

Abraj Energy Services (ABRJ) - 1Q24 Result Review

Analyst: Neetika Gupta

Previous Recommendation: Accumulate

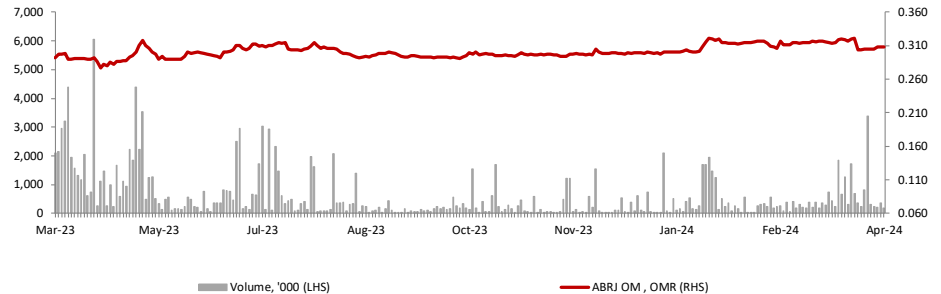
Target Price (OMR): 0.330

Previous Reco. & Date: TP: OMR 0.330 per share; Accumulate on 15-Nov-2023

Upside / (Downside): 7%

Date: 16-Apr-2024

Bloomberg Ticker	3RJ OM EQUITY
Current Market Price (OMR)	0.308
52wk High / Low (OMR)	0.325/0.275
12m Average Vol. (000)	507.4
Mkt. Cap. (USD/OMR mn)	616.2/237.2
Shares Outstanding (mn)	770.2
Free Float (%)	29%
3m Avg Daily Turnover (000)	164.4
6m Avg Daily Turnover (000)	122.2
P/E'24e (x)	11.1
EV/EBITDA'24e (x)	5.6
Dividend Yield '24e (%)	7.7%
Price Perf. (1m/3m) (%)	-2.8/1.9



Revenue increases 18% YoY, in line with our expectations

ABRJ has reported a revenue of OMR 39.2mn for 1Q24, which is in line with our estimate. The revenue grew 18% YoY and 3% QoQ basis.

Net income grew 8% on QoQ basis, in line with our expectations

The company's expenses as percentage of revenue has declined from 92% in 1Q23 to 85% in 1Q24 which helped it in registering a net profit growth of 128% YoY to reach OMR 5.9mn. On QoQ basis, net profit grew 8%. Net profit came in line with our expectation of OMR 5.7mn. Also, the company recorded 26% YoY growth from other income and finance income.

Maintain Accumulate rating

The company enjoys an onshore drilling market share of 29% in terms of the number of contracted onshore drilling rigs and it continues to benefit from long-term contracts in generating healthy cash flow. Alongside wider service portfolio, ABRJ now focuses on strategic top-tier services coupled with strong operational efficiency to realize maximum financial returns and sustainable growth. Further, ABRJ has successfully managed to grow outside Oman for the first time by winning a contract for the provision of drilling rigs in Kuwait. This move into the regional market will help ABRJ to maintain its current growth. As a result, we continue to maintain favourable view on the stock with the continuation of Accumulate rating.

Valuation

ABRJ is trading at 2024e P/E of 11.1x, representing a 6% discount compared to the historical average 1-year forward P/E of 11.8x. Additionally, EV/EBITDA multiple of 5.6x, based on our FY24 estimate, represents 3% discount compared to the historical average 1-year forward EV/EBITDA of 5.8x.

Income Statement										
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY(%)	QoQ(%)	Var(%)
Sales/Revenue	34.7	33.3	36.3	36.4	38.3	39.2	38.4	18%	3%	2%
Expenses (including taxes)	32.7	30.7	32.4	31.9	32.8	33.3	32.7	8%	2%	2%
Net Profit (Loss) after tax	1.9	2.6	3.9	4.6	5.5	5.9	5.7	128%	8%	5%
Balance Sheet										
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)
Shareholders' Equity	144.6	131.8	135.7	140.3	145.8	151.7	151.4	15%	4%	0%
Key Ratios										
	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e			
Net Profit Margin	5.6%	7.8%	10.7%	12.5%	14.4%	15.2%	14.8%			
Return on Equity (RoE)	5.4%	7.9%	11.4%	13.0%	15.1%	15.7%	15.0%			
Annualized EPS (OMR)	0.01	0.01	0.02	0.02	0.03	0.03				
BVPS (OMR)	0.19	0.17	0.18	0.18	0.19	0.20				

