

Phoenix Group PLC (PHX-AE)
Rating: Buy

Kevin Dede, CFA

415-779-5876

kdede@hcwresearch.com

Michael Donovan

212-715-2885

mdonovan@hcwresearch.com
Double-Play Energization Sparks Hashrate in Texas and Ethiopia—HPC Next; Reit Buy

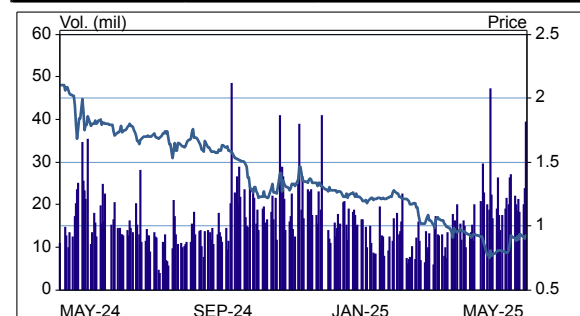
Stock Data		5/8/2025
Price		AED0.90
Exchange		ADS
Price Target		AED3.00
52-Week High		AED2.14
52-Week Low		AED0.71
Enterprise Value (M)		AED5,441
Market Cap (M)		AED5,426
Shares Outstanding (M)		6,048.0
3 Month Avg Volume		17,139,718
Short Interest (M)		NA

Balance Sheet Metrics		
Cash (M)		AED16.3
Total Debt (M)		AED31.1
Total Cash/Share		AED0.00

General: This stock trades on the Abu Dhabi Securities Exchange. EPS may not add due to rounding. UAE Dirham trades at 0.27 per U.S. dollar as of May 9.

EPS (\$) Diluted			
Full Year - Dec	2024A	2025E	2026E
1Q	0.01	(0.03)A	--
2Q	0.01	0.00	--
3Q	0.01	0.00	--
4Q	0.00	0.00	--
FY	0.03	0.00	0.01
FY P/E	29.9x	--	89.7x

Revenue (\$M)			
Full Year - Dec	2024A	2025E	2026E
1Q	68.9	31.3A	--
2Q	51.2	47.2	--
3Q	36.0	30.0	--
4Q	49.6	33.3	--
FY	205.7	123.5	152.4


Expansion provides power for deployment of higher-efficiency rigs.

Early this morning, Phoenix Group hosted its earnings call for 1Q25 where revenue contracted to \$31.3M from December's \$49.6M and mark-to-market pressures masked steady execution toward energizing new sites for expansion with a higher-efficiency fleet, per the table on the following page. Phoenix pared its fleet to 14.2Eh/s from 15.0Eh/s after retiring 4.2Eh/s of legacy CIS rigs and reallocating capital to the U.S. and Ethiopia. The quarter energized 20MW in Texas and 52MW in Ethiopia, bringing the first 72MW of the 152MW build out online. Site preparation, switch gear and networking are complete; only rack cabling and software configuration separate the remaining capacity from plug and play status. Miner upgrades are on track. The first S21 tranche, ordered December 2024, arrived late January and reached full deployment by mid March, raising S21 penetration to about 35% and improving fleet efficiency to 25.4J/Th from 30.5J/Th. Phoenix intends to deploy 22–25K additional S21s through 2025—enough to finish Texas and populate the Ethiopian modules—pushing next generation rigs above half of the fleet and hash rate to roughly 18Eh/s once the initial 72MW are fully occupied. The revenue mix tilts further toward self-mining which contributed 66% of gross revenue in 1Q25, up from 61% in 4Q24, while hosting edged to 12%. Hosting margin slipped negative after a three-day outage at a power supplier; operations normalized in April. Management targets 75–80% self mining once the S21 roll out completes, with hosting steady near 10% and the balance from JVs and trading. Phoenix's 50MW North Dakota campus entered service at the start of 1Q25, delivering 2.4Eh/s at power costs roughly 14% below the de-commissioned CIS site. Phase 2 construction in Ethiopia—an additional 80MW across three modules—begins 2H25 and lifts the Ethiopian total to 132MW.

