



**US\$21.49bn** Market cap  
**16.4%** Free float  
**US\$9.23mn** Avg. daily volume

Target price **44.10** 9.4% over current  
Consensus price **51.70** 28.3% over current  
Current price **40.30** as at 9/2/2011

Research Department  
Head of Equity Research  
Tel ,

Underweight **Neutral** Overweight

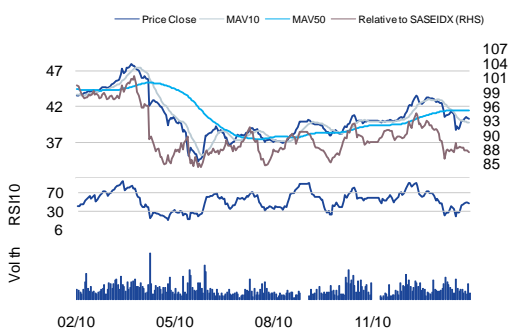
#### Key themes

We expect mobile to outperform fixed-line telecoms in Saudi Arabia over the next few years. Growth in 3.5G mobile broadband threatens the DSL market dominated by STC. We regard STC's overseas expansion as confused and think that Mobily in particular has taken advantage of STC's distraction to strengthen its position in the domestic market.

#### Implications

With questions about its strategy and dull near-term earnings prospects, STC lacks catalysts for share price performance. However, STC is relatively inexpensive and its 7.7% yield offers support. We rate STC Neutral.

#### Performance

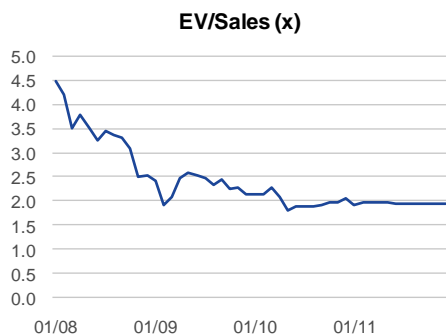


#### Earnings

Period End (SAR)	12/10A	12/11E	12/12E	12/13E
Revenue (mn)	51,787	52,971	55,256	57,894
Revenue Growth	2.0%	2.3%	4.3%	4.8%
EBITDA (mn)	19,625	20,630	21,992	23,447
EBITDA Growth	-4.8%	5.1%	6.6%	6.6%
EPS	4.72	4.59	5.02	5.37
EPS Growth	-13.1%	-2.7%	9.4%	6.9%

Source: Company data, Al Rajhi Capital

#### Valuation



Source: Company data, Al Rajhi Capital

## STC Solid but unexciting

*This report follows our Flash View of 22nd January. STC's Q4 2010 results were uninspiring and we have trimmed our forecasts. However, we expect a modest acceleration in growth over 2011-12, and we have left our target price unchanged at SAR44.1. STC yields 7.7%, but Mobily offers a better combination of potential capital return and rising dividend payments. We remain Neutral.*

**Respectable sales growth:** Sales of SAR13.44bn were up by 3.2% year-on-year and very close to our forecast. Growth of 3.2% follows 2.3% in Q3 and supports our view that STC is picking up from the trough in its growth rates in H1. That said, it is slightly disappointing that Q4 sales grew by only 1.6% from Q3 despite the strength of the Saudi broadband market and a robust Hajj season in Q4.

**EBITDA growth uninspiring:** EBITDA of SAR5,245mn was up by 10% versus a weak Q4 2009, and down by 3% compared to Q3. Again, we think this outcome could have been more impressive given the strength of the domestic broadband market and the Hajj season in Q4. The EBITDA margin of 39.0% was well above the 36.4% level of Q4 2010. That said, the margin contracted by 1.9 percentage points from the level of Q3 and was well below our estimate of 40.5%.

**Operating profit under pressure:** Depreciation and amortisation charges have been rising as STC's overseas investment continues, weighing on operating profit. In this regard Q4 2010 was little different. Operating profit of SAR3,028mn was up by 15% year-on-year, showing robust growth but from a depressed base; compared to Q3, however, operating profit declined by 7%.

