

# **COVID-19 and the World after Lockdown**

June 2020

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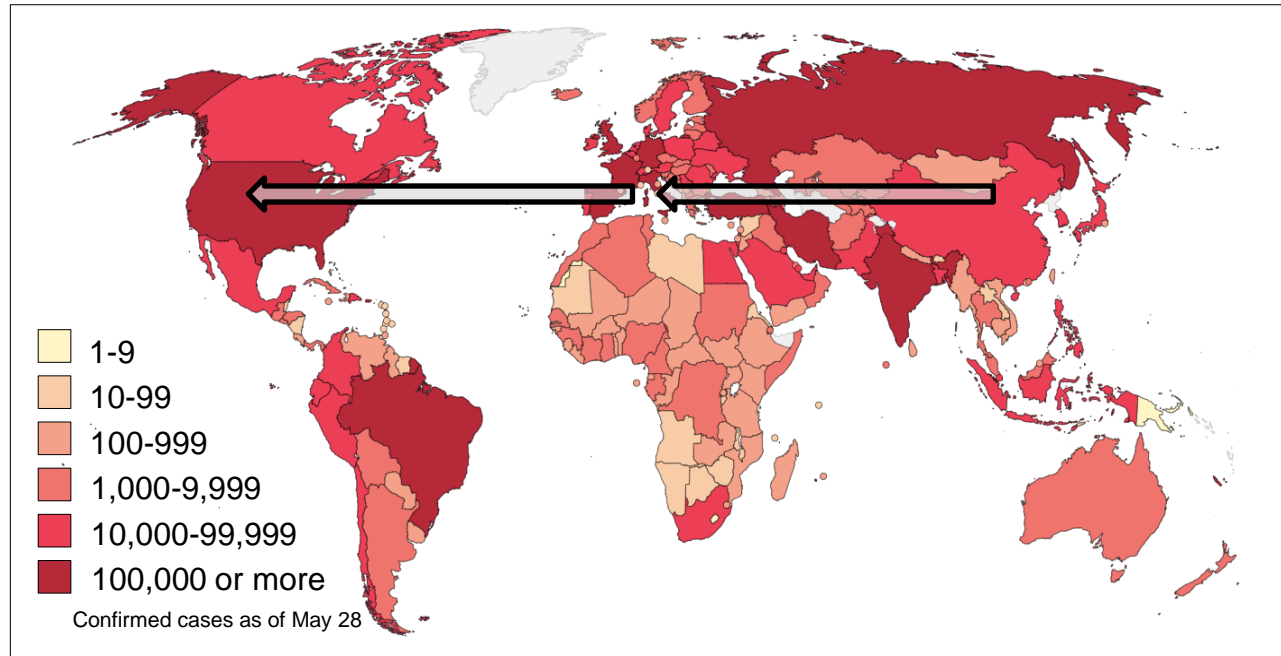
Investment Banking Team

