الراجحي المالية
Al Rajhi Capital

Research Department
ARC Research Team
Tel +966 11 211 9370, devassyp@alrajhi-capital.com

Key themes

As Q1 ends, we present revenue and bottom-line estimates for companies under our coverage in various sectors.

Saudi companies' results preview
Q1 2019 earnings estimates

In Q1 2019, the focus has been mainly on foreign equity flows into market and less on fundamentals. Nevertheless, we expect healthy growth in banking sector to continue (10.8% y-o-y growth YTD Feb as per SAMA) as SAIBOR remains at an elevated level, translating into higher NIMs with likely support from lower provision costs. However, the combined earnings of the Saudi petrochemical sector are expected to decline in Q1 2019, primarily due to a drop in product prices amid weak demand, offsetting a decline in feedstock prices. Average Brent crude price (~-7% q-o-q) continued to remain weak for the second consecutive quarter. The quarter also would clarify how much would be the impact on STC and Mobily from changes in royalty fees effected in the end of the 2018. We believe consumer spending is likely to pick up gradually as a large part of decline in expat population and increase in cost of living expenses are majorly done with. PoS sales data for Saudi shows flattish consumer spending on a q-o-q basis with elevated growth in expenditure in the food segment. Please refer to tables in page 4 and 5 for our estimates.

Petrochemical. The combined earnings of the Saudi petrochemical sector are expected to decline in Q1 2019, primarily due to a drop in product prices amid weak demand, offsetting a decline in feedstock prices. Average Brent crude price (~-7% q-o-q) continued to remain weak for the second consecutive quarter in Q1, primarily due to concerns over slowing global economic growth. Similarly, polymer products prices have also declined during the quarter with various grades of PE falling 3-10% q-o-q while polystyrene prices slid more than 5%. PP and Polycarbonates prices (-7-9% q-o-q) declined by high single digit percentages. Moreover, prices of key intermediate products such as MEG (-20% q-o-q) and VAM (-13% q-o-q) also continued to remain under pressure for the third straight quarter. On the cost front, lower oil prices also dragged down average key feedstock prices (-15% q-o-q for Propane; -9% each for Butane and Naphtha) in Q1, which may partly offset the impact of lower products prices.

- Among our covered companies, Yansab's earnings are likely to improve sequentially in Q1 on higher sales volume and improvement in production efficiencies (following 52 days MEG plant shutdown in Q4), offsetting weak products prices.
- Following the 69 days shutdown at the Methanol plant in 2H 2018, Sipchem' performance is expected to improve on a quarterly basis, offsetting the impact of BDO (49 days) and PBT (23 days) plants shutdowns in Q1.
- For SABIC, top-line is likely to decline sequentially on weak product prices, while bottom-line is likely to remain largely flat, on the back of higher equity income, coupled with lower SG&A costs and interest expenses.
- We expect Tasnee's top-line to drop sequentially in Q1, mostly on account of weak TiO2 prices (-7% q-o-q).
- For SAFCO, lower sales volume amid 117 days shutdown (starting from Jan 11) at SAFCO III plant and 43 days shutdown at SAFCO II plant (starting from Mar 15; as per 2018 board report), along with weak urea prices, will drag its profitability significantly in Q1.

Banking sector. The Tadawul bank index (+18.9%) has outperformed the TASI (+12.7%) by 6.2% in Q1 2019, driven by solid banks' earnings and momentum led rally following inclusion of Saudi stocks in EM indices. For Q1 2019, we expect healthy growth in the sector earnings to continue (10.8% y-o-y growth YTD Feb as per SAMA) as SAIBOR remains at an elevated level, translating into higher NIMs with likely support from lower provision costs. The increasingly dovish stance adopted by US Fed has shifted the consensus projection to no rate hikes in 2019. While this has put some pressure on SAIBOR, it is unlikely to have an impact on the asset yields in Q1 2019. Nevertheless, we favour retail oriented banks over corporate banks given significant lag in transmission due to longer period for repricing for retail loans as compared to corporate loans. Overall, we see banking sector performance to be positively impacted by rise in business sentiments following improvement in GDP growth (3.6% y-o-y in Q4 vs +2.5% y-o-y in Q3). Loan book growth has shown some early signs of revival (+3.3% y-o-y in Feb) and we expect this to improve in Q1. Corporate loan growth is likely to show some improvement following rise in business sentiments while growth in retail loan book to be driven by mortgages as a result of government's initiatives. Meanwhile, robust asset quality and healthy provision coverage ratios for the banks are likely to put provision costs under control. Further, the revised Zakat rules is likely to have a marginal impact on the book value of the sector than earlier expected as most of Saudi banks will end up paying Zakat at the lower limit of 10% of net income. For details, please refer to our Q4 bank sector note.