**Underlying net profit growth flat to negative:** Net profit was SAR2,290mn in Q4. Net profit of SAR2,983mn in Q4 2009 included a capital gain of SAR684mn on the sale of shares in Maxis Malaysia. Excluding this item, underlying net profit growth was essentially flat (-0.4%). Net profit of SAR3,317mn for Q3 included a capital gain of SAR728mn on the sale of mobile towers in India. Excluding this item, underlying net profit fell by nearly 12% quarter-on-quarter.

**New forecasts:** After the Q4 results, we have trimmed our forecasts for STC. We still expect sales to pick up gradually from now on, and predict sales growth of 2.3% in 2011 followed by 4.3% in 2012. We predict EBITDA growth of 5% in 2011 and 7% in 2012, but to levels a few per cent below our previous forecasts. We predict operating profit growth of 7% in 2011 and 9% in 2012, with the impact of rising depreciation steadily fading. We expect net profit to fall by 3% in 2011 due to our assumption that the large capital gains and foreign exchange profits posted in 2010 will not recur; excluding these items, we expect net profit to grow by 10% this year. For 2012, we predict net profit growth of 9%.

**Valuation:** We value STC using a combination of long-run discounted economic profit and comparative multiples analysis. The modest downgrades that we have made to our forecasts do not affect our long-run valuation significantly. We have thus left our target price unchanged at SAR44.1. This is 15% below the reported Bloomberg consensus level of SAR51.7, which appears to reflect assumptions about rapid acceleration in growth rates that we view as improbable. STC is financially healthy and offers a generous 7.7% dividend yield. However, we think Mobily offers a more attractive combination of potential high capital return and rising dividends. Our rating on STC remains Neutral.



Corporate summary	Share information	Valuation																																																							
STC is the largest telecoms operator in the GCC region, with a market value of US\$22bn. STC completely dominates the Saudi fixed-line telecoms market and retains the highest share of the mobile market by revenues. STC is committed to expansion by investment abroad and acquisition, and has made major investments in Turkey, Malaysia, South Africa and elsewhere. These investments account for around one-quarter of its value.	Market cap (SAR/US\$) 80.60bn / 21.49bn 52-week range 34.30 - 48.00 Daily avg volume (US\$) 9.23mn Shares outstanding 2,000mn Free float (est) 16.4%  Performance: 1M 3M 12M Absolute -6.3% 0.8% -7.2% Relative to index -4.6% -1.7% -13.8%  Major Shareholder: Public Investment Fund 70% Gen. Organisation for Social Insc. 7%	<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>51,787</td> <td>52,971</td> <td>55,256</td> <td>57,894</td> </tr> <tr> <td>EBITDA (SARmn)</td> <td>19,625</td> <td>20,630</td> <td>21,992</td> <td>23,447</td> </tr> <tr> <td>Net Profit (SARmn)</td> <td>9,440</td> <td>9,186</td> <td>10,045</td> <td>10,735</td> </tr> <tr> <td>EPS (SAR)</td> <td>4.72</td> <td>4.59</td> <td>5.02</td> <td>5.37</td> </tr> <tr> <td>DPS (SAR)</td> <td>3.00</td> <td>3.09</td> <td>3.24</td> <td>3.47</td> </tr> <tr> <td>EPS Growth</td> <td>-13.1%</td> <td>-2.7%</td> <td>9.4%</td> <td>6.9%</td> </tr> <tr> <td>EV/EBITDA (x)</td> <td>5.2</td> <td>5.0</td> <td>4.6</td> <td>4.3</td> </tr> <tr> <td>P/E (x)</td> <td>8.5</td> <td>8.8</td> <td>8.0</td> <td>7.5</td> </tr> <tr> <td>P/B (x)</td> <td>1.8</td> <td>1.7</td> <td>1.6</td> <td>1.4</td> </tr> <tr> <td>Dividend Yield</td> <td>7.4%</td> <td>7.7%</td> <td>8.1%</td> <td>8.6%</td> </tr> </tbody> </table> Source: Company data, Al Rajhi Capital	Period End	12/10A	12/11E	12/12E	12/13E	Revenue (SARmn)	51,787	52,971	55,256	57,894	EBITDA (SARmn)	19,625	20,630	21,992	23,447	Net Profit (SARmn)	9,440	9,186	10,045	10,735	EPS (SAR)	4.72	4.59	5.02	5.37	DPS (SAR)	3.00	3.09	3.24	3.47	EPS Growth	-13.1%	-2.7%	9.4%	6.9%	EV/EBITDA (x)	5.2	5.0	4.6	4.3	P/E (x)	8.5	8.8	8.0	7.5	P/B (x)	1.8	1.7	1.6	1.4	Dividend Yield	7.4%	7.7%	8.1%	8.6%
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## Summary of Q4 2010 results

