based in Miami, SmartBiz operates internationally and generates the vast majority of its revenues from the provision of voice routing and termination services. SmartBiz represented 4% of group revenues in 2025.

QXTel

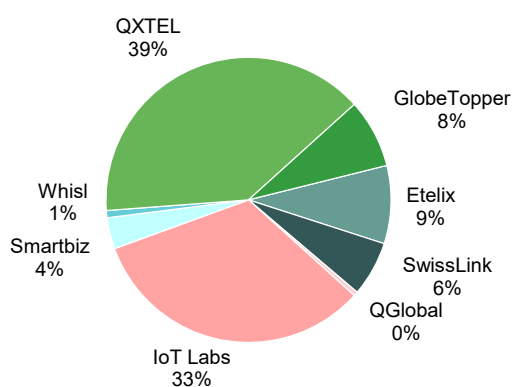
In January 2024, iQSTEL agreed to acquire a 51% holding in QXTel, iQSTEL's most valuable purchase to date, at a cost of \$5m (initial cash \$3m and \$2m deferred). With headquarters in London and offices in Florida (US), Buenos Aires (Argentina), Dubai (UAE), Belgrade (Serbia) and Istanbul (Turkey), QXTel is a provider of international voice routing and termination services. The purchase marked a significant milestone in the development of iQSTEL, taking the group annual revenue run rate comfortably over \$0.25bn. After a year of solid organic growth in 2025, QXTel accounted for 44% of group revenues. QXTel also provides SMS routing services, but its primary revenue source is voice-traffic routing.

Ultraset (acquisition due to complete Q326)

iQSTEL's most recently announced deal (June 2026) is the proposed purchase of a 51% holding in Ghana-based service provider Ultraset Telecom for a total consideration of up to \$17.6m, with an initial cash payment of \$7.0m and a potential performance-related payment of up to \$10.6m, expected to be funded through a mixture of cash and shares. Moreover, iQSTEL is also contributing a \$3.4m payment towards Ultraset's near-term working capital requirements. The deal is expected to complete before the close of the current quarter (end September).

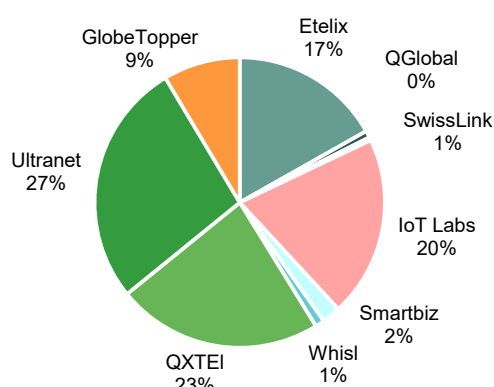
Ultraset has operations across Ghana, Nigeria, Mali, Burkina Faso, Senegal and Ivory Coast with additional operations in Europe, Asia and North America. Its key operations are centred around its SMS routing and termination agreements with six of the leading African mobile operators, which allow Ultraset sole international routing rights in their respective markets. Strategically the addition of Ultraset is a major advancement for iQSTEL, geographically expanding the telecom infrastructure and providing much stronger international interconnection capabilities while accelerating growth in Africa, the Middle East and Asia. With annualised revenues of \$130m (c 30% of iQSTEL group revenues), the inclusion of Ultraset also marks a major step in revenue expansion and takes iQSTEL's annualised revenues towards \$0.5bn, operating in over 30 countries across five continents. Very importantly, Ultraset is growing, is profitable (EBITDA margin of 4% in 2025) and generates cash from operating activities. Its inclusion with the ongoing iQSTEL operations materially improves the financial metrics of the group.

Exhibit 3: iQSTEL revenue breakdown, 2025 excluding Ultraset



Source: iQSTEL

Exhibit 4: iQSTEL revenue breakdown, 2025 including Ultraset



Source: iQSTEL

Industry dynamics

Both the international wholesale voice and messaging markets continue to show growth opportunities, supporting the underlying organic revenue expansion we expect to be achieved by iQSTEL. Each market does however have subtly different drivers, which we note below.

International wholesale voice markets

The intentional wholesale voice market is large and continues to show strong growth in value. Large tier-one carriers such as BT continue to make use of the community of wholesale carriers such as iQSTEL to terminate their international call volumes in order to leverage global routing scale, help them optimize their cost base and maintain their own global interconnectivity without having to have physical assets and infrastructure in all markets around the world. The smaller providers such as iQSTEL therefore experience demand and growth opportunities as the larger tier one carriers grow their own businesses and become more international, requiring wholesale voice and termination services. Today, the size of the international wholesale voice traffic industry is estimated to be in the range of \$42–60bn and, according to several industry forecasts, is expected to grow at a compound rate of 11–15%, as indicated in Exhibit 5 below.

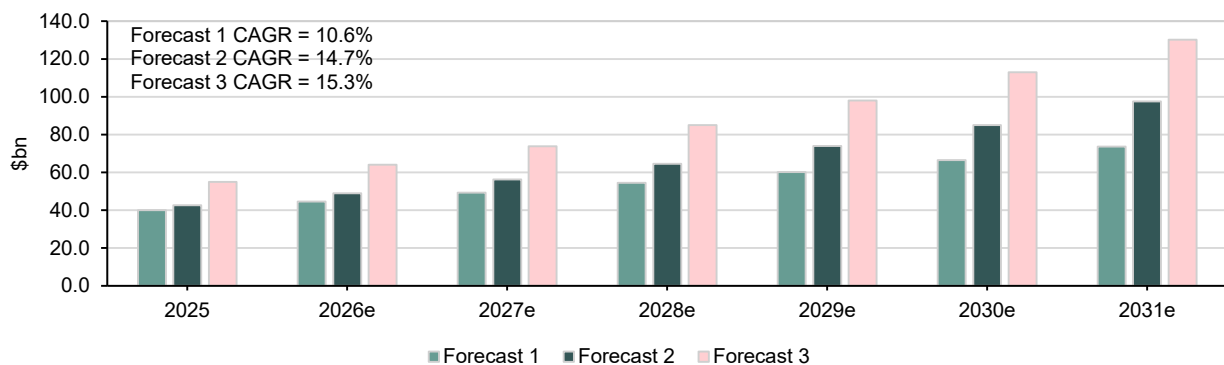
Drivers to the market expansion are wide-ranging and include the following:

- Technology shift: the phasing out of older telecom network capacity (circuit switched or TDM) and the move towards modern digital networks has driven down costs for operators but has materially increased the volumes of voice and data carried over networks and given rise to an increase in the value of the industry overall.

- Business globalisation: a general increase in the global reach of businesses around the world and requirement for staff to have international communications.
- Hybrid working models for employees across the globe in recent years (office vs work from home) are driving a general increase in voice communications services including across international regions.
- Emerging markets mobile termination: continued traffic termination demand toward mobile subscribers in developing economies (such as parts of Latin America and Africa) sustains high reliance on carrier-to-carrier wholesale routing.

Of course, there are certain headwinds that the industry faces, such as the adoption of over the top (OTT) voice services on platforms such as WhatsApp and Skype, but these services have been available for several years already and the impact on the industry dynamics has not prevented market growth.

Exhibit 5: Industry estimates of the size and growth of the international wholesale telecom voice market, 2025–31e



Source: Selected industry forecasts

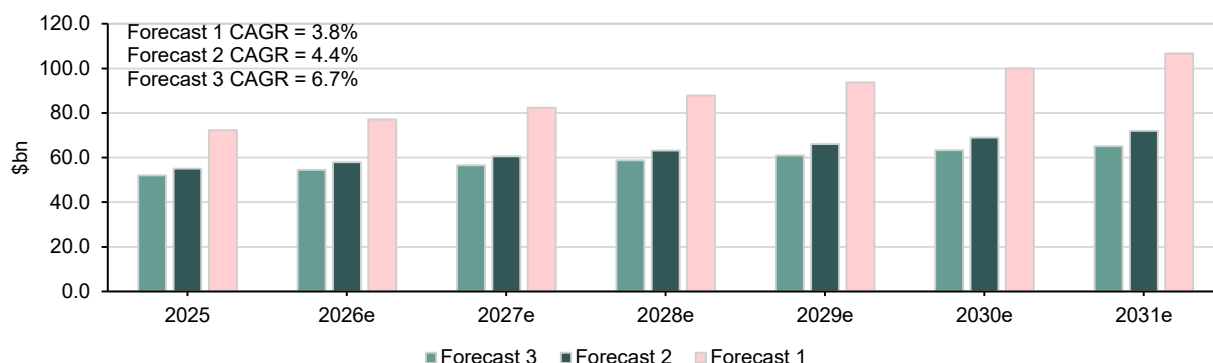
International wholesale messaging

The wholesale telecom messaging market is also expected to show growth, albeit at a more modest pace over the medium term, as illustrated below (Exhibit 6), with forecasts ranging from annual growth of 4% to 7%. Aside from consumer use and the generally increasing rise in the use of application-to-person (A2P) messaging services, specific drivers to this growth include:

- Marketing: use of A2P platforms for promotional and marketing services.
- Customer notifications and alerts: customer care related services (eg booking confirmation and tracking services).
- Authentication: used by a wide variety of security services such as two-factor (or multi-factor) authentication services and banking transaction confirmations.

Many of these services are real-time transactional services, requiring a very high service quality and immediate delivery status. This has put pressure on businesses and telecom service providers alike to choose partners like iQSTEL that are capable of providing quality of service across international regions.

Again, there are some headwinds to industry demand that need to be taken into consideration and in recent years there has been a gradual move among certain technology companies to move away from SMS-based verification towards bespoke authentication applications. There has also been a rise in the use of rich communication services (RCS) and internet-based messaging apps. However, despite these headwinds, growth is expected to remain.

Exhibit 6: Industry estimates of the size and growth of the wholesale messaging (SMS) market, 2025–31e


Source: Selected industry forecasts

New opportunities in fintech

As we discuss later in this report (Financials section), iQSTEL has shown solid organic and acquisition-led revenue expansion in recent years but voice and messaging routing are activities that generate low gross margins. The increased scale will create some operational efficiencies and leverage may help expand operating profitability. However, iQSTEL has also acquired a number of businesses that provide an attractive opportunity for expansion of a range of fintech services, each of which management expect to have attractive margin characteristics.

