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# NATIONAL CENTRAL COOLING COMPANY PJSC

(DFM: TABREED)

# EARNINGS CONFERENCE CALL TRANSCRIPT

FY 2024

**Tabreed Participants:**

Adel Salem Al Wahedi, Chief Financial Officer

Salik Malik, Vice President – Finance

Yugesh Suneja, Head of Investor Relations

## Presentation

**Yugesh Suneja**
Good afternoon, everyone. I am pleased to welcome you all to Tabreed's earnings conference call for the financial year 2024. I am Yugesh, Head of IR at Tabreed. Today I am joined by Adel Al-Wahedi, our CFO, and Salik Malik, Vice President Finance.

Before we proceed further, I would like to remind everyone that some of the information that we will be presenting today is about future performance and forward-looking in nature. These statements are based on our current expectations and are subject to risks and uncertainties. Please refer to this disclaimer slide for more details.

Our financial results, including a copy of this presentation, are available on our website. A video replay and transcript of today's call will also be made available on Tabreed's website under the IR section. Let us now move to the agenda for today's call. Adel will start the presentation with key operational and financial highlights of the year and then take you through our corporate strategy and sustainability updates. Following this, Salik will discuss financial results in detail. Finally, Adel will conclude with a discussion on our guidance and closing remarks. We will then take your questions. With this, I now invite Adel to begin the presentation.

**Adel Salem Al Wahedi**
Good afternoon, everyone. Thank you for joining us today for our 2024 Results Conference call.

Tabreed has once again showed resilience of its business model with steady growth in revenue, stable margins, strong cash flow conversion, and robust improvement in balance sheet. And this financial performance has been achieved along with significant benefits to the environment through our sustainable district cooling operations and continued investments in innovative projects to make district cooling even more efficient.

Let me provide a summary of our financial performance, please. Revenue at AED 2.43 billion increased compared to last year, with **like-for-like growth of 4.5%**. However, deconsolidation of Tabreed Parks Investment, which owns the Dubai Park D.C. assets, and higher one-off CPI gains recorded in 2023 resulted in lower reported growth of 1% during 2024. Revenue growth was driven by higher consumption volumes, new capacity, CPI indexation, and increase in our value chain business.

We were able to keep operating costs and G&A expenses in check. This helped to **improve our EBITDA margin** for the year to **51%** while taking **EBITDA growth to 5%** in 2024 compared to the year 2023.

**Interest charges decreased** from the 2023 level as we partially bought back Sukuk during early part of 2024 as part of **liability management exercise**. Excluding the impact of one-off gains in the year 2023, **net profit before tax grew by 4%** year-on-year.

Moving on to operational updates, we saw a continued strong trend in cooling consumption, thereby driving **volume growth of 5%** in 2024. We commissioned two new greenfield plants in 2024, first one at Saadiyat Island in Abu Dhabi, UAE, and the second one in Oman, to meet growing demand for cooling. We have further strengthened our international presence during the year, as seen in **almost one-third of total capacity additions coming from geographies outside the UAE**, including Saudi, Oman, India, and Egypt. Overall, we added a new capacity of around 24,000 RTs during the year. I will talk more about this when we provide an update on capacity guidance.

Even though district cooling is already efficient compared to conventional cooling methods, Tabreed is continuing to advance various initiatives that will increase its efficiency further. In 2024, we **achieved a verified carbon standard** for one of our plants in Abu Dhabi. This third-party verification recognizes the significant environmental benefits of Tabreed's district cooling operations compared to conventional methods. As a result, Tabreed is now eligible to generate and trade carbon credits. This is the first time that a district cooling company has achieved such certification, paving the way for industry to be recognized for its environmental contribution.

Moving to the second slide. This slide provides details on our operational performance and expansion during the year. **Consumption volumes** have maintained a strong trend and saw an **increase of 5% year over year** to reach 2.7 billion refrigeration tons hours. This growth is a result of both higher connected capacity and robust cooling demand, owing to the rising global temperature.

As you know, chilled water revenue has two key components. Fixed charges contributed 55% of chilled water revenue in 2024 and experienced a growth of 2% driven by increased capacity and CPI indexation.

