FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q26

UAE Equity Research | Sector: Utilities | Market: DFM

Emirates Central Cooling Systems Corporation (Empower)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.56	AED 2.25	+44%	BUY

2Q26 Net Profit lower than our estimate

- Connected capacity increased by 1,707 K RT during 2Q26, taking the total connected capacity to 1.71 Mn RT, reflecting continued expansion of the district cooling network.
- Revenue declined 2.7% YOY to AED 889 Mn in 2Q26, primarily due to lower cooling consumption and lower Effective Full Load Hours, partially offset by an increase in demand charges revenue.
- The Company signed 33 new district cooling contracts to supply 37.8K RT during 2Q26, increasing contracted capacity to 2.02 Mn RT.
- Total direct costs decreased 3.6% YOY to AED 522 Mn in 2Q26.
- Gross profit declined 1.4% YOY to AED 381 Mn in 2Q26. However, gross profit margin improved 56 bps YOY to 42.9% in 2Q26.
- General and administration expenses increased 8.5% YOY to AED 70 Mn, while other income rose 46.4% YOY to AED 7 Mn in 2Q26.
- EBITDA declined 1.9% YOY to AED 415 Mn, however EBITDA margin expanded 39 bps YOY to 46.7% in 2Q26, owing to disciplined cost management.
- Net profit increased marginally by 0.6% YOY to AED 256 Mn in 2Q26, supported by lower direct costs, increase in other income, finance income, and lower finance costs, partially offset by decline in revenue and higher G&A expenses.

Earnings Call Summary

- Consumption revenue is expected to rebound in 3Q26 and remain strong during 2H26, supported by the seasonality and favourable weather conditions.
- Weather conditions during July and early August have remained favourable, supporting stronger cooling demand, while the Dubai government's 'Dubai Invite' initiative is expected to improve hospitality occupancy which is expected to improve consumption.
- Lower occupancy in the hospitality sector accounted for approximately 80-85% of the decline in 2Q26 consumption revenue, with milder weather contributing the remaining 15-20%.
- The Company expects no significant delays in project execution or customer connections despite the regional conflict, as projects under advanced stages of construction continue to progress as planned.
- The widening gap between contracted and connected of 311K RT capacity reflects continued customer signings ahead of project completion, improving visibility over future customer connections, and recurring revenues.
- Capex guidance remains unchanged at AED 450-500 Mn for 2026 and 2027, while capacity additions of 90-100k RT are targeted during 2027. Meanwhile, the connected capacity during 2026 is estimated at 100-110k RT.
- Project capex has increased by c. 10-15% due to higher shipping and insurance costs arising from the regional conflict, however are expected to normalise by the end of 2026.
- Treated Sewage Water currently accounts for 15-17% of total water consumption and is targeted to increase to 25% by 2030, supporting lower operating costs and improved efficiency.
- Demand charges have remained unchanged for more than 23 years, with any future revisions expected to be linked to CPI-based adjustments.
- Pre-insulated pipe sales guidance remains at c. AED 50 Mn for 2026, with potential upside depending on project deliveries during the year.

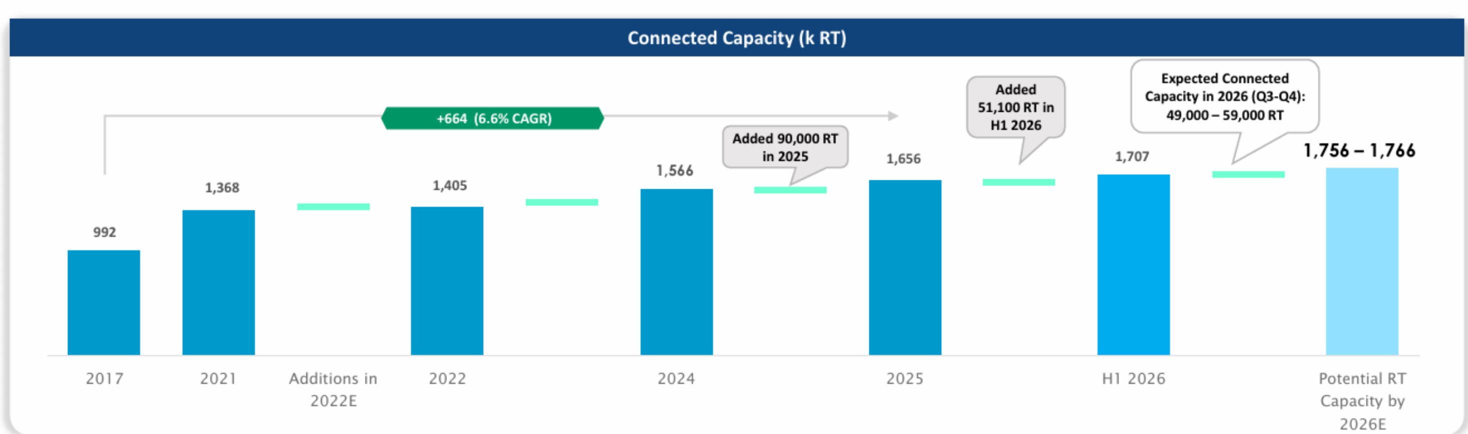
- International expansion and acquisition opportunities continue to be evaluated, while a resolution of the regional conflict is expected to support a recovery in real estate activity, customer connections and the company's 2027 growth outlook.
- The average cost of debt currently stands at c. 4.5-5.0%, while obtaining a formal credit rating remains under evaluation.
- The annual dividend commitment of AED 875 Mn remains unchanged for 2026, while the dividend policy for 2027 will be announced later in 2026.

Empower - P&L

(AED Mn)	2Q25	1Q26	2Q26	2Q26F	Var	YOY Ch	QOQ Ch
Revenue	913	631	889	967	-8.0%	-2.7%	41.0%
Revenue (incl. Int. income)	**928**	**645**	**903**	**982**	**-8.0%**	**-2.7%**	**40.1%**
Direct cost	-541	-323	-522	-557	-6.2%	-3.6%	61.8%
Gross profit	**387**	**322**	**381**	**425**	**-10.3%**	**-1.4%**	**18.3%**
G&A expenses	-64	-65	-70	-67	4.1%	8.5%	6.5%
EBITDA	**423**	**358**	**415**	**462**	**-10.2%**	**-1.9%**	**15.9%**
Operating profit	**327**	**263**	**318**	**365**	**-12.7%**	**-2.7%**	**21.1%**
Tax	-25	-21	-26	-30	-13.6%	0.4%	24.3%
Net Profit	**255**	**207**	**256**	**296**	**-13.4%**	**0.6%**	**23.8%**

FABS estimate & Co Data

Management Guidance:



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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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