

May 04, 2023

Margins Expand Q/Q

Upside to Target Price	6.7%	Rating	Neutral
Expected Dividend Yield	3.9%	Last Price	SAR 89.00
Expected Total Return	10.7%	12-mth target	SAR 95.00

Market Data	
52-week high/low	SAR 132.4 / 79.2
Market Cap	SAR 267,000 mln
Shares Outstanding	3,000 mln
Free-float	30.00%
12-month ADTV	2,020,401
Bloomberg Code	SABIC AB

SABIC	1Q2023	1Q2022	Y/Y	4Q2022	Q/Q	RC Estimate
Sales	39.69	52.64	(25%)	42.98	(8%)	44.53
Gross Profit	5.87	13.47	(56%)	5.80	1%	5.17
Gross Margins	15%	26%		13%		12%
Operating Profit	1.69	9.47	(82%)	0.51	231%	2.85
Net Profit	0.66	6.47	(90%)	0.29	128%	0.77

(All figures are in SAR bln)



- SABIC reported -25% Y/Y and -8% Q/Q lower revenues in 1Q. The Q/Q revenue fall was primarily due to lower sales volumes, which declined by -6%. Management gave a modest outlook for 2Q2023, expecting margins to remain under pressure. We are optimistic about better revenues in 2Q on improving product prices.
- Segment wise, Petrochemicals & Specialties (86% of revenues) declined by -4% Q/Q driven by lower sale volumes, which fell by -4% Q/Q tied with flat product prices. Agri-Nutrients was lower by -43% Q/Q on the back of both pricing and sales volume effects. Average product prices fell -28% Q/Q while sales volume went down by -21% Q/Q due to seasonality. Hadeed witnessed a decline of -5% Q/Q primarily driven by lower average product prices which went down by -5% Q/Q while sales volumes were flat.
- On lower Feedstock prices (still at elevated levels), gross margins expanded to 15% in 1Q versus 13% in the preceding quarter but contracted by -11% Y/Y. Operating profit inclined +231% Q/Q to SAR 1.69 bln due to lower operating costs.
- Net profit markedly declined by -90% Y/Y but went up by +128 Q/Q to SAR 0.66 bln. Bottomline came in-line with our estimate of SAR 0.77 bln. The Y/Y profit dive was mainly attributed to lower average product prices and sales volumes in addition to weak results from associates and joint ventures. Going forward, we expect better results as product prices have started to show signs of improvement this quarter. We maintain our target price to SAR 95.00 and maintain Neutral rating.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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