



The Saudi Economy and the Saudi Equity Market: Outlook 2022

6th December 2021

Hans-Peter Huber, PhD
Chief Investment Officer

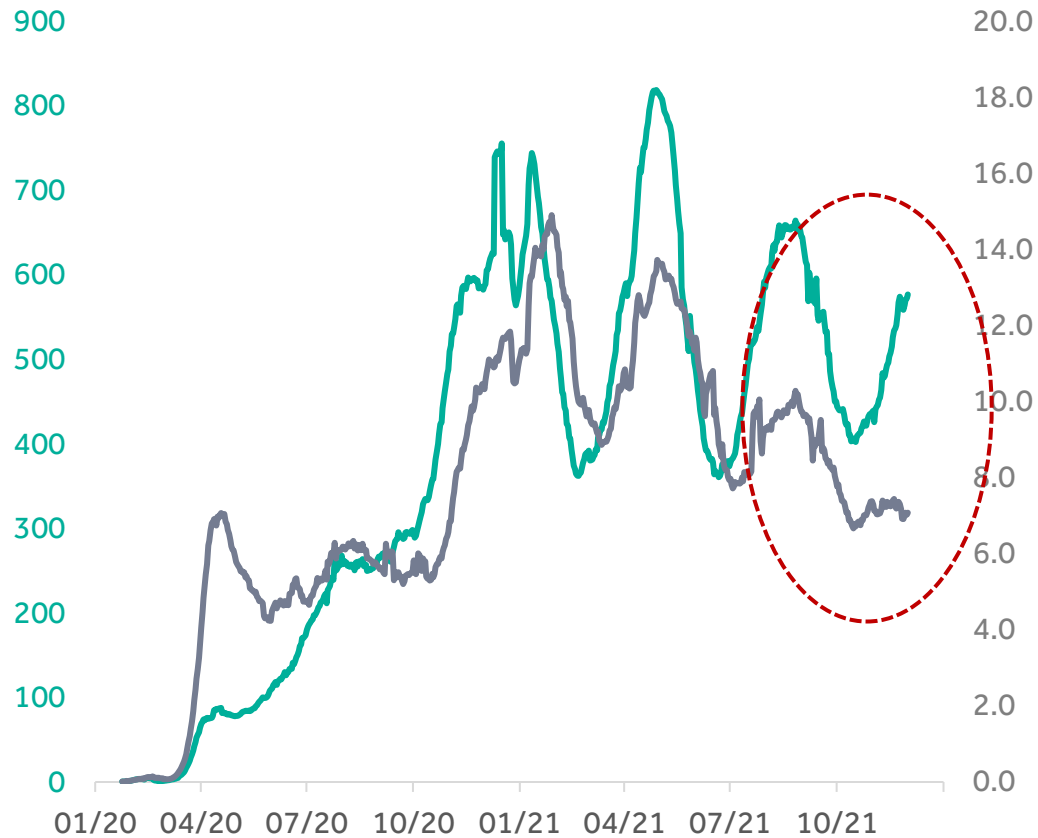


The Global Economic Backdrop



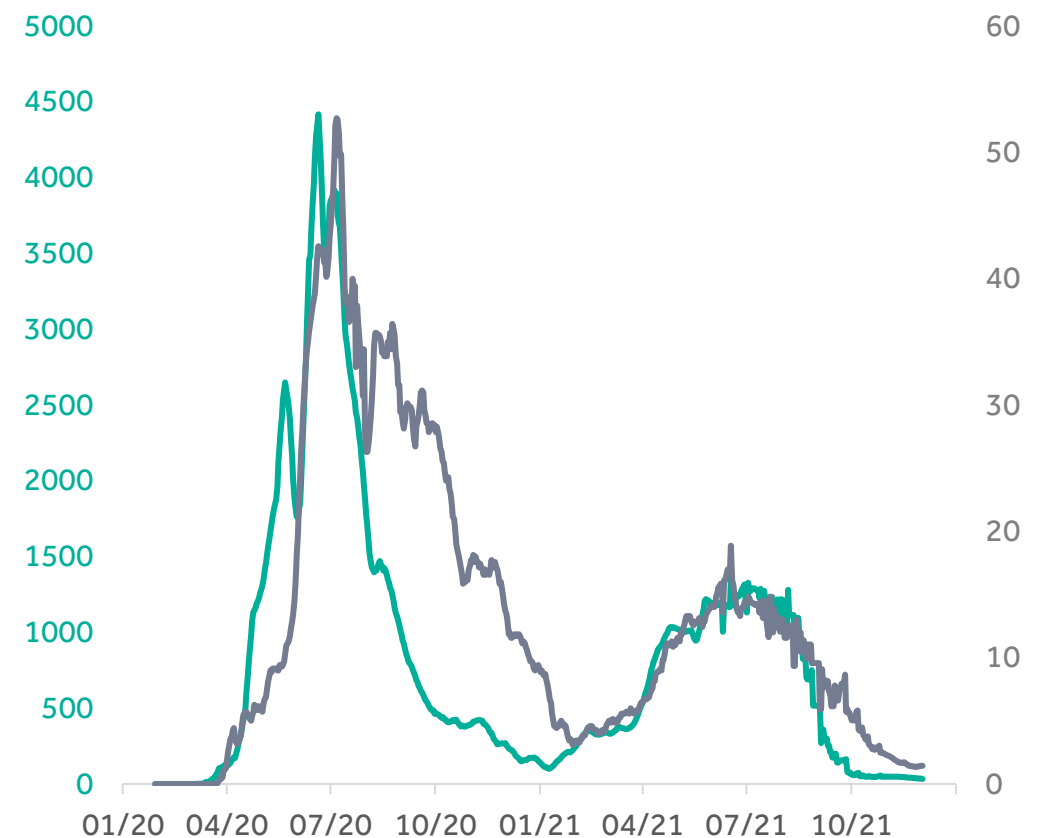
COVID-19 Health Front News

World: Daily New Infection and Death Cases



■ WORLD NEW DAILY INFECTION CASES, in 1000 (7DMA), LHS
■ WORLD NEW DAILY DEATH CASES, in 1000 (7DMA), RHS

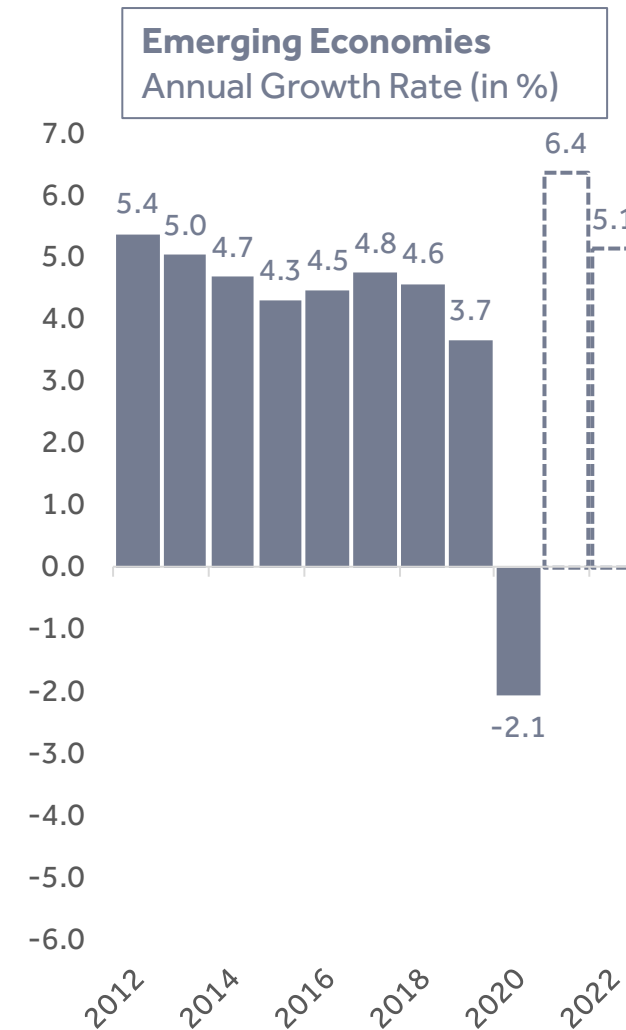
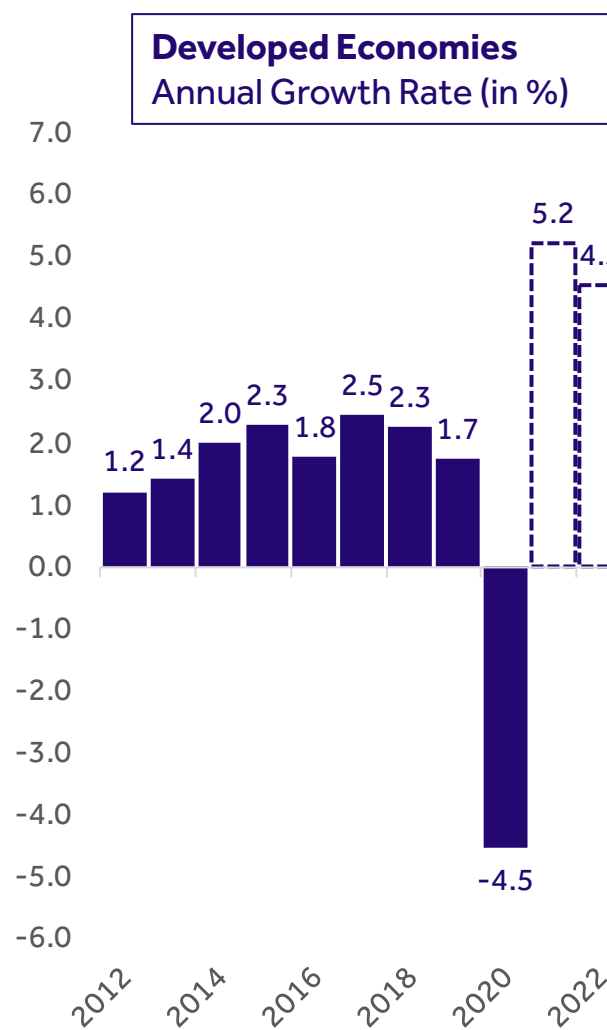
KSA: Daily New Infection and Death Cases



