

Investment Opportunities in MSX

What defines Oman today

AGENDA



WHY OMAN

- Demographic changes, State of the economy, Market regulations

WHY NOW

- Oman is at an inflexion point

WHATS IN STORE

- Top Down – Sector and companies

HOW DO WE PLAY THIS OPPORTUNITY

- Strategic, Long term and Trading ideas

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WHY OMAN

3 REASONS TO INVEST IN OMAN



1. DEMOGRAPHIC CHANGES

- Fundamental to a country's permanent and sustainable growth

2. STATE OF THE ECONOMY

- Long period of stability evolves into an era of growth

3. MARKET REGULATION

- Rising to global standards, ensuring safety to investors



1. DEMOGRAPHIC CHANGES

EVOLUTION OF A NEW GENERATION

1. **Population of Omanis rising swiftly** - 62% of total population Omanis vs 58% in 2012
2. **One of the youngest populations in the world** – 80% Omanis are below the age of 40yrs
3. **Rapid increase in the level of education** – 54% of the people in the age group 20-24yrs are in college vs 37% in 2012

THE IMPACT

1. **Omanisation has increased significantly** - 36% of the workforce are Omanis vs 20% in 2012
2. **Scope of achieving leadership position has increased for Omanis with rising education levels** – 69% of the workforce have higher education compared to 35% in 2012
3. **Migration towards Private jobs** – 17% Omanis in private jobs vs 10% in 2012



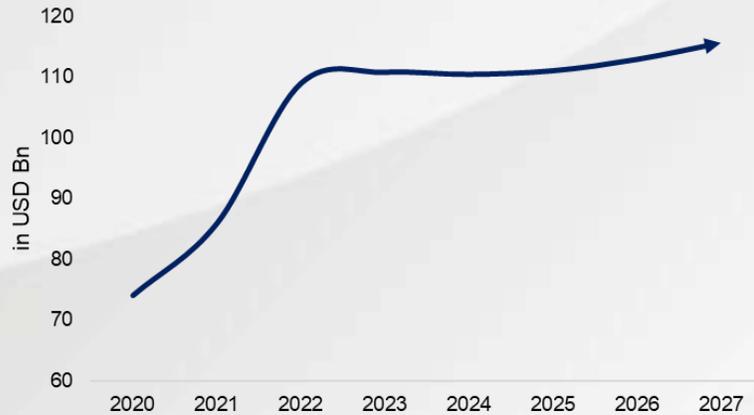
...WHY THIS IS SO IMPORTANT

- **Irreversible Progression** : We believe this is an irreversible progression in demographics that is taking place in Oman
- **Qualitative improvement:** Rising population + young age + higher education offer qualitative improvement
- **Domestic Consumption:** Rising income will lead to increase in domestic consumption
- **Lower foreign remittance:** More local jobs, internal consumption will mean lower foreign remittance
- **Operational efficiency:** Labour cost parity will lead to more efficient and cost-effective business operations
- **Sustainability:** The current situation emphasis the intrinsic growth story and provides confidence to investors on its sustainability

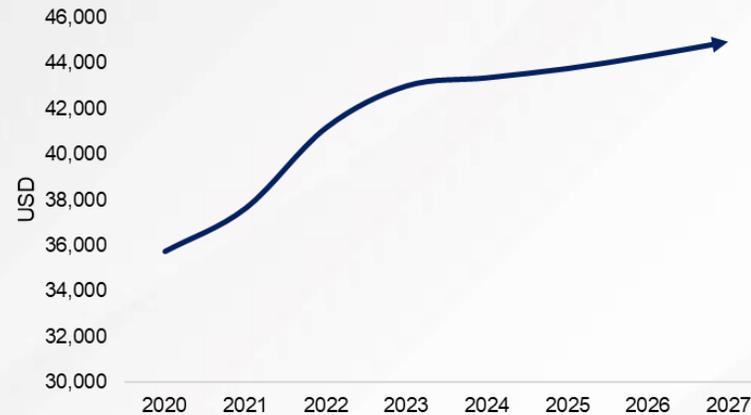


2. STATE OF THE ECONOMY

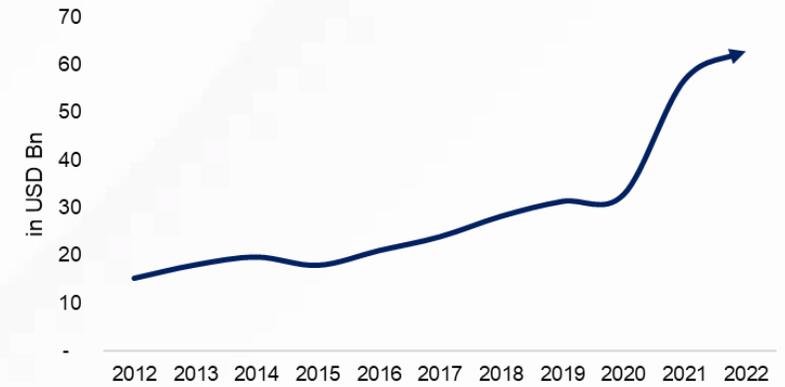
Moving towards the highest level of GDP ever...



