

October 19, 2023

Margins Maintain on Lower Propane Prices

| | | | |
|-------------------------|-------|---------------|-----------|
| Upside to Target Price | 34.2% | Rating | Buy |
| Expected Dividend Yield | 2.7% | Last Price | SAR 37.25 |
| Expected Total Return | 36.9% | 12-mth target | SAR 50.00 |

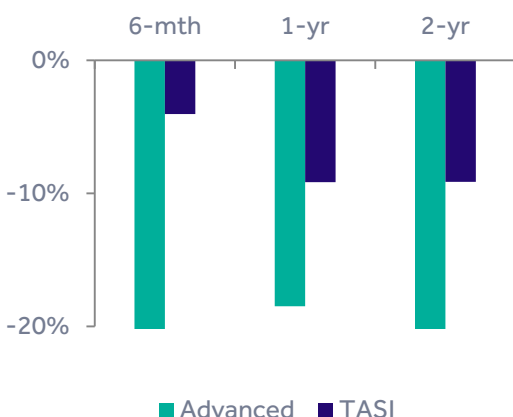
| Market Data | |
|--------------------|-------------------|
| 52-week high/low | SAR 50.70 / 37.05 |
| Market Cap | SAR 9,685 mln |
| Shares Outstanding | 260 mln |
| Free-float | 88.27% |
| 12-month ADTV | 522,053 |
| Bloomberg Code | APPC AB |

| ADVANCED | 3Q2023 | 3Q2022 | Y/Y | 2Q2023 | Q/Q | RC Estimate |
|------------------|--------|--------|-------|--------|-------|-------------|
| Sales | 594 | 657 | (10%) | 582 | 2% | 553 |
| Gross Profit | 122 | 89 | 37% | 125 | (2%) | 120 |
| Gross Margins | 21% | 14% | | 21% | | 22% |
| Operating Profit | 80 | 55 | 45% | 82 | (2%) | 80 |
| Net Profit | 45 | 27 | 67% | 60 | (25%) | 59 |

(All figures are in SAR mln)

- Advanced generated a topline of SAR 594 mln for the quarter, down by -10% Y/Y but up +2% Q/Q, in-line with our SAR 553 mln revenue forecast. The decline on a yearly basis was attributed to the continued effects of lower end-product prices, -13% Y/Y and -9% Q/Q, respectively. The quarterly performance did not indicate great improvement of gross profits, despite feedstock prices of propane and propylene both contracting by -8% and -4%, respectively. However, as we predicted, topline performance was impacted by PP prices, which remain at lower levels, which we believe will improve over time.
- Gross margins remained in-line with our forecast, a slight deviation is attributed to better topline performance, driven further by increased sales volumes of +12% Q/Q. Gross profit, however, sequentially declined by -2% Q/Q to reach SAR 122 mln. We still believe, given the lower feedstock prices, that future margins will improve.
- For the nine-month period, Advanced recorded SAR (75) mln as share of losses from SK Advanced Co. Ltd. compared to SAR (63) mln loss for the same period last year. However, it is more significant that freight expenses declined by -68% Y/Y causing operating profit to reach SAR 80 mln, a +45% increase Y/Y. We note this improvement is material.
- The Company's bottom-line witnessed an increase of +67% Y/Y but dropped by -25% Q/Q, coming in at SAR 45 mln. The decrease on a quarterly basis was driven by lower selling prices of -9% Q/Q, not offset by an increase in sales volumes, which grew by +12%. We still expect margins to improve slightly in the short-term due to lower feedstock prices, which affirms our conviction to change our rating to Buy and maintain a target price of SAR 50.00.

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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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