

Oman Cement Company (OCOI) - 1Q24 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Buy**

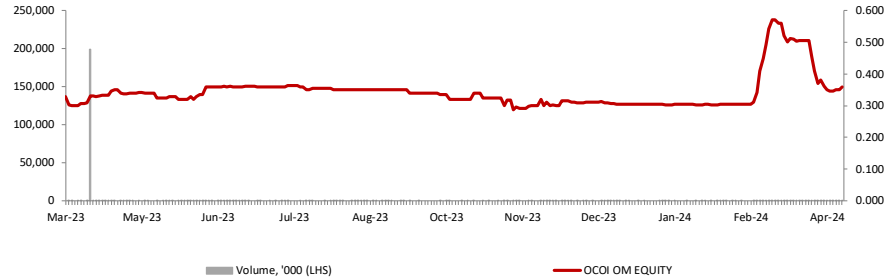
Previous Reco. & Date: TP: OMR 0.402 per share; Buy on 20-Dec-2023

Target Price (OMR): **0.402**

Upside / (Downside): 11.7%

Date: 16-Apr-2024

Bloomberg Ticker	OCOI OM
Current Market Price (OMR)	0.360
52wk High / Low (OMR)	0.596/0.287
12m Average Vol. (000)	30.3
Mkt. Cap. (USD/OMR mn)	309/119
Shares Outstanding (mn)	330.9
Free Float (%)	32%
3m Avg Daily Turnover (000)	31.9
6m Avg Daily Turnover (000)	17.0
P/E'24e (x)	17.6
EV/EBITDA'24e (x)	8.50
Dividend Yield '24e (%)	3.4%
Price Perf. (1m/3m) (%)	-30/18



Revenue decreased by 4% YoY basis, in line with our estimates

OCOI has reported revenue of OMR 18.8mn for 1Q24, in line with our estimates of OMR 18.2mn. The revenue dropped by 4% YoY while it grew 3% on QoQ basis due to an increase in domestic cement sales.

Total expenses decreased by 12% YoY, and bottom line rose above our expectations

The company's expenses decreased by 12% YoY and 24% on QoQ basis to OMR 14.8mn in 1Q24, and, the proportion of the total expenses to the revenue have gone down to 79% compared to 86% in 1Q23. Net income increased to OMR 3.4mn compared to OMR 2.4mn in 1Q23 which beat our estimate of OMR 2.3mn in 1Q24. This is likely driven by the optimization techniques implemented by the company to increase the profitability.

Downgrade to Accumulate and maintain Target Price

The stock rallied upto ~96% during 28 Feb and 7 Mar of 2024 and achieved 52 week high of OMR 0.596, as the company announced special dividend of 95.89 baiza per share of paid-up share capital on 29 Feb 2024. The stock went up in line with our target price and now it has declined by 37% from its record high. Our target price was based on the expansion plans announced by the company, however, the company has scrapped the expansion plans as per recent discussions. We downgrade the stock to Accumulate and highlight that any further upside for Oman Cement would come from higher than expected efficiency gains. The recommendation is backed by the domestic demand, and stable growth in realizations providing revenue growth visibility. Optimization and efficiency drive by Huaxin management, know-how from Huaxin expertise is expected to add value to the cost-effective management.

Valuation

Oman Cement is trading at 2024e P/E of 17.6x, representing a 3% premium compared to the historical average 1-year forward P/E of 17.07x. Additionally, EV/EBITDA multiple of 8.50x, based on our FY24 estimate, represents 3% premium compared to the historical average 1-year forward EV/EBITDA of 8.25x.

Income Statement										
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)
Sales/Revenue	17.2	19.5	16.0	16.6	17.9	18.8	18.2	-4%	5%	3%
Expenses	16.6	16.7	14.0	12.9	19.5	14.8	15.4	-12%	-24%	-4%
Net Profit (Loss) before tax	0.6	2.8	2.1	3.7	(1.6)	4.0	2.8	42%	NM	44%
Net Profit (Loss) after tax	0.4	2.4	1.8	3.2	(1.4)	3.4	2.3	41%	NM	44%
Balance Sheet										
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)
Shareholders' Equity	149.8	148.8	150.6	153.8	152.4	155.8	154.8	5%	2%	1%
Key Ratios										
	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e			
Net Profit Margin	2.3%	12.2%	11.2%	19.0%	-7.6%	17.9%	12.9%			
Return on Equity (RoE)	1.1%	6.4%	4.8%	8.2%	-3.5%	8.6%	6.1%			
Annualized EPS (OMR)	0.00	0.03	0.02	0.04	(0.02)	0.04	0.03			
BVPS (OMR)	0.45	0.45	0.46	0.46	0.46	0.47	0.47			
TTM P/E (x)						17.1				

