

## Al Jazeera Steel (ATMI) - 3Q23 Result Review

Analyst: Neetika Gupta

**Previous Recommendation:** **Hold**

**Previous Reco. & Date:** TP: OMR 0.273 per share; Hold on 16-October-2022

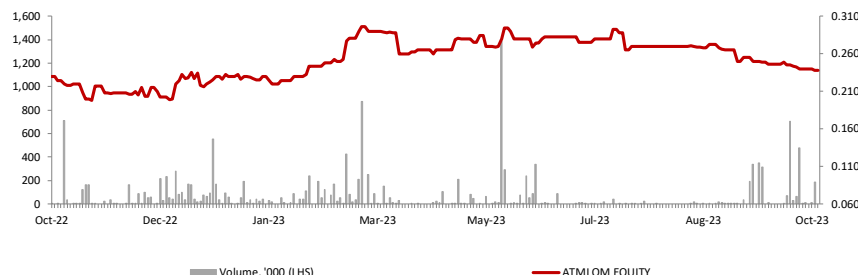
**Target Price (OMR):**

**UR**

**Upside / (Downside):**

**Date:** 10/15/2023

|                             |            |
|-----------------------------|------------|
| Bloomberg Ticker            | ATMI OM    |
| Current Market Price (OMR)  | 0.238      |
| 52wk High / Low (OMR)       | 0.3/0.198  |
| 12m Average Vol. (000)      | 58.3       |
| Mkt. Cap. (USD/OMR mn)      | 77/30      |
| Shares Outstanding (mn)     | 124.9      |
| Free Float (%)              | 43%        |
| 3m Avg Daily Turnover (000) | 11.1       |
| 6m Avg Daily Turnover (000) | 13.1       |
| P/E'23e (x)                 | 27.6       |
| P/Bv'23e (x)                | 3.0        |
| Dividend Yield '23e (%)     | 2.1%       |
| Price Perf. (1m/3m) (%)     | -4.8/-17.4 |



### Revenue rose 4% YoY, beats our expectation

ATMI reported a revenue of OMR 35.0mn for 3Q23, which beats our expectation of OMR 31.5mn. The revenue rose 4% on YoY as well QoQ basis. However, the rise in 3Q23 could not offset the weak performance in 1H FY23; during the first nine months of 2023, revenue declined by 8% YoY. Lower steel demand due to weak global economic condition impacted revenue growth in 1H23.

### Net profit grew, however, missed our expectations

The company's expenses as a percentage of revenue decreased by 4% YoY which boosted the net income to OMR 0.4mn in 3Q23 compared to a loss of 0.6mn in 3Q22. However, net income missed our expectations of OMR 0.5mn for the quarter. During the first three quarters of FY23, net profit grew ~11% YoY to OMR 2.4mn.

### Placing on "Under Review"

We are putting Al Jazeera Steel "Under Review" due to mix results and deviation from our net income estimates. We would like to deep dive our estimates and thus planning to come out with an investment update note soon.

### Valuation

ATMI is trading at 2023e P/E of 9.5x, representing a 12% discount compared to the historical average 1-year forward P/E of 10.8x. Additionally, P/Bv multiple of 0.58x, based on our FY23 estimate, represents a 4% discount compared to the historical average 1-year forward P/Bv of 0.61x.

| Income Statement                   |            |              |            |            |            |            |            |           |             |             |            |            |
|------------------------------------|------------|--------------|------------|------------|------------|------------|------------|-----------|-------------|-------------|------------|------------|
| (OMR mn)                           | 2Q22       | 3Q22         | 4Q22       | 1Q23       | 2Q23       | 3Q23       | 3Q23e      | YoY (%)   | QoQ (%)     | Var (%)     | 9M22       | 9M23       |
| Sales/Revenue                      | 41.8       | 33.5         | 33.3       | 38.0       | 33.6       | 35.0       | 31.5       | 4%        | 4%          | 11%         | 116.0      | 106.5      |
| Expenses                           | 40.7       | 34.2         | 32.3       | 36.5       | 33.0       | 34.5       | 31.0       | 1%        | 5%          | 12%         | 113.8      | 104.1      |
| <b>Net Profit (Loss) after tax</b> | <b>1.1</b> | <b>(0.6)</b> | <b>1.0</b> | <b>1.5</b> | <b>0.5</b> | <b>0.4</b> | <b>0.5</b> | <b>NM</b> | <b>-19%</b> | <b>-14%</b> | <b>2.2</b> | <b>2.4</b> |
| Balance Sheet                      |            |              |            |            |            |            |            |           |             |             |            |            |
| (OMR mn)                           | 2Q22       | 3Q22         | 4Q22       | 1Q23       | 2Q23       | 3Q23       | 3Q23e      | YoY (%)   | QoQ (%)     | Var (%)     |            |            |
| Shareholders' Equity               | 49.2       | 48.6         | 49.5       | 49.2       | 49.7       | 50.1       | 50.2       | 3%        | 1%          | 0%          |            |            |
| Key Ratios                         |            |              |            |            |            |            |            |           |             |             |            |            |
|                                    | 2Q22       | 3Q22         | 4Q22       | 1Q23       | 2Q23       | 3Q23       | 3Q23e      |           |             |             |            |            |
| Net Profit Margin                  | 2.7%       | -1.9%        | 2.9%       | 3.9%       | 1.5%       | 1.2%       | 1.5%       |           |             |             |            |            |
| Return on Equity (RoE)             | 9.0%       | -5.3%        | 7.8%       | 12.1%      | 4.1%       | 3.3%       | 3.8%       |           |             |             |            |            |
| Annualized EPS (OMR)               | 0.04       | (0.02)       | 0.03       | 0.05       | 0.02       | 0.01       | 0.02       |           |             |             |            |            |
| BVPS (OMR)                         | 0.44       | 0.44         | 0.44       | 0.45       | 0.44       | 0.40       | 0.45       |           |             |             |            |            |
| TTM P/E (x)                        |            |              |            |            |            | 8.8        |            |           |             |             |            |            |

