

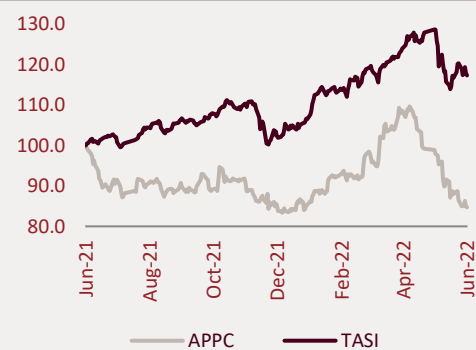
1Q22 Results Update

June 9, 2022

Recommendation	Neutral
Previous Recommendation	Neutral
Current Price (SAR)	57.3
Target Price (SAR)	60.0
Upside/Downside (%)	4.6%
<i>As of June 8, 2022</i>	

Key Data (Source: Bloomberg)	
Market Cap (SAR bn)	14.9
52-wk High (SAR)	75.0
52-wk Low (SAR)	54.7
Total Outstanding shares (in mn)	260
Free Float (%)	87.2%

Advanced vs. TASI (Rebased)

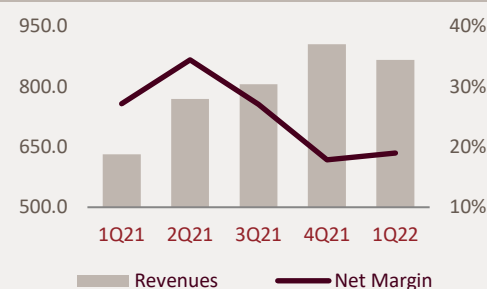


Price Performance (%)	Absolute	Relative
1m	(13.4%)	(4.6%)
6m	(0.8%)	(15.4%)
12m	(15.3%)	(32.6%)

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 June 8, 2022

Rise in feedstock prices drags margins in 1Q22

Advanced Petrochemical (Advanced)'s revenue surged 37.1% YoY to SAR 866.3mn in 1Q22, largely due to a 35% YoY increase in sales volume. Gross profit rose 5.4% YoY to SAR 210.8mn during the quarter. However, gross margin contracted by 733 bps YoY to 24.3%, mainly due to higher feedstock costs in 1Q22. During the quarter, propane and propylene prices rose 40% and 27%, respectively. Lower general and administrative (G&A) expenses offset the rise in selling and distribution (S&D) expenses and led to 11.3% YoY rise in operating income to SAR 181.9mn in 1Q22. However, EBIT margin narrowed 488 bps YoY to 21.0% in 1Q22. Loss on share in results of associate during the quarter led to 4.1% YoY decline in the net profit to SAR 164.4mn. Consequently, the net margin contracted 815 bps YoY to 19.0% during the quarter.

Advanced reported a weak set of results in 1Q22 as the bottom line declined owing to decrease in share of profit on SK Advanced investment by SAR 30mn, coupled with rise in offshore logistic cost during the quarter. The company's topline improved during the quarter, supported by 35% YoY rise in volumetric sales. However, growth in the topline was offset by higher feedstock prices during the quarter, which negatively affected gross margin (down 733bps to 24.3%). Propene and propylene prices rose significantly during the quarter. Advanced continue to focus on cost optimization, operational efficiency, and dynamic marketing strategies which led to lower operating expenses. However, the company's bottom line slipped 4.1% YoY, mainly due to loss on share in results of associate in 1Q22. The company expects its Propane Dehydrogenation, Polypropylene & Isopropanol (PDH-PP-IPA) project in Jubail, which is twice its current size and is expected to become operational by 2H24, to be a key driver for long-term growth. Additionally, Brent prices are expected to stay high throughout 2022; as a result, average selling prices are likely to be high during the rest of the year. In view of the aforementioned factors, we maintain a "Neutral" rating on the stock.

- Advanced's revenue soared 37.1% YoY to SAR 866.3bn in 1Q22, mainly driven by a 35% YoY rise in volumetric sales.
- Cost of sales surged 51.8% YoY to SAR 655.5mn, owing to rise in feedstock prices and logistics costs. Propane and outsourced propylene prices rose 40% and 27%, respectively.
- Gross profit increased 5.4% YoY to SAR 210.8mn. However, gross margin contracted to 24.3% from 31.7% in 1Q21.
- Operating profit climbed 11.3% YoY to SAR 181.9mn as the rise in S&D expenses was offset by the higher topline and lower G&A expenses. EBIT margin narrowed to 21.0% from 25.9% in 1Q21.
- Loss on share in results of associate resulted in a 4.1% YoY decline in the net profit to SAR 164.4mn. Subsequently, the net margin contracted to 19.0% from 27.1% in 1Q21.
- On 28 March 2022, Advanced's Board of Directors recommended 5.5% cash dividend for 4Q21 at SAR 0.55 per share, totaling SAR 143.0mn.

Valuation: We retain our target price of a fair value of SAR 60.0 per share and maintain our "Neutral" rating on the stock.

	1Q22	1Q21	% YoY	FY22E	FY21	%YoY
Revenues (SAR bn)	866.3	631.7	37.1%	3,313.7	3,111.3	6.5%
Gross Profit (SAR bn)	210.8	200.0	5.4%	911.3	1,058.9	(13.9%)
EBITDA (SAR bn)	238.9	213.9	11.7%	955.7	1,087.0	(12.1%)
Net Profit (SAR bn)	164.4	171.4	(4.1%)	699.5	815.4	(14.2%)
EPS Basic (SAR)	0.63	0.66	(4.1%)	2.7	3.1	(14.2%)
Gross Margin (%)	24.3%	31.7%	(7.3%)	27.5%	34.0%	(6.5%)
EBITDA Margin (%)	27.6%	33.9%	(6.3%)	28.8%	34.9%	(6.1%)
Net Profit Margin (%)	19.0%	27.1%	(8.2%)	21.1%	26.2%	(5.1%)

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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