

Saudi Industrial Investment Group (SIIG) - 3Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Hold

Fair Value (SAR):

25.50

Previous Reco. & Date:

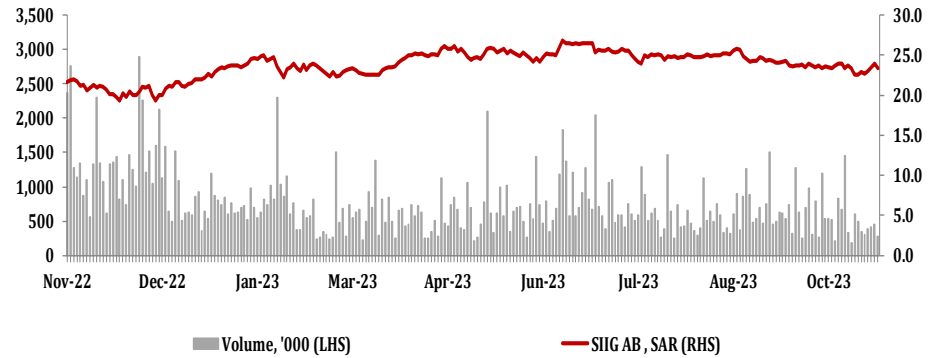
TP: SAR 25.5 per share; Hold on 10-August-2023

Upside / (Downside):

9.2%

Date: 02-11-2023

| | |
|------------------------------------|--------------|
| Bloomberg Ticker | SIIG AB |
| Current Market Price (SAR) | 23.360 |
| 52wk High / Low (SAR) | 27.15/18.88 |
| 12m Average Vol. (mn) | 766.5 |
| Mkt.Cap. (SAR bn) | 17,632/17,63 |
| Shares Outstanding (mn) | 754.8 |
| Free Float (%) | 81% |
| 3m Avg Daily Turnover (SAR mn) | 14,644.3 |
| 6m Average Daily Turnover (SAR mn) | 16,770.8 |
| PE 2023e (x) | 103.0x |
| EV/EBITDA 2023e (x) | 108.3x |
| Dividend Yield '23e (%) | 1.9% |
| Price Perf. (1m/3m) (%) | -0.8%/-6.2% |



Operating profit and Net income improved significantly beating U-Capital estimates.

The company's operating profit for Q3'23 was SAR 219 mn (278% YoY and 84% QoQ) beating our estimated SAR 123mn. Similarly, Net profit for Q3'23 stood at SAR 222mn (305% YoY and 85% QoQ) beating our estimated SAR 130mn. This significant variation is likely due to increased share of profits from joint ventures due to lower feedstock costs and higher sales quantities, increased return from Islamic Murabaha and decreased zakat expenses.

Maintaining Target Price.

We anticipate that the petrochemical industry will be under stress up until 1H-24e amid the global economic concerns like recession, prolonged high interest rates, slow recovery in China and the ongoing conflict in West Asia. Consequently, we expect stability in the sector beyond the first half of 2024e and anticipate favourable price trends supported by a steady demand-supply dynamics. However, considering the current scenario we are maintaining a Hold rating on the stock and maintaining our target price at SAR 25.5 per share.

Valuation.

SIIG is currently trading at a 2023e P/E ratio of 103x, compared to the historical average 1-year forward P/E of 46.7x. Furthermore, the stock is valued at an EV/EBITDA multiple of 108.3x, based on our FY23 estimate, compared to the historical average of 43.6x.

| Income Statement | | | | | | | | | | | | |
|--|-----------|--------------|--------------|------------|------------|------------|-------------|------------|------------|------------|------------|-------------|
| (SAR mn) | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 3Q23e | YoY (%) | QoQ (%) | Var (%) | 9M22 | 9M23 | YoY (%) |
| Sales/Revenue | - | - | - | - | - | - | - | - | - | - | - | - |
| Gross Profit (Loss) | - | - | - | - | - | - | - | - | - | - | - | - |
| Operating Profit (Loss) | 58 | (308) | (237) | 119 | 219 | 123 | 278% | 84% | 79% | 730 | 101 | -86% |
| Net Profit attributable to shareholders | 55 | (296) | (242) | 120 | 222 | 130 | 305% | 85% | 71% | 574 | 101 | -82% |
| Balance Sheet | | | | | | | | | | | | |
| (SAR mn) | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 3Q23e | YoY (%) | QoQ (%) | Var (%) | 9M22 | 9M23 | YoY (%) |
| Shareholders' Equity | 11,548 | 10,687 | 10,445 | 10,566 | 10,411 | 10,696 | -10% | -1% | -3% | 11,396 | 10,566 | -7% |
| Key Ratios | | | | | | | | | | | | |
| | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 3Q23e | YoY (%) | QoQ (%) | Var (%) | 9M22 | 9M23 | YoY (%) |
| Gross Margin | - | - | - | - | - | - | - | - | - | - | - | - |
| Operating Profit Margin | - | - | - | - | - | - | - | - | - | - | - | - |
| Net Profit Margin | - | - | - | - | - | - | - | - | - | - | - | - |
| Return on Equity (RoE) | 2% | -11% | -9% | 5% | 9% | 5% | | | | | | |

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report, please [click here](#).


