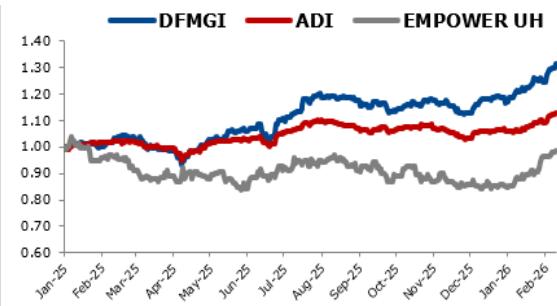


## Emirates Central Cooling Systems Corporation (Empower)

Steady capacity addition and refinancing of debt boosted profit

Current Price AED 1.82	Target Price AED 2.25	Upside/Downside (%) +24%	Rating BUY
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- Connected capacity has grown from 992 K RT in 2017 to 1,656 K RT in December 2025, implying a 6.6% CAGR since 2017.
- Refinanced its AED 5.5 Bn term loan, extending maturities from September 2025 and 2027 to between September 2027 and February 2028.
- Empower expects additional connected capacity of 100-110 K RT during 2026, taking total connected capacity to c. 1.76-1.77 Mn RT
- Recommended a dividend of AED 437.5 Mn for 2H25 (4.375 fils per share), subject to shareholder approval.
- Empower will pay a dividend of AED 875 Mn annually for 2025 and 2026, under the new progressive dividend framework.



### 4Q25 Net Profit higher our estimate

Empower Group's (EMPOWER/the Company) net profit rose 24.4% YOY to AED 312 Mn in 4Q25, higher than our estimate of AED 284 Mn. The growth in the net profit is due to a rise in revenue, other income & finance income coupled with lower direct costs, partially offset by a rise in G&A and tax expenses.

### P&L Highlights

EMPOWER's revenue grew 3.0% YOY to AED 833 Mn in 4Q25, driven by higher revenue from Demand Charges, supported by strong real estate activity and new project additions in the region, coupled with strong growth in the others segment. Revenue from Demand Charge grew 10.8% YOY to AED 317 Mn in 4Q25, due to a growth in connected capacity. While revenue from Consumption Charges declined 2.2% YOY to AED 415 Mn in 4Q25. Revenue from the Others category expanded 30.1% YOY to AED 101 Mn in 4Q25. However, interest income on financial assets at amortised cost fell marginally 1.2% YOY to AED 15 Mn in 4Q25. The Company's direct costs decreased 8.7% YOY to AED 423 Mn in 4Q25. Thus, gross profit increased 17.8% YOY to AED 425 Mn in 4Q25. G&A expenses rose 19.9% YOY to AED 69 Mn in 4Q25. Net impairment losses on financial assets decreased 5.2% YOY to AED 16 Mn in 4Q25, other income expanded significantly from AED 4 Mn in 4Q24 to AED 12 Mn in 4Q25 due to higher rental income. EMPOWER's EBITDA increased 12.3% YOY to AED 479 Mn, while EBITDA margin expanded 477 bps YOY to 57.6% in 4Q25. The Company's operating profit rose 18.6% YOY to AED 385 Mn, whereas margin significantly grew 609 bps YOY to 46.2% in 4Q25. Finance income increased 46.5% YOY to AED 15 Mn in 4Q25. While finance costs decreased 3.2% YOY to AED 54 Mn in 4Q25, supported by the refinancing of the term loan into a lower-rate revolving credit facility, coupled with a decline in EIBOR rate.

