Saudi stock market: Q4 2009 results
Positive in the current environment

The Saudi economy was well supported in 2009 by high government spending, especially in construction and non-oil sectors which are a top priority for the government, in order to reduce the country's dependence on oil. A sharp increase in crude prices and global demand mitigated the threat of earnings slowdown and uncertainty. These factors help explain why the Saudi stock market achieved stronger results in Q4 2009 than might have been expected. A strong recovery in the key petrochemicals sector, the second largest in the market, and a resilient performance in banks, the largest sector overall, provide reassuring indications for a solid market performance in 2010.

The Q4 results support the stance on the market that we put forward in our Saudi equity strategy report of December 2009. The key sectors that we rate as Overweight are Petrochemicals, Cement and Agriculture. While the market background in Telecoms, the third largest sector, is favourable, for company-specific reasons we are only recommending one of the operators (Mobily), and so our stance on the sector overall is Neutral. (See our report "Saudi Telecoms Sector: we prefer jam today" of January 2010 for further details.) We continue to rate Banks, Energy, Industrial, Retail, and Transport as Neutral mainly due to a lack of short-term catalysts. Likewise we continue to rate Building, Hotels, and Real Estate as Underweight given a subdued earnings outlook in difficult economic conditions globally.

Highlights of our summary of results across the major sectors are as follows:

Petrochemicals: On a recovery. The petrochemicals sector was severely hit by the global economic slowdown which started in the second half of 2008 and continued into 2009. The economic scenario changed in the second half of 2009, driven by government stimulus plans announced by various developed and developing countries and the global demand for crude oil recovered. Overall results for the sector were impressive for the fourth quarter with a total combined net profit of SAR0.51bn against a net loss of SAR0.36bn recorded during the same period last year. For 2009 as a whole, the sector revenues fell 14.4% to SAR 153.3 bn while net profit declined 60.2% to SAR 10.5 bn.

Banking: playing it safe. The domestic banking sector, after having a good run during the last 4-5 years came under pressure as it felt the heat from the global financial crisis in the latter half of FY 2008-09. Against this backdrop, the performance overall for fiscal 2009 looks quite satisfactory. The banking sector's overall net income declined by 9.6% (SAR21.62bn in FY09 against SAR23.91bn in FY08), although in Q4 the decline was more severe. In Q4 ,the combined net income of all banks fell 39.8% to SAR 2.76bn compared to SAR4.58bn in Q4 2008. The deposit base of overall banks increased 3.3% to SAR775 bn (YoY) and total assets rose 0.9% to SAR1,048 bn (YoY).

Telecoms: surging ahead. The Saudi telecoms market is still booming: we expect 3.5G data to help drive mobile penetration towards 220% within five years. There are risks, but we think it is too early to prepare for a slowdown. The growth in the Saudi mobile market continued in Q4 as the number of mobile subscriptions increased from 35.9mn at the end of 2008 to around 45.3mn and headline penetration rose to 154%. The Q4 results shows that net profit for the sector as a whole increased by 232% year-on-year to SAR 3,366mn, compared to SAR1,004mn in Q4 2008. This growth reflected a strong operating performance by the no.2 operator, Mobily, and reduced losses by the no.3 player, Zain KSA, but also a large capital gain recorded by STC in Malaysia. Net profit growth would have been 164% excluding this gain.

Cement: steady. The cement sector, benefiting from government-led infrastructure developments, had a significant increase in domestic consumption for the year 2009. The combined sales of all cement companies, including listed and unlisted, registered a healthy 22.9% increase to 36.71mn tonnes from 29.87mn tonnes recorded in 2008. On a quarterly basis, the net income of the eight listed cement companies fell by 2.3%.

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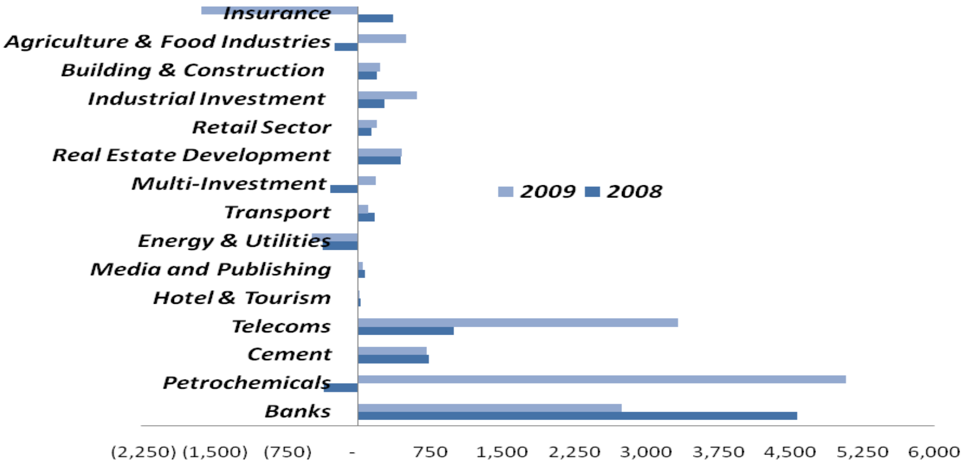
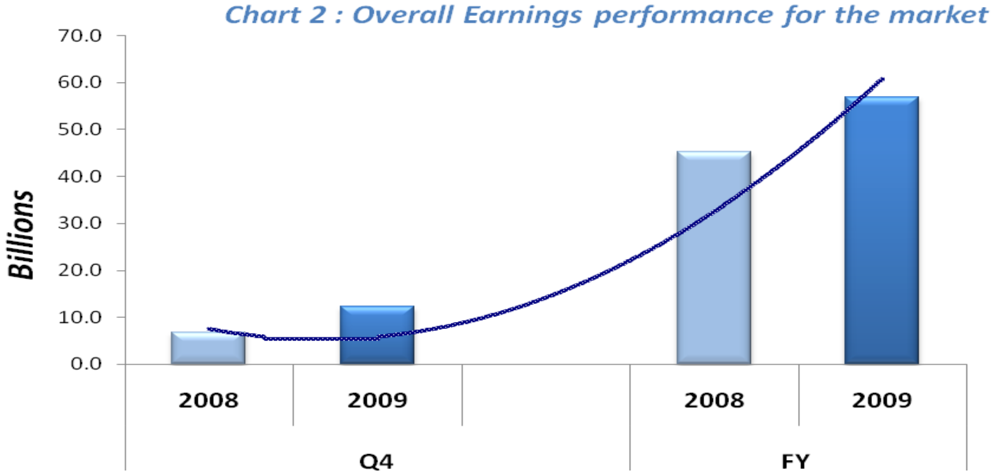
Company profits surged by 78.9% YoY in Q4FY09 and 25.9% YoY in FY2009.

The Saudi TASI index rose 27.5% in 2009

Chart 1 : Sector Performances – Q4 2009 (in SAR mn)

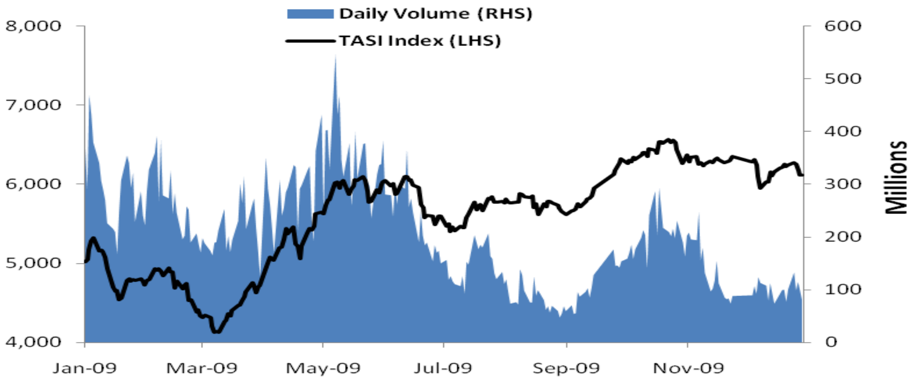


Source : Tadawul ; ARC Research



Source : Tadawul ; ARC Research

Chart 3 : TASI Performance FY2009



Source : Bloomberg

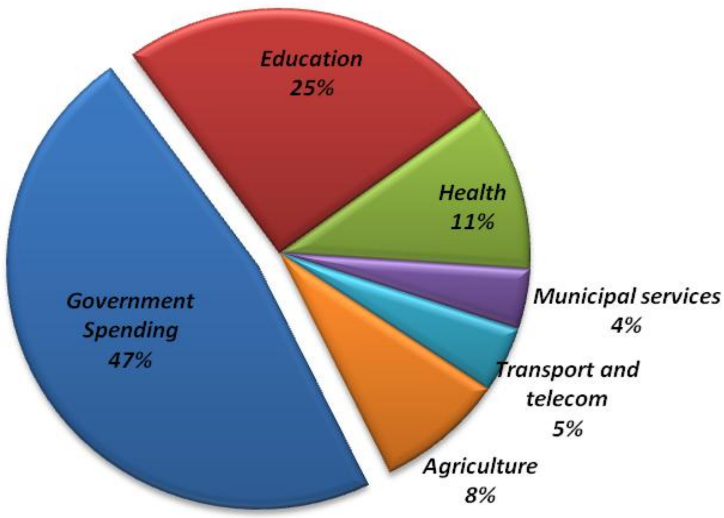
Surviving the slowdown
Saudi economic performance positive

The period 2008-09 saw the steepest global recession since the Great Depression of the 1930s. Beginning in October 2008 with the bankruptcy of Lehman Brothers, it became clear that the financial crisis in the US would affect businesses in nearly all other major economies around the globe. The Industrial sector witnessed a sharp slowdown during 2008-09 as a consequence of successive shocks. In Q4 2009, the Gulf region was affected in addition by a major aftershock of the financial crisis, the Dubai debt furore. (See our report of January 2010, "Dubai Crisis: No contagion this time around" for further details.) Nevertheless, thanks in part to significant government spending, Saudi businesses showed strong resilience and fought the worst economic crisis in modern times quite well.

Budget announced holds promise : The national budget announced recently for 2010 confirms the government's commitment to focus on economic development and improving the investment environment so as to support strong and balanced growth. It is the largest budget in the history of Saudi Arabia, 14% higher than that of 2009, with projected revenues of SAR470bn ($125 bn) and expenditure of SAR540 bn. An allocation of 48% of expenditure i.e., SAR260bn towards investments and non-oil projects is a positive step from the government to ensure all round growth in the economy. A sharp fall in oil prices coupled with production cuts, resulted in an estimated fall of 22% in nominal GDP and a meagre increase of 0.15% in real terms. An estimated deficit of SAR45bn is well under control, thanks to a healthy rise in crude prices in the second half of 2009.

