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Saudi Equities Outlook

Time to go long on the Saudi Reform Story

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Saudi Equities in 2018: Commencing a fresh journey

Market View



Index Target – 7936

Preferred Sectors



Banks
Petrochemicals
Cement

Stock Picks



NCB
Banque Saudi Fransi
Zain KSA
Southern Cement
Saudi Kayan

What we look forward to...

KSA equity market witnessed a largely flat 2017 with volatility confined to a narrow range amidst reforms taking center-stage, we look forward to a positive 2018. Forecast TASI to target 7936 points by 2018-end.

Upcoming triggers for TASI this year:

- ✓ MSCI EM and FTSE inclusion
- ✓ Aramco IPO
- ✓ Earnings growth in selective sectors/stocks
- ✓ Valuation multiple expansion; expect a re-rating

This is the time to go long on the Saudi reform story. While time will tell, as always, about the success of the reforms, we believe all the ingredients are coming together to finally diversify the Kingdom's economy into one less-dependent on oil. What better way to play this than through the equity market. This is the time to go long on the Saudi reform story.

2017 in Review and Outlook for 2018

- ✓ We view 2018 as a year of restarting economic growth pushed by revenue diversification and prudent expenditures. Expected government spending would be a key determinant of economic growth.
- ✓ TASI remained in a very tight range in 2017, registering only a 500 points difference between the high and low.
- ✓ 2017 was a year of economic consolidation as the government rolled out reform plans and implemented key revenue measures such as the so-called 'sin tax', 'expat dependent fees' etc.
- ✓ Recently announced 2018 budget gives an achievable roadmap for 2019-23 to reignite economic growth.
- ✓ Fundamentally, major sectors such as Banks and Petrochemicals achieved substantial (and unexpected) earnings growth, which has yet to be reflected in stock prices, in our view.
- ✓ Concurrently, the Kingdom was in global headlines for social reforms such as lifting the ban on women driving, re-opening of cinemas, amongst others. This has projected a much-needed soft image of the Kingdom.
- ✓ Commencement of cash transfer payments through the 'Citizens Account' puts a social net for low and middle-income families against higher energy prices.
- ✓ Tadawul would be influenced by two main events this year: decision on MSCI inclusion and the Aramco IPO, both of which have the potential to bring much-awaited material foreign investment into the market.
- ✓ However, energy price reforms and VAT coupled with expat fees may be a short-term dampener for corporate earnings and retail purchasing power.
- ✓ All in all, we are positive on the TASI year-on-year with a target of 7936 points by Dec 2018.

Key Risks for Saudi Equities in 2018

Macro risks

- ✓ Fresh downturn in crude prices to below USD 50/bbl, pressuring budgeted revenues and leading to liquidity concerns
- ✓ Economic transformation plans implemented slower than forecast
- ✓ Crude prices rebound to above USD 100/bbl and the government interest declines in economic reforms
- ✓ Demand dampened by new measures such as subsidy removal, VAT imposition, indirect taxes and expat fees
- ✓ Government spending softer than target

Equity market risks

- ✓ Tadawul's inclusion in the MSCI EM is delayed
- ✓ QFIs interest does not pick up
- ✓ New taxes are introduced on stock trading/investment at the Tadawul
- ✓ Higher energy costs, rise in interest rates and economic slowdown negatively impacts corporate earnings

Coverage Universe: We cover 65% of the market cap...

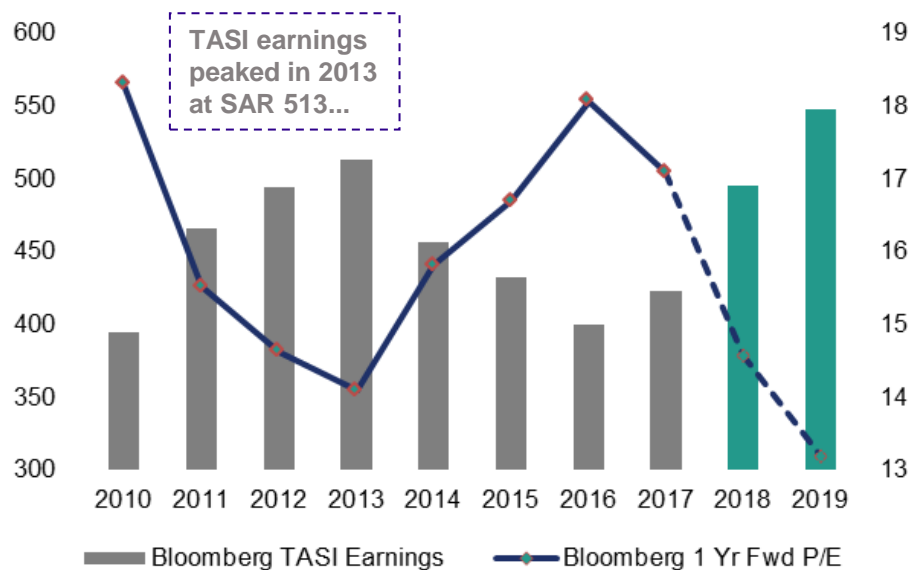
# No	Company	Sector	Rating	TASI Code	CMP (SAR)	Target Price	Upside	MCap SAR (mln)	EV SAR (mln)	2018E P/E	2018E P/B	2018E P/S	2018E	2018E	2018E Yield	52 Wk High	52-Wk Low	YTD
						(SAR)							EV/ EBITDA	EV/ Sales				
1	Alawal Bank	Banks	Neutral	1040	11.84	14.00	18%	13,614	NA	8.8x	1.0x	NM	NM	NM	4.2%	14.1	10.3	-15%
2	Al Rajhi	Banks	Neutral	1120	64.62	69.00	7%	104,715	NA	11.6x	1.9x	NM	NM	NM	5.0%	71.7	61.0	2%
3	ANB	Banks	Buy	1080	24.70	27.00	9%	25,000	NA	6.8x	0.9x	NM	NM	NM	4.8%	25.5	19.0	13%
4	Alinma Bank	Banks	Neutral	1150	19.13	16.00	-16%	28,740	NA	12.6x	1.2x	NM	NM	NM	3.9%	19.7	14.0	27%
5	NCB	Banks	Buy	1180	55.05	62.00	13%	105,600	NA	10.5x	2.4x	NM	NM	NM	4.1%	58.0	37.0	25%
6	Bank Albilad	Banks	Neutral	1140	20.48	19.00	-7%	12,264	NA	10.8x	1.4x	NM	NM	NM	3.4%	21.5	16.2	-1%
7	Banque Saudi Fransi	Banks	Buy	1050	28.60	35.00	22%	34,473	NA	8.3x	1.0x	7.8x	NM	NM	5.4%	33.4	22.1	10%
8	SABB	Banks	Neutral	1060	27.00	29.00	7%	40,500	NA	8.5x	1.2x	9.0x	NM	NM	5.4%	28.6	20.1	8%
9	SAMBA	Banks	Neutral	1090	23.50	29.00	23%	47,000	NA	9.0x	1.0x	8.4x	NM	NM	6.4%	27.1	19.8	-3%
10	United Wire Factories	Building Materials	Sell	1301	15.89	17.00	7%	697	495	22.4x	1.3x	1.2x	5.2x	0.6x	2.5%	28.0	14.1	-38%
11	Bawan Company	Building Materials	Buy	1302	17.52	20.00	14%	1,051	1,555	12.7x	1.1x	0.5x	8.7x	0.6x	5.7%	24.4	14.9	-23%
12	Saudi Ceramics Com	Building Materials	Neutral	2040	26.67	20.00	-25%	1,334	2,180	60.6x	0.7x	1.3x	4.8x	1.3x	0.0%	35.2	20.7	-20%
13	National Company for	Building Materials	Neutral	2150	21.07	22.00	4%	693	786	9.6x	1.1x	5.5x	26.2x	7.6x	7.1%	22.6	17.7	6%
14	Petrochem	Chemicals	Buy	2002	18.53	21.00	13%	8,894	19,714	12.4x	0.9x	1.3x	8.1x	2.7x	2.7%	22.0	16.1	-13%
15	SABIC	Chemicals	Neutral	2010	101.95	98.00	-4%	305,850	350,834	15.2x	1.4x	2.1x	8.5x	2.4x	5.4%	105.4	91.3	11%
16	SAFCO	Chemicals	Neutral	2020	65.10	65.00	0%	27,125	26,925	23.2x	3.1x	9.2x	11.0x	7.6x	3.1%	76.8	57.0	-13%
17	SIIG	Chemicals	Neutral	2250	19.16	21.00	10%	8,622	21,713	9.6x	0.6x	1.2x	8.9x	3.0x	5.2%	23.5	15.1	2%
18	Sahara Petrochemical	Chemicals	Neutral	2260	16.49	16.00	-3%	7,236	6,569	15.0x	1.1x	4.0x	18.1x	4.6x	4.9%	16.8	12.2	12%
19	YANSAB	Chemicals	Buy	2290	58.84	60.00	2%	33,098	31,925	13.8x	1.9x	4.8x	12.0x	4.6x	5.9%	61.9	52.0	9%
20	Sipchem	Chemicals	Buy	2310	17.45	18.50	6%	6,398	13,494	14.4x	1.0x	1.5x	11.5x	3.8x	4.3%	19.5	12.8	-8%
21	Advanced	Chemicals	Neutral	2330	45.89	46.00	0%	9,031	9,570	13.0x	2.8x	4.2x	10.0x	4.1x	6.5%	48.6	42.5	0%
22	Saudi Kayan	Chemicals	Buy	2350	10.68	13.00	22%	16,020	38,563	13.7x	1.1x	1.6x	20.5x	4.8x	0.0%	11.0	7.4	21%
23	Petro Rabigh	Chemicals	Neutral	2380	16.44	16.00	-3%	14,401	53,168	17.9x	1.5x	0.5x	34.1x	2.1x	1.5%	17.0	10.6	40%
24	STC	Telecom	Neutral	7010	68.60	73.00	6%	137,200	125,688	12.5x	2.0x	2.7x	6.5x	2.5x	5.8%	78.9	64.5	-5%
25	Zain KSA	Telecom	Buy	7030	7.31	12.00	64%	4,267	14,357	22.2x	1.4x	0.6x	8.8x	2.1x	0.0%	11.5	5.9	-12%
26	Mobily	Telecom	Under Review	7031	14.83	NA	NM	11,419	24,142	NM	NM	NM	NM	NM	NM	24.3	12.9	-38%
27	Yamamah Cement	Cement	Neutral	3020	17.63	16.00	-9%	3,570	3,623	24.2x	0.9x	4.7x	4.7x	2.8x	3.4%	23.3	15.8	-23%
28	Saudi Cement	Cement	Neutral	3030	47.43	47.00	-1%	7,257	7,843	15.2x	2.2x	6.4x	6.5x	4.1x	6.3%	71.8	37.2	-33%
29	Qassim Cement	Cement	Neutral	3040	45.01	49.00	9%	4,051	3,306	16.3x	2.3x	6.8x	5.1x	3.4x	5.6%	67.5	38.0	-33%
30	Southern Cement	Cement	Buy	3050	48.40	57.00	18%	6,776	7,289	13.7x	1.8x	5.4x	5.7x	3.8x	5.2%	83.0	39.6	-41%
31	Yanbu Cement	Cement	Neutral	3060	33.82	29.00	-14%	5,327	5,623	16.6x	1.5x	6.0x	5.4x	3.5x	5.2%	41.1	23.5	-16%
32	Almarai	Food	Neutral	2280	53.75	54.00	0%	53,750	65,613	24.4x	3.3x	3.9x	17.8x	4.8x	1.5%	78.6	51.8	-2%
33	Jarir Marketing Comp	Retail	Neutral	4190	146.72	140.00	-5%	13,205	13,172	15.6x	7.3x	2.0x	15.6x	2.1x	5.6%	158.8	115.0	27%

Source: Bloomberg, RC Research
All data in this report are as of Dec 31, 2017

TASI in 2018

- ✓ Multiple expansion and earnings growth, takes index target to 7936 points
- ✓ MSCI and FTSE inclusion
- ✓ Empirical evidence from other markets points to significant rally in the 12 month prior to index inclusion

Target valuation multiple (P/E) expansion



Based on our coverage universe, which represents approx 65% of market cap, we anticipate P/E multiple expansion this year

- After three years of decline, market (Bloomberg) consensus calls for earnings growth from 2017.
- We expect multiple (P/E) expansion to 16.0x in 2018 versus an average P/E of 12.6x between 2014 and 2017.
- P/E expansion argument is based on MSCI EM and FTSE inclusion coupled with enhanced investor interest at the Tadawul on Aramco listing as well as reforms taking shape

Source: Bloomberg, RC Research

Market View- Positive

TASI target– 7936

- ✓ Assuming 2018 Bloomberg consensus earnings of SAR 496 and forecast P/E of 16.0x, we arrive at a 7936 points TASI target.
- ✓ Target P/E of 16.0x is derived by applying a 27% premium to the 3-year bear cycle forward P/E of 12.6x (average since oil crash).
- At our 7936 TASI target, the index would be trading at 14.5x 2019E earnings.

	2018E			2019E		
	Bear	Base	Bull	Bear	Base	Bull
	486	496	506	537	548	559
13.0x	6,319	6,448	6,577	6,982	7,124	7,266
14.0x	6,805	6,944	7,083	7,519	7,672	7,825
15.0x	7,291	7,440	7,589	8,056	8,220	8,384
16.0x	7,777	7,936	8,095	8,593	8,768	8,943

Index Target based on P/E

Target Index level at 16.0x 2018E Earnings **7,936**

Earnings data is in SAR

MSCI EM likely to be the main catalyst

Tadawul inclusion likely timeline

June 2017– One year review



June 2018– Market inclusion announcement



May 2019– Tadawul becomes part of MSCI EM



- ✓ Passive fund flows will start after joining MSCI EM but active managers are expected to invest much in advance.
- ✓ Estimated additional inflow of over USD 10 billion assuming 10% ownership of float. Current ownership is around 5%.

MSCI Saudi Index

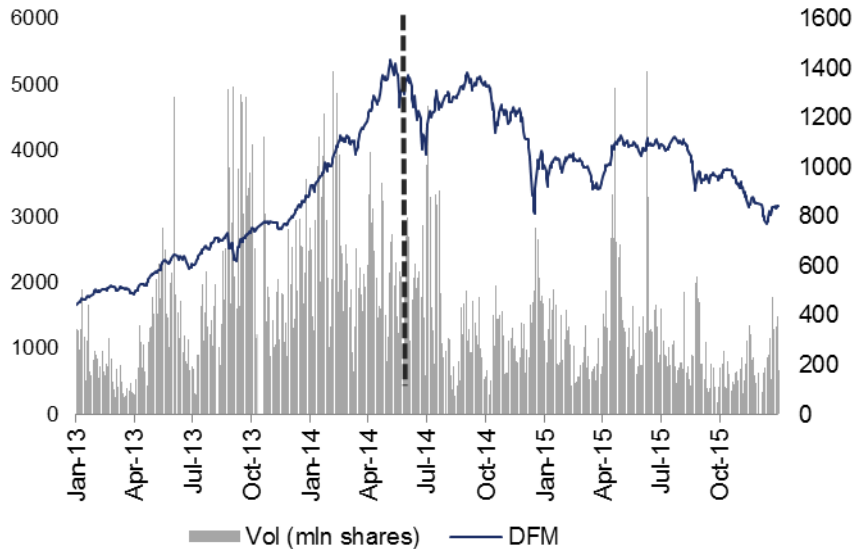
Top Ten Constitutents	Sector	Float-adjusted Mkt Cap (USD billions)	Index Wgt (%)
SABIC	Materials	20.07	15.27
Al Rajhi Bank	Financials	13.55	10.31
NCB	Financials	10.86	8.26
Saudi Telecom	Telecom	7.35	5.59
Saudi Arabian Mining Co	Materials	5.96	4.54
Samba Financial Group	Financials	5.57	4.24
Saudi Electricity	Utilities	5.35	4.07
Almarai	Consumer Stap	5.29	4.03
Riyad Bank	Financials	3.83	2.92
Yanbu National Petro	Materials	3.66	2.78
Total		81.49	62.01

* As of Nov 30, 2017

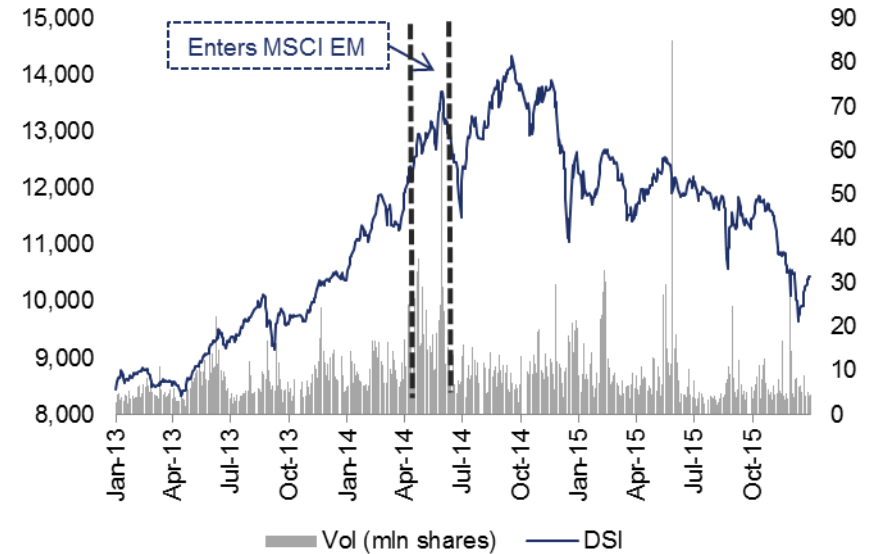
71 stocks in MSCI Saudi Index covering 99% of free float adjusted market cap

MSCI Inclusion: Don't Forget Oil was at US\$100 during 2013...

Dubai up +115% 12-mth prior to inclusion



Qatar up +38% 12-mth prior to inclusion



While both index and volumes shot-up on anticipation, Dubai declined -17% and Qatar -5%, 12-month post-joining

Pakistan followed a similar pattern

- Pakistan market increased +35% from announcement to inclusion in MSCI EM
- Post inclusion, KSE-100 is down -24% from its peak, although some market-specific factors have also played a role.

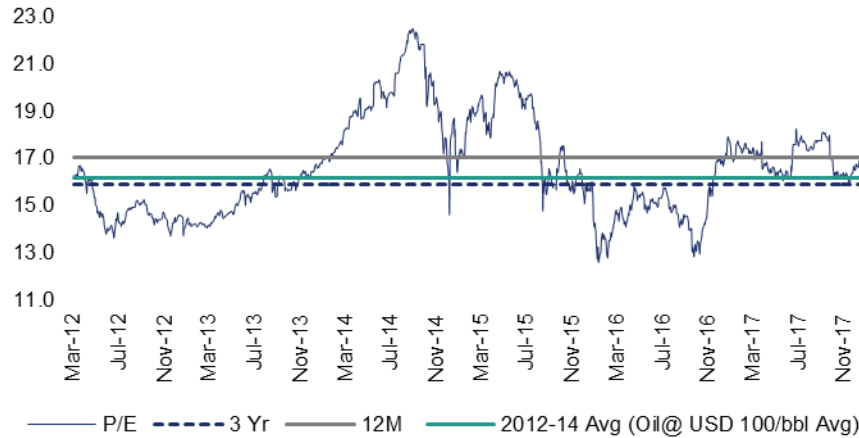
Empirical evidence positive for Saudi mkt

- Market has reacted positively to reform announcements
- Higher institutional ownership at the Tadawul can lead to more measured reactions to news versus the past

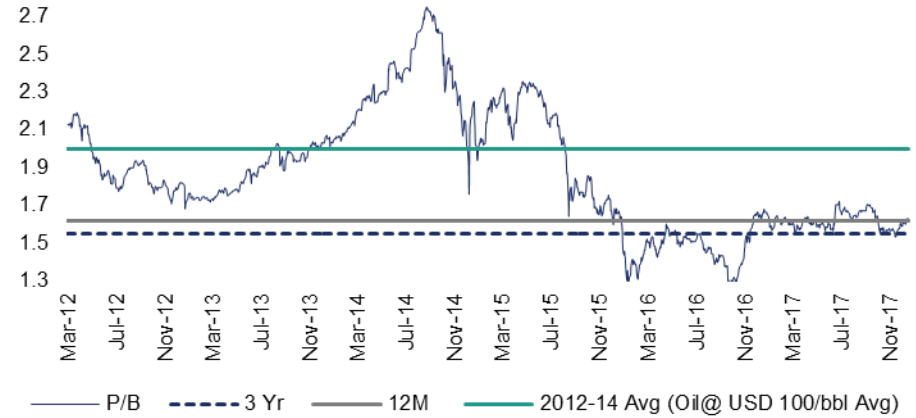
Source: Bloomberg, RC Research

Multiple expansion is due after earnings recovery in 9M2017...

TASI P/E



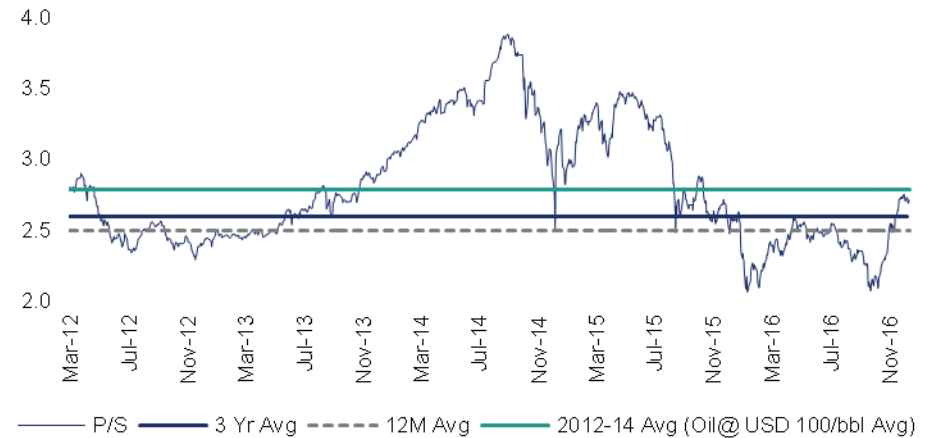
TASI P/B



TASI Dividend Yield



TASI Price to Sales



Source: Bloomberg

Sector and stocks in 2018

- ✓ Neutral to positive on Petrochemicals, Banks and Cement
- ✓ Neutral to negative on Building materials and telecoms

Petrochemicals in 2018: Its all about efficiency

Sector View: Neutral to Positive

- ✓ Global petrochemical demand is expected to be stable; growth at low single digits
- ✓ Petrochemical spreads to soften this year as basic chemicals to see confined rally
- ✓ Feedstock prices have risen sharply from 3Q2017; expected to smoothen from 1Q2018
- ✓ Rising ethylene capacity in China and the US poses a threat to MENA pricing ability
- ✓ We prefer Kayan and Petrochem for now. Potential upgrade: SABIC

Watch out for:

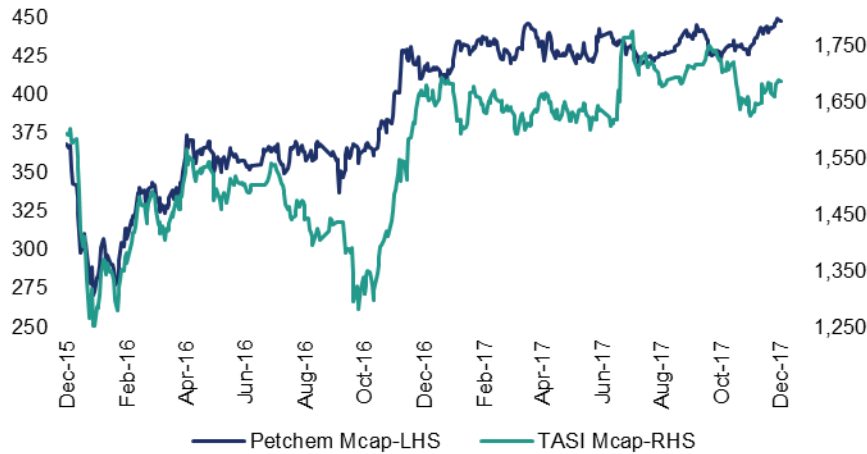
- ✓ Fluctuations in crude prices
- ✓ Rising supply out of China
- ✓ Utility price hikes in 1Q2018
- ✓ Unscheduled shutdowns
- ✓ Feedstock hike post 2019

Coverage universe

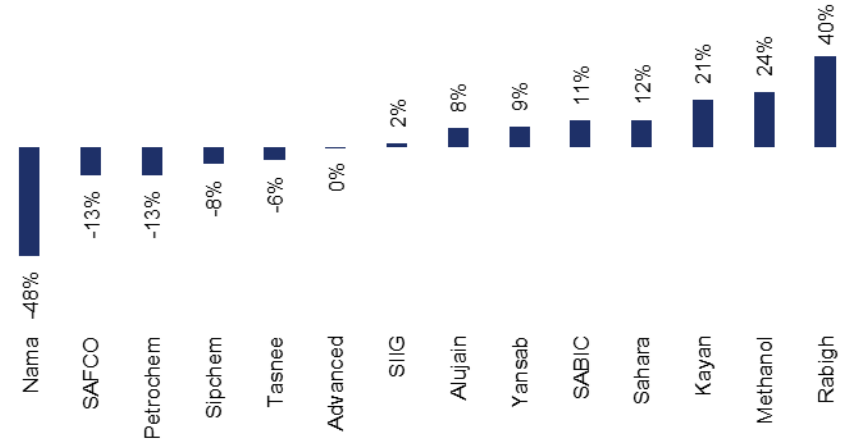
Company	Rating	TASI Code	CMP (SAR)	Target Price (SAR)		MCap SAR (mln)	EV SAR (mln)	2018E P/E	2018E P/B	2018E P/S	2018E EV/EBITDA	2018E EV/Sales	2018E Yield	52 Wk High	52-Wk Low	YTD
				Upside	Price											
Petrochem	Buy	2002	18.53	21.00	13%	8,894	19,714	12.4x	0.9x	1.3x	8.1x	2.7x	2.7%	22.00	16.06	-13%
SABIC	Neutral	2010	101.95	98.00	-4%	305,850	350,834	15.2x	1.4x	2.1x	8.5x	2.4x	5.4%	105.40	91.25	11%
SAFCO	Neutral	2020	65.10	65.00	0%	27,125	26,925	23.2x	3.1x	9.2x	11.0x	7.6x	3.1%	76.75	57.00	-13%
SIIG	Neutral	2250	19.16	21.00	10%	8,622	21,713	9.6x	0.6x	1.2x	8.9x	3.0x	5.2%	23.45	15.10	2%
Sahara Petrocl	Neutral	2260	16.49	16.00	-3%	7,236	6,569	15.0x	1.1x	4.0x	18.1x	4.6x	4.9%	16.80	12.16	12%
YANSAB	Buy	2290	58.84	60.00	2%	33,098	31,925	13.8x	1.9x	4.8x	12.0x	4.6x	5.9%	61.90	52.00	9%
Sipchem	Buy	2310	17.45	18.50	6%	6,398	13,494	14.4x	1.0x	1.5x	11.5x	3.8x	4.3%	19.50	12.76	-8%
Advanced	Neutral	2330	45.89	46.00	0%	9,031	9,570	13.0x	2.8x	4.2x	10.0x	4.1x	6.5%	48.60	42.50	0%
Saudi Kayan	Buy	2350	10.68	13.00	22%	16,020	38,563	13.7x	1.1x	1.6x	20.5x	4.8x	0.0%	11.04	7.40	21%
Petro Rabigh	Neutral	2380	16.44	16.00	-3%	14,401	53,168	17.9x	1.5x	0.5x	34.1x	2.1x	1.5%	17.02	10.60	40%
Median/Total						436,675	572,476	14.4x	1.2x	1.8x	11.3x	4.0x	4.6%			

Petrochemicals Performance in 2017: Rabigh rallies

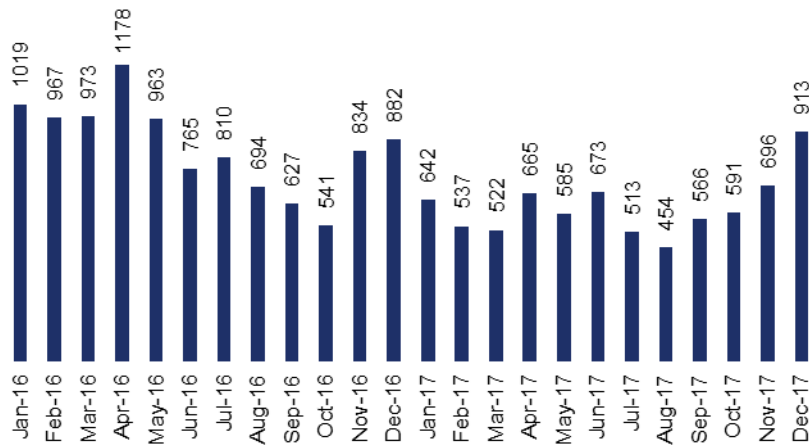
Sector outperforms TASI, most stocks rallied...



