



EUROPEAN
INTERNATIONAL
UNIVERSITY



COVER PAGE AND DECLARATION

	Master of Business Administration (M.B.A.)
Specialisation:	
Affiliated Center:	
Module Code & Module Title:	
Student's Full Name:	
Student ID:	
Word Count:	
Date of Submission:	

I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished), and has not been previously submitted for assessment elsewhere.

E-SIGNATURE: Ahmed Mostafa

DATE: _____

EIU Paris City Campus

Address: 59 Rue Lamarck, 75018 Paris, France | **Tel:** +33 144 857 317 | **Mobile/WhatsApp:** +33607591197 | **Email:** paris@eiu.ac

EIU Corporate Strategy & Operations Headquarter

Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | **Tel:** +66(2)256923 & +66(2)2569908 | **Mobile/WhatsApp:** +33607591197 | **Email:** info@eiu.ac

Table of Contents

Content	page
Introduction	2
Balance sheet	2
Income Statement	4
Cash Flow Statement	5
Performance analysis	7
Profitability	7
Liquidity	8
Activity Ratios	9
Solvency	10
Market based ratios	11
New Investment	12
Distribution of Dividends	16
References	17

Financial report:

Introduction:

In this report, we will analyze the performance of **OMAN EDUCATION & TRAINING INVESTMENT COMPANY SAOG AND ITS SUBSIDIARIES** for the period from 2016 until 2019.

Oman Education & Training Investment Co. SAOG is an Omani Joint Stock Company.

The Company's Head Office is located at Sohar.

The subsidiary companies controlled by the Parent Company are as following:

- Sohar University LLC
- Modern Catering Company LLC
- Sohar Transportation and Shipping Services LLC

The report is using the following financial statements listed on the company website¹(Media Center):

1. Balance sheet
2. Income statement
3. Cash flow statement

Balance sheets

	2016	2017	2018	2019
Assets				
Non-current assets				
Property and equipment	OMR 38,079,234	OMR 38,747,065	OMR 38,028,267	OMR 34,949,071
Investment in subsidiaries	OMR -	OMR -	OMR -	OMR -
Total non-current assets	OMR 38,079,234	OMR 38,747,065	OMR 38,028,267	OMR 34,949,071
Current assets				
Inventories	OMR 182,553	OMR 201,691	OMR 160,334	OMR 131,159
Trade and other receivables	OMR 5,392,896	OMR 6,007,679	OMR 2,650,430	OMR 2,635,546
Bank balances and cash	OMR 426,458	OMR 2,410,167	OMR 3,321,202	OMR 2,436,955
Total current assets	OMR 6,001,907	OMR 8,619,537	OMR 6,131,966	OMR 5,203,660
Total assets	OMR 44,081,141	OMR 47,366,602	OMR 44,160,233	OMR 40,152,731

EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	OMR 7,000,000	OMR 7,000,000	OMR 7,000,000	OMR 7,000,000
Legal reserve	OMR 1,378,783	OMR 1,508,627	OMR 2,920,756	OMR 3,023,633
Property revaluation reserve	OMR 5,752,740	OMR 7,256,623	OMR 7,256,623	OMR 5,301,623
Retained earnings	OMR 1,980,375	OMR 2,451,310	OMR 1,761,465	OMR 979,877
Total equity	OMR 16,111,898	OMR 18,216,560	OMR 18,938,844	OMR 16,305,133
Non-controlling interest	OMR 2,337	OMR -	OMR -	OMR -
Total equity and minority interest	OMR 16,114,235	OMR 18,216,560	OMR 18,938,844	OMR 16,305,133
Non-current liabilities				
Deferred grants related to assets	OMR 17,374,708	OMR 16,907,703	OMR 16,440,698	OMR 16,081,993
Term loan	OMR 2,475,422	OMR 1,560,055	OMR 982,817	OMR 428,341
Deferred tax liability	OMR 942,346	OMR 1,377,776	OMR 1,440,820	OMR 1,163,514
End of service benefits	OMR 1,047,784	OMR 1,196,462	OMR 1,328,833	OMR 1,384,092
Students' deposits	OMR 213,060	OMR 178,581	OMR 178,580	OMR 196,374
Notes payable	OMR -	OMR -	OMR -	OMR -
Total non-current liabilities	OMR 22,053,320	OMR 21,220,577	OMR 20,371,748	OMR 19,254,314
Current liabilities				
Banks borrowings	OMR 752,008	OMR 3,012,351	OMR -	OMR -
Current portion of term loan	OMR 1,575,000	OMR 1,325,000	OMR 975,000	OMR 625,000
Trade and other payables	OMR 3,288,748	OMR 3,297,202	OMR 3,429,548	OMR 3,824,731
Provision for income tax	OMR 297,830	OMR 294,912	OMR 445,093	OMR 143,553
Total current liabilities	OMR 5,913,586	OMR 7,929,465	OMR 4,849,641	OMR 4,593,284
Total liabilities	OMR 27,966,906	OMR 29,150,042	OMR 25,221,389	OMR 23,847,598
Total equity and liabilities	OMR 44,081,141	OMR 47,366,602	OMR 44,160,233	OMR 40,152,731