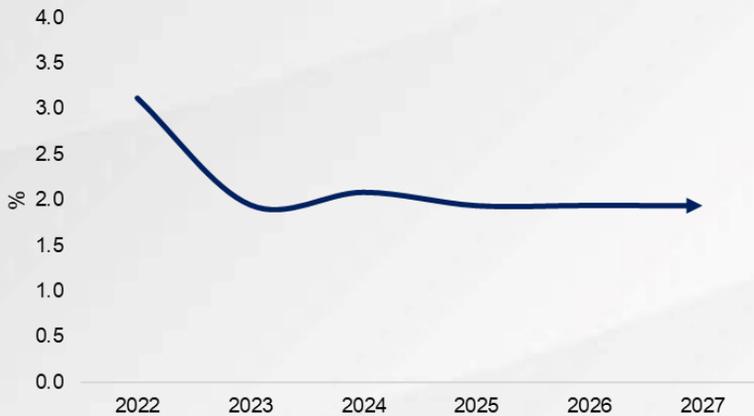
...Quality of growth defined by GDP per capita



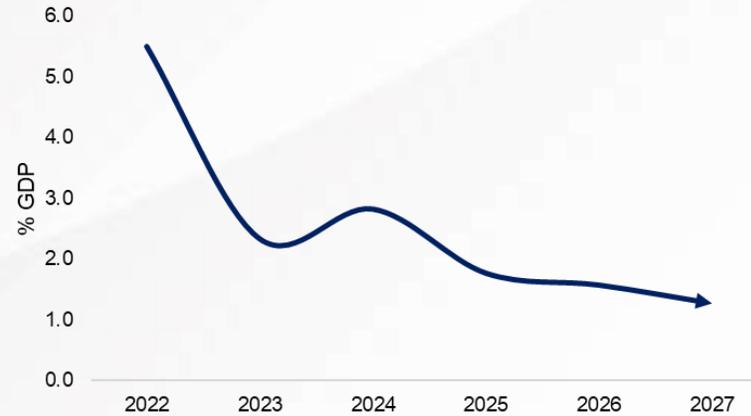
Foreign investor interest has increased significantly (FDI)



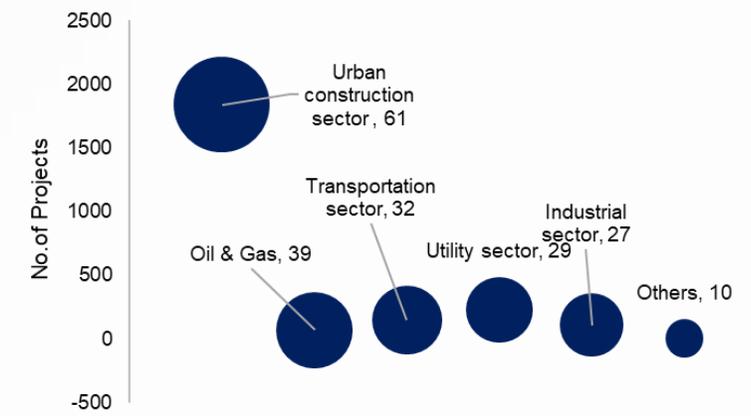
...Moderate and stable Inflation



...Declining Government borrowing



Nearly \$200 Bn worth of projects





...MOVING FROM STABILITY TO GROWTH

- **GDP on a linear trend:** GDP is expected to grow at 5% over the next five years which will take the country to the highest ever level.
- **Public private partnership:** PPP has never been so active in the history of the country
- **Size of Projects:** The average size of projects being implemented are much higher than what was witnessed in the past. Overall \$200Bn worth of projects in different stages of implementation
- **Diversification:** Vision 2040 has been developed to drive the non-oil economy (Tourism, manufacturing, fisheries and other sunrise sectors)
- **Higher credit rating:** Lower government borrowing will improve the credit rating and cost of doing business will decrease
- **Inflation:** Central Bank and Government have successfully maintained inflation at a moderate level, hence inflation adjusted returns will be high



3. UPGRADING MARKET REGULATIONS

- **IPOs:** Timelines of the IPOs have become shorter (10-15days), size of IPOs are bigger, Government has been pushing larger companies to pare higher stake, Large Government companies to go public soon
- **Foreign ownership:** Regulators have allowed for 100% ownership in any listed company, all earlier restrictions have been removed
- **Investor relations:** Every listed company is expected to have a investor relations team and organize investor meetings/ concalls atleast twice a year.
- **Market making:** Regulations relating to market making is under process, expected to improve volumes and improve price discovery
- **SLB, margin financing, short selling:** Progressive regulations relating to SLB, margin financing and short selling along with introduction of dual listing, derivative and debt instruments
- **Market access:** Omnibus structure with Euroclear access, easy registration of to facilitate foreign investors



...LEADING TO INVESTOR PROTECTION AND COMFORT

- **Global standards:** MSX and CMA has focussed and implemented an ecosystem that is of global standard
- **Foreign investment:** There is no restriction for foreigners to invest
- **Scam free:** Stringent regulations and protection mechanisms have ensured that the MSX remains scam free
- **Investor friendly:** Regular investor meetings/concall and setting up investor relations department a must now
- **New products:** Several new products to suit the need of investors other than IPOs such as REITs and Debt market have been introduced
- **MSCI/FTSE:** There is a constant effort to upgrade the standard of the exchange and move into the international indices

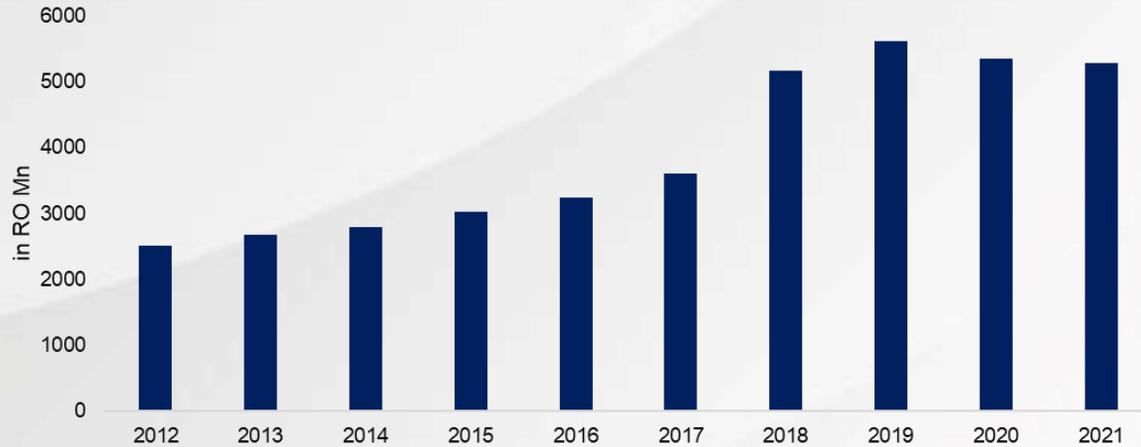
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WHY NOW

