

Emirates Central Cooling Systems Corporation (Empower)

Steady capacity addition and lower finance cost boosted profit

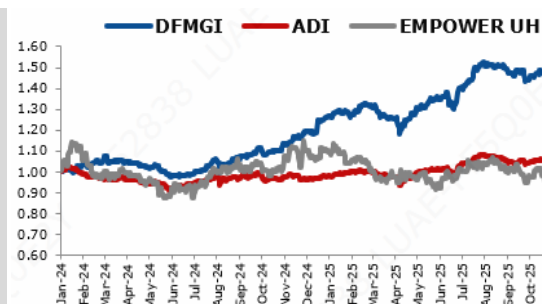
Current Price
AED 1.61

Target Price
AED 2.15

Upside/Downside (%)
+34%

Rating
BUY

- Connected capacity grew from 1,604k RT in 3Q24 to 1,628k RT in 3Q25 and the Consumption volume declined by 6 Mn RTh YOY to 1,165 Mn RTh in 3Q25.
- Successfully refinanced the term loan of AED 5.5 Bn and extended the maturity to Sep-27-Feb-28. The margin on RCF has lowered compared to older facilities.
- Connected capacity is anticipated to grow to 1,725k RT to 1,750k RT by the end of FY2026 with addition of connected capacity of 97k RT to 122k RT.
- EMPOWER's EBITDA expanded by 4.7% YOY to AED 450 Mn, while EBITDA margin grew 64 bps YOY to 39.2% in 3Q25.
- Empower will pay a dividend of AED 875 Mn annually for 2025 and 2026, under the new progressive dividend framework.



3Q25 Net Profit in line with our estimate

Empower Group's (EMPOWER/the Company) net profit rose 8.4% YOY to AED 283 Mn in 3Q25, in line with our estimate of AED 278 Mn. The growth in the net profit is due to a rise in revenue, other income, and lower finance costs, partially offset by a rise in direct costs, G&A expenses, a decline in finance income and higher tax expenses.

P&L Highlights

EMPOWER's total revenue grew 2.9% YOY to AED 1,148 Mn in 3Q25, driven by higher revenue from Demand Charges, supported by strong real estate activity and new project additions in the region, coupled with strong growth in the others segment. This growth is partially offset by a decline in revenue from Consumption Charges and interest income on financial assets at amortised cost. Revenue from Demand Charge grew 11.9% YOY to AED 312 Mn in 3Q25, due to a growth in connected capacity. While revenue from Consumption Charges declined 3.2% YOY to AED 731 Mn in 3Q25, driven by lower humidity levels in the region, leading to lower air-conditioning demand. Revenue from the Others category expanded 37.3% YOY to AED 91 Mn in 3Q25. However, interest income on financial assets at amortised cost fell marginally 1.2% YOY to AED 15 Mn in 3Q25. The Company's direct costs grew 3.3% YOY to AED 734 in 3Q25. Thus, gross profit increased 2.3% YOY to AED 413 Mn in 3Q25. G&A expenses rose 2.2% YOY to AED 63 Mn in 3Q25. Whereas other income expanded significantly from AED 1 Mn in 3Q24 to AED 6 Mn in 3Q25. EMPOWER's EBITDA increased 4.7% YOY to AED 450 Mn, while EBITDA margin expanded 64 bps YOY to 39.2% in 3Q25. The Company's operating profit rose 3.8% YOY to AED 357 Mn, whereas margin grew 25 bps YOY to 31.1% in 3Q25. Finance income decreased, driven by a fall in EIBOR rate.

Stock Information

Market Cap (AED, mn)	16,100.00
Paid Up Capital (mn)	1,000.00
52 Week High	2.04
52 Week Low	1.45
3M Avg. daily value (AED)	5,255,688

3Q25 Result Review (AED, Mn)

Total Assets	11,979
Total Liabilities	8,354
Total Equity	3,625
EBITDA	450
Net Profit	283

Financial Ratios

Dividend Yield (12m)	5.43
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	17.27
Price-to-Book Ratio (x)	4.68
Book Value (AED)	0.34
Return-on Equity (%)	29.19

Stock Performance

5 Days	1.26%
1 Months	-4.73%
3 Months	-8.00%
6 Months	-2.42%
1 Year	-12.50%
Month to Date (MTD%)	1.90%
Quarter to Date (QTD%)	-0.62%
Year to Date (YTD%)	-11.54%

While finance costs decreased 21.8% YOY to AED 58 Mn in 3Q25, supported by the refinancing of the term loan into a lower-rate revolving credit facility, coupled with a decline in EIBOR rate. EMPOWER recorded the tax expenses of AED 28 Mn in 3Q25 compared to AED 26 Mn in 3Q24. NCI declined 9.0% YOY to AED 3 Mn in 3Q25.

