



EVENT FLASH

The highest net income since 2Q14

Sahara reported a strong set of 4Q16 results with a net income of SR160mn, significantly higher than the NCBC and consensus estimates of SR103mn and SR106mn, respectively. Net income increased 51.7% QoQ and compares to a net loss of SR48mn in 4Q15. We believe the variance is attributed to higher sales and income from associates. Based on our calculations, Sahara share in income of associates stood at SR112.7mn in 4Q16, higher than estimated SR57mn and the highest since 2Q14.

- Sahara reported a better than expected set of results with a net income of SR159.7mn, significantly higher than the NCBC estimate of SR103mn and the consensus of SR106mn. Net income increased 51.7% QoQ and compares to a net loss of SR48mn in 4Q15. This is the highest net income since 2Q14. We believe higher than expected earnings from associates and higher sales from Alwaha were the main reasons behind the variance.
- Revenues stood at SR528mn in 4Q16, 22.1% higher than our estimate. This is an increase of 22.0% YoY and 24.7% QoQ. Based on our calculations, Alwaha facilities operated at 122% in 4Q16, higher than 3Q16 and our estimate of 100%. This is the highest operating rates since inception.
- Gross profit stood at SR146mn in 4Q16, 10.1% higher than our estimate, mainly due to higher sales. However, gross margins came in at 27.6% in 4Q16, in-line with 27.1% in 4Q15 but lower than our estimate of 30.6%. We believe lower PP-propane spread and higher than expected cost of operations impacted gross margin.
- The deviation increased at the net level due to higher than expected income from associates. Based on our calculations, the share in income from associates stood at SR112.7mn, higher than our estimate of SR57mn. This is the highest income from associates since 2Q14. We believe it is attributed to higher income from SEPC and lower losses at SAMAPCO and the acrylic facility, benefiting from improved efficiency and higher product prices.
- Petrochemical prices increased 2-8% QoQ and 2-12% YoY. PP-Propane (Aramco) spreads declined 2.0% QoQ to US\$685.
- We are currently Neutral on Sahara with a PT of SR9.9. Higher operating rates and efficiency at Alwaha and the associates' facilities are key positives. The stock is trading at a 2017E P/E of 20.6x, higher than the sector average of 16.2x, offering limited upside potential.

4Q16 Results Summary

SR mn	4Q16A	3Q16A	% QoQ	4Q15A	% YoY	4Q16E	% Var [^]
Revenues	528	424	24.7	433	22.0	433	22.1
Gross income	146	137	6.2	117	24.5	132	10.1
Gross margin (%)	27.6%	32.4%	(4.8)	27.1%	0.5	30.6%	(3.0)
Operating income	96	96	(0.2)	63	51.3	83	15.9
Net income	160	105	51.7	(48)	NM	103.1	54.8
EPS (SR)	0.36	0.24	51.7	(0.11)	NM	0.24	54.8

Source: Tadawul, NCBC Research, [^] % Var indicates variance from NCBC estimates

NEUTRAL

Target price **9.9**

Current price (SR) **13.8**

STOCK DETAILS

52-week range H/L (SR)	15/7
Market cap (\$ mn)	1,610
Shares outstanding (mn)	439
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(3.8)	38.8	69.0
Rel. to market	0.1	13.4	45.0

Avg daily turnover (mn)	SR	US\$
3M	48.2	12.9
12M	36.4	9.7

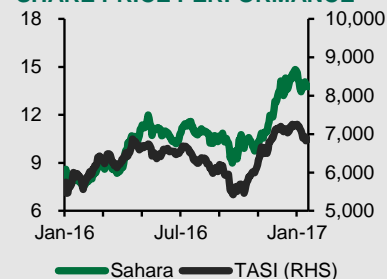
Reuters code	2260.SE
Bloomberg code	SPCO AB
	www.saharapcc.com

VALUATION MULTIPLES

	15A	16A	17E
P/E (x)	NM	14.5	20.6
P/B (x)	1.1	1.1	1.1
EV/EBITDA (x)	22.1	11.0*	12.0
Div Yield (%)	3.6	5.4	3.6

Source: NCBC Research estimates, *-estimate

SHARE PRICE PERFORMANCE



Source: Tadawul

Iyad Ghulam

+966 12 690 7811
i.ghulam@ncbc.com

Kindly send all mailing list requests to research@ncbc.com

NCBC Research website

<http://research.ncbc.com>

Brokerage website

www.alahlitadawul.com
www.alahlibrokerage.com

Corporate website

www.ncbc.com

NCBC Investment Ratings

OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
NEUTRAL:	Target price represents a change in the share price between -10% and +15% in the next 12 months
UNDERWEIGHT:	Target price represents a fall in share price exceeding 10% in the next 12 months
PRICE TARGET:	Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

Other Definitions

NR: Not Rated. The investment rating has been suspended temporarily. Such suspension is in compliance with applicable regulations and/or in circumstances when NCB Capital is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations

CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

Important information

The authors of this document hereby certify that the views expressed in this document accurately reflect their personal views regarding the securities and companies that are the subject of this document. The authors also certify that neither they nor their respective spouses or dependants (if relevant) hold a beneficial interest in the securities that are the subject of this document. Funds managed by NCB Capital and its subsidiaries for third parties may own the securities that are the subject of this document. NCB Capital or its subsidiaries may own securities in one or more of the aforementioned companies, or funds or in funds managed by third parties. The authors of this document may own securities in funds open to the public that invest in the securities mentioned in this document as part of a diversified portfolio over which they have no discretion. The Investment Banking division of NCB Capital may be in the process of soliciting or executing fee earning mandates for companies that are either the subject of this document or are mentioned in this document.

This document is issued to the person to whom NCB Capital has issued it. This document is intended for general information purposes only, and may not be reproduced or redistributed to any other person. This document is not intended as an offer or solicitation with respect to the purchase or sale of any security. This document is not intended to take into account any investment suitability needs of the recipient. In particular, this document is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this document. NCB Capital strongly advises every potential investor to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs. Any investment recommendations contained in this document take into account both risk and expected return. Information and opinions contained in this document have been compiled or arrived at by NCB Capital from sources believed to be reliable, but NCB Capital has not independently verified the contents of this document and such information may be condensed or incomplete. Accordingly, no representation or warranty, express or implied, is made as to, and no reliance should be placed on the fairness, accuracy, completeness or correctness of the information and opinions contained in this document. To the maximum extent permitted by applicable law and regulation, NCB Capital shall not be liable for any loss that may arise from the use of this document or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this document may not be realized. All opinions and estimates included in this document constitute NCB Capital's judgment as of the date of production of this document, and are subject to change without notice. Past performance of any investment is not indicative of future results. The value of securities, the income from them, the prices and currencies of securities, can go down as well as up. An investor may get back less than he or she originally invested. Additionally, fees may apply on investments in securities. Changes in currency rates may have an adverse effect on the value, price or income of a security. No part of this document may be reproduced without the written permission of NCB Capital. Neither this document nor any copy hereof may be distributed in any jurisdiction outside the Kingdom of Saudi Arabia where its distribution may be restricted by law. Persons who receive this document should make themselves aware, of and adhere to, any such restrictions. By accepting this document, the recipient agrees to be bound by the foregoing limitations.

NCB Capital is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities under license number 37-06046. The registered office of which is at King Saud Road, NCB Regional Building P.O. Box 22216, 11495 Riyadh, Kingdom of Saudi Arabia.