

MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (Dec 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	0.444	1,374,082	Accumulate	0.494	11.3%	7.6	0.76	7.9%	7.3	0.73	7.9%
Bank Nizwa	0.093	139,500	Accumulate	0.106	14.0%	18.6	1.02	0.0%	12.7	0.94	0.0%
National Bank of Oman	0.185	300,801	Accumulate	0.213	15.1%	5.9	0.71	8.6%	6.2	0.68	8.1%
Al Omaniya Financial	0.102	29,777	Accumulate	0.117	14.7%	7.3	0.45	11.1%	8.5	0.44	8.8%
Industry Sector											
Oman Cables	0.526	47,182	Accumulate-LT	0.644	22.4%	5.1	0.48	8.6%	6.9	0.47	8.0%
Services Sector											
Ooredoo	0.528	343,696	Buy	0.651	23.3%	8.2	1.34	8.5%	9.3	1.30	8.0%
Omantel	0.608	456,000	Buy	0.736	21.1%	6.4	0.83	8.2%	6.1	0.78	8.2%
Sembcorp Salalah	0.122	116,458	Accumulate	0.136	11.5%	9.1	1.09	10.0%	9.0	1.08	8.6%
Dhofar Generating Co	0.200	44,448	Accumulate-LT	0.220	10.0%	NM	0.86	9.0%	28.6	0.98	9.0%
Oman Inv & Finance	0.119	23,800	Accumulate	0.131	10.1%	31.2	0.85	4.2%	8.2	0.79	8.4%

Source: GBCM Research Estimates, * LT- Long Term, ** Closing price as at end of 30th Nov 2019

MSM- TOP 10 RECOMMENDATIONS- (Dec 2019)

STOCKS	Comments
Financial Sector	
Bank Muscat	Bank Muscat remain as proxy to local economy. Strong capital adequacy mitigates concerns on higher NPA/ provision levels, the bank continued to reveal stable performance. Despite asset quality concerns across Omani banks, we remain positive on the bank amidst conservative strategy adopted. Dividend pay-out to remain similar to last year amid higher level of CAR.
Bank Nizwa	Stable revenue growth seen during 2019; Lower operating expenses and cost of risk to increase profitability; Preferred stock among Omani Islamic Banks. The bank is expected to continue better performance amid challenging macro environment
National Bank of Oman	The bank has revealed stable earnings and cost of risk during 9M 2019. The bank trades at above 30% discount to book value and offers higher dividend yield among local banks. Concern remain on macro challenges, tight liquidity and asset quality.
Al Omaniya Financial	The stock price have increased post our recommendations on value buying. The concern remain on economic weakness and its impact on Oman leasing sector. We see value in the stock which trades at PBV of 0.44X and offers dividend yield of 9% levels. The company continued to adopt cautious lending approach and maintain higher level of liquidity.
Industry Sector	
Oman Cables	Stock price has declined c. 35% during Nov 2019 and trades 50% discount to its current book value. We do see long term value in the stock around the current levels despite challenging macro environment. Positives seen from the strategic shareholders, cost optimization measures taken and balance sheet strength (under leveraged)
Services Sector	
Ooredoo	Underleveraged Balance Sheet and strong Dividend Yield of about 8% , well positioned to face impending competition. Concern remain on Third Mobile License and lower growth rates due to macro weakness
Omantel	Post stable earnings during last two quarters amid contribution from Zain Group, we recommend and believe that the stock offers attractive entry point for long term investors. The recent loan restructuring provides cushion in cash flow for stable dividends. Despite competitive environment, we believe the earnings to reveal growth and dividends to remain supportive.
Sembcorp Salalah	The stock provides attractive dividend yield about 8.6% , No Cash Sweep during financing term, Stable Cash flow during PPA (till 2027). The company reported strong set of quarterly results
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 stable dividends over the next five years. The stock has gained during the previous month.
Oman Inv and Finance	Operational turnaround to continue post contract renegotiations, Increase in contribution from Sohar Int. Bank and lower operating costs to remain positive; We see value in the stock around current levels amid earnings revival in its subsidiaries and associate companies. Caveat remain on higher level of borrowings.

Performance Indicators	2-Apr-2019**	31-Jul-19	31-Aug-19	30-Sep-19	31-Oct-19	30-Nov-19	% Change (from Inception)	Month to Date (MTD %)
GBCM- MSM Top 10 Stocks	100.0	108.8	115.1	119.0	118.9	129.9	29.9%	9.3%
MSM30 Index	3,939.5	3,760.6	4,004.9	4,017.7	3,999.9	4,064.1	3.2%	1.6%
Portfolio Outperformance							26.8%	7.7%

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



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