



National Central Cooling Company PJSC

(DFM:TABREED)

Tabreed acquires world's largest district cooling scheme in Downtown Dubai

6th April 2020

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1. Transaction Overview

A historic achievement for Tabreed and a transformational transaction

Overview

- Tabreed acquires 80% of Emaar’s Dubai Downtown District Cooling business and signed a long-term concession
- Transaction perimeter includes 4 plants with an ultimate concession capacity of 235k RT and 150k RT of connected capacity at the time of acquisition
- Premium location, with well-established masterplan, benefitting from quality real estate and strong infrastructure
- A vast majority of the current contracted capacity is with the Emaar Group, an investment grade counterparty, generating stable cash flows

Terms & Valuation

- Tabreed acquires 80% stake in the SPV which owns the Downtown Dubai district cooling plants and network for a cash consideration of AED 2,488 million
- This values the target at an enterprise value of AED 3,110 million representing EV/Ton¹ value of AED 13,200 and EV/EBITDA multiple in the range of 16.5x on historic results and 14.5-15.5x based on anticipated 2020 results
- Valuation is driven primarily by signed contracts (connected and to be connected in the future) of ~190k RT. Further value driven by being awarded a long-term contractual exclusivity to provide cooling in Downtown Dubai
- Transaction paves the way for a long-term relationship with one of the world’s largest and most reputed developers
- Project returns in line with Tabreed’s usual threshold and Board approved hurdle rate

Financing

- Acquisition to be funded by a fully underwritten 5-year syndicated, flexible and 100% bullet term loan
- Immediate EBITDA generation and strong future cashflows mean credit ratings are expected to be maintained at Investment Grade
- While the transaction leads to an immediate increase in leverage ratios, Tabreed anticipates deleveraging back within the Rating Agency guidance within an acceptable timeframe, supported by strong cash flow visibility

Regulatory and Shareholder Approvals

- No anticipated regulatory issues
- Tabreed to have majority at Board and full operational control of the SPV
- Standard reserve matters and minority protections

Note:

1. EV/Ton is based on total concession capacity of 235k RT

2. Strategic Rationale

Underpinned by long-term contracts with Emaar Group, an investment grade counterparty

Unique opportunity to gain scale in the largest district cooling (DC) market in the World

- The acquisition significantly increases Tabreed's market share in Dubai, the largest District Cooling market in the World
- Tabreed's market position jumps to #2 from #4 in Dubai
- Tabreed will be cooling the most desirable addresses in the city and a key socio-economic area

Reducing customer concentration and adding high quality off takers to the portfolio

- Long-term concession agreement signed with Emaar to exclusively provide DC services to current and future developments in Downtown Dubai
- Over 190k RT of the ultimate capacity already signed; vast majority of the current capacity contracted to Emaar Properties, an investment grade counterparty
- Strong future growth potential from various new real estate developments undertaken by Emaar Group
- Emaar to retain a 20% stake in Downtown DCP therefore paving the way for future partnerships in Dubai

Transaction in line with Tabreed's growth strategy

- Transaction is line with Tabreed's growth strategy of adding exclusive concession areas with strong cash flow generation
- Downtown has take-or-pay contracts, based on capacity payments that cover fixed costs and capital return
- Partnership with Emaar could lead to further opportunities in GCC and beyond

Combination leading to operating leverage and synergies

- Low maintenance capex due to young age of the Downtown DCP plants and no expansionary capex required for the length of the concession, significantly enhancing Tabreed's cash flow generation
- Operational cost efficiencies to be driven by Tabreed's industry leading O&M standards
- Maintenance cost efficiencies to be driven by utilizing Tabreed's centralized maintenance team

Unique opportunity to gain scale in the largest market in the World

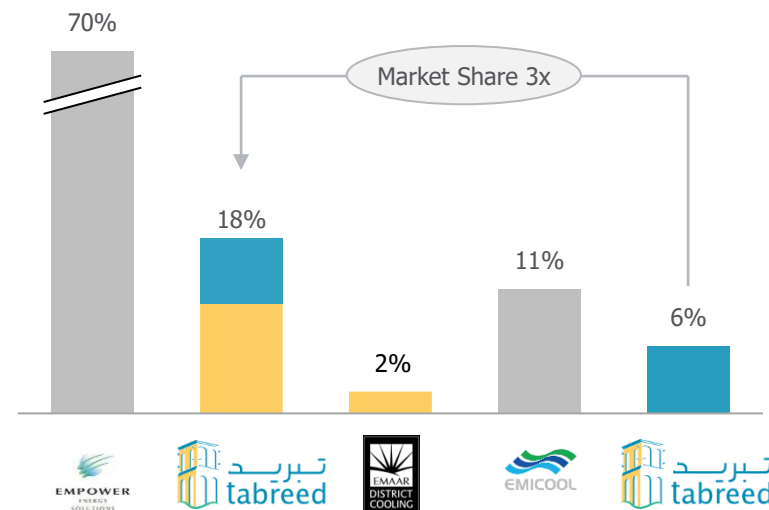
The acquisition significantly increases Tabreed's market share in Dubai, the largest DC market in the World

