

National Central Cooling Company (Tabreed)

Current Price

AED 3.01

Target Price

AED 3.95

Upside/Downside (%)

+31%

Rating

BUY

4Q25 Net Profit lower than our estimate

- Total connected capacity rose 18.8% YOY to 1.57 Mn RT as of 4Q25 owing to organic and inorganic expansion. Excluding the impact of inorganic expansion, the connected capacity rose 4.4% YOY in 4Q25. Consumption volume softened from 0.64 Bn refrigerated tons hour (RTh) in 4Q24 to 0.60 RTh in 4Q25.
- Revenue remained largely flat, with a marginal uptick of 0.1% YOY to AED 589 Mn in 4Q25, due to increase in revenue from the value chain business, partially offset by a decline in chilled water revenue owing to a fall in consumption volume.
- The gross profit declined 1.6% YOY to AED 260 Mn in 4Q25, coupled with a contraction in the gross profit margin by 75 bps YOY to 44.1% in 4Q25.
- EBITDA fell 8.1% YOY to AED 294 Mn in 4Q25 with the EBITDA margin contracting 448 bps YOY to 49.9%. This is mainly due to higher G&A expenses owing to the phasing of certain expenses to 4Q25, which led to a temporary increase in G&A expenses for the quarter.
- Operating profit declined 13.1% YOY to AED 173 Mn in 4Q25, with a decline in the operating profit by 448 bps YOY to 29.3% in 4Q25.
- Finance income declined from AED 8 Mn in 4Q24 to AED 3 Mn in 4Q25, while finance costs increased 58.2% YOY to AED 76 Mn in 4Q25, primarily driven by refinancing of the low-cost debt at the current market rate and additional borrowing to refinance the PAL Cooling transaction.
- Income tax expense fell 53.3% YOY to AED 9 Mn in 4Q25, compared to AED 20 Mn in 4Q24.
- The contribution from the share of associates and JV reported a loss of AED 20 Mn in 4Q25 compared to a profit of AED 12 Mn in 4Q24, primarily due to an AED 34 Mn loss from the PAL Cooling JV driven mainly by one-off transaction costs at the JV level.
- Net profit attributable to equity shareholders declined 68.7% YOY to AED 45 Mn in 4Q25, driven by phasing of certain G&A expenses to 4Q25, higher finance costs and lower finance income, coupled with one-off transaction costs related to the closing of acquisition completed in 2025 as well as fair value amortisation charges related to the PAL Cooling JV, partially offset by a marginal uptick in topline. Normalized net profit also declined from AED 145 Mn in 4Q24 to AED 96 Mn in 4Q25, excluding non-recurring gains and losses of AED 50 Mn in 4Q25.
- The Board proposed a final dividend of 6.5 fils per share for 2H25, totaling to a dividend of 13 fils per share for 2025, implying a c.71% payout ratio based on the normalized profit of 2025.

Earnings Call Summary

- Total connected capacity increased 19% YOY to 1.57 Mn RTs, driven by record organic additions and the PAL Cooling acquisition.
- Palm Jebel Ali (51% ownership attributed to Tabreed) is expected to begin contributing from the end of 2027 or early 2028 with AED 1.5 Bn phased capex, while the PAL Cooling acquisition, structured as a JV, adds meaningful long-term capacity and will contribute through a share of JV results rather than at the consolidated EBITDA level.
- The Company highlighted a strong secured pipeline and sustained growth opportunities across the UAE and GCC.
- Reported net profit was affected by higher finance costs from refinancing at market rates, additional Islamic financing to fund PAL Cooling, and one-off transaction costs, while normalized net profit reached AED 521 Mn, highlighting underlying business resilience.

- Net debt-to-EBITDA increased to 4.6x following acquisition funding, but investment-grade metrics and strong liquidity were maintained with no major near-term maturities.
- The company invested AED 193 Mn in expansion projects, and while free cash flow was temporarily negative due to the PAL Cooling investment, recurring free cash flow remained strong at AED 862 Mn in 2025.
- Tabreed remains committed to maintaining investment-grade metrics, funding disciplined growth, and delivering balanced shareholder returns through value-accretive investments.
- The Company expects to maintain a similar payout trend of c. 70%, subject to shareholder approval, with no indicated change to its medium-term distribution policy.
- The higher dividend received from Tabreed Saudi reflects capital structure optimization to enhance equity returns rather than a one-off event, with growth still expected and funding structured differently going forward.
- The Company confirmed that PAL Cooling's 50:50 JV ownership between Tabreed and CVC-DIF remains unchanged, with new investors entering only at the CVC fund level, not at the PAL JV level.
- PAL currently has c. 190,000 RT connected capacity versus a 600,000 RT full concession potential, and currently generates c. AED 200 Mn cash, while near-term earnings are impacted by non-cash amortization and JV-level project financing costs, scaling of the concession is expected to drive meaningful mid-term value creation.
- Tabreed reiterated strong sector fundamentals across the UAE and GCC, supported by infrastructure investment, real estate growth, and decarbonization initiatives, positioning the company for sustained capacity-led expansion.
- Project IRRs for 2024, 2025, and 2026, including recent acquisitions, are in the high single-digit to low double-digit range, depending on customer profile and credit quality.
- The Company expects capacity to increase 3%-5% with an organic capex to AED 200-300 Mn and EBITDA margins of 50%-53% for the medium term from 2026-2028.

Tabreed – P&L

AED mm	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch
Revenue	588	759	589	616	-4.5%	0.1%	-22.4%
Operating costs	-324	-473	-329	-342	-3.7%	1.5%	-30.3%
Gross profit	264	286	260	275	-5.5%	-1.6%	-9.2%
Administrative and other expenses	-62	-61	-86	-62	39.4%	37.8%	41.8%
EBITDA	320	343	294	338	-12.9%	-8.1%	-14.3%
Operating profit/ EBIT	199	225	173	213	-18.9%	-13.1%	-23.4%
Profit before tax	174	168	61	172	-64.6%	-64.9%	-63.7%
Income tax expense	-20	-15	-9	-18	-46.0%	-53.3%	-34.7%
Net profit for the period	153	153	52	156	-66.9%	-66.4%	-66.4%
Non-controlling interest	8	9	6	8	-22.8%	-27.6%	-34.0%
Profit attributable to equity holders	145	144	45	148	-69.2%	-68.7%	-68.5%

FABS estimate & Co Data

Management Guidance (2026-2028):



