

National Central Cooling Company (Tabreed) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Buy

Target Price (AED):

4.45

Previous TP & Date:

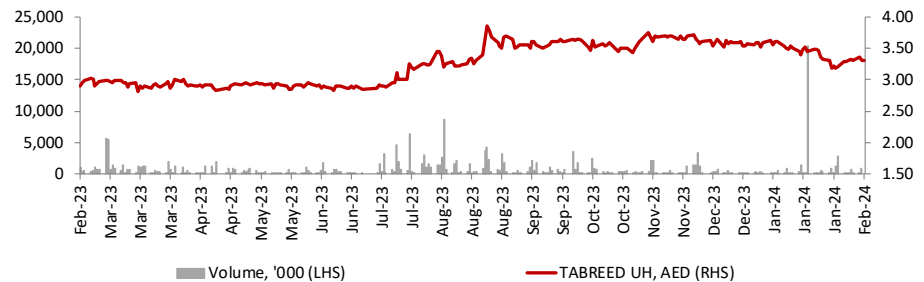
TP: AED 4.45 per share on 15-Nov-2023

Upside / (Downside):

34%

Date: 15-Feb-2024

Bloomberg Ticker	TABREED UH
Current Market Price (AED)	3.33
52wk High / Low (AED)	3.93/2.75
12m Average Vol. (000)	809.3
Mkt. Cap. (USD/AED mn)	2,580/9,475
Shares Outstanding (mn)	2,845.3
Free Float (%)	22%
3m Avg Daily Turnover (000)	2,487.6
6m Avg Daily Turnover (000)	2,661.3
P/E'23e (x)	26.5
P/BV'23e (x)	1.6
Dividend Yield '23e (%)	4.3%
Price Perf. (1m/3m) (%)	-3.5/-9.3



Tabreed's top line in 4Q 2023 comes in line with consensus and U Capital's estimate

Tabreed's top line in 4Q 2023 grew 6.5% YoY in 4Q 2023, coming in line with the Bloomberg consensus estimate (+3% variance) as well as largely in line with U Capital's estimate (-4% variance). Tabreed added 53k RT of new connections in FY 2023, largely in line with our expectation of 55k RT. Overall, the company's capacity reached 1,303k RT by the end of 2023, reflecting an increase of 3% YoY.

The bottom line comes considerably below consensus, but largely in line with U Capital's expectations

Despite an 8.0% YoY increase in gross profit, Tabreed's operating profit declined 7.7% YoY, missing Bloomberg consensus by ~22%. As compared to our estimate, operating was c. 14% lower, as the G&A expenses came in nearly 33% higher than our expectations. Pressured by a lower operating profit, and the company booking ~AED 12mn other losses in 4Q 2023 vs. AED56.7mn other gain in 4Q 2022, net profit decreased 27.2% YoY in 4Q 2023 to AED 146.0mn, coming in considerably below Bloomberg consensus of about AED 298mn, but largely matching our expectations (~+5% variation).

Maintain target price

Tabreed's 4Q 2023 financial performance has largely been in line with our estimate. We remain optimistic about the company's prospects, given its steady capacity expansion plans and its foray into high-growth potential markets like India. Accordingly, we maintain our AED 4.45 target price on the stock. Despite a lower net income in FY 2023, backed by its healthy liquidity and cash flows, Tabreed has increased its dividend from 13.5 fils in FY 2022 to 15.5 fils in FY 2023, perfectly matching our estimate. This indicates a payout ratio of around 102%, providing a yield of 4.7% at the current market price.

Valuation

At the current market price, the stock trades at 13.2x on our FY 2024e EPS and 10.6x in terms of FY 2024e EV/EBITDA, in line with its 3-year daily average 12-month forward P/E of ~13x, and below its 3-year daily average 12-month forward EV/EBITDA of ~12x.

Income Statement												
(AED mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	556.6	463.7	603.8	755.4	592.6	617.8	6.5%	-21.6%	-4.1%	2,216.2	2,415.5	9.0%
Gross Profit (Loss)	257.4	239.6	286.9	277.6	278.1	287.0	8.0%	0.2%	-3.1%	1,038.2	1,082.1	4.2%
Operating Profit (Loss)	211.5	172.0	222.1	216.4	195.2	227.5	-7.7%	-9.8%	-14.2%	801.9	805.7	0.5%
Net Profit (Loss) after Zakat and tax	200.6	236.4	150.0	(101.3)	146.0	138.6	-27.2%	-244.2%	5.3%	600.2	431.1	-28.2%
Balance Sheet												
(AED mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	6,474.8	6,179.0	6,337.2	6,222.2	6,317.5	6,303.5	-2.4%	1.5%	0.2%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	46.2%	51.7%	47.5%	36.7%	46.9%	46.4%						
Operating Profit Margin	38.0%	37.1%	36.8%	28.7%	32.9%	36.8%						
Net Profit Margin	36.0%	51.0%	24.8%	-13.4%	24.6%	22.4%						
Return on Equity (RoE)	12.4%	15.3%	9.5%	-6.5%	9.2%	8.8%						
Annualized EPS (AED)	0.28	0.33	0.21	-0.14	0.21	0.20						
BVPS (AED)					2.22	2.22						
TTM P/E (x)					22.0							
Current P/BV (x)					1.5							

