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Essential for progress

National Central Cooling Company

9M 2023 Earnings Presentation

15 November 2023

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01

Key Highlights and Strategic Progress

Adel Al Wahedi, Chief Financial Officer

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Key Highlights – Strong underlying operating and financial performance

- Connected capacity increased by 3% year-to-date to reach 1.3 million RT
- Expanded regional presence outside GCC with acquisition of a new plant from Tata Reality in India
- Revenue grew by 10% year-on-year in 9M 2023 to AED 1.8 billion, driven by growth in both Chilled Water and Value Chain businesses
- Maintained healthy EBITDA of AED 914 million with a margin of 50%
- Net Profit of AED 285 million. Normalized Net Profit[1] of AED 442 million, an increase of 14% year-on-year driven by resilient EBITDA and decrease in net finance cost

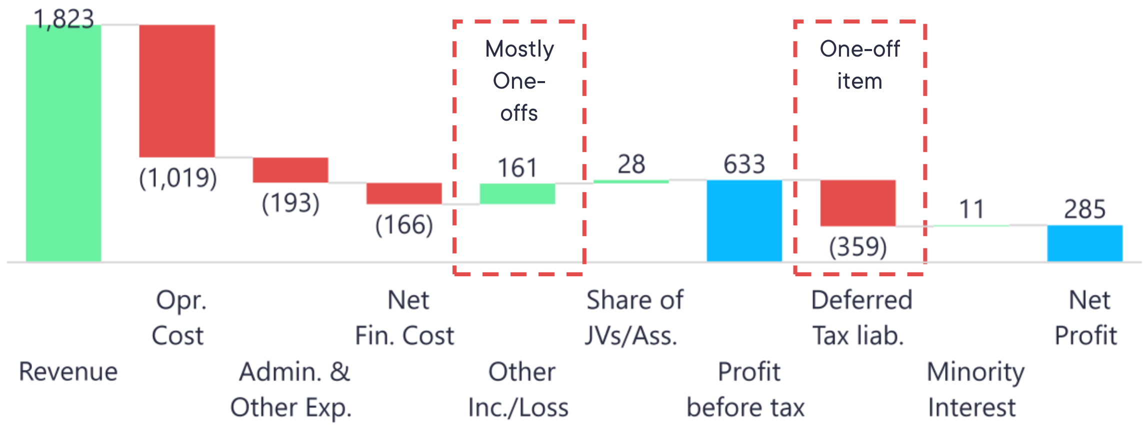
Total Capacity
1,304 k RT
+3% YTD

Revenue
AED **1,823** m
+10% YoY

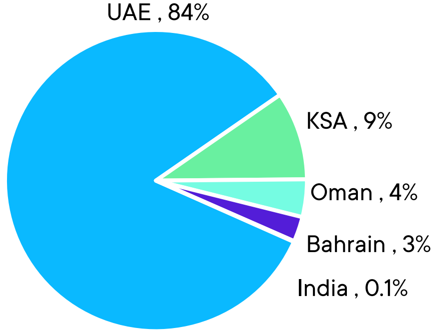
EBITDA
AED **914** m
Stable YoY

Normalized Net Profit[1]
AED **442** m
+14% YoY

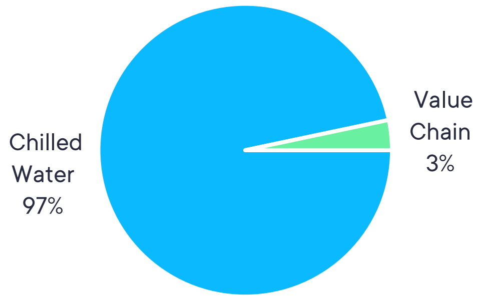
9M 2023 Financial Results



Capacity Breakdown by Country

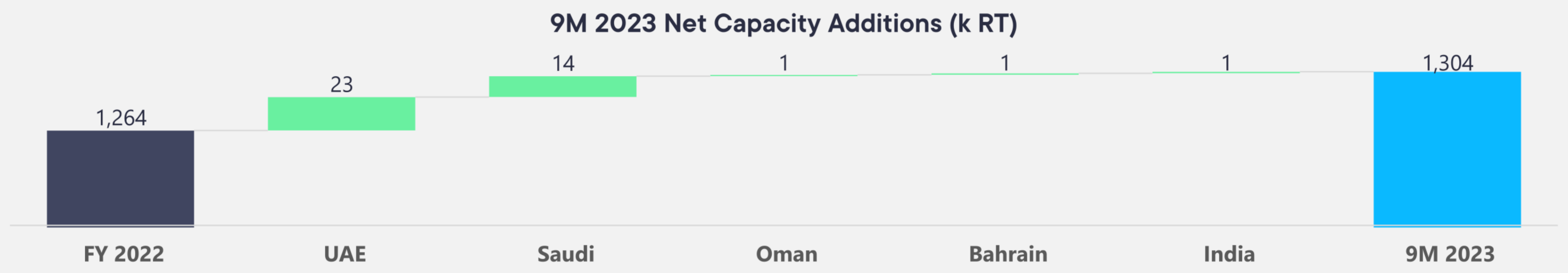


Revenue Breakdown by Business



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

Capacity expansion driven by UAE and Saudi



Consolidated	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023
UAE	724	928	1,025	1,060	1,071	1,077	1,051[1]
Bahrain	28	32	33	34	34	35	35
Oman	32	32	33	52	53	53	53
India	-	-	-	-	-	-	1
Total Consolidated	**1,123**	**992**	**1,091**	**1,146**	**1,158**	**1,165**	**1,140**
Equity Accounted							
UAE	71	71	9	9	9	7	40[1]
KSA	110	110	110	110	110	124	124
Total Equity Accounted	**181**	**181**	**119**	**119**	**119**	**131**	**164**
Total Capacity (k RT)	**965**	**1,174**	**1,210**	**1,264**	**1,276**	**1,296**	**1,304**
Total Capex (AED '000)[2]	**103,576**	**2,685,954**	**1,400,743**	**184,442**	**16,894**	**59,556**	**53,911**

