

1Q22 Results Update

July 13, 2022

Recommendation	Overweight
Previous Recommendation	Neutral
Current Price (SAR)	97.6
Target Price (SAR)	114.8
Upside/Downside (%)	17.6%

As of July 6, 2022

Key Data (Source: Bloomberg)

Market Cap (SAR bn)	292.8
52-wk High (SAR)	141.4
52-wk Low (SAR)	97.4
Total Outstanding shares (in bn)	3.0
Free Float (%)	30.0%

SABIC vs. TASI (Rebased)

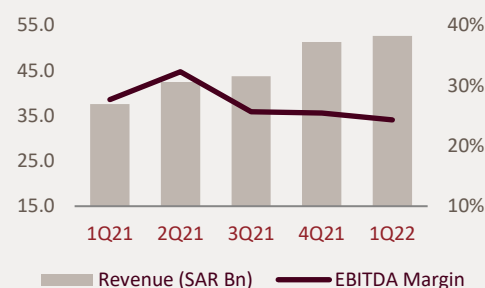


Price Performance (%)	Absolute	Relative
1m	(15.4%)	(4.5%)
6m	(17.3%)	(17.2%)
12m	(18.4%)	(22.5%)

Major Shareholders (%)

Aramco Chemical	70.0%
-----------------	-------

Revenue (SAR bn) and EBITDA Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of July 6, 2022

Higher sales volume as well as average selling prices boost top line in 1Q22

Saudi Basic Industries Corp. (SABIC)'s revenue advanced 40.3% YoY to SAR 52.6bn in 1Q22, largely driven by higher average selling prices and sales volume during the quarter. The rise in the top line was supported by higher revenue contribution from the Petrochemicals (up 35.4% YoY to SAR 44.3bn), Agri-Nutrients (up 119.8% YoY to SAR 4.0bn), and Hadeed (up 44.8% YoY to SAR 4.3bn) segments. Despite a 43.5% YoY surge in cost of sales, gross profit soared 32.6% YoY to SAR 14.7bn in 1Q22; however, gross profit margin narrowed 161 bps YoY to 27.9%. Increase in share of results of integral joint ventures countervailed the rise in SG&A and led to a 33.4% YoY rise in operating income to SAR 9.3bn. Consequently, the net profit surged 33.2% YoY to SAR 6.5bn in 1Q22, supported by higher other income. However, the net margin contracted 66 bps YoY to 12.3% in 1Q22.

SABIC demonstrated a robust performance in 1Q22, with a surge in the topline, driven by higher sales prices and sales volume of its products and favorable market conditions. The growth in the top line was supported by higher revenue contribution from all segments. The strong performance could also be attributed to healthy demand for its products, higher oil prices, and a diverse global portfolio. Petrochem prices either rose or remained stable throughout different geographies during the quarter. The rise in feedstock prices negatively impacted SABIC as its margins contracted during the quarter. SABIC's debt-to-equity ratio improved to 0.17x during the quarter from 0.21x in 1Q21 owing to lower debt. SABIC recently announced successful launch of its Petrochemical JV project in the US gulf coast, which was completed before schedule and within budget. The company also affirmed plans to work on its global growth strategy focusing on key markets and competitive feedstock. Following Russia's full-scale invasion of Ukraine, Brent prices are expected to stay high during FY22 which could result in higher average selling prices of its products and a rise in the topline. In view of the abovementioned factors, we revise our rating on the stock to "Overweight."

- SABIC's revenue surged 40.3% YoY to SAR 52.6bn in 1Q22, driven by higher average selling prices and sales volume during the quarter.
- Despite a 43.5% YoY rise in cost of sales to SAR 37.9bn in 1Q22, gross profit advanced 32.6% YoY to SAR 14.7bn during the quarter. However, gross profit margin contracted 161bps to 27.9% in 1Q22 from 29.5% in 1Q21.
- SABIC's operating income increased 33.4% YoY to SAR 9.3bn, supported by a rise in profit contribution from JVs, which offset the rise in total SG&A expenses during the quarter. Nevertheless, operating margin narrowed to 17.7% from 18.6% in 1Q21.
- Higher other income and rise in share of results from associates countervailed the rise in finance cost as the company reported a 33.2% YoY surge in the net profit to SAR 6.5bn in 1Q22. However, the net margin contracted to 12.3% from 13.0% in 1Q21.
- On April 18, 2022, SABIC's board of directors declared a 22.5% cash dividend for 1H22 at SAR 2.25 per share, totaling SAR 6.75bn.

Valuation: We revise our target price to a fair value of SAR 114.8 per share and change our rating on the stock to "Overweight."

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR bn)	52.6	37.5	40.3%	200.8	174.9	14.8%
Gross Profit (SAR bn)	14.7	11.1	32.6%	53.2	51.1	4.0%
EBITDA (SAR bn)	12.8	10.4	23.1%	47.5	48.3	(1.5%)
Net Profit (SAR bn)	6.5	4.9	33.2%	21.0	23.0	(8.9%)
EPS Basic (SAR)	2.2	1.6	33.2%	7.00	7.68	(8.9%)
Gross Margin (%)	27.9%	29.5%	(1.6%)	26.5%	29.2%	(2.7%)
EBITDA Margin (%)	24.3%	27.7%	(3.4%)	23.7%	27.6%	(3.9%)
Net Profit Margin (%)	12.3%	13.0%	(0.7%)	10.5%	13.2%	(2.7%)

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.

Yaqeen Capital

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@yaqeen.sa

Mail us at the following address:

P.O. Box 884

Riyadh 11421

Kingdom of Saudi Arabia

Disclaimer and Risks Warning:

The information in this report was compiled from various public sources believed to be reliable and whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions, future prices and expectations contained herein are fair and reasonable, Yaqeen Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Yaqeen Capital does not represent that the information or expected future prices in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information or the expected prices contained in this report. Yaqeen Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and Yaqeen Capital shall not be in any way responsible for the contents hereof. Opinions, forecasts or price projections contained in this report represent Yaqeen Capital current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results, prices or events will match any such opinions, forecasts or prices projections which represent only one possible outcome and these price estimates may not occur in the future whatsoever. Further, such opinions, forecasts or price projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. Any value or price, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, the person who obtain a copy of this report should understand that this report is not intended to provide personal investment advice and does not take into account his/her financial situation or any specific investment objectives or particular needs which he/she may have. Before making an investment decision the investors should seek advice from an independent financial, investment and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and price estimates contained; are protected by the intellectual property laws, copyright and publishing rules and regulations applied in the Kingdom of Saudi Arabia.

All rights reserved.

Yaqeen Capital acquired the Saudi Capital Market Authority license number (37-06020) on 27/05/2006, and commenced providing its services to the investors in the Saudi Stock Exchange on 19/02/2007 with CR Number 1010226584 Issued on 04/12/1427H.