



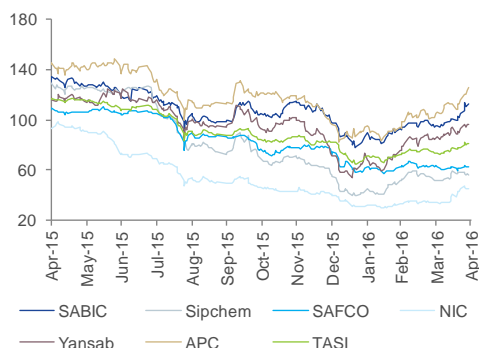
Monthly update

In our monthly note, we update price movements of major petrochemical products, manufacturing activity in key demand markets, recent announcements and valuations of Saudi petrochemical companies and their global peers.

Price movement of key petrochemical products

Products	1-Month	Y-o-Y
Ethylene	-3.3%	-15.3%
HDPE	-1.7%	-14.4%
LDPE	-0.8%	-17.1%
Propylene	+6.1%	-40.1%
Polypropylene	+0.0%	-22.2%
Methanol	+3.1%	-30.0%
Benzene	+6.5%	-27.3%
Ammonia	+3.8%	-31.3%
Urea	+7.3%	-20.0%

YTD Performance (Rebased to 100)



Source: Bloomberg, Al Rajhi Capital

Petrochemicals Monthly - May 2016

Product prices likely to inch up

Post better than expected results announced by Saudi petrochemical companies in Q1, key product prices slightly declined on a m-o-m basis with LDPE and HDPE down 1.7% and 0.8% respectively, and Polypropylene remaining flat. However feedstock costs were up based on benchmark prices set by Aramco for exports from Ras Tunura (Propane +1.5% m-o-m and Butane +8.6% m-o-m). Given the lag effect between oil prices and petrochemical product prices, we believe product prices will likely inch higher as benchmark crude prices rose for the second straight month in April (Brent: +16.2% m-o-m; WTI: +15.5% m-o-m) supported by continuous decline in US rig count along with weak dollar. The decrease in US crude output also supported oil prices coupled with disruptions in production in few regions. As for the export volumes, looking at the global manufacturing activity, the US and India PMI eased in April but remained in the expansionary zone, while Eurozone manufacturing PMI came in marginally higher. The more important (for Saudi petrochemical companies) Chinese PMI witnessed deterioration in the manufacturing sector and continued in the contraction territory. Net-net the Saudi Petrochemical index surged 4.2% during the month, led by gains in stocks like Saudi Kayan (39.3%), SABIC (18.2%), coupled with positive contribution from NIC (31.4%), Chemanol (25.7%) and APC (18.6%). Meanwhile, TASI gained 9.4% m-o-m. Saudi companies are mostly trading in line with their peers in the GCC and US region, but cheaper than European and Asian companies.

Crude prices surge: Brent crude prices and WTI rose sharply (Brent: +16.2% m-o-m; WTI: +15.5% m-o-m) to record its highest peak in 2016. The rise in oil prices was supported by continuous drop in US crude output along with weak US dollar. Oil prices were also boosted by production disruption in Kuwait (worker strike), Nigeria and Venezuela. The fall in US oil rig count (332 as of April 29 vs 372 in March 2016; source: Baker Hughes) supported the jump in oil prices. Crude oil inventories in the US increased by ~2.0mn barrels in the week ended April 27, well below the market expectations of 2.36mn rise. OPEC crude production increased 0.484mbpd in April to record 33.21mbpd as compared to the revised figure of ~32.73 mbpd in March 2016 (Source: Bloomberg), as Iran increased its production to regain its market share.

Feedstock prices rise sharper than petrochemical product prices: Most petrochemical product fell during the month: Ethylene (-3%) HDPE (-2%), LDPE (-1%), LLDPE (-3%), Styrene (-5%), MEG (-7.8%). Some products rose: Methanol (+3%), Propylene (+6%), MTBE (+31%). On the other hand, naphtha prices rose sharply on the back of higher crude oil prices, while petrochemical product prices were comparatively subdued due to sluggish manufacturing activity globally. Naphtha prices were up ~10% m-o-m in Asia, while CIF North West Europe Naphtha reached near a 5-month high. As a result, Ethylene-Naphtha spread in Asia was down ~9% m-o-m by April-end. Saudi Aramco announced only a 1.5% m-o-m increase in Propane prices (Butane: +8.6% m-o-m), while US propane prices were up more than 20% m-o-m. Thus, we believe Saudi producers are comparatively better off than their global peers.



Manufacturing slows down: US January PMI recorded an expansion for the second successive month, coming in at 50.8. The PMI stat was below the market expectations as well as the previous month figure. Eurozone PMI edged up to 51.7 in April from 51.6 in March due to improvement in employment for the twentieth consecutive months. The Caixin PMI for China continued to be in the contraction zone, declining to 49.4 in April (49.7 in March, 2016) on back of sluggish new orders and new exports work along with rising unemployment. PMI in India too witnessed a drop in April, recording 50.5 in April versus 52.4 in the previous month due to declining output on account of weak demand.

