Tharaa Financial Center

TASI: Seven Key takeaways from 1Q23 Corporate Results

May 2023

**Price Data as 22nd of May 2023*

Summary

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Key Highlights of 1Q23 Earnings

- 60% companies in TASI out of a sample of 60 companies (~80% of market of TASI based on Free Float) have posted either above-consensus or in-line results in 1Q2023.
- However, on cumulative basis, the earnings for TASI (earnings of 60 companies used in the analysis) came in 5% below expectation in 1Q23. After adjusting for earnings of Aramco, the underperformance against the expected aggregate earnings increased to -15%.

1Q23 Earnings-Major Surprises and Growth

- The aggregate earnings for Saudi's TASI has dropped by 19% YoY (26% excluding Aramco). On QoQ basis, however, earnings have dropped by more modest 6% (4% excluding Aramco).
- Before the start of 1Q23 earnings seasons, consensus was forecasting 12% earnings drop for TASI (9% excluding Aramco) for 2023, suggesting room for downward revision in aggregate earnings.
- Major positive surprises in earnings materialized in Tourism, Food and Healthcare sectors while Petrochem, cement and energy carried the most negative surprises in earnings.
- Cement, Energy and Healthcare are the major sectors which have recorded substantial YoY growth in earnings.
- Petrochem remained a major drag to TASI earnings in both YoY and QoQ basis. Tourism has recorded the highest growth in earnings on QoQ. Meanwhile, banks recorded relatively modest QoQ earnings growth of 5%.

TASI Valuation & Performance

- All major sectors have broadly moved sideways over the course of earnings seasons since Mar-23. Pharma, Insurance and Capital Goods have registered the highest returns during the same period.
- TASI has underperformed the broader benchmark, MSCI EM and many of its peers since Mar-2023. Besides result announcement, weakness in energy prices, lack of positive updates for major global economies and volatility in global markets have weighed on the market performance.
- Despite -18.4% significant correction from its recent peak, TASI still trades at a sizeable premium to its peers in EM space
- TASI's P/E (based on trailing earnings) has recovered from its long-term average of 16x. At its recent peak last, TASI traded at 3.5x Standard Deviation above its LT average.

Limitations of analysis

- Extrapolation of available earnings estimates for companies as representative of aggregate earnings of TASI.
- Earnings estimates available from public sources from six research outfits were used in the analysis. Increasing the number of available estimates may have implications for aggregate and company-wise consensus estimates and calculations of negative or positive surprises.
- The varying number of forecasts used for companies in 1Q23 (companies with a minimum number of forecasts of 2 were part of the analysis).

**Definition: Actual Earnings vs Consensus Average*
>5%= Above-consensus, <-5%= Below-consensus, Between -5% to +5%= In-line

1Q23 Earnings Summary- Sectors & Companies (1)

