

Ooredoo Oman(ORDS) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

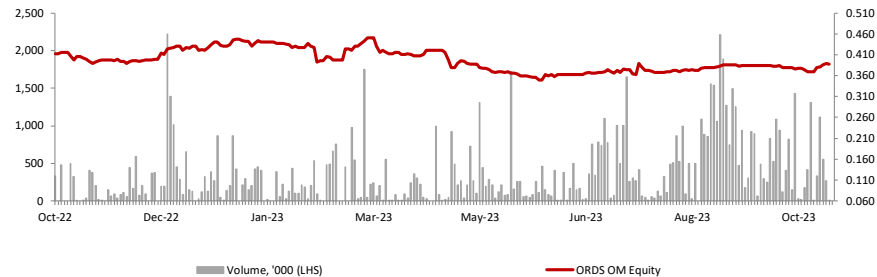
Target Price (OMR): **0.390**

Previous Reco. & Date: TP: OMR 0.390 per share; Hold on 03-Aug-2023

Upside / (Downside): **0.5%**

Date: **10/16/2023**

Bloomberg Ticker	ORDS OM
Current Market Price (OMR)	0.388
52wk High / Low (OMR)	0.452/0.35
12m Average Vol. (000)	360.7
Mkt. Cap. (USD/OMR mn)	656/253
Shares Outstanding (mn)	650.9
Free Float (%)	45%
3m Avg Daily Turnover (000)	230.4
6m Avg Daily Turnover (000)	178.9
P/E'23e (x)	19.1
P/Bv'23e (x)	3.3
Dividend Yield '23e (%)	5.5%
Price Perf. (1m/3m) (%)	0.8/3.7



Revenue fell by 7% YoY, in line with our expectation

ORDS reported a revenue decline of 7% YoY and 1% QoQ to reach OMR 63.2mn in 3Q23, which was in line with our expectation. For 9M23, revenue declined by ~2% YoY. The company is facing significant pressure from competition after the entry of another major telecom player in Oman resulting in a loss of market share. Especially within the prepaid segment the company's ARPU is under a lot of pressure.

Net profit decreased by 53% YoY, missed our expectations

The company's net profit decreased by 53% YoY to OMR 2.1mn in 3Q23, which was 33% below our expectations of OMR 3.1mn. During 9M23, net profit fell 44% YoY, which can be attributed to the costs associated with devices and higher interconnection costs. Moreover, the company's strategy to focus on the under-penetrated domestic postpaid market is coming at a higher cost resulting in pressure on margins.

Maintain a "Hold" Rating

In our investment update note published on 3rd August 2023, we downgraded the rating to Hold on the back of market share loss, pressure on ARPUs, and consequently margins. We maintain a Hold rating with a target price of OMR 0.390.

Valuation

ORDS is trading at 2023e P/E of 19.1x, representing an 17.6% premium compared to the historical average 1-year forward P/E of 16.2x. On the other hand, EV/EBITDA multiple of 3.3x, based on our FY23 estimate, represents a 3.4% discount compared to the historical average 1-year forward EV/EBITDA of 3.4x.

Income Statement													
(OMR mn)	2022	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M FY22	9M FY23	YoY (%)
Sales/Revenue	64.4	68.0	61.0	65.9	64.0	63.2	67.6	-7%	-1%	-6%	197.1	193.1	-2.0%
Total Net Expenses	59.2	63.5	55.9	63.1	61.0	61.1	64.4	-4%	0%	-5%	182.9	185.2	1.3%
Net Profit (Loss) after tax	5.2	4.5	5.1	2.8	3.0	2.1	3.1	-53%	-30%	-33%	14.2	7.9	-44.4%
Balance Sheet													
(OMR mn)	2022	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	251.8	256.3	261.3	251.0	254.0	256.1	257.1	0%	1%	0%			
Key Ratios													
	2022	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Net Profit Margin	8.1%	6.6%	8.3%	4.2%	4.7%	3.3%	4.6%						
Return on Equity (RoE)	8.3%	7.0%	7.8%	4.4%	4.7%	3.3%	4.8%						
Annualized EPS (OMR)	0.03	0.03	0.03	0.02	0.02	0.01	0.02						
BVPS (OMR)	0.39	0.39	0.40	0.39	0.39	0.39	0.40						
TTM P/E (x)						19.5							

