

■ Impairment Provisions Augment Losses

May 6, 2020

Upside to Target Price	8.2%	Rating	Neutral
Expected Dividend Yield	5.8%	Last Price	SAR 69.00
Expected Total Return	14.0%	12-mth target	SAR 75.00

Market Data	
52-week high/low	SAR 92.40 / 58.00
Market Cap	SAR 207,000 mln
Shares Outstanding	3,000 mln
12-month ADTV	2,909,439
Bloomberg Code	SABIC AB

SABIC	1Q2020	1Q2019	Y/Y	4Q2019	Q/Q	RC Estimate
Sales	30.83	37.37	(18%)	32.81	(6%)	30.19
Gross Profit	5.72	11.29	(49%)	4.6	24%	2.72
Operating Profit	0.48	6.15	(92%)	(0.81)	-	(1.66)
Net Profit	(0.95)	3.41	-	(0.79)	20%	(1.25)

(All figures are in SAR bln)

- Sales volume decreased -5% Y/Y and -4% Q/Q while selling prices decreased -13% Y/Y and -2% Q/Q, according to the Company, citing a challenging product-pricing environment and lower demand underpinned by COVID-19
- Gross margin expanded to 19% from 14% last quarter but contracted from 30% last year. Likewise, operating margin expanded to 2% from -2% last quarter but contracted from 16% last year.
- Net loss beat our forecast of SAR (1.25) bln but missed market expectations of SAR (0.21) bln as the Company registered impairment provisions in certain capital and financial assets in the amount of SAR 1.1 bln associated mainly with SABIC's intention to suspend the production of ULTEM™ in Cartagena plant in Spain.
- Sabic stated that it had seen some improvement in business activity in China, however a deterioration in other parts of the world, influenced by lockdowns, will impact demand and market sentiment in 2Q2020 and potentially later in the year. This along with an oversupply in their key products will put further pressure on product prices and margins.

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■ 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

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