

National Central Cooling Company (Tabreed) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Buy

Previous TP & Date:

TP: AED 4.45 per share on 19-Sep-2023

Target Price (AED):

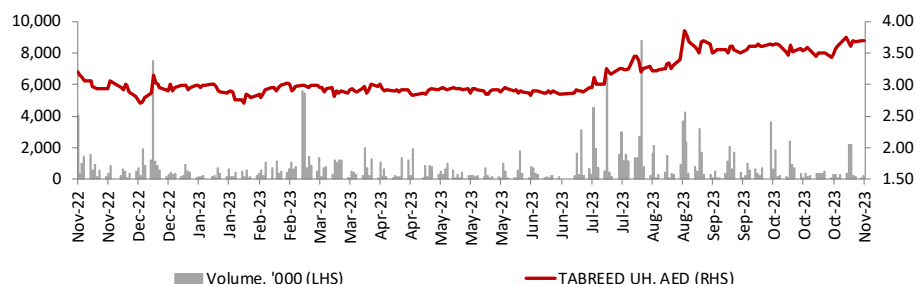
4.45

Upside / (Downside):

20%

Date: 11/15/2023

Bloomberg Ticker	TABREED UH
Current Market Price (AED)	3.70
52wk High / Low (AED)	3.93/2.67
12m Average Vol. (000)	788.2
Mkt. Cap. (USD/AED mn)	2,866/10,528
Shares Outstanding (mn)	2,845.3
Free Float (%)	22%
3m Avg Daily Turnover (000)	2,835.0
6m Avg Daily Turnover (000)	2,926.3
P/E'23e (x)	14.3
P/BV'23e (x)	1.6
Dividend Yield '23e (%)	4.2%
Price Perf. (1m/3m) (%)	4.5/13.8



Tabreed records a higher than-estimated revenue growth of 10% YoY in 3Q 2023

Tabreed's revenue increased 10% YoY in 3Q 2023 to AED 755.4mn, surpassing our estimate of AED 698.6mn. The company's total connected cooling capacity by the end of 3Q 2023 exceeded 1.3mn Refrigeration Tons (RT), in line with our estimate.

Operating profit rises slightly, coming in line with our estimate, though Tabreed posts a net loss on deferred tax expense

Direct costs rose ~ 18% YoY to AED 477.8mn in 3Q 2023, exceeding our estimate of ~AED 410mn. As a result, gross profit stood flat YoY at AED 277.6mn, largely in line with our estimate. Operating profit (+1.3% YoY) also matched our estimate (-1.7% variance) due to lower-than-expected G&A expense. Driven by a sharp jump in other gains from AED 11.8mn in 3Q 2022 to AED 54.4mn in 3Q 2023, the company's profit before tax jumped 36.7% YoY, beating our estimate. However, Tabreed posted a net loss in 3Q 2023, in contrast to our expectations, as it registered AED 358.8mn in net deferred tax expense vs. NIL in 3Q 2022.

Maintain target price

Tabreed's financial performance in 3Q 2023 has largely come in line with our expectations. We opine the company posting loss is a one-off resulting from the implementation of the tax in the UAE and we expect the bottom line to resume growth in subsequent quarters. Accordingly, we maintain our AED 4.45 target price on the stock.

Valuation

At the current market price, the stock trades at 14.3x on our FY 2023e EPS and 1.6x FY 2023e BVPS, above its 3-year daily average 12-month forward P/E of ~13x, and its 3-year daily average 12-month forward P/B of ~1.3x.

Income Statement												
(AED mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	683.8	556.6	463.7	603.8	755.4	698.6	10.5%	25.1%	8.1%	1,659.5	1,822.9	9.8%
Gross Profit (Loss)	277.9	257.4	239.6	286.9	277.6	288.8	-0.1%	-3.3%	-3.9%	780.9	804.0	3.0%
Operating Profit (Loss)	213.8	211.5	172.0	222.1	216.4	220.2	1.3%	-2.6%	-1.7%	590.4	610.6	3.4%
Net Profit (Loss) after Zakat and tax	159.3	200.6	236.4	150.0	(101.3)	159.7	-163.6%	-167.5%	-163.4%	399.6	285.1	-28.6%
Balance Sheet												
(AED mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	6,283.5	6,474.8	6,179.0	6,337.2	6,222.2	6,496.9	-1.0%	-1.8%	-4.2%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	40.6%	46.2%	51.7%	47.5%	36.7%	41.3%						
Operating Profit Margin	31.3%	38.0%	37.1%	36.8%	28.7%	31.5%						
Net Profit Margin	23.3%	36.0%	51.0%	24.8%	-13.4%	22.9%						
Return on Equity (RoE)	10.1%	12.4%	15.3%	9.5%	-6.5%	9.8%						
Annualized EPS (AED)	0.22	0.28	0.33	0.21	-0.14	0.22						
BVPS (AED)					2.19	2.28						
TTM P/E (x)					21.7							
Current P/BV (x)					1.7							

