

Phoenix Group PLC (PHX-AE)
Rating: Buy

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U.S. Expansion, AI/HPC Option, and Diversified Digital Investments Strengthen Outlook; Reit Buy

Stock Data		2/17/2025
Price		AED1.02
Exchange		ADS
Price Target		AED3.00
52-Week High		AED2.27
52-Week Low		AED1.00
Enterprise Value (M)		AED6,168
Market Cap (M)		AED6,170
Shares Outstanding (M)		6,047.4
3 Month Avg Volume		14,765,266

Balance Sheet Metrics

Cash (M)	AED20.3
Total Debt (M)	AED18.6
Total Cash/Share	AED0.00

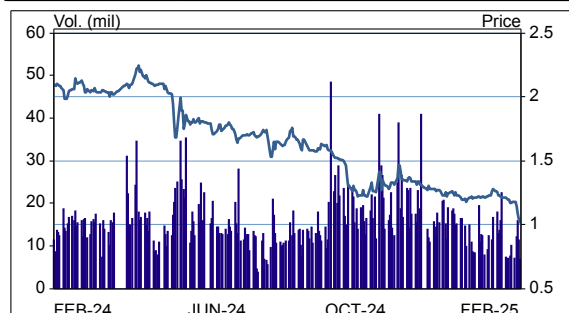
General: This stock trades on the Abu Dhabi Securities Exchange. EPS may not add due to rounding. UAE Dirham trades at 0.27 per U.S. dollar as of February 17.

EPS (\$) Diluted

Full Year - Dec	2023A	2024A	2025E
1Q	0.00	0.01	0.00
2Q	NA	0.01	0.00
3Q	NA	0.01	0.00
4Q	0.01	0.00	0.00
FY	0.04	0.03	(0.01)
FY P/E	25.5x	34.0x	NM

Revenue (\$M)

Full Year - Dec	2023A	2024A	2025E
1Q	81.9	68.9	42.1
2Q	78.9	51.2	47.2
3Q	68.7	36.0	49.3
4Q	58.6	49.6	55.0
FY	288.2	205.7	193.5

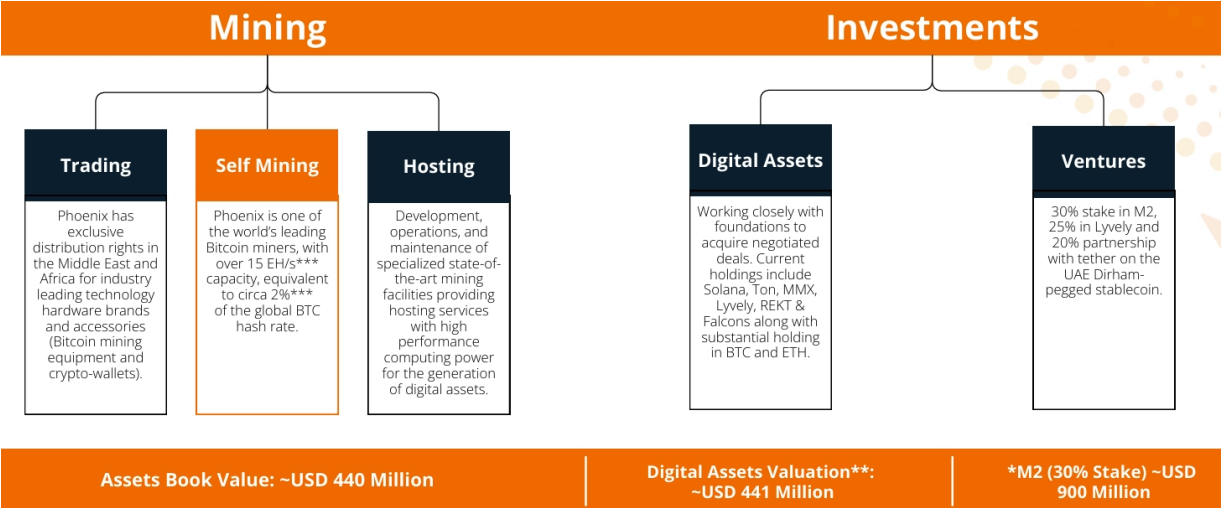

Self-mining revenue grows while hosting dips amid asset redeployment.

