Key Investment Highlights:

We initiate coverage on **Dubai Electricity & Water Authority ("DEWA" or "the Company")** with a target price of **AED 2.96 per share**. DEWA is the sole and exclusive provider of power and water to the Emirate of Dubai with total investments in assets of AED 200 Bn (~ USD 54 Bn) and installed capacity of 15.1 GW of electricity and 490 MIGD of water as of 9M23.

Our investment view is supported by:

- *Strong demand for power and water in Dubai supported by macro fundamentals, which DEWA as the exclusive provider for the Emirate, is well placed to serve.*
- *Proven track record of revenue growth, healthy margins, and cash flow generation, supported by young generation assets and innovation at scale.*
- *Continued focus on new growth frontiers like district cooling, where EMPOWER is the world's largest operator.*
- *DEWA's position as the cornerstone of Dubai's energy transition and carbon neutrality plans by 2050.*

Exclusive Provider of Electricity and Water in Dubai with Strong Macro Fundamentals:

Over the years, Dubai's electricity demand is expected to grow at a CAGR of 3.3% from 53.1 TWh in 2022 to 59.4 TWh in 2026 and water demand is expected to grow at a CAGR of 2.8% from 129 Bn IG to 148 Bn IG. The significant volume growth is supported by the sustained GDP growth of 3.2% in 1H23 with an attractive demographic. Dubai, the swiftest growing Emirate in the UAE, documented a population of 3.5 Mn in FY2022 with an expected resident population of 5.8 Mn in 2040. Dubai estimates its population to grow at a CAGR growth of 2.85% over 2023-2040. Moreover, Dubai is implementing multiple economic initiatives to support its continued economic growth. Thus, strong macro fundamentals help support continued growth in demand for power and water. As the exclusive provider of electricity and water in the Emirate, DEWA is proactively adding capacity to leverage the demand momentum.

Proven Track Record of Robust Growth, High Margins, and Cash Flows Generation

DEWA's supportive and cost-reflective tariff structure under which fluctuations in fuel prices are directly passed through to customers in the form of a fuel surcharge. DEWA maintained a resilient topline even during the pandemic and revenue grew at a CAGR of 7.4% to AED 22.2 Bn in 9M23. The Company also maintained a healthy EBITDA margin (51.1% in 2022) and net income margin (28.3% in 2022). DEWA's assets generation is relatively young with a long remaining useful life. This adds to the operational efficiencies and also leads to low CAPEX intensity to replace any existing capacity. DEWA maintains robust margins owing to the cost-effective and supportive tariff structure. DEWA benefits from a robust balance sheet, healthy liquidity and a stable cash flow position that supports both growth momentum as well as consistent returns to shareholders.

Attractive Portfolio of Next Growth Frontiers - Further Value Creation Opportunities:

DEWA created an attractive portfolio of businesses with very high growth potential. EMPOWER, a 56% owned subsidiary of DEWA is the world's largest district cooling operator and accounts for 80% of the market share in Dubai as of FY2022. EMPOWER maintains a relatively high EBITDA margin (49.3% in 2022), supported by its tariff structure, inelasticity of demand, diversified customer base, and long-term contracts. Moreover, DEWA's renewables I(P/W)Ps business models is expected to reach 7.5 GW by 2030 while the Hassyan water complex will provide 240 MIGD of additional water capacity by 2030 through sea water reverse osmosis. DEWA is also growing technologically innovative businesses alongside core power and water activities.

At the Cornerstone of Dubai's Energy Transition and Carbon Neutrality Plans By 2050

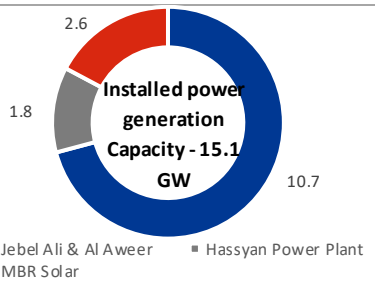
Dubai is increasingly focusing on decarbonization with an aim to reach 100% carbon neutrality by 2050. DEWA is accelerating the energy transition by innovating and investing in various technologies. The Company intends to have 25% of its generation capacity from clean and renewable sources by 2030, by enhancing its operating margins. Moreover, DEWA established the largest single-site solar park globally and is working on expanding its solar capacity to 5,000 MW by 2030. DEWA also aims to produce 100% of desalinated water using clean energy and waste heat by 2030. DEWA is expected to achieve carbon emissions reductions of more than 6.5 million tons per annum by 2030 by producing more energy using renewable sources.

Initiating Coverage
Sector: Utilities

Analyst Name: Ahmad Banihani

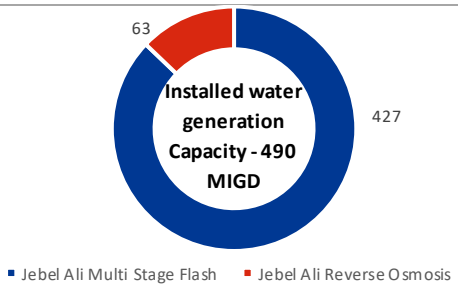
Rating	BUY
Current Market Price (AED)	2.45
Target Price (AED)	2.96
Upside/(Downside)	+ 21%
Market Cap (AED, Bn)	123

Scale of Operations - Power Capacity, 9M23



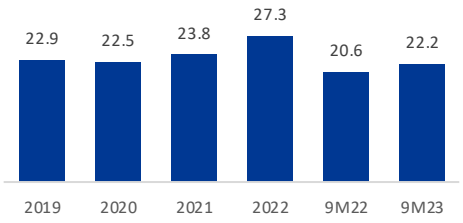
Source: Company Information

Scale of Operations - Water Daily Capacity, 9M23



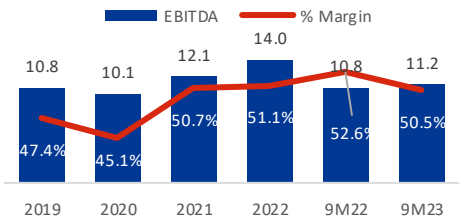
Source: Company Information

Consolidated Revenue (AED, Bn)



Source: Company Information

Consolidated EBITDA (AED Bn) & Margin (%)



Source: Company Information

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Key Investment Highlights

Exclusive Provider of Electricity & Water in Dubai with Supportive Macro Fundamentals

Dubai – Strong Economic Growth Supports DEWA …

Dubai launched 10-year economic plans in 2023 and aims to double the size of the economy by 2033

Over the years, Dubai's electricity demand is expected to grow at a CAGR of 3.3% from 53.1 TWh in 2022 to 59.4 TWh in 2026, and growth in water demand at a CAGR of 2.8% from 129 Bn IG to 148 Bn IG (Imperial Gallons). The significant growth in volume is supported by the sustained economic growth of 2.7% per year over 2022-2030 with an attractive demographic.

CBUAE expects the UAE economy to expand by 3.3% YoY in 2023. The growth will primarily be propelled by a 4.5% expansion in non-oil sector which will be underpinned by ongoing tourism expansion and higher levels of capital investment. In 1Q23, non-oil GDP grew 4.5% YOY mainly driven by an expansion in construction, wholesale and retail trade, transportation and storage, accommodation and food services. The UAE's commitment to robust reform initiatives remains steadfast as part of its long-term UAE 2050 strategies. Looking ahead to 2024, the CBUAE keeps its growth estimate steady at 4.3% mainly attributed to 4.6% growth in the non-oil sector and 3.5% growth in the oil sector. The growth in the oil sector mainly account of some restoration of output cut and likely bounce back in energy prices.

Moreover, Dubai is implementing multiple economic initiatives to support the continued expansion of its economy. Dubai's economic agenda 'D33' is a 10-year economic plan in 2023 which aims to double the size of Dubai's economy by 2033. D33 agenda also plans to increase the size of foreign trade to AED 25.6 Tn and further add 400 cities as key trading partners over the next decade. The strategic initiative plans to raise the size of Dubai's agriculture sector by 2033 by transforming Dubai into a global leader in adopting and deploying agritech. This robust macroeconomic fundamental contributes to the sustained growth in the demand for power and water. As the exclusive provider of power and water in the Emirate, DEWA is well-positioned to meet these needs effectively.

Figure 1: Dubai – Growth Momentum in Real GDP (%)

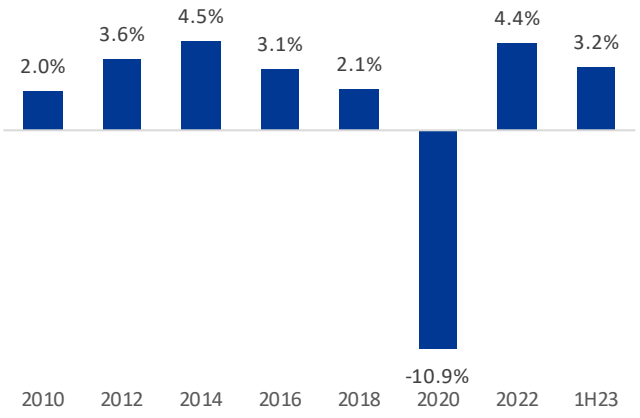
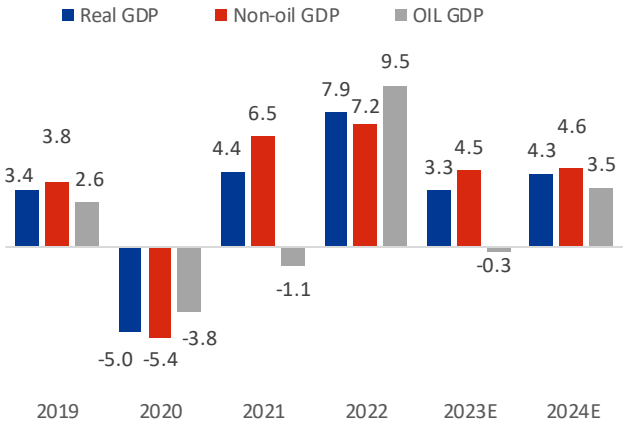


Figure 2: UAE GDP Growth - 2019 – 2024 (CBUAE)



Source: Company Information, Dubai Statistics, CBUAE

…and robust population growth alongside rising annual visitors…

With attractive growth in the demographic profile of Dubai, DEWA is well-positioned to grow sustainably

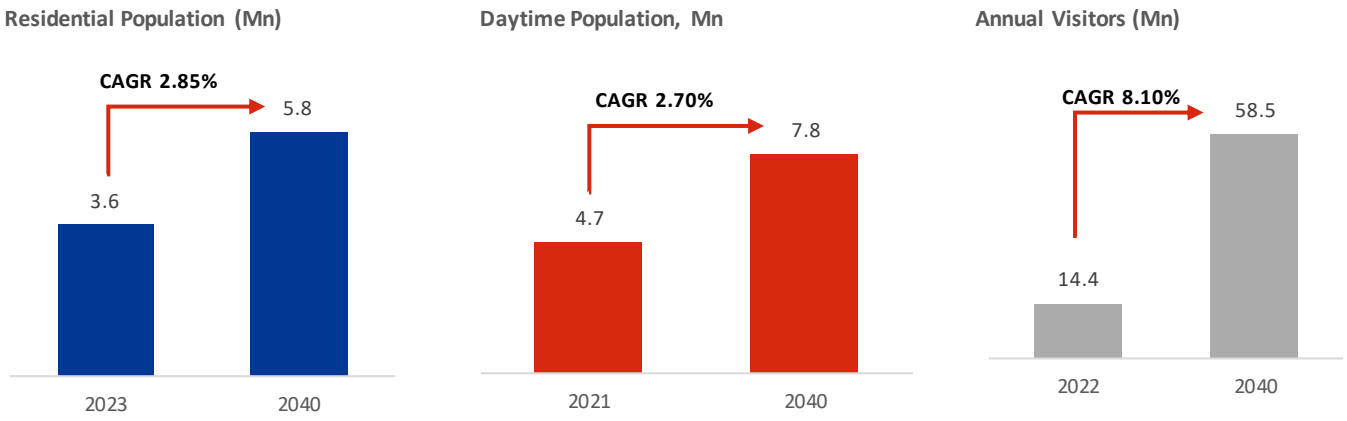
Dubai, the swiftest-growing Emirates in the UAE, documented a population of 3.5 Mn in FY2022 and is expected to record a growth rate of 2.9% to 3.6 Mn in 2023. according to Dubai's Statistics Centre's latest data.

Dubai holds one of the largest shopping malls, largest district cooling services provider, and hosts the largest international airline, featuring the tallest building, and operating the world's busiest airport in terms of international passengers. Dubai holds the top position among Middle Eastern cities when it comes to the quality of life, boasting a wealth of tourism and business travel attractions. It successfully hosted the Expo 2020 mega event and welcomed more than 24 Mn visitors to the event. Dubai also won the bid to host 232 events in 2022 and is further expected to host 400 global events by 2025 which will further boost the tourist footfall going forward. Dubai International Airport welcomed 32.7 Mn passengers in FY2022. The emirate also welcomed 13.9 Mn visitors in the first ten months of 2023 and surpassed the figure of 13.50 Mn visitors recorded in 2029. The government further aims to welcome 25 Mn international tourist visitors by 2025.

Dubai's 2040 Urban Master Plan forecasts annual visitors to surge to 58.5 Mn in FY2040

According to Dubai's 2040 Urban Master Plan, the resident population is expected to rise to 5.8 Mn with a CAGR growth rate of 2.85% between 2023 and 2040. Similarly, the daytime population is 4.7 Mn in 2021 with an expected CAGR growth rate of 2.70% to 7.8 Mn people in 2040. All these factors will positively impact the demand for electricity and water with an attractive growth in demographics. DEWA is well-positioned to grow sustainably alongside Dubai due to its growing demand for electricity and power.

Figure 3: Dubai – Robust population growth alongside rising annual visitors to support DEWA's growth



Source: Company Information

… To sustain demand momentum

Dubai Electricity demand to grew at a CAGR of 2.0% over 2023-2026

Dubai energy requirement stood at 53.2 TWH in 2022, with commercial users contributing 53.8% and residential users contributing 30% to the overall demand. DEWA anticipates a rising demand for electricity, water, and cooling, reflecting the projected expansion in both commercial and residential demand as a result of the growth in infrastructure and due to the increasing population of Dubai, including the floating population and the transient visitors. Dubai's electricity demand escalated to 54 TWh in 2023 with a further rise in the demand to 59.4 TWh by 2026. Additionally, the water demand is projected to reach 148 Bn imperial gallons (Bn IG), compared to the 2023 demand of 136 Bn IG.

Figure 4: Dubai – Expected Total Power Demand (TWh)

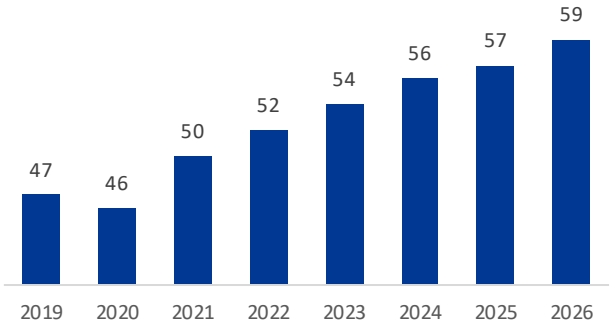
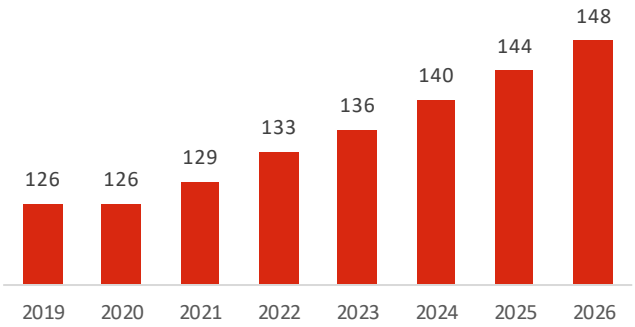


Figure 5: Dubai – Expected Total Water Demand (Bn IG)



Source: Company Information

DEWA is proactively adding capacity to leverage the demand momentum

DEWA is actively expanding its electricity and water production capacity to provide a sustained and a strong revenue growth over a long-term horizon. In terms of electricity, DEWA increased it generation capacity from 14.5 GW in 2022 to 15.1 GW in 9M23 and further aims to achieve a generation capacity of 19.8 GW by 2030. DEWA increased its green energy by 600 MW in 9M23 following the Dubai Clean Energy Strategy 2050 goal. Moreover, out of the additional 4.3 GW capacity under construction, DEWA is expected to add 2.5 GW of the capacity in the short-to-medium term which is currently in the construction phase while the remaining 2.2 GW expected to be added between 2025 and 2030. The Company awarded 1.8 GW of the solar project to Masdar in 3Q23 which is expected to be completed by 2030.

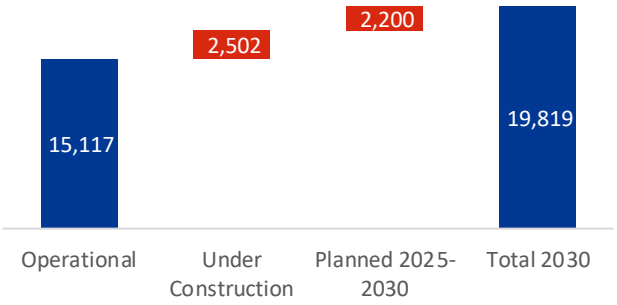
Figure 6: DEWA – Generation Assets to Meet Evolving Electricity Demand

Source: Company Information

DEWA possesses a thorough strategy and a continual investment plan to gear towards expanding its electricity and water production capabilities by ensuring consistent and robust revenue growth for the Company in the long run

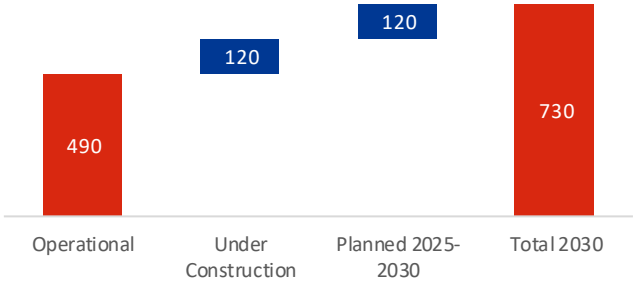
DEWA has strong capacity expansion underway to augment its water production capability and aims to increase it from 490 Mn imperial gallons per day (MIGD) in 9M23 to 730 MIGD by 2030. DEWA plans to achieve a gross installed capacity of 20 GW and 730 MIGD of desalinated water by the end of 2030. DEWA plans to secure 5GW from installed renewable sources constituting 25% of the overall generation among the 20GW target. Additionally, the Company is set to incorporate 240 MIGD of desalination capacity through reverse osmosis technology. Half of the enhanced 240 MIGD capacity, amounting to 120 MIGD, is presently in the construction phase and the remainder is anticipated to be added between 2025 and 2030. DEWA's growing production capacity is supported by efficient cost management to align with the economic feasibility of the long-term financial sustainability goals. The rise in the total water production capacity is attributed to meeting the growing water demand supported by the rise in the population growth, urbanization and increased economic activities.

