

Fuel Retail

Oman Oil Marketing	HOLD
12M Price Target (RO)	0.960
CMP (RO)	0.880
Potential Upside (%)	9.1%
Market Cap (RO mn)	55
P/B (2024E)	0.7x
P/E (2024E)	11.2x
EV/EBITDA (2024E)	4.5x
Dividend Yield (2024E)	5.8%
ROE (2024E)	5.9%
Shell Oman Marketing	HOLD
12M Price Target (RO)	0.822
CMP (RO)	0.810
Potential Upside (%)	1.5%
Market Cap (RO mn)	82
P/B (2024E)	1.5x
P/E (2024E)	17.6x
EV/EBITDA (2024E)	7.7x
Dividend Yield (2024E)	5.1%
ROE (2024E)	8.5%
Al Maha Petroleum Marketing	BUY
12M Price Target (RO)	1.199
CMP (RO)	1.030
Potential Upside (%)	16.4%
Market Cap (RO mn)	71
P/B (2024E)	1.5x
P/E (2024E)	10.4x
EV/EBITDA (2024E)	6.8x
Dividend Yield (2024E)	9.2%
ROE (2024E)	14.1%

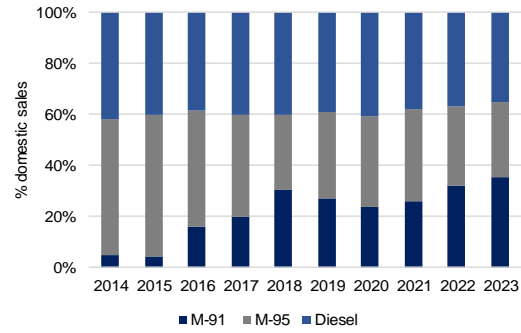
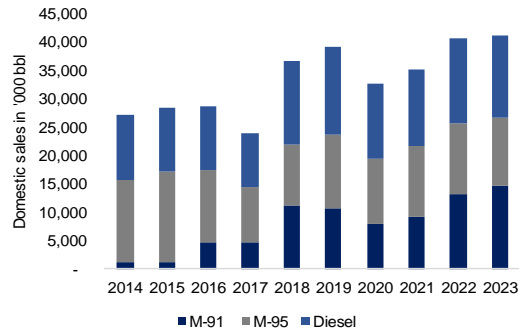
Oman Oil Marketing Sector – in a limbo

The story of Oil Marketing Companies (OMCs) in Oman revolves around the level of motor and jet fuel consumption in the country. This was one of the most defensive sectors with a robust business model, stable margins and providing steady dividends. Things changed post de-regulation of retail fuel prices in 2017 and significant margin erosion took place. Covid added to the demand destruction causing further stress. The three companies in the sector have managed this stress of stagnating demand, low margins and high competition in different ways. While the largest player Oman oil (OOMS) has looked outward for growth, Al Maha (MHAS) continues to focus on improving its operating metrics and address demand locally. The pioneer Shell Oman (SOMS) has been very cautious in adding stations in line with its global approach towards downstream and retailing fuel. The once homogenous industry is now offering differentiation in terms of margins and operational efficiency. Attempts made at refurbishing filling stations by introducing additional activities such as convenience stores, QSR, EV charging, warehousing, alternate fueling etc. has become a continuous process across the industry. The case for business makeover of fuel retailing is a global phenomenon, and Oman is no different. We believe the industry is currently in a limbo and at the cusp of a transformation. However, there are certain structural advantages in countries like Oman which continue to make the industry investment worthy.

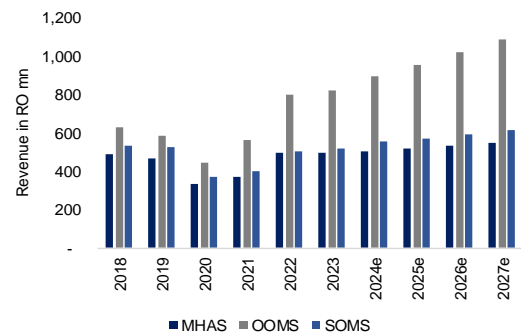
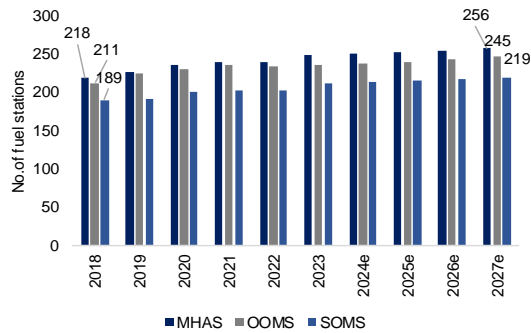
In the case of Oman, we are optimistic on this sector as we believe the ghosts of the past are behind and we look forward to a fiscally surplus economy. We are witnessing major project outlays; the ripple effect of which should trickle down to the population with more jobs being created leading to further improvements in already high standards of living. The enhanced income in the hands of young, affluent and educated citizens should get converted to more cars on the roads and longer miles driven in them. The anticipated economic expansion paves way for influx of foreigners as expatriate employees and tourists. Presence of an excellent road network, increased travel by young population, government's thrust on tourism sector development, and the absence of efficient public transport are strong reasons for rise in personal transport demand, which paves way for our positive outlook on the sector. We expect the demand from various strata of economy to improve further from here into the future, driven primarily by a new upward cycle in oil prices.

Further, the high levels of FCF generation capability of these companies, minimal supply side issues, commodity nature of business, all paves way for high operating leverage for OMCs. This, in turn, leads to high dividend pay-out making OMCs an attractive sector to consider for both income and growth oriented investors. At the current juncture we believe legacy issues are behind, investment into refurbishing stations almost completed and there is more clarity on the capex and fuel station additions. Based on this new outlook we have recalibrated our forecasts and ratings for the OMCs in Oman. We retain our BUY on Al Maha Petroleum (TP RO 1.199), reduce Oman Oil to HOLD (TP 0.960) and keep Shell Oman at HOLD (TP 0.822).

