

3Q Plunges into a Loss on Negative Margins

October 25, 2022

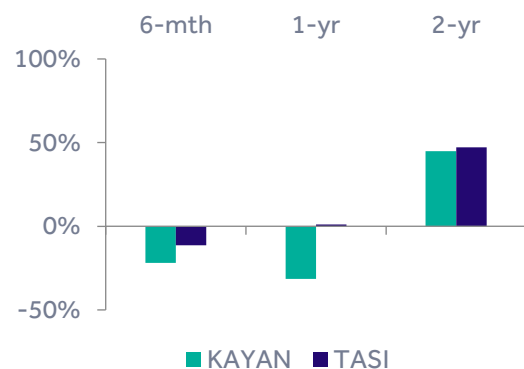
Upside to Target Price	8.7%	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 13.80
Expected Total Return	8.7%	12-mth target	SAR 15.00

Market Data	
52-week high/low	SAR 24.06/12.50
Market Cap	SAR 20,700 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	6,124,082
Bloomberg Code	KAYAN AB

SAUDI KAYAN	3Q2022	3Q2021	Y/Y	2Q2022	Q/Q	RC Estimate
Sales	2,596	3,434	(24%)	3,407	(24%)	2,896
Gross Profit	(489)	983	-	435	-	362
Operating Profit	(676)	789	-	246	-	203
Net Profit	(812)	667	-	150	-	106

(All figures are in SAR mln)

- Saudi Kayan posted revenues of SAR 2.6 billion (-24% Q/Q, and -24% Y/Y), slightly lower than our SAR 2.9 billion forecast. Average product prices were down by -26% Q/Q and -14% Y/Y. However, sales volume for the quarter was higher by +3% than the preceding quarter and +16% compared to the same period last year mainly due to consistent production and global recovery in the supply chain.
- The downfall for the quarter was the substantial contraction in margins. Negative gross margins came in at (19%) on the back of higher feedstock prices as compared to positive margins of 13% in the previous quarter and 15% in 1Q2022. Thus, gross loss was recorded at SAR (489) million.
- Net losses were recorded at SAR (812) million for the quarter versus a profit last quarter and last year. Losses were attributed to an increase in average cost of feedstock and a decline in the average product prices despite higher sales. Bottomline missed both our forecast and market consensus for net profit.
- We decrease our target price to SAR 15.00 from SAR 17.00 but maintain a Neutral rating.



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

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

■ 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

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.