Downtown Dubai: the most desirable address in the city and a socio-economic asset for the Emirate

- Dubai attracts over 17 million tourists a year on an annual basis, one of the most visited cities in the world
- Burj Khalifa, the tallest building in the world, is the 6th most visited tourist attraction in the world
- The Dubai Mall is the world's largest mall
- Dubai is world's largest DC market with over 2 million tons of installed capacity
- Tabreed previously had around 6% market share and ranked 4th in the Emirate
- Expanding presence in Dubai had proven to be tough due to existing concessions and well placed competitors



Strengthening Tabreed's market position in Dubai



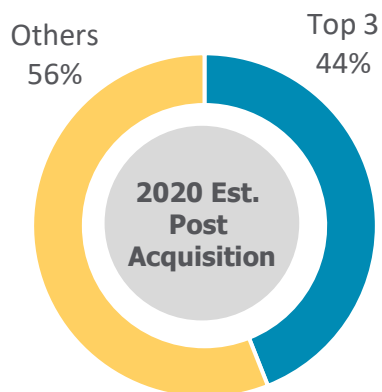
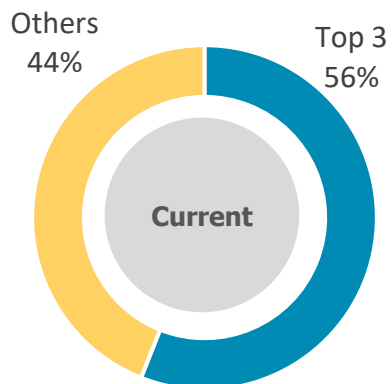
Note: Based on market disclosure and/or signed cooling contracts

- Transformational transaction in Dubai leading to improvement in market share
- Transaction lifts Tabreed to a clear #2 in Dubai
- Concession growth in Downtown will lead to consolidation of position over time
- Tabreed is the cooling provider to key Dubai landmarks: Burj Khalifa, Address Hotel, Dubai Opera, The Dubai Mall, The Dubai Fountain, RTA's Dubai Metro and Sheikh Zayed Road

Reducing customer concentration and adding high quality off takers to the portfolio

Diversifies revenue base with high creditworthy customers

Diversifies top customer concentration...



Current customers

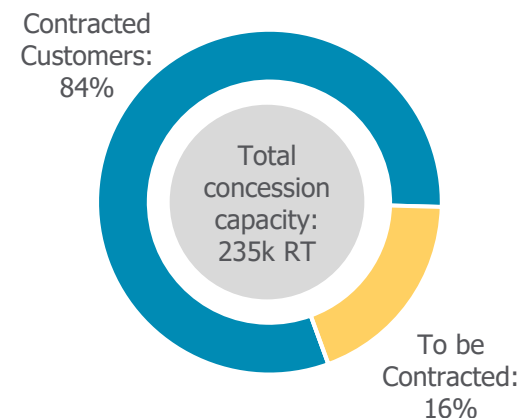
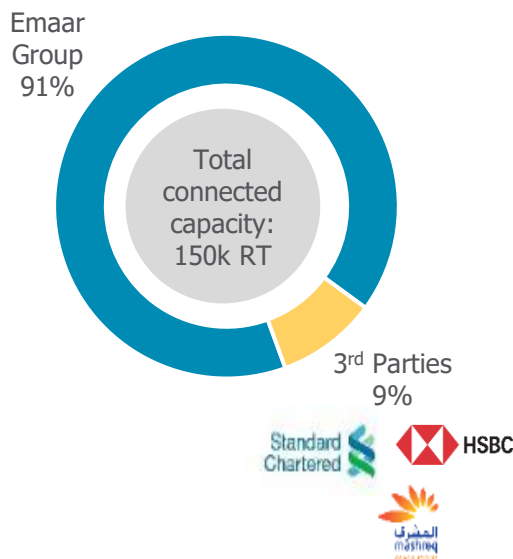
- Emaar Group accounts for vast majority of the offtake
- 10 third party customers account for 9% of the offtake

