

RENAISSANCE SERVICES (RNSS) - 2Q21/1H21 Result Review

Recommendation:

HOLD

TP (OMR):

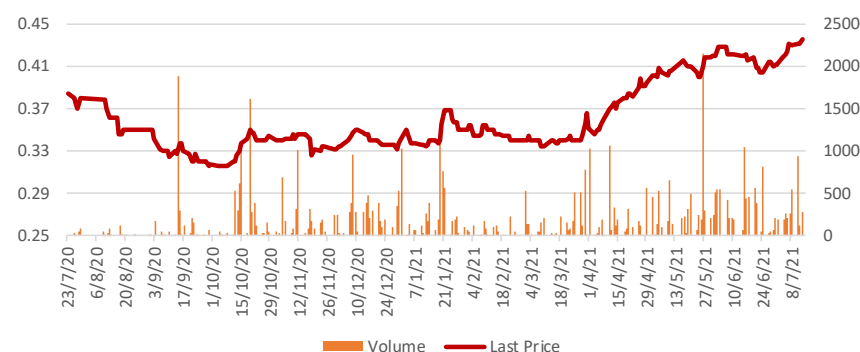
0.460

Upside / (Downside): 5.5%

Analyst: Hettish Karmani

Bloomberg Ticker	RNSS OM
Current Market Price (OMR)	0.436
52wk High / Low (OMR)	0.440 / 0.314
12m Average Vol. (000)	212.0
Mkt. Cap. (USD/OMR mn)	268/103
Shares Outstanding (mn)	236.40
Free Float (%)	83%
3m Avg Daily Turnover 000	122.3
6m Avg Daily Turnover 000	93.7
P/E 2021e (x)	10.85
P/Bv 2021e (x)	1.66
Dividend Yield 2021e (%)	5.7%
Price Perf. (1m/3m) (%)	3.81 / 17.8

Price Volume Chart



Net income higher 122% YoY but down 12.9% QoQ

RNSS reported net income of OMR 1.85mn for 2Q-2021, lower 12.9% QoQ but higher on YoY basis by 122%. U Capital estimated earnings of OMR 2.0mn for the quarter. For 1H-2021 Company earnings stand at OMR 3.97mn compared to OMR 4.03mn in 1H-2020. We expect the Company to announce full year net income of OMR 9.5mn in 2021 compared to earnings of OMR 7.7mn in 2020, growth of 23.8% YoY during 2021.

Revenue inline with our estimates

Company reported revenue of OMR 27.3mn for 2Q21 compared to U Capital estimates of OMR 27mn. Revenue during 2Q21 were higher 6.4% YoY and 6.3% QoQ. Higher revenue would largely be because of pick up in the economic activity and better occupancy in Duqm. For 2021 we expect the Company to report revenue of OMR 115mn compared to OMR 105mn in 2020.

Company Outlook

The continuing cost optimization and operational excellence focus helped the Company to achieve improvements in the profit margins. The company's proactive response to the pandemic ensures its clients remain operational, and the company remains profitable, with positive outlook for the year ahead.

Full year dividend estimated at OMR 5.9mn (DPS: 0.025/share)

With better profitability outlook, we expect the Company to announce dividend of OMR 5.9mn translating into Dividend per Share of OMR 0.025/share for 2021. Last year the Company paid dividend of OMR 0.020/share.

Income Statement

(OMR mn)	2Q20	1Q21	2Q21	2Q21e	YoY	QoQ	Dev. %	2020	2021e	Chg%
Revenues	25.68	25.69	27.31	27.00	6.4%	6.3%	-1.1%	105.4	115.0	9.1%
Gross Profit	4.06	5.07	NA	5.10	-	-	-	20.7	23.0	11.1%
Operating Profit	2.24	3.78	3.85	3.90	71.7%	2.0%	1.2%	14.0	15.7	12.1%
Net Profit	0.83	2.13	1.85	2.00	122.4%	-12.9%	8.1%	7.7	9.5	23.8%

Key Ratios

	2Q20	1Q21	2Q21	2Q21e	2020	2021e
Gross Margin	15.8%	19.8%	NA	18.9%	19.6%	20.0%
Operating Margin	8.7%	14.7%	14.1%	14.4%	13.3%	13.7%
Net Margin	3.2%	8.3%	6.8%	7.4%	7.3%	8.3%

Source: Company Reports, 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%