ItsBchain

In February 2020, iQSTEL acquired a 75% holding in ItsBchain, a company that specialises in the development of blockchain technology for a variety of telecom applications, for a modest consideration of just \$130,000. Its headquarters are in Florida, US. Among the applications that were being developed by ItsBchain was a mobile number portability application (MNPA). However, work developing this solution has been put on hold while management focuses on scaling the telecom operations. Management expect the development work to be restarted over the next 24 months as the scale and size of iQSTEL's global telecom activities create a more substantial market into which an MNPA can be sold.

Global Money One

In November 2020, iQSTEL announced a partnership with Payment Virtual Mobile Solutions (PayVMS) to build pre-paid debit and credit card solutions initially on VISA but also latterly on MasterCard. The new business was named Global Money One, with iQSTEL owning 75% and PayVMS retaining 25%.

Since the agreement was signed, Global Money One has indeed created the payment infrastructure to provide a prepaid VISA or Mastercard MoneyOne card, which allows customers to make purchases online, withdraw cash from ATMs, recharge mobile phones and send money internationally to over 80 countries. The product is aimed to serve the unbanked population in the US, principally the immigrant population.

While all the necessary agreements and technology has been put in place (eg agreements with the transaction networks such as Fiserv, ACI, Stripe and Authorize.Net), market research carried out by iQSTEL has found that currently the immigrant population in the US remains very cautious on taking up such services, which is believed to be over concerns related to disclosing personal information. As such, while all the necessary infrastructure is in place for greater adoption, the revenues currently generated from Global Money One are minimal and not separately broken out.

GlobeTopper

In May 2025 iQSTEL agreed to acquire a 51% holding in GlobeTopper for a consideration \$700,000 (\$200,000 cash and \$500,000 in shares) and a commitment to inject \$1.2m over the first two years to support expansion of the business. GlobeTopper is based in Delaware, US, and operates a digital gift card, incentives and a loyalty B2B platform. GlobeTopper has relationships with more than 4,000 merchant brands across 65 countries and partners with them to create and execute digital loyalty programmes. Examples of such programmes include health-tracking reward schemes

(in which users earn points for achieving daily fitness goals and exchange them for discounts on retail products and services) and call-centre operators selling insurance products providing digital gift cards as rewards for new insurance policy customers.

With access to major brands in retail, entertainment and gaming, GlobeTopper operates as an innovator in the B2B digital gift card and loyalty programme market. Operating across multiple markets, it has an established platform with the potential to offer a broader range of corporate gifting and other adjacent services. GlobeTopper accounted for 8% of group sales in 2025 having been consolidated for just six months of the year.

Collaboration with Cycurion

In August 2025 iQSTEL agreed to a collaboration with cybersecurity provider Cycurion to pool their respective AI and security resources. Cycurion's product is a software-as-a-service-based solution that uses AI technology to monitor network traffic and infrastructure, detect threats and automatically take remedial action and raise escalation notices.

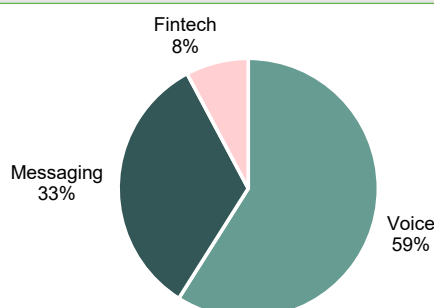
The collaboration involved each company taking a small equity stake in the other (via a \$1m share exchange) and an agreement thereafter to align their development activities in order to:

- deliver a proprietary, joint AI-driven cybersecurity solution, integrating iQSTEL's AI innovations with Cycurion's cybersecurity capabilities,
- enhance Cycurion's internal processes and customer support responsiveness using iQSTEL's AI virtual agents, and
- accelerate innovation cycles and bring cutting-edge, next-generation cybersecurity products to the market faster.

The partnership has completed the initial phases of the project and integration of Cycurion's ARx multi-layer cybersecurity platform with iQSTEL's AI tools has been achieved, adding security to iQSTEL's Airweb.ai web agent and IQ2Call.ai voice agent. iQSTEL has integrated the Cycurion cybersecurity products into its telecom infrastructure, offering security to routing engine operations, securing critical systems such as CRM and accounting records as well as securing sensitive vendor and customer financial data. The agreement also allows iQSTEL to promote and sell the Cycurion solutions to its telecom customers.

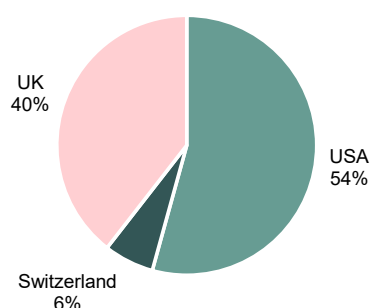
Group structure summary

Exhibit 7: iQSTEL revenue profile by service, 2025



Source: iQSTEL, Edison Investment Research

Exhibit 8: iQSTEL revenue profile by geography, 2025



Source: iQSTEL, Edison Investment Research

The table below (Exhibit 9) summarises the current group structure and key activities of the different operating entities that form the iQSTEL group of businesses.

Exhibit 9: Summary of iQSTEL current group structure

Telecommunications – voice	Telecommunications – messaging	Fintech/digital services	Partnerships/agreements
Etelix.com	QGlobal SMS LLC	GlobeTopper	Cycurion
SwissLink Carrier	IoT Labs	ItsBchain	IDILIO TV
Whisl Telecom	Ultraneet Inc	Globe Money One	
Smartbiz Telecom		Reality Border	
QXTEL Limited			

Source: iQSTEL

Customers

Globally iQSTEL operates with more than 600 service providers and below (Exhibit 10) we show a short list of selected customers. It is important to realise that in order to operate with a telecom partner, the technical certification and approval process represents a strong barrier to entry. To deliver its services, iQSTEL has to operate alongside major telecom operators' infrastructure, connecting with operator billing and wholesale settlement systems to handle the voice and messaging traffic. iQSTEL's long list of customers, including most of the global Tier 1 telecom service providers, demonstrates the technical competence and system robustness of the iQSTEL platform.

Addressing a potential subscriber base of 2.3bn

The customer list and the connections that iQSTEL has in place in order to deliver its services mean that iQSTEL has the capability to manage the origination and termination of voice and messaging traffic across the globe. Management estimates that the current list of customers means that iQSTEL services are addressing a potential total global subscriber base of 2.3 billion. As we discuss below, this is a hugely relevant figure and addressable market opportunity with regard to iQSTEL's new business initiatives.

Exhibit 10: Selected iQSTEL customers by region

Region	Operators	Region	Operators
Europe	BT	USA	C&W Business
	Telefonica		Digicel
	Tigo		T Mobile
	OTE		Verizon
	Orange		Bell
	Vodafone		Natcom
	Telenor		iBasis
	Turk Telekom		Level (3) Communications
	Turkcell		IDT
	Deutsche Telekom		
Africa	TeliaSonera	South America	entel
	TIM		
Asia-Pacific		Asia-Pacific	Zain
			China Mobile
			PCCW Global
			Omantel
			Batelco
			KT
			Telin
			Ooredoo
			E&

Source: iQSTEL. Note: Names in italic are pending / joining with Ultratnet purchase.

Digital Services: Leveraging the platform to drive higher margins

As we have commented on above, iQSTEL has invested in a number of acquisitions over the last few years that bring new services and offerings that could be made available to subscribers over the current global platform. Equally, we have noted that ongoing investment in several of these technologies and solutions (pre-paid debit/credit cards and MNPA's) has been reduced until such time that broader market opportunity becomes more attractive. This is determined by two key factors: the end user demand for the services and acceptance from telecom operators that iQSTEL is the appropriate partner to provide these new services.

GlobeTopper (digital gift cards) is now established as an example of how iQSTEL can operate services that are adjacent to traditional voice and messaging routing services, but a more recent initiative to distribute video content (below) is, we believe, set to demonstrate the strategic model for rolling out new digital services across the iQSTEL global network.

iQSTEL has also invested in AI capabilities through its Reality Border division. The company has created conversational interfaces, multilingual models and AI-driven workflow solutions.

In May 2026, the company recruited Jorge Enrique Becerra as CEO of the new Digital Services subsidiary. With more than 20 years of experience in the telecom and digital media industry across Latin American and European markets, Becerra's experience is expected to help expedite progress in launching new services and help formulate new strategies to better launch those offerings, such as those noted above, that have yet to achieve a favourable market impact.

Vertical digital video services

Becerra's impact has already been seen with the recently announced partnership between iQSTEL and IDILIO TV. On 27 August, the two companies announced a partnership that will allow iQSTEL to distribute IDILIO TV content to subscribers over the existing iQSTEL infrastructure and network operator relationships. Management expects this to generate recurring revenues streams for IDILIO TV, participating network operators and iQSTEL.

IDILIO TV is a Colombia-based business, founded in 2025 by Gabriela Tafur (CEO) and Esteban Ramirez (CTO), with commercial services launched in September 2025. Financial backers of the business include a16z Speedrun (Andreessen Horowitz), Goodwater Capital, Precursor Ventures as well as Jeffrey Katzenberg's WndrCo.

IDILIO TV has created a mobile-first entertainment platform that produces vertical micro-dramas for Spanish-speaking audiences worldwide. The micro-dramas range in topic from thrillers to crime and romance and typically are compiled of short streamable and downloadable video clips of one to three minutes. To date the firm has built up a catalogue of 49 series comprising more than 2,450 episodes with a production schedule delivering two to four new series a month. The content is available for both iOS and Android mobile devices with more than 2m downloads made by subscribers so far.

Micro-dramas for mobile device users originated in China, which today accounts for 83% of an industry that generated more than \$11bn in revenues in 2024, and iQSTEL and Omdia estimate it to be growing at an annual rate over of 30%.

Traction among the Spanish-speaking community is rapidly developing and IDILIO TV is joining a small number of current micro-drama producers that include TelevisaUnivision, Telemundo Studios, RTVE (Spain's public broadcaster), Minivela and VERZA TV producing native Spanish series. Taking into consideration the diaspora of Spanish speakers around the world (official language in 21 countries), the addressable market globally is estimated at 636 million people.

