



**US\$2.073bn** Market cap  
**68.8%** Free float  
**US\$13.08mn** Avg. daily volume

Target price **25.50** 20.28% over current  
 Consensus price **26.21** 23.6% over current  
 Current price **21.20** as at 9/5/2011

Research Department  
**ARC Research Team,**  
 Tel +966 1 2119434, research@alrajhi-capital.com

**Underweight** **Neutral** **Overweight**

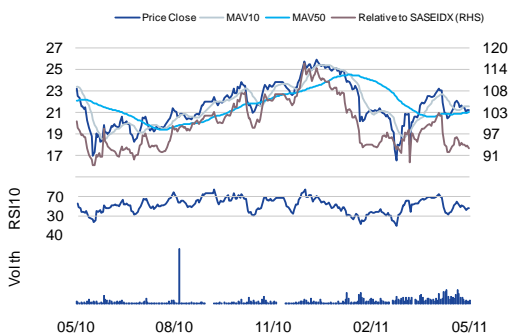
**Key themes**

We expect Saudi petrochemicals suppliers to outperform global rivals with margins driven by cheap feedstock costs and strong demand coming from Asia. Sipchem's production is currently focused on methanol and its derivatives with a heavy concentration towards Asian demand

**Implications**

Sipchem has commissioned its Phase 2 expansion. Phase 3 facility, which will come on board in a few years is expected to broaden its product portfolio. We are Overweight on the stock

**Performance**

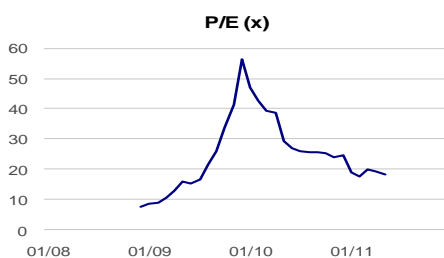


**Earnings**

| Period End (SAR) | 12/10A | 12/11E | 12/12E | 12/13E |
|------------------|--------|--------|--------|--------|
| Revenue (mn)     | 1,993  | 3,066  | 3,354  | 3,632  |
| Revenue Growth   | 139.9% | 53.9%  | 9.4%   | 8.3%   |
| EBITDA (mn)      | 1,069  | 1,604  | 1,693  | 1,830  |
| EBITDA Growth    | 218.6% | 50.0%  | 5.6%   | 8.1%   |
| EPS              | 1.03   | 1.36   | 1.34   | 1.60   |
| EPS Growth       | 168.4% | 31.9%  | -1.8%  | 19.8%  |

Source: Company data, Al Rajhi Capital

**Valuation**



Source: Company data, Al Rajhi Capital

**Sipchem**  
**Attractive despite weak results**

*Sipchem's Q1 2011 results were significantly below our estimates primarily due to a maintenance shutdown at one of its plants in January and weak phase II products prices. Nevertheless, we expect Q2 to be stronger as prices of these products rebounded sharply in April and the company has no maintenance shutdown plans. Furthermore, we expect the Company to start its phase III operations in H2 2013 (as against in 2014 earlier) in line with the Company's expectations and have accordingly raised our 2013 revenue estimate by 5% to SAR3, 631mn. However, following the disappointing results in Q1 and the likely depressed margins from 2012 onwards, we cut our target price to SAR25.5 from SAR27.2 earlier but maintain our Overweight rating.*

**Revenues and profits below expectations:** Sipchem reported a 14% sequential fall in Q1 sales to SAR693mn as against our estimate of SAR800mn for the quarter (Consensus was at SAR831mn). The sequential decline in revenues was principally due to a maintenance shutdown at 'International Acetyl Company' complex which was closed for about 20 days in January 2011. Less than expected product prices (Acetic acid and Vinyl Acetate Monomer) during the quarter also contributed to the revenue and profits decline. However, on a year-on-year basis, the company's revenues more than doubled due to phase II expansion. Net profit was SAR121mn in Q1, up by 49% year-on-year but a sequential decline of about 3.4%. Sequentially better performance at the net level compared to the top-line was due to decreased zakat and other expenses in the current quarter.

