

MSM Recommendations



MSM- TOP 10 RECOMMENDATIONS- (Sep 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	0.448	1,386,461	Accumulate	0.494	10.3%	7.7	0.77	7.8%	7.3	0.74	7.4%
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	0.177	287,793	Buy	0.213	20.3%	5.7	0.68	9.0%	5.9	0.65	8.5%
Al Omaniya Financial	0.085	24,814	Buy-LT	0.110	29.4%	6.1	0.37	13.3%	7.1	0.38	10.0%
Industry Sector											
Al Anwar Ceramic Tiles	0.095	28,140	Accumulate	0.110	15.8%	37.6	0.76	6.3%	12.2	0.75	7.4%
Galfar	0.082	34,048	Accumulate	0.094	14.6%	15.3	0.62	0.0%	11.3	0.59	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	0.516	335,885	Accumulate	0.568	10.1%	8.0	1.31	8.7%	8.6	1.26	8.1%
Sembcorp Salalah	0.114	108,821	Accumulate	0.126	10.5%	8.5	1.02	10.7%	9.2	1.02	9.2%
Dhofar Generating Co	0.190	42,226	Buy-LT	0.228	20.0%	-	0.82	9.5%	27.1	0.93	9.5%

Source: GBCM Research Estimates, * LT- Long Term, ** Closing price as at end of 29th Aug 2019

MSM- TOP 10 RECOMMENDATIONS- (September 2019)

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.
Bank Nizwa	Stable revenue growth is expected; Lower operating expenses and cost of risk to increase profitability in 2019; Preferred stock among Islamic Banks.
National Bank of Oman	Q2 results of the bank reveal stable earnings and cost of risk trend. The bank trades at 35% discount to its book value and offers a high dividend yield when compared to its local peers. Concern remains on relatively tight liquidity levels.
Al Omaniya Financial	Stock price has corrected c. 60% Year to Date (YTD) amid leasing sector concerns and selling pressure from select investors. We see value in the stock which trades at PBV of 0.4X and dividend yield of 10% levels. The company continues to adopt cautious lending approach as compared to its competitors.
Industry Sector	
Al Anwar Ceramic Tiles	Improvement in export sales and commencement of GCC anti-dumping duty in 2020 is a positive. Post correction of >10%, we recommend to accumulate around current levels. The company's low leverage levels along with improvements in free cash flow yield is a strong positive.
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 in 2020. Reviewed plan in African market to provide growth. Valuations- trading well below Net Replacement Value, Concern remains on subdued local market volumes and weak results.
Services Sector	
Ooredoo	Underleveraged Balance Sheet, Strong Dividend Yield of about 8%, Well positioned to face competition. Concern remains on Third Mobile License and lower growth rates due to macro weakness.
Sembcorp Salalah	The stock provides attractive dividend yield above 9%, No Cash Sweep during financing term, Stable Cash flow during PPA (till 2027). Sembcorp reported strong set of quarterly results
Dhofar Generating Co	One of the highest dividend yielding companies in the Utilities sector with relatively 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	% Change (from Inception)	Month to Date (MTD %)
GBCM- MSM Top 10 Stocks	100.0	105.5	107.1	106.6	108.8	115.1	15.1%	5.8%
MSM30 Index	3,939.5	3,945.6	3,934.2	3,884.9	3,760.6	4,004.9	1.7%	6.5%
Portfolio Outperformance							13.4%	-0.7%

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



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