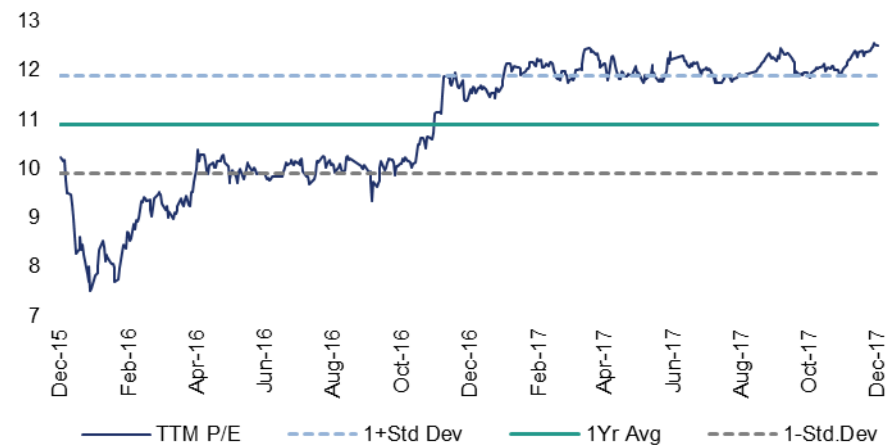
Most had a good year: Kayan & Rabigh are noteworthy...



Highest flows (Avg Turnover) in Dec; most in Kayan...



Valuations have improved after good 3Q2017...



Source: Bloomberg
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Banks in 2018: Continued NIM expansion

Sector View– Neutral to Positive

- ✓ Primarily an interest rate and spread play with a topping of NPL concerns
- ✓ NIMs would continue to expand but at a slower pace in 2018
- ✓ Deposit and loan growth would remain sluggish at single digits
- ✓ After a decline by -5% in 2016 due to higher provisions, earnings expected to jump by +11% in 2017
- ✓ Expect elevated provisions for 2017 as well but much lower than 2016
- ✓ SAIBOR has remained more or less flat in 2017
- ✓ Capital adequacy and buffers for loss absorption are strong

Watch out for:

- ✓ Big-ticket defaults
- ✓ Further US Fed rate hikes
- ✓ SAIBOR movement
- ✓ Progress on economic turnaround
- ✓ Consumer spending

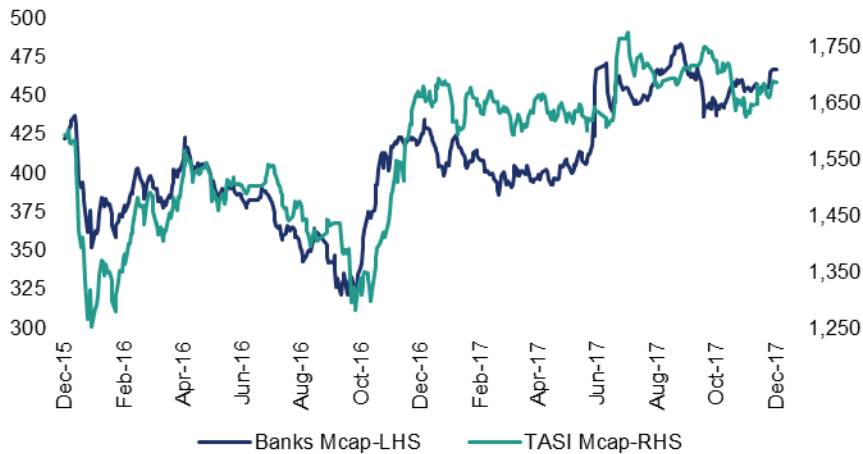
Coverage universe

Company	Rating	TASI Code	CMP (SAR)	12-Month Target		MCap SAR (mln)	2018E P/E	2018E P/B	2018E Yield	2018E YTD
				Price (SAR)	Upside					
Alawwal Bank	Neutral	1040	11.84	14.00	18%	13,614	8.8x	1.0x	4.2%	-15%
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SAMBA	Neutral	1090	23.50	29.00	23%	47,000	9.0x	1.0x	6.4%	-3%
Median/Total						411,906	9.0x	1.2x	4.8%	

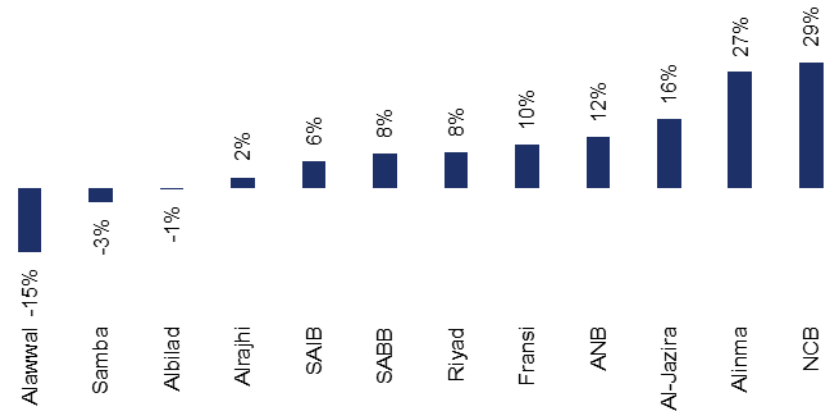
Source: RC Research

Banks Performance in 2017: NCB had the best returns...

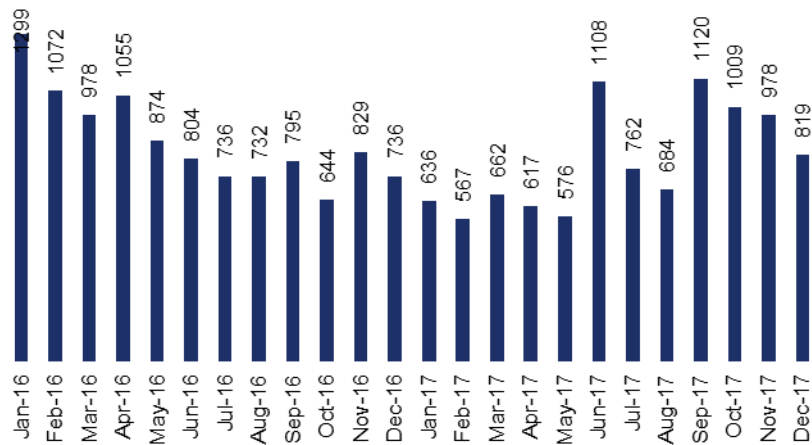
Market Cap Trends: Sector vs TASI



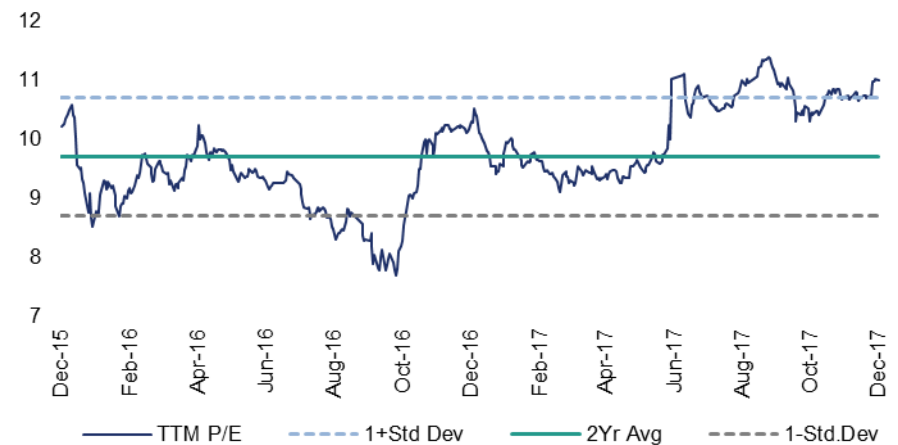
Stock Price Performance



Money Flows: Average Daily Turnover (SAR Mn)



Valuation Trends (TTM P/E)



Source: Bloomberg
Flows refer to average daily turnover (SAR Mn) on a monthly basis in the sector

Telecoms in 2018: Selective opportunities

Sector View– Neutral to Negative

- ✓ An increasingly data-driven market with a push towards level playing field with unified license regime
- ✓ Penetration levels are high
- ✓ Telecom sector is vital for Vision 2030 with its emphasis on e-government. Contribution to GDP to be raised from current 6%
- ✓ The incumbent looks set to loose market share but largely preserve profitability
- ✓ Zain likely to be the biggest gainer both in terms of market share and operating profitability
- ✓ Mobily is still finding its feet since facing accounting issues in 2014 and strategy going forward needs to be defined, regaining market share is essential

Watch out for:

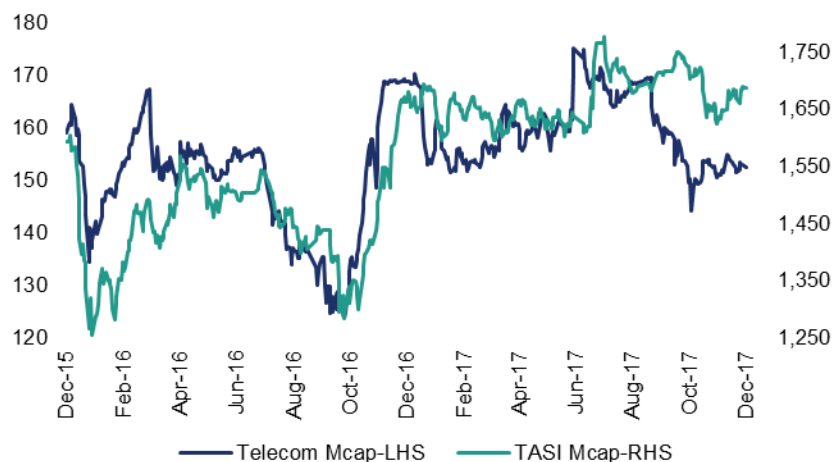
- ✓ Tower sale
- ✓ Debt rescheduling
- ✓ Fiber and fixed line expansion
- ✓ Maintenance capex
- ✓ Changes in termination charges

Coverage universe

Company	Rating	TASI Code	CMP (SAR)	Target Price (SAR)		Upside	MCap SAR (mln)	EV SAR (mln)	2018E P/E	2018E P/B	2018E P/S	2018E	2018E	2018E Yield	52 Wk High	52-Wk Low	YTD
				EV/ EBITDA	EV/ Sales												
STC	Neutral	7010	68.60	73.00	6%	137,200	125,688	12.5x	2.0x	2.7x	6.5x	2.5x	5.8%	78.90	64.50	-5%	
Zain KSA	Buy	7030	7.31	12.00	64%	4,267	14,357	22.2x	1.4x	0.6x	8.8x	2.1x	0.0%	11.45	5.85	-12%	
Mobily	Under Review	7031	14.83	NA	NM	11,419	24,142	NM	NM	NM	NM	NM	NM	24.30	12.94	-38%	

Telecoms Performance in 2017: In the red

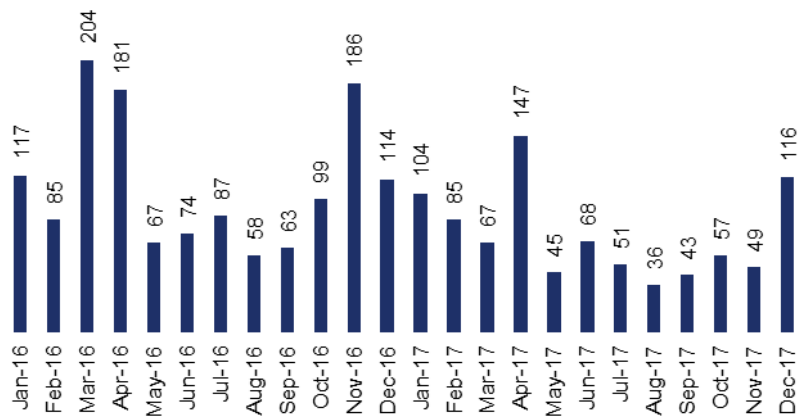
Market Cap Trends: Sector vs TASI



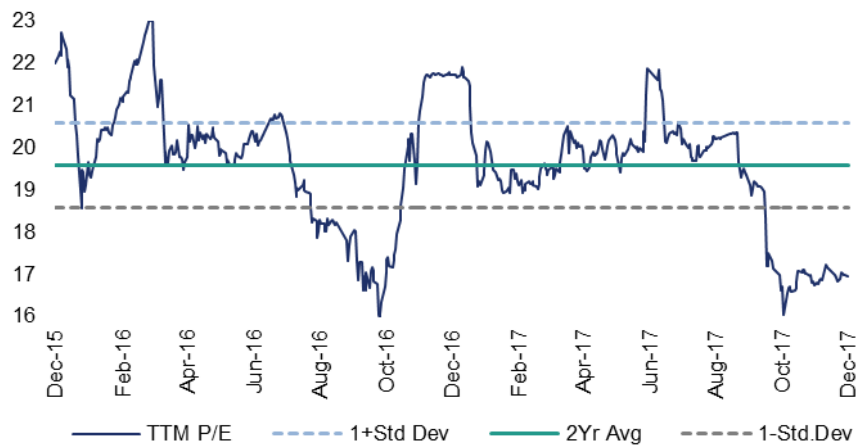
Stock Price Performance



Money Flows: Average Daily Turnover (SAR Mn)



Valuation Trends (TTM P/E)



Source: Bloomberg

Cements in 2018: Relief rally but concerns remain

Sector View– Neutral to Positive

- ✓ A relief rally seen post announcement of Budget 2018 and NEOM projects
- ✓ Emphasis on spending in the Budget 2018
- ✓ Thrust by PIF and NDF on infrastructure spending
- ✓ Expectations of improvement in export market are a positive over long term
- ✓ Mounting inventories are a rising concern for the past two years, at 60% of capacity
- ✓ Realized prices for the sector have taken a toll at SAR 165/ton in 3Q2017
- ✓ Industry concern should alleviate; stocks rallying since Nov 2017
- ✓ Stocks which could see re-rating potential are Southern and Yanbu

Watch out for:

- ✓ Infrastructure spending flows
- ✓ Inventory depletion
- ✓ Exports resumption
- ✓ Housing markets growth
- ✓ Pricing power
- ✓ Gasoline price hikes

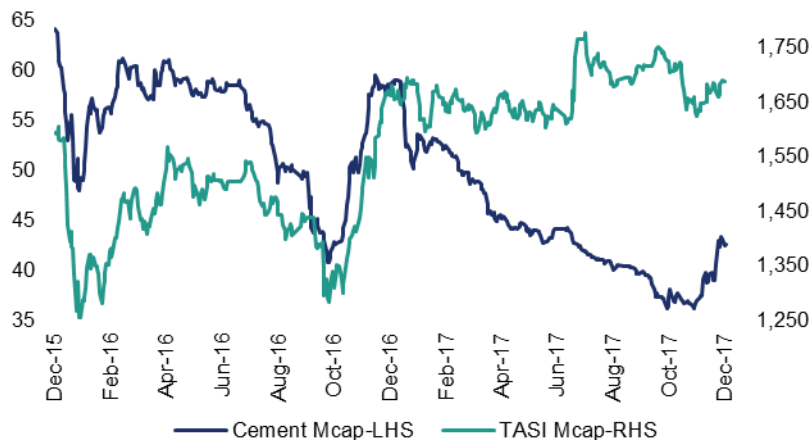
Coverage universe

Company	Rating	TASI Code	CMP (SAR)	Target Price (SAR)	Upside	MCap SAR (mln)	EV SAR (mln)	2018E P/E	2018E P/B	2018E P/S	2018E EV/ EBITDA	2018E EV/ Sales	2018E Yield	52 Wk High	52- Wk Low	YTD
Yamamah Cemen	Neutral	3020	17.63	16.00	-9%	3,570	3,623	24.2x	0.9x	4.7x	4.7x	2.8x	3.4%	23.25	15.80	-23%
Saudi Cement	Neutral	3030	47.43	47.00	-1%	7,257	7,843	15.2x	2.2x	6.4x	6.5x	4.1x	6.3%	71.75	37.20	-33%
Qassim Cement	Neutral	3040	45.01	49.00	9%	4,051	3,306	16.3x	2.3x	6.8x	5.1x	3.4x	5.6%	67.50	38.00	-33%
Southern Cement	Buy	3050	48.40	57.00	18%	6,776	7,289	13.7x	1.8x	5.4x	5.7x	3.8x	5.2%	83.00	39.60	-41%
Yanbu Cement	Neutral	3060	33.82	29.00	-14%	5,327	5,623	16.6x	1.5x	6.0x	5.4x	3.5x	5.2%	41.10	23.50	-16%
Median/Total						26,980	27,683	16.4x	1.8x	6.0x	5.4x	3.5x	5.2%			

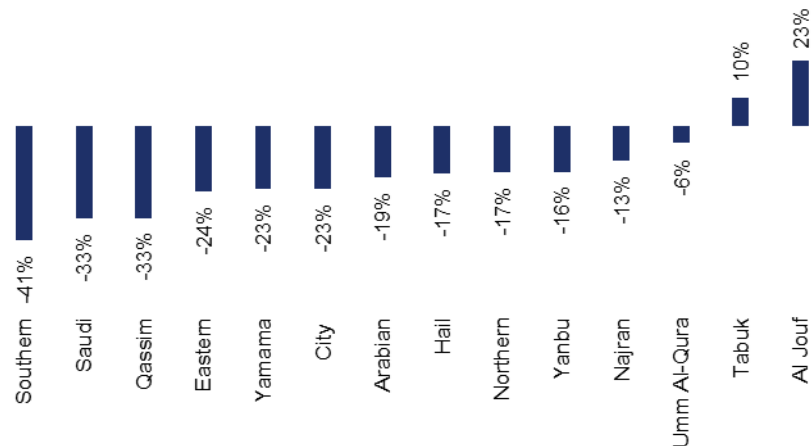
Source: RC Research

Cement Performance in 2017: Most has a bad year

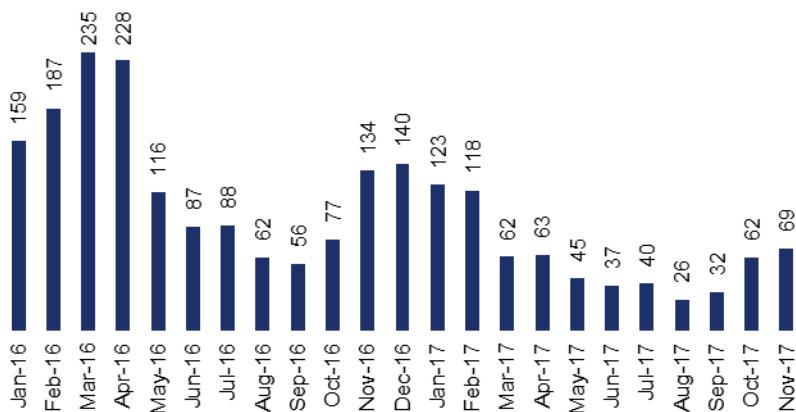
Sector outperformed TASI in 4Q2017...



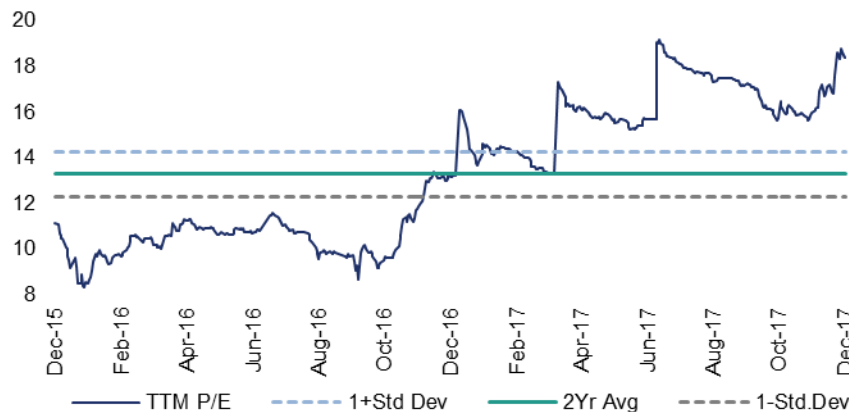
Tabuk Cement and Jouf Cement saw a rally...



Money flows improved in 4Q...



Valuation is reflective of the investor sentiments...



Source: Bloomberg

Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Building & Construction in 2018: Continued downturn

Sector View– Neutral to Negative

- ✓ Sector sees large downturns on price competition; import driven market
- ✓ Overcapacity seen in metals after a large fall in infrastructure spending
- ✓ Housing markets set to give some relief to few producers
- ✓ Within our coverage, we prefer Bawan as valuations seem convincing
- ✓ Saudi Ceramics at 2018E P/B of 0.7x; improvement in earnings calls for a re-rating

Watch out for:

- ✓ Large project awards
- ✓ Impact of utility hikes
- ✓ Housing markets growth

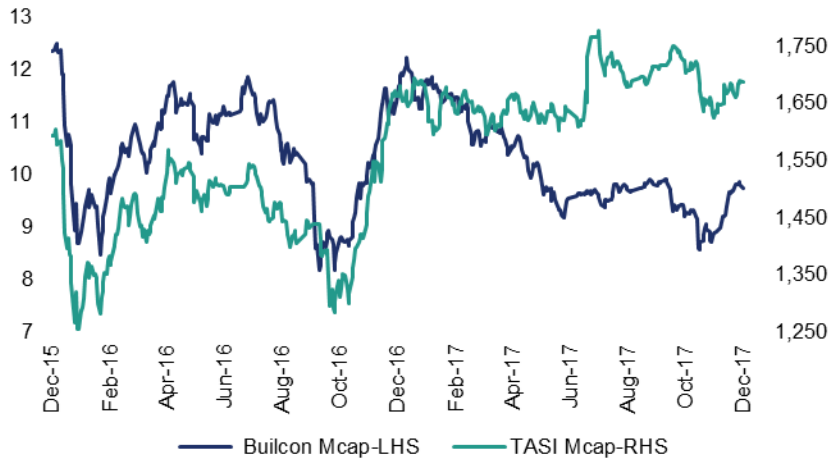
Coverage universe

Company	Rating	TASI Code	CMP (SAR)	Target Price (SAR)	Upside	MCap SAR (mln)	EV SAR (mln)	2018E P/E	2018E P/B	2018E P/S	2018E EV/ EBITDA	2018E EV/ Sales	2018E Yield	52 Wk High	52-Wk Low	YTD
Aslak	Sell	1301	15.89	17.00	7%	697	495	22.4x	1.3x	1.2x	5.2x	0.6x	2.5%	28.00	14.14	-38%
Bawan Company	Buy	1302	17.52	20.00	14%	1,051	1,555	12.7x	1.1x	0.5x	8.7x	0.6x	5.7%	24.35	14.90	-23%
Saudi Ceramics	Neutral	2040	26.67	20.00	-25%	1,334	2,180	60.6x	0.7x	1.3x	4.8x	1.3x	0.0%	35.20	20.66	-20%
Zoujaj	Neutral	2150	21.07	22.00	4%	693	786	9.6x	1.1x	5.5x	26.2x	7.6x	7.1%	22.56	17.70	6%

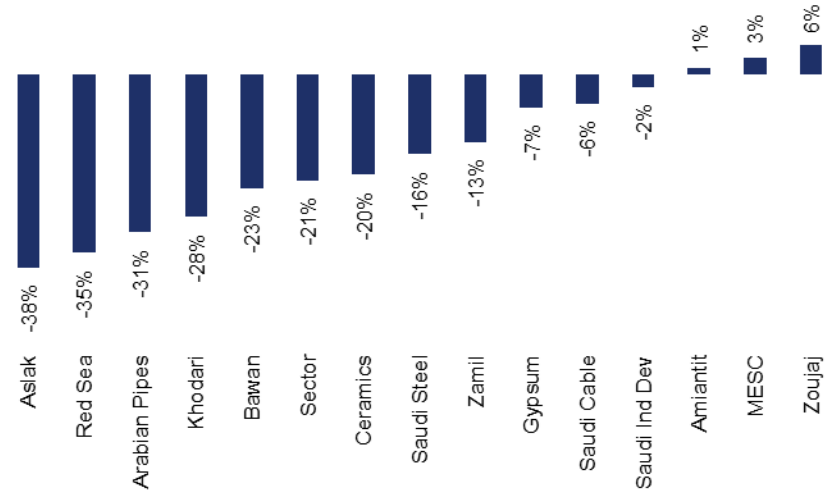
Source: RC Research

Building & Construction Performance in 2017: Most took a beat..

