

Saudi Basic Industries Corporation (SABIC)

Decline in average selling prices as well as volumes impacted profitability

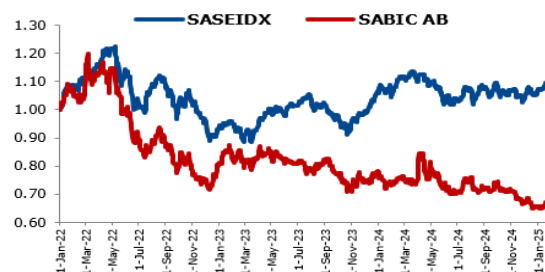
Current Price
SAR 63.50

Target Price
90.00

Upside/Downside (%)
+42%

Rating
BUY

- Average product selling price declined 1.0 % YOY in 4Q24, while sales volume declined marginally.
- Revenue from petrochemicals segment declined 1.5% YOY to SAR 31.7 Bn, while revenue from agri-nutrients segment grew 5.0% YOY to SAR 3.0 Bn in 4Q24.
- Signed an agreement for rail transportation between Jubail and Dammam, which will result in fewer truck trips and enhance SABIC's delivery timelines and logistical efficiency.
- Guided a capex of USD 3.5 – 4.0 Bn for 2025.
- Distributed an interim cash dividend of SAR 1.70 per share resulting in a total dividend of SAR 3.40 per share for 2024 resulting in a dividend yield of 5.4%.



4Q24 Net Profit lower than our estimates

Saudi Basic Industries Corporation ("SABIC", "The Company") recorded a net loss of SAR 1.9 Bn in 4Q24 compared to a net loss of SAR 1.7 Bn in 4Q23. The fall in net profit is mainly attributable to higher S&M expenses, G&A expenses, D&A Expenses, R&D expenses, and net finance cost partially offset by lower cost of sales and a decline in zakat expenses and other operating expenses.

P&L Highlights

SABIC's revenue declined 1.0% YOY to SAR 34.7 Bn in 4Q24, mainly attributable to a 1.0% YOY decline in average selling prices along with a marginal decline in sales volume. Petrochemicals revenue declined 1.5% YOY and 7.1% QOQ to SAR 31.7 Bn in 4Q24. Methyl tert-butyl ether (MTBE) prices observed a decline in 4Q24 primarily attributable to lower demand for gasoline during the winter season. Additionally, methanol prices increased in 4Q24, mainly driven by a robust demand and lower production. Polyethylene prices remained under pressure, primarily due to weak supply demand fundamentals, while the prices of mono ethylene grew owing to improvement in polyester operating rates in China and low inventories, while polycarbonate prices declined owing to a weak demand and lower feedstock prices. On the other hand, revenue from Agri-Nutrients increased 5.0% YOY and 8.6% QOQ to SAR 3.03 Bn in 4Q24 attributable to an increase in urea prices in 4Q24 owing to strong demand and supply chain disruptions. SABIC's cost of sales declined 4.9% YOY to SAR 29.1 Bn in 4Q24 owing to lower inventory expenses. As a result, gross profit rose 26.9% YOY to SAR 5.6 Bn in 4Q24. SABIC's selling and marketing expenses increased 13.4% YOY to SAR 2.3 Bn in 4Q24, while G&A expenses are up 6.6% YOY to SAR 2.7 Bn. Besides, R&D expenses grew 12.6% YOY to SAR 579 Mn in 4Q24. Moreover, SABIC recorded other operating expense of SAR 64 Mn in 4Q24 compared to an

Stock Information

Market Cap (SAR, mn)	190,500.00
Paid Up Capital (mn)	30,000.00
52 Week High	89.00
52 Week Low	60.30
3M Avg. daily value (SAR)	118,611,000

4Q24 Result Review (SAR, mn)

Total Assets	278,019
Total Liabilities	94,100
Total Equity	183,918
EBITDA	3,566
Net Profit	-1,895

Financial Ratios

Dividend Yield (12m)	5.35
Dividend Pay-out (%)	486.66
Price-Earnings Ratio(x)	90.89
Price-to-Book Ratio (x)	1.21
Book Value (SAR)	52.28
Return-on Equity (%)	0.95

