

Oman Flour Mills (OFMI) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

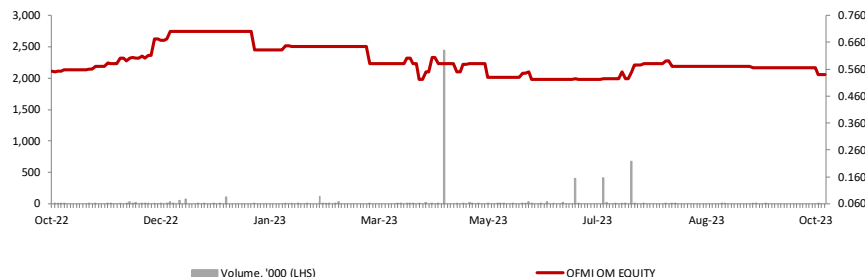
Previous Reco. & Date: TP: OMR 0.602 per share; Hold on 1-May-2023

Target Price (OMR): **0.602**

Upside / (Downside): 11.5%

Date: 10/16/2023

Bloomberg Ticker	OFMI OM
Current Market Price (OMR)	0.540
52wk High / Low (OMR)	0.7/0.52
12m Average Vol. (000)	19.3
Mkt. Cap. (USD/OMR mn)	221/85
Shares Outstanding (mn)	157.5
Free Float (%)	49%
3m Avg Daily Turnover (000)	6.4
6m Avg Daily Turnover (000)	19.2
P/E'23e (x)	27.6
EV/EBITDA'23e (x)	11.1
Dividend Yield '23e (%)	1.2%
Price Perf. (1m/3m) (%)	-4.6/3.1



Revenue increased by 3% YoY, in line with our expectation

The company reported 3% YoY revenue growth to reach OMR 30.8mn in 3Q23, which was in line with our estimates. In 9M23, revenue grew by 9% YoY basis.

Net income dropped, missed our expectations

The total expenses came in at OMR 33.0mn above our expectations of OMR 30.1mn. During 9M23, the company reported YoY drop of 87% in its net income to reach OMR 0.1mn. The decline in net income is due to the rise in overall expenses and the loss from associates and joint ventures.

Maintain a "Hold" rating

We expect the revenue of the company to increase led by the rising population and increasing per capita income in Oman. The company is among the leading food processing companies in Oman and stands to benefit from various government initiatives. However, we would be looking for additional color on timeline for payment of government subsidies. Accordingly, we maintain a Hold rating for the stock with a target price of OMR 0.602.

Valuation

OFMI is trading at 2023e P/E of 27.6x, representing a 22% Premium compared to the historical average 1-year forward P/E of 22.6x. EV/EBITDA multiple of 11.1x, based on our FY23 estimate, represents a 8% premium compared to the historical average 1-year forward EV/EBITDA of 10.2x.

Income Statement													
(OMR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	29.7	29.8	31.3	34.1	31.0	30.8	32.2	3%	-1%	-4%	88.2	95.8	8.6%
Expenses	(28.8)	(28.8)	(30.6)	(32.2)	(28.6)	(33.0)	(30.1)	-15%	-16%	-10%	(86.8)	(93.7)	-8.1%
Net Profit (Loss) before tax	0.6	0.4	(0.4)	0.7	0.5	(0.7)	0.7	NM	NM	NM	1.5	0.5	-68.6%
Net Profit (Loss) after tax	0.5	0.2	0.7	0.5	0.2	(0.6)	0.4	NM	NM	NM	1.0	0.1	-86.7%
Balance Sheet													
(OMR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	70.1	70.5	72.3	72.9	71.4	70.8	71.9	0%	-1%	-2%			
Key Ratios													
	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Net Profit Margin	1.6%	0.6%	2.2%	1.5%	0.8%	-2.0%	1.3%						
Return on Equity (RoE)	2.7%	1.1%	3.9%	2.8%	1.3%	-3.4%	2.3%						
Annualized EPS (OMR)	0.02	0.03	(0.01)	0.02	0.01	(0.02)	0.01						
BVPS (OMR)	0.44	0.45	0.46	0.46	0.45	0.45	0.46						
TTM P/E (x)													

