

Earnings Estimates Q4 2016

Summary

The report shows our fourth quarter 2016 earnings estimates for companies under coverage.

Banks

The banking sector is expected to raise its deposits and loans during the fourth quarter of 2016 due to the settlement of remaining dues to private sector by the Saudi government that would help raise the levels of liquidity in the banking sector. We expect total deposits of the banking sector to increase by 2% in Q4 2016, culminating at SAR 1,637 billion, while loans from the private sector are expected to reach SAR 1,431 billion, up 4.4% from the end of last year. Also, we estimate the loans/deposits ratio at 79% by the end of December 2016.

Petrochemicals

Petrochemical products prices have improved in Q4 2016 compared to Q4 2015, influenced by the improvement in oil prices. Meanwhile, fertilizer prices are still low compared to the last year same period.

Telecommunications sector

The last quarter of this year has not coincided with religious seasons and thus the performance will depend on each company's business model and market position.

Retail sector

During the last quarter of this year, the government canceled a lot of allowances for workers in the government and related agencies. We believe that this will adversely affect the performance of the sector during the last quarter, particularly in electronics and household devices sales, but it depends on the business model of each company as a lot of companies offer great discounts in the fourth quarter.

Agriculture and Food sector

A number of companies operating in the sector have active presence in Egypt, thus they will be negatively affected by the devaluation of the Egyptian pound during the last quarter of this year. The quarter did not coincide with high-demand seasons.

Cement Sector

Cement sales reached 8.6 million ton in October and November falling by 18% YoY due to lower demand compared to 2015. We believe that the government payment of some late dues of the contractors will support Q4 2016 sales, as well as the seasonality associated with low temperatures. Therefore, we estimate cement sales during Q4 2016 to hit about 13.5 million ton which improve the annual sales in 2016 to above the level of 56 million ton, declining 8% compared to the previous year. On the other hand, clinker inventory reached the highest level recording 27.7 million ton by the end of November 2016.

Average Commodity Prices (USD/Ton)	Q4 2016	Q4 2015	YoY	Q3 2016	QoQ
Methanol (SE Asia)	295	255	16%	236	25%
Polypropylene (SE Asia)	1,041	959	9%	1,034	1%
Polyethylene - HDPE (SE Asia)	1,148	1,145	%0.3	1,150	(0.2%)
Polyethylene - LDPE (SE Asia)	1,256	1,146	10%	1,189	6%
Polystyrene (SE Asia)	1,255	1,063	18%	1,191	5%
Ammonia (Middle East)	186	453	(59%)	246	(24%)
UREA (Middle East)	226	258	(12%)	193	17%
DAP (Morocco)	336	483	(30%)	346	(3%)
Gold (USD/Troy ounce)	1,223	1,106	11%	1,335	(8%)
Aluminum (London Metal Exchange)	1,709	1,498	14%	1,622	5%
Copper (London Metal Exchange)	5,269	4,892	8%	4,772	10%

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The Following Table Illustrates our Estimates for the Last Quarter of 2016

Code / Sector– SAR mn	Company	Q4 2016E	Q4 2015A	YoY	Q3 2016A	QoQ
Banks and Financial Services						
1020	BJAZ	157	159	(1%)	161	(2%)
1120	Al Rajhi	2,086	1,949	7%	2,009	4%
1150	Alinma	409	386	6%	312	31%
Petrochemical Industries						
2010	SABIC	5,370	3,075	75%	5,224	3%
2020	SAFCO	258	379	(32%)	181	43%
2290	YANSAB	635	393	62%	608	4%
2330	Advanced	197	146	35%	188	5%
Cement						
3020	YSCC	107	180	(40%)	56	90%
3030	Saudi Cement	219	180	22%	200	9%
3060	Yanbu Cement	187	209	(10%)	93	100%
Retail						
4001	A. Othaim Market	91	89	2%	37	148%
4002	Mouwasat	60	54	12%	50	20%
4003	Extra	18	9	92%	7	140%
4004	Dallah Health	63	55	3%	61	16%
4005	Care	41	35	16%	29	39%
4006	Farm Superstores	20	19	4%	23	(13%)
4007	Al Hammadi	31	36	(14%)	22	43%
4190	Jarir	197	208	(5%)	220	(10%)
Agriculture & Food Industries						
2050	Savola Group*	98	515	(81%)	173	(44%)
2280	Almarai	521	484	8%	655	(20%)
6002	Herfy Foods	52	45	14%	59	(12%)
6004	Catering	150	191	(21%)	150	(0%)
6010	NADEC	30	34	(12%)	30	1%
Telecom & Information Technology**						
7010	STC	1,919	1,874	2%	2,147	(11%)
7020	Etihad Etisalat	(102)	11	-	(168)	39%
7030	ZAIN KSA	(108)	(291)	63%	(267)	60%
Industrial Investment						
1211	MAADEN	71	(6)	-	84	(15%)
Transport						
4030	Bahri	431	567	(24%)	318***	35%

* We expect the fourth quarter of 2016 earnings to be significantly impacted by the devaluation of the Egyptian pound. The corresponding quarter included non-recurring gain of SAR 164.3 million.

** The sector figures factors in the impacts of extending the telecom license in the fourth quarter of 2016.

*** The third quarter of 2016 included gains of SAR 125 million from zakat and tax settlement.

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