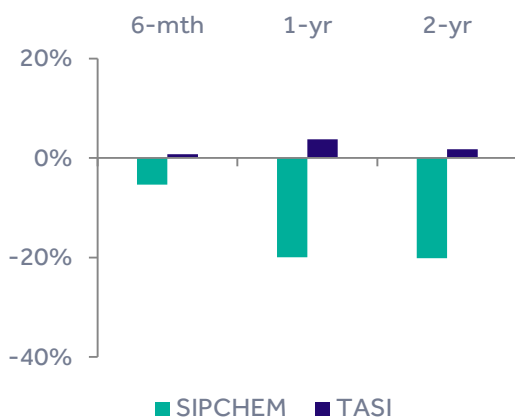


Market Data	
52-week high/low	SAR 39.30 / 27.70
Market Cap	SAR 21,083 mln
Shares Outstanding	733.3 mln
Free Float	88.95%
12-month ADTV	2,026,243
Bloomberg Code	SIPCHEM AB



Shutdowns Weigh, Prices Weigh, Expansion Continues

July 22, 2024

Upside to Target Price	49.6%	Rating	Buy
Expected Dividend Yield	3.50%	Last Price	SAR 28.75
Expected Total Return	53.1%	12-mth target	SAR 43.00

SIPCHEM	2Q2024	2Q2023	Y/Y	1Q2024	Q/Q	RC Estimate
Sales	1,770	1,702	4%	1,925	(8%)	1,959
Gross Profit	321	528	(39%)	480	(33%)	489
Gross Margins	18%	31%		25%		25%
Operating Profit	190	353	(46%)	294	(35%)	295
Net Profit	122	313	(61%)	182	(33%)	179

(All figures are in SAR mln)

- SIPCHEM recorded revenues of SAR 1.8 bln in 2Q24 (+4% Y/Y, -8% Q/Q), lower than our estimate of SAR 2.0 bln, driven by a mix of some lower sales prices and higher sales volumes. Sequentially, VAM prices moved lower, down by -8% Q/Q and -15% Y/Y. Notably, Methanol prices increased for another consecutive quarter, up Q/Q by +4% and EVA prices decreased overall, down -5% Q/Q and -33% Y/Y. Both gross margin and gross profit decreased in 2Q24, as gross profits declined Y/Y and Q/Q, by -39% and -33%, respectively. The decline in gross margin and gross profit in 2Q24 was driven by, as management has commented, price increases in Natural Gas, Ethane, Butane, Ethylene, and Propane.
- Net profit came in at SAR 122 mln (-61% Y/Y and -33% Q/Q), lower than our optimistic estimate of SAR 179 mln. These results were driven by the sequential decrease in SIPCHEM's profits from associates and JVs; net margin decreased to 7% versus 9% last quarter. We note that we have previously touched on (in 1Q24) the 2Q24 scheduled shutdowns for 3 of the Company's plants: IVC (International Vinyl Company), IGC (International Gases Company), and IAC (International Acetyl Company), which have driven some of the negative aspects of these results. Management's commentary regarding an increase in shipping costs of '+35% to +40%', due to changes in routes, supports our belief in lower future operating profits.
- Following the announcement of SIPCHEM's construction and engineering contracts for the expansion of its EVA plant (July 2nd), we reiterate our confidence management is leaning into efficiencies and strategically planned expansion, in an uncertain market. We reiterate our support for maintaining our target price of SAR 43.00 and Buy 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

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