

ALMAHA CERAMIC - 1Q21 Result Review

Recommendation: ACCUMULATE

TP (OMR/Share): 0.310

Upside / (Downside): 12%

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Bloomberg Ticker	AMCI OM EQUITY
Current Market Price (OMR)	0.277
52wk High / Low (OMR)	0.281 / 0.214
12m Average Vol. (000)	67
Mkt. Cap. (USD / OMR mn)	39.6 / 15.3
Shares Outstanding (mn)	55.0
Free Float (%)	64.2%
3m Avg Daily Turnover (OMR 000)	30
6m Avg Daily Turnover (OMR 000)	21
P/E 2021e (x)	6.6
P/Bv 2021e (x)	1.2
Dividend Yield 2021e (%)	9.0%
Price Perf. (1m/3m) (%)	-0.72 / 19.4



Net income for 1Q21 slightly higher than U Capital estimates

AMCI announced earnings of OMR 0.60mn for 1Q21, higher by 85% YoY and 20.6% QoQ. Earnings were higher than U Capital estimate of OMR 0.54mn for 1Q21. Growth in earnings resulted largely because of drop in expense despite drop in revenue on a QoQ basis.

Revenue up 15.6% YoY but down 4.8% on QoQ basis in 1Q21

Company reported revenue of OMR 2.39mn for 1Q21 which were largely inline with U Capital estimate of OMR 2.55mn for 1Q21. Overall, Company revenue for the quarter were higher on YoY basis by 15.6% but lower on QoQ basis by 4.8%.

Cost control measures led to better margins in 1Q21

Company expenses dropped in 1Q21 on both YoY and QoQ basis which led to net margins of 25.2% in 1Q21 compared to 19.9% in 4Q20 and 15.8% in 1Q20. Overall expenses dropped to OMR 1.68mn in 1Q21 compared to OMR 1.89mn in 4Q20 and OMR 1.69mn in 1Q20.

Upward revision in Earnings and Target Price

In view of better than expected earnings and reduction in the risk free rate and consequently drop in cost of equity (compared to our earlier issued report time), we revise our target price higher to OMR 0.310/share. Our full year earnings have been revised higher to 2.3mn compared to OMR 2.0mn earlier and compared to OMR 1.53mn reported in 2020.

Dividend estimates for the year 2021 revised to OMR 0.025/share from OMR 0.020/share earlier

With announcement of better than estimated earnings, we have revised our dividend estimates for the Company for the year 2021 to 0.025/share from OMR 0.020/share earlier. At current price it translates into a dividend yield of 9.0%.

Income Statement

(OMR mn)	1Q20	4Q20	1Q21	1Q21e	YoY	QoQ	Dev. %	2020	2021e	Chg. %
Revenue	2.07	2.51	2.39	2.55	15.6%	-4.8%	6.7%	9.00	9.70	7.8%
Expenses	- 1.69	- 1.89	- 1.68	- 1.91	-0.5%	-11.3%	13.8%	- 7.20	- 6.95	-3.5%
Profit Before Tax	0.38	0.59	0.71	0.64	85.2%	20.9%	-10.0%	1.80	2.75	53.2%
Taxation	- 0.06	- 0.09	- 0.11	- 0.10	86.2%	22.7%	-11.1%	- 0.27	- 0.43	57.9%
Profit After Tax	0.33	0.50	0.60	0.54	85.0%	20.6%	-9.8%	1.53	2.32	52.4%

Key Ratios

	1Q20	4Q20	1Q21	2020	2021e
Expense to Revenue Ratio	-81.6%	-75.4%	-70.3%	-80.1%	-71.6%
Net Margin	15.8%	19.9%	25.2%	16.9%	24.0%

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%