Early yesterday morning, Phoenix reported 4Q24 revenues of \$49.6M, up from \$35.5M in 3Q24—primarily driven by a 13% boost in self-mining revenue, as bitcoin's average price surged to \$83,000 from \$61,000 and improved mining efficiency across its U.S. and Canadian operations boosted self-mining gross margin to 24% from 5%. Hosting revenue fell to \$4.0M from \$6.7M as Phoenix phased out its Commonwealth of Independent States (CIS) operations. By redeploying assets from the CIS region, the Citadel site was reinforced to full capacity, and strategy discussion yesterday points to building its U.S. presence as central to its bitcoin mining and high-performance compute initiatives, as noted in our January 29 note *Ethiopia in, CIS out; Migration to Emphasize Solidly Western Station*. Phoenix is also developing a 20MW site in Texas to support both bitcoin mining and emerging AI/HPC workloads, though no firm deals in the AI/HPC space have been announced. As top of its capital markets strategy, Phoenix is actively pursuing a U.S. listing to further align its operations with American capital markets and broaden its investor base. At the close of 4Q24, Phoenix's investment portfolio featured a 30% stake in M2 Exchange, a 25% stake in Lyvely, and a 20% stake in a Tether UAE dirham-pegged stablecoin venture, per the graphic on the following page. M2 Exchange caters to high-net-worth individuals seeking premium digital asset services, and the company plans to announce further developments soon. We remain bullish as Phoenix sharpens its focus on expanding U.S. operations, 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.

Estimates change. We are increasing our FY25 sales estimate to \$193.5M from \$165.1M as we incorporate our updated universal price deck. For 2025, we have Phoenix's self-mining hash expanding to 10.0Eh/s in 2H25 from 6.3Eh/s now. We expect initiatives to gain traction this year that could bring higher estimates as the year unfolds. At the end of 4Q24, Phoenix Group held \$441.5M in digital assets, up from \$393.8M at the end of 3Q24.

Buy rating and AED3.00 price target stand. Our AED3.00 per share price target represents 25.3x enterprise-to-sales ratio on our 2025 sales estimate of \$193.5M, 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.

Expanding Self-Mining, Deepening Crypto Investments



Source: Company presentation, H.C.W. Research, February 17, 2025.

Phoenix Group Plc. (UAE)

