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Renaissance Services SAOG

## **Chairman's Statement**

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG, for the three-month period ended 31 March 2020.

### **COVID-19 Pandemic**

The world is in crisis. Our hearts go out to all who are suffering. This shall pass. For the sake of our planet and humanity, we must use this opportunity to re-shape our thinking and build a better future after the storm.

### **Our priorities**

We are clear on our priorities during this crisis:

- To protect our customers and our people and keep them safe from harm
- To provide essential services in the public interest that sustain the health service; and support key areas of the economy and the community
- To provide help and resources to the government in the fight against the virus
- To sustain our supply chain
- To implement and promote government guidelines and best practices
- To communicate with our customers, employees and other stakeholders
- To absorb the economic impact and protect our shareholders from losses

### **Our role**

Renaissance provides essential services to Ministry of Health (MOH) Hospitals throughout the country. We pay tribute to MOH and all key frontline workers, including doctors, nurses and all other healthcare and support staff. This includes our own brave colleagues who work alongside them to ensure hospitals, medical facilities and equipment are clean and sanitized, uniforms and linen are hygienically laundered, and patients are safely fed and nourished.

The company also provides accommodation, facilities management and other essential services in key areas of the economy that must remain operational in the national interest. These include oil & gas fields, ports, key industries and projects.

In all operations where our services are vital to continuity – and especially in all hospitals – our teams in Oman and UAE have enhanced the performance of our duties. We have responded and innovated wherever needs required, including: provision of quarantine and isolation services; installation of thermal temperature detection technology; social distancing protocols; longer opening hours; remote working communication technology; packed meal services; in-depth repetitive sanitizing and disinfecting; increased quantities of masks, PPE, sanitizer and packed-meal disposables; and ensuring a stable, responsive and agile supply chain.

However long this crisis continues, we shall do whatever is required to support our hospitals and keep them operational; and to support our clients in key sectors of the economy and keep them functioning.

### ***In Service of the Nation - Aiding the government's fight against COVID-19***

*The Renaissance response is through a new programme, which we have called 'In Service of the Nation', to donate services and resources to the government in the fight against the virus:*

Since the start of the crisis, we are providing free-of-cost support to Ministry of Health (MOH) and Ministry of Social Development (MOSD), who lead the initiatives for creating quarantine, support and outbreak centres on behalf of the Supreme Committee. This includes provision of thousands of meals every day to quarantine centres and support centres throughout the country. We have sent in special cleaning squads to prepare and sanitize quarantine and outbreak centres. We have provided food and laundry services to returning overseas students and others, accommodated in various hotels.

While we continue with this support every day, we stand ready to lead a larger central response, in conjunction with government, for any surge scenario. We salute the courage and commitment of our frontline staff who deliver these services every day. Brave men and women who face down danger 'In Service of the Nation'.

We applaud the generous contributions in cash and kind by individuals and enterprises throughout Oman. Many have come together in the national interest clearly reflecting the private sector's solidarity and support to the Government and the Nation at a very difficult time.

## Communication

We have regular communications with our customers, employees and other stakeholders. We maintain a daily flow of posters, toolbox talks, social media content and other communications throughout our operations. This content feeds into communications with clients who need to know that their own people are safe in our care. We cascade, through our own media, the guidelines and communications provided by government authorities.

We provide updates for shareholders on our website and information for all on our social media platforms: Facebook, Twitter, Instagram and LinkedIn.

## Financial performance

### RS Consolidated

	Rial Million		USD Million	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019
<b>Continuing operations</b>				
Revenue	<b>28.9</b>	25.5	<b>75.1</b>	66.4
EBITDA	<b>7.1</b>	5.3	<b>18.4</b>	13.8
Operating profit	<b>5.2</b>	3.1	<b>13.5</b>	7.9
<b>Net profit after tax from continuing operations</b>	<b>4.1</b>	1.4	<b>10.6</b>	3.6
Net Profit after tax from discontinued operations (Note 1)	-	6.5	-	16.9
Net profit	<b>4.1</b>	7.9	<b>10.6</b>	20.5
Net profit after minority interest	<b>3.2</b>	6.2	<b>8.3</b>	16.0

Note:

*Net profit after tax from discontinued operations for Q1 2019 represents net profit of Topaz Energy and Marine Limited (Topaz). Renaissance had divested Topaz in Q3 2019.*

There has been some financial impact, from the COVID-19 crisis, toward the end of Q1 performance. The impact is mixed. In some sectors where we serve, business continuity is vital. In other sectors, there is reduced activity or temporary suspension of service. Schools are closed. We have shut commercial cafeterias and other social outlets. The full net financial impact may be in the region of Rials 1 million per month at the height of economic lockdown. So, the duration of lower activity will be important. Whatever the case, we are confident the company shall remain profitable.

