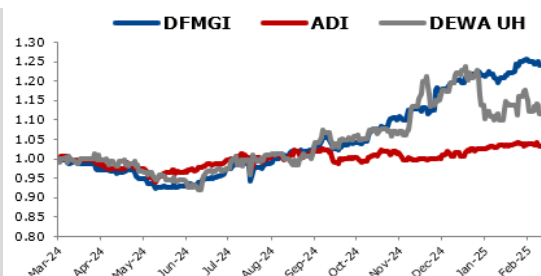


Dubai Electricity and Water Authority (DEWA)

Increase in demand for electricity, water, and cooling services supported topline growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 2.53	AED 2.98	+18%	BUY

- DEWA's customer base grew 4.8% YOY to 1.27 Mn in 4Q24.
- Gross power generation rose 5.22% YOY to 14.05 terawatt hours (TWh) in 4Q24.
- DEWA produced 59.19 TWh of electricity in 2024, with a 5.42% increase from 2023.
- Clean power production increased 12.83% YOY to 1.57 TWh in 4Q24.
- Desalinated water production surged 6.73% YOY to 38.65 GIB in 4Q24.
- The Company distributed dividend of AED 3.1 Bn in 1H24 and announced AED 3.1 Bn dividend for 2H24, resulting in 6.2 fils.



Stock Information

Market Cap (AED, Mn)	126,500.00
Paid Up Capital (Mn)	500.00
52 Week High	2.89
52 Week Low	2.20
3M Avg. daily value(AED)	29,838,780

4Q24 Net Profit in line with our estimate

Dubai Electricity and Water Authority PJSC (DEWA/the Company) net profit increased 2.3% YOY to AED 1,646 Mn in 4Q24, which is in line with our estimate of AED 1,651 Mn. The increase in net profit is mainly due to the higher revenue, improvement in gross margins, substantial lower administrative expenses coupled with increased finance income, partially offset by lower other income, significant increase in finance cost, increase in deferral account credit balance, higher contribution to non-controlling interest, and introduction of corporate tax in 2024.

P&L Highlights

DEWA recorded a 5.9% YOY increase in revenue to AED 7,443 Mn in 4Q24. This increase was mainly attributable to continued demand for electricity, water, and cooling services. Revenue from electricity sales rose 5.7% YOY to AED 4,626 Mn, supported by a 5.2% YOY increase in gross power generation, reaching 14.05 terawatt hours (TWh) in 4Q24. Within this, power generated from green energy rose 12.8% YOY to 1.6 TWh in 4Q24. Revenue from the sale of water increased 7.7% YOY to AED 1,432 Mn, supported by 6.7% YOY growth in desalinated water production to 38.7 Bn imperial gallons in 4Q24. The District Cooling segment grew 4.5% YOY to AED 800 Mn in 4Q24. Revenue from other services grew 7.3% YOY to AED 585 Mn in 4Q24. On the other hand, the Company's direct cost rose marginally by 0.9% YOY to AED 4,658 Mn in 4Q24, owing to substantially increased expenses on the purchase of power, offset by a decrease in generation & desalination expenditure. Purchase of power expenditure boosted from 150 Mn in 4Q23 to 267 Mn in 4Q24, while generation and desalination expenditure decreased 2.3% YOY to AED 3,127 Mn and transmission & distribution expenses marginally declined 0.2% YOY to AED 1,264 in 4Q24.

4Q24 Result Review (AED, Mn)

Total Assets	184,755
Total Liabilities	89,400
Total Equity	94,988
EBITDA	3,974
Net Profit	1,646

Financial Ratios

Dividend Yield (12m)	4.90
Dividend Pay-out (%)	88.41
Price-Earnings Ratio(x)	18.04
Price-to-Book Ratio (x)	1.42
Book Value (AED)	1.79
Return-on Equity (%)	7.85

Stock Performance

5 Days	-2.69%
1 Months	-4.53%
3 Months	-8.33%
6 Months	5.86%
1 Year	4.12%
Month to Date (MTD%)	-2.69%
Quarter to Date (QTD%)	-10.92%
Year to Date (YTD%)	-10.92%

