First Look Note | 3Q25

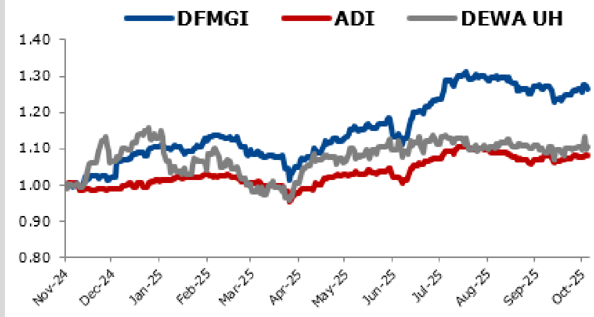
UAE Equity Research | Sector: Utility | Market: DFM

Dubai Electricity and Water Authority (DEWA)

Liquidated Damages as other income surged profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.74	AED 3.10	+13%	ACCUMULATE

- As of 3Q25, DEWA served 1,309,206 customer accounts, reflecting a 4.7% increase compared to 3Q24.
- In 3Q25, DEWA commissioned two 132 kV substations and five hundred and twenty 11 kV substations, bringing its total installed power generation capacity to 17,979 MW in 9M25.
- The clean energy capacity stood at 3,860 MW, representing 21.5% of the total energy mix during 9M25.
- Invested AED 7.8 Bn in 9M25 to expand renewables, electricity and water networks, desalination, and district cooling infrastructure.
- Expects to distribute its 2H25 dividend in April 2026, with a minimum payout of AED 3.1 Bn.



Stock Information	
Market Cap (AED, Mn)	137,000.00
Paid Up Capital (Mn)	500.00
52 Week High	2.89
52 Week Low	2.20
3M Avg. daily value(AED)	21,291,980

3Q25 Result Review (AED, Mn)	
Total Assets	193,802
Total Liabilities	97,243
Total Equity	96,032
EBITDA	6,198
Net Profit	3,611

Financial Ratios	
Dividend Yield (12m)	4.53
Dividend Pay-out (%)	88.41
Price-Earnings Ratio(x)	17.11
Price-to-Book Ratio (x)	1.54
Book Value (AED)	1.78
Return-on Equity (%)	9.03

Stock Performance	
5 Days	0.00%
1 Months	-0.36%
3 Months	0.00%
6 Months	0.00%
1 Year	10.48%
Month to Date (MTD%)	-1.44%
Quarter to Date (QTD%)	1.11%
Year to Date (YTD%)	-3.52%

3Q25 Net Profit higher than our estimate

Dubai Electricity and Water Authority PJSC (DEWA/the Company) net profit grew 26.3% YOY to AED 3,611 Mn in 3Q25, higher than our estimate of AED 3,221 Mn. The increase was primarily driven by higher revenue and other income, along with lower direct and finance costs and administrative exp, coupled with reversal of credit impairment losses, partially offset by lower finance income, higher net movement in regulatory deferral, taxes and share in NCI.

P&L Highlights

DEWA recorded a 4.5% YOY increase in revenue to AED 10,316 Mn in 3Q25. This increase was mainly attributable to continued demand for electricity and water, and expansion in the district cooling services and others segment. Revenue from the sale of electricity rose 3.9% YOY to AED 6,907 Mn in 3Q25. The Company's electricity generation increased 4.46% YOY to 20.5 TWh, with clean power generation of 2.77 TWh, contributing 13.5% to overall power generation during 3Q25. Revenue from the sale of water increased 5.0% YOY to AED 1,603 Mn, supported by 6.7% YOY growth in desalinated water demand to 43.50 Bn imperial gallons during 3Q25. The District Cooling segment also grew 3.4% YOY to AED 1,128 Mn in 3Q25. Revenue from other services also increased 12.1% YOY to AED 678 Mn in 3Q25. On the other hand, the Company's direct cost declined marginally 0.9% YOY to AED 5,473 Mn in 3Q25, driven by a marginal decline in generation and desalination expenses, partially offset by higher transmission and distribution expenses and purchase of power. As a result, DEWA's gross profit grew 11.4% YOY to AED 4,843 Mn in 3Q25. Gross profit margin also rose from 44.1% in 3Q24 to 46.9% in 3Q25. Administrative expenses declined from AED 953 Mn in 3Q24 to AED 906 Mn in 3Q25, primarily due to lower repairs and maintenance and other expenses, partially offset by higher depreciation, amortisation and insurance expenses. The Company reported a higher reversal of credit impairment loss of AED 45 Mn in 3Q25, compared AED 18 Mn in 3Q24. Other income surged from AED 132 Mn in 3Q24 to AED 618 Mn in 3Q25, primarily driven by liquidated damages recognized by three IWPP subsidiaries from their EPC contractors due to project delays. Thus, operating profit grew 29.8% YOY to AED 4,600 Mn in 3Q25, with an operating profit margin of 44.6% in 3Q25, compared to 35.9% in 3Q24. DEWA's EBITDA grew 20.4% YOY to AED 6,198 Mn in 3Q25, driven by effective cost control measures and operational efficiency. EBITDA margin also grew substantially from 52.2% in 3Q24 to 60.1% in 3Q25. Finance costs declined 21.3% YOY to AED 383 Mn, and finance income also declined 14.1% YOY to AED 227 Mn in 3Q25. Additionally, the utilization of deferral account credit balance increased substantially from AED 86 Mn in 3Q24 to AED 127 Mn in 3Q25. DEWA tax expense increased 18.5% YOY to AED 378 Mn in 3Q25. The share to NCI also grew substantially from AED 58 Mn in 3Q24 to AED 327 Mn in 3Q25.