Source: Financials, DFM Disclosure, Bloomberg, U Capital Research


For our earlier report on the sector, please [click here](#).

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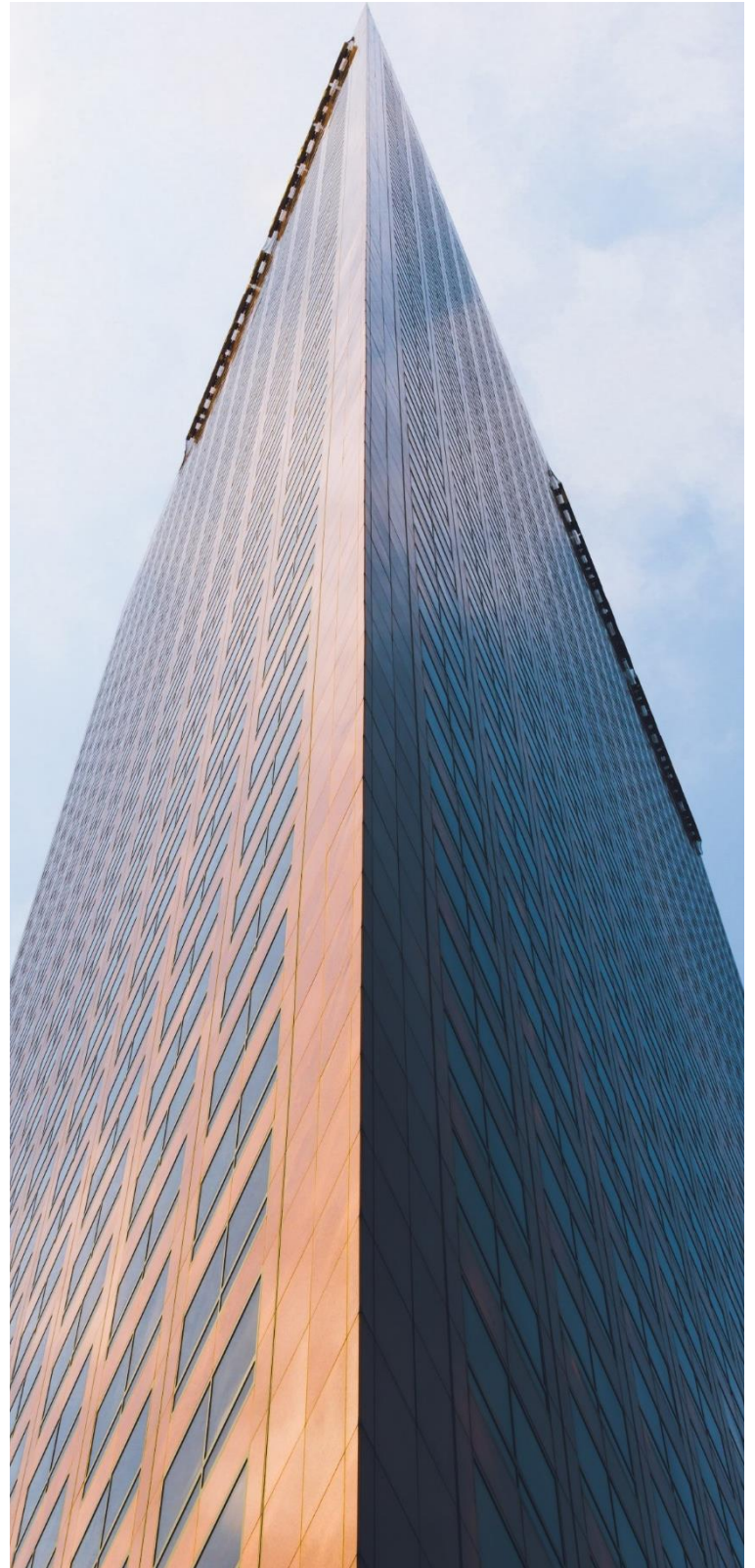
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Disclaimer

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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