**Margins likely to be subdued from 2012 onwards:** We think that the company may witness an increase in feedstock cost from Q1 2012 as Saudi Aramco likely to raise methane price from the existing \$0.75/mmbtu. The increased feedstock costs will depress the gross margins which should be slightly offset by benefits from higher output from phase II expansion. Consequently, we expect the company to record lower gross margin of 55.5% in 2012 compared to 57.1% in 2011. Nevertheless, the decline in margin will be further arrested from 2013 as phase III expansion comes on-stream.

**Phase II products' prices are rebounding:** Although the company's performance in Q1 was disappointing, the management reiterated that the company is witnessing an improved demand for its products. Phase II products - Acetic acid and Vinyl Acetate Monomer (VAM)- prices which were subdued during Q1 have rebounded in April and that the company continues to operate at an operating rate of more than 100% at all its plants. It added that the demand for VAM has returned from housing market in Europe. As a result, Sipchem has postponed its scheduled maintenance at few of its plants.

**Valuation and conclusion:** Although the company's performance in Q1 was disappointing, we believe the long term investment case for Sipchem remains intact. Sipchem's forward integration continues and we believe Phase III expansion will enable it to capitalise on burgeoning demand for petrochemicals in Asia while moving up the petrochemicals value chain. However, we revise our target price to SAR25.5 from SAR27.2 but remain Overweight. Our revised target price presents a 20% upside potential from the current levels. Sipchem trades on 2011 P/E of 15.6x and EV/EBITDA of 8.4.



| Corporate summary  | Share information  | Valuation  |            |        |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
|--|--|--|------------|--------|--------|--------|--------|-----------------|-------|-------|-------|-------|----------------|-------|-------|-------|-------|--------------------|-----|-----|-----|-----|-----------|------|------|------|------|-----------|------|------|------|------|------------|--------|-------|-------|-------|---------------|------|-----|-----|-----|---------|------|------|------|------|---------|-----|-----|-----|-----|----------------|------|------|------|------|
| Sipchem is something of a rarity in the Saudi petrochemicals sector. While the other big players like SABIC and PetroRabigh are owned directly or indirectly by the government, Sipchem is a company promoted by a private sector enterprise, the Zamil Industrial Group (the government owns only 8% through the Public Investment Fund). | Market cap (SAR/US\$) 7.77bn / 2.073bn<br>52-week range 16.55 - 25.91<br>Daily avg volume (US\$) 13.08mn<br>Shares outstanding 366.7mn<br>Free float (est) 68.8% | <table border="1"> <thead> <tr> <th>Period End</th> <th>12/10A</th> <th>12/11E</th> <th>12/12E</th> <th>12/13E</th> </tr> </thead> <tbody> <tr> <td>Revenue (SARmn)</td> <td>1,993</td> <td>3,066</td> <td>3,354</td> <td>3,632</td> </tr> <tr> <td>EBITDA (SARmn)</td> <td>1,069</td> <td>1,604</td> <td>1,693</td> <td>1,830</td> </tr> <tr> <td>Net Profit (SARmn)</td> <td>378</td> <td>499</td> <td>490</td> <td>587</td> </tr> <tr> <td>EPS (SAR)</td> <td>1.03</td> <td>1.36</td> <td>1.34</td> <td>1.60</td> </tr> <tr> <td>DPS (SAR)</td> <td>0.91</td> <td>1.00</td> <td>1.00</td> <td>0.88</td> </tr> <tr> <td>EPS Growth</td> <td>168.4%</td> <td>31.9%</td> <td>-1.8%</td> <td>19.8%</td> </tr> <tr> <td>EV/EBITDA (x)</td> <td>12.0</td> <td>8.4</td> <td>8.4</td> <td>8.0</td> </tr> <tr> <td>P/E (x)</td> <td>20.6</td> <td>15.6</td> <td>15.9</td> <td>13.2</td> </tr> <tr> <td>P/B (x)</td> <td>1.6</td> <td>1.5</td> <td>1.5</td> <td>1.4</td> </tr> <tr> <td>Dividend Yield</td> <td>4.3%</td> <td>4.7%</td> <td>4.7%</td> <td>4.2%</td> </tr> </tbody> </table> | Period End | 12/10A | 12/11E | 12/12E | 12/13E | Revenue (SARmn) | 1,993 | 3,066 | 3,354 | 3,632 | EBITDA (SARmn) | 1,069 | 1,604 | 1,693 | 1,830 | Net Profit (SARmn) | 378 | 499 | 490 | 587 | EPS (SAR) | 1.03 | 1.36 | 1.34 | 1.60 | DPS (SAR) | 0.91 | 1.00 | 1.00 | 0.88 | EPS Growth | 168.4% | 31.9% | -1.8% | 19.8% | EV/EBITDA (x) | 12.0 | 8.4 | 8.4 | 8.0 | P/E (x) | 20.6 | 15.6 | 15.9 | 13.2 | P/B (x) | 1.6 | 1.5 | 1.5 | 1.4 | Dividend Yield | 4.3% | 4.7% | 4.7% | 4.2% |
| Period End   | 12/10A   | 12/11E   | 12/12E     | 12/13E |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| Revenue (SARmn)  | 1,993  | 3,066  | 3,354      | 3,632  |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| EBITDA (SARmn)   | 1,069  | 1,604  | 1,693      | 1,830  |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| Net Profit (SARmn)   | 378  | 499  | 490        | 587    |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| EPS (SAR)  | 1.03   | 1.36   | 1.34       | 1.60   |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| DPS (SAR)  | 0.91   | 1.00   | 1.00       | 0.88   |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| EPS Growth   | 168.4%   | 31.9%  | -1.8%      | 19.8%  |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| EV/EBITDA (x)  | 12.0   | 8.4  | 8.4        | 8.0    |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| P/E (x)  | 20.6   | 15.6   | 15.9       | 13.2   |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| P/B (x)  | 1.6  | 1.5  | 1.5        | 1.4    |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
| Dividend Yield   | 4.3%   | 4.7%   | 4.7%       | 4.2%   |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
|  | Performance: 1M 3M 12M<br>Absolute -6.6% 0.3% -6.5%<br>Relative to index -7.6% -0.6% -6.5%   | Source: Company data, Al Rajhi Capital   |            |        |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
|  | Major Shareholder:<br>Al-Zamil Group Holding Co. 9.6%<br>National Industries Group Holding. 8.3%   |  |            |        |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |
|  | Source: Bloomberg, Al Rajhi Capital  |  |            |        |        |        |        |                 |       |       |       |       |                |       |       |       |       |                    |     |     |     |     |           |      |      |      |      |           |      |      |      |      |            |        |       |       |       |               |      |     |     |     |         |      |      |      |      |         |     |     |     |     |                |      |      |      |      |