Balance Sheet Highlights

The Company's cash and cash equivalents, including short-term deposits, stood at AED 13.5 Bn in 3Q25, compared to AED 10.3 Bn in 2Q25. Net debt grew from AED 26.0 Bn in 2Q25 to AED 23.2 Bn in 3Q25. Net cash inflow from operations stood at AED 6.1 Bn in 3Q25, compared to AED 5.6 Bn in 3Q24, owing to an increase in profitability.

Target Price and Rating

We maintain our ACCUMULATE rating on DEWA with an unchanged target price of AED 3.10. DEWA recorded strong profitability growth driven by increased demand for electricity and water, coupled with expansion in the district cooling business. As of 3Q25, DEWA served 1,309,206 customer accounts, reflecting a 4.7% increase compared to 3Q24, reflecting Dubai's ongoing economic and population growth. In 3Q25, DEWA commissioned two 132 kV substations and five hundered and twenty 11 kV substations, bringing its total installed power generation capacity to 17,979 MW in 9M25. The clean energy capacity stood at 3,860 MW, representing 21.5% of the total energy mix during the same period. By 2030, DEWA aims to achieve over 23 GW of total power generation capacity and 735 MIGD of desalinated water production. Of this, 8.3 GW will come from renewable energy sources, accounting for 36.1% of the total capacity. Additionally, 308 MIGD of water production will utilize reverse osmosis technology powered by renewable energy. DEWA allocated over AED 7.8 Bn in capital expenditure in 9M25 to enhance renewable energy capacity, expand electricity and water networks, boost desalination capabilities, and develop district cooling infrastructure. These long-term investments are strategically aimed at supporting the energy transition, focusing on renewables, energy storage, smart grid systems, water security, and AI-driven digital transformation initiatives. Moreover, DEWA is also expected to benefit from Dubai's population and real estate expansion, driving long-term electricity, water, and cooling demand. In October 2025, DEWA paid AED 3.1 Bn dividend for 1H25 and plans to distribute another dividend for 2H25 around April 2026, with a minimum expected payout of AED 3.1 Bn, consistent with its dividend policy. Thus, based on the abovementioned factors, we maintain our ACCUMULATE rating for the stock.

DEWA - Relative valuation[1]

(at CMP)	2022	2023	2024	2025F
PE	17.87	17.92	19.68	17.79
PB	1.54	1.55	1.55	1.51
EV/EBITDA	12.63	11.85	11.22	10.07
BVPS	1.789	1.784	1.777	1.813
EPS	0.154	0.154	0.140	0.154
DPS	0.229	0.124	0.124	0.132
Dividend yield	8.3%	4.5%	4.5%	4.8%

FABS Estimates & Co Data

[1]Note – DEWA listed on DFM in 2022. Thus, the financial multiple for the prior period is unavailable