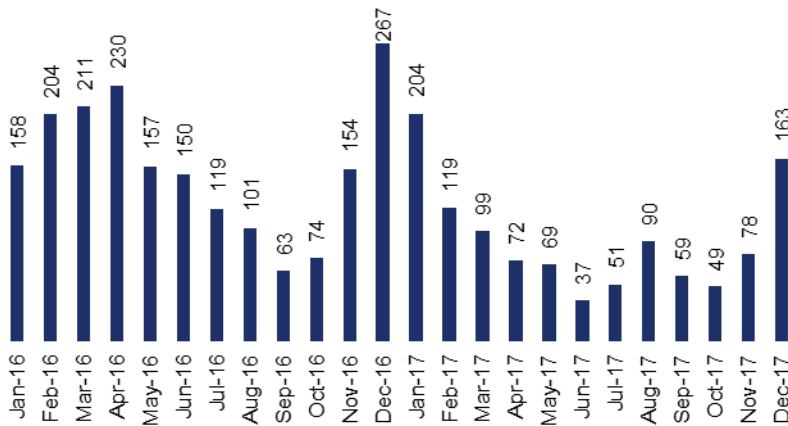
Sector continues to underperform in 2017...



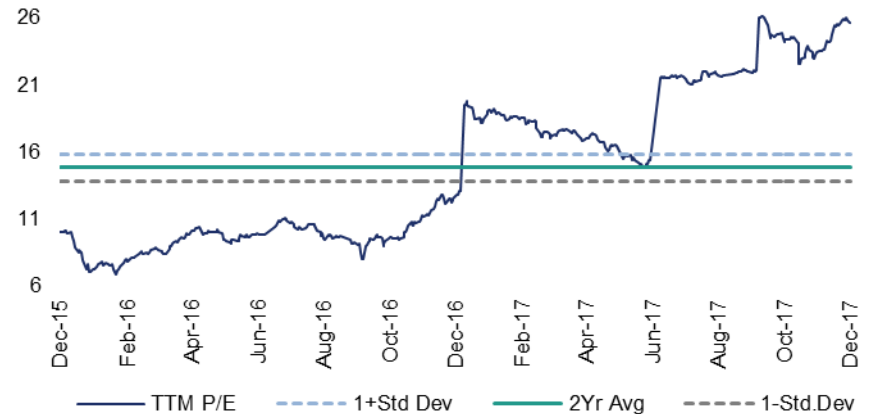
Aslak took a big beat, while others saw downturn...



Investor interest improved in the last month of 2017..



Valuations still at sky high; focus on selective picks..

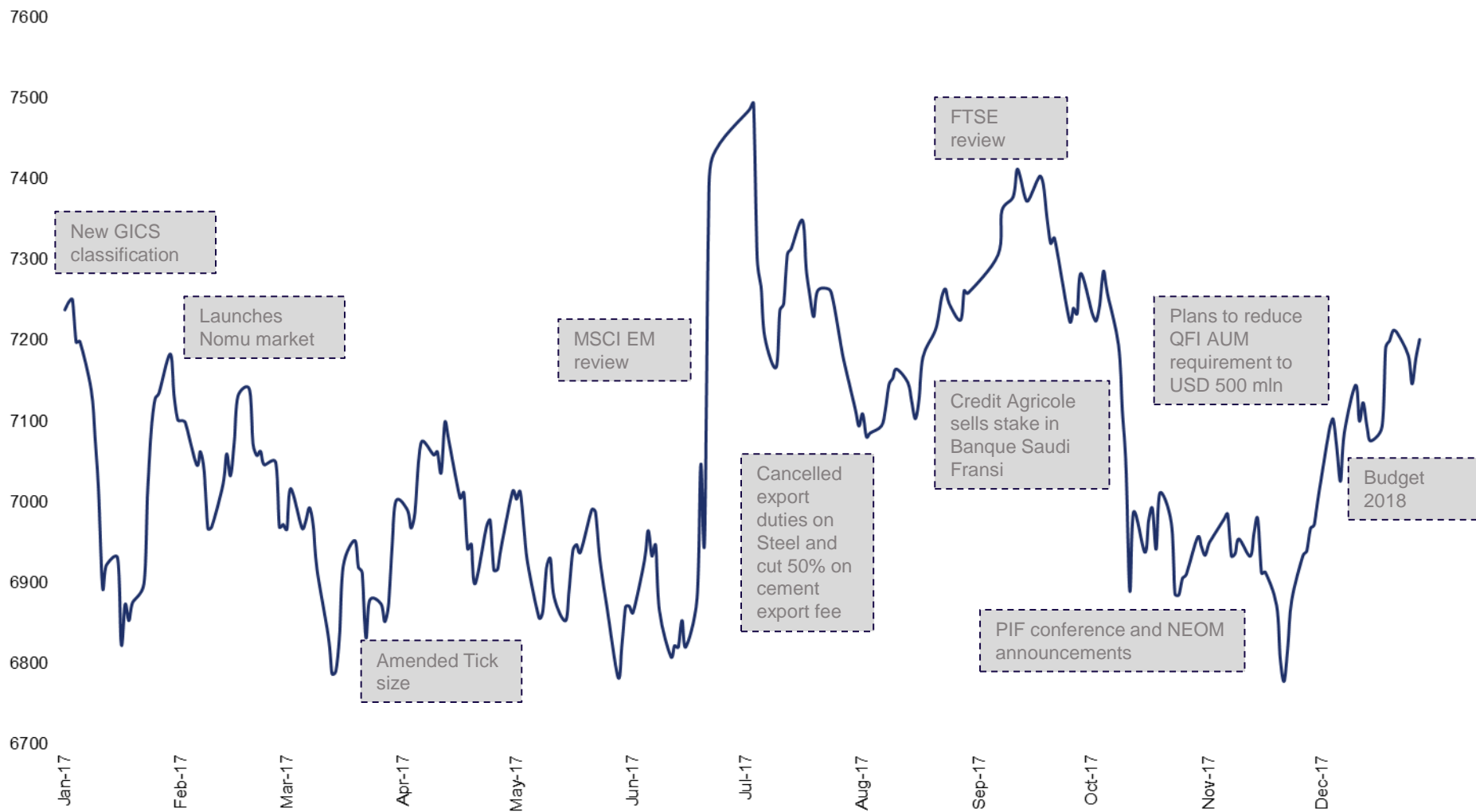


Source: Bloomberg
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

2017 TASI Overview

- ✓ Saudi Mutual Funds have driven the market
- ✓ Western markets have performed better than Saudi in 2017
- ✓ Valuations are in the middle versus global markets
- ✓ Dar Al Arkan has been the best performer, MedGulf the worst

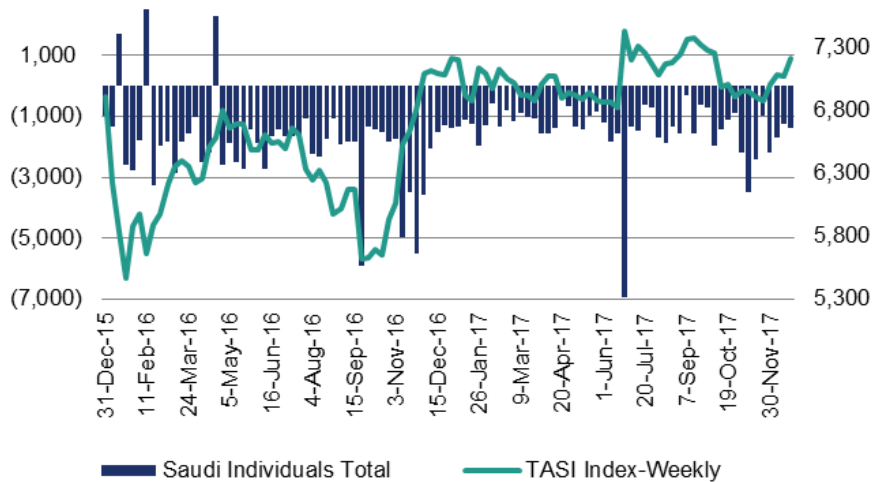
TASI in 2017: Infographics



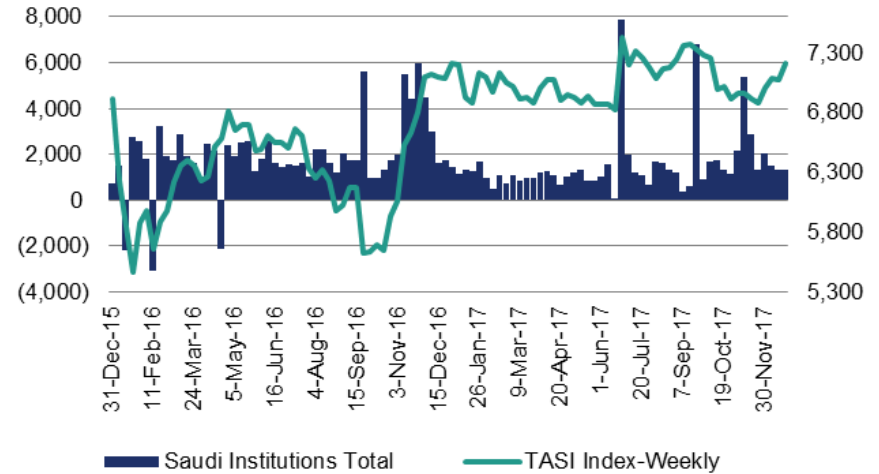
Source: Bloomberg, RC Research

Net buyers in TASI for 2017 has been Saudi mutual funds...

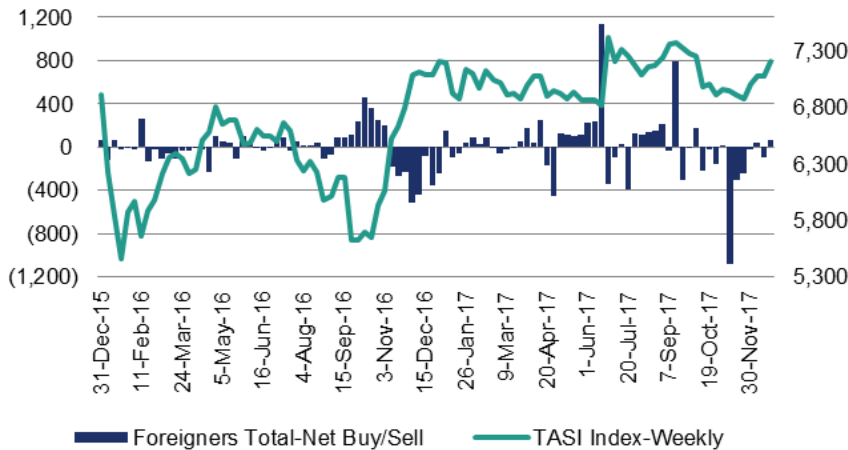
Saudi individuals continue to be sellers in TASI...



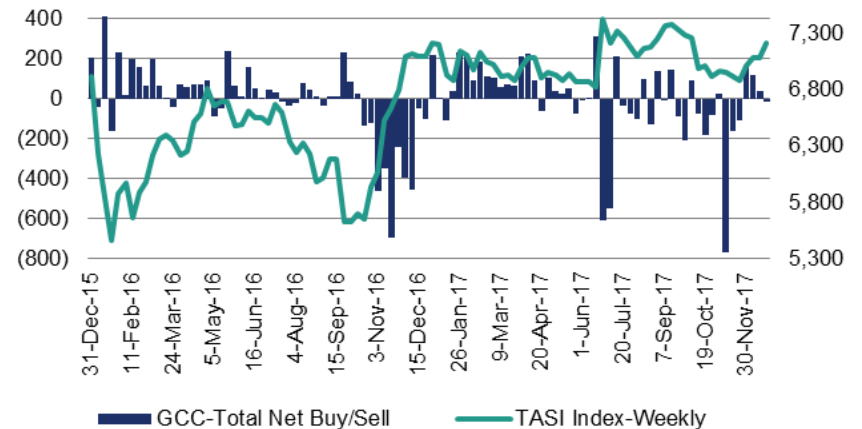
Mid-year rally was driven by Saudi Institutions ...



Foreigners are focusing on events and reforms...



GCC investors continue to mimic local trends...

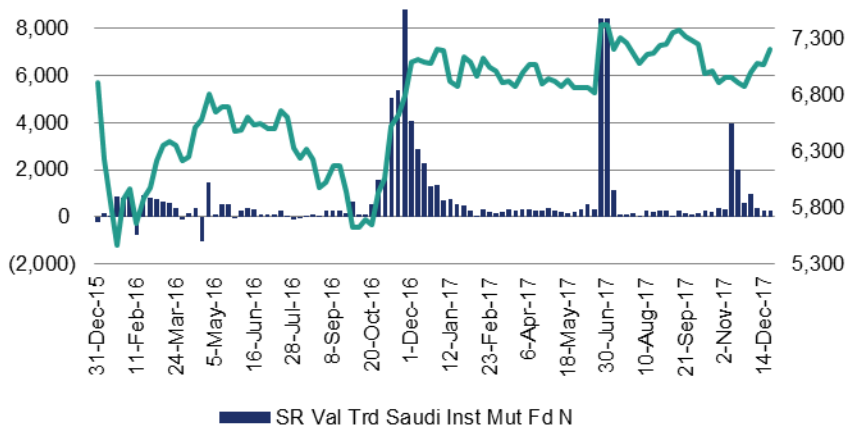


Note: Foreigners on Sep 21 sold Banque Saudi Fransi stake, not reflected on graphs due to size

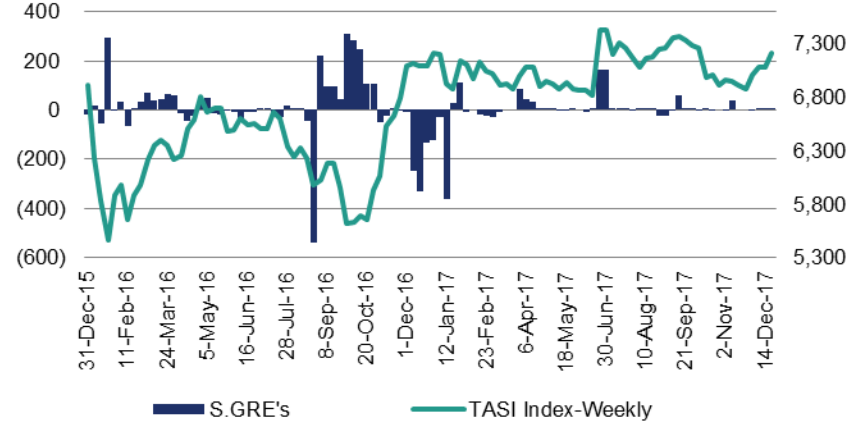
Source: Bloomberg

A rally in TASI in the mid was driven by Saudi MF's...

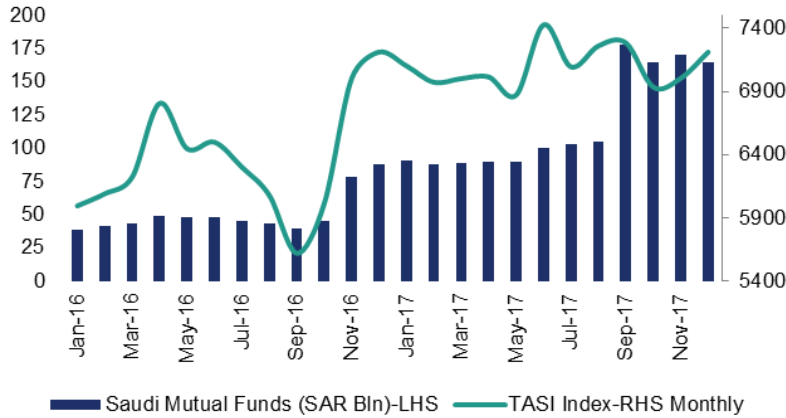
MF's has been a savior; rally highly correlated...



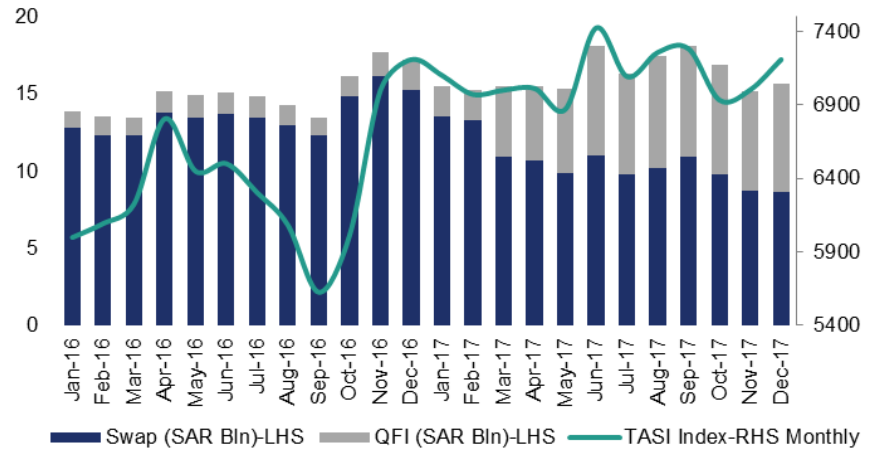
GRE's have seen a slow move in 2017..



Substantial rise in shifting assets to PIF...



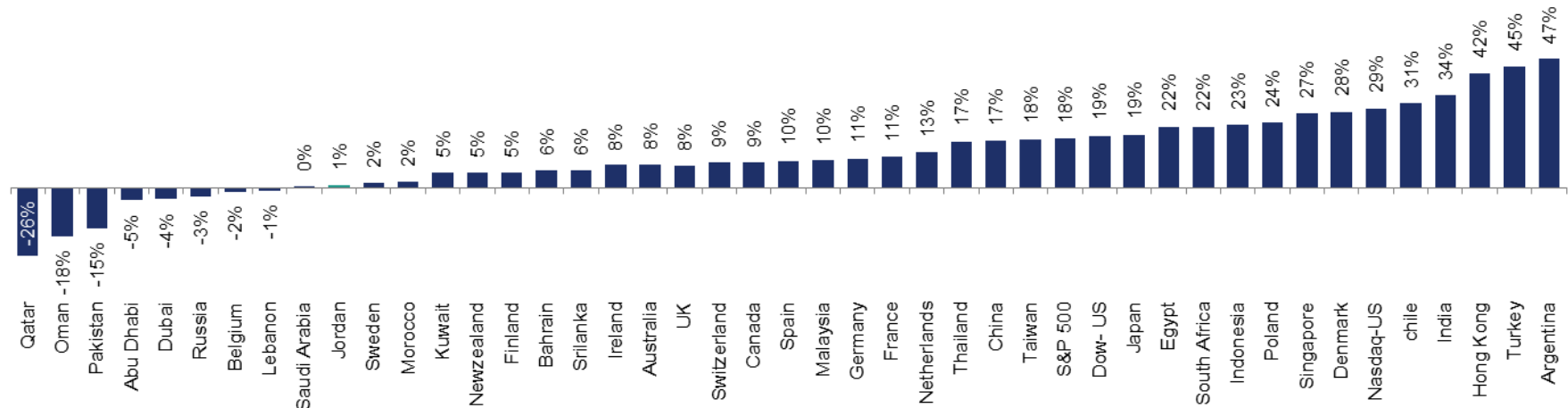
Feeble move in QFI's; Swaps conversion is seen..



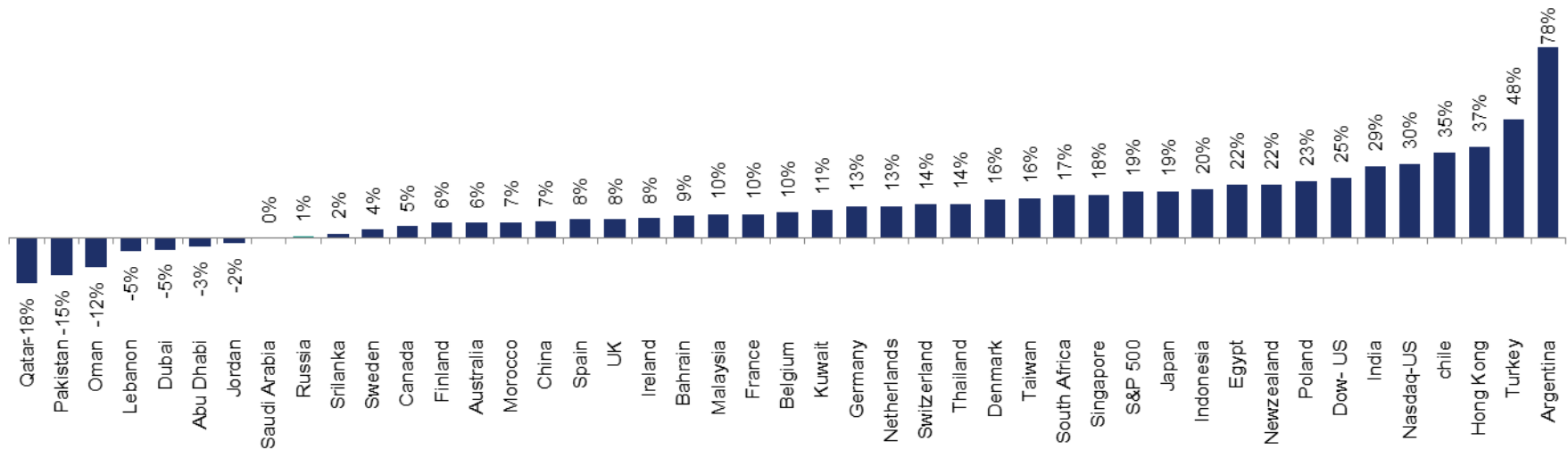
Source: Bloomberg

Global Equity Markets in 2017: Saudi Flat; Argentina the best ...

USD (Mcap) returns for major indices; Qatar and Oman worst hit in 2017, S&P 500 at +18% while Turkey is surprising...



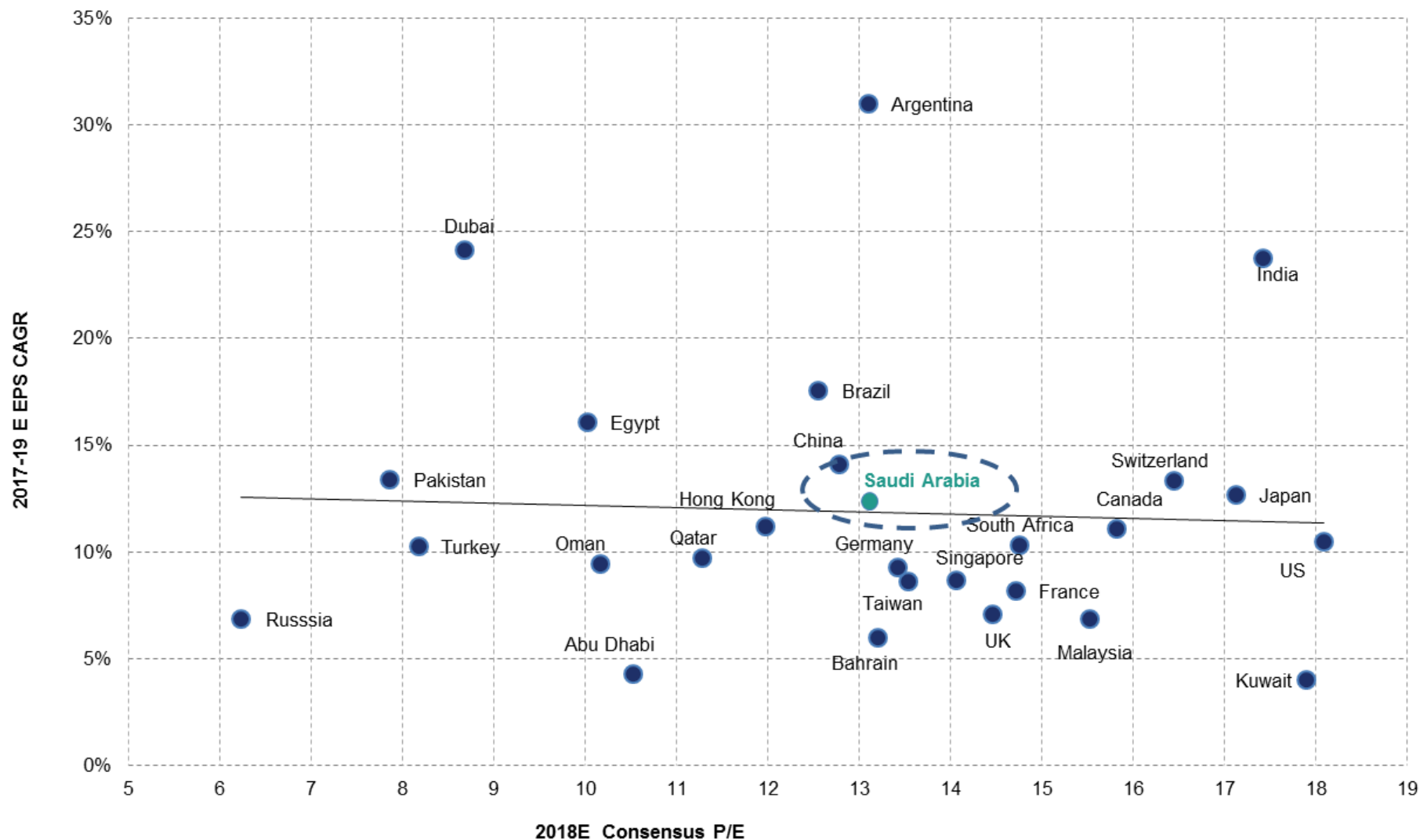
Index returns; Kuwait and Bahrain leads the GCC indices, Pakistan declines after delivering best returns in 2016...



Source: Bloomberg

USD market cap returns are point to point currency adjusted Y/Y returns and not adjusted for IPO and corporate actions

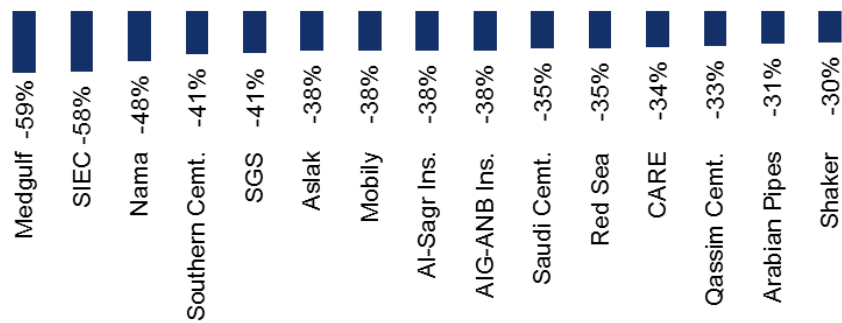
Valuations are in the mid-range for Saudi equities...



