First Look Note | 3Q26

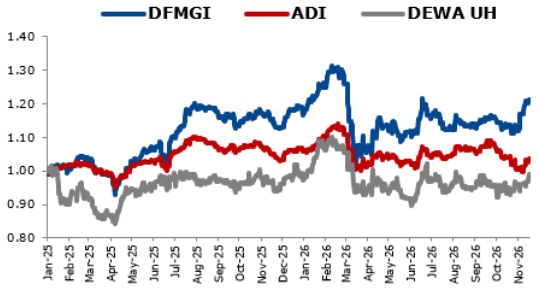
UAE Equity Research | Sector: Utility | Market: DFM

Dubai Electricity and Water Authority (DEWA)

Higher revenue and finance income supported growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.82	AED 3.30	+17%	BUY

- DEWA served a record 1.38 Mn customer accounts as of September 2026, an increase of nearly 72,000 YOY in 9M26.
- Installed generation capacity stood at 19,029 MW as of September 2026, of which 4,910 MW was sourced from clean energy.
- Plans to achieve total installed power generation capacity exceeding 23 GW and desalinated water production capacity of 735 MIGD by 2030.
- Paid AED 3.1 Bn (6.2 fils per share) as cash dividend for 1H26 on 28 October 2026 and the next dividend, for 2H26, is scheduled to be paid in April 2027, subject to necessary approvals.



Stock Information	
Market Cap (AED, Mn)	141,000.00
Paid Up Capital (Mn)	500.00
52 Week High	3.15
52 Week Low	2.47
3M Avg. daily value(AED)	21,686,900

3Q26 Result Review (AED, Mn)	
Total Assets	204,521
Total Liabilities	109,441
Total Equity	94,095
EBITDA	6,109
Net Profit	3,913

Financial Ratios	
Dividend Yield (12m)	4.40
Dividend Pay-out (%)	74.28
Price-Earnings Ratio(x)	15.53
Price-to-Book Ratio (x)	1.61
Book Value (AED)	1.75
Return-on Equity (%)	10.15

Stock Performance	
5 Days	2.55%
1 Months	6.82%
3 Months	4.44%
6 Months	7.63%
1 Year	5.62%
Month to Date (MTD%)	4.44%
Quarter to Date (QTD%)	3.68%
Year to Date (YTD%)	1.81%

3Q26 Net Profit slightly higher than our estimate

Dubai Electricity and Water Authority PJSC (DEWA/the Company) net profit attributable to equity shareholders grew 8.4% YOY to AED 3,913 Mn in 3Q26, slightly higher than our estimate of AED 3,770 Mn. The increase was mainly supported by higher revenue and finance income. This was partially offset by higher direct cost, administrative expenses, finance costs, net movement in regulatory deferrals, higher tax expenses, profit attributable to non-controlling interests and credit impairment losses, coupled with lower other income.

P&L Highlights

DEWA recorded a 5.4% YOY increase in revenue to AED 10,874 Mn in 3Q26. The increase was driven by growth across all segments except Others. Revenue from the sale of electricity rose 5.4% YOY to AED 7,276 Mn in 3Q26. The Company gross electricity generation increased 4.1% YOY to 21.37 TWh, with clean power output rising 16.3% YOY to 3.22 TWh, contributing 15.1% to total power generation in 3Q26. Revenue from the sale of water increased 5.1% YOY to AED 1,685 Mn in 3Q26. Desalinated water production reached 43.99 Bn Imperial Gallons (BIG) during 3Q26. The District Cooling segment also grew 4.1% YOY to AED 1,175 Mn in 3Q26, while revenue from Other services increased 8.9% YOY to AED 739 Mn in 3Q26. The Company's direct costs increased 2.3% YOY to AED 5,597 Mn in 3Q26, driven by higher transmission and distribution expenses and other direct expenses, partially offset by lower fuel costs and purchase of gas, power & water expenses. DEWA's gross profit increased 9.0% YOY to AED 5,277 Mn in 3Q26, with gross profit margin expanding 158 bps YOY to 48.5% in 3Q26. Administrative expenses increased 36.0% YOY to AED 1,232 Mn in 3Q26, primarily due to AED 345 Mn of assets written off and

