

Renaissance services (RNSS) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: Buy

Previous Reco. & Date: TP: OMR 0.48 per share; Buy on 17-Aug-2023

Target Price (OMR): 0.480

Upside / (Downside): 14.8%

Date: 10/15/2023



Revenue decreased by 12% YoY, in line with our expectations

RNSS reported revenue of OMR 25.8mn for 3Q23 which was in line with our expectations; down 12% YoY, and up 2% QoQ basis. For first nine months of FY23, revenue was down ~13% YoY to OMR 77.9mn as it also fell 12% YoY in 1H23 due to low occupancy in Renaissance Village Duqm (RSVD).

Net profit decreased by 6% YoY, meeting our expectations

The company reported a net profit of OMR 2.4mn in 3Q23, compared to our expectations of OMR 2.6mn. It was down 6% YoY and 7% QoQ. In the first three quarters of FY23, net profit was down 23% YoY majorly due to a 14% YoY fall in 1H23 led by lower revenue and higher operating expenses.

Maintain a "Buy" rating

We believe that the topline for the company should bounce back with a likely increase in RSVD occupancy led by new contracts related to new infrastructure projects like steel, cement among others. Accordingly, we are positive on the stock and maintain a Buy rating with a target price of OMR 0.48 as provided in an investment update report published on 17 Aug 2023.

Valuation

RNSS is trading at 2023e P/E of 8.3x, representing a 10% discount compared to the historical average 1-year forward P/E of 9.2x. Additionally, P/Bv multiple of 1.22x, based on our FY23 estimate, represents a 1% discount compared to the historical average 1-year forward P/Bv of 1.23x.

Income Statement													
(OMR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)	9M22	9M23	YoY (%)
Sales/Revenue	29.7	29.3	32.5	26.7	25.4	25.8	26.4	-12%	2%	-2%	89.1	77.9	-12.5%
Profit from operations	4.0	3.9	2.7	3.7	3.2	3.9	3.3	-1%	22%	19%	13.2	10.8	-18.7%
Tax	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	NM	-125%	-170%	0.2	(0.0)	NM
Net Profit (Loss) after tax	2.4	2.6	2.9	2.7	2.6	2.4	2.6	-6%	-7%	-7%	10.0	7.8	-22.6%
Balance Sheet													
(OMR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	68.3	71.3	73.9	72.6	75.3	77.7	77.9	9%	3%	0%			
Key Ratios													
	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	3Q23e						
Net Profit Margin	8.2%	8.8%	8.9%	10.2%	10.3%	9.4%	10.0%						
Return on Equity (RoE)	14.2%	14.5%	15.7%	14.9%	13.9%	12.5%	13.5%						
Annualized EPS (OMR)	0.05	0.05	0.05	0.05	0.05	0.04	0.05						
BVPS (OMR)	0.29	0.30	0.31	0.31	0.32	0.33	0.33						
TTM P/E (x)						8.3							

Source: Financials, MSX, Bloomberg, U Capital Research


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


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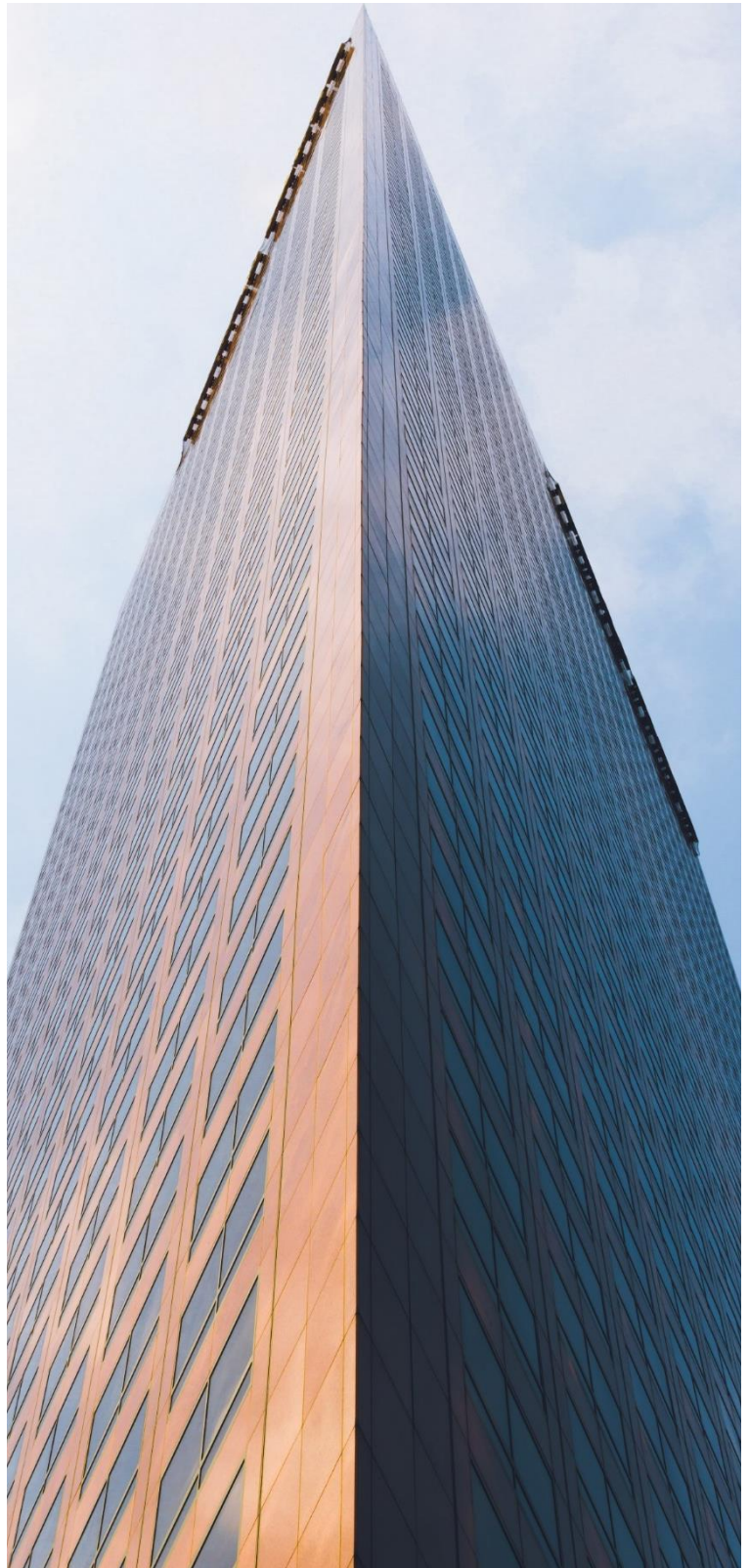
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Disclaimer

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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