Figure 1. STC: Q4 2010 results

(SAR mn)	Q4 2009 actual	Q3 2010 actual	Q4 2010 actual	% chg. y-y	Q4 2010 ARC est.	Comment
<b>Revenues</b>	<b>13,029</b>	<b>13,232</b>	<b>13,444</b>	<b>3.2%</b>	13,445	Revenue growth of 3.2% y-o-y was slightly stronger than 2.3% in Q3 and almost exactly the same as our forecast. We think STC is picking up gradually from the trough in growth in H1 2010.
Cash operating costs excl. SG&A	-6,187	-6,116	-6,347	2.6%	-6,252	Above our forecast.
SG&A costs	-2,068	-1,699	-1,852	-10.5%	-1,748	SG& costs remain under pressure.
<b>EBITDA</b>	<b>4,773</b>	<b>5,417</b>	<b>5,244</b>	<b>9.9%</b>	5,445	Up by 10% compared to a weak Q4 2009, and down by 3% compared to Q3. We think this outcome could have been more impressive given the strength of the domestic broadband market and the Hajj season in 2010.
EBITDA margin (%)	36.6%	40.9%	39.0%	+2.4pp	40.5%	The EBITDA margin is returning to a more normal level; it was very depressed between Q4 2009 and Q2 2010. But still well below our forecast.
Depn. & amortisation	-2,136	-2,162	-2,217	3.8%	-2,233	D&A charges continue to rise, reflecting STC's investments overseas.
<b>Operating profit</b>	<b>2,637</b>	<b>3,255</b>	<b>3,028</b>	<b>14.8%</b>	3,212	Robust y-o-y growth but from a low base, and down by 7% compared to Q3. This is not an impressive outcome.
Financing cost	-230	-543	-306	32.7%	-265	Financial charges in Q3 were unusually high due to one-time factors. This item declined quarter-on-quarter as we had expected.
Foreign exchange gains/losses	94	254	19	-79.4%	0	Almost immaterial in Q4.
Other	130	47	-85	-165.4%	0	This item is very volatile.
Net income before tax	2,630	3,013	2,656	1.0%	2,947	N/A
Tax and zakat	-262	-216	-245	-6.4%	-311	STC's tax charge is trending upwards over time as the contribution from overseas operations increases.
Minority interest	-72	-208	-121	68.0%	-118	Gradually rising as the contribution from overseas operations increases.
Exceptional items	687	728	0	-100.0%	0	The major exceptional positive items of Q4 2009 and Q3 2010 did not recur.
<b>Net profit</b>	<b>2,983</b>	<b>3,317</b>	<b>2,290</b>	<b>-23.2%</b>	2,518	Net profit declined y-o-y and q-o-q due to the non-recurrence of major exceptional profits. Adjusting for these items, net profit was flat y-o-y and down by 12% q-o-q.
Capex	2,673	6,098	3,432	28.4%	3,913	Down from the surprisingly high level of Q3 but still high; STC continues to invest heavily.
Capex/sales (%)	20.5%	46.1%	25.5%	+5.0pp	29.1%	As above
Net debt	23,580	24,289	24,284	3.0%	25,219	Almost unchanged compared to Q3.
Net debt/annualised EBITDA (x)	1.2	1.1	1.2	n/m	1.2	STC is financially very healthy, although Mobily is now even stronger on this measure.