increases in employee benefit expenses, depreciation, and repairs and maintenance, partially offset by lower other expense, insurance and amortization. The Company reported a credit impairment loss of AED 41 Mn in 3Q26, compared to a reversal of AED 45 Mn in 3Q25. Other income declined 27.4% YOY to AED 448 Mn in 3Q26, as 3Q25 included liquidated damages of AED 574 Mn, partially offset by settlement income of AED 367 Mn recognised in 3Q26. Thus, operating profit declined 3.2% YOY to AED 4,453 Mn in 3Q26, with operating profit margin declining 364 bps YOY to 40.9% in 3Q26. DEWA's EBITDA declined 1.4% YOY to AED 6,109 Mn in 3Q26, with EBITDA margin declining 390 bps YOY to 56.2% during the period. Finance costs increased significantly from AED 383 Mn in 3Q25 to AED 768 Mn in 3Q26, while finance income also increased significantly from AED 227 Mn in 3Q25 to AED 1,204 Mn in 3Q26. Additionally, the adverse net movement in regulatory deferral account increased from AED 127 Mn in 3Q25 to AED 172 Mn in 3Q26. DEWA's tax expense increased 9.9% YOY to AED 416 Mn in 3Q26. The share of profit attributable to NCI holders increased 18.9% YOY to AED 388 Mn in 3Q26.

Balance Sheet Highlights

The Company's cash and cash equivalents, including short-term deposits, increased to AED 17.1 Bn in 3Q26, compared to AED 14.0 Bn in 2Q26. Net debt decreased from AED 30.2 Bn in 2Q26 to AED 27.6 Bn in 3Q26. Net cash inflow from operations increased from AED 6.8 Bn in 3Q26, compared to AED 5.9 Bn in 3Q25.

Target Price and Rating

We maintain our BUY rating on DEWA with a target price of AED 3.30. DEWA delivered a strong performance in 3Q26, with net profit attributable to equity shareholders increasing 8.4% YOY to AED 3,913 Mn in 3Q26. On a 9M26 basis, DEWA reported record revenue of AED 25.7 Bn and EBITDA of AED 13.4 Bn, while profit after tax rose 11.7% YOY to AED 7.6 Bn in 9M26, supported by sustained demand for electricity, water and cooling services, continued customer growth and operational efficiency. As of September 2026, the Company served 1,380,844 customer accounts, an increase of nearly 72,000 (5.5%) over the last twelve months. DEWA generated 21.37 TWh of electricity during 3Q26, up 4.1% YOY, with clean power generation rising 16.3% YOY to 3.22 TWh and accounting for 15.1% of total generation in 3Q26. Peak electricity demand increased 2.55% YOY to 11.682 GW in 3Q26, while the gross heat rate improved 4.89% to 7,268 BTU/kWh during the period. Desalinated water production reached 43.99 Bn Imperial Gallons (BIG) during the quarter. As of September 2026, DEWA's installed generation capacity stood at 19,029 MW, including 4,910 MW from clean energy sources, while installed desalinated water production capacity stood at 615 MIGD, compared with 495 MIGD in 3Q25. Additionally, 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 AED 3.1 Bn for 1H26 (6.2 fils per share) on 28 October 2026, and the next dividend, for 2H26, is scheduled to be paid in April 2027, subject to necessary approvals. Thus, considering the above factors, we maintain our BUY rating on the stock.

DEWA - Relative valuation[1]

(at CMP)	2022	2023	2024	2025	2026F
PE	18.26	18.31	20.11	16.89	15.64
PB	1.58	1.58	1.59	1.55	1.50
EV/EBITDA	12.85	12.05	11.15	10.27	10.28
BVPS	1.789	1.784	1.777	1.820	1.877
EPS	0.154	0.154	0.140	0.167	0.180
DPS	0.229	0.124	0.124	0.124	0.124
Dividend yield	8.0%	4.3%	4.3%	4.3%	4.3%

