FAB أبوظبي الأول للأوراق المالية SECURITIES

Earnings Call Insight | 2Q25

UAE Equity Research | Sector: Utility | Market: DFM

National Central Cooling Company (Tabreed)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.92	AED 3.95	+35%	BUY

2Q25 Net Profit lower than our estimate

- Achieved a total connected capacity of 1.37 Mn RTs as of 2Q25, supported by record organic additions of over 37K RTs during 2Q25.
- Consumption volume rose 8% YOY in 2Q25, recovering from weather-related weakness in 1Q25 and benefitting from both new capacity and growing demand across the network.
- Revenue accelerated to 5.1% YOY to AED 643 Mn in 2Q25, driven by increased cooling demand, seasonal uplift, and newly commissioned capacity.
- The gross profit rose 2.9% YOY to AED 297 Mn in 2Q25. Gross profit margin declined from 47.2% in 2Q24 to 46.2% in 2Q25.
- EBITDA rose 5.4% YOY to AED 349 Mn in 2Q25 with margins expanding to 54.3%, benefiting from scale efficiencies and ongoing cost control initiatives across the business.
- As a result, operating profit rose 6.6% YOY to AED 233 Mn in 2Q25. The operating profit margin expanded 52 bps YOY to 36.3% in 2Q25.
- Finance income rose from AED 5 Mn in 2Q24 to AED 8 Mn in 2Q25, while finance costs also increased 13.9% YOY to AED 67 Mn in 2Q25, due to refinancing of term loans into green sukuk at higher prevailing interest rates compared to legacy bank debt.
- Income tax expense stood at AED 16 Mn in 2Q25 compared to AED 13 Mn in 2Q24.
- Net profit attributable to equity shareholders increased 2.2% YOY to AED 160 Mn in 2Q25 due to revenue growth and G&A cost optimization, partially offset by a rise in operations & finance costs coupled with tax charges.
- The Board proposed an interim dividend of 6.5 fils per share for 1H25, marking the first interim dividend in Tabreed's history, pending shareholder approval.

Earnings Call Summary

- The strong 1H25 performance was underpinned by commissioning three new greenfield plants in the UAE and Saudi Arabia, alongside incremental capacity additions within existing concessions like Yas Island, all delivered with minimal incremental capex.
- Tabreed announced its largest-ever acquisition with the purchase of a 50% stake in PAL Cooling Holdings through a joint venture with CVC DIF, significantly boosting its Abu Dhabi footprint with connected capacity of 182K RTs.
- The PAL Cooling transaction secures a future growth pipeline of c. 420K RTs, primarily in Abu Dhabi's rapidly developing Reem Island area.
- Future capex for PAL's expansion will be funded at the SPV level through an accordion facility, minimizing impact on Tabreed's consolidated balance sheet.
- Post-PAL acquisition, Tabreed's total connected capacity is expected to rise by 13% to 1.55 Mn RTs, while diversifying its customer base.
- The Palm Jebel Ali concession, secured in partnership with Dubai Holding Investments, adds 250K RTs of exclusive capacity, marking one of Tabreed's largest greenfield wins to date.
- With existing secured concessions, plus PAL and Palm Jebel Ali, Tabreed's future site capacity is set to reach c. 2.6 Mn RTs, with 95% located in the UAE.
- In 1H25, Tabreed's net debt-to-EBITDA ratio was 3.74x, compared to 3.70x in 2024, indicating a slight increase of 0.04x.

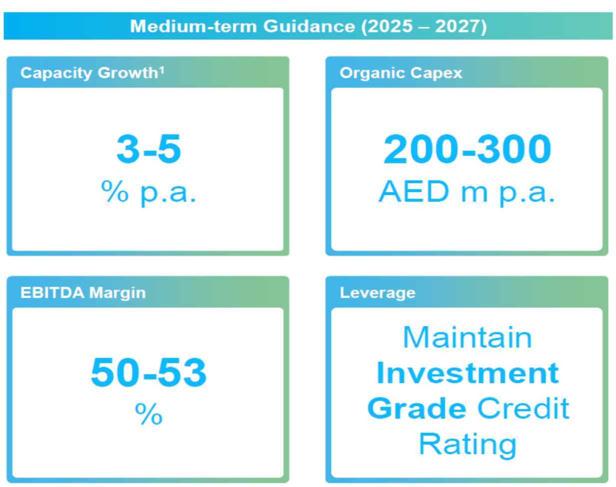
- Tabreed's UAE market remains the core contributor, representing 82% of total connected capacity, while Saudi Arabia, Oman, Bahrain, and others collectively account for the remaining share.
- Seasonal factors in 2Q25 saw a higher share of revenue coming from variable consumption rather than fixed charges, driven by increased cooling demand during peak summer temperatures.
- Proceeds from the USD 700 Mn green sukuk were used to refinance existing bank loans, improving liquidity profile and extending debt maturities.
- The Company maintains a strong liquidity position with AED 881 Mn in cash as of June,2025 and access to an undrawn AED 600 Mn green revolving credit facility.
- Organic capex in 1H25 totalled AED 66 Mn compared to AED 102 Mn in 1H24, focused on advancing ongoing greenfield projects and expanding capacity within existing concessions, with spending expected to accelerate in 2H25.
- Organic capacity growth guidance remains unchanged at 3-5% annually through 2027, excluding contributions from large M&A deals like PAL Cooling.
- The company guides for organic capex of AED 200-300 Mn per year over the medium term (2025-2027), and EBITDA margins are expected to remain in the 50%–53% range during a similar period.

Tabreed – P&L

AED mm	**2Q24**	**1Q25**	**2Q25**	**2Q25F**	**Var.**	**YOY Ch**	**QOQ Ch**
Revenue	611	466	643	644	-0.3%	5.1%	37.9%
Operating costs	-323	-231	-346	-338	2.3%	7.1%	50.1%
Gross profit	**288**	**235**	**297**	**306**	**-3.1%**	**2.9%**	**26.1%**
Administrative and other expenses	-70	-75	-64	-74	-14.0%	-8.9%	-14.6%
EBITDA	**331**	**283**	**349**	**283**	**23.3%**	**5.4%**	**23.3%**
Operating profit/ EBIT	**219**	**161**	**233**	**232**	**0.4%**	**6.6%**	**44.9%**
Profit before tax	**178**	**133**	**186**	**198**	**-6.3%**	**4.3%**	**39.9%**
Income tax expense	-13	-11	-16	-18	-10.3%	19.0%	43.9%
Net profit for the period	**165**	**122**	**170**	**180**	**-5.9%**	**3.1%**	**39.5%**
Profit attributable to equity holders	**157**	**115**	**160**	**173**	**-7.3%**	**2.2%**	**38.9%**

FABS estimate & Co Data

Guidance:



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%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani	+971-2-6161629	ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office		
Trading Desk	+971-2-6161700/1 +971-2-6161777	Online Trading Link
Institutional Desk	+971-4-4245765	

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