Source: Financials, MSX, Bloomberg, U Capital Research


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

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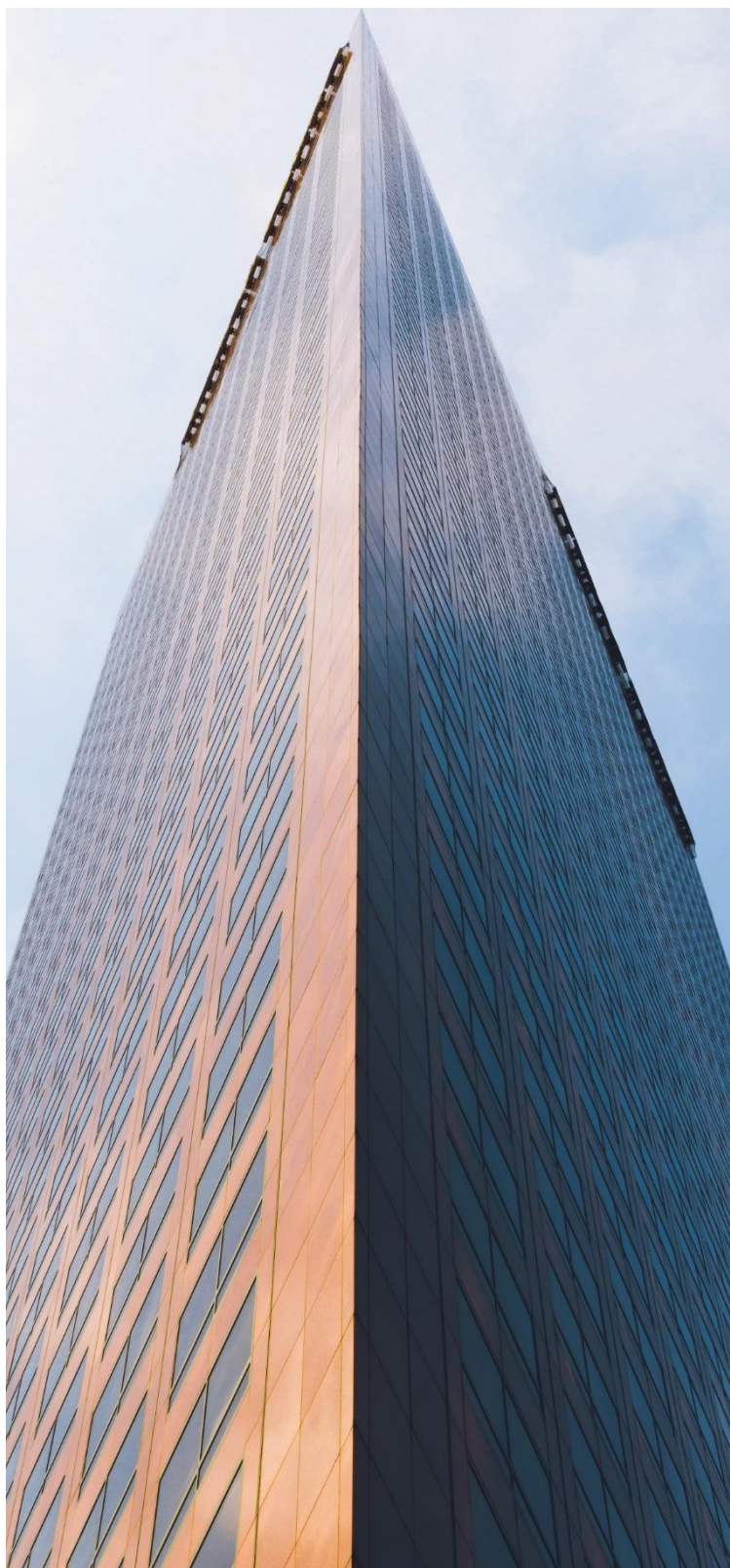
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Recommendation

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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