Balance Sheet Highlights

The Company's net debt (term deposit included in cash) declined from AED 3.4 Bn in 2Q25 to AED 3.2 Bn in 3Q25. Net debt to EBITDA declined from 2.2x in 2Q25 to 2.0x in 3Q25. EMPOWER's net cash flow from operating activity declined from AED 508 in 3Q24 to AED 461 Mn in 3Q25. Free cash flow declined from AED 425 Mn in 3Q24 to AED 311 Mn in 3Q25 due to higher capex in 3Q25.

Target Price and Rating

We maintain our BUY rating on EMPOWER with a target price of AED 2.15. Empower reported net income growth of 8.4% YOY in 3Q25, driven by the growth in connected capacity and lower finance expenses. The Company's connected capacity expanded from 1,604k RT in 3Q24 to 1,628k RT in 3Q25. It added 24K RT in 3Q25 through the connection of 22 new buildings. Additionally, EMPOWER expects a similar increase to continue in 4Q25. This reflects the Company's strong expansion strategy and its strong capability to leverage the ongoing growth momentum in Dubai's real estate sector and other vital industries. Additionally, Empower secured 52 new contracts to supply over 56k RT to various projects and buildings in multiple areas across Dubai in 3Q25, while also advancing the construction of new plants across key areas of the city to meet growing demand. Furthermore, to reinforce its market position and meet the growing demand for energy-efficient district cooling services in the key areas of Dubai, the Company signed a contract in August 2025 to develop a new district cooling plant at Dubai Science Park, with a total cooling capacity of 47,000 RT. The facility will serve approximately 80 mixed-use buildings, with construction scheduled to begin by the end of 1Q26. Thus, this reflects Empower's strong execution of its expansion strategy, reinforcing its market leadership and commitment to sustainable growth across Dubai's key districts. Empower also benefited from long-term master concession agreements across major UAE developments, providing a growth pipeline exceeding 3.1 Mn RT. As a result, 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's EBITDA grew 4.7% YOY to AED 450 Mn, whereas EBITDA margin expanded 64 bps YOY to 39.2% in 3Q25. Furthermore, the Company anticipates the EBITDA margin to improve to 47% in 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 successfully refinanced its AED 5.5 Bn term loans into a revolving credit facility (RCF) in early 2025, optimizing its capital structure and enhancing liquidity. Additionally, under the new Progressive Dividend Framework, Empower will pay AED 875 Mn annually for 2025 and 2026. Thus, based on these factors, we assigned a BUY rating on EMPOWER.

Empower - Relative valuation

(at CMP)	2022	2023	2024	2025F
PE (x)	16.2	17.0	18.1	16.6
PB (x)	5.3	5.2	5.1	4.9
EV/EBITDA	14.0	13.9	13.1	12.1
EPS	0.100	0.095	0.090	0.098
BPS	0.303	0.314	0.320	0.329
Dividend	0.043	0.085	0.086	0.088
Dividend yield	2.6%	5.2%	5.2%	5.4%

FABS Estimates & Co Data, the company got listed in Nov 2022, so prior period financials are not available

Empower – P&L

AED mn	3Q24	2Q25	3Q25	3Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue	1,100	913	1,133	1,161	-2.4%	3.0%	24.0%	3,260	3,488	7.0%
Interest inc on financial asset	15	15	15	16	-5.6%	-1.2%	1.1%	59	60	1.5%
Total revenue	1,115	928	1,148	1,176	-2.5%	2.9%	23.7%	3,320	3,548	6.9%
Direct costs	-711	-541	-734	-755	-2.8%	3.3%	35.7%	-1,917	-2,048	6.8%
Gross profit	404	387	413	421	-1.9%	2.3%	6.9%	1,402	1,501	7.0%
G&A expenses	-61	-64	-63	-66	-5.9%	2.2%	-2.4%	-235	-249	6.0%
Net impair. loss on fin assets	0	0	0	0	NM	NM	NM	17	-4	NM
Other income	1	4	6	1	NM	NM	40.9%	8	8	-4.2%
EBITDA	430	423	450	444	1.4%	4.7%	6.4%	1,526	1,620	6.2%
EBIT	344	327	357	356	0.3%	3.8%	9.1%	1,192	1,255	5.3%
Finance Income	21	11	16	14	15.1%	-25.4%	40.5%	54	52	-3.5%
Finance costs	-74	-55	-58	-60	-3.5%	-21.8%	5.3%	-248	-233	-6.0%
Profit before NCI	291	283	315	309	1.7%	8.1%	11.1%	998	1,074	7.6%
Tax	-26	-25	-28	-28	1.8%	8.2%	11.4%	-90	-97	7.3%
Non-controlling int.	4	3	3	3	9.6%	-9.0%	18.2%	11	12	7.6%
Net Profit	261	255	283	278	1.7%	8.4%	11.0%	897	965	7.6%

