

MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (April 2020)

2019

2020E

STOCKS	Closing**	Market Cap (RO 000s)	Rating	PE (x)	PBV (x)	Div. Yield (%)	PE (x)	PBV (x)	Div. Yield (%)
<i>Financial Sector</i>									
Bank Muscat	0.322	1,046,345	Buy- LT	5.6	0.53	10.9%	6.0	0.51	9.3%
Bank Nizwa	0.090	135,000	Buy- LT	13.2	0.91	0.0%	13.8	0.85	4.3%
HSBC Bank Oman	0.105	210,033	Buy- LT	7.2	0.60	8.3%	8.1	0.58	7.4%
<i>Industry Sector</i>									
Oman Flour Mills	0.578	91,035	Buy- LT	14.5	1.19	8.7%	12.8	1.20	8.7%
<i>Services Sector</i>									
Oman Telecommunication	0.590	442,500	Buy- LT	5.7	0.78	9.3%	5.9	0.74	8.5%
Ooredoo	0.394	256,470	Buy- LT	7.6	0.98	10.2%	8.0	0.96	9.6%
Sembcorp Salalah	0.130	124,094	Accumulate-LT	8.3	1.13	7.5%	8.8	1.09	7.5%
Musandam Power Co	0.290	20,413	Accumulate-LT	7.8	2.13	9.5%	8.1	2.01	9.5%

During current unprecedented market conditions, we have selected stocks with focus on capital preservation and increased Cash Position to 20% levels in Portfolio

Source: GBCM Research Estimates, * LT- Long Term, ** Closing price as at end of 31 Mar 2020, ** We are in the process of revisiting our 2020 earnings and target price of all companies post clarity during coming weeks.

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STOCKS	Comments
<i>Financial Sector</i>	
Bank Muscat	Bank Muscat continue to remain as proxy to local economy. With the concerns of Covid-19 pandemic, the central bank of Oman has come out with measures to enhance liquidity, capital cushion and other benefits to customers. Current economic challenges and low oil prices to impact the local banks performance in 2020. Strong capital adequacy and higher liquidity levels to support the bank. Despite asset quality concerns, we remain positive on the bank due to better liquidity and capital position
Bank Nizwa	Preferred stock among Omani Islamic Banks, the recent correction provides better entry point. Still we expect the bank to reveal relatively stable earnings in 2020. The prevailing economic slowdown may impact its budgeted growth in revenue and earnings in 2020; Lower operating expenses and stable asset quality may support.
HSBC Bank Oman	Highly Liquid and Well Capitalized Bank in Oman, relatively Stable CASA deposits and asset quality, Operating costs to lower further in current fiscal. Despite macro challenges, we remain positive on the stock amid favorable liquidity profile of the bank.
<i>Industry Sector</i>	
Oman Flour Mills	Provide exposure to low beta food sector in Oman, core business contribution and emphasis on operational efficiency to improve earnings in 2020. The stock acts as a proxy to localized food sector theme during the current crisis. We see expansion benefits of Flour and Bakery units to be seen in the coming quarters. Dividend yield remain attractive post recent price correction.
<i>Services Sector</i>	
Oman Telecommunication	Reported reasonable earnings in 2019 amidst contribution from Zain Group, we maintain our positive outlook on the stock. The recent loan restructuring provides cushion in cash flow for stable dividend yield of circa 9%. Amid prevailing macro challenges, we do believe telecom players are relatively resilient on back of higher contribution from data segment. The delay in third mobile operations to benefit the sector players. Concern remain on the highly leveraged balance sheet for the medium term.
Ooredoo	Underleveraged Balance Sheet and stable Dividend Yield of about 10% post correction, well positioned to face competition. We believe that the current crisis may lead to delay in launch of Third Mobile operations which may benefit the company.
Sembcorp Salalah	The stock acts as a safe bet among utility sector companies providing dividend yield of 7.5%, No Cash Sweep in financing term, Stable Cash flow during PPA (till 2027). As per MDA, the company is exploring providing DSRA LC instead of fully funded Debt Service Reserve Account (DSRA).
Musandam Power Co	MPC has a well-established contractual framework for a 15-year period, providing steady cash flow stream. We believe the equity risk reward in MPC is compensated post recent correction. MPC offers an opportunity to invest in a Strategic Power asset with Government entity being one of the promoter shareholders. Dividend yield is about 9.5% levels.

Performance Indicators	2-Apr-19**	31-Dec-19	Jan-20	Feb-20	Mar-20	% Change (from Inception)	Month to Date (MTD %)	Year to Date- 2020 (% Chg)
GBCM- MSM Top 10 Stocks	100.0	130.4	142.2	143.0	122.2	22.2%	-14.6%	-6.3%
MSM30 Index	3,939.5	3,981.2	4,079.3	4,130.9	3,448.3	-12.5%	-16.5%	-13.4%
Portfolio Outperformance						34.6%	2.0%	7.1%

Source: GBCM Research Estimates, ** Model Portfolio Inception Date



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