First Look Note | 3Q26

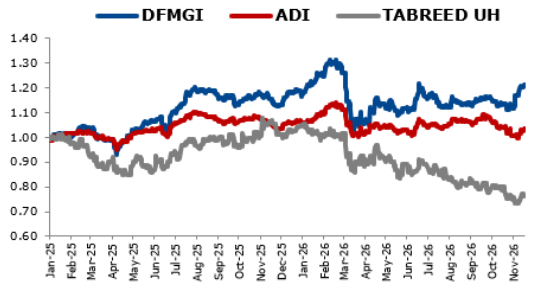
UAE Equity Research | Sector: Utility | Market: DFM

National Central Cooling Company (Tabreed)

Higher Costs and Margin Compression Weigh on Profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.34	AED 3.65	+56%	BUY

- Total connected cooling capacity increased by 15.2% YOY to 1.59 Mn RT during 9M26, driven by the addition of c. 190K RT through the PAL Cooling acquisition and 20K RT of organic capacity additions.
- Cooling consumption reached c. 1.03 Bn RTH during 9M26, increasing by around 3.1% YOY, with nine-month volumes slightly above the previous year's level.
- EBITDA margin guidance remains at c. 50%, reflecting the current portfolio mix and normalized operating cost base.
- Maintained its 2026 organic capacity growth guidance to c. 1%, while maintaining 3–5% annual growth for 2027–28.



Stock Information	
Market Cap (AED, Mn)	6,657.93
Paid Up Capital (Mn)	2,845.27
52 Week High	3.20
52 Week Low	2.14
3M Avg. daily value (AED)	2,719,412

3Q26 Result Review (AED, Mn)	
Total Assets	14,619
Total Liabilities	7,846
Total Equity	6,773
EBITDA	340
Net Profit	128

Financial Ratios	
Dividend Yield (12m)	4.96
Dividend Pay-out (%)	94.77
Price-Earnings Ratio(x)	17.45
Price-to-Book Ratio (x)	1.07
Book Value (AED)	2.18
Return-on Equity (%)	5.95

Stock Performance	
5 Days	3.08%
1 Months	0.00%
3 Months	-4.10%
6 Months	-7.14%
1 Year	-25.95%
Month to Date (MTD%)	4.00%
Quarter to Date (QTD%)	-2.09%
Year to Date (YTD%)	-25.71%

3Q26 Net Profit higher than our estimate

National Central Cooling Company (Tabreed/The Company) net profit attributable to equity shareholders declined 11.1% YOY to AED 128 Mn in 3Q26, higher than our estimate of AED 121 Mn. The decline was primarily driven by higher operating cost, administrative and other expenses, finance costs, and a higher share of non-controlling interest coupled with lower finance income. This was partly offset by higher revenue and positive other gains coupled with lower tax expenses.

P&L Highlights

Tabreed's revenue increased 3.9% YOY to AED 787 Mn in 3Q26 compared to 3Q25, driven by increase in revenue from Supply of Chilled Water and Value Chain segment. Revenue from the Supply of Chilled Water increased 2.6% YOY to AED 753 Mn in 3Q26, primarily due to higher variable and fixed revenue. Value Chain Business revenue increased from AED 23 Mn in 3Q25 to AED 33 Mn in 3Q26. Operating costs increased 4.6% YOY to AED 494 Mn in 3Q26. Gross profit increased 2.6% YOY to AED 293 Mn in 3Q26, while gross profit margin contracted 45 bps YOY to 37.2% in 3Q26. Administrative and other expenses increased 30.2% YOY to AED 79 Mn in 3Q26. EBITDA declined marginally 0.8% YOY to AED 340 Mn in 3Q26, with EBITDA margin contracting 203 bps YOY to 43.2% in 3Q26. Tabreed's operating profit declined 4.8% YOY to AED 214 Mn in 3Q26, while operating profit margin contracted 248 bps YOY to 27.2% in 3Q26, primarily due to higher administrative and other expenses. Finance costs increased 7.6% YOY to AED 75 Mn in 3Q26, while finance income declined 45.9% YOY to AED 5 Mn in 3Q26. The Company recorded other gains and losses with a positive AED 2 Mn in 3Q26, compared to a loss of AED 4 Mn in 3Q25. The share of associates and JVs remained stable at AED 9 Mn in 3Q26, compared to 3Q25. Income tax expense declined 12.4% YOY to AED 13 Mn in 3Q26.

Meanwhile,the share of non-controlling interest increased 40.0% YOY to AED 13 Mn in 3Q26 from AED 9 Mn in 3Q25.

