

Emirates Central Cooling Systems Corporation (Empower)

Current Price
AED 1.63

Target Price
AED 2.15

Upside/Downside (%)
+31.9%

Rating
BUY

3Q25 Net Profit in line with our estimate

- Revenue grew 3.0% YOY to AED 1,133 Mn in 3Q25 driven by higher revenue from demand charges due to strong real estate activity and new project additions in the region.
- Utilities cost increased marginally from AED 597.3 in 3Q24 to AED 603.6 Mn in 3Q25.
- Total direct cost rose 3.3% YOY to AED 734 Mn in 3Q25.
- General and administration expenses grew marginally 2.2% YOY to AED 63 Mn in 3Q25, whereas total staff cost expanded from AED 55 Mn in 3Q24 to AED 59 Mn in 3Q25.
- EBITDA increased 4.7% YOY to AED 450 Mn in 3Q25.
- Net profit rose 8.4% YOY to AED 283 Mn in 3Q25, due to higher revenue with substantial increase in demand for its services across Dubai, driven by the surge in demand in the real-estate sector and lower finance costs.
- The Company's net debt (term deposit included in cash) declined from AED 3,418 Mn in 2Q25 to AED 3,167 Mn in 3Q25. As a result, net debt to LTM EBITDA stood at 2.0x in 9M25.
- Contracted capacity grew from 1,863 K RT in 2Q25 to 1,919 K RT in 3Q25. While Connected capacity increased from 1,604 K RT in 2Q25 to 1,628K RT in 3Q25.

Earnings Call Summary

- Empower benefited from long-term master concession agreements across major UAE developments, providing a growth pipeline exceeding 3.1 Mn RT.
- Successfully refinanced its AED 5.5 billion term loans into a revolving credit facility (RCF) in early 2025, optimizing its capital structure and enhancing liquidity.
- The revolving credit facility, extended to February 2028, features a lower interest margin than the previous loan structure, thereby reducing financing costs and enhancing Empower's long-term debt profile.
- Under the new Progressive Dividend Framework, Empower will pay AED 875 Mn annually for 2025 and 2026.
- Empower's connected capacity has grown from 992 K RT in 2017 to 1,628 K RT in September 2025, implying a 7.2% CAGR since 2017. The company expects this steady growth trend to continue, backed by new development projects, population growth, and ongoing demand from the real estate and tourism sectors.
- Empower expects continued robust growth in contracted capacity, following additions of 62 K RT in the first half and 24 K RT in 3Q25, with a similar increase anticipated in 4Q25.
- Guided for 97 K RT to 122 K RT of new connections during 2025–2026, highlighting confidence in project delivery schedules and upside potential from accelerated real estate developments.
- Total cooling consumption load reached 2,381 Mn Refrigeration Ton hours (RTh) in 9M25, up 74 Mn RTh YOY, driven by higher network utilization and customer additions across major communities.
- Effective Full Load Hours (EFLH) stood at 1,491 hours in 9M25, slightly lower by 1% YOY, indicating stable system performance amid seasonal temperature variations in the UAE.
- The EBITDA margin for 2025 is projected to remain strong, with expectations to improve to 47% for 2026, contingent on achieving the target availability of District Cooling water supply by the end of 4Q25 or early 1Q26.
- Empower is gradually recovering Treated Sewage Effluent (TSE) availability, aiming to return to the 15% level by 1Q26.

- The company is investing in expanding its in-house TSE processing capacity and coordinating with the Presumed Municipality (PM) to secure additional supply, ensuring readiness to utilize new volumes as they become available.
- The decline in interest rates resulted in interest savings of c. AED 17 Mn in the 9M25. Furthermore, the Company expect impact could be extrapolated for the full year of 2025 and 2026, with potential further savings if another rate cut materializes in December 2025.

Empower - P&L

AED Mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch
Revenue	1,100	913	1,133	1,161	-2.4%	3.0%	24.0%
Cost of sales	711	541	734	755	-2.8%	3.3%	35.7%
Gross profit	404	387	413	421	-1.9%	2.3%	6.9%
G&A expenses	-61	-64	-63	-66	-5.9%	2.2%	-2.4%
EBITDA	430	423	450	444	1.4%	4.7%	6.4%
Operating profit	344	327	357	356	0.3%	3.8%	9.1%
Tax	-26	-25	-28	-28	1.8%	8.2%	11.4%
Net Profit	261	255	283	278	1.7%	8.4%	11.0%

FABS estimate & Co Data

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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