With IDILIO TV already having services operating in 50 countries, both the concept and the demand have been proved and the addition of the iQSTEL global infrastructure is forecast by management to create a potential target audience of 40m. Management have an aspiration to achieve a penetration of 1.25% of this addressable market by the end of Q227.

Prices paid for micro-dramas vary widely across the market, ranging from \$4/month upwards, and in certain markets some active subscribers with heavy usage spend in excess of \$80/month. IDILIO TV currently prices its micro-dramas in an approximate range of \$6.49–\$7.99/month.

The partnership with iQSTEL is intended to be primarily based on direct-carrier billing, creating a frictionless purchase experience, with the aim of encouraging rapid adoption. iQSTEL is in the process of developing and negotiating these direct-carrier billing agreements.

At this stage we have made our own assumptions on the commercial agreements between IDILIO TV, the telcos and iQSTEL in order to model the revenues and profitability to be earned by iQSTEL. Our base assumptions are a revenue split of the order 50% to the content provider (IDILIO TV), 25% to the telco provider and 25% to the agent (iQSTEL). This would be in line with current economics of mobile industry content distribution. The conclusion of our modelling is that although revenues from this venture will remain relatively small, iQSTEL could nevertheless generate multimillion annual revenues from the services, which we expect to be at an attractive gross margin compared to current operations.

Sensitivities

Below we list the various risk factors and uncertainties that we feel need consideration with regards to the business outlook and our valuation assessment.

- **Execution risk and funding:** iQSTEL has not made an annual profit to date and has relied upon external funding to support the cash requirements. This external funding has included highly dilutive share issuance. Should the company fail to achieve our forecast levels of profitability and/or cash generation, there is a risk that the reliance on highly dilutive equity funding will continue. Having sought and obtained shareholder approval to issue shares via Form 14C, the company has the right under the current equity line of credit (ELOC) agreement to issue shares that could result in material further shareholder dilution.

- **Agreements with customers:** iQSTEL's existing wholesale telecom operations are built on a large number of separate agreements with large telecom customers. These agreements operate over a finite period of time but are complex and often require lengthy commercial negotiations and so will typically include autorenewal clauses. These autorenewal clauses assist both parties in providing a continuity of service and ordinarily the commercial agreements operate over long periods of time; however, operational risk would arise if iQSTEL were unable to renew these agreements on favourable terms or indeed unable to renew agreements at all.
- **Complex regulatory market:** iQSTEL operates in the telecom industry, a market with many complex industry and regulatory rules. Failure to comply with these regulations and their associated reporting requirements would have an adverse impact on operations and company reputational risk.
- **Fintech risk:** Certain of iQSTEL's businesses, such as GlobeTopper, which provides digital gift cards and related payment technologies, operate in the quickly evolving fintech industry. The pace of change and innovation in this industry is rapid and if businesses such as GlobeTopper fail to adapt their offerings to evolving customer needs or technological changes, growth prospects and financial performance could be adversely affected.
- **M&A risks:** iQSTEL has been acquisitive and has expressed interest in continuing to acquire new businesses and new technologies. As such, there is clear risk related to integration of acquired businesses as well as the technical integration and monetisation of new technology.
- **Partnership risks:** Where iQSTEL does not acquire a business, it often relies on partnership agreements, for example with Cycurion and IDILIO TV, to access technology and content. Failure to maintain the partnership relationships could have a serious impact on the business's prospects, most notably in the area of the proposed new digital service revenues.
- **Cyber attacks:** iQSTEL is a technology services business, and the company relies on communications networks and computing capacity to provide its services. Security breaches, denial-of-service attacks, or other hacking and phishing attacks on iQSTEL systems or other security breaches, including internal security failures, could harm the company's reputation and lead to a significant adverse impact on company operations and financial results.

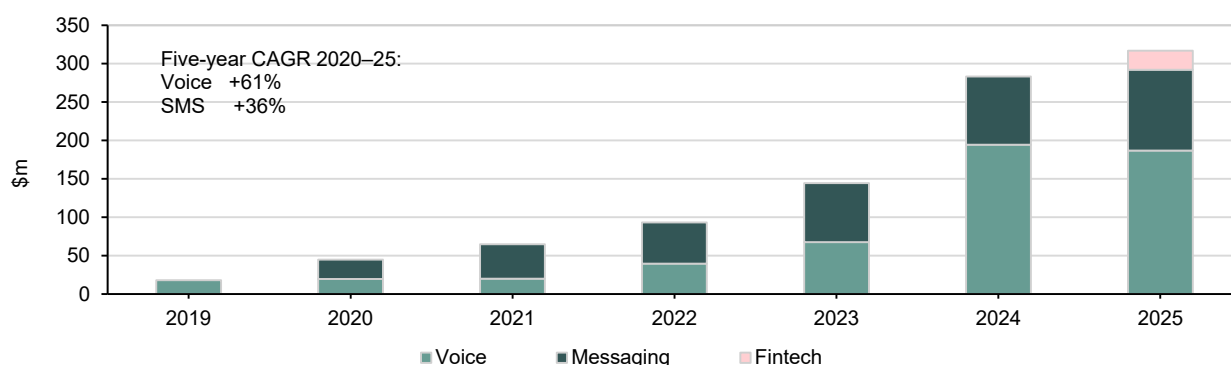
Financials

Although iQSTEL has been acquisitive in how the global infrastructure has been assembled, it is important to realise that the business has achieved underlying organic growth. Moreover, while the voice and messaging activities operate a business model that is inherently a low gross margin, further revenue expansion from current levels with the inclusion of the Ultranet operations (from Q426 onwards) should in our view see the business move to profitability on an adjusted EBITDA basis. The contribution margin from the newer Digital Services is expected to be positive to overall profitability.

Strong organic growth

iQSTEL's revenue growth in recent years is shown in Exhibit 11 below. Since 2019 the revenue CAGR for the group overall has been 52%, as indicated with growth from voice leading the overall expansion. This, of course, is largely due to the purchase of QXTEL in mid-2024.

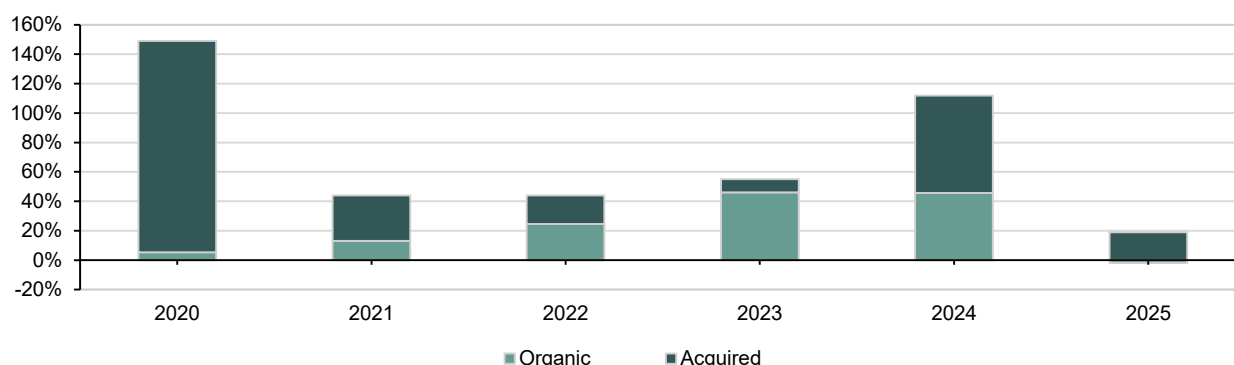
Exhibit 11: iQSTEL revenue growth, 2019–25



Source: iQSTEL, Edison Investment Research

In Exhibit 12 below, we show the contribution to growth from acquisitions for each year and the underlying organic growth. In doing this analysis we have not only adjusted for the contribution to revenues from an acquisition for the year in which the purchase was made but also adjusted for the fully annualised revenues of that business in its second year of inclusion.

Exhibit 12: iQSTEL components of revenue growth, 2020–25



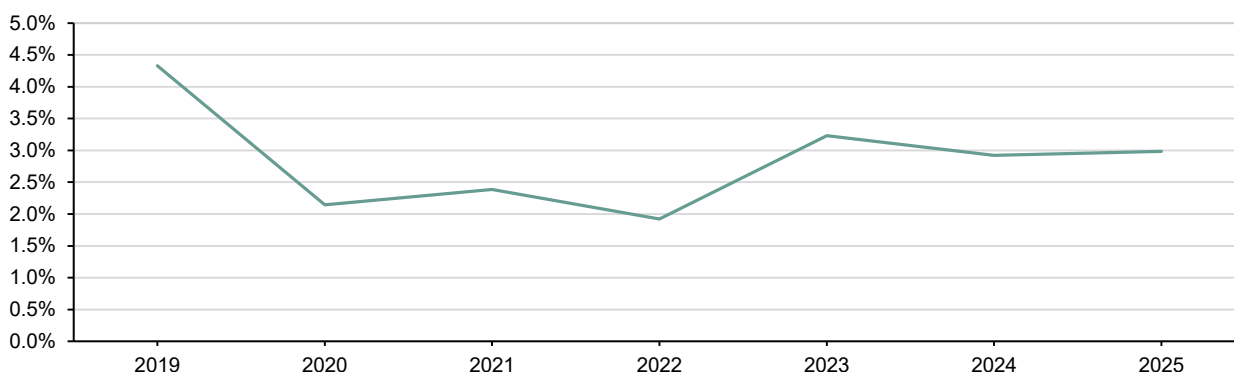
Source: Edison Investment Research

As can be seen, organic growth has been steady over the period. We calculate that the average organic growth was 27% over 2019–24, although, as indicated, in 2025 organic growth was minimal. This was principally due to a management decision to reduce the level of lower-margin business at two operating units (Etelix and SmartBiz). This decision to focus on profitability rather than just chase revenue objectives, we estimate, affected revenues by \$40–50m in 2025, and, in the absence of this strategic decision, organic revenue growth would have been in excess of 15%.

