

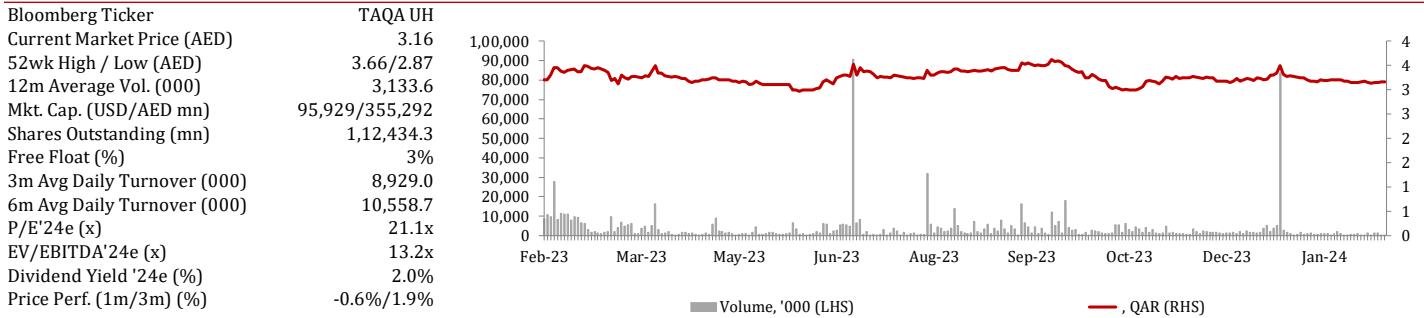
## Abu Dhabi National Energy Company P.J.S.C. (TAQA) - 4Q23 Result Review

Analyst: Neetika Gupta

**Previous Recommendation:** Accumulate  
**Previous Reco. & Date:** TP: AED 3.72 per share; Accumulate on 24-August-2023

**Target Price (AED):** 3.72  
**Upside / (Downside):** 18%

**Date:** 14-02-2024



### Revenue increases 15% YoY for 4Q23, in line with U-Capital estimates

TAQA recorded a revenue of AED 12.2bn in 4Q23 (15% YoY and -4% QoQ). This figure aligns with U-Capital's estimate of AED 12.6bn but falls short of the Bloomberg consensus of AED 13.6bn. For FY23, the group's revenue totalled AED 51.7bn, reflecting a 3% YoY growth. This growth was propelled by an 18% increase in the Transmission and Distribution segment, attributed to higher pass-through bulk supply tariffs and improved terms under the new Regulatory Framework (RC2). However, it was partially offset by an 8% decline in revenue for the Generation segment and a 21% decrease in revenue for the Oil & Gas segment.

### Gross and operating increase YoY for 4Q23

The gross profit for 4Q23 amounted to AED 2.8bn (28% YoY and -9% QoQ), aligning with U-Capital's estimate of AED 2.7bn. The substantial YoY incline can be attributed to improved revenue growth. Operating profit for 4Q23 reached AED 2.1bn (40% YoY and -17% QoQ) largely aligning with U-Capital's estimate of AED 2.2bn but falling short of Bloomberg consensus of AED 3.3bn. The significant YoY growth in operating profit for 4Q23 is attributed to a better gross margin compared to 4Q22 (23% vs. 20.5% in 4Q22) and lower YoY General and Administrative expenses (-2% YoY). For FY23, operating income stood at AED 10.2bn, reflecting a 7% decline compared to FY22. This decline was due to reduction in contribution from the Oil & Gas segment due to lower realized oil and gas prices and decreased production.

### Net profit increased 5% YoY, for 4Q23, largely in-line with U-Capital estimate

The net profit for the quarter stood at AED 1.6bn (5% YoY and 2% QoQ) largely in-line with U-Capital estimate of AED 1.7bn but below Bloomberg consensus of AED 2.9bn. For FY23, net income stood at 16.6bn reflecting a 107% increase compared to previous year. The increase was primarily fuelled by a one-time gain of AED 10.8bn recognized from the acquisition of a 5% shareholding in ADNOC Gas. However, this was partially offset by a one-time AED 1.1bn deferred tax charge linked to the implementation of UAE corporate income tax starting on January 1, 2024. Excluding these exceptional items, net income amounted to AED 7bn, marking a 13% decrease compared to the previous year, primarily attributable to a reduced contribution from the Oil & Gas segment.

### Maintain target price

Despite TAQA reporting impressive financial results for FY23, the growth seen may not be sustainable due to the inclusion of a one-time item in its net income. However, TAQA has revised its 2030 targets upward, demonstrating an increased growth ambition. As part of this strategy, the company plans to invest AED 75bn to achieve these targets. Moreover, TAQA continues to expand its portfolio, particularly in enhancing desalination capacity and venturing into wastewater networks and treatment businesses, which is anticipated to bring additional benefits to the group. Considering these scenarios, we are maintaining an **Accumulate** rating on the stock with target price of **AED 3.72/share**.

### Valuation

TAQA is trading at 2024e P/E of 21.1x compared to the historical average 1-year forward P/E of 27.9x. Additionally, the stock is valued at EV/EBITDA multiple of 13.2x, based on the FY24 estimate, compared to the historical average of 16.6x.

