

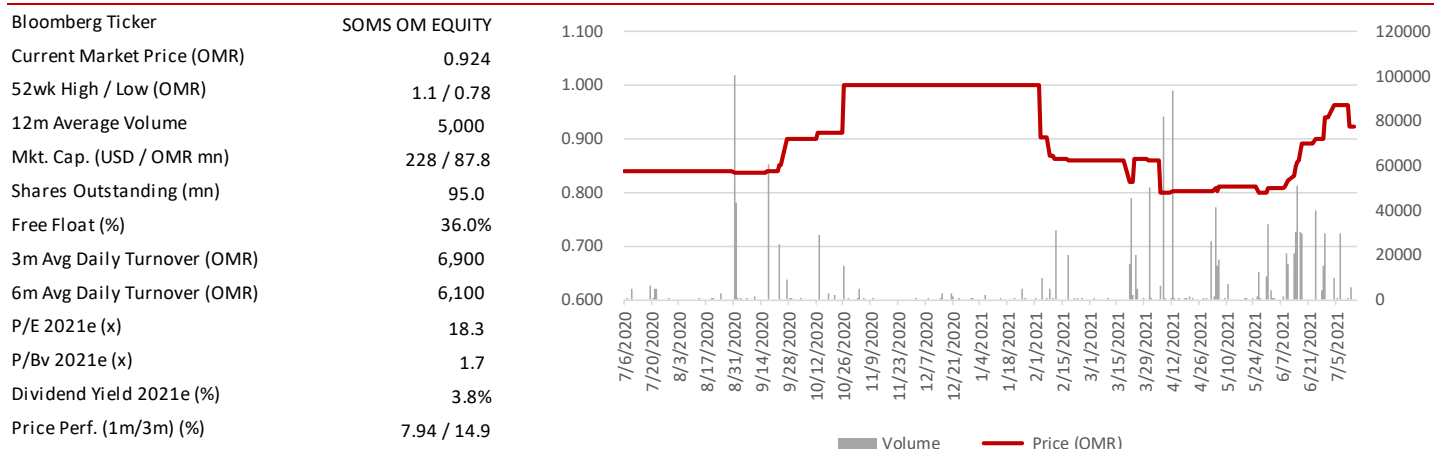
# Shell Oman (SOMS) - 2Q21/1H21 Result Review

**Recommendation: HOLD**

**TP (OMR/Share): 1.010**

Upside / (Downside): 9.3%

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## Net income below our estimates on higher expense to revenue ratio

SOMS reported net income of OMR 0.42mn for 2Q21 compared to U Capital estimates of OMR 1.5mn. Earnings of the Company were down on both QoQ and YoY basis by 74% and 286%, respectively. For 1H21, the Company reported net income of OMR 2.02mn compared to loss of OMR 0.1mn in 1H20.

## Revenue declined in 2Q21 by 0.7% QoQ

Company reported revenue of OMR 92.1mn in 2Q21 compared to revenue of OMR 92.7mn in 1Q21. U Capital estimated revenue of OMR 94.5mn on improving economic outlook and higher sales as lockdowns were not much in place in 2Q21.

## Margins dropped in 2Q21

Company reported expenses of OMR 92.68mn in 2Q21, higher 0.4% QoQ and 26.9% YoY. Overall net margins of the Company stood at 0.5% in 2Q21 compared to 1.7% in 1Q21. For the full year we expect the Company to report net income of OMR 4.8mn compared to OMR 2.52mn in 2020.

## Income Statement

| (OMR mn)     | 2Q20   | 1Q21  | 2Q21  | 2Q21e | YoY     | QoQ    | 2020   | 2021e  | YoY   |
|--------------|--------|-------|-------|-------|---------|--------|--------|--------|-------|
| Revenue      | 71.69  | 92.75 | 92.09 | 94.50 | 28.5%   | -0.7%  | 367.09 | 396.00 | 7.9%  |
| Other Income | 1.13   | 1.14  | 1.01  | 1.20  | -10.3%  | -11.5% | 4.93   | 4.50   | -8.7% |
| Expenses     | 73.04  | 92.29 | 92.68 | 94.15 | 26.9%   | 0.4%   | 369.50 | 395.70 | 7.1%  |
| Net Income   | (0.23) | 1.61  | 0.42  | 1.55  | -286.3% | -73.8% | 2.52   | 4.80   | 90.7% |

## Key Ratios

|                          | 2Q20   | 1Q21  | 2Q21   | 2Q21e | 2020   | 2021e |
|--------------------------|--------|-------|--------|-------|--------|-------|
| Expense to Revenue Ratio | 101.9% | 99.5% | 100.6% | 99.6% | 100.7% | 99.9% |
| Net Margin               | -0.3%  | 1.7%  | 0.5%   | 1.6%  | 0.7%   | 1.2%  |

Source: Company Reports, MSX, U Capital Research

Date: 15 July 2021

## Recommendation

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