

National Central Cooling Company (Tabreed)

Decline in consumption volume and higher finance cost impacted profit

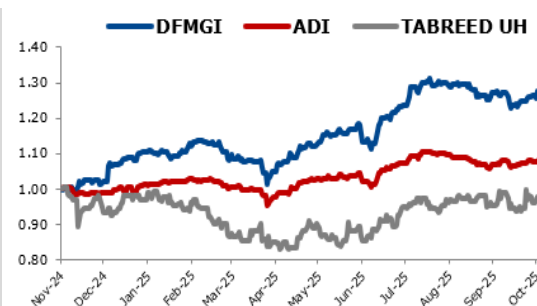
Current Price
AED 3.15

Target Price
AED 3.95

Upside/Downside (%)
+25%

Rating
BUY

- Tabreed completed the acquisition of PAL Cooling Holding for an enterprise value of AED 4.1 Bn, adding c. 600k RT of capacity across eight exclusive concessions on Abu Dhabi's main island and Al Reem Island.
- The Company maintained its connected capacity growth guidance, with medium-term expansion expected to remain at 3–5% annually through 2025-2027.
- Capacity expanded from 1,367k RT in 2Q25 to 1,378k RT in 3Q25.
- Settled the sukuk worth USD 500 Mn in Oct 2025 using the AED 1.8 Bn new bank debt facility raised in Oct 2025.
- Approved an interim dividend of AED 184.9 Mn, equivalent to 6.5 fils per share for 1H25.



Stock Information

Market Cap (AED, Mn)	8,962.60
Paid Up Capital (Mn)	2,845.27
52 Week High	3.33
52 Week Low	2.49
3M Avg. daily value (AED)	2,209,676

3Q25 Result Review (AED, Mn)

Total Assets	15,005
Total Liabilities	8,309
Total Equity	6,696
EBITDA	343
Net Profit	144

Financial Ratios

Dividend Yield (12m)	4.90
Dividend Pay-out (%)	79.84
Price-Earnings Ratio(x)	15.91
Price-to-Book Ratio (x)	1.47
Book Value (AED)	2.14
Return-on Equity (%)	9.17

Stock Performance

5 Days	0.00%
1 Months	5.35%
3 Months	6.42%
6 Months	18.42%
1 Year	4.30%
Month to Date (MTD%)	4.30%
Quarter to Date (QTD%)	9.76%
Year to Date (YTD%)	5.00%

3Q25 Net Profit lower than our estimate

National Central Cooling Company (Tabreed/The Company) net profit decreased 7.7% YOY to AED 144 Mn in 3Q25, lower than our estimate of AED 160 Mn. The decrease in net profit is mainly attributed to a marginal decline in revenue, rise in finance costs, other losses compared to a gain in 3Q24, partially offset by a decline in operating costs, administrative & other expenses and higher finance income.

P&L Highlights

Tabreed's revenue fell marginally 0.7% YOY to AED 759 Mn in 3Q25, due to a decrease in revenue from the Value Chain Business, and a marginal decline in revenue from the Supply of Chilled Water. Revenue from the Supply of Chilled Water fell marginally to AED 736 Mn in 3Q25 compared to 3Q24, due to lower consumption volume owing to milder weather, partially offset by an expansion in capacity. Value Chain Business revenue declined from AED 27 Mn in 3Q24 to AED 23 Mn in 3Q25. Consumption volume decreased 2% YOY in 3Q25. Revenue mix of the Chilled Water segment amounted to 46% from fixed charges and the remaining 54% from variable charges in 3Q25. Direct cost fell marginally 1.0% YOY to AED 473 Mn in 3Q25. Thus, gross profit also decreased marginally 0.2% YOY to AED 286 Mn in 3Q25, while the gross profit margin expanded 19 bps YOY to 37.7% in 3Q25. Moreover, administrative and other operating expenses fell from AED 73 Mn in 3Q24 to AED 61 Mn in 3Q25. EBITDA grew 4.3% YOY to AED 343 Mn in 3Q25, while EBITDA margin expanded from 43.1% in 3Q24 to 45.2% in 3Q25. This growth in EBITDA is due to the benefit from positive operating leverage, scale efficiencies and ongoing cost control initiatives across the business. Tabreed's operating profit increased 5.4% YOY to AED 225 Mn in 3Q25, primarily due to decline in administrative and other expenses. Finance costs rose 45.1% YOY to AED 70 Mn in 3Q25, whereas finance income

