Tharaa Financial Center

TASI: 2Q23 Consensus Earnings Guide

Strong Sequential Growth on the Cards

July 2023

Summary

2Q23 Consensus Earnings Guide: Strong Sequential Growth Seen

- TASI is set to witness strong sequential earnings growth of 10% QoQ (27% Ex-Aramco) in 2Q23 based on earnings estimates of 90 listed stocks from eight financial service companies.
- Insurance, Utilities, Material (Ex Petro & Cement) are likely to be major contributors to earnings growth for 2Q23. Earnings growth for banks and energy sectors is likely to remain relatively muted. Pharma, cement and retail are expected to be major drags for TASI in 2Q23.
- Consensus expects 49% of companies of the total sample to show sequential earnings growth. Top five names in terms of earnings growth include; Jabal Omar Co, Cooperative Insurance , Saudi Tadawul Group , Saudi Basic Industries and Saudi Arabian Mining Co.
- YoY comparison, however, portrays a completely different picture with consensus expecting TASI consolidated earnings to drop by -26% primarily due to drag from energy (Aramco) and material (Petrochem, Cement, Mining) sectors.

Sector-wise Earnings Trends

- **Energy-** Stable oil prices and positive contribution from downstream business will likely lead to stable QoQ earnings growth of 6%. Earnings are projected to drop by 28% YoY primarily due to high-oil prices in 1H22. Downstream energy stocks are set to show stellar YoY growth.
- **Petrochem**-2Q earnings are likely to recover from the lows seen in 1Q23 as product spreads have bounced off from lows seen in the last quarter. Earnings are projected to drop YoY due to high-base.
- **Banks**-The impact of margin expansion on earnings from increase in interest rate is subsiding, resulting in moderation in QoQ earnings growth to 4%. YoY earnings are likely to show a strong growth of 18%.
- **Pharma-**The impact of high-base of 1Q23 will be visible in 2Q. For YoY, earnings will likely be affected by Astra.
- **Insurance-** Combination of strong portfolio return and improvement in insurance earnings to deliver strong growth.
- **Ex Banks, Energy, Petrochem-**, 2Q23 is set to be a big litmus test for a number of companies in healthcare, capital goods, and Software sectors to live up to investors expectations given YTD stock price performance.

TASI Valuation & Performance

- TASI's Ex Banks & Ex Petrochem stocks have been on fire as a total of 36 stocks achieved +50% return in 1H23.
- Pharma, Software and Capitals Goods, were the three best performing sectors. A number of sectors have provided +20% return 2x of TASI return in 1H23.
- Banks & REITs were the worst performing sectors with a total of 8 stocks from the two sectors featuring in the 10-worst performing stocks.
- 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

- Earnings estimates from a total 8 financial service firms (Bloomberg's average earnings estimates for Aramco used) have been compiled in this report, up 6 used in the report for 1Q23, however; a fairly large number of companies in the sample carry only forecasts from one contributor.
- Increasing the number of estimates may have implications for aggregate and company-wise consensus estimates and calculations of negative or positive surprises.

2Q23 Consensus Earnings Guide- (I)