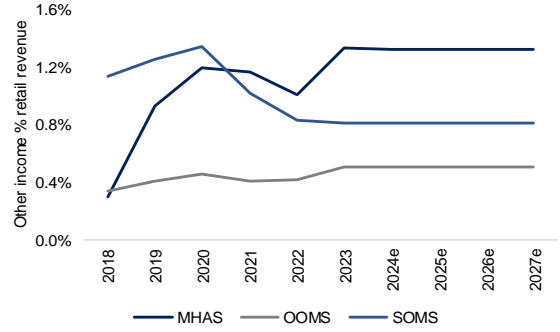
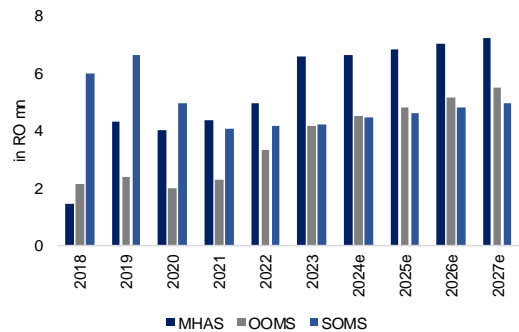
While overall consumption has remained stagnant, the preference for lower quality m91 has reduced realisation



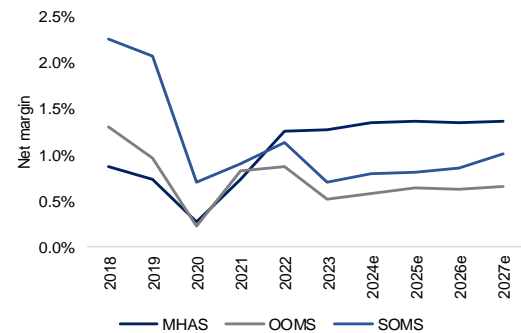
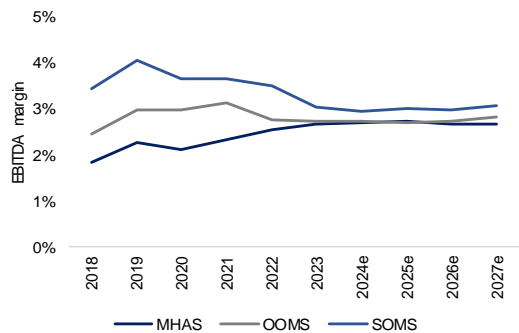
SOMS cautious on addition of fuel stations, while OOMS has been most aggressive reflecting in higher revenues



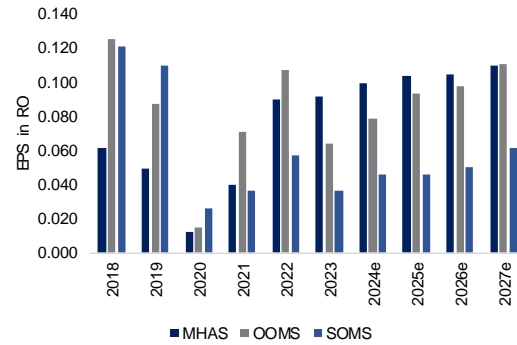
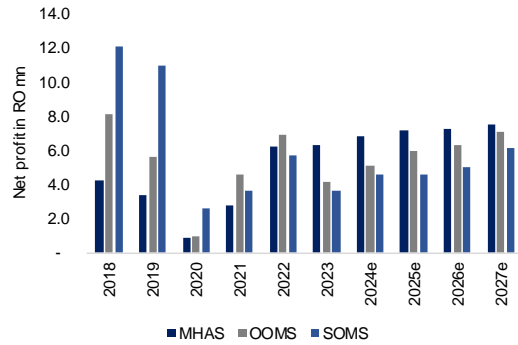
Other income includes car service, rentals, convenience store revenue; still a miniscule part of topline



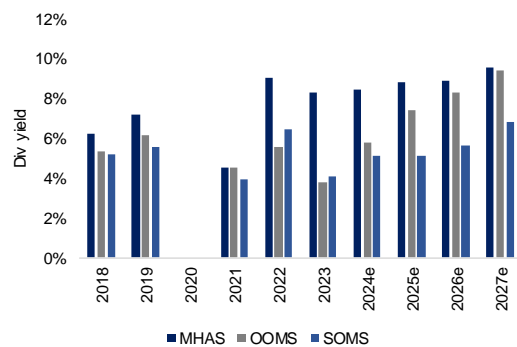
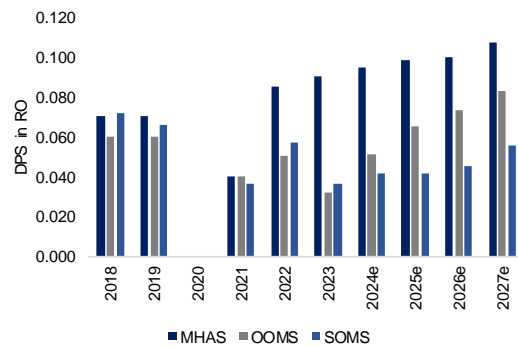
EBITDA margins have converged; net margins are closely correlated with limited differentiation



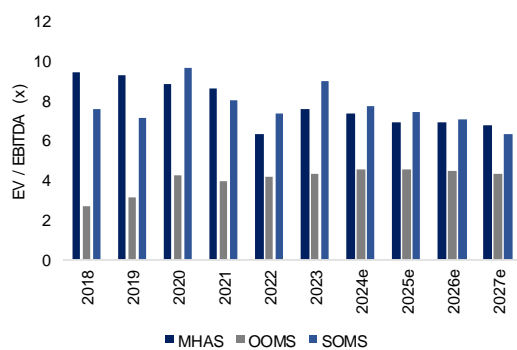
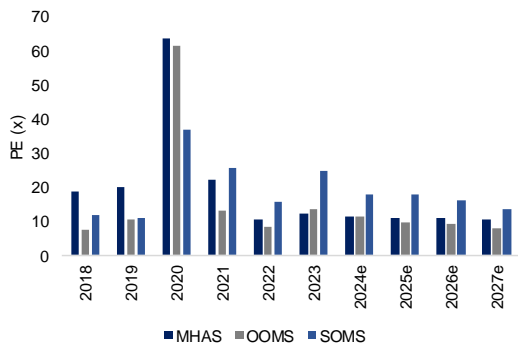
Net profits long way from the pre-deregulation days; profits struggling to pick up pace despite volume growth



Dividend amounts are not stable as it used to be, yield still above 5% provides regular cash flow



SOMS continues to trade at premium on a PE basis, OOMS most attractive on a EV/EBITDA valuation



Source: Company reports, US research

Fuel Retail

HOLD: 12M TP @ 0.960

Upside +9.1%

Valuation Summary (TTM)

Price (RO)	0.880
PER TTM (x)	13.7
P/Book (x)	0.7
P/Sales (x)	0.1
EV/Sales (x)	0.1
EV/EBITDA (x)	4.3
Dividend Yield (%)	3.6
Free Float (%)	24%
Shares O/S (mn)	65
YTD Return (%)	1%
Beta	0.6