## Sipchem: remains attractive Long term plans intact

We believe the Company's phase III expansion is on track. According to the Company, 0.2 MTPA ethylene vinyl acetate and low density polyethylene, and 0.1 MTPA ethyl acetate/butyl acetate swing complexes will start commercial production from H2 2013. Accordingly, we have revised our assumption regarding the commencement of phase III operations and have raised our 2013 revenue estimate by 5% to SAR3631mn as we expect the Company to start its phase III commercial production in H2 2013 as against our earlier estimate of 2014.

### Tapping the Indian demand

Sipchem is benefiting from huge demand from the Indian market which has become the focussed geography for the Company (China is reportedly stalled with an idle Methanol capacity of about 40-50%). With about 2Kg per capita consumption of Petrochemicals (around 25kg in the EU and around 35kg in North America, based on industry sources), India remains a key market for Petrochemicals companies. In addition, unlike China, which is witnessing massive and rapid capacity additions, the pace of new capacity in India is much slower due to numerous government regulations. In India, the Company is reportedly benefiting from the sanctions issued by UN against Iran which has decreased Iran's Petrochemicals exports to India.

### Looking forward: better results despite challenges

Below we present the key details of Sipchem's Q1 2011 results, and our estimates for Q2 2011.

Figure 1. Sipchem: Q1 and Q2 results (actual and our estimates)

| (SAR mn)                         | Q1 2010<br>actual | Q4 2010<br>actual | Q1 2011<br>actual | Q1 2011<br>ARC est | % chg<br>y-y  | Q2 2010<br>actual | Q2 2011<br>ARC est | % chg<br>y-y  |
|----------------------------------|-------------------|-------------------|-------------------|--------------------|---------------|-------------------|--------------------|---------------|
| <b>Revenues</b>                  | <b>306</b>        | <b>806</b>        | <b>693</b>        | <b>800</b>         | <b>126.8%</b> | <b>372</b>        | <b>810</b>         | <b>117.8%</b> |
| Gross profit                     | 185               | 436               | 381               | 456                | 105.6%        | 237               | 470                | 98.5%         |
| Gross margin                     | 60.7%             | 54.0%             | 55.0%             | 57.0%              | -567 bps      | 63.6%             | 58.0%              | -565 bps      |
| <b>EBITDA</b>                    | <b>171</b>        | <b>395</b>        | <b>354</b>        | <b>416</b>         | <b>106.9%</b> | <b>220</b>        | <b>429</b>         | <b>95.3%</b>  |
| EBITDA margin (%)                | 56.0%             | 49.0%             | 51.1%             | 52.0%              | -492 bps      | 59.1%             | 53.0%              | -612 bps      |
| Operating Profit                 | 135               | 281               | 240               | 257                | 78.5%         | 172               | 262                | 51.9%         |
| <b>Net profit</b>                | <b>81</b>         | <b>125</b>        | <b>121</b>        | <b>132</b>         | <b>48.9%</b>  | <b>88</b>         | <b>136</b>         | <b>55.3%</b>  |
| Capex                            | 146               | 179               | 142               | 313                | -2.6%         | (54)              | 313                | -678.7%       |
| Capex / Sales                    | 47.9%             | 22.2%             | 20.5%             | 39.0%              | n/m           | -14.5%            | 38.6%              | n/m           |
| Net debt                         | 3,200             | 3,350             | 3,142             | 3,789              | n/m           | 3,519             | 4,017              | n/m           |
| Net debt / Annualized EBITDA (x) | 4.7               | 2.1               | 2.2               | 2.3                | n/m           | 4.0               | 2.3                | n/m           |