Profitability and operational leverage

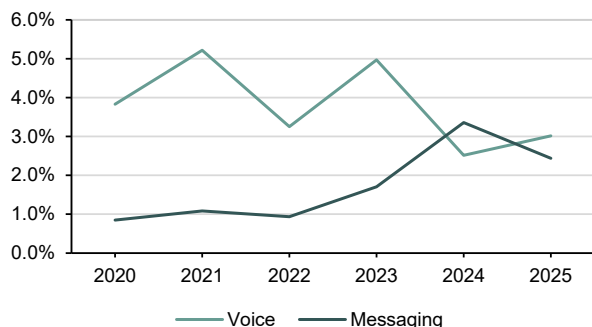
Structurally the wholesale voice and messaging industry tends to be a low-gross-margin operation, and below we show the gross margin profile of iQSTEL in recent years (Exhibit 13). The higher gross margin in 2019 was achieved when the revenue base of the business was much smaller (2019 group revenues <\$20m) and due to an exceptional performance from the main operating business at the time, Etelix. More important is the gradual uptick in the gross margins since 2020.

Exhibit 13: iQSTEL gross margins 2019–25

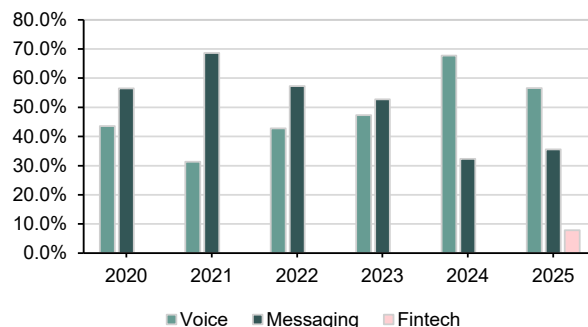


Source: iQSTEL, Edison Investment Research

The underlying dynamic creating this gross margin movement is actually quite complex. As the charts below show (Exhibit 14 and Exhibit 15), historically the gross margins achieved on voice services have been well ahead of those for data services, although, in the last two years, both have averaged around the 3% mark. At the same time, the business has evolved through both organic growth and acquisitions towards a higher mix of voice-based revenue. Given the gross margins from messaging revenues has risen strongly in recent years, this has contributed to the overall group gross margin increase of c 100bps since 2022.

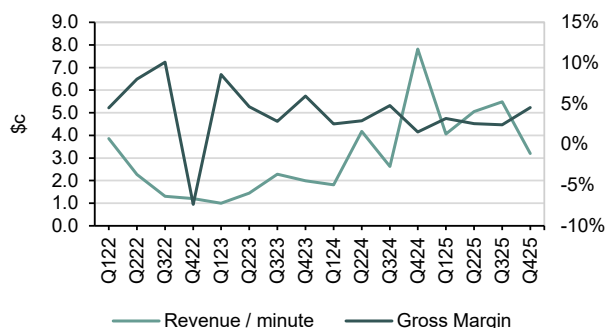
Exhibit 14: iQSTEL divisional gross margins, 2020–25


Source: iQSTEL, Edison Investment Research

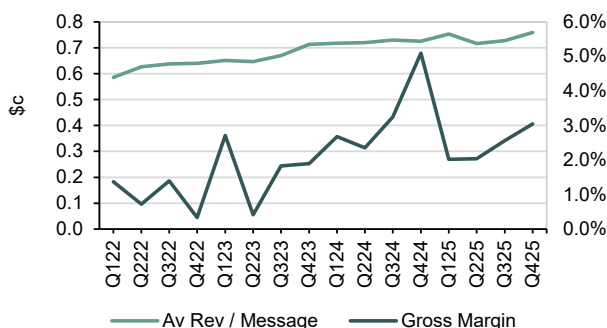
Exhibit 15: iQSTEL divisional revenue mix, 2020–25


Source: iQSTEL, Edison Investment Research

We also note that the underlying pricing dynamics of both the voice and messaging revenue streams have been very stable in recent years. This may be surprising given the reputation of the telecom industry as one in which overcapacity continues to drive down pricing. As the charts below show (Exhibit 16 and Exhibit 17), overall iQSTEL has been able to sustain stable unit pricing for both messaging and voice revenues. This stable unit pricing when combined with the company's smart route optimisation platforms (which define the cost of goods sold for each business) results in stable gross margins, as indicated.

Exhibit 16: Voice revenue unit pricing and gross margins, Q122–Q425


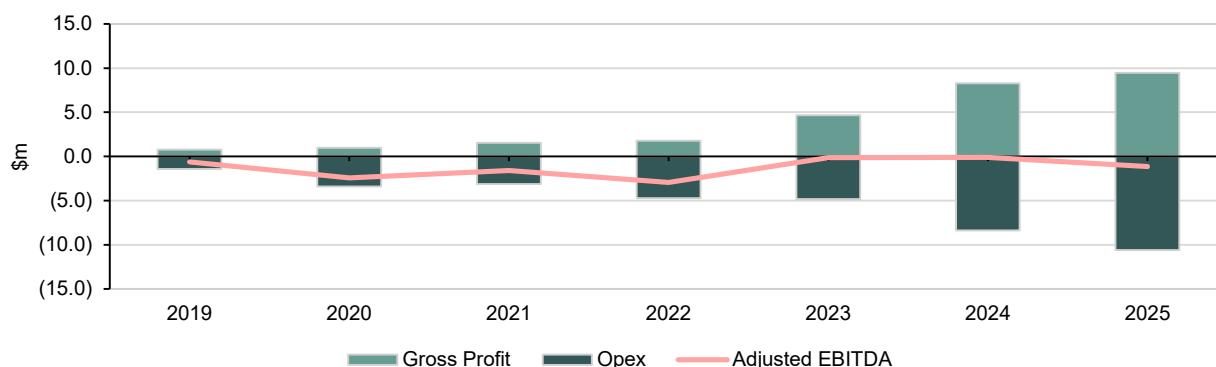
Source: iQSTEL, Edison Investment Research

Exhibit 17: Messaging revenue unit pricing and gross margins, Q122–Q425


Source: iQSTEL, Edison Investment Research

As the chart below illustrates (Exhibit 18), gross profit has risen in recent years thanks to the relatively stable, albeit low, gross margin. Management has carefully controlled the rise in operating expenses (before exceptional items and stock-based expenditures). The net effect is that normalised (adjusted) EBITDA has remained in steady losses, but in a relatively tight range. While large losses have thus been avoided in the rapid-expansion phases of the business, the sustained losses have nevertheless limited access to commercial lending facilities and management has had to rely on equity-based funding schemes in order to finance the growth and acquisitions. We discuss this in more detail below, but, importantly, we do believe that the business can achieve a positive adjusted EBITDA from Q426 onwards.

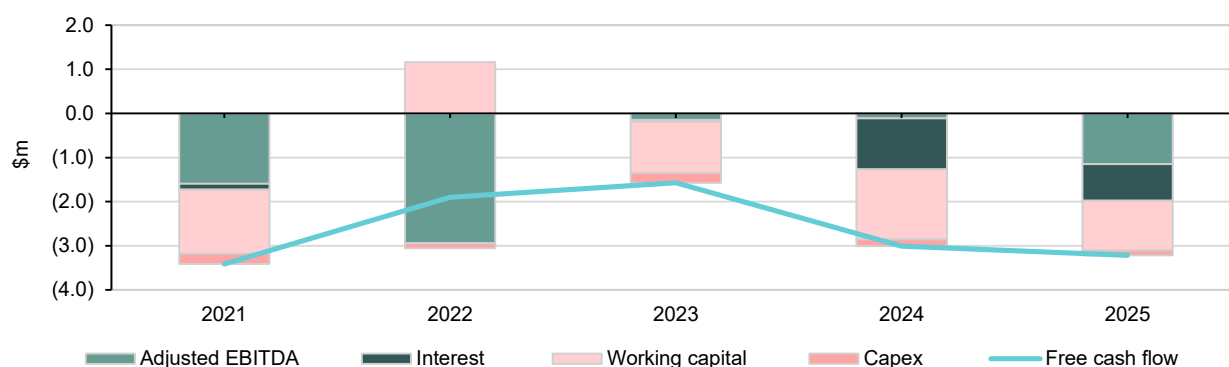
Note that the Exhibit 18 shows the group adjusted EBITDA and therefore includes the central corporate expenses of iQSTEL. The operating businesses (ie telecoms and fintech) do currently show a small positive adjusted EBITDA with a margin of 0.8% for 2025.

Exhibit 18: iQSTEL evolution of adjusted EBITDA, 2019–25


Source: iQSTEL, Edison Investment Research

Cash flow and balance sheet

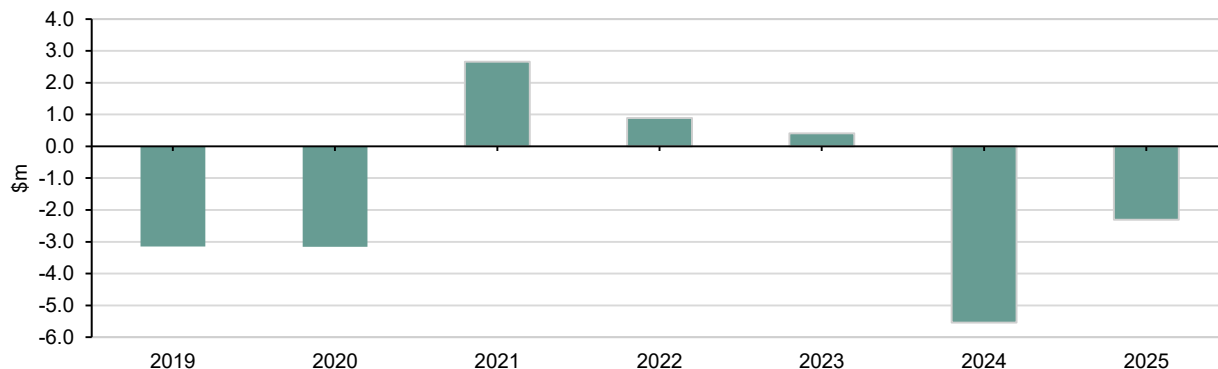
When looking at the cash flows of the business, it is important to consider that over the last decade iQSTEL has followed the specific strategic objective of building up a global infrastructure through the selective purchasing of assets that management believed had the potential to be value creative over the long term. As we have noted, the infrastructure and asset base related to the wholesale voice and messaging market have, this far, achieved a relatively low gross margin and, as a consequence iQSTEL's adjusted EBITDA profitability to date, has been at a low level, negative in fact, in recent years. Unsurprisingly, FCF (or cash generated before M&A, funding and dividends) has also been negative, as we show below (Exhibit 19), with the two main components being the adjusted EBITDA and the movement in working capital.