Key news & announcements

- **Sipchem to shut down 3 units for maintenance on May 1:** Saudi International Petrochemical Co. (Sipchem) is planning to temporarily shut down three of its units due to maintenance starting from May 1. The planned maintenance will last for 15 days and be carried out at the company's Carbon Monoxide of International Gases Company (IGC), Acetic Acid of International Acetate Company (IAC) and Ethyl Acetate of Sipchem Chemicals Co. (SCC) units. The work on the units is aimed at enhancing production efficiency and reliability and the financial impact will be announced upon completion, and later reflect on Q2-2016 results. (Source: Tadawul, Argaam)
- **Saudi Aramco hikes May butane, propane prices:** Saudi Aramco has increased its May contract prices for propane and butane by \$5 and \$30 a ton, respectively, compared to the previous month. Propane was priced at \$325 a ton and butane at \$380 a ton on a free-on-board (FOB) basis from the Port of Ras Tanura. Aramco's pricing is the benchmark for exporters in Asia, as the company is the largest liquid petroleum gas exporter to the region. The company's new pricing system came into effect earlier this year. (Source: Argaam)
- **Saudi Kayan resumes ops at ethylene oxide, glycol-dependent units:** Saudi Kayan Petrochemical Co. on Tuesday restarted operations at the plants that use ethylene glycol and ethylene oxide complex. Earlier this month, Kayan had even resumed its operations at the ethylene glycol and oxide ethylene plant after completing the scheduled maintenance. The company started its scheduled periodic maintenance at its plants on March 1, 2016. (Source: Argaam)
- **Advanced Petrochemical Company announces the dividend distribution method for the Q1 2016:** APC has informed its shareholders that dividend distribution for the 1st quarter of 2016 will commence on Thursday April 14, 2016 in their respective bank accounts which are linked with the portfolios and registered in Tadawul records on the closing of trading on March 31, 2016, in all local Saudi banks at SR 0.75 per share. Al Rajhi Bank will process the dividend distribution to all eligible Shareholders through direct transfers. (Source: Tadawul)
- **Saudi Arabia Basic Industries Corporation (SABIC) announces for an accident in a Jubail United Petrochemical Industries:** SABIC announces the occurrence of a mishap in a Jubail United Petrochemical Industries (a subsidiary) in Jubail Industrial City firm at 11:40 pm on Saturday, April 16, 2016, during a single contractors workers implementing periodic maintenance work Qlakol in and associated with the replacement catalytic ethylene plant, where the smoke that caused emergence inside the reactor, which housed 23 workers and technicians, Pachtnaqat caused the death of 12 people, and wounding 11 others, and the case of six of them in critical condition. SABIC and all its employees expressed deep grief and sorrow for what happened and sincere condolences to the families and relatives of victims of the incident. (Source: Tadawul)
- **Sipchem set to meet investors for potential Sukuk:** Saudi International Petrochemical Company (Sipchem) will meet with qualified investors later this month about a potential sukuk issuance. The offering, if approved, would be made through private placement and directed solely to sophisticated investors and the value of the Sukuk would be determined based on market conditions. Riyadh Capital and NCB Capital have been appointed as lead managers for the potential offer, which is still subject to the Offers of



Securities Regulation issued by the Capital Market Authority (CMA), the kingdom's market regulator (Source: Argaam)

- Saudi Arabia set to launch petchem projects worth \$46 bln:** Saudi Arabia is planning to launch 42 petrochemical projects over the next five years, worth a total of \$46 billion. Speaking at the opening of the 6th KACST-Oxford Petrochemical Forum in Riyadh on Tuesday, Prince Turki revealed that the planned projects would cover the production of 120 new products. Around 26 industrialized petrochemical projects under currently in the pipeline which are estimated to cost a combined \$15 billion, he said, adding that Sadara and Saudi Aramco are expected to produce three million tons of chemicals and polymers. (Source: Argaam)
- Tasnee ilmenite project to start production H1-17 :** The National Industrialization Company's (Tasnee) ilmenite treatment project will start commercial production during the first half of 2017. Located in Jazan Economic City, the project trial startup will be during the second half of 2016. The technical work and testing for the project trial is still ongoing because of its large size and nature of technology used. The financial impact of such project on Tasnee consolidated result cannot be determined at this stage. (Source: Mubasher)
- SABIC raises local urea price to SAR 780/ton in May:** Saudi Basic Industries Corp. (SABIC) has increased its local urea price for May by SAR 37 per ton month-on-month to SAR 780 per ton. SABIC has kept the May price for Diammonium Phosphate (DAP) unchanged at SAR 1,980 per ton for the fourth consecutive month. (Source: Argaam)

