

Earnings Estimates Q1 2017

Summary

The report shows our first quarter 2017 earnings estimates for companies under coverage.

In the first quarter of 2017, listed companies in Tadawul—excluding banks and insurance companies—will start issuing two versions of the financial statements; the first is based on accounting standards of SCOPA and the second based on IFRS. In the following sentences, we highlight major driving factors in some sectors.

Banks

The growth of deposits and loans is expected to slow down compared to the same period of 2016. This will have direct impact on the total profit of banking sector, which is expected to slightly grow by 2.6% compared to Q1 2016.

Petrochemicals

Petrochemical products prices have marginally improved in Q1 2017 compared to Q4 2016, due to enhancement in oil prices, while they are still considered high compared to the same period last year. Meanwhile, fertilizer prices spiked compared to the previous and corresponding quarters.

Telecommunications

In April 2016, the Communications and Information Technology Commission (CITC) enforced a reduction in wholesale cellular interconnection rate to 10 halalas instead of 15 halalas. Furthermore, CITC curbed fixed termination rate to 4.50 halalas, instead of 7 halalas. Accordingly, as higher tariffs were applied in Q1 2016, the top line is awaited to tumble in Q1 2017 especially for STC and Mobily. The results will also reflect the slowdown in telecom market. On the other hand, Mobily and Zain will benefit from reduced license amortization charges following the extension of their licenses in Q3 2016. We also forecast the absence of some non-recurring items that impact Q4 2016 such as accrual reversal for Mobily and consulting fees for Zain.

Cement

Cement sales reached 8.9 million ton in January and February falling by 20% YoY due to lower demand compared to 2016. We estimate cement sales during Q1 2017 to hit about 13.3 million ton, declining 22% compared to Q1 2016. On the other hand, clinker inventory reached the highest level recording 28.8 million ton by the end of February 2017.

Retail

The government's decisions in the second half of 2016 to curb some financial benefits for state employees, and the planned fees on the families of foreign workers are expected to reflect negatively on the sector in 2017.

Average Commodity Prices (USD/Ton)	Q1 2017	Q1 2016	YoY	Q4 2016	QoQ
Methanol (SE Asia)	370	236	57%	300	23%
Polypropylene (SE Asia)	1112	902	23%	1,042	7%
Polyethylene - HDPE (SE Asia)	1185	1,111	7%	1,150	3%
Polyethylene - LDPE (SE Asia)	1326	1,129	17%	1,258	5%
Polystyrene (SE Asia)	1440	1,114	29%	1,262	14%
Ammonia (Middle East)	311	322	(3%)	186	67%
UREA (Middle East)	269	215	25%	226	19%
DAP (Morocco)	361	416	(13%)	336	7%
Gold (USD/Troy ounce)	1217	1,183	3%	1,222	(0.4%)
Aluminum (London Metal Exchange)	1893	1,513	25%	1,709	11%
Copper (London Metal Exchange)	5834	4,672	25%	5,277	11%

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The Following Table Illustrates our Estimates for the First Quarter of 2017

Code / Sector– SAR mn	Company	Q1 2017E	Q1 2016A	YoY	Q4 2016A	QoQ
Banks						
1020	Aljazira	142	381	(63%)	152	(7%)
1120	Al Rajhi	2,137	2,017	6%	2,047	4%
1150	Alinma	430	391	10%	390	10%
Materials						
2010	SABIC	5,098	3,406	50%	4,545	12%
2020	SAFCO	353	286	24%	284	24%
2290	YANSAB	626	402	56%	603	4%
2330	Advanced	166	146	14%	210	(21%)
3020	Yamama Cement	49	151	(67%)	43	13%
3030	Saudi Cement	163	265	(39%)	187	(13%)
3060	Yanbu Cement	92	184	(50%)	100	(8%)
1211	MAADEN	85	169	(50%)	16	441%
Telecommunication Services						
7010	STC	2,202	2,375	(7%)	2,150	2%
7020	Etihad Etisalat	(138)	17	-	(71)	(95%)
7030	ZAIN KSA	(106)	(250)	(57%)	(135)	(21%)
Energy						
4030	Bahri	295	612	(52%)	328	(10%)
Commercial & Professional Svc						
6004	Catering	132	142	(7%)	105	26%
Consumer Services						
6002	Herfy Foods	56	54	4%	55	1%
Retailing						
4003	Extra	15	(45)	-	27	-
4190	Jarir	188	174	8%	215	(13%)
Food & Staples Retailing						
4001	A. Othaim Market	56.7	47	21%	94	(40%)
4006	Farm Superstores	24	25	(4%)	17	45%
Food & Beverages						
2050	Savola Group	104	93	12%	(964)	-
2280	Almarai	356	309	15%	489	(27%)
6010	NADEC	24.8	25	(2%)	8	220%
Health Care Equipment & Svc						
4002	Mouwasat	75	71	6%	72	4%
4004	Dallah Health	66	58	14%	52	28%
4005	Care	27	33	(18%)	(71)	-
4007	Al Hammadi	27	22	25%	11	152%

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