Balance Sheet Highlights

Tabreed's cash and cash equivalents declined from AED 661 Mn in 2Q26 to AED 530 Mn in 3Q26. Net debt increased to AED 5.8 Bn in 3Q26 compared to AED 5.7 Bn in 2Q26, while net debt to EBITDA increased to 4.64x in 9M26, compared to 4.55x in 9M25. Net cash flow from operating activities declined from AED 199 Mn in 3Q25 to AED 195 Mn in 3Q26.

Target Price and Rating

We maintain our BUY rating on Tabreed with a target price of AED 3.56. The Company recorded a decline in net profit attributable to shareholders by 23.8% YOY to AED 320 Mn in 9M26, primarily driven by higher finance costs, increased administrative expenses and the initial earnings dilution from the PAL Cooling acquisition. Fixed capacity revenue increased 2.5% YOY in 9M26, while consumption revenue grew marginally 0.7% YOY despite milder weather conditions during 2Q26 and softer hospitality demand during the period. The Value Chain Business recorded strong growth of 49.9% YOY to AED 92 Mn in 9M26, primarily supported by higher sales of pre-insulated pipes and expansion in customer billing and collection services. Administrative and other expenses increased 21.3% YOY to AED 241 Mn in 9M26, reflecting normalized expense recognition, inflationary pressures, higher personnel costs and ongoing business development initiatives. Furthermore, net finance costs increased 35.7% YOY to AED 212 Mn in 9M26, primarily due to the refinancing of existing debt at prevailing market rates and increased borrowings to fund recent growth investments, including PAL Cooling. The share of results from associates and JVs also declined 35.1% YOY to AED 16 Mn in 9M26, reflecting the initial earnings dilution associated with PAL Cooling during its integration and capacity ramp-up. However, the YOY decline in net profit moderated to 11.1% in 3Q26, compared with 23.8% in 9M26, as the financing impact moderated on a more comparable base and contributions from JVs improved. Despite near-term earnings pressure, Tabreed continues to demonstrate resilience in its core district cooling business, supported by long-term customer contracts, capacity expansion and improving consumption trends. Total connected capacity increased 15.2% YOY to 1.59 Mn RT across 99 operating plants as of September 2026, including 190 k RT added through the PAL Cooling acquisition, while organic capacity increased 1.4% YOY. The Company continued to expand its existing concessions, adding c. 8.5K RT of capacity, while PAL Cooling contributed 5.5K RT of new customer connections during 9M26. Furthermore, Tabreed has 1.0 Mn RT of secured capacity opportunities, comprising around 380K RT from existing concessions, 410K RT from PAL Cooling and 250K RT from Palm Jebel Ali, providing visibility for long-term capacity expansion. The Company expects organic capacity growth of 1% in 2026, while maintaining its medium-term guidance of 3-5% annual growth during 2027-28, subject to customer construction and connection schedules. Organic capex guidance remains at AED 200-300 Mn annually, with AED 195 Mn invested during 9M26, while the EBITDA margin is expected to remain around 50%, supported by operational efficiencies and portfolio optimization. The Company also continues to prioritize the integration of PAL Cooling, realization of synergies and improvement in asset utilization, with the first connection at Palm Jebel Ali expected in 2028. PAL Cooling is a strategic investment that is also expected to generate returns and create shareholder value, with the business expected to reach the desired level of returns within the next two to three years at maximum. Tabreed's cash flow generation remained strong, with net operating cash flows increasing 19.8% YOY to AED 882 Mn during 9M26, supported by improved working capital movements, while cash conversion improved to 92% in 9M26 from 76% in the previous year. Free cash flow stood at AED 651 Mn in 9M26, providing financial flexibility to support growth investments, debt servicing and shareholder distributions. Net debt increased by 1.3% QOQ to AED 5.8 Bn in 3Q26, while net debt/EBITDA remained broadly stable at 4.64x in 9M26, supported by scheduled debt repayments. The Company continues to maintain its investment-grade credit ratings from Moody's and Fitch. Tabreed also paid an interim cash dividend of 5.0 fils per share for 1H26 in September, compared with 6.5 fils per share for 1H25, representing a payout ratio of 74% of 1H26 net profit. The lower interim dividend reflects the Company's prudent capital allocation approach, balancing shareholder returns with investment requirements and the preservation of financial flexibility for future growth opportunities. With a resilient contracted business model, improving consumption trends, a sizeable secured capacity pipeline, we expect the Company's earnings profile to improve as recently added

capacity ramps up and integration benefits materialize. Thus, considering the above factors, we maintain our BUY rating on the stock.

