



Ubhar Capital

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## MSX TOP PICKS

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# Bank Muscat (Accumulate; CMP: 0.269; Target price: 0.310)



Bank Muscat is the largest bank in Oman with a market share of c.32.3% in terms of total asset base and 33% on total deposits. Bank Muscat has strong capitalization levels (CAR of 20%) supporting Bank Muscat's position as a regional dividend play.

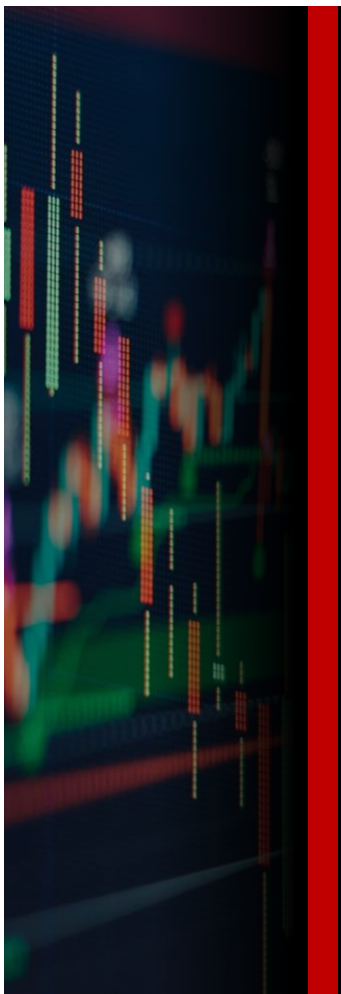
Benefiting from the continued fiscal reforms and healthy oil revenues in Oman, the regional Banking Sector is expected to see boost in credit growth. Bank Muscat, being the largest bank in Oman, is well-positioned to take advantage of higher credit offtake and the impending interest rate cuts environment.

Best-in-class Capitalization metrics: Capital Adequacy Ratio of 20.4% as of end-3Q23, well ahead of peers. Strong outlook on most core line-items, including NIM expansion, balance sheet growth, stable asset quality, and higher contribution from core non-funded income to all support earnings growth.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e	
Total Net Loans (OMR mn)	8,983	9,191	9,417	9,813	10,304	10,922	
Total Customer Deposits (OMR mn)	8,459	8,775	8,647	9,032	9,535	10,054	
Operating Income (OMR mn)	457	475	503	526	549	579	
Net Profit (OMR mn)	163	190	201	217	227	240	
Diluted EPS (OMR)	0.050	0.053	0.027	0.029	0.030	0.032	
Diluted BVPS (OMR)	0.589	0.565	0.230	0.244	0.260	0.278	
P/E (x)	7.8	9.1	10.2	9.7	9.2	8.8	
P/BVPS (x)	0.7	0.9	1.2	1.1	1.1	1.0	
Dividend Yield (%)	6.3%	6.2%	5.5%	5.0%	5.2%	5.6%	
52wk High / Low (OMR)						0.290/0.250	
12m Average Vol. (000)						5,569.3	
Mkt. Cap. (USD/OMR mn)						5,172/1,989	
Shares Outstanding (mn)						7,506.4	
Free Float (%)						76%	
3m Avg Daily Turnover (OMR'000)						687.0	
6m Avg Daily Turnover (OMR'000)						592.8	
P/E '24e (x)						9.2	
P/B '24e (x)						1.1	
Cash Dividend Yield '24e (%)						5.2%	

Source: Bloomberg, U Capital Research, Market price as of 28-December-2023 close

# National Bank of Oman (Accumulate; CMP: 0.281; Target price: 0.330)



National Bank of Oman has made significant progress in improving cost efficiency. Sound Capital Adequacy ratios : 16.9% CAR as of 1Q23. Loan book skewed towards retail with retail at 40% vs. peers at a simple average of 36% which bodes well when the interest rate cuts are implemented.

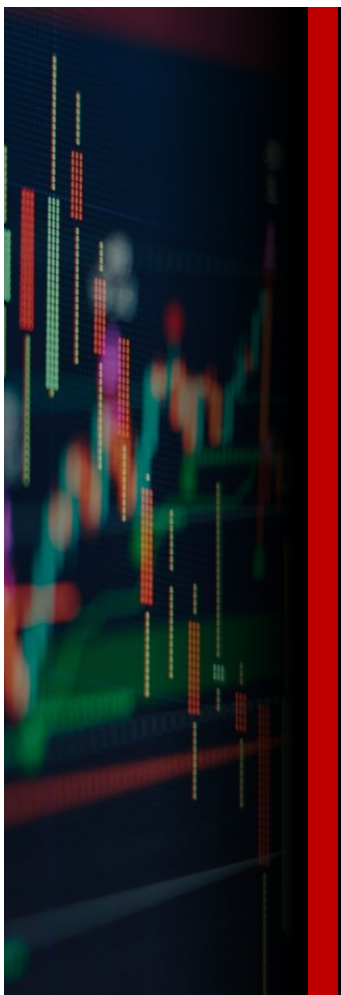
Benefiting from the continued fiscal reforms and healthy oil revenues in Oman, the regional Banking Sector is expected to see boost in credit growth. In addition to Bank Muscat, National Bank of Oman is well-positioned to take advantage of higher credit offtake.

