

# Oman Capital Market Survey

Report and insights  
October, 2023





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## Survey overview

A research survey was designed to get comprehensive insights from the market participants in Oman.

The survey was promoted by Muscat Exchange (MSX) and the Middle East Investor Relations Association (MEIRA) through a comprehensive awareness and communications campaign. MSX's target list had a total of **109 listed companies and 321 contacts**. MEIRA also promoted it to its local chapter members and the wider investment community in the Sultanate.

the survey has a total of **79 responses of which 43 are complete responses** [complete responses are those that have provided a response to all the questions and have reached the end of the survey]. Despite MSX and MEIRA's efforts in promoting the survey, the level of response could be considered low compared with the total market practitioners.

The survey covered a wide range of topics, including market perception, regulation, IR practices, and ESG, among others. In total, the survey had **49 questions**.

Respondents include CEOs, CFOs, IR Practitioners (Head of IR, IR Manager, IR Analyst) as well as Board Secretaries and Compliance professionals.

Additionally, the survey was complemented by a series of **interviews with various stakeholders**, whose key insights will be included in the following report.

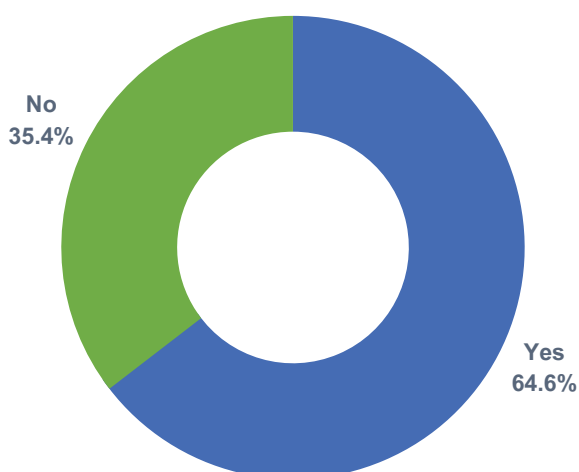
The comprehensive report not only offers a thorough analysis of the subject matter but also encompasses essential key conclusions and a well-defined roadmap of recommendations, actionable insights, and a clear path forward, ensuring that the findings translate into tangible solutions and informed decision-making.

# Survey findings

## About IR

Almost **65% (51)** of the respondents have a **dedicated IR function** at their organization, of which **80% (34)** have their **contact details** publicly available on their websites, something essential for investors looking to engage with any listed company.

### Do you have a dedicated IR function?



The vast majority of the IR teams are composed of **just one person (74% / 31)**, and **only 24%** (10) have between 1 and 3 people, followed by just 2% of the respondents having teams that are bigger than 3 members.

These figures are in line with international practices, since as per the **2022 Nasdaq IR Survey**, micro-cap, small-cap, and mid-cap companies tend to have an IR team of just 1-2 people, with only large-cap companies having bigger teams.

The IR function in Oman **typically reports to the CEO (59% / 25)**, however, 20% (8) of the respondents said that IR reports to the CFO.

Another 20% said that they have other reporting lines. These include the Board of Directors, the Head of Finance, and the Head of Investment Banking.

Although reporting lines vary slightly, it is a good sign that IR reports to strategic and decision-making positions, such as the C-Suite and the Board of Directors.





# 65%

have a dedicated IR person.

# 80%

say that the IR contact details are publicly available on their dedicated IR website.

# IR Practices

When asked about their interactions with shareholders, the majority of the respondents interact with them at the AGM and for quarterly earning calls (71% / 41). **Only 14% have a comprehensive IR calendar** to engage with their shareholder base. By contrast, **12% only interact once a year at their respective AGM.**

Regrettably, engagement design remains inadequate, predominantly triggered by regulatory or compliance requirements, leading to a stark lack of interaction with less sophisticated retail investors. Expanding the engagement approach is essential to address the needs and concerns of all investor segments.

