

## Oman Flour Mills (OFMI) - 1Q24 Result Review

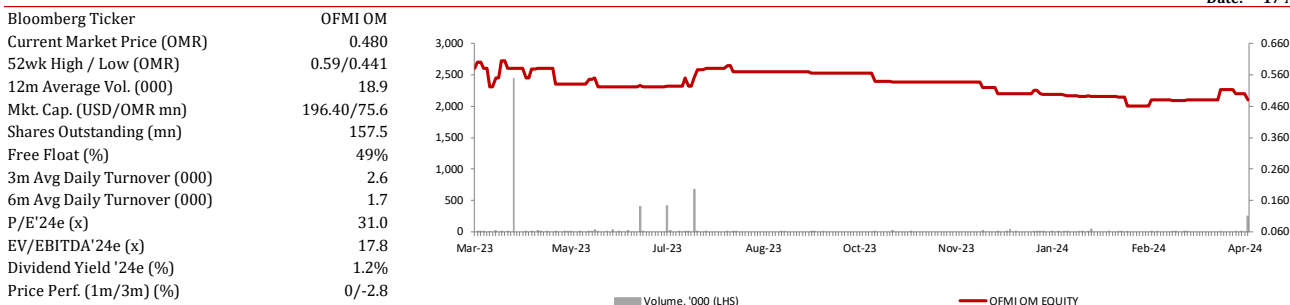
Analyst: Neetika Gupta

**Previous Recommendation:** **Hold**

**Previous Reco. & Date:** TP: OMR 0.602 per share; Hold on 1-May-2023

**Target Price (OMR):** **UR**  
**Upside / (Downside):** -

**Date:** 17-Apr-2024



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

The company reported 4% YoY revenue growth to reach OMR 35.4mn in 1Q24, which was in line with our estimates.

### Net income grew significantly YoY, came above our expectations

The total expenses came in at OMR 32.9mn in line with our expectations of OMR 33.3mn. However, the percentage of expense to the revenue has declined from 97% in 1Q23 to 93% in 1Q24. This in tandem with positive cash flow from subsidiaries and associates has resulted significant growth in the bottom line. In 1Q24, Net income grew to OMR 2.2mn from OMR 0.5mn in 1Q23.

### Maintain a "Hold" rating

The company is among the leading food processing companies in Oman and is also benefitting from government initiatives such as subsidy for wheat and consumption feed raw materials. However, the stock has declined by about 10% in the last 6 months and the recent performance of associates and subsidiaries has been inconsistent. Accordingly, we would like to deep dive the company performance when the full year detail results are available. The results have been delayed due to delay in audit of one of its associate companies. For now, we continue to maintain Hold rating and place target price under review (UR).

### Valuation

OFMI is trading at 2024e P/E of 31.0x, representing a 1% discount compared to the historical average 1-year forward P/E of 31.3x. EV/EBITDA multiple of 17.8x, based on our FY24 estimate, represents a 5% discount compared to the historical average 1-year forward EV/EBITDA of 18.7x.

<b>Income Statement</b>											
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)	
Sales/Revenue	31.3	33.9	31.0	29.2	33.6	35.4	34.5	4%	5%	3%	
Expenses	(30.5)	(33.0)	(28.6)	(28.3)	(35.7)	(32.9)	(33.3)	0%	8%	-1%	
Net Profit (Loss) before tax	(0.4)	0.7	0.5	(0.7)	0.9	2.6	1.2	NM	NM	NM	
<b>Net Profit (Loss) after tax</b>	<b>0.7</b>	<b>0.5</b>	<b>0.2</b>	<b>(0.6)</b>	<b>0.7</b>	<b>2.2</b>	<b>0.8</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	
<b>Balance Sheet</b>											
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e	YoY (%)	QoQ (%)	Var (%)	
Shareholders' Equity	72.3	72.9	71.4	71.0	71.4	73.6	71.0	1%	3%	4%	
<b>Key Ratios</b>											
	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	1Q24e				
Net Profit Margin	2.2%	1.5%	0.8%	-2.1%	2.1%	6.1%	2.3%				
Return on Equity (RoE)	3.9%	2.8%	1.3%	-3.4%	4.0%	11.8%	4.5%				
Annualized EPS (OMR)	0.01	0.02	0.01	(0.01)	0.01	0.06	(0.01)				
BVPS (OMR)	0.46	0.46	0.45	0.45	0.45	0.47	0.45				
TTM P/E (x)											

