

## Sembcorp Salalah (SSPW) - 4Q23 Result Review

Analyst: Neetika Gupta

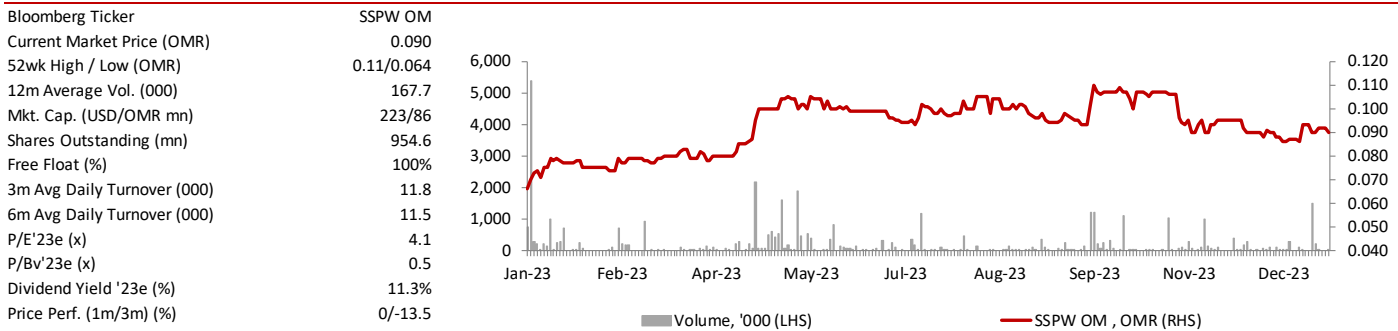
Previous Recommendation: **Hold**

Target Price (OMR): **0.091**

Previous TP & Date: TP: OMR 0.091 per share on 12-Oct-2023

Upside / (Downside): 1%

Date: 14-Jan-2024



### The top line increases 9% YoY, in line with our estimate

Sembcorp Salalah Power & Water's (SSPW) revenue in 4Q 2023 increased 9.0% YoY (flat QoQ) to OMR 19.9mn, coming in line with our estimate. For 4Q 2023, we had estimated SSPW to have maintained high plant availability of both its power and water plants, thereby generating more than 60% of its revenue through capacity charge.

### Net income expands at a higher-than-expected pace by c. 6% YoY

SSPW managed its expenses well as its net profit rose 6.2% YoY to OMR 5.2mn, exceeding our estimated profit of OMR 4.9mn by about 7%.

### Maintain target price

While SSPW's earnings growth came in better than expected, given the limited operating period remaining for the project, we maintain our OMR 0.091 target price on SSPW.

### Valuation

At the current market price, the stock is trading at 3.9x P/E and 2.9x EV/EBITDA, based on our FY'24 estimates, below its 3-year daily average TTM P/E of 4.1x, but below the TTM EV/EBITDA of 4.0x.

Income Statement												
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	18.3	18.0	21.3	19.9	19.9	19.6	9.0%	0.1%	1.9%	74.2	79.2	6.7%
Gross Profit (Loss)	6.9	7.1	8.7	7.0	NA	6.9	NM	NM	NM	NA	NA	NM
Operating Profit (Loss)	7.6	7.0	8.7	6.9	NA	7.1	NM	NM	NM	NA	NA	NM
<b>Net Profit (Loss) after Zakat and tax</b>	<b>4.9</b>	<b>4.5</b>	<b>6.0</b>	<b>4.7</b>	<b>5.2</b>	<b>4.9</b>	<b>6.2%</b>	<b>11.1%</b>	<b>7.4%</b>	<b>19.6</b>	<b>20.5</b>	<b>4.6%</b>
Balance Sheet												
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	147.8	152.2	158.7	163.6	168.8	159.2	14.2%	3.2%	6.0%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Gross Profit Margin	37.9%	39.5%	40.8%	35.2%	NM	35.4%						
Operating Profit Margin	41.9%	39.0%	40.6%	34.9%	NM	36.3%						
Net Profit Margin	27.0%	25.2%	28.3%	23.7%	26.3%	24.9%						
Return on Equity (RoE)	13.3%	11.9%	15.2%	11.5%	12.4%	12.2%						
Annualized EPS (OMR)	0.021	0.019	0.025	0.020	0.022	0.020						
BVPS (OMR)					0.177	0.167						
TTM P/E (x)					4.2							
Current P/BV (x)					0.5							