Figure 7: Expected Growth in Power Capacity (MW)



Source: Company Information

Figure 8: Expected Growth in Water Capacity (MIGD)



Source: Company Information

A Proven Track Record of Robust Growth, High Margins and Cash Flows Generation

Anticipated to maintain resilient growth in topline across economic cycle

DEWA's revenue grew 7.4% YOY to AED 22.2 Bn in 9M23

DEWA maintained resilience topline even during pandemic and revenue grew at a CAGR of 6.0% from AED 22.9 Bn in FY2020 to AED 27.3 Bn in FY2022. Further, the Company's revenue grew 7.4% YOY to AED 22.2 Bn in 9M23. The growth in revenue is driven by supportive macroeconomic fundamentals and strong demographics creating ever increasing demand for electricity, water and cooling services. The Company's revenue growth is also supported by the increase in the revenues from DEWA's other portfolio of assets.

DEWA's outperformed its earlier topline guidance in 2022 and 2023 wherein the company estimated the consolidated revenue to grow at a CAGR between 3.0% - 3.5% beyond 2022

The Company projects consolidated revenue to grow at a CAGR of 3.0%-3.5% after FY2022. Topline in 2022 rose 14.7% to AED 27.3 Bn and even outperformed the growth in 9M23. We anticipate DEWA's revenue to grow at a CAGR of 4.1% from AED 27.3 Bn in FY2022 to AED 33.3 Bn in FY2027 driven by a growth across all segments. DEWA's revenue growth is driven by utilities demand and is expected to increase at 3.0% per annum as reported by FTI. The market report of FTI assumes 3.1% CAGR for power demand in Dubai and 2.7% CAGR for water demand in Dubai from 2023 onwards.

DEWA has a supportive and cost reflective tariffs structure

DEWA emphasizes cost efficiencies with a goal of achieving 5 GW of renewable capacity by 2030

DEWA, the exclusive provider of electricity, water, and district cooling in Dubai, is committed to advancing the DEWA 2021 Investment Strategy by maximizing cost efficiencies throughout its value chains. The tariff of electricity and water is determined by the government through the Executive Council. The Dubai Supreme Council of Energy (DSCE) will review and assess the tariff structure proposed by DEWA for approval. The Company electricity and water tariff comprises of two components namely fixed and variable. Fixed tariff is determined by slab tariff based on consumption and type of customer. While variable tariff includes fuel surcharge which is indexed to the fuel prices. DEWA has a supportive and cost-reflective tariff structure under which fluctuations in fuel prices are directly passed through to customers in the form of fuel surcharge. Gas prices charged to DEWA have not changed since 2014 onwards.

Centralized procurement of natural gas / LNG through DUSUP at long term fuel supply contracts helps DEWA get natural gas at pre-determined prices which is lower than market levels

DEWA is managing its input cost through long-term contracts and centralized procurements of natural gas/LNG through Dubai Supply Authority (DUSUP), which is wholly owned by the Government of Dubai and is the only authorized supplier of natural gas in Dubai to Government entities. DUSUP procures gas through its various arrangements with suppliers.

DUSUP maintains strategic natural gas / LNG storage facilities, which hold in excess of one year of expected DEWA gas demand. DEWA also maintains strategic natural gas storage at each of its power stations for fuel changeover.

DEWA maintains robust EBITDA Margins across economic cycle

Effective cost and supportive tariff structure results in robust margins

The Company maintained a healthy EBITDA margin (51.1% in 2022) and net income margin (28.3% in 2022). DEWA is able to maintain robust margin across owing to the cost effective and supportive tariff structure. It managed to generate an average EBITDA margin of 48.6% during FY2019-22 and further expected to generate an average EBITDA margin of 51.7% during FY2023-27.

Steady cash generation and modest leverage will enable DEWA to pay regular dividend to shareholders

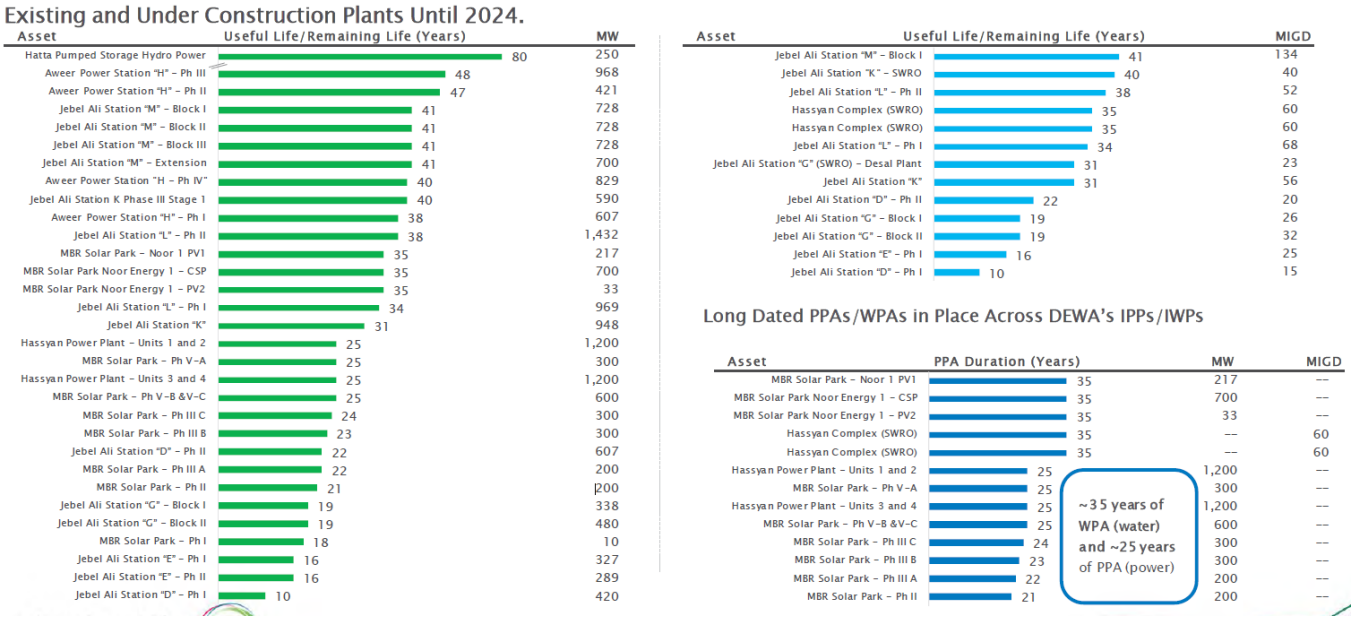
DEWA adopted half-yearly dividend policy after IPO and plans to pay AED 6.2 Bn in dividend over the next five years

DEWA generated a free cash flow of AED 3.8 Bn in FY2022 compared to negative free cash flow of AED 3.7 Bn in FY2021. It is further expected to generate steady cash flow in the forecasted. Steady cash flow negation and modest leverage will enable DEWA to make steady dividend payments. DEWA adopted half-yearly dividend policy after IPO and plans to pay AED 6.2 Bn in dividend over the next five years. First half dividend will be paid in October in the same year and second half dividend in the following year. DEWA also maintains a modest leverage of 2.0x in FY2022 and further expected to decline to 1.8x in FY2027.

Relatively Young Generation Assets …

DEWA's generation assets are relatively young with long remaining useful life. This adds to the operational efficiencies and also means low CAPEX intensity to replace any existing capacity.

Figure 9: DEWA – Young generation asset, with additional projects set to meet Dubai's growth appetite

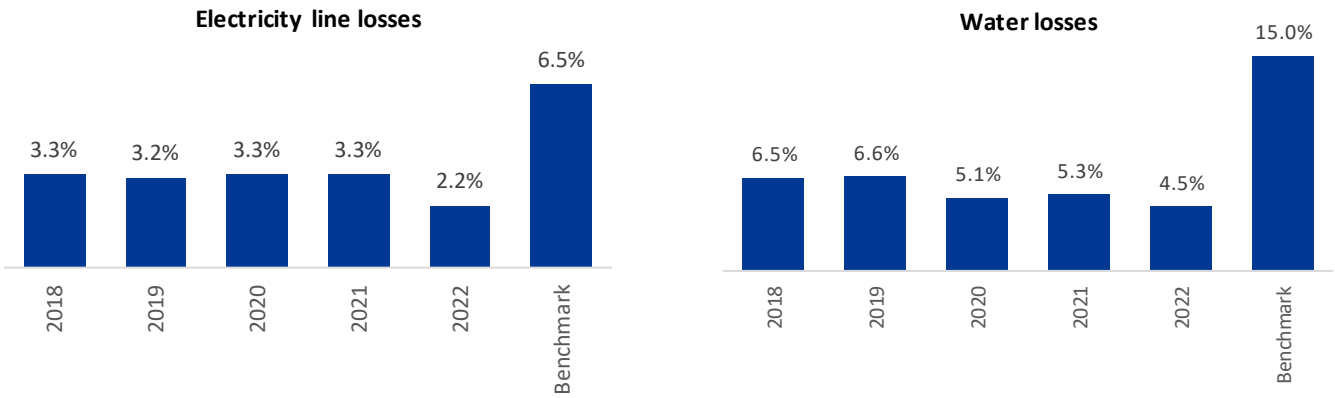


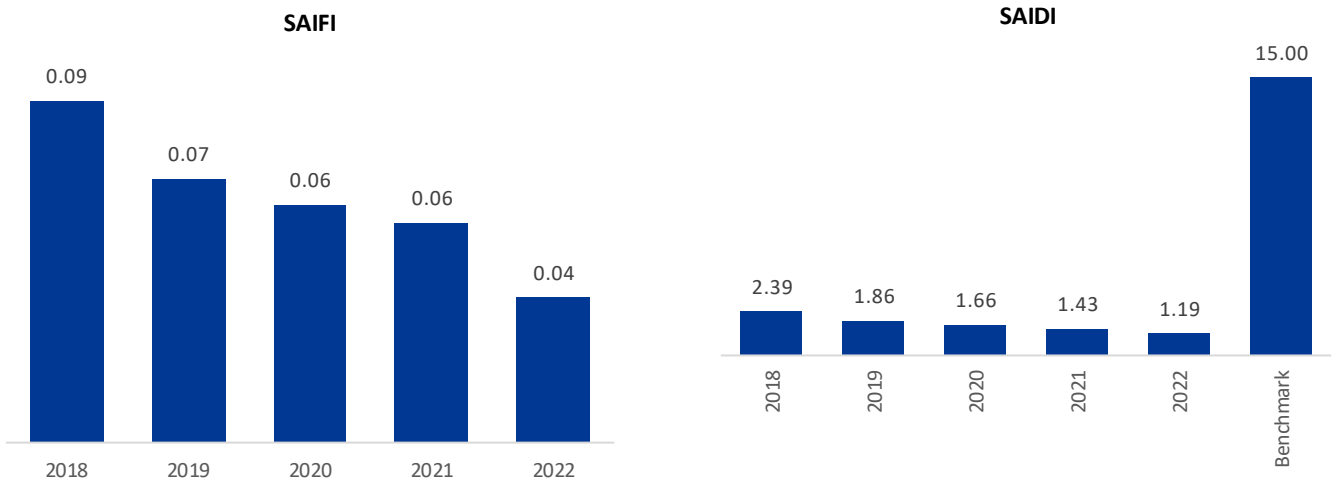
Source: Company Information; Notes: Remaining Life calculated as number of years until planned decommissioning. Charts include operational and under construction plants until 2024. (1) Includes IPPs

… and consistent trajectory of operational excellence

DEWA has an award-winning platform with leading safety and efficiency track record when benchmarked to European and North American peers.

Figure 10: DEWA – Consistent Trajectory of Operational Excellence





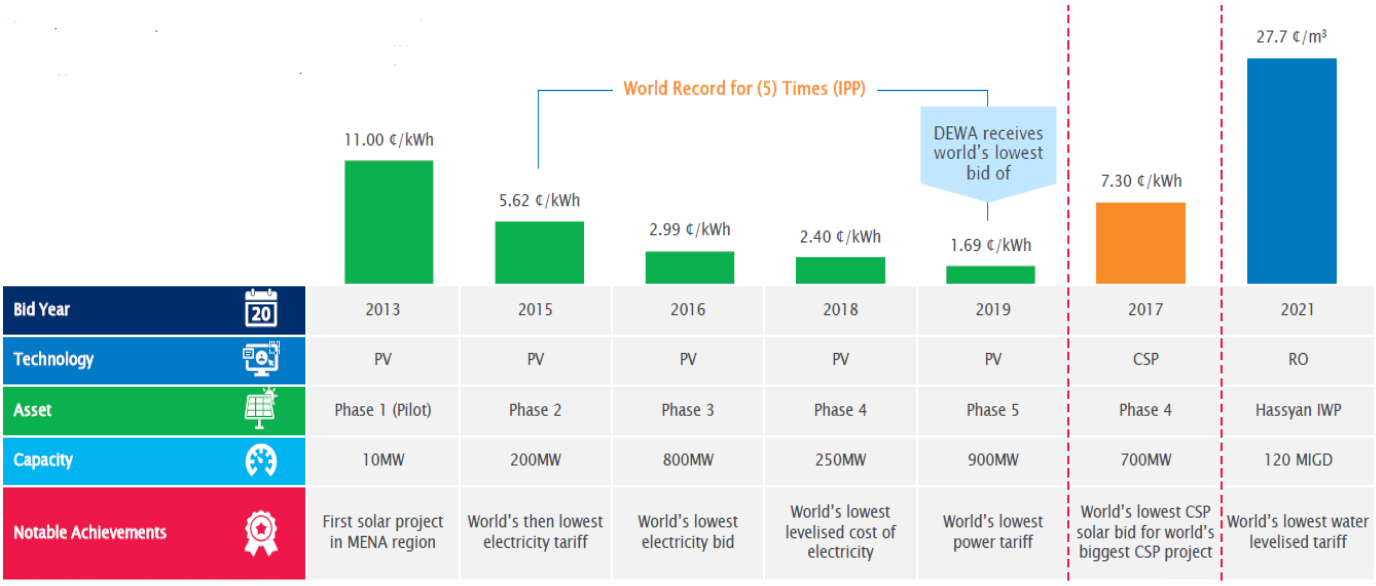
Source: Company Information; Notes: Benchmark includes European and North American peers. SAIFI = System Average Interruption Frequency Index. SAIDI (CML) = System Average Interruption Duration Index – Customer Minutes Lost.

…continuous technological innovation in power and water

Consistently setting world records for electricity and water prices

DEWA has been consistently setting world records for electricity and water prices. Particularly after adopting I(P/W)P model, the trend for electricity and water prices is expected to go down further. For example, for the 120 MIGD Hassyan SWRO plant under the IWP model, DEWA achieved a new world record for the lowest levelized water tariff of USD 0.389 per cubic meter all costs inclusive. This is much lower than the fuel cost involved in MSF water production with auxiliary boilers. In addition, DEWA achieved in phase six the lowest levelized cost of energy (LCOE) of USD 1.6215 cents per kilowatt hour (KWh).

Figure 11: DEWA – World Class efficiency led by continuous technological innovation in power and water



Source: Company Information

An attractive portfolio of next growth prospects with further value-creation opportunities

EMPOWER – Leveraging growing need for sustainable cooling technologies

District Cooling is a growing business opportunity and an essential utility in the region

The District Cooling industry employs cooling facilities that distribute chilled water through an underground pipeline system to various structures within a designated service region. The sector is poised for expansion due to its emphasis on energy efficiency and response to climate conditions.

EMPOWER, a subsidiary of DEWA with a 56% ownership stake holds the title of the world's largest district cooling operator commanding a significant 80% market share in Dubai in 2022. Empower caters to over 110,000 business and individual clients across more than 1,400 structures, boasting a connected capacity of around 1.5 Mn refrigeration tons (RT) and a contracted capacity of approximately 1.6 Mn RT. EMPOWER's portfolio encompasses extensive residential and commercial developments, including Jumeirah Village South, Discovery Gardens, Jumeirah Beach Residence, Business Bay, Jumeirah Lake Towers, and more.

The District cooling (DC) market share in Dubai is expected to increase currently from 25.6% to 40% by the year 2030

Air-conditioning accounts for a significant share of energy consumption in the UAE, given its harsh climate. Dubai targeted the promotion of district cooling as a key measure to improve energy efficiency. This is due to the fact that District cooling saves up to 50% energy compared to conventional cooling. Moreover, about 25% of the chilled water for district cooling in Dubai comes from recycled water, which is cost-efficient and more ecological.

Key driving factors favorable to district cooling vs. conventional cooling include:

Figure 12: Driving Factors Favorable to District Cooling Vs. Conventional Cooling

Higher return on investments	• Lower investment costs • Lower operating costs • Lower deterioration of equipment
Demand for cost-efficient and sustainable cooling technologies	• Lower energy consumption and more economical • Potential for reducing electricity system peak load • Lower CO2 and other pollutants emissions
Best suited for GCC master development	• Real estate development in the region along with investment in infrastructure leads to significant amount of aggregated cooling demand • Frees up space
Climate change	• Global warming drives increasing demand for cooling • Increase in efficient cooling technologies to reduce Co2 emissions

Source: Company Information

EMPOWER – Emerging as a Growth Engine for DEWA

A growth engine for DEWA with its compelling business model, scalability potential, financial performance, and the Energy Transition impact

EMPOWER's driving force for DEWA is due to its compelling business model, scalability potential, strong financial performance, and significant impact on energy transition. As the largest district cooling operator globally, EMPOWER holds a dominant market share in Dubai. With the anticipated rise in district cooling's penetration to 40% of Dubai's cooling needs by 2030, combined with supportive government policies and its commanding market position, EMPOWER is poised for robust growth in the sector. Additionally, EMPOWER maintains a relatively high

EBITDA margin (49.3% in 2022), supported by its tariff structure, the inelasticity of demand, a diversified customer base, and long-term contracts.