Though preliminary, HPC could enter the mix. Phoenix is assessing an HPC proof of concept at North Dakota, where excess cooling and redundant power permit high density racks. A feasibility study is under way to validate AI workloads and create a template for broader U.S. deployment.

Crypto investments provide diversification. Phoenix's investment portfolio remains positioned for potential upside despite market volatility in 1Q25. Digital asset holdings fell to \$301M from \$441M in 4Q24, reflecting unrealized price movements in BTC, ETH, SOL, TON and smaller FAH, UCN and LVLY positions. The group maintained its 30% stake in the M2 UAE exchange, 25% in SocialFi platform Lyvely and 15% in the Citadel infrastructure vehicle; no new equity positions were added. Management keeps the balance sheet lightly levered to preserve optionality and continues to evaluate token purchases or minority stakes that secure power off-take or extend distribution—while the stablecoin venture in the UAE with Tether moved to pause. We remain bullish as Phoenix sharpens its focus on expanding U.S. operations and a potential U.S. listing, exploring AI/HPC opportunities, and maintaining diversified digital asset investments—positioning itself for long-term growth amid evolving market dynamics—and we maintain our Buy rating and AED3.00 price target.

Global Footprint Expands in the U.S. and Ethiopia

Site	MW Energized 1Q25	MW Targeted by YE-25	Primary Use	Notes
Citadel campus, UAE	241	241	Self-mining core; PHX holds 15% equity	Largest MENA farm, live since 2019
Oman	45	45	Self-mining + selective hosting	Commissioned 2023
South Carolina	25	25	Self-mining	Launched 2H24; running at nameplate
North Dakota	50	50	Self-mining	Energized early-2025; earmarked for HPC pilot
Texas	20	20	Self-mining	First block switched on Mar-25; racks pre-wired for remaining S21s
Ethiopia	52	132	Self-mining-led; up to 25% hosting	108MW expected 3Q25; fourth 24MW module targeted YE-25/1Q26
St. Leon, Canada	Nominal	–	–	Pilot site

Source: Company filings and HCW Research.

Estimates change. We are decreasing our FY25 sales estimate to \$123.5 million from \$193.5 million from as we incorporate our updated universal price deck and our 4.5 cent hashprice assumption. We conservatively increase self-mining hash to 6.0Eh/s at the end of 2025 from its current 4.5Eh/s. While commentary on the call discussed more aggressive expansion, we were offered little insight in terms of financing the new machines. Phoenix held \$16.3 million in cash plus roughly \$301 million in digital assets at the end of 1Q25; 1.5Eh/s of new miners at \$15 per Th/s would need roughly \$22.5 million. In calculating our direct costs, we use S21 specs at 200Th/s and 3,500 watts per machine. We offer our first look at FY26 estimates of \$152.4 million, a 23% increase over FY25 estimates. We expect initiatives to gain traction this year that could bring higher estimates as the year unfolds.

Buy rating and AED3.00 price target stand. Our AED3.00 price target represents 32.3x enterprise-to-sales ratio on our 2026 sales estimate of \$152.4M, a multiple that is full relative to direct comps, but perhaps discounting the company's expansion and depth of business model in diversification. Interestingly, many of the projects in which Phoenix is invested have just begun to get off the ground, and perhaps more importantly, the commitment that Phoenix's investors have shown to the opportunity that blockchain-based technology, artificial intelligence, and increased connectivity suggests that Phoenix should continue to see an inflow of capital to both fund its own projects and invest in adjacent opportunities. We judge investment risk levels high primarily on account of the inherent volatility in crypto but note other risks: failure to operating mining sites efficiently as is often seen in the bitcoin mining industry, and potential dilution, among a host of others presented in the company's 2024 annual report.