Source: Bloomberg

Top-15 Performers by all measures; Dar Al Arkan stands out...

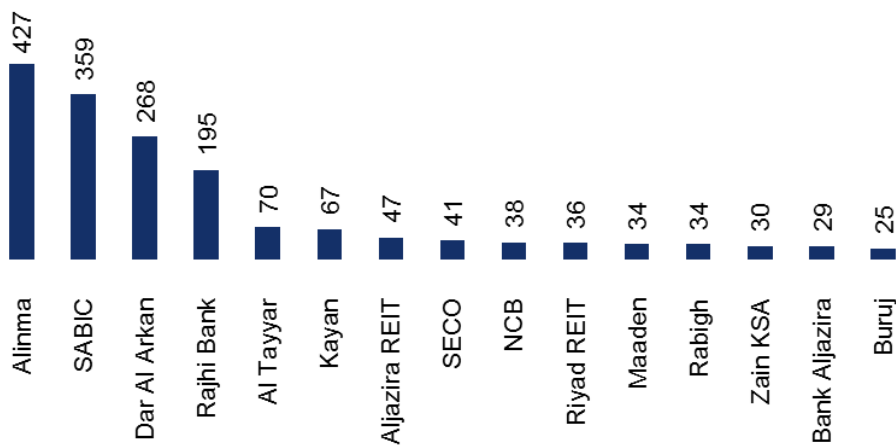
Top-15 by Losers: mostly Insurance and Cement...



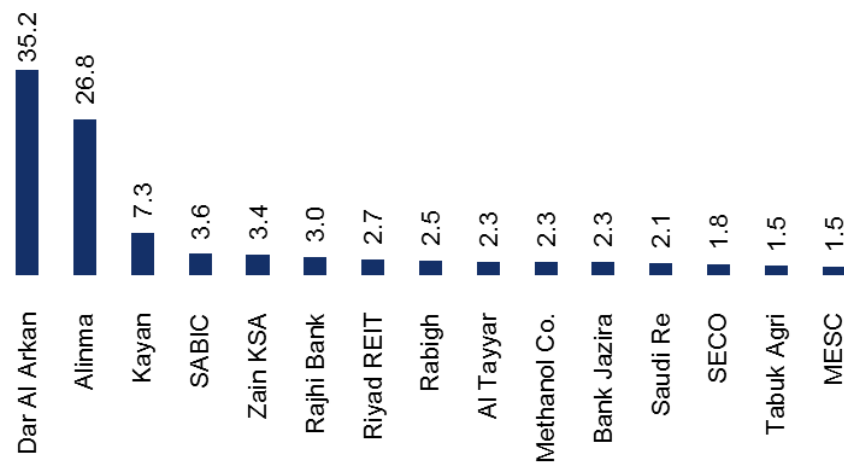
Top-15 by Gainers: Retail and Insurance...



Top-15 by Turnover (Average Daily) in SAR Mln



Top-15 by Volume (Average Daily) in Mln Shares

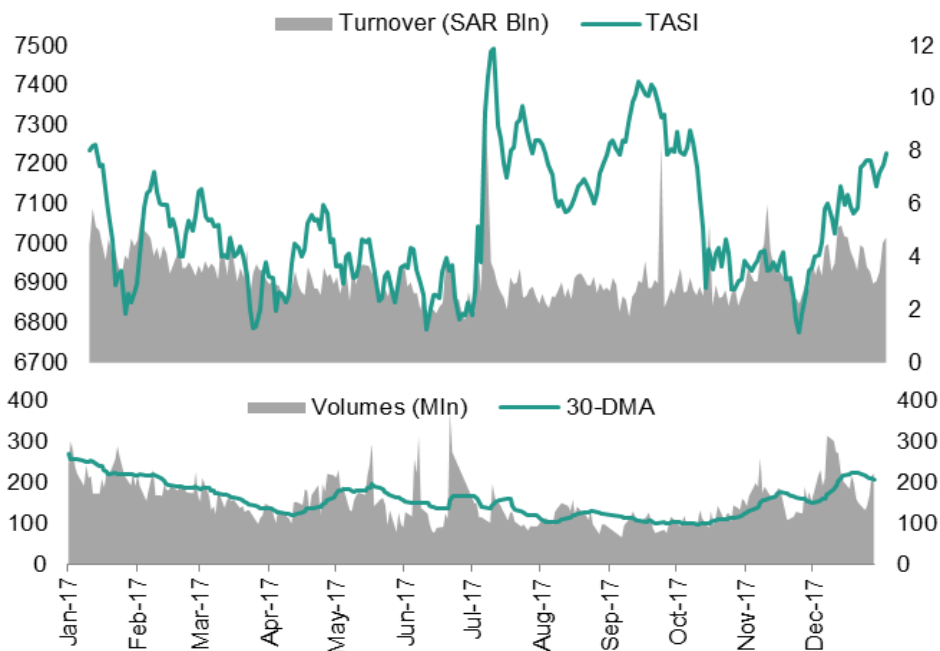


Source: Bloomberg

TASI in 2017: Key Stocks which lead to the Index swing...

TASI Gainers and Losers Index

Open	7211
High	7493
Low	6778
Close	7226
Change (Points)	16 ↑
% change for 2017	0.2%
Total Listed	179
Stocks Up	70 ↑
Stocks Down	109 ↓
Removed	5
Unchanged	4
Average Turnover (SAR Bln)	3.3
Average Volume (Mln Shares)	155
TASI Market Cap (SAR Bln)	1681
Freefloat Market Cap (SAR Bln)	947
Major Gainer in 2017	Dar Al Arkan
Major Loser in 2017	Medgulf
Stock with High Volume	Dar Al Arkan
Stock with High Turnover	Alinma



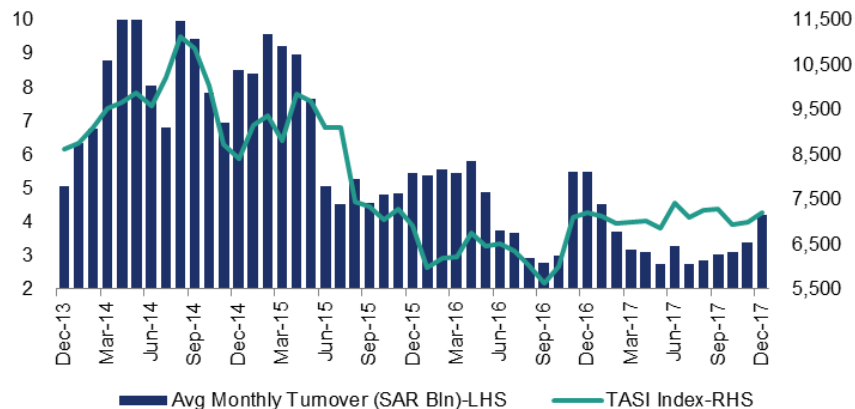
Name	Price	Chg	%Chg	Points	Name	Price	Chg	%Chg	Points
National Commercial Bank	55.1	14.5	36	102	Jabal Omar Development Co	59	-15.6	-20.9	-89
Saudi Basic Industries Corp	102.0	14.1	16	91	Etihad Etisalat Co	15	-9.2	-38.2	-39
Dar Al Arkan Real Estate Devel	14.4	8.2	134	88	Saudi Cement Co	47	-17.6	-27.1	-25
Al Rajhi Bank	64.6	4.4	7	58	National Shipping Co of Saudi	31	-9.3	-22.8	-19
Saudi Arabian Mining Co	51.9	12.9	33	52	Bupa Arabia for Cooperative In	93	-36.7	-28.3	-19
Alinma Bank	19.1	4.6	31	50	Saudi Industrial Export Co	150	-206.9	-58.0	-19
Jarir Marketing Co	146.7	37.9	35	34	Southern Province Cement Co	48	-29.0	-37.5	-18
Riyad Bank	12.5	1.6	15	25	Makkah Construction	76	-12.8	-14.4	-15
Banque Saudi Fransi	28.6	3.9	16	25	Saudi Ground Services Co	39	-22.3	-36.2	-13
Saudi Kayan Petrochemical Co	10.7	1.8	21	18	SAFCO	65	-7.6	-10.4	-13
Arab National Bank	24.7	3.6	17	17	Al Tayyar	27	-9.1	-25.2	-13

Source: Bloomberg

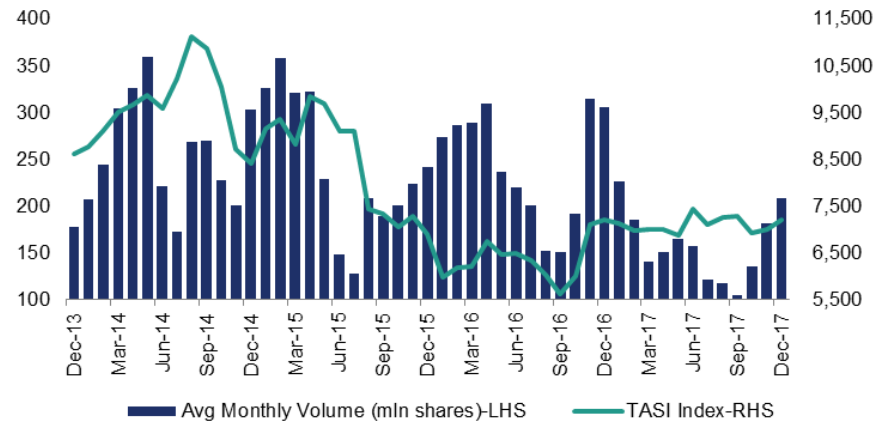
Note: These were the key stocks which together led to the index swing; Dar Al Arkan rally of 146% contributed +86 points rally in TASI

TASI volumes have taken a downturn; repeatedly in 3rd year..

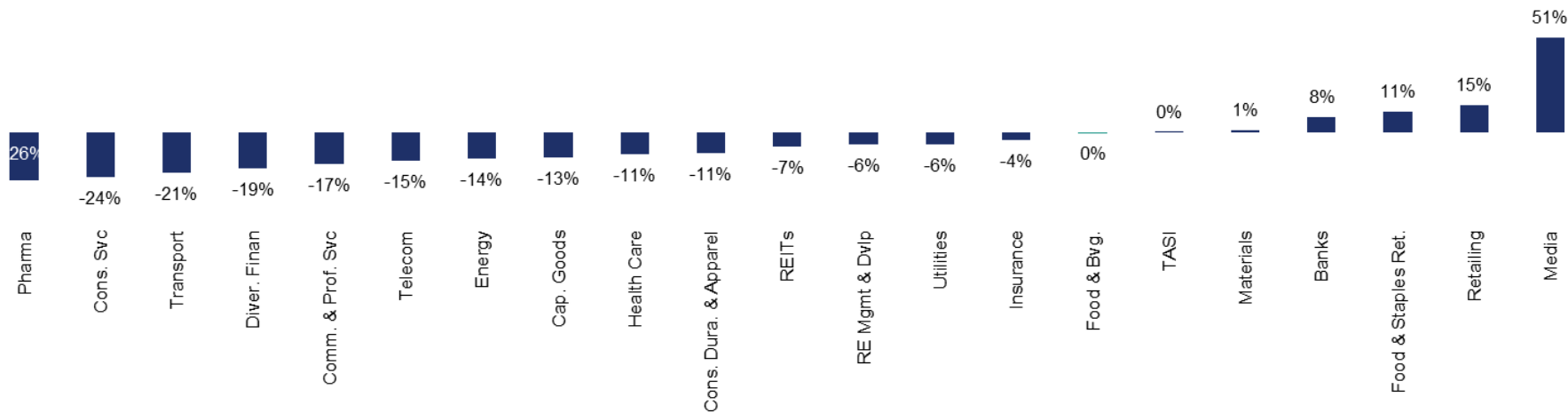
Average turnover drops 28% in 2017...



Average volumes in 2017 declined 43%...



Sector Performance in 2017: Media index came in the limelight; among heavy weights Banks and Retails outperformed



Source: Bloomberg

2017 Sector Overview

- ✓ REITS have captured everyone's fancy
- ✓ NOMU has a bright future
- ✓ Other sectors saw some star performers

REIT's got the most attention in 2017...

Snapshot of latest developments

- ✓ TASI saw REIT offerings with nearly 6 IPO's in 2017 and more expected in 2018
- ✓ REIT's combined market cap stands at nearly SAR 4.0+ billion
- ✓ Few outperformed market in 1H17 but witnessed a correction towards 2H2017
- ✓ It is still early days but future looks bright

Watch out for:

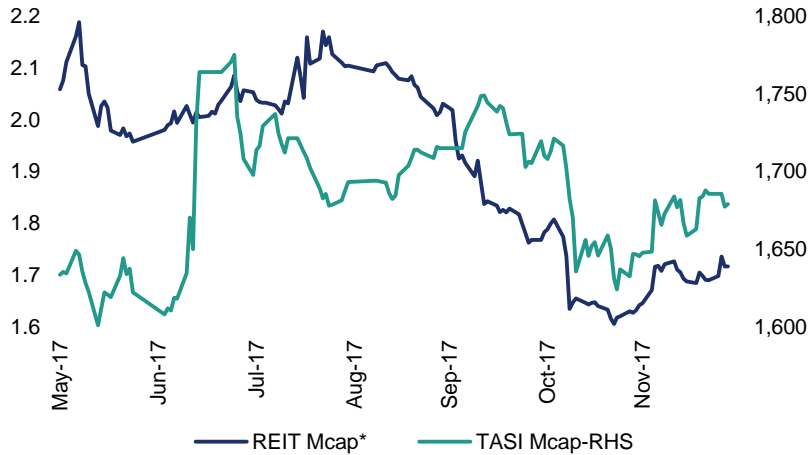
- ✓ Real estate market transactions
- ✓ White land tax
- ✓ Oversupply in commercial space

REITs	Fund manager name	No of shares (mIn)	Subscription details	Money raised (SAR MIn)	Dividends	Book Value Per Share	CMP (SAR)	Free Float	% of total	Market Cap (SAR MIn)	Listing Price (SAR)	YTD/ Since Listing	Date Listed	Since Listing (days)
Riyad REIT Fund	Riyad Capital	50.0	NA	NA	0.26	9.57	9.73	NA	NA	487	11.13	-13%	11/13/2016	413
Aljazira Mawten REIT	Aljazira Capital	11.8	NA	NA	0.25	10.26	17.55	NA	NA	207	11.00	60%	2/15/2017	319
Jadwa REIT Alharamain Fund	Jadwa Investment	66.0	12.6	4,530	0.10	9.91	10.28	36	55%	678	11.00	-7%	4/30/2017	245
Al Maather REIT Fund	Osool & Bukheet	61.4	15.6	2,800	NA	NA	9.26	18	29%	568	11.00	-16%	8/22/2017	131
Taleem REIT	Fransi Capital	28.5	8.9	761	NA	NA	12.09	9	30%	345	11.00	10%	5/31/2017	214
Musharaka RE Income Fund	Musharaka Capital	88.0	1.0	380	NA	NA	9.84	37	42%	866	11.00	-11%	9/28/2017	94
Mulkia REIT	Mulkia Investment	60.0	19.9	3,950	NA	NA	9.24	20	33%	554	11.00	-16%	11/5/2017	56
Al Masha'er REIT	Masqat Financial	57.2	1.0	572	-	-	-	57	100%	NM	NM	NM	NM	NM
Al Rajhi REIT	Al Rajhi Capital	162.2	New IPO	-	-	-	-	43	26%	NM	NM	NM	NM	NM
Deraya REIT	Deraya Capital	117.0	New IPO	-	-	-	-	36	31%	NM	NM	NM	NM	NM
Al Ahli REIT	NCB Capital	137.5	New IPO	-	-	-	-	41	30%	NM	NM	NM	NM	NM

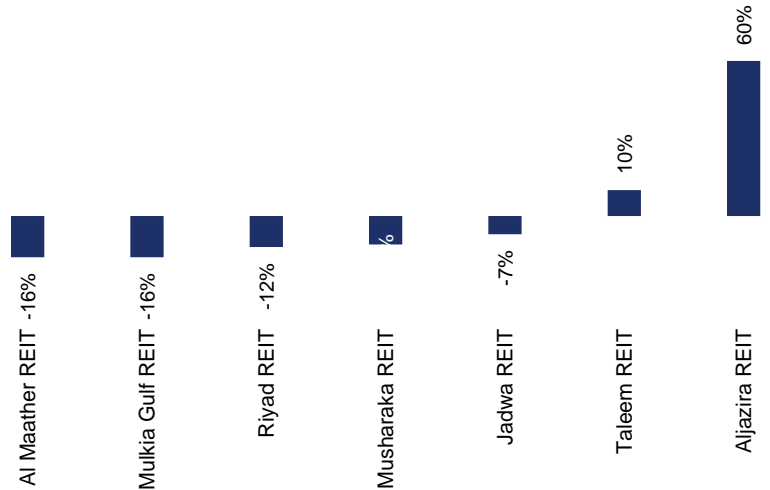
Source: Bloomberg, RC Research

REITS Performance in 2017: Aljazira REIT was the best...

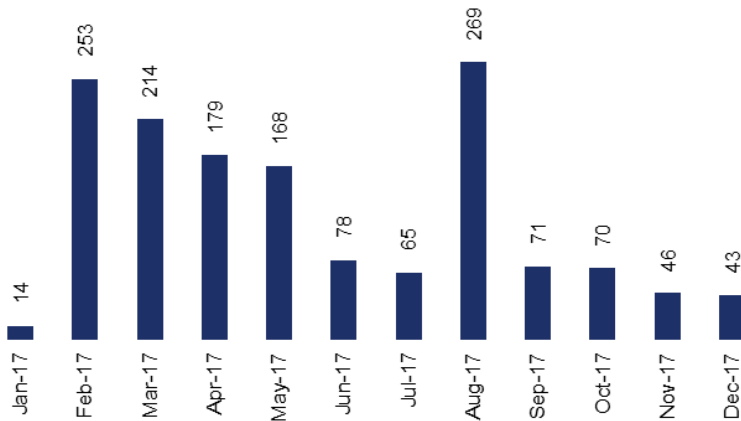
Sector has slightly underperformed TASI...



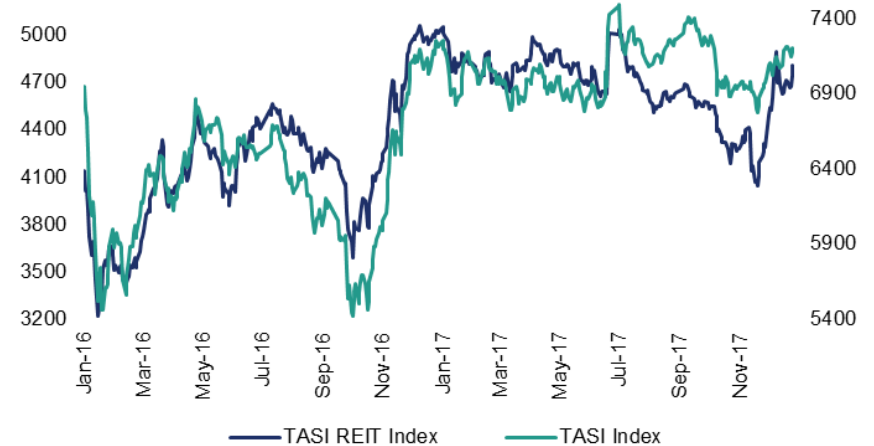
Most stocks underperformed; except Aljazira and Taleem...



Money flows have slowed after an initial rally...



Underperformance in REITS index since 2H2017...



Source: Bloomberg
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

NOMU Markets: A bright future

Launch of Nomu market is a welcome LT development

- ✓ Open to foreign investors from January 1, 2018
- ✓ The parallel market targets SME which offers potential growth opportunities
- ✓ Commenced on February 26, 2017 with 7 listed companies and now at 9
- ✓ It is still early days, but there is greater interest from companies and investors
- ✓ Efficient way of raising money for SMEs, regulations not complicated
- ✓ The aim should be expansion rather than exit for existing shareholders
- ✓ Unlikely to drain away interest or volumes from the main market.

Watch out for:

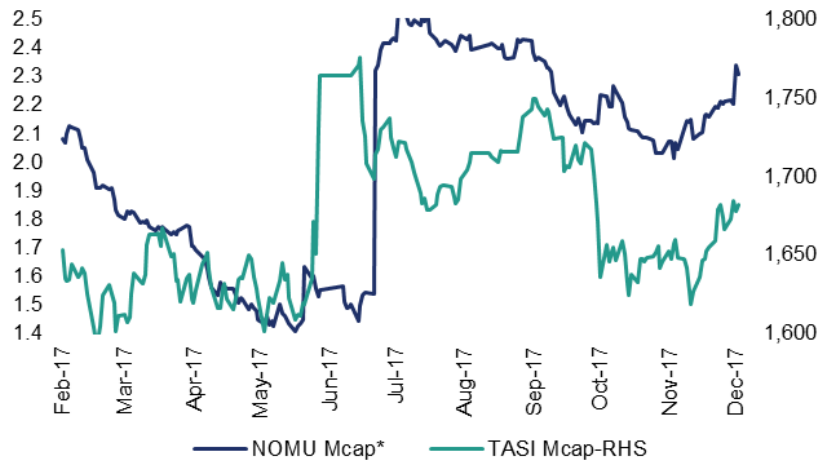
- ✓ Capex driven use of proceeds
- ✓ Stocks gradual upgrade to TASI
- ✓ Companies with govt.support

Company Name	Price (SAR)	Mcap SAR MIn	EV SAR MIn	P/E	P/B	P/S	EV/ Sales	YTD/ Since Listing	52 Wk- Hi (SAR)	52 Wk- Lo (SAR)	Shares O/S ('000)	6M ADTV (SAR '000)	6M Avg Vol ('000 Shares)	IPO			Earnings				
														Price (SAR)	Subscribe rate	2015	2016	1H17	2015	2016	1H17
Baazeem Trading Co	27.70	280	327	8.4x	1.5x	0.8x	1.0x	-43%	49.0	22.0	10.1	362	13.4	39.0	421%	344	343	164	36.9	33.2	16.9
Abu Moati	12.70	203	284	10.5x	1.0x	0.5x	0.6x	-29%	21.3	10.0	16.0	422	31.6	15.0	290%	508	440	382	27.5	19.4	6.4
Al-Omran	17.38	104	113	6.4x	1.0x	0.7x	0.8x	-49%	37.7	13.7	6.0	132	6.3	28.0	219%	119	137	48	8.0	16.4	7.5
Arab Sea Info Sys	12.08	121	120	22.5x	0.7x	2.3x	2.3x	-9%	22.9	9.0	10.0	510	34.0	11.0	249%	60	52	NA	5.9	5.4	NA
DWF	69.75	87	97	15.2x	6.1x	2.0x	2.3x	-12%	104.8	58.7	1.3	266	3.6	65.0	503%	35	42	34	5.8	5.7	3.7
Al Samaani Factory	65.68	74	56	10.4x	4.3x	1.9x	1.5x	-32%	119.0	50.0	1.1	130	1.8	78.0	166%	48	38	9	4.8	7.1	3.6
Thob Al-Aseel Co	62.70	941	983	12.6x	3.0x	3.0x	NM	-6%	85.0	55.1	15.0	1,237	21.9	85.0	150%	397	317	590	87.3	74.5	63.0
Raydan Co	16.71	376	379	8.9x	1.6x	1.3x	1.3x	-55%	41.5	13.8	22.5	636	27.5	32.0	493%	314	300	132	50.2	42.4	12.0
Alkathiri	21.93	69	77	8.7x	2.5x	1.3x	1.4x	-12%	30.0	13.3	3.1	432	22.1	31.0	251%	53	53	12	7.8	7.9	1.9
Nomu Index	3,140	2,255	2,437	10.7x	1.7x	1.3x	0.8x	-48%	6469	2970	NM					1,879	1,723	1,370	234.3	212.0	114.9

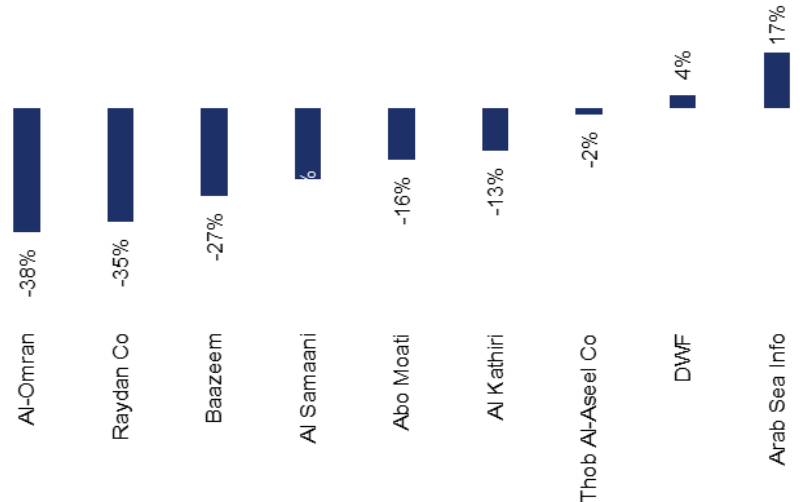
Source: Tadawul, RC Research
Sales and earnings are in SAR millions

NOMU Performance in 2017: Most underperformed in 2017..

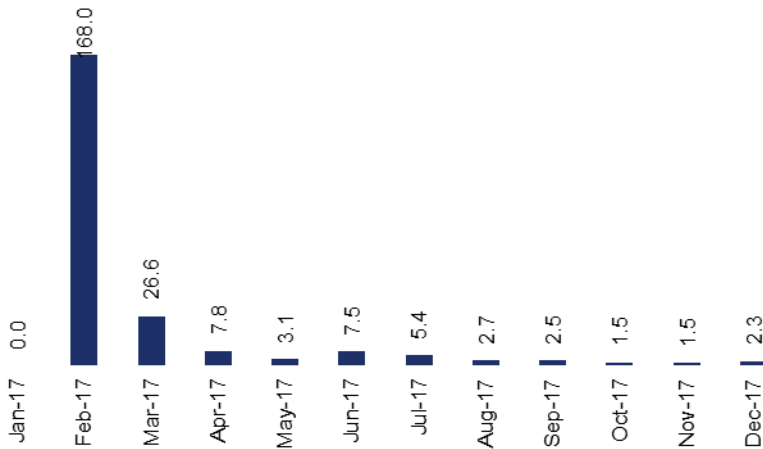
Market cap increased post Thob Al-Aseel inclusion...