It is important to highlight that listed companies in Oman comply with regulatory requirements like quarterly results calls, however, when it comes to proactively engaging with investors through other initiatives, the percentages remain low.

**Only 25% (14) of the respondents organise Investor Days**, 12% (7) organise Capital Markets Days, and **only 5% (3) conduct Perception Studies.**

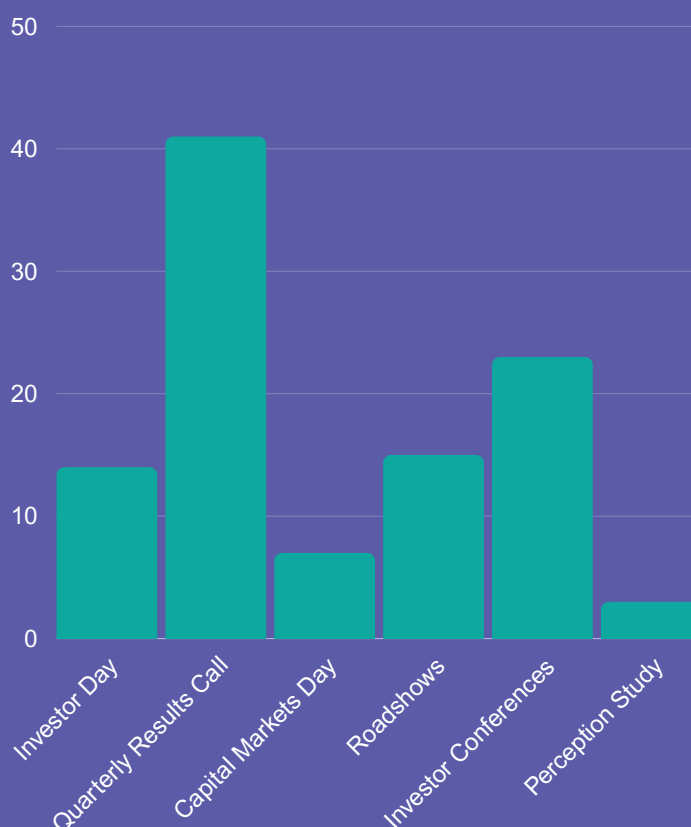
A considerable proportion of IR professionals currently conduct perception studies at a notably minimal rate. This dearth often leads to unsatisfactory outcomes when seeking official investor feedback, underscoring the need for a comprehensive reassessment of existing methodologies.

**What kind of interaction do you generally have with your shareholders?**



- AGM and another couple of times during the year such as quarterly results
- Just for AGM
- We have a comprehensive calendar for engagement activities with our shareholders
- We have a comprehensive calendar for engagement activities with our shareholders

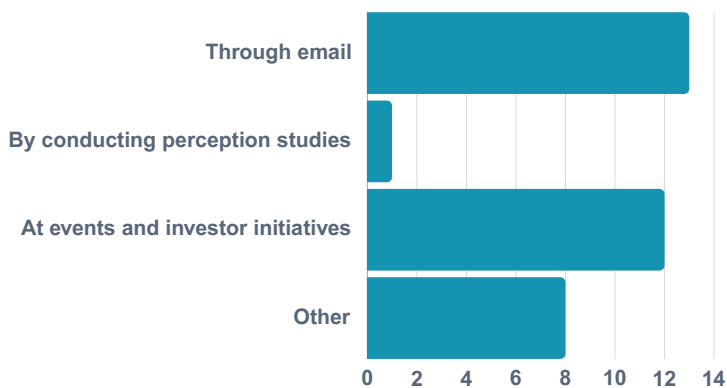
**Do you organize/attend any of these types of shareholder engagement activities?**



