Tharaa Financial Center

TASI: 3Q23 Consensus Earnings Guide

Varied Sequential Performance on the Horizon

October 2023

Summary

3Q23 Earnings Forecasts: Varied sequential performance seen

- TASI is set to witness modest earnings growth of 3% QoQ (12% Excluding Aramco) in 3Q23 based on earnings estimates of 91 listed stocks from seven financial service companies.
- Utilities and Real Estate Development are likely to be major contributors to earnings growth for 3Q23. While the Telecom sector is anticipated to deliver a strong performance with a projected growth of 32%. Petrochemicals, Pharma, and Transportation are forecasted to be major drags for TASI in 3Q23.
- Consensus estimates project that 39% of companies from the total sample to show earnings growth of above 10%. Top five names in terms of earnings growth include Scientific & Medical Equipment House Co, Aldawaa, TANSEE, Saudi Electricity Co, and Taiba Investments Co.
- YoY comparison, however, portrays a completely different picture with consensus expecting TASI consolidated earnings to drop by -25% primarily due to a drag from the material sector (Petrochem, Cement, Mining) and Energy.

Sector-wise earnings trends

- **Energy-** Stable oil prices and positive contribution from downstream business will contribute to stable QoQ earnings. Earnings are projected to drop by -30% YoY primarily due to a drop in oil production by Aramco in compliance with the Opec+ decision.
- **Petrochem-**3Q earnings are likely to show a negative QoQ, especially after the lower-than-expected data in Q2. as product spreads have failed to maintain the levels seen in Q2.
- **Banks-**The impact of margin expansion on earnings from an increase in interest rates is subsiding, resulting in moderation in QoQ earnings growth to 1%. YoY earnings are likely to show a growth of 6%.
- **Pharma-**The impact of seasonality in institutional sales explains the sequential drop in earnings in QoQ by1%. However, YoY earnings are likely to show a significant growth of 141%.
- **Insurance-** A combination of strong portfolio returns and an improvement in insurance earnings is set to deliver significant growth in YoY.
- **Excluding Banks, Energy, Petrochem-**, The upcoming quarter will be a critical test for healthcare, capital goods, and software companies to meet investors' expectations based on their recent strong stock price performance.

TASI Valuation & Performance

- TASI's Excluding-Banks & Excluding-Petrochem are expected to make a moderate quarterly gain of around 4%. However, in YoY, the earnings are projected to decline significantly by 27%.
- In Q3, Utilities, Real Estate Development, and Telecom were the highest earnings sectors. However, in terms of stock performance, Insurance, Software, and Energy outperformed the rest.
- Petrochemicals & Media and Commercial & Professional Svc were the worst performing sectors.
- TASI's P/E (based on trailing earnings) has continued its steady decline since Q1 of 2022 before settling around its long-term average of 16.7 in the most recent quarters. At its peak over the last decade, TASI once traded at 3x Standard Deviations above its LT average.

Limitations of analysis

- This report includes earnings estimates from a total of seven financial service firms, with Bloomberg's average earnings estimates for Aramco being used which is one lower than what was utilized in the report for 2Q23. Additionally, it is worth mentioning that a significant portion of companies in the sample only have forecasts from a single contributor.
- Increasing the number of estimates may have implications for aggregate and company-wise consensus estimates and calculations of negative or positive surprises.

3Q23 Consensus Guidance- Sectors & Companies (1)

