OMAN ARAB BANK بنك عمان العربي

Q3'10 Results Highlights- AL Hassan Engineering Co

Research

AL HASSAN ENGINEERING COMPANY posted a net profit of RO 1.7mn in 9M'10

Local operations supported top-line

Al Hassan Engineering Co reported revenue at RO 14.4mn declined by 4% y-o-y but increased by 11.1% q-o-q. Segmental breakup shows, contract revenue from GCC region contributes only 9% in the company total revenue. In Q3'10 revenue from GCC region increased by 25% from RO 1.06mn in Q2'10 to RO 1.3mn, while contract revenue from Oman (which consist 91% of the company contract revenue in Q3'10) at RO 13.1mn showed an increase of 10% as against RO 11.9mn in previous quarter.

As per management disclosure, during Q3'10 Al Hassan Engineering secured additional contract worth RO 2.2mn from an existing customer. Additionally, the company also won additional scope orders on existing contracts for a total value of RO 2.1mn.

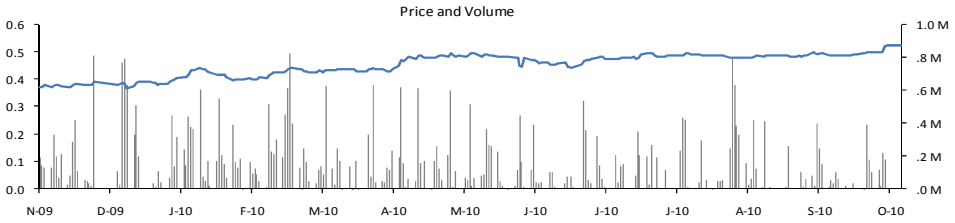
Higher expenses pressurized earnings

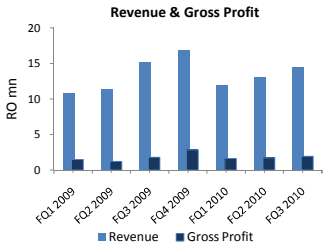
The cost increased by 10.4% q-o-q from RO 11.3mn in Q2'10 to RO 12.5mn in Q3'10 (down 6.8% y-o-y) but cost as a percentage of revenue declined to reach 86.5%, reflecting increase in gross profit margin to 13.5% in Q3'10 (v/s 12.9% in Q2'10).

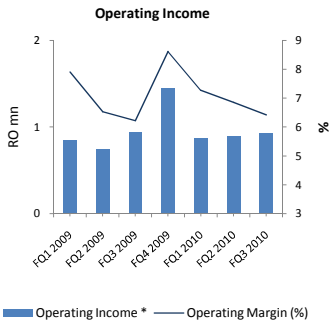
While, operating profit (including other income) declined by 5% q-o-q to RO 0.96mn compare with RO 1mn in previous quarter, this can be attributed due to significant increase in administration & general expenses by 29% q-o-q to RO 1mn in Q3'10 compare with RO 0.788mn in Q2'10.

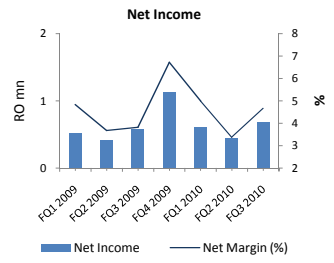
In Q2'10 the company paid additional tax of RO 0.311mn for previous years. Absence of such exceptional cost in Q3'10, negated the impact of 50.6% q-o-q rise in finance charges. Thus company reported net profit at RO 0.67mn in Q3'10 (+53.2% q-o-q). However, excluding the tax relating to previous years reveals drop in net profit by 51.7% q-o-q at RO 0.363mn in Q3'10.

