

July 28, 2022

Net Profit Falls Sharply Y/Y

Upside to Target Price	13.5%
Expected Dividend Yield	-
Expected Total Return	13.5%

Rating	Neutral
Last Price	SAR 14.98
12-mth target	SAR 17.00

Market Data	
52-week high/low	SAR 24.06/13.86
Market Cap	SAR 22,470 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	7,660,170
Bloomberg Code	KAYAN AB

SAUDI KAYAN	2Q2022	2Q2021	Y/Y	1Q2022	Q/Q	RC Estimate
Sales	3,407	2,974	15%	3,138	9%	3,169
Gross Profit	435	1,049	(58%)	469	(7%)	254
Operating Profit	246	901	(73%)	304	(19%)	95
Net Profit	150	781	(81%)	209	(28%)	25

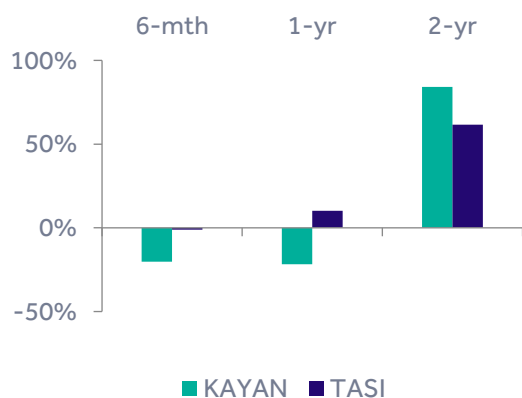
(All figures are in SAR mln)

- Saudi Kayan posted a +15% Y/Y and +9% Q/Q increase in sales to SAR 3.4 billion, topping our SAR 3.2 billion estimate. The increase in revenues came on the back of growth in volumetric sales which went up by +29% Y/Y as product prices were generally lower by -11% Y/Y in the quarter. On a quarterly basis, volumes and product prices rose by +3% and +6% respectively.
- For 2Q2022, feedstock prices increased with Butane up +16% Q/Q, negatively impacting margins. Gross margin contracted to 12.8% in 2Q versus 14.9% in the preceding quarter. Thus, gross profit went down by -7% Q/Q to SAR 435 million. Net margin was slightly lower at 4.4% in 2Q versus 6.7% in 1Q.
- Net profit was recorded at SAR 150 million for the quarter, down -81% Y/Y and -28% Q/Q. This decrease was mainly on the back of higher financial charges, higher feedstock prices and a rise in G&A expenses. Bottomline beat our SAR 25 million forecast and SAR 105 million market consensus. We were expecting a greater impact from the hike in feedstock prices but the rise in sales volumes helped mitigate the impact.
- We decrease our target price to SAR 17.00 and maintain Neutral rating on upcoming headwinds.

Muhammad Faisal Potrik
 muhammed.faisal@riyadcapital.com
 +966-11-203-6807

Ghadah A. Bin Ekresh
 ghadah.bin.aekresh@riyadcapital.com
 +966-11-203-6812

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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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