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FTSE adds Oman to EM Watch List

FTSE Russell has added Oman to its Watch List for a potential reclassification from Frontier to Secondary Emerging status, marking a significant step forward in the development of the Omani equity market. The decision, announced on 6 Oct 2026 following the Sept 2026 annual review, reflects Oman's progress in meeting both the qualitative and quantitative requirements for Secondary Emerging market status.

Oman has now met all nine of FTSE Russell's Quality of Markets criteria for Secondary Emerging status and has also satisfied the required minimum thresholds for market size and eligible securities. This represents a notable improvement from the previous review, when Oman met all nine qualitative criteria but remained below the minimum securities-count threshold.

We identified the potential for Oman to progress toward FTSE Secondary Emerging status earlier this year, highlighting the improving investable universe and the likelihood of Watch List inclusion in both our Annual Investment Strategy 2026 and Mid-Year Investment Strategy 2026 reports.

Watch list status sets the stage for potential reclassification

Watch List status does not constitute an immediate reclassification. Rather, it signals that FTSE Russell is formally assessing Oman for a potential move to Secondary Emerging status. The next assessment will incorporate market data through end-Dec 2026, with FTSE Russell expected to provide an update as part of its March 2027 interim review. We believe the next key milestone will be confirmation of the market's reclassification, with Sept 2027 representing the earliest timeframe for potential implementation, subject to FTSE Russell's assessment and any transition arrangements. Importantly, the process can involve multiple stages, as seen in other markets such as Vietnam, where reclassification was followed by phased implementation into the relevant FTSE indices.

A catalyst for global investor access

For investors, the inclusion on the Watch List is therefore an important positive catalyst for Oman. A successful transition to Secondary Emerging status would broaden the universe of global institutional investors able to allocate to Oman and could support incremental passive and active fund flows over time. The immediate focus, however, remains on maintaining the eligible securities count and market capitalization through the Dec 2026 review.

Oman's expected FTSE universe: 7 stocks, USD 12.2bn net market cap

As of 30 June 2026, our analysis identifies seven companies in Oman's FTSE-eligible investable universe, with a combined market capitalization of USD 31.7bn and a free-float-adjusted (net) market capitalization of USD 12.2bn. Bank Muscat (BKMB OM) is the largest constituent, accounting for 33.7% of the universe, equivalent to a net market capitalization of USD 4.1bn. OQ Exploration and Production (OQEP OM) ranks second at 18.9%, followed by Sohar International Bank (BKSB OM) at 13.8%. The remaining constituents are OQ Gas Networks (OQGN OM) at 10.0%, Oman Telecom (OTEL OM) at 9.4%, OQ Base Industries (SFZ) at 8.0%, and Asyad Shipping (ASCO OM) at 6.2%. The universe remains highly concentrated, with Bank Muscat and Sohar International Bank together accounting for 47.4% of the total net market capitalization.

FTSE update

Table: Oman's potential EM investable universe

Constituent	M Cap*	Weight
Bank Muscat	4,111	33.7%
OQ Exploration and Production	2,314	18.9%
Sohar International Bank	1,682	13.8%
OQ Gas Networks	1,222	10.0%
Oman Telecom	1,147	9.4%
OQ Base Industries (SFZ)	975	8.0%
Asyad Shipping	763	6.2%
Total	**12,214**	
FTSE Emerging All Cap Index**	**11,543**	
Oman's % of FTSE EM All Cap	**0.11%**	

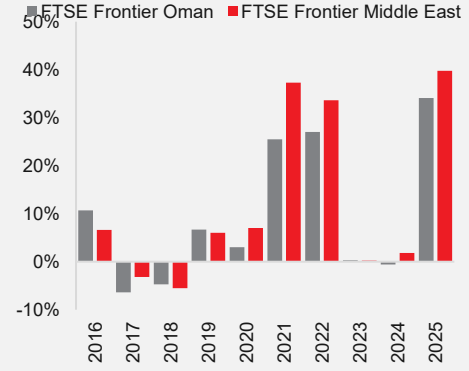
Source (s): U Capital Research, * Net, (USD mn), **USD bn

Table: FTSE Frontier Oman* (top 10 constituents)

