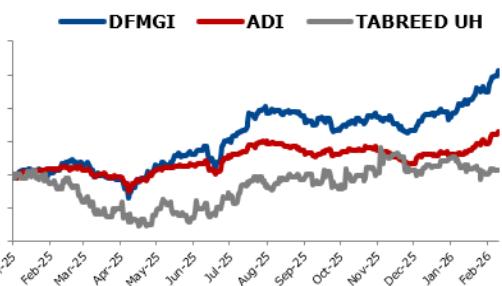


National Central Cooling Company (Tabreed)

Higher financing costs and one-off charges pressured profit

Current Price	Target Price	Upside/Downside (%)	Rating
AED 3.03	AED 3.95	+30%	BUY

- Tabreed's consumption volume decreased 1.5% YOY to 2.6 Bn RTH in 2025, due to relatively cooler weather conditions.
- The Company expects capacity to increase 3%-5% with an organic capex of AED 200-300 Mn and EBITDA margins of 50%-53% for the medium term from 2026-2028.
- Net debt-to-EBITDA increased to 4.6x in 2025 following funding of PAL Cooling acquisition but maintained investment-grade metrics along with strong liquidity and no major near-term maturities.
- The Board proposed a final dividend of 6.5 fils per share for 2H25, totaling a dividend of 13 fils per share for 2025, implying a c.71% payout ratio based on the normalized profit of 2025.



4Q25 Net Profit lower than our estimate

National Central Cooling Company (Tabreed/The Company) net profit attributable to equity shareholders decreased 68.7% YOY to AED 45 Mn in 4Q25, lower than our estimate of AED 148 Mn. The decrease in net profit was primarily driven by a sharp increase in finance costs, higher administrative & other expenses, elevated other losses, and loss from associates & joint ventures, coupled with a rise in operating costs and lower finance income, partially offset by lower impairment provisions on trade receivables, reduced tax charges and a lower share of profit attributable to minority shareholders. Normalized net profit amounted to AED 96 Mn in 4Q25, excluding non-recurring gains and losses of AED 50 Mn in 4Q25.

P&L Highlights

Tabreed's revenue remained flat with a marginal uptick of 0.1% YOY to AED 589 Mn in 4Q25, as a decline in revenue from the Supply of Chilled Water segment, partially offset by increase in revenue from the Value Chain Business. Revenue from the Supply of Chilled Water fell marginally 0.7% YOY to AED 569 Mn in 4Q25, and Value Chain Business revenue increased 31.2% YOY to AED 20 Mn in 4Q25. Consumption volume declined from 0.64 Bn refrigerated tonnes hour (RTh) in 4Q24 to 0.60 Bn RTh in 4Q25. Revenue mix of the Chilled Water segment amounted to 58% from fixed charges and the remaining 42% from variable charges in 4Q25. Direct costs increased marginally by 1.5% YOY to AED 329 Mn in 4Q25. Consequently, gross profit declined 1.6% YOY to AED 260 Mn in 4Q25, while gross margin contracted by 75 bps YOY to 44.1% in 4Q25. Moreover, impairment provision on trade receivables decreased from AED 2 Mn in 4Q24 to AED 1 Mn in 4Q25 and administrative & other operating expenses increased from AED 62 Mn in 4Q24 to AED 86 Mn in 4Q25. EBITDA declined 8.1% YOY to AED 294 Mn in 4Q25, while EBITDA margin

Stock Information	
Market Cap (AED, Mn)	8,621.17
Paid Up Capital (Mn)	2,845.27
52 Week High	3.33
52 Week Low	2.49
3M Avg. daily value (AED)	3,288,498

4Q25 Result Review (AED, Mn)	
Total Assets	14,581
Total Liabilities	7,909
Total Equity	6,672
EBITDA	294
Net Profit	45

Financial Ratios	
Dividend Yield (12m)	4.33
Dividend Pay-out (%)	94.77
Price-Earnings Ratio(x)	18.46
Price-to-Book Ratio (x)	1.40
Book Value (AED)	2.14
Return-on Equity (%)	7.49

Stock Performance	
5 Days	-0.98%
1 Months	-0.66%
3 Months	-4.11%
6 Months	1.34%
1 Year	4.84%
Month to Date (MTD%)	1.00%
Quarter to Date (QTD%)	-3.81%
Year to Date (YTD%)	-3.81%

contracted to 49.9% in 4Q25 from 54.4% in 4Q24. This decline in EBITDA 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. Tabreed's operating profit declined 13.1% YOY to AED 173 Mn in 4Q25, with the operating profit margin declining 448 bps YOY to 29.3%. 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 low-cost debt at current market rates and additional borrowing to refinance the PAL Cooling transaction. The company recorded other losses of AED 19 Mn in 4Q25, compared to a profit of AED 4 Mn in 4Q24, owing to the transactions completed in 4Q25 and the retirement of assets. The Company's share of loss from associates & JV widened to AED 20 Mn in 4Q25 compared to a share of 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. Tax charges decreased 53.3% YOY to AED 9 Mn in 4Q25. Profits attributable to non-controlling interest holders decreased 27.6% YOY to AED 6 Mn in 4Q25.

