

Main Market (TASI): Quarterly Results

Petrochemicals Sector

July 4, 2024

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E
SABIC	37,167	35,777	(4%)	14%	17%	1,432	1,325	(8%)	1,178	627	(47%)	3%	2%	0.39	0.21
SABIC Agri	2,629	2,316	(12%)	35%	39%	678	692	2%	642	714	11%	24%	31%	1.35	1.50
Tasnee	889	868	(2%)	16%	14%	52	109	108%	31	39	24%	4%	4%	0.05	0.06
Yansab	1,323	1,401	6%	7%	18%	13	121	831%	27	122	345%	2%	9%	0.05	0.22
Sipchem	1,702	1,959	15%	31%	25%	353	295	(16%)	313	179	(43%)	18%	9%	0.43	0.24
Advanced	582	601	3%	22%	18%	82	72	(12%)	60	49	(19%)	10%	8%	0.23	0.19
Saudi Kayan	2,209	2,087	(6%)	(5%)	(12%)	(240)	(345)	44%	(392)	(524)	34%	(18%)	(25%)	(0.26)	(0.35)
SIIG	-	-	-	-	-	119	82	(31%)	120	73	(40%)	-	-	0.16	0.10
Group Total	46,501	45,010	(3%)			2,490	2,351	(6%)	1,981	1,279	(35%)				

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

- Petrochemical price movements in 2Q24 experienced improvement, as on average the Argaam Chemical Index's lowest point in 2Q24 was higher sequentially than its lowest level in 1Q24. Many end-products had marginal growth Q/Q; such as PP and LDPE (+6% and +6%). Based on these improvements, but considering increases in Chinese capacity and its effect on future demand, we maintain our uncertain-to-negative outlook. It is worth noting that shipping rates (e.g. Baltic Dry Index) in 2Q24 have experienced a steady increase all quarter (9th April – 3rd July), while the Baltic Dry Index is still notably lower than its peak in March, 2024. Producers in The Kingdom still face softer demand from key global end-markets as well, which further motivates us to maintain a neutral outlook on the sector.
- In 1Q24, feedstock price increases, which also happened over the previous 2 quarters, have reversed for some, with Propane and Butane decreasing Q/Q, down by -6.2% and -8.2%, respectively. In our view, these price decreases in key feedstocks will provide some minor increase in margins for major petrochemical producers. Moreover, any relief on previous pressure on margins will be muted in comparison to previous reversals, as despite some price improvement, it is important our observations are sobered by examining previously higher price peaks in FY2023, especially for Polystyrene, Polypropylene, and HDPE; which were all trading for higher prices in 1Q23, vs. average prices in 2Q24. We also note, product prices which dropped during the quarter, such as Ethylene, dropping -6% Q/Q, and VAM and EVA also dropped, by -8.3% Q/Q and -5% Q/Q, respectively. Fertilizer prices continued moving lower, with Ammonia and Urea both contracting, as Urea averaged at USD 308/per ton in 2Q24 (down -14% Q/Q), while the price for Ammonia averaged around USD 311/per ton (down -9% Q/Q).
- For 2Q24, we expect a decline of -3% Y/Y in top-line performance for companies under our coverage. In addition, margins may experience some relief, but not across the board, and not more than previous years under similar pricing environments; driving profitability to decline by -35% Y/Y. With the observed decline in Fertilizers this quarter, we no longer prefer them to Petrochemicals, driven by previously mentioned price declines.

Banking Sector

Company	Net Commission			Net Income			Net Advances			Deposits		
	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y
BSF	1,976	1,985	0%	1,073	1,197	12%	169,695	189,116	11%	161,165	176,828	10%
SAB	2,527	2,726	8%	1,550	1,888	22%	198,671	233,110	17%	222,734	255,537	15%
ANB	1,730	1,997	15%	986	1,276	29%	148,852	160,717	8%	158,378	178,032	12%
Al Rajhi	5,194	5,752	11%	4,150	4,523	9%	579,080	621,170	7%	570,665	606,998	6%
Albilad	1,016	1,060	4%	586	653	11%	98,854	104,855	6%	106,287	114,878	8%
Alinma	1,860	2,052	10%	1,225	1,329	8%	161,773	186,123	15%	177,874	190,878	7%
SNB	6,524	6,950	7%	5,117	5,161	1%	577,849	634,580	10%	602,209	662,824	10%
Group Total	20,827	22,522	8%	14,687	16,027	9%	1,934,774	2,129,671	10%	1,999,312	2,185,975	9%

Source: Riyadh Capital, Company Reports (SAR mln)

