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# Q4 09 Earnings Preview

## January 5th 2010

## Equity Research

*In this publication, we lay out our Q4 09 estimates for a group of selected companies within our coverage universe, alongside the rationale and assumptions behind these forecasts.*

| Banks | Net Op. Income | Loan loss provisions | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ % | YoY % |
| Abu Dhabi Commercial Bank (in AED mn) | 1,141 | -733 | **-88** | -264 | 35 | -351.8% | NM |
| Dubai Islamic Bank (in AED mn) | 751 | -282 | **141** | -3 | 300 | -52.9% | NM |
| First Gulf Bank (in AED mn) | 1,379 | -429 | **713** | 671 | 930 | -23.3% | 6.2% |
| National Bank of Abu Dhabi (in AED mn) | 1,575 | -403 | **694** | 492 | 914 | -24.1% | 41.1% |
| Union National Bank (in AED mn) | 527 | -188 | **171** | 63 | 358 | -52.3% | 169.3% |
| SABB (in SAR mn) | 1,278 | -228 | **670** | 657 | 570 | 17.5% | 2.1% |
| Samba Financial Group (in SAR mn) | 1,643 | -121 | **1,072** | 826 | 1,211 | -11.5% | 29.8% |
| Commercial Bank of Qatar (in QAR mn) | 688 | -201 | **269** | 140 | 395 | -31.9% | 91.7% |
| Qatar National Bank (in QAR mn) | 1,494 | -241 | **979** | 650 | 1,059 | -7.6% | 50.7% |

| Mortgage Companies | Operating Profit | Provisions | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ % | YoY % |
| Tamweel (in AED mn) | 66 | (55) | **3** | (112) | 10 | -69.8% | NM |

| Financial Services | Fee Income | Operating Profit | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ % | YoY % |
| EFG - Hermes (in EGP mn) | 201 | 27 | **140** | 20 | 151 | -7.0% | NM |
| Global Investment House (in KWD mn) | 5 | (2) | **(13)** | (366) | (5) | 167.8% | NM |
| Dubai Financial Market (in AED mn) | 114 | 70 | **94** | (176) | 72 | 32.0% | NM |

| Transportation and Logistics | Sales | EBITDA | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ change | YoY change |
| DP World* (in USD mn) | 1,523 | 593 | **107** | 296 | 175 | -38.7% | -63.7% |
| Aramex (in AED mn) | 480 | 48 | **43** | 39 | 42 | 3.9% | 11.7% |
| Agility (in KWD mn) | 414 | 41 | **41** | 34 | 41 | -0.1% | 20.6% |
| Air Arabia (in AED mn) | 426 | 51 | **83** | 136 | 144 | -41.9% | -38.6% |
| NSCSA (in SAR mn) | 560 | 117 | **109** | 87 | 56 | 95.2% | 26.4% |
| Gulf Navigation (in AED mn) | 120 | 3 | **2** | 11 | 1 | 37.7% | -82.5% |

*DPW figures refer to H2 09 results, comparative figures refer to H1 09 and H2 08 respectively

| Utilities | Sales | Operating Income | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ change | YoY change |
| TAQA (in AED mn) | 4,695.6 | 1,263.9 | **347.7** | 233.2 | 90.0 | 286.3% | 49.1% |
| Tabreed (in AED mn) | 222.3 | 56.1 | **28.9** | 24.0 | 23.6 | 22.2% | 20.5% |
| Dana Gas (in AED mn) | 313.4 | 54.4 | **34.0** | 35.0 | (79.0) | na | -2.9% |

| Petrochemicals | Sales | EBIT | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ change | YoY change |
| Industries Qatar (in QAR mn) | 2,841 | 1,264 | **1,389** | 94 | 1,197 | 16.1% | NM |
| SABIC (in SAR bn) | 29.7 | 7.3 | **4.3** | 0.3 | 3.6 | 17.4% | NM |
| SAFCO (in SAR mn) | 780.1 | 495.9 | **515.7** | 535.9 | 464.2 | 11.1% | -3.8% |

| Consumer and Retail | Sales | EBIT | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ change | YoY change |
| Almarai (in SAR mn) | 1,481.1 | 318.4 | **264.9** | 219.2 | 363.4 | -27,1% | 20,9% |
| Savola (in SAR mn) | NAV | NAV | **205.4** | -463.8 | 277.9 | -26,1% | N.M |
| Jarir Marketing (in SAR mn) | 663.5 | 103.7 | **97.5** | 80.2 | 90.6 | 7,6% | 21,7% |
| Agthia (in AED mn) | 238,5 | 13,9 | **12,2** | 18,0 | 19,1 | -35,9% | -11,8% |

| Heavy Industries | Sales | EBIT | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ change | YoY change |
| Saudi Cables (in SAR mn) | 503.0 | 12.9 | **6.8** | -51.1 | 20.1 | -66.4% | -113.2% |
| Arabian Pipes (in SAR mn) | 114.2 | 19.2 | **12.1** | 9.8 | 8.2 | 48.0% | 23.0% |
| El Sewedy Cables (in EGP mn) | 2,447.2 | 245.0 | **202.8** | 51.3 | 180.3 | 12.5% | 12.5% |

| Telecommunications | Sales | EBITDA | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ change | YoY change |
| Etihad Etisalat (Mobily) (in SAR mn) | 3,585 | 1,382 | **884** | 778 | 807 | 9.6% | 13.7% |
| Saudi Telecom Company (in SAR mn) | 12,622 | 4,340 | **2,285** | 1,166 | 2,827 | -19.2% | 96.1% |
| Etisalat (in AED mn) | 7,696 | 4,941 | **2,278** | 1,413 | 2,254 | 1.1% | 61.3% |
| Du (in AED mn) | 1,412 | 325 | **89** | 78 | 79 | 13.0% | 13.5% |
| Zain Group (in KWD mn) | 583 | 231 | **61** | 87 | 41 | 48.8% | -29.4% |

