

Report Date: 7-Apr-25

JORDAN ELECTRIC POWER

ASE: JOEP

Annual Earnings: 31/12/2024

Price as of 6-Apr-25

JD 2.31/Share

RATING:



Initiated Coverage 07/04/2025

We project that JOEP will perform in line with the market over the next 6-12 months. This projection is based on our analysis of four key factors that influence common stock performance: (1) relative valuation, (2) earnings strength, (3) financial stability, and (4) price movement.

Target Price

JD 2.28

| Previous Rating | | | | | 52- Week Price Range | Market Capitalization | Dividend Yield | Dividend |
|-----------------|---|----------------------------|---|------------------|-----------------------------|-----------------------|----------------|------------------------------|
| 1 | 2 | 3 | 4 | 5 | 03/03/2025 JD 1.94- JD 2.46 | JD 212.0 M | 5.63% | JD 0.13/share |
| Founded: 1938 | | Shares Outstanding: 91.8 M | | Employees: 2,052 | | Sector: Electricity | | Industry: Utilities & Energy |

Jordan Electric Power Company (hereinafter referred to as “**JOEP**” or the “**Company**”) is a public shareholding company established in Jordan for the sole purpose of distributing electrical energy covering from Wadi Al-Dalil in the north to Dhiban in the south, and from Al-Muwaqqar in the east to the Jordan Valley in the west. **On March 26,2025, the Board of Directors of JOEP announced to increase the Company’s capital to 96.6 million through the distribution of shares. Additionally, the Board approved the distribution of 13.0% of its paid-up capital in cash dividends to its shareholder.**

Recommendation Summary

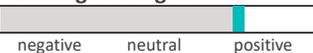
UFICO’s **HOLD** recommendation of JOEP is the result of our systematic analysis of four basic characteristics mentioned above. JOEP appears undervalued based on its EV/EBITDA and EV/Sales multiples, but fairly priced in terms of P/E and P/BV ratios, with a dividend yield below the ASE average. Despite a commendable 11.4% earnings growth in 2024 and financial stability reflected by an acceptable ROA, the Company’s high debt-to-equity ratio raises concerns about its resilience if interest rates rise. While the stock is rated Neutral at its 14-day RSI and a Buy at its 200-day MA, we recommend a Hold until leverage management improves or earnings growth accelerates.

Relative Valuation



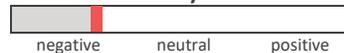
The stock is **undervalued** based on its EV/EBITDA and EV/sales multiples and **fairly priced** in terms of its P/E and P/BV ratios. The Company’s dividend yield is **lower** than the average of dividend payers on the ASE.

Earnings Strength



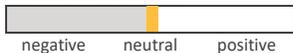
Earnings have been increasing over the past three years, recording a 11.4% increase at the end of 2024, which is commendable given the sector’s reliance on stable and limited revenue growth.

Financial Stability



JOEP demonstrates financial stability with an acceptable return on assets. However, the Company’s high debt-to-equity ratio, increases its vulnerability to economic downturns, if interest rates rise.

Price Movement



The stock’s price movement is less likely to fluctuate over time, although traded almost daily. The stock is rated a **Neutral** at its current 14-Day RSI and a **Buy** at its MA200.

Major Risks & Rewards

- **Interest Rate Risk:** JOEP has a relatively high debt/equity ratio of 294.79%, and is therefore subject to interest rate fluctuations that could ultimately affect its earnings.
- **Green Energy Transition:** The increasing adoption of green energy alternatives presents a risk to JOEP due to changes in demand, which could impact financial performance and long-term viability.
- **Relative Valuation:** JOEP’s stock appears to be undervalued based on its EV/EBITDA, and P/Sales multiples, indicating an opportunity for capital growth in line with industry peers.
- **Market Share:** With JOEP’s long-term contract with the National Electric Power Company, it is positioned to be the sole electricity distribution entity in its designated coverage zone.
- **New Service Offering:** JOEP’s establishment of "Al Barq Energy Services," an entirely owned subsidiary focused on energy services such as vehicle charging, shows strategic diversification and expansion, increasing the company’s growth potential and competitiveness.