Constituent	M Cap^	Weight
Bank Muscat	4,182	27.9%
OQ Exploration and Production	2,469	16.5%
Sohar International Bank	1,851	12.4%
OQ Gas Networks	1,244	8.3%
Oman Telecom	1,158	7.7%
OQ Base Industries	1,007	6.7%
Oman India Fertiliser Company	886	5.9%
Asyad Shipping	666	4.4%
Bank Nizwa	472	3.2%
Abraj Energy Services	352	2.4%
Total	**14,287**	**95.5%**

Source (s): FTSE Russell Factsheet, U Capital Research
* Aug'26, ^Net, (USD mn)

Chart: Performance - Total Return



Source (s): FTSE Russell Factsheet, U Capital Research

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Watch List for an upgrade from Frontier to Secondary Emerging

Table: Watch List for a upgrade from Frontier to Secondary Emerging

Criteria	Developed Watch	Advanced Emerging Watch	Secondary Emerging Watch	Oman	Frontier Watch
World Bank GNI Per Capita Rating (Atlas Method)				High	
Credit Worthiness				Speculative	
Market and Regulatory Environment					
Formal stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	X	X	X	Pass	X
Fair and non-prejudicial treatment of minority shareholders	X	X		Restricted	
No or selective incidence of foreign ownership restrictions	X	X		Pass	
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	X	X	X	Pass	X
No or simple registration process for foreign investors	X	X		Restricted	
Foreign Exchange Market					
Developed foreign exchange market	X	X		Restricted	
Equity Market					
Brokerage - Sufficient competition to ensure high quality broker services	X	X	X	Pass	
Transaction costs - implicit and explicit costs to be reasonable and competitive	X	X	X	Pass	
Tax - imposition of taxes to be reasonable and comparable between domestic and non-domestic investors	X	X		Pass	
Stock Lending is permitted	X			Restricted	
Short sales permitted	X			Restricted	
Developed Derivatives Market	X			Not Met	
Off-exchange transactions permitted	X			Not Met	
Efficient trading mechanism	X	X		Pass	
Transparency - market depth information / visibility and timely trade reporting process	X	X	X	Pass	X
Clearing, Settlement and Custody					
Settlement - costs associated with failed trades	X	X	X	Pass	X
Settlement Cycle (DvP)	X	X	X	T+2	X
Central Securities Depositary	X	X	X	Pass	
Central Counterparty Clearing House (Equities)	X	X		Not Met	
Settlement - Free delivery available	X			Restricted	
Custody - Sufficient competition to ensure high quality custodian services	X	X	X	Pass	
Account structure operating at the Custodian level (securities and cash)	X			Not Met	

Source (s): LSEG / FTSE Russell, watch-list-latest.pdf. Oman is on the Watch List for possible reclassification from Frontier to Secondary Emerging. X = criterion applies to that watch list.

Note: Oman column colours follow: **green** = Pass / T+2 / High, **yellow** = Restricted / Speculative, **red** = Not Met.
The shading for rating changes since March 2026 is not reproduced. The T+2 cell's colour (green) is assumed.

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Eligibility Screening Criteria

FTSE Russell's evolving market classification framework has strengthened the case for Oman's potential inclusion in the FTSE Emerging Markets Index universe, within the Secondary Emerging category. Oman's equity market has witnessed notable improvements in market depth, liquidity, and the number of investable securities. With the market capitalization of eligible securities expanding and a growing number of listed companies meeting the required investability and free-float criteria, Oman appears increasingly aligned with the quantitative thresholds established by FTSE Russell for Secondary Emerging market classification.

Country Screening Criteria

For inclusion in the Secondary Emerging category under FTSE Russell's global equity index framework, a country must satisfy a combination of market size, liquidity, and investability requirements designed to ensure sufficient scale and accessibility for international investors.

Market size threshold

The aggregate investable market capitalization of all eligible securities within a country must exceed 10 basis points (0.10%) of the total FTSE Emerging All Cap Index. As of 30-Jun-26, the free-float market capitalization of Oman's investable universe at ~USD 12.2bn, compared to the total FTSE Emerging All Cap Index market capitalization of USD 11.5bn. This places Oman's investable market capitalization at ~11bps of the FTSE Emerging All Cap Index, comfortably meeting the threshold.