Source: Financials, MSX, Bloomberg, U Capital Research


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


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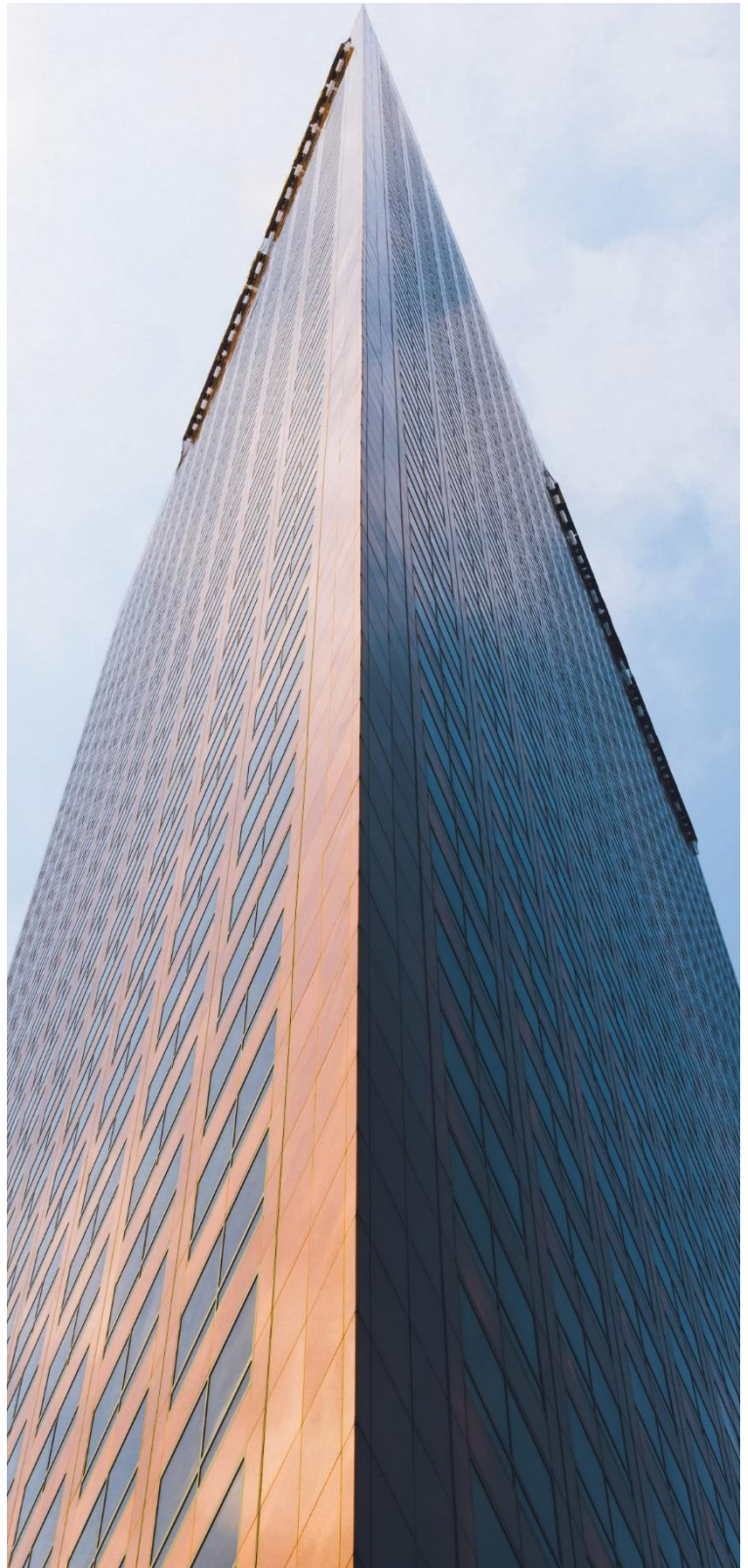
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Recommendation

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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