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	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch.	QOQ Ch.	2025	2026F	Change
Revenues	10,316	8,413	10,874	10,727	1.4%	5.4%	29.3%	32,842	33,979	3.5%
Direct Cost	-5,473	-4,984	-5,597	-5,658	-1.1%	2.3%	12.3%	-19,777	-20,063	1.4%
Gross Profit	**4,843**	**3,429**	**5,277**	**5,069**	**4.1%**	**9.0%**	**NM**	**13,065**	**13,916**	**6.5%**
Administrative exp	-906	-907	-1,232	-908	35.6%	36.0%	35.8%	-3,321	-3,853	16.0%
Credit impairment reversal/ (losses)	45	36	-41	34	NM	NM	NM	106	50	NM
Other income	618	224	448	235	NM	-27.4%	NM	1,102	1,060	-3.8%
EBITDA	**6,198**	**4,437**	**6,109**	**6,194**	**-1.4%**	**-1.4%**	**37.7%**	**17,329**	**17,719**	**2.2%**
EBIT	**4,600**	**2,781**	**4,453**	**4,429**	**0.5%**	**-3.2%**	**NM**	**10,952**	**11,173**	**2.0%**
Finance costs	-383	-509	-768	-418	NM	NM	NM	-1,839	-2,172	18.1%
Finance income	227	392	1,204	507	NM	NM	NM	1,222	2,242	NM
P/L before net movement in regulatory deferral	**4,443**	**2,664**	**4,889**	**4,517**	**8.2%**	**10.0%**	**NM**	**10,334**	**11,242**	**8.8%**
Net movement in regulatory deferral account credit balance	-127	-55	-172	-69	NM	35.3%	NM	-331	-491	48.1%
Tax	-378	-222	-416	-407	2.2%	9.9%	NM	-948	-989	4.4%
Profit before NCI	**3,938**	**2,387**	**4,301**	**4,042**	**6.4%**	**9.2%**	**NM**	**9,055**	**9,762**	**7.8%**
Non-controlling interest	-327	-98	-388	-271	43.1%	18.9%	NM	-708	-747	5.4%
Net Profit attributable to shareholders	**3,611**	**2,289**	**3,913**	**3,770**	**3.8%**	**8.4%**	**NM**	**8,347**	**9,016**	**8.0%**

FABS estimate & Co Data

DEWA - Margins

	3Q25	2Q26	3Q26	YOY Ch.	QOQ Ch.	2025	2026F	Change
Gross Profit	46.9%	40.8%	48.5%	158	777	39.8%	41.0%	117
EBITDA	60.1%	52.7%	56.2%	-390	343	52.8%	52.1%	-62
Operating Profit	44.6%	33.1%	40.9%	-364	789	33.3%	32.9%	-46
Net Profit	35.0%	27.2%	36.0%	98	877	25.4%	26.5%	112

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	3.45	85.0%	2.93
DDM Method	2.45	15.0%	0.37
Weighted Average Valuation (AED)			**3.30**
Current market price (AED)			2.82
Upside/Downside (%)			+17%

1) SOTP Method:

Name of Entity	Type of Valuation	Total Value (AED Mn)
DEWA	DCF	135,315
IPP/IWP	DCF	35,369
Others	PE	10,613
Total Enterprise Value		**181,296**
Empower	DCF	19,531
Net Debt (as of September 2026)		-22,072
Minority Interest (as of September 2026)		-6,447
Total Valuation (AED, Mn)		**172,308**
Valuation per share (AED)		**3.45**

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 7.7%. It is arrived after using cost of equity of 8.4% and an after-tax cost of debt of 5.5% with an equity weight of 76.1% and debt of 23.9%. Cost of equity is calculated by using 10-year government bond yield of 5.6%, beta of 0.75 and equity risk premium of 3.8%. 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)	36,653
Terminal value (AED, Mn)	98,662
FV to Common shareholders (AED, Mn)	**135,315**
No. of share (Mn)	50,000
Current Market Price (AED)	2.82
Fair Value per share (AED)	**2.71**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	9,477	8,830	8,720	8,697	8,604	8,529
(+/-) Depreciation & amortization	5,722	5,968	6,191	6,404	6,155	6,245
(+/-) Capex	-5,000	-5,500	-5,750	-5,900	-6,100	-6,100
(+/-) Working capital	-355	-382	-425	-447	-482	-483
Free Cash Flow to Firm (FCFF)	**9,844**	**8,916**	**8,736**	**8,754**	**8,177**	**8,191**
Discounting Factor	*0.99*	*0.92*	*0.85*	*0.79*	*0.74*	*0.68*
Discounted FCFF	**2,439[1]**	**8,202**	**7,460**	**6,939**	**6,017**	**5,595**