91% of the current capacity is contracted to Emaar Group

Contractual Status of Concession

- 84% of capacity in the concession is already contracted to customers
- Take-or-pay contracts signed with Emaar Group for future buildings

84% of capacity in the concession is already contracted to customers



Transaction in line with Tabreed's growth strategy

Downtown acquisition meets a number of our growth criteria

Growth avenues

Concessions

- Tabreed has sole right to provide cooling services in a certain district
- Any new buildings constructed in the district must connect to Tabreed
- Long-term, high return contracts with tariffs similar to other buildings in the concession
- Requires minimal capital outlay as infrastructure is already in place

Acquisitions

- Acquisitions from developers who own a plant but would prefer to outsource to a 3rd party provide the cooling services
- Acquisitions of other independent cooling companies

New connections

- New customers connecting to existing infrastructure
- Customers are not bound to use Tabreed (unlike concessions) however, using Tabreed will often be the most economic option
- Usually requires no additional fixed cost and provides higher margins

New plants

- When a new plant is agreed and built for a new development
- Driven by demand in the construction and real estate market

New Geographies

- Explore growth opportunities in select new geographies outside GCC (e.g. Egypt, Kuwait and India)

Emaar Downtown

- Long-term concession agreement
- Exclusivity in the masterplan
- Similar terms as existing contracts
- New plants, requiring minimal capex

- Provide Emaar the opportunity to monetise a non-core business

- New connections to existing plants
- Current connected capacity of 150k RT, rising to ultimate capacity of 235kRT

Downtown DCP holds a long-term concession for cooling Downtown Dubai

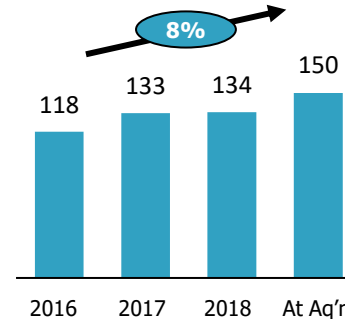
Emaar District Cooling (EDC)

- Founded in 2004 and a 100% owned subsidiary of the Emaar Group, EDC is a leading district cooling service provider in Dubai, serving Emaar developments

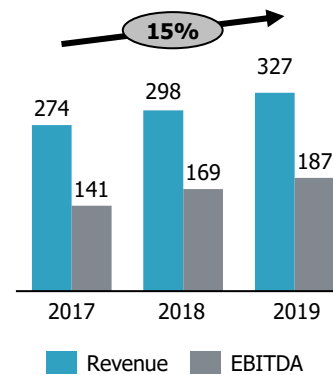
Downtown DCP LLC

- Downtown DCP LLC is a new entity owning and operating the Downtown district cooling assets and concession
- Tabreed has acquired 80% of Downtown DCP LLC from EDC
- Ultimate concession capacity is 235k RT with 150k RT connected as of acquisition date
- Emaar retaining 20% stake, ensuring the smooth integration, and creating a forum for the development of a long-term relationship between the companies
- Downtown Dubai is a premium location, with well-established masterplan, benefitting from high quality real estate and strong infrastructure
- Young asset fleet, well-run and well-maintained plants
- Provides cooling to landmark developments in Dubai such as Burj Khalifa, The Dubai Mall, Address Hotel and Dubai Opera
- Long-term contractual exclusivity for and continued ownership of the plants and network

Capacities (k RT)



Financials (AED m)