Breadth of eligible securities

A minimum of five securities must qualify under the FTSE Global All Cap Index eligibility criteria across the large-cap, mid-cap, and small-cap segments

Enhanced Emerging Market requirement

Under FTSE Russell's recently enhanced classification methodology, at least three securities must additionally satisfy the stricter FTSE Emerging Index eligibility standards applicable specifically to large- and mid-cap companies. These enhanced requirements place greater emphasis on liquidity, trading frequency, and investability thresholds, reflecting the higher standards expected from markets classified within the emerging market category. This criterion is intended to ensure the market has a sufficiently robust core of investable large- and mid-cap companies capable of attracting sustained passive and active foreign investment flows.

Table: Watch List for a upgrade from Frontier to Secondary Emerging

No.	Criteria	Minimum Threshold	Oman's Status
1	Investable Market Capitalization	USD 11.54bn	USD 12.19bn
2	Investable Market Capitalization	10bps of FTSE emerging all Cap	~11bps of FTSE emerging all Cap
3	Gross National Income (GNI) per Capita	Lower Middle	High-Income
4	Credit Worthiness Rating	Speculative Grade	Investment Grade

Source: LSEG.Com, U Capital Research

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For inclusion under the FTSE Emerging market eligibility framework, individual securities are required to meet a set of stringent investability, liquidity, and governance standards designed to ensure sufficient market quality and accessibility for global investors

Voting rights: Firstly, voting rights must exceed a minimum threshold of 5%, ensuring that shares classified as investable carry meaningful shareholder rights and governance participation.

Investability (free float): Secondly, free float investability is assessed, with a minimum requirement that at least 5% of a company's total shares are freely available for trading in the market.

Liquidity: In terms of liquidity, securities must satisfy FTSE Russell ' s trading activity thresholds. Specifically, a stock must record a median daily traded volume equivalent to at least 0.05% of its free-float shares in no fewer than 10 of the past 12 months.

Surveillance: From a market integrity perspective, securities classified under regulatory or exchange surveillance are excluded from eligibility, reflecting concerns around transparency, compliance, and potential trading restrictions.

Trading history: Finally, a trading history requirement applies, whereby a stock must have a minimum of 60 trading days of recorded history. This ensures sufficient price discovery and performance data to support index inclusion and assessment of investability characteristics.

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Oman's Potential EM Investable Universe

Based on 30-Jun-2026 closing prices, our estimates show Oman's investable universe comprises seven companies with a combined total market capitalization of USD 31,746mn and a net (free-float adjusted) market capitalization of USD 12,214mn.

Bank Muscat (BKMB OM) leads the universe with 33.7% weight and a net market cap of USD 4,111mn, followed by OQ Exploration and Production (OQEP OM) at 18.9% and Sohar International Bank (BKSB OM) at 13.8%. The remaining constituents are OQ Gas Networks (OQGN OM) at 10.0%, Oman Telecom (OTEL OM) at 9.4%, OQ Base Industries (SFZ) (OQBI OM) at 8.0%, and Asyad Shipping (ASCO OM) at 6.2%.

The universe is heavily concentrated in financials, with the two banks together representing roughly 47.4% of the total weight, while the free-float percentages range from 20.0% (ASCO OM) to 52.1% (BKMB OM).

Table: Oman's Investable Universe

	Code	Name	ICB Sector	Cap Type	Total Mkt Cap*	Net Mkt Cap*	FF %	Weight
1	BKMB	Bank Muscat	Banks	Mid Cap	7,896	4,111	52.1%	33.7%
2	OQEP	OQ Exploration and Production	Oil Gas and Coal	Mid Cap	9,288	2,314	24.9%	18.9%
3	BKSB	Sohar International Bank	Banks	Mid Cap	3,352	1,682	50.2%	13.8%
4	OQGN	OQ Gas Networks	Gas Water and Multi-utilities	Small Cap	2,497	1,222	48.9%	10.0%
5	OTEL	Oman Telecom	Telecommunications	Small Cap	2,669	1,147	43.0%	9.4%
6	OQBI	OQ Base Industries (SFZ)	Alternative Energy	Small Cap	2,228	975	43.8%	8.0%
7	ASCO	Asyad Shipping	Industrial Transportation	Mid Cap	3,815	763	20.0%	6.2%
	Total				**31,746**	**12,214**		

FTSE Emerging All Cap Index (30-Jun-2026)	**11,542,772**
Oman's Investable Market Capitalization % of FTSE Emerging All Cap	**0.11%**

Source (s): FTSE Russell, U Capital Research, *USD mn

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GCC Equity Market Performance Pre and Post FTSE Inclusion

To assess the impact of FTSE inclusion, we conducted a detailed review of market performance data on GCC equity markets. GCC equity markets showed mixed performance around FTSE inclusion. Before inclusion, short-term returns were generally positive, with a 90-day average of 6.3%, led by Saudi Arabia and Dubai, reflecting investor anticipation. However, longer-term returns were uneven, with Saudi Arabia gaining 25% over two years, while Dubai and Abu Dhabi fell sharply, highlighting market-specific risks.