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

2) IPP/WPP

Sum of PV (AED, Mn)	8,447
Terminal value (AED, Mn)	26,921
FV to Common shareholders (AED, Mn)	**35,369**
No. of share (Mn)	50,000
Current Market Price (AED)	2.82
Fair Value per share (AED)	**0.71**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	1,326	1,960	2,070	2,201	2,297	2,327
(+/-) Depreciation & amortization	511	533	553	572	550	558
(+/-) Capex	-1,287	-728	-657	-439	-630	-650
Free Cash Flow to Firm (FCFF)	**551**	**1,764**	**1,966**	**2,334**	**2,217**	**2,235**
Discounting Factor	*0.99*	*0.92*	*0.85*	*0.79*	*0.74*	*0.68*
Discounted FCFF	**137[1]**	**1,623**	**1,679**	**1,850**	**1,631**	**1,527**

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 2027 PE multiple of 17.2x in line with peers.

Company	Market Cap. (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2026F	2027F	2026F	2027F	2026F	2027F
Nongfu Spring Co Ltd	30,067	15.4	13.7	24.6	21.9	9.3	7.9
Danone	52,516	10.9	10.3	17.6	16.4	2.5	2.4
Lotte Chilsung Beverage	750	5.9	5.6	11.5	9.3	0.7	0.6
Suntory	10,477	6.6	6.4	18.9	18.0	1.2	1.2
Average		**9.7x**	**9.0x**	**18.1x**	**16.4x**	**3.4x**	**3.0x**
Median		**8.8x**	**8.3x**	**18.3x**	**17.2x**	**1.8x**	**1.8x**
Max		**12.0x**	**11.1x**	**20.4x**	**18.9x**	**4.2x**	**3.7x**
Min		**6.4x**	**6.2x**	**16.0x**	**14.6x**	**1.1x**	**1.0x**

Source: FAB Securities

Empower

Sum of PV (AED, Mn)	6,172
Terminal value (AED, Mn)	20,710
FV to Common shareholders (AED, Mn)	**24,413**
No. of share (Mn)	50,000
Current Market Price (AED)	2.82
Fair Value per share (AED)	**0.49**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	1,223	1,256	1,344	1,446	1,567	1,506
(+/-) Depreciation & amortization	415	432	449	464	446	453
(+/-) Capex	-513	-572	-393	-561	-320	-300
(+/-) Working capital	43	47	50	54	58	61
Free Cash Flow to Firm (FCFF)	**1,167**	**1,164**	**1,449**	**1,403**	**1,751**	**1,719**
Discounting Factor	*0.99*	*0.92*	*0.85*	*0.79*	*0.74*	*0.68*
Discounted FCFF	**289[1]**	**1,071**	**1,238**	**1,112**	**1,289**	**1,174**

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 8.4%.

Sum of PV (AED, Mn)	35,176
Terminal value (AED, Mn)	87,239
FV to Common shareholders (AED, Mn)	**122,415**
No. of share (Mn)	50,000
Current Market Price (AED)	2.82
Fair Value per share (AED)	**2.45**

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend Paid						
1H	3,100	3,300	3,550	3,800	4,050	4,300
2H	3,100	3,300	3,500	3,700	3,900	4,100
Total Dividend	**6,200**	**6,600**	**7,050**	**7,500**	**7,950**	**8,400**
Discounting Factor	*0.99*	*0.91*	*0.84*	*0.78*	*0.72*	*0.66*
Present Value of Dividend	**6,140**	**6,028**	**5,938**	**5,826**	**5,695**	**5,549**

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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