

## Petrochemicals Sector

April 06, 2022

Company	Revenue			EBIT		EBIT Margins		Net Income			Net Margins		EPS (SAR)	
	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	1Q2021	1Q2022E	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	1Q2021	1Q2022E
Petrochem	-	-	-	543	222	-	-	311	204	(34%)	-	-	0.65	0.43
SABIC	37,531	50,251	34%	6,985	7,936	19%	16%	4,862	5,309	9%	13%	11%	1.62	1.77
SABIC AGRI-NUTRIENTS	1,506	3,838	155%	502	2,755	33%	72%	423	2,551	504%	28%	67%	1.01	6.12
Tasnee	725	1,186	64%	562	739	78%	62%	328	356	9%	45%	30%	0.49	0.53
Yansab	1,723	1,826	6%	413	347	24%	19%	420	312	(26%)	24%	17%	0.75	0.55
Sipchem	2,031	2,671	32%	733	1,128	36%	42%	411	1,010	145%	22%	41%	0.57	1.38
Advanced	632	860	36%	164	168	26%	19%	171	158	(8%)	27%	18%	0.79	0.73
Saudi Kayan	2,683	3,280	22%	587	508	22%	16%	493	403	(18%)	18%	12%	0.33	0.27
<b>Group Total</b>	<b>46,831</b>	<b>63,912</b>	<b>36%</b>	<b>10,488</b>	<b>13,801</b>			<b>7,419</b>	<b>10,303</b>	<b>39%</b>				

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

- Petrochemical product prices have been mixed in the first quarter of 2022, although crude oil prices have been directionally up. Similarly, some feedstock prices such as those of Naphtha and Benzene have been higher by +16% Q/Q and +13% Q/Q, respectively. However, Butane has been almost flat while Propane prices have been -3% lower Q/Q. LDPE and Polypropylene prices have decreased slightly by -1% Q/Q and -3% Q/Q, respectively but other products such as MTBE and PTA prices have risen by +21% Q/Q and +16% Q/Q. Urea prices have witnessed some moderation in 1Q2022 on average and are down -11% Q/Q.
- While the change in product and feedstock prices is mixed this quarter, we expect margin challenges for most producers. Supply chain issues continue to persist.
- We forecast a +36% Y/Y growth in revenues for the petrochemical companies under our coverage with net profit likely to rise by +39% Y/Y. We expect net profit for Sabic in excess of SAR 5.3 billion and SAR 2.6 billion for Sabic Agri Nutrients.

## Banking Sector

Company	Net Commission Income			Net Income			Net Advances			Deposits		
	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	Y/Y
BSF	1,287	1,352	5%	780	921	18%	134,105	154,344	15%	132,987	146,286	10%
SABB	1,429	1,522	7%	970	807	(17%)	156,710	172,749	10%	183,690	184,609	0%
ANB	1,180	1,138	(3%)	582	561	(4%)	115,559	128,822	11%	125,161	131,419	5%
Al Rajhi	4,771	5,558	17%	3,335	4,238	27%	356,144	471,392	32%	421,269	539,224	28%
Albilad	859	917	7%	393	462	18%	75,531	87,756	16%	76,963	84,659	10%
Alinma	1,204	1,348	12%	642	744	16%	117,149	133,386	14%	120,707	124,328	3%
SNB	4,179	6,119	46%	3,425	3,878	13%	514,238	500,857	(3%)	613,222	598,683	(2%)
<b>Group Total</b>	<b>14,909</b>	<b>17,955</b>	<b>20%</b>	<b>10,127</b>	<b>11,610</b>	<b>15%</b>	<b>1,469,436</b>	<b>1,649,307</b>	<b>12%</b>	<b>1,674,000</b>	<b>1,809,209</b>	<b>8%</b>

Source: Riyad Capital, Company Reports (SAR mln)

- 3M SAIBOR witnessed a further increase in 1Q2022, rising by +154 bps Q/Q and +165 bps Y/Y, to end the quarter at 2.45%. It's worth mentioning that at the end of the quarter, repo and reverse repo rates saw an increase of 25 bps each by SAMA, after similar actions by the Federal Reserve.
- SAMA's monthly data for February 2022 showed a jump by +55% Y/Y in profits before zakat and tax. We forecast a modest increase Y/Y in profits after zakat by +15%.
- Total loans for the sector grew by +15% Y/Y in February to reach SAR 2.185 tln. We expect Alrajhi and Albilad to have the biggest annual growth in net advances.

## Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	1Q2021	1Q2022E
Yamama	180	239	33%	40%	21%	57	30	(47%)	55	32	(42%)	30%	13%	0.27	0.16
Saudi	429	304	(29%)	40%	31%	125	49	(61%)	118	45	(62%)	28%	15%	0.77	0.29
Qassim	223	132	(41%)	50%	24%	104	24	(77%)	101	27	(73%)	45%	20%	1.12	0.30
Southern	439	308	(30%)	43%	30%	177	80	(55%)	175	77	(56%)	40%	25%	1.25	0.55
Yanbu	292	241	(17%)	28%	25%	69	46	(33%)	73	43	(41%)	25%	18%	0.47	0.27
<b>Group Total</b>	<b>1,563</b>	<b>1,224</b>	<b>(22%)</b>			<b>532</b>	<b>229</b>	<b>(57%)</b>	<b>522</b>	<b>224</b>	<b>(57%)</b>				

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

- Since the beginning of 1Q2022 prices have been at their lowest level due to higher competition especially in the Central region, which is expected to severely affect the results of companies. However, prices showed a gradual improvement since late February 2022. Overall, our view for the companies under coverage are positive due to recent improvement in prices.

## Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	1Q2021	1Q2022E
STC	15,695	16,304	4%	55%	54%	3,482	3,415	(2%)	2,952	2,857	(3%)	18%	18%	1.48	1.43
Mobily	3,603	3,917	9%	58%	58%	369	504	37%	226	343	52%	6%	9%	0.29	0.45
Zain	1,937	2,083	7%	63%	58%	158	213	35%	41	87	112%	2%	4%	0.05	0.10
<b>Group Total</b>	<b>21,236</b>	<b>22,304</b>	<b>5%</b>			<b>4,009</b>	<b>4,133</b>	<b>3%</b>	<b>3,219</b>	<b>3,287</b>	<b>2%</b>				

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

- With the continued relaxation in Covid-19 restrictions and ease in the movement of travellers, especially foreign pilgrims, we expect an increase in the sector's revenues by +5% compared with the previous year and by +1% compared with the previous quarter. We believe STC will benefit from its subsidiaries ongoing expansion while Mobily and Zain will benefit from increased consumer and business unit revenues, resulting in a +9% Y/Y and +7% Y/Y growth in the topline, respectively. We expect net margin for Mobily and Zain to continue to expand on the back of lower operating costs and an increase in topline for this quarter.

## Food & Beverage, Retailing, Utilities and Health Care Sectors

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	Y/Y	1Q2021	1Q2022E	1Q2021	1Q2022E
Almarai	3,645	4,426	21%	34%	26%	502	365	(27%)	386	276	(28%)	11%	6%	0.39	0.28
Jarir	2,530	2,662	5%	13%	12%	286	285	(0%)	268	270	1%	11%	10%	2.23	2.25
SEC*	13,348	13,356	0%	22%	17%	2,260	2,066	(9%)	1,689	*1,521	(10%)	13%	11%	(0.05)	(0.09)
HMG	1,695	2,058	21%	32%	33%	350	412	18%	319	381	19%	19%	19%	0.91	1.09

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

\* Net loss for SEC after Mudaraba Instruments is SAR (395) mln

- Almarai:** Due to a hike in products prices during the quarter and higher demand, we expect an increase in top-line by +21% Y/Y, while we expect bottom-line to fall by -28% Y/Y due to the increase in feed costs, mainly corn and soya which will be pressuring margins.
- Jarir:** We expect a +5% Y/Y increase in top-line as elementary students returned to classrooms, while we expect a +1% Y/Y increase in bottom-line due to higher costs related to international shipping.
- SEC:** The Saudi Electricity Co. is affected by the seasonality during 1Q, thus we expect operating revenues to decrease by -11% Q/Q to reach SAR 13.4 bln in 1Q2022 but remain stable Y/Y. We forecast a net loss of SAR 395 mln after deducting the Mudaraba Instruments.
- HMG:** HMG is continuing on its path of steady growth with a gradual rise in inpatient and outpatient numbers. We forecast revenues to grow by +21% Y/Y and net income to increase by +19% Y/Y. With no significant pandemic related restrictions now, they are back to normal.

## ■ 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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