EMPOWER is highly cash generative with strong margins and return on capital

EMPOWER's Key operational strengths include:

- Usage of cost-effective recycled water, TSE (Treated Sewage Effluent) accounts for ~10% of EMPOWER's water consumption in 2021
- Centralized metering data management system, with sub-metering to bill end-users
- Strong operational expertise and dedicated management team
- Highly cash generative with solid margins and Return on Capital (RoC)

Figure 12: EMPOWER – Revenue (AED, Mn)

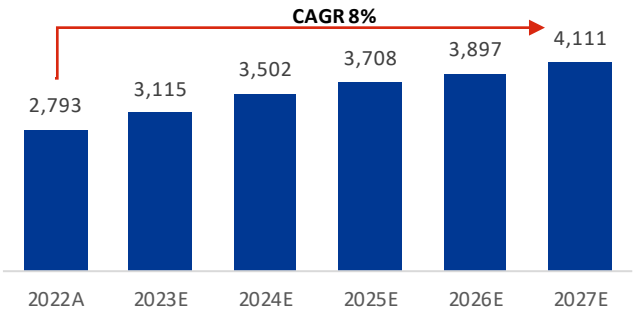
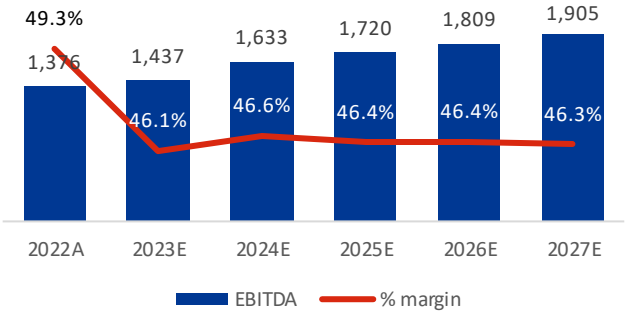


Figure 13: EMPOWER – EBITDA (AED, Mn) and Margin (%)



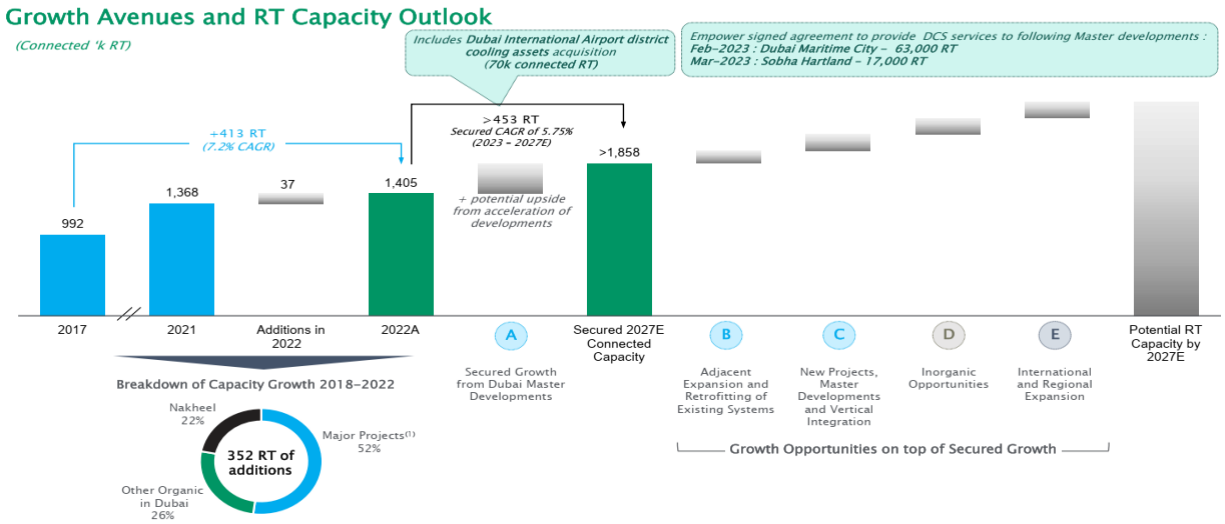
Source: Company Information, *FAB Estimates*

EMPOWER – with Organic and Inorganic expansion plans

Multiple growth avenues for expansion which will lead connected capacity to grow at a CAGR of 5.75% during 2023-2027E

EMPOWER grew its capacity across the period through greenfield expansion and timely acquisition of attractive assets. EMPOWER acquired the district cooling systems of Dubai International Airport for AED 1.1 Bn and in August 2021 and also, acquired district cooling plants from Nakheel for AED 860 Mn. In addition, it acquired the district cooling asset of Dubai Aviation City on 18 May 2023 for a consideration of AED 892.5 Mn. The expansion has led connected capacity of district cooling asset to increase from 1.0 Mn RT in FY2017 to 1.5 Mn RT in 9M23. Going forward, the connected capacity is expected to grow due to secured growth through master developments, adjacent expansion and retrofitting of existing systems, inorganic growth and international and regional expansion.

Figure 14: EMPOWER – Connected Capacity Outlook

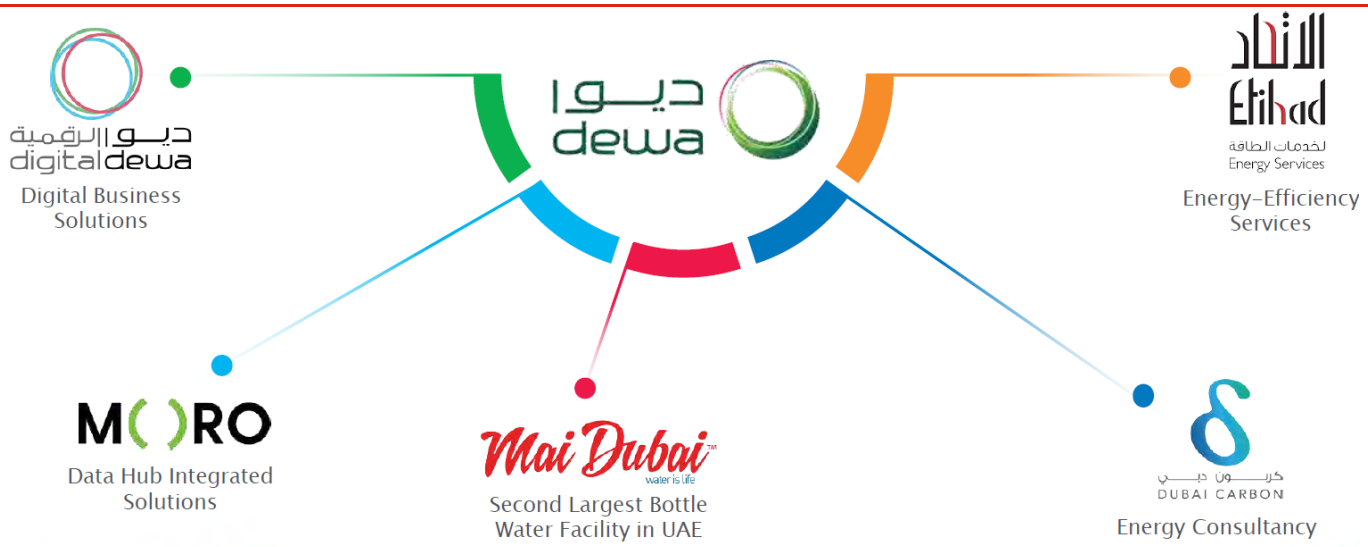


Source: Company Information, [1]Includes Business Bay, Jumeirah Village, DIFC, DLRC, Jumeirah Lake Towers

DEWA – Other Businesses Provide Further Value Creation Opportunities

DEWA operates within cutting-edge technological ventures, in addition to its core power and water operations, establishing a prominent presence in the market. DEWA encompasses five subsidiary businesses with a primary focus on digital solutions and operations within environmentally friendly data hubs. These entities offer comprehensive solutions for green data hubs powered by solar energy, deliver energy-efficient solutions, and are also engaged in bottled water and energy consulting services. Digital DEWA, Mai Dubai, and Etihad Energy Services are wholly-owned subsidiaries of DEWA. Meanwhile, MORO is a 100% subsidiary of Digital DEWA, and Dubai Carbon is a 100% subsidiary of ESCO.

Figure 15: DEWA – Other Businesses with high growth potential



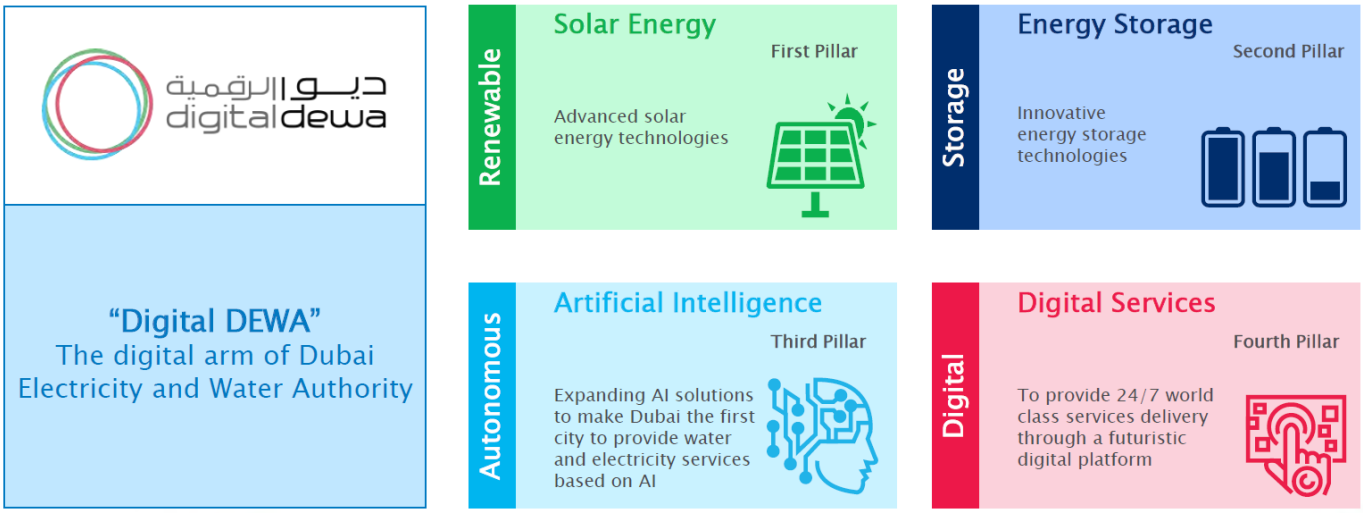
Source: Company Information. Note: Digital DEWA, Mai Dubai and Etihad Energy Services (ESCO) – all are 100% subsidiaries of DEWA. MORO is a 100% subsidiary of Digital DEWA and Dubai Carbon is a 100% subsidiary of ESCO.

1) Digital DEWA – Driving digital innovation across DEWA

The creation of Digital DEWA initiated to spearhead digital innovation throughout the organization

DEWA introduced Digital DEWA, a wholly-owned subsidiary to foster digital innovation throughout the organization with a specific focus on solar energy, energy storage, artificial intelligence, and digital services. Digital DEWA is built on four foundational pillars to facilitate its growth which include Solar energy, Digital storage, Artificial Intelligence and Digital Services.

Figure 16: Digital DEWA 10X initiative supporting four key pillars



Source: Company Information

2) MORO – Solar-powered Green Data Center

MORO is the Middle East's first solar-powered green data center

- MORO, entirely owned by Digital DEWA, represents the Middle East's inaugural solar-driven green data center. MORO's purpose is to contribute to the advancement of 24/7 Smart Cities Command & Control Centers, which encompass: An IoT Command Center
- A Security Operations Center
- A Managed Services Operations Center

Figure 17: MORO – The Middle East's first solar-powered green data centre

Source: Company Information

3) Mai Dubai – Region Leading Bottled Water Provider

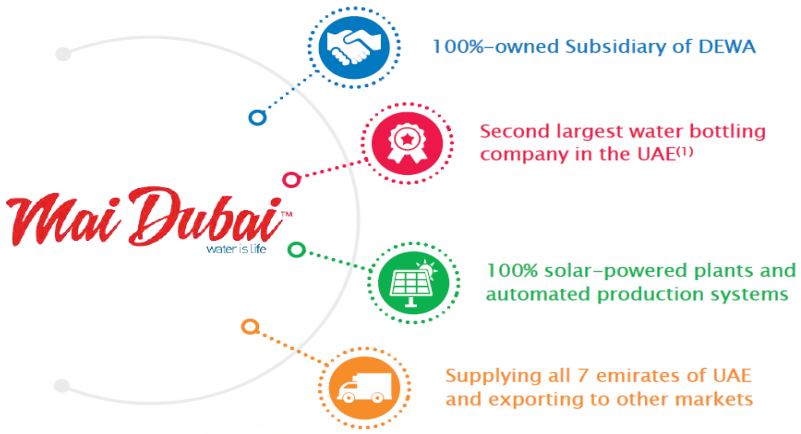
Mai Dubai is a region-leading, sustainable, and innovative bottled water provider

Second-largest water bottling company in the UAE

Mai Dubai, a fully-owned subsidiary of DEWA is an eco-conscious and pioneering bottled water provider that exports product to over 12 countries in Asia, Africa, Europe, and the GCC. Mai Dubai is the second-largest bottled water company in the UAE in terms of both distribution and sales. The company earned numerous recognitions and honors, including:

- Gulf News' endorsement as the preferred bottled water for Emirates Airlines.
- The Dubai Quality Award in 2020.
- The Best Marketing Impact award in 2016.
- A Bronze Award in the water category from the US Magazine Beverage World.
- An 'A' grade rating in food safety from Dubai Municipality in 2015, and it continued to achieve 'A+' and 'A++' ratings in subsequent years.

Figure 18: Mai Dubai – A Region-leading, sustainable & innovative bottled water provider



Source: Company Information; Note: (1) Ranked second by both distribution and sales.

4) Etihad ESCO – Implementing Energy Efficiency Projects in Dubai

Etihad ESCO is working to make Dubai one of the most sustainable cities in the world

Etihad Energy Services Company (Etihad ESCO), a wholly-owned subsidiary of DEWA established in 2013 by DEWA following a directive from the Supreme Council of Energy with the mission to implement energy efficiency projects in Dubai. The projects and building upgrades completed by Etihad ESCO between 2015 and 2021 led to substantial savings including 773 GWH of electricity and 757 MIG of water.

In an expansion effort, Etihad ESCO ventured into Abu Dhabi through a joint venture with Royal Strategic Partners, forming Etihad Smart Energy Solutions. Etihad ESCO installed a solar power system in Terminal 2 of Dubai Airport and is the largest system of its kind inside an international airport in the region. Moreover, Etihad ESCO ambitious expansion plan aims to retrofit more than 30,000 buildings within Dubai by 2030.

Figure 19: Etihad ESCO – Serving private & public clients in UAE

Source: Company Information

At The Cornerstone of Dubai's Energy Transition and Carbon Neutrality Plans By 2050

DEWA is working on accelerating Dubai's energy transition efforts…

Dubai is increasingly focusing on decarbonization with an aim to reach 100% carbon neutrality by 2050

Dubai increased its focus on decarbonization with 100% carbon neutrality by 2050. DEWA's projects focuses on the sustainability, renewable and clean energy, in line with the Dubai's Clean Energy Strategy 2050 and the Dubai Net Zero Carbon Emissions Strategy 2050 to provide 100% of Dubai's total power production capacity from clean energy sources by 2050. DEWA is accelerating the Energy Transition by innovating and investing in various technologies. Moreover, DEWA established the largest single-site solar park in the world and is working on the expansion of this site to 5,000 MW by 2030. DEWA also aims to produce 100% of the desalinated water using clean energy and waste heat recovery by 2030. The Company intends to have 25% of its generation capacity from clean and renewable sources by 2030, by enhancing its operating margins. It is expected to achieve carbon emissions reductions of more than 6.5 Mn tons per annum by 2030 by producing more energy using renewable sources. So far, the solar park has more than 8.5 Mn solar panels installed with over 84 Mn working hours. The production capacity of the Mohammed bin Rashid Al Maktoum Solar Park reached 2,627 MW by 9M23 by increasing clean energy in Dubai to about 17.4% from 16.3% in 2Q23 of the total production capacity DEWA is further expected to add 233 MW from fourth phase. The 1,800MW sixth phase of the solar park will increase total production capacity to 4,660MW. The sixth phase will become operational in stages starting from 4Q24. The increase in the production capacity support's the Company to become cost-efficient and reach to its net zero 2050 carbon emission goal.

DEWA has set a carbon emissions intensity reduction target of 35% by 2030

DEWA initiated the Carbon Dioxide Emission Reduction initiative in 2012, which outlined a plan for implementing short, medium, and long-term measures to decrease emissions until 2030. The program aims to achieve a 35% reduction in carbon emissions by 2030 against the business-as-usual scenario (BAU). taking into account reductions from both the demand and supply sides. DEWA considers to achieve the reduction in emission from both the demand and supply sides.

… and grow on multiple fronts of the energy transition

DEWA is focused on renewables opportunities with 5 GW of solar capacity to be operational by 2030

DEWA developed expertise in solar CSP with 700 MW under construction that will assist in the execution of future similar projects. The Company is also exploring opportunities in wind energy in Dubai and is establishing 250 MW of hydroelectric capacity in Hatta. Overall, between 2021-2030, DEWA will grow its solar capacity by 3.3x.

DEWA is focused on 100% desalinated water provided by clean energy and waste heat by 2030

DEWA is working on increasing its desalinated water production capacity to 730 MIGD in 2030, which represents 1.5x growth in capacity over 2021-2030. Moreover, DEWA is launching Hydro Net, an AI project in water, to monitor and improve autonomously the efficiency of water networks.

