

Prices Help But Shut Downs Drag Performance

May 02, 2024

Upside to Target Price 13.1%
 Expected Dividend Yield -
 Expected Total Return 13.1%

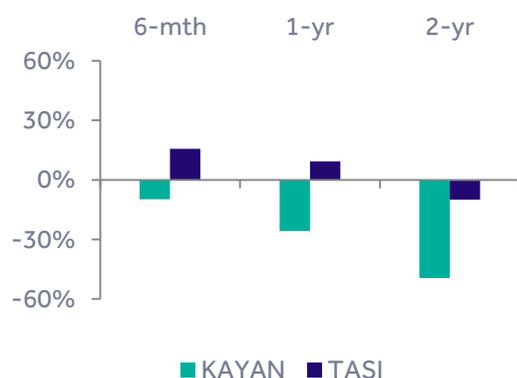
Rating Neutral
 Last Price SAR 9.28
 12-mth target SAR 10.50

Market Data	
52-week high/low	SAR 14.08 / 8.77
Market Cap	SAR 13,920 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	1,939,541
Bloomberg Code	KAYAN AB

SAUDI KAYAN	1Q2024	1Q2023	Y/Y	4Q2023	Q/Q	RC Estimate
Sales	1,976	1,682	17%	2,142	(8%)	1,878
Gross Profit	(275)	(339)	19%	(271)	1%	(585)
Gross Margins	(14%)	(20%)		(13%)		(31%)
Operating Profit	(393)	(495)	20%	(445)	12%	(731)
Net Profit	(572)	(673)	15%	(622)	8%	(919)

(All figures are in SAR mln)

- Saudi Kayan posted an increase in sales of +17% Y/Y, but a decline of -8% Q/Q, coming in at SAR 1.9 bln, in-line with our estimate. According to management, Kayan's average sales prices and volumes were mixed, with Q/Q volumes decreasing by -9% and average prices increasing +2%. Y/Y changes were also mixed, with volumes increasing +26% and sales prices decreasing -7%. We affirm our belief that these metrics are a burden to Kayan's financial performance, as they cascade through Kayan's financial profile, from gross profit to net margins. We also reiterate, as management stated in their PR, shut downs in 2023 contributed greatly to reduced operating performance.
- Gross margins came in at (14%) as compared to (13%) in the previous quarter. We acknowledge our expectations were for greater losses, however we also note that Q/Q increases in key feedstocks, such as Butane for 4Q23 and 1Q24, were +35% and +3%, respectively. For this reason and attempting to account for the BPA plant fire (among other shut downs) etc., we expected a greater squeeze on Company profitability.
- Net losses were SAR (572) mln in 1Q24, compared to losses of SAR (622) mln in 4Q23, and SAR (673) mln in 1Q23. In-line with management's and our previous commentary, we restate that plant shut downs in 2023, had a material effect on performance rendering Y/Y comparisons moot. With results like these for 1Q24, we hold the belief that restarting plants will help profitability, but are concerned thus far. Therefore, we maintain our target price and our 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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