Balance Sheet Highlights

Tabreed's cash and cash equivalents remained unchanged at AED 0.7 Bn in 4Q25, compared to 3Q25. Similarly, the Company's net debt stood at AED 5.8 Bn in 4Q25 from AED 5.9 Bn in 3Q25. Net debt to EBITDA increased marginally from 4.5x in 3Q25 to 4.6x in 4Q25. Net cash generated from operations declined from AED 419 Mn in 4Q24 to AED 266 Mn in 4Q25 due to working capital movements primarily related to delays in customer payments, which were subsequently received post year-end, and higher supplier payments during the quarter.

Target Price and Rating

We maintain our BUY rating on Tabreed with a target price of AED 3.95. The Company reported an 18.4% YOY decline in net profit to AED 465 Mn in 2025, primarily reflecting higher finance costs following the refinancing of low-cost debt at prevailing market rates and incremental borrowings to fund its investment in PAL Cooling, despite continued operational strength. Excluding non-recurring one-off gains and losses of AED 55 Mn in 2025 including transaction cost at PAL JV level, normalized net profit stood at AED 521 Mn in 2025. Total connected capacity increased 19% YOY to 1.57 Mn RTs, driven by record organic additions and the PAL Cooling acquisition. On 9th Oct 2025, Tabreed and CVC DIF completed the joint acquisition of PAL Cooling at an enterprise value of AED 4.1 Bn, this transaction was executed through a newly established JV with each partner holding a 50% ownership stake. PAL Cooling currently has 190.8k RTs of connected capacity versus a full concession potential of 600,000 RTs and generates around AED 200 Mn in cash. While near-term earnings are impacted by non-cash amortization and JV-level financing costs, scaling of the concession is expected to drive meaningful mid-term value creation. The Company's consumption volume decreased 1.5% YOY to 2.6 Bn RTH in 2025, due to relatively cooler weather conditions, with volumes expected to recover going forward. Looking ahead, Tabreed highlighted a strong secured pipeline and sustained growth opportunities across the UAE and GCC, while reaffirming its commitment to maintaining investment-grade metrics, disciplined capital deployment, and balanced shareholder returns. Project IRRs for 2024-2026, including recent acquisitions, are in the high single-digit to low double-digit range depending on customer profile and credit quality. Net debt-to-EBITDA increased to 4.6x in 2025 following acquisition funding, although strong liquidity was maintained with no major near-term maturities. The Company expects capacity growth of 3-5% supported by AED 200-300 Mn of organic capex for 2026-2028 and medium-term EBITDA margins of 50-53% during 2026-2028. Palm Jebel Ali (51% attributable to Tabreed) is expected to begin contributing from end-2027 or early-2028 with phased capex of AED 1.5 Bn, while PAL Cooling will contribute through a share of JV results rather than consolidated EBITDA. During 2025, the Company invested AED 193 Mn in expansion projects, and although reported free cash flow was temporarily negative due to the PAL Cooling investment, recurring free cash flow remained strong at AED 862 Mn. The Company intends to utilize excess free cash flow to further deleverage its balance sheet and strengthen its financial position. 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. Thus, considering the above factors, we assign a BUY rating on the stock.

Tabreed - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (X)	14.96	14.58	20.30	15.35	18.79	14.93
PB (X)	1.52	1.35	1.39	1.38	1.44	1.39
EV/EBITDA (X)	15.12	12.15	11.94	11.18	11.98	11.54
BVPS	2.022	2.278	2.223	2.232	2.139	2.215
EPS	0.206	0.211	0.152	0.201	0.164	0.206
DPS	0.059 ¹	0.135	0.155	0.155	0.130	0.130
Dividend yield	2.0%	4.5%	5.1%	5.1%	4.3%	4.3%

FABS Estimates & Co Data, ¹DPS for 2021 is bonus share adjusted (2.5%).