■ KSA NEW DAILY INFECTION CASES, (7DMA), LHS
■ KSA NEW DAILY DEATH CASES, (7DMA), RHS

source: Bloomberg, John Hopkins, RC

IMF World Economic Outlook (October 2021)



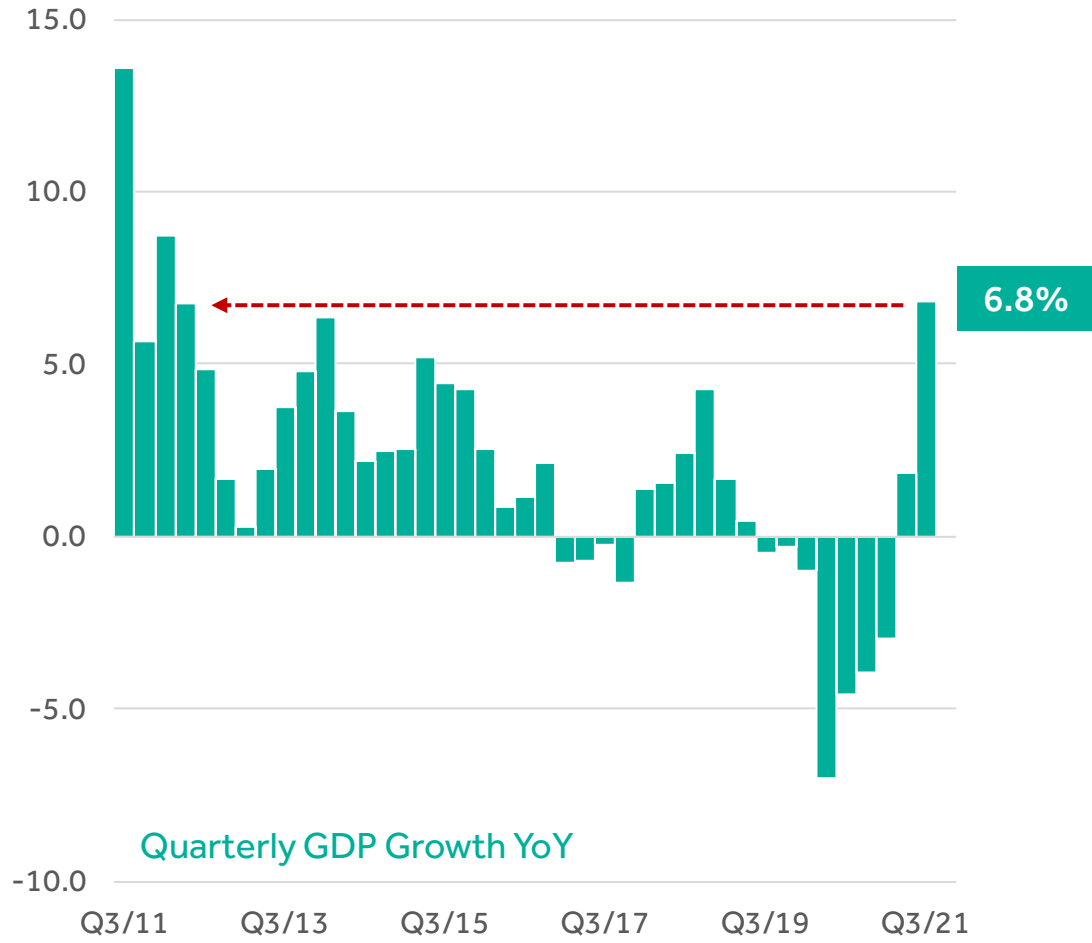


Saudi Economic Outlook 2022

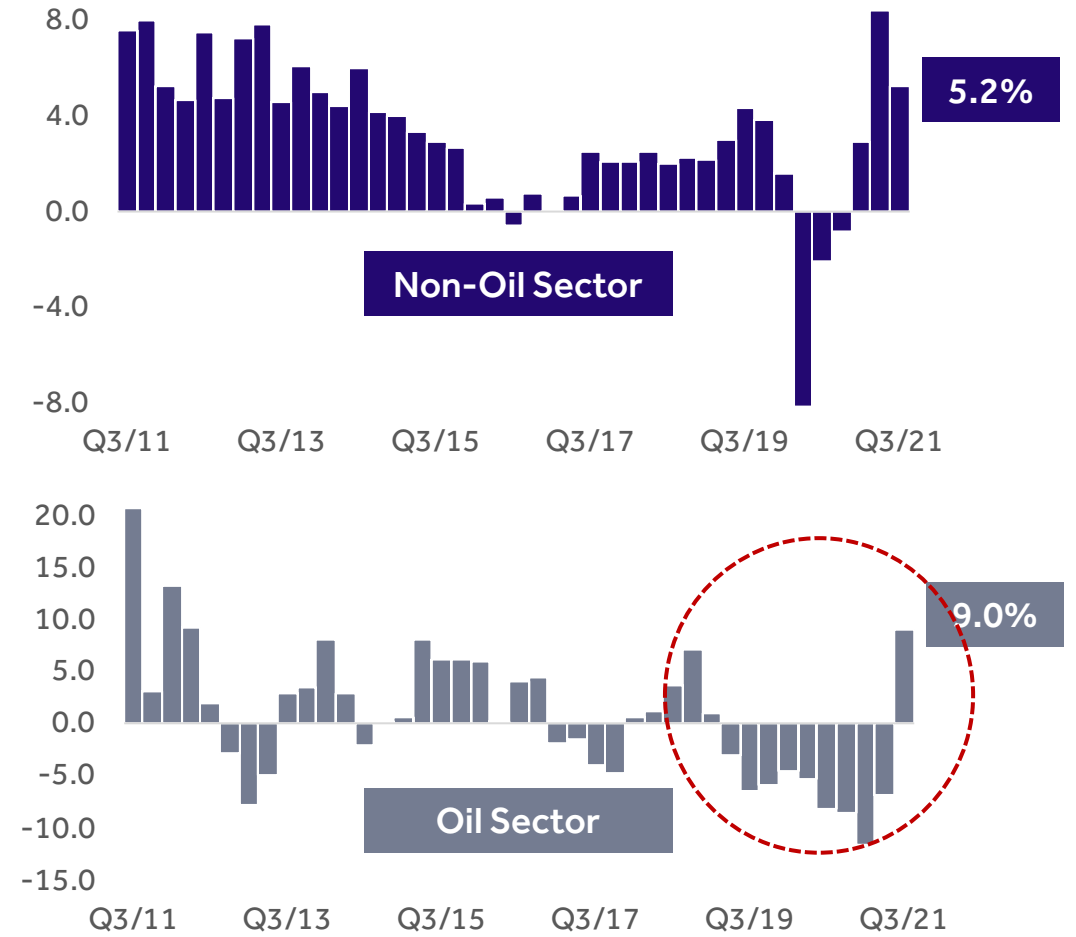


Broad based Recovery in 2021

Quarterly GDP Growth



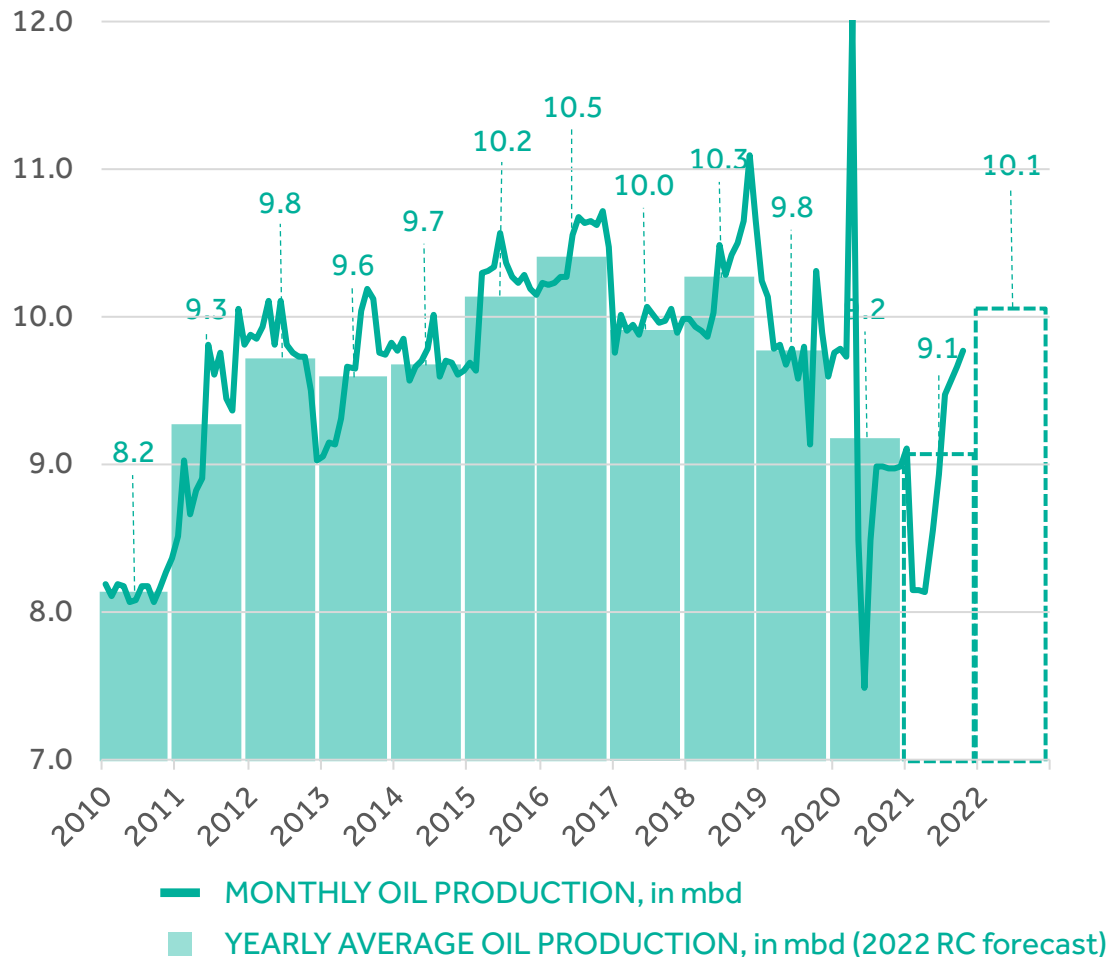
Quarterly GDP Growth Contributions



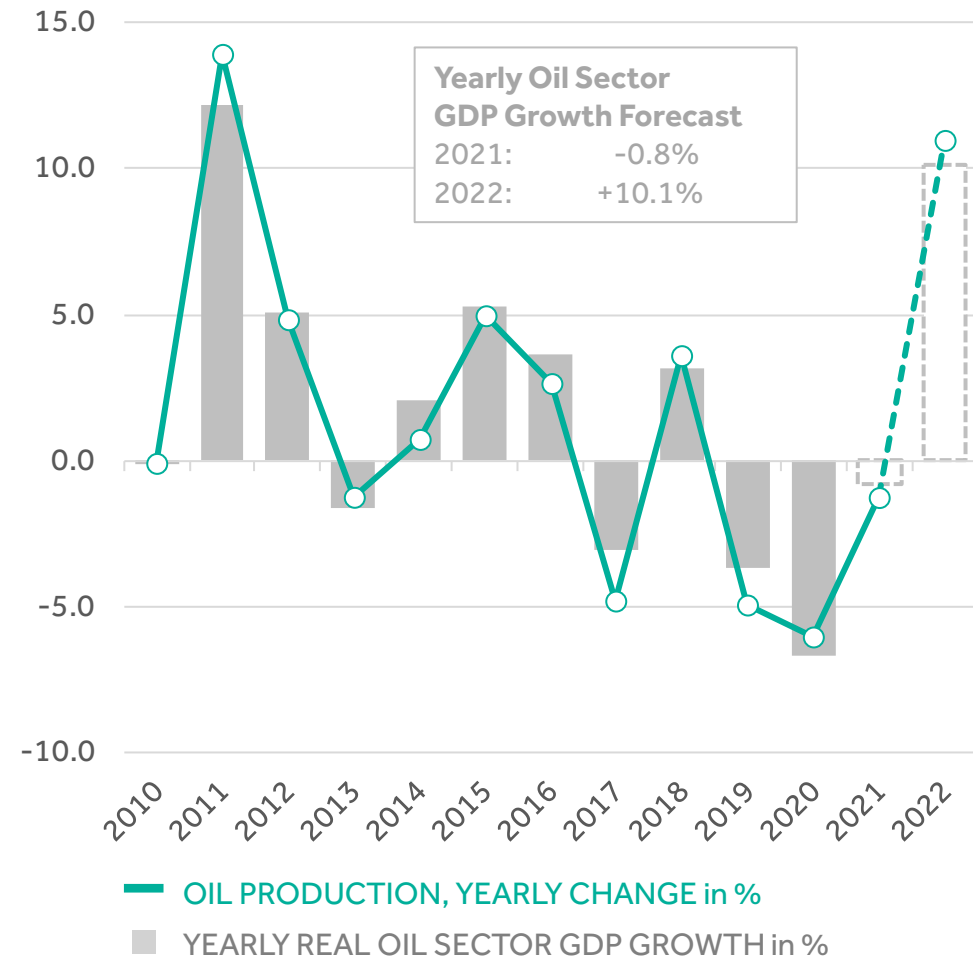
source: GASTAT, RC