1) *Reduced due to deconsolidation of Tabreed Parks Investment on 50% stake sale and subsequently recognized in equity accounted*
2) *Maintenance, Replacement and Growth Capex including disposals and acquisitions, but excluding investment/divestment in JVs/associates,*

Value Creation Approach to deliver sustainable shareholder returns

GROW

- **New Connections**
  Minimal capex, higher returns
- **Existing Concessions**
  Secured growth
- **Greenfield**
  Strong regional presence; untapped potential in attractive markets such as Saudi, Egypt, India
- **Inorganic**
  Scale and efficiency

IRR Target > WACC

OPTIMIZE

- **Integrated Business Model**
  In-house project design & delivery, operations & maintenance
- **Operational Excellence**
  Integrated control and monitoring using SCADA; enhance plant power efficiency
- **Centralized Maintenance**
  Superior reliability, cost-efficient
- **Thermal Energy Storage**
  Efficiently manage peak demand with savings in energy use

INNOVATE

- **Digitization & AI**
  Digitization across value chain enabling efficient operations & energy optimization
- **Treated Sewage Effluent & Sea Water**
  Responsible consumption, cost effective than freshwater use
- **Renewables**
  Use of solar PVs, Geothermal energy to optimize energy mix and further reduce GHG emissions

DISCIPLINED CAPITAL ALLOCATION

REINVEST TO GROW EARNINGS + DIVIDENDS (50%-60% PAYOUT RATIO)

MAINTAIN INVESTMENT GRADE CREDIT RATING

Strategic Progress – solid regional platform to grow earnings and dividends

Delivering on our growth plans

- Connected **41.3k RT** in 9M 2023
- **4 new plants** contributing ~45% to incremental capacity
  - 3 greenfield plants (1 in UAE, 2 in Saudi) and 1 brownfield acquisition (in India)
- Remaining capacity from **new connections**, mostly in existing concession areas
- Capex of AED 132 m in 9M 2023, in line with balanced capital allocation strategy towards **growth** and **shareholder returns**

Securing future growth

- Tabreed named preferred bidder for **Hyderabad Pharma City** project with total concession capacity of **125k RT** to be implemented in various phases with **Ph. 1 of 2.5k RT**
- Saudi Tabreed awarded **King Salman Park** project with total concession capacity of **60k RT** and **Ph.1 of 20k RT**
- Exploring pipeline of **organic and inorganic opportunities** to sustain growth momentum

Focusing on operational excellence

- **Remote monitoring** and controlling plant equipment by centralized team at HQ to run efficiently
- Ongoing retrofit program to install **Variable Frequency Drive (VFD)** and improve pump efficiency
- Undertaking pilot project for **autonomous operations** of plants
- Harnessing **Geothermal Energy** in partnership with ADNOC to produce chilled water

Generating strong cash flows

- Robust and resilient business model underpinned by **long-term contracts**
- Strong and predictable **cash flow generation** (FCF[1] of AED 903 m in 9M 2023)
- Strengthened balance sheet with **strong deleveraging** (Net debt to LTM EBITDA further reduced from 4.49x end of 2022 to 4.18x end of 9M 2023)
- Well positioned to maintain **progressive dividend policy** and generate **sustainable returns** for shareholders

1) Net Operating Cash Flows (after working capital changes) less Capex (incl. investments/divestments in JVs/associates, dividend income and disposal of fixed assets)

02

Financial Overview

Adel Al Wahedi, Chief Financial Officer

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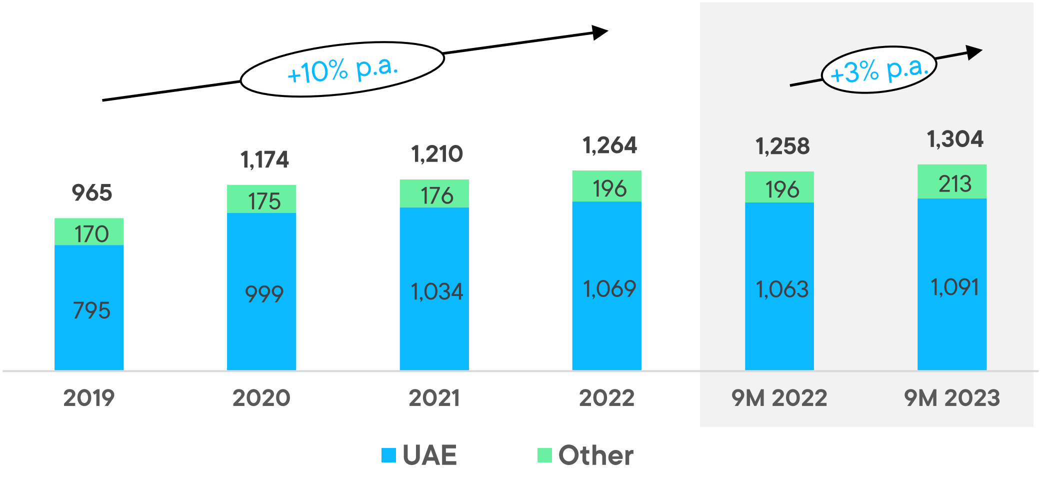
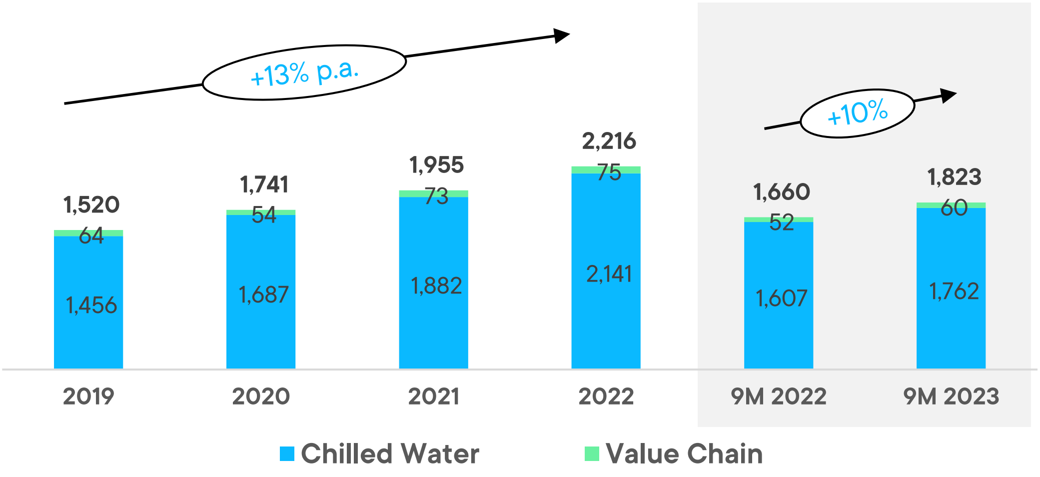
Proven track record of growth, momentum maintained in 9M 2023

