

Saudi Basic Industries Corporation (SABIC)

Increase in feedstock price and one-off expense impacted bottom-line

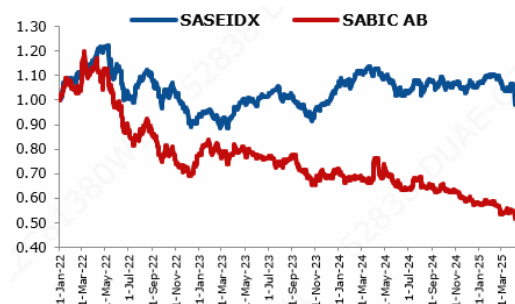
Current Price
SAR 58.80

Target Price
75.00

Upside/Downside (%)
+28%

Rating
BUY

- Price and volume remained steady for the petrochemical sector in 1Q25 compared to 4Q24, while chemical segment experienced marginally increment in sales volume.
- Revenue rose 5.8% YOY to SAR 34.6 Bn in 1Q25 due to solid growth in sales volume, partially offset by lower average selling prices.
- Petrochemicals segment EBITDA contracted 60.0% YOY to SAR 1.4 Bn in 1Q25, whereas Agri-Nutrients EBITDA grew 14% YOY to SAR 1.1 Bn in 1Q25.
- SABIC guidance remains unchanged with a capex of USD 3.5 – 4.0 Bn during 2025.
- The Company is not affected by any disruption in its supply chain due to global trade wars and expects the Fujian project in China to be launched in 2H26.



Stock Information

Market Cap (SAR, mn)	176,400.00
Paid Up Capital (mn)	30,000.00
52 Week High	83.40
52 Week Low	58.20
3M Avg. daily value (SAR)	118,360,400

1Q25 Result Review (SAR, Bn)

Revenue	34.59
EBITDA	2.50
Net Profit	-1.21
Total Equity	156.1

Financial Ratios

Dividend Yield (12m)	5.78
Dividend Pay-out (%)	486.66
Price-Earnings Ratio(x)	670.61
Price-to-Book Ratio (x)	1.12
Book Value (SAR)	52.28
Return-on Equity (%)	0.95

Stock Performance

5 Days	-4.08%
1 Months	-2.16%
3 Months	-13.40%
6 Months	-18.67%
1 Year	-26.50%
Month to Date (MTD%)	-3.61%
Quarter to Date (QTD%)	-7.69%
Year to Date (YTD%)	-12.24%

1Q25 Net Profit lower than our estimates

Saudi Basic Industries Corporation ("SABIC", "The Company") reported a net loss of SAR 1.2 Bn in 1Q25 compared to a net profit of SAR 0.3 Bn in 1Q24. The decline in net profit is mainly due to higher cost of sales and one-off expense partially offset by increased revenue.

P&L Highlights

SABIC's revenue grew 5.8% YOY to SAR 34.6 Bn in 1Q25 due to solid growth in sales volume, partially offset by lower average selling prices. The Company's sales declined marginally on QOQ basis, while the production volumes increased marginally across chemicals and polymers. Petrochemicals revenue rose 4% YOY to SAR 31.5 Bn in 1Q25. Methyl tert-butyl ether (MTBE) prices remained steady in 1Q25 owing to seasonal blending requirements, European demand, and increased prices for naphtha and crude oil. Meanwhile, methanol prices grew marginally in 1Q25, primarily driven by natural gas shortage and limited supply. Polyethylene prices marginally increased due to higher global demand partially offset by surplus supply, whereas the prices for mono ethylene glycol remained flat with excess supply and weak demand. Furthermore, revenue from Agri-Nutrients increased 37% YOY and 2% QOQ to SAR 3.1 Bn in 1Q25. The QOQ growth is driven by a rise in demand and increase in selling price. Urea prices increased in 1Q25 due to high seasonal demand. SABIC's cost of sales increased 11.0% YOY to SAR 29.8 Bn in 1Q25 due to rise in feedstock price. As a result, gross profit declined 17.9% YOY to SAR 4.8 Bn in 1Q25. The Company reported an operating loss of SAR 0.8 Bn in 1Q25 compared to a profit of SAR 1.2 Bn in 1Q24 mainly due to an increase in operating expenses driven by a one-time cost of SAR 1.07 Bn relating to restructuring initiative. Petrochemicals segment EBITDA contracted 60% YOY to SAR 1.4 Bn in 1Q25, whereas Agri-

