

Main Market (TASI): Quarterly Results

July 05, 2022

Petrochemicals Sector

Company	Revenue			EBIT		EBIT Margins		Net Income			Net Margins		EPS (SAR)	
	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	2Q2021	2Q2022E	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	2Q2021	2Q2022E
SABIC	42,419	54,747	29%	10,060	9,339	24%	17%	7,643	6,160	(19%)	18%	11%	2.55	2.05
SABIC AGRI-NUTRIENTS	1,839	4,378	138%	951	2,173	52%	50%	836	2,080	149%	46%	48%	2.01	4.99
Tasnee	780	930	19%	609	516	78%	56%	357	290	(19%)	46%	31%	0.53	0.43
Yansab	1,983	1,829	(8%)	640	211	32%	12%	596	215	(64%)	30%	12%	1.06	0.38
Sipchem	2,363	2,897	27%	1,140	1,278	48%	44%	829	1,117	35%	35%	39%	1.13	1.52
Advanced	769	791	3%	284	120	37%	15%	265	110	(58%)	34%	14%	1.02	0.42
Saudi Kayan	2,974	3,169	7%	895	95	30%	3%	781	25	(97%)	26%	1%	0.52	0.02
Group Total	53,126	68,741	29%	14,579	13,732			11,307	9,997	(12%)				

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

- In 2Q2022, petrochemical product prices witnessed some fluctuations. Propane, Butane and Naphtha prices were up by +6%, +8% and +2% respectively on a quarterly basis. This will likely lead to pressure on margins for most producers. EVA and VAM are still climbing to their highs rising by +21% Q/Q and +11% Q/Q. Urea and Ammonia prices witnessed a slight decrease on a quarterly basis.
- Polypropylene, Polyethylene and Polycarbonate were down by -1% Q/Q, -3% Q/Q and -6% Q/Q respectively as a result of additional new capacities that are expected to put pressure on prices while MEG prices in Asia declined in the past few months by -7% Q/Q due to weak downstream demand and the impact of China lockdown.
- We expect the revenues of the stocks under our coverage to rise by +29% Y/Y but net income to slightly decrease by -12% Y/Y. On a yearly basis, SABIC Agri-Nutrients and Sipchem are likely to witness the highest growth. Moreover, Sipchem is likely to post one of its best quarterly profits.

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Banking Sector

Company	Net Commission Income			Net Income			Net Advances			Deposits		
	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	Y/Y
BSF	1,330	1,428	7%	770	839	9%	141,807	157,665	11%	140,805	154,885	10%
SABB	1,469	1,481	1%	919	893	(3%)	161,444	181,811	13%	186,828	200,840	8%
ANB	1,130	1,222	8%	469	636	35%	117,830	142,624	21%	130,220	152,358	17%
Al Rajhi	5,052	5,467	8%	3,605	4,207	17%	390,296	504,374	29%	447,506	519,107	16%
Albilad	842	971	15%	416	510	23%	79,130	89,441	13%	81,638	89,802	10%
Alinma	1,231	1,364	11%	710	853	20%	119,623	131,585	10%	125,878	132,172	5%
SNB	5,783	6,253	8%	2,140	4,720	121%	503,157	528,285	5%	588,135	617,063	5%
Group Total	16,838	18,184	8%	9,028	12,659	40%	1,513,286	1,735,785	15%	1,701,011	1,866,227	10%

Source: Riyad Capital, Company Reports (SAR mln)

- During 2Q2022, the Saudi Central Bank (SAMA) raised its reverse repo rate by 50 bps to 1.75% and its repo rate to 2.25%. This was the third interest rate change during this year, where it was increased in March and May 2022, after similar actions by the Federal Reserve.
- Therefore, 3M SAIBOR witnessed a further increase in 2Q2022, rising by +49 bps Q/Q and +215 bps Y/Y, to end the quarter at 2.94%. It is worth noting that 3M SAIBOR continued to rise during the period to exceed the 3% level for the first time in more than 13 years (highest level at 3.32%).
- According to SAMA's monthly data for May 2022, the Saudi banks recorded an increase by +22% Y/Y in the profit before zakat. Thus, our forecast shows an increase by +40%Y/Y in terms of profit after zakat for banks under our coverage.

Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	2Q2021	2Q2022E
Yamama	203	200	(1%)	47%	29%	80	41	(49%)	78	38	(51%)	38%	19%	0.38	0.19
Saudi	348	319	(8%)	40%	39%	92	85	(8%)	86	83	(3%)	25%	26%	0.56	0.54
Qassim	198	143	(28%)	51%	36%	92	51	(45%)	100	48	(52%)	51%	33%	1.11	0.53
Southern	287	217	(24%)	39%	37%	98	69	(30%)	95	65	(32%)	33%	30%	0.68	0.47
Yanbu	243	270	11%	22%	25%	43	53	23%	41	51	24%	17%	19%	0.26	0.33
Group Total	1,279	1,149	(10%)			405	299	(26%)	400	285	(29%)				

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

- Continuing with the trend last quarter, we expect the average selling prices to continue its uptrend despite lower sales volume as the month of April 2022 fell in the holy month of Ramadan coupled with lower constructions activity on the back of higher prices of most construction materials. We expect a decline of -10% Y/Y in top-line for the companies under coverage to SAR 1.1 bln and -29% Y/Y decline in the bottom-line.

Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	2Q2021	2Q2022E
STC	15,899	16,977	7%	53%	54%	3,250	3,745	15%	2,821	3,030	7%	18%	18%	1.41	1.52
Mobily	3,728	3,849	3%	58%	59%	384	472	23%	244	325	33%	7%	8%	0.32	0.42
Zain	1,896	2,153	14%	66%	59%	159	206	29%	42	91	118%	2%	4%	0.05	0.10
Group Total	21,523	22,979	7%			3,793	4,423	17%	3,107	3,446	11%				

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

- We expect the revenue of the three telecom operators to continue to rise as a result of the ongoing increase in data demand as well as greater income from Umrah and roaming-related services for 2Q2022. Gross margin for STC is anticipated to expand owing to the improvement in the margins of its subsidiaries. In contrast, Zain's gross margin would decline from 66% to 59% as a result of higher contribution from lower margin segments in the revenue. STC's bottom-line is expected to increase by +7% Y/Y, Mobily's bottom-line to increase by +33% Y/Y while Zain's net income to significantly grow by +118% Y/Y as a consequence of the towers deal's temporary reduction in depreciation charges.

Food & Beverage, Retailing, Utilities and Health Care Sectors

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	Y/Y	2Q2021	2Q2022E	2Q2021	2Q2022E
Almarai	4,006	4,757	19%	34%	30%	602	610	1%	482	493	2%	12%	10%	0.48	0.49
Jarir	2,015	2,054	2%	13%	13%	206	234	14%	189	218	15%	9%	11%	1.58	1.82
SEC*	18,936	18,411	(3%)	36%	30%	6,462	5,238	(19%)	5,828	4,711	(19%)	31%	26%	0.94	0.67
HMG	1,751	2,051	17%	31%	33%	340	423	24%	325	398	22%	19%	19%	0.93	1.14
BDH	1,123	1,269	13%	36%	33%	117	104	(11%)	95	78	(18%)	9%	6%	0.83	0.68

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

* Net Profit for SEC after Mudaraba Instruments is SAR 2,810 mln

- Almarai:** We expect a +19% Y/Y increase in revenue supported from the momentum in all product categories due to an increase in prices and higher demand during the holy month of Ramadan which could offset the pressure on gross margin. Hence, we expect an increase by +2% in bottom-line to SAR 493 mln.
- Jarir:** We expect a slight increase of +2% Y/Y in top-line as the global supply chain crisis continues while we expect a growth of 15% Y/Y on the back of an improvement in margins as well as a one-off profit.
- SEC:** Although we expect the growth in customer base to continue during 2Q2022, SEC will witness a slight decrease in operating revenue by -3% Y/Y. We forecast a net profit of SAR 2,810 mln after deducting the Mudaraba Instruments.
- HMG:** We expect HMG to witness a +17% Y/Y increase in revenues to just over SAR 2 billion on the back of continued growth in both inpatient and outpatient segments as well as increasing contribution from the newly opened facilities. We forecast a +22% Y/Y rise in bottomline while net margins are likely to remain stable.
- BDH:** We expect an increase in footfall for both Danube and BinDawood stores attributable to Ramadan season and the return of pilgrims to the Holy Mosques due to the lifting of pandemic related restrictions in KSA. We expect this to translate into an increase in top-line by +13% Y/Y while we expect a decline of -18% Y/Y in bottom-line due to a drop of -257 bps Y/Y in gross margin on the back of higher COGS as promotional campaigns were launched.

Nomu Market: Semi-Annual Results

Materials, Consumer Services and Retailing

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1H2021	1H2022E	Y/Y	1H2021	1H2022E	1H2021	1H2022E	Y/Y	1H2021	1H2022E	Y/Y	1H2021	1H2022E	1H2021	1H2022E
Riyadh Cement	401	275	(32%)	46%	35%	173	114	(34%)	160	109	(32%)	40%	40%	1.34	0.91
BURGERIZZR	107	118	10%	23%	22%	7	8	13%	6	7	12%	6%	6%	2.60	2.91
Alhasoob	110	127	15%	9.2%	9.0%	6.0	6.3	4%	5.7	5.8	2%	5.1%	4.6%	4.05	4.14

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

- Riyadh Cement:** We expect a decline of -32% Y/Y in both the top-line and bottom-line, due to lower sales volume of black cement compared with 1H2021.
- BURGERIZZR:** We believe that Burgerizzr will report a revenue of SAR 118 mln in 1H2022 (up by +10% Y/Y), due to the expansion in number of branches and operations as well. It is worth noting that the company announced in June 2022 that the number of its operating branches reached 100 branches in the Kingdom of Saudi Arabia, however, the financial impact of this development will be visible starting from 3Q2022.
- Alhasoob:** We expect an increase in the revenue by +15% Y/Y driven by the growth in the sales of Personal computers, printers and printer's ink. We believe the gross margin would contract by -17 bps that would translate into net margin of 4.6% compared to 5.1% in 1H2021.

■ 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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