After inclusion, short-term gains were modest and some markets faced negative returns, suggesting initial adjustment and profit-taking. Over the medium term, however, markets stabilized, with a 2-year average post-inclusion return of 1.8%, driven by Saudi Arabia and Kuwait. Overall, FTSE inclusion supports gradual recovery and stability, though immediate effects vary across markets.

Table: GCC Equity Market Performance Pre and Post-FTSE Inclusion

	Saudi Arabia	Dubai	Abu Dhabi	Qatar	Kuwait	Average Return
FTSE Inclusion Date	18-Mar-19	16-Sep-10	16-Sep-10	23-Sep-16	17-Sep-18	
Index at Inclusion Date	8,653	1,647	2,607	10,253	5,132	
Before Inclusion						
90 days return	8.9%	9.8%	3.6%	2.9%	6.3%	6.3%
180 days return	11.9%	-4.6%	-7.9%	0.2%	4.3%	0.8%
01Y return	12.0%	-21.0%	-14.6%	-10.6%	-4.1%	-7.7%
02Y return	25.0%	-58.3%	-30.9%	-26.4%	23.2%	-13.5%
After Inclusion						
90 days return	2.7%	-1.0%	4.2%	1.7%	0.5%	1.6%
180 days return	-9.5%	-12.1%	0.3%	1.4%	4.2%	-3.1%
01Y return	-29.4%	-10.9%	-1.1%	-18.5%	9.3%	-10.1%
02Y return	11.0%	-4.4%	0.1%	-4.7%	5.1%	1.4%

Source (s): Bloomberg, U Capital Research

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MSX30 outlook still strong

Target maintained as fundamentals remain strong

We maintain a positive stance on the Muscat Stock Exchange and maintain our June 2027 target of 9,254 points for the MSX30 Index. Our view mainly stems from solid macro fundamentals, robust corporate earnings growth, attractive valuations relative to regional peers, strong domestic liquidity and expected foreign capital inflows. Oman's macro backdrop remains supportive, with FY26 GDP growth of 3.8%, fiscal and current account surpluses, and contained inflation. Despite a ~33% gain in CY26TD, the MSX30 still trades at a significant discount to regional markets while offering one of the highest dividend yield in the region. We remain positive on banks, insurance, financing, oil & gas, petrochemicals, telecom, utilities, industrials, and consumer, where earnings visibility and expected returns are strong.

Earnings growth to clock in at 15.7% in 2026

We expect earnings growth to clock in at 15.7% in 2026 (19.9% ex SUWP and BATP). We anticipate earnings growth from eleven sectors out of the sixteen (16) under our coverage.

The Oil & Gas exploration sector is expected to record a 41.3% increase in net profit, driven primarily by expectations of higher oil prices, assumed to average around USD 83/bbl. The gas marketing sector is also expected to witness improved profitability, supported by higher construction activity and expanded pipeline capacity, which are likely to boost volumes and margins.

The banking sector is expected to deliver 7.2% growth in net profits, underpinned by expansion in loans and advances along with an improving cost-to-income ratio. Likewise, the financing sector is expected to post earnings growth, supported by increased financing demand and higher activity in loans and advances. Meanwhile, the insurance sector is projected to record negative net profit growth in FY26E, driven by higher insurance service expenses and lower investment income.