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	Price	Consensus Average	Range of Estimates	QoQ%	YoY%	Performance (%) 3-Months	Performance (%) 6-Months	Performance (%) 12-Months	Valuation P/E	Valuation P/B	Valuation ROE (%)	Valuation D/Y%
Petrochemicals												
SABIC	80	331	(880)-1934	-72%	-82%	-8%	-13%	-11%	61	1	2	5
SABIC AGRI-NUTRIENTS	134	887	705-1000	36%	-62%	4%	4%	-20%	10	4	36	8
Tasnee	12	90	45-115	187%	427%	-18%	-9%	-12%	46	1	2	-
YANSAB	39	(90)	(126)-(17)	-427%	47%	-17%	-9%	-14%	-	2	-4	6
SIPCHEM	35	404	345-532	29%	-48%	-4%	-12%	-17%	13	2	13	8
ADVANCED	38	70	52-95	16%	159%	-18%	-21%	-16%	80	3	4	4
SAUDI KAYAN	12	(311)	(343)-(251)	-21%	-62%	-7%	-7%	-10%	-	1	-17	-
SIIG	24	143	130-167	19%	161%	-7%	-8%	7%	-	2	-3	5
ALUJAIN	40	18	15-21	7%	-4%	-15%	2%	-18%	131	1	0	-
Cement												
Yamama Cement	31	79	48-90	-20%	-22%	-17%	-8%	1%	14	1	10	3
Saudi Cement	52	67	46-89	-21%	-16%	-11%	-7%	-1%	18	4	22	6
Qassim Cement	63	43	36-52	13%	83%	-11%	-8%	-14%	33	3	10	4
Southern Province Cement	42	35	26-42	84%	-60%	-17%	-19%	-20%	27	2	7	2
Eastern Province Cement	37	51	47-57	-1%	174%	-19%	-13%	-13%	18	1	7	4
Arabian Cement Co/Saudi Arabia	32	37	25-45	31%	-38%	-18%	-9%	-13%	19	1	7	6
City Cement	17	25	20-33	2%	-2%	-28%	-21%	-13%	19	1	7	5
Yanbu Cement	34	44	37-49	25%	-36%	-16%	-2%	-11%	25	2	8	7
Umm Al-Qura Cement *	16	3	3	51%	-56%	-18%	-12%	-17%	95	1	1	-
Najran Cement	11	13	11-14	73%	-54%	-18%	-23%	-6%	17	1	6	2

Source: Bloomberg, Tharaa Financial Center
Consensus Average reflects actual results for 3Q23
**Among 91 companies, 24 of them have been given only one estimate by one financial service company.*

3Q23 Consensus Guidance- Sectors & Companies (II)

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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%
Telecommunications												
STC	36	4,081	3582-4689	36%	15%	-21%	-16%	-5%	14	2	17	4
Etihad Etisalat	44	525	454-596	6%	41%	-8%	0%	27%	17	2	12	3
ZAIN KSA	13	168	96-296	35%	97%	-8%	-15%	4%	11	1	11	4
Food & Agriculture												
ALMARAI*	58	621	621	11%	34%	-12%	1%	6%	28	3	12	2
SADAFCO	306	122	120-124	35%	56%	-10%	17%	55%	27	6	22	2
SAVOLA GROUP	35	190	181-199	44%	16%	-13%	14%	22%	24	2	10	2
NADEC*	46	69	69	6%	149%	-3%	66%	76%	30	3	12	-
TANMIAH*	87	16	16	40%	-50%	-26%	-38%	-23%	23	3	40	4
Retail												
JARIR	15	269	257-286	73%	-2%	-8%	-11%	-9%	19	11	56	5
CENOMI RETAIL	19	32	14-60	-81%	43%	18%	15%	7%	13	4	-	-
EXTRA	78	92	88-98	49%	-2%	-6%	4%	-1%	19	5	33	4
SHAKER *	21	11	11	-29%	38%	-24%	2%	4%	24	1	8	-
ALDAWAA	94	257	60-76	188%	434%	-11%	23%	16%	26	6	26	3
NAHDI	141	264	254-273	-1%	4%	-21%	-21%	-28%	21	8	39	4
AMERICANA*	4	95	95	-71%	-66%	-3%	-1%	-	-	-	120	1
A.OTHAIM MARKET	12	52	35-60	-63%	-93%	-15%	-9%	3%	9	8	88	11
Cenomi Centres*	20	255	255	-25%	4%	-15%	-6%	-2%	7	1	-	13
BINDAWOOD	6	52	39-60	-25%	-208%	-19%	-12%	-13%	59	49	9	3

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3Q23 Consensus Guidance- Sectors & Companies (III)

