

Al Maha Ceramics (AMCI) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: Hold

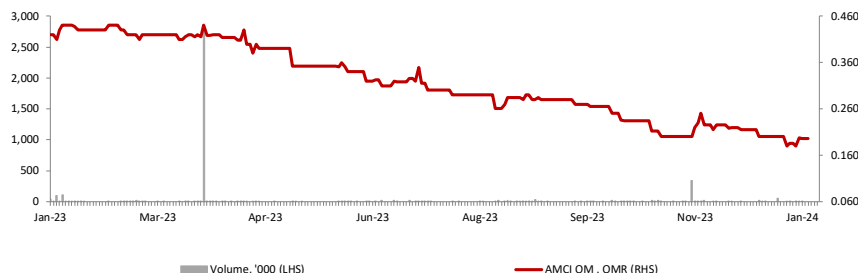
Previous Reco. & Date: TP: OMR 0.296 per share; Hold on 30-Aug-2023

Target Price (OMR): 0.296

Upside / (Downside): 51.0%

Date: 1/15/2024

Bloomberg Ticker	AMCI OM
Current Market Price (OMR)	0.196
52wk High / Low (OMR)	0.5/0.25
12m Average Vol. (000)	20.9
Mkt. Cap. (USD/OMR mn)	36/14
Shares Outstanding (mn)	55.0
Free Float (%)	56%
3m Avg Daily Turnover (000)	0.8
6m Avg Daily Turnover (000)	0.7
EV/SALES'24e (x)	2.1
P/Bv'24e (x)	1.2
Dividend Yield '24e (%)	10.2%
Price Perf. (1m/3m) (%)	-10.7/-28.4



Revenue decreased by 58% YoY, however, the revenue slide less than our expectations

Al Maha Ceramic reported a revenue of OMR 1.0mn for 4Q23, compared to our estimates of OMR 0.85mn. The revenue decreased 58% YoY and 2% QoQ and has been showing a downward trend since FY22. For FY23, revenue was down by 44% YoY due to the continued sluggish demand.

The bottom line declined YoY and QoQ basis, in line with our expectations

The company reported a net loss of OMR (0.4) mn in 4Q23, in line with our expectations. During FY23, the company's bottom line declined to a net loss of OMR (1.0)mn against the profit of OMR 3.1mn during FY22. Additionally, share of loss in associates increased to OMR (1.6)mn during FY23 compared to share of profit of OMR 0.4mn in FY22. The decrease in profits is primarily attributed to the decline in revenue due to increased competition and the continuation of anti-dumping duties in KSA.

Maintaining Hold rating

Al Maha Ceramics continued to face challenges due to intense competition from low-cost tiles imported from India and China. Also, price war in KSA has restrained the company from exploiting the opportunities and as a result the company experienced de-growth in revenue. Also, the ceramic industry faces additional risks and challenges such as rising utility costs and constant pressure on raw material costs. During the last 6 months, the stock price for Al Maha Ceramics has gone down by 35%. Accordingly, we maintain Hold rating, however, there could be further downside risk to our full-year estimates.

Valuation

Al Maha Ceramic is trading at 2024e EV/Sales of 2.1x, representing a premium of 26% compared to the historical average 1-year forward EV/Sales of 1.7x. On the other hand, P/Bv multiple of 1.2x, based on our FY24 estimate, represents 25% discount compared to the historical average 1-year forward P/Bv of 1.61x.

Income Statement													
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Sales/Revenue	2.5	2.4	2.0	1.5	1.0	1.0	0.9	-58%	-2%	19%	10.0	5.6	-44.1%
Total Expenses	(1.9)	(1.6)	(1.6)	(1.3)	(1.2)	(0.8)	(0.9)	-49%	-33%	-12%	(6.8)	(4.9)	-28.6%
Net Profit (Loss) after tax	0.5	1.3	0.1	(0.3)	(0.5)	(0.4)	(0.4)	-129%	-32%	2%	3.1	(1.0)	NM
Balance Sheet													
(OMR mn)	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	11.7	11.9	12.0	10.6	10.1	10	9.7	-18%	-4%	0%			
Key Ratios													
	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Net Profit Margin	21.2%	52.0%	5.4%	-17.0%	-51.5%	-35.9%	-42.0%						
Return on Equity (RoE)	18.3%	42.6%	3.7%	-9.7%	-21.0%	-14.9%	-14.7%						
Annualized EPS (OMR)	0.04	0.09	0.01	(0.02)	(0.04)	(0.03)	-0.03						
BVPS (OMR)	0.21	0.22	0.22	0.19	0.18	0.18	0.18						
TTM P/E (x)						-10.4							