Government spending has 47% allocation in budget which augurs well for the economy

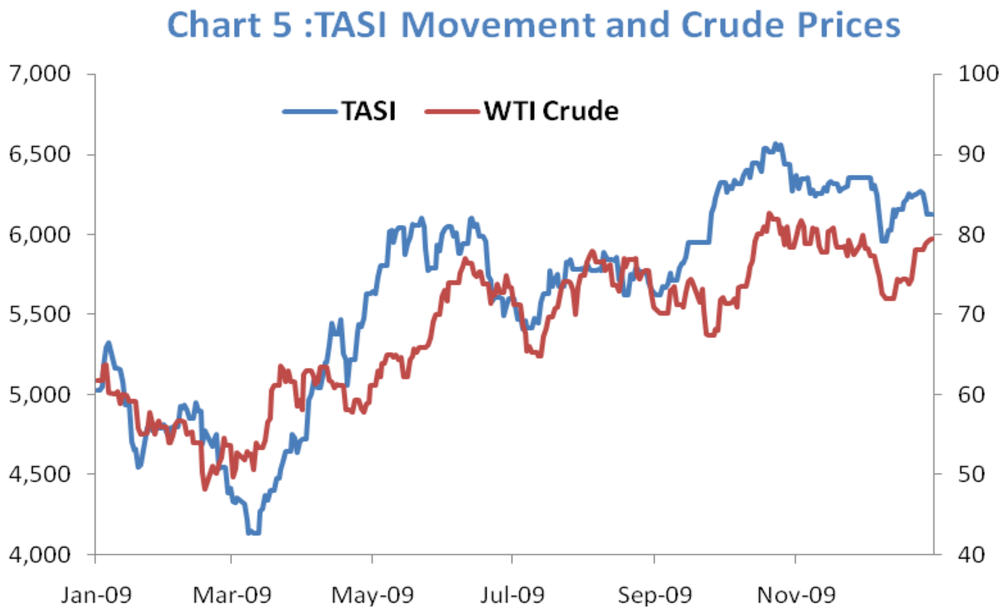
Chart 4 : 2010 Budget Allocation



Source : Ministry of Finance ; ARC Research

Crude oil prices seem to be a leading indicator for TASI

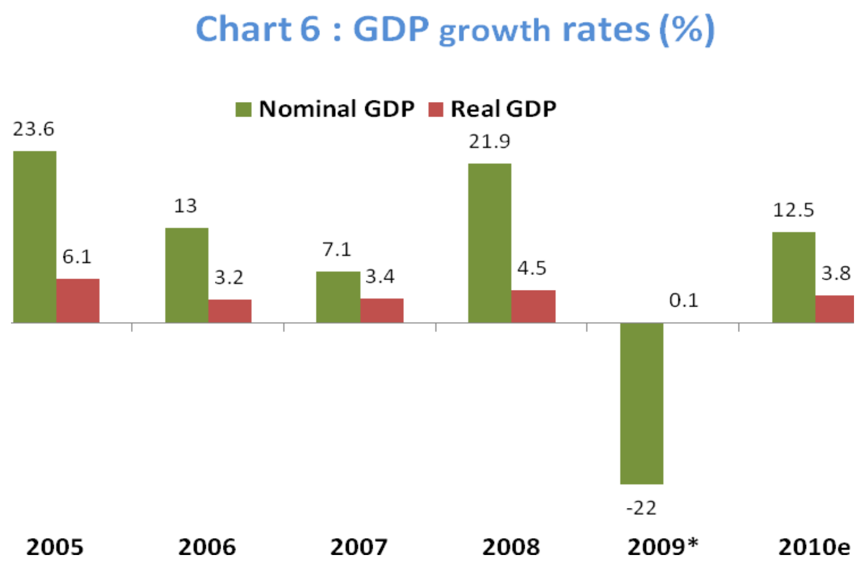
Record gains in crude: Crude Prices gained a record 78% in 2009, despite global recessionary woes, which is the highest growth achieved in the last decade. Regular production cuts by OPEC, demand from emerging economies, notably India and China, and depreciation of the dollar were the major factors responsible for the rally in crude.



Source : Bloomberg ; ARC Research

Real GDP growth set to be positive in 2010.

Positive GDP in 2010: According to the recent budget declared by the Ministry of Finance, the real GDP of Saudi Arabia, is expected to grow by 0.15% in 2009, non-oil GDP is estimated to grow by 3%, with the government sector growing by 4% and private sector by 2.5% in 2009. According to the IMF, a notable improvement is expected in 2010 and 2011, with GDP growth of 4% and 5% respectively mainly on higher oil revenues and as government projects announced in 2009 start being implemented.

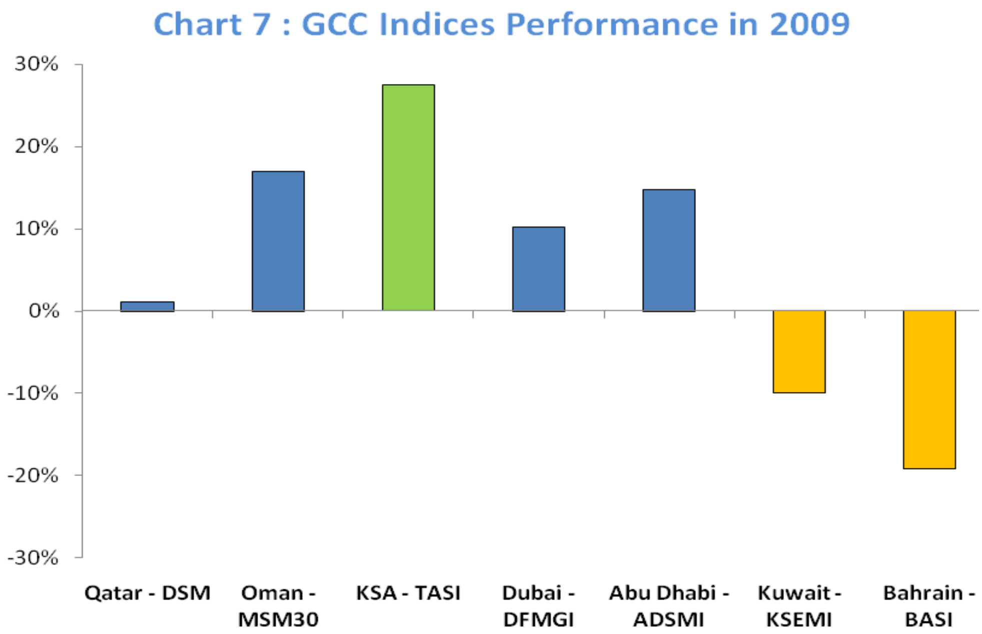


Source : SAMA ; ARC Research
**2009 figures estimated by Ministry of Finance*

Limited effect of Dubai in the Kingdom: The Dubai World's announcement on November 25th of a standstill on all its debt repayments, including those of its real estate development company, created a shudder through the global and regional financial markets. The company's plan for restructuring the $26bn debt and the government's apparent unwillingness to provide any guarantee made investors in the region nervous; they were calmed by Abu Dhabi's $ 10 bn of help for Dubai. Fears over the impact of the crisis on Saudi banks and the KSA economy were reduced when the head of the Saudi Arabian Monetary Authority (SAMA) indicated that Saudi banks' exposure to the Dubai-based troubled company was less than 0.2% of their balances, which is entirely manageable given the strength of Saudi banks' balance sheets. The growth in the Saudi economy is broad based and it is fairly diversified, unlike Dubai, which primarily thrives on real estate and construction. Moreover, SAMA's risk management policy and its measures during the peak of the global financial crisis place Saudi Arabia on a strong footing that is unlikely to be tempered by the Dubai Crisis.

Saudi Stock Market – the top performer in the GCC in 2009: The Saudi stock market, Tadawul, declined during H1 2009, mainly due to poor corporate results and the global financial crisis. The market touched its low point, 4130.01 on 9th March 2009 and since then, the Index has gained a robust 48.2% to the end of 2009, indicating all is well with the Saudi economy. However, when the news broke that two wealthy family owned businesses – the Saad and Algosaibi groups - had defaulted on a debt of $1.0 bn, the investors sentiment was severely affected, resulting in a decline in banking and financial stocks. With uncertainty over the exposure of banks to these two groups as well as fears that other firms might join the defaulters list, the market was dragged down. The market got relief during September and October, when some progress was made to resolve the issue, but then had to cope with the Dubai debt crisis. Overall, the market gained 27.5% during 2009.

Saudi Index is the top performer in the GCC in 2009.

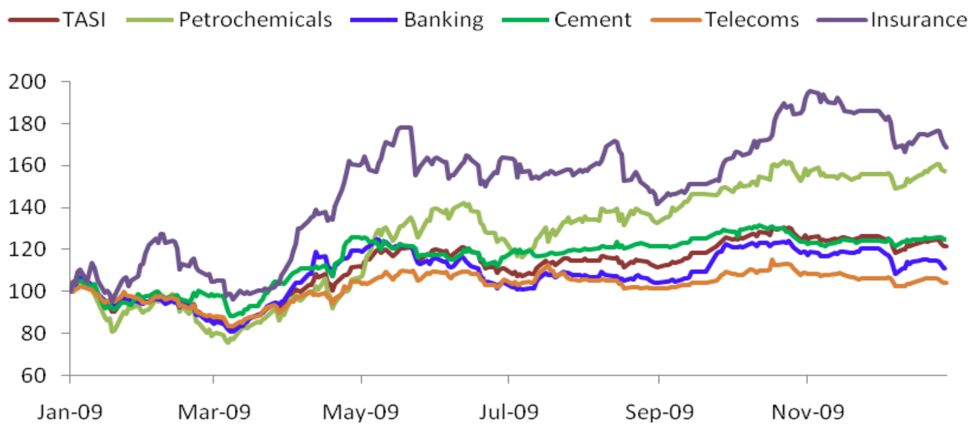


Source : SAMA ; ARC Research

Market performance in 2009
Satisfactory

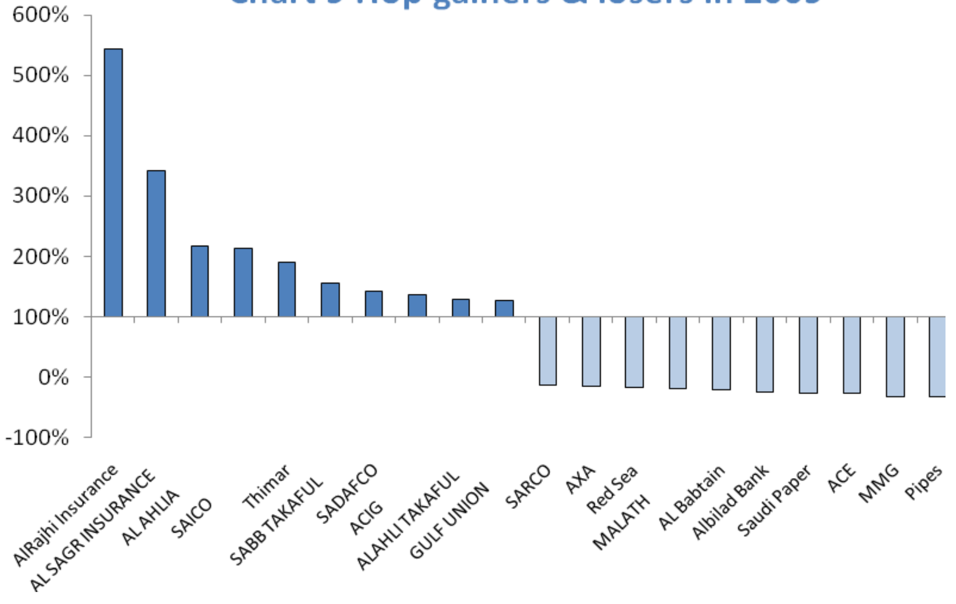
The Insurance sector was the best performing index and had a robust 77% rise in 2009. The two sector indices with highest weights in the TASI – the banking index (34.3% weight) and the petrochemical index (27.7% weight) gained 15% and 70% respectively. Among banks, Arab National Bank and Bank Al-Jazira led the Index with a gain of 35.9% and 27.2% in 2009. In Petrochemicals, Petro Rabigh rose 128.3% and Saudi Industrial Investment gained 116.4%. SABIC, the petrochemicals heavyweight, gained 60.2% in 2009.

