

May 03, 2023

## Margins Improve Q/Q Despite Shutdown

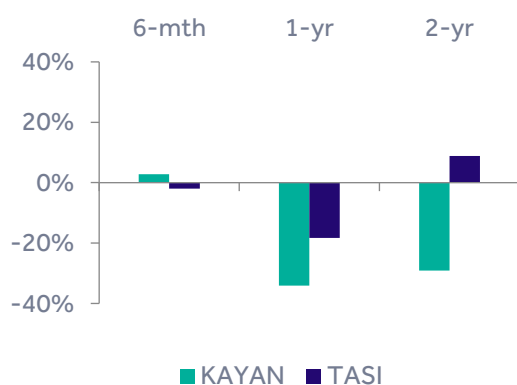
Upside to Target Price	8.5%	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 12.44
Expected Total Return	8.5%	12-mth target	SAR 13.50

Market Data	
52-week high/low	SAR 19.00/10.80
Market Cap	SAR 18,660 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	2,898,212
Bloomberg Code	KAYAN AB

SAUDI KAYAN	1Q2023	1Q2022	Y/Y	4Q2022	Q/Q	RC Estimate
Sales	1,682	3,138	(46%)	2,017	(17%)	2,067
Gross Profit	(339)	469	-	(512)	-	(464)
Gross Margins	(20%)	15%		(25%)		(22%)
Operating Profit	(495)	306	-	(735)	-	(654)
Net Profit	(673)	209	-	(791)	-	(798)

(All figures are in SAR mln)

- In 1Q2023, Saudi Kayan posted a revenue of SAR 1.7 bln (down -46% Y/Y and -17% Q/Q). This was mainly attributed to a decline of -23% Q/Q in sales volumes due to scheduled periodic maintenance for some plants. We expected higher average product prices (up +9% Q/Q) to drive up revenues but the impact of shutdown was greater.
- Margins have shown signs of improvement Q/Q. Gross margins came in at (20%) in 1Q2023 versus (25%) in 4Q2022 due to better product prices. We expect 2Q2023 to record better margins as Butane is in the range of USD 545-555/per ton in April and May compared to an average of USD 712/per ton in 1Q2023.
- Net losses were recorded at SAR (673) mln for the quarter compared to SAR (791) mln in 4Q2022. Bottomline was better than both our forecast and market consensus. The decline in losses Q/Q occurred despite elevated feedstock prices and higher financing costs. We expect that better product prices, sales volumes and lower feedstock prices may lead to an improvement in bottomline for the second quarter of 2023.
- Going forward, Saudi Kayan expects an increased allocation of ethane that will reduce dependence on Butane which the company has remained sensitive to. We believe this would enhance the company's ability to address market volatility and report better profitability. We maintain our target price of SAR 13.50 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](mailto:research@riyadcapital.com)

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