



National Central Cooling Company

FY 2023 Earnings Presentation

15 February 2024

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- Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures

Agenda

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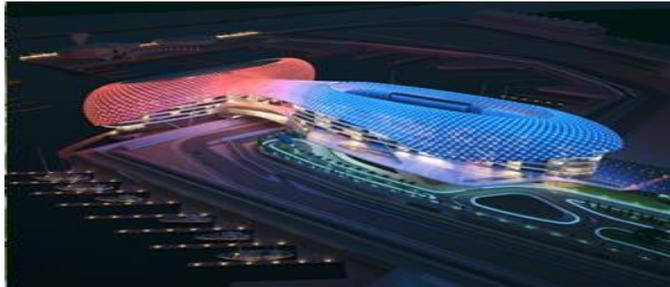
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Key Highlights

Adel Al Wahedi, Chief Financial Officer



FY 2023 Key Achievements



Strong underlying operating and financial performance

- ▶ 8% YoY increase in consumption volumes
- ▶ Revenue and Normalized Net Profit¹ increased 9% and 14% YoY resp.
- ▶ Robust cash flow generation with Free Cash Flows up 8% YoY
- ▶ Strengthened balance sheet with net debt to EBITDA improved to 4.1x



Continued strategic expansion in the UAE and Internationally

- ▶ Expanded capacity by 53 k RT, largely driven by organic growth - 6 new plants commissioned
- ▶ Expanded presence outside GCC, including entry in India
- ▶ Continuing to secure future growth with the new projects announced in Saudi Arabia and India



Solid progress on sustainability goals and ambitions

- ▶ Started operations of the region's first Geothermal district cooling plant in Masdar City, UAE
- ▶ Completed pilot project to use nanofluid technology to enhance DC network efficiency
- ▶ AED 600 million Green RCF signed under green financing framework

1) Net Profit attributable to shareholders adjusted for one-off gains/provisions and initial recognition of deferred tax liability on implementation of UAE Corporate Tax Law

Solid financial results, balance sheet and cash flow profile

Total Capacity

1,303 k RT

+3% YoY 

Revenue

AED 2,415 m

+9% YoY 

Free Cash Flows

AED 1,212 m

+8% YoY 

Net Debt / EBITDA

4.1 x

-0.4x YoY 

EBITDA

AED 1,198 m

-3% YoY 

Normalized Net Profit

AED 603 m

+14% YoY 

RoCE

7.8 %

+1.5% YoY 

Div. Yield¹

4.7 %

FY 2023 



LT Issuer Credit Rating

Baa3 **BBB**
MOODY'S **FitchRatings**

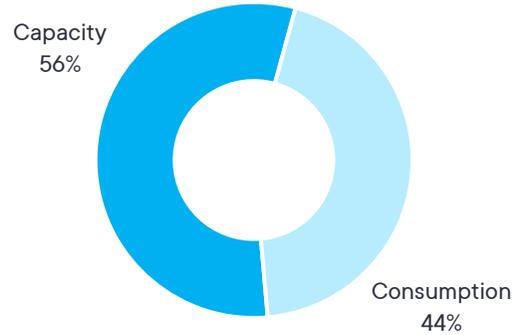
Stable Outlook

Investment Grade Credit Rating Reaffirmed by Major Rating Agencies

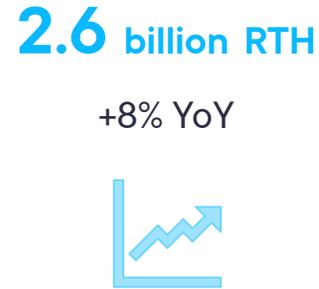
1) Div. yield as per board recommended dividend of 15.5 fils/share for FY 2023 (subject to approval of shareholders in Annual General Assembly) and share price as of 14 Feb. 2024

Continued expansion and robust operational performance

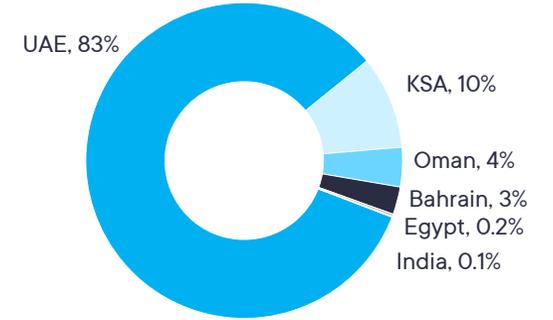
Chilled Water Revenue



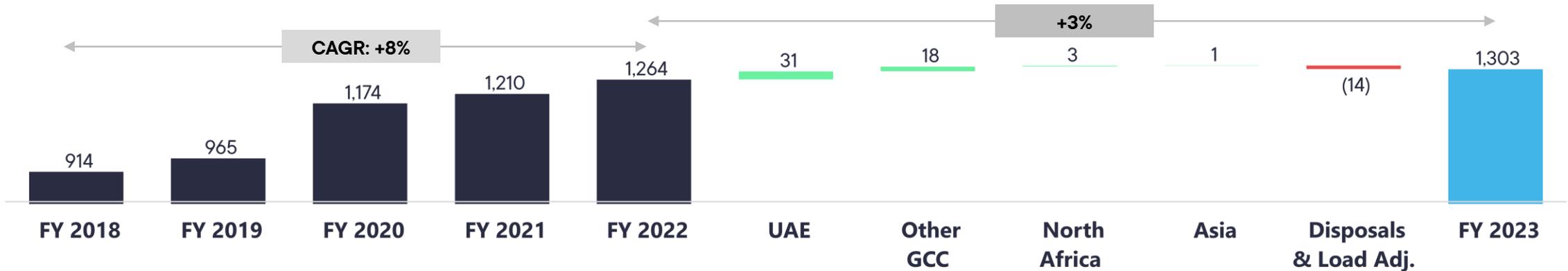
Consumption Volumes



Capacity by Country



FY 2023 Capacity Addition

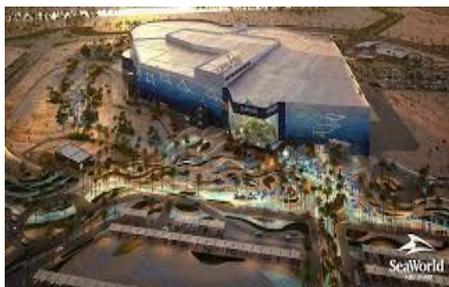


Significant strategic progress to grow earnings

Delivering on our growth plans



- **6 new plants** commenced operations
 - 5 greenfield plants (2 in UAE, 2 in Saudi, 1 in Egypt) and 1 brownfield acquisition (in India)
- Continued to add **new connections** in existing concession areas