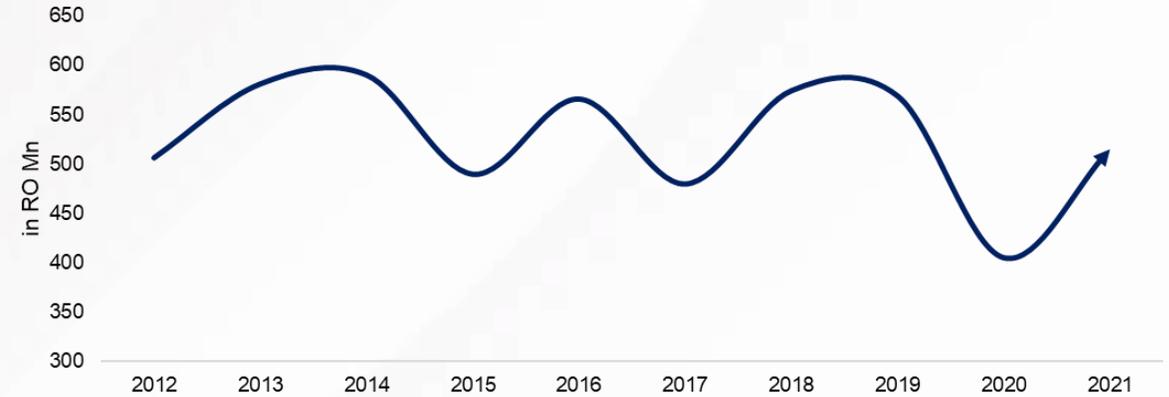
MSX @ INFLEXION POINT



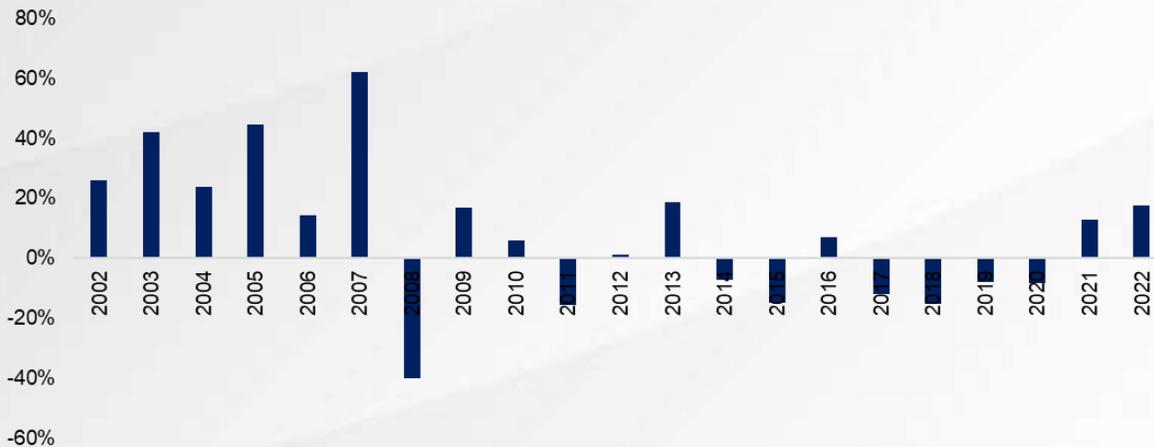
Revenue has been rising gradually



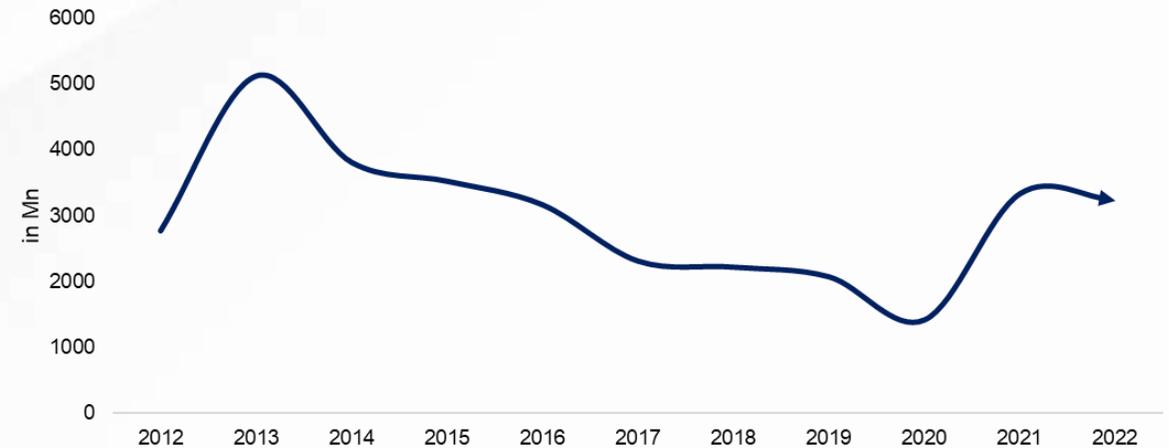
... while profit is rising in tandem



Only one year of major drawdown in the last 20 years



Market volumes are rising on the back of rising participation

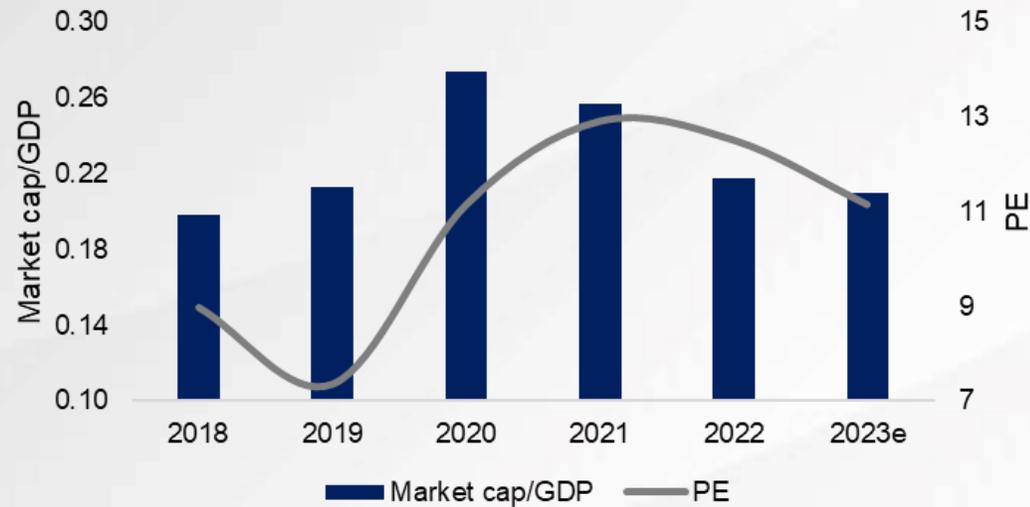




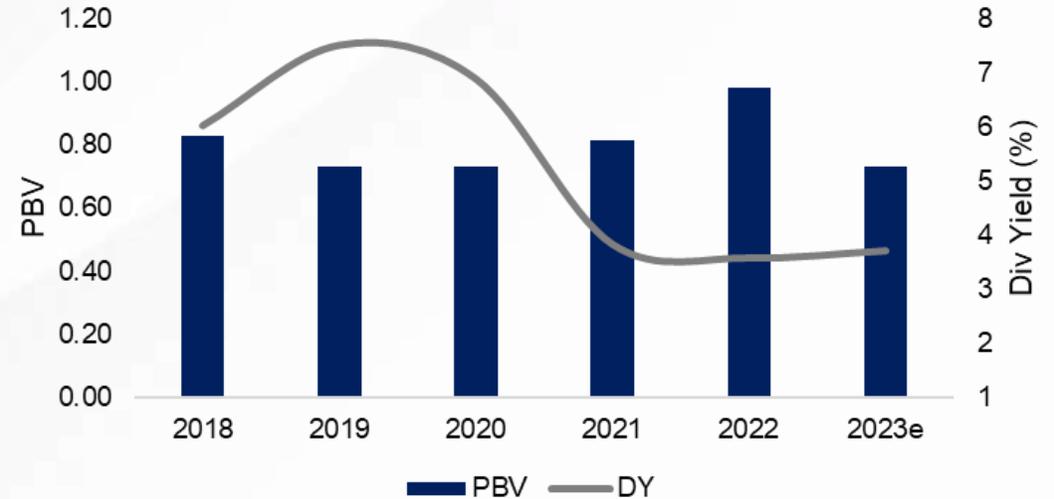
MSX @ INFLEXION POINT

VALUATIONS AT ATTRACTIVE LEVELS

Undervaluation provides significant room for Price to move higher



While book value and dividends will protect the downside



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WHAT'S IN STORE



A PLATTER OF OPPORTUNITIES

9 MAJOR SECTORS AND 33 SUB SECTORS

Sectors	No.of Subsectors	Marketcap (in RO Mn)
Financials	6	5,451
Communication Services	2	958
Industrials	7	535
Utilities	2	351
Energy	3	338
Consumer Staples	4	295
Materials	5	261
Consumer Discretionary	3	85
Real Estate	1	28
Total	33	8,302



HOW TO PLAY THE OPPORTUNITY

3D APPROACH



1. STRATEGIC INVESTMENT

- Investing in cash hungry growth sectors that offer significant upside

2. LONG TERM INVESTMENT

- Large and mid cap companies that are under valued that offer quality sustainable business at attractive prices

3. TRADING IDEAS

- Short term trading ideas based on momentum indicators and market information



...STRATEGIC INVESTMENT

LEASING SECTOR IN OMAN

Indicators	2016	3Q22	Chg %)