Exhibit 19: iQSTEL cash flows before M&A and funding


Source: iQSTEL, Edison Investment Research

The strategy to fund much of the M&A activity through common stock issuance for the settlement of debt has resulted in a relatively stable balance sheet evolution over recent years. As indicated in Exhibit 20, net debt peaked at just over \$5m at the end of 2024, although it averaged at \$1.5m over the period. As we discuss below, a core objective for management, now that the business has scale, is to focus on adjusted EBITDA margins in order to drive cash generation. Based on our projections, while there is clearly some execution risk, we believe the business could be net cash generative in 2027 and beyond.

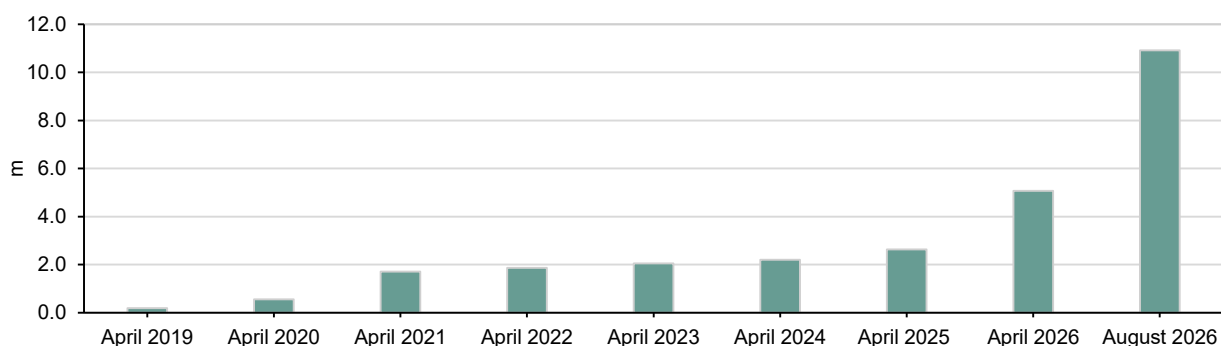
Exhibit 20: iQSTEL evolution of year end net debt, 2019–25



Source: Company, Edison Investment Research

Of course the quid pro quo for use of share issuance for settlement of M&A-related debt is that there has been a material increase in the share count over the same period. The chart below (Exhibit 21) shows the number of shares in issue at the time of the respective annual 10K filing as well as the last reported number with the Q226 10-Q (filed on 18 August 2026). The data is adjusted to reflect the reverse share split (80 share consolidated to 1 share) effective from 2 May 2025.

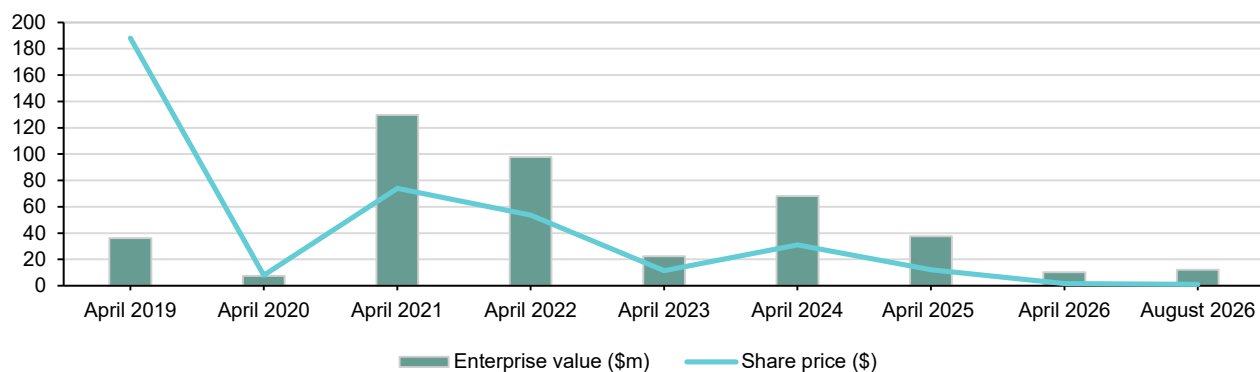
Exhibit 21: iQSTEL shares outstanding, 2019–26



Source: iQSTEL, Edison Investment Research

The chart below (Exhibit 22) shows the corresponding share-price evolution and enterprise valuation (market capitalisation plus net debt). While it would be normal to expect that the share issuance would create a headwind to the share price, as can be seen, the overall valuation of the enterprise as it has scaled in size has created an interesting anomaly. We explore this in more detail and the implications for future valuation later in this report.

Exhibit 22: iQSTEL share price and enterprise valuation, 2019–26



Source: Edison Investment Research

Results for H126

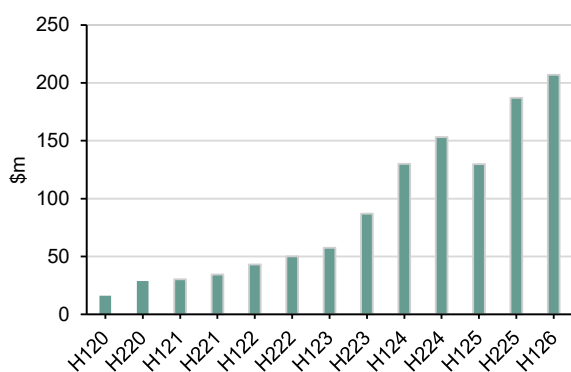
iQSTEL's H126 results (released on 19 August 2026) included a number of interesting data points that suggest that the strategy followed by management to create long-term shareholder value is steadily delivering. Importantly, as the business executes a number of significant milestones over the course of this year, including the purchase of Ultratnet, we see that the foundations are built to achieve a very significant point of inflexion in the financial model, enabling the business to generate a positive FCF in 2027 and beyond.

Revenues and organic growth

Revenues increased 59% y-o-y in H126 to reach \$207m, keeping the business well on track to achieve the stated objective of a \$430m annual run-rate by the end of the year. As the chart below shows (Exhibit 23), aside the H125 period in which management took the decision to reduce low-margin business, iQSTEL has delivered consistent sequential expansion in half-yearly revenues.

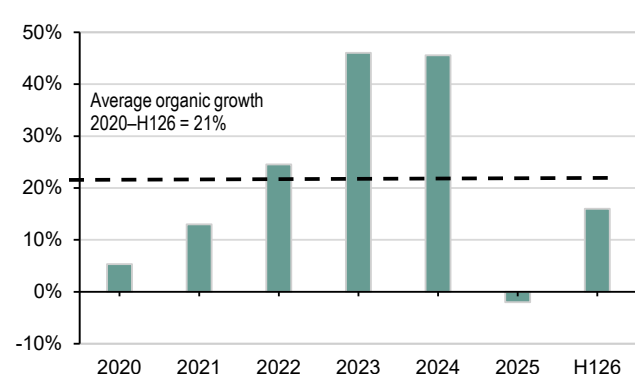
Importantly, as we indicate in the chart below (Exhibit 24), organic growth over H126 was 16% y-o-y, demonstrating that the reduced organic growth over 2025 was very much an anomaly. Since 2020, the company has achieved an average annual organic revenue growth rate of 21%.

Exhibit 23: iQSTEL half-year revenues, H120–H126



Source: iQSTEL, Edison Investment Research

Exhibit 24: iQSTEL organic growth, 2020–H126

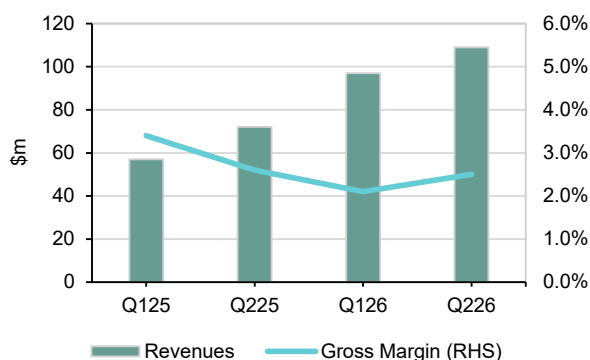


Source: Edison Investment Research

Increasing profits

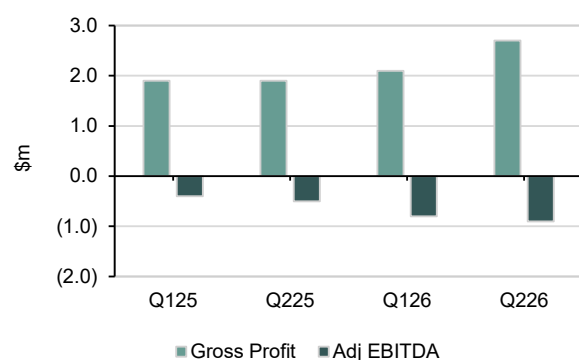
At this stage of business development, with revenues continuing to expand rapidly both organically and via business purchases, the H126 results show steady cost-control management, both of cost of goods sold and operating expenses. This we illustrate in the charts below (Exhibit 25 and Exhibit 26).

Exhibit 25: Comparison of H125 and H126 revenue and gross margins



Source: iQSTEL, Edison Investment Research

Exhibit 26: Comparison of H125 and H126 gross profits and adjusted EBITDA



Source: iQSTEL, Edison Investment Research

Exhibit 25 shows relatively stable gross margins even though revenue has seen material expansion of 60% y-o-y for the half. This gross margin stability implies a robustness to the company's routing technology and the underlying algorithms that are used, giving confidence that revenue can continue to scale at a positive gross margin, being an important characteristic for a business operating in an industry with inherently low gross profitability. Exhibit 26 shows the year-on-year rise in gross profitability together with the very minimal adjusted EBITDA losses.

