Fitch Ratings

**Corporates**
Utilities - Non US
United Arab Emirates

# National Central Cooling Company PJSC (Tabreed)

## Ratings

| | |
|---|---|
| Long-Term IDR | BBB |
| Senior Unsecured Debt - Long-Term Rating | BBB |

**Outlook**

| | |
|---|---|
| Long-Term Foreign-Currency IDR | Stable |

Click here for the full list of ratings

2035 Climate Vulnerability Signal: 43

## Applicable Criteria

Corporates Recovery Ratings and Instrument Ratings Criteria (October 2023)

Corporate Rating Criteria (November 2023)

Sukuk Rating Criteria (June 2022)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

## Related Research

Global Corporates Macro and Sector Forecasts (January 2024)

Gulf Cooperation Council: Corporates Outlook 2024 (January 2024)

EMEA Emerging Markets Integrated Utilities – Relative Credit Analysis (September 2023)

## Analysts


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Fitch Ratings' affirmation of National Central Cooling Company PJSC's (Tabreed) ratings reflects the company's strong position in key markets, good visibility of future earnings and cash flow, and healthy profitability. While we forecast higher capex and dividends in 2024-2026, we expect funds from operations (FFO) net leverage to average 3.9x and for it to remain commensurate with the current rating.

## Key Rating Drivers

**Resilient Business Model**: Fitch views Tabreed's business risk as low given its utility-like features. A majority of its EBITDA comes from take-or-pay agreements, which include a fixed-capacity charge and a variable-consumption charge.

The fixed-capacity charge represented on average around 80% of EBITDA over the last three years and provides a return on its investment. It is usually payable regardless of utilisation and linked to inflation. The consumption charge represented almost 20% of EBITDA for the same period and is included in most contracts, allowing Tabreed to pass on the main variable costs including electricity and water.

**High Cash Flow Visibility**: Tabreed's business model provides good revenue and cash flow visibility. Its long-term agreements last typically 25 years. As of December 2023, Tabreed had more than 81% of its contracted capacity booked until 2032. We assess renewal risk as low, given generally high costs in switching to alternative cooling sources and, in some cases, Tabreed's exclusivity concession rights.

**Strong Market Position**: Tabreed is the market leader in Abu Dhabi (AA/Stable) and has a strong market position in Dubai. It also has a leading presence in other Gulf Cooperation Council (GCC) countries such as Bahrain (B+/Stable), Oman (BB+/Stable) and Saudi Arabia (A+/Stable; through equity participation).

However, its operations remain concentrated in the UAE region, where almost 83% of its cooling capacity is located. We estimate UAE to generate more than 92% of 2024-2026 revenues. Geographical concentration and a moderate size penalise to some extent the company's business profile, compared with other rated utilities'.

**Investments in India and Egypt:** Tabreed is expanding its operations in India and Egypt, funded by equity and non-recourse debt. While this could in the long term reduce the company's exposure to the UAE, it exposes Tabreed to higher market risks, including foreign-currency risks that could increase earnings volatility.

Fitch believes that Tabreed will maintain its prudent approach in selecting projects that meet its required returns while taking adequate steps to mitigate risks. The contribution of these two markets in our rating case remains limited.

**High Capex, Dividends Hit FCF**: Fitch expects total cumulative capex and M&A of AED2.7 billion and an average yearly dividend of AED400 million during 2024-2027, leading to neutral to negative free cash flow (FCF).

The majority of capex is related to new projects, acquisitions in GCC markets, India, Egypt and, potentially, new markets as Tabreed takes an opportunistic growth stance domestically and internationally. Most of the company's growth capex is uncommitted, giving Tabreed flexibility in managing capex timing and leverage peaks, if needed.

**Moderate Leverage Headroom**: Fitch forecasts FFO net leverage of 4.1x in 2024 with moderate rating headroom against its negative rating sensitivity of 4.5x. However, we expect this ratio to improve to 3.6x by 2026. Forecasted deleveraging may be slowed by larger-than-expected investments. However, we expect management to continue to pursue a financial policy that is consistent with the rating, even reducing dividends if necessary.

**Regulatory Framework Updates**: Independent regulatory bodies were established in 2021 and 2022 to regulate the district cooling (DC) sector in Abu Dhabi and Dubai. As of December 2023, Tabreed obtained all the licences for its plants in Dubai and submitted licence applications for all existing DC plans in Abu Dhabi. These regulations bring clarity on tariffs, establish transparency, and protect the consumer rights while ensuring fair return and revenue predictability for DC companies. However, the framework is significantly less developed than those of regulated networks, and has yet to establish a record. As such, it currently remains largely neutral for Tabreed's business risk.

