

Telecom

Ooredoo Oman

First Cut – Ooredoo (ORDS)

Slight miss in revenue: ORDS reported consolidated revenue for 1Q24 at RO 64.1mn which was 5.9% lower than our expectations and 2.7% lower on a YoY basis. We believe the stress in ARPUs on account of increasing competition is continuing this quarter as well. Further the overall growth in subscriber base has matured and with limited growth available, incumbent players are struggling to hold their market share. We have also witnessed the conversion to postpaid plans plateauing over the past couple of quarters resulting in limited increase in APRU.

Net income misses estimate by 9%; margins stabilize: The management has done a commendable job in controlling costs and keeping margins steady over the past few quarters albeit at lower levels compared to previous years. The net margins came in line with our expectation of 4.4% for 1Q24. The miss in revenue got carried down to earnings, which resulted in missing our estimates by 9.1%. The consolidated net profit for the company was reported at RO 2.81 mn, which was higher by 1.1% despite a decline in the revenue during the quarter. We believe net margins have bottomed out and are likely to hold around current level all through 2024.

Retain target price of RO 0.350 and HOLD rating: The telecom industry in Oman is going through a difficult phase with stagnant growth, need for continued investments and increasing competition. The new entrant Vodafone has been aggressive and has captured over 7% market share causing disruption in the industry. A potential decision on sale of Ooredoo Oman's passive infrastructure assets would be the only catalyst that we can expect in the near future which will bring significant cash into the company and an opportunity for special dividend. Owing to intensified competition, limited ARPU growth, and lower margins, we are maintaining our target price on the stock at RO 0.350/Share. Despite an upside potential of 17%, we maintain our HOLD rating on the name due to the macro headwinds the company faces. At current price the stock trades at 17x FY24E earnings and 5% dividend yield.

in RO Mn	1Q24	1Q23	YoY(%)	4Q23	QoQ (%)	2024e	2023	YoY (%)
Revenue	64.1	65.9	-2.7%	66.0	-2.9%	267.9	259.1	3.4%
Total expenses	-61.3	-63.1	-2.9%	-63.2	-3.0%	-256.4	-248.4	3.2%
Profit after tax	2.8	2.8	1.1%	2.9	-1.4%	11.5	10.8	7.2%
NPM	4.4%	4.2%		4.3%		4.3%	4.2%	
EPS (RO)	0.004	0.004	1.1%	0.004	-1.4%	0.018	0.017	7.2%

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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

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