Income statement:

Income	2016	2017	2018	2019
Tuition fees	OMR 13,330,064	OMR 13,263,586	OMR 13,522,180	OMR 11,897,637
Other income	OMR 1,060,634	OMR 983,956	OMR 702,852	OMR 684,160
Total income	OMR 14,390,698	OMR 14,247,542	OMR 14,225,032	OMR 12,581,797
Expenses				
Salaries and related costs	OMR (8,268,059)	OMR (8,473,587)	OMR (8,658,785)	OMR (9,026,799)
Gross profit	OMR 6,122,639	OMR 5,773,955	OMR 5,566,247	OMR 3,554,998
Administrative and other operating expenses	OMR (3,211,143)	OMR (2,695,517)	OMR (2,211,908)	OMR (1,974,831)
EBITDA (Earing before Interest, Tax, Depreciation and amortization)	OMR 2,911,496	OMR 3,078,438	OMR 3,354,339	OMR 1,580,167
Depreciation of property and equipment	OMR (1,653,283)	OMR (1,727,270)	OMR (1,517,478)	OMR (1,441,671)
Total expenses	OMR (13,132,485)	OMR (12,896,374)	OMR (12,388,171)	OMR (12,443,301)
Profit for the year from operations (EBIT)	OMR 1,258,213	OMR 1,351,168	OMR 1,836,861	OMR 138,496
Release of deferred government grant	OMR 467,005	OMR 467,005	OMR 467,005	OMR 467,005
(reversal)/charge of impairment allowance	OMR -	OMR -	OMR (30,386)	OMR 58,612
Finance costs (interest)	OMR (402,797)	OMR (364,295)	OMR (246,486)	OMR (160,004)
Loss on sale of investment in subsidiary	OMR -	OMR -		
Profit for the year before tax (EBT)	OMR 1,322,421	OMR 1,453,878	OMR 2,026,994	OMR 504,109
Income tax	OMR (270,296)	OMR (155,436)	OMR (429,710)	OMR (132,820)
Net profit	OMR 1,052,125	OMR 1,298,442	OMR 1,597,284	OMR 371,289
Other comprehensive income:				
Surplus/ deficit on revaluation of land	OMR -	OMR 2,000,000	OMR -	OMR (2,300,000)
Less: income tax effect	OMR -	OMR (496,117)	OMR -	OMR 345,000
total	OMR -	OMR 1,503,883	OMR -	OMR (1,955,000)
Net profit and total comprehensive income for the year	OMR 1,052,125	OMR 2,802,325	OMR 1,597,284	OMR (1,583,711)