Insurance sector was the star of 2009.



Source : Bloomberg ; ARC Research

Insurance stocks were the major gainers in 2009. Whereas stocks from construction lost the most.



Source : Bloomberg ; ARC Research

The no.3 sector, telecoms, rose a meagre 8.8%. However, this was affected by the disappointing performance of the largest stock in the sector, Saudi Telecom (STC), which fell by 10.2% in 2009. Our preferred stock, Etihad Etisalat (Mobily) gained a robust 40% over the year.

The average daily volume of shares traded on the TASI Index declined 13.5% between 2008 and 2009, which indicates the apprehension of investors regarding trading in the current uncertain environment.

Banking

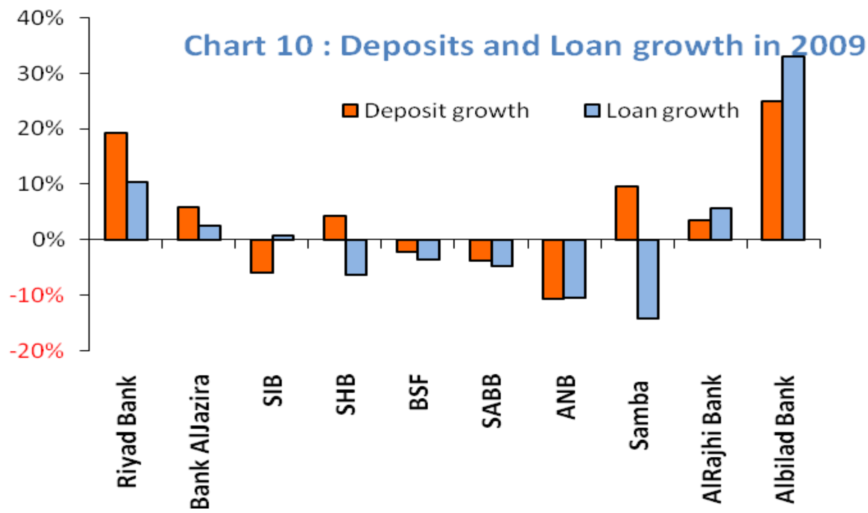
Winners and losers

The domestic banking sector, after having a good run during the last 4-5 years came under intense pressure as it felt the heat of the global financial crisis in the latter half of the period 2008-09. Although the Saudi banking sector did not have much to do with the global credit crunch that started in the latter half of 2008 and the early part of 2009 the Saudi Arabian Monetary Agency tightened credit flows with a contractionary monetary policy. Indeed the manner in which the SAMA and the domestic banks handled the situation is commendable.

Against this backdrop, the performance overall for fiscal 2009 looks reasonable. The banking sector's overall net income declined by 9.6% (SAR21,617 mn in FY09 against SAR23,914mn in FY08), though in Q4 the results were disappointing. In Q4 ,the combined net income of all banks fell 39.8% to SAR2,755mn compared to SAR4,578mn in Q4 2008. For banks overall, the deposit base increased 3.3% to SAR775bn (year-on-year) and total assets rose 0.9% to SAR1,048bn (YoY).

One worrying factor with banks is their declining margins. The deviation in operating income and net income is huge. This could be due to inflating operating expenses and provisions for credit losses. The banks need to control operating costs in order to maintain healthy margins.

Loan growth has slowed down in 2009, which has squeezed the margins of banks.



Source : Tadawul, ARC Research

An analysis of the financial position of the banks indicates an overall increase in the deposit base for banks in 2009 (3.3% at SAR775bn) with Albilad Bank's deposit base improving

25.1% and Riyad Bank seeing a 19.2% increase in deposits. But the loan growth certainly slowed down in 2009, with overall growth declining by 1.5%.

Riyad Bank had a robust net income rise of 72.4% in Q4 2009 (YoY) on the back of improved commission income and non-interest income. The deposit base of the bank increased by 19.2% (from SAR 105 bn in 2008 to SAR 125 bn in 2009), while the total assets increased annually by 10.3% to SAR 176 bn. The bank's net income growth had declined in 2008 (12.4% decline as compared with 2007) and thus the 14.8% rise for this fiscal year ought to boost investor sentiment.

Al Rajhi Bank and Riyadh Bank had robust yearly and quarterly growth in profits.

Al Rajhi Bank and Samba Financial Group were the other two banks with notable performances in 2009. Net income at Al Rajhi bank increased 3.7% in FY09 (SAR6,767mn) and that of Samba Financial increased 2.4% to SAR4,560mn in 2009.

The only bank which recorded a loss in FY09 is Albilad Bank, with a net loss of SAR248 mn. In Q4, the bank extended its losses year on year, recording a SAR 300 mn loss in Q4FY09 against a loss of SAR27 mn in Q4FY08.

The other banks recording a loss in Q4 were Bank Aljazira (loss of SAR266 mn), Saudi Investment Bank (loss SAR 109 mn) and Saudi Hollandi Bank (loss of SAR439 mn).

The Saudi Hollandi Bank had a dismal 2009 with a decline of a disappointing 93% in net income to SAR86mn, whereas the operating income increased by 1.7% for 2009. Higher levels of provisioning are thought to have been the main reason behind these poor numbers.

Table 1 : Income Statement Financials (figures in mn's except per share data)

Banks	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
Riyad Bank	529	912	72.4%	2,639	3,030	14.8%	2.03	2.02
Bank AlJazira	-92	-266		222	27	-87.8%	0.74	0.09
The Saudi Investment Bank	-91	-109		513	522	1.8%	1.14	1.16
Saudi Hollandi Bank	309	-439		1,224	86	-93.0%	3.70	0.26
Bank Saudi Fransi	571	324	-43.3%	2,806	2,471	-11.9%	3.88	3.42
The Saudi British Bank	657	26	-96.0%	2,920	2,032	-30.4%	3.89	2.71
Arab National Bank	434	296	-31.8%	2,486	2,370	-4.7%	3.82	3.65
Samba Financial Group	826	835	1.1%	4,454	4,560	2.4%	4.90	5.10
AlRajhi Bank	1,424	1,470	3.2%	6,525	6,767	3.7%	4.35	4.51
Albilad Bank	-27	-300		125	-248		0.42	-0.83
Alinma Bank	39	6	-85.5%					
Total	**4,578**	**2,755**	**-39.8%**	**23,914**	**21,617**	**-9.6%**	**2.89**	**2.21**
NCB	-2,550	770		2,030	4,040	99.0%		

Source : Tadawul, ARC Research

Table 2 : Balance Sheet Financials

Banks	Assets (bn)			Deposits (bn)			Loans (bn)		
	2008	2009	YoY	2008	2009	YoY	2008	2009	YoY
Riyad Bank	160	176	10.5%	105	125	19.2%	96	107	10.5%
Bank AlJazira	28	30	8.9%	21	22	5.9%	15	16	2.5%
The Saudi Investment Bank	54	50	-6.4%	41	38	-6.0%	30	30	0.8%
Saudi Hollandi Bank	61	59	-3.7%	43	45	4.2%	38	36	-6.3%
Bank Saudi Fransi	126	121	-4.0%	93	91	-2.2%	81	78	-3.7%
The Saudi British Bank	132	127	-3.7%	93	89	-3.8%	80	76	-4.7%
Arab National Bank	121	110	-9.1%	93	83	-10.8%	75	67	-10.6%
Samba Financial Group	179	186	3.9%	134	147	9.7%	98	84	-14.3%
AlRajhi Bank	163	171	4.9%	117	121	3.4%	141	149	5.7%
Albilad Bank	16	17	8.5%	11	14	25.1%	8	11	33.1%
Total	**1,039**	**1,048**	**0.9%**	**750**	**775**	**3.3%**	**662**	**653**	**-1.5%**
NCB	NA	257	16.1%	NA	203	17.9%	NA	112	3.9%

Source : Tadawul, ARC Research

Cement

Qassim on top

Cement companies facing drop in margins due to intensifying competition and falling realised selling prices

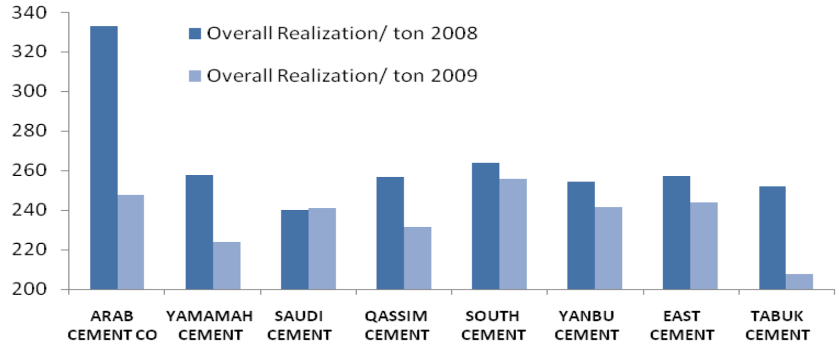
The cement sector, benefiting from the government-led infrastructure developments, had a significant increase in domestic consumption for the year ended 2009. The combined sales of all cement companies, including listed and unlisted, registered a healthy 22.9% increase to 36.71mn tonnes from 29.87mn tonnes recorded last year. However, the average realized price/ton fell by 10.5% to SAR264.3 for the current year. This is due to the emergence of new players which are trying to gain market share from existing cement companies and the huge capacity expansion done by the cement companies, leading to oversupply in the market. This has created pressure on realised selling prices.