The variable charges accounted for the remaining 45% of chilled water revenue during the year and increased by 5%, in line with the volume growth. Deconsolidation of Tabreed Parks Investments in Q3 2023 softened growth in both fixed and variable charges.

The UAE remains our core market, accounting for 83% of connected capacity. Our presence in other GCC markets such as Saudi Arabia, Oman, and Bahrain accounted for 17% of the total connected capacity. While outside GCC, we have expanded in India and Egypt, but the contribution remains small for now.

We **added close to 24,000 RTs of new capacity** in the year 2024, taking total connected capacity to 1.325 million RTs. While UAE represented a major share of this addition, mainly in the Saadiyat, Al-Raha, and from the UAE Armed Forces, but we have also seen a fair degree of contribution from markets outside UAE.

Let's move to the next slide, please. Let me now take you through our corporate strategy that would allow Tabreed to maintain and enhance its leading market position in the district cooling sector. Tabreed is pursuing this strategy through **local and international growth**, **business excellence**, **best practices in environmental sustainability, social responsibility and**

**governance**, becoming an **employer of choice**, and focused on **research, development, and innovation**.

Tabreed aims to achieve sustainable growth and unlock additional opportunities. This will be achieved through **organic growth and selectively pursuing mergers and acquisition** transactions. In all its investments, Tabreed sees a minimum internal rate of return that exceeds our cost of capital, enabling us to add value to our shareholders, as well as adequately compensate for the upfront investment risk.

We are also focusing on maximizing value creation by **optimizing our operations**, promoting **HSE excellence**, and delivering **exceptional customer service**. Tabreed is committed to implementing best practices in environmental sustainability, social responsibility, and governance to enhance trust from our stakeholders.

A key to achieving this is our **people-oriented mindset**. Tabreed aims to attract, develop, and retain top talents across all the countries where it operates, and by fostering higher engagement and positive corporate culture.

Lastly, Tabreed believes that **new technologies and innovation** are important to ensure its ability to adapt, stay competitive, and meet evolving customer needs, thereby supporting future proofing of our business.

Moving to the next slide.

On this slide, we show how we measure success and progress against our key strategic objectives.

We have achieved **strong growth in capacity, EBITDA, and net profit** in the last five years, and have further **diversified presence** in new markets. Tabreed is a leader in its industry, and we intend to maintain this market-leading position in key geographies in which we operate.

We have shown an exceptional track record in **realizing operating efficiencies** and **sustaining healthy margins**, maintaining **top-tier HSE performance** and **reliability** of our services, and strengthening our relationships with customers through dedicated teams for various services.

Tabreed has a longstanding approach to **integrating international best practices** in governance and ESG, IT security and data privacy, and a strong nine-member board that brings international expertise for effective monitoring and oversight.

Tabreed has been driving productivity and business success by creating a positive work environment to **attract skilled and motivated employees**, which is well-reflected in employee engagement and satisfaction survey results for the year 2024.

We continue to invest in new technologies and solutions that **improve operational efficiency** and **reduce environmental impact**.
Various examples of such achievements include geothermal, district cooling project in Masdar, use of nanofluid, variable frequency drives, and many more.

Moving to the next slide.

We see favorable macroeconomic trends in the key markets where we are present. This supports a positive outlook for the district cooling industry.

In general, **economic growth is expected to improve** over the next five years compared to the last five years in most of our markets. Other demand drivers, such as **population growth**, are also showing improving trends over the next five years. This is likely to be supportive of cooling demand.

District cooling adoption is expected to increase further driven by **increasing investments in real estate and large infrastructure projects**, including small cities and mega events such as Expo.

**Regulatory environment and national targets** for net zero carbon emissions are also supportive factors for DC industry.

In other markets such as India, **size of cooling demand is significant**. **Rapid urbanization** and **increasing disposable income** promote demand in residential and commercial segments.

Governments also remain focused on increased use of DC systems to meet **energy efficiency targets** through initiatives like the National Cooling Action Plan.