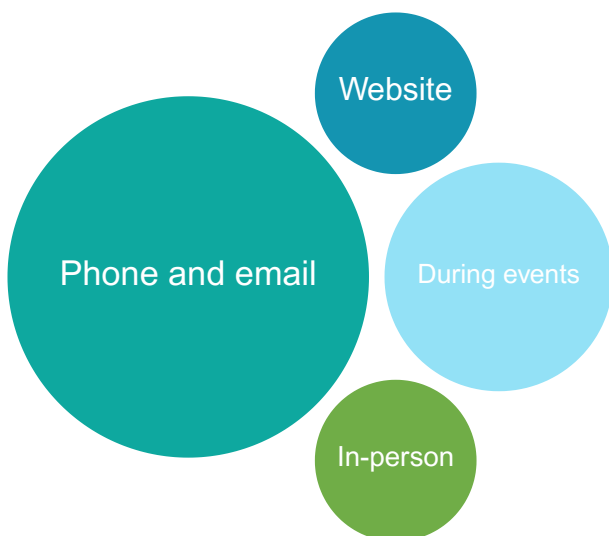
While more than **60% (35) of the respondents say they proactively seek feedback** from their shareholder base, the procedures to gather it vary.

The majority of the companies prefer informal ways such as email (38% / 13) or at events and investor initiatives (35% / 12). **Only 3% (1) say that they conduct perception studies.** Collecting informal feedback, while valuable, presents a challenge as it often remains untrackable, with no established means of accessing it in an official and organized manner.

**How do you collect feedback?**



**Other ways of collecting feedback**



While most of the respondents said that have more institutional than retail investors (58% / 28), it is significant to highlight that when asked about engagement strategies for different stakeholders, **48% (22) of the respondents said that don't have specific communications strategies.**

Equally important is to highlight that **only 31% (15) of the respondents have some sort of interaction with the sell-side.** The absence of interaction between IR and the sell-side is detrimental as it limits the flow of critical information and insights that can impact investment decisions and market perceptions.

By comparison, as per the 2022 Nasdaq IR Survey, at least 37% of the companies worldwide organise some sort of engagement activities such as Investor, Analyst, or Capital Markets Day following a change in strategy or any other major business development. 19% of the companies say they do it annually and 10% bi-annually.

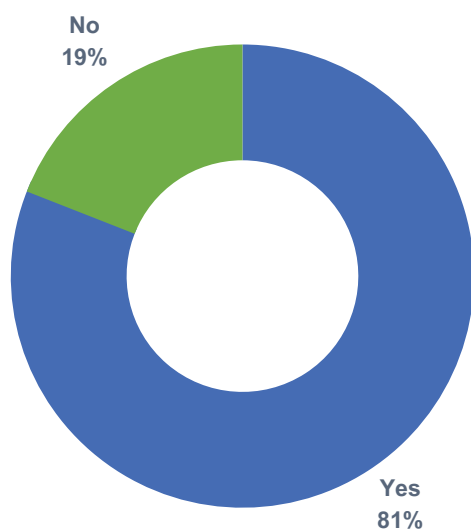
**Do you have engagement strategies in place for any of these parties?**