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	Price	Consensus Average	Range of Estimates	QoQ%	YoY%	Performance (%)			Valuation			
						3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y%
Petrochemicals												
SABIC	88	1,500	399-3537.9	128%	-81%	-4%	-7%	-7%	25	1	6	5
SABIC AGRI-NUTRIENTS	132	748	420-1374.55	-24%	-75%	3%	-5%	6%	7	4	48	9
Tasnee	15	128	91.6-161.3	56%	-57%	12%	18%	4%	23	1	5	-
YANSAB	47	87	61.8-142.14	-124%	-70%	8%	12%	4%	-	2	-2	6
SIPCHEM	37	389	273-655.25	-17%	-69%	-8%	2%	-6%	9	2	19	7
ADVANCED	47	78	51.65-114.7	82%	-29%	-2%	6%	10%	71	4	5	4
SAUDI KAYAN	13	(369)	(2.79)-(464)	-155%	-346%	2%	-3%	-7%	-	1	-13	-
SIIG	26	141	81-200.4	-159%	-50%	0%	10%	6%	-	2	-2	6
ALUJAIN**	47	4	4	-158%	-93%	19%	22%	-5%	38	1	2	3
Cement												
Yamama Cement	37	72	42-93.3	-36%	-20%	11%	32%	53%	17	2	10	3
Saudi Cement	59	90	70.9-110	-27%	-13%	4%	11%	18%	19	4	19	6
Qassim Cement	70	33	18.37-60.4	-40%	13%	3%	-8%	-11%	40	4	10	3
Southern Province Cement	51	34	25-41.3	-31%	-45%	-2%	-1%	-8%	28	2	8	2
Eastern Province Cement	47	49	44.7-54.7	-11%	14%	9%	4%	7%	23	2	7	4
Arabian Cement Co/Saudi Arabia	39	39	37.3-41.6	-21%	-13%	11%	8%	14%	21	1	7	6
City Cement	24	23	12.5-35.5	-17%	-8%	11%	15%	12%	27	2	7	4
Yanbu Cement	40	42	31.2-64.5	-19%	-13%	15%	4%	18%	28	2	8	6
Umm Al-Qura Cement **	19	2	2	-71%	-75%	8%	11%	-9%	68	1	2	-
Najran Cement	14	14	13-15.8	-51%	10%	-4%	11%	-4%	20	1	6	4

Source: Bloomberg, Tharaa Financial Center
**Consensus Average reflects actual results for 2Q23*
***Among 90 companies, 30 of them have been given only one estimate by one financial service company.*

2Q23 Consensus Earnings Guide- (II)

	Price	Consensus Average	Range of Estimates	QoQ%	YoY%	Performance (%)			Valuation			
						3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y%
Telecommunications												
STC	45	3,583	3165-4413	15%	26%	6%	20%	12%	18	3	17	4
Etihad Etisalat	48	480	396.7-529.6	3%	33%	10%	36%	35%	21	2	11	2
ZAIN KSA	14	148	89-291	-74%	10%	-9%	30%	25%	12	1	11	4
Food & Agriculture												
ALMARAI*	67	557	536.6	-12%	8%	17%	24%	29%	-	-	-	1
SADAFCO	349	-	-	-	-100%	33%	47%	120%	37	7	19	2
SAVOLA GROUP	40	477	325-629	21%	123%	27%	40%	22%	24	2	10	2
NADEC**	46	65	65	72%	141%	68%	103%	57%	40	4	9	-
TANMIAH**	118	30	30	43%	0%	-16%	-7%	66%	25	4	42	3
Retail												
JARIR*	17	155.8	168-191.4	-27%	2%	-1%	11%	10%	21	-	-	5
CENOMI RETAIL	16	22	9.9-39.6	-151%	-62%	-2%	1%	-5%	37	-	-	-
SASCO Co**	60	(15)	-15	-9%	-28%	62%	73%	82%				
EXTRA*	81	61.60	63.5-70.9	-21%	-48%	7%	10%	-3%	20	-	-	5
SHAKER **	27	24	23.7	-18%	98%	31%	43%	69%	35	2	7	-
NAHDI**	175	284	284-284	16%	6%	-2%	1%	6%	25	11	46	3
AMERICANA**	4	62	62	-72%	-67%	2%	12%	-	-	-	-	1
A.OTHAIM MARKET	15	64	58.9-71.7	-47%	36%	9%	40%	36%	12	10	87	13
Cenomi Centres**	23	218	218	-43%	275%	8%	11%	18%	9	-	-	11
BINDAWOOD	7	61	48.6-86.6	19%	46%	8%	25%	-12%	78	6	7	3

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2Q23 Consensus Earnings Guide- (III)

