

National Central Cooling Company (Tabreed)

Current Price
AED 2.79

Target Price
AED 3.95

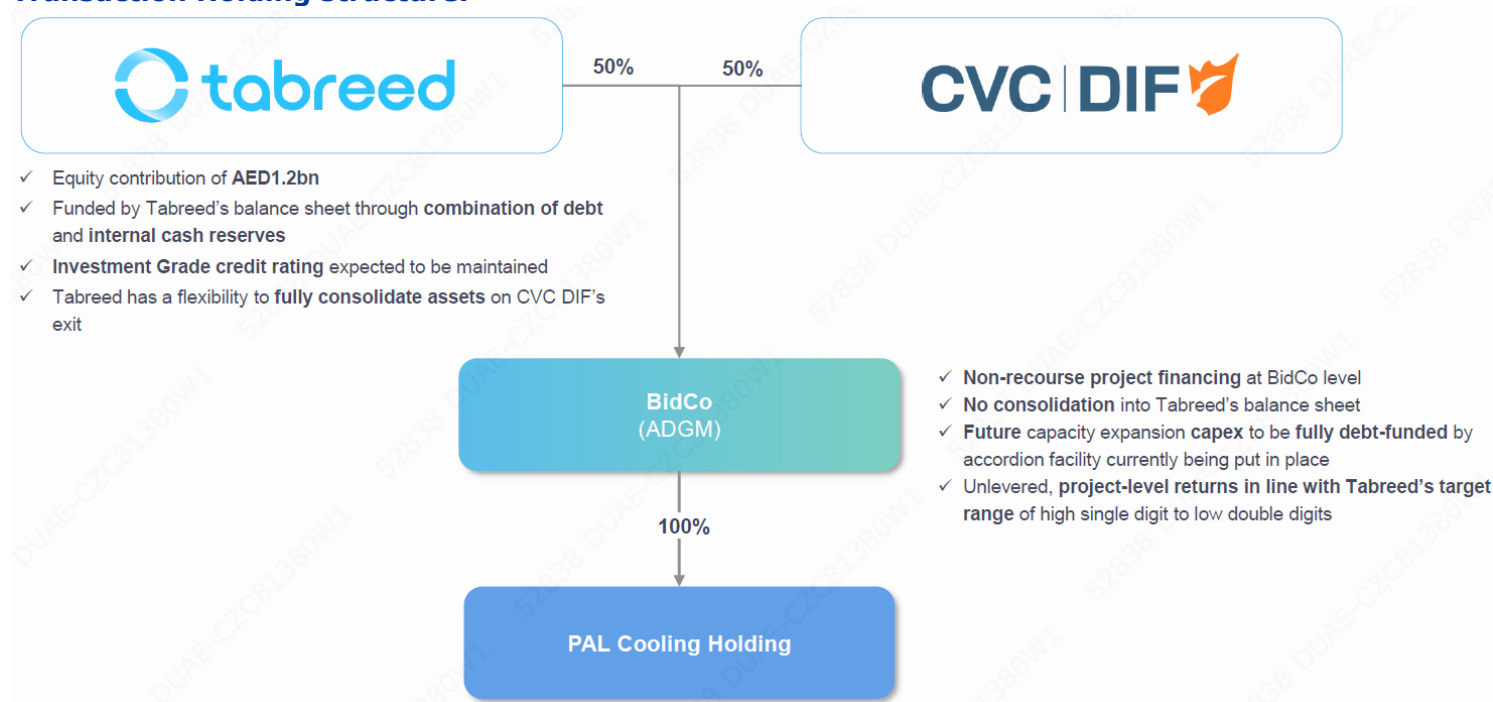
Upside/Downside (%)
+42%

Rating
BUY

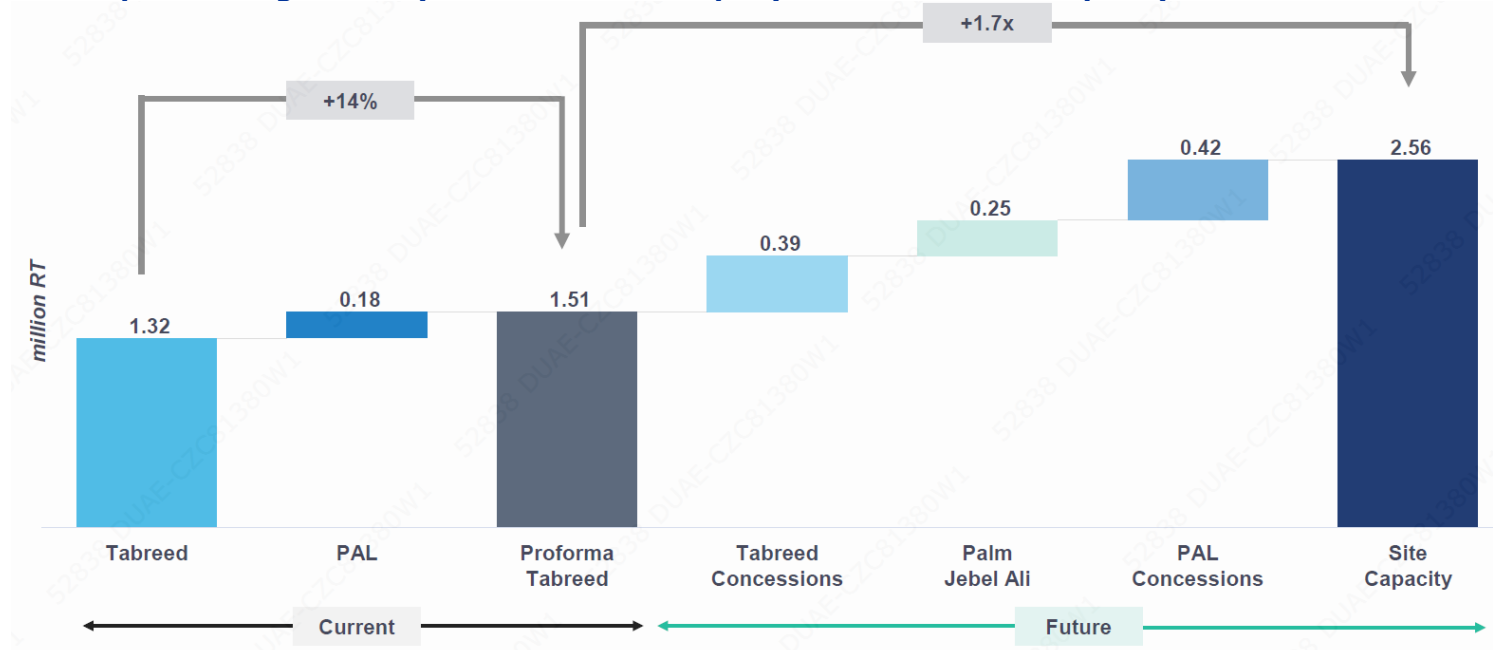
PAL Cooling Acquisition Summary

- Tabreed and CVC DIF are jointly acquiring PAL Cooling at an enterprise value of AED 4.1 Bn, with each partner holding a 50% stake through a newly formed joint venture.
- The transaction will be funded through a combination of equity and debt. Tabreed will contribute AED 1.2 Bn in equity, with the remaining amount financed through project-level debt. Tabreed's equity contribution is expected to be funded through a combination of debt and cash reserves at the group level. The financials of the acquired entity will not be consolidated in Tabreed's financials.
- The deal increases Tabreed's connected capacity by 182K RTs, extending capacity to c. 600K RTs through nine plants when fully built.
- Five of eight concessions are on Reem Island, a high-growth zone. Reem Island represents c. 90% of PAL's future site capacity.
- One plant under construction will be in service by 2026, with three more in planning stages.
- PAL operates eight concessions in Abu Dhabi, serviced by five operating plans, of which three are on Abu Dhabi Main Island with an average remaining contract life of c. 25 years and the remaining five across Al Reem Island with an average remaining contract life of c. 27 years. Operation and maintenance rights of the plants will be undertaken by Tabreed.
- PAL's blue-chip clients include Aldar, Modon, and Imkan, highly creditworthy master developers.
- Around 60-65% of revenues come from capacity charges, while the remaining comes from consumption. Additionally, the contract price escalation will be CPI-linked.
