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RESEARCH

IQSTEL Inc.

NASDAQ- IQST

August 25, 2026

33% Organic Revenue Growth and Surging Telecom EBITDA Bring Breakeven Closer

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- **Organic revenue increased 33% in 2Q**, while total revenue rose 51% to $109.1 million. Telecom EBITDA jumped to $707,000 from $154,000 in 1Q and beat our $143,000 estimate.
- **Gross profit increased 47% YoY and 32% sequentially to $2.75 million**. Our 2026 Telecom EBITDA estimate rises to $2.5 million from $1.9 million.
- **IQSTEL converted acquisition debt carrying a 24% interest rate into equity.** Loans payable declined to $2.55 million from $4.05 million at year-end.
- **Ultranet, expected to close in 3Q, generated $130.9 million of 2025 revenue and $5.1 million of EBITDA**. Management expects the acquisition and further integration to lift the EBITDA run rate to $8 million.
- **We forecast $424.1 million of 2026 revenue and positive consolidated EBITDA in both 3Q and 4Q.** Corporate cost reductions should allow more of the operating-company earnings to reach shareholders.

Rating	BUY
Target Price	$18.00
Ticker Symbol	IQST
Market	NASDAQ
Stock Price	$0.95
52 wk High	$7.28
52 wk Low	$0.87
Shares Outstanding:	10.9 M
Public Market Float:	10.6 M
Avg. Daily Volume	5,118,956
Market Capitalization:	$10 M
Institutional Holdings:	2.3%
Dividend Yield:	0.0%

Earnings Per Share	**Normalized to exclude unusual items**			
FYE - December	**2024**	**2025**	**2026E**	**2027E**
1Q - March	($0.37)	($0.44)	($0.29) A	($0.05)
2Q - June	($0.90)	($0.82)	($0.38) A	($0.04)
3Q - September	($0.40)	($0.68)	($0.09)	($0.01)
4Q - December	($1.13)	($0.68)	($0.07)	$0.02
Year	**($2.80)**	**($2.86)**	**($0.80)**	**($0.08)**
Revenue ($mm)	**$283.2**	**$316.9**	**$424.1**	**$452.2**
EV/Rev	0.04X	0.03X	0.04X	0.04X
EBITDA ($mm)	**($0.0)**	**($1.4)**	**($2.0)**	**$2.4**
EV/EBITDA	NM	-7.71X	-5.43X	4.48X

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.

33% Organic Revenue Growth and Surging Telecom EBITDA Bring Breakeven Closer

IQSTEL's second quarter moved the investment thesis forward on several fronts. Organic growth remained exceptionally strong, Telecom EBITDA accelerated as integration benefits began to appear, and the company replaced 24% acquisition debt with equity, reducing future financing costs. Ultranet, expected to close in 3Q, remains the next potential step-up in earnings, with management expecting the acquisition and further internal consolidation to lift the EBITDA to $8 million. Corporate expenses remain the principal obstacle to consolidated profitability, but the operating businesses are now producing substantially more earnings than we had modeled.

Revenue increased 51% YoY to $109.1 million, 3% above our $106.1 million estimate, while gross profit increased 47% to $2.75 million, 21% above our $2.28 million estimate. Excluding GlobeTopper, which closed July 1, 2025 and therefore contributed to 2Q26 but not 2Q25, organic revenue increased 33%. Telecom EBITDA reached $707,000 compared with our $143,000 forecast and roughly $154,000 in 1Q.

Corporate expenses kept the improvement from reaching consolidated EBITDA. Corporate IQSTEL EBITDA was a $2.42 million loss, leaving consolidated EBITDA at a $1.73 million loss despite the $707,000 contribution from Telecom and near-breakeven Fintech results. G&A expense was $3.87 million compared with our $3.23 million estimate. We now forecast $2.5 million of 2026 Telecom EBITDA, up from $1.9 million, but a $2.0 million consolidated EBITDA loss compared with our previous $0.7 million loss.

GAAP earnings were further reduced by the cleanup of acquisition financing. IQSTEL recorded a $926,000 debt-settlement loss in 2Q as it exchanged debt, including notes carrying a 24% interest rate, for equity. Interest expense added another $314,000. The accounting charges increased the reported loss, while converting 24% debt to equity should reduce future interest expense.