Securing future growth



- Announced new project **Hyderabad Pharma City** in India with total concession capacity of 125k RT and Ph. 1 of 2.5k RT
- Started construction on **King Salman Park** project in Saudi Arabia with total concession capacity of 60k RT and Ph.1 of 20k RT



Focusing on excellence



- Completed Ph. 3 of retrofit program to install **Variable Frequency Drives (VFD)** to improve energy efficiency
- Completed pilot project to use new **nanofluid technology** to enhance network efficiency
- Successfully commissioned the region's first **Geothermal Plant** in partnership with ADNOC to produce chilled water



02

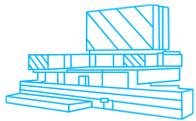
Sustainability Overview

Adel Al Wahedi, Chief Financial Officer



Enabling sustainable use of energy with positive environmental impact

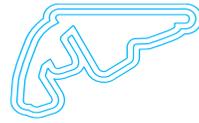
Exclusive provider of District Cooling services to several iconic projects



Cleveland Clinic
Abu Dhabi



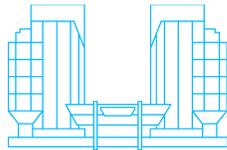
Sheikh Zayed Grand
Mosque



Yas Marina
Circuit



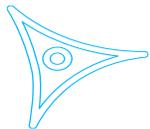
Rosewood Abu
Dhabi



Abu Dhabi Global
Market Square



Yas Mall



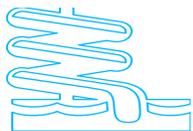
Ferrari
World



Dubai
Metro



Dubai Parks
and Resorts



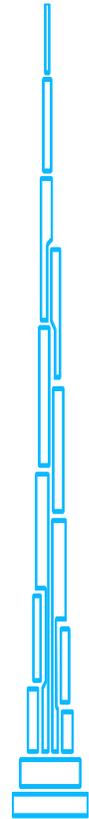
Yas
Waterworld



Le Louvre
Abu Dhabi



Etihad
Towers



Burj Khalifa

Sustainable district cooling solutions enabling significant energy savings and prevention of green house gas emissions



2.52 billion kWh
energy consumption
avoided in the GCC through
Tabreed's DC services



Enough energy to power
143,306 homes in the GCC
every year



1.50 million tons
prevention of CO₂
emissions



The equivalent of removing
327,048 cars from our
streets every year

Annual savings in energy consumption (In Billions of kWh)



Responsible operations with positive environmental impact

Pioneered various innovations



Utilization of TSE¹ water

Pioneering the use of TSE by recycling sewage water which would otherwise be discharged into the environment



Consistent emission monitoring

Commissioned Intertek to carry out annual stack emissions monitoring



Thermal Energy Storage

Enhances the ability to manage peaks in DC demand and ensures no additional production is needed during times of peak demand



Use of sea water to protect scarce resources

Utilizes sea water instead of potable water leading to substantial savings of potable water whilst simultaneously ensuring no harm to marine life



Management of hazardous waste & trade effluent discharge

Engaged Environmental Services Providers for the management of hazardous materials and compliance with the framework of the regulation of trade effluent



Geothermal Energy

Started the region's first geothermal district cooling plant to significantly reduce electricity consumption from the grid

Commitment towards energy efficiency and optimization



Investment in sustainable district cooling (DC) projects



Construction of new DC plants, for both existing and new buildings



Expanding operations through acquisition of DC assets



Investing in solutions to increase operational energy efficiency by at least 20%

Commitment towards water and wastewater management



Investing in, upgrading and maintaining infrastructure and water systems to increase water efficiency by at least 20%



Investing in infrastructure and systems that reduce freshwater consumption, such as using treated sewage effluent (TSE) or seawater

Notes: (1) Refers to Treated Sewage Effluent ("TSE")

