

Saudi Industrial Investment Group (SIIG) - 4Q23 Result Review

Analyst: Neetika Gupta

Previous Recommendation:

Hold

Previous Reco. & Date:

TP: SAR 25.5 per share; Hold on 10-August-2023

Fair Value (SAR):

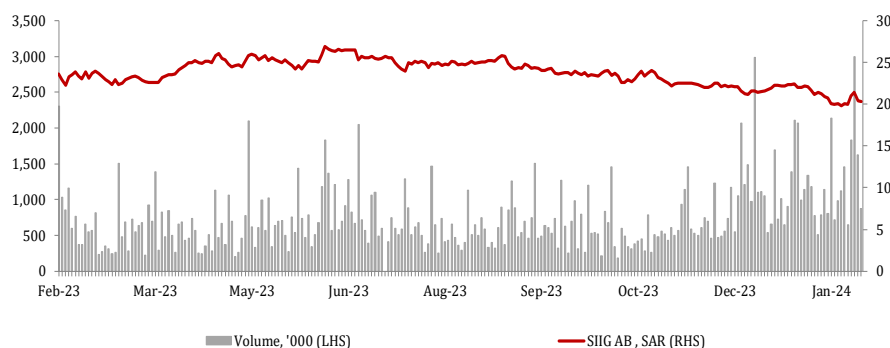
25.50

Upside / (Downside):

25.4%

Date: 01-02-2024

Bloomberg Ticker	SIIG AB
Current Market Price (SAR)	20.340
52wk High / Low (SAR)	27.15/19.74
12m Average Vol. (mn)	748.8
Mkt.Cap. (USD/SAR mn)	4,145/15,353
Shares Outstanding (mn)	754.8
Free Float (%)	81%
3m Avg Daily Turnover (SAR mn)	21,669.9
6m Average Daily Turnover (SAR mn)	18,238.8
PE 2023e (x)	21.2x
EV/EBITDA 2023e (x)	20.4x
Dividend Yield '23e (%)	1.8%
Price Perf. (1m/3m) (%)	-9%/-12.9%



Operating profit decreases 89% QoQ for Q4'23.

In Q4'23, the company posted an operating profit of SAR 24mn, an improvement from the operating loss of SAR 308mn in the same period of 2022. However, in comparison to the previous quarter, the company faced an 89% decline, falling short of both Bloomberg consensus (SAR 201mn) and U-Capital estimates (SAR 204mn). This considerable drop in performance is attributed to increased feedstock costs and reduced sales quantities.

Net profit for Q4'23 decreases 95% QoQ - below Bloomberg consensus expectations and U Capital estimates.

In Q4'23, the company recorded a net profit of SAR 11mn, reflecting a substantial 95% decrease when compared to the preceding quarter, and falling short both Bloomberg consensus (SAR 209mn), and Argam consensus (SAR 155.59mn). Net income for Q4'23 also fell short of U-Capital estimates (SAR 199mn). The shortfall in net profit against consensus expectations is a result of lower operating margins, reduction in financing income from Marubha, and increase in Zakat expenses related to its joint ventures and subsidiaries.

Maintaining Target Price.

The petrochemical industry is poised to face challenges in the first half of 2024, attributed to global economic uncertainties, lower demand from China and the ongoing conflict in West Asia. Additionally, SIIG has announced the scheduled maintenance shutdowns for its joint venture projects, Saudi Chevron Phillips (SCP) and Jubail Chevron Phillips (JCP), spanning 50 and 36 days, respectively. These shutdowns are expected to impact the financials in Q1'24. Furthermore, Saudi Aramco has increased the feedstock prices from Jan'24 leading to increase in the feedstock cost for petrochemical companies in the kingdom. SIIG foresees a 1.4% increase in the feedstock cost for its joint ventures and subsidiaries as a proportion of the total Cost of Goods Sold. Considering these scenarios, we are maintaining a **Hold** rating on the stock.

Valuation.

SIIG is currently trading at a 2024e P/E ratio of 21.2x, compared to the historical average 1-year forward P/E of 55.4x. Furthermore, the stock is valued at an EV/EBITDA multiple of 20.4x, based on the FY24 estimate, compared to the historical average of 52x.