Dubai Downtown



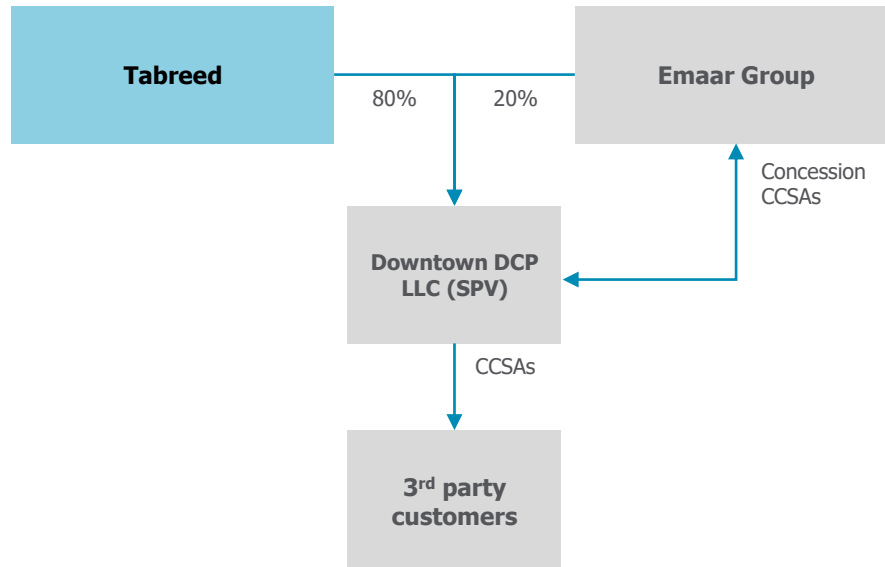
❄️ EDC plants

❄️ Tabreed plant

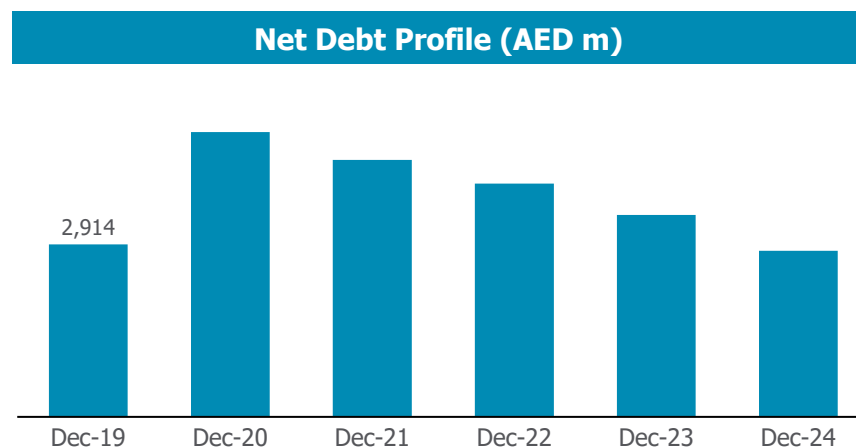
○ Distribution network

3. Transaction Terms

- The special purpose vehicle (SPV) will have full ownership of the DC plants and networks
- Long-term concession agreement with Emaar
- Signed CCSAs (Customer Cooling Service Agreements) for all current and under construction Emaar developments with fixed take-or-pay dates
- CCSAs include fixed capacity charge and variable consumption charge
- Consumption charge includes utility cost pass-through protection



- A 5 year, US\$ 692m Senior Unsecured Term Loan with a bullet repayment, to fund the acquisition and underlying transaction and financing costs
- Interest rate of the facility will be LIBOR + margin
- Plan to hedge to maturity up to 100% of the floating interest risk
- Tabreed anticipates reaffirmation of investment grade credit ratings with stable outlook by Fitch and Moody's
- Robust cash generation enables initial increase in net debt to be managed back within Rating Agencies guidance levels in an 18-month period
- Facility allows penalty free prepayments, allowing Tabreed to manage refinancing risk over the life of the facility
- Continue to have access to the undrawn RCF working capital facility of AED 590m, as well as AED 227m cash-in-hand as of December 2019



4. Combination and Integration

Transaction contributes to the acceleration of growth strategy



Downtown DCP



+ Downtown DCP

	Tabreed	Downtown DCP	Tabreed + Downtown DCP
Connected Capacity (k RT)	1,183	150	1,333
2019 Revenue (AED m)	1,520	327	1,847
2019 EBITDA (AED m)	763	187	950

Integration

- Detailed integration plan in place
- Smooth integration of the assets is a key 2020 priority
- Assets are of a similar design and use similar equipment to Tabreed's existing plants
- Detailed technical due diligence revealed that plants are operating well and are maintained to industry standards
- Tabreed is retaining all of the operational work force to ensure smooth transition of operations

Synergies

- Low maintenance capex due to young age of the plants and no expansionary capex required for the length of the concession
- O&M savings due to Tabreed's in-house expertise and scale economies
- Previous O&M 3rd party contracts to be replaced with Tabreed's in-house maintenance team

5. Conclusion

A Compelling Proposition

A landmark transaction for Tabreed



Strong cash flows lead to rapid deleveraging

A strategically compelling transaction for Tabreed shareholders



Acquisition of Downtown Dubai DC business

Funded through low cost 5 year bullet facility

Takes Tabreed to #2 in World's largest DC market



Provides future growth opportunities through strong Emaar Partnership

Delivers on Tabreed's growth strategy



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Appendix: Emaar – A Blue Chip Partner