Qassim Cement showed impressive results driven by robust sales growth

On a quarterly basis, the net income of the eight listed cement companies fell by 2.3%. Qassim Cement had a robust 97% rise in net profits to SAR179mn, which includes one-off income of SAR82.5mn resulting from fines and penalties received from sub-contractors. The revenues for the quarter increased by 43.6% due to positive sales volume growth. Yamama Cement had a healthy 70.6% increase in Q4 net profits to SAR145mn. The smallest listed cement company, Tabuk Cement, reported a huge 189.8% rise in net profits to SAR26mn.

Realised prices have fallen for almost every player in the industry

Chart 11 :Overall Realization for 2008 and 2009

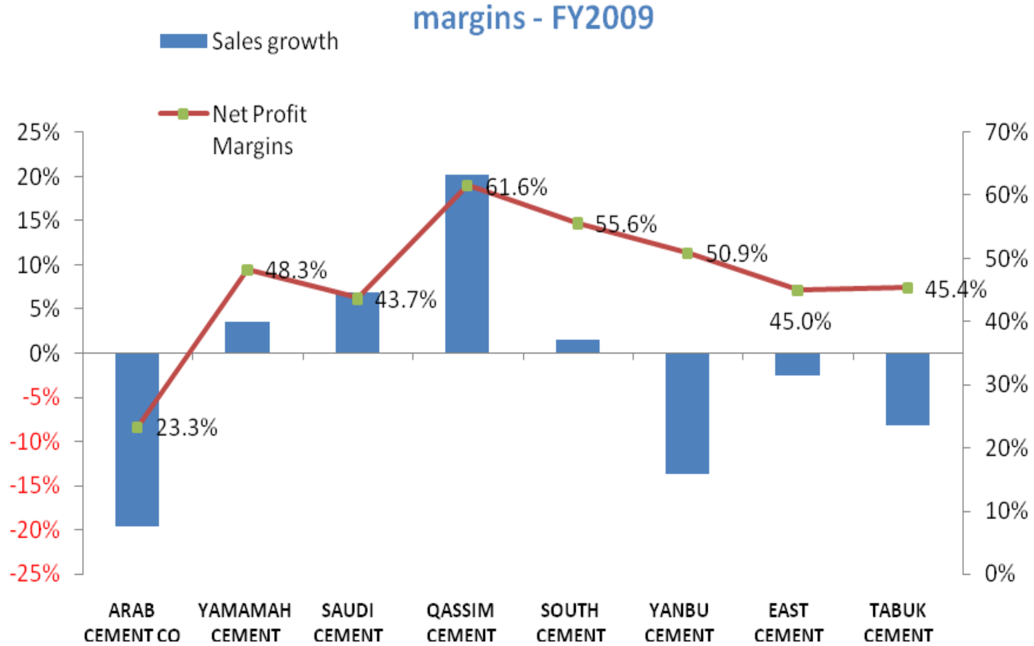


Source : Tadawul, ARC Research

For the fiscal year 2009, there is a small decline of 0.8% in combined sales of the listed companies, despite a decent growth in sales volumes, which shows falling realised prices and intensifying competition.

Sales growth has fallen for most companies due to tough competition in local market

Chart 12: KSA cement companies sales growth and margins - FY2009



Source : Tadawul, ARC Research

Saudi Cement had a fair result, considering the huge inventory costs burden due to storage of clinker

Yamama Cement's results benefited from rising sales volume

Qassim Cement

In 2009, revenues for Qassim Cement increased by 20.3% year-on-year to SAR986.5mn and net profit increased 17.7% YoY to SAR607.9 mn. The realised price/ton, however, fell 9.9% to SAR 231.3/ton from SAR256.6/ton, recorded in 2008. The gross margin fell 10.4%, from 63.8% in 2008 to 57.2% in 2009. The net margin (excluding the nonrecurring income of SAR82.5mn) fell 15.5% to 53.3%. Qassim Cement stands out as the most efficient company operationally, with record ROE (33.1%) and ROA (27.0%) compared to its listed peers.

Saudi Cement

Saudi Cement recorded a decent 10.5% YoY rise in net profit to SAR145.5mn in Q42009, and a 18.2% rise QoQ. The gross profit of the company increased 16% to SAR175.4 mn for Q42009. The revenues for 2009 increased 6.8% to SAR1,345.9mn due to volume growth and an increase in average realised prices. The realised price/ton for Saudi Cement stood at SAR 241/ton. The gross margin fell 8.7% to 51.1% and the net margin declined 11.4% to 43.7%. The fall in net profits and margins is the result of excess fixed costs charged to profits due to the closure of production lines, as a result of the cement export ban in the Kingdom. The company might face working capital issues as the current ratio in the balance sheet stood at 0.3 times.

Yamama Cement

Yamama Cement too recorded a significant 70.6% YoY rise in net profits to SAR 145 mn in Q42009. On a yearly basis, sales increased 3.6% to SAR1,163mn. Like Saudi Cement, Yamama Cement suffered due to excess inventory costs resulting in declining net profits. The average realised price fell 13.0% to SAR224/ton in 2009. Net profit fell 8.0% in 2009 to SAR562 mn. The gross margin (53.3%) and the net margin (48.3%) fell 10.1% and 11.2% respectively for 2009.

Other companies

Arabian Cement was the only cement company to record a net loss for Q42009, of SAR87mn, which was due to excess provisions and write-offs. Yanbu Cement had a 33.6% decline in net profits to SAR80mn, owing to an increase in supplies in the western region due to the entry of new players while Eastern Cement's net profits declined 33.3% to SAR50mn in the quarter due to falling selling prices and increasing competition.

Table 3 : Income Statement Financials (figures in mn's except per share data)

Cement companies	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
ARAB CEMENT CO	47	-87		324	172	-47.0%	4.05	2.15
YAMAMAH CEMENT	85	145	70.6%	611	562	-8.0%	4.53	4.16
SAUDI CEMENT	132	146	10.5%	621	588	-5.3%	6.09	5.77
QASSIM CEMENT	91	179	97.0%	517	608	17.7%	5.74	6.76
SOUTH CEMENT	177	181	2.4%	791	734	-7.3%	5.65	5.24
YANBU CEMENT	120	80	-33.6%	560	480	-14.2%	5.33	4.57
EAST CEMENT	75	50	-33.3%	434	350	-19.4%	5.05	4.07
TABUK CEMENT	9	26	189.8%	151	121	-19.9%	1.68	1.35
Total	**735**	**719**	**-2.3%**	**4,009**	**3,615**	**-9.8%**	**4.77**	**4.26**

Source : ARC Research

Table 4 : Important ratios : FY2009

Companies	Sales Growth yoy (%)	GPM (%)	NPM (%)	ROE (%)	ROA (%)	Current Ratio
ARAB CEMENT CO	-19.6%	52.8%	23.3%	7.6%	4.5%	0.7
YAMAMAH CEMENT	3.6%	53.3%	48.3%	18.4%	15.2%	3.1
SAUDI CEMENT	6.8%	51.1%	43.7%	19.1%	11.9%	0.3
QASSIM CEMENT	20.3%	57.2%	61.6%	33.1%	27.0%	2.7
SOUTH CEMENT	1.6%	58.2%	55.6%	29.8%	26.2%	2.6
YANBU CEMENT	-13.7%	54.0%	50.9%	19.9%	17.0%	1.1
EAST CEMENT	-2.5%	51.6%	45.0%	17.2%	15.1%	3.0
TABUK CEMENT	-8.2%	50.5%	45.4%	11.0%	9.5%	2.6

Source : ARC Research

Overall, the results were satisfactory for the cement companies. However, they face a huge burden of inventory stocks in the balance sheet due to the expansion in capacity they built which coincided with the Saudi ban on exports to other markets.

Petrochemicals

SABIC's cost advantage the key

Impressive performance in Q4 attributed to recovery in prices of petrochemical products.

Petrochemicals sector picked up in H209 thanks to improved demand globally.

The petrochemicals sector was severely hit by the global economic slowdown which started in the second half of 2008 and continued into 2009. A fall in international crude oil and commodity prices, due to lower global demand, resulted in margin erosion and lower net profits for the petrochemical companies in the kingdom. The economic scenario changed in the second half of 2009, driven by government stimulus plans announced by various developed and developing countries and the global demand for crude oil recovered. A weaker dollar also boosted prices. Companies in Saudi Arabia benefited from the increase in crude prices and this was reflected in their third and fourth quarter financials. The performance in the fourth quarter was certainly better than the third quarter thanks to the rise in prices of most petrochemical products, plastics and metals.

Overall results for the sector were impressive for the fourth quarter with a total combined net profit of SAR 5,091 mn against a net loss of SAR 356 mn recorded during the same period last year. For 2009 as a whole, the sector revenues fell 14.4% to SAR 153.3 bn while net profit declined 60.2% to SAR 10.5 bn.

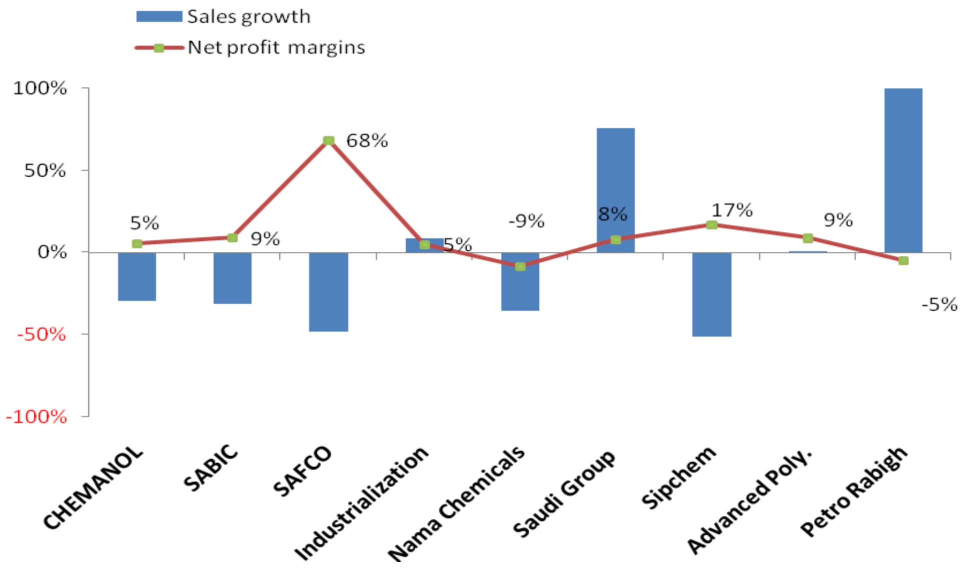
SABIC: strong Q4 results

The petrochemicals heavyweight SABIC recorded a net profit of SAR4.6bn, in the fourth quarter of 2009, a massive 1380% increase over the same period in 2008 and a 26% increase from the third quarter. The gross profit during the fourth quarter increased 178% to SAR10.0bn. The company attributed this performance to the gradual increase in the prices of petrochemicals, plastic products and metals as a result of increased demand.

