الراجحي المالية
Al Rajhi Capital

Research Department
ARC Research Team
Tel +966 11 836 5464, research@alrajhi-capital.com

Key themes

As Q3 ended, we present revenue and bottom-line estimates for companies under our coverage in various sectors.

Saudi Arabian Equities

Q3 2020 earnings preview

TASI gained ~15% in Q3, mainly aided by a recovery in oil prices, further supported by the opening of the economy. For the consumer sector, we expect a decent quarter as consumer spending locally remains encouraging in the absence of international tourism. Non-discretionary retailers are expected to deliver better earnings growth compared to discretionary retailers. Improvement in economic activity can also be evidenced by robust growth in the cement deliveries (31% y-o-y in July and August 2020 combined) post-COVID-19. One of the key drivers has been housing seen from the strong mortgage data. As for hospitals, although the decline in active COVID-19 cases may slightly reduce the in-patients visits, we expect the strong performance of the healthcare sector to continue in Q3, on economies of scale. However, the limited Hajj visitors and pre-buying VAT effect are expected to have an impact on the top-line of telecom operators. For the petchem sector, a recovery in demand coupled with better product spreads and the absence of any further impairments may help the petchem sector to improve earnings sequentially. Overall, we expect the positive earnings performance of corporates in Q3 as the concerns over pandemic abates.

Petrochemicals

After remaining weak in Q2 due to the pandemic, the demand for petchem products has recovered in Q3, aided by the gradual opening of the economy across most parts of the world. Average oil prices rose ~30% q-o-q in Q3, supported by a recovery in oil demand and limited supply amid the OPEC+ production cut agreement. Some key polymer products (LDPE, HDPE, PP) increased in the range of 10-20% q-o-q in Q3 while Methanol (CFR China) and MEG prices also rose by a higher single-digit in Q3, ensuring healthy top-line growth for the sector in Q3. However, a steep rise in Naphtha (+40% q-o-q) on higher upstream costs may limit the improvement in spreads for Naphtha-based producers (SABIC's European business). Nonetheless, Propane prices were up by only ~5%, whereas average Butane prices were down 6% q-o-q to $339/t (the lowest level since Q3 2016), signaling a healthy improvement in product spreads for PDH-based producers (APPC and Yansab). Consequently, we expect the combined earnings of the Saudi petrochemical sector to improve sequentially in Q3, driven by higher sales volume, coupled with higher product spreads and lower operating leverage.

Retail

We expect the retail sector to perform better than our initial forecasts as Saudi consumers spent locally in the absence of tourism. We believe that a strong pre-VAT buying in Q2 and significant sales of computers, laptops, tablets, and other work from home devices in Q1 and Q2 2020 will impact the sales volume of these items during the third quarter. For Jarir, the delay in school opening and the new iPhone launch could weigh down the sales growth in our view. For Extra we expect a decent demand for white goods and consumer electronics appliances as the mortgage continues to grow. Overall, we expect a low single-digit decline in top-line growth for electronic retailers and expect some margin dilution due to promotions and discounts. For grocery retailers, we expect a strong quarter as spending in food and beverages remained relatively resilient amid rising VAT.

Cement sector

During Q2 2020, total cement sales volume increased 5.5% y-o-y impacted by the measures taken by the government to curb the spread of the coronavirus in the country. The total volume during the first 8 months of the year grew 23.3% y-o-y. The July and August witnessed a rise of 31% in volume after the easing of the impositions by the government. We believe that FY 2020 as a whole would be positive for the sector primarily driven by a rise in the mortgage. Key challenges for the sector would be slower recovery after the lockdown, lower oil prices, and lower government spending. During the first 8 months of 2020, all of the 14 listed cement companies reported a y-o-y increase in sales volume, led by Najran Cement (+48% y-o-y) followed by Umm Alqura Cement (+37% y-o-y), Hail Cement (+37% y-o-y), and Tabuk Cement (+36% y-o-y). Further, no companies reported a y-o-y decline in cement volumes.

Average realized prices during Q2 2020 have slightly declined by 4% y-o-y and we expect it to remain at current levels for the coming quarters. By the end of Q2 2020, total inventory for the sector has remained at 42.2mn tonnes, representing 83% of the last twelve months sales.

Going forward, we expect Q3 sales to increase strongly on a yearly basis, given robust demand across the country after the easing of the lockdown. Overall higher single-digit growth is expected in 2020 resulting from the opening up of the economy and expected rise in the mortgage. Furthermore, headwinds such as a decline in oil prices may result in lower government spending, which might further affect the demand mainly for the infrastructure projects. Based on the given scenario, we expect ~7-9% upside in cement demand in FY 2020. Based on our estimates, the companies under our coverage are projected to report a 24.7% y-o-y decline in revenue in Q3, majorly driven by robust volume growth compared to the same period last year along with stable cement prices.

