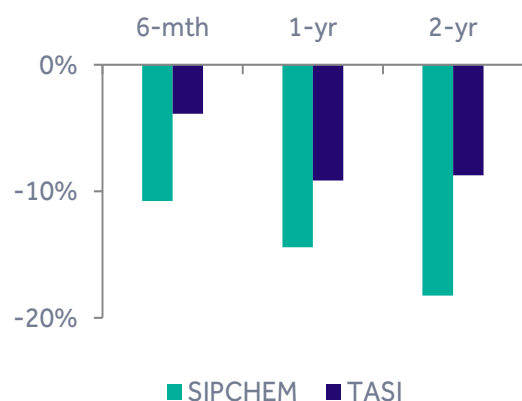


Market Data	
52-week high/low	SAR 43.55 / 30.90
Market Cap	SAR 26,107 mln
Shares Outstanding	733.3 mln
Free Float	89.00%
12-month ADTV	2,029,287
Bloomberg Code	SIPCHEM AB



## Earnings Lag via Weaker Product Prices

October 18, 2023

Upside to Target Price	20.8%	Rating	Buy
Expected Dividend Yield	7.0%	Last Price	SAR 35.60
Expected Total Return	27.8%	12-mth target	SAR 43.00

SIPCHEM	3Q2023	3Q2022	Y/Y	2Q2023	Q/Q	RC Estimate
Sales	1,789	2,939	(39%)	1,702	5%	1,766
Gross Profit	458	1,209	(62%)	528	(13%)	641
Gross Margins	26%	41%		31%		36%
Operating Profit	305	909	(66%)	353	(14%)	464
Net Profit	233	774	(70%)	313	(26%)	426

(All figures are in SAR mln)

- SIPCHEM recorded revenues of SAR 1,789 mln (-39% Y/Y, +5% Q/Q), in-line with our estimate of SAR 1,766 mln, driven mainly by higher selling volumes. VAM prices dropped by -14% Q/Q, but have since recovered in 4Q23 (+9%). While notably, Methanol and EVA prices decreased Q/Q, by -17% and -9%, respectively.
- Despite lower feedstock prices, the negative effects of lower end-product prices continue to linger, with gross margin coming in lower this quarter by -500 bps Q/Q, calculated via 26% this quarter versus 31% gross margins in the previous quarter; and substantially lower than 41% in 3Q2022. Gross profit also dropped by -13% Q/Q to SAR 458 mln. Looking ahead, we believe that lower feedstock prices may have less impact overall than higher prices for SIPCHEM.
- Net profit came in at SAR 233 mln (-70% Y/Y and -26% Q/Q), lower than our optimistic estimate of SAR 426 mln. The company also reported another sequential decline in its share of profits from associates and JVs, driven by lower overall product prices. Net margin contracted to 13% versus 18% last quarter. This performance is in spite of the recent decreases in raw materials and feedstock prices, motivating us to place a greater focus on end-product prices.
- For 1H2023, SIPCHEM distributed dividends of SAR 1.25 per share. With consistent profitable performance, we believe that distributions at this level can be expected to continue, mostly due to management's discipline and strong balance sheet. Given the positive profitability of SIPCHEM and its current capital position, we remain positive about the Company's medium to long-term prospects. We maintain our target price of SAR 43.00 and a Buy rating.

**Brennan Eatough**  
 brennan.eatough@riyadcapital.com  
 +966-11-203-6808

## ■ 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)

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.