

Earnings Estimates Q1 2018

Summary

The report shows our first quarter 2018 earnings estimates for companies under coverage.

Banks

We believe the banking sector is expected to witness an increase in the profit in general, due to improvement in the sector's profitability margins. According to our analysis, total deposits are expected to grow slightly 0.4% YoY and sliding 0.5% QoQ. Loans portfolio are expected to shrink 1.2% YoY while stable compared to the previous year.

Petrochemicals

Arab light oil price averaged USD 66 during the first quarter of 2018, pushing prices of most petrochemical products in Q1 2018. However, some feedstock declined. On the other hand, fertilizer prices have improved compared to the previous quarter and the corresponding quarter as shown in the table below.

Cement

Cement demand intensifies dramatically in the first quarter fueled by favorable weather conditions and the lack of religious events or prolonged holidays, however cement sales reached 7.7 million tons in January and February sliding by 13.7% YoY due to lower demand compared to 2017. Thus, we expect cement sales to fall below 12 million tons in Q1 2018 displaying a decrease of 13%. Meanwhile, clinker inventory reached the highest level recording 35.6 million tons by the end of February 2018, slightly higher than their level at the end of 2017.

Retail

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 2017 at the expense of Q1 2018. However, the sector is highly heterogeneous in general.

Agriculture and Food sector

A general slowdown in demand in the sector is expected. In terms of supply, these companies rely heavily on expatriate labor and therefore they will be negatively affected by the increase in labor fees.

HealthCare

The first quarter is expected to witness high revenues for healthcare companies driven by higher demand for medical services, resulting from the lack of religious events or long vacations in Q1 2018.

Telecommunications

The Ministry of Communications obliged companies at the end of the Q3 2017 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. CITC curbed fixed termination rate to 2.1 halalas, instead of 4.5 halalas. This decision came into effect in the last week of December and therefore will have a material impact in Q1 2018. The overall impact will be negative for STC, largely neutral to Mobily and positive to Zain given the difference in market shares.

Average Commodity Prices (USD/Ton)	Q1 2018	Q1 2017	YoY	Q4 2017	QoQ
Arab Light Crude Oil	66	53	25%	61	8%
Methanol (SE Asia)	397	365	9%	374	6%
Polypropylene (SE Asia)	1,278	1,109	15%	1,175	9%
Polyethylene - HDPE (SE Asia)	1,358	1,181	15%	1,260	8%
Polyethylene - LDPE (SE Asia)	1,250	1,317	(5%)	1,257	(1%)
Polystyrene (SE Asia)	1,552	1,426	9%	1,454	7%
Ammonia (Middle East)	322	319	1%	307	5%
UREA (Middle East)	258	265	(2%)	261	(1%)
DAP (Morocco)	419	364	15%	380	10%
Gold (USD/Troy ounce)	1,330	1,219	9%	1,277	4%
Aluminum (London Metal Exchange)	2,157	1,852	16%	2,107	2%
Copper (London Metal Exchange)	6,965	5,831	19%	6,808	2%

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The Following Table Illustrates our Estimates for the First Quarter of 2018

Code / Sector– SAR mn	Company	Q1 2018E	Q1 2017A	YoY	Q4 2017A	QoQ
Banks						
1020	Aljazira	203	216	(6%)	194	5%
1120	Al Rajhi	2,494	2,221	12%	2,453	1.67%
1150	Alinma	602	421	43%	560	7%
Materials						
2010	SABIC	5,680	5,240	8%	3,670	55%
2020	SAFCO	430	423	2%	62.51	-
2290	YANSAB	691	608	14%	778	(11%)
2330	Advanced	132	124.4	6%	104	27%
3020	Yamama Cement	34	51	(33%)	17	101%
3030	Saudi Cement	120	165	(27%)	107	12%
3060	Yanbu Cement	91	124	(27%)	96	(5%)
1211	MAADEN	344	276	25%	(105)	-
Energy						
4030	Bahri	91	379	(76%)	207	(56%)
Commercial & Professional Svc						
6004	Catering	110	121	(9%)	99	11%
Consumer Services						
6002	Herfy Foods	47	53	(12%)	48	(3%)
Retailing						
4003	Extra	18	13	42%	58	(68%)
4190	Jarir	236	221	7%	252	(6%)
Food & Staples Retailing						
4001	A. Othaim Market	80	60	33%	167	(52%)
4006	Farm Superstores	13	23	(42%)	9	44%
Food & Beverages						
2050	Savola Group	67	4.8	-	(38)	-
2280	Almarai	314	328	(4%)	513	(39%)
6010	NADEC	4	4.3	(7%)	(8)	-
Health Care Equipment & Svc						
4002	Mouwasat	104	85	22%	99	6%
4004	Dallah Health	85	85	0.3%	63	35%
4005	Care	32	16	106.5%	31	4%
4007	Al Hammadi	27	28	(2%)	31	(11%)
Telecommunication Services						
7010	STC	2,509	2,527	(1%)	2,649	(5%)
7020	Etihad Etisalat	(185)	(163)	13%	(182)	2%
7030	ZAIN KSA	(8)	45	(118%)	(45)	(82%)

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CMA Authorization Number 08100-37