03

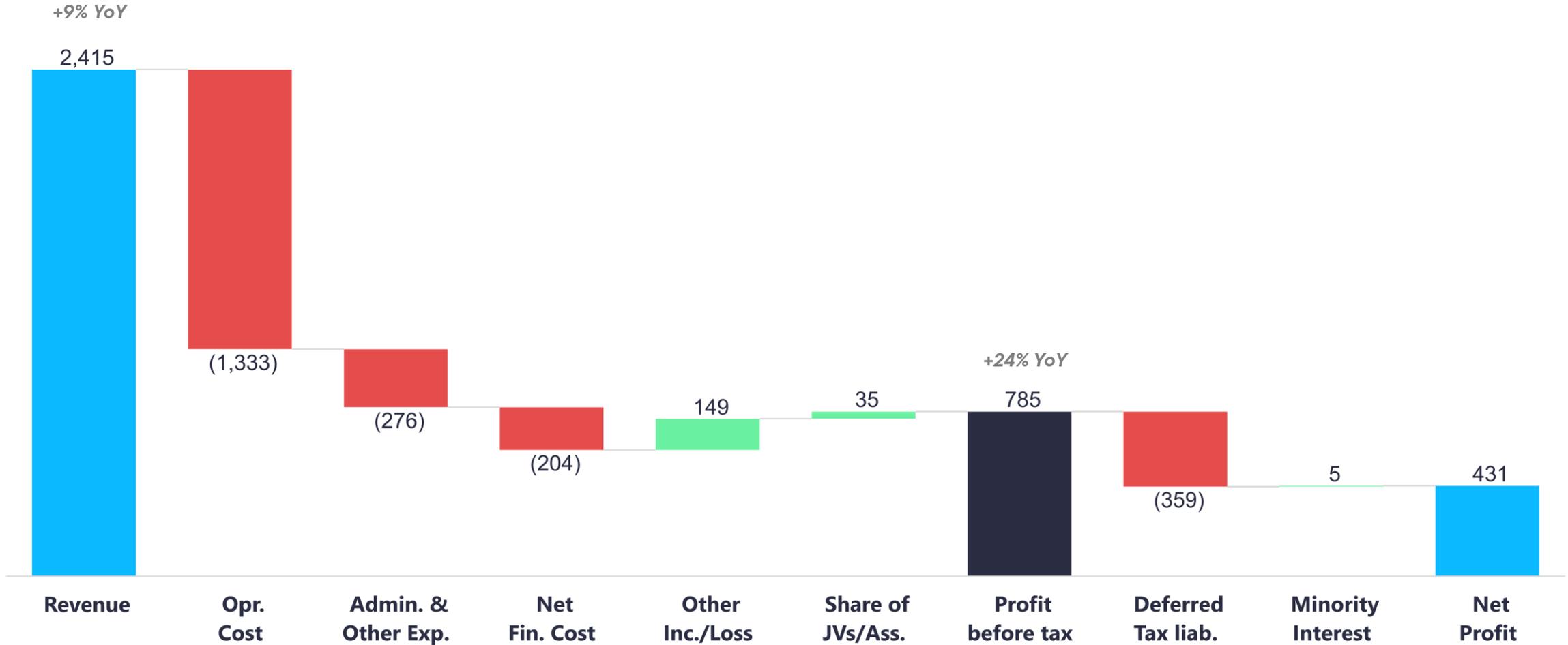
FY 2023 Financial Results

Salik Malik, Vice President - Finance



Income Statement Summary

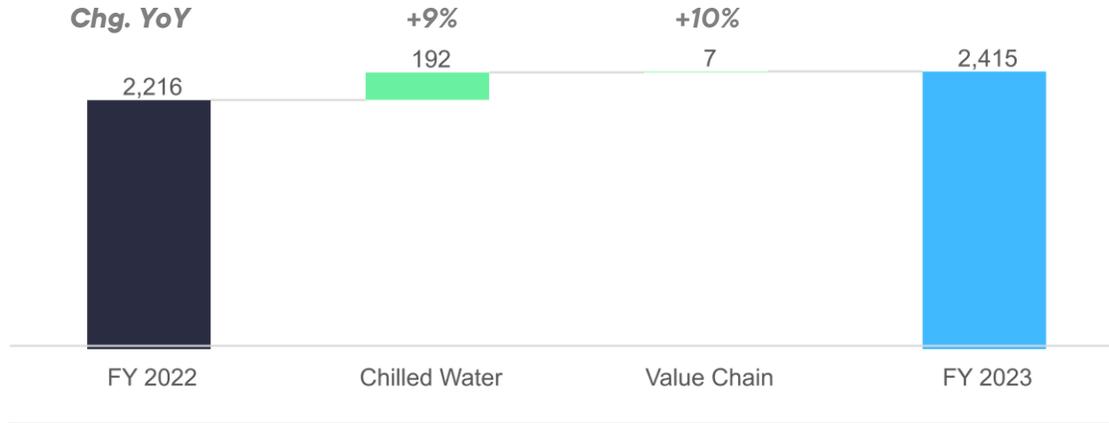
AED millions



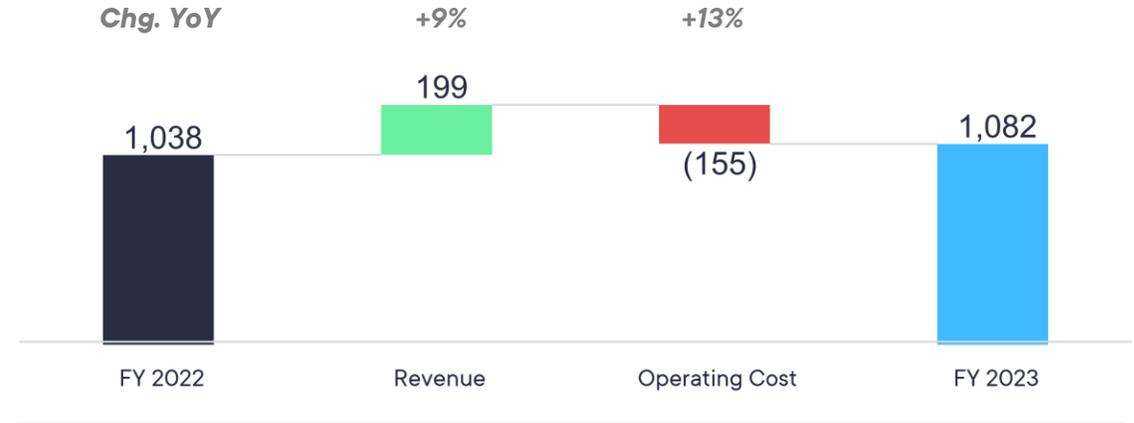
Income Statement Highlights

AED millions

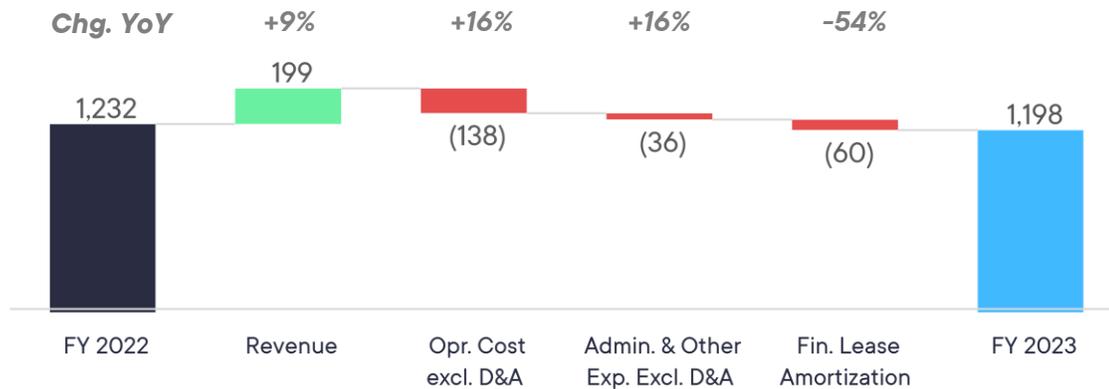
FY 2023 Revenue Movement



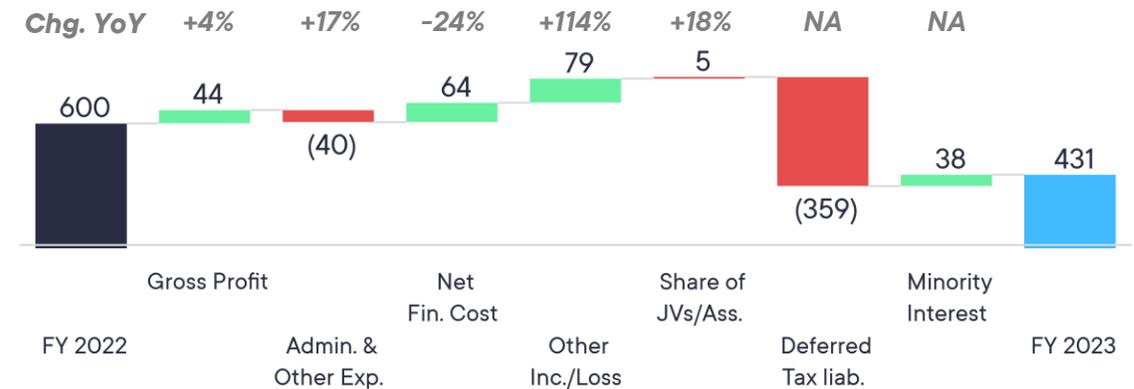
FY 2023 Gross Profit Movement



FY 2023 EBITDA Movement



FY 2023 Net Profit Movement



Normalized Net Profit

<i>AED millions</i>	FY 2022	FY 2023	Chg. (YoY)
Reported Net Profit to Parent	600	431	-28%
One-off (gains) / losses	(70)	(149)	
Deferred Tax Liability	-	359	
