

Margins Expand on Lower Propane Prices

July 23, 2023

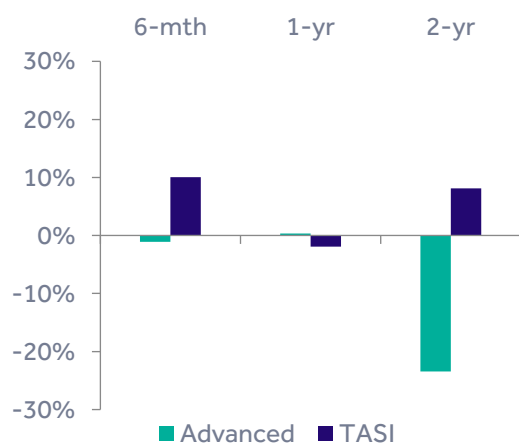
Upside to Target Price	8.7%	Rating	Neutral
Expected Dividend Yield	3.4%	Last Price	SAR 46.00
Expected Total Return	12.1%	12-mth target	SAR 50.00

Market Data	
52-week high/low	SAR 56.20/38.45
Market Cap	SAR 11,960 mln
Shares Outstanding	260 mln
Free-float	88.27%
12-month ADTV	549,278
Bloomberg Code	APPC AB

ADVANCED	2Q2023	2Q2022	Y/Y	1Q2023	Q/Q	RC Estimate
Sales	582	814	(29%)	627	(7%)	587
Gross Profit	125	168	(26%)	102	23%	143
Gross Margins	21%	21%		16%		24%
Operating Profit	82	132	(38%)	64	28%	109
Net Profit	60	110	(45%)	43	40%	74

(All figures are in SAR mln)

- Advanced posted a top-line of SAR 582 mln for the quarter, down by -29% Y/Y and -7% Q/Q, in-line with our SAR 587 mln forecast. The decline on yearly basis was attributed to lower selling prices and volumes which went down by -24% and -5%, respectively. On a quarterly basis, selling prices and volumes contracted by -2% and -5%, respectively. As we expected, topline was greatly impacted by PP prices which remain at lower levels but we expect prices to gradually increase, which may strengthen top-line for the upcoming period.
- There has been a decline in the consumption of propane and outsourced propylene by -24% Y/Y and -5% Y/Y, respectively. Gross margins were supported by lower feedstock prices and were recorded at 21% this quarter versus 16% in the preceding quarter. Gross profit showed an incline Q/Q, up +23% to reach SAR 125 mln. Moving forward, we expect margins to maintain better levels on the back of lower feedstock.
- For the six-month period, Advanced recorded SAR (43) mln as share of losses from SK Advanced Co. Ltd. compared to SAR (33) mln loss for the same period last year. As per management, the decline was driven by schedule shutdowns. Freight expenses declined by -72% Y/Y causing operating profit to come in at SAR 82 mln.
- Advanced bottom-line witnessed a decline by -45% Y/Y but went up by +40% Q/Q to come in at SAR 60 mln. The increase on a quarterly basis was mainly driven by improved margins due to lower feedstock costs despite the decline in selling prices and volumes. We expect margins to improve slightly in the short term due to lower feedstock. We maintain our target price of SAR 50.00 and Neutral 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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