

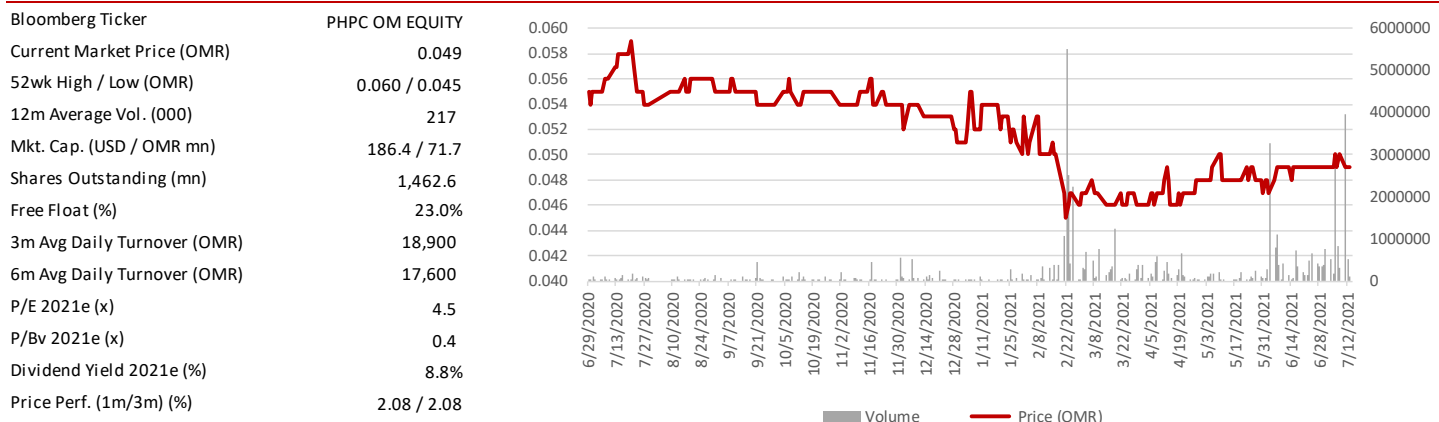
Phoenix Power - 2Q21 / 1H21 Result Review

Recommendation: ACCUMULATE

TP (OMR/Share): 0.057

Upside / (Downside): 15%

Analyst: Hettish Karmani



Company 2Q21 net income inline with our estimates

PHPC reported net income of OMR 12.2mn for 2Q21 compared to U Capital estimates of OMR 12.7mn. 2Q21 earnings were lower on YoY basis by 3.3% but higher on QoQ basis. For 1H-21 company reported net income of OMR 7.25mn inline with last year number. We expect, Company to report full year net income of OMR 15.9mn in 2021 compared to OMR 16.3mn in 2020.

Margins dropped when compared on YoY basis

Company reported net margins of 24.5% in 2Q21 compared to 27.0% in 2Q20. For the full year 2021 company net margins are estimated at 11.6% compared to 12.1% in 2020, slightly lower by 0.5pps.

Revenue inline with our estimates for the Quarter

Keeping in view better electricity demand scenario we estimated revenue of OMR 47.1mn for 2Q21 which was largely inline with OMR 49.7mn recorded by the Company in 2Q21, deviation of 5%. Overall, revenue for 1H-2021 stood at OMR 72.0mn compared to OMR 65.9mn recorded in 1H-2020.

Dividend Yield estimated at 8.7%

Company earnings in 2021 are estimated at OMR 15.90mn compared to OMR 16.3mn in 2020. Taking into account the earnings of 2021, we expect the Company to pay dividend of OMR 6.29mn, translating into DPS of OMR 0.0043/share (Dividend Yield: 8.8%). Company also has no cash sweep mechanism which ensures dividend continuity until the PPA period which ends in 2029.

Income Statement

(OMR mn)	2Q20	1Q21	2Q21	2Q21e	YoY	QoQ	Dev%	2020	2021e	YoY
Revenue	46,639	22,327	49,742	47,105	6.7%	122.8%	-5.3%	135,426	136,780	1.0%
Expenses	(34,055)	(27,248)	(37,572)	(34,396)	10.3%	37.9%	-8.5%	(119,041)	(120,876)	1.5%
Profit After Tax	12,584	(4,921)	12,170	12,710	-3.3%	n/m	4.4%	16,385	15,904	-2.9%

Key Ratios

	2Q20	1Q21	2Q21	2Q21e	2020	2021e	YoY
Expense to Revenue Ratio	-73.0%	-122.0%	-75.5%	-73.0%	-87.9%	-88.4%	
Net Margin	27.0%	-22.0%	24.5%	27.0%	12.1%	11.6%	

Source: Company Reports, MSX, U Capital Research

Date: 14 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%