

April 25, 2010

OMAN CEMENT (OCCO.OM)

12-Month Fair Value: RO 0.879

Last Close (22 April, 2010): RO 0.725

Recommendation: BUY - Risk Level: 3

- 1Q2010 results for Oman cement came in line with our forecasts. Our expectations of a drop in revenue yet of an expansion in EBITDA margins were reflected in the 1Q2010 results. Revenue was down 14.2% YoY to RO 15.6 million (6% higher than our forecast), while EBITDA shot up 46% YoY to RO 7.3 in 1Q2010 (2.5% higher than our forecast). As a result EBITDA margin expanded significantly to 46.6% (the highest in the last nine quarters) in 1Q2010 compared to 27.4% in 1Q2009. Net profit was up 52.7% to RO 7.1 million in 1Q2010 compared to the same period last year.
- The decrease in revenue was entirely due to a 14.4% drop in cement sales volume to 499 thousand tons in 1Q2010 compared to 583 thousand tons in 1Q2009. We believe this was mainly due to the cheap cement imports from the UAE. Domestic cement prices held up at RO 31.3 per ton during the quarter (same as 1Q2009) in spite of the cheap imports. Though the company imported more clinker during 1Q2010 (180 thousand tons vs. 38 thousand tons in 1Q2009), it benefitted from the lower prices of clinker imports (around RO 17- 18 per ton in 1Q2010).
- The management now expects trial production for the new clinker line by end of 1H2010 and commercial production by beginning of 4Q2010. However, we are still more conservative and expect commercial production only by beginning of 2011.
- We reiterate our 'BUY' recommendation with a 12-month fair value of RO 0.879, representing a 21.2% upside potential compared to the last closing price of RO 0.725.

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Related Research

- Oman Cement Update - 07 April 2010

RISK AND RECOMMENDATION GUIDE

RECOMMENDATION		UPSIDE (DOWNSIDE) POTENTIAL		
BUY		MORE THAN 20%		
ACCUMULATE		BETWEEN 5% AND 20%		
HOLD		BETWEEN -10% AND 5%		
REDUCE		BETWEEN -25% AND -10%		
SELL		LESS THAN -25%		
RISK LEVEL				
LOW RISK			HIGH RISK	
1	2	3	4	5

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