Table: Corporate Earnings Growth

	2021	2022	2023	2024	2025	2026E	2027E
Banking	24.4%	14.8%	17.5%	38.4%	10.6%	7.2%	7.7%
Oil & Gas Exploration	n.a	25.1%	-1.1%	-47.9%	-14.9%	41.3%	-13.7%
Oil & Gas Marketing	96.2%	101.4%	8.3%	-13.5%	17.8%	7.2%	12.3%
Telecommunication	-9.8%	38.4%	-22.6%	5.0%	-92.9%	31.5%	0.2%
Energy	-59.8%	48.3%	-38.1%	194.5%	-5.4%	-74.3%	342.0%
Shipping	n.a	n.a	n.a	34.5%	21.7%	47.5%	-0.2%
Petrochemicals	n.a	50.2%	-23.3%	-14.9%	18.0%	64.5%	-1.9%
Finance	112.1%	9.7%	21.5%	17.8%	12.6%	3.8%	15.0%
Insurance	-24.9%	-4.8%	40.6%	-76.3%	657.3%	-17.0%	36.7%
Drilling and other Services	n.a	-10.3%	0.3%	1.9%	4.7%	2.3%	23.0%
Food & Beverage Industry	-44.1%	23.9%	-16.9%	-41.4%	312.0%	20.7%	2.3%
Construction Materials	91.9%	-67.3%	-42.1%	49.7%	126.6%	-1.1%	45.5%
Electrical & Mechanical	172.9%	83.7%	103.3%	41.3%	30.7%	5.6%	7.9%
Cement	n.m	n.m	n.m	n.m	n.m	58.5%	-1.3%
Diversified Services	32.1%	11.7%	13.9%	-18.8%	-28.5%	-58.7%	-7.2%
Engineering & Construction	n.m	2.0%	-87.1%	n.m	n.m	-11.4%	35.1%
U Capital Research Universe	**1.1%**	**17.3%**	**8.1%**	**13.5%**	**10.0%**	**15.7%**	**5.1%**

Source (s): Company Financials, U Capital Research

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A compelling buying opportunity across valuation metrics

From a regional valuation perspective, Oman's equity market (MSX30) continues to trade at an attractive discount to GCC peers. At a forward P/E of 11.6x, the MSX30 is trading at 13.6% discount to the regional average of 13.5x, while the valuation gap is more pronounced on a P/B basis, where the MSX30 trades at 1.5x as compared to the regional average of 1.8x, implying a 17.2% discount. Importantly, the valuation discount is not accompanied by weaker income characteristics; rather, the MSX30 offers a superior dividend yield of 4.7% above the GCC average of 4.0%, making it among the most attractive yields in the region.

Table: Regional Comparison

	P/E (x)	P/B (x)	DY
Abu Dhabi (ADSMI Index)	16.3	2.0	2.5%
Bahrain (BHSEASI Index)	12.4	1.3	4.4%
Dubai (DFMGI Index)	12.0	1.4	5.4%
Kuwait (KWSEAS index)	14.4	1.6	3.9%
Qatar (DSM Index)	10.2	1.1	5.1%
Saudi Arabia (SASEIDX Index)	13.0	1.9	4.2%
Weighted Average	**13.5**	**1.8**	**4.0%**
Oman (MSX30 Index)	11.6	1.5	4.7%
Discount / Premium to the Region	**-13.6%**	**-17.2%**	**-15.1%**

Source (s): Bloomberg, U Capital Research

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U Capital Top Picks

Financial

Bank Muscat: Bank Muscat remains our top pick, underpinned by its leading market share in Oman and a structurally strong competitive position. Its superior operating efficiency, with a cost-to-income ratio of 35.9% as of Jun'26, remains a key earnings driver. We expect NII growth to remain resilient, supported by steady loan growth, disciplined balance sheet management, and an optimized funding mix across both conventional and Islamic banking. These factors should support robust profitability growth, while strong capitalization provides ample headroom for asset growth and shareholder distributions. With an expected ~55% payout ratio and FY27e dividend yield of ~4.7%, Bank Muscat offers an attractive combination of earnings resilience, balance-sheet strength and income visibility, reinforcing our top-pick conviction.

Sohar International Bank: Sohar International Bank delivered strong 1H26 net profit growth, driven primarily by robust expansion in loans and advances, while the higher cost-to-income ratio reflects strategic investments supporting its growth trajectory. The bank's strategic initiatives have continued to progress, with its Hong Kong representative office now operational, enhancing its international footprint and creating additional cross-border business opportunities. In parallel, the rights issue has been successfully completed, further strengthening the balance sheet and providing greater capacity to support loan growth and absorb risk. We expect this positive momentum to continue through 2H26e, underpinned by the bank's strategic expansion initiatives and stronger capital position. We expect a 5-year average post-perpetual RoE of 11.4%, with profitability supported by sustained growth momentum and improving balance-sheet capacity.

