

## National Central Cooling Company (Tabreed)

Expansion in capacity coupled with higher consumption fueled the increase in revenue

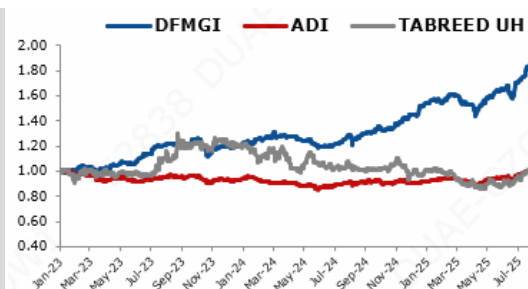
**Current Price**  
AED 2.93

**Target Price**  
AED 3.95

**Upside/Downside (%)**  
+35%

**Rating**  
**BUY**

- Tabreed commissioned three new greenfield plants in the UAE and Saudi Arabia, along with incremental capacity expansions within existing concessions such as Yas Island, adding 41.6 KRT in 1H25.
- Tabreed maintains 3-5% YOY annual organic capacity growth guidance through 2027, with AED 200–300 Mn annual capex and stable EBITDA margins of 50-53%, excluding major M&A contributions like PAL Cooling.
- Tabreed's total Capacity increased from 1,325 KRT in 4Q24 to 1,366 KRT in 1H25.
- The Company announced an interim dividend of 6.5 fils per share for 1H25, marking the first interim dividend in Tabreed's history.



### Stock Information

Market Cap (AED, Mn)	8,336.64
Paid Up Capital (Mn)	2,845.27
52 Week High	3.29
52 Week Low	2.49
3M Avg. daily value (AED)	1,814,398

### 2Q25 Result Review (AED, Mn)

Total Assets	13,999
Total Liabilities	7,240
Total Equity	6,760
EBITDA	349
Net Profit	160

### Financial Ratios

Dividend Yield (12m)	5.27
Dividend Pay-out (%)	79.84
Price-Earnings Ratio(x)	14.43
Price-to-Book Ratio (x)	1.36
Book Value (AED)	2.16
Return-on Equity (%)	9.41

### Stock Performance

5 Days	2.45%
1 Months	0.69%
3 Months	6.16%
6 Months	-0.34%
1 Year	-3.30%
Month to Date (MTD%)	0.69%
Quarter to Date (QTD%)	3.17%
Year to Date (YTD%)	-2.33%

### 2Q25 Net Profit lower than our estimate

National Central Cooling Company (Tabreed/The Company) net profit increased marginally 2.2% YOY to AED 160 Mn in 2Q25, lower than our estimate of AED 173 Mn. The increase in net profit is mainly attributed to lower administrative & other expenses, an increase in revenue and other gains & losses, partially offset by an increase in operating and net finance costs and a lower share of associates & JV.

### P&L Highlights

Tabreed's revenue increased 5.1% YOY to AED 643 Mn in 2Q25, due to an increase in revenue from the supply of chilled water segment, partially offset by a marginal downtick in revenue from the value chain business segment. Revenue from the Supply of Chilled Water increased 6.4% YOY to AED 624 Mn in 2Q25 due to expansion in capacity and consumption volume, while Value Chain Business revenue declined from AED 25 Mn in 2Q24 to AED 18 Mn in 2Q25. Consumption volume increased by 8% YOY in 2Q25. Revenue mix of the Chilled Water segment amounted to 54% from fixed charges and 46% from variable charges in 2Q25, in line with the mix of 2Q24. Direct cost grew 7.1% YOY to AED 346 Mn in 2Q25. Thus, gross profit increased 2.9% YOY to AED 297 Mn in 2Q25 with a decline in gross profit margin of 101 bps YOY to 46.2% in 2Q25. Moreover, administrative and other operating expenses fell from AED 70 Mn in 2Q24 to AED 64 Mn in 2Q25. EBITDA grew 5.4% YOY to AED 349 Mn in 2Q25, while EBITDA margin increased by 17 bps YOY to 54.3% in 2Q25. Tabreed's operating profit increased 6.6% YOY to AED 233 Mn in 2Q25 primarily due to an increase in gross profit along with decline in administrative and other expenses. Finance income rose from AED 5 Mn in 2Q24 to AED 8 Mn in 2Q25, whereas finance costs increased 13.9% YOY to AED 67 Mn in 2Q25. Share of associates & JV fell from AED 12 Mn in 2Q24 to AED 6 Mn in 2Q25. While profit attributable to

non-controlling interest holders increased from AED 8 Mn in 2Q24 to AED 9 Mn in 2Q25. Tax charges stood at AED 16 Mn in 2Q25, compared to AED 13 Mn in 2Q24.

