

National Central Cooling Company (Tabreed)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.15	AED 3.95	+25%	BUY

3Q25 Net Profit lower than our estimate

- Total connected capacity rose 4.5% YOY to 1.38 Mn RT as of 3Q25. It added a capacity of 52.9k RT during 9M25.
- Consumption volume declined from 1.02 RTh in 3Q24 to 1.00 RTh in 3Q25, due to mild weather.
- Revenue declined marginally by 0.7% YOY to AED 759 Mn in 3Q25 due to a decline in consumption revenue owing to mild weather, partially offset by an increase in fixed revenue.
- The gross profit declined marginally 0.2% YOY to AED 286 Mn in 3Q25. However, gross profit margin expanded 19 bps YOY to 37.7% in 3Q25.
- EBITDA rose 4.3% YOY to AED 343 Mn in 3Q25 with margins expanding 213 bps YOY to 45.2%, benefiting from positive operating leverage, scale efficiencies and ongoing cost control initiatives across the business.
- Operating profit rose 5.4% YOY to AED 225 Mn in 3Q25. The operating profit margin expanded 172 bps YOY to 29.7% in 3Q25.
- Finance income rose from AED 8 Mn in 3Q24 to AED 9 Mn in 3Q25, while finance costs also increased 45.1% YOY to AED 70 Mn in 3Q25, mainly attributed to an increase in debt.
- Income tax expense stood at AED 15 Mn in 3Q25 compared to AED 16 Mn in 3Q24.
- Net profit attributable to equity shareholders declined 7.7% YOY to AED 144 Mn in 3Q25, due to a marginal decline in revenue, an increase in finance costs and higher other losses compared to gains in 3Q24, partially offset by a positive operating leverage and higher finance income.
- The Company's shareholders approved an interim dividend of AED 184.9 Mn, equivalent to 6.5 fils per share for 1H25.

Earnings Call Summary

- Total connected capacity reached 1.38 Mn RT as of 3Q25, supported organic additions of c.52.9k RT. This growth is driven by the commissioning of three new greenfield plants (including two in Abu Dhabi) and additional connections across existing concessions.
- Existing capacity, including secured future capacity, will amount to C. 2.6 Mn RT as of 3Q25, providing strong long-term growth visibility.
- Tabreed finalized an AED 1.5 Bn concession with Dubai Holding Investments for the Palm Jebel Ali project, adding 250k RT of capacity (c.20% of current installed capacity), with construction commencing in 3Q25 and first cooling expected in late 2027, followed by revenue contribution from early 2028.
- Tabreed completed the acquisition of Pal Cooling from Multiply Group on 13 October 2025 for AED 4.1 Bn. The acquisition will add 600,000 RT of capacity across eight exclusive concession in Abu Dhabi main Island and Al Reem Island.
- Organic capex amounted to AED 169 Mn in 9M25, primarily directed toward new greenfield plants and additional connections across existing concessions.
- Guidance for connected capacity growth remains unchanged, with medium-term expansion expected to continue at 3–5% annually through 2027.
- Guidance for annual capex remains at AED 200–300 Mn, with 9M25 spending of AED 169 Mn expected to rise as construction activity accelerates in the coming quarters.
- Net leverage stood at 4.5x in 9M25 and is expected to gradually decline as growth assets such as Palm Jebel Ali and Cool start generating revenue and overall cash flows increase.
- Transaction costs for the PAL acquisition are expected to fall within the typical 1–2% range of the deal value, with the full amount to be recorded in 4Q25.

- Tabreed settled its 2025 sukuk maturity using AED 1.8 Bn in new bank loans in October 2025, which financed both the sukuk repayment and the company's equity contribution toward the PAL acquisition. The next debt capital market maturity is in 2027.
- Tariff adjustments related to drainage charges are currently under discussion with Dubai's ERSB regulator, and while the charges primarily apply to Dubai, Tabreed has not encountered any limitations to date in passing these costs through to customers.
- Finance costs remained elevated following the green sukuk issuance and the PAL acquisition, with management noting that expenses will trend in line with net debt levels and decline as leverage reduces.
- The Company remains fully committed to maintain an investment grade rating and plans no immediate access to international bond market.

Tabreed – P&L

AED mm	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch
Revenue	764	643	759	804	-5.7%	-0.7%	18.1%
Operating costs	-477	-346	-473	-499	-5.2%	-1.0%	36.6%
Gross profit	287	297	286	306	-6.4%	-0.2%	-3.6%
Administrative and other expenses	-73	-64	-61	-76	-19.7%	-16.6%	-4.7%
EBITDA	329	349	343	351	-2.4%	4.3%	-1.7%
Operating profit/ EBIT	214	233	225	230	-2.1%	5.4%	-3.3%
Profit before tax	181	186	168	183	-8.1%	-7.4%	-9.5%
Income tax expense	-16	-16	-15	-16	-9.5%	-7.5%	-9.0%
Net profit for the period	166	170	153	167	-8.0%	-7.4%	-9.6%
Profit attributable to equity holders	156	160	144	160	-9.8%	-7.7%	-10.1%

FABS estimate & Co Data

Tabreed Management Guidance:

Medium-term Guidance (2025 – 2027)	
Capacity Growth ¹	Organic Capex
3-5 % p.a.	200-300 AED m p.a.
EBITDA Margin	Leverage
50-53 %	Maintain Investment Grade Credit Rating

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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