

October 27, 2020

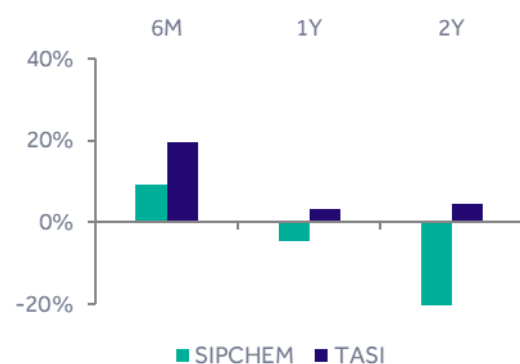
## Bottomline Returns to Profit

Upside to Target Price	0.6%	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 15.90
Expected Total Return	0.6%	12-mth target	SAR 16.00

Market Data	
52-week high/low	SAR 18.64/11.04
Market Cap	SAR 11,660 mln
Shares Outstanding	733.3 mln
Free-float	89.23%
12-month ADTV	3,097,780
Bloomberg Code	SIPCHEM AB

SIPCHEM	3Q2020	3Q2019	Y/Y	2Q2020	Q/Q	RC Estimate
Sales	1,362	1,402	(3%)	950	43%	1,474
Gross Profit	220	362	(39%)	150	47%	324
Operating Profit	18	177	(90%)	(23)	-	119
Net Profit	10	111	(91%)	(99)	-	7

(All figures are in SAR mln)



- Revenues were down -3% Y/Y on the back of a reduction in sales volumes of Methanol, Butanediol and EVA. However, the Company was able to increase the sales of Acetic Acid, VAM, Carbon Monoxide and Polypropylene. Polypropylene prices are down -11% Y/Y but up +13% Q/Q while EVA prices were -13% lower Y/Y but increased by +14% Q/Q.
- Sipchem has reported a significant reduction in netbacks for most of its products. Thus, despite lower feedstock prices, gross margin has contracted to 16% from 26% in 3Q2019. However, gross margin has slightly improved by 40 bps over the preceding quarter.
- After three quarters of net losses, Sipchem was able to post a net profit of SAR 10 million, close to our forecast of SAR 7 mln, but missed market consensus of SAR 18 million. Net margin was slightly positive at 1% as compared to 8% last year and (10%) last quarter.
- We maintain our view that share buyback remains the key catalyst for the company's stock in the short term. Our target price stands at SAR 16.00 with a Neutral rating. Dividends for 2020 are a question mark.

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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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