Issue Data	
Last Price (RO)	0.53
52wk High (10/27/2010)	0.53
52wk Low (11/12/2009)	0.34
P/E (Trailing 12m) (x)	14.95
Dividend Yield (%)	2.70
Price to Book Ratio (x)	2.91
Price to Sales Ratio (x)	0.73
Shares Outstanding (mn)	75.208
Market Cap (RO mn)	39.48









Financials Summary

Income Statement (RO mn)	FQ1 2009	FQ2 2009	FQ3 2009	FQ4 2009	FQ1 2010	FQ2 2010	FQ3 2010
Revenue	10.7	11.3	15.1	16.8	11.9	13.0	14.5
Gross Profit	1.5	1.2	1.8	2.8	1.6	1.7	1.9
Operating Income *	0.8	0.7	0.9	1.5	0.9	0.9	0.9
Net Income	0.5	0.4	0.6	1.1	0.6	0.4	0.7
Basic EPS	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Y-o-Y growth							
Revenue	-3.7%	51.0%	28.0%	15.1%	11.2%	14.9%	-4.1%
Operating Income	-3.1%	80.5%	60.1%	23.0%	2.4%	20.5%	-1.0%
Net Income	-14.2%	146.7%	72.7%	23.8%	14.9%	5.5%	17.2%
Q-o-Q growth							
Revenue	-26.7%	5.8%	33.1%	11.7%	-29.3%	9.3%	11.1%
Operating Income	-28.2%	-12.6%	26.8%	54.7%	-40.2%	2.9%	4.1%
Net Income	-43.3%	-19.5%	37.9%	96.7%	-47.4%	-26.1%	53.2%

* Operating Income - excludes other income

Balance Sheet (RO mn)	FQ1 2009	FQ2 2009	FQ3 2009	FQ4 2009	FQ1 2010	FQ2 2010	FQ3 2010
Total Current Assets	33.8	33.3	43.5	37.2	28.0	31.2	39.2
Total Long-Term Assets	12.8	12.3	12.0	13.8	13.4	13.1	13.3
Total Assets	46.6	45.6	55.6	51.1	41.4	44.3	52.6
Total Current Liabilities	27.9	27.1	35.9	31.8	22.3	22.8	34.5
Total Long-Term Liabilities	7.2	6.8	7.3	5.7	6.0	8.1	3.9
Total Liabilities	35.2	33.8	43.2	37.5	28.3	30.9	38.4
Total Shareholders' Equity	11.4	11.8	12.3	13.6	13.1	13.4	14.2
Book Value per share	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Y-o-Y growth							
Assets	33.3%	17.7%	48.8%	13.4%	-11.1%	-2.9%	-5.4%
Equity	1.6%	12.8%	14.1%	15.1%	14.9%	13.7%	15.2%

Ratio Analysis	FQ1 2009	FQ2 2009	FQ3 2009	FQ4 2009	FQ1 2010	FQ2 2010	FQ3 2010
Gross Margins (%)	13.6	10.4	12.0	16.7	13.6	12.9	13.5
Operating Margin (%)	7.9	6.5	6.2	8.6	7.3	6.9	6.4
Net Margin (%)	4.8	3.7	3.8	6.7	5.0	3.4	4.7
Return on Equity (%) - TTM	17.1	19.6	20.9	20.8	22.2	21.7	21.4
Return on Assets (%) - TTM	4.7	5.2	5.2	5.5	6.2	6.1	5.3
Asset Turnover (x)	1.1	1.1	1.1	1.1	1.3	1.3	1.0
Inventory Turnover (x)	3.5	3.7	2.3	14.3	12.8	3.9	2.1
Debt/Equity (%)	141.7	136.9	168.5	120.0	71.1	108.9	122.7
Debt/Total Assets (%)	34.7	35.5	37.4	31.9	22.5	33.0	33.2
Current Ratio	1.2	1.2	1.2	1.2	1.3	1.4	1.1
Quick Ratio	0.6	0.5	0.4	0.0	0.4	0.0	0.0

Source: Bloomberg, OABINVEST, Company Announcement

Research Division
Email: research@oabinvest.com

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