

Sahara International Petrochemical Co. (SIPCHEM) - 1Q22 Result Review

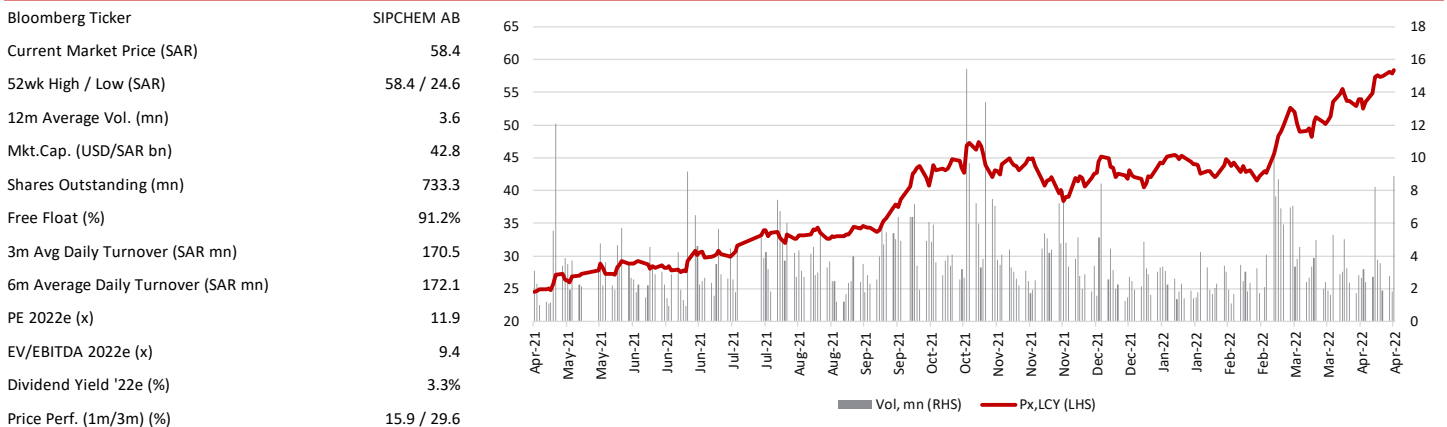
Date: 20-Apr-22

Previous Recommendation: Hold

Fair Value (SAR): 54.0

Reco. Date: 29-Mar-22

Upside / (Downside): -7.5%



Revenues increase higher than expected; beats our estimates by 6.9%

Revenue in 1Q22 stood at SAR 2,409.5 mn, up by 18.6% YoY (-21.8% QoQ) supported by increase in selling prices for all company's products. However, it was partially offset by decrease in sales volume due to the plant shutdown of AL WAHA Petrochemical Company for scheduled periodic turnaround maintenance.

Net profit beats estimates by large margin; Net profit up 162.2% YoY

SIPCHEM's 1Q22 net income jumped 162.2% YoY to SAR 1,078.8 mn, and above our estimates of SAR 823.7 mn as well as consensus estimate SAR 970mn. The jump in profits is attributed mainly to low base effect in other expenses as an impairment loss amounting to SAR 260 mn was recorded in 1Q21 related to cash generating unit of PBT plant and GACI plant. The upside was further buoyed by decrease in finance costs due to pre-settlement of sukuk and loans and increase in company share of profit from joint venture and associates. However, the upside was partly offset by increase in feedstock prices of Butane, Ethanol, Ethylene and Propane. On quarterly basis, net profit was down by 25.1% QoQ due to decrease in production and sales volume resulting from shutdown of AL WAHA Petrochemical Company and SAMAPCO for scheduled periodic turnaround maintenance and decrease in selling prices for some company's products.

Operating cash flow during the quarter increased by 125% YoY to reach SAR 1.7 bn.

Leverage ratio during the quarter improved to 30% from 34% in 2021 supported by repayments and pre-settlement of the loans.

Income Statement

(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	Var (%)	FY20	FY21	YoY (%)
Sales	2,031.0	2,362.7	2,505.6	3,082.5	2,409.5	2,253.2	18.6%	-21.8%	6.9%	5,323.0	9,981.7	87.5%
COGs	(1,074.9)	(885.1)	(1,136.3)	(1,305.6)	(1,026.6)	(1,101.1)	-4.5%	-21.4%	-6.8%	(4,150.1)	(4,401.9)	6.1%
Gross profit	956.1	1,477.6	1,369.3	1,776.9	1,382.9	1,152.1	44.6%	-22.2%	20.0%	1,172.9	5,579.8	375.7%
Operating profit	733.3	1,140.0	1,139.1	1,452.0	1,148.1	881.5	56.6%	-20.9%	30.2%	359.6	4,464.3	1141.4%
Net Profit	411.5	947.2	1,118.9	1,440.9	1,078.8	823.7	162.2%	-25.1%	31.0%	57.2	3,958.0	6822.9%

Balance Sheet

(SAR mn)	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	YoY (%)	QoQ (%)	FY20	FY21	YoY (%)
Shareholders' Equity	13,033	13,330	14,341	15,696	15,668		20.2%	-0.2%	13,835.9	15,695.6	13.4%

Key Ratios

	1Q21	2Q21	3Q21	4Q21	1Q22	1Q22e	FY20	FY21
Gross profit margin	47.1%	62.5%	54.6%	57.6%	57.4%	51.1%	22.0%	55.9%
Operating profit margin	36.1%	48.2%	45.5%	47.1%	47.6%	39.1%	6.8%	44.7%
Net profit margin	20.3%	40.1%	44.7%	46.7%	44.8%	36.6%	1.1%	39.7%
RoE (annualized)	12.8%	32.0%	36.5%	44.3%	30.5%		0.4%	26.8%

Source: Financials, Bloomberg, U Capital Research

Recommendation

BUY	Greater than 20%
ACCUMULATE	Between +10% and +20%
HOLD	Between +10% and -10%
REDUCE	Between -10% and -20%
SELL	Lower than -20%

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