

2024 Saudi Equity Strategy

Sailing in a Fresh Breeze

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SNB Capital - Equity Research

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Welcome 2024!

With a sigh of relief and a celebrated triumph, the global markets bid a heartwarming farewell to a peculiar 2023. The “last mile” gains are celebration of the end of a tough interest rate cycle and a welcome to a potential soft landing and positive outlook. Optimism and confidence further strengthen the Saudi market’s positive sentiment, underpinned by determination to achieve Vision 2030 goals, delivering the 1st phase of various projects and capitalizing on the impact of hosting major global events

Ending 2023 with high level of optimism and confidence, anticipating consecutive rate cuts and picturing its magical impact on markets this year & beyond, we believe 2024f sets itself as a transition year for equity markets. Therefore, we believe flexibility and agility are required to shift between sectors and themes. We prefer high-quality stocks (value and growth) in H1 24f and shifting to cyclicals in H2 24f as positive macro signs are confirmed

We believe the outlook is mixed in EMs as China’s economic recovery is a wild card while, at the same time, valuations seem quite compelling. Within EMs, we believe the Saudi market is a shining star. It is setting its own dynamics, driven by Vision 2030 programs, and offering a distinctive proposition with unmatched characteristics

The Saudi economy is expected to grow by 4.4% in 2024f, fueled by strong growth in non-oil GDP. We believe the ongoing economic reforms, ambitious government strategies/initiatives, acceleration in Mega/Giga projects, and the vital role played by the national funds will remain the main drivers

Earnings recovery post 2023 setback

Driven by improved global demand dynamics, we expect earnings recovery in the energy and petrochemicals sector. We believe this will drive the Saudi market earnings to grow by c17% in 2024f. However, adjusting for the two sectors given the uncertainty, growth is expected to be c11% yoy

TASI to trade between 10,900 to 13,100 points

Based on our earnings expectation and forward P/E range, we believe TASI will trade between 10,900 to 13,100 in 2024f, reflecting a dividend yield of 3.3%-3.9%. Moreover, our bottom-up approach based on our PTs indicates a fair value of 12,600



Sector themes while remaining agile

We expect 2024f to be a positive year but requires agility and flexibility. We prefer thematic sectors with increasing exposure to attractive dividends picks. We also prefer shifting to cyclicals in H2 24 as global macro improves. We prefer Banks, Tourism and Healthcare while our top picks are Saudi Aramco, STC, Albilad, SGS, Budget, and Al Dawaa

Top picks

Saudi Aramco

STC

Albilad

SGS

Budget

Al Dawaa

Key themes



Global Macro



Interest rates



China’s rebound



Oil prices



Mega Projects



Major events



IPOs

Key market drivers in 2024f



Global Macro

Tilting towards optimism

Interest Rates

How many cuts?



China Rebound

A wild card

Oil Prices

To be in a range bound



Vision 2030

The ultimate driver

Major Events

A long term catalyst



IPOs

More & more

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