

# ▶ Saudi Sapphires – Hidden opportunity in beaten stocks

## ▶ Filtered by risk

Tadawul All Share (TASI) 10,463

P/E 16.7x

Div yield 2.8%

Mcap \$ 2,674 bn

YTD -0.1%

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# SAUDI NATIONAL BANK

## FINANCIALS – BANKS

**LAST TRADED: SAR 46**

**CONSENSUS TARGET: SAR 68 (+48%)**

**NO OF ANALYSTS: 8**

**Profile:** Saudi National Bank (SNB) was formed by the merger of NCB with Samba in 2022. It is the Kingdom's largest commercial bank by total assets (\$252 bn). Retail financing accounted for nearly 54% of its total financing. PIF owns a 37% stake in SNB and this bank is seen as a key facilitator of inbound foreign capital for Saudi Vision 2030 plan.

Fundamentals		Outlook
<b>Mcap</b>	SAR 198 bn	SNB has guided a ROTE range of 16.5% to 17.5% in 2023 compared to 16.5% in 2022. Higher NSCI margin (net special commission income) of 3.2% to 3.3% , targeted cost-to-income ratio of around 27% and cost to risk of 0.3% to 0.5% are the key assumptions provided by the management.
<b>P/E (2023E)</b>	10x	
<b>Year end</b>	December	
<b>EPS 2024E</b>	SAR 4.89	The Saudi economy is expected to grow 3.1% in 2023 and inflation is expected to remain modest at sub 2.5%
<b>EPS 2023E</b>	SAR 4.54	
<b>Operating margin (TTM)</b>	71.4%	Financing volume grew 10% YoY in Q4 2022 driven by a strong 21% growth in mortgages. Investments rose 6% YoY in Q4 2022. CASA account for nearly 75% of its overall customer deposits. NSCI margin expanded from improved yield in wholesale and investment segments .
<b>Next earnings day</b>	May 03, 2023	
<b>Div yield</b>	4.3%	SNB picked a 9.9% stake in Credit Suisse in 2022 which got negative publicity due to the latter's weak financial position. However, their \$1.5 bn investment accounts for 2.2% of SNB's investment book and in return hopes to benefit from CS's know-how and technology in wealth management, which is a lucrative segment for banks.
<b>ROE</b>	11%	
<b>Institutional holding</b>	44%	

**Source:**  
Refinitiv/Yahoo  
Finance

# BANQUE SAUDI FRANSI

FINANCIALS - BANKS

LAST TRADED: SAR 35

CONSENSUS TARGET: SAR 45.20 (+24%)

NO OF ANALYSTS: 7

**Profile:** Banque Saudi Fransi (BSF) is largely a corporate bank (81% of financing assets) in KSA holding total assets of \$62 bn as of 2022. It is backed by Kingdom Holding which owns a 16.2% stake in the bank.

Fundamentals		Outlook
Mcap	SAR 42 bn	<p>BSF reported a 13% YoY growth in NSCI in 2022 owing to higher rates while net profit grew only by 3.6% YoY owing to higher credit costs and other operating expenses.</p> <p>BSF's loans and advances higher by 7.6% YoY while customer deposits posted a robust 11% growth in 2022. CASA deposits account for 65% of its total deposits. LTD dropped significantly to 83.4% at the end of Q3 2022 from 86.9% at the end of 2021 owing to faster growth in liquidity and loan book growth was below the management's guidance of low double digit in 2022.</p> <p>Cost of risk was 0.83% during 9M 2022 while NPL ratio was 2.73% at the end of 9M 2022. It was elevated in Q2 and Q3 2022 due to select impairment in its commercial loan book which is seen as a one-off spike.</p> <p>Going forward, an increase in rates and normalization of corporate credit cost is seen positive for its net income growth. The stock currently trades attractively at around 1.1x its book value and 9.7x its 2023 EPS consensus estimate of SAR 3.62</p>
P/E (2023E)	9.7x	
Year end	December	
EPS 2024E	SAR 3.80	
EPS 2023E	SAR 3.58	
Operating margin (TTM)	61%	
Next earnings day	Apr 24, 2023	
Div yield	4.5%	
ROE	8.5%	
Institutional holding	24%	

Source:  
Refinitiv/Yahoo  
Finance

# SAUDI CEMENT CO

BASIC MATERIALS – CEMENT

HIGH DIVIDEND YIELD – 6.6% P.A.