For the full year 2009, SABIC posted a net profit of SAR9.1bn as compared to SAR22bn in 2008, weighed down by a fall in the prices of petrochemicals, fertilizers and steel and an impairment cost of SAR1.2 bn related to the acquisition of Saudi Innovative Plastics (SIP), which they acquired in 2007. For 2009 the gross margin stood at 27.5% and the net margin at 8.8%.

The majority of companies cut production due to poor demand, and thus had negative sales growth.

Chart 13 : Major Petro companies sales growth and net margins - 2009



Source : Tadawul, ARC Research
** Petro Rabigh had a 349.7% revenue growth in 2009*

SAFCO

SAFCO's results were hit by the decline in the prices of urea (-6% year-on-year) and ammonia (-22% y-on-y), and the liquidity crunch prevented traders and producers from taking long positions. SAFCO's net profit dropped 30% to SAR376mn in Q4 2009 and operating profit fell to SAR306mn (-55% y-on-y). For 2009, SAFCOs revenues were SAR2,699 mn (-48.4% y-on-y) and gross profit fell to SAR1,673.9mn (-62.0% y-on-y).

Saudi Group

Saudi Group had a robust result for the fourth quarter as well as for the full year 2009. Net profit was recorded at SAR 125 mn against a net loss of SAR 215 mn in Q4 2009. The operating profit too turned positive rising to SAR 161.8 mn as compared to an operating loss of SAR 220.6 mn for the same period in the previous year. For 2009, the company's revenues increased by 75.8% to SAR 3,760.4 mn and net profit rose to SAR 285 mn. The results were impressive thanks to the improvement in petrochemicals prices in the second half of 2009.

National Industrialization

National Industrialization also had a strong result for the fourth quarter with a 171.2% increase in net profit to SAR222mn. For 2009, revenues increased 8.4% to SAR10.8bn and gross profit rose 20.7% to SAR2.5bn.

Table 5 : Income Statement Financials (figures in mn's except per share data)

Petrochemicals	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
CHEMANOL	10	6	-40.1%	38	22	-42.1%	0.48	0.18
Petrochem	8	-21	NA	18	-60	NA	0.08	-0.19
SABIC	310	4,580	1377.4%	22,000	9,100	-58.6%	7.33	3.03
SAFCO	536	376	-29.9%	4,280	1,845	-56.9%	17.12	7.38
Industrialization	82	222	171.2%	601	526	-12.5%	1.47	1.14
Alujain	-28	3		-65	-27	-58.1%	-0.94	-0.39
Nama Chemicals	-91	-6	-93.5%	-68	-34	-49.2%	-0.72	-0.27
Saudi Group	-215	125	NA	49	285	484.0%	0.13	0.63
Sahara Petrochemical	-8	53	NA	-41	77	NA	-0.22	0.35
YANSAB	-8	-7	-3.9%	-26	-29	14.1%	-0.05	-0.05
Sipchem	35	57	62.8%	537	141	-73.8%	1.66	0.42
Advanced Polypropylene Company	-76	29	NA	210	127	-39.5%	1.50	0.90
Saudi Kayan	-8	-0.4	-95.6%	172	-17	NA	0.11	-0.01
Petro Rabigh	-903	-324	-64.1%	-1,256	-1,433	14.1%	-1.46	-1.64
Total	**-356**	**5,091**		**26,449**	**10,522**	**-60.2%**		

Source : Tadawul, ARC Research

Table 6 : Important ratios : FY2009

Petrochemicals	Sales Growth yoy (%)	GPM (%)	NPM (%)	ROE (%)	ROA (%)	Current Ratio
CHEMANOL	-29.5%	30.1%	5.5%	1.6%	0.7%	2.1
Petrochem	NA	NA	NA	-1.3%	-0.4%	60.4
SABIC	-31.4%	27.5%	8.8%	8.4%	3.1%	2.5
SAFCO	-48.4%	62.0%	68.3%	26.2%	21.0%	3.8
Industrialization	8.4%	22.8%	4.8%	6.8%	1.6%	1.3
Alujain	NA	NA	NA	-5.3%	-0.8%	0.3
Nama Chemicals	-36.0%	2.9%	-8.6%	-2.2%	-1.4%	1.9
Saudi Group	75.8%	13.5%	7.6%	5.2%	1.4%	8.3
Sahara Petrochemical	NA	NA	NA	2.3%	1.3%	2.5
YANSAB	NA	NA	NA	-0.5%	-0.1%	0.9
Sipchem	-51.4%	2771.0%	17.0%	2.4%	1.2%	2.8
Advanced Polypropylene Company	0.5%	14.9%	8.7%	7.6%	3.7%	1.7
Saudi Kayan	NA	NA	NA	-0.1%	-0.0%	2.3
Petro Rabigh	349.7%	-1.5%	-4.9%	-18.3%	-2.7%	0.6

Source : Tadawul, ARC Research

The overall results for the fourth quarter were impressive on account of an increase in petrochemical prices which helped the revenues move up for these companies and ultimately favoured their net profits.

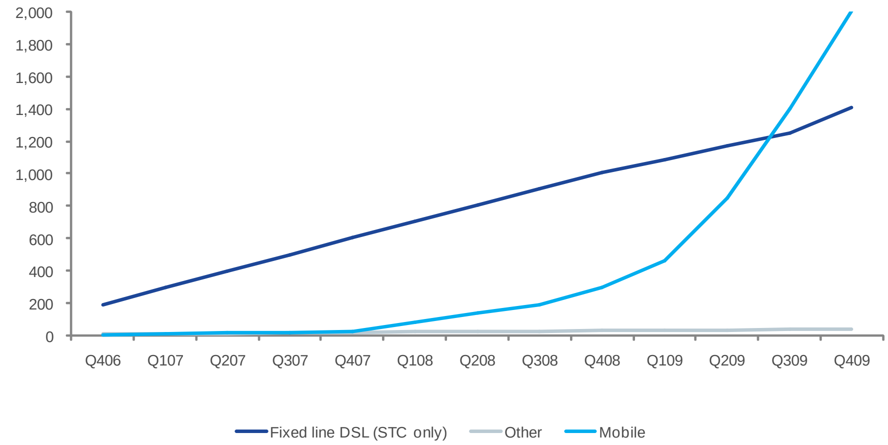
Telecoms

Mobily rings success

As we explained in our report "Saudi Telecoms Sector: we prefer jam today" of January 2010, the Saudi telecoms market is still booming: we expect 3.5G data to help drive mobile penetration towards 220% within five years. There are risks, but it is too early to prepare for a slowdown. The strong market background was reflected in Q4 2009 and full year results. We believe that the growth in the Saudi mobile market continued in Q4 as the number of mobile subscriptions increased from 35.9mn at the end of 2008 to around 45.3mn and headline penetration rose to 154%. The Q4 results shows that net profit for the sector as a whole increased by 232.3% year-on-year to SAR3,366mn, compared to SAR1,004mn in Q42008. Excluding the capital gain of SAR684mn recorded by STC in Q4 2009 following the listing of Maxis Malaysia, we calculate that aggregate sector net profit would have increased by a lesser 166.5%. However, 2009 annual net profit declined slightly by 3% to SAR10,527mn, compared to SAR10,852mn in year 2008. This decline is explained largely by the increase of about 36% in Zain KSA's full-year net loss to SAR3.1bn, reflecting the fact that Zain did not launch service until Q32008 whereas in 2009 it was operating over all four quarters.

Mobile broadband accounts urging, and set to overtake fixed-line DSL.

Chart 14 : Combined fixed-line and mobile broadband subscriptions in KSA



Source: CITC, operators, estimates by Al Rajhi Capital

STC: results not as strong as they appear

The results of Saudi Telecom Company (STC) show that Q4 domestic mobile subscriptions grew by 8% year-on-year to 21.0mn. This was a slower rate of growth than for either Mobily or Zain; we estimate that STC's share of domestic mobile accounts fell over 2009 from 53% to 46%, although its share of mobile revenues remains higher at well over 60%. We do not yet have any firm indication of broadband mobile accounts, but estimate 0.6mn. Fixed-line broadband DSL accounts rose by 40% year-on-year to 1.4mn. This is impressive and confirms STC's dominance of this important market. Q4 revenues of around SAR13bn were up by 5.5% year-on-year. This represents a robust turnaround from Q3, in which revenues fell by 4.5% - a surprisingly weak figure given STC's ongoing overseas expansion. Operating profit in Q4 fell by 8.9% from a restated figure for Q4 2008 to SAR2,588mn. Not only was this figure a decline from a very weak quarter in Q4 2008, but also it was the weakest quarterly operating profit over 2009, representing just 20% of the total for the year. Q4 net profit of SAR2,941mn was up by over 150% from the level of Q4 2008. However, this largely reflected a capital gain of SAR684mn as a result of the IPO of Maxis Malaysia in Q4. Excluding this gain, we calculate that net profit would have been SAR2,257mn – double the level of Q4 2008, but down by 6% from the level of Q3 2009.

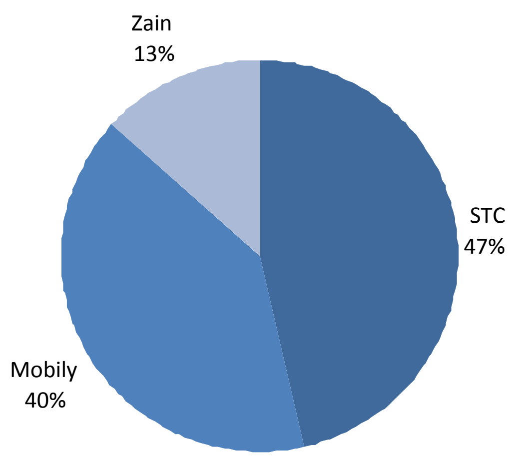
For 2009 as a whole, STC's revenues grew by 6.9%, partly boosted by overseas expansion. Net profit for the twelve months decreased by 2% from SAR11,038mn to SAR10,822mn. This can be explained partly by significant increases in depreciation resulting from major capital investment overseas.

Mobily: strong performance

Increased mobile data subscriptions key to Mobily's outstanding performance.

Mobily's results for Q4 2009 showed an increase in mobile subscriptions to 18.2mn. This was due in large part to strong expansion in data service; Mobily ended the year with around 1.0mn 3.5G mobile broadband accounts.Q4 revenues grew by 13.8% year-on-year. This was the lowest quarterly growth over the year but should be seen as a good performance given that the important Hajj season in Q4 was weaker in 2009 than in 2008. Q4 EBITDA increased by an impressive 22.2% year-on-year. The strong growth in EBITDA drove net profit growth of 35% year-on-year. We see Mobily's performance as strong vindication of the telecoms operators' claim that mobile data service carries higher margins than mobile voice service – partly, in our view, because marketing costs are lower. Net profit for the full year 2009 was SAR3,014mn, compared to SAR2,092mn in 2008, showing a significant increase of 44%.

