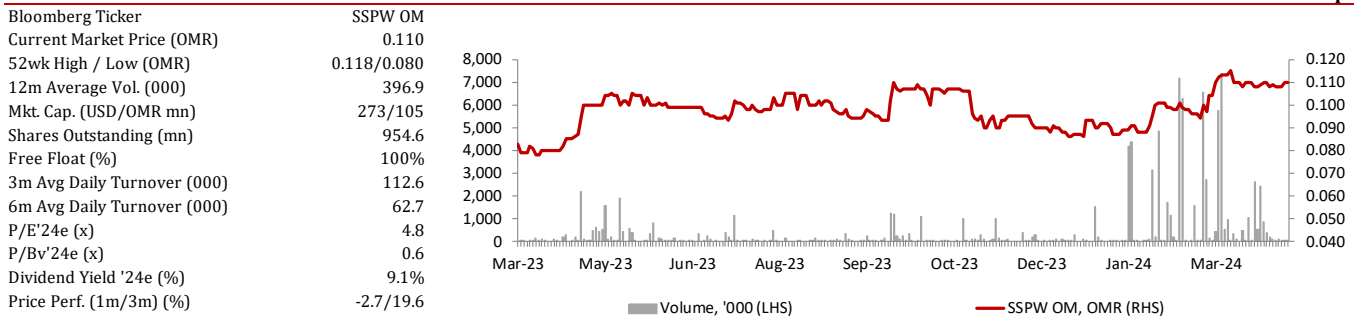


Sembcorp Salalah (SSPW) - 1Q24 Result Review

Analyst: Neetika Gupta

Recommendation: UR **Target Price (OMR):** UR
Previous TP & Date: TP: OMR 0.091 per share on 14-Jan-2024 **Upside / (Downside):** -

Date: 14-Apr-2024



SSPW's top-line growth in 1Q24 comes in line with our expectations

Sembcorp Salalah Power & Water's (SSPW) revenue grew 7.5% YoY in 1Q24 to OMR 19.4mn, matching our estimate (+2.0% variance), estimated to be underpinned by the steady capacity charges which we believe to have remained the dominant revenue provider (between 65% and 70%) for the company.

Net profit outpaces revenue growth, matching our estimate

SSPW's total expense rose at a slightly slower pace than revenue, as a result of which net profit jumped 8.6% YoY in 1Q24 to OMR 4.9mn, perfectly matching our estimate (-0.4% variance).

Maintain target price

SSPW's stock price has appreciated around 22% since our last report in January, which we believe is partly a result of optimism about the company securing a contract renewal after its expiry in 2027, with the recent contract extension of SMN Power Holding's two projects setting a precedent. Hence, we would like to place our rating and target price (TP) under review (UR) as we would like to reassess our estimates based on different scenarios.

Valuation

At the current market price, the stock is trading at 4.8x P/E and 3.2x EV/EBITDA, based on our FY'24 estimates, above its 3-year daily average TTM P/E of 4.1x, but below the TTM EV/EBITDA of 3.9x.

Income Statement												
(OMR mn)	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	18.0	21.3	19.9	19.9	19.4	19.0	7.5%	-2.7%	2.0%	55.9	59.3	6.0%
Gross Profit (Loss)	7.1	8.7	7.0	6.8	NA	7.2	NM	NM	NM	NA	NA	NM
Operating Profit (Loss)	7.0	8.7	6.9	7.5	NA	7.1	NM	NM	NM	NA	NA	NM
Net Profit (Loss) after Zakat and t:	4.5	6.0	4.7	5.2	4.9	5.0	8.6%	-5.7%	-0.4%	14.7	15.3	4.1%
Balance Sheet												
(OMR mn)	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	152.2	158.7	163.6	161.0	166.0	166.0	9.1%	3.1%	0.0%			
Key Ratios												
	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e						
Gross Profit Margin	39.5%	40.8%	35.2%	33.9%	NM	38.0%						
Operating Profit Margin	39.0%	40.6%	34.9%	37.7%	NM	37.4%						
Net Profit Margin	25.2%	28.3%	23.7%	26.3%	25.5%	26.1%						
Return on Equity (RoE)	11.9%	15.2%	11.5%	13.0%	11.9%	11.9%						
Annualized EPS (OMR)	0.019	0.025	0.020	0.022	0.021	0.021						
BVPS (OMR)					0.174	0.174						
TTM P/E (x)					5.0							
Current P/BV (x)					0.6							

