

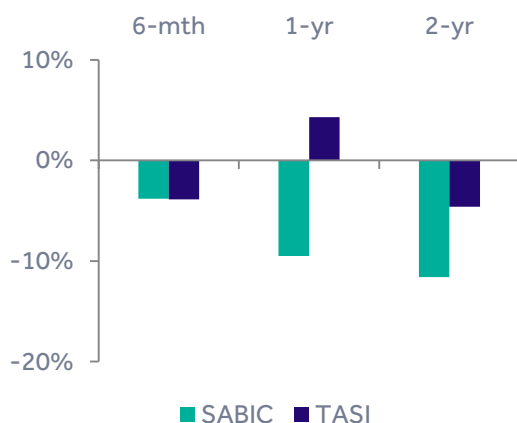
Methanol And More Focused Portfolio Deliver

Aug 8, 2024

Upside to Target Price 1.6%
Expected Dividend Yield 4.5%
Expected Total Return 6.1%

Rating Neutral
Last Price SAR 76.10
12-mth target SAR 80.00

Market Data	
52-week high/low	SAR 91.0 / 73.4
Market Cap	SAR 224,700 mln
Shares Outstanding	3,000 mln
Free-float	29.95%
12-month ADTV	1,497,598
Bloomberg Code	SABIC AB



SABIC	2Q2024	2Q2023	Y/Y	1Q2024	Q/Q	RC Estimate
Sales	35.72	34.10	5%	32.69	9%	35.78
Gross Profit	7.19	5.44	32%	5.86	23%	6.17
Gross Margins	20%	16%		18%		17%
Operating Profit	2.10	1.64	28%	1.21	74%	1.32
Net Profit	2.18	1.18	85%	0.25	772%	0.63

(All figures are in SAR bln)

- SABIC reported a topline of SAR 35.72 bln (+5% Y/Y and +9% Q/Q), in-line with our SAR 35.78 bln estimate. Management's commentary on profitability was also positive, with gross profit increasing +23% Q/Q via selected 'higher-margin' products. Major KPIs which supported results, such as sales volumes, increased +11% Q/Q; whilst average sales prices for 2Q24 decreased -2% Q/Q. SABIC's Petrochemicals segment (93% of revenues and 86% of EBITDA) revenue increased +37% Q/Q, driven by higher sales volumes, specifically Methanol sales lifted these results. While Agri-Nutrients performed strong last quarter, in 2Q24 revenue increased by +6% Q/Q on the back of a +25% Q/Q increase in sales volumes, which was surprisingly not offset via the -19% Q/Q decrease in average prices. We attribute these changes to Urea prices continuing to drop in 2Q24. The Petrochemicals segment, was driven by large volumes of Methanol sales, which as management commented, have maintained their current price level.
- SABIC's operating profit came in at SAR 2.10 bln, a significant improvement Q/Q again, specifically growing by +74% sequentially. Previously included impairments and non-recurring items have caused our estimates to deviate, however it is positive as the Company's EBIT begins to more accurately reflect operations. This positive outcome for profitability was driven by management's continued dedication to cost controls, efficiency improvement initiatives, as well as optimizing their current asset portfolio.
- SABIC reported net profits of SAR 2.18 bln, higher Y/Y and Q/Q, owed to the deconsolidation of HADEED, as well as the exclusion of previous non-recurring items which affected net profits. Management stated in their 2Q24 conference call, yet again, that they have noticed global PMI movement (positive), also noting improvement in both global manufacturing and services. Although we previously commented on the desire for more certainty on discontinued operations, which has received a positive update this quarter (HADEED), given market reactions on global fears this week, we maintain our current target price 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

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