Chart 15 : Saudi Mobile Market Share 2009 (in terms of subscriptions)



Source : Tadawul, ARC Research

Zain KSA: under pressure

High debt a concern for Zain. Financial costs rose 45% q-o-q

Zain KSA achieved strong progress in Q4 2009 with subscriptions rising and profitability improving. Zain ended the year with over 6.0mn subscriptions. We believe that the company won 1.75mn new accounts in Q4; this represents the strongest performance among the three operators. The robust customer intake drove up revenues, which more than doubled year-on-year to SAR895mn. This outcome was, however, well below our estimate of revenues of around SAR1bn. The shortfall suggests to us that, while Zain is achieving subscriptions growth, prices are under pressure and the company is finding it hard to attract higher-value customers. We calculate Zain's EBITDA loss for Q4 at SAR69mn – a substantial and welcome reduction from the EBITDA loss of SAR299mn in Q3. The company reached EBITDA break-even in November and December, giving us confidence that profitability will improve rapidly from now on. On the other hand, financial costs increased by 45% quarter-on-quarter to

SAR221mn. Zain's Q4 net loss of SAR657mn shows a decrease in losses by 29% quarter-on-quarter, compared to a net loss of SAR930mn in Q4 2008.

For 2009 as a whole, Zain's revenues were SAR 3,004 compared to SAR505mn for the period from March 12 to 31 December of the previous year, an increase of 495%. (Note, however, that Zain only recorded revenues in Q3 and Q4 2008.) The net loss increased for the twelve months increased by 36% from SAR2,278mn to SAR 3,099mn, but this is really is simply a mechanical reflection of the fact that Zain was operating in full overall all four quarters of 2009. (As noted, Zain only started recording results on March 12, 2008.)

Table 7 : Income Statement Financials (figures in mn's except per share data)

Telecoms	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
SAUDI TELECOM CO	1,156	2,941	154.4%	11,038	10,822	-2.0%	5.52	5.41
ETIHAD ETISALAT	778	1,052	35.2%	2,092	3,014	44.1%	4.00	4.31
ZAIN KSA	-930	-657	-29.4%	-2,278	-3,309	-45.3%	-2.21	-1.63
Total	**1,004**	**3,336**	**232.3%**	**10,852**	**10,527**	**-3.0%**		

Source : Tadawul, ARC Research

Table 8 : Important ratios : FY2009

Telecoms	Sales Growth yoy (%)	GPM (%)	NPM (%)	ROE (%)	ROA (%)	Current Ratio
SAUDI TELECOM CO	6.9%	55.6%	21.3%	21.3%	9.9%	0.7
ETIHAD ETISALAT	21.0%	57.8%	23.1%	24.6%	9.7%	0.7
ZAIN KSA	494.6%	29.2%	-110.2%	-38.4%	-11.9%	0.3

Source : Tadawul, ARC Research

Agriculture & Food Industries driven by Almarai and Savola

The preliminary financial results of the Agriculture and Food Industries Sector for the fourth quarter of 2009 revealed that the sector achieved net profits of SAR498.7m, compared with realised losses of more than SAR237.5m for the same period of the preceding year. However, the sector achieved growth in profits of 58.1% in the year 2009 to SAR2.1bn due to the healthy growth in the two biggest companies in the sector, namely Almarai and Savola.

Good results from Almarai

Almarai reported net profits during the Q4 estimated at SAR248.8m, growth of 13.5%. The financial results for the year 2009 showed growth in net income of 20.5% to SAR1.09bn. The Company attributed this to the increase in sales and market share in all segments, the diversification of its markets and income sources as well as the increase in operational efficiency. Almarai acquired Hail Agricultural Company during the year which will boost its key role in the Agriculture & Food Industries sector.

Savola achieves its highest ever net profit

As regards Savola, its results saw net profits at SAR269m during the Q4. Moreover, it achieved the highest growth rate during the year, of all the companies operating in this sector with profits rising more than 370% to SAR 952m because of the growth in sales accompanied by the improvement in profit margins, following the stability in the price of raw materials. The Group managed to achieve its best ever net operating profit (before capital gains) exceeding SAR851m. The net capital gains amounted to SAR101 m and included book profits which resulted partly from the acquisition of Hail Agricultural Co. (26.5% owned by Savola) by Almarai. Savola Group announced that it expects to generate net operating profits to the tune of SAR 920m for the year 2010. It also expects net profit of SAR180m for the first quarter 2010 without taking into account any capital gains that might be generated during the year. In an initiative to enhance transparency, the Group disclosed, for the first time, details of its main divisional profit forecasts for the year 2010. According to these forecasts, the company expects its Food division to achieve net profits of SAR450m (against SAR400m for 2009), whereas the Retail division is forecast to achieve SAR190m (against SAR84m for 2009) and the Plastics division is forecast to generate SAR120m (against SAR103 m for 2009). Overall net profit should be different than the sum of these divisional results, taking into account the fact that it will include investment income, minority interests, and the costs of the head office for the group.

On the other hand, some of the companies listed under this sector (Qassim Agriculture, Saudi Fisheries, Sharqiya Dev. Co.) incurred quarterly losses and Tabuk Agriculture incurred both quarterly losses and a decline in its annual profits of 70.2% due to the continuing weak operational efficiency of these companies. Hail Agricultural Development Company has not been included here due to its acquisition by Almarai whereas Sadafco was excluded as its financial year is different.

Finally, with the increasing need for food, the companies operating in this sector have good growth potential, especially in grain and dates. However, this will essentially depend on raising their productivity and increasing their market outlets.

Table 9 : Income Statement Financials (figures in mn's except per share data)

Agriculture & Food Industries	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
SAVOLA Group	-464.0	269.0		202.0	952.0	371.3%	0.40	1.90
Food	-0.4	-0.5	2.2%	14.1	5.7	-59.3%	0.70	0.28
Almarai	219.2	248.8	13.5%	910.3	1,096.7	20.5%	8.35	9.96
Anaam Holding	-1.0	-6.3	530.0%	5.2	-7.5		0.48	-0.69
Halwani Bros	7.6	10.0	31.6%	58.4	44.3	-24.1%	2.44	1.55
NADEC	-4.0	-28.5	612.5%	68.8	-38.4		1.15	-0.64
Qassim Agriculture	-1.2	-2.2	83.3%	0.3	-6.9		0.01	-0.14
Tabuk Agriculture	4.5	-1.3		23.5	7.0	-70.2%	1.18	0.35
Saudi Fisheries	-7.7	-12.3	60.1%	-25.8	-28.7	11.0%	-1.29	-1.43
Sharqiyah Agriculture	-7.5	-1.8	-75.4%	-10.7	-4.7	-55.9%	-1.42	-0.63
Jouff Agriculture	20.7	20.8	0.5%	54.4	62.8	15.5%	2.72	3.14
Jazan Development	-3.8	3.0		19.8	4.5	-77.4%	0.40	0.09
Total	**-238**	**499**		**1,320**	**2,087**	**58.1%**		

Source : Tadawul, ARC Research

Industrial Investment
mixed results

The Q4 2009 preliminary results for the Industrial Investment Sector showed a growth in its profits of more than 121% year-on-year to SAR 611 mn. Moreover, the sector staged growth during the year of more than 23.4% lifting the sector's net profit to SAR1.460mn, from SAR1,183 mn in the preceding year.

Good results from Saudi Arabia Mining Company….

Regarding individual companies, the Q4 financial data of the National Co. for Glass Industries showed growth of 819%, raising its profits to SAR4.6mn. The Company attributed these profits to the decline in the provision for 'fall in investments' in the year 2009 compared with the provision formed during the year 2008. It is to be noted that, the company's net profits for the year dropped by about 33%. Saudi Arabia Mining Company ranked second with the best growth rate amongst all the sector's companies during this quarter of 183%, raising its net profits to SAR342.8mn. The Company also headed the list of the best growing companies for the year with a growth rate of more than 98%, causing its profits to break the SAR403.8mn mark instead of SAR203.4 mn for the year before due to the increase in the gold output and the revenues gained by the Company from the foreign partner against the latter's partnership in the aluminium business. Saudi Chemical followed suit and achieved growth in its Q4 profits whereas its annual profits jumped by 50% due to the non-operating profits (SAR48mn) resulting from the settlement of the Panadol distribution Agreement, the increase in sales as well as the decline in the losses from foreign exchanges rates.

…but poor results from Maadaniyah

On the other hand, Maadaniyah topped the list of companies with declining annual profits, as its net profit declined by more than 61%, mainly attributed to the decline in the sales volumes and prices. The only loser amongst the sector's companies was the Saudi Industrial Export Co., which incurred losses during this quarter and for the whole year as well. The losses are mainly due to the decline in sales resulting from the sharp fall in the prices of some products such as iron, fertilisers and chemical & manufacturing products, especially in the Chinese and Indian markets where the Company was not awarded any contracts during this year.

Table 10 : Income Statement Financials (figures in mn's except per share data)

Industrial Investment	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
BCI	11	15	31.1%	40	59	47.8%	1.44	2.13
MA'ADEN	121	343	183.1%	203	404	98.5%	0.30	0.44
Astra Indust	26	50	96.1%	186	205	10.2%	2.80	2.80
Pharmaceutical	38	59	56.0%	128	155	20.7%	2.14	2.58
Glass	1	5	820.0%	68	46	-32.8%	2.71	1.82
FIPCO	2	5	104.5%	18	20	13.1%	2.55	2.88
Maadaniyah	-27	5		40	16	-61.4%	1.57	0.61
Saudi Chemical	61	65	6.6%	201	301	49.8%	3.17	4.76
Saudi Paper	22	28	24.2%	85	94	10.9%	2.83	3.13
AlAbdullatif	28	40	41.9%	201	169	-16.2%	2.48	2.08
Saudi Export	-7	-2	-67.6%	14	-6		1.32	-0.51

Total	**276**	**611**	**121.6%**	**1,184**	**1,461**	**23.4%**

Source : Tadawul, ARC Research

Real Estate Development
changes on the horizon

The increase in Dar Al Arkan Company's profits for the fourth quarter positively affected the aggregate net profits for the Real Estate development sector. Consequently, the net profits for the Q4 2009 grew by 5.5% to SAR528.2mn. However, the negative performance of all the companies throughout the year 2009, except Arriyadh Development Co., was clearly reflected on the sector's annual profits, which dipped by 11.5% to SAR2.35bn from SAR2.65bn in the previous year due to the recession in the real estate activity that dominated throughout the year.