Nutrients EBITDA grew 14% YOY to SAR 1.1 Bn. As a result, the total EBITDA declined to SAR 2.5 Bn in 1Q25 from to SAR 4.5 Bn in 1Q24. SABIC reported a net loss of SAR 1.2 Bn in 1Q25 compared to net profit of SAR 0.3 Bn in 1Q24.

Balance Sheet Highlights

The Company's free cash flow reduced from positive SAR 4.0 Bn in 4Q24 to negative SAR 1.4 Bn in 1Q25. Moreover, the Company's net debt to EBITDA rose from negative 0.21x in 4Q24 to positive 0.09x in 1Q25. Shareholder equity after minority interest fell 6.2% YOY to SAR 156.1 Bn in 1Q25.

Target Price and Rating

We maintain our BUY rating on SABIC with a revised target price of SAR 75.00. SABIC's revenue grew 5.8% YOY to SAR 34.6 Bn in 1Q25, driven by a strong growth in sales volume, partially offset by lower average selling prices. However, the rise in feedstock prices and a one-off expense led to a net loss in 1Q25. SABIC didn't witness any significant disruption in its supply chain amid global trade wars and expects the Fujian project in China to be launched in 2H26 without any delay. Company's demand trend rose in the electrical & electronics, hygiene & healthcare and industrial sectors while maintaining a steady demand across other industries in 1Q25 compared to 4Q24. Further, the Company launched two strategic initiatives aiming to reposition its business across Europe & America and implement measures for cost reduction and value creation. The workforce optimisation initiative is estimated to yield returns to SABIC in 3-year period. Further, the Company's Alba transition is completed in 1Q25 and received cash proceeds. Inaugurated in 1Q25, the first phase of restructuring and manpower optimization is anticipated to help in cost savings with the existing progress made, accounting for USD 90 Mn. Additionally, the Company guidance remains unchanged with a capex of USD 3.5 – 4.0 Bn during 2025. The Company distributed an interim cash dividend of SAR 1.70 per share for 2H24, resulting in a total dividend equivalent to a SAR 3.40 per share with a dividend yield of 5.8%. Thus, considering the above factors, we maintain our BUY rating on the stock.

SABIC - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	2640	7.65	10.67	-63.63	114.65	60.55
PB	0.91	0.83	0.81	0.90	0.96	1.02
EV/EBITDA	11.12	4.16	5.16	9.99	10.04	10.98
DPS	3.00	4.00	4.25	3.40	3.40	3.70
Dividend yield	5.1%	6.8%	7.2%	5.8%	5.8%	6.3%

FABS Estimates & Co Data

SABIC - P&L

SAR Bn	1Q24	4Q24	1Q25	1Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Sales	32.7	34.7	34.6	34.5	0.3%	5.8%	-0.3%	140.0	142.5	1.8%
Cost of Sales	-26.8	-29.1	-29.8	-28.6	4.0%	11.0%	2.2%	-114.4	-118.9	4.0%
Gross profit	5.9	5.6	4.8	5.9	-18.1%	-17.9%	-13.6%	25.6	23.6	-7.9%
Operating profit	1.2	-0.1	-0.8	1.5	NM	NM	NM	5.7	4.9	-13.8%
EBITDA	4.5	3.6	2.5	4.4	-42.8%	-44.6%	-30.0%	19.5	17.8	-8.5%
Profit attributable	0.3	-1.9	-1.2	0.5	NM	NM	-36.0%	1.5	2.9	NM

FABS estimate & Co Data

SABIC - Margins

	1Q24	4Q24	1Q25	YOY Ch	QOQ Ch	2024	2025	Change
Gross Profit	17.9%	16.1%	13.9%	-402	-215	18.3%	16.6%	-174
EBITDA	13.8%	10.3%	7.2%	-657	-306	13.9%	12.5%	-141
Operating Profit	3.7%	-0.1%	-2.2%	NM	-208	4.1%	3.5%	-63
Net Profit	0.8%	-5.4%	-3.5%	NM	195	1.1%	2.0%	95

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value Saudi Basic Industries Corporation. We have assigned 70% weight to DCF and 15% to RV and DDM.