Oil Sector : Growth Driver for KSA Economy in 2022

Crude Oil Production



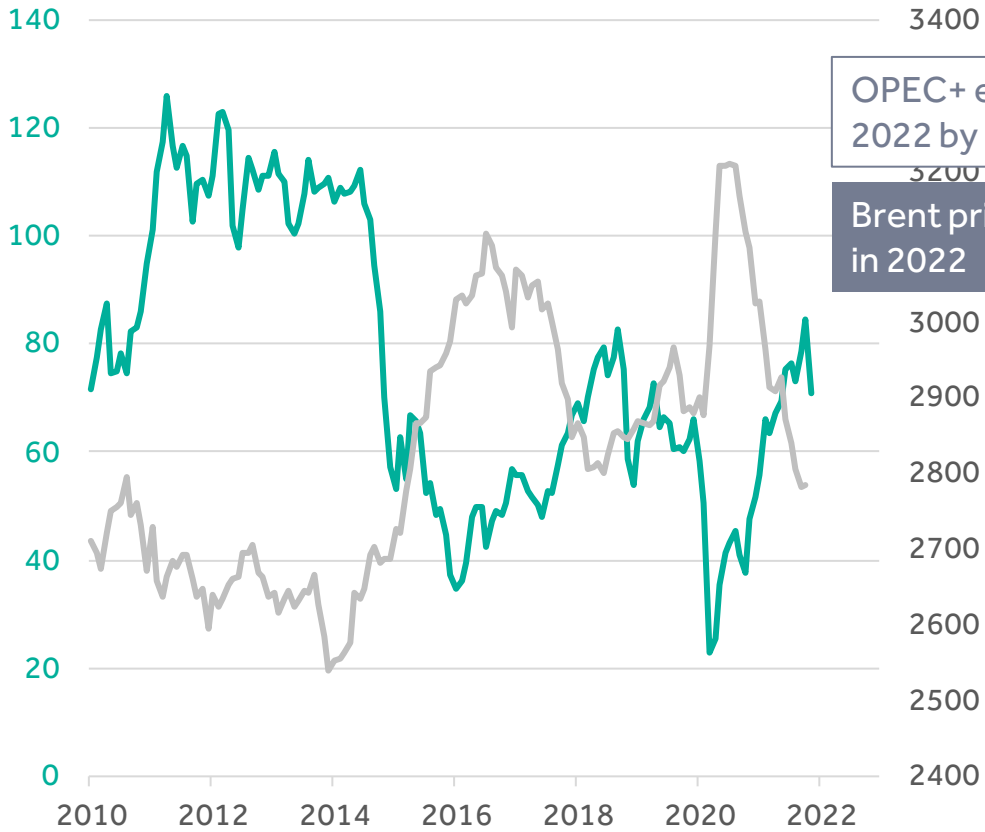
Oil Sector GDP Growth Projections



source: GASTAT, JODI, RC

Global Oil Market Supply Demand Balance

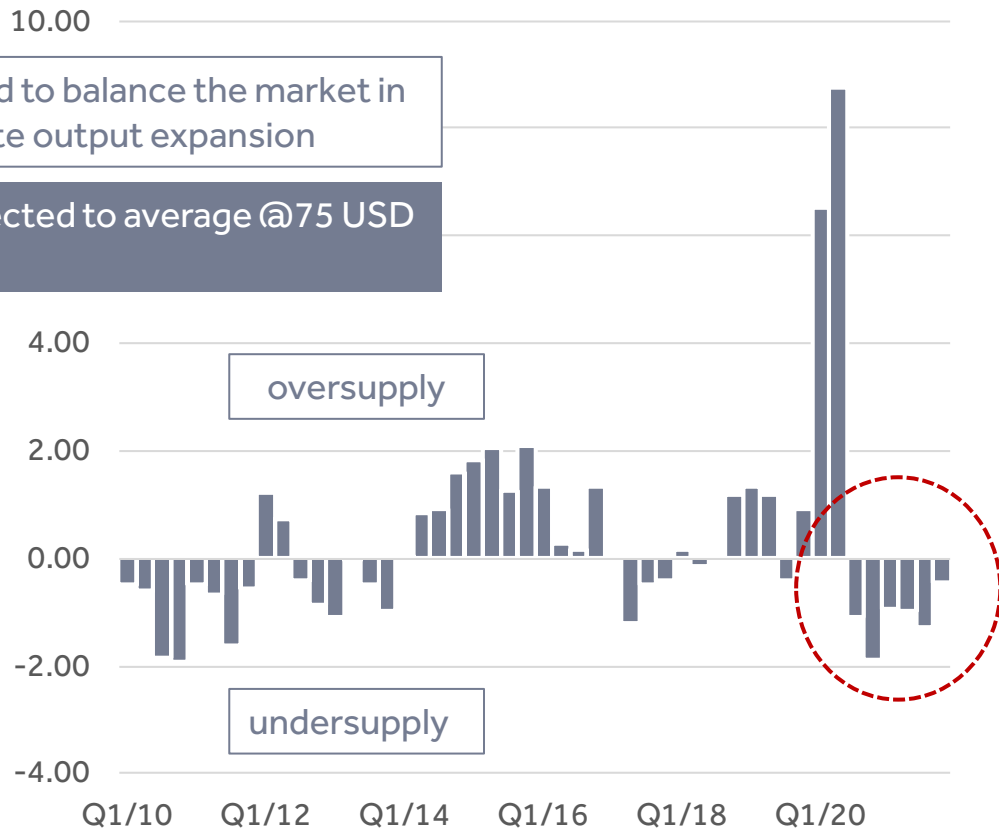
Global Oil Inventories and Oil Price



■ BRENT OIL PRICE, LHS
 ■ OECD OIL INVENTORIES, in mln bd, RHS

OPEC+ expected to balance the market in 2022 by adequate output expansion
 Brent price expected to average @75 USD in 2022

