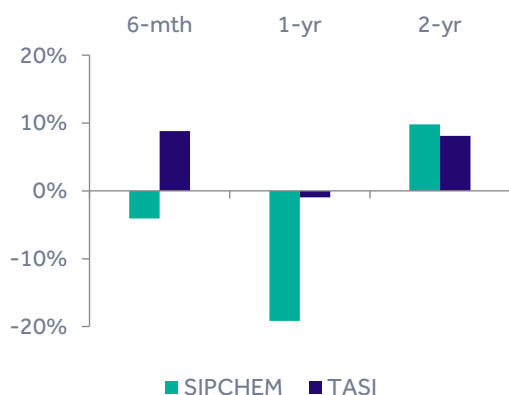


Market Data	
52-week high/low	SAR 52.00 / 30.90
Market Cap	SAR 27,060 mln
Shares Outstanding	733.3 mln
Free Float	89.00%
12-month ADTV	2,132,459
Bloomberg Code	SIPCHEM AB



## Earnings Impacted by Shutdowns

July 25, 2023

Upside to Target Price	16.5%	Rating	Buy
Expected Dividend Yield	6.1%	Last Price	SAR 36.90
Expected Total Return	22.6%	12-mth target	SAR 43.00

SIPCHEM	2Q2023	2Q2022	Y/Y	1Q2023	Q/Q	RC Estimate
Sales	1,702	3,094	(45%)	2,087	(18%)	1,618
Gross Profit	528	1,584	(67%)	755	(30%)	574
Gross Margins	31%	51%		36%		35%
Operating Profit	353	1,371	(74%)	561	(37%)	377
Net Profit	313	1,263	(75%)	470	(33%)	321

(All figures are in SAR mln)

- On the back of shutdowns in 2Q, Sipchem recorded revenues of SAR 1,702 mln (-45% Y/Y, -18% Q/Q), in-line with our estimates of SAR 1,618 mln, driven mainly by lower volumes (specially Methanol) as well as a decline in most product prices. Methanol prices declined by -15% Q/Q while EVA and VAM were down Q/Q by -8% and -9% respectively.
- Despite lower feedstock, we believe the impact of lower product prices was stronger as it affected margins more than we expected. Gross margin was lower by -500 bps Q/Q and came in at 31% this quarter versus 36% in the preceding quarter and substantially lower than 51% in 2Q2022. Gross profit dropped by -30% Q/Q to SAR 528 mln. Moving forward, we believe that the third quarter would be better due to the decline in feedstock coupled with full operations, although we are still concerned about lower key product prices.
- Net profit came in at SAR 313 mln (-75% Y/Y and -33% Q/Q), in-line with our estimate of SAR 321 mln. The company reported a decline in share of profits from associates and JVs on the back of lower product prices. Net margin contracted to 18% versus 23% last quarter.
- For 1H2023, Sipchem distributed dividends of SAR 1.25 per share. The stock is trading currently at a low P/E of 8.9x versus peers, which strengthens our conviction on the stock. We are positive on the medium to long term prospects. Although we slightly revise down our target price from SAR 45.00 to SAR 43.00, we 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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