Income Statement

(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Operating Profit (Loss)	(308)	(237)	119	219	24	204	-	-89%	-88%	422	125	-70%
Net Profit attributable to shareholders	(296)	(242)	120	222	11	199	-	-95%	-94%	277	112	-60%

Balance Sheet

(SAR mn)	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Shareholders' Equity	10,687	10,445	10,566	10,411	10,023	10,185	-6%	-4%	-2%	10,687	10,023	-6%

Key Ratios

	4Q22	1Q23	2Q23	3Q23	4Q23	4Q23e	YoY (%)	QoQ (%)	Var (%)	FY22	FY23	YoY (%)
Return on Equity (RoE)	-11%	-9%	5%	9%	0%	8%				10%	1%	

Source: Financials, Tadawul Disclosure, Bloomberg, U Capital Research


For our earlier report, please [click here](#).

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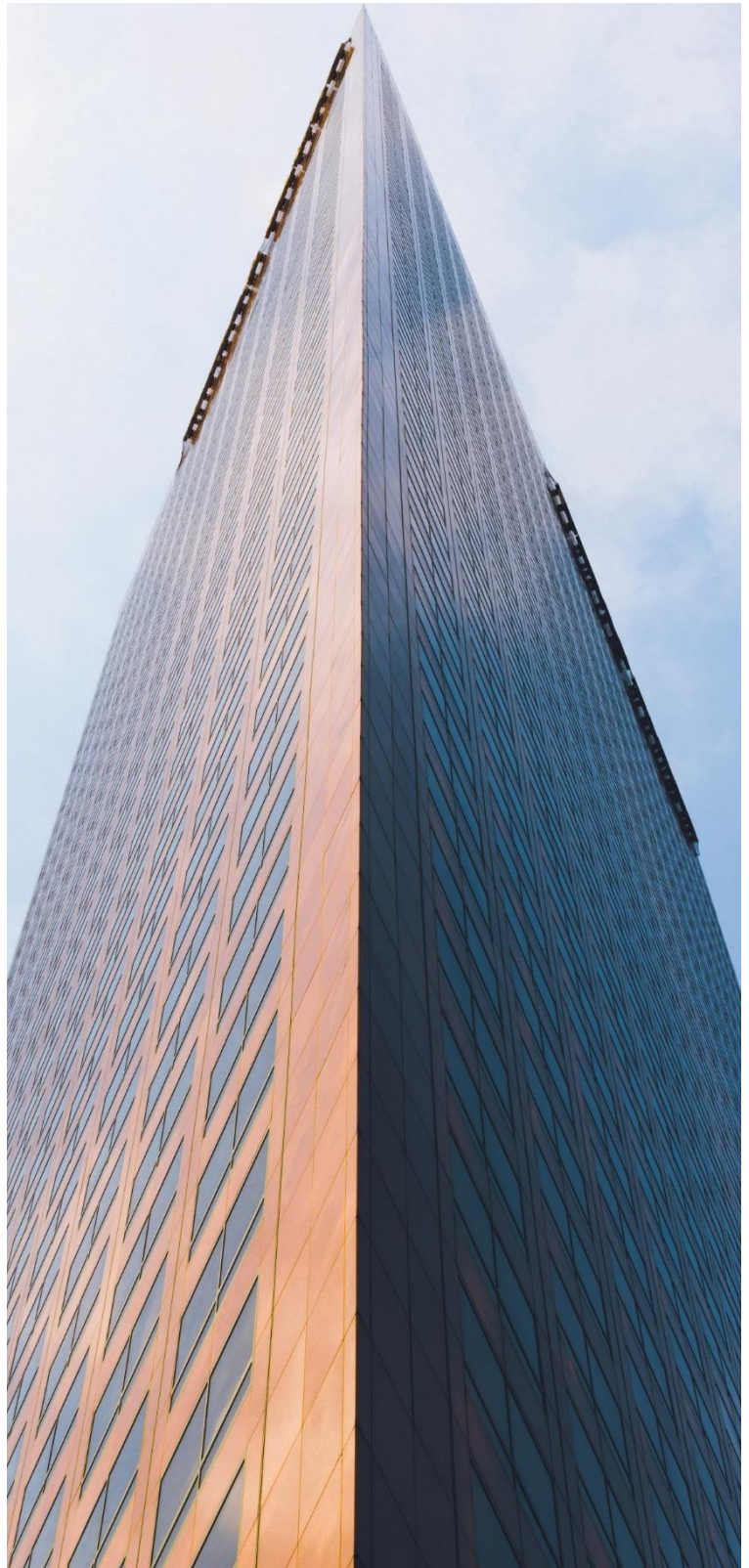
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Recommendation

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

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