At the individual companies' level, Dar Al-Arkan Co., the biggest company in this sector, witnessed year-on-year growth of 7%. The company attributed this growth to the increase in the sales of the residential units, in addition to the increase in the resultant growth profit margins. However, the company net income for the year 2009 declined by 10%. Profits for the other real estate companies retreated by varying degrees, except Arriyadh Development Co. which reported profit growth of above 30% year-on-year for the fourth quarter and 17.5% for the year 2009 as a result of the growth in the Company's operational revenues and investment promotion.

New regulations likely to have a positive effect on the sector

The Real Estate Sector is now aspiring to be re-organised through the new regulations (governing Real Estate Mortgage, Real Estate Financing and Lease Financing) which are expected to be approved in the near future and which are anticipated to be a positive development, both at the legislation level as well as at the level of linking the real estate market to the banking system. This new arrangement will create new systems that will allow the investors to enter the real estate market more efficiently. Moreover, this will represent a good mechanism that will help to achieve growth in supply and demand and provide wider chances to real estate dealers to find new financing channels.

Table 11 : Income Statement Financials (figures in mn's except per share data)

Real Estate Development	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
Real Estate	35	20	-44.0%	117	92	-21.6%	0.98	0.76
Taiba	33	22	-31.7%	160	69	-57.1%	1.07	0.46
Makkah	-	-	NA	-	-	NA		
Arriyadh Development	18	24	33.3%	79	93	17.7%	0.79	0.93
Emaar E .C	-50.5	-69.9	38.3%	-292.0	-308.9	5.8%	-0.34	-0.36
Jabal Omar	-18	-2	-91.8%	-53	-23	-56.2%	-7.80	-3.40
Dar Al Arkan	433	464	7.0%	2,356	2,123	-9.9%	2.18	1.97
Total	**450**	**458**	**1.8%**	**2,368**	**2,044**	**-13.7%**		

Source : Tadawul, ARC Research

Transport
under pressure in 2009

The fourth quarter preliminary financial results for the Transport sector showed that the sector's profits retreated by 36.3% to SAR112.5m, compared with SAR176.6m (YOY). Likewise, the sector's net profits for the whole year declined by 2.4% to SAR123m from SAR 126m in the year 2008.

NCSCA's profit was pushed down by several factors

The net profit of National Shipping Company of Saudi Arabia (NCSCA) declined by about 50% for the fourth quarter and the year as a whole. The Company attributed these declines to the low crude oil transport rates in the spot market which in turn were affected by many factors, such as the decline in the global demand for oil, the increase in the tonnage capacity due to the entrance of new oil tankers to the market and the decline in prices and volumes for general goods as a consequence of the decline in world trading activity. However, the Company's share of profits in Better Deck (30.3% owned) grew during the year because of an improvement in the liquid gas trade markets. Moreover, the chemicals transport segment, represented in the National Chemical Carrier (80% shareholding), witnessed an improvement due to the adjustment of some leasing contracts and capital gains.

The Company has announced that it has already received six very large crude carriers (VLCC) which were contracted in 2006, raising NSCSA's fleet to 17 crude carriers, placing the company amongst the top VLCC owners in the world. This should reinforce the company's competitive strength in the markets and help it to benefit from the improvement in prices when the world economy recovers.

Budget was the only company to achieve growth in Q4

United International Transportation Co. (Budget Saudi) was the only one of the sector's companies to record growth during the fourth quarter, of 17.3%. Moreover, the Company's financial results for the year 2009 showed a slight increase in net income of about 2.2% resulting from increasing its revenues from the long-term leasing system, the sale of old cars, in addition to a drop in administrative and marketing expenses.

Despite the decline in the quarterly profits of 31%, the Saudi Public Transport Co. (Saptco) witnessed growth in its net annual profits of 4.3% to SAR 31.4 m resulting from the increase in the non-operational revenues generated from the contract for advertising on Saptco buses.

Table 12 : Income Statement Financials (figures in mn's except per share data)

Transport	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
Shipping	96.1	48.1	-49.9%	750.0	362.8	-51.6%	2.38	1.15
SAPTCO	60.1	41.5	-30.9%	30.1	31.4	4.3%	0.24	0.25
Mubarrad	1.3	0.5	-63.8%	11.3	5.5	-51.3%	0.63	0.31
Budget Saudi	19.1	22.5	17.3%	83.9	85.8	2.2%	4.58	4.69
Total	**176.6**	**112.5**	**-36.3%**	**875.3**	**485.5**	**-2.4%**		

Source : Tadawul, ARC Research

Media & Publishing
affected by economy

The Media & Publishing sector has been adversely affected by the international economic crisis, which has driven a contraction in advertising activity causing the sector's profits to continue to decline in the fourth quarter by 40.5% to SAR47.1m. Consequently, the sector's net profits for the year dropped by more than 66% and stood at SAR126.3m.

SARMG had a poor Q4

The Saudi Research and Marketing Group (SARMG) Q4 profits declined by 58.7% to SAR16.7 m year-on-year and by more than 77% for the year 2009, to SAR51.2m as against SAR224.5m in 2008. The Company attributed this decline to the exceptional expenses of SAR74m during the year, in addition to the drop in the profits of the Saudi Printing and Packaging Co. in which SARMG holds a 42% stake. Moreover, revenues from printing declined very significantly due to customers' cutting their budgets for printing and a delay in securing contracts during the year. On the other hand, the company stated that the strategy which it is now adopting for diversifying its income ought to have a positive return in the near future.

Likewise, the Saudi Printing and Packaging Co. has shown sharp declines, as its net income for the last three months and the 12 months period dropped by 21.4% and 75.1% to SAR30.4m and SAR75.1m respectively.

Tihama Advertising & Public Relations Co. (which has been excluded because its fiscal year ends on March 31) recorded quarterly losses of SAR9.8m which impacted negatively on the results for the 9 months period ending 31 December and produced losses amounting to SAR2.5m, compared to a SAR22.2m profit year-on-year.

Table 13 : Income Statement Financials (figures in mn's except per share data)

Media and Publishing	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
SARMG	41	17	-58.8%	225	51	-77.2%	2.81	0.64
SPPC	39	30	-21.4%	151	75	-50.1%	2.51	1.25
Total	**79**	**47**	**-40.5%**	**375**	**126**	**-66.3%**		

Source : Tadawul, ARC Research

Hotels & Tourism
affected by poor Hajj season

Q4 profits in the Hotels sector fell by 45%

The fourth quarter profits for the year 2009 for the Hotels & Tourism sector dipped by 45% to SAR17.9mn, compared to SAR32.6mn for the corresponding quarter of 2008. This decline is attributable mainly to a decrease of over 40% in the profits of the Saudi Hotels & Resort Areas Company, to SAR19.9mn. The company explained the decline as resulting from a drop in Hajj season revenues due to the spread of H1N1 flu, plus renovation works and refurbishment of some of its hotels. The Tourism Enterprises Company continued its losses into the fourth quarter, a rise of 67% year-on-year to over SAR2mn.

Hotels Company's profits were down excluding capital gains

Looking at the sector's performance for 2009, reveals that it achieved net profits of SAR 378.3 mn, up by 206% compared to 2008 when profits stood at SAR123.5 mn. The growth in the sector's profits was driven mainly by the Hotels Company whose profits more than doubled and stood at SAR380.7mn. However, these profits resulted partly from non-operating capital gains of SAR291mn arising in the second quarter from the sale of the Company's stake in Alkhalej Village. If we exclude these capital gains, the company's net profits fell by 28%. Thanks to the increase in the net annual profits, the company's EPS jumped from SAR1.79 in 2008, to SAR5.52 for 2009.

Table 14 : Income Statement Financials (figures in mn's except per share data)

Hotel & Tourism	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
Hotels	34	20	-41.1%	123	381	208.8%	1.79	5.52
Shams	-1.21	-2.02	67.1%	0.18	-2.40	-	0.02	-0.24
Total	**33**	**18**	**-45.1%**	**123**	**378**	**206.4%**		

Source : Tadawul, ARC Research

Multi-investment sector driven by Kingdom Holding

The financial results of the Multi Investment Sector companies for the Q4 of the year 2009 showed total profits amounting to SAR185.3mn compared with a loss of SAR292.7mn. For the twelve month period, the sector's companies reported total profits of SAR482.9mn compared to losses that exceeded SAR443mn during the preceding year.

Kingdom Holding generated 84% of the sector's profits in Q4

The improvement in the quarterly results is mainly attributable to the Kingdom Holding Company which reported quarterly profits of SAR156mn (84% of the sector's profits) compared to a loss of SAR31mn in Q4 2009. This was reflected in the annual results which produced a profit of SAR 403 mn as against net losses close to SAR 30 bn for 2008.

The fourth quarter results of the sector's other companies were mixed with the Saudi Refineries Company and Saudi Advanced Company showing significant growth in profits whereas Assir and Sisco managed to achieve profits after incurring losses in the corresponding period of the previous year. On the other hand, Al-Ahsa and Al-Baha reported losses in the fourth quarter.

As regards the annual results, the year 2009 was positive in general as the sector's results turned into profits after losses in the previous year. All the companies were profitable with the exception of Al-Baha, which incurred losses.

It is difficult to predict the outlook for the Multi Investment Sector companies as their activities vary from one company to another and consequently the factors influencing these companies differ. However, in general, any improvement in the sector's results will be dependent on the results achieved by Kingdom Holding, considering its weighting and its influence, not only on the Multi-Investment sector, but also on the overall market.

Table 15 : Income Statement Financials (figures in mn's except per share data)

Multi-Investment	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
SARCO	0.8	1.8	111.4%	107.7	2.8	-97.4%	7.17	0.19
Saudi Advanced	2.2	6.6	202.2%	19.7	35.2	78.9%	0.46	0.81
Al Ahsa for Dev.	-19.8	-1.8	-90.9%	-56.2	3.0		-1.15	0.06
SISCO	-25.9	1.4		-24.2	0.9		-0.50	0.01
Assir	-215.0	30.0		-434.0	79.0		-3.43	0.63
Al Baha	-1.9	-2.0	7.5%	-6.6	-5.7	-14.5%	-0.44	-0.38
Kingdom	-31.0	156.0		-29,911.0	403.0		-4.75	0.06
Total	**-290.5**	**191.9**		**-30,304.7**	**518.1**			

Source : Tadawul, ARC Research

Energy & Utilities
flat outcome

The financial results of the Energy & Utilities sector showed that the sector has incurred losses of SAR 479.7 mn, during the fourth quarter of 2009, up by 31.4% (YOY). Comparing the sector's performance during the year 2009 with the previous year, shows that it grew by just 0.4%, bringing its profits to about SAR 1.26 bn.

