

Al Moammar Information (MIS) - 2Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation: **Hold**

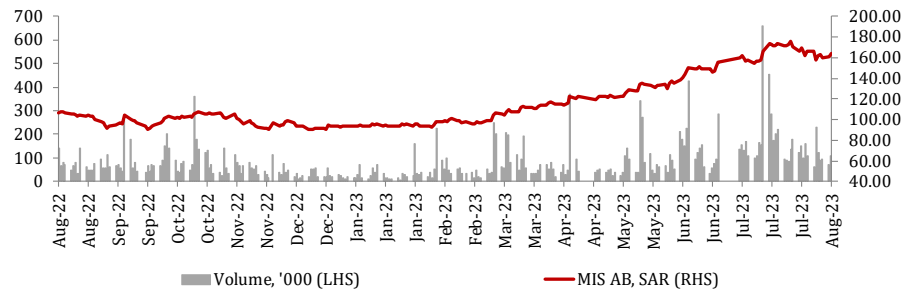
Previous TP & Date: TP: SAR 135.4 per share on 17-May-2023

Target Price (SAR): 135.40

Upside / (Downside): -17%

Date: 8/15/2023

Bloomberg Ticker	MIS AB
Current Market Price (SAR)	164.00
52wk High / Low (SAR)	178/86
12m Average Vol. (000)	86.2
Mkt. Cap. (USD/SAR mn)	1,267/4,758
Shares Outstanding (mn)	30.0
Free Float (%)	51%
3m Avg Daily Turnover (000)	22,718.2
6m Avg Daily Turnover (000)	15,748.8
P/B'23e (x)	11.9
EV/Revenue'23e (x)	6.7
Dividend Yield '23e (%)	1.5%
Price Perf. (1m/3m) (%)	-4.7/23.6



Revenue surges by over 100% YoY in 2Q 2023, coming in more than double our estimate

MIS' revenue in 2Q 2023 surged 118% YoY to SAR 372.7mn, with the company registering growth in all its business segments on the back of sustained new orders and a healthy order book. The revenue exceeded our estimate of SAR 177.7mn by more than 100%.

Operating and net profit increases at an even faster rate than revenue, beating our estimate by a wide margin

Backed by solid revenue growth and enhanced operational efficiency, operating profit shot up by 170% YoY to SAR 58.9mn. Consequently, and further aided by optimization of finance costs, net profit soared 194% YoY to SAR 49.5mn (our estimate: SAR 15.1mn).

Maintain target price

The company has generated a solid set of earnings for the second quarter of this year. However, MIS' auditors have highlighted some issues in the current quarter results– i) inadequate details were provided to them as per IFRS regarding ECL provision made on trade receivables and contract assets, ii) the recognition of SAR 14.7mn income on a contract is premature and not in accordance with IFRS, and iii) they are not satisfied that SAR 101mn revenue from O&M contracts recognized by the company is as per IFRS. While these amounts might not be material, we would like to wait for the company's explanations on these remarks as this casts doubt on the credibility of the company's financial statements. The stock has gained significantly by around 22% since our last report and seems overvalued at the current levels, and hence we maintain our SAR 135.40 target price on the stock as of now.

Valuation

At the current market price, MIS' stock trades at 11.9x on our FY 2023e BVPS, higher than its average historical P/B of ~8x.

Income Statement												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)	1H 22	1H 23	YoY (%)
Sales/Revenue	171.0	198.8	313.2	437.5	372.7	177.7	118%	-15%	110%	277.6	810.2	191.8%
Gross Profit (Loss)	48.2	52.3	73.4	76.4	78.9	40.9	64%	3%	93%	77.0	155.4	101.8%
Operating Profit (Loss)	21.8	29.3	42.1	54.0	58.9	17.3	170%	9%	241%	30.4	113.0	271.6%
Net Profit (Loss) after Zakat and tax	16.9	25.1	49.3	46.6	49.5	15.1	194%	6%	228%	21.5	96.1	347.9%
Balance Sheet												
(SAR mn)	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e	YoY (%)	QoQ (%)	Var (%)			
Shareholders' Equity	331.0	321.6	371.1	417.7	431.4	432.8	30%	3%	0%			
Key Ratios												
	2Q22	3Q22	4Q22	1Q23	2Q23	2Q23e						
Gross Profit Margin	28.2%	26.3%	23.5%	17.5%	21.2%	23.0%						
Operating Profit Margin	12.7%	14.7%	13.4%	12.4%	15.8%	9.7%						
Net Profit Margin	9.9%	12.6%	15.8%	10.6%	13.3%	8.5%						
Return on Equity (RoE)	20.4%	31.2%	53.2%	44.6%	45.9%	13.9%						
Annualized EPS (SAR)	2.25	3.34	6.58	6.21	6.60	2.01						
BVPS (SAR)					14.38	14.43						
TTM P/E (x)					28.9							
Current P/BV (x)					11.4							

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research

For our earlier report on the sector, please [click here](#).

Recommendation

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

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: research@u-capital.net

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