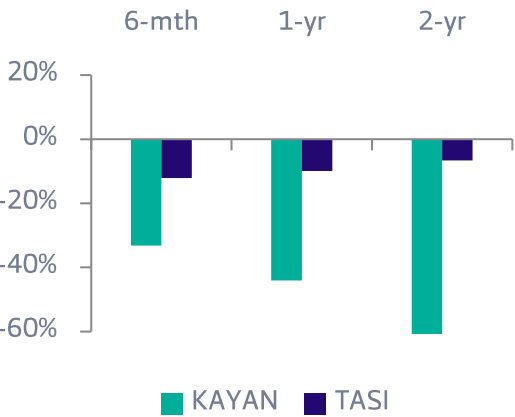


Market Data	
52-week high/low	SAR 8.77 / 4.46
Market Cap	SAR 6,855 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	3,581,195
Bloomberg Code	KAYAN AB



■ Higher Sales Volumes Surprise, Despite Lower Prices

July 31, 2025

Upside to Target Price9.4%

Expected Dividend Yield-

Expected Total Return9.4%

Rating

Last Price

12-mth target

Neutral

SAR 4.57

SAR 5.00

SAUDI KAYAN	2Q2025	2Q2024	Y/Y	1Q2025	Q/Q	RC Estimate
Sales	2,231	2,106	6%	2,062	8%	1,915
Gross Profit	(112)	(34)	(230%)	(389)	71%	(477)
Gross Margins	(5%)	(2%)		(19%)		(25%)
Operating Profit	(306)	(91)	(235%)	(649)	53%	(669)
Net Profit	(496)	(250)	(98%)	(776)	36%	(796)

(All figures are in SAR mln)

- Saudi Kayan posted an increase in sales of +8% Q/Q and +6% Y/Y, coming in at SAR 2.2 bln, higher than our more conservative estimate. According to management, Kayan’s average sales prices experienced a moderate decrease Q/Q (-0.2%), while surprisingly, volumes increased by +8% Q/Q. While management also highlighted Y/Y changes in prices and volumes were similar, with prices decreasing -0.4% Y/Y and volumes increasing +6% Y/Y. Despite the increase in volumes being significant, it did not offset the increase in feedstock costs Y/Y, which subsequently dragged margins in 2Q25.
- Gross margins came in at (5%), higher than (19%) in the previous quarter, and a notable decrease from (2%) in 2Q24. We believe our estimates for gross margin losses were sober, noting the cost of butane remains elevated, end product prices remain lower, and the cost of Ethane increased by +20% at the beginning of 2025. However, we were too conservative.
- Net losses were SAR (496) mln in 2Q25, compared to losses of SAR (776) mln in 1Q25, and SAR (250) mln in 2Q24. With the restoration of Bisphenol and Polycarbonate production in 2024, any improvement in volumes and production in 2025 is expected; but margins, remain low. To avoid misinterpretation, we focus on free cashflow generation, which increased significantly Q/Q, with free cashflow of SAR 94 mln in 2Q25 vs. a cash outflow SAR (600) mln in 1Q25, while free cashflow in 2Q24 was SAR 372 mln (-75% Y/Y). With lower margins and certainty, we lower our target price.

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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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