Tabreed – P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Revenue	588	759	589	616	-4.5%	0.1%	-22.4%	2,432	2,456	1.0%
Operating costs	-324	-473	-329	-342	-3.7%	1.5%	-30.3%	-1,354	-1,378	1.8%
Gross profit	264	286	260	275	-5.5%	-1.6%	-9.2%	1,077	1,078	0.1%
Impairment provision for trade receivables	-2	0	-1	0	NM	-64.8%	NM	-2	-1	NM
Administrative & other exp.	-62	-61	-86	-62	39.4%	37.8%	41.8%	-282	-285	1.2%
EBITDA	320	343	294	338	-12.9%	-8.1%	-14.3%	1,252	1,268	1.3%
Operating profit/ EBIT	199	225	173	213	-18.9%	-13.1%	-23.4%	793	792	-0.2%
Finance costs	-48	-70	-76	-67	14.5%	58.2%	9.2%	-215	-260	20.8%
Finance income	8	9	3	9	-64.2%	-57.5%	-62.3%	41	31	-25.3%
Other gains and losses	4	-4	-19	4	NM	NM	NM	6	-18	NM
Share of associates & JV	12	8	-20	13	NM	NM	NM	38	2	-94.0%
Profit from continuing operations	174	168	61	172	-64.6%	-64.9%	-63.7%	662	547	-17.4%
Income tax expense	-20	-15	-9	-18	-46.0%	-53.3%	-34.7%	-60	-51	-14.1%
Profit before NCI	153	153	52	156	-66.9%	-66.4%	-66.4%	603	496	-17.7%
Non-controlling interest	8	9	6	8	-22.8%	-27.6%	-34.0%	33	31	-6.1%
Net profit/(loss)	145	144	45	148	-69.2%	-68.7%	-68.5%	570	465	-18.4%

FABS estimate & Co Data

Tabreed - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Gross Profit	44.8%	37.7%	44.1%	-75	638	44.3%	43.9%	-42
EBITDA	54.4%	45.2%	49.9%	-448	471	51.5%	51.6%	13
Operating Profit	33.8%	29.7%	29.3%	-448	-38	32.6%	32.2%	-38
Net Profit	24.7%	19.0%	7.7%	NM	NM	23.5%	18.9%	-451

FABS estimate & Co Data

Key Developments:

- **16 December 2025:** Tabreed announced a sustainability partnership with UAE-based cleantech company Sparklo to enhance recycling infrastructure across the UAE. The collaboration will see the installation of 16 reverse vending machines (Sparklomats), including one at Tabreed's headquarters and others at high-traffic locations such as Ferrari World Abu Dhabi, Yas Water World and selected malls in Abu Dhabi and Dubai. The initiative is projected to collect over four Mn bottles and cans annually, averaging c.11,600 containers per day, and is expected to prevent c.637,400 kilograms of CO₂ emissions each year, supporting the UAE Net Zero 2050 and Circular Economy Policy goals.
- **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 2Q25 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	4.26	70.0%	2.98
Relative Valuation: (EV/EBITDA)	3.24	30.0%	0.97
Weighted Average Valuation (AED)			3.95
Current market price (AED)	3.03		
Upside/Downside (%)	+30%		

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 5.5% with a debt-to-equity ratio of 74.8%. 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)	3,711
Terminal value (AED, Mn)	13,109
Net Debt (AED Mn) (As of Dec 2025)	-6,439
Investment in JV (As of Dec 2025)	1,724
FV to Common shareholders (AED, Mn)	12,105
No. of share (Mn)	2,842
Current Market Price (AED)	3.03
Fair Value per share (AED)	4.26

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	788	830	872	908	948
D&A	359	357	357	359	361
Change in working capital	-13	-34	4	5	5
(-) Capex	-281	-296	-310	-324	-339
Free Cash Flow to Firm (FCFF)	852	856	922	948	975
Discounting Factor	0.94	0.88	0.82	0.76	0.71
Discounted FCFF	801	749	752	720	690

Source: FAB Securities

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 10.6x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Essential Utilities, Inc.	11,243	13.5	12.1	17.8	16.4
SJW Group	1,965	10.8	10.1	17.6	16.7
Emirates Central Cooling Systems Corporation	4,819	12.0	11.2	16.0	15.1
Exelon Corporation	49,590	10.3	9.7	17.1	16.0
Dubai Electricity and Water Authority	41,380	10.2	9.7	16.0	17.1
Saudi Electricity Company	15,509	6.0	5.5	14.3	12.5
Average		10.5x	9.7x	16.5x	15.7x
Median		10.6x	9.9x	16.5x	16.2x
Max		11.7x	10.9x	17.5x	16.6x
Min		10.2x	9.7x	16.0x	15.4x

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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