## IR Communications

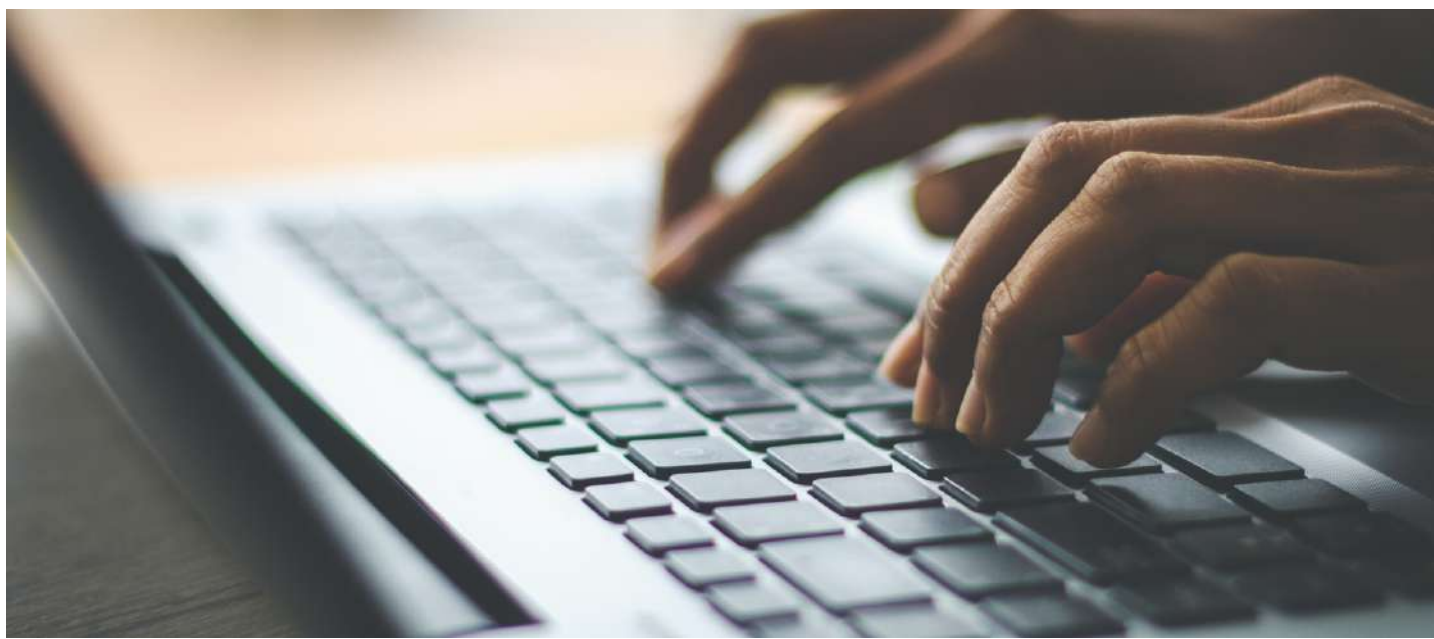
Having a consistent and accessible flow of information is crucial for any listed company. Based on the survey results, **62% (30) have a dedicated IR website** where they post information relevant to their shareholders.

### Do you have the IR contact info publicly available?



However, there is some important information that is generally not being communicated in public channels. **56% (27) of the respondents don't share their dividend policy** on their website and **68% (33) don't share their earnings guidance**. When it comes to **credit ratings, 79% (38) of the respondents don't have it available** on their IR platforms, and 77% (37) of them don't share their sell-side coverage either. The figure rises to 85% (41) when they are asked about IR calendars.

However, the figures are positive when it comes to announcements and changes affecting the board of directors, with a total of **95% (46) of the respondents publicly announcing changes in management** and 91% (44) making available information about the directors and executive management background.





# IR – Challenges and internal understanding

Some common challenges emerged among respondents to develop an active IR function. The first one is, unclear regulation, followed by budgeting constraints.

Others include:

- Lack of awareness and training.
- Nature of the company with a homogeneous shareholder base.
- No challenges are being faced.

It is important to highlight that as per **83% (39) of the respondents, board directors value the IR** function. Something crucial to perform an active IR function.