Global Supply / Demand Balance

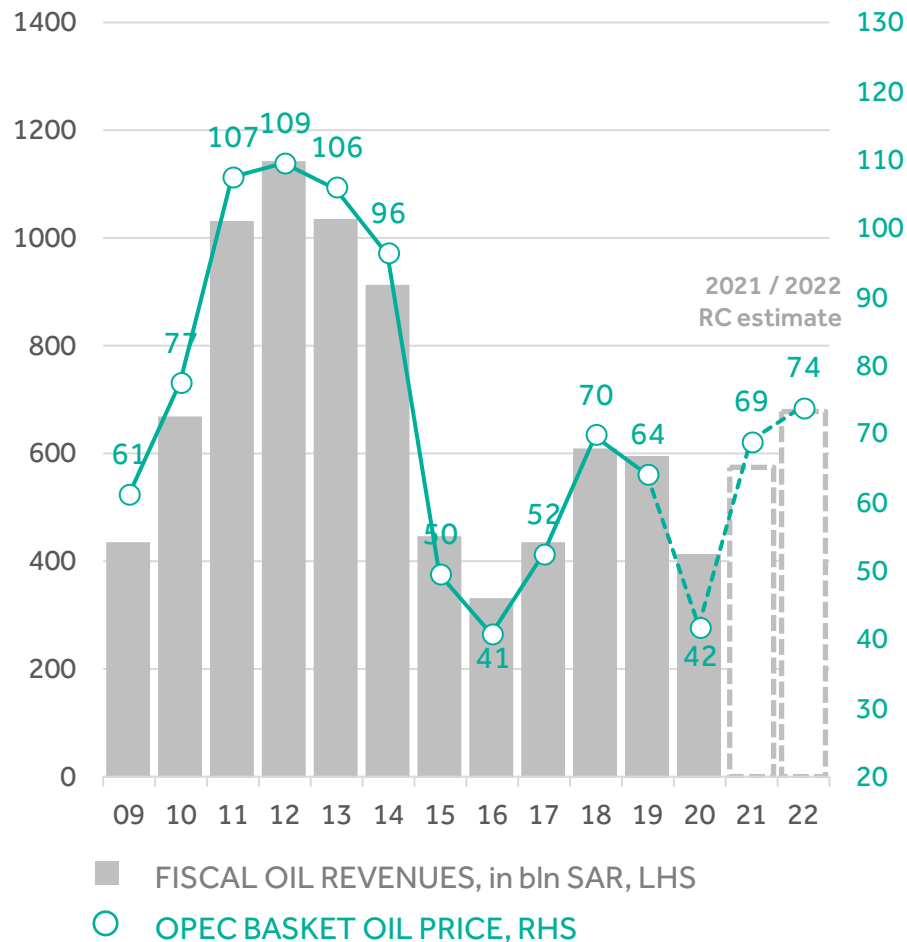


■ GLOBAL SUPPLY / DEMAND BALANCE, in mbd

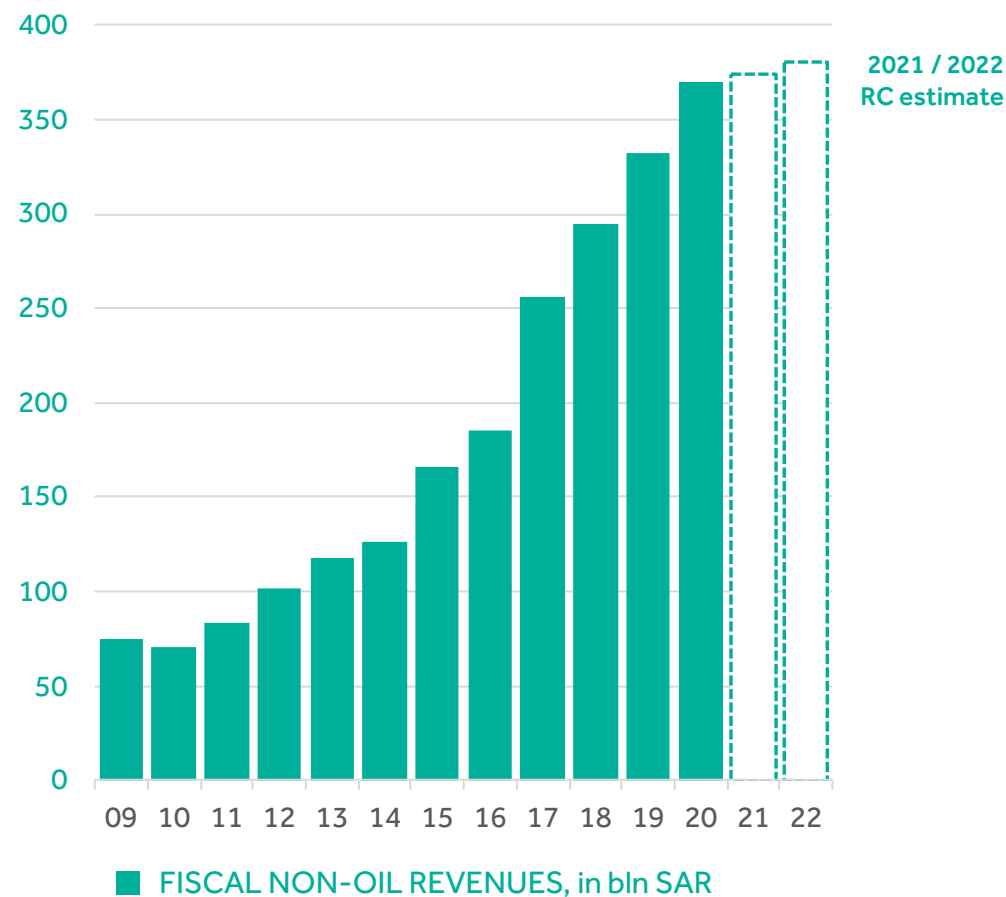
source: Bloomberg, IEA, RC

Fiscal Revenues Boosted by Oil Market

Fiscal Oil Revenues and Oil Price



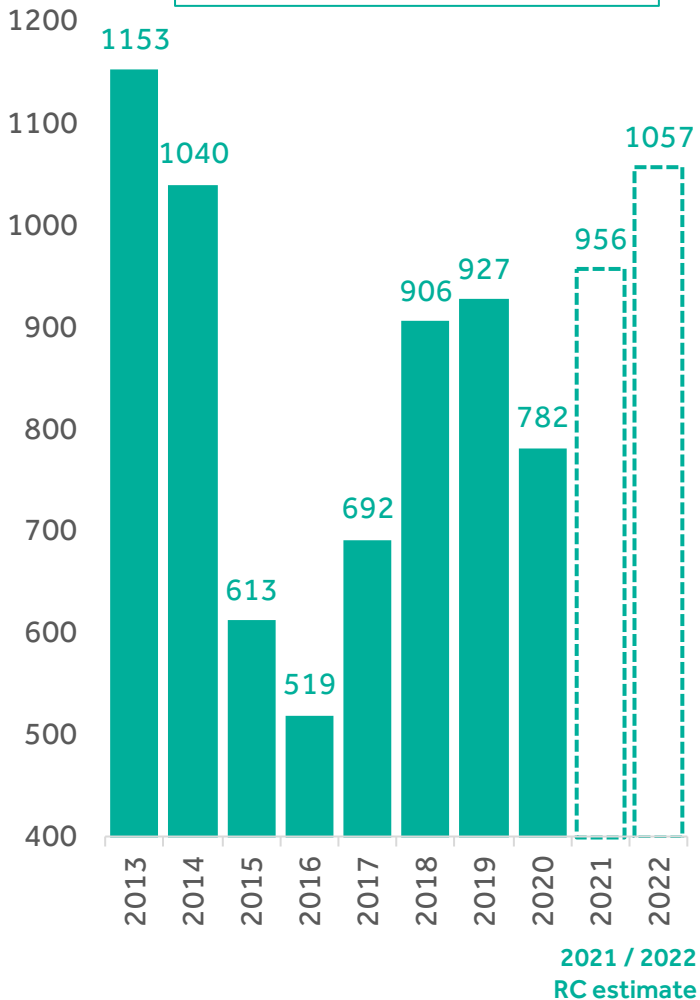
Fiscal Non-Oil Revenues