Our revised 2026 model calls for $424.1 million of revenue, up from $421.1 million, and $10.8 million of gross profit, up from $10.4 million. We continue to forecast positive consolidated EBITDA in both 3Q and 4Q as corporate expenses decline from the second-quarter level. Ultranet is not included in our estimates.

Organic Revenue Growth Reached 33%

GlobeTopper, the company's fintech business, closed on July 1, 2025. Excluding GlobeTopper, IQSTEL's existing businesses generated $96.1 million of second-quarter revenue, up 33% from $72.2 million a year ago. Much of the organic growth came from QXTEL and QGlobal. Both have expanded and reorganized their sales operations, while larger customers have allocated more traffic to IQSTEL as the company has grown. IQSTEL's increased scale allows major carriers to route larger amounts of traffic through the company without taking the concentration risk they would with a smaller provider.

The revenue growth came while IQSTEL was placing greater emphasis on gross profit and becoming more selective about low-margin traffic. We had expected that change to slow revenue growth. Instead, Telecom revenue exceeded our forecast while EBITDA beat our estimate by almost five times. Management continues to target $430 million of 2026 revenue. Our model calls for $107.1 million in 3Q and $110.1 million in 4Q, producing $424.1 million for the year. Those estimates assume little change from the $109.1 million reported in 2Q and leave room for upside if the recent organic growth continues.

Telecom EBITDA Jumped Fivefold Sequentially

Core telecom segment EBITDA increased to $707,000 in 2Q from roughly $154,000 in 1Q, bringing the first-half total to $861,000. The 2Q result was almost five times our $143,000 estimate and raises our 2026 Telecom EBITDA forecast to $2.5 million from $1.9 million. Gross profit increased 32% sequentially to $2.75 million from $2.08 million, while gross margin improved to 2.52% from 2.13%. IQSTEL's revenue base magnifies even small margin changes. IQSTEL has been consolidating switching platforms, moving acquired businesses onto common technology and routing more traffic internally. Ultranet should accelerate this process as the company carries large volumes of traffic from Europe into Africa. The next step is a more unified corporate structure for the telecom subsidiaries, eliminating duplicated costs that remained after the acquisitions. Management estimates that this consolidation could increase the current EBITDA run rate by roughly 20%. Our April report was titled *EBITDA Emerging as Integration and Acquisitions Gain Traction*. The 2Q Telecom result was the first large beat against the earnings improvement we had already built into our model.

Corporate Costs Are the Remaining Hurdle to Breakeven

Telecom is profitable and Fintech is close to breakeven. Corporate IQSTEL EBITDA of negative $2.42 million absorbed those earnings and left consolidated EBITDA at negative $1.73 million, or 1.6% of revenue. Management has identified additional cost reductions and operating improvements and has begun implementing them.

Our model assumes corporate costs decline enough for consolidated EBITDA to turn positive in both 3Q and 4Q. G&A expense was $3.87 million in 2Q versus our $3.23 million estimate, and we have increased our 2026 G&A forecast to $13.4 million from $12.7 million. The operating-company improvement therefore raises our Telecom EBITDA estimate while the higher parent-company expense lowers our consolidated EBITDA forecast.

The GAAP loss also includes financing costs that should decline as high-cost acquisition debt is eliminated. The $926,000 debt-settlement loss and $314,000 of 2Q interest expense increased the reported loss while IQSTEL was replacing debt carrying rates as high as 24%. The underlying Telecom business moved sharply in the opposite direction, with EBITDA increasing more than fourfold sequentially.

GlobeTopper Adds $25.9 Million of First-Half Revenue

GlobeTopper generated $25.9 million of first-half revenue and now accounts for most of IQSTEL's Fintech business, which represented 12.5% of first-half revenue. The acquisition closed July 1, 2025 and therefore added a full six months of revenue this year versus none in the comparable first half of 2025. IQSTEL can also sell additional digital products through more than 600 existing carrier relationships. Fintech, cybersecurity and AI-powered communications should carry higher margins than wholesale voice if customers adopt them, but we have included little contribution from these newer businesses in our forecasts. GlobeTopper already supplies a meaningful revenue base without requiring those businesses to succeed.

Ultranet Should Triple the EBITDA Run Rate

Ultranet generated $130.9 million of revenue in 2025, up 30.5%, with $4.6 million of net income and $5.1 million of EBITDA. IQSTEL agreed to acquire 51% for $17.6 million, with $7 million payable during the first year and much of the remaining consideration tied to future earnings. Due diligence is in its final stage and the definitive agreement and closing remains targeted for 3Q. Ultranet also continued to grow during the first half of 2026. Management expects further IQSTEL integration and the Ultranet acquisition to increase the EBITDA run rate to $8 million.

