First Look Note | 2Q26

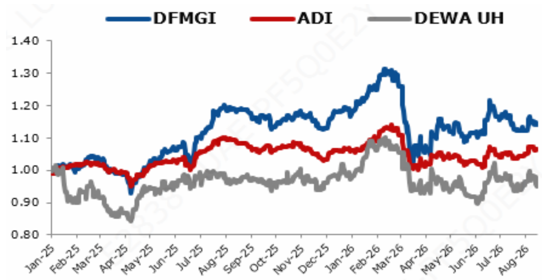
UAE Equity Research   Sector: Utility   Market: DFM

Dubai Electricity and Water Authority (DEWA)

Higher income and lower costs partially offset revenue decline

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.71	AED 3.30	+22%	BUY

- DEWA expanded its customer base by 18,220 accounts during the 2Q26, taking its total customer base to a record 1.36 Mn accounts.
- Installed generation capacity stood at 17,979 MW as of June 2026, of which 3,860 MW was sourced from clean energy, representing 21.5% of the energy mix.
- During 1Q26, the Company increased its stake in Empower from 56% to 80% for AED 5.184 Bn.
- Distributed AED 3.1 Bn as cash dividend for 2H25 in April 2026 and expects to distribute a further AED 3.1 Bn (6.2 fils per share) for 1H26 in late October 2026.



Stock Information	
Market Cap (AED, Mn)	136,500.00
Paid Up Capital (Mn)	500.00
52 Week High	3.15
52 Week Low	2.47
3M Avg. daily value(AED)	27,217,650

2Q26 Result Review (AED, Mn)	
Total Assets	198,437
Total Liabilities	104,942
Total Equity	92,681
EBITDA	4,437
Net Profit	2,289

Financial Ratios	
Dividend Yield (12m)	4.54
Dividend Pay-out (%)	74.28
Price-Earnings Ratio(x)	15.53
Price-to-Book Ratio (x)	1.58
Book Value (AED)	1.73
Return-on Equity (%)	9.90

Stock Performance	
5 Days	0.37%
1 Months	1.49%
3 Months	4.20%
6 Months	-9.90%
1 Year	-0.73%
Month to Date (MTD%)	-0.36%
Quarter to Date (QTD%)	-1.80%
Year to Date (YTD%)	-1.44%

2Q26 Net Profit in line with our estimate

Dubai Electricity and Water Authority PJSC (DEWA/the Company) net profit grew 1.4% YOY to AED 2,289 Mn in 2Q26, in line with our estimate of AED 2,302 Mn. The increase was primarily driven by higher other income and finance income, lower direct costs, tax expenses and lower profit attributable to non-controlling interests, as well as the reversal of credit impairment losses. This was partially offset by lower revenue, higher administrative expenses and finance costs, and an adverse net movement in regulatory deferrals.

P&L Highlights

DEWA recorded a 2.6% YOY decrease in revenue to AED 8,413 Mn in 2Q26. The decrease was mainly driven by lower demand for the electricity, water and district cooling segments, partially offset by growth in other service segments. Revenue from the sale of electricity declined 5.5% YOY to AED 5,233 Mn in 2Q26. The Company generated 15.78 TWh of electricity, with clean power output reaching 3.14 TWh, contributing 19.9% to total power generation in 2Q26. Revenue from the sale of water decreased 0.7% YOY to AED 1,558 Mn in 2Q26. Desalinated water production reached 40.25 Bn Imperial Gallons (BIG) during 2Q26. The District Cooling segment also declined 3.8% YOY to AED 873 Mn in 2Q26. However, revenue from other services increased 20.1% YOY to AED 748 Mn in 2Q26. The Company's direct costs decreased 2.7% YOY to AED 4,984 Mn in 2Q26, driven by decreases in generation and desalination expenses and purchase of gas, power & water expenses, partially offset by higher transmission and distribution expenses. DEWA's gross profit declined 2.4% YOY to AED 3,429 Mn in 2Q26. Despite the decline, gross profit margin increased marginally by 7 bps YOY to 40.8% in 2Q26. Administrative expenses increased 33.0% YOY to AED 907 Mn in 2Q26, primarily due to increases in employee benefit expenses, provision for asset replacement, repairs and maintenance, depreciation and other expenses, partially offset by lower depreciation on investment properties, amortization, and insurance expenses. The Company reported a reversal of credit impairment losses of AED 36 Mn in 2Q26, compared to a credit impairment charge of AED 29 Mn in 2Q25. Other income surged from AED 89 Mn in 2Q25 to AED 224 Mn in 2Q26. Thus, operating profit declined 3.8% YOY to AED 2,781 Mn in 2Q26, with operating profit margin declining 42 bps YOY to 33.1% in 2Q26. DEWA's EBITDA declined 1.8% YOY to AED 4,437 Mn in 2Q26. However, EBITDA margin increased 42 bps YOY to 52.7% in 2Q26. Finance costs increased 18.8% YOY to AED 509 Mn in 2Q26, while finance income increased significantly from AED 194 Mn in 2Q25 to AED 392 Mn in 2Q26. Additionally, the net movement in regulatory deferral account increased from AED 20 Mn in 2Q25 to AED 55 Mn in 2Q26. DEWA's tax expense decreased 7.5% YOY to AED 222 Mn in 2Q26. The share of profit attributable to NCI holders declined 30.1% YOY to AED 98 Mn in 2Q26.

