

## Petrochemicals Sector

July 05, 2020

Company	Revenue			EBIT			EBIT Margins		Net Income			Net Margins		EPS (SAR)	
	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E
Petrochem	1,651	1,364	(17%)	321	157	(51%)	19%	12%	183	(99)	-	11%	(7%)	0.38	(0.21)
SABIC	35,867	28,359	(21%)	4,829	1,418	(71%)	13%	5%	2,115	431	(80%)	6%	2%	0.71	0.14
SAFCO	814	707	(13%)	325	264	(19%)	40%	37%	380	282	(26%)	47%	40%	0.91	0.68
Tasnee	731	620	(15%)	6	118	1,867%	1%	19%	297	21	(93%)	41%	3%	0.44	0.03
Yansab	1,638	1,004	(39%)	329	171	(48%)	20%	17%	316	157	(50%)	19%	16%	0.56	0.28
Sipchem	1,409	1,390	(1%)	320	292	(9%)	23%	21%	211	72	(66%)	15%	5%	0.29	0.10
Advanced	681	545	(20%)	207	179	(14%)	30%	33%	192	187	(3%)	28%	34%	0.98	0.86
Saudi Kayan	2,429	1,784	(27%)	40	98	145%	2%	5%	(273)	(1)	-	(11%)	(0%)	(0.18)	(0.00)
<b>Group Total</b>	<b>45,220</b>	<b>35,773</b>	<b>(21%)</b>	<b>6,377</b>	<b>2,697</b>	<b>(58%)</b>			<b>3,421</b>	<b>1,050</b>	<b>(69%)</b>				

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- China's economy began to show noticeable improvement in 2Q2020 as the country gradually eased their quarantine early April, however, this was countered by stringent containment efforts from major economies introduced since early April that was not eased until mid May. Brent crude prices managed to recover after falling to 18-year low in April as record OPEC+ production cuts in May and June elevated prices. Brent crude ended the quarter at \$41 per barrel.
- Petrochemical prices declined sharply across the board on a quarterly and yearly basis. However, Asian petchem margins have been squeezed during the quarter owing to the OPEC+ production cuts and several producers were forced to reduce production. We expect this development to benefit Saudi Petrochemicals in addition to the record low feedstock prices and reduced financing costs in 2Q2020, which will partially offset the negative impact from the decline in product prices. Therefore, we expect improvements in sales volumes but weakness in selling prices on a quarterly basis.

## Banking Sector

Company	Net Commission Income			Net Income			Net Advances			Deposits		
	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	Y/Y
BSF	1,298	1,207	(7%)	804	543	(32%)	124,233	139,290	12%	142,226	151,187	6%
SABB*	1,583	1,748	NA	(254)	863	NA	158,275	161,402	NA	196,145	184,377	NA
ANB	1,437	1,186	(17%)	894	530	(41%)	119,746	121,090	1%	131,912	140,090	6%
Samba	1,608	1,505	(6%)	935	869	(7%)	115,062	152,539	33%	168,306	175,374	4%
Al Rajhi	4,061	3,873	(5%)	2,580	2,056	(20%)	238,496	267,569	12%	300,563	326,111	9%
Albilad	671	718	7%	305	223	(27%)	53,653	65,947	23%	59,315	70,585	19%
Alinma	1,080	1,046	(3%)	676	359	(47%)	87,667	100,280	14%	92,816	105,996	14%
NCB	3,669	3,401	(7%)	2,709	2,221	(18%)	276,267	319,849	16%	327,437	396,199	21%
<b>Group Total</b>	<b>13,823</b>	<b>12,937</b>	<b>(6%)</b>	<b>8,902</b>	<b>6,801</b>	<b>(24%)</b>	<b>1,015,124</b>	<b>1,166,563</b>	<b>15%</b>	<b>1,222,576</b>	<b>1,365,543</b>	<b>12%</b>

Source: Riyadh Capital, Company Reports (SAR mln)

