

# MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (July 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 (%)
<b>Financial Sector</b>											
Bank Muscat	0.408	1,262,670	Accumulate	0.484	18.6%	6.7	0.67	8.6%	6.7	0.67	8.1%
Bank Nizwa	0.088	132,000	Buy	0.106	20.5%	15.6	0.95	0.0%	11.0	0.88	0.0%
HSBC Bank Oman	0.113	226,035	Accumulate	0.131	15.9%	7.0	0.69	8.2%	8.4	0.67	7.1%
<b>Industry Sector</b>											
Galfar	0.080	33,217	Accumulate	0.095	18.8%	14.9	0.61	0.0%	11.1	0.57	0.0%
Raysut Cement	0.364	72,800	Accumulate	0.416	14.3%	-	0.51	3.3%	16.2	0.50	3.8%
Salalah Mills	0.564	28,179	Buy	0.680	20.6%	8.7	0.86	8.9%	8.3	0.83	8.9%
<b>Services Sector</b>											
Ooredoo	0.470	305,942	Accumulate	0.545	16.0%	7.3	1.19	9.6%	7.8	1.15	8.9%
Oman Inv. & Finance (OIFC)	0.088	17,600	Accumulate	0.100	13.6%	29.3	0.63	5.7%	9.3	0.59	8.0%
Sembcorp Salalah	0.103	98,321	Buy	0.124	20.4%	11.3	1.01	11.8%	8.3	1.01	10.2%
Dhofar Generating Co (DGEN)	0.190	42,226	Buy	0.228	20.0%	-	0.92	9.5%	27.1	0.93	9.5%

Source: GBCM Research Estimates, \*\* Closing price as at end of 4<sup>th</sup> July 2019

## MSM- TOP 10 RECOMMENDATIONS- (July 2019)

STOCKS	Comments
<b>Financial Sector</b>	
Bank Muscat	Strong capital adequacy reduces concerns on higher NPA/ provision levels, The stock remain as a proxy to local economy. Valuations attractive and stock price has bottomed out.
Bank Nizwa	Stable revenue growth seen; Lower operating expenses and cost of risk to increase profitability in 2019; Prefer the stock among Oman Islamic Banks
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
<b>Industry Sector</b>	
Galfar	Sale of loss making Indian Operations to remain positive, Cost optimization to improve earnings going forward, 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
Salalah Mills	Stable core business (Flour) growth, Expansion in Polypropylene Bags and Animal feed segment to benefit; Investment in African markets (Pasta) to bring long term benefits, Attractive valuations and dividend yield
<b>Services Sector</b>	
Ooredoo	Underleveraged Balance Sheet, Strong Dividend Yield, Well positioned to face competition, Concern remain on Third Mobile License and economic slowdown impacting growth prospects
Oman Inv. & Finance (OIFC)	Operational turnaround seen post contract renegotiations, Contribution from Sohar Int. Bank and lower costs to remain positive; Need to raise funds to participate in the ongoing rights issue of Sohar International Bank (to avoid dilution)
Sembcorp Salalah	Post correction, the stock provides attractive dividend yield above 10%, No Cash Sweep during financing term, Stable cash flow and thereby dividends during the tenure of PPA (till 2027)
Dhofar Generating Co	One of the highest dividend yielding companies in Utilities sector with relatively longer PPA expiry date (till 2032)

Source: GBCM Research Estimates, \*\* Closing price as at end of 4<sup>th</sup> July 2019

Performance Indicators	2-Apr-2019**	30-Apr-19	30-May-19	30-Jun-19	% Change (from Inception)	Month to Date (MTD %)
GBCM- MSM Top 10 Stocks	100.0	105.5	107.1	106.6	6.6%	-0.4%
MSM30 Index	3,939.5	3,945.6	3,934.2	3,884.9	-1.4%	-1.3%
Portfolio Outperformance					8.0%	0.8%

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



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