	OMR	USD
Market Cap	55	142
Enterprise Value	96	248

Price performance (%)	1M	3M	12M
OOMS	4%	1%	-12%
MSX 30 Index	4%	5%	-3%
Industry Index	9%	21%	11%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (RO)	0	4	4
Avg Daily Volume (,000)	0	5	5

52 week	High	Low	CTL*
Price (RO)	1.165	0.800	10.0

* CTL is % change in CMP to 52wk low

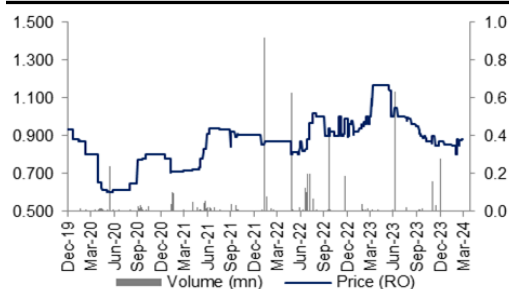
Major shareholders

OQ SAOC	46.3%
Civil Services Fund	13.2%
Social Protection Fund	9.8%
OIA	6.4%
Others	24.3%

Other details

Exchange	MSX
Sector	Fuel Retail
Index weight (%)	NA

Key ratios	2021	2022	2023
EPS (RO)	0.077	0.107	0.064
BVPS (RO)	1.212	1.279	1.288
DPS (RO)	0.040	0.050	0.032
Payout ratio (%)	52%	47%	50%



Oman Oil Marketing – overseas expansion

Oman Oil Marketing (OOMS) is the leading fuel retail company in Oman with 235 outlets in the country. The company also manages 30 outlets in Saudi and 12 in Tanzania. OOMS has a revenue market share of 44.7% as of 2023. Based on the five-year strategy rolled out in 2022 by the group, the company has been the most aggressive in adding fuel outlets domestically and internationally and we expect this trend to continue till 2026. In 2023, OOMS recorded its highest ever revenue of RO 819mn a growth 2.2% YoY. The revenue for 2023 was marginally higher than our estimate by 2.4%. Both Saudi and Tanzania operations have witnessed traction and revenues have more than doubled to RO 33mn (vs. RO 12.3mn in 2022) and RO 18mn (vs. RO 7.5mn in 2022) respectively. Other income which includes all operations in the forecourt other than fuel retailing such as car servicing, rental income, franchisee operations and Ahlain convenience stores grew by 25.1% YoY. The process of refurbishing outlets and improving operational efficiency is almost over and we can expect further growth from the non-fuel retail (NFR) segment going forward. Gross margins improved by 35bps during the year leading to a 7.5% growth in gross profit much higher than the revenue growth. However, the operating costs increased by 15.6% largely attributed to the Saudi operations and increases in leasing costs, which led to a decline in group operating profit by 4% YoY. EBITDA growth was moderated to 1.9% YoY and EBITDA margins stood at the same levels as the previous year at 2.72%. OOMS had taken a RO 20mn term loan in 2Q23 which lead to significant increase in finance cost during the year. Overall finance cost increased by 68.6% YoY thereby negatively impacting the net profit margin by 36bps. Net profit was reported at RO 4.1mn in 2023, lower by 40.2% YoY and missing our estimate by 19.1%. We expect OOMS to roll over the term deposit after its tenure of 2 years until the cash flows from its international operations reach steady state. Saudi operations reported a loss of RO 2.3mn (vs. loss of RO 1.1mn in 2022), while Tanzania is barely positive. The Duqm Bunker operations which were started in 2021 was affected by the ongoing Ukraine crisis leading to a loss of RO 1.7mn (vs. loss of RO 0.03mn in 2022). We believe the profitability in international operations and other subsidiaries will take more time than expected to breakeven. We expect revenue to grow by 7.5% CAGR (2023-27e) while net profit will increase at the rate of 14.5% CAGR (2023-27e) on the back of improvement in profitability. We arrive at a blended intrinsic value of RO 0.960/share, which provides and upside of 9.1% from current levels. OOMS paid a dividend of RO 0.032/share at a payout of 50%, which is 3.8% yield at current price. We expect payout to increase going forward as profits grow. We reduce our BUY rating on OOMS to HOLD based on our revised target price.

Valuations and outlook: OOMS has played by the book and is continuing to increase its volume share across Oman by adding outlets. The impetus provided by the parent OQ is a significant support for the company's growth. Realizing the saturation in the local market OOMS has ventured across the border to markets where potential is higher. This has entailed additional risks for the company and it would take couple of more years to be addressed. While we believe the company is best placed to capture any domestic upside in the volumes and will be the fastest growing fuel retailer, the bottom line will continue to drag and overshadow the valuation. At current price the stock trades at 11.2x 2024 PE.

Income Statement (in RO '000)	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Revenue	442,209	560,672	801,681	819,267	893,000	954,216	1,019,322	1,088,552
Other income	1,992	2,281	3,326	4,160	4,487	4,795	5,122	5,470
Total Revenue	444,201	562,953	805,007	823,427	897,487	959,011	1,024,444	1,094,022
Cost of Goods & Services	-411,885	-522,936	-753,246	-767,632	-835,671	893,319	954,782	1,019,629
Gross profit	32,316	40,016	51,760	55,795	61,816	65,692	69,662	74,394
Employee benefit expense	-5,739	-7,010	-6,605	-7,736	-8,975	-9,590	-9,220	-9,846
Depreciation	-10,759	-10,693	-11,759	-12,579	-14,215	-14,939	-16,318	-17,752
Other operating expenses	-12,665	-15,135	-21,395	-25,660	-28,576	-30,535	-32,618	-33,745
Other gains	-771	-372	-1,771	-	-	-	-	-
Operating profit	2,382	6,807	10,232	9,820	10,051	10,628	11,506	13,050
EBIDTA	13,141	17,500	21,990	22,399	24,265	25,567	27,824	30,802
Finance income	1,170	1,099	838	695	600	400	400	400
Finance costs	-2,142	-2,098	-2,532	-4,268	-4,511	-3,982	-4,533	-5,092
Impairment provisions	-35	-76	-135	-325	-200	-	-	-
Share of loss from associates	-27	-	-	-	-	-	-	-
Operating expense	-30,196	-33,913	-41,587	-49,873	-55,876	-58,646	-62,289	-66,035
Profit/Loss Before Tax	1,348	5,732	8,403	5,922	5,940	7,046	7,373	8,358
Taxation	-383	-1,156	-1,499	-1,794	-891	-1,057	-1,106	-1,254
Net Profit/Loss	966	4,576	6,904	4,128	5,049	5,989	6,267	7,104

