

April 10, 2022

Gross Margins Contract

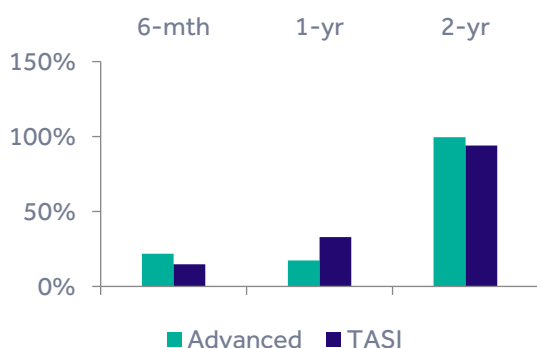
Upside to Target Price (7.5%)
 Expected Dividend Yield 3.1%
 Expected Total Return (4.4%)

Rating Neutral
 Last Price SAR 73.50
 12-mth target SAR 68.00

Market Data	
52-week high/low	SAR 75.00/54.74
Market Cap	SAR 19,910 mln
Shares Outstanding	260.0 mln
Free-float	87.32%
12-month ADTV	502,247
Bloomberg Code	APPC AB

ADVANCED	1Q2022	1Q2021	Y/Y	4Q2021	Q/Q	RC Estimate
Sales	866	632	37%	905	(4%)	860
Gross Profit	211	200	6%	245	(14%)	232
Operating Profit	182	164	11%	186	(2%)	168
Net Profit	164	171	(4%)	158	4%	158

(All figures are in SAR mln)



- Advanced posted revenues of SAR 866 million for the quarter, up +37% Y/Y but down -4% Q/Q and in-line with our SAR 860 million forecast. Polypropylene selling prices were down -3% Q/Q and just +1% higher Y/Y. However, as per management, volumetric sales were up +35% Y/Y and +7% Q/Q.
- Gross margins contracted both on a yearly and quarterly basis to 24.4% versus 32.8% last year and 27.8% in the preceding quarter. This is largely due to higher feedstock costs. Management points out that propane prices were +40% higher Y/Y while outsourced propylene prices increased by +27% Y/Y.
- Share in loss from SK Advanced was recorded at SAR (15) million for 1Q2022 versus SAR (16) million in 1Q2021 and SAR (26) million in 4Q2021. Operating costs were in check at SAR 29 million.
- Net income came in at SAR 164 million for the quarter (-4% Y/Y, +4% Q/Q) and in-line with our SAR 158 million forecast. The stock now trades above our adjusted (for bonus shares) target price of SAR 68.00. Thus, we downgrade the stock from Buy to Neutral.

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■ Stock Rating

Buy	Neutral	Sell	Not Rated
Expected Total Return Greater than +15%	Expected Total Return between -15% and +15%	Expected Total Return less than -15%	Under Review/ Restricted

The expected percentage returns are indicative, stock recommendations also incorporate relevant qualitative factors
For any feedback on our reports, please contact research@riyadcapital.com

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