Summary of Q1 2016 Results

Figure 1 Quarterly results of listed Saudi petrochemical companies

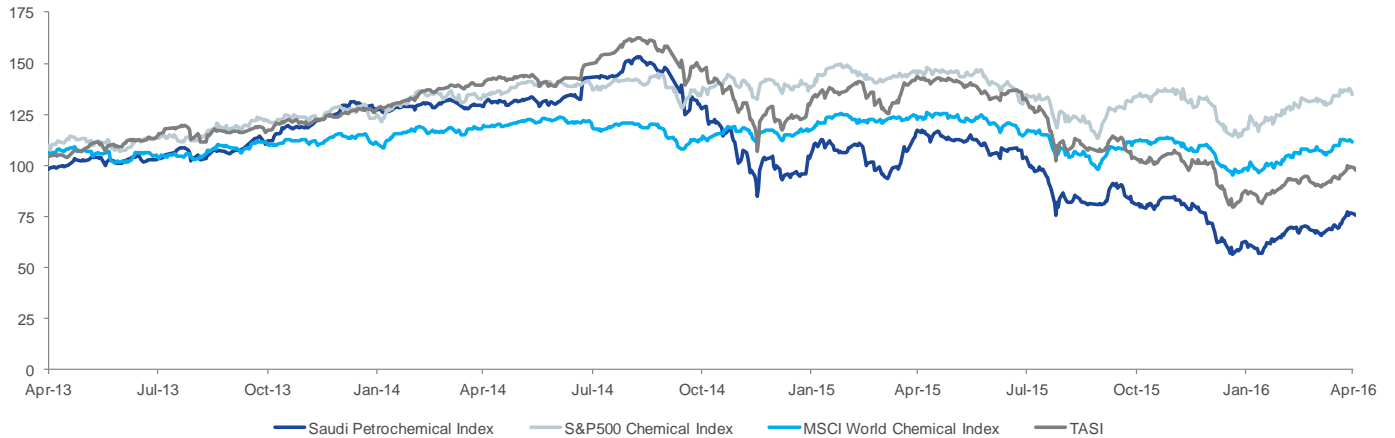
Companies (SAR mn)	Revenues				Net Income			
	Q1 2015	Q4 2015	Q1 2016	% change y-o-y	Q1 2015	Q4 2015	Q1 2016	% change y-o-y
Advanced Petrochemicals Co	468	542	488	4.3%	90	146	146	62.4%
Alujain Corp	221	401	305	38.1%	(17)	27	2	NM
Methanol Chemicals Co	196	166	158	-19.3%	(15)	(60)	(31)	NM
Nama Chemicals Co	127	108	108	-15.2%	(31)	(25)	(24)	NM
National Industrialization Co	3,942	3,377	3,718	-5.7%	(333)	(690)	(95)	NM
National Petrochemical Co	1,771	1,655	1,660	-6.3%	102	178	122	20.1%
Rabigh Refining & Petrochemicals Co	7,648	2,696	4,947	-35.3%	205	(1,009)	(33)	-115.9%
Sahara Petrochemical Co	262	433	419	59.8%	(50)	(48)	55	NM
Saudi Arabian Fertilizer Co	962	814	691	-28.2%	590	379	286	-51.5%
Saudi Basic Industries Corp	35,564	34,157	31,153	-12.4%	3,935	3,075	3,406	-13.4%
Saudi Industrial Investment Group	1,771	1,655	1,659	-6.3%	126	55	88	-30.0%
Saudi International Petrochemical Co	826	872	892	8.0%	81	26	51	-37.1%
Saudi Kayan Petrochemical Co	1,753	1,879	1,693	-3.4%	(592)	(624)	(216)	NM
Yanbu National Petrochemicals Co	1,717	1,831	1,496	-12.9%	285	393	402	40.9%
Petrochemicals	54,974	50,584	47,004	-14.5%	4,376	1,823	4,158	-5.0%

Source: Bloomberg, Tadawul, Al Rajhi Capital



Saudi Petrochemical Index vs. Major Indices

Figure 2 Saudi Petrochemical Index vs. TASI and Industry Indices (Petrochemical Index +14.2% and TASI +9.4% m-o-m)



Source: Bloomberg Note: Rebased to 100 on January 1, 2013

Crude, Gas and Naphtha Spot Prices

Figure 3 European Brent Crude (+16.2% m-o-m)



Source: Bloomberg

Figure 4 WTI Crude (+15.5% m-o-m)



Source: Bloomberg

Figure 5 Natural gas (Henry Hub) (-1.6% m-o-m)



Figure 6 Naphtha (+12.0% m-o-m)



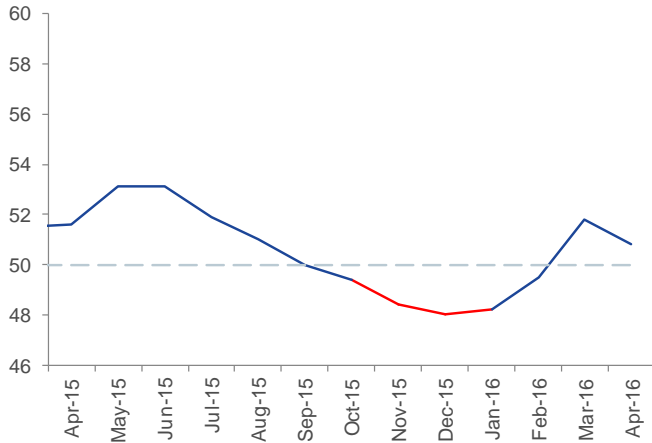


Source: Bloomberg

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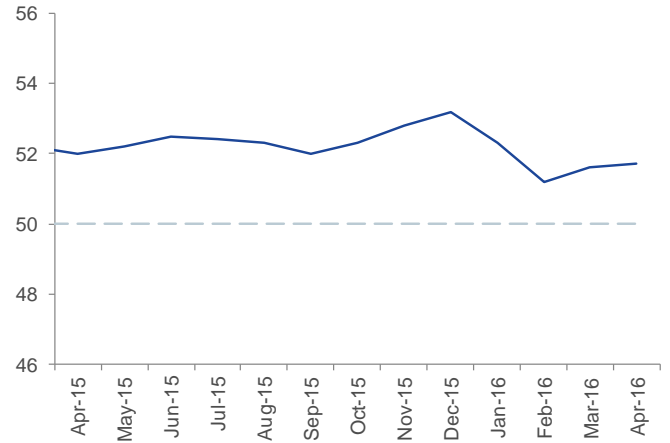
Manufacturing activity and economic growth trend in key markets

Figure 7 United States Manufacturing PMI (50.8 vs 51.8)