Balance Sheet Highlights

The Company's cash and cash equivalents, including short-term deposits, decreased to AED 14.0 Bn in 2Q26, compared to AED 16.0 Bn in 1Q26. Net debt increased from AED 27.7 Bn in 1Q26 to AED 30.2 Bn in 2Q26. Net cash inflow from operations decreased to AED 3.9 Bn in 2Q26, compared to AED 5.3 Bn in 2Q25 owing to higher working capital activities.

Target Price and Rating

We revise our rating from ACCUMULATE to BUY on DEWA with an unchanged target price of AED 3.30. The Company's stock price declined 9.7% from our previous rating (March 2026). DEWA delivered a stable operational performance in 2Q26, with net profit increasing 1.4% YOY to AED 2,289 Mn in 2Q26. However, on a 1H26 basis, DEWA reported recorded revenue of AED 14.86 Bn and EBITDA of AED 7.32 Bn, representing YOY growth of 1.8% and 5.3%, respectively, supported by sustained demand for electricity, water and cooling services, continued customer growth and disciplined operational performance. During the quarter, the Company added 18,220 customer accounts, taking its total customer accounts to a record 1.36 Mn, while customer accounts increased by 72,718 over the last twelve months, representing 5.63% YOY growth as of June 2026. DEWA generated 15.78 TWh of electricity during 2Q26, with clean power generation reaching 3.14 TWh and accounting for 19.9% of total generation in 2Q26. Desalinated water production reached 40.25 Bn Imperial Gallons (BIG) during the quarter. As of 1H26, DEWA's installed generation capacity stood at 17,979 MW, including 3,860 MW from clean energy sources, representing 21.5% of the energy mix. The Company also commissioned Block A of the Hassyan Sea Water Reverse Osmosis (SWRO) plant, adding 60 MIGD to its water production capacity and taking SWRO capacity to 23% of total desalination capacity. DEWA expects to add an additional 120 MIGD of SWRO capacity during 2026. Addiitionally, DEWA plans to achieve total installed power generation capacity exceeding 23 GW and desalinated water production capacity of 735 MIGD by 2030, including c. 8.3 GW of renewable energy capacity, and 308 MIGD of desalinated water production capacity using renewable energy-powered SWRO technology. During 1Q26, the Company increased its stake in Empower from 56% to 80% for AED 5.184 Bn, which is expected to benefit the Company through a higher share of Empower's earnings and cash flows, while further strengthening its exposure to the district cooling business. DEWA also established DEWA International, a wholly owned subsidiary focused on developing conventional and clean energy projects globally and exporting its energy and water infrastructure expertise. The subsidiary has started identifying projects, building its pipeline and establishing partnerships across international markets. Moreover, in line with its dividend policy, DEWA distributed AED 3.1 Bn as cash dividend for 2H25 in April 2026 and expects to distribute a further AED 3.1 Bn for 1H26 in late October 2026, subject to necessary approvals. Thus, based on the abovementioned factors, we assign our BUY rating on the stock.

