

April 25, 2022

Margins Contract on Feedstock Prices

Upside to Target Price	11.7%	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 20.14
Expected Total Return	11.7%	12-mth target	SAR 22.50

Market Data	
52-week high/low	SAR 24.06/15.76
Market Cap	SAR 30,210 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	8,120,256
Bloomberg Code	KAYAN AB

SAUDI KAYAN	1Q2022	1Q2021	Y/Y	4Q2021	Q/Q	RC Estimate
Sales	3,138	2,683	17%	3,565	(12%)	3,280
Gross Profit	469	758	(38%)	768	(39%)	705
Operating Profit	304	593	(49%)	543	(44%)	508
Net Profit	209	493	(58%)	453	(54%)	403

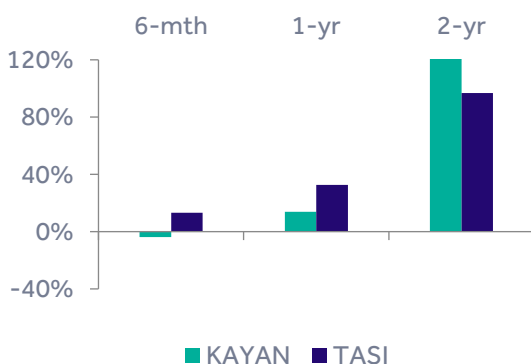
(All figures are in SAR mln)

- Saudi Kayan posted revenues of SAR 3.1 bln (up +17% Y/Y, down -12% Q/Q), slightly lower than our SAR 3.3 bln forecast. The increase in revenue for 1Q2022 compared to 1Q2021 was mainly due to an increase in sales volumes by +18% Y/Y while the -12% Q/Q decrease is attributed to lower average product prices. Polycarbonate and Polypropylene prices are down -12% Q/Q and -3% Q/Q respectively, and MEG prices decreased by -5% Q/Q.
- Feedstock Butane prices increased by +43% Y/Y, which negatively impacted margins. Gross margin was significantly lower at 14.9% versus 28.2% in the same quarter of last year. Thus, gross profit went down by -39% Q/Q to SAR 469 mln.
- Saudi Kayan posted a sharp decline in net profit (-58% Y/Y and -54% Q/Q) to SAR 209 mln. Bottomline missed our SAR 403 mln forecast and SAR 414 mln market consensus. Net margin contracted to 6.7% versus 12.7% in 4Q2021 and 18.4% in 1Q2021. Management has reported a decrease of -11% in product prices Q/Q and -1% lower volumes, which contributed to lower than expected net profit.
- We maintain our SAR 22.50 target price but downgrade to a 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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