EDISON

IQSTEL

Q326 results

Another steady step forward in Q326

Technology

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iQSTEL delivered a solid performance in Q326, sustaining organic growth, delivering positive operating profits in the Telecom businesses and sustaining a healthy balance sheet. Although the Ultranet purchase is now expected to close in Q127 (rather than Q426) and necessitates a small downgrade to current year estimates, we see this as a minor change with no impact on our longer-term investment thesis.

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	426.5	(1.1)	(3.4)	(0.32)	N/A	0.0	N/A
12/27e	653.0	12.5	10.2	0.58	1.3	0.0	0.6
12/28e	721.0	15.9	13.3	0.67	1.1	0.0	0.5

Organic growth continues to impress

Revenue for Q326 was $106.0m, an organic increase of 3.1% y-o-y. Organic growth in the Telecoms businesses was 7.6%, with a small decline seen in the Fintech operations over the course of Q326. For the first nine months of the year (9M26), overall revenues increased 34.5%. We calculate that the overall group organic revenue increase over 9M26 was 23%, taking into consideration the additional fintech revenues in the current year from GlobeTopper, which was acquired in July 2025. We calculate that the Telecom operations achieved organic revenue growth over 9M26 of 27%.

Telecom business units remain profitable

Gross margins in Q326 were 2.81%, slightly ahead of the 2.66% achieved in Q325, resulting in a Q326 gross profit of $2.98m, an increase of 8.9% y-o-y. For 9M26, gross profit was up 19.3%, to $7.81m from $6.55m. Importantly, the Telecom business units continued to achieve positive operating profitability in Q326, with a profit of $0.66m or a margin of +0.7%.

Ultranet purchase to now complete in Q127

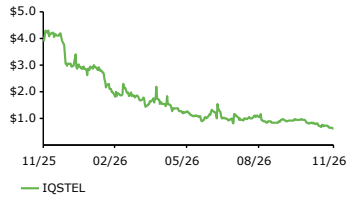
We note that the timing of the completion of the Ultranet acquisition is now in Q127 whereas previously the company had indicated completion in Q326. Our modelling had assumed that the Ultranet operations would be consolidated from the start of Q426, an assumption that now requires updating. For this reason we make a small downgrade to our FY26 forecasts but make negligible changes to our forecasts for FY27 and beyond.

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. As we commented in our initiation note, the business has reached an important inflection point in its financial evolution with forecast profitability and cash generation requiring less equity issuance and more efficient capital allocation. Our valuation reflects these improvements and results in an assessment of $6/share.

Price	**$0.73**
Market cap	**$8m**
Net cash/(debt) at 30 September 2026	$0.2m
Shares in issue	10.9m
Code	IQST
Primary exchange	NASDAQ
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(28.7)	(35.7)	(85.1)
52-week high/low		$5.2	$0.7

Business description

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

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Launch of Digital Services division on track

Progress on the launch of the Digital Services division continues with the recent confirmation that a mobile operator has agreed to technically integrate iQSTEL's offering. This will allow streaming of IDILIO microdramas to go live in Q127, fully in line with how we have modelled the uptake of these services and the revenues to be generated by iQSTEL.

Cash flow and balance sheet

The company sustained its relatively healthy balance sheet with a gross cash position of $2.95m at the end of Q326 and a net cash position of $0.2m.

Forecast revisions

The changes to forecasts are summarised in the table below. Note that these revisions are entirely due to the timing of the completion of the purchase of Ultranet, which we now assume is consolidated from early Q127 compared to the start of Q426 previously. We have made no underlying changes to our assumed growth rates for the Telecom and Fintech businesses or to our revenue assumptions for the new Digital Services division.

Exhibit 1: iQSTEL - Summary of forecast revisions

$000's	FY26 Old	FY26 New	FY27 Old	FY27 New	FY28 Old	FY28 New
Revenues	461.5	426.5	653.0	653.0	721.0	721.0
Adjusted EBITDA	0.3	(1.1)	12.5	12.5	15.9	15.9
Edison EBIT	(0.6)	(2.0)	11.4	11.4	14.4	14.4
Edison EPS	(0.19)	(0.32)	0.58	0.58	0.67	0.67

Source: Edison Investment Research

Exhibit 2: 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	426,500,000	653,000,000	721,000,000
Cost of Sales	(274,948,693)	(307,442,244)	(413,971,000)	(625,658,000)	(688,854,000)
Gross Profit	8,271,749	9,457,254	12,529,000	27,342,000	32,146,000
EBITDA	(111,310)	(1,150,778)	(1,120,000)	12,542,000	15,946,000
Reported EBITDA	(334,529)	(1,455,791)	(1,420,000)	12,192,000	15,546,000
Operating profit (before amort. and excepts.)	(610,845)	(1,778,445)	(2,020,000)	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)	(3,621,095)	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)	(3,420,000)	10,242,000	13,346,000
Profit Before Tax (reported)	(4,786,006)	(8,388,561)	(5,021,095)	9,892,000	12,946,000
Reported tax	(394,030)	(121,705)	(173,518)	0	0
Profit After Tax (norm)	(2,188,513)	(2,680,347)	(2,701,800)	8,091,180	10,543,340
Profit After Tax (reported)	(5,180,036)	(8,510,266)	(5,194,613)	9,892,000	12,946,000
Net income (normalised)	(3,000,044)	(3,334,064)	(2,701,800)	8,091,180	10,543,340
Net income (reported)	(5,991,567)	(9,163,983)	(5,194,613)	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	-0.32	0.58	0.67
EPS - normalised fully diluted (c)	-1.30	-0.97	-0.32	0.58	0.67
EPS - basic reported (c)	-2.86	-2.86	-0.61	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	72,409,387
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	5,660,000
Current Liabilities	(63,821,196)	(34,106,407)	(44,238,112)	(61,220,175)	(64,720,175)
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)	(30,238,112)	(42,220,175)	(43,720,175)
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	22,090,012	16,785,949	19,358,949
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	16,968,409	11,664,346	14,237,346
CASH FLOW					
Operating Cash Flow	(4,680,501)	(7,882,599)	(4,294,613)	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	3,174,613	1,550,000	1,500,000
Tax	(279,578)	(294,453)	0	0	0
Net operating cash flow	(1,976,567)	(2,571,174)	(4,620,000)	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	(5,143,463)	2,442,000	4,846,000
Opening net debt/(cash)	(409,102)	6,542,127	2,307,360	7,450,823	5,008,823
FX	0	0	0	0	0
Closing net debt/(cash)	6,542,127	2,307,360	7,450,823	5,008,823	162,823

Source: Company data, Edison Investment Research

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