Across the Renaissance Villages occupancy is down c. 5%, as clients postpone non-vital work and relocate those who can work from home.

Liquidity is strong: We paid the 20% dividend pledged to shareholders; based on committed customer demand, we are proceeding with the initial expansion phase of Renaissance Village Duqm – while paring back costs; future phases shall only proceed based on clear demand visibility. Most important, our liquidity position can absorb this crisis. We will meet all financial obligations.

## **Outlook**

COVID-19 has had significant impact on the global economy. There is disruption to businesses, supply chains, workforces, travel, stock markets, retail, hospitality, consumers and more. Lockdown is essential to beating the virus, at the cost of economic inactivity and massive reduction of GDP.

Around the world, we see government interventions on an unprecedented scale to protect businesses and workers, in the hope of a rapid bounce back when the crisis recedes. It is a trade-off between ‘saving lives and saving livelihoods.’

For Oman’s economy, and the whole GCC region, there is a need to cope with the additional impact of plummeting oil price – a 65% fall since end-2019. Oman government has moved to reduce approved spending measures by 10% in 2020. Government, Oil & Gas producers and operators, and others are urgently seeking cost reductions of up to 30%. Whilst private sector shall naturally move to reduce costs, it has to be collaborative - calls for arbitrary

reduction in contract rates is counterintuitive as most corporates will in any case be materially damaged through this crisis, and the resultant further flow down of pain to the SMEs should be avoided at all costs. All parties in the economic ecosystem need to look at their own internal cost base rather than pushing it out to others as that will only perpetuate a downward spiral.

At worst, the 'double-whammy' of COVID-19 and Oil Price Crash shall result in layoffs, bankruptcies, non-performing loans in the banking system, supply chain disruptions, and delayed investment decisions. Government borrowing and fiscal deficits around the world are rocketing.

Oman is not immune to any of these pressures. The first part of the solution is to steer successfully through the COVID-19 crisis within the capacity of the health service, with minimum loss of life. We share the universally held view that the Oman government response has been superb: timely, proportionate and effective. We are in uncharted waters. It is impossible to predict how long the lockdown must stay in place. But it is possible to feel confident that Oman is taking the right measures to ensure an optimum balance in the outcome.

Crises like these require early adaptation and adjustment. Oman's government is moving quickly to tackle these challenges. The long-term national imperative is unchanged: to diversify the economy and create productive jobs, that promote sustainable social development. The urgency to fast-track that programme has been turbo-charged by the unprecedented events of Q1 2020.

The government's evolving programme for increased Public Private Partnership (PPP) is one key example of the solution. Success of the SEZAD plan is more critical than ever. A company like Renaissance is well-placed to play its part and grow through our desire and commitment to invest in Oman. We are also well-placed – through our proven ability to drive down costs and drive up standards – to assist government, businesses and institutions as they seek to outsource non-core activity.

But all this is something we can explore further in our next report. Right now, our focus is on the priorities of our role in the fight against COVID-19.

## **Hope**

I would like to finish with some words of hope and optimism:

Let our hopes, not our fears, shape our approach to recovery. Let our confidence, not our doubts, strengthen our resolve. A combined effort of leadership, science, medicine and people following the guidelines, will defeat this virus. A combined effort of government, institutions, private sector, communities, families and individuals – all collaborating, all in this together – will re-build our economy and determine the speed we bounce back. There is light despite the darkness. Our nation is resilient. We shall prevail.

## **Tribute**

His Majesty Sultan Haitham has taken the helm at a time of unprecedented global and regional challenges. The whole country draws confidence from the speed and effectiveness of the response to COVID-19, and the parallel initiatives to tackle government spending and drive economic diversification. We assure him of our steadfast support.

Samir J. Fancy  
Chairman