

Free Cash Flow Grows – Butane Prices Still Weigh

February 25, 2025

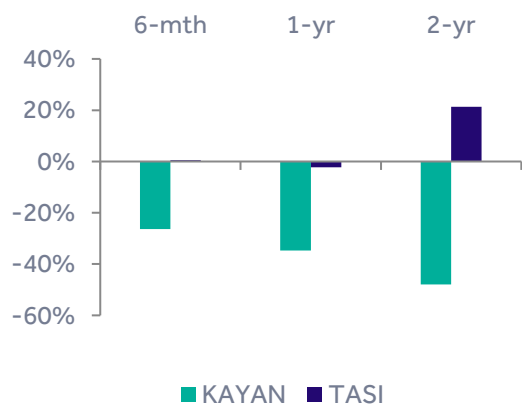
Upside to Target Price	10.1%	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 6.36
Expected Total Return	10.1%	12-mth target	SAR 7.00

Market Data	
52-week high/low	SAR 10.24 / 6.32
Market Cap	SAR 9,450 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	2,932,415
Bloomberg Code	KAYAN AB

SAUDI KAYAN	4Q2024	4Q2023	Y/Y	3Q2024	Q/Q	RC Estimate
Sales	2,245	2,142	5%	2,399	(6%)	2,411
Gross Profit	(397)	(271)	(46%)	63	-	12
Gross Margins	(18%)	(13%)		3%		1%
Operating Profit	(523)	(445)	(17%)	(127)	(313%)	(146)
Net Profit	(686)	(622)	(10%)	(296)	(132%)	(305)

(All figures are in SAR mln)

- Saudi Kayan posted an increase in sales of +5% Y/Y, but a decline of -6% Q/Q, coming in at SAR 2.2 bln, lower than our optimistic estimate of SAR 2.4 bln. According to management, Kayan's annual results showed improvement in average sales prices, having increased +10% Y/Y; while sales volumes declined -3% Y/Y. With the year 2023 including many plant shutdowns, we reiterate that focus should be drawn to Q/Q results, not Y/Y financial performance.
- Gross margins came in at (18%), a material contraction, as compared to 3% in the previous quarter, and (13%) in 4Q23. We acknowledge our expectations were for reduced, yet stable margins, however, we also note that Q/Q increases in feedstocks, such as Butane +8% and as well, the Y/Y increase in Ethane +43%, would most likely have influenced lower gross margins more than we had expected.
- Net losses were SAR (686) mln in 4Q24, compared to losses of SAR (296) mln in 3Q24, and SAR (622) mln in 4Q23. We also note, plant shutdowns in 2023 prevent an accurate operational comparison Y/Y. Although gross margins declining Q/Q are not constructive, we also note, that free cash flow (as reported by the Company) came in at SAR 1,418 mln for the year, in comparison to SAR 97 mln in 2023. Free cash flow results also showed Q/Q improvement, with SAR 587 mln generated in 4Q24, vs. SAR 65 mln in 3Q24. Despite this improvement, we trim our target price and maintain 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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