

SABIC



EVENT FLASH

2Q11 net income an all time high

SABIC announced its 2Q11 preliminary results on 16 July 2011 after market hours. Net income came in at a record high of SR8.1bn, 5.4% higher than our estimate of SR7.7bn. The 2Q11 net income increased 61.5% YoY driven by higher selling prices and increased production.

- 2Q11 net income came in 5.4% higher than our estimate:** SABIC reported 2Q11 net income of SR8.1bn, 5.4% higher than our estimate of SR7.7bn and 14% higher than consensus of SR7.1bn. The 2Q11 net income grew 61.5% YoY backed by an improvement in prices for most petrochemical products and growth in production and sales volumes. We believe the 5.3% QoQ growth in 2Q11 net income was due to higher petrochemical prices.
- Gross and operating income slightly above our expectations:** SABIC's 2Q11 gross income stood at SR16.5bn, 4.9% higher than our expectations. We believe this can be attributed to higher than expected selling prices. Operating income in 2Q11 came in at SR13.3bn, 4.3% higher than our estimate of SR12.7bn.
- Cash dividends of SR6.0bn for 1H11:** SABIC announced a cash dividend of SR6.0bn for the first half of 2011. This indicates a dividend per share of SR2. For the full year 2011E, we expect SABIC to pay a dividend per share of SR3.5.
- SABIC's long term strategy remains intact:** SABIC management, in the local media, has reiterated its plans to seek potential acquisitions in the western markets as well as in Egypt. This remains viable due to its strong cash position.
- We are currently Overweight on the stock with a price target of SR128.6. The stock currently trades at a 2011E P/E of 10.0x. We await the full financials to update our model and our forecasts.

OVERWEIGHT

Target price	128.6
Current price (SR)	104.0

STOCK DETAILS

52-week range H/L (SR)	114/83
Market cap (\$mn)	83,311
Shares outstanding (mn)	3,000
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	1.0	(4.4)	18.2
Rel. to market	1.7	(3.1)	12.5

Avg daily turnover (mn)	SR	US\$
3M	572.2	152.8
12M	514.8	137.5

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

VALUATION MULTIPLES

	10A	11E	12E
Reported P/E (x)	14.5	10.0	9.7
P/B (x)	2.6	2.2	1.9
EV/EBITDA (x)	7.8	6.3	6.2
Div Yield (%)	3.4	3.4	3.4

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

2Q11 Results Summary

SR bn	2Q11A	1Q11A	2Q10A	YoY%	2Q11E	Var^%
Gross income	16.5	15.4	11.9	39.2	15.7	4.9
Operating income	13.3	12.5	9.1	45.3	12.7	4.3
Net income	8.1	7.7	5.0	61.5	7.7	5.4
EPS (SR)	2.70	2.56	1.67	61.5	2.56	5.4

Source: Company, NCBC Research ^ % Var indicates variance from NCBC forecasts

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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

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