Tabreed - Relative valuation

(at CMP)	2021	2022	2023	2024	2025	2026F
PE (X)	11.22	10.94	15.23	11.51	14.09	16.18
PB (X)	1.14	1.01	1.04	1.03	1.08	1.07
EV/EBITDA (X)	13.00	10.37	10.12	9.43	10.26	10.24
BVPS	2.022	2.278	2.223	2.232	2.139	2.154
EPS	0.206	0.211	0.152	0.201	0.164	0.143
DPS	0.059[1]	0.135	0.155	0.155	0.130	0.100
Dividend yield	2.5%	5.8%	6.6%	6.6%	5.6%	4.3%

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

Tabreed – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	757	642	787	749	5.0%	3.9%	22.5%	2,456	2,511	2.2%
Operating costs	-472	-356	-494	-468	5.5%	4.6%	38.7%	-1,378	-1,421	3.1%
Gross profit	**285**	**286**	**293**	**281**	**4.3%**	**2.6%**	**2.4%**	**1,078**	**1,090**	**1.1%**
Impairment provision for trade receivables	0	0	0	0	NM	NM	NM	-1	0	NM
Administrative and other expenses	-61	-81	-79	-79	0.5%	30.2%	-3.0%	-285	-326	14.5%
EBITDA	**342**	**330**	**340**	**322**	**5.4%**	**-0.8%**	**2.8%**	**1,268**	**1,257**	**-0.9%**
Operating profit	**225**	**205**	**214**	**202**	**5.7%**	**-4.8%**	**4.5%**	**792**	**763**	**-3.6%**
Finance costs	-70	-76	-75	-76	-1.5%	7.6%	-0.8%	-260	-305	17.1%
Finance income	9	5	5	3	NM	-45.9%	-4.4%	31	20	-34.3%
Other gains and losses	-4	-2	2	3	-39.2%	NM	NM	-18	5	NM
Share of associates & JV	9	5	9	7	22.6%	0.7%	NM	2	10	NM
Profit before tax	**168**	**137**	**154**	**139**	**10.9%**	**-8.5%**	**12.2%**	**547**	**494**	**-9.7%**
Tax expense	-15	-14	-13	-12	7.6%	-12.4%	-8.6%	-51	-44	-14.8%
Profit before NCI	**153**	**123**	**141**	**127**	**11.2%**	**-8.1%**	**14.5%**	**496**	**450**	**-9.2%**
Non-controlling interest	9	9	13	6	NM	40.0%	35.9%	31	45	47.4%
Net profit attributable to shareholders	**144**	**114**	**128**	**121**	**5.8%**	**-11.1%**	**45.4%**	**465**	**405**	**-12.9%**

FABS estimate & Co Data

Tabreed - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross Profit	37.7%	44.6%	37.2%	-45	-732	43.9%	43.4%	-48
EBITDA	45.2%	51.4%	43.2%	-203	-826	51.6%	50.0%	-158
Operating Profit	29.7%	31.9%	27.2%	-248	-468	32.2%	30.4%	-184
Net Profit	19.0%	17.7%	16.3%	-275	-141	18.9%	16.1%	-280

FABS estimate & Co Data

Key Developments:

- **25 June 2026:** Tabreed won two Global Banking & Markets Awards Middle East 2026 — Sustainable Loan Deal of the Year for its AED 1.8 Bn dual-tranche green facility and Acquisition Finance Deal of the Year for the AED 2.55 Bn multi-tranche senior secured financing supporting the PAL Cooling acquisition.

- **4 June 2026:** Tabreed appointed Atef Mohamed Awadh AlBreiki as Chief Asset Management Officer, effective immediately, with responsibility for asset management strategy, portfolio management and maximising value creation from the company's assets.

- **14 May 2026:** Tabreed reported Q1 2026 revenue of AED 486 Mn, up 4% YoY, with connected capacity rising 18% YoY to 1.57 Mn RT, supported by the PAL acquisition and 54.6k RT of organic expansion over the preceding 12 months. Consumption volumes increased 9% YoY to 338 Mn RTh, while net debt/EBITDA improved to 4.5x as of 31 March 2026.

- **26 March 2026:** Tabreed's Annual General Assembly approved the 6.5 fils/share H2 2025 cash dividend, taking the FY2025 dividend to 13.0 fils/share, while shareholders re-elected the existing nine-member Board for a three-year term. The AGA itself was held on 25 March 2026, with the announcement issued on 26 March 2026.

- **13 February 2026:** Tabreed reported FY2025 connected capacity of 1.57 Mn RT, up 19% YoY, including 58.2k RT of organic additions and 190.8k RT from the PAL Cooling acquisition. The company also highlighted the 250k RT Palm Jebel Ali concession, where construction had commenced in 3Q25 with first cooling expected in late 2027/early 2028, alongside the integration of 4,000 solar panels generating 2.4 MW across two Abu Dhabi plants and a long-term technology framework with Johnson Controls.

