AL ANWAR CERAMIC TILES (AACT) - 2Q21 Result Review

Recommendation: **HOLD**

TP (OMR/Share): 0.480

Upside / (Downside): 0.4%

Analyst: Hettish Karmani

Bloomberg Ticker	AACT OM EQUITY
Current Market Price (OMR)	0.478
52wk High / Low (OMR)	0.482 / 0.197
12m Average Vol. (000)	312
Mkt. Cap. (USD / OMR mn)	273 / 105
Shares Outstanding (mn)	220.0
Free Float (%)	63.0%
3m Avg Daily Turnover (OMR 000)	152
6m Avg Daily Turnover (OMR 000)	113
P/E 2021e (x)	14.4
P/Bv 2021e (x)	2.6
Dividend Yield 2021e (%)	4.2%
Price Perf. (1m/3m) (%)	3.91 / 8.24

Net income for 2Q21 up 143.6% YoY but down 26.4% QoQ

AACT announced earnings of OMR 1.48mn for 2Q21, higher by 143.6% YoY but lower on QoQ basis by 26.4%. Lower earnings were largely as a result of higher cost which dropped the net margins of the Company to 21% in 2Q21 from 28.4% in 1Q21. Earnings were lower than U Capital estimates of OMR 1.7mn. For the half year the earnings of the Company stood at OMR 3.5mn compared to OMR 1.37mn, growth of 154%.

2Q21 revenue inline with our estimates

Company revenue was recorded at OMR 7.09mn compared to OMR 7.1mn in 1Q21 and OMR 5.26mn in 2Q20. U Capital estimated revenue of OMR 6.75mn for the quarter, deviation of 5%. Overall for 1H-2021, revenue of the Company stood at OMR 14.2mn compared to OMR 11.15mn in 1H-2020.

Expansion plans of the Company

The Company recently announced its expansion plans. Company plans to increase capacity from 16 mn sqmt per annum to around 23 mn sqmt per annum. The additional 7mn sqmt will be in 2 phases. The first phase of about 3.5mn sqmt will commence immediately and expected to be completed in 4Q21, followed by phase two.

Capacity Expansion plans by the Competitor

Al Anwar Investment has signed a non-binding MoU along with Maha Ceramics and Al Hael Ceramics to explore the possibility of acquiring majority of existing shares of Al Hael. Al Hael Ceramics has a production capacity of 15mn sq.m for production of porcelain and ceramic tiles. If the due diligence is successful, the acquisition will result in Maha Ceramic Company with a combined capacity of 21mn. It will be biggest ceramic manufacturer in Oman until all expansion phases of Al Anwar Ceramic materialize.

Full Year earnings estimated at OMR 7.3mn, growth of 68% YoY

Overall we at U Capital believe, AACT to post full year revenue of OMR 29mn and earnings of OMR 7.32mn for the full year 2021. Revenue would be higher on YoY basis by 18% while profitability will be higher on YoY basis by 68%.

Income Statement								
(OMR mn)	**2Q20**	**1Q21**	**2Q21**	**YoY**	**QoQ**	**2020**	**2021e**	**Change %**
Revenue	**5,267**	**7,106**	**7,090**	**34.6%**	**-0.2%**	**24,574**	**28,998**	**18.0%**
Expenses	(4,171)	(4,018)	(6,059)	45.2%	50.8%	(19,418)	(20,389)	**5.0%**
Profit Before Tax	**825**	**2,374**	**1,745**	**111.5%**	**-26.5%**	**5,156**	**8,609**	**67.0%**
Taxtion	(216)	(359)	(262)	21.1%	-27.1%	(801)	(1,291)	**61.3%**
Profit After Tax	**609**	**2,015**	**1,483**	**143.6%**	**-26.4%**	**4,356**	**7,318**	**68.0%**

Key Ratios	**2Q20**	**1Q21**	**2Q21**	**2020**	**2021e**
Expense to Revenue Ratio	-79.2%	-56.5%	-85.5%	-79.0%	-70.3%
Net Margin	11.6%	28.4%	20.9%	17.7%	25.2%

Source: Company Reports, MSX, U Capital Research

Date: 7 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%

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