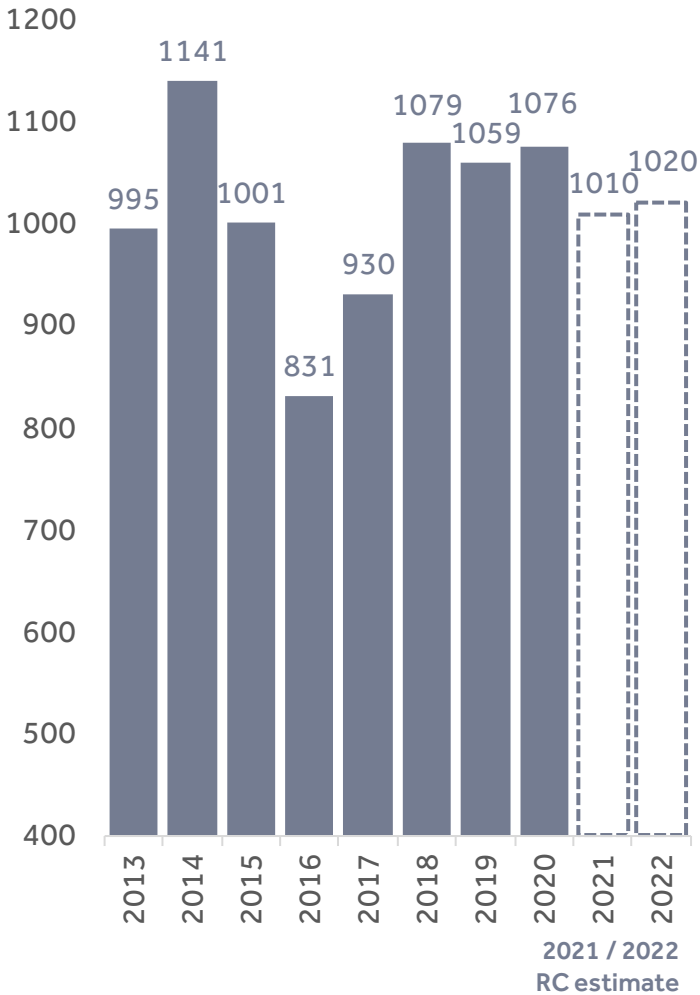
source: MoF, Bloomberg, RC

Saudi Fiscal Budget Turning to Surplus in 2022

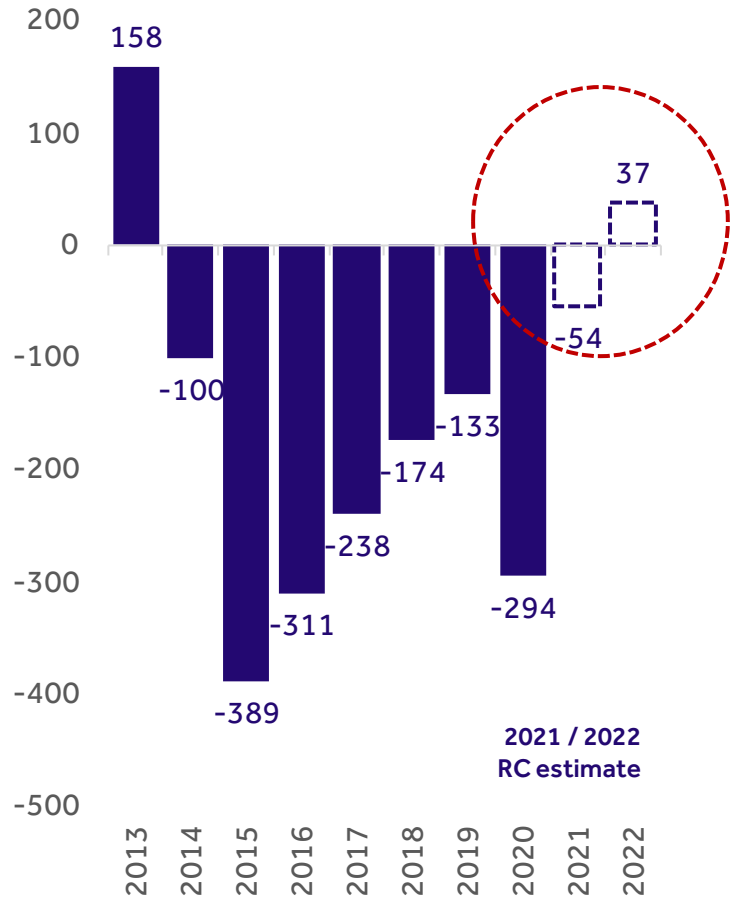
Fiscal Revenues
In bln SAR



Fiscal Expenditure
In bln SAR

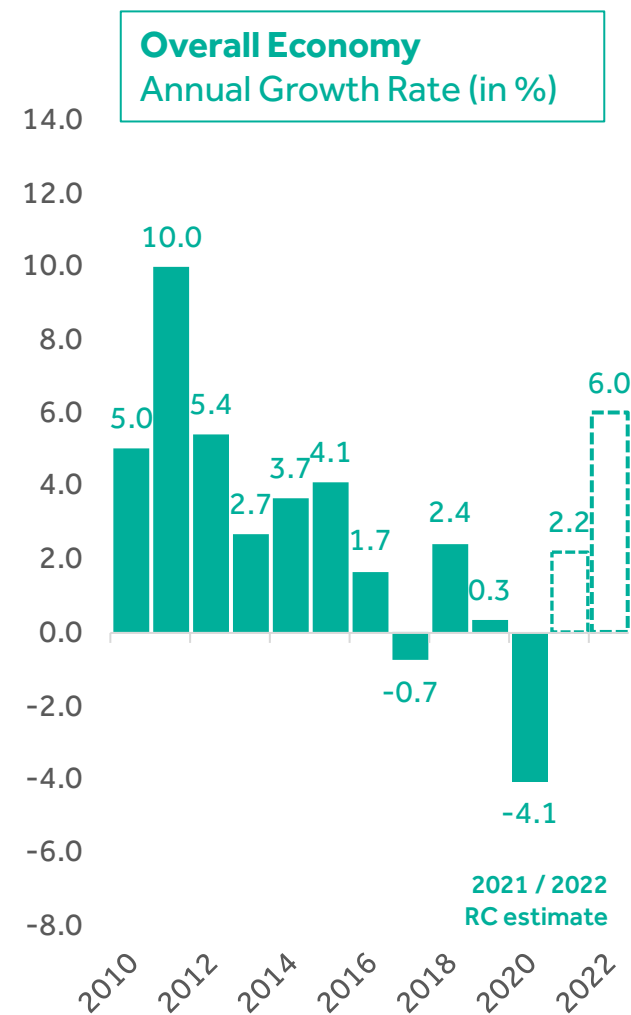
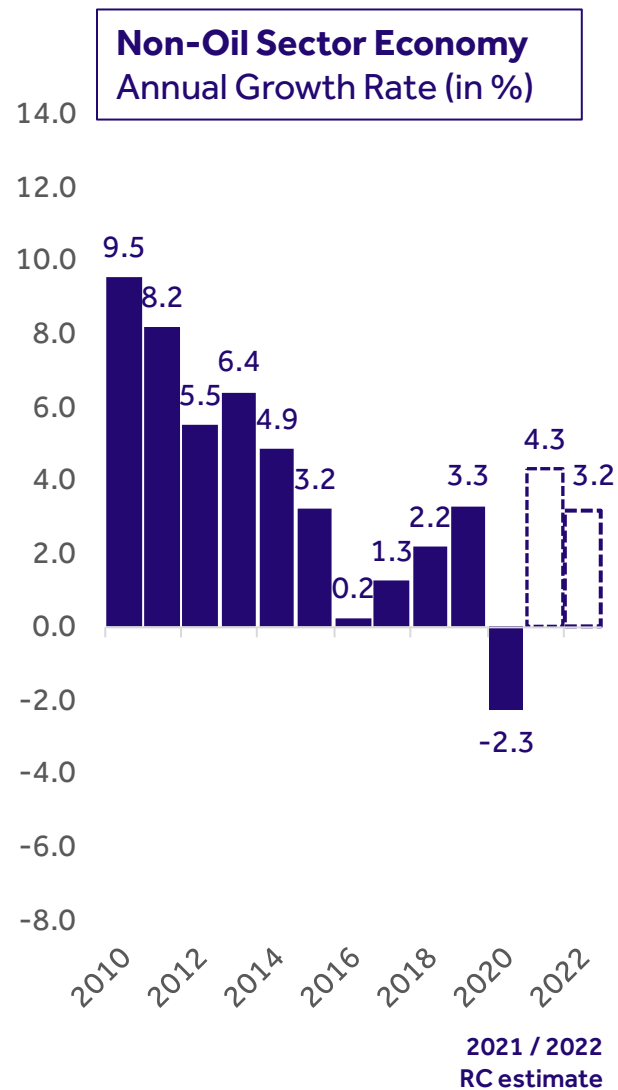
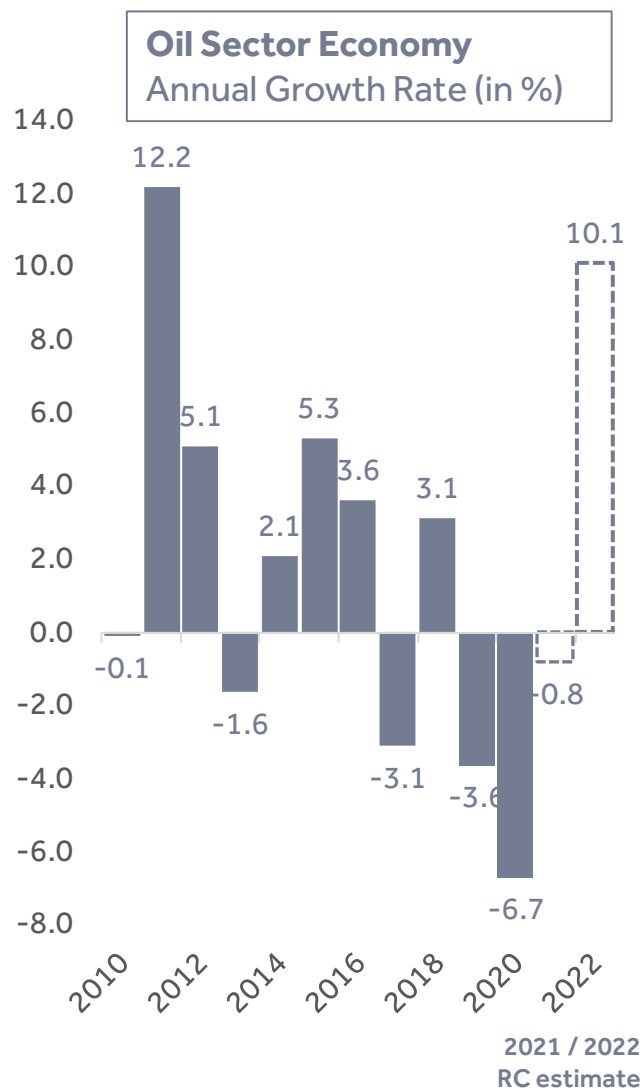