Phoenix Group Plc. (UAE)

Quarterly Earnings Model
(\$ millions, except per share data)

5/10/2025 FY Ending 12/31: PHX.ADS	12/31/24A					12/31/25E					Estimate	Estimate
	Q1A 3/31	Q2A 6/30	Q3A 9/30	Q4A 12/31	YEAR 12/31/2024	Q1A 3/31	Q2E 6/30	Q3E 9/30	Q4E 12/31	YEAR 12/31/2025	YEAR 12/31/2025	YEAR 12/31/2026
Revenues	\$68.9	\$51.2	\$36.0	\$49.6	\$205.7	\$31.3	\$29.0	\$30.0	\$33.3	\$123.5	\$123.5	\$152.4
Direct costs	45.7	33.7	32.7	67.7	179.7	25.0	22.9	23.7	24.9	96.4	96.4	93.4
Gross profit	23.3	17.6	3.3	(18.1)	26.0	6.3	6.1	6.3	8.4	27.1	27.1	58.9
Operating Costs												
Other income	(6.0)	(0.3)	(0.0)	(3.6)	(9.9)	(1.0)	(3.5)	(3.5)	(3.5)	(11.5)	(11.5)	(24.0)
Selling and distri exp	0.2	0.5	0.2	0.4	1.3	0.6	0.2	0.2	0.2	1.2	1.2	0.8
Administrative exp.	6.4	12.4	17.9	(0.5)	36.3	8.4	6.0	6.0	6.0	26.4	26.4	24.0
Other opex.	18.9	1.3	0.4	10.0	30.6	(0.8)	2.0	2.0	2.0	5.2	5.2	8.0
Total opex	19.5	14.0	18.5	6.3	58.4	7.2	4.7	4.7	4.7	21.3	21.3	8.8
Operating Inc.	3.8	3.6	(15.2)	(24.4)	(32.3)	(0.9)	1.4	1.6	3.7	5.8	5.8	50.1
Share results frm assoc.	2.8	(2.3)	(4.0)	(3.4)	(6.9)	(2.2)	2.0	2.0	2.0	3.8	3.8	20.0
Finance costs	(7.2)	(0.5)	(0.6)	(0.8)	(9.2)	(0.4)	(0.8)	(0.8)	(0.8)	(2.8)	(2.8)	(3.2)
Gain/loss fin assets FVTPL	73.4	60.1	68.8	23.0	225.4	(142.4)	0.0	0.0	0.0	(142.4)	(142.4)	0.0
Gain reval PPE unreal	0.8	0.8	3.6	(0.7)	4.5	(0.3)	0.0	0.0	0.0	(0.3)	(0.3)	0.0
Forex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation					(14.5)	(8.1)						
Total non-op. exp.	69.7	58.1	67.9	18.2	199.3	(153.5)	0.0	0.0	0.0	(141.7)	(141.7)	16.8
Pretax Income	73.5	61.6	52.7	(6.3)	167.0	(154.4)	0.6	0.8	2.9	2.9	2.9	46.9
Taxes	6.5	5.5	5.1	(17.5)	(0.4)	(0.8)	0.0	0.0	0.0	(0.8)	(0.8)	0.0
Non-cont. int.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	67.0	56.1	47.6	11.3	167.4	(153.6)	0.6	0.8	2.9	3.741	3.741	46.942
EPS	\$0.01	\$0.01	\$0.01	\$0.00	\$0.03	(\$0.03)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01
Outstanding Shares	6,048.8	6,042.8	6,034.5	6,054.0	6,045.0	6,048.8	6,048.9	6,048.9	6,049.0	6,048.9	6,048.9	6,049.1
MARGIN ANALYSIS												
Gross Margin	33.8%	34.3%	9.1%	-36.5%	12.6%	20.2%	21.0%	21.0%	25.3%	21.9%	21.9%	38.7%
G&A % sales	9.6%	25.2%	50.4%	-0.2%	18.3%	28.8%	21.4%	20.7%	18.6%	22.4%	22.4%	16.3%
Op. Exp. % sales	5.4%	7.0%	-42.4%	-49.2%	-15.7%	-2.9%	4.7%	5.3%	11.2%	4.7%	4.7%	32.9%
Operating Margin	5.4%	7.0%	-42.4%	-49.2%	-15.7%	-2.9%	4.7%	5.3%	11.2%	4.7%	4.7%	32.9%
Pretax Margin	106.6%	120.4%	146.4%	-12.6%	81.2%	-493.9%	2.0%	2.6%	8.8%	2.4%	2.4%	30.8%
Tax Rate	8.9%	8.9%	9.7%	280.3%	-0.2%	0.5%	0.0%	0.0%	0.0%	-27.0%	-27.0%	0.0%
Net Margin	97.1%	109.6%	132.2%	22.7%	81.4%	-491.4%	2.0%	2.6%	8.8%	3.0%	3.0%	30.8%
PERCENT CHANGE												
Total Sales	-15.9%	-35.1%	-47.7%	-15.4%	-28.6%	-54.7%	-43.4%	-16.7%	-32.9%	-40.0%	-40.0%	23.4%
Cost of Revs	-14.4%	-35.9%	-19.8%	28.4%	-9.9%	-45.3%	-32.0%	-27.5%	-63.3%	-46.3%	-46.3%	-3.1%
Gross Profit	-38.6%	-87.5%	-164.6%	339.7%	-100.0%	-73.9%	-64.2%	156.3%	-249.6%	-100.0%	-100.0%	-100.0%
Operating Exp.	258.0%	161.0%	195.6%	-95.6%	2198.5%	-56.9%	-57.1%	-67.6%	-5.0%	-54.7%	-54.7%	12.6%
Operating Income	-86.0%	-83.5%	-169.5%	-244.0%	-137.1%	-124.4%	-61.5%	-110.4%	-115.2%	-117.8%	-117.8%	770.5%
Pretax Income	195.4%	164.8%	-45.3%	-109.7%	-19.6%	-310.1%	-99.1%	-98.5%	-146.7%	-98.2%	-98.2%	1493.3%
Net Income	169.1%	141.2%	-50.6%	-82.4%	-19.4%	-329.4%	-99.0%	-98.3%	-74.1%	-97.8%	-97.8%	1154.7%
Share Count	17.7%	17.6%	17.4%	9.7%	15.5%	0.0%	0.1%	0.2%	-0.1%	0.1%	0.1%	0.0%
EPS	128.7%	105.1%	-57.9%	-84.0%	-30.2%	-329.4%	-99.0%	-98.3%	-74.1%	-97.8%	-97.8%	1154.7%
Sequential Sales Growth	17.6%	-25.7%	-29.7%	37.8%		-36.9%	-7.3%	3.5%	11.1%			