Balance Sheet (RO '000)	2020	2021	2022	2023	2024e	2025e	2026e	2027e
PPE	54,135	56,774	54,869	53,629	56,349	59,078	61,948	64,967
Right to use asset	25,821	24,584	38,973	47,356	53,333	59,592	65,963	72,489
Deferred tax assets	1,051	1,143	1,724	2,021	2,021	2,021	2,021	2,021
Total Non-Current Assets	81,757	82,501	95,566	103,324	111,703	120,691	129,933	139,477
Current Inventories	4,519	6,651	15,080	8,709	10,012	14,385	15,367	16,410
Trade and current receivables	40,001	69,693	101,882	95,866	108,672	114,506	122,319	126,054
Cash and bank balance	20,501	12,874	13,778	27,176	27,353	32,758	33,930	35,217
Total current assets	65,021	89,218	131,326	131,751	146,036	161,649	171,615	177,681
Total Assets	146,778	172,171	226,892	235,075	257,739	282,340	301,548	317,158
Share capital	6,450	6,450	6,450	6,450	6,450	6,450	6,450	6,450
Other reserves	2,150	2,150	2,150	1,800	1,800	1,800	1,800	1,800
Retained earnings	64,993	69,569	73,893	74,797	77,782	80,489	82,564	84,968
Total equity	73,593	78,169	82,493	83,047	86,032	88,739	90,814	93,218
Non-current provisions for employee benefit	325	280	199	221	364	384	369	394
Borrowings	-	-	-	20,000	20,034	18,034	16,034	14,034
Non-current lease liabilities	21,218	21,072	32,888	43,558	52,170	62,776	73,465	84,296
Total non-current liabilities	21,543	21,351	33,086	63,779	72,568	81,193	89,867	98,723
Other current provisions	200	200	200	200	200	200	200	200
Trade and other current payables	46,927	67,889	92,852	79,561	88,972	100,696	107,567	114,872
Borrowings, current	-	-	10,000	1,034	1,034	1,034	1,034	1,034
Current lease liabilities	3,797	3,078	4,459	3,488	7,114	8,560	10,018	11,495
Current tax liabilities	717	1,352	2,295	2,213	1,820	1,918	2,049	2,188
Total current liabilities	51,641	72,650	111,312	88,249	99,140	112,408	120,867	129,789
Total liabilities	73,184	94,001	144,399	152,028	171,708	193,601	210,734	228,512
Total equity and liabilities	146,778	172,171	226,892	235,074	257,739	282,340	301,548	321,730

Cash Flow (RO '000)	2020	2021	2022	2023	2024e	2025e	2026E	2027E
Cash from operations	14,439	3,383	3,705	15,053	18,321	27,690	26,605	34,231
Investing cash flow	-12,720	-285	-4,001	-4,644	-9,656	-9,942	-10,593	-11,286
Financing cash flow	-7,873	-3,724	1,199	3,025	-3,064	-5,282	-6,192	-6,700
Change in cash	-6,154	-626	903	13,399	177	5,405	1,172	1,287
Beginning cash	19,655	13,501	12,875	13,778	27,176	27,353	32,758	33,930
Ending cash	13,501	12,875	13,778	27,176	27,353	32,758	33,930	35,217

Ratio Analysis	2020	2021	2022	2023	2024e	2025e	2026E	2027E
Per share								
EPS (RO)	0.015	0.071	0.107	0.064	0.078	0.093	0.097	0.110
BVPS (RO)	1.141	1.212	1.279	1.288	1.334	1.376	1.408	1.445
DPS (RO)	-	0.040	0.050	0.032	0.051	0.065	0.073	0.083
FCF per share (RO)	0.027	0.048	-0.005	0.161	0.134	0.275	0.248	0.356
Valuation Ratios								
Market Cap (RO ,000)	51,084	57,276	58,050	54,825	56,760	56,760	56,760	56,760
EV (RO,000)	55,599	68,551	91,620	95,729	109,758	114,405	123,380	132,401
P/E (x)	61.4	13.0	8.4	13.3	11.2	9.5	9.1	8.0
EV/EBITDA (x)	4.2	3.9	4.2	4.3	4.5	4.5	4.4	4.3
Price/Book (x)	0.8	0.8	0.7	0.7	0.7	0.6	0.6	0.6
Dividend Yield (%)	0.0%	4.5%	5.6%	3.8%	5.8%	7.4%	8.3%	9.4%
Price to sales (x)	0.12	0.10	0.07	0.07	0.06	0.06	0.06	0.05
EV to sales (x)	0.13	0.12	0.11	0.12	0.12	0.12	0.12	0.12
Liquidity								
Cash Ratio (x)	0.4	0.2	0.1	0.3	0.3	0.3	0.3	0.3
Current Ratio (x)	1.3	1.2	1.2	1.5	1.5	1.4	1.4	1.4
Quick Ratio (x)	1.2	1.1	1.0	1.4	1.4	1.3	1.3	1.2
Return Ratios								
ROA (%)	0.7%	2.7%	3.0%	1.8%	2.0%	2.1%	2.1%	2.2%
ROE (%)	1.3%	5.9%	8.4%	5.0%	5.9%	6.7%	6.9%	7.6%
ROCE (%)	1.0%	4.6%	6.0%	2.8%	3.2%	3.5%	3.5%	3.8%
Cash Cycle								
Inventory turnover (x)	91	79	50	88	83	62	62	62
Accounts Payable turnover (x)	9	8	8	10	9	9	9	9
Receivables turnover (x)	11	8	8	9	8	8	8	9
Inventory days	4	5	7	4	4	6	6	6
Payable Days	42	47	45	38	39	41	41	41
Receivables days	33	45	46	42	44	44	44	42
Cash Cycle	-5	2	9	9	10	8	8	7
Profitability Ratio								
Gross Margins (%)	7.3%	7.1%	6.4%	6.8%	6.9%	6.9%	6.8%	6.8%
EBITDA Margins (%)	3.0%	3.1%	2.7%	2.7%	2.7%	2.7%	2.7%	2.8%
PBT Margins (%)	0.3%	1.0%	1.0%	0.7%	0.7%	0.7%	0.7%	0.8%
Net Margins (%)	0.2%	0.8%	0.9%	0.5%	0.6%	0.6%	0.6%	0.6%
Effective Tax Rate (%)	28.4%	20.2%	17.8%	30.3%	15.0%	15.0%	15.0%	15.0%
Leverage								
Total Debt (RO ,000)	25,015	24,150	47,347	68,080	80,351	90,403	100,550	110,858
Net Debt (RO ,000)	4,515	11,275	33,570	40,904	52,998	57,645	66,620	75,641
Net Debt/EBITDA (x)	0.3	0.6	1.5	1.8	2.2	2.3	2.4	2.5
Debt/Equity (x)	0.1	0.1	0.4	0.5	0.6	0.6	0.7	0.8

