

Main Market (TASI): Quarterly Results

January 09, 2024

Petrochemicals Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E
SABIC	42,981	36,335	(15%)	4%	13%	1,485	1,018	(31%)	293	665	127%	1%	2%	0.10	0.22
SABIC AGRI-NUTRIENTS	4,206	2,276	(46%)	46%	47%	2,145	874	(59%)	2,169	868	(60%)	52%	38%	4.56	1.82
Tasnee	939	811	(14%)	20%	18%	35	167	371%	43	63	47%	5%	8%	0.06	0.09
Yansab	1,396	1,395	(0%)	5%	3%	(12)	(71)	492%	(96)	(55)	(43%)	(7%)	(4%)	(0.17)	(0.10)
Sipchem	1,955	1,810	(7%)	41%	29%	863	315	(63%)	848	234	(72%)	43%	13%	1.16	0.32
Advanced	612	581	(5%)	11%	12%	30	27	(10%)	(6)	3	(150%)	(1%)	1%	(0.02)	0.01
Saudi Kayan	2,016	1,807	(10%)	(25%)	(25%)	(732)	(601)	(18%)	(791)	(738)	(7%)	(39%)	(41%)	(0.53)	(0.49)
SIIG	-	-	-	-	-	(308)	146	(147%)	(296)	153	(152%)	-	-	(0.39)	0.20
Group Total	54,105	45,015	(17%)			3,506	1,875	(47%)	2,164	1,193	(45%)				

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- Petrochemical prices are in focus for 4Q23, as on average prices are still expected to come under pressure, resulting in most of the companies in our coverage estimated to have negative revenue growth Y/Y. Additionally, we believe that 4Q2023 will have little improvement Q/Q on the back of higher feedstock prices, such as Propane and Butane. In general, our outlook remains relatively uncertain-to-negative in the short term for 1H24, given the most recent announcement by Saudi Aramco to further increase prices of Propane and Butane for January 2024, according to Argaam.
- In 4Q2023, Naphtha increased by +3% Q/Q, whereas Propane and Butane prices saw significantly greater gains in average price Q/Q, by +30% and +35%, respectively. We believe these rapid price increases of key feedstocks will increase pressure on margins for major petrochemical producers; given that these price increases outstrip most gains in end-product prices. Polypropylene price decreases finally began reversing after two consecutive quarters of declines, increasing by +3% Q/Q, Ethylene prices followed, gaining +9% Q/Q. Fertilizers were mixed, Ammonia gained while Urea contracted, as Urea averaged at USD 363/per ton in 4Q23 (down -2% Q/Q), while Ammonia averaged USD 515/per ton (up +75% Q/Q). Also, EVA and PVC witnessed a decline of -11% Q/Q and -7% Q/Q, respectively.
- For 4Q2023, we expect a decline of -17% Y/Y in top line performance for companies under our coverage. In addition, margins will be under continued pressure, driving profitability to decline by -45% Y/Y. Hence, our previous preference for Petrochemicals over Fertilizers still stands, but could change for 1H24 based on margin compression. We expect SABIC Agri to generate net income of SAR 868 mln in 4Q23, driven by Ammonia and DAP price improvements. Advanced announced a shutdown of one of its plants, which is likely to depress top line and profitability in 4Q23, while Kayan's Bisphenol plant fire is expected to continue its financial impact into 1H24, according to a news release on Tadawul in November; we expect this to further weigh on Saudi Kayan's gross margins and net income.

Banking Sector

Company	Net Commission Income			Net Income			Net Advances			Deposits		
	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y
BSF	1,779	2,363	33%	903	1,173	30%	159,012	173,126	9%	157,592	167,363	6%
SAB	2,292	2,552	11%	1,280	1,712	34%	183,132	210,036	15%	214,279	235,707	10%
ANB	1,645	1,871	14%	792	1,003	27%	143,829	150,644	5%	154,871	151,774	(2%)
Al Rajhi	5,579	5,441	(2%)	4,404	4,189	(5%)	568,338	599,554	5%	564,925	576,223	2%
Albilad	982	1,058	8%	540	613	14%	91,179	99,617	9%	94,843	109,543	16%
Alinma	1,668	2,061	24%	868	1,283	48%	146,492	177,255	21%	145,168	188,719	30%
SNB	6,840	7,149	5%	4,765	5,051	6%	545,311	609,423	12%	568,283	637,264	12%
Group Total	20,784	22,495	8%	13,552	15,025	11%	1,837,293	2,019,656	10%	1,899,961	2,066,593	9%

Source: Riyadh Capital, Company Reports (SAR mln)