Telecoms

For the telecoms sector, the limited Hajj visitors, lower roaming revenues, and VAT effect are all expected to have an impact on the top-line. We forecast a slight q-o-q decline for the telecoms this quarter. This is despite the strong growth seen in PoS data for telecom as we have not seen a correlation between telecom revenues and PoS data in the past. The focus by management is likely to be mainly on the cost optimization this quarter. Additionally, lower interest rates could help offset some of the weakness in revenue. With its refinancing of debt, there is a possibility of some one-off additional interest costs this quarter for Zain KSA.

Food sector

The food and beverage sector is expected to continue the momentum gained in H1 2020. POS transaction data suggests strong consumer spending in restaurants, fine dining, and grocery supermarket as people are traveling more locally. We expect the wholesale channel sales to pick up as the restaurants start operating normally, this should partially compensate for any drop-in retail demand due to the absence of panic buying in Q3 2020 as compared to H1 2020. Overall, we expect high single-digit growth for food and beverage companies in our coverage.

Healthcare sector

The Q3 results are likely to remain positive mainly due to higher in-patient visits, partially offset by the decline in the number of out-patient traffic. We believe that the top-line growth will be mid-single-digit on the back of the rise in the overall utilization rate of the hospitals mainly because of an increase in patient visits due to corona patients as well as normal patients visiting for regular surgeries. The total revenue for the healthcare companies under our coverage is expected to increase by 6.4% y-o-y, while the net profit is to grow by 34% y-o-y because of the expected cost-efficiency.

Others

Bupa: The whole insurance sector because of lower claims due to the initial lockdown during the early days of the pandemic. The company had additional reserves in Q2 to offset the possible shifts in claims to Q3 which is expected to be released this quarter onwards. Even though we expect a significant jump in claims as reflected in the increased PoS sales of the health segment, we expect the company has reserved enough for these losses and hence we expect the company's loss ratio to go back to the usual trend or even better.

Elsewhere we expect a gradual increase in subscription revenue for Leejam as we believe female subscription will remain muted unless schools/activities re-open later this year. The intense discounting in the fitness industry will dilute the overall gross margins for another 4-6 quarters.

For SISCO we expect a strong top-line growth driven by increasing transhipment volume at the JIP along with a modest increase in getaway volumes.

For Aldrees, we expect the revenue to fall due to a drop in gasoline prices however the volumes are expected to increase and with margins being fixed Aldrees should post a profit this quarter. Local tourism during Eid-Al-Adha and Saudi national day should have also supported the demand for fuel in our view.

We expect Saudi Ceramics to post a stellar bottom-line growth driven margin improvements and higher sales as mortgage demands continue to grow while the anti-dumping duty led to an overall increase in the pricing.