| Real Estate and Construction | Sales | EBITDA | Net Income | | | | |
|---|---|---|---|---|---|---|---|
| | Q4 09E | Q4 09E | Q4 09E | Q4 08A | Q3 09A | QoQ change | YoY change |
| Emaar Properties (in AED mn) | 2,604 | 775.1 | **699.8** | (1,768) | 654.7 | 6.9% | N/A |
| Aldar Properties (in AED mn) | 539 | (71.1) | **156.4** | 84.4 | 427.3 | -63.4% | 85.2% |
| Arabtec Holding (in AED mn) | 1,833 | 258.6 | **169.0** | 197.9 | 166.6 | 1.5% | -14.6% |
| Drake & Scull International (in AED mn) | 495 | 74.7 | **77.3** | N/A | 69.0 | 12.1% | N/A |
| Depa Limited* (in AED mn) | 1,529 | 250.1 | **195.0** | 138.9 | 91.7 | 112.5% | 40.4% |
| Mohammad Al Mojil Group (in SAR mn) | 545 | 99.7 | **13.5** | 131.5 | 13.9 | -2.4% | -89.7% |

**Depa figures refer to H2 09 results, comparative figures refer to H1 09 and H2 08 respectively*

## Banks

**Abu Dhabi Commercial Bank (ADCB.AD)**

The bank's performance in Q3 09 was strongly impacted by an anticipated rise in provisioning, specifically following the reported high exposure to the troubled two Saudi conglomerates. Low provision coverage at the end of the 9M 09 period combined with speculation over ADCB's significant exposure to Dubai World entities indicates pressure on Q4 09 earnings. Based on low balance sheet growth assumptions and volatility of non-interest revenues, we forecast ADCB's Q4 09 net operating income to reach AED 1,141mn, down 8% QoQ, bringing FY09 net operating income to AED 4,710mn, an estimated 7% YoY rise. On the provisioning front, we estimate FY 09 loan loss provision charges to reach a record AED 2bn (+192% YoY), implying Q4 09 expense of AED 733mn. Ultimately, we see ADCB reporting a net loss of AED 88mn in Q4 09, translating to FY 09 bottom line of AED 596mn, a 52% decline compared to FY 08's figure of AED 1,237mn.

**Dubai Islamic Bank (DISB.DU)**

We expect Dubai Islamic Bank's Q4 09 profitability to reflect limited balance sheet growth, combined with marginally tightening spreads and some losses on investments in light with poor sequential market performance. As such, net operating income for the quarter is seen at AED 751mn, down 6% QoQ. Further deterioration in asset quality and required end-of-year adjustments will, in our view, call for additional provisioning with Q4 09 charge forecasted at AED 282mn. All in all, DIB's net earnings are estimated to slip 53% QoQ to AED 141mn. Therefore, FY 09 net income is estimated to total AED 1,262mn, down 27% YoY.

**First Gulf Bank (FGB.AD)**

Despite foreseen pressure on asset quality and funding costs (seen on the rise following the bank's recent AED 1.9bn bond issuance at 285bps above US Treasuries), we still expect FGB's competitive margins and cost efficiency to support strong profitability in Q4 09. However and as we do not expect Q3 09 investment gains to reoccur in Q4, we see net operating income at AED 1,379mn, a 9% QoQ decline over Q3 09 'clean' figure (excluding AED 181mn net gains on property sale). We do not anticipate FGB to relax provisioning efforts which would translate to a AED 429mn charge for Q4 (or an interim cost of risk of 0.5%). Noteworthy, we have assumed the bank's NPL ratio to reach 1.6% at Dec-end 09 (vs. 1.4% at Sept-end 09), and provision cover to be maintained above the 150% threshold. All in all, we expect FGB to post Q4 09 net earnings of AED 713mn, a 5% decline compared to 'clean' Q3 09 figure of AED 749mn.

**National Bank of Abu Dhabi (NBAD.AD)**

We expect National Bank of Abu Dhabi to continue displaying healthy set of quarterly results as we fully acknowledge the bank's low risk profile compared to immediate peers. Following its substantial participation in the recent Dubai government bond issuance, we expect the bank's loans-to-deposits ratio to tighten and lending growth (ex-Dubai Government) to be limited. In Q4 09, we estimate net operating income to reach AED 1,575mn, an 8% QoQ decline on the back of marginally tighter margins, decline in fees and lower investment gains compared to Q3 09. Although we do not see any significant threats to the bank's asset quality, we believe the bank will continue adopting a conservative risk strategy and build up its general provisioning cushion through a rise in interim cost of risk to 0.3% (vs. 0.2% in Q3 09), corresponding to a net charge of AED 403mn. As a result, we estimate NBAD's bottom line to reach AED 694mn implying a 24% QoQ decline and bringing FY09 estimated net earnings to AED 3,285mn (+9% YoY).

**Union National Bank (UNB.AD)**

Union National Bank beat our estimates in Q3 09, mainly on the back of lower than expected provision charges. In Q4 09, we see the bank's provisioning efforts intensifying and revenues affected by slow balance sheet growth, tighter margins and lower investment revenues. This translates to a net operating profit of AED 527mn (-5% QoQ), a net loan loss provision charge of AED 188mn, and a Q4 09 bottom line at AED 171mn, a 52% QoQ decline.

**SABB (1060.SE)**

We are maintaining our outlook on SABB (as expressed in our General Update on the bank published on 14/10/09) and we expect the bank to achieve FY 09 bottom line of SAR 2.7bn, a 9% YoY decline. This implies Q4 09 net earnings at SAR 670mn, an 18% increase from SAR 570mn in the previous quarter when the bank's revenues were significantly impacted by high provisioning, inline with its prudent risk approach. On the operating front, we forecast the bank to post net operating revenues for the quarter at SAR 1,277mn, only 2% down QoQ.

