

Saudi Industrial Investment Group (SIIG) - 2Q22 Result Review

Date: 4-Aug-22

Recommendation:

Under Review

Fair Value (SAR): 31.7

Previous Reco. & Date:

26-May-22

Upside / (Downside): 13%

Analyst: Ayisha Zia



Higher feedstock prices coupled with lower selling prices impacts share of profits from jointly managed projects

SIIG's share of profits from jointly managed projects decreased on year-on-year basis mainly due to increase in feedstock costs. The company's operating profits for the quarter stood lower at SAR 299 mn down by 59.7% YoY (-19.7% QoQ). SIIG's operating profits were also impacted from an increase in the general and administrative expenses resulting from SIIG's ownership of remaining 50% of Petrochem.

Net profit impacted further due to reversal of zakat provision

SIIG's net profit for the quarter stood at SAR 284 mn, down by 43.8% YoY (+20.9% QoQ). Company's net profits were also impacted from increase in zakat expenses resulting from Petrochem reversing its zakat provisions relating to previous years. The increase in net profit on quarterly basis is attributed to an increase in SIIG's share of profit in Petrochem, after acquiring the company 100%, during the current quarter. However, this was partly offset by decrease in the average selling prices of Petrochem's JV's products.

Income Statement

| Income Statement | | | | | | | | | | | | | |
|-------------------------|-------|-------|-------|-------|-------|--------|-------|---------|---------|---------|-------|------|---------|
| (SAR mn) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 2Q22e | YoY (%) | QoQ (%) | Var (%) | 1H21 | 1H22 | YoY (%) |
| Sales | - | - | - | - | - | - | - | - | - | - | - | - | - |
| COGs | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gross profit | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Operating profit | 484 | 742 | 339 | 272 | 372 | 299 | 385 | -59.7% | -19.7% | -22.4% | 1,226 | 671 | -45.2% |
| PAT | 305 | 505 | 204 | 122 | 235 | 284 | 363 | -43.8% | 20.9% | -21.8% | 811 | 519 | -36.0% |
| Balance Sheet | | | | | | | | | | | | | |
| (SAR mn) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 2Q22e | YoY (%) | QoQ (%) | | | | |
| Shareholder's Equity | 6,717 | 6,997 | 7,201 | 7,328 | 7,563 | 11,396 | - | 62.9% | 50.7% | | | | |
| Key Ratios | | | | | | | | | | | | | |
| | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | | | | | | | |
| Gross profit margin | - | - | - | - | - | - | | | | | | | |
| Operating profit margin | - | - | - | - | - | - | | | | | | | |
| Net profit margin | - | - | - | - | - | - | | | | | | | |
| RoE | 41.6% | 32.9% | 12.0% | 6.9% | 13.2% | 12.5% | | | | | | | |

Source: Financials, Bloomberg, U Capital Research;

For our earlier report on the company, please [click here](#)

Recommendation

| | |
|------------|-----------------------|
| BUY | Greater than 20% |
| ACCUMULATE | Between +10% and +20% |
| HOLD | Between +10% and -10% |
| REDUCE | Between -10% and -20% |
| SELL | Lower than -20% |