Stock Information	
Market Cap (AED, mn)	18,200.00
Paid Up Capital (mn)	1,000.00
52 Week High	1.96
52 Week Low	1.45
3M Avg. daily value (AED)	7,780,410

4Q25 Result Review (AED, Mn)	
Total Assets	11,817
Total Liabilities	8,320
Total Equity	3,497
EBITDA	479
Net Profit	312

Financial Ratios	
Dividend Yield (12m)	4.81
Dividend Pay-out (%)	44.05
Price-Earnings Ratio(x)	18.32
Price-to-Book Ratio (x)	5.50
Book Value (AED)	0.33
Return-on Equity (%)	30.52

Stock Performance	
5 Days	2.25%
1 Months	11.66%
3 Months	15.19%
6 Months	5.20%
1 Year	2.82%
Month to Date (MTD%)	3.41%
Quarter to Date (QTD%)	18.18%
Year to Date (YTD%)	18.18%

EMPOWER recorded the tax expenses of AED 31 Mn in 4Q25 compared to AED 25 Mn in 4Q24. NCI declined 8.8% YOY to AED 3 Mn in 4Q25.

### Balance Sheet Highlights

The Company's net debt (term deposit included in cash) stood at AED 3.2 Bn in 4Q25. Net debt to EBITDA declined from 2.0x in 3Q25 to 1.9x in 4Q25. EMPOWER's net cash flow from operating activity declined from AED 1,824 Mn in 2024 to AED 1,862 Mn in 2025. Free cash flow declined from AED 1.5 Bn in 2024 to AED 1.4 Bn in 2025 due to higher capex.

### Target Price and Rating

We maintain our BUY rating on EMPOWER with a revised target price of AED 2.25. Empower reported net income growth of 24.4% YOY to AED 312 Mn in 4Q25, due to higher revenue and cost efficiency. The Company's connected capacity has grown from 992 K RT in 2017 to 1,656 K RT in December 2025, implying a 6.6% CAGR since 2017. This reflects the Company's strong expansion strategy and its strong capability to leverage the ongoing growth momentum in Dubai's real estate sector and other vital industries. Additionally, Empower signed a master agreement with Wasl Group for The Island project (23,853 RT) and an agreement with DMCC for Uptown Dubai Phase II (24,675 RT), adding c. 48.5 K RT of contracted capacity, strengthening recurring revenue, long-term visibility, and market leadership. Total cooling consumption load reached 3,031 Mn RT hours (RTh) in 2025, up 43 Mn RTh YOY, driven by higher network utilization and customer additions across major communities. Furthermore, Empower awarded a contract for excavation and foundation works for a new district cooling plant in Al Sufouh 2 (23.4 K RT), the first of three planned in the area. The Company also signed contracts to construct a second plant in Jumeirah Village (c. 37 K RT) and to design a plant at Dubai Science Park (47 K RT, serving c. 80 buildings). Empower successfully refinanced its AED 5.5 Bn term loan, which was originally scheduled to mature in September 2025 and September 2027, extending the maturities to between September 2027 and February 2028. In addition, the revolving credit facility carries a lower margin than the previous term loan facilities, resulting in reduced financing costs and a strengthened long-term debt profile. CAPEX guidance remains unchanged at c. AED 6,000 per connected load, based on the expected connection of around 100 K -110 K RT of capacity in 2026, with the connection capacity is anticipated to grow to 1,756 k RT to 1,766 k RT by the end of 2026. During 2025, the Company paid a final dividend of AED 437.5 Mn for 2H24 in April, followed by an interim dividend of AED 437.5 Mn in October 2025, equivalent to 4.375 fils per share. Empower also announced final dividend of AED 437.5 Mn (4.375 fils per share) for the period of 2H25, taking full year dividend to AED 875 Mn for 2025. The Company also intends to distribute similar dividends for 2026 under the progressive dividend framework. Thus, based on these factors, we assigned a BUY rating on EMPOWER.