DEWA – P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch.	QOQ Ch.	2024	2025F	Change
Revenues	9,870	8,638	10,316	10,591	-2.6%	4.5%	19.4%	30,977	33,277	7.4%
Direct Cost	-5,522	-5,124	-5,473	-5,925	-7.6%	-0.9%	6.8%	-19,170	-20,502	6.9%
Gross Profit	**4,348**	**3,514**	**4,843**	**4,666**	**3.8%**	**11.4%**	**37.8%**	**11,807**	**12,775**	**8.2%**
Administrative exp	-953	-682	-906	-764	18.5%	-4.9%	32.9%	-3,169	-3,103	-2.1%
Credit impairment reversal/ (losses)	18	-29	45	-21	-311.5%	153.2%	-253.6%	93	-49	NM
Other income	132	89	618	183	237.7%	369.4%	597.9%	594	538	-9.3%
EBITDA	**5,148**	**4,519**	**6,198**	**5,878**	**5.4%**	**20.4%**	**37.1%**	**15,725**	**17,011**	**8.2%**
EBIT	**3,545**	**2,892**	**4,600**	**4,063**	**13.2%**	**29.8%**	**59.1%**	**9,325**	**10,161**	**9.0%**
Finance costs	-487	-428	-383	-488	-21.4%	-21.3%	-10.5%	-2,134	-1,831	-14.2%
Finance income	264	194	227	226	0.3%	-14.1%	16.7%	960	840	-12.5%
P/L before net movement in regulatory deferral	**3,322**	**2,658**	**4,443**	**3,802**	**16.9%**	**33.8%**	**67.2%**	**8,151**	**9,169**	**12.5%**
Net movement in regulatory deferral account credit balance	-86	-20	-127	-50	155.0%	48.9%	550.5%	-167	-132	-21.3%
Tax	-319	-240	-378	-343	10.2%	18.5%	57.6%	-749	-825	10.2%
Profit before NCI	**2,917**	**2,398**	**3,938**	**3,409**	**15.5%**	**35.0%**	**64.2%**	**7,234**	**8,212**	**13.5%**
Non-controlling interest	-58	-141	-327	-187	74.2%	460.9%	132.4%	-222	-513	131.7%
Profit attributable	**2,859**	**2,258**	**3,611**	**3,221**	**12.1%**	**26.3%**	**60.0%**	**7,013**	**7,699**	**9.8%**

FABS estimate & Co Data

DEWA - Margins

	3Q24	2Q25	3Q25	YOY Ch.	QOQ Ch.	2024	2025	Change
Gross Profit	44.1%	40.7%	46.9%	289	627	38.1%	38.4%	27
EBITDA	52.2%	52.3%	60.1%	792	775	50.8%	51.1%	36
Operating Profit	35.9%	33.5%	44.6%	867	1,111	30.1%	30.5%	43
Net Profit	29.0%	26.1%	35.0%	604	887	22.6%	23.1%	50

FABS estimate & Co Data

Valuation:

We use the Sum of the Parts (SOTP) and Discount Dividend Method (DDM) to value DEWA. We have assigned 85% weight to SOTP and 15% to DDM.

Valuation Method	Target	Weight	Weighted Value
SOTP Method	3.25	85.0%	2.77
DDM Method	2.22	15.0%	0.33
Weighted Average Valuation (AED)			**3.10**
Current market price (AED)			2.74
Upside/Downside (%)			+13%

1) SOTP Method:

Name of Entity	Type of Valuation	Total Value (AED Mn)
DEWA	DCF	140,889
IPP/IWP	DCF	22,041
Others	PE	8,497
Total Enterprise Value		**171,428**
Empower	DCF	15,874
Net Debt (as of Sept 2025)		-17,693
Minority Interest (as of Sept 2025)		-6,914
Total Valuation (AED)		**162,695**
Valuation per share (AED)		**3.25**

DEWA is valued using SOTP valuation as it operates in multiple business segments and we have assigned higher weight to SOTP since in this valuation methodology each segment is valued separately and all segment KPIs are captured for valuation. We have discounted the cash flow using the weighted average cost of capital of 8.0%. It is arrived after using cost of equity of 8.5% and an after-tax cost of debt of 6.1% with an equity weight of 79.1% and debt of 20.9%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.75 and equity risk premium of 4.6%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Cost of debt of 6.7% is adjusted for a tax rate of 9.2% to arrive at after tax cost of debt of 6.1%. Also, assumed a terminal growth rate of 2.0%.

1) DEWA

Sum of PV (AED, Mn)	37,418
Terminal value (AED, Mn)	103,471
FV to Common shareholders (AED, Mn)	**140,889**
No. of share (Mn)	50,000
Current Market Price (AED)	2.74
Fair Value per share (AED)	**2.82**

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	8,272	8,345	8,486	8,723	9,337	9,221
(+/-) Depreciation & amortization	5,516	5,767	6,002	6,233	6,459	6,543
(+/-) Capex	-4,500	-5,000	-5,500	-5,750	-5,900	-6,100
(+/-) Working capital	-301	-362	-388	-432	-454	-490
Free Cash Flow to Firm (FCFF)	**8,986**	**8,750**	**8,596**	**8,756**	**9,409**	**9,124**
Discounting Factor	*0.99*	*0.92*	*0.85*	*0.79*	*0.73*	*0.67*
Discounted FCFF	**2,225**[1]	**8,022**	**7,296**	**6,882**	**6,847**	**6,147**

