

Musandam Power - 2Q21 / 1H21 Result Review

Recommendation:

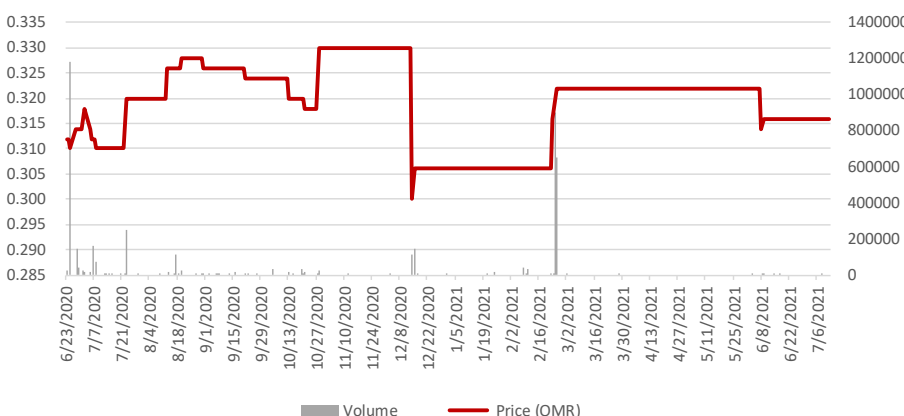
HOLD

TP (OMR/Share): 0.319

Upside / (Downside): 1%

Analyst: Hettish Karmani

Bloomberg Ticker	MSPW OM EQUITY
Current Market Price (OMR)	0.316
52wk High / Low (OMR)	0.330 / 0.290
12m Average Vol. (000)	106
Mkt. Cap. (USD / OMR mn)	57.8 / 22.2
Shares Outstanding (mn)	70.4
Free Float (%)	60.0%
3m Avg Daily Turnover (OMR)	1,000
6m Avg Daily Turnover (OMR)	2,000
P/E 2021e (x)	8.2
P/Bv 2021e (x)	2.6
Dividend Yield 2021e (%)	8.7%
Price Perf. (1m/3m) (%)	0 / -1.86



Company net income jumped 14.7% YoY in 2Q21

MSPW announced earnings of OMR 2.4mn for 2Q21 compared to loss of OMR 0.75mn in 1Q21 and profit of OMR 2.09mn in 2Q20. U Capital estimated earnings of OMR 2.13mn. For 1H-2021, Company reported net income of OMR 1.648mn compared to OMR 1.322mn in same period last year.

Better cost control led to higher margins in 2Q21 compared to 2Q20

Company expenses to revenue ratio dropped in 2Q21 to 61.5% compared to 73.3% in same quarter last year. U Capital estimated that ratio to stand at 67% in 2Q21. Net margins of the Company improved to 38.5% in 2Q21 compared to 26.7% in 2Q20.

Revenue inline with our estimates for the Quarter

Keeping in view better electricity demand scenario we estimated revenue of OMR 6.5mn for 2Q21 which was largely inline with OMR 6.25mn recorded by the Company in 2Q21. Overall, revenue for 1H-2021 stood at OMR 8.65mn compared to OMR 8.5mn last year.

Dividend Yield estimated at 8.7%

Company earnings in 2021 are estimated at OMR 2.70mn compared to OMR 2.33mn in 2020. Taking into account better earnings in 2021 and as per the dividend plan laid out in the prospectus, we expect the Company to pay dividend of OMR 1.94mn, translating into DPS of OMR 0.0276/share (Dividend Yield: 8.7%). Company also has no cash sweep mechanism which ensures dividend continuity until the PPA period.

Income Statement

(OMR mn)	2Q20	1Q21	2Q21	2Q21e	YoY	QoQ	2020	2021e	YoY
Revenue	7,839	2,407	6,241	6,500	-20.4%	159.3%	17,679	18,541	4.9%
Expenses	(5,746)	(3,160)	(3,840)	(4,370)	-33.2%	21.5%	(15,344)	(15,837)	3.2%
Profit After Tax	2,093	(753)	2,401	2,130	14.7%	n/m	2,335	2,704	15.8%

Key Ratios

	2Q20	1Q21	2Q21	2Q21e	2020	2021e	YoY
Expense to Revenue Ratio	-73.3%	-131.3%	-61.5%	-67.2%	-86.8%	-85.4%	
Net Margin	26.7%	-31.3%	38.5%	32.8%	13.2%	14.6%	

Source: Company Reports, MSX, U Capital Research

Date: 12 July 2021

Recommendation

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