Gross loans (RO Mn)	1100	1037	-6%
Provisions (RO Mn)	64	138	116%
Net Loans (RO Mn)	1036	899	-13%
Total Assets (RO Mn)	1100	1028	-7%
Total equity (RO Mn)	260	315	21%
Gross NPL	6.2%	18.3%	
Prov coverage	94.0%	72.0%	-23%
Profit (RO Mn)	31	19	-40%

- Prior to 2016, the Leasing sector in Oman was a high growth sector with annual credit offtake higher than the banking sector at 12%.
- However post 2016 and the economic slump that followed reduced the growth of the industry.
- Currently the sector is on a cusp of change, due to the inherent buoyancy in the economic situation leading to demand for equipment and vehicles
- We expect the sector to soon grow at double the rate of banks, which is currently at 6%.
- Sector ROE is improving from current 6% to an erstwhile high of 11% witnessed in 2016.
- The sector is capital hungry and urgently looking for fund raising opportunities either through private placement or other modes



...STRATEGIC INVESTMENT

LEASING SECTOR VALUATION TABLE

Financials (FY22)	Al Omania	nited Finance	Tageer Finance	National Finance	Muscat Finance
Net profit (RO '000)	2,750	1,748	3,380	10,134	552
Total equity (RO ' 000)	69,905	48,026	46,966	100,429	38,265
EPS (RO)	0.010	0.006	0.014	0.019	0.002
BVPS (RO)	0.231	0.138	0.182	0.186	0.125
DPS (RO)	0.007	0.003	0.005	0.011	0.000
Price (RO)	0.150	0.092	0.094	0.118	0.065
Mcap	45,482	32,121	24,314	63,865	19,965
P/E	16.54	18.38	7.19	6.30	36.17
P/B	0.65	0.67	0.52	0.64	0.52
Div Yield	4.8%	3.3%	5.3%	9.3%	0.0%