increased 16.6% YOY to AED 9 Mn in 3Q25. The company recorded other loss of AED 4 Mn in 3Q25, compared to a profit of AED 0.4 Mn in 3Q24. The Company's share of profit from associates & JV remained unchanged AED 7.7 Mn in 3Q25 compared to 3Q24. Tax charges decreased 7.5% YOY to AED 15 Mn in 3Q25 in line with the decline in profit before tax. Profits attributable to non-controlling interest holders decreased 2.2% YOY to AED 9 Mn in 3Q25.

Balance Sheet Highlights

Tabreed's cash and cash equivalents declined from AED 0.9 Bn in 2Q25 to AED 0.7 Bn in 3Q25. The Company's net debt increased from AED 4.8 Bn in 2Q25 to AED 5.9 Bn in 3Q25 due to higher borrowings. Net debt to EBITDA increased from 3.7x in 2024 to 4.5x in 9M25 owing to the incremental rise in project-level financing to fund the PAL Cooling acquisition, which temporarily elevated overall leverage. The Company's net cash flow from operating activities increased from AED 275 Mn in 3Q24 to AED 285 Mn in 3Q25 due to spending on working capital, partially offset by income taxes paid of AED 63 Mn in 3Q25.

Target Price and Rating

We maintain our BUY rating on Tabreed with an unchanged target price of AED 3.95. The Company recorded a decline in net profit during 3Q25 due to a marginal decline in revenue, rise in finance costs, other losses compared to a gain in 3Q24, partially offset by a decline in operating costs, administrative & other expenses and higher finance income. The higher finance costs reflect the increase in debt levels following the expansion of the Company's Green Revolving Credit Facility. The Company's capacity expanded from 1,367k RT in 2Q25 to 1,378k RT in 3Q25. Additionally, it also achieved the organic capacity addition of 52.9k RT in 9M25, more than twice the full-year additions recorded in 2024, driven by 29.1k RT of new connections in the UAE and 23.8k RT across other markets. This indicates Tabreed's strengthening position as a cross-regional operator. Tabreed completed the acquisition of PAL Cooling Holding, adding c.600k RT of capacity across eight exclusive concessions in Abu Dhabi's main island and Al Reem Island. This reinforces the Company's ability to drive sustained revenue growth. Additionally, Tabreed is advancing new long-term concessions to secure sustained portfolio expansion, including the landmark Palm Jebel Ali agreement, which adds a 250k RT system through a joint venture with Dubai Holding Investments, with first cooling expected by 2027. These strategic milestones demonstrate the Company's continued focus on building stable, predictable cash flows and maintaining disciplined value creation. To enhance its presence across core and international markets, Tabreed continued to expand its network and commission new capacity, bringing three new greenfield plants online. Tariff adjustments related to drainage charges are currently under discussion with Dubai's ERSB regulator, and while the charges primarily apply to Dubai. The Company didn't face any limitations in passing drainage-related charges through to customers, even as tariff adjustments remain under discussion with Dubai's ERSB regulator. The Company's guidance for connected capacity growth remains unchanged, with medium-term expansion expected to continue at 3–5% annually through 2025–2027. Tabreed maintained its annual capex guidance of AED 200–300 Mn for 2025–2027 (AED 169 Mn already spent in 9M25), EBITDA margins of 50–53% and expects spending to increase as construction activity accelerates in the coming quarters. Tabreed stock will be included as a part of the MSCI Emerging Markets Small Cap Index, effective close of 24 November 2025. The inclusion will increase share liquidity and drive incremental investment flows. The Company's shareholders approved an interim dividend of AED 184.9 Mn, equivalent to 6.5 fils per share. Thus, considering the above factors, we assign a BUY rating on the stock.

Tabreed - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE (X)	15.78	15.54	15.15	21.09	15.95	16.05
PB (X)	1.76	1.58	1.40	1.44	1.43	1.41
EV/EBITDA (X)	15.67	15.45	12.43	12.23	11.45	11.86
BVPS	1.817	2.022	2.278	2.223	2.232	2.276
EPS	0.203	0.206	0.211	0.152	0.201	0.199
DPS	0.055*	0.059*	0.135	0.155	0.155	0.155
Dividend yield	1.8%	1.9%	4.3%	4.9%	4.9%	4.9%

FABS Estimates & Co Data, *In addition, the company distributed Bonus share of 2.5% for the period of 2021 and 2.222% in 2020.