Normalized Net Profit to Parent¹	530	603	14%

- One-off gains/losses in the twelve-month period 2023 include:
 - Fair value gain on deemed disposal of Saudi Tabreed
 - Fair value gain on unwinding of hedging instrument associated with early prepayment of one of our loan facilities
 - Gain on disposal of 50% stake in Tabreed Parks Investment and fair value gain on retained 50% stake
 - Prudent provisions related to development projects
- Deferred tax liability of AED 359 million (net of deferred tax liability and assets)

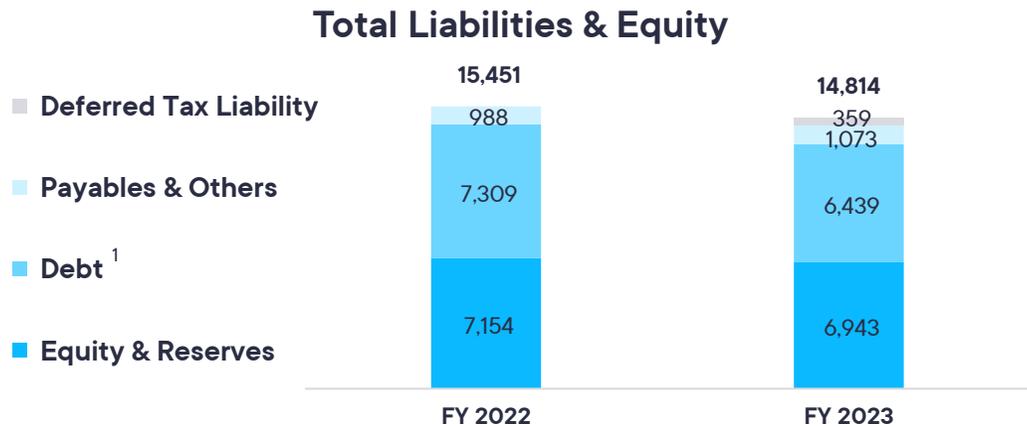
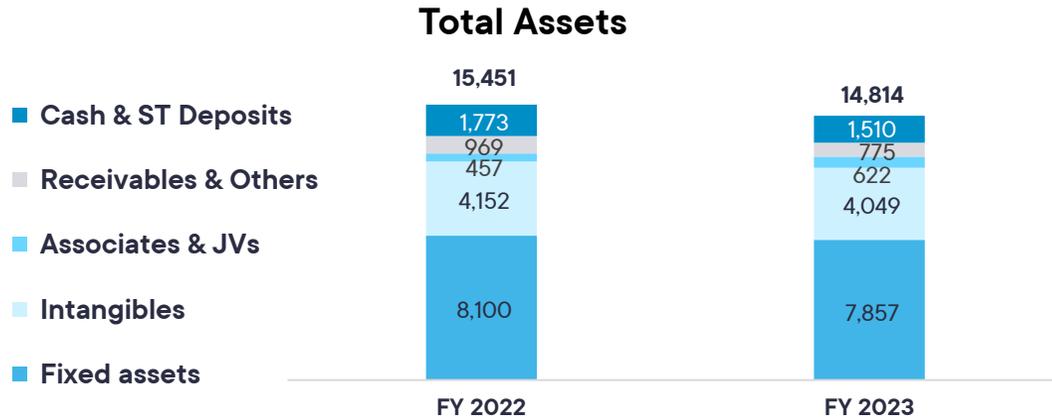
Deferred Tax Liability