Fuel Retail

HOLD: 12M TP @ 0.822

Upside + 1.5%

Valuation Summary (TTM)

Price (RO)	0.810
PER TTM (x)	22.4
P/Book (x)	1.5
P/Sales (x)	0.2
EV/Sales (x)	0.3
EV/EBITDA (x)	8.9
Dividend Yield (%)	4.4
Free Float (%)	54%
Shares O/S (mn)	100
YTD Return (%)	-2%
Beta	0.5

(mn)	OMR	USD
Market Cap	82	214
Enterprise Value	134	347

Price performance (%)	1M	3M	12M
SOMS	1%	-2%	2%
MSX 30 Index	4%	5%	-3%
Industry Index	9%	21%	11%

Trading liquidity (,000)	1M	3M	6M
Avg daily turnover (RO)	0	1	4
Avg Daily Volume (,000)	1	1	4

52 week	High	Low	CTL*
Price (RO)	0.984	0.788	2.8

* CTL is % change in CMP to 52wk low

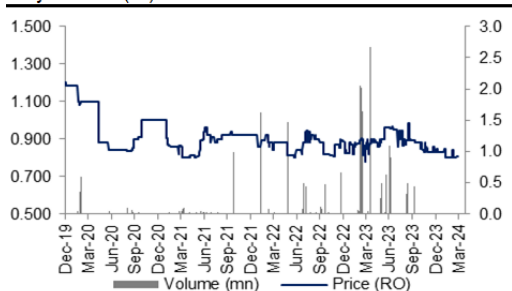
Major shareholders

B V DORDTSCH	19.7%
Shell Overseas Invst	15.8%
Shell Petroleum NV	10.6%
Others	53.9%

Other details

Exchange	MSX
Sector	Fuel Retail
Index weight (%)	1.41%

Key ratios	2021	2022	2023
EPS (RO)	0.036	0.057	0.036
BVPS (RO)	0.535	0.556	0.535
DPS (RO)	0.036	0.057	0.036
Payout ratio (%)	100%	100%	100%



Shell Oman Marketing – moving cautiously

Shell Oman Marketing (SOMS) is the oldest fuel retailer in Oman with operations spanning over six decades. The global parentage has aided the Omani subsidiary in introducing products of global standard and provide customer satisfaction using the latest technology. SOMS despite being the pioneer has been much slower over the past five years in adding outlets in Oman. The focus has clearly shifted from being expansive to becoming profitable. This strategy has resulted in mobility revenue which contributed to 84% of the total topline, declining by 1.5% YoY in 2023. Overall revenue for the company grew by 3.9% YoY in 2023, on the back of significant growth in the aviation segment. Aviation currently contributes 10% to the topline and grew by 128% during the year. The non-fuel revenue (NFR) which primarily includes the revenue from convenience stores, franchisee fees, aviation commission and fuel cards has been flattish unlike competitors which had witnessed strong double digit growth. The company operates 57 Shell select branded stores across its various forecourts and owns the Shell café' brand. Direct costs increased faster than revenue leading to a 27bps decline in gross margins. As a result, gross profit growth remained flattish for the year 2023 at 0.37%. The management cited an increase in expense related to re-organizing the company, improve technology, future proof the business and higher provision for receivables. We believe this may not be recurring and gross margins will move higher from 2024 onwards. Operating costs also increased by 6.5% during the year which accentuated the margin compression at the operating level. Operating profit declined by 20.2% YoY, while EBITDA was lower by 10.2%. We forecast EBITDA margins to remain around the same level of 3% going forward. SOMS has increased its short term working capital borrowings during the year which led to a higher interest cost. While leasing cost remained stable, the higher interest cost led to a 25.2% YoY increase in overall finance cost. The overall increase in costs had a significant negative impact on the bottom line during 2023. Net profit declined by 36.8% YoY in 2023 with the company reporting a surprise loss of RO 190k in 4Q23. Based on the current result we lower our 2024 revenue forecast to RO 551mn (vs. earlier estimate of RO 564mn) and net profit to RO 4.6mn (vs. earlier estimate of RO 7mn). We arrive at a blended intrinsic value of RO 0.822/share, which does not provide much upside from current levels. We rate SOMS HOLD based on the revised target price and modest growth outlook on the company.

Valuations and outlook: SOMS has lost its leadership position in the market and is currently stagnating in terms of topline growth. Further the Omani fuel retail volumes are also not witnessing growth making it difficult for domestic oriented players. The company has paid dividends at the rate of 100% payout in the last three years indicating that there will be very limited capex going forward. On a PE basis the company remains expensive at 17.6x 2024e EPS and a dividend yield of 4%. We believe at the current price the stock is fully valued and has limited upside. The company will warrant a re-rating only if it evidences profit growth and margin stability over the near term.

Income Statement (in RO '000)	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Revenue	367,090	398,429	499,912	519,466	551,941	571,052	590,773	611,123
Other income	4,927	4,035	4,146	4,188	4,451	4,605	4,764	4,928
Total Revenue	372,017	402,464	504,058	523,654	582,548	575,657	595,537	616,052
Cost of Goods & Services	-339,855	-368,390	-464,545	-483,995	-514,247	-532,483	-550,872	-569,848
Gross profit	32,162	34,074	39,513	39,659	42,145	43,174	44,665	46,204
Selling and distribution expenses	-27,110	-28,030	-30,432	-32,411	-33,929	-35,115	-36,328	-36,963
Operating profit	5,052	6,044	9,081	7,248	8,216	8,059	8,338	9,241
EBIDTA	13,477	14,589	17,547	15,754	17,004	17,114	17,627	18,708
Finance income	26	20	22	14	40	50	50	50
Finance costs	-2,001	-1,797	-2,366	-2,963	-2,830	-2,714	-2,450	-2,062
Profit/Loss Before Tax	3,077	4,267	6,737	4,299	5,426	5,395	5,937	7,228
Taxation	-493	-656	-1,031	-696	-814	-809	-891	-1,084
Net Profit/Loss	2,584	3,611	5,706	3,603	4,612	4,586	5,047	6,144