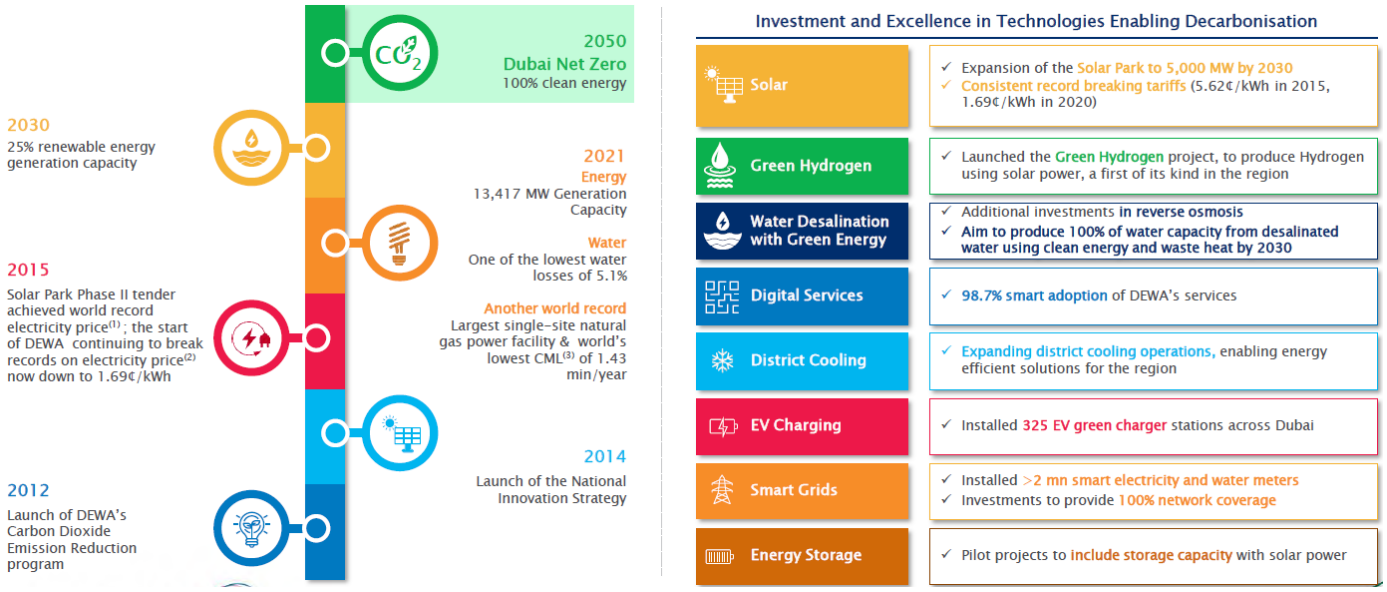
EV Charging, Hydrogen and Distributed Generation

As part of its Energy Transition, DEWA is supporting electric vehicles adoption and installed 325 (as of FY2021) charging stations across Dubai. DEWA also launched the first Green Hydrogen Project in the Middle East and North Africa in May 2021.

DEWA also launched distributed renewable generation program, Shams Dubai, with 399 MW already connected and 225 MW of ongoing projects. Over 2021-2030, DEWA plans EV opportunities to grow 3.2x and increase EV charging stations to 1,056 in Dubai in 2025. DEWA has set a target to reduce scope 1 GHG emissions by 35% by 2030, vs. BAU scenario.

DEWA firmly believes that expanding District Cooling is an effective solution to combat climate change. DEWA is targeting 1.7x growth in DC market penetration to 40% in 2030.

Figure 20: DEWA – Driving the Transition to a Low Carbon, Climate Resilient Economy



Source: Company Information. Notes: (1) Price of 5.62c/kWh (vs. global average >10c/kWh). (2) A second world record was registered in 2017 as the first below 3c/kWh for MB R Phase III. A third near world record was achieved for Phase V tender at 1.69c/kWh. (3) Customer Minutes Lost. (4) Installed capacity as of 2021.

Mohammed Bin Rashid AL Maktoum Solar Park – the Key to Energy Transition

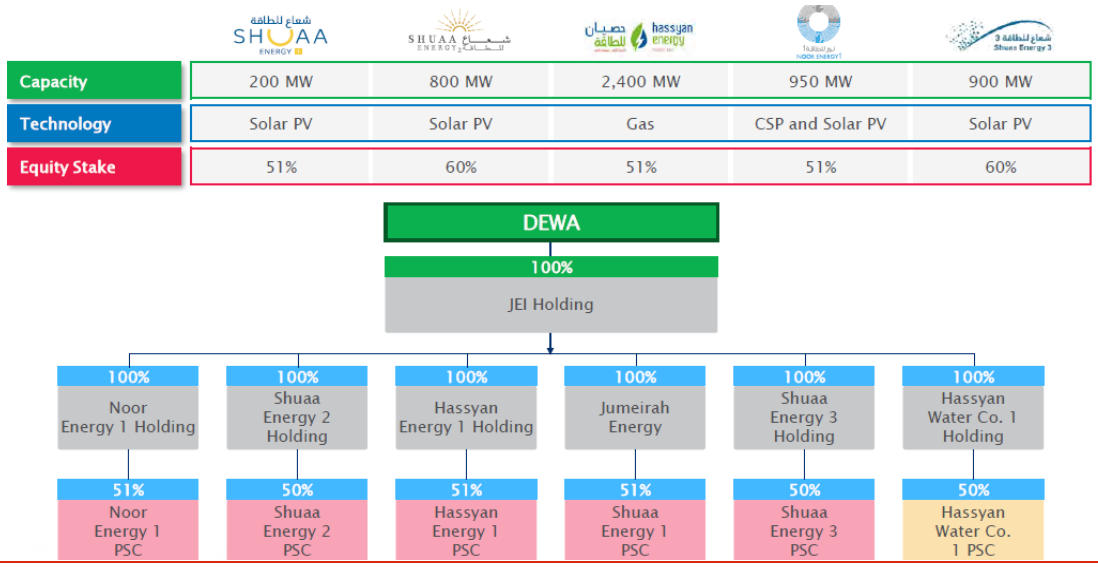
DEWA is developing the world's largest single-site solar park in Dubai - **Mohammed Bin Rashid AL Maktoum Solar Park.** This park will have a total capacity of 5 GW by 2030.

DEWA is leveraging the I(P/W)Ps business model to drive future renewable power and water growth. DEWA's renewables IPP portfolio is set to reach 7.5 GW by 2030 while the Hassyan water

complex will provide 240 MIGD of additional water capacity by 2030 through sea water reverse osmosis. **DEWA's I(P/W)Ps business model includes**:

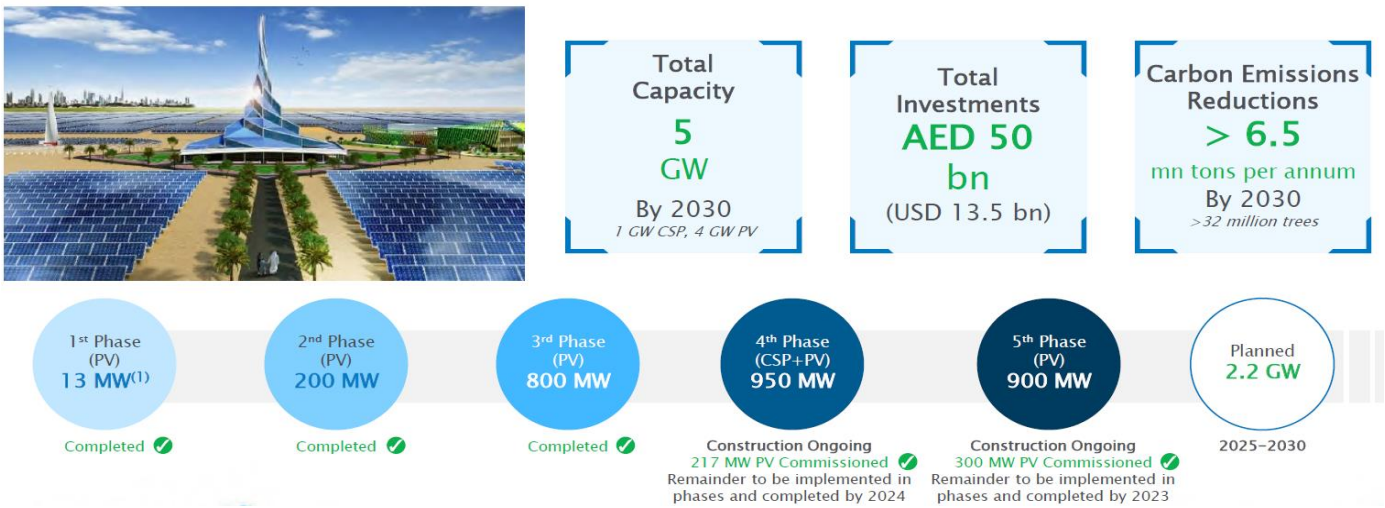
- Partner with tier 1 international players for each individual renewable or water project
- Anticipated to maintain the IPP and IWP format for future capacity buildout
- DEWA maintains majority equity stakes in each project
- Strong project bankability, with high leverage capacity, reducing equity needs and CAPEX burden while setting record-beating tariffs
- No debt recourse to DEWA

Figure 21: DEWA – The I(P/W)Ps Business Model with Leading Partner in Best-in-Class IPPs



Source: Company Information

Figure 22: DEWA – Driving the Transition to a Low Carbon, Climate Resilient Economy



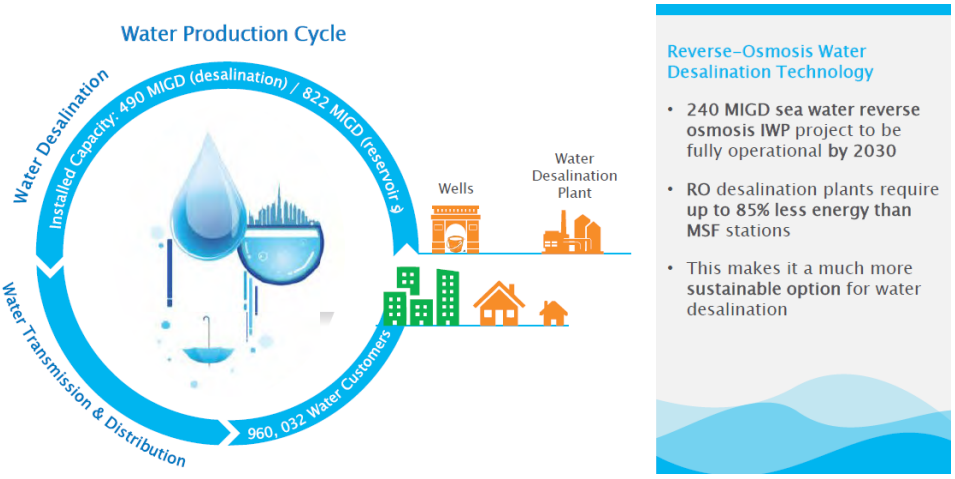
Source: Company Information; Notes: FX rate used of 3.6725 AED for 1 USD. (1) In house pilot project.

Focus on reverse osmosis for cleaner and more efficient water production

DEWA has established a clear innovation culture throughout the organization, driving operational improvements

DEWA believes in the importance of water conservation and demand-side management to have a sustainable water supply for future generations. Since the reverse osmosis (RO) method of production is up to 85% less energy-intensive than MSF, DEWA is investing in additional reverse osmosis water capacity. Alongside investments in RO systems, 100% of desalinated water will be provided via clean energy and waste heat by 2030.

Figure 23: DEWA – Smart Grid Driving Operational Efficiencies Across Functions

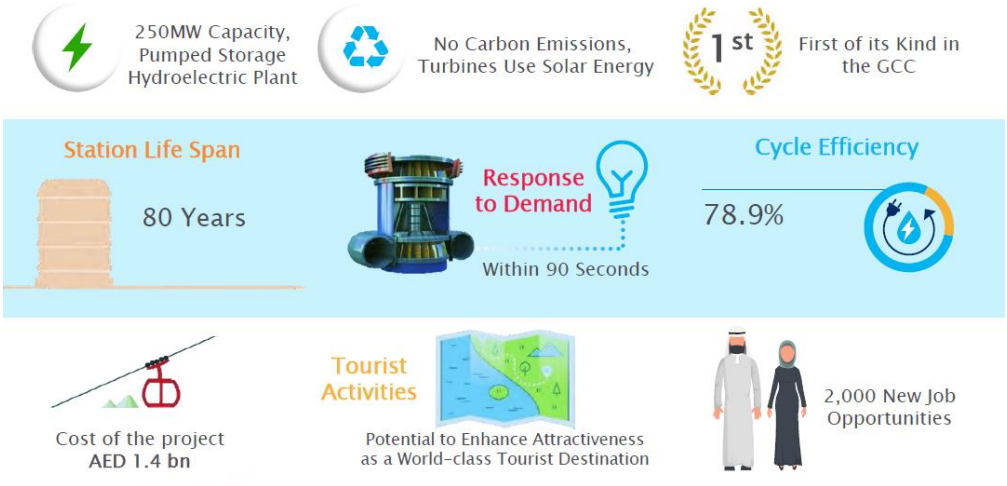


Source: Company Information

Focus on clean storage in the region

DEWA is also introducing innovative solutions for clean storage in the region. DEWA's Hatta hydroelectric plant is a landmark project in the GCC, providing energy storage powered 100% by renewable energy. This is a 250 MW capacity, pumped storage hydroelectric plant with no carbon emissions as turbines use solar energy.

Figure 24: DEWA – Energy Storage Powered 100% by Renewable Energy

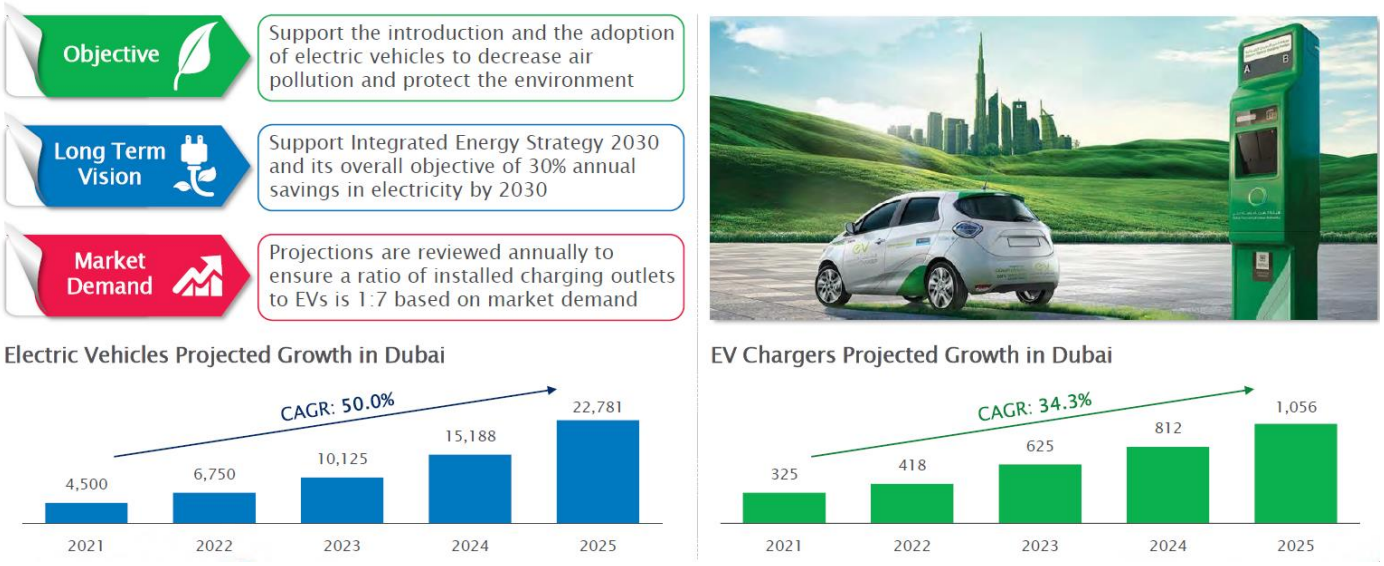


Source: Company Information

DEWA is building the infrastructure to enable the rapid adoption of EVs

DEWA has the distinction of launching the first public charging infrastructure for electric vehicles in the Middle East. By 2021, DEWA has installed more than 325 EV green charger stations across Dubai in line with the Dubai Green Mobility Strategy 2030. DEWA has plans to establish 1,056 EV charging stations in Dubai by 2025.

Figure 25: DEWA – Infrastructure to Enable the Rapid Adoption of EVs



Source: Company Information

DEWA inaugurated MENA's first green hydrogen facility

Realizing the immense potential of Hydrogen as a green energy source, DEWA launched the Green Hydrogen project to produce Hydrogen using solar power. In collaboration with EXPO2020 Dubai and Siemens, DEWA inaugurated the first solar-driven green hydrogen-producing facility in the MENA region.

The UAE's future plan is to utilize hydrogen to produce energy and provide reliable and affordable energy with a low carbon footprint.

Figure 26: DEWA – Green Hydrogen as Next Frontier

Source: Company Information

Introduction To DEWA:

DEWA is the Exclusive Provider of Electricity and water in Dubai

DEWA is the sole and exclusive provider of power and water to the Emirate of Dubai

Dubai Electricity Company ('DEC') and Dubai Water Department ('the Department') merged to form a new entity 'Dubai Electricity and Water Authority ("DEWA" or "the Company" or "the Authority") and hold the distinction of being the sole and exclusive provider of power for the Emirate of Dubai since January 1992. The Dubai-based electricity and water provider operates as a publicly traded joint stock company incorporated and listed on 12 April 2022 on the Dubai Financial Market Stock Exchange (DFM), with a market capitalization of AED 123 Bn as of December 2023. DEWA's principal activities include water desalination and distribution, as well as generation, transmission and distribution of electricity throughout the Emirate of Dubai. DEWA has been appointed by the government of Dubai as the exclusive electricity and water utility and the exclusive supplier of potable water in Dubai. The Department of Finance (DoF) owns 82% stake in the company, while local and international (including institutional and retail investors) own the remaining 18%.

…with 82% stake owned by the Government of Dubai and the remaining 18% by retail and institutional investors

DEWA owns interest in multiple subsidiaries including 56% ownership in EMPOWER, currently the world's largest district cooling services provider by connected capacity, and manages, operates, and maintains district cooling plants and affiliated distribution networks across Dubai. EMPOWER holds 80% of the market share in District Cooling as of FY2022. Empower serves more than 1,524 buildings through a total of 84 district cooling plants, and more than 380 km-long networks. Empower has a connected capacity of approximately 1.5 Mn refrigeration tones with a contracted capacity of 1.6 Mn refrigeration tones as of 30 September 2023. DEWA grew along with Dubai's expanding economy, population, and infrastructure, as Dubai's fast pace of development resulted in a rapid increase in the demand for electricity and water. With the highest standards of efficiency, quality, and availability, DEWA is ready to meet the increasing demand for electricity and water in the Emirate, which plans to grow from around 3.5 Mn people in FY2022 to 5.8 Mn people by 2040.