Improving asset quality metrics: We believe that NBO's cost of risk has peaked, we expect it to reduce in the coming year as the bank's provision cover is nearing 100%. The bank could potentially see improvement in its earnings as efficiency is expected to improve and cost of risk is expected to decline in 2024e.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e	
Total Net Loans (OMR mn)	2,888	3,089	3,354	3,683	4,045	4,362	
Total Customer Deposits (OMR mn)	2,527	2,918	3,047	3,412	3,711	4,021	
Operating Income (OMR mn)	117	123	138	157	174	190	
Net Profit (OMR mn)	18	30	48	64	76	88	
Diluted EPS (OMR)	0.011	0.019	0.030	0.039	0.047	0.054	
Diluted BVPS (OMR)	0.255	0.271	0.291	0.305	0.322	0.344	
P/E (x)	14.3	10.5	10.1	7.6	6.4	5.5	
P/BVPS (x)	0.63	0.72	1.03	0.98	0.93	0.87	
Dividend Yield (%)	0.0%	1.9%	3.5%	5.9%	7.0%	8.2%	
52wk High / Low (OMR)						0.320/0.250	
12m Average Vol. (000)						299.2	
Mkt. Cap. (USD/OMR mn)						1,188/457	
Shares Outstanding (mn)						1,625.9	
Free Float (%)						100%	
3m Avg Daily Turnover (OMR'000)						29.3	
6m Avg Daily Turnover (OMR'000)						55.5	
P/E '24e (x)						6.4	
P/B '24e (x)						0.93	
Cash Dividend Yield '24e (%)						7%	

Source: Bloomberg, U Capital Research, Market price as of 28-December-2023 close

# National Finance (Accumulate; CMP: 0.176; Target price: 0.184)



National Finance is the largest leasing company of Oman by asset size. The company profitability is expected to grow further in 2024e as local economy is set to grow as per the IMF, which will result in a modest increase in net interest income over the initial forecast period.

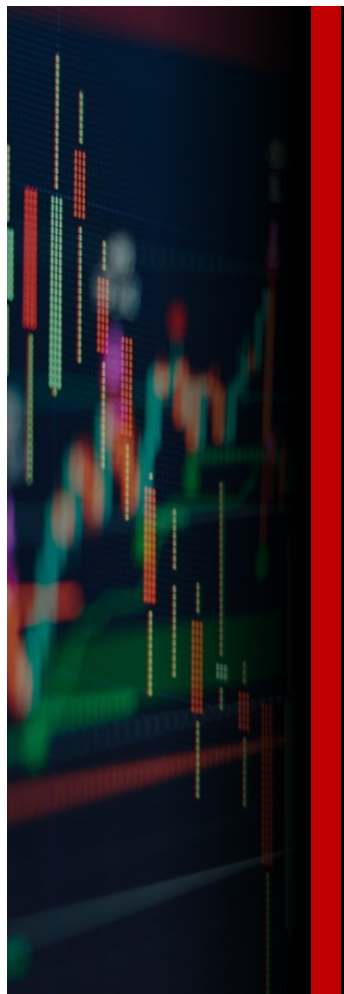
We expect 2023 profitability to end higher than 2022, as corporate and retail debtors has recovered from the past two year hit of the pandemic. In lieu of the current macroeconomic scenario, NPAs will improve for the next years. However, based on our economic recovery assumptions, we are cautiously forecasting growth prospects, where we expect the company's total income to increase at a CAGR of 2.7% over 2023E-2026E. Furthermore, we are seeing net profit to grow at a CAGR of 9.6% over the forecasted period.

Oman's economy is expected to improve and Government efforts for revenue diversification are expected to bear fruition. Since we expect overall credit growth to pick up as Oman's GDP lifts, we believe that the leasing sector will also be able to grow its finance assets.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e	
Net Finance Asset(OMR 000)	348,954	350,158	355,763	358,888	365,772	369,430	
Interest Bearing Liabilities (OMR 000)	306,627	304,188	319,871	319,870	317,352	309,603	
Operating Income (OMR 000)	26,061	26,576	28,217	30,111	30,953	32,743	
Net Profit (OMR 000)	8,019	8,622	10,134	11,048	11,310	12,230	
Diluted EPS (OMR)	0.023	0.023	0.025	0.023	0.019	0.015	
Diluted BVPS (OMR)	0.156	0.163	0.175	0.195	0.216	0.239	
P/E (x)	8.4	5.8	6.1	8.6	8.4	7.8	
P/BVPS (x)	0.8	0.6	0.7	0.9	0.8	0.7	
Dividend Yield (%)	4.8%	8.7%	7.0%	5.0%	5.3%	5.8%	
52wk High / Low (OMR)						0.176/0.108	
12m Average Vol. (000)						10.4	
Mkt. Cap. (USD/OMR mn)						261/100	
Shares Outstanding (mn)						570.9	
Free Float (%)						36%	
3m Avg Daily Turnover (OMR'000)						0.0	
6m Avg Daily Turnover (OMR'000)						1.5	
P/E '24e (x)						8.4	
P/B '24e (x)						0.8	
Cash Dividend Yield '24e (%)						5.3%	

Source: Bloomberg, U Capital Research, Market price as of 28-December-2023 close

# AI-Omaniya Financial Service (Accumulate; CMP: 0.165; Target price: 0.170)



AOFS has seen recovery in its net profit post pandemic. Net profit growth expected to grow at a CAGR of 20.3%, in the forecast period. The company has the lowest NPAs among peers and highest cash balance. We believe that as net finance debtor growth picks up from 2023e, the company will be able to grow its operating income.

We believe the company will have a better growth and steady growth in 2023e following the positive economic outlook. AOFS is Oman's third biggest leasing firm with total assets RO 206.6m as of FY22.