FABS estimate & Co Data
Empower - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Gross profit	36.2%	41.7%	36.0%	-23	-566	42.2%	42.3%	5
EBITDA	38.6%	45.6%	39.2%	64	-637	46.0%	45.7%	-32
EBIT	30.8%	35.2%	31.1%	25	-414	35.9%	35.4%	-54
Net profit	23.4%	27.5%	24.7%	124	-280	27.0%	27.2%	19

FABS estimate & Co Data

Key Developments

- **22 October 2025** – Empower signed a contract to construct its second district cooling plant in Jumeirah Village, with a planned capacity of 37k RT, scheduled for completion under its in-house supervision. The new plant, featuring advanced TES and TSE technologies, will enhance Empower’s operational capacity and support growing demand with high energy and water efficiency.
- **18 August 2025** – Empower signed a contract to design a new 47k RT district cooling plant at Dubai Science Park, which will serve around 80 mixed-use buildings and commence construction by the end of 1Q26. The project forms part of Empower’s expansion strategy to meet growing demand for sustainable, energy-efficient cooling solutions, integrating advanced TES, TSE, and AI technologies to enhance efficiency and support Dubai’s green economy goals.
- **29 July 2025** – Empower Insulated Pipe Systems (ELIPS), a wholly owned subsidiary of Empower, signed a contract to supply 19 km of insulated pipes for the Ali Al-Sabah Military Academy project in Kuwait, with deliveries beginning in 4Q25. The project marks another milestone in ELIPS’ regional expansion, reinforcing its reputation for delivering high-efficiency, sustainable pipe systems that support carbon reduction and environmental sustainability goals.
- **22 July 2025** – Empower began supplying district cooling to the first phase of the Al Habtoor Tower project, the world’s largest residential tower, with a total planned capacity of 7,200 RT upon full completion by 2027. The project, developed in partnership with Al Habtoor Group, highlights Empower’s commitment to delivering sustainable, energy-efficient cooling solutions that support Dubai’s green economy vision and carbon neutrality goals.
- **18 June 2025** – Empower commenced excavation and foundation works for its new 23,400 RT district cooling plant in Al Sufouh 2, marking the first of three planned facilities in the area. The project aligns with Empower’s strategy to expand sustainable cooling infrastructure across Dubai, meeting rising demand driven by rapid urban growth and supporting the emirate’s long-term sustainability objectives.
- **12 March 2025** – Empower signed an agreement to supply 9,470 RT of district cooling to the Palm Gateway project in Palm Jumeirah, with operations set to begin in 2Q26. The project reinforces Empower’s role in supporting Dubai’s sustainability goals through energy-efficient and environmentally friendly cooling solutions.
- **24 February 2025** – Empower signed an agreement with DMCC to supply 24,675 RT of sustainable district cooling to the next phase of Uptown Dubai. The project strengthens Empower’s role in supporting Dubai’s smart and sustainable urban development while expanding its efficient, low-carbon cooling network.
- **19 February 2025** – Empower’s subsidiary, ELIPS, expanded into new Gulf and Middle East markets, including Saudi Arabia, Bahrain, Oman, Qatar, Kuwait, and Egypt. The company has supplied over 880 km of insulated pipe systems, reinforcing its position as a key regional supplier of advanced thermal and sustainable energy solutions.
- **15 February 2025** – Empower signed an agreement with Wasl Group to supply 23,853 RT of district cooling to The Island project near Burj Al Arab, with operations expected to begin in 1Q28. The collaboration supports Dubai’s sustainability goals by delivering energy-efficient cooling solutions to the luxury mixed-use development featuring global hotel brands MGM, Bellagio, and Aria.