A high-quality, investment grade real estate developer

One of the largest real estate companies



AED 24.6 billion
2019 Revenues

AED 11.6 billion
2019 Gross Profit

AED 6.2 billion
2019 Net Profit



30% Revenue; 47% EBITDA
Robust recurring businesses ¹



AED 45.8 billion
Revenue backlog ²



21 Hotels with c. 4,875 keys
Established brands: Address,
Vida, Rove ²



108k units sold
Since 2002 ¹



Investment grade credit ratings
Fitch: BBB- / Moody's: Baa3

- Emaar's unique proposition of integrated masterplans and superior quality delivered consistent performance in UAE
- Displayed strong sales traction, despite difficult market conditions
- Significant long term value creation through integrated master developments centered around iconic assets
- Strong customer trust and brand loyalty

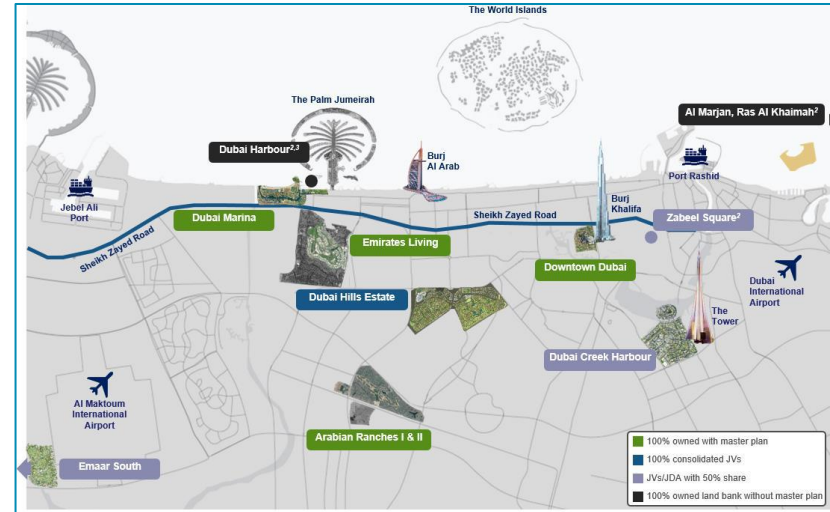
The Dubai Mall: World renowned shopping & entertainment destination¹

- 4.2 m sq. ft. GLA (incl. Fashion Avenue Expansion)
- 98% Leased, 95% Occupancy
- 84 m footfalls in 2019

Note:

1. As of Q3 2019
2. As of Q4 2019

Largest private owner of land bank in UAE



Land Bank details (million sq. ft.) ¹		Gross land area
Downtown, Arabian Ranches etc.	100%	21.81
Emaar Beachfront	100%	0.67
RAK	100%	0.84
Lusaily	100%	45.98
Dubai Hills		52.08
Dubai Creek		54.97
Mina Rashid		10.11
The Valley Garden		102.41
Emaar South		60.79
Total		349.66

A leading and diversified real-estate player in UAE

Developer of iconic architecture in Dubai



Burj Khalifa
Tallest building in the world



The Dubai Mall
Most visited mall in the world

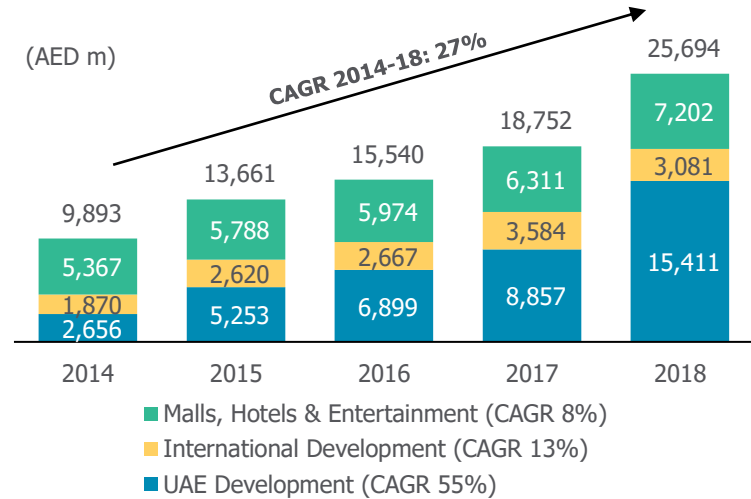


Dubai Creek Tower
World's tallest tower in the making



The Dubai Fountain
World's largest choreographed musical fountain

Resilient business with strong growth potential



- Emaar has consistently delivered on growth irrespective of market environment
- Steadily growing recurring businesses with strong upside potential from new developments
- Significant value creation from international operations (land banks) yet to be finalized
- Emaar has a large domestic land bank
- Hospitality & Entertainment businesses looking to expand outside UAE, in other GCC markets