Ultranet also fills a geographic gap in IQSTEL's network. IQSTEL has historically had stronger infrastructure and carrier relationships in Europe and the Americas, while Ultranet is concentrated in Africa. More than half of African international telecom traffic originates in or terminates in Europe. Routing more of that traffic through IQSTEL's own European network could retain margin currently paid to outside carriers. We include no internal-routing savings in our estimates.

Our June analysis combined Ultranet's 2025 results with our 2027 IQSTEL forecast and produced $583 million of revenue and $7.5 million of EBITDA before synergies. After the 49% Ultranet minority interest, the exercise produced $2.3 million of net income attributable to IQSTEL. The share count has increased since that analysis, reducing the per-share contribution, but the transaction still adds a profitable business with EBITDA more than twice IQSTEL's current standalone run rate.

24% Acquisition Debt Was Converted to Equity

Common shares outstanding increased substantially during the quarter, with most of the increase coming from the conversion of acquisition financing into equity. During the first half, IQSTEL settled five promissory notes with $3.45 million of principal and $397,000 of accrued interest by issuing Series D preferred shares. The notes carried 24% interest. Conversion of Series D preferred subsequently produced 3.58 million common shares during 2Q. Another 895,000 shares were issued through the equity purchase agreement and 373,135 shares in connection with a financing commitment. Loans payable declined to $2.55 million at June 30 from $4.05 million at year-end, and the company ended the quarter without outstanding convertible notes or warrants. The larger share count reduces per-share earnings, while removal of 24% debt lowers financing costs. QXTEL and GlobeTopper are already contributing revenue and gross profit, and much of the costly financing used to acquire them has now been moved out of debt. Our valuation uses the higher share count.

Our Model Shows IQSTEL on Track for EBITDA Generation by Year-End

Our revised 2026 forecast calls for $424.1 million of revenue compared with $421.1 million previously. Gross profit increases to $10.8 million from $10.4 million, and Telecom EBITDA increases to $2.5 million from $1.9 million following the much stronger second-quarter result. Higher parent-company expenses reduce our consolidated EBITDA estimate to a $2.0 million loss from a $0.7 million loss previously. We forecast consolidated EBITDA turning positive in 3Q and remaining positive in 4Q as corporate expenses decline, while continued integration supports Telecom margins.

Ultranet is excluded from the forecast. Closing the acquisition would add a business that generated $5.1 million of EBITDA in 2025 and continued to grow during the first half of 2026, while additional internal routing between Ultranet's African traffic and IQSTEL's European network could increase the contribution further.

IQSTEL has already built a revenue base exceeding $400 million annually. The investment case now centers on how much of the EBITDA generated by the operating companies reaches consolidated shareholders. Telecom EBITDA of $707,000 in 2Q, the conversion of 24% debt to equity and the cost reductions underway move each part of that equation in the right direction, while Ultranet could lift the earnings base substantially once the transaction closes.

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IQSTEL Telecom Segment Forecast

