

Market Data	
52-week high/low	SAR 141.4 / 86.1
Market Cap	SAR 264,000 mln
Shares Outstanding	3,000 mln
Free-float	30.00%
12-month ADTV	2,426,674
Bloomberg Code	SABIC AB



Margins Substantially Contract Q/Q

October 31, 2022

Upside to Target Price	8.0%	Rating	Neutral
Expected Dividend Yield	4.0%	Last Price	SAR 88.00
Expected Total Return	12.0%	12-mth target	SAR 95.00

SABIC	3Q2022	3Q2021	Y/Y	2Q2022	Q/Q	RC Estimate
Sales	46.87	43.70	7%	55.98	(16%)	47.58
Gross Profit	9.84	12.29	(20%)	16.56	(41%)	13.56
Operating Profit	3.28	7.70	(57%)	9.80	(67%)	8.31
Net Profit	1.84	5.60	(67%)	7.93	(77%)	6.02

(All figures are in SAR bln)

- SABIC reported a +7% Y/Y growth but a -16% Q/Q decline in revenues to SAR 46.9 bln. As per management, average product prices and sales volumes were lower on quarterly basis by -15% and -1%, respectively, while they were up compared to the same period last year by +15% and +11%.
- Segment wise, Petrochemicals & Specialties (85% of revenues), declined by -15% Q/Q due to lower average product prices. Agri-Nutrients was lower than the preceding quarter by -25% mainly due to a decline in both sales volumes and average product prices. Hadeed followed the same wave as it declined by -13% Q/Q on the back of lower margins driven by lower average product prices and lower sales volumes, which fell by -9% Q/Q and -4% Q/Q, respectively.
- Margins contracted substantially with gross margins at 21% versus 30% last quarter. Net margins shrink to 4% as compared to 14% in the preceding quarter. Gross profit fell by -41% Q/Q to SAR 9.8 bln due to lower product prices and volumetric sales along with a rise in feedstock prices.
- Net income declined by -67% Y/Y and -77% Q/Q to SAR 1.84 bln. Bottomline missed our estimates of SAR 6.0 bln and SAR 5.1 bln market consensus. The decline was mainly attributed to lower product prices, which also contributed to the decline in results from associates and joint ventures. In addition, an impairment provision of SAR 0.51 bln was recognized in financial assets. We reduce our target price to SAR 95.00 but maintain 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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