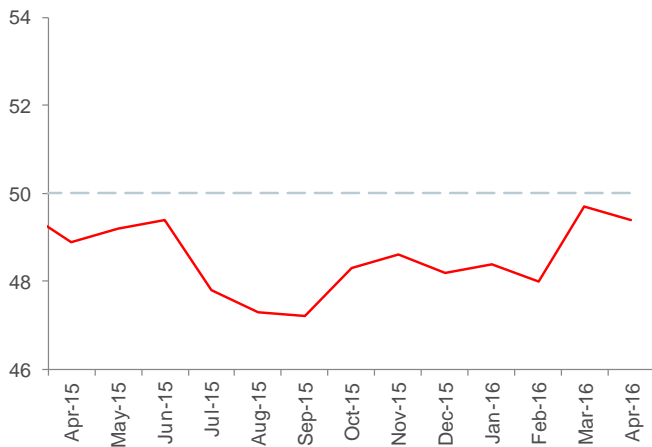
Source: US ISM

Figure 8 Euro zone Manufacturing PMI (51.7 vs 51.6)



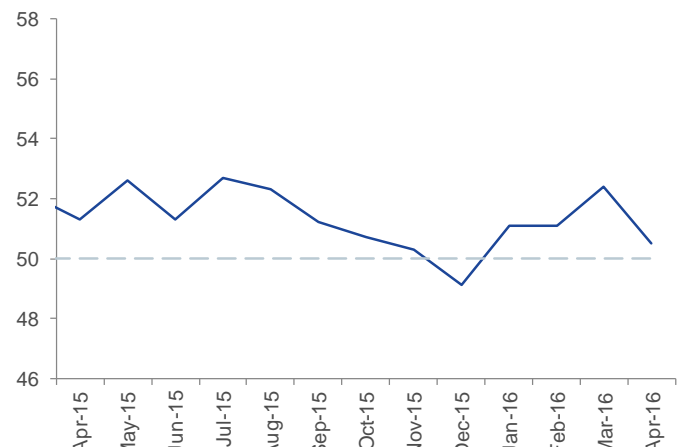
Source: Markit

Figure 9 China Manufacturing PMI (49.4 vs 49.7)



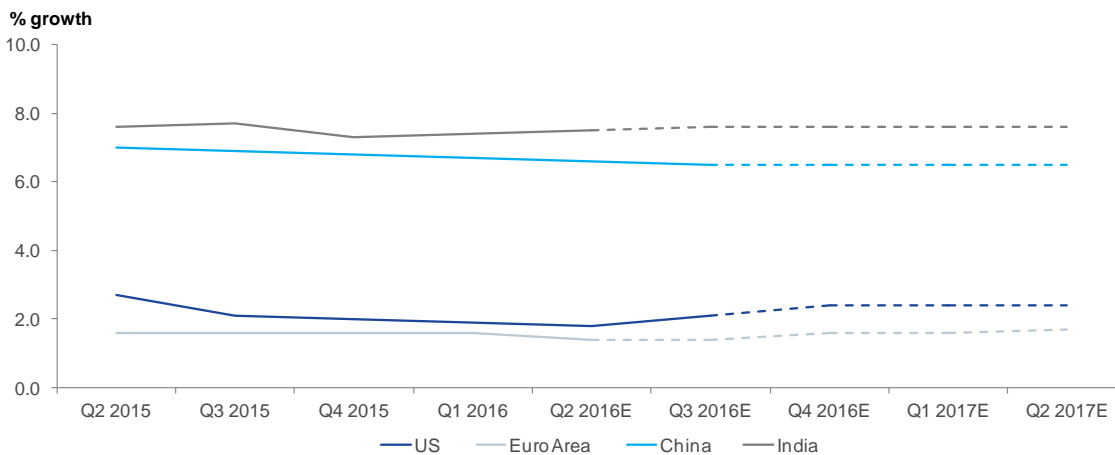
Source: Caixin-Markit

Figure 10 India Manufacturing PMI (50.5 vs 52.4)



Source: Nikkei-Markit, Data

Figure 11 Real GDP growth trend



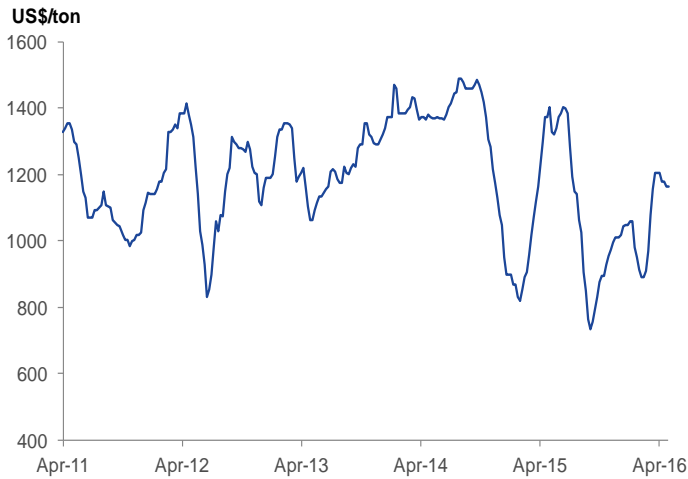


Source: Bloomberg

Petrochemical product price trends

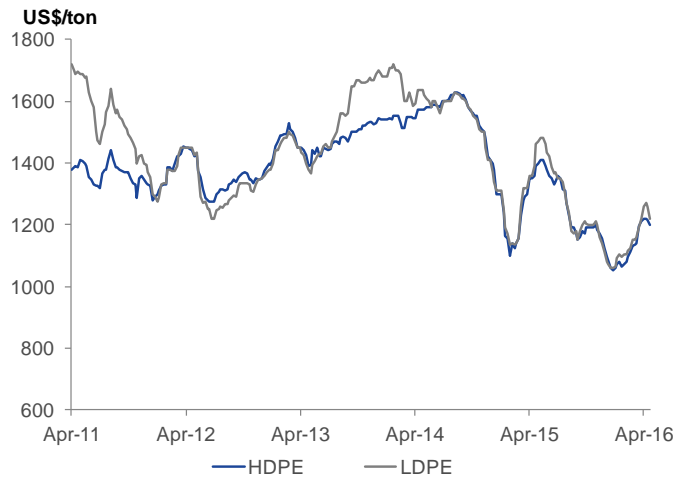
Basic Olefins & Polyolefins

Figure 12 Ethylene Asia (-3.3% m-o-m)