**Samba Financial Group (1090.SE)**

Following our recent update on Samba Financial Group in October 2009, we maintain our 2009 full year earning estimate of SAR 4,761mn (+7% YoY) implying a Q4 09 bottom line figure of SAR 1,072mn (-12% QoQ, +30% YoY). Net operating income is expected to fall 6% QoQ to SAR 1,643mn, mainly on the back of an 11% decline in net special commission income to SAR 1,157mn due to higher funding costs. On the asset quality front, the bank's NPLs/gross loans ratio is expected at 2.8% (vs. c. 2.5% in Sept 09) with coverage ratio at 143%, hence translating to interim loan losses provision charges of SAR 121mn (vs. SAR 71mn charge in Q3 09).

**Commercial Bank of Qatar (COMB.QA)**

Following the bank's recent QAR 5.8bn bond issuance and receipt of QIA funds (involving the authorities' subscription to 10.3 million additional ordinary shares), CBQ is foreseen to reveal a relaxed liquidity position in Q4 09 as lending growth will remain slow. CBQ's Q4 09 bottom line is estimated at QAR 269mn implying a 32% QoQ decline and bringing FY09 estimated net earnings to QAR 1,607mn (-6% YoY). On the top line, we estimate net operating income to reach QAR 689mn, a marginal 5% QoQ decline due to (1) 3% QoQ drop in interest income on slightly tighter margins and (2) an 8% QoQ decline in non-interest income. Following Q3 09 drop in NPL coverage, we expect the bank to enhance both its specific and general provision cushion in Q4 depicting a rise in interim cost of risk to 2.5%, corresponding to a net charge of QAR 201mn (vs. QAR 87mn in Q3 09).

**Qatar National Bank (QNBK.QA)**

QNB is expected to end 2009 on a positive note as the largest lender in Qatar benefits from a solid asset quality and continuous balance sheet growth on the back of a healthy operating environment compared to other GCC economies. We expect the bank to generate Q4 09 net operating revenues of QAR 1,494mn (+4% QoQ).we priced in, on the conservative side, a marginal increase in provisions inline with expected end of year adjustments and an increase in NPLs during the period (with cost of risk estimated at 0.25% vs. 0.11% the previous quarter). All in all, QNB's bottom is forecasted at QAR 979mn for Q4 09 (-7.8% QoQ), resulting in FY09 net profit of QAR 4.1bn (+12% YoY).

## Mortgage Companies

**Tamweel (TAML.DU) and Amlak Finance (AMLK.DU)**

So far, no significant developments were reported with regards to the much awaited Tamweel-Amlak merger, and we suspect the operation to witness further delays in light of the recent Dubai World turmoil. As such, we forecast both mortgage providers to show marginally shrinking balance sheets in Q4 09, combined with depressed spreads (on higher funding costs), and continued provisioning.

Tamweel's operating income (interest, fee and property related income) is expected to drop 3% sequentially to AED 93mn mainly on the back of a 3% decline in net interest income to AED 84mn due to higher anticipated funding costs. Operating profit is set to reach AED 66mn, down 4% compared to AED 68mn in Q3 09. Based on an assumed coverage ratio of 100%, we estimate NPLs to reach 1.96% by December-end 09 (up from 1.84% in Q3 09) implying a loan loss provision charge of AED 39mn. In addition, we are forecasting AED 16mn property related provisions during the period (vs. a combined charge of AED 53mn in Q3 09). Overall, we expect Tamweel to generate a Q4 09 net profit of AED 3mn (-70% QoQ), reducing FY 09 net loss to AED 62mn, compared to a FY 08 profit of AED 461mn.

We have decided not to publish Q4 09 earnings estimates for Amlak Finance as the company did not disclose its detailed Q3 09 financial statements.

## Financial Services

**EFG-Hermes (HRHO.CA)**

EFG-Hermes Q4 09 bottom line is seen to reach EGP 140mn, -7% QoQ, with 2009 full year earnings reaching EGP 607mn, -35% YoY. On the top line, and despite flat QoQ brokerage income, Q4 09 fee income is expected to grow 13% QoQ to EGP 201mn accentuated by the investment banking division (upon the fee receipt of the USD 1.1bn debt syndication deal closed in Q3 09). Given the negative regional equity market performance in Q4 09, we do not believe the asset management EGP 35.7mn unrealized incentive fees in Q3 09 will be realized by year-end. This, coupled with quarterly operating expenses of EGP 174mn (+8%QoQ on further bonus provisions and director's remuneration), Q4 09 operating profit is forecasted at EGP 27mn (+54% QoQ). Ultimately, bottom line figure is expected to be negatively impacted by lower interim non-fee income of EGP 142mn (-15% QoQ), with Bank Audi contribution forecasted at EGP 97mn (or 28% of Q4 09 revenues).

**Global Investment House (GLOB.KW)**

Despite the positive incentive the investment bank received from the resolution of its USD 1.7bn debt restructuring plan, we believe Global Investment House's Q4 09 bottom line will remain in the red We are forecasting a net loss of KWD 13.4mn, implying full year 2009 deficit of KWD 118.1mn (vs. a net loss of KWD 260.4mn in FY08). Q4 09 fee and commission income is expected to drop 15% QoQ to KWD 5.0mn driven by (1) a 7.6% QoQ drop in AUMs mainly related to market conditions and (2) weaker brokerage income on declining traded values during the quarter. Interim investment related gains are seen at KWD 0.8mn following weaker Q4 09 equity market performance, versus a gain of KWD 5.8mn in Q3 09. Noteworthy and, given the intricate nature of this entry, actual figures could vary significantly from initial expectations. Q4 09 total expenses are seen to rise 13% QoQ to KWD 20.2mn accentuated by further provisioning charges of KWD 3.5mn vs. KWD 1.3mn in Q3 09.

### Dubai Financial Market (DFM.DU)

With Q4 09 traded values expected to reach AED 47.7bn (up 22% QoQ and 27% YoY), DFM interim fee income is estimated to record a 25% sequential increase to AED 114mn. Trading commission will remain the main revenue generator at 92% of total quarterly fee income. This, coupled with Q4 09 operating expenses (inc. amortization) of AED 43mn (+6% QoQ), after accounting for director's fees, translates to an operating profit of AED 71mn, compared to AED 50mn in Q3 09. All in all, Q4 09 bottom line is expected to reach AED 94mn (+32% QoQ) translating to 2009 full year net profit of AED 353mn ( -42% YoY).

