

IQSTEL Inc. NASDAQ- IQST

June 9, 2026

Ultranet Acquisition Adds Scale, Profitability and African Exposure

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- **Transformational acquisition:** Ultranet adds \$131 million of revenue and \$4.6 million of net income, accelerating IQSTEL's path to sustainable consolidated profitability.
- **Africa expansion:** The transaction establishes a presence in six African countries and adds relationships with major carriers, including Orange, Sonatel, and AT Ghana.
- **Margin opportunity:** Management believes a significant portion of African traffic can be routed through IQSTEL's existing European network, creating potential operating synergies beyond our current estimates.
- **Disciplined deal structure:** Only \$7 million of the \$17.6 million purchase price is payable upfront, with the balance tied primarily to future performance-based earnouts.
- **Valuation disconnect:** Even after recent gains, IQSTEL trades at approximately 0.04x our 2027 revenue estimate versus 2.4x for selected telecom peers.

Rating	BUY	Earnings Per Share	Normalized to exclude unusual items			
Target Price	\$18.00	FYE - December	2024	2025	2026E	2027E
Ticker Symbol	IQST	1Q - March	(\$0.37)	(\$0.44)	(\$0.29) A	(\$0.07)
Market	NASDAQ	2Q - June	(\$0.90)	(\$0.82)	(\$0.23)	(\$0.06)
Stock Price	\$1.01	3Q - September	(\$0.40)	(\$0.68)	(\$0.10)	(\$0.01)
52 wk High	\$12.30	4Q - December	(\$1.13)	(\$0.68)	(\$0.08)	\$0.03
52 wk Low	\$0.93	Year	(\$2.80)	(\$2.86)	(\$0.69)	(\$0.11)
Shares Outstanding:	6.7 M	Revenue (\$mm)	\$283.2	\$316.9	\$421.1	\$452.2
Public Market Float:	6.3 M	EV/Rev	0.03X	0.03X	0.04X	0.04X
Avg. Daily Volume	797,245	EBITDA (\$mm)	(\$0.0)	(\$1.4)	(\$0.7)	\$2.4
Market Capitalization:	\$7 M	EV/EBITDA	NM	-6.22X	-12.37X	3.66X
Institutional Holdings:	3.2%					
Dividend Yield:	0.0%					

Risks/Valuation

- The key risk factors we see are execution risk related to customer acquisition and traffic volume growth, vendor dependence and platform consolidation, and the complexity of integrating partially owned subsidiaries.
- We utilize an EV/EBITDA valuation method and compare it to telecom comps to value IQST shares.

Company description: IQSTEL is a Miami-based, international wholesale telecom carrier founded in 2008 (as Etelix). The company went public in 2018 via a reverse merger. It offers a comprehensive suite of services, including international voice and SMS termination, DID and toll-free numbers, PBX services, and SIP trunking. Through nine acquisitions, IQSTEL now operates five voice businesses, two SMS subsidiaries, two fintech ventures, and one metaverse joint venture. Revenue is currently split approximately 80% telecom and 20% fintech.



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Ultraset Acquisition Adds Scale, Profitability and African Exposure

We recently spoke with IQSTEL management to better understand the recently announced planned acquisition of Ultraset Telecom Group, an African wholesale telecommunications carrier specializing in international voice and SMS traffic. We view the transaction favorably. Ultraset appears to be an excellent strategic fit with IQSTEL's existing telecom operations and fills what has historically been a gap in the company's geographic footprint.

IQSTEL's telecom business has historically had stronger customer relationships in Europe and the Americas, while Ultraset's strengths are concentrated in Africa. The combination should create opportunities to leverage existing customer relationships and network infrastructure across a broader geographic footprint. Management also noted that more than half of African telecom traffic is destined for or originates from Europe. Because IQSTEL already operates network infrastructure in Europe, the company believes it can internalize a portion of traffic currently handled through third-party carriers, improving consolidated margins over time.

Ultraset currently operates in six African countries:

- Ghana
- Nigeria
- Mali
- Burkina Faso
- Senegal
- Ivory Coast

The company also maintains personnel in eleven countries, including the United Kingdom and the United States.