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

2/18/2025 FY Ending 12/31: PHXADS	12/31/23A					12/31/24A					12/31/25E				
	Q1A 3/31	Q2A 6/30	Q3A 9/30	Q4A 12/31	YEAR 12/31/2023	Q1A 3/31	Q2A 6/30	Q3A 9/30	Q4A 12/31	YEAR 12/31/2024	Q1E 3/31	Q2E 6/30	Q3E 9/30	Q4E 12/31	Estimate YEAR 12/31/2025
Revenues	\$81.9	\$78.9	\$68.8	\$58.6	\$288.2	\$68.9	\$51.2	\$36.0	\$49.6	\$205.7	\$42.1	\$47.2	\$49.3	\$55.0	\$193.5
Direct costs	53.4	52.5	40.8	52.7	199.3	45.7	33.7	32.7	67.7	179.7	46.1	49.5	52.7	61.0	209.3
Gross profit	28.6	26.3	28.0	5.9	88.9	23.3	17.6	3.3	(18.1)	26.0	(4.0)	(2.3)	(3.4)	(6.0)	(15.8)
Operating Costs															
Other income	(1.5)	(0.3)	(0.2)	(37.5)	(39.5)	(6.0)	(0.3)	(0.0)	(3.6)	(9.9)	(3.5)	(3.5)	(3.5)	(3.5)	(14.0)
Selling and distri exp	0.1	0.1	0.0	3.0	3.3	0.2	0.5	0.2	0.4	1.3	0.2	0.2	0.2	0.2	0.8
Administrative exp.	3.2	6.3	4.9	7.8	22.2	6.4	12.4	17.9	(0.5)	36.3	6.0	6.0	6.0	6.0	24.0
Other opex.	0.0	(1.3)	1.3	15.6	15.6	18.9	1.3	0.4	10.0	30.6	2.0	2.0	2.0	2.0	8.0
Total opex	1.8	4.8	6.1	(11.0)	1.6	19.5	14.0	18.5	6.3	58.4	4.7	4.7	4.7	4.7	18.8
Operating Inc.	26.8	21.6	21.9	17.0	87.3	3.8	3.6	(15.2)	(24.4)	(32.3)	(8.7)	(7.0)	(8.1)	(10.7)	(34.6)
Share results frm assoc.	(1.8)	1.8	(1.3)	21.1	19.8	2.8	(2.3)	(4.0)	(3.4)	(6.9)	2.0	2.0	2.0	2.0	8.0
Finance costs	(0.1)	(0.1)	(0.1)	0.2	(0.1)	(7.2)	(0.5)	(0.6)	(0.8)	(9.2)	(0.8)	(0.8)	(0.8)	(0.8)	(3.2)
Gain/loss fin assets FVTPL	(0.0)	(0.1)	75.8	25.9	101.6	73.4	60.1	68.8	23.0	225.4	0.0	0.0	0.0	0.0	0.0
Gain reval PPE unreal	0.0	0.0	0.0	0.0	0.0	0.8	0.8	3.6	(0.7)	4.5	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0
Depreciation					(0.9)					(14.5)					
Total non-op. exp.	(1.9)	1.7	74.4	47.2	120.5	69.7	58.1	67.9	18.2	199.3	0.0	0.0	0.0	0.0	4.8
Pretax Income	24.9	23.3	96.3	64.1	207.8	73.5	61.6	52.7	(6.3)	167.0	(9.5)	(7.8)	(8.9)	(11.5)	(37.8)
Taxes	0.0	0.0	0.0	0.0	0.0	6.5	5.5	5.1	(17.5)	(0.4)	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0
Net Income	24.9	23.3	96.3	64.1	207.8	67.0	56.1	47.6	11.3	167.4	(9.5)	(7.8)	(8.9)	(11.5)	(37.788)
EPS	\$0.00	\$0.00	\$0.02	\$0.01	\$0.04	\$0.01	\$0.01	\$0.01	\$0.00	\$0.03	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)
Outstanding Shares	5,140.0	5,140.0	5,141.5	5,518.0	5,234.9	6,048.8	6,042.8	6,034.5	6,054.0	6,045.0	6,054.0	6,054.1	6,054.1	6,054.2	6,054.1
MARGIN ANALYSIS															
Gross Margin	34.9%	33.4%	40.7%	10.1%	30.8%	33.8%	34.3%	9.1%	-36.5%	12.6%	-8.6%	-4.9%	-7.0%	-10.9%	-8.2%
G&A % sales	4.0%	6.1%	7.2%	19.5%	9.8%	9.8%	25.2%	50.4%	-0.2%	18.3%	14.7%	13.1%	12.6%	11.3%	12.8%
Op. Exp. % sales	32.7%	27.4%	31.9%	28.9%	30.3%	5.4%	7.0%	-42.4%	-49.2%	-15.7%	-20.8%	-14.9%	-16.5%	-19.5%	-17.9%
Operating Margin	32.7%	27.4%	31.9%	28.9%	30.3%	5.4%	7.0%	-42.4%	-49.2%	-15.7%	-20.8%	-14.9%	-16.5%	-19.5%	-17.9%
Pretax Margin	30.4%	29.5%	140.0%	109.4%	72.1%	106.6%	120.4%	146.4%	-12.6%	81.2%	-22.7%	-16.6%	-18.1%	-20.9%	-19.5%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%	8.9%	9.7%	280.3%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Margin	30.4%	29.5%	140.0%	109.4%	72.1%	97.1%	109.6%	132.2%	22.7%	81.4%	-22.7%	-16.6%	-18.1%	-20.9%	-19.5%
PERCENT CHANGE															
Total Sales						-15.9%	-35.1%	-47.7%	-15.4%	-28.6%	-39.0%	-7.9%	37.1%	10.9%	-5.9%
Cost of Revs						-14.4%	-35.9%	-19.8%	28.4%	-9.9%	1.0%	47.0%	61.3%	-9.9%	16.5%
Gross Profit						-38.6%	-87.5%	-164.6%	339.7%	-100.0%	-109.9%	-119.6%	-282.8%	-12.8%	-100.0%
Operating Exp.						258.0%	161.0%	195.6%	-95.6%	2198.5%	-69.3%	-57.1%	-67.6%	-5.0%	-58.9%
Operating Income						-86.0%	-83.5%	-169.5%	-244.0%	-137.1%	-332.6%	-296.9%	-46.6%	-56.2%	6.9%
Pretax Income						195.4%	164.8%	-45.3%	-109.7%	-19.6%	-113.0%	-112.7%	-117.0%	84.0%	-122.6%
Net Income						169.1%	141.2%	-50.6%	-82.4%	-19.4%	-114.2%	-113.9%	-118.8%	-202.0%	-122.6%
Share Count						17.7%	17.6%	17.4%	9.7%	15.5%	0.1%	0.2%	0.3%	0.0%	0.2%
EPS						128.7%	105.1%	-57.9%	-84.0%	-30.2%	-114.2%	-113.9%	-118.7%	-202.0%	-122.6%
Sequential Sales Growth						17.6%	-25.7%	-29.7%	37.8%		-15.1%	12.1%	4.6%	11.5%	