LAST TRADED: SAR 53

CONSENSUS TARGET: SAR 56 (+6%)

NO OF ANALYSTS: 4

**Profile:** Saudi cement is the third largest cement company in KSA accounting for a 10.3% market share by sales in 2022.

Fundamentals		Outlook
Mcap	SAR 8.2 bn	Macro-economic outlook for Saudi Arabia is expected to be promising over the next few years driven by higher public spending on mega projects in non-oil sectors. Non-oil GDP is expected to grow by another 6% in 2023 according to the IMF.  Industrial production index reported a growth of 6.8% YoY in Jan 23 mainly due to strength in mining and manufacturing industries.  Total cement sales in the Kingdom increased 3% YoY in Feb 2023 while Saudi cement's sales increased 7.7% YoY largely due to higher exports.  Demand for cement is strong as seen from residential mortgage volumes of Saudi banks along with mega projects announced by the government.  This stock is an attractive dividend play at a reasonable valuation
P/E (2023E)	18.8x	
Year end	December	
EPS 2023E	SAR 2.82	
EPS 2022	SAR 2.47	
Operating margin (TTM)	14%	
Next earnings day	Feb 13, 2023	
Div yield	6.6%	
ROE	11.9%	
Institutional holding	4%	

Source:  
Refinitiv/Yahoo  
Finance

# ARABIAN CENTERS (CENOMI CENTERS)

REITS – MALLS

HIGH DIVIDEND YIELD - 7.6% P.A.

LAST TRADED: SAR 20

CONSENSUS TARGET: SAR 24 (+20%)

NO OF ANALYSTS: 4

**Profile:** Arabian Centers , rebranded as Cenomi Centers, is the largest mall operator in KSA owing 1.3 mn of GLA (14% market share). It is part of Fawaz Al Hokair group and is next only to the UAE's Majid Al Futtaim in terms of GLA(Gross Leasable Area) in the MENA region. It owns a portfolio of 21 retail assets across 10 cities.

Fundamentals		Outlook
<b>Mcap</b>	SAR 9.4 bn	Consumer spending in the Kingdom is robust reporting a growth of 24% YoY in 2022. The Saudi government is actively promoting growth of retail sector as part of its Vision 2030
<b>P/E (2023E)</b>	14.4x	
<b>Year end</b>	March	
<b>EPS 2024E</b>	SAR 1.74	Female labor force participation is on the rise accounting for 35.5% at the end of Sep 2022 improving their purchasing power. Saudi Arabia accounted for 49% of total GCC retail sales in 2022 according to industry data and women account for nearly 80% of Cenomi's total addressable market.
<b>EPS 2023E</b>	SAR 1.39	
<b>Operating margin (TTM)</b>	44%	The company currently has eight retail malls in its pipeline estimated to incur a capex of SAR 5.3 bn over the next three years.
<b>Next earnings day</b>	May 31, 2023	
<b>Div yield</b>	7.6%	Debt/equity declined significantly to 50% at the end of Q3FY23 from 120% at the end of FY21. Cash level is expected to improve significantly once it completes sale of its non-core land bank estimated at SAR 1.15 bn. The company has a sukuk repayment of SAR 1.88 bn in Nov 2024.
<b>ROE</b>	4%	
<b>Institutional holding</b>	2%	
		FFO increased marginally YoY during 9M FY23 driven by higher occupancy and improved pricing of its rentals.

Source:  
Refinitiv/Yahoo  
Finance