Group Connected Capacity[1] (kRT)



Group Revenue (AEDm)



Long-term Contracts with Credit Worthy Customers

- Providing cooling services encompassing around 1.3m RT across the GCC region, recording a CAGR of 10% over 2019-22 and further increasing by 3% in 9M 2023
- 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

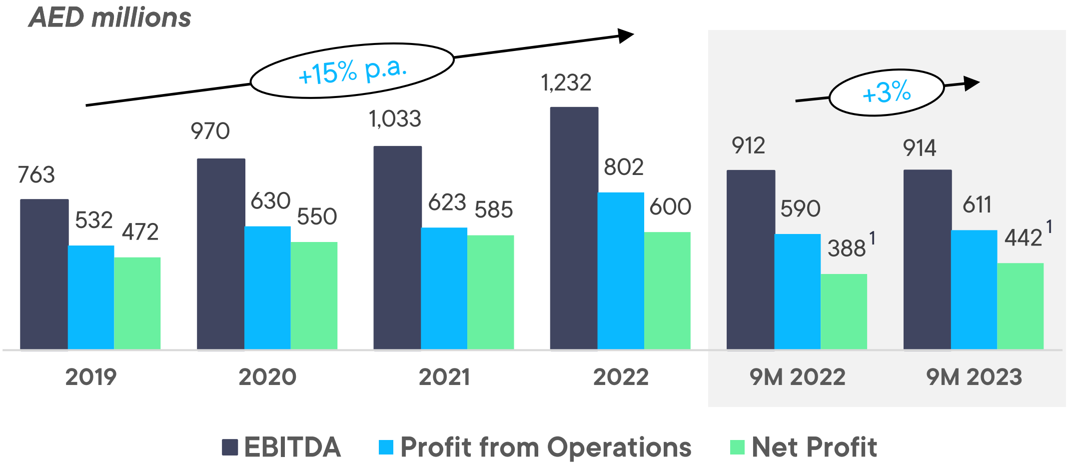
Revenue Growth from Existing and New Business

- Group Revenue (97% from Chilled Water business in 9M 2023) increased at a robust CAGR of 13% over 2019-22 and rose by another 10% in 9M 2023
- Utility-like business model allows highly visible revenues, resilient profitability and sustained financial strength through stable EBITDA
- Revenue growth from increased consumption volumes, CPI increase and new connections

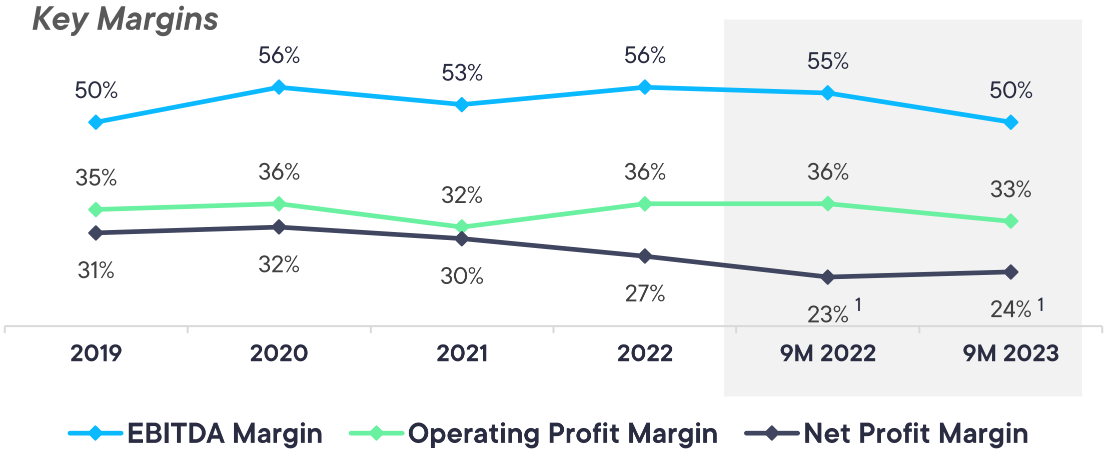
1) *Excluding Qatar Cool divestment*

Sustainable earnings with resilient margins

- Predictable earnings is driven by long term nature of the contracts and fixed capacity charges, ensuring a reliable revenue stream
- EBITDA has grown at a CAGR of 17% over 2019-22, remaining stable during 9M 2023, underscoring sustained operational efficiency and profitability
- Profit from Operations has increased at a CAGR of 15% over 2019-22 and 3% year-on-year in 9M 2023
- Net Profit has also shown sustainable growth over 2019-22 and increased by 14% year-on-year in 9M 2023 on normalized basis, contributing to enhanced shareholder value



- Demonstrating resilient business model, the EBITDA margin remained robust at 50% in 9M 2023, maintaining an average margin of 54% from 2019 to 2022
- Ability to effectively generate sustainable profits is evident through the Operating Profit margin of 33% in 9M 2023, with yearly average margin of 35% over 2019-22
- Normalized Net Income margin of 24% in 9M 2023, with an average margin of 30% from 2020 to 2022 (average of 27% for the nine months period over 2020 to 2022)