### Balance Sheet Highlights

Tabreed's cash and cash equivalents declined from AED 1.2 Bn in 1Q25 to AED 0.9 Bn in 2Q25. The Company's net debt increased from AED 4.5 Bn in 1Q25 to AED 4.8 Bn in 2Q25 due to decreased cash and short-term deposits. Net debt to LTM EBITDA increased from 3.55x in 1Q25 to 3.74x in 2Q25 owing to low cash and short-term deposits and a marginal increase in Gross Debt. The Company's net cash flow from operating activities decreased from AED 251 Mn in 2Q24 to AED 244 Mn in 2Q25, owing to investment in working capital during 2Q25, compared to cash generation in 2Q24.

### Target Price and Rating

We maintain our BUY rating on Tabreed with a target price of AED 3.95. Tabreed posted a strong 1H25 performance, underpinned by significant capacity additions and transformative acquisitions. The Company successfully commissioned three new greenfield plants during 1H25 in the UAE and Saudi Arabia, while also expanding capacity at existing concessions such as Yas Island. Additionally, Tabreed's largest-ever acquisition, a 50% stake in PAL Cooling Holdings, executed through a joint venture with CVC DIF. This transaction will add 182K RTs of connected capacity in Abu Dhabi and secured a substantial future growth pipeline of c. 420K RTs. Importantly, expansion capex for PAL will be funded at the SPV level via an accordion facility, limiting the impact on Tabreed's consolidated balance sheet. Following the acquisition, Tabreed's total connected capacity is expected to rise by c. 13% to 1.55 Mn RTs after consolidation over current capacity (as of 2Q25), while further diversifying its customer base. In addition, the Palm Jebel Ali concession, awarded in partnership with Dubai Holding Investments, will contribute 250K RTs of exclusive capacity, marking one of the largest greenfield wins in Tabreed's history. With existing concessions plus the PAL and Palm Jebel Ali additions, future site capacity is set to reach c. 2.6 Mn RTs. The UAE remains Tabreed's core market, contributing 82% of total connected capacity, as of June 2025, with Saudi Arabia, Oman, Bahrain, and other markets accounting for the rest. Seasonal factors in 2Q25 saw higher revenue from variable consumption charges, driven by peak summer cooling demand. The Company's net LTM debt-to-EBITDA ratio in 1H25 was 3.74x, up slightly from 3.69x in 2024. Liquidity improved following the successful issuance of a USD 700 Mn green sukuk during 1H25, which refinanced existing bank loans and extended debt maturities. Tabreed closed 1H25 with AED 881 Mn in cash and access to an undrawn AED 600 Mn green revolving credit facility. Management reaffirmed guidance for organic capacity growth of 3-5% annually through 2027, excluding major M&A contributions, and annual organic capex of AED 200-300 Mn. EBITDA margins are expected to remain in the 50-53% range over the medium term. The Board proposed the first-ever interim dividend in the Company's history, 6.5 fils per share for 1H25, subject to shareholder approval. Thus, considering the above factors, we assign a BUY rating on the stock.

### Tabreed - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	14.30	14.08	13.73	19.12	14.45	14.16
PB	1.60	1.43	1.27	1.30	1.30	1.27
EV/EBITDA	14.79	14.62	11.73	11.52	10.77	10.30
EPS	1.817	2.022	2.278	2.223	2.232	2.282
BVPS	0.203	0.206	0.211	0.152	0.201	0.205
DPS (AED)	0.055*	0.059*	0.135	0.155	0.155	0.155
Dividend yield	1.9%	2.0%	4.5%	5.2%	5.2%	5.2%

FABS Estimates & Co Data, \* In addition, the company distributed Bonus share of 2.5% for the period of 2021 and 2.222% in 2020.

**Tabreed – P&L**

AED Mn	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	611	466	643	644	-0.3%	5.1%	37.9%	2,434	2,556	5.0%
Operating costs	-323	-231	-346	-338	2.3%	7.1%	50.1%	-1,353	-1,419	4.9%
<b>Gross profit</b>	<b>288</b>	<b>235</b>	<b>297</b>	<b>306</b>	<b>-3.1%</b>	<b>2.9%</b>	<b>26.1%</b>	<b>1,081</b>	<b>1,138</b>	<b>5.2%</b>
Administrative & other exp.	-70	-75	-64	-74	-14.0%	-8.9%	-14.6%	-287	-294	2.4%
<b>EBITDA</b>	<b>331</b>	<b>283</b>	<b>349</b>	<b>283</b>	<b>23.3%</b>	<b>5.4%</b>	<b>23.3%</b>	<b>1,252</b>	<b>1,324</b>	<b>5.8%</b>
<b>Operating profit/ EBIT</b>	<b>219</b>	<b>161</b>	<b>233</b>	<b>232</b>	<b>0.4%</b>	<b>6.6%</b>	<b>44.9%</b>	<b>794</b>	<b>844</b>	<b>6.3%</b>
Finance costs	-58	-47	-67	-54	23.2%	13.9%	40.6%	-215	-250	16.3%
Finance income	5	11	8	9	-12.5%	71.5%	-25.7%	41	38	-8.1%
Impairment provision for trade receivables	0	0	0	0	NM	NM	NM	-1	0	NM
Other gains and losses	1	1	5	1	NM	NM	NM	6	5	-16.2%
Share of associates & JV	12	8	6	10	-34.1%	-45.8%	-19.6%	38	38	0.0%
<b>Profit from continuing operations</b>	<b>178</b>	<b>133</b>	<b>186</b>	<b>198</b>	<b>-6.3%</b>	<b>4.3%</b>	<b>39.9%</b>	<b>662</b>	<b>673</b>	<b>1.7%</b>
Income tax expense	-13	-11	-16	-18	-10.3%	19.0%	43.9%	-60	-61	1.8%
<b>Profit before NCI</b>	<b>165</b>	<b>122</b>	<b>170</b>	<b>180</b>	<b>-5.9%</b>	<b>3.1%</b>	<b>39.5%</b>	<b>603</b>	<b>613</b>	<b>1.7%</b>
Non-controlling interest	8	6	9	7	28.7%	21.4%	52.5%	33	31	-5.8%
<b>Net profit/(loss)</b>	<b>157</b>	<b>115</b>	<b>160</b>	<b>173</b>	<b>-7.3%</b>	<b>2.2%</b>	<b>38.9%</b>	<b>570</b>	<b>582</b>	<b>2.1%</b>