As a result, DEWA's gross profit increased 15.6% YOY to AED 2,785 Mn in 4Q24. Moreover, gross profit margin expanded 314 bps YOY to 37.4% in 4Q24. Administrative expenses declined from AED 961 Mn in 4Q23 to AED 470 Mn in 4Q24, primarily due to a decline in repair and maintenance coupled with other costs. On the positive side, the Company reported a credit impairment reversal of AED 47 Mn in 4Q24, compared to a credit impairment loss of AED 33 Mn in 4Q23. Other income fell from AED 499 Mn in 4Q23 to 105 Mn in 4Q24. DEWA's operating profit boosted 29.0% YOY to AED 2,468 Mn in 4Q24, with an operating profit margin of 33.2% in 4Q24 compared to 27.2% in 4Q23. DEWA's EBITDA rose 11.4% YOY to AED 3,974 Mn, with the EBITDA margin of 53.4% in 4Q24. Finance costs increased substantially from AED 213 Mn in 4Q23 to AED 612 Mn in 4Q24, while finance income grew from 137 Mn in 4Q23 to 216 Mn in 4Q24. Additionally, the deferral account credit balance surged 7.6% YOY to AED 134 Mn in 4Q24. The profit share attributable to non-controlling interest holders boosted 11.5% YOY to AED 114 Mn in 4Q24. DEWA incurred a tax expense of AED 177 Mn in 4Q24 due to the introduction of UAE corporate tax in 2024.

Balance Sheet Highlights

The company's operating cash flow decreased from AED 5.9 Bn in 3Q24 to AED 5.8 Bn in 4Q24, while cash and cash equivalents, including short-term deposits, decreased from AED 10.6 Bn in 3Q24 to AED 9.7 Bn in 4Q24. Total borrowings declined from AED 38.8 Bn in 3Q24 to AED 36.2 Bn in 4Q24. Net debt stood at AED 26.5 Bn in 4Q24, compared to AED 28.3 Bn in 3Q24.

Target Price and Rating

We maintain our BUY rating on DEWA with a target price of AED 2.98. In 4Q24, DEWA's profitability increased primarily due to higher revenue, driven by strong demand for electricity, water, and cooling services. In FY2024, DEWA produced the highest ever annual electricity of 59.19 TWh, with a 5.4% increase from FY2023. Similarly, the Company's clean power production boosted 7.5% YOY to 6.62 TWh in 2024. Additionally, DEWA's annual peak demand rose 3.4% YOY to 10.76 GW in 2024. On the other hand, the system desalinated water production spiked 5.0% YOY to 150.48 Billion Imperial Gallons (BIG) in 2024, coupled with daily peak desalinated water demand increased 4.9% YOY to 455 MIGD in 2024. The Company's customer base increased 4.9% YOY to 1.27 Mn in 2024 and it is globally recognized for achieving the lowest line losses in electricity at 2% and water at 4.5%, along with the least Customer Minutes Lost of under one minute per year. In 4Q24, the Company generated 14.05 TWh of electricity, with a 5.2% YOY increase compared to 4Q23. Additionally, clean power production increased 12.83% YOY to 1.57 TWh in 4Q24. Furthermore, desalinated water production was boosted 6.73% YOY to 38.65 BIG in 4Q24. About the Future Outlook, the Company expects its total installed generation capacity to reach 20 GW by 2030, with DEWA contributing 5.3 GW, accounting for approximately 27% of the generation mix. As of December 2024, the Company's system-installed generation capacity was 17,179 MW, with 3,060 MW of this capacity coming from clean energy sources. The Company distributed a dividend of AED 3.1 Bn in 1H24 and announced the dividend of AED 3.1 Bn for the period of 2H24 to be distributed in April 2025. Thus, we assign BUY rating on the stock.