1) Net Profit & Net Profit Margin adjusted for one-off gains/losses, provisions/reversals and initial recognition of deferred tax liability on implementation of UAE Corporate Tax Law

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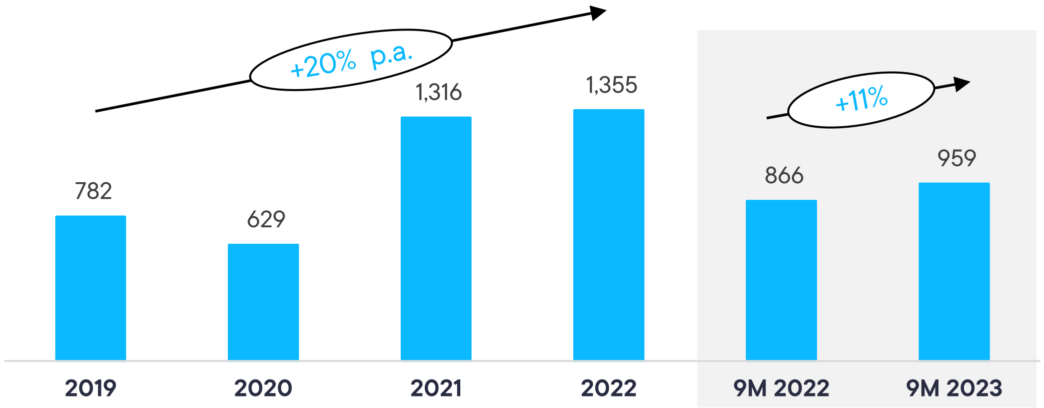
Robust cash flows underpin ability to deliver attractive shareholder returns

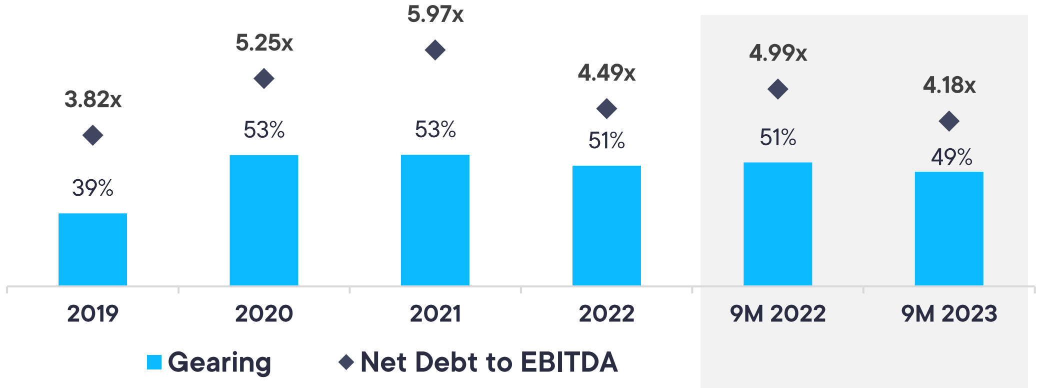
- Net Operating Cash Flows recorded remarkable annual growth of 20% over 2019-22 and increased by 11% in 9M 2023, reflecting growth in business, operational excellence and ability to efficiently manage working capital
- Consistently growing cash flows provide a strong foundation to maintaining financial strength, expanding our operations and adopting a sustainable dividend policy

- Maintained Investment Grade credit rating, underscoring strong creditworthiness and prudent financial management
- Gearing ratio improved due to an early payment of the subsidiary's debt facility as part of our proactive liability management approach
- Net Debt to EBITDA ratio has reduced from 4.49x as of 2022 to 4.18x as of 9M 2023, Balance sheet leverage significantly improved from the peak of 2021, reflecting ability to generate sustainable EBITDA and strong cash generation
- Sufficient balance sheet capacity to deliver attractive long-term returns for shareholders through combination of growth and dividends

Net Operating Cash Flows (AED m)



Leverage Ratios[1]



1) Gearing is based on Gross Debt including Finance Leases liability and Net Debt to EBITDA is based on last twelve months EBITDA

03

Sustainability Overview

Adel Al Wahedi, Chief Financial Officer

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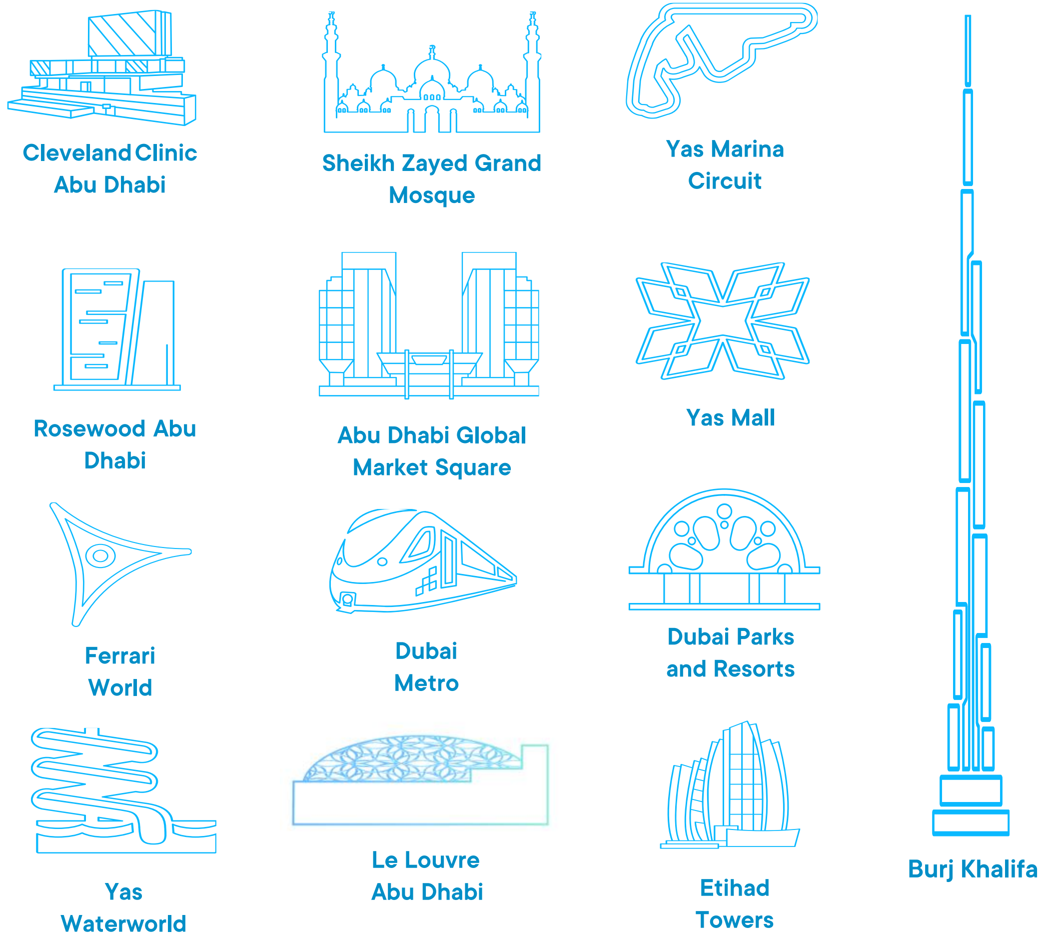
Enabling sustainable use of energy with positive environmental impact

