

Sembcorp Salalah (SSPW) - 3Q23 Result Review

Analyst: Neetika Gupta

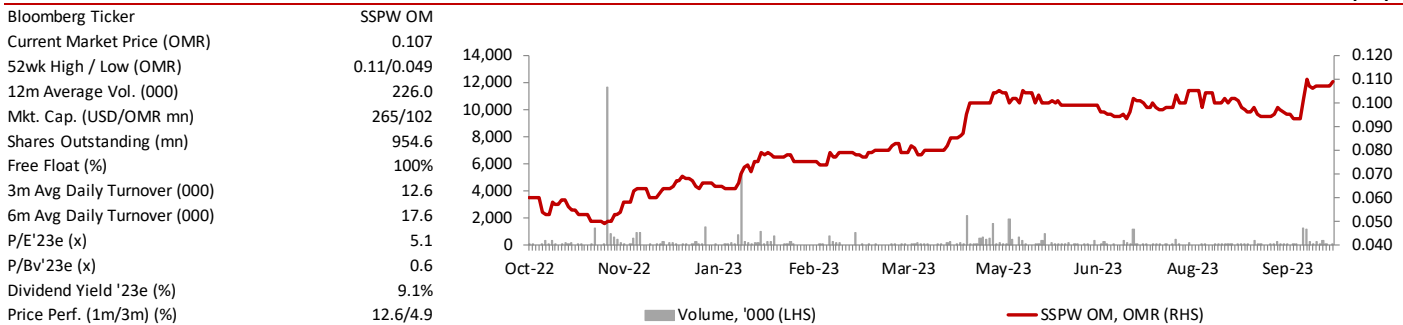
Previous Recommendation: **Hold**

Target Price (OMR): **0.091**

Previous TP & Date: TP: OMR 0.091 per share on 23-Jul-2023

Upside / (Downside): -15%

Date: 10/12/2023



SSPW's revenue climbs 10% YoY, beating our estimate

Sembcorp Salalah Power & Water's (SSPW) revenue climbed 10% YoY to OMR 19.9mn, beating our estimate of OMR 18.8mn by around 6%. During 3Q 2023, we had estimated power and the water segment to have contributed nearly equally to the top line, excluding the fuel charge.

Net profit increases at a relatively lower pace than revenue, coming largely in line with our expectations

Overall expenses likely outpaced revenue growth, as a result of which net profit rose at a lower rate of 5.7% YoY to OMR 4.7mn in 3Q 2023, coming largely in line with our estimates.

Maintain target price

Post the 3Q 2023 earnings performance which, we contend, came largely in the ballpark of our estimates, we would maintain our OMR 0.091 target price on SSPW.

Valuation

At the current market price, the stock is trading at 5.1x P/E and 3.8x EV/EBITDA, based on our FY'23 estimates, above its 3-year daily average TTM P/E of 4.2x, but below the TTM EV/EBITDA of 4.1x.

