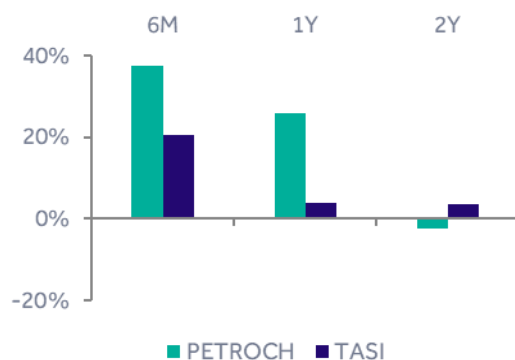


Market Data	
52-week high/low	SAR 31.50/16.20
Market Cap	SAR 13,056 mln
Shares Outstanding	480 mln
Free-float	1.83%
12-month ADTV	212,978
Bloomberg Code	PETROCH AB



## ■ Topline down -27% Y/Y

November 05, 2020

Upside to Target Price (4.4%)  
 Expected Dividend Yield 1.8%  
 Expected Total Return (2.6%)

Rating Neutral  
 Last Price SAR 27.20  
 12-mth target SAR 26.00

Petrochem	3Q2020	3Q2019	Y/Y	2Q2019	Q/Q	RC Estimate
Sales	1,436	1,958	(27%)	1,346	7%	1,394
Gross Profit	315	495	(36%)	(121)	-	139
Operating Profit	192	335	(43%)	(243)	-	17
Net Profit	117	171	(32%)	(189)	-	(12)

(All figures are in SAR mln)

- Revenues dipped -27% Y/Y as Petrochem cited lower product prices as the primary cause of a subdued topline. Polyethylene prices were down -4% Y/Y while Polypropylene prices declined -11% Y/Y. However, revenues increased by +7% Q/Q as PE prices went up +24% Q/Q and PP was up +13% Q/Q.
- Gross margin contracted to 22% in 3Q2020 from 25% in 3Q2019 and reversed negative gross margin of (9%) in 2Q2020. Operating margin followed a similar trend.
- Net profit came in at SAR 117 million, reversing a net loss of SAR (189) million in the preceding quarter, which was impacted by a SAR 254 million charge due to the permanent shutdown of the Polystyrene unit. However, bottom line was lower by -32% Y/Y driven by -27% decline in revenues as well as -100 bps lower net margins.
- With a dividend yield under 2% and the stock trading above our SAR 26.00 target price, we do not see much upside.

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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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