

October 25, 2020

## SAR 690 million Impairment Reversal

Upside to Target Price	(14.2%)	Rating	Neutral
Expected Dividend Yield	3.8%	Last Price	SAR 93.20
Expected Total Return	(10.4%)	12-mth target	SAR 80.00

Market Data	
52-week high/low	SAR 100.0/61.9
Market Cap	SAR 279,600 mln
Shares Outstanding	3,000 mln
Free-float	29.83%
12-month ADTV	10,396,489
Bloomberg Code	SABIC AB

SABIC	3Q2020	3Q2019	Y/Y	2Q2020	Q/Q	RC Estimate
Sales	29.30	32.81	(11%)	24.62	19%	30.03
Gross Profit	6.52	7.98	(18%)	3.47	88%	6.31
Operating Profit	2.10	3.79	(45%)	(1.26)	-	1.20
Net Profit	1.09	0.74	47%	(2.22)	-	0.25

(All figures are in SAR bln)



- Sabic reported a net income of SAR 1.09 billion for the quarter, +47% Y/Y and reversing a loss of SAR (2.22) billion in the previous quarter. Bottom-line was largely helped by a net SAR 0.69 billion reversal of impairment provisions associated with Clariant, which offset certain other impairments. Adjusting for non-recurring gains, 3Q net profit works out to SAR 0.40 billion, a little higher than our SAR 0.25 billion forecast.
- Sales volume was up +8% both on a yearly and quarterly basis while product prices were down -19% Y/Y but up +11% Q/Q. As a result, revenues were down -11% Y/Y but up +19% Q/Q.
- Gross margin came in at 22%, in line with our 21% forecast but lower than 29% last year. Sabic recorded an EBITDA margin of 19% for 3Q2020, lower than 23% last year but higher than 14% in 2Q2020.
- While crude oil prices have risen from their lows earlier in the year, 4Q outlook is more stable. COVID-19 led economic slowdown for 2020 has hit all major countries but an improvement is expected next year. Economic conditions impact petrochemical demand. Supply still exceeds demand for key Sabic products, even removing the COVID-19 impact, which will continue to put pressure on product prices and margins going forward.

Muhammad Faisal Potrik  
 muhammed.faisal@riyadcapital.com  
 +966-11-203-6807

Shaykhah A. Al Dosari  
 shaykhah.a.aldosari@riyadcapital.com  
 +966-11-203-6812

الرياض المالية  
 riyad capital

## 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)

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 200 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.