Valuation Method	Target	Weight	Weighted Value
DCF Method	80.08	70.0%	56.06
DDM Method	61.20	15.0%	9.18
Relative Valuation (RV)	65.11	15.0%	9.77
Weighted Average Valuation (SAR)			75.00
Current market price (SAR)			58.80
Upside/Downside (%)			+28%

1) DCF Method:

Saudi Basic Industries Corporation is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.3%. It is arrived after using the cost of equity of 8.9% and the cost of debt of 4.9%. Cost of equity is calculated by using a 10-year government bond yield of 5.1%, beta of 0.9 and equity risk premium of 4.2%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.5%.

Sum of PV (SAR, Mn)	39,714
Terminal value (SAR, Mn)	205,186
Net debt (as of December 2024)	-4,658
FV to Common shareholders (SAR, Mn)	240,241
No. of share (Mn)	3,000
Current Market Price (SAR)	58.80
Fair Value per share (SAR)	80.08

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	4,573	11,161	12,482	14,716	17,124
Depreciation & Amortization	11,775	11,918	12,059	12,150	12,107
Capex	-13,663	-13,422	-13,893	-12,852	-11,543
Change in Working Capital	801	-662	-632	-737	-767
Free Cash Flow to Firm (FCFF)	3,486	8,995	10,015	13,276	16,921
Discounting Factor	0.95	0.88	0.81	0.75	0.69
Discounted FCFF	2,134	7,886	8,106	9,918	11,670

Source: FAB Securities

2) DDM Method:

Saudi Basic Industries Corporation regularly pays semi-annual dividends and is expected to continue paying dividends in the forthcoming period. The dividend is discounted at the cost of equity of 8.9%.

Sum of PV (SAR, Mn)	47,552
Terminal value (SAR, Mn)	136,034
FV to Common shareholders (SAR, Mn)	183,586
No. of share (Mn)	3,000
Current Market Price (SAR)	58.80
Fair Value per share (SAR)	61.20

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
Dividend Paid					
H1	5,552	5,852	6,002	6,002	6,302
H2	5,552	5,852	6,002	6,002	6,302
Total Dividend	11,104	11,704	12,004	12,004	12,604
Discounting Factor	0.95	0.87	0.80	0.73	0.67
Present Value of Dividend	10,510	10,174	9,582	8,800	8,485

Source: FAB Securities

3) Relative Valuation:

We have used local as well as international peers to value Saudi Basic Industries Corporation and valued using the EV/EBITDA multiple of 11.2x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Saudi Kayan Petrochemical Company	2,180	11.80	7.76	NA	NA
Sahara International Petrochemical Company	3,518	9.96	7.90	27.21	17.29
Saudi Arabian Mining Company	52,005	16.33	15.66	35.01	30.67
LyondellBasell Industries	17,963	8.98	7.06	14.61	9.37
Yanbu National Petrochemical Company	4,694	10.67	8.12	59.06	25.91
Advanced Petrochemical Company	2,133	18.10	11.28	67.40	15.46
Average		12.6x	9.6x	40.7x	19.7x
Median		11.2x	8.0x	35.0x	17.3x
Max		15.2x	10.5x	59.1x	25.9x
Min		10.1x	7.8x	27.2x	15.5x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

FAB Securities Contacts:

Research Analyst

Ahmad Banihani +971-2-6161629 ahmad.banihani@Bankfab.com

Sales & Execution

Abu Dhabi Head Office

Trading Desk +971-2-6161700/1 Online Trading Link

+971-2-6161777

Institutional Desk +971-4-4245765

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