Balance Sheet (RO '000)	2020	2021	2022	2023	2024e	2025e	2026e	2027e
PPE	54,882	56,843	60,527	63,888	65,822	67,431	69,029	68,473
Right to use asset	29,755	27,986	38,849	39,816	40,163	40,436	40,269	40,228
Total Non-Current Assets	84,706	84,878	99,663	104,212	106,135	108,017	109,447	108,851
Current Inventories	6,646	8,551	10,695	7,364	7,714	7,987	8,263	8,548
Trade and current receivables	33,901	39,222	47,207	52,194	58,255	57,566	59,554	61,605
Cash and bank balance	4,607	8,796	6,928	3,997	1,920	3,572	2,355	1,895
Total current assets	45,154	56,569	64,830	63,555	67,888	69,125	70,172	72,048
Total Assets	129,860	141,447	164,493	167,767	174,023	177,142	179,619	180,899
Share capital	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Other reserves	3,587	3,587	3,587	3,587	3,587	3,587	3,587	3,587
Retained earnings	36,302	39,913	42,019	39,922	40,934	45,084	49,212	53,754
Total equity	49,889	53,500	55,606	53,509	54,521	58,671	62,799	67,341
Provisions for employee benefits	301	280	187	150	150	150	150	150
Borrowings	6,667	3,334	-	-	-	-	-	-
Non-current lease liabilities	25,770	24,216	35,975	37,397	36,075	34,778	33,815	33,141
Total non-current liabilities	32,789	27,868	36,162	37,547	36,225	34,928	33,965	33,291
Trade and other current payables	40,003	52,890	60,430	57,658	66,852	69,223	71,613	74,080
Borrowings, current	3,333	3,333	8,334	15,000	13,000	11,000	8,000	3,000
Current lease liabilities	3,375	3,063	2,773	3,081	2,925	2,820	2,742	2,687
Current tax liabilities	282	667	1,176	935	500	500	500	500
Total current liabilities	47,182	60,079	72,725	76,711	83,277	83,543	82,855	80,267
Total liabilities	79,971	87,947	108,887	114,258	119,502	118,471	116,820	113,559
Total equity and liabilities	129,860	141,447	164,493	167,767	174,023	177,142	179,619	180,899

Cash Flow (RO '000)	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Cash from operations	18,057	18,441	12,117	10,720	19,827	19,950	17,804	18,888
Investing cash flow	-2,541	-5,334	-6,604	-8,789	-6,991	-6,908	-7,146	-12,321
Financing cash flow	-18,422	-8,918	-7,381	-4,862	-13,231	-13,504	-14,088	-16,025
Change in cash	-2,906	4,189	-1,868	-2,931	-2,077	1,652	-1,217	-460
Beginning cash	7,513	4,607	8,796	6,928	3,997	1,920	3,572	2,355
Ending cash	4,607	8,796	6,928	3,997	1,920	3,572	2,355	1,895

Ratio Analysis	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Per share								
EPS (RO)	0.026	0.036	0.057	0.036	0.046	0.046	0.050	0.061
BVPS (RO)	0.499	0.535	0.556	0.535	0.545	0.587	0.628	0.673
DPS (RO)	-	0.036	0.057	0.036	0.042	0.041	0.045	0.055
FCF per share (RO)	0.155	0.131	0.055	0.019	0.128	0.130	0.107	0.066
Valuation Ratios								
Market Cap (RO ,000)	95,200	91,200	88,800	89,200	81,000	81,000	81,000	81,000
EV (RO,000)	129,738	116,350	128,954	140,681	131,080	126,026	123,202	117,933
P/E (x)	36.8	25.3	15.6	24.8	17.6	17.7	16.0	13.2
EV/EBITDA (x)	9.6	8.0	7.3	8.9	7.7	7.4	7.0	6.3
Price/Book (x)	1.9	1.7	1.6	1.7	1.5	1.4	1.3	1.2
Dividend Yield (%)	0.0%	3.9%	6.4%	4.0%	5.1%	5.1%	5.6%	6.8%
Price to sales (x)	0.26	0.23	0.18	0.17	0.14	0.14	0.14	0.13
EV to sales (x)	0.35	0.29	0.26	0.27	0.23	0.22	0.21	0.19
Liquidity								
Cash Ratio (x)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Current Ratio (x)	1.0	0.9	0.9	0.8	0.8	0.8	0.8	0.9
Quick Ratio (x)	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.8
Return Ratios								
ROA (%)	2.0%	2.6%	3.5%	2.1%	2.7%	2.6%	2.8%	3.4%
ROE (%)	5.2%	6.7%	10.3%	6.7%	8.5%	7.8%	8.0%	9.1%
ROCE (%)	3.1%	4.4%	6.2%	4.0%	5.1%	4.9%	5.2%	6.1%
Cash Cycle								
Inventory turnover (x)	51	43	43	66	67	67	67	67
Accounts Payable turnover (x)	8	7	8	8	8	8	8	8
Receivables turnover (x)	11	10	11	10	10	10	10	10
Inventory days	7	8	8	6	5	5	5	5
Payable Days	43	52	47	43	47	47	47	47
Receivables days	33	36	34	36	37	37	37	37
Cash Cycle	-3	-8	-5	-2	-5	-5	-5	-5
Profitability Ratio								
Gross Margins (%)	8.6%	8.5%	7.8%	7.6%	7.2%	7.5%	7.5%	7.5%
EBITDA Margins (%)	3.6%	3.6%	3.5%	3.0%	2.9%	3.0%	3.0%	3.0%
PBT Margins (%)	0.8%	1.1%	1.3%	0.8%	0.9%	0.9%	1.0%	1.2%
Net Margins (%)	0.7%	0.9%	1.1%	0.7%	0.8%	0.8%	0.8%	1.0%
Effective Tax Rate (%)	-16.0%	-15.4%	-15.3%	-16.2%	-15.0%	-15.0%	-15.0%	-15.0%
Leverage								
Total Debt (RO ,000)	39,145	33,946	47,082	55,478	52,000	48,598	44,557	38,828
Net Debt (RO ,000)	34,538	25,150	40,154	51,481	50,080	45,026	42,202	36,933
Debt/Capital (x)	3.9	3.4	4.7	5.5	5.2	4.9	4.5	3.9
Debt/Total Assets (x)	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.2
Debt/Equity (x)	0.7	0.5	0.7	1.0	0.9	0.8	0.7	0.5

Fuel Retail

BUY: 12M TP @ 1.199

Upside + 16.4%

Valuation Summary (TTM)