Retail sector. Bottom-line of the retail sector is likely to increase 193% y-o-y in Q1 2019. For Al Othaim, we expect bottom-line to benefit from higher number of store openings and improved cost efficiency as the company achieves economies of scale. However, Alhokair's top-line is likely to remain under pressure, due to declining customer base and changing consumption basket, however, gross margins are expected to improve due to lower input costs. Meanwhile, Jarir's top-line is likely to benefit from higher sales of smartphones and digital products with some downward pressure on gross margins as the company aggressively gains market share. Further, we expect Extra's top-line to continue to grow as the company gains market share, driven by shift in market towards organised players and recovery in consumer spending. Extra announced opening of one new showroom in the quarter, bringing the total number of the retailer's stores in the Gulf region to 45.

Cement sector. As a result of continuous slowdown in construction activities in Saudi Arabia, local sales volumes are expected to decrease in Q1 to around 3.6mn ton (-13% y-o-y, 8% q-o-q). As for cement realization, local prices are expected to be flat as compared to the previous quarter. On the other hand, export volumes are increasing, although prices are low but we believe it is important to liquidate the high amount of inventory. In the first two months of Q1 2019, 10 cement companies reported y-o-y decline in sales volume, led by Arabian Cement (-44% y-o-y) and Yanbu Cement (-39%), while five companies have reported an increase in volume, led by Southern province Cement (+36%), Yamama Cement (+36%) and Riyadh Cement (+17%). The total inventory for the sector has increased to 41.9mn ton which represents 104% of last 12 month local sales. Based on our estimates, the companies under our coverage are expected to report a ~7.5% y-o-y decline in revenue, whereas earnings are likely to fall by ~-21% y-o-y.

Telecom sector. Q4 2018 saw the settlement of royalty and annual license fees with the regulator. Q1 2019 will be the first quarter when the bottom-line is likely to reflect the full impact of the revised royalty fees and reversal of provisions already recognized (related to long standing settlement dispute from 2009-17) to be realised over the three years, provided the companies make sufficient capex investments in the same period. We believe Zain KSA to be the major beneficiary with the reversal to the tune of ~SAR1.4bn over the next three years (total benefit of SAR1.7bn, out of which SAR~300mn already realised in 2018). This implies a likely quarterly reversal of SAR~117mn in Q1 2019, in our view. Not only this going forward we could see improvement in fees by around SAR300mn annually as fees is lower from 15% of revenues to 10% of revenues. STC is also likely to benefit for the next three years and while we initially expected reversal of around SAR6.9bn (SAR2.3bn annually) over the next three years, our interaction with the company implies this may not be the case. The net benefit is expected to be marginal as per the management. We will also get additional clarity on savings of Govt. fee, if any. On the other hand, Mobily was expected to witness a negative impact of ~SAR450-600mn per year for next few years, which is expected to erode ~450-500bps from the EBITDA margin. However, Mobily declined to provide any guidance on the impact of new royalty regime on 2019 cash flows and net income. Further, If STC is to account for sale of Careem to Uber in Q1, the gain recorded will be SAR 652.5mn (USD ~174mn), though the impact of which is unlikely to be significant given STC's size. STC and Zain KSA also announced that they have won (2300 MHz) spectrum license and additional spectrum in the 3.5 GHz frequency bands, respectively. Moreover, Zain KSA should benefit from the sale and lease back transaction of its towers (pending approval of CITC) that is likely to result in reduction of debt and lower interest expense.

Food sector. We expect bottom-line of the Food & Agriculture sector to significantly rise in Q1 2019. For Savola, we expect improved performance in Q1, driven by company's turn-around strategy in retail business and income from its investment in Almarai, while food business continues to suffer due to structural issues. Meanwhile, Herfy's top-line and bottom-line is likely to see modest growth driven by the continued expansion in number of restaurants and improvement in consumer spending. For Saudi Airlines Catering (SACC), we expect slight growth in revenue, driven by improved performance from business lounge services, while bottom-line to be negatively affected by lower operational efficiency. Also, during the quarter, SACC signed a ten-year contract estimated at SAR500mn with Saudia to design, build and operate an international lounge at Jeddah airport.