Source: Company data, Al Rajhi Capital



Phase II expansion is driving strong revenue growth

We expect EPS to grow at a CAGR of 16% over 2010-13

Sipchem has one of the lowest cost structures in the world, supporting margins

| Income Statement (SARmn)                    | 12/09A        | 12/10A        | 12/11E        | 12/12E        | 12/13E        |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>                              | <b>830</b>    | <b>1,993</b>  | <b>3,066</b>  | <b>3,354</b>  | <b>3,632</b>  |
| Cost of Goods Sold                          | (424)         | (826)         | (1,317)       | (1,493)       | (1,620)       |
| <b>Gross Profit</b>                         | <b>407</b>    | <b>1,167</b>  | <b>1,749</b>  | <b>1,860</b>  | <b>2,012</b>  |
| Government Charges                          |               |               |               |               |               |
| S.G. & A. Costs                             | (238)         | (402)         | (770)         | (889)         | (883)         |
| <b>Operating EBIT</b>                       | <b>168</b>    | <b>764</b>    | <b>979</b>    | <b>971</b>    | <b>1,129</b>  |
| Cash Operating Costs                        | (495)         | (923)         | (1,462)       | (1,661)       | (1,801)       |
| EBITDA                                      | 336           | 1,069         | 1,604         | 1,693         | 1,830         |
| Depreciation and Amortisation               | (167)         | (305)         | (625)         | (722)         | (701)         |
| <b>Operating Profit</b>                     | <b>168</b>    | <b>764</b>    | <b>979</b>    | <b>971</b>    | <b>1,129</b>  |
| Net financing income/(costs)                | 42            | (100)         | (149)         | (155)         | (151)         |
| Forex and Related Gains                     |               |               |               |               |               |
| Provisions                                  | -             | -             | -             | -             | -             |
| Other Income                                | -             | (4)           | -             | -             | -             |
| Other Expenses                              |               |               |               |               |               |
| <b>Net Profit Before Taxes</b>              | <b>210</b>    | <b>660</b>    | <b>830</b>    | <b>816</b>    | <b>978</b>    |
| Taxes                                       | (40)          | (44)          | (33)          | (33)          | (39)          |
| Minority Interests                          | (29)          | (238)         | (298)         | (294)         | (352)         |
| <b>Net profit available to shareholders</b> | <b>141</b>    | <b>378</b>    | <b>499</b>    | <b>490</b>    | <b>587</b>    |
| Dividends                                   | (333)         | (333)         | (367)         | (367)         | (323)         |
| Transfer to Capital Reserve                 |               |               |               |               |               |
|   | <b>12/09A</b> | <b>12/10A</b> | <b>12/11E</b> | <b>12/12E</b> | <b>12/13E</b> |
| Adjusted Shares Out (mn)                    | 366.7         | 366.7         | 366.7         | 366.7         | 366.7         |
| CFPS (SAR)                                  | 0.920         | 2.513         | 3.876         | 4.105         | 4.474         |
| EPS (SAR)                                   | 0.384         | 1.031         | 1.360         | 1.335         | 1.600         |
| DPS (SAR)                                   | 0.909         | 0.909         | 1.000         | 1.000         | 0.880         |
|   | <b>12/09A</b> | <b>12/10A</b> | <b>12/11E</b> | <b>12/12E</b> | <b>12/13E</b> |