Source: Financials, MSX, Bloomberg, U Capital Research; NA - Not available, NM - Not meaningful


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

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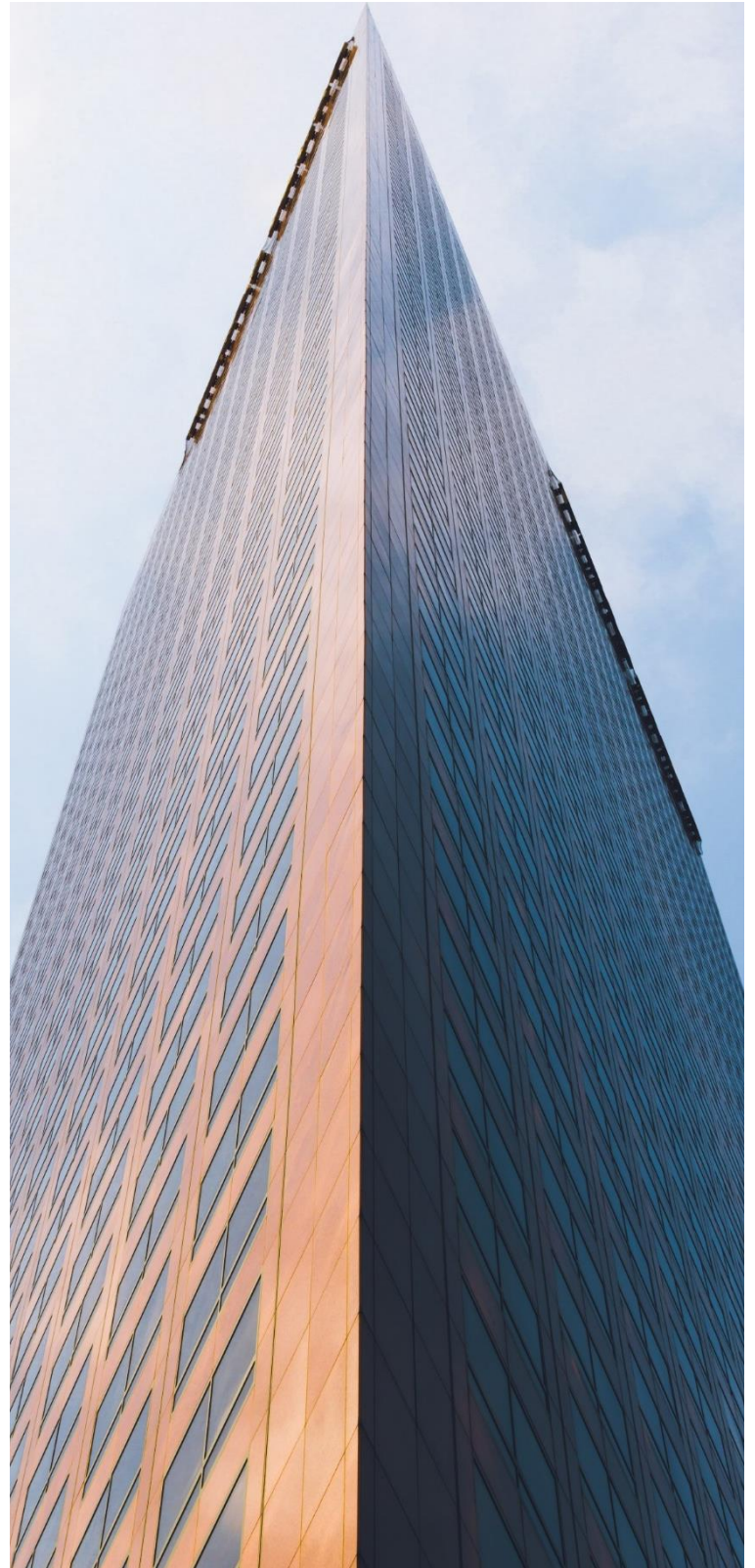
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Disclaimer

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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