All these market trends are expected to **drive a rise in energy needed for space cooling**, which can then **push for more energy efficient, reliable, and cost-effective district cooling**.

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Let me elaborate more on how Tabreed will capitalize on these market trends to grow.

UAE market remains at the center of our growth strategy. We are focusing on both organic and inorganic growth. We have already **secured capacity in our existing concession** areas. We have about 300,000 RTs to be connected over medium term in these concession areas. This expansion offers steady and secured organic growth at minimal incremental capex.

We are also targeting **new greenfield opportunities** to meet demand from increasing investments in real estate and infrastructure projects.

We also anticipate further opportunities in the **form of mergers and acquisitions** in the UAE as developers still own captive assets which can be monetized at their right time.

Outside UAE, other GCC countries such as Bahrain, Oman, and other countries are also looking to continue to offer expansion potential, though scale is likely to be small considering market size.
Our strategic expansion plans are focused on increasing our presence in under-penetrated markets where the demand for sustainable cooling is rapidly growing.

We are actively assessing multiple opportunities in markets such as Saudi Arabia, India, and the wider Asia region. Our goal is to build greenfield plants or to enter into large concessions by leveraging our technical expertise and proven track record.

The international landscape also provides opportunities for growth through M&As where Tabreed can acquire captive assets owned by developers or public sector entities.

In conclusion, our **extensive expertise in the district cooling industry** uniquely positions us to capitalize on these opportunities while our robust financial framework ensures **sustainable value creation** for our shareholders.

Moving to the next slide.

Tabreed reaffirms its commitment to sustainability and climate action by embedding environmental, social, and governance principles into its operations and long-term strategy.

Tabreed ESG framework is built on three core pillars:
**Environmental stewardship** - We prioritize our environmental responsibility through a robust integrated management system.

The second one, **social responsibility**, where we believe that the company's employees are our greatest asset and recognize that employee well-being, development, and engagement are essential to drive the success.

At the same time, we are actively working to foster strong customer and supplier relations and create a positive impact on communities we serve.

The third pillar is **governance excellence**. Our governance framework outlines the code of conduct and corporate structure. Comprehensive sets of policies are approved by the board for best business practices, and we are committed to maintaining high standards of transparency by adhering to global reporting standards.

Let me provide some more clarity on our **decarbonization roadmap**, which is on the next slide, please.

Tabreed is actively pursuing a roadmap to achieve net zero emissions by 2050, aligning with UAE Energy Strategy 2050.

The roadmap includes initiatives aimed at **enhancing energy efficiency**, **upgrading its cooling systems** with the latest technologies to maintain a high level of reliability and efficiency, **integration of renewable energy** sources, including solar PV and geothermal, exploring **new and innovative technologies** to maintain competitive edge, **collaborating with suppliers** to align their business practices with our sustainability goals, and lastly, **compensating any residual emissions** through offsetting by expanding the scope of verified carbon standard certification to a greater number of our district cooling plants.

Next slide.

**Water efficiency** is another top priority for Tabreed. We aim to optimize our operations and minimize water consumption per unit of cooling product, and we actively monitor this key performance indicator and have set targets to improve this.

Additionally, we are focused on **responsible waste management**. Our waste reduction action plan is outlined in environmental management policy and enables us to track and manage waste generated across various locations.

The next slide.

Tabreed plays a pivotal role in sustainable development through the provision of district cooling solutions. Our operations have yielded substantial environmental benefits.

In the past year, we achieved energy savings of 2.6 billion kilowatt hour through our operations, equivalent to powering over 150,000 homes and prevented 1.58 million tons of carbon emissions. As we expand our operations, our positive environmental impact will continue to grow.

With this, I will now hand over to Salik to discuss our financial performance in detail.

**Salik Malik**
Thank you, Adel, and good afternoon, everyone.

In the next few slides, I will discuss our income statement, balance sheet, and cash flows in detail. In a nutshell, our financial results for the year 2024 clearly demonstrate the quality of our business model that provides high visibility of revenue, cash flows, and the margins. At the same time, the credit profile of our customers, which is mostly B2B in nature, supports strong cash collection, demonstrating high credit worthiness.