National Bank Oman: NBO remains well positioned, supported by disciplined cost management, with its cost-to-income ratio improving and expected to improve further, thereby reflecting benefits from digitalization and an optimized branch network. The bank's recently strengthened capital base through its AT1 issuance provides ample flexibility to support future loan growth while maintaining prudent capital buffers. Loans and advances grew ~9.3% YoY in Jun'26, highlighting healthy business momentum and supporting further NII growth. We expect continued growth across both conventional and Islamic franchises, alongside a greater mix of lower-cost deposits, to support margins and earnings. We expect net profit CAGR of ~6.7% over FY25–30e, with post-perpetual FY27e RoE of ~9.1%, underpinning our positive outlook on National Bank Oman.

National Finance Company: We maintain a Buy rating on National Finance with an OMR 0.258/share target price, implying 27.8% total return. The investment case is underpinned by its market leadership, diversified portfolio, and disciplined underwriting, which should support continued lease growth and an estimated 10.3% FY25-30e earnings CAGR. At 1.1x FY27e P/B, the stock offers an attractive valuation, while its strong capital position and ~70% payout ratio support an 8.3% FY27e dividend yield, providing a compelling combination of earnings growth and income. We expect its dominant franchise and growing retail exposure to support resilient asset growth and improve profitability. With a strong dividend track record and attractive risk-reward, National Finance remains well positioned to deliver sustainable shareholder returns.

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Table: Financial Sector Top Picks

	Market Price*	Target Price	Total Return	PE'27	PB'27	RoE'27	DY'27
Bank Muscat	0.438	0.480	14.3%	12.7	1.4	11.5%	4.7%
Sohar International Bank	0.193	0.217	16.9%	11.6	1.2	10.7%	4.5%
National Bank Oman	0.495	0.564	16.4%	12.8	1.1	9.1%	2.5%
National Finance Company	0.216	0.258	27.8%	8.6	1.0	13.0%	8.3%

Source (s): Company Financials, U Capital Research, *06-Oct-26

Industrial

Abraj Energy: Abraj is entering a significant expansion cycle, with seven new rigs planned through FY28e, following 91% fleet utilization in 2Q26 and an expected 100% utilization in 2H26. The company's sizeable order backlog of ~OMR 953mn provides strong medium-term earnings visibility, while the ramp-up of Kuwait Wafra operations and the recently awarded multi-year workover contract offer additional growth opportunities. We expect FY26e revenue growth of 7% YoY, supported by higher activity levels and fleet expansion. Although FY26e capex of OMR 60–70mn is expected to temporarily increase leverage, we view this as a strategic investment phase, with gradual deleveraging expected as new rigs reach steady-state operations. We expect a strong YoY growth in profitability during FY27e, with a sustainable ~75% payout ratio implying an attractive FY27e dividend yield of ~5.2%.

OQ Base Industries: OQBI's strong 1H26 performance was supported by elevated methanol and ammonia prices amid supply disruptions, with momentum expected to continue through FY26e before earnings normalize in FY27e. Long-term offtake arrangements with OQ Trading covering 100% of methanol and ammonia and ~87% of LPG production provide strong revenue visibility. We expect the company's ~5% annual dividend growth policy, alongside performance-linked dividends, to support a FY26e dividend of ~13 baisa/share, implying a 4.9% yield at the latest closing price. From FY27e, we expect a payout ratio of ~55%-60%, supporting robust shareholder returns. Longer term, the planned ~550 ktpa brownfield methanol expansion at Salalah could strengthen OQBI's competitive position and provide a meaningful earnings uplift beyond our base-case estimates.

Voltamp Energy: Voltamp Energy remains well positioned to capture medium-term earnings growth, underpinned by a robust order backlog and meaningful capacity expansion. Its Jeddah and Dammam joint ventures are expected to increase its capacity to 21,000MVA by FY27e, strengthening its regional competitive positioning. In parallel, the company is accelerating its US market entry, with order intake targeted at USD 150mn by year-end. We view the combination of regional capacity additions and geographic diversification as key growth catalysts, providing greater revenue visibility and supporting the company's ambition of reaching OMR 100mn in revenue by FY30e.

