

October 27, 2022

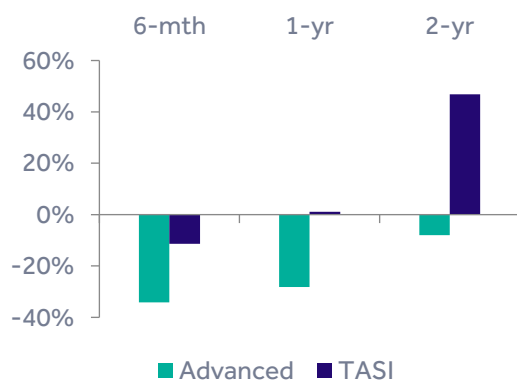
Lower Prices Pressure Margins

Upside to Target Price	12.4%	Rating	Buy
Expected Dividend Yield	4.5%	Last Price	SAR 44.50
Expected Total Return	16.9%	12-mth target	SAR 50.00

Market Data	
52-week high/low	SAR 75.00/42.85
Market Cap	SAR 11,570 mln
Shares Outstanding	260 mln
Free-float	88.19%
12-month ADTV	522,549
Bloomberg Code	APPC AB

ADVANCED	3Q2022	3Q2021	Y/Y	2Q2022	Q/Q	RC Estimate
Sales	657	805	(18%)	814	(19%)	651
Gross Profit	89	269	(67%)	168	(47%)	132
Operating Profit	55	231	(76%)	132	(58%)	109
Net Profit	27	218	(88%)	110	(75%)	81

(All figures are in SAR mln)



- Advanced posted revenues of SAR 657 million for the quarter, (down by 18% Y/Y, and -19% Q/Q) matching our SAR 651 million forecast. The drop-in revenues came on the back of a decline in sale prices which went down by -22% Y/Y, and -23% Q/Q. Although, sales volume was higher by +4% Y/Y and +5% Q/Q.
- Feedstock prices significantly pressured margins as propane prices went up by +6% Y/Y. However, the consumption of propane and outsourced propylene went down by -18% Q/Q and -20% Q/Q, respectively. Thus, gross margins contracted to 14% for the quarter versus 21% in the preceding quarter. Gross profit fell by -67% Y/Y and -47% Q/Q to SAR 168 million due to higher feedstock costs and lower product prices.
- For the nine-months period, Advanced recorded an increase in share of losses from SK Advanced Co. Ltd. The company was also weighed down by an increase of +105% Y/Y in offshore logistics expenses.
- Net income came in at SAR 27 million for the quarter (-88% Y/Y, -75% Q/Q). The decline came despite the increase in sale volumes. Bottomline missed both our forecast and market consensus forecast of SAR 73 million. Net margin shrank to 4% versus 14% in the preceding quarter. We reduce our target price to SAR 50.00 but maintain a Buy rating.

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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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