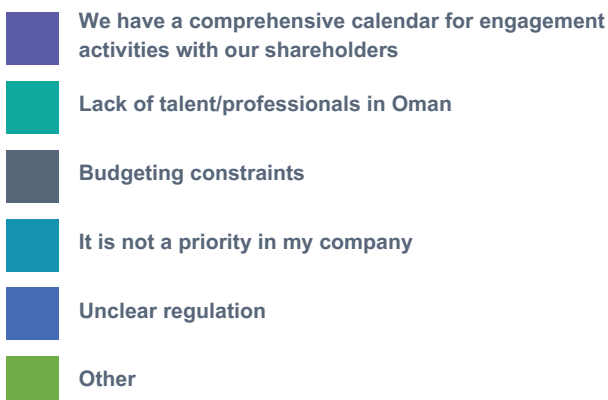
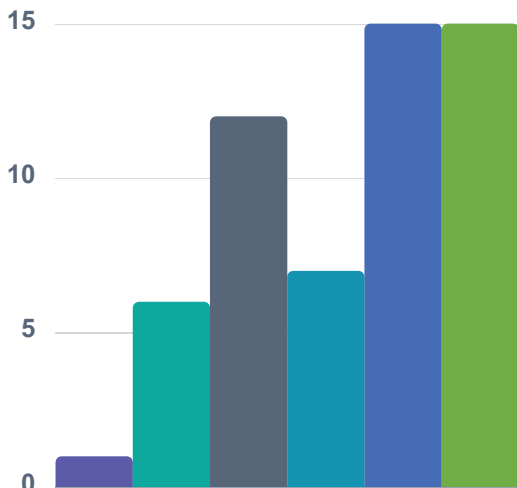
When asked about the external challenges, the main one is the **lack of liquidity (40% / 19)**, followed by a lack of international investors (31% / 15) and a lack of incentives (27% / 13), as well as regulation (27% / 13).

**42% (20) of the respondents selected “increased liquidity”** as the main change that they would like to see in the Omani capital markets, followed by “greater financial education” with 17% (8).

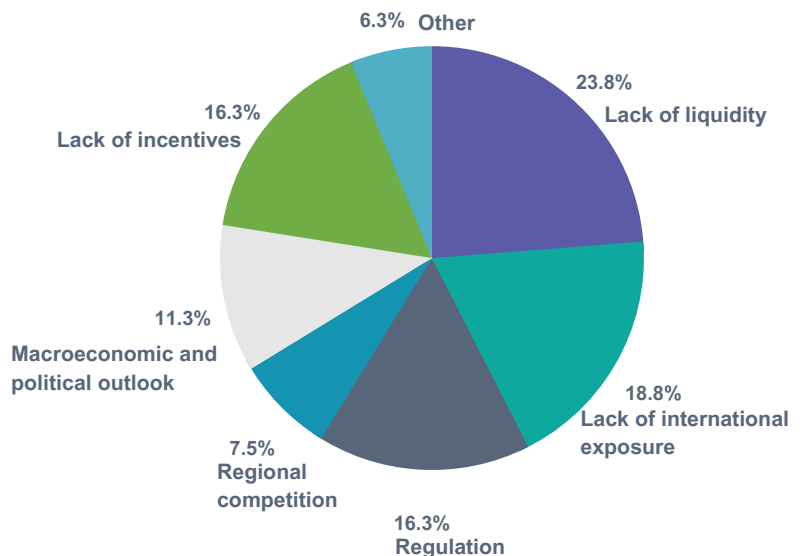
To provide some international context, as per the 2022 Nasdaq IR Survey, the top challenges for IROs globally are:

- Attracting capital from the generalist population
- Messaging around guidance/forecasts
- Attracting capital from international markets
- Messaging around macroeconomic headwinds
- Understanding and navigating ESG investment landscape

**What are the internal challenges faced by your company toward developing your IR function?**



**What are some external challenges you think are a hindrance to IR function development in the Oman market?**





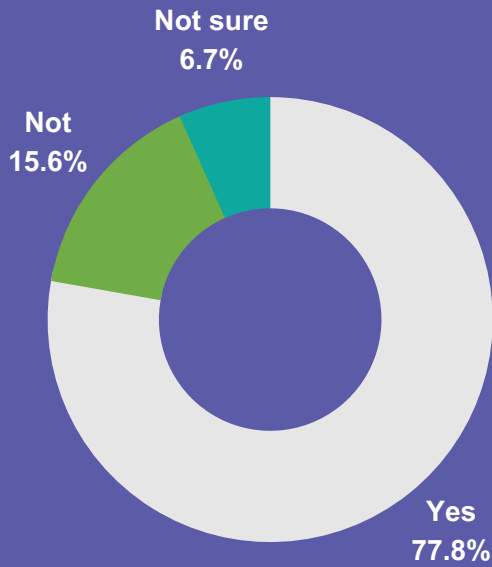
**23.8%**

of respondents argue that lack of liquidity is the main challenge faced by IROs.