## Petrochemicals

### Industries Qatar (IQCD.QA)

Excluding the potential occurrence of another Government subsidy (which we do not expect), we expect Industries Qatar (IQ) Q4 09 net income to reach QAR 1.39 bn, up 16% from the QAR 1.20 bn reported in Q3 09 and also up from the QAR 0.09 bn recorded in Q4 08. This performance would bring FY 09 total net income to QAR 5.22 bn (inclusive of a QAR 1.17 bn grant from the Qatari Government subsidy, included in H1 09 results, or QAR 4.05 bn excluding this one-off item). Our underlying forecasts are backed by IQ's top line seen expanding 10% QoQ to QAR 2.84 bn (+43% YoY), a growth underpinned by improved sequential pricing in all of IQ product portfolio (petrochemical products up c. 5% on average, fertilizers up with ammonia up c. 30% and urea 3%, and steel up double digit the back of an across-the-board increase in steel prices implement early October), and volumes expected somewhat similar to those of Q3 09.

### Saudi Basic Industries Corporation (2010.SE)

We view SABIC earnings recovery from its Q1 09 loss continuing into Q4 09, and expect the firm to post SAR 4.3 bn in net income in the period, up 17% QoQ from the SAR 3.6 bn achieved in Q3 09 and vs. the SAR 0.3 bn generated in Q4 08. This would bring FY 09 total net income to SAR 8.8 bn, down from SAR 22.0 bn in FY 08. We highlight our Q4 09 numbers do not factor in any goodwill impairment for Sabic Innovative Plastics (SIP). We still view SIP operations as loss making, however to an extent which make any impairment unlikely (although not impossible), especially under the scenario of a material support from the parent company, which we suspect. Our Q4 09 net earnings growth expectation stems from our QoQ top line growth expectations. We project SABIC revenues to reach SAR 29.7 bn in Q4 09, up 6.1% QoQ and up 20.1% YoY, driven by (1) an improved QoQ pricing environment for petrochemical products (up c. 5% in average), fertilizers (up c. 30% for ammonia, c. 3% for urea) and metals (up c. 5% for Middle-East steel rebar) and (2) an expected low single digit percent volumes growth, as global manufacturing slowly gets some traction back. We see this firmer pricing environment across SABIC's product portfolio impacting the company gross margin positively, and expect it to expand to 32.3% in Q4 09 (up from 30.6% in Q3 09 and vs. a dismal 14.5% in Q4 08), translating into a gross profit of SAR 9.6 bn (up c.12% QoQ from SAR 8.6 bn in Q3 09).

### SAFCO (2020.SE)

We expect SAFCO net income to come back above the SAR 500 mn mark in Q4 09 and display an 11.1% increase to SAR 516 mn from the SAR 464 mn recorded in Q3 09, thereby putting an end to a streak of four consecutive declines in quarterly net earnings. This would bring FY 09 net earnings to SAR 1.98 bn, down 54% YoY. The main assumptions underpinning our forecast are (1) a low single digit percentage point pick-up in urea prices QoQ with Middle-East granular urea topping USD 300 / MT towards the end of December and (2) our view of a likely sequential upward move in sales volumes in Q4 09 as Southeast Asian buyers are expected to resume purchases after lower activity in Q3 09.

# Consumer and Retail

**Almarai (2280.SE)**

We expect Almarai to report SAR 264.9 mn of net income in Q4 09, up 20.9% from the SAR 219.2 mn recorded in Q4 08 and down 27.1% QoQ from the SAR 363.4 mn registered in Q3 09 (the company's best quarter ever), which was helped by the volume boosting effect of the holy month of Ramadan. Our full-year net earnings estimates now stand at SAR 1,113 mn, up 1.7% from our last published SAR 1,094 mn forecast. Our Q4 09 forecasts also call for SAR 1.48 bn in revenues, up 16.2% YoY, and include an expected SAR 70 mn contribution from recently acquired Hadco's agriculture and poultry assets (Almarai like-for-like Q4 09 revenues up 10.7% excluding Hadco's contribution). This brings our 2009 revenues expectations (incl. Hadco) to SAR 5.80 bn, up 15.3% from the SAR 5.03 bn recorded in 2008 and vs. our latest published forecast of SAR 6.22bn.

**SAVOLA (2050.SE)**

We expect Savola to beat its quarterly net income guidance for a fourth time in a row when it reports Q4 09 results. We forecast the company to deliver SAR 205.4 mn of net income in Q4 09 (down 26.1% from the SAR 277.9 mn recorded in Q3 09 and up from the SAR 463.8 mn reported loss in Q4 08). This brings total FY 09 reported net income to SAR 888.4 mn or SAR 862 mn on an ongoing basis, and vs. Savola management ongoing net income guidance of SAR 843 mn (guidance implying an ongoing Q4 09 net income of SAR 190 mn). The sequential decline we expect in Q4 09 net profit is driven mostly by two factors: (1) the absence of the effect of Ramadan, which boosted food and retail volumes in Q3, and (2) a lower contribution from Almarai profits into Savola accounts. Regarding the latter, we expect a lower sequential contribution of almost SAR 30 mn into Savola net earnings, responsible for 40% of the QoQ net earnings decline we project.

**Jarir Marketing (4190.SE)**

Please note Jarir Marketing reported Q4 09 preliminary results on Tuesday 5th before the market opening.
Kindly refer to our Q4 2009 First Reaction Note for extensive details on these results and our accompanying comments.