Source: Bloomberg

Figure 13 Polyethylene (HDPE: -1.7%, LDPE: -0.8% m-o-m)



Source: Bloomberg

Figure 14 Propylene (+6.1% m-o-m)



Source: Bloomberg

Figure 15 Polypropylene (0.0% m-o-m)



Source: Bloomberg



Methanol & MTBE

Figure 16 Methanol (+3.1% m-o-m)



Source: Bloomberg

Figure 17 Methyl Tertiary Butyl Ether (MTBE) (+31.1% m-o-m)



Source: Bloomberg

Benzene & its derivatives

Figure 18 Benzene (+6.5% m-o-m)



Source: Bloomberg

Figure 19 Toluene (+3.2% m-o-m)



Source: Bloomberg

Figure 20 Styrene (-4.5% m-o-m)



Source: Bloomberg

Figure 21 Polystyrene (-3.8% m-o-m)



Source: Bloomberg



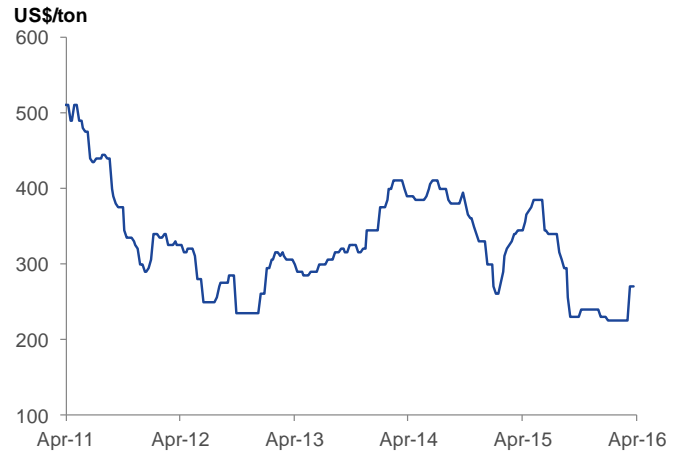
Other key petrochemical products

Figure 22 Mono-ethylene glycol (-7.1% m-o-m)



Source: Bloomberg

Figure 23 Ethylene di-chloride (+20.0% m-o-m)



Source: Bloomberg

Figure 24 Vinyl chloride monomer (+10.4% m-o-m)



Source: Bloomberg

Figure 25 Polyvinyl chloride (+3.1% m-o-m)



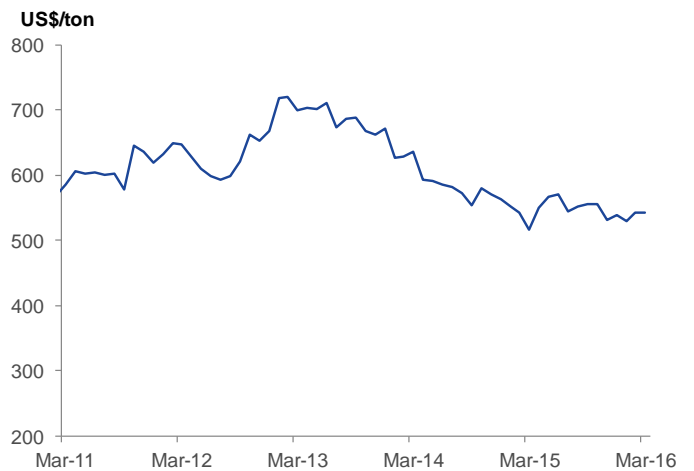
Source: Bloomberg

Figure 26 Purified terephthalic acid (+2.4% m-o-m)



Source: Bloomberg

Figure 27 Caustic soda (+0.2% m-o-m)

