

Petrochemicals Sector

April 06, 2023

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E
SABIC	52,642	44,528	(15%)	28%	12%	9,317	2,851	(69%)	6,475	768	(88%)	12%	2%	2.16	0.26
SABIC AGRI-NUTRIENTS	4,657	2,821	(39%)	65%	42%	2,614	945	(64%)	2,513	1,012	(60%)	54%	36%	0.46	2.13
Tasnee	979	950	(3%)	29%	20%	543	177	(67%)	445	35	(92%)	45%	4%	0.46	0.05
Yansab	1,971	1,104	(44%)	22%	1%	296	(127)	(143%)	283	(184)	(165%)	14%	(17%)	0.50	(0.33)
Sipchem	2,409	1,602	(34%)	57%	31%	1,148	325	(72%)	1,079	327	(70%)	45%	20%	1.47	0.45
Advanced	866	636	(27%)	24%	12%	182	40	(78%)	164	4	(98%)	19%	1%	0.63	0.02
Saudi Kayan	3,138	2,067	(34%)	15%	(22%)	304	(654)	(315%)	209	(798)	(481%)	7%	(39%)	0.14	(0.53)
SIIG	-	-	-	-	-	372	9	(97%)	235	(5)	(102%)	-	-	0.52	(0.01)
Group Total	66,663	53,709	(19%)			14,778	3,568	(76%)	11,403	1,160	(90%)				

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

- We believe Company revenues would be better in 1Q2023 compared to 4Q2022 as we observe an improvement in the prices of some main products. However, as a result of the ongoing monetary tightening worldwide to combat inflationary pressure, weak demand, growing risks of a global slowdown and a supply glut in the market, the petrochemical sector continues to face challenges for the third quarter in a row. We expect the market dynamics to improve by 2024 with limited capacity expansions. Hence, product prices are likely to gradually improve over the medium-term.
- Feedstock and product prices are still witnessing headwinds but we expect margins for this quarter to slightly improve over the preceding quarter. Naphtha rose +2% Q/Q whereas Propane and Butane went up by +13% Q/Q and +17% Q/Q, respectively. Polypropylene and Polyethylene prices rose by +4% Q/Q and +7% Q/Q respectively. Urea prices have averaged at USD 575/per ton in 1Q2023 (down -35% Q/Q) and recent prices are around USD 300/ton for the first time in two years amid lack of demand. Also, EVA and VAM witnessed a decline of -10% Q/Q and -2% Q/Q, respectively.
- For 1Q2023, we expect a decline of -19%Y/Y in top line for companies under our coverage. In addition, profitability is likely to witness a significant decline of -90% Y/Y. We expect 1Q2023 to be better than the previous quarter although Saudi Kayan and Yansab are expected to post losses of SAR (798) mln and SAR (184) mln respectively. Moreover, SABIC Agri is expected to post a significant decline in net income to SAR 1,012 mln for the quarter.

Banking Sector

Company	Net Commission Income			Net Income			Net Advances			Deposits		
	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	Y/Y
BSF	1,343	1,985	48%	875	1,016	16%	152,690	163,344	7%	150,759	160,558	6%
SABB	1,414	2,152	52%	1,004	1,534	53%	176,148	191,251	9%	193,889	219,095	13%
ANB	1,185	1,783	51%	651	894	37%	138,642	145,636	5%	148,138	158,508	7%
Al Rajhi	5,340	5,584	5%	4,134	4,301	4%	484,526	582,043	20%	507,892	584,076	15%
Albilad	944	1,004	6%	490	545	11%	86,391	94,189	9%	86,079	97,699	14%
Alinma	1,310	1,711	31%	825	988	20%	128,965	147,665	15%	128,035	146,600	15%
SNB	6,085	7,009	15%	4,566	4,837	6%	512,898	558,943	9%	604,963	585,332	(3%)
Group Total	17,620	21,228	20%	12,544	14,116	13%	1,680,260	1,883,072	12%	1,819,756	1,951,868	7%

Source: Riyadh Capital, Company Reports (SAR mln)

- In 1Q2023, the Saudi Central Bank (SAMA) raised its key interest rates twice (for the ninth time in a row) by +25 bps in February and by +25 bps in March. This translated to an increase in the rate of Repurchase Agreement (Repo) to 550 bps and the rate of Reverse Repurchase Agreement (Reverse Repo) to 500 bps.
- 3-M SAIBOR has rallied to a high during the quarter to reach 5.69% on March 30, 2023, compared to 5.34% at 2022-end, up by +324 bps Y/Y and +35 bps Q/Q.
- The Saudi Central Bank's monthly data for January and February 2023 showed a Y/Y increase in profit before zakat and tax by +19% and +7% respectively, to SAR 11.6 bln. Our expectations for banks under our coverage shows a profit after zakat growth by +13% Y/Y to SAR 14.1 bln. We expect Al Rajhi and Alinma to have the biggest Y/Y increase in net advances and deposits, while we expect a decline Y/Y by -3% in SNB's deposits (+3% Q/Q) to SAR 585 bln.

Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E
Yamama	222	306	38%	18%	47%	23	114	391%	30	107	262%	13%	35%	0.15	0.53
Saudi	315	424	35%	32%	45%	60	144	140%	61	139	128%	19%	33%	0.40	0.91
Qassim	142	203	43%	19%	38%	19	62	227%	25	60	139%	18%	29%	0.28	0.67
Southern	330	330	0%	32%	32%	91	88	(2%)	89	84	(6%)	27%	25%	0.64	0.60
Yanbu	242	239	(1%)	23%	32%	40	64	59%	39	61	56%	16%	25%	0.25	0.39
Group Total	1,251	1,502	20%			233	473	103%	244	451	85%				

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

- Since the beginning of 2023, volumes showed a decline compared with January and February 2022 due to the lower construction activities as we believe higher interest rates are forcing some of the real estate developers to postpone their projects while demand from Giga projects remains strong. On the other hand, prices are close to their highs, which we expect to impact positively on the companies under our coverage. We expect a +20% Y/Y growth in top-line due to higher prices. At the same time, we expect margins to improve Y/Y for companies under our coverage, except SPCC. Hence, we expect a +85% Y/Y growth in bottom-line to SAR 451 mln.

Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E
STC	16,991	17,246	2%	54%	54%	3,824	3,846	1%	3,035	3,220	6%	18%	19%	0.61	0.64
Mobily	3,811	4,155	9%	59%	60%	468	694	48%	319	475	49%	8%	11%	0.41	0.62
ZAIN KSA	2,179	2,442	12%	57%	60%	201	288	43%	81	446	454%	4%	18%	0.09	0.50
Group Total	22,981	23,843	4%			4,493	4,828	7%	3,435	4,141	21%				

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

- We expect the sector's revenue to grow by +4% Y/Y mainly supported by the continued growth in the B2B segment. Although we estimate EBIT margin for STC to decrease slightly (by -20 bps) we forecast bottom-line to grow by +6% Y/Y on the back of an increase in the revenue along with higher finance income. Mobily's Net income is expected to increase strongly Y/Y by +49% due to the +9% Y/Y increase in its top-line, in addition to further improvement in its operational efficiency. We forecast Zain KSA to register a significant increase in the bottom-line as a result of the company's recognition of gains related to its towers deal during this quarter.

Software & Services Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E
SOLUTIONS	2,243	2,467	10%	22%	22%	313	318	2%	283	303	7%	12%	12%	2.36	2.53
Elm	1,092	1,332	22%	40%	42%	271	337	25%	250	337	35%	23%	25%	3.13	4.21

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

- We anticipate that both companies will grow strongly this quarter helped by the sizable contracts they signed in 4Q2022, which are expected to support top-line' growth this quarter. We expect Elm's operating margin to expand on both Y/Y and Q/Q basis, whilst SOLUTIONS' operating margin is anticipated to be under pressure Y/Y due to higher operating expenses related to the last acquisition. Bottom-line for both companies will witness a growth on both yearly and quarterly basis benefiting from the increase in the top-line as well as higher finance income.

Food & Beverage, Retailing, Utilities, Health Care and Capital Goods Sectors

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	Y/Y	1Q2022	1Q2023E	1Q2022	1Q2023E
Almarai	4,503	5,004	11%	30%	30%	547	569	4%	420	429	2%	9%	9%	0.42	0.43
Jarir	2,287	2,394	5%	14%	13%	268	263	(2%)	251	247	(2%)	11%	10%	2.09	2.06
SEC*	13,531	14,208	5%	20%	21%	2,209	2,486	13%	1,517	1,815	20%	11%	13%	0.36	0.44
HMG	1,991	2,299	15%	33%	33%	422	483	14%	391	448	15%	20%	20%	1.12	1.28
BDH	1,175	1,358	16%	33%	29%	73	75	3%	65	62	(5%)	6%	5%	0.57	0.55
MARAFIQ	1,462	1,535	5%	15%	20%	245	345	41%	172	247	44%	12%	16%	0.69	0.99
Riyadh Cables**	NA	1,941	NA	NA	10%	NA	150	NA	NA	112	NA	NA	6%	NA	0.75

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

* Net Loss for SEC after Mudaraba Instruments is SAR (85) mln ** 1Q2022 numbers not available

- **Almarai:** Continuing with the momentum in all product categories, mainly Bakery and Poultry, along with an increase in prices, we expect a double-digit growth Y/Y in top-line to SAR 5.0 bln. Hence, we expect an increase of +2% Y/Y in bottom-line to SAR 429 mln.
- **Jarir:** We expect a growth of +5% Y/Y in top-line due to higher sales but a decline by -2% in bottom-line on the back of lower margins.
- **SEC:** We forecast the bottom-line for SEC to increase by +20% Y/Y (before deducting the Mudaraba Instruments) supported by a +5% Y/Y increase in the operating revenue along with improvement in margins.
- **HMG:** HMG is likely to continue its growth path in 1Q2023 with revenues of SAR 2,299 mln and net income of SAR 448 mln (both growing at +15% Y/Y) while margins are likely to increase slightly. We believe this increase would result from continued momentum in both inpatient and outpatient volumes which prompts a top-line higher than the same quarter last year and improved margins.
- **BDH:** Continuing with an increase in footfall in the Haramain stores due to higher pilgrims, we expect a growth Y/Y by +16% in top-line to SAR 1.4 bln while we expect a -5% Y/Y decline in net profit due to a slight increase in Opex Y/Y along with lower other income.
- **MARAFIQ:** We expect MARAFIQ to continue to grow its top-line and its gross margin, which will result in net margin expanding from 12% to 16%. We expect net income to reach SAR 247 mln, representing a +44% increase Y/Y.
- **Riyadh Cables:** On back of the higher backlog, we expect RCGC to report a top-line of SAR 1.9 bln, +6% higher than 4Q2022 and we expect a +6% Q/Q growth in bottom-line to SAR 112 mln due to stability in margins.

■ 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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