Cash Flow Statement

	2016	2017	2018	2019
Operating activities				
Profit for the year before tax	OMR 1,322,421	OMR 1,453,878	OMR 2,026,994	OMR 504,109
Adjustments for:				
Depreciation of property and equipment	OMR 1,653,283	OMR 1,727,270	OMR 1,517,478	OMR 1,441,671
Provision for end of service	OMR 255,686	OMR 265,228	OMR 253,034	OMR 225,482
Interest income	OMR (2,946)	OMR (9,032)	OMR (10,159)	OMR (13,169)
Finance costs	OMR 402,797	OMR 364,295	OMR 246,486	OMR 160,004
Write-off of property and equipment	OMR -	OMR 331,656	OMR -	OMR -
Loss / (Gain) on disposal of property and equipment	OMR (2,062)	OMR 11,570	OMR -	OMR (34,023)
Deferred Government grant related to assets	OMR (467,005)	OMR (467,005)	OMR (467,005)	OMR (467,005)
Allowance for impaired debts and advances	OMR 535,009	OMR 48,008	OMR 30,386	OMR (58,612)
Allowance for impaired debts written off	OMR (51,150)	OMR (10,641)	OMR -	OMR -
Dividend income	OMR -	OMR -	OMR -	OMR -
Operating profit / (loss) from operating activities before changes in working capital	OMR 3,646,033	OMR 3,715,227	OMR 3,597,214	OMR 1,758,457
Changes in working capital:				
Inventories	OMR (8,742)	OMR (19,137)	OMR 37,819	OMR 29,175
Trade and other receivables	OMR (2,376,009)	OMR (652,150)	OMR 3,326,863	OMR 73,496
Students' deposits	OMR 21,753	OMR (34,478)	OMR -	OMR 17,794
Notes payable	OMR (7,962)	OMR -	OMR -	OMR -
Trade and other payables	OMR 353,346	OMR 8,451	OMR 132,347	OMR 395,183
Cash generated from / (used in) operations	OMR 1,628,419	OMR 3,017,913	OMR 7,094,243	OMR 2,274,105
Income tax paid	OMR (176,294)	OMR (219,041)	OMR (216,487)	OMR (366,666)
End of service benefits paid	OMR (138,100)	OMR (116,550)	OMR (120,663)	OMR (170,223)

Cash generated from / (used in) operating activities	OMR 1,314,025	OMR 2,682,322	OMR 6,757,093	OMR 1,737,216
Investing Activities				
Purchase of property and equipment	OMR (1,844,351)	OMR (748,727)	OMR (858,721)	OMR (663,862)
Interest Received	OMR 2,946	OMR 9,032	OMR 10,159	OMR 13,169
Proceeds from disposals of property and equipment	OMR 5,989	OMR 10,400	OMR -	OMR 35,410
Proceeds from disposals of held-for-sale assets	OMR -	OMR -	OMR 63,579	OMR -
Receipt of grant related to assets	OMR -	OMR -	OMR -	OMR 108,300
Cash (used in)/ generated from investing activities	OMR (1,835,416)	OMR (729,295)	OMR (784,983)	OMR (506,983)
Financing Activity				
Term Loan received	OMR 913,643	OMR 409,634	OMR 397,762	OMR 70,524
Repayment of term loan	OMR (1,175,000)	OMR (1,575,000)	OMR (1,325,000)	OMR (975,000)
Short term loans received/(paid)	OMR 750,000	OMR 2,250,000	OMR (3,000,000)	OMR -
Dividend paid	OMR (1,050,000)	OMR (700,000)	OMR (875,000)	OMR (1,050,000)
Finance cost paid	OMR (402,797)	OMR (364,295)	OMR (246,486)	OMR (160,004)
Cash used in financing activities	OMR (964,154)	OMR 20,339	OMR (5,048,724)	OMR (2,114,480)
Change in Cash and Cash equivalents	OMR (1,485,545)	OMR 1,973,366	OMR 923,386	OMR (884,247)
Cash and cash equivalents at the start of the year	OMR 1,909,995	OMR 424,450	OMR 2,397,816	OMR 3,321,202
Cash and cash equivalents at the end of the year	OMR 424,450	OMR 2,397,816	OMR 3,321,202	OMR 2,436,955
Cash at the end of 2015	OMR 1,909,995			
Cash at the start of 2020	OMR 2,436,955			

Note: Cash in the bank in Balance sheet Current assets is different from the cash flow statement in years 2016 and 2017 due to Bank Overdraft.