- There are variety of companies which belong to the mid and small cap segment
- While some of them cater specifically to the vehicle leasing segment others are focussed on equipment leasing
- All of them are profitable
- On a book value basis most of them trade at about 0.5x
- On a PE basis the sector trades at about 10x
- High dividend yield of > 5%

...LONG TERM INVESTMENT

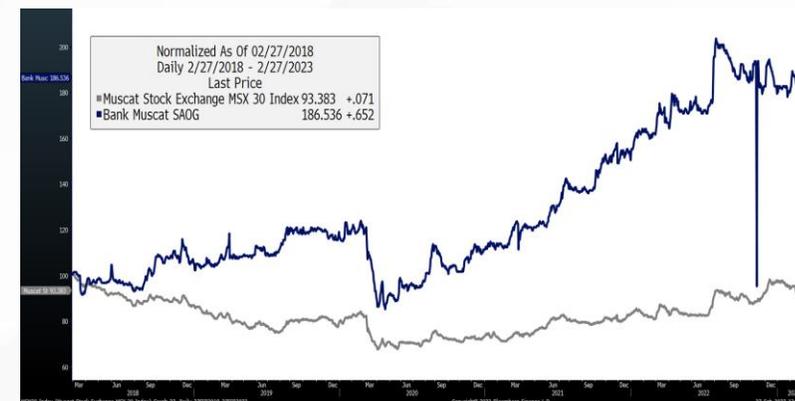


1. BANK MUSCAT

Financials (RO Mn)	2020	2021	2022	2023E	2024E	2025E
Net Operating Income	457	475	503	520	550	599
Operating Expenses	180	191	207	211	223	246
Provision expense	81	60	59	54	58	63
Profit for the year	163	190	201	218	229	247
Loans, advances & finan	8,937	9,191	9,417	10,176	11,001	11,882
Customers' deposits	8,377	8,775	8,647	9,252	9,741	10,423
Shareholder's Equity	1,914	2,021	1,727	1,805	1,887	1,977
NIM	2.6%	2.6%	2.6%	2.5%	2.6%	2.7%
Gross NPL ratio	3.6%	3.7%	3.7%	3.9%	3.9%	3.9%
NPL Coverage	117.2%	131.5%	150.3%	130.8%	128.2%	128.2%
Capital Adequacy	20.8%	21.3%	21.2%	21.9%	21.4%	21.0%
Adjusted ROE	8.4%	9.4%	9.9%	11.0%	11.2%	11.6%
ROA	1.3%	1.5%	1.6%	1.7%	1.7%	1.7%
P/E (x)	5.83	11.52	10.86	10.80	10.21	9.37
P/BV (x)	0.48	0.50	1.22	1.16	1.11	1.06
Dividend Yield (%)	8.9%	10.7%	5.4%	5.6%	5.9%	6.4%

About the company

Largest banking franchise with 198 branches and 31% credit market share and possesses 33% of total banking assets in the country. Robust asset quality, strong capital base, high liquidity and capital ratio, The Bank's strong relations with GREs result in high deposit mobilization potential while the high CASA mix in deposit helps control the cost of funds.



Bank Muscat is well positioned to benefit from the anticipated infrastructural and project spending in Oman.

Given the size of the business, Bank Muscat can lend up to RO 300mn to a single borrower, which no other bank can lend.

Favourable asset yield of ~4.5%, backed by low cost of funds of ~ 2.0%, leading the better spreads and better NIMs

Valuations: At current levels, the stock trades at P/E of 10.8x and P/B of 1.2x.

...LONG TERM INVESTMENT

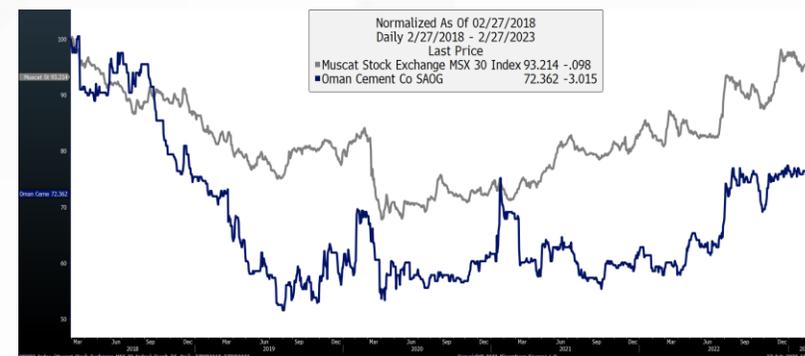


2. OMAN CEMENT

Financials (RO Mn)	2020	2021	2022E	2023E	2024E	2025E
Total Revenue	49	50	47	66	61	62
EBIDTA	11	13	11	13	13	13
Net Profit/Loss	4	5	4	6	7	7
Net Margins (%)	8.2%	10.3%	9.5%	9.7%	11.2%	10.9%
Total equity	148	147	148	149	150	150
P/E (x)	18.80	15.70	18.38	15.68	14.62	14.71
EV/EBITDA (x)	7.12	5.35	5.29	5.97	7.51	10.70
Price/Book (x)	0.51	0.55	0.55	0.67	0.67	0.67
Dividend Yield (%)	8.8%	4.1%	4.0%	5.0%	5.0%	5.0%
ROE (%)	2.7%	3.5%	3.0%	4.3%	4.6%	4.5%

About the company

Oman Cement Company, the first cement producer in Oman has been a critical supplier of cement with an installed capacity of 2.6 mtpa of clinker and 3.6mtpa of cement. The company is on track to expand its cement capacities 6.2mtpa by 2025.



Focused spending on large infrastructure projects will provide the required impetus to the construction sector keeping the demand for cement afloat.

The change in mix to higher value-added product provides an upper hand in competition and help in higher realization.

OCOI represents a good investment opportunity considering its stable operations and limited alternatives to ride the current wave in growth of the cement sector in Oman

Valuations: At current prices, the stock is trading at below its book value and 14.5x 2023e earnings, which we feel is attractive.