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	Price	Consensus Average	Range of Estimates	QoQ%	YoY%	Performance (%)			Valuation			
						3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y%
Healthcare												
SULAIMAN ALHABIB	294	467	422-504	-5%	17%	5%	31%	51%	59	17	30	1
MOUWASAT	246	157	151.3-162.8	-6%	11%	0%	19%	8%	40	8	21	1
DALLAH HEALTH	164	81	73-91.1	-15%	16%	0%	23%	45%	53	5	11	1
CARE	132	53	47-60.2	-6%	27%	47%	69%	158%	30	4	16	1
ALHAMMADI	61	76	69-82.6	-7%	17%	12%	40%	45%	35	6	16	2
SAUDI GERMAN HEALTH	72	39	35-46.5	-22%	291%	94%	175%	129%	64	5	8	-
EQUIPMENT HOUSE**	81	11	11	60%	-35%	16%	23%	39%	211	3	2	1
Insurance												
BUPA ARABIA**	189	273	273	44%	6%	7%	31%	47%				
TAWUNIYA**	153	230	230	207%	23%	52%	92%	167%	43	6	14	1
Banks												
Banque Saudi Fransi	44	1,122	1108.3-1132	4%	34%	12%	9%	-11%	14	2	11	4
Saudi Awwal Bank	40	1,787	1684.5-1858	1%	65%	10%	12%	-4%	15	1	10	3
Arab National Bank	28	1,098	1096-1099.6	3%	55%	3%	-3%	-6%	12	1	11	4
Al Rajhi Bank	72	4,139	3911.6-4331	0%	-3%	-6%	-8%	-11%	17	3	22	2
Bank AlBilad	42	581	566.34-594.2	4%	14%	2%	-4%	1%	20	3	16	1
Alinma Bank	36	1,045	1006-1084	8%	13%	13%	8%	13%	20	3	14	3
Riyad Bank	34	2,184	2115-2253.2	8%	36%	11%	8%	1%	14	2	15	3
Bank Al-Jazira	18	219	198.57-233.5	8%	-15%	-5%	-2%	-18%	17	1	7	2
Saudi Investment Bank/The**	17	450	450	10%	40%	3%	0%	-10%	12	1	11	4
Saudi National Bank	38	5,138	4813.5-5609.1	2%	12%	0%	2%	-23%	12	1	12	3
Saudi Tadawul Group Holding Co**	197	231	231	154%	67%	18%	12%	2%	63	7	12	1

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2Q23 Consensus Earnings Guide- (IV)

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	Price	Consensus Average	Range of Estimates	QoQ%	YoY%	Performance (%)			Valuation			
						3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y%
Software & Services Sector												
SOLUTIONS	375	319	295.6-335	5%	17%	37%	55%	77%	42	15	39	1
Elm Co**	665	285	285	-12%	46%	52%	99%	156%	51	16	34	1
2P**	23	34	34	31%	11%	-1%	29%	-	-	12	59	0
MIS	166	38	13.9-52	-18%	125%	36%	77%	98%	36	13	40	1
Transportation												
BUDGET SAUDI	78	58	50.2-66.5	-16%	-6%	29%	63%	76%	21	3	15	3
THEEB	86	41	35.7-46.3	-3%	-5%	8%	27%	43%	19	5	30	3
SISCO**	30	20	20	3%	567%	11%	41%	52%	43	2	4	3
Saudi Ground Services	36	56	52.8-58.7	39%	-183%	43%	66%	37%	-	3	-8	-
Media And Entertainment												
ALARABIA	180	79	74.5-84	-13%	26%	50%	65%	93%	29	10	35	1
Commercial & Professional Svc												
Maharah Human Resources **	62	28	28	-24%	3%	26%	54%	37%	18	5	30	3
Al Mawarid**	130	23	23	4%	21%	-	#N/A	-	-	-	29	-
Saudi Airlines Catering	119	82	74.3-90.5	44%	92%	28%	53%	70%	35	9	27	0
Utilities												
Saudi Electricity **	23	5,016	5016	-456%	40%	-5%	-1%	-3%	15	0	3	3
MARAFIQ**	89	205	205	92%	-22%	52%	86%	-	-	3	10	1
AlKhorayef Water & Power Technologies**	154	35	35	7%	35%	12%	3%	39%	33	9	30	1
BAWAN	35	67	43-91.8	95%	50%	26%	14%	10%	14	2	18	4
Saudi Ceramic *	34	33.29	16	9%	-58%	8%	13%	-3%	20	2	8	3

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2Q23 Consensus Earnings Guide- (V)

