

January 29, 2020

## Unexpected Quarterly Loss

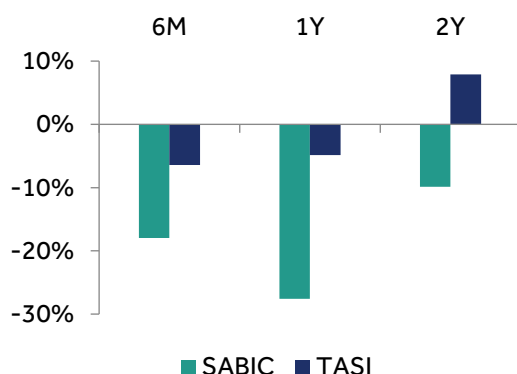
Upside to Target Price 6.9%  
Expected Dividend Yield 4.9%  
Expected Total Return 11.8%

Rating Neutral  
Last Price SAR 88.90  
12-mth target SAR 95.00

Market Data	
52-week high/low	SAR 128.00 / 84.60
Market Cap	SAR 261,600 mln
Shares Outstanding	3,000 mln
12-month ADTV	2,907,517
Bloomberg Code	SABIC AB

SABIC	4Q2019	4Q2018	Y/Y	3Q2019	Q/Q	RC Estimate
Sales	32.81	40.27	(19%)	33.69	(3%)	35.37
Gross Profit	4.61	12.20	(62%)	9.63	(52%)	9.90
Operating Profit	(0.64)	6.55	-	4.66	-	4.60
Net Profit	(0.72)	3.22	-	0.83	-	2.26

(All figures are in SAR bln)



- Sales were impacted by lower average selling prices driven by oversupply in key products and slowing global growth coupled with seasonal impacts, according to the Company.
- Gross margins contracted to 12% from 29% last quarter and 30% last year. Likewise, operating margin contracted to -2% from 14% last quarter and 16% last year.
- Net profit widely missed our forecast and market expectations of SAR 1.78 bln as the company registered an unexpected impairment charge of SAR 1.3 bln in Ibn Rushd.
- We reduce our target price to SAR 95.00 from SAR 100.00 but maintain a Neutral rating.
- SABIC announced a share purchase agreement with SAFCO in December 2019. According to this agreement, SAFCO will acquire SABIC's share of 50% in National Chemical Fertilizers Company (Ibn Al Baytar) and Al Jubail Fertilizer Company (Al Bayroni) and 33.33% of Gulf Petrochemical Industries Company (GPIC). In return, SABIC will receive additional shares in SAFCO which will increase SABIC's ownership in SAFCO to 50.1%.

Saleh Altwayan  
saleh.a.al-twayan@riyadcapital.com  
+966-11-203-6815

Public

الرياض المالية  
riyad capital

## ■ 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)

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 200 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information 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 contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's 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 or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, 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, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax 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 projections contained in it are protected by the copyright rules and regulations.