Investment Research

Ubhar-Research@u-capital.net

Head of Research


Neetika Gupta


 +968 2494 9036

 neetika@u-capital.net


Research Team


Ahlam Al-Harathi

 +968 2494 9024


 ahlam.harathi@u-capital.net

Said Ghawas

 +968 2494 9034

 said.ghawas@u-capital.net


Amira Al Alawi


 +968 2494 9112

 amira.alalawi@u-capital.net

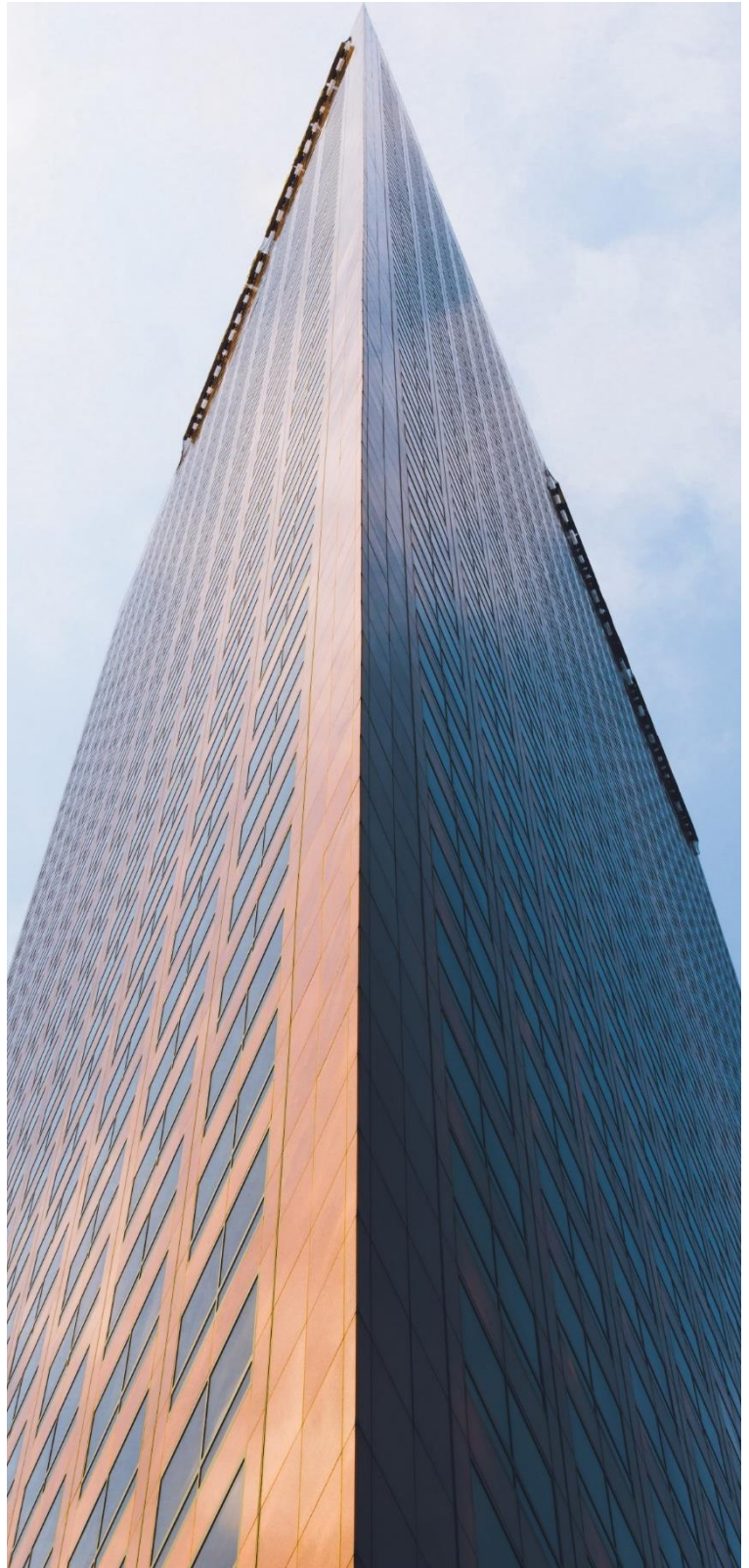
Head of Brokerage

Talal Al Balushi

 +968 2494 9051

 talal@u-capital.net

Visit us at: www.u-capital.net



Recommendation

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

Ubhar Capital SAOC (U Capital)

Website: www.u-capital.net

PO Box 1137

PC 111, Sultanate of Oman

Tel: +968 2494 9000

Fax: +968 2494 9099

Email: research@u-capital.net

Disclaimer: This report has been prepared by Ubhar Capital (U Capital) Research, and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. The company accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. All opinions and estimates included in this document constitute U Capital Research team's judgment as at the date of production of this report, and are subject to change without notice. This report may not be reproduced, distributed or published by any recipient for any other purpose.