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DEWA - Relative valuation[1]

(at CMP)	2022	2023	2024	2025	2026F
PE	17.55	17.60	19.32	16.23	15.92
PB	1.52	1.52	1.53	1.49	1.45
EV/EBITDA	12.45	11.68	10.80	9.95	10.23
BVPS	1.789	1.784	1.777	1.820	1.867
EPS	0.154	0.154	0.140	0.167	0.170
DPS	0.229	0.124	0.124	0.124	0.124
Dividend yield	8.5%	4.6%	4.6%	4.6%	4.6%

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	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch.	QOQ Ch.	2025	2026F	Change
Revenues	8,638	6,452	8,413	8,947	-6.0%	-2.6%	30.4%	32,842	33,979	3.5%
Direct Cost	-5,124	-4,467	-4,984	-5,411	-7.9%	-2.7%	11.6%	-19,777	-20,699	4.7%
Gross Profit	**3,514**	**1,985**	**3,429**	**3,536**	**-3.0%**	**-2.4%**	**NM**	**13,065**	**13,280**	**1.6%**
Administrative exp	-682	-804	-907	-727	24.7%	33.0%	12.7%	-3,321	-3,477	4.7%
Credit impairment reversal/ (losses)	-29	1	36	29	23.6%	NM	NM	106	109	3.3%
Other income	89	106	224	122	NM	NM	NM	1,102	650	-41.0%
EBITDA	**4,519**	**2,880**	**4,437**	**4,628**	**-4.1%**	**-1.8%**	**54.1%**	**17,329**	**17,274**	**-0.3%**
EBIT	**2,892**	**1,287**	**2,781**	**2,959**	**-6.0%**	**-3.8%**	**NM**	**10,952**	**10,562**	**-3.6%**
Finance costs	-428	-322	-509	-479	6.2%	18.8%	NM	-1,839	-1,687	-8.3%
Finance income	194	140	392	386	1.4%	NM	NM	1,222	1,546	26.5%
P/L before net movement in regulatory deferral	**2,658**	**1,105**	**2,664**	**2,866**	**-7.1%**	**0.3%**	**NM**	**10,334**	**10,420**	**0.8%**
Net movement in regulatory deferral account credit balance	-20	-59	-55	-89	-38.2%	NM	-6.5%	-331	-321	-3.2%
Tax	-240	-105	-222	-258	-14.0%	-7.5%	NM	-948	-938	-1.0%
Profit before NCI	**2,398**	**941**	**2,387**	**2,519**	**-5.2%**	**-0.5%**	**NM**	**9,055**	**9,162**	**1.2%**
Non-controlling interest	-141	-36	-98	-218	NM	-30.1%	NM	-708	-651	-8.1%
Profit attributable	**2,258**	**905**	**2,289**	**2,302**	**-0.5%**	**1.4%**	**NM**	**8,347**	**8,511**	**2.0%**

FABS estimate & Co Data

DEWA - Margins

	2Q25	1Q26	2Q26	YOY Ch.	QOQ Ch.	2025	2026F	Change
Gross Profit	40.7%	30.8%	40.8%	7	999	39.8%	39.1%	-70
EBITDA	52.3%	44.6%	52.7%	42	810	52.8%	50.8%	-193
Operating Profit	33.5%	20.0%	33.1%	-42	NM	33.3%	31.1%	-226
Net Profit	26.1%	14.0%	27.2%	107	NM	25.4%	25.0%	-37

FABS estimate & Co Data

Key Developments:

- **19 June 2026:** DEWA established DEWA International, a wholly owned subsidiary to develop conventional and clean energy projects globally and export its energy and water infrastructure expertise. The company has already started identifying projects, building its pipeline, and establishing partnerships across international markets.

- **10 February 2026:** DEWA increased its ownership in Empower from 56% to 80% by acquiring Dubai Holding's 24% stake for AED 5.184 Bn, at AED 2.16 per share, further strengthening its strategic position in Dubai's district cooling sector.

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	3.47	85.0%	2.95
DDM Method	2.37	15.0%	0.36
Weighted Average Valuation (AED)			**3.30**
Current market price (AED)			2.71
Upside/Downside (%)			+22%

1) SOTP Method:

Name of Entity	Type of Valuation	Total Value (AED Mn)
DEWA	DCF	143,981
IPP/IWP	DCF	30,365
Others	PE	9,394
Total Enterprise Value		**183,739**
Empower	DCF	20,477
Net Debt (as of Jun 2026)		-24,738
Minority Interest (as of Jun 2026)		-6,154
Total Valuation (AED, Mn)		**173,325**
Valuation per share (AED)		**3.47**

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 7.6%. It arrived after using cost of equity of 8.3% and an after-tax cost of debt of 5.5% with an equity weight of 75.4% and debt of 24.6%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.75 and equity risk premium of 4.3%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Cost of debt of 6.0% is adjusted for a tax rate of 9.2% to arrive at after tax cost of debt of 5.5%. Also, assumed a terminal growth rate of 2.0%.