**High Counterparty Concentration:** Tabreed is exposed to high customer concentration, with the top four customers representing 52% of 2023 revenue. A majority of the contracts are signed directly with the master property developer and institutions with low exposure to retail customers. Around 70% of the contracts are with governments and government-related entities (41% wholly government-owned and 30% partially government-owned).

**Rating on Standalone Basis:** We assess the links between Tabreed and Mubadala Development Company PJSC (Mubadala), its largest shareholder (42%) under our Parent-Subsidiary Linkage Rating Criteria. While Mubadala provided the company with some financial support in the past, we assess the legal, operational, and strategic links with Mubadala as weak, leading to a standalone rating.

## Financial Summary

| (AED millions) | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|---|
| Gross revenue | 1,955 | 2,216 | 2,415 | 2,391 | 2,504 | 2,875 |
| EBITDA | 859 | 1,085 | 1,106 | 1,195 | 1,249 | 1,418 |
| EBITDA margin (%) | 43.9 | 49.0 | 45.8 | 50.0 | 49.9 | 49.3 |
| FFO net leverage (x) | 5.9 | 4.6 | 4.1 | 4.1 | 4.0 | 3.6 |
| FFO interest coverage (x) | 4.4 | 4.4 | 4.7 | 5.9 | 5.7 | 4.5 |

F — Forecast
Source: Fitch Ratings, Fitch Solutions

## Rating Derivation Relative to Peers

The rating of Tabreed is higher than that of Nama Electricity Distribution Company SAOC (NEDC; BB+/Stable) and Oman Electricity Distribution Company SAOC (OETC; BB+/Stable). The rating differential is explained by Tabreed's lower FFO net leverage of 4.1x in 2023, versus 5.6x for NEDC and 6.0x for OETC. However, we assign Tabreed a slightly lower debt capacity than NEDC and OETC, which generate their revenues from fully regulated activities with minimal volume and price risks, but have no geographical diversification and are dependent on sector subsidies.

In comparison with international peers, we view Tabreed's debt capacity as slightly higher than that of the Spanish peer FCC Aqualia S.A (BBB-/Stable). The latter's debt capacity was recently tightened slightly following the acquisition of Georgia Global Utilities JSC (BB-/Stable). FCC Aqualia is larger in scale but Tabreed has higher profitability. The two companies have similar revenue visibility, supported by long-term contracts of up to 25 years. Both issuers operate in one main country (Spain for FCC Aqualia and UAE for Tabreed), but have some diversification across other markets. The rating differential is mainly explained by their different leverage.

## Navigator Peer Comparison

| | IDR/Outlook | Operating Environment | Management and Corporate Governance | Revenue Visibility | Regulatory Environment | Market Position | Asset Base and Operations | Profitability and Cash Flow | Financial Structure | Financial Flexibility |
|---|---|---|---|---|---|---|---|---|---|---|
| Abu Dhabi National Energy Company PJSC | AA-/Stable | a | bbb | bbb+ | bbb | a- | bbb | bbb+ | bbb | bbb+ |
| National Central Cooling Company PJSC (Tabreed) | BBB/Stable | bbb | bbb | bbb | bbb- | bbb | bbb- | bbb | bbb | bbb- |
| Saudi Electricity Company | A/Stable | a- | bbb | bbb | bbb- | bbb | bbb- | bbb | a- | bbb |

Source: Fitch Ratings.

Relative Importance of Factor: Higher; Moderate; Lower

| Name | IDR/Outlook | Operating Environment | Management and Corporate Governance | Revenue Visibility | Regulatory Environment | Market Position | Asset Base and Operations | Profitability and Cash Flow | Financial Structure | Financial Flexibility |
|---|---|---|---|---|---|---|---|---|---|---|
| Abu Dhabi National Energy Company PJSC | AA-/Stable | -2 | -5 | -4 | -5 | -3 | -5 | -4 | -5 | -4 |
| National Central Cooling Company PJSC (Tabreed) | BBB/Stable | 0 | 0 | 0 | -1 | 0 | -1 | 0 | 0 | -1 |
| Saudi Electricity Company | A/Stable | -1 | -3 | -3 | -4 | -3 | -4 | -3 | -1 | -3 |

Source: Fitch Ratings.