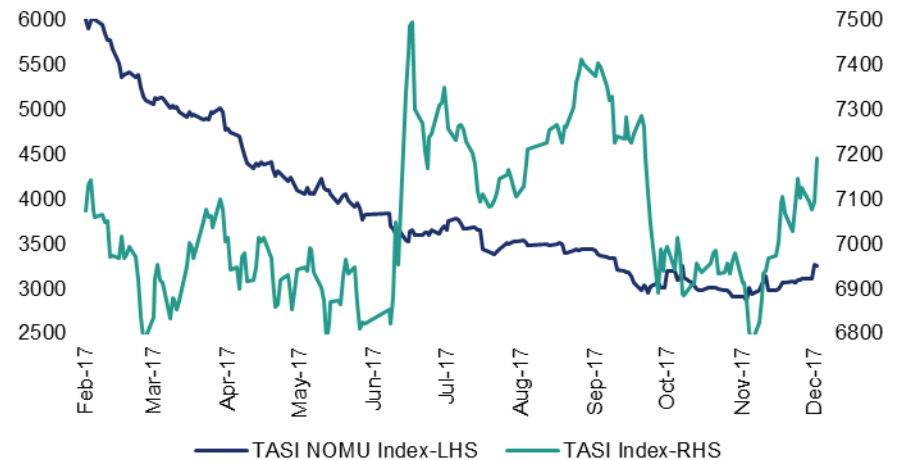
Most underperformed except DWF and Arab sea...



Flows reduced; now in SAR 2 mln range



Index closes at -48% in 2017



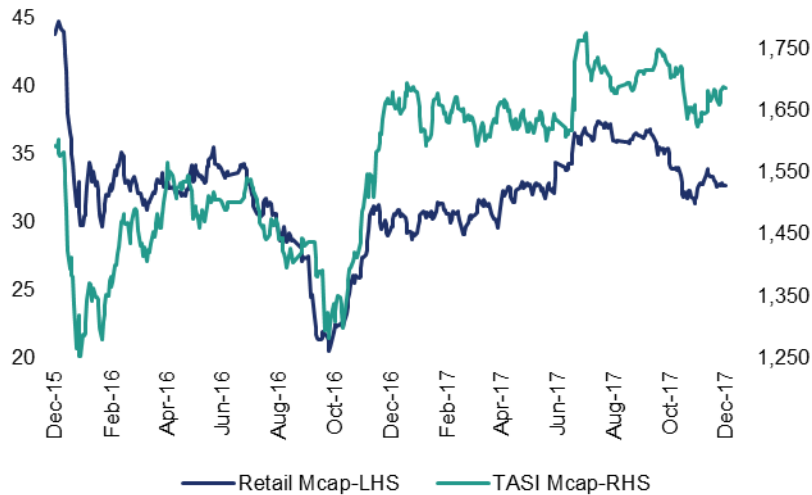
Source: Bloomberg

*Mcap (SAR Bln) increased on addition of new IPO's

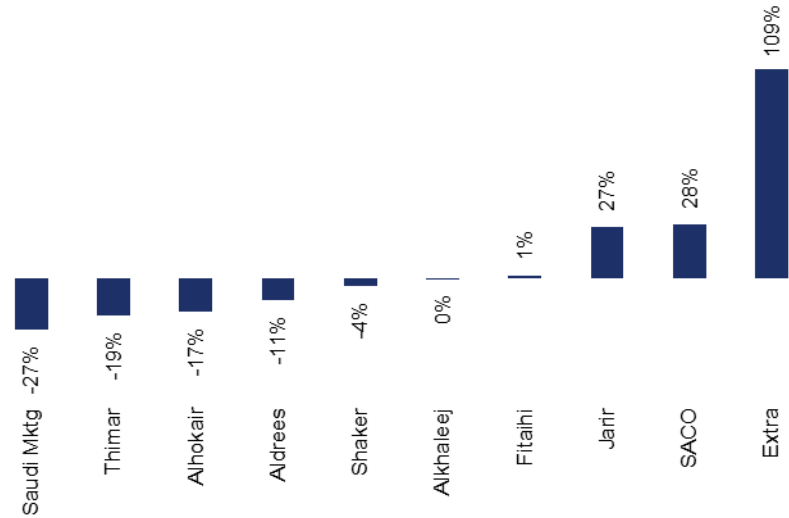
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Retail Sector Performance in 2017: Extra is the winner

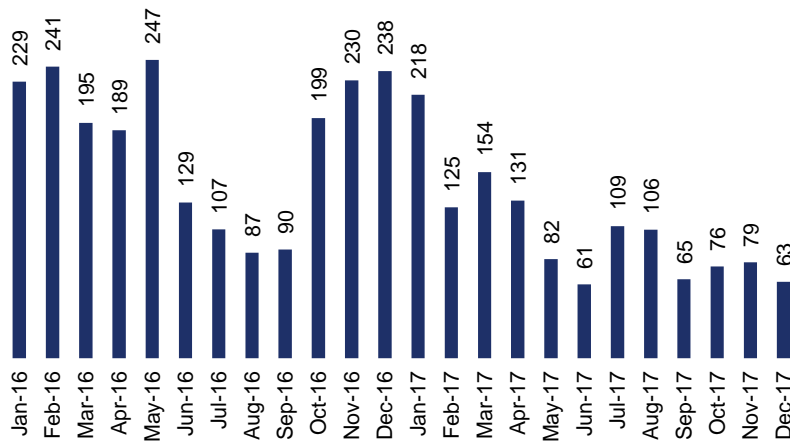
Market cap trends suggest slight improvement..



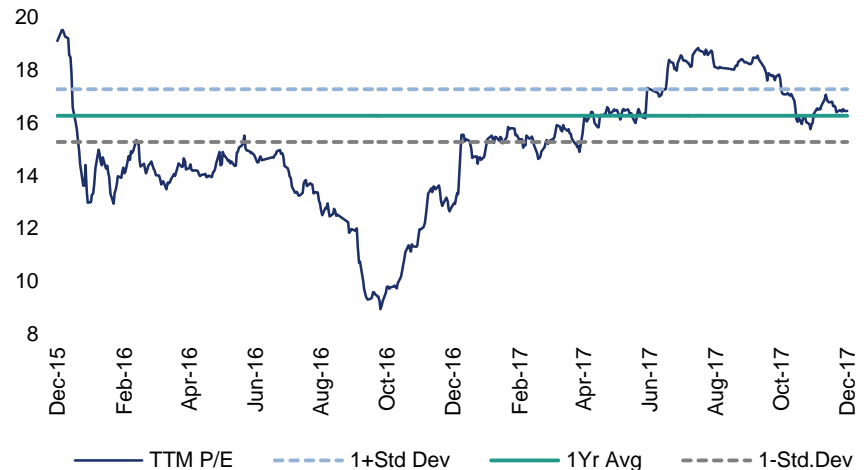
Extra the stalwart, Jarir and SACO fares well..



Money flows stabilized in 2H2017...



Valuation back to one-year average...



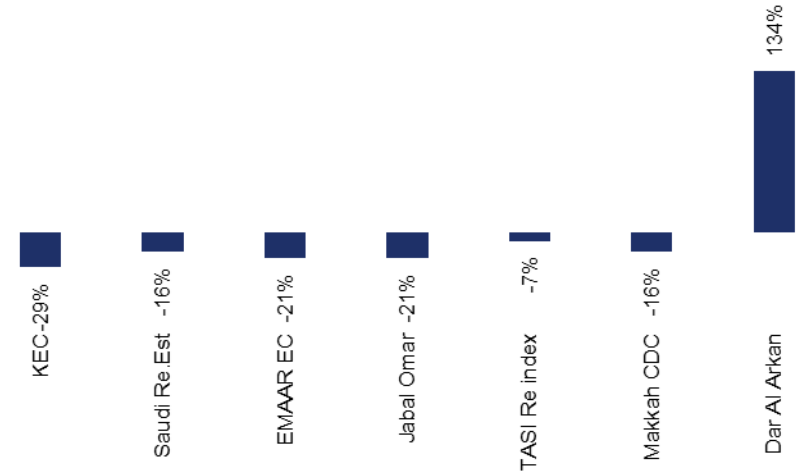
Source: Bloomberg
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Real Estate Performance in 2017: Dar Al Arkan rallied...

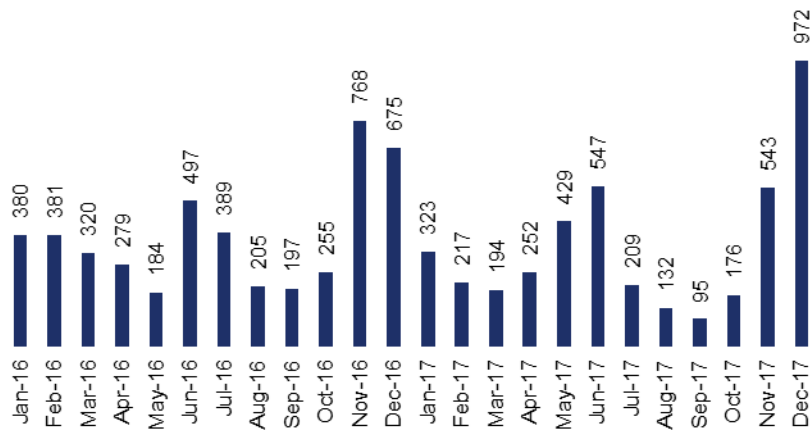
Absolute returns are driven by Dar Al-Arkan...



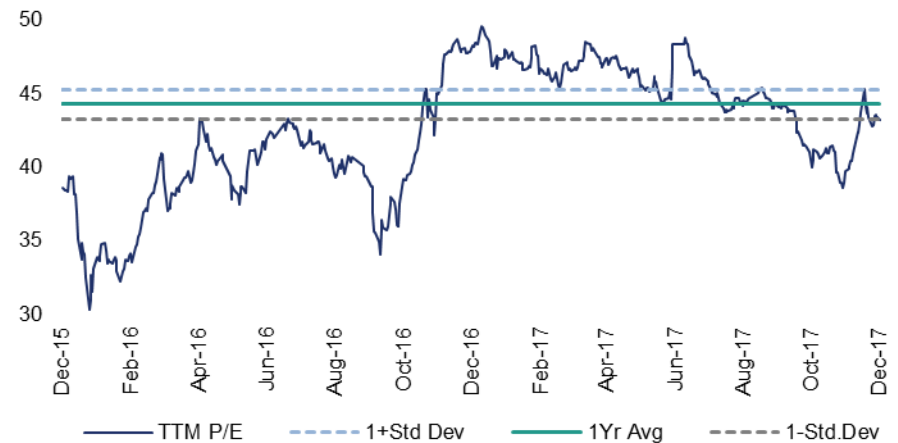
Sector has underperformed TASI in 2017...



Surprising flows (avg. turnover) in 4Q2017...



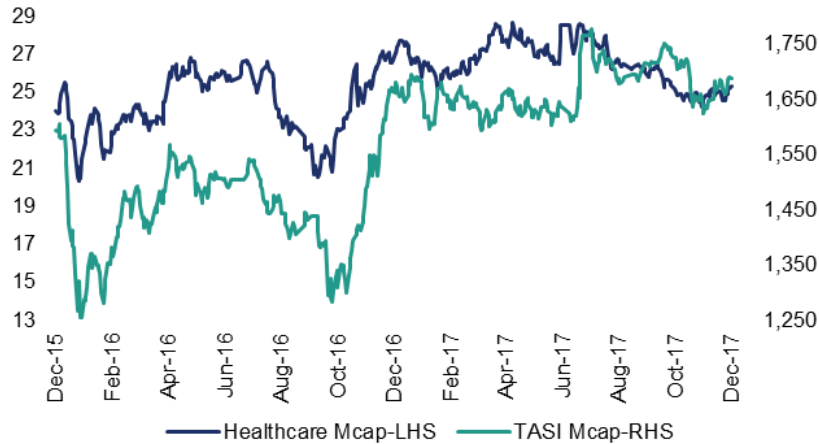
Valuations are high; some choppy moves in 3Q2017...



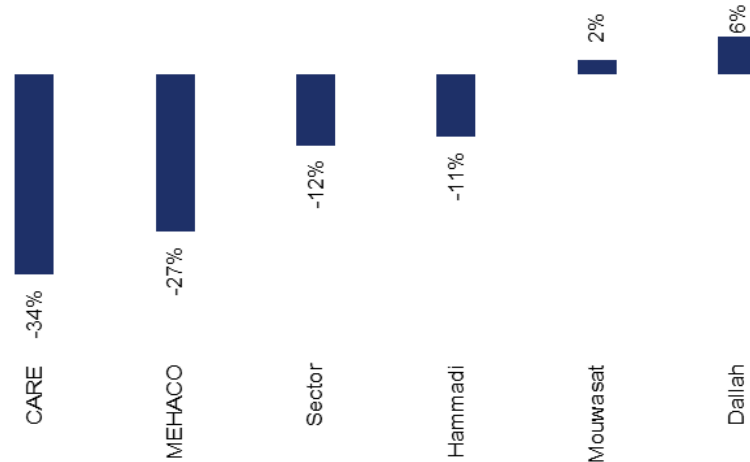
Source: Bloomberg
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Healthcare Performance in 2017: Dallah moved a bit...

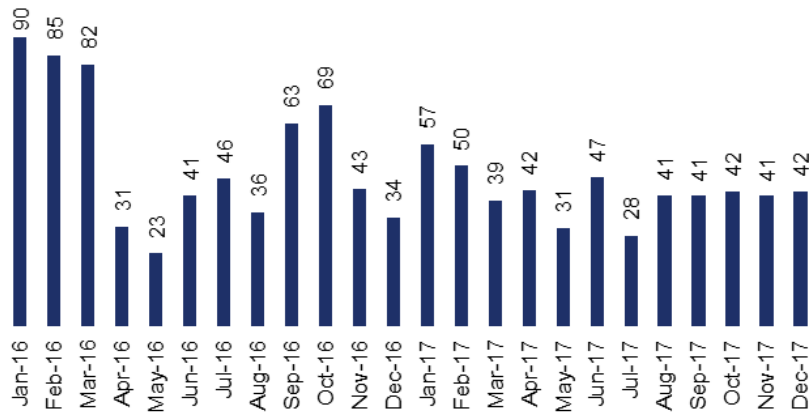
Trends indicate sector underperformed TASI...



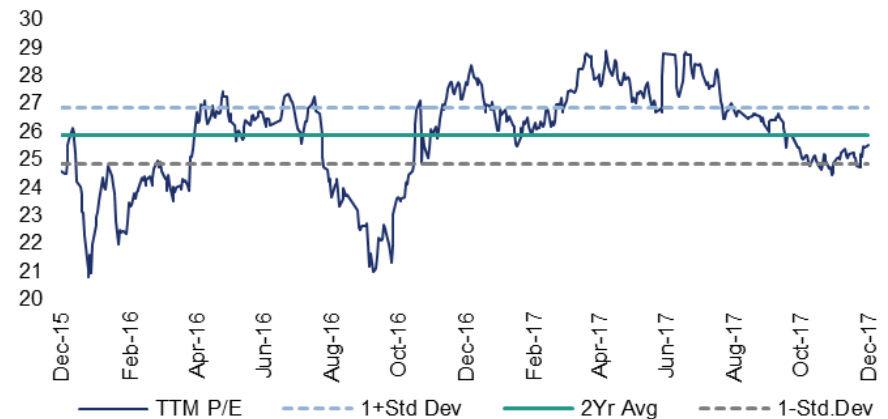
Most have fallen on receivables and valuation...



Flows (avg. turnover) steadied in 2017 unlike in 2016...



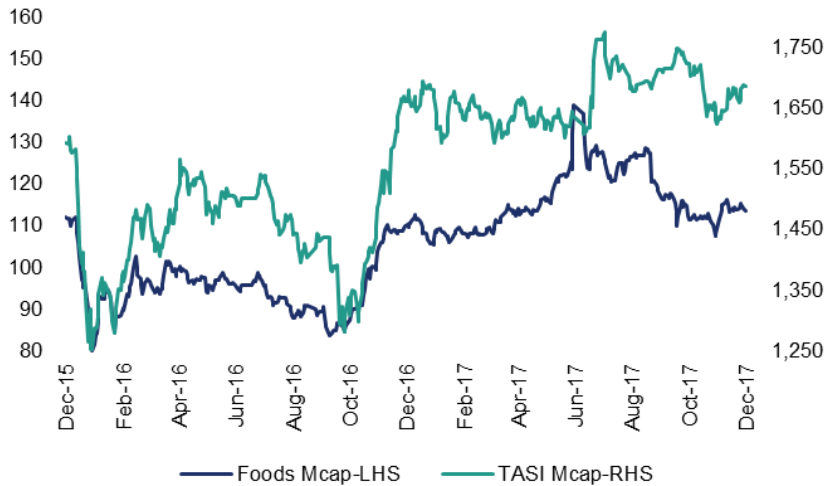
Valuations have smoothed in this year...



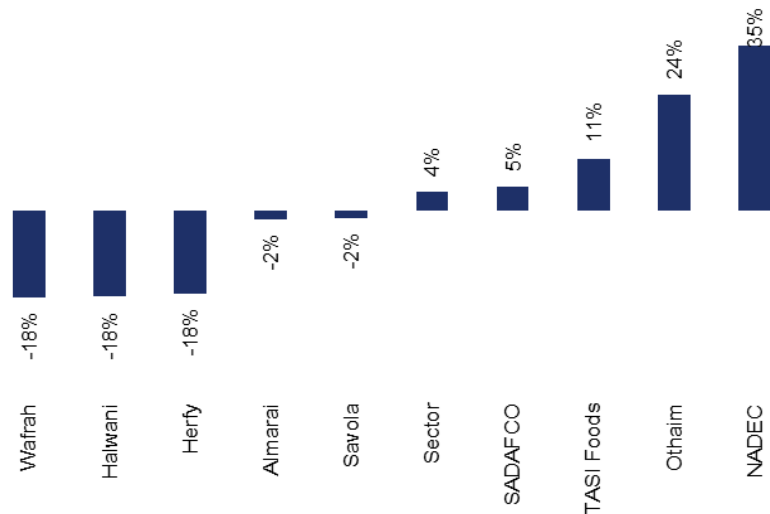
Source: Bloomberg
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Foods Performance in 2017: Pure plays have fared well...

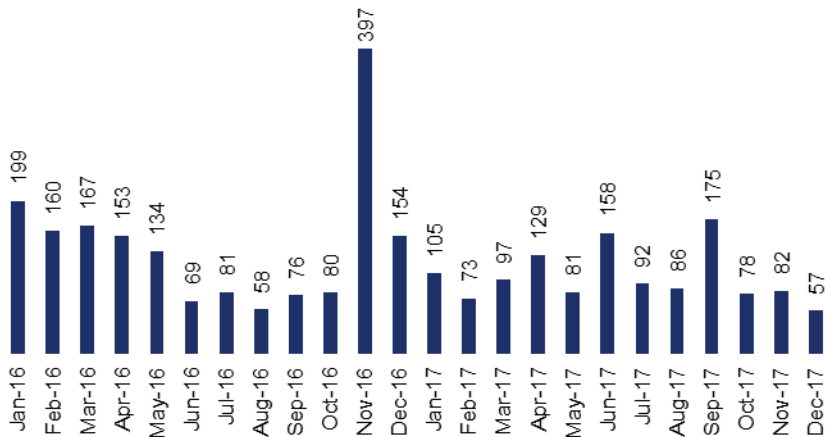
Moves denote the sector inched above TASI...



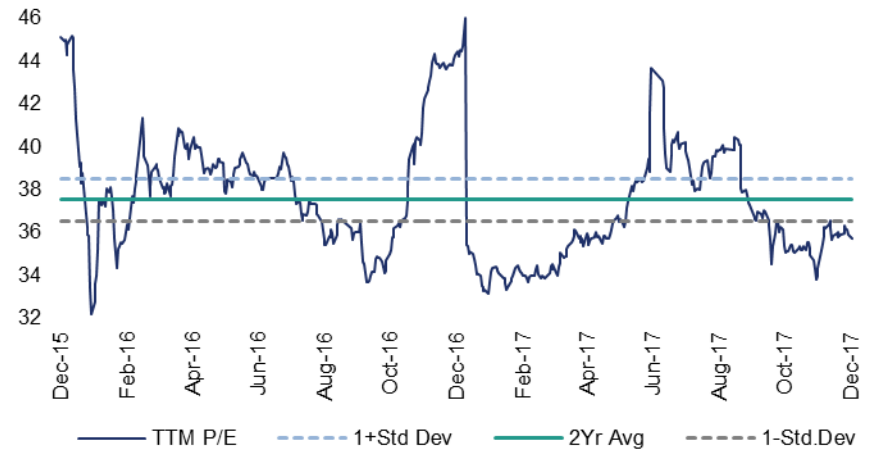
It's a better year for few retailers; not for all...



Flows weakened this year; barring stake sale in Almarai...



Re-rated valuation trends as multiples fell...

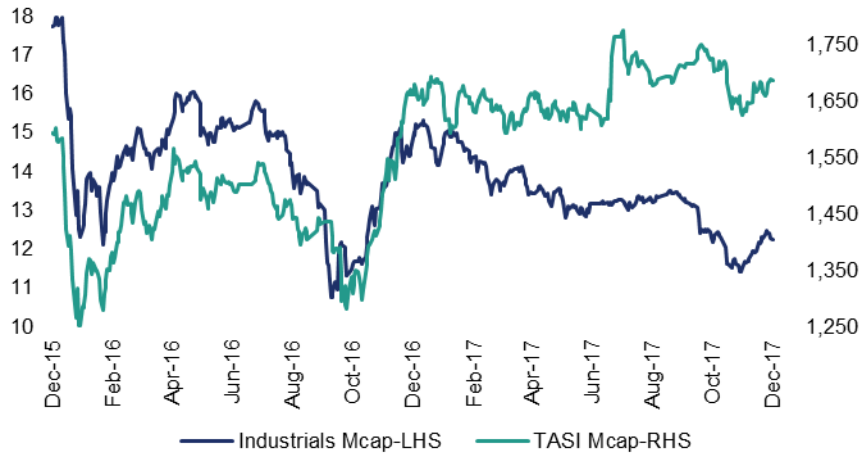


Source: Bloomberg

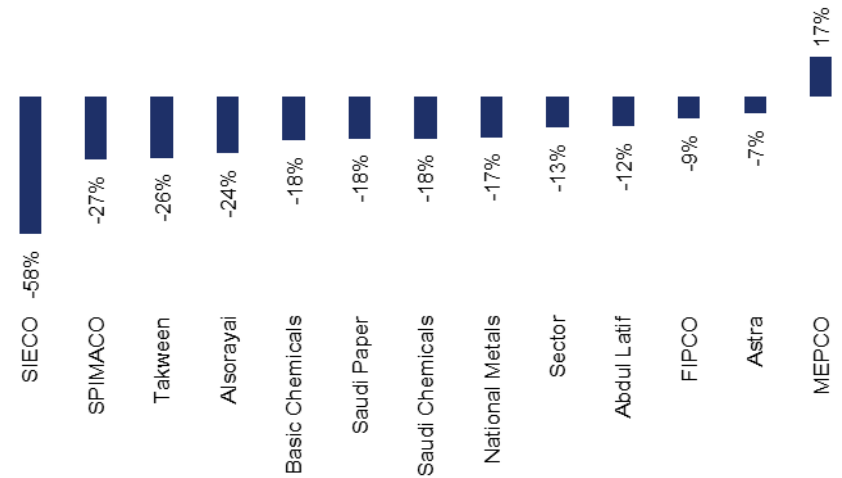
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Industrials Performance in 2017: A one-sided trend in 2017...

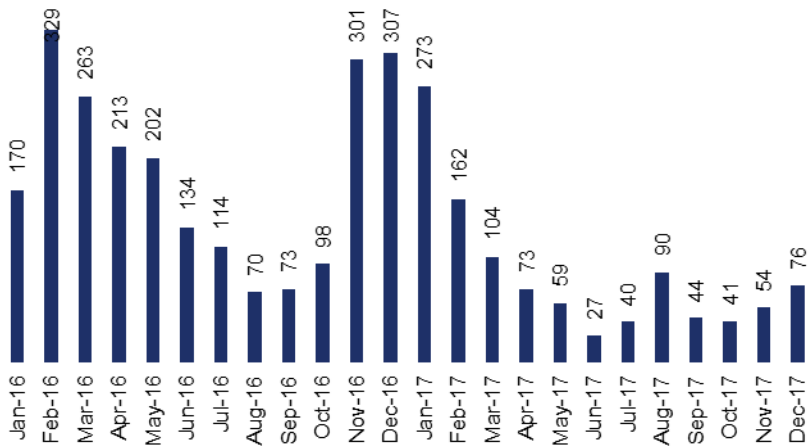
Sector clearly underperforms TASI...



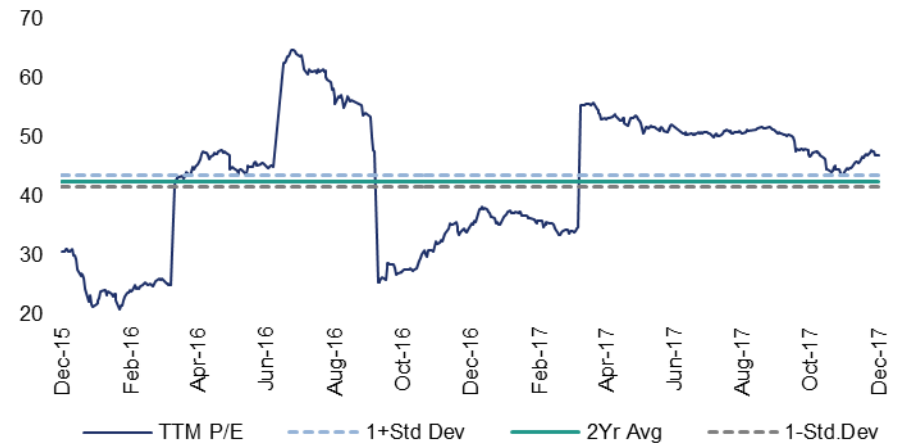
Most saw the brunt of economic downturn...



Money flows drops heavily in the sector...



