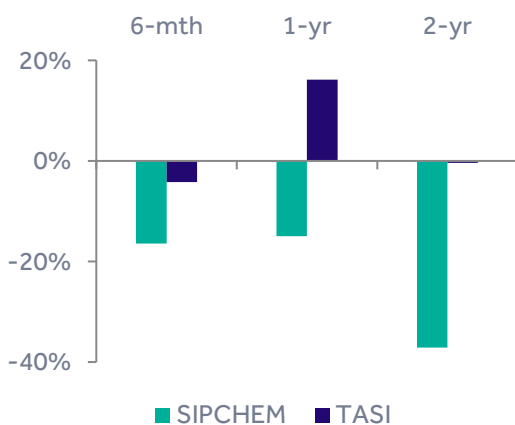


Market Data	
52-week high/low	SAR 36.50 / 26.65
Market Cap	SAR 19,763 mln
Shares Outstanding	733.3 mln
Free Float	88.95%
12-month ADTV	1,662,468
Bloomberg Code	SIPCHEM AB



Prices Sink Profits While Expansion Provides Potential Upside

October 23, 2024

Upside to Target Price	59.6%	Rating	Buy
Expected Dividend Yield	3.70%	Last Price	SAR 26.95
Expected Total Return	63.3%	12-mth target	SAR 43.00

SIPCHEM	3Q2024	3Q2023	Y/Y	2Q2024	Q/Q	RC Estimate
Sales	1,627	1,789	(9%)	1,770	(8%)	1,854
Gross Profit	330	458	(28%)	321	3%	426
Gross Margins	20%	26%		18%		23%
Operating Profit	152	305	(50%)	190	(20%)	250
Net Profit	103	233	(56%)	122	(15%)	169

(All figures are in SAR mln)

- SIPCHEM recorded revenues of SAR 1.6 bln in 3Q24 (-9% Y/Y, -8% Q/Q), lower than our estimate of SAR 1.9 bln, driven by a Y/Y downward shift of sales volumes, despite some higher sales prices realized. Sequentially, VAM prices moved lower again, down by -11% Q/Q and -11% Y/Y. Notably, Methanol prices decreased this quarter, by -1% Q/Q and EVA prices decreased overall, down -6% Q/Q and -29% Y/Y. Both gross margin and gross profit decreased Y/Y in 3Q24, as gross profits declined Y/Y by -28%; while slightly increasing by +3% Q/Q. The increase in gross margin and gross profit in 3Q24 on a Q/Q basis was driven by the relief from previous plant shutdowns. We speculate the decrease Y/Y is influenced by the continued pressures from raw material costs and overall price increases Y/Y in Natural Gas, Ethane, Butane, Ethylene, and Propane.
- Net profit came in at SAR 103 mln (-56% Y/Y and -15% Q/Q), lower than our optimistic estimate of SAR 169 mln. These results were driven yet again, by lower margins Y/Y and the sequential decrease in SIPCHEM's profits from associates and JVs; net margin decreased to 6% versus 7% last quarter as well. We note that the previously announced (1Q24) shut downs in 2Q24, do not appear to have had a material effect on 3Q24 results, which is concerning.
- SIPCHEM's announcement in August, relating to the Al Waha plant expansion, supports our confidence in management's dedication to growth, while also noting its enhanced capacity would add 72,000 tons of Propylene and 150,000 tons of Polypropylene. Thus, we maintain our target price and rating. However, we shift our overall view to accommodate a cautious approach regarding the maintenance turnaround for (IPC) International Polymers Company, announced on October 21, 2024.

Brennan Eatough
 brennan.eatough@riyadcapital.com
 +966-11-203-6808

■ 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

Riyad Capital is a Saudi Closed Joint Stock Company with Paid up capital of SR 500 million, licensed by the Saudi Arabian Capital Market Authority NO.07070-37. Commercial Registration No: 1010239234. Head Office: Granada Business Park 2414 Al-Shohda Dist. – Unit No 69, Riyadh 13241 - 7279 Saudi Arabia. Ph: 920012299.

The information in this report was compiled in good faith from various public sources believed to be reliable. Whilst all reasonable care has been taken to ensure that the facts stated in this report are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable. Riyad Capital makes no representations or warranties whatsoever as to the accuracy of the data and information provided and, in particular, Riyad Capital does not represent that the information in this report is complete or free from any error. This report is not, and is not to be construed as, an offer to sell or solicitation of an offer to buy any financial securities. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this report. Riyad Capital accepts no liability whatsoever for any loss arising from any use of this report or its contents, and neither Riyad Capital nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof. Riyad Capital or its employees or any of its affiliates or clients may have a financial interest in securities or other assets referred to in this report. Opinions, forecasts or projections contained in this report represent Riyad Capital's current opinions or judgment as at the date of this report only and are therefore subject to change without notice. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections which represent only one possible outcome. Further, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified and future actual results or events could differ materially. The value of, or income from, any investments referred to in this report may fluctuate and/or be affected by changes. Past performance is not necessarily an indicative of future performance. Accordingly, investors may receive back less than originally invested amount. This report provides information of a general nature and does not address the circumstances, objectives, and risk tolerance of any particular investor. Therefore, it is not intended to provide personal investment advice and does not take into account the reader's financial situation or any specific investment objectives or particular needs which the reader may have. Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients. This research report might not be reproduced, nor distributed in whole or in part, and all information, opinions, forecasts and projections contained in it are protected by the copyright rules and regulations.