**18.8%**

respondents say that the second greatest challenge is the lack of international exposure.

Do you think there is a fair understanding of Oman Capital Market/Securities Law with in your company?



While almost 80% (38) of the respondents think that there is a good understanding of the regulatory environment in their companies, when asked about how to improve with a better understanding of the same, respondents suggested:

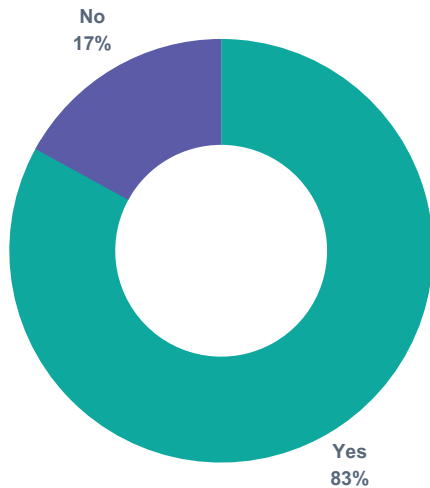
- Conducting training sessions and workshops
- Creating an online repository with information and publications
- Increasing engagement with market participants



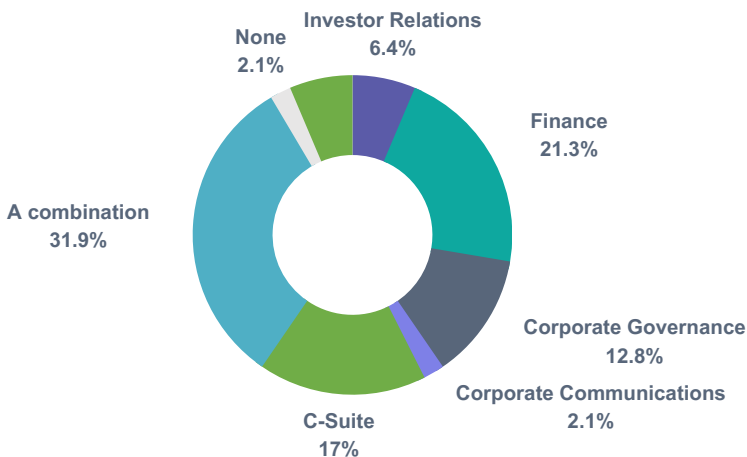
# Reporting and disclosure

The vast majority of the surveyed companies produce an annual report, mainly in-house as only 5% (2) of the respondents say that hire an external provider.