Dollars in thousands			2025					2026E					2027E		
Fiscal years ended December 31	1Q	2Q	3Q	4Q	2025	1QA	2QA	3Q	4Q	2026	1Q	2Q	3Q	4Q	2027
Telecom Division															
Revenue	57,632.8	72,183.2	88,525.9	70,381.7	288,723.6	84,926.4	96,116.4	92,000.0	95,000.0	368,042.8	92,000.0	93,000.0	98,000.0	105,000.0	388,000.0
YoY growth	12.1%	-8.2%	63.0%	-28.8%		47.4%	36.6%	3.9%	35.0%	27.5%	8.3%	-3.2%	6.5%	10.5%	5.4%
Cost of revenue	55,697.9	70,311.7	86,122.9	67,853.7	279,986.2	83,104.2	93,610.5	89,424.0	92,340.0	358,478.7	89,332.0	90,303.0	95,060.0	101,850.0	376,545.0
Gross profit	1,935.0	1,871.5	2,402.9	2,528.0	8,737.4	1,822.2	2,505.8	2,576.0	2,660.0	9,564.1	2,668.0	2,697.0	2,940.0	3,150.0	11,455.0
Gross margin	3.4%	2.6%	2.7%	3.6%	3.0%	2.1%	2.6%	2.8%	2.8%	2.6%	2.9%	2.9%	3.0%	3.0%	3.0%
General and administrative	1,668.3	1,521.2	2,011.0	1,631.5	6,832.0	1,761.7	2,010.6	2,000.0	2,000.0	7,772.3	2,000.0	2,000.0	2,000.0	2,000.0	8,000.0
Operating income	266.7	350.2	392.0	896.5	1,905.4	60.5	495.2	576.0	660.0	1,791.8	668.0	697.0	940.0	1,150.0	3,455.0
Operating margin	0.5%	0.5%	0.4%	1.3%	0.7%	0.1%	0.5%	0.6%	0.7%	0.5%	0.7%	0.7%	1.0%	1.1%	0.9%
Other income	1.2	(46.9)	(16.3)	(51.2)	(113.2)	(62.7)	9.1	-	-	(53.6)	-	-	-	-	-
Pretax income	267.9	303.4	375.7	845.3	1,792.2	(2.2)	504.3	576.0	660.0	1,738.1	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)	(62.1)	(70.0)	(70.0)	(217.6)	(70.0)	(70.0)	(70.0)	(70.0)	(280.0)
Net income	**247.1**	**211.7**	**303.8**	**911.5**	**1,674.0**	**(17.7)**	**442.2**	**506.0**	**590.0**	**1,520.5**	**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	147.8	160.0	160.0	634.1	160.0	160.0	160.0	160.0	640.0
Interest expense	10.9	6.6	9.0	4.8	31.1	1.6	7.6	10.0	10.0	29.2	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	47.6	-	-	66.3	-	-	-	-	-
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	62.1	90.0	90.0	257.6	90.0	90.0	90.0	90.0	360.0
Adjusted EBITDA	**593.4**	**403.0**	**604.5**	**1,110.1**	**2,711.1**	**184.4**	**707.3**	**766.0**	**850.0**	**2,507.7**	**858.0**	**887.0**	**1,130.0**	**1,340.0**	**4,215.0**
EBITDA margin	1.0%	0.6%	0.7%	1.6%	0.9%	0.2%	0.7%	0.8%	0.9%	0.7%	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	1QA	2QA	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**	**109,068**	**107,050**	**110,050**	**424,088**	**108,050**	**109,050**	**114,050**	**121,050**	**452,200**
YoY growth	12.1%	-8.2%	89.6%	-14.9%	11.9%	69.9%	51.1%	4.1%	30.7%	33.8%	10.3%	0.0%	6.5%	10.0%	6.6%
Seq growth	-41.7%	25.2%	42.5%	-18.1%		16.3%	11.4%	-1.9%	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	106,321	104,089	107,005	413,255	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%	97.5%	97.2%	97.2%	97.4%	97.1%	97.1%	97.0%	97.0%	97.1%
Gross profit	1,935	1,871	2,741	2,910	9,457	2,081	2,747	2,961	3,045	10,834	3,093	3,122	3,381	3,591	13,187
Gross margin	3.4%	2.6%	2.7%	3.5%	3.0%	2.1%	2.5%	2.8%	2.8%	2.6%	2.9%	2.9%	3.0%	3.0%	2.9%
General and administration	2,539	2,625	3,300	3,077	11,541	3,039	3,868	3,230	3,230	13,366	3,230	3,230	3,230	3,230	12,920
As a percent of revenue	4.4%	3.6%	3.2%	3.7%	3.6%	3.1%	3.5%	3.0%	2.9%	3.2%	3.0%	3.0%	2.8%	2.7%	2.9%
Impairment	-	-	-	2,169	2,169	-	-	-	-	-	-	-	-	-	-
Operating income	**(604)**	**(753)**	**(559)**	**(2,336)**	**(4,252)**	**(958)**	**(1,121)**	**(269)**	**(185)**	**(2,533)**	**(137)**	**(108)**	**151**	**361**	**267**
Operating margin	-1.0%	-1.0%	-0.5%	-2.8%	-1.3%	-1.0%	-1.0%	-0.3%	-0.2%	-0.6%	-0.1%	-0.1%	0.1%	0.3%	0.1%
