CONSTRUCTION | 19 April 2010

EVENT FLASH

Saudi Steel Pipes Co

1Q10 preliminary results

Overweight

Price (SR)	**32.2**
12M target price (SR)	**40.5**
Potential upside (%)	↑ 25.8

Stock details

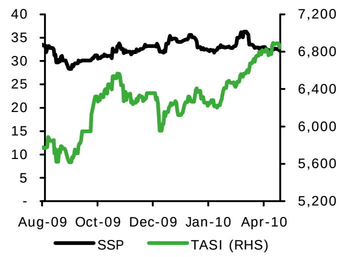
52-week range H/L (SR)			36.7/27.6
Market cap ($mn)			1642
Shares outstanding (mn)			51
Listed on exchanges			TADAWUL
Price perf. (%)	**1M**	**3M**	**12M**
Absolute	(3.9)	(5.8)	(3.9)
Rel. to market	(6.4)	(12.6)	(29.1)
Avg daily turn.(mn)		**SR**	**US$**
3M		18.8	5.02
12M		39.1	10.4
Reuters code			1320.SE
Bloomberg code			SSP AB
Website			www.sspipe.com

Valuation multiples

	09	10E	11E
P/E (x)	13.2	16.3	13.5
P/B (x)	1.7	2.1	2.0
EV/EBITDA (%)	9.9	10.2	8.2
Div yield (%)	6.2	6.2	6.2

Source: NCBC Research estimates

Share price performance



Source: Bloomberg

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Please refer to the last page for important disclaimer

Saudi Steel Pipes Co (SSP) announced 1Q10 preliminary results on 18 April 2010. Net income came in at SR20mn, broadly in line with our estimate of SR19mn, a decline of 40% on a YoY basis.

- **Net income** for 1Q10 came in at SR20.0mn or 5.3% above our estimate of SR19.0mn. Net income declined 40.0% on a YoY basis from SR33.6mn in 1Q09, but increased by 52% on QoQ basis.
- **Gross profit** for 1Q10 came in at SR28.1mn versus NCBC estimate of SR33.0mn. On a YoY basis, gross profit declined 31.0% from SR40.8mn in 1Q09.
- **EPS** for 1Q10 came in at SR0.39 versus NCBC estimate of SR0.38/share. On a YoY basis, EPS declined 59.4% due to the decline in net income and the dilutive effect of the IPO in June 2009. The number of shares outstanding increased to 51mn from 35mn.

COMMENTARY

- Net income declined on a YoY basis due to the decline in average selling price by 17% while the cost of raw material only declined by 7%, according to the company. From our discussion with management, we understand that SSP increased selling prices in the last week of March which should reflect positively on the company's performance in 2Q10. The increase in net income on QoQ basis reflects, in our view, a better pricing environment and higher sales volume.
- Sales volume increased significantly on a YoY basis from 29,000 tons in 1Q09 to 34,000 tons in 1Q10, according to the company. This indicates signs of demand pick up this year relative to 2009.
- To summarize, SSP's net income came in slightly better than what we expected, but significantly higher than 4Q09. This, in addition to the 17% increase in sales volume on a YoY basis indicates that the company has already started the earnings growth phase which makes us more optimistic about the company's earnings going forward. We remain Overweight with a PT of SR40.5.

Results summary

		1Q10A	1Q10E	Var* (%)	1Q09A	YoY chg(%)
Gross profit	SR mn	28.1	33.0	(14.8)	40.8	(31.0)
Net income	SR mn	20.0	19.0	5.3	33.6	(40.0)
EPS	SR	0.39	0.38	5.3	0.96	(59.4)

Source: Company, NCBC Research estimates
* Variance from our estimate

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NCBC INVESTMENT RATINGS

Overweight:	Target price represents expected returns in excess of 15% in the next 12 months
Neutral:	Target price represents expected returns between -10% and +15% in the next 12 months
Underweight:	Target price represents a fall in share price exceeding 10% in the next 12 months
Price Target:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

OTHER DEFINITIONS

NR:	Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations
CS:	Coverage Suspended. NCBC has suspended coverage of this company
NC:	Not Covered. NCBC does not cover this company