

Tabreed

ADD/ Overweight

Company Update

CMP: AED1.54

Target Price: AED2.25

Upside: +46.1%

MCap: AED4.34bn

Free Float: 18.0%

Bloomberg: TABREED UH Equity

06-May-2019

Tabreed IQ19 Result: Earnings at AED81mn, up 3.4% YoY and down 26.8% QoQ. In line with our estimates.

- Tabreed posted IQ19 earnings of AED81mn, up 3.4% YoY and down 26.8% QoQ – In line with our estimates
- Revenues increased 8.1% YoY to AED297mn, on the back of capacity additions (S&T Cooling consolidation & 3k RTs addition in IQ19) and CPI indexation. The sequential decline of 16.8% was due to the seasonality factor
- Tabreed total capacity increased by 3.7% YoY (flat QoQ) to 1,134k RTs
- Gross margins improved by 1.4% YoY and 7.0% QoQ. The YoY improvement is on better cost controls while QoQ is on the back of high proportion of better margin capacity revenue compared to consumption revenue
- Associates/JVs profit share decline by 28.6% YoY and 20.7% QoQ due to lower contributions from Saudi Tabreed, Qatar Cool and impact of S&T consolidation. Finance costs increased by 11.7% YoY and 49.8% QoQ on the back of sukuk issue and IFRS 16 implementation
- Net margins fell by 1.3% YoY and 3.7% QoQ due to lower contribution from associates, finance cost and seasonality factor
- To highlight, the total comprehensive income is down 28.2% YoY due to FV loss through OCI of AED9.7mn in IQ19 vs gain of AED20.9mn in IQ18. These charges pertain to interest rate hedging (IR SWAPs) by Tabreed and its associated companies. Note, these changes only affect balance sheet, not cashflow or income statement and there are no interest rate SWAPs at Tabreed level as of now while associated companies have SWAPs as requirement of project financing/hedging

Our take on the Results:

Tabreeds results came in line with our expectation, where we saw topline improvement of 8.1% YoY. Having said that, the revenue translation into earnings was impacted by lower associates/JVs contribution – due to Saudi Tabreed 5% divestment, S&T consolidation and Qatar Cools performance. Tabreed added capacity of 3K RTs during the quarter reaching 1,134 K RTs. Going forward, we expect volumes to pick up in the coming quarters given the 65k RTs target addition for 2019 and 2020. We maintain our positive stance on the company, where we view the company as stable operating business with high earning visibility in growing market. We maintain our ADD call with TP of AED2.25/sh. (upside 46.1%, dividend yield 6.4%).

Tabreed IQ19 Results Review

AEDm	IQ19a	IQ18a	4Q18a	YoY	QoQ	IQ19e
Revenue	297	274	357	8.1%	-16.8%	297
Operating costs	(135)	(129)	(187)	4.9%	-28.0%	(139)
Gross Profit	162	146	169	11.0%	-4.5%	157
Admin. & other expenses	(52)	(49)	(55)	6.1%	-6.1%	(53)
Operating Profit	110	97	114	13.5%	-3.8%	104
Finance costs	(45)	(41)	(30)	11.7%	49.8%	(43)
Associates/JVs profit	16	22	20	-28.6%	-20.7%	25
Profit for the year	80.8	78	110	3.4%	-26.8%	86
EPS	0.030	0.029	0.041			0.032
DPS	-	-	0.095			-
Gross Margins	54.5%	53.1%	47.5%	1.4%	7.0%	52.9%
Net Margins	27.2%	28.5%	30.9%	-1.3%	-3.7%	38.1%
Total Capacity - K RTs	1,134	1,094	1,131	3.7%	0.3%	
Consolidated Capacity	755	745	752	1.3%	0.4%	
Equity Accounted Capacity	379	349	379	8.6%	0.0%	

Source: Company Accounts and SHUAA Research

Contact List:

Research

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SHUAA Capital Rating Methodology

Buy / Add/ Overweight: The stock is expected to outperform relative to the benchmark index.

Hold/ Neutral/ Equalweight: The stock is expected to perform in-line relative to the benchmark index.

Reduce/ Sell/ Underweight: The stock is expected to underperform relative to the benchmark index.

Tabreed

Date Published	Stock Price (AED)	Recommendation	Target Price (AED)
02-Aug-2018	1.85	UR	UR
17-Sep-2018	1.59	ADD	2.25
15-Nov-2018	1.64	ADD	2.25
03-Feb-2019	1.71	ADD	2.25
14-Feb-2019	1.73	ADD	2.25

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