

Main Market (TASI): Quarterly Results

January 10, 2023

Petrochemicals Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E
SABIC	51,276	43,118	(16%)	28%	21%	8,635	2,783	(68%)	4,934	1,501	(70%)	10%	3%	1.64	0.50
SABIC AGRI-NUTRIENTS	4,040	3,980	(1%)	79%	61%	2,993	1,990	(34%)	2,764	1,911	(31%)	68%	48%	2.53	4.01
Tasnee	1,163	732	(37%)	28%	14%	170	134	(21%)	339	38	(89%)	29%	5%	0.51	0.06
Yansab	1,922	1,431	(26%)	26%	4%	382	(63)	(116%)	335	(29)	(109%)	17%	(2%)	1.39	(0.05)
Sipchem	3,086	2,218	(28%)	58%	40%	1,452	637	(56%)	1,321	518	(61%)	43%	23%	1.80	0.71
Advanced	905	612	(32%)	28%	13%	186	49	(74%)	162	20	(88%)	18%	3%	0.62	0.08
Saudi Kayan	3,565	2,257	(37%)	22%	(13%)	543	(451)	(183%)	453	(515)	(214%)	13%	(23%)	0.30	0.34
SIIG	-	-	-	-	-	272	56	(80%)	122	51	(58%)	-	-	0.27	0.06
Group Total	65,957	54,347	(18%)			14,633	5,134	(65%)	10,428	3,495	(66%)				

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

- In 4Q2022 petrochemical prices declined sharply across the board and were below the preceding quarter levels. The second half of 2022 was a difficult period for the Saudi Petrochemical Sector. It is expected that the difficulties and challenges will continue in 2023. This comes on the back of fears of economic recession, high levels of inflation, increased production capacities globally and weak demand followed by the impact of China lockdowns, which in turn will put pressure on product margins.
- Feedstock prices are expected to have a slight improvement, supported by steady oil prices. In general, product spreads were weak which is likely to have an effect on the profitability of the sector. However, feedstock Propane, Butane and Naphtha prices were down by -10%, -10% and -6%, respectively Q/Q. At the same time, major product prices also declined as Polypropylene and Polyethylene were down by -6% and -5% respectively Q/Q while MEG prices in Asia declined in the past few months by -9% Q/Q. Urea prices have fallen by -8% Q/Q and -33% Y/Y.
- For 4Q2022, we expect a decline of -18% Y/Y in topline for companies under our coverage. In addition, profitability is likely to witness a significant decline of -66% Y/Y. We expect the entire sector to go downward with Saudi Kayan and Yansab expected to post a loss of SAR (515) mln and SAR (29) mln respectively. Moreover, SABIC is expected to post profit of SAR 1.5 bln for the quarter.

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Banking Sector

Company	Net Commission Income			Net Income			Net Advances			Deposits		
	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	Y/Y
BSF	1,332	1,652	24%	993	1,022	3%	147,813	162,362	10%	141,950	158,842	12%
SABB	1,425	1,948	37%	592	1,274	115%	167,556	185,539	11%	186,761	202,635	9%
ANB	1,110	1,590	43%	456	891	95%	126,674	147,027	16%	135,714	149,828	10%
Al Rajhi	5,355	6,009	12%	4,012	4,382	9%	452,831	574,621	27%	512,072	575,057	12%
Albilad	901	1,039	15%	428	528	23%	82,933	93,168	12%	81,110	92,466	14%
Alinma	1,308	1,663	27%	601	944	57%	126,271	140,540	11%	121,061	131,956	9%
SNB	6,077	6,553	8%	3,396	4,675	38%	497,568	554,942	12%	588,574	614,793	4%
Group Total	17,508	20,453	17%	10,479	13,717	31%	1,601,647	1,858,199	16%	1,767,242	1,925,578	9%

Source: Riyadh Capital, Company Reports (SAR mln)