Stock Performance

5 Days	2.75%
1 Months	-4.65%
3 Months	-7.57%
6 Months	-12.53%
1 Year	-19.21%
Month to Date (MTD%)	2.42%
Quarter to Date (QTD%)	-5.22%
Year to Date (YTD%)	-5.22%

expense of SAR 700 Mn in 4Q23. Resultantly, the company reported an operating loss of SAR 51 Mn in 4Q24 compared to a loss of SAR 1,364 Mn in 4Q23. D&A expenses including impairments expanded 29.9% YOY to SAR 3.6 Bn in 4Q24. Petrochemicals segment EBITDA declined 48.0% QOQ to SAR 2.4 Bn in 4Q24, while Agri-Nutrients EBITDA rose 10% QOQ to SAR 1.1 Bn. Furthermore, total EBITDA increased to SAR 3.6 Bn in 4Q24 compared to SAR 3.3 Bn in 4Q23. Finance income fell from SAR 1,031 Mn in 4Q23 to SAR 292 Mn in 4Q24, whereas finance cost rose 6.7% YOY to SAR 768 Mn in 4Q24. The Company recorded other expenses of SAR 928 Mn in 4Q24 compared to other expenses of SAR 257 Mn in 4Q23. Zakat charges fell 23.0% YOY to SAR 30 Mn in 4Q24. Loss from discontinued operations significantly reduced to SAR 42 Mn in 4Q24, down from SAR 253 Mn in 4Q23. Additionally, the share of profit attributable to non-controlling interest holders decreased 45.3% YOY to SAR 452 Mn in 4Q24.

Balance Sheet Highlights

SABIC's cash and cash equivalents including short-term investments stood at SAR 38.2 Bn in 4Q24 compared to SAR 34.5 Bn in 3Q24. The Company's cash flow from operating activities stood at SAR 2.8 Bn in 4Q24 compared to SAR 6.6 Bn in 3Q24. In addition, the free cash flow stood at SAR 4.0 Bn in 4Q24 compared to SAR 3.9 Bn in 3Q24. The company's gross debt stood at SAR 30.3 Bn in 4Q24 compared to SAR 34.9 Bn in 3Q24. Additionally, the company's net debt to EBITDA stood at negative 0.21x in 4Q24 compared to positive 0.02x in 3Q24.

Target Price and Rating

We maintain our BUY rating on SABIC with a target price of SAR 90.00. SABIC's revenue declined 1.1% YOY to SAR 140 Bn in 2024, mainly due to 2% fall in total sales volume owing to low demand in chemical products, partially offset by a 1% increase in average selling prices attributable to increase in polymers prices. Moving forward, the Company expects monetary easing to support petrochemicals sector recovery, however, overcapacity challenges are projected to remain in the near future, particularly in polymers. Furthermore, the demand for ethylene continues to lag behind capacity growth, which is expected to result in higher utilization rates. SABIC increased its global ULTEM specialty resin production by more than 50% in 2024 and aims to expand its SSNC capacity by 40% in the upcoming period, ensuring sustainable growth in profitability. Similarly, the Company introduced 135 new products to increase its market presence. Furthermore, SABIC completed Pyoil plant along with the start of the hydrotreatment plant in the Netherlands. Moreover, SABIC prioritizes sustainability, customer intimacy, and innovation alongside maintaining cost discipline. Additionally, the Company guided a capex of USD 3.5 – 4.0 Bn during 2025 and plans to redeploy its capital for increasing the margins. The Company distributed an interim cash dividend of SAR 1.70 per share for 2H24. As a result, the total dividend for 2024 amounted to SAR 10.2 Bn equivalent to a SAR 3.40 per share with a dividend yield of 5.4%. Thus, considering the above-mentioned factors, we maintain our BUY rating on the stock.

SABIC - Relative valuation

(at CMP)	2020	2021	2022	2023	2024	2025F
PE	2810	8.14	11.36	-67.74	122.06	28.50
PB	0.97	0.89	0.86	0.96	1.02	1.06
EV/EBITDA	11.73	4.40	5.47	10.59	10.63	8.32
Dividend yield	4.8%	6.4%	6.8%	5.4%	5.4%	5.4%