Ultraset's customer roster includes several large telecommunications operators, including:

- AT Ghana
- Orange Mali
- Orange Burkina Faso
- Orange Guinea Conakry
- Sonatel Senegal
- Orange Guinea Bissau

We note that Orange appears to be Ultraset's largest customer relationship, with traffic agreements spanning multiple countries. Orange currently operates in seventeen African countries, in addition to Jordan, suggesting a potentially significant runway for future geographic expansion if the relationship continues to deepen. The parent company is a customer of IQSTEL.

The financial profile of the acquisition target is compelling. The Form 8-K includes audited financial statements for both 2024 and 2025. Revenue increased 30.5% to \$130.9 million in 2025 from \$100.4 million in 2024. Net income was approximately \$4.6 million, representing a 3.5% net profit margin. Based on reported operating results, EBITDA was approximately \$5.1 million, representing an EBITDA margin of roughly 3.9%.

Under the terms of the announced transaction, IQSTEL is expected to pay total consideration of approximately \$17.6 million for a 51% ownership interest. Only \$7 million is payable during the first year, with the balance tied primarily to future earn-out provisions. Based on Ultraset's reported 2025 EBITDA, the transaction appears to have been negotiated at approximately 7x EBITDA, a reasonable valuation for a growing and profitable telecommunications asset.



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The current timeline calls for execution of a definitive agreement within sixty days and a targeted closing date before September 30, 2026. Even allowing for modest delays, the acquisition should be fully reflected in IQSTEL's consolidated financial statements throughout 2027.

To evaluate the potential impact of the transaction, we performed a simple exercise by adding Ultranet's reported 2025 financial results to our existing 2027 IQSTEL forecast. We emphasize that this is not intended as a formal forecast for Ultranet, as we have not yet completed independent due diligence on the company. However, given that Ultranet generated approximately 30% revenue growth during 2025, using flat 2025 results will likely prove conservative.

	IQSTEL 2027E	Ultranet 2025A	Simple Pro forma
Revenue	452,200	130,872	583,072
EBITDA	2,413	5,050	7,463
Net Income	(15)	4,592	2,327
EPS	(\$0.00)	\$0.85	\$0.43

Source: Company reports and Litchfield Hills Research estimates

Using this approach, consolidated revenue would approach \$600 million, EBITDA would increase to approximately \$7.5 million, and IQSTEL would become meaningfully profitable on a consolidated basis. After adjusting for the 49% minority interest retained by existing Ultranet shareholders, earnings per share would exceed \$0.40 under our preliminary assumptions. These calculations do not include any potential financing costs associated with the transaction and assume no operating synergies.

Importantly, we believe the largest potential benefit may not be reflected in these preliminary calculations. Management believes that a significant portion of Ultranet's African traffic can eventually be routed through IQSTEL's existing European network infrastructure. To the extent that traffic currently terminated through third-party carriers becomes an internal transaction, gross margins and EBITDA margins could improve beyond what is reflected in our initial analysis.

We view the transaction positively for several reasons:

- First, Africa represents one of the fastest-growing and most under-served telecommunications markets globally. The acquisition expands IQSTEL's footprint into a region where it previously had limited direct exposure.
- Second, Ultranet serves many of the same types of blue-chip telecommunications customers that IQSTEL already targets, reducing integration risk and providing opportunities for cross-selling.
- Third, the company appears to have substantial room for geographic expansion beyond the six countries in which it currently operates.
- Fourth, IQSTEL is utilizing the same acquisition structure that management has employed successfully in prior transactions. Only \$7 million is payable upfront, while the majority of the purchase price is tied to future performance. This structure aligns incentives and increases the probability that the existing management team remains focused on maximizing long-term value creation.



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- Finally, the acquisition appears capable of accelerating IQSTEL's path to sustainable consolidated profitability without requiring the issuance of a large number of new shares. We believe achieving positive net income would materially expand the potential investor universe, including quantitative strategies and institutions that require demonstrated profitability.

