

## Abraj Energy Services (ABRJ) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

**Accumulate**

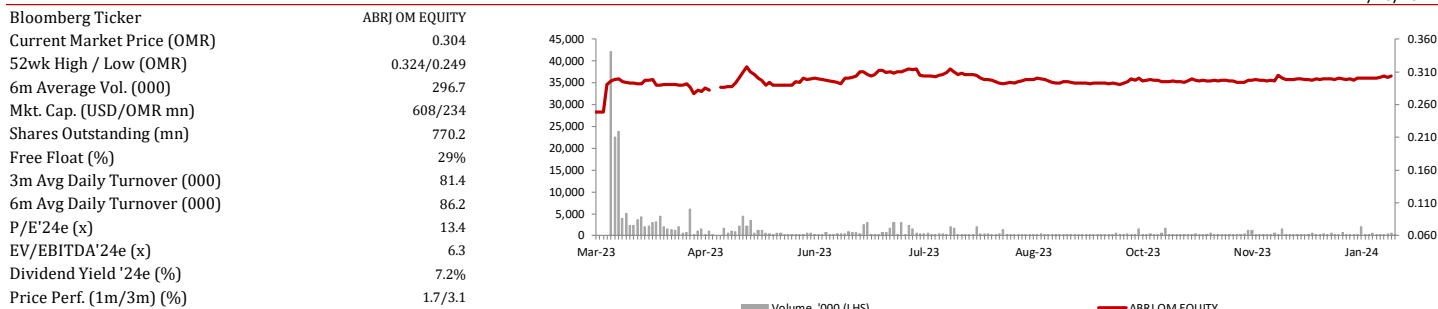
Target Price (OMR): **0.330**

Previous Reco. & Date:

TP: OMR 0.330 per share; Accumulate on 15-Nov-2023

Upside / (Downside): 9%

Date: 1/16/2024



### Revenue increases 10% YoY, in line with our expectations

ABRJ has reported a revenue of OMR 38.3mn for 4Q23, which is in line with our estimate of 36.5mn. The revenue has grown 10% YoY and 5% QoQ basis. For FY23, the top line has increased 5.3% YoY basis to OMR 144.3mn.

### Expenses as percentage of revenue has lowered which benefitted the bottom line

For 4Q23, the company has reported net profit growth of ~180% YoY basis, as the company managed to pull down its expenses as percentage of revenue to 86% against 94% in 4Q22. The company's 4Q23 net profit came at OMR 5.5mn which was in line with our estimate of OMR 5.1mn. On QoQ basis, net profit has grown 20%. For full year, the net profit came at OMR 16.5mn, flat YoY basis.

### Maintaining Accumulate rating

The company enjoys an onshore drilling market share of ~30% in terms of the number of contracted onshore drilling rigs. Further, the addition of higher specification rigs alongside geographic expansion in KSA and Kuwait is expected to unlock higher day rates. We have discussed the company's operating performance in detail in the initiation report released on 15 Nov 2023. We continue to maintain Accumulate rating on the stock with a target price of OMR 0.330.

### Valuation

ABRJ is trading at 2024e P/E of 13.4x, representing a 13% premium compared to the historical average 1-year forward P/E of 11.8x. Additionally, P/Bv multiple of 1.7x, based on our FY24 estimate, represents 9% premium compared to the historical average 1-year forward P/Bv of 1.5x.

Income Statement												
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY(%)	QoQ(%)	Var(%)	FY22	FY23	YoY (%)
Sales/Revenue	34.7	33.3	36.3	36.4	38.3	36.5	10%	5%	5%	137.0	144.3	5.3%
Expenses (including taxes)	32.7	30.7	32.4	31.9	32.9	31.4	1%	3%	5%	121.2	128.0	5.6%
Net Profit (Loss) after tax	1.9	2.6	3.9	4.6	5.5	5.1	183%	20%	8%	16.5	16.5	0.0%
Balance Sheet												
(OMR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY(%)	QoQ(%)	Var(%)			
Shareholders' Equity	144.6	131.8	135.7	140.3	145.7	144.4	1%	4%	1%			
Key Ratios												
	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e						
Net Profit Margin	5.6%	7.8%	10.7%	12.5%	14.3%	13.9%						
Return on Equity (RoE)	5.4%	7.9%	11.4%	13.0%	15.0%	14.1%						
Annualized EPS (OMR)	0.02	0.01	0.02	0.02								
BVPS (OMR)	0.19	0.17	0.18	0.18								
TTM P/E (x)					3.9							