Factor Score Relative to IDR: Worse positioned than IDR; Within one notch of IDR; Better positioned than IDR

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- FFO net leverage consistently below 3.5x
- FFO interest coverage above 4.5x

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Aggressive debt-funded acquisitions leading to FFO net leverage consistently above 4.5x
- FFO interest coverage consistently below 4.0x
- A material reduction in contracted revenue, increase in contract renewal risk and significant reduction in the term of contracts, leading to weak visibility and instability of earnings

## Liquidity and Debt Structure

**Strong Liquidity:** Tabreed had a readily available cash balance of AED1.5billion at end-2023, and AED600 million of undrawn committed facilities. The company has no major debt maturities in 2024, and Fitch-forecast negative FCF of AED272 million.

Tabreed reduced its debt in 1Q23 by AED650 million following the early settlement of one bank facility. This allowed the company to better manage its refinancing risk. The next debt repayments are in 2025, when its AED1.7 billion sukuk and AED2.5 billion syndicated financing facility mature.

## ESG Considerations

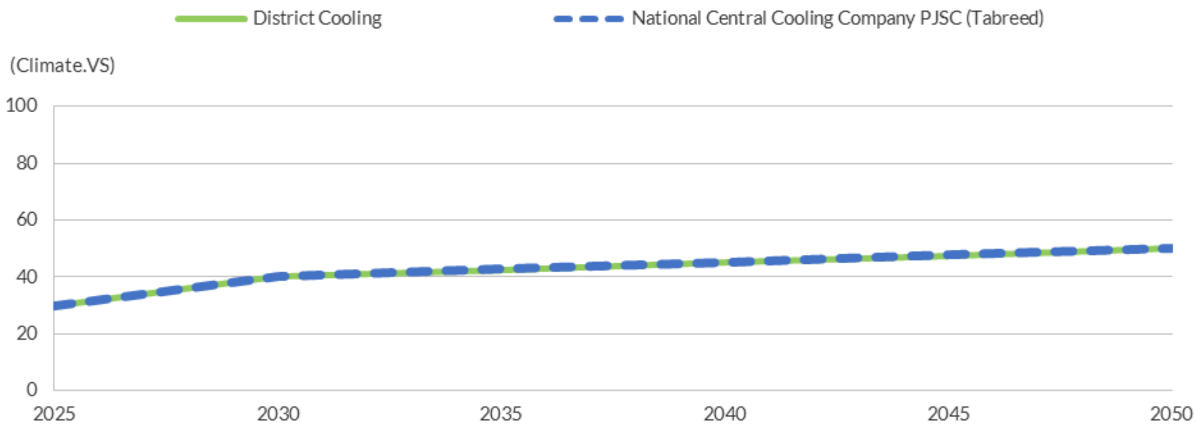
The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

## Climate Vulnerability Considerations

Fitch's *Climate Vulnerability in Corporate Ratings Criteria* report describes how we use Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). Click here for the criteria.

The FY23 revenue-weighted Climate.VS for Tabreed for 2035 is 43 out of 100, suggesting moderate exposure to climate-related risks in that year.

**Climate.VS Evolution**
As of Dec. 31, 2023




Source: Fitch Ratings

## Liquidity and Debt Maturities

### Liquidity Analysis

| (AEDm) | 2024F | 2025F |
|---|---|---|
| **Available liquidity** | | |
| Beginning cash balance | 1,508 | 1,235 |
| Rating case FCF after acquisitions and divestitures | -212 | 77 |
| **Total available liquidity (A)** | **1,296** | **1,312** |
| **Liquidity uses** | | |
| Debt maturities | -61 | -4,238 |
| **Total liquidity uses (B)** | **-61** | **-4,238** |
| **Liquidity calculation** | | |
| Ending cash balance (A+B) | 1,235 | -2,927 |
| Revolver availability | 600 | 600 |
| **Ending liquidity** | **1,835** | **-2,327** |
| Liquidity score (x) | 31.1 | 0.5 |

F – Forecast.
Source: Fitch Ratings, Fitch Solutions, National Central Cooling Company PJSC (Tabreed)

### Scheduled Debt Maturities

| (AEDm) | 31-Dec-23 |
|---|---|
| 2024 | 61 |
| 2025 | 4,238 |
| 2026 | 34 |
| 2027 | 1,820 |
| Thereafter | 56 |
| **Total** | **6,209** |

Source: Fitch Ratings, Fitch Solutions, National Central Cooling Company PJSC (Tabreed)