Saudi market: Q3 estimates of the companies we cover

	Revenues (SAR mn)					Net Profit (SAR mn)				
Company	2019Q3A	2020Q2A	2020Q3E	YOY % chg.	QOQ % chg.	2019Q3A	2020Q2A	2020Q3E	YOY % chg.	QOQ % chg.
Petrochemical										
SABIC*	33,690	24,619	28,099	-16.6%	14.1%	834	(2,224)	925	10.8%	NM
	Improved product spreads and the absence of any further impairments are likely to drive earnings in Q3.									
Sipchem	1,402	950	1,147	-18.2%	20.7%	111	(99)	16	-86.0%	NM
	Increased sales volume along with better product prices could drive the top-line growth on a sequential basis, while lower operating leverage and higher share of equity income may support the earnings in Q3.									
SAFCO	910	929	906	-0.4%	-2.5%	414	360	376	-9.2%	4.5%
	Likely improvement in cost efficiencies amid higher Urea price may push the net profit higher on a q-o-q basis in Q3.									
Yansab	1,423	1,021	1,197	-15.8%	17.3%	212	45	146	-31.1%	226.0%
	A healthy top-line on higher product prices and sales volume, coupled with better cost efficiencies, is likely to drive profitability on a quarterly basis in Q3									
APCC	647	519	585	-9.7%	12.6%	213	155	194	-9.2%	24.9%
	Better product spreads and increased equity income may help the company to post higher net income sequentially.									
Petrochemical Sector	**38,071**	**28,038**	**31,934**	**-16.1%**	**13.9%**	**1,785**	**(1,763)**	**1,656**	**-7.2%**	**NM**
Cement										
Arabian Cement	193	140	220	13.8%	57.8%	61	8	80	32.0%	951.4%
	The volume is expected to drive the top and bottom-line growth given the current strength in the industry.									
Yamama Cement	187	162	215	15.3%	33.0%	55	48	70	27.7%	46.1%
	We expect top-line to grow by 15% in Q3 mainly on the back of expected increase in volume on y-o-y basis. Better cost efficiency would help company to improve bottom-line as well.									
Saudi Cement	310	297	373	20.3%	25.3%	83	76	120	44.4%	58.2%
	Top-line is expected to grow 20% on the back of volume growth on y-o-y basis as the first two months of Q3 remained strong.									
Qassim Cement	190	167	248	30.3%	48.0%	90	85	122	35.3%	42.7%
	The company's top and bottom-line are projected to grow significantly on the back of both robust volume growth given in the strong cement demand in the central region as well as across the country mainly from housing.									
Yanbu Cement	228	157	234	2.6%	49.0%	61	37	67	9.7%	83.6%
	Top-line growth is expected to grow marginally primarily on the back of rise in volume and partially offset by decline in prices.									
Southern Cement	286	339	420	46.9%	23.8%	90	135	164	81.9%	21.8%
	The top and bottom-line are projected to rise on the back of robust volume growth. Prices are estimated to remain stable.									
Najran Cement	97	121	151	54.9%	24.0%	14	33	39	173.7%	17.4%
	The top-line is expected to grow significantly due to robust cement demand in Southern region and improving scenario of housing, hotels, schools in the region. This is expected to flow to the bottom-line.									
Cement Sector	**1,491**	**1,384**	**1,860**	**24.7%**	**34.4%**	**454**	**421**	**662**	**45.7%**	**57.2%**
Telecom										
STC	14,114	14,920	14,678	4.0%	-1.6%	2,746	2,724	2,617	-4.7%	-3.9%
	Apart from seasonality factors mentioned in the note, STC is expected to see lower non-operating income in Q3.									
Mobily	3,404	3,559	3,506	3.0%	-1.5%	51	185	216	322.4%	16.5%
	Expect some top-line weakness on account of limited Hajj visitors and VAT prebuying effect.									
Zain KSA	2,008	1,889	1,888	-6.0%	-0.1%	121	59	37	-69.2%	-36.6%
	We expect flattish q-o-q revenues growth because of limited Hajj factor. Also, there could be higher one off finance costs because of restructuring that is not factored in.									
Telecom Sector	**19,525**	**20,368**	**20,072**	**2.8%**	**-1.5%**	**2,918**	**2,968**	**2,870**	**-1.6%**	**-3.3%**
Food & Agriculture										
Almarai	3,573	4,082	3,885	8.7%	-4.8%	581	644	630	8.4%	-2.2%
	We expect wholesale sales to improve as restaurants sales are back to normal. The retail demand should remain resilient due to defensive nature of the product.									
Savola	5,336	6,007	5,571	4.4%	-7.3%	200	409	296	48.0%	-27.6%
	For Savola the retail segment should continue to deliver a positive LFL growth as grocery spending remains high. The food segment is also expected to post a marginal positive to flattish growth this quarter.									
Herfy	339	170	337	-0.6%	98.2%	57	(34)	32	-43.9%	NM
	Herfy's operations are back to normal and we expect the sales to be almost flat. We expect a bit of margin dilution as online sales picks up and commission to food aggregators and promotions increases.									
Food & Agri. Sector	**9,248**	**10,259**	**9,793**	**5.9%**	**-4.5%**	**838**	**1,019**	**958**	**14.3%**	**-6.0%**