Source: Co. reports and H.C.W. estimates.

1Q25 Income Statement Comparison

5/9/2025 FY Ending 12/31: PHX-ADS	Actual Q1A 3/31	H.C.W. Estimate Q1E 3/31	Prior Quarter Q4A 12/31	Prior Year Q1A 3/31
Revenues	\$31.3	\$42.1	\$49.6	\$68.9
Direct costs	25.0	46.1	67.7	45.7
Gross profit	6.3	(4.0)	(18.1)	23.3
Operating Costs				
Other income	(1.0)	(3.5)	(3.6)	(6.0)
Selling and distri exp	0.6	0.2	0.4	0.2
Administrative exp.	8.4	6.0	(0.5)	6.4
Other opex.	(0.8)	2.0	10.0	18.9
Total opex	7.2	4.7	6.3	19.5
Operating Inc.	(0.9)	(8.7)	(24.4)	3.8
Share results frm assoc.	(2.2)	2.0	(3.4)	2.8
Finance costs	(0.4)	(0.8)	(0.8)	(7.2)
Gain/loss fin assets FV/TPL	(142.4)	0.0	23.0	73.4
Gain reval PPE unreal	(0.3)	0.0	(0.7)	0.8
Forex	0.0	0.0	0.0	0.0
Depreciation	(8.1)			
Total non-op. exp.	(153.5)	0.0	18.2	69.7
Pretax Income	(154.4)	(9.5)	(6.3)	73.5
Taxes	(0.8)	0.0	(17.5)	6.5
Non-cont. int.	0.0	0.0	0.0	0.0
Net Income	(153.6)	(9.5)	11.3	67.0
EPS	(\$0.03)	(\$0.00)	\$0.00	\$0.01
Outstanding Shares	6,048.8	6,054.0	6,054.0	6,048.8
MARGIN ANALYSIS				
Gross Margin	20.2%	-9.6%	-36.5%	33.8%
G&A % sales	28.8%	14.7%	-0.2%	9.6%
Op. Exp. % sales	-2.9%	-20.8%	-49.2%	5.4%
Operating Margin	-2.9%	-20.8%	-49.2%	5.4%
Pretax Margin	-493.9%	-22.7%	-12.6%	106.6%
Tax Rate	0.5%	0.0%	280.3%	8.9%
Net Margin	-491.4%	-22.7%	22.7%	97.1%
PERCENT CHANGE				
Total Sales	-54.7%	-39.0%	-15.4%	-15.9%
Cost of Revs	-45.3%	1.0%	28.4%	-14.4%
Gross Profit	-124.8%	-109.9%	339.7%	-38.6%
Operating Exp.	-56.9%	-69.3%	-95.6%	258.0%
Operating Income	-124.4%	-332.6%	-244.0%	-86.0%
Pretax Income	-310.1%	-113.0%	-109.7%	195.4%
Net Income	-329.4%	-114.2%	-82.4%	169.1%
Share Count	0.0%	0.1%	9.7%	17.7%
EPS	-329.4%	-114.2%	-84.0%	128.7%
Sequential Sales Growth	-36.9%	-15.1%	37.8%	17.6%

