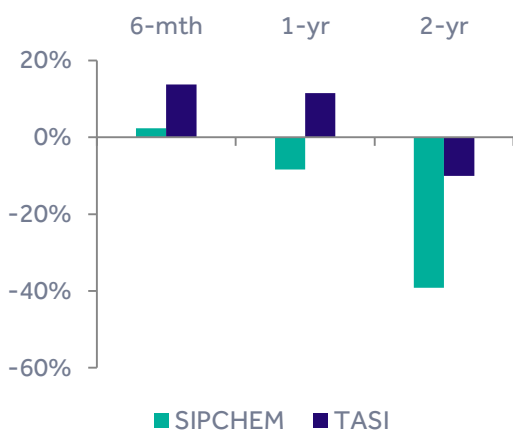


Market Data	
52-week high/low	SAR 39.40 / 30.05
Market Cap	SAR 25,007 mln
Shares Outstanding	733.3 mln
Free Float	88.95%
12-month ADTV	2,026,243
Bloomberg Code	SIPCHEM AB



Management Continues to Navigate Tough Market

May 05, 2024

Upside to Target Price	26.1%	Rating	Buy
Expected Dividend Yield	4.4%	Last Price	SAR 34.10
Expected Total Return	30.5%	12-mth target	SAR 43.00

SIPCHEM	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	1,925	2,087	(8%)	1,981	(3%)	2,051
Gross Profit	480	755	(36%)	455	6%	426
Gross Margins	25%	36%		23%		21%
Operating Profit	294	561	(48%)	227	30%	225
Net Profit	182	470	(61%)	159	14%	174

(All figures are in SAR mln)

- SIPCHEM recorded revenues of SAR 1.9 bln in 1Q24 (-8% Y/Y, -3% Q/Q), in-line with our estimate of SAR 2.0 bln, driven by a mix of some higher sales prices and measurably lower sales volumes; volumes dropped -8% Y/Y and Q/Q. VAM prices moved higher for another consecutive quarter, up by +9% Q/Q, but still down -15% Y/Y. Notably, Methanol prices also increased for another consecutive quarter, up Q/Q by +5% and EVA prices decreased sequentially again, down -2% Q/Q and -28% Y/Y. Profitability growth in 1Q24, especially considering the growth in Ethane, Methane, and Propane prices, was surprising. Both gross margins and gross profit increased Q/Q, margins increased +190 bps and gross profit was up by +6%, to SAR 480 mln.
- Net profit came in at SAR 182 mln (-61% Y/Y and +14% Q/Q), in-line with our conservative estimate of SAR 174 mln. These results were driven by the sequential increase in SIPCHEM's profits from associates and JVs; via the reduction in their losses specifically. Net margin increased to 9% versus 8% last quarter.
- For 2Q24, investors should be aware that SIPCHEM has planned and scheduled shutdowns for 3 of its plants: IVC, IGC, and IAC; this maintenance period will begin on May 1, 2024, and based on management's commentary, we estimate it will be completed on May 29, 2024. According to management, cash & equivalents as of 1Q24 end, was SAR 1.54 bln, compared to SAR 1.50 bln in 4Q23, we believe this is a testament to conservative capital allocation, given market conditions. During the 1Q24 earnings call, management also outlined their strategic objectives for 2024; including: executing on their blue ammonia project and final investment decisions regarding improving some bottlenecked areas in their current subsidiaries & plants. We reiterate our confidence in SIPCHEM given these factors, maintaining our target price of SAR 43.00 and 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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