Saudi market: Q3 estimates of the companies we cover

	Revenues (SAR mn)					Net Profit (SAR mn)				
Company	**2019Q3A**	**2020Q2A**	**2020Q3E**	**YOY % chg.**	**QOQ % chg.**	**2019Q3A**	**2020Q2A**	**2020Q3E**	**YOY % chg.**	**QOQ % chg.**
Retail										
Jarir	2,251	2,374	2,142	-4.8%	-9.8%	305	208	225	-26.2%	8.2%
	Jarir is expected to post a mid single digit drop in top-line as school opening is further delayed to year end. Margins are expected to fall a bit due to higher sales mix of lower margin products.									
Alhokair**	1,234	565	980	-20.6%	73.5%	(27)	(525)	(117)	-333.3%	77.7%
	We expect the top-line to drop as POS transaction data suggests weak consumer spending in clothing and footwear segment. We also expect the company to partially absorb the VAT which will lead to margin erosion. The café segment is expected to perform better than the fashion business.									
AlOthaim	1,935	2,574	2,170	12.1%	-15.7%	75	125	103	37.3%	-17.6%
	We expect Alothaim to benefit from down-trading post VAT which should drive the LFL growth. The store expansion in the past should also contribute to the overall sales growth.									
Extra	1,035	1,551	998	-3.6%	-35.7%	23	90	17	-26.1%	-81.1%
	For Extra we expect a low single digit drop in revenue as electronic sales was weak specially in the month of July. However a revive of sales in August and September should partially compensate for the weak sales in July.									
Retail Sector	**6,455**	**7,064**	**6,290**	**-2.6%**	**-11.0%**	**376**	**(102)**	**228**	**-39.4%**	**NM**
Healthcare										
Dallah	301	248	309	2.4%	24.6%	27	7	31	15.2%	338.3%
	Top-line is expected to improve slightly majorly on the back of improvement in the occupancy of Namar hospital, modest increase in utilization rate of Nakheel hospital and support from higher single digit growth in pharma revenue.									
Mouwasat	443	468	473	6.6%	0.9%	93	116	121	30.0%	4.5%
	Better seasonality along with ramping-up of the Khobar hospital is expected to increase the utilization rate due to relatively rise in in-patients because of corona. This is projected to drive the top-line growth in Q3.									
NMCC	174	186	188	8.5%	1.2%	17	26	28	66.2%	8.3%
	The top-line is projected to increase primarily due higher in-patient revenue, partially offset by decline in outpatient numbers.									
Al Hammadi	220	244	241	9.7%	-1.2%	21	39	31	48.6%	-19.6%
	The top-line growth is expected to be on the back of ramping-up of Nuzaha hospital driven by higher in-patient numbers.									
Healthcare Sector	**1,138**	**1,146**	**1,211**	**6.4%**	**5.6%**	**158**	**188**	**211**	**33.8%**	**12.5%**
Other										
Bupa Arabia	3,076	2,243	2,892	-6.0%	28.9%	227	388	252	11.3%	-35.0%
	GWP is likely to decline on economic slowdown, while earnings may be supported by the additional reserves created in Q2, which is expected to offset the higher claims in Q3.									
Leejam Sports	238	24	165	-30.7%	587.5%	49	(91)	15	-69.4%	NM
	Leejam should witness a gradual recovery as gym reopens in Q3 2020. The national day promotion in September is expected to stabilize the average active members overall.									
Saudi Ceramics****	292	382	351	20.2%	-8.1%	36	22	53	47.2%	140.9%
	We expect a yet another strong quarter for Saudi Ceramics as mortgage demand continues to inch north. The imposition of anti dumping duty on imported ceramics has improved the tiles prices across the industry.									
Aramco*	263,388	123,231	213,951	-18.8%	73.6%	79,788	25,370	49,327	-38.2%	94.4%
	Top-line and bottom-line are expected to increase on a sequential basis, driven by higher oil prices. The company's downstream business will witness the first full quarter of SABIC consolidation.									
SISCO***	172	215	240	39.5%	11.6%	7	11	27	285.7%	145.5%
	The operation of new port along with rising transhipment volumes at Jeddah Islamic port is expected to drive the top-line growth. We expect port segment revenue to remain almost flat due to lower utilization of open yard. Water business to slightly improve due to normal operation of industrial units.									
Aldrees	1,473	719	966	-34.4%	34.4%	17	14	33	94.1%	135.7%
	For Aldrees, we expect the revenue to fall due to drop in gasoline prices however the volumes are expected to increase and with margins being fixed Aldrees should post a profit this quarter.									
SADAFCO**	521	566	578	10.9%	2.1%	65	70	75	15.4%	7.1%
	SADAFCO is expected to deliver another strong quarter driven by increasing demand for long life dairy and ice-cream segment.									

** Data is not comparable due to Aramco-SABIC deal ** SADAFCO and Fawaz Alhokair follow April-Mar financial year.*

**** Q2 2020 net profit adjusted for one off provision reversal. **** Net profit is before zakat*

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Al Rajhi Capital (Al Rajhi), a company authorized to engage in securities activities in Saudi Arabia. Al Rajhi is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc, 40 Wall Street 59th Floor, New York NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Al Rajhi. Rosenblatt Securities Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Rosenblatt Securities Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

Rosenblatt Securities Inc. or its affiliates does not 'beneficially own,' as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. Rosenblatt Securities Inc, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Rosenblatt Securities Inc. is not aware of any material conflict of interest as of the date of this publication.