1) DEWA

Sum of PV (AED, Mn)	32,312
Terminal value (AED, Mn)	111,669
FV to Common shareholders (AED, Mn)	**143,981**
No. of share (Mn)	50,000
Current Market Price (AED)	2.71
Fair Value per share (AED)	**2.88**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	8,384	8,584	8,581	8,647	8,473
(+/-) Depreciation & amortization	5,719	5,961	6,182	6,392	6,709
(+/-) Capex	-5,000	-5,500	-5,750	-5,900	-6,100
(+/-) Working capital	-355	-382	-425	-447	-482
Free Cash Flow to Firm (FCFF)	**8,748**	**8,663**	**8,587**	**8,692**	**8,601**
Discounting Factor	0.97	0.90	0.84	0.78	0.72
Discounted FCFF	**4,256**[1]	**7,830**	**7,211**	**6,781**	**6,233**

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

2) IPP/WPP

Sum of PV (AED, Mn)	5,726
Terminal value (AED, Mn)	24,639
FV to Common shareholders (AED, Mn)	**30,365**
No. of share (Mn)	50,000
Current Market Price (AED)	2.71
Fair Value per share (AED)	**0.61**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,434	1,565	1,656	1,777	1,928
(+/-) Depreciation & amortization	511	533	552	571	599
(+/-) Capex	-1,287	-728	-657	-439	-630
Free Cash Flow to Firm (FCFF)	**658**	**1,369**	**1,552**	**1,910**	**1,898**
Discounting Factor	0.97	0.90	0.84	0.78	0.72
Discounted FCFF	**320**[1]	**1,237**	**1,303**	**1,490**	**1,375**

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 2026 PE multiple of 16.4x in line with peers.

Company	Market Cap. (USD Mn)	EV/EBITDA (x) 2026F	EV/EBITDA (x) 2027F	P/E (x) 2026F	P/E (x) 2027F	P/B (x) 2026F	P/B (x) 2027F
Nongfu Spring Co Ltd	27,383	14.9	13.2	23.1	20.4	8.7	7.4
Danone	52,859	10.5	9.9	16.9	15.7	2.4	2.3
Lotte Chilsung Beverage	692	5.7	5.4	9.5	7.9	0.6	0.6
Suntory	9,003	5.7	5.5	15.9	15.1	1.0	1.0
Average		**9.2x**	**8.5x**	**16.4x**	**14.8x**	**3.2x**	**2.8x**
Median		**8.1x**	**7.7x**	**16.4x**	**15.4x**	**1.7x**	**1.6x**
Max		**11.6x**	**10.7x**	**18.5x**	**16.9x**	**4.0x**	**3.6x**
Min		**5.7x**	**5.5x**	**14.3x**	**13.3x**	**0.9x**	**0.9x**

Source: FAB Securities

Empower

Sum of PV (AED, Mn)	5,194
Terminal value (AED, Mn)	23,203
FV to Common shareholders (AED, Mn)	**25,597**
No. of share (Mn)	50,000
Current Market Price (AED)	2.71
Fair Value per share (AED)	**0.51**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,180	1,252	1,340	1,442	1,563
(+/-) Depreciation & amortization	414	432	448	463	486
(+/-) Capex	-513	-572	-393	-561	-320
(+/-) Working capital	43	47	50	54	58
Free Cash Flow to Firm (FCFF)	**1,125**	**1,159**	**1,444**	**1,398**	**1,787**
Discounting Factor	0.97	0.90	0.84	0.78	0.72
Discounted FCFF	**547**[1]	**1,048**	**1,213**	**1,091**	**1,295**

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

2) DDM Method:

DEWA plans to pay an annual cash dividend of AED 6.2 Bn for the first five years, starting in October 2024. In line with the above policy the company paid cash dividend of AED 6.2 Bn in 2025. 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 8.3%.

Sum of PV (AED, Mn)	29,084
Terminal value (AED, Mn)	89,295
FV to Common shareholders (AED, Mn)	**118,379**
No. of share (Mn)	50,000
Current Market Price (AED)	2.71
Fair Value per share (AED)	**2.37**

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid					
1H	3,100	3,300	3,550	3,800	4,050
2H	3,100	3,300	3,500	3,700	3,900
Total Dividend	**6,200**	**6,600**	**7,050**	**7,500**	**7,950**
Discounting Factor	0.97	0.90	0.83	0.77	0.71
Present Value of Dividend	**6,018**	**5,913**	**5,829**	**5,724**	**5,600**

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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