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# 1.The COVID-19 Pandemic

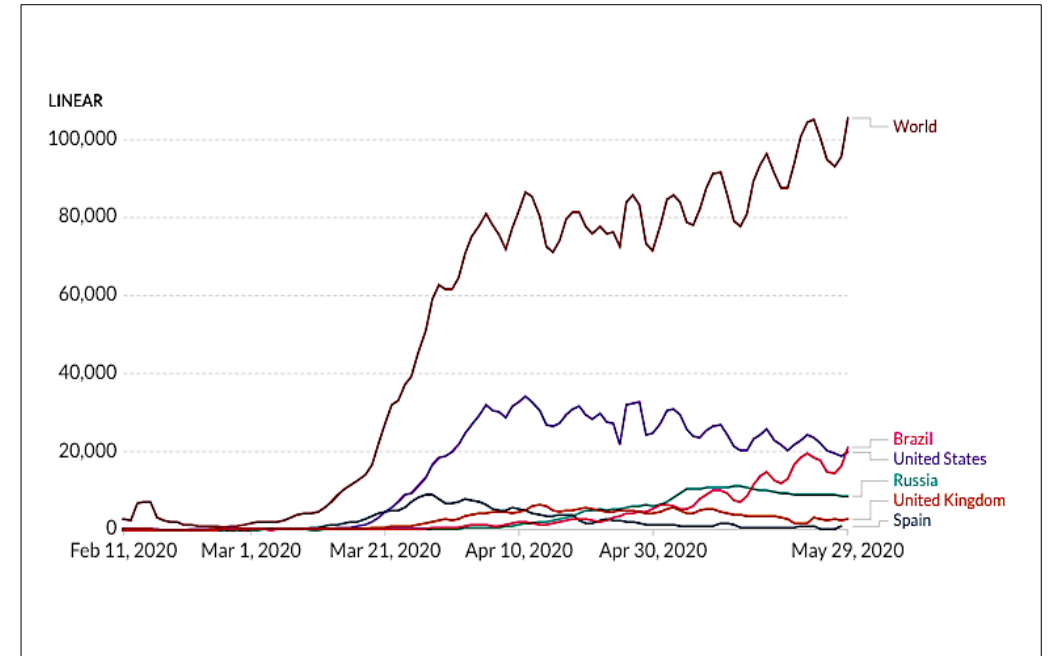
# COVID-19: The Global Pandemic

The outbreak of the pandemic happened in Phases



Daily confirmed COVID-19 cases, rolling 3-day average

The curve has been flattened since late march



Global Stats as of May 28, 2020

**57,84,603**  
Infected

**356,937**  
Deaths

**2,494,856**  
Recovered

Countries with most confirmed cases



**1,745,803**



**414,661**



**370,680**

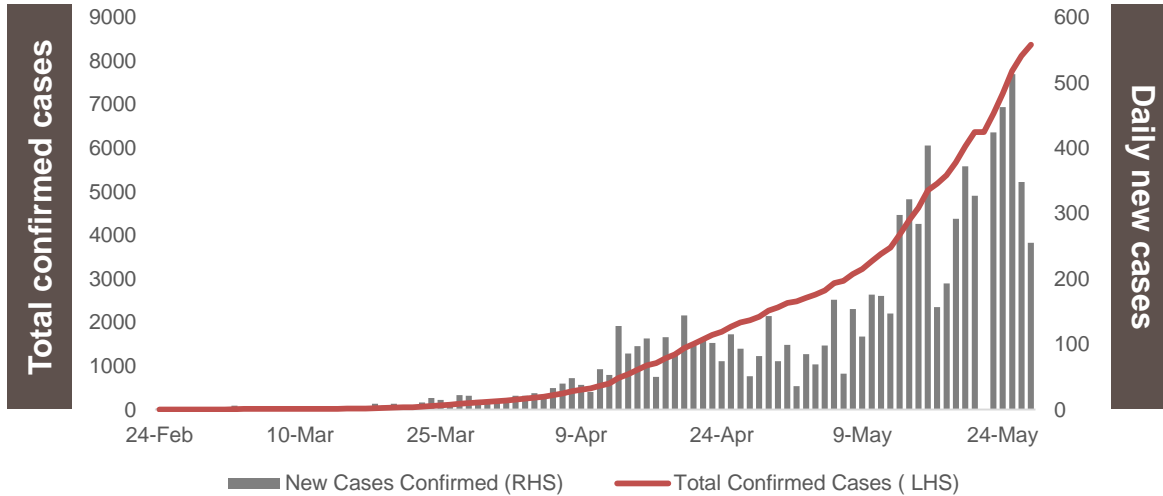


**283,849**

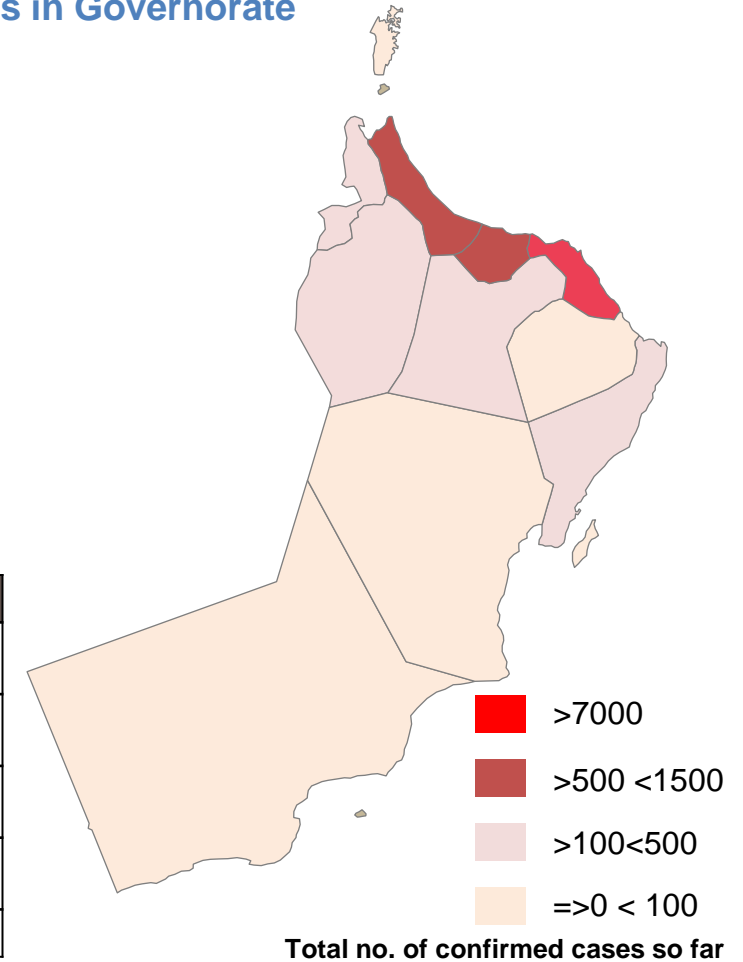
Source: Johns Hopkins University Center for Systems Science and Engineering, Bloomberg, The Base lab, European Centre for Disease Prevention and Control (ECDC)  
Data as of May 27, 2020, Rolling Average confirmed cases as of May 29, 2020

# COVID-19 Outbreak in Oman

On an Average 208 new daily cases registered in the last 30 days



Muscat continues to be the Governorate with highest confirmed cases, Muttrah has been the worst affected district with ~50% of the cases in Governorate



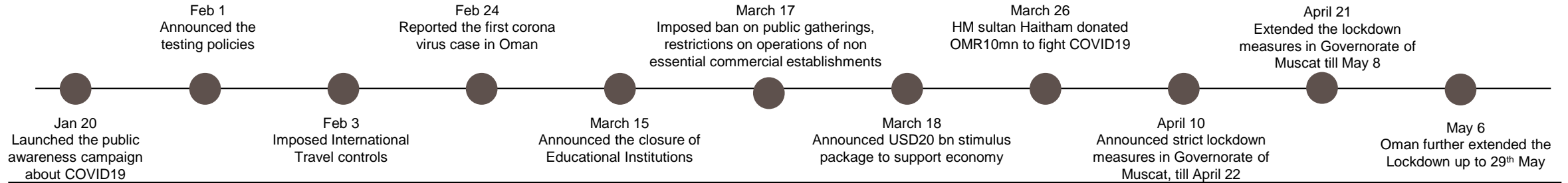
Timely implementation of restrictive measures helped the country to contain the virus outbreak to an extent

								Global
Confirmed cases	8,373	78,541	31,969	1,745,803	414,661	370,680	283,849	5,784,603
Total case / Mn Population	1,644	2,259	3,236	5,277	1,952	2,540	6,071	742
Recovered	2,177	51,022	16,371	490,130	166,647	142,208	196,958	2,494,856
Total Death	39	425	255	102,107	25,697	3,968	27,118	356,937
Mortality %	0.47%	0.54%	0.80%	5.85%	6.20%	1.07%	9.55%	6.17%

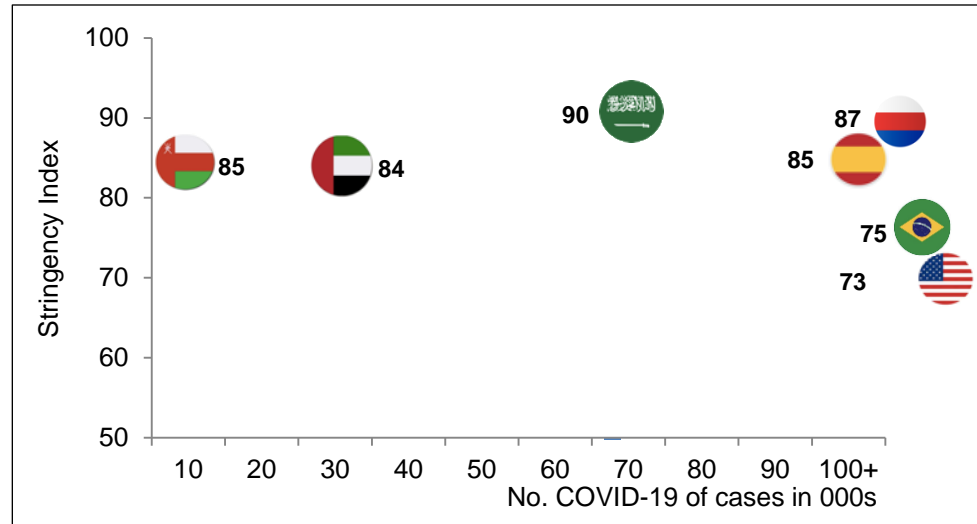
Source: WHO, Reuters, other media, Data as of May27,2020, N/A – Not available