## Key Assumptions

**Fitch's Key Assumptions Within Our Rating Case for the Issuer**

- Average yearly revenue growth of about 2% in 2024-2025
- Double-digit revenue growth in 2026, driven by contributions from new markets and India
- Average EBITDA margin of 49.7% in 2024-2026, with EBITDA reaching AED1.4 billion in 2026
- Capex to average about AED685 million per year in 2024-2026
- Average dividends of AED402 million per year in 2024-2026

## Financial Data

| (AEDm) | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|---|
| **Summary income statement** | | | | | | |
| Gross revenue | 1,955 | 2,216 | 2,415 | 2,391 | 2,504 | 2,875 |
| Revenue growth (%) | 12.3 | 13.4 | 9.0 | -1.0 | 4.7 | 14.8 |
| EBITDA before income from associates | 859 | 1,085 | 1,106 | 1,195 | 1,249 | 1,418 |
| EBITDA margin (%) | 43.9 | 49.0 | 45.8 | 50.0 | 49.9 | 49.3 |
| EBITDA after associates and minorities | 838 | 1,046 | 1,069 | 1,172 | 1,224 | 1,419 |
| EBITDAR | 859 | 1,085 | 1,106 | 1,195 | 1,249 | 1,418 |
| EBITDAR margin (%) | 43.9 | 49.0 | 45.8 | 50.0 | 49.9 | 49.3 |
| EBIT | 609 | 790 | 793 | 785 | 791 | 883 |
| EBIT margin (%) | 31.2 | 35.6 | 32.8 | 32.8 | 31.6 | 30.7 |
| Gross interest expense | -224 | -251 | -226 | -239 | -291 | -383 |
| Pretax income including associate income/loss | 534 | 634 | 785 | 622 | 586 | 571 |
| **Summary balance sheet** | | | | | | |
| Readily available cash and equivalents | 1,185 | 1,756 | 1,508 | 1,333 | 1,330 | 1,267 |
| Debt | 7,115 | 7,092 | 6,209 | 6,182 | 6,025 | 6,199 |
| Lease-adjusted debt | 7,115 | 7,092 | 6,209 | 6,182 | 6,025 | 6,199 |
| Net debt | 5,930 | 5,336 | 4,701 | 4,849 | 4,694 | 4,931 |
| **Summary cash flow statement** | | | | | | |
| EBITDA | 859 | 1,085 | 1,106 | 1,195 | 1,249 | 1,418 |
| Cash interest paid | -229 | -259 | -240 | -200 | -207 | -307 |
| Cash tax | — | — | — | — | -52 | -50 |
| Dividends received less dividends paid to minorities (inflow/outflow) | -21 | -39 | -37 | -23 | -26 | 2 |
| Other items before FFO | 163 | 103 | 70 | — | — | — |
| FFO | 774 | 909 | 958 | 972 | 965 | 1,063 |
| FFO margin (%) | 39.6 | 41.0 | 39.7 | 40.6 | 38.5 | 37.0 |
| Change in working capital | 257 | 131 | 107 | -123 | -112 | -28 |
| CFO (Fitch-defined) | 1,032 | 1,040 | 1,065 | 849 | 853 | 1,034 |
| Total non-operating/nonrecurring cash flow | — | — | — | — | — | — |
| Capex | -189 | -184 | -180 | — | — | — |
| Capital intensity (capex/revenue) (%) | 9.6 | 8.3 | 7.5 | — | — | — |
| Common dividends | -156 | -166 | -384 | — | — | — |
| FCF | 687 | 689 | 501 | — | — | — |
| FCF margin (%) | 35.1 | 31.1 | 20.8 | — | — | — |
| Net acquisitions and divestitures | -806 | — | 68 | — | — | — |
| Other investing and financing cash flow items | -16 | -61 | -42 | 64 | 78 | 92 |
| Net debt proceeds | 19 | -41 | -792 | -27 | -158 | 174 |
| Net equity proceeds | — | — | — | — | — | — |
| Total change in cash | -116 | 576 | -263 | -175 | -3 | -63 |
| **Leverage ratios (x)** | | | | | | |
| EBITDA leverage | 8.5 | 6.8 | 5.8 | 5.3 | 4.9 | 4.4 |
| EBITDA net leverage | 7.1 | 5.1 | 4.4 | 4.1 | 3.8 | 3.5 |
| EBITDAR leverage | 8.5 | 6.8 | 5.8 | 5.3 | 4.9 | 4.4 |
| EBITDAR net leverage | 7.1 | 5.1 | 4.4 | 4.1 | 3.8 | 3.5 |
| FFO adjusted leverage | 7.1 | 6.2 | 5.5 | 5.3 | 5.1 | 4.5 |
| FFO adjusted net leverage | 5.9 | 4.6 | 4.1 | 4.1 | 4.0 | 3.6 |
| FFO leverage | 7.1 | 6.2 | 5.5 | 5.3 | 5.1 | 4.5 |
| FFO net leverage | 5.9 | 4.6 | 4.1 | 4.1 | 4.0 | 3.6 |
| **Calculations for forecast publication** | | | | | | |
| Capex, dividends, acquisitions and other items before FCF | -1,150 | -351 | -496 | -1,061 | -775 | -1,364 |
| FCF after acquisitions and divestitures | -119 | 689 | 569 | -212 | 77 | -329 |
| FCF margin after net acquisitions (%) | -6.1 | 31.1 | 23.6 | -8.9 | 3.1 | -11.5 |