Our balance sheet position has significantly improved over the last few years, as evident in our net debt to EBITDA ratio of 3.7 times, which is well below the 2019 level, when our leverage started to increase to fund our M&A-driven growth strategy.

We are in a very **sound financial position** to **sustain growth** in the future and deliver **healthy returns** to our shareholders.

Looking at our income statement for the year 2024, group revenue reached AED 2.4 billion, increasing by 1% year-over-year. However, the underlying growth showed an increase of 4.5% in revenue, which is masked by certain one-off items.

These one-off items are - CPI gain on finance leases, which was recorded at a higher level in 2023 when the CPI was 4.8%. However, in 2024, the CPI indexation was 1.6%, which resulted in a one-off gain lower than 2023. This impacted our top-line growth by approximately 2%.

Secondly, 2023 included a revenue contribution from Dubai Parks for almost eight months, before being deconsolidated after divestment of 50% interest to Dubai Holdings. This further impacted total revenue by 1.5%.

Revenue increase in 2024 was largely organic in nature and was attributed to gross new connections of 24,000 tons, which Adel mentioned in his remarks. This also contributed to a consumption volume increase by 5% over the year. Contractual CPI indexation is another factor that has added to a small revenue increase.

Also, coming to our value chain business, we focused on offering energy services to our customers and added more customers to our profile of billing and collection services.

Total operating costs increased by 1% in the year 2024 despite 5% growth in consumption volumes. Even though the utility charges account for most of our operating costs, which we were able to keep in check due to higher efficiency. As a result, gross profit remained broadly stable.

Our cost optimization efforts also supported in maintaining our G&A expenses stable during Q4 versus Q3, thereby restricting our full year 2024 increase to just 4%.

These efforts led to an improvement in our EBITDA margin to 51% and the total EBITDA increased by 5% year over year to a total of 1.25 billion.

Positive operational performance was further lifted by 15% savings in finance costs, following proactive debt management. Therefore, despite the adverse impact of lower one-time CPI gains and 50% divestment of Tabreed Parks Investment, net profit before UAE corporate tax grew by almost 4% to AED 624 million in 2024, compared to normalized level of AED 603 million in 2023. After accounting for the new corporate tax, the reported net profit for the year stood at AED 570 million versus AED 431 million in 2023.

Moving on to the next slide.

This slide summarizes the balance sheet as of the year 2024.

The total assets and liabilities reduced by 5% in 2024 as management used surplus cash to proactively manage its borrowings to partially buyback Sukuk and pay increased dividends for the year 2023.

Major movements in assets are the fixed assets and intangibles declined marginally as capital expenditure incurred during the year was offset by the depreciation and amortization charges.

Investments in associates and joint ventures remained stable as the profits generated during the period were offset by the dividend distributions and the disposal of our interest in one of our joint ventures, namely the SNC Lavalin.

Receivables and other assets declined on reduction in the fair value of our derivatives, while overall collections remained at a very healthy level.

As I mentioned before, our cash balance reduced as we prepaid our debt and paid 2023 dividends in 2024.

Looking at the movement in equity and the liabilities - equity and reserves increased marginally as profit generated during the year was mostly balanced by the payment of the shareholders dividends and the fair value adjustments in derivatives.

Payables and other liabilities increased due to the introduction of income tax payable at the start of 2024.

Our debt includes bank borrowings and fixed income instruments, Sukuk and bonds. The total debt reduced by 12% as we partially bought back our outstanding Sukuk maturing in 2025.

Our net debt stood at AED 4.6 billion at the end of the year, which is 6% lower than the 2023 number. Subsequently, the net debt to EBITDA also improved to 3.7 times, which is the lowest level in the last five years, therefore fortifying our strong investment grade status.

Our balance sheet is robust with net debt to capital ratio of 37%.

Strong cash flow generating a business model with a long-term contract provides room to increase gearing ratio to meet the potential funding requirements for growth purposes that may come across.