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	4.05	70.0%	2.83
EV/EBITDA	2.73	30.0%	0.82
Weighted Average Valuation (AED)			**3.65**
Current market price (AED)			2.34
Upside/Downside (%)			+56%

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 6.9%. It arrived after using a cost of equity of 8.8% and after-tax cost of debt of 5.0% with a debt-to-equity ratio of 96.6%. Cost of equity is calculated by using a 10-year government bond yield of 5.6%, a beta of 0.9 and an equity risk premium of 3.8%. 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 9.3%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	3,639
Terminal value (AED, Mn)	13,106
Net Debt (AED Mn) (As of Sept 2026)	-6,379
NCI (As of Sept 2026)	-579
Investment in JV (As of Sept 2026)	1,707
FV to Common shareholders (AED, Mn)	**11,493**
No. of share (Mn)	2,838
Current Market Price (AED)	2.34
Fair Value per share (AED)	**4.05**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	720	745	777	803	830	858
D&A	368	356	356	358	360	363
Change in working capital	-4	-33	2	3	3	4
(-) Capex	-275	-287	-298	-309	-320	-331
Free Cash Flow to Firm (FCFF)	**808**	**781**	**836**	**854**	**873**	**894**
Discounting Factor	*0.99*	*0.93*	*0.87*	*0.81*	*0.76*	*0.71*
Discounted FCFF	**200[1]**	**724**	**725**	**693**	**662**	**634**

Source: FAB Securities, [1]Adjusted 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 9.9x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Essential Utilities, Inc.	12,787	15.6	14.2	19.9	19.0
SJW Group	2,944	12.1	11.0	20.6	21.5
Emirates Central Cooling Systems Corporation	4,261	10.8	9.9	14.7	13.6
Exelon Corporation	47,222	10.4	9.6	15.9	15.1
Dubai Electricity and Water Authority	37,299	9.9	9.4	16.3	15.3
Saudi Electricity Company	17,175	10.8	9.9	13.2	10.9
Average		**11.6x**	**10.7x**	**16.8x**	**15.9x**
Median		**10.8x**	**9.9x**	**16.1x**	**15.2x**
Max (Quartile 3)		**11.8x**	**10.8x**	**19.0x**	**18.1x**
Min (Quartile 1)		**10.5x**	**9.7x**	**15.0x**	**14.0x**

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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	Ahmad.Banihani@Bankfab.com
Shahrukh Nawaz	+971-2-6161629	Shahrukh.Nawaz@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk	+971-2-6161700/1	Online Trading Link
	+971-2-6161777	
Institutional Desk	+971-4-4245765	

DISCLAIMER

This report has been prepared by FAB Securities (FABS), which is authorised by the UAE Securities and Commodities Authority, licensing registration number 604002, and is a member of the Abu Dhabi Securities Exchange and Dubai Financial Market. The information, opinions and materials contained in this report are provided for information purposes only and are not to be used, construed, or considered as an offer or the solicitation of an offer or recommendation to sell or to buy or to subscribe for any investment security or other financial instrument. The information, opinions and material in this report have been obtained and derived from publicly available information and other sources considered reliable without being independently verified for their accuracy or completeness. FABS gives no representation or warranty, express or implied, as to the accuracy and completeness of information and opinions expressed in this report. Opinions expressed are current as of the original publication date appearing on the report only and the information, including the opinions contained herein, are subject to change without notice. FABS is under no obligation to update this report. The investments referred to in this report might not be suitable for all recipients. Recipients should not base their investment decisions on this report and should make their own investigations, and obtain independent advice, as appropriate. Any loss or other consequences arising from the uses of material contained in this report shall be the sole and exclusive responsibility of the recipient and FABS accepts no liability for any such loss or consequence. The value of any investment could fall as well as rise and the investor may receive less than the original amount invested. Some investments mentioned in this report might not be liquid investments, which could be difficult to realise in cash. Some investments discussed in this report could be characterised by high level of volatility, which might result in loss. FABS owns the intellectual property rights and any other material contained in this report. No part of this report may be reproduced, utilised or modified in any form either in whole or in part or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or stored in any retrieval system without the prior consent of FABS in writing. While utmost care has been taken to ensure that the information provided is accurate and correct, neither FABS, nor its employees shall, in any way, be responsible for the contents. By accepting this document, the recipient agrees he/she has read the above disclaimer and to be bound by the foregoing limitations/restrictions.