**AGTHIA (AGTH.AD)**

We expect Emirates Foodstuff and Mineral Water Company (Agthia) to post in Q4 its weakest quarterly earnings performance of the year, with total Q4 net income expected at AED 12.2 mn (bringing FY 09 total net earnings to AED 107.2 mn, +48.5% YoY), down 35.9% QoQ from reported AED 19.1 mn in Q3 09, and also down 32.1% YoY. Factoring in an AED 6 mn, stock-quality-related, provision booked in Q3 09, our expectations imply a 51.3% decline in ongoing net income from Q3 09 levels. Our overall assumptions include flat QoQ revenue as the loss of Q3 09's Ramadan effect is being offset by (1) continued "normalized" volume growth in the Water and Beverages segment, and (2) a slight momentum in tomato paste and frozen vegetable as Egypt plant's output ramps-up. However, we believe grain prices have started to pick-up sequentially from their Q3 09 levels, especially towards the end of the quarter. This increase was, in our view, unlikely passed to Agthia's customers and therefore likely pressured both the segment gross margin in Q4, and as a ripple effect, Agthia's overall gross margin. Our estimates call for a group gross margin down 490 bp QoQ to 22.6%, translating to a Q4 09 gross profit of AED 53.9 mn vs. AED 65.5 mn in Q3 09 and AED 53.7 mn in Q4 08. Our EBIT expectations stay at AED 13.9 mn in Q4 09 vs. AED 27.9 mn in Q3 09 and AED 11.4 mn in Q4 08.

# Heavy Industries

**Saudi Cable Company (2110.SE)**

We expect Saudi Cable Company's (SCC) Q4 09 performance to be the weakest this year both at the top and bottom line levels. We expect Saudi Cable Company (SCC) Q4 09 net income to come out at SAR 6.7 mn (-66.4% QoQ, and vs. a SAR 51.1mn loss in Q4 08), bringing total FY 09 reported net income to 120.3. mn (-43.3% YoY). Our estimates reflect a c. 10% decline in QoQ revenues to SAR 503 mn in Q409, as we factored-in some continued business opportunities losses due to SCC willingness not to participate in a price war on the KSA cable market and as some large potential clients likely postponed some of their purchase orders to 2010.

**Preview Arabian Pipes (2200.SE)**

We expect Arabian Pipes (APCO) Q4 09 results to benefit sequentially from (1) a seasonal pick-up in deliveries helping the top line, and (2) a decrease in interest expense following the Q3 09 debt restructuring exercise. Accordingly, we forecast Q4 09 revenues of SAR 114.2 mn (+9.0% QoQ, -49.3% YoY) and net income to reach SAR 12.1 mn (bringing reported FY 09 net income to SAR 36.5 mn vs. SAR 117.3 mn in FY 08), up 48.0% from Q3 09 and also up 23.0% from Q4 08. Our net earnings estimate includes SAR 9 mn of net "other income/expense", typically booked below the EBIT line, and which have proven historically to be volatile. While Q4 09 KSA oil and gas activity remained broadly unchanged (66 Oil & Gas rigs in Nov. 09 versus 65 rigs in Sep. 09) and in the absence of ARAMCO awarding new contracts in the quarter, the sequential top line improvement will be, in our opinion, a mere seasonal adjustment. We note Q3 09 has historically been the slowest quarter of the year for APCO, and coincided also this year with the holy month of Ramadan, which also has an effect on plants' idleness.

**El Sewedy Cables (SWDY.CA)**

We expect El Sewedy Cables (ESC) to post Q4 09 net profit of EGP 203 mn, up 12% QoQ, and versus EGP 51 mn in Q4 08, bringing FY 09 net profit to EGP 753 mn (down 9% from EGP 829 mn in FY 08, and vs. management guidance of a small decline in FY 09 YoY net income). We expect ESC Q4 09 top line to display a sequential improvement to EGP 2.45 bn (up 12% QoQ yet down 2% YoY) on the back of a pick-up in deliveries ahead of the year-end. However, we expect ESC gross profit (excluding D&A) to be flattish QoQ at EGP 465 mn, as we foresee the group margin (excluding D&A) to contract sequentially to 19% from 21% in Q3 09, due to two factors. First, we expect Q4 09 results to reflect continued pressure on the cable segment margins, as (a) the competitive landscape remains ever more challenging with various players aggressively seeking to offload their accumulated surplus in the region (especially in KSA) and (b) we believe that in this context, rising commodity prices may take longer to be passed on to customers. Secondly, we expect a smaller gross profit contribution from the turnkey segment in Q4 09 vs. its strong Q3 09 performance (contributing by over E GP 120 mn to the group's consolidated gross profit), also driving gross margin lower sequentially.

# Telecommunications

**Etihad Etisalat (Mobily) (7020.SE)**

We expect Mobily to report good Q4 09 results with revenue of SAR 3,585mn, up 15% YoY, EBITDA of SAR 1,382mn, up 11% YoY, and net income of SAR 884mn, up 14% YoY (+10% QoQ). It is worth mentioning that Mobily had reported very strong results in Q4 last year, with a record EBITDA margin of 40% versus an average margin of 35.1% for FY 2008. Despite a YoY drop in the number of pilgrims this year due to swine flu concerns, management indicated that this Hajj season was better than expected. The company believes that it has increased its share of visitors on its network versus last year, and reported a dramatic increase in data traffic in and around the Holy City of Makkah. This was due to a big jump in broadband Internet usage and video calls by pilgrims on Mobily's 3.5G network. In addition, Mobily announced that mobile broadband subscribers hit one million in Q4 09, implying strong net addition of 200,000 subscribers in the quarter. As a result, this leaves room for the company to beat our numbers and street expectations in Q4 09.

**Saudi Telecom Company (7010.SE)**

We expect STC to achieve a net profit of SAR 2.29bn in Q4 09, 5% lower than Q3 09, yet almost double than that for the same period a year ago. We note that STC's Q4 08 reported earnings included foreign exchanges losses of c. SAR 2.1bn. We expect STC's Q4 09 revenues to reach 12.6bn, 2.6% higher YoY (-2.4% QoQ). FY 2009 revenues are forecast at SAR 50.4bn, 6% higher than FY 2008. We estimate Q4 09 EBITDA will reach SAR 4.3bn with an EBITDA margin of 34.4% down respectively from SAR 4.5bn and 36.9% for the same period a year ago. We recently lowered our FY 2009 forecast for STC; please refer to our report dated Dec. 7th 2009 for a detailed overview. The main assumptions driving our forecast include: 1) competitive pressure in the domestic market, including the impact of one-month promotion of free on-net calls for STC's post-paid mobile subscribers, 2) steeper EBITDA losses from early stage operations / start-ups, notably in India and Indonesia, 3) higher depreciation and amortization expenses as a result of major CAPEX in Indonesia, India, and Kuwait. Our forecast does not factor any gain on sale of Maxis Malaysia shares by Binariang in Q4 09. Based on our estimate, STC could record a gain of SAR 640mn as a result of the IPO of Maxis Malaysia.

