SABIC Third Quarter 2020 Earnings

Third Quarter 2020 Highlights:

- Revenue of SAR 29.30 billion [$ 7.81 billion], a 19% increase quarter-over-quarter and an 11% decrease year-over-year.
- EBITDA of SAR 5.67 billion [$ 1.51 billion], a 62% increase quarter-over-quarter and a 26% decrease year-over-year.
- Income from operations of SAR 2.10 billion [$ 0.56 billion] was higher than the loss from operations of SAR 1.26 billion [$ 0.34 billion] in the previous quarter and lower than the profit from operations of SAR 3.79 billion [$ 1.01 billion] in the third quarter of 2019.
- Net profit of SAR 1.09 billion [$ 0.29 billion] was higher than the net loss of SAR 2.22 billion [$ 0.59 billion] in the previous quarter and the net profit of SAR 0.74 billion [$ 0.20 billion] in the third quarter of 2019.

Comparisons with the third quarter of 2020 are available in the following table:

Table 1 – Summary Financial Results

Item	Three Months Ended			Nine Months Ended		
	Sep. 30, 2020	Jun. 30, 2020	Change Q/Q	Sep. 30, 2020	Sep. 30, 2019[3]	Change %
Revenue	29.30	24.62	19%	84.11	103.72	-19%
EBITDA[1]	5.67	3.50	62%	13.52	23.84	-43%
Income (loss) from operations	2.10	-1.26	267%	0.78	12.96	-94%
Net Income (loss)[2]	1.09	-2.22	149%	-2.18	6.09	-136%
Earnings (Loss) Per Share[2]	0.36	-0.74	149%	-0.73	2.03	-136%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain figures and percentages included in this document have been subject to rounding adjustments.
[1]Income from operations plus depreciation, amortization and impairment.
[2]Attributable to equity holders of the parent.
[3]Restated figures due to change in accounting treatment as announced in Q2 20.

Saudi Basic Industries Corporation ("SABIC") (2010-SA) today announced its financial results for the third quarter of 2020 with revenue of SAR 29.30 billion [$ 7.81 billion], which represents an increase of 19% compared with the second quarter of 2020. The third quarter of 2020 benefited from higher product prices and sales volumes underpinned by an increase in oil price and improvement in economic activity, which translated into better margins.

Our operational performance remained resilient, as reflected in our sales volumes of 8%, which were higher in the third quarter compared with the previous quarter. In the third quarter of 2020, average sales prices increased by 11% compared with the second quarter of 2020.

An increase in Brent crude oil price of about 50% in the third quarter of 2020 compared with the previous quarter drove an increase in feedstock prices. Both Japanese and European naphtha prices increased by more than 45% in the third quarter of 2020, quarter-over-quarter. While, Japanese propane and butane prices increased by about 12% in the third quarter of 2020 compared with the previous quarter. The cost of sales of SAR 22.78 billion [$ 6.07 billion] in the third quarter of 2020 was 8% higher than the second quarter of 2020 mainly due to the aforementioned increase in feedstock prices.

The non-recurring gains in the third quarter netted to SAR 0.69 billion [$ 0.18 billion] compared with the non-recurring charges of SAR 1.18 billion [$ 0.31 billion] in the previous quarter. This was primarily due to the reversal of impairment provisions associated with Clariant, which offset certain impairments in other financial assets.

EBITDA of SAR 5.67 billion [$ 1.51 billion] increased by 62%, due mainly to higher average sales prices and sales volumes which were partially offset by an increase in feedstock prices in the third quarter of 2020, quarter-over-quarter. Our operating costs decreased by about 2% in the third quarter of 2020 compared with the previous quarter, reflecting our firm commitment on cost control. This resulted in EBITDA margins of 19% in the third quarter, higher than 14% in the second quarter of 2020. Without accounting for Hadeed, our EBITDA margins were 22% in the third quarter of 2020, 5.2 percentage points higher than the previous quarter.

Third quarter net profit was SAR 1.09 billion [$ 0.29 billion], or SAR 0.36 per share [$ 0.10 per share] which was higher than the net loss of SAR 2.22 billion [$ 0.59 billion], or SAR 0.74 per share [$ 0.20 per share] from the second quarter of 2020.

After adjusting for non-recurring gains, third quarter net profit was SAR 0.40 billion [$ 108 million], which was higher than the net loss of SAR 1.04 billion [$ 0.28 billion] in the previous quarter.

