

MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (Jan 2020)

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	0.434	1,343,135	Accumulate	0.494	13.8%	7.5	0.75	8.1%	7.1	0.71	8.1%
Bank Nizwa	0.095	142,500	Accumulate	0.106	11.6%	19.0	1.04	0.0%	13.0	0.96	0.0%
HSBC Bank Oman	0.121	242,038	Accumulate	0.136	12.4%	7.7	0.71	7.7%	7.6	0.68	7.7%
National Bank of Oman	0.184	299,175	Accumulate	0.213	15.8%	5.9	0.71	8.7%	6.1	0.67	8.2%
Al Omaniya Financial	0.098	28,609	Accumulate-LT	0.117	19.4%	7.0	0.43	11.5%	8.2	0.43	9.2%
Industry Sector											
Al Anwar Ceramic Tiles	0.134	39,693	Accumulate	0.149	11.2%	53.1	1.07	4.5%	17.3	1.06	6.0%
Oman Cables	0.540	48,438	Accumulate-LT	0.644	19.3%	5.3	0.49	8.3%	7.1	0.48	7.8%
Services Sector											
Ooredoo	0.524	341,093	Accumulate	0.622	18.7%	8.1	1.33	8.6%	9.2	1.28	8.0%
Omantel	0.600	450,000	Buy	0.743	23.8%	6.3	0.82	8.3%	6.3	0.77	8.3%
Oman Inv & Finance	0.109	21,800	Accumulate	0.128	17.4%	28.6	0.77	4.6%	7.5	0.73	9.2%

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

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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 strategy adopted. Dividend pay-out to remain similar to last year amid higher level of CAR.
Bank Nizwa	Stable revenue growth seen during 2020; 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
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 recent correction ahead of results and dividends season
National Bank of Oman	The bank has revealed stable earnings and cost of risk during 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	We continue to see value in the stock which trades at PBV of 0.43X and offers dividend yield of above 9% levels. The company continued to adopt cautious lending approach and maintain higher level of liquidity. Key concern remain on economic weakness and its impact on Oman leasing sector.
Industry Sector	
Al Anwar Ceramic Tiles	Improvement in export sales, Saudi- SASO Quality Certification (first mover) and GCC anti-dumping duty in 2020 to remain positive. Post revision in our model, we recommend accumulate around the current levels . The company remain unleveraged along with improvement in free cash flow yield
Oman Cables	The stock trades at 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 shareholder, cost optimization measures taken and balance sheet strength (under leveraged)
Services Sector	
Ooredoo	Underleveraged Balance Sheet and stable Dividend Yield of about 8%, well positioned to face 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 Buy 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 dividends. 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; 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	30-Sep-19	31-Oct-19	30-Nov-19	31-Dec-19	% Change (from Inception)	Month to Date (MTD %)
GBCM- MSM Top 10 Stocks	100.0	108.8	119.0	118.9	129.9	130.4	30.4%	0.3%
MSM30 Index	3,939.5	3,760.6	4,017.7	3,999.9	4,064.1	3,981.2	1.1%	-2.0%
Portfolio Outperformance							29.3%	2.4%

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



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