- The Saudi Central Bank (SAMA) key interest rates were unchanged in the second quarter. The Repurchase Agreement (Repo) rate stands at 6.0% while the Reverse Repurchase Agreement (Reverse Repo) rate is at 5.5%.
- SAIBOR 3-M was almost flat during the quarter, ending 2Q at 6.25% as compared to 6.24% at ending of 1Q.
- The Saudi Central Bank's monthly data for April and May 2024 shows a +16% Y/Y growth and a +9% M/M in profit before zakat and tax to SAR 14.0 bln. Our expectations for banks under our coverage shows a double-digit growth Y/Y in profits after zakat to SAR 16.0 bln. We expect ANB to growth and register a +29% Y/Y in profit after tax to SAR 1.2 bln. We expect SNB to post flat profitability for 2Q2024 at SAR 5.1 bln. Most other banks are also likely to post a double-digit growth in profits. We expect SAB to have the highest increase Y/Y in-terms of net advances and deposits of +17% and +15%, respectively.

Cement Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E
Yamama	219	261	19%	38%	50%	67	112	66%	98	106	8%	45%	41%	0.49	0.53
Saudi	356	396	11%	41%	40%	94	104	11%	85	100	18%	24%	25%	0.56	0.66
Qassim*	137	289	111%	27%	37%	28	91	222%	38	92	142%	28%	32%	0.42	0.83
Southern	226	217	(4%)	16%	36%	23	56	141%	19	49	160%	8%	23%	0.14	0.35
Yanbu	174	221	27%	32%	35%	41	60	45%	35	53	50%	20%	24%	0.22	0.34
Riyadh**	-	182	-	-	46%	-	76	-	-	75	-	-	41%	-	0.62
Group Total	1,112	1,385	25%			254	423	67%	276	401	45%	25%	29%		

Source: Riyadh Capital, Company Reports (SAR mln, except per share data). *Qassim 2Q2024E figures include Hail Cement's 2Q2024E. **Riyadh Cement figures were excluded from the group total.

- We anticipate 2Q2024E cement volumes sold to match 2Q2023, on lower construction activities due to seasonality, for the group of companies under our coverage. Additionally, average selling prices are expected to match or slightly increase on Q/Q basis. We are more conservative in estimating the impact of higher feedstock prices, as companies in the sector are eligible to join the Industrial Sector Competitiveness Program by MIM. The group's total revenue and net income are anticipated to show double digit growth Y/Y. We note that we have consolidated Qassim Cement and Hail Cement financials.

Health Care Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E
HMG	2,272	2,471	9%	34%	35%	499	539	8%	487	533	9%	21%	22%	1.39	1.52
Mouwasat	627	708	13%	47%	48%	172	188	10%	151	165	9%	24%	23%	1.51	1.65
Group Total	2,971	3,300	11%			704	809	15%	656	744	13%				

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

- The healthcare sector is expected to continue its growth in 2Q as well, with a rise in both inpatient and outpatient segments, while some increases in capacity is also coming online. This will reflect positively in Y/Y comparative numbers. This year 2Q witnessed two Eid holidays, which may have an impact on numbers. We expect HMG and Mouwasat to post a net income of SAR 533mln and SAR 165mln, respectively.

Telecom Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E
STC	18,327	19,243	5%	50%	49%	3,281	3,638	11%	3,008	3,151	5%	16%	16%	0.60	0.63
Mobily	4,248	4,614	9%	57%	55%	656	813	24%	497	647	30%	12%	14%	0.65	0.84
Zain KSA	2,392	2,554	7%	62%	60%	260	265	2%	124	81	(35%)	5%	3%	0.14	0.09
Group Total	24,967	26,411	6%			4,197	4,716	12%	3,630	3,878	7%				

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

- We are expecting a 6% Y/Y increase in the Telecom sector's revenues in 2Q, helped by Ramadan and Hajj seasons and the increased subscribers number. Gross margins are generally expected to be marginally lower due to seasonality. Zain's Y/Y growth rates are comparable, as Zain did not recognize any capital gains related to the tower deal for in 2Q2023.

Software & Services Sector

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E
Solutions	2,701	2,893	7%	27%	23%	387	390	1%	340	349	3%	13%	12%	2.83	2.90
Elm	1,404	1,719	22%	43%	39%	377	386	2%	373	390	5%	27%	23%	4.66	4.88
Group Total	4,105	4,612	12%			764	777	2%	712	739	4%				

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

- We are expecting 12% Y/Y growth for the two companies, as per their ambitious targeted growth for 2024 of 10% for Solutions and 17% for Elm, and in addition to their promising strategies. We forecast Solutions net income to increase by 3% Y/Y and Elm's by 5% Y/Y.

