

# Earnings Estimates Q4 2017

## Summary

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

## Banks

We believe the banking sector will witness a shift in operating conditions, which is likely to improve the sector's profitability margins. According to our analysis, total deposits are expected to shrink slightly 1.2% YoY and 0.3% QoQ. Loans portfolio are expected to increase 0.5% YoY while sliding 0.1% QoQ.

## Petrochemicals

Average oil prices stabilized at USD 62 during the fourth quarter of 2017, pushing prices of most petrochemical products in Q4 compared to Q3 2017. However, the prices of the feedstock also spiked. On the other hand, fertilizer prices have improved compared to the previous quarter and the corresponding quarter as shown in the table below.

## Cement

The fourth quarter coincides with the beginning of a seasonal pickup in cement demand fueled by favorable weather conditions. Cement sales reached 7.9 million tons in October and November falling by 8.2% YoY due to lower demand compared to 2016, despite the addition of the sales of Umm Al-Qura Cement and United Cement during the current period. Therefore, we expect cement sales to fall below 12 million tons in Q4 2017, thus annual sales hit 47 million tons. Meanwhile, clinker inventory reached a record level of 35.6 million tons by the end of November 2017, compared with 34.7.2 million tons at the end of Q3 2017.

## Retail

In Q4 2016, the sales of the sector were crimped by the removal of many financial incentives for civil servants and military personnel, however the incentives were reinstated in the first half of this year. We believe that the introduction of value added tax starting in January has contributed to the increase in the demand for many products during the last quarter.

## Agriculture and Food sector

There was general slowdown in this sector in 2017 year. It should be also taken into account that many of the food companies operating in Egypt were heavily affected in the fourth quarter of 2016 by the devaluation of the Egyptian pound.

## Health Care

The fourth quarter is expected to witness a higher demand for health services compared with the previous quarter, resulting from the lack of religious events or long vacations during Q4 2017.

## Telecommunications

In the last quarter, however, there was no religious occasions that entice demand. However, with the decline in the market size, the competition among telecommunications companies have increased. The Ministry of Communications obliged companies at the end of the third quarter to lift the ban on internet communications applications. Furthermore, the Communications and Information Technology Commission (CITC) announced a reduction in wholesale cellular interconnection rate to 5.5 halalas instead of 10 halalas. Furthermore, CITC curbed fixed termination rate to 2.1 halalas, instead of 4.5 halalas. The new rates will be implemented as of December 23, 2017.

Average Commodity Prices (USD/Ton)	Q4 2017	Q4 2016	YoY	Q3 2017	QoQ
Methanol (SE Asia)	379	300	26%	301	26%
Polypropylene (SE Asia)	1,173	1,042	13%	1,113	5%
Polyethylene - HDPE (SE Asia)	1,258	1,150	9%	1,137	11%
Polyethylene - LDPE (SE Asia)	1,261	1,258	0%	1,205	5%
Polystyrene (SE Asia)	1,430	1,262	13%	1,342	7%
Ammonia (Middle East)	307	186	65%	222	38%
UREA (Middle East)	261	226	15%	225	16%
DAP (Morocco)	380	336	13%	359	6%
Gold (USD/Troy ounce)	1,277	1,216	5%	1,274	0%
Aluminum (London Metal Exchange)	2,107	1,709	23%	1,978	7%
Copper (London Metal Exchange)	6,808	5,277	29%	6,183	10%

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

Code / Sector- SAR mn	Company	Q4 2017E	Q4 2016A	YoY	Q3 2017A	QoQ
<b>Banks</b>						
1020	Aljazira	236	152	55%	228	4%
1120	Al Rajhi	2,298	2,047	12%	2,265	1%
1150	Alinma	560	390	44%	542	3%
<b>Materials</b>						
2010	SABIC	5,510	4,545	21%	5,790	(5%)
2020	SAFCO	336	284	18%	188	79%
2290	YANSAB	619	603	3%	645	(4%)
2330	Advanced	196	210	(7%)	208	(6%)
3020	Yamama Cement	24	43	(45%)	29	(18%)
3030	Saudi Cement	100	187	(46%)	87	14%
3060	Yanbu Cement	70	100	(30%)	18	290%
1211	MAADEN	326	16	-	243	34%
<b>Energy</b>						
4030	Bahri	132	328	(60%)	61	116%
<b>Commercial &amp; Professional Svc</b>						
6004	Catering	102	105	(3%)	130	(22%)
<b>Consumer Services</b>						
6002	Herfy Foods	51	55	(7%)	56	(9%)
<b>Retailing</b>						
4003	Extra	60	27	122%	26	131%
4190	Jarir	242	215	13%	247	(2%)
<b>Food &amp; Staples Retailing</b>						
4001	A. Othaim Market	106	94	13%	282	(62%)
4006	Farm Superstores	12	17	(29%)	7	71%
<b>Food &amp; Beverages</b>						
2050	Savola Group	184	(964)	-	829	(78%)
2280	Almarai	520	489	6%	667	(22%)
6010	NADEC	11	8	38%	17	(35%)
<b>Health Care Equipment &amp; Svc</b>						
4002	Mouwasat	84	72	16%	77	10%
4004	Dallah Health	88	52	69%	77	15%
4005	Care	29	(71)	-	27	7%
4007	Al Hammadi	26	11	143%	24	10%
<b>Telecommunication Services</b>						
7010	STC	2,325	2,150	8%	2,621	(11%)
7020	Etihad Etisalat	(166)	17	-	(174)	(5%)
7030	ZAIN KSA	15	(250)	-	3	400%

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CMA Authorization Number 08100-37