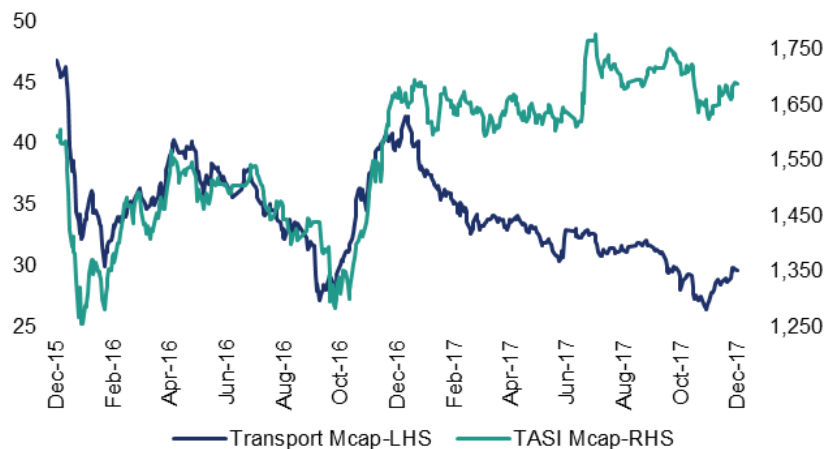
Valuation seems erratic; few signs on a combined basis...



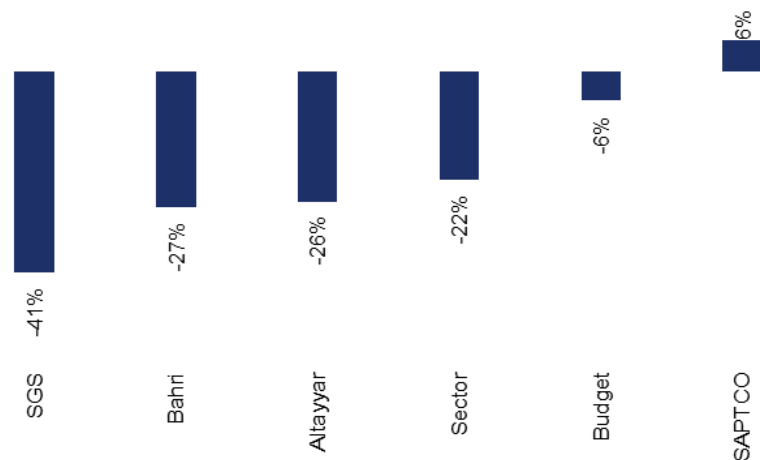
Source: Bloomberg
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Transport Performance in 2017: SAPTCO gains...

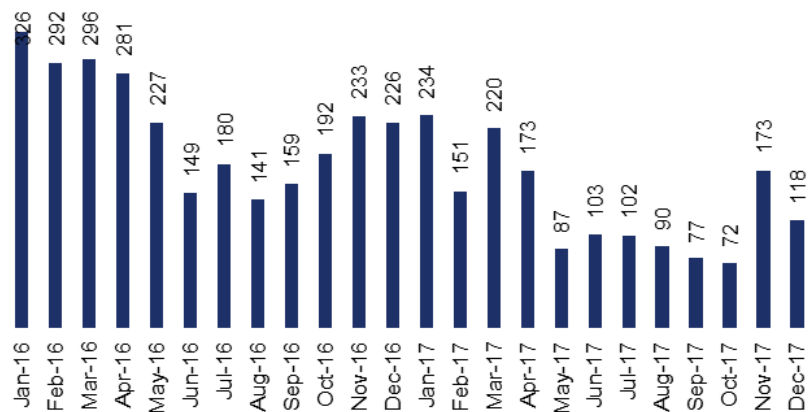
Sector underperforms TASI as Altayyar falls...



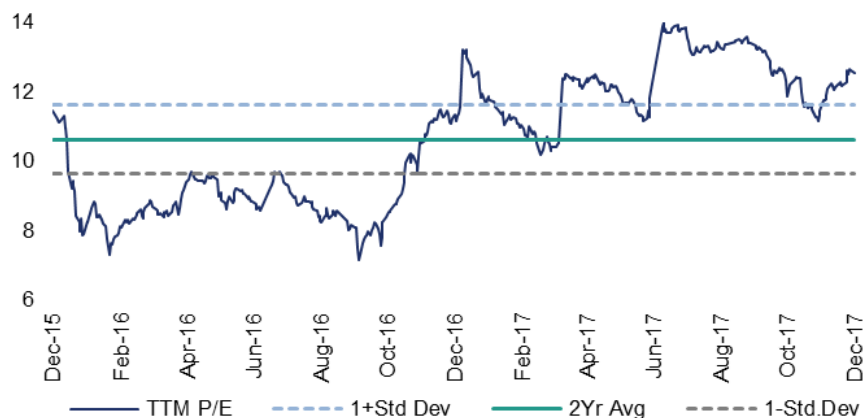
SAPTCO gains; rally seen in Budget Co. due to reforms..



Altayyar's selling pressure seen in money flows...



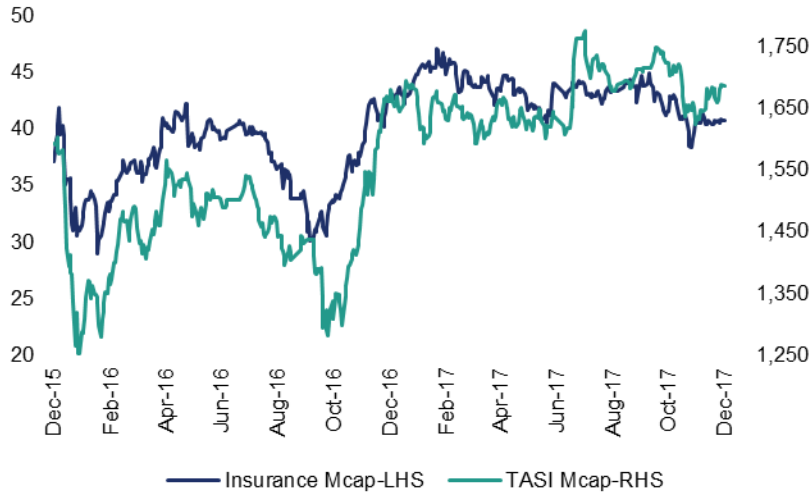
Multiples moved higher towards the lag end of 2017...



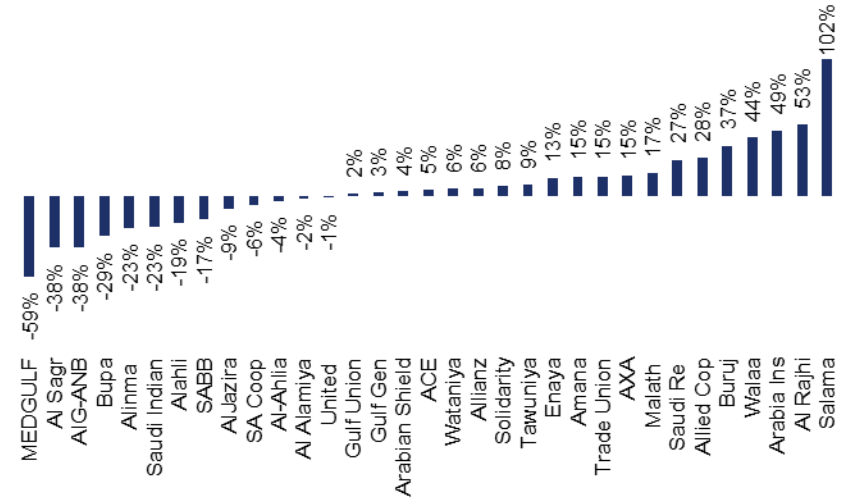
Source: Bloomberg
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Insurance Performance in 2017: Mostly gainers barring a few..

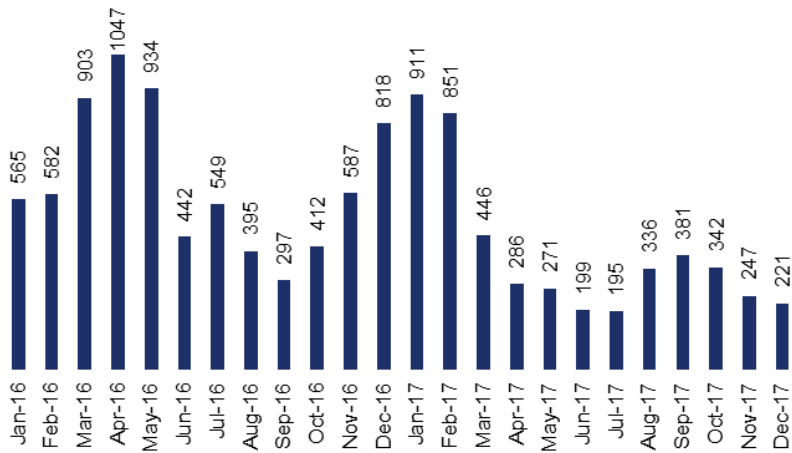
Sector underperforms TASI in 2017...



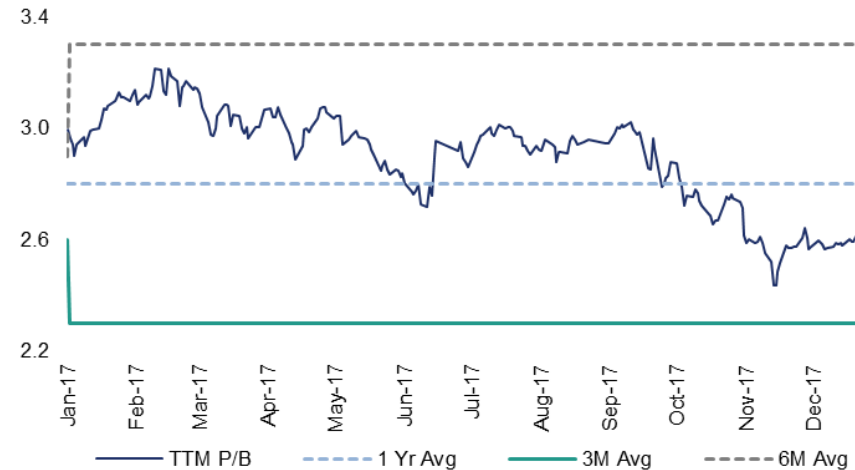
Mostly gainers, some losers in 2017...



Flows have dropped in the sector unlike in 2016..



Valuation Trends (TTM P/E)



Source: Bloomberg

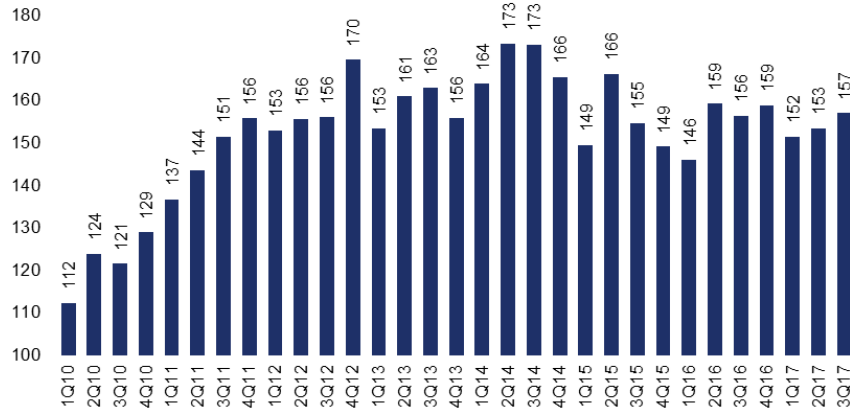
Flows refer to average daily turnover (SAR Mln) on a monthly basis in the sector

Appendix

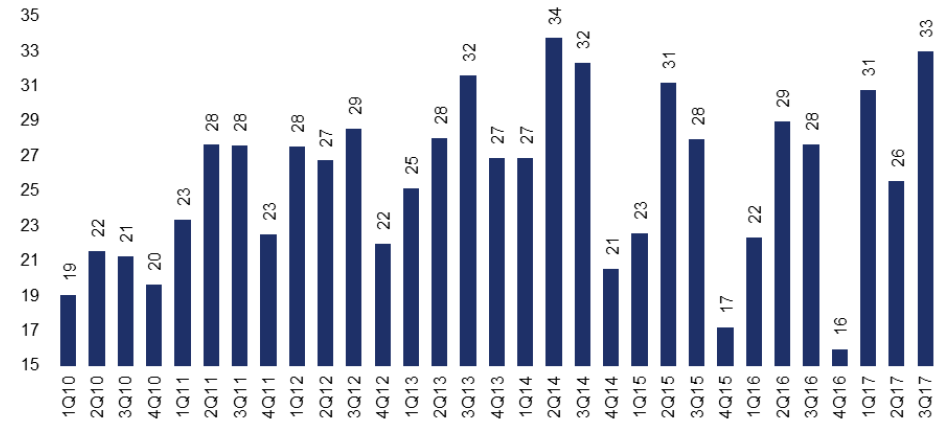
- ✓ TASI earnings and performance by sector
- ✓ Negotiated deals and Foreign Shareholding
- ✓ TASI P/E band graph
- ✓ Performance of TASI-sub indices
- ✓ Top gainers and losers in 2017

TASI Earnings have improved in 2017; top-line stagnant..

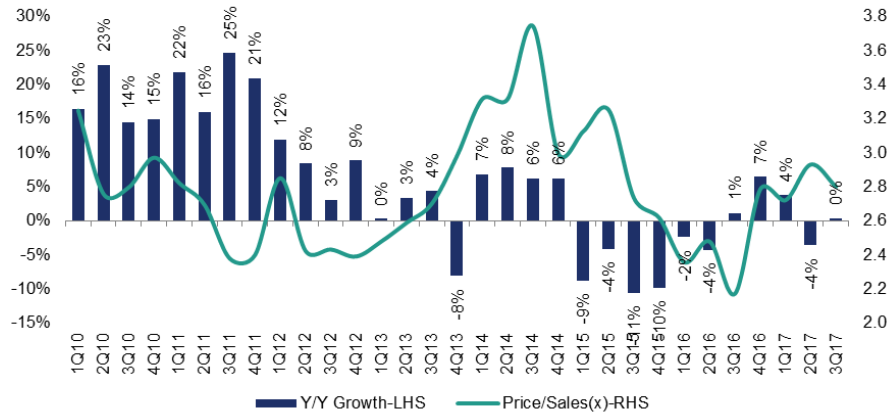
Revenues have stayed stable over few quarters...



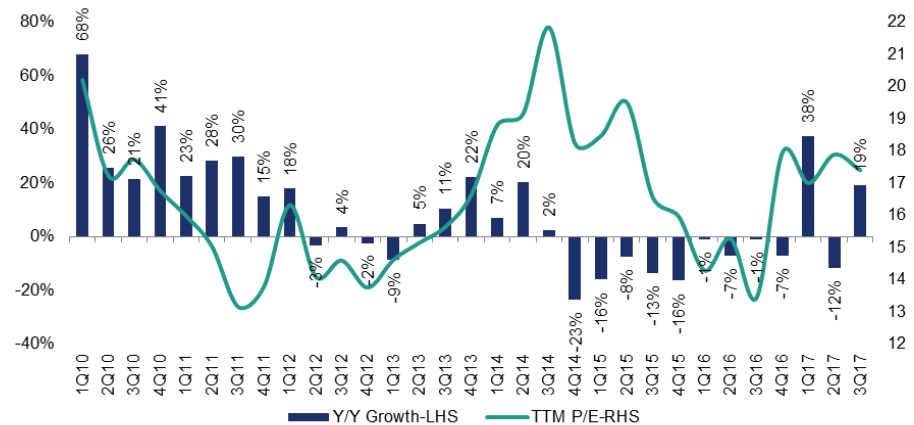
Earnings improved, driven by Banks and Petrochemicals...



Valuations have stagnated on feeble move in topline...



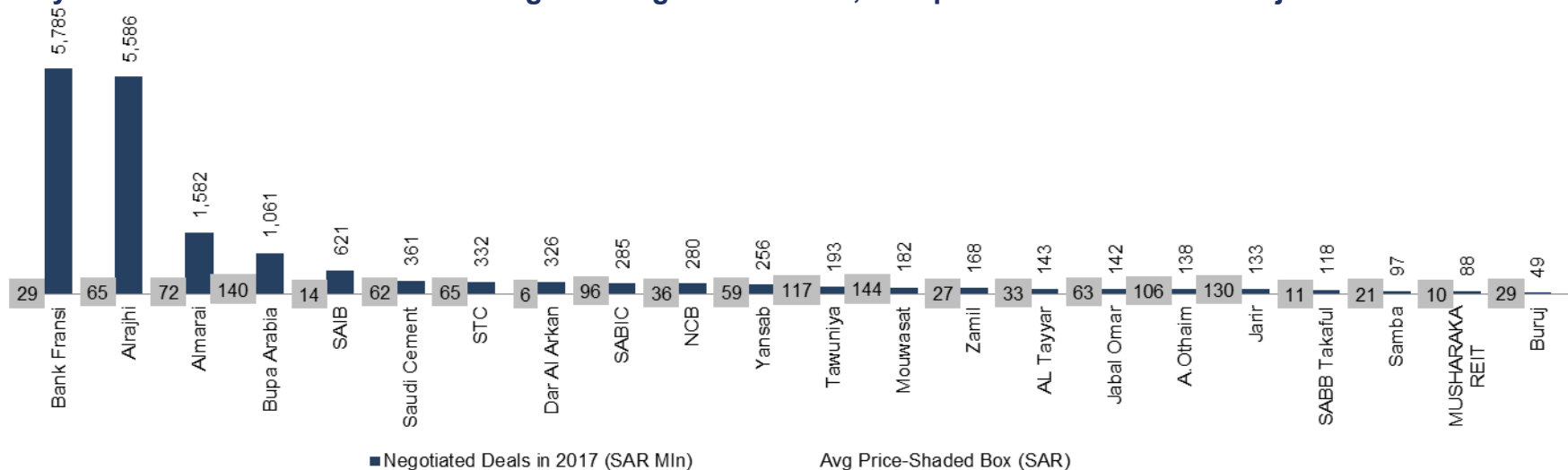
Earnings surge not reflected in valuations...



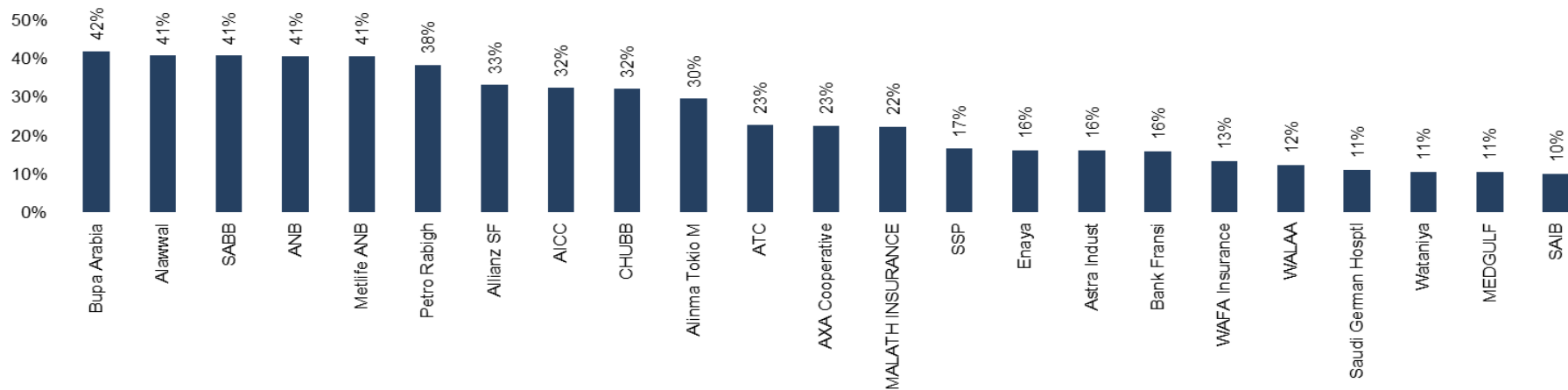
Source: Bloomberg
Data in the first two charts are in SAR Bln

TASI Negotiated Deals and Foreign Shareholding in 2017...

key stocks which investors have bought through block deals; Banque Saudi Fransi and Alrajhi Bank a clear case...



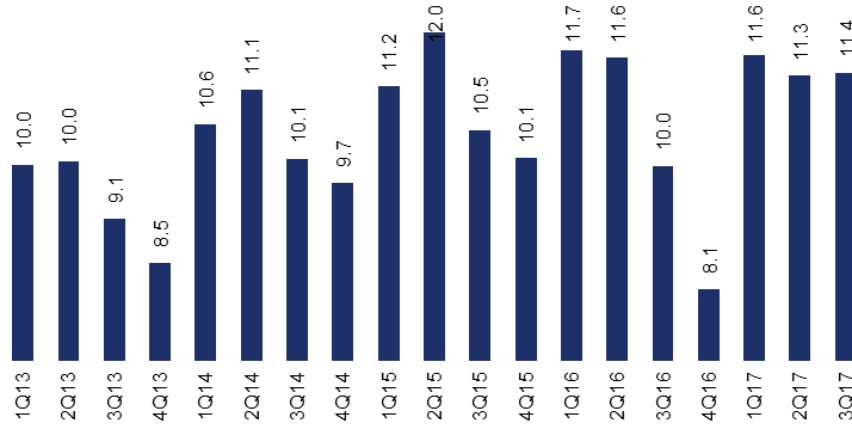
No significant change in foreign shareholding in these stocks; most are strategic shareholding...



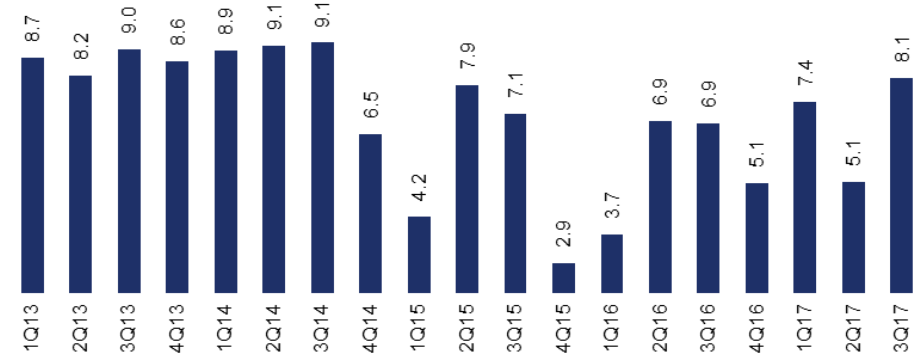
Source: Bloomberg

TASI Earnings by Sector: Petrochemicals the key in 9M2017..

Banks: Earnings growth stood at 3% in 9M2017...



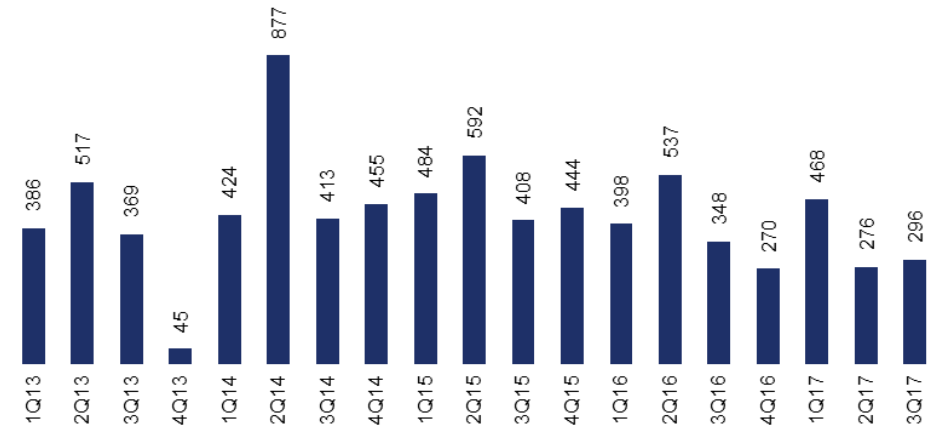
Petrochemicals: Growth of 19% in earnings in 9M2017...



Telecom: Growth of 22% in earnings for 9M2017



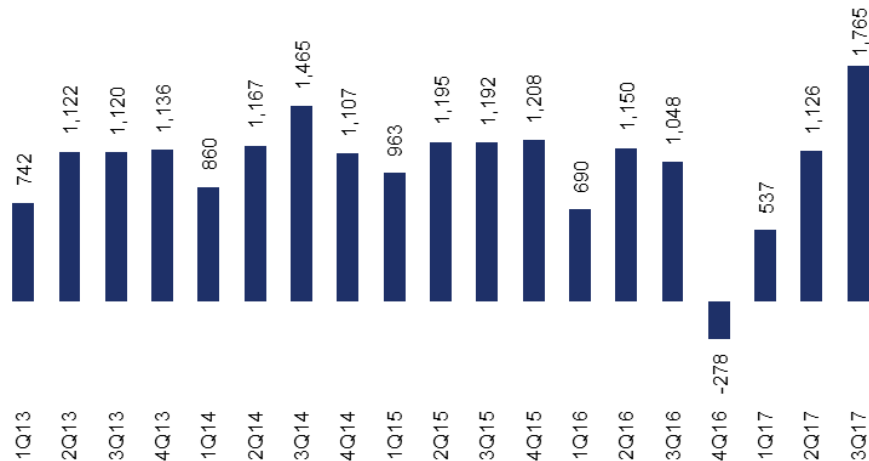
Retail: Earnings fell 19% in 9M2017, due to fall in spending...



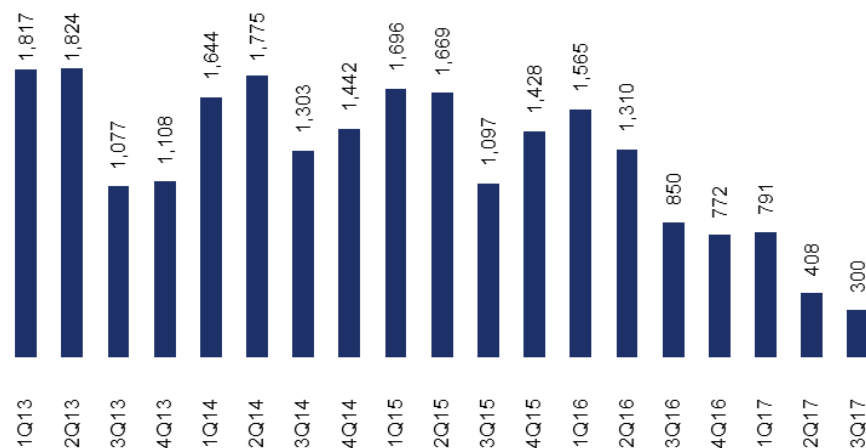
Source: Bloomberg, Figures in the first two charts above are in SAR bln and the rest two in SAR mln

TASI Earnings by Sector: Cements saw the worst...

