

MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (Feb 2020)

STOCKS	Closing**	Market Cap (RO 000s)	Rating	12M Target (RO)	Upside (%)	2019P			2020E		
						PE (x)	PBV (x)	Div. Yield (%)	PE (x)	PBV (x)	Div. Yield (%)
Financial Sector											
Bank Muscat	0.446	1,380,272	Accumulate	0.494	10.8%	7.4	0.73	7.8%	7.2	0.70	7.8%
Bank Nizwa	0.100	150,000	Accumulate	0.112	12.0%	14.7	1.02	0.0%	11.5	0.93	5.0%
HSBC Bank Oman	0.124	248,038	Accumulate	0.140	12.9%	8.5	0.71	7.0%	7.8	0.68	7.7%
National Bank of Oman	0.199	323,564	Accumulate	0.228	14.6%	6.3	0.72	8.4%	6.2	0.68	8.4%
Al Omaniya Financial	0.116	33,864	Accumulate	0.128	10.3%	10.0	0.51	9.1%	9.4	0.50	9.1%
Industry Sector											
Oman Cables	0.600	53,820	Accumulate-LT	0.702	17.0%	7.7	0.53	5.8%	6.9	0.51	7.5%
Raysut Cement	0.464	92,800	Accumulate-LT	0.540	16.4%	21.6	0.63	2.6%	11.0	0.60	5.4%
Services Sector											
Omantel	0.624	468,000	Accumulate	0.743	19.1%	6.6	0.80	8.0%	6.2	0.76	8.0%
Oman Inv. & Finance	0.123	24,600	Accumulate	0.140	13.8%	7.0	0.80	10.2%	6.8	0.77	10.2%
Sembcorp Salalah	0.140	133,640	Accumulate-LT	0.154	10.0%	8.9	1.22	8.6%	9.2	1.17	8.2%

Source: GBCM Research Estimates, * LT- Long Term, ** Closing price as at end of 31st Jan 2020

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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 growth strategy and better liquidity/ funding profile. Higher dividends to support the share price
Bank Nizwa	Stable revenue and higher earnings growth estimated in 2020; Lower operating expenses and cost of risk to improve profitability; Preferred stock among Omani Islamic Banks. The bank is expected to provide its maiden dividend from its 2020 earnings
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. Despite relatively weak results, we remain positive on the stock amid favourable liquidity profile of the bank.
National Bank of Oman	The bank is estimated to continue stable performance during 2020 amid conservative strategy. The bank trades at above 30% discount to book value and offers highest dividend yield among local banks. Concern to remain on macro challenges, tight liquidity and relatively weak asset quality.
Al Omaniya Financial	Despite rally in the stock (post dividend announcement), we continue to see value in the stock which trades at PBV of 0.5X and offers dividend yield of above 9% levels. The company to follow cautious lending approach and maintain higher level of liquidity, which ensure better asset quality. Key concern remain on further economic weakness and its impact on leasing sector.
Industry Sector	
Oman Cables	The stock trades at 50% discount to its current book value and offers value to the shareholders. Post reasonable Q4 results, we do see long term attractiveness in the stock around the current levels. Positives seen from the strategic shareholder (Prysmian), cost optimization measures and balance sheet strength (cash rich and under leveraged).
Raysut Cement	Strategic Plan towards expansion to benefit in 2020 along with revived plan in export markets growth through various investments across the supply chain. Valuations- trading well below Net Replacement Value, the earnings to improve sharply in 2020 amid cost control measures (alternate fuels). Concern remain on subdued market volumes and weak realization in Oman.
Services Sector	
Omantel	Post stable earnings during 2019 amid contribution from Zain Group, we recommend accumulate rating and believe that the stock offers attractive entry point for long term investors. The recent loan restructuring provides cushion in cash flow for stable dividend yield of circa 8%. We believe the earnings to reveal growth in 2020 and dividends to remain supportive.
Oman Inv and Finance	Operational turnaround to continue in 2020, Increase in contribution from Sohar Int. Bank and lower operating costs to remain positive; Positive on recent contract with Omantel. We see value in the stock around current levels amid earnings revival in its subsidiaries and associate companies. The dividends could positively surprise. Caveat remain on higher level of borrowings.
Sembcorp Salalah	The stock acts as a safe bet among the utility sector companies providing 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 results in 2019 and we do see the reflection in dividends for the next year

Performance Indicators	2-Apr-2019**	31-Dec-19	Jan-20	% Change (2019)	% Change (from Inception)	Month to Date (MTD %)	Year to Date-2020 (% Chg)
GBCM- MSM Top 10 Stocks	100.0	130.4	142.2	30.4%	42.2%	9.1%	9.1%
MSM30 Index	3,939.5	3,981.2	4,079.3	1.1%	3.5%	2.5%	2.5%
Portfolio Outperformance				29.3%	38.7%	6.7%	6.7%

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



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