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

4Q24 Income Statement Comparison

2/18/2025 FY Ending 12/31: PHX.ADS	Actual Q4A 12/31	H.C.W. Estimate Q4E 12/31	Prior Quarter Q3A 9/30	Prior Year Q4A 12/31
Revenues	\$49.6	\$35.8	\$36.0	\$58.6
Direct costs	67.7	42.5	32.7	52.7
Gross profit	(18.1)	(6.7)	3.3	5.9
Operating Costs				
Other income	(3.6)	(6.0)	(0.0)	(37.5)
Selling and distri exp	0.4	0.2	0.2	3.0
Administrative exp.	(0.5)	6.0	17.9	7.8
Other opex.	10.0	2.0	0.4	15.6
Total opex	6.3	2.2	18.5	(11.0)
Operating Inc.	(24.4)	(8.9)	(15.2)	17.0
Share results frm assoc.	(3.4)	5.0	(4.0)	21.1
Finance costs	(0.8)	(0.6)	(0.6)	0.2
Gain/loss fin assets FVTPL	23.0	0.0	68.8	25.9
Gain reval PPE unreal	(0.7)	0.0	3.6	0.0
Forex	0.0	0.0	0.0	0.0
Depreciation				
Total non-op. exp.	18.2	4.4	67.9	47.2
Pretax Income	(6.3)	(4.5)	52.7	64.1
Taxes	(17.5)	0.0	5.1	0.0
Non-cont. int.	0.0	0.0	0.0	0.0
Net Income	11.3	(4.5)	47.6	64.1
EPS	\$0.00	(\$0.00)	\$0.01	\$0.01
Outstanding Shares	6,054.0	6,034.5	6,034.5	5,518.0
MARGIN ANALYSIS				
Gross Margin	-36.5%	-18.8%	9.1%	10.1%
G&A % sales	-0.2%	17.3%	50.4%	18.5%
Op. Exp. % sales	-49.2%	-24.9%	-42.4%	28.9%
Operating Margin	-49.2%	-24.9%	-42.4%	28.9%
Pretax Margin	-12.6%	-12.6%	146.4%	109.4%
Tax Rate	280.3%	0.0%	9.7%	0.0%
Net Margin	22.7%	-12.6%	132.2%	109.4%
PERCENT CHANGE				
Total Sales	-15.4%	-83.7%	-47.7%	
Cost of Revs	28.4%	-73.2%	-19.8%	
Gross Profit	339.7%	-38.6%	-124.0%	
Operating Exp.	-95.6%	-262.3%	195.6%	
Operating Income	-244.0%	-113.8%	-169.5%	
Pretax Income	-109.7%	-104.1%	-45.3%	
Net Income	-82.4%	-103.7%	-50.6%	
Share Count	9.7%	17.4%	17.4%	
EPS	-84.0%	-103.1%	-57.9%	
Sequential Sales Growth	37.8%	-0.4%	-29.7%	