Source: Financials, MSX, Bloomberg, U Capital Research


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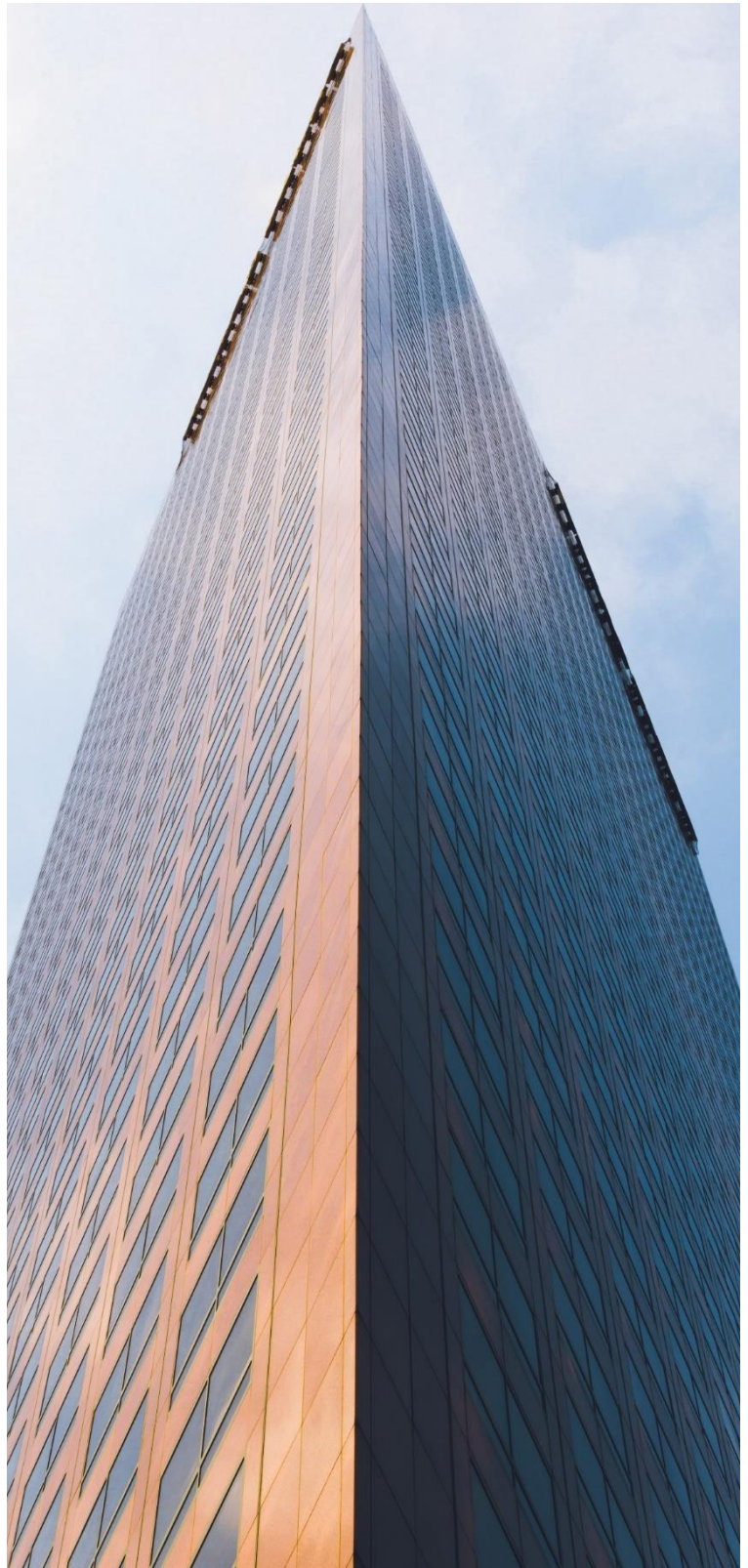
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## Disclaimer

### 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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