Source: Financials, MSX, Bloomberg, U Capital Research


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

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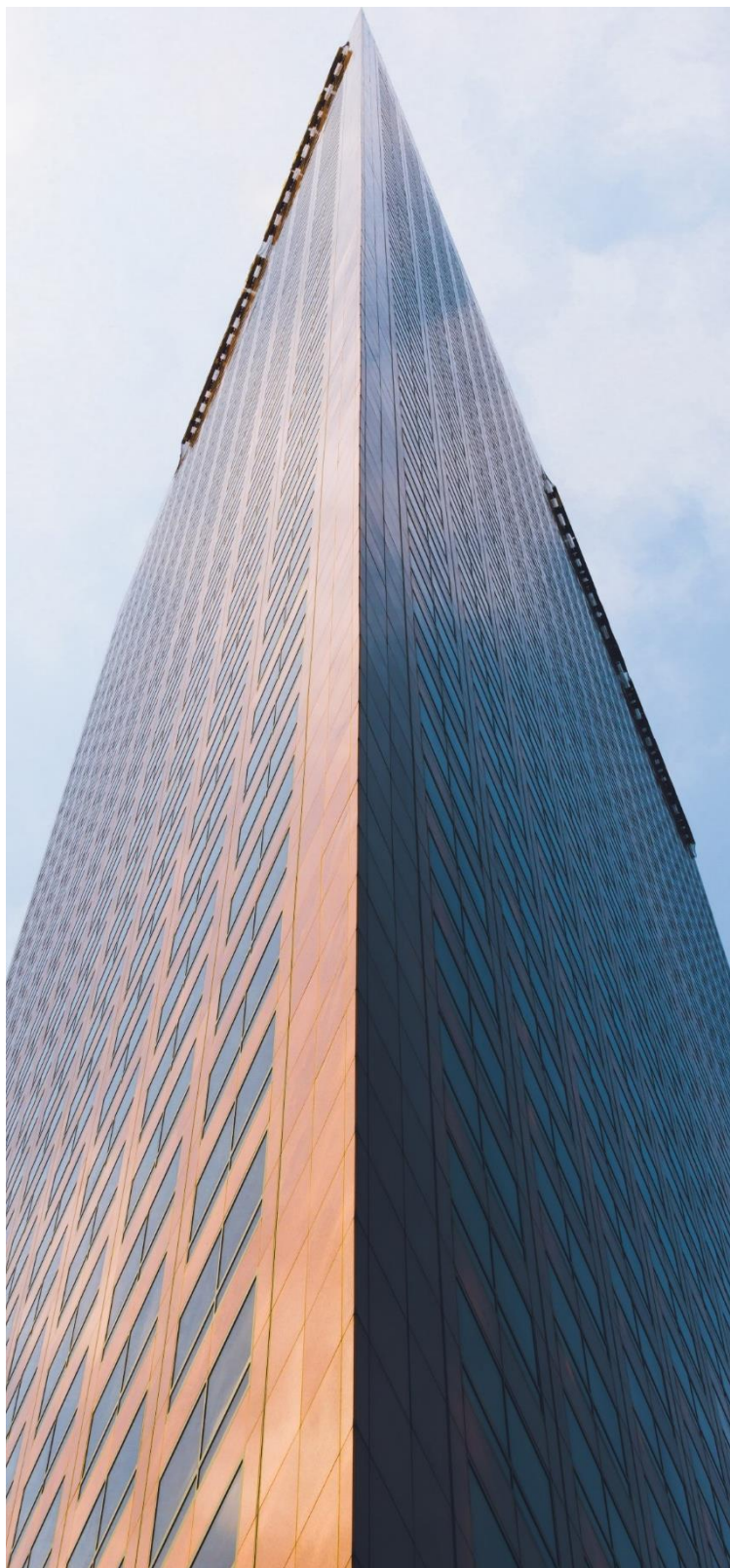
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## Disclaimer

### 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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