The firm provides lease finance for automobiles and other assets, debt factoring, working capital loans, and others. The corporation has continuously rewarded its shareholders by paying out large dividends in the form of cash dividends and bonus bonds.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Net Finance Asset(OMR 000)	105,698	105,558	119,061	125,014	130,015	136,515
Interest Bearing Liabilities (OMR 000)	109,944	120,442	126,851	126,553	131,640	131,017
Operating Income (OMR 000)	10,162	10,987	10,357	10,939	10,862	11,010
Net Profit (OMR 000)	1,450	2,564	2,639	2,968	3,124	3,402
Diluted EPS (OMR)	0.005	0.009	0.009	0.010	0.010	0.011
Diluted BVPS (OMR)	0.218	0.223	0.219	0.215	0.212	0.208
P/E (x)	13.7	16.5	16.7	14.8	14.1	12.9
P/BVPS (x)	0.3	0.7	0.7	0.7	0.7	0.7
Dividend Yield (%)	5.9%	4.8%	5.0%	5.6%	5.8%	6.1%

52wk High / Low (OMR)	0.165/0.10
12m Average Vol. (000)	60.5
Mkt. Cap. (USD/OMR mn)	125/48
Shares Outstanding (mn)	291.9
Free Float (%)	51%
3m Avg Daily Turnover (OMR'000)	9.9
6m Avg Daily Turnover (OMR'000)	8.0
P/E '24e (x)	14.1
P/B '24e (x)	0.7
Cash Dividend Yield '24e (%)	5.8%

Source: Bloomberg, U Capital Research, Market price as of 28-December-2023 close

# Phoenix Power (Accumulate; CMP: 0.053; Target price: 0.074)



PHPC has decent business visibility as its contract is expiring in April 2029. Its Sur independent power plant (IPP) is estimated to be contributing c. 28% of the total firm capacity power supply of MIS in 2023, and this ratio is expected to reach ~38% by 2028 with the expiry of some other projects, making it a strategic asset for the country.

PHPC's plant is located close to the Ad Duqm region where several big commercial projects are coming up, because of which the region is estimated to continue witnessing high electricity demand growth going forward. Ad Duqm gets most of its power supply from MIS where PHPC is a major supplier, and hence we see a good probability of PHPC securing an extension to its PPA.

While renewable energy projects are taking centerstage in Oman, they cannot match the reliability of conventional power plants, which also enhances the chances for PHPC to secure a renewal of its contract with OPWP, given its sizable supply to MIS, the largest power system of Oman.

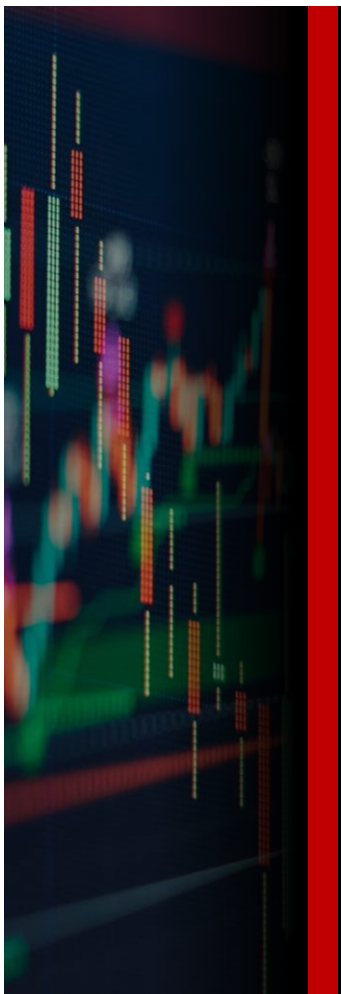
The company's FY23 estimated dividend gives a healthy dividend yield of 10%. Also, as compared to its peers under our coverage, PHPC is trading at a lower P/B on our FY 2024 estimates, which indicates an upside potential, in our view.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Revenues (OMR mn)	135.4	146.2	149.2	157.5	161.7	167.2
Net income (OMR mn)	16.4	16.9	20.4	21.9	24.2	27.1
Operating margin	26.0%	23.4%	24.6%	23.0%	22.9%	22.8%
Net profit margin	12.1%	11.5%	13.7%	13.9%	15.0%	16.2%
RoE	9.2%	8.8%	9.3%	9.0%	9.4%	9.9%
FCF (OMR/share)	0.032	0.034	0.038	0.033	0.036	0.035
Dividend Yield	8.1%	9.2%	12.2%	10.5%	11.2%	11.9%
P/E (x)	4.6x	4.3x	3.1x	3.6x	3.3x	2.9x
EV/EBITDA (x)	6.9x	6.3x	5.1x	4.9x	4.2x	3.5x

52wk High / Low (OMR)	0.070/0.040
12m Average Vol. (000)	208.1
Mkt. Cap. (USD/OMR mn)	201/78
Shares Outstanding (mn)	1,462.6
Free Float (%)	100%
3m Avg Daily Turnover (OMR'000)	2.2
6m Avg Daily Turnover (OMR'000)	7.9
P/E '24e (x)	3.3
P/B '24e (x)	4.2
Cash Dividend Yield '24e (%)	11.2%

Source: Bloomberg, U Capital Research, Market price as of 28-December-2023 close

# Sharqiyah Desalination (Buy; CMP: 0.132; Target price: 0.161)



Sharqiyah Desalination's (SHRQ) Sur IWP is the larger of the two power projects catering to the water demand of Sharqiyah region, which is not connected with the water supply of the larger MIS system.

With a long contract period remaining of over 10 years, it is expected to remain a primary asset for the region's water supply, which would ensure a stable revenue stream.

The company has maintained strong dividend payout averaging over 100%, supported by stable cash flows, despite of a decline in its profitability over the past few years due to diminishing finance lease income.

SHRQ is expected to continue rewarding its shareholders with high dividend payouts exceeding 100%, backed by cash receipts from finance lease and a decrease in interest expense as debt is paid out gradually.