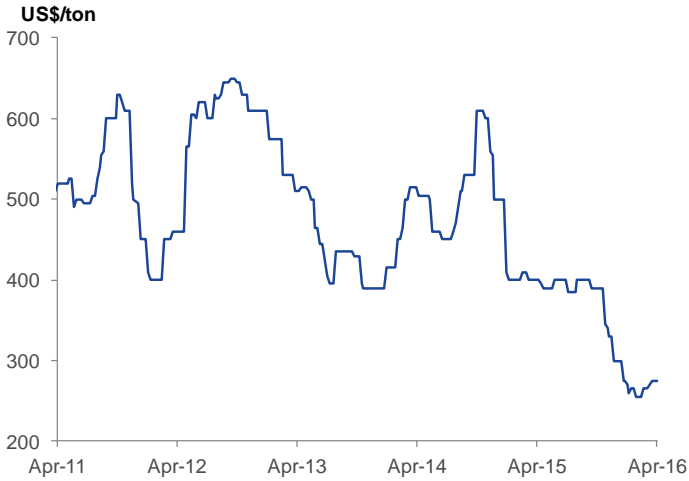


Source: Bloomberg, Data for April not available



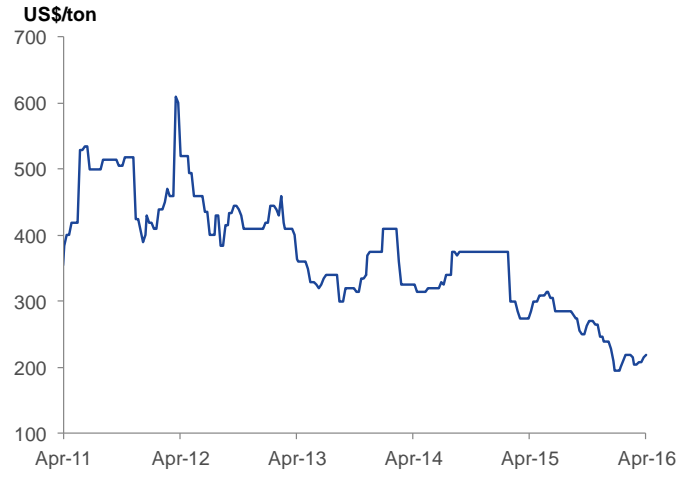
Ammonia & Fertilizers

Figure 28 Ammonia (+3.8% m-o-m)



Source: Bloomberg

Figure 29 Urea (+7.3% m-o-m)



Source: Bloomberg

Metals

Figure 30 Gold (+4.9% m-o-m)



Source: Bloomberg

Figure 31 Aluminum (+7.3% m-o-m)



Source: Bloomberg



Figure 32 Price movement of key petrochemicals, fertilizers and metals

Products	Recent Price	% Change			
		1-Month	QTD	YTD	1-Year
European Brent (US\$/bbl)	47.4	16.2	16.2	15.3	(33.4)
WTI (US\$/bbl)	45.9	15.5	15.5	12.8	(28.4)
Natural Gas (US\$/mmbtu)	1.9	(1.6)	(1.6)	(17.5)	(25.5)
Naphtha (US\$/ton)	426.8	10.3	10.3	4.0	(27.0)
Key petrochemicals (US\$/ton)					
Ethylene	1165	(3.3)	(3.3)	11.0	(15.3)
HDPE	1190	(1.7)	(1.7)	13.3	(14.4)
LDPE	1210	(0.8)	(0.8)	14.2	(17.1)
Propylene	669	2.4	2.4	9.9	(40.1)
Polypropylene	1050	0.0	0.0	24.3	(22.2)
Methanol	229	0.4	0.4	13.4	(32.0)
MTBE	662	31.1	31.1	25.6	(17.7)
Benzene	640	4.1	4.1	12.3	(27.3)
Toluene	640	3.2	3.2	3.2	(22.0)
Styrene	1100	0.9	0.9	25.7	(21.4)
Polystyrene	1250	(3.8)	(3.8)	17.4	(14.7)
Other petrochemicals (US\$/ton)					
Mono-ethylene glycol	798	(7.1)	(7.1)	10.2	(33.3)
Ethylene di-chloride	270	20.0	20.0	12.5	(21.7)
Vinyl chloride monomer	690	10.4	10.4	12.2	(13.2)
Polyvinyl chloride	825	3.1	3.1	14.6	(7.8)
Purified terephthalic acid	630	2.4	2.4	8.6	(16.6)
Caustic soda	543	0.0	0.0	0.7	(1.3)
Fertilizers (US\$/ton)					
Ammonia	275	3.8	3.8	(8.3)	(31.3)
Urea	220	7.3	7.3	(8.3)	(20.0)
Metals					
Gold (US\$/oz)	1294	4.9	4.9	21.9	9.2
Aluminum (US\$/ton)	1923	7.3	7.3	14.1	(7.9)