Bank Borrowing	2016	2017
Bank overdraft	OMR 2,008	OMR 12,351
Short term loans	OMR 750,000	OMR 3000,000
	OMR 752,008	OMR 3,012,351

Performance Analysis:

Important Notes from financial statements

- the company doesn't pay the taxes fully resulting in accumulating taxes in the liability (difference between income taxes in the income statement and the taxes paid in the cash Flow)
- Most of the non-current liability is a government grant without interest used to build the university buildings.
- There's a significant decrease almost 12% of total income in year 2019
- Re-evaluation of land during the year of 2017 with 2,000,000 in surplus then re-evaluate it again in 2019 with deficit of 2,300,000 gave a misleading figures about the net profit , in this report we excluded the re-evaluation from the Net profit Margin calculation.
- The company provides education services the inventory is very small.

Profitability

Year	Profitability Ratios			
	2016	2017	2018	2019
Gross Profit Margin	43%	41%	39%	28%
Operating Profit Margin	9%	9%	13%	1%
Profit Margin	7%	9%	11%	3%
Return On Equity(ROE)	7%	7%	8%	2%
Return On Assets(ROA)	2%	3%	4%	1%

Observations:

1. Profit Margin slightly increasing till 2018 , but dropped dramatically in 2019 due to significant decrease in tuition fees which are the main factor in the total income

2. the very high fixed cost represented in salaries increasing even with the remarkable decrease in the total income gives no room for profit (year 2019 was the peak in salaries and the lowest in income)
3. The slim margin of ROA indicates that the company needs improvement in assets management.

Recommendations:

1. Salaries and allowances need to be revised based on performance
2. Administration costs needs to be revised
3. Assets management system needs to be applied to maximize the use of the assets to generate more profit
4. New Investment with relatively low fixed cost and high profit margin can help to improve the performance

Liquidity

Year	Liquidity Ratios			
	2016	2017	2018	2019
Working Capital	OMR 88,321	OMR 690,072	OMR 1,282,325	OMR 610,376
Current Ratio	1.01	1.09	1.26	1.13
Quick Ratio	0.98	1.06	1.23	1.10
Cash Ratio	0.07	0.30	0.68	0.53

Observations:

1. Increase in working capital is a good indication that the company can cover the short term obligations
2. The current ratio is not ideal but it is increasing which means that the company on the correct path and covering its short term liabilities, knowing that the company does not have big inventory.
3. The very close Quick Ratio to the current ratio is another reflection that the company providing a service and holding very small inventory.
4. The increasing cash ratio is indication of good performance of cash conversion cycle.

Year	2015
Trade and other receivables	OMR 3,500,746
Inventories	OMR 173,811
Trade and other payables	OMR 2,935,403

Average of Account receivables (AR), Account Payables (AP), and inventory is calculated by taking the values of last year as the beginning of the year value

Example: Average AR (2016) = (AR (2015) +AR (2016)) / 2

Activity

	Activity Ratios			
	2016	2017	2018	2019
Account Receivable turn Over	3.24	2.50	3.29	4.76
AR Days ON Hand	112.8	146.0	111.1	76.7
Inventory Turn Over	46.4	44.1	47.8	61.9
Inventory Days ON Hand	7.9	8.3	7.6	5.9
Account payable turn Over	3.7	3.4	3.2	3.0
Account payable Days ON Hand	99.0	107.6	112.9	120.3

Cash Conversion Cycle (CCC)	21.7	46.7	5.8	-37.8
-----------------------------	------	------	-----	-------

Observations:

1. The increase in Account Receivable and inventory turn overs shortened the outstanding days and made the operation cycle shorter and faster
2. The decrease in account payable turn over and increase of its outstanding days can be indication of problem in liquidity or high bargaining power of the company , in this case the company liquidity is ok , which lead that the financial management has higher bargaining power and payments are done according to the company terms.

3. The cash conversion cycle is decreasing until it became in negative in 2019 which indicate high performance of collection department as the main factor is the decrease of account receivable outstanding days from 112 days in 2016 to 76 days in 2019

Recommendations:

1. Make sure that the increase of account payable outstanding days is not affecting the employees' salaries as it can make negative influence on the company reputation, which can decrease its market value.

