

August 01, 2023

## Fourth Consecutive Quarter of Losses

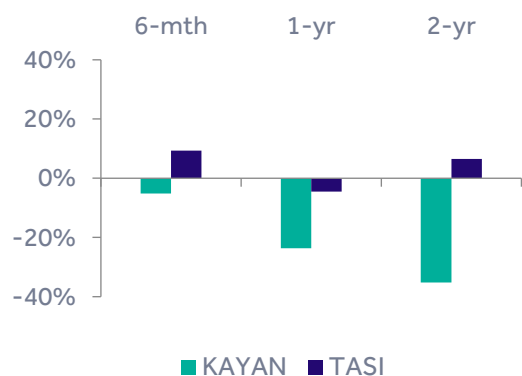
Upside to Target Price	10.1%	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 12.26
Expected Total Return	10.1%	12-mth target	SAR 13.50

Market Data	
52-week high/low	SAR 16.56/10.80
Market Cap	SAR 18,390 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	2,155,650
Bloomberg Code	KAYAN AB

SAUDI KAYAN	2Q2023	2Q2022	Y/Y	1Q2023	Q/Q	RC Estimate
Sales	2,209	3,407	(35%)	1,682	31%	1,657
Gross Profit	(111)	435	-	(339)	-	33
Gross Margins	(5%)	13%		(20%)		2%
Operating Profit	(240)	247	-	(495)	-	(138)
Net Profit	(392)	150	-	(673)	-	(297)

(All figures are in SAR mln)

- Saudi Kayan posted an increase of +31% Q/Q but a -35% Y/Y decline in sales to SAR 2.2 billion, topping our SAR 1.7 billion estimates. The rise on a quarterly basis was on the back of restarting of factories, which in turn led to higher volumetric sales, up by +32% Q/Q, while product prices were generally lower by -1% Q/Q in the quarter. Moving forward, we believe topline will face some challenges due to the decline in product prices, but we are optimistic about better volumes.
- Gross margins came in at (5%) as compared to (20%) in the previous quarter and positive margins last year. Although margins came in lower than expected, we believe lower feedstock prices will push margin expansion at some point.
- On the back of elevated interest rates, Saudi Kayan pointed out higher finance cost for the quarter. We believe the company faces challenges from high debt. EBITDA came in at SAR 373 million compared to SAR 1.7 billion in 2Q2022.
- Net losses were recorded at SAR (392) million for the quarter, compared to losses of SAR (673) million in the preceding quarter and net profits of SAR 150 million in 2Q2022. This Y/Y switch to losses was mainly on the back of higher financial charges and lower average product prices despite the decline in feedstock prices. We were expecting a greater impact from lower feedstock prices, but as the results appear, we believe bottom-line improvement will be slower than expected. We maintain our target price of SAR 13.50 and Neutral 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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