- The company recognized deferred tax liability provision of AED 359 million in the third quarter of 2024 related to intangible assets arising from customer contracts and goodwill from business combinations/acquisitions executed in the UAE prior to the enactment of Corporate Tax Law (16th January 2023).
- This accounting treatment is new to companies operating across the United Arab Emirates and application of the International Accounting Standard 12 Income Taxes (IAS 12) requires companies to measure deferred tax assets and liabilities based on applicable tax rates and tax laws.
- This is a provision and not an actual tax liability; it will be released to income statement as we amortize annually the intangible assets, and it will be fully reversed over the useful life of customer contracts.

1) Adding all one-off items and deferred tax liability to Reported Net Profit does not match with Normalized Net Profit in 2023 due to non-controlling interest's share of deferred tax liability

Balance Sheet Highlights

Balance Sheet Breakdown (AED million)

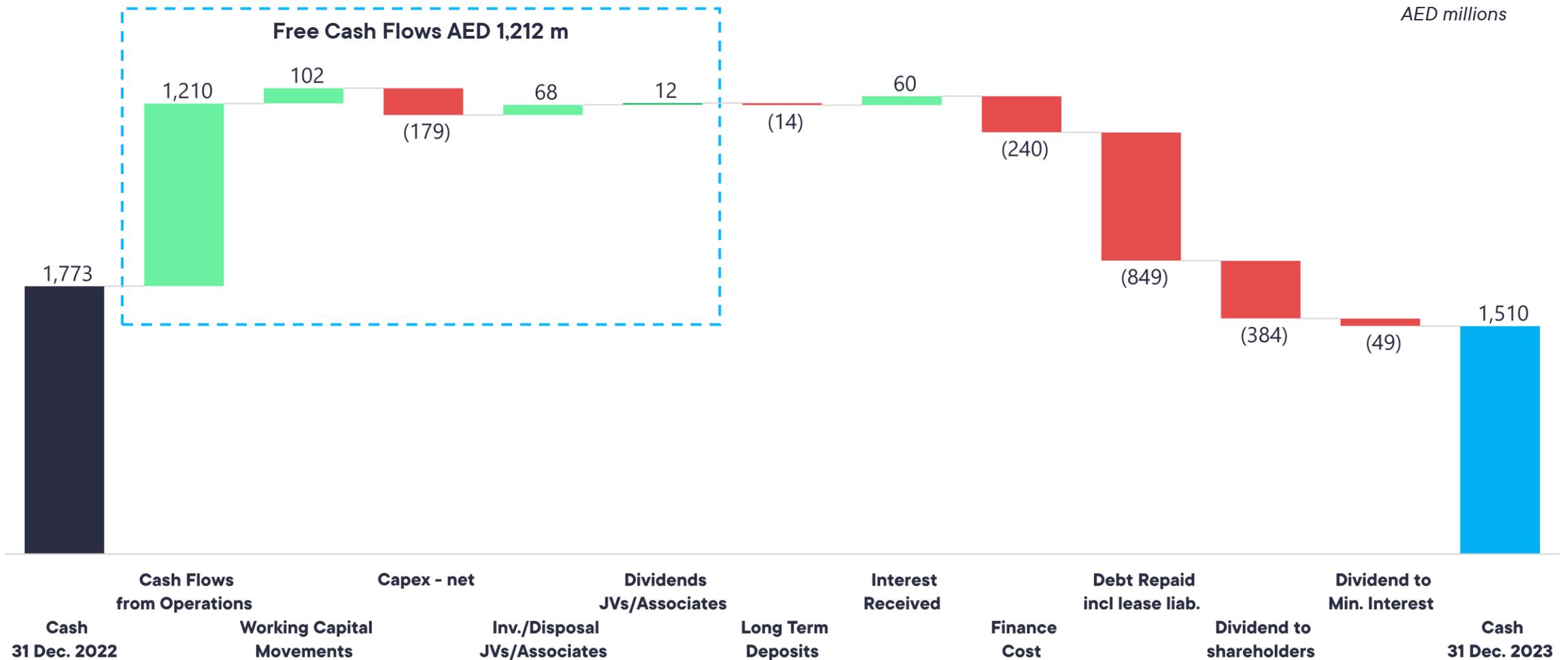


1) Debt includes finance lease liability

Capital Structure



Highly cash generative business supports growth, deleveraging & dividends



04

Outlook & Concluding Remarks

Adel Al Wahedi, Chief Financial Officer



Capacity Growth Guidance

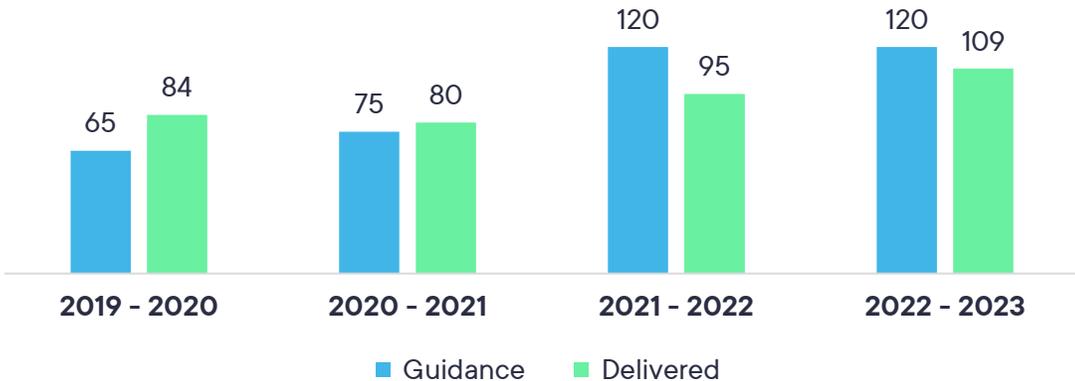
2022-2023 Two years guidance update		kRT
2022 - 2023 Capacity Guidance		120
2022 - 2023 Actual Capacity Delivered		109