Exclusive provider of District Cooling services to several iconic projects



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

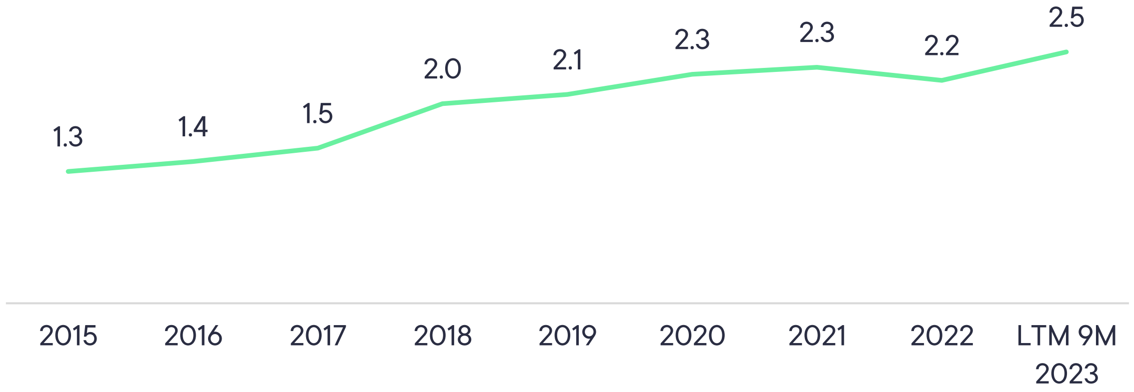
2.48 billion kWh energy consumption avoided in the GCC through Tabreed's DC services

Enough energy to power **141,161** homes in the GCC every year

1.48 million tons prevention of CO_2 emissions

The equivalent of removing **322,153** 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 TSE[1] 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

Engaged Environmental Services Providers for the management of hazardous materials from various plants operated by Tabreed and its affiliates

Trade Effluent Discharge

Compliance with the framework of the regulation of trade effluent

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

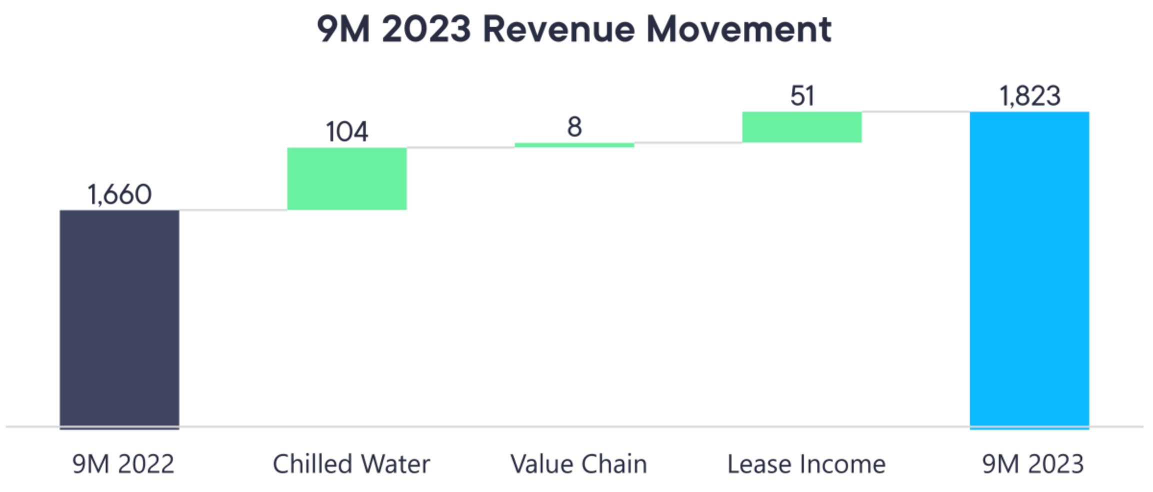
Notes: (1) Refers to Treated Sewage Effluent ("TSE")