At this time, we are not incorporating Ultranet into our formal model pending execution of a definitive agreement and transaction closing. However, based on currently available information, the acquisition appears likely to result in a substantial increase in our revenue, EBITDA, and earnings estimates. Adding Ultranet's 2025 results would increase telecom segment net income from approximately \$1.7 million to \$6.3 million, an increase of approximately 274%.

Management has publicly stated that it was pursuing two sizable acquisitions during 2026. We now know the identity and financial characteristics of the first transaction, and our initial impression is favorable. Management also indicated that a second acquisition remains under active negotiation and could be comparable or potentially larger in strategic significance.

Despite the company's continued organic growth, improving profitability profile, active acquisition strategy, and recently announced one-million-share repurchase authorization, IQSTEL continues to trade at a substantial discount to telecommunications peers. Based on our estimates, the shares currently trade at approximately 0.04x 2027 revenue compared with an average of approximately 2.4x for our selected comparable group.

We therefore see three primary catalysts for shareholders:

1. Continued organic growth and margin improvement within the existing telecom business.
2. Execution of the recently announced share repurchase program, which should improve the supply-demand balance for the stock.
3. Completion and integration of accretive acquisitions that significantly improve the company's revenue scale, profitability, and earnings power.



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IQSTEL Telecom Segment Forecast

Dollars in thousands Fiscal years ended December 31		2025					2026E					2027E				
Telecom Division		1Q	2Q	3Q	4Q	2025	1QA	2Q	3Q	4Q	2026	1Q	2Q	3Q	4Q	2027
Revenue		57,632.8	72,081.7	88,525.9	70,483.2	288,723.6	84,926.4	91,000.0	92,000.0	95,000.0	362,926.4	92,000.0	93,000.0	98,000.0	105,000.0	388,000.0
YoY growth		12.1%	-8.3%	63.0%	-28.7%		47.4%	26.2%	3.9%	34.8%	25.7%	8.3%	2.2%	6.5%	10.5%	6.9%
Cost of revenue		55,697.9	70,311.7	86,122.9	67,853.7	279,986.2	83,104.2	89,047.4	89,424.0	92,340.0	353,915.6	89,332.0	90,303.0	95,060.0	101,850.0	376,545.0
Gross profit		1,935.0	1,770.0	2,402.9	2,629.5	8,737.4	1,822.2	1,952.6	2,576.0	2,660.0	9,010.8	2,668.0	2,697.0	2,940.0	3,150.0	11,455.0
Gross margin		3.4%	2.5%	2.7%	3.7%	3.0%	2.1%	2.1%	2.8%	2.8%	2.5%	2.9%	2.9%	3.0%	3.0%	3.0%
General and administrative		1,668.3	1,304.1	2,011.0	1,848.6	6,832.0	1,761.7	2,000.0	2,000.0	2,000.0	7,761.7	2,000.0	2,000.0	2,000.0	2,000.0	8,000.0
Operating income		266.7	465.9	392.0	780.9	1,905.4	60.5	(47.4)	576.0	660.0	1,249.1	668.0	697.0	940.0	1,150.0	3,455.0
Operating margin		0.5%	0.6%	0.4%	1.1%	0.7%	0.1%	-0.1%	0.6%	0.7%	0.3%	0.7%	0.7%	1.0%	1.1%	0.9%
Other income		1.2	(52.9)	(16.3)	(45.2)	(113.2)	(62.7)	-	-	-	(62.7)	-	-	-	-	-
Pretax income		267.9	413.0	375.7	735.6	1,792.2	(2.2)	(47.4)	576.0	660.0	1,186.4	668.0	697.0	940.0	1,150.0	3,455.0
Taxes		(20.8)	(91.7)	(71.9)	66.2	(118.1)	(15.5)	(70.0)	(70.0)	(70.0)	(225.5)	(70.0)	(70.0)	(70.0)	(70.0)	(280.0)
Net income		247.1	321.3	303.8	801.9	1,674.0	(17.7)	(117.4)	506.0	590.0	960.9	598.0	627.0	870.0	1,080.0	3,175.0
EBITDA																
Depreciation and amortization		127.0	161.2	161.9	169.1	619.3	166.3	160.0	160.0	160.0	646.3	160.0	160.0	160.0	160.0	640.0
Interest expense		10.9	6.6	9.0	4.8	31.1	1.6	10.0	10.0	10.0	31.6	10.0	10.0	10.0	10.0	40.0
FX gain losses		31.9	(65.2)	(12.1)	88.9	43.5	18.7	-	-	-	18.7	-	-	-	-	-
Loss on debt settlement		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on salary settlement		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock-based compensation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other non-recurring		151.0	(10.0)	49.4	(36.6)	153.8	-	-	-	-	-	-	-	-	-	-
Taxes		25.5	98.8	92.6	(27.6)	189.4	15.5	90.0	90.0	90.0	285.5	90.0	90.0	90.0	90.0	360.0
Adjusted EBITDA		593.4	512.7	604.5	1,000.4	2,711.1	184.4	142.6	766.0	850.0	1,943.0	858.0	887.0	1,130.0	1,340.0	4,215.0
EBITDA margin		1.0%	0.7%	0.7%	1.4%	0.9%	0.2%	0.2%	0.8%	0.9%	0.5%	0.9%	1.0%	1.2%	1.3%	1.1%

