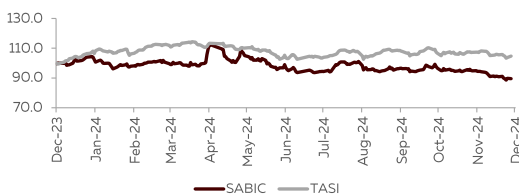


Saudi Basic Industries Corp. (SABIC)

Recommendation	Buy
Current Market Price (SAR)	68.0
52wk High / Low (SAR)	89.0/67.9
Mkt. Cap. (USD/SAR Mn)	54,366/204,000
Shares Outstanding (mn)	3,000.0
Free Float (%)	30.0%
3m Average Vol. (000)	1,702.9
3m Avg Daily Turnover (SAR'000)	124,087
Dividend Yield '24e (%)	2.3%
P/E'24e (x)	28.4
EV/EBITDA'24e (x)	31.4

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Revenue	183,077	141,537	134,555	146,101
Gross profit	41,322	22,074	25,565	36,525
Gross margin (%)	23%	16%	19%	25%
EBIT	22,908	3,720	6,800	18,535
EBIT margin (%)	13%	3%	5%	13%
EBITDA	37,599	19,779	23,097	35,293
EBITDA margin (%)	21%	14%	17%	24%
Net Income	16,530	(2,772)	5,797	13,659
Net margin (%)	9%		4%	9%
EPS (SAR)	5.51	-0.92	1.93	4.55
RoE (%)	10%	2%	4%	8%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

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

Earnings rise YoY on higher operational income

- In 3Q2024, SABIC posted a net profit of SAR 1,004mn compared to a net loss of SAR 2,876mn in 3Q2023, driven by higher operational income from an improved gross profit margin, divestment and currency exchange gains, and a reduced net loss from discontinued operations, partially offset by lower finance income from non-cash fair valuation adjustments. On a QoQ basis, net profit declined by 54.0% due to lower gross profit, higher operating expenses, reduced contributions from associates and joint ventures, and a Zakat expense, partially offset by increased other operating income from non-recurring gains and currency exchange benefits. Net profit margin dropped 3.4ppts QoQ to 2.7%.
- Revenue increased by 2.5% YoY to SAR 36,880mn in 3Q2024, primarily due to improved average selling prices despite a slight decrease in sales volume. On a QoQ basis, revenue rose by 3.3%, driven by higher sales volume, partially offset by slightly lower average selling prices.
- Gross profit climbed 9.4% YoY to SAR 7,000mn in 3Q2024 due to higher revenue. However, on a QoQ basis, it fell by 2.7% due to the increased cost of sales. The gross profit margin rose 12ppts YoY but declined 1.2ppts QoQ to 19.0%.
- Operating profit surged 47.6% YoY and 17.9% QoQ to SAR 2,477mn, with the margin improving 2.0ppts YoY and 0.8ppts QoQ to 6.7%.
- For 9M2024, SABIC recorded a net income of SAR 3,433mn compared to a net loss of SAR 1,041mn in 9M2023, supported by higher operational income from improved gross margins, a reduced net loss from discontinued operations, and lower Zakat expenses, partially offset by decreased finance income from non-cash valuation adjustments. Net profit margin stood at 3.3%.
- Revenue for 9M2024 declined 1.1% YoY to SAR 105,285mn, primarily due to lower sales volume, partially offset by higher average selling prices.

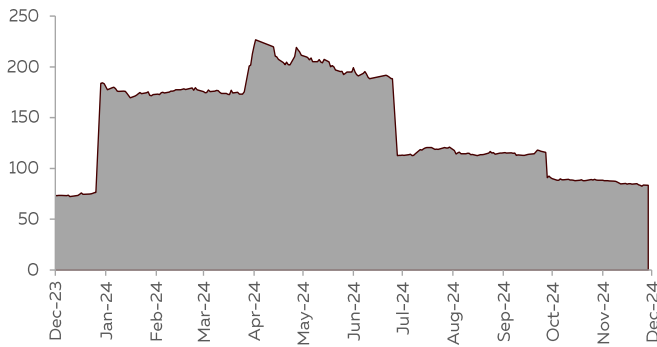
Outlook & Valuation: SABIC's financial performance has been impacted by weak global demand for chemicals. To address these challenges and ensure long-term sustainability, SABIC is implementing proactive strategies, including the sale of Saudi Iron and Steel Company (Hadeed) last year and its recent agreement to sell a 20.62% stake in Bahrain Aluminum Company (ALBA) to Saudi Arabian Mining Company (Maaden). These moves enable SABIC to optimize resource allocation, focus on its core strengths, enhance operational efficiency, and maximize shareholder value. Based on DCF valuation, we arrive at a fair value of SAR 87.2/share, offering an upside of 28.2% from the current level. Hence, we recommend a Buy rating on the stock.

Financial Summary

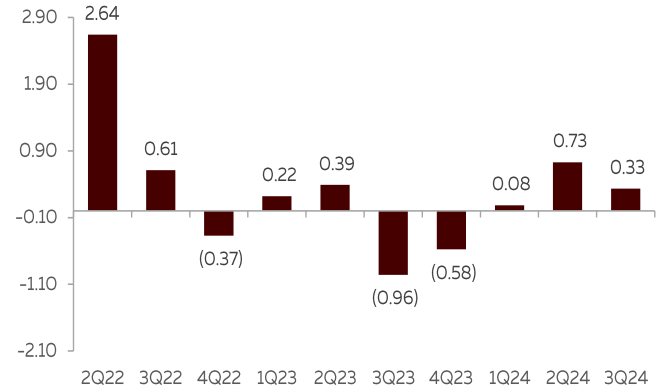
SAR (mn)	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	36,880	35,975	3%	35,719	3%
Gross profit	7,000	6,403	9%	7,194	-3%
Gross margin (%)	19%	18%		20%	
EBIT	2,477	1,681	47%	2,101	18%
EBIT margin (%)	7%	5%			
EBITDA	5,689	(5,530)	-203%	5,702	0%
EBITDA margin (%)	15%	-15%		16%	
Net Income	1,004	(2,876)	-135%	2,184	-54%
Net margin (%)	3%	-8%			
EPS (SAR)	0.33	-0.96	-135%	0.73	-54%

Source: Company Reports, Yaqeen Capital

Price to Earnings 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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