

Petrochemicals Sector

October 6, 2024

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E
SABIC	35,975	33,886	(6%)	18%	20%	1,681	2,523	50%	(2,876)	1,699	-	(8%)	5%	(0.96)	0.57
SABIC Agri	2,672	2,822	6%	46%	36%	1,009	767	(24%)	1,041	838	(19%)	39%	30%	2.19	1.76
Tasnee	832	1,000	20%	19%	15%	184	147	(20%)	78	67	(15%)	9%	7%	0.12	0.10
Yansab	1,098	1,578	44%	(4%)	18%	(153)	152	-	(161)	154	-	(15%)	10%	(0.29)	0.27
Sipchem	1,789	1,854	4%	26%	23%	305	250	(18%)	233	169	(27%)	13%	9%	0.32	0.23
Advanced	594	610	3%	21%	18%	80	79	(0%)	45	47	4%	8%	8%	0.17	0.18
Saudi Kayan	2,137	2,012	(6%)	(6%)	(1%)	(266)	(54)	-	(449)	(221)	-	(21%)	(11%)	(0.30)	(0.15)
SIIG	-	-	-	-	-	219	69	(68%)	222	65	(71%)	-	-	0.29	0.09
Group Total	45,098	43,761	(3%)			3,058	3,933	29%	(1,867)	2,818	-				

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

- Petrochemical price movements in 3Q24 were muted when compared Y/Y, as on average the Argaam Chemical Index traded -2.5% lower when compared to 3Q23, while also dropping -2.6% sequentially (2Q24). Many end-products trended lower Q/Q, which was unsurprising; such as PP and HDPE (-3% and -4%). Based on this slowing of price growth, the theme of increasing Chinese capacity, and the observation of some demand indicators experiencing deceleration (US GDP growth expected to slow), we still maintain our uncertain-to-negative outlook. It is worth noting that the recent Chinese stimulus, is constructive, however management teams in our coverage universe, believe effects will be delayed. Looking west to the United States, we believe that the current environment and larger-than-expected interest rate cuts by the Federal Reserve, further support our neutral outlook on the sector.
- Previous feedstock price increases witnessed in 2Q24, have continued to reverse in 3Q24, with Benzene, Naphtha, and Butane decreasing Q/Q, down by -6%, -2%, and -1%, respectively; while only Propane increased (+1%). In our view, the continued contraction of feedstocks bodes well for petrochemical producers. However, we also note that chemical prices overall, have slipped sequentially. Prices for Polystyrene, Polypropylene, and HDPE; were all trading for higher prices in 2Q24, vs. average prices in 3Q24. We also note, other product prices which traded lower, such as Ethylene, dropping -2% Q/Q, and VAM and EVA also dropped, by -11% Q/Q and -6% Q/Q, respectively. Fuels also trended lower, however, this is driven by the end of the summer driving season and is expected. Fertilizer prices have reversed in direction, following a seasonal trend, as restocking dwindling inventories towards the end of 2024 begins. Increases in Ammonia and Urea were observed, as Urea averaged at USD 342/per ton in 3Q24 (up +11% Q/Q), while the price for Ammonia averaged around USD 372/per ton (up +20% Q/Q).
- For 3Q24, we expect a decline of -3% Y/Y in top-line performance for companies under our coverage. In addition, margins may experience some relief, but not across the board, and not more than previous years under similar pricing environments, as previously stated last quarter; driving profitability to decline. With improvements in Fertilizers this quarter, we expect higher sales volumes, better margins, and a higher net profits for Ammonia, DAP, and Urea producers.

Banking Sector

Company	Net Commission			Net Income			Net Advances			Deposits		
	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y
BSF	2,068	1,980	(4%)	1,245	1,139	(9%)	174,681	200,297	15%	166,367	197,977	19%
SAB	2,579	2,763	7%	1,830	2,007	10%	211,404	255,393	21%	228,052	269,102	18%
ANB	1,840	2,033	10%	1,076	1,214	13%	149,372	166,162	11%	154,220	176,582	15%
Al Rajhi	5,401	6,215	15%	4,155	4,851	17%	590,826	629,618	7%	565,719	619,462	10%
Albilad	1,052	1,140	8%	616	681	11%	101,603	108,618	7%	108,915	117,362	8%
Alinma	2,006	2,176	8%	1,324	1,446	9%	169,063	194,106	15%	180,233	210,518	17%
SNB	6,820	7,110	4%	4,957	5,028	1%	595,721	656,290	10%	624,769	656,394	5%
Group Total	21,765	23,417	8%	15,203	16,367	8%	1,992,670	2,210,483	11%	2,028,274	2,247,396	11%