# Oman's Response to COVID-19

## Oman has taken a series of aggressive steps to combat COVID-19



## Mobility stats indicate the intended lock down measures are widely practiced



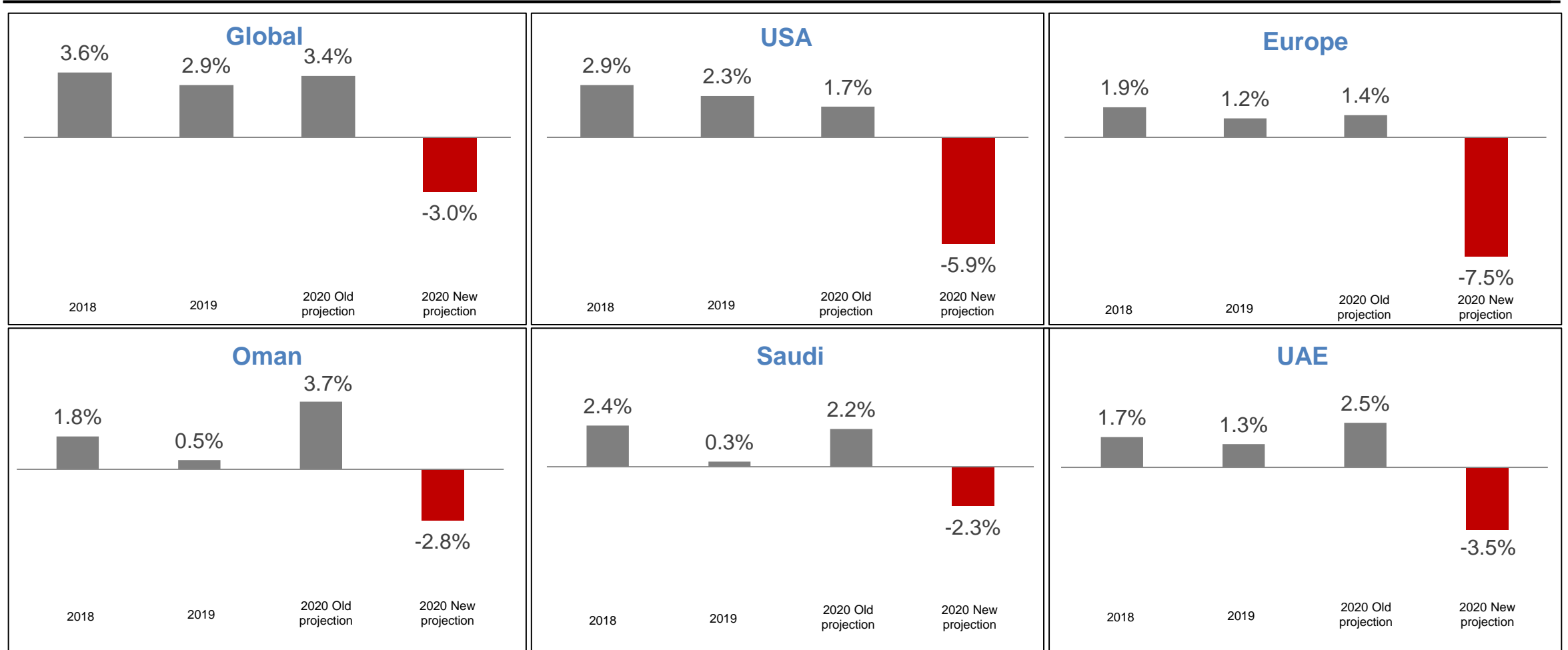
	Retail & Recreation	Grocery & Pharma	Parks	Transit stations	Workplaces	Residential
UAE	-46%	-28%	-44%	-61%	-39%	+23%
Oman	-48%	-10%	-62%	-75%	-48%	+27%
Qatar	-53%	-20%	-69%	-61%	-43%	+30%
USA	-22%	-1%	+31%	-37%	-41%	+15%
Spain	-51%	-7%	-43%	-49%	-31%	+17%
UK	-58%	-18%	-7%	-53%	-48%	+19%

*As a result of responding to the situation in a prudent and timely manner by imposing strict lock down and social distancing measures, Oman has been controlling the the outbreak of Coronavirus since the time the first case has been registered*

Source: Oxford COVID19 government response tracker, Stringency Index between 1<sup>st</sup> of April to 28<sup>th</sup> of May 2020  
 Google Mobility report, As of May 21, 2020, News Articles.