A'saffa Foods: A'saffa Foods remains positioned for a medium-term earnings recovery following a subdued 1H26, during which higher operating expenses weighed on profitability. The key catalyst is capacity expansion, which is expected to increase annual broiler production to c.55,000 metric tons, with the full benefit anticipated from 4Q26e. We expect structurally strong domestic poultry demand to support volume growth, reinforce A'saffa's market leadership and drive operating leverage. Over the medium term, higher volumes and improved capacity utilization should support sustainable revenue growth and margin recovery.

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Oman Flour Mills: Oman Flour Mills delivered a strong 2Q26 performance, supported by the consolidation of Arabian Food Production Company from May 2026, which broadened the revenue base by adding poultry and table-egg operations. We expect the positive YoY growth trajectory to persist through 3Q26e and FY26e, supported by the enlarged operating base. Beyond FY26e, we see further upside from the company's strategic pivot toward higher-growth, higher-margin segments, including bakery, bioproducts, and adjacent food-related verticals. Overall, we remain positive on Oman Flour Mills, with increasing business diversification and an improving earnings mix providing a supportive medium-term outlook.

Table: Industrial Sector Top Picks

	Market Price*	Target Price	Total Return	PE'27	PB'27	RoE'27	DY'27
Abraj Energy	0.419	0.487	21.5%	14.5	2.1	15.1%	5.2%
OQ Base Industries	0.264	0.302	19.5%	11.9	2.5	21.5%	5.1%
Voltamp Energy	0.188	0.220	20.7%	13.5	5.0	40.7%	3.7%
Galfar Engineering	0.164	0.178	8.4%	5.4	1.2	22.7%	0.0%
A'saffa Foods	0.705	0.901	31.4%	12.5	1.5	12.3%	3.6%

Source (s): Company Financials, U Capital Research, *06-Oct-26

Services

OQ Exploration & Production: OQEP is well positioned to benefit from Oman's accelerating oil production, with domestic output up 15.9% YoY to ~1.2mn bbl/day in Aug'26 and its production profile expected to mirror this favorable trend. The newly signed Block 27 agreement is expected to add ~3.5k boepd net in FY26e, while ongoing portfolio optimization across Blocks 9 and 80 should further strengthen its upstream asset base. Higher oil prices in 4Q26e should support near-term earnings and cash generation, although we assume a normalization to ~USD 75/bbl in FY27e. OQEP has already declared a 4.8 baisa/share performance-linked dividend for 1H26, and we expect a further payout for 2H26e, implying an FY26e dividend yield of ~8.1%. From FY27e, we expect a sustainable ~70% payout ratio, translating into an attractive ~6.1% dividend yield.

OQ Gas Networks: OQGN's regulated utility model, underpinned by its long-term concession and capacity-based tariffs, provides strong revenue visibility and limited exposure to gas volumes and commodity prices, with WACC currently at 7.79%. The expiry of the current regulatory framework in FY27e makes the upcoming WACC reset a key earnings catalyst, with global interest rates likely to influence the allowed return. We expect revenue growth of ~6.4% CAGR over FY25–30e, supported by regulated tariffs, contracted capacity and network expansion, driving operating leverage and margin improvement. The company is also positioning for long-term hydrogen opportunities through its partnership with Fluxys, providing strategic optionality beyond natural gas transmission. We expect a ~95% payout ratio and FY27e dividend yield of ~6.2%.

OTEL: Omantel's strong domestic franchise, supported by its dominant market position, provides a stable foundation, while ICT, device and wholesale services continue to diversify and drive incremental growth alongside the launch of OTech. Zain remains a key growth engine, supported by strong subscriber momentum in Sudan and Iraq and its recent entry into Syria, providing additional medium-term revenue and EBITDA upside. We expect operating margins to improve structurally as higher-margin technology and ICT services gain share, further supported by standardized 10% royalty rates.

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Ooredoo Oman: Ooredoo Oman's strong 1H26 earnings highlight the positive impact of its ongoing transformation program, which is expected to sustain high profitability through structural cost efficiencies in FY26e. Lower royalty rates further support this positive earnings momentum by boosting operating margins. Looking ahead, the proposed tower divestment is poised to act as a major catalyst upon completion, unlocking significant capital to strengthen the balance sheet. Together, these operational and strategic initiatives provide a clear path to margin expansion and sustained earnings growth.