Solvency

	Solvency (leverage)			
	2016	2017	2018	2019
Debt to Equity	1.37	1.16	1.08	1.18
Debt to Asset (leverage)	0.50	0.45	0.46	0.48
Interest Coverage	3.12	3.71	7.45	0.87
Debt Service Coverage Ratio (DSCR)	2.61	3.56	6.48	2.32

Observations:

1. Effect of release of deferred government grant is shown in year 2019 making the DSCR higher than the interest coverage
2. The increasing DSCR indicates that the company is capable to cover the debt service
3. The company leverage is very good as debt to asset ratio is 50% and decreasing which means the company assets value is twice its debts
4. Specially in Oman the cost of capital from debt is much less that the cost of capital from equity
5. The Cash generated from Operation activities is paying off the investment and financing costs

Recommendations:

1. In Future expansion investment it is more cost effective to use more Debt than equity in the capital structure , as the cost of capital using debts will include Tax Savings that will make it less than cost of capital using equity. Rate of Debt after Tax = $R_d(1-T)$,
 R_d =Rate of Debt , T = Tax Rate

Market Based Ratios:

market based ratios				
Current Total Shares	70000000			
Year	2016	2017	2018	2019
Average share price ³ (Marketwatch, Historical Quotes)	OMR 0.15	OMR 0.15	OMR 0.24	OMR 0.22
Earnings per share	OMR 0.015	OMR 0.019	OMR 0.023	OMR 0.005
Price-Earnings (P/E) Ratio	10.0	8.1	10.5	41.5

Observations and recommendations:

1. The increase in the earnings per share till 2018 shows good profitability for investors and encourage more investment , the drop in profit in 2019 led to decrease in share price but still holding good position which reflect the trust of investors in the company performance
2. It is recommended to fix the main reason of the drop in profit by increasing sales, more education programs and more income from tuition fees , and revise the fixed costs and salaries based on performance
3. It is recommended to invest in other projects with low fixed cost and high profit margin , as E-learning and short term courses

New Investment:

“The global online education market is projected to witness a CAGR of 9.23% during the forecast period to reach a total market size of US\$319.167 billion in 2025, increasing from US\$187.877 billion in 2019.”² (Global Online Education Market forecast from 2020 to 2025)

As Sohar university is the core business of the company and conventional education limit the market within the city of Sohar and nearby cities, opening an online education portal which can provide distance education can open other markets within Oman and abroad .

Distance education can be provided into three forms

- Synchronous : using virtual classrooms where the students meet the instructors online
- Asynchronous : using pre-filmed lectures and communication channels for questions and answers between students and instructors

- Blended: combining both above methods together to create better learning experience

After covid-19 pandemic, online education started to be the new normal and it needs much less fixed cost than conventional education, which make it the investment that we need to maximize the utilization of the already existing education staff and assets.

Estimations:

total income	OMR 1,000,000	Estimated as 7% of the company average revenue and with annual increase 10%
Cost Of service	OMR 200,000	Estimated as 20% of the total income to cover instructors allowances and cost of production of e-learning materials
Administration and sales	OMR 100,000	Estimated as 10% of total income to cover IT support and sales
AR T/O	5	Used best AR turn-over of the company
AR DOH	73	
AR	OMR 200,000	AR =Total Income/AR DOH
AP T/O	4	Used AP DOH as 90 Days standard
AP DOH	91	
AP	OMR 50,000	AP=Cost of service/AP DOH

Estimated Balance sheet

Balance sheet					
Assets			Liabilities		
Non-Current assets			Non-current liabilities		
Equipment	OMR	200,000	Long term Loan	OMR	450,000
Software and Licenses	OMR	200,000	O/E	OMR	150,000
Current assets			Current Liabilities		
AR	OMR	200,000	AP	OMR	50,000
Cash	OMR	50,000			
Total assets	OMR	650,000	Total Liabilities	OMR	650,000