### Empower - Relative valuation

(at CMP)	2022	2023	2024	2025	2026F
PE (x)	18.6	19.5	20.7	18.5	16.6
PB (x)	6.1	5.9	5.8	5.6	5.3
EV/EBITDA	15.7	15.6	14.6	13.8	12.7
EPS	0.100	0.095	0.090	0.100	0.112
BVPS	0.303	0.314	0.320	0.331	0.354
Dividend	0.043	0.085	0.086	0.088	0.088
Dividend yield	2.4%	4.7%	4.7%	4.8%	4.8%

*FABS Estimates & Co Data, the company got listed in Nov 2022, so prior period financials are not available*

#### Empower – P&L

AED Mn	4Q24	3Q25	4Q25	4Q25F	Var	YOY Ch	QOQ Ch	2024	2025	Change
Revenue	809	1,133	833	902	-7.7%	3.0%	-26.5%	3,260	3,419	4.9%
Interest inc on financial asset	15	15	15	16	-10.7%	-1.2%	0.0%	59	58	-1.4%
Direct costs	-463	-734	-423	-481	-12.2%	-8.7%	-42.4%	-1,917	-1,989	3.7%
<b>Gross profit</b>	<b>361</b>	<b>413</b>	<b>425</b>	<b>437</b>	<b>-2.8%</b>	<b>17.8%</b>	<b>2.9%</b>	<b>1,402</b>	<b>1,488</b>	<b>6.1%</b>
G&A expenses	-57	-63	-69	-62	11.5%	19.9%	10.0%	-235	-256	9.0%
Net impair. loss on fin assets	17	0	16	-4	NM	-5.2%	NM	17	16	NM
Other income	4	6	12	-5	NM	NM	96.0%	8	24	NM
<b>EBITDA</b>	<b>427</b>	<b>450</b>	<b>479</b>	<b>451</b>	<b>6.3%</b>	<b>12.3%</b>	<b>6.6%</b>	<b>1,551</b>	<b>1,649</b>	<b>6.3%</b>
<b>EBIT</b>	<b>324</b>	<b>357</b>	<b>385</b>	<b>367</b>	<b>4.7%</b>	<b>18.6%</b>	<b>7.8%</b>	<b>1,192</b>	<b>1,273</b>	<b>6.7%</b>
Finance Income	10	16	15	12	27.1%	46.5%	-6.3%	54	55	2.4%
Finance costs	-55	-58	-54	-62	-13.8%	-3.2%	-7.6%	-248	-225	-9.4%
<b>Profit before NCI</b>	<b>279</b>	<b>315</b>	<b>346</b>	<b>317</b>	<b>9.1%</b>	<b>24.0%</b>	<b>9.9%</b>	<b>998</b>	<b>1,103</b>	<b>10.5%</b>
Tax	-25	-28	-31	-29	8.9%	23.4%	10.1%	-90	-99	10.1%
Non-controlling int.	3	3	3	5	-45.2%	-8.8%	-25.8%	11	11	-7.4%
<b>Net Profit</b>	<b>251</b>	<b>283</b>	<b>312</b>	<b>284</b>	<b>10.0%</b>	<b>24.4%</b>	<b>10.3%</b>	<b>897</b>	<b>993</b>	<b>10.8%</b>

FABS estimate & Co Data

#### Empower - Margins

	4Q24	3Q25	4Q25	YOY Ch	QOQ Ch	2024	2025	Change
Gross profit	44.6%	36.5%	51.0%	641	1,454	43.0%	43.5%	52
EBITDA	52.8%	39.7%	57.6%	477	1,783	47.6%	48.2%	66
EBIT	40.1%	31.5%	46.2%	609	1,466	36.6%	37.2%	64
Net profit	31.0%	25.0%	37.5%	646	1,249	27.5%	29.0%	155