Price (RO)	1.030
PER TTM (x)	11.2
P/Book (x)	1.5
P/Sales (x)	0.1
EV/Sales (x)	0.2
EV/EBITDA (x)	7.5
Dividend Yield (%)	8.7
Free Float (%)	37%
Shares O/S (mn)	69
YTD Return (%)	-6%
Beta	0.5

(mn)	OMR	USD
Market Cap	71	185
Enterprise Value	95	247
Price performance (%)	1M	3M 12M
AI Maha Petroleum	-6%	-1% -10%
MSX 30 Index	4%	5% -3%
Industry Index	9%	21% 11%
Trading liquidity (,000)	1M	3M 6M
Avg daily turnover (RO)	3	3 3
Avg Daily Volume (,000)	3	3 3

52 week	High	Low	CTL*
Price (RO)	1.150	0.955	7.9

* CTL is % change in CMP to 52wk low

Major shareholders

ABS Lubricants	40.0%
Civil Services Fund	13.2%
Social Protection Fund	10.0%
Others	36.9%

Other details

Exchange	MSX
Sector	Fuel Retail
Index weight (%)	NA

Key ratios	2021	2022	2023
EPS (RO)	0.040	0.090	0.091
BVPS (RO)	0.639	0.689	0.695
DPS (RO)	0.040	0.085	0.090
Payout ratio (%)	100%	94%	99%



AI Maha Petroleum – Buy for dividends

AI Maha Petroleum (MHAS) is the second largest fuel retailer with 248 fuel stations across the country. The company has been a steady player in the sector with constant addition of network and emphasis on the border areas thereby reaping the benefits of price differential. MHAS was initially started by the government, the stake was later divested to ABS Lubricants group of Abu Dhabi. ABS currently holds 40% of the shares in the company and government related entities have 28%. Revenue remained flattish for 2023 at a growth of just 0.2% YoY, despite a 3% volume growth in retail sales and 7% increase in volume on the commercial segment. We believe the realization in the commercial segment has declined significantly causing the stagnation in the top line growth. Aviation sales volume increased by 19% during the year albeit from a small base and on the back of receiving the Oman air contract for the next 5 years. Non fuel revenue (NFR) increased by 33% YoY contributed largely by the fuel farm management contract from which the company received RO 1.09mn in 2023. This year also witnessed increased sales in convenience stores, fuel card income and higher revenue from rentals. Significant control over fuel station management costs led to the gross margins increasing by 68bps and gross profit grew by 6.3% YoY. Operating profit also grew faster than the revenue at 9.7% YoY, while EBITDA increased by 5% YoY indicating superior operating metrics. The company earned a finance income of RO 1.8mn which was offset by a 49% increase in finance cost caused by higher drawdown of short term borrowing (RO 59mn vs RO 43mn in the previous year). The net increase in finance cost set-off all the benefits of the improvement in operating metrics resulting in a net profit of RO 6.3mn a growth of only 2% YoY. MHAS has been consistently looking to improve its operations by adding stations and refurbishing them. The company is expected to continue this trend going forward. We are also positive on the improvement in operational efficiencies and expansion of service lines which could fetch additional incomes. The company recently distributed RO 0.090 per share as dividend which was 98% payout for the year and a yield of 8.7% at current price. Our blended valuation approach provides a target price of RO 1.199 per share which is higher than the current price by 16.4%. The current price is adjusted for the recently distributed dividend. We rate the stock BUY based on the potential upside from current levels.

Valuation and outlook: MHAS is a domestic focused player and has the highest proportion of commercial business (16%) differentiating it from peers. We expect the company to be biggest beneficiary once the demand improves in this bulk fuel segment. MHAS has added filling stations in line with domestic demand and matched industry rate of growth. However, it has been a laggard in terms of profit per filling station. The management is cognizant of this fact and has taken steps to resolve the same going forward. Such steps include refurbishing old stations, add new ones only in lucrative areas, introduce loyalty schemes to entice customers, provide high quality products at convenience stores and finally use technology to improve efficiency and cost of operations. We believe, once these gaps are filled there will be an improvement in profitability and it will warrant a re-rating in valuations. At current price the stock trades at 10.4x 2024e PE.

Income Statement (in RO '000)	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Revenue	333,762	372,907	492,731	493,810	502,653	516,808	531,328	546,222
Other income	3,991	4,332	4,949	6,578	6,621	6,807	6,998	7,194
Total revenue	337,753	377,239	497,680	500,388	509,274	523,615	538,326	553,416
COGS	-313,673	-350,067	-465,237	-465,909	-473,914	-486,962	-500,913	-514,954
Gross profit	24,080	27,172	32,443	34,479	35,360	36,653	37,414	38,462
Employee benefit expense	-5,406	-5,829	-6,541	-7,063	-7,130	-7,331	-7,537	-7,748
Depreciation	-5,153	-5,111	-4,772	-4,643	-4,503	-4,801	-5,032	-5,272
Other operating expenses	-11,606	-12,627	-12,275	-12,301	-12,611	-13,090	-13,458	-13,835
Other gains	-	-	-1,061	-1,923	-2,037	-2,094	-2,153	-2,214
Operating profit	1,915	3,605	7,794	8,549	9,079	9,337	9,233	9,393
EBIDTA	7,068	8,716	12,566	13,192	13,582	14,138	14,266	14,666
Finance income	916	1,985	1,422	1,792	1,600	1,600	1,600	1,600
Finance costs	-1,810	-2,283	-1,899	-2,838	-2,611	-2,540	-2,329	-2,118
Profit before tax	1,021	3,307	7,317	7,503	8,068	8,396	8,504	8,875
Taxation	-158	-547	-1,125	-1,190	-1,210	-1,259	-1,276	-1,331
Net Profit	863	2,760	6,192	6,313	6,858	7,137	7,228	7,544