\* SABB's numbers are incomparable due to its merger with Alawwal (not included in the Group Total)

- SAMA left key interest rates unchanged, following the Federal Reserve's decision. During 2Q 2020, 3M SAIBOR adopted a steady downtrend to end the quarter at 0.99%. Hence, we expect banks to register lower NSCI on Y/Y and Q/Q.
- Our forecast calls for a -24% Y/Y decline in net income for our coverage universe due to the low levels of interest rate and higher provisions, given recent conditions.
- SAMA provided SAR 50 billion as stimulus package for the banking sector. As a result, we believe that banks will witness an increase in their loans and deposits both Y/Y and Q/Q.

## Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E
Yamama	165	169	2%	40%	38%	51	49	(4%)	53	44	(17%)	32%	26%	0.26	0.22
Saudi	339	255	(25%)	41%	42%	100	78	(22%)	92	70	(24%)	27%	28%	0.60	0.46
Qassim	155	157	1%	49%	45%	68	62	(9%)	70	59	(16%)	46%	38%	0.78	0.66
Southern	276	316	14%	41%	40%	98	112	14%	91	108	19%	33%	34%	0.65	0.77
Yanbu	210	167	(20%)	30%	32%	40	42	5%	40	39	(3%)	19%	23%	0.26	0.25
<b>Group Total</b>	<b>1,145</b>	<b>1,064</b>	<b>(7%)</b>			<b>357</b>	<b>343</b>	<b>(4%)</b>	<b>346</b>	<b>320</b>	<b>(8%)</b>				

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- Cement Sector:** We witnessed a substantial decline in sales volume during the second quarter due to (1) the preventive measures and curfew in the Kingdom impacting construction activity; (2) seasonal factors such as Ramadan and Eid Al-Fitr holidays in April and May and (3) infrastructure spending cuts. As the economy has broadly reopened since the beginning of June, we expect the sales volume has improved.

## Utilities Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E
SEC	16,520	16,185	(2%)	11%	12%	1,933	1,845	(5%)	789	663	(16%)	5%	4%	0.19	0.16

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- SEC:** We expect operating revenues for SEC to decline by -2% Y/Y as a result of the lockdowns due to Coronavirus pandemic. Despite ECRA decision to reduce bills for commercial, industrial and agricultural subscribers by 30% for April and May, this will likely be compensated by reducing government fees. We expect the bottom line to decrease by -16% Y/Y, due to higher operating expenses and financing cost.

## Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E
STC	13,604	13,923	2%	60%	60%	3,477	3,202	(8%)	2,909	2,745	(6%)	21%	20%	1.45	1.37
Mobily	3,331	3,427	3%	59%	59%	261	261	(0%)	38	94	148%	1%	3%	0.05	0.12
Zain	2,057	1,968	(4%)	74%	75%	374	335	(11%)	130	83	(36%)	6%	4%	0.22	0.14
<b>Group Total</b>	<b>18,991</b>	<b>19,318</b>	<b>2%</b>			<b>4,113</b>	<b>3,798</b>	<b>(8%)</b>	<b>3,077</b>	<b>2,922</b>	<b>(5%)</b>				

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- Telecom Sector:** We expect an increase in the sector's revenues (except for Zain) compared to the previous year due to the increase in usage rate and increased demand on data. While we expect the results to vary between operators because of high provision for expected credit losses & reversing provisions of government fees for Zain.

## Retailing Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	Y/Y	2Q2019	2Q2020E	2Q2019	2Q2020E
Jarir	1,893	1,966	4%	12%	13%	179	199	11%	169	181	7%	9%	9%	1.41	1.50

Source: Riyadh Capital, Company Reports (SAR mln, except per share data)

- Retailing:** We expect higher revenues on a yearly basis on the back of increased buying by consumers as they work from home and substantially in advance of the VAT increase. Despite the full and partial closure of the Company's showrooms during April and May, we expect Jarir to witness an increase of +7% Y/Y in the bottom line even after credit provisions and decline in rental income.

# 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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