

Abu Dhabi National Energy Company P.J.S.C. (TAQA) - 3Q23 Result Review

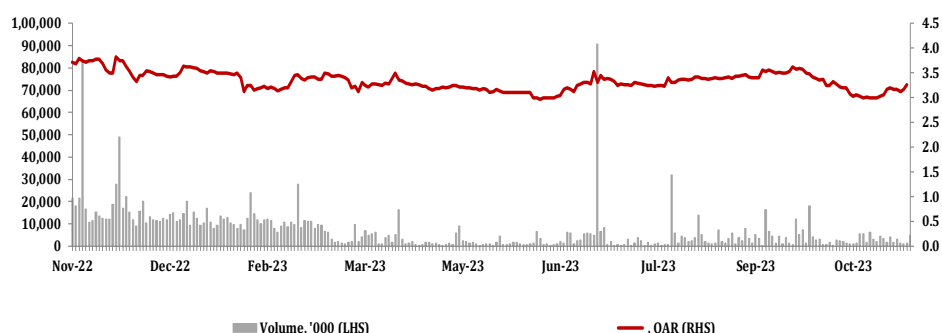
Analyst: Neetika Gupta

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

Target Price (AED): 3.72
Upside / (Downside): 14%

Date: 13-11-2023

Bloomberg Ticker	TAQA UH
Current Market Price (AED)	3.260
52wk High / Low (AED)	3.915/2.792
12m Average Vol. (000)	6,939.5
Mkt. Cap. (USD/AED mn)	374,299/366,536
Shares Outstanding (mn)	1,12,434.3
Free Float (%)	10%
3m Avg Daily Turnover (000)	12,164.5
6m Avg Daily Turnover (000)	12,906.9
P/E'23e (x)	21.8x
EV/EBITDA'23e (x)	19.1x
Dividend Yield '23e (%)	2.0%
Price Perf. (1m/3m) (%)	1.2%/-3.3%



Revenue decreases 7% YoY and QoQ, in line with U-Capital estimates.

TAQA registered a revenue of AED 12,739mn (-7% YoY and QoQ), in line with U-Capital estimate. On a YTD basis, the revenue remained relatively stable compared to the previous year. This stability was attributed to higher pass-through bulk supply tariffs and transmission use of the system within the Transmission and Distribution segment, which offset the decline in Oil and Gas revenue.

Gross and operating profits decline, in-line with estimates.

Gross profit for Q3'23 stood at AED 3,047mn (-13% YoY and -7% QoQ), in-line with our estimated AED 2,882mn. Similarly, Operating profit was AED 2,472mn (-17% YoY and -10% QoQ) in-line with our estimated AED 2,408.7mn. This decrease was primarily attributed to a reduction in contributions from the Oil and Gas segment due to lower realized oil and gas prices and decreased production.

Net profit fell by 26% YoY, below estimate.

The net profit for the quarter stood at AED 1,652mn (-26% YoY and -14% QoQ) missing our estimated AED 1,882mn. The decline was mainly attributed to a reduced contribution from the Oil and Gas segment. On a YTD basis, the net profit saw a 132% increase, driven by a one-off gain of AED 10.8 billion recognized from the acquisition of a 5% shareholding in ADNOC Gas.

Maintain target price.

Despite the year-on-year decline in performance, the group is poised for growth, thanks to its market leadership and exclusive rights to key projects in Abu Dhabi. TAQA stands out as one of the largest listed integrated utility companies in EMEA, boasting a highly predictable and secure cash profile, along with substantial cash reserves that position it well to finance its capacity expansion strategies. Taking these factors into account, we are maintaining our 'Accumulate' rating on the stock and keeping our target price steady at AED 3.72 per share.

Valuation

TAQA is trading at 2023e P/E of 21.8x compared to the historical average 1-year forward P/E of 32x. Additionally, the stock is valued at EV/EBITDA multiple of 19.1x, based on our FY23 estimate, compared to the historical average of 22.3x.