In terms of upcoming debt maturities, we have a debt worth AED 2.4 billion due at the end of first quarter, while the remaining Sukuk amount of AED 970 million is due in October of this year. We are quite confident in our ability to manage the upcoming refinancing, whether full or in part, as the situation demands.

We are in the process of finalizing the refinancing option with a goal of achieving optimum financing cost. Once the decision is made, we will update the market accordingly.

Moving on to the next slide.

Tabreed continues to generate strong cash flows, which is being utilized to invest in growth, reduce our debt, and provide dividend returns to our shareholders.

Our operations generated impressive net operating cash flows of AED 1.2 billion, underscoring the robust nature of our business model, sustainability, profitability margins, and efficiency in managing working capital.

Our DSO improved further in 2024, signifying the effectiveness of Tabreed's collection processes and the robustness of our customer credit profile.

We continue to invest in growth and incurred a cash capital expenditure of AED 257 million to fund the expansion of our capacity in our existing concessions and construction of new greenfield plants, of which two were completed during the year 2024 and three are under construction.

Overall, Tabreed generated substantial free cash flows of AED 971 million in 2024, resulting in a free cash flow yield of more than 10%.

Our financing activities clearly demonstrated our commitment to improving our financial prudence. We strategically utilized surplus cash to service our debt and improve our net debt to EBITDA, including the buyback of the sukuk, and increase our returns to our shareholders.

At the end of the period, we reported a cash balance of AED 1 billion. In addition, we maintain an undrawn AED 600 million green revolving credit facility. This robust liquidity position enables us to effectively execute our capital allocation strategy.

With this, I conclude the summary of financial results presentation.

Now I'll hand it back to Adel to take you through the rest of the proceedings.

**Adel Salem Al Wahedi**

Thank you, Salik.

Let me first update on our capacity guidance for the last two years period. We provided a capacity guidance of 100,000 RT to be achieved over the years 23 and 24, of which 85% was expected from consolidated entities.

We delivered 77,000 RTs against this guidance, of which 80% came from consolidated entities. Shortfall in delivered capacity versus our guidance is due to a combination of factors. Firstly, they were delays in completion of real estate projects in some of our concessioned areas, such as Raha Beach, Masdar City, Saadiyat, Downtown Dubai, etc.

Secondly, we are constructing a new plant for one of our customers, which will now be completed in the first half of this year as per revised timelines from the customer.

And lastly, we were expecting some small-scale inorganic transactions to be materialized, which are still at a discussion stage. All these factors combined contributed to a lower-than-expected addition in capacity.

However, the good news is that all these connections are set to be connected this year based on contractual commitments. Other than short-term delays, we are on track to deliver on our growth expectations over the medium term.

Talking about our medium-term expectations, we are now introducing additional performance indicators in our medium-term guidance for the period 2025 to 2027.

Firstly, for capacity growth, we are targeting an annual growth rate of 3% to 5% over the next three years. This growth should be driven by signed agreements with our customers as well as the new projects that we anticipate winning this year. It also includes potentially small-scale M&A opportunities but excludes large-scale M&As of size, like what we have done in years 2020 and 2021.

To meet this anticipated growth, we expect to incur organic capital expenditure of around AED 200 to 300 million per year.

We expect to maintain a healthy margin profile aligned with our long-term take-or-pay contracts and therefore guide for EBITDA margin of between 50% to 53%.

Our current leverage ratio, which mainly refers to net debt to EBITDA, stands at 3.7 times.
The nature of our business, our customer profile, and backing from our major strategic shareholders allow leverage ratios to trend above the current level for a temporary period to fund large growth opportunities, if required. At the same time, the business model allows faster deleveraging in absence of any major capital expenditure. We therefore do not have a fixed target for leverage. However, we expect to keep the upper limit capped to maintain an investment-grade credit rating.

Moving to the next slide.

Before I conclude this presentation, let me summarize Tabreed's investment proposition. At the core of Tabreed's strategy to deliver long-term shareholder returns is a resilient business model. The company's financial position remains strong with a high degree of future revenue predictability and cash flow visibility underpinned by utility-like tariff structure and long-term contracts.