Note : Wd =Debt weight 75% and We=equity weight 25%		
Note: assume equipment salvage value after 4 years depreciation will be 10% of original value		
Rate of Debt in Oman (Rd)	5.50%	(Lending interest rate(%) – Oman) ⁴
Rate of Debt after Tax -Rd(1-T)	4.7%	Income Tax in Oman is 15%
Required Rate of return for equity (RRR)=Rf+B(Rm-Rf)+CRP	18.200%	Capital Asset Pricing Model (CAPM)⁵
Risk Free Rate (Rf)	4%	Considering the risk free rate same as the deposit interest rate(deposit interest rate(%) -Oman)⁶
Market Rate of return(Rm)	10%	Average rate of return of educational investments
Beta (Project risk Factor)	1	Systematic risk Factor of the project assumed as 1
CRP of Oman	8.2%	Country Risk Premium (CRP) By ELVIS PICARDO December 01, 2020⁷
WACC= WdxRd(1-T) + WexRRR	8.1%	
PV=(FV)n/(1+WACC)^n		WACC: Weighted Average cost of capital

Year	0	1	2	3	4
investment cost		2020	2021	2022	2023
Total Initial Cost	OMR (400,000)	Projected net Income of the investment over 4 years Starting from 2020			
Net Working Capital	OMR (200,000)				
Income statement					
total income		OMR 1,000,000	OMR 1,100,000	OMR 1,210,000	OMR 1,331,000
Cost Of service		OMR (200,000)	OMR (220,000)	OMR (242,000)	OMR (266,200)
Gross profit		OMR 800,000	OMR 880,000	OMR 968,000	OMR 1,064,800
Administration and sales		OMR (100,000)	OMR (110,000)	OMR (121,000)	OMR (133,100)
EBITDA		OMR 700,000	OMR 770,000	OMR 847,000	OMR 931,700
annual Depreciation of equipment over 4 years life time		OMR (50,000)	OMR (50,000)	OMR (50,000)	OMR (50,000)
annual Amortization of soft wares over 4 years life time		OMR (50,000)	OMR (50,000)	OMR (50,000)	OMR (50,000)
EBT		OMR 600,000	OMR 670,000	OMR 747,000	OMR 831,700
Oman Income Taxes 15%		OMR (90,000)	OMR (100,500)	OMR (112,050)	OMR (124,755)
Net Income		OMR 510,000	OMR 569,500	OMR 634,950	OMR 706,945
Cash Flow statement					
Net Income		OMR 510,000	OMR 569,500	OMR 634,950	OMR 706,945
Depreciation and Amortization adjust		OMR 100,000	OMR 100,000	OMR 100,000	OMR 100,000
Operating CF		OMR 610,000	OMR 669,500	OMR 734,950	OMR 806,945
NWC recovery		OMR -	OMR -	OMR -	OMR 200,000
salvage Value of equipment		OMR -	OMR -	OMR -	OMR 20,000
15% income Tax on salvage sold		OMR -	OMR -	OMR -	OMR -3000
Net salvage value		OMR -	OMR -	OMR -	OMR 17,000
NCF	OMR (600,000)	OMR 610,000	OMR 669,500	OMR 734,950	OMR 1,023,945

Present Value Interest Factor	1.00	0.93	0.86	0.79	0.73
PVCF	OMR (600,000)	OMR 564,521	OMR 573,391	OMR 582,516	OMR 751,064
NPV	OMR 1,871,492	Project Accepted			

Note: As the interest is already considered in the WACC calculation, it will not be included in the projected Income statements

The Valuation of new investment is done using the Discounted Cash Flow method.

DCF method takes into consideration that the value of money decrease with time.

To know that the investment is profitable and accepted the net present value of the cash flow generated within the years of the project must be higher than the present initial Cost of the project.

As the value of amount money in the future worth less than the same amount in the present, we need to calculate that discount rate that decrease the value of money that will be used as capital for the project .

To calculate this rate following needs to be taken into consideration:

1. Risk free interest value (example as deposit the money in the bank)
2. Industry Risk factor
3. Debt interest (if the capital is financed using a loan)
4. Country Risk Factor including inflation
5. The return expected from the project according to the market

This discount rate is called the Weighted Average Cost of Capital (WACC)

Present Value = (Future Value) / (1+WACC)^{number of the year}

WACC= $W_d \times R_d(1-T) + W_e \times RRR$

RRR (required rate of return) or expected return is calculated using the Capital Asset Pricing Model (CAPM) , WILL KENTON (March 2021) stated⁸ “The Capital Asset Pricing Model (CAPM) describes the relationship between systematic risk and expected return for assets”
(RRR)= $R_f + B(R_m - R_f) + CRP$

The investment RRR is calculated according to Damodaran assumption (Country Default Spreads and Risk Premiums)⁸ of Oman risk premium (CRP) in 2020, now in 2021 Oman CRP decreased from 8.2% to 3.49% , which means less risk and better investment environment , the investors don't request big interest in exchange of risk.