## 2.Economic Impact of COVID-19 Pandemic

# Global Economy has Entered a Recessionary Phase due to COVID-19

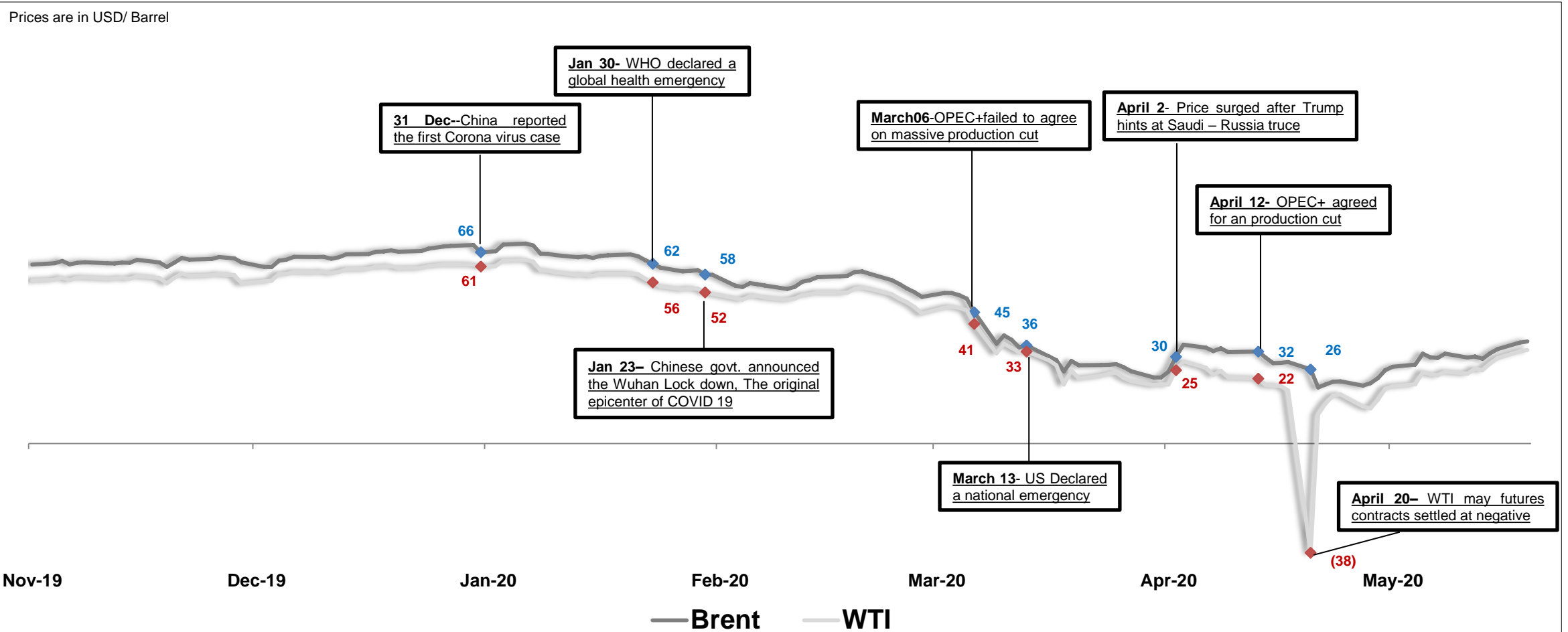


*Though the various policy measures are expected to provide downside protection to some extent, the economic implications due to COVID 19 are huge and can materially drag the global economy. Many international organization and experts are expecting the coronavirus pandemic to plunge the world into a deep recession in 2020*

Source: IMF, 2020 old projections based on October 2019 report, 2020 new projections based on April 2020 report



# Oil Prices Reeling Under Dual Shock



*Oil prices has been declining since the beginning of the year, this is mainly to due to the decline in oil demand as a result of lock down measures taken across the globe to contain the COVID-19. The price fall is aggravated by the inability of the OPEC+ to agree on a supply cuts*

Source: Bloomberg as of May 18,2020, News articles

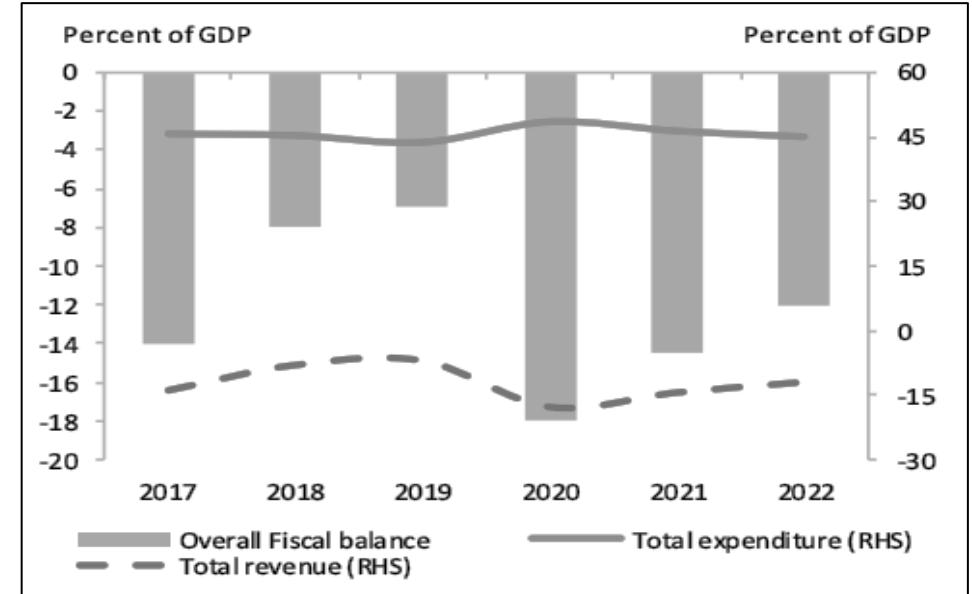
# Oman Economy impacted by COVID-19 & Oil Prices

## Economic Outlook – Oman

- Despite of significant diversification efforts in the recent years, country's fiscal position is still highly exposed to the oil price fluctuation as the oil contributes nearly 35% of GDP, 74% of revenue and 66% of export
- Oman's economy is expected to contract in 2020 due to the oil price slide and COVID-19 public health response
- Citing fiscal challenges in an environment of moderate oil price, Moody's downgraded the Oman's credit rating from 'Ba1' to 'Ba2'
- Country's relatively high debt to GDP further constrained its capacity to deploy significant financial resources to address the immediate consequences of the Pandemic
- Rigid recurrent spending likely to keep public debt high, which is estimated to exceed 70% of GDP in 2020
- Key risks to the outlook arise if the oil price crash is long-lived, which would require higher domestic and external borrowing, in turn needing more settled conditions in sovereign bond markets

