INVESTMENT RESEARCH | Oman

Telecom | Omantel

FY23 First Cut – Omantel

Revenue in line: Omantel reported full year consolidated revenue for 2023 at RO 2.9bn which was bang in line with our estimates. The revenue was 9.7% higher on a YoY basis. Domestic revenue for the year grew by 7.3% YoY to reach RO 606.5mn for the year 2023. The management has highlighted that the revenue growth came primarily from the wholesale transit voice segment and device sales. Retail revenue witnessed growth of 10.2% YoY with stability in prepaid subscribers, while fixed broad brand grew by 4.2% YoY. The stable revenue witnessed during the year is commendable considering the intense competition prevailing in the Oman telecom sector currently.

EBITDA margins decline on non-core sales: On a consolidated basis EBITDA margins declined by 190bps, while domestic EBITDA dropped by 232bps during the year largely on account of lower hubbing revenue and higher device sales all through the year. We expect EBITDA margins to remain stressed going forward as well with pressure on APRUs continuing and device sales contribution increasing.

Bottom line in line with estimates: Consolidated net profit for the company was reported at RO 74.8mn a decline of 18.1% YoY but marginally higher than our estimate of RO 73.3mn. The absence of tower sale revenue from previous year was offset by higher contribution from Zain and lower finance costs in 2023. Domestic net profit adjusting for the tower sale increased by 9.7% YoY for the year 2023, while it declined by 26.1% including the one-off item. The lower finance costs post restructuring of the balance sheet has had a positive impact on the company during 2023.

Lower dividend disappoints, retain HOLD rating and TP at RO 1.177 per share: The company has proposed a dividend of 55bz in March, similar to that of previous year. However, there is no mention of an additional 5bz as interim which was available in 2023, which is tad disappointing. We believe Omantel is in a transition phase, with significant changes in the balance sheet, making it leaner and more efficient company. The 4Q23 revenue numbers are in line with our estimates, while margins have scope to improve leading to higher bottom-line growth. Based on the announced results we do not see a reason to revise our estimates or target price of RO 1.177 which provides an upside of 8.9% from current price of RO 1.080. At current price the stock trades at 10.8x 2023 EPS and 5.1% dividend yield.

Consolidated Financials

in RO Mn	4Q23	3Q23	QoQ	4Q22	YoY	2023	2022	YoY
Revenue	750	753	-0.4%	701	7.0%	2,943	2,683	9.7%
EBITDA	229	272	-15.7%	273	-16.0%	1,040	999	4.1%
EBIDTA margin (%)	30.5%	36.0%		38.9%		35.3%	37.2%	
Profit to shareholders	**19**	**18**	**6.0%**	**42**	**-55.0%**	**75**	**91**	**-18.1%**
EPS (RO)	0.025	0.024	6.0%	0.055	-55.0%	0.100	0.122	-18.1%

Domestic performance

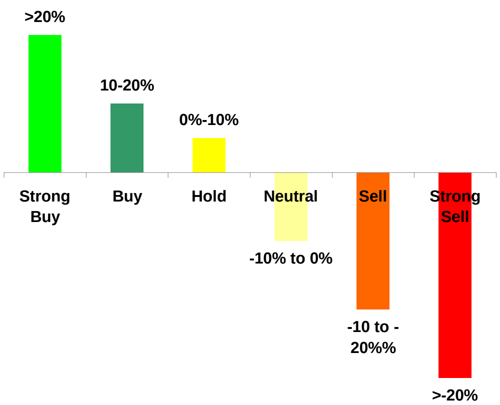
in RO Mn	4Q23	3Q23	QoQ	4Q22	YoY	2023	2022	YoY
Revenue	148	153	-2.8%	142	4.4%	607	566	7.3%
EBITDA	44	43	2.6%	37	20.2%	169	170	-1.0%
EBIDTA margin (%)	29.6%	28.1%		25.8%		27.8%	30.1%	
Net profit from cont ops	**9**	**15**	**-42.3%**	**3**	**207.1%**	**63**	**58**	9.7%
Net margin (%)	5.8%	9.8%		2.0%		10.4%	10.2%	
Gain on Tower sale	-	-		28		-	28	
Net profit	**9**	**15**	**-42.3%**	**31**	**-72.1%**	**63**	**86**	**-26.1%**

Key contacts

Research Team		
Joice Mathew	Manna Thomas ACCA	Contact Address
Sr. Manager - Research	Research Associate	P. O Box: 2566; P C 112
E-Mail: joice@usoman.com	Email: manna.t@usoman.com	Sultanate of Oman
Tel: +968 2476 3311	Tel: +968 2476 3347	Tel: +968 2476 3300

Rating Criteria and Definitions

Rating



Rating Definitions

Strong Buy	This recommendation is used for stocks whose current market price offers a deep discount to our 12-Month target price and has an upside potential in excess of 20%
Buy	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 10% to 20%
Hold	This recommendation is used for stocks whose current market price offers a discount to our 12-Month target price and has an upside potential between 0% to 10%
Neutral	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between 0% to -10%
Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential between -10% to -20%
Strong Sell	This recommendation is used for stocks whose current market price offers a premium to our 12-Month target price and has a downside side potential in excess of 20%
Not rated	This recommendation used for stocks which does not form part of Coverage Universe

Disclaimer