- The company needs to use more weight of cash generated from Debt in the capital of the project than the weight from retained earnings, in the investment analysis we used 75% of the capital from Debt and 25% from equity represented in retained earnings.

Distributing dividends

Paying retained earnings or distributing dividends is a good indication that the company is profitable and part of the return is going back to the shareholders.

AMY FONTINELLE (November 07, 2021) says “Mature firms that believe they can increase value by reinvesting their earnings will choose not to pay dividends.”⁹

After the drop in income in 2019, OMAN EDUCATION & TRAINING INVESTMENT COMPANY (OETI) needs to have a path in between paying earnings fully and holding them. Partially distributing dividends keeps the trust of shareholders and demonstrates the company's financial strength.

OETI paid 1,050,000 OMR of dividends in 2019 even with the big decrease in income to demonstrate that it is only a sit back and performance will return to normal shortly which caused only a small decrease in its share price from 0.24 OMR in 2018 to 0.22 OMR in 2019.

Investing in other projects to generate more income and increase the company market value will require retaining the bigger portion of the earnings.

Conclusion

OETI is a financially strong company with its main portion of non-current liability being a government grant without interest.

- The company has good ratios of solvency and liquidity.
- The debt ratios are good, and the financial statements show that the borrowing activity is minor; the long-term loans are considerably small compared to the total non-current liabilities.
- Current liabilities from borrowing and loans are decreasing, with no short-term loans in 2018, 2019.
- The profitability needs improvement by increasing the gap between the Total income and expenses and evaluating the reason behind the increase in fixed costs and salaries without reflection on the total income. Tuition fees need to be revised and increased, as they are the main factor of the income.
- New investments are needed to diversify the income sources; those investments will aim to have less fixed costs and better asset management, with a high profit margin and good utilization of the company's assets. OETI can maximize its value.

References

- 1- Media center, publications, retrieved from:
<https://oeti.om/%d8%a3%d8%a8%d8%b1%d8%b2-%d8%a7%d9%84%d9%85%d9%84%d8%a7%d9%85%d8%ad-%d8%a7%d9%84%d9%85%d8%a7%d9%84%d9%8a%d8%a9/?lang=en>
- 2- Dublin, April 16, 2020 (GLOBE NEWSWIRE) -- The "[Global Online Education Market - Forecasts From 2020 To 2025](#)" retrieved from:
<https://www.globenewswire.com/news-release/2020/04/16/2017102/0/en/Global-Online-Education-Market-Worth-319-Billion-by-2025-North-America-Anticipated-to-Provide-the-Highest-Revenue-Generating-Opportunities.html>
- 3- Market watch, Historical quotes , retrieved from
<https://www.marketwatch.com/investing/stock/oeti/download-data?startDate=12/1/2016&endDate=12/30/2016&countryCode=om>
- 4- (Lending interest rate(%) – Oman) , retrieved from
<https://data.worldbank.org/indicator/FR.INR.LEND?locations=OM>
- 5- Capital Asset Pricing Model (CAPM) ,WILL KENTON (March 2021), retrieved from
<https://www.investopedia.com/terms/c/capm.asp>
- 6- (deposit interest rate(%) -Oman) , retrieved from
<https://data.worldbank.org/indicator/FR.INR.DPST?locations=OM>
- 7- Country Risk Premium (CRP), ELVIS PICARDO (December 2020), retrieved from
<https://www.investopedia.com/terms/c/country-risk-premium.asp>
- 8- (Country Default Spreads and Risk Premiums-January 2021) , retrieved from
https://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/ctryprem.html
- 9- Companies That Pay Dividends—And Those That Don't ,AMY FONTINELLE (November 07, 2021) retrieved from <https://www.investopedia.com/ask/answers/12/why-do-some-companies-pay-a-dividend.asp>