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	Price	Actual Earnings 1Q 23	Range of Estimates	Actual vs Consensus	QoQ%	YoY%	Performance (%)			Valuation			
							3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y
Banks													
Al Rajhi Bank	75	4,145	4,290-4,478	-5%	-6%	0.3%	0.3%	-10.1%	-18.1%	17.7	3.6	20.5	1.7
Saudi National Bank	38	5,022	4,629-5,056	4%	5%	12%	6.0%	-4.8%	-25.8%	12.2	1.5	12.1	3.3
Bank AlJazira	18	204	283-308	-31%	21%	79%	0.7%	-19.2%	-30.1%	16.8	1.2	7.5	2.2
Banque Saudi Fransi	39	1,076	1,016-1,195	-3%	23%	127%	10.1%	-8.6%	-17.7%	12.8	1.3	10.9	4.2
SABB	38	1,765	1,434-1,587	16%	9%	151%	12.2%	-7.6%	-8.4%	13.9	1.4	10.2	3.4
Bank Albilad	40	560	526-578	3%	4%	14%	0.0%	-24.1%	-10.3%	18.4	2.8	16.3	1.3
Alinma Bank	33	970	958-1,132	-6%	13%	18%	17.3%	-1.0%	-5.0%	18.2	2.3	13.7	2.9
ANB	27	1,068	894-980	14%	35%	64%	11.1%	-19.1%	-8.5%	11.8	1.3	10.8	4.0
Riyad Bank	35	2,020	2,035-2,188	-4%	-0.4%	30%	28.2%	-2.4%	-0.9%	14.4	2.1	15.4	3.3
Petrochemicals													
Saudi Arabian Mining Co	67	419	953-1,570	-67%	-59%	-81%	0.0%	1.7%	16.8%	21.6	-	-	-
Saudi Basic Industries Corp	90	657	-282-1,263	-7%	117%	-90%	-2.6%	7.0%	-21.5%	25.3	1.4	5.7	4.7
Yanbu National Petrochemical Co	43	-370	-269-182	NM	NM	NM	2.1%	5.6%	-20.9%	-	1.9	-1.7	6.4
Saudi Kayan Petrochemical Co	14	-673	-912-778	NM	NM	NM	8.6%	22.9%	-18.7%	-	1.4	-13.5	-
Saudi Industrial Investment Group	25	-242	-147-127	NM	NM	NM	10.1%	27.8%	-12.6%	-	1.8	-2.2	5.9
Advanced Petrochemical Co	46	43	-6.5-52	120%	NM	-74%	2.3%	11.3%	-22.1%	68.3	3.8	4.9	3.6
National Industrialization Co	15	82	35-177	4%	90%	-73%	26.6%	33.6%	-17.5%	23.1	1.0	4.6	-
Saudi Arabian Fertilizer Co	130	981	807-1,119	6%	-55%	-61%	3.0%	-6.5%	-12.0%	7.3	3.6	48.4	9.3
Luberef	132	446	300-371	33%	-42%	47%	26.9%	NA	NA	-	4.0	42.1	3.8
Sipchem	38	470	327-524	11%	-2%	-56%	10.1%	3.9%	-27.9%	9.1	1.7	18.7	8.7

1Q23 Earnings Summary- Sectors & Companies (II)

Tharaa Financial Center

	Price	Actual Earnings 1Q 23	Range of Estimates	Actual vs Consensus	QoQ%	YoY%	Performance (%)			Valuation			
							3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y
Food & Agriculture													
Almarai Co	57	635	443-479	38%	78%	51%	5%	3%	14%	28.2	3.3	11.8	1.8
Savola Group	38	393	137-265	95%	316%	45%	35%	30%	6%	23.4	2.4	10.4	1.7
SADAFCO	284	-	82-86	-	-	-	19%	32%	69%	32.5	5.5	17.2	2.1
Retail													
Jarir Marketing Co	167	248	247-2678	-4%	-7%	-1%	15%	5%	0%	20.8	11.3	54.4	4.8
Leejam	120	63	48-62	10%	-41%	36%	36%	45%	30%	22.9	6.7	31.3	2.4
eXtra	74	84	94-106	-15%	-30%	-13%	-2%	1%	-20%	14.7	4.5	39.4	5.3
Cenomi Retail	18	-	-8-11	-	-	-	18%	7%	-26%	39.0	5.5	10.3	-
BinDawood Holding	71	52	27-77	-6%	-20%	-20%	27%	42%	-23%	76.2	-	-	2.5
Al Othaim	137	120	96-112	16%	-30%	18%	27%	24%	21%	11.2	-	-	13.5
Telecommunications													
Etihad Etisalat Co	45	465	366-475	11%	-23%	46%	21%	26%	16%	19.1	2.0	11.1	1.9
Saudi Telecom Co	45	3,109	3,088-3,417	-5%	13%	2%	28%	14%	7%	18.2	3.0	16.9	3.6
Zain KSA	14	563	113-446	172%	125%	599%	31%	26%	7%	12.1	1.2	10.5	-
Insurance													
Bupa Arabia	179	-	110-199	-	-	-	16%	26%	47%	31.1	6.2	20.3	2.0
Tawuniya	119	-	70-120	-	-	-	29%	44%	97%	38.1	4.4	12.0	-
Tourism													
SGS	30	40	-46-15	NM	NM	NM	41%	30%	-1%	-	-	-	-
Saudi Catering	90	57.1	73-114	-39%	-47%	62%	14%	15%	12%	26.3	6.5	27.3	0.6
Seera	26	57	4-33	206%	84%	NM	44%	42%	33%	115.2	-	-	-