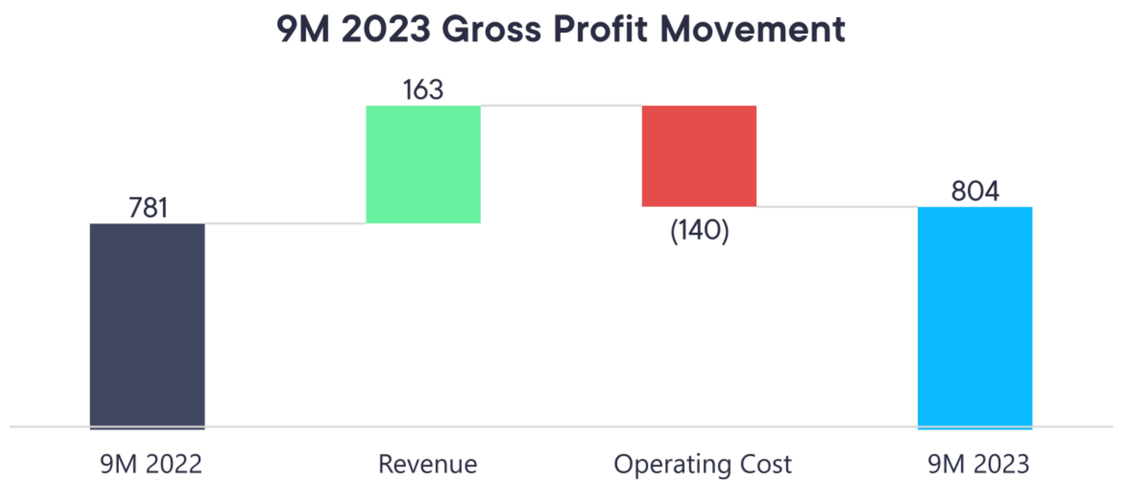
04

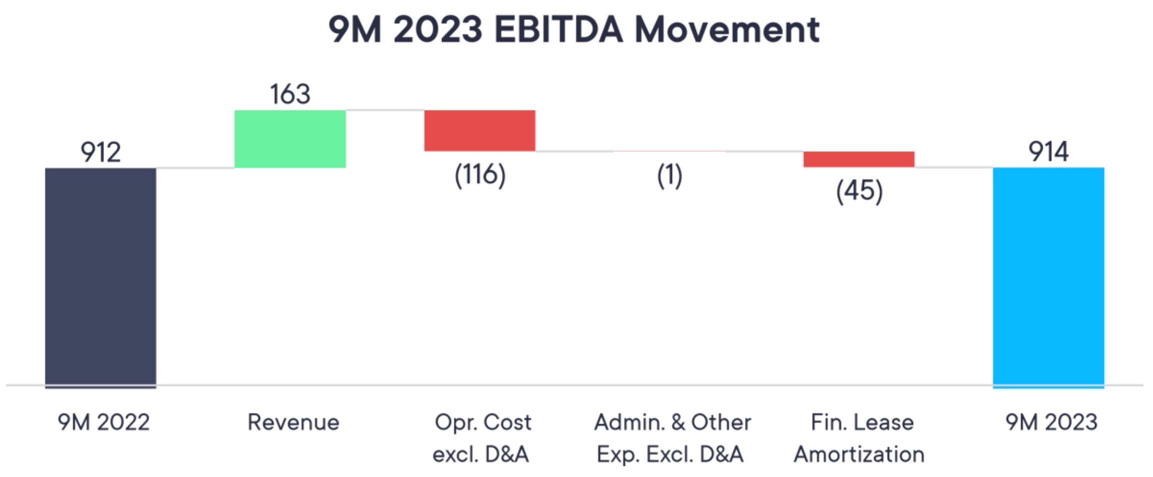
9M 2023 Financial Results

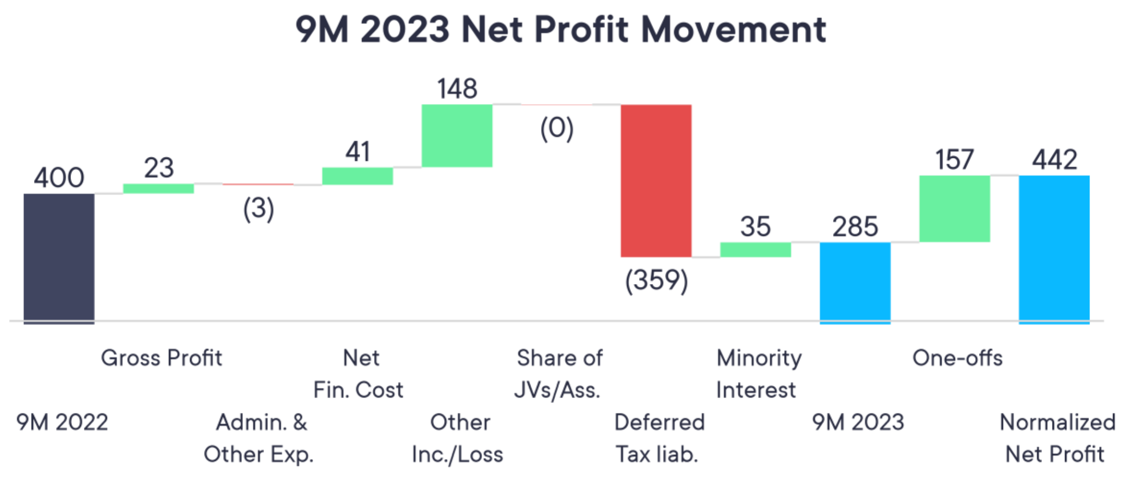
Salik Malik, Vice President - Finance

Income Statement Highlights





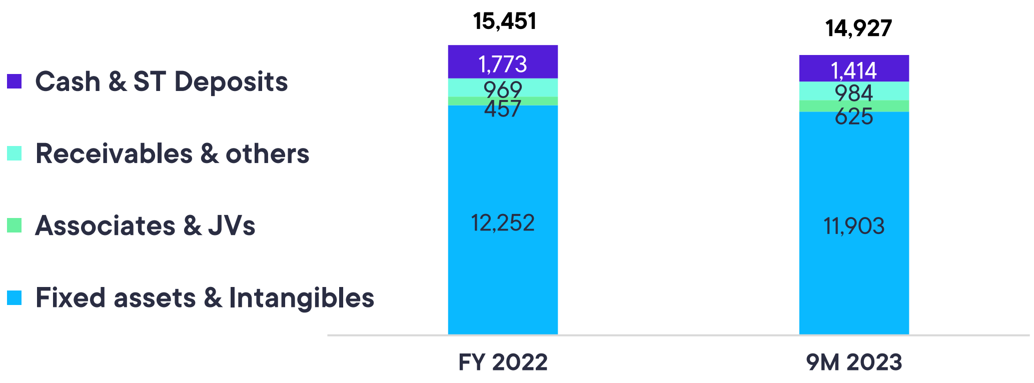




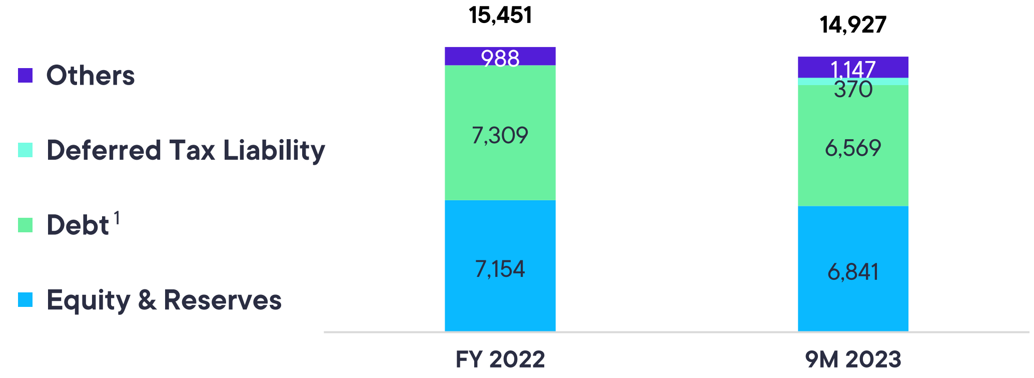
Balance Sheet Highlights

Balance Sheet Breakdown (AED million)