**Do you produce a comprehensive Annual Report (apart from the Financial Statements)?**

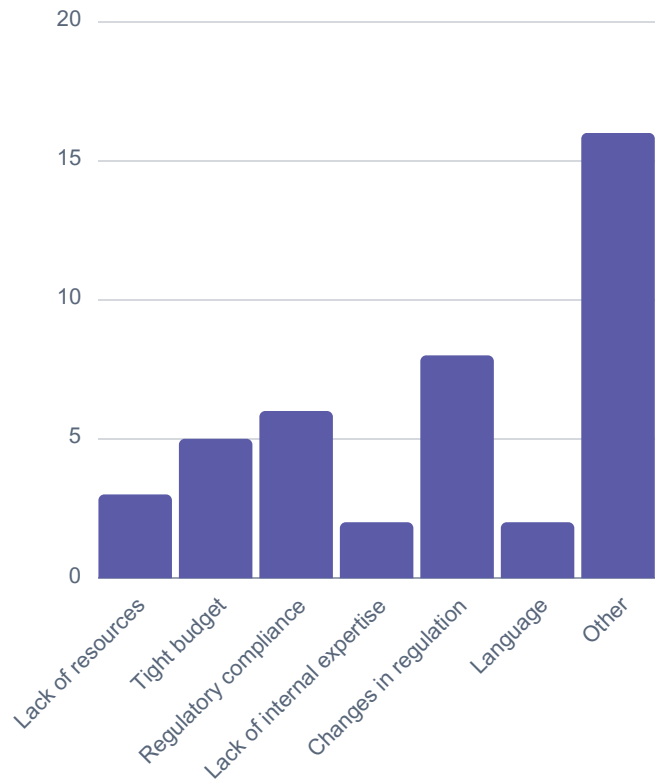


**Which department or professional is in charge of complying with regulatory requirements and reporting?**



When asked about the major challenges in producing the annual report, most of the companies selected **matters regarding regulation, especially for ESG and sustainability reporting** with multiple reporting frameworks and changes in regulation.

**What are the biggest challenges when producing your annual and/or sustainability reports?**



Other challenges include challenges related to the XBRL format required by the MSX platform, sustainability requirements, and lack of collection of annual data and statistics and account standards. In addition, most of them also highlighted that there are no specific challenges.

Lastly, **only 27.6% of the respondents say that they produce an ESG report**, however, 36% of them said that they want to produce the first one soon.

## What are the main reasons for not using the MSX educational/support online materials?



## Market Awareness

There is still an important lack of awareness among the respondents about regional IR initiatives and/or making use of educational materials.

**61% (29) of the respondents don't participate in the MEIRA IR Awards** and 79% of the respondents who don't use the educational materials provided by MSX say that they didn't know they were available.

The IR Awards, are a practical, cost-effective, and easy way to enhance IR practices since they provide a platform to benchmark each company against its peers. Companies should take a step forward and prioritise such initiatives, as well as available resources and seminars organised by MSX, MEIRA, and other entities that promote IR best practices.



# Interviews

Based on a series of interviews with local market players, the feedback on challenges faced in the Oman market includes:

- Overarching MSX goal to be in EM indices. How long will it take given the importance of market positioning and visibility in the region?
- EM criteria: market cap; freefloat; liquidity need to be addressed given current average daily trading of USD5-6m.
- Recognition of the need for more investors, including foreign, as well as monitoring ownership so that IR teams can track progress in changing their share registers in accordance with the goals of the Board of Directors and company management.
- Recognition of the need to manage market expectations, including consideration of the need to provide some forward looking statements and guidance to the market.
- Recognition of the need for consistency in reporting in accordance with CMA IR site for XBRL format, for example.
- Recognition of the need for access to macro-economic statistics and other market data, which can be added to and be improved over and above existing MSX portal.
- More experienced IROs see the use of being the go-to on all things Oman economy.
- How do we stop excessive speculation, particularly on smaller stocks?
- Given a historical reliance on debt markets, there is an acceptance of the need to continue developing the capital market eco-system, one step at a time, including debt and equity.
- New product development, including debt and equity, will follow.
- Recent ESG/Sustainability guidelines are a boon for the issuers and the broader market.
- Governance is seen as the umbrella for sustainable business given the role of Board of Directors to ensure the success of business for all stakeholders.
- A recognition that Diversity and inclusion will increasingly feature.



From the Sell-side perspective, the following observations were made:

- 12 remaining local brokers from a former figure of 18.
- Research coverage is limited to coverage by EFG Hermes and HSBC.
- This company research coverage includes 30-40 listed companies and represents total market capitalisation of c.80%.
- Market freefloat is clearly reliant on too few stocks, including, for example: Bank Muscat; Omantel; Ooredoo.
- The market is tightly held by: local pension funds (30-40%); family holdings (30%); and minority shareholders (25-30%).
- Foreign ownership is negligible compared to the previous double-digit peak.
- Frontier Market index adjustments offer some respite.
- IPO success, like Abraj, helps but the market needs more, better aftermarket activity and performance for the medium to long -term for more investors, including the retail market.
- Accordingly, if the next generation is to use equity markets for investment purposes, it needs to be taught how to do this.
- Other corporate action includes one big block deal to date, Oman Cement, USD73m, to a Chinese shareholder.
- Other sectors are needed to broaden the market offering, including, for example: Education; Food and Beverage; Healthcare; Hospitality and Tourism.
- There is an overriding need for liquidity makers and it is noted that new welcome regulations have just come in with effect from July 2023.

