

Netbacks Higher, Logistical Challenges Could Help Spreads

April 20, 2026

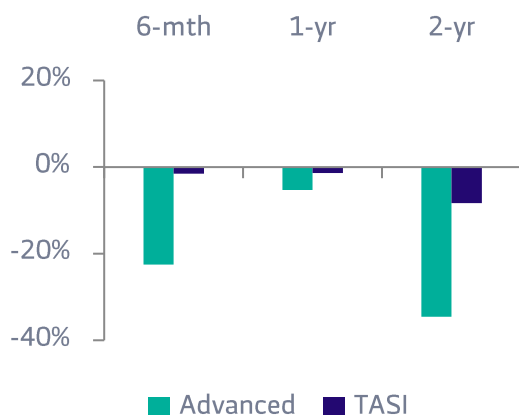
Upside to Target Price (14.9%)
 Expected Dividend Yield 0.0%
 Expected Total Return (14.9%)

Rating Neutral
 Last Price SAR 28.32
 12-mth target SAR 24.10

Market Data	
52-week high/low	SAR 38.64 / 21.55
Market Cap	SAR 7,363 mln
Shares Outstanding	260 mln
Free-float	83.43%
12-month ADTV	885,605
Bloomberg Code	APPC AB

ADVANCED	1Q2026	1Q2025	Y/Y	4Q2025	Q/Q	RC Estimate
Sales	1,079	614	76%	1,172	(8%)	1,086
Gross Profit	177	107	65%	194	(9%)	225
Gross Margins	16%	17%		17%		21%
Operating Profit	123	73	68%	128	(4%)	164
Net Profit	30	72	(58%)	1	2,900%	32

(All figures are in SAR mln)



- Advanced generated a topline of SAR 1,079 mln for the quarter, +76% Y/Y and -8% Q/Q, in-line with our forecast of SAR 1,086 mln. This outcome was expected because we observed PP prices increasing by +13% Q/Q on average, while accounting for a downward adjustment in sales volumes based upon Hormuz related logistical challenges. We highlight to investors that any increases Y/Y were almost entirely driven by a significant increase in production volumes from the startup of the Company's new production lines of Advanced Polyolefins Co. in 3Q25.
- Gross margins in 1Q26 remained stable at 16%, based on gross profits of SAR 177 mln, lower than our forecast. In our view this is vexing, considering that even management's commentary on netbacks stated that they increased by +7% Q/Q. With continually higher oil prices and petrochemical shortages, the extra costs for propane and propylene, were not surprising. However, lower margins despite a greater netback is curious, leading us to believe that more nuanced analysis is required. Management also commented that purchased propane and propylene prices both increased Q/Q, by +11% and +13%, which might explain the tighter margins Q/Q.
- Advanced's 1Q26 net profit was SAR 30 mln, in-line with our estimate of SAR 32 mln, lower by -58% Y/Y, while significantly higher Q/Q. Global petrochemical prices remain volatile and high, so the question for investors is not: is there an opportunity? The focus is now around who will execute on being a beneficiary. With only polypropylene (a solid) to sell and ship, Advanced might be able to capture higher netbacks if spreads improve and products can still be shipped. If there is compelling evidence that Advanced can consistently bypass Hormuz logistically, with finance costs falling further, we will re-rate accordingly.

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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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