DEWA - Relative valuation¹

(at CMP)	2021	2022	2023	2024	2025F
PE	21.15	16.77	16.82	18.47	18.21
PB	1.39	1.45	1.45	1.46	1.44
EV/EBITDA	12.61	12.02	11.27	10.68	10.25
Dividend yield	NA	8.8%	4.8%	4.9%	4.9%

FABS Estimates & Co Data

¹Note – DEWA listed on DFM in 2022. Thus, the financial multiple for the prior period is unavailable

DEWA – P&L

AED Mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch.	QOQ Ch.	2023	2024	Change
Revenues	7,026	9,870	7,443	7,565	-1.6%	5.9%	-24.6%	29,178	30,977	6.2%
Direct Cost	-4,618	-5,522	-4,658	-4,818	-3.3%	0.9%	-15.6%	-17,933	-19,170	6.9%
Gross Profit	2,409	4,348	2,785	2,747	1.4%	15.6%	-35.9%	11,245	11,807	5.0%
Administrative exp	-961	-953	-470	-1,007	-53.4%	-51.1%	-50.7%	-3,013	-3,169	5.2%
Credit impairment losses	-33	18	47	44	6.4%	NM	166.2%	-126	93	NM
Other income	499	132	105	388	-72.9%	-78.9%	-19.9%	651	594	-8.8%
EBITDA	3,566	5,148	3,974	3,275	21.3%	11.4%	-22.8%	14,780	15,725	6.4%
EBIT	1,913	3,545	2,468	2,172	13.6%	29.0%	-30.4%	8,757	9,325	6.5%
Finance costs	-213	-487	-612	-463	32.1%	186.8%	25.6%	-1,617	-2,134	32.0%
Finance income	137	264	216	373	-42.2%	57.3%	-18.3%	806	960	19.0%
P/L before net movement in regulatory deferral	1,837	3,322	2,071	2,081	-0.5%	12.8%	-37.6%	7,946	8,151	2.6%
Net movement in regulatory deferral account credit balance	-125	-86	-134	-78	72.3%	7.6%	57.1%	-105	-167	60.1%
Tax	0	-319	-177	-241	-26.6%	NM	-44.6%	92	-749	NM
Profit before NCI	1,712	2,917	1,760	1,762	-0.1%	2.8%	-39.7%	7,934	7,234	-8.8%
Non-controlling interest	-102	-58	-114	-112	1.7%	11.5%	NM	-233	-222	-4.9%
Profit attributable	1,610	2,859	1,646	1,651	-0.3%	2.3%	-42.4%	7,701	7,013	-8.9%

FABS estimate & Co Data

DEWA - Margins

	4Q23	3Q24	4Q24	YOY Ch.	QOQ Ch.	2023	2024	Change
Gross Profit	34.3%	44.1%	37.4%	314	-663	38.5%	38.1%	-43
EBITDA	50.8%	52.2%	53.4%	263	123	50.7%	50.8%	11
Operating Profit	27.2%	35.9%	33.2%	593	-276	30.0%	30.1%	9
Net Profit	22.9%	29.0%	22.1%	-79	-684	26.4%	22.6%	-375

FABS estimate & Co Data

Valuation:

We use Sum of the parts (SOTP) and Discount Dividend Method (DDM) to value DEWA. We have assigned 85% weight to SOTP and 15% to DDM.

Valuation Method	Target	Weight	Weighted Value
SOTP Method	3.13	85.0%	2.65
DDM Method	2.17	15.0%	0.33
Weighted Average Valuation (AED)			2.98
Current market price (AED)			2.53
Upside/Downside (%)			+18%

1) SOTP Method:

Name of Entity	Type of Valuation	Total Value (AED Mn)
DEWA	DCF	146,914
IPP/IWP	DCF	15,760
Others	PE	6,077
Total Enterprise Value		168,752
Empower	DCF	15,178
Net Debt		-21,981
Minority Interest		-5,639
Total Valuation (AED)		156,310
Valuation per share (AED)		3.13

DEWA is valued using SOTP valuation as it operates in multiple business segments and we have assigned higher weight to SOTP since in this valuation methodology each segment is valued separately and all segment KPIs are captured for valuation. We have discounted the cash flow using the weighted average cost of capital of 7.7%. It is arrived after using cost of equity of 8.4% and after-tax cost of debt of 5.6% with an equity weight of 76.9% and debt of 23.1%. Cost of equity is calculated by using 10-year government bond yield of 5.7%, beta of 0.70 and equity risk premium of 3.8%. Government bond yield is calculated after adding Abu Dhabi 10-year spread over 10-year US risk free rate. Cost of debt of 6.1% is adjusted for a tax rate of 9.0% to arrive at after tax cost of debt of 5.6%. Also, assumed a terminal growth rate of 2.0%.