FABS estimate & Co Data

#### Key Developments

- 11 November 2025** – Empower has commenced operations at its Deira Waterfront district cooling plant, with a total capacity of 39,000 refrigeration tons, serving more than 46 buildings in the area.
- 22 October 2025** – Empower signed a contract to construct its second district cooling plant in Jumeirah Village, with a planned capacity of 37k RT, scheduled for completion under its in-house supervision. The new plant, featuring advanced TES and TSE technologies, will enhance Empower's operational capacity and support growing demand with high energy and water efficiency.
- 18 August 2025** – Empower signed a contract to design a new 47k RT district cooling plant at Dubai Science Park, which will serve around 80 mixed-use buildings and commence construction by the end of 1Q26. The project forms part of Empower's expansion strategy to meet growing demand for sustainable, energy-efficient cooling solutions, integrating advanced TES, TSE, and AI technologies to enhance efficiency and support Dubai's green economy goals.
- 29 July 2025** – Empower Insulated Pipe Systems (ELIPS), a wholly owned subsidiary of Empower, signed a contract to supply 19 km of insulated pipes for the Ali Al-Sabah Military Academy project in Kuwait, with deliveries beginning in 4Q25. The project marks another milestone in ELIPS' regional expansion, reinforcing its reputation for delivering high-efficiency, sustainable pipe systems that support carbon reduction and environmental sustainability goals.
- 22 July 2025** – Empower began supplying district cooling to the first phase of the Al Habtoor Tower project, the world's largest residential tower, with a total planned capacity of 7,200 RT upon full completion by 2027. The project, developed in partnership with Al Habtoor Group, highlights Empower's

commitment to delivering sustainable, energy-efficient cooling solutions that support Dubai's green economy vision and carbon neutrality goals.

- **18 June 2025** – Empower commenced excavation and foundation works for its new 23,400 RT district cooling plant in Al Sufouh 2, marking the first of three planned facilities in the area. The project aligns with Empower's strategy to expand sustainable cooling infrastructure across Dubai, meeting rising demand driven by rapid urban growth and supporting the emirate's long-term sustainability objectives.
- **12 March 2025** – Empower signed an agreement to supply 9,470 RT of district cooling to the Palm Gateway project in Palm Jumeirah, with operations set to begin in 2Q26. The project reinforces Empower's role in supporting Dubai's sustainability goals through energy-efficient and environmentally friendly cooling solutions.
- **24 February 2025** – Empower signed an agreement with DMCC to supply 24,675 RT of sustainable district cooling to the next phase of Uptown Dubai. The project strengthens Empower's role in supporting Dubai's smart and sustainable urban development while expanding its efficient, low-carbon cooling network.
- **19 February 2025** – Empower's subsidiary, ELIPS, expanded into new Gulf and Middle East markets, including Saudi Arabia, Bahrain, Oman, Qatar, Kuwait, and Egypt. The company has supplied over 880 km of insulated pipe systems, reinforcing its position as a key regional supplier of advanced thermal and sustainable energy solutions.
- **15 February 2025** – Empower signed an agreement with Wasl Group to supply 23,853 RT of district cooling to The Island project near Burj Al Arab, with operations expected to begin in 1Q28. The collaboration supports Dubai's sustainability goals by delivering energy-efficient cooling solutions to the luxury mixed-use development featuring global hotel brands MGM, Bellagio, and Aria.

## Valuation:

We used Discounted Free Cash Flow (DCF), Discount Dividend Method (DDM), and Relative Valuation (RV) to value Empower. We have assigned 70% weight to DCF, 20% weight to RV, and 10% weight to DDM.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.46	70.0%	1.72
Relative Valuation (Avg of EV/EBITDA & P/E)	1.82	20.0%	0.36
DDM	1.60	10.0%	0.16
<b>Weighted Average Valuation (AED)</b>			<b>2.25</b>
Current market price (AED)			1.82
Upside/Downside (%)			+24%

### 1) DCF Method:

Empower is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.8%. It is arrived after using cost of equity of 9.0% and after-tax cost of debt of 3.8% with an equity weight of 77.2% and debt of 22.8%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.95 and equity risk premium of 4.1%. Government bond yield is calculated after adding Dubai 10-year spread over 10-year US risk free rate. Cost of debt of 4.2% is adjusted for a tax rate of 9.0% to arrive at after tax cost of debt of 3.8%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	5,616
Terminal value (AED, Mn)	22,385
<b>Firm Value (AED, Mn)</b>	<b>28,001</b>
Net Debt as of Dec 2025 (AED, Mn)	3,192
Non-controlling int as of Dec 2025 (AED, Mn)	186
<b>Equity Value to Share Holders (AED Mn)</b>	<b>24,622</b>
No. of share (Mn)	10,000
Current Market Price (AED)	1.82
<b>Fair Value per share (AED)</b>	<b>2.46</b>