Tabreed is well-placed to tap significant growth opportunities in both domestic and international markets supported by 27 years of solid operational track record. Our balance sheet's rapid deleveraging in recent years puts us in a comfortable position to deliver on our growth initiatives.

We actively form partnerships to enter new markets and adopt cutting-edge technologies aimed at long-term success and boosting operational efficiency.

District cooling is a preferred choice for new urban master developments and infrastructure projects considering significant energy savings potential. We therefore expect favorable regulatory policies that encourage the increased use of a district cooling in the future.

All in all, management of Tabreed remains focused on profitable and sustainable growth, prudently managing surplus cash and strengthening balance sheets and increasing cash returns to maximize shareholder value creation.

With this, I conclude our earnings presentation.

Thank you for your attention. Now, we will open the line for Q&A.

**Questions & Answers**

**Moderator**

Thank you very much for the presentation. We'll now be moving to the Q&A part of the call. If you have any voice questions, please press star 2 on your keypad. That's star 2 on your keypad. If you are dialed in via the web, you may also ask a voice or a text question. We acknowledge all the text questions that have already been asked.

**Alyan Ahmed (Shuaa Capital):**

**Q.** What's your leverage outlook going forward in terms of any debt refinancing costs and overall debt structure?

**Adel Al Wahedi:**

**A.** Hi, Alyan. I mentioned a few minutes back that the company doesn't have a specific target for the leverage. But as per our strategy and guidance, we will never shy away from maintaining investment-grade credit rating. Under that strategic goal, our priority remains growth. We will always look for the best option to fund that growth. At the same time, we will balance the dividend distribution as our responsibility to shareholders. This is an overall capital allocation strategy and the guidance that we will always follow.

**Ahmed Al-Ahmadi (Albaher)**

**Q.** Given the current volatile interest rate environment, what is the target for net debt to EBITDA going forward?

**Adel Al Wahedi:**

**A.** Thank you, Ahmed. I believe I answered the same point in the previous question. I will repeat it for the sake of clarity. The strategy is to always maintain investment-grade credit rating and we will balance growth, how to fund the growth, dividend distribution, and utilize the cash. As you understand, it is a cash-rich generating business, and it is sustainable as well. I hope this clarifies.

**Ahmed Al-Ahmadi (Albaher)**

**Q.** Certain news outlets reported a potential listing of Saudi Tabreed district cooling company. Can you provide some color as to whether this will be a primary or secondary offering? If secondary, what is the expected allocation of proceeds towards growth, further delivery, or special distribution?

**Adel Al Wahedi:**

**A.** Thank you again, Ahmed for this question. As you can understand, the strategy here for us as a listed company is that we don't react or comment on any market speculation. If there is any material development, we will always follow SCA and DFM disclosure rules and laws. So, this is what we can say as of now.

**Vinod (Alliance Bernstein):**

**Q.** Can you please shed some light on your refinancing plans? Can you please remind how much of the Eurobond is due in the next 12 to 18 months, and will you approach the Eurobond market to refinance them?

**Adel Al Wahedi:**

**A.** For this year 2025, we have two different dates for debt maturity. The first one is USD 692 million debt. It was taken as a corporate loan in 2020 to fund the acquisition of Downtown DC assets in Dubai. And the other one, Sukuk, was issued in the year 2018. It was USD 500 million. And this is the part of the Sukuk buyback we mentioned during this presentation today. So, we bought back around USD 240 million out of the 500 in 2024.

So, in total, we have between USD 900 to USD 1 billion debt due this year. Salik mentioned earlier today that we are currently, you know, in the phase of identifying options, and we will select the best option to refinance debt, and it will be also announced at the right time once it is closed.

**Vinod (Alliance Bernstein):**

**Q.** Do you plan to issue any hybrid capital instruments?

**Adel Al Wahedi:**

**A.** We are exploring all options as of now, but nothing that is worth mentioning now in terms of the specific preference or not.

**Ahmed Al-Ahmadi (Albaher)**

**Q.** Should we expect long-term duration liabilities that benefit your business profile when looking at the upcoming 2025?