**Etisalat (ETEL.AD)**

We expect Etisalat to achieve attributable net profit of AED 2,278mn in Q4 09 (+1% QoQ), 10% higher compared to Q4 08 adjusted earnings, excluding after-tax extraordinary provision of AED 666mn. We estimate Q4 09 revenues of AED 7,696mn, 9% above Q4 08 non-IFRS reported revenues (+4.5% QoQ). We note that Etisalat will start consolidating the Sri Lankan operation this quarter as the deal closed on October 18th. Our forecast assumes a YoY single digit drop in UAE revenue to reflect the economic slowdown. We estimate that international operations contributed to 13% of total revenue in the quarter. Etisalat's EBITDA is forecast to reach AED 4,941mn in the quarter, flat QoQ yet 3.4% higher YoY. The postponement of the commercial launch in India to Q1 10 will in our opinion defer start-up losses that were to be incurred in Q4 09 to next quarter. We note that Etisalat recorded a large general provision of AED 1.3bn in Q4 08. We haven't included any provisions or reversal of provisions in our Q4 09 earnings forecast.

**Du (DU.DU)**

We expect Du to report Q4 09 net profit of AED 89mn, up 13% YoY (+13% QoQ). It is worth mentioning that the company recorded minimal royalty expenses last year versus 50% in 2009. Earnings before royalty in Q4 09 are expected to more than double from the same period a year ago. We project Q4 09 revenue of AED 1,412mn, a 15% YoY increase (+6% QoQ). Our EBITDA estimate is AED 325mn, up 38% YoY. EBITDA margin is expected to improve to 23.0% in the quarter from 20.7% (before one-time items) in Q3 09 and 19.3% in Q4 08, driven by efficiencies and a decline in overhead expenses as a percent of sales.

**Zain Group (ZAIN.KW)**

We expect Zain to achieve a net profit of KWD 61mn in Q4 09, 29% lower than Q4 08 (+49% QoQ). We continue to believe that uncertainty related to the potential sale of the company is undermining the profitability of the operations. Our estimate is derived from a top line forecast of KWD 583mn (-6% QoQ) , 3% above Q4 08. We have removed any contribution from Paltel for the quarter, following the announcement that the merger has been called off. Full year revenues are expected to reach KWD 2,355mn (USD 8.2bn) including reported contribution from Paltel for Q2 and Q3 09, in line with management guidance. We estimate Zain will achieve an EBITDA of KWD 231mn, 19% higher than Q4 08 yet 6% lower QoQ. We note that EBITDA contribution of the head office has been difficult to forecast. We assumed almost flat EBITDA losses of KWD 40mn at the holding level in Q4 09 compared to Q3 09.

## Transportation and Logistics

**DP World (DPW.DI)**

Similar to its global peers, DP World has suffered in the first half of the year from a drop in volumes and is expected to also witness a drop in the second half of 2009 compared to the same period last year. We forecast a FY decline in total throughput of 7.8% compared to 2008. The drop in container throughput along with the substantial drop in bulk revenues (almost 30% for FY 09 compared to last year) will translate into a drop in sales for FY 2009 with a USD 2.9 bn compared to USD 3.3 bn in 2008, and also translate into a drop of 15.7% in EBITDA reaching USD 1.1 bn for FY 09. Net profits are expected to witness a sharp fall of 50.6% in 2009 reaching almost USD 282.8 mn in 2009 compared to USD 572.3 mn in 2008. Net debt position is seen at USD 4.3 bn (debt USD 7.8 bn and cash of USD 3.5 bn) at year end. It is important to note though that the debt is a long term obligation, of which USD 3.2 bn is in bonds maturing in 2017 and 2034. The company generates above USD 1 bn in EBITDA, highlighting its ability in meeting their obligations and having a healthy interest coverage ratio.

**Aramex (ARMX.DU)**

The solid asset light model has allowed Aramex to deliver double digit growth in times of difficulty while other players regionally and globally were suffering from drops in volume and profitability. Aramex has no doubt benefited from its exposure in the Middle Eastern markets especially on the express side of the business, a higher margin segment. Although volumes and revenues from freight forwarding have dropped during the year, the increase in express business offsets this drop by contributing higher margins and higher profitability. Aramex is expected to report FY 09 sales of AED 1.9 bn, a decrease of 7.8% from FY 08 sales of AED 2.1 bn. However, the change in the product mix and its effect on margins will translate into a growth in the operating profits and net profits. Net profits for the year are expected to reach AED 178 mn compared to AED 147 mn in 2008. While Q4 09 net profits are expected to reach AED 43.3 mn implying a sequential growth of 3.9% and a double digit growth of 11.7% compared to Q4 08, with margin improvement to levels of c. 9.0%.

**Agility (AGLT.KW)**

Agility was another logistics and transportation that bucked the industry trend, avoiding a sharp decrease in its business due to the revenue dominance of the Defence and Government Services (DGS); a revenue stream that enjoys high margins and was resistant to the economic downturn. Our expectations for 2009 and even 2010 remain unchanged; we estimate sales of KWD 414 mn in Q4 2009 and a net profit of KWD 40.5 mn implying no improvement QoQ, but a 20.6% increase YoY. A cause for concern going forward is the company's dependence on DGS for the overall profitability, which might not be a sustainable model. Certain issues have risen during Q4 09 that might dent the prospects for continuity in the DGS. Agility has a lawsuit against them in relation to the prime vendor contract that will mature in the end of 2010. The lawsuit might prevent future contracts being awarded to Agility. The lawsuit has certainly played a role in the termination of the USD 643.5 mn DynCorp contract in Afghanistan, which was awarded to Agility in Q3 09.