- 55k RT and 53k RT was added in 2022 and 2023 resp. - 67k RT in UAE, 20k RT in Oman, 14k RT in Saudi, 3.5kRT in Bahrain, 3k RT in Egypt and 1k RT in India.
- 87% of the capacity added in 2022 and 2023 came from the consolidated entities vs. guidance of 70%.
- Marginal shortfall mainly due to equity accounted entities.

2023-2024 Two years guidance update		kRT
2023 - 2024 Capacity Guidance		120
FY 2023 Actual Capacity Delivered		53

- Capacity guidance for 2023 and 2024 is 120k RT, of which around 60% is expected from consolidated entities and balance 40% from equity accounted entities.
- 53k RT was added in FY 2023, which included 31k RT in UAE, 14k RT in Saudi, 3k RT in Bahrain, 3k RT in Egypt, 1k RT in Oman and India each

Historical Capacity Guidance vs. Delivery



Current Capacity Guidance



New Capacity Guidance



Rising space cooling demand and strong macro tailwinds reinforce growth outlook



1

Space Cooling Demand

Space Cooling accounts for ~50% of Peak Electricity Consumption

Energy Demand from space cooling to rise by ~3x by 2050



2

District Cooling Efficiency

District cooling offers remarkable efficiency

District cooling is 50% more energy efficient, highly reliable and cost effective over a life cycle



3

Energy Resilience & Decarbonisation

Government policies to increasingly promote district cooling to support ambitious energy efficiency and Net Zero by 2050 targets

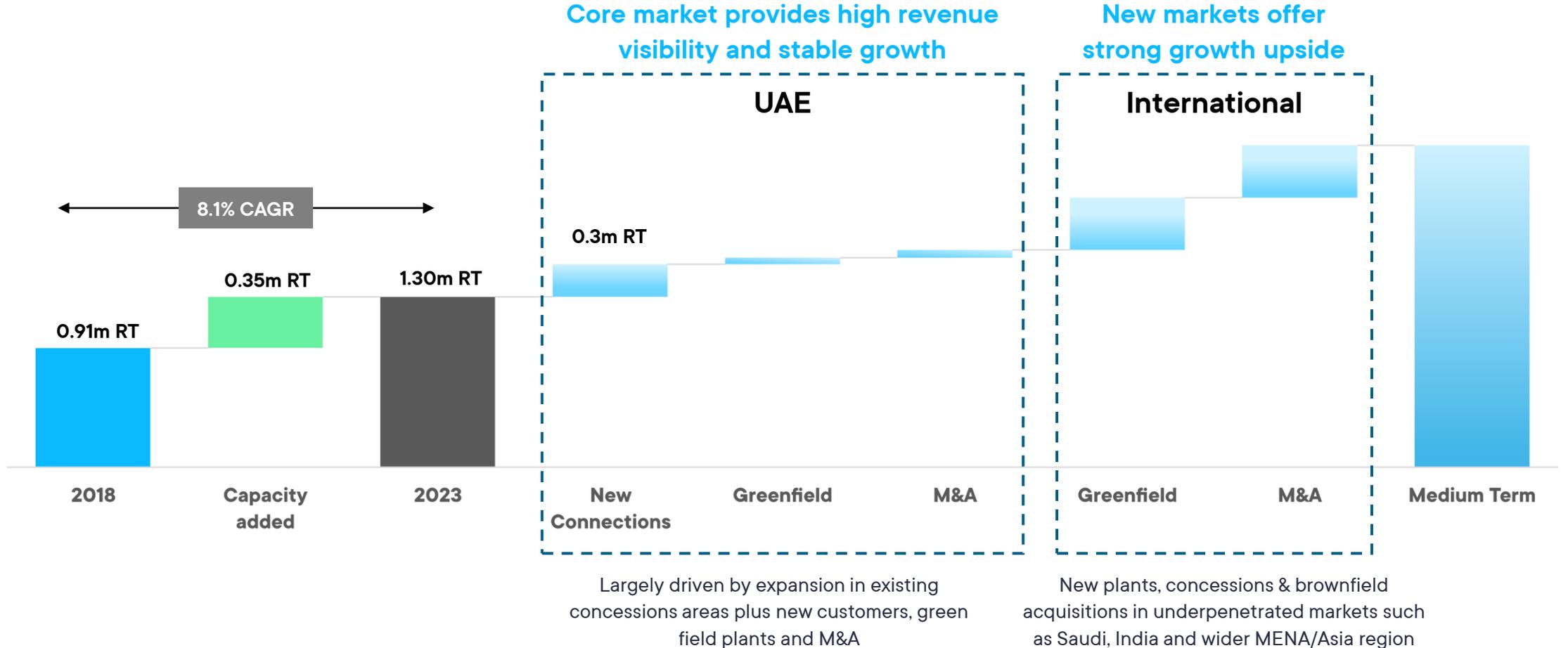


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Rising District Cooling Adoption

Tabreed's key markets expected to see acceleration in GDP growth and increase in penetration of district cooling

Leveraging on expansion opportunities to diversify presence and sustain long-term growth