1Q23 Earnings Summary- Sectors & Companies (III)

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	Price	Actual Earnings 1Q 23	Range of Estimates	Actual vs Consensus	QoQ%	YoY%	Performance (%)			Valuation			
							3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y
Cement													
Saudi Cement	57	124	130-141	-9%	-20%	103%	9%	8%	5%	18.9	3.6	18.8	5.7
Arabian Cement	36	49	31-58	13%	40%	17%	3%	3%	-5%	19.3	1.4	6.9	6.1
Yamama Cement	33	112	89-107	16%	-16%	279%	10%	26%	13%	15.3	1.5	9.9	3.0
Qassim Cement	68	55	52-67	-9%	4%	119%	3%	7%	-14%	38.2	3.7	9.5	3.2
Yanbu Cement	37	51	54-62	-12%	-14%	31%	1%	-5%	-3%	25.5	-	-	4.1
Southern Cement	52	49	63-84	-33%	-21%	-44%	5%	-2%	-13%	27.8	2.2	8.0	3.9
Najran Cement	14	29	39-41	-27%	-41%	24%	12%	15%	-16%	20.1	1.2	6.0	3.6
Eastern Cement	43	56	59-68	-14%	5%	111%	4%	3%	-5%	21.9	1.6	7.2	4.6
City Cement	22	28	41-44	-35%	-42%	61%	12%	16%	-10%	24.9	1.8	7.1	4.0
Healthcare Providers													
Mouwasat Medical	240	167	144-166	5%	-7%	11%	26%	26%	11%	39.0	7.8	21.1	1.3
Dr. Sulaiman Al Habib	280	489	422-452	12%	11%	25%	21%	34%	28%	56.0	16.2	30.3	1.3
Dallah	171	95	86-95	6%	21%	15%	16%	9%	49%	55.0	-	-	1.2
Care	113	56	43-49	23%	1%	88%	39%	61%	66%	25.8	3.8	15.9	0.9
Al Hammadi	55	81	61-75	19%	11%	31%	13%	30%	51%	31.5	-	-	2.4
Saudi German Health	60	50	27.7-36	62%	51%	145%	114%	122%	65%	52.6	3.9	7.8	-
Information Technology													
solutions	293	304	283-312	1%	54%	7%	19%	25%	36%	32.4	11.5	38.7	1.7
MIS	132	47	15-44	58%	-6%	912%	35%	36%	34%	28.8	10.4	39.8	1.8
Energy													
Arabian Drilling	156	141	149-152	-6%	3.5%	51%	13.4%	38.0%	-	-	2.4	-	-

1Q23 Earnings Summary-Sectors & Companies (IV)

