

## FY21 Results Update

March 14, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	64.2
Target Price (SAR)	59.7
Upside/Downside (%)	(6.9%)
As of March 14, 2022	

### Key Data (Source: Bloomberg)

Market Cap (SAR bn)	16.7
52-wk High (SAR)	72.9
52-wk Low (SAR)	54.7
Total Outstanding shares (in mn)	260
Free Float (%)	87.3%

### Advanced vs. TASI (Rebased)

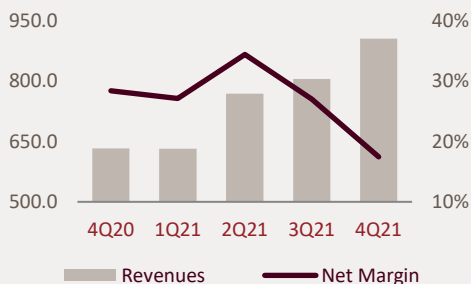


Price Performance (%)	Absolute	Relative
1m	2.1%	(0.2%)
6m	7.1%	(2.7%)
12m	10.0%	(19.3%)

### Major Shareholders (%)

Polypropylene National Company Ltd.	7.95%
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### Revenue (SAR mn) and Net Margin (%)



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of March 14, 2022

### Company records highest ever net profit on increased sales prices

Advanced Petrochemical (Advanced)'s revenue increased 39.4% YoY to SAR 3.1bn in FY21, largely driven by a rise in polypropylene (PP) prices by 51% YoY. Gross profit surged 45.2% YoY to SAR 1.1bn during the year on slower rise in cost of sales, while gross margin widened 135 bps YoY to 34.0%. General and administrative (G&A) expenses soared 53.7% YoY to SAR 168.8mn in FY21. However, higher topline led to a 45.9% YoY rise in operating profit to SAR 864.7mn, while EBIT margin expanded 124 bps YoY to 27.8% in FY21. Consequently, the company reported a 36.9% YoY jump in net profit (attributable to equity holders) to SAR 815.4mn in FY21. However, net margin contracted 48 bps YoY to 26.2% during the year.

Advanced reported improved performance during FY21, as the company recorded better topline and its highest net profit ever on improved global economic outlook, which led to increased demand for petrochemical products during the year. Sales volumes declined 7% in FY21 on periodic scheduled maintenance. However, the strong growth in topline was attributed to an increase in polypropylene prices by 51%. Despite higher feedstock prices during the year, the company's gross margins increased 135bps to 34.0% in FY21. The company's bottom line grew 36.9% YoY, attributed to its focus on cost optimization, operational efficiency, and dynamic marketing strategies. The company expects its Propane Dehydrogenation, Polypropylene & Isopropanol (PDH-PP-IPA) project in Jubail to be its key growth catalyst in the long term. The project is twice its current size and is expected to become operational by the second half of 2024. However, increasing debt and higher capex cost would weigh on its balance sheet and profit margins. In view of the aforementioned factors, we maintain a "Neutral" rating on the stock.

- Advanced's revenue surged 39.4% YoY to SAR 3.1bn in FY21, owing to a 51% YoY surge in PP prices.
- Cost of sales rose 36.6% YoY to SAR 2.1bn, mainly due to a surge in feedstock prices and elevated logistics costs.
- Gross profit climbed 45.2% YoY to SAR 1.1bn. Consequently, gross margin widened to 34.0% from 32.7% in FY20.
- Operating profit increased 45.9% YoY to SAR 864.7mn as the rise in G&A expenses was offset by the higher topline. EBIT margin expanded to 27.8% from 26.6% in FY20.
- Net profit increased 36.9% YoY to SAR 815.4mn, but net margin contracted to 26.2% from 26.7% in FY20.
- On February 15, the Capital Market Authority approved Advanced Petrochemical Co.'s request to increase its capital from SAR 2.16bn to SAR 2.60bn.
- Advanced's subsidiary Advanced Polyolefins Industry Co., recently signed a loan agreement worth SAR 3bn with the Saudi Industrial Development Fund. The facility is aimed to finance the construction of propane dehydrogenation and polypropylene plants.
- On 21 December 2021, Advanced's Board of Directors approved 6.5% cash dividend for 4Q21 at SAR 0.65 per share, amounting to SAR 140.7mn.

**Valuation:** We revise our target price to a fair value of SAR 59.7 per share but maintain our "Neutral" rating on the stock

	4Q21	4Q20	% YoY	FY22E	FY21	%YoY
Revenues (SAR bn)	905.4	632.8	43.1%	3,481.4	3,111.3	11.9%
Gross Profit (SAR bn)	251.3	216.9	15.9%	1,009.6	1,058.9	(4.7%)
EBITDA (SAR bn)	242.7	229.2	5.9%	1,086.0	1,087.0	(0.1%)
Net Profit (SAR bn)	161.7	179.8	(10.1%)	821.0	815.4	0.7%
EPS Basic (SAR)	0.73	0.83	(12.1%)	3.8	3.8	1.1%
Gross Margin (%)	27.8%	34.3%	(6.5%)	29.0%	34.0%	(5.0%)
EBITDA Margin (%)	26.8%	36.2%	(9.4%)	31.2%	34.9%	(3.7%)
Net Profit Margin (%)	17.9%	28.4%	(10.6%)	23.6%	26.2%	(2.6%)

Source: Company Financials, Yaqeen Capital

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**FY21 Results Update**  
**Yaqeen Capital Rating Methodology**

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March 14, 2022

Yaqeen Capital uses its own evaluation structure, and its recommendations are based on quantitative and qualitative data collected by the analysts. Moreover, the evaluation system places covered shares under one of the next recommendation areas based on the closing price of the market, the fair value that we set and the possibility of ascent/descent.

**Overweight:** The Target share price exceeds the current share price by  $\geq 10\%$ .

**Neutral:** The Target share price is either more or less than the current share price by  $10\%$ .

**Underweight:** The Target share price is less than the current share price by  $\geq 10\%$ .

**To be Revised:** No target price had been set for one or more of the following reasons: (1) waiting for more analysis, (2) waiting for detailed financials, (3) waiting for more data to be updated, (4) major change in company's performance, (5) change in market conditions or (6) any other reason from Yaqeen Capital.

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