Peers Group Comparison

| Ticker | Peer Name | Price | Mkt Cap* | P/E | P/BV | EV/EBITDA | EV/Sales | Debt/Equity |
|----------------------------|----------------------------|----------|----------|---------------|--------------|---------------|--------------|----------------|
| | | 7/4/2025 | 7/4/2025 | (Current) | (2024) | (2024) | (2024) | (2024) |
| JOEP | Jordan Electric Power | JD 2.31 | 211,968 | 11.00x | 1.40x | 6.67x | 0.61x | 294.79% |
| IREL | Irbid District Electricity | JD 6.88 | 144,480 | 14.33x | 3.33x | 5.91x | 0.62x | 184.90% |
| Industry Averages** | | | | 11.50x | 1.30x | 11.70x | 5.24x | 220.00% |

* In JD thousands, ** Source: www.investing.com

Past Performance

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|--------|--------|--------|--------|--------|--------|---------|
| Net Profit Margin | 0.96% | 1.00% | 1.08% | 1.12% | 1.57% | 1.72% | 1.80% |
| Earning/ Share (JD) | 0.11 | 0.11 | 0.11 | 0.11 | 0.17 | 0.19 | 0.21 |
| Debt to Equity | 360.3% | 326.9% | 354.1% | 338.0% | 263.0% | 246.2% | 294.79% |
| Gross Profit Margin | 14.26% | 13.74% | 15.38% | 16.50% | 16.99% | 16.29% | 15.55% |
| Dividends/Share (JD) | 0.07 | 0.08 | 0.07 | 0.05 | 0.09 | 0.17 | 0.13 |

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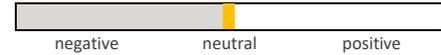
Relative Valuation: NEUTRAL

| Last Price | Mkt Cap* | P/E | P/BV | EV/EBITDA | EV/Sales | DPS | Div. Yield |
|------------|------------|-----------|--------|-----------|----------|---------|------------|
| 7/4/2025 | 7/4/2025 | (Current) | (2024) | (2024) | (2024) | (2024) | 7/4/2025 |
| JD 2.31 | JD 211,968 | 11.00x | 1.40x | 6.67x | 0.61x | JD 0.13 | 5.63% |

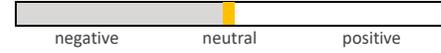
* In thousands

- **P/E vs Industry:** indicates that JOEP is fairly priced with respect to the industry.
- **P/BV vs. Industry:** is in line with the industry average of 1.30x, indicating that the Company is fairly priced.
- **EV/EBITDA vs. Industry:** indicates the Company is undervalued with its EV/EBITDA multiple lower than the industry average of 11.70x.
- **EV/Sales vs. Industry:** is in line with the peers indicating a fair valuation.
- **Dividend Yield** is lower than the average of dividend payers in the Jordanian market.

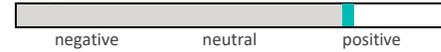
P/E



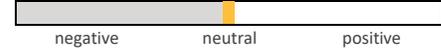
P/BV



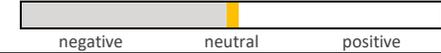
EV/EBITDA



EV/Sales



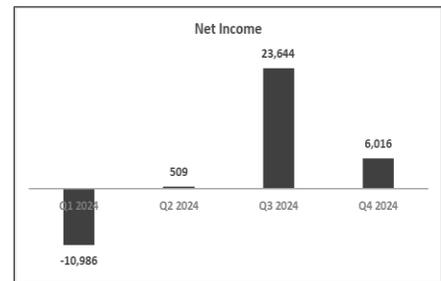
Dividend Yield



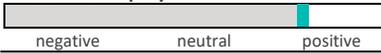
Earning Strength: POSITIVE

| FY24 Results | Revenues | Net Income | ROE | NPM |
|--------------|--------------------|--------------------|-------|-------|
| | JD 1,067.4 (+6.6%) | JD 19.2 M (+11.4%) | 12.8% | 1.80% |

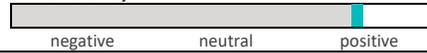
- **Earnings Trend:** JOEP has been profitable over the past 5 years, with 2024 being its best year recording a 11.4% increase. This is a positive indicator of growth, especially for a utility company operating in a mature and regulated sector with limited revenue expansion.
- **Return on Equity** is a respectable figure for a utility company, reflecting decent profitability relative to shareholders' equity. It is higher than most peers in the sector, indicating relatively strong earnings generation.
- **Net Profit Margin** while low, reflects an improving trend over the past seven years, increasing from 0.96% in 2018. However, for a capital-intensive utility company, this margin is expected to be low due to substantial operational and financing costs.