Source: FAB Securities, [1]Adjusted for partial year

2) IPP/WPP

Sum of PV (AED, Mn)	3,863
Terminal value (AED, Mn)	18,178
FV to Common shareholders (AED, Mn)	**22,041**
No. of share (Mn)	50,000
Current Market Price (AED)	2.74
Fair Value per share (AED)	**0.44**

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	976	1,049	1,148	1,236	1,354	1,502
(+/-) Depreciation & amortization	510	534	555	577	598	605
(+/-) Capex	-1,800	-1,400	-850	-600	-550	-500
Free Cash Flow to Firm (FCFF)	**-314**	**183**	**853**	**1,211**	**1,399**	**1,603**
Discounting Factor	*0.99*	*0.92*	*0.85*	*0.79*	*0.73*	*0.67*
Discounted FCFF	**-78**[1]	**168**	**724**	**952**	**1,018**	**1,080**

Source: FAB Securities, [1]Adjusted for partial year

3) Others

We have used international peers to value DEWA and it is valued using the PE multiple. It is valued at PE multiple of 15.8x in line with peers.

Company	Market Cap. (USD Mn)	EV/EBITDA (x) 2025F	EV/EBITDA (x) 2026F	P/E (x) 2025F	P/E (x) 2026F	P/B (x) 2025F	P/B (x) 2026F
Britvic PLC	1,034	9.4	9.1	16.0	15.8	2.2	2.2
Nongfu Spring Co Ltd	66,620	22.4	19.9	33.7	29.8	12.7	10.8
Danone	53,988	11.6	11.1	19.1	17.9	2.5	2.4
Lotte Chilsung Beverage	882	6.5	6.0	11.6	9.4	0.8	0.8
Suntory	9,981	6.0	5.5	16.0	14.3	1.2	1.1
Average		**11.2x**	**10.3x**	**19.3x**	**17.4x**	**3.9x**	**3.5x**
Median		**9.4x**	**9.1x**	**16.0x**	**15.8x**	**2.2x**	**2.2x**
Max		**11.6x**	**11.1x**	**19.1x**	**17.9x**	**2.5x**	**2.4x**
Min		**6.5x**	**6.0x**	**16.0x**	**14.3x**	**1.2x**	**1.1x**

Source: FAB Securities

Empower

Sum of PV (AED, Mn)	6,447
Terminal value (AED, Mn)	19,584
FV to Common shareholders (AED, Mn)	**22,677**
No. of share (Mn)	50,000
Current Market Price (AED)	2.74
Fair Value per share (AED)	**0.45**

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,281	1,344	1,417	1,490	1,561	1,632
(+/-) Depreciation & amortization	414	433	450	466	482	487
(+/-) Capex	-500	-400	-450	-450	-450	-450
(+/-) Working capital	45	48	50	53	55	58
Free Cash Flow to Firm (FCFF)	**1,240**	**1,425**	**1,467**	**1,559**	**1,648**	**1,727**
Discounting Factor	*0.99*	*0.92*	*0.85*	*0.79*	*0.73*	*0.67*
Discounted FCFF	**307**[1]	**1,306**	**1,245**	**1,225**	**1,199**	**1,163**

Source: FAB Securities, [1]Adjusted for partial year

2) DDM Method:

DEWA distributed a healthy dividend in 2024 and plans to pay an annual dividend of USD 6.2 Bn for the first five years, starting in October 2024. It further expects this dividend payment will be sustained even in the forecasted period due to strong cash flow generation. The dividend is discounted at the cost of equity of 8.5%.

Sum of PV (AED, Mn)	30,561
Terminal value (AED, Mn)	80,565
FV to Common shareholders (AED, Mn)	**111,126**
No. of share (Mn)	50,000
Current Market Price (AED)	2.74
Fair Value per share (AED)	**2.22**

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid						
1H	0	3,300	3,300	3,500	3,750	4,000
2H	3,100	3,300	3,300	3,500	3,700	3,900
Total Dividend	3,100	6,600	6,600	7,000	7,450	7,900
Discounting Factor	*0.99*	*0.91*	*0.84*	*0.77*	*0.71*	*0.66*
Present Value of Dividend	**3,068**	**6,018**	**5,546**	**5,420**	**5,315**	**5,194**

Source: FAB Securities

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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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