Healthcare sector. Q1 is comparatively a strong quarter for the healthcare sector due to seasonality. However, last year was a difficult year for the sector as the overall economic weakness resulted from declining expats population, VAT and decrease in disposable income on account of rise in living costs. We also saw insurance companies pushing hospitals for more discounts. In addition, implementation of IFRS new standards has resulted into lower revenue for most hospitals in 2018 as the provision for medical claims objections, which used to be recognized under administrative expenses, is now recognized at the top. Starting with Mouwasat which opened Khobar hospital in mid-September 2018; we believe the ramp up in operating rates is faster as the company directly signed with most insurance players and big corporations. Meanwhile, Mouwasat also increased business with MoH. We expect revenue to grow by ~3% q-o-q. Care hospital revenue will benefit from the increased number of patients – top line reaching around SAR181mn (-13% y-o-y; -1% q-o-q). Margins should improve as the company's strategy is to reduce cost and increase efficiency. For Hammadi, Q1 will witness good growth in revenue (~19% y-o-y; ~5% q-o-q) due to better utilization of Nuzha hospital as well as the increase in pharmaceutical revenue. Finally, for Dallah we believe top-line will be relatively same as Q4 with a slight improvement in number of patients in Namar and lower pharmaceutical revenues.

Saudi market: Q1 estimates of the companies we cover

	Revenues (SAR mn)					Net Profit (SAR mn)				
Company	**2018Q1A**	**2018Q4A**	**2019Q1E**	**YOY % chg.**	**QOQ % chg.**	**2018Q1A**	**2018Q4A**	**2019Q1E**	**YOY % chg.**	**QOQ % chg.**
Petrochemical*										
SABIC	41,862	40,129	37,168	-11.2%	-7.4%	5,508	3,242	3,212	-41.7%	-0.9%
	SABIC's top-line is expected to decline on weak products prices, while earnings are expected to remain largely flat sequentially, on the back of higher equity income, coupled with lower SG&A and interest expenses.									
Sipchem	1,171	1,053	1,084	-7.5%	2.9%	151	40	85	-43.9%	112.8%
	Despite the BDO and PBT plants shutdowns, Sipchem' performance is likely to improve on a quarterly basis, on higher Methanol sales volume in Q1, following 69 days shutdown in 2H 2018.									
SAFCO	811	1,090	705	-13.0%	-35.3%	237	569	207	-12.8%	-63.6%
	Lower sales volume amid SAFCO II and III plants shutdown, and weak urea prices should significantly drag its bottom-line sequentially.									
NIC	2,820	2,727	2,619	-7.1%	-4.0%	361	186	206	-43.0%	10.9%
	Tasnee's top-line is expected to decline sequentially, primarily due to lower TiO2 prices, however, earnings could be improved on lower minority distributions in Q1.									
Yansab	1,787	1,619	1,635	-8.5%	1.0%	631	233	500	-20.8%	114.0%
	Yansab is likely to report higher profitability sequentially in Q1, on account of higher sales volume and better production efficiencies, offsetting weak product prices.									
Petrochemical Sector*	**48,451**	**46,619**	**43,211**	**-10.8%**	**-7.3%**	**6,889**	**4,270**	**4,209**	**-38.9%**	**-1.4%**
Cement										
Arabian Cement	200	175	166	-17.0%	-5.4%	(6)	16	10	NM	-41.4%
	The company's top-line is expected to decline due to lower volumes sold in Saudi Arabia and in Jordan, offsetting likely improvement in realized selling prices (both locally and in Jordan).									
Yamama Cement	141	160	155	9.7%	-3.4%	24	7	9	-62.7%	27.8%
	Top line is expected to increase on a y-o-y basis, due to higher volumes sold, although lower selling prices could impact the margins in Q1									
Saudi Cement	330	304	322	-2.7%	5.8%	142	125	127	-10.8%	1.7%
	Top-line is likely to improve on a sequential basis driven by exports sales mainly of clinker, although the margins are not expected to rise due to low margin associated with clinker exports, and higher financial costs.									
Qassim Cement	148	115	122	-17.6%	6.1%	57	40	43	-25.5%	7.6%
	Top-line is likely to increase on a sequential basis, driven by higher selling quantity in the Central region and further support from cement export to Kuwait.									
Yanbu Cement	216	202	195	-9.7%	-3.5%	40	35	36	-10.4%	3.2%
	Top-line is expected to see a decline, mainly as the company has reduced its local sales volume in order to maintain the high selling prices.									
Southern Cement	274	240	252	-8.0%	5.0%	102	52	59	-42.1%	14.1%
	Top-line is expected to grow sequentially, driven by higher demand in the Southern province region, while selling prices are likely to broadly remain flat.									
Cement Sector	**1,309**	**1,196**	**1,211**	**-7.5%**	**1.2%**	**359**	**274**	**283**	**-21.2%**	**3.2%**
Telecom										
STC	12,386	13,166	12,634	2.0%	-4.0%	2,588	3,116	2,657	2.7%	-14.7%
	While the company had a reversal in Q4 (net positive impact of around SAR580mn), the management has guided no material benefit in 1Q19, so the bottom-line is expected to benefit from cost-improvement program.									
Mobily	2,833	3,162	3,182	12.3%	0.6%	(93)	80	(138)	-47.9%	NM
	We expect increase in royalty fees to have a negative impact on net income in Q1.									
Zain	1,686	2,046	2,026	20.2%	-1.0%	(77)	399	194	NM	-51.4%
	Bottom-line is expected to rise annually in this quarter with support from the reversal of royalty fees in the next 3 years, thereby positioning the company into consistent profits after an uneven past performance.									
Telecom Sector	**16,904**	**18,374**	**17,842**	**5.5%**	**-2.9%**	**2,417**	**3,596**	**2,713**	**12.3%**	**-24.5%**

