

## Renaissance services (RNSS) - 1Q24 Result Review

Analyst: Neetika Gupta

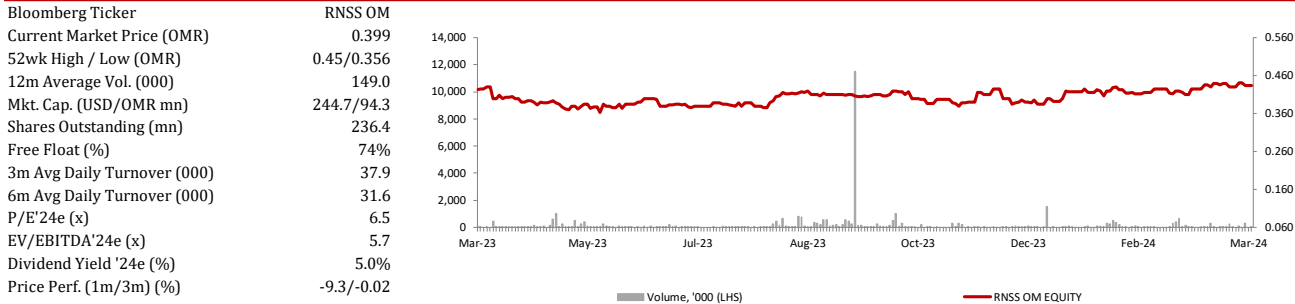
**Previous Recommendation:** Buy

**Previous Reco. & Date:** TP: OMR 0.48 per share; Buy on 17-Aug-2023

**Target Price (OMR):** 0.480

**Upside / (Downside):** 20.3%

**Date:** 16-Apr-2024



### Revenue decreased by 4% YoY, in line with our expectations

RNSS reported revenue of OMR 25.7mn for 1Q24 which was in line with our expectations. The revenue was down 4% YoY and 3% on QoQ basis due to lower than expected occupancy in Renaissance Village Duqm (RSVD).

### Net profit decreased by 34% YoY and came below our expectations

The company reported a net profit of OMR 1.9mn in 1Q24, compared to our expectations of OMR 2.8mn. It was down by 34% YoY and 57% QoQ basis. The QoQ drop is mainly due to one off gain reported by the company in 4Q23. The company's profit from operations were down by 13% YoY to OMR 3.4mn.

### Maintain a "Buy" rating

We believe that the topline and the bottom line for the company should bounce back with a likely increase in RSVD occupancy from 3Q24 onwards led by new contracts related to new infrastructure projects like steel, cement, oil and gas among others. The company is also expecting to add another 4000 beds from next year in its RSVD set up. Among existing contracts, the company is positive about renewal from two of its large clients. The company is also entering the KSA market through PPP setup which is expected to boost the company's revenue visibility and growth opportunities. Accordingly, we are positive on the stock and maintain a Buy rating with a target price of OMR 0.48.

### Valuation

RNSS is trading at 2024e P/E of 6.5x, representing a 10% discount compared to the historical average 1-year forward P/E of 7.2x. Additionally, EV/EBITDA multiple of 5.7x, based on our FY24 estimate, represents a 12% discount compared to the historical average 1-year forward P/Bv of 6.5x.

Income Statement											
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)	
Sales/Revenue	32.5	26.8	25.4	25.3	26.5	25.7	27.6	-4%	-3%	-7%	
Profit from operations	2.7	3.8	3.2	3.4	4.8	3.4	3.8	-13%	-30%	-11%	
Tax	(0.0)	(0.0)	(0.0)	0.0	(2.8)	(0.5)	(0.5)	NM	-84%	0%	
<b>Net Profit (Loss) after tax</b>	<b>2.9</b>	<b>2.8</b>	<b>2.6</b>	<b>2.9</b>	<b>4.3</b>	<b>1.9</b>	<b>2.8</b>	<b>-34%</b>	<b>-57%</b>	<b>-33%</b>	
Balance Sheet											
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)	
Shareholders' Equity	73.9	72.6	75.3	78.1	82.5	84.4	80.6	16%	2%	5%	
Key Ratios											
	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e				
Net Profit Margin	8.9%	10.5%	10.3%	11.3%	16.2%	7.2%	10.0%				
Return on Equity (RoE)	15.7%	15.6%	13.9%	14.6%	20.8%	8.8%	13.8%				
Annualized EPS (OMR)	0.05	0.05	0.05	0.05	0.08	0.03	0.05				
BVPS (OMR)	0.31	0.31	0.32	0.33	0.35	0.36	0.34				
TTM P/E (x)						6.8					

