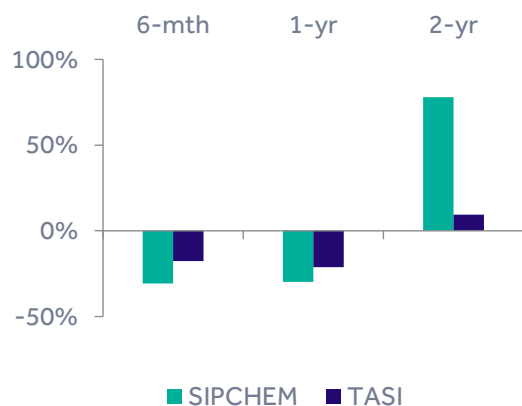


Market Data	
52-week high/low	SAR 60.00 / 30.90
Market Cap	SAR 25,960 mln
Shares Outstanding	733.3 mln
Free Float	88.98%
12-month ADTV	2,569,037
Bloomberg Code	SIPCHEM AB



## Modest Positive Performance Y/Y

March 01, 2023

Upside to Target Price	13.0%	Rating	Buy
Expected Dividend Yield	5.6%	Last Price	SAR 35.40
Expected Total Return	18.6%	12-mth target	SAR 40.00

SIPCHEM	4Q2022	4Q2021	Y/Y	3Q2022	Q/Q	RC Estimate
Sales	1,712	3,083	(44%)	2,939	(42%)	2,218
Gross Profit	568	1,777	(68%)	1,209	(53%)	883
Gross Margins	33%	58%		41%		40%
Operating Profit	621	1,451	(57%)	909	(32%)	637
Net Profit	489	1,321	(63%)	774	(38%)	518

(All figures are in SAR mln)

- In 2022, Sipchem continued its steady growth with revenues rising by +6% Y/Y to SAR 10.3 bln. This modest positive performance was attributed to higher sale quantities as plant efficiency improved, despite lower margins due to the decline of product prices and high feedstock during the year.
- For 4Q2021, Sipchem reported a revenue of SAR 1.7 bln (-44% Y/Y and -42% Q/Q), below our forecast as the impact of the product price decline was stronger than expected. Average product prices of Acetic Acid and VAM continued to fall this quarter by -9% and -36%, respectively. EVA prices were down -16% Q/Q.
- Sipchem witnessed pressure in gross margins in 4Q2022 due to higher feedstock prices and a sharp decline in the company's major products. Gross margin contracted by -800 bps Q/Q to 33% for the quarter from 58% in 4Q2021. Gross profit fell by -68% Y/Y and -53% Q/Q to SAR 568 mln.
- As per management, gearing ratio declined from 34% in 2021 to 20% by the end of 2022. Thus, finance costs decreased due to a reduction of loans of SAR 2.0 bln compared with last year, in addition to reduction in G&A and Zakat expenses.
- For FY2022, Net profit was almost flat at SAR 3.6 bln (slight increase by +0.1%). In 4Q, Sipchem reported a bottom-line of SAR 489 mln (-63% Y/Y, -38% Q/Q) in-line with our estimate of SAR 518 mln. Net margins expanded by +350 bps Q/Q but contracted Y/Y to came in at 29% this quarter.
- For 2H2022, Sipchem distributed dividends of SAR 1.50 per share. We reduce our target price to SAR 40.00 but maintain a Buy 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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