Source: Company data, Al Rajhi Capital

## Details of our new forecasts

After the uninspiring Q4 results, we have trimmed our forecasts for STC. We still expect sales to pick up gradually from now on, and predict sales growth of 2.3% in 2011 followed by 4.3% in 2012. We would be expecting faster sales growth in 2011 but for the recent strength of the US dollar, to which the Saudi riyal is pegged. We predict EBITDA growth of 5% in 2011 and 7% in 2012, but to levels a few per cent below our previous forecasts. We predict operating profit growth of 7% in 2011 and 9% in 2012, with the impact of rising depreciation steadily fading. We expect net profit to fall by 3% in 2011 due to our assumption that the large capital gains and foreign exchange profits recorded in 2010 will not recur; excluding these items, we expect net profit to grow by 10% this year. For 2012, we predict both nominal and underlying



net profit growth of 9%. Note: we have not assumed any capital gains or foreign exchange profits or losses in either 2011 or 2012.

Our new forecasts for STC are summarised below.

**Figure 2. Summary of new forecasts for 2011 and 2012**

(SAR mn)	2009A	2010A	% chg. y-on-y	2011E	% chg. y-on-y	2012E	% chg. y-on-y	Old 2011 est.	Old 2012 est.
Revenues	50,780	51,787	2.0%	52,971	2.3%	55,256	4.3%	53,693	56,782
EBITDA	20,612	19,625	-4.8%	20,630	5.1%	21,992	6.6%	20,996	22,713
EBITDA margin (%)	40.6%	37.9%	-2.7pp	38.9%	+1.0pp	39.8%	+0.9pp	39.1%	40.0%
Operating profit	12,814	10,981	-14.3%	11,734	6.9%	12,820	9.3%	12,266	13,453
Reported net profit	10,863	9,440	-13.1%	9,186	-2.7%	10,045	9.4%	9,595	10,611
Underlying net profit	9,534	8,340	-12.5%	9,186	10.1%	10,045	9.4%	9,595	10,611

Source: Company data, Al Rajhi Capital



Excluding currency impact, we expect a gradual pick-up in sales growth from now on

We expect the dividend to rise gradually

Operating profit fell for the second year running in 2010, but we expect it to pick up from now on

The EBITDA margin shrank by 2.8 percentage points in 2010, but we expect it to expand over the next three years