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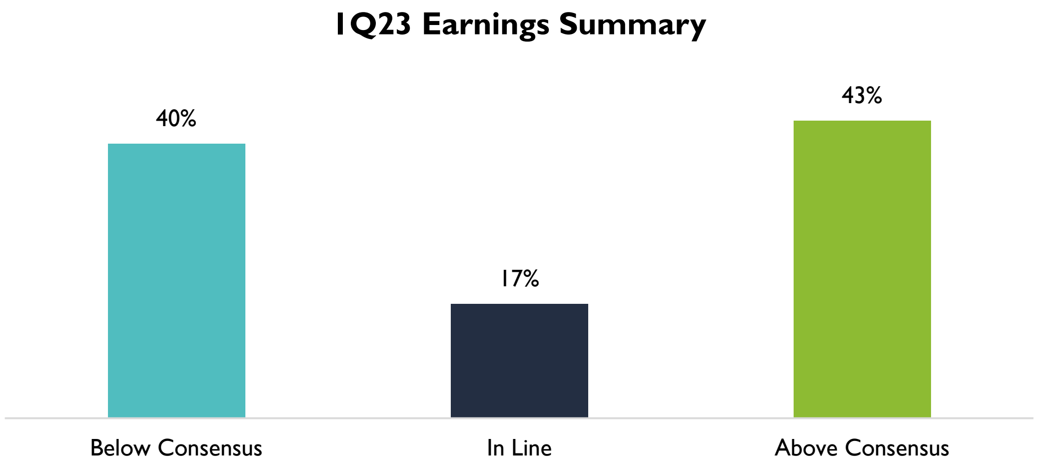
	Price	Actual Earnings 1Q 23	Range of Estimates	Actual vs Consensus	QoQ%	YoY%	Performance (%)			Valuation			
							3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y
Other Sectors													
Saudi Ceramics	32	15	45-54	-70%	-65%	-71%	7%	0%	-34%	18.6	1.5	8.1	3.1
Bawan	31	35	34-36	-1%	16%	-31%	9%	-8%	-6%	12.7	2.2	17.8	4.8
Alkhorayef Water	146	33	36-41	-15%	18%	29%	10%	5%	32%	31.8	8.5	29.7	1.0
Al Arabia	133	91	75-85	14%	12%	40%	27%	28%	31%	21.5	-	-	2.9
SISCO	30	19	26-26	-25%	5%	2387%	32%	38%	29%	65.1	1.6	2.4	2.7
Equipment House	73	7	16-16	-58%	127%	-59%	12%	16%	-9%	189.0	-	-	1.4
Riyadh Cables	61	125	111-112	12%	17%	47%	26%	-	-	-	4.0	-	-
SEC**	23	-1,409	1,568-1,815	NM	NM	NM	4%	-13%	-2%	14.7	0.4	2.5	3.1
Budget Saudi	63	69	65-68	4%	6%	15%	16%	34%	42%	17.1	-	-	3.2
Theeb Rent a Car	75	42	49-51	-15%	-21%	-1%	-2%	11%	21%	16.6	4.8	31.3	3.0

**Based earnings estimates of six research houses*
*** Companies with minimum two estimates considered*
Actual Earnings of 1Q-23

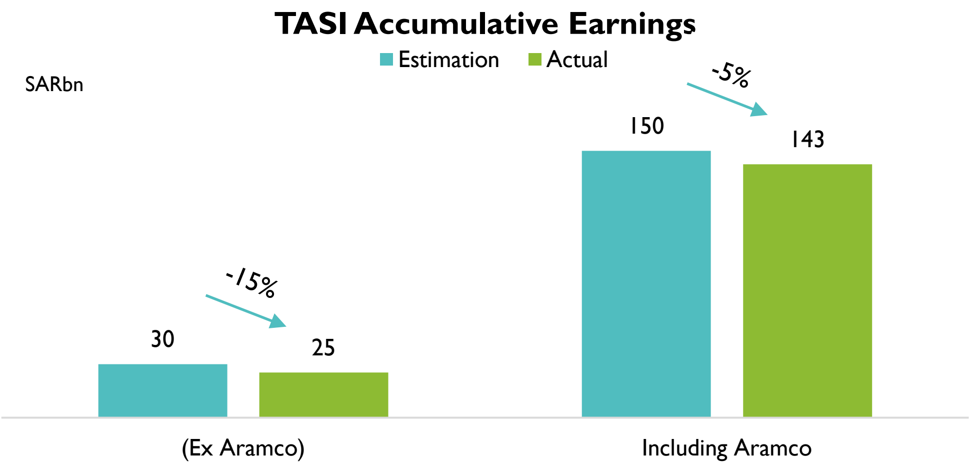
- *Source: Capital's Forecasts, Bloomberg*