...LONG TERM INVESTMENT

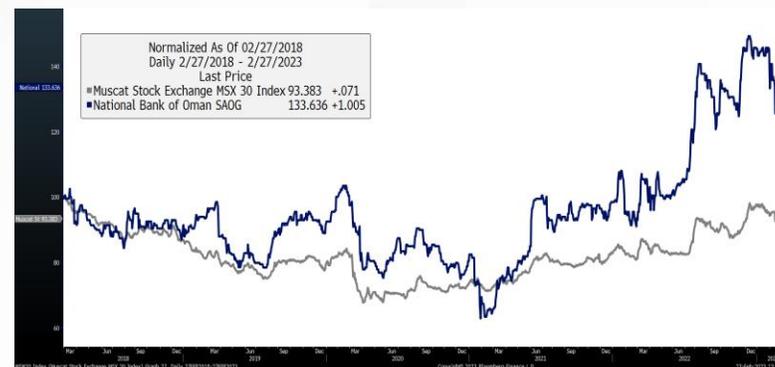


3. NATIONAL BANK OF OMAN

Financials (RO Mn)	2020	2021	2022	2023E	2024E	2025E
Net Operating Income	117	123	138	148	158	163
Operating Expenses	64	63	61	61	66	67
Provision Expenses	31	24	20	19	17	17
Profit for the year	18	30	48	57	64	66
Loans & Advances	2,888	3,089	3,354	3,674	3,936	4,132
Customers' deposits	2,527	2,918	3,047	3,352	3,553	3,731
Shareholder's Equity	415	440	474	496	516	538
NIM	2.8%	2.5%	2.7%	2.6%	2.6%	2.4%
Gross NPL ratio (%)	5.6%	5.3%	4.9%	5.3%	5.2%	4.9%
Provision coverage (%)	92.3%	88.2%	91.7%	93.3%	93.2%	99.0%
Capital adequacy ratio	16.4%	15.8%	16.9%	16.5%	16.1%	15.8%
Adjusted ROE (%)	2.2%	5.1%	8.7%	10.7%	12.4%	12.8%
ROA (%)	0.5%	0.7%	1.1%	1.3%	1.3%	1.3%
P/E (x)	28.74	14.61	11.10	9.74	8.41	8.17
P/B (x)	0.63	0.72	0.91	0.87	0.84	0.80
Dividend Yield (x)	0.0%	1.9%	2.8%	5.1%	7.1%	7.3%

About the company

National Bank of Oman, the first incorporated Bank in the Sultanate was established in 1973. After years of losing market share, the bank is currently finding new ways to reinvent itself. The Bank had laid out a five-year strategic road map in 2020 which is bearing fruit.



Post the change in management, the focus of the Bank was to give a renewed thrust in gaining market share both in loans and deposits.

The bank has beat the industry on all parameters. Its loan book grew by 8.6%, the highest among Omani banks and Deposit book has grown by 4.4%.

The Bank has access to stable, significant and low-cost deposits from Government & Government related entities which contributes to a strong CASA franchise of above 60%.

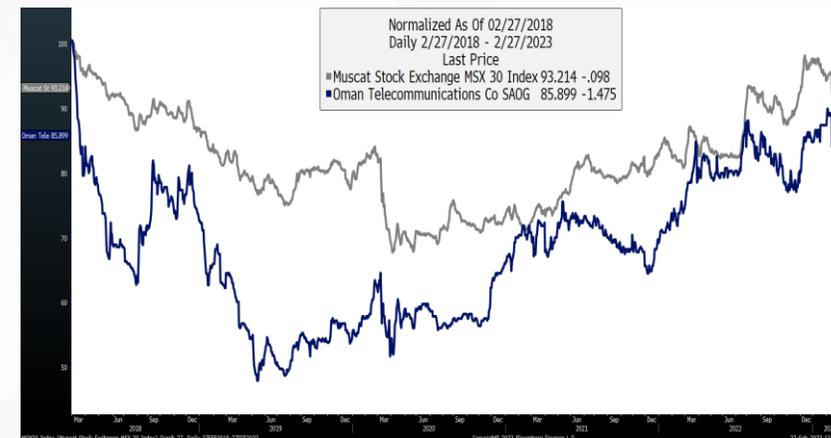
Valuations: At current levels, NBO's shares are trading at FY23E P/B of 0.9x, and PE of 9.5x

...LONG TERM INVESTMENT



4. OMANTEL

Financials (in RO Mn)	2020	2021	2022	2023e	2024e	2025e	2026e
Revenue	2,511	2,408	2,687	2,789	2,897	3,010	3,130
EBITDA	1,087	976	1,048	1,157	1,159	1,174	1,205
PAT	229	234	267	287	305	326	346
Debt/Equity (x)	0.89	0.96	0.91	0.64	0.53	0.44	0.35
ROE (%)	8%	8%	9%	9%	9%	9%	10%
EBITDA Margins (%)	43%	41%	39%	42%	40%	39%	39%
Net Margins (%)	9%	10%	10%	10%	11%	11%	11%
P/E (x)	8.03	8.37	8.71	8.11	7.61	7.14	6.73
EV/EBITDA (x)	2.33	2.89	3.07	2.24	2.05	1.82	1.54
Price/Book (x)	0.93	0.97	1.13	1.03	0.98	0.93	0.88
Dividend Yield (%)	7.7%	7.4%	7.5%	8.0%	8.5%	9.1%	9.7%



Its exposure to Zain is reaping benefits with economies of scale and synergies finally falling in place. The economic upcycle will be a big boost the company as it is one of the largest players in the region.

it has completed the sale of all its tower assets across most the geographies it operates. Even the head quarter building in Muscat has been booked into a REIT structure thereby raising the cash position and reducing the debt levels.

