Main Market (TASI): Quarterly Results

January 06, 2022

Petrochemicals Sector

Company	Revenue			EBIT		EBIT Margins		Net Income			Net Margins		EPS (SAR)	
	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	4Q2020	4Q2021E	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	4Q2020	4Q2021E
Petrochem	-	-	-	372	267	-	-	252	259	3%	-	-	0.52	0.54
SABIC	32,848	46,320	41%	3,695	7,937	11%	17%	2,223	5,578	151%	7%	12%	0.74	1.86
SABIC AGRI-NUTRIENTS	768	3,531	360%	282	2,317	37%	66%	234	2,081	791%	30%	59%	0.56	4.99
Tasnee	571	1,054	85%	53	606	9%	58%	(135)	364	-	(24%)	35%	(0.20)	0.54
Yansab	1,379	2,136	55%	371	384	27%	18%	333	359	8%	24%	17%	0.59	0.64
Sipchem	1,607	2,706	68%	299	1,069	19%	40%	318	917	189%	20%	34%	0.43	1.25
Advanced	633	854	35%	175	217	28%	25%	180	203	13%	28%	24%	0.83	0.94
Saudi Kayan	2,477	3,468	40%	294	635	12%	18%	158	534	237%	6%	15%	0.11	0.36
Group Total	**40,282**	**60,069**	**49%**	**5,541**	**13,432**			**3,562**	**10,295**	**189%**				

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

- Petrochemical product prices have generally been higher in the fourth quarter as well. At the same time, feedstock prices have witnessed a significant increase with Propane, Butane and Naphtha prices all up, rising +26%, +22% and +10% respectively Q/Q. LDPE and Polypropylene have increased by +10% and +6% respectively in 4Q while most speciality petrochemicals have also seen a rise with Acetic Acid up +22%, EVA up +28% and VAM up by +40% on a quarterly basis. Urea prices have continued their meteoric ride and are up +83% Q/Q.
- The increase in feedstock prices in 4Q as well would generally lead to a pressure on margins for most producers. Challenges in the supply chain persist but these have impacted global petrochemical producers more.
- We expect a +49% Y/Y growth in revenues for the petrochemical companies under our coverage with net profit likely to rise by +189% Y/Y for them. Sabic Agri Nutrients is likely to post extraordinary net profits in excess of SAR 2 billion.

Research Team
research@riyadcapital.com
+966-11-203-6805

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Banking Sector

Company	Net Commission Income			Net Income			Net Advances			Deposits		
	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	Y/Y
BSF	1,281	1,331	4%	94	677	620%	130,565	146,490	12%	127,112	144,907	14%
SABB	1,497	1,425	(5%)	681	639	(6%)	153,243	165,975	8%	189,110	189,110	0%
ANB	1,168	1,189	2%	273	379	39%	113,363	121,585	7%	129,352	122,885	(5%)
Al Rajhi	4,638	5,488	18%	3,121	4,000	28%	315,712	444,552	41%	382,631	497,420	30%
Albilad	876	900	3%	378	436	15%	70,115	84,805	21%	71,553	85,148	19%
Alinma	1,219	1,462	20%	407	617	51%	111,196	125,073	12%	119,454	120,649	1%
SNB*	5,811	6,313	9%	4,115	3,620	(12%)	502,732	508,733	1%	624,124	592,136	(5%)
Group Total	**16,492**	**18,109**	**10%**	**9,069**	**10,368**	**14%**	**1,396,925**	**1,597,213**	**14%**	**1,643,337**	**1,752,255**	**7%**

Source: Riyad Capital, Company Reports (SAR mln)
** Pro forma data for 4Q2020*

- 3M SAIBOR continued its uptrend in 4Q, increasing by +12% Q/Q and +14% Y/Y to end the year at 0.91%. Therefore, we expect banks to register higher NSCI on both yearly and quarterly basis.
- According to SAMA's monthly data for November 2021, the Saudi banks recorded a slight decrease by -3% Y/Y in the profit before zakat. Yet, our forecast shows an increase by +14%Y/Y in terms of profits after zakat for Banks under our coverage, while on Q/Q will decrease by -8%.
- The Saudi Central Bank (SAMA) announced the extension of the Deferred Payment Program (one of SAMA's Private Sector Financing Support Programs) for three additional months from January 1, 2022 to March 31, 2022, for the benefit of micro, small and medium enterprises (MSMEs) that continue to be affected by the COVID-19 precautionary measures.

Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	4Q2020	4Q2021E
Yamama	173	237	37%	34%	22%	42	32	(24%)	93	30	(68%)	54%	13%	0.46	0.15
Saudi	435	346	(20%)	41%	28%	124	51	(59%)	123	45	(63%)	28%	13%	0.80	0.30
Qassim	238	176	(26%)	46%	32%	99	48	(52%)	113	49	(57%)	48%	28%	1.26	0.55
Southern	431	334	(23%)	38%	34%	150	95	(37%)	141	92	(35%)	33%	28%	1.01	0.66
Yanbu	265	203	(23%)	32%	26%	76	43	(43%)	71	43	(39%)	27%	21%	0.45	0.27
Group Total	**1,542**	**1,296**	**(16%)**			**491**	**269**	**(45%)**	**541**	**259**	**(52%)**				

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

- Continuing with its trend last quarter, we expect the average selling prices to continue its downward trend, especially in the Central region due to higher competition. We expect lower sales volumes Y/Y, except Yamama Cement, which showed strong sales quantities during October and November. At the same time, we expect margins to be lower Y/Y.

Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	4Q2020	4Q2021E
STC	15,213	15,958	5%	56%	53%	3,290	3,248	(1%)	2,683	2,828	5%	18%	18%	1.34	1.41
Mobily	3,533	3,803	8%	56%	57%	380	435	14%	246	292	19%	7%	8%	0.32	0.38
Zain	2,061	2,042	(1%)	66%	63%	210	184	(12%)	36	59	64%	2%	3%	0.05	0.07
Group Total	**20,807**	**21,803**	**5%**			**3,880**	**3,866**	**0%**	**2,965**	**3,179**	**7%**				

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

- We expect sector's revenues to increase by +5% Y/Y and +2% Q/Q due to continued growth in usage and data demand, particularly from the business unit segment. Due to higher device sales, we expect gross margins to shrink for the three telecom operators on a quarterly basis. We predict the bottom-line for Zain will increase by +64% Y/Y attributed to the continuous improvement in Zain's operating efficiency. Mobily's net income is predicted to increase by +19% Y/Y due to the higher business unit revenues, while STC 's net income is expected to increase by +5% Y/Y owing to the higher revenues from its subsidiaries.

Food & Beverage, Retailing, Utilities and Health Care Sectors

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	Y/Y	4Q2020	4Q2021E	4Q2020	4Q2021E
Almarai	3,820	3,986	4%	32%	31%	500	463	(7%)	336	356	6%	9%	9%	0.34	0.36
Jarir	2,554	2,252	(12%)	14%	14%	327	321	(2%)	288	301	5%	11%	13%	2.40	2.51
SEC	20,126	18,731	(7%)	26%	37%	5,179	6,150	19%	3,208	5,567	74%	16%	20%	0.77	1.34
HMG	1,691	1,937	15%	32%	32%	329	403	22%	318	367	16%	19%	19%	0.91	1.05

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

- **Almarai:** We expect a +4% Y/Y increase in top-line supported from Poultry and Bakery sales on higher demand in KSA due to tourism activities as well as support from Egypt and Jordan sales. We expect bottom-line to rise by +6% Y/Y due to lower funding costs driven by lower debt and interest.
- **Jarir:** As the global supply chain crisis continues, we expect the top-line to decline by -12% Y/Y due to a delay in delivering the smartphones, while we expect a +5% Y/Y increase in bottom-line on the back of a one-off profit.
- **SEC:** During 4Q, Saudi Electricity Co. is expected to be affected by the seasonality. Consequently, we assume a decrease by -7% Y/Y in operating revenue, mainly driven by lower electricity sales Y/Y. However, due to the implementing of the regulatory and financial reforms during the year, we believe that the margins will expand on Y/Y as well as an increase in the net income by +74% Y/Y.
- **HMG:** HMG is forecasted to continue its steady growth as both inpatient and outpatient numbers as well as procedures is likely to continue increasing. We expect a rise in revenues of +15% Y/Y and net income to grow by +16% Y/Y. Even with rising Covid-19 numbers, we are unlikely to return to lockdowns witnessed in the early stages of the pandemic, which had negatively impacted HMG.

Parallel Market (Nomu): Semi-Annual Results

Materials, Consumer Services and Retailing

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2H2020	2H2021E	Y/Y	2H2020	2H2021E	2H2020	2H2021E	Y/Y	2H2020	2H2021E	Y/Y	2H2020	2H2021E	2H2020	2H2021E
Riyadh Cement	291	312	7%	41%	35%	103	100	(3%)	99	91	(8%)	34%	29%	0.82	0.76
BURGERIZZR	113	129	14%	28%	29%	15	19	26%	13	17	26%	12%	13%	5.35	6.73
Alhasoob	135	127	(6%)	8.5%	7.5%	6.9	5.6	(19%)	6.4	5.2	(19%)	4.8%	4.1%	4.60	3.71

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

- **Riyadh Cement:** During the 2H2021 the company showed strong black cement sales Y/Y despite lower average selling prices. Along with stable White Cement sales, we expect a +7% growth in revenues for 2H2021 while we expect a decline of -8% Y/Y in net income due to lower margins.
- **BURGERIZZR:** Our forecasts call for an increase by +14% Y/Y in revenue to reach SAR 129 mln, due to the expected rise in number of branches. We believe that both gross and net margins will witness improvements by +1% Y/Y, due to the surge in revenues per branch. Therefore, NI will increase at a higher pace by +26% Y/Y to reach SAR 17 mln.
- **Alhasoob:** Due to lower demand for laptops and personal computers, compared with the same period last year. We expect top-line to decrease by -6% Y/Y. Additionally, we expect Alhasoob to be unable to maintain its gross margin at 8.5%. Therefore, we estimate the gross margin to stand at 7.5%, which will result in a decrease in bottom-line by -19% Y/Y.

Disclaimer

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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