

October 19, 2015

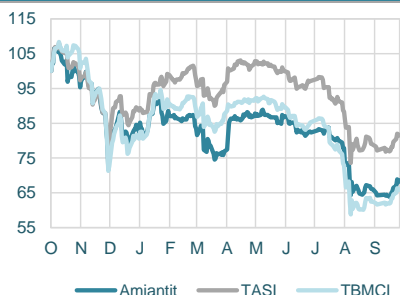
Expected Total Return

Price as of Oct 18, 2015	SAR 10.95
Upside to Target Price	14.2%
Expected Dividend Yield	6.4%
Expected Total Return	20.6%

Market Data

52-Week H/L	SAR 17.30/10.10
Market Capitalization	SAR 1,265 mln
Enterprise Value	SAR 3,065 mln
Shares Outstanding	115.5 mln
Free Float	77.4%
12-Month ADTV (000's)	1,571.7
TASI Weight	0.2%
Reuters Code	2160.SE
Bloomberg Symbol	SAAC AB

1-Year Price Performance



Source: Bloomberg

Stellar Performance

Saudi Arabian Amiantit Company (Amiantit) announced 3Q2015 results on Oct-19 with both revenue and earnings beating expectations by large margin. Earnings beat estimates by +29% with EPS of SAR 0.23 in 3Q2015 and grew by +54% Y/Y and +4% on a Q/Q basis. Amiantit staged a good comeback following its earnings surprises since 2015. We upgraded the stock to Hold from Sell but maintained our target price of SAR 12.50 in our recent "3Q2015 sector preview note". The re-rating is supportive following a strong set of numbers, but limited upside potential of +14% suggest a Hold rating though 2015E dividend yield of 6.4% is attractive. Amiantit continues its strong pace of restructuring and such strategy has started bearing fruit with revenue growth, margin expansion and limited write-down's in 3Q2015. The stock trades at 2016E P/E of 13.6x being cheaper versus TASI P/E of 14.4x, but below its TTM average of 16.5x due to earnings growth. We await 4Q2015 trends for any upgrade.

Revenue surpasses expectations

Revenue of SAR 677 million in 3Q2015 beat our estimate of SAR 595 million and grew by +9% Y/Y and +1% Q/Q. Despite slightly weaker sales in KSA due to effect of Ramadan, overseas entities have registered better than expected sales during the quarter. Amiantit continues to offer better product mix with its varied range of pipes offering specific diameters amid better volumes. Its core business is still competitive and long-term contracts are healthy due to agreements with key off-takers such as the Ministry of Water and Aramco.

Margin expansion a positive

Gross profit of SAR 130 million were higher than our estimate of SAR 95 million, increasing significantly by +52% Y/Y and +24% sequentially. Gross margins improved 550 bps to 19% in 3Q2015 from 13% in 3Q2014. Overall operational costs remained under control as preliminary analysis indicates cost realignment has driven margin growth. Operating profit of SAR 71 million recorded growth of +231% Y/Y and +54% Q/Q with operating margin of 10%, an increase of +330 bps sequentially.

Positive surprises points to SAR 0.70 DPS for 2015E

Net income of SAR 27 million beat our estimate of SAR 21 million and increased by +54% Y/Y and +4% sequentially. Despite impact of currency losses and increase in financial charges of SAR 3.4 million, earnings growth from associates (associates income SAR 3.5 million) proves to be healthy unlike losses in the preceding few quarters. Net margins has stabilized to 4% and inline with 2Q2015 but higher than 3% in 3Q2014. With such positive surprises, SAR 0.70 DPS is expected, yielding 6.4%. Maintain Hold due to a +14% upside from current levels.

		TASI	TBMCI
Oct-18-2015	10.95	7,793	2,754
Total Change			
6-months	(13.6)%	(19.0)%	(27.7)%
1-Year	(31.1)%	(20.3)%	(36.2)%
2-Year	(17.5)%	(2.4)%	(21.2)%

	3Q2015 (SAR mln)	Actual	RC Forecast
Revenue		677	595
Gross Profit		130	95
Operating Income		71	42
Net Income		27	21
EPS (SAR)		0.23	0.18

Key Financials

FY December 31 (SAR mln)	2014A	2015E	2016E	2017E
Revenue	2,726	2,697	2,724	2,751
EBITDA	250	259	261	282
Net Profit	83	92	93	102
EPS (SAR)	0.72	0.79	0.80	0.89
DPS (SAR)	NA	0.70	0.60	0.60
BVPS (SAR)	13.15	14.65	15.19	15.48
ROAA	2%	2%	2%	2%
ROAE	5%	5%	5%	6%
P / E	15.2x	13.8x	13.6x	12.3x
P / B	0.8x	0.7x	0.7x	0.7x
P / S	0.5x	0.5x	0.5x	0.5x
EV/ EBITDA	11.6x	11.3x	10.9x	10.9x
EV/ Sales	1.12	1.14	1.13	1.11

Stock Rating

Strong Buy	Buy	Hold	Sell	Not Rated
Expected Total Return $\geq 25\%$	Expected Total Return $\geq 15\%$	Expected Total Return $< 15\%$	Overvalued	Under Review/ Restricted

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