“The third quarter of 2020 benefited from an improvement in economic activity and an increase in oil price, which translated in higher product prices. SABIC’s operating model and the strength of our global supply chain continued allowing us to meet the challenges facing the global economy. Our business and operational performance demonstrated their resilience once again, reflected in higher sales volumes in the third quarter of 2020. This resulted in improved margins during the third quarter of 2020,” said Yousef Abdullah Al-Benyan, Vice Chairman and Chief Executive Officer of SABIC.

He added, “Certainly, after being impacted by the coronavirus pandemic, the whole world has had to adapt to the “New Normal” in which we find ourselves. We recognize the important role that the chemical industry plays in the recovery of the global economy and our role within that. As the road to recovery continues, we will remain focused on protecting the health and welfare of our employees, supporting the business requirements of our customers, and collaborating with governments and health authorities around the world.”

Mr. Al-Benyan continued, “SABIC marketed a $ 1 billion dual-tranche bond offering in September. The 30-year tranche represents a debut bond listing in the Taiwan stock exchange by a Saudi entry, and is effectively a “Formosa” Bond. This issuance demonstrates SABIC’s agility and robustness to market conditions and its attractiveness for a diverse investor base looking for different tenors, which stimulated demand and drove favorable prices. This reflects continued financial strength supported by a strong balance sheet and solid credit rating”.

We remain committed to driving sustainability forward in the chemicals industry.

SABIC’s polycarbonate production plant in Cartagena, Spain, is set to become the world’s first large-scale chemical production site to be run entirely on renewable power, following the signing of a major agreement. The deal will see Iberdrola, one of the world’s biggest electricity utility companies, invest almost €70 million to construct a 100 megawatt (MW) solar photovoltaic (PV) facility with 263,000 panels, on land owned by SABIC, making it the largest industrial renewable power plant in Europe. The plant is expected to be operational in 2024. Once the solar plant comes on line, SABIC’s customers will have access to polycarbonate solutions that are entirely run by renewable energy.

SABIC was also a key partner in the world’s first blue ammonia shipment for zero-carbon power generation, a significant step towards sustainable hydrogen usage in the energy system and in achieving a circular carbon economy. The Saudi-Japan blue ammonia supply demonstration was conducted by the Institute of Energy Economics, Japan (IEEJ), and Saudi Aramco, in partnership with SABIC and supported by the Japanese Ministry of Economy, Trade and Industry.

Outlook

We maintain the same view on our 2020 outlook. We expect the projected global GDP growth rate to contract this year, primarily due to the negative impact of COVID-19, before we see an improvement next year. As expected, economic activity improved in the third quarter of 2020 from the weak economic conditions observed in the second quarter of 2020. However, even without COVID-19 impact, supply still exceeds demand for our key products, which will continue to pressure product prices and margins for the foreseeable future.

SABIC Business Results Discussion by Reporting Segment:

SABIC operates through three strategic business units (SBUs) and Hadeed, a wholly owned manufacturing business. The reporting segments are as follows: 1) Petrochemicals & Specialties, 2) Agri-Nutrients, and 3) Hadeed.

1. Petrochemicals & Specialties

Table 2 – Petrochemicals & Specialties Financial Overview

Item	Three Months Ended			Nine Months Ended		
	Sep. 30, 2020	Jun. 30, 2020	Change Q/Q	Sep. 30, 2020	Sep. 30, 2019[2]	Change %
Revenue	25.55	21.35	20%	72.85	90.31	-19%
EBITDA[1]	5.31	3.25	63%	12.27	21.31	-42%
Income (loss) from operations	2.09	-1.05	299%	0.83	11.87	-93%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain figures and percentages included in this document have been subject to rounding adjustments.
[1]Income from operations plus depreciation, amortization and impairment.
[2] Restated figures due to change in accounting treatment as announced in Q2 20.

Revenue of SAR 25.55 billion [$ 6.81 billion] was up in the third quarter, representing a quarter-over-quarter increase of 20%, driven by higher average sales prices and sales volumes. Average sales prices increased by 13% and sales volumes increased by 7% in the third quarter of 2020 compared with the previous quarter. For the first nine months of 2020, an average sales prices decreased by 18% and sales volumes decreased by 1% compared with the first nine months of 2019. EBITDA of SAR 5.31 billion [$ 1.42 billion] in the third quarter was 63% higher than SAR 3.25 billion [$ 0.87 billion] in the second quarter of 2020.