** Ex-APCC as the company has already reported Q1 financials on April 8, 2019.*

Saudi market: Q1 estimates of the companies we cover

Company	Revenues (SAR mn) 2018Q1A	2018Q4A	2019Q1E	YOY % chg.	QOQ % chg.	Net Profit (SAR mn) 2018Q1A	2018Q4A	2019Q1E	YOY % chg.	QOQ % chg.
Food & Agriculture*										
Savola	5,145	5,347	5,093	-1.0%	-4.7%	(84)	(526)	3	NM	NM
	Top-line growth to remain subdued due to currency headwind and lower growth in retail business. Bottom line to improve marginally due to cost efficiency obtained after closure of Pandati and loss making stores.									
Herfy	286	325	302	5.6%	-7.1%	48	52	51	6.9%	-1.8%
	Herfy's sales should increase on the back of stores expansion and growth in overall restaurant sector.									
Catering	531	315	542	2.1%	72.2%	120	76	116	-3.3%	52.6%
	Top-line is expected to grow slightly till the business cycle picks up while pressure on bottom-line likely to continue due to lower operational efficiency.									
Food & Agri. Sector	**5,963**	**5,987**	**5,937**	**-0.4%**	**-0.8%**	**84**	**-398**	**170**	**103.6%**	**NM**
Retail										
Jarir	1,599	2,137	1,934	20.9%	-9.5%	219	290	254	15.7%	-12.7%
	Top-line is expected to grow due to new stores opening and growth in online sales, while the company's bottom-line is expected to increase on the back of increase in real-estate rentals and improved margins.									
Alhokair	1,193	1,234	1,134	-5.0%	-8.1%	(184)	27	13	NM	-49.6%
	Top-line is expected to decrease due to declining customer base and changing consumption basket while gross margins to improve due to lower input costs.									
Alothaim	1,798	1,950	1,924	7.0%	-1.3%	67	107	65	-3.3%	-39.2%
	Top-line to grow from store expansion and capturing share from the unorganized sector.									
Extra	865	1,619	922	6.6%	-43.1%	22	63	30	37.4%	-53.0%
	Top-line is expected to increase due to the addition of two newly stores in the quarter, while margin are expected to improve on the back of Tasheel installments program growth.									
Retail Sector	**5,456**	**6,939**	**5,913**	**8.4%**	**-14.8%**	**123**	**487**	**362**	**193.0%**	**-25.7%**
Healthcare										
Dallah	309	318	308	-0.1%	-3.1%	58	33	32	-44.7%	-1.2%
	We expect margins to improve on the back of higher utilization of Namar Hospital.									
Mouwasat	439	414	427	-2.7%	3.1%	106	85	98	-7.7%	14.4%
	Better utilization of Khobar Hospital is leading the growth in top-line on a q-o-q basis.									
NMCC	207	182	181	-12.7%	-0.7%	26	5	22	-12.5%	330.8%
	The bottom-line will improve q-o-q basis due to low base effect in the last quarter, resulting from additional provisions taken from a governmental client.									
Al Hammadi	201	228	239	19.3%	4.9%	31	18	20	-35.0%	13.5%
	The high revenue from the Pharmaceutical sector and better utilization of Nuzha Hospital will lead the top-line growth.									
Healthcare Sector	**1,154**	**1,142**	**1,155**	**0.0%**	**1.2%**	**220**	**141**	**172**	**-21.8%**	**22.4%**
Other										
Ma'aden	3,564	3,797	4,437	24.5%	16.9%	638	277	363	-43.1%	31.0%
	Ma’aden's top-line and bottom-line are likely to improve on a quarterly basis, driven by ramping up production at the WAS DAP and MRC plants.									