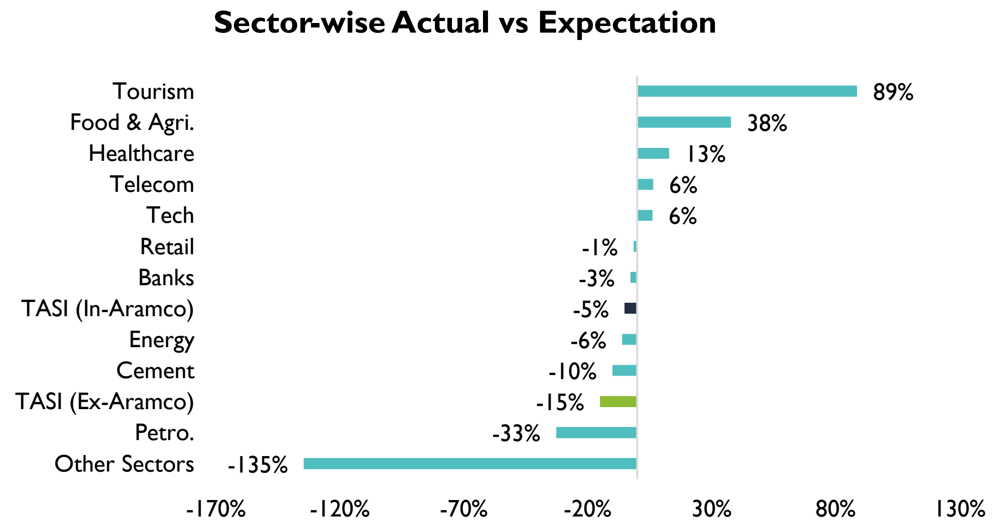
Key Highlights of 1Q23 Earnings-Surprises



- 60% companies in TASI out of a sample of 60 companies (~80% of market of TASI based on Free Float) have posted either above-consensus* or in-line results in 1Q2023. However, the cumulative earnings for TASI came in 5% below expectation in 1Q23. After adjusting for earnings of Aramco, the earnings underperformance increases to -15%.

- Major positive surprises in earnings materialized in Tourism, Food and Healthcare sectors while Petrochem, cement and energy carried the most negative surprises in earnings.





Source: Bloomberg, Tharaa Financial Center

Key Highlights of 1Q23 Earnings-Growth

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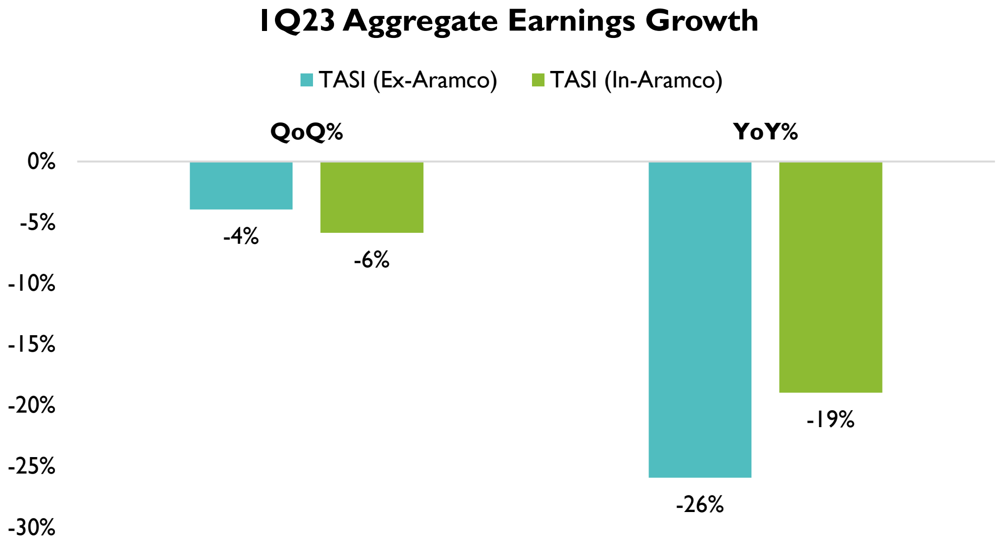