Valuations: At current levels, OTEL's shares are trading attractively at FY23E P/B of 1.0x, and PE of 8.1x

About the company

Oman Telecom Company (OTEL) is the first and largest telecom player in Oman with a total domestic subscriber base of 3.2 Mn and a subscriber market share of 44% as of 3Q22. Post the acquisition of Zain, it increased its presence to 9 countries with leadership in 4 markets and 55 Mn subscribers



...TRADING IDEAS

Trading ideas in MSX can be generated based on momentum in price and news flow

Close watch on the volume indicators and in depth research on the companies provide a heads up to the forthcoming action

We focus on high beta companies that out perform the index

Some examples

- **Al Anwar Ceramics:** is a play on the expansion and robust offtake of tiles within and outside Oman.
- **Renaissance Services:** is an opportunity to buy into a sector that provides critical services to companies in the Oil sector. Every project addition results in a price action which can be captured efficiently
- **Galfar Engg:** The largest Omani contractor which has recovered from its poor financial performance into a state of profitability. The company continuously gets orders from the Government and Private providing filip to the price
- **Ooredoo:** High cash, low debt company that has the second highest market share in the country. Rising incomes, inflow of expats and data revenue have been boosting the prospects of telecom companies. Sale of tower assets will be the catalyst for share price going forward

...TRADING IDEAS

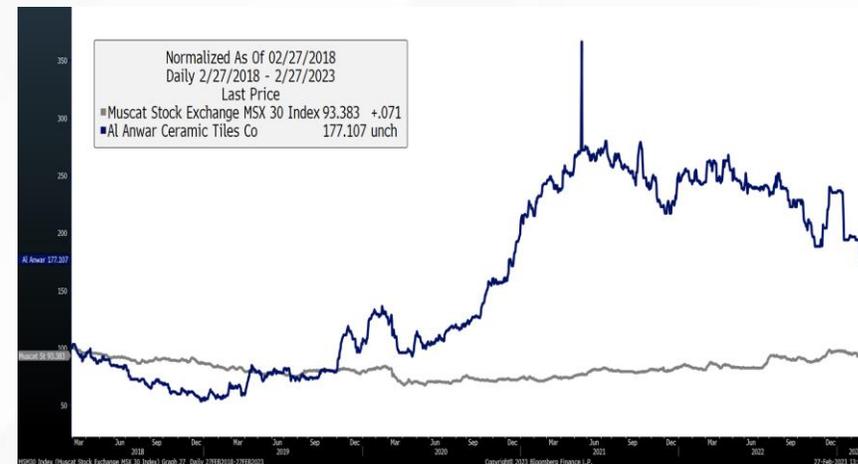


1. AL ANWAR CERAMICS

Financials (in RO Mn)	2018	2019	2020	2021	2022
Revenue	19.1	19.9	23.4	25.8	27.6
Operating Profit	0.5	1.9	5.6	5.9	5.8
Profit after tax	0.4	2.0	4.3	6.3	2.4
Dividend Yield	8.5%	5.8%	5.2%	5.4%	6.3%
PE	43.6	11.2	13.1	8.1	42.0
Price/Book	0.4	0.6	1.4	2.9	2.9
EV/EBITDA	2.4	6.2	30.1	55.9	49.2
ROE	1%	5%	11%	18%	5%
EBITDA Margins	2.6%	9.3%	24.1%	22.8%	22.2%
Net Margins	1.9%	10.2%	18.6%	24.3%	7.4%

About the company

Al Anwar ceramics is the largest tile manufacturer in Oman. It has operations across the borders in the region. There is resumed enthusiasm in the construction space and the sector is witnessing positive headwinds.



The new capacities will address the rising demand from Saudi for large profile tiles which will help in enhancing realization.

AACT has a legacy of ramping up capacity utilization levels quickly and we expect the same in the new facility as well.

Valuations: the stock trading at attractive FY23E P/E of 10.8x

...TRADING IDEAS

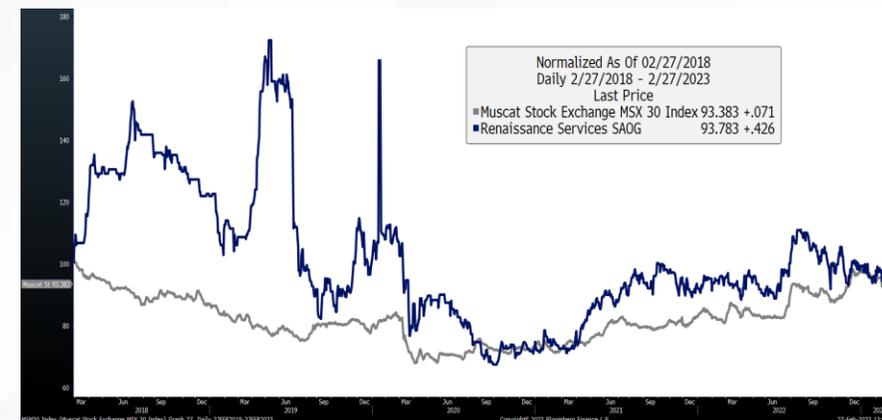


2. RENAISSANCE SERVICES

Financials (in RO Mn)	2020	2021	2022E	2023E	2024E
Revenue	105	109	120	131	144
Gross profit	21	22	24	26	29
PAT	10	11	14	15	17
EBITDA Margins (%)	20%	22%	22%	22%	22%
Debt/Equity (x)	0.70	0.66	0.53	0.44	0.23
P/E (x)	12.0	10.1	8.5	8.0	6.8
EV/EBITDA (x)	5.9	5.9	5.8	5.2	4.2
Price/Book (x)	1.6	1.5	1.4	1.3	1.1
Dividend Yield (%)	6.7%	5.9%	4.7%	5.8%	5.8%

About the company

Over the past 30 years since its incorporation RNSS has time and again proved that it is amongst the few Omani companies that can truly boast of being an MNC, both in terms of geography of operations and quality of service. RNSS has managed to overcome significant stress in both the macro as well as at the company level, each time coming out stronger and more efficient.



As occupancy in its existing projects gradually improve, RNSS is back on its foot bidding for new opportunities.