Source: Bloomberg, Al Rajhi Capital



Figure 33 Performance of Saudi petrochemical companies vs. global peers

Company	Currency	Last Price	% Change				52-Week		Dividend	
			1 Month	QTD	YTD	1 Year	High	Low	LTM	Yield
Saudi Arabia										
SABIC	SAR	84.99	18.2	18.2	15.6	(35.2)	110.5	59.5	5.5	6.5%
SAFCO	SAR	65.87	(0.6)	(0.6)	(16.2)	(23.6)	127.5	61.0	6.0	9.1%
Sipchem	SAR	14.44	9.6	9.6	3.1	(50.3)	35.0	9.8	0.6	4.2%
NIC	SAR	12.02	31.4	31.4	13.3	(62.4)	26.7	7.5	1.0	8.3%
Yansab	SAR	42.25	11.2	11.2	33.8	(38.1)	57.5	23.8	2.0	4.7%
APC	SAR	47.78	18.6	18.6	31.4	(10.6)	61.0	31.9	3.0	6.3%
SPC	SAR	10.60	24.0	24.0	3.5	(53.5)	16.8	7.4	NA	NM
Saudi Kayan	SAR	7.05	39.3	39.3	4.1	(50.3)	12.6	4.4	NA	NM
PetroRabigh	SAR	12.63	20.1	20.1	2.9	(50.0)	25.7	7.0	0.5	4.0%
SIIG	SAR	13.70	12.1	12.1	(0.8)	(51.8)	29.6	9.8	NA	NM
Chemanol	SAR	7.23	25.7	25.7	1.1	(47.8)	14.8	5.0	NA	NM
Nama	SAR	6.96	19.2	19.2	(2.5)	(51.1)	13.0	5.0	NA	NM
Alujain	SAR	15.45	8.3	8.3	7.2	(35.0)	24.4	9.5	NA	NM
National Petrochemical	SAR	17.40	4.8	4.8	4.2	(43.3)	29.8	10.6	NA	NM
Middle East & Africa (ex-Saudi Arabia)										
Industries Qatar	QAR	105.00	(3.0)	(3.0)	(1.0)	(26.7)	152.0	88.0	5.0	4.8%
Mesaieed Petrochem	QAR	19.76	3.5	3.5	5.9	(33.2)	26.3	14.0	0.7	3.5%
Sidi Kerir	EGP	12.95	2.4	2.4	14.0	(26.3)	14.9	10.0	0.4	3.1%
Al Qurain	KWd	212.00	10.4	10.4	12.8	(25.9)	212.0	140.0	10.0	4.7%
Sasol	ZAr	47,135.00	8.2	8.2	13.9	(28.5)	49,747.0	35,400.0	1,720.0	3.6%
Europe										
BASF	EUR	71.90	13.2	13.2	NA	(5.3)	91.1	56.0	2.9	4.0%
Solvay	EUR	88.26	0.1	0.1	(8.8)	(9.9)	128.8	70.5	3.3	3.7%
Lanxess	EUR	46.19	9.5	9.5	NA	(3.1)	56.5	32.9	0.5	1.1%
Arkema	EUR	69.68	5.6	5.6	7.9	17.3	74.5	48.2	1.9	2.7%
Yara	NOK	322.40	3.5	3.5	NA	22.7	431.4	300.7	13.0	4.0%
Akzo Nobel	EUR	61.89	5.3	5.3	2.2	14.7	71.2	49.9	1.6	2.5%
Clariant	CHF	18.15	6.9	6.9	NA	10.2	20.7	14.9	0.4	2.2%
North America										
Eastman	USD	76.38	5.7	5.7	13.9	(10.3)	83.9	56.0	1.7	2.3%
Dow	USD	52.61	3.4	3.4	3.1	(15.5)	57.1	35.1	1.8	3.3%
Westlake	USD	50.19	8.4	8.4	(7.2)	(42.6)	79.3	39.9	0.7	1.4%
Celanese Corp	USD	70.70	8.5	8.5	6.1	(1.3)	74.6	54.4	1.3	1.8%
Methanex	USD	34.96	8.8	8.8	6.8	(37.8)	61.4	22.7	1.1	3.1%
LyondellBasell Industries	USD	82.67	(3.4)	(3.4)	(3.9)	(22.8)	107.3	69.1	3.1	3.8%
Axiall Corp	USD	23.55	7.8	7.8	54.0	(38.3)	42.3	9.0	0.6	2.7%
Huntsman Corp	USD	15.74	18.3	18.3	39.9	(37.2)	23.8	7.5	0.5	3.2%
Asia										
Indorama Ventures	THB	28.50	25.0	25.0	NA	(17.9)	29.3	19.0	0.4	1.5%
Mitsui Chemicals	JPY	NA	NA	NA	NA	35.8	545.0	320.0	8.0	NM
Sumitomo	JPY	NA	NA	NA	NA	65.2	795.4	441.0	14.0	NM
Formosa Chemicals & Fibre Corp	TWD	82.40	2.7	2.7	11.4	(4.9)	87.1	59.0	1.2	1.5%
Lotte Chemical Corp	KRW	292,500.00	(14.3)	(14.3)	NA	52.0	357,000.0	212,000.0	2,500.0	NM
Formosa Plastics Corp	TWD	80.30	0.6	0.6	4.3	(5.2)	82.5	59.5	1.7	2.1%
LG Chem	KRW	297,000.00	(9.3)	(9.3)	NA	(11.3)	344,500.0	206,500.0	4,500.0	1.5%
Indices										
Saudi Petrochemical Index	SAR	4,576.74	14.2	14.2	7.1	(44.2)	7,069.2	3,267.1	268.3	5.9%
S&P500 Chemical Index	USD	485.96	2.7	2.7	2.8	(11.6)	535.7	400.4	11.6	2.4%
MSCI World Chemical Index	USD	266.90	3.3	3.3	2.5	(10.5)	301.2	228.4	7.1	2.7%
TASI	SAR	6,805.84	9.4	9.4	(1.5)	(32.3)	9,897.5	5,348.6	257.1	3.8%

Source: Bloomberg, Al Rajhi Capital Note: Prices as of April 30, 2016.



Figure 34 Margins and Valuation Metrics - Saudi petrochemical companies vs. global peers