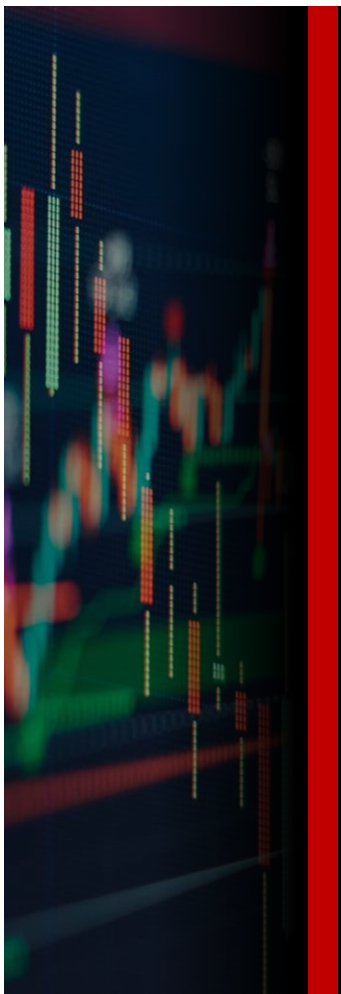
Based on our FY24e DPS, SHRQ's stock offers a dividend yield of c. 11.2% at the current market price, making it an attractive dividend play.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Revenues (OMR mn)	13.5	13.8	13.5	12.9	13.2	12.9
Net income (OMR mn)	1.3	1.0	0.9	0.8	1.0	1.1
Operating margin	33.4%	28.0%	26.3%	28.5%	29.1%	29.6%
Net profit margin	10.0%	6.9%	6.7%	6.1%	7.2%	8.7%
RoE	10.2%	7.2%	5.8%	4.8%	6.1%	7.4%
FCF (OMR/share)	0.040	0.032	0.035	0.020	0.036	0.035
Dividend Yield	8.5%	13.4%	12.8%	11.2%	11.2%	11.2%
P/E (x)	11.8x	11.5x	12.7x	16.1x	13.4x	11.3x
EV/EBITDA (x)	12.9x	13.0x	13.3x	12.8x	11.4x	10.4x

52wk High / Low (OMR)	0.140/0.120
12m Average Vol. (000)	18.1
Mkt. Cap. (USD/OMR mn)	34/13
Shares Outstanding (mn)	97.80
Free Float (%)	64%
3m Avg Daily Turnover (OMR'000)	0.8
6m Avg Daily Turnover (OMR'000)	1.9
P/E '24e (x)	13.4
P/B '24e (x)	11.4
Cash Dividend Yield '24e (%)	11.2%

Source: Bloomberg, U Capital Research, Market price as of 28-December-2023 close

# Musandam Power (Buy; CMP: 0.310; Target price: 0.340)



Musandam Power's (MSPW) IPP is in a relatively advantageous position compared to other conventional power plants in Oman as it caters to the isolated grid of Musandam governorate and is set to remain the main source of the region's power supply in the foreseeable future.

MSPW has a good business visibility with its contract expiring in 2032. Also, given the plant's strong reliability of nearly 100% since its inception, and the likelihood that no new conventional power plant will be built in the region, given the government's RE push, we believe MSPW's plant stands a good chance to secure a renewal.

Given an assured revenue stream, stable margins, and no cash sweep, we expect the company to maintain a steady dividend stream during its contract period. At the current market price, the stock is trading at an attractive yield of about 10% based on our FY23e dividends..

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Revenues (OMR mn)	17.7	18.2	18.5	18.7	19.1	19.4
Net income (OMR mn)	2.3	3.1	2.6	2.3	2.3	2.4
Operating margin	33.5%	36.7%	33.3%	30.3%	28.8%	27.2%
Net profit margin	13.2%	17.0%	14.3%	12.1%	12.3%	12.2%
RoE	23.9%	29.3%	23.2%	19.2%	19.2%	18.7%
FCF (OMR/share)	0.151	0.096	0.078	0.150	0.108	0.107
Dividend Yield	9.0%	9.2%	9.6%	10.0%	10.0%	10.0%
P/E (x)	9.2x	6.8x	8.2x	8.5x	8.3x	8.2x
EV/EBITDA (x)	10.7x	9.4x	9.4x	9.3x	9.1x	8.9x

52wk High / Low (OMR)	0.330/0.260
12m Average Vol. (000)	10.1
Mkt. Cap. (USD/OMR mn)	57/22
Shares Outstanding (mn)	70.39
Free Float (%)	100%
3m Avg Daily Turnover (OMR'000)	0.9
6m Avg Daily Turnover (OMR'000)	0.9
P/E '24e (x)	8.3
P/B '24e (x)	9.1
Cash Dividend Yield '24e (%)	10.0%

Source: Bloomberg, U Capital Research, Market price as of 28-December-2023 close



# Abraj Energy (Accumulate; CMP: 0.299; Target price: 0.330)



Established in 2006, Abraj Energy Services is Oman's leading onshore drilling services provider (29% market share in 2022) with one of the most advanced drilling fleets in the GCC region. It offers diversified services in drilling and well services operations and project management services. It benefits from long-term contracts with domestic and global E&P companies such as Royal Dutch Shell, Total Energies, and independent operators, including CC Energy Development Oman, Ara Petroleum, and Petrogas Rima.