Source: Company reports and Litchfield Hills Research



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IQSTEL Income Forecast

Dollars in thousands		2025					2026E					2027E				
Fiscal years ended December 31	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	
	March	June	September	December		March	June	September	December		March	June	September	December		
Revenue	57,633	72,183	102,868	84,216	316,899	97,920	106,060	107,050	110,050	421,070	108,050	109,050	114,050	121,050	452,200	
YoY growth	12.1%	-8.2%	89.6%	-14.9%	11.9%	69.9%	46.9%	4.1%	30.7%	32.9%	10.3%	2.8%	6.5%	10.0%	7.4%	
Seq growth	-41.7%	25.2%	42.5%	-18.1%		16.3%	8.3%	0.9%	2.8%		-1.8%	0.9%	4.6%	6.1%		
Cost of revenue	55,698	70,312	100,127	81,306	307,442	95,839	103,774	104,089	107,005	410,707	104,957	105,928	110,669	117,459	439,013	
As a percent of revenue	96.6%	97.4%	97.3%	96.5%	97.0%	97.9%	97.9%	97.2%	97.2%	97.5%	97.1%	97.1%	97.0%	97.0%	97.1%	
Gross profit	1,935	1,871	2,741	2,910	9,457	2,081	2,276	2,961	3,045	10,363	3,093	3,122	3,381	3,591	13,187	
Gross margin	3.4%	2.6%	2.7%	3.5%	3.0%	2.1%	2.1%	2.8%	2.8%	2.5%	2.9%	2.9%	3.0%	3.0%	2.9%	
General and administration	2,539	2,528	3,300	3,174	11,541	3,039	3,230	3,230	3,230	12,730	3,230	3,230	3,230	3,230	12,922	
As a percent of revenue	4.4%	3.5%	3.2%	3.8%	3.6%	3.1%	3.0%	3.0%	2.9%	3.0%	3.0%	3.0%	2.8%	2.7%	2.9%	
Impairment	-	-	-	2,169	2,169	-	-	-	-	-	-	-	-	-	-	
Operating income	(604)	(656)	(559)	(2,432)	(4,252)	(958)	(955)	(269)	(185)	(2,367)	(137)	(108)	151	361	265	
Operating margin	-1.0%	-0.9%	-0.5%	-2.9%	-1.3%	-1.0%	-0.9%	-0.3%	-0.2%	-0.6%	-0.1%	-0.1%	0.1%	0.3%	0.1%	
Other income	(520)	(1,601)	(1,695)	(321)	(4,137)	(412)	-	-	-	(412)	-	-	-	-	-	
Profit before taxes	(1,124)	(2,257)	(2,254)	(2,754)	(8,389)	(1,370)	(955)	(269)	(185)	(2,780)	(137)	(108)	151	361	265	
Income taxes	21	92	72	(63)	122	16	70	70	70	226	70	70	70	70	280	
Tax rate	-1.8%	-4.1%	-3.2%	2.3%	-1.5%	-1.1%	-7.3%	-26.0%	-37.7%	-8.1%	-50.9%	-64.5%	46.5%	19.4%	105.6%	
Net income	(1,145)	(2,349)	(2,326)	(2,691)	(8,510)	(1,386)	(1,025)	(339)	(255)	(3,005)	(207)	(178)	81	291	(15)	
Non-controlling interests	13	58	141	441	654	(28)	100	100	100	272	100	100	100	100	400	