- The Saudi Central Bank (SAMA) key interest rates were unchanged in 4Q2023. The Repurchase Agreement (Repo) rate stands at 6.0% while the Reverse Repurchase Agreement (Reverse Repo) rate is at 5.5%.
- SAIBOR 3-M continued its rally to a high during the quarter to reach 6.38% on December 6th before coming down and closing the year at 623 bps compared to 617 bps at 3Q2023-end, and 534 bps in 2022-end (up +89 bps Y/Y).
- The Saudi Central Bank's monthly data for October and November 2023 showed a +4% Y/Y growth but a -5% sequential decline in profit before zakat and tax to SAR 12.3 bln. Our expectations for banks under our coverage shows a low double-digit growth Y/Y of profits after zakat to SAR 15.0 bln. We expect Alinma to continue its trend Y/Y, registering a +48% growth to SAR 1.3 bln. However, we expect a slight decline of -5% Y/Y for Al Rajhi bank to SAR 4.2 bln driven by higher cost of funding. We expect Alinma to have the highest increase Y/Y in-terms of net advances and deposits of +21% and +30%, respectively.

Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E
Yamama	343	231	(33%)	49%	45%	132	89	(33%)	134	98	(27%)	39%	43%	0.66	0.48
Saudi	428	425	(1%)	46%	38%	155	108	(31%)	155	101	(35%)	36%	24%	1.01	0.66
Qassim	217	180	(17%)	36%	34%	61	51	(16%)	53	57	7%	24%	32%	0.59	0.63
Southern	335	282	(16%)	27%	33%	68	77	13%	65	72	12%	19%	26%	0.46	0.52
Yanbu	239	228	(5%)	32%	30%	67	51	(24%)	59	43	(27%)	25%	19%	0.38	0.27
Riyadh Cement	339	374	10%	38%	46%	114	151	33%	107	144	34%	32%	38%	0.89	1.20
Group Total	1,902	1,720	(10%)			597	527	(12%)	573	515	(10%)				

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- Volumes continued their downtrend for most of the companies under our coverage compared to 4Q2022. However, we expect the prices to improve Q/Q and remain healthy Y/Y. At the same time, we expect lower volumes coupled with higher COGS per ton will lead the top-line and bottom-line to a double-digit decline to SAR 1.7 bln and SAR 515 mln, respectively.

Health Care Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E
HMG	2,254	2,659	18%	33%	35%	428	606	42%	437	603	38%	19%	23%	1.25	1.72
Mouwasat	660	772	17%	49%	47%	209	223	7%	193	203	5%	29%	26%	1.85	1.94

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- The healthcare sector as well as the stocks under our coverage are likely to continue the steady growth of inpatients and outpatients as well as gradual increases in capacity. This will reflect positively in Y/Y comparative numbers. Fourth quarter is generally better seasonally and we expect this to continue. We expect HMG and Mouwasat to post a net income of SAR 603 mln and SAR 203 mln, respectively.

Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E
STC	17,106	18,205	6%	53%	53%	2,969	3,623	22%	2,757	3,043	10%	16%	17%	0.55	0.61
Mobily	4,132	4,235	3%	60%	58%	813	764	(6%)	606	590	(3%)	15%	14%	0.79	0.77
ZAIN KSA	2,404	2,551	6%	60%	59%	379	302	(20%)	250	224	(10%)	10%	9%	0.28	0.25
Group Total	23,641	24,991	6%			4,161	4,689	13%	3,613	3,857	7%				

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- We expect sector revenues numbers to continue their Y/Y rise, helped by the increase in the number of subscribers. We forecast the top line of the three companies to grow +6% Y/Y. We expect the highest revenue growth to come from Zain and STC at +6% Y/Y. Gross margins generally are expected to be a little lower on a yearly basis with the highest margins expected from Zain at 59% followed by Mobily at 58%. There are no extraordinary gains expected at STC in 4Q, as was the case in 3Q. Zain recorded SAR 139 million in capital gains from the tower deal in 3Q and we expect gains north of SAR 120 mln in 4Q. Mobily is likely to continue its growth in the enterprise business. While the consumer business is challenging, the Company has managed to post decent rise in subscriber base.

Software & Services Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E
SOLUTIONS	2,438	2,823	16%	21%	24%	241	298	83%	198	251	27%	8%	9%	1.64	2.09
Elm	1,308	1,610	23%	42%	38%	219	338	61%	213	325	53%	16%	20%	2.66	4.06

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- The Software and Services sector is in the midst of robust growth as digitalization is proceeding at a fast pace in the country. Both Solutions and Elm are targeting organic and inorganic growth in products and services. We forecast Solutions net income to increase by +27% Y/Y and Elm's net income to increase by +53% Y/Y with both companies posting better margins.

