

Market Data	
52-week high/low	SAR 21.46/13.50
Market Cap	SAR 28,200 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	7,900,583
Bloomberg Code	KAYAN AB

Feedstock Prices Continue to Rise

January 30, 2022

Upside to Target Price	19.7%	Rating	Buy
Expected Dividend Yield	0.0%	Last Price	SAR 18.80
Expected Total Return	19.7%	12-mth target	SAR 22.50

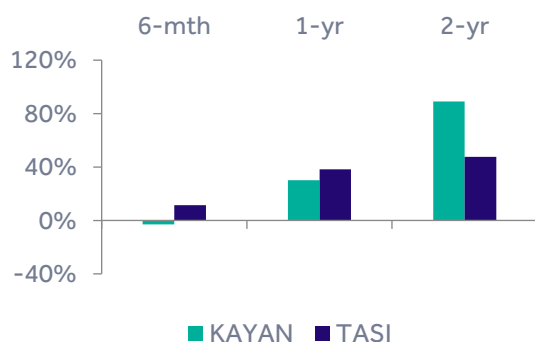
SAUDI KAYAN	4Q2021	4Q2020	Y/Y	3Q2021	Q/Q	RC Estimate
Sales	3,565	2,477	44%	3,434	4%	3,468
Gross Profit	768	481	60%	983	(22%)	832
Operating Profit	543	300	81%	785	(31%)	635
Net Profit	453	158	186%	667	(32%)	534

(All figures are in SAR mln)

- Saudi Kayan posted a +44% Y/Y and +4% Q/Q increase in sales to SAR 3.6 billion, topping our SAR 3.5 billion estimate. Polyethylene and Polypropylene prices were up in the range of 6% to 16% Q/Q while Polycarbonate prices were down -7% on a quarterly basis. MEG (China) prices inclined by +5% Q/Q.
- Feedstock prices continued to rise with Butane climbing +22% Q/Q, which hit margins. Gross margin was significantly lower at 21.5% versus 28.4% in the preceding quarter and below our 24.0% forecast. Thus, gross profit went down by -22% Q/Q to SAR 768 million.
- Net income was recorded at SAR 453 million for the quarter, down -32% Q/Q but +186% higher Y/Y. Bottomline missed our SAR 534 million forecast and SAR 502 million market consensus. While financial charges were lower on the back of lower debt and decline in rates, higher Butane prices likely caused lower than expected net income.
- The stock is trading almost 20% below our SAR 22.50 target price. Hence, we upgrade to Buy.

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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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