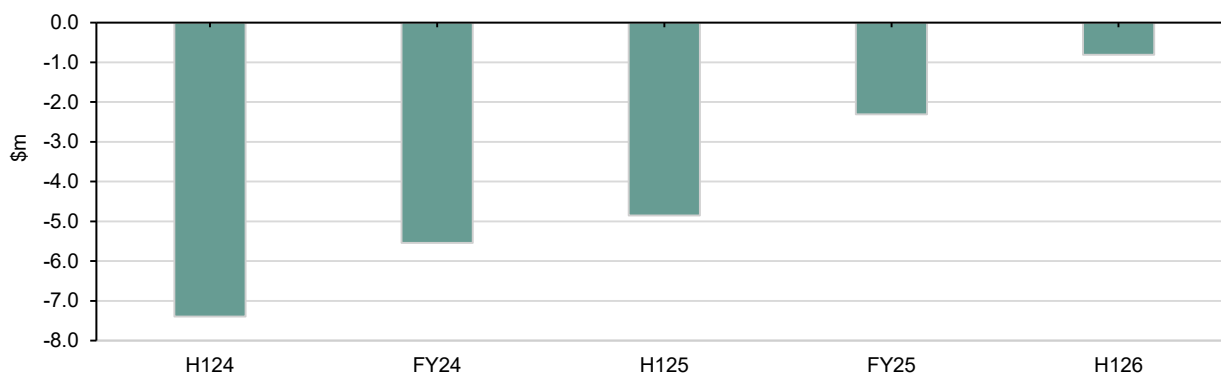
Cash flow and balance sheet – resolving the funding ‘catch 22’

We have noted that iQSTEL has seen a sharp increase in share count over the last few years. With the business operating with losses at the adjusted EBITDA level and not able, at this stage, to generate a positive FCF, funding the ongoing operations as well as the M&A programme has had its inevitable challenges. Funding has come from a series of equity issuance programmes backed by third-party financial institutions. The more recent funding programmes are summarised in the Appendix.

A key challenge of the equity-funding programmes relates to the fact that the number of shares issued to raise finance necessarily rises as the share price declines. We believe this has created a challenge for new investors whose interest may be impacted by the inevitable dilution. In turn, lack of investor interest merely propagates a weaker share price and even greater dilution when equity funding is drawn down.

At the end of June 2026, iQSTEL had reduced its net debt to just \$0.8m with no outstanding warrants or convertible instruments (Exhibit 27). The single funding source that remains is the April 2026 ELOC programme as discussed above. The funding and balance sheet structure of the business is fundamentally changed and reaches a significant point of inflection as we approach the end of the current year with the business moving into profitability with projected positive FCF, as we discuss below.

Exhibit 27: iQSTEL period end cash/(debt) H124–H126



Source: iQSTEL, Edison Investment Research

Forecasts

Management focus in the early years of iQSTEL's development has very much been on building out the global communications platform through acquisitions and organic growth to achieve scale. The inherently low gross margins of the telecom wholesale industry have required management attention to costs, and, as we have noted, the operational losses (and operational cash outflow) have persisted. Having now achieved a revenue run-rate comfortably in excess of \$0.5bn, and with sufficient scale and the profitable Ultranet operations, management objectives are evolving, and we expect a focus on expansion in EBITDA profitability as well as markedly improved cash flows.

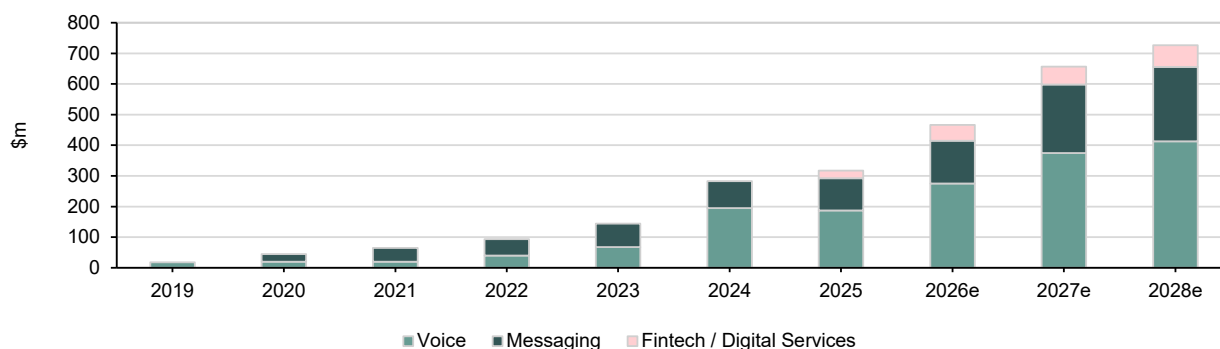
Revenue growth to remain solid

Several levers will drive continued revenue expansion over the course of the next few years. In the current year, an expected revenue increase of 16% should be driven by continued underlying organic growth of an expected 15%, a fully annualised revenue contribution from GlobeTopper (included only for two quarters in 2025) as well as the initial revenue contribution from Ultranet in Q426. At this stage we assume only a minimal revenue contribution from the recently signed IDILIO TV digital services agreement.

In 2027, we assume underlying revenue increases at a rate of 12% but also include a full-year revenue contribution from Ultranet, which alone will account for revenue expansion of just under 30%. We also expect revenue from the IDILIO TV contract to start building up over the year, and this is expected to take the overall revenue expansion to 43%.

While we would expect further M&A over the next year or so, our forecasts for 2028 are based on the current business operations and known new revenue streams. As such, we currently forecast a revenue increase in 2028 closer to the organic growth rate of 12%. However, we do allow for a strong increase in revenues from digital services, principally as the IDILIO TV content services continue to ramp up.

Exhibit 28: iQSTEL revenue forecasts

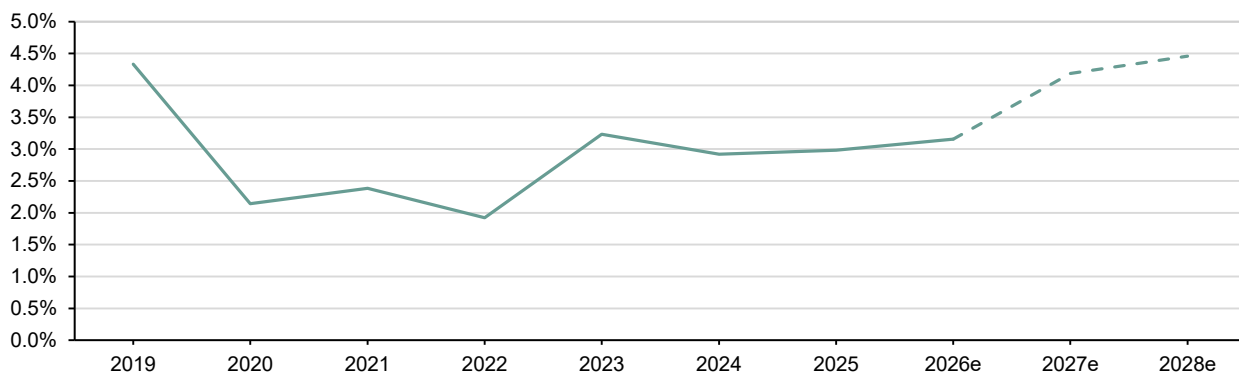


Source: Edison Investment Research

Gross margin expansion and move to positive adjusted EBITDA

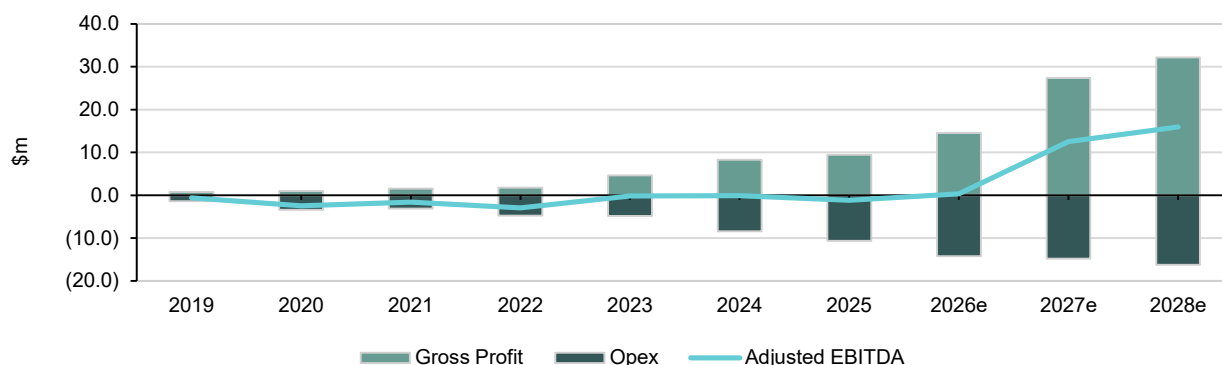
Gross margins over the forecast period are expected to benefit from a number of positive factors, delivering the gross margin profile shown below (Exhibit 29). The drivers to this increase in gross margin are as follows:

- Ultranet higher gross margins, which have been historically at a level above 5%, which is thought to be a function of the very strong market positioning that the company has in its African markets.
- A steadily improving mix of higher-margin messaging revenues, which typically carry a higher gross profitability.
- A gradual benefit over the period from the digital services revenues, which, although they will remain small relative to the overall group revenues, are expected to have a materially higher-gross contribution.
- Benefits from the migration to a single technology platform (as previously noted), which will deliver a more efficient infrastructure platform and facilitate improved routing capabilities.