- In 4Q2022, the Saudi Central Bank (SAMA) raised its key interest rates twice (the seventh time in 2022), by +75 bps in November and by +50 bps in December. This translated to an increase in the rate of Repurchase Agreement (Repo) to 5.00% and the rate of Reverse Repurchase Agreement (Reverse Repo) to 4.50%.
- SAIBOR 3-M has rallied to a high during the quarter at 5.89% on October 30, 2022, before starting to decline to end the year 2022 at 534 bps or 5.34%, up by +443 bps Y/Y and +122 bps Q/Q.
- The Saudi Central Bank's monthly data for October and November 2022 showed a Y/Y increase in profits before zakat and tax by +32% and +46% respectively to SAR 11.9 bln. Our expectations for banks under our coverage shows a significant growth Y/Y by +31% to SAR 13.7 bln in-terms of profits after zakat. We expect Al Rajhi and ANB to have the biggest increase in net advances Y/Y while Albilad and Al Rajhi will grow the most in terms of deposits by +14% Y/Y and +12% Y/Y respectively.

Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E
Yamama	182	270	48%	3%	48%	(14)	107	-	(12)	109	-	-7%	40%	(0.06)	0.54
Saudi	327	425	30%	33%	38%	65	108	67%	67	105	56%	21%	25%	0.44	0.69
Qassim	131	185	41%	5%	28%	4	41	837%	37	41	12%	28%	22%	0.41	0.46
Southern	328	364	11%	43%	34%	126	104	(17%)	119	100	(16%)	36%	28%	0.85	0.72
Yanbu	191	250	31%	20%	34%	27	72	170%	10	72	606%	5%	29%	0.06	0.46
Group Total	1,161	1,495	29%			207	433	108%	222	427	92%				

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

- In October and November 2022, local volumes showed a marginal growth of +3% Y/Y to 9.3 mln tons, while prices were higher compared with 4Q2021 due to higher competition. This resulted in lower prices, especially in the Central region. We expect a +29% growth Y/Y in top-line due to higher construction activity. At the same time, we expect margins to improve Y/Y for companies under our coverage, except Qassim Cement Co. and SPCC. Hence, we expect a +92% Y/Y growth in bottom-line to SAR 427 mln.
- We maintain our positive view for the sector as we expect a growth in volumes with stable prices for 2023 due to higher construction activity mainly from Giga projects, which are in different stages as well as the continued increase in export volumes.

Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E
STC	16,087	16,966	5%	53%	54%	3,204	3,616	13%	2,614	2,804	7%	16%	17%	0.52	0.56
Mobily	3,897	4,061	4%	58%	58%	492	558	13%	321	383	19%	8%	9%	0.42	0.50
ZAIN KSA	2,083	2,348	13%	56%	56%	193	271	41%	71	87	22%	3%	4%	0.08	0.10
Group Total	22,067	23,375	6%			3,889	4,445	14%	3,006	3,274	9%				

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

- We expect sector revenues to increase by +6% Y/Y to SAR 23.4 bln due to seasonality in device sales and B2B revenue growth. We forecast STC's bottom-line to increase by 7% to SAR 2,804 bln, helped by its subsidiaries' expansion. We believe that higher interest rates will keep Mobily and ZAIN KSA under pressure, resulting in lower net margins compared with the preceding quarter. However, on a yearly basis, revenue growth along with the improvement in operational efficiency would overshadow the increase in financing costs to translate into expanding net margins for Mobily from 8% to 9% and from 3% to 4% for ZAIN KSA.

Software & Services Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E
SOLUTIONS	2,060	2,519	22%	21%	22%	128	317	148%	114	306	167%	6%	12%	0.95	2.55
Elm	1,069	1,208	13%	27%	36%	115	232	101%	110	226	105%	10%	19%	1.38	2.82

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

- After the completion of the acquisition of Giza System Company, SOLUTIONS will start to consolidate it in its financials. Our projection for the revenue after the consolidation indicate a growth by +22% Y/Y to SAR 2.5 bln, mainly aided by the new contracts signed with STC. We expect net margin to expand on a yearly basis from 6% to 12%, but to slightly contract Q/Q due to the decline in margins as well as higher operating expenses for the quarter.
- We expect Elm to benefit from the recently obtained contracts, which is expected to have a positive impact on revenues this quarter. Thus, we forecast the revenue to increase by +13% Y/Y to reach SAR 1.2 bln. Net margin is expected to incline from 10% to 19% due to the improvement in gross margin, as we assume it is due to the higher contribution of higher margin segments in the revenue.