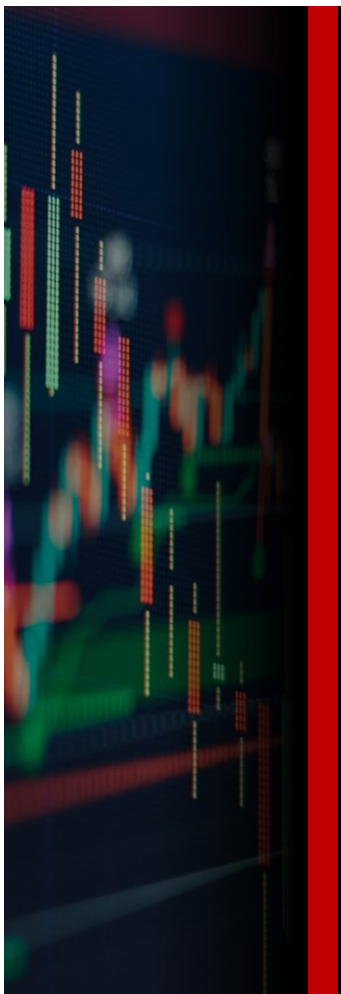
The company has generated strong revenue growth at a CAGR of 11% over 2019-22 and is likely to grow its revenue at a CAGR of 8% over 2023-27e on the back of an increasing number of drilling and workover rig counts, ~OMR 593mn worth of order backlog for the year 2023 through 2031e which is equivalent to more than the past five years of revenue.

Further, growth prospects for the GCC region with 30 additional rigs requirements by 2027e, provides a great opportunity for Abraj to win new contracts.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Revenues (OMR mn)	105.2	124.5	137.0	142.6	154.0	166.1
Net income (OMR mn)	11.3	18.4	16.5	18.1	20.3	24.6
Operating margin	15.7%	20.6%	18.4%	18.7%	18.9%	20.6%
Net profit margin	10.7%	14.8%	12.1%	12.7%	13.2%	14.8%
RoE	9.5%	13.8%	11.4%	12.3%	13.6%	16.0%
EPS (OMR/share)	0.015	0.024	0.021	0.023	0.026	0.032
DPS (OMR/share)	0.004	0.007	0.020	0.021	0.022	0.026
Dividend Payout Ratio			93.3%	90.4%	85.3%	82.0%
Dividend Yield			6.7%	7.1%	7.6%	8.8%
P/E (x)			13.8x	12.7x	11.3x	9.3x
EV/EBITDA (x)			6.8x	6.4x	5.8x	5.2x
52wk High / Low (OMR)						0.320/0.250
12m Average Vol. (000)						376.5
Mkt. Cap. (USD/OMR Mn)						599/230
Shares Outstanding (mn)						770.2
Free Float (%)						29%
3m Avg Daily Turnover (OMR'000)						79.0
6m Avg Daily Turnover (OMR'000)						111.3
P/E'24e (x)						11.3
EV/EBITDA'24e (x)						5.80
Dividend Yield '24e (%)						7.6%

Source: Bloomberg, U Capital Research, Market price as of 27-December-2023 close

# Oman United Insurance (Accumulate; CMP: 0.270; Target price: 0.310)



In terms of GWP, OUIIC had a 6% market share in FY22 and is expected to stabilize going forward. OUIIC's GWP has shown a CAGR of -3.2% during FY18-22, performing below the industry average (CAGR of ~4%). However, this decline can be attributed to the company's prudent underwriting strategies, where it selectively retains and renews accounts to improve its underwriting performance.

In the coming years, OUIIC aims to change its product mix, foster growth in its retail business by expanding its branch network and harnessing modern technologies to serve customers more efficiently. The company foresees the emergence of additional investment opportunities in the Omani Stock market and thus formulated a gradual realignment of its investment portfolio, transitioning from fixed-income instruments to equity investments to deliver stronger investment income.

The company also expects to benefit from recent regulatory reforms, such as the introduction of mandatory health insurance. As a result, the company's top line is expected to grow at a CAGR of ~7% over 2023-27e. This along with robust investment income may lead to a net profit CAGR of 2% over 2023-27e.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Gross Written Premiums (OMR mn)	30.9	30.5	32.2	28.6	31.5	33.4
Net Profit (OMR mn)	4.3	4.0	4.3	3.2	3.1	3.2
Combined Ratio	82.8%	94.6%	96.8%	112.4%	112.5%	110.9%
ROA	4.0%	3.6%	4.0%	3.1%	2.9%	2.9%
ROE	14.0%	12.8%	14.3%	10.7%	10.1%	10.2%
DPS (OMR/share)	3.5%	3.5%	3.5%	1.9%	1.9%	1.9%
Dividend Yield	8.8%	9.3%	13.0%	7.3%	7.0%	7.3%
P/E (x)	9.4x	9.5x	6.3x	8.2x	8.6x	8.2x
P/BV (x)	1.3x	1.2x	0.9x	0.9x	0.9x	0.8x
52wk High / Low (OMR)						0.330/0.250
12m Average Vol. (000)						9.2
Mkt. Cap. (USD/OMR Mn)						70/27
Shares Outstanding (mn)						100.0
Free Float (%)						65%
3m Avg Daily Turnover (OMR'000)						1.1
6m Avg Daily Turnover (OMR'000)						2.5
P/E'24e (x)						8.6
P/B'24e (x)						0.90
Dividend Yield '24e (%)						7.0%

Source: Bloomberg, U Capital Research, Market price as of 27-December-2023 close

# AI Madina Takaful (Accumulate; CMP: 0.084; Target price: 0.097)



Within the Sultanate of Oman, conventional insurers hold a prominent position in the insurance market, while Takaful insurers are only represented by two entities i.e., TAOI and AMAT. Despite their relatively small footprint, Takaful insurers have played a noteworthy role, contributing substantially by constituting 11% of the overall written business in the market..