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


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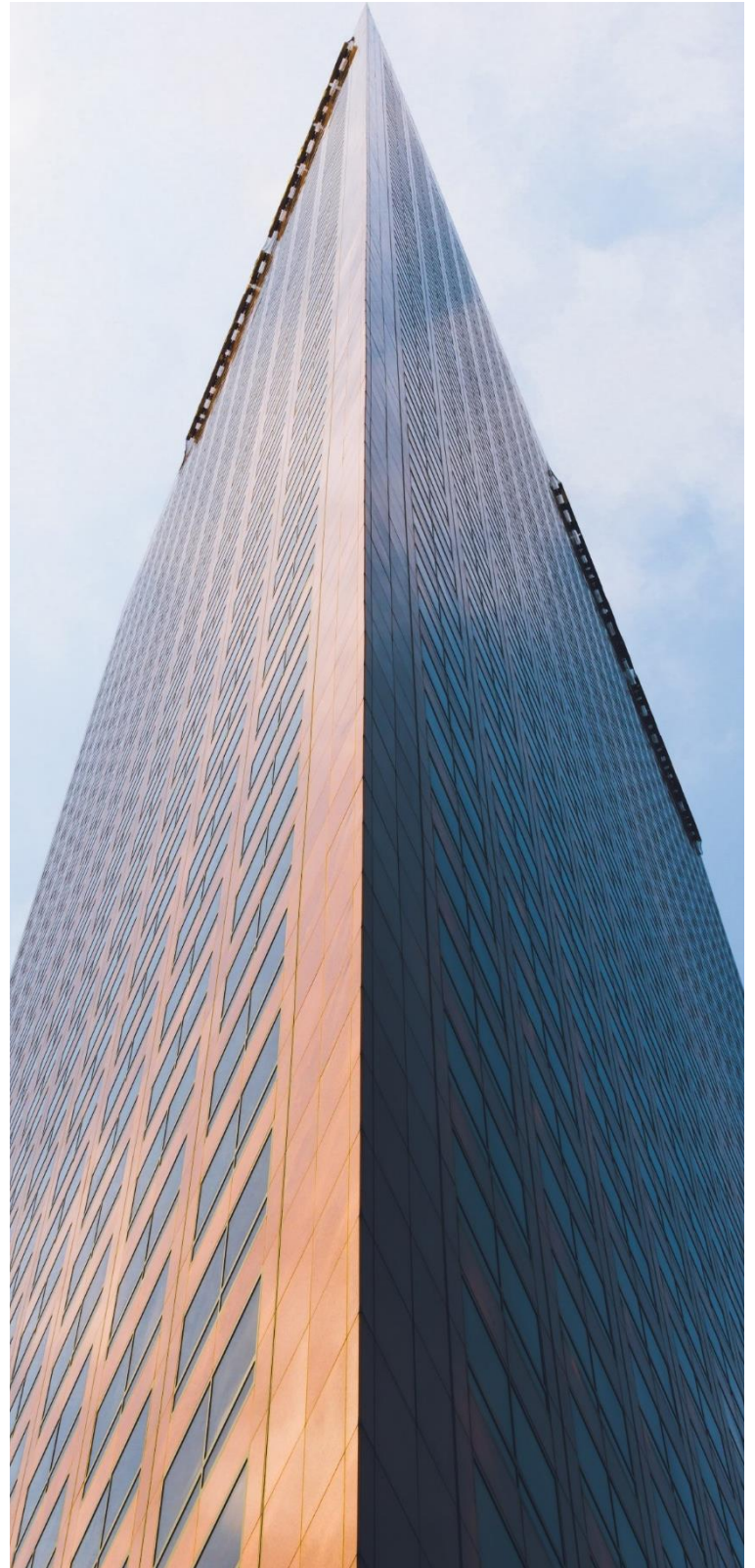
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## Disclaimer

### 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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