Source: IMF, Reuters

## Oman's Fiscal position

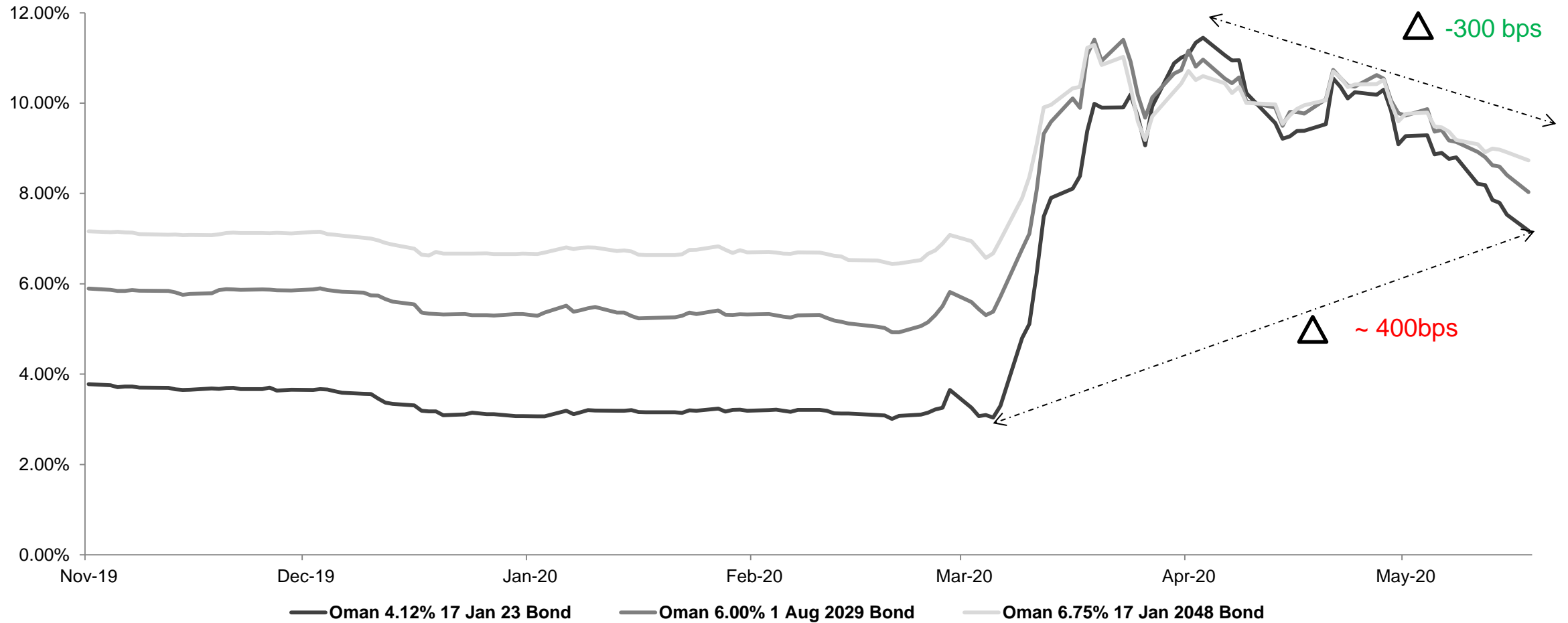


## Risk & Challenges

Key downside risks are reflected in further erosion of the fiscal balance owing to:

- Falling Oil price
- High exposure to China ( ~ 45% oil exports to China)
- Disruption to tourism due to COVID -19

# Mounting Fiscal Challenges and Rating Downgrade led to Increased Bond Yields









*Sovereign bonds' yields increased following a downgrade rating by Moody's, though they have tightened significantly in the last one week*

Source: Bloomberg as of 18<sup>th</sup> May 2020

# 3. Policy Initiatives to Combat The Crisis

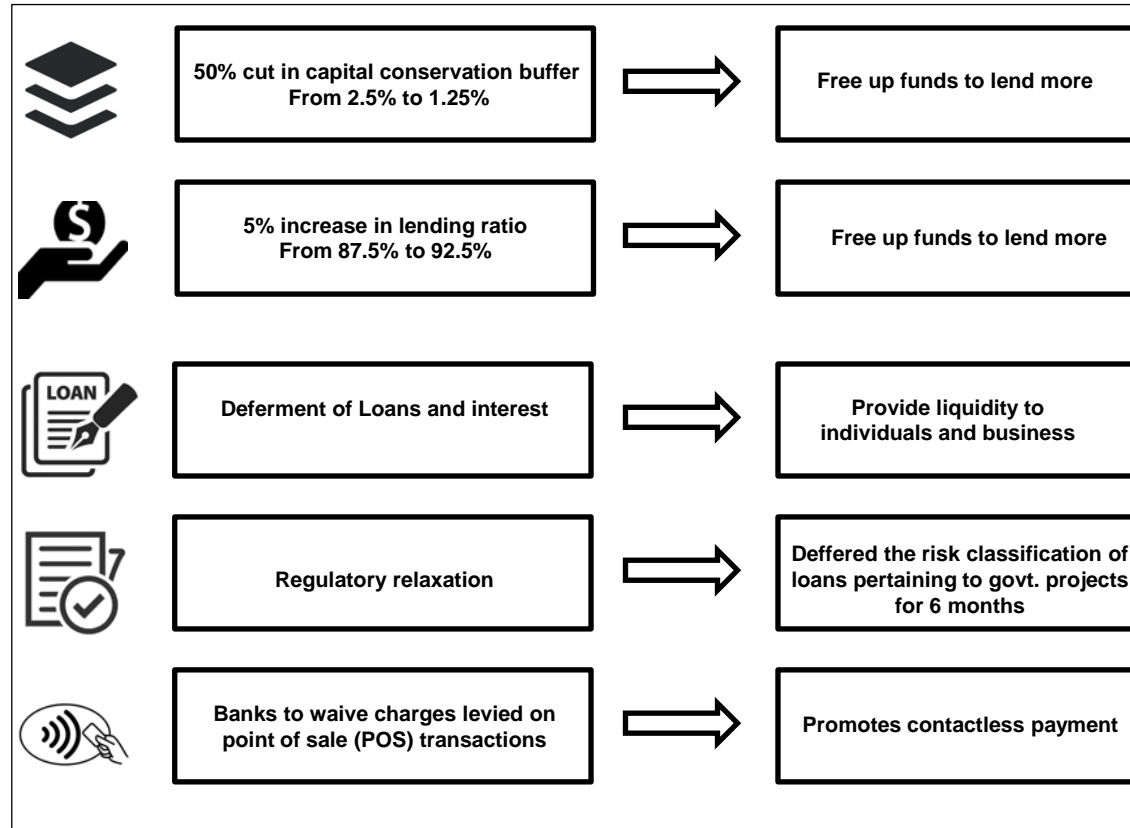
## Global Economies have announced Fiscal & Monetary measures to combat COVID-19 impact

	Country/ Region	Fiscal Responses	Monetary Responses
Developed Economies	 <b>USA</b>	<ul style="list-style-type: none"> <li>An estimated US\$5.2 trillion Coronavirus Aid, Relief and Economy Security Act ("CARES Act")</li> <li>US\$483 billion Paycheck Protection Program and Health Care Enhancement Act.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced interest rates by 150bps in March</li> <li>Unlimited Quantitative Easing</li> <li>Purchase of bonds, especially junk bonds</li> </ul>
	 <b>EU</b>	<ul style="list-style-type: none"> <li>Announced USD 591 mn Corona relief package</li> <li>EIF* unlocks funds to support SMEs</li> <li>Simplified and quicker access to the EIF guarantee.</li> <li>A higher risk cover – up to 80% of potential losses on individual loans.</li> </ul>	<ul style="list-style-type: none"> <li>Pandemic Emergency Purchase Program (PEPP) launched:</li> <li>Asset purchase program of private and public sector securities, with a total envelope of EUR 750 billion</li> <li>Announced temporary collateral easing measures</li> </ul>
	 <b>UK</b>	<ul style="list-style-type: none"> <li>Deferral of income tax and VAT payments</li> <li>Announced 100% rates relief for various establishments for a period of 1 year</li> <li>Grants for retail and leisure business</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in Bank rate, reduced 65bps since March</li> <li>Announced a QE program of £645 bn.</li> </ul>
GCC Countries	 <b>Oman</b>	<ul style="list-style-type: none"> <li>Announce Tax deferral program</li> <li>Suspension of Municipal Taxes till August</li> <li>Waiving of fines and penalties for the late disclosure</li> <li>Reduced spending in the 2020 budget by 10%</li> </ul>	<ul style="list-style-type: none"> <li>Announced a USD20 bn. stimulus package</li> <li>Reduced capital conservation buffer from 2.5% to 1.5%</li> <li>Increased the lending ratio by 5%</li> <li>Reduced the interest rate on repo operation by 75bps</li> <li>Deferment of Loan and Interest repayment</li> </ul>
	 <b>Saudi</b>	<ul style="list-style-type: none"> <li>Announced a USD18.6 bn fiscal incentive</li> <li>Announced to pay 60% of salary of Saudi employees working in private sector for a period of three months</li> </ul>	<ul style="list-style-type: none"> <li>Cut interest rate by 75bps</li> <li>Monetary Authority unveiled a \$13.3 billion package to support SMEs</li> </ul>
	 <b>UAE</b>	<ul style="list-style-type: none"> <li>Temporary exemptions on principle payments and interest on loans</li> <li>Reduction of municipality fees imposed on sales at hotels from 7% to 3.5% and reduction of 20% in customs duty</li> <li>Stimulus package of USD 7.2 bn.</li> </ul>	<ul style="list-style-type: none"> <li>Cut interest rates twice by a combined 125 basis point so far</li> <li>The Central Bank of the UAE also announces a USD 70 bn. program</li> </ul>