Source: Financials, MSX, Bloomberg, U Capital Research


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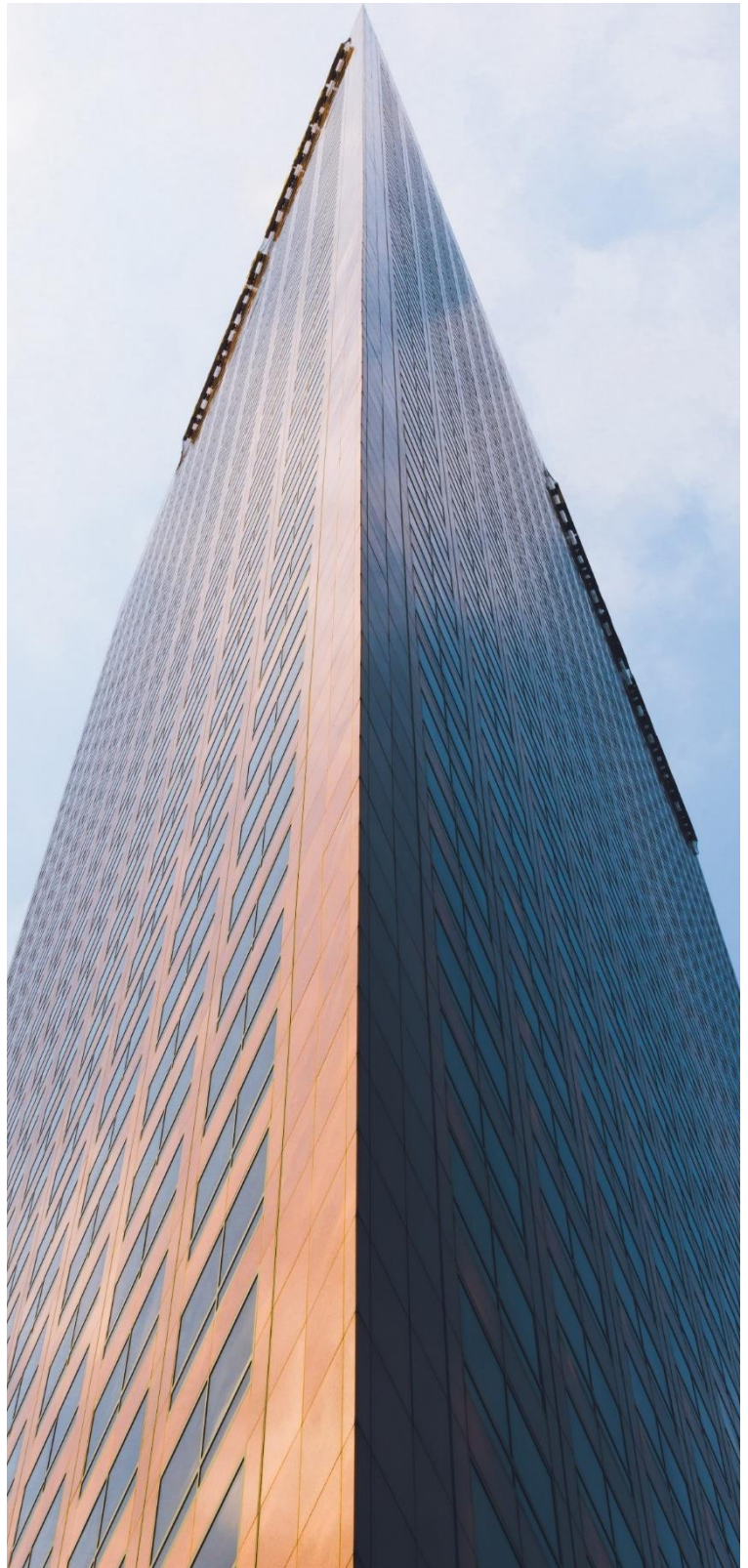
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## Disclaimer

### 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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