| (AEDm) | 2021 | 2022 | 2023 | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|---|
| **Coverage ratios (x)** | | | | | | |
| FFO interest coverage | 4.4 | 4.4 | 4.7 | 5.9 | 5.7 | 4.5 |
| FFO fixed-charge coverage | 4.4 | 4.4 | 4.7 | 5.9 | 5.7 | 4.5 |
| EBITDAR fixed-charge coverage | 3.7 | 4.0 | 4.5 | 5.9 | 5.9 | 4.6 |
| EBITDAR net fixed-charge coverage | 3.7 | 4.4 | 5.9 | 5.9 | 5.9 | 4.6 |
| EBITDA interest coverage | 3.7 | 4.0 | 4.5 | 5.9 | 5.9 | 4.6 |
| **Additional metrics (%)** | | | | | | |
| CFO-capex/debt | 11.9 | 12.1 | 14.3 | 2.3 | 8.0 | 0.9 |
| CFO-capex/net debt | 14.2 | 16.0 | 18.8 | 2.9 | 10.3 | 1.2 |
| CFO/capex | 547.0 | 563.7 | 590.7 | 120.0 | 230.8 | 105.9 |

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

**How to Interpret the Forecast Presented**

The forecast presented above is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff

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## Ratings Navigator


| Bar Chart Legend: | | | |
|---|---|---|---|
| Vertical Bars = Range of Rating Factor | | Bar Arrows = Rating Factor Outlook | |
| Bar Colors = Relative Importance | | ⇧ | Positive |
| ■ | Higher Importance | ⇩ | Negative |
| ■ | Average Importance | ⇳ | Evolving |
| ■ | Lower Importance | □ | Stable |

FitchRatings

# Tabreed

**Corporates Ratings Navigator**
**EMEA Utilities**

## Operating Environment

| | | | |
|---|---|---|---|
| bbb+ | Economic Environment | bbb | Average combination of countries where economic value is created and where assets are located. |
| bbb | Financial Access | bb | Below-average combination of issuer-specific funding characteristics and the strength of the relevant local financial market. |
| | Systemic Governance | aa | Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'. |
| b- | | | |
| ccc+ | | | |

## Management and Corporate Governance

| | | | |
|---|---|---|---|
| a- | Management Strategy | bbb | Strategy may include opportunistic elements but soundly implemented. |
| bbb+ | Governance Structure | bbb | Good governance track record but board effectiveness/independence less obvious. No evidence of abuse of power even with ownership concentration. |
| bbb | Group Structure | bbb | Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions. |
| bbb- | Financial Transparency | bbb | Good-quality reporting without significant failings. Consistent with the average of listed companies in major exchanges. |
| bb+ | | | |

## Revenue Visibility

| | | | |
|---|---|---|---|
| a- | Size and Integration | bbb | Top-tier position in at least one market. Partially integrated (typically including generation, distribution and supply). |
| bbb+ | Earnings from Regulated Network Assets | b | Minimal EBITDA comes from high-quality regulated networks or quasi-regulated assets. |
| bbb | Quasi-Regulated Earnings | a | Over 20% of EBITDA comes from quasi-regulated assets in markets or from long-term contracted sales with creditworthy counterparties. |
| bbb- | | | |
| bb+ | | | |

## Regulatory Environment

| | | | |
|---|---|---|---|
| bbb+ | Regulatory Framework and Policy Risk | bbb | Less transparent frameworks, with emerging track record and multi-year tariffs;  exposed to political risk. Medium-term predictability. |
| bbb | Cost Recovery and Risk Exposure | bbb | Tariff setting that may limit efficiently incurred cost and investment recovery, with moderate regulatory lag, price and volume risk. |
| bbb- | | | |
| bb+ | | | |
| bb | | | |