Asyad Shipping: Asyad Shipping delivered strong YoY revenue and profitability growth in 2Q26, driven by higher freight and time charter rates across all segments, with momentum expected to continue into 3Q26e. The company's fleet expansion remains a key growth driver, and we expect the fleet to expand to 86 by year-end and 91 by FY28e. Combined with favorable charter rates, the enlarged fleet should support sustained revenue growth, margin expansion and stronger earnings over the near term.

Al Batinah Power Company: BATP's investment case is supported by the 15-year PPA extension, potential for higher shareholder payouts, and a proposed merger with SUWP. The new PPA with Nama PWP, commencing in April 2028 and covering ~750MW of contracted capacity, materially strengthens long-term earnings and cash-flow visibility, while our valuation assumes capacity payments at 75% of 2025 levels, leaving upside if payments are higher. BATP's ongoing refinancing assessment could further enhance financial flexibility and potentially support a special dividend of OMR 0.065/share. Meanwhile, the potential merger with SUWP could unlock scale and operational efficiencies through consolidated management and lower overheads, although it remains subject to regulatory, lender and shareholder approvals. Finally, rising demand across Oman's MIS should support higher utilization, with peak demand forecast to grow at a ~6.8% CAGR over 2025–31; accordingly, BATP's load factor is expected to increase from ~72% in 2025 to ~76% by 2029.

Al Suwadi Power Company: SUWP's investment case is supported by the 15-year PPA extension through 2043, potential for higher dividend payouts, and synergies from a potential merger with BATP. The new PPA, expected to commence in April 2028 and covering 746.53MW of contracted capacity, strengthens long-term revenue and earnings visibility, while our valuation assumes capacity payments at 75% of 2025 levels, leaving upside if payments are higher. SUWP's assessment of refinancing options could improve financial flexibility by reducing debt-servicing requirements and potentially support a special dividend of OMR 0.065/share. Meanwhile, the potential merger with BATP could generate scale and operational efficiencies through consolidated management and lower overheads, creating a larger and more efficient platform, subject to regulatory and shareholder approvals. Finally, rising MIS power demand, forecast to grow at ~6.8% CAGR over 2025-31, should support higher utilization, with SUWP's load factor expected to increase from ~77% in 2025 to ~79% by 2029.

Phoenix Power Company: PHPC's positive investment case is supported by its position as the largest IPP, the secured 15-year PPA extension through March 2044, rising shareholder payouts, and a strong track record of improving plant availability. The new PPA covers ~2,000MW of contracted capacity and implies an annualized capacity payment of OMR 65.2mn, only 5.2% below the comparable OMR 68.8mn under the existing agreement, while the extended tenure and indexation provide strong earnings visibility and reduce re-contracting risk. Successful refinancing of OMR 112.6mn of debt, extending maturity to June 2043, has also enabled a special cash dividend of OMR 0.081/share, with the absence of a cash sweep mechanism preserving flexibility for future distributions. With the PPA extension

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supporting stable long-term cash flows, recurring DPS is expected to reach OMR 0.017/share in the coming years, continuing PHPC's dividend-growth track record from 3.90 baiza/share in 2021 to 5.50 baiza/share in 2025.

Table: Service Sector Top Picks

	Market Price*	Target Price	Total Return	PE'27	PB'27	RoE'27	DY'27
OQ Exploration & Production	0.495	0.572	21.6%	11.7	3.8	33.6%	6.0%
OQ Gas Networks	0.226	0.236	10.0%	15.9	1.5	9.7%	6.0%
Oman Telecom	1.371	1.594	16.2%	10.5	1.3	13.1%	3.8%
Ooredoo Oman	0.320	0.496	61.5%	10.5	0.8	7.6%	6.7%
Asyad Shipping	0.234	0.251	14.2%	14.5	2.6	18.2%	6.9%
Phoenix Power^	0.290	0.339	16.9%	10.1	1.5	15.3%	8.1%
Albatinah Power	0.200	0.242	21.0%	7.6	1.5	19.8%	7.5%
Al Suwadi Power	0.200	0.242	21.0%	8.0	1.5	19.0%	7.5%

Source (s): Company Financials, U Capital Research, *06-Oct-26 ^multiples calculated at ex-price

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Stock Ratings

BUY	HOLD	SELL
Greater than 10%	Between 0% and +10%	Lower than 0%

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