Valuation:

We used Discounted Free Cash Flow (DCF), Discount Dividend Method (DDM), and Relative Valuation (RV) to value Empower. We have assigned 70% weight to DCF, 20% weight to RV, and 10% weight to DDM.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.35	70.0%	1.64
Relative Valuation (Avg of EV/EBITDA & P/E)	1.72	20.0%	0.34
DDM	1.63	10.0%	0.16
Weighted Average Valuation (AED)			2.15
Current market price (AED)			1.61
Upside/Downside (%)			+34%

1) DCF Method:

Empower is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.8%. It is arrived after using cost of equity of 8.9% and after-tax cost of debt of 4.5% with an equity weight of 74.6% and debt of 25.4%. Cost of equity is calculated by using 10-year government bond yield of 5.1%, beta of 0.95 and equity risk premium of 4.1%. Government bond yield is calculated after adding Dubai 10-year spread over 10-year US risk free rate. Cost of debt of 4.9% is adjusted for a tax rate of 9.0% to arrive at after tax cost of debt of 4.5%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	5,755
Terminal value (AED, Mn)	21,084
Firm Value (AED, Mn)	26,839
Net Debt as of Sep 2025 (AED, Mn)	3,168
Non-controlling int as of 30 Sep 2025 (AED, Mn)	184
Equity Value to Share Holders (AED Mn)	23,487
No. of share (Mn)	10,000
Current Market Price (AED)	1.61
Fair Value per share (AED)	2.35

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
NOPAT	1,142	1,225	1,322	1,423	1,522	1,621
Depreciation & amortization	369	386	407	427	446	465
CAPEX	-470	-543	-687	-472	-665	-459
Working Capital	79	107	120	116	120	122
Free Cash Flow to Firm (FCFF)	1,121	1,176	1,163	1,495	1,423	1,750
Discounting Factor	0.99	0.92	0.85	0.79	0.73	0.68
Discounted FCFF	277¹	1,078	989	1,180	1,042	1,188

Source: FAB Securities, ¹Adjusted for partial year

2) DDM Method:

Empower has a track record of consistently paying substantial dividends, highlighting its solid financial performance and dedication to rewarding shareholder confidence. The Company pays half-yearly dividends to its shareholders. Empower distributed a dividend of AED 850 Mn and AED 863 Mn annually in 2023 and 2024, respectively, with a payout ratio of 89.2% and 96.2%. Under the new Progressive Dividend Framework, Empower is expected to pay a dividend of AED 875 Mn annually in 2025 and 2026. We expect Empower to maintain an average dividend payout ratio (DPR) of 84.1% during the forecasted period from FY2025-30.

Sum of PV (AED, Mn)	4,428
Terminal value (AED, Mn)	11,831
FV to Common shareholders (AED Mn)	16,258
No. of share (Mn)	10,000
Current Market Price (AED)	1.61
Fair Value per share (AED)	1.63

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E
Dividend Paid	438	875	950	1,050	1,150	1,250
Total Dividend	438	875	950	1,050	1,150	1,250
Discounting Factor	0.99	0.91	0.83	0.76	0.70	0.64
Present Value of Dividend	432	793	790	802	806	804

Source: FAB Securities

2) Relative Valuation:

We have used local and international peers to value Emirates Central Cooling Systems Corporation PJSC., and it is valued using the average of EV/EBITDA and P/E multiple. It is valued at a 2026 EV/EBITDA multiple of 12.3x and P/E multiple of 15.6x, in line with its peers.

Company	Market Cap (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Essential Utilities, Inc.	11,180	13.7	12.5	17.7	16.3
National Central Cooling Company PJSC	2,468	10.8	10.4	14.5	13.4
Exelon Corporation	46,180	10.1	9.4	16.1	15.2
Dubai Electricity and Water Authority	37,295	9.6	9.2	16.9	15.6
Qatar Electricity and Water Company QPSC	4,605	18.2	17.9	10.9	10.4
American Water Works Company	25,269	13.1	12.1	21.3	19.8
Shenzhen Envicool Technology Co., Ltd.	9,499	54.5	37.8	70.0	48.1
Abu Dhabi National Energy Company PJSC	103,760	19.6	19.5	NA	NA
Beijing Jingneng Thermal Co., Ltd.	467	NA	NA	NA	NA
Average		18.7	16.1	23.9	19.8
Median		13.4	12.3	16.9	15.6
Max		18.6	18.3	19.5	18.1
Min		10.6	10.2	15.3	14.3

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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