We believe the systemic importance of IFM, its direct relationship with the growth of pivotal sectors such as hydrocarbon, construction, health, very little competition in the organized space, lean balance sheet and history of international operations put RNSS in a sweet spot post the pandemic.

Valuations: The stock currently trades at a discount to its international listed peers at 9x FY22E eps

...TRADING IDEAS

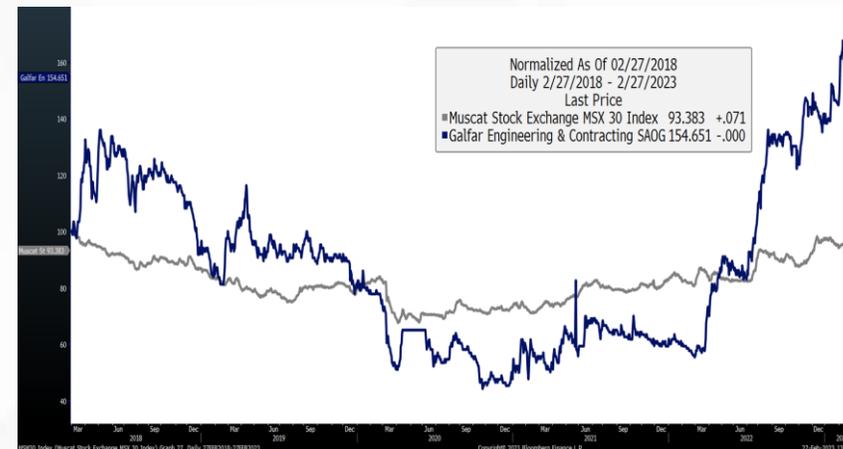


3. GALFAR ENGINEERING

Financials (in RO Mr)	FY 20	FY 21	FY 22e	FY 23e	FY 24e
Total Revenue	209	188	172	176	223
EBIDTA	-6	14	11	16	20
Total profit/loss	-28	1	0	2	4
EBITDA Margins (%)	-3.2%	7.9%	7.1%	10.0%	9.6%
Net Margins (%)	-13.5%	0.7%	0.2%	1.4%	1.7%
Debt/Equity (x)	2.4	1.3	1.2	0.9	0.7
ROE (%)	-135.3%	5.7%	1.7%	10.0%	12.9%
P/E (x)	-2.60	40.99	132.67	20.62	13.84
EV/EBITDA (x)	-11.02	3.68	6.97	4.54	3.60
Price/Book (x)	3.68	2.42	2.37	2.13	1.84

About the company

Galfar is the top Engineering and Contracting company in Oman. The period of hubris followed by capitulation and again a recovery has created an organization that is more resilient and capable of managing the vagaries of oil price movement and economic cycles.



Galfar has implemented an effective “Transformation Strategy” which has rationalized costs, focused on orders that provide adequate margin cushion, sold off loss making investments/associates and raised cash levels.

Valuations: The stock currently trades at 20.6x FY23e EPS and we believe this does not reflect the expected exponential growth that can take place in the bottom line owing to lower costs and higher margins.

...TRADING IDEAS

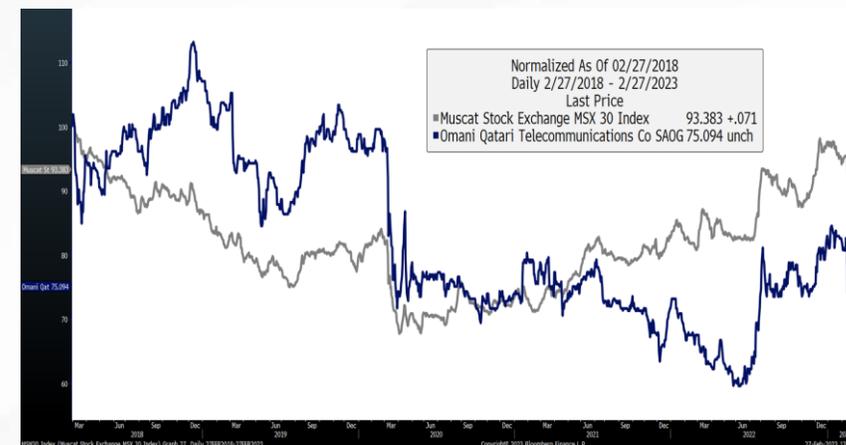


4. OOREDOO

Financials (in RO Mr	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Revenue	265	246	258	266	275	284
Operating Profit	33	23	27	30	35	40
Profit for the year	21	13	19	23	27	32
Debt/Equity (x)	0.21	0.25	0.18	0.18	0.18	0.17
ROE (%)	8.3%	5.0%	7.3%	8.7%	10.3%	11.7%
EBITDA Margins (%)	40.9%	39.6%	38.2%	37.5%	37.0%	37.0%
Net Margins (%)	8.0%	5.2%	7.4%	8.6%	9.9%	11.1%
P/E (x)	12.0	19.6	14.2	11.5	9.6	8.3
EV/EBITDA (x)	2.8	3.2	3.2	3.3	3.1	3.1
Price/Book (x)	1.0	1.0	1.0	1.0	1.0	1.0
Dividend Yield (%)	10.2%	6.6%	4.8%	7.8%	9.3%	10.8%

About the company

The company is jointly owned by Qatar Telecom and PASI. Ooredoo is the second and only other full-fledged telecom operator in the country offering both fixed and mobile services along with international connectivity. Currently the company has the second highest number of subscribers in the country with a mobile market share of 38% and serves about 3mn people



Based on the international parentage, operational experience, wide local network and being the only other player in the country that offers the whole host of services, Ooredoo will witness stable increase in subscriber addition

Ooredoo has been able to double its post-paid subscribers over the last two years between 2020-2022.

Valuations: The stock currently trades at a discount to its regional listed peers at 11.0x FY23E EPS



THANK YOU!

**OMAN'S MOST
TRUSTED BRAND**

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