SEC's profits are seasonal

The Saudi Electricity Company(SEC), the biggest company in the sector, reported losses during the fourth quarter of SAR510mn, raising losses for the year by 25.6% due to the increase in depreciation expenses caused by the launching of new projects and the increase in the power costs purchased from other sources. By contrast, SEC achieved 5.5% growth in its profits during the year to SAR 1.2 bn. The Company attributed this growth to the rise in its operating revenues of 7% , the slowdown of growth in the operating and maintenance expenses and a decline of O&M expenses of 1%. It is important to note that SEC's profits are seasonal as it achieves good profits during the second and third quarters (summer season) and incurs losses in the other two quarters.

The National Gas and Industrialization Company witnessed a decline in net profits in the fourth quarter of more than 25.9% to SAR30.3 mn, compared to SAR40.9 mn for the same period of 2008. Comparing its performance for the year, we see that the net profit declined by 38% to SAR91.8 mn, from SAR148mn in 2008. The company also pointed out that unrealized losses from investments in securities stood at about SAR154.7 mn of which SAR 18.2mn were charged to the income statement, representing the non-provisional expenses whereas an amount of SAR136.5 mn was recorded as unrealisable losses.

Table 16 : Income Statement Financials (figures in mn's except per share data)

Energy & Utilities	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
NATL GAS & IND	41	30	-25.9%	148	92	-38.0%	1.99	1.22
SAUDI ELECTRIC	-406	-510	25.6%	1,104	1,165	5.5%	0.27	0.28
Total	**-365**	**-480**	**31.4%**	**1,252**	**1,257**	**0.4%**	**1.13**	

Source : Tadawul, ARC Research

Retailing
results improving

The fourth quarter 2009 preliminary financial results of the Retail Sector showed growth of 34.5% in profits to SAR96.8mn, compared to SAR71.9 mn for the corresponding period of the previous year. Moreover, the sector achieved net profit of SAR319.2mn during the year, an increase of 14% year-on-year.

Good progress from Jarir and the other leading stocks

With the exception of Fitaihi and Thimar, the performance of the sector's companies was positive with reasonable growth rates. Al-Othaim Company had the strongest growth rate with its quarterly profits increasing by more than 63%, thanks to the improvement in sales due to the expansion in the number of branches. Aldrees Co. ranked second with a growth rate of about 57%. Similarly, Jarir Marketing Company, the biggest company in the sector, both in terms of the number of shares and its contribution to the sector's profits, continued its growth for Q4, raising profit for the year to SAR374 mn, an increase of 12.3%. The company's EPS stood at SAR 9.4. Al-Hokair Co. profits were excluded from the sector's profits due to their different financial year end.

As regards the annual results, the sector achieved growth of about 14% in its gross profits. Aldrees ranked top in terms of growth whereas Fitaihi and Sasco witnessed a decline in their net profits. On the other hand, Thim'ar (the only company reporting annual losses) incurred losses for 2009, which were very similar to the losses for 2008 .

Table 17 : Income Statement Financials (figures in mn's except per share data)

Retail Sector	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
A.Othaim Market	10	17	63.4%	62	78	24.4%	2.77	3.45
Mouwasat	24	25	2.1%	97	107	10.2%	3.88	4.28
SASCO	10	15	53.9%	37	34	-8.5%	0.82	0.75
Thim'ar	-8	-2	-70.1%	-10	-10	1.0%	-1.02	-1.03
Fitaihi	-6	-2	-65.4%	19	11	-44.6%	0.38	0.21
Jarir	80	104	29.4%	333	374	12.3%	8.30	9.35
Aldrees	11	17	56.8%	53	69	30.2%	2.12	2.76
AlHokair				-	-		-	-
Alkhaleej Trng	24	25	3.4%	41	42	2.4%	2.75	2.81
Total	**146**	**198**	**35.9%**	**633**	**704**	**11.3%**		

Source : Tadawul, ARC Research

Insurance
a mixed bag as usual

17 of 25 insurance companies announced results

Some of the listed insurance companies did not disclose their financial results for the fourth quarter, whereas others have no comparable data as they were recently established and listed. Of 25 listed companies, 17 announced their quarterly and annual results .These companies showed realized losses, except five companies which reported mixed profits of which three reported growth in their net profits. The sector's total losses amounted to SAR15.1 mn in Q4 compared to profits of SAR0.7mn. This in turn led to significant losses for 2009 for the sector, up more than 214% to SAR41.4mn from SAR13.2 mn for 2008.

These losses are attributable partly to the negative performance of Al-Ahlia and Sanad insurance companies during the fourth quarter as they incurred losses of SAR10.7mn and SAR3.1mn respectively. The two companies also incurred losses for 2009 of SAR31.9mn and SAR14.6mn respectively.

Tawuniya benefited from rising insurance premium income

The fourth quarter financial results for Tawuniya Co. (NCCI), the biggest listed company in this sector and the first to be licensed to carry on insurance business in the Kingdom, showed profits of SAR101.5mn whereas the profits for the year jumped by more than 340% to SAR296.4mn due to the increase in the insurance operation resulting from the increase in insurance subscriptions which in turn caused increasing insurance premium income to rise by 39%. In addition, two more companies (Medgulf and Arabian Shield) have managed to register strong growth in annual profits of 2644% and 440% respectively. Medgulf attributed this huge jump in the annual profit growth to the fact that the financial statement for the corresponding period of last year did not include the operational activities results. It is to be also noted here that the current period covers 20 months.

On the other hand, Saudi Re for Cooperative Reinsurance reported quarterly and annual profits, albeit with lower growth of 95% and 81.3% respectively over the corresponding periods whereas the other companies continued registering annual losses due to higher pre-operating and operating expenses.

Table 18 : Income Statement Financials (figures in mn's except per share data)

Insurance	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
NCCI	-34.62	101.54		67.24	296.39	340.8%	1.34	5.93
MALATH	-24.15	1.79		-59.21	7.23		-1.97	0.24
MEDGULF	-11.90	58.83		5.34	146.51	2644.7%	0.07	1.83
ALLIANZ SF	-5.88	-10.71	82.3%	-33.45	-22.42	-33.0%	-3.35	-2.24
SALAMA	-31.83	2.56		-21.20	12.18		2.21	1.22
WALAA INS	83.00	-3.17		-6.13	-17.88	191.8%	-0.31	-0.90
ARABIAN SHIELD	-2.94	1.63		1.50	8.10	438.9%	0.08	0.40
SABB TAKAFUL	1.29	-3.02		-48.21	-16.46	-65.9%	-2.29	-0.65
SANAD	-4.66	-3.12	-0.0%	-21.90	-14.59	-33.4%	-1.21	-0.70
SAICO	-137.00	-967.00	605.8%	-10.07	-8.39	-16.7%	-1.00	-0.84
SAUDI INDIAN	-2.83	-5.01	77.3%	-7.34	-20.82	183.9%	-0.73	-2.08
GULF UNION	553.00	-780.00		1.85	-1.89		0.08	-0.09
ALAHLI TAKAFUL	-5.23	-2.45	-53.2%	-10.10	-5.20	-48.5%	-1.01	-0.52
AL AHLIA	-3.64	-10.75		-16.96	-31.97	88.5%	-1.70	-3.20
ACIG	-9.72	-6.18	-36.4%	-20.19	-23.73	17.6%	-2.02	-2.38
AICC	-2.94	-3.06	4.0%	-26.78	-11.79	-56.0%	-1.34	-0.59
SAUDI RE	8.61	0.43	-95.0%	25.86	4.83	-81.3%	0.25	0.05
Total	**369**	**-1,628**		**-180**	**300**	**-267.0%**		

Source : Tadawul, ARC Research

Building & Construction
Q4 showed a recovery

The fourth quarter results for the Building and Construction Sector companies showed an increase in net profits of 15% to SAR230mn year-on-year. By contrast, the sector's net profits for 2009 declined by 44% to settle at SAR 1.3 bn due to a significant decline in realised profits for most of the companies.

Good results from Zamil and Amiantit

As regards the performance of individual companies, Zamil Industrial Investment reported the biggest growth rate in quarterly profits of 220% year-on-year to SAR64mn. The company attributed these good results to the noticeable improvement in the performance of some of its international investments as well as the clear decline in the operating and administrative expenses, thanks to the efficient implementation of the expenses control policy. Zamil was followed by Amiantit with a growth rate of 120% that lifted its profits to SAR41.6mn. However, the company's net profits for the year 2008 dropped by 14% due to the sales decline during the year of 18% which resulted from the decline in local and global demand. The Company reported capital gains in 2008 to the tune of SAR 87 mn that resulted from selling 50% of its shareholding in the Chinese CPIC company.

On the other hand, of the sector's 13 companies, only Saudi Ceramic Company and Zamil Industrial reported growth in their net profits during the year of 10.8% and 2.3 respectively.

AC Mojil and Arabian Pipes saw sharp falls in profit

AC Mojil Group saw the biggest decline, with profits dropping by 94% due to a host of factors including the adoption of a more conservative policy in registering receivables claims, the failure to achieve sufficient revenues to cover the increase in direct costs (mainly composed of manpower costs, material costs and depreciation) and the significant drop in contract revenues. Ranked second in terms of profit decline was the Arabian Pipes Company with its net profits declining by about 79%, mainly due to the adverse impact of the Company's Jubail plant which, though it was ready for production, secured no contracts because of the negative impact of the international economic crisis, particularly on the oil and gas sector. Consequently, the Company has borne the costs of one full year, which stood at SAR 60 mn without generating any revenues.

Source : Tadawul, ARC Research

Table 19 : Income Statement Financials (figures in mn's except per share data)

Building & Construction	Net Income (Q4)			Net Income (FY)			EPS 12 Months	
	2008	2009	YoY	2008	2009	YoY	2008	2009
MMG	74	10	-87.1%	665.5	40	-93.9%	5.32	0.32
Saudi Steel Pipe	9	13	50.0%	141	113	-20.1%	4.03	2.62
Ceramic	38	51	34.7%	178	197	10.8%	7.12	7.89
Gypsum	22	12	-44.9%	112	89	-21.2%	3.55	2.80
Cables	-51	-9	-82.2%	212	104	-50.7%	2.79	1.37
Saudi Industrial	4	-2		-6	-4	-34.5%	-0.14	-0.09
Amiantit	21	42	101.9%	235	203	-13.9%	2.04	1.75
Pipes	10	0	-96.8%	117	25	-78.6%	3.72	0.79
Zamil Industrial	20	64	220.0%	225	230	2.3%	5.00	5.11
AL Babtain	30	25	-15.4%	131	109	-16.5%	3.23	2.70
Saudi vitrified clay pipes	14	19	40.0%	48	43	-11.6%	3.21	2.84
MESC	-33	-18	-45.3%	88	51	-42.2%	2.21	1.28
Red Sea	44	23	-48.1%	214	124	-42.2%	7.13	4.13
Total	**200**	**230**	**14.9%**	**2,363**	**1,324**	**-43.9%**		

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