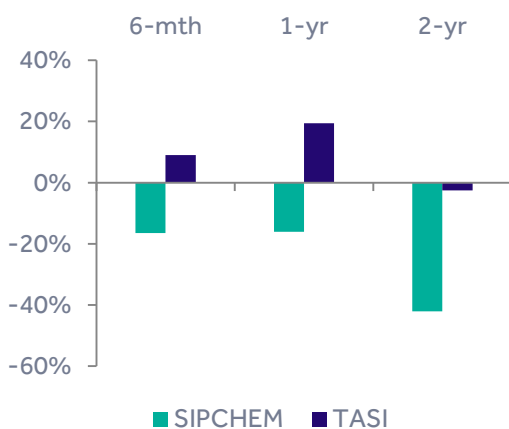


Market Data	
52-week high/low	SAR 40.90 / 30.05
Market Cap	SAR 22,367 mln
Shares Outstanding	733.3 mln
Free Float	89.00%
12-month ADTV	2,026,243
Bloomberg Code	SIPCHEM AB



■ Weaker Prices Pull Margins Down Further

March 06, 2024

Upside to Target Price	41.0%	Rating	Buy
Expected Dividend Yield	4.9%	Last Price	SAR 30.50
Expected Total Return	45.9%	12-mth target	SAR 43.00

SIPCHEM	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	2,040	1,955	4%	1,789	14%	1,810
Gross Profit	428	810	(47%)	458	(6%)	525
Gross Margins	21%	41%		26%		29%
Operating Profit	200	863	(77%)	305	(34%)	315
Net Profit	159	848	(81%)	233	(32%)	234

(All figures are in SAR mln)

- SIPCHEM recorded revenues of SAR 2.04 bln in 4Q23 (+4% Y/Y, +14% Q/Q), higher than our estimate of SAR 1.81 bln, driven by mixed end-product sales prices and potentially, slightly higher sales volumes Q/Q; despite lower volumes in FY23 vs. FY22. VAM prices rebounded by +1% Q/Q, but still down -24% Y/Y. Notably, Methanol prices increased Q/Q, by +17% and EVA prices decreased sequentially again, down -11% Q/Q and -34% Y/Y. Lower feedstock prices in 3Q23, which benefited SIPCHEM (Propane and Butane) have largely reversed. The negative effects of lower end-product prices, when combined with this feedstock price rebound, understandably contracted Q/Q gross margins, by -450 bps Q/Q. Gross profit also dropped by -6% Q/Q to SAR 428 mln.
- Net profit came in at SAR 159 mln (-81% Y/Y and -32% Q/Q), lower than our optimistic estimate of SAR 234 mln. These results were driven by and deviated from estimates via the sequential drop in SIPCHEM's profits from associates and JVs; heavily influenced by lower overall product prices. Net margin contracted to 8% versus 13% last quarter.
- For 2H2023, SIPCHEM distributed dividends of SAR 0.75 per share. Despite the softer-price environment, we believe these dividends are sustainable and investors can count on SIPCHEM to be a solid addition to an income portfolio. In our view, the Company's profitability in an unconstructive pricing environment, regular dividend payments, planned expansion projects such as the ethylene cracker plant, and management's continued willingness to communicate regularly with the investment community, boost SIPCHEM's medium to long-term prospects. We maintain our target price of SAR 43.00 and 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

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