## Market Position

| | | | |
|---|---|---|---|
| a- | Fundamental Market Trends | a | Structurally balanced markets. |
| bbb+ | Generation and Supply Positioning | bbb | Average position in the merit order; short term hedging. Generation largely balanced with medium position in supply and services. |
| bbb | Customer Base and Counterparty Risk | bbb | Economy of area served provides structurally stable background; medium counterparty risk; fair collection rates for supply operations. |
| bbb- | | | |
| bb+ | | | |

## Asset Base and Operations

| | | | |
|---|---|---|---|
| bbb+ | Asset Quality | bbb | Mid-range asset quality not likely to affect opex and capex requirements compared with peers. |
| bbb | Asset Diversity | bb | Limited diversification by geography, generation source, supplied product. |
| bbb- | Carbon Exposure | bbb | Energy production balanced between clean and thermal sources; medium carbon exposure (< 450gCO2/kWh). |
| bb+ | | | |
| bb | | | |

## Profitability and Cash Flow

| | | | |
|---|---|---|---|
| a- | Free Cashflow | bbb | Structurally neutral to negative FCF across the investment cycle. |
| bbb+ | Volatility of Profitability | bbb | Stability and predictability of profits in line with utility peers. |
| bbb | | | |
| bbb- | | | |
| bb+ | | | |

## Financial Structure

| | | | |
|---|---|---|---|
| a- | FFO Leverage | bbb | 5.0x |
| bbb+ | FFO Net Leverage | bbb | 4.5x |
| bbb | | | |
| bbb- | | | |
| bb+ | | | |

## Financial Flexibility

| | | | |
|---|---|---|---|
| bbb+ | Financial Discipline | bb | Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines. |
| bbb | Liquidity | bbb | One-year liquidity ratio above 1.25x. Well-spread debt maturity schedule but funding may be less diversified. |
| bbb- | FFO Interest Coverage | bbb | 4.5x |
| bb+ | FX Exposure | bbb | Some FX exposure on profitability and/or debt/cash flow match. Effective hedging. |
| bb | | | |

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

## Credit-Relevant ESG Derivation

Tabreed has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

| | | | Overall ESG |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 0 | issues | 4 |
| potential driver | 12 | issues | 3 |
| not a rating driver | 2 | issues | 2 |
| | 0 | issues | 1 |

For further details on Credit-Relevant ESG scoring, see page 3.

FitchRatings

# Tabreed

**Corporates Ratings Navigator**
**EMEA Utilities**

## Credit-Relevant ESG Derivation

Tabreed has 12 ESG potential rating drivers

- Tabreed has exposure to emissions regulatory risk but this has very low impact on the rating.
- Tabreed has exposure to energy productivity risk but this has very low impact on the rating.
- Tabreed has exposure to waste & impact management risk but this has very low impact on the rating.
- Tabreed has exposure to extreme weather events but this has very low impact on the rating.
- Tabreed has exposure to access/affordability risk but this has very low impact on the rating.
- Tabreed has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

| | | | ESG Relevance to Credit Rating |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 0 | issues | 4 |
| potential driver | 12 | issues | 3 |
| not a rating driver | 2 | issues | 2 |
| | 0 | issues | 1 |

## Environmental (E) Relevance Scores

| General Issues | E Score | Sector-Specific Issues | Reference | E Relevance |
|---|---|---|---|---|
| GHG Emissions & Air Quality | 3 | Emissions from operations | Asset Base and Operations; Profitability and Cash Flow | 5 |
| Energy Management | 3 | Fuel use to generate energy | Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow | 4 |
| Water & Wastewater Management | 2 | Water used by hydro plants or by other generation plants; effluent management | Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow | 3 |
| Waste & Hazardous Materials Management; Ecological Impacts | 3 | Impact of waste from operations | Asset Base and Operations; Profitability and Cash Flow | 2 |
| Exposure to Environmental Impacts | 3 | Plants' and networks' exposure to extreme weather | Asset Base and Operations; Profitability and Cash Flow | 1 |