Income Statement												
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	18.1	18.3	18.0	21.3	19.9	18.8	9.7%	-6.7%	6.1%	55.9	59.3	6.0%
Gross Profit (Loss)	7.5	6.9	7.1	8.7	NA	7.6	NM	NM	NM	NA	NA	NM
Operating Profit (Loss)	7.3	7.6	7.0	8.7	NA	7.5	NM	NM	NM	NA	NA	NM
Net Profit (Loss) after Zakat and tax	4.5	4.9	4.5	6.0	4.7	4.9	5.7%	-22.1%	-4.8%	14.7	15.3	4.1%
Balance Sheet												
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	148.4	147.8	152.2	158.7	163.4	163.7	10.1%	3.0%	-0.1%			
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Gross Profit Margin	41.2%	37.9%	39.5%	40.8%	NM	40.5%						
Operating Profit Margin	40.4%	41.9%	39.0%	40.6%	NM	39.8%						
Net Profit Margin	24.6%	27.0%	25.2%	28.3%	23.7%	26.4%						
Return on Equity (RoE)	12.0%	13.3%	11.9%	15.2%	11.5%	12.1%						
Annualized EPS (OMR)	0.019	0.021	0.019	0.025	0.020	0.021						
BVPS (OMR)					0.171	0.171						
TTM P/E (x)					5.1							
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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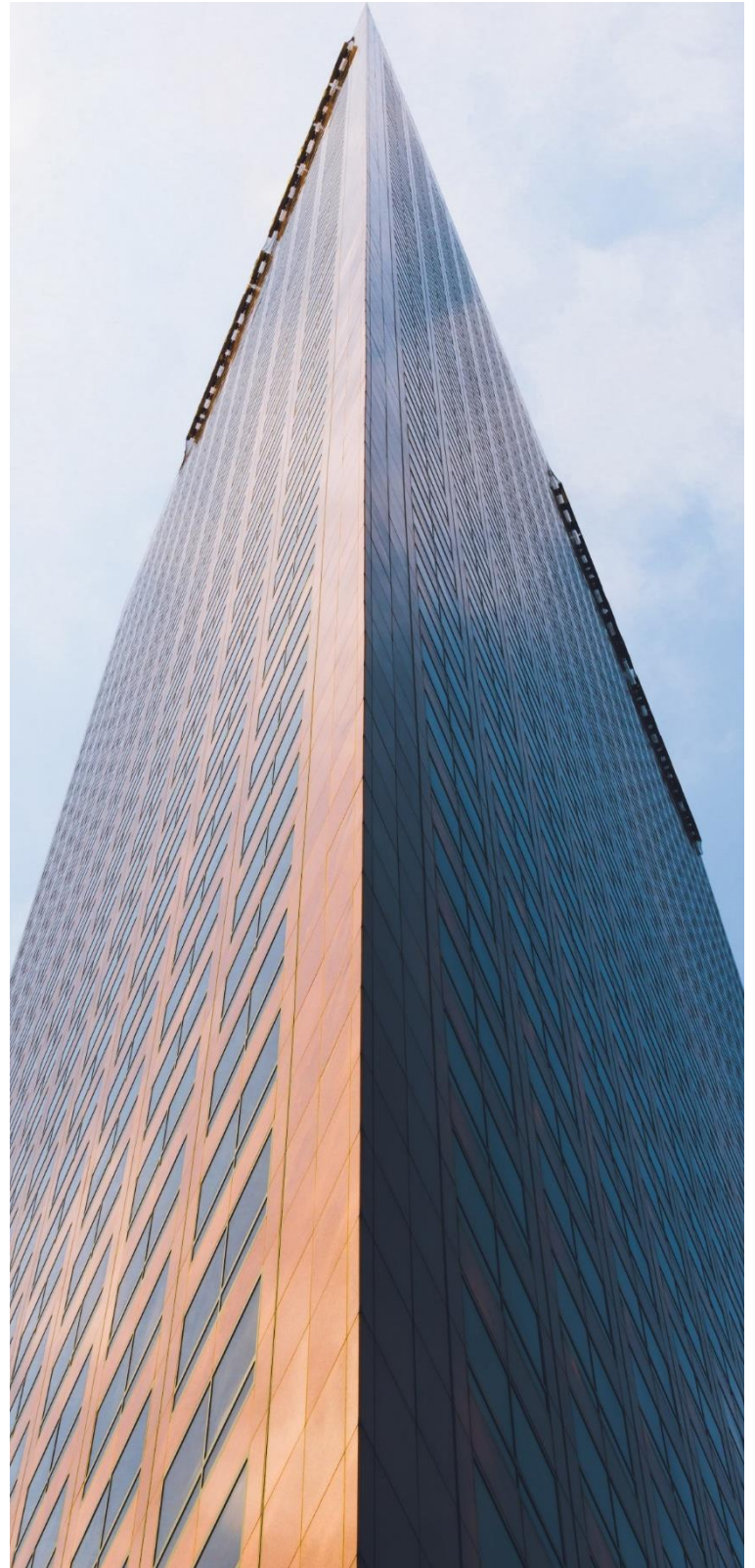
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Recommendation

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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