**Air Arabia (AIRA.DU)**

Airlines have suffered from tight yields during 2009, adversely affecting their revenues. However, one of the positive outcomes of the crisis for aviation industry was the drop of oil prices, which not only gave airlines the chance to drop their fares but also gave them the chance to hedge against their 2009 fuel consumption, allowing them to drop and maintain their prices at relatively lower fares despite the recent rally in oil prices. We believe that this is not sustainable and airlines will have to increase their fares and add fuel surcharges during 2010, thus reestablishing the cost advantage of LCCs such as Air Arabia. Middle Eastern carriers performed better than global carriers with majority reporting profits. LCCs such as Air Arabia proved their resilience (although also suffered from tight yields) and reported impressive profits, benefiting from the shift of passenger traffic from legacy to low cost carriers. Much as its peers, Air Arabia will continue to suffer from tight yields in Q4 09, and we expect Air Arabia to report Q4 09 sales of AED 426 mn, while operating profits to reach AED 51.0 mn. We also expect Air Arabia to close the year with a net profit of almost AED 420 mn and a Q4 09 net profit of AED 83.4 mn, implying a QoQ drop of 41% and a YoY drop of 38.6%, with net profit margins standing at 19.6%.

**NSCSA (4030.SE)**

We see an improvement in the Q4 09 earnings for NSCSA as the chartering rates have improved by 68.3% in Q4 relative to Q3; sport rates for VLCC have averaged almost USD 39,400 a day compared to USD 23,400 a day in Q3 09. This should have a positive impact on the company's sales and profitability. We see Q4 09 sales reaching SAR 560 mn while net profits standing at SAR 109 mn, implying a 19.5% net margin and a growth of 95.2% QoQ and a 26.4% increase YoY. A risk to earnings forecast is the utilization of the vessels, but we believe utilization should improve given the higher demand on oil during the winter season.

**Gulf Navigation (GNAV.DU)**

Given the seasonality and the improvement in charter rates we see revenues increasing by almost 40% QoQ reaching almost AED 119 mn in Q4 09 while operating profits estimated at only AED 2.99 mn for the quarter. We expect a slight improvement sequentially on a clean net profit figure in Q4 09 to AED 1.98 mn compared AED 1.44 mn in Q3 09; still a substantial 82.5% YoY drop.

# Utilities

**TAQA (TAQA.AD)**

In light of the rally in crude oil prices witnessed in Q4 09, we estimate TAQA's revenues to total AED 4.6bn implying an 18% QoQ. Another AED 120mn is expected to materialize from unsold production from the North Sea assets with costs realized in Q3 09. Thus, the company's performance is expected to reflect an EBIT margin of 26% compared to 23% in Q3 09. Net Income is expected to reach AED 347 mn, a QoQ increase of 286.3% and a 49.1% increase from Q4 08, on the back of the expected increase in sales, and as a result of the additional c. AED 120 in sales which haven't been recognized in Q3 09. We mention that due to forecast limitations on derivative items and foreign exchange transactions, our bottom line may be pressured by unanticipated changes in operating expenses

**Tabreed (TABR.DU)**

We expect Tabreed to end the year with net profits of AED 78.0 mn, implying Q4 2009 net profits of AED 28.9 mn, a growth of 22.2% QoQ and 20.5%YoY. Sales are expected to reach AED 222.3 mn, an increase of 12.9% QoQ on the back of the increase in chilled water capacity (major contributor to total revenues) reaching 456,750 TR compared to 395,250 Tons of refrigeration (TR) in Q3 2009. We do however expect seasonality to have an adverse effect where our estimated revenue per TR is expected to drop 7% QoQ reaching 0.3654 compared to 0.3928 in Q3 09.

**Dana Gas (DANA.AD)**

Dana Gas's revenues for Q4 09 are estimated at AED 313.4 mn in light of the 9% increase in average crude oil prices and additional gas production capacities from the new discoveries in Egypt. EBIT is estimated to reach AED 54.4 mn implying a margin of 17%, a marked improvement over the 4% margins achieved in Q3 09. During the past nine months, exploration write offs, impairment provisions, and the gain on sale of Pearl Petroleum skewed earnings. We expect net income to be free of such one off items this quarter reaching AED 34.0mn compared to AED 79.0 mn in losses registered in Q3 09.

# Real Estate and Construction

**Emaar Properties (EMAR.DU)**

According to Emaar's most recent investor presentation the company was planning to deliver 2,846 units in Q4 09. These include units in Marina Quays, Park Island, The Lofts and properties in Emirates Living. However, we estimate the number of units actually handed over in the past quarter was closer to 850; with the balance slated for the Q1 and Q2 10. While 850 units are significantly lower than the plans for the quarter, it is still 57% above the quarterly average number of unit handovers for 2009. In recent statements, Emaar Chairman Mr. Al Abbar said that Q4 09 financial performance would be inline with the preceding quarter, offering support to our assumption that most of the units due in the quarter have yet to be processed and handed over. Revenues from Emaar's malls and hotels are also expected to see a significant improvement, as a result of the much cooler Q4 09 temperature and the holiday seasons; two factors we believe boosted mall traffic, sales (lease contracts include revenue sharing) and hotel occupancy rates. All in all, we project Q4 09 revenues to reach a 2009 high at AED 2.60bn, up 33.6% QoQ. However, we do not expect Emaar to be able to sustain the GPM level of Q3 09, which was boosted by exceptionally high villa margins. Almost all Q4 09 unit handovers are expected to be apartments, thus lowering the overall GPM to 45.7% from the 56.3% in Q3 09. Lower GPM, as well as lower interest and other income lead our Q4 09 net profit projections to AED 699.8mn, an increase of 6.9% QoQ. Consequently, Emaar's FY 09 net profits would land on AED 307.0mn (EPS 0.05), 90% below last year's net profit. Excluding the loss from the discontinued US operations and the impairment of assets, 2009 net profits would have been AED 2.1bn (EPS 0.34), a decline of 31% YoY.

