

3Q21 Results Update

December 27, 2021

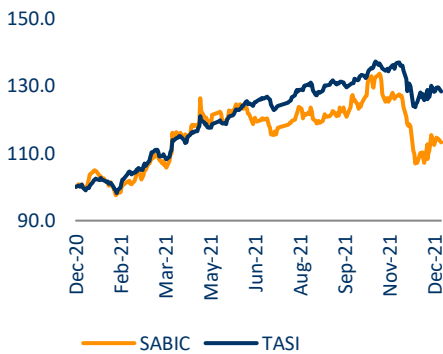
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	128.0
Target Price (SAR)	119.7
Upside/Downside (%)	4.4%

As of December 26, 2021

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	343.8
52-Wk High (SAR)	136.6
52-Wk Low (SAR)	97.9
Total Outstanding shares (in bn)	3.0
Free Float (%)	22.3%

SABIC vs. TASI (Rebased)

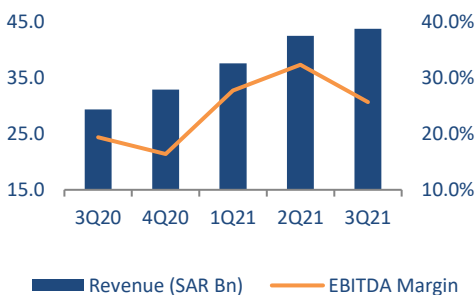


Price Performance (%)	Absolute	Relative
1m	(4.0%)	(2.9%)
6m	(5.4%)	(7.3%)
12m	13.2%	(15.1%)

Major Shareholders (%)

Aramco Chemical	70.0%
General Org. for Social Insurance	7.64%

Revenue (SAR bn) and EBITDA Margin (%)



Source: Bloomberg, Company Financials, FALCOM Research; Data as of December 26, 2021

Highest quarterly revenue recorded since 3Q18, aided by higher selling price

Saudi Basic Industries Corp. (SABIC)'s revenue climbed 49.2% YoY to SAR 43.7bn in 3Q21, driven by higher average selling prices during the quarter. Meanwhile, the top line grew 47.0% YoY to SAR 123.6bn in 9M21, supported by an increase in revenue from the Petrochemicals (up 48.5% YoY to SAR 107.0bn), Agri-Nutrients (up 38.9% YoY to SAR 7.1bn), and Hadeed (up 37.1% YoY to SAR 9.6bn) segments. Gross profit surged 91.4% YoY to SAR 12.5bn in 3Q21 while gross profit margin widened 631 bps YoY to 28.6%. A slower rise in SG&A expense and higher share of results from associates and other income resulted in net profit increasing 414.0% YoY to SAR 5.6bn, while net margin expanded 909 bps YoY to 12.8% in 3Q21.

SABIC reported strong performance in 3Q21, as the company reported its highest quarterly revenue since 3Q18 owing to higher sales prices for its products, which offset the drop in overall sales volumes. The growth in the top line was supported by greater revenue contribution from all segments. Compared to 2Q21, prices of mono ethylene glycol and methanol increased across the Middle East, North America, China, and the rest of Asia. Volumetric sales fell during the quarter due to the seasonality factor. On QoQ basis, gross margins contracted in 3Q21 due to higher feedstock prices. Tight supply and strong demand from key markets pushed urea price higher in 3Q21. SABIC's debt-to-equity ratio improved to 0.21x during the quarter from 0.25x in 3Q20 due to lower total debt. SABIC announced the start of commissioning activities and preparations for the initial startup with ExxonMobil for the petrochemicals JV project in the US Gulf Coast. This project is in line with the company's global growth strategy and aims to diversify feedstock sources. SABIC expects healthy demand in 4Q21 but anticipates feedstock costs to remain elevated with higher oil prices, which could translate into moderation in margins. In view of the factors mentioned above, we maintain a "Neutral" rating on the stock.

- SABIC's revenue increased 49.2% YoY to SAR 43.7bn in 3Q21, led by higher average selling prices in the quarter, whereas sales volumes fell 9% YoY in 3Q21. Revenue inched up 3.0% QoQ in 3Q21 from SAR 42.4bn in 2Q21 on higher prices of products.
- Gross profit soared 91.4% YoY to SAR 12.5bn as cost of sales rose at a slower rate (up 37.1% YoY to SAR 31.2bn) during the quarter. Consequently, gross profit margin expanded to 28.6% in 3Q21 from 22.3% in 3Q20.
- SABIC reported a 266.2% YoY rise in operating income to SAR 7.7bn owing to a sharp rise in profit contribution from JVs, which offset the increase in total SG&A expense in 3Q21. Subsequently, EBIT margin widened to 17.6% from 7.2% in 3Q20.
- A higher profit share from associates and other income offset the rise in finance cost as the company's net profit climbed 414.0% to SAR 5.6bn in 3Q21. Consequently, net margin expanded to 12.8% from 3.7% in 3Q20.
- On December 15, SABIC's Board of Directors recommended a 22.5% cash dividend (SAR 2.25 per share) for 2H21.

Valuation: We revise our target price to a fair value of SAR 119.7 per share but maintain our "Neutral" rating on the stock.

	3Q21	3Q20	% YoY	FY21E	FY20	% YoY
Revenues (SAR bn)	43.7	29.3	49.2%	167.4	116.9	43.2%
Gross Profit (SAR bn)	12.5	6.5	91.4%	48.2	22.9	110.8%
Operating Profit (SAR bn)	7.7	2.1	266.2%	31.5	4.6	588.5%
Net Profit (SAR bn)	5.6	1.1	414.0%	24.2	0.1	NM
EPS (SAR)	1.86	0.36	414.0%	8.06	0.02	NM
Gross Margin (%)	28.6%	22.3%	6.3%	28.8%	19.6%	9.2%
Operating Margin (%)	17.6%	7.2%	10.4%	18.8%	3.9%	14.9%
Net Profit Margin (%)	12.8%	3.7%	9.1%	14.5%	0.1%	14.4%

Source: Company Financials, FALCOM Research

FALCOM Rating Methodology

FALCOM Financial Services uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

Overweight: The Target share price exceeds the current share price by $\geq 10\%$.

Neutral: The Target share price is either more or less than the current share price by 10%.

Underweight: The Target share price is less than the current share price by $\geq 10\%$.

To be Revised: No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from FALCOM Financial Services, FALCOM Research.

FALCOM Financial Services

Contact us on the below phone numbers:

Customer Services: **8004298888**

Brokerage Services: **920004711**

Fax or Email us at the below number:

Fax: **+966 11 2032546**

Email: **addingvalue@falcom.com.sa**

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

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