Source: News articles,\*EIF- European Investment Fund

# Oman announced a Slew of measures to support the Economy

## Monetary & Economic Measures



## Tax relief measures

- **Tax deferral program**
  - Deferral **up to three months** from the due date, of tax return filing and payment
  - **Exemption from all fines and penalties** in respect to such deferred filing and tax payments
- **Tax deductions**
  - For contributions made toward handling the COVID-19 pandemic
- Exemption from tourist and municipality tax (applicable at 4%) for restaurants and from municipality tax (applicable at 5%) for commercial establishments until 31 August 2020.
- **Other measures**
  - Flexible tax payment mechanisms;
  - Extension of timelines for filing objections against tax assessments
  - Additional time to submit supporting documents and clarifications for ongoing objection proceedings

*These measures are expected to mitigate the economic impact COVID-19 outbreak and intend to help citizens, residents and business during this unprecedented times*

# 4. Potential Sectoral Impact

# Sectoral Impact



## Oil & Gas

Contribution to Oman's GDP

**Current and Potential Sector Impact 36%**

### Immediate Impact

- The double impact of sharply contracting demand due to lockdowns and in-ability to agree on supply due to differences in OPEC+ has set the oil prices on a downward spiral
- Storage capacity constraints are exerting additional pressure on oil prices
- Lower oil prices directly impacting entire value chain of related auxiliary services
- Deferred capex plans and layoffs a common sight across the industry, globally

### Road Ahead

- Depressed oil prices and production declines will likely continue to present major challenges for oil and gas companies, especially for those at risk of being unable to refinance debt or meet existing debt covenants
- US Shale producers would be under strain if this depressed prices and supply glut continues in long term
- In wake of massive layoffs, companies may face skilled worker shortage, once there is rebound in activity
- Sustained low oil prices could also have an impact on electric vehicle uptake and renewable energy

### Opportunities

- Technological solutions such as IOT / AR–VR enabled remote diagnostics and Preventive Maintenance using Advanced AI models would gain importance to reduce dependency of physical presence of workers



## Real Estate & Construction

Contribution to Oman's GDP

**Current and Potential Sector Impact 11%**

### Immediate Impact

- Pressure to waiver / defer rent collection, due to cash flow issues with lease holders
- Reduced govt. budget may lead to delayed payments/ deferment/ cancellation of projects
- Unemployment, salary reduction would put a pressure of rentals and debt servicing

### Road Ahead

- Oman's real estate market has continued to feel the effects of slower economic growth for the last couple of years and is expected to do so in the near future
- Construction expected to slow down due to overall economic scenario
- Rental prices expected to fall amid concerns of oversupply and expatriate workers leaving the country

### Opportunities

- Affordable housing concept likely to gain importance



# Sectoral Impact



## Manufacturing

Contribution to Oman's GDP

**Current and Potential Sector Impact 10%**

### Immediate Impact

- Closure of facilities due to social distancing measures
- Unavailability of raw materials owing to supply chain disruption

### Road Ahead

- Post flattening of COVID-19 raw material prices can go up due to shortage of supplies
- On supply chain front, new form of collaboration and approaches will emerge to increase overall resilience
- Capex likely to be deferred due to uncertainty on demand

### Opportunities

- Manufacturing can use this time to focus on projects that were halted, clean up IT and supply chain inefficiencies, and reset their product catalogue and strategy



## Retail

Contribution to Oman's GDP

**Current and Potential Sector Impact 7%**

### Immediate Impact

- Impact on essential goods (food and Grocery) retailers is minimum and is positive in most cases due to stock piling of essentials
- Other retailers are heavily impacted by the shutdown of malls and shops
- Some customers have moved to digital platforms; long term impact of this needs to be evaluated

### Road Ahead

- Customers are likely to be clouded by employment and personal income concerns in the medium-term and cut discretionary spending
- Virus related concerns would lead to fall in footfall in malls and shopping complexes in medium term and could aid in shift to online shopping
- Food and retail grocery could come back to normalcy as and when the complete lockdown is lifted
- Demand for discretionary items will take time to revive and to that extent, other retailers might see the impact for a longer period

### Opportunities

- E-commerce industry has received a fillip with new growth opportunities as more people started using digital platforms as a result of lockdown measures

# Sectoral Impact



## Health Care

Contribution to Oman's GDP

**Current and Potential Sector Impact 6%**

### Immediate Impact

- Adverse impact on the private healthcare sector, due to lower footfalls and postponement of elective procedures, due to COVID-19
- Increased investments to identify COVID-19 related cases

### Road Ahead

- Post flattening of the COVID-19 new infections curve, hospital volumes are likely to return to normal, with an increasing pent-up demand for elective procedures
- Enhanced awareness towards health and hygiene would increase healthcare's wallet share in consumer's spending
- Countries across the world will likely increase healthcare investments and strengthen public healthcare systems; Increased demand for consumables and medical devices
- Increased use of technology, telemedicine and mobile hospitals

### Opportunities

- Increased demand for tele medicines and virtual care solutions
- Domestic manufacturers of essential drugs and life saving medical equipment are likely witness a surge in demand



## Financial Services

Contribution to Oman's GDP

**Current and Potential Sector Impact 6%**

### Immediate Impact

- Immediate utilization of undrawn credit facilities by Corporates to maintain the liquidity buffer
- Redefining distributional channel strategies and operational resilience
- Sourcing domestic and overseas wholesale funding becoming difficult because of liquidity constraints
- Covenant breaches, payment delays and defaults will increase

### Road Ahead

- Business model re-assessment: Diversifying the income sources
- Incorporating pandemic scenarios for testing operational resilience
- Impact on asset quality fronts

### Opportunities

- Digital financial services such as eWallets, Digital Lending, Insuretech, and Digital wealth managements would be gaining popularity

# Sectoral Impact



## Education

Contribution to Oman's GDP

**Current and Potential Sector Impact 6%**

### Immediate Impact

- Schools and colleges across most parts of the world are shut and are unlikely to open soon
- As per UNESCO, 1.3bn students are unable to attend schools / educational institutions due to lock down
- Few educational institutes have started imparting education online through various ad hoc tools
- Various countries are coercing schools to waive / delay fee payments, impacting cash flows

