

Q3 2021

Strong sales offset by high feedstock cost & opex

SABIC reported a net income of SAR5.6bn in Q3 21 vs SAR1.1bn in Q3 20 and SAR7.6bn in Q2 21. However, this is lower than the SNB Capital and consensus estimates of SAR6.1bn and SAR6.5bn, respectively. Revenues increased by 49.2% yoy (+3.0% qoq) to SAR43.7bn (highest since Q3 18), it was offset by higher feedstock and operating costs.

- Revenues stood at SAR43.7bn in Q3 21, up 49.2% yoy (+3.0% qoq) and are the highest quarterly revenue since Q3 18. This is broadly in-line with our estimates. We believe the overall qoq improvement is due to better prices (up 5% qoq), which partially offset by lower sales volumes (down 2% qoq).
- Petrochemicals segment revenue was SAR37.86bn, up 4% qoq and was marginally higher than our estimates of SAR35.7bn. Average prices were up 1% qoq, while sales volumes increased 3% qoq. Agri-nutrient sector revenues stood at SAR2.74bn up 11% qoq vs our estimates of SAR2.90bn. The qoq growth was due to higher prices (+20% qoq), which offset the impact of lower volumes (-9% qoq). We believe lower volumes might be related to planned shutdowns. Hadeed sales decreased 12% qoq to SAR3.10bn vs our estimates of SAR3.51bn driven by lower volumes (-26% qoq). Higher prices (up 14% qoq) partially cushion the decline in the revenue.
- Gross profit was SAR12.48bn, up 91.4% yoy (-9.5% qoq) and was in-line with our estimates. We believe the growth in sales was partially offset by higher feedstock costs. Gross margin was 28.6%, contracting from 32.5% in Q2 21 and came lower than our estimates of 29.1%.
- Operating expenses increased to SAR4.78bn vs our estimates of SAR3.98bn. Opex-to-sales stood at 10.9% vs 8.8% in Q2 21 and our estimates of 9.5%. We believe, higher opex is due to the increase in selling & distribution expenses following the rise in freight costs.
- EBITDA stood at SAR11.2bn, up 98.0% yoy (-17.6% qoq). SABIC has realized a total synergy of US\$350mn (SAR1.3bn) in 9M21, resulting in a cumulative synergy of US\$445mn (SAR1.7bn) since the Aramco deal.
- In Q3 21, HDPE prices increased 20.4% yoy (-3.9% qoq) to US\$1,107, MEG prices increased 63.3% yoy (+2.1% qoq) to US\$738. PP-propane spread increased 2.0% yoy (-9.6% qoq) to US\$583.

Outlook

Based on our last update, we are Neutral on SABIC with a PT of SAR130.2. In the short term, the on-going global gas issues and higher oil prices would support petrochemical prices and benefit the Q4 21 results for the sector. SABIC is trading at 2021f PE of 23.6x vs its peer group average of 23.1x.

Q3 21 Results Summary (SAR mn)

	Q3 21	Q3 20	%yoy	Q3 21f	%Var^	Q2 21	% qoq
Revenues	43,700	29,295	49.2%	42,125	3.7%	42,419	3.0%
Gross income	12,480	6,520	91.4%	12,275	1.7%	13,794	(9.5)%
Gross margin (%)	28.6%	22.3%	6.3%	29.1%	(0.6)%	32.5%	(4.0)%
EBIT	7,700	2,103	266%	8,291	(7.1)%	10,061	(23.5)%
EBIT margin (%)	17.6%	7.2%	10.4%	19.7%	(2.1)%	23.7%	(6.1)%
Net income	5,590	1,089	414%	6,188	(9.7)%	7,643	(26.9)%
Net margin (%)	12.8%	3.7%	9.1%	14.7%	(1.9)%	18.0%	(5.2)%
EPS (SR)	1.86	0.36	414%	2.06	(9.7)%	2.55	(26.9)%

Source: Company, SNB Capital Research, ^ % Var indicates variance from SNB Capital forecasts

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REVENUE



NEUTRAL

Price target (SAR) 130.2

Current price (SAR) 133.0

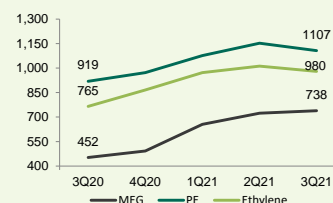
PT updated in May 2021

VALUATION MULTIPLES

	20	21f	22f
P/E (x)	NM	23.6	23.2
P/B (x)	2.4	2.3	2.2
EV/EBITDA (x)	21.3	9.9	9.9
Div Yield (%)	2.3	2.3	2.6

Source: SNB Capital Research estimates

KEY PRODUCTS PRICES



Source: Bloomberg

STOCK DETAILS

M52-week range H/L (SAR)	135/89
Market cap (\$mn)	106,400
Shares outstanding (mn)	3,000
Listed on exchanges	Saudi Exchange

Price perform (%)	1M	3M	12M
Absolute	3.3	10.5	43.3
Rel. to market	(0.5)	2.5	(2.0)

Avg daily turnover (mn)	SAR	US\$
3M	265.6	70.8
12M	189.7	50.6

Reuters code 2010.SE

Bloomberg code SABIC AB

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