

February 23, 2023

## Losses Exceed Expectations

Upside to Target Price	7.7%
Expected Dividend Yield	-
Expected Total Return	7.7%

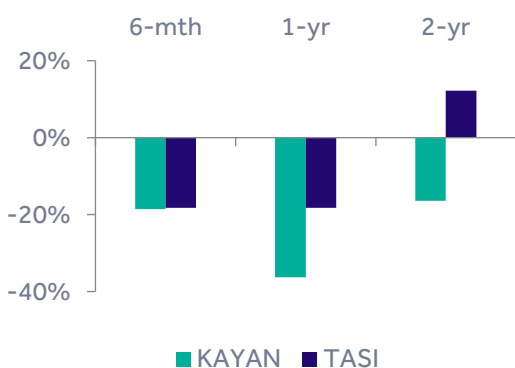
Rating	Neutral
Last Price	SAR 12.54
12-mth target	SAR 13.50

Market Data	
52-week high/low	SAR 24.06/10.80
Market Cap	SAR 18,810 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	4,276,766
Bloomberg Code	KAYAN AB

SAUDI KAYAN	4Q2022	4Q2021	Y/Y	3Q2022	Q/Q	RC Estimate
Sales	2,016	3,565	(44%)	2,596	(22%)	2,257
Gross Profit	(512)	768	-	(489)	-	(293)
Gross Margins	-	22%	-	-	-	-
Operating Profit	(732)	509	-	(676)	-	(451)
Net Profit	(791)	449	-	(812)	-	(515)

(All figures are in SAR mln)

- For FY2022, Saudi Kayan posted a decline in revenues by -12% Y/Y to reach SAR 11.2 bln, mainly attributed to the decline in average product prices (-19% Y/Y). Feedstock prices were higher although volumetric sales increased by +9% Y/Y. Net losses of SAR (1.2) bln in 2022 compared unfavorably to profits of SAR 2.4 bln last year.
- In 4Q2022, Saudi Kayan reported a topline of SAR 2.0 bln, down -44% Y/Y and -22% Q/Q and in line with our forecast. The decline was on the back of lower average product prices. Low Density Polyethylene (LDPE) and Polypropylene prices declined by -11% Q/Q and -6% Q/Q, respectively. Polycarbonate prices were down slightly by -2% Q/Q while MEG (China) prices fell -9% Q/Q.
- Feedstock prices continue to pressure this quarter. Although Feedstock price declined this quarter, but this was limited as compared to the decline in product prices. Butane price was recorded in the range of SAR 600-670/ton. We expected feedstock prices to be lower for 4Q. Negative gross margins were reported for the second consecutive quarter compared to positive margins of 22% in the same period last year.
- Saudi Kayan recorded net losses for the second consecutive quarter at SAR (791) mln. Losses were attributed to a greater decline in product prices versus feedstock, in addition to higher financing cost. Bottomline missed both our forecast and market consensus. We reduce our target price to SAR 13.50 but maintain 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](mailto:research@riyadcapital.com)

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