

# MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (June 2019)					2018			2019E		
STOCKS	Closing**	Market Cap (RO 000s)	Rating	12M Target (RO)	PE (x)	PBV (x)	Div. Yield (%)	PE (x)	PBV (x)	Div. Yield (%)
<b>Financial Sector</b>										
Bank Muscat	0.420	1,299,808	Accumulate	0.484	7.1	0.75	8.3%	6.9	0.69	7.9%
Bank Nizwa	0.090	135,000	Accumulate	0.106	16.0	0.97	0.0%	11.3	0.89	0.0%
HSBC Bank Oman	0.118	236,037	Accumulate	0.135	7.3	0.72	7.9%	8.7	0.70	6.8%
<b>Industry Sector</b>										
Galfar	0.080	33,217	Accumulate	0.101	14.9	0.61	0.0%	7.9	0.56	0.0%
Raysut Cement	0.334	66,800	Buy	0.416	-	0.46	3.6%	10.4	0.45	6.7%
Oman Flour Mills	0.620	97,650	Accumulate	0.682	10.1	1.35	8.1%	10.3	1.32	6.5%
<b>Services Sector</b>										
Ooredoo	0.492	320,262	Accumulate	0.580	9.4	1.35	9.1%	8.0	1.29	8.5%
Oman Inv. & Finance (OIFC)	0.085	17,000	Accumulate	0.100	3.6	0.59	5.9%	9.4	0.57	8.2%
Sembcorp Salalah	0.111	105,957	Buy	0.139	12.2	1.09	11.0%	8.5	1.08	9.9%
Dhofar Generating Co	0.192	42,670	Buy	0.232	NM	0.93	9.4%	27.4	0.94	9.4%

Source: GBCM Research Estimates, \*\* Closing price as at end of 30<sup>th</sup> May 2019

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

STOCKS	Comments
<b>Financial Sector</b>	
Bank Muscat	Solid capital adequacy alleviates concerns on higher provision levels, Growth story intact amid steady credit off-take,
Bank Nizwa	Steady revenue growth seen; Lower operating expenses and cost of risk to increase profitability, Expect strong 2019 earnings
HSBC Bank Oman	Liquid and Well Capitalized Bank among local peers, Quality Loan Book and Stable CASA deposits, Operating costs to lower in current fiscal
<b>Industry Sector</b>	
Galfar	Sale of loss making Indian Operations, Cost optimization to improve earnings, Delay in receivables recovery to impact negatively
Raysut Cement	Strategic Growth Plan towards Geographic expansion, Completed acquisition of Sohar Cement recently. Recovery in Yemen, Attractive valuations- trading well below its Net Replacement Value
Oman Flour Mills	Earnings to improve during 2019, Favorable prices and Sohar Mills Expansion benefits to be seen, Revised fair value upwards
<b>Services Sector</b>	
Ooredoo	Underleveraged Balance Sheet, Strong Dividend Yield, Well positioned to face competition, Concern remain on Third Mobile License
Oman Inv. & Finance (OIFC)	Operational turnaround seen post contract renegotiations, Increase in contribution from Sohar Int. Bank and lower costs to remain positive
Sembcorp Salalah	Post further correction, the stock provides dividend yield about 10%, No Cash Sweep during the financing term, Stable Cash flow during PPA (till 2027) period.
Dhofar Generating Co	One of the highest dividend yielding companies in Utilities sector, Relatively longer PPA expiry date (till 2032)

Source: GBCM Research Estimates, \*\* Closing price as at end of 30<sup>th</sup> May 2019

Performance Indicators	2-Apr-2019**	30-Apr-19	30-May-19	% Change (from Inception)	Month to Date (MTD %)
GBCM- MSM Top 10 Stocks	100.0	105.5	107.1	7.05%	1.46%
MSM30 Index	3,939.5	3,945.6	3,934.2	-0.14%	-0.29%
<b>Portfolio Outperformance</b>				<b>7.19%</b>	<b>1.75%</b>

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



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