Exhibit 29: iQSTEL gross margin progression, 2019–28e


Source: Company, Edison Investment Research

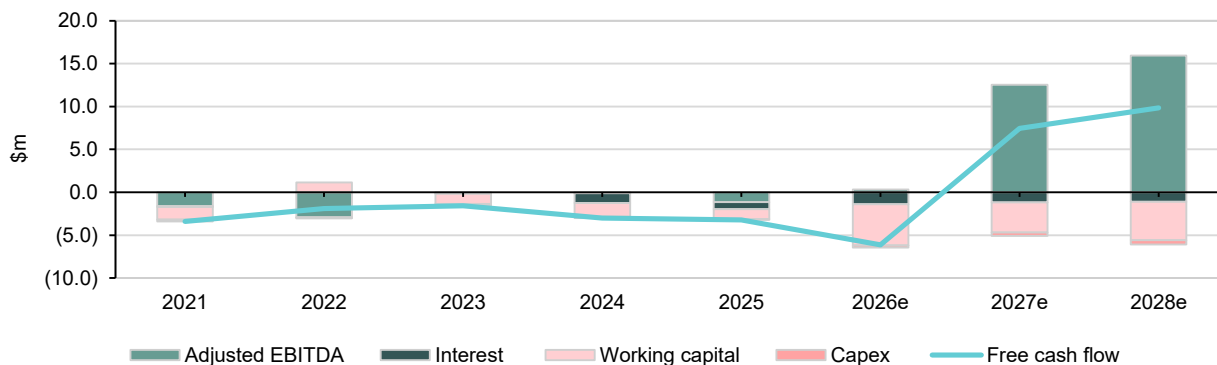
The chart below (Exhibit 30) illustrates the impact expected from the rise in the absolute levels of gross profitability and the effect of driving a positive adjusted EBITDA. In our modelling of the business we allow for a substantial increase in operating expenses in the current year, which is due to the fully annualised effect of the GlobeTopper costs and the inclusion of the Ultranet operational expenses over the final quarter of the year. In both 2027 and 2028 we allow for an increase in operating expenses, but these will rise slower than revenues, helped by initiatives such as the migration of operations onto a single IT platform.

Exhibit 30: iQSTEL gross profit, operating expenses and adjusted EBITDA, 2019–28e


Source: Company, Edison Investment Research

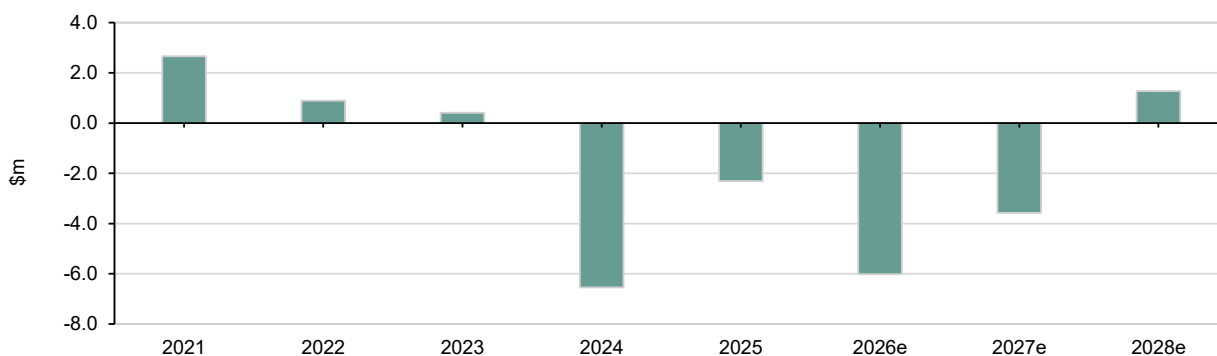
Cash flow and balance sheet

We have shown that the FCF of iQSTEL is largely determined by the adjusted EBITDA and the movements in working capital, and this will remain the case. The structure of the voice and messaging businesses is often described as an asset-light model, given its reliance on leased capacity and a relatively small fixed-asset base in order to run the operations. Therefore, only modest capital expenditures are required, and, while we forecast sufficient capital spend to support the build out of the global infrastructure as seen from the chart below (Exhibit 31), this does not prevent the expansion of the adjusted EBITDA driving a sharp increase in the overall FCF, marking a dramatic change in how the business funds future expansion. Specifically, improved and more efficient financing options should become available to management and enable them to move from the historic reliance on equity lines of credit and discounted share issuance.

Exhibit 31: iQSTEL free cash flow, 2021–28e


Source: Company, Edison Investment Research

The impact on the balance sheet from this expected improvement in cash flows is illustrated below (Exhibit 32). Our forecasts are based on the current business assets, although we assume completion of the Ultratnet purchase at the end of the current quarter, which will see a cash payment of \$5m with a further \$2m provided by the ELOC facility. Within our forecasting of cash flows and the balance sheet, we assume that the deferred consideration of \$10.6m is paid in two equal instalments in 2027 and 2028. As iQSTEL becomes cash generative, despite the burden of these two deferred consideration payments, we expect to see a return to a net cash position in 2028. However, there is execution risk, and should the business fail to sustain the profitability and cash generation we are forecasting, we note that there is a risk that the ELOC funding is, once again, relied upon for deferred consideration payments and further material equity dilution seen. We believe management will wish to continue to undertake M&A, but any future deals are not present in our modelling.

Exhibit 32: iQSTEL year-end net cash/(debt)


Source: Company, Edison Investment Research

The table below (Exhibit 33) summarises the key profit and loss and cash flow metrics.

Exhibit 33: iQSTEL key forecast metrics, 2025–28e

\$m	2025	2026e	2027e	2028e
Sales	317	462	653	721
Growth	11.9%	45.6%	41.5%	10.4%
Adjusted EBITDA	(1)	0	13	16
Growth	933.8%	-127.4%	3881.6%	27.1%
Margin	-0.4%	0.1%	1.9%	2.2%
Adjusted EBIT	(2)	(1)	11	14
Growth	191.1%	-67.1%	-2055.9%	26.3%
Margin	-0.6%	-0.1%	1.8%	2.0%
Adjusted diluted EPS (\$)	(2.86)	(0.39)	0.71	0.82
Growth	-0.1%	0.0%	0.0%	0.0%
Operating Cash Flow	(3)	(3)	9	11
Free Cash Flow	(3)	(5)	7	10
Year-end net Debt/(Cash)	(2)	(6)	(4)	1

Source: Edison Investment Research

Valuation

Exhibit 34 shows key valuation metrics of iQSTEL with those of other, broadly comparable, peer businesses. iQSTEL currently trades at a material discount to the peer average when assessed on EV/sales and EV/EBITDA multiples.

This discount has been the manner in which iQSTEL has been funded over the course of the last few years and the heavy reliance upon equity issuance as we have discussed in this report. In simple terms, potential investors may have been wary of owning shares in a business knowing that future marked equity dilution was a certainty. Moreover, the capital model of the business has been somewhat trapped in a circuitous catch-22 scenario in which as the share price falls the funding model requires increased levels of equity dilution, making the equity proposition less attractive and further impacting the share price.

To curtail this spiral that has suppressed both the share price and valuation, a critical point has been required in the business development – that of reaching a sufficient level of profitability to have a positive FCF. At that point of inflection in the financial evolution of the business things change materially. This note effectively announces that we believe we are now at that inflection point.

As we have noted above in our commentary on forecasts, we believe iQSTEL should move from a loss-making and levered business model (with expensive capital access) to a cash generative business with the ability to both fund deferred M&A expense from cash flows and deliver the balance sheet. This inflection to the finances of the business should also be reflected with an inflection to the level of investor interest, in our view, now that the issue of material levels of equity dilution start to diminish.

Based on the table above, were iQSTEL to trade on equivalent EV/EBITDA to the peer average of 7.3x for 2027, the implied fair value of iQSTEL would be a share price of \$6.0. The upside implied from comparing iQSTEL's EV/sales multiples with those of the peers is much greater. This reflects iQSTEL's current very-low-margin structure whereas its peers have already developed other higher businesses alongside any wholesale telecom services they provide. This large EV/sales discount represents the opportunity that iQSTEL has, over the long term, to raise gross margins and drive much improved levels of profitability, if a broad range of digital services can be successfully launched over the global platform. However, as we have discussed, there is a material execution risk. The current iQSTEL gross margins are 3% compared to the peer group average of 54%. Over the forecast period, our modelling implies that iQSTEL can achieve an adjusted EBITDA margin of 2% compared to the peer average of 25%. If management is able to deliver a longer-term business model that leads to a normalisation of margins in line with peers, the upside to share price would be significantly above the \$6 figure already referenced.

Exhibit 34: IQSTEL peer group valuation comparison

		Reporting	Price	Market cap	EV	Gross	EV/sales (x)			EV/EBITDA (x)		
	Year-end	currency		(in reporting currency)	Margin		Yr 1	Yr 2	Yr 3	Yr 1	Yr 2	Yr 3
iQSTEL	Dec	USD	0.91	10	15	3%	0.05	0.03	0.02	72.13	1.53	0.89
IDT Corporation	July	USD	68.94	1,714	1,494	36%	1.17	1.19	1.22	9.89	10.02	9.51
Cogent Communications Holdings	Dec	USD	10.22	523	2,666	45%	2.82	2.78	2.61	8.98	8.27	9.71
ATN International	Dec	USD	30.91	476	925	56%	1.25	1.23		5.03	5.07	
Crexendo	Dec	USD	5.93	197	184	75%	1.89	1.66	1.53	12.74	10.62	7.93
Lumen Technologies	Dec	USD	6.81	7,024	18,354	46%	1.65	1.72	1.74	5.81	5.74	5.66
Shenandoah Telecommunications Co	Dec	USD	12.63	699	1,482	64%	3.95	3.76	3.57	11.05	9.95	8.95
Average (Excluding iQSTEL)							2.12	2.06	2.14	8.92	8.28	8.35
IQST Premium / (Discount)							-98%	-99%	-99%	n/a	-82%	-89%

Source: LSEG Data & Analytics, Edison Investment Research. Note: Edison valuation data assumes a total number of shares in issue of 17m for calculating the enterprise value (EV) in recognition of the likely share issuance for minority purchase costs.

