

Shutdown Impacts Sales

April 19, 2022

Upside to Target Price	(15.4%)	Rating	Neutral
Expected Dividend Yield	4.3%	Last Price	SAR 57.90
Expected Total Return	(11.0%)	12-mth target	SAR 49.00

Market Data	
52-week high/low	SAR 58.70 / 24.18
Market Cap	SAR 42,460 mln
Shares Outstanding	733.3 mln
Free Float	91.20%
12-month ADTV	3,627,835
Bloomberg Code	SIPCHEM AB

SIPCHEM	1Q2022	1Q2021	Y/Y	4Q2021	Q/Q	RC Estimate
Sales	2,410	2,031	19%	3,082	(22%)	2,671
Gross Profit	1,383	956	45%	1,777	(22%)	1,374
Operating Profit	1,148	733	57%	1,452	(21%)	1,128
Net Profit	1,079	411	162%	1,321	(18%)	1,010

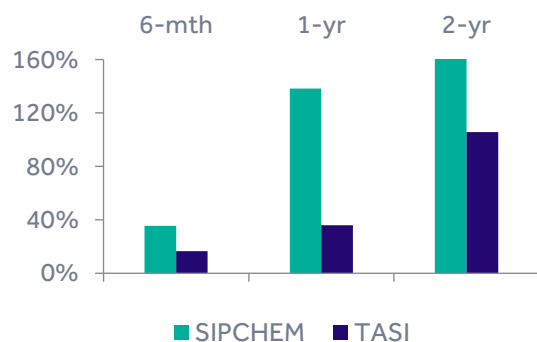
(All figures are in SAR mln)

- Revenues went up +19% Y/Y but declined by -22% Q/Q to SAR 2.4 bln, slightly lower than our SAR 2.7 bln forecast. Product prices impacted topline as Acetic Acid and VAM prices were down on a quarterly basis by -32% and -7% respectively while EVA prices were +13% higher Y/Y but dropped by -21% Q/Q.
- Gross margins contracted to 57.3% almost similar to the preceding quarter but significantly higher than 47.1% in 1Q2021. Feedstock prices in this quarter have not risen as much as product prices which also resulted in a rise in share of profit from associates and JVs. As a result, gross profit increased by +45% Y/Y but declined by -22% Q/Q to SAR 1.4 bln.
- Sipchem posted a net profit of SAR 1.1 bln (+162% Y/Y and -18% Q/Q). There was a scheduled shutdown of the Al Waha and SAMAPCO plant in the quarter, which resulted in a reduction in volumetric sales. Net margins of 44.8% were recorded, one of the highest on record and beating 43.9% in the preceding quarter and 20.1% in 1Q2021.
- We maintain our target price of SAR 49.00 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

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