The Petrochemicals SBU consists of three business units: Chemicals, Polyethylene and Performance Polymers & Industrial Solutions.

In the **Chemical** business unit, mono ethylene glycol (MEG) prices improved in the third quarter, due to a reduction in supply coupled with an improvement in demand, especially in polyester and PET bottle resin across the regions. The impact of hurricane Laura on US supply also supported a tightening in the supply / demand balance. Methanol demand started recovering in Q3 driven by an improvement in MTO profitability and downstream demand. MTBE prices increased on the back of higher oil and gasoline prices as a result of an easing in the lockdowns globally.

For the **Polyethylene** business unit, polyethylene prices were higher in the third quarter, supported by steady demand and better macroeconomics conditions. The demand for applications such as packaging and medical supplies remained steady. Meanwhile, as COVID-19 restrictions have eased, there has been an improvement in demand for most segments, including construction.

In the **Performance Polymers & Industrial Solutions** business unit, polypropylene (PP) prices saw an improvement in the third quarter supported by healthier demand from automotive and steady demand for critical everyday applications such as personal hygiene. Polycarbonate (PC) prices increased in Asia following an increase in feedstock prices. Demand for automotive, construction and electrical appliances improved from the low levels observed in the second quarter of 2020. However, an increase in demand may be offset by increased supply from announced capacity additions.

2. Agri-Nutrients

Table 3 – Agri-Nutrients Financial Overview

Item	Three Months Ended			Nine Months Ended		
	Sep. 30, 2020	Jun. 30, 2020	Change Q/Q	Sep. 30, 2020	Sep. 30, 2019	Change %
Revenue	1.57	1.58	-1%	4.62	5.29	-13%
EBITDA[1]	0.60	0.56	6%	1.72	2.04	-16%
Income (loss) from operations	0.46	0.37	22%	1.19	1.44	-18%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain figures and percentages included in this document have been subject to rounding adjustments.
[1]Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 1.57 billion [$ 0.42 billion] was down 1%, driven by a decrease in sales volumes, which offset the increase in average selling price in the third quarter of 2020 compared with the previous quarter. Average sales prices increased by 4% and sales volumes decreased by 5% in the third quarter of 2020 compared with the previous quarter. For the first nine months of 2020, average sales prices decreased by 27% and sales volumes increased by 14% compared with the first nine months of 2019. EBITDA in the third quarter of 2020 was SAR 0.60 billion [$ 0.16 billion], an increase of 6% from the second quarter of 2020.

Urea prices increased in the third quarter due to tighter supply / demand balances with favorable farming conditions across multiple regions. Demand improved in India, South East Asia and South America while outages in the Middle East, South East Asia and Black Sea/Baltic region tightened supply. Congestion at Chinese ports, which also, translated into tighter supply as China remains one of the key exporting countries.

3. Hadeed

Table 4 – Hadeed Financial Overview

Item	Three Months Ended			Nine Months Ended		
	Sep. 30, 2020	Jun. 30, 2020[2]	Change Q/Q	Sep. 30, 2020	Sep. 30, 2019	Change %
Revenue	2.18	1.69	29%	6.63	8.12	-18%
EBITDA[1]	-0.24	-0.31	22%	-0.48	0.49	-197%
Income (loss) from operations	-0.44	-0.59	25%	-1.24	-0.35	-250%

All amounts in SAR billion unless otherwise stated, USD/SAR conversion used is 3.75. Certain figures and percentages included in this document have been subject to rounding adjustments.
[1]Income from operations plus depreciation, amortization and impairment.

Revenue of SAR 2.18 billion [$ 0.58 billion] was up by 29% quarter-over-quarter in the third quarter of 2020, driven by higher sales volumes due to an increase in demand with an easing in lockdowns and improved macroeconomics conditions. Average sales prices decreased by 7% and sales volumes increased by 36% in the third quarter of 2020 compared with the previous quarter. For the first nine months of 2020, average sales prices decreased by 16% and sales volumes decreased by 3% compared with the first nine months of 2019. EBITDA of negative SAR 241 million [$ 64 million] in the third quarter of 2020 was better than negative SAR 310 million [$ 83 million] in the second quarter of 2020.

For further information, please contact SABIC Investor Relations at IR@SABIC.com and / or visit https://www.sabic.com/en/investors