ROIC remains well above cost of capital; STC is generating economic profits

Income Statement (SARmn)	12/09A	12/10A	12/11E	12/12E	12/13E
<b>Revenue</b>	<b>50,780</b>	<b>51,787</b>	<b>52,971</b>	<b>55,256</b>	<b>57,894</b>
Access Charges	(7,494)	(8,086)	(7,815)	(8,067)	(8,395)
Employee Costs	(6,772)	(6,590)	(6,092)	(6,244)	(6,368)
Government Charges	(5,664)	(5,710)	(5,721)	(5,968)	(6,195)
S.G. & A. Costs	(7,614)	(7,110)	(7,416)	(7,460)	(7,700)
Repairs & Maintenance Costs	(2,623)	(4,665)	(5,297)	(5,526)	(5,789)
<b>Operating EBIT</b>	<b>12,814</b>	<b>10,981</b>	<b>11,734</b>	<b>12,820</b>	<b>13,754</b>
Cash Operating Costs	(30,168)	(32,162)	(32,341)	(33,264)	(34,447)
<b>EBITDA</b>	<b>20,612</b>	<b>19,625</b>	<b>20,630</b>	<b>21,992</b>	<b>23,447</b>
Depreciation and Amortisation	(7,799)	(8,645)	(8,896)	(9,172)	(9,693)
<b>Operating Profit</b>	<b>12,814</b>	<b>10,981</b>	<b>11,734</b>	<b>12,820</b>	<b>13,754</b>
Net financing income/(costs)	(1,023)	(1,497)	(958)	(991)	(954)
Forex and Related Gains	642	372	-	-	-
Provisions	(811)	(606)	-	-	-
Other Income	(178)	1,005	-	-	-
Other Expenses					
<b>Net Profit Before Taxes</b>	<b>12,130</b>	<b>10,983</b>	<b>10,776</b>	<b>11,829</b>	<b>12,800</b>
Taxes	(977)	(939)	(1,051)	(1,074)	(1,169)
Minority Interests	(290)	(604)	(539)	(710)	(896)
<b>Net profit available to shareholders</b>	<b>10,863</b>	<b>9,440</b>	<b>9,186</b>	<b>10,045</b>	<b>10,735</b>
Dividends	(6,000)	(6,000)	(6,180)	(6,489)	(6,943)
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)	2,000	2,000	2,000	2,000	2,000
CFPS (SAR)	9.48	9.34	9.31	9.96	10.66
EPS (SAR)	5.43	4.72	4.59	5.02	5.37
DPS (SAR)	3.000	3.000	3.090	3.245	3.472
<b>Growth</b>	<b>12/09A</b>	<b>12/10A</b>	<b>12/11E</b>	<b>12/12E</b>	<b>12/13E</b>
Revenue Growth	7.0%	2.0%	2.3%	4.3%	4.8%
EBITDA Growth	-5.2%	-4.8%	5.1%	6.6%	6.6%
Operating Profit Growth	-16.4%	-14.3%	6.9%	9.3%	7.3%
Net Profit Growth	-1.6%	-13.1%	-2.7%	9.4%	6.9%
EPS Growth	-1.6%	-13.1%	-2.7%	9.4%	6.9%
<b>Margins</b>	<b>12/09A</b>	<b>12/10A</b>	<b>12/11E</b>	<b>12/12E</b>	<b>12/13E</b>
EBITDA margin	40.6%	37.9%	38.9%	39.8%	40.5%
Operating Margin	25.2%	21.2%	22.2%	23.2%	23.8%
Pretax profit margin	23.9%	21.2%	20.3%	21.4%	22.1%
Net profit margin	21.4%	18.2%	17.3%	18.2%	18.5%
<b>Other Ratios</b>	<b>12/09A</b>	<b>12/10A</b>	<b>12/11E</b>	<b>12/12E</b>	<b>12/13E</b>
ROCE	16.6%	13.5%	13.9%	14.4%	14.7%
ROIC	15.8%	12.2%	12.7%	13.4%	13.6%
ROE	27.3%	21.7%	19.7%	20.1%	20.0%
Effective Tax Rate	8.1%	8.5%	9.7%	9.1%	9.1%
Capex/Sales	30.8%	28.3%	25.3%	24.6%	24.0%
Dividend Payout Ratio	55.2%	63.6%	67.3%	64.6%	64.7%
<b>Valuation Measures</b>	<b>12/09A</b>	<b>12/10A</b>	<b>12/11E</b>	<b>12/12E</b>	<b>12/13E</b>
P/E (x)	7.4	8.5	8.8	8.0	7.5
P/CF (x)	4.3	4.3	4.3	4.0	3.8
P/B (x)	1.9	1.8	1.7	1.6	1.4
EV/Sales (x)	2.0	2.0	1.9	1.8	1.7
EV/EBITDA (x)	4.9	5.2	5.0	4.6	4.3
EV/EBIT (x)	7.9	9.3	8.8	7.9	7.3
EV/IC (x)	1.2	1.2	1.2	1.1	1.0
Dividend Yield	7.4%	7.4%	7.7%	8.1%	8.6%