## Social (S) Relevance Scores

| General Issues | S Score | Sector-Specific Issues | Reference | S Relevance |
|---|---|---|---|---|
| Human Rights, Community Relations, Access & Affordability | 3 | Product affordability and access | Profitability and Cash Flow; Regulation | 5 |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3 | Quality and safety of products and services; data security | Profitability and Cash Flow | 4 |
| Labor Relations & Practices | 3 | Impact of labor negotiations and employee (dis)satisfaction | Profitability and Cash Flow; Financial Structure; Financial Flexibility | 3 |
| Employee Wellbeing | 2 | Worker safety and accident prevention | Profitability and Cash Flow; Financial Structure; Financial Flexibility | 2 |
| Exposure to Social Impacts | 3 | Social resistance to major projects that leads to delays and cost increases | Asset Base and Operations; Profitability and Cash Flow | 1 |

## Governance (G) Relevance Scores

| General Issues | G Score | Sector-Specific Issues | Reference | G Relevance |
|---|---|---|---|---|
| Management Strategy | 3 | Strategy development and implementation | Management and Corporate Governance | 5 |
| Governance Structure | 3 | Board independence and effectiveness; ownership concentration | Management and Corporate Governance | 4 |
| Group Structure | 3 | Complexity, transparency and related-party transactions | Management and Corporate Governance | 3 |
| Financial Transparency | 3 | Quality and timing of financial disclosure | Management and Corporate Governance | 2 |
| | | | | 1 |

**How to Read This Page**

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

**The Credit-Relevant ESG Derivation** table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

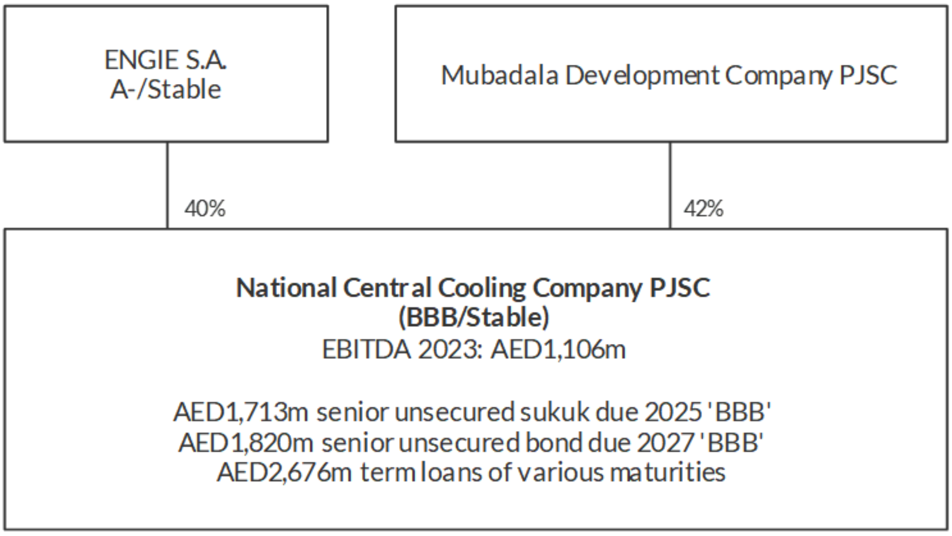
**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

**CREDIT-RELEVANT ESG SCALE**

**How relevant are E, S and G issues to the overall credit rating?**

| | |
|---|---|
| 5 | Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator. |
| 4 | Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator. |
| 3 | Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator. |
| 2 | Irrelevant to the entity rating but relevant to the sector. |
| 1 | Irrelevant to the entity rating and irrelevant to the sector. |