Source: Financials, MSX, Bloomberg, U Capital Research


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


## Investment Research

Ubhar-Research@u-capital.net

## Head of Research


**Neetika Gupta**


 +968 2494 9036

 neetika@u-capital.net


## Research Team


**Ahlam Al-Harhi**

 +968 2494 9024


 ahlam.harhi@u-capital.net


**Said Ghawas**

 +968 2494 9034

 said.ghawas@u-capital.net


**Amira Al Alawi**


 +968 2494 9112

 amira.alalawi@u-capital.net

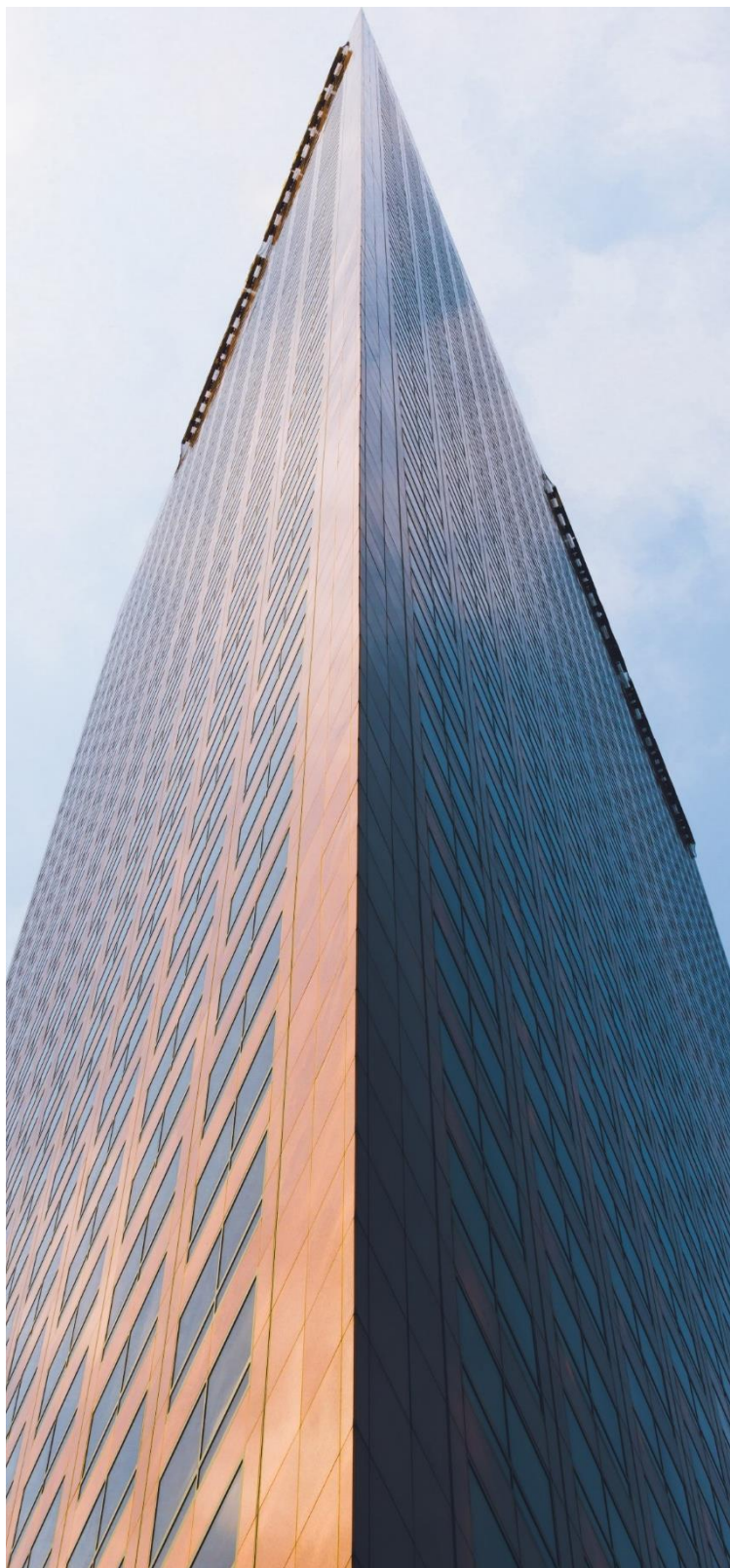
## Head of Brokerage

**Talal Al Balushi**

 +968 2494 9051

 talal@u-capital.net

Visit us at: **[www.u-capital.net](http://www.u-capital.net)**



## Disclaimer

### Recommendation

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

### Ubhar Capital SAOC (U Capital)

Website: [www.u-capital.net](http://www.u-capital.net)

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9036

Fax: +968 2494 9099

Email: [research@u-capital.net](mailto:research@u-capital.net)

**Disclaimer:** This report has been prepared by Ubhar Capital (U Capital) Research and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.