

November 6, 2023

Margins Improve Q/Q

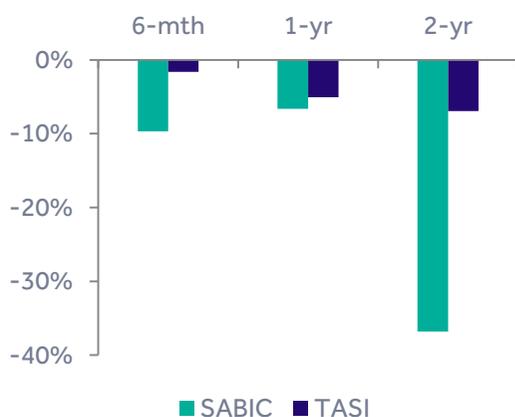
Upside to Target Price	9.9%
Expected Dividend Yield	4.5%
Expected Total Return	14.4%

Rating	Neutral
Last Price	SAR 80.04
12-mth target	SAR 88.00

Market Data	
52-week high/low	SAR 97.4 / 75.3
Market Cap	SAR 240,120 mln
Shares Outstanding	3,000 mln
Free-float	30.00%
12-month ADTV	1,497,598
Bloomberg Code	SABIC AB

SABIC	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	35.98	43.32	(17%)	34.10	6%	37.54
Gross Profit	6.34	8.18	(22%)	5.51	15%	5.63
Gross Margins	18%	19%		16%		15%
Operating Profit	1.68	3.38	(50%)	1.64	2%	1.95
Net Profit	(2.88)	1.84	-	1.18	-	(0.72)

(All figures are in SAR bln)



- SABIC reported a topline of SAR 35.9 bln (down -17% Y/Y, but an increase of +6% Q/Q), in-line with our SAR 37.5 bln estimate. Management's commentary regarding their revenue performance was mixed, as Q/Q growth was largely driven by sales volumes, but some chemical prices showed improvement, such as global prices of MTBE (+17% Q/Q). Alternatively, MEG prices fell by -3% in China and global Methanol prices also declined by -8%. Major markets, especially Europe, show signs of weak demand outlook and higher inflation, lowering performance. SABIC's Petrochemicals segment (93% of revenues) increased by +6% Q/Q, driven by higher volumes and some prices. While Agri-Nutrients dropped by -1% Q/Q on the back of -12% Q/Q sales volumes, despite the +11% Q/Q increase in average prices.
- All major markets for SABIC's products continued to experience a reduction in demand and an increase in supply, increases in supply were particularly noticeable in North America and China, according to management. As a result of some increases in product prices, gross margins increased Q/Q, at 18% but still lower than 19% in 3Q22. Our expectations remain muted, while we wait for more clarity from management after their successful sale of HADEED.
- SABIC reported a net loss of SAR (2.88) bln, lower both Y/Y and Q/Q, which was attributable to non-recurring charges of SAR 3.69 bln, some were related to the sale of HADEED. SABIC management, during their 3Q23 conference call, was clear that in 1Q24 more information will be relayed to investors regarding their capex spend and growth plans. Until then, we reduce our target price slightly to SAR 88.00 and maintain a Neutral rating as we wait for future announcements.

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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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