Source: Financials, MSX, Bloomberg, U Capital Research


For our previous report, please [click here](#)


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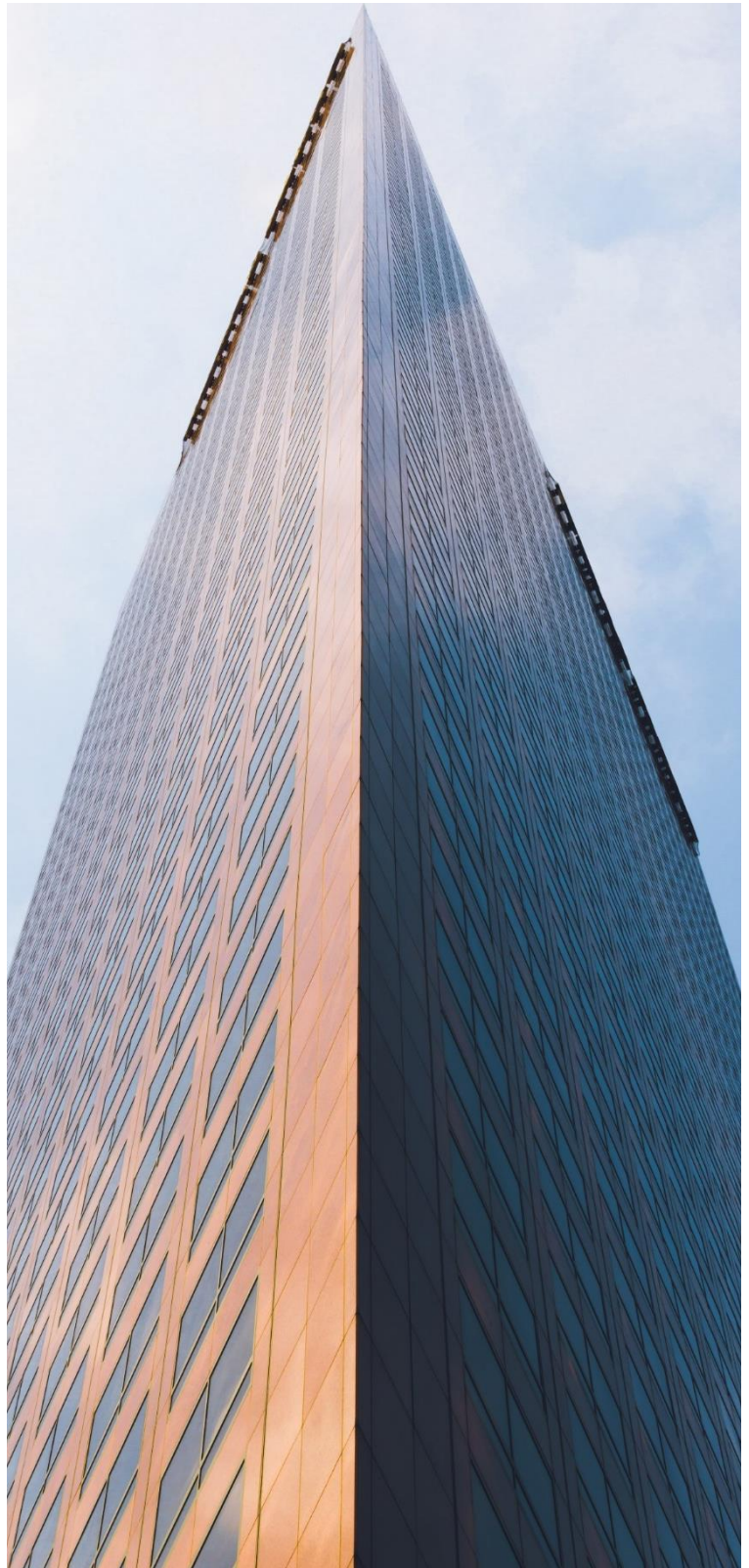
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Disclaimer

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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