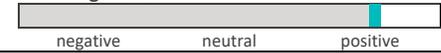
Return on Equity



Profitability



Earnings Trend

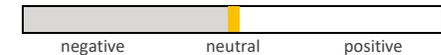


Financial Stability: NEGATIVE

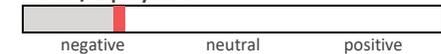
| FY24 Results | Assets | Equity | Debt/ Equity | ROA | Current Ratio |
|--------------|------------|----------|--------------|-------|---------------|
| | JD 1,149 M | JD 151 M | 294.79% | 1.77% | 0.64x |

- **Debt/ Equity Ratio** reflects high reliance on debt, typical for the Company's sector. At the end of 2024, this ratio rose to **294.79%**, up from **246.2%**, indicating an increased dependency on debt financing during the period.
Return on Assets is considered low when looking at the Company's capital structure. The utilities sector requires substantial investment in infrastructure, resulting in high total assets on the balance sheet, which means that a large portion of the Company's resources is tied up in fixed assets, which tend to generate lower returns compared to other sectors.
- **Current Ratio** is low which highlights that the Company's current liabilities and short-term obligations are only marginally covered by its current assets, signalling potential liquidity challenges.

ROA



Debt/ Equity Ratio



Current Ratio

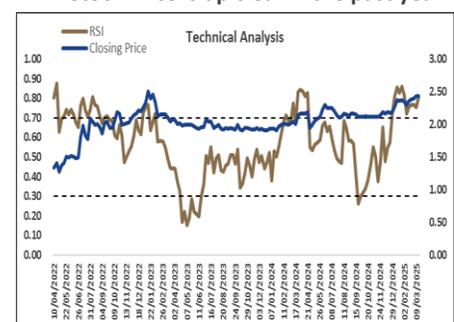


Price Movement: NEUTRAL

| Annual Volatility: | 14-Day RSI: | 200 Day MA: | Avg. Vol (3M): |
|--------------------|-------------|-------------|----------------|
| +/- 17.26% | 53.196 | 2.220 | 559,122 shares |

- **Price Volatility** indicates a low level of fluctuation in price over time. The higher the volatility, the riskier the stock.
- **14-Day Relative Strength Index (RSI)** is 53.196, indicating a **Neutral** signal at this level. Traditionally, a stock is considered overbought or overvalued when RSI is above 70 and oversold or undervalued when it is below 30.
- **Moving Average (MA)** The stock price is currently trading above its 200-day moving average, which may indicate a potential **Buy** signal. Similarly, the stock is trading above its 100-day MA of 2.283, which may indicate a potential **Buy** signal, while 100-day MA of 2.375 indicate a **Sell** signal.

Stock Price is up 6.5% in the past year



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- **Average Volume (3-Months)** is 559,122 shares, indicating moderate trade activity. This is due to JOEP's high free float of 65%, which **increases daily trading opportunities**.

Price movement is an evaluation based on a company's relative share price strength in the past quarter, 14 day and 1-year period. **JOEP had a neutral price strength in the past 200-day period indicating an unfavourable signal of near-term price gains.**

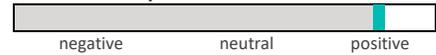
JOEP's stock is currently trading at JD 2.31, having recently declined from a period of stability above the JD 3.40 level. This drop indicates selling pressure likely driven by profit-taking or broader market conditions. The 200-day MA acts as a critical support level, and the current price remains slightly above this mark, indicating potential resilience.

The 14-day RSI indicates that the stock is in a neutral momentum phase, with no clear signs of being overbought or oversold. This suggests that the stock could either stabilize or continue to decline depending on broader market factors or specific news related to JOEP.

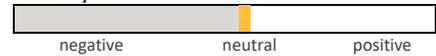
Given the current price of JD 2.31, JOEP is approaching a critical support zone around JD 2.220, which aligns with its 200-day Moving Average. If the stock breaks below this level, it could trigger further declines towards lower support levels. Conversely, a sustained hold above JD 2.220 could indicate potential for a recovery, especially if accompanied by higher trading volumes or positive catalysts.