Source: Co. reports and H.C.W. estimates.

Balance Sheet (\$'s Mil)	12/31/2024				12/31/2025
	Q1A 3/31	Q2A 6/30	Q3A 9/30	Q4A 12/31	Q1A 3/31
Non-Current Assets					
PPE	\$112.6	\$115.1	\$212.3	\$196.4	\$248.6
Right of use	0.6	0.6	0.5	0.4	0.4
Investments	0.0	0.0	0.0	0.0	0.0
Investments in assoc.	67.9	67.7	67.1	53.7	49.4
Intangible	0.0	0.3	0.2	0.8	0.7
Other curr assets	0.0	17.7	196.0	138.9	121.0
Total Non-Current Assets	181.1	201.3	476.2	390.3	420.2
Intang/dig. assets	273.2	321.3	393.8	441.5	300.9
Due from rel parties	0.1	0.1	0.2	0.3	0.3
Inventories	83.4	139.2	52.5	56.6	30.5
Trade receivables	36.5	16.4	9.4	26.5	19.7
Advances, dep.	289.6	229.3	42.2	26.8	22.5
Cash and bank bal	15.4	12.0	3.3	20.3	16.3
Total Assets	\$879.3	\$919.6	\$977.6	\$962.4	\$810.4
Total equity	774.4	822.5	875.1	891.8	750.4
Non-Current Liabilities	774.4	822.5	875.1	891.8	750.4
Lease liabilities	0.4	0.2	0.2	0.0	0.0
Bank borrowings	3.5	3.5	3.4	3.4	3.3
Employees' benefits	0.9	1.0	1.1	1.3	1.0
Other non-current	0.0	0.0	0.0	9.3	0.0
Total Non-Current Liabilities	779.2	827.3	879.9	905.8	754.8
Current liabilities					
Lease liabilities	0.3	0.3	0.3	0.4	0.4
Due to related parties	0.7	0.0	0.0	0.0	0.0
Bank borrowings	12.4	12.9	15.2	15.2	27.8
Trade and other liabilities	86.7	79.1	82.2	41.0	27.4
Total Liab. & Equity	\$879.3	\$919.6	\$977.6	\$962.4	\$810.4
Cash & marketable securities	\$15.4	\$12.0	\$3.3	\$20.3	\$16.3
Change in cash (QoQ):	(182.8)	(3.4)	(8.7)	17.0	16.3
Cash per share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Debt	16.6	16.4	18.6	18.6	31.1

Source: Company reports.

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Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

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Distribution of Ratings Table as of May 7, 2025				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	507	76.70%	106	20.91%
Neutral	67	10.14%	10	14.93%
Sell	0	0.00%	0	0.00%
Under Review	87	13.16%	23	26.44%

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