Balance Sheet (RO '000)	2020	2021	2022	2023	2024E	2025E	2026E	2027E
PPE	30,366	28,859	28,191	29,428	30,468	31,353	32,153	32,865
Right of use asset	4,072	4,058	6,368	6,296	6,446	6,519	6,608	6,712
Other non current assets	6,683	6,616	6,320	5,866	5,866	5,866	5,866	5,866
Total non-current assets	41,121	39,533	40,879	41,590	42,780	43,738	44,627	45,443
Current Inventories	3,383	3,878	3,824	4,013	4,332	4,383	4,508	4,635
Trade and current receivables	42,301	58,428	69,647	76,560	76,790	78,542	80,749	79,415
Cash and bank balance	41,234	32,906	35,241	42,389	34,728	35,336	29,511	23,976
Other current non-financial assets	1,159	1,952	1,952	1,952	1,952	1,952	1,952	1,952
Total current assets	88,077	97,164	110,664	124,914	117,802	120,213	116,720	109,978
Total Assets	129,198	136,697	151,543	166,504	160,582	163,951	161,347	155,421
Share capital	6,900	6,900	6,900	6,900	6,900	6,900	6,900	6,900
Other reserves	4,404	4,404	4,404	4,404	4,404	4,404	4,404	4,404
Retained earnings	30,032	32,792	36,224	36,672	37,320	37,942	38,390	39,067
Total equity	41,336	44,096	47,528	47,976	48,624	49,246	49,694	50,371
Total equity	41,336	44,096	47,528	47,976	48,624	49,246	49,694	50,371
End of service benefits	211	199	235	251	257	264	271	279
Lease liabilities	2,946	3,174	6,163	6,152	6,262	6,484	6,707	6,933
Total non-current liabilities	5,379	4,158	6,398	6,403	6,518	6,748	6,979	7,212
Trade and other payables	34,003	43,062	51,342	49,192	52,947	53,566	55,100	56,645
Current portion of borrowings	44,731	42,000	42,900	59,559	49,559	47,559	42,559	37,559
Lease liabilities	1,329	1,156	720	659	696	720	745	770
Contract liabilities	2,032	1,343	1,462	1,444	1,280	5,168	5,313	5,462
Tax liabilities	388	882	1,193	1,271	959	945	957	998
Total current liabilities	82,483	88,443	97,617	112,125	105,440	107,958	104,675	101,435
Total liabilities	87,862	92,601	104,015	118,528	111,958	114,705	111,653	108,647
Total equity and liabilities	129,198	136,697	151,543	166,504	160,582	163,951	161,347	159,018

Cash Flow (RO '000)	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Cash from operations	13,679	-615	8,758	2,811	16,787	12,954	13,468	17,417
Investing cash flow	6,615	8,423	-1,987	-2,649	-6,103	-6,313	-6,445	-6,581
Financing cash flow	-17,782	-6,136	-4,436	6,986	-20,354	-12,521	-15,438	-15,795
Change in cash	2,512	1,672	2,335	7,148	-7,661	608	-5,825	-5,535
Beginning cash	28,722	31,234	32,906	35,241	42,389	34,728	35,336	29,511
Ending cash	31,234	32,906	35,241	42,389	34,728	35,336	29,511	23,976

Ratio Analysis	2020	2021	2022	2023	2024E	2025E	2026E	2027E
Per share								
EPS (RO)	0.013	0.040	0.090	0.091	0.099	0.103	0.105	0.109
BVPS (RO)	0.599	0.639	0.689	0.695	0.705	0.714	0.720	0.730
DPS (RO)	-	0.040	0.085	0.090	0.094	0.098	0.100	0.107
FCF per share (RO)	0.294	0.113	0.098	0.002	0.155	0.096	0.102	0.157
Valuation Ratios								
Market Cap (RO ,000)	54,648	61,272	64,860	75,210	71,070	71,070	71,070	71,070
EV (RO,000)	62,420	74,696	79,402	99,191	92,858	90,497	91,571	92,356
P/E (x)	63.3	22.2	10.5	11.9	10.4	10.0	9.8	9.4
EV/EBITDA (x)	8.8	8.6	6.3	7.5	6.8	6.4	6.4	6.3
Price/Book (x)	1.3	1.4	1.4	1.6	1.5	1.4	1.4	1.4
Dividend Yield (%)	0.0%	4.5%	9.0%	8.3%	9.2%	9.5%	9.7%	10.4%
Price to sales (x)	0.16	0.16	0.13	0.15	0.14	0.14	0.13	0.13
EV to sales (x)	0.18	0.20	0.16	0.20	0.18	0.17	0.17	0.17
Liquidity								
Cash Ratio (x)	0.3	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Current Ratio (x)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Quick Ratio (x)	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.0
Return Ratios								
ROA (%)	0.7%	2.0%	4.1%	3.8%	4.3%	4.4%	4.5%	4.9%
ROE (%)	2.1%	6.3%	13.0%	13.2%	14.1%	14.5%	14.5%	15.0%
ROCE (%)	1.8%	5.7%	11.5%	11.6%	12.4%	12.7%	12.8%	14.0%
Cash Cycle								
Inventory turnover (x)	93	90	122	116	109	111	111	111
Accounts Payable turnover (x)	9	8	9	9	9	9	9	9
Receivables turnover (x)	8	6	7	7	7	7	7	7
Inventory days	4	4	3	3	3	3	3	3
Payable Days	40	45	40	39	41	40	40	40
Receivables days	46	57	51	56	55	55	55	52
Cash Cycle	10	16	14	20	18	18	18	16
Profitability Ratio								
Gross Margins (%)	7.1%	7.2%	6.5%	7.2%	7.2%	7.0%	7.0%	7.0%
EBITDA Margins (%)	2.1%	2.3%	2.5%	2.6%	2.7%	2.7%	2.7%	2.7%
PBT Margins (%)	0.3%	0.9%	1.5%	1.5%	1.6%	1.6%	1.6%	1.6%
Net Margins (%)	0.3%	0.7%	1.2%	1.3%	1.3%	1.4%	1.3%	1.4%
Effective Tax Rate (%)	-15.5%	-16.5%	-15.4%	-15.9%	-15.0%	-15.0%	-15.0%	-15.0%
Leverage								
Total Debt (RO ,000)	49,006	46,330	49,783	66,370	56,516	54,763	50,012	45,262
Net Debt (RO ,000)	7,772	13,424	14,542	23,981	21,788	19,427	20,501	21,286
Net Debt/EBITDA (x)	1.1	1.5	1.2	1.8	1.6	1.4	1.4	1.5
Debt/Equity (x)	0.2	0.3	0.3	0.5	0.4	0.4	0.4	0.4

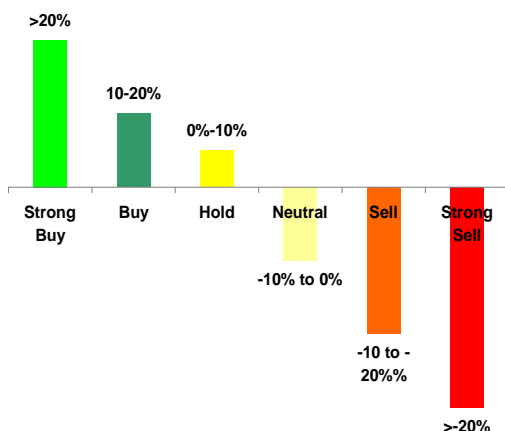
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Rating Criteria and Definitions

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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