

# OMANTEL (OTEL) - 2Q21 / 1H21 Result Review

Recommendation:

**HOLD**

TP (OMR): **0.796 /share**

Upside / (Downside): **2.1%**

Analyst: Hettish Karmani

Bloomberg Ticker	OTEL OM EQUITY
Current Market Price (OMR)	0.780
52wk High / Low (OMR)	0.844 / 0.604
12m Average Vol. (000)	126.30
Mkt. Cap. (USD/OMR mn)	1521 / 585
Shares Outstanding (mn)	750.0
Free Float (%)	26.0%
3m Avg Daily Turnover (OMR)	123
6m Avg Daily Turnover (OMR)	106
P/E 2021e (x)	9.1
P/Bv 2021e (x)	1.0
Dividend Yield (%)	7.1%
Price Perf. (1m/3m) (%)	2.01 / 2.63



## Net income up 95% YoY but down 8% QoQ in 2Q21

Omantel reported earnings of OMR 15.5mn for 2Q21, largely inline with our estimates of OMR 16.5mn, deviation of 6%. Earnings of 2Q21 were up 94.4% YoY but were down 8% QoQ. Overall for 1H21, the company reported earnings of OMR 32.4mn compared to OMR 24mn in 1H20, growth of 35%.

## Profit from domestic operations higher by 14% in 1H21

Net profit of domestic operations for 1H21 stands at OMR 36.1mn which is a growth of 14% in comparison to Year 2020 performance. As per the Company, this was mainly due to realization of higher margin on Capacity sales, growth in Postpaid Mobile (YOY growth of 19.5%) and Fixed broad band revenue (10.7%). This was further supplemented by a reduction in Operation and Maintenance costs on account of proactive cost optimization measures.

## Revenue inline with our estimates

Revenue of the Company for 2Q21 stood at OMR 591mn compared to U Capital estimates of OMR 610mn, deviation of 3.2%. Revenue reported by the Company in 1Q21 was higher on YoY basis but was lower on QoQ basis by 1.9%. Overall, revenue was lower by 4% YoY in 1H21.

## Higher net margins on YoY basis but lower on QoQ basis

Company reported net margins of 2.6% for 2Q21 compared to net margins of 2.8% in 1Q21 and 1.3% in 2Q20. Overall for 2021, we estimate the Company to maintain their net margins of 2.7% reported in 2020 in 2021 as well.

## Income Statement

(OMR mn)	2Q20	1Q21	2Q21	2Q21e	YoY	QoQ	2020	2021e
Revenue	591.0	602.7	591.3	610.0	0.1%	-1.9%	2,513.4	2,410.0
Gross Profit	433.6	414.0	NA	409.9	NA	NA	NA	NA
Operating Profit	94.0	109.1	NA	108.0	NA	NA	476.7	468.0
Profit Attributable to Shareholders (PAS)	8.0	16.9	15.5	16.5	94.4%	-8.3%	66.9	64.5

## Key Ratios

	2Q20	1Q21	2Q21	2Q21e	2020	2021e
Gross Margins	73.4%	68.7%	NA	67.2%	NA	NA
Operating Margins	15.9%	18.1%	NA	17.7%	19.0%	19.4%
Net Margins	1.3%	2.8%	2.6%	2.7%	2.7%	2.7%

Source: Company Reports, MSM, U Capital Research

Date: 15 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%

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