

Al Jazeera Steel (ATMI) - 4Q23 Result Review

Analyst: Neetika Gupta

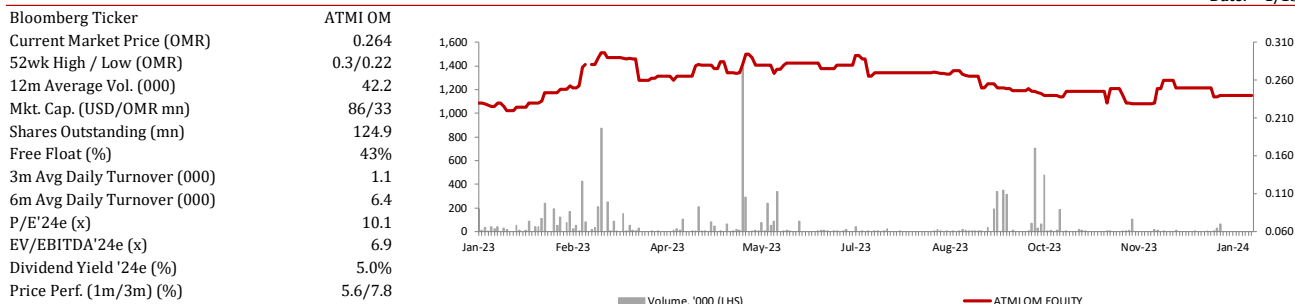
Previous Recommendation: Accumulate

Previous Reco. & Date: TP: OMR 0.276 per share; Accumulate on 22-October-2023

Target Price (OMR): 0.276

Upside / (Downside): 4.5%

Date: 1/15/2024



Revenue increased by 16% YoY, in line with our expectations

For 4Q23, ATMI recorded YoY revenue growth of 16% to reach OMR 38.5mn, which was in line with our expectation of OMR 36.7mn. The revenue grew 10% QoQ basis. For FY23, revenue declined 2.9% YoY due to lower steel demand for the major period during the year caused by weak global economic conditions.

Net profit grew 77% YoY, exceed our expectations

For 4Q23, the company's expenses increased by 14% YoY to OMR 36.8mn, which were in line with our expectations of OMR 35.8mn. However, the company exceeded our net profit expectations for 4Q23 and registered a total of OMR 1.7mn, thereby representing extraordinary YoY growth of 77%. For FY23, net profit grew by 31% YoY to OMR 4.1mn.

Maintain Accumulate rating

Bounce back in steel prices and expectations of demand recovery for steel is anticipated to benefit the company. The company is expanding its reach into other business segments as well as other geographic regions such as Europe, Africa etc. In order to reduce dependency on commodity disciplines they are exploring other segments like transmission towers, which offer greater price stability and higher returns. Accordingly, we are maintaining Accumulate rating for the stock as recommended in the investment update note published on 22nd October 2023.

Valuation

ATMI is trading at FY24e P/E of 10.1x, representing a 7% discount compared to the historical average 1-year forward P/E of 10.8x. Additionally, EV/EBITDA multiple of 6.9x, based on our FY24 estimate, represents a 2.8% discount compared to the historical average 1-year forward EV/EBITDA of 7.1x.

Income Statement													
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	33.5	33.3	38.0	33.6	35.0	38.5	36.7	16%	10%	5%	149.3	144.9	-2.9%
Expenses	34.2	32.3	36.5	33.0	34.5	36.8	35.8	14%	6%	3%	146.1	140.8	-3.6%
Net Profit (Loss) after tax	(0.6)	1.0	1.5	0.5	0.4	1.7	0.9	77%	312%	93%	3.1	4.1	31.3%
Balance Sheet													
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	48.6	49.5	49.2	49.7	50.1	51.8	51.0	5%	3%	2%			
Key Ratios													
	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Net Profit Margin	-1.9%	2.9%	3.9%	1.5%	1.2%	4.5%	2.4%						
Return on Equity (RoE)	-5.3%	7.8%	12.1%	4.1%	3.3%	13.2%	7.0%						
Annualized EPS (OMR)	(0.02)	0.03	0.05	0.02	0.01	0.05	0.03						
BVPS (OMR)	0.44	0.44	0.44	0.45	0.44	0.41	0.45						
TTM P/E (x)						8.0							