Compensation and Investment Banking Activities

Rosenblatt Securities Inc. or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither Al Rajhi nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

Al Rajhi may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of Al Rajhi.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by Al Rajhi with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of Al Rajhi and Al Rajhi accepts no liability whatsoever for the actions of third parties in this respect. This research document has been prepared by Al Rajhi Capital Company ("Al Rajhi Capital") of Riyadh, Saudi Arabia. It has been prepared for the general use of Al Rajhi Capital's clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Al Rajhi Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Al Rajhi Capital. The information contained was obtained from various public sources believed to be reliable but we do not guarantee its accuracy. Al Rajhi Capital makes no representations or warranties (express or implied) regarding the data and information provided and Al Rajhi Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Al Rajhi Capital or its officers or one or more of its affiliates (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. Al Rajhi Capital or its affiliates may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. Al Rajhi Capital, together with its affiliates and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document.

This research document and any recommendations contained are subject to change without prior notice. Al Rajhi Capital assumes no responsibility to update the information in this research document. Neither the whole nor any part of this research document may be altered, duplicated, transmitted or distributed in any form or by any means. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or which would subject Al Rajhi Capital or any of its affiliates to any registration or licensing requirement within such jurisdiction.

الراجحي المالية
Al Rajhi Capital

Disclaimer and additional disclosures for Equity Research

Disclaimer

This research document has been prepared by Al Rajhi Capital Company ("Al Rajhi Capital") of Riyadh, Saudi Arabia. It has been prepared for the general use of Al Rajhi Capital's clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Al Rajhi Capital. Receipt and review of this research document constitute your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this document prior to public disclosure of such information by Al Rajhi Capital. The information contained was obtained from various public sources believed to be reliable but we do not guarantee its accuracy. Al Rajhi Capital makes no representations or warranties (express or implied) regarding the data and information provided and Al Rajhi Capital does not represent that the information content of this document is complete, or free from any error, not misleading, or fit for any particular purpose. This research document provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment products related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document.

Investors should seek financial, legal or tax advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that the price or value of such securities and investments may rise or fall. Fluctuations in exchange rates could have adverse effects on the value of or price of, or income derived from, certain investments. Accordingly, investors may receive back less than originally invested. Al Rajhi Capital or its officers or one or more of its affiliates (including research analysts) may have a financial interest in securities of the issuer(s) or related investments, including long or short positions in securities, warrants, futures, options, derivatives, or other financial instruments. Al Rajhi Capital or its affiliates may from time to time perform investment banking or other services for, solicit investment banking or other business from, any company mentioned in this research document. Al Rajhi Capital, together with its affiliates and employees, shall not be liable for any direct, indirect or consequential loss or damages that may arise, directly or indirectly, from any use of the information contained in this research document.

This research document and any recommendations contained are subject to change without prior notice. Al Rajhi Capital assumes no responsibility to update the information in this research document. Neither the whole nor any part of this research document may be altered, duplicated, transmitted or distributed in any form or by any means. This research document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or which would subject Al Rajhi Capital or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Explanation of Al Rajhi Capital's rating system

Al Rajhi Capital uses a three-tier rating system based on absolute upside or downside potential for all stocks under its coverage except financial stocks and those few other companies not compliant with Islamic Shariah law:

"Overweight": Our target price is more than 10% above the current share price, and we expect the share price to reach the target on a 12 month time horizon.

"Neutral": We expect the share price to settle at a level between 10% below the current share price and 10% above the current share price on a 12 month time horizon.

"Underweight": Our target price is more than 10% below the current share price, and we expect the share price to reach the target on a 12 month time horizon.

"Target price": We estimate target value per share for every stock we cover. This is normally based on widely accepted methods appropriate to the stock or sector under consideration, e.g. DCF (discounted cash flow) or SoTP (sum of the parts) analysis.

Please note that the achievement of any price target may be impeded by general market and economic trends and other external factors, or if a company's profits or operating performance exceed or fall short of our expectations.

Contact us

Mazen AlSudairi
Head of Research
Tel : +966 11 836 5468
Email: alsudairim@alrajhi-capital.com

Al Rajhi Capital
Research Department
Head Office, King Fahad Road
P.O. Box 5561, Riyadh 11432
Kingdom of Saudi Arabia
Email: research@alrajhi-capital.com

Al Rajhi Capital is licensed by the Saudi Arabian Capital Market Authority, License No. 07068/37.