Tharaa Financial Center

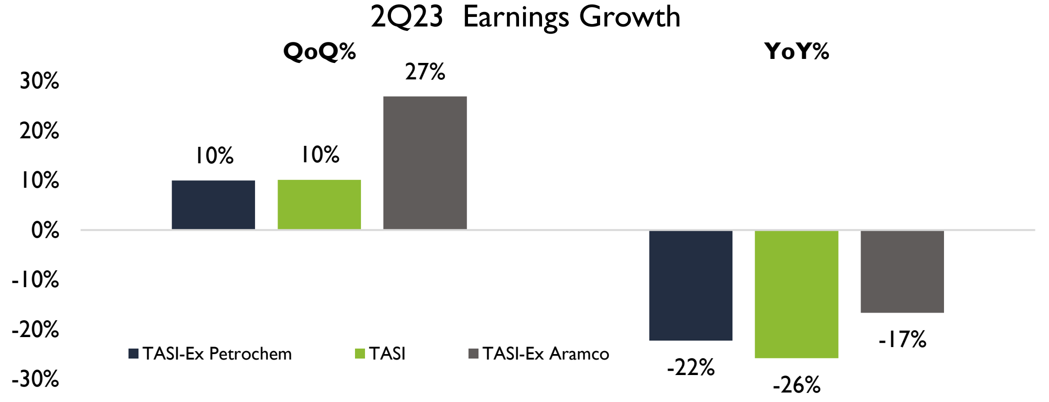
	Price	Consensus Average	Range of Estimates	QoQ%	YoY%	Performance (%)			Valuation			
						3-Months	6-Months	12-Months	P/E	P/B	ROE (%)	D/Y%
Energy												
Aldrees Petroleum and Transport Services *	125	70.2	74	5%	61%	29%	60%	86%	38	8	24	2
ARABIAN DRILLING	164	138	132-144	-2%	21%	11%	28%	-	-	3	-	-
SAUDI ARAMCO	32	124817	-	6%	-28%	2%	10%	-2%	14	5	43	4
Material-Non-Petro												
MAADEN	44	939	521-1356.9	124%	-77%	-4%	-11%	46%	22	4	18	-
LUBEREF	149	461	410-511	3%	5%	26%	52%	-	-	5	42	3
East Pipes Integrated Co for Industry**	68	7	7	16%	-38%	32%	63%	67%	22	4	-	-
Capital Goods												
RIYADH CABLES	68	135	128-142	8%	99%	27%	60%	-	-	4	-	2
Consumer Service												
FITNESS TIME	143	53	50.2-55.1	-16%	47%	32%	68%	60%	27	8	31	2
Ataa Educational **	77	21	21	-2%	1970%	18%	40%	32%	80	4	5	1
Seera Group Holding	27	114	69.8-191.4	105%	-265%	10%	52%	80%	119	1	1	-
Real Estate Development												
Dar Al Arkan Real Estate Development **	16	118	118	0%	27%	-1%	33%	42%	50	1	2	-
Taiba Investments Co**	31	77	77	23%	119%	9%	25%	11%	25	1	5	-
Jabal Omar Development Co**	27	93	93	676%	-172%	18%	54%	18%	-	2	-1	-
Pharmaceuticals												
SPIMACO**	40	(19)	-19	-135%	-60%	60%	72%	56%	-	3	-8	-
Jamjoom Pharmaceuticals Factory Co.**	121	60	60	-29%	20%	-	-	-	-	-	-	-
Astra Industrial Group**	92	69	69	-44%	-72%	44%	70%	104%	21	4	30	3

