

MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (Nov 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	7.4%
Bank Nizwa	0.095	142,500	Accumulate	0.106	11.6%	19.0	1.04	0.0%	11.9	0.95	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	0.092	26,858	Accumulate	0.110	19.6%	6.6	0.40	12.3%	7.7	0.41	9.2%
Industry Sector											
Al Anwar Ceramic Tiles	0.104	30,806	Accumulate	0.115	10.6%	41.2	0.83	5.8%	13.4	0.82	6.7%
Raysut Cement	0.360	72,000	Accumulate-LT	0.386	7.2%	-	0.49	3.3%	24.0	0.49	3.3%
Services Sector											
Ooredoo	0.526	342,394	Accumulate	0.578	9.9%	8.2	1.33	8.6%	8.8	1.28	8.0%
Sembcorp Salalah	0.123	117,412	Accumulate	0.136	10.6%	9.1	1.10	9.9%	10.0	1.10	8.5%
Dhofar Generating Co	0.191	42,448	Accumulate-LT	0.220	15.2%	-	0.82	9.4%	27.3	0.93	9.4%
Musandam Power Co-IPO	0.260	18,301	Accumulate	0.303	16.5%	4.9	1.63	13.0%	9.0	2.03	10.6%

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

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STOCKS	Comments
Financial Sector	
Bank Muscat	Strong capital adequacy ratios to mitigate higher NPA/provision concerns. The stock is a proxy to the local economy and has revealed stable performance. The bank continued to report stable earnings during Q3, we remain positive on the bank.
Bank Nizwa	Stable revenue growth is expected; Lower operating expenses and cost of risk to increase profitability in 2019; Preferred stock among Islamic Banks. Q3 results of the bank remain supportive and we recommend to Accumulate the stock.
National Bank of Oman	9M results of the bank reveal stable earnings and cost of risk trend. The bank trades at 30% discount to its book value. Concern remains on relatively tight liquidity levels. We remain positive on the bank post Q3 results
Al Omaniya Financial	The stock revealed buying support amid valuation attractiveness. While the broader leasing sector concerns and increase in cost of risk to remain. The company continues to adopt cautious lending approach and remain highly liquid as compared to its competitors. The stock trades at P/BV of 0.4X and provides dividend yield of 9% levels.
Industry Sector	
Al Anwar Ceramic Tiles	Improvement in export sales and commencement of GCC anti-dumping duty in 2020 to remain positive. The company's low leverage levels along with improvements in free cash flow yield to remain positive. Q3 results remain supportive to the stock amid cost optimization measures taken
Raysut Cement	Strategic Plan towards expansion to bare fruits starting from 2020. Reviewed plan in African market to provide growth. Valuations- trading well below Net Replacement Value, Concern remains on subdued local market volumes and selling prices.
Services Sector	
Ooredoo	Underleveraged Balance Sheet, Strong Dividend Yield of about 8%, Well positioned to face competition. Concern remains on the launch of Third Mobile License and lower growth rates due to macro weakness.
Sembcorp Salalah	The stock has rallied about 20% since our recommendation. The stock still provides attractive dividend yield above 8%, No Cash Sweep during financing term, Stable Cash flow during PPA (till 2027).
Dhofar Generating Co	One of the highest dividend yielding companies (c. 8.5% levels) in the Utilities sector with fairly longer PPA expiry date (till 2032). We remain positive on higher dividends over the next five years.
Musandam Power- IPO	MPC has a well-established contractual framework for a 15-year period, providing steady cash flow stream. We believe the equity risk reward in MPC is compensated at the lower end of the price band. MPC offers an opportunity to invest in a Strategic Power asset with Government entity being one of the promoter shareholders.

Performance Indicators	2-Apr-2019**	30-Jun-19	31-Jul-19	31-Aug-19	30-Sep-19	31-Oct-19	% Change (from Inception)	Month to Date (MTD %)
GBCM- MSM Top 10 Stocks	100.0	106.6	108.8	115.1	119.0	118.9	18.9%	-0.1%
MSM30 Index	3,939.5	3,884.9	3,760.6	4,004.9	4,017.7	3,999.9	1.5%	-0.4%
Portfolio Outperformance							17.3%	0.3%

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



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