Food & Beverage, Retailing, Utilities, Capital Goods and Materials Sectors

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	Y/Y	2Q2023	2Q2024E	2Q2023	2Q2024E
Almarai	4,792	4,850	1%	33%	32%	719	722	1%	557	546	(2%)	12%	11%	0.56	0.55
Jarir	2,436	2,387	(2%)	10%	10%	175	174	(1%)	156	153	(2%)	6%	6%	0.13	0.13
SEC*	19,718	20,309	3%	31%	31%	5,834	6,100	5%	4,017	4,845	21%	20%	24%	0.60	1.16
BDH	1,412	1,426	1%	32%	32%	90	73	(18%)	66	53	(20%)	5%	4%	0.06	0.05
Marafiq	1,592	1,624	2%	19%	14%	285	213	(25%)	159	91	(43%)	10%	6%	0.64	0.36
Riyadh Cables	1,918	2,021	5%	12%	14%	163	210	28%	127	169	33%	7%	8%	1.09	1.40
Maaden	6,966	6,666	(4%)	23%	34%	843	1,431	70%	317	1,102	247%	5%	17%	0.10	0.23
Nahdi	2,231	2,278	2%	40%	37%	283	210	(26%)	265	200	(25%)	12%	9%	2.04	1.54
Aldawaa	1,437	1,509	5%	37%	38%	122	144	18%	89	108	21%	6%	7%	1.05	1.27

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

* Net Income before Mudaraba Instruments

- **Almarai:** We expect a single-digit growth Y/Y in revenue to SAR 4.8 bln, driven by significant momentum and investment in Poultry, while a Q/Q decline is expected, driven by heavy demand in 1Q24 due to Ramadan. We also forecast a -2% Y/Y decrease in net income to SAR 546 mln.
- **Jarir:** We expect a -2% Y/Y decline in top-line, coupled with slightly lower to flat gross margins, driven by greater marketing expenditures, as well as price competition. Moreover, we also expect a -2% Y/Y decrease in bottom-line, to SAR 153 mln versus SAR 156 mln in 2Q2023; due to seasonal spending habits and margins.
- **SEC:** Revenues are forecasted to grow by +3% Y/Y to SAR 20.3 bln as consumption rises in summer months. We expect flat gross margins Y/Y at 31%. We forecast a net income of SAR 4.85 bln before Mudaraba.
- **BDH:** We expect an increase in top-line from 1Q24, increasing by +1% Y/Y to SAR 1.4 bln coupled with flat margins, of ~32%, driven by strategic acquisitions, as oppose to organic growth. We also expect that the timing of Ramadan will impact net income, driving it lower Y/Y, to SAR 53 mln compared to SAR 66 mln in 2Q2023.
- **MARAFIQ:** We forecast +2% increase in revenues for the quarter to SAR 1.6 bln but lower gross margins to 14%. Net profit is expected to be down -33% Y/Y.
- **Riyadh Cables:** RCGC's growth is likely to continue with revenues rising by +5% Y/Y to SAR 2.0 bln for the quarter. Bottomline is likely to increase by +33% Y/Y to SAR 169 mln.
- **MAADEN:** The Company will benefit from higher product prices Y/Y, particularly Aluminium which has experienced a recovery Y/Y, while decreases in DAP from the previous quarter, which continued, will drive lower performance. We expect revenues to be -4% lower Y/Y and EBIT to increase via higher margins by +70% Y/Y.
- **NAHDI:** We expect revenues to grow steadily, by +1% Q/Q and by +2% Y/Y. Gross margins, which were lower in 1Q24, are expected to also be lower Y/Y, however they may rebound higher next quarter, due to the timing of Ramadan. Operating profit is also expected to decline, decreasing by -26% Y/Y to SAR 210 mln.
- **ALDAWAA:** We expect minor growth of +5% Y/Y in top-line driven by store-expansions and improved gross margins Y/Y of 38%, supported by higher margin products.

Nomu Market: Semi-Annual Results

Consumer Services and Retailing

Company	Revenue			Gross Margins		EBIT			Net Income			Net Margins		EPS (SAR)	
	1H2023	1H2024E	Y/Y	1H2023	1H2024E	1H2023	1H2024E	Y/Y	1H2023	1H2024E	Y/Y	1H2023	1H2024E	1H2023	1H2024E
Burgerizzr	132.0	150.6	14%	28%	31%	5.5	9.5	71%	3.3	8.0	145%	3%	5%	0.09	0.23
Alhasoob	105.9	116.5	10%	6%	6%	2.1	1.0	(52%)	1.4	0.5	(63%)	1%	1%	1.02	0.19

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

- BURGERIZZR:** Due to the improvement in margins as well as higher sales driven by the success of the single -branch sales growth strategy, and the increase in the number of branches, we expect a +14% Y/Y growth in revenue and a net income of SAR 8.00 mln for the first half of 2024.
- Alhasoob:** We expect revenues for the first half to increase by +10% Y/Y but to decline by -6% compared to the second half of 2023. We expect the gross margin to stabilize at 6% and expect a net profit of SAR 0.5 mln, lower by -63% Y/Y.

■ 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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