

Petrochemicals

July 04, 2019

Table 1: 2Q2019 Estimates (SAR mln, except per share data)

Company	Revenue			EBIT			EBIT Margins		Net Income			Net Margins		EPS (SAR)	
	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	2Q2018	2Q2019E
Petrochemicals															
Petrochem	2,239	1,959	(13%)	573	392	(32%)	26%	20%	288	195	(32%)	13%	10%	0.60	0.41
SABIC	43,285	35,875	(17%)	10,826	5,906	(45%)	25%	16%	6,695	3,279	(51%)	15%	9%	2.23	1.09
SAFCO	950	934	(2%)	395	388	(2%)	42%	42%	411	429	4%	43%	46%	0.99	1.03
Yansab	2,111	1,415	(33%)	816	340	(58%)	39%	24%	821	344	(58%)	39%	24%	1.46	0.61
Sipchem	1,474	1,301	(12%)	410	338	(18%)	28%	26%	211	179	(15%)	14%	14%	0.58	0.24
Advanced	750	674	(10%)	247	155	(37%)	33%	23%	253	167	(34%)	34%	25%	1.29	0.85
Saudi Kayan	3,524	2,417	(31%)	1,116	85	(92%)	32%	4%	879	(158)	-	25%	(7%)	0.59	(0.11)
Group Total	54,333	44,575	(18%)	14,383	7,604	(47%)			9,558	4,435	(54%)				

Source: Riyadh Capital, Company Reports

- Petchem prices quickly reversed its upward momentum that began at the end of 1Q2019 after US-China trade negotiations fell apart early May and tariffs on \$250 billion worth of Chinese goods was raised from 10% to 25%. Weak selling volumes and low/stable selling prices are expected to dominate Q2 result.
- PE and PP prices saw slight movement from last quarter on the back of healthy supply and bearish sentiment. MEG prices continued to slide to reach its lowest level in ten years as high inventory levels and weak downstream demand weighed down on prices.
- Methanol prices improved marginally from last quarter as well as Urea prices as producers anticipate a sizeable India tender in the near term.

Banks

Table 2: 2Q2019 Estimates (SAR mln)

Company	Net Comm Income			Net Income			Net Advances			Deposits		
	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	Y/Y
Banks												
BSF	1,252	1,281	2%	921	1,062	15%	122,811	120,225	(2%)	146,705	148,905	1%
SABB*	-	2,170	NA	-	1,449	NA	-	163,414	NA	-	183,852	NA
ANB	1,272	1,367	8%	921	950	3%	117,486	120,173	2%	129,239	129,368	0%
Samba	1,541	1,706	11%	1,400	1,548	11%	116,632	115,921	(1%)	168,598	169,441	0%
Al Rajhi	3,232	3,848	19%	2,569	3,043	18%	228,947	236,525	3%	280,387	298,051	6%
Albilad	517	611	18%	276	337	22%	47,340	52,969	12%	52,179	58,962	13%
Alinma	942	1,003	6%	621	741	19%	81,942	87,857	7%	88,938	92,495	4%
Group Total	8,757	9,817	12%	6,707	7,680	14%	715,158	733,670	3%	866,045	897,223	4%

Source: Riyad Capital, Company Reports

* SABB's 2Q2018 numbers are not comparable, hence group total does not include SABB

- 3M SAIBOR started the quarter at 2.87% and remained stable for the first two months of 2Q19, however, it fell significantly in June to end the quarter at 2.71%, down -15 bps Q/Q. We believe it will continue to be under pressure with the possibility of a fed rate cut this year.
- Our forecast shows NSCI growth to be subdued Q/Q, but it will be much higher Y/Y, given that SAIBOR, despite its recent fall, remains notably elevated compared to 2Q18 levels; hence we expect a similar trend in net income for our coverage.

Table 3: 2Q2019 Estimates (SAR mln, except per share data)

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	Y/Y	2Q2018	2Q2019E	2Q2018	2Q2019E
Cement															
Yamama	112	191	71%	(12%)	43%	(30)	65	-	(36)	58	-	(32%)	31%	(0.18)	0.29
Saudi	246	303	23%	39%	33%	64	66	3%	58	63	9%	24%	21%	0.38	0.41
Qassim	88	136	55%	25%	42%	16	49	206%	18	42	133%	21%	31%	0.20	0.47
Southern	178	311	75%	29%	40%	40	110	175%	36	108	200%	20%	35%	0.26	0.77
Yanbu	197	244	24%	10%	21%	8	64	700%	5	59	1,080%	2%	24%	0.03	0.38
Group Total	821	1,185	44%			98	354	261%	81	330	307%				
Telecoms															
STC	13,182	13,519	3%	54%	59%	2,901	3,299	14%	2,517	2,834	13%	19%	21%	1.22	1.42
Mobily	2,895	3,233	12%	61%	57%	127	265	109%	(79)	53	-	(3%)	2%	(0.10)	0.07
Zain	1,846	2,114	15%	65%	71%	179	374	109%	(38)	122	-	(2%)	6%	(0.06)	0.21
Group Total	17,923	18,866	5%			3,207	3,938	23%	2,400	3,009	25%				
Food and Retail															
Almarai	3,731	3,862	4%	40%	40%	760	799	5%	661	652	(1%)	18%	17%	0.66	0.65
Jarir	1,693	1,829	8%	13%	13%	156	180	15%	163	179	10%	10%	10%	1.36	1.49

Source: Riyadh Capital, Company Reports

- Cement:** We believe that the sales volume will decline in 2Q2019 due to seasonality effect (Ramadan and Eid), but the prices will remain approximately the same.
- Telecoms:** We expect an improvement in the telecom sector results, due to the positive regulatory changes in addition to absorbing the impact of the VAT. The number of subscribers increased by the end of 1Q 2019 to 41.6 mln subscribers.
- Food and Retail:** We expect an increase in Jarir's results due to the opening of a new store. Almarai is also expected to post better results due to Ramadan sales along with an improvement in market conditions compared to last year.

Disclaimer

■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
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