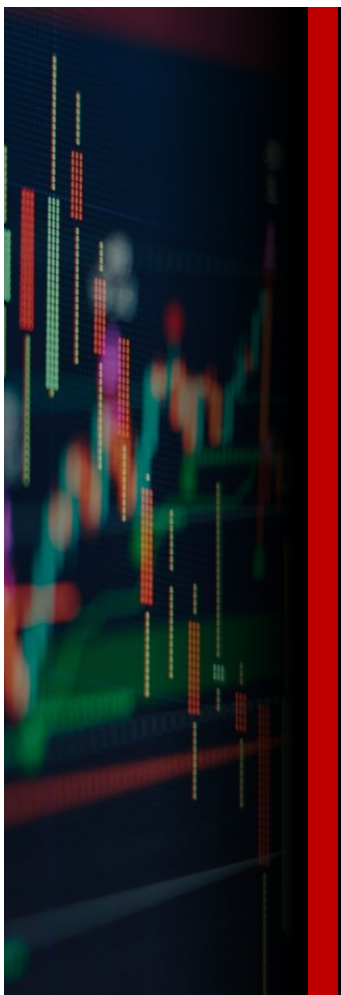
Going forward, we expect the takaful insurance industry's share to increase to 14.6% with broad-based share gains across all segments. We believe that AMAT can leverage its strong market positioning and focused sales strategy to drive volume growth. Growth in new business is likely to be augmented by stabilization in average premium rates, which are presently witnessing pressure from intense competition.

Strength in oil prices, effectiveness of mandatory health insurance products and inflation-driven increase in insurance claims, instate our positive outlook for the company.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Gross Written Premiums (OMR mn)	39.6	44.1	44.7	47.2	50.6	54.1
Net Profit (OMR mn)	0.7	1.0	1.1	1.6	1.7	1.8
Combined Ratio	92.0%	96.0%	98.2%	96.1%	95.2%	95.4%
ROA	0.7%	0.8%	0.9%	1.4%	1.3%	1.2%
ROE	3.1%	4.2%	4.8%	7.2%	7.6%	7.9%
DPS (OMR/share)	0.01	0.01	0.01	0.01	0.01	0.01
Dividend Yield	12.8%	7.9%	7.6%	8.5%	9.1%	9.6%
P/E (x)	19.1x	17.4x	15.2x	9.4x	8.8x	8.4x
P/BV (x)	0.6x	0.7x	0.7x	0.7x	0.7x	0.7x
52wk High / Low (OMR)						0.090/0.080
12m Average Vol. (000)						76.7
Mkt. Cap. (USD/OMR Mn)						38/15
Shares Outstanding (mn)						175.0
Free Float (%)						74%
3m Avg Daily Turnover (OMR'000)						8.5
6m Avg Daily Turnover (OMR'000)						6.5
P/E'24e (x)						8.8
P/B'24e (x)						0.7
Dividend Yield '24e (%)						9.1%

Source: Bloomberg, U Capital Research, Market price as of 27-December-2023 close

# Liva Group (Accumulate; CMP: 0.335; Target price: 0.380)



NLIF and RSA Middle East rebranded itself to Liva creating a multi-line and multi-country Insurance group. Liva is the leading insurance provider in Oman with the largest business volume, mainly focuses on Health and Life Insurance. Liva represents 53% of the overall market, with its net insurance premium valued at OMR 230mn. Along with inorganic growth, the company is also expanding in other GCC countries such as the UAE, and Kuwait, which may provide further growth opportunities.

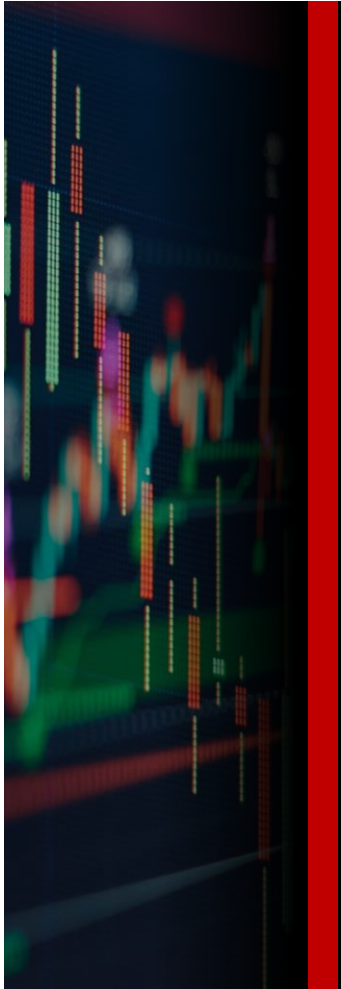
Overall, robust underwriting operations, along with a healthy investment income are expected to drive earnings growth in the future. Accordingly, we expect top line to grow at a CAGR of ~5% over 2023-27e.

In the domestic market, NLIF has one of the lowest expense ratio which we expect to improve further backed by efficient claim management. In the last few years, the company has invested in digital technologies which will help the company to reduce operating expenses further. Overall, likely improvement in loss ratio and controlled expense ratio should drive the underwriting profits in future.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Gross Written Premiums (OMR mn)	134	146.5	231.1	329.2	348.5	366.6
Net Profit (OMR mn)	15	7.5	3.1	2.6	5.1	8.2
Combined Ratio (COR)	91.70%	100.80%	103.60%	103.20%	101.60%	100.60%
ROA	8.20%	4.00%	0.90%	0.50%	1.00%	1.60%
ROE	23.80%	11.20%	3.50%	2.30%	4.20%	6.50%
DPS (OMR/share)	0.035	-	-	-	-	-
Dividend Yield	9.90%	0.00%	0.00%	0.00%	0.00%	0.00%
P/E (x)	6.3x	12.1x	32.6x	52.0x	26.3x	16.2x
P/BV (x)	1.4x	1.4x	0.9x	1.1x	1.1x	1.0x
52wk High / Low (OMR)						0.350/0.340
12m Average Vol. (000)						0.6
Mkt. Cap. (USD/OMR Mn)						347/133
Shares Outstanding (mn)						398.4
Free Float (%)						57%
3m Avg Daily Turnover (OMR'000)						0.4
6m Avg Daily Turnover (OMR'000)						0.2
P/E'24e (x)						26.3
P/B'24e (x)						1.10
Dividend Yield '24e (%)						-

Source: Bloomberg, U Capital Research, Market price as of 27-December-2023 close

# Omantel (Accumulate; CMP: 1.030; Target price: 1.20)



In spite of increased competition, we expect sustained growth in Omantel's business through Zain's stable performance, fixed-line business adoption, and the growth in wholesale business. Revenue is expected to clock a CAGR of approximately 4% over FY23-27e.

