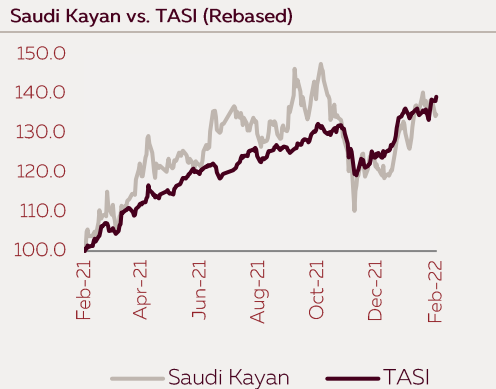


FY21 Results Update

February 21, 2022

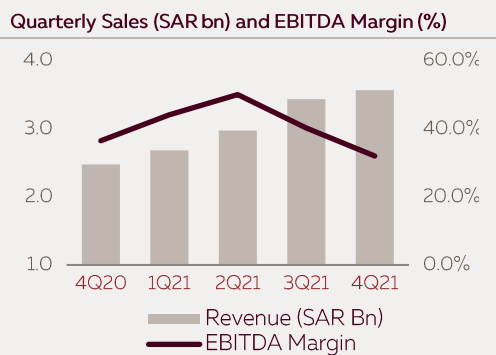
Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	19.3
Target Price (SAR)	19.6
Upside/Downside (%)	1.5%

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	28.9
52-wk High (SAR)	21.5
52-wk Low (SAR)	14.2
Total Outstanding shares (in mn)	1.5
Free Float (%)	65.0%



Price Performance (%)	Absolute	Relative
1m	3.7%	1.5%
6m	5.6%	(7.8%)
12m	34.7%	(4.5%)

Major Shareholders (%)	
Saudi Basic Industries Co.	35.00%



Source: Bloomberg, Company Financials, Yaqeen Capital; Data as of February 21, 2022

Saudi Kayan swings to profit amid higher average selling prices in FY21

Saudi Kayan Petrochemical Co. (Kayan)'s topline rose 58.1% YoY to SAR 12.7bn in FY21, driven by higher average selling prices (ASPs) of products. Gross profit surged 694.3% YoY to SAR 3.6bn in FY21, as cost of sales grew at a slower pace by 20.4% YoY to SAR 9.1bn during the year. Consequently, gross margin improved by 2,252 bps YoY to 28.1%. Higher selling, general and administrative expense was offset by the increase in the topline. The company reported operating profit of SAR 2.8bn in FY21 as against operating loss of SAR 167.4mn in FY20. Operating margin stood at 22.3% vis-à-vis (2.1%) in FY20. The lower finance cost counterbalanced the drop in finance income, resulting in net profit of SAR 2.4bn in FY21, compared with net loss of SAR 784.7mn in FY20. Subsequently, net margin improved by 2,871 bps YoY to 18.9% in FY21.

Kayan's performance strengthened in FY21, as the company recorded its highest revenue in the past nine years and swung to net profit after recording net loss in FY20. This was primarily attributed to the higher ASP of the company's products, along with the lower finance cost despite increased average feedstock cost. Kayan reduced its debt during the year and improved its leveraged position with a net debt to EBITDA ratio of 2.4x and debt to equity ratio of 0.8x. As economic activities are beginning to pick up pace owing to the global vaccination rollout, demand for petrochemical products is likely to increase in the near term. Additionally, the company is well positioned to meet the rise in demand after improving its operating efficiency, which is expected to boost Kayan's topline and profitability. However, in 4Q21, higher average feedstock prices negatively impacted the company's margins. In 4Q21, butane's average price climbed 22.4% QoQ and is expected to rise further, which could hurt the company's margins in FY22. In view of these factors, we continue to maintain our "Neutral" rating on the stock.

- Kayan's revenue rose 58.1% YoY to SAR 12.7bn in FY21 as the company's efficiency rate improved during the year after its olefins plant was shut down for maintenance in 1H FY21 and higher ASPs of the company's products.
- Cost of sales grew 20.4% YoY to SAR 9.1bn, largely due to the increase in average feedstock cost in FY21. Gross profit gained 694.3% YoY to SAR 3.6bn in FY21. Consequently, gross margin stood at 28.1% versus 5.6% in FY20.
- Growth in topline in FY21 resulted in the company reporting operating profit of SAR 2.8bn in FY21 as against operating loss of SAR 167.4mn in FY20. Subsequently, operating margin improved to 22.3% in FY21 from (2.1%) in FY20.
- The company reported net profit of SAR 2.4bn in FY21 as opposed to net loss of SAR 784.7mn in FY20, supported by the lower financial cost and higher margins. Subsequently, net margin stood at 18.9% vis-à-vis (9.8%) in FY20.

Valuation: We revise our target price to a fair value of SAR 19.6 per share and maintain our "Neutral" rating on the stock.

	4Q'21	4Q'20	% YoY	FY22E	FY21	% YoY
Revenues (SAR mn)	3,565.1	2,476.9	43.9%	11,770.9	12,656.2	(7.0%)
Gross Profit (SAR mn)	789.5	502.9	57.0%	2,838.0	3,557.7	(20.2%)
EBITDA (SAR mn)	1,139.9	957.1	19.1%	4,541.5	5,190.5	(12.5%)
Net Profit (SAR mn)	451.5	158.4	185.0%	1,779.7	2,392.8	(25.6%)
EPS Basic (SAR)	0.30	0.11	185.0%	1.19	1.60	(25.6%)
Gross Margin (%)	22.1%	20.3%	1.8%	24.1%	28.1%	(4.0%)
EBITDA Margin (%)	32.0%	38.6%	(6.7%)	38.6%	41.0%	(2.4%)
Net Profit Margin (%)	12.7%	6.4%	6.3%	15.1%	18.9%	(3.8%)

Source: Company Financials, Yaqeen Capital

Yaqeen Capital Rating Methodology

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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