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%
Healthcare												
SULAIMAN ALHABIB	230	487	470-495	0%	16%	-25%	-18%	-1%	44	13	31	2
MOUWASAT	101	147	137-154	-2%	20%	-21%	-18%	-7%	32	7	22	1
DALLAH HEALTH	136	59	52-70	12%	35%	-17%	-17%	-21%	47	4	10	1
CARE	120	51	49-54	6%	19%	-8%	34%	61%	27	4	16	1
ALHAMMADI	50	69	58-84	-16%	20%	-19%	-8%	6%	27	5	17	3
SAUDI GERMAN HEALTH	64	59	36-97	46%	430%	-8%	73%	94%	44	4	10	-
EQUIPMENT HOUSE*	42	6	6	209%	-32%	-27%	-10%	-10%	-	3	-2	-
Insurance												
BUPA ARABIA	211	364	327-401	-2%	14%	12%	19%	47%	-	-	-	-
TAWUNIYA	121	239	210-269	-3%	107%	-5%	44%	77%	36	5	16	1
Banks												
Banque Saudi Fransi	35	1,140	1102-1205	6%	19%	-22%	-11%	-15%	11	1	12	5
Saudi Awwal Bank	32	1,589	1526-1664	3%	14%	-25%	-14%	-20%	11	1	11	5
Arab National Bank	23	1,008	998-1018	2%	9%	-19%	-17%	-25%	9	1	12	6
Al Rajhi Bank	65	4,130	3995-4204	0%	-5%	-9%	-15%	-20%	16	3	21	4
Bank AlBilad	38	591	568-612	1%	9%	-11%	-8%	-23%	17	3	17	1
Alinma Bank	32	1,294	1269-1317	6%	31%	-12%	-2%	-12%	16	2	15	3
Riyad Bank	26	2,013	2002-2024	2%	10%	-26%	-16%	-19%	10	2	16	5
Bank Al-Jazira	16	267	258-276	3%	15%	-14%	-19%	-33%	15	1	7	2
Saudi Investment Bank/The*	14	505	505	14%	-8%	-17%	-14%	-17%	9	1	11	6
Saudi National Bank	31	4,956	4582-5151	-1%	5%	-20%	-17%	-31%	10	1	12	4
Saudi Tadawul Group Holding Co*	179	116	116	10%	30%	-9%	7%	-11%	63	7	12	1

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3Q23 Consensus Guidance- Sectors & Companies (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	311	342	331-349	1%	14%	-18%	14%	21%	32	13	44	2
Elm Co*	721	403	403	8%	107%	15%	65%	129%	47	16	38	1
2P*	21	35	35-36	15%	9%	-13%	-10%	-	-	10	54	0
MIS	130	45	36-53	-10%	78%	-25%	7%	27%	23	9	45	2
Transportation												
BUDGET SAUDI	66	69	66-72	-1%	8%	-13%	9%	49%	17	3	16	3
THEEB	60	40	34-45	32%	-26%	-29%	-25%	-17%	14	4	28	3
SISCO*	24	21	21	-1%	46%	-20%	-11%	9%	26	1	5	3
Saudi Ground Services	28	50	46-54	-41%	-198%	-21%	12%	7%	-	2	-3	-
Media And Entertainment												
ALARABIA	192	66	45-87	91%	66%	5%	60%	77%	29	10	37	1
Commercial & Professional Svc												
Al Mawarid*	111	24	24	6%	25%	-18%	-	-	-	-	29	1
Saudi Airlines Catering	100	68	58-78	18%	-14%	-14%	8%	37%	27	7	28	2
Utilities												
Saudi Electricity	18	5,075	4977-5172	141%	14%	-21%	-25%	-31%	14	1	6	4
MARAFIQ*	54	224	224	110%	1118%	-38%	-7%	-	-	2	9	4
AlKhorayef Water & Power Technologies	135	39	38-40	10%	39%	-15%	-2%	3%	27	7	30	1
BAWAN	32	33	30-36	31%	-14%	-13%	14%	-15%	14	2	15	4
Saudi Ceramic *	24	3	3	-91%	-93%	-26%	-24%	-41%	15	1	8	2

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3Q23 Consensus Guidance- Sectors & Companies (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	72	72	3%	17%	-4%	29%	68%	34	9	26	2
ARABIAN DRILLING	178	160	157-163	14%	-25%	10%	20%	-	-	3	12	-
SAUDI ARAMCO^	33	109378	109378	0.5%	-30%	3%	6%	4%	16	5	36	4
Material-Non-Petro												
MAADEN	40	563	331-711	60%	-73%	-11%	-14%	-18%	38	3	9	-
LUBEREF	132	289	251-326	-37%	-39%	-10%	12%	-	-	4	47	8
Capital Goods												
RIYADH CABLES	72	126	118-133	-1%	35%	7%	35%	-	-	5	-	2
Consumer Service												
FITNESS TIME	143	71	65-78	-2%	4%	1%	32%	88%	24	8	34	2
Ataa Educational *	65	21	21	121%	570%	-16%	0%	23%	68	3	5	2
Seera Group Holding*	22	68	68	-1%	27%	-22%	-11%	12%	32	1	4	-
Real Estate Development												
Dar Al Arkan Real Estate Development *	14	137	137	-6%	73%	-16%	-15%	-18%	38	1	2	-
Taiba Investments Co*	26	63	63	130%	48%	-18%	-10%	-4%	23	1	5	-
Pharmaceuticals												
SPIMACO*	31	(8)	(8)	-136%	-82%	-22%	24%	16%	-	2	-4	-
Jamjoom Pharmaceuticals Factory Co.*	107	71	71	-18%	56%	-16%	-	-	-	6	-	1
Astra Industrial Group*	87	109	109	-5%	54%	-2%	37%	62%	18	4	22	3