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


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

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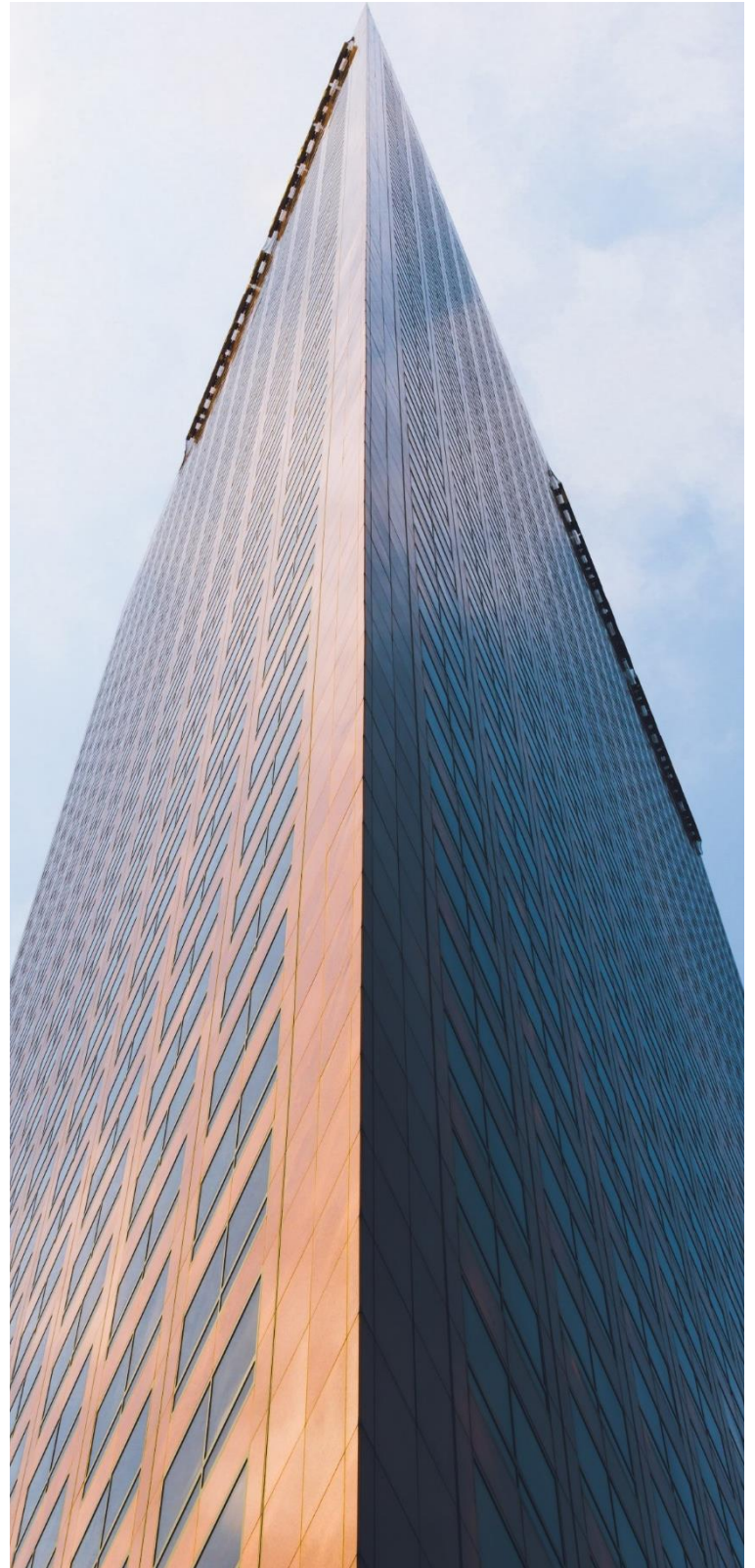
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Disclaimer

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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