Fiscal Surplus / Deficit
In bln SAR



source: MoF, RC

Baseline Scenario 2022: Strongest Growth Since 2011



source: GASTAT, RC

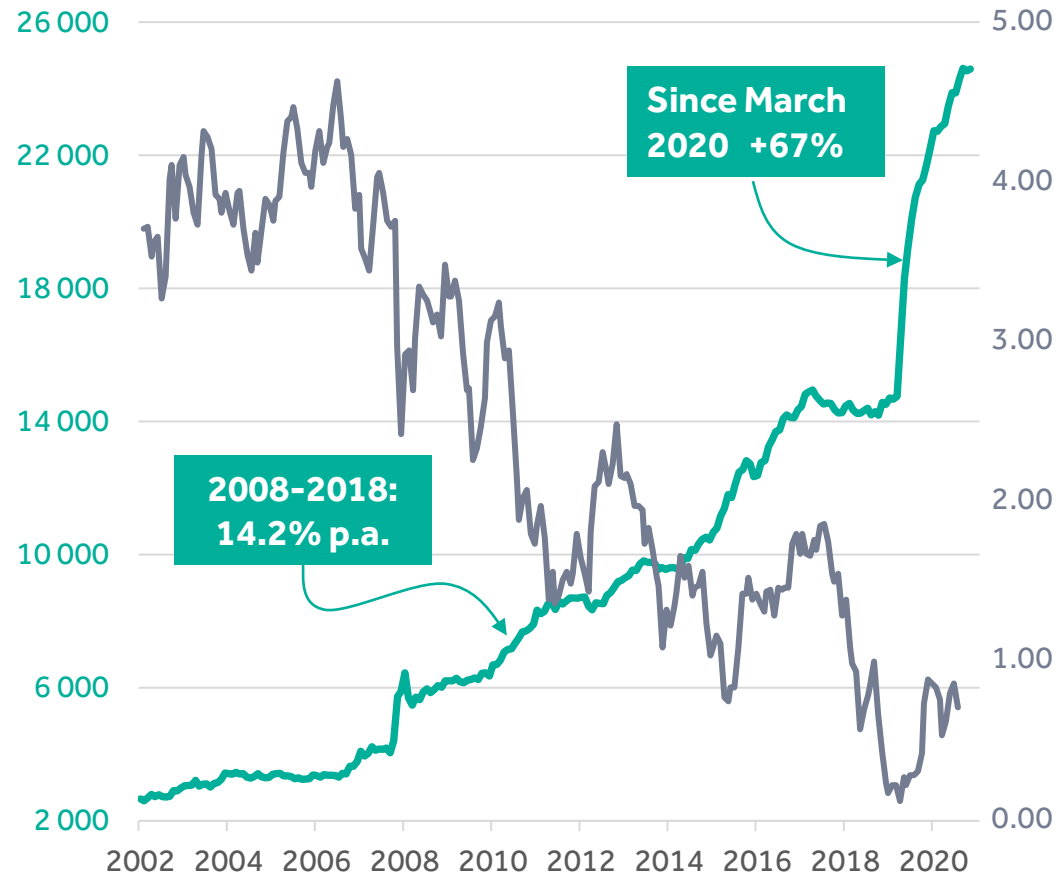


Saudi Equity Market Outlook 2022



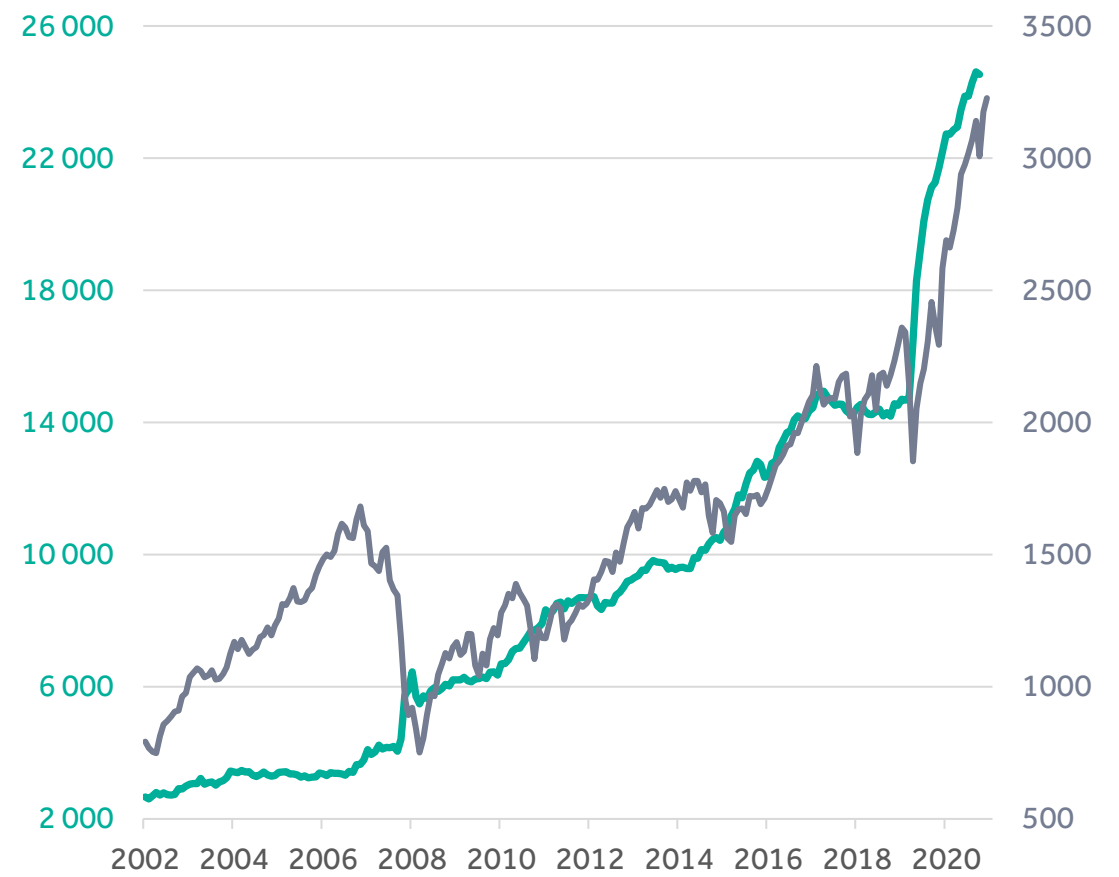
The Global Backdrop: Monetary Policy and Asset Price Inflation