From the Buy-side perspective, the following observations were made:

- CMA rules and regulations work, for example, statutory reporting timelines and mandatory takeover law.
- There is a need for more analyst meetings from more companies.
- Currently some companies offer twice yearly calls. Can this be done on a quarterly basis in line with statutory reporting requirements, for example?
- Minority shareholder rights need to be considered at all times.
- Over time, it would be encouraging to see share price performance across the market.
- There is a need for greater investor engagement, including from all companies, for example: IR results presentations; IR websites; and share price performance.
- Best examples of IR include: Bank Dhofar; Bank Muscat; NBO; Omantel; Ooredoo; Renaissance.

**To conclude, the interviews with market participants reflect a need and opportunity for: greater market profile; more investor education; and greater engagement from both institutional investors and the listed companies. To address the overall market education need, we expect to see a greater demand for professional development training, including bi-lingual offerings, from introductory level to bespoke offerings.**

# Conclusions

Based on the survey findings, we can conclude that there is a fair understanding of the IR function and that there is definitely an aspiration from companies in the Sultanate to improve their practices.

Companies are appointing IR functions, complying with regulatory requirements, in the sort of annual and quarterly reporting as well as other standard procedures.

It is encouraging to see that generally speaking, companies have the support from the Board and top management, something important to have an efficient and effective job function.

There are solid and strong foundations to develop a more active IR function that drives stakeholder engagement. Companies can go a step ahead by:

- Releasing more information into the market, especially through their own communications channels such as the IR website and use of social media platforms and channels to disseminate information more broadly (something not mentioned in the survey responses);
- Developing a more regular conversation with their shareholder base by creating a comprehensive IR calendar, including IR days, Capital Market Days, etc.
- Seeking proactive and official feedback from the investment community by conducting perception studies and other forms of independent feedback initiatives.
- Forward-looking statements and some form of market guidance to allow a market consensus to form around company earnings' releases.

These initiatives are cost-effective and efficient and could translate into a more active and engaging IR function, increase the visibility of Omani listed companies, and hopefully, increase the available resources in each company to continue growing and improving the team. In time, the market should see fair value and, ultimately, better company valuations.

It is important to consider as well that, although there is a good understanding of the local rules and regulations, initiatives, and resources, any additional awareness activities would be welcomed by the market practitioners, including greater corporate access and IR roadshows.

On the other side, there are some common challenges shared by the respondents that will take longer to address. These are related to the market ecosystem of Oman, and more in particular those related to market liquidity, market coverage, number of international players, and changes in international regulatory standards, especially those related to ESG.

In conclusion, the survey results show that companies are heading in the right direction and that they are already operating as per what is expected from publicly listed companies. Developing an active calendar of initiatives to increase awareness about IR engagement initiatives will be instrumental to continue enhancing the IR standards in the Sultanate.





# Recommendations

## 1

Support of the whole market-eco-system to raise the profile of the Oman market. For example, this can include more CMA and MSX-led market and IR/corporate access roadshows, both at home and internationally.

## 2

From a regulatory point of view, some clarity on company guidance and forward-looking statements would encourage the listed companies to be in a better position to address investor needs.

## 3

Market education is key and an overarching initiative that can be done relatively quickly given support of market players and other supporting organisations, like MEIRA, for example.

## 4

To start, market enquiries and Frequently Asked Questions from outside Oman would welcome a helpful go-to of a central depository of data, market information and macro-economic statistics, again, a relatively quick win for all.