While we expect domestic mobile ARPU to remain under pressure, the fixed-line segment's ARPU to grow at a CAGR of 2% from FY23-27e mainly driven by the rising adoption of home broadband services and further complemented by the utilization of 5G technology.

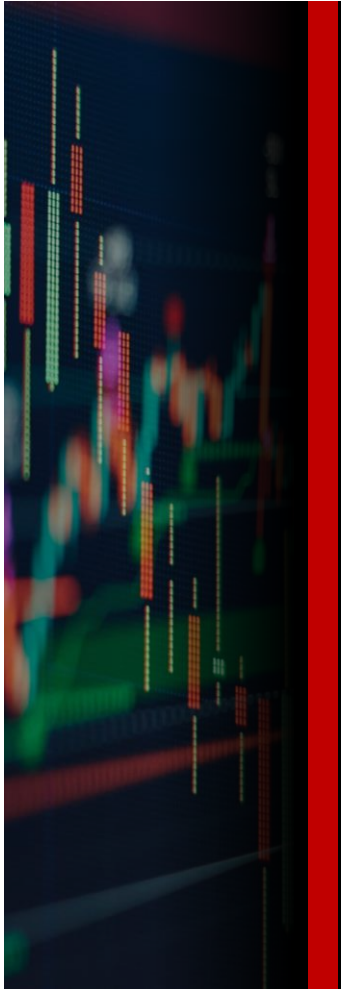
The company has maintained dividend payout ratio ranging from 58% to 60% in the past six years. We expect dividend payout ratio of 50% due to expectations of debt repayments and capex.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e
Revenues (OMR mn)	2,511	2,408	2,683	2,899	3,066	3,191
Net income (OMR mn)	67	67	91	76	76	93
Gross margin	71.4%	68.3%	65.3%	66.5%	64.5%	65.0%
Net profit margin	9.1%	9.7%	10.4%	11.4%	10.8%	12.7%
RoE	11.6%	11.6%	14.4%	11.6%	11.1%	12.8%
FCF (OMR/share)	0.28	0.26	0.15	0.52	0.95	0.74
DPS (OMR/share)	0.06	0.06	0.06	0.06	0.05	0.06
P/E (x)	8.0x	8.4x	7.6x	9.6x	9.6x	7.9x
P/B (x)	0.9x	1.0x	1.1x	1.1x	1.0x	1.0x

52wk High / Low (OMR)	1.130/0.910
12m Average Vol. (000)	528.5
Mkt. Cap. (USD/OMR Mn)	2,009/773
Shares Outstanding (mn)	750.0
Free Float (%)	49%
3m Avg Daily Turnover (OMR'000)	605.3
6m Avg Daily Turnover (OMR'000)	542.5
P/E'24e (x)	9.6
EV/EBITDA'24e (x)	4.4
Dividend Yield '24e (%)	5.2%

Source: Bloomberg, U Capital Research, Market price as of 27-December-2023 close

# Oman Cement (Buy; CMP: 0.305; Target price: 0.402)



Oman cement is the second largest cement producer in Oman. The construction sector in Oman is expected to do well owing to higher spending by the government on infrastructure projects which will benefit local cement manufacturers.

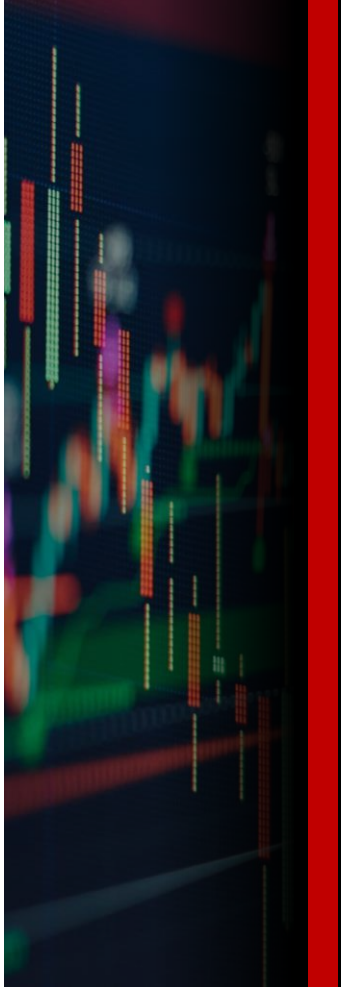
Healthy utilization and capacity expansion will aid in volume growth as demand recovers. However, cement companies in Oman have been facing strong price competition due to import of cements from other countries, at cheaper prices, leading to a decrease in realization per tonne. We expect company's volume to bounce back aided by demand recovery.