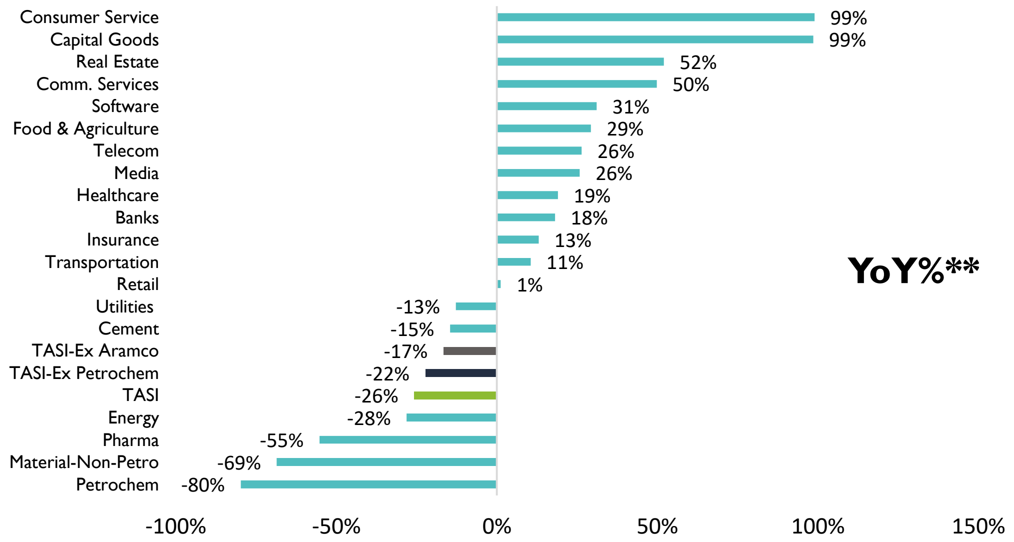
Source: Bloomberg, Tharaa Financial Center

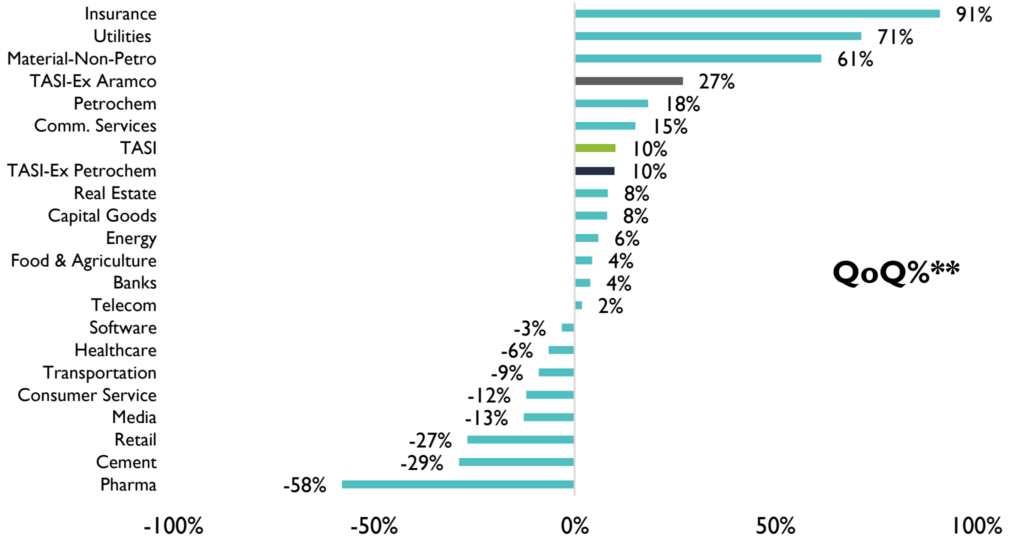
^Saudi Aramco carry only one estimation from Bloomberg

TASI 2Q23 Consensus Earnings Expectations

- Consensus* expects earnings for listed companies on TASI to deliver a significant sequential growth of 10% (27%-Excluding Aramco).
- On YoY comparison, aggregate earnings for TASI are expected to drop by 26% (17% Ex-Aramco) due to the drag from Petrochem.







