

February 18, 2024

Margins Rebound Y/Y

Upside to Target Price 28.4%
 Expected Dividend Yield 0.0%
 Expected Total Return 28.4%

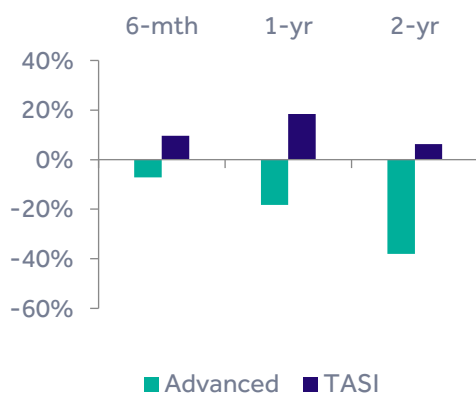
Rating Buy
 Last Price SAR 38.95
 12-mth target SAR 50.00

Market Data	
52-week high/low	SAR 50.70 / 35.90
Market Cap	SAR 10,127 mln
Shares Outstanding	260 mln
Free-float	88.24%
12-month ADTV	524,495
Bloomberg Code	APPC AB

ADVANCED	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	571	612	(7%)	594	(4%)	581
Gross Profit	98	67	47%	122	(20%)	70
Gross Margins	17%	11%		21%		12%
Operating Profit	48	30	59%	80	(40%)	27
Net Profit	23	(6)	-	45	(49%)	3

(All figures are in SAR mln)

- Advanced generated a topline of SAR 571 mln for the quarter, down -7% Y/Y and -4% Q/Q, in-line with our SAR 581 mln revenue forecast. The decline on a yearly basis was attributed to the continued effects of lower end-product prices and sales volumes as well, decreasing Y/Y by -15% and -5%, respectively. However, as we predicted, topline performance was impacted by PP prices in 2023. PP prices have slightly recovered in 1Q24, which may drive better performance in 1H24.
- Gross margins came in above our forecast, driven by lower Propane and Propylene prices, as per managements commentary, both contracted Y/Y by -24% and -17%, respectively. Gross profit reached SAR 98 mln in 4Q23, a +47% Y/Y improvement, which we believe is also attributed to a decline in Propane prices.
- For the twelve-month period, Advanced recorded SAR (97) mln in losses from SK Advanced Co. Ltd. compared to SAR (109) mln loss for the same period last year. However, it is more significant that operating margins fluctuated sequentially from 13.5% in 3Q23 to 8.4% in 4Q23. With operating profit reaching SAR 48 mln, a +59% increase Y/Y, but a -40% decrease Q/Q, we note, there is a material improvement in share of losses from JVs, which dropped -53% Q/Q.
- The Company's bottom-line reversed a loss Y/Y but dropped by -49% Q/Q, coming in at SAR 23 mln. Given recent market activity for end-product prices and management's dedication to driving expansion via further investment, we expect improved margins and topline growth long-term, therefore we maintain our rating and target price.



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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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