FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Utility | Market: DFM

National Central Cooling Company (Tabreed)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.42	AED 3.65	+50%	BUY

2Q26 Net Profit lower than our estimate

- Revenue remained broadly stable at AED 642 Mn in 2Q26 compared to 2Q25, as higher Value Chain Business revenue offset the decline in Supply of Chilled Water revenue.
- Gross profit declined 3.4% YOY to AED 286 Mn in 2Q26, while gross profit margin contracted 153 bps YOY to 44.6%, mainly due to higher operating costs.
- Administrative and other expenses increased 27.9% YOY to AED 81 Mn in 2Q26.
- EBITDA declined 5.7% YOY to AED 330 Mn in 2Q26, with EBITDA margin contracting 310 bps YOY to 51.4%.
- Operating profit declined 11.9% YOY to AED 205 Mn in 2Q26, similarly operating profit margin declined 430 bps YOY to 31.9% in 2Q26.
- Finance costs increased 13.9% YOY to AED 76 Mn in 2Q26, while finance income declined to AED 5 Mn in 2Q26 from AED 8 Mn in 2Q25.
- Other gains & losses were negative AED 2 Mn in 2Q26, compared to positive AED 5 Mn in 2Q25.
- Share of associates and JVs declined 25.6% YOY to AED 5 Mn in 2Q26, primarily reflecting the temporary negative contribution from the PAL Cooling acquisition.
- Income tax expense declined 12.8% YOY to AED 14 Mn in 2Q26. Share of NCI increased 1.8% YOY to AED 9 Mn in 2Q26.
- Net profit attributable to equity shareholders declined 28.7% YOY to AED 114 Mn in 2Q26, due to higher operating and finance costs, lower finance income and contribution from associates and JVs, and other losses.

Earnings Call Summary

- Total connected capacity increased 15.5% YOY to 1.58 Mn RT in 1H26, with nearly 212K RT added over the last 12 months, including 191K RT from the PAL Cooling acquisition and 21K RT of organic additions.
- 1H26 organic capacity additions were lower due to the phasing of customer projects, with some handover dates shifting to later periods as development schedules changed, although the projects are expected to be delivered over time.
- Consumption declined 2.3% YOY in 1H26, while 2Q26 consumption was affected by milder weather, with April temperatures around 20% lower YOY and May around 5% lower YOY, before June returned to normal levels.
- PAL Cooling currently has 191K RT of connected capacity against 600k RT of full concession potential, with the near-term negative contribution to JV results mainly due to acquisition debt funding and higher depreciation and amortisation of contract-related intangibles.
- New concessions and acquisitions could add c. 1 Mn RT of capacity, with roughly half expected to be connected over the next five to seven years and the remainder thereafter.
- Tabreed expects the secured pipeline to support medium-term capacity growth of 3–5% p.a., with the pipeline predominantly concentrated in the UAE.
- PAL Cooling is expected to become increasingly accretive as connected capacity and utilization increase. Management noted that the asset is currently negatively contributing to JV results due to acquisition debt funding and higher depreciation and amortization of contract-related intangibles, although performance is tracking ahead of the original investment case.
- The Company revised 2026 organic capacity growth guidance to c. 1%, while maintaining 3–5% p.a. growth for 2027–28, reflecting the timing of customer projects.

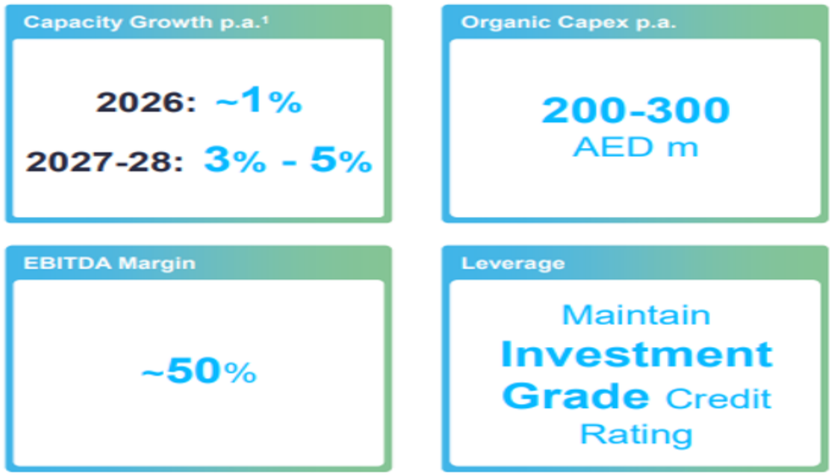
- Organic capex guidance remains at AED 200–300 Mn p.a. despite lower near-term capacity additions, as investments are planned with a long-term rather than short-term horizon.
- EBITDA margin guidance was revised to c. 50%, reflecting inflationary cost pressures.
- Finance costs increased 13.9% YOY to AED 76 Mn in 2Q26, mainly due to higher debt and refinancing at prevailing market rates, with the increase described as a one-time rebasing.
- Net debt-to-EBITDA improved to 4.57x in 1H26, with no significant debt maturities expected over the next 12 months, while Tabreed continues to maintain investment-grade ratings from Moody's and Fitch.
- Tabreed approved an interim dividend of 5.0 fils per share for 1H26. The reduction in the interim dividend from 6.5 fils per share for 1H25 to 5.0 fils per share for 1H26 was intended to preserve flexibility for growth and investment opportunities, while balancing shareholder returns and maintaining the Company's investment-grade credit profile.
- The Company stated its plan to maintain its interim dividend policy, while balancing shareholder returns with the need to preserve flexibility for growth investments and maintain its investment-grade credit profile.
- Tabreed highlighted a strong pipeline of contracted capacity, with a significant portion already secured through long-term customer agreements, supporting future revenue growth.
- The Company stated that it continues to see growth opportunities across the UAE and wider GCC, supported by population growth, infrastructure investment, net-zero emissions and ongoing real estate development.

Tabreed - P&L

AED Mn	**2Q25**	**1Q26**	**2Q26**	**2Q26F**	**Var**	**YOY Ch**	**QOQ Ch**
Revenue	642	486	642	653	-1.7%	0.0%	32.2%
Operating costs	-346	-244	-356	-346	2.8%	2.8%	45.9%
Gross profit	**296**	**242**	**286**	**307**	-6.9%	**-3.4%**	**18.3%**
Impairment provision for trade receivables	0	0	0	0	NM	NM	NM
Administrative and other expenses	-64	-81	-81	-69	18.8%	27.9%	0.7%
EBITDA	**350**	**285**	**330**	**356**	-7.4%	**-5.7%**	**15.8%**
Operating profit/ EBIT	**232**	**161**	**205**	**239**	-14.2%	**-11.9%**	**27.1%**
Finance costs	-67	-76	-76	-71	6.5%	13.9%	-0.6%
Finance income	8	5	5	8	-38.2%	-36.8%	-1.4%
Other gains and losses	5	1	-2	1	-205.1%	-132.6%	-343.4%
Share of associates & JV	6	3	5	18	-73.2%	-25.6%	88.3%
Profit before tax	**185**	**93**	**137**	**195**	-29.7%	**-25.8%**	**47.4%**
Tax expense	-16	-8	-14	-16	-12.5%	-12.8%	66.1%
Profit before NCI	**169**	**85**	**123**	**179**	-31.2%	**-27.1%**	**45.6%**
Non-controlling interest	9	6	9	11	-12.1%	1.8%	47.8%
Profit/(-loss) for the period	**159**	**78**	**114**	**168**	**-32.4%**	**-28.7%**	**45.4%**

FABS estimate & Co Data

Management Guidance (2026-2028):



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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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