

SABIC



This is an extract of our published report, the full version of which can be found on the ncbc.com website

CHANGE IN PRICE TARGET

Remain Overweight

SABIC is set to benefit from its expanding production base, improving petrochemical and fertiliser prices and growing demand. The commencement of Saudi Kayan's plants in 3Q11 further strengthens our optimism for SABIC's outlook. We continue to remain Overweight with a price target of SR127.3.

- Planned shutdowns to lower production volumes in 2011**

During 2011, SABIC has scheduled maintenance capex at its methanol plants of Saudi Methanol Co (capacity of 2.6mn mtpa) and its MEG plants of Jubail United Petrochemical Co (1.3mn mtpa), Yanbu National Petrochemical Co (770k mtpa), Saudi Yanbu Petrochemical Co (900k mtpa) and Eastern Petrochemical Co (900k mtpa). We project these shutdowns at SABIC's facilities to result in a YoY production loss of 1.2% in 2011.

- Petrochemical prices to remain firm in 2011**

With oil hovering above USD100/bbl, we expect petrochemical prices to strengthen in 2011. We estimate ethylene prices to be up 15% YoY in 2011 and polyethylene by 6%, while propylene prices are expected to grow by 13% and polypropylene up 6%. We project SABIC's average selling prices for petrochemical products to increase 14.9% YoY in 2011. We also remain optimistic on 2011 prices for fertilizers selling prices (up 14.2% YoY) and metals (up 19.6% YoY) and expect 2011 earnings to grow by 33.7% YoY.

- Contribution from new capacities to drive growth**

In 2011, SABIC is set to benefit from full year contribution of new capacities which started operations in 2010 as well as the commercial start of key units of Saudi Kayan in 3Q11. We project SABIC's 2011 net income to come in at SR28.9bn (up 33.7% YoY).

- We remain Overweight with the revised target price of SR127.3**

We have lowered our price target as we increase our risk premiums (factoring in the ongoing regional political instability). However, we believe that these issues does not have any direct impact on SABIC's business given its strong global presence. An indirect impact could be the general risk of a slowdown in global economy due to rising oil prices. The stock is currently trading at a 2011E P/E of 10.5x and 2011E EV/EBITDA of 6.5x.

Financials

		2009A	2010A*	2011E	2012E	2013E	2014E	CAGR % 09-14E
Sales	SR mn	103,062	151,711	182,946	189,763	188,465	182,259	12.1
Gross income	SR mn	28,620	48,542	59,663	64,051	62,890	59,887	15.9
Gross margin	%	27.8	32.0	32.6	33.8	33.4	32.9	
Operating income	SR mn	18,804	37,832	47,079	50,997	49,926	47,350	20.3
Operating margin	%	18.2	24.9	25.7	26.9	26.5	26.0	
Net income	SR mn	9,074	21,585	28,866	31,915	31,989	31,191	28.0
Net margin	%	8.8	14.2	15.8	16.8	17.0	17.1	
EPS	SR	3.03	7.20	9.62	10.64	10.66	10.40	28.0

Source: Company, NCBC Research estimates;

*Above mentioned 2010 actuals might vary from restated financials released by the company

OVERWEIGHT

Target price (SR) 127.3

Current price (SR) 101.5

STOCK DETAILS

52-week range H/L (SR)	112/77
Market cap (\$mn)	81,308
Shares outstanding (mn)	3,000
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	3.8	(4.5)	5.2
Rel. to market	3.7	(0.7)	10.5

Avg daily turnover (mn)	SR	US\$
3M	616.2	164.5
12M	498.2	133.0

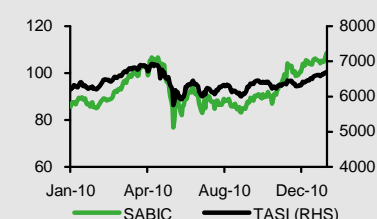
Reuters code	2010.SE
Bloomberg code	SABIC AB
	www.sabic.com

VALUATION MULTIPLES

	10A	11E	12E
P/E (x)	14.1	10.5	9.5
P/B (x)	2.5	2.2	1.9
EV/EBITDA (x)	7.6	6.5	6.0
Div Yield (%)	3.4	3.4	3.4

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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Ncbc Investment Ratings

OVERWEIGHT: Target price represents expected returns in excess of 15% in the next 12 months

NEUTRAL: Target price represents expected returns between -10% and +15% in the next 12 months

UNDERWEIGHT: Target price represents a fall in share price exceeding 10% in the next 12 months

PRICE TARGET: Analysts set share price targets for individual companies based on a 12 month horizon. These share price targets are subject to a range of company specific and market risks. Target prices are based on a methodology chosen by the analyst as the best predictor of the share price over the 12 month horizon

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CS: Coverage Suspended. NCBC has suspended coverage of this company

NC: Not covered. NCBC does not cover this company

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