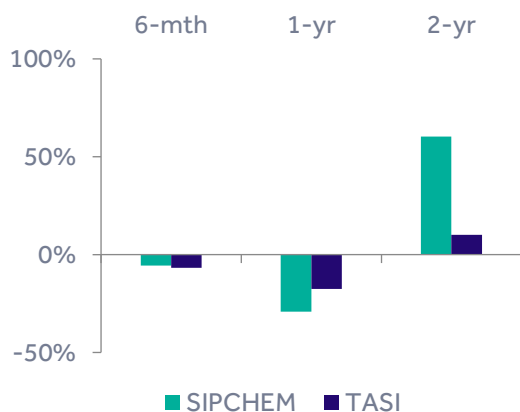


Market Data	
52-week high/low	SAR 58.00 / 30.90
Market Cap	SAR 28,747 mln
Shares Outstanding	733.3 mln
Free Float	88.98%
12-month ADTV	2,273,956
Bloomberg Code	SIPCHEM AB



Volumes Increase, Margins Decline

Upside to Target Price	14.8%
Expected Dividend Yield	5.7%
Expected Total Return	20.5%

Rating	Buy
Last Price	SAR 39.20
12-mth target	SAR 45.00

April 25, 2023

SIPCHEM	1Q2023	1Q2022	Y/Y	4Q2022	Q/Q	RC Estimate
Sales	2,087	2,348	(11%)	1,955	7%	1,602
Gross Profit	755	1,321	(43%)	810	(7%)	494
Gross Margins	36%	56%		41%		31%
Operating Profit	561	1,149	(51%)	617	(9%)	325
Net Profit	470	1,079	(56%)	479	(2%)	327

(All figures are in SAR mln)

- Sipchem posted better than expected results for 1Q2023 as revenues increased by +7% Q/Q but declined by -11% Y/Y to SAR 2.1 bln, close to 4Q2022 revenues. This was on the back of higher sales volumes despite product prices which converged to the level of the previous two quarters, except some products that were lower. EVA and VAM declined Q/Q by -10% and -2%, respectively.
- Sticky feedstock and lower product prices continued to squeeze margins with gross margins shrinking to 36% for the quarter versus 41% for the preceding quarter. Gross profit declined on both quarterly and yearly basis by -7% and -43% respectively, to SAR 755 mln.
- Sipchem announced scheduled periodic turnaround maintenance of International Methanol Company (IMC), an affiliate. As per management, the financial impact will depend on the actual duration and average sales prices and will be reflected in 2Q2023.
- Net profit came in close to the previous quarter reaching SAR 470 mln, down -2% Q/Q and -56% Y/Y. Bottomline exceeded both our estimates and market consensus. Net margins of 23% in 1Q2023 were slightly lower than 25% in the preceding quarter and much lower than 46% in 1Q2022.
- The company has weathered the sector challenges well and has shown resilience. We raise our target price to SAR 45.00 and maintain our Buy rating.

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

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