Food & Beverage, Retailing, Utilities, Capital Goods and Materials Sectors

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	Y/Y	4Q2022	4Q2023E	4Q2022	4Q2023E
Almarai	4,839	4,988	3%	28%	29%	504	610	21%	356	457	28%	7%	9%	0.36	0.46
Jarir	2,577	2,921	13%	13%	12%	268	286	7%	268	269	0%	10%	9%	0.22	0.22
SEC*	16,397	17,053	4%	19%	19%	2,724	2,912	7%	1,984	1,317	(34%)	12%	8%	0.48	0.32
BDH	1,318	1,286	(2%)	28%	31%	40	68	70%	65	44	(32%)	5%	3%	0.06	0.04
MARAFIQ	1,620	1,616	(0%)	14%	15%	112	220	96%	131	105	(20%)	8%	7%	0.52	0.42
Riyadh Cables	1,831	2,185	19%	10%	13%	144	189	31%	106	150	42%	6%	7%	0.71	1.00
MAADEN	9,472	7,080	(25%)	28%	29%	1,767	1,134	(36%)	1,271	390	(69%)	13%	6%	0.24	0.14
NAHDI	2,138	2,157	1%	39%	39%	154	197	28%	128	181	42%	6%	8%	0.98	1.40
ALDAWAA	1,458	1,446	(1%)	37%	38%	125	131	5%	95	94	(1%)	7%	7%	1.05	1.11

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

* Net Income before Mudaraba Instruments

- **Almarai:** We expect a single-digit growth Y/Y in revenue to SAR 5.0 bln driven by the momentum in Poultry and Bakery on the back of higher demand coupled with the new products launched in 4Q23. We forecast a +28% Y/Y increase in bottom-line to SAR 457 mln.
- **Jarir:** On the back of higher smartphones sales as well as back-to-school season, we expect a +13% Y/Y increase in top-line to SAR 2.9 bln while we expect a slight growth in bottom-line to SAR 269 mln due to higher competition, which will likely impact margins.
- **SEC:** Revenues are forecasted to grow by +4% Y/Y to SAR17.1 bln on the back of higher consumption. However, gross margins are likely to decline Y/Y, as they have for all the other three quarters of the year, to 18.6%. We expect net income to decline -34% Y/Y to SAR 1.3 bln.
- **BDH:** We expect a -2% decline Y/Y in top-line to SAR 1.3 bln impacted by Danube despite a higher footfall in the Haramain stores, and we forecast a -32% decline Y/Y in bottom-line to SAR 44 mln on the back of lower other income.
- **MARAFIQ:** We forecast flat revenues for the quarter at SAR 1.6 bln but a slight improvement in gross margins. Net profit is expected to be lower Y/Y on higher costs.
- **Riyadh Cables:** RCGC's growth story is expected to continue with revenues rising by +19% Y/Y to SAR 2.2 bln for the quarter, coupled with higher gross margins as well. Bottomline is likely to incline by +42% Y/Y to SAR 150 mln.
- **MAADEN:** The Company will be negatively impacted by lower product prices Y/Y, particularly Aluminium, while increases in DAP of +18% Q/Q could drive improvement. In line with Y/Y decline in 4Q2023, we expect revenues to be -25% lower Y/Y and net income to decline by -69% Y/Y.
- **NAHDI:** We expect revenues to remain flat, if not lower, by -0.3% Q/Q and by +0.9% Y/Y. Gross margins, while slightly lower than last quarter, are expected to remain stable Y/Y, however lower Q/Q due to seasonality. Operating profit is expected to follow a positive trend, increasing by +28% Y/Y to SAR 197 mln.
- **ALDAWAA:** We expect a minor contraction of -1% Y/Y in top-line due to seasonality, but stronger gross margins Y/Y of 38%, supported by a stronger wholesale business.

Nomu Market: Semi-Annual Results

■ Consumer Services and Retailing

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2H2022	2H2023E	Y/Y	2H2022	2H2023E	2H2022	2H2023E	Y/Y	2H2022	2H2023E	Y/Y	2H2022	2H2023E	2H2022	2H2023E
BURGERIZZR	130	149	15%	26%	28%	1.1	8.6	693%	(0.3)	7.4	-	(%0.2)	%5.0	(0.01)	2.12
Alhasoob	99	109	10%	11%	8%	4.1	2.9	(29%)	3.4	2.7	(21%)	3.4%	2.4%	1.22	0.95

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- **BURGERIZZR:** On the back of an improvement in margins as well as higher sales driven by an increase in footfall, we expect a +15% Y/Y growth in top-line and a net income of SAR 7.4 mln for 2H2023 versus a loss of SAR (0.3) mln in 2H2022.
- **Alhasoob:** We expect revenues for the half year to increase by +10% Y/Y. We expect margins to be under pressure during the 2H2023 due to market pressures and contract from 11% in the first half of 2023 to 8% in this half. Thus, we expect net income to decrease by -21% on an annual basis, to reach SAR 2.7 mln.

■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than - 15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
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