Tabreed – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	764	643	759	804	-5.7%	-0.7%	18.1%	2,434	2,484	2.1%
Operating costs	-477	-346	-473	-499	-5.2%	-1.0%	36.6%	-1,353	-1,391	2.8%
Gross profit	287	297	286	306	-6.4%	-0.2%	-3.6%	1,081	1,093	1.1%
Administrative & other exp.	-73	-64	-61	-76	-19.7%	-16.6%	-4.7%	-287	-261	-9.1%
EBITDA	329	349	343	351	-2.4%	4.3%	-1.7%	1,252	1,313	4.8%
Operating profit/ EBIT	214	233	225	230	-2.1%	5.4%	-3.3%	794	832	4.8%
Finance costs	-48	-67	-70	-68	2.3%	45.1%	5.0%	-215	-250	16.3%
Finance income	8	8	9	9	-6.6%	16.6%	11.6%	41	36	-10.8%
Impairment provision for trade receivables	0	0	0	0	NM	NM	NM	-1	0	NM
Other gains and losses	0	5	-4	0	NM	NM	NM	6	5	-16.2%
Share of associates & JV	8	6	8	12	-33.1%	-0.5%	18.8%	38	35	-6.9%
Profit from continuing operations	181	186	168	183	-8.1%	-7.4%	-9.5%	662	658	-0.6%
Income tax expense	-16	-16	-15	-16	-9.5%	-7.5%	-9.0%	-60	-59	-0.5%
Profit before NCI	166	170	153	167	-8.0%	-7.4%	-9.6%	603	599	-0.6%
Non-controlling interest	9	9	9	7	37.5%	-2.2%	-1.2%	33	32	-0.6%
Net profit/(loss)	156	160	144	160	-9.8%	-7.7%	-10.1%	570	567	-0.6%

FABS estimate & Co Data

Tabreed - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	37.5%	46.2%	37.7%	19	-847	44.4%	44.0%	-42
EBITDA	43.1%	54.3%	45.2%	213	-910	51.4%	52.9%	141
Operating Profit	28.0%	36.3%	29.7%	172	-656	32.6%	33.5%	88
Net Profit	20.4%	24.9%	19.0%	-144	-594	23.4%	22.8%	-62

FABS estimate & Co Data

Key Developments:

- 06 November 2025:** Tabreed will be added to the MSCI Emerging Markets Small Cap Index, effective 24 November 2025. Being part of the MSCI index is expected to boost Tabreed's global visibility, improve share liquidity, and attract additional investor inflows, as MSCI indices are widely used by international passive and active funds for benchmarking and allocations.
- 03 November 2025:** Tabreed announced the full settlement of its USD 500 Mn Sukuk due October 2025, originally issued in 2018 with a 5.5% fixed profit rate and listed on the London Stock Exchange. The sukuk was repaid using the proceeds of AED 1.8 Bn from new bank debt facility.
- 08 October 2025:** Tabreed secured a new AED 1.8 Bn, six-year Shariah-compliant loan from Emirates NBD and Mashreq to support growth investments, enhance liquidity, and diversify funding. The dual-tranche AED/USD facility includes AED 1 Bn in green financing, reflecting strong lender confidence and Tabreed's commitment to sustainability.
- 13 October 2025:** The PAL Cooling acquisition (equity value AED 3.87 Bn) will add c. 600,000 RT of cooling capacity across eight exclusive concessions on Abu Dhabi's main island and Al Reem Island. The portfolio includes five operating plants, one under construction, and three in advanced planning. The deal boosts Tabreed's pro forma capacity by 13% to 1.55 Mn RT and brings long-term (~25-year) contracts with strong offtakers such as Aldar, Modon, and Imkan. Tabreed has secured a long-term district cooling concession for Palm Jebel Ali through a AED 1.5 Bn phased project developed via a joint venture with Dubai Holding Investments (Tabreed 51%, DHI 49%). The project will provide 250,000 RT of cooling capacity.
- 11 September 2025:** Tabreed has added a major new connection in Dubai, supplying 5,300 RT of district cooling to the 93-storey City Tower 1 by H&H. The tower includes 695 residential units, office floors, retail space and extensive amenities. The cooling is being provided through Tabreed's existing Al Satwa plant.
- 30 June 2025:** Tabreed and CVC DIF entered a partnership to acquire PAL Cooling Holding from Multiply Group for approximately AED 3.8 Bn, adding eight long-term concessions supported by five operational plants and significant expansion potential. The portfolio is expected to scale to around 600,000 RT as new plants under construction and in planning come online, strengthening Tabreed's presence across Abu Dhabi's main island and the rapidly developing Al Reem Island within the ADGM free zone.
- 16 June 2025:** The UAE Ministry of Defence, in partnership with Tabreed and Emerge, completed a solar integration project at two Abu Dhabi district cooling plants, installing 4,000 panels to supply 2.4 MW of clean power. The initiative supports peak-load reduction, cuts over 2,600 tons of CO₂ annually, and aligns with the UAE Armed Forces Climate Change Strategy.
- 17 March 2025:** Tabreed and Dubai Holding Investments formed a joint venture to deliver district cooling to Palm Jebel Ali, a project requiring ~250,000 RT and AED 1.5 Bn in phased investment. With Tabreed holding 51%, the partnership enhances capacity planning and ensures sustainable cooling, with construction starting in Q25 and first supply targeted for 2027.
- 06 March 2025:** Tabreed raised USD 700 Mn through its first Green Sukuk under the new USD 1.5 Bn programme, backed by strong 2.6x oversubscription and competitive pricing at 5.279%. The proceeds will fund or refinance eligible green projects under its Green Financing Framework, reinforcing investor confidence supported by Moody's and Fitch investment-grade rating.