**Aldar Properties (ALDR.AD)**

The third quarter saw Aldar Properties selling land again for the first time in 2009; however, we are conservatively assuming that we will not see a repetition of this achievement in Q4 09. Despite the stronger fundamentals of the Abu Dhabi real estate market, there are few signs especially in the post November 25th era that signal the start of a sustainable recovery in the appetite for investments in new real estate developments. While no land sales are likely to have materialised, we expect Aldar to have delivered a further 120 villas in Al Raha Gardens' third phase. With regards to the Al Bandar and the other Al Raha Beach developments, nothing is due in Q4 09. Most importantly, the past quarter saw over 2,200 Aldar owned hotel rooms and the F1 circuit commence operations. While a slow start is almost certain, the long-term prospects of this addition is expected to be very positive. The fact that these properties will be booked under PP&E (due to their significant ancillary services) coupled with our expected occupancy levels of 20-25%, means low revenue contribution and a spike in depreciation expenses. Consequently, a negative bottom-line contribution for the two months of operation during Q4 09 is expected. The performance of these properties is however expected to post a gradual improvement in 2010, powered by the opening of the Ferrari theme park and The Links golf course. We expect Aldar's revenues to reach AED 539.5mn in Q4 09, representing a QoQ decline of 15.0%. Aldar is also expected to book fair value gains to the tune of AED 250mn, significantly lower than last quarter's AED 415.6mn. As a result, we expect the company's net profits to reach AED 156.4mn, down 63.4% QoQ yet up 85.2% YoY. FY 09 net profits would therefore land on AED 1.73bn (EPS 0.67), down 49.9% YoY.

**Arabtec Holding (ARTC.DU)**

Q4 09 was meant to witness significant improvement over the third quarter, which was subdued by the reduction in working hours during the summer and the holy month of Ramadan. However, we believe the eruption of Dubai World's debt crisis coupled with a slower pace of transferring labour to the Saudi subsidiary slowed Q4 work completion and by extension revenues from reaching back to the levels of Q2 09. We expect revenues to reach AED 1.83bn, up 10.6% from the previous quarter yet lower than Q2 09 levels. Gross margins are expected to land on 16.2%, 54bps lower than Q3 09 margins. SG&A expenses are expected to reach AED 110mn, 9.3% higher QoQ. All in all, we expect the bottom line to come in at AED 169.0mn, which is inline with Q3 09. Management is expected to be more conservative in booking profits on incomplete projects in Dubai in the current environment, thus leading the net profit margin (NPM) down to 9.2%, 83bps lower than Q3 09 margins. The implied net profit for the year would be AED 680.8mn (EPS: AED 0.57), down 28.9% YoY.

**Drake & Scull International (DSI.DU)**

Drake & Scull International (DSI) is expected to also witness some top-line growth on the back of the increased working hours in Q4 09 relative to preceding quarter, but without reaching back to Q2 09 highs. In addition, DSI will see its revenues complemented by the consolidation of Passavant Roediger and DSI Kuwait, the two companies it acquired in Q4 09. Revenues for the quarter are expected to reach AED 495.2mn, implying a QoQ growth of 23.9%, with two thirds of the growth coming from the consolidation. As a result of greater contingencies being built into the Dubai profit recognition and the dilution from the consolidation of the lower margin targets, gross profit margins (GPM) are expected to fallback to 21.1%, 157bps lower QoQ. SG&A expenses are projected to reach AED 39.1mn, up 12.5% QoQ on the back of the consolidation of the two new subsidiaries. We expect net profits to reach AED 77.3mn, up 12.1% QoQ with net profit margins (NPM) landing on 15.6%, 164bps lower than Q3 09 margins. DSI's implicit net profit for the year would be AED 309.0mn (EPS: AED 0.14), an increase of 47.2% YoY. The expected results for the year render DSI one of only two companies in our real estate and construction coverage universe that are posting a YoY net profit growth.

**Depa Limited (DEPA.DI)**

H2 09 is projected to be significantly stronger than the first half of 2009 on the back of the seasonality that typically characterizes Depa's revenues and profitability. Management guidance continues to be 50% bottom-line growth for the year (30% if we exclude the 2008 provisions), despite the debt crisis in Dubai. We expect H2 09 revenues to reach AED 1.53bn (58% of FY 09 revenues), implying a growth of 24.2% YoY and an even stronger 38.1% compared H1 09. Gross profit margins (GPM) are expected to land on 21.2% in H2 09, gaining 5.3 percentage points over H1 09 and inline with H2 08 margins. A key reason behind the higher second half margins is the fact that clients typically delay the approval and processing of Depa's claims and variation orders to year end, leading Depa to book greater contingency margins in H1 cost estimates. All in all, we expect Depa's bottom line to reach AED 195.0mn, more than double H1 09 profits and up 40.4% YoY. H2 09 net profit margin (NPM) is expected to come in at 12.8%, 150 bps higher YoY and 446 bps above H1 09 margins. Consequently, we forecast FY 09 net profits to record a YoY growth of 47.4% to reach AED 286.7mn (EPS: AED 0.47).

**Mohammad Al Mojil Group (1310.SE)**

Mohammad Al Mojil Group (MMG) Q4 09 performance is expected to mimic that of Q3 09 on both the top and bottom lines. Q4 09 revenues are expected to reach SAR 544.8mn, down 44.6% YoY yet up 2.1% QoQ. The company is still suffering from the delay of Manifa oil field (SAR 1.81bn, 69.4% of backlog) and lower oil & gas contract awards in 2009 compared to 2008. Gross margins are projected to reach 16.3% in Q4 09, a slight 17bps decline QoQ and down192 bps YoY. We expect MMG to book further provisions on claims receivables in Q4 09 of SAR 33.3mn. Consequently, we forecast a Q4 09 net profit of 13.5mn, down 2.4% QoQ. The implied net profit for the year would be SAR 44.4mn with an EPS of SAR 0.35, down 93.3% from FY 08. Excluding impairments on claims receivables, net profits would be SAR 198.8mn, still down 70.1% for the year.

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