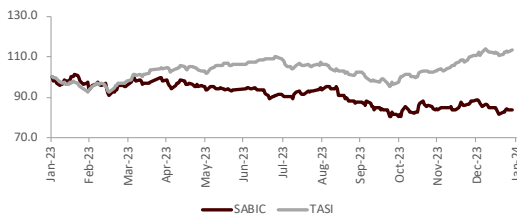


## Saudi Basic Industries Corp. (SABIC)

Recommendation	Hold
Current Market Price (SAR)	79.2
52wk High / Low (SAR)	96.0/75.3
Mkt. Cap. (USD/SAR Mn)	63,720/239,100
Shares Outstanding (mn)	3,000.0
Free Float (%)	30.0%
3m Average Vol. (000)	1,358.2
3m Avg Daily Turnover (SAR'000)	108,839
Dividend Yield '24e (%)	3.0%
P/E'24e (x)	23.5
EV/EBITDA'24e (x)	15.2

Source: Bloomberg

## Relative Price Performance



## Key Indicators

SAR (mn)	2021	2022	2023e	2024e
Revenue	174,883	198,467	143,818	149,928
Gross profit	47,877	42,672	25,887	31,485
GPM (%)	27%	22%	18%	21%
EBIT	33,242	22,583	9,912	15,827
EBIT margin (%)	19%	11%	7%	11%
EBITDA	48,148	37,274	26,343	32,827
EBITDA margin (%)	28%	19%	18%	22%
Net Income	23,066	16,530	1,128	10,124
Net margin (%)	13%	8%	1%	7%
EPS (SAR)	7.69	5.51	0.38	3.37
RoE (%)	11%	8%	2%	5%

Source: Company Reports, Yaqeen Capital

## Major Shareholders (%)

Aramco Chemical Co.	70.00%
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Source: Bloomberg, Yaqeen Capital

## SABIC Records Net Loss Following Hadeed Stake Sale

- SABIC reported a net loss of SAR 2.9bn in 3Q2023 versus a profit of SAR 1.8bn YoY and SAR 1.2bn in the previous quarter, primarily due to the sale of the company's entire stake in Saudi Iron and Steel Company (Hadeed), which was previously announced to amount to SAR 2.9bn.
- Net income from continuing operations decreased by 67.0% YoY to SAR 0.5bn. Adjusted net margin declined to 1.5% (-2.3ppts YoY, -2.8ppts QoQ).
- Revenue was down 16.9% YoY (+5.5% QoQ) to SAR 36.0bn on the back of the stagnation in global demand for chemicals, which led to a decrease in average selling prices. However, sales volume increased during the quarter. For 9M2023, the revenue was down 25.8% YoY to SAR 106.5bn.
- Gross profit declined 22.5% YoY (+15.1% QoQ) to SAR 6.3bn, primarily due to decreases in selling prices. Gross margin declined 1.3ppts to 17.6% (+1.4ppts QoQ).
- Operating profit was SAR 1.7bn, registering a decline of 50.3% YoY while increasing by 2.4% QoQ. Operating margins fell to 4.7% (-3.1ppts YoY, +0.1ppts QoQ).
- EBITDA in 3Q2023 decreased 15.0% YoY to SAR 5.6bn. While it increased 11.0% QoQ. While EBITDA margin improved to 15.6% (+0.4ppts YoY, +0.8ppts QoQ).
- The company recorded one-time impairment charges on certain capital assets, which amounted to SAR 255.0mn as part of the restructuring program in Europe to improve the return on investment.
- For 9M2023, the net loss was reported at SAR 1.0bn, compared to a net profit of SAR 16.2bn in the same period last year.

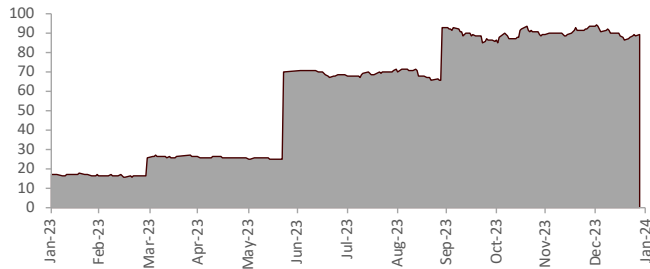
**Outlook & Valuation:** The Saudi Basic Industries Co. in 3Q2023 sold the entire stake in the Saudi Iron and Steel Company, Hadeed, which will enable the company to focus on its strategic business portfolio. This strategic decision also allows SABIC to streamline its operations and optimize its efficiency, ultimately positioning itself as a key player in the evolving petrochemical industry. The company's financial performance has been deteriorating in the past few quarters due to stagnant global demand for chemicals, which is leading to lower sales and declining profits. However, SABIC is taking proactive measures to mitigate the impact of these challenges and ensure long-term sustainability. Furthermore, the decision to streamline operations will enable SABIC to allocate resources more effectively and focus on areas where it has a competitive advantage. With a renewed focus on its core business, SABIC aims to enhance operational efficiency and deliver value to its shareholders. Based on DCF valuation, we arrive at a fair value of SAR 86.2/share, offering an upside of 8.8% from the current level. Hence, we recommend a Hold rating on the stock.

## Financial Summary

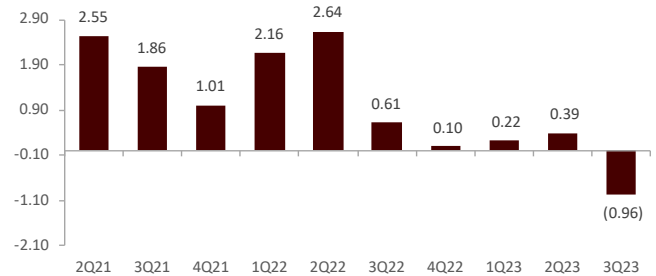
SAR (mn)	3Q2023	3Q2022	YoY	2Q2023	QoQ
Revenue	35,975	46,868	-23%	37,167	-3%
Gross profit	6,335	9,843	-36%	5,373	18%
GPM (%)	18%	21%		14%	
EBIT	2,022	3,278	-38%	1,216	66%
EBIT margin (%)	6%	7%		3%	
EBITDA	6,242	6,785	-8%	4,909	27%
EBITDA margin (%)	17%	14%		13%	
Net Income	(2,876)	1,836		1,178	-344%
Net margin (%)		4%		3%	
EPS (SAR)	-0.96	0.61		0.39	-344%

Source: Company Reports, Yaqeen Capital

Price to Book Ratio Trend



EPS (SAR) Trend



## Rating Methodology

**Buy:** The Target share price exceeds the current share price by  $\geq 10\%$

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

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

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