Source: Riyad Capital, Company Reports (SAR mln)

- The Saudi Central Bank (SAMA) implemented a reduction of 50 bps in interest rates during Q3 2024. The Repurchase Agreement (Repo) rate now stands at 5.5% while the Reverse Repurchase Agreement (Reverse Repo) rate is at 5%. Further interest rate cuts are anticipated in 2024, with expectations for 2-3 additional cuts in 2025.
- 3M SAIBOR sharply declined to 5.60% by the end of 3Q, compared to 6.11% at August-end, following the interest rate cut. SAIBOR may trend within or close to the range between repo and reverse repo rates in the coming year.
- The banking sector continues to demonstrate solid lending growth as per SAMA's monthly data for August 2024, with private and public sector loans increasing by +12% and +24% Y/Y respectively. Total deposits have also risen by +9% bolstered by a +17% Y/Y rise in government demand deposits, suggesting a strong injection of liquidity into the banking system to support the robust demand for loans.
- The August monthly data has shown a strong performance with a +18% Y/Y growth, although there is a -4% sequential decline in profit before zakat and tax. We forecast a single-digit Y/Y profit growth to SAR 16.3 bln after zakat and tax for banks under our coverage. AlRajhi is expected to show strong growth, with a projected +17% Y/Y rise in profit after Zakat to SAR 4.8 bln while SNB is forecasted to achieve mid-single digit growth for 3Q2024 at SAR 5.02bln. SAB expected to lead in terms of Y/Y net advances growth with a notable increase of +21%.

Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E
Yamama	219	296	35%	18%	45%	21	109	423%	41	101	147%	19%	34%	0.20	0.50
Saudi	315	420	33%	36%	39%	61	102	68%	68	99	45%	22%	24%	0.45	0.65
Qassim*	121	330	173%	11%	35%	10	91	806%	8	91	1,029%	7%	28%	0.09	0.82
Southern	286	246	(14%)	28%	28%	58	48	(19%)	53	41	(23%)	19%	17%	0.38	0.29
Yanbu	189	215	14%	20%	31%	25	48	94%	16	41	163%	8%	19%	0.10	0.26
Riyadh**	-	204	-	-	48%	-	86	-	-	83	-	-	41%	-	0.69
Group Total	1,130	1,508	33%			175	398	128%	186	372	100%	16%	25%		

Source: Riyadh Capital, Company Reports (SAR mln, except per share data). *Qassim 3Q2024E figures include Hail Cement's 3Q2024E. **Riyadh Cement figures were excluded from the group total.

- We anticipate a Y/Y incline in cement volumes sold for the group of companies under our coverage in 3Q2024E compared to 3Q2023. The average selling prices (ASP) are expected to be healthy Q/Q, and to be higher on Y/Y basis. The group's total revenue and net income are anticipated to show a double-digit Y/Y growth driven mainly by prices. The consolidation of Qassim Cement and Hail Cement are expected to contribute to the Y/Y growth.

Health Care Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E
HMG	2,443	2,687	10%	35%	35%	552	603	9%	545	601	10%	22%	22%	1.56	1.72
Mouwasat	641	704	10%	47%	44%	182	185	2%	156	162	4%	24%	23%	1.56	1.62
Group Total	3,084	3,391	10%			734	788	7%	701	763	9%				

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

- We expect the healthcare sector to continue its steady growth as hospitals undergo expansion coupled with a rise in both inpatient and outpatient volumes. We forecast a +9% Y/Y average growth in net income for the two hospitals under our coverage. 3Q coincides with summer vacations and people travelling outside the country. We expect HMG and Mouwasat to post a net income of SAR 601 mln and SAR 162 mln, respectively.

Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E
STC	18,106	19,021	5%	57%	53%	4,338	3,379	(22%)	4,904	3,615	(26%)	27%	19%	0.98	0.72
Mobily	4,100	4,443	8%	58%	53%	689	758	10%	524	658	26%	13%	15%	0.68	0.85
Zain KSA	2,525	2,557	1%	59%	60%	331	261	(21%)	285	73	(74%)	11%	3%	0.32	0.08
Group Total	24,731	26,021	5%			5,358	4,398	(18%)	5,712	4,346	(24%)				

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

- We are expecting a 5% Y/Y increase in the Telecom sector's revenues in 3Q, helped by increased number of subscribers as well as visitors. Gross margins are expected to show a mixed performance. Zain enjoys the leading margin in the sector. Zain's towers deal revenues were fully recognized in 2023 (SAR 139 mln in capital gains were recognized in 3Q2023), so net income estimates for 3Q2024 are significantly lower than the corresponding quarter.

