

MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (Aug 2019)						2018			2019E		
STOCKS	Closing**	Market Cap (RO 000s)	Rating	12M Target (RO)	Upside (%)	PE (x)	PBV (x)	Div. Yield (%)	PE (x)	PBV (x)	Div. Yield (%)
Financial Sector											
Bank Muscat	0.416	1,287,428	Accumulate	0.484	16.3%	6.8	0.68	8.4%	6.8	0.68	7.9%
Bank Nizwa	0.085	127,500	Buy	0.106	24.7%	15.1	0.91	0.0%	10.6	0.85	0.0%
HSBC Bank Oman	0.118	236,037	Accumulate	0.131	11.0%	7.3	0.72	7.9%	7.6	0.69	7.6%
Al Omaniya Financial	0.085	24,814	Buy	0.115	35.3%	6.1	0.37	13.3%	7.1	0.38	10.0%
Industry Sector											
Al Anwar Ceramic Tiles	0.096	28,437	Accumulate	0.110	14.6%	11.4	0.79	6.3%	12.4	0.78	7.3%
Galfar	0.078	32,387	Accumulate	0.090	15.4%	14.5	0.59	0.0%	10.8	0.56	0.0%
Raysut Cement	0.312	62,400	Buy- LT	0.380	21.8%	-	0.43	3.8%	20.8	0.43	3.8%
Services Sector											
Ooredoo	0.474	308,546	Accumulate	0.545	15.0%	7.4	1.20	9.5%	7.9	1.16	8.9%
Sembcorp Salalah	0.106	101,185	Accumulate	0.124	17.0%	11.6	1.04	11.5%	8.6	1.04	9.9%
Dhofar Generating Co	0.190	42,226	Buy	0.228	20.0%	-	0.92	9.5%	27.1	0.93	9.5%

Source: GBCM Research Estimates, * LT- Long Term, ** Closing price as at end of 31st July 2019

MSM- TOP 10 RECOMMENDATIONS- (August 2019)

STOCKS	Comments
Financial Sector	
Bank Muscat	Strong capital adequacy reduces concerns on higher NPA/ provision levels, The stock remain as a proxy to local economy and continued to reveal stable quarterly performance in Q2. Valuations bottomed out.
Bank Nizwa	Stable revenue growth seen; Lower operating expenses and cost of risk to increase profitability in 2019; Prefer the stock among Islamic Banks. The bank reported in line Q2 results.
HSBC Bank Oman	Highly Liquid and Well Capitalized Bank in Oman, Quality Loan Book and Stable CASA deposits, Operating costs to lower further in current fiscal. We remain positive on the stock post strong Q2 results
Al Omaniya Financial	Stock price have corrected 58% Year to Date (YTD) amid leasing sector concerns and continued selling pressure from select investors. We see value in the stock which trades at 60% discount to book value and provides dividend yield of 10% levels. The company continued to have higher provisioning levels as compared to sector peers.
Industry Sector	
Al Anwar Ceramic Tiles	Improvement in regional sales and commencement of GCC anti-dumping duty in 2020 to remain positive. The stock prices has corrected >10% during July 2019 , we recommend accumulate around the current levels. The company remain under-leveraged along with improvement in free cash flow yield to drive valuations.
Galfar	Oman operations to remain profitable. The recent completion of sale of loss making Indian Operations and Cost optimization to improve H2 2019 earnings. Delay in receivables recovery to impact negatively
Raysut Cement	Strategic Plan towards expansion to benefit in 2020 , Revised plan in African market growth, Valuations- trading well below Net Replacement Value, Concern remain on subdued local market volumes and weak Q2 results
Services Sector	
Ooredoo	Under-leveraged Balance Sheet , we estimated strong dividend yield of about 9%, Well positioned to face competition, Concern remain on Third Mobile License and lower growth rates due to macro weakness
Sembcorp Salalah	The stock provides attractive dividend yield above 10% , No Cash Sweep during financing term, Stable Cash flow during PPA (till 2027). Sembcorp reported strong set of quarterly results, we remain positive around the current trading levels.
Dhofar Generating Co	One of the highest dividend yielding companies in Utilities sector with relatively longer PPA expiry date (till 2032). We remain positive on higher dividends over the next five years

Performance Indicators	2-Apr-2019**	30-Apr-19	30-May-19	30-Jun-19	31-Jul-19	% Change (from Inception)	Month to Date (MTD %)
GBCM- MSM Top 10 Stocks	100.0	105.5	107.1	106.6	108.8	8.8%	2.0%
MSM30 Index	3,939.5	3,945.6	3,934.2	3,884.9	3,760.6	-4.5%	-3.2%
Portfolio Outperformance						13.3%	5.2%

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



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