Source: Financials, MSX, Bloomberg, U Capital Research; NM: Not Meaningful


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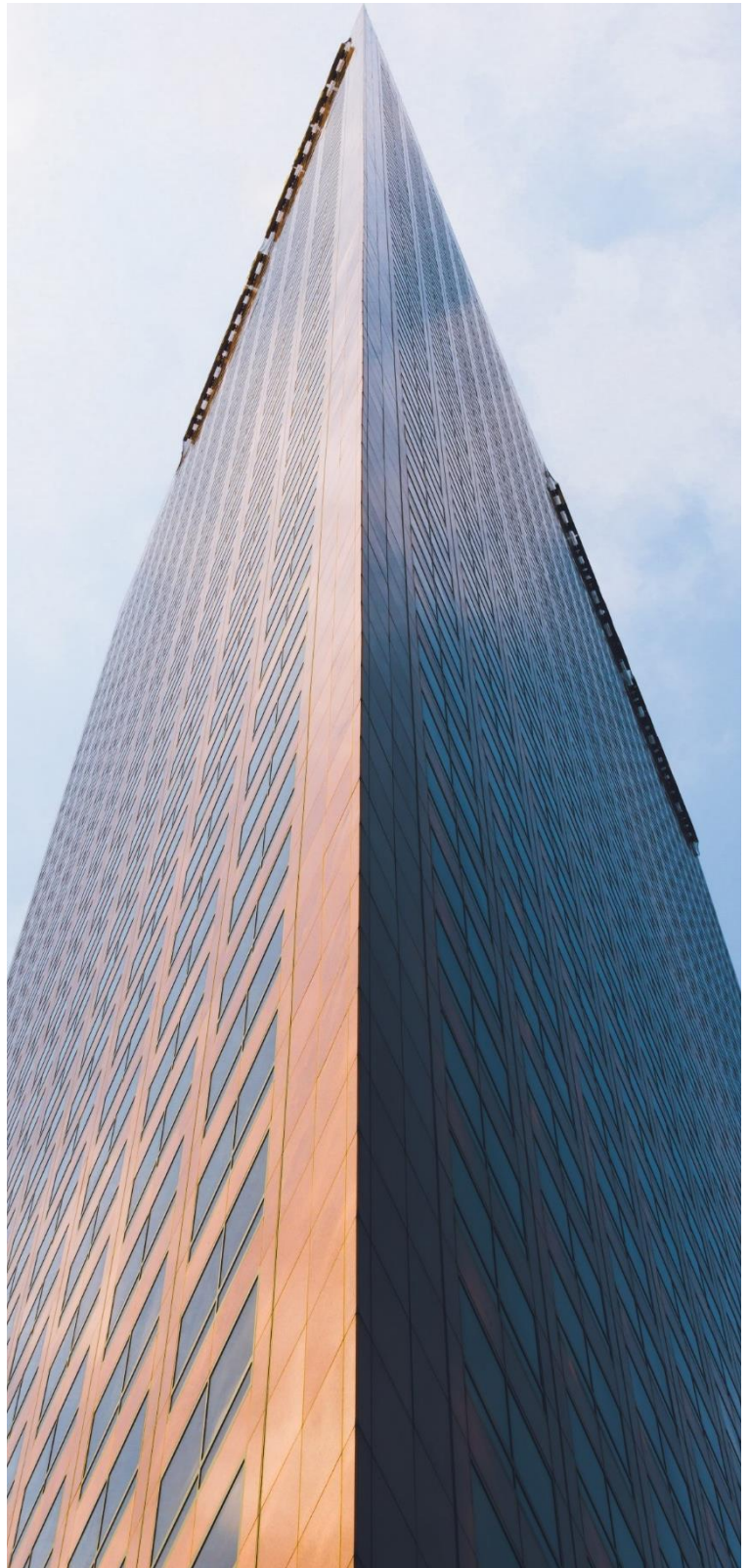
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Disclaimer

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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