

## National Central Cooling Company (Tabreed)

**Current Price**  
AED 2.65

**Target Price**  
AED 3.95

**Upside/Downside (%)**  
+49%

**Rating**  
**BUY**

### 1Q25 Net Profit lower than our estimate

- Total connected capacity reached 1.33 Mn Refrigeration Tons (RT) in 1Q25.
- Added new customers of 4,599 RT in UAE in 1Q25.
- Consumption volume fell 7% YOY due to cold weather experienced in 1Q25 compared to 1Q24.
- Tabreed's revenue declined marginally from AED 468 Mn in 1Q24 to AED 466 Mn in 1Q25, owing to a decline in revenue from Supply of Chilled Water, partially offset by a marginal uptick in revenue from the value chain business.
- The gross profit declined marginally 1.3% YOY to AED 235 Mn in 1Q25. Gross profit margin declined from 50.9% in 1Q24 to 50.5% in 1Q25.
- EBITDA rose 4.0% YOY to AED 283 Mn in 1Q25 owing to lower operating expenses. The EBITDA margin stood at 60.7% in 1Q25 compared to 58.1% in 1Q24.
- As a result, operating profit marginally declined 0.8% YOY to AED 161 Mn in 1Q25. The operating profit margin declined 10 bps YOY to 34.5% in 1Q25.
- Finance income fell from AED 21 Mn in 1Q24 to AED 11 Mn in 1Q25, while finance costs declined 21.7% YOY to AED 47 Mn owing to a decline in benchmark interest rates.
- Income tax expense stood at AED 11 Mn in 1Q25 compared to AED 10 Mn in 1Q24.
- Net profit attributable to equity shareholders increased 2.9% YOY to AED 115 Mn in 1Q25 due to a decline in finance cost and lower administrative & other expenses, partially offset by lower finance income.
- Tabreed's Board of Directors approved a cash dividend of 15.5 fils per share for FY2024.

### Earnings Call Summary

- Tabreed established a joint venture with Dubai Holding Investments to provide 250,000 RT in Palm Jebel Ali, representing 20% of its total current capacity, with a total project capex of AED 1.5 Bn, and it will be fully funded through internal cash accruals. The concession agreement spans 30 years, with an option to renew for an additional 25 years.
- Phase 1 of Palm Jebel Ali will be operational by end of 2027 or early 2028 with a capacity of 13,000 RT
- The Company issued USD 700 Mn green Sukuk, marking the first issuance under its USD 1.5 Bn trust certificate program.
- The Company's consumption performance is demonstrating robust YOY growth in 2Q25, reinforcing expectations for a positive full-year result.
- Annual capex guidance for 2025 and 2026 amounts to AED 150-200 Mn which includes investment in Palm Jebel Ali, other greenfield and maintenance capex.
- Tabreed expects revenue from the concession agreement with Dubai Holding Investments to follow the existing tariff structure, with about 60% capacity-based and 40% consumption-based, with a long-term potential to mirror current business economics.
- Tabreed's geographic distribution is expected to remain stable over the next 3-5 years, with 83% of capacity from the UAE and 17% from other GCC countries, including India and Egypt.
- The Company's EBITDA margin improved 600 bps QOQ in 1Q25, mainly driven by lower consumption volumes and cost savings from innovation and automation.
- Tabreed expects to generate a project targeted IRR in the high single digits to low double digits for new projects. These projects are designed to be value-accretive to equity shareholders.
- The Company expects to incur a maintenance capex below AED 25 Mn, with the majority capitalized if the benefits extend beyond 12 months.

- Tabreed has not observed any significant inflationary pressure on capex for new projects. Additionally, the Company signed long-term framework agreements with key vendors to mitigate any potential inflation impact on capacity charges.

**Tabreed – P&L**

<b>AED Mn</b>	<b>1Q24</b>	<b>4Q24</b>	<b>1Q25</b>	<b>1Q25F</b>	<b>Var.</b>	<b>YOY Ch</b>	<b>QOQ Ch</b>
Revenue	468	583	466	497	6.7%	-0.5%	-20.1%
Operating costs	-230	-317	-231	-244	5.7%	0.4%	-27.4%
<b>Gross profit</b>	<b>238</b>	<b>266</b>	<b>235</b>	<b>254</b>	<b>7.7%</b>	<b>-1.3%</b>	<b>-11.5%</b>
Administrative and other expenses	-76	-68	-75	-77	3.3%	-2.4%	10.0%
<b>EBITDA</b>	<b>272</b>	<b>319</b>	<b>283</b>	<b>280</b>	<b>-0.9%</b>	<b>4.0%</b>	<b>-11.3%</b>
<b>Operating profit/ EBIT</b>	<b>162</b>	<b>198</b>	<b>161</b>	<b>177</b>	<b>9.8%</b>	<b>-0.8%</b>	<b>-18.9%</b>
<b>Profit before tax</b>	<b>129</b>	<b>174</b>	<b>133</b>	<b>147</b>	<b>10.7%</b>	<b>2.5%</b>	<b>-23.7%</b>
Income tax expense	-10	-20	-11	-13	18.9%	10.6%	-45.3%
<b>Net profit for the period</b>	<b>119</b>	<b>153</b>	<b>122</b>	<b>134</b>	<b>9.9%</b>	<b>1.8%</b>	<b>-20.8%</b>
<b>Profit attributable to equity holders</b>	<b>112</b>	<b>145</b>	<b>115</b>	<b>127</b>	<b>9.9%</b>	<b>2.9%</b>	<b>-20.4%</b>

*FABS estimate & Co Data*

## Research Rating Methodology:

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

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