**Adel Al Wahedi:**

**A.** The point is very valid, for sure, it is a strategic choice. But again, as I said, we are exploring all options according to the strategy, market practice, and risk management profile of the company. And once we conclude, it will be shared with the market as per the disclosure rules.

**Shadab Ashfaq (Al-Ramz Capital):**

**Q.** Could you please provide an update on guidance breakdown in terms of geography?

**Adel Al Wahedi:**

**A.** Thank you, Shadab. As per our historical number, the cornerstone of our connections and our growth will remain UAE. That's for sure. Then it will be GCC markets.

And it is worth mentioning that during 2024 that almost 24,000 RTs got added in terms of new connections. So, two-thirds of this addition were from UAE and one-third was from the other markets. So, this is an illustration or an indication about new capacity addition. Ultimately, it depends on each market's development and prospect realization, but this is general guidance we can provide.

**Shadab Ashfaq (Al-Ramz Capital):**

**Q.** Could you elaborate on any major contracts or agreements that might impact capacity in any significant way?

**Adel Al Wahedi:**

**A.** Your question is not very clear to me. But we don't have any current contract that may impact us. Everything is as per the investment checklist and measures that we've put, and we don't expect anything unusual that is coming, whether we are working on it currently or in the future, because most of our business is from UAE. UAE is a regulated market, whether in Dubai or Abu Dhabi, and we agreed with both regulators about the tariff and the tariff structure.

**Jean-Pierre Demirjean (Kepler):**

**Q.** Could you comment whether you see the greatest growth potential between Abu Dhabi and Dubai within the UAE? Where do you think growth is strongest between those two emirates? And another quick question regarding the dividend. I noticed that for the first time in 10 years, the board has decided to propose a stable dividend year on year. Could you comment on the reasons that underlined this decision to keep the dividend flat year on year?

**Adel Al Wahedi:**

**A.** Thank you, Jean-Pierre. For the first question, you know, we are blessed with the location of UAE, the leadership and that's why as we speak now, we are really witnessing growth in economy at all fronts, maybe all sectors as well. And the outlook is also that it will continue in the coming years in terms of real estate and urban planning.

Dubai has taken good measures, and it will continue. Abu Dhabi was lagging, but now we see an acceleration, in the strategies and the plans. And it is witnessing progress on all fronts as well.

Everyone can notice that good projects and developments happening across different sectors like real estate, hospitality etc.

To summarize clearly, maybe Dubai is ahead a little bit, but Abu Dhabi is really accelerating and catching up and we expect that it will continue.

Regarding the dividend, maybe if you look at it as an absolute number, then it is same as 2023. But if we go into the details, the net profit before tax was AED 751 million. Based on that, shareholders approved to distribute 15.5 fills for 2023. But this year, the net profit before tax is AED 624 million. But despite this, the Board, as part of their responsibility towards shareholders, recommended the same dividend to the General Assembly meeting of the shareholders. So, in that context, it is not the same as last year considering the payout ratio is still higher. It would be even more if you also add taxation aspect as there was no corporate tax in 2023, but this was effective for the fiscal year 2024. This is a cash item so that we will pay to the FTA. So, maintaining the same dividend of 15.5 fils as last year, we strongly believe that it is adding value to our shareholders. I hope this clarifies.

**Vinod Surendran (Alliance Bernstein):**

**Q.** Could you please elaborate on your M&A plans and your appetite for acquisitions? Can we expect large transformational acquisitions in the medium term? And finally, any acquisition targets in the pipeline?

**Adel Al Wahedi:**

**A.** Thank you. I mentioned today in our presentation that growth is a clear strategic priority, and it will continue through the two pillars, organic and inorganic. And this applies to all the markets where we are present today. And for new markets, we are exploring various prospects, and it could be M&A or Greenfield. As I said before, whenever some material is finalized, it will be announced at the right time.

**Yugesh Suneja:**

Thank you everyone for joining us today. And if you have any further follow up questions which you want to clarify, please feel free to reach out to us at ir@tabreed.ae. And with that, we will conclude this call. We wish you all a good day. Thank you.

Note: This transcript has been edited to improve readability.

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