

## Scheduled & Unscheduled Shut Downs Weigh

February 19, 2024

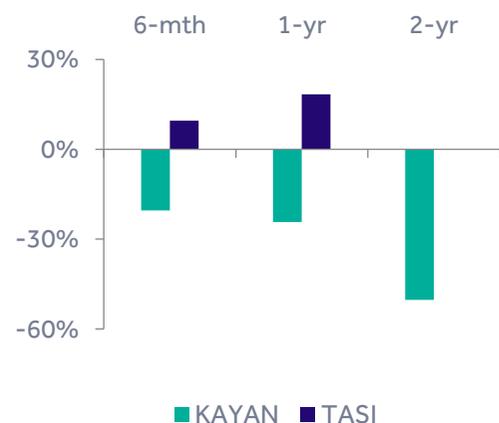
Upside to Target Price	7.3%	Rating	Neutral
Expected Dividend Yield	-	Last Price	SAR 9.79
Expected Total Return	7.3%	12-mth target	SAR 10.50

Market Data	
52-week high/low	SAR 14.08 / 8.82
Market Cap	SAR 14,685 mln
Shares Outstanding	1,500 mln
Free-float	65.00%
12-month ADTV	1,939,541
Bloomberg Code	KAYAN AB

SAUDI KAYA	4Q2023	4Q2022	Y/Y	3Q2023	Q/Q	RC Estimate
Sales	2,142	2,016	6%	2,137	0%	1,807
Gross Profit	(275)	(512)	46%	(121)	(128%)	(452)
Gross Margins	(13%)	(25%)		(6%)		(25%)
Operating Profit	(445)	(732)	39%	(266)	(67%)	(601)
Net Profit	(622)	(791)	21%	(449)	(39%)	(738)

(All figures are in SAR mln)

- Saudi Kayan posted an increase of +0.2% Q/Q and +6% Y/Y in sales, coming in at SAR 2.1 bln, topping our SAR 1.8 bln estimates. According to management, in 2023, Kayan's average sales prices and volumes continued their decline, experiencing decreases Y/Y of -19% and -10%, respectively. We still believe that these metrics in particular are the greatest burden to Kayan's financial performance, as they cascade through Kayan's financial profile, from gross profit to net margins. We also note, shut downs in 2023 contributed greatly to reduced operating performance.
- Gross margins came in at (13%) as compared to (6%) in the previous quarter. We acknowledge our expectations were for greater losses, given the unscheduled shutdown at the Company's Bisphenol plant (announced Sept. 14, 2023), so we view this level of gross margin as a positive sign. We also believe that reductions in feedstock prices, as per management, of -32% Y/Y in 2023 compared to 2022, positively impacted these gross margins for Kayan.
- Net losses were SAR (622) mln in 4Q23, compared to losses of SAR (449) mln in 3Q23, and SAR (791) mln in 4Q22. We have previously stated that muted performance from 2022 to 2023 was driven by higher financing costs, but given the scheduled (Ethylene Glycol, Polycarbonate, Phenolic, etc.) and unscheduled (Bisphenol) plant shut downs, we believe these events had a more material effect on 4Q23. We maintain our belief that profitable operations will be contingent on restarting these plants. Therefore, we lower our target price to SAR 10.50 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](mailto:research@riyadcapital.com)

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