### DCF Method

(All Figures in AED Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
NOPAT	1,232	1,300	1,384	1,484	1,573
Depreciation & amortization	386	408	427	446	464
CAPEX	-646	-698	-479	-676	-373
Working Capital	156	185	165	161	162
<b>Free Cash Flow to Firm (FCFF)</b>	<b>1,128</b>	<b>1,194</b>	<b>1,497</b>	<b>1,415</b>	<b>1,825</b>
Discounting Factor	0.94	0.87	0.80	0.75	0.69
<b>Discounted FCFF</b>	<b>1,055</b>	<b>1,036</b>	<b>1,205</b>	<b>1,056</b>	<b>1,264</b>

Source: FAB Securities

## 2) DDM Method:

Empower has a track record of consistently paying substantial dividends, highlighting its solid financial performance and dedication to rewarding shareholder confidence. The Company pays half-yearly dividends to its shareholders. Empower distributed a dividend of AED 850 Mn and AED 863 Mn annually in 2023 and 2024, respectively, with a payout ratio of 89.2% and 96.2%. Under the new Progressive Dividend Framework, Empower is expected to pay a dividend of AED 875 Mn annually in 2025 and 2026.

Sum of PV (AED, Mn)	4,079
Terminal value (AED, Mn)	11,959
<b>FV to Common shareholders (AED Mn)</b>	<b>16,039</b>
No. of share (Mn)	10,000
Current Market Price (AED)	1.82
<b>Fair Value per share (AED)</b>	<b>1.60</b>

(All Figures in USD Mn)	FY 2026F	FY 2027F	FY 2028F	FY 2029F	FY 2030F
Dividend Paid	875	950	1,050	1,150	1,250
<b>Total Dividend</b>	<b>875</b>	<b>950</b>	<b>1,050</b>	<b>1,150</b>	<b>1,250</b>
Discounting Factor	0.93	0.85	0.78	0.72	0.66
<b>Present Value of Dividend</b>	<b>810</b>	<b>807</b>	<b>819</b>	<b>823</b>	<b>820</b>

Source: FAB Securities

## 3) Relative Valuation:

We have used local and international peers to value Emirates Central Cooling Systems Corporation PJSC., and it is valued using the average of EV/EBITDA and P/E multiple. It is valued at a 2026 EV/EBITDA multiple of 12.8x and P/E multiple of 16.5x, in line with its peers.

Company	Market Cap (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Essential Utilities, Inc.	10,433	12.9	11.6	16.5	15.2
National Central Cooling Company PJSC	2,352	11.3	10.9	14.2	12.6
Exelon Corporation	44,422	9.8	9.1	15.5	14.6
Dubai Electricity and Water Authority	42,469	10.4	9.9	19.0	17.8
Qatar Electricity and Water Company QPSC	4,714	19.2	18.0	11.4	10.7
American Water Works Company	23,990	12.6	11.5	20.1	18.8
Shenzhen Envicool Technology Co., Ltd.	14,645	73.9	49.5	95.9	64.4
Abu Dhabi National Energy Company PJSC	96,417	22.1	21.7	NA	NA
<b>Average</b>		<b>21.5x</b>	<b>17.8x</b>	<b>27.5x</b>	<b>22.0x</b>
<b>Median</b>		<b>12.8x</b>	<b>11.5x</b>	<b>16.5x</b>	<b>15.2x</b>
<b>Max</b>		<b>19.9x</b>	<b>18.9x</b>	<b>19.6x</b>	<b>18.3x</b>
<b>Min</b>		<b>11.1x</b>	<b>10.6x</b>	<b>14.9x</b>	<b>13.6x</b>

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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