### Road Ahead

- Post flattening of the Covid-19 new infections curve, schools / educational institutions are likely to return to normal, albeit with strict social distancing / infection prevention measures
- Given the expectation of a second wave of infections, educational institutes may need to invest for a holistic online education
- Increasing demands for fee reduction due to online delivery model

### Opportunities

- Online delivery of education and tests to become more prevalent across education



## Transport & Logistics

Contribution to Oman's GDP

**Current and Potential Sector Impact 6%**

### Immediate Impact

- Limited movement of goods, primarily related to essential services
- Decline in non-essential goods movement

### Road Ahead

- Logistics expected to rebound once mobility restrictions are reduced
- Overall economic growth and consumer spending to drive the growth for logistics
- Global realignment of supply chains is expected and is likely to have impact on shipping and warehousing

### Opportunities

- E-retail logistics, on-demand and last-mile delivery sectors are likely to experience an increased demand

# Sectoral Impact



## Hotel & Leisure

Contribution to Oman's GDP

### Current and Potential Sector Impact **1%**

#### Immediate Impact

- Mass-scale cancellations for travel bookings and hotel accommodations and expected to continue for some time
- Cancellation of events due to ban on large gatherings

#### Road Ahead

- Impact likely to continue till September, when things could start opening up; However, the toughest part coincides with the off season in countries like Oman; thus the industry may see improved cash flows in winter
- Global tourism is expected to be subdued until a vaccine is found and effectively administered across the globe
- Business travel is also likely to be subdued due to cost reduction efforts across companies around the globe and reluctance to travel by employees till a vaccine is found

#### Opportunities

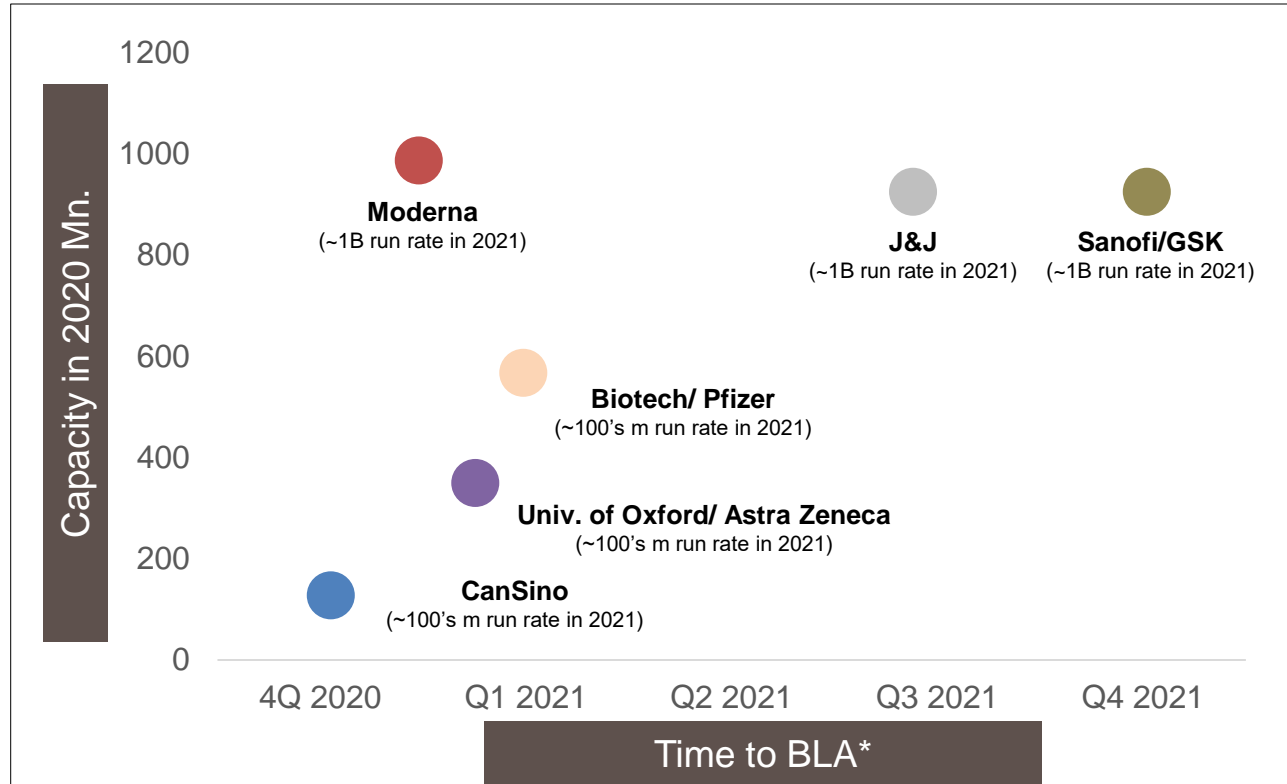
- The closure of national borders and the suspension of international travels is expected to be there for a prolonged period of time, this will give an unique to promote domestic tourism.

## 5. COVID-19 Vaccine Race

# COVID-19 Vaccine Development Landscape

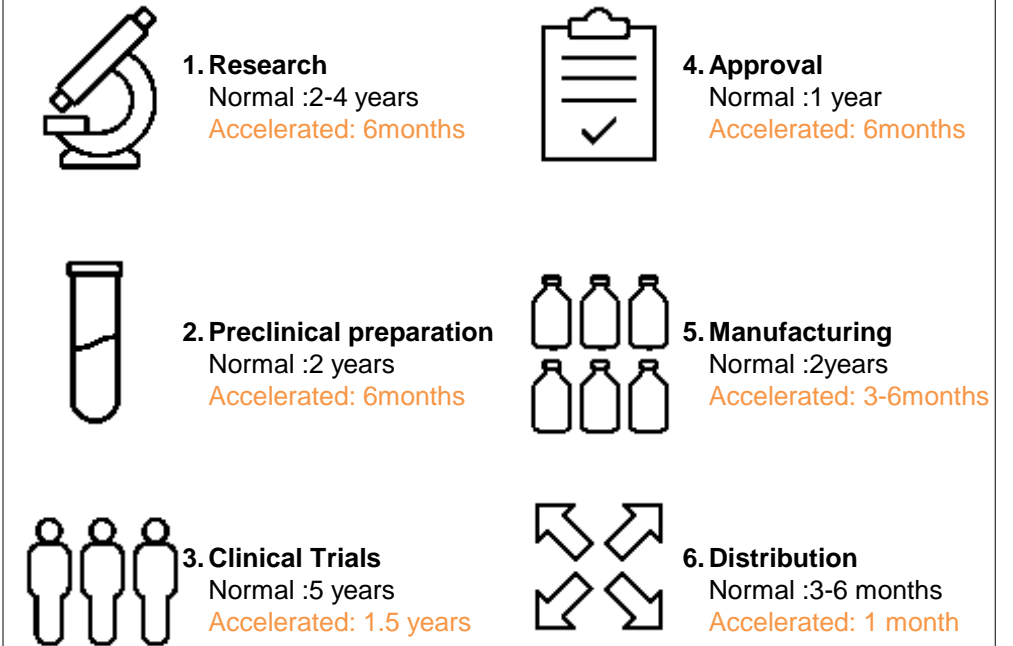
The whole globe is in a race to develop a mass produce an effective vaccine to combat the Coronavirus