Income Statement												
(AED mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	10,627	13,139	13,665	12,739	12,174	12,604	15%	-4%	-3%	50,051	51,717	3%
Gross Profit (Loss)	2,175	3,432	3,267	3,047	2,786	2,772	28%	-9%	1%	13,084	12,532	-4%
Operating Profit (Loss)	1,467	2,913	2,753	2,472	2,060	2,190	40%	-17%	-6%	10,950	10,198	-7%
<b>Net Profit (Loss)</b>	<b>1,511</b>	<b>11,572</b>	<b>1,923</b>	<b>1,560</b>	<b>1,592</b>	<b>1,699</b>	<b>5%</b>	<b>2%</b>	<b>-6%</b>	<b>8,030</b>	<b>16,647</b>	<b>107%</b>
Balance Sheet												
(AED mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Shareholders' Equity	70,527	78,960	80,767	83,460	82,518	79,825	17%	-1%	3%	70,527	82,518	17%
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Gross Profit Margin	20.5%	26.1%	23.9%	23.9%	22.9%	22.0%				26.1%	24.2%	
Operating Profit Margin	13.8%	22.2%	20.1%	19.4%	16.9%	17.4%				21.9%	19.7%	
Net Profit Margin	14.2%	88.1%	14.1%	12.2%	13.1%	13.5%				16.0%	32.2%	
Return on Equity (RoE)	8.6%	58.6%	9.5%	7.5%	7.7%	8.5%				11.4%	20.2%	

Source: Financials, ADX disclosure, Bloomberg, U Capital Research

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

## Investment Research

Ubhar-Research@u-capital.net

## Head of Research

**Neetika Gupta**

+968 2494 9036

neetika@u-capital.net

## Research Team

**Ahlam Al-Harthi**

+968 2494 9024

ahlam.harathi@u-capital.net

**Said Ghawas**

+968 2494 9034

said.ghawas@u-capital.net

**Amira Al Alawi**

+968 2494 9112

amira.alalawi@u-capital.net

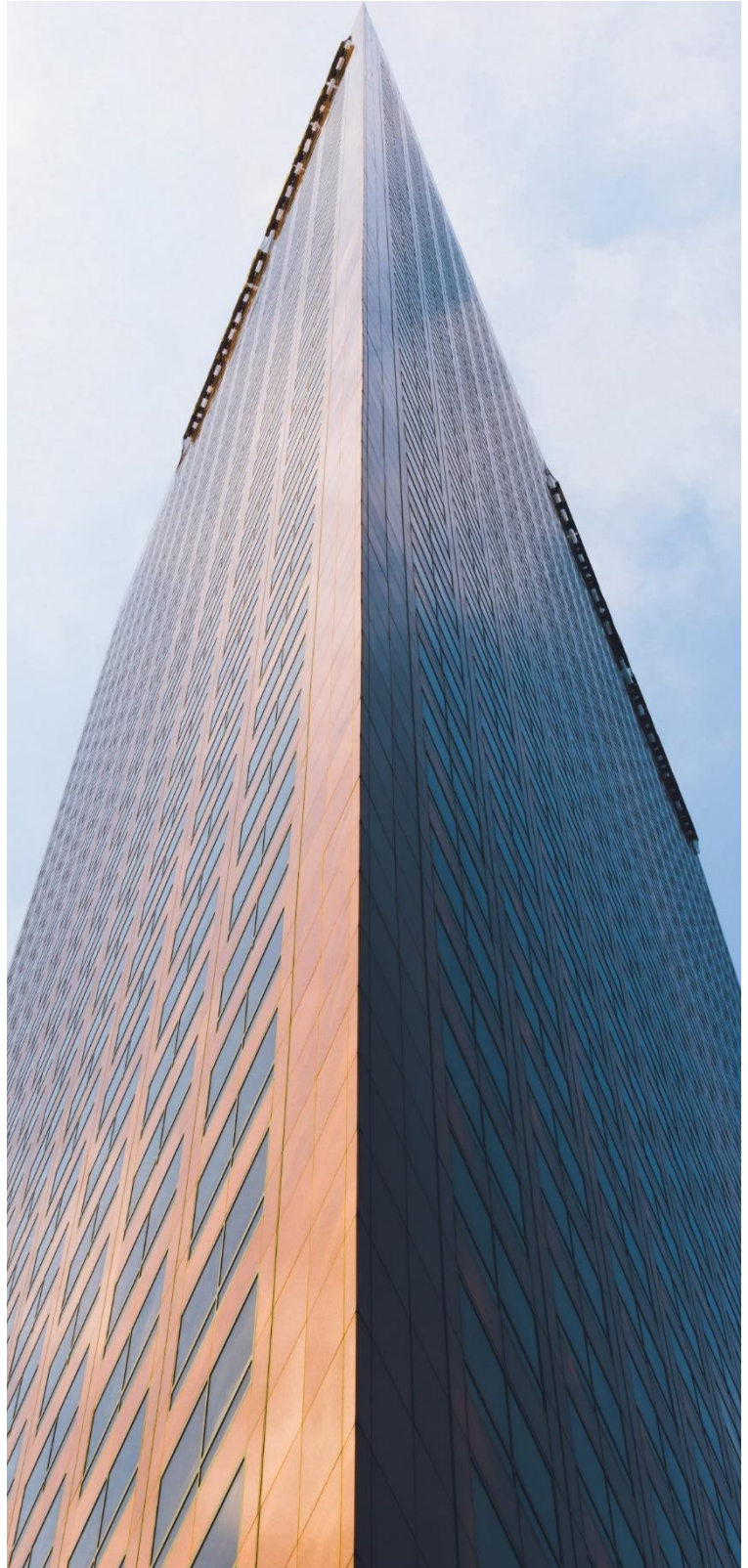
## Head of Brokerage

**Talal Al Balushi**

+968 2494 9051

talal@u-capital.net

Visit us at: [www.u-capital.net](http://www.u-capital.net)



## Recommendation

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

### Ubhar Capital SAOC (U Capital)

Website: [www.u-capital.net](http://www.u-capital.net)

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: [research@u-capital.net](mailto:research@u-capital.net)

**Disclaimer:** This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.