| <b>Growth</b>                               |               |               |               |               |               |
| Revenue Growth                              | -51.4%        | 139.9%        | 53.9%         | 9.4%          | 8.3%          |
| Gross Profit Growth                         | -65.1%        | 186.8%        | 50.0%         | 6.3%          | 8.2%          |
| EBITDA Growth                               | -69.4%        | 218.6%        | 50.0%         | 5.6%          | 8.1%          |
| Operating Profit Growth                     | -82.2%        | 354.0%        | 28.1%         | -0.8%         | 16.3%         |
| Net Profit Growth                           | -73.8%        | 168.4%        | 31.9%         | -1.8%         | 19.8%         |
| EPS Growth                                  | -79.0%        | 168.4%        | 31.9%         | -1.8%         | 19.8%         |
|   | <b>12/09A</b> | <b>12/10A</b> | <b>12/11E</b> | <b>12/12E</b> | <b>12/13E</b> |
| <b>Margins</b>                              |               |               |               |               |               |
| Gross profit margin                         | 49.0%         | 58.5%         | 57.1%         | 55.5%         | 55.4%         |
| EBITDA margin                               | 40.4%         | 53.7%         | 52.3%         | 50.5%         | 50.4%         |
| Operating Margin                            | 20.3%         | 38.4%         | 31.9%         | 29.0%         | 31.1%         |
| Pretax profit margin                        | 25.3%         | 33.1%         | 27.1%         | 24.3%         | 26.9%         |
| Net profit margin                           | 17.0%         | 19.0%         | 16.3%         | 14.6%         | 16.2%         |
|   | <b>12/09A</b> | <b>12/10A</b> | <b>12/11E</b> | <b>12/12E</b> | <b>12/13E</b> |
| <b>Other Ratios</b>                         |               |               |               |               |               |
| ROCE  | 1.5%          | 6.9%          | 8.7%          | 8.2%          | 9.1%          |
| ROIC  | 1.9%          | 8.0%          | 10.0%         | 9.1%          | 9.8%          |
| ROE   | 2.8%          | 7.7%          | 9.9%          | 9.5%          | 11.0%         |
| Effective Tax Rate                          | 19.2%         | 6.7%          | 4.0%          | 4.0%          | 4.0%          |
| Capex/Sales                                 | 188.4%        | 18.9%         | 35.2%         | 44.7%         | 40.0%         |
| Dividend Payout Ratio                       | 236.6%        | 88.2%         | 73.5%         | 74.9%         | 55.0%         |
|   | <b>12/09A</b> | <b>12/10A</b> | <b>12/11E</b> | <b>12/12E</b> | <b>12/13E</b> |
| <b>Valuation Measures</b>                   |               |               |               |               |               |
| P/E (x)                                     | 55.2          | 20.6          | 15.6          | 15.9          | 13.2          |
| P/CF (x)                                    | 23.0          | 8.4           | 5.5           | 5.2           | 4.7           |
| P/B (x)                                     | 1.6           | 1.6           | 1.5           | 1.5           | 1.4           |
| EV/Sales (x)                                | 14.8          | 6.4           | 4.4           | 4.2           | 4.1           |
| EV/EBITDA (x)                               | 36.7          | 12.0          | 8.4           | 8.4           | 8.0           |
| EV/EBIT (x)                                 | 73.1          | 16.8          | 13.8          | 14.6          | 13.0          |
| EV/IC (x)                                   | 1.4           | 1.4           | 1.3           | 1.3           | 1.2           |
| Dividend Yield                              | 4.3%          | 4.3%          | 4.7%          | 4.7%          | 4.2%          |

