

August 10, 2022

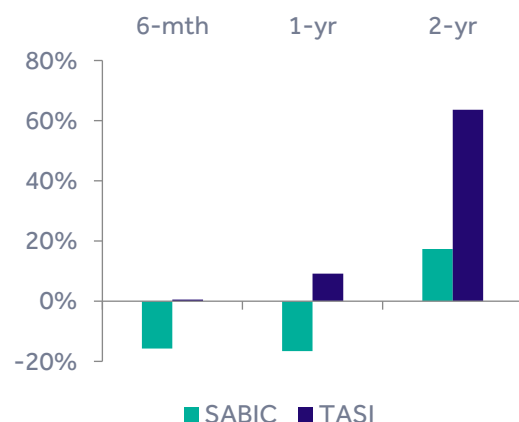
Margin Expands Despite Higher Feedstock Prices

Upside to Target Price	7.0%	Rating	Neutral
Expected Dividend Yield	3.4%	Last Price	SAR 102.80
Expected Total Return	10.4%	12-mth target	SAR 110.00

Market Data	
52-week high/low	SAR 141.4 / 93.5
Market Cap	SAR 308,400 mln
Shares Outstanding	3,000 mln
Free-float	30.00%
12-month ADTV	2,330,784
Bloomberg Code	SABIC AB

SABIC	2Q2022	2Q2021	Y/Y	1Q2022	Q/Q	RC Estimate
Sales	55.98	42.42	32%	52.64	6%	54.75
Gross Profit	16.56	13.65	21%	14.70	13%	14.92
Operating Profit	9.80	10.05	(2%)	9.32	5%	9.34
Net Profit	7.93	7.64	4%	6.47	23%	6.16

(All figures are in SAR bln)



- SABIC reported a +32% Y/Y and +6% Q/Q increase in revenues to SAR 56.0 bln, one of its highest quarterly topline and in line with our SAR 54.8 bln estimate. The growth in revenues, both on a yearly and quarterly basis, is driven by an increase in volumes and product prices. As per management, average product prices and sale volumes were up on a yearly basis by +22% and +10%, respectively, while they were up by +3% Q/Q.
- Segment wise, Petrochemicals & Specialties posted 83% of revenues (up +4% Q/Q). Agri-Nutrients topline was up +41% Q/Q but Hadeed witnessed a decrease by -6% Q/Q due to lower sales volumes, which fell by -14% Q/Q.
- For 2Q2022, margins expanded substantially with gross margins at 29.6% versus 27.9% last quarter while net margins increased to 14.2% as compared to 12.3% in the previous quarter. Gross profit rose by +13% Q/Q to SAR 16.6 bln as product price increase with higher volumetric sales overshadowed the rise in feedstock prices. However, operating profit fell by -2% Y/Y to SAR 9.8 bln due to higher selling and distribution expenses.
- Net income was recorded at SAR 7.9 bln, up +4% Y/Y and +23% Q/Q. Bottomline beat our estimates of SAR 6.1 bln and SAR 5.9 bln market consensus mainly on the back of higher revenues and better margins coupled with an increase of share in associates and JV.
- We reduce our target price to SAR 110.00 but maintain a Neutral recommendation.

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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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