Figure 27: DEWA – Scale of Operations

Power and Water	Distribution and Supply	District Cooling
15.1 GW *Installed Power Generation Capacity*	**1,116,575 / 995,478** *Electricity / Water Customers*	**#1** *World's Largest District Cooling Company*
490 MIGD *Desalinated Water Production capacity*	**996,917** *Smart Water Meters installed in Dubai by 2022*	**80% / 132,000+** *Market Share in Dubai / Customers*
5 GW *World's Largest Single-Site Solar Park by 2030*	**600 MW** *DEWA added solar Capacity in 9M23*	**4,332 Km** *Length of Transmission Lines in 2022*
408 MIGD *Desalinated Water Peak Demand'22*	**1,129,816** *DEWA deployed smart electricity meters in 1Q23*	**~ 1.5 mm RT** *Connected Capacity*

Source: Company Information

DEWA – A comprehensive utility company in managing vital infrastructure in Dubai across its primary business divisions

DEWA functions through four distinct business divisions, collectively delivering extensive, fully integrated infrastructure essential to Dubai

DEWA organizes its business into four key business segments and generated revenue in 9M23 with DEWA (92.2%), EMPOWER (10.3%), Independent Power Producers or IPPs (5.9%), Other Businesses (4.9%) and transactions within the segment made up the remaining (13.3%).

- **DEWA:** DEWA is actively involved in the construction, operation, and upkeep of power generation and water desalination facilities, along with the associated transmission and distribution networks within the Emirate of Dubai. These facilities collectively possess a combined installed capacity of 15.1 GW for electricity and 490 Mn Imperial gallons per day for water production. DEWA commissioned 17 new transmission substations with a net increase in length for 400kV Transmission lines (including overhead and underground) by 2 Km whereas for 132 kV Transmission lines increased by 215 Km in FY2022. DEWA added 949 new distribution substations in FY2022 with an increase of 108 km of overhead lines and 547 km for the underground cables in 2022.
- **EMPOWER:** This subsidiary, in which DEWA holds a majority 56% stake, is actively involved in owning, overseeing, operating, and maintaining central cooling facilities, along with the associated distribution systems throughout Dubai. The company aims secured growth from Dubai Master Developments of connecting 453k RT of additional capacity for the FY2023-2027 whereas c.1.5m RT is already contracted in 2023. The Company also has other potential growth avenues that can take total capacity to beyond its current targets. EMPOWER, as the subsidiary, holds a substantial 80% share of the District Cooling market in Dubai and provides services to more than 1,524 buildings through 84 plant rooms as of 9M23.
- **Integrated Power Projects (IPPs):** DEWA is currently engaged with five IPP projects with a total capacity of 4.4 GW including solar (Photovoltaic/PV and Concentrated Solar Power/CSP) and natural gas (Hassyan) power plant in 9M23. DEWA's capacity in IPP projects is expected to increase up to 7.5 GW by 2030 with the delivery of additional renewable energy projects, including concentrated solar power. In addition, DEWA has one IWP project, the Hassyan sea-water reverse osmosis ("SWRO") desalination plant, which has an initial planned capacity of 120 MIGD. The Company's target is to have a SWRO capacity of 240 MIGD by 2030. DEWA's IPPs and IWP are clean and renewable projects with less focus on conventional projects.
- **Other Adjacent Businesses:** The segment encompasses all remaining DEWA subsidiary companies, which consist of:

    1. **Mai Dubai** is responsible for a water-bottling manufacturing and distribution company that distributes water within the UAE and to other markets. Mai Dubai is a wholly-owned subsidiary of DEWA and commenced its operations in 2014.
    2. **Digital DEWA** is a holding company for DEWA that focuses on delivering digital business solutions and operates as a green data hub. Six companies operate under Digital DEWA.
    3. **MORO** is a Data Hub integrated solution and a core entity at the Digital DEWA. Moro is currently offering integrated solutions for solar-powered green data hubs. It also provides data centre services, cloud solutions, and hosting services, which manage IT services for DEWA.

4. **Etihad ESCO** is a wholly owned subsidiary of DEWA. It provides energy efficiency projects in Dubai. Etihad ESCO is a commercial energy services company, and its activities have expanded to include solar PV projects as well as electromechanical and facility management services.

5. **Dubai Carbon** is a wholly-owned subsidiary of DEWA and is engaged in energy consultancy services.

DEWA – Electricity and Water Operational Overview

DEWA has an installed capacity of 15.1 GW of electricity and 490 MIGD of water in 9M23

DEWA's total installed power generation capacity rose to 15.1 GW in 9M23 from 14.5 GW in FY2022. The installed water desalination capacity stood at 490 MIGD as of 9M23. Out of which, 82.6% is generated through conventional sources and remaining through renewable sources. DEWA primarily relies on two main sources for electricity generation namely natural gas and solar energy. In FY2022, these sources accounted for 91% and 9%, respectively, of the total electricity generation (with installed capacity shares of 86% for natural gas and 14% for solar energy). Through planned capacity expansions, particularly in renewable (solar) power, DEWA aims to boost its total installed gross power capacity by approximately 38% to reach 20 GW by 2030 compared to the capacity in 2022. Additionally, the company aims to increase the share of solar energy to 25% of the total capacity by 2030. The Company believes that it has adequate electricity and water desalination capacity which includes the existing as well as under-construction and planned projects to meet the forecasted demand until 2030.

DEWA's Jebel Ali Power and Desalination Complex is one of the key pillars providing Dubai with high-quality, efficient, and reliable electricity and water services. Jebel Ali Power is the largest natural gas power generation facility in the world hosts 65% of all electricity generation capacity with a gross power generation capacity of 8.7 GW and a gross water desalination capacity of 490 MIGD in 9M23. Jebel Ali and Al Aweer power plant holds DEWA's gross installed capacity of 10.7 GW in 9M23. Al Aweer power plant holds 2,000 MW of gross power generation capacity

DEWA targets 100% of desalinated water to be provided via clean energy and waste heat by 2030. DEWA water desalination capacity is at 490 Mn imperial gallons per day (MIGD) and aims to raise it by c. 49% to 730 MIGD by 2030. The expansion involves adding 240 MIGD of water desalination capacity through seawater reverse osmosis (SWRO) technology at the Hassyan Water IWP Complex.

Figure 28: Power generation capacity, gross (9M23)

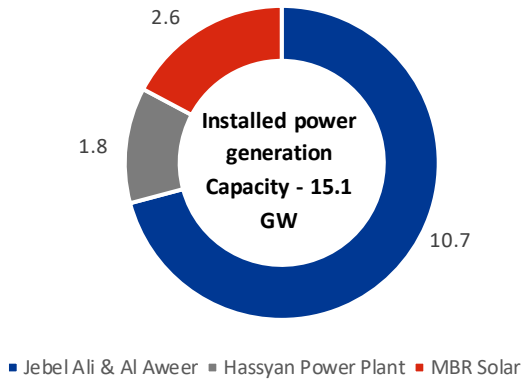
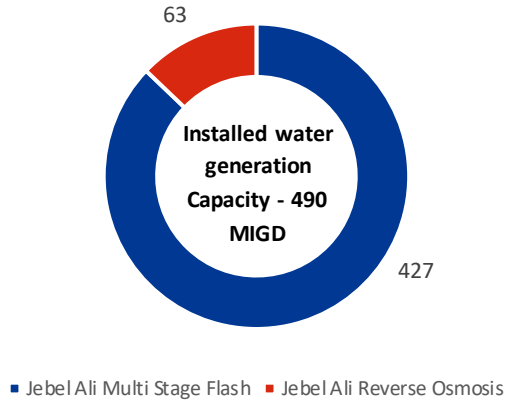
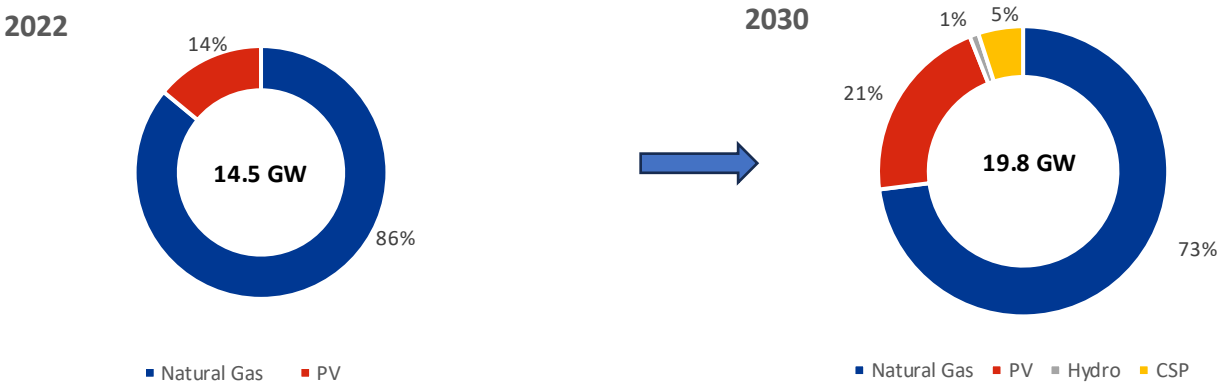


Figure 29: - Water generation capacity, gross (9M23)



Source: Company Information

Figure 30: Change in DEWA's clean energy mix from 2022 to 2030



Source: Company Information

EMPOWER – Emerging as a Growth Engine for DEWA

A growth engine for DEWA with its compelling business model, scalability potential, financial performance, and the Energy Transition impact

DEWA currently owns a 56% stake in Emirates Central Cooling Systems Corporation (Empower), which provides district cooling services (DCS) in Dubai and is the largest player in Dubai's DCS market with a c. 80% share and ~1.5m/1.6m RT of connected/ contracted capacity as of 9M23. Empower established relationships with Dubai's key master developers and targets to add at least 383k RT of connected capacity during 2023-27 organic expansion with secured growth from Dubai Master Developments and has other potential additional growth avenues to grow its capacity beyond current targets.

EMPOWER provides district cooling services (DCS), manages operations and maintenance of central cooling plants in Dubai, and also manufactures and sells pre-insulated pipes and fittings. The Company emerged as a growth engine for DEWA with its compelling business model, scalability potential, financial performance, and Energy Transition impact.

EMPOWERs mid-term growth is driven by a

EMPOWER is positioned for robust growth in the sector due to anticipated growth in DC's share of Dubai's cooling requirements, supportive government policies, and its dominant market position, with a projected penetration from 25.6% currently to 40% by 2030. Generally, demand for district

combination of organic and inorganic expansion

cooling in Dubai follows the seasonal pattern, as it is up to ~3x higher in the warmer months of July to September than in the cooler months of December to February, resulting in pronounced seasonality of Empowers revenue and operating profit tend to be highest in 3Q (with ~2/3 of consumption revenue generated in second half of the year).

Figure 31: EMPOWER's - No. of Plants

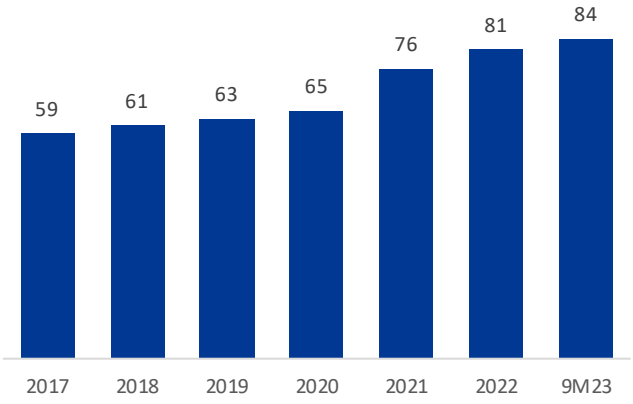
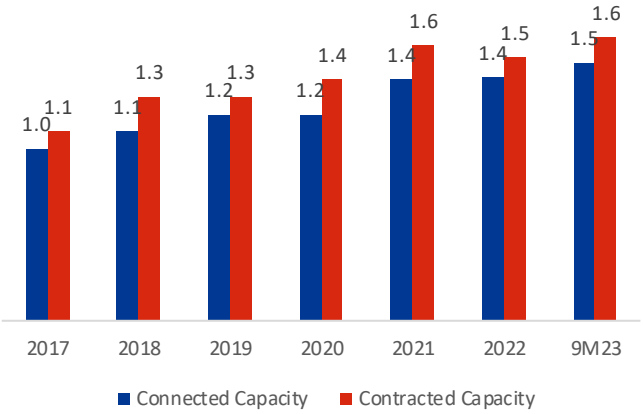


Figure 32: - Connected and Contracted Capacity (Refrigeration Tonnes, Mn)



Source: Company Information

Figure 33: EMPOWER's - Revenue (AED, Mn)

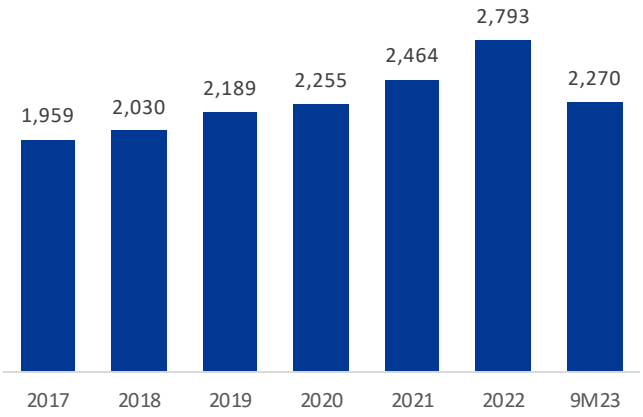
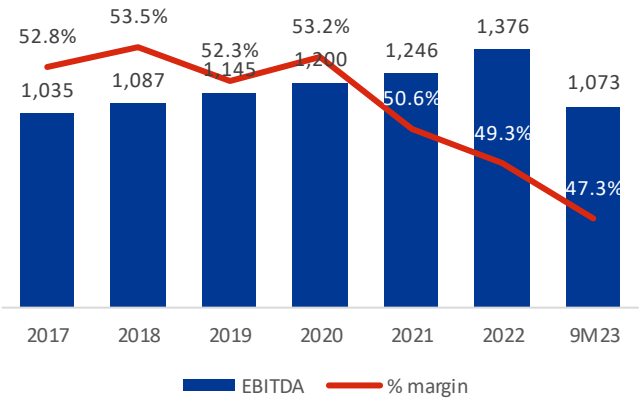


Figure 34: EMPOWER's - EBITDA (AED, Mn) and Margin (%)



Source: Company Information

Leveraging IPP and IWP business model to scale renewable electricity and water generation capacity

DEWA's IPP portfolio is set to reach 5 GW by 2030 while the Hassyan water complex to provide 240 MIGD of additional water capacity by 2030

DEWA is currently engaged in five IPP projects with a total capacity of 4.4 GW including solar (Photovoltaic/PV and Concentrated Solar Power/CSP) and natural gas (Hassyan) power plant in 9M23. The IPP and IWP segment's total capacity rose to 3.8 GW in FY2022 from 2.7 GW in FY2021. The Company's IPP project capacity is expected to increase up to 7.5 GW by 2030 along with the delivery of additional renewable energy projects, including concentrated solar power. Moreover, in the IPP segment, DEWA also included Hassyan IWP project (SWRO desalination plant), with an initial capacity of 120 MIGD and which is targeted to have 240 MIGD capacity by 2030.

DEWA's IPPs and IWP are clean and renewable projects compared to conventional projects which generate power using fossil fuels. In addition, the capacity growth is further supported by the addition of new wind capacities in Dubai.

Figure 35: DEWA – IPP / IWP Project Details

	Unit	Shuaa Energy 1	Shuaa Energy 2	Shuaa Energy 3	Noor Energy 1	Hassyan Power	Hassyan SWRO	Solar IPP programs
DEWA's stake	%	51.0%	60.0%	60.0%	51.0%	51.0%	60.0%	51.0%
Planned capacity and technology	MW or MIGD	200 (PV)	800 (PV)	900 (PV)	250 (PV) 700 (CSP)	2,400 (natural gas)	120 (SWRO)	300MW p.a. (PV, 2025-30)
Installed capacity by 2021	MW or MIGD	200	800	300	217	1,200	n/a	n/a
Addition in 2022	MW or MIGD	n/a	n/a	300	300	600	n/a	n/a
Addition in 2023	MW or MIGD	n/a	n/a	300	200	600	60	n/a
Addition in 2024	MW or MIGD	n/a	n/a	n/a	233	n/a	120	n/a
Load factor (industry benchmark, fully commissioned)	%	• Solar PV: c.30% • CSP: c.50% • SWRO: c.95%						
Levelised cost of energy	(USD/kWh or USD/m³	0.0584	0.0299	0.01695	0.024 for PV 0.073 for CSP	Capital cost recovery charge(2): USD11.58/MWh; Fixed O&M margin(2): USD0.97/MWh	0.277	c.0.03
EBITDA margin (industry benchmark)	%	• Solar PV / CSP: c.80%-90% • SWRO: c.40%-60%						
Project cost (EPC(1)) / capex	AED bn	1.2	3.5	2.1	15.8	12.6	1.5	Annual capex for a new 300MW IPP (cycle of 3 years): AED 0.2-0.3 bn

Source: Company Information

DEWA - Focuses on clean storage in the region

Mohammed Bin Rashid AL Maktoum Solar Park – the Key to Energy Transition

Mohammed bin Rashid Al Maktoum Solar Park

MBR Solar Park is the world's largest solar park that enhances the leading role of Dubai and the UAE in clean and renewable energy. The solar park planned a production capacity of 5,000 MW by 2030 using solar photovoltaic panels and concentrated solar power with total investments of AED 50 Bn. When completed, the solar park will reduce over 6.5 Mn tons of carbon emissions annually. The single-site solar park increased its capacity to 2.6 GW in 9M23 from 2.0 GW in FY2022. The MBR Solar Park also hosts the Company's Innovation Centre, a global platform for renewable and clean energy, and includes the DEWA's research and development centre.