FABS estimate & Co Data

**Tabreed - Margins**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross Profit	47.2%	50.5%	46.2%	-101	-435	44.4%	44.5%	8
EBITDA	54.1%	60.7%	54.3%	17	-644	51.4%	51.8%	36
Operating Profit	35.7%	34.5%	36.3%	52	175	32.6%	33.0%	38
Net Profit	25.7%	24.8%	24.9%	-72	16	23.4%	22.8%	-66

FABS estimate & Co Data

## Valuation:

We use Discounted Cash Flow (DCF) and Relative Valuation (RV) method to value Tabreed. We have assigned 70% weight to DCF and 30% weight to RV method.

Valuation Method	Target	Weight	Weighted Value
DCF Method	4.16	70.0%	2.91
EV/EBITDA	3.47	30.0%	1.04
<b>Weighted Average Valuation (AED)</b>			<b>3.95</b>
Current market price (AED)			2.93
Upside/Downside (%)			+35%

### 1) DCF Method:

Tabreed is valued using free cash flow to firm. We have discounted the cash flow using the weighted average cost of capital of 7.5%. It is arrived after using cost of equity of 9.2% and after-tax cost of debt of 5.0% with a debt-to-equity ratio of 68.8%. Cost of equity is calculated by using a 10-year government bond yield of 5.7%, beta of 0.85 and equity risk premium of 4.1%. Government bond yield is calculated after adding the Dubai 10-year spread over 10-year US risk free rate. Cost of debt of 5.5% is calculated after adjusting a tax rate of 9.0%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	3,646
Terminal value (AED, Mn)	13,132
Net Debt (AED Mn) (As of June 2025)	(4,782)
<b>FV to Common shareholders (AED, Mn)</b>	<b>11,814</b>
No. of share (Mn)	2,842
Current Market Price (AED)	2.93
<b>Fair Value per share (AED)</b>	<b>4.16</b>

### DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	783	832	881	910	936
D&A	392	366	366	366	368
Change in working capital	-46	-36	-39	5	4
(-) Capex	-256	-270	-285	-325	-336
<b>Free Cash Flow to Firm (FCFF)</b>	<b>873</b>	<b>892</b>	<b>923</b>	<b>956</b>	<b>972</b>
Discounting Factor	0.97	0.90	0.84	0.78	0.73
<b>Discounted FCFF</b>	<b>425<sup>1</sup></b>	<b>807</b>	<b>777</b>	<b>748</b>	<b>707</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

## 2) Relative Valuation:

We have used Utilities Companies multiple to value Tabreed as there is only one pure-play company listed in the region. It is valued at EV/EBITDA multiple of 11.1x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Essential Utilities, Inc.	10,877	14.1	13.3	18.3	17.4
SJW Group	1,773	11.5	10.3	16.9	16.3
Emirates Central Cooling Systems Corporation	4,764	12.7	11.7	17.7	15.9
Exelon Corporation	45,773	10.7	10.0	16.8	16.0
Dubai Electricity and Water Authority	37,296	9.9	9.6	17.9	17.1
Saudi Electricity Company	16,519	5.7	5.4	15.3	12.9
<b>Average</b>		<b>10.8x</b>	<b>10.0x</b>	<b>17.2x</b>	<b>15.9x</b>
<b>Median</b>		<b>11.1x</b>	<b>10.1x</b>	<b>17.3x</b>	<b>16.2x</b>
<b>Max</b>		<b>12.4x</b>	<b>11.3x</b>	<b>17.9x</b>	<b>16.9x</b>
<b>Min</b>		<b>10.1x</b>	<b>9.7x</b>	<b>16.8x</b>	<b>15.9x</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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