Central Banks Balance Sheet and Sovereign Bond Yields



- BALANCE SHEET FED/ECB/BoJ, in bln USD, LHS
- AVERAGE BOND YIELD G7 COUNTRIES, in %, RHS

Central Banks Balance Sheet and Equity Markets

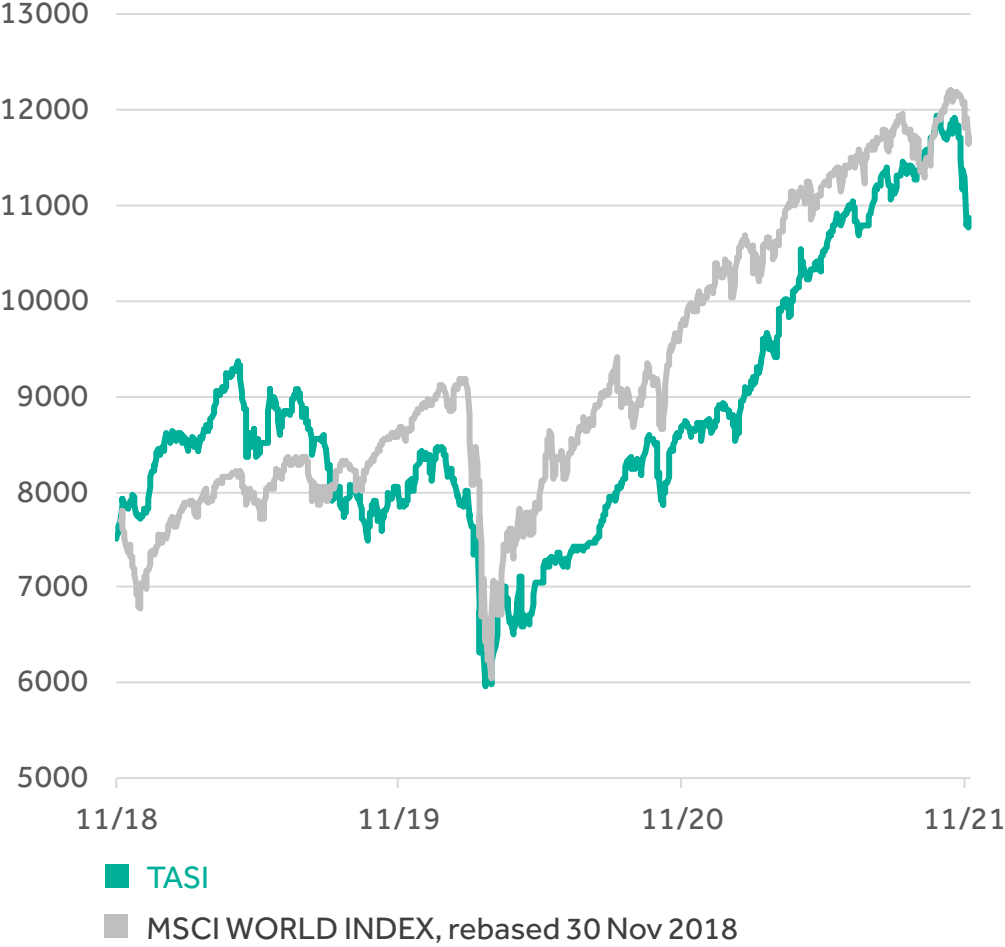


- BALANCE SHEET FED/ECB/BoJ, in bln USD, LHS
- MSCI WORLD EQUITY INDEX, RHS

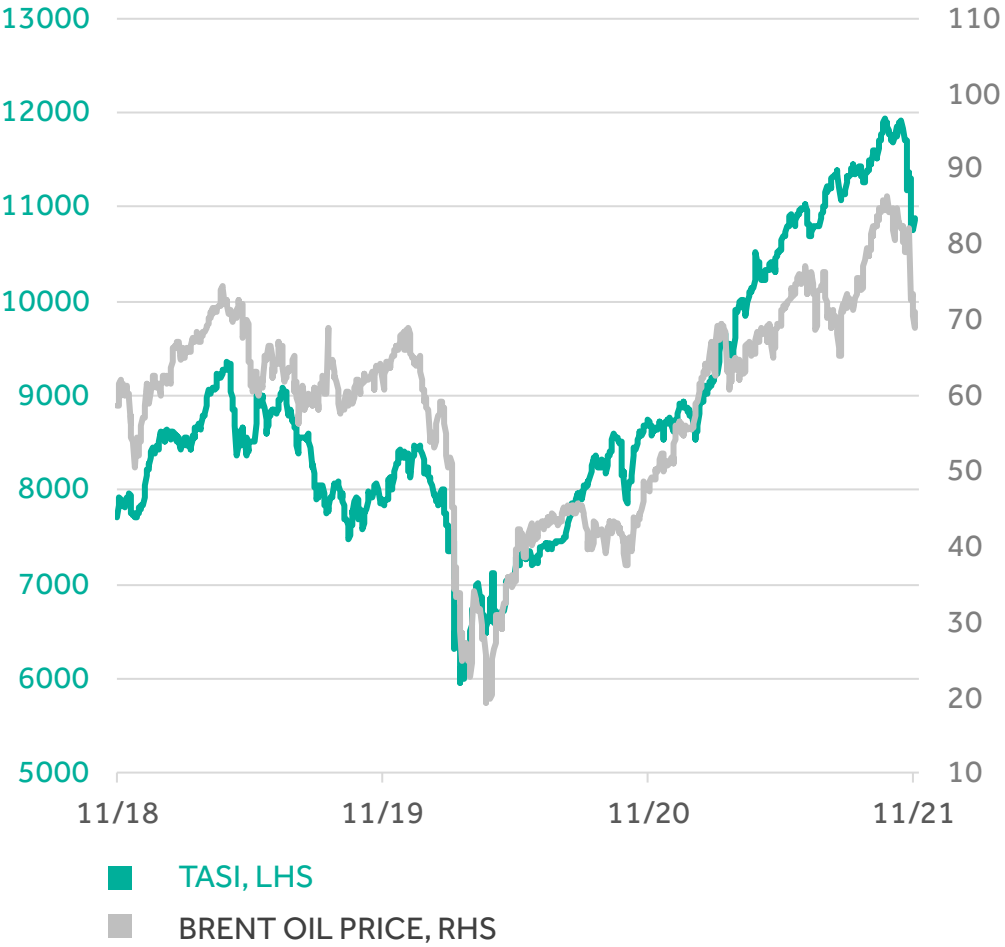
source: Bloomberg, RC

TASI versus Global Markets and Oil

TASI vs. Global Markets



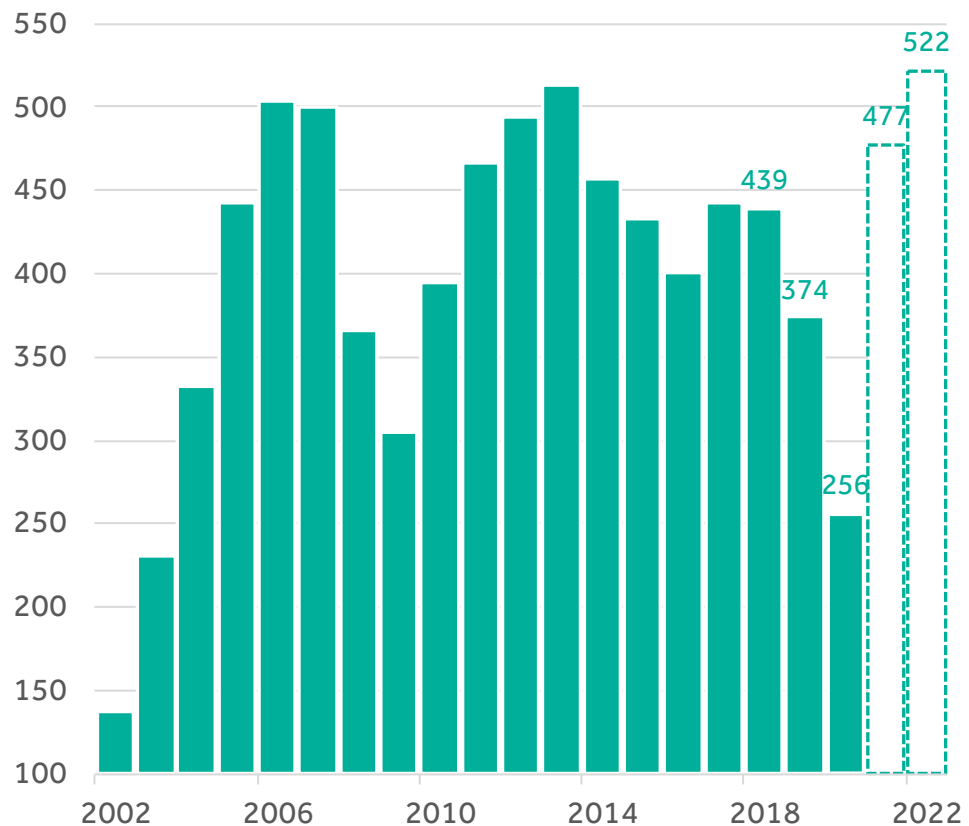
TASI vs. Brent Oil Price



source: Bloomberg, RC

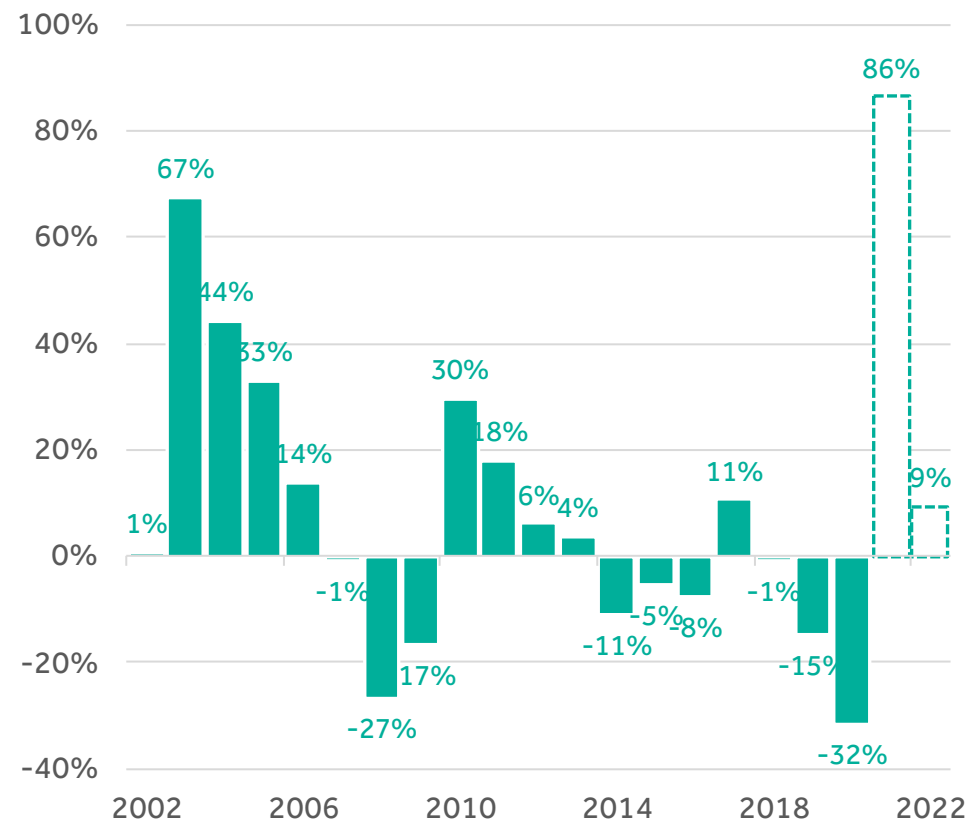
TASI Driven by Strong Earnings Recovery

TASI Annual Earnings (Free-float)



■ TASI ANNUAL EPS, in SAR
(2021/2022 RC forecast)

TASI EPS Annual Growth

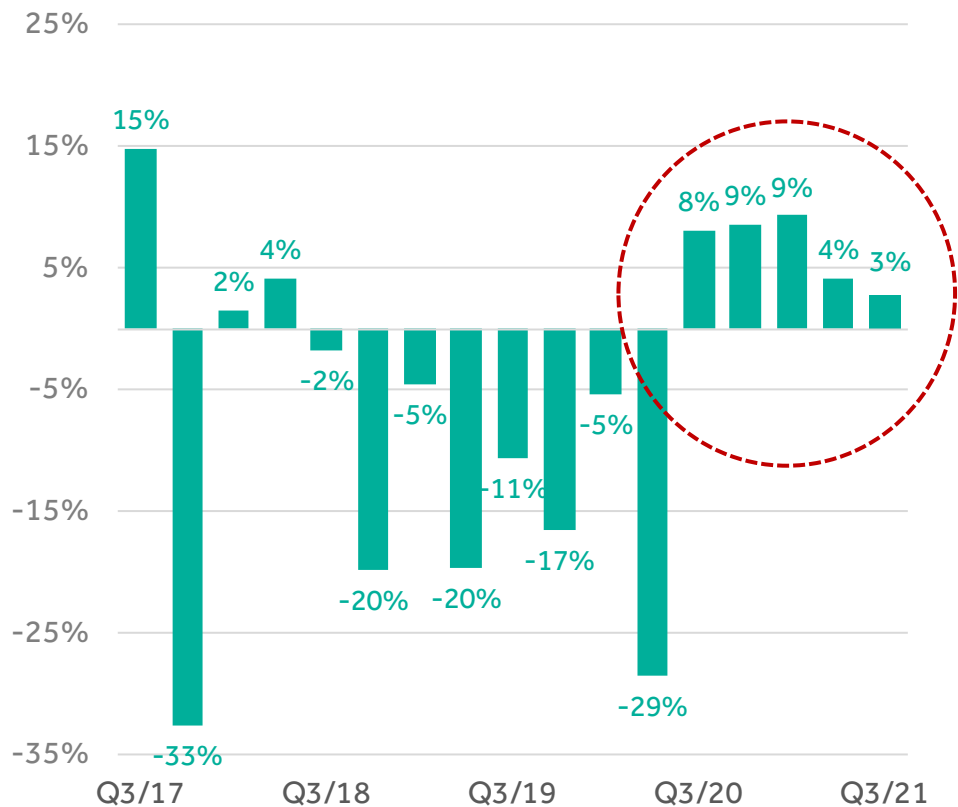


■ TASI ANNUAL EPS GROWTH, in %
(2021/2022 RC forecast)

source: Bloomberg, RC

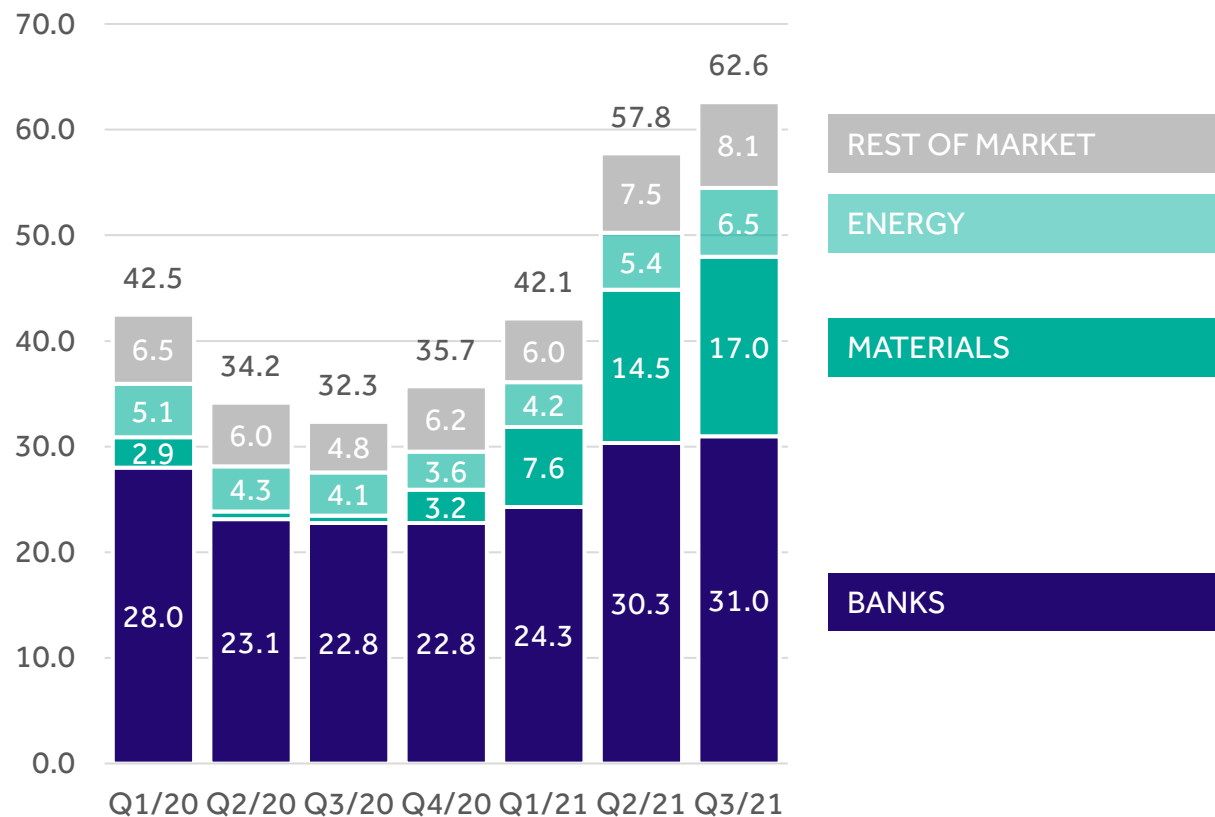
TASI Earnings Positively Surprising in Broad based Recovery