1) DEWA

Sum of PV (AED, Mn)	34,958
Terminal value (AED, Mn)	111,956
FV to Common shareholders (AED, Mn)	146,914
No. of share (Mn)	50,000
Current Market Price (AED)	2.53
Fair Value per share (AED)	2.94

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	7,711	8,180	8,408	8,643	8,914
(+/-) Depreciation & amortization	5,515	5,764	5,993	6,208	6,413
(+/-) Capex	-4,500	-5,000	-5,500	-6,000	-6,000
(+/-) Working capital	-282	-339	-364	-405	-417
Free Cash Flow to Firm (FCFF)	8,443	8,605	8,538	8,447	8,909
Discounting Factor	0.94	0.87	0.81	0.75	0.70
Discounted FCFF	7,941	7,513	6,921	6,357	6,225

Source: FAB Securities

2) IPP/WPP

Sum of PV (AED, Mn)	1,248
Terminal value (AED, Mn)	14,512
FV to Common shareholders (AED, Mn)	15,760
No. of share (Mn)	50,000
Current Market Price (AED)	2.53
Fair Value per share (AED)	0.32

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	635	716	780	833	912
(+/-) Depreciation & amortization	510	533	554	574	593
(+/-) Capex	-1,800	-1,400	-850	-350	-350
Free Cash Flow to Firm (FCFF)	-655	-151	484	1,058	1,155
Discounting Factor	0.94	0.87	0.81	0.75	0.70
Discounted FCFF	-616	-132	393	796	807

Source: FAB Securities

3) Others

We have used international peers to value DEWA and it is valued using the PE multiple. It is valued at PE multiple of 15.8x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)		P/B (x)	
		2025F	2026F	2025F	2026F	2025F	2026F
Britvic PLC	3,988	9.2	8.0	15.8	14.0	2.2	2.0
Nongfu Spring Co Ltd	45,660	20.0	17.7	30.6	26.9	11.2	9.6
Danone	43,536	11.4	10.7	18.8	17.5	2.5	2.4
Lotte Chilsung Beverage	831	5.6	5.2	7.5	6.3	0.7	0.6
Suntory	10,131	5.8	5.5	15.3	14.3	1.3	1.2
Average		10.4x	9.4x	17.6x	15.8x	3.6x	3.2x
Median		9.2x	8.0x	15.8x	14.3x	2.2x	2.0x
Max		11.4x	10.7x	18.8x	17.5x	2.5x	2.4x
Min		5.8x	5.5x	15.3x	14.0x	1.3x	1.2x

Source: FAB Securities

Empower

Sum of PV (AED, Mn)	5,587
Terminal value (AED, Mn)	19,603
FV to Common shareholders (AED, Mn)	21,682
No. of share (Mn)	50,000
Current Market Price (AED)	2.53
Fair Value per share (AED)	0.43

DCF Method

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	1,206	1,266	1,336	1,408	1,476
(+/-) Depreciation & amortization	414	432	450	466	481
(+/-) Capex	-500	-400	-450	-450	-450
(+/-) Working capital	43	45	48	50	53
Free Cash Flow to Firm (FCFF)	1,163	1,343	1,384	1,474	1,560
Discounting Factor	0.94	0.87	0.81	0.75	0.70
Discounted FCFF	1,093	1,173	1,122	1,109	1,090

Source: FAB Securities

2) DDM Method:

DEWA distributed a healthy dividend in 2023 and further aims to pay a dividend of USD 6.2 Bn in 2024. It further expects this dividend payment will be sustained even in the forecasted period due to strong cash flow generation. The dividend is discounted at the cost of equity of 8.3%.

Sum of PV (AED, Mn)	26,970
Terminal value (AED, Mn)	81,652
FV to Common shareholders (AED, Mn)	108,622
No. of share (Mn)	50,000
Current Market Price (AED)	2.53
Fair Value per share (AED)	2.17

(All Figures in AED Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend Paid					
1H	3,100	3,300	3,300	3,500	3,750
2H	3,100	3,300	3,300	3,500	3,700
Total Dividend	6,200	6,600	6,600	7,000	7,450
Discounting Factor	0.94	0.86	0.80	0.74	0.68
Present Value of Dividend	5,803	5,700	5,261	5,149	5,057

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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