

February 29, 2024

## Impairments Cloud Results

Upside to Target Price	1.3%	Rating	Neutral
Expected Dividend Yield	4.1%	Last Price	SAR 79.00
Expected Total Return	5.3%	12-mth target	SAR 80.00

Market Data	
52-week high/low	SAR 95.0 / 75.3
Market Cap	SAR 237,000 mln
Shares Outstanding	3,000 mln
Free-float	30.00%
12-month ADTV	1,497,598
Bloomberg Code	SABIC AB

SABIC	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	35.03	42.98	(18%)	35.98	(3%)	36.34
Gross Profit	4.68	1.57	198%	6.34	(26%)	4.72
Gross Margins	13%	4%		18%		13%
Operating Profit	(1.36)	1.48	-	1.68	-	1.02
Net Profit	(1.73)	0.29	-	(2.88)	40%	0.67

(All figures are in SAR bln)

- SABIC reported a topline of SAR 35.0 bln (down -18% Y/Y and -3% Q/Q), in-line with our SAR 36.3 bln estimate. Management's commentary regarding their revenue performance was sobering, as Q/Q decreases were driven (again) by lackluster sales volumes, which declined Q/Q by -1%; whilst average sales prices for 4Q23 increased +1% Q/Q. SABIC's Petrochemicals segment (92% of revenues and 64% of EBITDA) revenue decreased -4% Q/Q, driven by lower volumes. While in contrast Agri-Nutrients increased by +17% Q/Q on the back of a +9% Q/Q jump in sales volumes, further supported by a +9% Q/Q improvement in average prices. We attribute these changes to the recent rebound in Urea prices in 4Q23 for Agri-Nutrients. The Petrochemicals segment, as management stated, was affected by global prices such as MTBE and Polycarbonate decreasing Q/Q, by -18% and -4%, respectively. We also note, that PE prices did rise by +1% Q/Q, along with MEG prices, which increased +3% Q/Q, according to the Company.
- SABIC's profitability, specifically its operating profit was negatively affected by impairments and other financial charges, causing a SAR (1.36) bln operating loss; we note that with these SAR -2.46 bln charges removed, our operating profit and net profit estimates deviated around 10% of actuals. We also recognize as a result of some decreases in product prices and overall demand, gross margins decreased Q/Q, to 13%, which was in-line with our expectations as well.
- SABIC reported a net loss of SAR (1.73) bln, lower Y/Y, but higher Q/Q, which was attributable to several non-recurring charges, specifically for provisions for European restructuring and write-offs of capital and financial assets. SABIC management, stated in their 4Q23 conference call they have invested in growth projects, such as a petrochemical complex in China, while this is interesting, the market demand does remain muted for chemicals. Until we see some uptick in chemical demand, we would caution investors given the market dynamics, therefore we reduce our target price to SAR 80.00, maintaining a Neutral rating.

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## Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors  
For any feedback on our reports, please contact [research@riyadcapital.com](mailto:research@riyadcapital.com)

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