Exhibit 35: Financial summary

	\$	2024	2025	2026e	2027e	2028e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT						
Revenue		283,220,442	316,899,498	461,500,000	653,000,000	721,000,000
Cost of Sales		(274,948,693)	(307,442,244)	(446,936,000)	(625,658,000)	(688,854,000)
Gross Profit		8,271,749	9,457,254	14,564,000	27,342,000	32,146,000
EBITDA		(111,310)	(1,150,778)	315,000	12,542,000	15,946,000
Reported EBITDA		(334,529)	(1,455,791)	15,000	12,192,000	15,546,000
Operating profit (before amort. and excepts.)		(610,845)	(1,778,445)	(585,000)	11,442,000	14,446,000
Share-based payments		(223,219)	(305,013)	(300,000)	(350,000)	(400,000)
Reported operating profit		(2,626,581)	(6,774,162)	(1,855,493)	11,092,000	14,046,000
Net Interest		(2,159,425)	(1,614,399)	(1,400,000)	(1,200,000)	(1,100,000)
Profit Before Tax (norm)		(2,770,270)	(3,392,844)	(1,985,000)	10,242,000	13,346,000
Profit Before Tax (reported)		(4,786,006)	(8,388,561)	(3,255,493)	9,892,000	12,946,000
Reported tax		(394,030)	(121,705)	(77,612)	0	0
Profit After Tax (norm)		(2,188,513)	(2,680,347)	(1,568,150)	8,091,180	10,543,340
Profit After Tax (reported)		(5,180,036)	(8,510,266)	(3,333,105)	9,892,000	12,946,000
Net income (normalised)		(3,000,044)	(3,334,064)	(1,568,150)	8,091,180	10,543,340
Net income (reported)		(5,991,567)	(9,163,983)	(3,333,105)	9,892,000	12,946,000
Average Number of Shares Outstanding (m)		2,314,413	3,452,198	8,453,694	14,000,000	15,700,000
EPS - basic normalised (c)		-1.30	-0.97	-0.19	0.58	0.67
EPS - normalised fully diluted (c)		-1.30	-0.97	-0.19	0.58	0.67
EPS - basic reported (c)		-2.86	-2.86	-0.39	0.71	0.82
Dividend (c)		0	0	0	0	0
BALANCE SHEET						
Fixed Assets		15,992,692	14,925,511	14,091,039	13,191,039	11,941,039
Intangible Assets		14,188,699	12,747,453	11,847,453	10,747,453	9,247,453
Tangible Assets		561,802	615,048	665,048	790,048	940,048
Investments & other		1,242,191	1,563,010	1,578,538	1,653,538	1,753,538
Current Assets		63,015,046	36,162,424	52,448,387	65,066,387	77,409,387
Stocks		3,345,722	3,748,045	3,748,387	3,749,387	3,749,387
Debtors		57,158,967	30,259,020	46,000,000	58,000,000	63,000,000
Cash & cash equivalents		2,510,357	2,155,359	2,700,000	3,317,000	10,660,000
Current Liabilities		(63,821,196)	(34,106,407)	(42,803,112)	(57,285,175)	(63,285,175)
Creditors		(2,129,241)	(9,167,288)	(14,000,000)	(19,000,000)	(21,000,000)
Lease liabilities		0	0	0	0	0
Other		(61,691,955)	(24,939,119)	(28,803,112)	(38,285,175)	(42,285,175)
Long-Term Liabilities		(3,286,279)	(200,901)	(211,302)	(251,302)	(271,302)
Long-term borrowings		(3,011,926)	(31,302)	(31,302)	(31,302)	(31,302)
Lease liabilities		0	0	0	0	0
Other long-term liabilities		(274,353)	(169,599)	(180,000)	(220,000)	(240,000)
Net Assets		11,900,263	16,780,627	23,525,012	20,720,949	25,793,949
Minority interests		4,682,506	5,121,603	5,121,603	5,121,603	5,121,603
Equity of IQSTEL		7,217,757	11,659,024	18,403,409	15,599,346	20,672,346
CASH FLOW						
Operating Cash Flow		(4,680,501)	(7,882,599)	(2,433,105)	10,992,000	14,446,000
Working capital		(1,585,679)	(1,125,943)	(3,500,000)	(3,500,000)	(4,500,000)
Exceptional & other		4,569,191	6,731,821	2,748,105	1,550,000	1,500,000
Tax		(279,578)	(294,453)	0	0	0
Net operating cash flow		(1,976,567)	(2,571,174)	(3,185,000)	9,042,000	11,446,000
Capex		(151,620)	(113,020)	(250,000)	(400,000)	(500,000)
Net interest		(879,783)	(534,163)	(1,400,000)	(1,200,000)	(1,100,000)
Equity financing		11,862	6,827,976	6,126,537	0	0
Other		(3,955,121)	625,148	(5,000,000)	(5,000,000)	(5,000,000)
Net Cash Flow		(6,951,229)	4,234,767	(3,708,463)	2,442,000	4,846,000
Opening net debt/(cash)		(409,102)	6,542,127	2,307,360	6,015,823	3,573,823
FX		0	0	0	0	0
Closing net debt/(cash)		6,542,127	2,307,360	6,015,823	3,573,823	(1,272,177)

Source: Company data, Edison Investment Research

Appendix

iQSTEL's equity funding programmes

Below we list the timings and details of iQSTEL's recent equity funding schemes.

January 2024

iQSTEL entered into a securities purchase agreement (SPA) with M2B Funding, a Florida corporation that specialises in providing principal investing and lending to small-cap and private companies. Through the funding agreement M2B was able to purchase up to \$3,888,888.89 in secured convertible promissory notes for an aggregate purchase price of \$3,500,000.00. These notes were then convertible into shares of common stock at a conversion price of \$0.11 per share. Each noteholder received shares of common stock (kicker shares) in an amount equal to 10% of the principal amount of any note issued divided by \$0.11.

The initial tranche was executed in January 2024 for \$2,222,222.22 in face value of notes and kicker shares, with an original issue discount of \$222,222.22. A second and a third tranche were executed in March 2024 for \$1,111,111.11 and \$555,555.56, respectively, in face value of notes and kicker shares, with an original issue discount of US \$111,111.11 and \$55,555.56, respectively. Each of the one-year notes had an interest rate 18% per annum. The resulting numbers of shares issued was as follows:

- 1,770,000 shares of common stock were issued valued at \$0.10.
- 2,020,202 shares of common stock were issued valued at \$0.11.
- 1,010,101 shares of common stock were issued valued at \$0.11.

In October 2024, a new memorandum of understanding (MoU) was signed with M2B extending the maturity date on three promissory notes in exchange for stock consideration. The result was that the maturity was extended by 12 months from their original date of maturity as follows:

- First note: Originally due 1 January 2025, with an outstanding amount of \$1,888,889, extended to 1 January 2026.
- Second note: Originally due 12 March 2025, with an outstanding amount of \$1,111,111, extended to 12 March 2026.
- Third note: Originally due 25 March 2025, with an outstanding amount of \$555,556, extended to 25 March 2026.

February 2024

In February 2024, iQSTEL issued a common stock purchase option to ADI Funding for \$100,000 that expired on 31 December 2024. The option gave ADI Funding the right to acquire up to 10,000,000 shares of common stock under the following exercise conditions:

- price per share of the common stock under the option to be (i) 70% of the volume-weighted average price (VWAP) of the common stock during the 10 trading days immediately preceding the date of exercise if the VWAP is below \$2.00 or (ii) 75% of the VWAP of the common stock during the then 10 trading days immediately preceding if the VWAP is equal or above \$2.00.

ADI Funding had a right and obligation to exercise, on a 'cash basis', not less than (i) 2,000,000 of the shares of common stock underlying the option no later than 31 March 2024 or the date on which there is an effective registration statement permitting the resale of the shares by ADI Funding. After the initial exercise, each additional exercise of the option was to be not less than 1,000,000 shares, every 30 days and exercised on a cash basis. ADI Funding was committed to exercise each specified portion of the option subject to the exercise price being not less than \$0.11.

January 2025

In January 2025, iQSTEL issued a common stock purchase option to ADI Funding under a stock purchase agreement

for \$100,000 with expiry on 14 July 2025, for the right to acquire up to 5,000,000 shares of common stock. The exercise price per share of the common stock under the option was 70% of the VWAP of the common stock during the then 10 trading days immediately preceding but not including the date of exercise. The obligation to exercise each specified portion of the option was subject to the exercise price being not less than \$0.11 per share on the relevant option exercise date.

April 2026 – ELOC

In April 2026 iQSTEL entered into (i) an equity purchase agreement and (ii) a registration rights agreement with M2B Funding. Over the commitment period of the agreement, iQSTEL has the right to require M2B to purchase up to \$50,000,000 of the company's common stock, at a per-share price equal to 94% of the lowest daily VWAP during the six trading days following delivery of a put notice.

Conditions apply to the call option, including volume-based caps and a daily maximum of \$500,000.

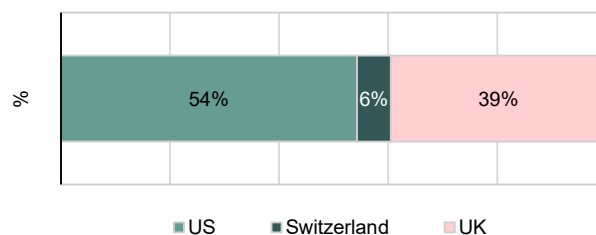
The agreement commitment period started in April and will end on the earlier of: (i) the date M2B has purchased the full \$50,000,000 (ii) the date that is 60 months after the effective date, (iii) written termination notice by iQSTEL, or (iv) termination by the M2B as provided in the purchase agreement.

As consideration for the commitment, the company will issue commitment shares valued at \$1,000,000, half of which was issued on the execution date; half on the 12-month anniversary or earlier termination, subject to a 20% daily volume leak-out restriction.

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Revenue by geography



Management team

Chairman and CEO: Leandro Iglesias

Leandro Iglesias has a background in electronics engineering and international business. He has held senior management positions in the mobile and media industry including Latam regional marketing manager for AIC Venezuela and international business manager for Movilnet. Leandro has been with Etelix/iQSTEL since 2008 and has been the key driving force in building the global iQSTEL platform through its multiple purchases and sustained organic growth.

CFO: Alvaro Quintana Cardona

Alvaro Cardona has more than 18 years' experience in the international telecommunications industry with a focus on the regulatory landscape. Alvaro joined iQSTEL in 2018 and was previously the Interconnection Manager at Corporación Digitel where he was responsible for the negotiation, billing and administration of all interconnection agreements with national and international carriers.

Principal shareholders

%

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