Q&A



Appendix

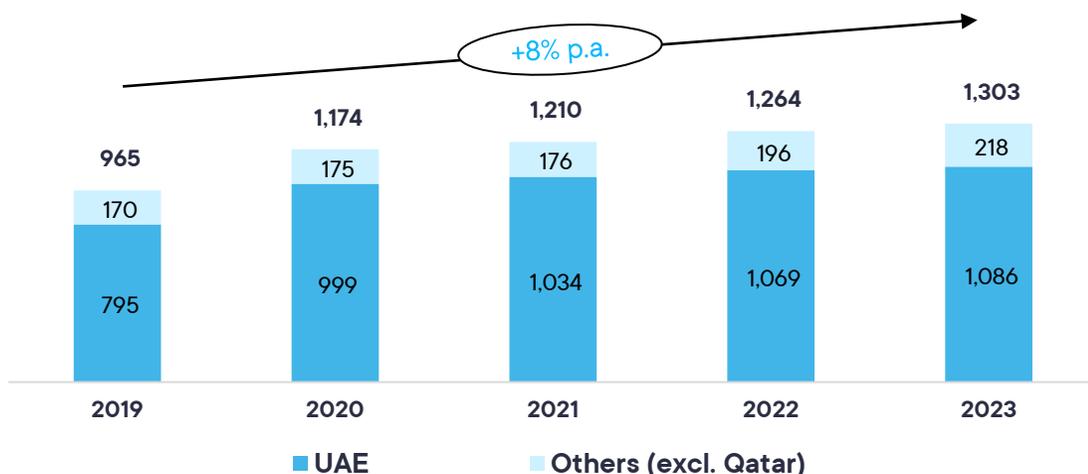
Connected Capacity

Consolidated	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023	2023
UAE	724	928	1,025	1,060	1,071	1,077	1,051 ¹	1,053
Bahrain	28	32	33	34	34	35	35	37
Oman	32	32	33	52	53	53	53	53
India	-	-	-	-	-	-	1	1
Egypt	-	-	-	-	-	-	-	3
Total Consolidated	1,123	992	1,091	1,146	1,158	1,165	1,140	1,146
Equity Accounted								
UAE	71	71	9	9	9	7 ²	40 ³	33 ²
KSA	110	110	110	110	110	124	124	124
Total Equity Accounted	181	181	119	119	119	131	164	157
Total Capacity (k RT)	965	1,174	1,210	1,264	1,276	1,296	1,304	1,303

1) Reduced due to deconsolidation of Tabreed Parks Investment on 50% stake sale and subsequently recognized in equity accounted; (2) Reduced due to disposal of 2 plants (1st plant in Q2, 2nd plant in Q4); (3) Increased due to movement of Tabreed Parks Investment from consolidated to equity accounted

Proven track record of growth, momentum maintained in 2023

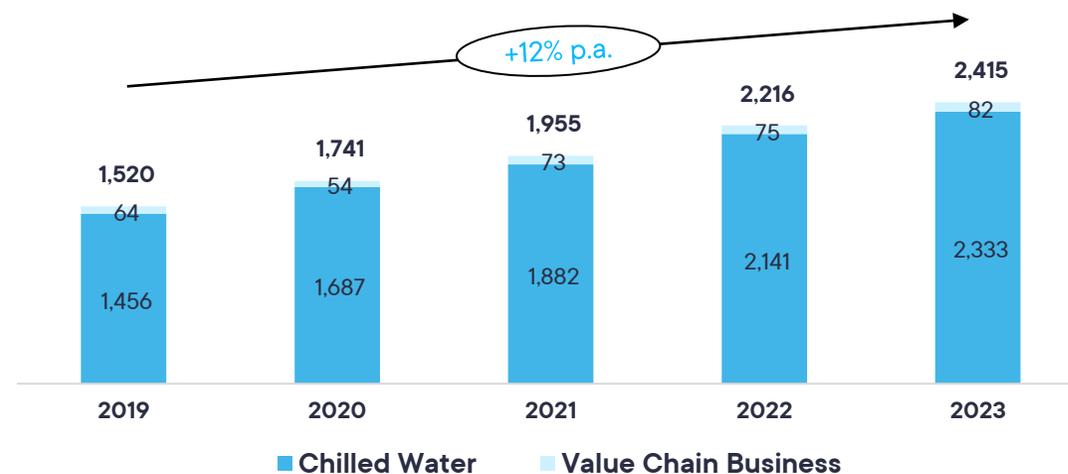
Group Connected Capacity¹ (kRT)



Long-term Contracts with Credit Worthy Customers

- Providing around 1.3 million RT of cooling capacity across the GCC, Egypt and India, recording a CAGR of 8% over 2019-23
- Long-term contracts (~25 years) results in over 81% of contracted capacity being locked until 2032 ensuring stability and continuity
- 80% of chilled water revenue is derived from wholly government owned and partially government owned entities

Group Revenue (AED m)



Revenue Growth from Existing and New Business

- Group Revenue (97% from Chilled Water business in FY 2023) increased at a robust CAGR of 12% over 2019-23
- Revenue growth from new connections, increased consumption volumes and CPI increase
- Utility-like business model allows highly visible revenues, resilient profitability and sustained financial strength