FABS Estimates & Co Data

SABIC – P&L

SAR mn	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Sales	35,032	36,880	34,696	33,707	2.9%	-1.0%	-5.9%	141,537	139,981	-1.1%
Cost of Sales	-30,644	-29,880	-29,128	-27,774	4.9%	-4.9%	-2.5%	-119,463	-114,357	-4.3%
Gross profit	4,388	7,000	5,568	5,933	-6.2%	26.9%	-20.5%	22,074	25,624	16.1%
Selling & marketing exp.	-2,035	-2,213	-2,306	-2,229	3.5%	13.4%	4.2%	-7,752	-8,417	8.6%
G&A expenses	-2,505	-2,451	-2,670	-2,490	7.2%	6.6%	8.9%	-9,120	-9,909	8.7%
R&D Expenses	-514	-499	-579	-461	25.4%	12.6%	15.9%	-1,893	-2,063	9.0%
Other operating inc./(exp.)	-700	641	-64	615	NM	NM	-110.0%	411	503	22.2%
Total operating expenses	-5,753	-4,522	-5,619	-4,566	23.1%	-2.3%	24.2%	-18,354	-19,886	8.4%
Operating profit	-1,364	2,477	-51	1,367	NM	NM	NM	3,720	5,737	54.2%
D&A expenses	2,784	3,212	3,616	3,176	13.9%	29.9%	12.6%	14,214	13,009	-8.5%
EBITDA	3,330	5,689	3,566	4,543	-21.5%	7.1%	-37.3%	19,020	19,470	2.4%
Finance income	1,031	453	292	484	-39.7%	-71.7%	-35.5%	3,626	1,934	-46.7%
Finance cost	-720	-712	-768	-690	11.2%	6.7%	7.8%	-2,615	-2,820	7.9%
Other income/(expenses)	-257	4	-928	0	NM	NM	NM	-208	-435	NM
Profit before zakat & tax	-1,310	2,221	-1,455	1,161	NM	NM	NM	4,524	4,416	-2.4%
Zakat	-39	-397	-30	-379	-92.0%	-23.0%	-92.4%	-1,269	-214	-83.2%
Income Tax	697	20	84	-64	NM	NM	NM	438	78	-82.2%
Profit from cont. operations	-652	1,844	-1,401	718	NM	NM	NM	3,693	4,281	15.9%
P&L from discontinued operations	-253	-81	-42	0	NM	NM	NM	-4,077	-557	NM
Non-controlling interests	826	760	452	507	-10.9%	-45.3%	-40.5%	2,388	2,185	-8.5%
Profit attributable	-1,731	1,004	-1,895	211	-998.9%	9.4%	-288.8%	-2,772	1,539	NM

FABS estimate & Co Data

SABIC - Margins

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Gross Profit	12.5%	19.0%	16.0%	352	-293	15.6%	18.3%	271
EBITDA	9.5%	15.4%	10.3%	77	-515	13.4%	13.9%	47
Operating Profit	-3.7%	6.0%	-4.2%	-45	-1,022	3.2%	3.2%	-4
Net Profit	-4.9%	2.7%	-5.5%	-52	-818	-2.0%	1.1%	306

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	98.28	70.0%	68.80
DDM Method	60.73	15.0%	9.11
Relative Valuation (RV)	80.64	15.0%	12.10
Weighted Average Valuation (SAR)			90.00
Current market price (SAR)			63.50
Upside/Downside (%)			+42%

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 8.4%. It is arrived after using the cost of equity of 8.9% and the cost of debt of 5.9%. Cost of equity is calculated by using a 10-year government bond yield of 5.3%, beta of 0.9 and equity risk premium of 3.9%. 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)	51,916
Terminal value (SAR, Mn)	247,585
Net debt (as of December 2024)	-4,658
FV to Common shareholders (SAR, Mn)	294,843
No. of share (Mn)	3,000
Current Market Price (SAR)	62.50
Fair Value per share (SAR)	98.28

DCF Method

(All Figures in SAR Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY 2029E
NOPAT	10,453	12,861	14,178	16,235	18,487
Depreciation & Amortization	12,467	12,641	12,727	12,694	12,426
Capex	-14,770	-14,222	-13,538	-12,267	-9,264
Change in Working Capital	-635	-304	-142	-492	-505
Free Cash Flow to Firm (FCFF)	7,514	10,976	13,226	16,171	21,144
Discounting Factor	0.94	0.86	0.80	0.73	0.68
Discounted FCFF	5,689	9,482	10,537	11,881	14,327

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)	46,940
Terminal value (SAR, Mn)	135,251
FV to Common shareholders (SAR, Mn)	182,191
No. of share (Mn)	3,000
Current Market Price (SAR)	63.50
Fair Value per share (SAR)	60.73

(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	0.93	0.86	0.79	0.72	0.67
Present Value of Dividend	10,368	10,040	9,460	8,690	8,383

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 12.7x in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2025F	2026F	2025F	2026F
Saudi Kayan Petrochemical Company	2,313	8.22	6.08	NA	NA
Sahara International Petrochemical Company	4,112	10.81	9.13	31.95	19.31
Saudi Arabian Mining Company	44,247	16.90	14.58	40.49	27.20
LyondellBasell Industries	24,650	8.39	6.83	12.46	9.32
Yanbu National Petrochemical Company	5,109	9.02	7.60	31.46	20.82
Advanced Petrochemical Company	1,913	13.72	9.36	21.84	8.63
Average		11.2x	8.9x	27.6x	17.1x
Median		9.9x	8.4x	31.5x	19.3x
Max		13.0x	9.3x	31.9x	20.8x
Min		8.5x	7.0x	21.8x	9.3x

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%

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