TASI Quarterly Earnings Surprises



■ TASI QUARTERLY EARNINGS SURPRISES
(actual vs. analysts' consensus)

TASI Net Income Breakdown by Major Sectors

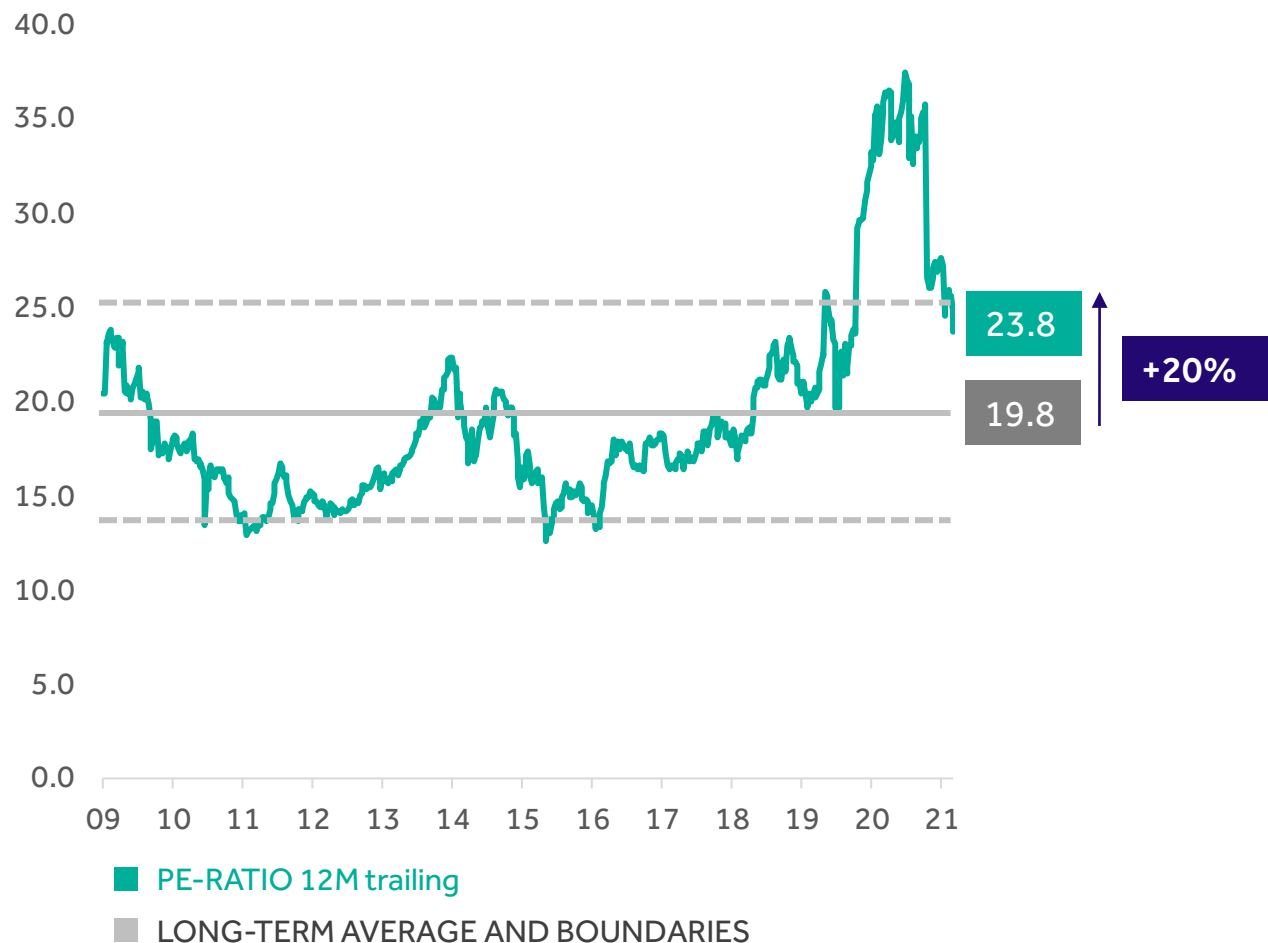


□ NET INCOME 4Q TRAILING, in bln SAR

source: Bloomberg, RC

TASI Valuation and Return Potential 2022

TASI 12M Trailing PE-Ratio



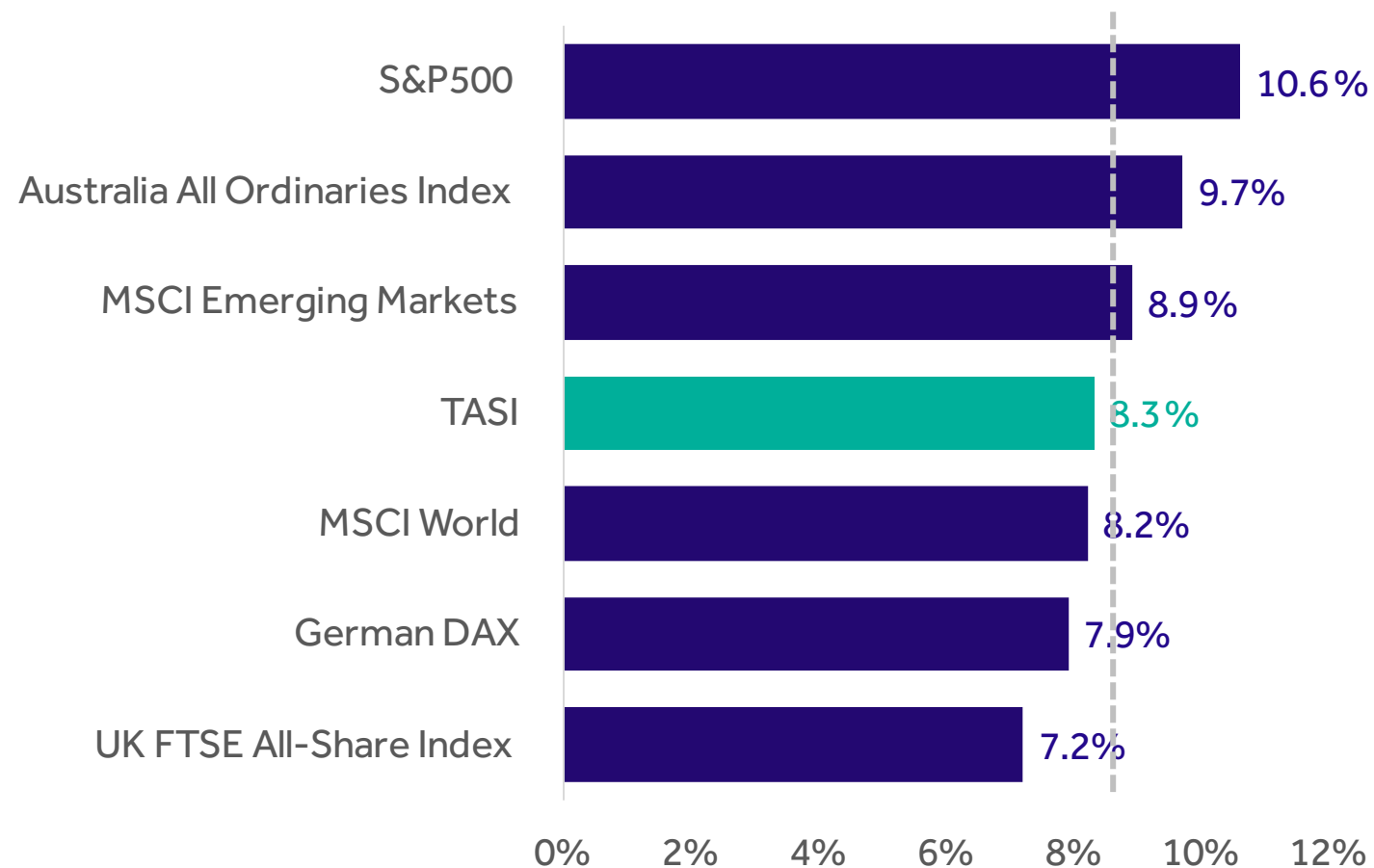
TASI Expected Total Return next 12 Months (2022)

Dividend Yield	2.5%
Earnings Growth	+ 9.4%
Normalizing Valuation*	- 4.0%
=	
Expected Total Return	+7.9%

*assuming mean-reversion adjustment period of 5 years

Equity Markets in the Long Term

Annual Compound Total Return (incl. Dividends) 1990 - 2020



source: Bloomberg, RC



THANK YOU

شكراً لكم

الرياض المالية
riyadh capital

Disclaimer

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Riyadh Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyadh Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyadh Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyadh Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyadh Capital or its employees or any of its affiliates may have a financial interest in securities or other assets referred to in this report.

Opinions, forecasts or projections contained in this report represent Riyadh Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially.

The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount.

This report provide information of a general nature and do not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the readers may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers.

This research report might not be reproduced, nor distributed in whole or in part, and all information; opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.

Riyadh Capital is a Saudi closed joint stock company with a paid up capital of SR 500 million, with commercial registration number (1010239234), licensed and organized by the Capital Market Authority under License No. (07070-37), head office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279, Kingdom of Saudi Arabia ("KSA").
Website: www.riyadcapital.com