Other income/(expense), ex-interest	(520)	(1,518)	(1,695)	(404)	(4,137)	(412)	(909)	-	-	(1,321)	-	-	-	-	-
Interest expense							(314)			(314)					
Profit before taxes	(1,124)	(2,272)	(2,254)	(2,739)	(8,389)	(1,370)	(2,344)	(269)	(185)	(4,168)	(137)	(108)	151	361	267
Income taxes	21	92	72	(63)	122	16	62	70	70	218	70	70	70	70	280
Tax rate	-1.8%	-4.0%	-3.2%	2.3%	-1.5%	-1.1%	-2.7%	-26.0%	-37.8%	-5.2%	-51.1%	-64.8%	46.4%	19.4%	104.9%
Net income	**(1,145)**	**(2,363)**	**(2,326)**	**(2,676)**	**(8,510)**	**(1,386)**	**(2,406)**	**(339)**	**(255)**	**(4,386)**	**(207)**	**(178)**	**81**	**291**	**(13)**
Non-controlling interests	13	58	141	441	654	(28)	218	218	218	626	100	100	100	100	400
Preferred dividends						(46)	(37)	(45)	(45)	(173)	(45)	(45)	(45)	(45)	(180)
Net Income to iQSTEL Inc.	(1,158)	(2,421)	(2,467)	(3,118)	(9,164)	(1,403)	(2,661)	(602)	(518)	(5,184)	(352)	(323)	(64)	146	(593)
Diluted shares outstanding	2,630	2,953	3,654	4,572	3,452	4,878	6,937	7,037	7,137	6,497	7,237	7,337	7,437	7,537	7,387
Seq change	243	675	3,654	1,943		306	3,484	100	100		100	100	100	100	
EPS diluted	**($0.44)**	**($0.82)**	**($0.68)**	**($0.68)**	**($2.86)**	**($0.29)**	**($0.38)**	**($0.09)**	**($0.07)**	**($0.80)**	**($0.05)**	**($0.04)**	**($0.01)**	**$0.02**	**($0.08)**
EBITDA															
Net income	(1,145)	(2,363)	(2,326)	(2,676)	(8,510)	(1,386)	(2,406)	(339)	(255)	(4,386)	(207)	(178)	81	291	(13)
Depreciation and amortization	127	161	162	178	628	173	154	166	166	659	166	166	166	166	665
Interest expense	532	459	342	(178)	1,154	259	409	342	342	1,351	342	342	342	342	1,366
FX gain losses	32	(66)	(13)	89	42	19	48	-	-	66	-	-	-	-	-
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	3	15	15	38	15	15	15	15	60
Other non-recurring	151	(10)	49	2,135	2,326	-	-	-	-	-	-	-	-	-	-
Taxes	26	99	93	(28)	189	16	62	90	90	258	90	90	90	90	360
EBITDA	**(245)**	**(602)**	**(331)**	**(240)**	**(1,418)**	**(915)**	**(1,730)**	**274**	**358**	**(2,014)**	**406**	**435**	**694**	**904**	**2,438**
YoY growth															
EBITDA margin	-0.4%	-0.8%	-0.3%	-0.3%	-0.4%	-0.9%	-1.6%	0.3%	0.3%	-0.5%	0.4%	0.4%	0.6%	0.7%	0.5%
EBITDA by business unit															
Telecom	593	403	605	1,110	2,711	184	707	766	850	2,508	858	887	1,130	1,340	4,215
Fintech	-	-	79	(59)	20	(4)	(13)	138	138	259	178	178	194	194	743
Pre-revenue companies	(1)	(0)	(0)	(1)	(4)	(1)	-	-	-	(1)	-	-	-	-	-
IQSTEL	(837)	(1,005)	(1,013)	(1,290)	(4,145)	(1,095)	(2,425)	(630)	(630)	(4,780)	(630)	(630)	(630)	(630)	(2,520)
EBITDA	**(245)**	**(602)**	**(331)**	**(240)**	**(1,418)**	**(915)**	**(1,730)**	**274**	**358**	**(2,014)**	**406**	**435**	**694**	**904**	**2,438**

Source: Company reports and Litchfield Hills Research

IQSTEL Inc.

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Disclosures:

Analyst Certification
We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

FINRA Compliant Research Report
We, the Litchfield Hills Research Department, hereby certify that this report is compliant with FINRA research rules 2241, 3110.

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Litchfield Hills Research LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.
HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.
SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.
Total return is defined as price appreciation plus dividend yield.

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