



US\$5.45bn Market cap
17.4% Free float
US\$10.53mn Avg. daily volume

Target price **n/a**
Consensus price **40.00** 83.5% over current
Current price **21.8** as at 23/10/2010

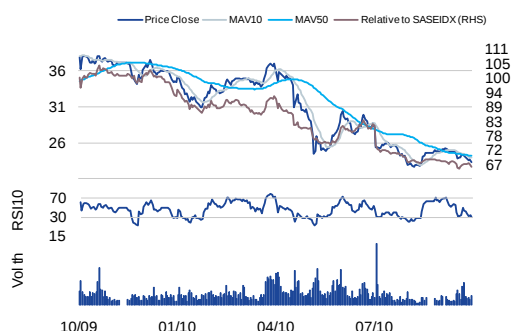
Existing rating

Not rated

Flash view

Flash View is an analyst's preliminary interpretation of a results announcement or the impact of a major event. Our investment rating and earnings estimates are not being changed in this report. Any formal changes to our investment rating or earnings estimates will be made in a subsequent report, which may differ from the preliminary views expressed here.

Performance

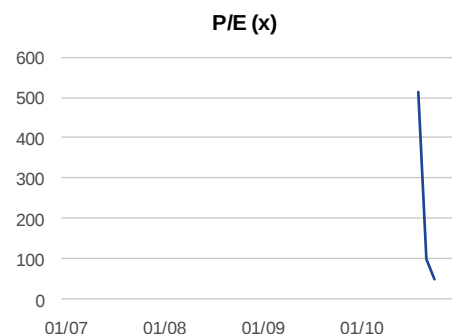


Earnings

Period End (SAR)	12/09A	12/10E	12/11E	12/12E
Revenue (mn)	29,423	46,704	47,089	47,493
Revenue Growth	349.7%	58.7%	0.8%	0.9%
EBITDA (mn)	(1,209)	3,215	3,984	4,203
EBITDA Growth	-7.1%		23.9%	5.5%
EPS	(1.64)	0.89	1.74	1.70
EPS Growth	14.1%		95.9%	-2.6%

Source: Company data, Al Rajhi Capital

Valuation



Source: Company data, Al Rajhi Capital

PetroRabigh Disappointing Q3 results

PetroRabigh's Q3 performance was marred by two week shutdown of its plants in August 2010. The Company's Q3 revenues were slightly below our estimates, while net earnings were significantly below our estimates. The reasons for this sharp decline in net earnings are higher production cost, the impact of the plant shutdown and quarter-on-quarter declines in petrochemicals prices. We are likely to downgrade our earnings estimates to factor in the weak Q3 results. We do not have an investment rating or target price for PetroRabigh.

Earnings vs our forecast	Above	In Line	Below
Likely impact:			
Earnings estimates	Up	No Change	Down
Dividend estimates	Up	No Change	Down
Recommendation	Upgrade	No Change	Downgrade
Long term view	Stronger	Confirmed	Weaker

- Revenues:** Petro Rabigh's revenues for Q3 2010 came at SAR11.27bn, slightly below our estimate of SAR11.53bn. On a year-on-year basis, this was an increase of 54% as some units of the company were not operational in Q3 2009. On a quarter-on-quarter basis, revenues declined 6% as the company faced technical difficulties which halted production at its Polymers and MEG units for around two weeks in August 2010.
- EBITDA:** EBITDA for Q3 reached SAR296mn compared to an EBITDA loss of SAR569mn in Q3 2009, benefiting from Petro Rabigh's newly commissioned units. However, EBITDA in Q3 declined by 50% compared to Q2 was and significantly below our estimate of SAR1.05bn. We attribute this sharp decline to higher production cost, impact of shutdown and quarter-on-quarter decline in petrochemical prices (estimated at about 7%).
- Net profit:** Petro Rabigh reported a net loss of SAR 237mn for Q3 compared to a net loss of SAR845mn in Q3 2009. We attribute the decrease in net loss to the commissioning of units which were not operational in Q3 2009. Again, however, the quarter-on-quarter comparison is less impressive, since the company reported a net profit of SAR122mn Q2. Our estimate of Q3 net profit was SAR185mn. The trend in net profit mirrors the weak EBITDA performance resulting from the factors mentioned above.
- Conclusion:** PetroRabigh's Q3 results are significantly lower than our expectations. (While only a small number of brokers cover Petro Rabigh, the 5% drop in the share price on 23rd September suggests that the results fell short of other market forecasts as well.) In view of this, we expect to downgrade our earnings estimates following release of the full Q3 results. We do not have an investment rating or target price for PetroRabigh.

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Corporate summary	Share information	Valuation
PetroRabigh is the world's largest integrated refining and petrochemical complex. Incorporated in 2005, the company is owned jointly by Saudi Aramco and Japan's Sumitomo Chemical (37.5% each), with the rest being divested through an IPO in 2008. This is the first affiliate of the giant Saudi Aramco to be publicly listed on the TASI. The facility is an extension of Saudi Aramco's oil refining operations in Rabigh and represents the single largest investment by the company in the Kingdom, costing a total of US\$10bn.	Market cap (SAR/US\$) 20.45bn / 5.45bn 52-week range 22.65 - 38.90 Daily avg volume (US\$) 10.53mn Shares outstanding 876.0mn Free float (est) 17.4% Performance: 1M 3M 12M Absolute -13.2% -14.0% -42.6% Relative to index -11.0% --15.3% -40.0% Major Shareholder: Saudi Arabian Oil Co. (ARAMCO) 37.5% Sumitomo Chemical 37.5% Source: Bloomberg, Al Rajhi Capital	Period End 12/09A 12/10E 12/11E 12/12E Revenue (SARmn) 29,423 46,704 47,089 47,493 EBITDA (SARmn) (1,209) 3,215 3,984 4,203 Net Profit (SARmn) (1,433) 778 1,525 1,485 EPS (SAR) (1.64) 0.89 1.74 1.70 DPS (SAR) - - - - EPS Growth 14.1% na 95.9% -2.6% EV/EBITDA (x) na 15.3 12.8 12.6 P/E (x) na 26.3 13.4 13.8 P/B (x) 2.6 2.4 2.0 1.8 Dividend Yield 0.0% 0.0% 0.0% 0.0% Source: Company data, Al Rajhi Capital

Figure 1. PetroRabigh: Q3 2010 initial results

(SAR mn)	Q3 2009	Q2 2010	Q3 2010	% chg y-o-y	% chg q-o-q	ARC est
Revenue	7,301	12,001	11,275	54.4%	-6.0%	11,533
EBITDA	(569)	587	296	n.a.	-49.6%	1,047
EBITDA margin (%)	-7.8%	4.9%	2.6%			9.1%
Net profit	(845)	122	(237)	-71.9%	n.a.	185

Source: Company data, Al Rajhi Capital



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Additional disclosures

1. Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 15% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"Neutral": We expect the share price to settle at a level between 5% below the current share price and 15% above the current share price on a 6-9 month time horizon.

"Underweight": Our target price is more than 5% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

2. Definitions

"Time horizon": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"Fair value": We estimate fair value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

"Target price": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

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