Foods: Earnings grew 19% in 9M2017; Savola one-off...



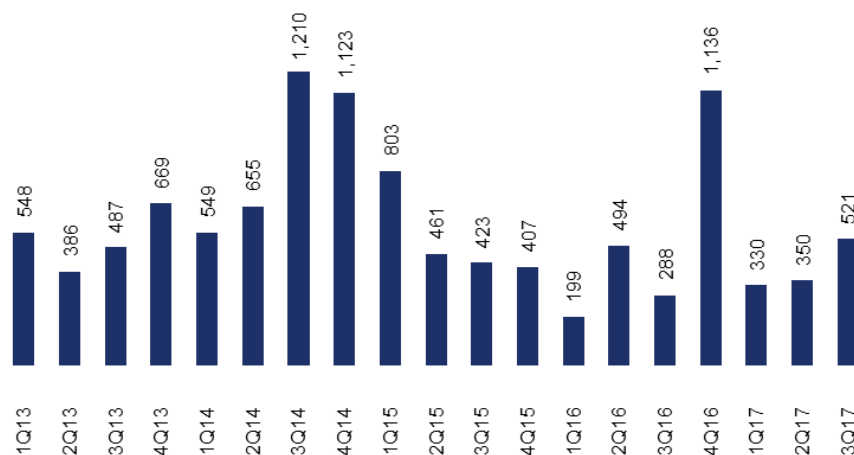
Cement: Drop of 60% in earnings for 9M2017, weak demand...



Healthcare: Stayed flat at 1% in 9M, concerns ease...

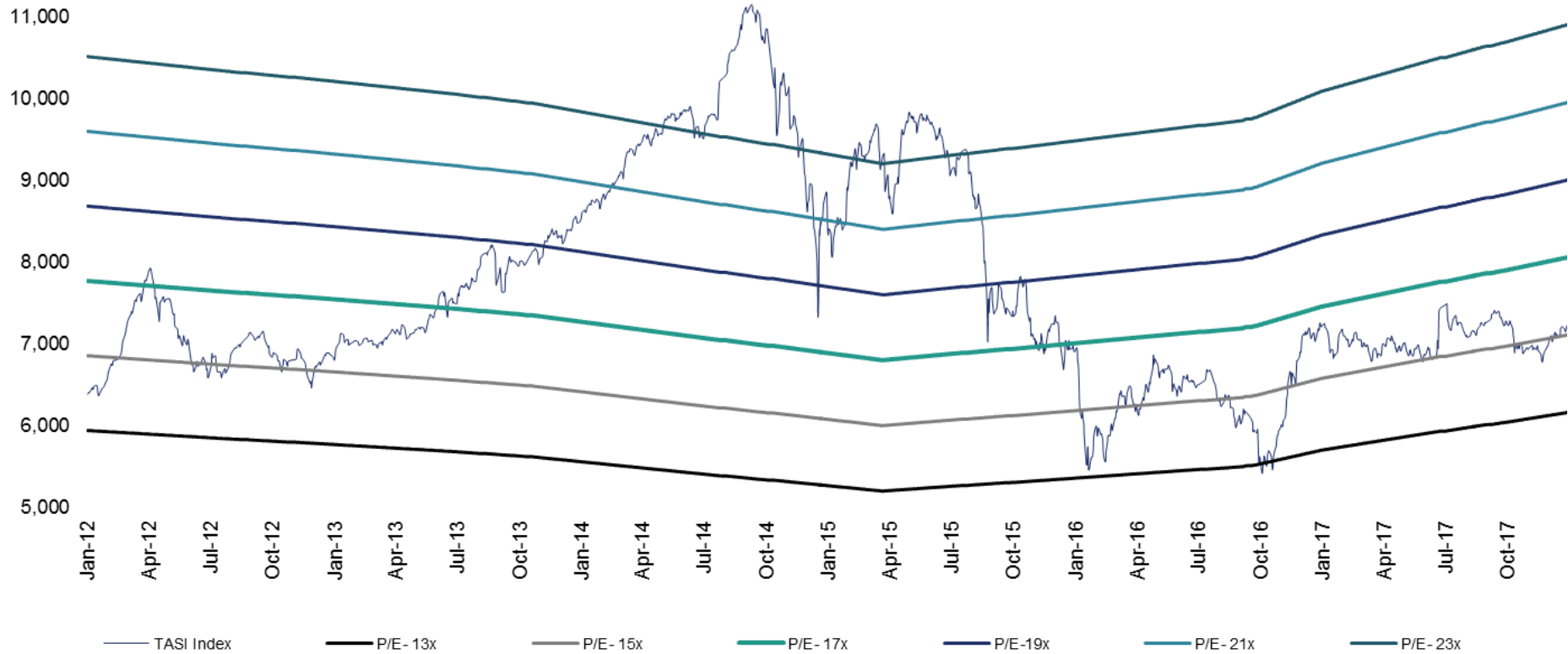


Real Estate: Earnings grew 22%, partially on asset sales...



Source: Bloomberg
 Figures in the all charts above are in SAR mln

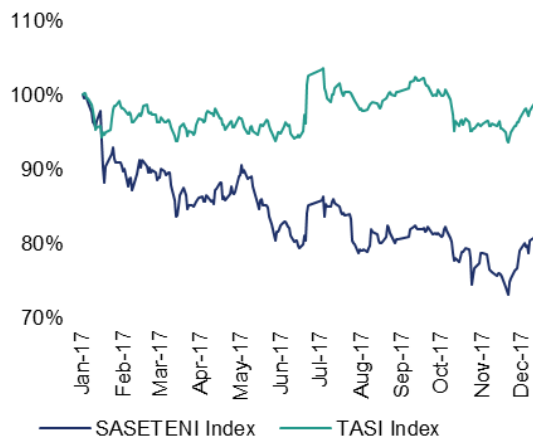
TASI 12M rolling forward P/E: Valuations seems stagnant...



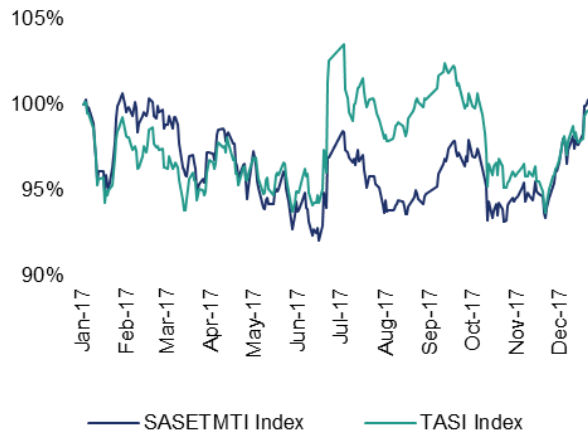
Source: Bloomberg
Based on 1Yr Fwd P/E and 2018 Earnings based on Bloomberg

Rebased Performance of TASI Sub-Sectors vs TASI....1

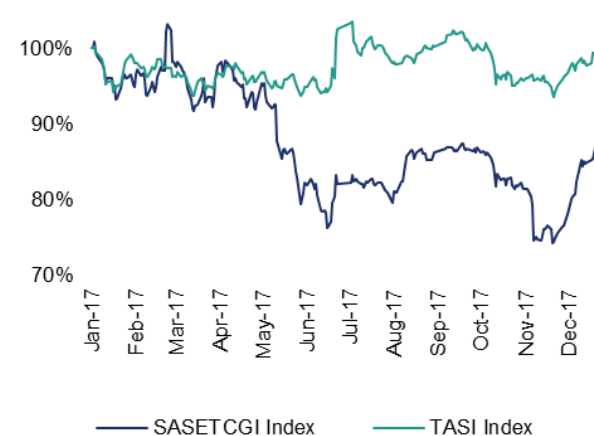
TASI Energy: -14% ↓



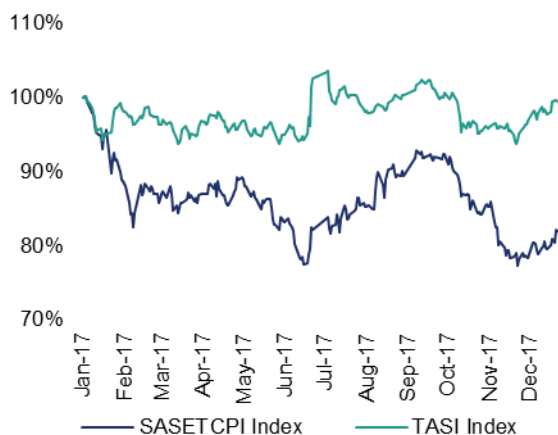
TASI Materials: +1% ↑



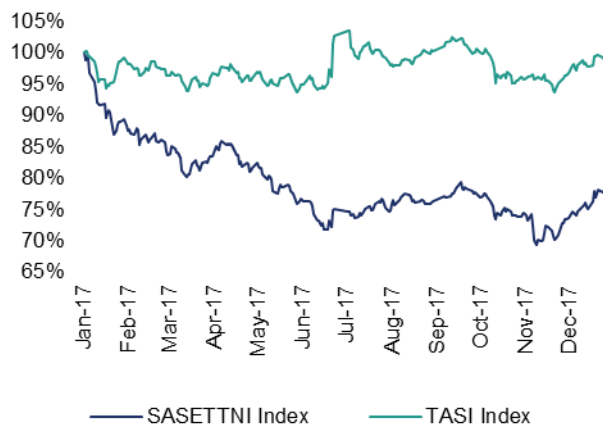
TASI Capital Goods: -13% ↓



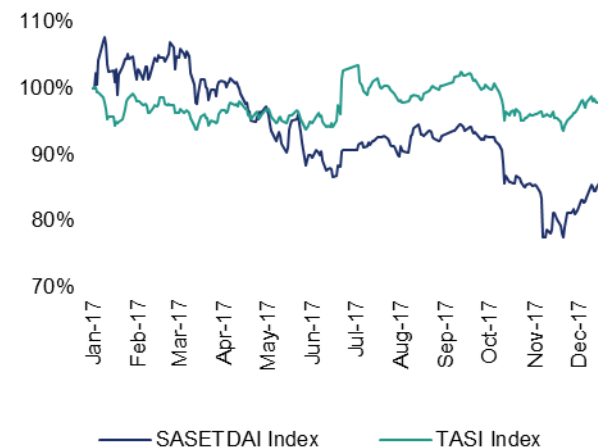
TASI Commercial & Prof. Svcs: -17% ↓



TASI Transport: -22% ↓



TASI Consumer Dur. & Apparels: -11% ↓

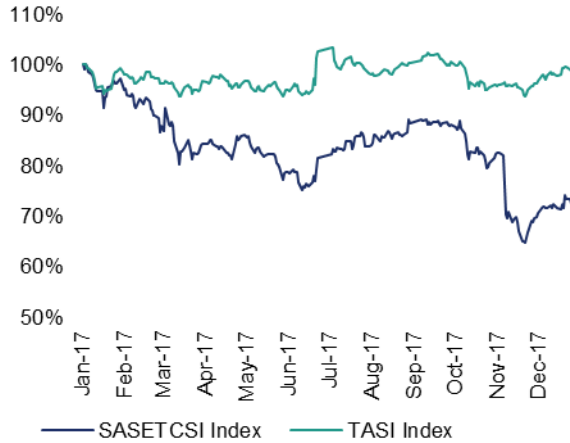


Source: Bloomberg. Data updated as of Dec 31, 2017

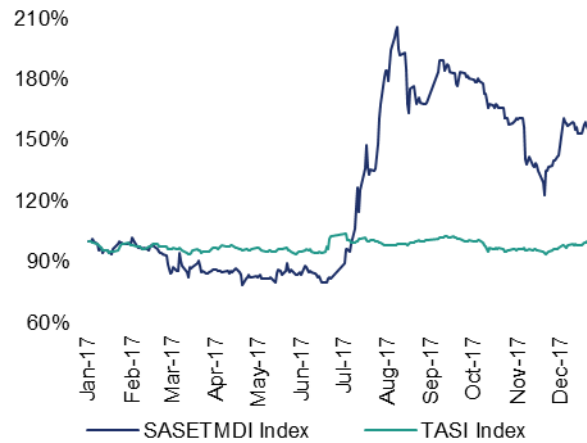
Red/Green arrow signs indicates Out/under performance of respective indices versus TASI in 2017