Company	Market Cap	Operating margin	Net margin	P/E	P/B	EV/Sales	EV/EBITDA	ROE	Operating_R OE	ROA
Saudi Arabia										
SABIC	254,970	19.6	12.7	11.3x	1.4x	1.8x	6.4x	11.0	17.0	5.4
SAFCO	27,446	50.5	55.7	13.5x	4.8x	9.2x	12.7x	24.2	21.9	19.4
Sipchem	5,295	16.0	7.2	15.5x	1.3x	4.1x	10.0x	4.4	9.9	1.5
NIC	8,040	(0.2)	(7.9)	NA	1.0x	2.2x	11.1x	(13.2)	(0.4)	(2.6)
Yansab	23,766	24.7	19.8	13.7x	1.7x	3.4x	8.0x	8.8	10.9	6.0
APC	7,836	32.8	32.1	9.3x	3.0x	2.8x	7.9x	33.3	34.1	19.9
SPC	4,651	15.0	9.3	80.7x	1.0x	4.6x	22.4x	2.7	4.3	1.7
Saudi Kayan	10,575	(2.2)	(11.0)	NA	1.0x	4.1x	15.7x	(6.7)	(1.3)	(2.0)
PetroRabigh	11,064	(4.4)	(4.4)	18.4x	1.5x	1.0x	14.0x	(11.0)	(11.1)	(1.8)
SIIG	6,165	25.1	9.6	9.5x	1.3x	3.1x	10.0x	9.8	25.6	2.6
Chemanol	872	(10.4)	(19.0)	34.4x	0.7x	2.3x	8.5x	(9.5)	(5.2)	(5.3)
Nama	894	(21.9)	(15.1)	NA	0.9x	3.3x	119.3x	(5.9)	(8.5)	(2.7)
Alujain	1,069	18.9	7.3	8.9x	1.2x	1.7x	5.8x	10.9	28.3	3.1
National Petrochemical	8,352	25.3	12.9	11.3x	1.8x	2.9x	9.3x	17.0	33.3	4.1
Middle East & Africa (ex-Saudi Arabia)										
Industries Qatar	63,525	17.6	82.8	13.0x	2.4x	13.4x	62.1x	13.6	2.9	12.7
Mesaieed Petrochem	24,825	NA	NA	20.1x	1.9x	NA	NA	8.8	(0.1)	8.7
Sidi Kerir	6,799	40.0	32.2	7.5x	3.2x	2.0x	4.6x	39.0	48.4	25.2
Al Qurain	233	7.3	17.0	5.3x	0.6x	0.8x	7.6x	8.8	3.7	5.4
Sasol	307,032	22.9	10.3	8.2x	1.4x	1.5x	4.5x	8.8	19.7	5.2
Europe										
BASF	66,040	9.4	6.5	13.7x	2.2x	1.1x	7.4x	14.1	20.4	5.5
Solvay	9,345	7.4	3.7	27.6x	1.2x	1.0x	6.1x	5.1	10.2	1.9
Lanxess	4,227	5.3	2.1	54.6x	1.8x	0.7x	7.7x	7.4	18.6	2.3
Arkema	5,259	6.4	3.7	20.4x	1.2x	0.9x	8.0x	7.7	13.1	3.7
Yara	88,687	12.8	9.6	14.1x	1.6x	1.1x	6.5x	14.6	19.4	8.8
Akzo Nobel	15,409	11.0	7.2	21.0x	2.5x	1.2x	9.6x	16.7	25.6	6.4
Clariant	6,025	7.2	3.9	19.8x	2.5x	1.2x	8.8x	9.1	16.7	3.0
North America										
Eastman	11,300	15.6	9.8	9.9x	2.8x	1.8x	10.8x	22.8	37.1	5.4
Dow	59,072	13.8	13.7	12.6x	2.5x	1.3x	7.7x	30.7	32.7	9.5
Westlake	6,539	21.5	14.5	10.4x	2.3x	1.6x	5.4x	20.8	31.1	12.0
Celanese Corp	10,424	6.3	5.8	13.9x	3.0x	1.8x	11.1x	11.8	12.9	3.8
Methanex	3,139	9.0	8.1	17.6x	2.1x	1.9x	8.1x	9.9	11.1	3.8
LyondellBasell Industries	35,278	18.9	13.9	9.1x	5.0x	1.1x	6.2x	62.7	85.5	18.2
Axiall Corp	1,662	(22.3)	(22.5)	16.6x	0.7x	0.8x	8.1x	(40.2)	(39.9)	(16.0)
Huntsman Corp	3,749	3.9	1.4	7.7x	2.4x	0.8x	9.8x	5.8	25.2	0.9
Asia										
Indorama Ventures	137,207	5.3	2.8	21.4x	1.3x	0.8x	10.3x	7.6	16.3	3.2
Mitsui Chemicals	NA	4.6	2.2	13.1x	1.0x	0.6x	9.3x	7.8	16.1	2.3
Sumitomo	NA	7.9	4.0	13.4x	1.2x	0.9x	8.1x	11.3	22.1	3.0
Formosa Chemicals & Fibre Corp	482,962	5.9	8.4	27.0x	1.5x	1.4x	15.4x	9.8	6.9	5.3
Lotte Chemical Corp	10,025,560	16.4	10.5	13.1x	1.2x	0.7x	5.7x	14.2	23.1	9.1
Formosa Plastics Corp	511,169	5.5	17.7	21.2x	1.6x	2.2x	25.8x	10.8	3.7	7.2
LG Chem	19,682,518	9.5	6.2	17.3x	1.2x	0.8x	6.1x	8.4	14.6	6.3
Indices										
Saudi Petrochemical Index	370,995	13.8	6.7	15.4x	1.5x	2.4x	9.1x	5.9	NA	2.2
S&P500 Chemical Index	402,012	15.1	11.2	15.9x	4.0x	2.1x	10.6x	24.8	NA	7.7
MSCI World Chemical Index	971,725	11.5	7.8	16.4x	2.6x	1.6x	9.5x	15.0	NA	5.8
TASI	1,551,477	18.4	16.3	15.9x	1.8x	3.8x	12.0x	10.3	NA	2.5

Source: Bloomberg, Al Rajhi Capital Notes: 1) Market cap in local currency. 2) Profit margins based on TTM performance. 3) All valuation ratios as on April 30, 2016 prices.



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"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 6-9 month time horizon.

"Underweight": Our target price is more than 10% 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.

Contact us

Pritish K. Devassy, CFA
Tel : +966 11 211 9370
devassyp@alrajhi-capital.com

Al Rajhi Capital
Research Department
Head Office, King Fahad Road
P.O. Box 5561
Riyadh 11432
Kingdom of Saudi Arabia
Email: research@alrajhi-capital.com

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