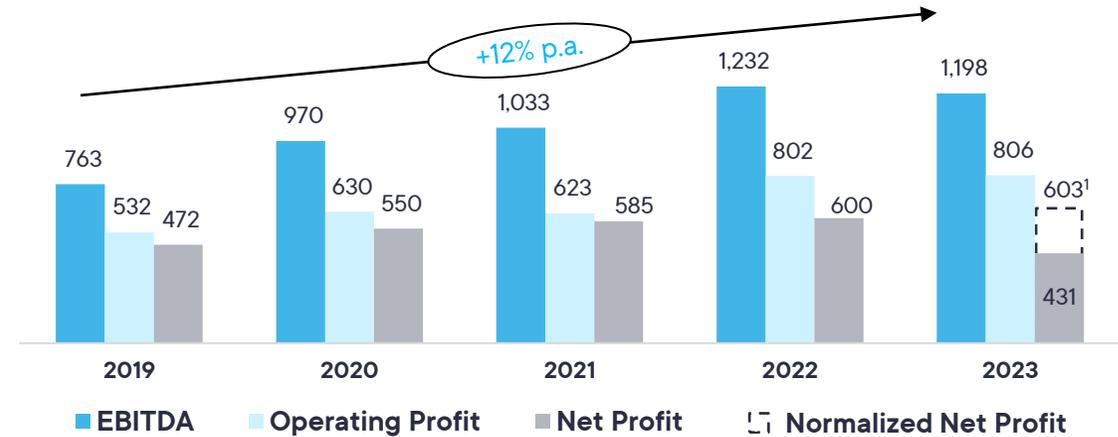
1) Excluding Qatar Cool divestment

Sustainable earnings with resilient margins

- Predictable earnings driven by long term nature of the contracts and fixed capacity charges, ensuring a reliable revenue stream
- EBITDA has grown at a CAGR of 12% over 2019-23, underscoring sustained operational efficiency and profitability
- Profit from Operations has increased at a CAGR of 11% over 2019-23
- Net Profit has also shown sustainable growth over 2019-22 with a CAGR of 8%. However, 2023 net profit was impacted by one-time non-cash deferred tax liability. On normalized basis, 2023 net profit increased by 12% YoY, contributing to enhanced shareholder value

- Demonstrating resilient business model, the EBITDA margin remained robust at 50% in FY 2023, maintaining an average margin of 53% from 2019-23
- Ability to effectively generate sustainable profits is evident through the Operating Profit margin of 33% in FY 2023, with yearly average margin of 35% over 2019-23
- Net profit margin of 18% in FY 2023 was impacted by one time recognition of deferred tax liability - average net profit margin of 28% over 2019-23

AED millions



Key Margins



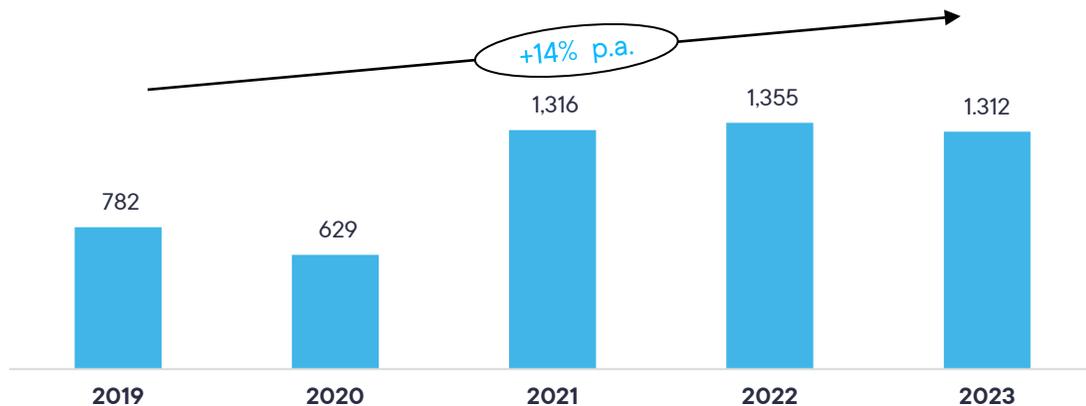
1) Normalized Net Profit and margin adjusted for one-off gains/provisions and non-cash recognition of deferred tax liability

Robust cash flows underpin ability to deliver attractive shareholder returns

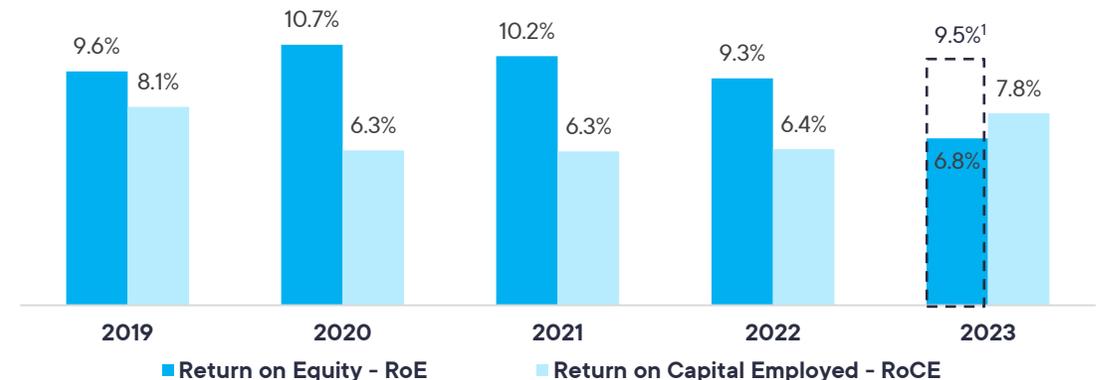
- Net Operating Cash Flows recorded remarkable annual growth of 14% over 2019-23, reflecting growth in business, operational excellence and ability to efficiently manage working capital.
- Consistently growing cash flows and sufficient balance sheet capacity provide a strong foundation to maintaining financial strength, expanding our operations and delivering attractive long-term returns for shareholders through combination of growth and sustainable dividend policy.

- Maintained Investment Grade credit rating, underscoring strong creditworthiness.
- Balance sheet leverage significantly improved from the peak of 2021 (Net Debt to EBITDA ratio reduced from 5.97x as of 2021 to 4.11x as of 2023), reflecting ability to generate sustainable EBITDA and cash flows.
- Return on Capital Employed improved to 7.8% in 2023 supported by prudent financial management.
- Return on Equity was impacted in 2023 due to one-time non-cash recognition of deferred tax liability. However, on normalized net profit, RoE improved to 9.5%.

Net Cash Flows from Operations (AED m)



Return Ratios



1) RoE on normalised net profit



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