Rebased Performance of TASI Sub-Sectors vs TASI...2

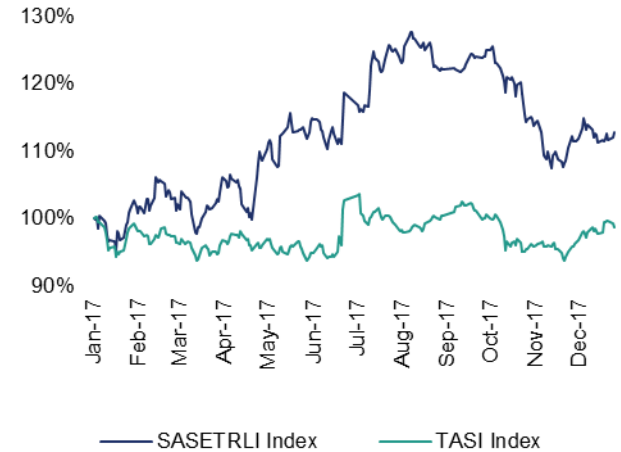
TASI Consumer Services: -24% ↓



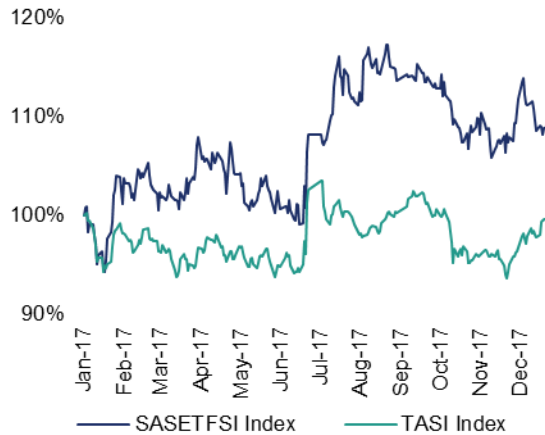
TASI Media: +51% ↑



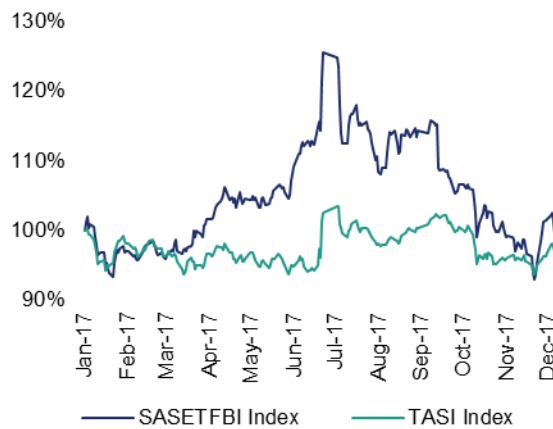
TASI Retailing: +15% ↑



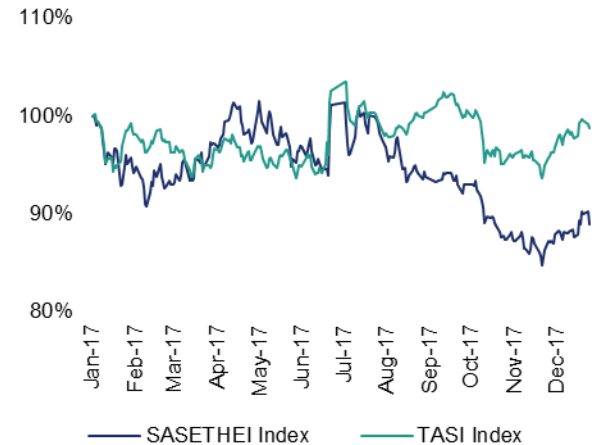
TASI Food & Staples: +11% ↑



TASI Food & Beverages: 0.2% ↑



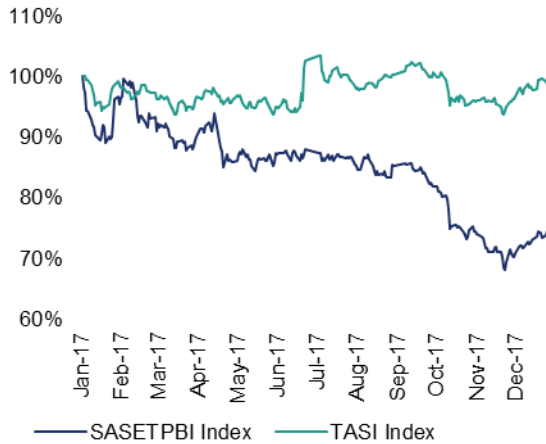
TASI Healthcare: -12% ↓



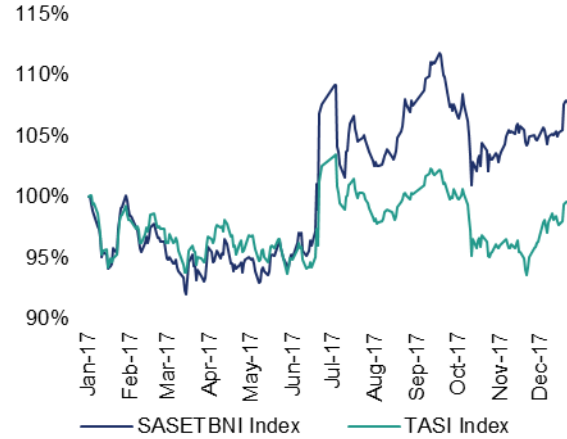
Source: Bloomberg

Rebased Performance of TASI Sub-Sectors vs TASI...3

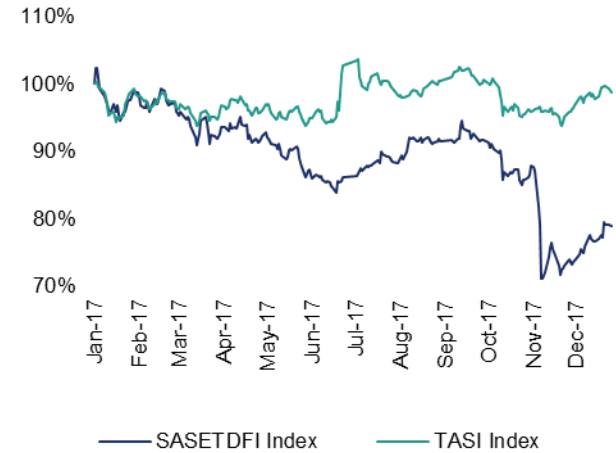
TASI Pharma: -26% ↓



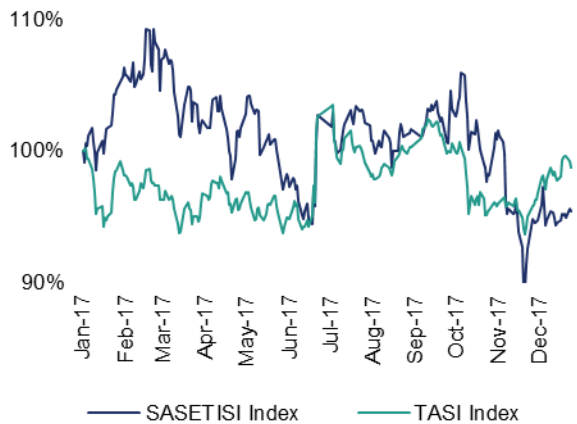
TASI Banks: +8% ↑



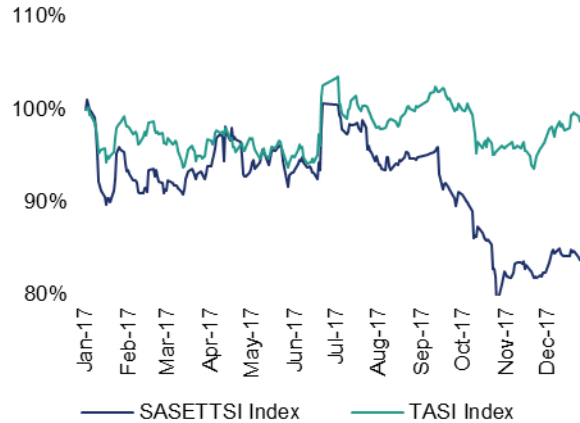
TASI Diversified Financials: -19% ↓



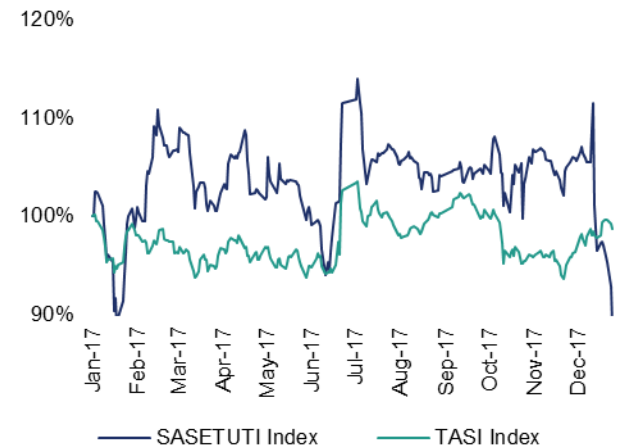
TASI Insurance: -4% ↓



TASI Telecom: -15% ↓



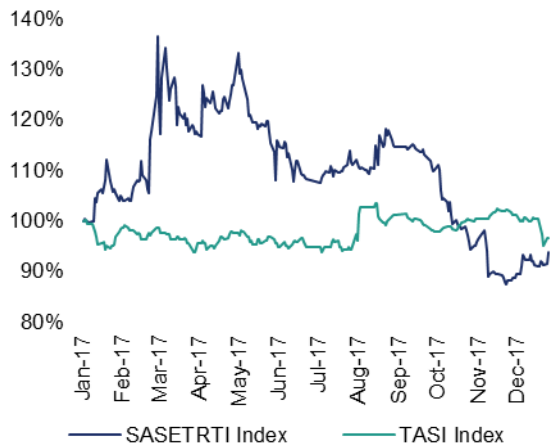
TASI Utilities: -6% ↓



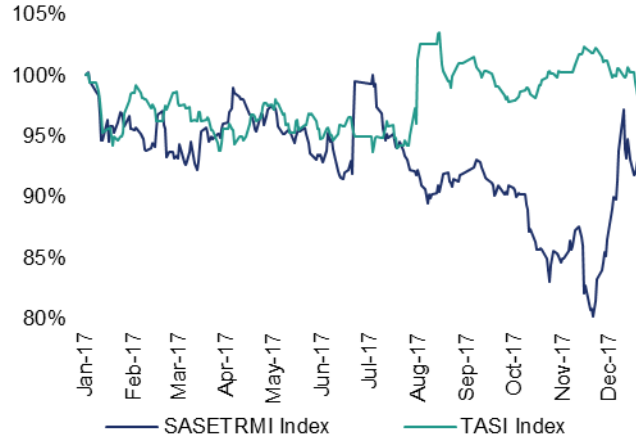
Source: Bloomberg

Rebased Performance of TASI Sub-Sectors vs TASI...4

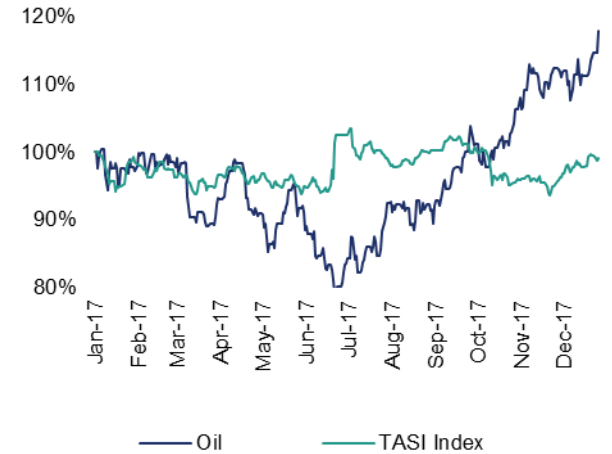
TASI REITS: -8% ↓



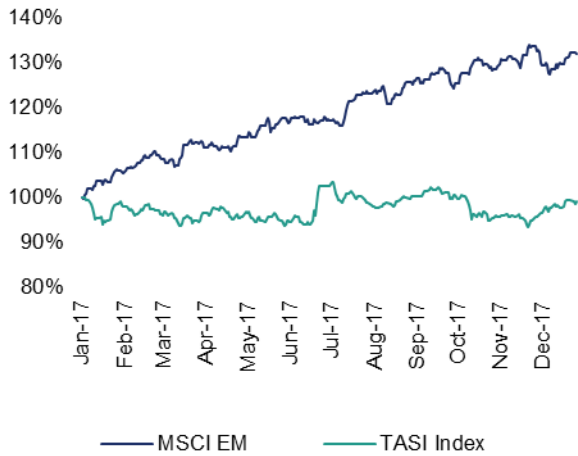
TASI RE Mgt: -7% ↓



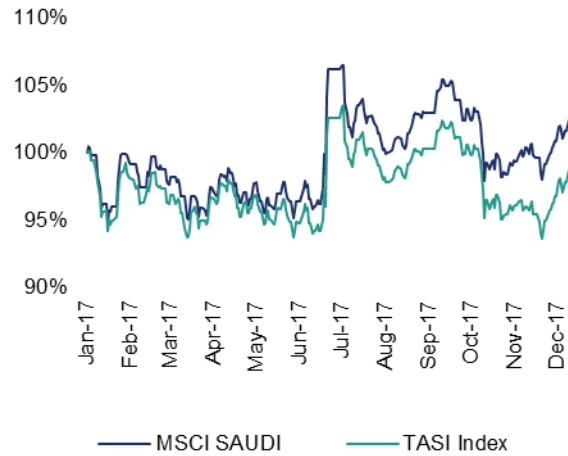
Oil: +18% ↑



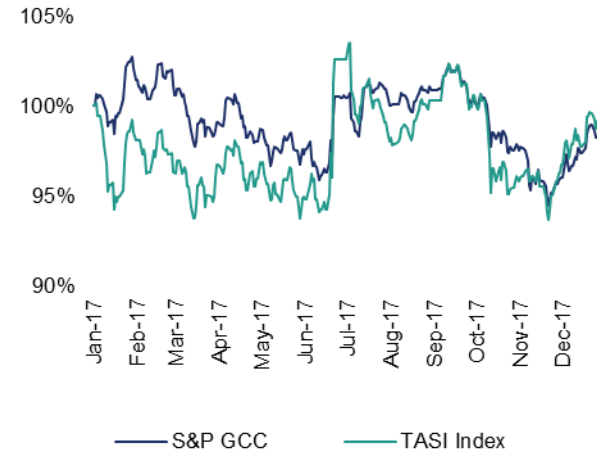
MSCI EM: +34% ↑



MSCI SAUDI: +3% ↑



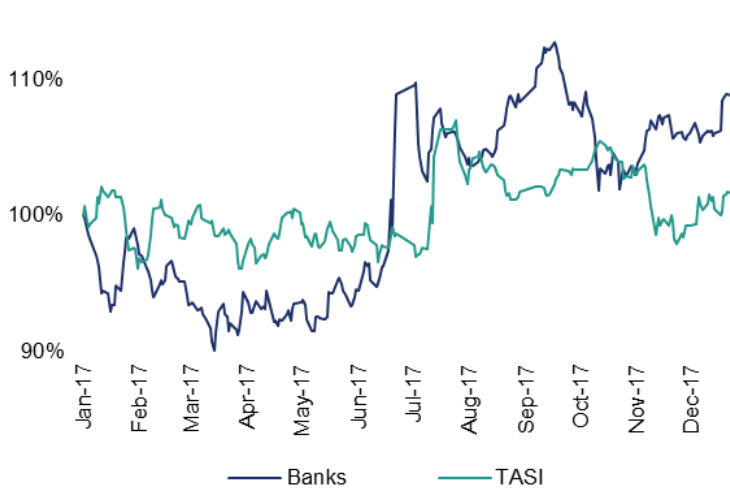
S&P GCC: -1% ↓



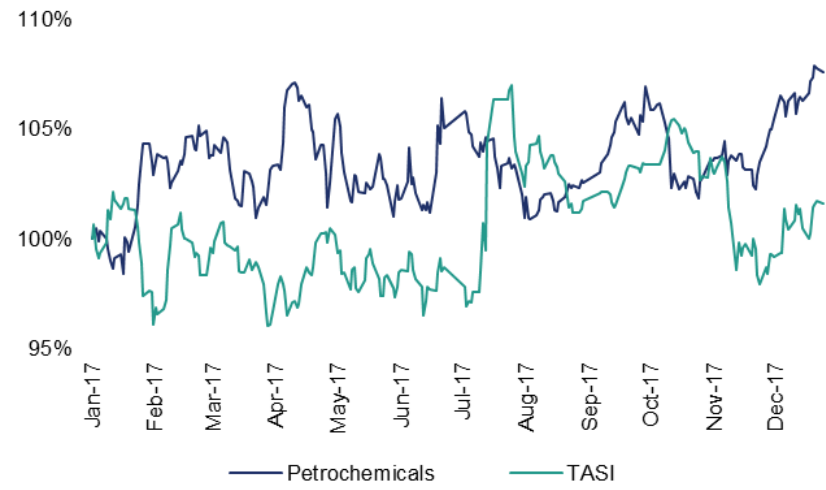
Source: Bloomberg

Rebased Performance of Core Sectors vs TASI...1

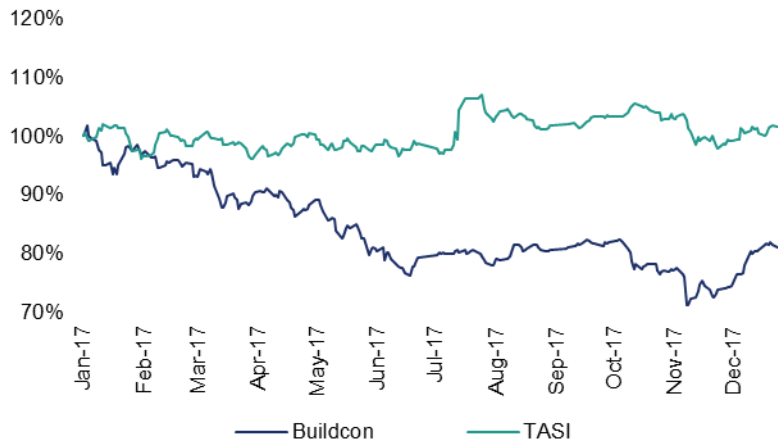
Banking Sector vs TASI



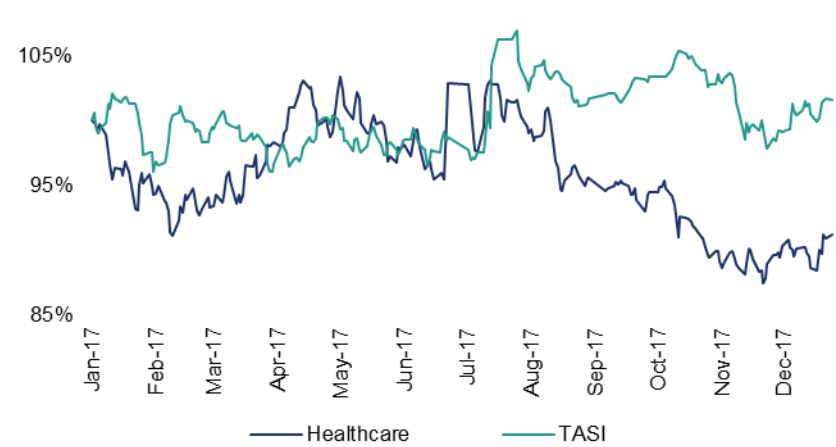
Petrochemical Sector vs TASI



Building & Construction Sector vs TASI



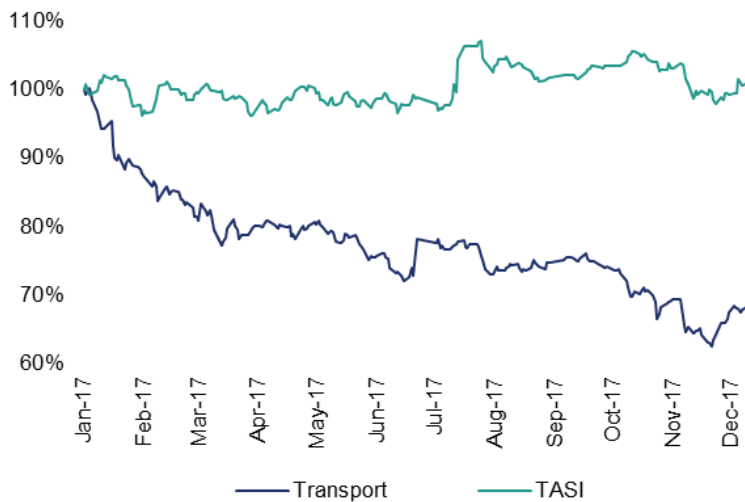
Healthcare vs TASI



Source: Bloomberg
 Sectors are classified and customized based on similar nature of business

Rebased Performance of Core Sectors vs TASI...2

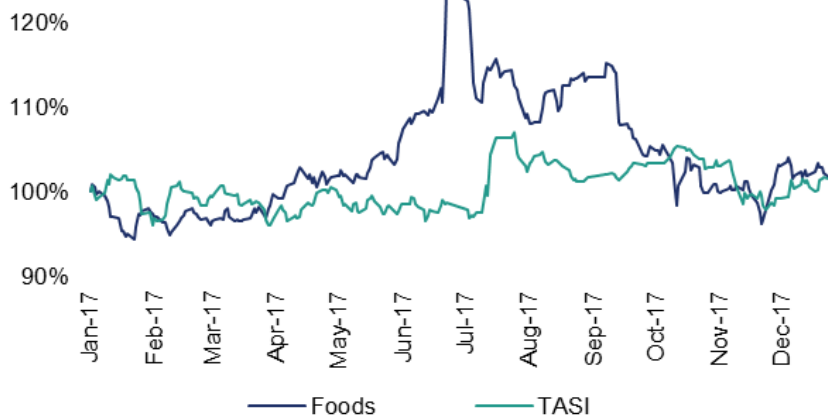
Transport Sector vs TASI



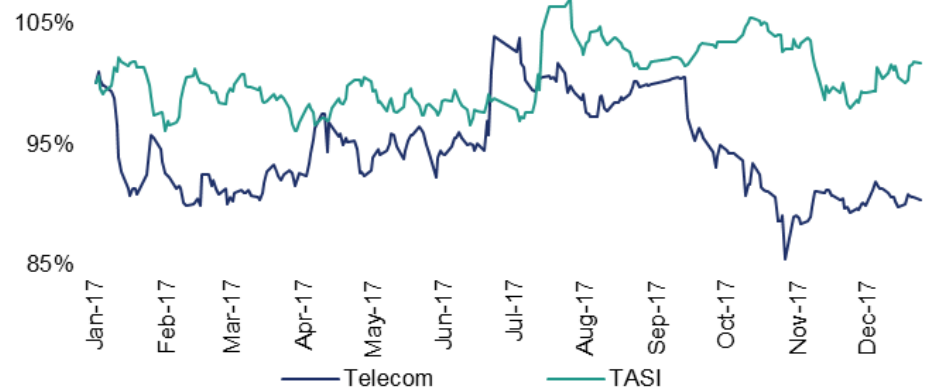
Industrials Sector vs TASI



Foods Sector vs TASI



Telecom Sector vs TASI



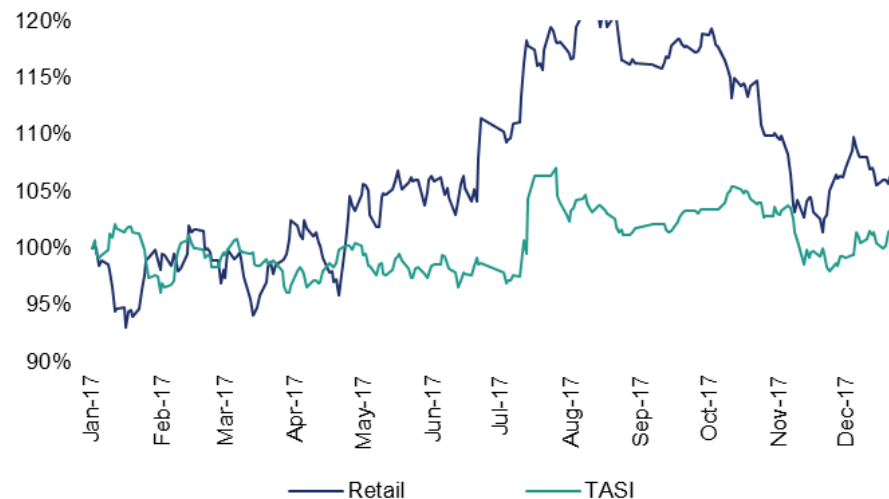
Source: Bloomberg
 Sectors are classified and customized based on similar nature of business

Rebased Performance of Core Sectors vs TASI...3

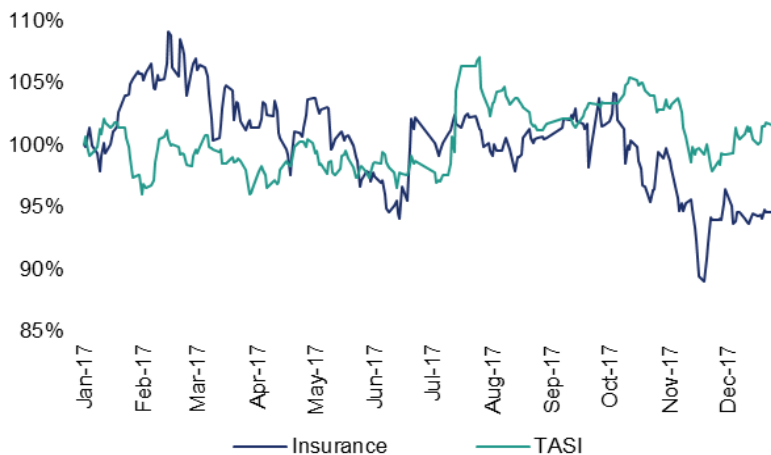
Real Estate Sector vs TASI



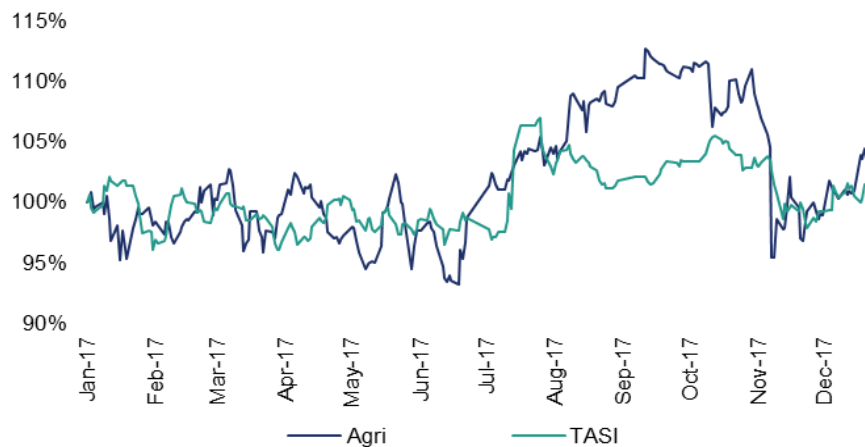
Retail vs TASI



Insurance Sector vs TASI



Agri-Foods vs TASI



Source: Bloomberg
 Sectors are classified and customized based on similar nature of business

Gainers in TASI for 2017: 71 gainers in TASI

TASI	Company Name	2017	TASI	Company Name	2017	TASI	Company Name	2017
4300	Dar Al Arkan Real Estate Developm	134%	2120	Saudi Advanced Industries Co	14%	2140	Al-Ahsa Development Co	3%
4003	United Electronics Co	109%	6040	Tabuk Agriculture	14%	8260	Gulf General Cooperative Insurar	3%
8050	Salama Cooperative Insurance Co	102%	8311	Saudi Enaya Cooperative Insuran	13%	1120	Al Rajhi Bank	2%
4210	Saudi Research & Marketing Group	75%	1080	Arab National Bank	12%	4002	Mouw asat Medical Services Co	2%
4331	Aljazira Maw ten REIT	60%	2260	Sahara Petrochemical Co	12%	8120	Gulf Union Cooperative Insurance	2%
6090	Jazan Energy and Development Co	54%	2010	Saudi Basic Industries Corp	11%	2250	Saudi Industrial Investment Group	2%
8230	Al Rajhi Co for Co-operative Insuran	53%	4333	Taleem REIT	10%	2160	Saudi Arabian Amiantit Co	1%
8160	Arabia Insurance Cooperative Co	49%	1050	Banque Saudi Fransi	10%	4050	Saudi Automotive Services Co	1%
8060	Walaa Cooperative Insurance Co	44%	3090	Tabuk Cement Co	10%	4270	Saudi Printing & Packaging Co	0%
2380	Rabigh Refining & Petrochemical Co	40%	2290	Yanbu National Petrochemical Co	9%	4290	Al Khaleej Training and Education	0%
6020	Rabigh Refining & Petrochemical Co	40%	8010	Co for Cooperative Insurance/Th	9%	2330	Advanced Petrochemical Co	0%
8270	Buruj Cooperative Insurance Co	37%	2170	Alujain Corp	8%			
6010	National Agriculture Development Cr	35%	1010	Riyad Bank	8%			
1211	Saudi Arabian Mining Co	33%	8290	Solidarity Saudi Takaful Co	8%			
1180	National Commercial Bank	29%	1060	Saudi British Bank/The	8%			
8150	Allied Cooperative Insurance Group	28%	4332	Jadwa REIT Alharamain Fund	7%			
4008	Saudi Co For Hardw are LLC	28%	4004	Dallah Healthcare Co	6%			
4190	Jarir Marketing Co	27%	1030	Saudi Investment Bank/The	6%			
8200	Saudi Re for Cooperative Reinsuran	27%	4040	Saudi Public Transport Co	6%			
1150	Alinma Bank	27%	2150	National Co for Glass Manufactur	6%			
4001	Abdullah Al Othaim Markets Co	24%	2320	Al Babtain Pow er & Telecommuni	6%			
2001	Methanol Chemicals Co	24%	8040	Allianz Saudi Fransi Cooperative	6%			
3091	Al Jouf Cement Co	23%	4130	Al-Baha Development & Investme	6%			
2350	Saudi Kayan Petrochemical Co	21%	8300	Wataniya Insurance Co	6%			
8020	Malath Cooperative Insurance Co	17%	4320	Alandalus Property Co	5%			
1202	Middle East Paper Co	17%	2270	Saudia Dairy & Foodstuff Co	5%			
1020	Bank Al-Jazira	16%	8240	ACE Arabia Cooperative Insuranc	5%			
8250	AXA Cooperative Insurance Co	15%	6060	Ash-Sharqiyah Development Co	4%			
8170	Trade Union Cooperative Insurance	15%	8070	Arabian Shield Cooperative Insur.	4%			
8310	Amana Cooperative Insurance Co	15%	2370	Middle East Specialized Cables C	3%			

Source: Bloomberg

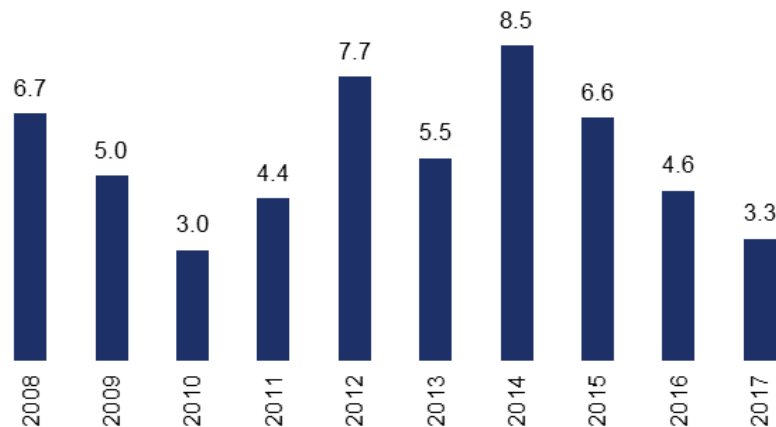
Losers in TASI in 2017: 106 Losers in TASI

TASI	Company Name	2017	TASI	Company Name	2017	TASI	Company Name	2017	TASI	Company Name	2017
8030	Mediterranean & Gulf Insurance & F	-59%	3080	Eastern Province Cement Co	-24%	4100	Makkah Construction & Developpr	-16%	3005	Umm Al-Qura Cement Co	-6%
4140	Saudi Industrial Export Co	-58%	8312	Alinma Tokio Marine Co	-23%	4334	Al Maather REIT Fund	-16%	8100	Saudi Arabian Cooperative Insur:	-6%
2210	Nama Chemicals Co	-48%	8110	Saudi Indian Co for Cooperative I	-23%	4336	Mulkia Gulf Real Estate REIT Func	-16%	2060	National Industrialization Co	-6%
3050	Southern Province Cement Co	-41%	3020	Yamama Cement Co	-23%	4020	Saudi Real Estate Co	-16%	4260	United International Transportatio	-6%
4031	Saudi Ground Services Co	-41%	3003	City Cement Co	-23%	1320	Saudi Steel Pipe Co	-16%	2110	Saudi Cable Co	-6%
1301	United Wire Factories Co	-38%	1302	Baw an Co	-23%	1040	Alaw w al Bank	-15%	7010	Saudi Telecom Co	-5%
7020	Ethiad Etisalat Co	-38%	2030	Saudi Arabia Refineries Co	-22%	4011	L'Azurde Co for Jew elry	-15%	4180	Fitaihi Holding Group	-4%
8180	Al Sagr Cooperative Insurance Co	-38%	6004	Saudi Airlines Catering Co	-22%	1304	Al Yamamah Steel Industries Co	-14%	8140	Al-Ahlia Cooperative Insurance C	-4%
8011	AIG-ANB Cooperative Insurance Co	-38%	4220	Emaar Economic City	-21%	4090	Taiba Holding Co	-13%	1090	Samba Financial Group	-3%
1820	Abdul Mohsen Al-Hokair Tourism an	-36%	4250	Jabal Omar Development Co	-21%	2240	Zamil Industrial Investment Co	-13%	2130	Saudi Industrial Development Co	-2%
4230	Red Sea International Co	-35%	2040	Saudi Ceramic Co	-20%	4061	Anaam International Holding Grou	-13%	2280	Almarai Co	-2%
4005	National Medical Care Co	-34%	6050	Saudi Fisheries Co	-20%	2020	Saudi Arabian Fertilizer Co	-13%	8280	Al Alamiya for Cooperative Insur:	-2%
3030	Saudi Cement Co	-33%	2360	Saudi Vitrified Clay Pipe Co Ltd	-19%	2002	National Petrochemical Co	-13%	2050	Savola Group/The	-2%
3040	Qassim Cement Co/The	-33%	8130	Alahli Takaful Co	-19%	1303	Electrical Industries Co	-13%	8190	United Co-operative Assurance C	-1%
2200	Arabian Pipes Co	-31%	4160	Thimar	-19%	3002	Najran Cement Co	-13%	7040	Ethiad Atheeb Telecommunicator	-1%
1214	Al Hassan Ghazi Ibrahim Shaker Co	-30%	3010	Arabian Cement Co/Saudi Arabia	-19%	2340	AlAbdullatif Industrial Investment	-12%	1140	Bank AlBilad	-1%
4010	Al Hassan Ghazi Ibrahim Shaker Co	-30%	2100	Wafrah for Industry and Develop	-18%	4330	Riyad REIT Fund	-12%			
4070	Tihama Advertising & Public Relator	-30%	1210	Basic Chemical Industries Ltd	-18%	7030	Mobile Telecommunications Co S:	-12%			
8210	Bupa Arabia for Cooperative Insura	-29%	6001	Halw ani Brothers Co	-18%	6070	Al Jouf Agricultural Development	-12%			
4310	Know ledge Economic City Co	-29%	4150	Arriyadh Development Co	-18%	4200	Aldrees Petroleum and Transport	-11%			
1330	Abdullah A.M. Al-Khodari Sons Co	-28%	4170	Shams	-18%	4335	Musharaka Real Estate Income Fi	-11%			
4080	Aseer Trading Tourism & Manufact	-28%	2300	Saudi Paper Manufacturing Co	-18%	4007	Al Hammadi Development and Inv	-11%			
4030	National Shipping Co of Saudi Arabi:	-27%	6002	Herfy Food Services Co	-18%	8012	AlJazira Takaful Ta'aw uni Co	-9%			
4009	Middle East Healthcare Co	-27%	2230	Saudi Chemical Co	-18%	2180	Filing & Packing Materials Manufa	-9%			
4006	Saudi Marketing Co	-27%	4240	Faw az Abdulaziz Al Hokair & Co	-17%	2190	Saudi Industrial Services Co	-8%			
2070	Saudi Pharmaceutical Industries & M	-27%	3001	Hail Cement Co	-17%	4110	Saudi Industrial Services Co	-8%			
1810	Al Tayyar Travel Group Holding Co	-26%	8080	SABB Takaful Co	-17%	2310	Saudi International Petrochemical	-8%			
1201	Takw een Advanced Industries Co	-26%	2220	National Metal Manufacturing & C	-17%	2080	National Gas & Industrialization C	-8%			
4280	Kingdom Holding Co	-26%	3004	Northern Region Cement Co	-17%	5110	Saudi Electricity Co	-7%			
1213	Al Sorayai Trading Industrial Group	-24%	3060	Yanbu Cement Co	-16%	1212	Astra Industrial Group	-7%			

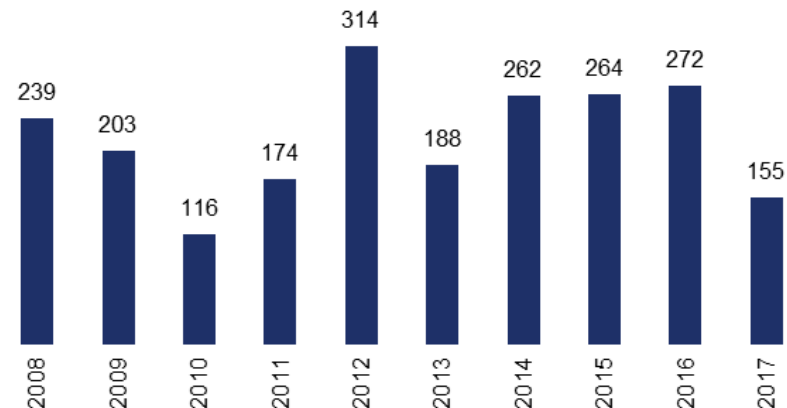
Source: Bloomberg

TASI across the years, showing decelerating trends...

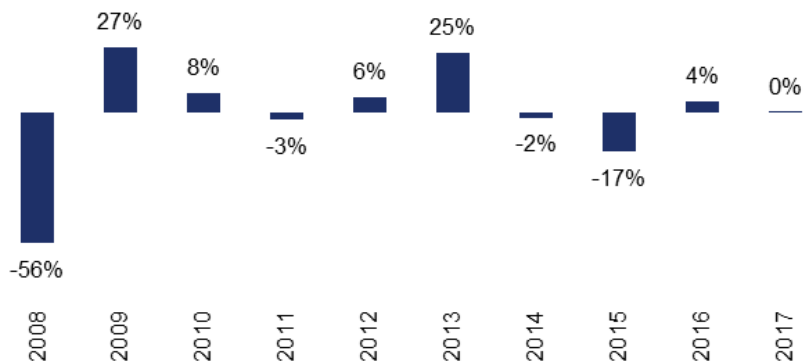
Turnover (SAR Bln): It's a bad year for money flows...



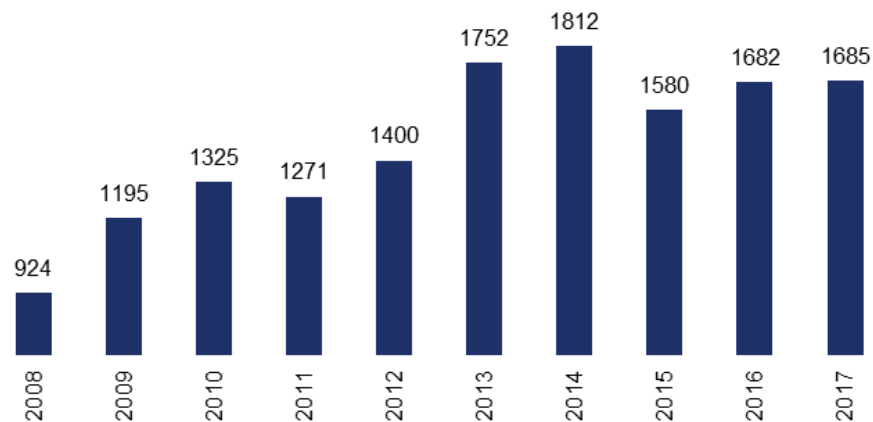
Volumes (mln) have declined significantly...



TASI since 2014 had declined; except in 2016...



Heavyweights led to TASI stability in 2017....



Source: Bloomberg
Turnover is average daily turnover (SAR Bln) in the first chart on the left

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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