

MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (Oct 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	0.440	1,361,703	Accumulate	0.494	12.3%	7.6	0.76	8.0%	7.2	0.72	7.5%
Bank Nizwa	0.092	138,000	Accumulate	0.106	15.2%	18.4	1.00	0.0%	11.5	0.92	0.0%
National Bank of Oman	0.187	304,053	Accumulate	0.213	13.9%	6.0	0.72	8.6%	6.2	0.69	8.0%
Al Omaniya Financial	0.097	28,317	Accumulate	0.110	13.4%	6.9	0.42	11.6%	8.1	0.43	8.8%
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%
Galfar	0.076	31,556	Accumulate	0.090	18.4%	14.2	0.58	0.0%	10.5	0.55	0.0%
Raysut Cement	0.350	70,000	Accumulate-LT	0.386	10.3%	-	0.48	3.4%	23.3	0.48	3.4%
Services Sector											
Ooredoo	0.524	341,093	Accumulate	0.578	10.3%	8.1	1.33	8.6%	8.7	1.28	8.0%
Sembcorp Salalah	0.128	122,185	Accumulate	0.136	6.3%	9.5	1.15	9.5%	10.4	1.15	8.2%
Dhofar Generating Co	0.191	42,448	Accumulate-LT	0.220	15.2%	-	0.82	9.4%	27.3	0.93	9.4%

Source: GBCM Research Estimates, * LT- Long Term, ** Closing price as at end of 30th Sep 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 quarterly performance. Despite recent rally, we remain positive on the bank. We would be keenly looking at the asset quality during the upcoming results.
Bank Nizwa	Stable revenue growth is expected; Lower operating expenses and cost of risk to increase profitability in 2019; Preferred stock among Islamic Banks. Need to monitor closely on the growth and the funding costs.
National Bank of Oman	Q2 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 would be watching out the upcoming Q3 results closely.
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 as compared to its competitors. The stock trades at P/BV of 0.43X and provides dividend yield of 8.8% 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. We would be keenly watching out the upcoming results and the management outlook.
Galfar	Oman operations to remain profitable amid support from new orders. The sale completion of the loss making Indian Operations in addition to cost optimization efforts should improve H2 2019 earnings. Delay in receivables recovery to impact negatively.
Raysut Cement	Strategic Plan towards expansion to bare fruit 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. 9.4% levels) in the Utilities sector with fairly longer PPA expiry date (till 2032). We remain positive on higher dividends over the next five years.

Performance Indicators	2-Apr-2019**	30-Apr-19	30-May-19	30-Jun-19	31-Jul-19	31-Aug-19	30-Sep-19	% Change (from Inception)	Month to Date (MTD %)
GBCM- MSM Top 10 Stocks	100.0	105.5	107.1	106.6	108.8	115.1	119.0	19.0%	3.4%
MSM30 Index	3,939.5	3,945.6	3,934.2	3,884.9	3,760.6	4,004.9	4,017.7	2.0%	0.3%
Portfolio Outperformance								17.0%	3.1%

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



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