Source: Financials, MSX, Bloomberg, U Capital Research


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Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harathi

 +968 2494 9024


 ahlam.harathi@u-capital.net

Said Ghawas

 +968 2494 9034

 said.ghawas@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

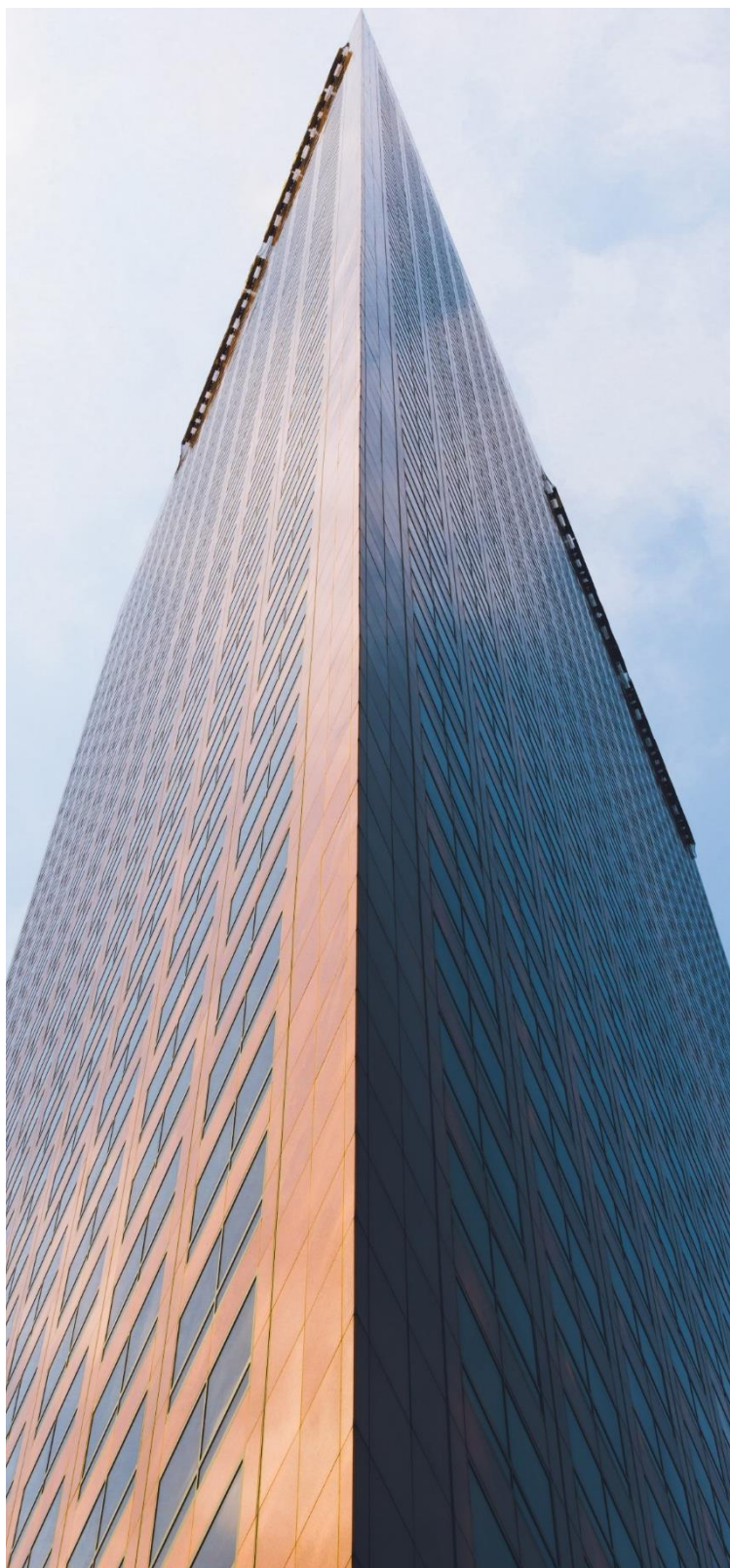
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: **www.u-capital.net**



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%

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