Phase 1 of the project was completed in 2013 with a capacity generation of 13 MW of solar power electricity. Phase 2 was completed in April 2017 with an operating capacity of 200 MW. Phase 3 of the project commenced in 2020 with a power generation capacity of 800 MW. Phase 4 announced the increase in capacity from 700 MW to 950 MW and is scheduled to be completed by 1Q24. Moreover, on 18 June 2023, the integrated 900 MW Phase 5 of the solar park using photovoltaic solar panels using the IPP model, with total investments of over AED 2 Bn. Recently in 3Q23, DEWA signed an agreement with Masdar to build and operate the sixth phase solar project with a capacity of 1,800 MW which is scheduled to be completed by 2030. The project entails an investment of AED 5.51 Bn.

Figure 36: DEWA – Driving the Transition to a Low-Carbon, Climate-Resilient Economy

Source: Company Information

The project is expected to generate 250 MW of electricity and 1,500 MWH of energy storage expected to be completed by 2024

Hatta Hydroelectric Plant (HPP): The Company is also developing power storage in Hatta, as part of the Hatta Power Generation Project, the first of its kind in the region with investments of up to AED 1.421 Bn in 2022. The hydroelectric power station is expected to generate 250 MW by making use of the water stored in Hatta Dam. The station will have a storage capacity of 1,500 MWh and a life span of 80 years. The hydroelectric power station will generate electricity by making use of the existing water stored in the Hatta Dam, which can store up to 1,716 Mn gallons, and an upper reservoir that will be built in the mountain to store up to 880 Mn gallons. The first pumped storage hydro plant in the GCC region is currently under construction and completed by more than 70% as of September 2023.

Figure 37: DEWA – Energy Storage Powered 100% by Renewable Energy

Source: Company Information

DEWA – Serving a diversified mix of customers

DEWA's diversified mix of customers to meet the highest level of service quality

DEWA is dedicated to catering to a varied range of customers, aiming to meet the highest standards in service quality. DEWA's customer-centric approach resulted in its commitment to the highest service quality. The commercial sector is DEWA's historically largest consumer group in electricity sales with c. 48% share in FY2022, while the residential sector continues to be the largest consumer of potable water with c. 63% share in FY2022. As of December 2022, DEWA's electricity customers grew 5% YOY to c. 1,117k, while Water customers grew 4% YOY to c. 995k accounts.

Figure 38: - Power consumption by sector (FY2022)

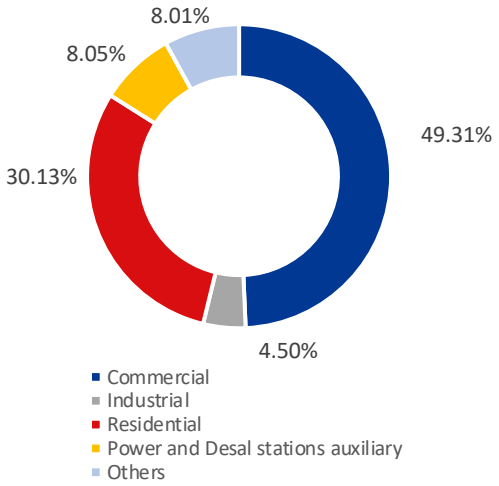
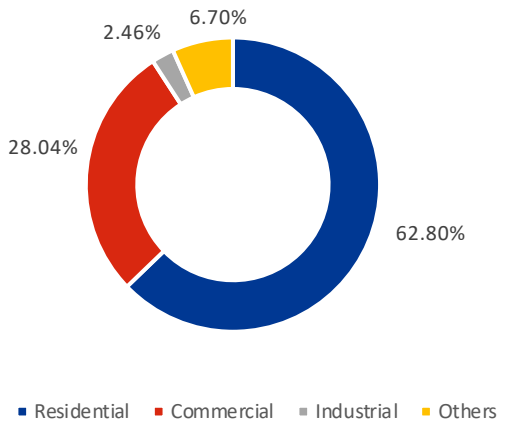


Figure 39: Water consumption by sector (FY2022)



Source: Company Information. Note: OTHERS include: Non-Commercial (Mosques, Police Stations, Government Hospitals, Government Schools, DEWA's Offices and premises, etc.)

Valuation Methodology

Target Fair Value Analysis

SOTP AND DDM VALUATION

We arrive at a fair value of AED 2.96 per share based on a mix of valuation methods

We have used a mix of **Sum-Of-The-Parts (SOTP) and Dividend Discount Model (DDM)** valuation methods to arrive at the fair value of DEWA. The Company operates in multiple business segments, managing its standalone operations as well as conducting business through subsidiaries. DEWA's standalone business is actively involved in the construction and operation of power generation and water desalination facilities, along with the associated transmission and distribution networks within the Emirate of Dubai. The Company's subsidiaries include EMPOWER which is actively involved in owning, overseeing, operating, and maintaining central cooling facilities, along with the associated distribution systems throughout Dubai. The Company Independent Power Producer/Independent Water Producer (IPP/IWP) business is currently engaged with five IPP projects with a total capacity of 4.4 GW including solar (Photovoltaic/PV and Concentrated Solar Power/CSP) and natural gas (Hassyan) power plant in 9M23. Other segments of the Company include other adjacent business which includes Mai Dubai, Digital DEWA, MORO, Etihad ESCO, and Dubai Carbon. We choose to assign higher weight to SOTP valuation since in this valuation methodology each segment is valued separately and all segment KPIs are captured for valuation. DEWA's dividend policy entails paying regular dividends to shareholders twice each year. The Company expects to pay a minimum dividend of AED 6.2 Bn over the next five years from October 2022 until April 2027. The first half dividend will be declared and paid in October and the second half in the following year in April.

CONSOLIDATED VALUATION

Name of Entity	Valuation (AED, Mn)	Weight (%)	Total Valuation (AED, Mn)
Valuation of the DEWA based on -			
Sum-Of-The-Parts (SOTP)	154,847	85.0%	131,620
Dividend Discount Model (DDM)	110,558	15.0%	16,584
Total Valuation (AED, Mn)			148,204
Value per share (AED)			2.96

We have analyzed the Company's performance in detail to understand DEWA's valuation fully. We have taken a fair estimate across the Income statement and financial position throughout our valuation. The valuation has brought forward to a target value of AED 2.96 per share. The weightage assigned to the SOTP and DDM valuation methods stood at 85% and 15% respectively.

1) SOTP Valuation

We have earlier stated the reason for valuing DEWA using SOTP valuation. Now we will focus upon different methods used to value DEWA using SOTP valuation. DEWA operates into multiple business segments and each business is valued separately. Most of the business is valued using the DCF valuation method except other segments. We choose to use DCF valuation since it is

better to value capital-intensive businesses and most of the segments are expanding capacity as a result this valuation will better capture the value more perfectly as opposed to other valuation methods. We have added the value of the DEWA electricity and water segment, IPP/IWP and other segments to arrive at the enterprise value of the Company. After that, we have added the equity value of Empower owned by DEWA, net debt and minority interest to value DEWA. Net debt is adjusted for the value of debt attributable to Empower since its equity value is directly included in the valuation. Also, we have only included the amount of minority interest attributed to IPP/IWP segment. Other segment is valued using a relative valuation approach. Moreover, we have used a similar weighted average capital of cost (WACC) to discount all cash flows. We arrived at a WACC of 7.8% after considering a cost of equity of 8.6% and after-tax cost of debt of 5.4%. Weight of debt and equity assigned to value the company is 24.5% and 75.5%. To arrive at Ke (Cost of Equity), we have considered the risk-free rate of 5.3%, equity Risk premium of 4.6%, and 2-year weekly adjusted beta of 0.70. Thus, we arrived at the cost of equity of 8.6%. We have used a 10-Year US Government Yield and further added 10-year Dubai Government CDS spread to arrive at an appropriate risk-free rate. We arrived an after-tax cost of debt of 5.4%. Cost of debt is calculated after adjusting a tax rate of 9.0%.

SOTP VALUATION

Name of Entity	Type of Valuation	Total Valuation (AED, million)
DEWA Standalone	DCF	154,900
IPP/IWP	DCF	9,974
Others[1]	PE	4,777
Total Enterprise Value		**169,651**
Empower	DCF	11,124
Net Debt		-24,147
Minority Interest		-1,780
Total Valuation (AED, million)		**154,847**
Valuation per share (AED)		**3.10**

[1] *Other DEWA subsidiaries include Mai Dubai, Digital DEWA and ESCO*

a) DEWA Standalone

We arrive at the Enterprise Value of AED 154.9 Bn for DEWA Electricity and Water Business

We have used DCF valuation method to value most of the subsidiaries as this method is useful to value capital intensive businesses who are adding capacity in the forecasted period. The free cash flow until 2028 is forecasted to arrive at the enterprise value of the segment. Also, to arrive at the free cash flow, we have included capacity addition until that period and relied upon the guidance provided by management to make the forecast. The Segment's terminal value is derived using the Gordon Growth Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.0% to perpetuity. The WACC stated above is used to discount the cash flow.

I. DCF Valuation

	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
All figures in AED million, unless stated						
NOPAT	8,291	7,749	7,925	8,119	8,320	8,526
(+/-) Depreciation & Amortization	4,647	4,920	5,269	5,520	5,744	5,946
(+/-) Capital Expenditure	-4,500	-4,500	-4,500	-4,500	-4,500	-4,500
(+/-) Working Capital	-270	-277	-284	-292	-300	-308
Free cash flow to firm	**2,042**	**7,892**	**8,410**	**8,847**	**9,264**	**9,664**
Discounting Factor	*1.00*	*0.93*	*0.86*	*0.80*	*0.74*	*0.69*
Discounted FCFF	**2,038**	**7,305**	**7,222**	**7,048**	**6,847**	**6,626**
Total Discounted FCFF (excluding terminal value)						**37,086**
Terminal Value						117,814
Terminal Growth Rate						2.0%
WACC						7.8%
Enterprise Value						**154,900**

Source: FAB Securities Research

b) EMPOWER

We arrive at the equity value of AED 19.9 Bn for EMPOWER business

DEWA owns a 56% stake in EMPOWER subsidiary. EMPOWER holds a substantial 80% share of the District Cooling market in Dubai and provides services to more than 1,524 buildings through 84 plant rooms as of 9M23. The Company current connected capacity stood at 1,497K refrigeration ton (RT) in 9M23. EMPOWER further aims to secure growth from Dubai Master Developments by adding more capacity for the FY2023-2027. Thus, to capture the accurate fair value of the Company we have used the DCF valuation. We have discounted the cash flow using weighted average cost of capital of 7.8%. The Segment's terminal value is derived using the Gordon Growth Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.0% to perpetuity.

DCF Valuation

	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
All figures in AED million, unless stated						
NOPAT	1,104	1,183	1,237	1,299	1,372	1,446
(+/-) Depreciation & Amortization	349	369	395	414	431	446
(+/-) Capital Expenditure	-350	-700	-400	-400	-450	-450
(+/-) Working Capital	39	44	46	49	51	54
Free cash flow to firm	**285**	**896**	**1,279**	**1,362**	**1,405**	**1,496**
Discounting Factor	*1.00*	*0.93*	*0.86*	*0.80*	*0.74*	*0.69*
Discounted FCFF	**285**	**830**	**1,098**	**1,085**	**1,038**	**1,026**

Total Discounted FCFF (excluding terminal value)	5,362
Terminal Value	18,243
Net Debt (as of 30 Sept 2023)	3,742
Terminal Growth Rate	2.0%
WACC	7.8%
Equity Value	**19,864**

Source: FAB Securities Research

c) Independent Power Producer (IPP)/ Independent Water Producer (IWP)

We arrive at the Enterprise Value of AED 10.0 Bn for IPP/IWP business

DEWA owns stake in multiple IPP/IWP projects. DEWA is projected to boost its capacity in IPP projects to 7.5 GW by 2030. Additionally, DEWA is involved in an IWP project, the Hassyan sea-water reverse osmosis ("SWRO") desalination plant, initially designed with a capacity of 120 MIGD. The Company aims to double its SWRO capacity to 240 MIGD by 2030. We have used DCF methodology to value the business. We have discounted the cash flow using weighted average cost of capital of 7.8%. The Segment's terminal value is derived using the Gordon Growth Model and extrapolated last year's adjusted free cash flows at a terminal growth rate of 2.0% to perpetuity.

DCF Valuation

	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
All figures in AED million, unless stated						
NOPAT	575	703	855	929	1,009	1,091
(+/-) Depreciation & Amortization	430	455	487	511	531	550
(+/-) Capital Expenditure	-2,025	-1,675	-975	-960	-910	-900
Free cash flow to firm	**-255**	**-516**	**367**	**479**	**630**	**741**
Discounting Factor	*1.00*	*0.93*	*0.86*	*0.80*	*0.74*	*0.69*
Discounted FCFF	**-254**	**-478**	**315**	**382**	**466**	**508**

Total Discounted FCFF (excluding terminal value)	**939**
Terminal Value	9,035
Terminal Growth Rate	2.0%
WACC	7.8%
Enterprise Value	**9,974**

Source: FAB Securities Research

d) Other Businesses

We have used P/E valuation to arrive at the fair valuation of AED 4.8 Bn for Other businesses

Other businesses mainly comprise of bottled water (Mai Dubai), digital business solutions (Digital DEWA), and energy efficiency solutions (ESCO). We have used the Price-to-Earnings (PE) multiple to value combined business. We have used the multiple of Non-Alcoholic Beverage companies with operation in packaged drinking water to value the business.

Relative Valuation

(All Figures in Million AED, unless stated)	
Based on PE Multiple	
Net Income (FY2024)	276
Median Multiple	17.3x
Equity Value	**4,777**
Ownership in the entity	100%
Equity Value attributable to DEWA	**4,777**

Source: Company Information, FAB Securities Research

Peer Valuation – Non-Alcoholic Beverages

			EV/EBITDA (x)			PE (x)			PB (X)		
Co. Name	**Market Cap (USD, mn)**	**EV (USD, mn)**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**	**2023**	**2024**	**2025**
Primo Water Corp	2,400	3,590	7.5	7.2	6.7	28.2	22.8	17.2	1.8	1.8	1.7
Nongfu Spring Co Ltd	63,850	62,253	29.0	24.8	21.5	44.9	38.8	33.6	17.4	14.4	12.5
Danone	40,900	51,424	10.2	9.9	9.2	20.4	17.3	16.2	2.1	1.9	1.8
Lotte Chilsung Bev	1,094	2,003	6.6	5.6	5.0	10.4	8.4	7.3	1.0	0.9	0.9
Suntory	99,000	9,287	6.3	5.5	5.3	17.8	16.0	15.6	1.4	1.3	1.31
Average			**11.9**	**10.6**	**9.5**	**24.3**	**20.7**	**18.0**	**4.7**	**4.1**	**3.6**
Median			**7.5**	**7.2**	**6.7**	**20.4**	**17.3**	**16.2**	**1.8**	**1.8**	**1.7**
Max [1]			**10.2**	**9.9**	**9.2**	**28.2**	**22.8**	**17.2**	**2.1**	**1.9**	**1.8**
Min [2]			**6.6**	**5.6**	**5.3**	**17.8**	**16.0**	**15.6**	**1.4**	**1.3**	**1.3**

Source: Bloomberg, [1] Values correspond to Quartile 3, [2] Values correspond to Quartile 1

2) Dividend Discount Model (DDM)

Using DDM approach, we arrive at a fair value of AED 2.21 per share

DEWA adopted a dividend policy post IPO which entails it pay dividends twice each year. The first half dividend will be paid in October and second half in April of the following year. The Company is expected to pay a minimum annual divided of AED 6.2 Bn over the next five year from October 2022 to April 2027. The dividend is forecasted keeping into consideration management forecast and the free cash flow generated by the company. All forecasted dividend is discounted to present value using the cost of equity. Detail related to the cost of equity calculation is provided above. We have also calculated terminal value assuming the Company business will continue to operate until perpetuity using the terminal growth rate of 2%.

DDM Valuation

	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
All Figures in AED per share						
Dividend						
1H		0.06	0.07	0.07	0.07	0.08
2H	0.06	0.06	0.07	0.07	0.07	0.08
Special Dividend						
Total Dividend	**0.06**	**0.12**	**0.13**	**0.14**	**0.15**	**0.16**
Discounting Factor	*0.99*	*0.92*	*0.84*	*0.78*	*0.72*	*0.66*
PV of Dividend	**0.06**	**0.11**	**0.11**	**0.11**	**0.11**	**0.10**

Total PV of Dividend	**0.60**
Terminal Value	1.61
Terminal Growth Rate	2.0%
Cost of Equity	8.6%
Equity Value	**2.21**

Source: FAB Securities Research

Key Financial Metrics

Financial Performance at a Glance

Growth Dynamics

Growth in the top line and bottom line is driven by new capacity addition. EBITDA margin will expand as new solar power capacities get added

We anticipate steady growth in the topline and bottom line of DEWA. The company has envisaged a growth plan which helps in meeting growing demand of electricity, water, and district cooling requirements of residents of Dubai. DEWA further plans to add 2.5 GW of generation capacity and 120 million imperial gallons per day (MIGD) water capacity in Dubai by FY2024. Out of this, 833 MW capacity is added in the renewable sector and remaining from conventional power. The Upcoming new water capacity utilizes Sea Water Reverse Osmosis (SWRO), an energy-efficient method of producing freshwater as compared to Multi-Stage Flash Technology (MSF). Currently, 87% of the water is produced using MSF technology and the remaining from Reserve Osmosis.

After excluding electricity line losses and internal consumption, the Company's electricity units sold will grow at a CAGR of 4.7% to reach 59,510 GWh in FY2027. Water production and sales are also expected to grow steadily during the forecasted period due to growth in population and economic activity. We anticipate electricity and water per unit sales price to remain constant as the company passes on energy price change through fuel surcharge. Therefore, revenue from **DEWA's Electricity and Water** segment is expected to grow at a CAGR of 3.6% from FY2022 AED 25.2 Bn to AED 30.0 Bn in FY2027.

EMPOWER's growth is mainly driven by an increase in capacity from 1.4 Mn refrigeration tons (RT) in 2022 to 1.9 Mn RT in 2027

EMPOWER is the Company's district cooling subsidiary. Revenue from Empower segment is expected to grow at a CAGR of 8.0% from AED 2.8 Bn in FY2022 to AED 4.1 Bn in FY2027. The growth is mainly driven by increase in capacity from 1.4 Mn refrigeration tons (RT) in FY2022 to 1.9 Mn RT in FY2027. DEWA plans to add generation capacity in **IPP/IWP** business. All of the solar generation and SWRO capacity is planned to be added under this segment. **Other Business**, including Mai Dubai, Digital DEWA, and ESCO, is expected to grow steadily as demand for products gains traction. Thus, total revenue is expected to grow at a CAGR of 4.1% from AED 27.3 Bn in FY2022 to AED 33.3 Bn in FY2027.