Source: Company data, Al Rajhi Capital



STC's balance sheet is expanding as a result of investment overseas

Balance Sheet (SARmn)	12/09A	12/10A	12/11E	12/12E	12/13E
Cash and Cash Equivalents	7,710	5,904	5,221	6,445	7,455
Current Receivables	11,461	8,847	9,148	12,156	12,737
Inventories	710	732	807	829	868
Other current assets	2,782	3,183	3,183	3,183	3,183
<b>Total Current Assets</b>	<b>22,663</b>	<b>18,666</b>	<b>18,359</b>	<b>22,613</b>	<b>24,243</b>
Fixed Assets	52,737	55,135	60,773	66,323	71,654
Investments	2,533	2,540	2,540	2,540	2,540
Goodwill	-	-	-	-	-
Other Intangible Assets	29,222	31,806	30,676	29,546	28,416
<b>Total Other Assets</b>	<b>2,433</b>	<b>2,561</b>	<b>2,561</b>	<b>2,561</b>	<b>2,561</b>
<b>Total Non-current Assets</b>	<b>86,924</b>	<b>92,043</b>	<b>96,550</b>	<b>100,970</b>	<b>105,170</b>
<b>Total Assets</b>	<b>109,587</b>	<b>110,709</b>	<b>114,909</b>	<b>123,582</b>	<b>129,413</b>
Short Term Debt	8,579	8,452	8,452	8,452	8,452
Trade Payables	20,762	18,190	18,785	23,115	24,144
Dividends Payable	-	-	-	-	-
Other Current Liabilities	(0)	0	-	0	(0)
<b>Total Current Liabilities</b>	<b>29,341</b>	<b>26,642</b>	<b>27,237</b>	<b>31,567</b>	<b>32,596</b>
Long-Term Debt	22,711	21,736	21,736	21,736	21,736
Other LT Payables	3,859	5,868	5,868	5,868	5,868
Provisions	2,844	2,995	2,995	2,995	2,995
<b>Total Non-current Liabilities</b>	<b>29,414</b>	<b>30,599</b>	<b>30,599</b>	<b>30,599</b>	<b>30,599</b>
Minority interests	8,798	8,469	9,008	9,718	10,614
Paid-up share capital	20,000	20,000	20,000	20,000	20,000
Total Reserves	22,035	24,998	28,065	31,698	35,604
<b>Total Shareholders' Equity</b>	<b>42,035</b>	<b>44,998</b>	<b>48,065</b>	<b>51,698</b>	<b>55,604</b>
<b>Total Equity</b>	<b>50,833</b>	<b>53,468</b>	<b>57,073</b>	<b>61,416</b>	<b>66,218</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>109,587</b>	<b>110,709</b>	<b>114,909</b>	<b>123,582</b>	<b>129,413</b>

STC's financial ratios are mostly very health

Ratios	12/09A	12/10A	12/11E	12/12E	12/13E
Net Debt (SARmn)	23,580	24,284	24,967	23,744	22,733
Net Debt/EBITDA (x)	1.14	1.24	1.21	1.08	0.97
Net Debt to Equity	46.4%	45.4%	43.7%	38.7%	34.3%
EBITDA Interest Cover (x)	20.1	13.1	21.5	22.2	24.6
BVPS (SAR)	21.02	22.50	24.03	25.85	27.80

While capex has exceeded 30% of sales for three years, we expect investment spending to moderate from now on

Cashflow Statement (SARmn)	12/09A	12/10A	12/11E	12/12E	12/13E
Net Income before Tax & Minority Interest	12,130	10,983	10,776	11,829	12,800
Depreciation & Amortisation	7,799	8,645	8,896	9,172	9,693
Decrease in Working Capital	(3,671)	175	219	1,300	409
Other Operating Cashflow	(302)	(1,024)	(1,051)	(1,074)	(1,169)
<b>Cashflow from Operations</b>	<b>15,956</b>	<b>18,780</b>	<b>18,840</b>	<b>21,227</b>	<b>21,733</b>
Capital Expenditure	(15,637)	(14,677)	(13,404)	(13,591)	(13,894)
New Investments	-	(75)	-	-	-
Others	2,094	1,706	-	-	-
<b>Cashflow from investing activities</b>	<b>(13,542)</b>	<b>(13,046)</b>	<b>(13,404)</b>	<b>(13,591)</b>	<b>(13,894)</b>
<b>Net Operating Cashflow</b>	<b>2,413</b>	<b>5,734</b>	<b>5,437</b>	<b>7,636</b>	<b>7,840</b>
Dividends paid to ordinary shareholders	(5,943)	(6,109)	(6,120)	(6,412)	(6,830)
Proceeds from issue of shares	-	-	-	-	-
Effects of Exchange Rates on Cash	-	-	-	-	-
Other Financing Cashflow	3,874	(329)	-	-	-
<b>Cashflow from financing activities</b>	<b>(2,764)</b>	<b>(7,540)</b>	<b>(6,120)</b>	<b>(6,412)</b>	<b>(6,830)</b>
Total cash generated	(351)	(1,806)	(683)	1,224	1,010
Cash at beginning of period	8,061	7,710	5,904	5,221	6,445
<b>Implied cash at end of year</b>	<b>7,710</b>	<b>5,904</b>	<b>5,221</b>	<b>6,445</b>	<b>7,455</b>

Ratios	12/09A	12/10A	12/11E	12/12E	12/13E
Capex/Sales	30.8%	28.3%	25.3%	24.6%	24.0%

Source: Company data, Al Rajhi Capital



## Disclaimer and additional disclosures for Equity Research

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### Additional disclosures

#### 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.

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