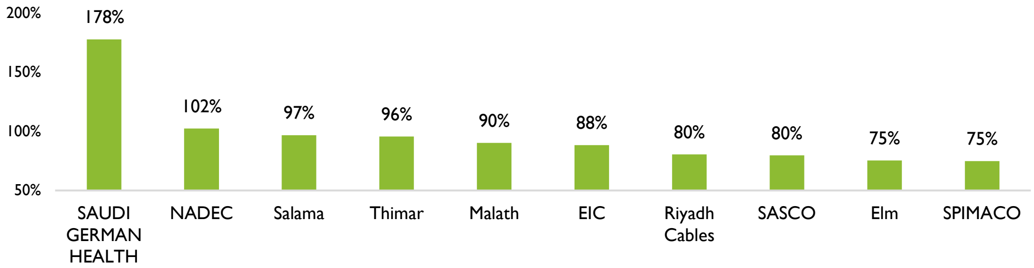
Source: Bloomberg, Tharaa

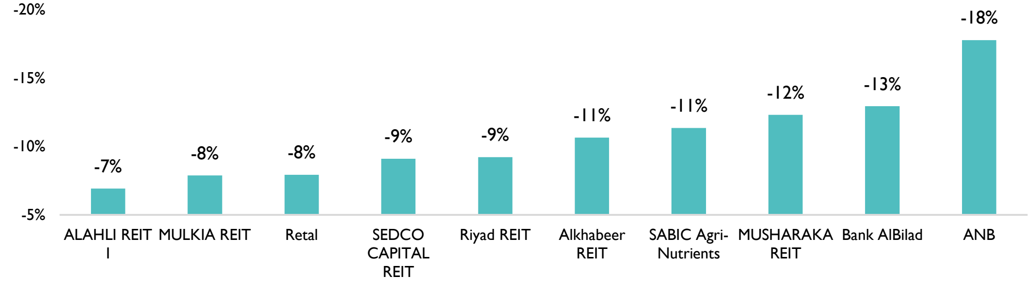
**a sample of 90 companies from eight investment advisory companies*