Preferred dividends	-	-	-	-	-	(46)	(45)	(45)	(45)	(181)	(45)	(45)	(45)	(45)	(180)	
Net Income to IQSTEL Inc.	(1,158)	(2,407)	(2,467)	(3,132)	(9,164)	(1,403)	(1,170)	(484)	(400)	(3,458)	(352)	(323)	(64)	146	(595)	
Diluted shares outstanding	2,630	2,953	3,654	4,572	3,452	4,878	4,978	5,078	5,178	5,028	5,278	5,378	5,478	5,578	5,428	
Seq change	243	675	3,654	1,943		306	100	100	100		100	100	100	100		
EPS diluted	(\$0.44)	(\$0.82)	(\$0.68)	(\$0.68)	(\$2.86)	(\$0.29)	(\$0.23)	(\$0.10)	(\$0.08)	(\$0.69)	(\$0.07)	(\$0.06)	(\$0.01)	\$0.03	(\$0.11)	
EBITDA																
Net income	(1,145)	(2,349)	(2,326)	(2,691)	(8,510)	(1,386)	(1,025)	(339)	(255)	(3,005)	(207)	(178)	81	291	(15)	
Depreciation and amortization	127	161	162	178	628	173	160	160	160	653	160	160	160	160	640	
Interest expense	532	459	342	(178)	1,154	259	342	342	342	1,285	342	342	342	342	1,368	
FX gain losses	32	(66)	(13)	89	42	19	-	-	-	19	-	-	-	-	-	
Loss on debt settlement	33	879	1,346	(26)	2,231	-	-	-	-	-	-	-	-	-	-	
Loss on salary settlement	-	217	-	-	217	-	-	-	-	-	-	-	-	-	-	
Stock-based compensation	-	22	16	267	305	5	15	15	15	50	15	15	15	15	60	
Other non-recurring	151	(10)	49	2,135	2,326	-	-	-	-	-	-	-	-	-	-	
Taxes	26	99	93	(28)	189	16	90	90	90	286	90	90	90	90	360	
EBITDA	(245)	(588)	(331)	(254)	(1,418)	(915)	(418)	268	352	(714)	400	429	688	898	2,413	
YoY growth	-0.4%	-0.8%	-0.3%	-0.3%	-0.4%	-0.9%	-0.4%	0.2%	0.3%	-0.2%	0.4%	0.4%	0.6%	0.7%	0.5%	
EBITDA margin	-0.4%	-0.8%	-0.3%	-0.3%	-0.4%	-0.9%	-0.4%	0.2%	0.3%	-0.2%	0.4%	0.4%	0.6%	0.7%	0.5%	
EBITDA by business unit																
Telecom	593	513	605	1,000	2,711	184	143	766	850	1,943	858	887	1,130	1,340	4,215	
Fintech	-	-	79	(59)	20	(4)	70	132	132	330	172	172	188	188	720	
Pre-revenue companies	(1)	(0)	(0)	(1)	(4)	(1)	(0)	(0)	(0)	(2)	(0)	(0)	(0)	(0)	(2)	
IQSTEL	(837)	(1,100)	(1,013)	(1,195)	(4,145)	(1,095)	(630)	(630)	(630)	(2,985)	(630)	(630)	(630)	(630)	(2,520)	
EBITDA	(245)	(588)	(331)	(254)	(1,418)	(915)	(418)	268	352	(714)	400	429	688	898	2,413	

Source: Company reports and Litchfield Hills Research



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Total return is defined as price appreciation plus dividend yield.

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