## Potential Vaccine Timeline and Production Capacity



## The Vaccine Production Process

Vaccine production timeline, Normally: 8-15 Years  
Target for COVID-19 Vaccine: 12-18 months\*



*The timeline of 12-18 months stated by US officials for a COVID-19 vaccine is highly optimistic. Under normal circumstances it takes 8-15 years to develop a Vaccine. The fastest a vaccine has ever been developed is five years.*

Source: New York Times, John Hopkins University, Morgan Stanley report: What To Watch In Vaccines  
BLA- Biologic License Application, \* Under an accelerated timeline, development stages would proceed simultaneously or overlap

# 6. The Way Forward

# COVID-19 Changes the World We Know

## Behavioral Shift of Consumers



Improvement in hygiene practices



Surge in cashless / contactless payments



Increase in preference for work/study from home



Online would be preferred over offline – Retail & Restaurants

## Globalization and Policies



Prolonged Travel restrictions / Increased virtual meets



De-risking the Supply Chains



More focus on Fiscal policies



Drift towards protectionism from free trade

## Geo –Political



Increase in Investment in the Healthcare



Increase in Investment in Technology



Increase in surveillance



China?



# Businesses also need to change

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## Cash is King



- Liquidity situation for companies is expected to be tight given the prevalent “risk-off” mode
- Prioritize on core business and divest non-core business

## Leverage the Cash Sources



- Move debt to operating companies, which generate cash, instead of keeping it at holding companies

## Strong become Stronger



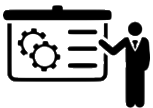
- Challenging times present some of the best opportunities
- Companies with strong balance sheets / liquidity will gain the market share

## Monetize Real Estate



- REITs are an effective way to monetize non-core real estate, while retaining control
- Provides much needed liquidity while converting Capex to Opex

## Plan, Plan and Plan



- Create objective, achievable target plans for 3 months, 12 months and 3/5 years
- Focus on liquidity, core-business growth and divestment targets

# 7. Sohar International- Investment Banking

# Investment Banking Offerings

## Capital Markets

- Bonds
  - Domestic
  - International
- Public Market Equity
  - IPO
  - Rights Issue
  - REITs

## Strategic Advisory

- Mergers & Acquisitions
- Restructuring
- Divestments
- Private Placement of Equity
- Joint Ventures

## Notable Ongoing Mandates

### Stake Sale



Undisclosed amount.

Flour Manufacturing Company

### Stake Sale



Undisclosed amount.

Edible Oil manufacturing Company

### Sukuk Bonds



Undisclosed amount

Islamic Insurance provider company

### Stake Sale



USD 250 mn.

Stake sale in a Hotel asset

### Stake Sale



Undisclosed amount.

A popular FMCG brand

# Investment Banking Team

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**Mr. Ahmed Al Musaimi**  
Chief Executive Officer



**Mr. Manish Dhameja**  
Chief Wholesale Banking Officer



**Mr. Gigi Tharian Varghese**  
Head- Investment Banking



**Mr. Rajesh Kamal**  
Head- Advisory



**Mr. Mubarak Moosa**  
Analyst- Investment Banking

# Investment Banking Team



**Gigi Tharian Varghese**  
Head- Investment Banking

Gigi is the head of Investment Banking at Sohar International, He has more than 15+ years of investment experience and proven track record of successfully managing multi-million dollar portfolios of pension funds

He brings to the table expertise of portfolio management in the international and GCC in both Fixed income and Equity space, He is also well versed with strategic asset allocation experience.

Gigi's core competencies are stock picking, identifying investment opportunities, analysis, valuation and risk management. Also, he brings excellent management experience across diverse globally reputed organizations, complimented by hands on experience in managing teams to make direct contribution to investment management framework

Prior to joining Sohar International, he held the post of Senior Investment Specialist at Diwan of Royal Court Pension Fund for 6 years, where his role was of preparing asset allocation strategy, managing the equity and bond portfolio of the Pension Fund Investments. He was also involved in recommending real estate and private equity investments of the pension fund. Before that he was spear heading the research department of EFG-Hermes Holding Dubai and Oman office

Gigi holds a Master's Degree in Business Administration (MBA) specializing in Finance from Pune University



**Mubarak Moosa**  
Analyst- Investment Banking

Mubarak holds an M.Sc degree in Financial Economics and has cleared three levels of CFA program. Prior to Sohar International, Mubarak was part of Investment Banking team of Elara Capital (India) where he worked on a number of M&A and PE transaction across Consumer, Hospitality, Health Care & EPC sector.



**Rajesh Kamal**  
Head- Advisory

Rajesh is the Head of Advisory, Investment Banking at Sohar International. He specializes in Merger and Acquisitions, Valuations, Public / Private Fund Raising, Equity Capital Markets and Debt Capital Markets. Prior to Joining Sohar International, Rajesh was a Vice President at Citi Investment Banking in India, since 2007, where he executed over 65 deals with over US\$15bn in transaction value. Key Deal Experience Includes

## Mergers & Acquisition

- Reliance Industries on its acquisition of Hathway and DEN cable networks
- IHH on its acquisition of Fortis Healthcare
- Reliance Jio on their acquisition of assets of Reliance Communication
- Telenor on the merger of Telenor India with Bharti Airtel
- Hungama.com on their stake sale to Xiaomi
- Motherson Sumi on their acquisition of wiring harness business of Stoneridge Inc
- Varroc Group on its acquisition

## Capital Markets

- **IPOs:** IPO of a TCNS Clothing; Eris Pharmaceuticals; L&T Infotech Limited (Left Lead) ; Mahanagar Gas Limited; Coffee Day Enterprises Limited; Coal India Limited (Left Lead)
- **Institutional Placements:** QIP of Idea Cellular, Piramal Enterprises
- **International and Local Currency Bonds:** INR bond by Tata Sons; Singapore Dollar Bond Offering by Tata Motors Holding Limited; Triple tranche Bond offering by ONGC Videsh Limited; US\$ bond offering by Tata Motors Limited

Rajesh is an Electrical Engineer and a MBA

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**THANK YOU**