Source: Financials, MSX, Bloomberg, U Capital Research


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


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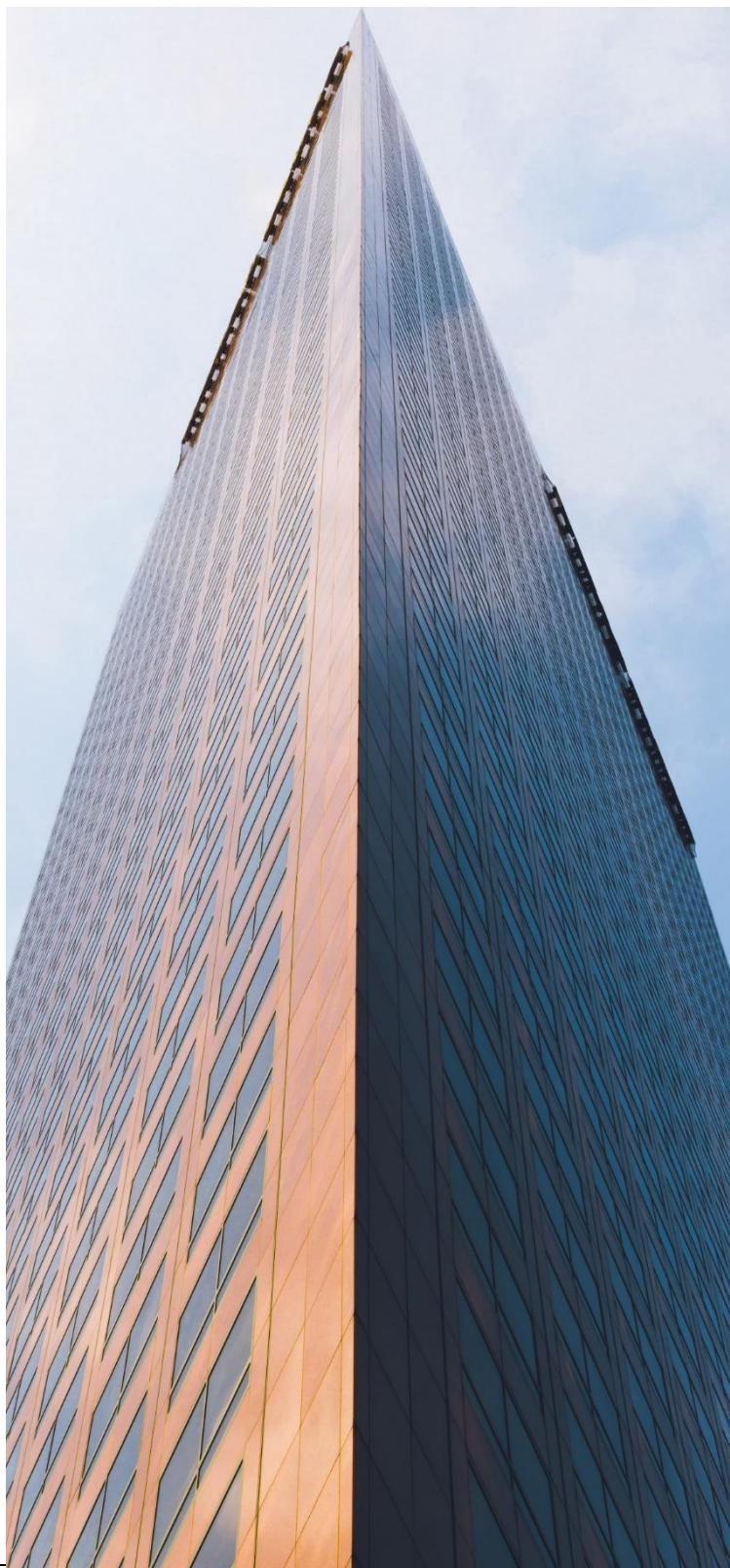
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Recommendation

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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