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

Balance Sheet
(\$'s Mil)

	12/31/2023				12/31/2024			
	Q1A 3/31	Q2A 6/30	Q3A 9/30	Q4A 12/31	Q1A 3/31	Q2A 6/30	Q3A 9/30	Q4A 12/31
Non-Current Assets								
PPE	Unavailable	Unavailable	\$94.2	\$104.0	\$112.6	\$115.1	\$212.3	\$196.4
Right of use			0.7	0.7	0.6	0.6	0.5	0.4
Investments			43.2	0.0	0.0	0.0	0.0	0.0
Investments in assoc.			28.9	120.3	67.9	67.7	67.1	53.7
Intangible			0.0	0.0	0.0	0.3	0.2	0.8
Other curr assets			0.0	0.0	0.0	17.7	196.0	138.9
Total Non-Current Assets			167.1	225.0	181.1	201.3	476.2	390.3
Intang/dig. assets			76.6	140.0	273.2	321.3	393.8	441.5
Due from rel parties			4.1	0.0	0.1	0.1	0.2	0.3
Inventories			81.1	73.3	83.4	139.2	52.5	56.6
Trade receivables			31.1	33.1	36.5	16.4	9.4	26.5
Advances, dep.			32.6	164.5	289.6	229.3	42.2	26.8
Cash and bank bal			1.5	198.2	15.4	12.0	3.3	20.3
Total Assets			\$394.1	\$834.0	\$879.3	\$919.6	\$977.6	\$962.4
Total equity			278.5	697.1	774.4	822.5	875.1	891.8
Non-Current Liabilities			278.5	697.1	774.4	822.5	875.1	891.8
Lease liabilities			0.5	0.4	0.4	0.2	0.2	0.0
Bank borrowings			3.6	3.6	3.5	3.5	3.4	3.4
Employees' benefits			0.3	0.9	0.9	1.0	1.1	1.3
Other non-current			0.0	0.0	0.0	0.0	0.0	9.3
Total Non-Current Liabilities			282.9	701.9	779.2	827.3	879.9	905.8
Current liabilities								
Lease liabilities			0.1	0.3	0.3	0.3	0.3	0.4
Due to related parties			44.7	54.7	0.7	0.0	0.0	0.0
Bank borrowings			0.2	0.2	12.4	12.9	15.2	15.2
Trade and other liabilities			66.2	77.0	86.7	79.1	82.2	41.0
Total Liab. & Equity			\$394.1	\$834.0	\$879.3	\$919.6	\$977.6	\$962.4
Cash & marketable securities			\$1.5	\$198.2	\$15.4	\$12.0	\$3.3	\$20.3
Change in cash (QoQ):			1.5	196.7	(182.8)	(3.4)	(8.7)	17.0
Cash per share			\$0.00	\$0.04	\$0.00	\$0.00	\$0.00	\$0.00
Debt			48.4	58.4	16.6	16.4	18.6	18.6

Source: Company reports.

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RETURN ASSESSMENT

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 February 14, 2025				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	580	86.70%	129	22.24%
Neutral	83	12.41%	11	13.25%
Sell	1	0.15%	0	0.00%
Under Review	5	0.75%	2	40.00%

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