Source: Bloomberg, Tharaa Financial Center

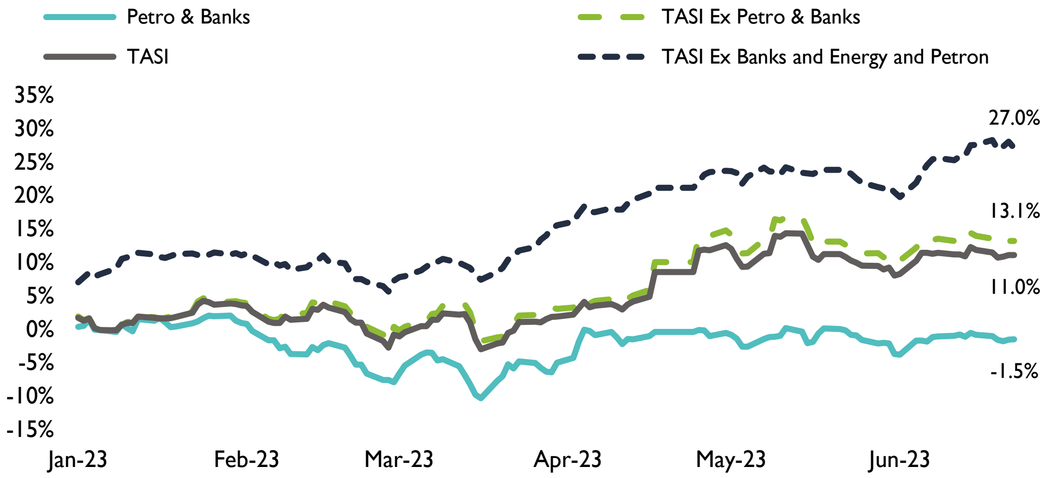
TASI-1H Sector & Stock Performance

10 Best & Worst Performing Stocks in 1H23





Banks, Petrochem and Energy 1H23 returns



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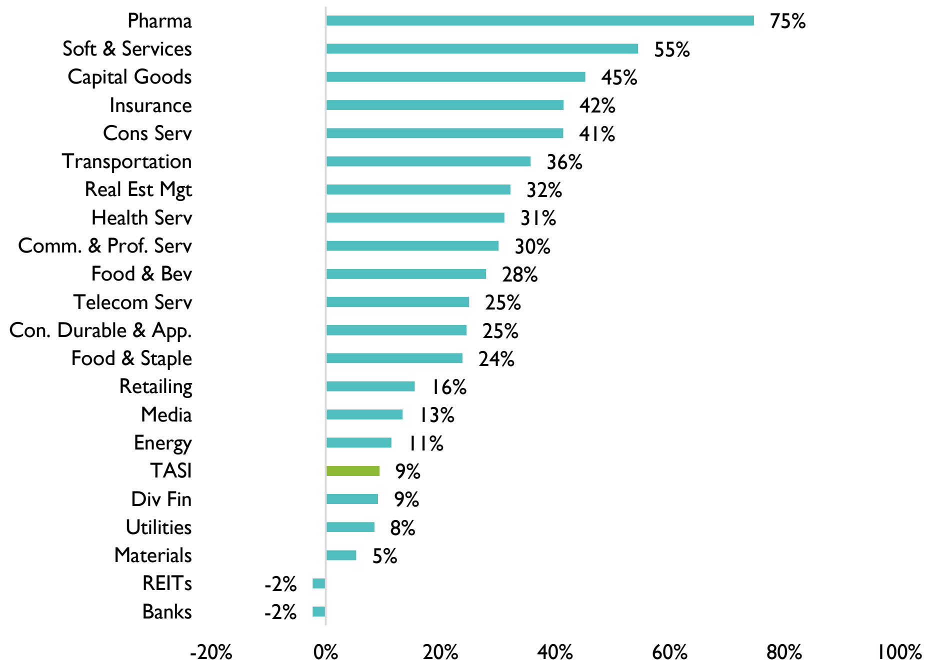
- Banks & REITs were the worst performing sectors with a total of 8 stocks from the two sectors featuring in the 10-worst performing stocks.

Sectors Performance % in 1H23



Source: Bloomberg,Tharaa

TASI -Valuation

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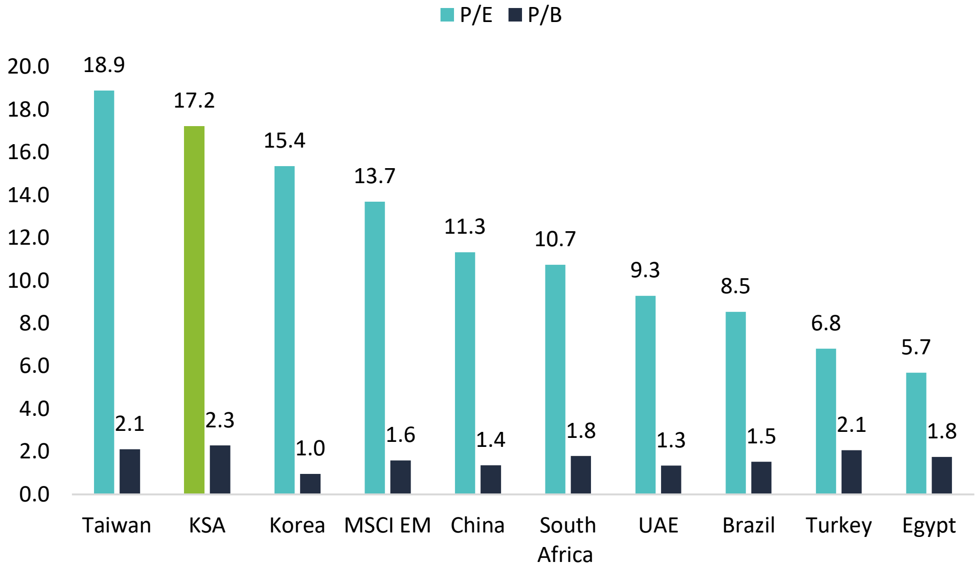
Key Valuation Metrics TASI And Emerging Markets



Source: Bloomberg, Tharaa Financial Center

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

- Despite 15% correction from its peak in May-22, 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

The document has been prepared by Tharra Financial Center (TFC, Tharaa) at Prince Sultan University. The information contained in this document was obtained from several sources such as Bloomberg, Reuters, SAMA, IMF, IEA, OPEC, Tadawul and other -tio-l and inter-tio-l agencies. Tharra tried its best effort to acquire the data from most reliable sources. However, Tharaa does not guarantee the accuracy of the data. Therefore, Tharaa makes no representation whether expressed or implied concerning the accuracy and completeness of any information contained in this report.

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