Debt will remain flat at AED 40.7 Bn in FY2027. While net leverage will decline from 2.0x in FY2022 to 1.8x in FY2027

Steady growth in topline is expected to support consolidated EBITDA growth which will grow at a CAGR of 4.7% from AED 14.0 Bn in FY2022 to AED 17.5 Bn in FY2027. Consequently, margins will expand from 51.1% in FY2022 to 52.6% in FY2027. The expansion in margin is mainly driven by additional power generation from the high margin renewable segment as compared to the conventional source.

DEWA is mainly undertaking expansion projects using IPP/IWP route. The electricity generated is ultimately sold to the parent company through an agreement. These expansion projects require a significant amount of CAPEX and new IPP/IWP projects are financed through debt. Due to a rise in interest and tax expense (expected to be implemented in UAE from FY2024), net profit attributable to equity holders is anticipated to remain flat at AED 7.7 Bn in FY2027 compared to FY2022. Similarly, the Company's consolidated debt is expected to remain flat at AED 40.7 Bn at the end of FY2027. However, net debt to EBITDA will decline from 2.0x in FY2022 to 1.8x in FY2027.

Figure 40: Summary Financials (AED Million)

(AED, Million)	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Revenue	23,824	27,336	29,271	30,347	31,323	32,316	33,338
Gross Profit	8,284	10,847	11,572	12,093	12,518	12,970	13,439
EBITDA	6,206	8,216	8,835	9,271	9,621	9,961	10,317
Net Profit attributed to the owner	6,123	7,723	7,612	6,977	7,159	7,488	7,707
Gross Profit Margin (%)	34.8%	39.7%	39.5%	39.8%	40.0%	40.1%	40.3%
EBITDA Margin (%)	50.7%	51.1%	50.4%	51.0%	51.9%	52.3%	52.6%
Net Profit Margin (%)	25.7%	28.3%	26.0%	23.0%	22.9%	23.2%	23.1%
Net Debt/EBITDA (x)	1.5	2.0	2.1	2.1	2.0	1.9	1.8

Source: Company Information, FAB Securities research (FY2023-27)

Dividend Policy

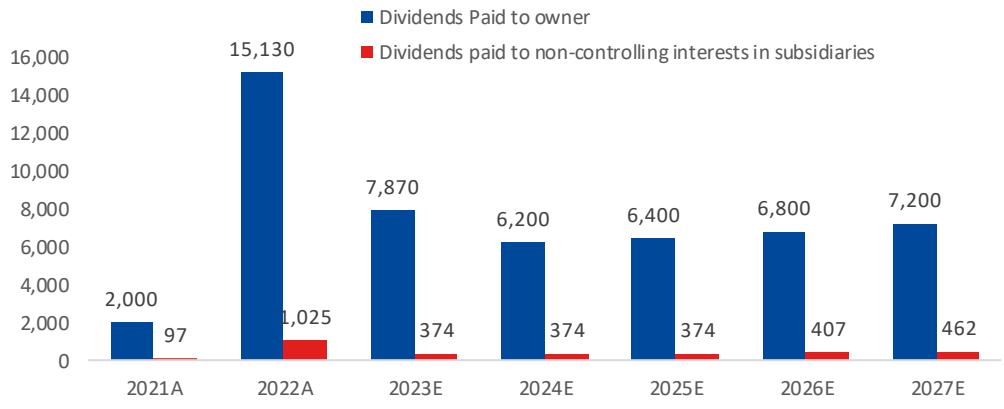
DEWA is expected to pay a minimum annual dividend of AED 6.2 Bn for the next five years since IPO (i.e. from October 2022 to April 2027). It declared a dividend of AED 18.6 Bn during FY2020-22 including pre-IPO dividend of AED 10 Bn

The Company intends to pay dividends twice each year in April and October. It is expected to pay a minimum annual dividend of AED 6.2 Bn since IPO (i.e. from October 2022 to April 2027). We expect DEWA to pay a dividend of AED 35.0 bn during FY2023-27. It already declared a dividend of AED 3.1 Bn in 1H23 and second half dividend will be declared in the following year. DEWA designed its dividend policy keeping into consideration strong cash flows and long-term earning potential. The policy will give sufficient headroom to retain necessary capital to fund ongoing operations and also reduce leverage.

DEWA paid a dividend of AED 9.9 Bn in FY2022 including two special dividend of AED 2.03 Bn and AED 1.67 Bn. It declared a special dividend of AED 2.03 Bn after receipt of special dividend of the same amount from its subsidiary Empower. Before Empower's IPO, DEWA owned 70% stake in the Empower. In addition, DEWA also declared a pre-IPO dividend of AED 10 Bn which was paid using debt raised from the market. This also helped in optimizing the capital structure of DEWA in line with its peers.

DEWA diluted its stake in EMPOWER from 70% to 56% and the remaining stake is owned by a local entity. EMPOWER declares dividend to its shareholders on a regular basis. During FY2020-22, the Company paid a dividend of AED 4.1 Bn to its shareholders. We anticipate the district cooling business to generate steady cash flows and continue to reward its shareholders.

Figure 41: Dividend Declared to Owners and Non-controlling Interest (AED, Mn)



Source: Company Information, FAB Securities research (FY2023-27)

Financials

We expect consolidated revenue to grow at a CAGR of 4.1% from AED 27.3 bn in FY2022 to AED 33.3 Bn in FY2027

REVENUE

DEWA's consolidated revenue grew at a CAGR of 6.0% from AED 22.9 Bn in FY2020 to AED 27.3 Bn in FY2022. This is mainly driven by growth in revenue across all segments and the addition of revenue from the IPP/IWP segment starting from FY2020. Revenue from DEWA Electricity and Water Segment revenue grew at a CAGR of 6.4%, EMPOWER at a CAGR of 8.5% and Others at a CAGR of 20.5% during FY2019-22. IPP/IWP started to contribute to revenue after the commencement of generation in 2020 and generated a revenue of AED 418 Mn in FY2020 which rose to AED 1,135 million in 2022.

DEWA's consolidated revenue rose 7.4% YOY to AED 22.2 Bn in 9M2023 mainly due to growth in demand for electricity of 6.4%, water of 5.7% and cooling services of 9.5%. We anticipate DEWA's consolidated revenue to grow from AED 27.3 Bn in FY2022 to AED 29.3 Bn in FY2023. It will be driven by the same reason stated earlier for the nine months.

DEWA anticipates its revenue to grow steadily over the next five years. We expect consolidated revenue to grow at a CAGR of 4.1% from AED 27.3 Bn in FY2022 to AED 33.3 Bn in FY2027. This revenue growth is supported by growth across all the segments. The growth of the DEWA standalone segment will be driven by the rise in demand for electricity and water, EMPOWER due to the addition of capacity in the forecasted period, IPP/IWP driven by the addition of new capacity and others led by the demand of the products sold by the segment.

Figure 42: Segmented Revenue Forecast (AED, Bn)

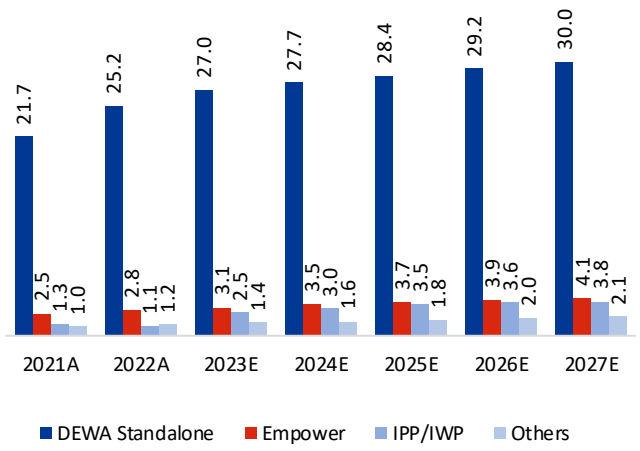
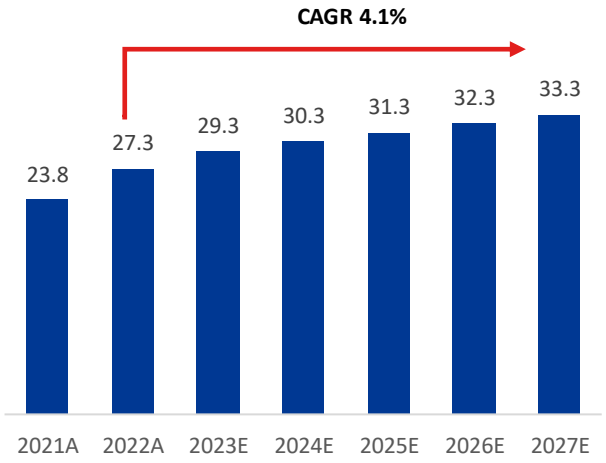


Figure 43: Total Revenue (AED, Bn)



Source: Company Information, FAB Securities research (FY2023-27)

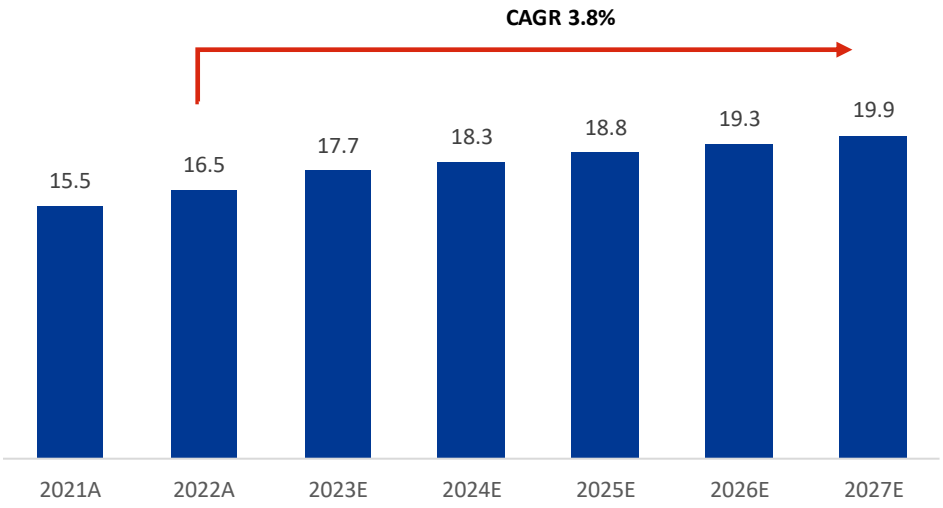
TOTAL EXPENSES

Growth in expenses will be lower than revenue in the forecasted period due to the addition of renewable capacity. The power from this capacity will be generated at a lower rate compared to the conventional source

Historically, consolidated cost of sales grew at a CAGR of 5.3% from AED 14.1 Bn in FY2019 to AED 16.5 Bn in FY2022. The increase in the cost of sales trailed the revenue growth mainly due to the addition of renewable capacity since FY2020. DEWA added a 1.2 GW renewable capacity since the end of FY2019. Consolidated cost of sales is further expected to grow at a CAGR of 3.8% from AED 16.5 Bn in FY2022 to AED 19.9 Bn in FY2027. It will again trail the growth in top line due to change in business mix and addition of renewable capacity. Cost of sales mainly comprises of generation and desalination expenditures, transmission and distribution expenditure, purchase of power & water and others. Generation and desalination expenditures consist of fuel costs, depreciation, amortization, employee benefit expense, repairs and maintenance and others. During 9M23, cost of sales rose from AED 12.6 Bn in 9M22 to AED 13.3 Bn in 9M23 due to higher depreciation, employee benefit expense, repairs and maintenance and other expenses partly offset by an unchanged fuel cost.

Consolidated administrative expenses stood at AED 2,890 million in FY2022. Administrative expenses mainly comprise employee benefit expenses, repairs and maintenance, depreciation, amortization, insurance, and others. We expect the administrative expense to grow at a CAGR of 1.8% from AED 2,890 million in FY2022 to AED 3,156 million in FY2027.

Figure 44: DEWA – Cost of Sale (AED, Bn)



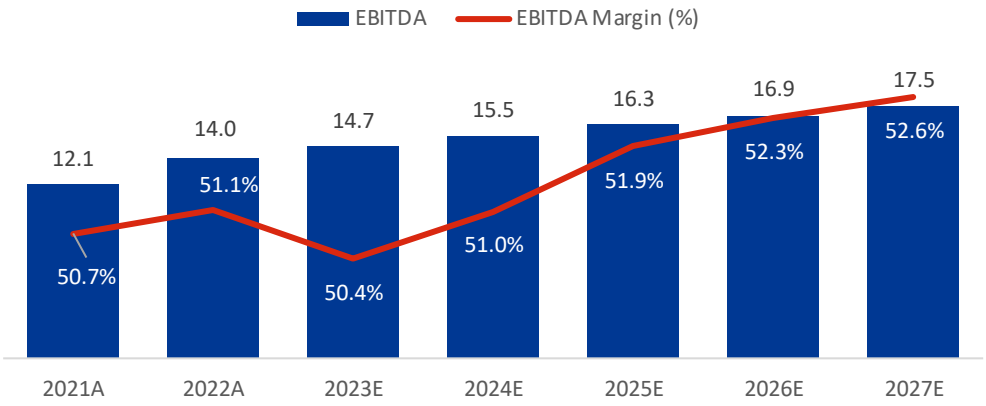
Source: Company Information, FAB Securities research (FY2023-27)

EBITDA

EBITDA would grow at a CAGR of 4.7% from AED 14.0 Bn in FY2022 to AED 17.5 Bn in FY2027 and margin will expand by 156 basis point to 52.6% in FY2027

DEWA'S EBITDA is expected to rise at a steady rate and grow at a higher rate as compared to revenue. Consolidated EBITDA will grow at a CAGR of 4.7% from AED 14.0 Bn in FY2022 to AED 17.5 Bn in FY2027. Consequently, the margin will expand 156 basis points to 52.6% during FY2027. The driver behind this growth is the addition of a renewable portfolio which carries a higher margin as compared to conventional power and change in business mix. Growth in EBITDA and margin is also supported by the steady cost of natural gas since most of the capacity is procured on a long-term contract.

Figure 45: DEWA – Adjusted[1] EBITDA (AED, Bn)



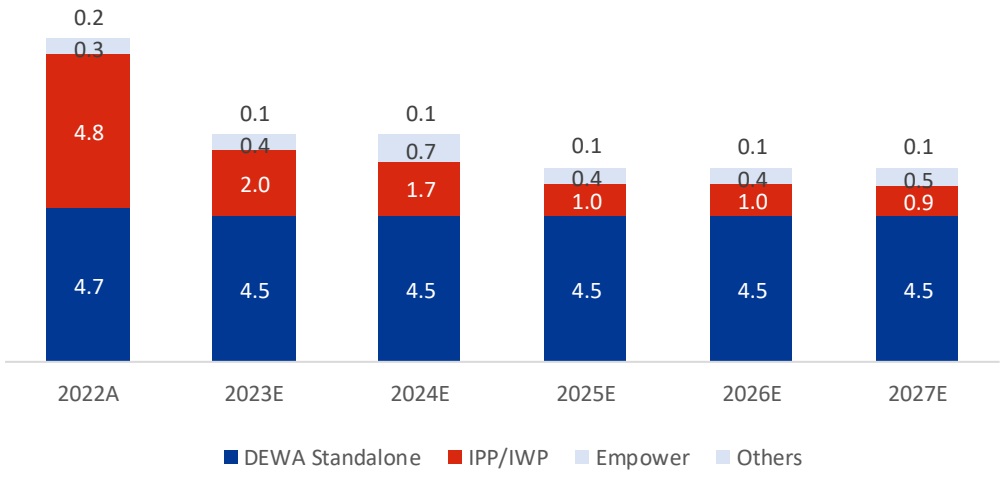
Source: Company Information, FAB Securities research (FY2023-27), [1] EBITDA is adjusted for Net movement in regulatory deferral account credit balance

DEWA is anticipated to spend AED 32 Bn on CAPEX during FY2023-27

CAPITAL EXPENDITURE

We anticipate DEWA's consolidated capital expenditure to remain high in FY2023 and FY2024 as the majority of the new capacity is expected to be completed during this period. DEWA spent AED 8.6 Bn on ongoing projects during FY2022. The Company is expected to incur a total capital expenditure of AED 32.0 Bn during FY2023-27. DEWA is anticipated to incur AED 22.5 Bn capex on the electricity and water segment on a standalone basis during FY2023-27. EMPOWER segment is expected to incur a capital expenditure of AED 2.3 Bn during FY2023-27. While IPP/IWP and Other segments are expected to incur AED 6.5 Bn and AED 655 Mn, respectively during FY2023-27.

Figure 46: DEWA – Capital Expenditure (AED, Bn)



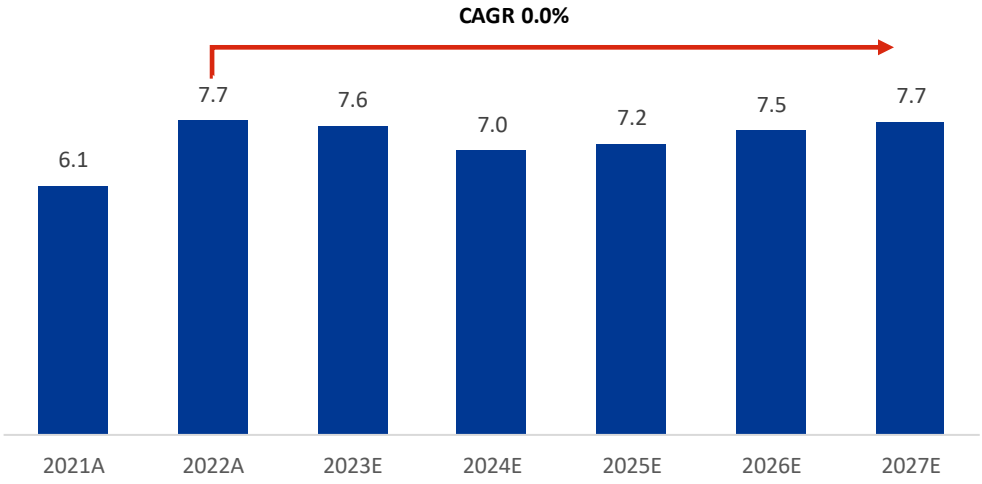
Source: Company Information, FAB Securities research (FY2023-27)

NET PROFIT

Net profit is expected to grow at a remain flat at AED 7.7 Bn in FY2027 compared to FY2022

The net profit attributable to equity holders grew 26.1% YOY from AED 6.1 Bn in FY2021 to AED 7.7 Bn in FY2022 mainly due to increase in revenue from all the segments coupled with lower cost of sales and administrative expense and higher finance income partially offset by an increase in higher finance expenses. Net profit attributable to equity holders is expected to remain flat at AED 7.7 Bn in FY2027 compared to FY2022. The flat profitability mainly due to an anticipated rise in finance expenses which will grow from AED 1.0 Bn in FY2022 to AED 1.4 Bn in FY2027 also expected to be impacted due to the implementation of corporate tax from FY2024. Finance income is also expected to decline from AED 553 Mn in FY2022 to AED 362 Mn in FY2027 impacting profit. Profit attributable to non-controlling interest holders is expected to grow at a CAGR of 17.2% from AED 324 Mn in FY2022 to AED 716 Mn in FY2027.