Source: Bloomberg, Tharaa Financial Center
Consensus Average reflects actual results for 3Q23
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^Saudi Aramco carry only one estimation from Bloomberg

TASI 3Q23 Consensus Earnings Expectations

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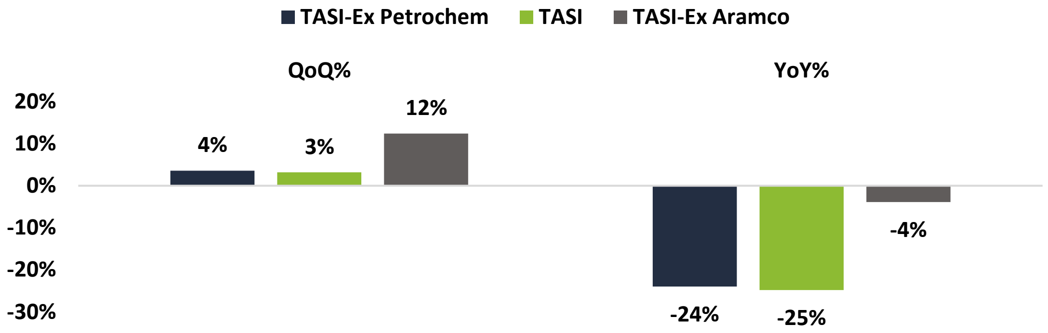
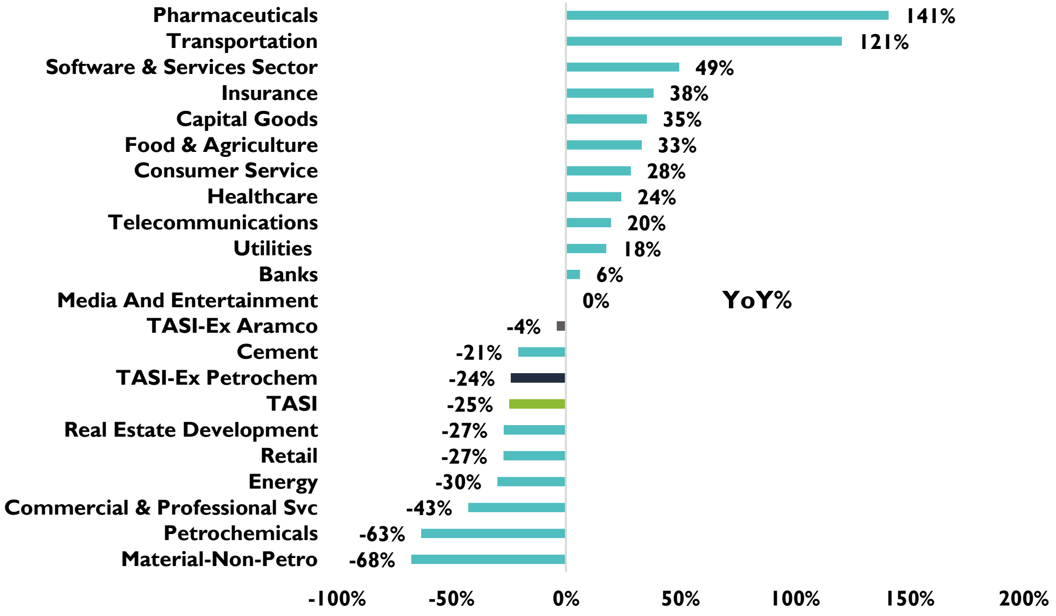
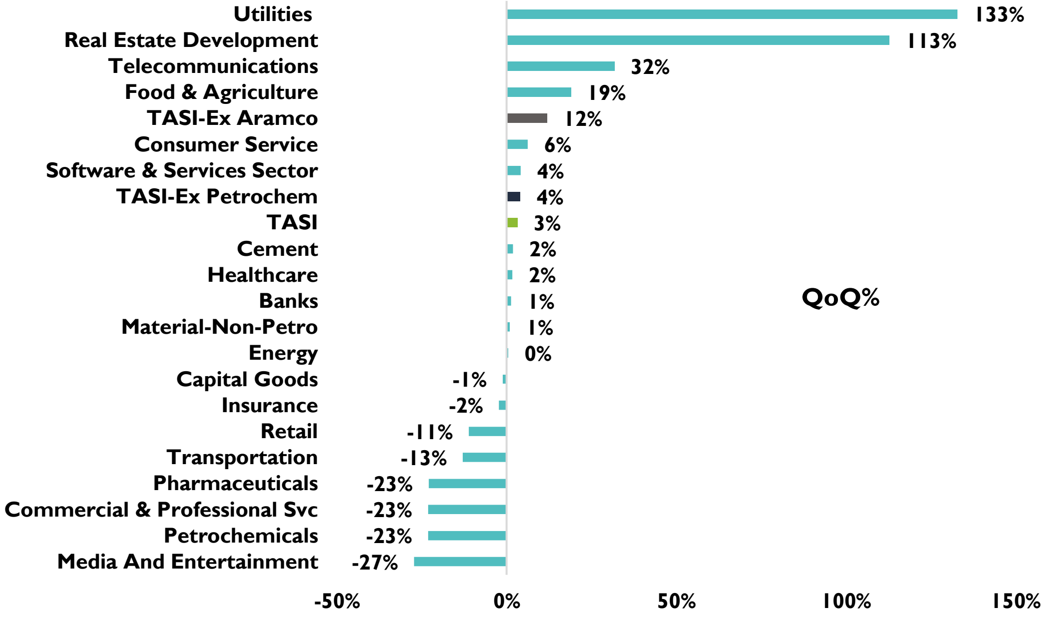
- According to consensus estimates, earnings for listed companies on TASI are expected to show a modest earnings growth of 3% (12% excluding Aramco).
- On YoY comparison, aggregate earnings for TASI are expected to drop by -25% (-4% Ex-Aramco) due to the drag from Petrochem.