- Solid customer mix with c. 95% B2B and less than 5% B2C, aligning with Tabreed's existing portfolio.
- Tabreed will be entitled to earn management fees from the JV.
- Tabreed has a concession at both Al Reem and Al Maryah Island. PAL Cooling acquisition allows Tabreed to leverage the PAL plant network for future connections with minimal CAPEX spending.
- JV will distribute dividends from the first year, subject to the debt coverage ratios and board approvals.
- Tabreed holds the flexibility to acquire CVC DIF's stake on exit.
- The transaction is structured to preserve Tabreed's investment-grade rating with an expected net debt/EBITDA ratio of c. 4.5x.
- Current CAPEX relates to the under-construction plant, whereas future CAPEX will align with developments that come online.
- The new load will carry an EV per tonne rate of AED 10,000 to AED 11,000, similar to past deals when adjusted for growth and synergies.
- Tabreed is formalising a dividend policy, which will be communicated soon.
- The JV is expected to generate an EBITDA of c. AED 200 Mn at current capacity, with upside expectations from expansion.
- PAL Cooling acquisition strengthens Tabreed's market share in the UAE by 5%, expands developer relationships, and enhances long-term growth visibility.

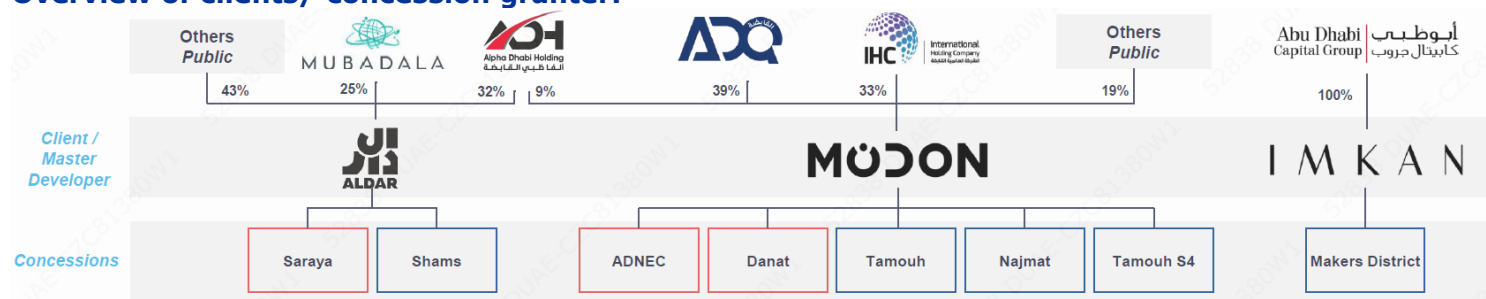
Transaction Holding structure:



PAL acquisition significantly increases the company's secured future capacity:



Overview of clients/ concession granter:



Concession overview:

Location	Abu Dhabi Main Island	Al Reem Island
# of Concessions	3	5
# of Plants	3 (Operating)	2 (Operating) + 1 (Under Construction) + 3 (In Planning)
Connected Capacity	49 k RT	133 k RT
Site Capacity	93 k RT	506 k RT
Avg. Remaining Life	~20 years	~27 years

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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