Source: Bloomberg, Tharaa Financial Center

- Cement, Energy and Healthcare are the major sectors which have recorded substantial YoY growth in earnings.
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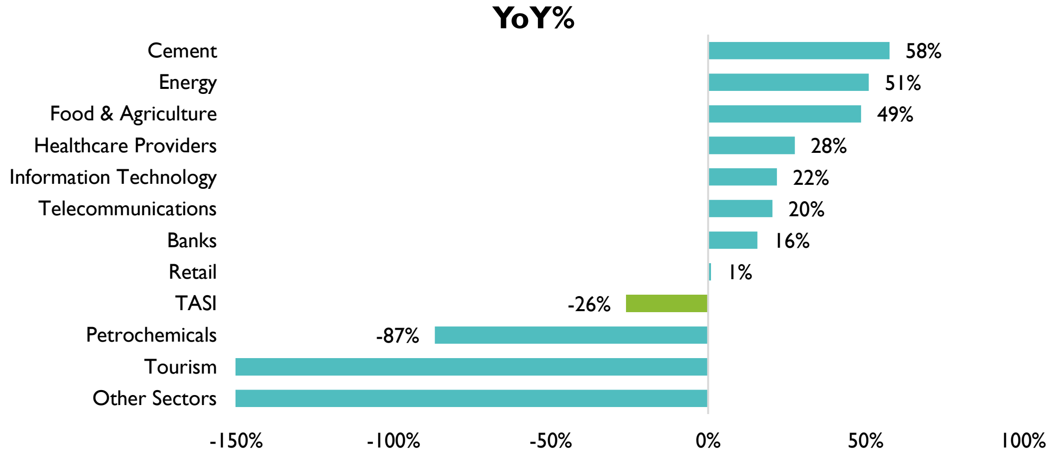
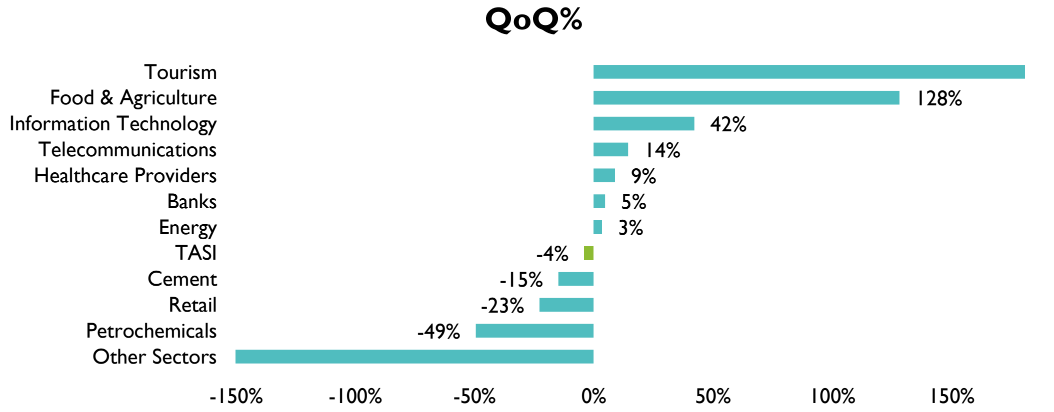
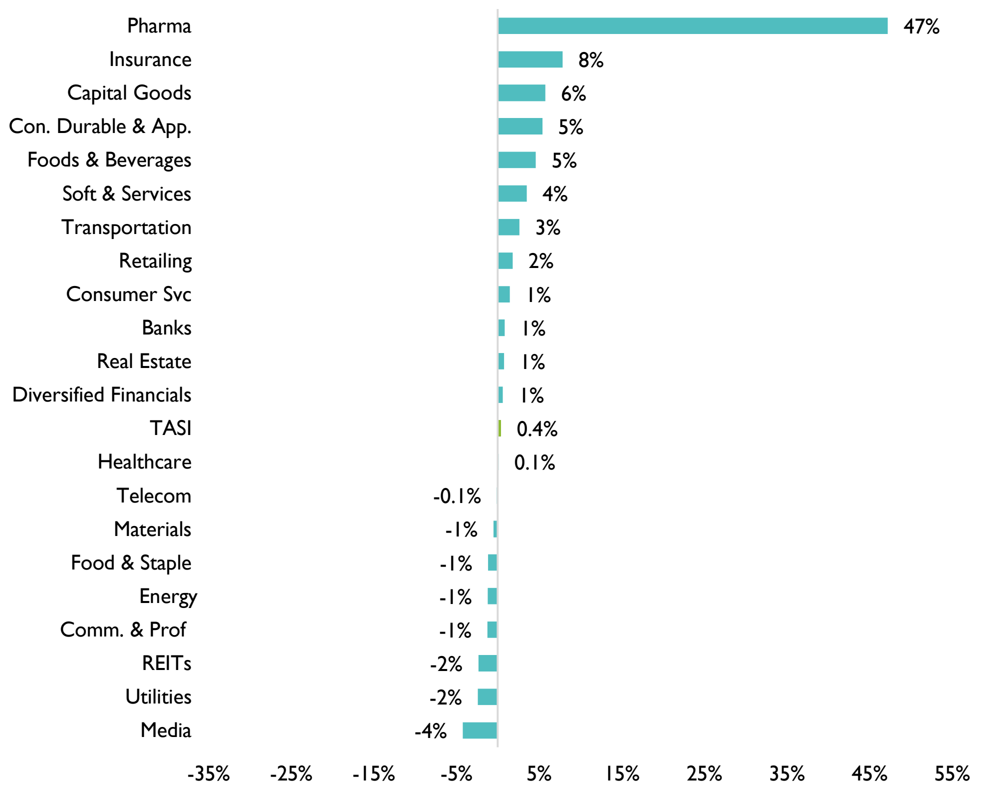