The company has reduced its dividend payout from 103.5% in FY17 to 65.6% in FY22, we expect it to be in the similar range in the near to mid term.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e	
Revenues (OMR mn)	50.1	46.9	66.7	66.8	73.3	93.4	
Net income (OMR mn)	5.2	4.4	5.0	10.4	10.4	11.0	
Gross margin	17.2%	16.1%	13.9%	17.7%	16.6%	15.0%	
Net profit margin	10.3%	9.5%	7.6%	15.6%	14.2%	11.7%	
RoE	3.5%	3.0%	3.4%	6.8%	6.6%	6.7%	
FCF (OMR/share)	0.02	0.01	0.06	0.03	0.02	0.01	
DPS (OMR/share)	0.01	0.01	0.01	0.02	0.02	0.02	
P/E	15.6x	18.3x	20.2x	9.8x	9.8x	9.3x	
EV/EBITDA	5.3x	5.2x	6.9x	3.2x	3.0x	2.7x	
52wk High / Low (OMR)						0.370/0.290	
12m Average Vol. (000)						7.9	
Mkt. Cap. (USD/OMR Mn)						262/101	
Shares Outstanding (mn)						330.9	
Free Float (%)						32%	
3m Avg Daily Turnover (OMR'000)						2.1	
6m Avg Daily Turnover (OMR'000)						2.6	
P/E'24e (x)						9.8	
EV/EBITDA'24e (x)						3.04	
Dividend Yield '24e (%)						6.5%	

Source: Bloomberg, U Capital Research, Market price as of 27-December-2023 close

# Renaissance Services (Buy; CMP: 0.392; Target price: 0.480)



The company provides facilities management services in Oman. The company operates in Village Duqm and Village for PAC (Permanent accommodation for contractors) in Oil and gas fields. Expected higher Capex under the oil and gas field will require large number of workers, resulting in increased demand for the company's services.

As part of strategic growth initiatives, the company is proactively working with existing and potential clients to turn single-service cyclical contracts into IFM (Integrated Facilities Management) opportunities. The company continue to explore project-based investment opportunities in waste management, utilities and new geographies, with particular emphasis on identifying and securing public-private partnership (PPP) projects in Oman and the Kingdom of Saudi Arabia (KSA).

The bounce back in project pipeline is anticipated to drive momentum for Renaissance Services and enable it to maintain dividend payout.

Year	FY20	FY21	FY22	FY23e	FY24e	FY25e	
Revenues (OMR mn)	105.0	109.4	121.3	108.8	120.6	132.5	
Net income (OMR mn)	7.7	9.1	11.4	10.8	11.1	14.6	
Gross margin	19.7%	19.7%	18.8%	18.3%	18.3%	19.0%	
Net profit margin	7.3%	8.3%	9.4%	9.9%	9.2%	11.0%	
RoE	12.7%	14.2%	16.1%	13.9%	13.2%	15.8%	
FCF (OMR/share)	0.01	0.04	0.07	0.08	0.05	0.06	
DPS (OMR/share)	0.02	0.02	0.02	0.02	0.02	0.02	
P/E	9.5x	10.1x	7.9x	7.9x	7.7x	5.8x	
EV/EBITDA	6.8x	7.1x	6.6x	7.0x	6.1x	5.2x	
52wk High / Low (OMR)						0.470/0.360	
12m Average Vol. (000)						207.0	
Mkt. Cap. (USD/OMR Mn)						241/93	
Shares Outstanding (mn)						236.4	
Free Float (%)						74%	
3m Avg Daily Turnover (OMR'000)						37.5	
6m Avg Daily Turnover (OMR'000)						46.2	
P/E'24e (x)						7.7	
EV/EBITDA'24e (x)						6.13	
Dividend Yield '24e (%)						5.1%	

Source: Bloomberg, U Capital Research, Market price as of 27-December-2023 close

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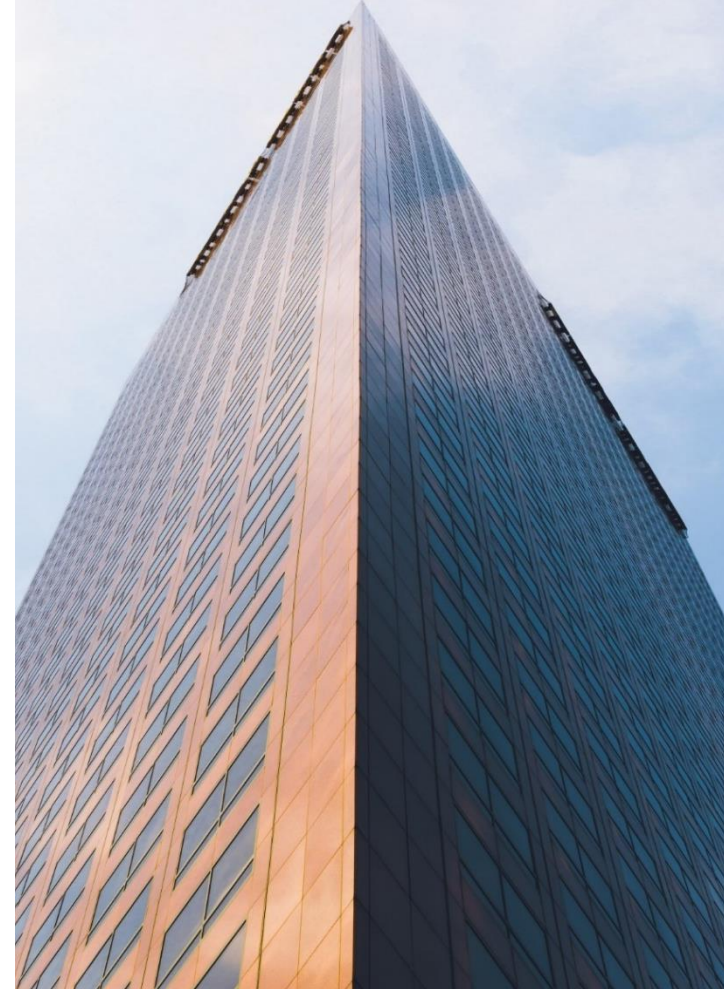
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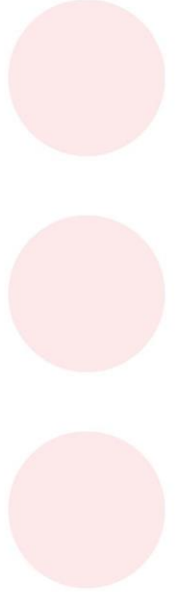
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