

Rating **Under Review**
 12- Month Target Price **NA**

SAUDI INDUSTRIAL INVESTMENT GROUP (SIIG)

2Q2018 First Look

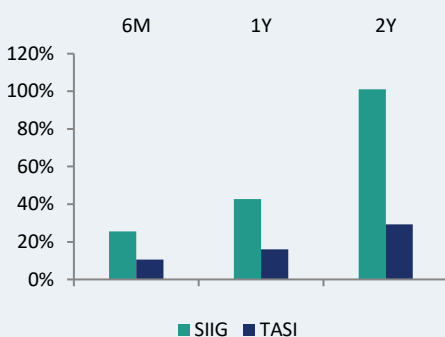
Expected Total Return

Price as on Jul-30, 2018	SAR 27.70
Upside to Target Price	NA
Expected Dividend Yield	NA
Expected Total Return	NA

Market Data

52 Week H/L	SAR 30.1/18.6
Market Capitalization	SAR12,443 mln
Shares Outstanding	450.0 mln
Free Float	82.9%
12-Month ADTV (000's)	801.9
Bloomberg Code	SIIG AB

1-Year Price Performance



Placing Under Review

Saudi Industrial Investment Group (SIIG) reported net income of SAR 321 million, up by +359% Y/Y and +61% Q/Q; and above our forecast of SAR 276 million. Bottomline improved thanks to normal operation levels after SPC and JPC underwent scheduled maintenance last quarter and last year. In addition, share of profit in Petrochem increased to SAR 136 million from SAR 66 million last year but decreased from SAR 167 last quarter (+106% Y/Y and -19% Q/Q). We are placing the stock Under Review and withdrawing our target price

Revenue push higher

SIIG registered revenues of SAR 2.24 billion, up +28% Y/Y and +1.3% Q/Q thanks to an increase in quantities sold as well as rising average product prices for Petrochem. PP was up by +0.5% Q/Q and +19% Y/Y while PE increased by +0.4% Q/Q and +20% Y/Y. Styrene declined by -3.5% Q/Q but rose +23% Y/Y.

Associates relieved from turnarounds

Gross profit increased by +72% Y/Y but decreased by -5% Q/Q to reach SAR 722 million, mimicking Petrochem's gross profits. Feedstock prices were mixed in 2Q as ethylene prices decreased by -10% Q/Q but increased +9% Y/Y while propylene went up by +24% Q/Q and +40% Y/Y. Gross margin expanded from 24% last year to 32% this quarter but decreased by 300 bps compared to the preceding quarter. SIIG posted an operating profit of SAR 745 million, rising by +192% Y/Y and +17% Q/Q. The Y/Y increase is due to scheduled maintenance works for SCP which lasted for 35 days. The Q/Q increase is also due to scheduled maintenance works, but for both of SIIG's joint ventures (SCP, JCP), as SCP had a 33 day turnaround while JCP had a 51 turnaround in 1Q2018.

Net margin at 14%

SIIG posted net income of SAR 321 million, up by +359% Y/Y, as compared to our estimates of SAR 276 million and street's estimates of SAR 274 million. Net margins stood at 14%, rising from 4% last year and 9% last quarter. The EPS increase is largely attributed to the absence of plant shutdown for SIIG's joint ventures (SCP, JCP). SIIG's share in Petrochem's profit increased +106% Y/Y from SAR 66 million but decreased -19% Q/Q from SAR 167 million to settle at SAR 136 million.

Key Financial Figures

FY Dec31 (SAR mln)	2017A	2018E	2019E
Revenue	7,364	-	-
EBITDA	2,733	-	-
Net Profit	1,004	-	-
EPS (SAR)	2.23	-	-
DPS (SAR)	0.50	-	-
BVPS (SAR)	16.17	-	-

Key Financial Ratios

FY Dec31	2017A	2018E	2019E
ROAA	6.5%	-	-
ROAE	13.8%	-	-
P/E	11.2x	-	-
P/B	1.6x	-	-
EV/EBITDA	7.6x	-	-
EV/Sales	2.8x	-	-

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

Disclaimer

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.

الرياض المالية
riyad capital



إدارة الثروات - إدارة الأصول - الوساطة - المصرفية الاستثمارية

920012299
riyadcapital.com

شركة الرياض المالية تعمل بموجب ترخيص من هيئة السوق المالية برقم 07070-37 وسجل تجاري رقم 1010239234
الإدارة العامة: 6775 شارع التخصصي - العليا، الرياض 12331 - 3712