Food & Beverage, Retailing, Utilities and Health Care Sectors

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	Y/Y	4Q2021	4Q2022E	4Q2021	4Q2022E
Almarai	4,257	4,642	9%	28%	28%	392	458	17%	287	323	13%	7%	7%	0.29	0.32
Jarir	2,318	2,610	13%	12%	13%	278	275	(1%)	262	259	(1%)	11%	10%	2.19	2.16
SEC*	15,372	16,128	5%	15%	15%	1,162	2,345	102%	(48)	1,043	-	0%	6%	(0.01)	0.25
HMG	1,968	2,145	9%	33%	33%	396	464	17%	384	447	16%	20%	21%	1.10	1.28
BDH	1,057	1,162	10%	25%	28%	(25)	13	-	13	(7)	-	1%	(1%)	0.12	(0.06)

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

* Net Loss for SEC after Mudaraba Instruments is SAR (888) mln

- Almarai:** Continuing with the trend of the momentum in all product categories, mainly Bakery and Poultry, we expect a single-digit growth Y/Y in revenue to SAR 4.6 bln. Hence, we expect an increase of +13% Y/Y in bottom-line to reach SAR 323 mln.
- Jarir:** We expect a +13% Y/Y increase in top-line on the back of higher smartphones sales as well as back-to-school season. We expect a decelerating bottom-line due to lower margins on higher costs related to international shipping.
- SEC:** We expect SEC to continue with its business growth in the fourth quarter as well. We forecast a +5% Y/Y growth in operating revenues to over SAR 16 bln and a net profit of SAR 1.0 bln, before Mudaraba Instruments, as compared to a slight loss last year.
- HMG:** We believe HMG will report a revenue of SAR 2,145 mln in 4Q2022 (up by +9% Y/Y) due to the continued growth in both inpatient and outpatient segments. It is worth noting that the HMG announced new hospital project in Riyadh City. However, the financial impact is expected to be visible in 2Q2025. We expect a +16% Y/Y rise in bottomline while net margins are likely to slightly increase.
- BDH:** We expect top-line to grow by +10% Y/Y supported by an increase in footfall in the Haramain stores as a result of the higher pilgrims. We expect BDH to report a net loss of SAR (7) mln due to lower margins on the back of higher costs and expenses coupled with a delay in opening stores along with the promotional season and loyalty program campaigns.

Nomu Market: Semi-Annual Results

Materials, Consumer Services and Retailing

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2H2021	2H2022E	Y/Y	2H2021	2H2022E	2H2021	2H2022E	Y/Y	2H2021	2H2022E	Y/Y	2H2021	2H2022E	2H2021	2H2022E
Riyadh Cement	270	304	13%	29%	38%	58	106	83%	51	97	90%	19%	32%	0.43	0.81
BURGERIZZR	128	126	(2%)	28%	27%	11	6	(41%)	9	5	(44%)	7%	4%	2.53	1.42
Alhasoob	146	106	(28%)	9.6%	10.0%	6.7	4.7	(31%)	6.3	3.7	(41%)	4.3%	3.5%	4.49	2.66

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

- Riyadh Cement:** Due to higher prices in 2H2022 compared with 1H2021 along with a stable sales volume in black cement, we expect a +90% growth Y/Y in bottom-line to SAR 97 mln due to higher margins.
- BURGERIZZR:** We expect top-line to show a -2% Y/Y decline to SAR 126 mln due to lower sales per branch. We forecast bottom-line to show a significant decline Y/Y by -44% to SAR 5 mln due to lower margins on the back of higher contribution from delivery channels, higher raw material costs and an increase in labor costs resulting from increase in Saudization requirement.
- Alhasoob:** We expect the revenue to decline by -28% Y/Y but to increase by +7% H/H due to higher demand. Bottom-line is expected to decline by -41% Y/Y due to increase in operating expenses mainly labor cost.

■ 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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