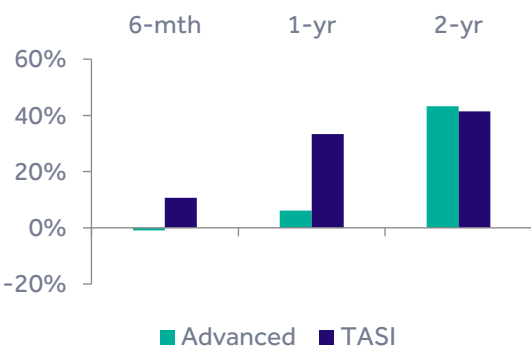


Market Data	
52-week high/low	SAR 83.90/62.30
Market Cap	SAR 15,480 mln
Shares Outstanding	216.5 mln
Free-float	80.54%
12-month ADTV	464,838
Bloomberg Code	APPC AB



Operating Costs Rise, Margins Fall

January 12, 2022

Upside to Target Price	14.7%	Rating	Buy
Expected Dividend Yield	3.6%	Last Price	SAR 71.50
Expected Total Return	18.3%	12-mth target	SAR 82.00

ADVANCED	4Q2021	4Q2020	Y/Y	3Q2021	Q/Q	RC Estimate
Sales	905	632	43%	805	12%	854
Gross Profit	251	217	16%	270	(7%)	256
Operating Profit	189	175	8%	231	(18%)	217
Net Profit	161	180	(10%)	218	(26%)	203

(All figures are in SAR mln)

- Revenues increased by +43% Y/Y and +12% Q/Q to SAR 905 million in 4Q2021, beating our SAR 854 million estimates. Polypropylene selling prices were up +15% Y/Y and +6% Q/Q.
- Gross margins contracted to 28% from 34% last quarter on the back of rising feedstock costs (Propane up +26% Q/Q). Thus, gross profit declined by -7% Q/Q to SAR 251 million, although it was +16% higher Y/Y.
- The Company's recorded losses from SK Advanced in the fourth quarter, partly due to a shutdown. This was one of the reasons for the net income coming in below expectations. In addition, higher shipping costs resulted in an extraordinary rise in operating expenses to over SAR 62 million for the quarter.
- Net income was recorded at SAR 161 million for 4Q (-10% Y/Y, -26% Q/Q), below our estimate of SAR 203 million and market consensus of SAR 187 million on the back of higher feedstock costs, shipping costs as well as losses from SK Advanced. We maintain our target of SAR 82.00 and our Buy recommendation. We like the growth story as well as a dividend yield of 3.7%.

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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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