Source: Bloomberg, Tharaa Financial Center

TASI-Price & Sectors Performance

Sectors Performance (Including TASI)



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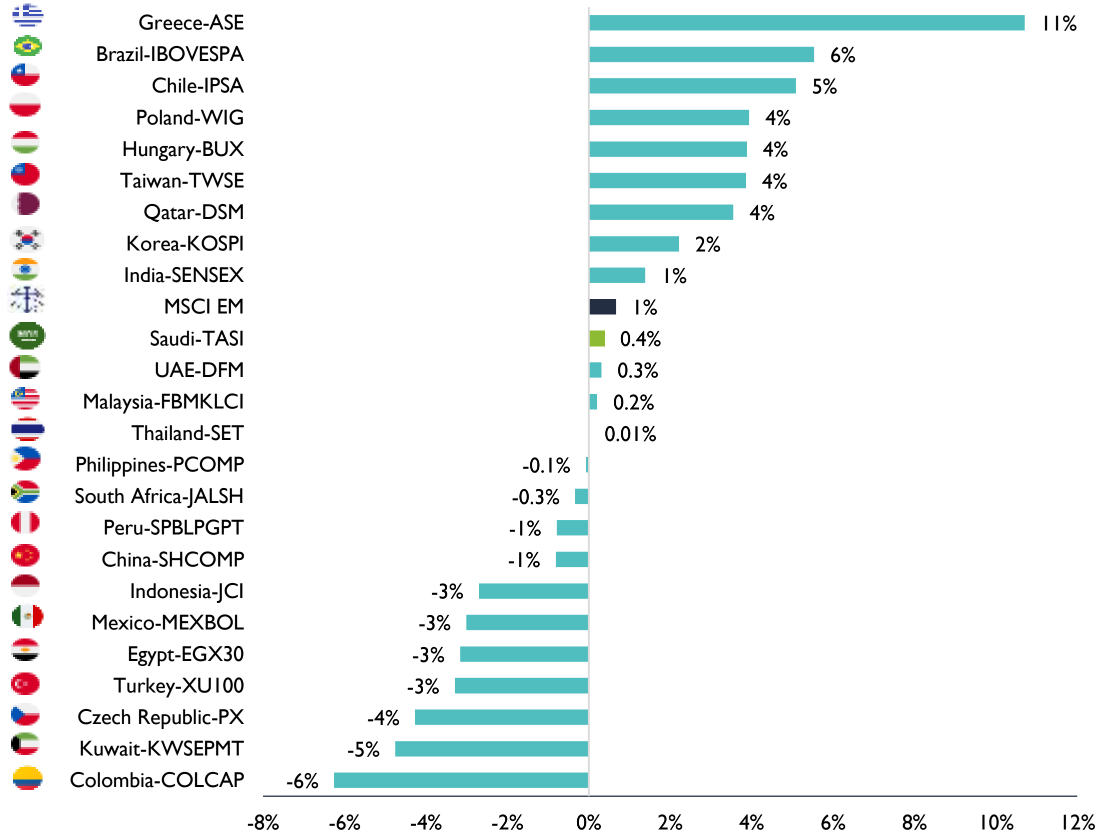
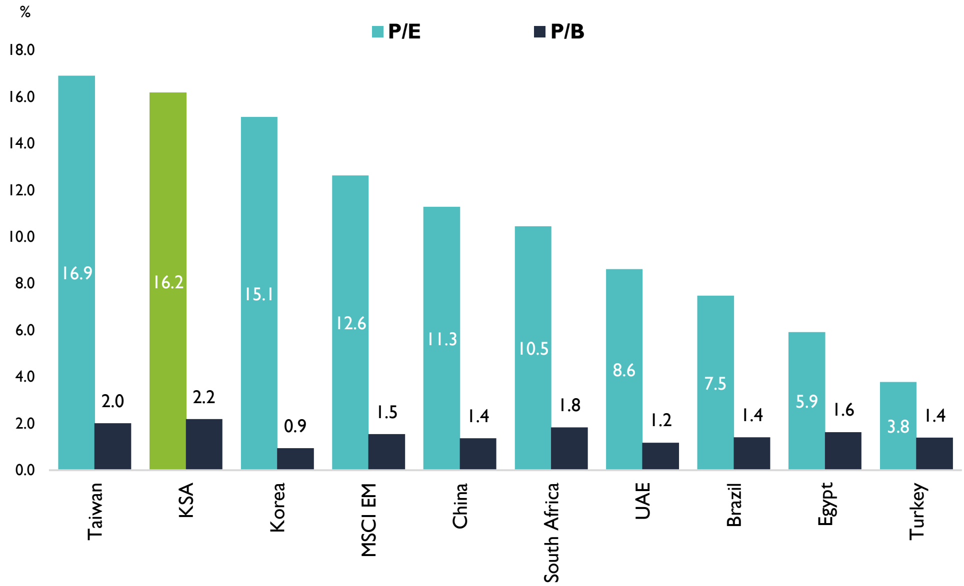
TASI vs Emerging Markets



TASI -Valuation

Key Valuation Metrics TASI And Emerging Markets



Source: Bloomberg, Tharaa Financial Center

- TASI's P/E (based on trailing earnings) has recovered from its long-term average of 16x. At its recent peak last, TASI traded at 3.5x Standard Deviation above its LT average.

- Despite -18.4% significant correction from its recent peak, TASI still trades at a sizeable premium to its peers in EM space

TASI Valuation (P/E) has bounced off from its LT average

Source: Tharaa Financial Center

Disclaimer

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