Source: Company data, Al Rajhi Capital



Phase II & Phase III programmes are expanding the balance sheet

Higher net debt results from the Phase II and Phase III expansion plans

While much capex has been finished, we expect capex to remain heavy over 2011-2013

| <b>Balance Sheet (SARmn)</b>                         | <b>12/09A</b>  | <b>12/10A</b> | <b>12/11E</b>  | <b>12/12E</b>  | <b>12/13E</b>  |
|--|----------------|---------------|----------------|----------------|----------------|
| Cash and Cash Equivalents                            | 1,831          | 1,621         | 1,028          | 750            | 485            |
| Current Receivables                                  | 308            | 596           | 869            | 931            | 981            |
| Inventories  | 79             | 209           | 322            | 345            | 363            |
| Other current assets                                 | 0              | -             | -              | -              | -              |
| <b>Total Current Assets</b>                          | <b>2,218</b>   | <b>2,426</b>  | <b>2,219</b>   | <b>2,027</b>   | <b>1,828</b>   |
| Fixed Assets   | 9,569          | 9,568         | 10,014         | 10,792         | 11,543         |
| Investments  | -              | -             | -              | -              | -              |
| Goodwill   | 31             | 33            | 42             | 42             | 42             |
| Other Intangible Assets                              | -              | -             | -              | -              | -              |
| Total Other Assets                                   | -              | -             | -              | -              | -              |
| <b>Total Non-current Assets</b>                      | <b>9,601</b>   | <b>9,601</b>  | <b>10,056</b>  | <b>10,834</b>  | <b>11,586</b>  |
| <b>Total Assets</b>                                  | <b>11,818</b>  | <b>12,027</b> | <b>12,275</b>  | <b>12,861</b>  | <b>13,414</b>  |
| Short Term Debt                                      | 283            | 410           | 440            | 440            | 440            |
| Accounts Payable                                     | 620            | 447           | 483            | 517            | 545            |
| Accrued Expenses                                     | -              | -             | -              | -              | -              |
| Zakat Payable  | -              | -             | -              | -              | -              |
| Dividends Payable                                    | -              | -             | -              | -              | -              |
| Other Current Liabilities                            | -              | -             | -              | -              | -              |
| <b>Total Current Liabilities</b>                     | <b>903</b>     | <b>857</b>    | <b>923</b>     | <b>957</b>     | <b>985</b>     |
| Long-Term Debt                                       | 4,642          | 4,561         | 4,500          | 4,840          | 5,040          |
| Other LT Payables                                    | 401            | 543           | 521            | 521            | 521            |
| Provisions   | 40             | 53            | 55             | 55             | 55             |
| <b>Total Non-current Liabilities</b>                 | <b>5,083</b>   | <b>5,156</b>  | <b>5,077</b>   | <b>5,417</b>   | <b>5,617</b>   |
| Minority interests                                   | 910            | 1,092         | 1,176          | 1,264          | 1,369          |
| Paid-up share capital                                | 3,333          | 3,333         | 3,667          | 3,667          | 3,667          |
| Total Reserves                                       | 1,589          | 1,588         | 1,434          | 1,557          | 1,777          |
| <b>Total Shareholders' Equity</b>                    | <b>4,922</b>   | <b>4,921</b>  | <b>5,100</b>   | <b>5,223</b>   | <b>5,443</b>   |
| <b>Total Equity</b>                                  | <b>5,832</b>   | <b>6,014</b>  | <b>6,276</b>   | <b>6,487</b>   | <b>6,813</b>   |
| <b>Total Liabilities &amp; Shareholders' Equity</b>  | <b>11,818</b>  | <b>12,027</b> | <b>12,275</b>  | <b>12,861</b>  | <b>13,414</b>  |
| <b>Ratios</b>  | <b>12/09A</b>  | <b>12/10A</b> | <b>12/11E</b>  | <b>12/12E</b>  | <b>12/13E</b>  |
| Net Debt (SARmn)                                     | 3,094          | 3,350         | 3,912          | 4,530          | 4,995          |
| Net Debt/EBITDA (x)                                  | 9.22           | 3.13          | 2.44           | 2.68           | 2.73           |