Figure 47: DEWA – Net Income Attributable to Equity holders (AED Bn)



Source: Company Information, FAB Securities research (FY2023-27)

NON-CONTROLLING INTEREST

Profit attributable to non-controlling interest holders will grow at a CAGR of 17.2% from AED 324 Mn in FY2022 to AED 716 Mn in FY2027

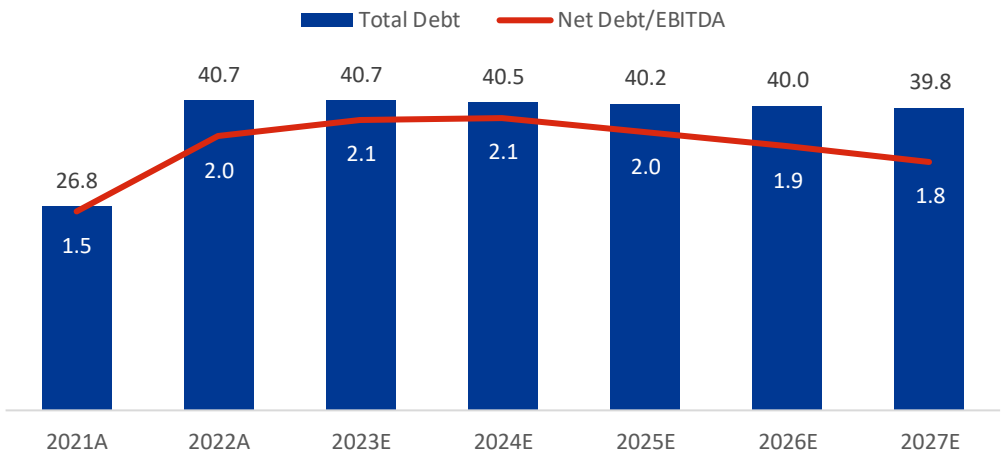
DEWA recently reduced its stake in EMPOWER from 70% to 56% subsequent to EMPOWER's initial public offering. Also, in the IPP/IWP segment, DEWA doesn't own entire stake in the subsidiaries hence it is required to attribute profit to other holders. Profit attributable to the non-controlling interest holders declined 24.8% to AED 324 Mn million in FY2022 primarily due to the decline in profit earned by IPP/IWP segment partially offset by higher profit earned by EMPOWER. Net profit of IPP/IWP declined from AED 320 million in FY2021 to AED 18 million in FY2022 mainly attributable due to a decline in revenue. However, the net profit from EMPOWER grew 6.9% to AED 1,001 Mn in FY2022. We further expect the profit attributable to non-controlling interest holders will grow at a CAGR of 17.2% from AED 324 Mn in FY2022 to AED 716 Mn in FY2027 due to an expected growth in profit from subsidiaries EMPOWER and IPP/IWP.

FINANCIAL LEVERAGE

Net leverage is anticipated to decline from 2.0x in 2022 to 1.8x in 2027 due to stable debt and improvement in the Company's profitability

DEWA'S consolidated net debt rose from AED 18.8 Bn in FY2020 to AED 40.7 Bn in FY2022. The increase in debt is mainly attributable to capex incurred to complete the electricity and water projects. DEWA borrowed AED 10 Bn in FY2022 to make a dividend payment to optimize capital structure in line with peers. We further anticipate the Company's consolidated debt to remain stable at AED 40.7 Bn in FY2027. However, the consolidated net debt to EBITDA ratio is anticipated to decline from 2.0x in FY2022 to 1.8x in FY2027 due to stable debt and increase in the Company's profitability.

Figure 48: DEWA – Total Debt (AED, Bn) and Net Leverage (x)



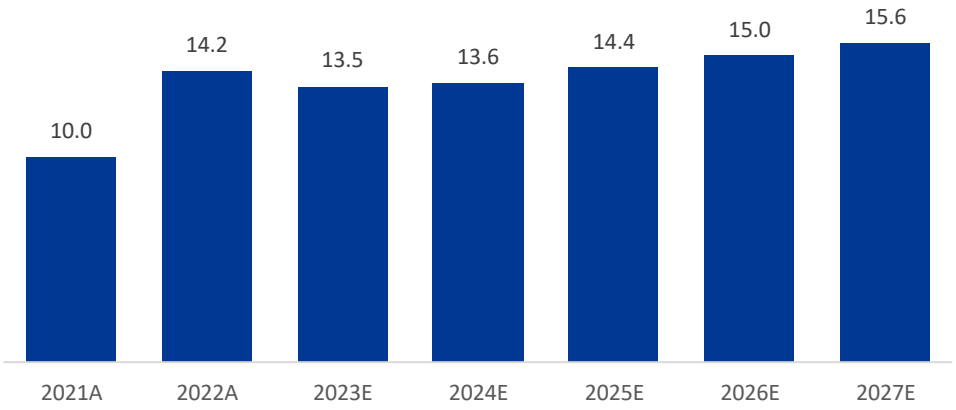
Source: Company Information, FAB Securities research (FY2023-27)

CASH FLOW GENERATION

DEWA will generate a cumulative cash flow operations of AED 72.0 Bn during FY2023-27

DEWA has a strong and robust cash generation profile. DEWA generated AED 14.2 Bn in cash flow from operations during FY2022 compared to AED 9.9 Bn during FY2021 mainly due to a rise in profitability and cash generated from working capital. The Company invested AED 12.7 Bn in investing activities in FY2022 including AED 8.6 Bn in capex, AED 3.7 Bn investment in deposits and remaining in others. It also incurred AED 1.7 Bn to finance the operations during FY2022 primarily due to the repayment of borrowings, payment of interest and payment of dividends. Consequently, cash and cash equivalents of the Company stood at AED 5.3 Bn during FY2022. We anticipate DEWA to generate a cumulative cash flow from operations of AED 72.0 Bn during FY2023-27. It will further invest AED 28.6 Bn in investing activities to fund the expansion during FY2023-27. In addition, it is anticipated to record an outflow of AED 46.4 Bn from financing activities during FY2023-27. DEWA will mainly raise debt to fund the expansion of IPP/IWP projects, later repay debt and according to its dividend policy it is expected to make dividend payment of AED 34.5 Bn during FY2023-27.

Figure 49: DEWA – Operating Cash Flows (AED, Bn)



Source: Company Information, FAB Securities research (FY2023-27)

Financial Statement

Income Statement

Year to Dec (AED million)	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Revenues	23,824	27,336	29,271	30,347	31,323	32,316	33,338
Direct Cost	-15,540	-16,489	-17,699	-18,254	-18,805	-19,346	-19,900
Gross Profit	**8,284**	**10,847**	**11,572**	**12,093**	**12,518**	**12,970**	**13,439**
Administrative Expense	-2,916	-2,890	-2,789	-2,869	-2,940	-3,048	-3,156
Credit Impairment Losses	-84	-145	-143	-148	-152	-156	-161
Other Income	922	404	195	195	195	195	195
Adjusted EBITDA	**12,088**	**13,961**	**14,749**	**15,491**	**16,270**	**16,917**	**17,548**
EBIT	**6,206**	**8,216**	**8,835**	**9,271**	**9,621**	**9,961**	**10,317**
Finance Cost	-383	-1,006	-1,849	-1,869	-1,591	-1,381	-1,421
Finance Income	165	553	871	559	361	354	362
Provision For Impairment in A Joint Venture	-5	0	0	0	0	0	0
Share Of Profit/(Loss) In JV	1	0	0	0	0	0	0
Profit For the Year Before Net Movement in Regulatory Deferral Account Credit Balance	**5,984**	**7,763**	**7,857**	**7,961**	**8,391**	**8,935**	**9,259**
Net Movement in Regulatory Deferral Account Credit Balance	569	284	22	-3	-2	-2	-3
Tax	0	0	0	-717	-755	-804	-833
Profit For the Year and Net Movement in Regulatory Deferral Account Credit Balance	**6,553**	**8,046**	**7,879**	**7,242**	**7,633**	**8,128**	**8,423**
Non-Controlling Interest	-430	-324	-267	-265	-474	-640	-716
Profit Attributable to The Owner of The Authority	**6,123**	**7,723**	**7,612**	**6,977**	**7,159**	**7,488**	**7,707**
EPS	**0.12**	**0.15**	**0.15**	**0.14**	**0.14**	**0.15**	**0.15**

Source: Company Information, FAB Securities research

Key Ratios

	2021A	2022A	2023E	2024E	2025E	2026E	2027E
YoY % Change							
Revenue	6.1%	14.7%	7.1%	3.7%	3.2%	3.2%	3.2%
Gross Profit	0.3%	30.9%	6.7%	4.5%	3.5%	3.6%	3.6%
EBITDA	19.4%	15.5%	5.6%	5.0%	5.0%	4.0%	3.7%
Net profit attributable to shareholders	20.2%	26.1%	-1.4%	-8.3%	2.6%	4.6%	2.9%
% Margin							
Gross profit	34.8%	39.7%	39.5%	39.8%	40.0%	40.1%	40.3%
EBITDA	50.7%	51.1%	50.4%	51.0%	51.9%	52.3%	52.6%
EBIT	26.0%	30.1%	30.2%	30.5%	30.7%	30.8%	30.9%
Net Profit margin	25.7%	28.3%	26.0%	23.0%	22.9%	23.2%	23.1%
Leverage							
Debt/Adjusted EBITDA	2.2	2.9	2.8	2.6	2.5	2.4	2.3
Net Debt/Adjusted EBITDA	1.5	2.0	2.1	2.1	2.0	1.9	1.8
EBITDA /Equity	0.3	0.5	0.5	0.4	0.4	0.4	0.4
Return ratios							
ROE	6.6%	8.6%	8.5%	7.8%	7.9%	8.2%	8.4%
ROA	3.6%	4.3%	4.2%	3.8%	3.9%	4.1%	4.2%
ROCE	4.1%	5.0%	5.3%	5.5%	5.7%	5.9%	6.1%

Source: Company Information, FAB Securities research

Balance Sheet

Year to Dec (AED million)	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Assets							
Non-Current Assets							
Property, Plant and Equipment	149,472	154,029	157,667	159,956	160,639	160,879	160,763
Intangible Assets	530	471	407	355	311	274	244
Investments Accounted for the Equity Method	1	1	1	1	1	1	1
Derivative Financial Instruments	11	1,295	1,295	1,295	1,295	1,295	1,295
Financial Assets at Fair Value through other Income	58	53	53	53	53	53	53
Other Assets	1,013	1,135	951	986	1,018	1,050	1,083
Trade Receivables	0	0	0	0	0	0	0
Other Financial Assets	1,224	1,458	1,458	1,458	1,458	1,458	1,458
Investment properties	0	73	73	73	73	73	73
Total Non-Current Assets	**152,307**	**158,515**	**161,905**	**164,176**	**164,847**	**165,083**	**164,969**
Current Assets							
Inventories	1,451	1,445	1,434	1,468	1,501	1,532	1,565
Other Assets	446	132	512	531	548	566	583
Trade Receivables	3,850	4,211	4,757	4,829	4,879	4,927	4,977
Other Financial Assets	2,150	3,134	3,134	3,134	3,134	3,134	3,134
Short-Term Deposits	4,799	7,533	5,627	5,627	5,627	5,627	5,627
Cash And Cash Equivalents	4,406	5,287	3,758	1,801	1,597	1,858	2,275
Derivative financial instruments	0	492	492	492	492	492	492
Total Current Assets	**17,101**	**22,234**	**19,713**	**17,881**	**17,777**	**18,135**	**18,652**
Total Assets	**169,408**	**180,749**	**181,618**	**182,058**	**182,624**	**183,218**	**183,621**
Equities And Liabilities							
Equity							
Share Capital	500	500	500	500	500	500	500
Government Of Dubai Account	40,037	40,043	40,043	40,043	40,043	40,043	40,043
General Reserve	53,343	0	0	0	0	0	0
Statutory Reserve	355	591	591	591	591	591	591
Hedging Reserve	-1,236	954	954	954	954	954	954
Retained Earnings	0	47,339	47,081	47,859	48,617	49,305	49,812
Non-Controlling Interest	592	2,953	3,622	3,513	3,613	3,847	4,101
Total Equity	**93,592**	**92,380**	**92,792**	**93,460**	**94,319**	**95,240**	**96,001**
Non-Current Liabilities							
Borrowings	23,326	37,318	40,470	40,250	40,030	39,810	39,590
Retirement Benefit Obligations	1,009	1,010	1,010	1,010	1,010	1,010	1,010
Derivative Financial Instrument	2,260	5	5	5	5	5	5
Lease Liabilities	12	24	24	24	24	24	24
Other Long-Term Liabilities	31,711	32,803	32,803	32,803	32,803	32,803	32,803
Total Non-Current Liabilities	**58,317**	**71,159**	**74,311**	**74,091**	**73,871**	**73,651**	**73,431**

Current Liabilities							
Trade And Other Payables	13,531	13,729	14,187	14,179	14,106	13,998	13,861
Borrowings	3,430	3,372	220	220	220	220	220
Derivative Financial Instruments	156	0	0	0	0	0	0
Lease Liabilities	3	13	13	13	13	13	13
Total Current Liabilities	**17,120**	**17,114**	**14,420**	**14,411**	**14,338**	**14,231**	**14,094**
Total Liabilities	**75,438**	**88,273**	**88,731**	**88,502**	**88,209**	**87,882**	**87,525**
Total Equity and Liabilities	**169,029**	**180,653**	**181,522**	**181,962**	**182,529**	**183,123**	**183,526**
Regulatory Deferral Account Credit Balance	379	95	95	95	95	95	95
Total Equity, Liabilities, and Regulatory Deferral Account Credit Balance	**169,408**	**180,749**	**181,618**	**182,058**	**182,624**	**183,218**	**183,621**

Source: Company Information, FAB Securities research

Cash Flows

Year to Dec (AED million)	2021A	2022A	2023E	2024E	2025E	2026E	2027E
Cash Flow from Operating Activities							
Profit For the Year	**6,553**	**8,046**	**7,879**	**7,242**	**7,633**	**8,128**	**8,423**
Adjustments For:							
D&A	5,313	5,461	5,892	6,223	6,651	6,959	7,233
Provision For Slow Moving and Obsolete Inventories	29	14	0	0	0	0	0
Reversal Of Impairment and Profit/(Loss) Of PPE	-33	78	0	0	0	0	0
Fair Value Adjustments, Reversal, & Impairment of Receivables	42	115	0	0	0	0	0
Deferred Income	-933	-1,037	-1,006	-977	-949	-921	-894
Retirement Benefit Obligations- Gratuity & Pension	237	247	0	0	0	0	0
Provision For Impairment and Share of Profit/(Loss) In JV	4	0	0	0	0	0	0
Ineffective Portion of Gain on Derivative Financial Instrument	-6	-15	0	0	0	0	0
Net Finance Cost	217	468	978	1,309	1,231	1,026	1,059
Change In Working Capital	-1,236	1,016	-273	-168	-204	-237	-270
Payment For Retirement Benefit Obligations - Gratuity & Pension	-168	-174	0	0	0	0	0
Net Cash Inflows from Operating Activities	**10,020**	**14,220**	**13,469**	**13,629**	**14,362**	**14,955**	**15,550**
Cash Flows from Investing Activities							
Purchase Of PPE Net of Movements in Trade Payables and Other Long-Term Liabilities	-12,268	-8,630	-7,000	-7,000	-6,000	-6,000	-6,000
Movement In Term Deposits	-2,360	-3,742	1,906	0	0	0	0
Purchase Of Intangible Assets	-382	-9	-15	-15	-16	-16	-17
Acquisition of Subsidiary	0	0	-893	0	0	0	0
Interest Received	138	286	871	559	361	354	362
Sale/ Investment in A JV	1	0	0	0	0	0	0
Movement In Other Financial Assets	-337	-644	0	0	0	0	0
Proceeds From Disposal Of PPE	4	4	0	0	0	0	0
Net Cash Outflow from Investing Activities	**-15,205**	**-12,734**	**-5,131**	**-6,456**	**-5,655**	**-5,662**	**-5,654**

Cash Flow from Financing Activities							
Repayments Of Borrowings	-518	-4,581	0	-220	-220	-220	-220
Proceeds From Borrowings	8,552	18,511	0	0	0	0	0
Interest Paid	-1,076	-1,834	-2,401	-2,336	-1,917	-1,606	-1,597
Payment Of Lease Liabilities	-7	-12	0	0	0	0	0
Proceeds from partial disposal of subsidiary without loss of control	0	1,756	0	0	0	0	0
Capital Contribution by The Non-Controlling Interest	0	580	776	0	0	0	0
Dividends Paid to Owner	-2,000	-15,130	-7,870	-6,200	-6,400	-6,800	-7,200
Dividends Paid to Non-Controlling Interests in Subsidiaries	-97	-1,025	-374	-374	-374	-407	-462
Net Cash Inflow/ Outflow from Financing Activities	**4,854**	**-1,735**	**-9,868**	**-9,130**	**-8,911**	**-9,033**	**-9,479**
Net (Decrease)/ Increase in Cash and Cash Equivalents	**-330**	**-250**	**-1,530**	**-1,957**	**-204**	**261**	**417**
Cash and cash equivalents at the beginning of the year	5,303	4,972	5,287	3,758	1,801	1,597	1,858
Cash And Cash Equivalents at The End of The Year	**4,972**	**4,722**	**3,758**	**1,801**	**1,597**	**1,858**	**2,275**

Source: Company Information, FAB Securities research

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