Software & Services Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E
Solutions	2,795	2,943	5%	28%	26%	438	451	3%	387	390	1%	14%	13%	3.22	3.25
Elm	1,521	1,855	22%	38%	40%	323	438	36%	334	409	22%	22%	22%	4.18	5.12
Group Total	4,316	4,798	11%			761	889	17%	721	800	11%				

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

- The KSA IT sector is expected to grow by 8% in 2024, as both the government and the private sector aim for digitalization. Solutions is targeting an average growth of 10% in 2024, while Elm is targeting 17%. Solutions LEAP 2.0 strategy aims to enhance its core business by leveraging emerging technology, fostering innovation and efficiency improvements, and focusing on high-potential verticals through specialized industry offerings. Elm's 4.0 strategy is catalyzing the expansion of its product offerings into new government verticals and new B2B adjacent products. We forecast Solutions net income to increase by only +1% Y/Y on pressured margins and Elm by +22% Y/Y.

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

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	Y/Y	3Q2023	3Q2024E	3Q2023	3Q2024E
Almarai	4,797	5,074	6%	31%	32%	644	724	12%	487	581	19%	10%	11%	0.49	0.58
Jarir	2,639	2,800	6%	15%	14%	316	338	7%	296	317	7%	11%	11%	0.25	0.26
SEC*	23,799	25,703	8%	33%	26%	7,185	7,063	(2%)	5,844	5,946	2%	25%	23%	1.40	1.43
BDH	1,359	1,368	1%	31%	33%	56	97	73%	34	70	106%	3%	5%	0.03	0.06
Marafiq	1,701	1,837	8%	19%	14%	301	206	(32%)	188	78	(59%)	11%	4%	0.75	0.31
Riyadh Cables	2,081	2,299	10%	13%	14%	168	223	33%	133	181	36%	6%	8%	0.88	1.20
Maaden	6,226	7,683	23%	15%	32%	212	1,858	776%	(83)	1,100	-	(1%)	14%	(0.02)	0.30
Nahdi	2,163	2,297	6%	40%	37%	230	212	(8%)	213	201	(6%)	10%	9%	1.64	1.54
Aldawaa	1,439	1,594	11%	36%	36%	102	120	18%	71	83	16%	5%	5%	0.84	0.97

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 5.1 bln, driven by significant momentum and investment in Poultry, while a seasonal Q/Q decline is expected again this quarter, we also note our expectations of a +19% Y/Y increase in net income to SAR 581 mln.
- **Jarir:** We expect a +6% Y/Y increase in top-line, coupled with slightly lower to flat gross margins, driven by greater marketing expenditures, as well as price competition. Moreover, we also expect iPhone sales to support a +7% Y/Y increase in bottom-line, to SAR 317 mln versus SAR 296 mln in 3Q2023; due to seasonality.
- **SEC** With 3Q being peak summer, Utilities experience an upsurge in demand. We expect SEC revenues to grow +8% Y/Y to SAR25.7 bln on the back of higher consumption. We anticipate that the trend of Y/Y decline in gross margins will continue into 3Q as well.
- **BDH:** We expect a modest increase in top-line from 3Q23, increasing by +1% Y/Y to SAR 1.4 bln, accompanied by improved margins, of ~33%, driven by strategic acquisitions. We also expect that previous performance driven by Ramadan will cause net income to be muted Q/Q, but have strong growth Y/Y.
- **MARAFIQ:** We forecast +8% rise in revenues to SAR 1.8 bln but lower gross margins. Net profit is expected to decline -59% Y/Y.
- **Riyadh Cables:** With a continued increase in backlog, we forecast RCGC's top line to grow +10% Y/Y and net income to rise by a stronger +36% Y/Y to SAR 181 mln.
- **MAADEN:** The Company will benefit from higher product prices Y/Y, particularly Gold prices, which have experienced strong growth Q/Q, while seasonal increases in DAP from the previous quarter, will also drive strong top-line performance. We expect Y/Y growth in revenues (+23%) and significant growth in profits.
- **NAHDI:** We expect revenues to grow steadily by +6% Y/Y, while gross margins are expected to be lower Y/Y, as the Company continues to experience some price competition. Operating profit, due to lower margins, is expected to decline, decreasing by -8% Y/Y to SAR 212 mln.
- **ALDAWAA:** We expect strong growth of +11% Y/Y in top-line, driven by store-expansions, while gross margins of 36%, remain flat Y/Y, due to seasonality.

■ 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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