

## Oman Telecom

Analyst: Ayisha Zia

**Previous Recommendation:** **Accumulate**

Previous Reco. & Date:

TP: OMR 1.008 per share; Accumulate on 26-Jun-2022

**Target Price (OMR):**

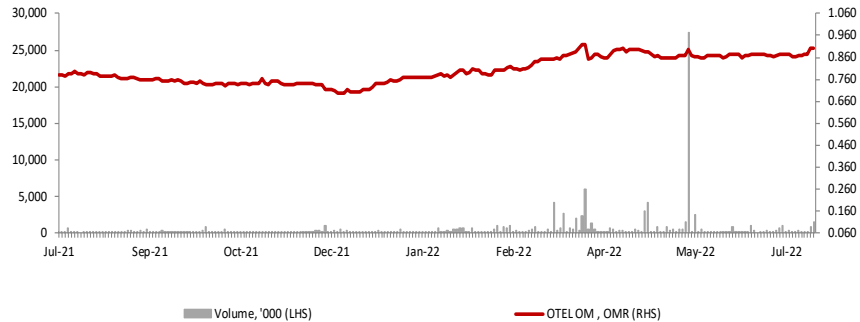
**1.008**

Upside / (Downside):

12.0%

**Date:** **20-07-2022**

Bloomberg Ticker	OTEL OM
Current Market Price (OMR)	0.900
52wk High / Low (OMR)	0.924/0.696
12m Average Vol. (000)	459.9
Mkt. Cap. (OMR mn)	681
Shares Outstanding (mn)	750.0
Free Float (%)	49%
3m Avg Daily Turnover (000)	719.5
6m Avg Daily Turnover (000)	619.6
P/E'22e (x)	27.6
P/Bv'22e (x)	3.0
Dividend Yield '21e (%)	2.1%
Price Perf. (1m/3m) (%)	4.1/1.3%



### Revenue increased by 12% YoY, slightly better our expectation

OmanTel has reported a revenue of OMR 659.8mn for 2Q22, which was 6% more than our estimate. The revenue grew 12% YoY and 4% QoQ. Alongwith expected increase in revenue from postpaid and fixed-line businesses; revenue from Zain group was better than our expectation, which drove the top-line higher.

### EBITDA profit came in line with our expectation

The company's EBITDA grew by 2% YoY to OMR 244.0mn for 2Q22, coming in line with our estimates. The cost-optimization measures, reduction in impairment provisions against receivables and lesser depreciation helped to grow EBITDA for the quarter

### Net Profit grew by 26% YoY, better than our expectation

The company's net profit stood at OMR 66.1mn in 2Q22, which was higher than our expectation by 22%. However, net profit for shareholders came at OMR 16.1mn for the quarter, in-line with our expectation.

### Company Outlook

Although the company faces the pressure from new telecom entrant in Oman, we believe the company has the potential to grow its fixed-line business, being a market-leader. Additionally, the revenue from its subsidiary, Zain, helps the company to diversify and grow its top-line and bottom-line going ahead. Thus, we are positive on the stock and maintain our Accumulate rating with OMR 1.008 target price on the stock.

Income Statement													
(OMR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	2Q22e	YoY (%)	QoQ (%)	Var (%)	1H21	1H22	YoY (%)
Sales/Revenue	602.7	591.4	608.4	605.8	634.8	659.8	622.9	12%	4%	6%	1,194.1	1,294.6	8.4%
EBITDA	248.9	238.2	254.5	227.1	236.0	244.0	236.7	2%	3%	3%	487.1	480.0	-1.5%
Net Profit (Loss) after tax	56.0	52.6	59.5	65.5	62.5	66.1	54.4	26%	6%	22%	108.6	128.6	18.4%
Net profit for shareholders	16.9	15.5	16.5	18.3	18.5	16.1	15.9	4%	-13%	1%	32.4	34.6	6.8%
Balance Sheet													
(OMR mn)	1Q21	2Q21	3Q21	4Q21	1Q22		2Q22e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	534.3	551.7	563.0	579.2	559.5		575.4	-1.0	-100%	-1.0			
Key Ratios													
	1Q21	2Q21	3Q21	4Q21	1Q22		2Q22e						
EBITDA Margin	33.0%	41.8%	37.5%	37.2%	37.2%	37.0%	38.0%						
Net Profit Margin	19.7%	9.8%	10.8%	9.8%	9.8%	10.0%	8.7%						
Return on Equity (RoE)	4.2%	43.1%	46.6%	43.2%	44.7%	NA	37.8%						
Annualized EPS (OMR)	0.09	0.08	0.09	0.10	0.10	NA	0.08						
BVPS (OMR)	0.71	0.74	0.75	0.77	0.75	NA	0.77						
TTM P/E (x)						9.8							

Source: Financials, MSX, Bloomberg, U Capital Research

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

## Recommendation

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