3Q23 Expectations Growth







Source: Bloomberg, Tharaa

**a sample of 91 companies from seven investment advisory companies*

Source: Bloomberg, Tharaa Financial Center

TASI -Valuation

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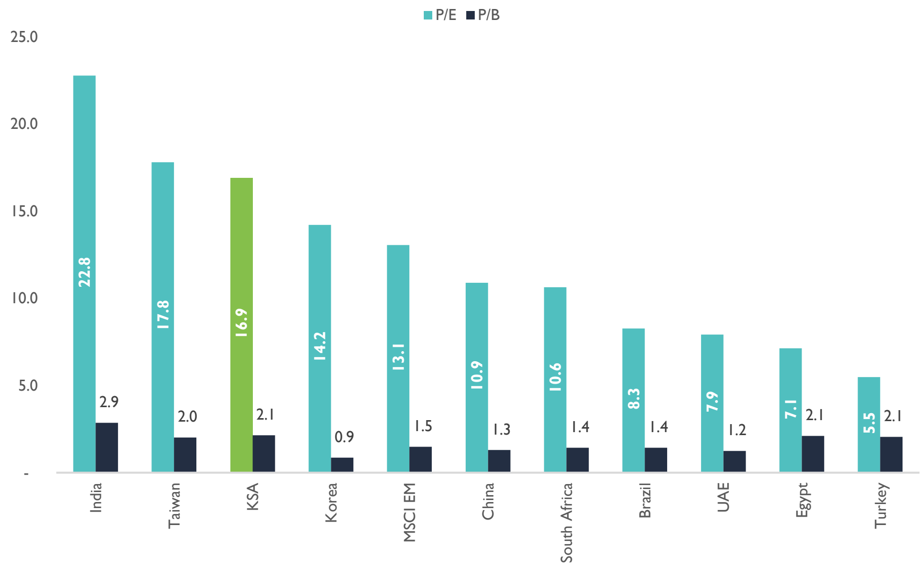
Key Valuation Metrics TASI And Emerging Markets



Source: Bloomberg, Tharaa Financial Center

- TASI's P/E (based on trailing earnings) has continued its steady decline since Q1 of 2022 before settling around its long-term average of 16.7 in the most recent quarters. At its peak over the last decade, TASI once traded at 3x Standard Deviations 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

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