## Simplified Group Structure Diagram




Source: Fitch Ratings, Fitch Solutions, Tabreed, as at 31 December 2023

## Peer Financial Summary

| Company | Issuer Default Rating | Financial statement date | Gross revenue (USDm) | EBITDA (USDm) | EBITDA margin (%) | FFO net leverage (x) | FFO interest coverage (x) |
|---|---|---|---|---|---|---|---|
| National Central Cooling Company PJSC (Tabreed) | BBB | | | | | | |
| | BBB | 2023 | 658 | 301 | 45.8 | 4.1 | 4.7 |
| | BBB | 2022 | 603 | 296 | 49.0 | 4.6 | 4.4 |
| | BBB | 2021 | 532 | 234 | 43.9 | 5.9 | 4.4 |
| | BBB | 2020 | 474 | 223 | 47.1 | 5.0 | 6.6 |
| Oman Electricity Transmission Company SAOC | BB+ | | | | | | |
| | BB+ | 2022 | 370 | 304 | 82.2 | 6.5 | 3.1 |
| | BB- | 2021 | 339 | 289 | 85.2 | 5.9 | 3.5 |
| | BB- | 2020 | 331 | 284 | 85.9 | 5.6 | 4.2 |
| Nama Electricity Distribution Company SAOC | BB+ | | | | | | |
| | BB- | 2022 | 982 | 214 | 21.8 | 5.7 | 2.9 |
| | BB- | 2021 | 960 | 204 | 21.3 | 6.8 | 3.2 |
| | BB- | 2020 | 915 | 206 | 22.5 | 5.9 | 4.1 |
| FCC Aqualia, S.A. | BBB- | | | | | | |
| | BBB- | 2022 | 1,411 | 353 | 25.0 | 5.9 | 5.0 |
| | BBB- | 2021 | 1,195 | 246 | 20.6 | 4.8 | 6.9 |
| | BB+ | 2020 | 1,286 | 234 | 18.2 | 5.2 | 7.4 |
| Abu Dhabi National Energy Company PJSC | AA- | | | | | | |
| | AA- | 2022 | 13,606 | 5,522 | 40.6 | 2.9 | 6.4 |
| | AA- | 2021 | 12,441 | 5,238 | 42.1 | 3.2 | 5.7 |
| | AA- | 2020 | 6,531 | 2,688 | 41.2 | 6.9 | 5.8 |
| Saudi Electricity Company | A | | | | | | |
| | A | 2022 | 19,221 | 9,796 | 51.0 | 2.5 | 10.3 |
| | A- | 2021 | 18,490 | 10,281 | 55.6 | 2.6 | 11.0 |
| | A- | 2020 | 18,322 | 7,093 | 38.7 | 4.3 | 5.6 |

Source: Fitch Ratings, Fitch Solutions

## Fitch Adjusted Financials

| (AED millions as of 31 Dec 2023) | Notes and formulas | Standardised values | Cash adjustment | Lease treatment | Other adjustments | Adjusted values |
|---|---|---|---|---|---|---|
| **Income statement summary** | | | | | | |
| Revenue | | 2,415 | — | — | — | 2,415 |
| EBITDA | (a) | 1,147 | — | -41 | -0 | 1,106 |
| Depreciation and amortization | | -342 | — | 29 | -0 | -313 |
| EBIT | | 806 | — | -13 | -0 | 793 |
| **Balance sheet summary** | | | | | | |
| Debt | (b) | 6,439 | — | -230 | 0 | 6,209 |
| Of which other off-balance-sheet debt | | — | — | — | — | — |
| Lease-equivalent debt | | — | — | — | — | — |
| Lease-adjusted debt | | 6,439 | — | -230 | 0 | 6,209 |
| Readily available cash and equivalents | (c) | 1,510 | -2 | — | -0 | 1,508 |
| Not readily available cash and equivalents | | — | 2 | — | — | 2 |
| **Cash flow summary** | | | | | | |
| EBITDA | (a) | 1,147 | — | -41 | -0 | 1,106 |
| Dividends received from associates less dividends paid to minorities | (d) | -37 | — | — | — | -37 |
| Interest paid | (e) | -253 | — | 13 | -0 | -240 |
| Interest received | (f) | 60 | — | — | — | 60 |
| Preferred dividends paid | (g) | — | — | — | — | — |
| Cash tax paid | | — | — | — | — | — |
| Other items before FFO | | 70 | — | — | — | 70 |
| FFO | (h) | 987 | — | -29 | 0 | 958 |
| Change in working capital | | 107 | — | — | — | 107 |
| CFO | (i) | 1,094 | — | -29 | 0 | 1,065 |
| Non-operating/nonrecurring cash flow | | — | — | — | — | — |
| Capex | (j) | -180 | — | — | — | -180 |
| Common dividends paid | | -384 | — | — | — | -384 |
| FCF | | 530 | — | -29 | 0 | 501 |
| **Gross leverage (x)** | | | | | | |
| EBITDA leverage | b / (a+d) | 5.8 | — | — | — | 5.8 |
| (CFO-capex)/debt (%) | (i+j) / b | 14.2 | — | — | — | 14.3 |
| **Net leverage (x)** | | | | | | |
| EBITDA net leverage | (b-c) / (a+d) | 4.4 | — | — | — | 4.4 |
| (CFO-capex)/net debt (%) | (i+j) / (b-c) | 18.5 | — | — | — | 18.8 |
| **Coverage (x)** | | | | | | |
| EBITDA interest coverage | (a+d) / (-e) | 4.4 | — | — | — | 4.5 |

CFO – Cash flow from operations
Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region. Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly. Debt includes other off-balance-sheet debt.
Source: Fitch Ratings, Fitch Solutions, National Central Cooling Company.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.