We recommend maintaining a **Hold** position for now, with caution towards potential downside risks if the support level at JD 2.220 fails to hold. Investors should monitor trading volumes and RSI movements closely for further indications of trend reversal or continuation.

Price Volatility



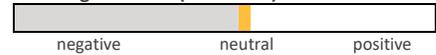
14-Day RSI



Moving Average (MA)



Average Volume (3-Months)



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UFICO Stock Ratings: UFICO's coverage of stocks uses a quantitative model that evaluates a company's relative valuation, earnings strength, financial stability, and its recent price movement. UFICO's five recommendation ratings include strong buy, buy, hold, sell, strong sell. For all stocks in our coverage universe, ratings are generated each week and reflect the fundamental and price data as of the last trading day of the week.

| 1 | 2 | 3 | 4 | 5 | Strong Buy | Significantly Satisfactory |
|---|---|---|---|---|-------------|------------------------------|
| 1 | 2 | 3 | 4 | 5 | Buy | Satisfactory |
| 1 | 2 | 3 | 4 | 5 | Hold | Average |
| 1 | 2 | 3 | 4 | 5 | Sell | Unsatisfactory |
| 1 | 2 | 3 | 4 | 5 | Strong Sell | Significantly Unsatisfactory |

Relative Valuation: Relative valuation is a weighted combination of factors that measure a company's current stock price valuation vs industry. These include the company's price-to-earnings vs. industry, and its price-to-book vs. industry. UFICO also measures the rank of a company's dividend yield among dividend payers on the Amman Stock Exchange. A stock may stay undervalued or overvalued for a long period of time. For this reason, it is important to combine dividend yield rank factor with shorter-term predictive factors such as earnings momentum or price momentum to identify more imminent valuation adjustments. In addition, UFICO also measure a company's dividend payments growth over the past 10 years and the degree its dividend payments are covered by earnings.

Earnings Strength: Over 20 years of research have shown that the change in the growth of earnings per share is an important factor that drives stock price performance. UFICO measures earnings momentum to get an early indication of changing earnings patterns. Earnings strength is a weighted combination of factors that measure a company's earnings growth performance. These include the company's 5-year average earnings growth rate, its 1-year earnings growth rate vs its 5-year average earnings growth rate, its 1-year earnings growth rate vs. industry, its relative strength of ROE, and its y-o-y profit margin growth rate.

Financial Stability: Financial stability is a weighted combination of factors that measure a company's ability to pay its debts in the short and long terms. UFICO looks for a company's capital structure where its total liabilities do not exceed 40% of its equity. For a company's solvency strength, we look for an interest coverage of at least 3x, indicating a company's ability to cover its interest payments through its operating income, and a debt coverage of at least 200%, indicating a company's ability to cover its loans and interest payments through its operating income. For liquidity strength, we look for a company's current ratio of at least 1.25x, indicating current liabilities are sufficiently covered by current assets. Companies in the banking sector are analyzed using assets/equity ratio, loans/deposits ratio, loans/assets ratio, and level of bad loans. For assets/equity ratio, we look for a ratio below 10x, indicating adequate reliance on debt to fund the bank's operations. For loans/deposits ratio, we look for a ratio below 125%, indicating high liquidity and low exposure risk to cover unexpected funding requirements. For loans/asset ratio, we look for a ratio below 110%, indicating high liquidity and low exposure risk to defaults. For the level of bad loans, we look for a ratio below 5.00%, indicating lower provisions are required and, hence, increases bank profitability.

Recent Price Movement: Historical price action of a company's stock is an especially helpful measure used to identify intermediate and short term performance potential. Long term historical performance is a good predictor of future price performance, but much more importantly, large price movements over the intermediate and short term tend to reverse themselves. UFICO's price momentum measure integrates historical long, intermediate and short term price changes, creating ratings that are highest for stocks with strong twelve-month price performance that have had a price consolidation in the past quarter and month. Price movement is an evaluation based on a company's relative share price strength in the past 1-quarter, 14-day and 1-year period. In UFICO's analysis, positive price strength in the past 200-day period is a favorable indication of near-term price gain. Conversely, positive price changes in the past quarter or 14-day period can indicate a short-term overbought condition resulting in negative near-term price change.

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