

Oman Cement Company (OCOI) - 4Q23 Result Review

Analyst: Neetika Gupta

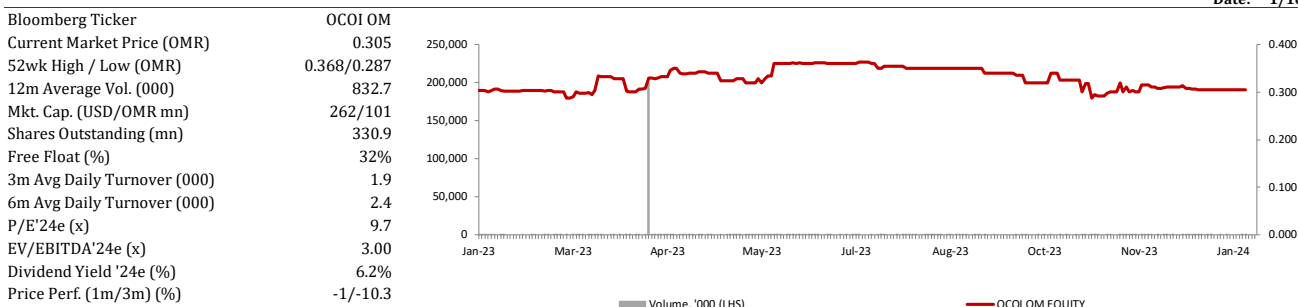
Previous Recommendation: Buy

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

Target Price (OMR): 0.402

Upside / (Downside): 31.8%

Date: 1/16/2024



Revenue increased by 28% YoY, above our estimates

OCOI reported YoY revenue growth of 28% to reach OMR 22.0mn for 4Q23 which was above our estimates of OMR 16.3mn. For FY23, the company reported an increment of 4% in its revenue on YoY basis which was above its own guidance of OMR 66.8mn.

Total expenses increased by 44% YoY, resulting in net loss

The company's expenses grew by 44% YoY to OMR 23.9mn in 4Q23, thereby resulting in net loss of OMR 1.6mn (after tax). The expenses include a one-off impairment charge related to Clinker quality (OMR 4.2mn) and Line-4 expansion project (OMR 0.825mn). Excluding the impairment charges, the net profit would have grown to ~3.0mn, in line with our expectations. For FY23, total expenses rose by 3.2% to register net profit of OMR 5.8mn with a YoY growth of 14.3%. The impairment is new information and we will look to understand from the detailed financials and the investor discussion if there could be more to come.

Maintaining Buy rating

We are maintaining Buy rating on the stock with a target price of OMR 0.402 as recommended in the investment update note published on 20 Dec 2023. The recommendation is backed by the robust domestic demand, company's capacity expansion and stable growth in realizations providing revenue growth visibility. We believe the acquisition of a majority stake by Huaxin likely to provide several strategic benefits to the company such as easy access to capital, an advantage of technical know-how from Huaxin, and improving their operational efficiency.

Valuation

Oman Cement is trading at 2024e P/E of 9.7x, representing a 19% discount compared to the historical average 1-year forward P/E of 12.0x. Additionally, EV/EBITDA multiple of 3.0x, based on our FY24 estimate, represents 36% discount compared to the historical average 1-year forward EV/EBITDA of 4.7x.

Income Statement													
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	15.9	17.2	17.9	16.0	16.6	22.0	16.3	28%	32%	36%	69.8	72.6	4.0%
Expenses	14.2	16.6	15.1	14.0	12.9	23.9	12.6	44%	85%	89%	63.8	65.8	3.2%
Net Profit (Loss) before tax	1.7	0.6	2.8	2.1	3.7	(1.8)	3.6	NM	NM	NM	6.0	6.8	13.3%
Net Profit (Loss) after tax	1.5	0.4	2.4	1.8	3.2	(1.6)	3.1	NM	NM	NM	5.0	5.8	14.3%
Balance Sheet													
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	149.4	149.8	148.8	150.6	153.8	152.2	156.9	2%	-1%	-3%			
Key Ratios													
	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Net Profit Margin	9.2%	2.3%	13.4%	11.2%	19.0%	-7.2%	18.8%						
Return on Equity (RoE)	3.9%	1.1%	6.4%	4.8%	8.2%	-4.2%	7.8%						
Annualized EPS (OMR)	0.02	0.00	0.03	0.02	0.04	(0.02)	0.04						
BVPS (OMR)	0.45	0.45	0.45	0.46	0.46	0.46	0.46						
TTM P/E (x)						17.5							

Source: Financials, MSX, Bloomberg, U Capital Research


For our investment update note, please [click here](#).

