

FY21 Results Update

March 14, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	129.2
Target Price (SAR)	118.2
Upside/Downside (%)	(8.5%)
<i>As of March 14, 2022</i>	
Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	387.6
52-wk High (SAR)	141.4
52-wk Low (SAR)	106.6
Total Outstanding shares (in bn)	3.0
Free Float (%)	30.0%

SABIC vs. TASI (Rebased)

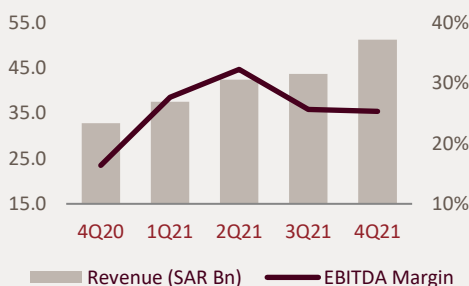


Price Performance (%)	Absolute	Relative
1m	7.1%	4.8%
6m	5.4%	(4.5%)
12m	17.0%	(12.2%)

Major Shareholders (%)

Aramco Chemical	70.0%
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Revenue (SAR bn) and EBITDA Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of March 14, 2022

Higher selling price drives SABIC's topline to seven-year high

Saudi Basic Industries Corp. (SABIC)'s revenue surged 49.6% YoY to SAR 174.9bn in FY21, largely driven by higher average selling prices during the year. The rise in the top line was supported by higher revenue contribution from the Petrochemicals (up 49.0% YoY to SAR 150.0bn), Agri-Nutrients (up 78.9% YoY to SAR 12.1bn), and Hadeed (up 34.5% YoY to SAR 12.8bn) segments. Slower rise in cost of sales resulted in gross profit surging 125.9% YoY to SAR 51.1bn in FY21, while gross profit margin widened 988 bps YoY to 29.2%. Increase in SG&A expense was offset by higher share of results from associates and other income, which led to net profit of SAR 23.0bn in FY21 as against SAR 66.8mn in FY20. Subsequently, net margin expanded 1,311 bps YoY to 13.2% in FY21.

SABIC reported strong performance in FY21, reporting its highest revenue since 2014 owing to higher sales prices for its products and favorable market conditions. The growth in the top line was supported by higher revenue contribution across its segments. In 4Q21, SABIC recorded robust operational performance, mainly driven by higher sales volume. Additionally, higher product prices resulted in better margins during the quarter. Petrochemical volumes were stable YoY in 4Q21, despite petrochemical prices rising 50% YoY. The rise in prices were reported across geographies. Tight supply and strong demand from key markets pushed urea price higher in 4Q21 and translated into higher EBITDA. SABIC's debt-to-equity ratio improved to 0.18x during the year from 0.24x in FY20 due to lower total debt. SABIC recently announced an agreement to acquire stake in Scientific Design Company, Inc., which would expand its presence in the specialty product market. SABIC expects to register healthy earnings in 2022, albeit lower than the exceptionally strong earnings in 2021. Additionally, continued supply chain constraints and higher feedstock cost could translate into moderation in margins. In view of the factors mentioned above, we maintain a "Neutral" rating on the stock.

- SABIC's revenue rose 49.6% YoY to SAR 174.9bn in FY21, led by higher average selling prices during the year.
- Gross profit surged 125.9% YoY to SAR 51.1bn, following a slower rise in cost of sales (up 31.2% YoY to SAR 123.8bn) during the year. Consequently, gross profit margin expanded 988bps to 29.2% in FY21 from 19.4% in FY20.
- SABIC's operating income increased 628.5% YoY to SAR 33.3bn, led by rise in profit contribution from JVs and a higher top line, which offset the rise in total SG&A expense in FY21. Subsequently, the EBIT margin widened to 19.0% from 3.9% in FY20.
- The rise in finance cost was countervailed by a higher profit share from associates and other income as the company reported net profit of SAR 23.0bn in FY21 as against SAR 66.8mn in FY20. Consequently, net margin expanded to 13.2% from 0.1% in FY20.
- On February 2, 2022, SABIC signed an agreement to acquire Clariant's 50% stake in Scientific Design Company, Inc. The move aims to expand SABIC's presence in the specialty product market.
- SABIC launched commercial operations at the joint venture (JV) project with Exxon Mobil in the US Gulf Coast. The project comprises the construction of an ethylene production unit with a capacity of about 1.8 million tons annually.

Valuation: We revise our target price to a fair value of SAR 118.2 per share but maintain our "Neutral" rating on the stock.

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR bn)	51.3	32.8	56.1%	171.7	174.9	(1.8%)
Gross Profit (SAR bn)	14.1	8.1	73.6%	49.4	51.1	(3.5%)
EBITDA (SAR bn)	8.6	3.8	127.8%	27.3	33.3	(18.0%)
Net Profit (SAR bn)*	4.9	2.2	119.4%	18.9	23.0	(17.8%)
EPS Basic (SAR)*	1.6	0.7	119.4%	6.31	7.68	(17.8%)
Gross Margin (%)	0.3	0.2	2.8%	28.7%	29.2%	(0.5%)
EBITDA Margin (%)	0.2	0.1	5.3%	15.9%	19.0%	(3.1%)
Net Profit Margin (%)*	0.1	0.1	2.8%	11.0%	13.2%	(2.1%)

Source: Company Financials, Yaqeen Capital

Yaqeen Capital Rating Methodology

Yaqeen Capital 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 Yaqeen Capital.

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