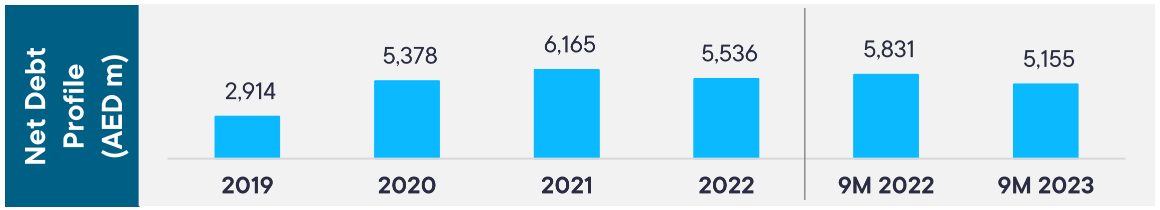
Total Assets

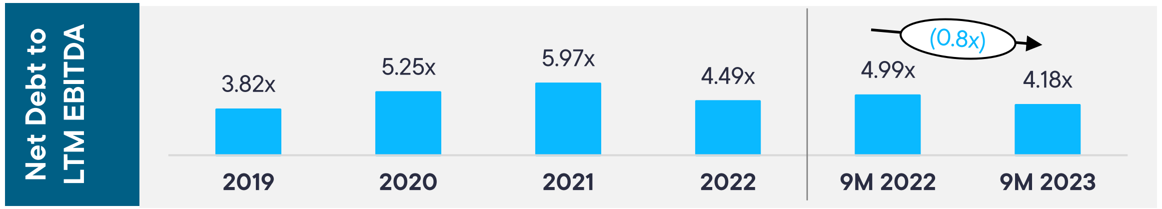


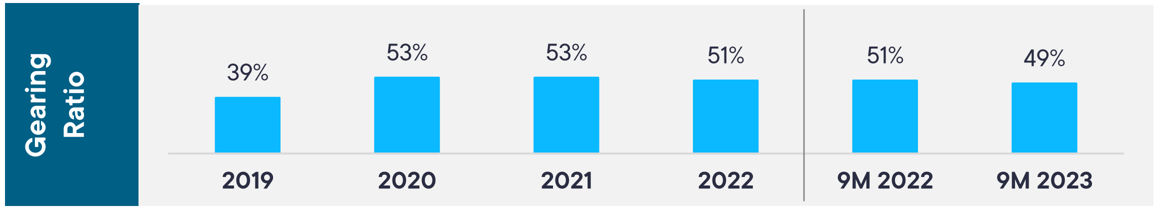
Total Liabilities & Equity

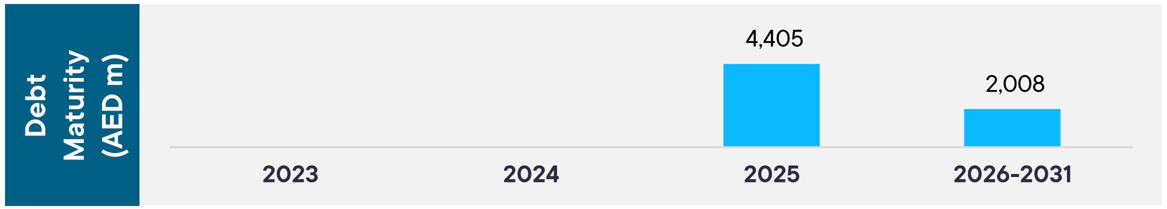


Capital Structure



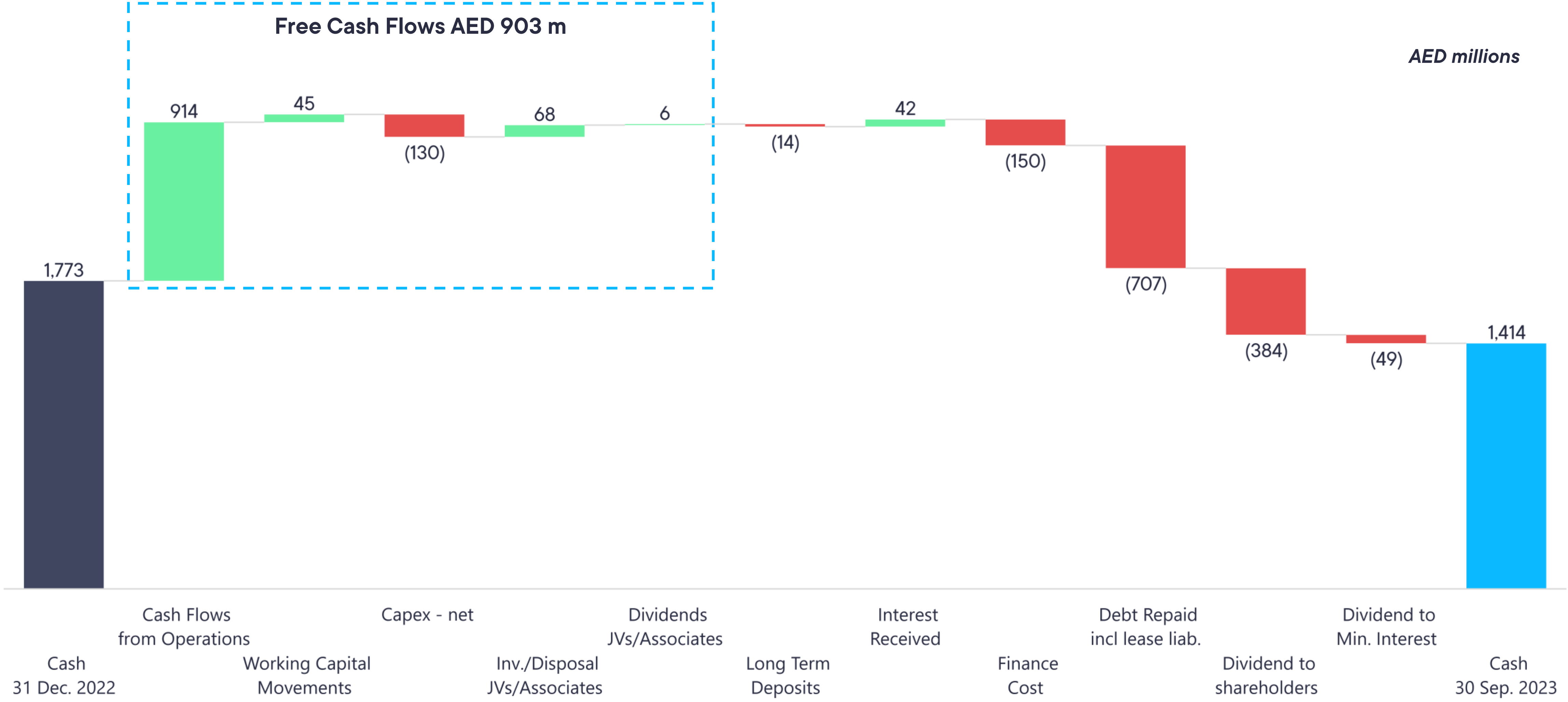






1) Debt includes Finance Leases liability

Highly cash generative business supports growth, deleveraging & dividends



05

Outlook & Concluding Remarks

Adel Al Wahedi, Chief Financial Officer

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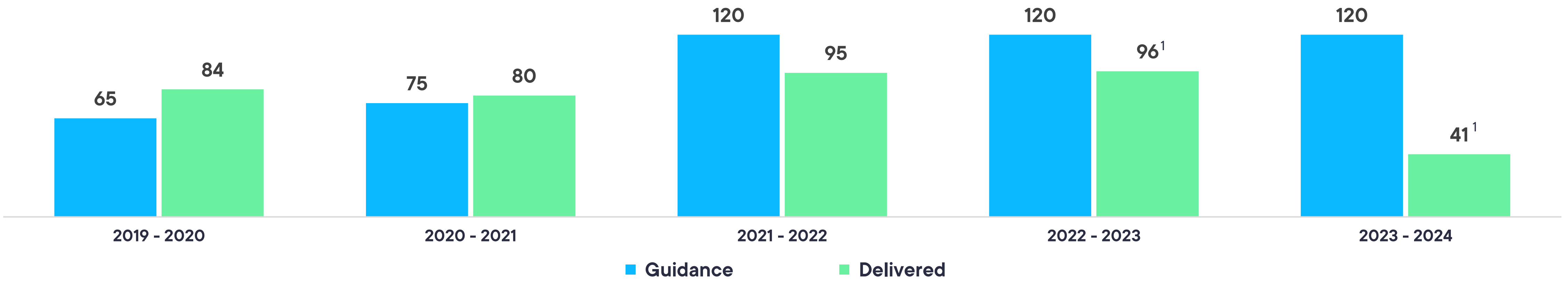
Capacity Growth Guidance

2023-2024 Two years guidance	kRT
2023 - 2024 Capacity Guidance	120
9M 2023 Actual Capacity delivered	41

- New capacity guidance for 2023 and 2024 is 120k RT
- Of the guided capacity, around 60% is expected to be contributed by consolidated entities and balance 40% by equity accounted entities
- 41k RT was added in 9M 2023, which included 24k RT in UAE, 14k RT in KSA, 1k RT in Bahrain, Oman and India each

2022-2023 Two years guidance update	kRT
2022 - 2023 Capacity Guidance	120
2022 - 9M 2023 Actual Capacity delivered	96

- 55k RT was added in 2022, which included 35.5k RT in UAE, 19k RT in Oman and balance 0.5kRT in Bahrain
- 100% and 66% of the new capacity added in 2022 and 9M 2023 respectively from the consolidated entities
- Committed to deliver on our guidance



1) Delivered capacity as of 9M 2023

Q&A

Appendix

Other Income and Deferred Tax Liability

AED millions	9M 2023	9M 2022
Reported Net Profit to Parent	**285**	**400**
One-off (gains) / losses	(163)	(12)
Deferred Tax Liability	359	-
Normalized Net Profit to Parent[1]	**442**	**388**

- One-off gains/losses in the nine-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 is 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 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 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 Net Profit does not match with Normalized Net Profit for 9M 2023 due to non-controlling interest's share of deferred tax liability

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