** Ex-Almarai as the company has already reported Q1 financials on April 7, 2019.*

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Al Rajhi Capital (Al Rajhi), a company authorized to engage in securities activities in Saudi Arabia. Al Rajhi is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc, 40 Wall Street 59th Floor, New York NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Al Rajhi. Rosenblatt Securities Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person of Rosenblatt Securities Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

Rosenblatt Securities Inc. or its affiliates does not ‘beneficially own,’ as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. Rosenblatt Securities Inc, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Rosenblatt Securities Inc. is not aware of any material conflict of interest as of the date of this publication.

Compensation and Investment Banking Activities

Rosenblatt Securities Inc. or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither Al Rajhi nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report’s preparation or publication, or any losses or damages which may arise from the use of this research report.

Al Rajhi may rely on information barriers, such as “Chinese Walls” to control the flow of information within the areas, units, divisions, groups, or affiliates of Al Rajhi.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by Al Rajhi with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of Al Rajhi and Al Rajhi accepts no liability whatsoever for the actions of third parties in this respect. This research document has been prepared by Al Rajhi Capital Company (“Al Rajhi Capital”) of Riyadh, Saudi Arabia. It has been prepared for the general use of Al Rajhi Capital’s clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Al Rajhi Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Al Rajhi Capital. The information contained was obtained from various public sources believed to be reliable but we do not guarantee its accuracy. Al Rajhi Capital makes no representations or warranties (express or implied) regarding the data and information provided and Al Rajhi Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Al Rajhi Capital or its officers or one or more of its affiliates (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. Al Rajhi Capital or its affiliates may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. Al Rajhi Capital, together with its affiliates and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document.

This research document and any recommendations contained are subject to change without prior notice. Al Rajhi Capital assumes no responsibility to update the information in this research document. Neither the whole nor any part of this research document may be altered, duplicated, transmitted or distributed in any form or by any means. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or which would subject Al Rajhi Capital or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Disclaimer and additional disclosures for Equity Research

Disclaimer

This research document has been prepared by Al Rajhi Capital Company ("Al Rajhi Capital") of Riyadh, Saudi Arabia. It has been prepared for the general use of Al Rajhi Capital's clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Al Rajhi Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Al Rajhi Capital. The information contained was obtained from various public sources believed to be reliable but we do not guarantee its accuracy. Al Rajhi Capital makes no representations or warranties (express or implied) regarding the data and information provided and Al Rajhi Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Al Rajhi Capital or its officers or one or more of its affiliates (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. Al Rajhi Capital or its affiliates may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. Al Rajhi Capital, together with its affiliates and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document.

This research document and any recommendations contained are subject to change without prior notice. Al Rajhi Capital assumes no responsibility to update the information in this research document. Neither the whole nor any part of this research document may be altered, duplicated, transmitted or distributed in any form or by any means. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or which would subject Al Rajhi Capital or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 10% above the current share price, and we expect the share price to reach the target on a 12 month time horizon.

"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 12 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 12 month time horizon.

"Target price": We estimate target 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.

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

Mazen AlSudairi
Head of Research
Tel : +966 11 211 9449
Email: alsudairim@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

Al Rajhi Capital is licensed by the Saudi Arabian Capital Market Authority, License No. 07068/37.