

March 01, 2023

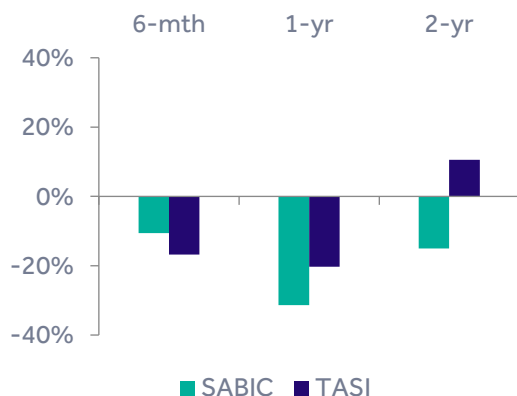
## Margins Continue To Contract

Upside to Target Price	7.3%	Rating	Neutral
Expected Dividend Yield	4.0%	Last Price	SAR 88.50
Expected Total Return	11.3%	12-mth target	SAR 95.00

Market Data	
52-week high/low	SAR 141.4 / 79.2
Market Cap	SAR 265,500 mln
Shares Outstanding	3,000 mln
Free-float	30.00%
12-month ADTV	2,394,886
Bloomberg Code	SABIC AB

SABIC	4Q2022	4Q2021	Y/Y	3Q2022	Q/Q	RC Estimate
Sales	42.98	51.28	(16%)	46.87	(8%)	43.12
Gross Profit	5.80	14.12	(59%)	9.84	(41%)	9.06
Gross Margins	13%	28%		21%		21%
Operating Profit	0.51	8.64	(94%)	3.28	(84%)	2.78
Net Profit	0.29	4.93	(94%)	1.84	(84%)	1.50

(All figures are in SAR bln)



- For the year 2022, SABIC reported a top-line of SAR 198.47 bln (+13% Y/Y) on the back of higher sales volumes, which were up by +9%, driven by new startups, inventory optimization and synergies with Saudi Aramco (realization of USD 735 mln in 2022). In 4Q2022, SABIC posted a decline in revenues by -16% Y/Y and -8% Q/Q to SAR 42.98 bln, in-line with our forecast. The decline was attributed to lower average product prices, which fell by -9% Q/Q and weakened sales volumes, which went down by -1% Q/Q.
- Segment wise for the quarter, Petrochemicals & Specialties (82% of revenues) declined by -10% Q/Q on the back of a decline in both product prices and volumes. Agri-Nutrients were almost flat this quarter, fell by -1% Q/Q as average product prices went down by -7% Q/Q due to stagnant demand and growing global supply but volumes were up by +6% Q/Q. Hadeed was down by -3% Q/Q driven primarily by lower average product prices offset by higher sales volumes.
- Gross margins contracted for the second quarter in a row, with a decline of -750 bps Q/Q to come in at 13% in 4Q as feedstock prices pressured towards lower margin products. Gross profit fell by -41% Q/Q to SAR 5.80 bln.
- As per management, there was an increase in S&D costs as well as impairment provisions that were recorded for certain financial and capital assets at SAR 1.49 bln, partially offset by SAR 0.59 bln gains from revaluations and sale of certain investments in associates and joint ventures.
- For 2022, Net profit was at SAR 16.53 bln, a decline of -29% compared to 2021. In 4Q, bottom-line fell by -94% Y/Y and -84% Q/Q to just SAR 0.29 bln, Bottomline missed our estimates of SAR 1.5 bln and SAR 1.8 bln market consensus. The decline was mainly attributed to lower profit margin for most of the key products. We maintain our target price of SAR 95.00 and 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](mailto:research@riyadcapital.com)

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