| Net Debt to Equity                                   | 53.0%          | 55.7%         | 62.3%          | 69.8%          | 73.3%          |
| EBITDA Interest Cover (x)                            | (8.0)          | 10.7          | 10.8           | 10.9           | 12.1           |
| BVPS (SAR)   | 13.42          | 13.42         | 13.91          | 14.25          | 14.85          |
| <b>Cashflow Statement (SARmn)</b>                    | <b>12/09A</b>  | <b>12/10A</b> | <b>12/11E</b>  | <b>12/12E</b>  | <b>12/13E</b>  |
| <b>Net Income before Tax &amp; Minority Interest</b> | <b>210</b>     | <b>660</b>    | <b>830</b>     | <b>816</b>     | <b>978</b>     |
| Depreciation & Amortisation                          | 167            | 305           | 625            | 722            | 701            |
| Decrease in Working Capital                          | (283)          | (535)         | (364)          | (51)           | (40)           |
| Other Operating Cashflow                             | (269)          | (55)          | (22)           | (33)           | (39)           |
| <b>Cashflow from Operations</b>                      | <b>(175)</b>   | <b>375</b>    | <b>1,068</b>   | <b>1,454</b>   | <b>1,600</b>   |
| Capital Expenditure                                  | (1,565)        | (376)         | (1,080)        | (1,500)        | (1,453)        |
| New Investments                                      | 238            | 79            | -              | -              | -              |
| Others   | -              | (9)           | -              | -              | -              |
| <b>Cashflow from investing activities</b>            | <b>(1,327)</b> | <b>(306)</b>  | <b>(1,080)</b> | <b>(1,500)</b> | <b>(1,453)</b> |
| <b>Net Operating Cashflow</b>                        | <b>(1,502)</b> | <b>69</b>     | <b>(12)</b>    | <b>(46)</b>    | <b>147</b>     |
| Dividends paid to ordinary shareholders              | (333)          | (336)         | (333)          | (367)          | (367)          |
| Proceeds from issue of shares                        | -              | -             | -              | -              | -              |
| Effects of Exchange Rates on Cash                    | -              | -             | -              | -              | -              |
| Other Financing Cashflow                             | (216)          | (48)          | (217)          | (206)          | (246)          |
| <b>Cashflow from financing activities</b>            | <b>752</b>     | <b>(280)</b>  | <b>(581)</b>   | <b>(232)</b>   | <b>(413)</b>   |
| Total cash generated                                 | (750)          | (211)         | (593)          | (278)          | (266)          |
| Cash at beginning of period                          | 2,581          | 1,831         | 1,621          | 1,028          | 750            |
| <b>Implied cash at end of year</b>                   | <b>1,831</b>   | <b>1,621</b>  | <b>1,028</b>   | <b>750</b>     | <b>485</b>     |
| <b>Ratios</b>  | <b>12/09A</b>  | <b>12/10A</b> | <b>12/11E</b>  | <b>12/12E</b>  | <b>12/13E</b>  |
| Capex/Sales  | 188.4%         | 18.9%         | 35.2%          | 44.7%          | 40.0%          |

Source: Company data, Al Rajhi Capital

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#### 1. 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 15% above the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

"**Neutral**": We expect the share price to settle at a level between 5% below the current share price and 15% above the current share price on a 6-9 month time horizon.

"**Underweight**": Our target price is more than 5% below the current share price, and we expect the share price to reach the target on a 6-9 month time horizon.

#### 2. Definitions

"**Time horizon**": Our analysts make recommendations on a 6-9 month time horizon. In other words, they expect a given stock to reach their target price within that time.

"**Fair value**": We estimate fair 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.

"**Target price**": This may be identical to estimated fair value per share, but is not necessarily the same. There may be very good reasons why a share price is unlikely to reach fair value within our time horizon. In such a case we set a target price which differs from estimated fair value per share, and explain our reasons for doing so.

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

**Dr. Saleh Alsuhaibani**  
Head of Research  
Tel: +966 1 2119434  
alsuhaibanis@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](mailto:research@alrajhi-capital.com)

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