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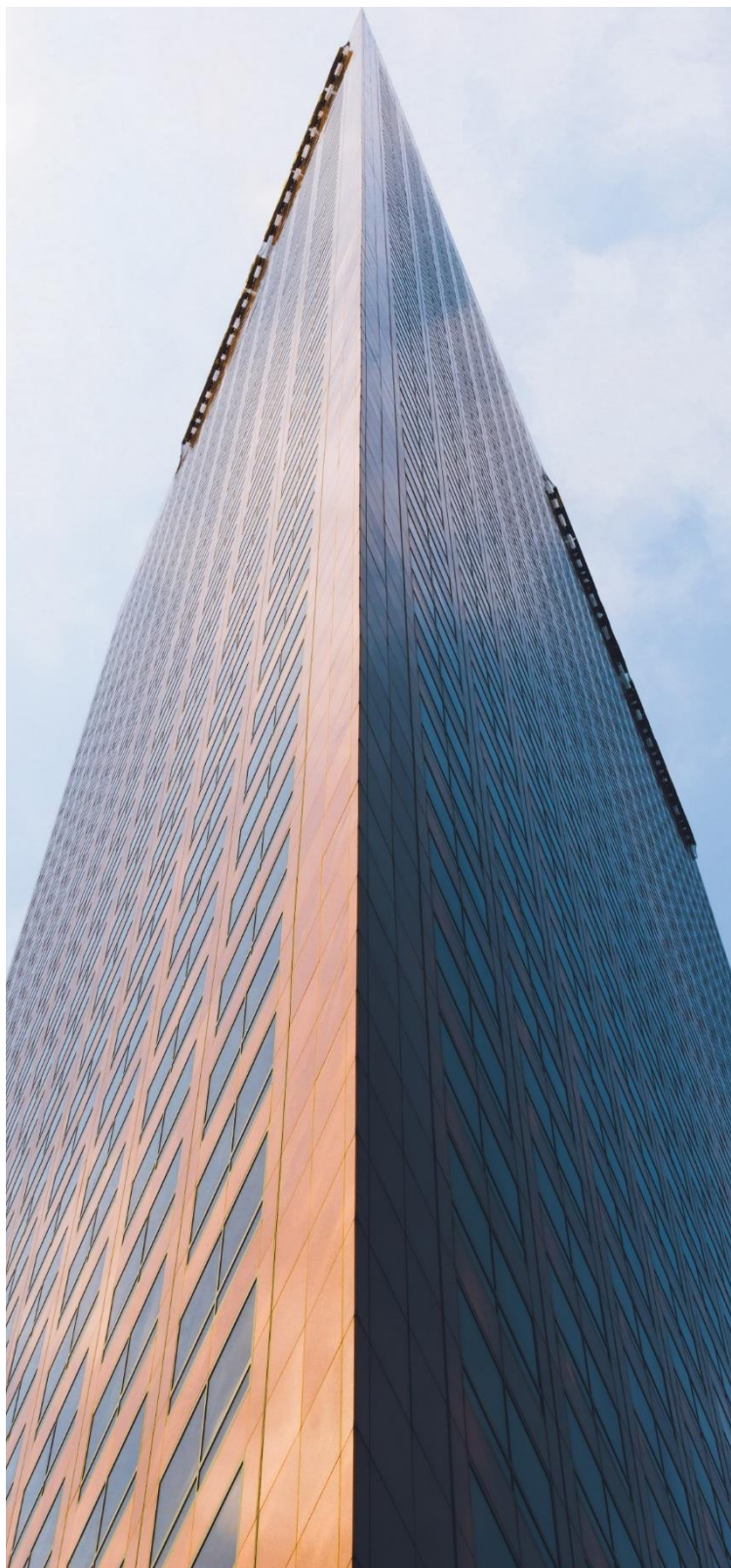
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Disclaimer

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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