



EVENT FLASH

Strong results driven by Petrochem and JVs

Net income came in at SR339mn, significantly higher than the NCBC expectation of SR199mn and the consensus estimate of SR212mn. This is also 40% higher than our revised estimate of SR242mn, after Petrochem results. We believe higher than expected earnings from all subsidiaries- Petrochem, SCP and JCP led to deviation in earnings. Net income increased 61.4% YoY and 169.1% QoQ. Operating margins stood at 38.7%, highest since inception.

- **NCBC view on the result:** SIIG reported a strong set of results with net income of SR339mn, significantly higher than our estimate of SR199mn. This is also higher than our revised estimate of SR242mn. Net income increased 61.4% YoY and 169.1% QoQ. Operating margin of 38.7% is the highest since inception. We believe the strong Petrochem result coupled with higher earnings from its SCP/JCP JVs supported the earnings. We believe the strong performance of styrene prices supported JVs performance.
- Based on our calculations, we believe SCP/JCP reported earnings of SR218mn which was partially mitigated by nylon 6.6 project loss of SR21mn. Thus, the total SIIG earnings from JV's were SR197mn, which is significantly higher than our estimate of SR101mn. SIIG JV's reported earnings of SR122mn in 2Q14 and SR88mn in 1Q15.
- The company attributed higher YoY results to higher earnings from Petrochem on margin expansion and increase in its SCP/JCP income on lower production expenses. This also mitigated the higher losses reported by its nylon 6.6 project of SR21mn against SR6mn in 2Q14.
- Operating margins stood at 38.7% in 2Q15, significantly higher than our estimate of 25.6%. Operating margins were 24.6% in 2Q14 and 18% in 1Q15.
- Benzene and styrene prices declined 37.3% and 15.6% YoY but increased 18.9% and 34.4% QoQ, respectively.
- We are currently Overweight on the stock with a PT of SR31.6. Although SIIG's JV –SCP/JCP volatility in earnings is a concern, higher earnings from Petrochem remain a key strength of the stock. The stock is trading at 2016E P/E of 11.2x, lower than the sectors' average P/E of 12.7x.

2Q15 Results Summary

SR mn	2Q15A	1Q15A	% QoQ	2Q14A	% YoY	2Q15E	% Var [^]
Revenue	1,967	1,771	11.1	1,966	0.1	2,025	(2.9)
Gross income	738	440	67.7	561	31.6	620	19.1
Gross margin	37.5	24.8	12.7	28.5	9.0	30.6	6.9
Operating income	762	318	140	484	57.4	519	46.7
Net income	339	126	169	210	61.4	199	70.3
EPS (SR)	0.75	0.28	169	0.47	61.4	0.44	70.3

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

OVERWEIGHT

Target price (SR) 31.6

Current price (SR) 27.1

STOCK DETAILS

52-week range H/L (SR)	43/22
Market cap (\$ mn)	3,248
Shares outstanding (mn)	450
Listed on exchanges	TADAWUL

Price perform (%)	1M	3M	12M
Absolute	(1.5)	10.5	(30.0)
Rel. to market	0.8	8.6	(25.3)

Avg daily turnover (mn)	SR	US\$
3M	42.2	11.3
12M	40.1	10.7

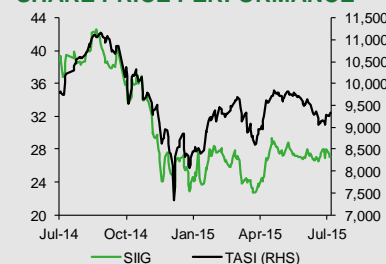
Reuters code	2250.SE
Bloomberg code	SIIG AB
	www.siig.com.sa

VALUATION MULTIPLES

	14A	15E	16E
P/E (x)	13.1	12.8	11.2
P/B (x)	1.8	1.7	1.5
EV/EBITDA (x)	8.0	7.7	6.9
Div Yield (%)	3.7	3.7	5.5

Source: NCBC Research estimates

SHARE PRICE PERFORMANCE



Source: Tadawul

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OVERWEIGHT:	Target price represents an increase in the share price in excess of 15% in the next 12 months
NEUTRAL:	Target price represents a change in the share price 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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