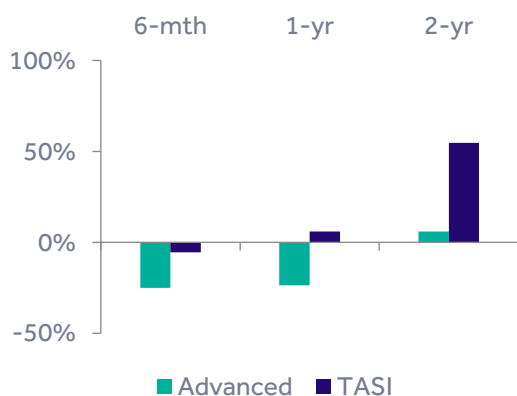


Market Data	
52-week high/low	SAR 75.00/45.05
Market Cap	SAR 11,713 mln
Shares Outstanding	260.0 mln
Free-float	87.22%
12-month ADTV	490,352
Bloomberg Code	APPC AB



## Feedstock Rise Pressuring Margins

July 14, 2022

Upside to Target Price	48.7%	Rating	Buy
Expected Dividend Yield	4.4%	Last Price	SAR 45.05
Expected Total Return	53.1%	12-mth target	SAR 67.00

ADVANCED	2Q2022	2Q2021	Y/Y	1Q2022	Q/Q	RC Estimate
Sales	814	769	6%	866	(6%)	791
Gross Profit	169	328	(48%)	211	(20%)	151
Operating Profit	133	284	(53%)	182	(27%)	120
Net Profit	110	265	(58%)	164	(33%)	110

(All figures are in SAR mln)

- Advanced posted revenues of SAR 814 million for the quarter, up +6% Y/Y but down -6% Q/Q and in-line with our SAR 791 million forecast. Although sales volume has increased by +13% Y/Y and +24% Q/Q but polypropylene selling prices have witnessed a decrease of -2% Y/Y and -1% Q/Q.
- As per management, there has been a decline in the consumption of propane and outsourced propylene by -60% Y/Y and -15% Y/Y respectively. Gross margins contracted to 21% for the quarter versus 24% in the preceding quarter. Gross profit fell by -48% Y/Y and -20% Q/Q to reach SAR 169 million due to higher feedstock costs.
- Share from SK Advanced was again a loss, coming in at SAR (4) million for 2Q2022 versus SAR (15) million in 1Q2022 and SAR (26) million in 4Q2021. Logistics cost increased by +165% Y/Y causing operating profit to fall by -53% Y/Y and came in at SAR 133 million.
- For 2Q2022, Advanced bottom-line matched our forecast of SAR 110 million (down by -58% Y/Y, -33% Q/Q). Net margin significantly contracted in 2Q2022 to 14% versus 34% in the same quarter last year and 19% in 1Q2022.
- We are positive for the Company's medium and long performance but in line with the current polypropylene prices and market dynamics, we revise our target price to SAR 67.00 from SAR 72.00 previously, but maintain a Buy rating.

Ghadah A. Bin Ekresh  
ghadah.bin.aekresh@riyadcapital.com  
+966-11-203-6812

الرياض المالية  
riyad capital

## 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](mailto:research@riyadcapital.com)

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.