Income Statement												
(AED mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	13,697.0	10,844.0	13,139.0	13,665.0	12,739.0	12,592.2	-7%	-7%	1%	39,123.0	39,543.0	1%
Gross Profit (Loss)	3,513.0	2,410.0	3,432.0	3,267.0	3,047.0	2,882.0	-13%	-7%	6%	10,639.0	9,746.0	-8%
Operating Profit (Loss)	2,987.0	1,670.0	2,913.0	2,753.0	2,472.0	2,408.7	-17%	-10%	3%	9,213.0	8,138.0	-12%
Net Profit (Loss)	2,236.0	1,511.0	11,572.0	1,923.0	1,652.0	1,882.9	-26%	-14%	-12%	6,519.0	15,147.0	132%
Balance Sheet												
(AED mn)	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Shareholders' Equity	69,070	70,379.0	78,960.0	80,767.0	83,460	82,649.9	21%	3%	1%	69,070.0	83,460.0	21%
Key Ratios												
	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Gross Profit Margin	25.6%	22.2%	26.1%	23.9%	24%							
Operating Profit Margin	21.8%	15.4%	22.2%	20.1%	19%							
Net Profit Margin	16.3%	13.9%	88.1%	14.1%	13%							
Return on Equity (RoE)	12.9%	8.6%	58.6%	9.5%	8%							

Source: Financials, Bloomberg, U Capital Research


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

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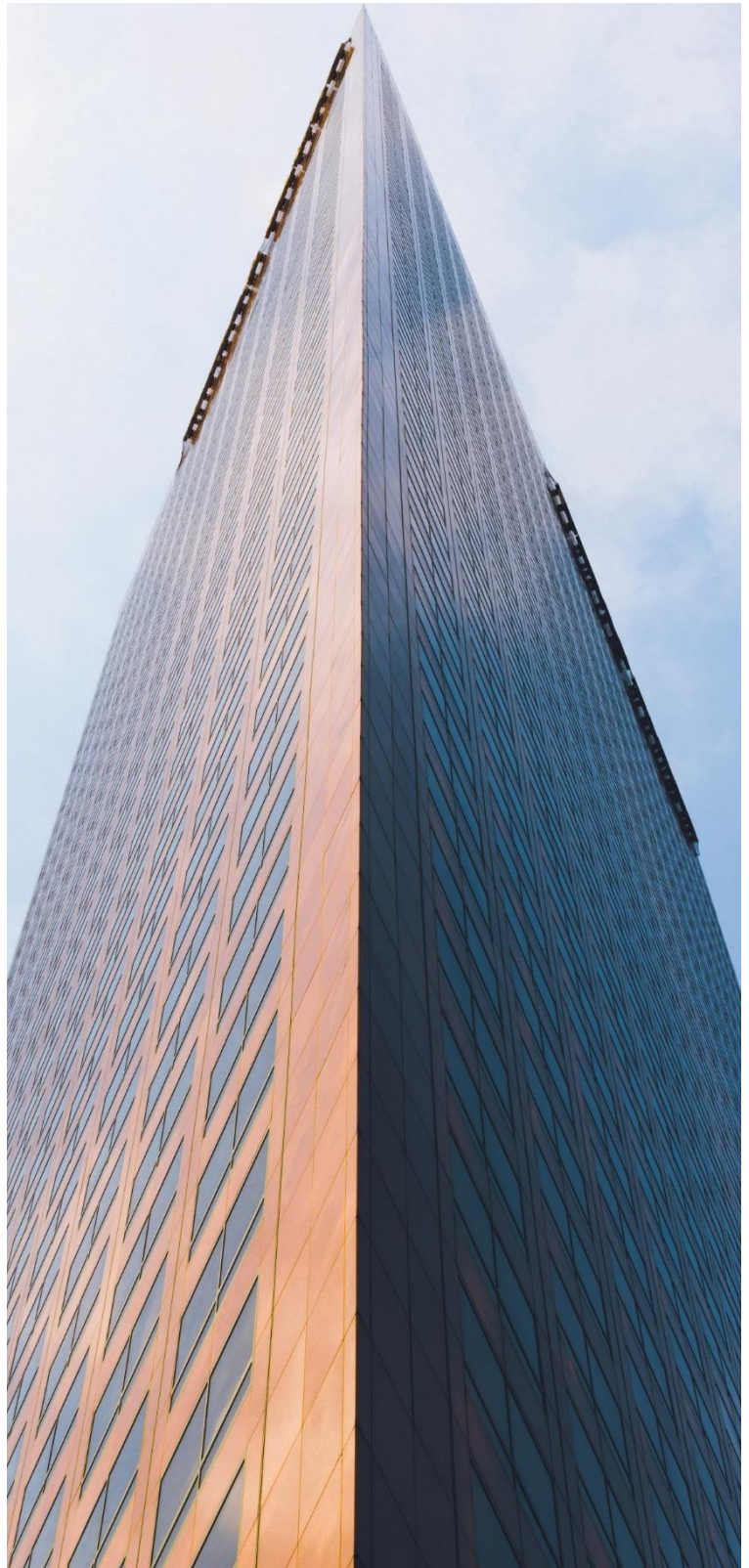
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Recommendation

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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