Valuation:

We use the Discounted Cash Flow (DCF) and Relative Valuation (RV) method to value Tabreed. We have assigned 70% weight to DCF and 30% weight to RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	4.32	70.0%	3.02
EV/EBITDA	3.10	30.0%	0.93
Weighted Average Valuation (AED)			3.95
Current market price (AED)			3.15
Upside/Downside (%)			+25%

1) DCF Method:

Tabreed is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.4%. It arrived after using a cost of equity of 9.1% and after-tax cost of debt of 5.0% with a debt-to-equity ratio of 72.0%. Cost of equity is calculated by using a 10-year government bond yield of 5.1%, a beta of 0.85 and an equity risk premium of 4.8%. Government bond yield is calculated after adding the Dubai 10-year spread over the 10-year US risk-free rate. The cost of debt of 5.5% is calculated after adjusting for a tax rate of 9.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	4,045
Terminal value (AED, Mn)	13,074
Net Debt (AED Mn) (As of Sep 2025)	-6,039
Investment in JV (As of Sep 2025)	1,190
FV to Common shareholders (AED, Mn)	12,270
No. of share (Mn)	2,842
Current Market Price (AED)	3.15
Fair Value per share (AED)	4.32

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	773	815	851	883	914	948
D&A	392	389	387	386	387	388
Change in working capital	-46	-32	-30	9	9	9
(-) Capex	-248	-262	-276	-318	-332	-348
Free Cash Flow to Firm (FCFF)	871	910	931	960	977	998
Discounting Factor	0.99	0.92	0.86	0.80	0.74	0.69
Discounted FCFF	216¹	840	800	768	728	692

Source: FAB Securities, ¹Adjusted for partial year

2) Relative Valuation:

We have used Utilities Companies multiple to value Tabreed as there is only one pure-play company listed in the region. It is valued at an EV/EBITDA multiple of 10.1x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Essential Utilities, Inc.	11,305	15.0	13.8	18.8	17.9
SJW Group	1,699	10.9	10.1	15.9	15.2
Emirates Central Cooling Systems Corporation	4,301	11.6	10.6	17.0	14.4
Exelon Corporation	45,918	10.9	10.0	16.8	16.0
Dubai Electricity and Water Authority	37,432	9.3	9.5	16.7	17.2
Saudi Electricity Company	16,032	6.3	6.0	14.6	13.4
Average		10.7x	10.0x	16.6x	15.7x
Median		10.9x	10.1x	16.8x	15.6x
Max		11.4x	10.5x	16.9x	16.9x
Min		9.7x	9.6x	16.1x	14.6x

Source: FAB Securities

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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